

Strong Fiscal Futures

A Blueprint for Strengthening BC Local Governments' Finance System

INITIAL PRIORITIES: BUILDING THE ECONOMY AND BUILDING COMMUNITIES

Local governments are ready to help grow the economy. At the same time, we want to work with the provincial government to design a framework that will deliver fairer, more responsive revenue tools to the local government system as the economy improves.

A key component of our framework is an approach that would see revenues delivered to the local government system in years of high economic performance – revenue that could then be used to build communities.

Responsiveness is the key direction that advances this local government agenda – and it involves both growing the economy and sharing in the benefits of that growth. This will help to reduce reliance on the property tax – a tax that does not adequately reflect changes in the BC economy – by providing revenues that do respond to economic growth. A key element of the plan is that revenues are delivered through an Infrastructure and Community Development Bank.

Growing the economy

Engagement of local governments will be most effective if coordinated with provincial economic development policy. Specific engagement will vary according to region and need, but might include such things as regional economic strategies, and common sense approaches to harmonization of zoning categories and regulatory frameworks.

Infrastructure and Community Development Bank

This is a new concept in which a share of provincial revenues in years where the economy performs above a set benchmark would be deposited in a special account with Municipal Finance Authority. The revenue would then be available to fund local and regional infrastructure and other community building investments.

A key component of the concept is that timing of the expenditures from the Bank can be flexible. This can support a smoothing of what may be a volatile revenue stream, and it would also allow spending to be focused on years of slower economic growth, when construction costs are more affordable and a measure of stimulus is required.

The concept also has a performance-pay dimension since the amount shared increases as the economy improves.

A range of design elements will need to be addressed during provincial/local government implementation discussions including: specific economic performance benchmarks; the proportion of revenue to be shared above those benchmarks; and, how and when individual local governments access shared revenue.

Once implemented, however, the Bank will provide both a means to reducing reliance on the property tax, and access to funding for community building and infrastructure projects that in themselves can support further economic growth.