

ACCOMMODATING MULTIPLE BOUNDARIES FOR LOCAL SERVICES:
BRITISH COLUMBIA'S LOCAL GOVERNANCE SYSTEM

By
Robert L. Bish
Professor Emeritus
University of Victoria

ABSTRACT

One of the most difficult problems for metropolitan governance is to determine institutional arrangements and boundaries for different public goods and services that are preferred by different publics or possess different production characteristics. The most practical institutional solution to these issues in North America appears to be British Columbia's regional district-municipality system for local governance. Like most institutional innovations, it was created by politicians and administrators to solve pressing practical problems and it is doubtful that they recognized its full potential or were even aware of scholarly debates. Now, however, after nearly 40 years it has become obvious that the system is solving many of the problems posed by Ostrom, Tiebout and Warren, Mancur Olson and Gordon Tullock in the 1960's. This presentation will describe British Columbia's system, how it resolves theoretical issues, problems that have arisen, and its evolution. I also have suggestions for incremental modifications in a county-municipality system that could achieve similar results in many US metropolitan areas.

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INTRODUCTION

One of the most difficult problems for metropolitan governance is to determine institutional arrangements and boundaries for different public goods and services that are preferred by different publics or possess different production characteristics. The conceptual issues have been well understood since the 1960's, however little progress has been made toward any approach other than recommending specific boundaries for specific activities with no clear understanding of the actual increasing complexity and decision-costs associated with that complexity.

Recent research on the local governance system in British Columbia, Canada, indicates that there is a fundamental and practical set of institutional arrangements, the British Columbia regional district system, that deals with the variety of boundary issues associated with public services. Like most institutional innovations, it was created by politicians and administrators in 1965 to solve pressing practical problems and it is doubtful that they were aware of scholarly debates or recognized its full potential. Now, however, after nearly 40 years it has become obvious that the system is solving many of the problems posed by Ostrom, Tiebout and Warren, Mancur Olson and others in the debates over the organization of local government in metropolitan regions 40 years ago.

One of the problems with understanding regional districts at this time is that the research on them has been done for different purposes and not designed to test directly the questions raised above. I believe this research done for other purposes supports the conclusions I draw in this analysis, but a major purpose of the paper is to encourage additional direct research on regional districts by other scholars.

The paper is organized into four parts. The first provides a brief summary of the conceptual framework, called "public choice"¹, for examining local government developed in the 1960's that remains one of the dominant approaches in the field. The second will describe how subsequent empirical work has provided some additional insights that are complementary and necessary to understand one of the most important innovations in the British Columbia system. The third section will describe the British Columbia regional district system. This description will include fundamental institutional arrangements, the evolution of provision decisions and the production of local services, problems identified in a recent review of the system, and observations relating the system to the theoretical framework. A final section will provide some conclusions and speculation as to how the most innovative features could be more systematically introduced into county/municipality local government systems.

¹This term is still used by political scientists to describe the approach. See for example G. Ross Stephens and Nelson Wikstrom's recent *Metropolitan Government and Governance*, Oxford University Press, 2000. However the term "public choice" in economics has come to apply to more formal approaches that does not include the metropolitan area debates. See for example Dennis C. Mueller's *Public Choice*, Cambridge University Press, 1986.

THEORETICAL FRAMEWORK

The 1960's were a fruitful time for conceptualizing governance issues in metropolitan areas. The “reform through consolidation” movement was still strong, but both serious and practical challenges resulted in a new way of thinking. The approach was not really new, but was really a logical extension of approaches from *The Federalist and Tocqueville* in political science mixed with an economics that applied simple concepts of rational choice to institutional arrangements and not the economics preoccupied with extensions of neoclassical theory into optimization models. For purposes of this analysis the most significant works were the Ostrom, Tiebout and Warren, “The Organization of Government in Metropolitan Areas: A Theoretical Inquiry,” in the 1961 *American Political Science Review* and later Mancur Olson’s “The Principle of Fiscal Equivalence: The Division of Responsibility Among Different levels of Government” in the 1969 *American Economic Review*. While the Ostrom, Tiebout and Warren article was much richer in context and recognition of difficulty in the design of metropolitan institutions both reached the same conclusion: The institutional arrangements that were likely to work best were those where the group affected by an activity simultaneously was the group that made (or elected the officials who made) the decisions and received the benefits and/or paid the costs. The objective was to internalize benefits and costs to those affected when the benefits or costs accrued to individuals who could be identified as a group rather than to individuals individually as was the case for market transactions. The dilemma, explicitly discussed by O-T-W, was that there were a lot of different public services usefully provided by governments in metropolitan areas and it was not feasible to have a separate government with separate boundaries for each one where boundaries of the affected individuals or the efficient scale of production differed. O-T-W conclude that the best sets of boundaries remains an empirical question. Gordon Tullock, building on the previous cost of decision-making approach of the classic Buchanan and Tullock *The Calculus of Consent: Logical Foundations of Constitutional Democracy*, went on to observe that citizens should be members of more than government in metropolitan areas but not one for each separate activity and that there is a very important roll for elected officials to become specialists on behalf of citizens to deal with the great variety of services. (“Federalism: Problems of Scale,” *Public Choice*, VI (Spring 1969)). Those unfamiliar with this literature or wishing to review it more systematically are referred to my 1971 summary in *The Public Economy of Metropolitan areas*.²

EMPIRICAL WORK

The theoretical work of the 1960's had a major impact on subsequent empirical work relating to the organization of government in metropolitan areas. It is impossible to summarize all of this work as it spans several disciplines, but of most interest in relation to organizational and boundary issues is work concerning the production of local services and comparisons of expenditures by governments in differently organized systems³. This work was reviewed

²Chicago: Markham/Rand McNally.

³There is also some interesting work on the costs of elected officials. Fewer elected officials in

specifically in relation to metropolitan government organization by me in 2001 in *Local Government Amalgamations: Discredited Nineteenth-Century Ideals Alive in the Twenty-First*⁴.

Two approaches have been taken to analyse local government spending to produce and deliver local government services and implement and enforce regulations. One is to identify systemic organizational patterns associated with spending. The other is to examine specific services in relation to their production characteristics and compare alternative ways of producing them.

The first approach is represented by statistical studies to try to determine if different patterns of local government have consistently different consequences for levels of spending. This research is quite well summarized in an analysis by George Boyne from the University of Glamorgan in the UK. He reviewed over 60 such studies from the US and concluded:

- first, the horizontal fragmentation of multi-purpose governments (a multiplicity of municipalities) leads to lower spending;
- second, local government units compete in a market which is geographically limited;
- third, vertical concentration of market share in large top tier units (i.e. the regional government spends more than the municipalities) is associated with higher spending, and finally,
- the establishment of barriers to entry is positively related to expenditures by the local governments units that are protected by the barriers.

In sum, the broad pattern of evidence suggests that lower spending is a feature of polycentric systems and where most spending is by the lower level municipalities and not by the regional government⁵.

larger governments is not less costly than more elected officials in many small governments. This is because as governments grow council members are paid more and require dedicated staff. See, for example, the comparison of the single government in Halifax compared to the 13 in Victoria for the same population. Robert L. Bish, "Evolutionary Alternatives for Metropolitan Areas: The Capital Region of British Columbia," *Canadian Journal of Regional Science*, XXIII:I (Spring 2000) p. 77. The cost of elected officials, however, is trivial at one-third to one-half of one percent of government spending.

⁴The title was selected by the publisher, the C.D. Howe Institute of Toronto: <http://www.cdhowe.org/pdf/bish.pdf>. While there is less theory included the review can be viewed as an update the kind of evidence presented in Robert Bish and Vincent Ostrom's, *Understanding Urban Government: Metropolitan Reform Reconsidered*, published by the American Enterprise Institute in 1973. (If you open Explorer or Netscape and type in the complete address to open the paper you will get to a free copy of the paper instead of being routed through the cdhowe site where a charge is levied)

⁵Boyne, George, "Local Government Structure and Performance: Lessons from America,"

Scholars familiar with urban governance issues are not surprised by these observations. What is interesting, however, and not fully anticipated⁶, is how the production of local government services in metropolitan areas has evolved.

In the 1960's empirical studies were primarily of entire functions, e.g. police protection and fire protection for example⁷. Furthermore, recommendations for allocation of services to different levels of government were for entire services to either the "local" or "regional" level⁸. As empirical research on the organization of production continued, however, it became apparent that it was increasingly difficult to examine entire functions as if they were produced by a single organization. For example, as so well brought out by the Workshop police studies⁹, one could not compare "police services" in a small town with those in a large city without taking into account that the small town may have only produced patrol and daytime dispatching while the large city also produced homicide investigation and some other organization was producing crime laboratories and information systems. As researchers investigated other areas similar problems arose. The result, as exemplified by some recent surveys of how local services are actually produced include lists of over 300 local government activities which make up local government functions¹⁰. Furthermore one of the reasons for the length of the list is that activities within the same function are often produced by different organizations and on different scales. If scholars or other analysts thought they could assign entire local government **functions** to local or area-wide governments in the 1960's when we did not recognize the diversity of their different **activities**, what are to we conclude now?

Public Administration, Vol. 70, (Autumn), 1992, pp. 333-357.

⁶There is one significant exception to this generalization: Robert Warren's "A Municipal Services Market Model of Metropolitan Organization," *Journal of the American Institute of Planners*, XXX (August 1964), 193-204 although Warren's list of services in his study of Lakewood Plan cities (*Governing Metropolitan Regions: A Reappraisal of Fractionated Political Organization*, Institute of Government, University of California at Davis, 1964, pp. 156-7) was much shorter than we would use for similar research today.

⁷For example see the classic 1960's work by Werner Hirsch, well summarized in "The Supply of Urban Public Services" in Harvey S. Perloff and Lowdon Wingo, *Issues in Urban Economics*. Johns Hopkins Press for Resources for the future, 1968.

⁸Hirsch, "Local versus Area wide Urban Government Services," *National Tax Journal*, XVII (December 1964), 331-339.

⁹Just one example is Elinor Ostrom, Richard Parks and Gordon Whitaker, *Patterns of Metropolitan Policing*, Ballinger, 1978.

¹⁰ See for example James C. and Eric G. Clemens, "Contracting Out Local Government Services: The B.C. Experience," *Canadian Public Administration* Summer 1995, pp. 177-193, and the list of 283 activities in Bish's survey of the production of services in the Capital Regional District *Local Government Service Production in the Capital Region*. Victoria: Local Government Institute, University of Victoria, 1999. (http://web.uvic.ca/lgi_pub.htm).

Boundary issues have not gone away. Matching the public to institutions in the terms of O-T-W or achieving fiscal equivalence in Olson's terminology are still important objectives. However, these still remain "ideals" where we recognize the need for polycentricity, but really go no further than the general statements in the O-T-W article of 1961¹¹.

We know that polycentric metropolitan areas contain different institutions with different boundaries, including municipalities, school districts, other special districts, and if large enough, several counties. We also know that some governments will subdivide themselves internally into special benefitting areas with additional taxes for special benefits. When one supplements the governments, or provision institutions, with the even greater variety of production organizations Robert Warren's market model analogy from 1964 appears even more appropriate today than it did then because **what is evolving is a system characterized by Adam Smith's reason for productivity increasing economic growth: specialization and trade.** Specialization and trade however, is limited by the size of the market. Thus with larger metropolitan areas, and most important, greater wealth, we should expect to see more specialized organizations producing the different components of "public" services just as has occurred in the private sector. Specialization, however, creates some real issues for how we organize the "government" or provision side of the public economy to relate to different publics as well as capture the benefits of the potential for specialization and trade in production. It is at this point that I want to turn to describing how the regional district system in British Columbia has evolved to deal with these issues.

THE REGIONAL DISTRICT SYSTEM¹²

British Columbia has a long history of policies allowing local citizens to take the initiative regarding local government structure similar to the states of Washington, Oregon and California. In 1919, for example, "home-rule," where a municipality can organize itself and undertake any activity not specifically forbidden by the provincial government, only failed by one vote in the legislature. British Columbia's philosophy resulted in municipalities and improvement districts throughout the province, but there was no general form of local government such as a county outside of municipal boundaries. In the rural areas outside municipal boundaries the provincial government provided roads and policing, there were school

¹¹ For example see Ronald J. Oakerson's *Governing Local Public Economics: Creating the Civic Metropolis*, ICS, 2000, p. 85. I cite Oakerson because he is an Ostrom student associated with the workshop and the book provides an up to date survey of relevant issues.

¹² British Columbia's local government and regional districts are described in Robert L. Bish and Eric G. Clemens, *Local Government in British Columbia*, Richmond, Union of British Columbia Municipalities, 3rd edition, 1999. A very early description written by the person generally credited with their creation may be found in James E. Brown, "Regional Districts in British Columbia," *Municipal Finance* (November 1968), 82-86. Other sources are cited in Bish and Clemens.

districts across the province and welfare was and continues to be provided by the provincial government. While British Columbia is a large province (larger than Washington, Oregon and California together) less than 1 percent of its land is within incorporated municipalities. These municipalities, however, encompass a population of 2 million in greater Vancouver and 350,000 around the capital of Victoria. British Columbia is a very diverse province.

In 1965 legislation was passed setting out procedural rules for the creation of regional districts. There were 29 large areas drawn on maps to cover the province, but it was up to the local governments within these areas to decide if they wanted to incorporate and there were no functions initially required of them although all were authorized to engage in land use planning and zoning. They were essentially a shell with procedures for representation, financing, adoption of activities and definition of boundaries for different activities, but it was up to the municipalities and citizens in unincorporated areas as to how they were to be used. Twenty-eight of the original 29 areas incorporated themselves over the next four years and today there are 27 (one split into two and three have merged), with all parts of the province covered except in the northwest corner where there are very few citizens. Over time, the provincial government and municipal representatives have decided that municipal borrowing through the Municipal Finance Authority (a cooperative run by municipalities; not a provincial government organization¹³) should be processed within regional districts before being brought to the Municipal Finance Authority and that regional district boards should also serve as hospital district boards for hospital planning and the share of local financing. The only local government function that regional districts have subsequently been mandated to perform is planning for solid waste disposal, which they can do as an entire district or divide up among municipalities and unincorporated areas as makes sense for their region. Otherwise, regional districts can perform as rural governments for unincorporated areas, serve as a forum and for administration of local government services for any combination of municipalities and/or unincorporated areas within it, and serve as a regional government for the entire region as decided upon within the region¹⁴.

Regional districts have an unusual combination of attributes. On one hand they are primarily forums for municipal representatives and representatives elected from unincorporated areas to get together and agree to engage in joint activities; on the other hand they are a “government” with the powers of coercion and taxation once agreement has reached on assigning jurisdiction over an activity to the regional district. To understand how regional districts work it is necessary to examine their governance and financing structure, the services they provide, and problems that have been identified in a 1999 review of the system.

¹³MFA has an AAA rating with three agencies and at time has had a higher rating than the provincial government.

¹⁴During the nearly 40 years since their creation the Provincial government has amended legislation governing regional districts several times, primarily altering the rules by which a majority of members could coerce a member municipality to participate in an activity it objected to. These changes also provide an opportunity to understand the issues associated with coercion of some governments by others.

Governance and Finance

All regional districts have the same basic governing structure. The governing board is composed of directly elected members from electoral areas and elected municipal counselors appointed by their municipal councils. Electoral areas are areas of unincorporated territory and while boundaries do encompass rural communities some are quite large and diverse. The term “member municipalities” refers both to municipalities as corporations and to electoral areas. Individual members of the board are called “directors.”

The total number of directors from any member municipality is determined by their population and the size of the “voting unit” selected by the board. Voting units range from 150 in the most sparsely populated regional district to 20,000 in Greater Vancouver. The numbers are selected by the boards to generally result in a board size of about 20 directors. The voting unit itself is used to determine the number of votes allocated to each municipality and electoral area. The number of votes is calculated by dividing the voting unit into the population with the result rounded to the next whole number. Thus if the voting unit is 3000, a municipality with 17,000 population would have six votes and a municipality or electoral with only 2000 population would have one vote. No director may have more than 5 votes so when a member municipality has more than 5 votes additional directors are appointed to the board and that member municipalities’ vote divided among them.

The voting rules vary for different kinds of issues¹⁵. The first difference is for the adoption of new services versus the management of on-going activities. To adopt new services, including borrowing of money to finance them, generally requires a referendum by citizens in the participating areas but there are significant exceptions. The exceptions include that a municipal council may give consent on the part of its electors, there are provisions for overriding the objection of an electoral area director or area-wide services where no borrowing is undertaken¹⁶, and there are provisions where a service can be adopted unless there is a citizen sponsored counter petition (a process similar to a citizen initiative). The net effect of the rules is that for almost all new activities the consent of each separate member municipality (or the voters in electoral areas) participating in the service is required. What is also important to recognize that activities do not need to be undertaken just for the entire region. Any combination of municipalities and electoral areas, or only part of an electoral area, can join together to provide an activity through the regional district structure. This provides for infinite flexibility for the design of service areas although municipalities do not divide themselves up internally as often as electoral areas. In practice, the boundaries for most activities appear to be set to include entire municipalities and developed parts of electoral areas but not cover the entire regional district. During early years after processes were undertaken by the regional district to adopt new services

¹⁵A detailed explanation is provided in B.C. Ministry of Municipal Affairs, *Guide to Regional Service Arrangements and Service Reviews*, March 2001 (http://www.mcaws.gov.bc.ca/lgd/pol_research/lgadvice/rsguide.html).

¹⁶This can produce a significant problem when an area with an above average tax base is included even though its citizens do not want the service. A rule is needed concerning total tax rate allowed as well as capital financing.

the provincial Inspector of Municipalities had to approve the adoption. That requirement was dropped several years ago.

Once activities are adopted there are also different rules for governing individual services. In general, region-wide business is decided by one vote for each director, budgetary matters for region-wide services by the weighted votes of all directors, and services provided to sub-parts of the regional district by weighted votes from the directors in the participating areas. For most services the costs are divided up among the member municipalities in relation to the property tax base¹⁷. In addition, when adopting a new activity, the participating directors may create a different set of governing rules for that activity. These rules are referred to as “custom agreements”.

Custom agreements are used to relate voting strength more closely to use of a service and to financial contributions, which usually go together. Custom agreements can also create a committee or commission to govern the activity, and the agreement may provide for committee or commission members who are not directors. Examples of custom agreements within one regional district include:

- 50% converted assessed value and 50% population (for a theater and an arena),
- number of cases during the previous year for permitting and regulation of soil deposit and removal,
- 1/3 converted assessed value, 1/6 land area, 1/6 population, and 1/3 high and medium priority discharges in the previous year for storm water quality management, and
- population for 911 emergency service.

In another regional district the number or members of the committee to oversee water supply is based on water consumption in the different areas the previous year. Many more examples could be cited but all custom agreements identified by the author appeared to bring governance and financial contributions closer to benefits for either individual users or member municipalities. Some regional districts make much more use of these agreements than others. The consequences of not matching benefits to financial contributions will be examined further in the section on problems.

The financial obligations of each member municipality are set out as each new activity is undertaken by the regional district. The regional district administration calculates the amounts

¹⁷Two measures of assessed value are available. One is simply the total assessed value of all properties; the other is called “converted assessed value” and it weighs different classes of property differently, usually weighing non-residential properties more heavily than residential. All assessments are done by the B.C. Assessment Authority at market value and it is one of the best performing authorities in North America. For a detailed description of local government finance in B.C. see Robert L. Bish and Eric G. Clemens, *Local Government in British Columbia*, Richmond: Union of British Columbia Municipalities, 1999. Ch. 12.

during its annual budgeting process and sends a requisition to each municipality. Each municipality can raise the amount due in any way it prefers although many actually list regional district services on the property tax bills sent to their ratepayers. The regional district also informs the provincial property tax collector, who collects all property taxes in rural areas, how much is owed by each electoral area and the collector calculates the rates needed and adds them to the property tax bill it sends out to collect school taxes, taxes levied by the provincial government itself and for any improvement districts. Municipal and the provincial tax collectors then pass the requisitioned revenues on to the regional district.

The process for allocating costs among municipalities and custom areas within electoral areas works because the B.C. Assessment Authority has a complete data base on all properties in the province with an estimate of the market value for the property. This data base makes it possible to record all service area memberships for each property, obtain total assessed values for all properties within a service area for budgeting and rate setting processes and calculate the taxes due for each service for each property.

There is no question that regional districts can become rather complicated organizations. However their organizing philosophy is rather simple: they provide a forum and institutional framework for local governments to make binding decisions jointly with their neighbours and with boundaries for a service different from their own, where governance and financing matches the benefiting area.

Regional District Services

Given the existence of institutional structures to facilitate cooperation in the provision of local services just what services have regional districts evolved to provide? Until the mid-1980's the Ministry of Municipal Affairs kept a partial list of services and service areas for regional districts. Since that time, however, no even partial lists have been maintained. Two separate surveys, however, provide an indication of the trends in services and the boundaries of the areas they are provided for. Neither of these surveys was done for the purposes of this paper but each provides relevant information.

Regional District of Comox-Strathcona. First is for the Regional District of Comox Strathcona on central Vancouver Island¹⁸. The regional district has a population of approximately 36,000 in eight electoral areas and 70,000 in eight municipalities. By 1999 it provided 40 services. The Comox Valley part of the regional district had a vote on amalgamating three municipalities and the surrounding electoral areas into a single government in 1998 but the vote failed to pass in the electoral areas or in the two smaller municipalities.

A complete list of services and their areas is included in the text. For our purposes here I believe it is sufficient to provide some examples and indicate some boundary characteristics.

¹⁸This regional district was selected for analysis by the student who was its treasurer for the first edition of *Local Government in British Columbia* in 1987. It has been updated each edition with most recent information for 1999. The purpose was simply to provide an example of what regional districts do.

Area of Service	Number of Services
Entire Region	4
All electoral areas	2
More than 1 electoral area	6
one or more parts of electoral areas	16
Two or more municipalities	1
Two or more municipalities plus parts of electoral areas	11

One can note that there are only 4 services cover the entire region and that a significant number (24) involve rural areas only. However, 12 involve multiple municipalities, with 11 of those including service areas where parts of electoral areas surrounding the municipalities are included. Some of the services involved are:

- water supply
- community planning
- community parks
- 911 emergency services
- regional parks
- exhibition grounds
- fireworks regulations
- aquatic centre and ice arena
- solid waste planning
- street lighting
- house numbering
- fire protection
- economic development
- regional sewer
- cemetery
- animal control
- sports track
- grants for search and rescue
- victims assistance
- building inspection
- regional library
- transit
- several community halls (separate areas)
- several sewer systems
- several water service areas
- several refuse collection areas
- several local transfer stations and recycling centres

It should be noted that in rural areas the provincial government maintains roads and policing and cooperation in municipal policing and between rural and municipal policing is undertaken outside the regional district framework.

The regional district services are governed by the regional district board but in 1999 Comox-Strathcona had committees for both general activities, specific geographic areas and for activities such as fire departments within electoral areas where the local people elect a board to oversee the service, which was then ratified by the regional district directors. Very little of the actual business of running the services comes before the regional district board in other than a committee report.

While no survey of how services were actually produced has been undertaken, with a budget of \$48 million, the regional district had 60 full time and 10 part time employees, with another 58 full time and 50 part time at the two sports centres. The 60 full time include all the central office staff, including rural planning and building inspectors. Many of the activities are contracted out; some to private firms and others to community organizations. In many regional districts it is also common to contract back to a municipality to provide a service beyond its boundaries for the regional district.

Capital Regional District. A second regional district was examined in detail, partially to make some comparisons with the amalgamated government of Halifax after three municipalities and the county were amalgamated in Nova Scotia.¹⁹ Thus this survey was not to simply identify what the regional district was engaged in as in Comox-Strathcona, but to examine how municipalities had services produced. The results, however, provide information on the role of the regional district.

The Capital Region of British Columbia, on southern Vancouver Island, has a population of 335,369. In 1999 when information was collected it included 12 municipalities ranging in population from 1,563 to 107,026. and four electoral areas. Seven of the municipalities were between 10,000 and 20,000 population and three were smaller. A 13th municipality was voted for and incorporated in December, 1999. All of the 12 municipalities are contiguous to another municipality.

The survey involved meetings with municipal administrators and follow-up, sometimes with department heads. The original list included 266 different activities in 12 functional areas, although when interviews were completed the list had grown to 283 activities. The functions, with the number of activities indicated in brackets, were:

- General Government Services (31)
- Police Services (37)
- Fire Services (15)
- Emergency Response (3)
- Engineering: Roads and Parking (41)
- Engineering: Solid Waste Management (8)
- Engineering: Water Supply (23)

¹⁹Information on Halifax and some other Canadian reorganizations is included in the spring 2000 issue of the *Canadian Journal of Regional Science*. Some information on the Capital Regional District is included in Robert L. Bish, "Evolutionary Alternatives for Metropolitan Areas: The Capital Region of British Columbia" in that volume.

Engineering: Liquid Waste Management (20)
 Engineering: Miscellaneous (34)
 Parks and Recreation (34)
 Community Services (20)
 Development (17)

One objective of the survey was to identify how activities where there may be economies of scale²⁰ beyond the size of most of the municipalities (10,000 to 20,000 population). Of the 283 activities, 80 (28%) were identified as having economies of scale due to the need for specialized equipment or personnel. Only 14 (3.5%) were identified as having economies of scale due to the need for a large capital facility, and some of these could be provided on a smaller scale as well. This research, as a by-product, provided information on the role of the regional district. A summary of results for capital facilities is presented below:

- Jail - produced by Victoria and Saanich and contracted for use by the smaller departments. The Western Communities RCMP provides one in a building provided by Colwood, Langford and View Royal to serve RCMP contract areas.
- Landfill - Provided by the Capital Regional District (CRD) for the region.
- Water Supply - CRD Wholesale for the region excluding Highlands where there is no piped water supply. Some municipalities manage distribution. Municipalities not incorporated prior to water supply development have water distribution by the CRD.
- Trunk Sewers - CRD for the region excluding Highlands and Metchosin and some parts of rural areas where there are no sewers.
- Recreation Centres - CRD, through subregional agreements for the Peninsula (three municipalities) and Western Communities (four municipalities and an unincorporated area). Also produced by each of the four core municipalities.
- Library System - Greater Victoria and Vancouver Island Regional Library systems serve all but View Royal. View Royal subsidizes library cards for citizens wishing to use the Greater Victoria system. (Since the study several municipalities have switched from the Vancouver Island Regional Library system to join the Greater Victoria system because they viewed the Greater Victoria system as providing better service and being under better political control by elected officials.)
- Bus System - provided for the region (excluding Highlands) by B.C. Transit, a provincial crown corporation with a locally appointed board.
- Regional Parks - CRD for the region

²⁰The details of the approach and results are in Robert L. Bish, *Local Government Service Production in the Capital Region*. Victoria: Local Government Institute, University of Victoria, 1999. (http://web.uvic.ca/lgi_pub.htm).

- Regional Trails - CRD for the region
- Sewage Treatment Plant - CRD for the region
- Sewage Discharge Facilities - CRD for the region
- Art Gallery - the Art Gallery of Greater Victoria is provided through a subregional agreement among five municipalities
- Royal Museum - provided by the Provincial government
- Major Theatre - Royal Theatre is administered by the CRD on a subregional agreement from three municipalities. There are smaller theatres provided by some other municipalities.

Note that the Capital Regional District is involved in 9 of the 14 major capital activities, but only 5 of the nine cover the entire regional district with the other 4 each having different boundaries. There is also some kind of arrangement to provide for the others capital services on a larger scale than that of a single municipality.

The results presented here do not include all of the areas of regional district involvement, nor do they present information on how the Capital Regional District actually gets the services it is responsible for produced. Such information was collected for municipally governed activities but there was no follow-up with the CRD to see how they had activities produced after municipalities identified the CRD as responsible. Another study, however, indicated that 32 percent of 314 different local government activities were contracted-out by local governments in British Columbia and that regional districts contracted-out service production more often than municipalities.²¹ What the study does indicate is that the regional district has flexibility in setting the boundaries for services and uses that flexibility.

Regional District Review - 1999²²

In 1999 the Ministry of Municipal Affairs commissioned a study of regional districts to identify problems and seek recommendations where their legislative framework could be improved. The methodology involved a single consultant confidentially interviewing regional district administrators to obtain descriptions of problems in their regional district, drafting a description of the generic nature of the problems, examining how similar problems were resolved in other structures of local government, including in the United States, and making recommendations for changes in provincial legislation. Throughout the process the consultant

²¹James C. McDavid and Eric G. Clemens, "Contracting Out Local Government Services: The B.C. Experience," *Canadian Public Administration* Summer 1995, 177-194.

²²Robert L. Bish, *Regional District Review - 1999: Issues and Interjurisdictional Comparisons*. Prepared for the Ministry of Municipal Affairs, Published by the Local Government Institute (http://web.uvic.ca/lgi_pub.htm).

met with a committee of officials representing regional district directors from both municipalities and electoral areas, regional district administrators, and Ministry officials. Directors were appointed to the committee by the Union of British Columbia Municipalities (which represents elected officials of both municipalities and regional districts), and the Municipal Officers Association appointed the administrators to the committee. Dr. Bish was selected as the consultant because of his familiarity with both regional districts and with local government structures elsewhere in the U.S. and Canada.

Problems discovered were in three areas, but none except lack of understanding, was widespread. First, electoral area directors wanted to have discretion to adopt new services similar to that possessed by municipal directors. This was rejected unless the electoral area formed a community commission with 4 elected members plus the director. It was felt a council of 5 would be more representative than a single member for important decisions, and referenda requirements for capital spending were to be retained.

The second problem involved conflicts over control and financing of services. “The most common characteristic of the problems was when there was a mis-match between who voted, who benefitted and who paid. These were generally of two types: exit disputes were over areas that wanted to exit a service agreement because they felt costs exceeded benefits; other cases were about areas not wanting to enter a benefitting area because they felt they would not have sufficient votes relative to their cost. The obvious conclusion to be drawn from these observations is there was some problem relating the voting rules to benefits and the financing formula.”(p. 27)

Further analysis revealed that the simple default formula of population weighted voting and financial allocation by assessed value did not match voting strength to financial contributions in areas where there was a disproportionate of agricultural, business or forest properties and some electoral areas with very low populations ended up with very large financial contributions. The same mis-match also occurred among municipalities as some were primarily residential and others had significant additional property tax base. These problems occurred in regional districts that had not moved beyond the default formula to “custom agreements” where voting rules and financing is negotiated for each service prior to entering into the service agreement. It was also observed that disagreements festered, there was reduced cooperation among the members for any new services. A very important observation about these problems is that they arose precisely because of the lack of fiscal equivalence in governing and financing a service. The lack of fiscal equivalence was perceived as unfair and reduced the willingness to cooperate on further cooperative efforts.

The recommendation was relatively simple. Greater use needed to be made of custom agreements as were already heavily used in some regional districts. It was also recommended that agreements should have time limits, renewal provisions, notice provisions for exit, and a process for dispute resolution was needed. These recommendations would increase decision-making costs at the front end, but contribute to better relationships in the long run²³.

²³One regional district treasurer pointed out that it had taken as long as two years to negotiate one agreement, but that in her regional district once agreements were in place there had never been a dispute over governance and financing.

The third problem identified was that administrators did not feel that citizens understood regional districts and how they functioned. Some recommendations were made to include flyers describing their activity along with tax bills as was done by municipalities and to educate municipal counter staff to be able to answer questions about the regional district. After all, the regional district activities within a municipality were essentially directed by municipal councilors who were appointed by their council to the regional district board.

The only recommendation requiring provincial action was the creation of a dispute resolution mechanism and that has been done. Other problems can be resolved within the existing legislative framework and administrators and councilors have received more information on custom agreements and they are encouraged by Ministry staff. The remaining problem, lack of understanding by citizens of the role of regional districts, remains a difficult one.

Observations on Regional Districts

Regional districts are a very useful institutional innovation. Their most important attributes is that they provide a systematic authoritative framework that lowers decision-making costs to facilitate cooperation among local governments to provide activities on a variety of scales. **They can adjust boundaries to match either demands to provide a service for a group whose boundaries differ from those of existing local governments or they can adjust boundaries to achieve scale economies in production—depending on which is more beneficial for that particular service.** The choice is a local one and local people are most likely to make the right trade-offs when there is an incompatibility²⁴. They are also designed, and to a significant extent, achieve fiscal equivalence for services whose boundaries do not fit existing governments and this can take into account the huge number of specific activities that make up the local services in a metropolitan area.

A second important characteristic is that they do not engender competition and rivalry between elected politicians at the local and regional levels²⁵. Virtually all major local government functions have activities within them that are both local and regional. Thus if responsibility for the function is assigned to either level there will always be activities more appropriately provided or produced at the other level. **With regional districts the same elected officials are responsible for the functions regardless of the level at which the activities are provided or produced.**

²⁴This is also why separating out activities instead of functions is so important. For example, the large recreation centres have economies of scale and must be produced for a large population. At the same time those municipalities participating in CRD recreation centres also run their own recreation programs in their municipality to complement the programs of the large centers where local citizen preferences differ from regional ones.

²⁵ It was in discussions with Andrew Sancton from the University of Western Ontario that the significance of having the same elected officials at the municipal and regional level was recognized because the rivalry between local and regional politicians in Ontario created rivalries that contributed to the Ontario Provincial government interest in simply amalgamating local governments into consolidated ones.

While regional districts have extremely desirable characteristics, there have been problems for citizens and government officials not involved with them in understanding how they actually work. Rural citizens appear to have no difficulties as they directly elect their representative and he or she acts on their behalf as a director on the board. Citizens in municipalities, however, seem to have greater difficulty. Most do not seem to realize that their municipal council is appointing one or more representatives to the regional district board to represent the interests of the municipality. This has led, from time to time, to recommendations for the direct election of regional directors but these have been rejected in favour of retaining the current model. My observation is that the groups that have advocated direct election have a special interest that they feel should be implemented regionally and cannot get municipally elected councillors to support. They also fail to recognize that only a very small percentage of regional district activities encompass the entire region (In Comox-Strathcona it is 4 of 40 services). The current structure is a more conservative one to encourage cooperation but not force it, which clearly gives priority to citizen interests on a smaller scale relative to some concept of a regional interest.

THE RELEVANCE OF REGIONAL DISTRICTS

The regional district system is hard to fit into the lexicon of metropolitan area governance. The system has characteristics that are more those of a confederation than of a federal system in that municipalities appoint their representatives to the board and an attempt has been made specifically to reduce rivalry between the municipal and regional level. At the same time the regional district has characteristics of federalism in that it does impact citizens directly with its programs and regulations and the municipalities continue their rivalry with one another on other issues.

A very important characteristic of the regional district system is that it assumes local representatives know their own situation best, and that by providing a forum for cooperation they will undertake activities for mutual benefit. This is the same philosophy that operates within markets: create proper institutions for people to work within²⁶. It places a great deal of faith in citizens and locally elected officials but given the diversity in local service conditions there does not seem to be any reasonable alternative and it is probably the best we can do. It does, after all provide a practical solution to the boundary problem and provides one focus for those interested in polycentric systems to focus some recommendations for improvement.

There are examples of indirect representation for special authorities within metropolitan areas in the United States. One example is METRO in Seattle where the board was comprised of representatives from King County government and municipalities within the county. METRO was extremely successful in its development and implementation of sewage treatment in the region, especially around Lake Washington, and in managing a regional transit system. METRO

²⁶This philosophy is well expressed by F. A. Hayek in "The Use of Knowledge in Society," *American Economic Review*, September 1945, 5-9-530.

has since been transferred to the county after a court ruled its board did not comply with equal representation on a population basis. In British Columbia no similar requirements exist, although the population weighted vote of different directors may meet that criterion.

There are also many examples of county-city cooperation in the U.S., including jointly sponsored departments. The question that an understanding of regional districts raises is whether some institution on a county or multi-county basis could be created so that there is regular forum for undertaking joint service arrangements instead of leaving each of them to a separate agreement. COG's have not fulfilled this role because they are voluntary associations—not real governments like regional districts.

Ostrom, Tiebout and Warren pointed out that the debate between gargantua and a polycentric system was an empirical one. Since their article in 1961 the evidence that polycentric systems can outperform gargantua is substantial. The question now is what institutional arrangements enhance the operation of a polycentric system—and I believe that the decision-making cost reduction inherent in the structure of regional districts contributes toward that end. Such an institution provides for a systematic way to deal with boundary problems in a way no other model or alternative appears to account for—and thus they represent a very practical contribution to the debate over institutions in metropolitan areas.

Two problems remain. One is that metropolitan areas studies such as those taken in St. Louis²⁷ and Allegheny County²⁸ would be a useful. This is a larger effort that the current study of the Capital Regional District and needs to be undertaken in more than one regional district. The second problem is that how regional districts function is practically unknown outside of participants, Ministry staff, a few consultants and scholars. This leaves regional districts vulnerable to “reforms” where the reformers have no idea as to what they are really working with. Such reforms are even possible to impose by the Provincial government where a parliamentary system allows the Minister and Cabinet to change regulations without public discussion or amend legislation with very little discussion after the Minister and cabinet make a decision to do so. There are no constitution-like provisions governing provincial control over local governments, just ordinary legislation, which in a parliamentary system does not involve input from the opposition party or anything other than rudimentary (meaningless) debate in the legislature before the majority party simply imposes cabinet approved legislation. This does not mean that many reforms are made with significant participation, as was done with recommendations in the 1999 report, but this is not always the case.

Regional districts offer the opportunity to achieve fiscal equivalence in local government services for a large number of services where boundaries differ without creating a different government for each service. The result is an organization that does not fit nearly onto an organization chart nor is easily understood, but it lowers decision-making costs of cooperation

²⁷ *Metropolitan Organization: The St. Louis Case*, Advisory Commission on Intergovernmental Relations, 1988.

²⁸ *Metropolitan Organization: The Allegheny County Case*, Advisory Commission on Intergovernmental Relations, 1992.

among local governments. Their net effect should be an improvement in the performance of a polycentric system of government and I believe understanding how they operate can make a significant contribution to the debate over how we government in metropolitan areas.