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Representative Regionalization: Toward More Equitable, Democratic, Responsive, and Efficient Local Government in New Brunswick

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Centre for Urban Policy and Local Governance
Research Report #4

Representative Regionalization: Toward More Equitable, Democratic, Responsive, and Efficient Local Government in New Brunswick

May 2021

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Executive Summary

Responding to the Government of New Brunswick’s Green Paper on Local Governance Reform released in April 2021, this report diagnoses the problems of the province’s existing system of local governance and proposes a solution that leverages existing assets to create a more equitable, democratic, responsive, and efficient local governance system. A reformed local governance system will help New Brunswickers confront difficult present and future economic and demographic challenges.

The report begins by describing the current system of local governance in New Brunswick. Previous local governance reforms can be characterized as “provincial patching.” Since the 1960s, reforms have been layered onto existing arrangements without resolving their inherent problems:

- the electoral disenfranchisement in unincorporated areas,
- an inequitable distribution of tax burdens,
- incentives to sprawl near urban centres, and
- the overcentralization of authority at the provincial level.

To date, New Brunswick has pursued two approaches to local governance reform: *municipalization* and *regionalization*. Municipalization entails the incorporation as municipalities of areas now directly administered by the province through the Local Service Districts. Only piecemeal institutional restructuring has occurred over the past 25 years. Exemplified by the Regional Service Commissions and the earlier District Planning Commission, regionalization involves the creation of new bodies to coordinate municipal activities and deliver services in unincorporated areas. Neither approach has been pursued to its logical conclusion.

This report recommends strengthening the Regional Service Commissions along the lines of British Columbia’s regional districts—multi-purpose bodies that have coordinated service delivery and land-use planning in that province since the 1960s. The report outlines the history of regional districts, describes their key features, and shows how they could be implemented in New Brunswick through modest reforms to the existing Regional Service Commissions. We call this approach *representative regionalization* because it would strengthen local government, give a democratic voice to the 30% of New Brunswickers who live outside of incorporated municipalities, and distribute costs and benefits more equitably within regional housing and labour markets. Importantly, representative regionalization would be minimally disruptive to existing institutions and longstanding practices—indeed, much less disruptive than other potential options such as forced municipal incorporation and amalgamation. Representative regionalization is not a centralizing move. Rather, it would enhance local autonomy by empowering local democratic institutions to make decisions in the interest of their communities.

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1. Introduction

On November 16, 1965, Premier Louis Robichaud rose in the New Brunswick legislature to announce a far-reaching restructuring of taxation and expenditure, local government institutions, and the provincial-local relationship (Robichaud 1965). His government’s goal was to redress profound inequalities between the province’s many communities. He called on citizens to put aside parochialism: “We must all, I suggest, begin to think and act like a Province of 600,000 people rather than continuing to segregate ourselves according to economic advantage or precise geographic location” (5). Many of the institutional and fiscal changes brought about by Robichaud’s Equal Opportunity reforms remain in effect today with little modification.

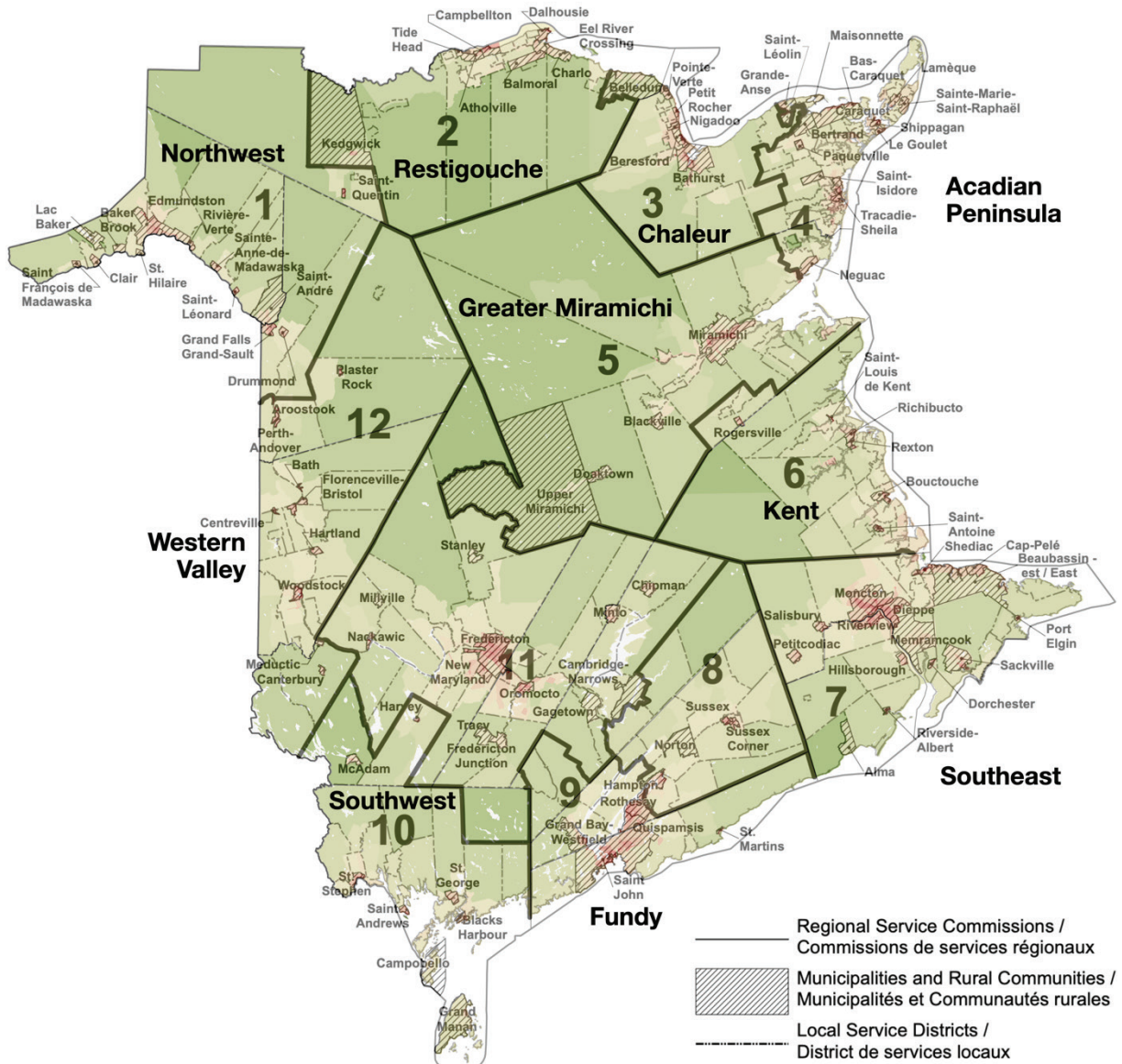
As the government’s recent Green Paper on local governance reform suggests, New Brunswick is again “at a crossroads” (New Brunswick 2021, 1). As in 1965, the government is concerned about several core issues, namely that:

- there are too many small units of government that lack the administrative and fiscal capacity to deliver services efficiently,
- there is growing inequity in the level of services available to New Brunswickers in different parts of the province,
- there is insufficient coordination of land-use planning and service delivery around the larger urban centres, and
- there is a democratic deficit in unincorporated areas, which lack elected representation in local governments.

Fifty years ago the government was concerned with challenges associated with growth. Today it confronts problems associated with slow population, economic, and productivity growth; an ageing population; and an expanding urban-rural economic divide. A reformed local governance system will be an essential part of the response to these challenges.

In this report, we argue that New Brunswick has reached the limit of what can be accomplished by what we call “provincial patching”—piecemeal reforms and one-off initiatives. At the same time, we suggest that local governance reform need not entail the costly and disruptive reconstruction of local government institutions through imposed incorporations and amalgamations. Instead, we propose realizing the full potential of New Brunswick’s existing assets: an efficient and effective system of provincial-local fiscal transfers and the existing multi-purpose regional bodies known as Regional Service Commissions. We call this direction *representative regionalization* because it addresses the issues identified above—capacity-building, inequity, coordination, and the democratic deficit—at the regional scale.

Figure 2.1: Administrative boundaries and settlement patterns



New Brunswick is governed by 104 incorporated municipalities and 236 Local Service Districts which are coordinated by 12 Regional Service Commissions. Most of the population lives in incorporated municipalities, which are mostly located on major waterways and along the coasts. Higher, more urban, population densities are shaded in red; lower, more rural, population densities are shaded in green.

2. The Context

Before offering directions for local governance reform, we first take stock of New Brunswick’s context: its distinctive settlement pattern, local governance institutions, and provincial–local fiscal relations. We then present an overview of the past fifty years of local governance reform. We conclude the contextual discussion by surveying the economic and demographic challenges New Brunswick faces.

The settlement pattern

New Brunswick is a small province in terms of population and territory. At 775,000, the province’s population is slightly larger than that of Mississauga, Ontario. Half the provincial population lives in only three urban centres: Moncton, Saint John, and Fredericton. Even the largest of the province’s cities is small compared to midsize cities and large municipalities elsewhere in the country. The province’s other urban settlements are mostly located on major waterways or the coasts, and the rest of the population is thinly spread elsewhere. (See **Figure 2.1.**)

Local governance institutions

New Brunswick’s local governance system is complex, featuring multiple types of units with different powers and responsibilities. (See **Table 2.1.**) Most of the 104 incorporated municipalities in which 70% of New Brunswickers live have small populations.¹ The median municipal population is only 1,400. Smallness has both advantages and disadvantages. While small local governments are potentially highly responsive to local preferences and needs, their modest fiscal and administrative capacities render them dependent on the provincial government to perform everyday tasks (New Brunswick 2021, 11–12).

Unlike in most provinces, a substantial proportion of the population—30%—lives outside the jurisdiction of incorporated municipalities. In British Columbia and Newfoundland and Labrador, residents of unincorporated areas mostly inhabit remote areas (McKendy 2017, 28). In New Brunswick, by contrast, many of these residents live near or within urban areas. Many of the fastest growing unincorporated areas are adjacent to the larger municipalities (Finn 2008, 16, 48). Residents of unincorporated areas lack local electoral representation and are directly administered by the provincial government through 236 Local Service Districts (LSDs). As prescribed by s. 161(1) of the *Local Governance Act*, LSDs provide a variety of mandated local services, including policing and fire protection, emergency measures, solid waste collection and disposal, property standards enforcement, street lighting, and animal control. LSD residents may petition to assume

1. In this report, “municipalities” refers to incorporated local government entities with directly elected councils.

other matters, such as the management of local recreational facilities. These too are small entities; the largest LSD has 9,736 residents, the smallest only 5, and the median 693.

Superimposed on the incorporated municipalities and LSDs are 12 Regional Service Commissions (RSCs) governed by boards of directors comprising the mayors of member municipalities and appointed representatives of unincorporated areas. As incorporated entities, RSCs are similar to municipalities in that they have the power to buy and sell property, enter into contracts, hire and fire staff, and so on. Created in 2013, these bodies are mandated to “provide or facilitate the provision” of regional planning and solid waste services to their constituent entities and manage land-use planning within unincorporated areas. They may also take on additional functions with the agreement of their members. The legislation calls for them to “encourage and facilitate cooperative action” regarding policing, emergency management planning, regional cultural and athletic facilities, and shared-services arrangements, though action in these policy areas typically requires provincial intervention. The province has recently been interested in promoting the regionalization of policing (Ibrahim 2019). To date, few RSCs have expanded their activities beyond their core mandated functions. According to their official websites, five are involved in tourism promotion, two contribute funding to regional airports, one administers dog control, and one coordinates affordable housing. The province also established a separate entity in 1998, the Saint John Regional Facilities Commission, to cost-share facilities operated by the City of Saint John at the regional scale (New Brunswick 2019). While this entity predates the Fundy RSC, it could logically be folded into it.

Table 2.1: Types of local governance entities

Entity	Number	Description	Representation	Population (2016)	Tax Base Per Capita (2021)
City	8	Municipality with a population of at least 10,000 at the time of incorporation.	Elected mayor and council	276,015	\$114,829
Town	26	Municipality with a population of at least 1,500 at the time of incorporation.	Elected mayor and council	128,746	\$99,031
Village	61	Municipality with no minimum population requirement for incorporation.	Elected mayor and council	70,855	\$70,190
Regional Municipality (enabled 2014)	1	Municipality with a population of at least 15,000 and at least one existing municipality at the time of incorporation.	Elected mayor and council	16,114	\$67,383
Rural Community	8	Local body with limited service responsibilities. Not incorporated, though authority is similar to villages.	Elected mayor and council	24,394	\$92,341
Local Service District	236	Structure for the administration and delivery of local services to unincorporated areas coordinated by the provincial government.	Advisory Committees may be formed but have no official authority or powers	222,814	\$77,638
Regional Service Commission	12	Provincially created bodies to administer mandated and voluntarily adopted services, and act as a forum for regional collaboration.	Boards consist of the mayors of the region and LSD representatives		
Total	340			738,938	\$94,805

How services are financed

As elsewhere in Canada, local services are financed by a mixture of property taxes, user fees, and provincial grants. What sets New Brunswick apart is the degree to which this process is centralized. Since the Equal Opportunity reform in 1967, the provincial government has collected all property taxes in the province. This has several components. The provincial government collects a property tax at a uniform rate across the province for its own purposes. Over and above this levy, it also collects taxes on behalf of municipalities and rural communities, which determine their own tax rates, to finance their expenditures. These revenues are returned to municipalities in their entirety. A small share of the province's own property tax is transferred to municipalities as an unconditional grant. Municipalities with below-average fiscal capacity receive an equalization grant. Across all municipalities, 81% of revenues come from property taxes and 7% from provincial grants.

In addition, the provincial government levies property tax in unincorporated areas to finance non-user-fee-supported services. This has two components: a uniform provincial rate and a local rate. The province sets the local rate for each LSD to cover the costs of locally provided services. LSDs are also credited an amount to equalize policing costs. As LSDs are not corporate bodies, they do not actually receive this money. As provincial administrative vehicles, their "budgets" are line items in the provincial budget. The "grants" are credited against provincial expenses in those areas. Across all LSDs, 88% of revenues come from property taxes and 6% from grants.

Further complexity stems from the subdivision of some municipalities and LSDs into subareas with different tax rates. These reflect differential levels of service provision within these jurisdictions. There are therefore more "taxing authorities"—areas in which discrete tax rates are levied—than there are municipalities and LSDs.

The Regional Service Commissions add an additional wrinkle. Municipalities pay into their budgets according to formulas specified in provincial regulation. Solid waste collection costs are apportioned based on the tonnage of waste collected, land-use planning by share of assessed value of property, and other common services by equally weighted shares of population and assessed property value. Contributions to RSC budgets from LSD areas are disbursed by the provincial government.

While this system's centralized administration is efficient and, in the spirit of Equal Opportunity, it facilitates redistribution across space, it does so at the cost of transparency and local democratic accountability, especially for residents of unincorporated areas. Governed remotely by Fredericton, the 223,000 New Brunswickers who live in unincorporated areas have little sense of how the taxes they pay are translated into the services they receive from the province through LSDs or from RSCs.

Box 2.1: An Abridged Timeline of Municipal Reform

1963—The Royal Commission on Finance and Municipal Taxation chaired by Edward Byrne proposes a “package deal” reform: abolishing the counties, incorporating villages in unincorporated areas, establishing metropolitan combined councils, uploading human services responsibilities to the provinces, and provincializing the collection and redistribution of a uniform property tax.

1967—Government adopts most of Byrne’s recommendations regarding the provincialization of human services and local services financing in its Program of Equal Opportunity. A new *Municipalities Act* abolishes counties. A total of 77 villages and 92 LSDs are established in unincorporated areas.

1976–1977—The Allen Report recommends replacing LSDs with rural municipalities and planning districts. The government instead creates more LSDs in remaining unincorporated areas.

1993—The Commission on Land Use and the Rural Environment (CLURE) identifies the lack of elected representation in LSDs as the cause of inefficient land use, including ribbon development. It recommends extending District Planning Commissions across the province.

1995—The province enacts the recommendations of CLURE and enables the creation of Rural Communities with Beaubassin as the pilot project. Miramichi is created through a provincially imposed amalgamation.

1998–2003—Several provincial committees and panels review the *Municipalities Act* and propose voluntary municipalization in rural areas and the strengthening of regional planning. No action is taken.

2008—The Report of the Commissioner on the Future of Local Governance, Jean-Guy Finn, recommends a comprehensive reorganization of local government. Existing LSDs and municipalities would be replaced by 53 municipalities and 12 multi-purpose Regional Service Districts that would replace existing District Planning Commissions, Solid Waste Commissions, and Community Economic Development Agencies.

2013—The province establishes 12 Regional Service Commissions but leaves existing LSDs and municipalities in place.

2014—Tracadie is created through the voluntary merger of Tracadie-Sheila with 18 LSDs.

2017—The province modernizes and renames the *Municipalities Act* as the *Local Governance Act*, including streamlining the process for adding or removing services in LSDs.

2021—The province launches the Local Governance Reform initiative, including publishing a *Green Paper* outlining options.

How New Brunswick got here: A legacy of provincial patching

The provincial government’s current reform initiative, concretized in the recently released Green Paper, recognizes that New Brunswick has reached the limits of a half-century of incremental change. Indeed, the province’s idiosyncratic system has evolved through incremental “patching” in which later reforms have been layered onto existing systems in ways that have not resolved many of their inherent problems. Since the current local governance framework was put in place in 1967, over 25 different studies have been conducted on various aspects of local governance in the province (New Brunswick 2021, 13; Finn 2008, 5). (For an abridged summary, see **Box 2.1**.) Successive governments have responded to these studies with piecemeal actions that, in the words

of one commissioner, do not move beyond the level of “tinkering around the edges” (Finn 2008, 6). Martin (2007, 76) characterizes New Brunswick as “Canada’s ... policy laggard when it comes to municipal reform.”

The modern development of New Brunswick local government began in 1963 with the Report of the Royal Commission on Finance and Municipal Taxation chaired by Edward G. Byrne, which recommended a “package deal” of far-reaching reforms. Drawing on an extensive study of the development of New Brunswick local government by University of New Brunswick professor Hugh Whalen, Byrne noted that, unlike Ontario and most other provinces that had adopted general municipal legislation and comprehensive municipalization in the 19th century, New Brunswick had retained a patchwork of unreformed local administrative entities: separate enabling legislation for counties, towns, villages, local improvement districts, and school boards, along with dozens of special acts incorporating individual cities and towns. Byrne concluded that the only solution was to start with a clean slate. Justifying the Royal Commission’s “startling, drastic and even radical” recommendations to skeptical readers, he insisted “that half the problems we studied are the result of trying so-called ‘easy’ solutions in the past” (Byrne 1963, XVII).

Byrne’s primary objective was to equalize access to services regardless of community wealth. His “package deal” called for a radical restructuring of local governance and the transfer of some previously local responsibilities to the provincial level. The 422 school boards would be amalgamated into larger units and public education would become fully funded by the province. Counties would be abolished and their role in local administration in small urban settlements replaced by newly incorporated villages. In his words, the new system would “make it possible for rural areas to provide local services as justified by local circumstances. ... we propose to eliminate the functional distinction[s] which now exist between urban and rural municipalities” (Byrne 1963, 4). The province would take over property assessment, the administration of justice, and public health and welfare. To ensure equity of access to services, the province would collect all property tax and redistribute it to localities in a mixture of unconditional and equalization grants.

Premier Robichaud’s government adopted many, but not all, of these recommendations under the label of Equal Opportunity. Its provincialization of services to people (as distinct from services to property)—education, health, and welfare—anticipated other provinces’ actions in future decades (Martin 2007, 83). Nevertheless, commissioner Jean-Guy Finn remarked in a later report that the reform brought with it unintended consequences: in retrospect, “what was billed by some as a ‘revolution’ in municipal government organization brought its own set of ... glaring structural and financing weaknesses” (Finn 2008, 7).

While the province abolished counties and centralized the assessment, collection, and redistribution of the property tax, the government chose not to pursue another of Byrne’s recommendations: comprehensive municipalization and a system of “combined councils” to jointly

administer five services in the areas of the eight cities: water, fire protection, police protection, sanitary sewage disposal and community planning. The many scattered settlements in rural areas not incorporated as new villages continued to require at least some of the local services or public works that are normally provided by municipalities; these would now be provided by the province directly through what became known as Local Service Districts. The abolition of counties without creating an alternative form of electoral representation for residents of unincorporated areas established an enduring democratic deficit (Martin 2007, 76). Indeed, Finn (2008, 77) later argued that most of the local governance problems that have surfaced since the 1966 reforms resulted from the absence of representative local government for LSD residents.

This problem was formally acknowledged in the 1976 Allen Report less than a decade after Equal Opportunity's implementation. The report recommended replacing the remaining unincorporated areas with 11 Rural Municipalities (Allen 1976, 8–11). This recommendation was rejected; instead, the government chose to create LSDs in all remaining unincorporated areas. District Planning Commissions were created around the same time to address the malcoordination of land-use planning. The two decades following the release of the Allen Report saw the release of multiple studies and reports related to rural development and land-use planning, many of which came to similar conclusions, yet successive provincial governments chose not to directly address the problems of democratic accountability generated by the Equal Opportunity Program's implementation.

The government's response to the 1993 Commission on Land Use and the Rural Environment (CLURE) represents a further example of provincial patching. Identifying the absence of local elected representation and decision making as a key problem, the Commission again called for a combination of municipalization and regionalization to strengthen planning and produce more efficient land-use outcomes in rural areas. District Planning Commissions would be extended across the province's full territory and LSDs would be rationalized into larger Rural Communities—essentially quasi-municipalities with directly elected councils primarily responsible for local planning. The primary outcome was a pilot project in which the 12 LSDs served by the Beaubassin District Planning Commission were consolidated into a Rural Community. The Rural Community model was not widely implemented; only eight have been created, leaving 236 LSDs intact.

The provincial government also commissioned studies of local government restructuring in the eight cities during the 1990s, but these were also mostly not implemented. Initiated following a 1992 discussion paper (Mersereau 1992), these initially resulted in the establishment of the City of Miramichi by way of amalgamation and the creation of a joint board to regionalize common services in the Greater Moncton area (Malenfant and Robison 1994; Bourgeois 2005, 246–247). The Saint John study recommended the consolidation of the region into a single municipality (Cormier 1997). The provincial government chose instead to consolidate eight suburban

municipalities into three and legislate cost-sharing for regional facilities. Efforts to promote voluntary incorporation or amalgamation have, in the 2021 Green Paper’s words, yielded “limited success” (13). While four areas were annexed into Edmundston in 1998, planned studies of Bathurst and Fredericton were left unfinished (Bourgeois 2005, 247). The amalgamations of municipalities and LSDs to form Miramichi in 1995 and Tracadie in 2014 represent exceptions rather than a trend. (See **Table 2.2.**)

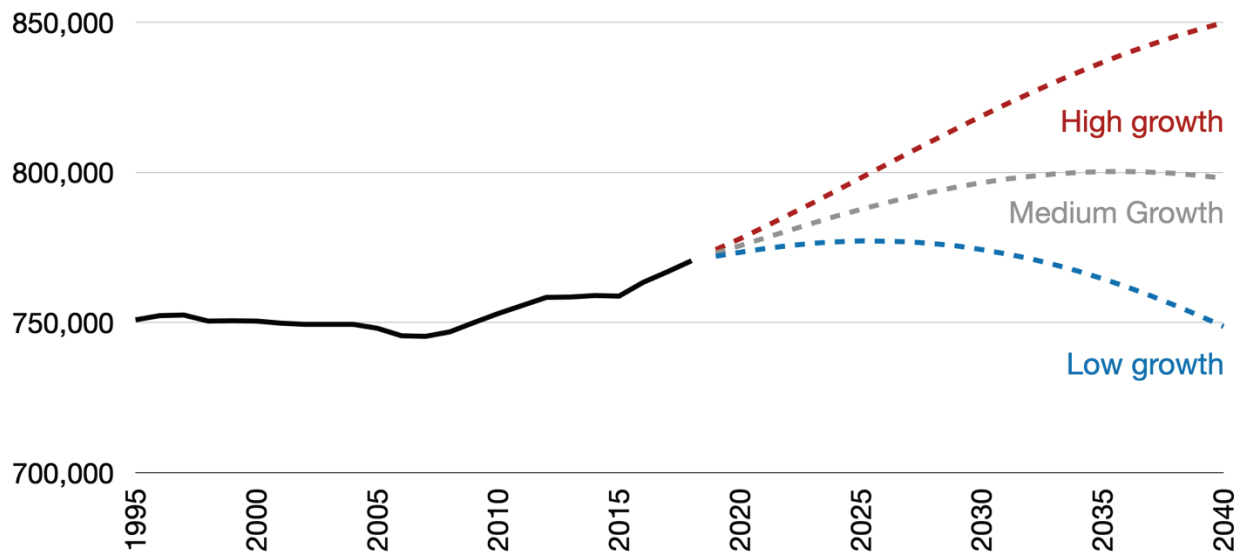
The 2008 Report of the Commissioner on the Future of Local Governance, Jean-Guy Finn, was the most encompassing review of local governance since Byrne’s. Finn’s main proposals echoed the municipalization and regionalization recommendations of earlier studies. He recommended reorganizing all existing municipalities and LSDs into 53 municipalities with directly elected councils. Municipal boundaries in the vicinity of the eight cities would be redrawn to ensure city control over peripheral urban development. In Finn’s view, municipalization and municipal consolidation would enable the new municipalities to become more capable planners and service providers while maximally relying on own-source revenues. The province’s fiscal role would be more circumscribed: addressing disparities through equalization grants.

Finn also proposed creating 12 multi-purpose Regional Service Districts across the province to coordinate solid waste management and land-use planning, and, on a voluntary basis, tourism, parks and recreation, economic development, policing, and other functions, with systems of proportional representation and cost-sharing among constituent municipalities. While the province chose not to move forward with Finn’s municipalization recommendations, it later proceeded with the establishment of the 12 Regional Service Commissions.

Table 2.2: Local governments by type, 1976–2021

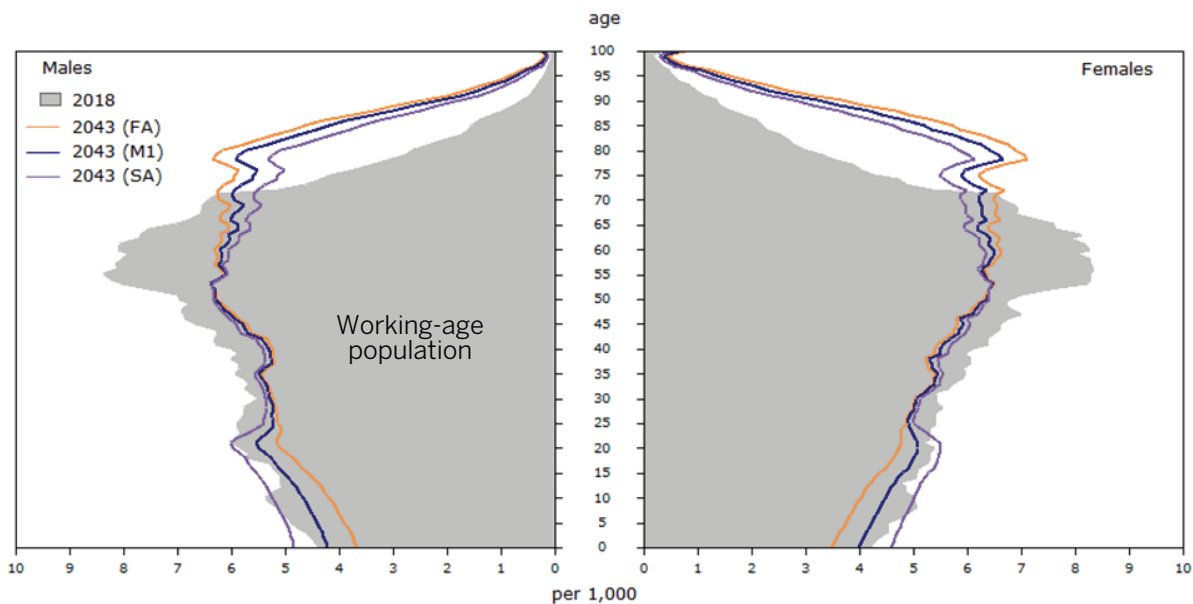
	1976	1994	1999	2008	2021
Municipalities: Cities, Towns, and Villages	111	117	103	101	95
Rural Communities	0	0	1	3	8
Regional Municipality	0	0	0	0	1
Local Service Districts (LSDs)	216	291	271	267	236

Figure 2.2: Population growth projections, New Brunswick



Projections are from Statistics Canada (2019, Fig. 3.7). The Medium Growth scenario is Statistics Canada's M1 Scenario, which presumes that net interprovincial migration will be the same as the 1991/1992–2016/2017 average.

Figure 2.3: Projected population by age cohort, New Brunswick



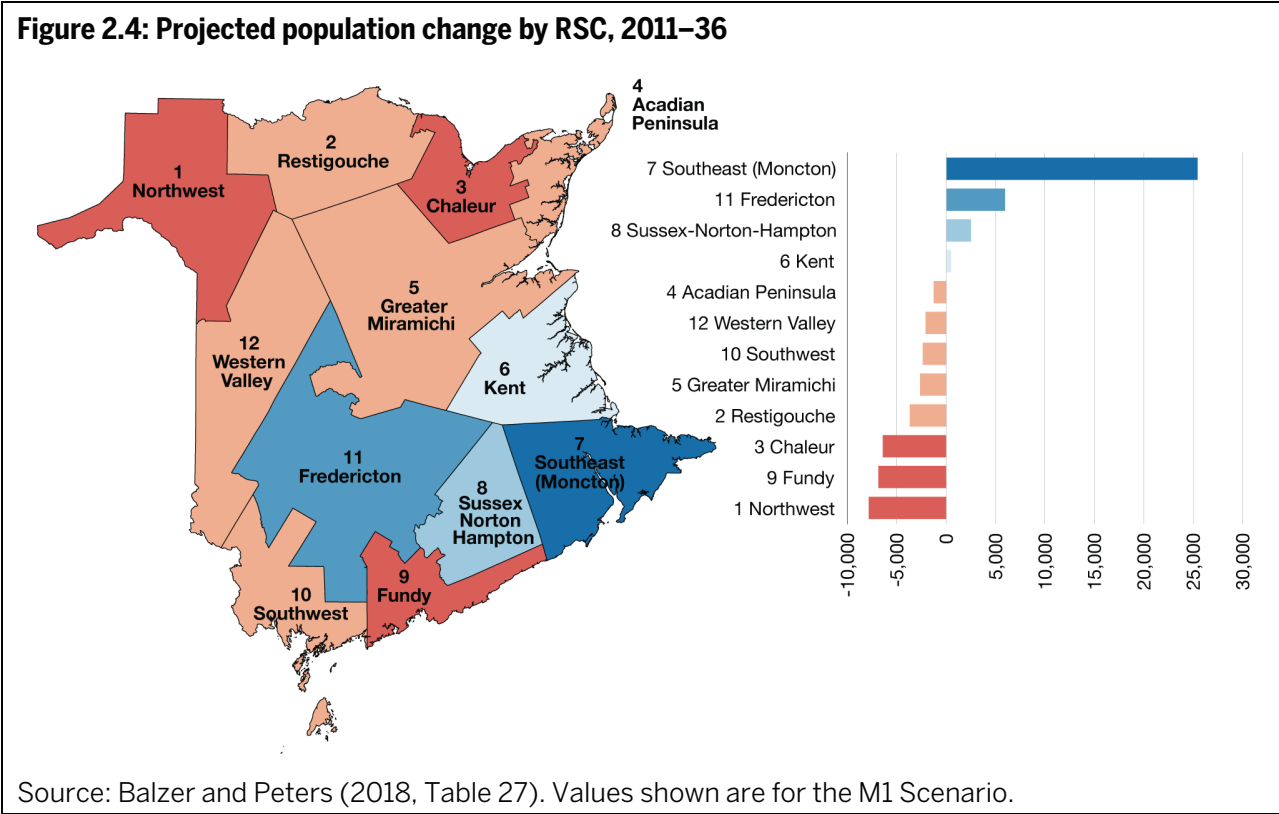
Note: Persons aged 100 and over are included at age 100.

Reproduced from Statistics Canada (2019, Fig. 3.8). The M1 (medium-growth) scenario presumes that net interprovincial migration will be the same as the 1991/1992–2016/2017 average. The FA and SA scenarios indicate fast- and slow-ageing scenarios, respectively.

Gearing governance to a challenging demographic and economic context

The Government of New Brunswick is initiating local governance reform as the province faces a challenging demographic and economic context. The provincial population is growing slowly and under likely scenarios it is likely to be of similar size or smaller in the future (see **Figure 2.2.**) A slow- or no-growth society is an ageing society. Under likely scenarios, the median New Brunswicker is going to be near or past retirement age within 25 years (see **Figure 2.3.**) A smaller labour force will shoulder the burden of taking care of an ageing society.

Sub-provincial population forecasts indicate that, under likely scenarios, population growth will be concentrated in two of the province’s three major cities, while the rest of the province—many small towns and most rural areas—will experience absolute population decline. (See **Figure 2.4.**) Even the most optimistic scenarios indicate that population loss in these areas will not be offset by immigration.



The taxation, expenditure, and policy delivery implications of this demographic and economic transformation will be enormous. The provincial government has limited room to manoeuvre. Reflecting its low fiscal capacity, New Brunswick has long been a net recipient of federal equalization payments; about 20% of provincial expenditure has been financed by equalization grants in recent years. The province also remains dependent on federal transfers to finance health

and social expenditures. While the 2018–19 fiscal year ended with New Brunswick’s first budgetary surplus in eleven years, health care costs for an ageing population will continue to rise.

The socio-economic gap between urban and rural areas will very likely increase as urban areas grow faster and become more socially and economically diverse than rural areas. The net payers of property taxes and net receivers of local services will likely increasingly inhabit different parts of the province, generating new political and fiscal tensions.

These challenges are not unique to New Brunswick; in fact, they are happening in many parts of Canada and other countries. However, the stress is especially acute given the province’s small size and demographic and economic characteristics. In this context, it is crucial that New Brunswick gets local government right to ensure that benefits and costs are equitably shared and that citizens have opportunities to fully participate in the difficult decision making to come.

3. The Issues

New Brunswickers face several fundamental issues with respect to local governance: uneven access to local democratic institutions, eroding property tax fairness, incentives to sprawl near growing cities, and unnecessary centralization of authority in the provincial government. Each of these issues is related to the others; addressing them will require a comprehensive perspective rather than piecemeal change. It will also require recognition of the foundational social fact of New Brunswick governance: the need to ensure proportionate representation and equitable treatment of the province’s English- and French-speaking linguistic communities. And moreover, in the context of New Brunswick’s relatively low level of urbanization relative to the central and western Canadian provinces, it must also recognize the persistence of rural ways of life and work outside urban settlements.

Electoral disenfranchisement of unincorporated areas

Residents of LSDs lack something that is the norm in most other provinces, and which 70% of New Brunswickers possess: directly elected representation in a local government. In essence, the provincial government *is* their local government. While the provincial government has long since established a system for financing and providing services in these areas, and there is a provision (unevenly taken up) for the creation of LSD Advisory Committees (LACs) (see **Box 3.1**), the absence of local elected representation and decision making undermines the local democratic expression of local preferences and responsiveness to local needs.

Box 3.1: LSD Advisory Committees

Lacking representative local government, unincorporated areas are directly administered by the province through Local Service Districts (LSDs) whose boundaries are defined by regulation. LSD residents may form an advisory committee to the Minister of three to five area residents on petition of 25 residents, or the Minister may form one unilaterally (SNB 2017, c.18, 169(2)). At least four LSDs do not meet the population threshold to make a petition. Their purpose is purely advisory and “LSD representatives have no real authority or powers” (McKendy 2017, 28). While about 69% of LSDs, representing 81% of the unincorporated population, currently have active advisory committees, many are run by “remote control” from Fredericton with little local input.²

Eroding tax fairness

The absence of local decision-making institutions in unincorporated areas severs the accountability linkage between taxation and expenditure levels. Elected municipal councils must balance their operating budgets in accordance with local desires, needs, and ability to pay. When taxing and spending for local services are subsumed within broader provincial budgeting processes, as it is for unincorporated areas, democratic choice and accountability are eroded. Critics have charged that many LSD residents underpay for the services they receive and are subsidized by provincial taxpayers in the towns and cities. At the same time, LSD complain that the linkage between tax rates and benefits is anything but transparent. Establishing local democratic accountability for taxation and spending should be a central objective of reform. If local services prove to be unaffordable at reasonable rates of taxation, it should be the job of the equalization program to address gaps. When implicit subsidies are made explicit, they can become the subject of democratic deliberation.

Incentives to sprawl near urban centres

City mayors and municipal associations have highlighted a specific implication of the implicit subsidy of servicing in unincorporated areas near urban municipalities: that it has incentivized suburban growth beyond city limits. While 54% of New Brunswickers live in the province’s eight cities, an additional 31% of residents live within a 50km radius of a city hall (8CitiesNB 2020, 7). The residents of these areas may work in the city and benefit from its services, infrastructure, and amenities, but they do not pay city taxes. From the city’s perspective, city taxpayers are footing the bill for costs generated by exurbanites—in essence, subsidizing lower taxes in LSDs. In the short run this leads to an unfair distribution of costs and benefits and the inefficient allocation of scarce resources. In the long run, it diverts households that would otherwise locate within cities to nearby

2. A count of active LSD Advisory Committees was provided by the Department of Environment and Local Government. This proportion has varied over time. According to prior studies, 62% of LSDs had active Advisory Committees in 1999 and 59% in 2008. The current proportion is almost identical for LSDs with English- or French-speaking majorities.

unincorporated areas that are subject to less stringent land-use planning, cumulatively producing a low-density, haphazardly serviced pattern of development that is more expensive to service.

Centralization of authority in the province

A final issue is the unusual degree to which the administration and financing of local services is centralized at the provincial level in New Brunswick. There are good reasons for this. Institutionally, the continued location of a substantial proportion of the population in unincorporated areas, coupled with the absence of counties, has left the province directly responsible for administering roads and other services that are local responsibilities in other jurisdictions. To be sure, it may make sense for a small province like New Brunswick to centralize some functions. Nevertheless, centralization comes at the cost of diminished responsiveness to local preferences and, as discussed above, the severing of a democratically accountable linkage between taxing and spending decisions, especially in unincorporated LSD areas.

Devolving the financing and administration of some functions may bring efficiency and equity gains. The question then becomes which institutions are sufficiently capable to take on devolved powers and functions. Devolving to units with tax bases that are too small to be able to finance and professionally staff (or manage contracts for) service delivery accomplishes nothing; the province would remain responsible, only indirectly rather than directly, again undermining the accountability linkage between taxing and spending decisions. Economists have also found that there are “sweet spots” of service catchment size at which the cost per unit of any given service is optimized (Oakerson and Parks 2011). Go too big or too small and the unit cost increases. The challenge is to create capable institutions to administer “right-sized” service areas.

One commonly discussed principle for allocating services to particular levels of government is *subsidiarity*. Most fully developed in law and practice in the European Union, subsidiarity is the idea that, provided that it is feasible and the outcomes are efficient and equitable, government functions should be financed and administered at as low a level as possible in order to maximize responsiveness and democratic accountability. New Brunswickers may consider whether current or contemplated arrangements meet this test.

4. Two Pathways for Reform: Municipalization and Regionalization

The historical discussion shows that local government reform proposals have typically focused on two solutions in New Brunswick: *municipalization* and *regionalization*.

Municipalization would entail the incorporation, voluntarily or otherwise, of areas now directly administered by the province through the LSDs, thereby creating a “wall-to-wall” single-tier

system of municipal government across the province, much as exists in most other provinces. Doing so would establish directly elected local councils with taxing and spending authority, and would entail the creation of new, professionally staffed local administrations. While attractive due to its institutional symmetry, there are downsides to this approach. Rural units may have to encompass broad territories in order to be fiscally sustainable. This may dilute the representation of communities of interest and undermine responsiveness to local concerns. If existing municipalities remain untouched, the result may be a “doughnut” pattern in which incorporated urban settlements are surrounded by much larger rural municipalities. If existing municipalities were to be reformed through large-scale amalgamations, the result may be hybrid urban-rural bodies that contain a diverse range of conditions and interests. The experience of such amalgamations in Ontario, Québec, and Nova Scotia in the 1990s and 2000s indicates that while there may be long-term gains as new units slowly develop traditions, practices, and capacities, the short-term transition costs can be high and, depending on how boundaries are drawn, units may become paralyzed by conflict among divergent interests.

Regionalization represents a complementary or alternative approach. Finn saw regionalization as a complement to municipalization, however the RSC experience shows that the former can occur without the latter. Following this direction, existing local government arrangements may remain in place, while a new institutional layer is inserted between them and the province to coordinate the municipal activities and deliver services in unincorporated areas. This is, in effect, what counties once did in New Brunswick and what they continue to do in many parts of the United States, although historical county boundaries defined in the 19th century are often ill-suited to this task given contemporary patterns of settlement. At a broader scale, it is also what various types of “regional intergovernmental organizations” do in the United States, mostly in the fields of economic development and transportation (Miller and Nelles 2019). Some Canadian provinces—Alberta and Manitoba in recent years, but also British Columbia in the postwar period—have created metropolitan bodies to coordinate economic development, land-use planning, and other functions for their largest cities (Taylor 2020).

New Brunswick has split the difference between these two approaches. As previously discussed, Allen and Finn both recommended comprehensive municipalization of unincorporated areas. The province has created several new municipalities through the amalgamation of adjacent LSDs, towns, and villages, although the more politically thorny agenda of consolidating local government in the larger urban areas has not borne fruit. From Byrne’s metropolitan councils to the creation of District Planning Commissions in the 1970s and the Regional Service Commissions in 2013, regionalization has also been an enduring theme.

In the remainder of this report, we draw on British Columbia’s experience with *regional districts* to address the issues motivating local government reform in New Brunswick. This approach, which

we call *representative regionalization*, would be minimally disruptive to established institutions and longstanding traditions and practices.

5. A Modest Proposal: Representative Regionalization

In 2008, the Finn Report noted that “[g]iven New Brunswick’s particular social, cultural and economic makeup, its special population distribution and geography, as well as its unique history and set of circumstances in local governance, it is unlikely that one will find a ‘*ready-made*’ solution to meet our need for transformational change” (79). Finn believed that New Brunswickers would “be better served by designing our own governance model” (79).

In this section, we embark on a thought experiment regarding what local governance in New Brunswick could look like if the provincial government implemented key aspects of a “ready-made” model: British Columbia’s regional districts. We call this proposal “representative regionalization” because it accomplishes two overarching goals. First, it would give 30% of New Brunswickers voice in local policymaking for the first time. Second, the proposal unlocks the potential of the 12 Regional Service Commissions. Further regionalizing the financing and delivery of services would enhance local control over taxing and spending decisions, lead to greater fairness in the distribution of costs and benefits, and reduce perverse incentives to inefficient development patterns in areas surrounding urban centres.

Regional districts in British Columbia

The regional district model is widely recognized across the continent as a significant innovation for its ability to reconcile divergent local interests, increase local governance capacity, and provide services efficiently and equitably, all while supporting and preserving local autonomy (See **Box 5.1**). Indeed, focusing on the large-city context, Sancton (2005, 325) writes that:

Although it is impossible to determine objectively an ideal institutional model for metropolitan governance, it is hard to imagine a mechanism that could better combine local self-government through established municipalities with the existence of an institution at the metropolitan level that can both provide a degree of consensual metropolitan leadership (the strategic plan) and a framework within which municipalities can voluntarily cooperate with each other.

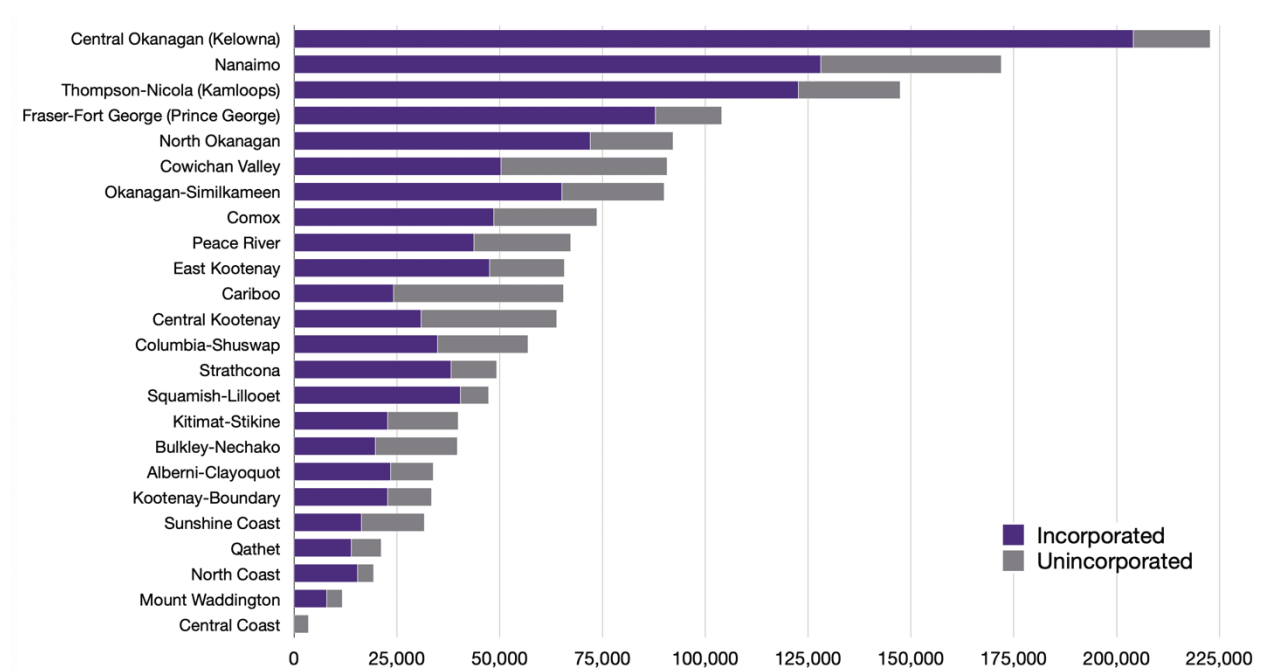
While much of the focus has been on the Metro Vancouver Regional District, regional districts exist across British Columbia in a wide range of settings, from metropolitan areas to smaller urban centres, and also in rural and remote regions.

Box 5.1: Research on British Columbia's Regional Districts

The history and operation of British Columbia's regional districts have been the subject of considerable study. For an overview of their initial creation in the context of debates over metropolitan governance in greater Vancouver and the later development of the Metro Vancouver Regional District's planning and service delivery roles, see Taylor (2019, 217–239). Writing in the decade after their creation, Tennant and Zirnhelt (1972, 1973) and also Collier (1972) discuss how the provincial government empowered regional districts and encouraged local governments to make greater use of them as a vehicle for service delivery. In a review of the Capital Region District centred in Victoria, Bish and Filipowicz (2016) conclude that the system has “fostered very high levels of representation and adjustments to appropriate scales for both the provision and production of local government services while local elected officials have incentives to take into account both the costs and benefits of their decisions.” Wolman (2019) provides a recent perspective on the applicability of the regional district model to other jurisdictions, principally the United States. Cashaback (2001) provides a comprehensive overview of the structures and functions of regional districts, concluding that the model provides superior services to rural areas than alternatives while also affording “flexibility to members and accountability without creating a distinct level of government and bureaucracy” (11). Comprehensive current information about regional districts is readily available from the Government of British Columbia's website.

We are not the first to identify the regional district model as a plausible option for New Brunswick. Allen considered it in 1976, as did Finn in 2008. Indeed, the regional district model partly inspired Finn's proposed Regional Service Districts. What has changed is that New Brunswick now has eight years of experience with up-and-running Regional Service Commissions. The institutional foundations of a B.C.-style system have already been constructed. The current Local Governance Reform process provides an opportunity to realize the full potential of this system to address persistent problems of local governance and finance in New Brunswick.

Figure 5.1: Population of B.C. regional districts by incorporation status



Note: The figure omits the largest and most urbanized regional districts: Metro Vancouver, Fraser Valley (Abbotsford), and Capital (Victoria). Populations are BC Stats' 2020 estimates.

Figure 5.1 breaks out the populations of the regional districts in incorporated and unincorporated areas. For greater comparability with the population sizes of New Brunswick's RSCs, the figure omits the three regional districts that contain the province's largest urban centres: the Metro Vancouver and Fraser Valley Regional Districts that cover the Lower Mainland (which together contain over 3 million residents, about 60% of the provincial population), and the Capital Regional District centred on Victoria (425,000 residents). The remaining regional districts vary in population from Central Okanagan, centred on Kelowna, with 222,748 residents, to Central Coast, with only 3,565. The median regional district, Central Kootenay, has a population of 63,911. Substantial populations live in unincorporated areas in all regional districts. In Cariboo, Central Kootenay, and Bulkley-Nechako, the unincorporated population is the majority; in Central Coast, the entire population resides in unincorporated areas.

Comparing New Brunswick to British Columbia: Three challenges in common

To be sure, New Brunswick is different from British Columbia in many ways. It is geographically much smaller, has a less diverse society and economy, and lacks a major urban area on the scale of metropolitan Vancouver or Victoria. New Brunswick does, however, face similar challenges today to those confronted by British Columbia in the mid-1960s when the regional district system was created.

1. Inefficient and undemocratic governance of rural and remote places. Then, as today, British Columbia's residents mostly inhabited an archipelago of small urban settlements situated in a vast, sparsely populated province. A significant proportion of the population—about 20%—lived outside the jurisdiction of incorporated municipalities. Outside of metropolitan Vancouver, Victoria, and other cities, local services were provided by single-purpose districts, which had increased in number from 66 in 1945 to over 300 (Meligrana 2003, 132). British Columbia had never had county government, so there was no existing form of local administration that could fill the governance gap and rationalize service delivery. Residents of these areas were unrepresented by any local government and therefore disenfranchised. Municipalization was dismissed as impracticable. It was understood that to be fiscally viable, municipalities would have to be too large to be politically acceptable to residents.

2. Coordination of planning and infrastructure in larger urban areas. The provincial government faced growing pressure to respond to growth-related problems in the burgeoning Vancouver region and other cities, including coordinating planning and financing infrastructure (Taylor 2019, 217–221). Imposing a metropolitan government structure on Greater Vancouver, as Ontario had recently done for Toronto, was politically impossible, and creating special arrangements for one region would incite jealousies in others.

3. Devolution of provincial administration of services. Where feasible, British Columbia also wanted to decentralize the administration of services, including hospital financing, policing, and justice. This would be impossible if no institutions existed that could assume them.

In short, British Columbia in the 1960s faced similar challenges to those confronted by New Brunswick today: the need to create effective and democratically accountable local governance outside incorporated areas, coordinate urban development in and around the larger cities, and establish vehicles for administrative devolution. The politicians in Victoria also faced similar political dilemmas. There was little appetite among residents and local politicians for disruptive institutional change, especially if unilaterally imposed by the province.

Design features of regional districts

The solution British Columbia ultimately devised was a system of flexible multi-purpose districts. Introduced in 1965, they covered virtually the entire provincial territory by 1969. Their boundaries were based on combinations of recently reformed school districts. Their initial political acceptability and later effectiveness stemmed from several design features:

1. Universality. The regional districts were established across almost the entire territory of British Columbia, not just in urban or rural areas or in Metro Vancouver.³ This neutralized potential opposition based on the new institutions being perceived as unfair impositions on, or special treatment for, one part of the province over another.

2. Flexibility. Regional districts vary widely in population, from Metro Vancouver at 2.7 million people to Central Coast at only 3,500 (see **Appendix A**). To accommodate differences in service needs, they began with, and continue to have, few mandated responsibilities. While membership in a regional district was mandatory for area municipalities and residents of unincorporated areas, the legislation afforded considerable flexibility regarding what functions they would perform. As then-Minister of Municipal Affairs Dan Campbell put it in a speech to the Union of British Columbia Municipalities, “It’s up to you to decide how much gas to put into the vehicle—the member municipalities and areas are in the driver’s seat” (Brown 1968). At the outset, they were made responsible for solid waste management and emergency planning, assumed responsible for issuing debt for capital projects on behalf of their members, and were made responsible for provided service in incorporated areas.

Importantly, member units may opt out of non-mandatory services. If they do so, they neither pay into nor benefit from them, nor do they participate in decision-making regarding the service. This means that each service provided by the regional district can potentially have a different service area. Decisions for such services are made by subsets of the regional district board. As an example, Metro Vancouver may be the most institutionally complex regional district as its services are administered by four overlapping service boards with variable member participation (Metro Vancouver 2021):

- The Metro Vancouver Regional District board governs mandatory services. All 23 member units participate.
- All member units also participate in the Metro Vancouver Housing Corporation Board.
- Three outlying units do not participate in the Greater Vancouver Water District board because they are located outside the service area of the water supply system.
- Four units do not participate in the Greater Vancouver Sewerage and Drainage District board because they are located outside the sewer service area.

3. Two parts of British Columbia are not governed by regional districts. The Stikine region in the far northwest of the province has a population of only about 700 inhabiting a territory larger than New Brunswick as a whole. The provincial government has always administered the Stikine region directly, and services in the small community of Atlin, where most of the regional districts live, are provided by a local improvement district similar to an LSD. The other exception is the Northern Rockies District Municipality in the province’s far northeast, where the regional district was converted into a single-tier municipality in 2009. Most of its 5,400 residents live in the community of Fort Nelson.

Regional districts may also provide services to units located outside their boundaries, in other regional districts. In this case, those units participate in board governance and financing on the same terms as other units.

3. Proportionality and fairness. Participation on regional district boards strikes a balance between representation by population and taking into account the interests of small communities. The number of directors representing each unit is determined according to a formula that typically overweights smaller units (see **Box 5.2**). This encourages the building of consensus among large and small units. In most circumstances, each director has one vote. When making financial decisions, however, directors' votes are weighted to give greater influence to units with larger populations and tax bases. The average size of a regional district board of directors is 15; the smallest is 5 and the largest 40 (see **Appendix A**). The number of directors and their voting strength for weighted votes is revised after every decennial census to account for changes in the relative populations of constituent units.

Some services may be self-financed by user fees or subsidized by grants from other levels of government. Others are financed through proportional contributions by member units (Government of British Columbia 2007, 5). The default is for each unit to contribute to service costs in proportion to its share of assessed property value, however the legislation allows for other options, including by share of population or quantity of service provided. While the allocation of cost-sharing burdens is often controversial, the principle of proportionate representation and contribution, along with the flexibility for local members to make design choices, is perceived in British Columbia as promoting equitable voice and fair treatment, and as a result has stood the test of time.

4. Accountability. Regional districts enfranchise residents of unincorporated areas by giving them elected representation on the regional district board. Unincorporated areas are territorially divided into one or more "electoral areas" based on communities of interest and servicing requirements. In the Kitimat-Stikine example shown in **Box 5.2**, unincorporated areas are divided into six electoral areas ranging in population from 414 to 4,421. Each electoral area elects one director to the board, the voting strength of each varying in proportion to area population. With 12, Cariboo Regional District has the most electoral areas, while Metro Vancouver has one; the median regional district has five. Residents of unincorporated areas make up a majority of the population in four regional districts (see **Figure 5.1**). Regional districts also provide an avenue for treaty First Nations to participate in regional governance and services if they so choose; four regional districts include representatives from Indigenous authorities.

Box 5.2: How Representation on Regional District Boards Works

Regional districts are incorporated by Order-in-Council through issuing of *letters patent*, a type of regulation, the required contents of which are set out in the *Local Government Act* (s. 41(2)). The letters patent define the name and outer boundaries of the regional district and **electoral areas**. Akin to municipal wards, electoral areas are the territorial basis for electoral representation of residents of unincorporated areas. The letters patent also define the **voting unit**, which is used in the statutory formula that defines the number of directors and their voting strength for each entity. The voting unit varies depending on the total population of regional district and the population of the smallest constituent entity.

The formula is as follows:

- The **voting strength** is the population divided by the voting unit, rounding up to the next whole number.
- The **number of directors** is determined by dividing the voting strength by 5, again rounding up to the next whole number.
- No entity can have less than one director or a voting strength of less than one.

The voting unit, number of directors, and voting strength in each regional district are summarized in Appendix A.

Example: The Kitimat-Stikine Regional District

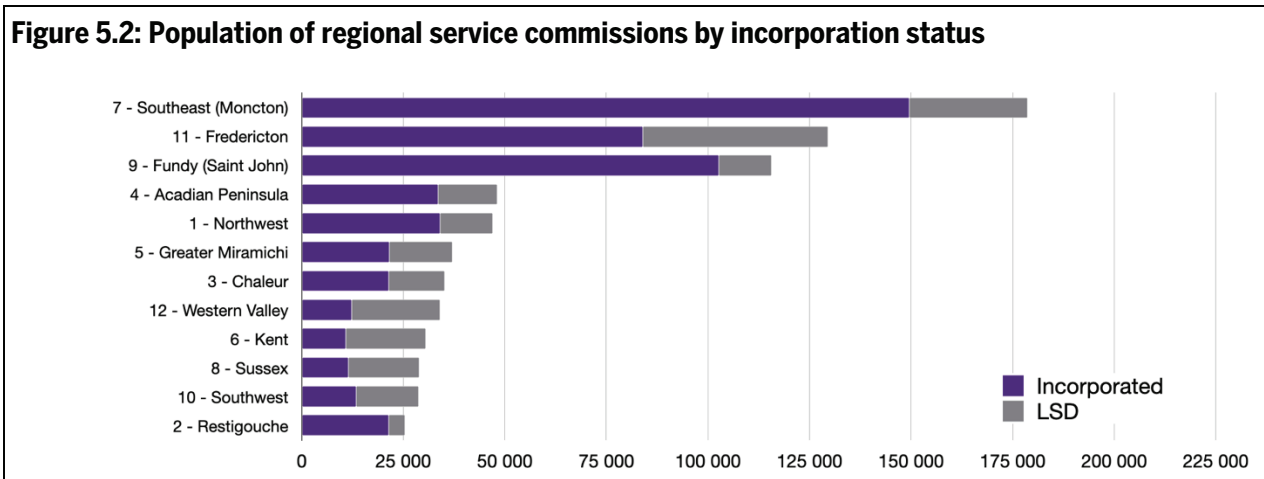
Total population: 37,367

Voting unit: 2,000

Entity	Type	Population	%	Voting Strength	%	Directors	%
Terrace	City	11,643	31%	6	23%	2	17%
Kitimat	District	8,131	22%	5	19%	1	8%
New Hazelton	District	580	2%	1	4%	1	8%
Stewart	District	401	1%	1	4%	1	8%
Hazelton	Village	943	3%	1	4%	1	8%
Electoral Area A		1,900	5%	1	4%	1	8%
Electoral Area B		4,421	12%	3	12%	1	8%
Electoral Area C		4,259	11%	3	12%	1	8%
Electoral Area D		595	2%	1	4%	1	8%
Electoral Area E		4,080	11%	3	12%	1	8%
Electoral Area F		414	1%	1	4%	1	8%
Total		37,367	100%	26	100%	12	100%

Representation on Regional Service Commissions: A thought experiment

As a thought experiment, we developed a scenario in which representation on New Brunswick’s regional service commissions is reorganized according to British Columbia’s regional district formula. As a starting point, **Figure 5.2** shows the proportion of each New Brunswick RSC that resides in incorporated and LSD areas. (To enable direct comparison, the population range on the x-axis is the same as in **Figure 5.1**.) The RSCs containing New Brunswick’s three largest urban centres are comparable in population to the Thompson-Nicola (Kamloops) and Nanaimo Regional Districts—between 100,000 and 200,000 residents. The populations of the remaining RSCs are in line with those of the smaller regional districts in British Columbia. The median RSC population size is about 36,000. A majority of residents live in unincorporated areas in four of the five least populous RSCs.



The next step is to consider representation on RSC boards. As provided for in the *Regional Service Delivery Act*, the board of directors comprises each municipal mayor plus representatives for Local Service District areas. The number of LSD representatives is calculated according to a formula (see **Box 5.3**). The formula appears to provide representation for unincorporated residents roughly in proportion to their share of the regional population, modified by their share of regional assessed property value. A further clause sets lower (4) and upper (10) bounds on the number of LSD representatives.

Box 5.3: New Brunswick's Current Representation Formula for Unincorporated Areas

Section 7 of New Brunswick Regulation 2012-109 sets out the formula for LSD representation on RSC boards as follows:

7(1) The number of local service district representatives on a Board shall be determined by the following formula: $(A + B) \div 2 = C$, where

A is the total population of the local service districts within a region divided by the average population per mayor in the region;

B is the total combined tax base of the local service districts within a region divided by the average tax base per mayor in the region; and

C is the number of local service district representatives on a Board.

7(2) For the purposes of this section,

(a) the average population per mayor shall be determined by dividing the number of people residing in the local governments within a region by the number of mayors in the region, and

(b) the average tax base per mayor shall be determined by dividing the total of the current year tax bases of the local governments in a region by the number of mayors in the region.

7(3) Despite the number of local service district representatives determined under this section, there shall be a minimum of four local service district representatives and a maximum of ten local service district representatives on each Board.

Applying Section 7 yields the following results using Census 2016 populations and 2021 tax base assessment. Values of C that fall afoul of clause 7(3) are shaded in purple. The actual number of board members representing LSDs was retrieved from RSC websites.

RSC	Population (2016)			Tax Base (\$ millions 2021)		LSD Representation				Actual
	LSD	Incorp.	Mayors	LSD	Incorp.	A	B	C	cl.7(3)	
1. Northwest	12,930	34,123	10	889	2,925	3.8	3.0	3	4	4
2. Restigouche	3,976	21,418	8	202	1,535	1.5	1.1	1	4	4
3. Chaleur	13,762	21,348	6	702	1,939	3.9	2.2	3	4	4
4. Acadian Peninsula	14,519	33,579	14	706	2,347	6.1	4.2	5	5	5
5. Greater Miramichi	15,620	21,505	4	967	1,773	2.9	2.2	3	4	4
6. Kent	19,711	10,861	7	1,397	875	12.7	11.2	12	10	10
7. Southeast (Moncton)	29,216	149,525	15	2,814	16,870	2.9	2.5	3	4	4
8. RSC 8 (Sussex)	17,591	11,414	4	1,518	979	6.2	6.2	6	6	*
9. Fundy	12,904	102,719	5	1,429	10,692	0.6	0.7	1	4	4
10. Southwest	15,371	13,353	8	1,369	1,255	9.2	8.7	9	9	9
11. Fredericton	45,497	83,987	13	3,773	10,456	7.0	4.7	6	6	6
12. Western Valley	21,717	12,292	10	1,533	1,111	17.7	13.8	16	10	10
Total	222,814	516,124	104	17,299	52,756			68	70	64

* RSC 8 has been governed by a provincially appointed commissioner since February 2019. It previously had 6 directors representing LSDs.

The table at the bottom of **Box 5.3** shows what happens when this formula is applied. The formula does not do a good job of producing outcomes that satisfy Clause 7(3). In eight of the 12 RSCs, the number of representatives is higher or lower than the threshold, in most cases resulting in overrepresentation of LSDs relative to their share of the population or tax base. The total number of potential LSD representatives across the province is 70, however in reality there are 64 because RSC 8's six-member board was replaced by a provincially appointed trustee in 2019 due to conflict among members. Add the LSD representatives and the mayors together, and we reach a total of 174 potential RSC board members across the province, 40% of which represent unincorporated areas, which in turn account for 30% of the population and 25% of the tax base.

Now that we know what representation on RSC boards currently looks like, the next step in our thought experiment is to apply the B.C. regional district representation formula to the RSCs. This assumes that the LSDs are abolished, their functions transferred to RSCs, and that electoral areas are established to provide elected representation for unincorporated residents on RSC boards.

We make the following assumptions:

- The voting unit is set at 2,000 for all RSCs except for those containing the three largest cities, for which it is set at 3,000: Southeast RSC (Moncton), Fundy RSC (Saint John), and RSC 11 (Fredericton). This is in keeping with the voting units of similarly sized regional districts in British Columbia (see **Appendix A**).
- The unincorporated area of each RSC is divided into four electoral areas to reflect distinct communities of interest, including those based on language, and the areal differentiation of service levels. This results in an average electoral area population of about 4,600. (Ensuring proportionate linguistic representation would not come into play in every RSC; the same language is used at home by over 90% of residents in six of the 12 RSCs, and by 80% to 90% in three more.)

Table 5.1 shows the results: a total of 170 directors across the province exercising 258 weighted votes. The unincorporated territory now administered by 236 LSDs would be reorganized into 48 electoral areas. The size of RSC boards would remain roughly the same as they are now. This scenario is imperfect. If fully implemented, the voting unit and number of electoral areas would be calibrated to ensure mutually acceptable levels of representation for urban/rural and linguistic communities of interest while enabling the definition of contiguous service areas. In the New Brunswick context, it may be appropriate for a unit's voting strength, which is used for weighted votes on financial matters, to correspond to its share of the regional tax base. This is what gives larger units an incentive to fully participate in regional governance. At the same time, representation for residents of unincorporated electoral areas should be calibrated to enable an effective voice in servicing and financing decisions.

Table 5.1: Representation on RSCs using the B.C. formula: A scenario

RSC	% in Municipalities		Voting Strength				Directors			
	Pop.	Tax Base	Municipalities		Electoral Areas		Municipalities		Electoral Areas	
1. Northwest	73%	77%	22	73%	8	27%	11	73%	4	27%
2. Restigouche	84%	88%	13	76%	4	24%	8	67%	4	33%
3. Chaleur	61%	73%	13	62%	8	38%	7	64%	4	36%
4. Acadian Peninsula	70%	77%	25	76%	8	24%	15	79%	4	21%
5. Greater Miramichi	58%	65%	13	62%	8	38%	5	56%	4	44%
6. Kent	36%	39%	9	43%	12	57%	7	64%	4	36%
7. Southeast (Moncton)	84%	86%	58	83%	12	17%	21	84%	4	16%
8. RSC 8 (Sussex)	39%	39%	8	40%	12	60%	4	50%	4	50%
9. Fundy	89%	88%	37	82%	8	18%	10	71%	4	29%
10. Southwest	46%	48%	11	58%	8	42%	8	67%	4	33%
11. Fredericton	65%	73%	37	70%	16	30%	16	80%	4	20%
12. Western Valley	36%	42%	12	50%	12	50%	10	71%	4	29%
Total	75%	25%	258	69%	116	31%	122	72%	48	28%

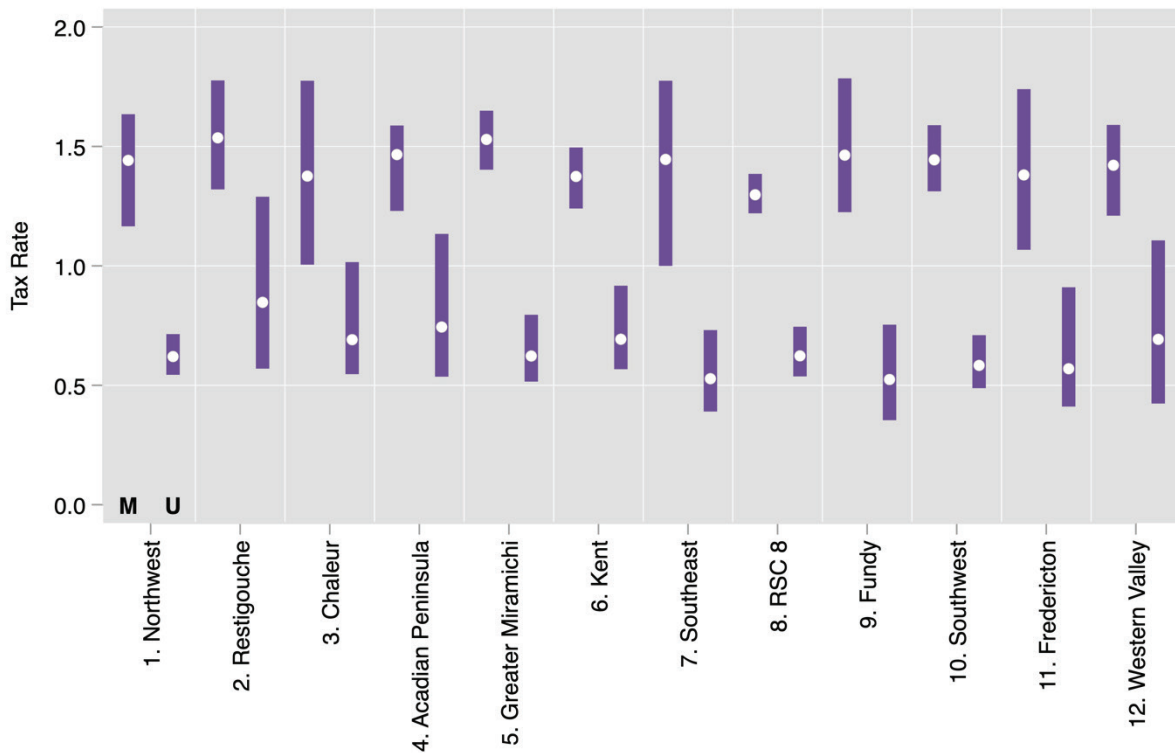
Note: In this scenario, the voting unit is set at 2,000 for all RSCs except for Southeast (Moncton), Fredericton, and Fundy (Saint John), where it is 3,000.

Service areas and tax rates

One of the key design features of regional districts is their ability to accommodate different service areas within a single administrative structure. Beyond mandatory services, territorial units—municipalities and electoral areas—may choose whether to participate in voluntary regional services, and taxes or charges are levied only in participating areas. This already occurs under New Brunswick’s existing system, albeit opaquely, as the province levies different property tax rates in each municipality and LSD, and sometimes subareas within them.

Figure 5.3 gives a sense of current variation by showing the maximum and minimum tax rates (the range indicated by the purple bars) and the average tax rate (the white circle) in each RSC. The range of tax rates among municipalities and unincorporated areas is shown separately for each RSC. Reflecting lower service levels in LSDs, the average tax rate is considerably lower in unincorporated areas than in municipalities. (The figure may overstate the effective range of tax rates as the maximum and minimum amounts may pertain to small units; most residents may pay rates closer to the average.)

Figure 5.3: Maximum, minimum, and average tax rates for municipalities and unincorporated areas, by RSC



Notes: “M” indicates municipalities; “U” indicates unincorporated areas (LSDs). For units where municipalities and LSDs are divided into subareas with different tax rates, the rates are averaged. Regional Municipalities and Rural Communities are excluded because different tax rates are levied in subareas. BIA levies and user fees are not included.

In a regional district-style system, a uniform tax rate would be levied within each unincorporated electoral area. This tax rate would reflect the combination of regional services in which the electoral area participates. While drawing the boundaries of the new electoral areas and RSC service areas would not be a trivial matter, the fact that the range of tax rates among LSDs is fairly small within most RSCs—on the order of $\pm 20\%$ —suggests that it is feasible. Electoral area boundaries could be adjusted over time as service areas change. Municipalities would maintain their current ability to set tax rates for local services through the local democratic process.

The efficiency gains of centralized provincial collection of property taxes from residents would remain intact. Much as municipalities do today, RSC boards would set tax rates for the services they provide within their defined service areas. The difference is that inhabitants of unincorporated areas would now have a transparent and democratically accountable means of determining service levels and the tax rates to finance them: elected representation on RSC boards.

6. Representative Regionalization: Delivering the Promise

Through this thought experiment we have sketched out a potential future for local governance in New Brunswick: *representative regionalization*. This future is evolutionary, not revolutionary. The foundation, plumbing, and wiring are already in place in the form of the Regional Service Commissions, centralized property tax collection, and provincial core and equalization grants to localities. The next step is to deliver on the democratic potential of the RSCs by enfranchising residents of unincorporated areas and enabling RSC boards to define service areas and associated tax rates.

Unlike Jean-Guy Finn's recommendations in 2008, we do not propose a comprehensive restructuring of local government. A "big bang" municipalization of unincorporated areas and redrawing of existing municipal boundaries would likely be a costly and conflictual endeavour. Implementing British Columbia's regional district model would resolve the basic problems of the current system while being minimally disruptive. The high transition costs of municipal mergers are avoided. Unincorporated areas may remain so. RSC boards could remain about the same size as they are now.

The real transformation would be with how unincorporated areas are represented and governed, how decisions regarding local service delivery are made, and how larger municipalities are incentivized to participate in regional institutions. Let us return to the four issues highlighted in Section 3 of this report.

1. Democracy for unincorporated areas. For the first time in generations, unincorporated areas would gain directly elected local representation in proportion to population, giving them democratic control over service levels and tax rates. The financing and administration of services to unincorporated areas by a democratically elected regional authority, rather than by the provincial government, would increase the transparency and accountability of taxing and spending decisions. The weighted and unweighted voting strength formulas would ensure fair representation of member units when decisions are made. The use of proportional formulas rather than arbitrary numbers is key to the acceptability of regional district governance in British Columbia. We would expect the same in New Brunswick.

2. Greater tax fairness for urban, exurban, and rural residents alike. Regional infrastructure systems and services would be financed from a regional tax base at rates set by democratically elected local representatives. Flexible service area boundaries would mean that residents pay in proportion to, and their representatives only make decisions on, the services they receive. Regionalization would reduce current fiscal incentives to sprawling development around the province's larger urban centres. If tax rates paid by residents more accurately reflect the cost of services received, including those offered by neighbouring jurisdictions, the differential in tax rates

between cities and adjacent jurisdictions would narrow. Exurbanites would no longer be able to free ride on city infrastructure and therefore be subsidized by city taxpayers.

We acknowledge that this approach will shift the incidence of the property tax. Some may pay higher rates while others pay less, but we cannot identify which with any certainty based on this proposal. Property tax rates and amounts paid are not isolated from other factors, including the potential to move from rates to user fees for some services, adjustments to property classification and associated tax ratios, which services are regionalized, and how service area boundaries may be drawn. The key innovation, however, is the establishment of a more transparent and accountable relationship between taxes paid and service received. In particular, residents of unincorporated areas would for the first time participate in democratic, public decision-making processes to determine how to pay for the levels of services they desire. While tax changes may be disruptive for some property owners, the province would also continue to make equalization grants to compensate for variation in tax capacity and provide property tax relief to low-income residents, and federal and provincial social programs and income tax systems will continue to provide support to low-income households.

3. More orderly and cost-efficient growth around urban centres. No boundaries are perfect, but the RSCs generally encompass regional labour and housing markets. (The most obvious exception is the division between RSC 9, which contains Saint John, and RSC 8, which contains what are effectively suburbs.) It therefore makes sense to regionalize decision-making regarding land-use planning and the administration and financing of infrastructure and services. Linking infrastructure and service planning and operations to land-use goals at the regional scale would produce more orderly and efficient urban development patterns in and around New Brunswick's larger urban centres. In the long run, more efficient urban development would lower long-term capital and operating costs, and ultimately tax and fee rates.

4. More creative and effective governance, closer to the people. There are good historical reasons why New Brunswick governance is so centralized, but there are also good reasons for devolution today. As we noted at the beginning of this report, New Brunswick's many localities face diverse economic and social challenges. Responding to these challenges requires unlocking local creativity. This proposal does so by empowering localities to set their priorities through transparent and accountable democratic processes. Enfranchising the 30% of New Brunswickers who today have no local representation while reinforcing the capacity of RSCs to make and deliver democratically decided policies would mobilize local potential to address pressing problems at an appropriate geographic scale: that of the regional housing and labour market.

Devolution does not mean leaving localities to their own fates. In the spirit of Equal Opportunity, the provincial government must continue to support low-revenue-capacity communities with equalization grants. It makes sense for a small province like New Brunswick to maintain

centralized property tax collection and assessment. This is not only administratively efficient; it also enables the province to redistribute revenue to support struggling areas. Provincial equalization grants would continue to flow to municipalities as they do today. The difference would be that provincial fiscal support for service provision in unincorporated areas would be transferred to RSCs, where its expenditure would be subject to local accountability.

Importantly, representative regionalization is compatible with municipal reform—the annexation of unincorporated areas to cities, towns, and villages; the incorporation of unincorporated areas; and the amalgamation of municipalities—but does not require it. There are no doubt many places across the province where annexation, incorporation, or amalgamation would result in more efficient planning and service delivery, and better representation for residents. Nothing in this proposal stops provincial and local governments from pursuing these possibilities, hopefully in a cooperative manner. However, the selective regionalization of planning and service delivery, coupled with democratic participation by all residents, may make such disruptive institutional changes less necessary, as it has in British Columbia.

There are of course many details to be resolved in implementing such a proposal, including devising formulas for RSC board representation, defining electoral area and service area boundaries, and modeling the effects of regional service delivery on tax rates and fiscal equalization to ensure an orderly transition. Nevertheless, we believe that the near- and long-term benefits are worth it, and that the costs would be less than imposing comprehensive municipalization and reorganization of municipal boundaries.

Some may see regionalization as a centralizing move. In fact, it is directed toward local empowerment and the expansion of local democracy and autonomy. Back in 1965, Premier Robichaud argued that the centralizing elements of Equal Opportunity would not diminish local autonomy: “Do the proposals we are making truly reduce local autonomy? I contend that they do not. I contend, rather, that we are giving them greater scope, greater authority and greater financial soundness to cope with the true functions of local government” (11). He went on to say that “This Government recognizes that, today, all citizens, whether they own property or rent, have an equal interest in public affairs and pay an equal share of the cost. They deserve an equal voice” (13). From the vantage point of 2021, we conclude that, as implemented, Equal Opportunity enabled the former at the expense of the latter.

Representative regionalization would deliver on Robichaud’s promise of a local government system that supports, rather than diminishes, local democracy and creative problem-solving. It would do so by giving locally controlled bodies the powers and resources necessary to meet today’s and tomorrow’s demands and challenges. New Brunswickers deserve nothing less.

Appendix A: Representation in B.C. Regional Districts

Regional District	Population (2020)			Voting Unit	Number of Units			Representation	
	Incorp.	Uninc.	Total		Incorp.	Electoral Areas	Indig.	Directors	Strength
Alberni-Clayoquot	23,523	10,362	33,885	2,000	3	6	4	14	23
Bulkley-Nechako	19,795	19,918	39,713	3,000	8	7	0	15	19
Capital	397,939	27,564	425,503	5,000	13	3	0	24	86
Cariboo	24,158	41,417	65,575	2,500	4	12	0	16	32
Central Coast	0	3,565	3,565	1,500	0	5	0	5	5
Central Kootenay	30,929	32,982	63,911	2,500	9	11	0	20	35
Central Okanagan	204,058	18,690	222,748	4,000	4	2	0	13	52
Columbia-Shuswap	34,871	22,028	56,899	2,500	4	6	0	11	27
Comox	48,602	25,062	73,664	1,500	3	3	0	10	47
Cowichan Valley	50,286	40,490	90,776	2,000	4	9	0	15	48
East Kootenay	47,502	18,280	65,782	2,500	9	6	0	16	31
Fraser Valley	314,766	20,463	335,229	5,000	6	8	0	23	68
Fraser-Fort George	87,845	16,130	103,975	4,000	4	7	0	14	30
Kitimat-Stikine	22,731	17,190	39,921	2,000	5	6	0	12	26
Kootenay-Boundary	22,765	10,665	33,430	2,500	8	5	0	13	19
Metro Vancouver	2,709,027	28,474	2,737,501	20,000	21	1	1	40	134
Mount Waddington	7,929	3,841	11,770	600	4	4	0	9	22
Nanaimo	128,070	43,920	171,990	2,500	4	7	0	19	68
North Coast	15,479	3,935	19,414	2,000	5	4	0	10	15
North Okanagan	72,038	20,146	92,184	2,500	6	5	0	14	41
Okanagan-Similkameen	65,133	24,924	90,057	1,800	6	8	0	18	54
Peace River	43,722	23,562	67,284	3,000	7	4	0	12	27
Qathet	13,886	7,338	21,224	2,000	1	5	1	7	13
Squamish-Lillooet	40,456	6,907	47,363	2,000	4	4	0	10	25
Strathcona	38,223	11,085	49,308	1,500	5	4	0	13	34
Sunshine Coast	16,398	15,325	31,723	2,000	2	5	1	9	20
Thompson-Nicola	122,625	24,807	147,432	3,250	11	10	0	26	52
Total	4,602,756	539,070	5,141,826	n/a	160	157	7	408	1,053
Average	170,462	19,966	190,438	3,172	6	6	0	15	39
Median	40,456	19,918	65,575	2,500	5	5	0	14	31

Note: In this summary, Indigenous units comprise Treaty First Nations and Indigenous Government Districts.

Source: British Columbia (2017).

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