



# The BC Municipal Experience: Possible Lessons for the Future of ITAB and First Nation Property Taxation

## Introduction

This paper was undertaken to learn lessons from the development of municipal government in British Columbia and its experiences with the property tax system. The paper is a synthesis of lessons learned from interviews with experts who have long experience with the BC system of municipal government. These experts included former Deputy Ministers of Municipal Affairs and Inspectors of Municipalities, the head of the Municipal Financing Authority and the head of the Municipal Officers Association.

The project was initiated because the development of the First Nation property tax system and system of government faces many challenges similar to those faced by the municipal system of government. This is particularly true of the early days of municipal government when it faced “starting up” challenges similar to those of First Nations today.

The common challenges include:

- **Maintaining standards.** Provide an environment that allows flexibility and innovation yet maintains the advantages of standards.
- **Preventing destructive competition for taxpayers.** Maintaining the investment climate. Events in one jurisdiction, such as a dispute over rates charged a commercial interest, can have a negative effect on investment throughout the system.
- **Maintaining the investment climate.** Events in one jurisdiction, such as a dispute over rates charged a commercial interest, can have a negative

effect on investment throughout the system.

- **Overcoming barriers to growth.** Smaller communities often lack the tax base to undertake those initial infrastructure improvements that are necessary to spark economic growth.
- **Accessing financing.**
- **Undertaking research and policy development on emerging policy issues.**
- **Defending the collective interest.** All communities sometimes benefit from advocacy through communications, political action or legal action.
- **Providing economies of scale.** Local governments benefit by being more responsive but also require the advantages of size in order to make effective use of capital and administration.

Of course, there are significant differences between the two situations. It is important to interpret lessons through this context. Some differences are listed as follows:

- The municipal system of government in British Columbia is a delegated authority from the Provincial government and is integrated into a fiscal system with the Province through cash transfer formulae and other agreements. The First Nation system is not entirely delegated and it is integrated into a fiscal relationship with the federal government.

- The tax and representation issue exists in local government, but on a much smaller scale than in the First Nation context.
- First Nation governments have a different mix of service responsibilities and revenue raising powers than do municipal governments.
- Many First Nation powers and responsibilities face challenges to their authority that are not present in other systems of government.
- Many of the functions within the First Nation system are not as long established as those of local government. The municipal system therefore has a more stable policy context.
- Municipal governments have no issues that are comparable to those of First Nations who have citizens residing outside their boundaries.

The following questions were put to the experts:

- Why was an overarching governance model for municipalities required in BC?
- What model of governance was most appropriate and why?
- What types of regulatory powers were required and how were they used?
- How did BC encourage “opting in” and compliance with its regulatory system?
- What advice could BC give to the ITAB with respect to the development of expenditure policies?

## Findings

All systems of local government have an overarching system of governance. This system has been found to provide many benefits including the following:

- extending the benefits of scale to small governments;
- maintaining the investment climate;
- ensuring consistency of standards, practices and treatment;
- providing security to taxpayers;
- promoting administrative efficiency;
- asserting the collective interests of small governments;
- overcoming initial barriers to growth;
- identifying and promoting good policies and practices; and
- ensuring a smooth integration into the fiscal arrangements of other orders of government.

There are two basic models of governance – (1) a centralized function that operates through strict regulation and directives issued to small governments, (2) a framework model that operates primarily by providing guidelines, using suasion, providing incentives and building capacity. The framework model was thought to be more appropriate for First Nations as it focuses on supporting local autonomy while possessing some strong regulatory powers that are almost never used to protect the integrity of the overall system of government.

**ITAB Head Office**  
(250) 828-9857

**For further information, please contact:**  
[www.itab.ca](http://www.itab.ca)

**ITAB Eastern Office**  
(613) 954-6201