

## Section 3.2

### Expenditures

**Reduced Expenditures can have the same impact on a municipality as increased revenues.**

Local governments across Nova Scotia are facing common fiscal problems, where they have limited revenue resources while they are facing increasing responsibilities and expectations from their citizens. Section 3.1 dealt with Revenue Sources for municipalities, examining all the traditional sources of revenue, as well as alternative sources of revenue. At the other end of the equation, an examination of methods of reducing expenditures can have the same effect as increasing revenue sources.

The goal of this section is to provide decision makers with a greater perspective on what options are available to reduce expenditures. These options examine methods used in other North American municipalities to confront fiscal problems. This section provides three main responses to expenditure reductions:

- A. Revenues through Auditing
- B. Review of Municipal Operations and Services
- C. Partnerships

#### A. Revenues through Auditing

**Lost revenues through the overpayment of charges by the municipality.**

Local governments pay millions of dollars annually for services such as electricity, oil, water, communications (telephone, cell phone, Internet, etc.) and leases and service contracts on equipment (vehicles, copiers, fax machines, computers, etc.). Research has indicated many municipalities have been overcharged for some of these services.

Apart from the annual municipal audits, there is a need for a municipality to look at all costs in minute detail, to ensure the municipality is getting what it is paying for and not being overcharged. Human error is one factor, but it has also been found to include:

- complicated rate structures
- difficulty in interpreting invoices
- incorrect use of a meter
- incorrect prorating of charges

**The rationalization of municipal services.**

- reconfiguration of telecommunications networks
- leases and service contracts which continue after the equipment has been removed

Municipalities which have conducted such audits in the past achieved refunds and savings, which in some cases were quite significant.

**B. Review of Municipal Operations and Service**

Municipalities over the decades have increased not only the level of service they provide, but they have provided a greater variety of services to the public. The question arises whether municipalities can afford to provide all of these services. Therefore, a municipality should be rationalizing whether the services it provides should be maintained or maintained at existing levels.

The municipality should ask itself some basic questions:

- Can the municipal operations and services be rationalized in terms of a cost benefit analysis? This would include a review of economic, political and social factors.
- If the municipal service or operation cannot be justified through such a review, should it be maintained?
- Is the same service provided by the private sector? And if so, can they provide it more effectively and efficiently?
- If the municipal service or operation can be justified, what can be done to improve the effectiveness and efficiency to address any budgetary constraints?
- Are there alternative servicing strategies which could resolve the budgetary constraints, for example, encouraging a greater use of volunteers or partnerships with organizations which can maintain municipal facilities?

**If the municipality cannot do it alone, consider the partnership option.**

### C. Partnerships

Partnerships provide a means to the sharing of costs and resources with another party. As partnerships can reduce costs to a municipality, they have the same effect as increased revenues. These other parties can include other municipalities, interest groups or private consulting firms.

Apart from the economic benefits of partnerships, there are other advantages to partnerships which make this avenue worth considering, including:

- Each of the participants brings some special resource, usually it is financial in nature, however, there is also the pooling of technical resources. This increase in technical skills for the partnership has the advantage of increasing the critical mass of resources in a project so that the sum of the whole is greater than the sum of the parts.
- With this greater pool of resources, there is the ability to accomplish not only more tasks, but a greater diversity of tasks.
- Partnerships create greater support from the participants in ensuring the projects are completed in a timely fashion and as effectively and efficiently as possible.
- Partnerships can create an image of a municipality which encourages participation and which shares responsibility for initiatives and actions.
- Partnerships can foster a greater understanding, appreciation and cooperation amongst participants to achieve a common goal.

Partnerships can take the form of formal arrangements to informal arrangements. The formal partnerships generally include a written agreement, outlining the purpose, time frame, tasks, responsibilities and financial commitments from each of the participants. The informal partnerships, do not have the same level of commitment, where groups or levels of government work together, usually in the form of

committees to achieve a common goal, however, the informal arrangements are easier to withdraw from or dissolve if they are not working.

There are four basic types of partnerships; including:

1. **Intergovernmental partnerships**

These partnerships would include municipal, provincial and/or federal levels of government. In this context, the provincial and federal levels of government would have a broader collective interest which may be addressed in the community development process. In these cases, the senior level of government would act as a catalyst, providing professional resources, information and financial assistance to achieve a common goal. In those cases where only financial assistance is provided, it is not a true partnership, however, it may develop as a partnership between the levels of government, if there is a level of evaluation and accountability required in the process.

2. **Inter-municipal partnerships**

Inter-municipal partnerships range from those municipalities which operate within imposed institutional structures, to formal structures of cooperation but municipalities may opt out if they wish, to informal arrangements where municipalities are often dealing with a particular activity or issue.

Inter-municipal partnerships are particularly effective for smaller municipalities to pool their resources so that they would have the critical mass of technical or financial resources to deal with a particular project. Examples could include solid waste programs, transit and planning.

3. **Public/private partnerships**

The private sector is usually profit motivated and unless a project can satisfy this basic need, the private sector may not become involved in projects no matter how desirable they may be for the community. At the same time, there are situations where the public sector does not have the resource to complete

a project which would benefit the community by itself. In these situations, there is the opportunity for the public sector to create a partnership with the private partner which would satisfy the public sector's goal of developing a project or program which would benefit the community as a whole and satisfy the private sector's need for financial return. As a result, these public and private sector partnerships have been gaining greater interest, as it has been demonstrated that such a partnership is a win/win situation.

#### 4. **Partnerships outside the formal public sector**

In any municipality, there are a variety of interest groups (for example, environmental groups, service clubs, business groups, recreation clubs or organizations), which have a common interest of promoting and maintaining programs and projects which will benefit the community as a whole. The municipality has the opportunity to foster links between these groups to form partnership on specific projects, even though there may not be a formal link between these partnerships and the municipality.

Examples of such partnerships have been demonstrated in numerous municipalities across North America, where:

- There have been a variety of downtown redevelopment projects where both the private and public sectors have agreed to share in the costs of development. The result has been the rebirth of the downtown areas into vibrant residential and commercial neighborhoods.
- Chambers of Commerce have taken on tourist information functions and strategic economic planning programs.
- Local business community organizations have served as the marketing agents for a community.
- Service clubs or businesses have been used to organize and run community events and festivals.
- Sports clubs or businesses have taken over the

maintenance and operation of sport facilities.

The types of activities which can be accomplished within these types of partnerships can be characterized as follows:

1. **Buying Things Together**

Municipalities can take advantage of increased economies of scale to get better deals from sellers if they go together for larger purchase orders rather than buying individually. These buying partnerships can be particularly effective for the smaller municipalities, where they could use this power to negotiate better prices on products from everything from office equipment, computers, road salts, vehicles, cellular phones to recreation equipment. In addition, this purchasing power can also be used to negotiate services, for example office equipment maintenance programs, phone rates, engineering studies and legal services. Under such partnerships, the savings can be substantial.

In Nova Scotia, municipalities can purchase with the Province to achieve savings.

2. **Selling Things Together**

Again the economies of scale can work to the advantage of smaller municipalities in forming partnerships to maximize the asset value of products and services by offering them collectively on the market. Partnerships in this form can include activities ranging from recreational programs, recycling programs for plastics and newsprint, information services, consulting services, to the sale of surplus goods.

3. **Building Things Together**

The development of recreation facilities, water and waste water treatment projects or downtown redevelopment programs, can often be greater than what a smaller municipality can afford to contemplate. In pooling resources with other smaller municipalities or private firms, there is the ability to secure the necessary capital and share the risks amongst the partners. In

many instances, this may be the only feasible way for a such project to be completed. (Note: when dealing with private firms, the legislation does restrict the types of partnerships, therefore, check with the municipal solicitor to review the *Municipal Government Act*.)

#### 4. **Operating Things Together**

As municipalities face increasing difficulties to maintain many of their services, there has been a growing reliance on partnerships. Such relationships have often developed with recreation facilities, for example, soccer and baseball clubs have assumed the operation and maintenance of the fields in lieu of or for reduced user fees. This ensures that the level of maintenance meets the requirements of the sports clubs, while reducing the costs to the municipality.

#### **Conclusions**

There are a variety of options available for a municipality to reduce its expenditures. What is required is innovative thinking and the willingness to attempt new programs to achieve this goal. It may also require some hard choices about existing municipal services.

## Further Information

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