



Notice of Meeting and Meeting Agenda Governance Committee

Wednesday, May 4, 2016

1:30 PM

6th Floor Boardroom

J. Ranns (Chair), M. Alto (Vice-Chair), D. Blackwell, A. Finall, D. Howe, W. McIntyre,
C. Plant, S. Price, G. Young, B. Desjardins (Board Chair, ex-officio)

1. Approval of Agenda

2. Adoption of Minutes

2.1. [16-571](#) Minutes of the April 6, 2016 Governance Committee Meeting

Recommendation: That the minutes of the April 6, 2016 Governance Committee meeting be adopted as circulated.

Attachments: [2016-04-06 Minutes](#)

3. Chair's Remarks

4. Presentations/Delegations

5. Committee Business

5.1. [16-589](#) Governing Greater Victoria: The Role of Elected Officials and Shared Services, - Discussion with Dr. Robert Bish, Dr. Jim McDavid and Brian Walisser

Attachments: [Fraser Institute: Governing Greater Victoria](#)

5.2. [16-591](#) Discussion: Term of CRHC Board of Directors

6. New Business

7. Adjournment

Next Meeting: June 1, 2016

To ensure quorum, please advise Pat Perna (250-360-3642) if you or your alternate CANNOT attend.

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**Meeting Minutes
Governance Committee**

Wednesday, April 6, 2016

1:30 PM

6th Floor Boardroom

PRESENT:

Directors: J. Ranns (Chair), D. Blackwell, A. Finall, D. Howe, W. McIntyre, C. Plant, S. Price, G. Young, B. Desjardins (Board Chair, ex-officio)

Staff: K. Lorette, General Manager, Planning and Protective Services (A/Chief Administrative Officer); R. Sharma, Acting Chief Financial Officer; C. Nielson, Senior Manager, Human Resources; C. Culham, Senior Manager, Regional Housing; B. Reems, Corporate Officer; P. Perna, Committee Clerk (Recorder)

ABSENT: Director M. Alto (Vice Chair)

The meeting was called to order at 1:30 pm.

1. Approval of Agenda

MOVED by Director Price, **SECONDED** by Director Howe,
That the Agenda for the April 6, 2016 Governance Committee meeting be approved.
CARRIED

2. Adoption of Minutes

2.1. [16-482](#) Minutes of the March 2, 2016 Governance Committee Meeting

MOVED by Director Finall, **SECONDED** by Director McIntyre,
That the minutes of the March 2, 2016 Governance Committee meeting be adopted as circulated.
CARRIED

3. Chair's Remarks

The Chair remarked that after the committee adjourns there be a tour of the Regional Housing department. He spoke on the Service Review agenda item and the need for results, which can be acted upon. He advised that this will take time to work through with ongoing information, and would like the committee's input on what the end product should look like.

4. Presentations/Delegations

None.

5. Committee Business

5.1. [16-475](#) Service Review Information

The Chair opened this item up to the committee for general discussions.

Discussion ensued on the following:

- * inviting the Chief Administrative Officer for the District of Saanich to discuss a streamlined report of the main Regional District of Nanaimo Operational and Efficiency Review report
- * which services to be reviewed and any limitations
- * inability to address items until a problem arises and if they should be in-camera
- * the process of whether having an external firm or internal staff perform a review
- * whether the services are being performed effectively
- * status of where UBCM is regarding incorporating regional districts into the Community Charter
- * concern of the Ministry's study timeline not allowing for an in-depth study
- * importance of all members of the committee to bring forward matters they think need to be addressed

**MOVED by Director Finall, SECONDED by Director Blackwell,
That the Chief Administrative Officer for the District of Saanich be invited to the next Governance Committee meeting to explain the process in the Regional District of Nanaimo's Operational and Efficiency Review report.**

CARRIED

**MOVED by Director Finall, SECONDED by Director Howe,
That the Governance Committee recommend to the Capital Regional District Board:**

That the Board Chair be directed to write to the Minister of Community, Sport and Cultural Development regarding Capital Regional District participation and the required level of Capital Regional District participation in the Provincial Capital Integrated Services and Governance Initiative.

CARRIED

**MOVED by Board Chair Desjardins, SECONDED by Director Blackwell,
That the Governance Committee recommend to the Capital Regional District Board:**

That the Governance Committee review items in the "Governing Greater Victoria, Fraser Institute Report" with respect to the Capital Regional District recommendations and comments and invite Professor Robert L. Bish to make a presentation to the next Governance Committee meeting.

CARRIED

5.2. [16-476](#) Meeting Procedures - Amendments to Motions

B. Reems provided an overview of the report.

Discussion ensued on the following:

- * democratic rights to discuss items prior to a meeting
- * potential of weighing in by email motivating a change in the process
- * inequity in terms of who has or has not received the information
- * transparency and clarity
- * legal constraints and the regulations in the procedures bylaw

MOVED by Director Plant, **SECONDED** by Director Blackwell,
That the Governance Committee recommend to the Capital Regional District Board:

1. That, upon request by the Chair and where feasible, any amendments to recommendations/motions be displayed on the main screen;
2. That amendments to motions only be presented at a meeting.

CARRIED

OPPOSED: Director Young

5.3. [16-483](#) Capital Regional District Regional Housing Presentation

C. Culham, spoke to a PowerPoint presentation on CRD Regional Housing.

Questions on the presentation were discussed as follows:

- * of the staff in Regional Housing, how many are union and how many are non-union positions?
- * income testing and fairness of ensuring low income tenants are still low income and not using the housing as a form of inexpensive living
- * finding permanent housing for homeless individuals
- * new temporary shelters and whether they will be used permanently for low income housing

6. New Business

None.

7. Adjournment

MOVED by Director Blackwell, **SECONDED** by Director Finall,
That the April 6, 2016 Governance Committee meeting be adjourned at 3:00 pm.
CARRIED

Chair

Recorder

GOVERNING GREATER VICTORIA

The Role of Elected Officials
and Shared Services

Robert Bish
Josef Filipowicz



March 2016

Dedication

This review of local governments in Greater Victoria is dedicated to:

- ❖ the mayors and councillors, who are responsible for providing three quarters of a billion dollars of local services to their citizens;
- ❖ the chief administrative officers, their staffs and employees, who are responsible for advising the elected officials and seeing that services get produced and delivered;
- ❖ the citizens in each of our Greater Victoria communities, who are key to the vitality of our local government democracies; and
- ❖ the Local Government Department staff at the Ministry of Community, Sport and Cultural Development, who have long understood that the Department's role is to provide the legal framework for local elected and appointed officials to do their jobs without assuming that provincial officials have better knowledge of local service conditions than the local officials.

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Executive Summary

In British Columbia, a new, innovative kind of local government was created in 1965: the regional district system. Regional districts are unique in two respects: they can take on any function that their municipalities can perform on their own, and the governing board is made up of municipal councillors. Regional districts are a forum where agreements are made to share services when there are mutual benefits for the municipalities involved. Services can include any number of municipalities within a regional district as well as areas not governed by a municipality. Some services are provided on sub-regional levels and others are provided for the entire region. Metropolitan areas in British Columbia have ended up with a much less complex set of institutions and a very high level of shared services compared to elsewhere in Canada. This publication describes how this system has evolved in Greater Victoria, its benefits, and its challenges.

Greater Victoria includes 13 municipalities, five major regional or sub-regional service-providing entities and two lesser entities. Spending on local government services totaled \$2,355 per capita in 2014, which includes: municipal (64.8%); Capital Regional District (CRD) (17.3%); BC Transit (14.5%); Greater Victoria Public Library (1.8%); Vancouver Island Regional Library (0.3%), and the West Shore Parks and Recreation Society (1.3%). All of these entities are governed by committees, boards, or commissions, including separate committees for each service within the CRD, made up of municipal councillors. The 91 elected mayors and council members are responsible for the governance of all local government services in Greater Victoria. The cost of all elected councillors and mayors is approximately 0.47% of all municipal and CRD expenditures or \$9.85 per capita. Within the region, there is one elected official for every 3,813 citizens. This is a highly representative system where elected officials instead of paid staff supervise the budgets and make policy decisions. It is also one where local elected officials have incentives to balance benefits and costs in their decisions.

Most local government services continue to be provided (but not necessarily produced—about 35% of municipal service production is contracted out) by municipalities. Over time, the system has evolved so that all major services with economies of scale are provided by one of the two largest municipalities or on a sub-regional or regional basis. This is accomplished without incurring the excessive costs of larger bureaucracies like those from forced amalgamations in eastern Canada. The British Columbia regional district system accomplishes this because local elected officials meet regularly and participate in governance decisions together. Greater Victoria is an example.

There are four areas where further research into the governance of Greater Victoria could bring improvements. One is to look at the potential for creating a regional arterial highway system and relating it to public transit. The second includes suggestions for improving the internal efficiency of the existing local governments. A third is to examine the balance between tax revenues (especially business taxes) and costs for Victoria as the central city in the region to determine if the extra service costs it faces are covered without additional regional or provincial support. Finally, it would be useful to consider the role of the provincial government when regional districts, which are based on the principle of voluntary decisions, find it difficult or impossible to come to decisions when there will be winners and losers instead of benefits for all. At the same time, the provincial government is cautioned to be aware of the dysfunctional results of provincial mandates and the forced amalgamations that have taken place in other provinces.

British Columbia's unique system of regional districts, including the Capital Regional District in Greater Victoria, 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. The adaptability of this approach to local government organization should serve its citizens well into the future.

Introduction

... municipal councillors have a unique role that differs from elsewhere in North America ... they are both the members of the committees ... that govern the regional organizations and the ones who decide which government will provide the services.

This report examines the governance framework for local government services in Greater Victoria. It begins by describing the roles of local government, the issues that all local governments confront to provide services to their residents and the institutional arrangements that have evolved to perform these roles. Special attention is paid to maintaining a highly representative system and its adaptability to deal with widely varying economies and diseconomies of scale in the efficient production of the variety of activities that make up the services.

Within this system, municipal councillors have a unique role that differs from elsewhere in North America. This is because the councillors are both the members of the committees, boards, and commissions that govern the regional organizations and those who decide which local, sub-regional, or regional government will provide the great majority of the services. This allows local knowledge to be used to divide up decision-making and production of different activities within a service instead of having the provincial government make those assignments. This report describes how municipalities in Greater Victoria have divided up decision-making in response to differences in activities among municipalities, the Capital Regional District (CRD), and other regional organizations. Included in the analysis are the costs of these elected officials, their costs in campaigning for office, and the incentives citizens and elected officials face within the institutional arrangements that have evolved. It is important to note that we are focussed on municipal services and are not covering education, social services (which are provincially provided), or health services, even though regional districts do have a role in hospital financing and some provide public health services. We do recognize that in spite of provincial responsibility for social services that local governments are involved in issues of housing and homelessness.

Periodically, proposals are made to replace the diversity of the arrangements that have evolved with a reduced number of governments. These arguments are considered in light of what is known about governance costs and service efficiency elsewhere, with some comparisons to larger BC municipalities included. Finally, we identify four important issues that arose during the study that should be addressed in the current and future discussions of governance options for Greater Victoria. These issues include the governance of arterial highways and public transit, the efficiency of local governments' service production, the fiscal situation of Victoria as the central city, and the role of the provincial government when the voluntary nature of regional districts makes it difficult to confront vexing regional decisions.

Critical Roles of Local Government

All metropolitan areas include diverse communities, many of which are organized with their own municipal governments, others of which are identifiable within a larger municipal government, others that may span municipal governments and may be regional, and still others that lie outside municipal boundaries. Within these areas, all local government systems must be able to deal with similar issues. These issues include the following.

Representation

Representation includes processes for citizens to indicate their preferences for local government services and hold officials accountable for their actions. These processes must contain incentives for local officials to balance benefits of the services against their costs, and seek efficient production arrangements. As systems become more complex, it is important to have appropriate incentives at every decision-point.

Adjustments to geographic scale

Local services may need to be provided over different geographic scales. Incentives should be present to encourage formation of institutional arrangements capable of providing services at different geographic scales ranging from community to regional.

Production

Production arrangements must deal with the diversity in local government services and the economies of different scale among the different services. Incentives for efficient production must also be present.

Financing

Financing methods must be fair. Where social services are a local government responsibility, financing may need to be on a regional basis because problems requiring social service expenditures are likely to be unevenly distributed across the region; where social services are a provincial responsibility (as in British Columbia), fairness for local government services is usually associated with beneficiaries, either as individuals or groups, financing the services from which they benefit.

... where there is a multiplicity of municipalities, the ability to cooperate and coordinate ... is extremely important ... where you have an amalgamated structure ... the challenge switches to how best to break down and decentralize ... large bureaucratic structures ...

No one size of local government can either represent citizens in different communities adequately or produce all local government services efficiently. Different communities may have different preferences, different local government functions need to be provided on different geographic scales, and different services may be most efficiently produced by different organizations. These differences together mean that, where there is a multiplicity of municipalities, the ability to cooperate and coordinate among different organizations is an extremely important aspect of the local government system. In contrast, where there is an amalgamated structure as in Winnipeg or Halifax, the challenge switches to how best to break down and decentralize representation and production within large bureaucratic structures so that services provided respond to community preferences and are fairly financed. Both are challenging problems that stem from the diverse nature of both community preferences and of local government services.

All metropolitan-area government systems have attempted to respond to diverse community preferences and diverse local government services. There are a variety of approaches but in North America responses generally involve a multiplicity of municipalities, some larger-scale overlapping government such as a county, plus several region-wide special authorities such as are common for water, sewage, public transit, and regional planning. Provincial or state government involvement in such systems varies. In Canada, all metropolitan areas function under provincial legislation with varying degrees of direct provincial government involvement. It is the legislation that sets the framework for representation, adjustments to different geographic scales, and financing. In British Columbia, the approach has been to create a legislative framework within which local government officials make the important decisions in an evolutionary manner.

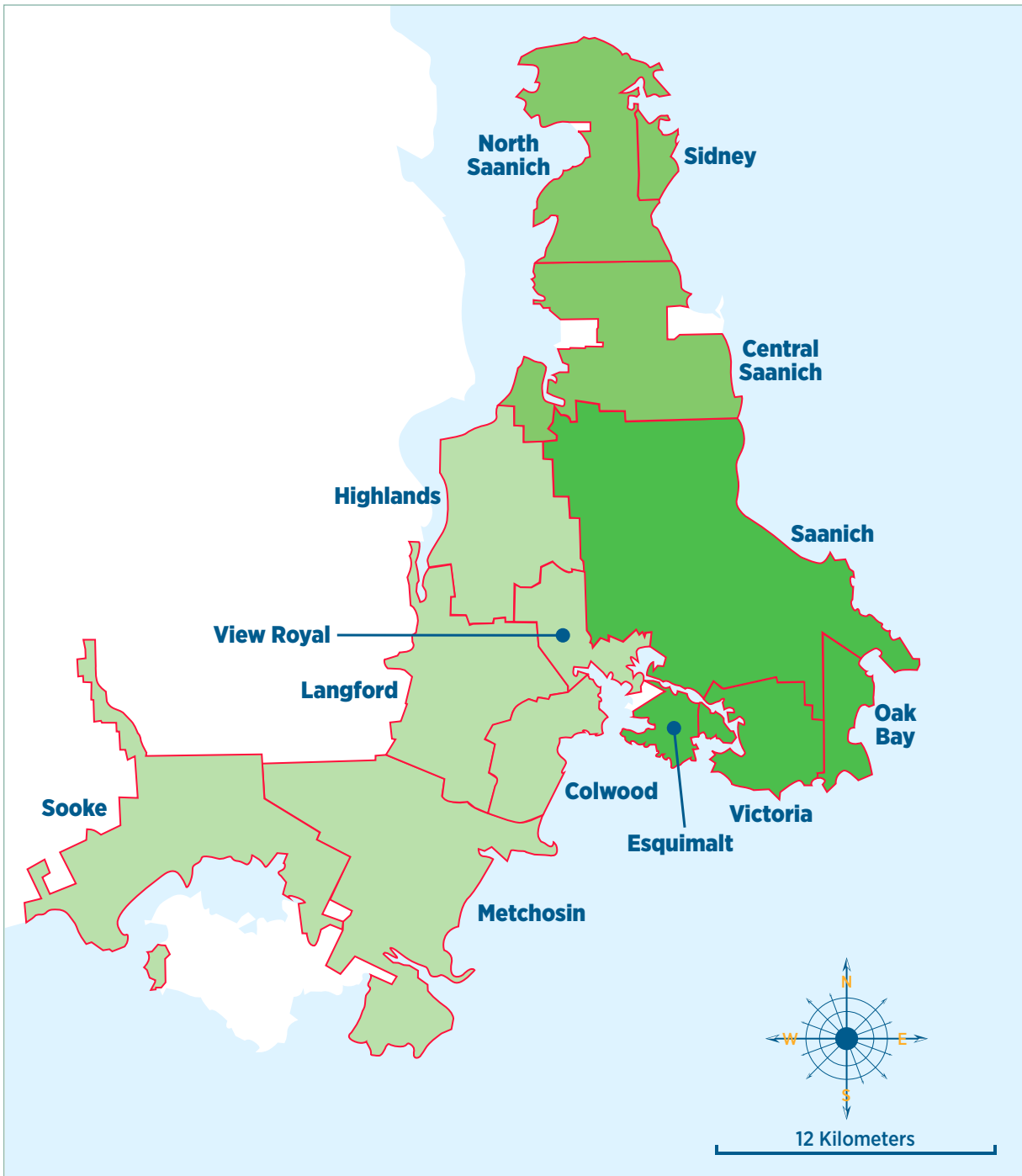
The focus of this study is on the governance structures that have emerged in the area of the 13 contiguous municipalities in Greater Victoria (**figure 1**). Like most metropolitan areas, the municipalities are of different sizes and have different characteristics. Victoria (population 83,200) ^[1] is the central city with the major concentration of business property in a downtown around the harbour. Oak Bay (17,448) is primarily residential to the east; Esquimalt (16,207) is west of Victoria around Esquimalt harbour, which is the home of Canadian Forces Base Esquimalt (CFB Esquimalt), Canada's Pacific Coast naval base and industrial dockyard. Saanich (110,767), to the north, is larger in population than Victoria but it remains primarily a residential municipality. There are three municipalities north of Saanich on the Saanich Peninsula: Central Saanich (15,749) has farms,

[1] Population estimates (in parentheses following the name of the city) are 2014 populations from British Columbia, BC Stats, 2015.

hobby farms, and Butchart Gardens; Sidney (11,153) has a small downtown on the straits close to where a ferry departs to Washington State, and North Saanich (10,941) has larger lot residences as well as the airport and BC Ferries terminal where ferries go to Vancouver and the Gulf Islands.

West of Esquimalt is View Royal (10,714), another residential suburb, and the Western Communities: Colwood (16,636), Langford (34,577), Metchosin (4,968), Highlands (2,221), and Sooke (12,257). Colwood is primarily residential with Royal Roads University; Langford has a commercial center with the big-box stores that serve the region; Metchosin has farms and hobby farms, and Highlands has very large lots in the hills extending north along Saanich Inlet. Sooke lies further west on Sooke Harbour and has its own small business center surrounded by residences. All of the municipalities lie within the Capital Regional District (CRD). Also within the CRD to the west of Sooke lie sparsely populated forest lands along the Strait of Juan de Fuca and to the north of the Saanich peninsula are the Gulf Islands. Neither of these areas is included in this study.

Figure 1: The 13 contiguous municipalities of Greater Victoria



The Emergence of Governance for Shared Services

In recognition that there would be significant benefits from shared services ... legislation was passed in 1965 to enable the creation of regional districts.

Prior to the creation of regional districts in the late 1960s, British Columbia did not have the county governments or general purpose second-tier authorities that provided services to rural areas or regional services as in most other areas of North America. In the absence of regional institutions, unincorporated areas were creating single- or multi-purpose improvement districts and municipalities were requesting that the provincial government create special regional organizations to aid cooperation in providing services where there were significant economies of scale, such as the water and sewerage districts in Greater Vancouver and, in the late 1940s, the Greater Victoria Water District for Victoria, Saanich, and Esquimalt. Oak Bay joined the water district in the 1950s. The provincial government had also passed legislation allowing municipalities to enter into agreements to provide services jointly and municipalities began entering into agreements such as that through the Inter-municipal Committee where Victoria, Saanich, Oak Bay, and Esquimalt provided the Royal Theatre (including arts grants) and Victoria’s municipal public library was expanded to serve all of them, thereby becoming the “Greater” Victoria Public Library. The provincial government and municipal councillors understood the benefits of shared services and were creating agreements among municipalities one at a time. This approach is still used within Greater Victoria as exhibited by creation of the West Shore Parks and Recreation Society and individual contracts such as the agreement for Saanich to provide overhead policing services to Oak Bay or the contract for Victoria to provide all police services to Esquimalt. However, most new agreements among municipalities now occur within their regional district, including within the CRD.

In recognition that there would be significant benefits from shared services among municipalities and between municipalities and adjacent non-municipal areas, legislation was passed in 1965 to enable the creation of regional districts as proposed by Deputy Minister James Everett (Ev) Brown. [2] Regional districts

[2] Mr Brown served for 16 years as Deputy Minister of Municipal Affairs, beginning in 1954, after previously serving as the secretary to the Goldenberg Commission on provincial-municipal relations. He supervised the development and implementation of the regional district legislation. For the history and basic organization of regional districts, see British Columbia, Ministry of Community, Sport and Cultural Development, n.d.; Local

Having an existing governing and administrative structure in place reduces transaction costs, and increases trust and facilitates greater cooperation among municipalities.

were to be forums for intergovernmental cooperation to provide shared services. In current research they would be described as forums to reduce transaction costs for reaching agreements, enhance social capital by having councillors from different municipalities meet regularly and learn to trust one another through their cooperative effort, and provide an administrative structure whereby multiple shared services could be governed and managed. [3] Reduced transaction costs, the trust engendered, and having an existing governing and administrative structure in place are associated with greater cooperation among municipalities. What was unique about regional districts relative to counties or other special authorities that were being created across North America is their combination of characteristics: they were multi-purpose, that is, any service that a municipality could provide could be provided through the regional district; that the councillors themselves decided the activities they would undertake; and that activities could involve any number of municipalities and parts of unincorporated areas. Regional districts also took over some of the entities that had been created prior to 1965, including in the CRD the Royal Theatre and arts grants in 1990, and the Greater Victoria Water District in 1997.

The governing board for regional districts was to be made up of municipal council members appointed by the member municipalities or individuals elected from non-municipal areas. Furthermore, decisions on specific services would be made in committees composed of councillors from the municipalities participating in the service (those elected in non-municipal areas served the same functions for their territory). This arrangement placed major responsibility on municipal councillors: first, to create the agreements among the municipalities for cooperation and, second, to monitor the production, delivery, and expenditures on the service. Thus, while being elected within their municipalities, councillors were equally important for their regional district responsibilities.

Government Knowledge Partnership, 2009; and Bish and Clemens, 2008: ch. 4). For placing regional districts within a scholarly context see Bish, 2000, 2002.

[3] Richard Fiock (2013) has provided a useful approach for classifying intergovernmental agreements and different kinds of regional organizations and Spicer (2015) provides a good description and some ideas as to how it would apply in Canada. However, regional districts are sufficiently unique that they do not fit into Fiock's classification of kinds of organizations (Spicer, 2015: 13) but they meet all of Fiock's motivation criteria (Spicer, 2015: 6); all conditions for capacity (Spicer, 2015: 7), and all criteria for reducing transaction costs. (Spicer, 2015: 9). Spicer's conclusion, that "[i]n Canada, servicing gaps are largely solved through centralization, as opposed to inter-local cooperation" (2015: 24) may apply to the rest of Canada but not to British Columbia where provincial policy has long been to provide an institutional framework where the transaction costs for local governments are greatly reduced and the experience of working together builds on itself (social capital) allowing jurisdictions to resolve their own problems in their own way.

Local Government and Service Provision in Greater Victoria

... the organization responsible for provision is not necessarily the producer of the service.

Local government services in Greater Victoria are provided by 13 municipalities, a number of First Nations, the Capital Regional District, BC Transit, two library systems, the West Shore Parks and Recreation Commission (WSPRC), Capital Region Emergency Telecommunications, Inc. (CREST), and the Greater Victoria Labour Relations Association (GVLRA). By “provided” it is meant that the organization is responsible for the “what”, “how”, and “financing” of the service, that is, the policy making or governance of the service. [4] It does not mean that the organization responsible for provision is also the producer of the service. Production may be undertaken by government employees but may also be undertaken under an agreement with another government, a private not-for-profit or profit-making firm, or voluntary organization. There has been considerable research on production alternatives for local governments, including research on cost differences between contracting out in competitive bidding processes and in-house production. [5] The focus of this report, however, is on shared services where the actual provision or policy decisions are delegated to another

[4] The focus in this report is on shared services where the service is governed by a municipal council or committee, board, or commission, by elected officials. We are not providing an analysis of the cooperation that exists at the administrative level. The administrators of the municipalities in the CRD have a “Good Neighbour Protocol” and maintain a Cooperative Efforts Inventory. This is a list of formal and informal agreements among the municipalities, some of which go back over 80 years. The list includes 203 entries, ranging from joint purchasing agreements to utility maintenance agreements where installed facilities cross city boundaries. It also lists all the policing agreements among the two large departments (Victoria and Saanich), the three smaller ones (Oak Bay, Central Saanich, and Esquimalt) and the two RCMP detachments (Western Communities and Saanich Peninsula). There is some duplication with CRD agreements so one cannot simply add the listed agreements to the regional organization’s activities.

[5] A 1995 survey of BC municipalities indicated 32% of local services were contracted out (McDavid and Clemens, 1995). Studies of contracting out, many of which were undertaken by James C. McDavid (1985, 2000, 2001) are listed at Bish, 2008: 229. The difference between a shared service and a simple contract for purchase of a service from another government may not be great in practice because both have a role in drafting the contract. Both shared services and contracted services were examined together in Bish, 1999b. The focus on shared services in this report is on the governance function and the role of the local elected officials.

governmental organization, with our focus being delegation to the Capital Regional District and other regional entities. It is important to keep in mind that the governance of the CRD is by the municipal council members who are appointed to its Board and who sit on its committees and commissions together with directly elected members from the non-municipal areas of the CRD. Municipal council members also make up the majority of the governing committees, boards, and commissions of other regional organizations.

Municipalities find it beneficial to transfer governance of specific services to the CRD or other sub-regional or regional entities for several reasons.

- 1 Economies of scale in production where a single large facility can serve the region, such as with the Sooke reservoir for water supply or the Hartland landfill for solid-waste disposal. Economies of scale may also be a rationale for sub-regional agreements as with the Panorama Recreation Centre, a CRD activity in which Central Saanich, North Saanich, and Sidney participate. Large parks and trails also meet this criterion.
- 2 Economies of scale where a very specialized service can be available to everyone once someone pays to produce it, such as the Geographical Information System (GIS) system or hazardous-incident response preparedness. Again, there may also be sub-regional agreements as with CRD and Saanich fire dispatching for smaller municipalities. Some specialized services involve more than just municipalities. CREST, for example, involves the CRD and outside entities, and the Greater Victoria Labour Relations Association includes municipalities, the CRD, and other local governments such as police boards and the Greater Victoria Public Library.
- 3 Services where there are sufficient spillovers from one municipality to another so that joint governance is beneficial for both, as with storm water runoff, sewers, public transit, and arterial highways.
- 4 Other services where council members from two or more municipalities, or a municipality and an adjacent non-municipal area, believe it is beneficial to enter into a voluntary agreement to provide the service. One example is Oak Bay's purchase of overhead policing services from Saanich. Shared service agreements will change over time as new situations arise or with technology changes in production. Adaptability is an important component of any arrangement. There is never a final set of arrangements; there is always something that can be improved.

Metropolitan areas elsewhere in North America need solutions to the same issues. In most areas, there is greater use of individual contracts, special authorities, county governments, or second-tier systems. It is only in British Columbia, however, that a single organization, the regional district, provides a regular forum and administrative structure for such agreements over such a broad range of activities. While the most recent study of Greater Victoria shared services was in 1999 (Bish, 1999b), [6] virtually all major facilities and specialized services were shared on either a regional or sub-regional level and that remarkable level of sharing is still in place. [7] For a 2014 list of 37 local government services involving shared governance among municipalities, see Appendix A (p. 55). [8] Greater Victoria appears to have a very high level of shared services

[6] For more detail on the assignment of responsibility for the joint provision of services, it is useful to look more closely at the nature of local government services and how their provision has evolved within Greater Victoria, especially within the Capital Regional District. Greater detail on some of the issues is available in three reports previously published by the University of Victoria Local Government Institute. (Bish, 1999a, 1999b, 1999d)

[7] The Bish (1999b) study identified how the large capital facilities were produced (updates in parentheses). **Jail**—Produced by Victoria and Saanich and contracted for use by smaller departments. The Western Communities RCMP has its own jail in a building provided by Colwood, Langford, and View Royal. **Landfill**—CRD for the region. **Water supply**—CRD for the region. **Trunk sewers treatment plants and discharge facilities**—CRD for the region. **Recreation centres**—CRD, through sub-regional agreements, for the Peninsula and Western Communities and also provided by each of the four core municipalities. (An example of an organizational change since 1999 is transfer of the Western communities recreation centre from a sub-regional CRD activity to the West Shore Parks and Recreation Society, which is also a sub-regional entity.) The Sooke Recreation Center is also a CRD shared service with the adjacent unincorporated area. **Library system**—Greater Victoria Public and Vancouver Island Regional library systems. **Bus system**—BC Transit, excluding Highlands. (Highlands is now included.) **Regional parks**—CRD for the region. **Regional trails**—CRD for the region, supplemented by municipalities. **Art gallery**—Art Gallery of Greater Victoria: CRD through sub-regional agreement. (The Arts Grants Service is funded by eight municipalities.) **Royal Museum**—Provincial government. **Theatres**—The Royal Theatre and the Mcpherson Theatre are under a CRD sub-regional agreement with smaller theatres in multiple municipalities. The administration of the Royal Theatre and the Mcpherson Theatre is through a non-profit society with the majority of the society board members appointed by either the three municipal participants of the Royal Theatre or by the CRD Board. **(Emergency Communications)**—Through CREST. Over 50 local government entities including all police and fire departments. Managed by a corporate board and financed through the CRD for the municipalities.)

[8] It is important to keep in mind that the shared services listed are services where provision decisions are formally made by elected officials in committees, boards, or commissions. There are many other agreements to contract for, and coordinate, the production of services, many of which take place at the administrative level. Those kinds of agreements were the focus of Bish 1999b and even that report did not document all of the agreements among administrators.

among municipalities arranged through regional districts and its other regional entities in addition to separate contracts for production involving both other governments and private firms. [9]

Total and per-capita expenditures on local government services

Table 1 (pp. 12–13) shows total and per-capita expenditures on local government services in Greater Victoria. It also shows the government, regional, and sub-regional entities providing those services. Not included in the table are Capital Region Emergency Services Telecom (CREST) and the Greater Victoria Labour Relations Association (GVLRA), which together make up less than 1% of local government expenditures and have participants in addition to municipalities. While most expenditures, even when made by another entity, can be attributed to individual municipalities, the “unallocated other” row at the bottom of table 1 reflects user charges and other revenue collected by the entities that cannot be attributed to any particular municipality because no one tracks the residence of the payer or the location where the charge is collected. This inability to allocate user charge revenue leads to an understatement of the relative importance of the CRD to each municipality because the CRD collects significant user charges for solid waste disposal (Hartland Landfill) and water supply. A similar understatement exists for BC Transit and the West Shore Parks and Recreation Society in relation to each municipality, but user-charge revenues (and the provincial contribution to BC Transit) are included as unallocable amounts in the totals to provide an indication of how important those shared services are to both the participants and to the region.

It is important to note that the municipal spending totals in table 1 do not correspond to figures presented in municipal budgets or audited financial

[9] Because all municipalities face the problem that municipalities are never the right size to provide and produce every service, there has been a great deal of research on different kinds of inter-local relationships that has produced classifications for different kinds of relationships and the factors that influence them. Fiock (2013) provides the most comprehensive summary with mostly US examples. Spicer (2015) provides a good summary plus a count of agreements in the Toronto, Winnipeg, Saskatoon, Regina, Edmonton, and Calgary metropolitan areas. He identified 354 agreements from 1995 to 2013, or an average of 59 per metropolitan area, and each agreement covering an average of 2.87 municipalities (2015: 17). In contrast, Greater Victoria has 32 CRD activities averaging 8.7 municipalities (out of 13), another 6 sub-regional or regional organizations with an average of 7.8 municipalities, including the emergency communication system (CREST) with over 50 participants (Appendix A). Not included in this summary are contracted production agreements among municipalities outside the CRD framework, such as the policing agreements referred to in the text, which are included in Spicer’s summary. Greater Victoria appears to have more relationships among municipalities to provide shared services than any of the municipalities in Spicer’s sample.

Table 1: Expenditures on local government services, 2014

	Population (2014)	Estimated total expenditure on local services	Per capita	Municipal	
				<i>\$ per capita</i>	<i>percent</i>
Esquimalt	16,207	\$33,279,731	\$2,053	\$1,814	88.3%
Oak Bay	17,448	\$36,834,170	\$2,111	\$1,807	85.6%
Saanich	110,767	\$180,130,150	\$1,626	\$1,438	88.4%
Victoria	83,200	\$200,242,743	\$2,407	\$2,052	85.3%
Central Saanich	15,794	\$29,425,277	\$1,863	\$1,548	83.1%
North Saanich	10,941	\$19,802,092	\$1,810	\$1,385	76.5%
Sidney	11,153	\$21,427,181	\$1,921	\$1,563	81.4%
Colwood	16,636	\$21,021,301	\$1,264	\$1,006	79.6%
Highlands	2,221	\$3,065,128	\$1,380	\$1,114	80.7%
Langford	34,677	\$46,017,477	\$1,327	\$1,023	77.1%
Metchosin	4,968	\$5,188,567	\$1,044	\$792	75.8%
Sooke	12,257	\$15,220,792	\$1,242	\$921	74.2%
View Royal	10,714	\$14,263,404	\$1,331	\$1,053	79.1%
Municipal average (for participants)	—	\$625,918,013	\$1,804	\$1,525	84.5%
Unallocated other (user charges, grants, misc.) and provincial share of BC Transit	—	\$191,070,144	\$551	—	—
Total (for participants)	346,983	\$816,988,156	\$2,355	\$1,525	64.8%
Percentage of total expenditure on local services		100%		—	64.8%

Notes: [1] Figures for the column *Estimated total expenditure on local services* were produced by combining reported municipal expenditures with services for which additional taxes were raised. They are not comprehensive but likely encompass the majority of expenditures on local services. [2] The column *Municipal* presents the total expenditure reported in each municipality's 2014 audited financial statement, combined with any additional taxes raised for business improvement areas (BIAs), but excluding all shared services without dedicated property-tax revenue (the libraries, West Shore Parks and Recreation, and other, where applicable). [3] The column *Capital Regional District* presents reported municipal requisitions raised by Greater Victoria municipalities for the Capital Regional District. [4] The column *BC Transit* presents reported tax revenue raised at the municipal level for BC Transit. [5] The column *Greater Victoria Public Library* includes all municipal contributions to the Library reported in its 2014 audited financial statement. [6] The column *Vancouver Island Regional Library* includes an estimate of all grant money, as well as levy revenue the Library receives from its municipal members in Greater Victoria. [7] The column *West Shore Parks and Recreation Society* includes the requisition income it receives from its municipal members, as well as sales of service revenue.

Capital Regional District		BC Transit		Greater Victoria Public Library		Vancouver Island Regional Library		West Shore Parks and Recreation Society	
<i>\$ per capita</i>	<i>percent</i>	<i>\$ per capita</i>	<i>percent</i>	<i>\$ per capita</i>	<i>percent</i>	<i>\$ per capita</i>	<i>percent</i>	<i>\$ per capita</i>	<i>percent</i>
\$136	6.6%	\$53	2.6%	\$51	2.5%	—	—	—	—
\$151	7.2%	\$93	4.4%	\$56	2.6%	—	—	—	—
\$70	4.3%	\$71	4.4%	\$47	2.9%	—	—	—	—
\$196	8.1%	\$107	4.5%	\$51	2.1%	—	—	—	—
\$175	9.4%	\$89	4.8%	\$51	2.7%	—	—	—	—
\$242	13.4%	\$118	6.5%	—	—	\$65	3.6%	—	—
\$187	9.8%	\$102	5.3%	—	—	\$64	3.3%	—	—
\$91	7.2%	\$55	4.3%	\$43	3.4%	—	—	\$65	5.2%
\$73	5.3%	\$65	4.7%	\$48	3.5%	—	—	\$79	5.8%
\$118	8.9%	\$75	5.6%	\$42	3.2%	—	—	\$69	5.2%
\$69	6.6%	\$52	5.0%	\$50	4.7%	—	—	\$81	7.8%
\$212	17.1%	\$52	4.2%	—	—	\$56	4.5%	—	—
\$111	8.4%	\$62	4.7%	\$41	3.1%	—	—	\$64	4.8%
\$134	7.4%	\$82	4.5%	\$48	2.7%	\$62	3.86%	\$68	5.3%
\$275	—	\$260	—	—	—	—	—	\$80	—
\$408	17.3%	\$342	14.5%	\$48	2.7%	\$62	3.86%	\$149	11.6%
—	17.3%	—	14.5%	—	1.9%	—	0.26%	—	1.3%

Sources: (see p. 65 ff) • BC Stats (2015-AFS) • BC Transit (2015-AFS) • Capital Regional District (2015-AFS) • Central Saanich, Corporation of the District of (2015-AFS) • Colwood, City of (2015-AFS) • Esquimalt, Township of (2015-AFS) • Greater Victoria Public Library (2015-AFS) • Highlands, District of (2015-AFS) • Langford, City of (2015-AFS) • Metchosin, District of (2015-AFS) • North Saanich, District of (2015-AFS) • Oak Bay, Corporation of the District (2015-AFS) • Saanich, District of (2015-AFS) • Sidney, Town of (2015-AFS) • Sooke, District of (2015-AFS) • Vancouver Island Regional Library (2015a, 2015b-AFS) • Victoria, City of (2015-AFS) • View Royal, Town of (2015-AFS) • West Shore Parks & Recreation (2015-AFS).

Both total ... and municipal-only per-capita expenditures within Victoria ... continue to be the highest ... Per-capita expenditures within the western communities continue to be the lowest.

statements because transfers to other entities such as the Greater Victoria Public Library, Vancouver Island Regional Library, and West Shore Parks and Recreation Society are subtracted from the municipal totals and added to the entity totals to avoid double counting. For the CRD and BC Transit, such transfers are not necessary because the funds collected are separate items on property tax billings and they do not go through the municipal budget. It is important to remember that, for all of these organizations, the decision-makers that sit on the councils, committees, boards, and commissions are the mayors and councillors from the 13 municipal governments. [10]

The pattern of municipal spending remains unchanged from the 1999 studies referenced previously. Both total per-capita expenditures (\$2,407) and municipal-only per-capita expenditures (\$2,052) within Victoria, as the central city, continue to be the highest per-capita expenditures in Greater Victoria. Per-capita expenditures within the western communities continue to be the lowest. Metchosin remains the lowest with \$1,044 per-capita spending on all local government services, of which \$792 is spent by Metchosin itself. Of the total expenditures on all local services, municipal governments spend by far the largest share, averaging 84.5% of expenditures that can be associated with a specific municipality but only 64.8% of total spending on local services when the \$551 per-capita user charge and other revenue collected by the CRD, BC Transit, libraries, and West Shore Parks that cannot be attributed to a specific municipality is taken into account. The CRD undertakes a broad range of regional and sub-regional services and accounts for 17.3% of all expenditures on local services in the region. Two thirds of its revenue, however, is from user charges or other non-municipal sources. The higher percentage of local government spending through the CRD for the peninsula municipalities (9.4% to 13.4%) relative to the West Shore municipalities reflects their CRD sub-regional recreational programs, including the Panorama Recreation Centre. The higher percentage of CRD expenditures for Sooke (17.1%) reflects the fact that, when Sooke incorporated, it left some services provided by other municipalities with the CRD because they are shared with the adjacent non-municipal area.

The other organizations that are important for local government services whose boards or commissions are made up of local elected officials include BC Transit's Victoria Regional Transit Commission, which accounts for 14.5% of total estimated local government spending in the region, but gains three fourths

[10] Because the Vancouver Island Regional Library covers a much larger area, there are also board members from municipalities outside of Greater Victoria and the municipalities in the West Shore Parks and Recreation Society can appoint a non-mayor or councillor if they so desire.

of its revenue from user charges and provincial grants. Greater Victoria Public Library serves 10 municipalities representing 2.7% of spending for its members but only 1.8% for the region. Vancouver Island Regional Library serves three municipalities and it costs approximately 3.9% of spending for its members but only 0.26% for the region; and the West Shore Parks and Recreation Society serves five municipalities costing 11.6% of spending for its members and 1.3% for the region.

Changes in the provision of services can be expected over time. West Shore Parks and Recreation has assumed responsibility for recreation facilities in the Western communities that were under the CRD in 1999. The Vancouver Island Regional Library (VIRL) formerly served all of the municipalities except Victoria, Saanich, Oak Bay, Esquimalt, and View Royal, but all but Sooke, North Saanich, and Sidney have changed to the Greater Victoria Public Library. The Vancouver Island Regional Library serves Vancouver Island, Haida Gwaii, and the sparsely populated mainland northeast of Vancouver Island. CREST and the Greater Victoria Labour Relations Association are minor spenders and serve not only municipalities but other organizations as well and are not included in table 1. [11]

The different per-capita spending in different communities is one outcome from different conditions and preferences.

While many services are provided on a regional or sub-regional basis, a majority of local government expenditures are by individual municipal governments. One can note that there is a significant difference in municipal government expenditures, ranging from \$792 per capita in Metchosin to \$2,052 in Victoria. One reason is that municipalities face a variety of conditions. For example, Victoria has a larger daytime than nighttime population but per-capita data is based on the lower nighttime population. As they need to service more people during the day, the costs per capita based on nighttime residents are higher. In contrast, at the other extreme, Highlands has very large lots among the hills. It would be prohibitively expensive to provide the same level of services as are provided to the more densely populated municipalities so fewer services are provided. Adapting to different conditions also contributes to the second major reason for expenditure differences: municipalities become made up of different communities and their citizens want to control the kind, level, and costs of services provided in their community. The different per-capita spending in different communities is one outcome from different conditions and preferences. Oak Bay residents, for example, appear to prefer a high level of residential services and are willing to pay for them (\$1,807). In contrast, Metchosin and Sooke appear to

[11] Oak Bay, the only municipality to report tax revenue dedicated to CREST in its 2014 financial statements, is an exception. Of the \$36,834,170 reported for Oak Bay in table 1 under *Estimated total expenditure on local services*, 0.19% is spent on CREST.

prefer minimal local government services and keep costs low. [12] Furthermore, once a municipality has characteristics that differentiate it from other municipalities, those characteristics tend to be reinforced over time rather than diminish. This is because new residents to the region select a residential location in the municipality that fits their preferences. You do not move to North Saanich if you want a dense urban environment (but downtown Victoria offers that and Sidney might do). If you want a hobby farm, you go to Metchosin or perhaps Central Saanich, but not Esquimalt. The diversity of the different municipalities in the region, including different neighbourhoods within Victoria and Saanich, provides a wide choice of residential and business environments. This diversity is one of the most important and desirable attributes of Greater Victoria.

A third reason that municipal expenditures vary is that different municipalities divide up services among the municipal government, the regional district, and other regional entities in different ways and only some of the expenditures will pass through (and show up in) the municipal budget. For example, the peninsula municipalities use the CRD for their recreation center so that expenditure is not in their budget, but west shore municipalities use the Westshore Parks and Recreation Society, to which they transfer funds so it does show up in their budget. In the next section, we will explain these finance issues in more detail.

In metropolitan areas with a multiplicity of local governments there are often discussions as to how smaller municipalities could lower costs by combining to achieve economies of scale. It is easy to understand that economies of scale can result from using a large capital facility where, once built, the more people that use it, the lower the average cost per unit of service. It is also easy to understand that once you create something like a GIS system, additional people can use it at no extra cost. However, many activities actually cost more per unit as output increases. This is because services that involve a lot of labour (in contrast to equipment or other capital expenditures) are difficult to manage, especially if they are delivered face to face (like social work or police patrol) instead of impersonally (like water coming out of a tap), and they are hard to measure because the service is delivered interpersonally, often well out of the sight of management. In response to the difficulty of management, as an organization becomes larger a disproportionate percentage of employees end up in “middle

In metropolitan areas with a multiplicity of local governments there are often discussions as to how smaller municipalities could lower costs by combining to achieve economies of scale ... However, many activities actually cost more per unit as output increases.

[12] This discussion focuses on the costs of services but there is also an issue of how services are actually produced: different service production arrangements can yield differing levels of efficiency. Metchosin, for example, tends to rely on private contractors to produce services for their residents; their experience is that this option delivers better value for money. In general, it appears that newer municipalities use contracting-out for service production more than older municipalities, which rely on in-house production.

Both economies and diseconomies of scale exist in the production of local government services; however, they do not relate directly to the size of the municipal population because municipalities are not the producers of many of the services they provide ... they can enter into either production contracts or shared governance agreements.

management” trying to help top management, who are setting policy directives, by directing and controlling the employees who actually deliver the service to citizens. In small municipalities, the Chief Administrative Officer will know what municipal employees are doing; in a large municipality, the Chief Administrative Officer simply will not, especially if the quality of the service to a citizen involves an unobservable face-to-face interaction with the employee and there is no easy way to measure the outcome. [13] This is why larger organizations need more middle management than smaller ones. [14]

Both economies and diseconomies of scale exist in the production of local government services; however, they do not relate directly to the size of the municipal population. [15] This is because municipalities are not the producers of many of the services they provide to their citizens and they can enter into either production contracts or shared governance agreements for those services where there are economies of scale. That is why Oak Bay contracts with Saanich for

[13] Measuring employee performance can be extremely difficult and many common measures can be manipulated by either the employee or at the department level. This makes management difficult. For an analysis of performance measures and the issues surrounding them, see McDavid, Huse, and Hawthorn, 2013: ch. 10.

[14] The characteristics of different local government services that relate to scale economies and diseconomies are presented in Bish and Clemens (2008: ch. 6) on service delivery. Applications to specific services are presented in chapters 7 to 9 on protective services, engineering services, and human services.

[15] Slack and Bird (2013) provide a useful summary in the context of amalgamations and recognize the limits of the research. Adam Found (2012) provides an example with a very competent technical study of fire and police services. However, this research continues to look at entire functions instead of breaking the function down to activities within the function where the different activities may be provided and produced by different organizations. For example, by the 1970s it was recognized that very different activities (patrol, homicide investigation, information systems, laboratories, etc.) within the policing function were most efficiently produced at very different scales. For example, police patrol was most efficiently produced by small departments and had diseconomies as the size of the department became larger, while homicide investigation and laboratories were most efficiently produced for an entire metropolitan area, and information systems needed to be produced for an even larger area, including state and national (E. Ostrom, Parks, and Whitaker, 1978). The analysis of the efficiency with which policing resources were transformed into outputs verified the importance of looking at activities, as the most efficient systems were based on small municipalities for police patrol nested in larger policing entities for policing activities with economies of scale (Parks, 1985). Some economists have not caught up with the importance of examining activities within a function instead of entire functions and thus their research is primarily of academic interest rather than providing insight as to how the production of services in complex environments is actually evolving. The trend in metropolitan areas seems to be that, as the size of the market grows, more organizations and relationships occur similar to the emergence of specialization and trade as private markets grow (Bish, 2003).

Small municipalities in Greater Victoria do not stand alone; they are part of a local government system that enables them to provide services on different scales.

overhead policing services and produces only patrol, why it joined the Greater Victoria Library, and why it and the other municipalities in Greater Victoria have entered into so many CRD activities. It is the availability of these options that permits a smaller municipality to meet its citizens' preferences while providing services that do have economies of scale. [16]

Small municipalities in Greater Victoria do not stand alone; they are part of a local government system that enables them to provide services on different scales. In addition, the system has proved to be flexible and adaptable over time as conditions and technologies have changed. One of the important questions, however, is just how expensive are all of the small governments and their elected officials when added to the expense of the coordinating sub-regional and regional organizations, including the CRD. A second important question is the incentive for council members to be responsive and efficient when they govern the CRD and other organizations that provide their citizens with local services.

Let us look first at the costs of municipal officials and then proceed to examine the incentives they face for their decisions. The purpose is to see if local governance costs can be significantly reduced by reducing the number of elected officials.

[16] These differences in efficient scale of production for different activities within each local government make it impossible to divide functions between lower- and upper-tier governments as Ontario tries to do in two-tier systems. This is because there are always activities that belong at the other level. When one looks closely at the activities that have been transferred to the CRD, one recognizes that they are generally specific activities, not entire functions, and to achieve scale economies appears to be the consistent consideration.

The Cost of Elected Officials

When municipalities are incorporated, they are designated as villages, towns, cities, or district municipalities and the size of their council is initially set in their letters patent and can be amended in accordance with statute. While classifications and council sizes can be changed, a change in designation makes no practical difference and council sizes are seldom changed. Eight plus a mayor is the standard size for municipalities over 50,000 population although up to 10 plus a mayor is permitted.

Cost in Greater Victoria municipalities

Table 2 (pp. 20–21) shows the cost of elected officials for the 13 Greater Victoria municipalities, including the cost of their participation on the CRD board. Note that tables 2 and 3 show data only for municipalities and their regional district, even though in Greater Victoria municipalities and the CRD only account for 82.1% of total expenditures on local government services. This is because not all other entities keep accounts so that one can separate out support for the elected officials who sit on the boards, committees, or commissions. Not including the other regional entities also makes it easier to make comparisons with municipalities in other regional districts as is presented in table 3, although such comparisons must be regarded as estimates because, as in Greater Victoria, not all municipalities undertake the same functions, they have different relationships with their regional districts, and again, like Greater Victoria, they may use other entities for some functions.

In addition to expenditure data, table 2 shows the ratio of citizens to elected officials and the amount of expenditure on local services per councillor. These ratios are crude proxies for representation and how much supervision of expenditures is needed when council members make expenditure decisions and review budgets. Victoria and Saanich stand out with more citizens (9,200 and 12,300, respectively) and higher expenditures per elected official (\$22.2 million and \$20.0 million) and Highlands stands out with fewer citizens per elected official (just over 300) as it not only has a small population but also, like a medium-sized municipality, six instead of four councillors like Metchosin. Councillors play a larger role in budget formation in smaller municipalities and, as the size of municipalities increases, professional staffs play a larger role. Note that the percentage cost of local elected officials is based on only the municipal and CRD expenditures. Not included is any compensation for the smaller number of elected officials who

Victoria and Saanich stand out with more citizens ... and higher expenditures per elected official ...

Table 2: Cost of municipal councils and CRD board in Greater Victoria, 2014

	Population	Council or Board	Citizens per elected official	Estimated total local expenditures	Expenditure per elected official
Esquimalt	16,207	7	2,315	\$33,279,731	\$4,754,247
Oak Bay	17,448	7	2,493	\$36,834,170	\$5,262,024
Saanich	110,767	9	12,307	\$180,130,150	\$20,014,461
Victoria	83,200	9	9,244	\$200,242,743	\$22,249,194
Central Saanich	15,794	7	2,256	\$29,425,277	\$4,203,611
North Saanich	10,941	7	1,563	\$19,802,092	\$2,828,870
Sidney	11,153	7	1,593	\$21,427,181	\$3,061,026
Colwood	16,636	7	2,377	\$21,021,301	\$3,003,043
Highlands	2,221	7	317	\$3,065,128	\$437,875
Langford	34,677	7	4,954	\$46,017,477	\$6,573,925
Metchosin	4,968	5	994	\$5,188,567	\$1,037,713
Sooke	12,257	7	1,751	\$15,220,792	\$2,174,399
View Royal	10,714	5	2,143	\$14,263,404	\$2,852,681
Total municipal	346,983	91	3,813	\$625,918,013	\$6,878,220
Total for municipalities in the CRD	346,983	21	16,523	\$95,291,221	\$4,537,677
Total regional	346,983	91	3,813	\$721,209,234	\$7,484,330

Notes: [1] The figure in the cell at the intersection of the row *Total for municipalities in the CRD* and the column *Estimated Total Local Expenditures* is an estimate of the share of Capital Regional District expenditures, after removing requisitions from member municipalities, weighted by a municipality's share of CRD population. [2] All municipal *Compensation* data are from 2014 Statements of Financial Information, which are required of all BC municipalities. [3] The high compensation and support values in *Saanich* and *Victoria* are the result of the dedicated staff they mention in their budgets. The other municipalities and the Capital Regional District do not mention staff specifically dedicated to support for council or board members.

Average for Council or Board Member	Compensation			Cost of Elected Officials	
	Mayor or Board Chairman	Total expenses/ support	Total compensation and support	Per capita	Percentage of local expenditures
\$14,183	\$35,345	\$24,449	\$144,893	\$8.94	0.44%
\$7,957	\$18,748	\$46,593	\$113,083	\$6.48	0.31%
\$37,625	\$95,702	\$512,133	\$908,835	\$8.20	0.50%
\$39,886	\$97,060	\$717,808	\$1,133,956	\$13.63	0.57%
\$7,972	\$19,641	\$43,019	\$110,493	\$7.00	0.38%
\$13,035	\$26,070	\$14,654	\$118,934	\$10.87	0.60%
\$8,826	\$21,363	\$20,540	\$94,859	\$8.51	0.44%
\$11,877	\$23,753	\$9,929	\$104,942	\$6.31	0.50%
\$6,000	\$10,000	\$3,503	\$49,503	\$22.29	1.62%
\$18,546	\$34,254	\$36,998	\$182,527	\$5.26	0.40%
\$13,000	\$22,000	\$3,662	\$77,662	\$15.63	1.50%
\$10,160	\$19,734	\$30,440	\$111,133	\$9.07	0.73%
\$11,594	\$22,285	\$14,953	\$83,614	\$7.80	0.59%
\$1,309,797	\$445,955	\$1,478,682	\$3,234,434	\$9.32	0.52%
\$8,940	\$20,509	\$10,053	\$181,852	\$0.52	0.19%
\$1,461,088	\$466,464	\$1,488,735	\$3,416,287	\$9.85	0.47%

Sources: (see p. 67 ff) • Capital Regional District (2015a-SFI; 2015b-SFI) • Central Saanich, Corporation of the District of (2015-SFI) • Colwood, City of (2015-SFI) • Esquimalt, Township of (2015-SFI) • Highlands, District of (2015-SFI) • Langford, City of (2015-SFI) • Metchosin, District of (2015-SFI) • North Saanich, District of (2015-SFI) • Oak Bay, Corporation of the District of (2015-SFI) • Saanich, District of (2015-SFI) • Sidney, Town of (2015-SFI) • Sooke, District of (2015-SFI) • Victoria, City of (2015-SFI) • View Royal, Town of (2015-SFI).

sit on the board or commission for BC Transit, the libraries, or the West Shore Parks and Recreation Society. Because of the large expenditures by BC Transit and the West Shore Parks and Recreation Society, an all-inclusive calculation would most likely return a lower percentage for the costs of elected officials relative to total expenditures on local government services in Greater Victoria.

The most obvious information in the table is just how inexpensive elected officials are ... averaging 0.47% of all government spending in 2014.

The most obvious information in the table is just how inexpensive elected officials are. Their total cost in 2014 averaged \$9.85 per capita or 0.47% of all local government spending for which municipal elected officials are responsible. Only in Highlands and Metchosin does the percent rise above 1% (1.62% and 1.50%). The cost of elected officials is a very small percentage of municipal expenditures. Only in Victoria and Saanich is it likely that a council member could be full time and earn a reasonable salary, even with an additional payment for being on the CRD Board. Even with the increased compensation for CRD board members in 2016, the costs of elected officials remain low, with the estimated per-capita total rising from \$9.85 to \$10.57 and the percentage rising from 0.47% to approximately 0.50%. [17] This means that council members are sometimes retired or have flexible employment that allows them to not only participate in council meetings but also fulfill their roles on committees, boards, and commissions in the CRD and with the other government entities providing local government services. While each municipality has its own committee structure, the CRD has 25 committees, boards, and commissions made up of municipal mayors and councillors. Mayors and councillors also make up the boards and commissions for the Victoria Regional Transit, the two library systems, West Shore Parks and Recreation Society, CREST, and the Greater Victoria Labour Relations Association. In addition, the CRD must appoint representatives to 12 other boards such as the Victoria Coalition to End Homelessness, the Island Corridor Foundation, and the Victoria Airport Authority. This means the 91 local elected officials have responsibilities for 43 committees, boards, and commissions, most of which require five or more members, in addition to the committees within their own municipalities.

Much is often made of the total number of elected officials in Greater Victoria, with the assumption that, if there were fewer local governments, expenditures would be lower. This is a serious misconception for several reasons. First, the costs of elected officials are so low that to reduce their number would have no

[17] The basic compensation of a board member will rise from \$8,940 to \$17,000 and the chair will receive an additional \$25,000, for a total of \$42,000. An estimate of the total cost increase is \$250,000. This is an estimate assuming a 2% increase in total local government expenditures each year between 2014 data and 2016 when the higher CRD board compensation takes effect.

material impact on total spending. Second, as the number of municipal councillors declines in relation to population, councillors are paid more. Third, in still larger municipalities the volume of business a councillor is responsible for increases and requires staff dedicated to council operations. In many cases, dedicated offices are needed for councillors as well. At this point, most councillors become effectively full time. In addition, in larger local governments with fewer elected officials per citizen and per expenditure dollar, decisions still need to be made. These decisions will shift from being made by elected officials to being made by staff acting under delegated authority. As is indicated in table 3, one indication of the shift to staff is the ratio of highly paid staff to elected officials.

Cost in other municipalities of British Columbia

Table 3 provides information to compare average per-capita costs of municipal and regional district services and elected officials in Greater Victoria with costs in the larger municipalities in British Columbia. Average per-capita costs for Greater Victoria municipalities, including regional district costs and per-capita costs for other large municipalities and their regional district are also shown in the table. These figures must be regarded as approximations because of differences in the services provided through the municipalities and regional districts and the simple allocation formula where regional district costs cannot be assigned to a specific municipality. Readers can refer back to table 1 for costs of individual Greater Victoria municipalities, keeping in mind that municipal and regional district costs must be added together for the comparison.

The focus for comparison in table 3 is the cost of elected officials. One can observe that elected officials in larger communities receive higher compensation. Each councillor represents a much higher number of citizens and is responsible for a much higher volume of expenditures. Their per-capita costs and their costs as a percentage of local government expenditures are lower, but only by a small amount (\$5.28 and 0.23% in Vancouver; \$4.19 and 0.28% in Surrey and \$7.44 and 0.41% in Burnaby). No data was available for the costs of council support for Richmond, Coquitlam, and Abbotsford so those numbers may be misleadingly low, as they only include councillor expenses.

What stands out as different, however, is the ratio of elected officials to highly paid staff. In Greater Victoria, there are 897 staff paid above \$75,000 or roughly 10 per elected official. In Vancouver, there are 2,428 (221 per elected official), in Surrey 1,038 (115), in Burnaby 738 (82), and in Richmond 704 (78). Thus, not only are elected officials paid more but they have to delegate decisions to staff that would be made by elected officials in Greater Victoria. Councils in the Greater Victoria municipalities are made up of citizens who are best described as volunteers. Elected officials in larger municipalities may need to be full-time and yet

What stands out as different ... is the ratio of elected officials to highly paid staff.

Table 3: Comparative costs of elected officials

	Greater Victoria	Vancouver
Population (2014)	346,983	640,469
Number of municipal elected officials	91	11
Citizens per official	3,813	58,224
Expenditures (municipal + estimated share of regional district)	\$721,209,234	\$1,480,304,251
Expenditures per capita	\$2,079	\$2,311
Expenditures per elected official	\$7,925,376	\$134,573,114
Compensation for Councillors (average for Greater Victoria)	\$16,792	\$82,230.60
Compensation for Mayor (average for Greater Victoria)	\$34,304	\$177,356
Base regional-district compensation for municipal board members	\$8,940	<i>(per meeting)</i>
Total compensation for elected officials	\$1,927,552	\$996,849
Support and expenses (where available)	\$1,488,735	\$2,385,715
Total cost of elected officials	\$3,416,287	\$3,382,564
Cost of elected officials per capita	\$9.85	\$5.28
Cost of elected officials as a percentage of expenditure	0.47%	0.23%
Employees paid above \$75,000	897	2428
Employees paid above \$75,000 per council member	9.86	220.75

Notes: [1] The row *Expenditures (municipal + estimated share of regional district)* presents estimates of local expenditures by combining the sum of municipal expenditures with population-weighted proportions of regional district expenditures reported in audited financial statements. [2] The row *Base regional-district compensation for municipal board members* does not include additional expenses. These are included in the row *Total compensation for elected officials* below. [3] The row *Total compensation for elected officials* is an estimate produced by adding total city-council base remuneration to total base remuneration of regional district municipal-board members weighted by the number of directors each city has on the board. [4] The row *Support and expenses (where available)* is the combination of non-salary remuneration for councillors and board members and the cost of staff dedicated to councils and boards (if reported in budgets). [5] The number of employees earning more than \$75,000 was included because this pay grade is reported in statements of financial information (SOFIs). Lower pay grades are either not included or aggregated into a single line item in these reports.

Surrey	Burnaby	Richmond	Coquitlam	Abbotsford
513,322	233,734	205,262	141,132	138,501
9	9	9	9	9
57,036	25,970	22,807	15,681	15,389
\$762,099,183	\$424,675,115	\$399,899,389	\$239,574,558	\$234,226,323
\$1,485	\$1,817	\$1,948	\$1,698	\$1,691
\$72,823,444	\$41,788,460	\$39,693,111	\$26,619,395	\$26,025,147
\$69,763.71	\$67,027	\$60,325	\$63,876	\$37,703
\$208,471	\$163,296	\$128,972	\$145,297	\$100,007
<i>(per meeting)</i>	<i>(per meeting)</i>	<i>(per meeting)</i>	<i>(per meeting)</i>	\$6,613
\$869,032	\$718,239	\$605,991	\$619,656	\$442,368
\$1,284,000	\$1,019,602	\$47,271	\$78,764	\$49,354
\$2,153,032	\$1,737,841	\$653,261	\$698,419	\$491,722
\$4.19	\$7.44	\$3.18	\$4.95	\$3.55
0.28%	0.41%	0.16%	0.29%	0.21%
1,038	738	704	396	242
115.35	81.97	78.23	44.00	26.85

Sources: (see p. 69 ff) • Abbotsford, City of (2015-AFS; 2015-SFI) • Burnaby, City of (2015-AFS; 2015-B/FP; 2015-SFI) • Capital Regional District (2015a-SFI; 2015b-SFI) • Coquitlam, City of (2015-AFS; 2015-SFI) • Fraser Valley Regional District (2015a; 2015b-AFS) • Metro Vancouver (2015a-AFS, 2015b-SFI) • Richmond, City of (2015a-AFS; 2015b-SFI) • Surrey, City of (2015a-AFS; 2015b-B/FP; 2015c-SFI) • Vancouver, City of (2015a-B/FP; 2015b-AFS; 2015c-FSI).

... candidates for council and mayor in Greater Victoria do not require or spend much money to get elected and are often personally known by a significant proportion of their constituents.

still delegate a large proportion of decisions to staff. It would be impossible for council in any of the large cities to make decisions on all of the agenda items that appear on the councils of the 13 municipalities in Greater Victoria.

In addition to being part-time, candidates for council and mayor in Greater Victoria do not require or spend much money to get elected and are often personally known by a significant proportion of their constituents. Only the Victoria and Saanich councils have constituent sizes, especially with at-large elections, where significant funds are needed for campaigning and where slates of candidates are presented to the voters. Slates of candidates tend to appear in elections when media advertising needs to be purchased because several candidates can advertise together for the same cost as a single candidate. **Table 4** shows election expenses for the 2014 municipal elections. Expenses tend to be higher in Victoria and Saanich but winners are not always the candidates who spend the most. In

Table 4: Campaign expenditures in municipalities of Greater Victoria, 2014

	Council			Mayor	
	Lowest	Average	Highest	Winner	Highest
Victoria	\$8,048	\$14,504	\$22,482	\$88,564	\$128,636
Saanich	\$13,721	\$17,684	\$29,393	\$52,837	\$63,372
Esquimalt	\$2,058	\$3,166	\$4,400	\$11,975	\$12,045
Oak Bay	\$4,027	\$5,470	\$6,470	\$9,565	\$11,768
Central Saanich	\$3,125	\$5,837	\$9,874	\$9,303	\$9,303
Colwood	\$671	\$4,091	\$12,771	\$2,501	\$2,501
Langford	\$4,034	\$4,787	\$7,170	\$60	\$60
North Saanich	\$1,026	\$5,781	\$11,500	\$6,974	\$12,402
Sidney	\$1,201	\$4,779	\$6,137	\$13,428	\$14,948
Highlands	\$355	\$721	\$1,085	\$745	\$745
Metchosin	\$469	\$841	\$1,079	\$600	\$600
Sooke	\$700	\$2,226	\$5,424	\$23,726	\$23,726
View Royal	\$1,217	\$1,844	\$2,862	\$3,558	\$7,351

Note: Each municipality's mayoral campaign included at least one candidate who spent \$0 in campaign expenditures.

Sources: (see p. 71) CivicInfo BC (2015) • Elections BC (2015).

When we look at election expenses in the larger municipalities in the province, the differences from Greater Victoria are striking.

Victoria, the winning mayor spent \$88,564 and in Saanich \$52,837, although one of the losers in Victoria spent \$128,636 and one of the losers in Saanich spent \$63,372. In only one other mayoralty contest was more than \$20,000 spent, and in eight of 13 contests election expenditures were less than \$10,000. All mayoralty contests also had at least one candidate who reported no expenditures. Council races were even less expensive with only Victoria and Saanich having candidates that spent over \$20,000, and in the other 11 municipalities only two had races where campaign spending exceeded \$10,000. Popular incumbents may also go unchallenged.

When we look at election expenses in the larger municipalities in the province, the differences from Greater Victoria are striking. **Table 5** shows expenditures for formal party slates of over \$3.3 million in Vancouver (over \$220,000 a candidate), in Surrey over \$1.1 million (over \$130,000 a candidate), and in Burnaby over \$473,000 for the slate (over \$47,000 a candidate). These levels of campaign expenses require significant donations from special interests. **Table 6** shows campaign expenditures in the next three largest municipalities, where

Table 5: Campaign expenditures by municipal “parties” in large cities in British Columbia, 2014

	Population	“Party” spending		“Party” spending per candidate	
		Winner	Highest	Winner	Highest
Vancouver	640,469	\$3,313,450	\$3,313,450	\$220,897	\$220,897
Surrey	513,322	\$1,188,696	\$1,188,696	\$132,077	\$132,077
Burnaby	233,734	\$473,729	\$473,729	\$47,373	\$47,373

Sources: (see p. 71) CivicInfo BC (2015) • Elections BC (2015).

Table 6: Campaign expenditures in British Columbia, 2014

	Population	Council			Mayor	
		Lowest	Average	Highest	Winner	Highest
Richmond	205,262	\$545	\$28,319	\$54,884	\$429,440	\$429,440
Coquitlam	141,132	\$20,508	\$30,612	\$39,518	\$74,478	\$74,478
Abbotsford	138,501	\$4,110	\$9,850	\$11,510	\$55,780	\$148,172

Note: In order to report campaign expenditures for individual candidates belonging to elector organizations (municipal political parties or “slates”), estimates were produced by dividing total expenditures for the elector organization by the number of affiliated candidates. Not all candidates in table 6 belonged to elector organizations.

Sources: (see p. 71) CivicInfo BC (2015) • Elections BC (2015).

The political culture of Greater Victoria is very much a bottom-up community- and volunteer-based culture.

there were a mixture of slates and independent candidates. Again there were candidates for mayor who reported zero spending. As the size of a city decreases, the official campaign expenditures become similar to those of the larger municipalities in Greater Victoria, with Abbotsford actually reporting lower councillor campaign expenditures than Victoria or Saanich.

The political culture of Greater Victoria is very much a bottom-up community- and volunteer-based culture. It is one where residents and businesses have a wide range of different communities to choose from and they have councillors that represent their community. In contrast, the political culture of the larger municipalities in the lower mainland is more professional. Councillors need to be full time and many decisions need to be made by staff because it would be physically impossible for the smaller number of councillors relative to the number of people they represent and the size of the budgets they must supervise to be involved in local decisions in the same way Greater Victoria councillors are. While the higher level of representation in Greater Victoria costs more than representation in the larger municipalities of Metro Vancouver, it is still achieved at a very low cost: only one half of 1% of all local government expenditure. All of the differences between municipalities in Greater Victoria and the larger ones on the lower mainland reflect a major difference between the two areas.

Incentives for Councillors and Fiscal Equivalence

Municipal councillors understand their role in their municipality where they, as a council, make decisions on what services are to be provided, how they are to be produced, and how they are to be financed. Ten of the municipalities in Greater Victoria are of medium size [18] and contain reasonably well-defined communities that differ from the communities in adjacent municipalities. What is important in their decisions is that when they decide to provide a service they must also decide how to finance it. This means both costs and benefits must be considered, and the council must continually balance the two. The two basic choices for financing are user charges and property taxes. Both can provide good incentives.

User charges can be used when the service benefits a specific individual, family, or business. Cost-based user charges force the individual user to make the decision as to whether benefits exceed the costs. Councils can also make the decision that some of the costs can be shared by the community, or that some residents should pay a lower cost or be exempt. But, in the end, Council members know that costs must be covered.

When user charges are not used, the main revenue source is the property tax. The property tax is considered a good tax for local government services because both the availability and benefits of the local services to the property occupier make the property more valuable, just as the levying of the tax on property reduces its value. Both benefits and costs are reflected in the property's value (economists call this capitalization) and, when governments are efficient, the increase in value from services provided will be higher than the reduction due to taxation. Council members who take their responsibilities seriously will try to make decisions on the services to be provided so that benefits exceed tax costs, and this benefits their residents. The incentive to balance benefits with costs for the community meets the criterion economists label as "fiscal equivalence" (Olson, 1969; Bish and Clemens, 2008: ch. 12). Fiscal equivalence for a group exists when the decision-makers who represent the citizens (for local

Fiscal equivalence exists when the decision-makers face the incentive to balance the benefits of the service against the costs, and the beneficiaries pay the costs.

[18] A majority of municipalities in British Columbia have less than 5,000 population but contain only 4% of the population. Ten Greater Victoria municipalities are of medium size, while Highlands is small. Victoria and Saanich are large for British Columbia but only of medium size in a North American context.

The most significant characteristic of the regional district system in British Columbia is that it is designed to extend the incentives to balance benefits against costs ... to areas beyond the boundaries of a single municipality.

governments, the council) face the incentive to balance the benefits of the service against the costs, and the beneficiaries actually have to pay the costs. This criterion is best met in small and medium-sized local governments providing local services. The criterion is not met if either benefits or costs spill over to adjacent areas and it is not met when special interests within larger municipalities obtain special benefits for themselves while the costs are spread over the entire population. [19]

The most significant characteristic of the regional district system in British Columbia is that it is designed to extend the incentives to balance benefits against costs—fiscal equivalence—to areas beyond the boundaries of a single municipality. The system does this by having the decisions on services made by committees or commissions made up of council members from the benefitting areas, [20] and it is within the benefitting area that property taxes will be levied to pay for any part of the service not covered by user charges. [21] As geographic areas for services get larger, including up to the entire area of Greater Victoria (or even larger for the Vancouver Island Regional Library system), matching benefits and costs is more difficult for sub-areas. In this case, there need to be additional benefits from the larger scale so all of the participating communities receive net benefits. This is why some services will be sub-regional instead of regional: to extend their geographic area further would not create net benefits for every community. Avoiding entering into service agreements where costs may exceed benefits is important to smaller communities because they will have fewer votes on regional district boards than larger municipalities, and their council members

[19] Fiscal equivalence can be applied to user charges where benefits are well defined and to a group where benefits accrue to the group but there is no way to attribute benefits to specific individuals or properties. Because of the inseparable relationship between service benefits, property taxes, and the value of the property, the usual criteria for evaluating a tax (i.e., as proportional, regressive, or progressive) cannot be applied as they can to income and sales taxes where it assumed there is no relationship between the tax and the benefits. For the financing of local governments in British Columbia, see Bish and Clemens, 2008: ch. 12 on local government finance.

[20] Committees, commissions, and boards can also be unrepresentative if they are composed only of advocates for more of the service. This is why it is desirable that they report to a larger council (municipal or regional) that approves their final budget. Independent, single-purpose governing bodies that can set their own requisitions without further approval can become very expensive, which, along with a dispute over the location of a new library, appears to have contributed to the decision of six Greater Victoria municipalities to switch their library services from the Vancouver Island Regional Library system to the Greater Victoria Public Library system, where municipal councils have greater oversight of the library system budget and can control the location of new libraries in their communities.

[21] A list of the committees of the Capital Regional District is presented in Appendix B.

may not be willing to take the risk of ending up with taxes to pay for some other area's benefits. This caution makes the expansion of sub-regional and regional service assignments a slower process than some would like, but it also reflects the councillors local knowledge and their concern for their citizens. There is no substitute for local knowledge for decisions on providing local government services when the decision-makers face incentives to balance benefits against costs as do local council members.

The regional district system, of which Greater Victoria and the CRD are examples, can appear confusing to those who do not understand its logic. The logic is this: well-defined small and medium-sized communities are organized into municipalities. [22] Citizens elect a mayor and council for their municipality, and those elected officials represent their citizens in decisions to provide services within their municipality. Those services may be provided by the municipal government, through regional district regional or sub-regional committees, and through other organizations as decided upon by the elected councillors. The specific role of the regional district in this system is to provide a forum and administrative structure for shared service cooperation so that each service does not have to have a one-of-a-kind arrangement. This appears to lead to greater cooperation and more shared services for mutual benefits than with other kinds of local government structures. [23] Along with more shared services there is a reasonable degree of fiscal equivalence because at every level the beneficiaries have to bear the costs of the services they receive.

The municipal
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government system.

The municipal councillors are the key to a successfully functioning local government system. Their direct costs need to be weighed against the benefits for their communities. Their role, as a representative of their community, is critical and includes their role at the sub-regional and regional levels in other organizations just as much as in their municipality. Only with municipal councillors who take their role seriously can such a system function successfully for its citizens.

One characteristic that is important to recognize in the BC local government system, in both the regional districts and the other sub-regional and regional organizations, is that shared services are based on voluntary agreements among the municipalities. [24] While regional districts have been mandated to provide a

[22] The CRD comprises primarily small and medium-sized municipalities; only Saanich exceeds 100,000 population. Most of its population is within municipal boundaries. It is quite different from Metro Vancouver (the GVRD) where most of the municipalities are very large and have less need to share services except for major regional facilities like water, sewer, and transit.

[23] See footnote 9.

[24] These agreements are made on the basis of local knowledge and the search for mutual benefits just as in any market. The difference from many markets is that the "consumers" are not individuals, but rather "citizens" who are making purchase decisions through an elected

... all of the interaction
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limited number of services by provincial legislation, even then implementation of such mandates generally requires cooperation from all of the municipalities to which the mandate applies. [25] This places some real limits on regionalism where there may be long-run benefits from stronger regional governance but individual municipalities do not want to participate and be bound by the regionally-based decisions. There are other situations where the citizens of municipalities that do not participate in a regional district function still benefit from that activity; in this case, they are free riders and fiscal equivalence does not exist. Both of these issues arise from the voluntary nature of regional districts. [26]

A second characteristic of the BC local government system to recognize is that the multiplicity of agreements can make the system difficult for citizens to understand if they are not aware of its logical underpinnings. However, having a single organization, a regional district, for shared services actually makes the system simpler than in other North American metropolitan areas. The major reason that it does not appear simpler is that all of the interaction is visible and not hidden within bureaucracies of a large municipality or taking place within one of many regional organizations to which the news media pay no attention. The visibility of issues makes regional districts regular targets of criticism, when in fact the visibility of the issues is one of the beneficial characteristics of the regional district system. Such criticisms and responses are part of any democratic system.

council for the entire group. The observation that local governments in a metropolitan area may function more like a market with groups of citizens organized into municipalities doing the purchasing than multiple bureaucracies producing in-house services appears to have first been made by Robert Warren (1964) following the Los Angeles study upon which the classic article challenging amalgamation by Ostrom, Tiebout, and Warren (1961) is based.

[25] Mandates include planning for solid waste disposal, emergency planning and management, municipal debt financing, and hospital capital financing; and, in the CRD, sewage treatment for the core area.

[26] There are, however, social services where municipalities voluntarily participate even though expenditures are made in other municipalities. For example, the CRD Regional Housing Trust Fund to support housing projects for low-income residents is funded by 11 of the 13 municipalities but expenditures have been made in only three municipalities.





How Does the Governance of Greater Victoria Compare with That of Other Metropolitan Areas?

Metropolitan areas around the world face issues when providing services to their citizens, although our focus is only on democratic countries where responding to citizen preferences is regarded as important. The basic roles of local governance—to provide representation, be able to adjust to different geographic areas, produce efficiently, and finance fairly—are all important and have been described for Greater Victoria. It is useful to examine some of the research that has been done on the governance of metropolitan areas elsewhere in North America to see how Greater Victoria compares. Some of this research has already been referred to in earlier references, including in particular the conclusions on the importance of looking at the organization of activities within functions instead of entire governments or entire functions (notes 14, 15) and the observation that the production of local government services can evolve into market-like systems with both competition and cooperation (note 24). The research that surrounds this work also emphasizes the importance of local knowledge and proper incentives to function.

The emergence of public-choice theory, which in many ways is a revival of classical liberal theory applied to federal and local governments, [27] has generated

[27] Debates between central planning and polycentric systems, including markets, go back as far as Plato and Aristotle. Classical Liberalism, in attacking Feudalism, forms the historical basis for the democracies of Western Europe and former British colonies, with Federalism being a direct descendent. The same debate goes on nationally between examples of centrally planned economies (the former Soviet Union) and polycentric economies relying on both markets and decentralized political systems such as one finds in Western Europe, the United States and Canada. At the local government level, the debate has been between those who favour central decisions by small councils of elected officials and services run by professional civil servants rather than polycentric systems of many local governments and greater involvement of elected officials in service decisions. Much research about local government since the 1950s has been specifically designed to provide empirical information on these different approaches. The differences in the approaches are described in Vincent Ostrom's *The Intellectual Crisis in American Public Administration* (1973) where traditional public administration was advocating large government bureaucracies run by professionals that did not fit the way local governments were evolving with many small and medium-sized municipalities using market-like arrangements to get local services produced for their citizens. A large proportion

significant research on the relationship between institutional arrangements and outcomes. What this research has revealed is that systems characterized by rivalry and competition among governments instead of large monopolistic bureaucracies are more responsive and more efficient. One focus has been on the costs of local governments. After examining more than 60 statistical studies relating local government structure to cost, Boyne (1992) concludes (as summarized in Bish, 2001: 19):

-  the horizontal fragmentation [28] of multi-purpose governments (i.e., a multiplicity of municipalities) is associated with lower spending ... ;
-  local government units compete in a market that is geographically limited and such competition is associated with lower spending ... ;
-  vertical concentration of market share in large top-tier units (i.e., the regional government spends more than the municipalities) is associated with higher spending ... ;
-  the establishment of barriers to entry (i.e., restrictions on the creation of new municipalities) is positively related to higher expenditures by the local government's units that are protected by the barriers.

Greater Victoria is characterized by all of Boyne's conclusions on the attributes of local government organization that are associated with lower costs. There is a multiplicity of municipalities. They do compete but also engage in cooperation to keep the costs of production down where there are economies of scale; the municipalities are the largest spenders, and it is easy to start a new municipality. There is also more recent evidence that a larger number of municipalities in a metropolitan area results in lower annual rates of cost increases (Stansel, 2006). This is what should result if there are rivalry and comparisons among municipalities within a metropolitan area.

The many studies from which Boyne drew his conclusions provide evidence that polycentric systems of local government may spend less but the studies

of research into local government has been focussed on identifying the results from what is actually emerging rather than continuing to, in the abstract, advocate big bureaucracies. Local government in Greater Victoria is an example of what is emerging: Boyne's work (1992) is an example of research focussed on identifying the consequences of polycentric systems. [28] "The term fragmentation may be used to refer to the number of separate units in a local government system. In a 'fragmented' structure, there are many units in a geographical area, either in absolute terms or standardized for population. By contrast, in a 'consolidated' structure there are few units and in the extreme only one unit that covers a whole area" (Boyne, 1992: 334).

What is evolving among local governments is specialization and trade in the production of services by different organizations, just as has happened in the private sector of market economies

do not provide the kind of detail and evaluation of service levels that is provided in the policing studies referred to above (E. Ostrom, Parks, and Whitaker, 1978), or always explain the details of the services provided by different entities for different areas. This means that the conclusion that can be drawn is that Greater Victoria is not only consistent with the general conclusions but also an understanding that the major facilities characterized by economics of scale are all produced in only the two largest municipalities or as sub-regional or regional shared services provides evidence that, when local officials are responsible for decisions on how services are to be governed and produced, the resulting outcomes appear to make economic sense. This is consistent with a very large body of research on the performance of systems that evolve in contrast to systems that are centrally planned.

Matt Ridley, in *The Evolution of Everything: How New Ideas Emerge* (2015) provides a fascinating history of the evolution not only of biology but of human systems involving morality, the economy, culture, language, cities, firms, education, history, law, government, and society. The combination of innovation and survival of what works can be applied to different approaches to local government, along with the recognition that every innovation does not work and corrections need to take place. What is evolving among local governments is specialization and trade in the production of services by different organizations, just as has happened in the private sector of market economies (Bish, 2003). British Columbia's regional district system has demonstrated the advantages of a polycentric system with the flexibility to evolve efficient responses for the production of different local government activities. It is not at all clear that a similar conclusion can be drawn when provincial governments have imposed their own reorganizations on local governments.

Questions for the Future

Amalgamations

Any metropolitan area faces change and Greater Victoria is no exception. There have been proposals for change by reducing the number of governments and elected officials and there are other issues that deserve analysis. There is an extensive literature on amalgamations available (Bish, 2001; Sancton, 2000), including the results of amalgamations in eastern Canada (Slack and Bird, 2013) so that the results of the research do not need to be repeated here other than to note that it is extremely difficult, and so far apparently impossible, to predict the financial outcomes of amalgamations. The costs for amalgamating and post-amalgamation operations are continually underestimated because there is no way to predict the loss of management control that occurs during a change or in a larger system and that is the reason for diseconomies of scale (Bish, 2001: 12–13). Such errors can be very large: the implementation of the amalgamation in Halifax cost an estimated \$40 million instead of the predicted \$9.8 million (Bish, 2001: 25). Because detailed studies of amalgamation are easily available on line, this report examines the implications for the four primary roles of local government specifically for Greater Victoria. Also summarized are the implications for economic development and implementation of an amalgamation.

Representation

Proposals for amalgamations in Victoria have not been developed in any detail but seem to follow the long-standing idea that fewer elected officials and larger bureaucracies will be less expensive. [29] These brief comments are simply to raise the most important issues for each major role for local government.

Greater Victoria has a highly representative system with 91 local elected municipal officials at a cost one half of 1% of local government expenditures. It is useful to consider the change in representation that would occur with an amalgamation of the entire region. The change in representation for the council of

[29] This ideal was expressed very well by Anderson (1925) and repeated in 1966 by the business-funded Committee for Economic Development, 1966. This notion is firmly based on the idea that central planning and bureaucratic management is superior to evolution. There has never been evidence for the arguments as applied to metropolitan areas, just assertions based on a philosophical framework. For a history of the amalgamation (labelled “political reform” in the United States), see Warren, 1966: chapters 1–3 or Bish and Ostrom, 1971.

10 councillors (the maximum allowed) and a mayor would be from an average of about 3,800 citizens per elected official to about 31,500 citizens per official. If a ward system were used this would result in one councillor for the territory covered by North Saanich, Sidney, and most of Central Saanich; one for Sooke, Metchosin, Highlands, and Colwood; one for Langford; one for View Royal, Esquimalt, and Victoria West; two for the rest of Victoria; three for Saanich and part of Central Saanich, and one for Oak Bay with a bit of Victoria and Saanich. This would be a dramatic change in representation for all of the municipalities where, with current costs being such a low percentage of all local government expenditures, even to match Surrey's lower per-capita cost for elected officials would involve a saving of only \$5.66 per capita or 0.2% of local government expenditures.

Such a change would, however, totally change the nature of representation in Greater Victoria. It is hard to imagine that the Sidney waterfront would have received the same attention with a single councillor out of 10 (who represented the entire peninsula, let alone Sidney) or that two of 10 councillors would be able to provide the focus on Victoria's harbour area or neighbourhoods within Victoria that the Victoria council now provides.

It is also not clear how Sooke, Highlands, Metchosin, and Colwood could be represented by one person or whether Oak Bay could maintain its high level of local services (which it is willing to pay for). It is also hard to believe that residents of any community would be happy with land use and zoning decisions that could always be made over the opposition of the representatives from the neighbourhood directly involved.

With such an amalgamation, Greater Victoria could also go from a low-cost election environment to a high-cost system ...

With such an amalgamation, Greater Victoria could also go from a low-cost election environment to a high-cost system where significant campaign funding would be needed from special interests. [30] In addition, many decisions where elected officials are currently involved would need to be transferred to highly paid employees. Making such a change would need to be balanced by significant cost savings or some other identifiable benefit. Even greater change would result if an amalgamation had council members elected at large and not by wards. Elections at large would require each candidate to compete in a population of nearly 350,000 and result in parties that needed major funding, the kind of funding only available from special interests that see benefits from having a council catering to their preferences.

One could also look at the amalgamation of smaller areas but, even there, one would not expect reductions in local expenditures from a reduced number of council members. The most important observation, however, is that

[30] British Columbia requires reporting of the market value of all contributions to candidates for elections but there are no financial limits (Elections BC, 2014).

organizational changes must be based on local knowledge and the preferences of local citizens. Such changes are allowed under the *Community Charter* and the *Local Government Act*. The *Community Charter*, at s.279 (No forced amalgamations), is clear on the need to achieve concurrent majorities among residents of all communities that would be affected by an amalgamation. [31] The ultimate question about representation is whether citizens in Greater Victoria want to retain a highly representative system where councillors are part-time, participate on many committees, boards and commissions, and can run for office at low cost, or move toward full-time councillors who delegate many decisions to staff and require significant donations to finance their election.

The flexibility to provide different activities to different combinations of municipalities is an important characteristic of the regional district system.

Adjustments to geographic scale

The flexibility to provide different activities to different combinations of municipalities is an important characteristic of the regional district system. The geographic scale adjustments can achieve fiscal equivalence where only the participating municipalities pay for the services they receive. It is doubtful equivalent arrangements could be achieved within a larger government, although some citizens would prefer that citizens receive the same services throughout the entire area. It is very unlikely, however, that Metchosis and Highlands residents want to receive the same services that are provided in Victoria or even Langford and Colwood—let alone pay for them. We will return to this issue in discussing the transition to equal tax rates within a municipality. The ultimate question about adjusting to the geographic scale for different services is whether it is best done in a system that builds from smaller municipalities up, or whether it is possible to decentralize larger bureaucracies, especially in regard to maintaining a financial balance between benefits and costs.

Production

There are activities where economies of scale are likely already provided by the two larger municipalities or at a sub-regional or regional level. These allocations have been based on local knowledge. In addition, there is a multiplicity

[31] The major problem with forced amalgamations is not simply philosophical. It is that the financial analyses sponsored by provincial governments have understated costs and overstated benefits such that, in all of the forced amalgamations that have been studied, actual costs increased rather than decreased. There seem to be two reasons for poor cost estimating: one is that accountants do not know how to deal with the costs associated with the loss of management control in larger organizations, which is the basic reason for the diseconomies of scale observed in many labour-intensive activities; and second, provincial ministers and staff have no responsibility for the failures so there is no particular incentive for them to make accurate forecasts. It is the local people who end up bearing the costs, not the provincial officials.

of production agreements with private firms and between municipalities, such as the previously noted contract between Oak Bay and Saanich for the provision of overhead policing services. There may be additional opportunities to reduce costs through cooperative agreements but there is no evidence that a larger bureaucracy can manage production to achieve cost savings compared to the system that has evolved. Reducing costs should always be an objective and suggestions for efforts toward this objective are noted below. What is important, however, is that efforts to increase efficiency can benefit from the ability to compare the costs of the production of different activities in different municipalities to identify best practices that can be copied as well as identify potential benefits for sharing services. The question is, what approach is best for production efficiency: a polycentric market-like system characterized by adjustments to scale for different activities within functions or production through a large bureaucracy where decentralization for those activities that do not possess scale economies has proved very difficult to accomplish?

Financing

... citizens get what
they want to pay for ...

The current system for financing local government activities has a very high degree of fiscal equivalence, that is, residents within municipalities or CRD-benefitting areas pay for the services they receive. This has resulted in wide variation in expenditures and service levels among municipalities. Basically, citizens get what they want to pay for, which is an appropriate criterion when social services are a provincial responsibility. There may be, however, additional costs associated with Victoria as the central city, including responding to the problem of homelessness and additional policing.

While an amalgamation would be predicted to lead to a general increase in costs, greater exposure to the influence of special interests, and greater similarity of services to different communities, there are also important impacts from fiscal shifts due to the uneven distribution of the business-tax base and payments in lieu of taxes for senior government facilities within Greater Victoria.

An important aspect of an amalgamation is that after a transition period the municipal property tax rate must be the same throughout the municipality. [32] This removes differential payments for different services and leads people where services have traditionally been lower (or not offered at all) to request equal levels of services if they are going to pay equal taxes. This can be a major source of increased

[32] The 2014 municipal residential property-tax rates in Greater Victoria ranged from \$1.94 to \$5.02 per \$1000. Business rates varied from \$6.68 to \$13.80 per \$1000. Ratios between residential and business rates vary from 1.87 to 4.75. Harmonizing tax rates would have major implications for individual property owners. Those changes are beyond the scope of this study.

expenditures following an amalgamation and, even when well intentioned, equal services may be extremely difficult to achieve. A good illustration of the issue of standardizing services to go with the standardized tax rates is presented in the brief description by Jerry Berry [33] of Nanaimo's experience on page 41.

The amalgamation of rural areas into the Halifax Regional Municipality has included this issue. While Halifax has tried to adjust taxes to service levels with three basic taxes and 60 area-rate add-ons as they get started, three years into the process of harmonization, service equalization had barely begun. Rural property taxes had already been raised 30% and property taxes in the old city of Halifax rose 10% to help pay for this transition. When 11 smaller municipalities were amalgamated into Miramichi, New Brunswick, no attempt to account for different service levels was made and individual area tax rates increased by 0.5% to 80% with no relationship to service levels (Vojnovic, 2000).

The problems of tax and service harmonization in Greater Victoria would be similar to issues faced in Nanaimo, Halifax, and Miramichi even at the sub-regional level. For example, while the three Saanich Peninsula municipalities undertake many services together through the CRD, the service differences among Central Saanich, North Saanich, and Sidney are still quite large and would be expensive to harmonize to the highest levels. If the residents of the three communities are satisfied with their current levels of services it is not clear why the expense of raising them would be to their benefit, particularly when they can obtain the benefits of harmonization for those services where harmonization makes sense (as with the availability of the Panorama Recreation Centre) through the CRD. The same conclusion holds for the rest of Greater Victoria: municipalities can harmonize services and taxes specifically for those services through the CRD or other regional agreements such as they have done for libraries, while adjusting to their own preferences and willingness to pay for other services within the existing system.

A second transition issue is the fiscal shifts that would occur with amalgamation. While the property tax is related to both the benefits and costs of a property, British Columbia allows municipalities to set different tax rates on different kinds of property. The usual practice is to tax business property at a rate two or three times higher than the residential rate. This should provide sufficient tax revenue for a central city to cover the costs of employees and shoppers who come into the central city as well as other costs likely to be higher in a central city than in a suburban municipality. In Greater Victoria, the City of Victoria, with 24% of the population, accounts for 47% of the business-tax base in the region

While Halifax has tried to adjust taxes to service levels ... three years into the process ... service equalization had barely begun. Rural property taxes had already been raised 30% and property taxes in the old city of Halifax rose 10% to help pay for this transition.

[33] Jerry Berry, B.Sc., MPA, is a long-term local government manager, educator, and consultant.

The Nanaimo amalgamation

by Jerry Berry

Nanaimo is one of four regional centres in British Columbia amalgamated in the mid-1970s (the others are Prince George, Kamloops and Kelowna). After strong pressure from the Provincial Government, Nanaimo, along with the Improvement Districts of Harewood, Departure Bay, Wellington, East Wellington, Northfield, and Chase River voted in November, 1974 in one area-wide referendum to amalgamate. The overall vote was carried by the “Old City” at 52%; all other areas voted against amalgamation. These communities were amalgamated on January 1, 1975.

The amalgamated City comprised the “Old” City of Nanaimo and five amalgamated improvement districts with vastly different service levels and mixes. The disparities were such that, initially, the newly amalgamated City was established as a ward system, with the Old City having three elected representatives and the five former improvement districts having one each. The Mayor was elected at large. To make tax rates more comparable to service levels, the Old City had a higher tax rate than outlying areas under the letters patent that described the new government structure and responsibilities. The ward system was planned for only the first two-year term, but political considerations caused it to remain for some 10 years, until the growing range in elected representative/voter ratios in the wards prompted a change to an at-large electoral system. The municipal tax rate was subsequently equalized across the entire city, and arguments about service inequities, and the promise of “equal” service provision that amalgamation would bring became more prevalent. Everyone across the City now paid taxes at the same rate even though the services provided and the costs of service provision to taxpayers ranged hugely due to geography, housing density, and location. In one case, the 1974 disparity was used successfully to persuade Council to provide sewer and water services at a cost of \$3.5M (1987) to an island in Nanaimo Harbour with 190 residents. The island, Protection Island, is still arguing about service equality issues today.

Before the vote, the supporters of amalgamation predicted that amalgamation would, among other benefits, bring equal service provision to everyone in the new city. After 40 years, providing even the most basic physical services to all parts of the City remains to be done.

Looking at sewer services, there are areas that have still not been connected to city sewers. Pockets of housing have been bypassed by leap-frog development decisions, including the massive commercial development on the City’s borders. In those areas, there are Nanaimo taxpayers who are still awaiting the promise of amalgamation to be realized.

It is important that advocates for amalgamation recognize the structural difficulties that arise when amalgamated municipalities try to combine a host of different kinds and levels of community services, standards and infrastructure life expectancies. The political promise is typically to make all service levels uniform, which, in practice, has typically meant moving all to the highest—and usually most costly—standard. In Nanaimo, the ward system actually acted to preserve the mixed volunteer-and-paid-firefighters approach to fire service for several decades due mostly to the political power of the volunteer departments. Nanaimo Council is now pursuing a policy of 100% IAFF Union firefighters at much higher costs (with the exception, so far, of fire services on Protection Island).

In many of the top-down local government amalgamations by provincial governments in Canada in the last 50 years, the policy of service uniformity has usually meant combining unionized workforces and raising collective agreement provisions to that of the most generous to employees. In Nanaimo’s case, *all* Improvement Districts staff were assimilated, whether needed or not, in order to satisfy Council’s blanket “no-layoffs” post-amalgamation policy.

Nanaimo has often been cited as an example of a “successful” amalgamation in British Columbia. Even this brief look at the city 40 years after an area-wide vote overrode the preferences of all the improvement districts outside of the old city, demonstrates that promises have not been kept and, although taxes have been “amalgamated”, services have not. Forty years after amalgamation, services are still being upgraded, with the additional costs accruing to all of the taxpayers, including those in the old city of Nanaimo where those services were largely in place prior to the amalgamation.

and 49% of its property-tax revenue comes from the business community. [34] It also receives \$5.6 million in lieu of taxes for provincial properties, while the Greater Victoria Harbour Authority not only maintains the harbour area where city festivals take place but pays property taxes of over \$1 million a year. This revenue may cover the extra costs of being a central city. For example, in Vancouver a study of this issue concluded that the business-tax revenue not only covered the costs of shoppers and employees but also subsidized services provided to its residents (KPMG, 1995).

If Victoria were included in amalgamation, any business-tax revenue would be shared over the entire area. Extra central city services would still be needed, and they would be financed over a wider area as well. The net fiscal shift, however, would most likely be a reduced surplus from business taxes to current Victoria residents and they could be the losers. We will come back to this issue in our recommendations.

Victoria is not the only municipality where fiscal shifts from amalgamation could have a material financial impact. Esquimalt receives approximately 40% of its expenditures from a payment in lieu of taxes (PILT) for the federal navy base and dockyard; Metchosin receives a \$1 million PILT from the Department of National Defense and for the penitentiary, and North Saanich receives a \$2.1 million payment for the airport and ferry terminal. PILTs are not a profit as the non-taxed facilities, including residences on a military base, receive municipal services. However, they are sometimes missed in fiscal impact studies because they do not appear in the property tax statistics. [35]

Ultimately, based on previous experience, it appears that any amalgamation will result in significant costs for implementation, service harmonization, and post-amalgamation operations. The magnitude of these cost increases appears impossible to predict.

Economic growth and regional planning

Metropolitan areas have always been the location of a country's (and the world's) economic growth and development. These are the areas where there is the greatest interaction among individuals and home to the greatest innovations. In the past, concentrations of a particular industry or kind of activity were called

[34] That is, 47% of the utilities, major industry, light industry, and general business property classes; it is 48% of the general business class only. The only other municipalities with significant business-tax bases are Saanich with 21% and Langford with 11% of the region's business tax assessments (British Columbia, Ministry of Community, Sport and Cultural Development, 2015).

[35] All data are drawn from the municipalities' 2014 financial statements, listed in the References, pages 59 ff.

“agglomeration economies” (Bish and Nourse, 1975: ch. 3); “clusters” is the current term. “Agglomerations” included concentrations like automobile manufacture in Detroit, steel production in Pittsburgh, and airplane manufacture and movies in Los Angeles. Today, people are more likely to refer to the high-tech industries in Silicon Valley, Boston, Austin, and Seattle (all of which have extremely fragmented local government systems [36]). Advocates of amalgamation have argued that only with amalgamation can their metropolitan areas compete internationally, an argument developed only after the evidence was available that amalgamations would not result in lower cost or better local government services, and an argument not itself supported by evidence.

Thus far, researchers have not been able to find any consistent relationship between the organization of local governments ... and economic growth.

Serious research began on the relationship between the structure of local governments and economic growth in the 1980s. Thus far, researchers have not been able to find any consistent relationship between the organization of local governments, especially the degree of fragmentation or dominance by the central city, and economic growth or successful clusters, although the preponderance of evidence is that rivalry among municipalities tends to result in improved performance (Stansel, 2005, 2006, 2015).

Arguments have also been made that economic growth is enhanced by regional planning even though its impact is hard to measure. There are many reasons to believe that good infrastructure planning for transportation, [37] water, sewers, and facilities like fire stations and schools can reduce the costs of those specific activities in ways that benefit businesses and residents (Golden, 2012). The difficulty in measuring those impacts does not mean they are absent. The question as to whether a regional government able to undertake strong planning and over-ride municipal preferences actually does reduce local service costs and contribute to economic growth is still unresolved. We will, however, return to the issue of regional transportation in our recommendations.

Observations on amalgamation

Greater Victoria has a very representative system of community-based local governments. Given the very low costs of elected officials, the apparent adaptation to achieve economies of scale in production and lack of a relationship between government organization and growth (which not all communities desire), there appears to be no reason that amalgamation would improve local government

[36] A common approach for promoting economic development is creation of a separate, non-governmental organization with representatives from both government and the private sector. The South Vancouver Island Economic Development Association is such an endeavor (2015).

[37] The one area where increases in local government expenditures are associated with economic growth is transportation (Stansel, 2009).

The organization of the existing system matches what research on metropolitan area systems of local government identifies as being least costly.

performance. There is no change in shared services or production responsibility that cannot be achieved within the existing system. The organization of the existing system matches what research on metropolitan area systems of local government identifies as being least costly. Such a system, however, needs to undergo continual evaluation to see where improvements for mutual benefit are possible. During this study several questions arose that deserve further analysis but are beyond the scope of detailed analysis in this review.

Arterial highways and transit

While the CRD has responsibilities in traffic safety and transportation, it does not have responsibility for either arterial highways or public transit. In many of the US metropolitan areas there are four levels of highways: national, state, county, and municipal. County highways are often the arterials that connect municipalities together in urban areas; that is, the “Blue Bridge” (Johnson Street Bridge, spanning the Victoria harbour) would be on a county highway financed by the region. [38] Counties are also often the producers of public transit. There are reasons to manage arterial highways and public transit together and a role for the CRD in arterial highways and in relation to public transit is well worth examining. Planning arterial highways and transit are also, along with water and sewer extensions, related to regional growth strategies and it seems that this is a function that should be organized regionally. If well done, other organizations would find it relatively easy to integrate facilities such as fire stations, parks, and schools into a metropolitan infrastructure plan. It is also good transportation infrastructure that most likely has the closest relationship to economic growth (Stansel, 2009). Serious consideration should be given to a study to integrate decisions on arterial highways and public transit more closely with the additional consideration as to how they will relate to growth strategies.

Improving efficiency in service production

A recent report by the Canadian Federation of Independent Business (Truscott and Aerts, 2015) provides a good technical analysis of the growth in spending by BC municipalities relative to inflation and population growth. Overall, it indicates that inflation-adjusted spending is up three-and-one-half times the population growth from 2003 to 2013. This is a serious observation to which we should pay attention since municipalities are the largest spenders among local governments, accounting for 64.5% percent of local government spending in Greater Victoria.

[38] While arterial highways are not a regional activity, the CRD did contribute to the remediation of the Blue Bridge and Craigflower Bridge (Saanich, View Royal) with funds from its share of the Federal Gas Tax Regionally Significant Projects Fund.

However, as with so many attempts to analyze local government spending, the report neglects the fact that different local activities are financed and provided by different local governments. As the report gets more detailed, such as by dividing spending up by function, it ignores the fact that many activities within a function, and even entire functions, may not even be provided by the municipality because they are provided by a subregional or regional organization. It is unfortunate that such an analysis misses the most important point in the evolution of local government services—that multiple organizations operating at different scales must be taken into account—because such information about the evolution of expenditures over time would be extremely valuable. This point is even more important where regional districts are significant providers and their expenditures do not appear in municipal budgets in British Columbia.

Improving efficiency, however, does not mean just lowering costs. Efficiency is always a comparison of the value citizens place on services relative to the costs.

All organizations have the potential to improve the efficiency of the services they provide. Improving efficiency, however, does not mean just lowering costs. Efficiency is always a comparison of the value citizens place on services relative to the costs. Responsiveness to citizens' preferences is as important as costs. A low cost for a service that citizens do not value is not efficient.

There are four methods of producing and delivering services in Greater Victoria. One, the municipalities produce the service they provide to citizens. Second, municipalities contract with another municipality or with a not-for-profit or profit-making firm for production and delivery of the service. Third, citizens contract directly with producers (usually private companies) to purchase services in a municipality (residential solid waste collection is an example in several municipalities). Last is the special situation of transferring responsibility for a service to the CRD or another entity, which in turn may produce the service in-house or contract for it to be produced by a municipality, not-for-profit, or private firm.

Managing the production of local government services is difficult, especially when the services involve face-to-face delivery to, and interaction with, citizens. The two major difficulties are that outputs are often difficult to measure (and there are no “revenues” like those a private firm would receive) and there is usually no way to compare the performance of one local producer with another. Unless there is the ability to compare, even the best managers have difficulty knowing if the production they are managing could be more efficient.

Obtaining comparative data

There are several approaches to obtaining comparative production data. One is to participate in a system where members develop comparable cost and performance measures and regularly report them so members can compare with one another. This is what is being done in the Ontario Municipal Benchmarking

Initiative, which describes as its purpose “to foster and support a culture of service excellence in municipal government by creating new ways to measure, share and compare performance data and operational practices” (OMBI, 2011).

While comparisons can be useful among a small number of municipalities, the real benefits come from having a sufficient number of municipalities to determine which variables (technologies, service levels, geographic environment, labour-related variables, and competition) are really making the difference in performance. The best examples of large scale benchmarking in Canada are the studies directed by James C. McDavid at the University of Victoria, Local Government Institute. Such studies of individual activities such as solid waste collection, landfill management and recycling programs cost about \$80,000 each and typically involve intensive surveying of as many as 300 public and private producers in the analysis (McDavid, 1985, 1986, 1992, 2000, 2001; McDavid and Mueller, 2008). Because of the small number of large and medium-sized municipalities in British Columbia, replicating such studies would require samples outside the province.

A second approach to obtaining comparisons is for individual municipalities to obtain comparative data from private companies producing the same service. This is commonly done by municipalities that divide production of a service between in-house crews and contracted private firms. Victoria, Saanich, Langford, and the CRD are large enough to use this approach. Because there are few large-sample benchmarking studies available, this approach to comparison has proved to be the most effective for many municipalities and can result in major improvements in the productivity of production in-house and by contractors (McDavid, 2001).

A third approach that can be useful for smaller municipalities is to approach another municipality, seeking a willing partner that can provide a service for both of them with more efficiency than either can do for itself. Since many services require citizens to go to the city hall, and other services are best performed locally, this approach usually involves adjacent municipalities with individual contracts and not trying to run the service through a regional district. Saanich Police Department provides support services to Oak Bay using this approach and there are many such agreements among Greater Victoria municipalities. What the contract between two or more parties does is bring closer scrutiny to the costs of the activity. This scrutiny can result in improved efficiency that benefits both the buying and selling municipality (Warren, 1966).

Municipalities and the CRD

The CRD has expanded to have about the same number of employees as Victoria and Saanich, although they are more concentrated in parks, recreation, and

The one difference for the CRD relative to its member municipalities is that it is unlikely that municipal committee members pay as much attention to the costs and performance of CRD-produced services as they do to services produced by their municipality.

engineering. The one difference for the CRD relative to its member municipalities is that it is unlikely that municipal committee members pay as much attention to the costs and performance of CRD-produced services as they do to services produced by their municipality. This leaves more of the decision-making up to CRD staff with less involvement from the elected officials. The CRD has begun to develop some internal performance measures but it also needs incentives to continually improve. Such incentives begin with pressure to keep taxes down, but the CRD could also benefit from the same approaches that would benefit municipalities: joining in comparative performance measurement and sharing the information and contracting out some activities, especially in parks and recreation, to provide comparisons of in-house and contractor performance.

All local organizations, not just governments, face the problem of continually improving instead of just continuing as in the past. The ability to continually improve is enhanced by having performance comparisons with other organizations, including both other governments and contractors producing similar services. Serious consideration should be given to improving both performance measurement and opportunities for comparisons within and outside Greater Victoria. Funds the Province could invest in comparative performance studies such as those cited above would be money well spent.

Victoria as the central city in the region

There have long been complaints that the suburban communities do not pay their fair share of Victoria's costs as the central city in the region. It is likely that its business tax base and provincial payments in lieu of taxes generate a surplus just as the studies in Vancouver have demonstrated (KPMG, 1995). However, conditions change and it would be useful to undertake a study of Victoria's fiscal balance vis-à-vis the shoppers and commuters who regularly come into town. [39] Such a study may also need to examine a shift in Victoria's business tax base from manufacturing to services such as restaurants, which in turn may have required more policing. Such a study could also confirm whether or not Victoria residents would lose a business-financed subsidy for residential services with an amalgamation.

[39] Central cities in British Columbia are in a much better position vis-à-vis their suburbs than central cities in the United States. This is because of the variable tax-rate system whereby BC cities generally levy property taxes on businesses at two to three times the rate of residential taxes. With the concentration of business properties in the central city, this provides sufficient funds for services such that BC cities can get along without the municipal sales and income taxes that are used in the United States.

A second reason for undertaking a study of fiscal relationships among municipalities in Greater Victoria is due to the downloading to municipalities of programs that were formerly funded by the provincial and federal governments, particularly in the area of housing and homelessness. With one of the mildest climates in Canada, and its role as the central city, Victoria currently needs greater expenditures on these issues and it may be appropriate that those costs be shared throughout the region. [40]

The role of the provincial government

As Greater Victoria is the second largest metropolitan area in British Columbia and the seat of the capital, the provincial government is more likely to be involved in local government decision-making than in other areas of the province with the exception of Metro Vancouver. Currently the major provincial involvement in Greater Victoria is with transportation, including Highways 1 and 17 and the production of public transit through BC Transit, although the Greater Victoria Transit Commission consisting of local mayors and councillors plays a major role for BC Transit. Perhaps it is because there is no expensive rail system that the same problems have not occurred between the local organization and the province as they have in Vancouver with TransLink (Acuere, 2013). Other than public transit, however, the *Community Charter* and *Local Government Act* have given municipalities more discretion over their own activities than in any other province in Canada and the provincial government has largely honoured that independence, allowing municipalities to enter into shared services on a voluntary basis both within the CRD framework and with other regional and sub-regional arrangements. The one major exception is mandated sewage treatment. Mandated sewage treatment has proved difficult because it is very expensive and it is not clear there are benefits for all the municipalities. [41]

Regional districts have run into the problem of some municipalities feeling that they were not receiving benefits (or were receiving net costs) from regional districts at least twice before. The first instance was when regional districts had regional planning powers granted by the provincial government and municipalities used the planning power to fight over tax-base locations. The result was that the provincial government removed their planning authority and replaced

Other than public transit ... the *Community Charter* and *Local Government Act* have given municipalities more discretion over their own activities than in any other province in Canada

[40] As previously mentioned, there is some sharing on the low-income housing problem: 11 municipalities contribute to the CRD Housing Trust Fund but there are expenditures only in three, of which Victoria is one.

[41] There are still serious debates about the science underlying what appears to be a political decision that even with federal and provincial contributions will be very expensive for residents in the affected municipalities. For a useful summary of the science, see Broadland's (2016) summary in *Focus*.

it with a voluntary process in the 1995 *Growth Strategies Act* (Government of British Columbia, 1995). The second was that once a municipality entered into a shared service there was no mechanism in place to exit. The accumulation of grievances from these past situations was identified in the *1999 Regional District Review* (Bish, 1999c) as resulting in a lack of cooperation on new shared service opportunities that would have provided mutual benefits. The provincial government passed legislation for dispute resolution, service reviews, and exit from services. Each of these provincial interventions reinforced the voluntary nature of regional districts. This approach leads to widespread shared services but it may still leave deficiencies where regional issues are difficult to resolve with voluntary agreements.

Where voluntary consent may not work

There are two kinds of issues where voluntary consent may not work. First is the fundamental decision whether or not to transfer a municipal service into a shared service. Once it is a shared service, the committee, board, or commission will make decisions on that activity and it is unlikely that every participant will benefit from every decision. However, the expectation of the participants is that over a series of decisions they all will receive net benefits. For example, one could argue that if arterial highways were transferred to the CRD, while each highway investment would not benefit each participating municipality, over a series of investments transportation throughout the region would be improved so the vast majority of residents benefitted from reduced accidents and travel times. The risk of entering into such agreements has been reduced with the dispute resolution, service reviews, and exit opportunities introduced following the 1999 review, but there may still be functions where opportunities exist for long-run benefits even though risks exist. Undertaking a Growth Strategy is of this nature but many regional districts have entered into this process. One approach to reluctance to undertake an activity of this kind is encouragement by the Provincial government, perhaps with cost sharing as with public transit, or with the provision of other Ministry support as in the Growth Strategy process.

A second kind of issue is where a decision will be likely to provide widespread benefits to citizens in the region but costs are heavily concentrated on citizens within a single municipality. In most governments, an agreement could be negotiated that would provide some different kind of benefit to the citizens bearing the costs, perhaps a new recreation facility to offset the congestion resulting from allowing higher density housing nearby. These kinds of trade-offs are sometimes difficult in BC regions. This is because single-function organizations like BC Transit do not have jurisdiction to undertake other functions and because in regional districts each shared service has its own agreement, decision-making

... the expectation of the participants is that over a series of decisions they all will receive net benefits.

Stalemates can also generate creative thinking that discovers new, superior solutions.

committee, and specific jurisdiction. This makes trades across functions to compensate losers from a hard decision difficult. This does not mean that regional district decisions may not proceed to impose such costs but, if a municipality feels such costs are excessive or “unfair”, it may be able to thwart the regional district’s decision in its own municipal decision-making. This is what Esquimalt did to the regional district’s decision to locate a sewage treatment plant at Macaulay Point by refusing to rezone the location for that use. Perhaps if the CRD had offered Esquimalt citizens some benefits to offset their costs earlier in the process before opposition hardened, the outcome may have been different. [42] Stalemates, however, can also generate creative thinking that discovers new, superior solutions so there is no clear answer for this issue; only recognition that the kind of bargaining and trade-offs common within governments are not as easily available in single purpose entities or regional districts.

Alternatives when agreements founder

It should be anticipated that both additional agreements to undertake shared services on a regional scale and individual hard decisions will arise in Greater Victoria and that the current voluntary approach to shared service decisions may be inadequate to deal with them. There are no simple solutions to these issues that still allow local preferences and knowledge to play their critical role. Several alternatives, probably as a mixture, deserve examination.

Perhaps the direct election of the chairman of the regional district board deserves consideration.

One issue raised is that the regional district’s elected officials, especially the chairman of the board who can be quite visible when dealing with tough, intractable issues, still must win election in their own municipality. Thus, even if a regional board chairperson or board member wants to play a major role as a regional spokesperson, they are constrained by concerns in their municipality if they want to be re-elected. Perhaps direct election of the chairman of the regional district board deserves consideration. This has the potential to provide leadership on regional initiatives that may be difficult for a board chairman who is also a local mayor. The campaign and election for the Board chair would also provide a public forum to debate regionalism and increase the visibility and political credibility of regional districts. Such an independently elected official could also be the leader for seeking trades across different shared services, a function

[42] The press reported that the CRD offered to waive charges to Esquimalt and the Esquimalt taxpayers for the capital cost of the sewer plant and other amenities, including a walkway along the coast of the property, a boat dock for kayaks and a willingness to negotiate other items. The offer came late, however,—so late, it appears, that the councillors had already made up their minds not to rezone for the plant (Personal communication: Review draft comment from Diana Lokken, CRD treasurer, November 14, 2015).

that there is no one to perform currently. Provincial legislation would need to be amended to allow any regional district interested to adopt such a change. It is not something that should be imposed.

Other approaches could include incentives provided by the provincial government. The provincial government provides one third of the funding for public transit and this has resulted in far superior regional transit systems than would have resulted from local decisions on their own. Both the federal and provincial government have offered subsidies for advanced sewerage treatment. The provincial government also has an important role in the *Growth Strategies* process. Provincial encouragement of shared services among municipalities does not need to require additional funds. The province could simply alter its municipal grants policies to reward municipalities that are engaged in joint efforts to solve regional problems, especially if there is a provincial benefit. This is how the United States approached transportation coordination: transportation project grants are made only where municipalities were participating in a Metropolitan Planning Organization. All of these approaches integrate local knowledge and preferences with provincial interests and should be considered for encouraging region-wide problem solving where a purely voluntary approach may not work.

The kind of provincial intervention demonstrated by BC Transit, *Growth Strategies*, and funding tied to cooperation fits well within the regional district system. Provincial intervention, however, is not without the potential for problems as the substitution of provincial decision-making for local decision-making in Metro Vancouver's TransLink has demonstrated (Acuere, 2013).

There are also lessons to be learned from the intervention of provincial governments in local decision-making in the series of amalgamations that have been imposed in other provinces, including Nova Scotia, New Brunswick, Ontario, and Quebec. The most striking aspect of these impositions is the wide disparity between what the provincial government predicted would occur and actual results. In each case, significant cost savings were predicted and in no case that has been studied did such savings result (Sancton, 2000; Bish, 2001; Slack and Bird, 2013; Miljan and Spicer, 2015). For example, in Halifax the provincial government's consultant predicted that amalgamation would cost \$9.8 million and the savings from a single year would cover those costs. Actual implementation costs were estimated to be \$40 million, there is no reduction in annual costs (Dann and Poel, 2000), and the promised representation of a council of 24 has recently been reduced to 16. In the case of Montreal, the amalgamation also contributed significantly to the defeat of the PQ government in the following provincial election and, even with the de-amalgamation of 14 municipalities, it looks like the end result of the entire effort for Greater Montreal is an increase in costs

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after four years of \$473 million (\$278 million after inflation) instead of the promised \$175 million savings. (Trent, 2012: appendix). To cover the increased costs, the largest tax increases have been on businesses. Scholars who have studied proposed amalgamations since the late 1950s are still waiting for evidence that the faith in amalgamations to reduce cost is warranted. What is worse, however, is that the provincial government's decision-makers have no incentives to make good fiscal decisions as the costs of the errors fall on the local governments and their citizens and not the provincial government.

The role of the provincial government in local governance will need continual examination, especially in the two major metropolitan areas of the province. The challenge is to balance the benefits that are accruing from having smaller representative governments with many shared services with regional and provincial concerns that arise.

Conclusions

The integrated system of municipalities and regional district in British Columbia supplemented by other regional and sub-regional entities fosters adjustments to scale for the provision and production of local government services. Council members play the key role in all of these organizations. They are responsible for both identifying and making agreements for shared services and serving on committees, boards, and commissions to supervise those services when they are in place. Within such a system there is need for continual adjustment and improvement, particularly given the growing complexity of regional issues in Greater Victoria and Greater Vancouver.

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The most important observation is that local government service relationships are much more integrated than generally recognized, with committees, boards, and commissions established at the locus of decision-making and with the flexibility to adjust to the different scales at which local services are produced. To help comprehend the level of integration of such a system, it is important to keep in mind that municipalities are not hierarchical organizations producing local services only in their area. They are integral parts of a more complex regional system wherein there are opportunities to adjust both services and accountabilities for efficient service production across the whole region.

Within British Columbia there is now nearly 50 years of experience with the regional district system. Its bottom-up and voluntary approach fits well into a West Coast culture of allowing citizens to take the initiative to form their municipalities and enter into voluntary agreements with other municipalities for mutual benefits. [43] The result has been flexibility based on high levels of democratic participation in diverse communities and with a high level of fiscal equivalence to encourage elected officials to balance benefits and costs in their decisions. The replacement of this system with larger bureaucracies where local decisions are made by bureaucrats instead of locally elected officials would be a major change in the political culture of Greater Victoria and would be out of place where more adaptability is likely to be needed in the future.

[43] As someone who has taught and researched local governments in California (USC), Washington (UW) and Alberta (UA) in addition to British Columbia (UVic), as well as researched in New Brunswick, Nova Scotia, Indiana (IU), and Maryland (UM), I find it obvious that there is more in common among local governments along the West Coast than there is with the “east” in either Canada or the United States.

Provincial legislation and policy must continue to set a framework that gives local officials the incentive to continually seek improvements based on local knowledge within this system. This does not rule out amalgamation or any other organizational change but it is very likely that any adjustment of service responsibility or use of alternative production arrangements can be accomplished within the regional district system. It is important to recognize, however, that the voluntary nature of agreements within the regional district system will not resolve all issues in spite of its successes with shared services. There needs to be consideration as to how losers from hard decisions can be compensated to gain their consent and there will be situations where the provincial government will need to encourage greater cooperation as it has done with subsidies for public transit or support for *Growth Strategies*. The frontier for the evolution of local government, especially in metropolitan areas where the most difficult decisions will be needed, lies in combining the bottom-up participatory democratic system that has been so successful with shared services, with the legislation and policies to confront and resolve new problems as they arise, not in retreating to a nineteenth-century faith in bureaucracy in the twenty-first century.

Appendix A: Local Government Services Provided by CRD and Other Organizations

Services provided by the Capital Regional District

The services listed are provided to one or more municipalities. The number of municipalities is indicated after each entry. Some services are provided under more than one agreement. Electoral areas and First Nation services are not listed although they participate in many of the services.

- ❖ Geographical Information and Referencing System (G.I.S.)—all
- ❖ Regional Grants in Aid—all
- ❖ Sooke Regional Museum—1
- ❖ Greater Victoria Police Victim Services—10
- ❖ Community Health-Homeless Program, Health Regulation—all
- ❖ Traffic Safety Commission—11
- ❖ Regional Parks—all
- ❖ Climate Action and Adaptation program—all
- ❖ CREST Service—all municipalities (other entities join CREST directly)
- ❖ Land Banking and Housing—all
- ❖ Regional Housing Trust Fund—11
- ❖ Regional Planning Services—all
- ❖ Environmental Roundtable—all (not funded in 2014)
- ❖ Regional Growth Strategy—all
- ❖ Solid Waste Disposal—all
- ❖ Storm Water Quality Management—11
- ❖ Septage Disposal—all
- ❖ Millstream Remediation—all
- ❖ Liquid Waste Management (some component)—11
- ❖ Regional Source Control Program—10
- ❖ Victoria Family Court Building—4 (currently rented to Island Health)
- ❖ Victoria Family Court Committee—all (the statutory Victim Services Committee)
- ❖ Royal Theatre—3
- ❖ McPherson Theatre —1
- ❖ Greater Victoria Police Victim Services (CRD provides funding)

- ❖ Regional Emergency Program—all
- ❖ Hazardous Material Incidence Response—all
- ❖ 911 Call Answering—all
- ❖ Fire Dispatching—4
- ❖ Arts Grants—8
- ❖ Sooke Recreation Facilities—1
- ❖ Panorama Recreation Centre—3
- ❖ Water Supply—all

Other organizations providing local government services

- ❖ Greater Victoria Public Library—10
- ❖ Vancouver Island Regional Library—3 capital region municipalities and rest of Vancouver Island, adjacent northern mainland, and Queen Charlotte Islands.
- ❖ Greater Victoria Labour Relations Association—8 municipalities, 6 other.
- ❖ CREST—CRD plus a total of over 50 participants.
- ❖ West Shore Parks and Recreation Society—5
- ❖ BC Transit-Victoria Regional Transit System—all

Appendix B: Committees, Boards, and Commissions

Capital Regional District*

- ❖ Arts Committee
- ❖ Capital Region District Board
- ❖ Capital Regional Hospital District Board
- ❖ Core Area Liquid Waste Management Committee
- ❖ Eastside Wastewater Treatment and Resource Recovery Select Committee
- ❖ Environmental Services Committee
- ❖ Finance Committee
- ❖ Governance Committee
- ❖ Planning, Transportation and Protective Services Committee
- ❖ Regional Parks Committee
- ❖ Roundtable on the Environment
- ❖ Seaterra Program Committee (suspended)
- ❖ Special Task Force on First Nation Engagement
- ❖ Transportation Select Committee
- ❖ Westside Wastewater Treatment and Resource Recovery Committee
- ❖ Regional Housing Trust Fund Commission
- ❖ Juan de Fuca Water Distribution Commission
- ❖ Regional Water Supply Commission
- ❖ Saanich Peninsula Wastewater Commission
- ❖ Saanich Peninsula Water Commission
- ❖ Highland Water and Sewer Services Commission
- ❖ Peninsula Recreation Commission
- ❖ Sooke and Electoral Area Parks and Recreation Commission
- ❖ Traffic Safety Commission
- ❖ Victoria Family Court and Youth Justice Committee

* Forty committees for electoral areas are excluded.

Capital Regional District appointments to external boards

- ❖ Capital Region Housing Corporation
- ❖ CREST Corporation
- ❖ Greater Victoria Coalition to End Homelessness
- ❖ Greater Victoria Harbour Authority Board
- ❖ Greater Victoria Labour Relations Board
- ❖ Island Corridor Foundation Board
- ❖ Municipal Finance Authority
- ❖ Royal and McPherson Theatres Society Board
- ❖ Sooke Historical Society
- ❖ Vancouver Island Regional Library
- ❖ Victoria Airport Authority Board
- ❖ West Shore Parks and Recreation Society Board

Other committees, boards, and commissions

- ❖ Greater Victoria Public Library Board
- ❖ Vancouver Island Regional Library Board
- ❖ Greater Victoria Labour Relations Association Board
- ❖ CREST Corporation Board
- ❖ West Shore Parks and Recreation Commission
- ❖ Victoria Regional Transit Commission.

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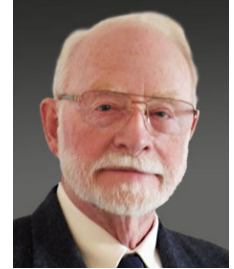
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