

Sunshine Coast Phase 2 Restructure Study

Summary of the Technical Report

*Prepared for:
The Elphinstone, West Howe Sound, and
Town of Gibsons Restructure Committee*

Sussex
Consultants Ltd

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Overview

This study looks at the potential consequences of creating a new municipality to replace the current mixed system in the southern portion of the Sunshine Coast Regional District (SCRD). The study area is the Town of Gibsons and two parts of the SCR D: Elphinstone (known as Electoral Area E) and the mainland portion of West Howe Sound (Electoral Area F). Note that the two main islands in West Howe Sound – Keats and Gambier – lie outside the study area and would not be part of the new municipality.

The work describes how the current system works now, how it could operate as a new municipality, and what the financial implications might be.

The impacts of replacing the current mixed municipal-electoral area system with a new municipality would be slightly different for Gibsons residents than for residents of Electoral Area E and mainland Area F. While the “after restructure” picture is essentially the same for everyone, the “before” pictures vary between them, which means the *change* is slightly different.

The report does not recommend for or against municipal restructuring. The purpose of the work is not to bring about municipal status but to provide information so that residents can assess the implications for themselves, using their own priorities about local services, community policies, property taxes, and political representation.

No decisions have been made

The purpose of the work is to document the potential impacts of creating a new municipality and present them for public discussion. No commitment has been made to do more than this. *No change in the community's local government could be made without the assent of the voters in a formal referendum.*

If the matter proceeds beyond the current stage, updated information would be sent to all residents and additional public meetings would be held to discuss the issues and findings.

The new municipality

The new municipality would have almost 10,000 people, which is a bit larger than Sechelt. About 40% of residents would be from the Town of Gibsons; the majority live in Elphinstone and mainland West Howe Sound.

It is assumed here that it would be a new municipality, not an expansion of the Town of Gibsons. Under this assumption the Town would be dissolved and a brand new municipality, with new elected officials, would be created. The boundary would include Elphinstone and the mainland portion of West Howe Sound (that is, all of Electoral Area F except for Anvil, Gambier and Keats).

Figure 1: The Proposed Municipal Boundary

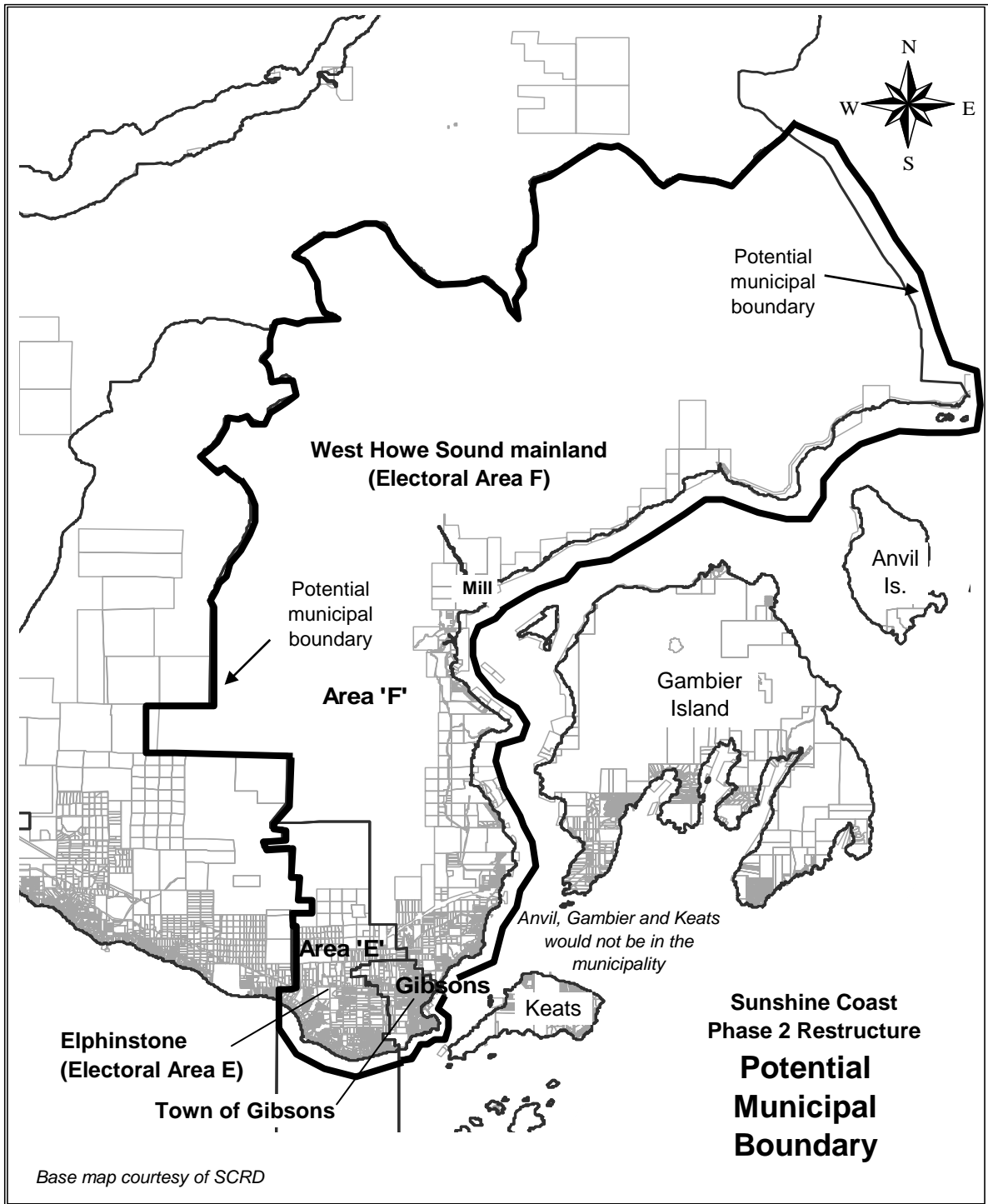
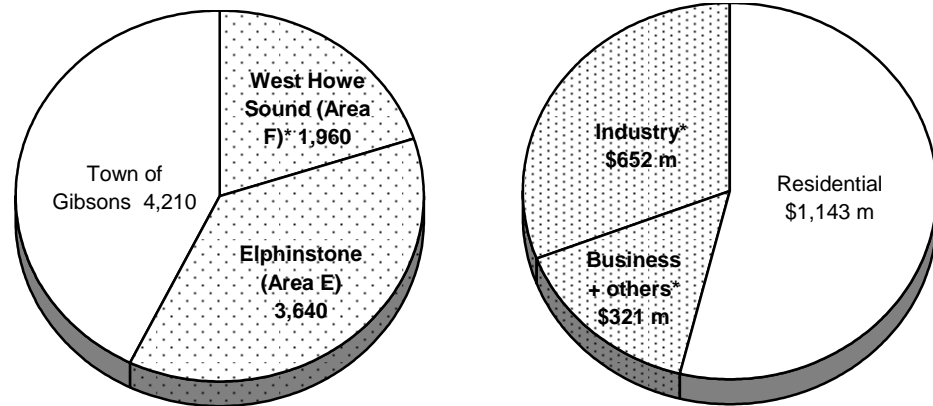


Figure 2: 2005 Population and Tax Base of the New Municipality



* Excluding 210 on Gambier + Keats

* Weighted to reflect business and industry's higher tax rates

The Howe Sound Pulp and Paper mill at Port Mellon would be in the new municipality, but the municipality would not have full access to this industrial tax base. The province would limit the total property taxes paid by HSPP in the new municipality generally to the prevailing rural-status levels.

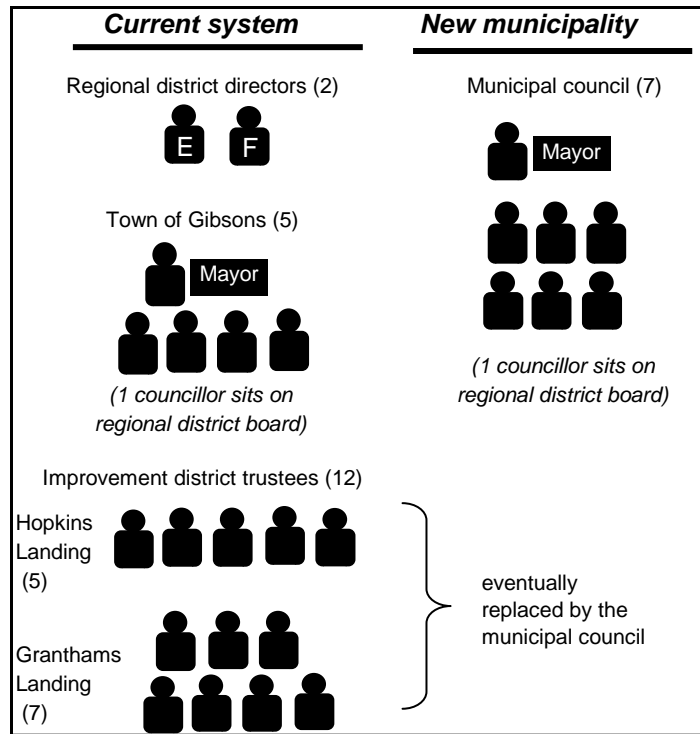
Local government bodies

Municipal restructuring would change the nature of local government. There would be fewer distinct levels of government and a concentration into one particular body. There would be less reliance on the regional district, the province, and the improvement districts and more reliance on a single body – the new municipality.

- *The new municipality:* The new municipality would be governed by an elected mayor and six municipal councillors. The municipality would be responsible for administration, policing, fire protection, building permits and inspections, bylaw enforcement, local roads and drainage (but not the highway), land use planning, zoning and subdivision approval, and community parks.
- *The Town of Gibsons:* The Town would be dissolved and its assets and liabilities transferred to the new, larger municipality. Its reserves and liabilities could be “protected” just for the existing Town area after municipal restructuring.
- *Regional district:* The new municipality would still be part of the Sunshine Coast Regional District (SCRD), but mainly for region-wide functions rather than local services. The municipal council would appoint one of its own members to sit on the regional district board.
- *The province:* The current provincial authority for subdivision approval, tax collection, and roads in the electoral areas would become a municipal authority.
- *Improvement districts:* The two improvement districts (Hopkins Landing and Granthams Landing) would eventually be dissolved and their assets and liabilities transferred to the municipality. Each could still have its own water charges as local service areas of the municipality. *The province could arrange it so that each district stays on its own water supply unless and until the users themselves agree to connect to the municipal system.* The reserves of each district could be protected for the benefit of only the properties in each district (this

would prohibit the municipality from spending water reserves on, for example, sidewalks in some other part of the municipality).

Figure 3: Overview of Local Elected Officials



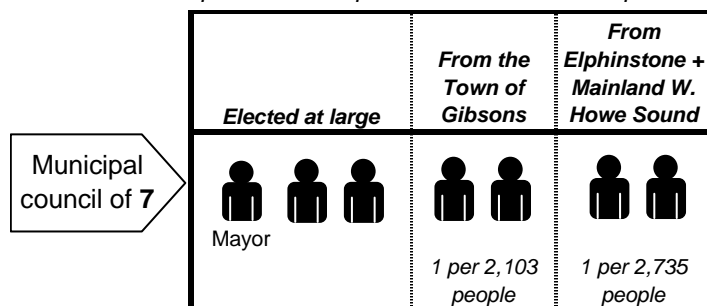
Municipal council

It would be possible to set up the municipal council so that each of the three main parts of the municipality – Gibsons, Elphinstone, and mainland West Howe Sound – has assured representation on the municipal council. For example, there could one council seat for each area; only electors in that area get to vote for the position. The mayor and three other councillors would be elected at large (that is, by all voters). There could be other models, too.

Such an “area representation” system could be set up by the province either as a temporary feature, say, for the first few years, or as a more permanent feature.

In the absence of area representation, all members of council would be elected at large. In both the “at large” and area representation system, the municipal council would be elected by voters every three years (just like now for the Town and the SCRD).

Figure 4: One Example of a Municipal Council With Area Representation



Municipal services

The following figure shows an overview of the main services and functions of the new municipality. The right-hand side shows the current system

Figure 5: Overview of New Municipality's Functions and Responsibility

After restructure, the new municipality would be responsible for these functions:	Under the current system, these bodies are responsible for the functions:
Administration	
Elected officials (municipal council)	ToG council for town; SCRD board for E + F
Tax collection	ToG in town; Province of BC in areas E+F
Bylaw adoption	} ToG in town; mainly SCRD for electoral areas
Regulations and procedures	
Office staffing and payroll	
Local offices and record keeping	
Property and liability insurance	
Annual budgets	
Protective services	
Policing (RCMP contract)	Provincial (via contract with RCMP)
Fire department	Shared between ToG and most of E + F
Building permits and inspections	ToG in town; SCRD in areas E + F
Bylaw enforcement	ToG in town; SCRD in areas E + F
Local roads (not hwy) and drainage	
Public works yard	} ToG in town; provincial contractor in electoral areas (limited drainage work)
Equipment and vehicles	
Work crews	
Local roads + drainage maintenance	
Local roads + drainage improvements	
Traffic signage and controls	
Street lights	ToG in town; SCRD in limited areas of E + F
Land use and zoning bylaws	ToG council for town; SCRD board for E + F
Subdivision approval	ToG in town; province for Area E + F
Recreation	
Aquatic centre (pre-referendum)	ToG (with SCRD funding)
Community parks and walkways	ToG in town; SCRD in E + F
Water (limited service areas)	ToG in town; SCRD in parts of E + F; improvement district in Hopkins and Granthams
Sewers (limited service areas)	ToG in town; SCRD in parts E + F

ToG = Town of Gibsons

Zoning and community plans

The new municipality would inherit the community plans and zoning bylaws that are now in effect in the area, rather than starting with a blank slate. The municipal council could change the plans and bylaws just as the SCRD and Town can change them now. The public process for this in the new municipality would be more or less the same as the process under the current system.

Local service areas

There are numerous local service areas (LSAs) in the community now. The most obvious of these are water, fire protection, and sewers. For example, the fire department covers, and is funded by, properties in a limited area rather than the whole study boundary; and the Town of Gibsons provides almost all of its services as a form of LSA, since only Town residents pay Town taxes.

In the new municipality, the most likely candidates for LSAs are these.

- Water services (use the existing water service boundaries; only the current users pay)
- Sanitary sewers (use the existing sewer service boundaries; only the current users pay)
- Fire protection (keep the current fire department boundary in place; the mill would stay outside the service area and would not pay taxes for it)
- Gibsons debt payments (assign the existing Town debts to taxpayers in Gibsons only; properties in Area E and F would not pay taxes for these).

Water and sewer

Note that properties currently outside a water service area or a sewer service area would not have to be connected. Being in a municipality does not automatically mean water and sewer services must be made available or paid for.

Infrastructure improvements

The new municipality would have to spend money on infrastructure, especially for road and drainage works. Using the short term assistance from the province and surplus taxes in the first five years (before the full costs of policing and roads have materialized), plus annual, on-going tax dollars each year, the tax loads presented later could provide for almost \$12 million in capital works – mainly road and drainage improvements – over the first six years without any borrowing. In fact, that total would be even higher if grants and developer contributions are considered, with no impact on taxes.

Figure 6: Summary of Capital Budgets in First Six Years

	Lower spending level	Higher spending level
Total short term works (funds from start-up assistance)	\$4,725,000	\$7,075,000
On-going works (funded by current taxes each year)	\$4,050,000	\$4,590,000
Total capital spending over first 6 years	\$8,775,000	\$11,665,000

Assumes no infrastructure grants or developer contributions

Municipal budget

The study's financial projections for the new municipality are based on 2005 service levels, property assessments, and budgets. This allows as good an "apples-to-apples" comparison as

possible. Wherever possible, 2005 costs have been used in the municipal budget. Where this is not possible – for example, for policing costs, in which the rural cost can't simply be transferred intact to the new municipality's budget – a separate estimate has been made using factors like costs experienced elsewhere and ratios based on size (like spending per capita or per km of road).

Figure 7: Summary of Projected Municipal Budget for a Normal Year (2005 dollars)

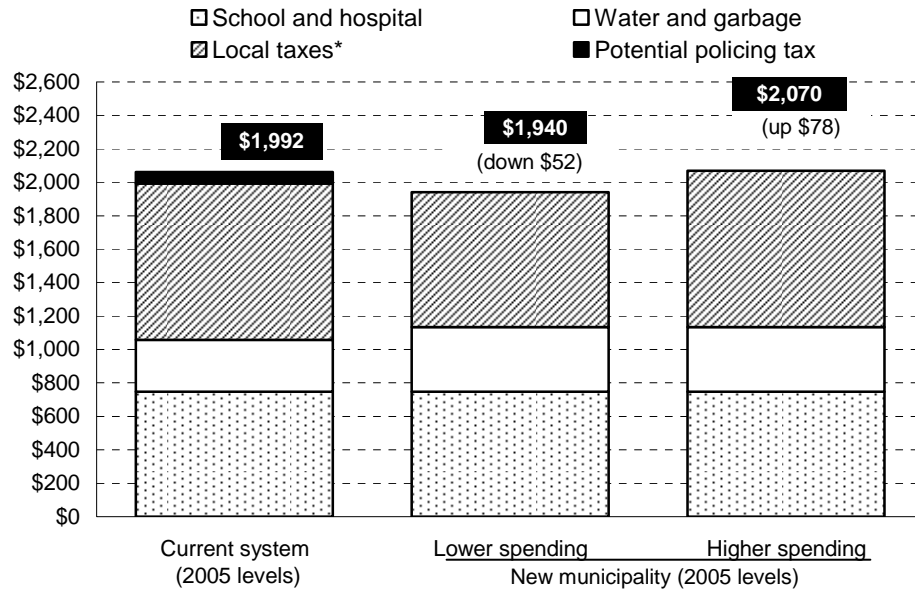
<i>Note: These are based on 2005 service levels and costs where possible (they will change over time)</i>		Lower spending level	Higher spending level
Revenues			
Pool, garbage collection, ICBC, bldg rentals	Taxes for municipal use	\$4,744,000	\$5,556,000
Based on 2005 businesses and growth rates	Sale of services	\$1,198,000	\$1,299,000
Includes GST rebate, fire surplus and misc revenues	Interest, investments, annuity	\$611,000	\$530,000
	Bldg permits, fees, licences	\$456,000	\$456,000
Staff, council, offices, insurance, etc	Provincial grant, New Deal, MTI rev	\$464,000	\$469,000
	Internal recoveries	\$250,000	\$250,000
Bldg inspection and bylaw enforcement	Other revenues	\$656,000	\$555,000
Cost per home not affected much	Total municipal revenues	\$8,379,000	\$9,115,000
Mainly ongoing improvements to roads + drainage	Taxes for SCRD, school, others	\$9,338,000	\$9,338,000
Total revenues must match spending	Total revenues	\$17,717,000	\$18,453,000
Expenses			
	General gov't and administration	\$1,814,000	\$2,012,000
	Police protection	\$1,248,000	\$1,398,000
	Fire protection	\$512,000	\$512,000
	Other protective services	\$530,000	\$572,000
	Roads and drainage	\$1,099,000	\$1,205,000
	Community planning	\$464,000	\$522,000
	Garbage collection	\$421,000	\$421,000
	Parks, rec'n, aquatic ctr	\$1,227,000	\$1,269,000
	Capital, reserves, debt	\$1,064,000	\$1,204,000
	Total municipal spending	\$8,379,000	\$9,115,000
	Taxes for SCRD, school, others	\$9,338,000	\$9,338,000
	Total spending	\$17,717,000	\$18,453,000

Based on 2005 service levels and costs where possible (these will change over time).
 After all short term grants have been used. Spending priorities would be up to the elected municipal council.

Municipal taxes

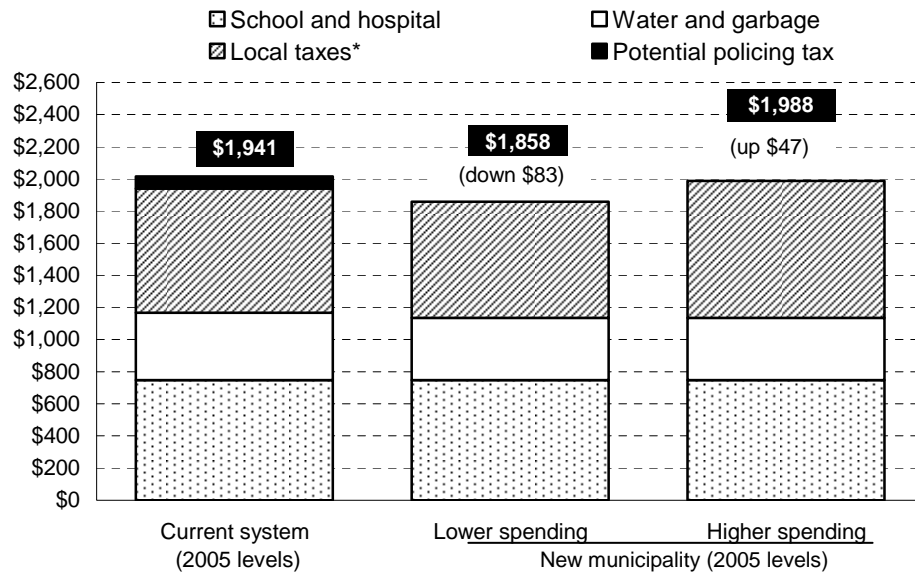
The tax impacts are slightly different for a home in Gibsons than a home in Area E or F because their “before” taxes are slightly different, and because a home in Gibsons would continue to pay the tax for the existing Town debt whereas electoral area homes wouldn't. The following figure shows the taxes on a typical home (assessed at \$250,000; taxes vary with assessed value).

Figure 8: Tax Impact of Restructuring on a \$250,000 Home in Gibsons



* Municipal, rural, and regional district taxes
 Excludes home owner grant, which would not be affected by restructuring
 After all start-up grants; \$250,000 asmnt; based on 2005 service levels where possible

Figure 9: Tax Impact of Restructuring on a \$250,000 Home in the Electoral Areas



* Municipal, rural, and regional district taxes
 Excludes home owner grant, which would not be affected by restructuring
 After all start-up grants; \$250,000 asmnt; based on 2005 service levels where possible

Note that the chart immediately above also represents the impacts on homes in the Hopkins Landing Improvement District, provided its current water rates can be continued after restructure (this may be possible). *However, if the municipal-wide water rate replaces the current rate, the tax impacts would be \$212 worse than shown in the figure.*

Homes in the ALR would see a higher tax impact, since some of the tax burden would shift from the SCR D system, where ALR land is 50% exempt, to the municipal system, where ALR land has no exemption. The effect of this is to add about \$100 to the tax impacts identified above.

What if ...

The preceding tax impacts are based on various assumptions. Here are the impacts if three particular assumptions are changed.

- Every \$100,000 in municipal spending translates into about \$16 in taxes on a home, so if the budget projection is \$100,000 too high, taxes would be \$16 lower than shown; if the projection is \$100,000 too low, the tax impacts would rise \$16 more than shown earlier.
- The basic analysis assumes that the municipal council would choose a tax rate for business that is 3.5 times the rate on homes (the Town multiple is currently 3.8, the SCR D multiple is 2.45, and the rural tax multiple is 4.4).
 - Using a lower multiple would shift more of the tax burden onto homes. If the ratio were, say, 2.5, the tax on a home would be about \$30 more than shown above.
 - Using a higher one would shift more of the away from homes and onto business. A ratio of, say, 4.0 would lower the tax on a home by about \$15.
- If the HSPP mill were to close entirely and pay no property taxes, local governments would cut back on their spending whether or not restructuring takes place. If no spending cuts were made (an unlikely scenario), taxes would rise more for the restructured municipality than if the current system carries on. The extra tax rise due to restructuring would be \$150-\$190 per home.

What would not be affected

Creating a new municipality would concentrate into one municipal body the decision making for various community policies, but many other functions and services would not be affected in any meaningful way. Here are some of them.

- Agricultural Land Reserve designation: The existing ALR designations would not be affected at all. Decisions about ALR status would continue to be made by the Agricultural Land Commission, not by a local government like the SCR D or a municipality.
- Official community plans: The existing OCP bylaws in the area would be inherited by the new municipality (though the municipal council could change them, as could the Town or SCR D under the current system).
- Zoning bylaws: The existing zoning bylaws would also become bylaws of the new municipality on the date of restructuring.
- Highway responsibility: The highway and its connector route to the ferry terminal would remain a provincial responsibility.
- SCR D regional functions: The new municipality would participate in region-wide SCR D functions like 911, transit, library and museum funding, and regional recreation just as the area would under the current system.
- Sewer costs: The use of local service areas for sewers would be the same in the new municipality as under the current system, and only properties that are connected would pay sewer charges. Properties that can't connect wouldn't pay sewer charges.

- Fire department service area: There could still be a local service area for fire protection. For the most part, the existing equipment, training and personnel could continue in the new municipality, with only a very slight rise in monitoring costs. Many municipalities have mainly-volunteer personnel. Fire protection at the mill would continue to be the responsibility of the mill, not the Gibsons and District fire department.
- Regional recreation facilities: Creating a new municipality would have no impact on the recent referendum to regionalize recreation facilities. The new regional service will still be implemented and study area taxpayers will still pay their share whether or not municipal restructuring takes place.
- Property assessment: The BC Assessment Authority would continue to determine property assessments.
- Ferries: Municipal restructuring would not have any meaningful impact on the ferry system or ferry properties.
- School taxes: The funding and administration of schools would not be affected at all (with the tiny exception that the new municipality would be the collector of school taxes for Areas E and F, but it simply sends these on).