

2. EXECUTIVE SUMMARY



2013 Strong Fiscal Futures Report

*The Strong Fiscal Futures Report – A Blueprint for Strengthening BC Local Governments' Finance System*¹ (SFF) was developed in 2013, and presented to UBCM membership and the provincial government as a blueprint for change to the British Columbia local government financial system. The SFF evaluated strengths and challenges inherent in the existing system of local government finance in BC.

The SFF included an analysis of potential revenue tools that was supported by a framework, or blueprint, that established an agenda for change and necessitated a partnership between the Province and local government to grow the economy. It focused on five key directions – Resiliency, Value, Responsiveness, Fairness, and Excellence. It also identified initial priorities, which included addressing cost-drivers.



Local governments want to be part of the solution, and we need to engage in meaningful dialogue with the Province in relation to expenditure pressures that are largely outside of our direct control, as well as drive change from within by highlighting excellence, and by developing tools and resources to enhance the local decision making framework.

– SFF 2013

Underpinning SFF's proposed agenda for change was the desire to establish a partnership and an ongoing dialogue with the provincial government. It was understood that in order to address local government financial challenges effectively, solutions could only be achieved through partnership with the provincial government. Unfortunately, at the time, the SFF received little to no traction at the provincial level, and as such, has remained largely unimplemented.



UBCM Select Committee on Local Government Finance (2019-21)

The UBCM Executive and UBCM membership continued to strongly support the principles, goals and objectives captured in the SFF. This was highlighted at the 2019 UBCM Annual Convention where Resolution B21 – Strong Fiscal Futures was endorsed by the membership, and stated:



Therefore be it resolved that the Province commit to pursuing the Strong Fiscal Futures report as a flexible blueprint for a diversified local government finance system that is both fairer and more sustainable.

In 2019, the UBCM Executive provided direction to review and 'refresh' the SFF, re-establishing the UBCM Select Committee on Local Government Finance (Select Committee) with a renewed Terms of Reference². The Select Committee began its work in December 2019. Unfortunately, with the onset of the pandemic, the Select Committee's work was put on hold, re-starting in January 2021.

Early in the Select Committee's deliberations, two key strategic decisions were made:

1. Do not revise the 2013 SFF report. It remains a relevant/viable document, reflecting the challenges within the local government financial system and continues to represent a blueprint for change.
2. New work will focus on addressing local government cost-drivers.



In addition, the Select Committee established strategic goals and objectives to guide the work which included:

- Establish a strong partnership with the Province, recognizing that solutions to the identified issues cannot be achieved by an individual level of government.
- Solutions/outcomes must be anchored in common or shared provincial/local government goals, objectives and/or priorities.
- Solutions must be considered as a 'win-win'.
- Focus on solutions/outcomes where local governments can help achieve the outcome more effectively than the Province.
- Build awareness as to why changes are needed to provide local governments with new sources of revenue.

Finally, the Select Committee's approach was inclusive to all local governments; urban and rural, large and small, municipal and regional district, identifying issues, challenges and solutions that impact all local governments in BC.

The New Economy

The Select Committee placed a lens on the impacts of the pandemic on both provincial and local governments, and the impacts that the new (emerging) economy will have on government taxation and finance. As identified by BC's Emerging Economy Task Force³, the new economy will have the following characteristics: rapidly evolving; innovation-driven; diverse and inclusive; and low carbon, circular and sustainable.

There will be a continued shift from tangible to intangible assets. There are several implications on local government finance including increasing pressures on residential property tax. This trend re-emphasizes the need to review the local government property tax system to make it fairer, sustainable, and adaptable to the changing economy.



Addressing Cost-Drivers

The focus of the Select Committee and this report is on addressing local government cost-drivers. Three key areas are identified that all have strong alignment with both provincial and local government priorities as highlighted by provincial and UBCM strategy reports, policy and minister mandate letters.

The report describes the cost-drivers for each key area, and highlights their financial impacts and challenges. Additional analysis will be needed to quantify these impacts on a regional or provincial level.





The three key areas are:

Attainable Housing

There is a growing expectation for local governments to financially support attainable housing (market and non-market) through land contributions, servicing costs, Development Cost Charge (DCC) exemptions, waivers or reductions, and property tax exemptions.

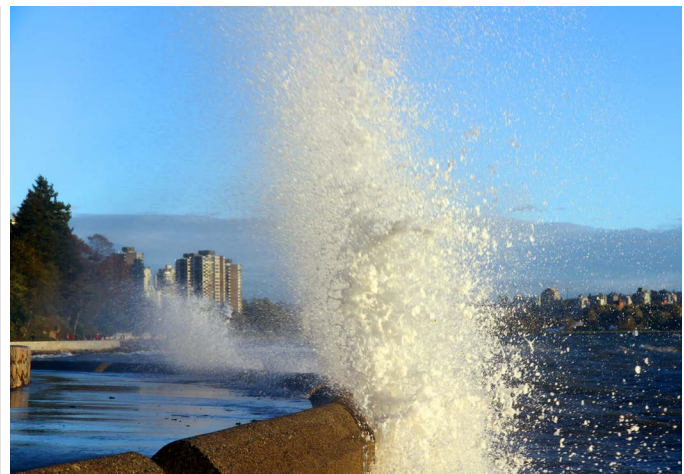


Community Safety

There are a broad range of emerging and/or provincially downloaded service requirements that have significant financial implications for local governments. These include emergency management and protective services (policing, justice, fire and ambulance services), cannabis legislation, and cybercrime (protection and response).

Climate Change

Mitigation and adaptation supports (significant capital and operating expenses) are required by local governments to reduce emissions and create weather resilient communities. These include supports for emergency management, housing and buildings, transportation/transit, and solid waste management.





Recommendations

The recommendations outlined in this report are solution-focused, with the understanding that solutions to these issues may include both financial and non-financial tools, including legislation, regulation, policy and/or best practices. By being solution focused, the recommendations provide an opportunity to achieve positive outcomes for both provincial and local government.

Finally, this report and its recommendations acknowledge that in order to achieve outcomes, it is essential for the Province to commit to work with UBCM – not only in addressing these key priority areas, but establishing a provincial commitment to partner and have an open dialogue about fiscal sustainability for local governments in BC.

