



**UBCM Select Committee on Local Government Finance
Summary of findings and early thoughts on recommendations
Prepared for Area Association Workshops April/May, 2013**

COMMITTEE MEMBERSHIP AND MANDATE

The UBCM Select Committee on Local Government Finance was established in late 2012, and is to report to the UBCM Executive by July 2013 about whether local governments have the right revenue tools for the services they now deliver or whether changes are needed. The Committee members are:

- Chair Al Richmond, from Cariboo Regional District, who sits as third Vice-President on UBCM Executive, and co-chair of the Committee;
- Mayor Greg Moore, City of Port Coquitlam, and Chair of Metro Vancouver Regional District, and the other co-chair of the Committee;
- Mayor Frank Leonard, District of Saanich;
- Mayor Taylor Bachrach, Town of Smithers;
- Ms. Carol Mason, CAO, Metro Vancouver;
- Mr. Paul Macklem, General Manager, Corporate Services, City of Kelowna

In addition, UBCM has contracted the services of Mr. Dale Wall, former Deputy Minister, Ministry of Community, Sport and Cultural Development, to support the work of the Committee.

HOW IS THE COMMITTEE TACKLING THE WORK?

The Committee looked at the strengths and weaknesses of the current system, considered a long list of options, and are consulting with local government leaders at area associations. The consultations will inform the Committee's work as it short lists options and develops key directions and recommendations.

FINDINGS IN RELATION TO THE LOCAL GOVERNMENT SYSTEM

Strengths

BC's system of local finance has a number of strengths, including the current property tax system, which typically provides both a stable and predictable revenue stream. Other identified strengths include: per capita costs that are among the lowest in Canada; competitive property taxes; a modern, flexible legislative framework; and a positive impact on the infrastructure deficit from nearly 20 years of infrastructure programming.

Weaknesses

The system is heavily reliant on the property tax, which is not particularly responsive to economic growth, and does not fairly distribute costs across income levels. Further, the reliance on property tax does not always allow for a good match between the benefit of a service and its cost to a taxpayer. Further weaknesses of the system noted include: significant costs over the next 10 years for infrastructure upgrades required because of new federal or provincial regulations; and the lowest levels of Provincial support in western Canada.

EARLY THOUGHTS ABOUT KEY DIRECTIONS

We expect that the infrastructure upgrades needed over the next decade or so will severely stress the system and will serve to highlight the weaknesses in the current set of revenue tools. At the same time, we are faced with challenging economic and fiscal realities, and we know there is only one taxpayer, who is also feeling these realities.

We know the solutions to these issues will be challenging, and that they won't be found in quick-fixes. So we are striving to find solutions that are durable and that resonate with all orders of government and with taxpayers – both individuals and businesses.

Our early thoughts are to make recommendations for action under the following suite of key directions:

Strengthen resiliency

This focuses on protecting what we have and seizing opportunities to strengthen existing tools, and examples include: finding ways to ensure unconditional grants aren't subject to annual Provincial budget deliberations; securing further long-term infrastructure funding commitments; and greater flexibility around things like development cost charges and hotel room tax.

Develop a process to address cost drivers that are driven externally

This recognizes that costs like policing or mandated infrastructure upgrades are not currently within our control, so we need to find ways to manage these in different ways – perhaps through an on-going dialogue with the Province and through changes in the way regulations are developed and implemented.

Partner with the Province on building the economy, and sharing in the benefits of that growth

This supports a process in which local governments partner with the Province to grow the economy and then share in the benefits of that growth. We're also looking at managing the revenue that will be coming in during the good times in a way that will allow it to be used in the lean times, to both reduce our costs of doing business and smooth out the cyclical nature of the economy.

Develop options for long-term realignment of revenues

This focuses on making improvements to the system to overcome some of its inherent weaknesses, and includes both property tax reform and consideration of other revenue sources. We will be developing a framework under which these choices could be evaluated, including a set of principles such as: improved responsiveness to economic growth; a more progressive distribution of local taxes across income ranges; and practical administrative arrangements.

Champion local government innovative practices

This recognizes that local government leaders have developed innovative practices and that by championing these through broader dissemination will help to ensure the system evolves in ways that best meet local government interests. We have a strong history of improving the local government system from within, and are committed to doing this with innovative local government finance practices.