

9. Provincial Assistance

The Province has offered a series of initiatives and grants to a new municipality if one is created. The Minister's letter outlining these components is presented in the appendix of this report.

Short term assistance

The Province has a number of short term assistance programs that it extends to new municipalities. They are designed to ease the transition to municipal status by allowing the new municipality to start with more resources. The Province has not yet formally identified the specific levels of assistance in the Sun Peaks case; this would be done if a referendum is to be held (and done prior to the public discussions leading up to a referendum). Here are some of the main features of the assistance program that have been factored into the financial impacts here. Note that the Province's offer includes some funding based on a year-round population of 500, but we have used only 400 here to be conservative.

- **Per capita grant:** It is assumed the standard \$150 grant would be given to Sun Peaks. Based on an estimated 400 full-time residents, this would mean a total of \$60,000. The funds are usually paid by installments over the first 3-4 years. There are no restrictions on the use of this funding.
- **Free road maintenance:** The Province routinely has its contractor continue to maintain the roads, at no local cost, for the first five years. (Note that this refers to routine maintenance, not capital upgrades or remedial improvements.) This frees up the municipality from having to provide this service during the transition phase. It can also generate significant funds, indirectly. Levying the "stable year" tax rate – that is, the tax rate for year 6, after all transition measures have been accounted for – from the very start will generate surplus taxes in the early years, when the full road costs aren't in the municipal budget. These surplus taxes could help finance short-term infrastructure improvements, like a municipal hall or road improvements. The Province has estimated that the value of this work is about \$52,000 per year, or \$260,000 altogether.

However, Sun Peaks wouldn't get a full five years of free service because the provincial contract with the private company ends after September 2013. Instead of a full five years, then, the Province is offering a free period of 3.5 years (assuming a mid-2010 incorporation date) plus a lump-sum payment of about \$75,000.

- **Rebate of the rural tax:** The Province can rebate to a new municipality a portion of the rural taxes paid by properties in the municipal area just prior to municipal incorporation – either 100% of the total if the incorporation date is in the first half of the year, or 50% if it is in the second half. While the Province is not committed to rebating the funds, it has done so in all recent municipal incorporations, and it is reasonable to assume a Sun Peaks municipality would also receive it. Assuming an incorporation date by June 30, the rebate would amount to about \$413,000 based on the 2009 rural taxes. A portion of this would almost certainly be in arrears, so the

municipality wouldn't get the full amount immediately because it would be responsible for collecting any outstanding amounts.

- **Administration assistance:** If a referendum is held and passes, the Province has offered to give the new municipality a grant of up to \$80,000 to cover the cost of the referendum and the election of the new council. In addition, the Province would give a grant of up to \$70,000 to cover the cost of an Interim Administrator to help set up the municipality
- **No road improvement assistance:** The municipality would inherit the roads as they are, and there is no provincial program to help fund the repair or rehabilitation of the roads. The municipality would have to use its own resources for this.

Ongoing assistance

There are numerous provincial funding programs available to municipalities. Many are restricted to specific and conditional uses, and some have time- or amount-limited funding restrictions. Examples include the following.

- The Towns for Tomorrow program can provide money for infrastructure in small municipalities.
- The BC Spirit Square can help fund outdoor civic squares and spaces.
- LocalMotion funds can be used for trails, paths and other initiatives promoting physical fitness.
- The Infrastructure Planning Grant program offers funds to help improve or develop plans that include capital asset management plans, community energy plans, integrated stormwater management plans, water master plans and liquid waste management plans.
- The Canada/BC Infrastructure program funds local government infrastructure upgrades and initiatives.
- BC Community Water Improvement plan can provide funding for communities to help meet safe drinking water guidelines and regulations.

There are several programs, however, that are much more certain for local government. Three key ones are summarized below.

- **Small communities grant:** All smaller (that is, under about 15,000) municipalities receive an annual grant under the provincial Small Communities Grant program. The Province has estimated that a Sun Peaks municipality would receive about \$226,000 under this program (after a short phase-in). There are no requirements as to how these funds are used by a municipality. The name of the grant has changed over time but it has been a stable and important part of municipal finances for decades.
- **Gas tax transfer:** Under the federal-provincial gas tax transfer plan, a Sun Peaks municipality would receive about \$65,000. There is no commitment to continue this program past 2014. Funds must be used for programs or infrastructure that provide an environmental benefit, like transit or sewage systems. Because these funds can't be used to directly lower taxes, they appear on the revenue side of the budget with a matching expense line.
- **Hotel tax sharing:** Tourism Sun Peaks already receives 2% of the additional hotel tax revenue that is levied under the provincial Additional Hotel Room Tax (AHRT) program. The funds flow through the Regional District. AHRT is to be used primarily for tourism promotion and is often turned over to a third party (for example, a resort

association, an economic development commission, or a Chamber of Commerce). Over and above this, a Sun Peaks municipality would be eligible for up to an additional 4%, estimated at \$300-\$400,000 per year (\$350,000 is used in this report), under the Resort Municipality Tax Transfer Program. This would grow as development proceeds and more visitors come to the resort. The funds would be spent according to a Resort Development Strategy (RDS) developed by the municipality in collaboration with members of the local resort sector. Typically the funds are spent on resort amenities that enhance the resort experience and help grow the local tourism economy. There are reporting and performance requirements to ensure the money is spent as laid out in the RDS. While the primary goal is tourism-based, there is no doubt that these amenities would also provide a benefit to residents and owners too. Examples here include trail systems, festivals, local attractions, and the infrastructure needed to support them.

Capital projects being developed directly by the municipality can be eligible to receive funding through the program, which could augment the normal municipal capital funding (mainly funded by taxes). To reflect this, the spending of the hotel tax in the municipal budget has been apportioned 25% to joint-benefit works and services (capital works), and 75% to tourism-only initiatives (amenities and programs) in the municipal budget.

Note: Both the hotel tax sharing programs could be affected by the implementation of the HST. The Province has indicated that as a municipality, Sun Peaks could potentially receive the additional funding from the AHRT through 2011. In the interim, the Province has indicated it will investigate long term solutions that will assist resort communities in financing tourism-based initiatives, so it might be possible that program funds will flow to Sun Peaks after 2011.

Improvement districts not eligible

Sun Peaks would be eligible for these grants under municipal status but not under the current status. This is because most provincial programs are aimed at municipalities (and some are available to regional districts, too) but *improvement districts do not qualify*.