

MUNICIPAL MERGERS IN BC

> the abbotsford-matsqui amalgamation



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> EXECUTIVE SUMMARY

A reunification of the North Vancouvers would follow the example set by the Districts of Abbotsford and Matsqui in 1995. Abbotsford's experience of getting to and going through an amalgamation is instructive for North Vancouver's effort to understand the requirements for a successful referendum, the transition process, and potential outcomes.

Abbotsford and Matsqui exhibited many of the same characteristics as the City and District of North Vancouver, including having a larger and a smaller partner, sharing key services, and struggling with the tension between similarities and differences in identity. The two municipalities debated amalgamating for decades before holding two referenda on the subject – a 1990 vote was defeated, but a 1993 referendum saw the residents of the communities agree to join together. Afterwards, they had a little over a year to formulate a new organizational structure, harmonize bylaws and services, and staff the new municipality.

There are several key takeaways from the Abbotsford experience. First, political leadership and continuity is important for a successful referendum and transition period. Second, amalgamation should not be entered into as a short-term proposition: it took decades for the two communities to fully unify, and expectations should reflect this fact. Third, there were important long-term benefits to the communities, including a greater capacity for shared projects, a stronger regional presence, and long-term planning. Last and perhaps most importantly, Abbotsford demonstrates that citizen-led amalgamations generally result in better outcomes than forced amalgamations. The city managed to avoid some of the pitfalls that other municipalities encounter since it had a popular mandate for change. To what extent a North Vancouver reunification would mirror the Abbotsford experience is an open question; nonetheless, their experience is a key resource for any future North Shore initiative.

> INTRODUCTION

Municipal amalgamations are extremely rare in British Columbia, especially between large and well-established urban communities; a reunification of the two North Vancovers would be a singular event in modern British Columbia. Such a merger would be following a trail blazed two decades ago, however, when the districts of Matsqui and Abbotsford amalgamated to form the City of Abbotsford.

The Abbotsford merger is unique in several ways. First, it stands in contrast to most other modern municipal amalgamations around the world since it occurred following a popular vote by residents of the communities. From Australia to the Ontario and Eastern Canada amalgamations of the 1990s, most cities merge via edict from a senior level of government. Because it occurred by popular vote, many aspects of the merger differed significantly from forced amalgamations experienced elsewhere, including the expectations for the new municipality, the transition process, and public buy-in. The Abbotsford consolidation also took place between two municipalities operating in British Columbia's Regional District system. This is unique because Regional Districts interact with municipalities and citizens in a way that other levels of government do not elsewhere in Canada.

Since North Vancouver would be following some of the precedents set in the Fraser Valley in 1995, this report further explores that event. Its focus is two-part: first, to inform, describe, and explain the amalgamation and the path that led up to it; and second, to analyze and critically assess the merger to draw out key lessons for North Vancouver. In this way North Vancouver will have a better understanding of some of the expected results of an amalgamation and the process to become a unified municipality.

> 1. BACKGROUND, CONTEXT, AND APPLICABILITY TO NORTH VANCOUVER

Prior to their merger on January 1st, 1995, the Districts of Abbotsford and Matsqui were distinct governmental entities. They had separately-elected councils and employed unique staff. Although some services were shared between the Districts, the municipalities taxed residents separately and represented distinct communities.

Abbotsford had been through a previous amalgamation: in 1973 the Village of Abbotsford merged with the District of Sumas to form the District of Abbotsford. Both the Village of Abbotsford and the District of Matsqui had been incorporated in 1892. Abbotsford was the smaller municipality of the two, with a population of approximately 19,000 in 1991, while Matsqui's population was 68,000.

The two cities differed in important ways. Homes were generally more expensive in Abbotsford, with many having been built on higher terrain east of the region's city centre. With a significant difference in population, the cities operated differently. Matsqui tended to provide services through its own staff, while Abbotsford contracted out several municipal services. A smaller population in Abbotsford meant that the resident per elected official ratio there was lower than in Matsqui (9,700 residents per representative in Matsqui compared with 2,700 residents per representative in Abbotsford). The cities also maintained different tax rates for utilities, industry, farmland, and property. These and other elements contributed to each municipality having its own unique culture and identity.

Yet taken together the two municipalities were the perfect example of contiguous communities that functioned as a single socio-economic unit. The central business district spanned both Clearbrook (Matsqui's city centre) and Abbotsford's core. The airport located in Matsqui was called the Abbotsford Airport. Operationally, the cities worked closely together. Fire protection, recreation, and transit were all provided jointly through service agreements between the municipalities, and these services had been provided jointly for nearly thirty years leading up to amalgamation.

Both municipalities were growing rapidly: between 1986 and 1991 Abbotsford and Matsqui had grown 28% and 32%, respectively. Between 1981 and 1986, the Matsqui Census Agglomeration (including the two districts plus Mission) had been the fastest-growing Census

Agglomeration in Canada. This growth was a function of numerous causes, though chiefly reflected growth in Vancouver and its suburbs and greater connectedness to the Fraser valley, allowing for the possibility of commuting to and from Vancouver for work. Strains from this rapid growth and problems with shared services were both important contextual factors behind the amalgamation debate and its eventual consummation.

North Vancouver shares some key similarities with the Districts of Abbotsford and Matsqui at the time of their merger in 1995. First and most generally, in both instances amalgamating the communities appears to make good common sense. In both cases the cities are close together, with strong ties to each other, and are distinct from other surrounding municipalities geographically – in the case of Abbotsford, they were two halves of one urban area in the Fraser valley, while in North Vancouver, the North Shore is separated from the rest of the Lower Mainland by the Burrard Inlet. This is partly why, in both cases, amalgamation has been an issue for decades – in Abbotsford and Matsqui, as in North Vancouver, councils had discussed the idea for many years, with at least one previous failed referendum.

The District of North Vancouver also has a complex array of shared service agreements with its counterpart, the City. In North Vancouver the City and District collaborate to provide RCMP protection; in Abbotsford and Matsqui, fire protection was shared. In both cases recreation is a jointly-provided good. Abbotsford and Matsqui experienced similar issues around representation and funding on joint committees. Further, all the municipalities involved provided services in the context of the same globally-unique Regional District system.

The debate around amalgamation in both communities is strikingly similar. In both cases there is a smaller and a larger partner. Abbotsford's amalgamation discourse in the early 1990s centred on the same issues as North Vancouver's throughout the last half-century: appeals for greater efficiency, cost savings, and self-determination, with similar rebuttals on the grounds of fairness, culture, and aversion to increased bureaucracy.

How much can North Vancouver learn from the valley municipalities in 1990s? Differences in the two cases hamper efforts to apply the lessons from one to the other. North Vancouver is growing at a much slower rate than the 25-30% experienced in the valley in the 1980s. Between 2006 and 2011 the City of North Vancouver grew by 6.7% while the District experienced just 2.2% growth. This partly reflects municipalities at different stages of their development: North Vancouver's big growth spurt was post-World War II and into the 1960s, after which it settled into a mature community from a growth perspective. The Abbotsford area,

in contrast, experienced much more suburban expansion, both geographically and demographically, at the time of its final amalgamation debate.

There are a host of other differences between the cases. The populations and corresponding staff complements of the cities involved are larger on the North Shore; the computer and IT systems are vastly more sophisticated and ubiquitous now; the urban structure of the communities is different, with the City possessing more of the region's core than Matsqui did; and so on. These differences add uncertainty to the conclusions to be drawn from the Abbotsford-Matsqui case. On balance, though, the Abbotsford amalgamation is likely the most relevant Canadian municipal merger that can be examined, and one that provides at minimum some insight into the process of getting to and subsequently going through an amalgamation.

> 2. THE 1995 AMALGAMATION

Abbotsford and Matsqui, like the District and City of North Vancouver, had a long history of discussions around amalgamation. These discussions waxed and waned throughout their history, but came to the forefront in the late 1980s and early 1990s. The primary issues driving the proposal centred on accommodating growth and resolving issues with shared services.

As outlined, the region was growing rapidly at the time, and this raised questions as to whether a single municipality would be better able to handle the increased demands from new residents. One commentator noted:

While it was acknowledged that the two municipalities had successfully accommodated population growth into the 1990s, it was also indicated that many municipal functions could be strengthened through greater cooperation. The areas of potential concern included transportation planning, revitalization of the city centres, and facilitating new residential developments and large scale projects.

At the same time, relations between Matsqui and Abbotsford were becoming strained over shared services. Two issues were most salient here: debates over funding and representation and the decision-making process. Representation on the committees was 50-50 Matsqui and Abbotsford representatives, though Matsqui provided 75% of the funding for the services. Regarding decision-making, the process of having two councils involved in ratification led to frustration and often devolved, in the words of the local paper, into a “go ask your mother, go ask your father’ ping-pong game.” The situation was so untenable, in fact, that dissolution of the joint committees was expected unless another solution could be found (including an amalgamation).

2.1 Referendum

The two municipalities struck a committee to guide the commissioning of a study to assess the benefits and drawbacks of amalgamation. The report was completed in 1990 and drew a number of conclusions, the most significant of which was a prediction that amalgamation would result in over \$2 million in annual savings. A referendum was agreed to be held on the day of the municipal elections in 1990. Matsqui’s council was overwhelmingly in favour of amalgamating, while Abbotsford’s council was split on the issue. Abbotsford staff attacked the

consultants' report and the amalgamation proposal in a paper distributed to residents. Ultimately 86 percent of Matsqui voters were in favour of amalgamating, but just 45 percent were in favour in Abbotsford. Provincial law required that 50% of voters approve the measure in each municipality, and so the initiative failed.

The amalgamation question did not die following this failed attempt, however: in 1993 a second referendum was held, with voters approving amalgamation by a count of 77 percent “yes” in Matsqui and 58 percent in Abbotsford. A few factors help explain the success of the second referendum. First, the politically salient issues (which played out in public discourse around the amalgamation question) had differed from operational concerns in both referenda. The municipalities were concerned foremost with growth and shared services, but in public discourse cost savings, “visibility” of the region, and tax rate differentials were key points of debate. Second, the business community represented by the Chamber of Commerce was strongly in favour of amalgamation, arguing for greater simplicity in business-government relations as well as with the province, and cost savings. Most significantly, however, Mayor George Ferguson of the District of Abbotsford came out in favour of amalgamation in the 1993 referendum, which was likely a necessary factor in the referendum's success.

Ferguson was a dominant political figure in the area, who became the new mayor of the unified municipality in 1995. He also occupied a key position as the leader of the smaller municipality. With both municipalities' mayors on board with the plan to amalgamate, plus the support of the business community, enough residents were won over to allow the merger to proceed. Abbotsford was also decided on as the new name for the combined municipality. One commentator noted: “this last factor was probably crucial. Even though Abbotsford residents were clearly in the minority, the maintenance of their municipal designation made it appear that it was Abbotsford that was the dominant partner, not Matsqui.”

2.2 Transition Process

After the referendum's success in late 1993, it was agreed that the cities would merge on January 1st, 1995. Again the municipalities hired a consultant, this time to advise on the transition process and designing the new operational structure. The elected councils of Matsqui and Abbotsford combined to form a Joint Council, which then filled the position of City Manager for the new municipality, with help from the consultant. From there the new City Manager and consultant interviewed for department heads and made recommendations to the Joint Council,

which ultimately made the appointments.¹ By early 1994 the Joint Council and new management team commenced work integrating the two municipalities. The Joint Council met for roughly ten hours a week for the year to resolve issues at the council level, while the two municipalities also spent about eighty hours in negotiations with the provincial government.

Among the myriad issues needing resolution, several were of particular importance: reconciling tax differentials, bylaw harmonization and staffing decisions.² Tax differentials were reconciled over a five-year phasing period, an initiative that was especially significant for Abbotsford residents since their property tax rates had previously been lower than those in Matsqui. The new council also adopted a policy committing to not increase taxes for several years after the amalgamation. One factor that made this process easier was a decline in tax rates prior to the merger. Since 1993 both municipalities had seen reductions in residential and business tax rates, in part because of a rapid increase in assessed property values – from \$5.36 million in 1993 to \$6.77 million in 1996. The tax differential phase-in was well-received by residents of the communities, in part because it was well-known prior to the amalgamation that this would be occurring.

Prior to the amalgamation the consultants' report predicted that a combined municipality would require twenty-five fewer positions than the combined total previously, primarily due to reductions in management and administrative support positions. Post-amalgamation there were twenty-seven fewer positions, although this decrease was due primarily to attrition (retirements and employees moving on) with some reductions from management positions. During the process staff worked with employee unions to ensure that unionized employees in the previous municipalities would find similar positions in the new municipality, an initiative that was largely successful. In 1996 Abbotsford filled twenty-six new positions, bringing the total employee count to effectively what it had been before. However, these positions were filled in fire services, police, and recreation, which had not seen reductions during the amalgamation process. These positions were also required to meet the increased demands put on those services by a growing population – for instance, twelve of the fire positions had been committed to in 1993 prior to the merger.

¹ Any employee from either municipality could apply for executive positions. Further, though the consultant and new City Manager made recommendations on staffing these positions, not all were rubber-stamped by the joint council, with at least one case of council choosing a different candidate than the recommended one.

² A difficult issue that resulted in a controversial decision was whether to keep a municipal police force or contract the RCMP for policing. Ultimately, a municipal force was decided upon, a decision still questioned by some today.

Bylaws between the two communities numbered in the thousands, and each had to be examined and harmonized to avoid duplication. The outcome of this process was several resolutions before council that repealed large numbers of bylaws and clarified which were to be in effect going forward. In the years after the amalgamation numerous new initiatives had to be adopted, including a Corporate Strategic Plan in October 1995 and an Official Community Plan adopted in July 1996.

2.3 Assessment

In the end, how successful was the amalgamation of Matsqui and Abbotsford? This question is of course difficult to answer objectively and definitively. As discussed in “Merging Municipalities,” municipal consolidations have a huge number of impacts on the communities involved. Further, it is often unknown what would have happened if the municipalities had remained separate. Nonetheless, some information is available on the merger’s impact on government finances, and the time gap of twenty years allows for several conclusions on long-term impacts.

The 1990 report claimed that Abbotsford could expect over \$2 million in annual savings from an amalgamation. Did these savings materialize? One scholar notes:

In 1994, the last year before amalgamation, combined expenditures of the two municipalities was \$61.8 million. In 1997, the third year of operation for the amalgamated municipality, total expenditures were \$63.8 million, an increase of 3.3 percent over the 1994 number. During the same period, the total population of the area increased by 6.8 percent, from 102,000 to 109,000. Both pro- and anti-amalgamationists can presumably draw modest comfort from these figures. But...the initial conclusion must be that, financially, the amalgamation did not make much difference.

Some nuance can be gleaned from the official figures. In the 1995 year, reductions in staffing saved some \$1 million in a \$46 million budget, though these costs increased the year following due to the staff add-ons in fire and recreation. The one-time cost of amalgamating, which was incurred in the 1995 year, was \$1.15 million. This included \$477,000 for changes in the zoning bylaw and the introduction of the new OCP. Two other major components of the transitional costs involved merging policing and engineering services. In total the one-time costs of amalgamating represented a figure of around \$13.50 per capita.

Prior to the amalgamation it was expected that the services under the shared jurisdiction of Matsqui and Abbotsford would improve, or at minimum would operate more efficiently. From the 1990 consultants' report:

The majority of staff and residents interviewed in Matsqui and Abbotsford felt that amalgamation would lead to an improvement in the services offered by the Recreational Commission. The reasons stated for this expected improvement are as follows:

- the Commission would be responsible for all recreational facilities rather than the piecemeal responsibility it currently has (ie. some facilities remain under the control of one or the other municipality);
- political and administrative problems arising from the necessity to deal with two municipal bodies would be avoided;
- maintenance agreements could be negotiated more simply and efficiently, rather than the current situation of dealing with both public works departments and the School Board;
- the delivery of services would be simplified under the direction of one department;
- public confusion as to who owns and operates each facility would be eliminated; and
- amalgamation could allow more efficient recreation and parks planning and development for the residents of the two communities.

Similar benefits were expected in the realm of economic development:

Achieving [the department's] goals is currently hampered by the division in the two municipalities. It is difficult to market the municipalities individually because the full range of services available in the area cannot be properly represented. Moreover, the different planning and development bylaws of Abbotsford and Matsqui require explanation to potential investors and developers.

Although no formal evaluation of resident satisfaction was conducted after the amalgamation, anecdotal evidence suggests that the citizens of the two municipalities generally viewed the merger as favourable. Residents' acceptance of the amalgamation's results can be attributed to the democratic nature of the amalgamation, as well as the interconnectedness of the two communities beforehand.

It seems clear that Abbotsford experienced some long-term gains from the amalgamation. Having a united community has made economic development easier, and increased "visibility" in the region, along with greater simplicity in relationships with the regional district and provincial government. The merger also allowed the area to engage in projects it

otherwise would not have, such as a \$16.9 million water filtration plant completed in 2003, and highway interchange upgrades. One observer noted benefits in sewer and water infrastructure:

The older network of pipes within the former district of Abbotsford – for both water supply and sewers – is in the process of being rehabilitated by the new amalgamated municipality. Such integration and infrastructure renewal is exactly what we would expect from a successful municipal amalgamation. More funds are probably being spent than if there had been no amalgamation, but the quality of the infrastructure is enhanced and the costs are spread more widely.

Regarding planning, integration of the communities took many years. The 1996 OCP was the first attempt at bridging the planning divide between the two communities, and a second followed in 2005. It is only in the current OCP, however, that reflects Abbotsford's ability to truly plan as one community – a gap of more than 20 years.

North Vancouver's potential amalgamation will certainly result in vastly different financial outcomes for several reasons. First, Abbotsford and Matsqui moved their new City Hall to the building previously used as Matsqui's municipal hall. This saved a large amount of money since it not only spared the new city having to purchase real estate and build a new hall, but also because the majority of the new city's employees and their equipment did not have to be relocated. Second, IT consolidation and harmonization was minimal compared to what would be required today, which would more closely resemble the costly amalgamations of regions like the Halifax Regional Municipality – where email harmonization between the municipalities alone led to months of delays and significant costs. Third, Abbotsford was able to avoid salary increases for employees beyond an expected 1.5% cost-of-living increase, which is in contrast to other amalgamations which result in increased salaries from new collective bargaining agreements and increased employee specialization. Whether the North Vancouvers would be able to emulate this facet of the Abbotsford merger is an open question.

> 3. KEY LESSONS AND CONCLUSION

Key Lessons:

- **Political leadership is important:** One of the most telling aspects of the Abbotsford experience is the fact that a successful referendum occurred three years after an unsuccessful one on the same question. By all accounts George Ferguson's support for the proposal as mayor of the smaller community was a crucial factor in the initiative's success. Having consistent political leadership through the entire process, from referendum to drafting new strategic documents, is a necessary component of a successful merger.
- **It's a long-term proposition:** The City of Abbotsford took decades to forge an identity as a truly autonomous community separate from its previous halves, and this process is still ongoing. This is partially why political leadership is so important to the process: residents of the two municipalities were required to make short-term sacrifices to achieve the long-term benefits of an amalgamation. For residents of the District of Abbotsford, this meant property tax increases five years in a row, while the municipalities made a significant one-time financial investment.
- **There can be important long-term benefits:** the long-term benefits of the amalgamation appear to be significant: a greater capacity for economic development and enacting large projects, greater regional visibility, elimination of administrative problems with shared services; ease of interaction with other governments; and consistent regional planning rank as some of these benefits.
- **Finances and service levels did not see significant changes:** although the costs of restructuring were significant (and would be much, much higher for the North Vancouver), they were relatively easily absorbed by the municipality. The amalgamation did not result in the cost savings predicted beforehand, but neither did it cause costs to skyrocket. Similarly, despite the vociferous debate around amalgamation in both 1990 and 1993, residents were generally supportive of the initiative and did not report dramatic decreases in satisfaction with municipal services.

One of the primary conclusions of "Merging Municipalities" was that the Regional District system in British Columbia would preclude some of the economic benefits that other municipalities might experience in other jurisdictions, since there would be fewer economies of

scale to gain. A primary conclusion from this report on Abbotsford's merger is that the circumstances surrounding the amalgamation are also important: Abbotsford avoided many of the pitfalls that other municipalities experience because the process was referendum-led. One scholar notes:

The City of Abbotsford is an important case study, because it challenges a number of long-standing theories regarding amalgamation...If a referendum is carried out, as in the case of Abbotsford, the public can then evaluate the proposed restructuring initiatives based on very clear expectations of the anticipated impacts. As in the case of municipal salaries, any changes to service provision will be based on explicit decisions to adopt those particular standards.

In sum, a North Vancouver amalgamation would have less to gain than some municipal amalgamations, but also less to lose. Referendum-led mergers are rare, and, if Abbotsford is taken as a model, result in better outcomes than forced amalgamations. The Abbotsford case study also confirms the draft conclusion that North Vancouver would be well-positioned to benefit from a merger in the areas of long-term planning, strategic capacity, and intergovernmental relations.

Over twenty years on, the City of Abbotsford is still working to chart a path as a unified political entity. In contrast to other municipalities around the world and in Canada that still have deep divisions or experienced de-amalgamations, there is no talk of Abbotsford separating. And though there were significant benefits as well as sacrifices, the citizens of the Fraser Valley municipalities ultimately overwhelmingly voted to join together. In the final analysis, this may be the most important lesson. In the words of one observer:

Amalgamation in Abbotsford did not result from service-production problems, or even from expectations that service production would be significantly improved. It resulted from the political fact that voters in two separate communities decided that what united them had become more significant than what divided them.