



A Vision for
Local Governance
in New Brunswick

**Report of the
Minister's Round Table
on Local Governance**

June 2001

ACKNOWLEDGEMENTS

The Round Table members wish to acknowledge the Provincial Government for establishing a Minister's Round Table on Local Governance, in partnership with representatives of municipal associations, Local Service Districts and regional commissions. This Round Table process provided a unique opportunity for key stakeholders to discuss and address a broad range of issues impacting the local governance system in New Brunswick.

Round Table members also want to acknowledge a number of individuals that contributed to the process itself. The report could not have been completed without the dedication and assistance of the members of the Technical Committee as well as staff at the Department of the Environment and Local Government. These individuals have worked countless hours in support of the Round Table to ensure that its members received relevant information needed to develop their recommendations. The Technical Committee members, as well as departmental staff involved in this process are listed in Appendix A. Round Table members wish to thank them for their dedication, commitment and professionalism. Their tireless efforts did not go unnoticed and led to greater understanding by all members of the issues facing New Brunswick's local governance system. As well, the effective facilitation of the meetings provided by Jacques Paynter was greatly appreciated by the Round Table members.

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In recent years, much has been said about the need to change various aspects of the local governance system in New Brunswick. The issues that continue to be raised focus on: provincial fiscal transfers to municipalities; local representation, land use planning and property taxation in the unincorporated areas (i.e., the Local Service Districts or “LSDs”); and the relationship between municipalities and surrounding unincorporated areas.

In light of the changing financial climate, particularly in regards to provincial-municipal fiscal transfers, municipalities are finding it increasingly difficult to balance the demand for quality services with acceptable levels of taxation. In unincorporated areas (suburban and rural), development continues to occur without being properly planned and managed, resulting in a variety of land use conflicts and environmental impacts. Relationships between municipalities and their neighboring LSDs have, in some instances, become strained as a result of issues related to cost-sharing for services, uncontrolled development adjacent to municipal boundaries and differences in property taxation rules. While these issues are not new, the need to address them is becoming more critical.

Given that these issues are interconnected, it was determined that they should be addressed in an integrated manner, with input from key stakeholders, to ensure that the recommendations ultimately developed, whether on structure or finances, would complement one another. On this basis, a decision was made by the provincial government to establish a Minister’s Round Table on Local Governance.

Establishment of the Minister’s Round Table

In December of 2000, the Hon. Kim Jardine, Minister of the Environment and Local Government, formally announced the establishment of the *Minister’s Round Table on Local Governance*.

In establishing the Round Table, the Minister requested that the three associations representing municipalities (Association francophone des municipalités du Nouveau Brunswick, Cities of New Brunswick Association and the Union of Municipalities of New Brunswick) identify individuals who could be named to the Round Table. Once the names were received, the Minister appointed these individuals to the Round Table. The Minister also appointed individuals from the unincorporated areas and the regional commissions (Solid Waste, Land Use Planning, and Economic Development) to the Round Table.

Round Table members were appointed by the Minister, as individuals, to provide their views and ideas on the local governance system as a whole and not just from the perspective of their respective community or associations. This approach allowed for effective and positive discussions.

The following individuals were appointed to the Round Table:

From the Cities of New Brunswick Association (CNBA):

Bruce MacIntosh
Mayor of Campbellton

Paul Ouellette
Mayor of Bathurst (deceased) replaced by:
Jacques Martin
Mayor of Edmundston

Peter Trites
Councillor, Saint John
President, CNBA

**From the Union of Municipalities of
New Brunswick (UMNB):**

Jim Blanchard
Mayor of Dalhousie

Yvonne Gibb
Executive Director, UMNB

Raymond Murphy
Mayor of Rexton, President, UMNB

**From l'Association francophone des
municipalités du Nouveau Brunswick
(AFMNB):**

Raoul Charest
Mayor of Beresford, President, AFMNB

Roland J. Martin
Mayor of Saint Léonard,
Vice-president, AFMNB

Léopold Chiasson
Executive Director, AFMNB
(joined the Technical Committee)

replaced by:
Réginald Paulin,
Mayor of Lamèque

From LSD Advisory Committees:

Réjean Bonenfant,
Lac Baker LSD Advisory Committee Chair &
member of COGERNO (Solid Waste Com-
mission)

V. J. (Nick) Hachey,
Former Allardville LSD Advisory Committee
member & member of the Nepisiguit-Chaleur
Solid Waste Commission

Thomas McLaughlin,
Pointe à Bouleau LSD Advisory Committee
Chair

Elizabeth Munn,
Upper Miramichi LSD Advisory Committee
member

Sandra Speight,
Greenwich LSD Advisory Committee Chair

From regional commissions:

Adélarde Cormier,
Chair, Kent District Planning Commission,
President of the Association of Planning
Commissions

Wayne Flinn,
Vice-Chair, Fredericton Region Solid Waste
Commission & Chair of the NB Solid Waste
Association & Chair of Estey's Bridge LSD
Advisory Committee

Gwen Lister,
Economic Development Commissions

**From the provincial government:
Five Ministers also participated on the
Round Table.**

Kim Jardine
Minister of the Environment and Local
Government (Chairperson)

Norm Betts
Minister of Finance

Margaret-Ann Blaney
Minister of Transportation

Milt Sherwood
Minister of Public Safety

Jeannot Volpé
Minister of Natural Resources and Energy

Mandate of the Round Table

The Round Table was asked to review four fundamental aspects of the local governance system in New Brunswick and to make recommendations for improvements. Specifically, the Round Table was to:

- *Examine the various issues resulting from the current gap in local governance in the unincorporated areas and examine local governance models to address these issues.*
- *Examine the relationship between local services and property taxation levels in Local Service Districts (LSDs) and examine how property taxation reflects the services being provided and their associated costs.*
- *Examine how common services provided on a regional basis such as land use planning, solid waste management, economic development, recreation and libraries, and water and wastewater management could be more effectively planned, coordinated, financed and delivered.*
- *Examine the various issues related to the financing of local governments (e.g., property taxation, unconditional grant, user fees, etc.) and the development of recommendations aimed at enhancing the financial stability and autonomy of local governments.*

Process for the Round Table

The Round Table met on seven occasions between January and June 2001, each of which was a two-day meeting. The meetings included a combination of presentations and discussions. The information and presentations for the meetings were prepared, for the most part, by the Technical Committee and staff from the Department of Finance and the Department of the Environment and Local Government.

During its deliberations, the Round Table heard from representatives of different jurisdictions across Canada including Nova Scotia, Quebec and British Columbia. The Round Table also had an opportunity to hear academic perspectives on municipal financing and governance. A listing of all the presentations is outlined in Appendix B.

Round Table participants had an opportunity to share their experiences, perspectives and ideas, to debate the issues and to develop potential solutions. As part of this process, a vision and guiding principles were established, the key issues facing the local governance system were identified, a variety of options to address these issues were considered and a series of recommendations were formulated.

This Round Table approach provided a unique opportunity to discuss critical issues confronting the local governance system in New Brunswick and to develop potential solutions. This approach marked the first time representatives from all three municipal elected officials' associations, from Local Service Districts, from regional commissions, as well as Cabinet Ministers jointly developed recommendations having the potential to shape the future of the local governance system.

Report Overview

The remainder of this Report includes the following sections:

Section Two provides an overview of where we have been since the 1966 reforms recommended by the Byrne Commission were implemented. A brief review of some of the strengths of the current system is also presented.

Section Three outlines the vision that was developed and adopted by the Round Table during its deliberations. This “working” vision helped guide members of the Round Table in their development of options and recommendations.

Section Four focuses on the situation in the unincorporated areas. A description of the unincorporated areas is provided (the rural / suburban picture), along with a discussion of some of the trends having an impact on these areas. This is followed by a review of the governance structures in place, a description of the critical issues confronting these areas and a summary of the changes needed to address the issues. In general terms, the issues focus on representation and local decision-making, collaborative service delivery and property taxation. A series of principles that guided the development of options is also presented.

Section Five focuses on the municipalities. A description of municipalities is provided (the urban / suburban / rural picture), along with a discussion of some of the trends having an impact on municipalities. This is followed by a review of the current municipal government structure, the identification of the critical issues confronting municipalities and a summary of the changes needed to address these issues.

Specifically, the issues deal with collaborative service delivery, the relationship between municipalities and the unincorporated areas, and provincial-municipal funding arrangements. A series of principles that were applied in the development of options is then presented.

Section Six describes the options considered by the Round Table to address the issues, followed by the recommendations of the Round Table.



Changes to the system...

Though local government in New Brunswick predates confederation, it is perhaps most relevant to outline the fundamental changes that were introduced in 1966 as a result of the New Brunswick Royal Commission on Finance and Municipal Taxation, otherwise known as the Byrne Commission, named after its Chair, Edward G. Byrne.

Prior to 1966, local government in New Brunswick was characterized by two forms: municipalities (primarily towns and cities) and counties (covering, for the most part, rural areas). The Byrne commission identified significant disparities in both the range and costs of services provided to citizens across the province. These disparities were particularly evident in such service areas as health care and education. Furthermore, a number of county governments and municipalities were experiencing major financial and management difficulties. It was recognized that a major overhaul was needed.

Many of the recommendations put forward by the Byrne Commission were subsequently implemented by the provincial government by way of the program for Equal Opportunity. This resulted in significant changes in terms of responsibility for services, property assessment and taxation, as well as local government funding and structures. The essential aim of these changes was to provide all citizens with an "Equal Opportunity" to access and benefit

from minimum standards of service and opportunity regardless of the financial resources of the locality in which they live.

The Creation of Local Service Districts

The elimination of county governments left a large portion of New Brunswick's population and land mass as "unincorporated areas", that is, with no local government. Local services to these areas would be authorized and coordinated by the provincial government. Servicing areas were to be identified through the creation of Local Service Districts (LSDs). The remainder of the province would be covered by incorporated municipalities: cities, towns and villages.

The Division of Service Responsibilities

In terms of servicing responsibilities, the province would be responsible for the more general "services to people" including health, education, social assistance and justice, thereby ensuring a greater degree of uniformity (in terms of access and standards) across the province. Municipalities would, on the other hand, be responsible for the more localized "services to property" such as fire protection, local road maintenance, garbage collection, policing and recreation. The introduction of the *Municipalities Act* in 1966 formalized the new alignment of responsibilities for municipalities as well as the village, town, city and LSD structures.

Though there have been some minor adjustments to the division of responsibilities between municipalities and the provincial government over the years, it remains essentially unchanged. In large measure, this division has worked well for the province by way of promoting greater uniformity and accessibility throughout the province for such services as health, education and justice, while at the same time giving local governments specific jurisdiction over local matters. In fact, many other provinces across Canada continue to wrestle with the

entanglement of service responsibilities. Along with the division of service responsibilities, local government structures are also essentially the same as when introduced in 1966, with the exception of the Rural Community structure established in 1995.

Local Government Restructuring

Though the basic structures have remained the same, several local government restructuring initiatives have taken place since the early 1970s. These have included 16 incorporations, 93 adjustments to municipal boundaries (i.e., annexations or decrements), as well as 17 amalgamations.

Local Government Funding

In terms of local government funding, Equal Opportunity reforms resulted in the introduction of an unconditional grant that had two purposes:

- 1) To provide block funding to municipalities to help maintain property taxation at acceptable levels; and
- 2) To equalize municipalities' ability to pay for basic local services in comparison to similar municipalities.

The formula used to calculate the distribution of funding support to individual municipalities has changed over the years, but in general terms, the main objective has always remained the same, that is, to support municipalities in financing local services.

Property Assessment and Taxation

As a result of the realignment of responsibilities under Equal Opportunity, the province now shared the property tax field with municipalities in order to cover some of the costs for education. This realignment also included the province assuming the responsibilities for assessment, property tax billing and collection. These functions were standardized across the province and municipal revenues from property taxation were now guaranteed by the province. (The

province continues to remit the amount of money levied by municipalities via the local rate, regardless of the amount actually collected.) While various adjustments have been made to the property taxation and assessment system over the years, the fundamentals of the system remain essentially the same.

Changes in Unincorporated Areas

As for the unincorporated areas, it is worth noting that a number of studies were undertaken to address various issues that have arisen over the years, many of which could be linked to the fact that there has been an absence of local government in these regions. Of particular relevance was the 1976 *Task Force on the Unincorporated Areas of New Brunswick*, which recommended that LSDs be abolished and be replaced by 11 new municipalities covering all of the unincorporated areas. Various other reports were prepared regarding such issues as urban sprawl. The 1993 *Commission on Land Use and the Rural Environment (CLURE)* also highlighted a variety of major problems associated with the absence of local government in unincorporated areas that should be addressed. These included: conflicting land uses, ribbon development, unmanaged development just outside the major centres, the protection of water sources and the management of wastewater. One particular change resulting from the CLURE reports was the creation of the Rural Community structure, which allowed for the election of a Rural Community Committee with the power to adopt a land use plan.

More recently, the 1999 Municipalities Act Review Panel report entitled *Opportunities for Improving Local Governance in New Brunswick* made a series of recommendations aimed at improving the governance situation in the unincorporated areas. In making its recommendations, the Panel concluded "...

the [provincial government] must move forward to develop a more effective framework for local governance for unincorporated areas...".

The Strengths of the System...

While a variety of issues having an impact on the local governance system will be discussed in other sections of this report, the Round Table also felt it was important to consider and recognize the strengths of the current system that can serve as a foundation for the future. The following summarizes some of these strengths.

➤ ***Disentanglement of service responsibilities***

As noted earlier, one of the legacies of the Byrne reforms was the division of responsibilities between the province and municipalities, which was introduced as a means of entrenching the notion of "Equal Opportunity. "Services to people" are provided by the provincial government (primarily education, health, justice, social assistance) and "services to property" (e.g., policing, fire protection, recreation, land use planning, water and wastewater, roads, etc.) are provided by local governments. The Round Table sees this division of service responsibilities as continuing to be appropriate and important for New Brunswick.

➤ ***Municipalities are the cornerstone of the local governance system***

Municipalities are very much the cornerstone of the local governance framework in New Brunswick. It is difficult to imagine the province without municipalities to manage local road networks, water and wastewater systems, recreational facilities, police protection services, fire prevention and suppression

services, solid waste collection and disposal services and land use planning services. Services provided by municipalities not only meet the critical needs of local communities, but they also complement those services administered by the provincial government. Municipalities should remain an important part of the local governance system.

➤ ***Building on established regional collaboration***

There are a variety of services to properties provided on a regional or sub-regional basis. Some of these include solid waste management, land use planning, economic development, fire protection, police protection, and recreation. The benefits that can be derived through regional collaboration include improved effectiveness and making better use of resources through the achievement of economies of scale and, avoidance of duplication of effort.

➤ ***Funding for local governments***

Though it has been an ongoing source of debate and controversy, there has and continues to be recognition of the need to level the playing field amongst municipalities to ensure that they can provide a reasonable level and quality of local services at acceptable levels of property taxation. There is a need to ensure that the provincial-municipal fiscal transfer relationship will continue to support municipalities in a fair and equitable manner.



One of the first tasks of the Minister's Round Table was to develop a vision. The vision adopted by the Round Table is as follows:

Through a comprehensive understanding of the roles, responsibilities and priorities of local governance, the Round Table will develop a governance concept, which ensures NB citizens:

may live where they want in consideration of: an appropriate scope of locally desired services, associated costs, and representative decision making authority;

may fully and equitably participate in decisions related to: local services and their associated costs, formulation and application of legislation, regulations and policy affecting local activities, planning of local services and those natural resources affecting local economic development; and

may contribute to the strengthening of their communities and of the province as a whole through enhanced collaboration on a regional basis.

This vision was used by the Round Table as a reference point with respect to the issues and options that were debated. It was also meant to provide an overall direction and framework for the Round Table regarding the development of its recommendations. This vision was further refined through the adoption of a series of principles by the Round Table.



This section focuses on the unincorporated areas of the province. In particular, the following sections are presented:

- A description of the unincorporated areas (the suburban / rural picture, population distribution), along with an overview of some of the trends having an impact on these areas;
- A review of the governance structures in place – the LSD and Rural Community structures;
- A description of the critical issues confronting unincorporated areas;
- A summary of the changes / improvements needed; and
- A review of the principles that were established to guide the development of options.

The Unincorporated Areas: Description and Trends

The suburban / rural picture

The unincorporated areas comprise approximately 40% of the population and 80% of the land mass of New Brunswick. Despite being referred to in general terms as the “unincorporated areas”, there are significant differences between these areas, which have over time been divided into Local Service Districts (LSDs). Some LSDs are located close to, or immediately adjacent to cities or towns and are very much “suburban”. These LSDs

are usually characterized by substantial residential subdivisions and some commercial / industrial development.

Some LSDs are very “rural” and are generally located at some distance from a city or town. They are often dominated by large farming or woodland areas, and have a very low population density. Still other LSDs are larger than many municipalities in terms of population and geographic area, and have a large number of large-scale commercial and industrial operations within their boundaries. Among LSDs there are substantial differences in tax base and therefore varying levels of financial capacity in offering local services. Moreover, it is more costly to serve a large and sparsely populated area.

Another important consideration that should be emphasized is that not all areas within unincorporated New Brunswick have the same needs, desires and attitudes in regard to local governance. Residents of some areas have expressed a strong interest in seeking incorporation as municipalities, in order to take better charge of their future. In some instances, increased interest in incorporation or some other form of governance is a reaction to a particular situation in a community (e.g., unwanted development, water and wastewater problems, land use conflicts). It should also be pointed out that while there may be a strong local desire for incorporation, this desire is often tempered by financial realities; the establishment of a municipality for an area that has a low population density and limited tax base is simply too expensive. This situation begs the question: could there be a more suitable option made available to unincorporated areas that would balance local decision-making authority with financial capacity?

In other unincorporated areas, there appears to be very little interest on the part of residents in moving toward a formalized local

governance structure. Residents are comfortable with the current structure (i.e., the LSD system and the provincial role of service provider / coordinator) and are very concerned that any changes will result in increased taxation.

The implication of this diversity is that any new governance / service-delivery approaches need to accommodate wide-ranging differences in fiscal capacity and in terms of the needs and desires of residents of unincorporated areas.

Growth in the unincorporated areas

Most of the population of the unincorporated areas is located in the regions surrounding the seven cities (approximately 26% of the unincorporated area population lives within 20 a kilometre radius and 69% within a 50 kilometre radius). Population growth in the surrounding unincorporated areas is generally outpacing growth in municipalities (see Table 1 below). For example, in the Fredericton region, the population of the unincorporated areas (within a radius of 20 kilometres of the city) grew by 6,873 between 1986 and 1996. At the same time the population of the city grew by 2,155. Similarly, growth in the more rural regions of the province is occurring primarily in the unincorporated areas. For example, in the Florenceville area, the population in the four municipalities of Florenceville, Bristol, Bath and Centreville declined by 496 while in surrounding areas it grew by 693, between 1976 and 1996.

Table 1

	Municipalities		Unincorporated Areas	
	Population	Proportion of NB Total	Population	Proportion of NB Total
1991 Population (723,900)	452,105	62.45%	271,795	37.55%
1996 Population (738,133)	452,904	61.63%	283,229	38.37%
Growth from 1991 to 1996 (14,233)	2,799	19.67%	11,434	80.33%

The fact that a large portion of the population resides in the unincorporated areas and that growth is occurring in these areas with no local government has a number of very significant implications. Development, except in a few cases, is not being controlled, planned and managed effectively and this inevitably leads to a variety of land use conflicts (e.g., farming vs. residential and commercial development), impacts on water supply and quality, and causes loss of natural resources and wildlife habitats.

Lack of proper planning can result in a significant change in a community’s character and quality of life. When basic infrastructure requirements are not properly planned it can ultimately lead to higher costs to property owners and possibly to the provincial government. This situation may also present a further obstacle to potential local government restructuring. In addition, the linear development that continues to occur is having significant cost implications for services such as policing, fire protection, transportation (roads) and school busing.

Interdependence of communities

Residents of unincorporated areas and municipalities are often closely connected on a regional basis by transportation networks, employment opportunities, social and cultural activities, settlement patterns and geography. While residents may live in one area, they may work, shop and/or participate in recreation or cultural activities in several other areas. In effect, residents are multi-community members and form part of a larger natural region of common identity and shared interests. Some of these regions are centered around cities: e.g., Bathurst, Edmundston, Fredericton, Miramichi, Moncton and Saint John. Other regions of common identity in the province include the Péninsule Acadienne, the Kent County area, the Saint John River Valley area, the Restigouche County area

(primarily around the municipalities of Campbellton and Dalhousie) the Kings County area and the Southwest corner of the province (Charlotte County).

The establishment of regional service agencies for such services as solid waste management, land use planning and economic development have furthered these regional relationships. Smaller scale inter-municipal, inter-LSD and municipal-LSD servicing agreements (e.g., for fire protection and suppression, recreation) are also an indication of the cooperation and inter-relationships that have evolved over time.

There may be an opportunity to build upon these regional and sub-regional relationships to address some of the issues facing both unincorporated areas and municipalities, given that so many of these issues cross jurisdictional boundaries (e.g., protecting water supplies).

Governance Structures in the Unincorporated Regions

There are essentially two governance structures available to unincorporated areas: the Local Service District or the Rural Community.

The Local Service District (LSD)

The Local Service District structure is essentially a mechanism to facilitate the delivery and coordination of optional local services by the provincial government in unincorporated areas (e.g., street lighting, recreation, fire protection, etc.), which are often provided by a volunteer organization (e.g., a volunteer fire brigade or recreation council).

The Local Service District is not a form of local government. An LSD Advisory Committee may be elected via a public meeting process but it does not have decision-making authority. It serves in an advisory capacity to the Minister of the Environment and Local Government on matters of local service provision. Public meetings are also held to vote on the establishment or discontinuance of services, but the final decision on whether a service is established rests with the provincial government.

The Rural Community

In 1995, the “Rural Community” structure was introduced, enabling unincorporated communities to elect, via universal suffrage, their own representatives (referred to as a Rural Community Committee). A Rural Community Committee’s only decision-making power is the adoption and amendment of a land use plan for the Rural Community it is elected to serve.

The Rural Community Committee is also responsible for receiving petitions from the electorate of the Rural Community regarding the establishment or discontinuance of optional local services (such as fire protection, community services and street lighting), for calling and running public meetings for a vote on service establishment or discontinuance, and for providing advice to the Minister following a vote at a public meeting.

An initial “pilot” rural community, the Beaubassin-East Rural Community (comprised of six former LSDs), was established in 1995. To date, it remains the only Rural Community in the province. Why there is only one Rural Community in place may be partly attributed to the lack of a provincial implementation strategy and the need to bring about legislative changes to facilitate their operation. It might also be attributed to the fact that the Rural Community,

in its current form, does not offer enough to communities in terms of local decision-making authority.

NOTE: In the case of both the LSD and Rural Community, there are three types of services:

- 1) *Provincially provided mandatory services:* Policing, transportation (roads), administration and dog control (which are funded partially through a special provincial levy of 65 cents per \$100 of assessment on residential owner-occupied properties);
- 2) *Designated services (through legislation):* Land use planning, solid waste collection and disposal, cost of assessment (paid for through property taxation); and
- 3) *Elective services (optional):* typically fire protection, recreation, community services, street lighting (paid for through the local property tax rate).

Issues Facing the Unincorporated Areas

Unincorporated areas are facing a number of issues, many of which can be attributed to the lack of a formal local governance structure. The issues described below have been identified through various sources and, as noted earlier, many are not new. Sources of information have included previous reports such as the 1999 Report from the Municipalities Act Review Panel and the Report from the Commission on Land Use Planning and the Rural Environment. Ongoing dialogue with representatives of the unincorporated areas (including the Beaubassin East Rural Community) and discussions with municipal officials and their representative associations have also been sources of information.

On local decision-making and governance...

Recognized and legitimate representation of communities:

A need for a local decision-making body that can make decisions on behalf of a community (and be accountable for these decisions) on matters of local concern and that is formally recognized by municipalities and the province has been identified. Currently, unincorporated areas do not have representatives who are elected via universal suffrage (with the one exception being the Beaubassin East Rural Community). The LSD Advisory Committees that are in place and elected through a vote at a public meeting have no authority to make decisions. This lack of authority undermines their ability to be a recognized and legitimate voice within and outside their communities.

Enhancing citizen involvement in local affairs:

A desire has been expressed to enhance citizen involvement in local issues. One way to accomplish this might be to strengthen their influence on decisions that affect their respective communities. Currently, there are numerous Local Service Districts that do not have an Advisory Committee (approximately 30% of the 270). Part of the reason for this lack of interest is that these committees ultimately have no decision-making authority. While their involvement may vary from region to region, there are many Advisory Committees (including the Beaubassin East Rural Community) that feel that they do not have influence on local matters. This feeling exists despite being elected via a public meeting process (or through universal suffrage in the case of the Beaubassin East Rural Community Committee) to advise the Minister on matters of local service provision.

Regulating local activities:

Some communities have identified problems in regulating activities such as noise causing public nuisance, dangerous or unsightly premises and outdoor exhibitions and concerts. LSD Advisory Committees and the Rural Community Committee do not have any regulatory authority to govern activities in their communities. Regulation making authority in these areas rests with the provincial government.

Emphasizing the need and value of land use planning:

Approximately 20% of LSDs have some form of local land use plan in place and many of these plans are not adequate. The lack of land use planning has led to land use conflicts, loss of community character, problems with water quantity and quality, as well as unnecessary duplication of infrastructure, facilities and services. Coordinated land use planning can help to ensure the future well-being of communities. The establishment of a local government body could result in a community being able to more actively pursue the adoption and enforcement of an effective land use plan that would ensure more appropriate and sustainable development.

Local ownership of public properties and lands:

Often, there is a local desire to own and manage public properties that support the social, cultural and economic development of the community. However, local public ownership and management of such properties is difficult because the LSD is not a body corporate (and it is not always possible for a non-profit organization to assume the ownership / management function). In most instances, ownership of properties associated with service provision in unincorporated areas is vested with the provincial government (e.g. fire halls).

In addition, lands for public purposes or money

in lieu of lands for public purposes cannot be vested in a Rural Community Committee or with a Local Service District Advisory Committee as part of a subdivision plan. This results in the loss of potential public community resources such as parks, tourism attractions, or historic sites. There is a need to enable local ownership of public properties and the vesting of lands for public purposes.

Strengthening natural communities:

Over the years, many “natural communities” have been divided into several LSDs, and sometimes into further taxing authorities within the LSDs themselves. These divisions have, in some instances, resulted in a weakened sense of community and a reduced emphasis on collective decision-making. Opportunities to make decisions that would be beneficial to the community as a whole need to be fostered (e.g., sharing of costs for a service, development of effective land use plans). If change is to occur, there is a need to emphasize communities of interest and the importance of collective decision-making for the betterment of communities as a whole.

Preserving community character:

A key concern that has been expressed by Round Table members is the need to recognize that communities are different and that citizens want to preserve the character of their communities. Citizens should be able to influence and guide the growth and development of their communities in order to ensure a desired quality of life.

On budgeting, finances and property taxation...

A desire to have input and control on the local budget:

There is a desire to have local decision-making authority on budget decisions that will affect service delivery and ultimately, local tax rates. Currently, the LSD Advisory Committee

and the Rural Community Committee only have a very limited advisory role with respect to establishing local budgets for service provision. In LSDs where there is no Advisory Committee, there is no citizen input provided to the Minister on matters of budget preparation.

Access to capital financing:

In many unincorporated areas, there is a pressing need to upgrade or replace aging equipment and infrastructure, particularly for fire protection. The present limitations for the financing of capital acquisitions on behalf of LSDs and the unfavorable terms for such borrowing needs to be examined. (e.g., currently, fire trucks are acquired through the Province's Vehicle Management Agency, which only permits a five-year lease purchase agreement, while the expected useful life of the vehicle is very likely to be 15 to 20 years.) This short financing period is an obstacle, for most LSDs, to purchasing this type of equipment because of the large increase on the local tax rates required to repay the debt). Access to special capital funding programs by the LSDs, such as the Canada – New Brunswick Infrastructure Program, is also limited. Attempts to access funding for water and wastewater initiatives are extremely limited unless the LSD is able to establish and administer a special commission for this purpose.

Equitable property taxation rules:

In the unincorporated regions, policing, transportation, administration and dog control services are provided by the provincial government. A provincial levy of 65 cents per \$100 of assessment, which is not directly linked to the cost of providing these services, is charged to owner-occupied residential properties. This levy is not charged to residential non owner-occupied properties (e.g., cottages and apartment buildings) or to non-residential properties (e.g., businesses). The question is – should the cost of these services be borne by all property owners, as

is the case in municipalities?

Linking the cost of service provision to property taxation:

There is no direct link between the costs of provincially provided local services in the unincorporated areas and the 65 cent levy, which has remained at this level since 1984. It has been estimated that the gap between the cost of the services and the revenue raised is at least \$22 million.

Members of the Round Table have identified a need to determine more specifically the cost of provincially provided local services (policing, transportation, administration, dog control) and that this cost should be reflected in the property taxes levied.

Application of the unconditional grant to unincorporated areas:

Representatives of the unincorporated areas on the Round Table also indicated that there is a need to revisit the unconditional grant formula applied to LSDs in order to ensure that the pool available to these areas (approximately \$3 million) is distributed in the most equitable manner.

On collaboration and service delivery...

There are several issues to be addressed in regards to delivery of services on a regional and sub-regional basis, which affect unincorporated areas.

Improving accountability of regional service commissions:

While they are required to pay their share of the operating cost of regional service agencies, (Solid Waste Commissions, District Planning Commissions) residents of unincorporated areas do not feel they have enough say as to who their representatives will be. The Minister appoints unincorporated

area representatives which means they are neither locally chosen or elected and therefore have no direct accountability to the citizens served. In the case of Economic Development Commissions, there is no representation (nor any funding) from LSDs, yet these agencies serve unincorporated areas.

Emphasizing land use planning:

While all unincorporated regions pay for land use planning services through property taxation, they are not necessarily receiving the service they expect and support financially. If communities are paying for the service of land use planning, there is a need to ensure that they receive an equitable level of service.

Growth in unincorporated areas continues to occur without the benefit of adequate land use planning. Land use planning commissions, in conjunction with the provincial government, need to be proactive in promoting the benefits of land use planning and moving toward the adoption and implementation of rural plans to cover all areas of the province. Too often, land use planning is perceived as an obstacle to development and not as a tool to foster proper and sustainable development. Plans should respond to local needs and demonstrate sensitivity to the regional situation (i.e., land use plans must be complementary).

Adequate resources to meet planning responsibilities:

For some commissions, particularly land use planning commissions, the availability of resources, both financial and human, is an issue. While they have been mandated to provide land use planning services to their member communities, their ability to respond to community needs is being hampered by the lack of financial resources, which in turn makes it difficult to attract and retain planning personnel in the province.

A forum to address regional issues:

There are many issues that spill over jurisdictional boundaries, yet there is no formal mechanism to address them. Municipalities and unincorporated areas do not have a framework that will allow them to effectively engage in a dialogue over issues that cross their boundaries (for example, protection of water supplies, determining infrastructure needs, minimizing land use conflicts, protecting natural resources and agricultural lands). Regional issues most often require regional responses, and there is no structure in place to allow this to happen.

Matching who benefits with who pays for services:

Municipal officials have on many occasions complained that residents of the unincorporated areas are benefiting from services their municipalities offer (e.g., recreational facilities, libraries). However, residents of unincorporated areas do not have a say in these services provided by municipalities, which happen to benefit an area larger than the municipality's boundaries. Moreover, a number of municipal facilities around the province were built without securing the initial support of surrounding unincorporated areas. A more formalized mechanism would facilitate partnership, collective-decision making and cost sharing with respect to services that benefit more than just one community. Such a mechanism could help ease some of the tensions that have surfaced between unincorporated areas and municipalities regarding cost sharing for services.

A "fair sharing" approach:

While it is important to consider approaches that will foster the sharing of costs for services of a regional nature, it is equally important to consider how the decisions regarding costs of these services can also be shared. Fairness not only implies sharing in benefits and costs of a service, but also sharing in the decisions that affect the costs of the service.

What Changes are Needed?

The preceding considerations suggest that there are several issues to be addressed in order to enable citizens and communities of the unincorporated areas to take charge of their futures. It is clear that the status quo is no longer an appropriate option. The current LSD and Rural Community structures are not adequate to deal with the issues confronting unincorporated areas. The following is a brief summary of the changes that should be considered in regards to structure, service delivery and finances for unincorporated areas:

- Provide for formally elected representation (via universal suffrage)
- Provide for local decision-making authority on matters of local service delivery and local activities
- Provide for appropriate access to capital financing for purposes of service delivery
- Provide for local ownership of property and for the vesting of lands for public purposes
- Emphasize the strengthening of natural communities of interest
- Emphasize collective approaches to decision-making: locally and regionally
- Provide citizens with the tools to preserve their communities' character and quality of life
- Emphasize land use planning as essential to the future sustainability of communities and the quality of life they offer
- Provide a mechanism through which effective cooperation can occur on a regional or sub-regional basis (on service provision and issue resolution).
- Provide for improved accountability, and involvement in, regional service delivery organizations.

- Ensure that all property owners in the unincorporated areas contribute to recovering the cost of provincially provided services through direct property taxation.
- Provide for a better link between provincially provided services and property taxation levels.

Principles

The following principles were used as a basis for developing potential options to address the issues confronting the unincorporated areas.

On local decision-making and governance...

1. **A form of local governance for all citizens with:**
 - **Elected representation**
 - **Accountability of representation**
 - **Responsibility and authority**All citizens of New Brunswick should have access to a form of local government, which means choosing elected representatives through formal community-wide elections (i.e., through universal suffrage). Those persons elected should have the authority to make decisions on behalf of their community and must be accountable to the community for their decisions. Local autonomy in making local decisions regarding local matters must be enabled and respected.
 - ***LSDs want input with authority on what happens in their communities, without seeking permission from senior levels of government: The current LSD Advisory Committee does not have decision-making power with***

respect to local service provision or other matters affecting their communities. This situation needs to change. Local matters require local decision-making.

- **Minimum level of local governance:** *There should, at the very least, be some minimal form of local governance covering all of New Brunswick.*
- **Local autonomy to make local servicing decisions:** *Local governments should have enough flexibility to act as they wish on matters within their jurisdiction. The level, quality, and scope of services should be a matter of local determination (subject to provincially established standards).*
- **Communities want to take control of development within their boundaries:** *There are increasing development pressures across New Brunswick. For many communities in the unincorporated regions, the ability to control this development is very limited. Communities want to have the means to control and manage development to preserve community character and quality of life and to ensure sustainability for the future.*
- **Respect from the provincial government:** *There is a need to ensure that the provincial government recognizes and respects locally elected officials. This means ensuring ongoing consultation and communication with local representatives.*

2. Recognition of the uniqueness of jurisdictions: Any changes that do occur should accommodate and recognize as much as possible the uniqueness of communities across the province. There are significant differences between the

various unincorporated areas of the province (e.g., not all unincorporated areas are rural, not all are interested in full-scale local government). Flexibility of any new approaches would be essential to accommodate these significant differences. Some areas may be ready and have the financial capacity to incorporate as a full-service municipality, while others may only have the capacity and/or desire to take responsibility for one or two services.

- **Choices for a variety of local governance models with understood consequences:** *There should be a choice in the type of local government a community wishes to establish, but the consequences of these choices must be understood.*

3. Establishing boundaries in accordance with communities of interest:

If boundaries of communities are ultimately to change, the changes should reflect established social, cultural, recreational, employment, environmental and economic linkages.

4. Restructuring should be Community driven, facilitated by Government:

If changes are to occur, they should, as much as possible, be driven by communities themselves. The province should play a facilitation role in making the changes happen. As part of the process, the benefits and costs of restructuring need to be clearly identified and understood. Ultimately, the changes should benefit both unincorporated communities and existing municipalities.

- **Any restructuring should be beneficial to both LSDs and municipalities:** *If changes are to occur, the benefits should outweigh the costs for both municipalities and communities in the unincorporated regions. Furthermore, the benefits and costs must be clearly identified and understood.*

- 5. Communities should be proactive in working towards local government:** Establishing some form of local government that will allow for local decisions to be made on local matters is seen as a necessary step by the Round Table. It is important for communities to understand the benefits and costs of taking charge of their future through the establishment of local governments.

On service delivery and collaboration...

- 6. The aim of sharing responsibilities and costs of services between jurisdictions should be efficiency and quality:** The result of sharing of services and costs should be to provide the needed range and level of services at a cost each community can afford.
- 7. Communities must be part of the decision-making process if they are to participate in cost-sharing:** True cooperation requires that participating communities not only be willing to pay for the services they benefit from, but should also be able to directly influence decisions that affect the cost, quality and level of the service provided.
- 8. Activities between unincorporated communities and municipalities must be transparent:** If there is to be true and positive cooperation, there is a need for a

framework that promotes consultation, openness and access to information among all parties involved.

- 9. Land use planning on a regional basis is essential:** If land use planning is to be emphasized, there should be a strong link made to regional considerations. Individual land use plans within a region should not conflict or undermine one another, but rather should be complementary.

On budgeting, finances and property taxation...

- 10. Communities are prepared to pay for what they get but must get what they pay for:** If a service is paid for by property owners, the level of the service they are receiving should reflect the amount being paid.
- 11. Taxation with local representation:** If property owners are to be taxed for services, they must be formally represented when determining what services are to be provided, the level of the service provided and the cost of this service. Local input must be more than an advisory role.
- 12. All property owners should share in the cost of policing and transportation services:** Owners of residential, residential non owner-occupied and non-residential properties should share in paying for the costs associated with policing and transportation in the unincorporated areas.
- 13. Continuation of grant funding:** Grant support should remain as a source of funding for communities in the unincorporated areas. No matter what structural changes might occur, it is very likely that some form of funding support

will be required. If the unconditional grant for unincorporated areas is to remain, there is a need to review the formula as applied to unincorporated areas to ensure the most equitable distribution of the funding pool.



This section focuses on municipalities. Specifically, the following is presented:

- A description of municipalities – the urban / suburban / rural picture, population distribution, along with an overview of some of the trends impacting on municipalities;
- A brief review of the current municipal structure
- A description of the critical issues confronting municipalities;
- A summary of the changes / improvements needed; and
- A review of the principles that were established to guide the development of potential options.

Municipalities – Description and Trends

The Urban / Suburban / Rural picture

There are currently 103 municipalities in New Brunswick, including 7 cities, 27 towns and 69 villages. Municipalities include approximately 60% of New Brunswick’s population and 20% of the land mass of the province. As with the various unincorporated areas, there is significant diversity amongst municipalities. They vary in geographic and population size, tax base and services provided (range, level and quality). Some municipalities can be considered as “urban”, others “suburban” and others “rural”.

There are also those municipalities that can be considered as small-scale regional service centres and are usually located at some distance from the cities (e.g., Caraquet, St. Stephen, Woodstock). Even amongst New Brunswick’s seven cities there are substantial differences. Whereas cities such as Moncton and Saint John could be considered as large “urban” centres, cities such as Bathurst or Campbellton are much smaller scale regional centres.

While there are many common issues facing municipalities, the Round Table members felt that it was very important to recognize and consider the differences between various municipalities when changes to the local governance system are contemplated.

One of the predominant features of many municipalities in New Brunswick is their small size. As illustrated in Table 2, thirty-six of the 103 municipalities in New Brunswick have a population of less than 1000 and 33 municipalities have a population of between 1000 and 2000. Furthermore, these 69 municipalities have substantially lower per capita tax bases than the larger municipalities.

Table 2

Ranges of Population	Total # of Municipalities	Total # of Residents	Median Population Per Squ. Km	Avg. Tax base per capita (Year 2000)
Less than 1,000	36	22,814	84	35,128
1,000 to 1,999	33	46,766	127	33,542
2,000 to 4,999	19	70,471	190	40,661
5,000 to 9,999	5	34,216	413	49,681
10,000 to 19,999	7	104,866	225	47,352
20,000 and more	3	178,961	364	53,999
Total	103	458,094*	124	47,075

*Includes First Nations population within municipalities.

The challenge that this situation presents to municipalities is in being able to provide a reasonable range and level of quality services at acceptable property tax rates. By themselves, many small municipalities are having a difficult time achieving any

substantial economies of scale when it comes to service provision. Their low population density adds the further challenge of providing cost efficient services (many municipalities that have small populations have a relatively large geographic area to cover). This situation, combined with changes in provincial-municipal transfers, is posing significant challenges to many municipalities in terms of their long-term viability. What are the options for these municipalities? In some instances, one approach may be to increase cooperation on a regional basis for services through more formalized means. Another approach may be to examine opportunities for more effective and efficient local governance through annexation of nearby unincorporated areas or even through amalgamation with other municipalities.

Population Growth in Municipalities

As noted earlier, the population growth is occurring primarily outside municipal boundaries. This is generally the case in the areas surrounding urban centres, the smaller scale regional centres and around rural municipalities. At the same time, population growth in many municipalities is stagnant or even declining. The implications of how growth in these regions is occurring are far-reaching and their effects are being felt by municipalities. The infrastructure (e.g., roads) and facilities (e.g., for recreation) are not necessarily being used to their potential and the costs for these services are not being appropriately shared through property taxation or fees by those who benefit from them. The costs of maintaining this infrastructure and these facilities fall almost entirely to the residents of the municipalities.

The Future of Urban Centres

Approximately 80% of the population of New Brunswick lives in or within 50 kilometres of the province's seven cities. The reasons for this are both historic and economic. Today, the major centres provide employment to a

high percentage of the New Brunswick workforce. The focus on the urban centres as the job centres for the province will continue and growth in the surrounding regions will also likely continue. Given this anticipated growth, it will become increasingly important to find mechanisms through which communities can share in the costs of services that have a regional benefit.

Furthermore, issues associated with urban sprawl (e.g., land use conflicts, water / wastewater infrastructure requirements) and linear development must be dealt with in a proactive manner.

Aging population

As our population ages, local governments will be challenged to re-think how and what services are offered. Services such as recreation, public safety, and land use planning will need to be reconsidered in light of this changing demographic.

Local Government Structures

Municipalities: Cities, Towns and Villages

Municipalities are the only local government structure in the province. They provide services of a local nature to a defined area. The decision-making body is the council that is elected via universal suffrage. The council of a municipality has decision-making authority on service provision, by-laws, budgets, user fees and tax rates. A council is elected to make decisions on behalf of citizens for the betterment of its community. While their size, capacity, services provided and needs may differ significantly across the province, municipalities, whether a city, town or village, have the same by-law making and service provision powers.

Generally speaking, municipalities are the main local service providers for their communities. However, some services are delivered by regional commissions on behalf of communities (solid waste management, land use planning, and economic development). There are also smaller scale sub-regional arrangements in place for the provision of services between two or more communities (e.g., for services such as policing, recreation, fire protection).

Issues Facing Municipalities

This section provides an overview of the key issues municipalities are facing. As mentioned earlier, while many of them are not new, there is a sense of urgency in having them addressed, particularly those issues related to provincial-municipal fiscal transfers.

On collaboration and service delivery...

Collaboration to maintain service affordability:

Service costs are continuing to escalate, while traditional funding sources are diminishing. At the same time, there are demands from the public for efficient and high quality service provision.

Service provision according to administrative boundaries does not always result in the most efficient and effective delivery of services. In addition, administrative boundaries do not necessarily capture all those who are actually benefiting from services. Municipalities need to collaborate if they are to remain viable and if they are to maintain or improve current services at reasonable cost.

Cost-sharing with the unincorporated areas:

For many years, municipal officials have argued that residents of neighboring communities, particularly of unincorporated areas, avail themselves of the services offered by a municipality, while contributing very little, if anything, to the ongoing operational and capital costs associated with the service (e.g., recreational facilities). Often, the contribution of residents of the unincorporated areas is through the same program fees that are paid by residents of municipalities, or possibly through a slightly higher user fee. However, these fees only cover a small portion of the costs associated with the service (usually the programming component). There is a need for a mechanism that will facilitate more effective sharing of costs and of decisions affecting those costs between municipalities and unincorporated areas for services that have a regional benefit.

Accountability of regional bodies:

From a municipal perspective, the accountability of regional service commissions needs to be improved. Municipal representatives on the commissions often find themselves in the difficult position of trying to balance the interests of the municipalities they represent with the needs of the commissions on which they serve. This situation is particularly evident on budgetary matters and is further complicated when, in some instances, the municipal representative is not a member of the municipal council.

A forum to address regional issues:

There are many issues that spill over jurisdictional boundaries, yet there is no formal mechanism to address them. Municipalities and unincorporated areas do not have a framework that will allow them to effectively engage in a dialogue over issues that cross their boundaries (for example, on protection of water supplies, on determining infrastructure needs, on minimizing land use conflicts, on protecting natural resources and

agricultural lands). Regional issues most often require regional responses, and there are no structures or tools in place to allow this to happen. An enabling mechanism is required that will facilitate communities working and planning together to find solutions to regional problems.

On municipal funding and property taxation...

The need for adequate funding:

Municipalities have the authority to provide a variety of services. While some municipalities may be well positioned to provide services at a reasonable tax rate (due in large part to a strong municipal tax base), many other municipalities are not. These municipalities need funding support beyond what is received through property taxes in order to provide services at an acceptable tax rate for their citizens. Currently, this funding support is provided through an unconditional grant. For many municipalities, the funding made available through the unconditional grant, which has been substantially reduced in recent years, is not considered to be enough to ensure appropriate levels of servicing at acceptable tax rates.

Upkeep of Infrastructure:

In the coming years, municipal governments will have to make significant investments in basic infrastructure and facilities (e.g., roads, recreational facilities, water and wastewater systems). There is a need to ensure that municipalities are well positioned financially to handle these costs.

The need for stable funding:

For the vast majority of municipalities, the primary source of funding after property taxes is the unconditional grant. The unconditional grant pool available to municipalities is subject to an annual review by the provincial

government. Municipalities have expressed strong concerns regarding the unpredictable and unstable nature of such an important component of their funding. The uncertainty surrounding the unconditional grant has made it difficult for many municipalities to plan ahead. This uncertainty has been particularly relevant in recent years, given the significant overall reductions to the unconditional grant pool (from \$103 million in 1993 to \$67 million in 2001). Any new funding mechanism should be founded on the basis of enhanced predictability and stability and not be subject to significant fluctuations.

Need to reconsider the application of the unconditional grant formula:

The 1997 formula, which is nearing the end of its phase-in period, is creating, in the view of many municipalities, winners and losers. If the formula were to be fully applied in 2002 many municipalities would experience substantial reductions in revenue. In response to these concerns, the Premier announced on June 14, 2001 that the 2002 grant distribution would be maintained at the 2001 levels.

Property taxation in the unincorporated areas:

In municipalities, non owner-occupied residential and non-residential property owners pay for policing, transportation, administration and dog control services as part of the local property tax rate they are charged by the municipality. In the unincorporated areas, owners of non owner-occupied residential and non-residential properties do not pay for these services through direct property taxation. This situation creates a significant imbalance between incorporated and unincorporated areas in the treatment of these types of properties.

From a municipal perspective, the tax regime is not neutral and provides a direct incentive for certain types of development to occur in unincorporated areas. This imbalance

impacts the potential for development within municipal boundaries. It can also be argued that this situation is contributing to the problems associated with the urban sprawl phenomenon. There is a need to address this inequity in the property tax regime.

What Changes are Needed?

The trends and issues described indicate that changes are needed to ensure that municipalities continue to perform their role effectively. Following is a brief summary of the changes that should be considered to ensure a healthy future for municipal governments.

- Provide for a mechanism that will facilitate enhanced cooperation on service delivery between municipalities, and between municipalities and the unincorporated areas, in order to achieve economies of scale and to ensure that quality services continue to be available at acceptable rates of property taxation;
- Provide a mechanism and the tools to facilitate the resolving of issues that cross jurisdictional boundaries (between municipalities and between municipalities and unincorporated areas);
- Improve the accountability and effectiveness of regional service delivery agencies;
- Provide for stability and predictability of the provincial-municipal fiscal relationship (i.e., stable and predictable transfers);
- Ensure that municipalities are able to remain viable entities that can provide quality services;
- Ensure that there is equity in the property taxation regime.

Principles

The following principles were used as a basis for developing potential options to address the issues confronting municipalities.

On cooperation and service delivery...

1. **The aim of sharing responsibilities and costs of services between jurisdictions should be efficiency and quality:** The result of sharing of services and costs should be to provide the needed range and level of services at a cost each community can afford.
2. **Activities between communities must be transparent:** If there is to be true and positive cooperation, there is a need for a framework that promotes consultation, openness and access to information among all parties involved.
3. **Land use planning on a regional basis is essential:** If land use planning is to be emphasized, there should be a strong link made to regional considerations. Individual land use plans within a region should not conflict or undermine one another, but rather should be complementary.

On funding and property taxation...

4. **Adequate Funding:** Local governments have different expenditure needs and varying ability to finance such expenditures from their own resources. Adequate funding, beyond those revenues raised primarily through property taxation, is required to fulfill service responsibilities at acceptable rates of taxation.

5. **Equitable distribution:** Equity means that local governments with the same fiscal need should be treated in a similar manner. Fiscal need is a measure of a municipality's expenditure needs relative to its ability to raise its own revenues. Equity does not mean that each municipality will be treated equally, but rather that each municipality will be treated fairly.
6. **Neutrality:** The principle of neutrality means that the funding transfers should not influence the expenditure patterns of the recipient. Likewise, a local government should not be able to influence the amount of transfer it receives through its expenditure decisions.
7. **Predictability / Stability:** Local governments should be able to rely on a reasonable degree of predictability and stability regarding funding transfers from the provincial government. Local governments cannot plan for the future with confidence if they are subject to large or unexpected variations in revenues.
8. **Respect for Local Autonomy / Choice:** Local circumstances, needs and priorities vary amongst communities. Local governments must be free to determine their levels of service, their spending levels and their taxation rates.
9. **Accountability for financial decisions:** Local governments must be accountable for the decisions they make regarding service provision at the local level and corresponding property tax rates they set. To help foster this accountability, funding from the provincial government should be stable and predictable.
10. **Understandable and transparent:** There cannot be true accountability in the funding transfer system unless there is an

understanding of what the system is intended to do and how it works.

11. **Access to diversified sources of revenue :** With increasing pressures to do more with existing resources, local governments should have the flexibility to access a wider range of revenue sources. Examples of these revenue sources might include additional tax room and user charges.

Note: There are a number of other principles identified in the section dealing with unincorporated areas that could also be applied in general terms. For the purposes of the current section, however, those principles that had the most direct relevance to municipalities were highlighted.



Governance in the Unincorporated Regions

To address the issues identified with respect to governance in the unincorporated areas, the Round Table examined a series of structural options that could be considered for application to New Brunswick.

Specifically, the following options were reviewed:

1. Administrative adjustments to the current LSD system
2. Regional municipalities (one-tier)
3. Regional municipalities (two-tier)
4. Incorporation as, or annexation to, a municipality
5. Rural Municipality
6. Enhanced Rural Community
7. Community District

1. Administrative adjustments to the LSD system

There are several adjustments that could be made to the current LSD system to improve it. Examples include giving the LSD Advisory Committee more of a role to play in budget development, streamlining the public meeting and service establishment process, and giving the Advisory Committee more flexibility to

engage the community on matters of local concern.

While these are all improvements that could be made either by policy changes or legislative amendments and would be beneficial in the short term, the Round Table feels that these changes do not address the fundamental issues that were identified, nor do they reflect the principles that were developed. The Round Table agrees that this approach should not be pursued.

2. Creation of Regional Municipalities (one-tier)

Another option that was discussed by the Round Table was the creation of large one-tier regional municipalities. Essentially, the creation of these regional municipalities would result from a series of annexations and amalgamations (including both incorporated and unincorporated areas). These large municipalities would be established in order to address region-wide issues that relate to cost sharing for services and urban sprawl. Once elected, one council would serve a region that would likely include urban, suburban and rural areas. This approach would be similar to the ones taken in the creation of the Halifax and Cape Breton Regional Municipalities in Nova Scotia. The Round Table felt that this approach would result in a loss of community identity and citizens would likely feel somewhat remote from and less able to access their local government. Tax rates for some areas of the new municipality might increase without a corresponding change in service level or quality.

The Round Table members agree that the creation of such large centres is not appropriate in the New Brunswick context and that this approach should not be pursued.

3. Creation of Regional Municipalities (two-tier)

A third option considered was the establishment of Regional Municipalities on a two-tier basis – an upper and lower tier. The upper tier (regional government) is an elected body that provides a particular range of services not offered by the lower tier (i.e., municipalities). The upper and lower tiers would each be responsible for specific services. The upper tier would be given the responsibility for the more “regional” services, while the lower tier (existing municipalities or the province in the case of the unincorporated areas) would be responsible for local services. Representatives from member communities would be directly elected to the upper tier.

Concern was expressed that such an approach would simply add another layer of bureaucracy (i.e., another local government, albeit on a regional basis). There would likely be tensions between the upper and lower tiers, particularly on matters related to the sharing of the property tax field. An increase in taxes by the upper tier would add pressure on the lower tier to keep its tax rate at a particular level and vice-versa. Furthermore, this approach was seen as having the potential to undermine or reduce the role of existing municipalities.

The Round Table agrees that this option is not appropriate in the New Brunswick context and should not be pursued.

4. Incorporation as, or annexation to, a municipality

A current option available to unincorporated areas is either annexation to an existing municipality or incorporation as a distinct

municipality. From a municipal perspective, the potential benefits of annexation (of an unincorporated area to a municipality) include achieving some economies of scale, an improved ability to address environment related issues (e.g., protection of water supplies), more effective control over urban sprawl, ensuring the availability of land for future growth and strengthening the financial capacity and stability of the municipality. Reorganizing through annexation can also result in a better alignment of administrative boundaries with the areas benefiting from services.

From an unincorporated area perspective, the potential benefits include more and better local services (e.g., water and wastewater services), more effective land use planning, protection of natural resources, as well as accountable local representation. While there may be various benefits to annexation, other factors need to be considered including financial feasibility (i.e., do the benefits of extending the services to the annexed area outweigh the costs?) and local support for the change.

As for incorporation (as a municipality), potential benefits include having local decision-making authority on matters of local concern, greater ability to manage development as well as enhanced opportunities to negotiate with nearby municipalities on matters of service delivery and other matters of mutual concern. Though the benefits are significant, the financial feasibility of creating a new municipality must be carefully examined. While citizens of a community may see the benefits of moving forward with incorporation, the fiscal capacity of a community to be incorporated may not be substantial enough to support a local government structure at locally acceptable rates of property taxation.

The Round Table feels that annexation and incorporation are valid options that should

continue to be available for currently unincorporated areas, but also recognizes that such solutions are not always financially feasible and / or locally desired.

5. Rural Municipality (proposed option)

Another option considered was the concept of a Rural Municipality. The essential features of this approach would include the following:

Purpose

- The primary purpose of this model would be to enable existing unincorporated communities to have their own local government with a range of service responsibilities they are able to finance.
- The Provincial Government would no longer serve as the local government for unincorporated areas choosing to incorporate as a Rural Municipality.

Establishment and Representation:

- Establishment would be based on a community of interest (likely resulting in the consolidation of LSDs), and on local desire and financial capacity.
- Representatives would be elected at triennial municipal elections in the same manner as municipal councils.
- The elected body: A Rural Municipality Council (RMC) would be the voice of, and point of contact for, the community. Decision-making authority would rest with this elected body.
- The RMC would make its appointments to the various bodies delivering services on behalf of the Rural Municipality.

Service Responsibilities and Delivery:

- The Rural Municipality could provide land use planning, fire protection, street lighting, economic / tourism development, community services, recreation, solid waste collection and disposal, water and

sewage and dog control. It could offer any of these services as needs arose and capacity allowed.

- Policing and transportation services would be provided by the provincial government.

Powers:

- The inhabitants of the entire area would be a body corporate (similar to a municipality).
- The Rural Municipality could own property: land, buildings, and equipment.
- The RMC would have general authority for the adoption, amendment and enforcement of by-laws. This would include the authority to adopt, amend and enforce a Rural Plan as well as other by-laws it wished to have in place. (e.g., animal control, unsightly premises).
- The RMC would be a member of any regional agency that was delivering services on its behalf.

Funding:

- Cost of services would be covered primarily through property taxation.
- Access to other revenue sources would be available: e.g., unconditional grant, user charges.
- “Pay for what you get” approach would be used. Different tax rates for different parts of the community would be possible, based on the level of services received.
- The RMC could borrow money for capital projects and could access special funding programs.
- Policing and transportation costs would be recovered through a separate tax rate imposed by the provincial government. The rate would be uniform throughout the province.

6. Enhancement of the Rural Community Structure (proposed option)

One option currently available to unincorporated areas is the establishment of a Rural Community. As noted earlier, the Rural Community is a structure that gives an area, through a locally elected Rural Community Committee, the power to make local decisions regarding land use planning (in particular, the adoption and amendment of a land use plan). However, as was also previously noted, this structure does not appear to offer enough to communities interested in taking charge of their affairs. The question is whether the current Rural Community structure could be enhanced to allow for a wider scope of decision-making authority, without bringing about a full municipal structure and its associated administrative costs. The following model – an Enhanced Rural Community – is one approach that could be pursued.

Purpose

- The primary purpose of an Enhanced Rural Community would be to enable existing unincorporated areas to have a local government without the administrative structure of a municipality. An Enhanced Rural Community would share the administration and delivery of services through a regional service body.
- The Provincial Government would no longer serve as the local government for unincorporated areas choosing the Enhanced Rural Community approach.

Establishment and Representation

- An Enhanced Rural Community would continue to be a structure by which a community would elect a Rural Community Committee at the triennial municipal elections.

- Members of the Enhanced Rural Community Committee would continue to select their own officers (e.g., Chairperson) and would also appoint one or more representatives on the regional service body providing land use planning and other services to the Enhanced Rural Community.
- The boundaries of an Enhanced Rural Community would be established to reflect a “community of interest”.
- The establishment of an Enhanced Rural Community would result, in most instances, in the consolidation of LSDs.

Service Responsibilities and Delivery

- The Enhanced Rural Community Committee would also make decisions (similar to a Municipal Council) relative to the provision of other services (e.g., fire protection, solid waste collection and disposal, street lighting, community and recreational services). However, these services would be delivered by a regional service body, on behalf of the Enhanced Rural Community. (Note: the Rural Community Committee currently advises the Minister on the provision or discontinuance of other local services, who in turn makes a recommendation to Provincial Government for a final decision.)
- Policing and transportation services would be provided by the Provincial Government.
- The Enhanced Rural Community Committee would also advise and assist the regional service body in the administration of the services it would deliver to the Enhanced Rural Community via its representative(s) on the board and staff of the regional service body. (Note: the Rural Community Committee currently advises and assists the Minister in the administration of the Rural Community via the Municipal Services Representative of the Department of the Environment and Local Government).

- The regional service body would provide all the administration (staffing, equipment and facilities) required by the Enhanced Rural Community Committee to fulfill its responsibilities. The Enhanced Rural Community Committee would not employ staff. However, the Rural Community Committee would work closely with the regional service body in supporting volunteer organizations that provide services to the Enhanced Rural Community, such as a volunteer fire department or a recreation association.
- The Enhanced Rural Community could own lands, buildings and equipment.
- The regional service body would acquire the human and material resources it would need to deliver the services it was mandated to provide on behalf of the Enhanced Rural Community.

Powers

- **The Enhanced Rural Community Committee would be the decision-maker for local services, while the regional service body would be the delivery agent of these services.**
- Similar to a municipal council, an Enhanced Rural Community Committee would have the authority to adopt, amend and enforce a rural plan (the enforcement of the plan currently rests with the Minister of the Environment and Local Government). The Plan would be implemented and administered by a regional service body.
- The introduction of other by-laws would be decided upon by the Enhanced Rural Community Committee. By-laws adopted by the Enhanced Rural Community Committee would be implemented and administered by a regional service body (e.g., unsightly premises, animal control).
- Similar to a Municipality and a Rural Municipality, the Enhanced Rural Community would be a body corporate.

Funding

- Costs of services would be covered primarily through property taxation.
- Access to other revenue sources would be available (e.g. unconditional grant, user charges).
- Policing and transportation costs would be recovered through a separate tax rate imposed by the Provincial Government. The rate would be uniform throughout the province.
- Since several Enhanced Rural Communities could be established in a region, they could benefit from economies of scale by sharing the administration and delivery of services through a regional service body, thereby making local governance and services more affordable.
- The Enhanced Rural Community Committee would adopt its annual budget to cover the administrative costs (e.g., meetings) of the Rural Community Committee as well as the costs of the services delivered by the regional service body on its behalf.
- The Enhanced Rural Community committee would set the local tax rate and then pay the regional service body for services received. (The Minister of Environment and Local Government currently adopts the annual budget of the Rural Community and sets the tax rate.)
- A “pay for what you get” approach would be used. Different tax rates for different parts of the community would be possible, based on costs of services received.
- The Enhanced Rural community could borrow money and access special funding programs for capital projects.

7. Community District (proposed option)

This approach would have the following features:

Purpose

- The Community District would enable an unincorporated “community of interest” to have a form of representative local government, **through a regional service body** that would deliver local services and regulate local activities through by-laws, as decided locally.
- The Community District option would be geared toward preserving community identity, enabling more equitable sharing of services, and achieving some economies of scale for governance and service delivery.
- The provincial Government would no longer serve as the local government for unincorporated areas choosing the Community District approach.

Establishment and Representation

- A Community District would be formed to reflect a “community of interest”, through a grouping of LSDs.
- Former LSDs would be referred to as “Local Service Areas”.
- The area covered by a Community District would remain unincorporated.
- Representatives of the Community Districts would be elected every three years, via universal suffrage, to sit on the Board of Directors of a regional service body.
- Local Service Areas within a Community District could choose (through a vote at a public meeting) to have an advisory committee.
- These advisory committees would work closely with their Community District representative(s) on the regional service body, in supporting volunteer organizations such as a fire department

or a recreation association. Alternatively, an Advisory Committee could be established for the whole Community District (again, through the public meeting process), with representation from each Local Service Area. Again, this Advisory Committee would work closely with their Community District representative(s).

Service Responsibilities and Delivery

- The regional service body would take over the responsibility of delivery of all services (regional, sub-regional and local) provided to Community Districts, other than policing and transportation.
- Different ranges and levels of service could be provided to different Local Service Areas of the Community District or parts of Local Service Areas. However, the adoption of a Rural Plan, for example, would involve and apply to the entire Community District (in other words, all of the Local Service Areas within the Community District would be covered by one Rural Plan).
- Each local service area would determine the elective services they would receive, through a local petition and vote (e.g. street lighting).
- Sub-regional services (e.g., a recreation facility) would be provided or arranged, by the regional service body, once agreed upon by the residents of the Community District.
- Land use planning, solid waste disposal and economic development would be delivered by a regional service body on a regional basis, on behalf of all Community Districts.
- The regional service body would serve as a form of local government for the Community Districts. The regional service body would be the service provider for the community districts and would adopt, administer and enforce by-laws the Community District wished to have enacted (e.g. for unsightly premises and animal control).
- Assets acquired for the delivery of services would be owned by a regional ser-

vice body on behalf of the Community District (e.g., buildings, lands for public purposes, equipment).

- Policing and transportation services would be provided by the Provincial Government.

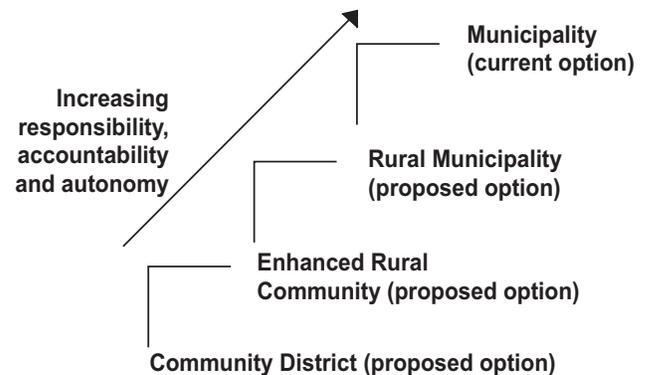
Funding

- Services would be financed on a “pay for what you get” basis.
- Each service provided in a Community District would have a defined service area and its costs would be recovered from the taxpayers of that area. For example, if the service of street lighting was provided to one Local Service Area in a Community District, only the taxpayers of that area would pay for the service.
- The regional service body would adopt the budget for services it provides to Community Districts. The regional service body would then advise the Provincial Government of the servicing costs for the Community Districts. In turn the Province would set the tax rate and pay the regional service body.
- Policing and transportation costs would be recovered through a separate tax rate imposed by the Provincial Government. The rate would be uniform throughout the province.

Summary

The range of options considered by the Round Table to provide for local governance in unincorporated areas all have the benefit of ensuring democratic representation for decision-making on local services. However, each option would provide communities with different levels of local control over local matters. Each option has administrative cost implications that would ultimately be borne by the taxpayer.

The diagram below illustrates that the increasing degree of local responsibility, accountability and autonomy would vary depending on the option selected. It is also important to recognize that the Community District cannot be considered as a local government. The Enhanced Rural community, the Rural Municipality and the Municipality are all forms of local government.



Assessment of the Options

The Round Table concluded that the Community District, Enhanced Rural Community and Rural Municipality models should be put forward as potential new governance options for the unincorporated areas of the province for discussion and comment by a larger audience. This range of models was developed in consideration of certain key governance principles articulated by the Round Table including:

- A form of local governance for all citizens
- Local autonomy in making decisions
- Recognition of the uniqueness of jurisdictions
- Choices for a variety of local governance models (with understood consequences)
- Communities being proactive in working toward local government
- Authority and accountability for decisions
- Taxation with local representation



In light of the issues identified and of the principles and options developed, the Round Table recognizes that the status quo in regards to governance in the unincorporated areas is no longer appropriate and is therefore recommending :

1. That the development, evaluation and implementation of local governance structures in New Brunswick respect the Round Table's principles.
2. That the existing municipality structure (City, Town, Village) be retained.
3. That the entire New Brunswick population have access to a governance system that provides for elected representation.
4. That there be a more rational organization for the purposes of local governance and service provision.
5. That at the present time, acceptable options for the unincorporated areas of the province to voluntarily achieve local governance include:
 - Community District (in conjunction with a regional structure)
 - Enhanced Rural Community (in conjunction with a regional structure)
 - Incorporation as a Rural Municipality
 - Annexation to, or incorporation as, a municipality

6. That the general public must be fully engaged and made aware of the issues confronting unincorporated areas, through a comprehensive consultation process that would also facilitate the choice, adoption and implementation of acceptable and appropriate local governance models, regional services delivery structures, local and regional boundaries and administrative unit groupings.

Collaboration on a Regional Basis

Thirty-seven special purpose regional service agencies are currently in place in New Brunswick, including 13 Economic Development Commissions, 12 Solid Waste Commissions and 12 District Planning Commissions. In some instances, municipalities are not participating in an Economic Development Commission and/or a District Planning Commission. All municipalities belong to a Solid Waste Commission. Other commissions have been established to provide services such as the operation of a recreational facility or facilities, to two or more communities.

Combining those special purpose agencies under one multi-purpose service agency for each region of the province could provide a more integrated approach to the delivery of services. A multi-purpose service agency would have the potential to generate cost-savings by reducing duplication, increasing effectiveness in dealing with issues that cross jurisdictions, and improving cooperation among the various participating administrative units.

Different approaches could be pursued in organizing the delivery of services on a

regional basis. The Round Table examined various regional models from other provinces across Canada and developed three potential scenarios applied to the New Brunswick context.

While different in approach and structure, each of the three scenarios has the following common characteristics and aims:

- would not be another layer of local government, but rather an agent of municipalities and unincorporated areas to deliver services
- would be established across the province, and their boundaries would be delineated to reflect regions of common identity and shared interests.
- would allow for some decisions to be made on the basis of representation by community (one member – one vote) while other decisions (mostly financial) would be decided on a weighted vote basis (representation by population).
- would involve the establishment of committees to assist with the delivery of some services given that existing regional service commissions would be integrated.
- would provide a means of achieving greater economies of scale;
- would provide a forum to resolve issues that cross boundaries;
- would provide a mechanism to facilitate the fair sharing of services between communities (decisions related to the services and their costs);
- would improve accountability to communities served; and
- would provide more effective land use planning on a regional and local basis.

The first scenario is based loosely on Quebec’s Regional County Municipality model. The second scenario has been adapted from British Columbia’s Regional District model, while the third scenario is based on the “Cooperative” model.

Scenario One: “Regional Services” District (RSD)

Purpose

- The RSD’s primary function would be to serve as an agent of municipalities to deliver regional services.
- It would also serve as a forum to discuss and resolve issues of mutual concern.
- The establishment of RSDs would require unincorporated areas to be reorganized into municipalities through incorporation or annexation. Only those areas with very few inhabitants would remain unincorporated. There may also be benefits to joining existing municipalities as part of such a re-organization.

Representation

- The RSDs would be administered by councils made up of the mayors of the member municipalities. All member municipalities would be represented on the RSD’s council.
- The Chairperson of the RSD would be elected by his or her peers on the RSD Council.

Services

- The RSD would be mandated by the province to provide land use planning, economic development and solid waste management.
- Facilities having a regional scope and benefit (e.g., a large recreation facility) would also be administered through the RSD.
- Other services could be delegated to the RSD by the member local governments for provision on a regional basis.

Powers

- The RSD would be a body corporate.
- The RSD could own land, buildings and equipment required for service delivery.

Funding

- The RSDs would be financed by member municipalities. Support from municipalities would be provided according to tax base. In other words, member contributions would be based on respective portions of the combined tax base of all municipalities within the RSD (the larger the tax base, the larger the contribution).
- Service fees and other non-tax revenues could also be used as a means of financing.
- The RSD could borrow money and access special funding programs for capital projects.
- The RSD would adopt the budget for services it provides to municipalities in cooperation with them.

Scenario Two: Regional “Service District” (RD)

Purpose

- The RD would serve as an agent of municipalities and unincorporated areas for the delivery of services on a regional or sub-regional basis.
- It would also serve as a minimal form of local government for the unincorporated areas, which would be organized as “Community Districts”.
- It would also serve as a forum to discuss and resolve issues of mutual concern.
- Areas of the province that currently do not have a form of local government, (i.e. LSD’s), would have to take on some form of representational local governance. This could include an unincorporated Community District, an enhanced rural community, a rural municipality, annexation to an existing municipality and incorporation as a municipality.

Representation

- A Board of Directors would govern the operations of each RD, and a Chairperson would be elected among the representatives on the Board.
- Each local government would appoint one or more council members to the Board. Representatives from unincorporated areas (the Community Districts) would be directly elected to the Board of each RD.
- Representatives from unincorporated areas (the Community Districts) would be directly elected to the Board of each RD.

Services

- All services to Community Districts would be provided by the RD (regional, sub-regional and local). In effect, the RD would replace the provincial government in this function.
- Services would be delivered through various methods: directly by the RD or through an agreement / contract with municipalities, the province or with a private firm or non-profit agency (e.g., volunteer fire department).
- Services already delivered on a regional basis such as solid waste disposal, land use planning and economic development would be provided to all members of the RD.
- Local governments could choose to offer a service on their own (e.g., land use planning), if they had the capacity to do so.
- The RD would also act as a service provider and arranger for and between member communities.
- The RD would be responsible for adopting, amending and enforcing Rural Plans, as well as other by-laws (e.g., unsightly premises) on behalf of Community Districts.

Powers

- The RD would be a body corporate.
- The RD could own land, buildings and

equipment required for the provision of services.

- Lands or money in lieu of lands for public purposes could be vested in the RD on behalf of Community Districts.
- The RD would be responsible for the development of a “Regional Growth Strategy”. This strategy would serve as a framework for interactive planning between communities and would rely on a cooperative process to ensure that individual plans work together to address cross-jurisdictional issues and meet regional objectives (e.g., protection of environmentally sensitive areas, protecting the quality and quantity of ground and surface water).

Funding

- Each service provided by the RD would be separately identified in its budget and reported in its financial statements.
- RD servicing costs would be recovered from member local governments and the province (on behalf of Community Districts), and through user fees and other non-tax revenues.
- The RD could borrow money and access special funding programs for capital projects.
- The RD would adopt the budget for services it provides to Community Districts (and services it provides to local governments), in cooperation with them.

Scenario 3: The Regional “Service Cooperative”

Purpose

- Provides a structure for local governments to organize, own and operate their own regional service agency in order to provide services between and for themselves.
- Areas of the province that currently do not have any form of local government, (i.e. LSD’s), would have to take on a form of

local government ranging from an enhanced rural community, a rural municipality to annexation to an existing municipality or incorporation as a municipality. Once assuming some form of local government, they would become member-owners of the Cooperatives along with all the other local governments in the region.

- Could also serve as a forum to discuss and resolve issues of mutual concern.

Representation

- A Board of Directors would govern the operations of each Regional Service Cooperative, and a Chairperson would be elected among the representatives on the Board.
- Each local government would appoint one or more members to the Board.

Services

- It would be up to the local governments, working with their Regional Service Cooperative, to determine which services are best delivered on a regional basis.
- Given that there is significant cost associated with offering some of these services (particularly solid waste disposal), it is expected that the three existing regional services would continue to be delivered by local governments on a regional basis through a Regional Service Cooperative.
- In addition to those three services, the Regional Service Cooperative could deliver any other service that was desired by its members, either at the regional, sub-regional or local level.

Powers

- The Regional Service Cooperatives would belong to the local governments. They would be fully accountable to their members and derive their authority from their members. The Cooperatives would

not be an agent of the provincial government. The Province would not be able to direct the Cooperatives to perform services and could not download services to the Cooperatives.

Funding

- The cooperatives would be financed entirely by their member-owners (i.e., the local governments).
- Service costs would be covered on a “pay for what you get” approach.
- The Cooperative’s servicing costs would be recovered from member local governments and from user fees and other non-tax revenues.
- The Cooperative could borrow money and access special funding programs for capital projects.
- The Cooperative would adopt the budget for services it provides to local governments, in cooperation with them.

The table in Appendix D identifies the main similarities and differences between each of the three scenarios.

The Round Table conducted an exercise (paper pilot project) in order to adapt the B.C. Regional District Model to the New Brunswick context and to assess its potential by applying the model to two regions of the province (the regions of greater Fredericton and Kent). This exercise proved to be beneficial as Round Table members gained a greater understanding of the model, which led to recommending it as one of the proposed options, both in terms of local governance and regional service delivery.

A similar exercise was also conducted regarding the Quebec Regional County Municipality model, which was adapted to the New Brunswick context and then applied to the Acadian Peninsula. This exercise also proved to be beneficial, allowing Round Table members to gain a greater understanding of the model, which led to recommending it as one of the proposed regional service delivery options.



In consideration of the issues identified and options developed, the Round Table recommends the following:

- 1. That a multi-service body be established in each region of the province to provide for:**
 - **The delivery of the services of land use planning, solid waste management and economic development on a regional basis;**
 - **A mechanism to arrange for, and/or deliver services on a regional, and possibly on a sub-regional or local basis;**
 - **A mechanism to manage facilities and infrastructure that have regional benefit ;**
 - **The potential to achieve cost savings through economies of scale and the reduction of duplication;**
 - **Greater effectiveness in dealing with issues that cross jurisdictions and improvement of cooperation among the various administrative units;**
 - **Accountability to communities served in regards to services delivered on their behalf;**
 - **Fair sharing of services between and among communities (sharing of decisions related to the services and sharing their costs);**

- **More and better land use planning at the local and regional levels.**

2. That a regional planning tool be developed to bring about improved coordination and linkages between communities in terms of land use planning, infrastructure development and the protection of the natural environment.

Provincial - Municipal Funding

As described in Section 2, one of the strengths of New Brunswick's local governance system has been the division of service responsibilities between the province and municipalities and the provision of a funding mechanism to support the delivery of local services by municipalities. In general, these mechanisms have been in place to: 1) reduce the fiscal gap, 2) equalize the fiscal capacity of municipalities and 3) deal with externalities.

1) Reduction of the "fiscal gap"

The fiscal gap refers to the mismatch between expenditure responsibilities of municipalities (i.e., the services a municipality is expected by its citizens to provide) and the ability to raise revenues from their own sources (through real property taxation on the strength of their tax base). A provincial-municipal transfer to reduce this "gap" helps to maintain property taxation rates at acceptable levels.

2) Equalization of fiscal capacity

There are varying levels of fiscal capacity amongst municipalities. Fiscal capacity refers to a municipality's ability to raise revenues from its own sources (property taxation). Some municipalities have a strong tax base

with significant potential for growth while others have a much more limited tax base. These differences are generally beyond the direct control of municipalities themselves. A provincial-municipal transfer to address these differences equalize the ability of comparable municipalities to pay for local services. In other words, funding transfers can be used as a means of leveling the playing field among municipalities.

3) Dealing with "externalities"

An "externality" is a situation where the benefits of a service (e.g., recreation or library facilities) extend beyond the boundaries of a particular jurisdiction. Ideally, a fiscal transfer system would take into account this kind of situation. The current system does not directly recognize or compensate for these externalities; however, the fact that similar municipalities are grouped into categories for funding purposes does, in part, recognize that some are regional centres and offer services that may benefit those living outside their own boundaries.

Alternative Funding Mechanisms

There are several issues with respect to the current provincial-municipal transfer arrangements that need to be addressed. As presented in Section 5, the main concerns of municipalities have focused on the need for a predictable, stable and adequate funding mechanism. Ideally such a mechanism should lead to greater fiscal autonomy.

The Round Table considered and evaluated several potential funding sources. Each was evaluated on the basis of the following principles and general considerations.

Principles –

Fiscal Autonomy:

Refers to the capacity of a local government to meet its financial requirements through its own sources of revenue.

Simplicity:

Any funding mechanism should be easy to understand in terms of what it is intended to accomplish and easy to administer in terms of its application to local governments.

Stability:

Revenues from a funding transfer mechanism should not be subject to large fluctuations. There should be a measure of stability from year to year.

Predictability:

There is a need to be able to forecast, with some degree of certainty, those revenues that will be received over the medium to long term.

Considerations –

It is important to consider the impact of changes to the funding mechanism in terms of the following considerations:

Beneficiaries

Will only a few local governments benefit or will the majority be better off as a result of the changes?

Municipal Disparities

Will the new system increase the disparities between local governments or will it narrow the gap in terms of their revenue raising abilities?

Fiscal Gap

Does the funding mechanism address the mismatch between expenditure responsibilities of local governments and their ability to raise revenues from own sources?

Equalization requirements

Would the new funding mechanism result in a need for more or less equalization funding?

Effect on Tax Competition

Would the new system increase tax competition by allowing some local governments to offer tax advantages in order to attract development to their communities?

Funding Mechanisms Reviewed:

The Round Table considered and evaluated several sources. They are organized into five categories and included the following:

1. Use of Other Tax Fields

Two approaches could be used in accessing different tax fields. One approach would involve the provincial government continuing to apply a given tax but transferring a percentage of the tax collected to local governments (referred to as tax sharing). The second approach, the “transfer of tax room”, would see the province reducing its tax rate in a particular field. The decision as to how much of the “vacated” room to take up would be at the discretion of the municipality.

➤ Income Tax Field

Local governments could either receive a percentage of income tax received by the provincial government within their boundaries or would impose their own tax on income.

➤ Sales Tax Field

Local governments could either receive a percentage of the sales tax collected by the provincial government within their boundaries or would impose their own tax on sales.

➤ **Fuel Tax Field**

Local governments could either receive a percentage of the tax collected as a result of the sale of fuel within their boundaries or would impose their own tax on the sale of fuel.

➤ **Hotel tax**

Local governments could be given the authority to introduce a special hotel occupancy tax. This tax could be added to the room rates of hotels.

➤ **Lottery Revenue**

Local governments could receive a percentage of the profits received by the provincial government that are generated by the various lotteries. The amounts received by local governments would depend on sales levels within their jurisdictions.

2. Per Capita Grants

An equal amount per capita would be provided to all local governments regardless of their fiscal capacity or need. This type of funding is generally used to address the fiscal gap and is based strictly on population levels. For example, if the population of a community was 1,000 and the per capita amount was designated as \$10, the grant received by the local government of that community would be \$10,000.

3. Provincial Tax Expenditures (foregone revenues)

➤ **Tax Exemptions for certain properties**

This option relates to the province foregoing tax revenues by excluding a particular type of property from its tax base. For example, libraries could be

exempted from provincial property taxes (i.e., they would not be charged the provincial rate of \$2.25 per \$100 of assessment).

➤ **Elimination / reduction of inter-governmental charges**

This notion refers to the province foregoing revenues by eliminating or reducing the fees it charges for various services. For example, the fee that municipalities are currently charged for the service of real property assessment could be reduced or eliminated.

In effect, both of these scenarios would reduce some of the required expenditures by all municipalities and could, to an extent, deal with the impact of externalities.

4. User Fees

The charging of fees by a municipality for services is most appropriate when these services are private in nature. For example, if a municipality offers a specific recreation program such as swimming lessons, the benefit of the service is private in the sense that it benefits specific individuals rather than the general public. Therefore, the application of a special fee for this service is appropriate and can be easily administered. On the other hand, a service such as snow clearing has a benefit to the general public and it would be very difficult to determine specifically who benefits more from the service.

Most local government services have a mixture of “private” and “public” characteristics. A service offered may be of general benefit to the community, but the service can be financed through fees. For example, municipalities that provide water and wastewater services, which benefit the users of that system and the community as a whole, are able to charge fees for that service. The

application of fees helps to target the actual beneficiaries of a service more directly. It is important to municipalities that they have the flexibility to charge fees, where practical, for various types of services.

5. Property Taxation

Municipalities and the province currently levy property taxes. Provincial levies of \$1.50 or \$2.25 per \$100 of assessment are charged to non owner-occupied residential and non-residential properties respectively to cover some of the costs associated with the provincially provided services such as health, education, social services, and justice. Municipalities levy a local tax to raise revenues for local services provided to properties within the municipality (e.g., policing, fire protection, transportation, etc.)

➤ **Sharing of tax revenues**

One option would be to have the provincial government share a portion of the tax revenues it generates from its provincial levies on properties. For example, the provincial rate of \$2.25 per \$100 of assessed value would continue to be applied to non-residential properties, but a percentage of the amount collected would be remitted to local governments. If the province was to share, say, 10% of the tax revenues on non-residential property, it would transfer to the municipality \$225 of the \$2,250 collected from a commercial property assessed at \$100,000.

➤ **Transfer of tax room**

Another approach would see a reduction in the provincial rate and local governments taking up some or all of the room vacated by the provincial government. For example, the province could choose to reduce its provincial non-

residential tax rate from \$2.25 to \$2.00. A municipality could then levy up to \$0.25 per \$100.00 of assessment without increasing the overall tax burden. If the municipality took up all the vacated tax room, it would gain \$250 on a commercial property assessed at \$100,000.

Assessment of the Funding Mechanisms

In assessing the various funding sources (see Appendix E), the Round Table concluded the following:

On use of other Tax Fields....

The use of other tax fields (income tax, sales tax, hotel tax, fuel tax) **would not** satisfy the criteria established by the Round Table. In general, the use of these tax fields could result in increased disparities between local governments. In addition, predictability and stability may be difficult to achieve, the design and application may be quite complicated, there would likely be additional pressure for equalization measures, and tax competition between local governments could result. For similar reasons, the use of lottery-based revenues was deemed to be inappropriate as a means of local government funding.

On per capita grants...

A per capita grant approach could help to reduce the fiscal gap and would be simple to administer. However, it was noted that this approach does not consider the needs or the abilities of local governments to raise revenues. The Round Table concluded that the

per capita grant could be supported, but as part of a broader solution.

On provincial tax expenditures...

The Round Table felt that tax exemptions for certain properties as well as the elimination or reduction of inter-governmental charges would be appropriate. In particular, it was felt that these changes would be simple to implement, provide for greater stability and predictability, and all municipalities could potentially benefit. It was also agreed that these adjustments could, in part, address externalities. However, it was determined that these changes would not adequately address the fiscal gap, nor would they address the disparities that currently exist amongst municipalities. As such, it was concluded that these changes could only be supported as part of a broader solution.

On user fees...

Round Table members agreed that the use of user fees by municipalities as a means of financing services was appropriate in some circumstances. In particular, the use of fees helps enhance fiscal autonomy and can partially reduce the fiscal gap. However, it was felt that the “user fee” option should not be supported as an effective alternative funding mechanism to the current unconditional grant transfer, given that it would have relatively limited application in terms of potential revenue generation by municipalities.

On Property taxation...

The Round Table agreed that the transfer of property tax room would be more appropriate. On a related matter, the Round Table also agreed that where appropriate, “market value”

than property tax sharing. Such an approach would enhance fiscal autonomy, be relatively simple in concept (but perhaps somewhat complicated to administer), enhance predictability and stability, and have potential benefit to all local governments. However, it was also noted that offering a large amount of tax room would cause greater disparities (because of different tax bases and growth rates) and therefore would necessitate some “equalization” funding. The Round Table concluded that the transfer of tax room could be supported as part of a broader provincial-municipal funding scheme.

should continue to be used in assessing properties for the purposes of property taxation.

On Equalization...

It is important to note that none of the funding mechanisms considered above address the need for equalization of fiscal capacity between local governments. The Round Table determined that any provincial-municipal funding arrangement must have an “equalization” component if it is to be effective and fair.



Based on its analysis and evaluation of the options and of the current fiscal challenges and issues facing the local governance system in New Brunswick, the Round Table recommends the following:

1. That the development and evaluation of funding mechanisms for local governments in New Brunswick be based on the principles established by the Round Table, including:

- Fiscal Autonomy
- Stability
- Predictability
- Simplicity
- Accountability
- Neutrality
- Equity

2. a) That the development of an acceptable provincial-municipal funding arrangement to replace the current unconditional grant formula include a blend of the following components:

- Per Capita Grants
- Transfer of Property Tax Room
- Provincial Tax Expenditures
- Equalization of Fiscal Capacity

b) That a new funding mechanism be applied uniformly across the province.

3. That representatives of local service districts, municipal associations and the government of New Brunswick work together to develop a new funding proposal for implementation in 2003.

4. That the legislative changes identified as part of the Municipalities Act Review process regarding the charging of fees by local governments be supported by the provincial government.

5. That as a basic approach to the assessment of real property in New Brunswick, market value continue to be applied.

6. That local governments and the provincial government consider the feasibility of the adoption of a uniform fiscal year (April 1st – March 31st) in order to enhance predictability and harmonization of the budgeting process.



The Round Table recommends the following with respect to property taxation in the unincorporated areas:

1. That the provincial rate for the provincially provided local services (i.e., policing, transportation, administration and dog control) be based, to the extent possible, on actual costs.

2. That the levy for provincially provided local services in unincorporated areas (currently a rate of 65 cents per \$100 of assessment) be applied to all properties: residential, non owner-occupied residential and non-residential.

It was felt that the implementation of these recommendations would address the issue of equity in two ways: 1) all property owners within unincorporated areas (residential, non owner-occupied residential and non-residential properties) would share in covering the costs associated with provincially provided local services; and 2) non owner-occupied residential and non-residential properties, whether in a municipality or an unincorporated area, would be treated in the same manner in regards to property taxation.

CONCLUSION

Members of the Minister's Round Table on Local Governance are pleased to have worked together and to bring forward to the Provincial Government recommendations aimed at improving the local governance system in New Brunswick. Although the Round Table has now completed its mandate, there is still, in the view of Round Table members, much work to be done to bring about the required changes to our local governance system. In presenting this report to the Minister of the Environment and Local Government, Round Table members are providing the Provincial Government with a number of recommendations that could bring about these improvements.

In developing a response to the recommendations, the Round Table is also urging the Provincial Government to initiate a consultation process that will allow for meaningful input from the public and key stakeholders. Round Table members feel confident that the recommendations in this report will have long term benefits to citizens, to communities and to the province as a whole.

DEFINITIONS

Assessment	Assessment is the value for taxation purposes placed on properties. Assessment in New Brunswick is based on real and true value. Real and true value is generally interpreted as market value. Assessments of property provide the basis for the tax base used in establishing property tax rates.
Community of Interest	An area that shares a common identity and interests. These relationships may be based on common cultural, economic, social, and geographic characteristics.
Election through “universal suffrage”	In a New Brunswick local government context, refers to being elected every three years, through a formal electoral process pursuant to the Municipal Elections Act.
Equity	In the context of municipal financing, equity means that municipalities with equal fiscal needs are treated equally.
Fiscal Autonomy	Capacity of a municipality to meet financial needs from own revenue sources.
Fiscal Capacity	Measure of the ability of a municipality to generate revenues from its tax base relative to similar municipalities.
Fiscal Gap	Mismatch between revenue-raising ability and expenditure responsibility.
Fiscal Need	Fiscal need is the difference between a municipality’s expenditure needs and its ability to raise revenue.
Fiscal Transfer	Fiscal transfers includes all transfers of monies from government to individuals, businesses and other levels of government.
Grant Pool	A grant pool is the total amount of unconditional grant funding available to all municipalities.
Linear development	Also referred to as ribbon development. Development which occurs along a stretch of highway.
Local governance	Ability and authority to make decisions on provision of services and regulation of activities locally.
Local governance gap	A notion that in unincorporated areas, there is lack of a local governance.

Local government A local government is an organization that is established to serve a defined community. Decisions are made by an elected body (via universal suffrage) on matters of service provision and regulation of local activity, on behalf of the defined community.

Municipal Tax Base The municipal tax base, which is used to calculate the residential property tax rate in a municipality, uses the assessment of residential property plus one and one-half times the assessment of non-residential property. This reflects the fact that because there is no business tax in New Brunswick, non-residential real property is taxed at a rate that is one and one-half times the residential rate.

Provincial-municipal transfers All transfers of monies from the province to municipalities.

Universal Suffrage Refers to the right of all eligible citizens to vote.

APPENDIX A

Members of the Technical Committee

Chair	Katherine d'Entremont	Director, Local Governance	Department of the Environment and Local Government
	Gérard Belliveau	Association francophone des municipalités du Nouveau-Brunswick	Ville de Dieppe
	<i>Replaced by</i>		
	Léopold Chiasson	Association francophone des municipalités du Nouveau-Brunswick	Directeur exécutif
	Réal Gervais	Association francophone des municipalités du Nouveau-Brunswick	Ville d'Edmundston
	Paul R. Stapleton	Cities of New Brunswick Association	City of Fredericton
	Patrick Woods	Cities of New Brunswick Association	City of Saint John
	Mike Brennan	Union of Municipalities of New Brunswick	Town of Quispamsis
	Adolphe Goulette	Union of Municipalities of New Brunswick	Village of Charlo
	Martin Corbett	Municipal Advisory Officer	Department of the Environment and Local Government
	Roseline Maillet	Municipal Services Representative	Department of the Environment and Local Government
	Johnny St-Onge	Local Governance Development Officer	Department of the Environment and Local Government
	Sandra Jessop-Roach	Manager – Provincial/ Municipal Fiscal Relations	Department of Finance
	James Turgeon	Executive Director of Economic & Fiscal Policy	Department of Finance
	Jacques Paynter	Facilitator	Geoplan Consultants Inc.

Department of the Environment and Local Government Staff Assisting the Round Table

Byron James	Deputy Minister
Bonny Hoyt-Hallett	Assistant Deputy Minister
Denis Deveau	Project Manager
Dan Rae	Director, Local Financial Support
Stephanie Whalen	Coordinator, MSRs
Parker Gray	Senior Policy Advisor
Michelle Boudreau	Support Staff

APPENDIX B

Presentations made to Round Table members

1. Examine the various issues resulting from the current gap in local governance in the unincorporated areas and examine local governance model(s) to address these issues.

Presentations

- The Gap In Local Governance In New Brunswick Key Issues (Technical Committee Presentation)
- Local Government Representation For Rural Citizens — Examples From Canadian Provinces – David Bruce, Rural and Small Town Programme, Mount Allison University
- Potential Governance model options for LSDs (Technical Committee Presentation)
- Nova Scotia's Rural & Regional Municipalities – Keith Robicheau, Chief Administrative Officer - Municipality of the County of Annapolis
- Understanding the New Brunswick Context (Technical Committee Presentation)

2. Examine the relationship between local services and property taxation levels in local service districts (LSDs) and examine how property taxation reflects the services being provided and their associated costs.

Presentations

- Policing in LSDs – N.B. Department of Public Safety
- Provincial Highways – N.B. Department of Transportation
- Financing of Services in LSDs – (Technical Committee Presentation)

3. Examine how common services provided on a regional basis such as land use planning, solid waste management, economic development, recreation and libraries, water and wastewater management could be more effectively planned, coordinated, financed and delivered.

Presentations

- Solid Waste Commission – Environment and Local Government

- Economic Development Commissions – Business New Brunswick
- Land Use Planning Commissions – Environment and Local Government, Planning Commissions
- Regional Service Cooperatives – (Technical Committee Presentation)
- BC Regional District Model - Representatives from BC: Kelly Daniels, CAO, Nanaimo Regional District; George Holmes, Chair, Nanaimo Regional District; Gary Paget, Executive Director of BC Municipal Affairs
- Quebec's Municipal System - Representatives from Quebec: Jean Beaudoin, Executive Vice-President, Roche; Michel Fernet
- Regional County Municipality (RCM) for the Acadian Peninsula (Technical Committee Presentation)
- B.C. Regional District Model – (Technical Committee Presentation)
- Paper Pilot Projects based on BC Model: Fredericton and Kent County (Technical Committee Presentation)

4. Examine the various issues related to the financing of local governments (e.g., property taxation, unconditional grant, user fees, etc.) and the development of recommendations aimed at enhancing the financial stability and autonomy of local governments.

Presentations

- Financing Issues of Local Governments – (Technical Committee Presentation)
- Provincial-Municipal Fiscal Transfers – Union of Municipalities of New Brunswick and Cities of New Brunswick Association
- Municipal Financing Across Canada – Professor Andrew Sancton – University of Western Ontario
- Proposed Provincial-Municipal Fiscal Pact – Association Francophone des municipalités du Nouveau-Brunswick (AFMNB)
- LSD presentation – Principles – Wayne Flinn
- Financing Options – (Technical Committee Presentation)
- AFMNB'S Proposal for Financing – (Technical Committee Presentation)

APPENDIX C

Comparison of Local Governance Options

	Potential Local Governance Options			
	Local Governments			Unincorporated Communities
Characteristics	Municipality - via Annexation & Incorporation	Rural Municipality	Enhanced Rural Community – part of Regional Service Body (RSB)	Community District – part of Regional “Service District”
Purpose	Responsibility for all services to property	Responsibility for all services to property, except for policing and road maintenance	Responsibility for all services to property (except for policing and road maintenance), with delivery of services and staff provided by RSB	The provision of services to property (except for policing and road maintenance), and by-laws via Regional “Service District” (RSD) to Community Districts (CDs)
Establishment	Boundaries established to serve a community of interest	Boundaries established to serve a community of interest	Boundaries established to serve a community of interest	Boundaries established to serve a community of interest
Representation via universal suffrage	Elected Council	Elected Council	Elected Committee	Election of representative(s) on RSD, with local advisory committees elected via public meetings
Service Responsibilities	All services to property Council makes service decisions	All services to property Council makes service decisions	All services to property, except for policing and transportation Council makes service decisions	RSD assumes responsibilities for all services to property, except for policing and transportation CDs residents vote on services, and RSD makes final decisions
Service Delivery	Directly by the municipality, or through an agreement with municipalities, Province, private and non-profit sector, regional service body (RSB)	Directly by the municipality or through an agreement with municipalities, Province, private and non-profit sector, RSB Policing and transportation provided by Province	RSB delivers services directly or through an agreement with municipalities, Province, private & non-profit sector Policing and transportation provided by Province	RSD delivers services directly or through an agreement with municipalities, Province, private & non-profit sector Policing and transportation provided by Province

APPENDIX C

Comparison of Local Governance Options

	Potential Local Governance Options			
	Local Governments			Unincorporated Communities
Characteristics	Municipality - via Annexation & Incorporation	Rural Municipality	Enhanced Rural Community – part of Regional Service Body (RSB)	Community District – part of Regional “Service District”
Powers	<p>Ownership of lands, buildings, equipment</p> <p>Adoption, administration and enforcement of by-laws</p>	<p>Ownership of lands, buildings, equipment</p> <p>Adoption, administration and enforcement of by-laws</p>	<p>Rural Community and also RSB (for the delivery of services) can own lands, buildings, equipment</p> <p>Adoption and enforcement of by-laws, which are administered by RSB</p>	<p>Lands, buildings and equipment for the provision of services are owned by the RSD</p> <p>RSD adopts, administers and enforces by-laws, on behalf of CDs, when locally desired</p>
Funding	<p>Council adopts budget financed via municipal property taxation, fiscal transfers and non-tax revenues</p> <p>Municipality can borrow and access programs for capital projects</p>	<p>Council adopts budget financed via municipal property taxation, fiscal transfers and non-tax revenues</p> <p>Municipality can borrow and access programs for capital projects</p> <p>Property tax rate (applied uniformly across the Province) determined by Province for policing and transportation</p>	<p>Rural Community Committee adopts budget financed via property taxation, fiscal transfers and non-tax revenues</p> <p>Rural Community can borrow and access programs for capital projects</p> <p>Property tax rate (applied uniformly across the Province) determined by Province for policing and transportation</p>	<p>RSD adopts budget financed via property taxation (Province sets tax rate on behalf of CDs), fiscal transfers and non-tax revenues</p> <p>RSD can borrow and access programs for capital projects</p> <p>Property tax rate (applied uniformly across the Province) determined by Province for policing and transportation</p>

APPENDIX D

Comparison of Regional Service Delivery Options

Characteristics	Potential Regional Service Delivery Options		
	Regional Service Cooperative (RSC)	Regional “Service District” (RD) - Based on BC Regional District	“Regional Services” District (RSD) - Based on Quebec Regional County Municipality
Purpose	A structure for local governments to organize and operate their own service delivery agency for the provision of services between and for themselves	A structure mandated by the Province to deliver some services on a regional basis to local governments and Community Districts (CDs), and also with the responsibility for local services and by-laws for CDs May also deliver sub-regional services on behalf of local governments and CDs, and local services on behalf of local governments	A structure mandated by the Province to deliver some services on a regional basis to municipalities Other regional services may be delivered by RSD as mandated by member municipalities
Establishment	Province provides legislative framework for RSC, while RSC are established by local governments themselves Boundaries established to serve a region of common identity and shared interests	Province provides legislative framework for RD, and establishes RD Boundaries established to serve a region of common identity and shared interests	Province provides legislative framework for RSD, and establishes RSD Boundaries established to serve a region of common identity and shared interests
Representation	RSC Board made up of representative(s) appointed from all local governments RSC Board elects a RSC Board member as chairperson and establishes committees to assist with the delivery of services	RD Board made up of elected representative(s) appointed from all local governments, and directly elected by electors of CDs RD Board elects a RD Board member as chairperson and establishes committees to assist with the delivery of services	RSD Council made up of the Mayors of all member municipalities RSD Council elects a RSD Council member as Chairperson, and establishes committees to assist with the delivery of services

APPENDIX D

Comparison of Regional Service Delivery Options

	Potential Regional Service Delivery Options		
Characteristics	Regional Service Cooperative (RSC)	Regional “Service District” (RD) - Based on BC Regional District	“Regional Services” District (RSD) - Based on Quebec Regional County Municipality
Service Responsibilities	No service responsibilities. Local governments are responsible for services	Responsible for local services to CDs (e.g., fire protection, recreation)	No service responsibilities. Municipalities are responsible for services
Service Delivery	Regional, sub-regional or local services as mandated by member local governments	Regional services (land use planning, economic development & solid waste disposal), sub-regional and local services as mandated by member local governments and CDs	Regional services (land use planning, economic development & solid waste disposal) Other regional services may be delivered by RSD as mandated by member municipalities
Powers	Ownership of lands, buildings, equipment for the delivery of services RSC administers by-laws as part of delivering services on behalf of local governments	Ownership of lands, buildings, equipment for the delivery of services RD adopts, administers and enforces by-laws, on behalf of CDs, when locally desired RD administers by-laws as part of delivering services on behalf of local governments	Ownership of lands, buildings, equipment for the delivery of services RSD administers by-laws as part of delivering services on behalf of municipalities
Funding	RSC Board adopts budget developed in cooperation with, and financed by, member local governments (via property taxation) and via non-tax revenues RSC can borrow and access programs for capital projects	RD Board adopts budget developed in cooperation with, and financed by, local governments and CDs (Province sets tax rate on behalf of CDs), and via non-tax revenues and fiscal transfers (only for CDs) RD can borrow and access programs for capital projects	RSD Council adopts budget developed in cooperation with, and financed by, member municipalities (via property taxation) and via non-tax revenues and fiscal transfers RSD can borrow and access programs for capital projects

APPENDIX E - Comparison of Local Governance Options

- I. OTHER TAX FIELDS : Can be a sharing of tax revenues or a transfer of tax room
 e.g.: **Tax sharing** - % of sales tax revenues is returned to the municipalities
Tax Room - Province reduces rate, and allows individual Municipalities to impose a local sales tax

1. INCOME TAX	ENHANCED if municipality sets rate, otherwise tax sharing (form of grant)	SIMPLE in concept COMPLEX in application	Overall Pool would be relatively stable and predictable but individual municipalities could see revenue vary significantly depending on the economy. Single resource based municipalities could be vulnerable		Areas with higher per capita incomes	Increased	REDUCED Partial to complete elimination (potential to over-fund some)	INCREASED pressure	REDUCED
2. SALES TAX	ENHANCED if municipality sets rate, otherwise tax sharing (form of grant)	SIMPLE in concept COMPLEX in application	Overall Pool would be relatively stable and predictable but individual municipalities could see revenue vary significantly depending on the economy. Single resource based municipalities could be vulnerable		Areas with larger sales base	Increased	REDUCED Partial to complete elimination (potential to over-fund some)	INCREASED pressure	INCREASED
3. HOTEL TAX	ENHANCED	SIMPLE in concept COMPLEX in application	Subject to changes in the economy, the value of the \$, development of other attractions, weather		High tourism areas	Increased	REDUCED Partial	INCREASED pressure	INCREASED
4. FUEL TAX	ENHANCED if municipality sets rate, otherwise tax sharing (form of grant)	SIMPLE in concept COMPLEX in application	NO	NO	Areas with larger sales base	Increased	REDUCED Partial	INCREASED pressure	INCREASED
5. LOTTERY TAX	ENHANCED if municipality sets rate, otherwise tax sharing (form of grant)	SIMPLE in concept COMPLEX in application	NO	NO	Areas with larger sales base	INCREASED	REDUCED Partial	INCREASED pressure	INCREASED

APPENDIX E

Comparison of Local Governance Options

<p>II. PER CAPITA GRANT</p> <p>Provides the same amount per capita to each municipality</p>	NOT ENHANCED	SIMPLE	STABLE over short-medium term if \$ payout is not changed	ENHANCED if \$ payout is not changed	Municipalities with low expenditure need / population ratio benefit most	Does not consider need or ability to raise revenues thereby potentially increasing disparities	REDUCED Partial to complete elimination (Potential to over fund)	Need for NOT ELIMINATED	Could potentially INCREASE competition
<p>III. PROVINCIAL TAX EXPENDITURES (exemptions for certain properties)</p>	NOT ENHANCED	SIMPLE	STABLE	ENHANCED	Potentially all Indirect "unreported" grant Can be appropriate mechanism to partially address externalities (i.e. exempt libraries, parks)	Little or NO IMPACT	REDUCED Partial-expenditure responsibility reduced	NO IMPACT	NO IMPACT
<p>IV. USER FEES Direct charge to users</p>	ENHANCED	SIMPLE to understand MORE COMPLEX to administer	Depends on service provided and demand		Municipalities with stronger base for private type goods	May INCREASE disparities – revenue base would vary between communities	REDUCED Partial	Potential to INCREASE pressure on equalization program as capacity to raise revenues is increased	Could potentially INCREASE – mix of charges would make comparing more difficult (hidden taxes)
<p>V. PROPERTY TAX SHARING: Province imposes tax, and returns a portion to municipalities</p>	NOT ENHANCED Would not be considered own source revenues, municipality does not establish rate. Relies on decisions of another level of government	SIMPLE to understand MORE COMPLEX to administer	STABLE over short – medium term if transfer level is maintained by province.	ENHANCED	STRONGER municipalities -those with strong and growing tax bases benefit to a greater extent.	INCREASE over time as municipalities with growing bases see revenue growth and municipalities with stable or declining bases fall behind.	REDUCED Partial – to complete (Potential to over fund)	INCREASED NEED As disparities grow over time, the pressure for/ on equalization payments increases	Potential for competition not markedly increased, although it may increase stronger municipalities' ability to attract business and residential by maintaining a very low tax rate

APPENDIX C

Comparison of Local Governance Options

<p>VI. PROPERTY TAX ROOM TRANSFER: Province reduces rate of taxation allowing municipalities to increase municipal taxation</p>	<p>ENHANCED by increasing own source revenues and accountability. Government that spends also taxes</p>	<p>SIMPLE in concept. MORE COM- PLEX to administer</p>	<p>STABLE as long as base is.</p>	<p>ENHANCED</p>	<p>STRONGER municipalities those with strong and growing tax bases benefit to a greater extent.</p>	<p>INCREASE OVER TIME</p>	<p>REDUCED Partial – to complete</p>	<p>INCREASED NEED As the ability to raise revenues increases for the stronger municipalities the ‘standard’ increases resulting in increased pressure on equalization program</p>	<p>INCREASED POTENTIAL Depending on manner in which transfer is done, can provide incentive to keep use of additional room low in order to attract new development</p>
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APPENDIX E - Assessment of Potential Revenue Sources

Assessment of potential revenue sources based on principles and considerations established by the Ministers Roundtable on Local Governance

Revenue Source	Fiscal Autonomy	Simplicity	Stability	Predictability	Beneficiaries	Municipal Disparities	Fiscal Gap	Equalization Program	Tax Competition
	Capacity of a municipality to meet its financial needs from its own revenue sources	Easy to understand and administer.	Revenue sources are not subject to large fluctuations	Ability to forecast revenue sources over time	Who gains?	Difference in ability to raise revenues	Mismatch between own sources of revenues and expenditure responsibilities	Addresses differences in ability to raise revenue (impact)	Can municipality set tax rates at levels that influence location decisions?

I. OTHER TAX FIELDS :

Can be a sharing of tax revenues or a transfer of tax room

e.g.: **Tax sharing** - % of sales tax revenues is returned to the municipalities

Tax Room - Province reduces rate, and allows individual Municipalities to impose a local sales tax

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II. PER CAPITA GRANT Provides the same amount per capita to each municipality	NOT ENHANCED	SIMPLE	STABLE over short-medium term if \$ payout is not changed	ENHANCED if \$ payout is not changed	Municipalities with low expenditure need / population ratio benefit most	Does not consider need or ability to raise revenues thereby potentially increasing disparities	REDUCED Partial to complete elimination (Potential to over fund)	Need for NOT ELIMINATED	Could potentially INCREASE competition
III. PROVINCIAL TAX EXPENDITURES <i>(exemptions for certain properties)</i> Changes to properties included in tax base. Elimination / reduction of inter-governmental charges	NOT ENHANCED	SIMPLE	STABLE	ENHANCED	Potentially all Indirect "unreported" grant Can be appropriate mechanism to partially address externalities (i.e. exempt libraries, parks)	Little or NO IMPACT	REDUCED Partial-expenditure responsibility reduced	NO IMPACT	NO IMPACT

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IV. USER FEES Direct charge to users	ENHANCED	SIMPLE to understand MORE COMPLEX to administer	Depends on service provided and demand		Municipalities with stronger base for private type goods	May INCREASE disparities – revenue base would vary between communities	REDUCED Partial	Potential to INCREASE pressure on equalization program as capacity to raise revenues is increased	Could potentially INCREASE – mix of charges would make comparing more difficult (hidden taxes)
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