

10. Municipal Infrastructure

The new municipality would require some infrastructure works in the early years, as well as on-going requirements for capital projects like continued road repairs, equipment, and special projects.

Near term: Municipal offices

The municipality would need offices but the Improvement District space is too small. The size and configuration would be up to the municipal council, but for the first decade or so the offices and associated working space would likely need to be in the neighbourhood of 200 square metres, and council chambers for the monthly or bi-monthly public meetings would need to be somewhere around 100 sq m. After ten or fifteen years, when the community is larger than now, it may be necessary to expand the working space, but by then the tax base needed to finance this would be considerably larger than now, so the phasing of the space is a realistic option.

Several options are considered here, all with about the same financial impacts.

- Offices could be purchased in a commercial building. Currently there is some space available, in the \$800-\$850,000 range for 200 sq m.
- A modest new municipal office could be built, perhaps on the existing fire hall site or as part of a new, relocated fire hall. Based on current rates, a 200-sq m building could cost about the same \$800-\$850,000 (and this would probably provide a larger building than the purchased commercial office, since the purchased commercial office price includes a land component). If built on the existing fire hall site, there would be no land purchase cost. There would probably be a land cost for a new, relocated fire hall further east in the community – but this could be needed anyway, whether or not Sun Peaks becomes a municipality, to serve the needs of the expanded development area. If it is needed anyway, there could be no marginal cost attributable to the municipal office, since it would be part of the fire hall budget (this would force up taxes for fire protection, but this is true even if Sun Peaks remains unincorporated). In either event, then, the land acquisition cost need not be a factor in the assessing the impacts of municipal status by itself.
- Space could be leased in a commercial building, like Tourism Sun Peaks does. At prevailing rates, this could cost about \$80,000 per year (including the lease and monthly common area charges). This annual amount is more or less the equivalent of borrowing \$800,000, so this option is quite close to the same overall financial impact as the two above.

The financial projections here assume the capital equivalent of \$850,000 is spent for office space in the third year. In addition, for the first three years an allowance of \$50,000 has been used for the rental of initial, temporary offices (but this rent is treated as an annual operating cost rather than a capital cost).

Note that for the first several years the municipality might be able to make do with a combination of a small, rented space in a commercial building and use of the SPRID office, but this would be awkward and could only serve as a very short term strategy.

Near term: *Furnishings and equipment*

Wherever the municipal offices are located, there will be a start-up need for basic office equipment (phones, computers, copiers, etc), furnishings, furniture, software and supplies, as well as possibly leasehold improvements (under that option). A total allowance of \$250,000 has been included in the capital budget for this, as follows:

- 2010: \$100,000 (in rented and/or shared offices)
- 2011: \$50,000 (in rented and/or shared offices)
- 2012: \$100,000 (the year a permanent office is assumed to be established)

Near term: *Council chambers*

Municipal council must conduct almost all of its business in public, and council chambers are used for this. The council chambers do not need to be in a dedicated facility. As an option, there are already three hotels at Sun Peaks with meeting rooms that could serve as council chambers.. The fact that there are multiple venues means that there could be considerable flexibility in arranging this while still allowing the hotels to accommodate their regular meeting business.

Based on current rental rates for these facilities, the municipality could probably obtain the space it needs for somewhere around \$8,000 per year (assuming a minimal meetings are held), but it is likely that there would be a greater than minimal need for such space, and an allowance of \$15,000 has been used here for annual rental of space for council meetings. This amount is included as an annual operating cost in the municipality's "general administration" budget.

Near term: *Road rehabilitation*

The municipality would inherit the roads in their current state. As part of this study, Kerr Wood Leidal Associates, a civil engineering firm, performed a brief overview of road-related works that a new municipality would need to address soon after incorporation (as opposed to a year-after-year improvement program with an ongoing annual budget). The KWL summary is presented in Appendix 4.

Since there is no separate provincial program to help with funding such works, municipal funds would be required for these short term costs. It is important to note that no community – municipal or otherwise – has perfect roads, and all municipalities have to prioritize the work program to live within their means. This can mean that not all road improvements are done in a timely manner.

Kerr Wood Leidal's brief overview concluded that the list of road repairs and improvements the new municipality would face totals \$1.09 million. This cost has been spread across the first three years in the capital plan of the new municipality, so that by the first "normal" year all the short term repair and rehabilitation works would have been completed. Funding for these short term works would come from (a) start-up grants from the province; (b) surplus taxes in the first years, when the normal-year tax rate would produce more than is needed (due to the free road maintenance program); and (c) loans that total \$1.15 million (these loans include funding for the municipal offices too). The annual loan payments are included in the municipal operating budget.

Near term: Public works equipment

Even though road maintenance would be provided by the province for the first 3-4 years, the new municipality would probably need to acquire some public works equipment in order to perform tasks not included in the provincial contract. Examples of these tasks include maintenance of drainage works; a higher level of snow clearing in certain areas; and walkways and boulevard maintenance. The municipal budget includes an allowance for \$150,000 for this equipment during the first three years. After that, equipment would be funded by the on-going capital allowance and reserve contributions.

On-going capital spending: General uses

In addition to the near-term works outlined above, the municipality would face an on-going program of capital spending every year. An annual allowance of \$153,000 has been used here. The largest share (\$100,000) would be probably be used for annual, long term road and drainage works. If applied to road rehabilitation, this allowance would provide for the repaving of more or less all the roads over a 30-year period (based on about \$300,000 per km). An additional \$48,000 has been allowed for fire capital, which is taken from the 2009 Improvement District budget.

These amounts are only the *tax-funded* portion of the capital spending allowance. Funding would also be available via the hotel tax revenues, the annual contributions to reserves, and the gas tax revenue sharing (see the following points).

In addition, there would be other monies available for capital works under a number of provincial grant programs, as well as development cost charge (DCC) revenues that the municipality could choose to implement to help pay for infrastructure. None of these other funding sources have been assumed for the budget projections here, so the total capital amounts presented in this report should be considered the *minimum* that the municipality could afford under the tax levels developed here.

On-going capital spending: Hotel tax projects

The municipality would have to use the estimated \$300,000-\$400,000 in hotel tax sharing for tourism-based projects and programs; \$350,000 is used here. The development of parks and trails, for example, could fall into this category, as could certain road-based projects as long they enhance the tourism goals, like sidewalks and lighting. Over the first six years, this revenue source could provide \$2.1 million for municipal use. For purposes here, 25% of this has been assumed to fund capital improvements that serve both tourism and resident functions (like the development of walkways and trails). The hotel tax has no effect on the tax load – all the money coming in would be spent on tourism-based initiatives – but it would certainly expand the community’s amenities, services and programs.

As noted earlier, the hotel tax funding program ends in 2011, though the province will be looking at creating a replacement program. This means that this funding amount may or may not materialize after 2011. In the event that there is no such replacement program, the municipal revenues would fall – but so would its spending. As a result, there is no reason to assume that the loss of this funding (if it occurs) would trigger a tax rise. It would far more likely mean a reduction in spending on tourism-based initiatives, which, while not good for the community, is not the same as an inescapable tax rise.

On-going capital spending: Gas tax projects

The municipality would receive annual revenues from gas tax sharing, ramping up to about \$65,000 in the first few years. These funds must be used for projects and programs related to environmental sustainability, like transit and stream protection, and not for more routine things like road paving. While specific programs and projects can't be identified yet – that would be up to the municipal council – it is reasonable to assume council would develop plans for qualifying works. The funding is shown both as a revenue and expense item in the capital plan and thus has no impact on property taxes.

On-going: Transfers to reserves

Like most local governments, a Sun Peaks municipality should budget for annual contributions to reserves for future expenditures on infrastructure like public works equipment, office equipment, and fire equipment and assets. The municipal budget includes \$75,000 per year for reserves.

Summary of infrastructure capital

The following table summarizes the municipality's budget allowances for infrastructure over the first six years. These have been factored into the tax projections presented later in this report (in other words, the tax rate projected for the municipality would cover these costs after using short-term grants and surplus taxes where possible).

Figure 30: *Municipal Infrastructure Allowances Over First Six Years*

Public works equipment (near term)	\$150,000
Office, furn. and equipment (near term)	\$1,100,000
Road works, drainage, other capital	\$1,854,000
Gas tax + hotel tax projects/works	\$870,000
Total capital spending, first 6 years	\$3,974,000