

5. ADDRESSING COST-DRIVERS FOR KEY FOCUS AREAS



The Select Committee formed sub-committees to review each of the three focus areas. For each area, the Select Committee identified the cost-drivers and highlighted the financial impacts and challenges. This section of the report provides a brief issue description, highlights some local government examples, and identifies the accompanying recommendation(s). A more fulsome description of each focus area's cost-drivers and detailed policy options to address the issues can be found in the appendices to this report.

It is recognized that additional analysis will be needed to quantify these impacts on a regional or provincial level, a task that should be done in collaboration with the Province.

Focus Area: ATTAINABLE HOUSING

Local Government Funding of Attainable Housing



Housing was historically the preserve of the Federal Government through to the 1990s at which time a progressive withdrawal of federal funding resulted in a downloading of responsibilities to the Province¹⁵. The primary role of local governments within the British Columbia housing policy framework is to plan for communities that are socially, economically and environmentally healthy and that make efficient use of public facilities and services, land and other resources. They do this through proactive community planning and the regulation of land use. In this role they act within the constraints of a narrow tax base and defined legislative authority.

In recent years, however, there has been a growing expectation for local governments to financially support attainable housing (market and non-market), through:

- **Land contributions** – granting, leasing or otherwise. In some cases, if local governments don't own land, they incur costs to acquire and then contribute it to social housing projects.

The City of North Vancouver has allocated a significant portion of its overall community benefits through development to achieve housing objectives. In 2020, this has amounted to a contribution to housing, in the form of securing net new rental homes, with a value of as much as \$30 million.



- **Servicing costs** – higher expectations exist now, spanning hard infrastructure, sidewalks, playgrounds, health – and these need to be paid for through municipal taxes. With growth, water and sewer services are reaching capacity thresholds, resulting in further capital costs for new infrastructure, as well as higher ongoing operating costs. Local governments have relied on the “growth to pay for growth” principle, but this does not work for non-market housing, and in some cases does not work for market housing.
- **DCC exemptions, waivers or reductions, and property tax exemptions** – there is growing pressure to exempt affordable housing from development cost charges or property taxes, which also effectively increases servicing costs for local governments.

In 2021, the City of Vancouver allocated operating funds totalling \$29 million to support housing affordability, in addition to \$276 million of active housing projects/programs funded in the City’s capital budget. Over the past 10 years, the City has allocated an average of \$120 million per year in secured community amenity contributions and development cost levies and provided an average of \$7 million per year in DCL waivers to support the development of non-market and rental housing.

RECOMMENDATION

5

The Province commit to working with UBCM on a comprehensive review of funding mechanisms for financing growth-related infrastructure services including Development Cost Charges and Amenity Agreements to:

- *Better capture growth related capital costs that are increasingly strained as a result of pressure for local governments to incentivize attainable housing;*
- *Provide local governments with flexibility to better reflect community circumstances and community objectives; and*
- *Create a consistent approach to land value capture and amenity charges that reduces the uncertainty associated with negotiated agreements.*



RECOMMENDATION

6

The Province commit to work with UBCM to identify the appropriate revenue source(s) that may both increase funding available for attainable housing and incentivize the use of residential property for housing. Potential sources include, but are not limited to:

- *New taxation powers, such as vacancy taxation, to be granted to local governments for use at their discretion;*
- *Returning funds from existing revenue sources such as the speculation tax, to the jurisdiction in which they are collected, for provision of attainable housing;*
- *Modifications to the property transfer tax to make it more progressive and/or disincentivize rapid resale ('flipping'); and*
- *Short-term rental taxation.*

New Provincial Requirements for Planning Approvals

Recent changes to the building code to include higher energy standards in accordance with the Energy Step Code have resulted in a number of challenges for local governments, and particularly those in rural, remote and northern regions, due to:

- Lack of local training opportunities for the building community;
- Lack of qualified Energy Advisors, and the possibility that some small and remote communities will not have an adequate workload to entice an Energy Advisor to do business in the area;
- Lower availability of materials and higher material costs in rural communities leading to concerns of affordability among residents;
- Additional costs of energy consultants and mandated energy solutions; and,
- Lower capacity within small local governments.

These issues have been raised through UBCM member endorsed resolutions (2020-EB87, 2020-NR73), and also via the Development Approvals Process Review.¹⁶

RECOMMENDATION

7

The Province, in partnership with UBCM and other stakeholders, commit to improving the effectiveness and efficiency of the development approval processes for which each stakeholder, including the development industry and Province, is responsible.



Costs of Homelessness



Closely related to the broader affordability crisis, local governments have been faced with a growing challenge of housing and providing services to address homelessness. This is a challenge faced by communities in all regions of the Province. For example, in their 2020 homeless counts, the Homelessness Services Association of BC identified homeless individuals in:

Comox Valley	132
Cranbrook	63
Fort St. John	76
Quesnel	121

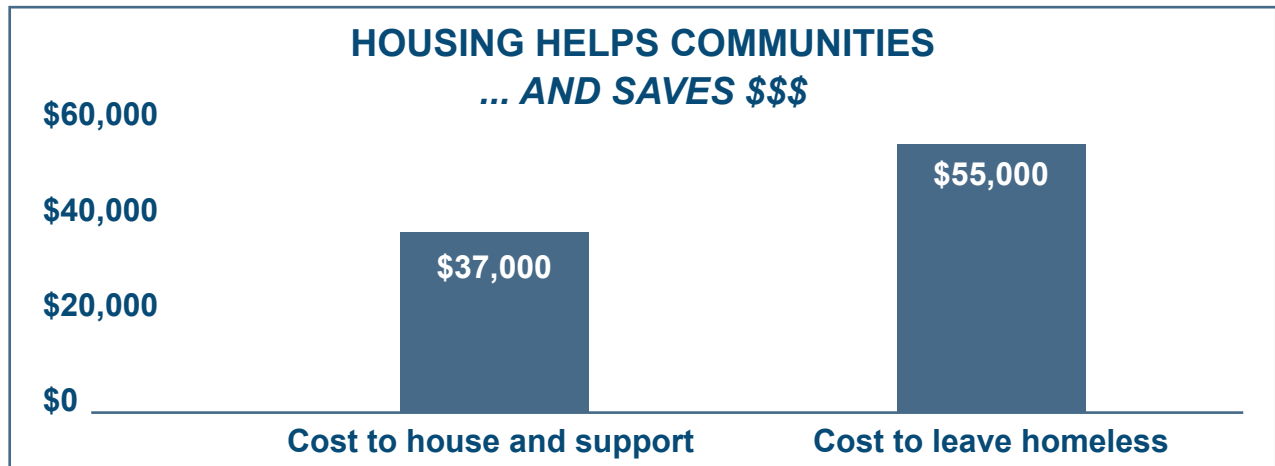
A 2018 report on homeless counts across the Province identified 7,655 individuals experiencing homelessness in 24 communities, while noting that all point in time counts are an undercount and do not capture the hidden homeless and those at risk of homelessness.

Local governments bear wide ranging costs associated with homelessness, including community service, legal and policing costs related to homeless encampments and homelessness more broadly. They incur costs to address public safety, such as security costs for complex needs or social housing because of onsite drug use. Municipalities also often need to hire new bylaw officers to address issues arising in homeless camps, and additional parks workers to clean up parks each morning where there is overnight camping.





Several studies have pointed towards the high costs associated with homelessness, including a Simon Fraser University study estimating that it costs \$55,000 per person per year to leave someone with mental health issues homeless in British Columbia versus a housing and support cost of \$37,000.¹⁸



For local governments specifically, costs are highly context specific, but for example:

The City of Victoria estimates that in 2020, it spent \$1.4 million managing encampments.¹⁹

RECOMMENDATION 8

The Province to commit to partner with UBCM and local governments, recognizing and reversing the historic downloading of jurisdictional responsibility on housing, in the development and implementation of a province-wide homelessness strategy.



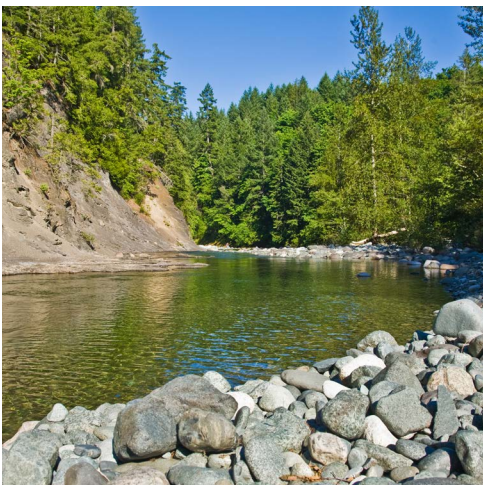


Focus Area: COMMUNITY SAFETY

Emergency Management – Long-Standing Issues and Cost-Drivers, including those Related to Climate Change.



As climate change increasingly impacts BC's environment, emergency management is becoming an even more important and costlier local government responsibility. Local government responsibilities include provincial requirements to prepare an emergency plan and maintain an emergency management organization. The Province, through EMBC, acts as the lead coordinating agency for emergency management activities; and, works in collaboration with stakeholders to address larger-scale emergencies.



While there is a seemingly endless list of long-standing issues and cost-drivers impacting local governments, the Community Safety Sub-Committee has discussed and focused on the following:

- Impacts related to climate change, including:
 - More wildfires leading to higher firefighting costs and firefighters being deployed outside their local areas;
 - The relation between increased flooding and slope stability;
 - Floodplain issues; and
 - Higher diking costs.
- General responsibilities under the four key pillars of emergency management (mitigation, preparedness, response and recovery); and
- Emergency management costs being downloaded (e.g., finding volunteers to manage emergency support services).





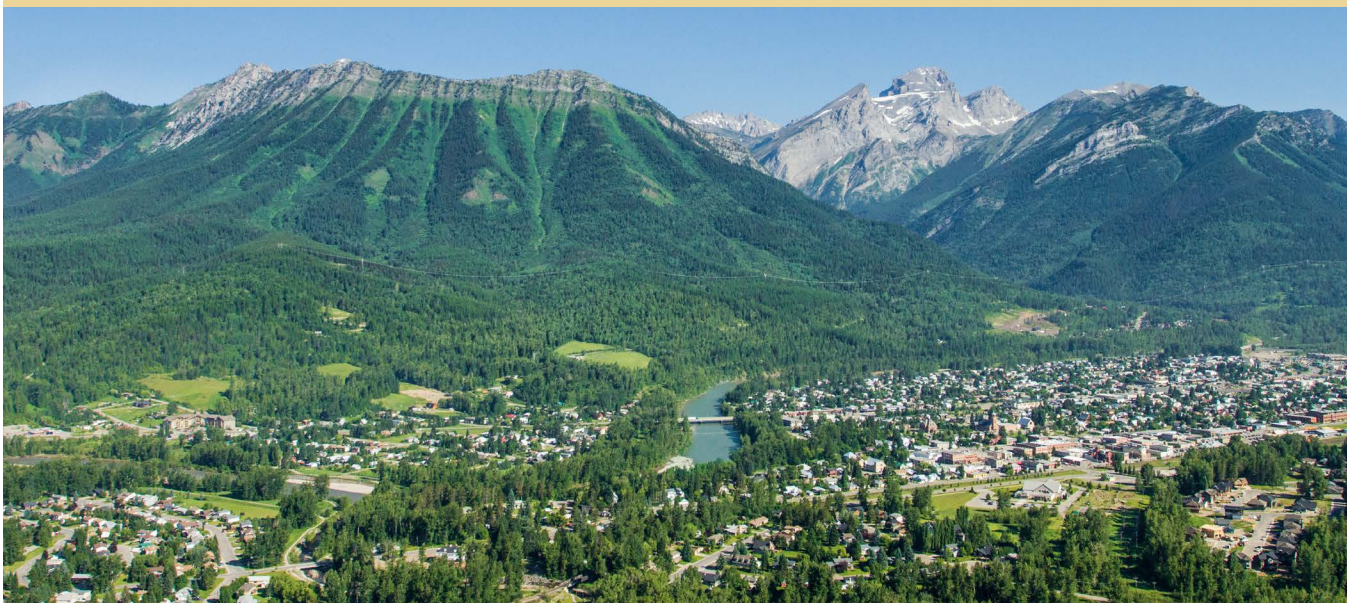
The Province is currently working to modernize BC's emergency management legislation. This process is likely to add additional costs and responsibilities for local governments as the Province works to incorporate the Sendai Framework on Disaster Risk Reduction, and focus more effort on mitigation and recovery pillars. As part of this work, the Province released a 2019 discussion paper containing numerous recommendations, including 29 key policy shifts for consideration. UBCM summarized feedback submitted by local governments, and made several broad recommendations including the need for a sustainable funding framework for local governments to address emergency management responsibilities; and additional provincial support services to help address local government emergency management capacity issues.²⁰

In 2020, the East Kootenay Regional District spent \$905,872 in staff costs, materials and other expenses related to responding to emergencies and disasters within its boundaries. Even after deducting COVID-19 related expenses (\$66,565), the total cost represents more than was spent during the previous three years combined (\$827,862).

RECOMMENDATION

9

Work with the Province on the development of a local government funding and support framework to address new and ongoing emergency management costs.





Protective Services – Cost-Drivers Related to Policing and Justice



Public safety is a core service directly provided by many local governments, and policing is a highly expensive component. Under the BC Police Act, the Province is responsible for the provision of policing services to local governments under 5,000 in population and unincorporated areas. Local governments over 5,000 in population assume responsibility for providing, and bearing the necessary expenses of, policing within their boundaries. The current structure of police funding has left local governments paying two-thirds of the costs of policing in British Columbia, which in 2019 amounted to over \$1.35 billion.²¹

In June 2020, Mike Farnworth, Minister of Public Safety and Solicitor General, announced the Province's intent to review the Police Act, with particular focus on ensuring legislation adequately addresses issues such as harm reduction, mental health and systemic racism. The review and UBCM's submission have helped draw attention to many broad areas where both local governments and the Province are impacted (e.g., mental health and policing, governance, efficiency/effectiveness).

Members of the Select Committee on Local Government Finance have raised many important local government concerns and cost-drivers related to policing and the justice system:

- Addictions and mental health issues falling to local police;
- Escalating salaries;
- Lack of provincial investment (e.g., front-line officers, mental health, training, etc.);
- Vacancies and lack of front-line resources leading to staffing concerns and higher bylaw enforcement costs;
- Overburdened court system that is leading to more individuals (e.g., repeat/prolific offenders) being released;
- Restorative justice costs;
- Cost of police-based victim services;
- Gang violence;



- 911 emergency communication service delivery;
- Increased costs resulting from the Surrey Policing Transition (e.g., shared services, divisional administration);
- The impacts of new daytime bail hearings (resulting from COVID-19), including additional staffing and technology requirements;
- Cost-share for integrated teams; and
- Cost of new equipment (e.g., carbine rifles, body worn cameras, etc.).

The overall policing operating and capital costs are rising at much higher rate than other sectors, to the point where the affordability and sustainability of police services are in question. Increasing operating costs for policing was also noted in the Strong Fiscal Futures report, as one of the most important financial concerns expressed by local government officials.

In 2019/20, RCMP officers spent an estimated 4,300 hours in Kelowna hospital waiting rooms, with their time valued at approximately 1% of the annual police budget. This is one of many factors that has contributed to the City's annual RCMP budget increasing from \$18.1 million in 2010 to \$37.5 million for the current year.

RECOMMENDATION

10

Work with the Province and with other key stakeholders, recognizing and reversing the historic downloading of jurisdictional responsibility for mental health and addiction services on local governments and locally-funded police, to develop a comprehensive strategy to address mental health and addictions patients.





Protective Services – Cost-Drivers Related to Fire and Ambulance Services



In British Columbia, BC Emergency Health Services (BCEHS) oversees the BC Ambulance Service, which provides public ambulance services to people throughout the Province. Local fire departments and societies also play a role in pre-hospital emergency services, providing rescue services (e.g., road rescue) in support of the provincial system. The system can have a significant effect on local fire departments, which can become overburdened if there are insufficient ambulance services. The lack of provincial ambulance services was evident during the late-June 2021 heat emergency, with increased demand resulting in many individuals having to wait multiple hours for an ambulance to arrive. Preliminary findings from the BC Coroners Service indicate that 580 individuals died as a result of this heat wave.²²

Local fire services are provided by local governments, who provide a number of emergency services in addition to fire suppression. Some of the primary cost-drivers identified through the Special Committee on Local Government Finance include excessive fire department operational requests/costs (e.g., new pumpers, tankers); training requirements (e.g., medical response); liability and insurance costs; and volunteer firefighters performing duties outside their core competencies (e.g., accident and cold water rescue).

In 2020, only 34% of calls to fire departments within the Cariboo Regional District were fire related.



UBCM's members have endorsed resolutions requesting additional provincial funding for highway and other rescue services (e.g., fire response); signed agreements outlining responsibilities of BCEHS and fire departments (e.g., mutual aid agreements); and provincial funding support for fire department staffing, compliance with standards, and capital costs. The Province has historically resisted providing additional compensation to local government fire departments for first responder services, often noting that participation is voluntary.

At the City of Kelowna, First Medical Response calls represent approximately 70% of the total annual responses from the Kelowna Fire Department. The Fire Department's medical response program, including certification, training, medical supplies and other necessities, costs the City approximately \$75,000 per year.

RECOMMENDATION

11

Seek a new protocol with the provincial government, recognizing each level of government's jurisdictional responsibility, in order to govern the provision of first responder services and address inefficiencies related to provincial emergency health services and the current response model.





Cannabis Legalization – Associated Costs and Responsibilities



In June 2018, federal legislation to legalize and regulate non-medical cannabis received Royal Assent. Legislation placed provinces and territories in charge of issues such as distribution, retail, public consumption and enforcement. The Province was also provided the ability to impose additional restrictions in areas such as minimum age, personal cultivation and personal possession.²³

British Columbia subsequently introduced its own legislation to address new responsibilities, leaving local governments responsible in traditional areas (e.g., policing and bylaw enforcement, land use management and business licensing). Another key local government responsibility is the ability to control and manage the retail sale of non-medical cannabis. It has been difficult for many local governments to project/quantify financial impacts as the cannabis framework is still developing (e.g., new policies regarding consumption lounges, farm-to-gate sales, and direct delivery are all under development). Findings from UBCM's 2019 cannabis cost survey provide a clear example of this challenge.

Despite the federal government's expectation that cannabis taxation revenue be shared with local governments, provinces and territories are under no legal obligation to do so (through the Federal-Provincial-Territorial Agreement on Cannabis Taxation).²⁴

In 2019, UBCM developed a survey for local governments to quantify their incremental expenditures associated with the legalization of non-medical cannabis. Respondents were asked to provide information covering the first three years of legalization, including projected costs for 2020. An extrapolation of the three-year total reported incremental costs of \$15.2 million (covering 44% of the BC population) equated to \$34.6 million for an average of approximately \$11.5 million per year in incremental costs to BC local governments. At the time, this represented 29.8% of the Province's cannabis excise tax revenue projection for the first three years of legalization.

RECOMMENDATION

12

Seek a targeted consumption tax that provides local governments a share of provincial cannabis taxation revenue.



Cybercrime – Protection and Response

Cybercrime is an emerging cost-driver for all orders of government, who are increasingly becoming the targets of online criminals. Provincial and local governments are facing rising costs to protect themselves and their employees, including those working from home. There are also costs associated with service disruptions and responding to attacks (e.g., overtime, productivity loss, IT costs), including attempted extortion through the use of ransomware – software used to block the access of data.

Improved security is becoming more costly, especially as the RCMP and law enforcement have been unable to adequately address these threats. This may be of particular concern for smaller local governments that may not have the resources to adequately protect themselves.

The City of Richmond spent approximately \$750,000 to set up its cyber protection system, and perform necessary system upgrades. Ongoing cyber protection costs amount to an additional \$305,000 per year.

RECOMMENDATION

13

Seek the establishment of a provincial program that provides local governments with expertise (e.g., systems and programs) and shared skills to protect and respond to cyber threats.



The Municipal Insurance Association of BC has noted that ransomware attacks targeting local governments have gone up by 60% since 2018.



Focus Area: CLIMATE CHANGE

Carbon Tax



In 2008, British Columbia implemented North America's first broad-based carbon tax of \$10 per tonne of carbon dioxide. The tax applies to the purchase and use of fossil fuels burned for transportation, home heating, and electricity, and covers approximately seventy (70) percent of provincial greenhouse gas emissions. The tax was 'revenue neutral' as the Province reduced personal income taxes and corporate taxes by the equivalent amount applied to and collected during the purchase and use of fossil fuels. By 2013, the Province was collecting approximately \$1 billion per year.

In 2017, the Province amended the Carbon Tax Act and eliminated the requirement that revenue measures be introduced to offset carbon tax revenues. This means that the provincial government is permitted to spend carbon tax revenues on emission reduction measures and other green initiatives, rather than having to return carbon tax revenues to taxpayers. As such, the carbon tax is no longer 'revenue neutral.'

On April 1, 2020, BC's carbon tax rate rose from \$40 to \$45 per tonne of carbon dioxide. It is scheduled to increase to \$50 per tonne in April 2022. Revenues generated from the carbon tax are used to:

- provide carbon tax relief (e.g., Climate Action Tax Credit for low-income earners);
- maintain industry competitiveness by providing incentives for cleaner industrial operations (e.g., CleanBC Industrial Incentive); and
- encourage new green initiatives through supporting the provincial climate action strategy, CleanBC.

Since 2020, the Province has operated the Climate Action Revenue Incentive Program (CARIP). CARIP is a conditional grant program that provides funding to local governments equal to 100% of the carbon taxes they pay to directly support local government climate action if they sign the Climate Action Charter.



Local governments have used the grant funding to support a wide range of climate action initiatives including developing policies and action plans, capital purchases, and leveraging for cost-sharing projects with other orders of government.

In May 2021, the Province announced that it would end the \$8.4 million CARIP program. A new one-time allocation of \$11 million was announced in the provincial budget for developing and funding a new program for local governments to plan for compact, energy efficient communities.

<i>The Province estimates that the carbon tax will generate:</i>	\$1.64 billion	2020/21
<i>The revenue is projected to increase to:</i>	\$1.99 billion	2021/22
	\$2.21 billion	2022/23
	\$2.11 billion	2023/24

As the carbon tax is no longer revenue-neutral, there is the opportunity to request a percentage of the revenue that exceeds the amount rebated to local governments through the CARIP program.

Based on current year revenues, every one (1) percent of the carbon tax (on an annual basis) yields \$16.4 million.





A portion of the carbon tax could be modelled at the Province's approach to industry, in which carbon tax above a certain threshold is directed back to industry to support their switch to cleaner fuels.

In particular, the Province launched the CleanBC Program for Industry in 2019, which rebates a portion of the carbon tax paid by industry through the CleanBC Industrial Incentive Program and the CleanBC Industry Fund. The program is funded by the incremental carbon tax above \$30 per tonne as paid by industry. The Industrial Incentive Program reduces carbon-tax costs for operations meeting world leading emissions benchmarks, while the Industry Fund invests some industrial carbon tax revenue directly into emission reduction projects. The 2021 provincial budget allocated \$96 million to the CleanBC Program For Industry.

Allocating a portion of the carbon tax to local governments provides a revenue stream for local governments to address the increased expectations, desire, need and costs of responding to climate change. It would allow an investment in both mitigation and adaptation projects, support policy development and planning, and act as seed capital to leverage provincial and federal dollars. In doing so, it holds the potential to advance the shared goal of reducing emissions and creating weather resilient communities.

RECOMMENDATION

14

UBCM request the Province to direct a percentage of the Carbon Tax, on an annual basis, to local governments, to support mitigation and adaptation actions.





Mitigation & Adaptation Supports: Adaptation, Buildings, Transportation, Solid Waste

In July 2019, UBCM struck a Special Committee on Climate Action to generate new ideas, explore opportunities and barriers to local government action, and identify avenues for further partnership work in mitigating, and adapting to, the effects of climate change. The Committee considered the state of climate action, local government approaches and best practices in mitigation and adaptation, and the roles and responsibilities of the orders of government and external stakeholders in supporting local action. It reviewed opportunities and barriers to taking climate action to the next level, and considered options that are sensitive to local conditions, autonomy, and resources.

After consultation with the membership, the Committee released its recommendations in December 2020 that focused on buildings, transportation, solid waste, resilience, land-use planning, social mobilization and governance. The recommendations are a roadmap for a low-carbon future, and are designed to take climate action to the next level in reducing emissions and creating weather resilient communities. They function as a suite of options to that can help advance local and provincial climate action agendas. Numerous member resolutions broadly supported the spectrum of Committee recommendations.

The Select Committee on Local Government Finance identified a series of costs drivers associated with reducing emissions and creating weather resilient communities. These costs include:

Adaptation Infrastructure & Emergency Management



The costs of adapting to, and addressing, the increase in wildfires, drought and flooding arising from climate change which includes operational response costs and mitigating infrastructure costs. It is estimated that an average annual investment in municipal infrastructure adaptation measures of \$5.3 billion is needed to adapt to climate change in Canada.²⁵

The Regional District of East Kootenay has spent \$1.8 million in payroll, materials and emergency expenses over the past four years responding to weather related emergencies.



Housing & Buildings



The costs of creating zero emission and low carbon housing stock in communities, and the need for financial incentives to support building retrofits and energy efficiency upgrades.

The City of Campbell River tops up the provincial incentive for home energy evaluations by \$150 and the \$3,000 central source heat pump incentive by \$350 to support energy efficiency upgrades.

Transportation



The shift to zero emission and low carbon transit and local government fleets holds significant cost pressures, as unit replacement costs are higher than 'like for like' replacement.

The electrification of TransLink's fleet in Metro Vancouver is projected to cost \$473 million more than baseline costs, or an average of \$15.8 million more per year over the next thirty years.

Solid Waste



Infrastructure investments are required for waste management initiatives such as organics diversion and landfill gas capture, and replacement revenue streams are required for a shift to zero waste economy (i.e., loss of tipping fees).

The Regional District of Nanaimo's organic waste diversion strategy required a \$5.5 million dollar upgrade to its transfer station to handle food waste.



The Select Committee on Local Government Finance endorsed the Climate Action Committee's recommendations on new funding, policies, and capacity building tools as solutions that could be used to address these costs drivers. These include:

RECOMMENDATION

15

Consistent with the UBCM Climate Action Committee recommendations on Buildings, call for new provincial building retrofit incentive programs.

RECOMMENDATION

16

Consistent with the UBCM Climate Action Committee recommendations on Transportation, call for new provincial funding for active transportation infrastructure – which supports the implementation of community active transportation plans, active transportation corridors, and end of trip active transportation facilities at transfer points.

RECOMMENDATION

17

Consistent with the UBCM Climate Action Committee recommendations on Transportation, call for investments in green fleet conversions for local government and community fleets.

RECOMMENDATION

18

Consistent with the UBCM Climate Action Committee recommendations on Transportation, create new revenue tools for local governments to strengthen the transit funding model and reduce reliance on transit fares.





RECOMMENDATION

19

Consistent with the UBCM Climate Action Committee recommendations on Solid Waste Management, call for new investments in solid waste management initiatives – including organics diversion, extended producer responsibility programs, and deriving energy from waste products.

RECOMMENDATION

20

Consistent with the UBCM Climate Action Committee recommendations on Resiliency, call for a provincial funding stream dedicated to supporting the development and implementation of local adaptation plans.

