

## Local Government Financial Review Working Group August 2023 Interim Report

In January 2022, a Memorandum of Understanding (MOU) on Local Government Financial Resiliency was signed by the Province and the Union of BC Municipalities (UBCM). The parties to the MOU agreed to engage through a meaningful working relationship in order to meet the respective interests of strengthening the local government finance system.

Progress under the MOU is being made through a local government financial review working group (the Working Group) made up of staff from the Province and UBCM. The group is currently reviewing the local government finance system in B.C., analyzing the recommendations in the UBCM report, and discussing matters of mutual interest.

The Working Group is tasked with developing a shared understanding of the issues raised and recommendations contained within UBCM's 2021 report, [\*Ensuring Local Government Financial Resiliency ~ Today's Recovery and Tomorrow's New Economy\*](#) ("the Report"). Based on the shared understanding, the Working Group identifies any further work needed. The Report includes 20 recommendations (see Appendix A 20 Recommendations) which:

- Address three major cost drivers faced by local government – Housing, Community Safety and Climate Change – all shared priorities of local government and the Province;
- Identify the impacts of the 'New Economy' on the local government financial and property tax system and the need to make it fairer, sustainable, and adaptable; and,
- Identify the need for an effective partnership with the provincial government in order to work towards solutions.

The Working Group is comprised of five staff level members from the Province and five staff level members from UBCM; it is co-chaired by one representative from UBCM and one from the Province. The Working Group is also supported by a UBCM Technical Finance Review Committee comprised of senior-level staff representatives from local governments around the province, who offer on-the-ground experience and perspectives.

The Working Group has met monthly from May 2022 through March 2023 and is now meeting biweekly to address its scope of work within its three-year work plan. In addition to the regular Working Group meetings, there have been subgroups focused on assigned topics, for example to develop and report on metrics for monitoring impacts on local government finance from the New Economy. Since the 2021 report was released,

the Province has made significant actions relating to the recommendations (see Appendix B: Inventory of Provincial Actions).

## **Working Group Activities, August 2022 to July 2023**

The Working Group created a short-term work plan to guide its efforts from May 2022 to early 2023, focusing on a subset of the Report recommendations with the objective of gaining a shared understanding of what Provincial initiatives are underway to address some of the cost pressures in the Report. In early 2023, the Working Group reviewed its progress and established a new work plan covering up to the end of 2023.

This section describes the exploration that has occurred on the recommendations addressed to date; the other recommendations will be brought forward in subsequent work plans so that all areas of the 2021 report are covered. The timing of various topics does not signify the importance of the issue.

- Recommendation 1: The UBCM report identified that changes to local revenue, and especially property taxation, may result from the economic shift identified as the New Economy<sup>1</sup>, and will occur gradually. In December, a Working Group subcommittee identified metrics to use in monitoring these shifts and produced the first of what will be annual dashboards of these metrics. (See Appendix C: New Economy Metrics Dashboard).

In spring 2023, the Working Group developed a shared problem statement to guide discussion of potential responses to the revenue questions raised by Recommendation 1:

*Property tax is useful and important as an own-source revenue tool, but local governments report difficulty raising enough revenue from property taxes, particularly regarding infrastructure capital costs and select service delivery costs driven by senior government regulations and environmental factors.*

This shared problem statement was presented to the UBCM Presidents Committee and Ministers of Finance and Municipal Affairs on July 20, 2023 and endorsed by that group. The Working Group's next steps for this recommendation are to further explore responsiveness of the property tax to economic changes (past, current, and future), evaluate possible approaches to respond to the problem statement, and continue looking at strategies to reduce cost pressures for local governments.

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<sup>1</sup> "New Economy" is defined as the transition from a manufacturing-based economy to a service-based economy. It is being driven by new technology and innovations (e.g., online commerce) and concomitant socio-economic trends. Further details can be found in the 2021 [Ensuring Local Government Financial Resiliency ~ Today's Recovery and Tomorrow's New Economy](#) report.

- Recommendation 2: The MOU and Working Group itself are a response to the meaningful partnership that was called for in this recommendation. In addition, the Province is responding to many of the recommendations (as noted below) through policy initiatives and budget commitments (see Appendix D: Provincial Actions Relating to UBCM Recommendations).

Early in 2023, the Working Group conducted a collaborative facilitated exercise to identify principles that will guide the consideration of potential actions to strengthen local government financial health. As the Working Group moves from a phase of developing shared understanding into considering possible options for responding to the recommendations, these principles will help to inform discussions. The Principles were presented to the Ministers and UBCM Presidents Committee in March 2023 and received endorsement. (Appendix: Principles to Consider in Strengthening Local Government Financial Health).

- Recommendation 3: A number of *key federal/provincial/local government agreements* such as the Canada Community Building Fund (CCBF) Administrative Agreement come up for renewal within the next year. UBCM and the Ministry of Municipal Affairs agreed upon joint priorities and are engaged collaboratively in negotiating with the federal government on the CCBF. Joint requests from UBCM and the Province regarding the CCBF include:
  - UBCM continue to administer the CCBF through a tri-partite agreement with the province and the Government of Canada;
  - The federal government double the annual funding allocation to the CCBF;
  - Stacking rules are removed to support the use of CCBF funding to leverage other federal/provincial funding opportunities;
  - A long-term agreement that includes a dedicated and predictable funding model;
  - Continued flexibility to develop CCBF programming that best meets the needs of BC – including flexibility with eligible categories; eligible costs that support CCBF stated goals and objectives; and streamlined programming that have clear and stated goals and objectives that guide community decision-making;
  - Increase and improve the indexing formula used to better reflect inflation, population adjustments, and predictable funding; and
  - Continue to enhance and improve local governments' capacity to implement asset management best practices.

UBCM partnered with Infrastructure Canada to deliver a Permanent Transit Fund consultation workshop for B.C. local governments in summer 2022. BC Transit, TransLink, and the Ministry of Transportation and Infrastructure provided input to Infrastructure Canada's consultation process on this fund. Infrastructure Canada is committed to implementing the program in 2026.

Recommendation 4: UBCM and the Ministry of Municipal Affairs continue to support *asset management best practices* by partnering through Asset Management BC, notably on the Fall 2022 Asset Management BC Conference. Outcomes from asset management planning by local governments, including the [2022 UBCM Survey on Asset Management Planning](#), has helped to inform Working Group discussions of fiscal challenges associated with infrastructure renewal and replacement.

It is anticipated that the work associated with recommendation #3 will result in a renewed CCBF Agreement that includes additional supports and asset management commitments to further build asset management capacity within BC local governments.

### **FOCUS AREA: HOUSING**

- Recommendations 5, 7: The Working Group has received multiple presentations from the Ministry of Municipal Affairs and Ministry of Housing to develop an understanding of initiatives in these related areas, and has provided feedback on impacts to local governments of the Development Approval Process Review (DAPR) which is now known as Local Government Density Initiatives.

The UBCM Technical Finance Review Committee is working to develop an approach to increase understanding of the costs to local governments of supporting growth of non-market housing.

- Recommendation 6: The Province introduced the [Homes for People](#) housing plan in April 2023. It included the commitment to introduce a 'flipping' tax to disincentivize rapid resale of housing units, as mentioned in the Report recommendation.

Related to part 6b of this recommendation, the *Special Accounts Appropriation and Control Act*, section 9.7, requires that any funds received by the Province through the Speculation and Vacancy Tax must be deposited into the Housing Priorities Initiative special account. Funds spent from that account must be used for housing projects in the regional district where the tax was collected.

- Recommendation 8: Finding areas of productive joint action to address *homelessness* is a common interest of both parties. The Working Group has received a presentation from the Ministry of Housing regarding the provincial [Belonging in B.C. Homelessness Strategy](#), which includes the Complex Care Housing Strategy. The Working Group offered feedback to the Ministry about the importance of ensuring services to support smaller and rural communities in addressing homelessness and having metrics to measure the results of the Strategy in various communities.

The UBCM Technical Finance Review Committee is currently analyzing local

government financial impacts associated with addressing homelessness, mental health and addiction in communities. The desire is to quantify the financial impacts. This information will serve to identify the actions/activities that local government deliver in supporting these issues. It could also be used as baseline data used as financial metrics to monitor the success of provincial initiatives focused on recommendations #8 & #10.

### **FOCUS AREA: COMMUNITY SAFETY**

- Recommendation 9: The *Emergency Management Act* modernization is a major provincial reform undertaking in which UBCM is already engaged. The Working Group was interested in understanding the financial impacts for local governments of the proposed reforms. To that end, staff from the Ministry of Emergency Management and Climate Readiness presented to the Working Group in fall 2022 and again in June 2023 to share progress and hear input from Working Group members.

Floods and wildfires are two of the major community safety concerns with fiscal impacts for local governments. The Working Group received presentations in September 2022 and July 2023 from the Ministry of Forests regarding the work underway to develop a BC Flood Strategy. Representatives from the Ministry of Forests and BC Wildfire Service spoke to the Working Group in September and November (respectively) about efforts underway to reduce wildfire risk to communities and support on-the-ground response to wildfire and other emergencies, in partnership with local governments.

This work is ongoing as the Working Group gains a better understanding of the financial implications of the new legislation and regulations on local government.

- Recommendation 10: Addressing the tragedy of *mental health and addiction* is an urgent priority for both parties and is closely related to the Provincial Homelessness Strategy. Staff from the Ministry of Mental Health and Addictions spoke to the Working Group in November 2022 to provide an overview of the Province's [Pathway to Hope roadmap](#) for mental health. In November 2022, the Ministry of Public Safety and Solicitor General (PSSG) gave the working group an overview of the actions being taken in response to recommendations from the Special Committee on Reforming the *Police Act*.

While the Province has developed a strategy and begun to implement a number of initiatives, the Working Group will be interested in monitoring/measuring progress from a financial perspective (see recommendation #8).

- Recommendation 13: The Working Group hosted staff from the Ministry of Citizens' Services (CITZ) in July 2023 to learn about cybersecurity service offerings to

organizations in the broader public service sector across the province. Provincial services to help local governments prevent, prepare, and respond to cyber security incidents are explored on the [Cyber BC web page](#) and will be shared at the 2023 UBCM Convention.

## **FOCUS AREA: CLIMATE CHANGE**

- **Recommendation 18:** The UBCM report called for strengthening the transit funding model to reduce reliance on transit fares. In September 2022, the Ministry of Finance shared a presentation showing recent data on the Motor Fuel Tax (reported on the New Economy Metrics Dashboard), which is not growing at the same rate as other consumption taxes. The Ministry of Transportation and TransLink also presented at this time to share information with the Working Group on the activities under way to develop a robust, sustainable model for transit funding for the years ahead.

While the Working Group is not formally involved in this initiative, the Working Group is interested in proposed solutions and the impacts any solution may have provincially.

## **Successes to Date**

- Canada Community Building Fund is up for renegotiation and renewal in 2024. UBCM and the Province agreed to partner on negotiations. The joint negotiation approach includes requests to: double the annual funding allocation to CCBF; remove all stacking rules; increase and improve the indexing formula and enhance and improve local government capacity to implement asset management best practices.
- An agreement to continue the partnership between the Ministry of Municipal Affairs and UBCM on Asset Management BC partnership, working to enhance tools, resources, and education to support local governments. By 2025, local governments will start providing asset management data in alignment with Local Government Data Entry requirements through the Ministry of Municipal Affairs and Canada Community Building Fund requirements.
- Provincial Working Group staff members shared with government what they heard and learned in the development of the \$1 billion Growing Communities Fund intended to assist in addressing pressures on community infrastructure and amenities from growth. As advocated by UBCM and local governments, the funding was not application-based and provided all local governments with funding and the ability to prioritize the funding based on the capital needs of their community.

## **Looking Ahead: Upcoming Working Group Actions**

The Working Group will continue to meet biweekly, and will form sub-committees as necessary, to carry out the activities identified in the Work Plan. Additional representatives from the Province and/or local government will be asked to participate in order to provide more information about new or ongoing policy initiatives.

In the near future, the Working Group will be placing emphasis on Recommendation #1 and looking at possible approaches to address the shared problem statement. This is expected to include doing quantitative analysis on [local government statistics relating to taxes and charges and financial statements](#), and discussing tools or policies that support improved financial sustainability for local governments.

## 6. SUMMARY OF RECOMMENDATIONS



### ***Moving Forward: Building on Strong Fiscal Futures and Preparing for the New Economy***

#### **RECOMMENDATION**

**1**

*UBCM and the Province work together in reviewing the current local government property tax system and the impacts of the 'New Economy' in order to:*

- develop a fairer, more responsive property tax;*
- monitor impacts of the New Economy on taxation; and*
- identify emerging sources, and opportunities to share taxation/revenues that may result from the New Economy.*

#### **RECOMMENDATION**

**2**

*The Province to commit to meaningful engagement through a working partnership with UBCM in order to meet the respective mandates of strengthening the local government finance system.*

#### **RECOMMENDATION**

**3**

*The Province continue to advocate with the federal government in the continuation of federal/provincial infrastructure cost-share agreements at the current or greater level and ensure:*

- the renewal of the Canada Community-Building Fund (formally the Gas Tax fund) with the federal government in 2024; and*
- by working with the federal government, and input from TransLink and BC Transit communities, a federal/provincial agreement in the federal Permanent Transit Fund is implemented for BC by 2026 as confirmed in the 2021 federal budget.*

#### **RECOMMENDATION**

**4**

*BC local governments, with the support of the Province and UBCM, continue to develop and implement asset management best practices in order to deliver services, and manage infrastructure, in a sustainable, cost-effective way.*



## Addressing Cost-Drivers

### Attainable 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.*

#### 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.*

**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.*

**Community Safety****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.*

**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.*

**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.*

**RECOMMENDATION****12**

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

**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.*



## Climate Change

### 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.*

### 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.*



# Appendix: Inventory of Provincial Actions Relating to UBCM Recommendations

This document provides an inventory of actions and investments by the Province of British Columbia since the release of the 2021 UBCM report, [\*Ensuring Local Government Financial Resiliency ~ Today's Recovery and Tomorrow's New Economy\*](#). There may be additional relevant actions or investments not included below.

## UBCM Recommendation 1

Through the Working Group, the Province is actively involved in developing a shared understanding of the recommendation, including the concerns about the property tax system and impacts of the New Economy.

## UBCM Recommendation 2

The Province committed to a Memorandum of Understanding with UBCM for a three-year working relationship to review local government financial resiliency and analyze the recommendations in the Report.

## UBCM Recommendation 3

The Province is partnering with UBCM to advance mutual goals and objectives in a joint negotiating approach with the Government of Canada for the renewal of the Canada Community Building Fund.

## UBCM Recommendation 4

The Province has committed to a three-year partnership agreement with Asset Management BC. Asset management planning requirements are in place in some provincial grant programs. The Province provides funding for the Asset Management Planning Grant Program, administered by UBCM. Matching grants of up to \$25,000 are available under the 2023 Asset Management Planning program to support activities that advance a local government's asset management planning, practices, or training, and that facilitate better integration of asset management planning with long term financial planning.

## UBCM Recommendation 5

- Growing Communities Fund: \$1 billion distributed to all local governments to help with the costs of upgrading, adding capacity, and extending infrastructure and amenities to support additional housing supply.
- Critical Community Infrastructure: \$450 million to support selected local government projects in meeting public and environmental health regulations in a time-sensitive manner: with drinking water, wastewater and solid waste systems, and reducing greenhouse gas emissions.
- \$100 million for the Watershed Security Fund, which will ensure communities have good quality water.

## UBCM Recommendation 6

- The Homes for People Action Plan includes a commitment to introduce a flipping tax on the proceeds of sales that happen soon after purchase. The Action Plan also calls for stricter enforcement of short-term rentals through improved compliance with local by-laws for hosts and platforms, with provincial measures to make that happen.
- The Province has expanded the Speculation and Vacancy Tax (SVT) to six new municipalities: North Cowichan, Duncan, Ladysmith, Lake Cowichan, Lions Bay and Squamish, effective January 2023.
- Through BC Housing, the Province will continue to deliver the Building BC and HousingHub programs. Building BC supports delivering housing for low- and moderate-income earners, including seniors and families. HousingHub works with community, government, non-profit and private-sector partners to help create new affordable rental housing and homeownership options for middle-income British Columbians.

### Budget 2023/2024

- \$4.2 billion in operating and capital funding for the Homes for People Action Plan including \$57 million to support local governments to unlock more homes through new residential zoning measures and reducing time and cost of local government approval processes.

## UBCM Recommendation 7

- January 16, 2023: Announcement of new Permitting Strategy for Housing, which will streamline the process and create a single, co-ordinated approach to housing-related permits and authorization. The Permitting Strategy will streamline

the process and create a single, co-ordinated approach to housing-related permits and authorization. It is supported by 42 new full-time positions to speed up the process and eliminate the need for multiple applications across ministries.

- As part of ongoing work on the Development Approvals Process Review (DAPR), now called Local Government Density Initiative, the Ministry of Housing is exploring approaches related to Official Community Plans, zoning, and development finance. This includes looking more closely at tools to support the delivery of more diverse and affordable housing, such as inclusionary zoning, in line with feedback from local governments and other housing stakeholders.

## UBCM Recommendation 8

### Budget 2022/2023

- \$35 million over the next three years to respond to the risk of homelessness faced by former youth in care.
- \$164 million over three years to create at least 20 more Complex Care housing models. This will support up to 500 people with severe mental health, substance-use issues, or traumatic and acquired brain injuries who are currently homeless or unstably housed.
- \$264 million over three years to ensure housing support continues for the up to 3,000 people who needed temporary housing during the COVID-19 pandemic.
- (Affordable housing) Additional \$166 million through to 2024/25 to non-profit housing providers to accelerate the construction and mixed-income housing through the Community Housing Fund.

## UBCM Recommendation 9

- The Province is modernizing the *Emergency Program Act* and associated regulations. Local governments have been engaged in numerous rounds of consultation and feedback on the proposals.
- Following the Atmospheric River Event from November 14 to December 2, 2021, government made significant regulation changes for Disaster Financial Assistance to better support communities recovering from disasters. As a result, Emergency Management BC modified its cost-sharing formula, so provincial contributions increase as the cost of the project goes up. The local authority will pay a minimum of 5 per cent to a maximum of 10 per cent on a per-capita cost-share model. Previously, local authorities were expected to fund 20 per cent of eligible projects. The second change was to support communities in rebuilding critical infrastructure faster, by providing a portion of a project's estimated costs up-front instead of having communities complete projects before submitting to the

Province for reimbursement. This change was intended to support necessary cash flow and help to accelerate local recovery planning.

#### Budget 2022/2023

- \$400 million in 2022/23 for Emergency Management BC to support people and communities and more than \$1.1 billion earmarked in General Programs Contingencies over the next three years to help communities with disaster recovery costs.
- \$90 million in community grants in 2021/22 to complete FireSmart initiatives and fuel management activities to make homes and communities safer from wildfire risk.
- \$120 million to the Community Emergency Preparedness Fund.
- \$145 million through to 2024/25 for the BC Wildfire Service and Emergency Management BC. Funding will support the transition to more proactive (rather than reactive) approach to wildfire.
- \$98 million over three years to fund wildfire prevention work and maintain forest service roads used to respond to forest fires.

#### 2022/2023 Announcements or Supplementary Estimates

- A further \$180 million to the Community Emergency Preparedness Fund to support projects that help local governments and First Nations prepare communities for the risks of natural hazards and lessen the effects before disasters happen.

#### Budget 2023/2024

- \$750 million in Contingencies funding for climate and emergency response to support continued recovery efforts from recent climate emergencies.
- \$567 million for climate resiliency, including funding for active transportation and emergency management programs; these include capacity-building programs for disaster risk assessment, preparedness and mitigation, and collaborative efforts to make communities more resilient.

## **UBCM Recommendation 10**

#### Budget 2022/2023

- Continuing to support actions of the Pathway to Hope plan to expand mental health and addictions care, supported with significant Budget 2021 investments that bring increased annual expenditures since 2017 to over \$375 million annually.

### Budget 2023/2024

- \$87 million for Corrections and enforcement programs, including repeat violent offenders and special investigative units, easing the burdens on municipal police budgets.
- \$867 million to strengthen mental health, addictions and treatment services, including \$97 million in operating funding for complex care housing units.
- \$169 million in capital funding under the housing strategy to build more complex care housing units.

## **UBCM Recommendation 11**

- Emergency Management BC is engaged in a review of governance and funding for road rescue services in B.C., incorporating best practices and learnings from other jurisdictions, while considering factors unique to our province. A cross-jurisdictional scan of road rescue services was completed in November 2022, building upon an earlier review completed on behalf of the Fire Chiefs' Association of BC and Office of the Fire Commissioner in April 2021.

### Budget 2022/2023

- Reducing emergency call wait and response times by adding more paramedics and dispatchers, with \$148 million through to 2024/25 for the BC Emergency Health Services Action Plan.

### Supplementary Estimates 2022/2023

- \$150 million to help local, remote, and Indigenous communities with planning, preparation, and implementation of technology for the transition to Next Gen 911.

### Budget 2023/2024

- Automated External Defibrillators (AEDs) are exempt from provincial sales tax, offering a cost savings for local government fire and recreation facilities.

## **UBCM Recommendation 12**

- Cannabis prices appear to be declining while the legal market continues to mature, and it is difficult to make long-term revenue predictions in this period of transition. As the cannabis market matures, the Province will continue to work collaboratively with UBCM through the MOU process to promote local governments' financial resiliency.

## UBCM Recommendation 13

In January 2023, the OCIO Information Security Branch initiated the Cyber BC pilot project to strengthen the cybersecurity ecosystem in the public sector.

The purpose of Cyber BC is to improve the security posture of broader public sector (BPS) entities in developing a pilot program and beginning incremental implementation of cybersecurity programming and services.

Through Cyber BC the province facilitates engagement with our interested parties and partners to better understand B.C.'s cybersecurity landscape, and explore interest in collaborating on opportunities to:

- Raise the collective bar for cybersecurity in the face of increased threats
- Address the cybersecurity talent gap & create rewarding jobs for cybersecurity workers
- Develop, deliver, and test the value of expanded services and supports

For more information, visit [Cyber BC's web page](#).

## UBCM Recommendation 14

- In 2018, the Province introduced CleanBC - a pathway to a more prosperous, balanced and sustainable future. The CleanBC Roadmap to 2030 (the Roadmap), released in 2021, builds on this plan and charts a path for B.C. to achieve its 2030 greenhouse gas (GHG) emissions reduction targets, while laying the groundwork for achieving net zero emissions by 2050. The [B.C. Community Climate Funding Guide](#) is an all-in-one guide of funding opportunities for climate action projects in communities.

### Budget 2022/2023

- A three-year Local Government Climate Action Program (\$76 million) to help local governments take action to reduce emissions and adapt to climate change.

## UBCM Recommendation 15

- CleanBC has an extensive portfolio of incentive programs to support retrofits in the residential and commercial sectors and is working to continuously improve and expand its coverage. As an example, B.C. launched the Income Qualified

Program, which rather than lending money to individuals that may have difficulty with repayment, offers subsidies of up to 95% of the project costs for energy upgrades. CleanBC offers are also stackable with federal offers, including the Canada Greener Homes Loan of up to \$40,000 per household, interest-free, which was introduced in June 2022.

## UBCM Recommendation 16

### Budget 2022/2023

- Funding for a new Clean Transportation Action Plan, which includes \$30 million in grant funding over 2022/23 - 2024/25 to support local governments to improve active transportation infrastructure (such as bike lanes and multi-use pathways).

## UBCM Recommendation 17

- BC Transit's Low Carbon Fleet Strategy was introduced in the 2021/22 Service Plan and included the procurement of the first 10 battery-electric buses and 20 new CNG buses in 2021/22.
- On July 27, 2023, BC Transit announced the delivery of 115 new electric buses through the Low Carbon Fleet Strategy. The Government of British Columbia is contributing \$158,669,826 to these electric bus purchases. The Government of Canada has contributed \$169,879,964 through the Zero Emission Transit Fund and the Public Transit Infrastructure Stream of the Investing in Canada Infrastructure Program. The recipient communities are contributing \$67,355,727.

### Budget 2023/2024

- \$40 million for the CleanBC Go Electric Commercial Vehicle Pilots Program, which supports eligible recipients, including local governments and Indigenous governments, looking to deploy zero-emission vehicles.

## UBCM Recommendation 18

- Staff from Ministry of Transportation and Infrastructure and Ministry of Finance are engaged in discussions with TransLink staff regarding the 2025-2035 Investment Plan. The Working Group receives periodic updates on these discussions (next scheduled for late summer 2023).
- The Province provided \$479 million to TransLink in March 2023 to address TransLink's urgent financial needs to protect transit service levels and investment plans. The contribution will help stabilize the transportation authority's finances

and allow the authority to continue to advance capital projects in its 2022 investment plan, including TransLink's battery-electric bus fleet expansion to 155 buses by 2025.

## UBCM Recommendation 19

- The Province has proposed a new regulation that will reduce single-use plastic waste with a consistent provincial approach. Ministry of Environment and Climate Change Strategy (ECCS) staff are currently reviewing comments on the proposed regulation, including feedback from local governments.
- Through our collaborative work with the Canadian Council of Ministers of Environment, a new guide was published looking at policies for managing construction, renovation and demolition (CRD) waste. Some actions being taken in B.C., such as gypsum and wood waste disposal bans and demolition bylaws, are highlighted as leading actions.
- The Extended Producer Responsibility (EPR) Five-Year Action Plan identifies the materials that the Ministry considers the highest priority for bringing into B.C.'s EPR system. The Ministry conducted consultation with a broad range of key partners, and all interested parties about regulating more products for recycling. The feedback informed the priority products categories identified in the Action Plan.

### Budget 2022/2023

- \$13 million to advance a circular economy, including a new Circular Economy Strategy to advance B.C.'s Plastics Action Plan.

## UBCM Recommendation 20

### Budget 2022/2023

- \$83 million to implement a new Climate Preparedness and Adaptation Strategy (includes working with local and indigenous governments to lead climate resilience initiatives, developing an extreme heat response framework, building data collection to mitigate climate risks, \$30 million in grants to help safeguard B.C.'s watersheds.

### Budget 2023/24

- \$8.7 million invested in flood-hazard mapping in 70 communities throughout the province. The mapping will support communities in establishing "appropriate" zoning and flood construction levels.

# Indicators of New Economy Shifts and Impact on Local Government

The "New Economy" is defined as the transition from a manufacturing-based economy to a service-based economy. It is being driven by new technology and innovations (e.g., online commerce) and concomitant socio-economic trends. These indicators will be used to observe whether and how these shifts are happening, and whether there are impacts on local government revenues and expenditures

## Key Findings - March 2023

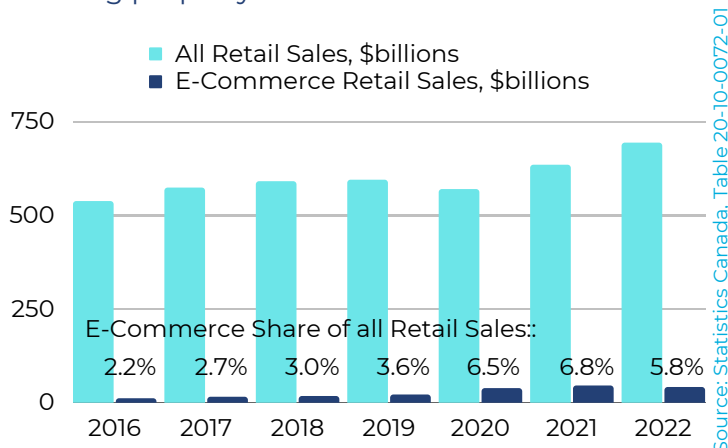
Potential shifts in the balance between residential and commercial or industrial property values are not yet showing in available data sets.

Strong economic performance in the province in the wake of pandemic recovery could also be masking the impact of New Economy shifts.

The impact of other economic shifts and global phenomena on local government finances are discernible: a gradual decline of traditional resource-based industries can be observed.

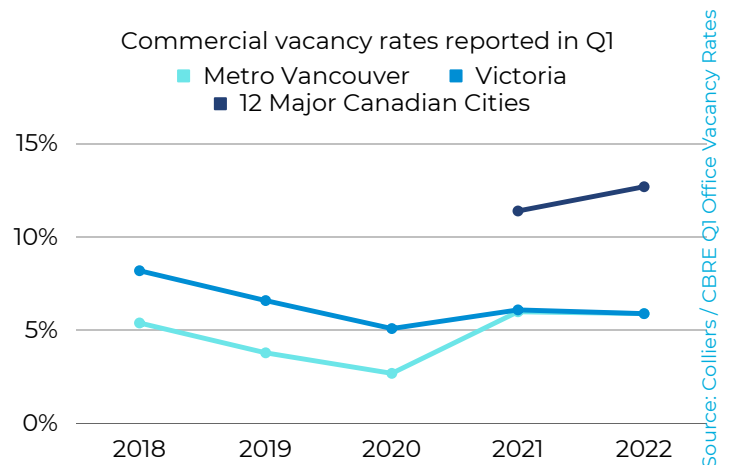
## E-Commerce Sales as a Share of Retail Sales

E-commerce sales may drive a change in the demand for, and value of, commercial property, affecting property assessments and tax revenues.



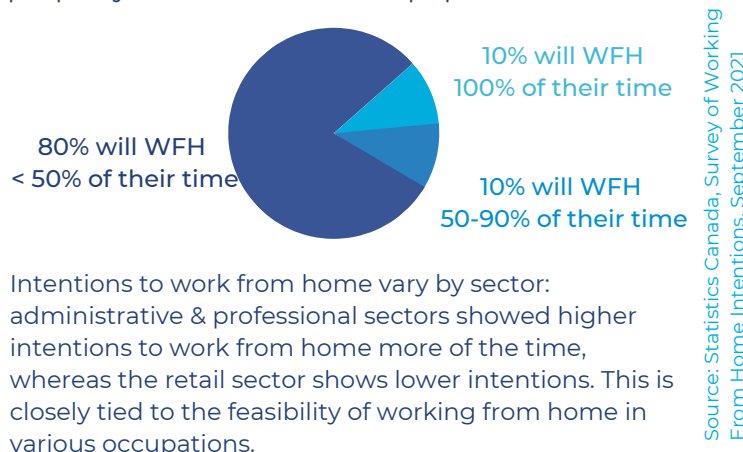
## Vacant Office Space, Metro Vancouver and Victoria

Demand for office space affects the value of commercial property and the resulting tax revenue.



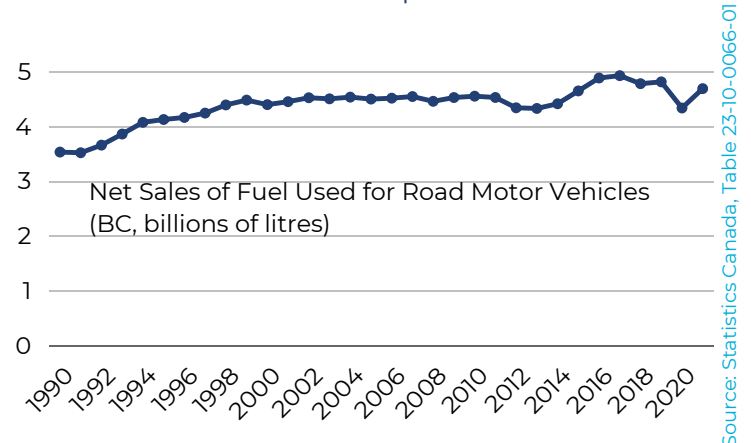
## Working from Home: A Shift in Worksite Patterns?

Statistics Canada surveyed workers in 2021 about their intentions regarding how much of their work hours would be spent working at home (WFH) in the future. Remote working affects commercial property demand and shifts population distribution.



## Motor Vehicle Fuel Sales: Limiting Fuel Tax Revenue?

Changes in fuel sales volume affects the fuel sales tax revenue that is available to local governments and TransLink to fund transportation infrastructure.

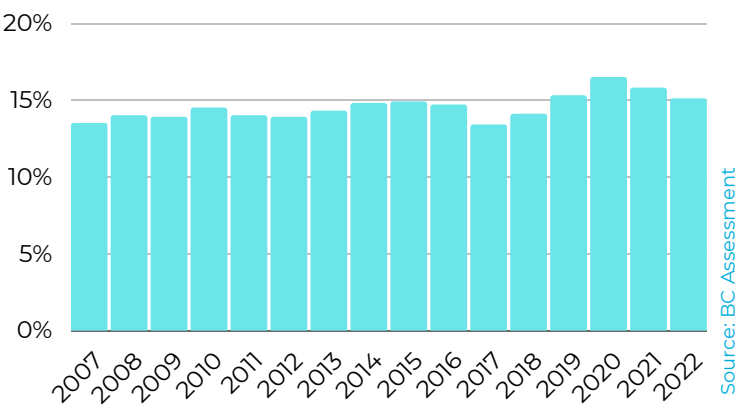


# Measuring Local Government Impacts of New Economy Shifts

These indicators show how New Economy trends affect the property tax base and revenues. As property assessments may lag economic trends by a few years, the working group will monitor these data sets annually to watch for changes.

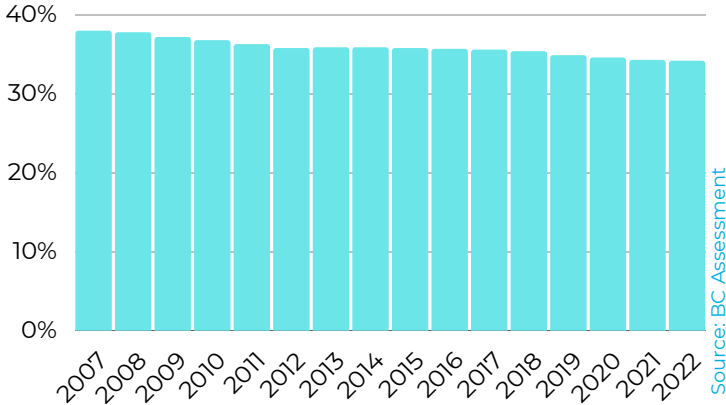
## Business & Light Industry Assessment Values

Share of Class 4 & 6 from the total of Class 1, 4, & 6 values



## Property Tax Revenue from Business & Light Industry

Share of Class 4 & 6 from the total of Class 1, 4, & 6 revenues



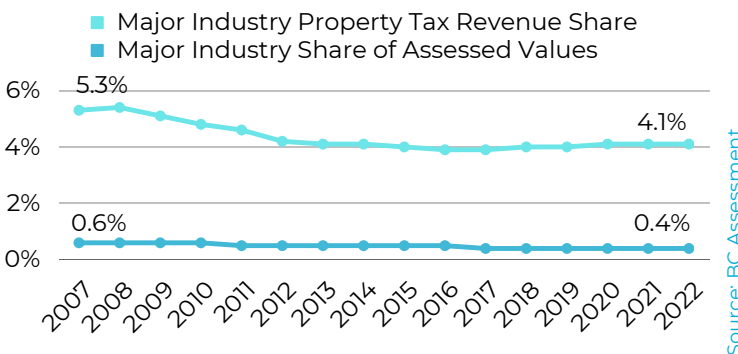
## Assessed Value and Revenue Trends Vary Among Development Regions between 2007 and 2022

The significant weight of the Mainland/Southwest region skews the provincial totals. Most development regions saw a decline in business/light industry assessed values and variable changes in the share of property tax revenue from business/light industry vs. residential properties.

	Assessed Value Business/Light Industry Share	Property Tax Business/Light Industry Share		Assessed Value Business/Light Industry Share	Property Tax Business/Light Industry Share
Lower Mainland/Southwest	↑	↓	Cariboo	↓	↑
Northern Rockies	↑	↑	Kootenays	↓	↓
Peace	↑	↓	Northwest	↓	↑
Vancouver Island/Coast	↓	↓	Thompson Okanagan	↓	↓

## Major Industry Assessed Value and Property Tax

Major industry parcel total assessed values and property tax revenues have both declined since 2007, as a share of all property classes in B.C.



## Changes in Major Industry from 2007 to 2022

	Assessed Value Major Industry Share	Property Tax Major Industry Share
Northwest	↑	↑
Lower Mainland/Southwest	→	↑
Cariboo, Kootenays Northern Rockies, Peace Vancouver Island/Coast Thompson Okanagan	↓	↓

## **Principles to Consider in Strengthening Local Government Financial Health – For Discussion**

The UBCM-Province Working Group on Local Government Finance conducted a structured discussion activity to identify a series of principles that can guide consideration of potential actions to strengthen local government financial health. This is not an exhaustive list, and the Working Group invites discussion and input by the Ministers and UBCM Presidents Committee.

### Accountability

Policies or activities can be justified, are based in evidence, provide value to the taxpayer, and are responsive and responsible to all orders of government.

### Efficiency

Revenues and expenditures are structured to provide delivery of public goods and services to desired service levels over the long term while maximizing benefits and minimizing costs.

### Equity

The costs and benefits of public goods and services are distributed among people in ways that alleviate disadvantages and share opportunities equally. This includes equity among individuals, economic groups, and generations.

### Fairness

There is fair distribution between provincial and local governments of the responsibility and costs of providing various public goods and services and the revenues or funding associated with those goods and services.

### Forward-Looking

Policies and actions of governments account for both short-term and long-term costs and benefits, and consider how today's decisions will affect the financial health of communities in the future.

### Partnership

The provincial and local governments work collaboratively while respecting their distinct roles in promoting the shared interests of well-being and prosperity of communities in B.C.

### Predictability

Revenues and most expenditures can be determined in advance and relied upon to meet the needs of communities and the province overall.

### Resiliency

Communities can consistently provide the desired levels of service over the long-term regardless of changing circumstances.

### Transparency

Actions or policies of governments can be seen, explained, and understood by those who are affected by them.