

Action Plan for a New Local Governance System in New Brunswick



A message from the Premier

As part of our 2010 election platform, “Putting New Brunswick First”, our Government committed to forging a new local governance and service delivery system in New Brunswick, as well as to making the property tax system fairer for New Brunswickers. Our Government is committed to local governance reform and this Action Plan represents our path forward in the months and years to come.

The new local governance system will strengthen our communities, while staying true to our commitment not to force amalgamation. We will bring greater fairness and transparency to property taxation and assessment. We will also bring forward a new service delivery system that will reduce duplication and increase accountability to the taxpayers of New Brunswick.

This Action Plan represents our Government’s response to what was heard from New Brunswickers, and will help communities throughout New Brunswick become more sustainable in the long-term. The potential for positive change is well recognized. By implementing this Action Plan we will make the system fairer, more effective, and responsive to the needs of residents in all communities.

Our Government is acting in the best interest of New Brunswickers in moving forward on this key commitment.

Honourable David Alward
Premier

A message from the Minister

This Action Plan was shaped by New Brunswickers through an extensive consultation process, which allowed me to hear first-hand what issues needed to be addressed to make the system better and more sustainable.

This process confirmed many of the perspectives on local governance which have existed historically, while also spurring dialogue between participants and communities. It helped raise awareness and has led to constructive dialogue between communities interested in collaborating.

Perspectives may vary, but one message is clear: change is needed. The current system no longer serves the needs of citizens living in our communities, and that is why we have moved forward with this Plan.

Our local governance system is complex with many interconnected parts, and putting this plan into action will require leadership, as well as continued partnership and collaboration with Municipalities, Rural Communities, Local Service Districts, service providers and the people of New Brunswick.

Our Government is moving forward for the benefit of those living in communities throughout New Brunswick. Collectively, these actions will strengthen New Brunswick as a province and will support our goal of long-term sustainability for communities.

We look forward to working together to implement this Action Plan for a New Local Governance System in New Brunswick.

Honourable Bruce Fitch
Minister of Local Government and Minister responsible for Service New Brunswick

Introduction



It has been nearly half a century since the last major changes to local governance were made. Since then, local governance has become more complex and costly, as the needs and expectations of New Brunswickers have also changed.

During this same period, there have been numerous attempts to determine how best to adapt to these changing circumstances. There have been more than 20 reviews and reports, and many consultation exercises. Until now, none have resulted in significant action.

Looking ahead, the Government of New Brunswick recognizes that by making necessary changes to the way services are delivered, paid for, and shared, New Brunswick's communities will be better positioned to meet the needs of citizens into the future.

By undertaking improvements in support of service delivery and community governance structures, Municipalities, Rural Communities, and Local Service Districts (LSDs) will have the tools to better sustain communities and regions over the long-term.

Finally, by reconfiguring the property taxation and assessment system, community funding, and legislation, Government will support a foundation of fairness, efficiency, equity and accountability necessary for a strong, sustainable local governance system.

This Action Plan outlines the actions to be implemented and the desired outcomes under five headings. These headings are the objectives of a new local governance system.

The five objectives:

1. Strengthen capacity of local governments while maintaining their community identity
2. Fair and effective property taxation and assessment system for the long-term
3. Increased collaboration, communication and planning between communities

4. More equitable community funding arrangements
5. Modernized legislation supporting local and regional decision-making

Achieving these objectives over the next two years will mean a great deal of effort by those involved and will be carried out in phases. *The anticipated timeframes around each phase of actions can be found on page 16 at the end of this Action Plan.*

This Action Plan will require continuing partnerships, cooperation and collaboration among communities, service providers, citizens, and the Province. This Plan marks a new era in local governance. Its successful implementation will be based on the shared vision and efforts of all New Brunswickers.

This Action Plan was developed with consideration of the many views expressed earlier this year by New Brunswickers. Views were gathered through public and stakeholder consultation sessions involving representatives from municipal and unincorporated communities, business and service sectors, municipal associations and the public, as well as through written submissions and questionnaires.

These views, as well as the information which supported the consultation and awareness process, can be accessed online at: www.gnb.ca/localgovernment or by contacting the Department of Local Government.

Challenges, Actions and Outcomes



Objective 1: Strengthen capacity of local governments while maintaining their community identity

While some communities are growing and prospering, many face challenges that make it difficult to provide or pay for basic services such as policing, recreational services and emergency measures planning, or to manage day-to-day operations and plan for the future.

For communities with smaller populations, it can be difficult to attract people who are willing to serve on a council, have the expertise to administer services, or who are needed as part of a volunteer service, such as firefighting. Fewer people also means lower property tax revenue to pay for the costs of services.

Virtually all communities, regardless of size or population, have difficulty keeping pace with the costs of maintaining facilities, infrastructure and equipment in good operating condition. This includes facilities such as arenas, infrastructure like water and wastewater systems, and equipment such as fire trucks. It is also a challenge for them to afford new capital projects and purchases when needed. As an example, 58% of New Brunswick's communities have a property tax base of less than \$50 million. This means that to generate an extra \$50,000 in revenue, an increase of 10 cents on the local property tax rate would be required. Although \$50,000 may seem like a lot of money, a fire truck can cost more than \$250,000.

Most communities are not well positioned to manage these and other challenges alone, and are often reliant on funding from the federal and provincial governments to maintain service capacity. Many of these same challenges exist in local service districts, and are further complicated by the fact that these communities do not have direct responsibility for, or management of their local affairs.

Each of these circumstances create challenges to community sustainability.

Government also recognizes that there are barriers which deter neighbouring communities from joining together or sharing resources. These barriers include: the differing ways property taxation is applied; the requirement for unincorporated communities which are considering incorporation to take on the full costs of maintaining roads; and the uneven cost-sharing between communities for policing services provided by the RCMP. There is also hesitation by a number of communities to consider restructuring alternatives for fear that they will lose their local identity.

This Action Plan provides for new or improved tools aimed at building community capacity, so that communities of all sizes, and in all areas of the province, can position themselves for a better future.

Current Challenges at a glance:

- New Brunswick has a large number of local entities with 101 Municipalities, 4 Rural Communities and 266 Local Service Districts for a total of 371. Eighty-three percent of these have a population of less than 2,000.
- In many smaller rural areas, the population is declining as residents are moving to more urban areas. This reduces the amount of property taxes collected, resulting in less revenue coming in to support the delivery of services to the community.
- Many neighbouring communities are trying to deliver many of the same services to small portions of New Brunswick's population, resulting in duplication of services, administration, equipment and infrastructure.
- More than 250,000 New Brunswickers are without a local government and the current system does not encourage locally-led solutions.

The Path Forward - Actions to Achieve Objective 1

GOVERNMENT WILL:

Remove barriers that have discouraged communities from coming together by:

1. Putting in place a fair and effective property taxation system.
2. Developing a policy toward fairer allocation of local responsibilities for roads, so that communities that choose to join together can afford road services.

3. Establishing a new, fairer cost-sharing model for RCMP services in New Brunswick.

Encourage communities to come together by:

4. Defining the factors that make communities sustainable and supporting communities in the assessment of their sustainability (the ability to effectively deliver services to citizens).
5. Providing assistance to communities interested in considering community restructuring or sharing services.
6. Promoting the use of different tax rates in different areas to reflect the level of service being received when communities choose to join together.

Improve local governance models by:

7. Modifying and expanding the current Rural Community model including making the model available to interested towns, rather than limiting it to villages and local service districts.
8. Defining capacity criteria for the establishment and restructuring of Municipalities and Rural Communities, including determining the minimum targets for population and the property tax base.
9. Making information available on how property tax dollars are used and the costs of providing services.

Desired Outcomes:

- An increased number of communities are aware of their capacity, and are pursuing opportunities to become sustainable local governments.
- The number of local government entities in New Brunswick has been reduced, without losing local identity.
- More autonomous local governments with the capacity to contribute to the sustainability of the communities they serve.
- A larger portion of New Brunswick with locally elected representatives who can represent the communities they serve and are accountable for the decisions they make.

- Fairer distribution of costs; residents pay for the services they receive.
- Increased public awareness of property tax use and service costs.

Objective 2: Fair and effective property taxation and assessment system for the long-term

A fair and effective taxation and assessment system begins with transparency and accountability.

Taxpayers need to know what services they are paying for and how much they are paying for these services. There is also a need to better understand the relationship between the costs of services and the tax rates which are set to support service delivery, as well as the provincial and local roles in setting those rates. Similarly, there is a need to better understand how market values affect property assessment and how those values translate to individual property assessments.

Apart from the mechanics of the property assessment and taxation system, there is the issue of fairness. The differential treatment of different property types throughout the province creates perceived inequities.

In addition, attention must be given to property tax payment methods and the design of property tax bills.

While New Brunswick's property assessment and taxation system is complex, a plan will be developed to reduce these complexities and to achieve fairness and transparency over the long-term.

Current Challenges at a glance:

- The property assessment and taxation system is complicated and challenging to understand.
- The application of taxation on different property types in Local Service Districts creates perceived inequities, prevents cost-sharing and greater collaboration, and is a disincentive for community restructuring.
- The special provincial \$0.63 levy in LSDs, that is intended primarily to cover the costs of policing and roads, is applied to only owner-occupied residential properties. Currently, businesses and non-owner occupied properties do not pay the \$0.63 levy.

- Local property taxes apply to all property types to help finance local services. In addition to paying a local rate, non-owner occupied properties, including apartment owners, second homes, and cottages, pay a provincial property tax rate of \$1.46 per \$100 of assessment.
- Businesses in New Brunswick pay the provincial property tax rate of \$2.19 per \$100 of assessment and 1.5 times the local property tax rate.
- The current system lacks the openness and transparency taxpayers expect.
- In some areas of the province, property assessments have been increasing at an average of 5% to 6% annually for the past 10 years, resulting in a significant cumulative assessment increase over time, without corresponding decreases in local property taxation rates.
- Some property owners have experienced assessment 'spikes' in recent years. This can occur due to the length of time between property site inspections.

The Path Forward - Actions to achieve Objective 2

GOVERNMENT WILL:

Address Property Taxation and Assessment challenges by:

1. Including in the 2012-2013 Budget, a plan to reform the property tax system to make it *fairer and more effective in the long-term*.
2. Re-designing the property tax bill to make it easier to understand.
3. Introducing new property tax payment options, including monthly payments, to help alleviate the burden of a lump sum payment.
4. Providing property tax relief for senior homeowners.
5. Addressing assessment spikes and year-over-year (or cumulative) increases.
6. Establishing a Municipal Assessment Committee to enhance the relationship between the provincial assessment function and municipal officials.
7. Increasing public awareness and transparency around the property taxation and assessment system.

Desired Outcomes:

- A property tax system that is fairer and more effective in the long-term.
- Enhanced predictability with respect to increases to assessment values resulting in fewer surprises to property owners.
- Increased level of transparency and accountability for taxation and assessment.
- Simplified property tax bills.
- Improved property tax payment options.
- An enhanced relationship between the provincial assessment function and municipal officials.

Objective 3: Increased collaboration, communication and planning between communities

Citizens in New Brunswick's communities receive services, either from a local government (city, town, village or Rural Community) or the province in the case of Local Service Districts. Some services are delivered by Municipalities or Rural Communities themselves, while others are acquired or arranged for from service providers including commissions, local volunteers, other municipalities, the private sector, and in the case of RCMP services, from the federal government.

There are currently 12 commissions providing planning services and 12 commissions providing solid waste management, as well as 15 regional economic development agencies and 9 water and wastewater commissions. There are also a number of mutual aid agreements in place across the province between Municipalities, Rural Communities and Local Service Districts for the delivery of services such as fire protection, as well as a number of agreements for cost-sharing and managing services such as recreational facilities.

Neighbouring communities often compete for new investments; build infrastructure or acquire equipment which can result in duplication; and many struggle to maintain these structures or inventories with limited available revenue. With some exceptions, communities tend to individually purchase or acquire needed expertise to manage or administer services.

Government recognizes that this approach to service delivery is inefficient and doesn't capitalize on the collective strength of neighbouring communities.

The primary challenge is that there is no existing structure to enable communities to communicate with one another, to plan and prioritize from a regional perspective, collaborate on projects, cost-share on service delivery, and make mutually-beneficial decisions on investments, or share expertise.

The New Local Governance System will have, as one of its key features, a model to support the needed connectivity and cooperation between communities to ensure that both individual local governments and local service districts are better positioned to meet the service needs of residents and to benefit from collective efforts to build and sustain stronger regions.

Current Challenges at a glance:

- Many communities have small populations and their ability to generate revenue (raise money) to pay the costs of delivering community services is limited.
- Neighbouring communities across New Brunswick are trying to deliver many of the same services on their own. This can result in higher delivery costs and service duplication.
- There is a need for more coordinated planning at the local, regional and provincial levels.
- There is no existing structure to allow neighbouring Municipalities, Rural Communities, and Local Service Districts to manage shared service delivery, make regionally-beneficial decisions, share costs, and collaborate for efficiencies.

The Path Forward - Actions to Achieve Objective 3

GOVERNMENT WILL:

Enable improved service delivery and collaboration by:

1. Implementing a new Regional Service Delivery Model, which will include the establishment of:
 - Boundaries for 12 regions, based on communities and regions of interest (including such factors as regional identity, existing boundaries, language profiles, as well as proximity to and use of facilities such as schools, recreation centres, etc.)

- 12 multi-purpose Regional Service Commissions to plan, deliver, or facilitate delivery of services to both municipal and unincorporated (LSD) communities, with the initial responsibility for:
 - regional planning;
 - local planning in LSDs;
 - solid waste management;
 - regional policing collaboration;
 - regional emergency measures planning; and
 - regional sport, recreational, and cultural planning and cost-sharing.
 - Mechanisms to enable other voluntary services to be delivered on a regional or sub-regional basis, including local planning or corporate services provided to interested municipalities.
 - A Board for each Commission made up of representatives from Municipalities, Rural Communities, and Local Service Districts. The Regional Service Commissions will be service delivery agents rather than a tier of government, and will not have taxing authority.
2. Developing access for First Nations communities to services through the Regional Service Commissions, and a mechanism for acquiring those services, as desired, in conjunction with the Aboriginal Affairs Secretariat and First Nations communities.
 3. Developing a provincial policy to guide regional investments related to sport, recreation, and cultural facilities.
 4. Providing support to each region to develop and implement a plan to transition to the new regional service model.

Desired Outcomes:

- Increased collaboration and service sharing amongst communities.
- Stronger and more integrated planning on regional approaches to address public service needs.
- Reduced duplication through service delivery efficiencies.
- Increased fairness in costs of regional services.
- Improved coordination of decision-making and investment in infrastructure, facilities, and equipment.

- Increased accountability, as citizens and councils will be better able to evaluate the performance of their Regional Service Commissions.
- Concurrent boundaries to facilitate the planning and delivery of many local, regional, and provincial services.
- Stronger regions, benefitting from the collective strength of communities to meet common needs, and plan for the future.

Objective 4: More equitable community funding arrangements

The current funding arrangement, known as the unconditional grant, was developed more than 40 years ago. Under this arrangement, funding is provided to Municipalities, Rural Communities and in support of Local Service Districts to help offset some of the costs of delivering services to citizens.

Historically, unconditional grant funding has been provided for two purposes:

- To provide core funding in recognition of the fact that the ability to raise revenues is less than expenditure needs (fiscal gap); and
- To address the fact that the ability to raise revenues is greater in some communities than in others (equalization).

While the intent of the unconditional grant remains an equitable distribution of funds which recognizes varying ability to raise taxes locally, the formula has become increasingly inequitable in terms of distribution. As with other elements of the local governance system, there have been a number of reviews of this funding arrangement.

Government recognizes that communities require a new arrangement which will provide stability in financial planning and supports the most effective use of the grant dollars available.

Attention is also required in other areas of community funding. As an example, the administration and management of services in Local Service Districts and former LSD areas in Rural Communities is funded through the provincial budget. In municipalities, the expense of administering local services to property owners is paid through a local municipal tax rate established by its municipal council. This creates inconsistencies.

Additionally, as the new Local Governance System is implemented, opportunities for new funding arrangements will need to be explored.

Current Challenges at a glance:

- Many communities are struggling to pay for basic services residents need and want, while trying to maintain reasonable local tax rates.
- Some communities are facing significant economic burdens, such as those which have experienced the loss of a key industry.
- Municipalities are challenged to find new or additional sources of revenue to operate.
- The current unconditional grant is not distributed fairly among New Brunswick communities.
- There are inconsistencies in relation to funding the administration of services.

The Path Forward - Actions to achieve Objective 4

GOVERNMENT WILL:

Address community funding challenges by:

1. Designing and implementing a new community funding model with input from stakeholders. This model will:
 - support the principles of fairness and accountability across communities;
 - provide a degree of stability and predictability for communities; and
 - accommodate new or expanded Municipalities and Rural Communities.
2. Creating parity among taxpayers by transferring the costs of managing services in LSDs to the Local Service District tax rate.
3. Exploring future opportunities for communities to generate or access revenue.

Desired Outcomes:

- A community funding model that is based on sound principles including equalization, predictability and accountability.
- Improved predictability regarding the total funding available and the method of distribution.

Objective 5: Modernized legislation supporting local and regional decision-making

Much of the existing legislation governing local and regional affairs has been in place for forty or more years, and while there have been many amendments to address emerging issues, the legislation has not benefitted from complete overhaul. This has resulted in a mix of provisions within and among various Acts and Regulations which can be difficult to interpret and administer. This legislation also tends to be very specific, which can limit local decision-making and discourage local responsibility.

‘Modernizing’ legislation takes many forms, from using plain language rather than complex legal language, to providing general authorities, which enable greater adaptability to local circumstances.

Government recognizes that legislative change will take two forms going forward:

- Providing the legal framework of the new Local Governance System, and
- Modernizing legislation to make it easier for users to adapt to change going forward.

Current Challenges at a glance:

- Current local governance legislation is prescriptive in nature. Many communities feel constrained by these specific requirements. Others feel that if an issue isn’t expressly identified in law, they cannot take action. A balanced approach will be required going forward.
- Current legislation can be difficult to understand and follow because it is not written using plain language and because it has been amended on an issue by issue basis over many decades.

The Path Forward - Actions to achieve Objective 5

GOVERNMENT WILL:

Modernize legislation by:

1. Providing legislative power to give decision-making and accountability to local/regional levels wherever possible and desirable.
2. Writing new legislation, using clear, modern language, wherever possible.
3. Modifying or repealing (removing) legislation that goes against modernization objectives.
4. Placing significantly new concepts in new, stand-alone laws. For example, a new Regional Services Delivery Act and regulations will be developed to support the new regional services model.
5. Exploring the potential to consolidate common legislation under new single Acts and Regulations. For example, a new Community Funding Act could guide both community funding and capital borrowing arrangements.
6. Reconfiguring the current *Community Planning Act* in stages by:
 - placing the portions of the Act that govern planning commissions under the new Regional Services Delivery Act, and
 - creating land use planning legislation that provides clear guidance to users, and supports sustainable development.
7. Overhauling the *Municipalities Act* to create a new and modern Local Governance Act that provides authority for decisions to be made locally.

Desired Outcomes:

- Legislation which supports implementation of the Action Plan for a New Local Governance System.
- Modernized legislation that supports increased and improved local and regional decision-making, service delivery and accountability and that is easier to understand and comply with.
- Less cumbersome legislation that requires fewer ongoing and housekeeping amendments to support stakeholder needs.

Conclusion



The last comprehensive local governance reform was introduced in the late 1960s. Communities in New Brunswick have significantly and fundamentally changed in the last 40 years, as have the services residents receive and expect.

The Action Plan for a New Local Governance System in New Brunswick represents a timely, relevant and significant shift in the way local governance is administered today, and how services are delivered to residents in our communities. It is the Government's path forward in response to the consultation process that was commenced in February 2011.

The Action Plan outlines Government's intentions as it proceeds with forging a New Local Governance System that will serve the people of New Brunswick in a fairer and more transparent manner.

There are clear actions outlined in the Plan that will be implemented during the next two years, and phased-in over a longer period of time.

These actions are a major step forward, and putting a new governance system in place requires leadership by government and community sectors. Ultimately, a New Local Governance System will provide a foundation for New Brunswick communities to provide affordable services to citizens on a long-term and sustainable basis.

To learn more about local governance issues and to follow developments as the Action Plan is implemented, please:

Click on: www.gnb.ca/localgovernment

Or write to: Department of Local Government
PO Box 6000
Fredericton NB E3B 5H1

A New Local Governance System in New Brunswick

Action Plan Milestones



The following are key milestones, identified by season, for the various phases of implementation under the Action Plan.

FALL 2011 (December)

- Establish the 2012 Unconditional Grant for municipalities, Rural Communities and Local Service Districts. - *Objective 4*
- Transfer the cost of service administration for Local Service Districts to those who receive the service, effective January 2012, by introducing amendments to the *Municipalities Act*. - *Objective 4*
- Develop an interim arrangement for fairer allocation of local responsibilities for roads, removing a barrier for communities that choose to join together, while a longer term policy is developed. - *Objective 1*

WINTER 2012 (January-March)

- Provide details to stakeholders on the new regional services model, including confirmation of regional service delivery boundaries. - *Objective 3*
- Develop access for First Nations communities to services under the new regional services model, as desired. - *Objective 3*
- Implement property tax relief for senior homeowners. - *Objective 2*
- Seek stakeholder input on a new community funding arrangement. - *Objective 4*
- Provide support to communities expressing interest in restructuring. - *Objective 1*

- Provide support to each Region to transition to the new Regional Service Commissions. - *Objective 3*
- Complete a provincial policy on regional investment and planning for infrastructure supporting sport, recreation, and culture. - *Objective 3*
- Establish the Municipal Assessment Committee. - *Objective 2*
- Establish a policy with improved criteria for the establishment and restructuring of Rural Communities. – *Objective 1*
- Announce a property tax reform plan as part of the 2012/2013 budget. - *Objective 2*

SPRING 2012 (April-June)

- Announce changes to address property assessment spikes and year-over-year increases. - *Objective 2*
- Introduce legislation to create a Regional Services Delivery Act, to become effective January 2013. - *Objectives 3 and 5*

SUMMER 2012 (July-September)

- Create greater awareness around the costs and funding of service provision. - *Objective 1*

FALL 2012 (October – December)

- Enhance the Rural Community model, by introducing amendments to the *Municipalities Act*. - *Objectives 1 and 5*
- Create a new community funding arrangement, replacing the Unconditional Grant, by introducing amendments to the *Municipal Assistance Act*. - *Objectives 4 and 5*
- Enable transition of Regional Solid Waste Commissions to the new Regional Service Commissions, effective January 2013, by introducing amendments to the *Clean Environment Act*. - *Objective 3*
- Enable transition of District Planning Commissions to the new Regional Service Commissions, effective January 2013, by introducing amendments to the *Community Planning Act*. – *Objective 3*

- Name representatives to the Boards of Regional Service Commissions. - *Objective 3*

WINTER 2013 (January-March)

- Introduce new payment options for property tax bills. - *Objective 2*
- Issue a newly designed property tax bill for the 2013 tax season. - *Objective 2*
- Implement a new cost-sharing model for communities receiving RCMP services. - *Objectives 1 and 4*
- Engage stakeholders in the development of community sustainability criteria and a self-assessment tool. - *Objective 1*

SPRING 2013 (April-June)

- Explore the potential for consolidation of the *Municipal Assistance Act*, and *Municipal Capital Borrowing Act*, toward the development of a new *Community Funding Act*. - *Objective 5*

SUMMER 2013 (July-September)

- Announce a new policy for fairer allocation of local responsibilities for roads. - *Objective 1*
- Seek input from stakeholders on a framework for new planning legislation as part of the policy development process. - *Objective 5*
- Seek input from stakeholders on a framework for a new Local Governance Act as part of the policy development process. - *Objective 5*

FALL 2013 (October-December)

- Implement community and municipal sustainability targets for the establishment and restructuring of Municipalities and Rural Communities. - *Objective 1*