

*Sun Peaks Municipal
Incorporation Study*

Summary of the Technical Report

Sussex
Consultants Ltd

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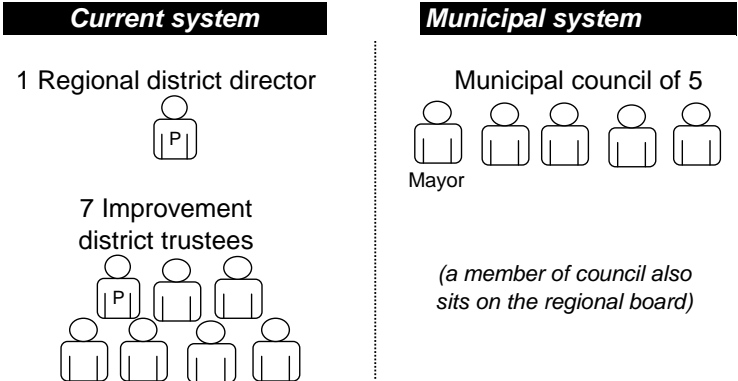
Municipal status

If a referendum is held and passes, Sun Peaks can become a mountain resort municipality. It would be called the Resort Municipality of Sun Peaks, and it would be governed by a municipal council of five – a mayor and four other councillors. Municipal council would adopt community policies and regulations, set local service standards and practices, and adopt spending and tax bylaws for Sun Peaks.

Municipal status would shift community powers and responsibilities from three bodies – the Thompson-Nicola Regional District (TNRD), the Sun Peaks Resort Improvement District (SPRID), and the Province – to the municipality.

- The municipality would replace the SPRID and the municipal council would replace the SPRID trustees. SPRID services would become municipal services, and SPRID assets and liabilities would become municipal assets and liabilities.
- Sun Peaks would still be a member of the TNRD but would rely on it for fewer services, since the municipality itself would be responsible for some of the services and functions now provided by the TNRD – principally land use planning and building permits and inspections.
- The Province’s role as a provider of local services would diminish too. Roads, tax collection and subdivision approval would all become municipal functions rather than provincial functions.

Figure 1: Comparison of Local Elected Officials



The new municipality would inherit its responsibilities over time. Road maintenance would become a municipal obligation after five years. Some services could be contracted back to the regional district for a transitional period. Other services would become a municipal responsibility right away.

Why consider municipal status?

Resorts have unique requirements. They provide a high quality of services and a broad array of amenities in order to protect and enhance the community's attractiveness to visitors. This requires the power to arrange and coordinate diverse aspects of the community, such as land use regulation, tourism promotion, infrastructure planning and financing, and regulatory functions like bylaw enforcement. The current local governance system does not provide this flexibility to the degree that might be needed to optimally help the community reach its full potential as a major resort.

Municipal status would mean more independence, accountability, authority, and opportunities for the community, as well as additional funding.

The municipality would pass its own bylaws and policies regarding community services and regulations. The officials voting on these bylaws and policies would be those accountable to the municipal voters. This applies to some degree to the SPRID now, but not to the TNRD, where the approval of TNRD members from outside Sun Peaks is needed to adopt a bylaw affecting Sun Peaks.

Municipalities are eligible for infrastructure grants (regional districts are too, for some grants), but improvement districts are not. Of course, being eligible doesn't guarantee all grants will actually be obtained, but a number of funding programs are essentially assured under municipal status, and they could amount to over \$600,000 per year.

However, municipal status would also mean more obligations. Services obligations that now rest with other, broader bodies, like the TNRD and the Province, would become local responsibilities.

Changes in service providers

A number of service responsibilities would shift as a result of municipal incorporation. The local service roles of the Province, the Regional District and the SPRID would either be reduced or replaced by the municipal role.

Figure 2: Overview of Service Providers

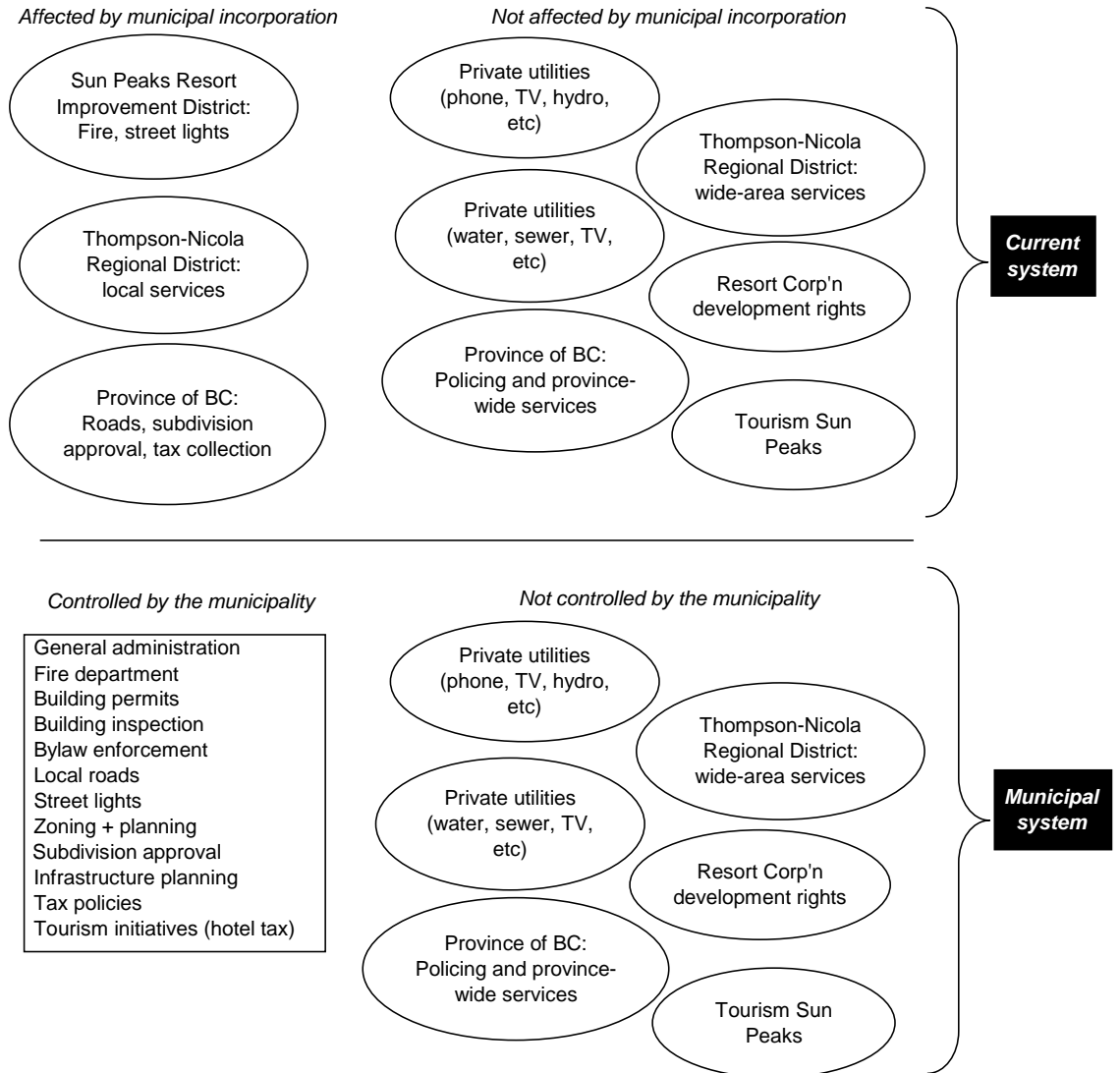
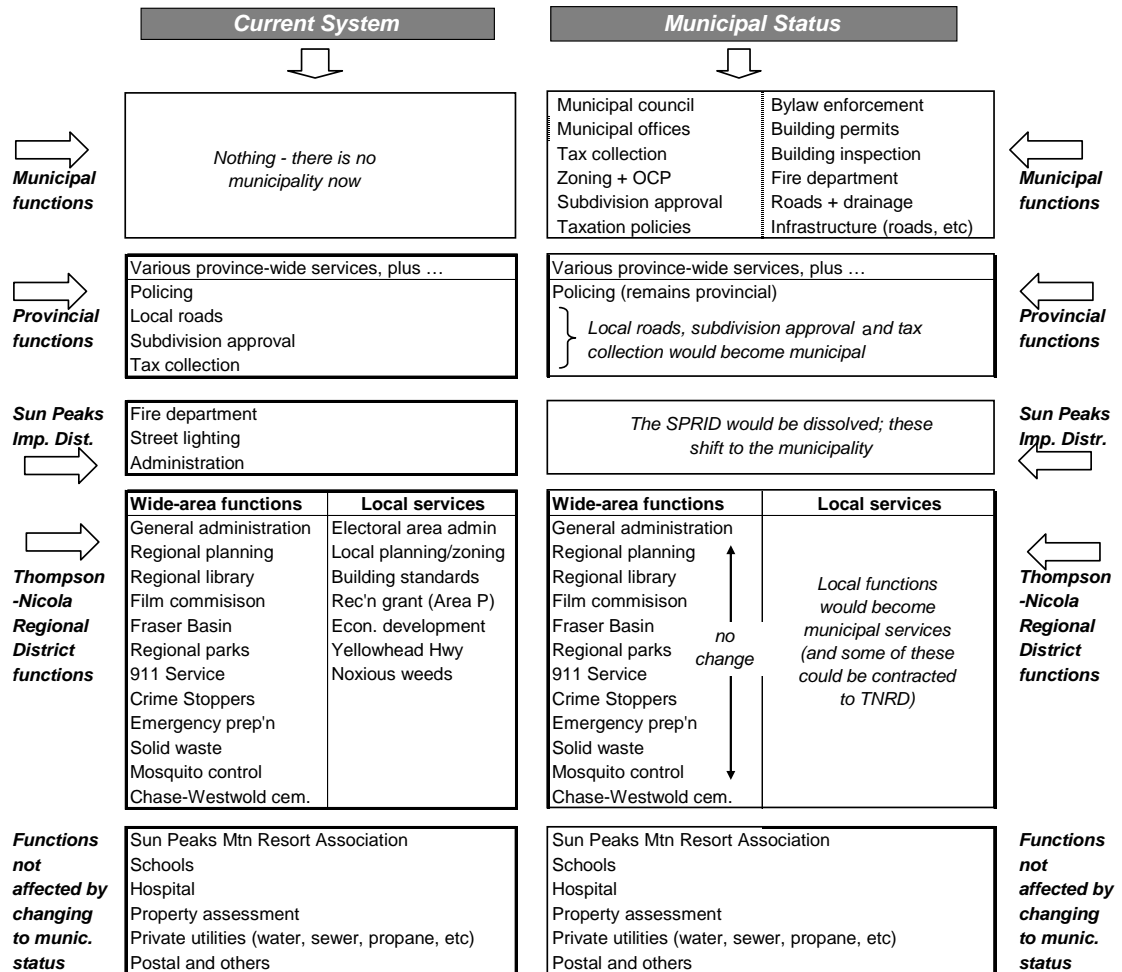


Figure 3: Comparison of Service Providers and Responsibilities



Resort Corporation rights

The Sun Peaks Resort Corporation holds certain rights under a long term Master Development Agreement with the Province, and these would remain under municipal status. One unusual feature of the Sun Peaks case is that the creation of a municipality would have to ensure the interests of the residents, owners, and visitors are coordinated and balanced with the development rights of the Resort Corporation. Consideration should be given as to how these two sets of interests can be protected under municipal status (see “Customized governance provisions” on page 10).

Land ownership

Land ownership would not be affected by creating a municipality. Land owned privately would remain privately owned, and Crown land holdings would not change due to municipal incorporation. Municipalities do not own all the lands in their boundaries. The only land that would become municipal for certain is the land now owned by the Improvement District.

Municipal staffing

Like the TNRD, a Sun Peaks municipality would need professional staff to properly manage its functions and responsibilities, though it could also make extensive use of contracts for things like land use planning, routine road maintenance, building inspections and bylaw enforcement.

Figure 4: Projected Staff for a Sun Peaks Municipality

Function	Current system	Municipality*	Comments
General administration	1 Part-time at SPRID, plus a share of larger TNRD staffing	5.0 FTE [^]	Additional staff needed over the SPRID level
Legal and audit	Contracted out as needed	Contracted out as needed	No need for in-house staff
Fire department	1 Full-time Chief; 2 full-time captains; volunteer fire fighters	1 Full-time Chief; 2 full-time captains; volunteer fire fighters	No change
Building inspector and bylaw enforcement	Part of larger TNRD staffing	Could contract this out as needed or use own staff (2.5 FTE)	No need for municipal staff; bldg permits help fund inspection costs
Animal control	No such service at Sun Peaks	Not mandatory (could contract this out or use own staff – see bylaw enforcement)	Service up to municipal council
Public works – water and sewer	None (private utility)	None (private utility)	No change
Public works - roads	Part of large provincial contractor staff, plus provincial District Manager	Depends on level of contracting but minimum 1.0 FTE	Need PW supervisor even with private contract; work program broader than under the current system
Land use planning	Part of larger TNRD staffing	Could be own staff (1 FTE) or contracted out as needed	Few small municipalities have a staff planner
Subdivision approving officer	Provincial employee (MoT)	Municipal employee (usually Administrator or PW supervisor)	This would not be a separate position

[^] Includes administration, finance, payroll, and clerk duties

* The costs of these FTEs are included in the municipal budget and tax projections

Municipal budgets

The following budget projections include paid staffing and other operating costs, as well as capital funding for infrastructure improvements. Just like under the current system, property taxes would be the main source of funding for local services.

Spending priorities set by municipal council

The actual budgets would be set by the municipal council. While the projections used here are reasonable for our purposes (they are based on current costs and service levels wherever possible, and on experiences in other municipalities), they can only be assumptions – just as the current status tax picture is assumed to stay as is.

Figure 5: Projected Municipal Budget (2006 levels)

Note: These are projections. Actual budgets would be up to the municipal council.		Amount in 2006 dollars	
Revenues			
	Municipal taxes	\$1,182,900	As needed to balance the books
Hydro, gov't + other utilities	Utility taxes + grants in lieu	\$31,500	Would vary with development activity
	Bldg permits, misc fees	\$109,800	
All small mun's get this annual grant	Tax penalties + investments	\$36,700	For environmental sustainability projects
	Small communities grant	\$240,000	
	Gas tax funding	\$62,000	
Includes reserves, commission, annuity, misc	Hotel tax sharing	\$365,000	Rebate from the existing hotel tax
	Other revenues	\$48,300	
	Revenues for municipal use	\$2,076,200	
Taxes for region-wide functions	Regional district taxes	\$664,000	Taxes sent on to other bodies
	School, policing, hospital taxes	\$1,738,600	
	Grand total revenues	\$4,478,800	
Expenses			
Staff, council, offices, insurance, etc	General administration	\$487,000	Policing cost starts in 2007 but would be a separate provincial tax
	Police protection	separate tax	
Could include contracted services	Fire department operations	\$343,600	2006 actual fire cost operating cost
	Bylaw enforce. + bldg inspect.	\$173,000	
Would vary with development activity	Road/drainage maintenance	\$232,100	
	Community planning	\$85,000	
	Tourism initiatives, grants	\$332,500	Direct tourism-related initiatives
	Capital, reserves, debts	\$423,000	
Includes improvements to roads + drainage	Spending on municipal services	\$2,076,200	
	Regional district taxes	\$664,000	Taxes sent on to other bodies
	School, policing, hospital taxes	\$1,738,600	
Revenues must match spending	Grand total expenses	\$4,478,800	

Normal year, with full road responsibilities and no more short term grants. Based on 2006 service levels wherever possible. Note: Spending priorities would be up to the elected municipal council

The combination of taxes from the budget above, start-up grants from the Province, and borrowing would allow spending of over \$3.3 million on infrastructure during the first six years. This includes substantial short term rehabilitation and remedial improvements to roads. Infrastructure costs have been factored into the projected budget and tax impacts. The infrastructure includes \$1.1 million for new municipal offices, furnishings and equipment; \$1.1 million in short-term road rehabilitation; \$328,000 in gas tax rebate projects; and \$150,000 in smaller public works equipment. Over and above this total, there could be substantial capital works financed using transferred hotel tax revenues.

Property tax impacts

Taxes vary with assessed property value. A 2006 assessed property value of \$300,000 is used to measure impacts here. Houses were assessed higher than this; condominiums and vacant lots somewhat less. (*Note:* Assessments have risen since 2006, but that does not mean taxes will jump proportionately, since the 2007 tax rates will fall). Taxes also depend on whether your property is residential or business, as business tax rates are higher than residential tax rates. Residential properties are in Class 1 in the BC Assessment Authority system, and businesses are Class 6 (these designations are shown on each assessment and tax notice).

Municipal status could produce a slight tax saving. The main reasons are the large ongoing Small Communities Grant; the relatively short length of roads (even though the snow clearing costs are above average); the fact that taxes under the current system are reasonably high; and the lowering of the school tax under municipal status. The tax savings depend on budget level; lower spending would mean lower taxes, and higher spending would mean higher taxes. The impacts shown here are based on a snapshot of 2006 services and taxes, both before and after municipal incorporation, as well as on experiences in other municipalities.

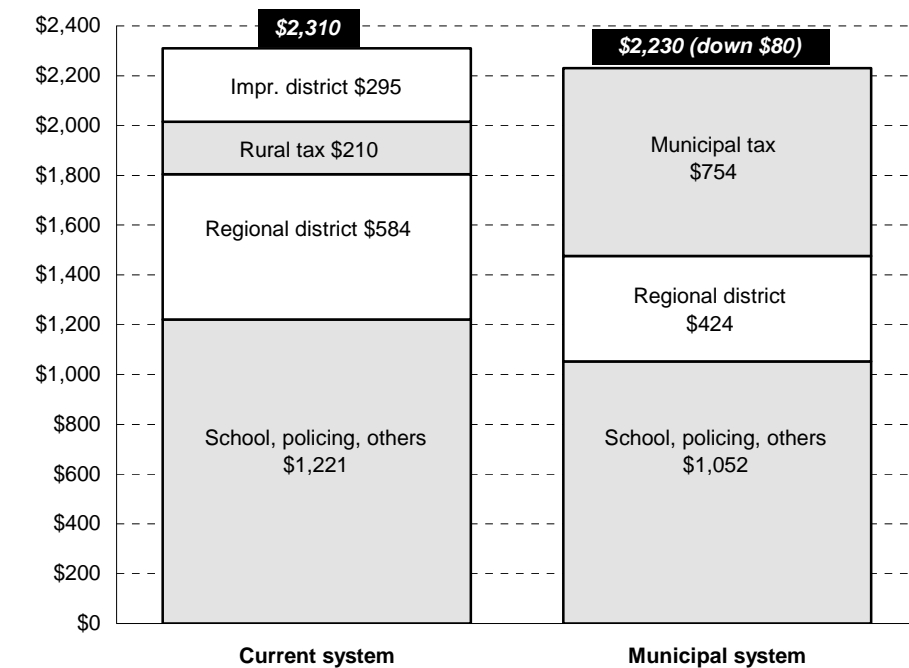
Note that service levels, budgets, and taxes would be up to municipal council.

Figure 6: Projected Tax Rates (2006 levels)

	Residential		Business	
	Current System	Municipal System	Current System	Municipal System
Municipal general tax	--	\$2.514	--	\$6.285
Provincial rural tax	\$0.700	--	\$3.600	--
Provincial policing (2007)	\$0.119	\$0.189	\$0.292	\$0.463
Regional district^	\$1.948	\$1.413	\$4.773	\$3.462
Improvement district^	\$0.984	--	\$2.411	--
School tax	\$3.589	\$2.957	\$9.200	\$9.200
Hospital + others	\$0.361	\$0.361	\$0.949	\$0.949
Total of above	\$7.701	\$7.434	\$21.225	\$20.359

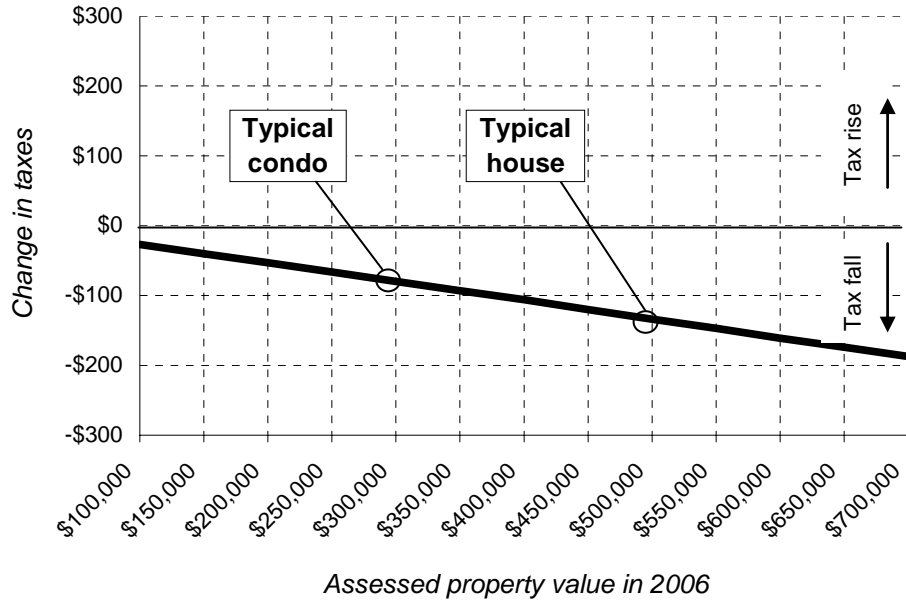
^ Includes 5.25% provincial tax collection fee under the current system

Figure 7: Projected Taxes on a \$300,000 Residential Property (2006 levels)



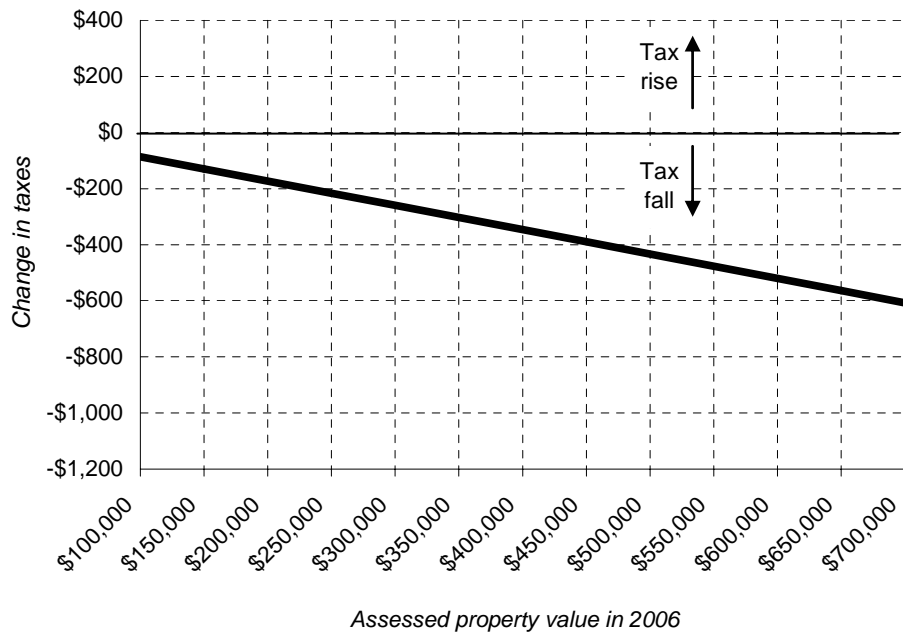
Taxes vary with assessed property value; excludes home owner grant

Figure 8: Tax Impact on Various Residential Assessments (2006 levels)



Business property generally pays higher tax rates than homes. Much of their tax bill is for school, hospital and region-wide TNRD purposes that wouldn't be affected by municipal status. However, like homes, business could see a slight decline under municipal status, as shown below. It is assumed here that the municipal tax rate for businesses would be 2.5 times the residential rate, which would mean *the same proportionate changes for the two property types* (the current business tax rate multiple ranges from 2.45 to 5.1).

Figure 9: Tax Impacts on Various Business Property Assessments (2006 levels)



Municipal offices

The municipality would need office space. It would not have to be municipally-owned; it could be in rented space. However, to be conservative, it is assumed here that the municipality would, after the first several years, need to construct a modest building, with a total budget allowance of \$1.1 million, including furnishings and equipment. Combined with the need to fund road repairs in the first few years, this capital cost would require borrowing – a municipal mortgage, so to speak. A total loan of \$1.8 million has been factored into the municipal budget to finance roads and offices and is reflected in the projected tax rates.

Note that for the first several years the municipality could make do with a combination of rented space in a commercial building (though this could be expensive) and use of the SPRID office.

The municipal council chambers, used for regular public meetings to discuss municipal business, could be in meeting rooms in one of the three (so far) hotels. This could be a much more cost effective option than building a separate facility, and has been assumed in the budget projections.

Access to new funding

The province would provide short term assistance in the form of start-up grants and absorbed costs during the first five years. In addition, there would be annual, on-going funding through provincial programs that are not available to Sun Peaks now.

- The municipality would receive an ongoing \$240,000 annual grant under the province's *Small Communities Grant* program. This grant is a significant factor in the projected tax decrease. If the grant were cut in half, the net tax benefits shown above would fall by \$77 – assuming the municipality did not curtail its spending to offset the smaller grant (which would of course be a reasonable reaction). These grants have been stable for many years, so it is not unreasonable to include them in the analysis. In fact, the province has recently announced a major increase in the grants, not a decrease. These funds are not available to the community under the current system.
- Sun Peaks could receive a share of the existing *provincial hotel tax* – estimated at \$365,000 per year – if it becomes a municipality. These funds must be used for tourism-related programs, facilities, and initiatives. These funds are not available to the community under the current system.
- A Sun Peaks municipality would receive a share of the *gas tax*, estimated to reach \$62,000 per year. These funds must be applied to environmental sustainability projects (a transit service would be an example). Under the current system these funds are available to the TNRD but need not be dedicated to Sun Peaks.
- In aggregate, these three funding programs would mean about \$670,000 per year for Sun Peaks facilities, services, and programs.

Risks

In addition to the positive aspects of municipal status – increased autonomy, authority, flexibility and accountability – there are some risks too, including these.

- Municipal council could choose to spend more than projected. This could force taxes up. Every additional \$100,000 in annual spending means another \$64 in taxes.

- The municipality might have to spend more repairing roads due to slides or slippage.
- The senior governments could download additional costs onto municipalities.
- The Province could reduce the annual grants to municipalities.
- The Province could end the preferential school tax rate program that Sun Peaks would qualify for as a municipality.
- The municipal council could undertake new policies and regulations that are unpopular.

There are some risks no matter what

The current system also carries certain risks, and some are more or less the same as listed above. For example, the provincial rural tax, SPRID taxes, and TNRD taxes could rise faster than inflation (and in fact some of them have), and a new policing tax will start in 2007. No form of local government can isolate a community from risk.

Customized governance provisions

Given the Resort Corporation's development rights under the Master Development Agreement, it would be important to ensure that the rights of the municipality to set regulations and policies are coordinated with the Corporation's long term vision for the resort. To this end it is possible for the Province to establish special governance provisions aimed at balancing, preserving and respecting the Corporation's rights under municipal status. The Province could enshrine these into the letters patent of the new municipality, and could also include termination provisions for the features so that they are not permanent. For example, they could remain in place for a fixed period, or for the shorter of a fixed date or the attainment of a certain stage of community development.

Special governance provisions could include these.

- Provincially appointed seat on municipal council: The Province can appoint one of the five members of the municipal council. For example, it could appoint a seat for a representative of the Resort Corporation. This would ensure the Corporation has a voice at the table. The unusual importance of the resort developer as the guiding force behind the community could warrant this special provision. (Note: The Corporation already has an appointed representative on the Improvement District. In fact, *all* the trustees are appointed by the Province.) The Province could appoint a different representative, too – for example, it could be a provincial official, to represent the interests of the Province and its obligations under the MDA.
- Required consultation by council: The Province could require the municipality to consult with a local body or group on various policy matters. Candidates for mandatory committees or council referrals could include these.
 - Non-resident property owners. This significant tax-paying group generally can't attend local meetings, and many live outside BC so can't vote in municipal elections. This could assure the group consultation on civic matters.
 - Tourism Sun Peaks, which represents various business interests in the community. This could help dovetail the planning of overall tourism policies and efforts.
- Provincial approval of the official community plan: There is no OCP for Sun Peaks. The Province could require that (a) an OCP be developed and adopted within a

certain time after incorporation, and (b) that the new OCP and subsequent amendments to it will require provincial approval. Municipal OCPs generally do not need provincial approval, though regional district OCPs do.

- Provincial approval of other municipal bylaws: The Province could require other municipal bylaws that could conflict with or constrain the Corporation rights under the MDA to be approved by the Province. An example would be a zoning bylaw or a servicing standards bylaw. Note that development cost charge bylaws already need provincial approval.
- Tax restrictions on business: Municipal councils are free to distribute the tax load between residential and business properties as they see fit. In order to protect the interests and viability of the business sector, the Province could limit the municipality's ability to do this. One rationale for this stems from the classification of rental condominiums as business (Class 6) rather than residential (Class 1). Limiting the Class 6 tax rates could help correct for some inconsistencies in this classification. However, this need must be balanced off against the fact that *all* businesses would benefit from this, and against the autonomy of municipalities to run their affairs and set their tax burdens as they see fit.

Such special provisions could help protect the attainment of the long term vision for Sun Peaks, facilitate adherence to the Master Development Agreement, and help guide municipal council in its policies. However, any special provisions need to be balanced against the fundamental independence, autonomy, and powers given to municipalities.

Conclusion

Municipal status would offer the Sun Peaks community new opportunities, increased flexibility, and more autonomy.

- The new opportunities could flow from enhanced funding sources (like the extra \$365,000 in annual hotel tax revenue), from consolidated local service powers, and from the flexibility municipalities have to arrange budgets, service levels, regulations, and community policies to suit their unique circumstances.
- The municipality would set its own service policies, including bylaw enforcement practices and efforts; zoning regulations; and road standards.
- The increased autonomy would flow from the independent powers given to municipalities under the *Community Charter* and the *Local Government Act*. The main decision makers – the municipal council – would be accountable to local electors. There would be less reliance on remote bodies like the Province and the TNRD, where the decision makers are not elected by the Sun Peaks voters.

Budgets would be up to municipal council and it could choose spending levels above the projections here. However, based on an apples-to-apples comparison where possible, municipal status could be essentially tax neutral despite the increase in spending on local initiatives, services, and facilities. Some of this is due to the lower school tax rate that a Sun Peaks municipality would qualify for; some of it is due to the fact that taxes are already quite high, so the shift to municipal taxes is not so pronounced.

Offsetting these gains would be increased obligations (like road maintenance), increased funding requirements, and the risk that municipal council would choose unpopular programs or service standards. Some of the risks apply under the current system as well.