

**REGIONAL DISTRICT REVIEW - 1999:
ISSUES AND INTERJURISDICTIONAL COMPARISONS**

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EXECUTIVE SUMMARY

This review is part of a process of consultation between the Ministry of Municipal Affairs and the Union of British Columbia Municipalities to examine potential improvements in the operation of Regional Districts, including potential revisions to the Municipal Act in the year 2000.

The report reviews issues raised by the Ministry, the Steering Committee and responses to a questionnaire distributed to regional district administrators in two contexts. One context is how problems identified in the operation of regional districts are dealt with in other local government systems in North America. This comparison includes two-tier systems in Ontario, single-tier systems such as in Alberta and the newly amalgamated Halifax Regional Municipality, councils of government (COGS), metropolitan governments (such as Portland's METRO), and U.S. county systems. The second context is the purpose and philosophy of regional districts.

The report is organized to analyze each major regional district role (a non-municipal government; inter-municipal service cooperation, and a regional government) and special issues including municipal-electoral area relations, fringe area issues, First Nations, visibility and accountability, and dispute resolution.

The thrust of the recommendations is to increase the flexibility for regional districts to adjust their procedures to their own conditions, but not to require changes from existing practices except in providing dispute resolution processes that were not formerly available. There are recommendations to strengthen electoral area government and accountability, provide for greater flexibility for voting and financing in custom arrangements, clarify municipal-electoral area land use arrangements, utilize more specific cost allocation, allow First Nations to participate in custom arrangements, and introduce an effective dispute resolution process. Most of the recommendations are best practice issues and do not require legislative change. The recommendations are:

- R1. The restrictions on entering into new services and segregation of funds for services should be maintained for electoral areas unless the electoral area (or sub-part of it) moves beyond a single member constituency for decision-making. A small "general fund" may be appropriate for electoral area constituency work but not for the funding of individual services.**
- R2. The current philosophy of consent from each member for participation in benefitting areas should be retained.**
- R3. For any benefitting area, service any significant change in the agreement should require the agreement of each member. If a member disagrees as to whether a change is significant, it should be appealable to a dispute resolution process.**

- R4. Custom agreements for a benefitting area service should allow modified voting rules and modified bases for financial contributions.**
- R5. Voting rules and delegation rules need to be reviewed both for clarity as to when a corporate or weighted vote are to be used and to clarify what can be delegated in custom servicing arrangements.**
- R6. Provisions for time limits, notice provisions for exit and for dispute resolution should be included in the creation of benefitting areas and in custom agreements.**
- R7. To achieve a greater regional focus within the current framework, municipal councils could appoint their regional board members for three years instead of one year at a time.**
- R8. If a financial contribution is going to continue to be a criterion for a municipal vote on electoral area land use, the proposal should be made by municipal council directors but the vote for acceptance should be by electoral area directors only.**
- R9. A better criteria than a financial contribution for municipal participation in electoral area land use decision making would be to limit such participation to decisions under specific conditions where the municipal interest was involved. This interest could be specified as part of the regional growth strategy.**
- R10. If municipalities, after recognizing the contributions of fringe area residents to the municipal property tax base, still feel that fringe area residents exploit municipal tax payers, municipalities can differentiate their sign-up priorities for recreation programs and/or user charges for libraries, recreation centres, etc. for non-residents.**
- R11. Remuneration of electoral area directors should be paid from electoral area requisitions, especially if they are remunerated at a rate higher than that for municipally appointed directors. Remuneration for municipally appointed board members should be paid by their municipality either directly or through the municipal requisition.**
- R12. Finance feasibility studies for electoral areas from electoral area requisitions and feasibility studies for inter-municipal services and regional activities from a general regional district fund.**

- R13. Make every effort to allocate costs of administration in relation to the real costs for administering services to different areas. Where electoral areas are truly rural with few services there should be little change. Where they are a dense fringe area with active community planning and continual amendments to land use by-laws, they would be responsible for those costs.**
- R14. There should be explicit recognition that First Nations can participate fully in custom servicing arrangements with the basis for payment and voting participation on the committee as agreed to in the agreement.**
- R15. The Surveyor of Taxes should provide an opportunity to include a flyer with tax notices for electoral areas. If such inclusion is not economical, regional districts should mail their own notices at the same time as tax bills are mailed. Regional districts should also consult with member municipalities to arrange for inclusion of information on the regional district with municipally mailed tax bills.**
- R16. Efforts and education concerning regional districts in municipal areas need to educate everyone, including front counter municipal staff, about regional district accountability to municipal council members.**
- R17. Delegation to committees and commissions should be used to provide better political scrutiny over particular services, but it is very important that such committees and commissions not become advocates for their particular service and neglect its costs. The committees designated in custom agreements may facilitate the achievement of this recommendation.**
- R18. Greater educational effort may be necessary to assure that directors understand the different roles they must fulfill, and it may be useful to specify these roles in legislation.**
- R19. The dispute resolution process should involve a combination of mediation processes such as has been developed by Alberta Municipal Affairs and arbitration processes as provided for in the regional growth strategies process. To implement this process, legislate the Inspector of Municipalities with authority to recommend mediation, appoint an arbitrator and enforce an arbitration decision.**
- R20. There should be a written statement of regional district issues the Inspector is prepared to consider. Recommended conditions**

include:

- **any benefitting area agreement made prior to the availability of custom agreements,**
- **any agreement where there has been a significant change in conditions,**
- **any agreement after 10 years,**
- **any situation where a member municipality or electoral area is forced to be included in a service where its citizens did not vote to participate, and**
- **any situation where any member fails to abide by the agreement it is a party to.**

The municipal-regional district system of local governments in British Columbia compares very favourably with local government systems elsewhere in North America. Regional districts do provide for inexpensive basic rural government, a political and administrative framework for inter-municipal cooperation and regional governance. The opportunity to enter into inter-municipal cooperation easily and participate in regional governance also permits small municipalities with their very high levels of voter turnout and citizen participation to function efficiently. The regional district model has also been adaptable to very different areas of the province. Finally, regional districts have been especially successful compared to the provincial imposition of two-tier systems in central Canada and are an excellent governmental system for the future.

PREFACE

This review is part of a process of consultation between the Ministry of Municipal Affairs and the Union of British Columbia Municipalities to examine potential improvements in the operation of regional districts, including potential revisions to the Municipal Act in the year 2000.

The specific purpose of this report is to review issues raised by the Ministry, the Steering Committee and responses to a questionnaire distributed to regional district administrators in two contexts. One context is how problems identified in the operation of regional districts are dealt with in other local government systems in North America; the second context is the purpose and philosophy of regional districts.

This review has included the operation of two-tier systems in central and eastern Canada, the examination of single-tier systems such as in Alberta and the newly amalgamated Halifax Regional Municipality, an examination of councils of government (COGS), metropolitan governments (such as Portland's METRO), and a variety of U.S. county and borough systems. The operation of the most relevant of those systems is described only briefly in this report but references are made to experience in those

systems as it is relevant to understanding and improving the operation of regional districts.

In any comparison of alternative local government systems British Columbia's regional districts stand up very well. This finding is consistent with the findings of the Ministry and Steering Committee. Improvements, however, are possible and recommendations toward that end are the purpose of this report. These recommendations are for consideration by the Ministry and Steering Committee.

Most of the recommendations do not require legislative change, but may require a change in interpretation of legislation by the Ministry, better advice, or a change in processes or structure within a regional district. Ministry staff and Committee members have much more experience than the author with the operation of regional districts in the province, but it is hoped that by undertaking an analysis in the context of local government systems they are less familiar with, as well as within the context of the philosophy of regional districts, their final recommendations will be better than they otherwise may have been. Ministry staff and the Steering Committee will also be able to distinguish between those recommendations that can be implemented without legislative change and those where legislative change is needed. Where legislation is not needed, Ministry staff and the Committee may also have suggestions as to how information on better practices can be conveyed to regional districts across the province.

ACKNOWLEDGEMENTS

Lynda Lafond and Todd Pugh assisted with gathering material on governments in other jurisdictions. Regional district administrators were very helpful in providing specific examples of problems and solutions and Diana Lokken, Director of Finance & Corporate Affairs for the Capital Regional District, explained the variety of financing formula used by the CRD. Richard Taylor from UBCM and Ministry of Municipal Affairs staff provided a review of an earlier draft. Observations, conclusions and recommendations, however, are the responsibility of the author and not UBCM or the Ministry. Verna LaLiberte and Deborah Fawcett edited and Deborah Fawcett produced the final report.

ABOUT THE AUTHOR

Dr. Robert L. Bish retired from the School of Public Administration and Department of Economics at the University of Victoria in 1998. He is currently Professor Emeritus and Co-Director of the Local Government Institute. Prior to joining the University of Victoria in 1981, he received his Ph.D. in Economics from Indiana University in 1968 and served in departments or schools of economics, public affairs, public administration and urban studies at the universities of Washington, Southern California and Maryland.

Dr. Bish has researched and published on local government since 1967 and his major works include The Public Economy of Metropolitan Areas (1971); Understanding Urban Government: Metropolitan Reform Reconsidered (1973) with Vincent Ostrom; Financing

Government (1973) with Harold Groves; Urban Economics and Policy Analysis (1975) with Hugh O. Nourse; Local Government in British Columbia (1987, 1990); Local Government in the United States (1988) with Vincent and Elinor Ostrom, and Indian Government: Its Meaning in Practice (1989) with Frank Cassidy. A revision of Local Government in British Columbia will be published by UBCM in late 1999. Dr. Bish has also authored over 60 other books, articles, chapters, reviews and monographs and is one of 17 economists in Canada included in the Who's Who in Economics, where selection for inclusion is based on the number of times an economist's published work is cited by other scholars in academic work.

INTRODUCTION

The purpose of this report is to identify where changes may be made in regional district practice or legislation to improve their functioning. The approach taken is to first briefly describe other local government systems in North America. This examination is especially relevant for observations on two-tier systems. Next the history, roles, expectations and principles under which regional districts operate are briefly described. These descriptions are followed by separate examinations of the three major roles of regional districts (rural government, a forum for inter-municipal cooperation and regional governance) compared to how governments performing those roles function elsewhere in North America. The comparison provides some insight into where improvements are possible.

Following the examination of each major regional district role, several specific topics are examined, including municipal-electoral area relations, municipality-fringe area financial relations, relations to First Nations, visibility and accountability, and dispute resolution. A final section examines the special problems associated with integrating different roles of regional districts in the same organization, with a summary of conclusions and specific recommendations for further consideration by the Ministry and Ministry/UBCM Steering Committee.

LOCAL GOVERNMENT SYSTEMS IN NORTH AMERICA

All local government systems must be able to deal with similar issues. These issues include:

- providing elections and other procedures whereby citizens who are effected by the government have a voice in its decisions and can hold officials accountable for their actions,
- possess an ability to deal with problems and provide services over a variety of geographic scales,
- possess the ability to utilize different kinds of production arrangements to account for the great diversity in the nature of local government services and the different scales at which they are most efficiently produced,
- possess financing methods that are fair. Where social services are a local government responsibility significant financing usually needs to be on a wide

area basis; where social services are a provincial responsibility fairness is usually associated with beneficiaries, either as individuals or groups, financing the services they benefit from.

The fact that different local government functions are best provided on different geographic scales and that different services may be most efficiently produced by different organizations, means that the ability to cooperate and coordinate among different organizations is an extremely important aspect of any system of local governance.

All local governments deal with these issues in some manner and some do a better job than others. Long-standing stable systems are the ones that evolve to deal with these issues best. As will be observed below, stable long-standing systems also rely heavily on local initiative for local governments to cooperate among themselves and not on provincial or state mandates for most of their activities. Three major systems are examined below: single-tier, U.S. county, and Ontario two-tier. British Columbia's municipality/regional district system is then compared with these alternatives.

SINGLE-TIER SYSTEMS¹

Seven Canadian provinces use single-tier systems containing both "city" and rural governments with no overlapping. In these systems rural governments generally undertake fewer activities and cooperation between urban and rural governments takes place through intergovernmental agreements.

Alberta is an example of this kind of system where there are several classes of municipalities for densely populated areas and municipal districts and counties for rural areas, although some counties and municipal districts have become quite urbanized. Alberta counties formerly had responsibility for schools, but currently they are indistinguishable from municipal districts.

Historically, as in Alberta, the single-tier systems included many small municipalities. More recently in Ontario, Nova Scotia and New Brunswick the provincial government has amalgamated some smaller municipalities into large municipalities. Examples include Mirimichi in New Brunswick and Cape Breton and Halifax in Nova Scotia. There are many examples in Ontario. Mirimichi and Cape Breton involve amalgamations of small municipalities. Halifax involves the amalgamation of the municipalities of Halifax, Dartmouth, Bedford and Halifax County. Recent Ontario amalgamations involve amalgamations of the second-tier government with the municipalities within it to result in a single government.

There is little research on the operation of local governments amalgamated from smaller municipalities that are spread out over a large area. Whether they can function well as a local government will depend on unique local circumstances. The existing evidence on large urban government amalgamations is much clearer. Cost savings may be achieved on some large capital facilities and some specialized services (assuming there was no

cooperation on these activities prior to the amalgamation) but there is likely to be increased costs on the majority of services where economies of scale do not exist beyond the population of municipalities in the 10,000 to 20,000 population range. One interesting issue for the new Halifax Regional Municipality (HRM) is how well the community councils (which include an average of 45,000 population) can function within the HRM system. Such a system was ultimately eliminated in Winnipeg because of excessive conflict between communities and Unigov. The other question for HRM is whether it can keep its costs of operation down. Larger local governments simply cost more.

A major problem in any single-tier system is adjusting to the diverse nature of local services. In single-tier systems comprised of smaller local governments, the issue is to what degree they can develop intergovernmental agreements to undertake activities, which benefit from being performed on a larger scale. The issue in larger amalgamated governments is whether costs can be contained and smaller community interests accommodated within the larger government. U.S. county systems, two-tier systems and British Columbia's regional district system are all approaches to overcome these problems of single-tier systems.

U.S. COUNTY SYSTEM²

A detailed review of county government with a focus on home rule counties (those that write their own charter and have it passed by a referendum) in the west is provided in Dawn Cowan and Tanis Janes Salant, County Charter Government in the West, The University of Arizona and National Association of Counties, 1999.

All but three U.S. states use municipalities overlapped by a county where the county also serves as the government for the area outside municipal boundaries except in those states, which also have townships. Historically, counties performed a very narrow range of functions including rural roads, rural policing and policing for small municipalities that did not want their own force, rural land use regulation, and courts and welfare for the entire county area. In most counties officials are elected by all citizens in the county. While county commissioners may be elected by wards, other officials such as the county sheriff, coroner, or attorney are elected at large. Other counties, primarily in New England, have county boards composed of municipal and township councillors. One historical problem has been that county boundaries were created at the time a state was created and many boundaries were just lines on maps that do not reflect urban areas or regions as they have evolved over time.

Within counties, especially in the west where counties are larger, many services are provided to local communities through special districts (referred to as improvement districts in British Columbia). Common special districts are for conservation, fire protection, water supply, community development, cemeteries, sewerage, parks and recreation, hospitals, libraries and airports. Improvement districts have their own elected officials and are financed by user charges and property taxes. State level supervision is usually by the state agency most concerned with the activity the district is responsible

for. It is hard to generalize about improvement districts but they are accountable to their local citizens, their boundaries can be adjusted to an appropriate geographic scale, many use volunteers or contract-out for specialized functions, and the beneficiaries pay for them. In the only large-scale systematic study of the performance of improvement districts compared to county governments and municipal governments performing the same function, improvement districts had the most efficient performance. Their superior efficiency was attributed to the limited scope of responsibility their elected officials had to supervise and their resulting superior knowledge of how to compare the demands of their citizens with the costs of providing services.³

As urbanization of rural areas increased and there has been a need for area-wide provision of some services, the role of many counties has changed. Most states have allowed counties to provide any municipal function and, through home-rule provisions, reorganize its government internally to fit its own needs. The result is that some counties perform all functions of municipalities and they often provide services in cooperation with municipalities. For example, it would be common for a municipality to operate its own police department but rely on the county sheriff's department for dispatching, crime laboratories, and other activities in policing where there are significant economies of scale. The provision of county services to municipal governments is primarily worked out with voluntary agreements and contracts and seldom mandated by the state government. As might be expected, the counties providing the most services are urbanized counties where many have assumed a critical role in providing services to large urban populations in unincorporated areas, and major capital facilities and specialized services to municipalities within their boundaries. When a county performs a significant role in facilitating inter-municipal cooperation, members of municipal councils often comprise the committee or commission that oversees the function. There are also a high number of agreements in Massachusetts where the county board itself is made up of municipal and township officials. These agreements are very similar to the custom agreements that regional districts use in British Columbia.

There are also a small number of cases where the county government has been merged with a city government having the same boundaries (San Francisco) and that government performs both county and municipal activities. There are also a small number of cases where a central city government has been merged with the county government (Indianapolis, Jacksonville) but other municipalities in the county remain. While these central city-county government mergers are uncommon, it would not be unusual to find single departments, such as a health department, operated jointly by a central city and a county government and it would not be unusual for the department to serve other cities as well.

One difficulty that arises in metropolitan areas is that a single county may not encompass the area because counties are relatively small compared to British Columbia's regional districts. In these situations it is common for both municipalities and counties to create a Council of Governments (COG). COGs provide a meeting place for representatives of the different governments and some provide for activities such as joint purchasing, but COGs are not real governments with statutory authority to act as a

government. They are primarily a forum for meetings, discussion, and many times municipalities and counties proceed to enter into inter-municipal agreements to provide mutually beneficial services, but these agreements are seldom administered by the COG. In Canada, the Edmonton area Alberta Capital Regional Alliance serves a similar function and would be labelled a COG in the U.S.

There is extensive research on different structures of local government in the United States and one conclusion is that the lowest cost systems are where there is a multiplicity of local governments in an area that both compete and cooperate, and that there is also a regional organization (usually a county) to facilitate cooperation. Furthermore, the majority of spending is by the local, not the regional, government.⁴

A final important observation on the U.S. county system is that few major changes are imposed unilaterally by state legislatures. The local units work out accommodations and cooperative arrangements at the local level. The U.S. county system has been extremely stable for over 200 years in the east and for from 150 to 100 years in the west.

TWO-TIER SYSTEMS⁵

A third form of local government is represented by Ontario's two-tier system. In this system there are two levels of local government, one small and one area-wide that overlap one another, each with its own elected officials. The provincial legislature designates the division of responsibility between the two levels through special statutes. These two characteristics, separate elections and provincially designated responsibility for each level, differentiate the Ontario two-tier system from British Columbia's municipality/regional district model.

Two-tier systems were first proposed in the 1950's to respond to recommendations that all local governments in urban areas be amalgamated into a single area-wide government. Having two-tiers was supposed to allow both small local units to coexist with an area-wide government so that citizens could obtain the benefits of both simultaneously. Toronto in 1954 and Winnipeg in 1960 (changed to Unicity in 1972) were two early examples and most implementation of two-tier systems has been in Canada, with Miami-Dade County in the U.S. being the major exception.

Two-tier systems have been the most controversial local government system, and are currently viewed with disfavour by many public officials and scholars of local government. Andrew Sancton's recent analysis concludes that two elements in their structure have caused their difficulty. First is the attempt to assign entire functions of local government to one or the other level when virtually all functions have both small local and regional components. For example, sewage treatment may be done efficiently on a regional scale, but sewage collection is just as efficiently done locally, or a crime laboratory may best be done regionally, but police patrol is best done locally. Thus any attempt to simply assign entire functions to one or the other level of government in a two-tier system was bound to result in controversy and on-going conflict.

The controversies over the provincial assignment of functional responsibility is exacerbated by having two levels of elected officials, who, too often, ended up competing and fighting with one another instead of cooperating. The net result was the on-going visible controversy that has given two-tier systems a very bad reputation, regardless of how they actually functioned. The result was their abolition in favour of amalgamated single-tier systems very early in the life of Winnipeg and in parts of Ontario and rejection of two-tier proposals in favour of amalgamations in the Maritimes. Newfoundland, in contrast, is implementing new regional county service boards. They are based on British Columbia's regional districts and the board will be comprised of representatives of local government and functions will be selected and adopted by each board. They are too new to evaluate.

There are examples that have some two-tier characteristics in the United States and these are Metropolitan Councils.⁶ Seattle's very successful metro was responsible for trunk sewers, sewage treatment and public transportation and its board was comprised of members of local municipal councils until it was merged into the county government. While some metros, including Portland's, do have separately elected officials, their scope of authority is very limited, usually to no more than three to six functions. These commonly include mass transportation, water supply and sewage treatment. Portland's METRO includes land use planning, transportation planning, solid waste disposal and recycling, regional parks, convention centre, stadium, performing arts centre, and the zoo, but its current controversies with municipalities over planning and transportation are making it look more and more like Ontario's two-tier system. There is currently an amendment to the Oregon State Constitution being circulated to eliminate it. For a second-tier government to lose its authority to impose its planning vision on lower-tier units should not be surprising to those familiar with the history of regional planning in British Columbia.

OBSERVATIONS

Alberta's single-tier system and the U.S. county system are stable systems that share the feature that there is a local government for rural areas and there is a high degree of cooperation across municipal boundaries. In Alberta, cooperation is through intergovernmental agreements; in U.S. counties, cooperation involves agreements with other municipalities and with the county government. The common characteristic is that the smaller units maintain the basic decision-making power and enter into agreements with other governments for mutual benefit. This provides for accountability and flexibility for service production and delivery, and while it does not eliminate, it does reduce, inter-municipal conflicts. These systems also use financing methods where beneficiaries pay for their services although there are problems in some large U.S. urban multi-county areas where welfare funding is a county responsibility. Both depend on local initiative for cooperation and in both single-tier systems and counties where there are separately elected officials, negotiation costs for each agreement can be quite high. Some areas overcome this barrier much more successfully than others and while there is no systematic research comparing Alberta's or other Canadian single-tier systems with the U.S. county system, the consensus among Canadian academics is that some kind of

regional organization to promote cooperation and handle major regional functions is useful.

Currently, a two-tier system on the Ontario model, where a broad range of functions is assigned to the upper-tier and each tier elects its own officials, cannot be viewed as a successful stable system. While electing both levels of officials provides for accountability, it has also contributed to visible rivalry and a lack of cooperation in some cases. A more important problem, however, may be the attempt by the provincial government to directly legislate and re-legislate local government structure and functional assignments instead of providing a stable system where local officials could work out their own arrangements.

Metropolitan districts like Seattle's and Portland's do have successful histories but their range of functions is very narrow and generally not in conflict with the municipalities within their boundaries. Portland's METRO is much newer than Seattle's, and Portland's responsibility for land use planning is currently leading it into conflict. It may not turn out to be a stable government.

Knowledge of the patterns and performance of local governments in North America is a useful context within which to examine regional districts. It is also necessary to place the role, expectations and philosophy of regional districts into this context.

THE ROLE, EXPECTATIONS AND PHILOSOPHY OF REGIONAL DISTRICTS⁷

When legislation enabling the creation of regional districts was enacted in 1965, there was no general purpose form of local government outside municipal boundaries similar to Alberta municipal districts, and no form of local government that overlapped municipalities and its adjacent non-municipal areas like an a U.S. county. Provincial ministries managed social services, policing, roads and subdivision processes, and additional services such as fire protection or water supply could be provided though an improvement district or purchased from an adjacent municipality. None of these alternatives provided an effective and accountable vehicle for local land use planning and zoning, which was often an issue in fringe areas around municipalities. The lack of a "rural" local government or county system made it difficult to increase cooperation between municipalities and their adjacent rural areas.

By 1969 all provincial territory, except the Stikine, was included in a regional district, of which there are currently 27. With only 27 regional districts in the province, most are geographically very large, averaging about four times the size of a western U.S. county (and the largest western U.S. county is larger than any eastern U.S. state), and regional districts are even larger relative to rural governments in the rest of Canada.

While the provincial government has maintained its role in providing highway and policing in rural areas and social services throughout the province, regional districts are now the general local government for unincorporated areas. Unincorporated areas are

divided into electoral areas and each elects a representative to the regional board. The board may undertake community planning and land use regulation and a long list of other local services.

In addition to their role as local governments for non-municipal areas, regional districts provide the political and administrative framework for inter-municipal service cooperation through the creation of benefitting areas. Any combination of municipalities and unincorporated areas may undertake service provision together and recover the costs from the beneficiaries.

Finally, regional districts are a regional government for a limited number of activities mandated by the provincial government, including processing municipal debt, waste management planning, hospital finance and creation of a regional growth strategy. Members can also create a benefitting area for a service that covers the entire regional district.

Regional districts are unique in North America. First, they are part of the municipal system, not a separate level of government. This is reflected by the appointment of municipal council members to their boards and in their very large role of providing inter-municipal services through benefitting areas.

Second, regional districts were not assigned a list of functional authority that would replace municipal jurisdiction, as is the case with two-tier systems. For the most part, board members from municipal councils and elected directors from electoral areas voluntarily select the activities they want the regional district to be engaged in. The board members also have the flexibility to design boundaries to encompass a benefitting area for each service, and only the board members for benefitting areas vote on service decisions and only taxpayers in the benefitting areas pay for the service. Benefitting areas, which possess an overlap between decision-makers, beneficiaries and taxpayers are designed to create "fiscal equivalence". Fiscal equivalence is considered to be an extremely desirable characteristic of a local government system. An important reason this "pay for what you get, get what you pay for" philosophy is appropriate for regional districts is because the Provincial government finances and delivers social services on a province-wide basis, school financing is province wide, and health services are also provided by larger scale jurisdictions. Thus, municipalities and regional districts are left with services where there is a high degree of local benefit and significant discretion as to what local services are to be provided in each local government.

It is important to note that, with their boards of municipal councillors, elected electoral area directors and voluntary agreement among members on activities to be delegated to the regional district, regional districts do not possess the two most important characteristics (direct elections and mandated local services) that have led to dissatisfaction (and dissolution) with the two-tier systems in central and eastern Canada. This is an important observation for any changes to be made in regional district practice or legislation.

The creation of regional district legislation, where the regional districts themselves would determine their activities, is consistent with an approach of leaving local people to organize themselves, make decisions over, and pay for their local government activities. This approach in British Columbia is very different from approaches taken in Ontario, Nova Scotia and New Brunswick where the provincial governments take a much larger role in organizing and mandating activities of local governments. The British Columbia (and Alberta) approach is much more to create a municipal act that permits local governments to undertake their activities and be accountable to their own citizens for the consequences. A similar philosophy exists in the western United States where local governments can go even further in determining how they operate under state constitutional "home-rule" provisions. Western approaches in both Canada and the U.S. reflect much greater trust in local citizens and their elected representatives than in eastern Canada. Regional districts strongly reflect a western philosophy.

All institutions perform some tasks better than others and regional districts are no exception. Analyses by the Ministry, the Ministry/UBCM Steering Committee, and the survey undertaken as part of this report all reveal problems, some of which are systemic instead of unique. The rest of this report is devoted to a more detailed examination of regional district functions, problems that have been identified, and potential solutions to those problems. This analysis is undertaken with the knowledge of experience in other local government systems and within the philosophical framework of regional districts as institutions to enable local municipalities and citizens to work together for mutual benefit. The critical role for the Provincial government is to be sure the legislative framework within which regional districts function is one that provides constraints and opportunities toward that end.

LOCAL GOVERNMENT FOR NON-MUNICIPAL AREAS

Prior to the creation of regional districts there was no form of general local government similar to an Alberta municipal district or a U.S. county available to residents outside of municipal boundaries. A major role of regional districts is to fill this role for non-municipal areas, especially to provide for municipal fringe area land use control and to provide a mechanism for residents in fringe areas to cooperate with municipalities for fringe area services. Some non-municipal areas have become heavily populated and receive many services through the regional district. Others remain very rural and undertake only limited land use controls and no building code administration. Likewise, organizationally there is great diversity among electoral areas, with some having an active director, a regular alternate director, an active advisory planning commission, and other committees to supervise specific activities such as fire protection or water supply. Others are represented by single directors on their own.

Issues raised by the Ministry, Steering Committee and in responses to a questionnaire that need to be addressed for electoral areas are:

- whether or not significant, and sometimes cumbersome, requirements need to be maintained for entering into new services,

- whether electoral areas should have a "general fund" instead of having all expenditures assigned to specific services, and
- the adequacy of single member constituencies for large areas with heterogeneous population and many regional district services.

Issues concerning municipal-electoral area relations and municipality-fringe area financial relations will be considered under special issues.

When regional districts were created, there was a desire for minimal imposition in rural areas without consent of the populations in those areas. Thus there are significant requirements for entering an electoral area into a new service, and in keeping with the general philosophy of fiscal equivalence, each service was budgeted separately, with expenditures to be made from funds collected from the benefitting area. This contrasts with the ease with which municipal councils can undertake new functions (although there are specific requirements for capital expenditures or their equivalent through long-term leases or contracts), and municipalities can draw on their general fund for a variety of purposes. Obviously it would be administratively easier if electoral areas functioned like municipalities. Electoral areas, however, do not have the same system of representation for their constituents as do municipalities and this raises the question of the adequacy of single-member constituencies.

Comparable rural governments such as Alberta municipal districts and counties and U.S. counties are geographically much smaller than British Columbia's regional districts. Their provincial and state governments, unless they have adopted a home-rule charter, also provide limits on their discretion beyond a list of very basic services, with capital expenditures virtually always requiring a referendum. They also have a minimum of three elected officials.

The size and diversity of regional districts calls into question whether electoral areas can be viewed as "wards" within a single government similar to other rural governments, or whether electoral areas themselves contain significant population and area such that they are a community in themselves. Where the latter situation exists, regardless as to who is elected regional director, there are significant complaints from parts of the population who feel their director does not represent the community. This is demonstrated by electoral area citizens approaching directors from other areas and regional district staff to complain about the position of their director on a specific issue. There are also examples of where polls of electoral areas demonstrated the regional director's view was at significant variance with his constituents.⁸ Differences between the size of regional districts and other rural governments and differences in representation between municipalities and electoral areas are important for the discretion electoral area directors and regional districts should have for electoral area services.

As population and economic activity grow in non-municipal areas, there is a logic for an option to allow residents outside of municipal boundaries to strengthen their local

government in British Columbia. This is feasible within the context of the regional district model.

R1. The restrictions on entering into new services and segregation of funds for services should be maintained for electoral areas unless the electoral area (or sub-part of it) moves beyond a single member constituency for decision-making. A small "general fund" may be appropriate for electoral area constituency work but not for the funding of individual services.

There would be two ways to move beyond single-member constituencies. One would be to create a local community. The other would be to create an electoral area council.

A local community commission would provide four additional elected officials, would provide better representation for the community, and should have more discretion in governing. The option should exist to elect the four members of the council on a ward basis within the electoral area where there are sub-communities within the area. Local communities should be expected to pay for the costs of their administration as well as the services they decide upon. Such communities should require a referendum for implementation. Elected local community commissions should also replace the director appointed advisory planning commissions for the community area. The local community commission should also have delegated authority from the board for the local community services authorized in its creation.

The local community structure should be suitable for relatively small areas as well as entire electoral areas and provide for a high degree of local control without having to assume responsibility for roads (and policing if their population is over 5,000) from the provincial government. They would also continue to pay the provincial rural property tax.

The second approach, an electoral area council, would be appropriate for regional districts that are sufficiently small so that electoral areas are analogous to wards within a single government. Where this situation exists, a mechanism should exist where all, or a minimum of three, electoral area directors can constitute themselves as a custom arrangement council and have increased discretion to allow electoral areas within the council to have increased service responsibility (subject to a referenda for capital expenditures or adoption of services requiring a significant level of taxation) upon 2/3 vote of the council. The council of electoral area directors would serve as the delegated decision-maker for services and hold the land use regulatory hearings for their areas. It is likely that citizens in an electoral area can approach other electoral area members of such a council when they disagree with their own director and it must be clear that the council acts as a council even though members are elected in different areas. This model would be appropriate for some regional districts. As with the creation of community councils, administrative costs need to be the responsibility of the member areas and a referendum, with passage required within each electoral area separately, should be required for implementation of the custom arrangement. Regional districts,

where it is appropriate to move toward an electoral area council, could also consider boundary changes between electoral areas.

Regional districts can require complicated organization and cost accounting. Where electoral area government is strengthened it is important to recognize that full costs must be accounted for and charged appropriately to the included area. It may also be efficient in some cases to have some parts of the administration physically located close to the centre of the electoral area if the regional district does not already have a geographically dispersed administrative presence. Usually there are dispersed fire halls or community centres where space for a minimal presence can be inexpensively obtained and with local network computer systems such locations can have full contact with the main regional district office. Such a presence is useful to help citizens feel that the government is "theirs".

Community commissions resemble multi-purpose dependent special districts within U.S. counties, with dependent meaning administration remains with the county government. These districts combine direct electoral accountability with access to a larger administrative structure. They have a successful history in the U.S. An electoral area council would encompass an area much larger than a community commission and would resemble an Alberta municipal district, but again with administration performed by the regional district. Having access to the larger administrative structure should be beneficial and the larger administrative structure should be able to decentralize to administer electoral area services while still having staff with specialized skills available as needed.

Many parts of British Columbia remain rural and a very limited form of local government is still appropriate. The recommendation to allow for the strengthening of rural or small community government within regional districts is for where such strengthening is desired locally, but it must be accompanied by a strengthening of representation if the government is to have greater discretion. This is consistent with the philosophy of regional districts and provides increased options for unincorporated areas, where more activities are desired but incorporation to municipal status is not desired. Finally, referenda requirements for a significant change in local government structure are the norm in British Columbia and western U.S. counties where a great variety of local government institutional arrangements are permitted.

INTER-MUNICIPAL SERVICE COOPERATION

A major purpose of regional districts is to facilitate cooperation among member municipalities to provide services for a sub-area or the regional district that includes more than a single municipality or electoral area. A benefitting area can also include the entire regional district. These arrangements are the major way the local government system in British Columbia deals with problems and services over a variety of geographic scales.

Questionnaire responses from regional district administrators indicated a number of conflicts over control and financing of benefitting areas. The most common characteristic of the problems was there was a miss-match between who voted, who benefitted and who paid. These were generally of two types: exit disputes were over areas that wanted to exit 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.

The best inter-municipal service arrangements will be those where the participants believe they are fair. Given the nature of regional districts, this means that each sub-area will want to be sure they receive appropriate benefits and have voice in decision-making commensurate with their costs. Because of the diversity among members within regional districts and the diversity in the nature of local government, services achieving agreements that all parties agree are fair is not an easy task.

The issues that need to be addressed in improving inter-municipal service cooperation are:

- the relationship between voting strength, benefits, and costs in establishing and operating benefitting areas,
- the procedures for exiting a benefitting area agreement, and
- should there be procedures to force participation in benefitting areas over the objection of its elected representative?

The issue of dispute resolution among members of the regional district is treated in a later section.

Benefitting areas are proposed by board members and may initially require referenda in unincorporated areas and agreement from municipal representatives to the board, as well as a corporate vote by the entire regional district board. Once established, votes concerning the operation of the service are by members from the benefitting area, usually on a population-weighted basis. The costs are usually, but not always, allocated to members of benefitting areas on the basis of converted assessed values. Converted assessed values are actual assessed values multiplied by provincially stipulated multiples. Provincial ratios increase the assessment base for utilities, business and industrial properties and reduce it for farmland. These procedures have enabled a very large number of arrangements for inter-municipal cooperation in services to be established within regional districts.

The relationships among benefits, vote based on population and cost based on converted assessed values, may be seriously distorted when non-residential (industrial, commercial, farm, forest) properties are unevenly distributed. While some benefits are strongly associated with property values (fire protection, water supply, sewage

collection and treatment) others are associated with people (recreation facilities, regional parks, victim services). Because benefits from different kinds of services accrue differently, it is logical that formula to divide up the costs among participating members should not be the same for all of them. There are many potential bases for cost allocation besides converted assessed value, including actual assessed value, population, water consumption, recreation usage rates etc., depending on the service to be funded. Some regional districts have moved to a funding formula other than converted assessed values but unless the regional district has formally delegated decision-making to a committee or commission, board decisions were locked into the weighted population based decision-making formula when decisions came to the board.

To assist in understanding why problems have arisen in some existing agreements and in what direction custom agreements may evolve, it is useful to examine the use of inter-municipal servicing agreements in other jurisdictions as well as in some regional districts that have moved very far in the direction of different financing formulas for different activities.

Inter-municipal cooperation in other jurisdictions is characterized by a variety of arrangements.⁹ Some are simple contracts and others establish an on-going committee or commission of some kind to manage the service. Examples of such arrangements have been examined in Alberta, where there is no second-tier government structure, in U.S. counties where the county facilitates such an agreement among areas within it, and agreements in effect prior to the creation of regional districts. In a previous study, over 40 local government service contracts with First Nations were also examined.

While the number of arrangements examined is only a small sample of many kinds of arrangements, voluntarily reached arrangements for inter-municipal service cooperation have distinctly different decision-making and financial arrangements than common regional district procedures for benefitting areas. The general practice with inter-municipal agreements is that costs are shared in relation to perceived benefits (usually population) and not converted assessed values. Furthermore, if a committee is established for ongoing management, voting strength is either equal among participants or related to financial contributions, which are in turn related to benefits. The only exceptions were when First Nations signed contracts to receive many services from a municipality or regional district on a "tax equivalent basis" and those contracts do not include any joint management provisions.

For example, in Alberta it is common for a rural government (county or municipal district) to contribute to the costs of municipally run recreational facilities used by rural residents. These arrangements usually share costs in proportion to the populations of the respective governments. "Management" decisions were usually left to the municipality running the recreation facilities with consultation taking place as contracts are renewed.

Many services for which contracts exist have physical measures of output and costs available. The purchase of water or treatment of sewage, for example, tend to utilize

cost allocations in relation to usage, and where inter-municipal commissions are established there tends to be a very close correlation between usage, costs and the number of members from the jurisdiction appointed to the commission. There is nothing complicated about these contractual arrangements: they depend on voluntary consent to enter into the contract, attempt to relate contributions to benefits, and decision-making remains either equal in negotiation or closely related to the financial contribution.

Practices observed in other contracts are also common in British Columbia. For example, in the inter-municipal service agreement that exists among Victoria, Saanich, Oak Bay and Esquimalt, which pre-dates the creation of regional districts, financing is based 50% on converted assessed value and 50% on population. This formula recognized that while Victoria had by far the largest assessed value because of its non-residential tax base, Saanich had the greater population and hence the potential to benefit more from a jointly provided service. Also, by agreeing on a standard formula for use in different situations it was easier to negotiate new agreements without re-examining financing in detail each time. The Capital Regional District (CRD), which includes these municipalities, is one of the regional districts that has agreement with different financial arrangements for its benefitting areas.

Some of the CRD formula for dividing costs among members include:

- 50% converted assessed values and 50% population (for the Royal Theatre that was formerly financed with the same formula by three of the four core municipalities, and for an arena in a different part of the regional district),
- number of cases during the previous year (for permitting and regulation of soil deposit or 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),
- population (911 service, other emergency response services),
- basic tax rate plus 1/3 on connections, 1/3 population, and 1/3 balance of specified area assessments (for water supply),
- percentage of metered flow (trunk sewers),
- downstream capacity (trunk sewers),
- prior year water consumption for non-summer months divided into institutional, business and residential categories. Institutional and residential are charged proportional to use for their shares, businesses are charged on a combination of water use and building square footage (sewer utility) and, of course,
- converted assessed values.

These do not represent all CRD formula or all activities, but they provide an example of different ways to fund services that have been worked out voluntarily by the participants.

The CRD also uses extensive committees and commissions to oversee individual services. These committees and commissions usually include board members as well

as non-board members and it is very rare for the CRD board, which retains final authority, to change a decision by the committee or commission. The result is that many services are governed by the citizens directly involved and they pay for their services under a formula that was agreed to by all parties prior to beginning the service.

The CRD is not the only regional district that utilizes a variety of funding arrangements, committees and commissions. Another interesting arrangement exists in Comox-Strathcona where the number of appointments to a water committee involving three municipalities and three electoral areas is based on their share of water usage the previous year. Still other regional districts, North Okanagan for example, have specific policies for creating committees and financing arrangements so that alternatives are considered as benefitting areas agreements are created. All of these approaches make agreements within regional districts resemble inter-municipal agreements in other jurisdictions.

A major advantage of the regional district system over single-tier systems has been that regional districts provide a political forum that reduces the cost of negotiating benefitting area agreements, partly because voting rules were fixed and a default financing rule based on converted assessed values was provided. Common rules also provide an opportunity to reduce administrative complexity on an on-going basis. However, the problems involving services reported in the survey, which preceded this report, are primarily problems where the standard regional district voting and financing rules are not considered fair by the participants. The trade-off is that if more time is spent negotiating financing and voting agreements up front, less time will be needed to resolve disputes later on and on-going disputes will not negatively effect other regional district activities. A comparison with the terms of inter-municipal cooperation elsewhere indicates that one should not be surprised that problems have arisen in the regional district system in situations where benefits for an area, which usually correlate with population, are not correlated with the costs imposed, which were based on converted assessed values.

Regional districts are made up of member municipalities with their own identity and the requirement for the consent of each for any significant modification of the benefitting area agreement is sound and should continue. Each municipality is constituted equally where inter-municipal service arrangements are concerned.

There are other governments where the equivalent of benefitting areas are essentially financed by uniform tax rates for the area. These include special service areas within some U.S. counties and special service areas within the Halifax Regional Municipality. In U.S. counties, the operation remains under the county commissioners or council, the services are quite limited, and the special service areas resemble single electoral areas or smaller areas much more than regional district benefitting areas that include multiple municipalities and/or electoral areas. In the Halifax Regional Municipality (HRM), a minimum of three (of 23) council members can go together to form a "community council" and designate "extra" services to be provided to the entire council area or a subpart of it, to be financed from taxpayers in the benefitting area. There are currently

60 separate tax rates in HRM, but most special service areas are left over from pre-amalgamation arrangements. Corporate identity remains with HRM and the kinds of services to be dealt with are quite local. The decentralization within HRM does not appear as relevant to understanding issues of inter-municipal cooperation within regional districts where municipal identity is maintained.

A final observation on inter-municipal service agreements is that properly written agreements contain a time limit, renewal provisions, notice provisions for exiting the agreement, and dispute resolution processes. There is no reason to assume that benefitting area agreements should last intact forever and similar provisions should be included in benefitting area agreements. It is neither within the philosophy of regional districts nor fair that areas be locked into continual commitments for operating cost subsidies when conditions change so that those taxpayers are no longer beneficiaries. It is also not fair that an area that has made a major commitment to capital expenditures be able to abandon that obligation. These issues should be considered when the agreement to enter into a benefitting area service is established; not left until a dispute arises.

Implementing the benefits-received framework and including provisions for renewal, exit and dispute resolution which are found in inter-municipal agreements elsewhere and which are consistent with regional district philosophy, can be achieved through custom arrangements.

Recommendations to improve the functioning of regional districts as political forums and administrators for inter-municipal servicing begin with consideration of new agreements. These considerations can also be used to restructure old agreements that are less than satisfactory or where disputes have arisen.

- R2. The current philosophy of consent from each member for participation in benefitting areas should be retained.**
- R3. For any benefitting area, service any significant change in the agreement should require the agreement of each member. If a member disagrees as to whether a change is significant, it should be appealable to a dispute resolution process.**
- R4. Custom agreements for a benefitting area service should allow modified voting rules and modified bases for financial contributions.**
- R5. Voting rules and delegation rules need to be reviewed both for clarity as to when a corporate or weighted vote are to be used and to clarify what can be delegated in custom servicing arrangements.**
- R6. Provisions for time limits, notice provisions for exit and for dispute resolution should be included in the creation of benefitting areas**

and in custom agreements.

These recommendations all recognize that the most stable local government systems are those which allow municipalities to enter into voluntary agreements for mutual benefit without losing control over the agreement. The recommendations also implement the philosophy of regional districts more accurately. While upon first reading, such recommendations appear to open a Pandora's box where regional districts have to deal with a differently stipulated agreement for every activity. This is very unlikely to happen as the benefits of standardization are also significant. What is different is that each regional district can create its own policies as Victoria, Saanich, Oak Bay and Esquimalt did when they agreed to undertake several functions jointly with a cost sharing formula based 50% on population and 50% on assessed value. It should be anticipated that members of benefitting areas who undertake several services together will also come to agreement on some common policies rather than want to negotiate a unique contract for each one.

The implementation of recommendations to improve provisions in new benefitting area agreements has the potential to resolve problems where members have refused to join a benefitting area because they did not feel the existing rules were fair. This leaves two remaining issues: what to do with old agreements where unhappy members have been refused exit and what to do about areas that do not want to join a benefitting area when other members want them to.

Any member wishing to exit a benefitting area agreement that predates the inclusion of time limits, exit and dispute resolution processes in the establishing bylaw should have available to it a dispute resolution process. Dispute resolution processes to deal with this, and other kinds of disputes are covered in the section on Dispute Resolution.

Forcing areas to join a benefitting area that they chose not to be a member of is inconsistent with the philosophy of regional districts for benefitting area services. Most of these issues arise in fringe areas where a municipality feels citizens from an adjacent electoral area enjoy municipally provided benefits such as parks, recreation facilities or libraries, without paying for them through their property taxes. This issue is treated specifically in the section on Municipal-Fringe Area Financial Relations.

REGIONAL GOVERNANCE

The third role of regional districts is to function as a regional government. The concept of a "regional government" includes both those activities mandated by the provincial government and designated as regional services and services for which the benefitting area is the entire region. For many regional districts, benefitting area services on a full regional basis are difficult because of the region's size and heterogeneity.

The key issue regarding the regional governance function is:

- how to strengthen regionalism without creating conflicts between municipalities and regional districts such as have occurred in Ontario's two-tier system.

The philosophy of a "government" is that citizens and taxpayers within it are treated equally unless some special benefit is involved. Regional services, by definition, are supposed to provide benefits for citizens across the region and impose equivalent taxes everywhere.¹⁰ For regional districts these services are mandated by the provincial government and include processing capital debt through the Municipal Finance Authority, financing hospital districts, and solid waste planning. Liquid waste planning is also authorized and encouraged but is not a mandated regional function. In performing these functions, the regional district acts very much like a U.S. county or a second-tier local government in Ontario. It is very useful for a provincial or state government to have a general form of local government that covers its territory available for such purposes. The role of regional districts as strong regional governments entails a very different philosophy than the philosophy under which regional districts function for inter-municipal service arrangements through benefitting areas. Because there are advocates for regional districts becoming much stronger regional governments, it is useful to consider the implications of strengthening their regional government role.

The strongest and most effective regional governments in North America have a very limited range of functions and may have separately elected officials. They also have boundaries that tend to encompass a large urban area where there is some identity as a region. Because they have a very limited range of activities (public transit, regional planning, waste disposal, airports, etc.) in a region with an identity, they tend to minimize conflicts with the local governments within them. Those that have both a wide range of functions and separately elected officials appear to conflict with smaller local governments, to the extent that in eastern Canada the idea of two-tier local governmental systems has been virtually abandoned. In British Columbia, treating regional districts as strong regional governments for a wider range of services, unless those services were agreed upon as per recommendations for the creation and operation of benefitting area agreements, would be problematic because of their very large geographic scale and the lack of regional identity within many of them.

One must remember that there is already the potential for regional districts to undertake a wide range of functions over their entire region, but the degree to which they have done so varies by regional district, with the more urbanized regions, Vancouver and the Capital Region, having the strongest emphasis on regional services. The way regional boards are constituted, however, means these regional activities are undertaken because the individual members feel they benefit, not because some subset of members can force dissenters to participate. This results in a weaker regional government than a limited function and directly elected government such as Portland's METRO, and regional districts are also much weaker than Ontario's second-tier governments with their own elected officials and a longer list of responsibilities. However, it is precisely these characteristics of a strong regional government that have contributed to conflicts.

Given the diversity in regional districts in British Columbia, strengthening regional governance in a major way on a province-wide scale is not warranted. The important issue in British Columbia is what functions the regional district board votes to do in a benefitting area that is region-wide and where non-agreeing members can be forced to participate. Participation can be forced by the board voting the service area to be region-wide and having a region-wide referendum where the vote is counted region-wide instead of by each member municipality. This can force smaller municipalities and electoral areas to participate even if a majority of their citizens vote against participation instead of allowing each separate area to decide if it wants to join the service.

Given the philosophy of regional districts, compulsory participation in regional services is undesirable except where it is in support of a provincial interest. Whenever regional district procedures are used to force a municipality or electoral area to participate and finance a service they do not want, those processes will be viewed as unfair and may well discourage other cooperative activity.

There are situations where more regionalism may be desirable, but it needs to result from widespread understanding of benefits, not compulsion. One approach toward this end would be to provide greater continuity for participants on the regional district board. This could be done very simply by municipal councils making their appointments to the board for three years at a time instead of on an annual basis. Knowing one is going to participate for three years may provide greater incentive to examine board activities more closely and develop closer relationships with board members from other jurisdictions.

- R7. To achieve a greater regional focus within the current framework, municipal councils could appoint their regional board members for three years instead of one year at a time.**

SPECIAL ISSUES

During Steering Committee deliberations and in the questionnaire administered as part of this report, problems arose that do not fit neatly into the three major roles of regional districts as discussed above. Major issues include municipal-electoral area relations, municipality-fringe area financial relations, relationships with First Nations, visibility and accountability, and dispute resolution. These issues are treated below.

MUNICIPAL-ELECTORAL AREA RELATIONS

There are historic rivalries between municipalities and their fringe areas dating at least back to the cities of medieval Europe.¹¹ This tension arose because early cities regulated business activities (e.g. the number of goldsmiths, the number of bakers, etc. and their business practices) very strictly to preserve quasi-monopoly conditions for their businesses. This meant new businesses and virtually any business that wanted to use new production technologies had to locate outside the city walls to escape the

regulatory regime. In some cases, especially as exhibited during the industrial revolution in England, new activities found it most advantageous to move. Cities like Birmingham, Liverpool and Manchester became the centre for new manufacturing, not older cities like London and York. These tensions have continued in North America with the most obvious cases being the use of zoning power to prevent shopping centres and retail competition for existing businesses from locating in the central city. Central city zoning practices are the major reason why the large shopping centres (and more recently big box stores) are often located outside the older central cities in suburban communities that lack a strong business community opposed to retail competition or in unincorporated areas. Historically, lower land prices and regulatory differences have been much more important for fringe area development than taxation differences. Given a several hundred-year history of tension between cities and their fringe areas, it is not surprising that such issues manifest themselves in British Columbia, especially in critical areas of land use control and finances.

There is considerable controversy about the participation of municipal board members in electoral area land use control. Some directors are simply philosophically opposed; others disagree with the amount of the financial contribution municipalities make to obtain their participation. At the same time, some municipal directors object to the costs of rural planning, not all of which is collected directly from electoral area taxes.

Electoral area land use regulation (primarily through planning, zoning and subdivision bylaws) is more complicated than simply a municipal-electoral area split. This is because electoral areas are single-member constituencies and land use regulations are bylaws of the entire regional district. Regulatory hearings should be heard by more than one board member and bylaws should be adopted by at least three members of the board or by an appropriately delegated body such as a community commission. The question becomes who besides the electoral director is going to be delegated to participate in the hearings, make recommendations, and who of the board will enact them.

If regional governments were geographically small enough so that all board members had a reasonably good understanding of their different areas, delegated representation on electoral area planning would not be such an issue. However, because of their size and diversity, there are situations where the most knowledgeable board directors to consider land use in a fringe area may well be the appointed directors from the adjacent municipality and not electoral area directors from a more distant location. There are other regional districts where the electoral area directors would be very knowledgeable about each other's areas and easily perform electoral area land use regulations without municipal council involvement. Given the diversity of regional districts, there is simply no easy answer to this problem.

While there are no simple resolutions to the issues of electoral area land use regulation, some changes in legislation may be helpful. These changes would be useful even if implementation of a regional growth strategy eliminates most of the concerns municipalities have with fringe area development.

Currently, municipalities may participate in electoral area land use regulation if they make a financial contribution to the planning function. Given that municipal council members often comprise a majority of the vote so that they can both make the proposal and control the vote, it is a very one-sided decision process.

R8. If a financial contribution is going to continue to be a criterion for a municipal vote on electoral area land use, the proposal should be made by municipal council directors but the vote for acceptance should be by electoral area directors only.

This way both parties would be agreeing to municipal director participation.

R9. A better criteria than a financial contribution for municipal participation in electoral area land use decision-making would be to limit such participation to decisions under specific conditions where the municipal interest was involved. This interest could be specified as part of the regional growth strategy.

For example, conditions could be 1) when the rezoning was within two miles of the municipal boundary along a roadway that crosses the boundary; 2) within one mile of the municipalities border elsewhere; or 3) in a specifically designated fringe area in the community plan. (It should be noted that these provisions from Yellowhead County, Alberta, also provide for consultation with the county for municipal zoning decisions within ½ mile of the city's border with the county.) Provisions of this kind could be included in the regional growth strategy and this approach would be sufficient to take municipal interests into account.

As with the previous functions of regional districts, their diversity must be taken into account. As long as electoral areas are single-member constituencies and unless electoral area directors are numerous enough and willing to participate in planning decisions in other electoral areas, municipally appointed members may be necessary to the electoral area land use process. The processes developed, however, should be acceptable and not imposed on electoral areas.

MUNICIPAL-FRINGE AREA FINANCIAL RELATIONS¹²

Municipalities continually complain that fringe area residents come into the city to work, shop and recreate but do not pay taxes to the city. This may be true in the sense of who sends their tax payment to city hall (tax impact), but it is generally mistaken when who really pays taxes (tax incidence) is considered. The reason property values are higher within cities is precisely because they serve a large market area and the more workers, shoppers and recreators who come into the city from outside, the higher the property values will be. Furthermore, businesses, which benefit most directly from attracting employees and shoppers over a larger area, are significant direct taxpayers to the municipal government such that their tax revenues have been found to be in excess of

the costs of servicing business, commuters and shoppers in studies that have been undertaken. The most comprehensive study in British Columbia, by KPMG for Vancouver, found that the business community in Vancouver not only covered their municipal servicing costs, including the costs of shoppers and commuters, but they also provided such a surplus that Vancouver city residents had to pay only \$.50 for each \$1.00 worth of city benefits they received. Given the extensive research on this issue in North America and the fact that British Columbia municipalities are better off than average because of their lack of responsibility for funding social services and their use of very high variable tax rates on commercial properties, claims of exploitation by fringe area residents where the municipality is the business centre for the area just do not stand up. Furthermore, recent research on the distribution of taxes and expenditures within geographically large cities that include suburban spatial patterns within their boundaries indicate that tax revenues collected from commercial and older high density residential areas are used to subsidize the newer low-density areas. This is why annexations to include fringe areas virtually always involve a net financial loss to the city.

Beside the generally mistaken attitude that fringe area residents "exploit" the central city, there are serious issues about the financing of regional district services. When the regional district is acting primarily as a regional government, then the general funding of general government, administrative costs, and remuneration of directors from the entire region is reasonable--and this would result in a disproportionate share of financing from municipalities that are commercial centres. The fact that those tax revenues are partially generated by regional district residents who are residents in areas with less commercial tax base but who work and shop in the commercial centre, makes the regional government perspective a defensible one.

However, when the regional district is performing an intergovernmental servicing role and as the government for electoral areas, then there are problems with current arrangements. From this perspective, it would make sense to be sure that electoral area governance and services are themselves not subsidized by municipalities.

Reconciling financial issues involves some pragmatic compromises. The following four recommendations philosophically support the perspective that regional districts are primarily comprised of municipal and electoral area members. The financial impact of the recommendations would be to make electoral areas more self-financing.

R10. If municipalities, after recognizing the contributions of fringe area residents to the municipal property tax base, still feel that fringe area residents exploit municipal tax payers, municipalities can differentiate their sign-up priorities for recreation programs and/or user charges for libraries, recreation centres, etc. for non-residents.

R11. Remuneration of electoral area directors should be paid from

electoral area requisitions, especially if they are remunerated at a rate higher than that for municipally appointed directors. Remuneration for municipally appointed board members should be paid by their municipality either directly or through the municipal requisition.

R12. Finance feasibility studies for electoral areas from electoral area requisitions and feasibility studies for inter-municipal services and regional activities from a general regional district fund.

R13. Make every effort to allocate costs of administration in relation to the real costs for administering services to different areas. Where electoral areas are truly rural with few services there should be little change. Where they are a dense fringe area with active community planning and continual amendments to land use by-laws, they would be responsible for those costs.

FIRST NATIONS

Two different kinds of First Nation issues were raised in the questionnaires. The first is where there are a significant number of First Nation members resident on a reserve who utilize off-reserve services such as recreation centres or libraries but do not contribute any taxes; and second is where there are non-native residents and businesses on reserves that pay property taxes to the First Nation government instead of to the regional district.

The British Columbia government does not have jurisdiction to tax natives on reserve and thus cannot delegate such jurisdiction to local governments. Natives are also allowed to vote in all elections although voter turnout on reserves is very low in non-native elections. The Federal government has also refused to pay grants in lieu of taxes for reserve lands although Lake Babine First Nation makes a payment in lieu of taxes to the Village of Burns Lake and many more have contracts for payment for services for reserve leasehold lands with municipalities and regional districts. In addition, the Sechelt Indian Government District (which has the same council as the Sechelt First Nation) sits on the Sunshine Coast Regional District, and at least one other regional district invites First Nation representation on committees. First Nations must also be included in growth strategies planning, although not necessarily as a member.

The most useful approach to dealing with First Nations is to treat them like other local governments for regional district services. This means benefitting areas should include reserves where their leadership agrees to participate and exclude them otherwise. The Municipal Act also makes clear that contractual agreements can be used for cost sharing purposes. It would also be useful if First Nations could be full partners for benefitting area services. Toward this end it would be useful to clarify that in regional district legislation and in treaties.

- R14. There should be explicit recognition that First Nations can participate fully in custom servicing arrangements with the basis for payment and voting participation on the committee as agreed to in the agreement.**

VISIBILITY AND ACCOUNTABILITY

Public awareness of regional districts generally exists in rural areas because of direct elections, land use regulatory hearings, and publicity and referenda over adoption of new services. Accountability is through elected officials, hearings and referenda, although the problems of single-member constituencies have already been treated in recommendations to strengthen the rural government role for those areas where the citizens desire greater representation and accountability. Even with the awareness that does exist, however, electoral area citizens are seldom well informed as to just what functions the regional district is performing and what their taxes are paying for. One approach to this information problem is the suggestion that the regional district send its own tax notices and collect its own taxes in electoral areas.

Currently the provincial Surveyor of Taxes collects property taxes for all taxing governments outside of municipal boundaries. This includes school districts, hospital districts, the British Columbia Assessment Authority, the Municipal Finance Authority and may include an improvement district or library system as well as regional districts.

Steering Committee questions concerned the adequacy of the tax notice for informing taxpayers what the regional district portion of the tax was paying for. The way municipalities resolve this problem is not simply with the tax notice, but by including a one-page information sheet with every tax notice. Such sheets vary but most include lists of services and pie charts to illustrate sources of city revenue and major expenditure categories.

From the perspective of providing information to taxpayers, it should be possible to arrange for either inclusion of an information flyer with tax bills or a separate mailing, rather than to undertake all the responsibility for billing, collecting and enforcing property tax collection.

- R15. The Surveyor of Taxes should provide an opportunity to include a flyer with tax notices for electoral areas. If such inclusion is not economical, regional districts should mail their own notices at the same time as tax bills are mailed. Regional districts should also consult with member municipalities to arrange for inclusion of information on the regional district with municipally mailed tax bills.**

Members of the Steering Committee also pointed out that some regional districts would like to collect their own taxes because they feel they can do it for less than the charge of

5.25% of tax revenues by the provincial Surveyor of Taxes. It should be recognized, however, that because of the integration between collection and enforcement there should be only one property tax collector in any given area, and that this would mean the regional district would have to be responsible for tax collection for school districts, hospital districts, the provincial government, and any other local taxing jurisdictions. Municipalities undertake this full range of tax collection within their boundaries and it should be noted that in those municipalities of sufficient size to budget tax billing, collection and enforcement as a separate item, the costs are less than 1% of revenues collected. In the municipality of Saanich, for example, these costs are only .46% of revenue collected, or less than one-tenth the costs of the Surveyor of Taxes to regional districts. Thus there is every reason to believe that regional districts could undertake property tax billing, collection and enforcement for a reasonable cost. Smart regional districts would not necessarily undertake tax billing, collection and enforcement process themselves, but would contract with a municipality to undertake collections for them or enter into agreement with several municipalities to undertake this service jointly.

There is much less recognition of the role of regional districts where municipal councillors are appointed to the board and the municipal council makes most decisions directly unless there is a referendum on capital expenditures. It must be recognized, however, that for municipalities, the regional district is designed to be accountable to municipal councils, not the citizens in municipalities. Furthermore, it is precisely this accountability relationship and the participation of municipal councillors on the regional district board that has facilitated the regional district role in inter-municipal service cooperation and reduced conflict between municipalities and regional districts.

In many respects, regional districts are more like a wholesaler than a retailer for the citizens of municipalities. Citizens elect and deal with their elected representatives on municipal council and representatives from the council sit on the regional district board. The elected council members are responsible for municipal services, whether those services are produced by the municipality, another producing organization such as a non-profit agency or private firm under contract to the municipality, or the regional district.

From this perspective, citizens should look to their municipal councillors on regional district issues just as they look to them on municipal issues. The fact that only some councillors or the mayor sit on the regional district board is not much different from having only some councillors sit on a particular municipal committee. Regional district policies, as they relate to citizens of the municipality, are of concern to the entire municipal council, not just its appointees to the regional district board.

While citizens continually rate local governments highest for the value they receive for their taxes, not everyone is interested in local politics and voter turnout falls significantly as the size of local governments increases. It is not likely that the average citizen is ever going to have a full understanding of regional districts although they will have heard of their regional district more often than they hear of the wholesalers who supply the food to their local supermarket. Thus it is very important that municipal councillors recognize

the importance of their role in representing citizens on all municipal service issues regardless of the level of government responsible for the service.

One recommendation on visibility and accountability follows directly from the design of regional district boards.

R16. Efforts and education concerning regional districts in municipal areas need to educate everyone, including front counter municipal staff, about regional district accountability to municipal council members.

The municipality of Saanich has decided to allow voters for municipal council to also indicate their preference for the candidate they want to sit on the regional district board; the candidate would have to win election to council and it would still be up to council to designate their representatives. This approach has the advantage of making voters aware that one or more of their councillors will also be a regional district board member. The potential disadvantage is that Saanich could end up with directors that not only do not represent the council, but conflict with it on regional issues in order to obtain political visibility. Municipalities should be free to experiment with such a policy, but the Municipal Act needs to remain clear that it is the council that appoints its members to the regional district board.

Accountability issues also include the accountability of the regional district administrative structure and operating departments to the regional district board. Problems can arise because regional district board members view their primary responsibility as looking after municipal council business and do not pay as close attention to regional district business. This problem is also exacerbated because policy direction must come from the board as a whole, and the boards themselves are often very large with different board members often having very different responsibilities. The result is that some board members do not have the same degree of interest in the functioning of the regional district as municipal councillors have for their municipality.

Most regional districts need their relatively large boards to provide effective representation for their regions and regional district board member/administrator/staff relations are beyond the capability of legislative changes to resolve. However, there are two approaches that may help resolve these issues.

One is for municipalities to appoint their representatives to the board for a full 3-year term as per recommendation R7 on strengthening regionalism, repeated below:

R7. To achieve a greater regional focus within the current framework, municipal councils could appoint their regional board members for three years instead of one year at a time.

This would provide municipal board members with an increased concern for the functioning of the regional district and may encourage regionalism and cooperation while maintaining municipal representation.

A second way regional district board supervision of the management and production of specific services may be improved is for the board to delegate significant authority to committees or commissions to act on its behalf. Of critical concern with such delegation, however, is that committees or commissions see both benefits and costs in their decision-making.

While a smaller group can often do a better job of decision-making than a large board, one has to be careful to be sure that the small group is motivated to provide the services they are responsible for efficiently and not simply be advocates for more services because taxes are not their concern. This latter problem is a continual one when, for example, advocates for recreation are appointed to a recreation commission and they believe recreation is much more important than the average citizen and tax payer. This means that if appointments include non-members of the regional board, it is necessary to be sure those appointments are representative of the community and may even need to include representatives of ratepayers associations, as well as representatives from service advocacy groups.

In improving accountability by decentralizing some decisions to committees or commissions, the role of improvement districts needs to be considered. U.S. research indicates that their performance tends to be superior to that of municipal and county governments because their locally elected officials can concentrate their efforts on a narrow field of concern. Regional districts should take advantage of this knowledge by delegating responsibility for supervising common local services such as fire protection or water supply to locally based committees or commissions to relieve the load on the regional district board.

R17. Delegation to committees and commissions should be used to provide better political scrutiny over particular services, but it is very important that such committees and commissions not become advocates for their particular service and neglect its costs. The committees designated in custom agreements may facilitate the achievement of this recommendation.

Regional districts are not only unique, they are extremely complex organizations. This complexity results from the differences in their roles as rural governments, political forums and administrators for inter-municipal service cooperation and as regional governments. Compounding the complexity of roles are requirements for separate budgets and accounting for different services and often the large size and heterogeneity of interests on the regional district board. Regional district board members must understand the nature of these unique organizations and treat their roles very seriously.

R18. Greater educational effort may be necessary to assure that directors understand the different roles they must fulfill, and it may be useful to specify these roles in legislation.

It is also important that regional district administrators recognize that regional districts have multiple roles and that assisting with negotiating benefitting area agreements and dealing with a variety of funding formula and voting rules, which are likely to become

even more complex in the future, is what their job is about. Regional districts are a very different kind of organization than a municipality.

DISPUTE RESOLUTION

In one sense, one can argue that if all proper procedures are followed, any resulting dispute is simply a disagreement in outcomes and losers should not have recourse to any dispute resolution mechanism. However, one has to balance that position with the observation that even the best designed contractual relationships include time limits, provisions for exit and dispute resolution mechanisms, and that legalistic insistence on situations that are regarded as unfair seriously reduce and eventually eliminate the credibility of the institution. Procedures for dispute resolution for regional districts need to be improved.

The objective in recommendations thus far is to refine the actual practice and procedures of regional districts to meet their philosophy as forums for inter-municipal servicing arrangements as well as rural and regional governments. With such recommendations in place there should be many fewer disputes. However, properly written intergovernmental agreements, like any contract, include provisions for dispute resolution. The purpose of dispute resolution is not to rewrite the contract; it is to take into account unanticipated events or differences in interpretation by the parties. Issues of these kinds are just as likely to arise in regional districts as in other kinds of contractual relationships.

Conflict resolution, within the context of regional districts, poses both common and unique problems. A common problem is that conditions under which the original agreement or vote was taken have undergone significant change, but under regional district voting rules a member that has been disadvantaged can do nothing about it. This is a major reason why contracts have expiration and renewal clauses. A rare but unique problem also occurs when a dissenting municipality is forced to enter a regional function on a region-wide vote even though its citizens voted not to participate. In this latter case, it is the decision rules themselves that create the conflict, not some unanticipated change. While it is possible to view both conflicts as simply outcomes of the rules and those outcomes should be accepted, that is not a very practical approach if one wants regional districts to be viewed as fair by their members and to result in increasing levels of cooperation over time.

The Municipal Act provides for members of regional districts to appeal decisions to the Inspector of Municipalities. However, it would be very awkward for the Inspector to treat as a dispute a request by a party that was simply outvoted in normal regional district decision-making. Even more limiting is that the Inspector must go to Cabinet for authorization to arbitrate and again for authority for enforcement of a recommendation. Cabinet does not need to be involved in such issues. Two actions are needed to enhance dispute resolution processes. One is authority legislated for the Inspector to recommend mediation, appoint an arbitrator and enforce an arbitration; the other is to list situations where the Inspector will initiate a dispute resolution process. Dispute

resolution services should be available upon the request of one party under well defined conditions, recognizing that over time precedents will be set that refine those conditions.

Once situations where disputes can be legitimately defined to exist are clarified, it is important to have a process to deal with them. Dispute resolution mechanisms such as recourse to the Alberta Municipal Board run a risk of ending up being treated like a court situation and expenses for both parties can be very high. Similar problems have arisen in other jurisdictions.

To avoid the high cost of quasi-judicial boards and still provide for dispute resolution, several jurisdictions are moving toward the use of mediation prior to use of the board.¹³ The Alberta Ministry of Municipal Affairs has developed a process where a disputant approaches the Ministry with its dispute and if the responsible Ministry officials agree that there is a legitimate dispute, the Ministry refers the parties to a list of mediators. Alberta Municipal Affairs maintains a list of qualified mediators, or municipalities can choose a mediator from the Alberta Arbitration and Mediation Society or from the Canadian Dispute Resolution Directory. While parties pay the mediator fees, under Alberta's Dispute Resolution Initiative, Alberta Municipal Affairs will pay a proportion of the costs of the mediators. Alberta seems unique in sharing the costs of mediation.

A mediation for British Columbia, where there is no board for appeals if an agreement is not reached, should include subsequent steps, such as those contained in the British Columbia growth strategy process, where if a mediator cannot achieve a solution, the Inspector may appoint an arbitrator (who may be the same person as the mediator) to resolve the situation.

The availability of a formal dispute resolution process with stated conditions for when a regional district dispute will be treated as such will encourage members of regional districts to resolve disputes internally. Those remaining disputes that cannot be resolved internally can then go forward to mediation processes where the objective is still to seek a fair solution and not get involved in court-like procedures. Finally, the fact that arbitration can ultimately be imposed makes each earlier step more likely to be successful.

- R19. The dispute resolution process should involve a combination of mediation processes such as has been developed by Alberta Municipal Affairs and arbitration processes as provided for in the regional growth strategies process. To implement this process, legislate the Inspector of Municipalities with authority to recommend mediation, appoint an arbitrator and enforce an arbitration decision.**

- R20. There should be a written statement of regional district issues the Inspector is prepared to consider. Recommended conditions include:**

- **any benefitting area agreement made prior to the availability of custom agreements,**
- **any agreement where there has been a significant change in conditions,**
- **any agreement after 10 years,**
- **any situation where a member municipality or electoral area is forced to be included in a service where its citizens did not vote to participate, and**
- **any situation where any member fails to abide by the agreement it is a party to.**

SUMMARY AND RELATIONSHIPS AMONG RECOMMENDATIONS

Regional districts were a very innovative approach to local government in 1965 and they are now also recognized by central Canadian scholars as potentially the best arrangement for regionalism in a local government system. Their major strengths are that they build on municipalities and can provide services over a variety of geographic scales. Their philosophy and general implementation of financing closely related to benefits received is also a desirable characteristic of the system. They also reflect a western tradition of reliance on local initiative in local government organization.

All of the recommendations, relisted below, are consistent with regional district philosophy and also recognize the difficulty of applying one set of rules to different regional districts. Such rules must also recognize the very large geographic scale and heterogeneity of some regional districts, while still allowing more compact and homogeneous regional districts to function effectively for their area. The most important recommendations are those that deal with facilitating inter-municipal agreements, including dispute resolution, and visibility and accountability. These areas of difficulty are generic to any system of local government where the different geographic boundaries appropriate to different kinds of services are accounted for and in any system where citizens must deal with different general local governments for different activities. The U.S. county system is accommodating to these problems with the increased use of the promotion of inter-municipal agreements, which has been a fundamental purpose of regional districts since their beginning. British Columbia regional districts are also being mandated responsibility by the provincial government-- which was the original purpose of U.S. counties. Both, however, recognize the importance of municipalities and most U.S. states, as well as British Columbia, have avoided assigning municipal functions to a second tier of government that would directly conflict with their municipalities, as has been done in Ontario's two-tier system.

The recommendations in this report, relisted below, are based on evidence from the operation of regional districts and other systems of local government in North America,

combined with the philosophy of regional districts. They will improve the local government system in British Columbia.

- R1. The restrictions on entering into new services and segregation of funds for services should be maintained for electoral areas unless the electoral area (or sub-part of it) moves beyond a single member constituency for decision-making. A small "general fund" may be appropriate for electoral area constituency work but not for the funding of individual services.**
- R2. The current philosophy of consent from each member for participation in benefitting areas should be retained.**
- R3. For any benefitting area, service any significant change in the agreement should require the agreement of each member. If a member disagrees as to whether a change is significant, it should be appealable to a dispute resolution process.**
- R4. Custom agreements for a benefitting area service should allow modified voting rules and modified bases for financial contributions.**
- R5. Voting rules and delegation rules need to be reviewed both for clarity as to when a corporate or weighted vote are to be used and to clarify what can be delegated in custom servicing arrangements.**
- R6. Provisions for time limits, notice provisions for exit and for dispute resolution should be included in the creation of benefitting areas and in custom agreements.**
- R7. To achieve a greater regional focus within the current framework, municipal councils could appoint their regional board members for three years instead of one year at a time.**
- R8. If a financial contribution is going to continue to be a criterion for a municipal vote on electoral area land use, the proposal should be made by municipal council directors but the vote for acceptance should be by electoral area directors only.**
- R9. A better criteria than a financial contribution for municipal participation in electoral area land use decision-making would be to limit such participation to decisions under specific conditions where the municipal interest was involved. This interest could be specified as part of the regional growth strategy.**

- R10.** If municipalities, after recognizing the contributions of fringe area residents to the municipal property tax base, still feel that fringe area residents exploit municipal tax payers, municipalities can differentiate their sign-up priorities for recreation programs and/or user charges for libraries, recreation centres, etc. for non-residents.
- R11.** Remuneration of electoral area directors should be paid from electoral area requisitions, especially if they are remunerated at a rate higher than that for municipally appointed directors. Remuneration for municipally appointed board members should be paid by their municipality either directly or through the municipal requisition.
- R12.** Finance feasibility studies for electoral areas from electoral area requisitions and feasibility studies for inter-municipal services and regional activities from a general regional district fund.
- R13.** Make every effort to allocate costs of administration in relation to the real costs for administering services to different areas. Where electoral areas are truly rural with few services there should be little change. Where they are a dense fringe area with active community planning and continual amendments to land use by-laws, they would be responsible for those costs.
- R14.** There should be explicit recognition that First Nations can participate fully in custom servicing arrangements with the basis for payment and voting participation on the committee as agreed to in the agreement.
- R15.** The Surveyor of Taxes should provide an opportunity to include a flyer with tax notices for electoral areas. If such inclusion is not economical, regional districts should mail their own notices at the same time as tax bills are mailed. Regional districts should also consult with member municipalities to arrange for inclusion of information on the regional district with municipally mailed tax bills.
- R16.** Efforts and education concerning regional districts in municipal areas need to educate everyone, including front counter municipal staff, about regional district accountability to municipal council members.
- R17.** Delegation to committees and commissions should be used to provide better political scrutiny over particular services, but it is very important that such committees and commissions not

become advocates for their particular service and neglect its costs. The committees designated in custom agreements may facilitate the achievement of this recommendation.

- R18. Greater educational effort may be necessary to assure that directors understand the different roles they must fulfill, and it may be useful to specify these roles in legislation.**
- R19. The dispute resolution process should involve a combination of mediation processes such as has been developed by Alberta Municipal Affairs and arbitration processes as provided for in the regional growth strategies process. To implement this process, legislate the Inspector of Municipalities with authority to recommend mediation, appoint an arbitrator and enforce an arbitration decision.**
- R20. There should be a written statement of regional district issues the Inspector is prepared to consider. Recommended conditions include:**
- any benefitting area agreement made prior to the availability of custom agreements,**
 - any agreement where there has been a significant change in conditions,**
 - any agreement after 10 years,**
 - any situation where a member municipality or electoral area is forced to be included in a service where its citizens did not vote to participate, and**
 - any situation where any member fails to abide by the agreement it is a party to.**

The proposed recommendations allow for a strengthening of electoral area government if accompanied by improved accountability to citizens, but do not force such a change. They also facilitate, but do not force, opportunities for improving the relationship between vote, benefits and costs in the implementing of inter-municipal service cooperation through benefitting areas.

There is one specific trade-off in the recommendations. They do not create stronger regional government but instead try to achieve greater clarity in the corporate nature of representation and accountability on the regional district board. The evidence from two-tier systems in Ontario and the extensive evidence that municipalities can and do cooperate with one another in the United States and Alberta, indicates that a cautious approach to a strong regional government is not only warranted, but that a regional organization based on the voluntary consent of its members is more likely to be successful on a broader range of issues in the long run than is a regional organization where some coerce others. This does not preclude extensive regional provision of

services in those regional districts where a very high level of consensus exists, but it does not force it on others.

CONCLUSIONS

The municipal-regional district system of local governments in British Columbia compares very favourably with local government systems elsewhere in North America. Regional districts do provide for inexpensive basic rural government, a political forum and administration for inter-municipal cooperation and regional governance. The opportunity to enter into inter-municipal cooperation easily and participate in regional governance also permits small municipalities with their very high levels of voter turnout and citizen participation to function efficiently. The regional district model has also been adaptable to very different areas of the province. Finally, regional districts have been especially successful compared to the provincial imposition of two-tier systems in Ontario, and all evidence indicates that the British Columbia system will outperform large amalgamated systems such as the Halifax Regional Municipality.

In spite of their successes, comparisons with other local government systems and a rethinking of the philosophy of regional districts do indicate where regional district operation could be improved. In keeping with the philosophy of regional districts themselves, however, it is important that such changes provide an increased range of options for local decision-making, and not try to impose constraints. Such flexibility will allow diverse regional districts to adopt processes and procedures that work best for them. This is consistent with a provincial government role that provides a framework for local citizens to organize and operate their own local governments, for which they ultimately bear the costs and receive the benefits. It is a philosophy that has worked in the past and is even more likely to work in the future as the society, economy and production of local government services becomes even more complex.

Finally, with implementation of the recommendations included in the report, British Columbia's local government system will compare even better with other local government systems in North America and with the criteria of a good local government system. Regional districts will be more accountable; they will have increased capacity to deal with problems over a variety of geographic scales; they will have increased capacity to utilize different kinds of production arrangements to account for the great diversity in the nature of local government services and the different scales at which they are most efficiently produced, and the fairness of financing process can be improved. Most importantly, these accomplishments can be achieved in a system where citizens and their local representatives play the most important role and feel that the results are fair.

NOTES

1. A standard description with references for information about Canadian local governments is C. Richard Tindal and Susan Nobes Tindal, Local government in Canada, 4th ed. McGraw-Hill Ryerson Ltd. 1995. The Structure of Local Government

and the Small Municipality by Peter Diamant and Amy Pike from The Rural Development Institute at Brandon University, 1994, is also useful. There are virtually no single-tier systems in the United States.

2. An examination of local governments and how they perform is contained in Vincent Ostrom, Robert L. Bish, and Elinor Ostrom, Local Government in the United States, San Francisco: Institute for Contemporary Studies, 1988. Massachusetts counties, which have many characteristics of B.C. regional districts, are described in "Regionalizing Local Services in Massachusetts," by Mark Siegenthaler in the October 1994 Government Finance Review. A detailed review of county government with a focus on home rule counties (those that write their own charter and have it passed by a referendum) in the west is provided in Dawn Cowan and Tanis Janes Salant, County Charter Government in the West, The University of Arizona and National Association of Counties, 1999.

3. These studies were undertaken by scholars, primarily from UCLA, in California, as part of Governor Reagan's Task Force on Local Government Reform. Needless to say the results were not what was anticipated. A description of the studies and results was subsequently published in Robert B. Hawkins, Self Government by District: Myth and Reality, Stanford, California: Hoover Institution Press, 1976.

4. Research on the relationship between the structure of local government and its expenditures is summarized in George Boyne, "Local Government Performance: Lessons from America," Public Administration, Autumn 1992.

5. For a very recent analysis of Ontario's two-tier systems see Andrew Sancton's "Signs of Life? The Transformation of Two-Tier Metropolitan Government," in Urban Affairs: Is it Back on the Political Agenda, edited by Caroline Andrew, Katherine Graham and Susan Phillips and soon to be published by McGill-Queens University Press. Sancton's article also includes an excellent quotation from Nova Scotia's Graham commission (1974) that explains why local government functions cannot be rationally divided up between local and regional government. It should be noted that Quebec's Regional County Municipalities are not subject to the same criticisms as Ontario's two-tier system. They are more like regional districts.

6. Some regional governments are described in The Emerging Regional Governance Network by Pat Atkins, Dewitt John and Jennifer Thangavelu for the National Association of Regional Councils and National Academy of Public Administration, 1999. The easiest way to get information on Portland's METRO is from its web site. There are also significant critique's of METRO on several sites and a comparison of the metropolitan areas of Portland and the Seattle area indicates that Seattle, with its extremely decentralized system, is achieving Portland's goals of higher densities and greater public transportation use to a greater extent more than Portland. It is important to recognize that publicity over a particular structure of government may have no relation to its performance.

7. The history and evolution of regional districts can be traced through James E. Brown, "Regional Districts in British Columbia," Municipal Finance November 1968; 10. When the costs of services are allocated to member areas by their proportion of converted assessed values, equal taxes for each property class would result only if all members used identical ratios among the tax rates imposed on different classes of property. One complaint that has arisen is that those citizens who reside in areas where the ratio of business and industrial property tax rates is lower end up paying higher taxes than those citizens who reside in areas where high ratios on non-residential property are used so that business and industry pays a higher share of the cost. Robert W. Collier, "The Evolution of Regional Districts in British Columbia," BC Studies, Autumn 1972, and various reviews as described and cited in Gary Paget in "A Primer on Regional Districts in British Columbia," Ministry of Municipal Affairs, 1998. There is also a chapter on regional districts in Robert L. Bish, Local Government in British Columbia, 2nd ed., UBCM 1990. An updated edition of this book by Robert L. Bish and Eric G. Clemens will be published by UBCM in the fall of 1999.

8. In a recent case the director from Electoral Area I in the Comox-Strathcona Regional District opposed the introduction of house numbering, which was advocated by the fire department and ambulance attendants. A telephone poll showed citizens supported house numbering.

9. Alberta municipalities, counties and municipal districts engage in extensive intergovernmental agreements to achieve cooperation in a single tier system. In 1998 the Alberta Regional Capital Association produced data relating to inter-municipal agreements among separate municipalities. A sample of agreements for the Edmonton region is listed in a forthcoming monograph by Andrew Sancton, Rebecca James and Rick Ramsay to be published by the Intergovernmental Committee on Urban and Regional Research. Also in Alberta, Troy D. Glover, "Municipal Park and Recreation Agencies Unite! A Single Case Analysis of an Inter-municipal Partnership," Journal of Park and Recreation Administration, Spring 1999 provides a well-researched example that provides the background and rationale for a recreation agreement between several municipalities and the surrounding county. The U.S. Advisory Commission on Intergovernmental Relations has also published detailed studies of municipal and county agreements in the St. Louis (Metropolitan Organization: The St. Louis Case, September 1988) and Pittsburgh (Metropolitan Organization: The Allegheny County Case, February 1992). Both contracts and good contracting practices between municipalities and First Nations in British Columbia are described in Robert L. Bish and Tyrone Duerr in First Nation/Local Government Service Contracting, published by the First Nations Tax Administrators' Institute, School of Public Administration, University of Victoria and the Indian Taxation Advisory Board.

10. When the costs of services are allocated to member areas by their proportion of converted assessed values, equal taxes for each property class would result only if all members used identical ratios among the tax rates imposed on different classes of property. One complaint that has arisen is that those citizens who reside in areas where the ratio of business and industrial property tax rates is lower end up paying higher

taxes than those citizens who reside in areas where high ratios on non-residential property are used so that business and industry pays a higher share of the cost.

11. Mancur Olson provides a historical description of city-fringe area relations in relation to economic growth in The Rise and Decline of Nations, Yale University Press, 1982. It appears that new kinds of economic growth have been much higher outside the regulatory control of cities but still in proximity to urban areas.

12. A general description of the suburban-urban exploitation issue is provided in Robert L. Bish and Hugh O. Nourse, Urban Economics and Policy Analysis, McGraw-Hill, 1975, pp. 165-168. The most detailed study of the issue in Canada for a single municipality is KPMG's study for the City of Vancouver: KPMG (Stuart MacKay, et. al.) Study of Consumption of Tax-Supported City Services, (2 vols.) City of Vancouver, 1995.

13. The Commonwealth of Virginia has successfully used mediation for intergovernmental dispute resolution since 1980. See Roger Richman, Orion f. White, Jr. and Michaux H. Wilkinson, Intergovernmental Mediation: Negotiations in Local Government Disputes. Boulder and London: Westview Press in cooperation with the National Institute for Dispute Resolution, 1986.