

COUNCIL MEMBERS' MOTION

8. A New Fiscal Framework for Sustainable and Predictable Local Government Funding

Submitted by: Councillor Dominato and Councillor Bligh

WHEREAS

1. Local governments and their representative organizations, the Federation of Canadian Municipalities (FCM) and Union of BC Municipalities (UBCM), have noted for over a decade that the current municipal funding model and overreliance on property taxes are neither sustainable nor resilient;
2. The role of local governments has evolved significantly in recent decades, with municipalities taking on new responsibilities with respect to health and social services, housing and economic development, as well as maintaining longstanding responsibilities for policing, waste management, and water and wastewater services, all of which are becoming more complex due to societal issues such as mental health, homelessness, and climate change;
3. Municipalities are constrained in their ability to generate revenue to fund their capital and operating expenses, and property taxes are increasingly seen to be an inadequate and unsustainable tool for Canadian municipalities to support essential services, maintain critical infrastructure, accommodate growing populations, and contribute to economic growth; ⁱ
4. The COVID-19 pandemic has further highlighted the fragility of the current local government funding model / framework and shown it to be fundamentally misaligned with the modern reality of the role of local governments. For example, economic activities such as e-commerce and the sharing economy have emerged that rely less and less on the bricks-and-mortar businesses on which property taxes are based; ⁱⁱ
5. The downloading of responsibilities to local governments has left many local governments in BC and across Canada increasingly reliant on granting systems to provide services, facilities, and infrastructure. This approach is neither reliable in the long term nor equitable for smaller local governments due to the staff resources they have available;
6. The role of 21st century cities requires us to be responsive to the more complex and challenging issues we face, from social issues to climate change impacts;
7. The Federation of Canadian municipalities (FCM) recently passed a resolution at its 2023 Annual General Meeting calling for a modernized fiscal framework for municipalities, including the development of a new municipal growth framework that would result in municipal financial capacity being more accurately linked to

items such as national population growth, inflation, economic growth, and the role of Canadian municipalities in the 21st century;

8. In 2022, a [Memorandum of Understanding on Local Government Financial Resiliency \(MOU\)](#) was signed between UBCM and the Ministries of Finance and Municipal Affairs, establishing a joint provincial-UBCM Local Government Financial Review Working Group, focused on addressing the 20 recommendations within the [2021 UBCM Ensuring Local Government Financial Resiliency Report](#), which builds off an earlier 2013 report about strengthening BC local governments' finance systems;
9. In 2020, the UBCM membership endorsed a request for the Government of BC to dedicate the equivalent of 1% of the PST annually to local governments as an appropriate funding source to address the need for a new local government funding framework that is sustainable, predictable, and reliable to enable local governments to deliver on their expanded mandates;
10. On October 30, 2019, representatives of the Government of Quebec, the Quebec Federation of Municipalities (FQM), the Union of Quebec Municipalities (UMQ), the City of Montreal, and the City of Quebec endorsed an innovative agreement and funding formula (*2020-2024 Partnership: Building Even Stronger Municipalities and Regions*) whereby the Province would transfer to municipalities the amount corresponding to the growth in revenues it derives from one point of sales tax [QST];
11. Municipalities are critical to solving national policy challenges and political priorities such as housing affordability, homelessness, mental health, and the opioid and addiction crisis, adapting to climate change, reducing GHG emissions, economic development, and, ultimately, achieving a high quality of life for Canadians;
12. The resolutions endorsed by FCM and UBCM memberships respectively reinforce the need to work collaboratively with the Provincial and Federal governments to establish predictable revenue sharing arrangements to meet the needs of cities large and small.

THEREFORE BE IT RESOLVED

THAT the following resolution be submitted to UBCM for submission as a 2023 UBCM Resolution, and titled: "A New Fiscal Framework for Sustainable and Predictable Local Government Funding."

RESOLUTION

MOTION: A New Fiscal Framework for Sustainable and Predictable Local Government Funding

WHEREAS local governments and their representative organizations, the Federation of Canadian Municipalities (FCM) and Union of BC Municipalities (UBCM), have noted for over a decade that the current municipal funding model and overreliance on property taxes are neither sustainable nor resilient;

AND WHEREAS, the Province and UBCM have recently signed a Memorandum of Understanding on Local Government Financial Resiliency, establishing a joint provincial-UBCM Local Government Financial Review Working Group, focused on addressing the 20 recommendations within the [2021 UBCM Ensuring Local Government Financial Resiliency Report](#):

THEREFORE BE IT RESOLVED that UBCM request that the joint provincial-UBCM Local Government Financial Review Working Group explore developing a multiyear funding framework for local governments similar to Quebec's *2020-2024 Partnership: Building Even Stronger Municipalities and Regions* framework whereby the Province would transfer an amount corresponding to the growth in revenues it derives from one point of the provincial sales tax (PST) to local governments as a sustainable, predictable, and reliable source of funding.

ⁱ Municipalities own and operate approximately 60 per cent of Canada's core public infrastructure and are responsible for the full lifecycle cost of operating, maintaining, and replacing capital assets. However, federal and provincial/territorial governments typically only contribute to the upfront capital costs. <https://data.fcm.ca/home/fcm-resolutions.htm?lang=en-CA&resolution=c0134dc2-4a01-ee11-b59e-005056bc2614&srch=%20modernized%20fiscal%20framework%20for%20municipalities%&iss=&filt=false>

ⁱⁱ The post-pandemic recovery has led to growth in provincial and federal revenue through sales and income taxes while municipal revenue, primarily property taxes, has either stagnated or declined over the last five years when adjusted for inflation. <https://data.fcm.ca/home/fcm-resolutions.htm?lang=en-CA&resolution=c0134dc2-4a01-ee11-b59e-005056bc2614&srch=%20modernized%20fiscal%20framework%20for%20municipalities%&iss=&filt=false>

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