

Transforming Local Government: Future Challenges

By Rick Beauchamp (Part 1)

Not long ago life within local government seemed relatively simple and manageable. Some core services such as water, sewer, recreation, cemetery, public works and administration had to be delivered and only one legislative reference to the old *Municipal Act* was all that was required to guide our day-to-day work. Public expectations seemed more reasonable than today and there was even some slack time in the year to catch up on research and projects found in your pending file. We also had experienced professionals in the provincial ministries to provide guidance with solving local issues and assist with everyday administration such as bylaw and agreement drafting. These times, sometimes referred to as the “good old days”, have come and gone. Now it is common to have a profusion of activities on the go with more information than ever before to sort through, and a multitude of statutes and regulations to be complied with, or we can find ourselves being investigated by the freedom of information commissioner or a court challenge.

Demographic shifts are not only changing the makeup of our communities but local government work forces as well. Our aging population is placing greater demand on existing recreation sporting facilities, public safety, passive walking and cycling areas. Retirees have more time to frequent libraries, lawn bowling facilities, and senior centres thereby placing pressure on expanding services at additional costs to the taxpayer. With more time on their hands and technology at their finger tips they are also monitoring our business practices much more closely by demanding greater accountability and good value for their service because, after all, they can just go to city hall and demand an audience with the Mayor or CAO. To add to these challenges, local governments are seeing an unprecedented number of employees retiring, making it difficult to hire experienced replacements. It is estimated between 30%- 40% of the local government work force will be retiring over the next 5-10 years. Organizations are seeking solutions to manage this knowledge loss that cannot be replaced by less experienced workers. Our young workers have very high expectations wanting the best in technology equipment, job variety, and a voice in what they do along with the flexibility to allow for greater balance between work and personal time.

Over the past few years we have experienced a consistent downloading of responsibilities from the provincial government with virtually no added resource assistance to help with delivering these added services. Federal and provincial grants have been reduced substantially with only some infrastructure funding remaining available. Who would have thought a decade ago, that local government would be taking the lead role with a multitude of social services being delivered spanning from the establishment of safe houses to community day care facilities? Local governments are having to concern themselves with

huge issues like terrorism threats, global warming issues, flooding, wild fires and wind storms, all taking considerable energy and resources to manage.

The public's expectation for expanded services and greater involvement in local decision making continues to place tremendous pressure on local government property tax demands. Public participation takes time and resources bringing a new dimension to governance delivery. Many organizations that survey their taxpayers for feedback are seeing more interest and concerns with rising local taxation. Many municipalities and regional districts have seen a loss in industrial and commercial tax base placing the increased burden on residential taxes. The average Vancouver property owner paid \$2,210 in property taxes in 2006, up 6.4% over 2005. The consumer price index for this period was less than 2%. Current labour settlements for the various unions range from 2.5%-4% with little flexibility to keep settlements within inflation as many are arbitrated awards for fire and police services. Over an extended period of time these increases are not sustainable. Local governments are facing the challenge of having to do more with less that will inevitably result in having to change how services are delivered to their taxpayers.

What options might be available to local governments to meet these challenges over the next decade and beyond? How different will these organizations look from today? Our next issue of Chapter 290 will explore Part 2 of this dilemma by delving into our local government time machine to explore some thoughts on changes that might be considered in the future. In the meantime reflect on how you think local services might be delivered in upcoming years.

(Part 2)

In the last issue of Chapter 290 (Part 1) we reviewed the current state of local governments in BC concluding that the culture of local government will have to change dramatically in order to meet the challenges facing municipalities and regional districts. Some elements fueling this transformation that we explored included a change in climate, demographics, economics and technology, demand for service delivery expansion, public appetite for greater involvement in local decision making, rapid decline of an experienced work force, growing increase in labour compensation, rising housing costs, downloading of federal and provincial services and shrinking non-residential tax base. It sounds like a blood transfusion is needed for local government.

We asked you to consider what this transformed local government model might look like in the future. |Let us explore what some changes might look like from the perspective of a local government practitioner.

Thinking Outside the Box

Status quo will not be an option in the future for local government decision makers who will be under increasing pressure to deliver more services at less

cost to their tax payers. It will be necessary to develop innovative solutions to combat these challenges, requiring “thinking outside the box” when pondering challenges. What is “the box”? To a great extent, “the box” can be defined as the culture of the organization that will value and encourage innovation. “In-the-box” thinkers do not value creativity and fail to recognize both the possibility of alternative ideas or solutions and their potential for the organization.¹

We talked about the diminishing experienced work force in local government supporting the theory that scarce resources equal shared services.

Our new model will ultimately seek more partnerships from neighbor municipalities and other resources that could include the private sector.

Municipalities whose own work force currently collect garbage may be inclined to explore contracting out these services. Other services that can be managed through a shared service model with other municipalities include legal, recreation, emergency planning, animal control and fire services. If we want to expand this even more, we might see building inspection, bylaw services and technological support delivered under a new service models. Fire departments providing ambulance services in urban centres is a natural transition as fire departments currently fill this function to a great extent thereby duplicating the provincial ambulance service. We may also see fewer police officers and more social workers to combat drug issues that are a major contributor to high crime rates. Synergies and flexibility to move resources, both in and out of the municipality and between internal functions, will lead to significant cost savings and improved performance. It may be possible to envision technology service bureaus providing services to many municipalities.

Well-governed local governments of the future will work with a variety of potential partners looking outside ‘the box’ to fulfill their service objectives.

Assess service delivery

Current demands for service expansion and a declining tax base could render many municipalities to be non-sustainable. This will result in increased taxes, that many taxpayers are voicing is not acceptable, or evaluating services with the view of altering service models, possibly eliminating some. Such an exercise will require extensive public consultation and gathering of statistics to help measure the effectiveness of any or all services being delivered. The key challenge facing decision makers in this situation will be to assess and balance the economic, environmental and social impacts for the community before initiating any change. With the adoption of clear corporate business plans we may see new governance models where councils and boards only meet monthly, greatly reducing administrative costs. Many municipalities have developed effective performance measurement models to help measure value of services being delivered. It will behoove local governments in the future to demonstrate the value of the services being delivered to the taxpayer. We may see, by necessity, amalgamation of

communities and even some incorporated areas dissolving and joining regional districts for service delivery.

Change Labour Model

With the expected decline of an experienced labour force a new labour model will have to be developed. David Holt, a respected HR consultant stated recently that by 2008, only six months from now, older workers will be retiring at a much faster rate than they can be replaced by younger, less experienced workers. Many organizations say they know the drill, but they are not making any plans to compensate for this massive labour shortage of specialized workers in the local government sector.² “Can’t find them – better train them,” will be the theme for future local government labour models. Many councils and taxpayers are not aware of the corporate knowledge developed over the years by these highly trained staff. What will it take to replace them? Can they be replaced entirely or will we have to develop new labour and service delivery models to adjust for this deficiency. Out of necessity, greater flexibility with hours of work and staff distribution will require negotiations with labour unions. It may not be surprising to see small municipalities managed by part-time CAO contractors from a remote location of the province as there will not be enough experienced senior officials to fill vacancies. Local governments will have to start to market themselves as a desirable working alternative to the private sector. Those organizations that are successful in making special working arrangements and develop their own training and development of staff will hold an advantage over their counterparts.

Changing Municipal Culture

It has been said that the face of local government is about to change. Why? We have highlighted a number of changes over the past few decades that have placed increased pressure on local governments to provide more services with rising taxes that are now being questioned by taxpayers as reaching proportions that must be curtailed. Local governments are the heart and soul of Canada and are the last resort for taxpayers to call on if they want to protest process or value for their tax dollar. We are one of the highest taxed nations in the world and continue to maintain one of the highest standards of living. Based on global changes, can we continue to maintain this or are we spending beyond our means and will suffer the consequences if we do not become more economically responsible? The high cost of housing in BC is impacting families and the economy. There is need for more low cost housing. With demographic changes limiting our labour force we know that if we want to continue to be a functional society we must increase our immigration policies. This will change our community make-up substantially over the next decades. As an avid hockey fan it is hard for me to realize that hockey may not continue to be Canada’s number one national sport as it may be replaced with another sport from one of our many immigrant nations. Community leadership will play an important role in the future with all the diversification and federal and provincial policy changes and the changing face of communities. In future years, local governments may find themselves delivering different services resulting from diversified multicultural

communities. A multitude of languages and interests will pose difficult challenges for councils.

Tax Reform

Historically local governments have had a single source tax base, namely property taxation, unlike our US neighbors that have access to sales tax, gas tax and other tax resources. The resource base has been reduced for many local governments with a reduction in their commercial and industrial tax bases due to legislative changes and economic downturns to certain resource industries. We have seen many business jurisdictions lobby councils to reduce the non-residential tax rates to allow them to be more competitive. We have seen a need to replace an aging infrastructure in many communities. This has resulted in an increase in residential property taxes increasing the awareness that municipalities cannot continue to provide the many local services on an ongoing basis and be economically sustainable. The provincial government has committed to share resource revenue with First Nations and have signed many agreements throughout the province. Why can't local governments receive similar treatment? After all, without local communities providing the labour force, the resources could not be processed to generate provincial tax revenues.

Other forms of taxes that could assist local governments are shared revenues in property sales tax, retail sales tax, gas tax, tolls and GST. As taxpayers put more pressure on local councils we will have to find ways to leverage tax revenue changes with senior governments.

Summary

For decades local governments have been known for their stability in delivering reliable basic local services to their taxpayers. We know that the dramatic change in climate, demographics, multiculturalism, aging infrastructure, technology, and limited tax base will change the face of local governments forever. We will see tremendous pressure placed on administrative and political leadership as transformation is made on a new local government's service delivery model. To support this challenge elected leadership training will have to be enhanced along with more collaboration with other organizations to provide for more joint service delivery.

This transformation will require new ideals, values and goals for local governments with the need for leaders to be change-masters to meet the rapid change in how we do business. This will also involve integrating organizations strategically, streamlining structures and engaging the communities.

We may find ourselves in a mandatory tax reform similar to the United States *Proposition 13*. This would require thinking "outside the box" developing innovative strategic financial planning to reshape how local services will be delivered. It will be challenging but the principles of community development and

growing healthy responsible citizens will always be the mainstay of local governments.

We may have to change the face of local government, but not the inner workings of the heart. ■

¹ *"Thinking Outside the Box", by James A. Gordon, November, 2003 issue of Municipal World*

² *"Time for Your Wake-up Call", by David Holt, Progress Magazine, May 2005.*

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