
Working together for vibrant and sustainable communities

A GREEN PAPER



Vibrant and Sustainable
Communities

New Brunswick
Nouveau Brunswick

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**Government of New Brunswick
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A message from the minister

New Brunswick is at a crossroads. We need resilient and financially viable communities and regions that offer high-quality services in order to thrive and grow as a province. To accomplish this, we need to modernize our local governance system.

Our green paper is an important step in this journey. Please read it and share your ideas on how we can ensure that we have a province that can take advantage of opportunities and adapt to future needs.

Our local governance system no longer meets the needs of many New Brunswickers or their communities.

Our current system, which has its roots in the 1960s, creates duplication of services and infrastructure. Many communities lack the financial and human resources they need.

While progress has been made in improving the local governance system over the past decade, much more remains to be done.

New Brunswick has 340 local entities, including eight cities, 26 towns, 61 villages, eight rural communities, one regional municipality and 236 local service districts. Other provinces with much larger populations have far fewer entities.

Almost 30 per cent of our population does not have local government representation. Residents in those areas have very little say in the decisions made for their communities.

Some areas of the province are having difficulty maintaining basic services such as fire protection and community centres. Others will face the same challenges in the near future.

Change is not easy but we must act now to ensure we have the right local governance system for New Brunswick's future.

Creating vibrant and sustainable communities will require collaboration and fresh thinking. Additionally, government is working on education and health reforms that will need to be considered as part of this process to ensure alignment and collaboration on feedback gathered and issues that intersect.

Over the coming months, we will engage with residents and stakeholders from all over the province. We want to hear from you. Due to the pandemic, engagement will be virtual. You can also send your suggestions by email to VibrantNBDynamique@gnb.ca or by mail to Department of Environment and Local Government, P.O. Box 6000, Fredericton, New Brunswick, E3B 5H1, attention Local Governance Reform Team.

We want to have an empowered local governance system that meets the needs of residents and ensures their well-being by creating vibrant and sustainable communities that work together to enhance the quality of life.

As the minister of Local Government and Local Governance Reform, I encourage you to join us. Your voice is important.

A handwritten signature in black ink, appearing to read 'D. Allain', with a stylized flourish at the end.

Hon. Daniel Allain
Minister of Local Government and Local Governance Reform

What is a green paper?

A green paper is a document that explains the issues that need to be addressed and provides options to address them. This green paper is designed to encourage public discussion. Members of the public and stakeholders are encouraged to share their views and ideas on the opportunities presented.

This green paper outlines the challenges that communities face across the province. For more information on the history of local governance and previous studies and reports, visit gnb.ca/vibrantNB.

A green paper is not government policy. The feedback received through the engagement process will be thoroughly reviewed and will help inform the release of a white paper by the end of 2021. This is an opportunity to help shape the direction of the province and its communities. The white paper will outline the policy changes, designed in part by working committees, that the government plans to make to strengthen the local governance system.

The vision and principles of modernizing the local governance system

New Brunswickers identify strongly with the place they call home. The needs of residents vary from one community to the next. Local governments play an important role in the lives of the communities they serve, as they have the pulse of those who live there. Locally elected representatives are close enough to residents to hear and understand the problems in their communities. In most cases, residents feel they have a voice and know who represents their interests and makes decisions on their behalf.

The goal of local governance reform is to work together to design a system that is effective and affordable today and into the future. Since the structure was introduced more than 60 years ago, the province has changed. As the population changes and shifts, a system is needed that meets current realities throughout the province.

The aim is to change what exists into what New Brunswickers need and want. Individuals and communities must consider what options will address the issues and implement improvements. The exact nature of the changes will be determined through an engagement process.

A key to this process is for individuals and stakeholders to ask: is the province organized locally and regionally in a way that best serves the needs and interests of New Brunswickers and their communities?

The vision for reform

Vibrant and sustainable communities working together to enhance the quality of life of New Brunswickers.

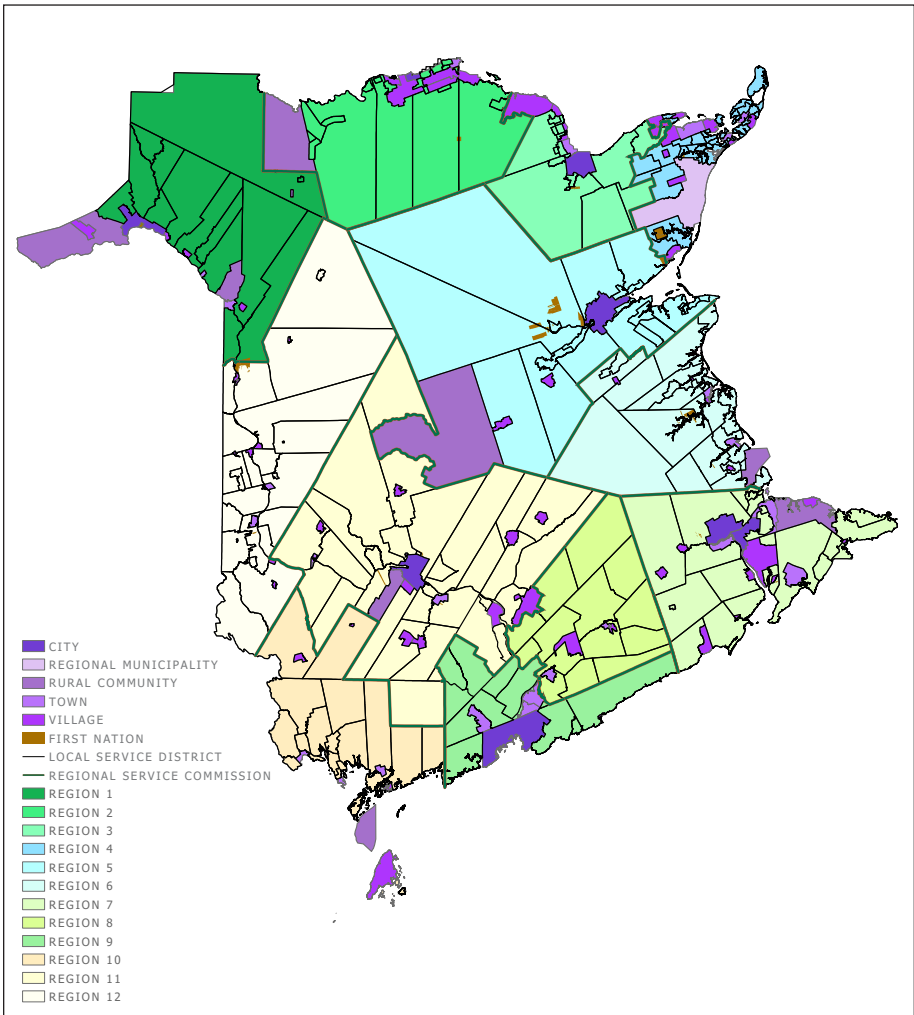
Principles that will guide the process

- The Government of New Brunswick will uphold the principles of the Equal Opportunity Program for fairness and equity throughout the province, as well as efficiency and accountability.
- Local governance capacity will be strengthened through increased collaboration and cooperation.
- The identity of communities will be respected, including their language, culture, sense of place and history, while reducing the number of local governance entities. This includes respecting the important principles established in the *Act Recognizing the Equality of the Two Official Linguistic Communities in New Brunswick*.

An overview of New Brunswick's local governance system

For a population of its size, New Brunswick has a relatively high number of local governments and unincorporated administrative areas.

New Brunswick's local governance entities



Source: Department of Environment and Local Government

Local governments are incorporated entities that provide services and make decisions on local matters for a defined geographic community. Each local government has a council made up of a mayor and councillors who are elected through a general municipal election every four years (administered by Elections New Brunswick and funded by the province). There are 104 incorporated communities in New Brunswick, which account for 69 per cent of the population.

A local service district (LSD) is a structure that allows for the administration and delivery of local services such as streetlights, recreation, garbage collection, and fire protection to areas of the province that are unincorporated (i.e., do not have a mayor and councillors). These services are coordinated by the provincial government through the Minister of Local Government and Local Governance Reform. There are currently 236 unincorporated LSDs in the province, which accounts for 30 per cent of the population.

The remaining 1 per cent of the population lives in First Nations communities, which have their own governance structures.

While a local government may be named a city, town, village, rural community or regional municipality, their status and the authority of their councils are similar.

In 2012, 12 [Regional Service Commissions \(RSCs\)](#) were created to help improve regional collaboration. The RSCs are responsible for providing common services to local governments and LSDs in their region. RSCs must provide solid waste management and planning services, but they also have the authority to take on additional services on a voluntary basis, to increase opportunities for communities to work together on regional issues like tourism development. The RSC's boards consist of the mayors of the region and some LSD representatives. Their establishment was inspired by the recommendations of the [2008 Building Stronger Local Governments and Regions \(Finn Report\)](#), which called for the establishment of 12 regional service districts.

Entity	Number of Entities*	Total Population	% of total population
City	8	276,381	37%
Town	26	128,746	17%
Village	61	70,855	10%
Rural Community	8	24,394	3%
Regional Municipality	1	16,114	2%
LSDs	236	222,448	30%
Total	340	738,938	99%
First Nations**	16	9,922	1%

Population data source: Statistics Canada, 2016 Census of Population.

*As of January 2021

**Source: Indigenous and Northern Affairs Canada's Indian Registry System as of December 31, 2020

DID YOU KNOW:

The smallest 70 local governments in New Brunswick have less than a combined population of 76,000. The smallest local government has just 213 people living within its boundaries.

Service delivery in New Brunswick

New Brunswickers rely extensively on services offered at the local level. Their quality of life depends in great part on the decisions made by local government council members and administrators, as well as the managers who are responsible for administering the LSDs.

The table below provides a high-level overview of what services provincial and local governments are responsible for in their communities.

Services offered in New Brunswick communities		
Service	Provincial government	Local governments
Health care	■	
Education	■	
Social services	■	
Justice	■	
Economic development	■	■
Police and fire services		■
Roads	■	■
Public transportation		■
Drinking water and wastewater		■
Solid waste management		■
Emergency measures	■	■
Tourism	■	■
Recreation, culture and community centres		■
Land use planning and building inspection		■

In LSDs, the Minister of Local Government and Local Governance Reform ensures service delivery to residents.

New Brunswick's current structure

There are 340 local entities

Many challenges facing the local governance system are linked to current boundary divisions. Many local boundaries no longer reflect how and where people socialize, work, shop and access services (e.g. school, health, recreation, business, culture, etc.). Existing structures do not keep up with changes in demographics or development.

The bedroom communities across the province highlight part of this challenge. A bedroom community is a residential area (includes both local governments and LSDs) in which many people reside but do not work or access services. Residents typically go to neighbouring communities to work or to take part in activities.

As a result of the high number of entities relative to the province's population, there are fragmented approaches and different rules and service levels in relatively small geographic areas. The large number of separate entities can create individualistic and competitive approaches rather than collaboration¹.

Many New Brunswickers have no local representation

New Brunswickers who live in LSDs, which represents 30 per cent of the population, are not served by a local government. Ultimate decision-making in LSDs is in the hands of the Minister of Local Government and Local Governance Reform. In contrast, between 90 and 100 per cent of provincial and territorial populations across Canada are served by elected local governments.

LSDs may elect advisory committees to provide advice to the minister on local matters. Some advisory committees are very active and have members who volunteer their time to engage with the provincial government and neighbouring communities to ensure their communities are considered in decision making. However, about 30 per cent of LSDs do not have such committees, and many committees that do exist are inactive.

LSD advisory committees have no decision-making authority and have little influence on services provided locally (policing, local road maintenance, etc.) or spending on infrastructure. In addition, they have little or no influence on where provincial and federal infrastructure money is spent, other than working with community groups or the RSC to apply for federal gas tax funding. They also do not get to decide how to spend the money allocated by the provincial government for the LSDs' annual capital budget. While the advisory committee members are elected by residents who

¹ Building Stronger Local Governments and Regions (<https://www2.gnb.ca/content/dam/gnb/Departments/lg-gl/pdf/BuildingStrongerLocalGovernmentsAndRegions.pdf>)

attend a meeting, there are no accountability mechanisms in place to ensure that members are representing the full interests and views of the community members. In fact, there is currently no requirement for LSD advisory committees to meet with or communicate with their residents.

Changing demographics

New Brunswick's population has a higher percentage of older people than in most of the country. There are also changes in where people are living throughout the province. Younger people tend to move from rural communities to urban areas and bigger centres. The population of smaller rural communities is often older, and projections indicate they will continue to experience population decline. It is anticipated that over the next 20 years, only the Moncton and Fredericton regions, and to a lesser extent Saint John, will experience population growth. All other communities are expected to experience decreases².

This is, and will continue to, create challenges for communities. With a smaller population there are fewer people to run for office or volunteer for fire departments. Shrinking tax bases will make paying for the upkeep of infrastructure increasingly difficult and communities will be faced with the difficult choices of reducing services or increasing property taxes.

DID YOU KNOW:

There are 152 volunteer fire departments throughout the province. More than 3,550 New Brunswickers volunteer in these departments to keep their communities safe. In addition, there are 6 departments with approximately 520 paid firefighters and 9 departments that have a combination of approximately 440 paid and volunteer firefighters.

Financial and human resource capacity

Many local governments and LSDs have limited financial capacity, which is the ability to raise revenues through property taxation, because of their small size. Larger communities have the financial flexibility to offset small increases to costs, such as insurance premiums or garbage collection, without raising their tax rate; while smaller communities, facing limited tax base growth, are often faced with increasing their tax rate to cover these small increases.

² Looking Ahead: Atlantic Canada's Urban and Rural Dynamics (<https://www.apec-econ.ca/publications/view/?do-load=1&publication.id=414>)

DID YOU KNOW:

In a community with a population of about 275 people, the financial capacity is so limited that increasing the tax rate by 10 cents per \$100 of assessment would only generate \$9,806 a year. This can make planned upgrades and investments difficult.

In some communities, finding candidates to run for council or join an LSD advisory committee can be a significant challenge. Many council seats and LSD advisory committee positions are filled by acclamation, often by the incumbent.

In New Brunswick, there are currently around 630 elected councillors and mayors and more than 600 LSD advisory committee members. There is the potential for over 900 if each LSD had an active advisory committee. To put this in perspective, the Halifax Regional Municipality has 17 elected council members to serve a population of about 400,000, while the Village of Meductic has four elected officials to serve just 215 people.

Inconsistent levels of service throughout the province

A vibrant and sustainable community offers essential services at a level that meets the needs and expectations of residents and visitors.

Services, costs and infrastructure that are available in New Brunswick have been [studied](#), but in terms of the level of service, the challenge remains: the province does not require local governments to report on established service level standards such as benchmarks and targets.

This is a challenge because it is not clear if residents in some communities are receiving a higher quality or quantity of services than others in similar-sized communities. This also presents a challenge as New Brunswickers do not know what level of service to expect from their local governments, and local governments do not know what level of service they are expected to deliver.

DID YOU KNOW:

There is currently no obligation for local governments to provide fire protection services, let alone at a certain level of service.

Models from across Canada

Within Canada, there are over 30 different types of local government structures, ranging from resort villages to regional municipalities, townships to cities.

Nova Scotia has just 50 local government entities, for a population that is 20 per cent larger than New Brunswick's. All of Nova Scotia's population lives within one of the 50 incorporated areas, of which there are four types: regional municipalities, towns, county municipalities and district municipalities. Nova Scotia's smallest entity has a population of 491 people. In New Brunswick, the smallest entity has a population of five people.

DID YOU KNOW:

Nova Scotia has only four entities with fewer than 1,000 people. In New Brunswick, there are 38 local governments and 170 local service districts that each represent fewer than 1,000 people.

Studies specific to New Brunswick

Over the past 15 years, many studies have been undertaken to explore restructuring in New Brunswick. While there have been some successes many have met with substantial opposition and have not moved forward. Since 1999, the provincial government has adopted the voluntary approach to restructuring with limited success.

The major restructuring that took place in the cities of Edmundston, Miramichi, the Rural Community of Upper Miramichi and the Village of Atholville have resulted in strengthened local government and service delivery. In addition, the establishment of some regional cost and service sharing arrangements that were made in the Greater Moncton and Saint John areas in the 1990s have proven successful. Examples of other positive restructurings include the creation of one municipality for Grand Manan in 1995 and the formation of eight Rural Communities across New Brunswick that resulted in the consolidation of some LSDs and smaller municipalities. One of the most significant of these was the establishment of the Rural Community of Haut-Madawaska in 2017, which consolidated four small villages and several LSDs.

There are many communities that have restructured administratively but have maintained their local identities and sense of community. Marysville and Nashwaaksis restructured to join the City of Fredericton over 50 years ago yet are still referred to by their former names.

What are the opportunities for community restructuring?

Changes in local structures that involved adjusting local boundaries have arguably been the most contentious and the most difficult aspect of past reforms to implement, but as previously outlined many have been successful.

There are a wide range of structural changes that could be considered to address the province's challenges while improving capacity, strengthening local representation and decision-making while improving collaboration. Many of the opportunities presented could be combined.

A. Opportunity: Focus on recognizing and strengthening service hubs

Inspired by the successes of the 1990s which resulted in the City of Miramichi and the expanded City of Edmundston, this opportunity would merge smaller local governments such as villages and/or rural communities and LSDs with immediately adjacent cities and towns. Such restructuring would be reflective of larger communities of interest and of important linkages that have developed over time between communities. The challenges experienced by larger centres by nearby bedroom communities could be addressed by implementing this opportunity.

B. Opportunity: Create rural regional local governments

An opportunity would be to create large rural regional local governments that would include merging LSDs and possibly some small local governments such as villages. This is essentially the Nova Scotia county municipality model, which provides local government to geographically large rural areas. In Nova Scotia, over time, some smaller local governments have chosen to merge into rural municipalities due to financial issues.

C. Opportunity: Restructure the province into regional municipalities

An option could be to redraw the existing boundaries and establish new regional municipalities that cover the entire province (and eliminate all existing LSDs, municipalities and rural communities). Nova Scotia's regional municipality model (e.g., Halifax Regional municipality and Cape Breton Regional Municipality) is, in some ways, similar to this concept (large geographically and in terms of population, bringing rural, suburban and urban areas together).

D. Opportunity: Establish new or reconfigured local governance entities

The province could establish new or reconfigured local governance entities that would be based on minimum tax base and population criteria and would reflect larger communities of interest. This would involve merging existing LSDs and local governments and reducing the total number of entities to bring the province in line with other Canadian jurisdictions.³ This option would also bring local government to the entire province. The Finn Report addressed the issues of local capacity and the absence of local government for 30 per cent of the population by recommending bringing together LSDs, rural communities and municipalities, based on communities of interest.

E. Opportunity: Combine LSDs into local government entities

Combine LSDs only into larger local government entities, with the Rural Community being the preferred model. The focus could be those areas located at some distance from towns and cities.

F. Opportunity: Establish a regional form of local governance and administration for LSDs through the current regional service commissions

LSD representatives would be elected by the general population to serve on the boards of the RSCs. Such a model has been recommended by the Assemblée Nationale de l'Acadie and others, and drew its inspiration from the existing regional county models in Quebec and Nova Scotia. It should also be noted that such a model would be quite similar, in structural terms, to British Columbia's system of regional districts.

G. Opportunity: Design service level benchmarks for locally and/or regionally-delivered services

In some jurisdictions outside New Brunswick, performance measurement at the local level has been introduced and developed over several years. New Brunswick could establish performance objectives based on the expressed needs of residents and stakeholders.

To be relevant and sustainable, performance measures and levels of service must relate to the specific priorities, values and responsibilities of the respective communities.

³ <https://www2.gnb.ca/content/dam/gnb/Corporate/Promo/localgovreform/PT%20Map%20-%20EN.jpg>

Regional collaboration

Regional governance structures allow municipalities to work collaboratively to deliver effective and accessible services that respond to the needs of their communities. The benefits of water treatment, tourism, recreational and cultural facilities and of other services spill over municipal boundaries within an urban area. These spillovers could be coordinated by some form of regional collaboration to ensure that the appropriate amount of service is provided and to ensure that the people benefiting from the service pay for it. A regionwide entity may ensure that all municipalities can provide a reasonable level of service at a reasonable tax rate, especially those municipalities that have high needs and a small fiscal base⁴.

Communities with decreasing populations may struggle in their ability to generate the revenue needed to deliver and maintain services. In some instances, neighbouring communities are facing the same challenges and trying to deliver the same types of services. They may even be competing for human or financial resources.

In some instances, local governments are providing facilities which are being accessed by people who live outside their community. However, the services are paid for by the residents of only one local government through their property taxes.

DID YOU KNOW:

In the Village of Blacks Harbour, approximately 90 per cent of the users of the recreational complex are from outside the community and there are no user fees.

Limited cost-sharing, cooperation and investment amongst communities

Setting priorities to make the best use of provincial and federal funding for local government infrastructure and facilities is more difficult with many competing and divided local interests.

Many communities across the province have voluntarily collaborated and put in place agreements to share costs, strengthen service standards and access, and improve service affordability and viability. Examples of this include collaboration on policing, cost-shared arrangements for fire protection, multi-community water and wastewater commissions, and various cost-sharing agreements for facilities.

4 Slack, Enid. "Models of Government Structure at the Local Level". Working Paper 2004(4) © 2004 Institute of Intergovernmental Relations, Queen's University (<https://www.queensu.ca/iigr/sites/webpublish.queensu.ca/iigrwww/files/files/WorkingPapers/Archive/2004/2004-4Slack2004.pdf>)

However, in many areas, there is a lack of appropriate cost-sharing for certain services as local boundaries do not accurately reflect which communities benefit and which communities pay for services. The example of recreational facilities, like rinks, has caused a significant amount of tension between community representatives and their residents as in some cases, the municipality where a facility is located pays more than its fair share of the costs.

While the implementation of RSCs helped improve regional collaboration, many have said they don't go far enough.

Models from across Canada

There are many examples of regional governance structures across the country.

Other Canadian provinces have designed and strengthened regional governance systems that promote increased collaboration and representation, and limit duplication. New Brunswick took a step in this direction with the introduction of the *Greater Saint John Regional Facilities Commission Act* in 1998 and with the creation of RSCs.

British Columbia, with a population of over 4.6 million people, has a **network** of 27 regional districts and 231 improvement districts⁵. The regional districts provide **governance and services**. They also provide a political forum for representation of residents and act as a local government for rural areas. The regional districts are governed by a board of directors, which is composed of a director elected from each electoral area and one or more directors appointed from the elected council of each municipality and from any Treaty First Nation. This means that every resident in British Columbia has elected representation at the local level.

British Columbia's regional districts are responsible for the following services: emergency management, planning for regional solid waste management, and governance for electoral areas. They may also choose to provide other services and may facilitate partnerships between communities for cost-sharing of services⁶. Services may be operated by the regional district or by way of service agreement with another provider.

Quebec provides another example of regional governance offering a broad range of services and governance to its residents. Quebec's **regional county municipalities** (RCM) are made up of local governments and unincorporated areas in a specific region. Some cities act as their own regional county municipality and some areas of northern Quebec are not included. The mayors of the municipalities within the

⁵ The role of an improvement district is similar to a regional district in terms of purpose and services; however, it operates on a much smaller geographical area and has more limited powers.

⁶ British Columbia Ministry of Community Services (2006). A Primer on Regional Districts in British Columbia (https://www.regionaldistrict.com/media/28095/Primer_on_Regional_Districts_in_BC.pdf)

region form a council to govern it. The council chair is usually elected by and among the mayors who make up the council, but they can choose to have the voters in the region directly elect the chair.

Under Quebec legislation, the regional county municipality has many of the same responsibilities for unincorporated areas as a municipal council would have in a city or town. Quebec explains the need for a regional level of governance [this way](#): without diminishing the authority of the local municipality on its territory, certain issues of local jurisdiction require neighbouring municipalities to work together. To be viable, they require regional or metropolitan planning, coordination and cost sharing.

Quebec's regional county municipalities work with their member cities to meet their responsibilities for regional planning, property assessment, waste management planning, public safety planning, regional and local economic development, wastewater treatment, and certain direct public services such as fire safety for residents of unincorporated areas. By 2022, regional county municipalities will also have to adopt a regional plan on wetlands and bodies of water.

Some regional county municipalities also have responsibilities to support cultural and recreational community events, promote tourism, regulate certain ports and airports, maintain regional parks and provide social housing.

Studies specific to New Brunswick

The 2017 report [Improving the Regional Service Commissions in New Brunswick](#) contained a series of recommendations to strengthen the RSC mandate, including the potential addition of specific new service responsibilities. The Finn Report also recommended that regional services include planning, solid waste management, policing, emergency measures and economic development.

What are the opportunities for New Brunswick?

A. Opportunity: Increase inter-community and regional collaboration

By working together, communities could pool their human and financial resources and reduce duplication. The creation of RSCs has improved the sharing of services and several RSCs have made great progress in collaborating on regional projects. These projects include climate change adaptation planning, housing strategies, transportation planning, tourism, local airports, by-law enforcement, and regional recreational planning. Stronger regions will benefit all the communities within the region.

B. Opportunity: Strengthen the regional service commissions

One option is to strengthen the mandate of RSCs to provide additional services, such as tourism, economic development, climate change adaptation, solid waste collection, and recreation. With the right level of capacity and funding, they may even be able to work with communities to offer services such as immigration settlement and retention, housing, and regional emergency management. These are examples of services that spill over municipal boundaries and may best be offered as a region, since individual communities may not have all the tools and capacity they need to be successful in delivering these services on their own.

C. Opportunity: Develop provincial and locally relevant service standards and metrics

While local governments in New Brunswick do not consistently measure or track the levels of service offered or achieved, there is a willingness to adopt performance objectives if they would improve service delivery.

Any measures implemented must relate to the specific priorities, values and responsibilities of the communities. The measures could be created independently or adapted from other jurisdictions. Once service levels were measured, infrastructure decisions could be made based upon needs and priorities.

Land use planning in the province

Land use planning is fundamental to creating sustainable and vibrant communities as it determines the use of land, resources, infrastructure and services to influence the physical, economic and social development of a community.

Varying levels of planning in communities

The challenges for land use planning in New Brunswick have been well documented⁷ and include urban sprawl, linear development, the need to protect natural resources and emerging issues related to climate change. Multiple levels of government need to work together to better develop major infrastructure, protect people and property in vulnerable environmental locations and better manage urban, suburban and rural development. For example, there are challenges around the province relating to the loss of farmland that is being transformed into residential lots. There are conflicts between adjacent properties from a land use perspective. A quarry could be set next to a housing development for example.

The first land use planning legislation was introduced in the province in 1912. Planning has evolved and legislation has been adjusted. In 2018, the *Community Planning Act* was updated to provide new tools which improved some of the ways in which planning is conducted such as allowing the use of statements of provincial interest and the use of the internet and social media to advertise public hearings.

Additionally, progress has been made on land use planning since the introduction of RSCs, with an increase in the number of communities with land use plans and improved coordination of those plans. However, there are opportunities for improvement such as better coordination and collaboration between the provincial government, regions and local communities as well as improved quality and consistency of service delivery.

Inconsistent land use planning continues to be a challenge. For example, LSDs are not required to have a land use plan but local governments must have one. As such, about 50 per cent of LSDs have no land use plan, though several are currently being developed. Communities without plans are more vulnerable to unwelcome development with attendant negative impact on property values and on the quality of life.

7 The Commission on Land Use and the Rural Environment (<https://www2.gnb.ca/content/dam/gnb/Corporate/Promo/localgovreform/The%20Commission%20on%20Land%20Use%20and%20the%20Rural%20Environment%20.pdf>)

Models from across Canada

All ten Canadian provinces have legislation that provides the tools and structure related to land use planning.

The framework of land use planning in New Brunswick is similar to other provinces, however, each jurisdiction has differences based on their local governance structure. For provinces that are completely municipalized, land use planning services are provided by the local government. Other provinces, like New Brunswick, have land use planning services provided by local governments, regional service commissions and by the province in unincorporated areas. While land use planning tools are very similar across the country, some jurisdictions have more robust planning frameworks, tools and administration.

Some provinces, such as Ontario, Nova Scotia, and Saskatchewan, are using “statements of provincial interest.” In some provinces they are called provincial policy statements or provincial planning policies. The intent of the statements are to provide direction, support, and coordination at the provincial, regional, and local level on topics like climate change, flooding, housing, water management, and agricultural land protection. All planning documents must be consistent with the statements of provincial interest and this helps ensure that everyone is addressing a specific type of land use (e.g., development of quarries) the same way.

Some provinces, such as Ontario, have statements of provincial interest that provide provincial direction, and in some communities a regional plan to coordinate development on the regional scale, followed by local land use plans (e.g., municipal plans) for the detailed community, neighbourhood and property level planning. This hierarchy of planning tools is something that has been advocated by planners in New Brunswick. For example, the 2016 report by the New Brunswick Association of Planners [Building A Business Case: Modernizing the New Brunswick Planning Framework](#), advocated for a multi-tiered approach to planning in the province. Some provinces that have taken this tiered approach are Ontario, Quebec and, to a certain extent, Nova Scotia.

Ontario and British Columbia also use regional planning. This allow regions or groups of communities to set goals and policies for specific land uses for example, locating regional recreational facilities or planning regional transportation system.

What are the opportunities for New Brunswick?

A. Opportunity: Provide land use planning tools

Providing land use planning tools that are flexible and able to address planning issues such as inclusionary zoning. Tools like this could be used to help address the issue of providing affordable housing.

B. Opportunity: Better coordinate the planning of urban, suburban, and rural communities with enhanced collaboration between regional service commissions and local governments

Improved coordination between land use plans and future development could assist in addressing urban sprawl and rural subdivisions, managing industrial development, protecting natural resources and farms. Additionally, better coordination could ensure life cycle costs of infrastructure are taken into account. It could also coordinate aggregate extraction, transportation, and recreational infrastructure.

C. Opportunity: Provide a more consistent approach to land use planning across the province by establishing a minimum delivery standard

Currently, the delivery of planning services varies among local governments and regional service commissions. Establishing minimum standards, would result in a more consistent approach to land use.

D. Opportunity: Provide provincial direction for specific land use planning matters by using Statements of Provincial Interest

Providing provincial direction on specific land uses would help ensure a consistent approach from community to community on a specific matter, for example, on how to address flooding, and climate change adaptation.

Financing New Brunswick's local governance system

When discussing local governance reform, financial reform inevitably is raised. Various stakeholders have put forth ideas over the past number of years to address challenges within the current structure and/or to provide additional financial flexibility to local governments.

Property taxes are the primary revenue source for local governments, representing an average of 82 per cent of total revenues. The Community Funding and Equalization Grant provided by the province represents the other major source of revenue. In 2021, local governments and LSDs will receive more than \$75.9 million from these grants. While the grants represent on average of seven per cent of revenue, some communities are heavily dependent on it to deliver services. In some cases, more than 30 per cent of a community's total revenue comes from the grant. For others, property taxes alone are almost sufficient to cover the cost of services to residents and the grant represents less than one per cent of their revenue.

In addition, local governments have various non-tax revenue through user fees, by issuing building permits and licenses and the sale of services (or cost-sharing arrangements) to neighbouring communities. These revenues account for about 12 per cent of overall local government revenues.

DID YOU KNOW:

While on average property tax represents 82% of a local government's revenue and the grants represent 7%, it varies from community to community. One local government receives 97.9% of their revenue from property taxes while another receives over 43% of their revenue from the grant.

Unrelated to the operating budgets, local governments and LSDs have been able to take advantage of various funding programs offered by the provincial and federal governments. These programs have evolved over the years and have been primarily focused on supporting critical infrastructure development and refurbishment, as well as supporting the building and renovation of major facilities. This is important because those facilities need to be operated and maintained once built.

Property Taxes

A fair and effective taxation and assessment system begins with transparency and accountability. This can strengthen public confidence in the system.

There is often uncertainty regarding what property taxes pay for or why both provincial and local property taxes apply in the province.

In New Brunswick, property taxation is an important revenue source for both the province and local governments.

DID YOU KNOW:

For the 2021 taxation year, provincial property tax rates generated \$422.4 million for important provincial services⁸.

Currently in New Brunswick, there are two levels of property tax – provincial and local (municipal). As established by the Equal Opportunity Program of the 1960s, the provincial tax is levied to help finance provincially delivered services such as health, education, social services and the administration of justice. The local tax is levied to finance the provision of local services such as local roads, fire and police protection.

Taxable property is classified as either residential or non-residential (i.e., businesses). Residential property is further classified as either owner-occupied housing (i.e., homeowners), non-owner-occupied housing (e.g., rental housing, cottages) or other residential (e.g., farm land, vacant land). Non-residential properties are treated uniformly provincewide, with no further classification or differentiation based on size, scope or industry.

Roles and Responsibilities

Service New Brunswick is responsible for the **assessment of all real property** in the province for property taxation purposes. The province, through the Department of Finance and Treasury Board, issues tax bills and collects property tax on behalf of itself, local governments, and LSDs. The province, through the Department of Environment and Local Government, provides local governments and LSDs their property tax revenue through an annual warrant. The annual warrant guarantees that the local governments and LSDs receive their full property tax revenue regardless of payment and collection. That risk is assumed by the province, a key difference from many other Canadian jurisdictions.

⁸ Finance and Treasury Board as of March 2021. The above figure includes the provincial revenue generated from the provincial rates applied to non-owner-occupied residential housing (\$1.1233), other residential (\$1.2173) and non-residential (\$2.1860) properties.

The current provincial-local property tax rate structure

Provincial property tax rates for the various categories of property are legislated by the *Real Property Tax Act*. Local governments use the tax base in preparing annual budgets and for setting the local residential property tax rate. Similarly, the Minister of Local Governance and Local Governance Reform annually fixes a rate of tax to be levied within each LSD. For local governments and LSDs, the non-residential rate is legislated to be fixed at 1.5 times the residential rate.

Under the current property tax system, residential owner-occupied properties (i.e., principal residences) receive a credit equal to the provincial property tax but pay local tax. In LSDs, owner-occupied properties pay a special provincial levy of 41 cents per \$100 of assessment to help pay for provincially provided local services in these areas (e.g. roads). Non-owner-occupied residential properties, other residential properties, and non-residential properties are subject to both provincial and local tax, but do not pay the special provincial levy in LSDs.

DID YOU KNOW:

The special provincial levy generates \$49.3 million, while the cost of local and regional road services in LSDs is estimated at approximately \$106 million.

The average property tax rates by property class in both the municipalities and LSDs for 2021 is available [online](#).

Community Funding and Equalization Grant

Local Governments

The goal of the Community Funding and Equalization Grant, previously known as the unconditional grant, is to provide funding so that local governments can provide a comparable level of service, at a comparable tax rate no matter where they are located. Even though the current formula was established in 2013 by the *Community Funding Act*, providing local governments with provincial funding in the form of an unconditional grant was an important part of the Equal Opportunity Program. It was recognized at the time, and still is today, that the ability of local governments to raise revenue is limited. As a result, the provincial government provides additional funding to help meet local expenditure needs.

Today, the grant is comprised of two components: a core funding component and an equalization component.

The core funding component is set in legislation at 16 cents per \$100 of a local government's non-residential assessment base. For the 2021 budget year, the core funding component represents \$14 million.

The second component of the grant, the equalization component, is tied to expenditure need and fiscal capacity. For the 2021 budget year, the equalization component represents \$53.2 million.

Under the equalization formula, local governments are divided into seven categories. These group similar local governments together based on the role they play within their region from a service delivery perspective. The equalization grant provides funding to allow each local government in a particular group to provide a comparable level of services at a comparable tax rate. This means that if, at the average tax rate of its group, a local government can provide an above average level of service, it does not receive an equalization grant. On the other hand, if at the average tax rate, a local government cannot meet the average level of service, it will receive equalization funding.

Local Service Districts

LSDs also receive grant funding in two components: a core grant per capita and equalization for policing services.

All LSDs receive a grant per capita that is adjusted by the LSD's fiscal capacity. Therefore, LSDs with more fiscal capacity receive a smaller per capita grant than an LSD with smaller fiscal capacity. In total, the LSDs receive close to \$2.6 million from the per capita grant component.

Under the funding component, to help finance policing services, a maximum local tax rate for policing service is set (currently set at 27 cents per \$100 of assessment). In each LSD where policing services cost more than the maximum tax rate, an equalization grant is received to reduce the impact to the local rate. In total, LSDs receive \$4.4 million under this component.

Local governance funding across Canada

Comparing property tax systems across Canada is difficult given the complexity and wide variation in structures, roles and responsibilities. However, across the country, property taxes are the main revenue source for local governments. And while there is a perception that New Brunswick is unique in levying a provincial property tax, most provinces generate revenue through some form of property tax.

What are the opportunities for New Brunswick?

It is important to recognize that providing additional financial flexibility to local governments through the property tax system would result in additional costs for the province, property owners, or both. Any change in the property tax system, local governance structure, or the way services are delivered would also require the Community Funding and Equalization Grant to be reviewed and adapted.

Depending on the extent of the change(s), and in acknowledgement of the possible financial implications, any financial reform would likely also need to be implemented gradually. It would also be important to balance any potential tax reform options with the fiscal situation of the province and the financial situation of individual taxpayers, particularly in light of the COVID-19 pandemic and associated economic recovery efforts.

A. Opportunity: Lower the provincial property taxes on non-owner occupied residential and non-residential properties

The provincial government has previously identified a reduction in provincial property tax rates as an important step towards making the system more competitive. Although the 2020-21 budget proposed provincial property tax reductions, the onset of the COVID-19 pandemic has significantly elevated the uncertainty with respect to the province's finances. Due to these circumstances, the reductions did not take place. The government has since indicated that it would consider lowering the tax burden on New Brunswickers, but only as the fiscal situation allows.

Property tax reform that includes reductions in provincial property tax rates could be an opportunity to lower the tax burden of property owners. Provincial rate reductions could also be combined with other local property tax reform options and serve to offset or reduce the overall financial impact on property owners.

B. Opportunity: Transfer tax room from provincial to local governments

The government could transfer property tax room to local governments. This would involve a reduction in provincial property tax rates with local governments increasing their local tax rates accordingly. Assuming local governments used the transferred tax room at the same tax rate, there would be no impact on the taxpayer. The revenue-raising responsibility would simply transfer from one level of government to another.

The province would experience a revenue loss, with a corresponding revenue gain for local governments. However, to fully enter the vacated provincial tax room would do nothing to address concerns of a comparatively high, and less competitive overall property tax burden in New Brunswick.

C. Opportunity: Local flexibility on rates and classifications

Currently, local governments set their residential rate, with non-residential properties taxed at a legislated factor of 1.5 times the residential rate. Local governments could be offered increased flexibility in terms of the rates applied to existing or new property classifications. For example, enabling local governments

to levy a higher non-residential rate (for example, at a factor of 1.6, 1.7 or 1.8 times the residential rate).

A similar concept would be the creation of a separate industrial classification for assessment and local taxation purposes, with local governments given the ability to levy a higher rate on this new industrial classification. By providing additional rate and/or property classification flexibility, local governments would gain additional financial flexibility and increased revenues. While there would be no impact on provincial revenues under these options, impacted property owners would see higher taxes, for instance on non-residential properties or industrial properties.

Given the different composition of tax bases among local governments, providing greater local flexibility would benefit some communities more than others. This could widen fiscal disparities between local governments and have implications on the existing provincial Community Funding and Equalization Grant program that would need to be taken into consideration.

D. Opportunity: Ensure all property types in LSDs contribute to the costs of local roads through property taxation

To address concerns relating to the imbalance between incorporated areas and unincorporated areas, the cost of local/regional roads could be extended to all property types in LSDs. This could be accomplished by adding the cost of local roads to the local rate in LSDs, along with a corresponding reduction to the special provincial property tax rate on homeowners in the LSDs.

Adding the cost of local roads to the local rate in LSDs would ensure that owners of all types of property share that cost. It would represent a tax increase for non-owner-occupied residential properties, other residential properties and non-residential properties in the LSDs. It would, however, correct a current imbalance in the system and reduce the incentive for urban sprawl.

E. Opportunity: Improve the use of technology and information sharing to make the system simpler and clearer

Increasing the data-sharing capabilities between local governments, RSCs and the provincial government would create opportunities for improved decision making. One example would be by having building permits, building plans, property record information as well as progress status reports on new construction shared electronically between local governments, RSCs and the provincial government.

Next steps

Changing the existing local governance structure to adapt it to current needs will be complex and the exact nature of the changes have not yet been defined. The provincial government is looking for options and solutions from the public and from stakeholders.

Move from	To
a complex and fragmented structure that promotes individualistic behaviours at the expense of cost-sharing and collaboration	a cost-effective service delivery model for New Brunswickers that promotes regional collaboration
an inconsistent level of service	an established framework that defines sustainable service levels that reflect community needs
an eroding financial and human resource capacity	an increased financial and human resource capacity that supports the evolving needs of residents and businesses
a property tax system that is perceived as unfair and lacking transparency	a well-understood and equitable system

Individuals and stakeholders can provide feedback by:

- emailing to VibrantNBDynamique@gnb.ca or by mail to Department of Environment and Local Government, P.O. Box 6000, Fredericton, New Brunswick, E3B 5H1, attention Local Governance Reform Team, by May 31, 2021.
- participating in an engagement session. More information will be available at gnb.ca/vibrantNB.

Public and stakeholder feedback as well as the recommendations of working committees will be analyzed and will contribute to the drafting of the white paper, which will be released by the end of 2021.

