

Westbank Incorporation Study

Prepared for:
**The Westbank Incorporation
Study Committee**

Prepared by:
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Chapter 1

Introduction

1.1

Purpose

This study examines the process and consequences of incorporating the community of Westbank, near Kelowna, as a new municipality. The potential impacts of incorporation are described in terms of local government finances and property taxes.

Westbank is an unincorporated area of the Central Okanagan Regional District ("CORD"). It forms part of CORD's Electoral Area H. Lakeview Heights, to the east of Westbank, in Electoral Area G, is not included in the study.

In a strict legal sense Westbank is a *rural* status community, because it is not an incorporated *municipality*. However, the term rural is too ambiguous here, because the rural lifestyle need not be affected at all by municipal incorporation. A change to municipal status does not require any change to the rural lifestyle now enjoyed by residents. Many municipalities are rural in nature (a close example being Coldstream), and many unincorporated areas are not rural in nature (eg, Westbank's commercial core).

To avoid the ambiguity associated with the word "rural", this report uses the terms *current situation* and *municipal status* to describe the two local governance options examined in this study.

This study presents technical information about incorporation of Westbank so that residents can make an informed choice on the issue of incorporation.

Incorporation cannot proceed without the assent of the electorate. A decision to study the matter is not the same as a decision to incorporate.

This study does not recommend for or against municipal status. The residents will decide about incorporation through a referendum, if the matter proceeds that far. *Any decision about incorporation can only be made after substantial public discussion and a referendum.*

1.2

Study Process

The study was commissioned by the Westbank Incorporation Study Committee, a local group of individuals with membership as shown in Table 1.1. The consultant reports to the committee. The Ministry of Municipal Affairs, Recreation and Housing monitors and oversees the study's progress. The study was conducted by Sussex Consultants Ltd. and was financed by the Ministry of Municipal Affairs, Recreation and Housing as part of its

Restructure Assistance Programme. Mr. Derek Trimmer of the Ministry's Organizational Policy Branch served as the provincial liaison. The Central Okanagan Regional District office in Kelowna provided valuable information.

Map 1 shows the Westbank study area. The proposed municipality would include part of the Westside Fire Protection District and all of the Westbank Irrigation District. The boundary was set by the Ministry of Municipal Affairs, Recreation and Housing after considerable discussion with the regional district directors. A boundary for a referendum (if one is held) could differ from the study boundary.

Table 1.1: The Westbank Incorporation Study Committee

| | |
|------------------|--|
| Bryden Winsby | Chairman |
| Ken Sommerfeld | Vice-Chairman; Westbank and District Chamber of Commerce |
| Don Johnson | Secretary |
| Joe Boudlier | Treasurer |
| Rod Barrat | Director |
| Doug Findlater | Director |
| Gerry Mulcair | Director |
| Kay Collins | Director; Westbank Neighborhood Association |
| Geoff Paynter | Electoral Area Director |
| Ken Harding | Member |
| Guy Kennedy | Member |
| Conn Derksen | Member |
| Dave Evans | Member; Westside Seniors Association |
| Marg Maxson | Member |
| Gordon Ockenden | Member |
| Chris Looka | Member |
| George Young | Member; Glenrosa Homeowners Association |
| Lorne Vandenberg | Member; Westbank Neighborhood Association |
| Paul Maratt | Member; Westside Fire Protection District |
| Larry Blackman | Member; Westbank Irrigation District |

One of the first tasks of an incorporation study is to identify how the current system works (i.e., before incorporation):

- What services are provided under the current unincorporated status?
- Who provides these services?
- How much do they cost, and who pays for them?
- How do residents influence decisions about local services?

The second major task is to identify what would happen after a new municipality is created:

- How would services change?
- What might the municipal budget look like?
- What taxes would be needed to finance municipal operations?

The study then compares the *before* and *after* taxes to determine the financial impacts of incorporation — that is, the property tax *changes*. A major question to be answered is whether incorporation would produce higher or lower property taxes. However, the study also looks at other aspects of local government requirements, procedures, and responsibilities.

The study findings will be broadly distributed in the community so that adequate public debate and discussion can proceed with the benefit of technical information.

This study measures *potential* impacts, before any special provisions or conditions are enacted to correct for, or remove, any unwanted impacts. In this sense it measures "unmanaged" impacts. It is possible that this study identifies impacts of incorporation that some Westbank residents will find unacceptable. There may be specific conditions or problems that would have to be corrected before residents would find incorporation as a municipality an acceptable option.

It is up to the study committee to identify such issues, both through its own technical knowledge of the impacts and through comments voiced by residents at public meetings. The committee should inform the province of any such potential impediments and, through discussions with the province, determine whether there are mechanisms available to resolve these impediments.

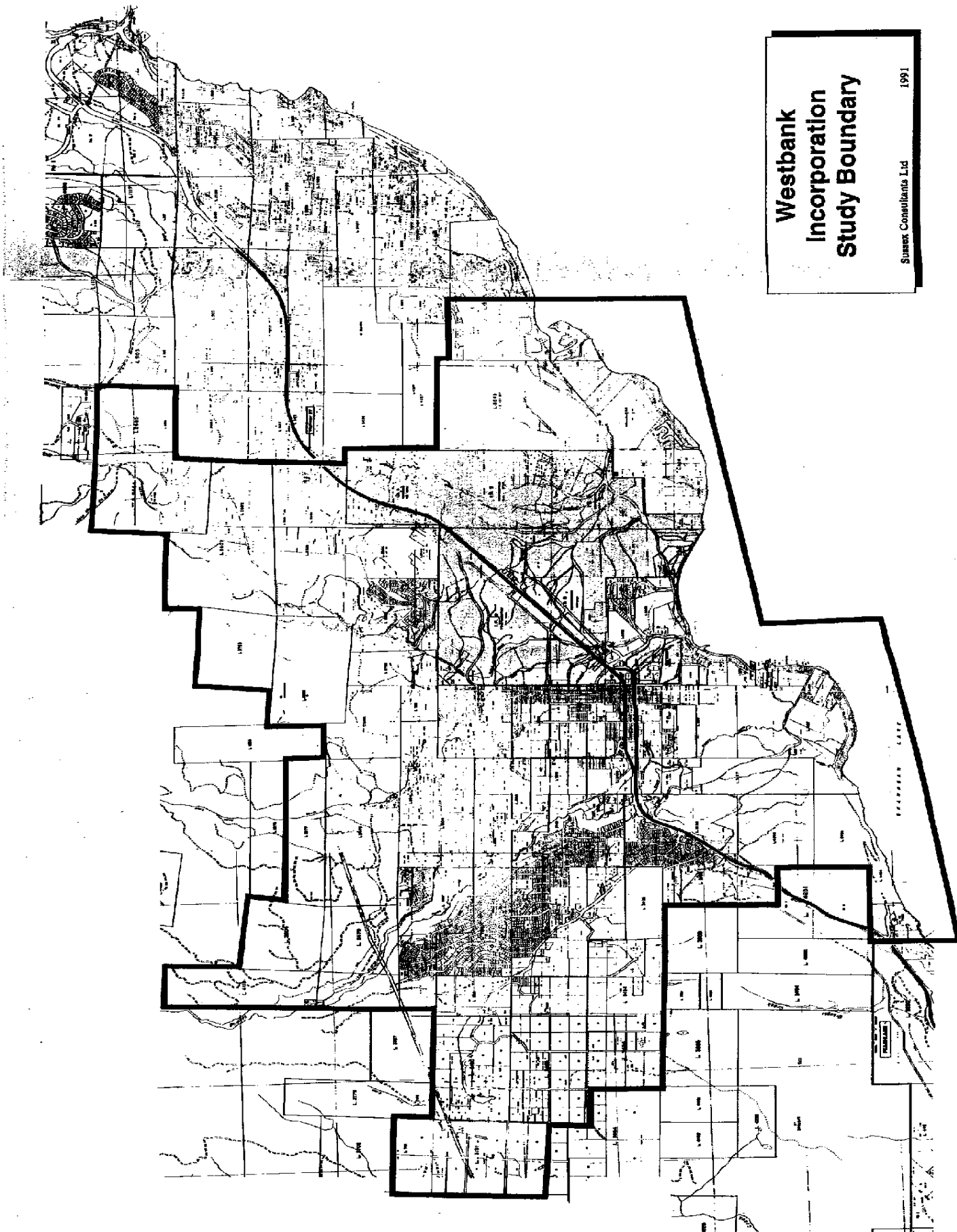
1.3

Municipal Experiences

Residents of Westbank might be tempted to look at nearby municipalities and form quick conclusions about what incorporation would mean for Westbank. This would be a mistake, because the immediate neighbours are Kelowna (which has 7 times the population) and Peachland (which has only one-third the population).

While some things can be learned from the experiences nearby, it is not reasonable to assume that specific community policies in, say, Kelowna would apply in Westbank. This applies to decisions about service levels as well as to growth and development policies and property tax policies. These types of policies can vary greatly from place to place, and these differences lead to each municipality's uniqueness. As a simple example, the tax levels in Kelowna cannot be transposed to the Westbank case because the two communities are very different.

As a result of this inability to apply experiences in Kelowna and Peachland directly to the Westbank case, this study outlines incorporation impacts based on projected services and budgets that are more relevant to the characteristics of Westbank itself. Some administration costs are based on actual experiences in municipalities closer to Westbank's population (such as Summerland, Salmon Arm, and Colwood) after adjusting for population differences. Road maintenance costs are based on per-kilometre costs in Summerland, Peachland, Coldstream, and Salmon Arm. Still other municipal costs are based on the actual services now provided by the Central Okanagan Regional District and the improvement districts as local governments for Westbank.



**Westbank
Incorporation
Study Boundary**

Sussex Consultants Ltd
1991

1.4

The Province

The province currently provides a number of services that can be considered "local" services to residents. The influence Westbank residents have on provincial policies affecting local services is limited by their small share of the voting population that elects their MLA.

The main "local" services provided by the province are as follows; not all of them would be affected by municipal incorporation.

- Responsibility for the maintenance of, and improvements to, all public roads in Westbank
- Responsibility for the costs of policing
- Responsibility for property tax notices and tax collection for all taxing authorities
- Approval of subdivisions
- Maintenance of provincial parks
- Responsibility for ambulance services
- Property assessments (through the BC Assessment Authority)

1.5

Regional District

The Central Okanagan Regional District ("CORD") provides a number of services to the Westbank community now. In a sense it is the main local government in the area because it provides more local services than any other body. The influence Westbank residents have on CORD service decisions is limited to one director on the regional board.

CORD has 6 member areas and is run by a board of 9 directors. The 6 member areas consist of 2 municipalities and 4 electoral areas (see Table 1.2). Each of the 6 members of the regional district has one director, except for Kelowna (which has 4 directors).

Table 1.2 Central Okanagan Regional District

| | Number of Directors | Voting Strength on Money Matters* |
|---------------------------|---------------------|-----------------------------------|
| Municipalities | | |
| Kelowna | 4 | 16 |
| Peachland | 1 | 1 |
| Electoral Areas | | |
| Area A | 1 | 2 |
| Area G (Lakeview Heights) | 1 | 2 |
| Area H (Westbank) | 1 | 3 |
| Area I | 1 | 1 |
| Totals | 9 | 25 |

* Does not apply to zoning and land use bylaws or bylaws to establish new services

For money matters, member areas can have greater voting strength based on population; there is a total of 25 votes among the 6 member areas. Other

matters do not use weighted votes (but a bylaw setting taxes and fees for a new service *does* involve weighted votes).

Each electoral area director is elected directly by the voters; each municipal council appoints its own director(s) to the board.

Basically, the regional district offers two types of services:

- Services to all member areas, financed more or less equally on the basis of each area's tax base
- Services to only some areas, or parts of areas, financed entirely by those taxpayers in the affected service area

The CORD board approves all regional district services and budgets that affect the entire CORD region. Those services and budgets that affect only some member areas are voted on by only the directors from the affected areas.

Unincorporated areas -- the electoral areas -- can petition the board for a new service, or, alternatively, the board itself can initiate a new service. Either way, in most cases a new service requires a referendum to be held among the voters of the affected service area(s).

The main services (but not the only services) provided by the regional district are:

- Administration of the board itself
- Land use planning and zoning bylaws for the unincorporated areas
- Various recreation facilities and commissions (such as the Johnson-Bentley pool, the Mt. Boucherie centre, and parks)
- Building permits and building inspection
- Refuse disposal facilities.
- Sanitary sewers on the west side

The regional district finances its services mainly through property taxes, which are collected from the unincorporated areas on its behalf by the provincial Surveyor of Taxes in Victoria. The province adds a 5.25% surcharge to the taxes as a fee for collecting them.

1.6

Assumptions

A report such as this contains many assumptions. They are noted where they occur throughout this document. Several of the most important are as follows.

- The new municipality is assumed to start operations in January 1992 after a hypothetical incorporation in December 1991.
- There would be various shifts in services from the province, the regional district, and the improvement districts to a new municipality. If incorporation proceeds, these would have to be discussed and

negotiated between the relevant parties. This study makes assumptions about some of these arrangements; the actual negotiations could result in service arrangements different than those assumed here.

- All dollar amounts are stated in constant 1991 values. Inflation would increase almost all of the figures referenced in this study.
- The 1991 assessment roll data has been used in this study.
- The 1991 budgets of the improvement districts and the regional district have been used extensively in calculating the impacts – that is, the tax changes – of incorporation.
- Various amounts have been assumed for the provincial grants usually given as part of incorporation. The financial impacts shown in this report should be revised if the eventual grant offer differs from the assumed amounts.
- The municipal services and capital spending as projected in this study are based on current local service patterns and facilities, as well as the actual experiences in other municipalities. If incorporation proceeds, the municipal council might well decide to undertake programs and facility improvements not foreseen in this study. After all, control over local services is a central reason for incorporation. Because an elected council chooses its own priorities, the budget and service choices assumed here might not materialize. *There is no certainty that a Westbank municipal council would adopt the budgets assumed in this study.*

1.7

Report Structure

The study is organized into the following chapters.

- Chapter 2 presents the list of community incorporation issues that residents identified as being important at public meetings.
- Chapter 3 describes the current local government situation in Westbank, including who provides services and how much people pay for the services. The chapter starts with a quick demographic and financial overview of the area to help put the community into a broader perspective.
- Chapter 4 examines shifts in the responsibility for services.
- Chapter 5 discusses the infrastructure needs faced by the new municipality and the short-term grants it would receive.
- Chapter 6 describes the projected municipal service costs and budgets.
- Chapter 7 outlines the projected municipal revenues needed to balance the books each year.
- Chapter 8 translates the projected revenues and expenses into property tax impacts (ie, tax changes) resulting from incorporation.

- Chapter 9 answers several "what if" questions and describes the tax impacts of altered assumptions about service costs and community growth.
- Chapter 10 presents a summary of incorporation's financial impacts and how incorporation would affect various community issues, and gives a synopsis of advantages and disadvantages of incorporation.
- Chapter 11 outlines a transition plan with step-by-step descriptions of how incorporation could be implemented in terms of procedures, legislation, and bylaws.
- Chapter 12 presents a brief glossary of terms related to incorporation and local government.

1.8

Community Growth

Because some financial elements change during the early years, it is more accurate and complete to examine the impacts over time rather than examine just one early year when the municipal finances might be skewed by unusual grants or expenses. In order to do this it is necessary to make some assumptions about the amount of growth that would occur each year.

A moderate growth rate should be used here so that the impacts of incorporation do not become confused with the impacts of rapid community growth. *It is recognized that more rapid growth could occur in the area than is assumed in this study.*

An average of about 150 building permits have been issued each year for Electoral Area H over the past 5-6 years, and a continuation of this level is assumed in this study. This would mean about 400 people are added each year, or 3,200 during the eight years considered in this study.

However, each year the average household size is falling. For Westbank, it fell from 3.09 people per dwelling in 1981 down to 2.90 in 1986 – a fall of about 7% in only five years. This slows down the overall population growth rate from new housing. In this report it is assumed that the decline in household size is a modest 4% over the entire 8-year time frame. This decline, plus the population in new houses, would produce a total Westbank population of 12,300 by 1999 (excluding the people living on Indian Reserve #9).

Chapter 2

Community Issues

At the October 16, 1991 public meeting and the October 30 open house, Westbank residents identified the following community issues as being important in terms of local government restructuring.

2.1

Study Process**1. Will the study consider a boundary that includes Lakeview Heights?**

No. The study is limited to examining the impacts of incorporating the populated part of Electoral Area H. Lakeview Heights (Area G) was excluded by the province after a number of Lakeview Heights residents petitioned, through their regional district director, for exclusion from the study process.

2. How will the study treat Menu Road in terms of boundaries?

Menu Road is treated here as part of the municipality. It could still receive its water from the Lakeview irrigation district, only in the form of a municipal specified area. The municipality could purchase the water service on behalf of these residents from the irrigation district, as it could for the areas near Shannon Lake that are also now served by the Lakeview irrigation district. While access to Menu Road would require municipal work crews to travel outside the municipality, this is not a particularly cumbersome problem.

3. Will the study examine the impacts of joining Kelowna?

No. The study is limited to examining the impacts of creating a separate new municipality in Westbank.

4. Will the study produce population figures?

Yes. Chapter 3 presents estimates of population and occupied housing. Data from the 1991 Census of Canada is not available at the time of writing, so the estimates are based on 1986 Census figures and new housing starts since 1986.

5. Will the study identify uncertainties about the tax projections?

Yes. Chapter 9 examines some of the uncertainties involved with the tax projections, and section 10.3 further identifies factors that remain somewhat unclear.

6. Will the study make recommendations for or against incorporation?

No. The purpose of the study is to present independent, neutral information about the potential impacts of incorporation so that residents themselves can make an informed decision about the advantages and disadvantages of forming a municipality.

7. Will the study consider the influence of Indian Reserve 9?

Yes. The budget projections in Chapter 6 reflect the fact that, for municipal administration, the effective population of Westbank is larger because of the influence of development on the reserve. The extra costs, however, are not overwhelming.

8. Can other municipalities be used as a guide for Westbank projections?

Yes. The projected municipal budgets (see Chapters 6 and 7) draw heavily on the service and budget experiences of existing municipalities that share some similarities with Westbank.

2.2

Services

9. Are there any population thresholds for municipal services or costs?

Yes, one in the Westbank case. The provincial-federal agreement for RCMP services calls for municipalities between 5,000 and 15,000 people to pay 70% of their local RCMP costs; municipalities with more than 15,000 people pay 90% of the local costs.

10. Would policing standards be affected?

Yes. Discussions with the local RCMP office indicate that as a municipality, Westbank would probably have 12 officers assigned to it, rather than 5-7 officers as now.

11. Would a new RCMP station be required in Westbank?

This is not yet clear. Incorporation by itself would not bring about the need for a new RCMP station in Westbank; it is possible that the Kelowna detachment could still be used. It would be up to the municipality to provide a building in Westbank for the RCMP if residents wanted a local detachment rather than use the Kelowna detachment. This would save the residents a lot of money.

12. What would happen to fire protection?

Further discussions between the affected parties are required to answer this important question. There are several possibilities for fire protection, including the following. Not all are equally attractive.

- The existing large fire protection improvement district could continue, with the municipality purchasing this service from the fire district on a contract basis.
- The fire improvement district could be transferred entirely to the Westbank municipality, which would then "sell" this service to residents outside the municipal boundary (ie, Lakeview Heights) in the form of a regional district service area.
- Responsibility for fire protection within the municipality, along with equipment and buildings, could be transferred directly to the municipality, and the fire improvement district would continue to provide this service outside the municipality (ie, Lakeview Heights).

- The fire protection function for both Lakeview Heights and Westbank could be transferred to the regional district and operated as a local service area.

13. *Would growth require new roads?*

Yes, new roads would be needed as subdivisions are built, under both the current status and municipal status. However, it is the practice now to require the subdivider to provide these new roads.

14. *What is the maximum capacity of the water supply?*

The present water supply of the Westbank irrigation district is more than sufficient to serve the needs of Westbank for at least the next decade. The irrigation district's water system could be turned over to the municipality and operated as a specified service area, *with the rates and taxes unaffected by incorporation*. Because of this, the study concentrates on the services and taxes that would be affected by incorporation.

15. *Would ambulance and hospital services be affected?*

No.

16. *Would the Handi-Dart bus system be affected?*

Decisions affecting the Hand-Dart system could remain with the regional board.

17. *Would incorporation mean a better array of stores?*

While a municipal council has zoning and land use authority (as the regional district does now in Westbank), and while a municipality would be eligible for downtown beautification funding (unincorporated areas are not), there is no guarantee that incorporation would affect the array of stores in Westbank. Some decisions by municipal councils to enhance the business area have been successful in strengthening the commercial base, but others have not.

2.3

Finances

18. *What would happen to property taxes?*

This is discussed in Chapters 8 and 9.

19. *What would happen after the start-up grants have run out?*

All the projected tax changes in this report reflect a "normal" year, after all the start-up grants have been received and the basic infrastructure has been constructed or acquired. The earlier years would have lower taxes than presented in this report.

20. *How much would the municipality spend on staff?*

Chapter 6 discusses the municipal budgets for each department and service.

21. How much would an incorporation referendum cost?

The exact costs would not be known until after the fact, but they would likely be around \$10,000. The province would pay this, not the local taxpayers.

22. Would police costs be affected?

Yes. As mentioned earlier, municipalities with over 5,000 people must pay 70% of the local police costs, and those over 15,000 people pay 90%. It is unlikely that Westbank would exceed 15,000 within 10 years (municipal council has the power to affect this through zoning and subdivision bylaws). Under the current system Westbank residents pay for an unknown portion of the true costs as part of their provincial rural tax.

23. What would it cost the municipality to maintain the roads?

This is set out in Chapter 6. The province would provide substantial assistance for road maintenance during the first five years.

24. Can a municipality get grants that the regional district cannot?

Yes. A Westbank municipality would start out receiving an unconditional grant under the Revenue Sharing Act of \$550,000, which would grow as the population grows; the regional district receives only \$55,000 from this source. Municipalities are eligible for downtown revitalization planning and design grants and loans, as well as grants for the preparation of emergency preparedness plans, but the regional district is not. Both are eligible for water and sewer grants.

25. Would the regional district administration costs fall?

Probably. The responsibility for a number of regional district services (such as building inspection, land use planning, and local parks maintenance) would shift to the municipality, and this would mean a decrease in regional district costs and staffing requirements. However, municipalities are not required to provide their own staff for these services. The municipality might choose to contract some or all of these services back to the regional district, and, if so, the regional district administration costs would not change much.

26. Who would pay for RCMP services (including Coquihalla patrols)?

The province would continue to pay for the policing of the Coquihalla highway and Highway 97. The municipality would pay the major share of police services within the municipality except for Indian Reserve #9 and Highway 97.

27. Who would pay for road maintenance and improvements?

The municipality would be responsible for all local roads (but not highways) within the municipality. The province would give significant assistance towards the road maintenance costs for the first five years, and the municipality would be eligible for grants of up to 75% of some road improvement costs that council chooses to undertake during the first 8 years.

2.4

Control and Authority**28. What can a municipality do that the regional district cannot do?**

Most of the powers available to municipalities are also available to regional districts, but residents in municipalities have much better political representation than do residents of unincorporated areas. For example, Westbank residents elect only one director on the regional board, but would elect 7 municipal council members after incorporation. Municipalities have direct control over local road standards; regional districts have none. Municipalities set their own tax rate; regional districts also set their own, but have no control over the rural tax rate levied in all unincorporated areas. The decision making process for local service standards and budgets (such as land use planning, recreation services, and building control) is much more responsive to local wishes in a municipality than in an unincorporated area.

29. Could subdivisions occur without being on sewer?

Yes, just as they can now under unincorporated status subject to certain rules.

30. Why not have 2 or 3 electoral area directors rather than incorporation?

If Westbank residents reject the idea of self-government through incorporation, there may be a number of other options that might be considered. Breaking the area into more electoral areas could be one of these.

31. What are the benefits of incorporation?

Basically, the advantage of incorporation is that local residents get a much greater say in their community services, development policies, and property taxes. There are added financial responsibilities that accompany this increased local authority, however, and residents must decide for themselves how these two balance against each other. Chapter 10 summarizes the advantages and disadvantages of incorporation.

32. Could there be a ward system?

Yes. The Municipal Act allows the creation of a ward system in BC municipalities.

33. Can the Province of BC force municipal incorporation in Westbank?

Yes, although this would be an unlikely occurrence.

34. Would the municipality control the land fill?

No. The land fill would continue to be a regional district facility even after incorporation.

35. Who would make decisions about new Highway 97 overpasses?

The province would, through the Ministry of Transportation and Highways. The municipality would have some influence on these decisions, but the province has the final decision authority.

36. Who would make zoning decisions?

Municipal council would enact or amend zoning bylaws as it sees fit. It would inherit the existing bylaws already enacted by the regional district.

37. Would the process for removing land from the ALR change?

No, the process for removing land from ALR status would remain essentially the same, except that applicants apply to the municipality, rather than to the regional district. The ALC considers, but is not bound by the opinion of council or the regional district.

38. Could a municipality charge Westbank residents less to use the Johnson-Bentley pool than it charges others?

This is not yet clear. The municipality's rights in this regard would not be different than the regional district's rights.

39. Who would control signs along Highway 97?

The provincial Ministry of Transportation and Highways would retain this control over all land adjacent to the highway except through Indian Reserve 9, where the Indian band has this control.

2.5**Implementation****40. What would happen to Electoral Area H boundaries after incorporation?**

Area H would be smaller because the municipality would not be part of the electoral area. These smaller boundaries could be adjusted to combine the remnants of Area H with Area G into an expanded Area G.

41. Who gets to vote for incorporation if a vote is held?

While the regulations can be complicated, the basic rules are that you are entitled to vote if you:

- Are a Canadian citizen at least 19 years old; and
- Have resided in BC for 6 months prior to registering to vote; and
- Have resided in the community for three months prior to registering to vote, or own property in the community.

42. Would native land claims affect incorporation in Westbank?

It is felt that native land claims would not affect Westbank incorporation.

43. How many council members would there be?

Municipal council would have 7 members – a mayor and six aldermen, all elected at large (unless a ward system is implemented from the outset). Each member of council has a 3-year term. Council would appoint one of its own members to serve as the director on the regional board.

44. Would it be a city?

There are four types of municipality in BC: a village, a town, a district municipality, and a city. Westbank would be a district municipality. The rules for a city and a district municipality are essentially the same.

Chapter 3

Current Situation

This chapter describes some of the demographic and financial characteristics of the Westbank area. It also outlines who provides local services to residents, how much these services cost, and the current property taxes.

3.1**Population**

Since no information from the 1991 census has been released, the last federal census data that is available comes from the 1986 census. There has been substantial community growth in electoral area "H" since 1986.

The 1986 census data for the 10 individual census enumeration areas that comprise the study area reveals these figures (excluding Indian Reserve #9):

- Population = 7,734
- Occupied dwellings = 2,664
- People per dwelling = 2.90 (down from 3.09 five years earlier)

The average number of people per dwelling has continued to fall; a 1991 average of 2.81 is used here. This average includes townhouses and other multiple dwellings.

There has been substantial community growth in electoral area "H". Records from the regional district reveal that between 1986 and 1991, building permits were issued for a total of 712 new houses, 137 new apartment units, and 17 new mobile homes. On average, 2% of these are vacant at any one time.

These figures suggest a 1991 year-end population of about 9,800 as follows:

- 7,486 in the 2,664 dwellings found in 1986 (2664 DU @ 2.81)
- 2,024 in the 712 new houses (712 DU @ 2.90, less 2% vacancy)
- 268 in the 137 new multiple units (137 @ 2.00, less 2% vacancy)
- 34 in the new mobile homes (17 @ 2.00, less 2% vacancy)

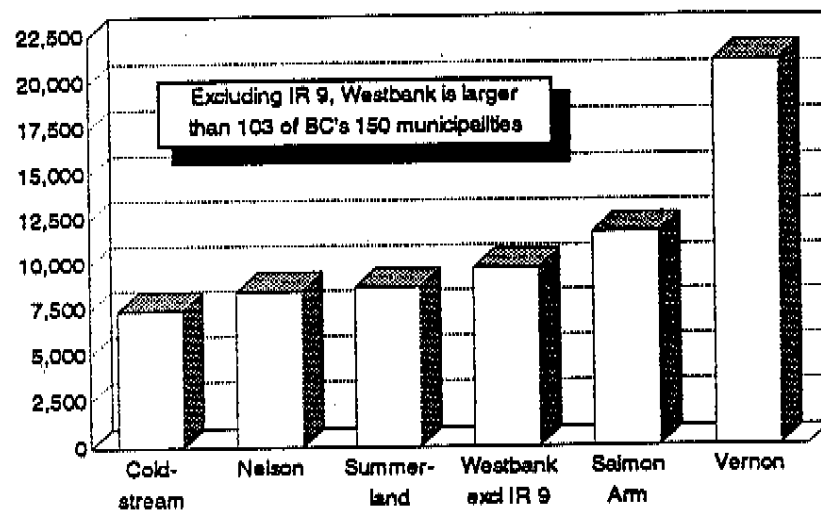
The population of IR 9 is estimated to be 4,000 people, based on 1986 Census data for the nine census enumeration areas in IR 9 and on band estimates of new construction.

- 2,480 in the 1,078 dwellings found in 1986 (1078 DU @ 2.3)
- 1,600 in the new units built since 1986 (580 DU @ 2.75)

A municipal population of 9,800 people would place Westbank in the top two-thirds of BC's municipalities. There would be 103 municipalities in BC with fewer residents than Westbank. In fact, 1 out of 5 BC municipalities has fewer than 1000 residents.

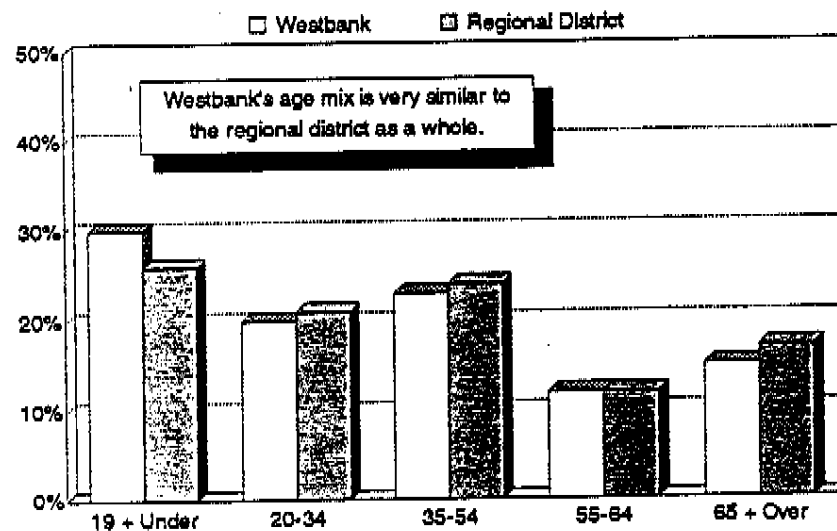
Chart 3.1 shows how Westbank compares to other Interior municipalities.

Chart 3.1: Comparative Populations



The mix of age groups in Westbank is much the same as in the regional district as a whole. Chart 3.2 shows the mix of age groups using 1986 Census data.

Chart 3.2: Mix of Age Groups



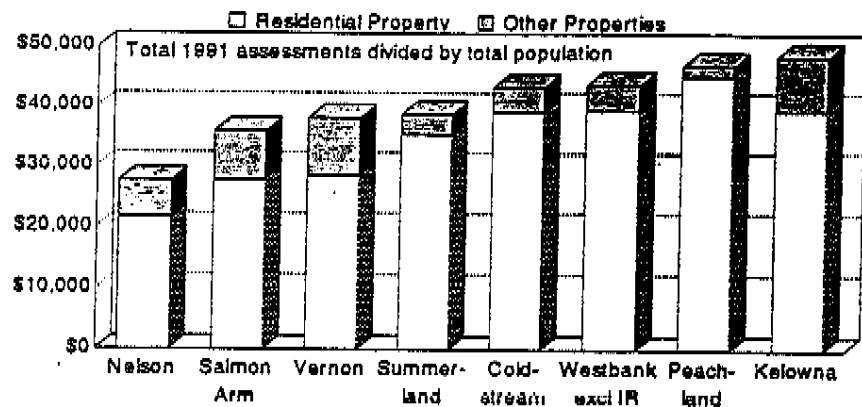
3.2

Property Tax Base

Just like regional districts and fire districts, municipalities rely on property taxes to make ends meet. The higher the tax base -- that is, the greater the total property assessments -- the lower the tax rates for most purposes. The tax base is a rough measure of a community's "ability to pay".

Compared with other areas, a Westbank municipality would have an above-average tax base. The average used here is obtained by dividing the total assessments by the population. Chart 3.3 shows that Westbank's tax base is higher than those found in Vernon, Summerland, Salmon Arm, and Nelson, and just about the same as Coldstream's, Kelowna's and Peachland's. The Westbank tax base consists mainly of residential properties (as opposed to industrial or business), which means that there would not be a strong opportunity to shift taxes among different types of land uses. However, this can also be said of most other Okanagan municipalities. The essential point here is that Westbank's tax base is quite normal in municipal terms.

Chart 3.3: Comparative Tax Bases



3.3

Local Services

As shown in Table 3.1, residents in the Westbank currently receive local services from a variety of public bodies. They pay for these in different ways and the property taxes they pay go to a number of different taxing authorities.

Residents do not have uniform control over decisions regarding these services. For some services there is almost no local control. For example, decisions affecting RCMP or roads maintenance are made outside the community, as are decisions about the taxes collected for these services.

Table 3.1: Services in Westbank

| Decision Authority | Who Pays | How It Is Paid |
|---|--|--|
| General Services | | |
| Central Okanagan Regional District ("CORD") Board | •CORD Board* | •All properties in the CORD |
| CORD administration + management | •CORD Board* | •All properties in the CORD |
| CORD elections | •CORD Board* | •All electoral areas of CORD |
| Bldg inspections + permits | •CORD Board* | •All electoral areas of CORD |
| Planning + devel controls | •CORD Area H director | •Electoral area H properties* |
| Zoning bylaws | •5 CORD directors: Peachland + 4 electoral areas | •Electoral area H properties* |
| Subdivision approval | •CORD + Min of Trans + Hwys | •Applicants, gen taxpayers |
| Bylaw enforcement | •RCMP + CORD Board | •Electoral Area H properties |
| Animal control + noise control | •RCMP + CORD Board | •All electoral areas of CORD |
| Unsanitary premises control | •RCMP + CORD Board | •All electoral areas of CORD |
| Economic development | •RCMP + CORD Board | •All electoral areas of CORD |
| Collection of property taxes | •Prov Min of Finance | •Properties in unincorp'd areas |
| Recreation + Culture | | |
| Johnson Bentley pool | •CORD Board | •Electoral area H properties |
| Community parks -- Electoral area H | •CORD Board | •Electoral area H properties |
| Regional parks | •CORD Board | •All properties in the CORD |
| Provincial parks | •Prov Min of Tourism | •Entire province |
| Mt. Boucherie centre | •CORD Board | •Most of Electoral areas G and H |
| Library services | •Okan Regional Library Board | •Many areas of the interior |
| Physical Services | | |
| Local roads -- mnce + capital | •Prov Min of Trans + Hwys | •All rural properties |
| Highways -- maintenance + capital | •Prov Min of Trans + Hwys | •All rural properties |
| Community water systems | •Westbank Irrigation District | •Most of Westbank |
| | •Lakeview Irrigation District | •Shannon Lake, Menu Rd + most of Lakeview Hts |
| Other water systems | •Individual owners + groups | •Individual owners + groups |
| Sanitary sewer trunk collection | •CORD Board | •Properties connected, or about to connect, to sewers |
| Sanitary sewer local collection | •CORD Board | •Properties connected to system |
| Sanitary sewage treatment + disposal | •CORD Board | •Most properties in Area H |
| Refuse disposal site | •CORD Board | •All properties in Area H |
| Drainage -- roadways only | •Prov Min of Trans + Hwys | •Unincorp. area properties |
| Soil removal control | •CORD Board | •All properties in Area H |
| Septage disposal | •CORD Board | •All properties in Area H |
| Other Services | | |
| Police (RCMP) | •Prov Min of Solicitor Gen, Federal govt | •Electoral area taxpayers + general provincial taxpayers |
| Emergency 911 service | •CORD Board | •All properties in the CORD |
| Fire protection | •West side fire district trustees | •Most west side properties |
| Ambulance | •Prov Min of Health | •Users + gen taxpayers |
| Schools (District #23) | •Local School Board | •Local properties |
| Hospitals | •Regional Hospital Board | •Local taxpayers + general provincial taxpayers |
| Welfare | •Federal + Prov gov'ts | •Federal + prov taxpayers |
| Postal service | •Federal government | •Users + gen taxpayers |
| Property assessment system | •BC Assmnt Authority | •All properties in BC |

* Electoral Area H does not include Lakeview Heights (which is in Area G)

* "CORD" stands for Central Okanagan Regional District

3.4

Costs of Local Services

Local services to Westbank residents are financed mainly from direct property taxes. In unincorporated communities, property taxes are collected by the provincial Surveyor of Taxes (in Victoria) and then forwarded to the appropriate agencies, such as the school board, fire district, hospital district, etc. The province adds a 5.25% surcharge onto the taxes it collects for the regional district, the library district, and the fire district.

Only about 50% of the taxes would be affected by incorporation. School, hospital, and BC Assessment Authority taxes would not be affected at all by incorporation.

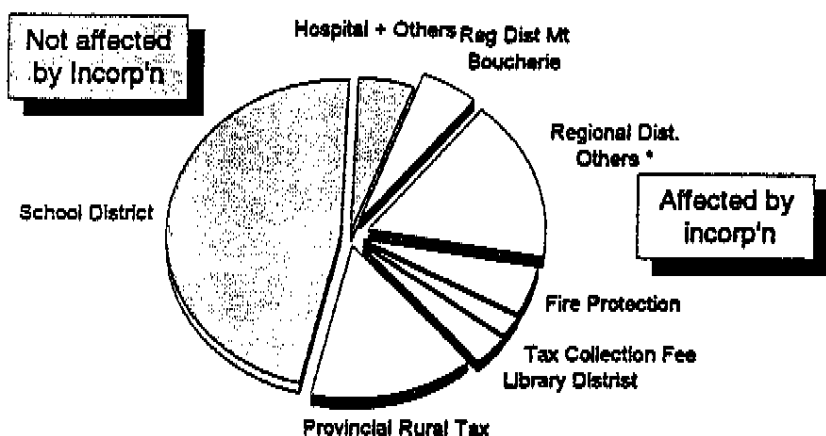
Table 3.2: Total 1991 Property Taxes from Westbank Properties

| | Taxes Required | Prov Tax Collection Fees | Total Taxes Paid |
|--|-------------------|--------------------------------|------------------------|
| Regional district - Johnston Bentley pool | \$591,000 | \$31,000 | \$622,000 |
| Regional dist - Mt. Boucherie centre + arena | \$283,000 | \$14,800 | \$297,800 |
| Regional district - Others * | \$863,000 | \$45,300 | \$908,300 |
| Total C.O.R.D. services | \$1,737,000 | \$91,100 | \$1,828,100 |
| Westbank fire protection | \$272,000 | \$14,200 | \$286,200 |
| Library district | \$165,000 | \$8,600 | \$173,600 |
| Provincial rural tax | \$777,000 | \$0 | \$777,000 |
| Total Affected by Incorp'n | \$2,651,000 | \$113,900 | \$3,064,900 |
| Not Affected by Incorp'n: | | | |
| School district taxes | \$2,401,000 | \$0 | \$2,401,000 |
| Hospital and others | \$246,000 | \$0 | \$246,000 |
| Total 1991 Property Taxes | \$5,598,000 | \$113,900 | \$5,711,900 |

* Excludes sewer, water, and other smaller specified service areas

Chart 3.4: Total 1991 Westbank Property Taxes

* Excludes sewers, street lights, and other smaller specified service areas



3.5

Typical Westbank House Taxes

Table 3.3 below shows the 1991 property taxes on typical Westbank homes, with assessments ranging from \$50,000 to \$250,000. Additional values are considered later when discussing the impacts of incorporation. The average Westbank home is assessed at just over \$100,000; this is below the market value.

Note that the annual home owner grant from the province is excluded from the table. Taxes on virtually all the homes in the Westbank are high enough to use up the whole allowable grant -- a maximum grant of \$430 for owners under 65 years of age (\$700 for owners 65 years and older).

These "current status" taxes will be compared to the "municipal status" taxes later in this report. The differences between these two tax cases are the impacts of incorporation in this study.

Table 3.3: 1991 Taxes on Westbank Homes

| Property Assessment = | \$50,000 | \$100,000 | \$150,000 | \$200,000 | \$250,000 |
|--------------------------|----------|-----------|-----------|-----------|-----------|
| Central Okan, Reg. Dist. | | | | | |
| Weed control | \$1 | \$2 | \$3 | \$4 | \$5 |
| Garbage dump | \$12 | \$31 | \$47 | \$59 | \$71 |
| General services | \$105 | \$210 | \$315 | \$420 | \$524 |
| Sterile insect release | \$3 | \$4 | \$6 | \$9 | \$13 |
| Miscellaneous | \$0 | \$1 | \$1 | \$1 | \$2 |
| Westbank parking lot | \$1 | \$3 | \$5 | \$6 | \$8 |
| West. youth club grant | \$2 | \$8 | \$9 | \$12 | \$14 |
| West. community hall | \$1 | \$4 | \$6 | \$7 | \$8 |
| Johnson-Bentley pool | \$68 | \$135 | \$203 | \$271 | \$338 |
| Total CORD taxes * | \$193 | \$396 | \$595 | \$789 | \$983 |
| Library district tax * | \$19 | \$38 | \$58 | \$75 | \$94 |
| Fire protection tax * | \$31 | \$62 | \$93 | \$125 | \$156 |
| Rural tax | \$88 | \$175 | \$263 | \$350 | \$438 |
| Municipal tax | \$0 | \$0 | \$0 | \$0 | \$0 |
| School district tax | \$278 | \$556 | \$834 | \$1,112 | \$1,390 |
| Hospital district | \$19 | \$38 | \$58 | \$77 | \$96 |
| MFA + assessment tax | \$8 | \$15 | \$23 | \$30 | \$38 |
| Total Property Taxes | \$636 | \$1,280 | \$1,922 | \$2,558 | \$3,195 |

NB: Before home owner grant, excludes sewers + water

* Includes 5.25% provincial tax collection fee

3.6

Taxes in Other Communities

Municipalities do not always have higher property taxes than unincorporated communities. The experience close at hand bears this out. Westbank residents, currently living in an unincorporated community, paid higher taxes in 1991 than did residents of Coldstream or Salmon Arm, but less than residents in Summerland or Peachland.

This is shown in Chart 3.5 and Table 3.4, which present the 1991 gross property taxes (excluding water, sewer, and specified area charges). Note that

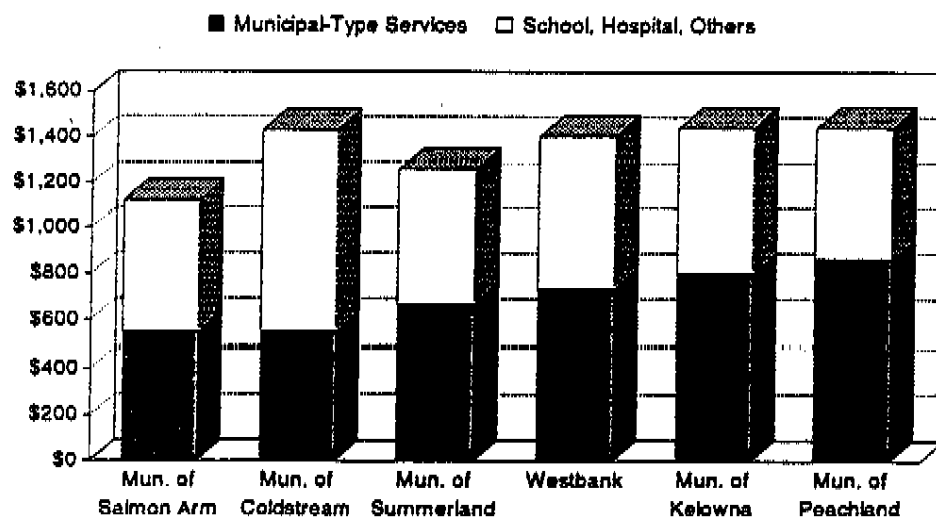
the average assessed value is not the same from place to place. Note also that school taxes -- which are unaffected by municipal or rural status -- vary among the communities.

Table 3.4: Average 1991 Property Taxes in Okanagan Area

| | Mun. of Salmon Arm | Mun. of Coldstream | Mun. of Summerland | Westbank | Mun. of Kelowna | Mun. of Peachland |
|------------------------|-----------------------|-----------------------|-----------------------|-----------|--------------------|----------------------|
| <i>Avg Home Asmnt*</i> | \$70,000 | \$105,000 | \$90,000 | \$110,000 | \$105,000 | \$95,000 |
| Provincial Rural Tax | \$0 | \$0 | \$0 | \$193 | \$0 | \$0 |
| Municipal Tax | \$517 | \$269 | \$607 | \$0 | \$700 | \$732 |
| Fire Protection | in mun tax | in mun tax | in mun tax | \$69 | in mun tax | in mun tax |
| Library District | in mun tax | \$33 | in mun tax | \$41 | \$40 | in mun tax |
| Regional District | \$33 | \$251 | \$60 | \$435 | \$64 | \$136 |
| Total Municipal-type** | \$550 | \$553 | \$667 | \$738 | \$804 | \$868 |
| Hospital District | \$16 | \$98 | \$39 | \$42 | \$40 | \$36 |
| MFA + Asmnt | \$11 | \$16 | \$14 | \$17 | \$16 | \$14 |
| Total Excl. School | \$577 | \$667 | \$720 | \$797 | \$860 | \$918 |
| School District*** | \$546 | \$765 | \$543 | \$612 | \$584 | \$528 |
| Total 1991 Taxes | \$1,123 | \$1,432 | \$1,263 | \$1,409 | \$1,444 | \$1,446 |

* Includes condominiums + mobile homes ** Excludes sewer + water *** Rates vary among towns

Chart 3.5: Average 1991 Property Taxes in Okanagan Area



Chapter 4

Service Responsibilities

4.1

Introduction

This chapter discusses the array of local services that would become a municipal responsibility as a result of incorporation. Many would shift from other government levels to the municipality.

The chapter consists of the following topics:

- 4.2 Fire protection service
- 4.3 Water service
- 4.4 Regional district services

Table 4.1 shows the service responsibility shifts that would, or could, occur after incorporation.

Note that some shifts are optional. These would be decided through discussions between the affected parties (i.e., the community, the regional district, the province, and the improvement districts). Some assumptions and recommendations about these that are made in this report will require reconsideration as discussions proceed.

The most important assumptions and recommendations are in the remainder of this chapter.

4.2

Fire Protection

The existing fire department is assumed to be split into two separate departments -- one for the municipality of Westbank, and one for Lakeview Heights. Municipal council would be responsible for fire protection in Westbank. The trustees of a Lakeview Heights fire protection district (a smaller replacement for the the Westside fire protection district) would be responsible for fire protection services in that community.

The province would adjudicate the division of assets and liabilities, but this may be easier in the case at hand than in many other cases the province has dealt with in the past.

In this report, the annual taxes needed to support this municipal service are projected to be the same amount as Westbank taxpayers paid in 1991 -- \$272,000. This works out to \$27.75 per person, which is 13% higher than the average cost of \$24.50 per person in Coldstream, Summerland, Salmon Arm, Colwood, and Central Saanich in 1991.

Table 4.1: Service Responsibilities After Incorporation

| | RESPONSIBILITY UNDER CURRENT STATUS | RESPONSIBILITY UNDER MUNICIPAL STATUS |
|--|--|--|
| <u>(A) SERVICES THAT MUST SHIFT</u> | | |
| • Elections + referenda | • Central Okan. Reg. Dist. | • Municipality |
| • Building inspection and permits | • CORD | • Municipality* |
| • Zoning and planning bylaws | • CORD | • Municipality |
| • Zoning and planning technical work | • CORD | • Municipality* |
| • Community grants in aid | • CORD | • Municipality |
| • Animal control | • CORD | • Municipality* |
| • Community parks | • CORD | • Municipality* |
| • Noise control bylaw | • CORD | • Municipality |
| • Unsanitary premises bylaw | • CORD | • Municipality |
| • Westbank street lights | • CORD | • Municipality |
| • House numbering | • Irrigation district | • Municipality |
| • Subdivision approval | • Province of BC; CORD | • Municipality |
| • Local roads | • Province of BC | • Municipality* |
| • Tax collection | • Province of BC | • Municipality |
| • Bylaw enforcement | • CORD + RCMP | • Municipality; reduced RCMP role |
| <u>(B) OPTIONAL, BUT RECOMMENDED OR ASSUMED SHIFTS</u> | | |
| • Westbank parking lot | • CORD | • Municipality |
| • Westbank youth club grant | • CORD | • Municipality |
| • Westbank community hall | • CORD | • Municipality |
| • Johnson Bentley pool | • CORD | • Municipality |
| • Sewage collection (local areas) | • CORD | • Municipality |
| • Fire protection | • Westside Fire Protect. District | • Municipal dept for Westbank |
| • Cemetery | • Westbank Irrigation District | • Municipality |
| • Water – Most of Westbank | • Westbank Irrigation District | • Municipality service area |
| • Water – Shannon Lake | • Lakeview Irrigation District | • Municipality service area |
| <u>(C) OPTIONAL, BUT NO SHIFTS RECOMMENDED OR ASSUMED</u> | | |
| • Library system | • Okan Regional Library Dist. | • No change |
| • Sewage collection (trunks) | • CORD | • No change |
| • Sewage treatment + disposal | • CORD | • No change |
| <u>(D) SERVICES THAT WOULD NOT SHIFT</u> | | |
| • Regional board | • CORD | • No change |
| • Regional grants in aid | • CORD | • No change |
| • Rescue service | • CORD | • No change |
| • 911 Emergency service | • CORD | • No change |
| • Crime stoppers | • CORD | • No change |
| • Crime victim services | • CORD | • No change |
| • Handi-Dart system | • CORD | • No change |
| • Westside transit | • CORD | • No change |
| • Landfill | • CORD | • No change |
| • Septic effluent disposal | • CORD | • No change |
| • Okanagan Basin Water Board | • CORD | • No change |
| • Noxious insect control | • CORD | • No change |
| • Economic development commission | • CORD | • No change |
| • Mt. Boucherie arena + community centre | • CORD | • No change |
| • Feasibility studies | • CORD | • No change |
| • IR #9 roads, RCMP, water, taxes | • Indian band (some prov. roads) | • No change |
| • Schools | • School district #23 | • No change |
| • Hospitals | • Hospital district | • No change |
| • Property assessment | • BC Assessment Authority | • No change |
| • Highway #97 | • Province of BC | • No change |

* Not necessarily municipal staff; work could be contracted out to regional district, private companies, etc

There are basically three alternatives to this assumption about fire protection:

- Transfer the service to the regional district, which would operate it as a service area. The regional board would then have authority for fire protection decisions. If this option is pursued, there should be a fire commission established to ensure that Lakeview Heights citizens have adequate input into the decision process. Members of the Westbank municipal council should also sit on the commission. For budgeting purposes, this option would not mean much change in the property taxes needed to support the fire service. The property tax assumption for a municipal department -- taxes of \$272,000 per year, as per the current situation -- would also apply to this option.
- Transfer the whole fire department to the Westbank municipality and have the regional district contract with the municipality for Lakeview Heights fire protection; Lakeview Heights would become a special service area of the regional district for this. Municipal council would have decision authority for the level of service provided. Lakeview Heights residents would probably not support this option. Presumably, the costs of the service would be split between the two on the same basis as now (i.e., based on assessed values). This means the property tax impacts of this option are the same as the impacts of the assumed option (a municipal department).
- Keep the fire protection district intact, even inside the Westbank municipal boundary; decision authority would remain with the improvement district trustees. While this would be workable during a short transitional phase immediately following municipal incorporation, it is not recommended on a permanent basis due to administrative inefficiency and inevitable conflicts between municipal policies and fire district policies.

4.3

Water Service

Eventually, the Westbank Irrigation District should be dissolved, and its assets, liabilities, and responsibilities transferred to the municipality. There should be a transition period in the first few years during which the irrigation district remains unchanged.

The water lines in the Menu Road and Shannon Lake area (currently part of the Lakeview Irrigation District) should be transferred to the municipality, and that portion of the Lakeview Irrigation District should become a specified service area of the municipality. The municipality should purchase the water from the Lakeview Irrigation District for an amount equal to the current water payments made by these properties, and then bill the Shannon Lake and Menu Road properties for this amount. Such an arrangement would leave the water rates unaffected by incorporation.

There are numerous cases where irrigation districts continue to exist within a municipal boundary, but there are three main reasons to shift this service to the municipality: land use planning, efficiency, and finances.

Community planning and growth management

The municipality would be responsible for an Official Community Plan (OCP) that sets out the blueprint for long-term development and land uses in the community. The OCP reflects a number of principles all aimed at maximizing the quality of life in the municipality. The planned, controlled and orderly development and redevelopment of land is a fundamental part of this process. Having a separate water authority would mean that the permission of two bodies, rather than just one, would be necessary to implement the provisions of the OCP. After public hearings and discussion, the municipality could designate certain areas for future growth without any certainty that the irrigation district would actually provide the water necessary to attain the desired growth pattern. The irrigation district might have a different set of priorities. There might be no way to harmonize the policies of the two bodies to help achieve rational, comprehensive, and planned development of the community. Long-term planning could be very difficult.

Efficiency

The irrigation district would have to maintain its own staff to keep accounting records, mail out tax notices, collect water taxes and charges, answer customer questions, store and retrieve payment records, and various other administrative tasks. The municipality would also be undertaking similar tasks (as well as many others) at the same time. There would be duplication of office machinery and equipment (such as computers). Residents would receive two tax bills (one for water, one for everything else), pay with two cheques, and mail two envelopes. Municipal road, sidewalk, and ditch work would be less efficient because the municipality would not have water line plans and drawings to refer to before starting work. The design and construction of road improvements would require irrigation district approval, and this might not be easily obtained. Developers would have to obtain permission and agreements from two parties rather than one. Legal documents would have to be drawn up between the two bodies in an attempt to limit liability and set out responsibilities. Equipment such as backhoes and trucks would be used less efficiently, since there would be no easy method for shifting them from water work to road work as needed on short notice. Separate offices would almost certainly be maintained.

Finances

There would be extra costs associated with the inefficiencies discussed above. It is estimated below that retaining the irrigation district for water while running a municipality could cost an extra \$60,000 in municipal taxes. An extra cost of \$60,000 would add \$25 to the average house's tax bill. In

addition, there could be other financial costs linked to maintaining the irrigation district as well, since irrigation districts are not eligible for the 25%-50% Revenue Sharing Act grants for water and sewer projects that municipalities can get. If major expansion or upgrade work is needed to the water system, these projects would be eligible for the grants only if the municipality applied on behalf of the irrigation district; the municipality might choose not to do so for various reasons.

In general, a decision to incorporate as a municipality should be accompanied by the recognition that, in order for it to be efficient and effective, the municipality should have control over local matters. Maintaining the irrigation district's control over the water supply and distribution reduces the municipality's effectiveness as well as its efficiency. If a new municipality is created, it should be created with the understanding that the improvement districts powers should be transferred into the greater authority of the municipality.

Water Taxes and Tolls

Incorporation need not affect the taxes and tolls of water service in Westbank.

The Shannon Lake and Menu Road properties that now lie within the Lakeview irrigation district should be defined as a specified service area of the municipality. The municipality would purchase water from the Lakeview irrigation district at a price equal to the irrigation district's taxes and tolls from these properties. The same taxes and tolls charged by the Lakeview irrigation district would be charged by the municipality. Properties that now lie outside the irrigation district would also lie outside this specified service area of the municipality, and would not pay water taxes or tolls (just as they do not pay now).

The properties now within the Westbank irrigation district should also be defined as a specified service area of the municipality. Again, the same taxes and tolls charged to these properties by the irrigation district could be charged by the municipality. Properties that now lie outside the Westbank irrigation district would also lie outside this specified service area of the municipality, and, as with Shannon Lake and Menu Road case, properties outside would not pay water taxes or tolls (just as they do not pay now).

The Westbank irrigation district's 1991 budget shows a total expenditure of \$595,550. However, there would be some overall savings involved in the transfer of this service to the municipality, because a number of the water district administrative expenses would be included in the general municipal administration budget (discussed in Chapter 6).

- Trustees remuneration (\$10,000) would be replaced by the remuneration paid to municipal council.

- Office repairs, maintenance and equipment expenses (\$18,000) would be replaced by the costs of maintaining and operating the municipal hall.
- Insurance costs (\$6,000) would be included in the overall municipal insurance package.
- Office utilities (\$6,500) would be included in the municipal hall budget.
- Audit costs (\$9,500) would be included in the overall municipal audit cost.

These savings add up to \$50,000. Other savings that are more difficult to quantify – such as shared administrative staff requirements, reduced postage because the general tax bills also include water charges, and so on – are estimated conservatively at about \$10,000, but could be significantly greater than that.

This means that, after incorporation, a total of \$60,000 in general administration costs could be shifted back to the water service, and the water service budget (a total of \$595,550 in 1991) would be unchanged by incorporation. The pre-incorporation water taxes and tolls would still balance the books. This \$60,000 sharing of administration costs is shown as a "credit" in the general municipal budget presented in Chapter 6.

Water costs are not shown in the tax impact sections of this report, because this proposed system would leave water charges unaffected by incorporation. The same taxes and tolls that would apply under unincorporated status would apply under municipal status.

Safeguards

Even though the transfer of this service to the municipality might not occur until after a few years, there are some specific concerns that should be addressed prior to a referendum on incorporation.

- The irrigation district has substantial funds in reserves and surplus accounts, and this money should be protected for the benefit of the current water district properties alone. The funds should not be used on projects that are not related to the water fund, since not all taxpayers have contributed to the build-up of this money. The funds can be protected by specifying that they can only be used for water-related purposes in the area covered by the irrigation district at the time of incorporation. This can be accomplished by the province in the letters patent for the municipality. The draft letters patent will be presented to the public for discussion before a referendum is held.
- The current irrigation trustees and staff have considerable expertise and knowledge that should not be lost when the service transfer takes place. While statutory authority for water decisions would shift to the municipal council, there should be a *water committee* established to advise municipal

council on water policies and decisions. The committee should consist of trustees of the water district at the time the irrigation district is dissolved. The creation of this committee can be guaranteed by the province when it draws up the letters patent for the new municipality.

4.4

Regional District Services

As was shown earlier in Table 4.1, many Central Okanagan Regional District ("CORD") services would *not* be affected by incorporation; the municipality would continue to participate in them just as the unincorporated area does now. The regional district would send the municipality an annual requisition -- that is, a bill -- for these services and functions. The municipality, in turn, would levy a separate tax for this. This tax would be less than the current CORD tax because some of the CORD services "disappear" and are replaced by municipal services which are funded through the municipal tax, not through the CORD tax.

This CORD tax would show up as revenue in the municipal budget, but there would be a matching expense because this revenue has to be forwarded to the regional district. *The expense amount exactly matches the revenue amount.* It is one of the "other government" taxes collected by the municipality and then forwarded on to the appropriate taxing jurisdiction.

The regional district requisitions are presented in detail in Table 4.2. Those services with no cost shown under municipal status are CORD services the Westbank municipality would not participate in; most of these show up as municipal costs rather than as CORD costs. The requisitions in Table 4.2 are the first year amounts; they are projected in this study to grow more or less as the population grows.

Sanitary Sewers

The municipality should have control of and decision authority for all the local collectors within its boundaries.

For sewage treatment, sewage disposal, and trunk collectors, there are basically two options:

- Transfer responsibility for these to the municipality; or,
- Leave responsibility for these with the regional district.

In either case, there is the potential for conflict between land use planning process and the sewer planning process.

- If the *municipality* has control and authority for these facilities, the conflict could involve development in Lakeview Heights. Zoning and land use plans would made by the regional board, but these plans must reflect access to sewers, and sewer decisions would be made by a separate body -- the Westbank municipality. It might transpire that the municipality does not

make available sufficient access to sewers to meet the needs of the proposed Lakeview Heights development plans.

- If the *regional district* retains authority, the land use plans developed for Westbank by the Westbank council must rely on sewer policies decided by another body -- the regional board. It might transpire that the municipality's plans require an expansion of sewage treatment capacity but the regional board decides against the expansion.

If the authority is transferred to the municipality, the province should ensure that the Lakeview Heights community is guaranteed access to the system. If authority remains with the regional district, the Westbank municipality should be guaranteed access.

The province will have to assess the balance between these two different viewpoints and interests if the incorporation process advances beyond this technical study. Whatever the resolution, it will require discussions between the province, the community, and the regional district.

The essential question here is a political one, not a financial one. The taxes and user fees needed to support the sewer system are unlikely to be strongly affected by who has decision authority for this service, and this report does not include sewer taxes when measuring the tax impacts of creating a municipality.

Johnson Bentley Pool

It is recommended that full responsibility for the Johnson Bentley pool be given to the municipality; this means transferring its assets and liabilities from the regional district to the municipality. The Westbank residents should have decision authority and policy control of this facility because they fund it.

A regional district service area should be established for those portions of Electoral Area H that pay taxes for this facility now but that would lie outside the municipal boundary. This would ensure the current tax structure would continue more or less as under the current system.

Regional District Elections

As can be seen from Table 4.2, the cost of regional district elections would be eliminated from the requisition. After incorporation, municipal council would choose one of its own members to sit on the regional board, rather than the residents electing a director by separate vote as under the current system. The costs of elections for the regional director disappear, replaced by the costs of electing municipal council members. The costs of the CORD board -- that is, the directors' activities -- are financed by taxes levied across the whole of the CORD.

Electoral Area H Grants

These grants are assumed to shift from the regional district to the municipality, and thus the regional district requisition for them falls to zero. They would be a municipal budget item rather than a regional district requisition. The Area H grants in aid (about \$12,000) are included in the "general administration" section of the municipal budget; the grant to the Westbank youth club (\$28,000) shows up under the "recreation and culture" section of the municipal budget.

Other Services

The taxes for the Westbank parking lot, street lights, the Westbank community hall, and the Johnson Bentley pool are eliminated as regional district requisitions. They show up as municipal expenses because incorporation is assumed to transfer responsibility for, and ownership of, these services and facilities to the municipality.

Regional District Service Contracts

The following regional district tax requisitions from Westbank properties would be eliminated by incorporation, but the municipality might choose to contract with the regional district for some services. If so, there would be "service contract" bills from the regional district, which show up as a municipal expenses rather than as a regional district tax requisitions.

- ***Building inspection:*** The municipality could (and for the first year at least, should) contract this service with the regional district, although it is allowed to provide it in various ways. In this report, it is assumed the municipality contracts with the regional district for the first two years, at a cost about the same as the 1991 tax requisition. The requisition does not cover all the costs of the service; regional district building permit fees make up most of the difference. After the first few years, the municipal budget jumps to cover the full cost of this service, but building permit fees are also added into the revenue side of the municipal budget.
- ***Planning:*** A municipality can choose to have the technical land use planning work done by the regional district on contract, or with municipal staff directly, or by consultants. The planning costs would be part of the municipal budget rather than part of the CORD requisition. Only municipal council can pass zoning and other land use bylaws. The technical work should be contracted to the regional district for at least the first year.
- ***Animal control:*** As with building inspection, the municipality can provide this on its own or contract with someone (including the regional district). and as such it is no longer a regional district requisition. Again, this should be contracted to the regional district for at least the first year.
- ***Community parks:*** The municipality would become responsible for local parks (but not regional parks) after incorporation and could contract with the regional district for park maintenance. The municipality should contract this service to the regional district for at least the first year.

Table 4.2: Regional District Tax Requisitions

| Items below are listed in the order they appear on the 1991 tax notices | Current Status | | | Municipal Status | | |
|---|-----------------------------------|---------------------|----------------------|-------------------------------------|---------------------|----------------------|
| | Tax on Land Only | Tax on Bldg Only | Tax Land and Bldg | Tax on Land Only | Tax on Bldg Only | Tax Land and Bldg |
| A- Weed control | - | - | \$9,037 | - | - | \$8,586 |
| B- West. garbage dump | - | \$144,561 | - | - | \$144,561 | - |
| C- General services | | | | | | |
| Regional board | - | - | \$10,927 | - | - | \$10,382 |
| UBCM + elections | - | - | \$6,224 | - | - | - |
| Regional grants in aid | - | - | \$3,320 | - | - | \$3,154 |
| Area H grants in aid | - | - | \$12,587 | - | - | - |
| Rescue service | - | - | \$9,867 | - | - | \$9,375 |
| 911 Emergency number | - | - | \$41,450 | - | - | \$39,382 |
| 911 Debt payment | - | - | \$5,763 | - | - | \$5,476 |
| Building inspection | - | - | \$50,856 | - | - | - |
| Dog control | - | - | \$13,141 | - | - | - |
| Crime stoppers | - | - | \$5,210 | - | - | \$4,950 |
| Victims of crimes | - | - | \$3,043 | - | - | \$2,891 |
| Handi-Dart system | - | - | \$18,535 | - | - | \$17,610 |
| Westside transit | - | - | \$60,964 | - | - | \$57,914 |
| Septic effluent disposal | - | - | \$22,869 | - | - | \$21,728 |
| Okan Basin Water Bd | - | - | \$96,687 | - | - | \$91,864 |
| Planning | - | - | \$89,356 | - | - | - |
| Noxious insect | - | - | \$830 | - | - | \$789 |
| Economic dev commn | - | - | \$8,484 | - | - | \$8,061 |
| Mt Boucherie comm ctre | - | - | \$100,422 | - | - | \$95,413 |
| Mt Boucherie arena | - | - | \$187,893 | - | - | \$188,022 |
| Regional parks | - | - | \$65,703 | - | - | \$62,426 |
| Westside community parks | - | - | \$95,811 | - | - | - |
| Westside senior citzn ctre | - | - | \$41,635 | - | - | \$39,558 |
| Feasibility studies | - | - | \$6,317 | - | - | \$6,002 |
| Total general services = | - | - | \$967,884 | - | - | \$654,997 |
| D- Sterile insect release | \$19,699 | - | - | \$18,716 | - | - |
| E- Miscellaneous | | | | | | |
| Noise abatement | - | \$1,677 | - | - | - | - |
| Unsanitary premises | - | \$1,555 | - | - | - | - |
| Total miscellaneous = | - | \$3,232 | - | - | - | - |
| F- Westbank parking lot | - | \$15,273 | - | - | - | - |
| G- Westbank youth club | - | \$28,504 | - | - | - | - |
| H- West. community hall | - | \$17,102 | - | - | - | - |
| I- Johnson Bentley pool | - | - | \$622,449 | - | - | - |
| J- Street lights | | | | | | |
| Westbank core | - | \$40,136 | - | - | - | - |
| Shannon Lk + others | - | - | \$3,700 | - | - | - |
| GRAND TOTAL (A-J) | \$19,699 | \$248,807 | \$1,603,070 | \$18,716 | \$144,561 | \$673,583 |
| | Total, rural status = \$1,871,676 | | | Total, municipal status = \$838,560 | | |

Current Status Includes 5.25% provincial tax collection fee, which does not apply in a municipality
Excludes sewers and some small specified areas that would remain after incorporation

Chapter 5

Grants and Capital Costs

5.1

Introduction

This chapter outlines the provincial start-up grants that would be available to the new municipality and discusses the capital infrastructure that the municipality would have to finance.

The province makes short-term assistance grants to new municipalities to help them manage the initial transition of services and cope with their new responsibilities. These short-term grants would be used in an 8-year investment plan -- referred to in this report as the "capital fund" -- to help pay for capital projects such as road improvements, municipal hall, etc over the first eight years of the municipality's life.

The chapter consists of the following topics:

- 5.2 Incorporation assistance grants
- 5.3 Capital costs and infrastructure
- 5.4 The capital fund

5.2

Short-Term Provincial Assistance

These grants are offered by the province in writing, and the offer is good for one year. If incorporation does not proceed within one year, the province would have to decide on its renewal.

Per Capita Grant

One short-term grant is a general grant of \$150 per capita, which would produce a total grant of \$1,470,000 based on the starting Westbank population of 9,800 people. The total is usually paid over two or three years, in May of each year.

Road Maintenance Grant

A second transitional assistance grant relates to roads that were previously maintained by the province. To ease this shift, the province often makes a grant for each of the first five years. This grant is paid up front -- that is, paid in the first year -- after being discounted to its present value using a nominal discount rate.

However, the province would have its contractor continue to maintain the roads for the first 2.75 years -- until October, 1994. This means that the municipality is spared most of the road maintenance costs during this period. The province will not make a transitional grant for this period, since it is

already maintaining the roads for the municipality. Thus the up-front grant would reflect 2.25 years' worth of assistance, not five.

There are 116 km of local roads in Westbank, and the grant offer would be \$290,000 per year, based on about \$2,500 per kilometre of municipal road. With municipal road responsibility starting in October, 1995 and a discount rate of 5% per year, the road maintenance grant would be a lump sum total of \$550,000 (based on 2.25 years of municipal responsibility for roads following 2.75 years of provincial contractor responsibility).

The municipality would not be responsible for any costs associated with Highway 97 because this highway would remain a provincial responsibility.

Road Improvement Grants

During the first 8 years, the new municipality would be eligible for a program in which the province might pay 75% of the costs of upgrading certain roads that become municipal responsibilities. *Note that being eligible does not guarantee funding.*

The provincial Ministry of Transportation and Highways has indicated that Westbank roads are generally in good shape. For purposes here, eligible road widening, realignment, and repaving projects are estimated to cost about \$500,000 (in 1991 dollars).

It would be up to the municipal council to decide on the nature and timing of the eventual road improvements, not up to the provincial Ministry of Transportation and Highways. Council might choose to undertake improvements designed to protect road surfaces without increasing the capacity or designation of the roads.

For purposes of this report, it is assumed that only 50% (not the full 75%) provincial assistance is received, with the municipality financing the other \$250,000 over the first seven years. For the eighth year and later, \$245,000 per year should be assumed for road improvements because the municipality would no longer be eligible for the provincial cost-sharing program.

The effects of a more expensive road improvement program are tested in Chapter 9 ("What if ...").

Municipal taxes are not the only source of funds for road improvements. Another source is the short-term assistance grants mentioned above — \$1,470,000 based on population and \$550,000 for road maintenance. Part of this (and the interest thereon) could be used to help finance the road projects. Not all would be available for roads, however, because the municipality would have to finance other infrastructure (such as municipal offices).

Police Cost Relief

Under the current federal-provincial agreement for RCMP services, the municipality would be required to pay 70% of its RCMP costs, as well as provide the required civilian staff and space for the RCMP detachment. The province has a general policy of cost relief for new municipalities whereby the new municipalities do not make a contribution towards these RCMP costs for the first five years. The province then phases in the costs at 33% a year; year 6 would see the municipality paying 33% of the normal costs, followed by a 67% share in year 7, and then 100% starting in year 8.

Other Short-Term Assistance

The Province often offers a new municipality grants to assist in the development or updating of an Official Community Plan and zoning bylaws. A total of \$40,000 in these planning grants has been assumed in this study, paid in the first two years.

The province may give the new municipality a one-time rebate of half, or all, of the prior year's rural tax collections in the area to be incorporated. Based on 1991 taxes, this would be \$330,000 or \$660,000 (after netting out the uncollected taxes). However, this rebate is not a certainty, and so, in the interest of conservatism, it is not included here. If the rebate is given, the tax impacts of incorporation would be better than shown in this report.

5.3

Capital Costs

All municipalities spend money on capital projects such as road improvements, drainage system work, buildings, equipment, vehicles, and so on. The amounts vary considerably from year to year and from place to place. It is up to municipal council to choose which projects to undertake, when to undertake them, and how to finance them.

Start-Up Facilities

The new municipality would probably face these projects in the first few years:

- Construction of a municipal hall (public counter space, office areas, storage areas, and council chambers, washrooms, etc). While this could be in the form of an expansion to an existing public building, it is more likely that it would be a new building. During the first few years, the municipal offices could be in rented premises, or even in temporary structures. The hall is assumed to be constructed in the second and third years at a total cost of \$1,250,000 (in 1991 dollars) including furnishings and equipment. The irrigation district office site could serve as the municipal hall site.
- Construction of a public works storage yard and building, if the municipality opts for its own public works department (as opposed to using a private contractor for road maintenance services). It is assumed here that council would choose to have its own staff and equipment, starting in late 1994 when the provincial road maintenance contract expires. The works

yard, building, and equipment are projected to cost \$800,000 (again, stated in 1991 dollars).

- Purchase of smaller vehicles and equipment (this would be quite limited if a private contract is used for road maintenance).

Cost-Shared Road Improvements

As mentioned in section 5.2, it is assumed here that \$500,000 in certain road improvements would be eligible for up to 75% provincial funding under a special program available only to new municipalities.

Note that being *eligible* does not *guarantee* provincial funding. It is assumed in this study that the Westbank municipality would receive only 50% funding. This means a municipal share of \$250,000 over the first eight years. In order to make the eighth year a "normal" year, this work is scheduled over the first 7 years in this report. This works out to \$35,700 each year for 7 years.

Other Road Improvements

Based on the length of roads that would become a municipal responsibility and on the experiences in other municipalities, it is projected that by 1999 -- and every year thereafter -- the municipality would spend \$2,000 per kilometer on capital road improvements, or about \$245,000 per year *over and above any cost-shared projects*. This "normal" level of spending would be reached gradually, since the cost-shared work described above would lessen the need for other road improvements.

Other Capital Spending

Based on the actual experiences elsewhere, it is estimated that by 1999 the municipality would spend over \$220,000 per year on miscellaneous capital items such as drainage projects, office furniture, office machines and equipment, park improvements, and sundry other items. This would be much lower in the first year. Each year the amount and nature of these projects will vary depending on urgency, funding sources, and so on. Municipalities are required to prepare five-year capital plans so that (among other things) the annual costs can be smoothed out and the tax impacts can be managed.

Total Capital Spending

Table 5.1 shows the total capital spending projected for the Westbank municipality in these various categories over the entire 8-year period from 1992 to 1999.

Table 5.1: Municipal Capital Spending, 1992-1999
(Stated in Constant 1991 Dollars)

| | |
|---|--------------------|
| Municipal hall, equipment, furnishings | \$1,250,000 |
| Works yard, equipment, vehicles | \$300,000 |
| Mun share of cost-shared road improvements | \$250,000 |
| Other munic. road improvements (not shared) | \$1,868,000 |
| Other capital items & projects | \$1,544,000 |
| Total, 1992-1999 (constant 1991 dollars) | \$5,512,000 |

NB: These can be financed without new debts; see Capital Fund, Table 5.2 below

5.4

Capital Funding

There are basically four ways municipalities fund these capital items:

- Borrow money and incur long-term debt
- Use money that has been put into reserves over time
- Use some of the current year's tax revenues
- Use provincial or federal grants (limited opportunities).

A new municipality has an extra advantage -- the ability to use some or all of the short-term assistance grants to help finance capital costs (the short-term assistance grants were outlined earlier in section 5.2). This study assumes that a Westbank municipal council would adopt such a policy (of course, this would be up to the council to decide). Virtually all recent new incorporations have involved some sort of capital and investment plan for the short-term grants.

An eight-year capital financing program -- called the *capital fund* -- was developed as part of this study. The fund receives revenues in the form of the short-term assistance grants, the annual contributions of tax money for capital purposes, and interest on the fund balance. The fund spends money on the various capital projects as outlined above. Table 5.2 shows the capital fund.

As a result of these grants and some financial planning, the community would not have to incur any new long-term debt simply as a result of incorporation. However, changing the assumed municipal capital spending could change the need for new capital borrowing.

At the end of the 8-year period, when capital spending will have reached a more or less normal level, the balance in the fund is treated as an *annuity*, with annual income from it being transferred, each year for at least 12 years, as revenue to the general fund to help keep taxes down. In this way the benefits of the short-term assistance grants are spread over a full 20-year period.

Table 5.2: Municipal Capital Fund (Constant 1991 Dollars)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| STARTING BALANCE * | \$1,286,508 | \$2,527,705 | \$2,688,708 | \$1,599,395 | \$1,683,257 | \$1,888,631 | \$1,947,434 | \$1,963,498 |
| ADDITIONS TO FUND: | | | | | | | | |
| Start-up grant: road mtce | incl above | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Start-up grant: per capita | \$490,000 | \$245,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual transfer from taxes | \$877,372 | \$713,137 | \$571,591 | \$423,025 | \$553,164 | \$457,461 | \$462,714 | \$467,798 |
| Interest earned in fund | \$148,679 | \$204,520 | \$169,063 | \$128,717 | \$139,970 | \$150,446 | \$153,416 | \$151,313 |
| SPENDING FROM FUND: | | | | | | | | |
| Municipal hall | -\$50,000 | -\$600,000 | -\$600,000 | \$0 | \$0 | \$0 | \$0 | \$0 |
| PW shop, yard, equip, etc | \$0 | \$0 | -\$800,000 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Cost-shared road improv | -\$35,714 | -\$35,714 | -\$35,714 | -\$35,714 | -\$35,714 | -\$35,714 | -\$35,714 | \$0 |
| Ordinary road improvmt | -\$138,360 | -\$182,820 | -\$187,680 | -\$212,940 | -\$238,600 | -\$240,600 | -\$242,600 | -\$244,600 |
| Capital projects excl roads | -\$50,780 | -\$203,120 | -\$206,573 | -\$210,085 | -\$213,446 | -\$216,861 | -\$220,114 | -\$223,186 |
| Transfer to reduce taxes | \$0 | \$0 | \$0 | -\$9,141 | \$0 | -\$55,929 | -\$101,638 | -\$222,714 |
| CLOSING BALANCE | \$2,527,705 | \$2,688,708 | \$1,599,395 | \$1,683,257 | \$1,888,631 | \$1,947,434 | \$1,963,498 | \$1,892,097 |

* 1992 starting balance includes per capita grant of \$735,000 and road mtce grant of \$551,508

Chapter 6

Municipal Expenses

6.1

Introduction

This chapter discusses the annual costs projected for the new Westbank municipality. These expenses must be financed mainly by property taxes, although there will be other municipal revenues (see Chapter 7).

The projected expenses are based on assumptions about municipal services. Incorporation by itself will not require upgrading, expansion, or improvement of most local services. For example, incorporation will not bring about the need for additional recreational facilities. If better recreational facilities are required after incorporation, they are also needed under the current status.

The cost projections are based partly on known local conditions (fire protection services, regional district service costs, and so on) and partly on the actual experiences in other municipalities. These "comparable" municipalities include:

| | | |
|-------------------|---------------------------|-----------------------|
| • Summerland | Population = 8,800 | Roads = 165 km |
| • Coldstream | Population = 8,000 | Roads = 105 km |
| • Salmon Arm | Population = 11,800 | Roads = 220 km |
| • Colwood | Population = 13,100 | Roads = 122 km |
| • Central Saanich | Population = 14,200 | Roads = 113 km |
| • Westbank | Population = 9,800 | Roads = 116 km |

The nearby municipalities of Kelowna and Vernon are too big in population to be useful as guides when projecting municipal budgets for the Westbank. Similarly, Peachland is too small for comparisons.

It must be remembered that these are only projections; the final budgets and service levels would be selected by a municipal council if incorporation proceeds. Nonetheless, these spending levels are reasonable to use in the assessing the tax impacts of incorporation.

The chapter consists of the following topics:

- 6.2 General administration
- 6.3 Protective services
- 6.4 Road transport
- 6.5 Land use planning
- 6.6 Public health
- 6.7 Recreation and culture
- 6.8 Fiscal services
- 6.9 Collections for other governments
- 6.10 Comparative Municipal Budgets

Table 6.1 on the following page shows the projected expenses. *Note that they are stated in constant 1991 dollars; inflation would raise the actual amounts.*

Table 6.1: Projected Municipal Expenses (Constant 1991 Dollars)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Legislative (incl expenses) | \$80,000 | \$81,170 | \$82,295 | \$83,439 | \$84,534 | \$85,647 | \$86,707 | \$87,711 |
| Admin wages and benefits | \$238,158 | \$355,480 | \$387,901 | \$380,042 | \$392,203 | \$404,381 | \$416,492 | \$428,570 |
| Mun hall mtce + utilities | \$30,000 | \$30,000 | \$30,000 | \$30,000 | \$30,000 | \$30,000 | \$30,000 | \$30,000 |
| Office supplies, etc | \$19,800 | \$19,953 | \$20,292 | \$20,637 | \$20,967 | \$21,302 | \$21,622 | \$21,925 |
| Audit, legal, professional fees | \$23,617 | \$47,234 | \$48,037 | \$48,854 | \$49,636 | \$50,430 | \$51,186 | \$51,903 |
| Insurance | \$34,300 | \$35,535 | \$36,779 | \$37,993 | \$39,209 | \$40,424 | \$41,637 | \$42,844 |
| Advertising | \$9,800 | \$9,976 | \$10,148 | \$10,318 | \$10,483 | \$10,651 | \$10,811 | \$10,962 |
| Training, dues, travel | \$7,617 | \$15,234 | \$15,493 | \$15,756 | \$16,008 | \$16,264 | \$16,508 | \$16,739 |
| Office equip mtce, etc | \$8,000 | \$12,000 | \$12,000 | \$12,000 | \$12,000 | \$12,000 | \$12,000 | \$12,000 |
| Community grants | \$12,000 | \$12,432 | \$12,867 | \$13,292 | \$13,717 | \$14,142 | \$14,566 | \$14,988 |
| Miscellaneous | \$10,156 | \$20,312 | \$21,023 | \$21,717 | \$22,412 | \$23,107 | \$23,800 | \$24,490 |
| Less: Water share of costs | \$0 | -\$80,000 | -\$80,000 | -\$80,000 | -\$80,000 | -\$80,000 | -\$80,000 | -\$80,000 |
| Total Administration | \$471,248 | \$579,306 | \$598,833 | \$614,048 | \$631,169 | \$648,328 | \$665,329 | \$682,132 |
| RCMP | \$0 | \$40,000 | \$40,000 | \$40,000 | \$40,000 | \$335,485 | \$530,641 | \$730,932 |
| Share of fire dept costs | \$272,000 | \$276,896 | \$281,603 | \$286,390 | \$290,972 | \$295,628 | \$300,062 | \$304,263 |
| Bldg inspect | \$49,000 | \$49,882 | \$100,000 | \$101,700 | \$103,327 | \$104,980 | \$106,555 | \$108,047 |
| By-Law enforcement | \$10,000 | \$20,000 | \$20,340 | \$20,686 | \$21,017 | \$21,353 | \$21,673 | \$21,976 |
| Animal control | \$12,500 | \$12,725 | \$12,941 | \$13,161 | \$13,372 | \$13,588 | \$13,790 | \$13,983 |
| Emergency measures | \$2,000 | \$2,000 | \$2,000 | \$2,000 | \$2,000 | \$2,000 | \$2,000 | \$2,000 |
| Total Protective | \$345,500 | \$401,503 | \$455,884 | \$463,937 | \$470,688 | \$773,042 | \$974,721 | \$1,181,201 |
| Works yard + bldg oper'n | \$0 | \$0 | \$10,000 | \$20,000 | \$20,000 | \$20,000 | \$20,000 | \$20,000 |
| Road maintenance | \$0 | \$0 | \$99,372 | \$248,430 | \$250,585 | \$252,758 | \$254,950 | \$257,181 |
| Snow and ice removal | \$0 | \$0 | \$23,660 | \$59,150 | \$59,683 | \$60,180 | \$60,702 | \$61,228 |
| Equipmnt/vehicle mtce | \$0 | \$0 | \$28,392 | \$70,980 | \$71,596 | \$72,217 | \$72,843 | \$73,475 |
| Admin and engineering | \$40,000 | \$40,000 | \$105,555 | \$106,470 | \$107,393 | \$108,324 | \$109,263 | \$110,211 |
| Storm drainage | \$10,000 | \$46,510 | \$46,913 | \$47,320 | \$47,730 | \$48,144 | \$48,562 | \$48,983 |
| Street lights | \$40,000 | \$40,347 | \$40,697 | \$41,050 | \$41,406 | \$41,765 | \$42,127 | \$42,492 |
| Traffic control + misc | \$17,298 | \$17,445 | \$17,596 | \$17,749 | \$17,903 | \$18,058 | \$18,215 | \$18,373 |
| Westbank parking lot | \$15,000 | \$15,000 | \$15,000 | \$15,000 | \$15,000 | \$15,000 | \$15,000 | \$15,000 |
| Total Transport | \$122,295 | \$159,302 | \$387,185 | \$626,149 | \$631,276 | \$836,448 | \$841,662 | \$846,923 |
| Special work, using grants | \$20,000 | \$20,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ordinary land use planning | \$90,000 | \$102,584 | \$128,120 | \$130,344 | \$134,556 | \$138,744 | \$142,908 | \$147,048 |
| Total Land Use Planning | \$110,000 | \$122,584 | \$128,120 | \$130,344 | \$134,556 | \$138,744 | \$142,908 | \$147,048 |
| Garbage removal | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Public health | \$0 | \$10,000 | \$10,350 | \$10,692 | \$11,034 | \$11,376 | \$11,717 | \$12,057 |
| Total Environ Health | \$0 | \$10,000 | \$10,350 | \$10,692 | \$11,034 | \$11,376 | \$11,717 | \$12,057 |
| Johnson Bentley pool | \$635,000 | \$639,070 | \$643,181 | \$647,333 | \$651,526 | \$655,761 | \$660,039 | \$664,359 |
| Westbank community hall | \$17,000 | \$17,306 | \$17,600 | \$17,899 | \$18,185 | \$18,478 | \$18,753 | \$19,016 |
| Community parks | \$91,000 | \$92,638 | \$94,213 | \$95,815 | \$97,348 | \$98,906 | \$100,390 | \$101,795 |
| Westbank youth grant | \$25,000 | \$25,450 | \$25,883 | \$26,323 | \$26,744 | \$27,172 | \$27,580 | \$27,966 |
| Library district requisition | \$164,935 | \$167,904 | \$170,758 | \$173,661 | \$176,440 | \$179,263 | \$181,952 | \$184,499 |
| Total Rec'n and Culture | \$932,935 | \$942,368 | \$951,635 | \$961,031 | \$970,243 | \$979,578 | \$988,714 | \$997,635 |
| Capital fund: Road improv | \$138,360 | \$182,820 | \$187,680 | \$212,940 | \$238,600 | \$240,600 | \$242,800 | \$244,600 |
| Capital fund: Other projects | \$50,780 | \$203,120 | \$206,573 | \$210,085 | \$213,446 | \$216,861 | \$220,114 | \$223,196 |
| Capital fund: Stability tsfrs | \$688,232 | \$347,197 | \$177,338 | \$0 | \$101,118 | \$0 | \$0 | \$0 |
| Total transfer to capital fund | \$877,372 | \$713,137 | \$571,591 | \$423,025 | \$553,164 | \$457,461 | \$462,714 | \$467,796 |
| Transfers to reserves | \$0 | \$101,560 | \$103,287 | \$105,043 | \$106,724 | \$108,432 | \$110,058 | \$111,599 |
| Bank charges + interest | \$25,000 | \$28,156 | \$27,310 | \$28,465 | \$30,360 | \$32,314 | \$34,389 | \$35,624 |
| Total Fiscal Services | \$902,372 | \$840,853 | \$702,188 | \$556,533 | \$690,248 | \$598,207 | \$607,161 | \$615,019 |
| (A) Municipal Costs (above) | \$2,884,350 | \$3,055,896 | \$3,231,195 | \$3,362,734 | \$3,539,214 | \$3,785,721 | \$4,032,212 | \$4,282,015 |
| Taxes for Regional District | \$848,782 | \$868,013 | \$927,192 | \$966,403 | \$1,005,521 | \$1,044,671 | \$1,083,722 | \$1,122,663 |
| Taxes for School District | \$2,400,335 | \$2,513,705 | \$2,626,892 | \$2,740,150 | \$2,853,204 | \$2,966,330 | \$3,079,242 | \$3,191,908 |
| Taxes for Hosp, MFA, BCAA | \$246,397 | \$257,014 | \$268,044 | \$279,085 | \$290,099 | \$301,122 | \$312,117 | \$323,081 |
| (B) Taxes for Other Gov'ts | \$3,495,514 | \$3,658,732 | \$3,822,128 | \$3,985,638 | \$4,148,824 | \$4,312,123 | \$4,475,081 | \$4,637,652 |
| Total Expenses (A)+(B) | \$6,379,864 | \$6,714,628 | \$7,053,323 | \$7,348,372 | \$7,688,038 | \$8,097,844 | \$8,507,293 | \$8,919,667 |

6.2

**General
Administration**

Some administrative functions would be shifted from the regional district and the province to the new municipality as a result of incorporation. Others are new administrative expenses not currently incurred by the regional district, the province, or the improvement districts.

Legislative

The new municipality would have a mayor and 6 aldermen. The mayor in communities of about 10,000 residents generally receives remuneration of \$15-\$20,000 a year, and aldermen receive \$5-\$10,000 a year. The figures used here are \$17,000 for the mayor and \$8,000 for each alderman. In addition, there will be travel and convention expenses incurred by this municipal council in the performance of their duties. The legislative costs would rise slightly as the growing population expands the responsibilities of the council.

Administration Wages

Under the current system, the irrigation district, the fire protection district, the regional district, and the province undertake some of the administrative functions that would become municipal responsibilities after incorporation. These include budget preparation, bylaw drafting, tax calculation, correspondence, answering citizens questions, and so on. There would be about 9-11 employees associated with these general administrative functions: the municipal administrator, the municipal clerk, a treasurer, and 6-8 support staff (including secretaries and clerks). The costs of some of the support staff would be shared by other municipal departments, such as planning and engineering. In addition to full-time staff, part-time staff would be also engaged as needed for peak work periods (for example, at tax notice time). This staff complement *excludes* employees working solely in the engineering, planning, building inspection, recreation, and protective departments (they are included below).

Administrative Building

This category includes heat, light, power, janitorial, and miscellaneous costs associated with the maintenance and operation of the municipal hall. It is assumed that council would choose to build a new municipal hall during the second and third years, and a budget of \$1.25 million has been included in the capital fund for this purpose. The design, size, and costs would be up to the municipal council. Some municipalities have larger, more expensive municipal offices; others have quite modest offices.

Office Supplies

This category consists of numerous smaller costs such as stationery, postage, pens, and other supplies required in the administration of the municipality.

Audit, Legal, and Professional Fees

These fees represent the costs of the annual audit, occasional legal advice as required, and other professional advice such as computer programming.

Insurance

The new municipality would almost certainly obtain public liability insurance through the Municipal Insurance Association, an organization assembled through the Union of BC Municipalities. The figures used here reflect the current Association premiums (which vary with population). Property insurance for municipal buildings is also included in the budget.

Advertising

The new municipality will have to take out advertisements for public hearings, rezonings, tax payment deadlines, job vacancies, etc.

Training, Dues, Travel

Some staff training is required for the efficient administrative operations of the municipality. This cost category also includes travel to conventions for key municipal staff.

Office Equipment

The municipality would have to service, maintain, and operate a variety of office machinery and equipment such as photocopiers, computers, etc.

Community Grants

Most municipalities make grants to various community groups. For purposes here it is assumed that municipal council would choose to maintain the current level of regional district Area H grants in aid (about \$12,000). The grant to the youth club is listed separately under the recreation department budget.

Miscellaneous Administration

There are numerous other costs associated with the administration of the municipality. These sundry items vary from place to place and frequently include things like an allowance for bad debts, civic promotion and ceremony costs, and membership in organizations. The costs assumed here are based on the experiences in other municipalities.

Credit for Water Share of Administration Costs

As mentioned in section 4.3 earlier, the water service administration costs would fall because some of these costs would already be included in the general municipal budget. By assigning \$60,000 of the general administration cost to the water department -- in other words, reducing the general share of these costs -- the pre-incorporation water service costs would be restored. This

allows the pre-incorporation water tolls and taxes to be charged without double-counting the municipal administration costs.

6.3

Protective Services

The protective service includes police, fire, building inspection, animal control, and emergency planning measures.

Police (RCMP)

Under the current provincial system, a municipality is responsible for a 70% share of RCMP contract costs if its population exceeds 5,000 people, and for 90% if it exceeds 15,000 people. The residents on Indian Reserve #9 would not be counted when determining this. Only officers on municipal duties are included; the costs of federal and provincial forces (which includes highway patrols) are not a municipal responsibility.

In 1991 there were 6 RCMP officers assigned to the municipality of Summerland (a ratio of 1 officer per 1460 people). Using a more intense ratio of 1 officer per 1100 residents in the Westbank case, the new municipality would have 11-12 officers by 1999. *This is an elevation in the quality of this service.* At the moment, there are five officers serving Westbank; incorporation would mean an *additional 6-7* RCMP officers for the Westbank community.

Using the 1991 contract cost of \$72,760 per officer (which includes more than just wages), the municipality's 70% share of the contract costs would be about \$565,000 by 1999 (as always, expressed in constant 1991 dollars; inflation will raise this). Note that the provincial offer of assistance includes relief from RCMP costs for the first five years. The normal municipal share would then be phased in at 33% per year. The first full, normal municipal cost would not occur until the eighth year (that is, 1999 in this study).

The municipality would also have to pay an estimated \$85,000 for its share of civilian staff costs associated with the municipal detachment. These costs would grow as the population grows.

The municipality would be responsible for providing building space for the detachment, but this does not necessarily require a new building. The municipality could enter an agreement with the City of Kelowna whereby the space is provided in the existing RCMP building in Kelowna (just as it is now under unincorporated status), but there is not much room left in the building for the extra officers, and a building expansion could be necessary.

Based on the current City of Kelowna agreement with the RCMP for the RCMP provincial force at Kelowna, it could cost Westbank \$40,000 per year to provide "rented" space in one of the Kelowna buildings. This is certainly cheaper than constructing a new RCMP building on the west side. The \$40,000 could represent rent if the municipal force could be housed in the City of Kelowna's police building without any expansion, or it could represent

Westbank's share of the cost of expanding either of the Kelowna buildings. At current borrowing rates, an annual debt payment of \$40,000 would support a long-term loan of about \$350,000. Such an amount would be a reasonable contribution to the costs of expanding the Kelowna building.

The final cost involves operating a local office in rented commercial premises right in Westbank. Such a facility is being arranged already. The small office could use volunteer administrative and clerical staff from the community. A tax-supported budget of \$40,000 per year has been included here. It is unlikely that a municipality would spend much more than this because, when combined with the \$40,000 building cost in Kelowna, the total municipal cost of the two premises begins to reach the level that would be faced if a whole new police building were built in Westbank. A new police building would eliminate Westbank's need for space in Kelowna and a local office in a Westbank shopping centre. While the *total* cost of a new building would exceed \$80,000 per year, the municipality's *tax-supported* share, after the provincial and highway forces pay their share, would probably not be much more than \$80,000 per year.

In summary, it is projected that by 1999 the RCMP service would require municipal tax support of about \$730,000 per year (in 1991 dollars): \$565,000 for the RCMP contract, \$85,000 for civilian staff, \$40,000 for building space in Kelowna, and \$40,000 for a local office in Westbank.

Fire Protection

As discussed in Chapter 4, there are a number of options for fire protection in Westbank. In general, the financial implications of each fire service option would probably be more or less equal.

The option assumed here is the creation of a municipal fire department by splitting the current Westside fire protection district into two separate and distinct parts. This change need not happen right away; there could be a transition period of several years during which the fire protection district continues to operate just as it does now.

In 1991, the Westbank community paid a total of \$272,000 in fire protection taxes (excluding the \$14,200 provincial tax collection fee), and this figure is used for the municipal share following incorporation. This figure could also include a compensating payment (if any) to the old fire protection district for the benefits of the new Glenrosa fire hall; the province would determine whether or not such a payment should be made. The annual municipal tax requirement of \$272,000 for this service would grow as the population grows.

Building Inspection

Building inspection is currently provided by the regional district and is financed by a combination of building permit fees and regional district taxes.

In 1991, Westbank properties paid \$48,300 (excluding the provincial tax collection fee) for this service.

After incorporation, the responsibility for building inspection would shift to the municipality. The municipality could purchase this service from the regional district, or provide it entirely on its own with its own staff, or contract it out to individuals with experience in these matters. It is recommended that the municipality purchase this service from the regional district (at an assumed cost of \$49,000) during the first two years, during which the regional district continues to collect and keep the building permit fees. Starting in the third year, it is assumed that municipal council opts for its own building department, at a cost of \$100,000. This cost is partly offset by municipal building permits fees (projected at \$45,000 per year). Municipal council could decide to set building permit fees as required to cover all the costs associated with this service, but this would be unusual.

Bylaw Enforcement

This function refers to the enforcement of bylaws such as parking bylaws, noise bylaws, unsightly premises bylaws, occupancy rules, and so on. It is a relatively minor expense in the overall administration of municipalities. It is frequently performed by staff shared with other municipal functions, such as building inspection. For a Westbank municipality it is assumed that there would be an extra cost of about \$20,000 for this service after the first year.

Animal Control

In 1991 community paid \$12,500 (excluding the provincial tax collection fee) for animal control -- mainly dog control -- in regional district taxes. As with building inspection, the municipality could purchase this service or provide it on its own. Either way, it is assumed that the \$12,500 cost would continue. A full-time position is not required for this job; municipalities and regional districts frequently have a contract with a local person for animal control on a part-time basis.

Emergency Measures

A municipality should have some emergency response plans to help it deal with calamities such as earthquakes and floods. This is a minor expense for most municipalities and is usually offset by a grant provided by the province for this purpose. A nominal \$2,000 per year is projected here for this cost.

6.4

Road Transport

One of the major changes incorporation would bring about is the shift in responsibility, from the province to the municipality, for the maintenance of 116 km of local roads. As part of the transitional assistance offer, the province would have its contractor continue to maintain local roads until the fall of

1994. It is at that point that the municipality would assume responsibility. *Note that Highway 97 would remain a provincial responsibility after incorporation.*

Municipal council could decide to contract with a private firm (as the province does now), or use its own crews and equipment, or some combination. It is assumed in this report that council would choose to have its own crews and equipment, as almost all municipalities do. This is generally more expensive, but it is much more flexible and allows some efficiencies of scale as resources are shared by other municipal departments (such as water, sewer, and parks).

It is projected that the total local road length in Westbank will grow to 122 km by 1999, up from the current 116 km. The road maintenance costs will grow as the length increases.

Road Maintenance

The budgets shown in Table 6.1 for the works yard, road maintenance, snow and ice removal, and equipment are based on the Westbank road lengths and the actual costs per kilometre experienced in Summerland, Coldstream, Salmon Arm, and Peachland. These costs would not start until early fall of 1994, because the provincial contract would not end until fall. The first year of full municipal costs would be 1995.

Engineering

During the first two years there would be some engineering costs because the municipality would have to make decisions on which road improvements to undertake right away, to take full advantage of the province's cost-sharing program for new municipalities. After that, the engineering budget would rise when the municipality assumes responsibility for road maintenance at the end of the provincial contract.

Storm Drainage

An allowance for storm drainage work has been made in the budget, based on road lengths and drainage budgets experienced elsewhere. The costs would be lower in the first year as the municipality assesses the need for an on-going storm drainage program.

Street Lights

The cost of street lights is based on the actual 1991 budgets of the regional district.

Traffic Control

The traffic control costs refer to signs, lane marking, and traffic lights. These are based on the Westbank road lengths and the actual costs experienced in other municipalities.

Westbank Parking Lot

The regional district's 1991 budget for the Westbank parking lot has been used as the municipal cost, after removing the regional district's administration charge (these costs have already been included in the general municipal administration budget).

6.5

Land Use Planning

After incorporation, responsibility for land use planning would lie with the municipality. It can purchase the technical services -- that is, technical studies, map preparation, surveys, bylaw drafting, etc -- from the regional district if it chooses. It is recommended that the new municipality should contract this service to the regional district for at least the first year.

Note that the responsibility for passing bylaws rests with municipal council alone; this is a statutory function and could not be contracted out even if there were reasons for wanting to do so. All the existing land use bylaws of the regional district that apply in Westbank would remain in effect until changed by municipal council.

The provincial offer of assistance includes a commitment up to \$40,000 in planning grants to enable it to update bylaws, develop planning policies, perform special studies, and so on. It is assumed here that these projects are undertaken in the first two years and the amounts spent are limited to the grant amounts.

Ordinary planning financed by property taxes will rise as the population grows and more complex urban issues have to be dealt with. In 1991, the study area paid regional district taxes of \$85,000 (excluding the 5.25% provincial tax collection fee) for this service. Note that this amount includes \$17,200 in regional district administration costs that would not apply under municipal status because there is a separate budget for administration.

A figure of \$90,000 is assumed for the first year as a contracted service with the regional district. After that, the municipal cost is projected to rise as the municipality develops its own planning department. By 1999 the annual amount financed by taxes alone (that is, not using grants) is projected at \$147,000 (stated in constant 1991 dollars).

6.6

Health

Incorporation would not affect the need for garbage collection, and municipalities are not required to offer garbage collection services. No change from the current system is assumed here. An allowance of about \$10,000 has been used for public health services that council might choose to provide. Some municipalities spend nothing on this; others provide various minor public health services.

6.7

**Recreation
and Culture**

Incorporation will bring about any change in the need for recreation and cultural services in the community. The need for additional facilities or programs is based on lifestyles, demographics, and other factors not related to municipal status.

Regional District Facilities

The Westbank taxpayers would continue to pay regional district taxes for regional parks, for the Mt. Boucherie arena and community centre, and for the Westside senior citizens centre because these would remain regional district responsibilities. Their costs are included in the "collections for other governments" section of Table 6.1 presented earlier in this chapter.

Johnson Bentley Pool

It is recommended that the pool be transferred to the new municipality, and it is assumed that the YMCA would continue to operate the programs. This means the current budget for the pool would not change much as a result of incorporation. The 1991 regional district budget for the pool shows a tax requirement of \$635,000. This excludes the regional district administration fee, which has already been included in the municipality's general administration budget described in section 6.2 earlier. The municipal taxes required for the pool would be reduced a little by tax revenues collected from the properties outside the municipality that already pay the pool tax under the current system.

Westbank Community Hall

The Westbank community hall should be turned over to the new municipality. Its annual cost in the municipal budget is based on the actual 1991 regional district tax requirement (after excluding the regional district's administration fee).

Community Parks

Twenty-three of the 41 west side community parks are in Westbank and would be transferred to the new municipality (these are not the regional parks, which are not affected by incorporation). In 1991, Westbank properties paid regional district taxes of \$93,000 towards the operation and maintenance of all the west side parks, and this amount is felt to be reasonable for the maintenance of the 23 that would be transferred. The municipality could contract this maintenance service back to the regional district, presumably for about the same amount as under the current system. This is assumed here.

Library Services

Westbank residents now belong to the Okanagan Regional Library District and pay taxes for this. Municipal council could choose to stay in or not. It is

assumed here that it would choose to stay in so that this services remains available to residents just as it is now. The requisition from the library district will grow slightly as Westbank's percentage share of the total library district assessments grows.

6.8**Fiscal
Services**

There are various types of annual expenses under the category of fiscal services.

Capital Fund: Road Improvements

As described earlier in section 5.3, the municipality would spend tax money (as opposed to grant money) each year improving municipal roads over and above projects that are cost-shared with the province under the "new municipality" program. Using the experiences in other municipalities, this capital spending is projected to rise to about \$2,000 per kilometre per year by 1999, which amounts to almost \$250,000 per year. Spending would be lower in the early years because the cost-shared work would have priority. The amount is put into the capital fund as described in section 5.4 (see also Table 5.2).

Capital Fund: Other Projects

In addition to road projects, each year various capital projects and acquisitions would be undertaken using the current year's tax dollars. Examples include drainage improvements, computers, office furniture, park development, and so on. It is difficult to project with certainty just what capital projects would be undertaken each year, but the figures used here are based on a detailed examination of the experiences in other municipalities. The amounts, which are put into the capital fund each year, are projected to reach \$223,000 annually after starting out much lower. Note that this does not represent the *total* capital spending by the municipality; see Table 5.2 for all capital spending items.

Capital Fund: Stability Transfers

Total municipal service costs would be lower in the early years because some services — notably road maintenance and RCMP costs — do not reach full "normal" levels until the later years. The tax projections in this report are based on the premise that the municipal tax rate should rise gradually and smoothly to whatever level is required in 1999, and then remain at the 1999 level after that. In order to keep the increases both gradual and smooth during the early years, funds are transferred as needed from the general fund to the capital fund. These are in effect annual expenses, and they vary from year to year as needed to ensure a smooth transition in the tax rate up to the permanent 1999 level.

Note that the 1999 tax rate -- the normal, permanent rate -- is used in the "tax impact" tables presented later in this report. Taxes on an average home would be lower in the early years.

Transfers to Reserves

Municipalities usually put money away each year for the eventual replacement of machinery and equipment. This is an annual expense, because taxes are used to generate the amounts put into the reserve each year. The amounts projected here are based on detailed examination of the annual transfers to reserves in other municipalities.

Bank Charges

Each year the municipality would have to borrow some operating funds on a short-term basis before its tax notices are sent out. These operating loans are then immediately repaid as soon as people pay their taxes in early summer. This interest cost is projected here based on the amount that must be borrowed in the early part of the year.

6.9

Collections for Other Governments

As mentioned before, the municipality must collect taxes for a number of other agencies that levy property taxes within the municipal boundary. These agencies are the regional district, the school district, the hospital district, the Municipal Finance Authority, and the BC Assessment Authority. The expenses shown as transfers to other governments are exactly the same as the "collections for other governments" in the municipal revenue section (see Chapter 7). Note that the regional library district costs have been treated as a municipal "recreation and culture" expense rather than as a "collection for other government" expense; nothing would change if it were treated as a collection for another government instead a municipal department expense.

Collection for Central Okanagan Regional District ("CORD")

The regional district would send the municipality a bill for its share of regional district functions as shown earlier in Table 4.2. The amount of this expense is precisely the same as the revenue item of the same name (see section 7.4 later).

Collections for the School District

The municipality would also collect the school taxes and forward these on. The 1991 school tax rates have been used here to project these. *School taxes are not affected at all by incorporation.*

Collections for Hospital District and Others

The municipality must also collect taxes for the regional hospital district, the Municipal Finance Authority (the provincial agency that local governments use for long-term borrowing), and the BC Assessment Authority (the provincial

agency that prepares assessed property values throughout the province). *These taxes are not affected at all by incorporation*

6.10

Comparative Municipal Budgets

Table 6.2 shows the average 1991 costs, expressed as dollars per person, of four major municipal expense categories in Summerland, Coldstream, Salmon Arm, Colwood, and Central Saanich, and compares these to the cost levels projected for the Westbank municipality. The 1999 Westbank figures are used (as always, expressed in 1991 dollars).

The average population of the five is 11,200 -- slightly less than Westbank's 1999 population. The average road length is 144 km, which is greater than Westbank's 122 km in 1999.

It is clear from Table 6.2 that the municipal spending projections for Westbank are reasonable in light of the actual costs experienced in existing municipalities. The higher administration cost partly reflects the need to administer a community whose effective population is raised by the population on Indian Reserve #9.

Table 6.2: Comparison of Major Municipal Budget Items

5 Mun's are Summerland, Coldstream, Salmon Arm, Colwood, Central Saanich

| | | Projected for Westbank | Avg of 5 Municipalities |
|--------------------------|-----------------|---------------------------|----------------------------|
| Administration | (\$ per person) | \$56 | \$45 |
| Protective (excl police) | (\$ per person) | \$37 | \$44 |
| Planning + zoning | (\$ per person) | \$12 | \$12 |
| Capital+ reserves | (\$ per person) | \$50 | \$59 |
| Total of 4 Services | (\$ per person) | \$155 | \$160 |
| Road transport | (\$ per km) | \$5,290 | \$5,358 |

Westbank figures refer to 1999 (constant 1991 dollars)

Westbank capital includes average munic. share of cost-shared roads

Chapter 7

Municipal Revenues

7.1

Introduction

This chapter discusses the projected municipal revenues needed to operate a new Westbank municipality.

There are essentially two types of municipal revenues:

- Revenues needed by the municipality to finance its own services; and,
- Tax revenues collected by the municipality on behalf of other governments (the regional district, school boards, hospital district, and so on).
Currently, these taxes are paid by residents as part of the tax bill sent out by the provincial Surveyor of Taxes in Victoria; after incorporation the municipality would collect these taxes and then forward them to each of the taxing bodies. These appear as both revenues and expenses; they have no effect on the taxes needed by the municipality itself.

The chapter consists of the following topics:

- 7.2 Municipal tax base
- 7.3 Municipal revenues
- 7.4 Collections for other governments

The projections here are based partly on known local conditions and partly on the actual experiences in "similar" communities that are already incorporated as municipalities. As before, these "comparable" municipalities include Summerland (population 8,800), Coldstream (population 8,000), Salmon Arm (population 11,800), Colwood (population 13,100), and Central Saanich (population 14,200).

Kelowna and Vernon are too big in population to be useful as guides for projecting revenues for a Westbank municipality, and Peachland is too small.

It must be remembered that these are only projections; the final budgets and service levels -- and therefore the municipal tax revenues needed to support them -- would be selected by a locally-elected municipal council if incorporation proceeds. Nonetheless, the figures used in this report are supportable, relevant, and reasonable.

The municipal taxes are set at whatever amounts are needed to balance total expenses and revenues. These *total taxes* are then converted into *municipal tax rates* (using the tax base), which in turn are translated into taxes payable on typical homes. These "municipal status" taxes are then compared with the "current status" taxes outlined in Chapter 3.

7.2

**Municipal
Tax Base**

Table 7.1 shows the municipality's tax base for the first year of incorporated status. Of course, the tax base will grow because new housing will be built over time, and so the projected 1999 tax base is also shown. *Note that all figures are stated in terms of constant 1991 dollar values; inflation and real estate price changes will increase the figures.*

Table 7.1: Municipal Tax Base (Constant 1991 Dollars)

| | Year 1 (1992) | Year 8 (1999) |
|----------------------------------|----------------------|----------------------|
| Residential | \$353,205,000 | \$509,205,000 |
| Industry and Utility | \$7,816,000 | \$7,816,000 |
| Business | \$26,902,000 | \$30,513,000 |
| Recreation + Farm | \$3,034,000 | \$3,034,000 |
| Total Taxable Assessments | \$390,957,000 | \$550,568,000 |

Note that houses and farm building would be taxable for general municipal purposes differently than for general rural purposes.

- Current status: Farm house 0% taxable for the provincial rural tax
Farm bldgs 0% taxable for the provincial rural tax
- Municipal status: Farm house 100% taxable for the municipal tax
Farm bldgs First \$50,000 exempt from the municipal tax

These farm tax changes would not affect school taxes, hospital taxes, BC Assessment taxes, MFA taxes, and CRD taxation. Only the provincial rural tax and its replacement, the municipal tax, are affected. Note also that this applies only to buildings on farm land, not to any other type of property. There are few farms in the study area. *It is assumed here that the municipal council would choose to set the municipal tax rate on farm land at the provincial rural rate (\$.50 per \$1000 assessment).*

7.3

Municipal Revenues

The municipal revenues are described below and shown in detail in Table 7.2 below.

Table 7.2: Projected Municipal Revenues (Constant 1991 Dollars)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Municipal property taxes | \$2,138,350 | \$2,237,230 | \$2,335,898 | \$2,434,848 | \$2,598,738 | \$2,763,859 | \$2,941,373 | \$3,047,035 |
| 1% Utility tax (s. 407) | \$0 | \$30,468 | \$52,550 | \$54,284 | \$56,021 | \$57,758 | \$59,491 | \$61,216 |
| Grants in lieu of taxes | \$0 | \$20,000 | \$20,000 | \$20,000 | \$20,000 | \$20,000 | \$20,000 | \$20,000 |
| Prov. Rev Sharing grant | \$553,250 | \$571,050 | \$588,750 | \$606,350 | \$623,900 | \$641,350 | \$658,700 | \$675,950 |
| Business licences | \$8,000 | \$8,144 | \$8,292 | \$8,423 | \$8,558 | \$8,696 | \$8,825 | \$8,949 |
| Other licences | \$2,000 | \$2,072 | \$2,145 | \$2,216 | \$2,287 | \$2,358 | \$2,429 | \$2,498 |
| Bldg permits, subdiv fees | \$0 | \$0 | \$52,500 | \$52,500 | \$52,500 | \$52,500 | \$52,500 | \$52,500 |
| Fines | \$7,380 | \$7,615 | \$7,882 | \$8,142 | \$8,403 | \$8,663 | \$8,923 | \$9,182 |
| Rural share, Johnson-Bent. | \$50,000 | \$50,900 | \$51,765 | \$52,645 | \$53,487 | \$54,343 | \$55,158 | \$55,930 |
| Property rentals | \$2,000 | \$2,000 | \$2,000 | \$2,000 | \$2,000 | \$2,000 | \$2,000 | \$2,000 |
| Tax penalties + interest | \$39,200 | \$40,611 | \$42,032 | \$43,419 | \$44,808 | \$46,197 | \$47,583 | \$48,963 |
| Interest on investments | \$25,000 | \$25,900 | \$26,807 | \$27,692 | \$28,578 | \$29,464 | \$30,348 | \$31,228 |
| Miscellaneous revenues | \$39,200 | \$39,906 | \$40,584 | \$41,274 | \$41,934 | \$42,605 | \$43,244 | \$43,849 |
| Provincial planning grant | \$20,000 | \$20,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Transfer from Capital Fund | \$0 | \$0 | \$0 | \$8,141 | \$0 | \$55,929 | \$101,838 | \$222,714 |
| (A) Rev. for Municipal Use | \$2,884,350 | \$3,055,896 | \$3,231,195 | \$3,362,734 | \$3,539,214 | \$3,785,721 | \$4,032,212 | \$4,282,015 |
| Taxes for Regional District | \$848,782 | \$888,013 | \$927,192 | \$966,403 | \$1,005,521 | \$1,044,671 | \$1,083,722 | \$1,122,563 |
| Taxes for School District | \$2,400,335 | \$2,513,705 | \$2,626,892 | \$2,740,150 | \$2,853,204 | \$2,966,330 | \$3,079,242 | \$3,191,908 |
| Taxes for Hosp, MFA, BCAA | \$248,397 | \$257,014 | \$266,044 | \$279,085 | \$290,099 | \$301,122 | \$312,117 | \$323,081 |
| (B) Taxes for Other Gov'ts | \$3,495,514 | \$3,658,732 | \$3,822,128 | \$3,985,638 | \$4,148,824 | \$4,312,123 | \$4,475,081 | \$4,637,652 |
| Total Revenues (A)+(B) | \$6,379,864 | \$6,714,628 | \$7,053,323 | \$7,348,372 | \$7,688,038 | \$8,097,844 | \$8,507,293 | \$8,919,667 |

Property Taxes

Property taxes are set at whatever amount is needed to make the total revenues balance with total expenses. Higher service costs would require higher taxes; lower service costs would require lower taxes. The taxes shown in Table 7.2 match the total expenses that were presented earlier (see Chapter 6).

Municipalities are not allowed to run at a loss; they must have balanced books.

Municipal council can choose how to shift taxes among the various property classes (residential, business, etc). For purposes here, the current provincial tax rate multiples are used for the non-farm property types:

- Utility 3.50 times the residential rate
- Industry 3.40 times the residential rate
- Business 2.45 times the residential rate
- Recreation 1.00 times the residential rate
- Farm land \$.50 per \$1000 assessment (provincial rate)

Note: It is assumed that farm land (assessment class 9) would continue to pay the unincorporated tax rate even after incorporation -- that is, a tax rate of \$.50 per \$1000 assessment. Houses and farm buildings are assumed to pay full normal municipal taxes.

1 % Utility Tax

Under s.407 of the Municipal Act, the revenues from the local consumption of electricity, gas, telephone, and cable TV are subject to a 1% levy by the municipality. There is a lag in this levy, however, and the municipality would not receive any revenue from this source until the second year of incorporation. This source of revenue is available to local government only under municipal status.

Grants in Lieu of Taxes

Properties owned by provincial and federal agencies make grants in lieu of taxes to the municipality, since, by law, they are not required to pay taxes. It is not expected that these grants in lieu of taxes would be large. The federal grants are generally based on the previous year's municipal tax rate and the assessed (but exempt) values on federal properties. The revenue in 1992 would be zero because there is no municipal tax rate in 1991.

Provincial Revenue Sharing Act Grant

Under the provisions of the Revenue Sharing Act, the province makes substantial on-going annual grants (sometimes called "unconditional grants") to all municipalities. It is an important part of the revenues in all municipalities, and has been for many years. While the province has the power to cancel this grant, it is unlikely that it would; in fact, the province has *increased* this grant over the years. As the population increases, the unconditional grant would increase because part of it is based on community population. *Note that this grant is not related to the incorporation assistance grants.*

Business Licences

Municipalities exercise some control over business operations and the type of businesses in the community by requiring that they obtain licences to operate. The projected revenue from this source has been modestly estimated at only \$6,000 per year. Business licences are generally not expensive.

Other Licences

The municipality would also issue licences for sundry other reasons (such as municipal vehicle licence plates, dog licences, and so on).

Building Permits

All municipalities require that contractors obtain building permits for building construction, renovations, and additions. As the municipality grows, revenue

from this source would increase as more building and renovation work is undertaken. As part of this function, the municipality is responsible for the inspection of construction to ensure various building codes are met; the municipality's costs of this are estimated in the "expense" section below. Municipal council could choose to price the permits at levels necessary to offset the inspection costs, but this is rarely done.

Fines

The municipality levies fines for numerous bylaw infractions, such as illegal parking and owning unlicensed dogs.

Rural Share of Johnston Bentley Pool

Some properties that would be outside the municipality currently pay regional district taxes towards the pool. After incorporation, it is assumed that the pool would be a municipal facility, not a regional district facility, with the municipality paying its full cost. The regional district service area tax should still apply to these rural properties; the regional district would collect it and forward it to the municipality. This would keep the tax burden of the pool about the same as faced now by Westbank residents.

Property Rentals

The municipality would earn revenue from private rentals of the community hall and other municipal facilities.

Tax Penalties

Municipalities apply penalties and interest charges against property owners who fail to pay their municipal taxes on time. This revenue will grow generally in relation to the size of the total municipal property taxes.

Interest on Investments

The municipality would earn interest on its bank accounts and on some reserve funds.

Miscellaneous Revenue

Revenue has been assumed from various and sundry sources such as photocopies sold to the public, the sale of maps, minor provincial grants, and so on.

Planning Grant

It is assumed the province would make grants to the new municipality to assist in the update of the official community plan and land use control bylaws. It is assumed that these grants would be made only for the first two years. After that, a municipality would have standardized its planning process and would

thus not need the grants so much. A total of \$40,000 has been assumed, spread equally over the first two years.

Transfer from the Capital Fund

The initial assistance grants from the province would be combined with annual tax dollars to provide funding for major municipal infrastructure such as a municipal hall, equipment, road improvements, and so on. This multi-year fund allows the benefits of early grants to be spread over a much longer period rather than used up in the first few years.

In this report, the municipal hall, public works yard and equipment, and all the major road improvements eligible for provincial funding are undertaken during the first seven years, with the eighth year being a "normal" year — that is, capital spending on unusual start-up items will be complete by then, and more level annual amounts of capital spending will start. In the seventh or eighth year (depending on the case being examined), the balance of the capital fund is used to generate municipal revenue to help offset taxes. This revenue, similar to an annuity, would continue for at least another twelve years at the amount shown for 1999. *This ensures the benefits of the early assistance grants are spread over at least 20 years altogether.*

7.4

Collections for Other Governments

In addition to the revenue needed to finance municipal services, the municipality must also collect taxes for other agencies that tax property. The taxes for other governments appear equally on both the revenue and expense sides of the municipal budget.

The tax bill sent by the municipality would show each jurisdiction's tax rate separately. The municipality has virtually no say in determining these tax rates or the agencies' budgets. It is merely the tax collector for them.

The taxes collected for other governments are exactly as described earlier in Chapter 6 (see section 6.9).

Chapter 8

Property Tax Changes

8.1

Municipal Tax Rates

The total municipal property taxes needed to balance expenses and revenues can now be translated into the municipal tax rates. This is done using the tax base (see section 7.2) and the provincial tax multiples assumed for the new municipality (see "property taxes" in section 7.3).

Table 8.1 shows the required annual tax rates for municipal and regional district services. Note that the taxes for fire protection are always included in this municipal rate.

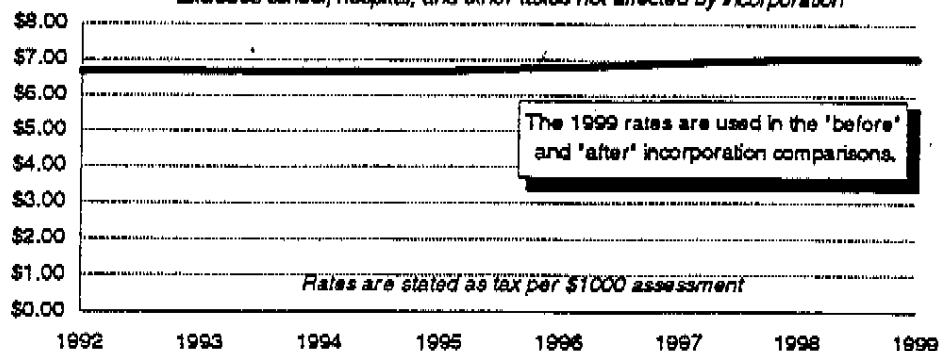
The "normal" tax rate for municipal purposes would settle at about \$5.15 per \$1000 assessment. *"Normal" here refers to the rate in 1999*, after all the short-term assistance grants have been received and all the start-up infrastructure has been financed without any borrowing. The 1999 tax rates also applies to later years.

Table 8.1: Residential Tax Rate After Incorporation (1991 Dollars)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Municipal residential rate* | \$4.78 | \$4.78 | \$4.78 | \$4.78 | \$4.90 | \$5.02 | \$5.15 | \$5.15 |
| Regional district resid. rate | \$1.90 | \$1.90 | \$1.90 | \$1.90 | \$1.90 | \$1.90 | \$1.90 | \$1.90 |
| Total, Munic. + Reg. Dist. | \$6.68 | \$6.68 | \$6.68 | \$6.68 | \$6.80 | \$6.92 | \$7.05 | \$7.05 |

* Includes fire protection taxes; excludes water and sewer.

The tax rate would be lower in the early years, and gradually climb to the 1999 level, as shown in Chart 8.1 on the following page. *The 1999 rate is used when discussing tax changes due to municipal incorporation.*

Chart 8.1: Municipal and Regional District Tax Rates*Excludes school, hospital, and other taxes not affected by incorporation***8.2****Taxes
Changes**

The difference between the 1991 *current status* tax per house and the 1999 *municipal status* tax is one of the major impacts of municipal incorporation.

As shown in Tables 8.2 and 8.3, it is projected that property taxes would rise due to incorporation. *For a typical home (a \$100,000 assessed value) the increase would be about \$34.* The higher the assessment, the greater the impact of incorporation; the lower the assessment, the lower the tax change. Chart 8.2 shows the rise in taxes due to incorporation.

Note again that the jump in taxes is based on comparing the 1991 *current status* taxes with the 1999 *municipal status* taxes (stated in constant 1991 dollars). The year 1999 is a "normal" year; all the start-up grants have been received and the initial municipal infrastructure has been constructed or acquired.

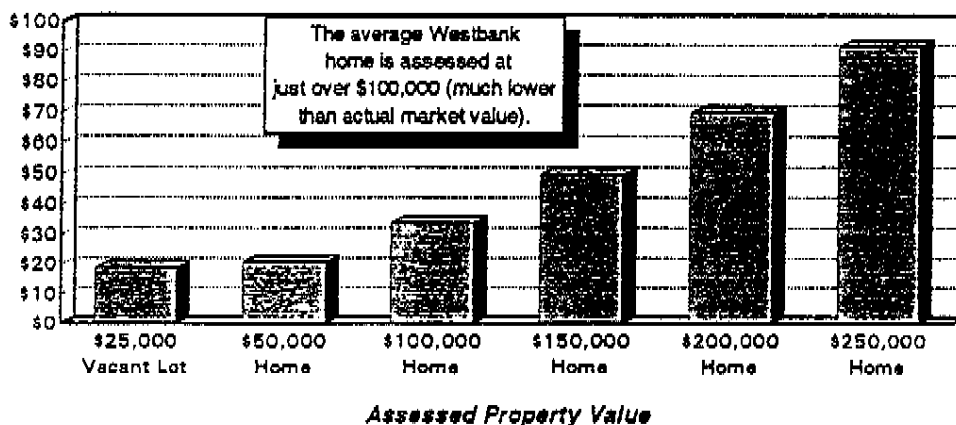
Chart 8.2: Residential Tax Increase Due to Incorporation

Table 8.2: Residential Tax Increases Due to Incorporation

| Property Assessment = (Much lower than actual market value) | Average | | | | | | | | |
|---|---------------------|---------------------|--------|-------------------|---------------------|--------|-------------------|---------------------|--------|
| | \$25,000 Vacant Lot | | | \$50,000 Home | | | \$100,000 Home | | |
| | Current Status | Municipal Status | Change | Current Status | Municipal Status | Change | Current Status | Municipal Status | Change |
| Central Okan. Reg. Dist. | | | | | | | | | |
| Weed control | \$0 | \$1 | \$1 | \$1 | \$1 | \$0 | \$2 | \$2 | \$0 |
| Garbage dump | \$0 | \$9 | \$9 | \$12 | \$17 | \$5 | \$31 | \$35 | \$4 |
| General services | \$52 | \$37 | -\$15 | \$105 | \$74 | -\$31 | \$210 | \$149 | -\$61 |
| Sterile insect release | \$3 | \$1 | -\$2 | \$3 | \$2 | -\$1 | \$4 | \$4 | \$0 |
| Miscellaneous | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1 | \$0 | -\$1 |
| Westbank parking lot | \$0 | in mun tax | \$0 | \$1 | in mun tax | -\$1 | \$3 | in mun tax | -\$3 |
| West. youth club grant | \$0 | in mun tax | \$0 | \$2 | in mun tax | -\$2 | \$6 | in mun tax | -\$6 |
| West. community hall | \$0 | in mun tax | \$0 | \$1 | in mun tax | -\$1 | \$4 | in mun tax | -\$4 |
| Johnson-Bentley pool | \$34 | in mun tax | -\$34 | \$68 | in mun tax | -\$68 | \$135 | in mun tax | -\$135 |
| Total CORD taxes | \$89 | \$48 | -\$41 | \$193 | \$84 | -\$99 | \$396 | \$190 | -\$206 |
| Library district tax | \$9 | in mun tax | -\$9 | \$19 | in mun tax | -\$19 | \$38 | in mun tax | -\$38 |
| Fire protection tax | \$16 | in mun tax | -\$16 | \$31 | in mun tax | -\$31 | \$62 | in mun tax | -\$62 |
| Rural tax | \$44 | \$0 | -\$44 | \$88 | \$0 | -\$88 | \$175 | \$0 | -\$175 |
| Municipal tax | \$0 | \$129 | \$129 | \$0 | \$258 | \$258 | \$0 | \$515 | \$515 |
| School district tax | \$139 | \$139 | \$0 | \$278 | \$278 | \$0 | \$556 | \$556 | \$0 |
| Hospital district | \$10 | \$10 | \$0 | \$19 | \$19 | \$0 | \$38 | \$38 | \$0 |
| MFA + assessment tax | \$4 | \$4 | \$0 | \$8 | \$8 | \$0 | \$15 | \$15 | \$0 |
| Total Property Taxes | \$311 | \$330 | \$19 | \$636 | \$657 | \$21 | \$1,280 | \$1,314 | \$34 |

| Property Assessment = (Much lower than actual market value) | \$150,000 Home | | | \$200,000 Home | | | \$250,000 Home | | |
|---|-------------------|---------------------|--------|-------------------|---------------------|---------|-------------------|---------------------|---------|
| | Current Status | Municipal Status | Change | Current Status | Municipal Status | Change | Current Status | Municipal Status | Change |
| | | | | | | | | | |
| Central Okan. Reg. Dist. | | | | | | | | | |
| Weed control | \$3 | \$3 | \$0 | \$4 | \$4 | \$0 | \$5 | \$5 | \$0 |
| Garbage dump | \$47 | \$52 | \$5 | \$59 | \$70 | \$11 | \$71 | \$87 | \$16 |
| General services | \$315 | \$223 | -\$92 | \$420 | \$297 | -\$123 | \$524 | \$372 | -\$152 |
| Sterile insect release | \$6 | \$6 | \$0 | \$9 | \$8 | -\$1 | \$13 | \$11 | -\$2 |
| Miscellaneous | \$1 | \$0 | -\$1 | \$1 | \$0 | -\$1 | \$2 | \$0 | -\$2 |
| Westbank parking lot | \$5 | in mun tax | -\$5 | \$8 | in mun tax | -\$8 | \$8 | in mun tax | -\$8 |
| West. youth club grant | \$9 | in mun tax | -\$9 | \$12 | in mun tax | -\$12 | \$14 | in mun tax | -\$14 |
| West. community hall | \$8 | in mun tax | -\$8 | \$7 | in mun tax | -\$7 | \$8 | in mun tax | -\$8 |
| Johnson-Bentley pool | \$203 | in mun tax | -\$203 | \$271 | in mun tax | -\$271 | \$338 | in mun tax | -\$338 |
| Total CORD taxes | \$595 | \$284 | -\$311 | \$768 | \$379 | -\$410 | \$983 | \$475 | -\$508 |
| Library district tax | \$56 | in mun tax | -\$56 | \$75 | in mun tax | -\$75 | \$94 | in mun tax | -\$94 |
| Fire protection tax | \$93 | in mun tax | -\$93 | \$125 | in mun tax | -\$125 | \$156 | in mun tax | -\$156 |
| Rural tax | \$263 | \$0 | -\$263 | \$350 | \$0 | -\$350 | \$438 | \$0 | -\$438 |
| Municipal tax | \$0 | \$773 | \$773 | \$0 | \$1,030 | \$1,030 | \$0 | \$1,288 | \$1,288 |
| School district tax | \$834 | \$834 | \$0 | \$1,112 | \$1,112 | \$0 | \$1,390 | \$1,390 | \$0 |
| Hospital district | \$58 | \$58 | \$0 | \$77 | \$77 | \$0 | \$96 | \$96 | \$0 |
| MFA + assessment tax | \$23 | \$23 | \$0 | \$30 | \$30 | \$0 | \$38 | \$38 | \$0 |
| Total Property Taxes | \$1,922 | \$1,972 | \$50 | \$2,558 | \$2,628 | \$70 | \$3,195 | \$3,287 | \$92 |

1. Municipal taxes are shown for 1999 (in constant 1991 dollars), after all start-up grants have been received.
2. Excludes taxes for water and sewer — the taxes for these specified area services need not change.
3. Under current status, CORD, library and fire district taxes include 5.25% provincial tax collection fee (this fee does not apply under municipal status)

Table 8.3: Other Property Tax Increases Due to Incorporation

| Property Assessment = (Much lower than actual market value) | \$250,000 Business | | | \$500,000 Business | | | \$150,000 Farm + Home | | |
|---|--------------------|---------------------|----------|--------------------|---------------------|----------|-----------------------|---------------------|--------|
| | Current Status | Municipal Status | Change | Current Status | Municipal Status | Change | Current Status | Municipal Status | Change |
| Central Okan. Reg. Dist. | | | | | | | | | |
| Weed control | \$12 | \$13 | \$1 | \$24 | \$25 | \$1 | \$3 | \$3 | \$0 |
| Garbage dump | \$174 | \$214 | \$40 | \$349 | \$427 | \$78 | \$59 | \$52 | -\$7 |
| General services | \$1,285 | \$910 | -\$375 | \$2,570 | \$1,821 | -\$749 | \$315 | \$223 | -\$92 |
| Sterile insect release | \$31 | \$26 | -\$5 | \$62 | \$52 | -\$10 | \$3 | \$6 | \$3 |
| Miscellaneous | \$4 | \$0 | -\$4 | \$8 | \$0 | -\$8 | \$1 | \$0 | -\$1 |
| Westbank parking lot | \$18 | in mun tax | -\$18 | \$37 | in mun tax | -\$37 | \$8 | in mun tax | -\$8 |
| West. youth club grant | \$34 | in mun tax | -\$34 | \$69 | in mun tax | -\$69 | \$12 | in mun tax | -\$12 |
| West. community hall | \$21 | in mun tax | -\$21 | \$41 | in mun tax | -\$41 | \$7 | in mun tax | -\$7 |
| Johnson-Bentley pool | \$829 | in mun tax | -\$829 | \$1,657 | in mun tax | -\$1,657 | \$203 | in mun tax | -\$203 |
| Total CORD taxes | \$2,408 | \$1,163 | -\$1,245 | \$4,817 | \$2,325 | -\$2,492 | \$609 | \$284 | -\$325 |
| Library district tax | \$231 | in mun tax | -\$231 | \$461 | in mun tax | -\$461 | \$58 | in mun tax | -\$58 |
| Fire protection tax | \$382 | in mun tax | -\$382 | \$763 | in mun tax | -\$763 | \$93 | in mun tax | -\$93 |
| Rural tax | \$1,000 | \$0 | -\$1,000 | \$2,000 | \$0 | -\$2,000 | \$13 | \$0 | -\$13 |
| Municipal tax | \$0 | \$3,154 | \$3,154 | \$0 | \$6,309 | \$6,309 | \$0 | \$856 | \$856 |
| School district tax | \$2,550 | \$2,550 | \$0 | \$5,100 | \$5,100 | \$0 | \$779 | \$779 | \$0 |
| Hospital district | \$235 | \$235 | \$0 | \$470 | \$470 | \$0 | \$58 | \$58 | \$0 |
| MFA + assessment tax | \$92 | \$92 | \$0 | \$185 | \$185 | \$0 | \$23 | \$23 | \$0 |
| Total Property Taxes | \$6,898 | \$7,194 | \$296 | \$13,796 | \$14,389 | \$593 | \$1,631 | \$1,800 | \$169 |

1. Municipal taxes are shown for 1999 (in constant 1991 dollars), after all start-up grants have been received.
2. Excludes taxes for water and sewer — the taxes for these specified area services need not change.
3. Under current status, CORD, library and fire district taxes include 5.25% provincial tax collection fee (this fee does not apply under municipal status)

Chapter 9

What If ...

9.1

Introduction

The costs, taxes, and impacts presented earlier reflect a reasonable set of assumptions about municipal costs and taxes after incorporation. However, as noted before, these are only projections, not predictions. This chapter looks at the tax impacts of altered assumptions. Four particular "what if" issues are addressed:

- What if annual municipal services cost more (or less) than projected?
- What if more (or less) capital is spent on municipal infrastructure?
- What if greater community growth takes place?
- What if the rural tax was raised from \$1.75 per \$1000 to \$2.00 per \$1000?

Note that the municipal budgets presented earlier are the most appropriate and reasonable budgets to use when projecting the impacts of incorporation.

9.2

**Higher
Municipal
Service Costs**

As with individuals, there is a range of fiscal personalities among municipalities. Some communities are prepared to pay more to get improved or expanded services; others are not. Some are managed in cost-effective ways; others are not. The municipal council for the Westbank might turn out to be more frugal, or less frugal, than assumed in the municipal service budgets presented earlier.

The test here assumes that the municipality's projected spending turns out to be wrong every year, and that the municipal taxes have been understated by 10% every year. By 1999 this amounts to \$300,000. *It is extremely unlikely that the projected municipal budget would be low by such a great amount.* This test assumes that the error would be less than \$300,000 in the early years, but would be still substantial.

Only the municipal tax would change; the school, hospital, and other tax rates would not be affected at all.

The originally-projected 1999 municipal taxes were about \$3 million (see Table 7.2); the extra spending of \$300,000 would require a 10% jump in the municipal tax rate. However, because every year's projection is assumed to be wrong (and not just the last year's), the balance in the capital fund -- which generates investment revenue to offset taxes -- would also be wrong, starting in

the first year. If spending turns out to be higher than expected, the fund will have less money and produce less interest to help keep taxes down. As a result, by 1999 the municipal tax rate would actually have to be more than 10% higher to cover both the extra spending and the loss of interest revenue.

Table 9.1 shows the tax effects of higher municipal service costs on an average Westbank home (which is assessed at about \$100,000). The effects vary in proportion to assessed value; more expensive houses would experience a greater effect and less expensive houses would see a smaller effect.

It can be seen that a \$300,000 change in the municipality's need for taxes has a \$52 impact on an average house.

If municipal spending turns out to be \$300,000 higher than originally projected, incorporation would mean an average home pays an extra \$86 more than the 1991 current status taxes. Extra spending of \$300,000 would add \$52 to the original rise of \$34.

Conversely, if municipal spending turns out to be \$300,000 lower than originally projected, incorporation would mean the average home would pay \$18 less than the 1991 current status taxes. Reducing spending by \$300,000 would lessen the original incorporation impact by \$52, producing a net tax savings of \$18 by 1999.

Table 9.1: Impacts of a \$300,000 Change in Annual Municipal Costs

| | Original | | | Higher Spending | | Lower Spending | |
|------------------------|-----------------|-------------------|---------------|-----------------|--------------|----------------|--------------|
| | Current Status* | Municipal Status* | Basic Change* | Extra Impact | Total Change | Extra Impact | Total Change |
| Regional District | | | | | | | |
| Weed control | \$2 | \$2 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Garbage dump | \$31 | \$35 | \$4 | \$0 | \$4 | \$0 | \$4 |
| General services | \$210 | \$149 | -\$61 | \$0 | -\$61 | \$0 | -\$61 |
| Sterile insect release | \$4 | \$4 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Miscellaneous | \$1 | \$0 | -\$1 | \$0 | -\$1 | \$0 | -\$1 |
| Westbank parking lot | \$3 | in mun tax | -\$3 | \$0 | -\$3 | \$0 | -\$3 |
| West. youth club grant | \$6 | in mun tax | -\$6 | \$0 | -\$6 | \$0 | -\$6 |
| West. community hall | \$4 | in mun tax | -\$4 | \$0 | -\$4 | \$0 | -\$4 |
| Johnson-Bentley pool | \$135 | in mun tax | -\$135 | \$0 | -\$135 | \$0 | -\$135 |
| Total Reg. Dist. tax | \$396 | \$190 | -\$206 | \$0 | -\$206 | \$0 | -\$206 |
| Library district tax | \$38 | in mun tax | -\$38 | \$0 | -\$38 | \$0 | -\$38 |
| Fire protection tax | \$62 | in mun tax | -\$62 | \$0 | -\$62 | \$0 | -\$62 |
| Rural tax | \$175 | \$0 | -\$175 | \$0 | -\$175 | \$0 | -\$175 |
| Municipal tax | \$0 | \$515 | \$515 | \$52 | \$567 | -\$52 | \$463 |
| School district tax | \$556 | \$556 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Hospital district | \$38 | \$38 | \$0 | \$0 | \$0 | \$0 | \$0 |
| MFA + assessment tax | \$15 | \$15 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Property Taxes | \$1,280 | \$1,314 | \$34 | \$52 | \$86 | -\$52 | -\$18 |

* From Table 8.2

9.3

**Higher
Capital
Spending**

The original municipal budget included contributions of tax dollars and start-up grants to a capital fund that is used to finance the initial infrastructure required by the new municipality. The original assumption was that the municipality would spend a total of \$2.3 million on a municipal hall, public works yard, equipment, and provincially cost-shared road improvements during the first seven years. (Separate from this start-up infrastructure, additional capital projects during the same period totaled another \$3.1 million.)

This section examines what would happen to taxes if the \$2.3 million infrastructure sum turns out to be wrong. Table 9.2 shows the property tax impacts of changing this municipal spending on infrastructure during the first seven years by a total of \$1,000,000 -- or \$140,000 per year for the first seven years. Year 8 -- that is, 1999 -- would be still the first "normal" year.

An extra \$1 million on infrastructure costs would raise the total capital spending by the municipality during the first eight years to \$6.5 million, excluding the province's share of any road improvements as part of the program to assist new municipalities.

As shown in Table 9.2, a change of \$1,000,000 in capital infrastructure costs would mean a \$13 change in the average home's tax. Spending \$1 million *more* would add \$13 to the tax bill, for a total incorporation impact of \$47. Spending \$1 million *less* would cut the total impact down from \$34 to \$21.

Table 9.2: Impacts of a \$1 Million Change in Municipal Capital Spending

| | Original | | | More Capital | | Less Capital | |
|-----------------------------|-----------------|-------------------|---------------|--------------|--------------|--------------|--------------|
| | Current Status* | Municipal Status* | Basic Change* | Extra Impact | Total Change | Extra Impact | Total Change |
| Regional District | | | | | | | |
| Weed control | \$2 | \$2 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Garbage dump | \$31 | \$35 | \$4 | \$0 | \$4 | \$0 | \$4 |
| General services | \$210 | \$149 | -\$61 | \$0 | -\$61 | \$0 | -\$61 |
| Sterile insect release | \$4 | \$4 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Miscellaneous | \$1 | \$0 | -\$1 | \$0 | -\$1 | \$0 | -\$1 |
| Westbank parking lot | \$3 | in mun tax | -\$3 | \$0 | -\$3 | \$0 | -\$3 |
| West. youth club grant | \$6 | in mun tax | -\$6 | \$0 | -\$6 | \$0 | -\$6 |
| West. community hall | \$4 | in mun tax | -\$4 | \$0 | -\$4 | \$0 | -\$4 |
| Johnson-Bentley pool | \$135 | in mun tax | -\$135 | \$0 | -\$135 | \$0 | -\$135 |
| Total Reg. Dist. tax | \$396 | \$190 | -\$206 | \$0 | -\$206 | \$0 | -\$206 |
| Library district tax | \$38 | in mun tax | -\$38 | \$0 | -\$38 | \$0 | -\$38 |
| Fire protection tax | \$62 | in mun tax | -\$62 | \$0 | -\$62 | \$0 | -\$62 |
| Rural tax | \$175 | \$0 | -\$175 | \$0 | -\$175 | \$0 | -\$175 |
| Municipal tax | \$0 | \$515 | \$515 | \$13 | \$528 | -\$13 | \$502 |
| School district tax | \$556 | \$556 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Hospital district | \$38 | \$38 | \$0 | \$0 | \$0 | \$0 | \$0 |
| MFA + assessment tax | \$15 | \$15 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Property Taxes | \$1,280 | \$1,314 | \$34 | \$13 | \$47 | -\$13 | \$21 |

* From Table 8.2

9.4

Faster Community Growth

The original tax projections in Chapter 8 assume that about 150 new homes are built in Westbank each year, and the budgets and taxes projected over the 8-year period reflect this growth in community population. The falling household size partially offsets the new housing, and by 1999 the projected population would be just over 12,000 (up from 9,800 at the end of 1991).

This section examines what might happen if growth is greater than projected. The municipal share of RCMP costs jumps from 70% to 90% after a population of 15,000 people. Other costs would rise too. Of course, the tax base also grows more, and so the extra costs do not translate directly into extra taxes.

In this fast growth scenario, it is assumed that the number of new homes built each year soars up to 300 (from the original 150). This number would be needed to reach a population of 15,000 by 1999. *It would be up to the municipality to permit such a high growth rate.* Municipal council could curtail this through its zoning and subdivision bylaws, as well as its decisions about extending water and sewer services.

Other key assumptions for this test include these:

- The average assessment per new dwelling unit falls a bit because more of the new dwellings are multi-family units (such as apartments and townhouses) rather than more expensive single detached houses.
- An extra \$600,000 is spent on the municipal hall, public works yard, and equipment as the population passes 13,000.
- An extra \$1,400,000 is spent on parks, drainage, and other capital projects over the 8-year period.
- Land use planning, building inspection, traffic control, and engineering costs rise disproportionately as the rapid growth requires more management.
- Most other costs rise generally in proportion to the population rise.

It must be remembered that the local share of many of these costs would also rise under the current unincorporated status.

Table 9.3 shows the extra taxes that would result from a more rapidly rising population amount to \$56 on an average home. This is \$22 greater than the original projection (\$34 per home).

Of this extra \$22, the simple change in the local share of RCMP costs (from 70% to 90%, as per the current federal-provincial agreement) accounts for \$18 by itself.

Table 9.3: Impacts of Extremely High Growth

| | Current Status* | Original Municipal Status* | Basic Change* | More Extra Impact | Growth Total Change |
|------------------------|--------------------|----------------------------------|------------------|-------------------------|---------------------------|
| Regional District | | | | | |
| Weed control | \$2 | \$2 | \$0 | \$0 | \$0 |
| Garbage dump | \$31 | \$35 | \$4 | \$0 | \$4 |
| General services | \$210 | \$149 | -\$61 | \$0 | -\$61 |
| Sterile insect release | \$4 | \$4 | \$0 | \$0 | \$0 |
| Miscellaneous | \$1 | \$0 | -\$1 | \$0 | -\$1 |
| Westbank parking lot | \$3 | in mun tax | -\$3 | \$0 | -\$3 |
| West. youth club grant | \$6 | in mun tax | -\$6 | \$0 | -\$6 |
| West. community hall | \$4 | in mun tax | -\$4 | \$0 | -\$4 |
| Johnson-Bentley pool | \$135 | in mun tax | -\$135 | \$0 | -\$135 |
| Total Reg. Dist. tax | \$396 | \$190 | -\$206 | \$0 | -\$206 |
| Library district tax | \$38 | in mun tax | -\$38 | \$0 | -\$38 |
| Fire protection tax | \$82 | in mun tax | -\$82 | \$0 | -\$82 |
| Rural tax | \$175 | \$0 | -\$175 | \$0 | -\$175 |
| Municipal tax | \$0 | \$515 | \$515 | \$22 | \$537 |
| School district tax | \$556 | \$556 | \$0 | \$0 | \$0 |
| Hospital district | \$38 | \$38 | \$0 | \$0 | \$0 |
| MFA + assessment tax | \$15 | \$15 | \$0 | \$0 | \$0 |
| Total Property Taxes | \$1,280 | \$1,314 | \$34 | \$22 | \$56 |

* From Table 8.2

9.5

**Higher
Rural
Tax Rate**

In 1991 the province lowered the rural tax rate from \$2.30 per \$10000 assessment down to \$1.75 per \$1000. However, this 24% drop did not produce a drop in the rural tax per home because the average home's property assessment rose more than 24%.

The higher the rural tax rate, the greater the advantages of municipal incorporation, because the "current status" taxes would rise while the "municipal status" taxes are unaffected.

The average home, assessed at \$100,000, paid a rural tax of \$175 in 1991. If the rural rate is raised to, say, \$2.00 per \$1000 for 1992, the average home would pay \$200. This extra \$25 for the current status makes incorporation \$25 more attractive, since the "before incorporation" taxes rise by \$25 but the "after incorporation" taxes stay as originally projected.

Thus, a rural tax rate of \$2.00 per \$1000 would almost eliminate the extra tax due to incorporation:

- Original tax rise due to incorporation \$34
- Less: Extra current status tax from \$2.00 rural tax -\$25
- Net extra tax due to incorporation \$ 9

In general, the faster property values rise, the greater the tax benefits of municipal incorporation. This is because the province does not lower the rural rate accurately to coincide with increased assessments in any given area. Changes to the rural rate apply equally across the whole province, but changes to assessed values do not. If Okanagan property values rise faster than the values in other unincorporated areas, then each Okanagan property will see an above-average increase in its rural tax. This has certainly happened in the Okanagan over the past several years.

Chapter 10

Summary and Conclusions

10.1

Introduction

This study deals with the impacts of incorporating Westbank as a new municipality. Incorporation is the act of changing an unincorporated community into a municipality through Letters Patent.

As an unincorporated part of the Central Okanagan Regional District, the community receives a range of services from several levels of government. The province provides three "mandatory" services: policing, roads, and administrative services. Taxpayers contribute to the costs of these via the "provincial tax" component of their property taxes (it is commonly referred to simply as the rural tax). Property owners also pay the province two smaller property taxes for the services of the Municipal Finance Authority and the BC Assessment Authority.

The Central Okanagan Regional District, the Westbank Irrigation District (a form of local government called an improvement district), the Westside Fire Protection District (another improvement district), and several other smaller jurisdictions all provide services that are at least partially funded by property taxes in Westbank.

Incorporation as a municipality would shift responsibility for various services from the province, the regional district, and the improvement districts to the new Westbank municipality. To help pay for these services the province delegates property taxation authority to the municipal government. As well, the province provides short-term local government restructure grants and ongoing Revenue Sharing Act grants.

If incorporation proceeds, the community will become more autonomous. The municipality's elected officials would have responsibility for a wide range of decisions about community development, local services, and budgets.

If Westbank does not become a separate municipality, it could remain in its current unincorporated state.

Based on the service and budget projections made in this report, taxes on most average homes would increase about \$34 as a result of incorporation. The more expensive the home, the greater the tax rise; the lower the property assessment, the lower the tax change due to incorporation.

It is not possible to predict with certainty what a municipal council would choose for its service levels and costs, just as it is not possible to predict the service requests of an increasing population base in Westbank.

Of course, it should also be noted that property taxes under unincorporated status cannot be predicted with confidence either. *There is uncertainty in both cases.*

It is up to the residents to decide whether the advantages of a more direct form of local government outweigh the risks. Some people may prefer more direct control but fear the property tax consequences of municipal incorporation.

To assist in the comparison of the rural status with the incorporation of a new municipality, this chapter discusses the impacts of incorporation in terms of important community issues, and then draws up a list of incorporation advantages and disadvantages.

10.2

Community Issues

To assist in the comparison of the status quo versus the municipal option, a discussion of various community issues is presented here. The issues are:

- Political representation
- Authority and responsibility
- Administrative effectiveness
- Local services
- Finances and taxes
- Incorporation process

Local Political Representation

With unincorporated status there is one elected regional director for all 10,000 residents of Electoral Area H (excluding Lakeview Heights, which is in area "G"). The Westbank director has a small share of the votes on the regional district board. Westbank residents may feel under-represented in the current system.

A Westbank municipality would still have a own director on the regional district board, but it would also have an elected municipal council. The regional district's role in Westbank affairs would be reduced.

Westbank voters also help elect the trustees of the Westside fire protection district and the trustees of the Westbank irrigation district. Of course, they also vote for a provincial MLA, whose riding is far larger than just Westbank.

If Westbank incorporates, residents would elect one mayor and six council members to govern the municipality. The municipal council oversees the

delivery of community services, approves budgets and tax levels, and adopts long-range, comprehensive land use plans for the community's growth and development. The mayor and aldermen would be directly responsible to the people of Westbank. Incorporation would allow residents to have much more direct access to decision making, and therefore far greater opportunity to shape the future of their community.

By comparison with the current process and structure, the municipal process is more convenient. Municipal council would hold open meetings in Westbank every week. Municipal council meetings are much better attended by the public than are meetings under unincorporated status. Residents generally play a stronger role in the local decision process under municipal status because of this greater access to municipal meetings and to local municipal politicians.

Westbank would become a full member of the Union of BC Municipalities (UBCM), and be able to sit with status equal to other municipalities.

Authority and Responsibility

Residents in a Westbank municipality would have much more authority to decide on local planning and zoning matters than they do under the current status. In addition, municipalities have more influence over matters under provincial jurisdiction (such as roads and policing) than do unincorporated communities.

Municipal incorporation would not create any new land use planning powers that are not available in an unincorporated area, but the tools -- zoning, subdivision bylaws, etc -- are more easily and responsively used in a municipality. Incorporation shifts the responsibility for subdivision approval from the provincial Ministry of Transportation and Highways to the municipality itself and zoning bylaws are approved by municipal council rather than by the regional district board.

Municipalities can enact development cost charges (DCC's) to help recover the costs of extending or improving municipal services in response to new land development. This helps reduce the reliance on community-wide property taxes to fund growth. This tool helps municipalities minimize the financial risks associated with community expansion.

Administrative Effectiveness

It is a common concern that incorporation would simply increase the bureaucracy. While staff would be needed to manage and administer the municipal services, much of this is already provided by various bodies such as the fire protection district, the irrigation district, the province's road contractor, the provincial Surveyor of Taxes (who mails out tax notices), the regional district, and so on. Additional staff might not be required. Some

services (such as building inspection) could be contracted out to the regional district, and therefore no additional staff would be required for some services.

The costs of municipal administration were included in the municipal budgets developed in Chapter 6.

It is more efficient for residents to go to one municipal hall in Westbank than to regional district offices in Kelowna, to different improvement district offices, to provincial agency offices in scattered locations, and so on. However, it is projected that municipal incorporation would mean tax increases for most property owners, and residents would have to decide for themselves whether the increased effectiveness and local authority are worth the increased taxes.

Other Local Services

The expanded powers given to a municipality make it easier to control the array and quality of local services. In fact, in many communities the ability to change local services is an important reason for incorporation. However, incorporation by itself does not necessarily mean that new or expanded services would be started. If better or expanded services are needed under municipal status, they are also needed under the current unincorporated status.

Expanded or new services almost always mean tax increases no matter what form of local governance is in place. For example, new parks will mean a tax increase under unincorporated status just as they would under municipal status.

There are some unavoidable increases in service quality as a result of incorporation. An example of this is the increased power residents have to determine for themselves which roads in the community should get priority for improvement.

In a municipality, the community sets the timing, priorities, and standards of local road maintenance; in unincorporated areas the province determines these. In a municipality, the costs of road improvements can be at least partially charged against the properties that benefit; there is no mechanism for this accountability under unincorporated status.

It is inevitable that the municipal council would be under some pressure to improve the quality of local roads, and some capital expenditures would be made to upgrade roads. The costs of this have been included in the capital budgets in Chapter 5 and Chapter 6. The province would make short-term grants to assist in the transfer of the road responsibility.

Finance and Taxes

Municipalities are eligible for a number of provincial grants that are not available without municipal status.

The municipality would have to make a contribution towards RCMP costs under the current provincial policing agreement because its population is over the 5,000-person threshold. Residents now make a payment for RCMP in the form of the provincial rural tax, which would be eliminated upon incorporation (replaced by the municipal tax).

The costs of maintaining and improving local roads would shift from the province to the municipality. While the provincial rural tax used to recover some of these road costs would be eliminated, the municipal tax that replaces it would have to generate sufficient funds to cover the road maintenance costs.

Tax payments for regional district services would also fall as some of these services become a municipal responsibility, but, again, municipal taxes would have to cover the costs of these.

The municipality would receive an on-going Revenue Sharing Act grant from the province to help finance municipal services; all municipalities receive this assistance each year.

On balance, the municipal service budget projections indicate that incorporation would mean a slight tax increase for Westbank properties. The increase varies depending on the property type and on the assessed value. Sample impacts are projected as follows (stated in 1991 dollars). *Note that assessed values are lower than actual market values.*

- | | |
|--|----------------|
| • Vacant lot (\$25,000 assessment) | \$ 19 increase |
| • Home assessed at \$100,000 (the average) | \$ 34 increase |
| • Home assessed at \$150,000 | \$ 50 increase |
| • Home assessed at \$200,000 | \$ 70 increase |
| • Business assessed at \$500,000 | \$593 increase |
| • Farm with a home (\$150,000 assessment) | \$169 increase |

Incorporation Process

The question of who gets to vote in a referendum and in a municipal election is extremely important. The rules in the Municipal Act governing municipal voting rules are complicated but some essential points are:

- To be eligible to vote, you must be at least 19 years old, be a Canadian citizen, have lived in BC for 6 months prior to voter registration, and have lived in the community for 3 months prior to voter registration
- All property owners (except large corporations) are eligible to vote even if they live elsewhere in BC, provided they meet the age and citizenship requirements
- Tenants can vote, provided they meet the age and citizenship requirements
- Small corporations are eligible for one vote under certain circumstances.

An important question is how the boundaries are selected. The boundaries that would apply in a referendum are set by the Minister of Municipal affairs, Recreation and Culture following consultation with the local study committee. The local committee makes the decision to request a referendum, but the final decision to have a referendum rests with the Minister. All residents within the boundary could vote in the referendum, subject to the eligibility rules stated above.

A number of other issues regarding phasing in of incorporation, reversibility of incorporation, and choosing the level of services are important.

There is considerable flexibility to phase in services to correspond to the increasing capacity of the new municipal administration. Not all services would have to be provided by municipal staff from the very start; some could be phased in over several years, and some could be contracted out for a short or long term.

An individual resident would generally not be able to choose whether or not to receive a specific municipal service. It would be up to the new municipal council to establish service areas and service levels within the community. These policies are usually adopted only after consultation with the affected residents.

If for some reason the majority of people see incorporation as a mistake, the municipality can disincorporate and again become an unincorporated community. This would be an extremely unusual occurrence. Although disincorporation is possible, there is no recent provincial example where disincorporation has taken place. People in municipalities apparently prefer municipal status to rural status.

10.3

Uncertainties

A number of assumptions that help shape the calculations of the projected tax increases deserve mention here, as they may have a direct bearing on the impacts.

Community Preferences

It is not possible to predict what service priorities a municipal council would develop. The municipal budget may or may not closely resemble the projections made in this report. While the projections are reasonable, they are not definitive or binding.

For example, council could choose to contract out more services or fewer services than assumed here. It could decide to shift funds away from road improvements and into some other services.

It is also difficult to predict what new or improved services (if any) residents might want in the future. This is true under both unincorporated status and municipal status.

The Provincial Rural Tax

The province lowered the rural tax rate by 24% for 1991, but Westbank residents saw their property assessments rise by more than this because their assessments rose by more than 24%, so their tax bills actually increased even though the tax rate fell. In the long run it is reasonable to suggest that the province may increase this rate, just as it had been doing for some years prior to 1991.

A return to a provincial policy of raising the provincial rural tax rate would make incorporation more attractive than indicated in this report, because it would raise the status quo taxes without affecting the municipal status taxes. To put this in perspective, a return to the 1990 rate (\$2.30 per \$1000 assessed value) would add \$55 to the unincorporated status taxes on an average house, thereby reducing the incorporation impacts by \$55.

Rural Tax Rebate

This report assumes that the municipality would *not* receive a rebate of 1991's rural tax collections from the province. As allowed under s.25 of the Municipal Act, the new municipality could receive 50% or 100% of the previous year's rural tax collections (net of receivables). This one-time rebate, if given, would amount to either \$330,000 or \$660,000 -- depending on the incorporation date during the year. Receiving these funds would *reduce* the projected average house tax under municipal status by a small amount.

Regional District Taxes

This report assumes that the Central Okanagan Regional District would not significantly change the services in electoral area H in a manner that would affect taxes under the current status but *not* under municipal status. This is a reasonable decision, but it is not possible to confidently predict future regional district taxes and services.

Road Improvement Grants

It is possible that eligibility for 75% road improvement assistance offered to Westbank by the province would generate more, or less, assistance than assumed in this report. Only new municipalities are eligible for this 8-year program and so Westbank's chances of receiving substantial funding are good. However, the province has guaranteed only that certain projects are *eligible* for 75% funding, not that this funding is *guaranteed*. It would be up to municipal council to select the road improvement program and to set the road improvement budgets.

10.4

Balance Sheet

Table 10.1 summarizes some of the advantages and disadvantages of incorporation, and Table 10.2 on the last page summarizes the major changes that incorporation would bring.

It is not possible for this report to state whether or not the advantages outweigh the disadvantages. This decision can only be made by each individual on the basis of what issues matter the most. An advantage might not matter if it involves a topic that is not very important to the individual. For example, better roads from incorporation is a meaningful advantage only if an individual feels that the quality of local roads should be improved.

Table 10.1: Incorporation Advantages and Disadvantages

| | ADVANTAGES | DISADVANTAGES |
|------------------------------|---|--|
| REPRESENTATION | <ul style="list-style-type: none"> • Greater political representation • Closer contact with decision makers | <ul style="list-style-type: none"> • Some people mistrust the increased concentration of decision authority to a single body of locally elected officials |
| AUTHORITY AND RESPONSIBILITY | <ul style="list-style-type: none"> • Greater local control over land use • Greater local control over budgets and taxes • Greater local ability to change services (including local improvement bylaws, where cost is paid directly by benefitting properties) | <ul style="list-style-type: none"> • Greater chance for a short-term council to commit the community to long-term obligations and services |
| EFFECTIVENESS | <ul style="list-style-type: none"> • Easier access to meetings + decision process • More comprehensive community planning possible, since more services and policies are determined by the same body • Centralized records for local services | <ul style="list-style-type: none"> • Increased local administrative staff |
| PROTECTIVE SERVICES | <ul style="list-style-type: none"> • There is more local control over fire protection policies under some options, but not under all options • More RCMP officers (12 vs. 5) | <ul style="list-style-type: none"> • Some options would weaken Westbank's control over fire protection policies • Higher local RCMP costs |
| OTHER LOCAL SERVICES | <ul style="list-style-type: none"> • Easier to change services (an advantage to those who want changed services) • Altered services by choice of locally-elected council, not by remote body | <ul style="list-style-type: none"> • Easier to change services (this is a disadvantage to those who do not want changed services) |
| FINANCE AND TAXES | <ul style="list-style-type: none"> • Eligibility for water and sewer grants • Start-up incorporation grants • Greater flexibility in contracting services • On-going provincial grant of over \$650,000 per year • Reduced regional district taxes | <ul style="list-style-type: none"> • Increased property taxes • Reliance on provincial grants • Greater chance for council to shift burden away from those who benefit and onto all taxpayers at large • Responsibility for road costs |

Not all items are equally important; opinions will vary about the balance between benefits + costs

Table 10.2: Major Changes Due to Incorporation

| | CURRENT SITUATION* | MUNICIPAL STATUS |
|--|--|--|
| <ul style="list-style-type: none"> • Municipal council • Regional District board member • Improvement district trustees | <ul style="list-style-type: none"> • No • Yes — 1 for all of electoral area H • Yes — Westbank Irrig. trustees, Westside fire trustees | <ul style="list-style-type: none"> • Yes — 1 mayor and + 6 aldermen • Yes — a member of munic. council • None (if fire service becomes a municipal dep't in Westbank) |
| <ul style="list-style-type: none"> • Provincial rural tax • Municipal tax • Regional district tax • School district, hospital district, and assessment authority taxes | <ul style="list-style-type: none"> • Yes (rate set by province) • No • Yes • Yes | <ul style="list-style-type: none"> • No • Yes (set by municipal council) • Yes (less than before) • Yes (not affected by incorporation) |
| <ul style="list-style-type: none"> • Administration offices • Public works building, garage, yard • Public works equipment + vehicles • Sewer trunks and treatment • Local sewer collectors • Most of Westbank water • Shannon Lake + Menu Rd water • Johnson Bentley pool • Westbank community ctr • Community parks | <ul style="list-style-type: none"> • Several: Reg. dist. in Kelowna, irrig. district in Westbank, highways in Kelowna and Victoria, etc • Provincially-owned • Province (private contractor) • Reg. district • Reg. district • Westbank irrig. district • Lakeview irrig. district • Regional district • Regional district • Regional district | <ul style="list-style-type: none"> • Municipal (could be rented premises at first); reg. district in Kelowna • Municipal (could be contracted out) • Municipal (could be contracted out) • Options (could stay reg. district.) • Municipal (specified areas) • Municipal (specified area) • Municipal (specified area) • Municipal • Municipal • Municipal |
| <ul style="list-style-type: none"> • Collection of property taxes • Local share of RCMP costs • Fire protection • Responsibility for Highway 97 • Responsibility for local roads • Zoning + development authority • Subdivision approval authority • Official community plan adoption • Bylaw enforcement authority • Building inspection responsibility | <ul style="list-style-type: none"> • Province • Yes (in rural tax) • Westside fire protection district • Province (Min. of Trans + Hwys) • Province (Min. of Trans + Hwys) • Regional district board • Min. of Trans + Hwys; reg. district • Regional district board • Regional district board + RCMP • Regional district board | <ul style="list-style-type: none"> • Municipality • Yes (70% share) • Options (could be munic. dep't) • No change • Municipality (after first few yrs) • Municipality • Municipality • Municipality • Municipality • Municipality |
| <ul style="list-style-type: none"> • Annual "no strings" grant from province • Eligible for sewer grants • Eligible for water grants • Eligible for road improvement grants • Short-term assistance grants • Eligible for revitalization funding | <ul style="list-style-type: none"> • No • Regional district is eligible now • No, irrigation districts are not • No (province pays all road costs) • No • No | <ul style="list-style-type: none"> • Yes, over \$850,000 per year • Reg. dist + munic. both eligible • Yes • Yes, during first 8 years • Yes (about \$2 million in first 3 yrs) • Yes |
| RESIDENTIAL TAXES*: <ul style="list-style-type: none"> • Vacant lot (\$25,000 assessment) • \$50,000 assessed home • \$100,000 assessed home (avg home) • \$150,000 assessed home • \$200,000 assessed home • \$250,000 assessed home | Total 1991 Taxes: <ul style="list-style-type: none"> • \$ 311 taxes • \$ 636 taxes • \$1,280 taxes • \$1,922 taxes • \$2,556 taxes • \$3,195 taxes | Normal Year Taxes (1991 dollars): <ul style="list-style-type: none"> • \$ 330 ... increase of \$ 19 • \$ 667 ... increase of \$ 21 • \$1,314 ... increase of \$ 34 • \$1,972 ... increase of \$ 50 • \$2,628 ... increase of \$ 70 • \$3,287 ... increase of \$ 92 |
| TAXES ON OTHER PROPERTY: <ul style="list-style-type: none"> • Farm + home (\$150,000 asmnt) • \$250,000 asmnt business • \$500,000 asmnt business | <ul style="list-style-type: none"> • \$ 1,631 taxes • \$ 6,698 taxes • \$13,796 taxes | <ul style="list-style-type: none"> • \$ 1,800 ... increase of \$ 169 • \$ 7,194 ... increase of \$ 296 • \$14,389 ... increase of \$ 593 |

* NB: Assessed property values are lower than actual market values.

Chapter 11

Implementation

11.1

Introduction

This chapter identifies the steps involved in the incorporation process.

Once residents have been provided with complete, objective and relevant information, a decision can be made about whether to hold a referendum on the issue. If the residents vote for incorporation, then an application is made to the province for Letters Patent giving the community legal status as a municipality. Steps are also taken to build an organizational structure for the administration of the municipality. An election is held to choose a mayor and aldermen and an inaugural meeting is scheduled to formally begin the process of local government. Regular council meetings follow and begin to address the ongoing concerns of the community.

The following outlines the transitional plan to be discussed more fully in this chapter.

- 9.2 From local initiative to referendum
- 9.3 From referendum to granting of Letters Patent
- 9.4 From Letters Patent to inaugural council meeting
- 9.5 After inaugural meeting

11.2

Steps to a Referendum

There are a number of important steps the local incorporation committee must take between the completion of the incorporation study and the holding of a referendum. This, of course, assumes that the committee has decided that a referendum is warranted.

Local Government Restructure Grants (LGRP Grants)

The committee should undertake discussions with the province to confirm estimates of the LGRP grants available if incorporation proceeds. The committee should assess the adequacy of the provincial offers and decide if further discussions should be initiated.

Some of the transition grants are fixed on a per-capita basis and some are negotiated in response to the impact of restructuring on the community. Financial assistance should be specified in a schedule of annual payments.

The type of grants are summarized as follows:

- Roads Capital Grant Program (Ministry of Transportation and Highways): Eligibility for 75% funding for certain road improvements.
- Roads Maintenance Grant (Ministry of Transportation and Highways): A contribution to maintaining the roads within the incorporated area.
- Transition Grant (Ministry of Municipal Affairs, Recreation & Housing): Based on a per capita formula at the time of incorporation.
- Rural Tax Payment (Ministry of Finance and Corporate Relations): A portion of the current year's rural tax collection (not often given).
- Policing Assistance (Ministry of Solicitor General and Ministry of Municipal Affairs, Recreation & Housing, paid by Municipal Affairs): The Province also provides assistance for the transfer of RCMP responsibilities to the local level.
- Planning Grant (Ministry of Municipal Affairs, Recreation & Housing): A contribution for the preparation/update of the Official Community Plan and zoning, subdivision, and development bylaws.

Responsibility for Local Roads

The committee should ensure that the province has indicated the date the province's contractor will cease to be responsible for local roads. *This information is vital.* The committee should ensure it is included as part of the incorporation assistance offer referred to in the paragraph above.

Decision on Boundary

The committee must weigh the fiscal benefits and costs of including certain areas against the political costs and benefits to residents of the areas. For example, including a certain area may be a fiscal benefit to the municipality, but the residents may be strongly opposed and would be forced into incorporation by a majority vote of the whole community. Experience suggests that this resentment may simmer and cause problems for the new council later.

The committee may wish to informally canvas the residents of a peripheral area to determine the support for incorporation. The committee may want to include in the incorporation proposal only a core area and exclude peripheral areas now. It is possible to expand municipal boundaries at a later date if and when the benefits of including peripheral areas become more apparent. The procedure for boundary expansion, as specified under s.22 of the Municipal Act, is relatively straightforward, provided that the residents in the area to be incorporated are not opposed to the proposal. It requires supplementary Letters Patent from the province.

Public Information Forums

The committee should arrange for one or more public meetings in which to discuss, explain, and debate the impacts of incorporation, using this Incorporation Study as a technical reference.

Fire District Service

The committee, the Westside fire protection district trustees, the regional district, and the province should commence discussions on the options for this service early in the process. The options were outlined earlier in Chapter 4.

Regional District Assets

The committee should ask the province to confirm which regional district assets would be transferred to the municipality based on the contents of the municipal Letters Patent. Consideration should be given to community parks, the Johnson Bentley pool, the Westbank community centre, the Westbank street lights, the Shannon Lake street lights, and the local sewer collector lines.

Westside Irrigation District Assets

The committee should ask the province to confirm that the assets and liabilities of the Westbank irrigation district would be transferred, and when the transfer would occur. The committee should ensure that the province has agreed to require the establishment of a municipal specified area for this water service. Additionally, the committee should ensure that the province has agreed to protect the reserves of the district for the sole benefit of the members of the district following incorporation. Finally, the disposition or use of the irrigation district office building should be addressed.

Lakeview Irrigation District Water

The committee should ask the province to confirm that those assets and liabilities of the Lakeview irrigation district which relate specifically to the Shannon Lake area and Menu Road area would be transferred to the municipality, and when the transfer would occur. Additionally, the committee should ensure that the province has agreed to require the establishment of a municipal specified area for this water service, and that the province is prepared to set out an agreement whereby the municipality can purchase water for these residents from the Lakeview irrigation district.

Provincial Assets

The committee should ask the province to indicate, or to start considering, which Crown lands might be transferred to the municipality for municipal purposes such as a municipal hall, playfields, garage and vehicle storage, and so on.

Decision to Ask for a Referendum

Based on the findings of the study, on the costs and benefits of incorporation, progress on agreements for fire service transfer, and on residents' feelings about the proposal, the committee must decide whether or not to proceed to a referendum vote and, if so, what boundaries are selected.

Request for a Referendum

The committee would petition the Minister of Municipal Affairs, Recreation & Culture, subject to s.6(2)(a) of the Municipal Act, to hold a referendum on incorporation. The Minister in turn would establish the procedure for a referendum subject to s.11(1) by:

- Appointing a returning officer.
- Preparing a polling map.
- Authorizing monies for referendum expenses, including those incurred by the incorporation committee.

The Minister has the final authority for choosing the boundaries as well as choosing the wording of the referendum question itself. The referendum will be managed by the returning officer, who is appointed by the Minister.

Holding the Referendum

The referendum would be organized and paid for by the province. If the referendum does not receive over 50% approval, then this particular incorporation attempt could cease. The committee may wish to abandon the process and disband. The other option is to re-present the incorporation option to the public at a later date. In either case, the committee should document the study procedure and outline the decision process (minutes of meetings, etc) so that they can be referenced if incorporation arises in the future.

According to s.7 of the Municipal Act, if more than 50% of the votes favour the proposed incorporation, the Lieutenant Governor in Council may, on the recommendation of the Minister, incorporate the lands within the selected boundary into a municipality by issuing Letters Patent.

11.3**From the
Referendum to
Letters Patent**

If the referendum favours incorporation, there are a number of key tasks that the committee should perform prior to the actual issuance of Letters Patent. These generally involve confirming servicing agreements, finalizing the terms and conditions of the Local Government Restructure Programme grants, and confirming the contents of the Letters Patent.

Record Keeping

The committee is not the municipality. Therefore, it cannot execute formal agreements for servicing relationships. However, the committee should maintain a clear and formal understanding of servicing relationships between the future municipality, the regional district, the improvement districts, and the province. Correspondence, memos of understanding, and agreements should be recorded in a book of minutes for future reference.

Regional District Service Transfers

The committee should ask the province to confirm the policies -- including effective dates of change and the municipality's options to end the service -- for the transfer of these regional district services to the municipality:

- Building inspection and permits (recommended: contract with the regional district, for at least one year)
- Planning and land use controls (recommended: contract with the regional district for at least one year)
- Dog control
- Unsightly premises control
- Community parks (including transfer of assets)
- Area H grants in aid
- Noise abatement control
- Westbank parking lot (including transfer of assets)
- Westbank youth club grant authority
- Johnson Bentry pool (including transfer of assets)
- Westbank community hall (including transfer of assets)

Services Provided by the Province

In terms of road maintenance, the financial issues (ie, the Local Government Restructure Grants) should have been confirmed by the province by this point. Outstanding issues the committee feels are not properly resolved should be discussed with the province. The province's offer must include specific reference to the date when the municipality will become responsible for local roads.

The arrangements for policing should be confirmed by the province.

The BC Assessment Authority and the Municipal Finance Authority (MFA) services are not negotiable -- all areas of the province must pay for them on the same basis. However, the committee and the future council should be aware of services and expertise available from these two agencies.

Services Provided by Other Jurisdictions

While schools are the jurisdiction of the school district, the future municipal council and the school board may wish to cooperate in planning for the service. It is clear that the rate and location of housing development, the capacity and

location of municipal infrastructure, can have an effect on where schools are needed and whether or not they can be accommodated.

Hospital services are provided by the regional hospital district. Its boundaries are identical to those of the regional district. Costs are recovered through property taxes, the same levy applied to rural and municipal property. Therefore, there will be no change in the delivery of, or cost recovery for, hospital services.

Request that Cabinet Issue Letters Patent

The committee should ask the Minister of Municipal Affairs, Recreation & Housing to request that Cabinet issue the Letters Patent to legally incorporate the new municipality. The committee would meet with representatives of Municipal Affairs, Recreation & Housing to confirm a number of items that must be specified in the Letters Patent. These include the following:

• **Legislative:**

- Classification as a district municipality (as opposed to city, town or village)
- Boundaries: The municipal boundaries must be specified.
- Municipal Elections: The form of elections is specified in s.13 of the Municipal Act, but it is possible to adjust statutory requirements in the Letters Patent.
- Size of council: S.208(2) of the Municipal Act says that a district municipality with less than 50,000 people shall have 6 council members (excluding the mayor), but some flexibility exists for altering the size of council as per s.209. The size of council should be confirmed with the Province.
- Appoint a returning officer for the first municipal election (mayor and council)
- Establish the nomination date for the election
- Set the election date itself
- Establish the costs of the election and the method of paying for it.

• **Financial:**

- Under rural status, all improvements on agricultural land are exempt for general taxation purposes. After incorporation, only the first \$50,000 of farm improvements are exempt; all residential improvements on farm land are subject to full municipal taxation. Subject to s.13(1) of the Municipal Act, it may be desirable to phase in municipal taxation of improvements by establishing a schedule of tax exemption. Full taxation after 5 years is suggested.
- Special exemptions for community service groups as specified in s.398 to s.400 of the Municipal Act should be considered and may be included in the Letters Patent.
- Letters Patent should specify that an assessment roll be prepared.
- Municipal borrowing authority for long term capital purposes is based on previous years' assessments and debts, which in the case of a newly

incorporated municipality do not exist. Therefore, the Letters Patent should establish the municipality's borrowing authority.

- A limit is required to be set for the revenue anticipation borrowing bylaw which provides the municipality with a means to access money for operational purposes.
- Organizational:
 - Specify a date for the transfer of individual regional district responsibilities to the municipality. Regional District rules will apply until this point in time.
 - Specify the creation of, and the timing for, the main water specified service area (the old Westbank Irrigation district boundary), and the asset (and debt) transfer date
 - Specify the creation of, and the timing for, the Shannon Lake/Menu Road water specified service area (currently part of the Lakeview irrigation district boundary), and the asset and liabilities transfer date
 - Specify the timing and conditions of the fire protection service in the municipality.
 - Appoint an interim Clerk-Administrator having all the powers specified in s.244 of the Municipal Act.
 - Specify the continuation of existing provincial licences
 - Specify the continuation of existing regional district and fire improvement district bylaws
 - Land use bylaws, building permit bylaws, and permits and approvals issued under the existing bylaws of the regional district should continue in force up to a date specified in the Letters Patent.

11.4

From Letters Patent to Inaugural Meeting

A number of organizational, financial and service functions must be carried out prior to the inaugural meeting of the new council.

Nomination of Candidates for Municipal Office

Subject to s.94 of the Municipal Act, nominations for mayor and alderman must be received by the Returning Officer in a form as specified in s.96 of the Municipal Act. Date for filing nominations would be as set out in the Letters Patent.

Hold Municipal elections

Subject to s.92 of the Municipal Act, the Returning Officer would give notice of the election, stating time of the advance poll in a form specified in s.93 of the Municipal Act. The date for the initial election would be as set out in the Letters Patent. All elections after this one must agree with s.85 of the Municipal Act.

Organization Requirements

These are some of the key organizational requirements to be undertaken by the Interim Clerk/Administrator.

- Arrange the time and location of the inaugural meeting.
- Order a corporate seal as required by s.216 of the Municipal Act.
- Publish letters patent as specified by s.15 of the Municipal Act.
- Obtain original subdivision files from the Ministry of Transportation and Highways.
- Obtain all records and documents relevant to the new municipality from the regional district
- Notify the Registrar of Land Titles of the interim approving officer and supply a copy of signature.

Financial Requirements

Under the direction of the Interim Administrator the following items should be undertaken.

- Prepare a provisional budget as specified in s.263 of the Municipal Act.
- Obtain the assessment roll.
- Transfer banking arrangements from the regional district and the improvement districts to the new municipality.

Transportation Services

- Ensure that negotiations have been completed with the Ministry of Transportation and Highways to provide interim services and road maintenance if necessary.
- Obtain copies of all road access permits.

Inaugural Meeting of Council

The inaugural meeting of the municipal council is customarily held in the first week in December to swear in the Mayor and aldermen. Other legal and administrative functions that should also be attended to include the following.

- The introduction of a Procedures bylaw (s.231 of the Municipal Act)
- The introduction of a Revenue Anticipation Borrowing bylaw
- The introduction of a Banking bylaw
- The introduction of a Council Indemnification bylaw (s.262 of the Municipal Act)
- The introduction of an Employee Indemnification bylaw (s.262)
- The appointment of an approving officer
- The appointment of a municipal clerk
- The appointment of a municipal treasurer

- The appointment of an auditor
- The introduction of the provisional budget
- The appointment of a municipal Approving Officer.
- The appointment of a Medical Health Officer
- The appointment of members to the Union Board of Health
- The appointment of the member to the Regional District Board

11.5

**After the
Inaugural
Meeting**

Soon after the inaugural meeting (usually in January of the following year), a number of important legislative and policy decisions must be made by the new council. These include the following.

General Government

Council should initiate the process for securing a municipal hall, either as an addition to an existing building or a new building (or possibly a leased office). The site should be secured by agreement or purchase. The design process for the building should be initiated, as should the budgeting process for it. Council should appoint a municipal solicitor.

Protective Services

As soon as possible, after having reviewed available options, decisions should be made regarding:

- Policies for RCMP services and arrangements for space for the police (possibly in Kelowna)
- Animal control bylaw (if there is no contract with the regional district)
- Selection of a building inspector (if there is no contract with the regional district)

Transportation Services

Having reviewed some policy options, municipal council must decide on:

- The procedure for maintaining roads with a municipal crew or contracting the service to a private firm or firms
- Vehicle selection and purchases
- Location of public works yard (if one is required)
- Nature of the public works building (if one is required)

Recreation and Parks

Council will be required to decide on service delivery options for parks services.

Fiscal

It is customary for council to establish a number of working committees, one of which is the Finance Committee. This committee should review the preliminary budget and make recommendations to council.

Staffing

As soon as possible, council should identify and appoint a permanent Administrator, Clerk and Treasurer, as well as a date when these permanent positions will take effect (this ends the temporary position of Interim Clerk-Administrator).

Environmental Services

There are a number of planning and land use regulation bylaws that will be required by the municipality to regulate development. Council should decide whether to use consultants or contract with the regional district to provide planning development services. A number of key by-laws are required, including the following:

- Official Community Plan bylaw
- Comprehensive Land Use bylaw (it should incorporate the Procedures bylaw, zoning requirements, subdivision requirements, and sign regulations)
- Building regulation bylaws and adoption of the BC Building Code.

Council should decide if there is to be an Advisory Planning Commission as outlined in s.955 of the Act, and if so, appoint members to it.

Chapter 12

Glossary

Ad Valorem Taxes

Ad valorem taxes are taxes based on assessed property value. The taxes payable are determined by multiplying the assessed property value by a tax rate. The higher the property assessment, the higher the taxes. Ad valorem tax rates are stated as the amount of tax per \$1000 of assessed value. An ad valorem tax rate of \$2.00 per \$1000 and an assessed value of \$150,000 would generate a tax of \$300 (ie, \$2.00 times \$150 = \$300).

Assessed Value

The property value, as determined by the Assessment Authority, to be used when calculating property taxes. While they are based on market values, the assessed values are frozen for two years, then re-assessed for the next two-year period, and so on. For example, the assessed values used to determine 1991 and 1992 taxes are based on the 1990 market values. In Westbank, assessed values are much lower than actual market values because the market has risen substantially since the last re-assessment.

Assessment Authority

Property assessments in BC are determined by the BC Assessment Authority, an independent arm of the provincial government. The property tax rates used to finance the operations of the Assessment Authority are uniform across all areas of the province; municipal properties pay the same rates as properties in unincorporated areas.

Capital Financing

Capital financing as used in this report refers to the acquisition or purchase of larger capital items such as major road improvements, municipal buildings, park improvements, and so on. Capital projects can be financed in a number of ways, including using current year's tax revenues, borrowing funds via long term debts, using reserve funds that have been put away in increments over years, and using grant money from the province. The property tax impacts shown in this report assume a significant amount of municipal money would be spent on capital projects. A capital financing plan involving the use of annual tax dollars and the incorporation grants has been developed to ensure that the capital projects could be undertaken as shown without incurring any new municipal debts (see next item).

Capital Fund

In this study it is assumed that a new municipality would create a capital financing program -- an investment program -- to smooth the benefits of start-

up grants over a longer time period. The fund would be used to help pay for capital projects over the first seven of eight years, thereby reducing the need for long-term debts. Most new municipalities in BC have established investment and spending programs and principles for their start-up grants. The mechanics of these plans vary from place to place, but most new municipalities recognize that the initial grants should fit into a financial plan to maximize benefits over time rather than just in the first few years.

Central Okanagan Regional District ("CORD")

CORD has 6 member areas and is run by a board of 9 directors. The 6 member areas consist of 2 municipalities (Kelowna and Peachland) and 4 electoral areas. Each of the 6 members of the regional district has one director, except for Kelowna, which has 4 directors. For money matters, members can have greater voting strength based on population; there is a total of 25 votes among the 6 members. On other matters, such as zoning or a decision to establish a new service, each director gets only one vote (but a bylaw setting taxes and fees for a new service does use the weighted votes). Each electoral area director is elected directly by the voters; the municipal councils appoint their own member(s) to the CORD board. In the electoral areas, CORD is the prime government with responsibility for a number of area-specific services. However, there are a number of regional district services that all members, including municipalities, participate in. Such things as regional parks and 911 emergency calling are examples of services that are dealt with by CORD rather than by individual members acting independently of each other.

Electoral Area

The Central Okanagan Regional District -- "CORD" -- consists of 2 municipalities and 4 electoral areas. Westbank is in electoral area "H". Electoral areas are unincorporated areas, as opposed to municipal areas. Electoral areas have one director on the regional district board; this director is elected directly by the residents every three years. A municipal council appoints one of its own members to sit on the regional board as a director. If Westbank incorporates it will have one director on the CORD board.

Home Owner Grant

The province of BC provides annual grants to owners of residential properties provided it is their principal residence. Owners of seasonally-occupied properties and renters are not eligible for the grant. The basic home owner grant for 1991 is a maximum of \$430 when the owner is under 65 years of age, or \$700 when the owner is 65 or older. Owners under 65 cannot use the grant to reduce their net property tax below \$350; owners 65 and over cannot use the grant to reduce their net tax below \$100. In addition to this basic grant of either \$430 or \$700, the province also makes available to the same groups a school supplement grant. The school supplement grant is 50% of the difference between the gross school taxes and the maximum home owner grant; the maximum grant here is \$1,000. For example, if a resident owner under 65 years of age faces a school tax of \$1200, the school supplement grant for 1991 would be \$385, which is 50% percent of the difference between the \$1200 tax

and the maximum \$430 home owner grant. The home owner grant and the school supplemental grant would not be affected by incorporation.

Improvement District

Improvement districts are a form of local government authorized under the Municipal Act. There are three in the Westbank area: the Westside fire protection district, the Westbank Irrigation District, and the Lakeview Irrigation District. Only the Westbank Irrigation District lies entirely within the proposed municipal boundary; the other two extend to cover other areas as well. An improvement district has elected trustees to pass bylaws and the set policies for its services. Fire improvement districts generate revenues for their operations mainly through ad valorem property taxes.

Incorporation

As used here, incorporation refers to the act of changing a rural status community to a municipality incorporated under the Municipal Act. Responsibility for a number of services would shift from the regional district, the province, and the fire district to the municipality, which is run by a locally elected mayor and council. The municipality would have property taxation powers to finance these municipal services. A municipality is created when the provincial Cabinet issues the Letters Patent for it, specifying its boundaries, its effective date of creation, and numerous other technical matters.

Indirect Taxes

In the context of paying for local services, indirect taxes refer to provincial taxes from multiple sources such as personal income tax, sales taxes, and so on that are undifferentiated by geographical area. For example, the costs of maintaining roads and providing RCMP services in Westbank are partly paid for through the provincial rural tax and partly paid for through indirect taxes collected over the province as a whole.

Levy

A levy is a more general term for a property tax, user fee, or charge for a local service.

Local Community

Section 817 The Municipal Act allows a form of local government called the local community. A local community is a sub-set of the regional district. The local community is run by a commission comprised of 4 locally elected commissioners (who must be residents in the community) and the electoral area director. The commission would decide the policies for those services under its jurisdiction and then ask the regional district board to implement these policies. These policies are restricted to a number of specific services and do not include zoning or subdivision authority. The commission makes recommendations to the regional board for certain service levels and service budgets, but the final authority for approving these rests with the regional board. The local community is designed for small communities with less than 500 people. There are only a few examples of local communities in BC, all involving communities

that are much smaller, more remote, and less complex than Westbank.

MFA

MFA stands for Municipal Finance Authority. This is the arm of the provincial government that borrows money on behalf of regional districts and municipalities when they need to finance capital projects using long-term debts. The MFA pools all the borrowing requests from these local governments into one and then raises the required amount on various money markets, choosing the best rates possible. The property tax rates used to finance the operations of the MFA are uniform across all areas of the province; municipal properties pay the same rates as unincorporated properties.

Municipal Grants

The municipality would receive short-term assistance grants from the province to ease the transition from rural status to municipal status; these grants are based on population and road length. In addition, all BC municipalities receive an on-going basic grant of up to \$110,00 and an on-going population grant of around \$50 per person per year. Municipalities are eligible for a number of other grants such as grants for planning projects (eg, updating the official community plan), for downtown revitalization designs, and for sewer and water projects; these grants are given on a case by case basis. The property tax impacts shown in this report assume only the short-term assistance grant, the on-going basic grant, and the on-going population grant are received by the new municipality.

Parcel Tax

A parcel tax is a tax levied on each parcel or lot. All lots would pay the same flat parcel tax. A small lot would pay the same tax as a large lot.

Referendum

A referendum is simply a vote. In the context of municipal incorporation, a referendum would involve a yes-no question asking voters if they are in favour of incorporating the area as a municipality. A "no" vote would signify a choice to remain under current rural status. The results of a referendum are not binding; it is up to the Minister of Municipal Affairs, Recreation, and Housing to decide whether or not incorporation should take place. The Minister is unlikely to overturn any significant majority for or against incorporation, but the Minister's discretion may be important if the results of a referendum are not clear – for example, if the yes votes amount to 50.5% of all votes cast. The Minister has the final say in determining the format of the question, the boundary, and the date for this type of referendum.

Restructuring

Restructuring as used here refers to changing the form of local governance from the current rural status to municipal status by incorporating the community as a municipality. There are other forms of restructuring, such as amalgamation with an existing municipality.

Rural Tax

With the exception of the University Endowment Lands (near UBC), all areas of the province that are not in a municipality pay the provincial rural tax. This is an ad valorem tax currently set at \$1.75 per \$1000 assessed value for residential properties. The purpose of the tax is to pay for road maintenance, RCMP costs, and other services provided to rural area residents by the province. All taxable properties in Westbank pay the rural tax. If incorporation proceeds, the rural tax disappears and is replaced by a municipal tax. The rural tax has risen from \$1.40 in 1987 to the current \$1.75 per \$1000 assessed value. The increase in assessed values has further raised the impact of this rural tax.

Specified area

A specified area service is a service provided only to a portion of a larger territory. For example, street lights in Westbank are provided by the regional district only to specified parts of electoral area "H", and taxes for them are levied only in these areas. Two types of local government can have specified areas: a regional district (in this case, CORD) and a municipality. A local government can have multiple specified areas. The taxes and tolls in one specified area can be different than those in another specified area. There could be one tax rate in a specified area for sewers and a different tax rate for sewers in another specified area. Specified areas allow a local government to apportion the costs of specific services among properties on the basis of the benefits they receive, recognizing that some properties benefit more, some less, and some not at all.

Tariff

A tariff is a user fee or tax charged by an improvement district. Different improvement districts have different tariffs.

Tax Shifting

A municipal council is free to choose the share of property taxes it wishes to place on each of the different types of land use -- residential, business, and so on. The Westbank tax base is almost all residential, which means there is not much opportunity to shift taxes away from the residential properties and onto some other type of properties, or vice versa. A municipal council could decide to use the same ad valorem tax rates across all types of properties, but this is relatively uncommon in BC. Most municipalities use a higher ad valorem tax rate for business properties than for residential properties, thereby shifting some of the tax burden away from the residential properties and onto the commercial sector.

Toll

A toll is simply a user fee charged by a service-providing agency such as a municipality or improvement district.