

*Review of Local Services and Governance in
Areas A, B, and C and the Town of Creston*

Summary of the Technical Report

Sussex
Consultants Ltd

and

 **MUNICIPAL
MANAGEMENT
SERVICES**

February 2006

The current system

The study area has a mixture of local government systems. There is a municipality (the Town of Creston), three electoral areas of the regional district (Areas A, B, and C) that contain eleven improvement districts. All of these have elected officials.

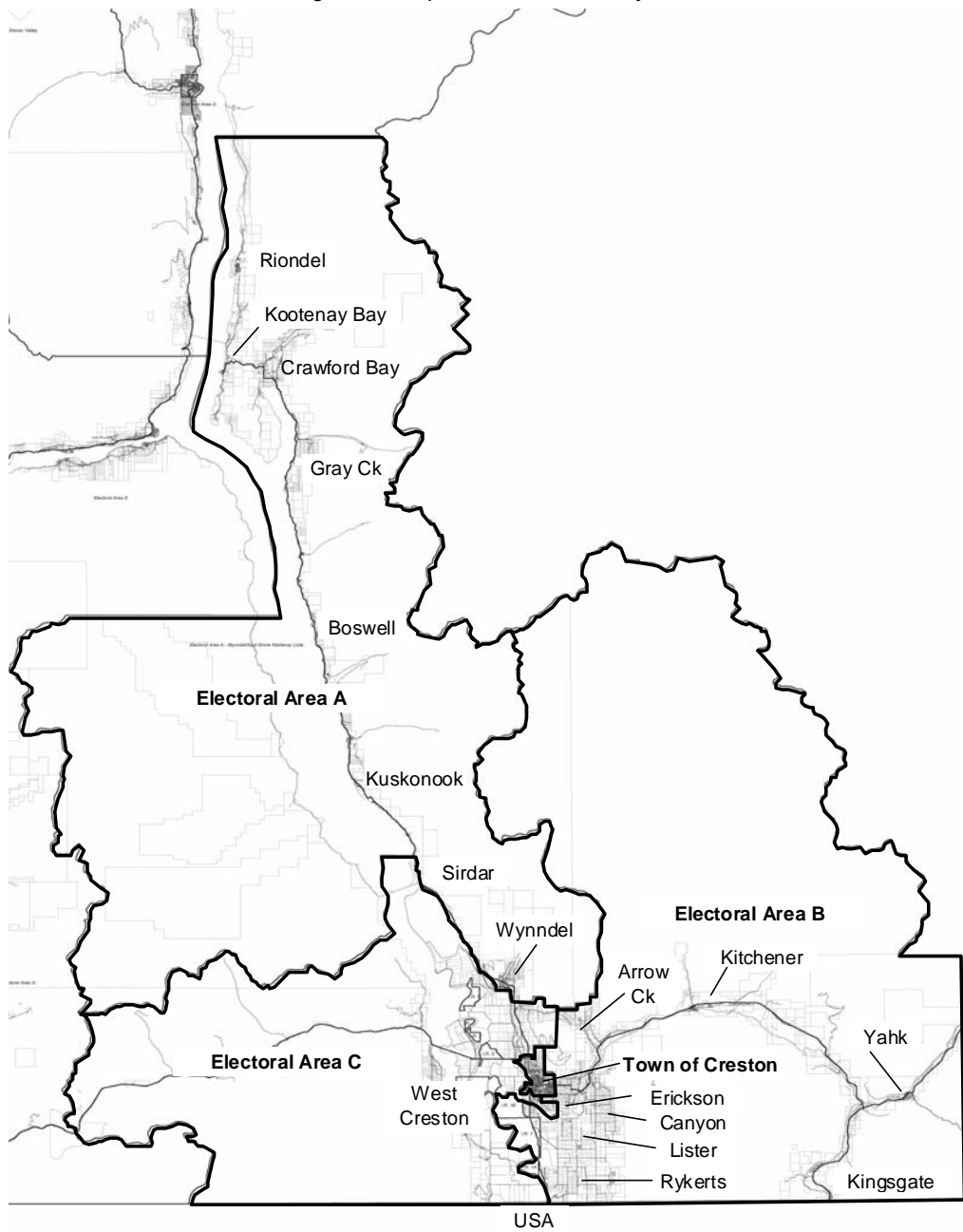
The 13,000 residents live in a wide variety of neighbourhoods and communities. Some, like Creston, have full urban-level services; others have several urban services (like water and fire protection); and some have rural level services, with no fire protection or community water system).

There is a confusing array of taxes and services in the study area. This is due to a combination of factors, including these.

- There are great distances between some of the communities. It is understandable that Yahk residents have a weaker link to Nelson (the seat of most of their local services) than to Cranbrook; and Riondel residents have more reason to visit Nelson than to visit Creston.
- There is a wide variety in the tax base – a community’s ability to fund local services. The southeast (Erickson, Canyon, Lister, and Rykerts) has a low tax base, due to the fact that it consists almost entirely of ALR and farm properties. Wynndel consists mainly of ordinary residential properties (though it does include one industrial enterprise) and has almost no ALR or farm land. Creston has a mixture of homes and businesses. The tax bases of Electoral Areas B and C have significant non-residential components, mainly in the form of pipelines.
- The existence of four separate RDCK members (the Town and three electoral areas), and in particular the fact that all four have convergent boundaries at or near Creston.
- The differing service obligations between the RDCK and the Town. For example, the Town must maintain its own roads, including the more costly downtown streets, whereas the province funds the roads outside the Town.
- The varying scope of RDCK services, wherein some are purely local to small areas and others are shared across multiple members. Some rural areas have fire protection and/or a community water system; other rural areas do not. Some rely on the RDCK for water; others rely on an improvement district.
- The sharing of costs within the Creston Valley itself is inconsistent. As an example, the area paying for the Creston complex is different than the area paying for the recreation commission.

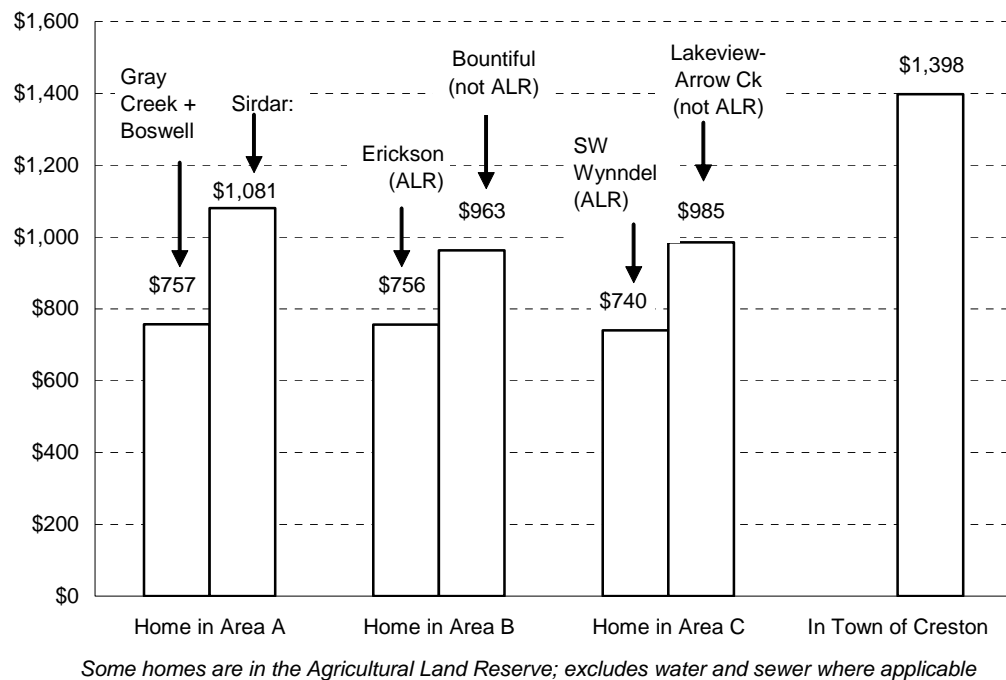
There is a gap between the taxes paid in Creston and those paid in the electoral areas; a \$100,000 home in Creston pays about 40% more property tax than a non-ALR home outside the Town (see following table). There are three main reasons for this. First, the Town, as a municipality, has greater service obligations than the rural areas (roads are the most obvious example, but there are others, too). Secondly, the electoral area properties pay the provincial rural tax, which, at a uniform \$0.81 per 1000 across all rural parts of BC, generates a relatively low tax bill in the RDCK because property values here are lower than many other rural areas in BC. Thirdly, the Creston Valley rural areas contain a great deal of ALR and farm land, which have certain tax exemptions not enjoyed by ordinary homes.

Figure 1: Map of the Overall Study Area



The area includes quite a wide array of community types and lifestyles. It also has considerable variation in service levels and property taxes from place to place.

Figure 2: Summary of 2005 Taxes on a \$100,000 Home



Given these complexities, it is understandable that some residents find weaknesses in the current system. Examples of this include the following.

- It is unclear who provides what services. (Where do you go to get something changed?)
- It is not clear where tax dollars go among the various taxing agencies and bodies. (What happens to my tax dollars?)
- In particular, it is not clear what amounts go to specific RDCK services. (Am I paying for land use planning? Do I pay taxes for recreation?)
- It is confusing that tax rates vary between neighbours. (Why is my bill different than the bill across the street?)
- There is a sense of alienation from the RDCK because it is headquartered too far away to be accessible. (Who has the time to go to Nelson?)
- There is a sense of powerlessness because RDCK decisions are made by people from communities nowhere near Creston. (Why do directors from Castlegar and New Denver have a say in my services?)
- There is duplication and overlap in services. (Why do both the Town and the RDCK have administration departments?)

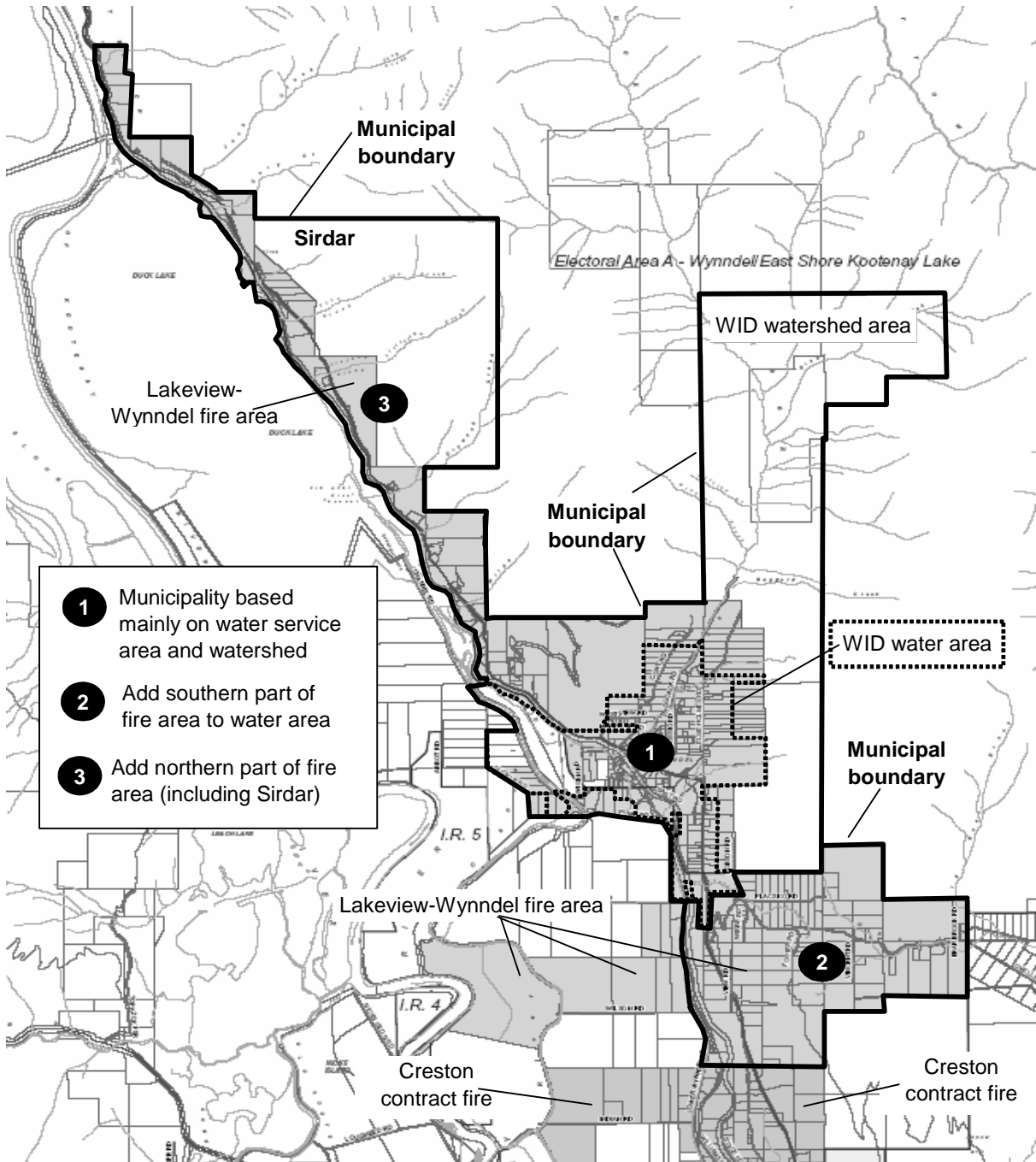
Based on comments and questions from residents during the public information meetings held in June, 2005, the top two issues were how local government works and where tax dollars go. Responses to these issues and concerns could include (1) creating a municipality for Wynndel; (2) creating a district municipality that encompasses multiple areas; and (3) changing how the RDCK manages services in the area.

Option 1: A Wynndel municipality

Creating a municipality for Wynndel would mean more autonomy for its residents and would reduce their reliance on the RDCK and on the province. It would also concentrate service

obligations to the municipal government, including land use regulation, tax collection, building regulation, road maintenance and improvements, and probably the fire department. Creating a new municipality would require the majority assent of the voters in a formal referendum; it would be up to the province to approve and organize such a referendum. The improvement district would be dissolved and its assets and liabilities would be transferred to the new municipality. Instead of WID trustees there would be a mayor and four other municipal councillors.

Figure 3: Three Potential Boundaries for a Wynndel Municipality

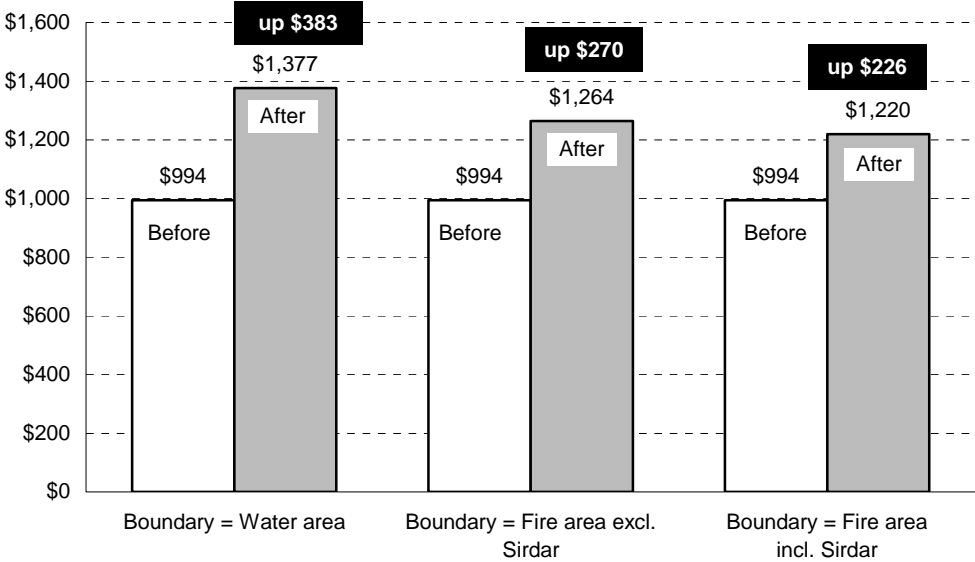


Municipal status would allow Wynndel to be more independent and autonomous than it is now. It would have greater opportunities for self-determination and would be eligible for senior government grants (including, potentially, federal assistance for a hydro generation project). However, this increased authority would be accompanied by increased administrative responsibilities, including road maintenance and repair

There is some flexibility as to boundaries for the new municipality. It could be as small as the existing improvement district, but it would make more sense to include more of the fire protection area. This could extend to include Sirdar, which is in the fire area now. It should also include part of the WID watershed to the north.

Sample budgets and taxes were developed for a Wynndel municipality. While more detailed work would be needed if the matter proceeds further – for example, to factor in the effects of short-term transitional assistance from the province – the projected tax impacts could be significant.


Figure 4: Potential Tax Impacts on a \$100,000 Home



Before home owner grant Figures based on 2005 service levels and costs wherever possible
 Note: Excludes water charges, which need not be affected by municipal status

The tax impacts would be different if the effects of a \$733,000 water grant are factored into the analysis. This grant was available through the RDCK provided the system became an RDCK service rather than an improvement district service. As a municipality, Wynndel would also qualify for infrastructure grants. The following figure shows that access to this grant would reduce the tax impacts significantly for homes in the water area (but the impacts shown in the chart above would still apply to homes in the municipality that lie outside the water service area). It must be remembered, of course, that access to the grant was available through the RDCK without creating a municipality.

Figure 5: Tax Impacts on a \$100,000 Home After Considering a Water Grant

Boundary option 	WID water area alone	Fire area excl. Sirdar	Fire area incl. Sirdar
Impact on home in water area			
- Projected tax rise	\$383	\$270	\$226
- Less savings on water debt	-\$280	-\$280	-\$280
- Net tax impact*	\$103 (tax rise)	-\$10 (tax saving)	-\$54 (tax saving)
Impact on home NOT in water area			
- Projected tax rise	(no homes)	\$270	\$226
- Less savings on water debt	(no homes)	\$0	\$0
- Net tax impact^	(no homes)	\$270	\$226

* Excludes normal water charges, which need not be affected by municipal status

^ Homes outside the water area would not be affected by water grants

Note: Assumes water grant would be obtained by the municipality; assumes same \$1.1 million construction costs in both cases

The province has recently announced that it will soon raise the level of the Small Communities Protection Grant (see line 4 of Figure 28). Details are not yet known, but this could significantly lower the tax impacts for small municipalities like Wynndel.

Option 2: Creating a district municipality

Creating a district municipality would even out the uneven funding for local services in the area, since all taxpayers would share in a common package of municipal services. It would also even out the uneven representation on local decision bodies, since one municipal council would administer all the municipal services and policies. There would be less reliance on the RDCK and the province.

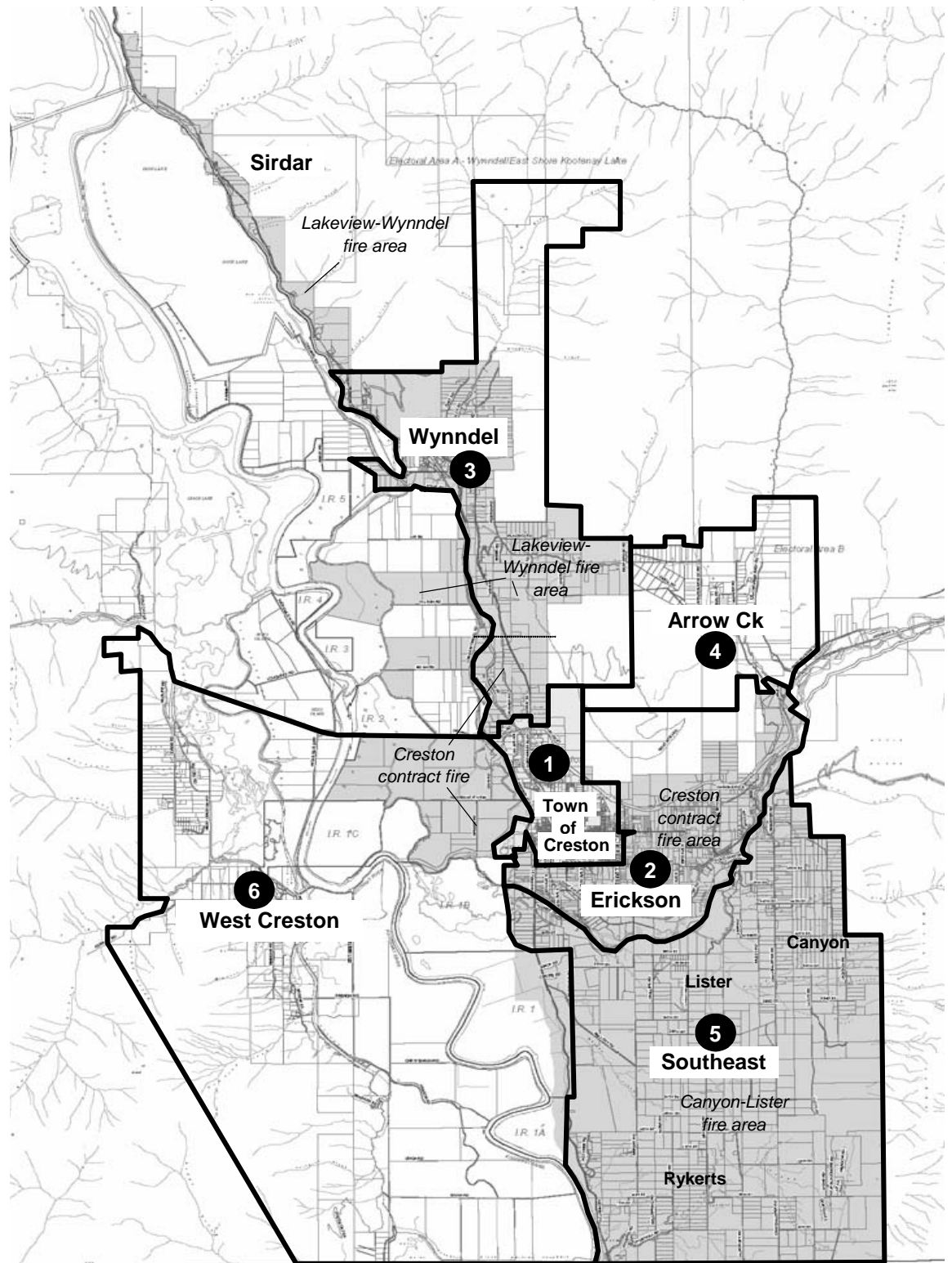
A district municipality would be run by an elected municipal council consisting of a mayor and six other councillors, all elected to a three year term. The municipality would be responsible for administration, policing, fire protection, building regulation, roads and streets, parks, and land use controls. It would still be part of the RDCK and it would participate in various shared RDCK services, but the RDCK's role in the community would be less than now.

Creating a district municipality would require the approval of the voters in the proposed area in a formal referendum; the province would have to approve of and organize the referendum. The improvement districts within its boundaries would be dissolved and their assets and liabilities would be transferred to the new municipality. Water and, for Creston, sewer systems could be run as local service areas (as they are now) wherein only users in each area pay for their system. However, all areas would pay the same tax rates for common services like administration, roads, and fire protection.

While, technically, a very large district municipality could be created for the whole of Electoral Areas A, B and C and the Town of Creston, there are practical reasons against this.

- There is a lack of shared values and service centre orientation among the various communities;
- The substantial distances would harm the efficiency of service delivery;
- The standardization of many services would be unwarranted for the smaller, remote rural communities.

Figure 6: Six Potential Areas for a District Municipality Boundary



It would make more sense to consider a municipal boundary that is focused in the Creston Valley. The limits considered here are generally defined by a 10-km radius from Creston, which excludes

Kitchener and Sirdar. Budget and tax projections have been made for seven different boundary combinations, but two areas in particular stand out as particularly uneconomic from a tax perspective: West Creston and the southeast (Canyon, Lister, and Rykerts). Their finances are worse than the other areas because (a) they have substantial lengths of roads to maintain and improve; and (b) they have a lot of ALR and farm properties, which means lower tax bases.

Eliminating West Creston and the Southeast areas due to the extensive farm and ALR land, this leaves five more realistic boundary possibilities. While some boundaries mean marginally better taxes than others, there is a narrow range of tax impacts among the five options. All generally fall within \$20 of one another.

In terms of a home with a 2005 assessed value of \$100,000, creating a district municipality would mean a much greater tax jump for rural areas than for the Town of Creston. *Both would pay the same tax rate after restructure, but they are starting from different levels now.* The current Town taxes are higher than the rural taxes, so the *rise* to the district municipality levels would be less for the Town than for electoral area homes.

- For the Town of Creston, the tax *fall* due to creating a district municipality would be around \$100, stated in terms of a home with a 2005 assessed value of \$100,000, though this could vary depending on policing costs under the current system.
- For homes in Erickson, the tax *rise* would be about \$530. Virtually all Erickson homes are either ALR homes or farm homes, so the tax impacts are a bit worse than if they were ordinary homes assessed at \$100,000.
- A home in Wynndel, where there are almost no ALR homes, would face a tax *rise* of around \$440 due to being in a district municipality.
- A home in Arrow Creek would face a projected tax rise of \$600, but it is assumed that as part of creating a district municipality, a fire hall would be established for Arrow Creek and so homes there would see a reduction in their fire insurance premiums of around \$350. This would reduce the net tax *rise* to \$250.

Figure 7: Tax Rises on a \$100,000 Home Due to Being a District Municipality

	Option 1	Option 2	Option 3	Option 4	Option 5
Boundary options →	Creston and Erickson	Creston and Wynndel	Creston, Wynndel, Arrow Ck	Creston, Erickson and Wynndel	Creston, Erickson, Wynndel, Arrow Ck
Home in Town of Creston	-\$117	-\$100	-\$74	-\$107	-\$90
Home in Erickson (ALR)	\$518	--	--	\$528	\$545
Home in Wynndel (non-ALR)	--	\$439	\$465	\$432	\$449
Home in Arrow Ck* (non-ALR)	--	--	\$257	--	\$241

* After fire insurance savings of \$350

Taxes vary with home value

-- means the area is not in the municipality

It is difficult to imagine that residents of Wynndel or Erickson would accept a tax rise of \$400-\$500. The projected tax rise for Arrow Creek, while less than in Erickson or Wynndel, is still substantial even after factoring in their fire insurance savings. The impacts on a home in Creston are far more manageable, but given that there is no apparent way to level out the changes between the Town and the rural areas, the prospects for a successful referendum on a district municipality, assuming one were held, are very slim.

Vacant farm land would probably face a slight *tax reduction* due to municipal status, but farm houses would face a tax jump of around \$400. This is due mainly to the fact that while a farm

house is exempt from the provincial rural tax under the current system, it loses that exemption in a municipality.

Option 3: Strengthened regional district bodies

Some of the concerns expressed about local governance could be addressed by creating a more local body of the RDCK – that is, establishing a subset of the RDCK that focuses on the study area rather than on the whole regional district. This could take several forms, though in the end all are creatures of the regional district.

A local community commission (LCC)

This is normally a five-person commission consisting of the electoral area director plus four elected citizens. The commission would advise the RDCK board on matters included in the mandate given to it by the board. An LCC does not have the power to adopt a bylaw; only the regional board can do that. In the case at hand, because there are multiple RDCK members in the area (three electoral areas and the Town), such a body should be larger to accommodate all the RDCK directors plus elected citizens. The LCC could have its own offices and administrative staff, though this is not mandatory. Creating an LCC requires the approval of the RDCK board, the province, and the voters themselves.

On balance, this option does not hold out much in the way of addressing the issues of confusing taxes, complex local governments, and affiliation to Nelson. There are several main weaknesses of the LCC option here.

- First, LCCs were designed to assist small, isolated communities manage their regional district services affairs, but the Creston Valley has a substantial population and already contains a full-service municipality. A model designed for a small, simpler community could be a poor fit for a large, complex one.
- Second, the diversity of neighbourhoods and communities suggests that four elected members could not adequately represent all the viewpoints across the area. It would take eight or more elected members to do this. The LCC would thus be up to perhaps a dozen members, and this may well prove to be hard to manage efficiently.
- Third, it would add another layer of governance to an already complex system. This would not improve most residents' understanding of how decisions are made and who sets policies.

Management committee

Another local body of the regional district is a management committee. Riondel uses a management committee to administer local RDCK services like water, recreation, and street lights. These committees consist of elected residents, plus, usually, the addition of the electoral area director. The committee manages many of the regional district's local services in the community. Most management committees get the power from the regional board, in the form of delegated authority, to manage the day to day delivery and administration of local services. This often includes setting up a local office and having staff, though the local office can be very modest. The RDCK board could establish a management committee by bylaw.

Like the LCC, a management committee would be a generally poor solution to problems of local governance complexity, complicated servicing arrangements, and a sense of isolation from Nelson.

- Like an LCC, management committees work best in smaller, stand-alone communities (Riondel is a good model for this). The Creston Valley is far beyond that.

- Selecting members could pose problems. Since there are so many unique communities in the area, the committee might need to be so large that its efficiency is compromised.
- It would add yet another layer of governance to the current model. Residents would probably have difficulty in understanding just where the elected (assuming they are elected) members fit into the framework.

Formal subregional commission

A subregional commission could consist of only the four RDCK directors from the area. A sort of “mini-regional district”, the commission could have modest offices in Creston (or Wynndel, or somewhere else in the area) to help establish a local presence. The role of the commission would be to set policies on local services; coordinate service delivery; hold regular meetings; make recommendations to the RDCK board; and even directly administer some services, all with a focus on RDCK services that are provided to local residents of the area, as opposed to other parts of the RDCK. The RDCK board should delegate considerable authority to this formal commission.

While the commission would not have bylaw adoption authority (that would stay with the RDCK board), it would effectively have that power with respect to local services that are shared only by the four members of the regional district (matters that affect at least one member outside the area would have to be voted on by more than just the four local directors). Bylaws would have to be introduced and adopted during regular board meetings.

The main purpose of the commission would be to more closely connect residents with their RDCK government and thereby help reduce the sense of isolation from Nelson. It would also be an “only for us” body to coordinate, manage, and administer various local services. For the commission to be successful, the regional board would have to (a) delegate considerable authority to the Commission, and (b) let the Commission operate as independently as possible.

The independence of the office from the Nelson headquarters would be affected by the resources given to it. Deciding on the resources would be up to the regional board. For maximum effectiveness, the commission should have a permanent office for its meetings, and could have staff as needed to carry out its mandate. The financial impacts would depend on the resources, too, but a budget of \$140,000 (which would allow limited permanent staff) would require a tax of under \$13 per home, based on a commission area that is the same as recreation commission #3’s area (Creston, Area B, Area C, and the southern part of Area A).

The list of RDCK services in the commission’s mandate should be broad and could include the following.

- Water systems
- Fire protection (currently Lakeview-Wynndel; Creston contract area; Town of Creston; and Canyon-Lister; and soon, Yahk-Kingsgate).
- Emergency response (eastern subregion)
- Jaws of life (eastern subregion)
- Recreation commission #3
- Creston recreation complex
- Para-transit
- Waste management (eastern subregion)
- Economic development (this is currently split into two functions: one for Area A, and one for Creston, Area B, and Area C)
- Creston area cemetery
- Regional parks (eastern subregion)
- Insect control (eastern subregion)
- Library

- Museum and archives
- Community planning

In addition, the commission would be a logical body to initiate changes in certain electoral area boundaries near Wynndel and south of Creston.

The most promising mandate area for such a commission might exclude the northern part of Area A, where residents are much closer to Nelson and thus may not feel as removed from the seat of their local government.

This model could address several of the issues raised by residents about their local services. Unlike the LCC or the management committee, it would not create a new or expanded body of elected people (though there could be new local staff). It would provide a permanent presence for the RDCK and a single place for residents to go with questions about RDCK policies, services or permits. It would free the regional board as a whole from debates about purely local services in the Creston Valley (assuming the board takes the proper hands-off approach after creating the commission). It would not address concerns over the complex tax structure, since all the existing local service areas would not be affected by having a commission and there would still be multiple tax rates for the various services.

A formal, subregional commission would be the best vehicle to address some of the primary issues identified by residents: complaints about complicated taxes and services, uncertainty about which body represents residents and what influence residents have on their services.

Other RDCK responses

Whether or not a subregional commission is pursued, there are several things the RDCK can do to reduce some of the concerns about local services and taxes.

- It should consider consolidating the existing fire departments. Currently there are two RDCK departments (Lakeview-Wynndel and Canyon-Lister) plus the Town's department. Consolidation could allow more standardized equipment, flexibility of deployment, and coordination of service, and could facilitate creating fire protection for Arrow Creek and West Creston.
- It should consider changing the participation area for the Creston complex to include the bulk of Area C (only the part in Erickson participates now). It is hard to see why West Creston should not pay into this function when all the other members of the Valley do.
- It should amend the transit funding to standardize the tax formula so that all participating areas pay the same tax rate. The current formula produces vastly different tax rates among the areas.
- The RDCK should consider adjusting the boundary between Area A and Area C at the southwest edge of Wynndel so that less of Wynndel is in Area C and more is in Area A.
- It should consider adjusting the boundary between Area B and Area C immediately south of the Town of Creston. Either more should be in Area B (where most of Erickson is) or more should be in Area C.
- It should give full consideration to boundary extension proposals by the Town of Creston. While the regional district does not have veto authority on these applications, it should recognize that the Town has limited ability to accommodate growth. Boundary extensions are one way to address this. (It may also be worth pointing out that given all the ALR land south of the Town, the only boundary extension areas that can offer significant growth potential are north toward Wynndel. The area immediately east of the highway at the US border is not in the ALR and might offer some potential – except that a boundary extension to include it would almost certainly take in quite a bit of farm and ALR land. The Town should consider

infill, redevelopment, and increased zoning densities as more likely ways to accommodate growth, given its limited boundary extension opportunities.)

- The RDCK should consider preparing and sending to residents a small description of who provides services and where tax dollars go. This would help residents understand how their local government works and thereby not only reduce complaints about services but also better enable residents to direct their comments and questions to the appropriate body. Such a summary of taxes could include a simple pie chart (one for each electoral area) that shows each taxing body's share of the tax bill on a typical home. It should break out the RDCK tax share into its major components (general administration, jaws of life, 911, development services, regional parks, local recreation, and so on), and lump smaller-cost functions into one slice, with a list of which functions make up that slice. A single sheet of paper could contain enough readable summary information to allow most residents to gain a much better understanding of their local governance. While there would be a cost to sending this out, there would also be a meaningful benefit, based on comments and complaints about property taxes and services made by participants at the public meetings held throughout the study area at the start of the work.