



Municipal Financial Sustainability

Policy Position of Association of Yukon Communities (2025-26)

Municipal Financial Sustainability. *Association of Yukon Communities – For
Discussion, April 2025*

1. Background

Municipal governments are the frontline providers of essential services including water, waste management, transportation, recreation, land use planning, and emergency response. Yet, the fiscal tools available to them remain limited, outdated, and ill-suited to the growing demands placed on local governments.

Yukon municipalities face unique fiscal challenges stemming from their small tax bases, geographic remoteness, rising operational costs, and limited revenue-raising authority. The primary sources of municipal revenue—property taxes, user fees, and intergovernmental transfers—are not sufficient to address infrastructure deficits, climate resilience, and service delivery expectations.

The Federation of Canadian Municipalities (FCM) has called for a Municipal Growth Framework and reforms to ensure municipalities have predictable and flexible funding to meet growing infrastructure, housing, and climate responsibilities. In the Yukon, financial sustainability is not only a local issue but a territorial and national one, impacting the long-term viability of communities.

2. Yukon and Northern Context

Financial sustainability challenges in the Yukon are compounded by:

- High per capita costs for delivering basic services due to low population density and remote geography;
- Increasing reliance on senior government transfers, often project-based and unpredictable;
- Limited staffing capacity to manage complex grant applications, financial reporting, and asset management;
- A narrow property tax base that does not reflect regional economic activity, such as resource extraction or tourism; and
- Pressure to maintain infrastructure and services without the scale advantages available to larger jurisdictions.

These factors create a structural imbalance between municipal responsibilities and available revenue tools.

3. Policy Position

The Association of Yukon Communities advocates for a renewed municipal fiscal framework co-developed with the Yukon and federal governments. This framework should provide long-term, stable, and flexible funding while enabling municipalities to plan for growth, maintain infrastructure, and deliver quality public services.

Financial sustainability should also include capacity-building initiatives and modernized legislative tools to allow municipalities to respond to local and regional opportunities.

4. Recommendations

AYC calls on the federal and territorial governments to:

1. Consider a Yukon-specific Municipal Growth Framework, aligning with the current Comprehensive Municipal Grant mechanism and also with FCM's national recommendations, to ensure sustainable and equitable funding mechanisms for communities of all sizes.
2. Expand the scope and flexibility of the Canada Community-Building Fund, including broader eligibility and multi-year operational support.
3. Create a Municipal Capacity Fund to support financial planning, asset management, grant administration, and training for elected officials and municipal staff.
4. Work with the Yukon Government to explore new revenue tools, such as local tourism levies, service fees for commercial and industrial activity, or revenue-sharing models for natural resource developments.
5. Simplify and harmonize reporting requirements across federal and territorial grant programs to reduce administrative burdens and support smaller municipalities.
6. Consider a tri-government Fiscal Working Group including representatives from AYC, the Yukon Government, and Indigenous governments to oversee financial sustainability planning and legislative modernization.

5. Strategic Considerations

- Aging infrastructure and service demands: Fiscal pressures will increase without stable revenue to maintain aging capital assets and meet growing service demands.

- **Limited economies of scale:** Most Yukon municipalities operate without the scale or density to achieve cost-efficiencies common in southern jurisdictions.
- **Inflation and trade-related cost increases:** Tariffs and supply chain instability further strain already-tight municipal budgets.
- **Administrative complexity:** Reporting and compliance requirements are often disproportionate to the scale and capacity of small municipalities.
- **Equity in revenue generation:** Current frameworks do not account for regional economic contributions (e.g., mining) that may occur outside of municipal tax boundaries.

6. Implementation

To support effective implementation of a renewed fiscal framework, AYC recommends:

- **Launching a Yukon Municipal Finance Review** in partnership with the Yukon Government to identify revenue gaps and legislative reform opportunities.
- **Piloting flexible funding agreements** for smaller communities to streamline reporting and improve cash flow.
- **Developing shared services agreements** to reduce overhead and expand access to finance, HR, project management, and procurement expertise.
- **Providing targeted training and mentorship programs** to support financial literacy, grant writing, and long-term capital planning.