

Union Bay Phase 2 Incorporation Study

Summary

*Prepared for the Union Bay Phase 2
Incorporation Study Committee*

This report is based on 2004 data. If the question of municipal status proceeds to a referendum, all information would be updated to 2006 data for public discussion before a vote.

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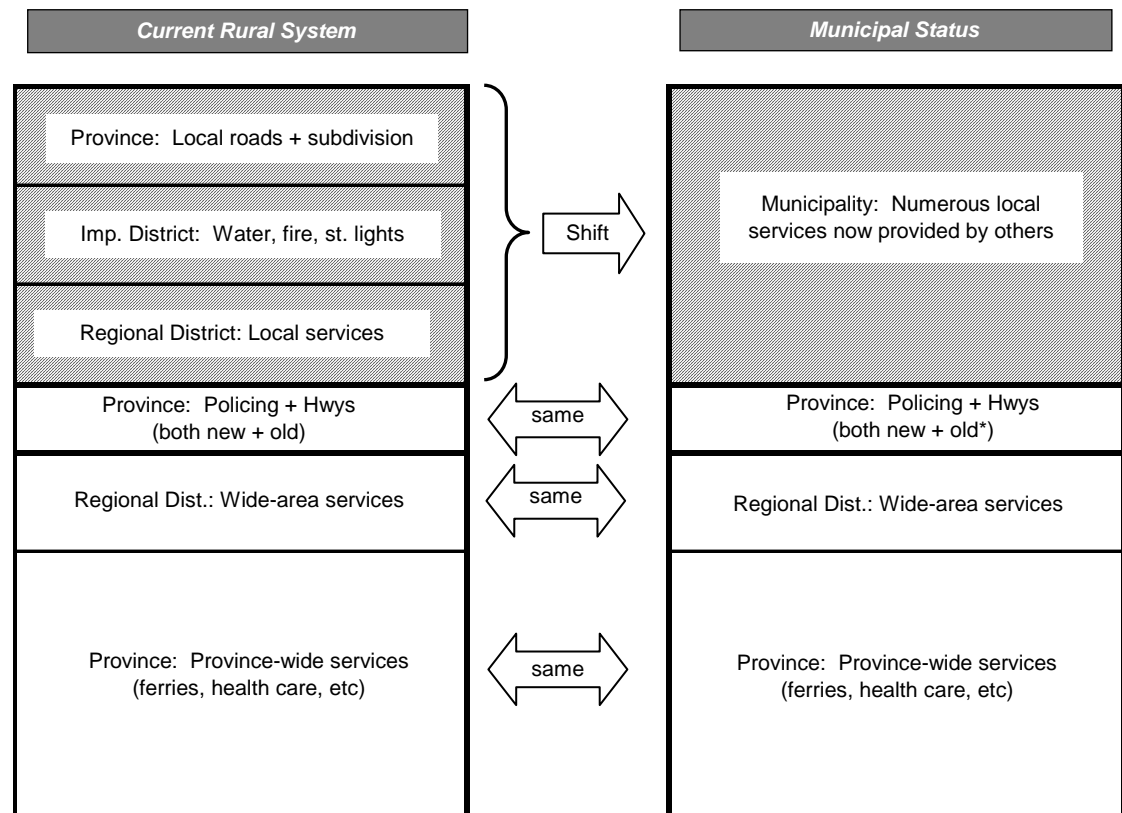
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1. Levels of Local Government

Municipal status would mean a change in the scope and responsibilities of the community's local governance. The current reliance on the regional district, on the improvement district, and to a lesser degree on the province, would end, and a locally elected municipal government would be the main decision body.

Figure 1: Layers of Responsibility



* Old highway would become a municipal responsibility 5 years after pop'n reaches 1500

There would be a change in the number of local officials. A municipal council – a mayor and four other councillors – would replace both the Electoral Area director and the Union Bay Improvement District trustees. There would also be a slight rise in local, paid staff because the municipality would be responsible for various services now administered by separate and various agencies. The two main ones would be general administration and roads.

2. Water and Sewer

Responsibility for water would shift from the Union Bay Improvement District to the municipality, though the fees and charges for water need not be affected at all. Note that as a municipality, Union Bay would be eligible for water infrastructure grants, whereas it is not eligible as a rural community.

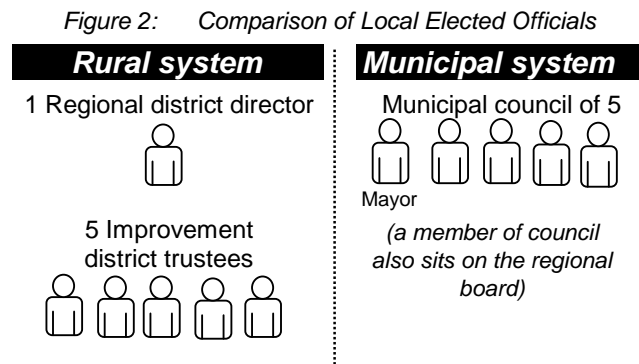
The current plans for a sanitary sewer system to serve Royston and Union Bay are not yet complete, though a conditional approval for funding has been obtained from the voters. If a community sewer system is built, Union Bay, as a municipality, would participate in the regional district voting and decision process. If approved, only those properties in the sewer service area would pay for them; properties outside the service area would not pay for them.

3. Responsibilities

Municipal incorporation would focus community powers and responsibilities from the regional district, the improvement district, and the province to a local municipality. A municipality has more independence and authority, but it also has more obligations.

A municipality is governed by an elected council of five (including the mayor). The improvement district would be dissolved and its assets and liabilities transferred to the municipality. The improvement district trustees would be replaced by the new council members. The employees of the improvement district would become employees of the municipality (though some job descriptions would change).

Union Bay would still be part of the Comox Strathcona Regional District but would rely on it for fewer functions and services. A member of the municipal council would represent Union Bay on the CSRD board.



Municipalities are eligible for infrastructure grants (as are regional districts), whereas improvement districts are not. Of course, being eligible doesn't guarantee grants will actually be obtained.

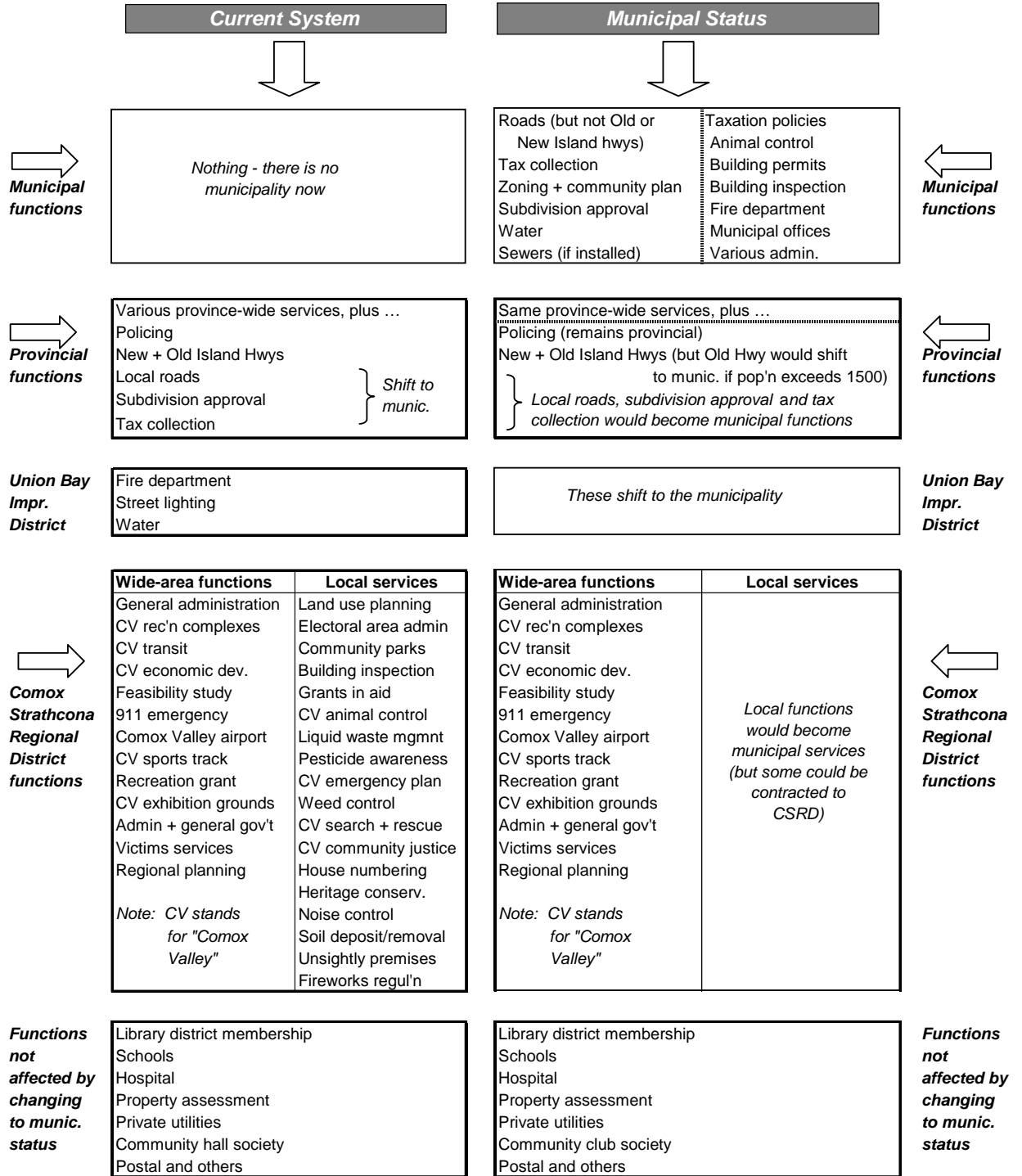
4. Community Groups

Currently, there are volunteer community groups that provide various services and functions in the community, in particular, the non-profit society that operates and owns the community hall. This could remain exactly the same under municipal status.

5. Changes in Service Providers

A number of service responsibilities would shift as a result of municipal incorporation, as shown in the next figure.

Figure 3: Comparison of Service Providers and Responsibilities



6. Municipal Budgets

Just like under the current rural system, property taxes would be the main source of funding for local services. Municipal budgets have been projected based on a lower spending level and a higher spending level. *Note that actual budget priorities would be set by the municipal council;* while the projections used here are reasonable for our purposes (after all, they are based on current costs and service levels wherever possible), they can only be estimates.

Note that the analysis here is based mainly on 2004 numbers. These would all be updated to 2006 data if the matter proceeds to a referendum. The use of 2004 data is sufficient to help reach a decision about whether or not there should be a referendum on municipal status.

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Figure 4: Projected Municipal Budgets (2004 levels)

<i>Note: These are projections. Actual budgets would be up to the municipal council.</i>		Lower spending level	Higher spending level
Revenues			
Hydro, gov't + other utilities	General municipal tax	\$355,200	\$433,800
All small mun's get this annual grant	Utility taxes + grants in lieu	\$13,000	\$13,000
	Bldg permits, misc fees	\$7,700	\$7,700
	Tax penalties + investments	\$26,700	\$26,700
	Small communities grant	\$300,000	\$300,000
	New Deal funding	\$102,000	\$102,000
Includes annuity from start-up grants	Water admin recovery	\$65,100	\$65,100
	Other revenues	\$13,200	\$11,600
	Revenues for municipal use	\$882,900	\$959,900
Taxes for region-wide functions	Regional district taxes	\$197,600	\$197,600
	Taxes for school + others	\$720,000	\$720,000
	Grand total revenues	\$1,800,500	\$1,877,500
Expenses			
Staff, council, offices, insurance, etc	General administration	\$295,500	\$337,500
	Police protection	\$0	\$0
	Fire protection tax	\$80,900	\$80,900
Local roads only; excludes New + Old Island Hwys	Other protective services	\$25,500	\$25,500
	Roads and drainage	\$169,000	\$184,000
	Community planning	\$20,000	\$20,000
Mainly ongoing improvements to roads + drainage	New Deal initiatives	\$102,000	\$102,000
	Rec'n grant + library	\$58,000	\$58,000
	To capital and reserves	\$132,000	\$152,000
	Total municipal spending	\$882,900	\$959,900
	Regional district taxes	\$197,600	\$197,600
	Taxes for school + others	\$720,000	\$720,000
Total revenues must match spending	Grand total expenses	\$1,800,500	\$1,877,500

Normal year, after all short term grants have been used. Based on 2004 service levels where possible.

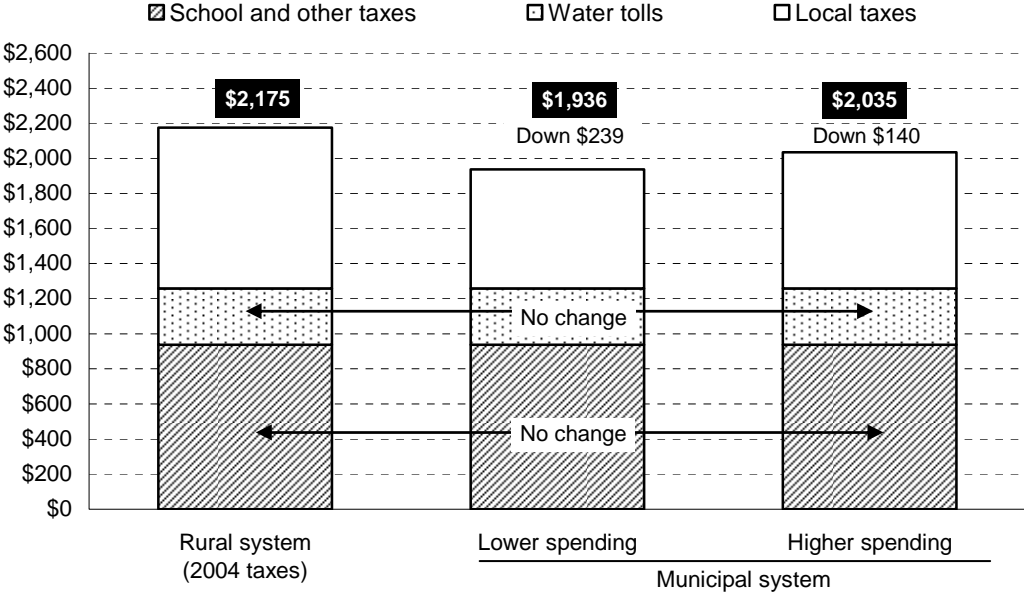
* Policing costs are excluded here because they would likely be the same as under rural status (they are excluded from rural taxes, too). Spending priorities would be up to the elected municipal council.

Note: The combination of taxes in the budget above and short term grants would allow up to \$1 million for infrastructure upgrades and improvements over the first six years.

7. Property Tax Impacts

The budgets shown above can be translated into tax impacts. Taxes vary with your assessed property value, but a 2004 assessed property value of \$200,000 for a home is used to measure impacts here. As shown below, municipal status would produce a tax saving for a typical home. This is due mainly to the removal of the Old Island Highway from municipal responsibility and to the large size of the Small Communities Protection Grant. The tax savings depend on budget levels (that is, lower spending assumption vs. higher spending assumption).

Figure 5: Tax Impact on a \$200,000 Assessment Home (2004 levels)



*Excludes home owner grant, which would not be affected by changing to municipal status
After all start-up grants; \$200,000 asmnt; based on 2004 service levels where possible*

8. Ongoing grant from the province

In addition to short term grants to help in the transition to municipal status, the municipality would receive an ongoing \$300,000 annual grant under the province’s Small Community Protection Grant program. This grant is a significant factor in the projected tax decrease. If the grant were cut in half, the tax benefits shown above would fall by about \$160 – assuming the municipality did not curtail its spending to offset the smaller grant (which would be a reasonable reaction). These grants have been stable for many years, so it is not unreasonable to rely on them in the analysis here. In fact, the province has recently announced a major increase in the grants, not a decrease.

9. Kensington and the Old Island Highway

The Inland Highway would remain a provincial responsibility. So too would the Old Island Highway, but only as long as the municipal population doesn’t exceed 1500. The fact that the old highway would not be a municipal responsibility is a major factor in the tax savings noted in the figure above.

Since the current population is only 1300, significant community growth would be needed to trigger the highway cost. The development of Kensington could do this.

Adding the costs of maintaining, repairing and improving the highway to the municipal budget could force the tax load up by over \$200,000 per year. However, the tax base would grow too, since the only way to get to 1500 people is to build new homes and related development. On balance, the extra tax base (that is, new assessments) would not completely offset the rise in costs, and the tax gains shown earlier would slump by about \$100 per home. However, even with the highway costs, tax bills under municipal status would still be lower than the tax bills under the current system; adding the costs of the Old Island Highway would not by itself push taxes beyond the rural levels.

10. Risks

Some of the risks associated with changing to municipal status include these.

- Municipal council could choose to spend more than projected. This could force taxes up.
- The municipality might have to spend more repairing roads due to slides or flooding.
- The senior governments could download additional costs onto municipalities.
- The province could reduce the annual grants to municipalities. This could force taxes up.
- The municipal council could undertake new policies and regulations that are unpopular.

However, it must be pointed out that staying under the current system also carries certain risks, and some are more or less the same types as listed above. For example, the provincial rural tax could rise without any input from local taxpayers. No form of local government can isolate a community from risk.