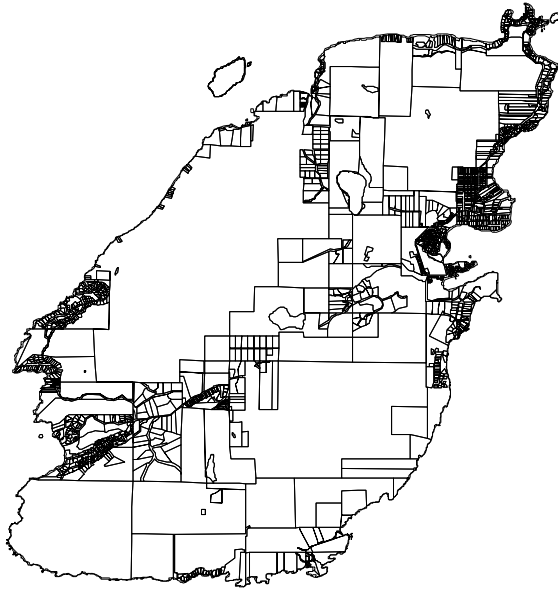


1999 Bowen Island Restructure Study

*Prepared for the Bowen Island
Restructure Study Committee*



Sussex
Consultants Ltd

April 1999

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Introduction

1.1 Purpose of the Study

This study examines the potential consequences of changing Bowen Island’s form of governance from rural status to municipal status. It would take a majority vote of the electors to create a municipality on Bowen.

The proposed municipal boundary is shown on the next page. Hutt Island and Finisterre Island would both be in the boundary; Bowyer and Passage would not but could be included if conditions warrant it.

The findings of the study will be presented to residents for their consideration and debate, and would form a major part of the background information if a referendum is held to decide whether or not residents want to change how they are governed. Without an assessment of likely or potential impacts it is not possible for individuals to properly weigh the merits and drawbacks of creating a new municipality for the island.

It is not certain that a referendum will be held on the matter. It is up to the local restructure committee (see Figure 1) to present the information, facilitate public debate and discussion, and then decide whether conditions warrant a request for a vote. If the committee feels the matter should be decided by the people, it can ask the province to hold a vote; if it feels the matter has received insufficient interest, it can end the process without requesting a vote.

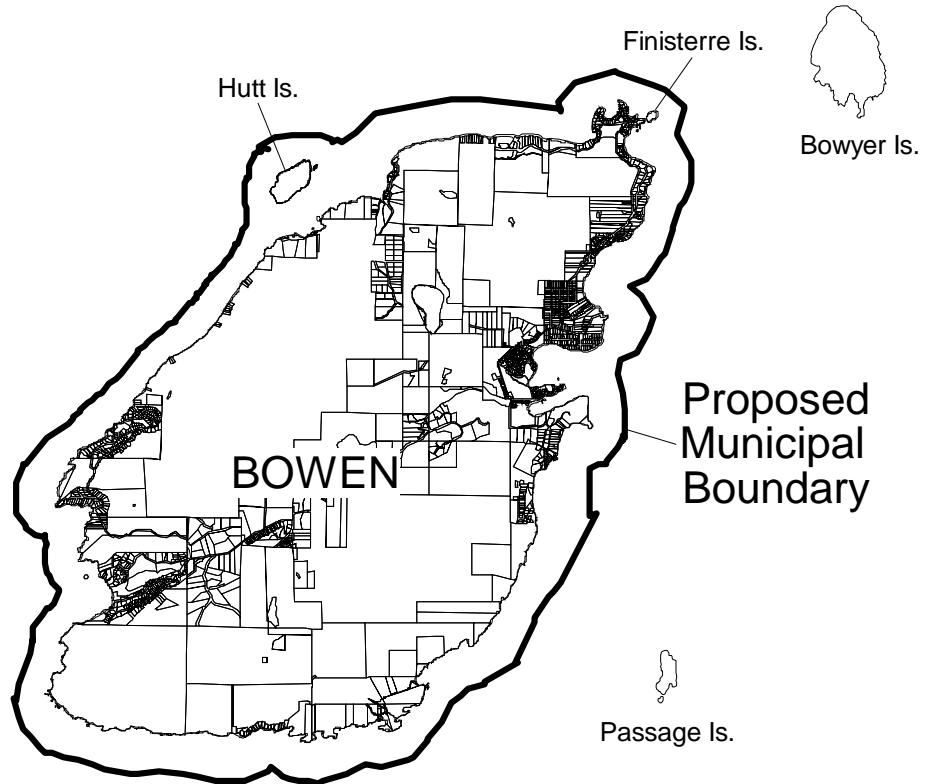
1.2 Study Background

The study is managed by the Bowen Island Restructure Study Committee, a group of local residents representing a variety of interests and associations. The committee was formed following the 1997-98 survey to undertake a full impact study. Funds for the work -- including the hiring of Sussex Consultants to prepare this report -- have been provided by the Ministry of Municipal Affairs.

Figure 1: Bowen Island Restructure Study Committee

<ul style="list-style-type: none">• Terry Cotter, Chair• Ross Carter• Heather Croil• Wolfgang Duntz• Richard Goodall• Lael Hamilton• Jan Le Roy• Deborah Kirby• Alison Morse• Bill Newport	<ul style="list-style-type: none">• Dale Read• Fernando dos Santos• Mallory Smith• Alan Still• Richard Underhill <p>Non-voting members:</p> <ul style="list-style-type: none">• Tracy Chambers (Islands Trust)• Eric Sherlock (Islands Trust)• Richard Littlemore (GVRD Director)
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Figure 2: Proposed Municipal Boundary

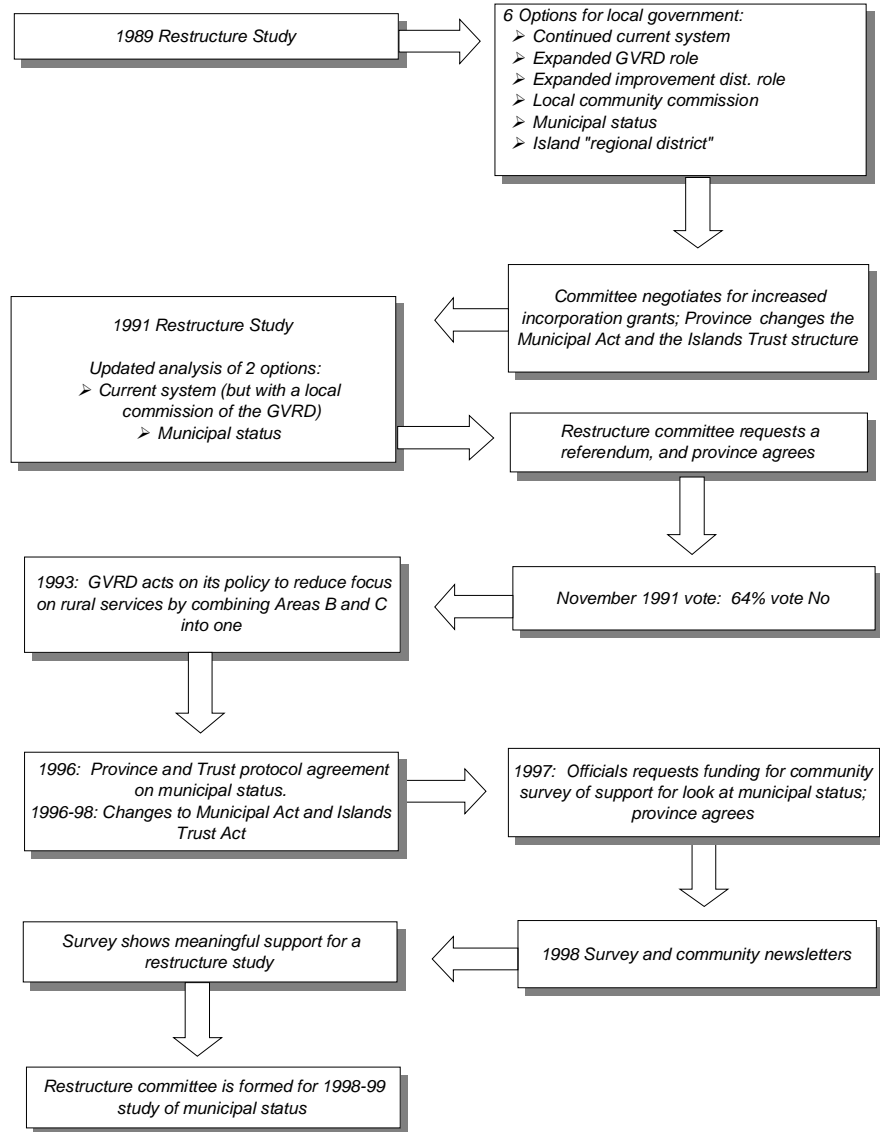


1.3 Recent History

Municipal status for Bowen Island has been examined before, at various levels of interest. Among the most recent are the defeated 1991 referendum and the 1997-98 survey and discussion about whether another full study should be commenced. The current work flows from the 1997-98 survey which showed considerable interest in preparing a full study of potential impacts.

Figure 3 shows a brief history of significant events related to municipal restructuring on Bowen.

Figure 3: Selected Events Related to Municipal Restructuring on Bowen Island



1.4 The 1998 Survey

In late 1997-early 1998, Bowen’s GVRD director and the two local Trustees on the Islands Trust requested that the province fund a preliminary survey of attitudes about local services, community policies, and municipal restructuring in general. The aim was to identify the extent of support for a full restructure study without necessarily committing the funds for a full study.

Two community flyers were produced, with the first one containing a questionnaire. A public information and discussion meeting was also held to explain how the current system works and what might change and to solicit the views of residents about their governance structure.

Of the 2000 survey forms distributed, 185 were completed and returned. Major findings included the following points.

- Provision of Services:
 - 49% of respondents said they are unhappy with how local services are provided on Bowen; another 18% expressed partial or conditional dissatisfaction.
 - 70% said they would like to change the way services are provided (though not all suggested major changes).
 - 50% felt a municipal system of governance would improve the delivery of services, primarily through increased local control, accountability, and responsiveness.
 - The most common response (47%) about service delivery under governance options other than municipal status was negative, although 31% were not able to provide meaningful comment about the other options due to insufficient information.
- Decision Making
 - 77% stated dissatisfaction with the current decision making process on Bowen and expressed a desire to change the decision process.
 - 53% expected a municipal system would improve the decision making process.
 - 53% stated negative opinions about governance options other than municipal status.

The general support for examining municipal status that was revealed by the 1997-98 survey has led to this full restructure study being undertaken.

1.5 What Can Be Compared

Essentially, this study focuses on the changes in procedures, services, decision making bodies, and tax structures that would be associated with switching from rural status to municipal status. In a perfect world there would be a simple comparison of the community as a municipality with the current rural system. But of course it is not a perfect world, and such a pure comparison is not possible.

Foremost among the problems is the need to guess the future - a difficulty that applies to both municipal status and continuation as a rural community. Both futures are uncertain, and it is simply not possible to confidently predict what will happen in either case. The study shows what *could* happen under municipal status and compares this to a continuation of the current system, but the reality is that municipal status decisions would be made by people not yet elected under circumstances not yet clearly identified, and the current system itself changes a bit every year anyway. This makes a “factual” statement of impacts elusive because both the “before” and “after” pictures cannot be precisely focused.

In short, residents would be asked to choose between two uncertain futures: municipal status or rural status. *Neither choice offers assurances.*

What can be compared, however, is a reasonable look at the impacts of providing the current array of local services under municipal status with the impacts of the current system (ie, 1998 taxes and decision authorities). A number of assumptions are needed to build the municipal picture -- just as the comparison also requires the assumption that the current system will continue as is. Some assumptions for the municipal case can be

made more comfortably than others; this is also true for some assumptions about the current system.

1.6 Other Restructure Options

For this 1999 study the province has indicated it would support a look at two local government options: municipal status and the current system. Other options are not in the terms of reference.

There is a variety of local governance forms under the rural status umbrella, and the 1989 Bowen study examined several:

- Continuation of the current system as is
- Expanded improvement district status
- Expanded regional district services under the traditional regional board system
- Expanded regional district services with a “local community” commission
- A new regional district system for multiple Gulf Islands.

The first four of these could be done under existing legislation; the last would require new legislation and did not receive provincial support. Municipal status can be attained under existing laws.

The 1991 referendum offered voters the choice of the current system or municipal status (64% voted to retain the current system).

1.7 Major Assumptions

As stated earlier, a number of assumptions need to be made in order to develop some projections about what municipal status would mean. Most of these relate to finances.

- Changes under municipal status would occur over time; there would be a transitional period in the early years, when some grant funds have not yet been used and not all service responsibilities have been transferred to the new municipality. The spending and tax projections for the first “normal” year -- that is, after all the grants have been accounted for and the municipality provides a full array of services -- should be used as the basis for comparing municipal tax impacts with rural taxes. *Short term tax levels are not an appropriate measure of municipal status.*
- Where possible and relevant, current spending on Bowen services is used in both cases. Where this is not possible, spending in “comparable” municipalities has been used as a guide to help project what a Bowen municipal council might reasonably choose to spend. ***In the end, however, spending would be determined by the elected council. Council could well choose higher or lower spending levels than projected here.*** The figures in this report are reasonable for analysis but cannot be definitive.
- It is assumed that the 1998 rural status tax loads would also apply in future years, and that the current system of delivering and financing local services would continue to apply. *This is an extremely important assumption*, since it defines the future rural status case as the present one. In reality, rural status will mean change over time, but it is simply not possible to predict the direction or magnitude of changes under the current system with any confidence. *This default assumption should not be mistaken for certainty.*

- All dollar amounts are stated in terms of constant 1998 dollar values; inflation would affect future amounts for both the municipal and rural cases.
- The study does not factor in the effects of population growth. This is a restructure study, not a cost of growth study. Building community growth into the analysis would make it virtually impossible to separate the *tax impacts of municipal status* from the *tax impacts of community growth*. The matter of restructuring is complicated enough without introducing speculative financial assumptions about a rising population. Population growth will affect the community no matter what its governance status. The impacts could be different for the municipal case than for the rural case -- for example, an additional, potential policing cost could face Bowen as a municipality -- but in both cases it is extremely difficult to project the tax impacts of growth. Worse still, the financial assumptions that would have to be made for the rural case are different than the financial assumptions for the municipal case. This means building the impacts of growth into the analysis would produce particularly speculative -- and confusing -- comparisons between the future under rural status and the future under municipal status.

1.8 Report Outline

In addition to the summary at the beginning, this report consists of the following chapters.

1. Introduction and overview.
2. Community changes and trends, including changes in Bowen's demographic composition and changes in property tax levels over the past decade.
3. The definition of what an island municipality is.
4. The current system of setting policies for services and community policies.
5. Services, functions and decision authorities that would *not* be affected by municipal incorporation.
6. Bowen's relationship with the Islands Trust before and after restructure.
7. Bowen's relationship with the Greater Vancouver Regional District (GVRD) before and after restructure.
8. The roles of other service providers on Bowen, including the province and the improvement districts.
9. The province's offer of assistance to aid the community if it changes from rural status to municipal status.
10. Projected spending estimates for the new municipality.
11. Projected revenue estimates for the new municipality.
12. Projected property tax impacts of municipal incorporation.
13. Uncertainty and the impacts of "what if" questions.

Community Changes and Trends

2.1 Overview

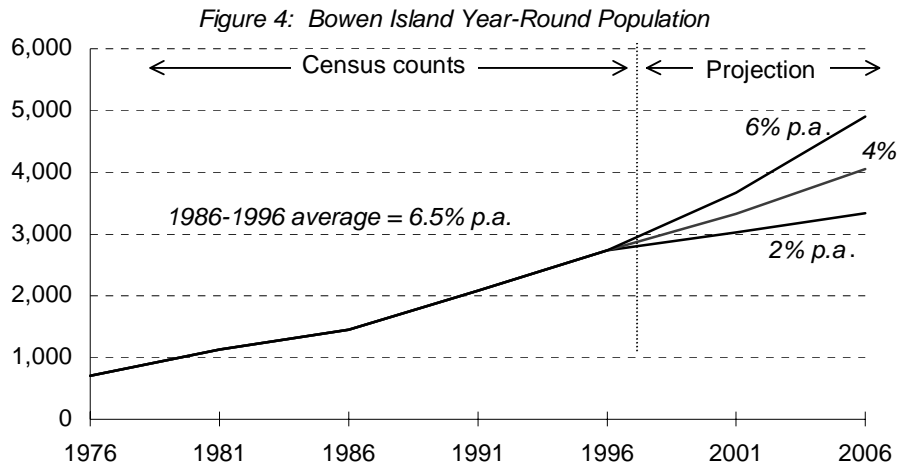
This chapter presents some snapshots of how Bowen has changed over the years, with emphasis on demographic trends, spending on local services, and property taxes.

The 1998 tax snapshots form the “before” picture in the “before-and-after” comparison of tax impacts that will be discussed later in this report.

2.2 Population

Bowen’s year-round population has risen significantly over the past two decades -- from 700 in 1976 to 2,800 in 1996. Of course, the “effective” population is somewhat higher still because of seasonal and weekend residents and visitors. Since 1986 the year-round population has risen at an average of 6.6% per year. This is almost double the GVRD rate for the same period.

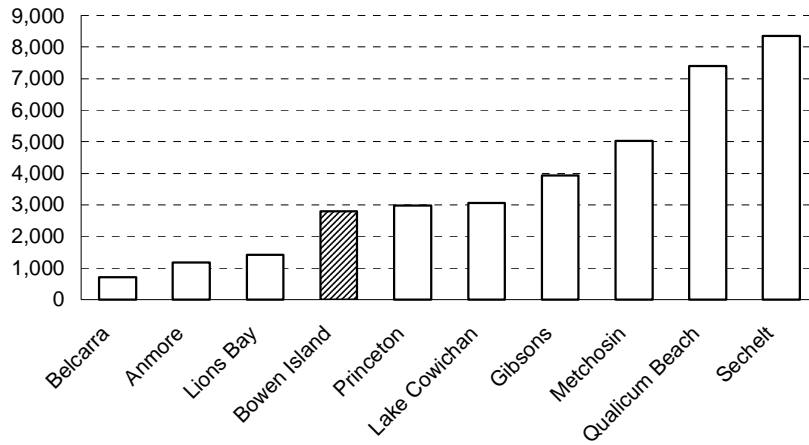
The figure below shows Bowen’s census counts and what could happen in the next decade if growth continues at 2%, 4% or 6% per year.



BC has many municipalities with relatively small populations. In fact, over 40% of BC’s 152 municipalities have less than 4000 residents. With 2800 year-round residents, Bowen would place 99th out of 152 in size. Population by itself would not make Bowen a poor candidate for municipal status.

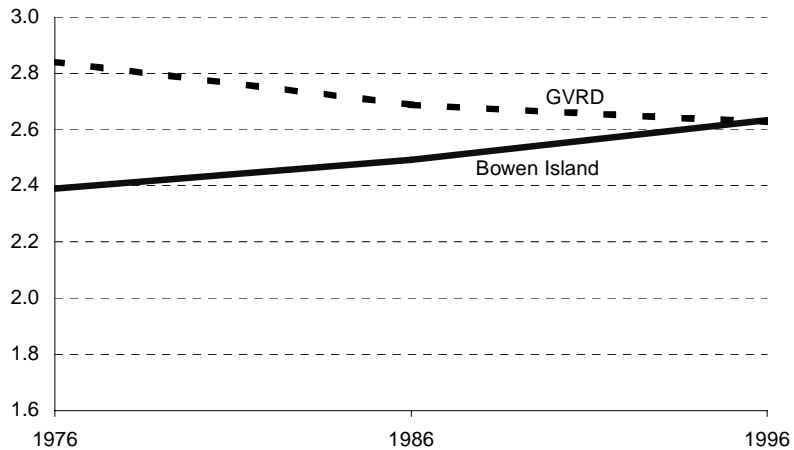
The following figure shows Bowen Island's population in relation to a selected list of municipalities.

Figure 5: Population Comparison with Other Municipalities



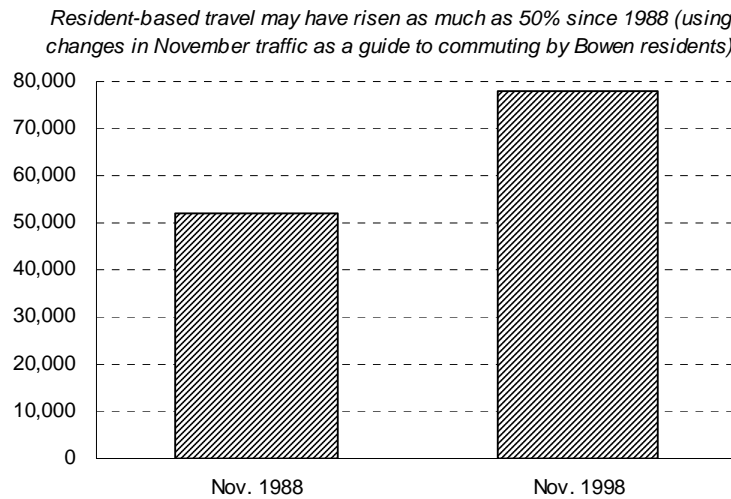
In contrast to most communities, Bowen's average household size is rising. This reflects the continuing trend of families with children locating on Bowen.

Figure 6: Average Household Size



There has been a continuing rise in the ferry passenger volumes to and from Bowen. In particular, there is strong evidence that the number of residents commuting to the mainland has grown much more rapidly than the rise in total population. As shown in the next figure, the two-way levels in November -- a month in which visitor traffic is very low -- have grown by 50% over the last six years. This suggests Bowen serves as a bedroom community for an increasing number of residents.

Figure 7: Total November Passengers Between Bowen and Horseshoe Bay

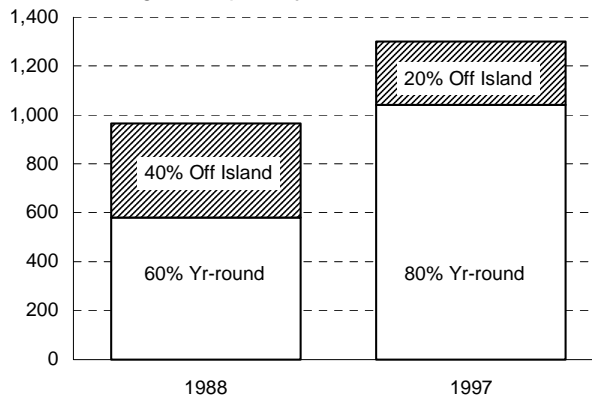


Source: BC Ferries Corp.

2.3 Housing

There are approximately 1,300 homes on Bowen, of which 1,040 were identified as primary residences in the 1996 Census -- which leaves about 260 homes owned by off-islanders. There has been a notable shift in the nature of the island's housing stock, as more and more seasonal and weekend homes become occupied by year-round residents. The chart below shows how the seasonal-permanent housing balance has changed over the last decade.

Figure 8: Dwellings Occupied by Year-Round and Off-Island Residents



Source: 1989 Bowen Island Restructure Study, 1996 Census data, 1997 assessment data

The seasonally-occupied housing supply cannot be relied upon to meet the needs of future year-round population growth. Not only is it unrealistic to expect the majority of current seasonal homes to become occupied by permanent residents, but even if this did happen it might not meet the demands for new housing.

The following homes could be needed to house the new permanent residents over the next 7 or 8 years, assuming the average household size stabilizes at the 1996 level.

- With a 2% annual population rise ... 225 additional homes occupied year round
- With a 4% annual population rise ... 500 additional homes occupied year round
- With a 6% annual population rise ... 825 additional homes occupied year round

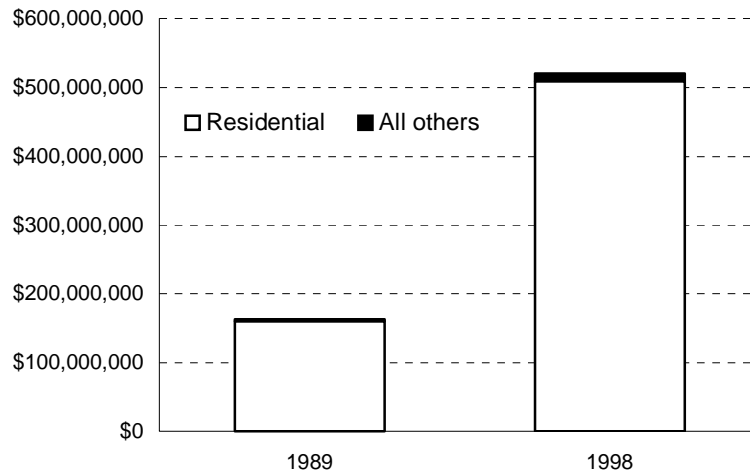
2.4 Tax Base

A community's tax base is the sum of its property assessments. The tax base is the generator of the property taxes that are used to pay for local services, both under rural and municipal status.

Bowen's tax base has grown for two reasons. First, market values have risen significantly over the past 20 years or so -- a trend experienced in many BC communities. Since assessments are based on market values, this has raised the tax base. Second, there has been new construction on Bowen to house the added population, and this adds to the tax base over and above any changes in market values. Since 1989 Bowen's tax base in real dollars has more than tripled, as shown below.

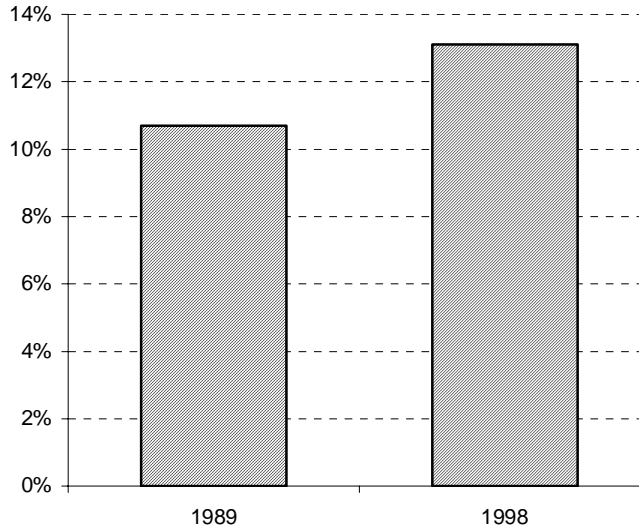
Figure 9: Bowen's Total Tax Base

Stated in constant 1998 dollars



Bowen's contribution to the Islands Trust funding is based on its tax base. As shown below, Bowen's share of the total Trust tax base has risen since 1989 -- in other words, total assessments on Bowen have risen faster than for the Trust as a whole.

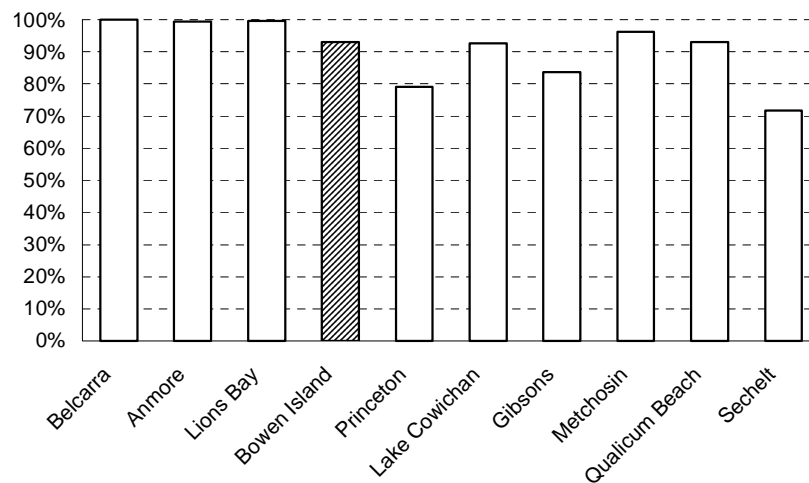
Figure 10: Bowen's Share of the Total Islands Trust Tax Base



A mix of property types allows a shift of the tax burden between homes and, say, stores, and the ability to shift adds flexibility to a local government's financing policies. Bowen's tax base is mainly residential, which means it has a very limited ability to shift some of the tax burden from homes to businesses and industry. This is true whether Bowen is a municipality or a rural status community.

Reliance on the residential tax base is not unique to Bowen; most BC municipalities are mostly residential, and some share Bowen's near total reliance on residential property taxes.

Figure 11: Residential Property as a Percent of the Total Tax Base



2.5 Property Taxes

For both municipal status and rural status, property taxes are the main source of funds for local services. Under rural status, the link between what services cost and the taxes paid is sometimes weak. For example, the provincial rural tax (currently \$1 per \$1000 of assessment) is the same in every rural community throughout BC, irrespective of how

much the province actually spends on roads and policing in each area (the tax funds these two services). Every rural home assessed at \$200,000 pays the same \$200 tax, even though the costs of roads and policing will vary from place to place. Some areas may pay more than their share of costs; others may pay less. It is extremely difficult to determine the balance between costs and taxes in rural areas. This same principle applies to the Islands Trust, where it is not clear how Bowen's share of taxes matches up with its share of the costs incurred by the Trust in delivering its services to Bowen in any given year.

Various agencies need tax dollars from Bowen Island. Their shares of the tax load have varied over the years, but generally taxes for schools and hospitals have accounted for the biggest portion.

Two tax aspects are of interest here -- total taxes from the island and individual taxes.

Total Taxes from Bowen Island

The first is the total amount of tax dollars paid by the island as a whole. Total taxes have risen steeply over time, but this isn't surprising in light of the rise in Bowen's population and the resultant need to expand the delivery of services accordingly. The following two figures shows how the total tax load has grown over the years.

Note that the figures include the 5.25% provincial tax collection fee, which is added to the tax needs of regional district, the Islands Trust, and improvement districts. The province builds this into the individual tax rates on each tax bill, so many residents are not aware that the taxes they pay for, say, fire protection are 5.25% more than the fire department actually gets. This add-on tax applies only in rural areas, not in municipalities.

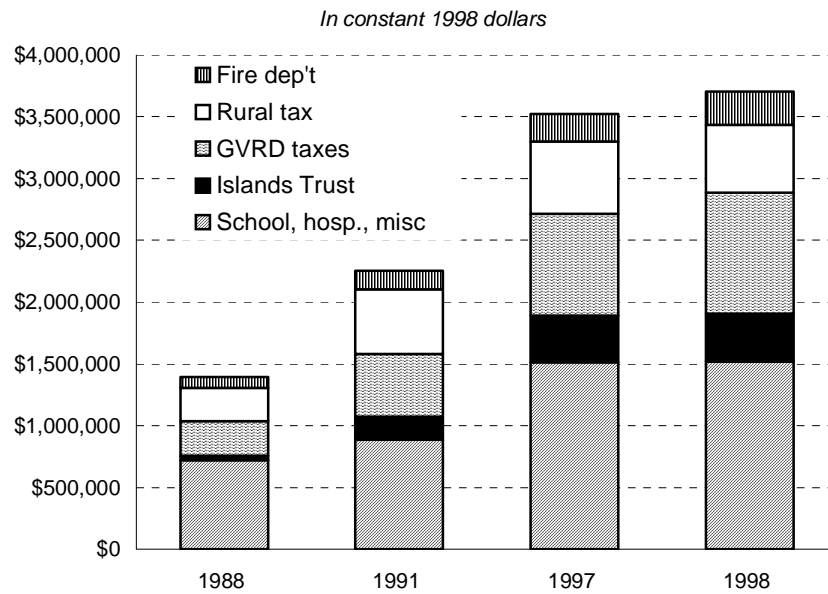
Figure 12: Total 1998 Property Taxes from Bowen Island

	Basic Taxes Needed	Tax Collection Fee ¹	Total Taxes Collected
School, hospital, others	\$1,520,734	\$0	\$1,520,734
Provincial rural tax	\$549,921	\$0	\$549,921
Island Trust	\$367,601	\$19,299	\$386,900
GVRD region-wide	\$64,580	\$3,389	\$67,969
GVRD local services ²	\$843,780	\$44,298	\$888,078
Fire protection	\$255,038	\$13,389	\$268,427
Total ²	\$3,601,654	\$80,375	\$3,682,029

¹ This provincial fee applies only in non-municipal areas

² Excluding water and sewer taxes (paid only in specified areas)

Figure 13: Summary of Changes in Bowen's Total Taxes



Constant 1998 dollars, based on Vancouver consumer price index
Note: Bowen's year-round population has risen about 80% during the same period
Excludes water and sewer charges; includes provincial tax collection fees

Individual Tax Bills

Of course, community growth and construction have produced a bigger tax base over the years, so looking at the total tax bill does not address what for most people is the more crucial matter of *individual tax bills*. In other words, what are the taxes paid by an average home and how have these changed in the past decade? This is the most meaningful and tangible aspect of the property taxes issue.

The average home tax is determined by the average home assessment and the tax rates. Each year the average assessment changes as the realty market changes, but there can also be offsetting changes in tax *rates*, so it cannot be said that higher assessed values necessarily mean higher taxes.

As shown in the following figures, there have been significant rises in the tax bills faced by the average home on Bowen over the past decade. The rises have not been consistent among the various taxing agencies. As before, the 5.25% provincial tax collection fee has been identified separately here, rather than leave it hidden as part of the tax rate for the affected services.

Figure 14: 1998 Taxes Paid by an Average Bowen Island Home

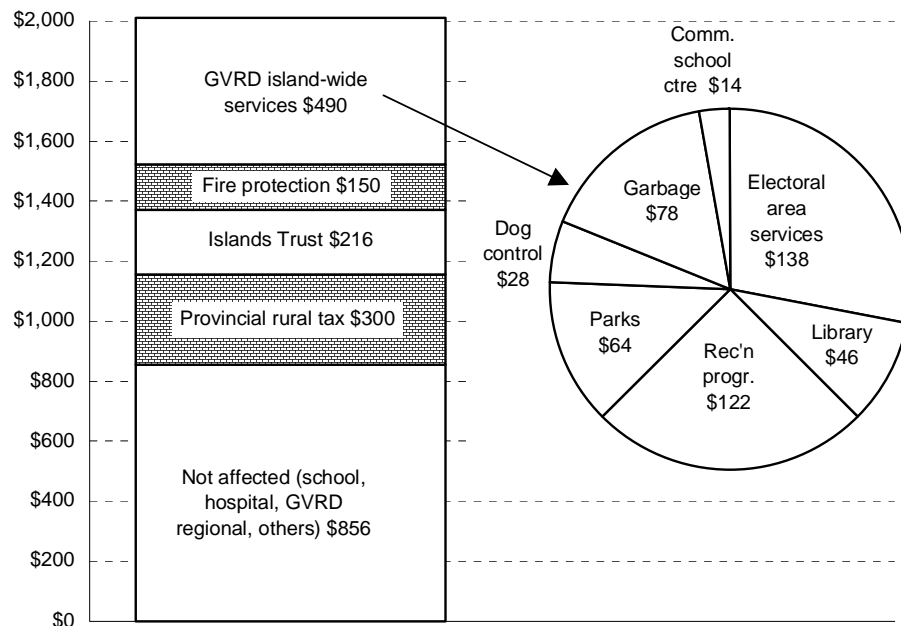
	Tax Rate	Tax
<i>(A) Affected by incorporation:</i>		
Provincial rural tax (roads + RCMP)	\$1.000	\$300
Islands Trust tax ¹	\$0.720	\$216
Fire protection tax ¹	\$0.500	\$150
GVRD Island-wide services:		
Electoral area services ¹	\$0.460	\$138
Community school ctr (BICS) ¹	\$0.047	\$14
Library funding ¹	\$0.152	\$46
Recreation programs ¹	\$0.406	\$122
Animal control ¹	\$0.093	\$28
Garbage (parcel tax) ¹	\$78.46	\$78
Parks (parcel tax) ¹	\$64.42	\$64
Total affected by municipal incorp.		\$1,156
<i>(B) Not affected by incorporation:</i>		
GVRD region-wide services ¹	\$0.110	\$33
School tax	\$2.419	\$726
Hospital tax	\$0.200	\$60
BC Asmnt Authority and MFA	\$0.123	\$37
<i>(C) Total property taxes²</i>		\$2,012

Avg Bowen asmnt of \$300,000; taxes vary with asmnt

¹ Includes provincial tax collection fee (total of \$44 per home)

² Excludes water + sewer services and garbage stickers; total excludes annual home owner grant

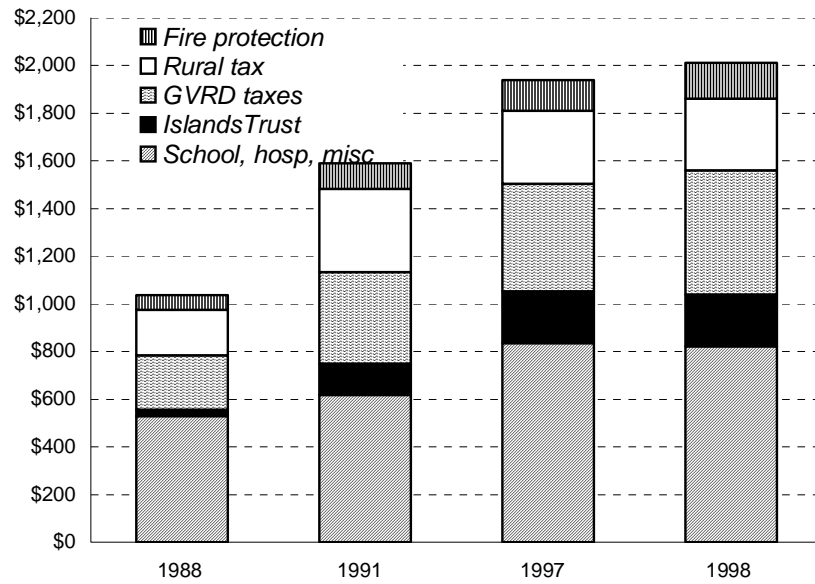
Figure 15: Summary of 1998 Taxes on an Average Bowen Home



Includes provincial tax collection fee; excludes water + sewer charges and home owner grant

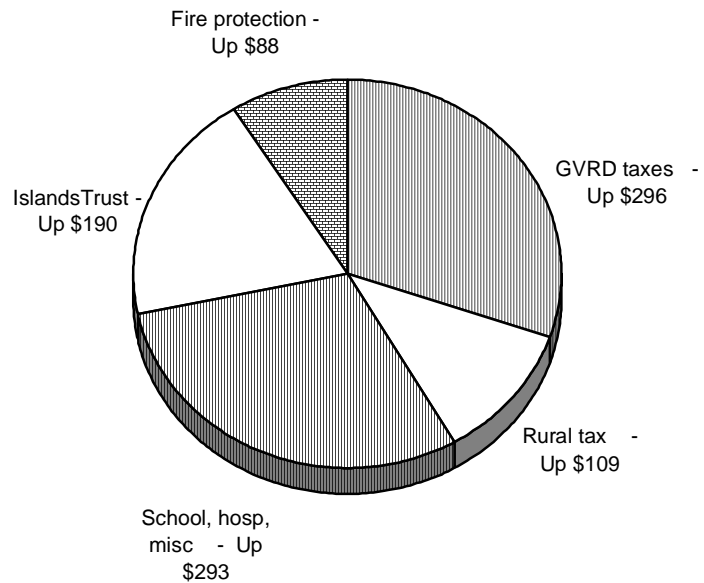
Over the past decade or so, the average home on Bowen Island has seen a jump of about 150% in its property taxes, as shown in the following figures.

Figure 16: Property Taxes on an Average Bowen Home (Constant 1998 Dollars)



Constant 1998 dollars; excludes water + sewer charges and home owner grant

Figure 17: The 1988-1998 Tax Rise on a Bowen Home (Constant 1998 \$)



What Is An Island Municipality?

3.1 Overview

In this study the term “local government restructuring” means ending the Bowen Island’s unincorporated status by incorporating it as a municipality. Creation of a municipality is accomplished when the provincial cabinet issues letters patent for it -- the document that specifies details such as geographical boundaries, dates for the commencement of municipal responsibilities, and any special powers, duties, and requirements for the new body.

The predominant piece of legislation governing municipalities and other local governments is the province’s Municipal Act. If Bowen becomes a municipality, section 11.1 of the Act requires that it must be named *the Island Municipality of Bowen* or the *Bowen Island Municipality*. It would operate as a district municipality (as opposed to a village, town or city municipality). One third of BC’s 152 municipalities are district municipalities (including West Vancouver). The municipality would be governed by an elected, seven-member council with a mayor and six councillors. All would serve three year terms.

The new municipality would be responsible for various services and functions that now rest with the province (roads, subdivision approval and tax collection), the GVRD (numerous services), the Islands Trust (local planning services only), and improvement districts (water and fire protection). The municipal council would decide many policies for the community as a whole and set the budgets and tax rates for local services. Property taxes would be the main source of revenues to pay for these services -- just as they are now under the rural system. There would be a much greater centralization and harmonization of decision making, tax policies, and record keeping -- as well as a concentrated set of local service responsibilities -- on Bowen.

The municipality would still be part of the GVRD and it would still be part of the Islands Trust.

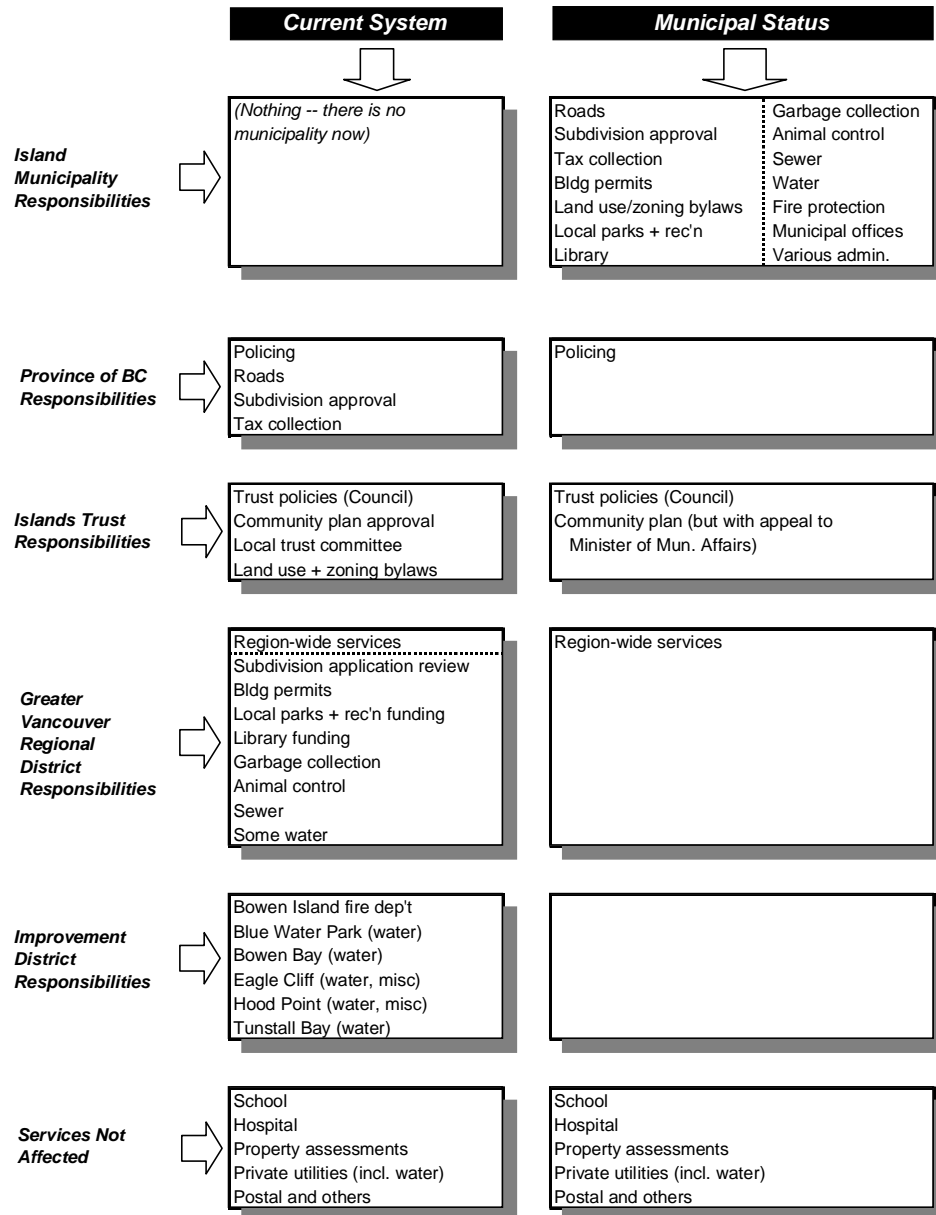
Municipal councillors would select one of their own members to sit on the GVRD board and represent only Bowen Island. This is different than now, where Bowen’s GVRD director is elected separately and represents other areas too. All of the local services provided by the GVRD would become a municipal responsibility, but Bowen would continue to participate in GVRD regional-wide services just as it does now.

Municipal council would also appoint two of its members to the Islands Trust council, but electors would specify which two council members are to be appointed. The local planning services now provided by the Trust would continue for up to three years and then it would be up to municipal council to decide how it wants to provide this service. *Municipal council would, however, define the technical work program for planning from the start of incorporation; its bylaw authority would also start right away.* Bowen would still participate in the Trust-wide functions just as it does now.

3.2 Shifts in Responsibilities

Municipal status would mean a shift in who provides local services on Bowen. The following diagram shows an overview of these shifts.

Figure 18: Shifts in Service Responsibilities Due to Municipal Incorporation



3.3 Shifts in Taxes

Municipal status would also mean a shift in which agencies levy taxes to finance these local services. The figure below shows these shifts. Later in this report the projected municipal budget will be translated into specific tax numbers, which allows a comparison of the “before” and “after” taxes. The taxes below are the “before” taxes.

Figure 19: Shifts in Home Taxes Due to Municipal Incorporation

	1998 Tax	Effect of municipal status
<i>(A) Affected by incorporation:</i>		
Provincial rural tax (roads + RCMP)	\$300	Replaced by a municipal tax
Islands Trust tax ¹	\$216	Would not change for first 3 years
Fire protection tax ¹	\$150	Becomes a municipal function (part of mun. tax)
GVRD Island-wide services:		
Electoral area services ¹	\$138	Replaced by a municipal tax
Community school ctr (BICS) ¹	\$14	Becomes a municipal function (part of mun. tax)
Library funding ¹	\$46	Becomes a municipal function (part of mun. tax)
Recreation programs ¹	\$122	Becomes a municipal function (part of mun. tax)
Animal control ¹	\$28	Becomes a municipal function (part of mun. tax)
Garbage (parcel tax) ¹	\$78	Becomes a municipal function (part of mun. tax)
Parks (parcel tax) ¹	\$64	Becomes a municipal function (part of mun. tax)
Total affected	\$1,156	
<i>(B) Not affected by incorporation:</i>		
GVRD region-wide services ¹	\$33	No change; applies to all GVRD members
School tax	\$726	No change; applies to whole school district
Hospital tax	\$60	No change; applies to all GVRD members
BC Asmnt Authority and MFA	\$37	No change; applies across whole province
<i>(C) Total property taxes²</i>		
	\$2,012	Excludes various water + sewer taxes

Average home assessment = \$300,000 (taxes vary with assessed value)

¹ Includes 5.25% provincial tax collection fee; in total, this fee amounts to \$44 per home

² Excludes local area water and sewer services and garbage stickers; excludes home owner grant

The next several chapters present a more detailed discussion of the changes in local service responsibilities and decision making that municipal status would mean for Bowen Island.

3.4 A Municipality's Financial Authority

The Municipal Act gives municipalities broad powers for financing the planning, management and administration of the community. Several important features warrant comment here.

- **Development cost charges:** Municipalities can collect funds for the expansion of infrastructure from new development, in the form of development cost charges (DCCs). DCCs can be levied against new developments to help fund roads, storm drainage, water, sanitary sewers, and the acquisition of open space (and also minor improvements to parks). DCCs are to be used for financing those infrastructure expansions and improvements that are triggered by growth. DCC levels can vary among differing types of development and among differing parts of the municipality. Many BC municipalities and some regional districts have DCCs, and Bowen will have one for parks acquisition in 1999.
- **Borrowing:** The Municipal Act requires that municipalities balance their books each year. Taxes are the main source of revenue (just as they are now, under rural status). Most municipalities borrow operating funds in the first part of the year, before the year's taxes have been collected, and then pay this off when taxes flow in, starting in June. For capital funding -- as opposed to operating funding -- a municipality has the authority to borrow funds up to an amount prescribed by the province. In Bowen's case this would be about \$10 million. Before borrowing capital funds, the municipality must pass a series of bylaws and give residents the opportunity to sign a counter petition. If 5% of the electorate sign the petition, a binding referendum must be held. If elector assent is obtained -- either by a

successful referendum or because less than 5% of the electors request a referendum -- provincial approval would be then be needed before the money can be borrowed.

- **Tax rate differentiation:** As set by the province, there are nine property assessment classes in BC. Municipal council sets the tax rate for each one, for municipal taxes only. Three of the classes do not exist on Bowen. Bowen's six are: residential, utility (telephone, gas, for example -- but not water districts), light industry, business (and other), recreation-non-profit, and farm land. All can have buildings except the last, which is by definition land only. Within a class, council cannot distinguish between land and building tax rates; for example, the rate on a residential lot must be the same as the rate on the residential building. Council can shift the tax burden by changing the tax ratios between classes -- for example, having a higher rate for businesses than for homes (as is already done, for almost all taxes under the current system). These different classes matter only for ad valorem taxes -- that is, taxes determined by assessed value and tax rate. Parcel taxes (which are not ad valorem) are uniform across different property types. Council can mix ad valorem and parcel taxes (as is already the case on Bowen). There are also frontage taxes in which wider properties pay more than narrower properties). Ad valorem taxes are by far the most common tax mechanism for municipalities, and the most flexible due to the ability to shift tax rates between classes.

3.5 Environmental Protection

Municipal status would strengthen local authority for policies and bylaws regarding environmental protection in limited ways. Of course, municipal status does not guarantee the available tools would be used. Most of the major tools can already be used, but by various bodies.

Municipalities have some advantages over rural areas in terms of environmental protection. Here are some specific comments.

- **Tree cutting:** S. 924(1) of the Municipal Act allows regional districts to regulate tree cutting (by bylaw) -- but only for areas subject to flooding, erosion, land slip or avalanche. However, a municipality has much broader rules for controlling tree cutting. Under s.708-714, municipal council can designate various areas as tree protection areas, identify "significant" individual trees for protection, and require the replacement of trees removed in contravention of a tree cutting bylaw. There are some restrictions on these powers -- for example, a bylaw can't effectively prohibit uses permitted under a zoning bylaw (like a forestry zoning) and it can't restrict development below the density allowed in a zoning bylaw -- but the ability to protect trees is much greater in a municipality than under rural status.
- **Coordination of policies:** Because it has more comprehensive and concentrated powers, a municipality is in a better position to dovetail various policies for the protection of the environment. For example, the same body -- municipal council -- that administers the subdivision bylaw also administers road network planning, water main policies, water supply practices, tree cutting bylaws, storm water management, and other services which, when managed cohesively, can form an essential part of a community's environmental protection strategy. Under the current system, various bodies and agencies -- the province (several branches), the Islands Trust, the GVRD, the improvement districts, etc -- each manage individual parts of the picture but none manages all of them, so it is difficult to

create -- and coordinate -- a comprehensive set of management policies and bylaws.

- **Responsiveness:** Under the current system it is difficult to find funds quickly to remedy an environmental problem, to investigate an environmental avenue, or to start a new program. GVRD service changes require the support of multiple GVRD members, which may take some time. Furthermore, funds from one GVRD service budget (parks, for example) cannot be used to fund efforts in another GVRD service (Snug Cove sewage, say), so there is little flexibility in annual budget usage. The improvement districts generally do not have the resources to fund significant environmental programs, and even if they did, their powers to do so are very limited. There are also limits on the use of Islands Trust funds (for example, the Trust can't use money to relocate or alter roads to better protect a stream). In a municipality, however, there is much more flexibility. While the total tax revenues can't be changed in mid year, funds can be shifted to meet the needs of special circumstances; for example, part of a repaving program can be deferred and the money used for a more urgent purpose, like drainage improvements after a land slip. In addition, municipalities are not "function defined" like a regional district, so new services -- like a study of a particular environmental concern -- can be initiated quickly and solely at the discretion of local officials.

3.6 New Municipalities

The creation of a new municipality would not be an isolated event. Many of BC's municipalities are quite new, and there has been a more or less continuous creation of new municipalities since the first, New Westminster, in 1860.

Figure 20: New Municipalities in BC by Decade

Decade	New Municipalities
1860-1869	2
1870-1879	8
1880-1889	1
1890-1899	15
1900-1909	15
1910-1919	12
1920-1929	9
1930-1939	6
1940-1949	16
1950-1959	24
1960-1969	20
1970-1979	8
1980-1989	9
1990-1999	6
<i>Total*</i>	<i>151</i>

* Includes Abbotsford-Matsqui amalgamation of 1995; excludes Sechelt Indian Gov't District

Figure 21: New Municipalities Created Since 1980

Name	Year	Pop'n	Name	Year	Pop'n
District of Wells	1998	270	City of Terrace	1987	13,830
Abbotsford (amalg. with Matsqui)	1995	113,700	Town of Fort Nelson	1987	4,790
District of Lake Country	1995	9,540	Village of Anmore	1987	1,170
District of Highlands	1993	1,560	City of Colwood	1985	14,770
District of Langford	1992	19,440	District of Metchosin	1984	5,030
Village of Radium Hot Springs	1990	580	District of Tumbler Ridge	1981	3,570
District of Sicamous	1989	3,160	District of New Hazelton	1980	850
Town of View Royal	1988	7,050			

Current Services and Decision Making

4.1 Introduction

Creating a municipality for Bowen Island would change how many decisions are made about a variety of community services, policies, and practices. This does not mean that *different* decisions would be made, simply that *who makes them* would change.

Not all things would be affected. The next chapter presents a list of services and functions that would continue unchanged by creating a municipality. But a number of local service and policy bodies would be affected, and some of the changes would be significant.

This chapter describes who delivers services and who has decision authority over service levels and policies on Bowen Island. This provides a framework for helping assess the importance of the changes municipal status may bring.

4.2 Service Providers

Rural areas receive services from a variety of public sector agencies; the influence residents have on these bodies varies significantly. The figure on the next page shows how services are provided now.

The figure immediately below shows the representation on the various decision-making bodies whose services are provided on Bowen.

Figure 22: Current Political Representation

Body	Main Services	Local Representation
<ul style="list-style-type: none"> ▪ Province 	<ul style="list-style-type: none"> ▪ Roads, policing, tax collection, subdivision approval 	<ul style="list-style-type: none"> ▪ 1 MLA for large area
<ul style="list-style-type: none"> ▪ GVRD 	<ul style="list-style-type: none"> ▪ Administration, garbage, recreation programs, library funding, bldg inspection, dog control, local parks, region-wide services 	<ul style="list-style-type: none"> ▪ 1 GVRD board member for Bowen and other areas, out of 35 directors in total
<ul style="list-style-type: none"> ▪ Islands Trust Council 	<ul style="list-style-type: none"> ▪ Trust policies and potential community plan approval 	<ul style="list-style-type: none"> ▪ 2 locally elected trustees for all of Bowen, out of 26 trustees on the Trust Council
<ul style="list-style-type: none"> ▪ Islands Trust - Local Trust Committee 	<ul style="list-style-type: none"> ▪ Land use planning and zoning on Bowen 	<ul style="list-style-type: none"> ▪ 2 locally elected trustees and 1 member of Trust Executive
<ul style="list-style-type: none"> ▪ Improvement districts 	<ul style="list-style-type: none"> ▪ Fire protection, water systems 	<ul style="list-style-type: none"> ▪ 3-7 trustees for each service, elected by property owners in each service area
<ul style="list-style-type: none"> ▪ Private utilities 	<ul style="list-style-type: none"> ▪ Mainly water 	<ul style="list-style-type: none"> ▪ Owners of utility company

Figure 23: Who Provides Local Services on Bowen Island

	Current System	Municipal Status
• Local decision bodies	• GVRD; Province; Islands Trust; improvement districts	• Municipality (mayor + 6 other councillors); Islands Trust
• Member on GVRD Board	• One directly elected for Area C	• One (a member of council, chosen by council)
• Members on Islands Trust	• Two directly elected for Bowen	• Two council members selected by voters to sit on Trust Council
• Responsibility for roads	• Province (via private contractor)	• Municipality (can be via contractor)
• Water system specified areas	• GVRD for some; improvement districts and private utilities for others	• Municipal specified areas; private utilities remain unchanged
• Snug Cove sewer system	• GVRD specified area	• Municipal specified area
• Septic systems	• Individual owners	• Individual owners
• Storm drainage	• Province (roadways only)	• Municipality
• Garbage collection	• GVRD (via contractor)	• Municipality (can be via contractor)
• Fire protection	• Improvement district	• Municipality
• Policing	• RCMP (provincial contract)	• RCMP (provincial contract)
• 911 Service	• GVRD	• GVRD
• Bylaw enforcement	• GVRD; Islands Trust	• Municipality
• Building permits + inspection	• GVRD	• Municipality
• Official community plan adoption	• Islands Trust Council, after approval from Trust Executive Committee (or Trust Council) and from Minister	• Municipal council, after approval from Trust Executive Committee or Trust Council or province
• Local planning and zoning bylaws	• Bowen Local Trust Committee, then approval of either Trust Council or Trust Executive	• Municipal council, with referral to Islands Trust
• Subdivision approval	• Min. of Transport + Hwys (with referrals to GVRD and Islands trust)	• Municipality
• Electrical inspection	• Min. of Municipal Affairs	• No change
• Health inspection	• North Shore Health Board	• No change
• Local parks and recreation	• GVRD, through the Bowen Island Parks and Recreation Commission	• Municipality (with advice from B.I. Parks and Rec'n Commission)
• Ferry system	• Province of BC	• No change
• Library funding	• GVRD	• Municipality
• Tax collection	• Province of BC	• Municipality
• Property assessments	• BC Assessment Authority	• No change
• School taxes	• Province and school district	• No change
• Welfare	• Province and federal gov't	• No change

4.3 Private Utilities

Bowen has a number of private utilities, mainly for the delivery of water in limited neighbourhoods. These are not public sector bodies, and changing to municipal status would have no effect on them. The municipality would not be under any obligation at all to own or operate them. The utility owners themselves would continue to be responsible for the service.

4.4 Improvement Districts

Bowen has a six improvement districts, of which five are active. The largest (fire protection) covers the whole island; smaller ones cover only limited areas. Improvement district policies are determined by locally elected trustees, but the province maintains a close oversight role by requiring that their budget and rates bylaws are registered with the province. Improvement districts cannot borrow money for capital works without the consent of the province. Improvement districts are not eligible for the normal water and sewer grants from the province, and they are low on the priority list for federal-provincial Infrastructure Works Program grants. Because of this and because regional districts and municipalities *are* eligible for the grants, a number of improvement districts have been transformed into regional district service areas so the regional district can apply for grants on behalf of the affected service users (this requires the approval of both the improvement district membership and the regional district board).

The eligibility rules to be an elector of improvement district trustees are usually set out in the letters patent of the district (letters patent are issued by the provincial Cabinet and create and define corporate bodies such as improvement districts, municipalities, and regional districts). Unless something else is specified in the letters patent, only land owners can vote for the trustees.

Most improvement districts charge user fees and/or taxes to pay for services. Most commonly the improvement district itself mails out and collects the fees and charges from the affected properties. However, if *ad valorem* taxes -- that is, taxes based on a tax rate and assessed property values -- are used, the province adds them to the tax bills its sends to residents outside municipalities, and it adds a 5.25% collection fee to the bill. On Bowen, only the fire district uses an ad valorem tax; all the others levy their own parcel taxes and/or user fees directly.

The following is a list of improvement districts on Bowen and the services they are authorized to provide.

- Bowen Island Fire Protection District: Fire service to the whole island
- Blue Water Park I.D.: Water service
- Bowen Bay I.D.: Water service
- Eagle Cliff I.D.: Water service and community floats
- Hood Point I.D.: Water service, parks/playgrounds, and boat launching facility
- Tunstall Bay I.D.: Water service, though this improvement district exists only on paper; a private utility still owns and operates the water system.

4.5 Islands Trust

Bowen Island is part of the Islands Trust, a unique body charged with responsibility for developing, implementing, and managing policies regarding land use and community development among the various islands which comprise the trust.

There are four Islands Trust bodies:

- Trust Council: Bowen voters elect two trustees to sit on the trust council, which is comprised of the elected members from all the islands. The council adopts the annual Trust budget, adopts a trust policy statement for the trust as a whole, and can serve as a approving body for local bylaws under certain conditions.
- Executive Committee: The council elects four of its members to form the Executive Committee, which has approval power for local area bylaws.

- **Local Trust Committee:** The Bowen Island Trust Committee consists of the two locally-elected members plus one Executive member. This body examines, initiates, and proposes bylaws for the management of land use and development on Bowen. There would be no local trust committee in an island municipality; municipal council replaces it.
- **Trust Fund Board:** This body consists of a member of the Executive Committee, two members of the Trust Council, and 1-3 members appointed by the Minister of Municipal Affairs. The Board's role is to manage and administer trust fund property.

The local Bowen Island Trust Committee proposes land use bylaws, and approval must be obtained from either the Executive Committee or the Trust Council as a whole. If the bylaw is a community plan bylaw, approval is also needed from the Minister of Municipal Affairs.

There are no municipalities in the Islands Trust, but the Islands Trust Act and the Municipal Act specifically provide for them and define how the bylaw approval system is to work if a municipality is formed.

The Trust relies mainly on property taxes to pay for its operations. Most of the costs involve technical efforts -- planning staff, computer systems, printing, advertising, special studies, etc -- rather than the operations of the Council, Executive, Trust Fund Board, or local committees as political bodies. Island Trust taxes are uniform across all areas of the trust; a \$200,000 home on Bowen pays the same tax rate for the Trust as does a \$200,000 home on Salt Spring, Denman, or any other island in the trust area.

4.6 Regional District

Bowen Island is part of the Greater Vancouver Regional District. The GVRD delivers region-wide services as well as a number of purely local services on Bowen. While each municipality has its own director(s) on the large GVRD board, Bowen does not. Bowen is part of Electoral Area C. Bowen has the lion's share of Area C's population and tax base but it is not the only community in Area C. Area C voters elect one director to sit on the board. Other parts of Area C include Barnston Island, Pitt Lake, Brunswick Beach, Passage Island, Bowyer Island, and upper Indian Arm.

Bylaws of the GVRD are adopted by the GVRD board. The director for Bowen is not allowed to be the only board member voting on a bylaw that affects Bowen alone; where only one GVRD area is affected by a proposed bylaw, the entire board votes on it. To this extent the Area C director cannot "set" regional district policies for Bowen; the approval of the larger body is needed. Traditionally, the other board members respect the director's views on local service issues since it is, after all, a local concern rather than a regional one. But this is not always the case; recently the board approved the 1999 provisional budget allocations for Bowen Island services even though the Area C director voted against them.

The GVRD provides the following services on Bowen.

- **Region-wide services and functions**
 - Regional administration and GVRD board functions
 - Air quality monitoring
 - Labour relations
 - Hospital planning
 - Regional parks

- Strategic planning
- 911 Telephone
- Municipal radio
- Local services and functions
 - Local administration
 - Elections
 - Grants in aid
 - Garbage collection and removal of recyclables
 - Building inspection
 - Animal control
 - Noise control
 - Soil removal regulation
 - Library funding (but not operations)
 - Local parks
 - Bowen recreation programming
 - Bowen school community centre (BICS)
 - Snug Cove sewer system
 - Cove Bay water supply and distribution
 - Cates Hill-Valhalla water supply and distribution
 - Queen Charlotte Heights water supply and distribution

4.7 Province of BC

The province directly provides a variety of services on Bowen Island, just as it does in all rural areas. Municipal incorporation would automatically shift responsibility for some of them to the municipality.

Eligibility for the annual home owner grant available to residents would not be affected at all.

The main services that would be affected by switching to municipal status are these.

- *Road maintenance and improvement:* The province uses private contractors for these functions. Decisions about standards and capital improvements are made by the province itself. There is no requirement for local input on these matters. The province recoups part of its road costs in the form of the provincial rural tax (it also goes towards paying for rural policing).
- *Policing:* The province provides policing in rural areas via a contract with the RCMP. Decisions about policing levels and policies are made by the province and the RCMP; there is no requirement for direct public input into this decision process, although the policy makers often solicit the views of local residents and officials. Rural policing costs are partly recouped via the provincial rural tax.
- *Tax collection:* The province collects the property taxes in rural areas, except for improvement district fees and charges. It calculates, prints and sends the tax bills, processes the payments and then redirects the proceeds to each agency as needed, and pursues uncollected accounts. The province adds a tax collection fee of 5.25% to the bills for regional district, improvement district, and Islands Trust taxes. The fee is not immediately visible, since it is built into the sometimes complex tax rates shown on each tax bill. In Bowen's case, this tax collection add-on generated about \$80,000 in 1998.

- *Subdivision approval:* The Ministry of Transportation and Highways acts as the subdivision approving officer for most rural areas, including Bowen Island; it refers applications to the GVRD and the Islands Trust for comment. Subdivision application are used to recoup some of this service's costs.

The provincial rural tax -- designated primarily for roads and policing -- is \$1 per \$1000 of assessment for homes. The same rate is charged across the entire rural areas in the province (except for the rural-status UBC area). There is no way to compare the tax paid in an area with the actual costs of delivering these services, since they are treated as province-wide services and not as local area services with separate area-based accounting. In 1998 this rural tax generated \$550,000 from Bowen properties. The average Bowen home paid \$300 in this tax.

The province gives an annual grant to home owners for their principal residence. The maximums are \$470 for owners under 65 and \$745 for those 65 or older. The grant can't be used to reduce the net tax payable below \$350 for those under 65 and below \$100 for seniors. The higher the property assessment, the lower the maximum grant. Since taxes and assessments are fairly high on Bowen, virtually all resident owners qualify for their maximum grant. The grant is first applied to reduce school taxes; if some grant remains it is then applied towards other taxes. *The rules for eligibility and grant calculation are the same in a municipality as they are in a rural community, so municipal incorporation would have no meaningful effect of the home owner grant.* The municipality would collect the total tax revenues it needs; most would come from taxpayers (minus the grant portions) and the province would remit the grant portion directly to the municipality.

At the provincial level, Bowen Island shares one MLA with a much larger area. This is its only elected representation on the body that ultimately sets the policies for roads, policing, and tax collection on Bowen Island. This level of representation would not change under municipal status.

What Would Not Change

5.1 Introduction

Municipal status for Bowen Island would mean a number of important changes, but not *all* things would change. A number of services and functions would not be affected by a decision to restructure, as set out below. Some would be affected in a technical way (for example, the name of the sewage waste discharge permit holder) but not in a practical way (in the example, the permit rules and regulations would not change). Some would not be affected immediately but could change in the future.

5.2 Existing Land Use Bylaws

All the existing land use and development bylaws now in effect would be inherited by the new municipality. Municipal council could initiate changes to these bylaws -- just as the Islands Trust can do now -- but the existing rules remain intact upon municipal incorporation. Municipal council could change the bylaws if it sees fit, except that the community plan bylaw could not be changed without approval from the Islands Trust or the province.

5.3 Home Owner Grant

The annual home owner grant would not be affected by creating a municipality on Bowen. Owners under 65 qualify for a maximum grant of \$470; those 65 and over qualify for a maximum grant of \$745. School and other property taxes on Bowen are high enough that the full grant levels are already being used up. These same full amounts would be available under municipal status.

5.4 School System

Bowen Island is part of School District 45 which contains both municipalities and rural areas, and its participation in the current school system would not be affected in any meaningful way by a change to municipal status. However, a municipal council could choose to help directly finance activities at the school -- or some other aspects of the community -- that would be much more difficult to finance under the current rural status. This is because municipal councils have greater discretionary authority over their budgets than the rural system can now provide. This flexibility may be seen as an asset to those who favour the extra service funding and as a drawback to those who are not in favour of extra spending.

5.5 Hospital and Health Services

Bowen is part of a regional hospital district and a health board system. The Greater Vancouver Hospital District is responsible for funding existing debts incurred under the older system of building health care facilities. Bowen would have its own representative

on this board, since GVRD members also sit on the hospital district board. Bowen is also part of the North Shore Health Board. Board members are appointed by the province. Individual jurisdictions -- like a municipality or electoral area -- are not entitled to separate seats on the board. Changing to municipal status would not affect these services or taxes in a meaningful way.

5.6 Assessment Authority and Municipal Finance Authority

All taxpaying properties in the province contribute to these provincial agencies with a uniform set of tax rates across the entire province. Municipal status would not change this. Property assessment would continue to be the responsibility of the BC Assessment Authority, just as it is now. The Municipal Finance Authority would continue to be the long term borrowing agent for a Bowen municipality just as it is now for all regional districts and municipalities except the City of Vancouver. There would be a slight change for improvement districts: they borrow funds directly through the Province of BC rather than through the MFA and since they would eventually be dissolved in favour of the municipality, the MFA would become the borrowing route for fire protection and water projects if future debt financing is needed.

5.7 Greater Vancouver Regional District - Regional Services

The GVRD provides two basic types of services: those which serve the region as a whole, and those which serve smaller areas like Bowen. Bowen would continue to pay for GVRD region-wide services just as it does now; its tax base would still determine its share of the total regional tax load. Regional services make up a small part of the GVRD's taxes on Bowen. Smaller, local services would be transferred from the GVRD to the municipality, so these larger GVRD taxes would be removed from the GVRD budget entirely and form part of the municipal tax instead.

Note that Bowen would still have a seat -- filled by a member of municipal council -- on the GVRD board. This GVRD director would represent only Bowen (rather than Bowen and some other areas as is the case now).

5.8 Agricultural Land Reserve (ALR)

Lands designated as ALR would retain their ALR status if a municipality is created on Bowen. The Agricultural Land Commission's authority for the approval or rejection of applications for exclusion from the ALR would remain unchanged. Rather than referring an application to the Islands Trust and GVRD for comment, the Commission would refer it to the Islands Trust and the municipality for comment. In both cases the Agricultural Land Commission has decision authority.

5.9 Ferries and Dock Divestiture

Decisions about the operations of the ferries would remain with BC Ferries and the provincial government. Dock divestiture might also not be an issue, since the divestiture agreement and rules inherited by the municipality would be the same as those adopted under rural status by the GVRD and the Islands Trust on Bowen's behalf if a divestiture referendum passes.

5.10 Postal Service

Postal service would remain a federal responsibility. Municipal status would have no effect on the postal identity (“Bowen Island”), the postal codes, or the mail delivery itself.

5.11 Hydro, Telephone, and Cable TV Services

These services would not be affected by municipal incorporation.

5.12 Welfare and Social Assistance

Responsibility and funding for these would not change from the current provincial-federal agreements. Local governments -- both rural and municipal -- do not pay into these services.

5.13 Ambulance Service

This is a provincial service and would not be affected by municipal incorporation.

5.14 Service Levels

While responsibility for some services would shift to the new municipality from various agencies, this does not mean there must be a change in the level or quality of all services. ***The setting of service levels would be up to the municipal council***, but the municipality could continue to provide the same services, using the same contractors, volunteers, and so forth as are currently used under the rural system if it so chooses. The costs of some services may be affected (for example, the GVRD administration charge may no longer apply) but the fundamental nature of the service need not change. Services that are good candidates in this regard include the following.

- ***Fire protection:*** The improvement district would be dissolved in favour of the municipality and its assets and liabilities transferred to the new body, but there is nothing about municipal status that requires a change in the nature of the fire protection service or equipment. Many municipalities have fully volunteer fire forces.
- ***Sewer and water:*** Aside from responsibility for these services being transferred to the municipality, the operation, maintenance, and funding of publicly-owned (ie, GVRD or improvement district) water and sewer systems need not be affected by municipal incorporation. Because many municipalities routinely operate distinct water and sewer systems as separate tax areas, the rates and taxes now in place in the water and sewer areas could remain in place after municipal incorporation. For example, the same properties which now pay taxes for the sewer system would continue to be the only ones paying for it after a municipality is created.
- ***Improvement district reserves:*** After municipal incorporation, the built-up cash reserves and other assets within each improvement district can be protected for the benefit of the members who helped create them. This is a common practice in restructuring. While the assets and liabilities would be transferred to the municipal corporation, the Province can stipulate from the outset that municipal council cannot use specific reserves except for the benefit of each district’s taxpayers.

- *Private utilities:* The new municipality would be under no obligation to take over any private utilities (Bowen has a number of private water utilities). Water licences and permits now held by private utilities would remain with them.
- *Parks and recreation commission:* The parks and recreation commission need not be dissolved. In fact, the municipality could be required to keep it in place for a specified period following incorporation as a municipality.
- *Library:* Nothing about municipal status would require a change in the way the library service is provided. Funding would come from the municipality instead of from the GVRD, but operating and policy decisions would remain with the library association.
- *Community centre at the school (BICS):* The policies, practices, and operations of the BICS community center need not change because Bowen becomes a municipality.
- *Garbage collection:* The contracted garbage collector used by the GVRD could also be used by the municipality, keeping the same service level as is in place now.
- *Community parks:* Creating a municipality would not affect the need for new or expanded parks. The master park plan is part of Bowen's Official Community Plan. The parks needs identified in the plan are unaffected by whether or not Bowen is a municipality or a rural community. Decisions to change the quality of this (and other) services do not require the existence of a municipality.
- *Dog control:* A municipality would be able to continue the animal control function at the current rural level if it wished.
- *Building inspection:* A municipality would be able to continue the building inspection function at the current rural level if it wished.

Bowen and the Islands Trust

6.1 Introduction

One of the most important aspects of Bowen's rural status is the Islands Trust and its system of managing, planning, and developing policies for land use and community growth. It would be inappropriate to contemplate changing to a municipal system without understanding the impacts municipal status would have on the role of the Islands Trust in the affairs of Bowen Island.

Bowen would still be part of the Islands Trust, but not in quite the same way as now.

6.2 Trust Fund Board

The Trust Fund Board is a four person body with the mandate to administer the assets and properties of the trust, and to develop a plan for their management. Two members are elected by the Trust Council from within their ranks; one member is appointed by the Trust Executive from its own ranks; and one is appointed by the minister of Municipal Affairs. *The workings and responsibilities of the Trust Fund Board would not be affected by municipal status for Bowen.* Bowen would continue to participate just as it does now.

6.3 Trust Executive

The process for determining the Executive of the Trust -- the four members elected from the Trust Council by the council membership itself -- would not be affected by municipal incorporation. However, the role of the Trust Executive in Bowen's affairs would be affected in two ways.

- *Community plan bylaws:*
 - Current system: Bylaws that would change the "official community plan", proposed by the local trust committee, must be approved by the Executive. If the Executive withholds approval, the matter can then be put before the Trust Council as a whole for approval. If and when one of these two bodies has approved the bylaw, it then requires the approval of the Minister of Municipal Affairs.
 - Municipal status: Community plan changes must still be submitted for approval by the Executive (as before), with recourse to the Trust Council (also as before), but if neither approval can be obtained, the municipality can then appeal to the Minister for direct approval. Under rural status, two approvals are needed -- the Minister and either the Trust Executive or the Trust Council. In a municipality, only one approval is needed -- any of the three can approve the bylaw.
- *Other land use and development bylaws:*
 - Current system: The local trust committee must get bylaw approval from either the Trust Executive or, failing that, the Trust Council for bylaws that do not change the community plan.
 - Municipal status: Approval rests solely with the municipal council, but it must submit them to the Trust for review and comment.

6.4 The Trust Council

Bowen Island would still have two members on the larger Trust Council after municipal incorporation.

- **Current system:** Bowen residents elect two representatives to sit on the larger Trust Council along side similarly elected members from the other islands; they sit for terms of three years. Together with a third member -- a member of the Trust Executive -- these three form the Bowen Island Trust Committee. This body develops, reviews and adopts land use policies and land development bylaws and then refers them to the Trust Council or Trust Executive for approval.
- **Municipal status:** Two members of council would sit on the Trust Council; they would be appointed for a three year term (the same as municipal council). Municipal council would investigate and develop land use and development bylaws for approval. Note that the protocol agreement (see below) would allow voters in the municipal election to specify which two candidates for municipal council they prefer to see appointed to the Trust Council.

Figure 24: Bowen's Role in the Islands Trust

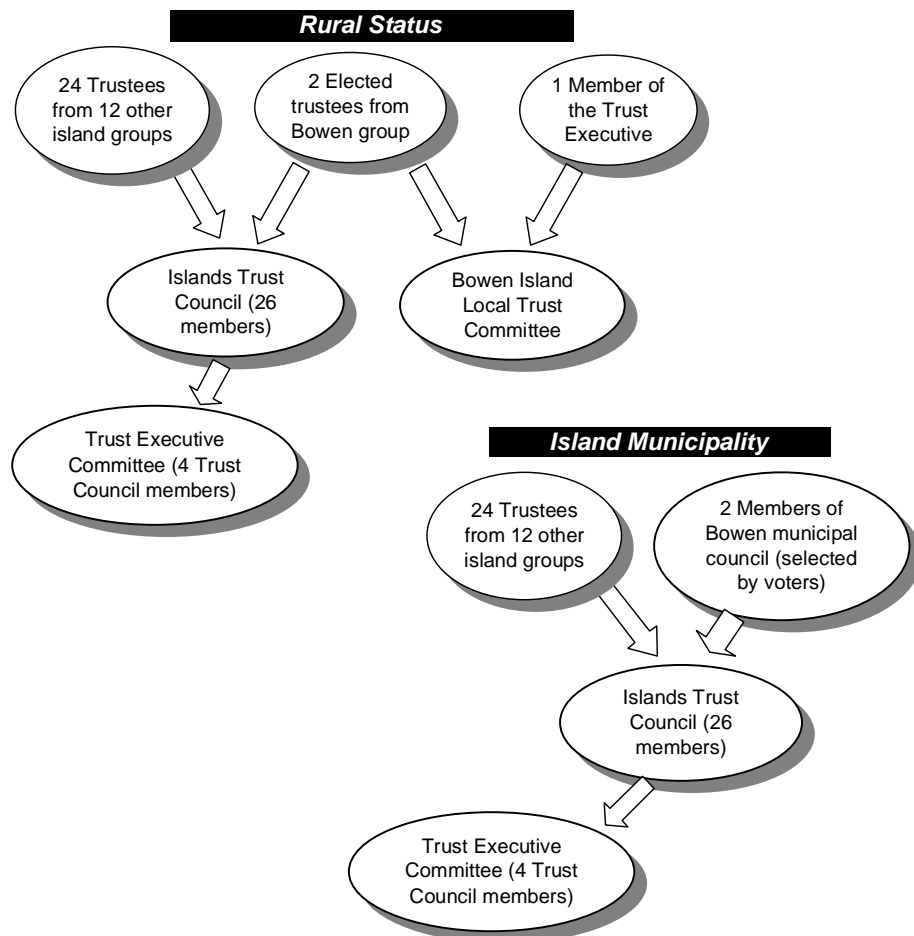


Figure 25: Adoption of Community Plan Bylaws

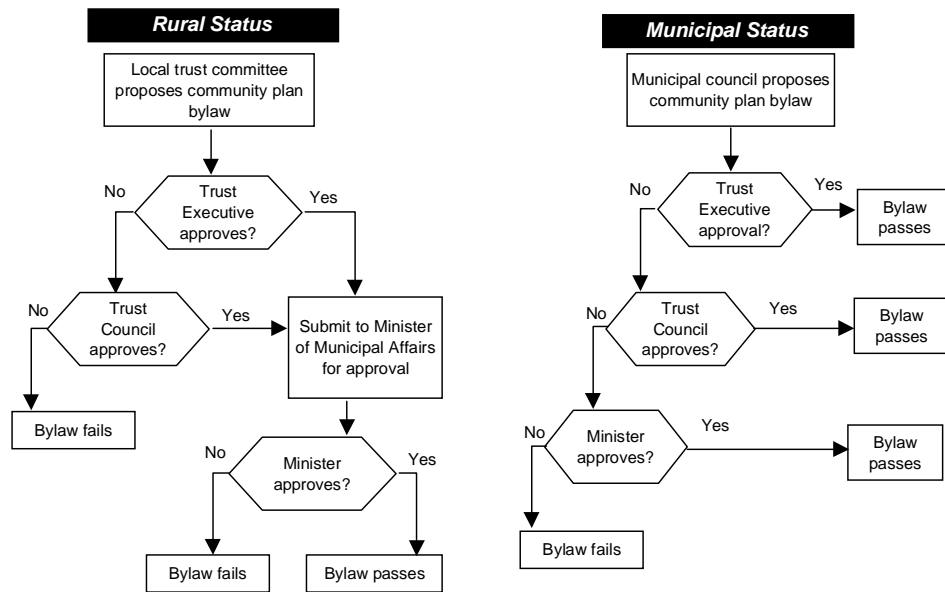
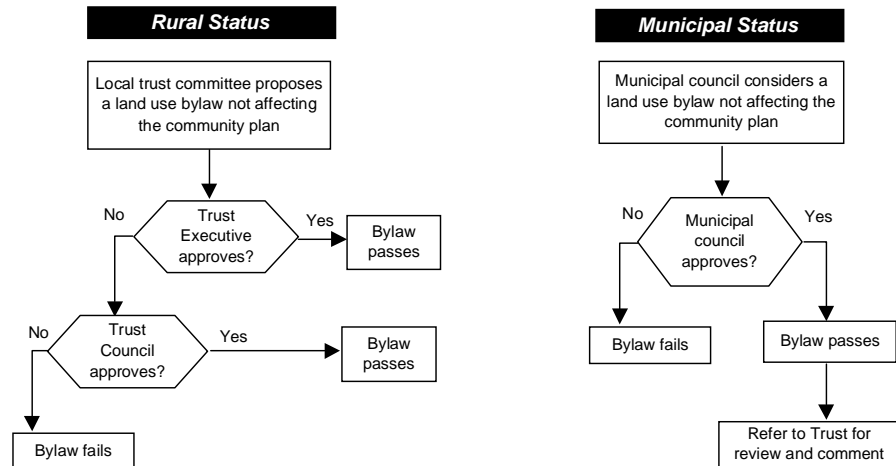


Figure 26: Adoption of Other Land Use Bylaws



6.5 Islands Trust Finances

Like most local governments the Islands Trust relies primarily on property taxes for its operating revenues. Islands Trust tax rates apply equally across all the islands, so homes of equal assessments pay the same tax no matter which island they're on. However, the average home on Bowen Island has a higher assessment than homes on the other islands, so the average Bowen home pays a higher Islands Trust tax than elsewhere (this also applies to the provincial rural tax).

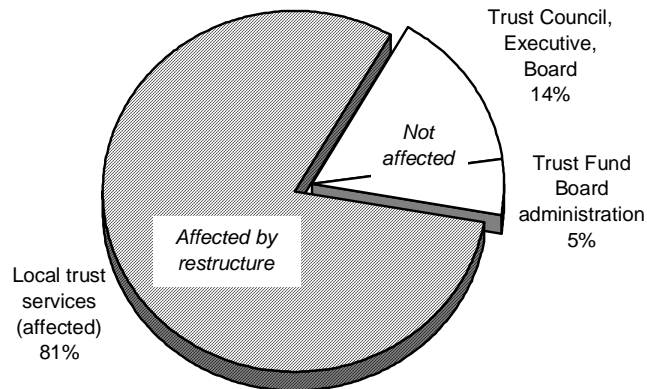
The figure below shows the revenues and expenses of the Trust operations for the 1997-98 fiscal year, which ended March 31, 1998. The 1998 Islands Trust tax rates are based on these budget figures.

Figure 27: 1997-98 Islands Trust Budget Summary

Revenues		Expenditures		
		Direct	Admin.	Total
		Spending	Services	Spending
Property taxes	\$2,795,525	Trust Council and		
General provincial grant	\$423,000	Executive	\$509,812	\$211,255
Specific planning grants	\$55,000	Trust Fund + Board	\$182,099	\$58,859
Misc (fees, etc)	\$260,500	Local trust services	\$1,836,138	\$735,862
	\$3,534,025		\$2,528,049	\$1,005,976
				\$3,534,025

Not all of these figures would be affected by creating a municipality on Bowen. Bowen would still contribute to the operations of the Trust Council, Trust Executive, and Trust Fund Board just as though it were a rural area. However, its contribution towards the Trust's local services would change, as most of these efforts would become the responsibility of the municipality rather than the Islands Trust -- except during the first three years, when Bowen would be committed to a continuation of the rural funding scheme. The figure below shows how the Trust applies the total taxes it collects.

Figure 28: 1997-98 Islands Trust Spending



Bowen's total property assessments accounts for 13.1% of the Trust total, so Bowen pays 13.1% of the total taxes. This amounts to \$386,900, as shown below.

Figure 29: Total 1998 Bowen Island Taxes for Island Trust Services

	Needed by Islands Trust	Provincial Tax Collection Fee	Total
Trust Council and Executive	\$53,118	\$2,789	\$55,907
Trust Fund Board administration	\$17,792	\$934	\$18,726
Subtotal, not affected by restructure	\$70,910	\$3,723	\$74,633
Local trust services (affected)	\$296,728	\$15,578	\$312,306
Total	\$367,601	\$19,299	\$386,900

The next figure shows how much the average Bowen Island home paid in 1998 to the Islands Trust. The provincial tax collection fee of 5.25% has been separated out in the figure although it is not shown separately on the tax bills themselves.

Figure 30: Average 1998 Bowen Home Taxes for the Islands Trust

	Needed by Islands Trust	Provincial Tax Collection Fee	Total
Trust Council, Executive, Board	\$30	\$1.56	\$31
Trust Fund Board administration	\$10	\$0.54	\$11
Subtotal, not affected by restructure	\$40	\$2	\$42
Local trust services (affected)	\$165	\$9	\$174
Total	\$205	\$11	\$216

Avg home asmnt is \$300,000; tax varies with assessed value

6.6 The Protocol Agreement

A 1996 agreement between the Islands Trust Council and the Ministry of Municipal Affairs and Housing sets out various rules for a municipality in the Trust area. The rules will be set out in the municipality's Letters Patent, which is the document issued by Cabinet to create the municipality.

Key features of the protocol agreement are set out below; many are already in both the Municipal Act and the Islands Trust Act.

- The municipality must "in all actions, have regard for the Trust Policy Statement and the Trust object; and the ministry will consider legislative change which will require an Island municipality to have regard for the Trust Policy Statement and the Trust object."
- All bylaws proposed by the municipal council must be registered with the Province for the first 3 years.
- All existing local trust committee bylaws will continue to have effect as municipal bylaws.
- The municipality will contract its technical planning services to the Islands Trust for the first 3 years (and optionally for 4). During the first 3 years the municipality would make the same payment to the Trust as though it had remained a rural status community. *Note that the authority for zoning bylaws and the definition of the technical work plan would be the responsibility of the municipal council immediately after incorporation.*
- Community plan changes must be approved by the Executive Committee, or failing that by the Trust Council, or failing that by the Minister.
- All land use regulation bylaws proposed by municipal council must be reviewed by the Executive Committee.
- The municipality will continue to fund its share of the Trust Council, the Executive Committee, and the Trust Fund Board the same as under rural status.
- The two local trustees will be selected via "double direct" municipal voting unless the Restructure Committee and the Trust Executive Committee agree otherwise. This means voters can specify which two municipal councillors they want to sit on the Islands Trust Council. *After considering the matter the Restructure Committee has not requested elimination of the double direct system.*

- The Trust and Province will agree on which existing inter-jurisdictional protocol agreements will apply to the municipality; after municipal incorporation proposed new agreements must be referred to the Trust for review.
- The Restructure Committee and the Trust will have the opportunity to review the draft Letters Patent that will define many characteristics of the new municipality.

Two of these points should be noted in particular -- planning services and the election of municipal councillors.

- *Planning services:* For the first three years of municipal status, the protocol agreement requires the municipality to contract its planning services to the Islands Trust as though it were still a rural community. There is an option to continue this for an additional year (although in fact this possibility is always available as long the two parties agree). In 1998 Bowen Island paid approximately \$296,700 in Trust taxes for local planning services, plus another \$15,600 in the provincial tax collection fees, for a total of \$312,300. One of the important questions when considering municipal status is whether the municipality would spend more, or less, than this sum if it were to provide its own planning services using its own staff and/or contracts with consultants as needed. It could also contract with the Islands Trust for these services if the two parties agree. *Note, that the municipal council would be responsible for land use planning decisions and the definition of planning work programs immediately upon incorporation.*
- *Double direct voting:* Under rural status the two local trustees are elected directly by Bowen voters to sit on the Islands Trust Council, whereas in a municipality two members of the municipal council would represent Bowen on the Trust Council. The public elects the municipal council as per the Municipal Act, and the council itself then appoints two of its members to sit on the Trust Council as per the Islands Trust Act. However, the protocol agreement stipulates that when voters elect the seven members of municipal council they will, on a separate ballot, indicate which two candidates they wish to see appointed to the trust. Municipal council must then appoint the top two councillors so chosen by voters. Trust candidates must have indicated a willingness to serve on the trust. This is referred to as the “double direct” voting system. The two people elected to municipal council who get the most votes as trust members will then be appointed to the Trust Council by the municipal council. In this way the choice of who represents Bowen on the trust is up to the voters rather than up to municipal council. *It may be possible to establish a process in which this system can be reviewed after municipal incorporation.*

6.7 Costs After Municipal Incorporation

Bowen would continue to pay for Trust-wide services -- the operations of the Trust Council, the Executive Committee, and the Trust Fund Board -- just as it does as a rural status community. In 1998 this required total taxes of about \$74,600 from Bowen. However, the 5.25% provincial tax collection fee -- included in the 1998 total tax -- would no longer apply, so the municipal tax would fall slightly, to about \$71,000.

For local planning services, the protocol agreement also requires that for the first three years Bowen’s share of Trust costs would be the same as under rural status. This includes payments for local planning services, although the scope of the technical planning works could be different than now. It is possible that the cost would be different too, but this would require the consent of both parties, and there is no

compelling reason to assume a lower cost agreement would be reached between the Trust and the municipal council. In 1998 Bowen paid taxes of \$312,200 for local planning services (including the 5.25% provincial tax collection fee). For the first three years the total would be a bit less -- about \$297,000, based on the 1998 tax level -- because the provincial tax collection fee would not apply after municipal incorporation.

Starting in the fourth year the municipality would be free to provide planning services as it sees fit. The municipal spending projections for the "after restructure" case are based on costs experienced in other municipalities outside the Trust. These are only projections; the actual spending level would be up to the elected municipal council.

Based on spending patterns in municipalities like Gibsons, Sechelt, Qualicum Beach, and Parksville, a spending allowance of \$175,000 per year has been used in the higher cost budget projections later in this report. This allowance would cover two full time staff and incidental costs, including occasional special studies and GIS mapping. The lower cost assumption uses \$125,000 per year but this would be at the low end of a realistic budget for Bowen. *Note that the actual amount would be up to municipal council.*

Extra spending using provincial planning grants have not been assumed; if grants are available, either the tax load would fall or extra studies could be undertaken.

Bowen and the GVRD

7.1 Introduction

The Greater Vancouver Regional District -- the GVRD -- is the main provider of local services on Bowen Island. If Bowen becomes a municipality it would still be part of the GVRD, but the GVRD's role in the affairs of the island would be substantially reduced.

The GVRD is governed by a regional board and has its own offices and staff. The GVRD provides two levels of service:

- Region-wide services, financed by all members on an equal basis; and,
- Local services to specific areas or sub-areas (like Bowen, or parts of Bowen).

7.2 Regional District Board

The GVRD board consists of 35 directors. The 20 municipalities account for 33 of these (the larger ones have multiple directors), and two represent rural areas -- one for Area A (UBC and the Endowment Lands) and one for Area C (Bowen and other rural areas). In rural areas the director is elected by voters every three years. In a municipality the municipal council appoints one of its own members to sit on the board for a one year term.

Bowen residents make up almost 90% of Area C's population; the few people outside Bowen live along Howe Sound (Bowyer Island, Passage Island and Brunswick Beach, for example), upper Indian Arm, and Barnston Island in the Fraser River. The Area C director represents all this area on GVRD matters. The current director resides on Bowen Island.

If Bowen were a municipality it would have its own director on the board -- a member of municipal council, selected each year by council itself. Since Bowen Island has most of the Area C population, it may be reasonable to combine the remainder of Area C with Area A to form one combined rural area; the GVRD would then have 34 municipal directors and one rural director as a result of Bowen's restructuring. Such a restructuring of the GVRD electoral areas would require discussions between the GVRD Board and the province.

7.3 Region-Wide Services

Municipal incorporation would have no effect on Bowen's role in the GVRD's region-wide services and Bowen's share of these GVRD taxes would not be affected (except the 5.25% provincial tax collection fee would no longer be added to the bill).

The figure on the following page shows these taxes for regional services.

Figure 31: Bowen's Participation in GVRD Region-Wide Services

	Total Tax for the Island as a Whole			Tax Paid by an Average Home*
	Needed by GVRD	Provincial Tax Collection Fee	Total	
General gov't services	\$3,899	\$205	\$4,104	\$2
Air quality	\$6,351	\$333	\$6,684	\$4
Hospital planning	\$1,951	\$102	\$2,053	\$1
Labour relations	\$1,072	\$56	\$1,128	\$1
Regional parks	\$27,807	\$1,460	\$29,267	\$16
Strategic planning	\$6,270	\$329	\$6,599	\$4
911 Service	\$9,088	\$477	\$9,565	\$5
Transit (business tax only)	\$8,142	\$427	\$8,569	\$0
Municipal radio		(no tax in 1998)		--
Public housing		(no tax in 1998)		--
Total Region-Wide Services	\$64,580	\$3,389	\$67,969	\$33

* Includes tax collection fee; avge home asmnt = \$300,000 (taxes vary with asmnts)

7.4 Local Services

The GVRD is the largest single provider of local services on Bowen. The island pays much more for GVRD local services than for region-wide GVRD services. Responsibility for all these local services would be transferred to the new municipality, along with any associated assets and liabilities.

Figure 32: Bowen's Participation in GVRD Local Services

	Tax paid by ...	Tax based on ...	Authority Reference
(A) Services to Areas A + C:			
Elections and referendums	All of A + C	Land + bldg asmnts	Mun. Act
Bldg inspection	All of Area C	Land + bldg asmnts	Bylaw 811
Grants in aid	All of Area C	Land + bldg asmnts	Mun. Act
General expenses + admin.	Part of A + all of C	Land + bldg asmnts	GVRD letters patent
Soil removal regulation	no tax	--	GVRD letters patent
Numbering of buildings	no tax	--	Bylaw 663
Regulation of rock festivals	no tax	--	Cabinet OIC 1961/70
(B) Services to all of Bowen alone:			
Library funding	Bowen only	Land + bldg asmnts	Bylaw 639
Noise control	Bowen only	Land + bldg asmnts	Bylaw 806
Dog control	Bowen only	Land + bldg asmnts	Bylaw 791
Garbage	Bowen only	Parcel tax	Bylaw 188
Recreation programming	Bowen only	Land + bldg asmnts	Bylaw 692
Community centre (BICS)	Bowen only	Land + bldg asmnts	Bylaw 238
Community parks	Bowen only	Parcel tax	Bylaw 717
(C) Services to parts of Bowen:			
Cove Bay water supply	Part of Bowen	Parcel tax	Bylaw 640
Cove Bay water distribution	Part of Bowen	Land + bldg asmnts	Bylaw 640
Snug Cove sewerage	Part of Bowen	Parcel tax	Bylaw 721
Cates Hill-Valhalla water supply	Part of Bowen	Parcel tax	Bylaw 812
Queen Charlotte Heights water	Part of Bowen	Parcel tax	Bylaw 836

The next figure shows the 1998 budgets and tax requisitions from Bowen for GVRD local services. Also shown are the 5.25% provincial tax collection fee and the overhead

and administration costs that the GVRD builds into the costs assigned to Bowen services. The provincial tax collection fee would be eliminated (replaced by the municipality's overall administration costs), as would the GVRD's overhead costs. Depending on the policies of the new municipal council, this elimination could lower the taxes needed to pay for these specific services after they are transferred to the municipality.

Figure 33: Bowen's Share of GVRD's 1998 Budgets for Local Services

	Bowen's Share of the Service Budget	Revenues		Spending		Provincial Collection Fee ³
		Taxes Needed by GVRD	Other Revenues ¹	Direct Costs of Service	GVRD Admin. Cost	
(A) Services to Areas A + C:						
Elections and referendums	\$11,771	\$4,181	\$7,590	\$11,246	\$525	\$220
Building inspection ²	\$175,950	\$52,939	\$123,011	\$125,446	\$50,504	\$2,779
Grants in aid	\$10,088	\$9,886	\$202	\$10,088	\$0	\$519
General expenses + admin.	\$219,529	\$167,585	\$51,944	\$74,621	\$144,908	\$8,798
	\$417,338	\$234,591	\$182,747	\$221,401	\$195,937	\$12,316
(B) Services to all of Bowen alone:						
Library funding	\$77,500	\$77,456	\$44	\$77,500	\$0	\$4,066
Noise control	\$1,030	\$0	\$1,030	\$1,030	\$0	\$0
Dog control	\$57,688	\$47,375	\$10,313	\$49,254	\$8,434	\$2,487
Garbage ²	\$205,282	\$138,391	\$66,891	\$194,909	\$10,373	\$7,266
Recreation programming ²	\$286,634	\$207,234	\$79,400	\$274,905	\$11,729	\$10,880
Community centre (BICS)	\$26,565	\$24,257	\$2,308	\$26,565	\$0	\$1,273
Community parks	\$114,476	\$114,476	\$0	\$110,728	\$3,748	\$6,010
	\$769,175	\$609,189	\$159,986	\$734,891	\$34,284	\$31,982
(C) Services to parts of Bowen:						
Cove Bay water utility ²	\$243,591	\$170,852	\$72,739	\$231,335	\$12,256	\$8,970
Snug Cove sewerage ²	\$65,615	\$5,391	\$60,224	\$60,258	\$5,357	\$283
Cates Hill - Valhalla water	\$10,840	\$11,917	-\$1,077	\$9,464	\$1,376	\$626
Queen Charlotte Heights water	\$24,884	\$27,357	-\$2,473	\$21,726	\$3,158	\$1,436
	\$344,930	\$215,517	\$129,413	\$322,783	\$22,147	\$11,315
Total Bowen-wide (A+B)	\$1,186,513	\$843,780	\$342,733	\$956,292	\$230,221	\$44,298
Total local services (A+B+C)	\$1,531,443	\$1,059,297	\$472,146	\$1,279,075	\$252,368	\$55,613

¹ Mainly user fees and prior year's surplus; negative numbers are repayment of prior year's deficit

² Has significant user fees that reduce the need for tax dollars

³ The 5.25% provincial tax collection fee is added to the GVRD's tax needs (column 2) on each tax bill

The following figure shows the taxes paid by an average Bowen home for the GVRD's local services, as well as for the region-wide services discussed earlier.

Figure 34: 1998 GVRD Local Services on an Average Bowen Home

	Tax Needed by the GVRD	Tax Collection Fee*	Total Tax Paid
(A) GVRD island-wide services:			
Electoral area services	\$131	\$7	\$138
Community centre (BICS)	\$13	\$1	\$14
Library funding	\$44	\$2	\$46
Recreation programs	\$116	\$6	\$122
Animal control	\$27	\$1	\$28
Garbage (parcel tax)	\$74	\$4	\$78
Parks (parcel tax)	\$61	\$3	\$64
Total Island-wide local services	\$466	\$24	\$490
(B) GVRD regional services	\$31	\$2	\$33
(C) Total GVRD Taxes	\$497	\$26	\$523

* This provincial fee applies only in rural areas, not in municipalities

Based on an avge home asmnt of \$300,000; excludes water and sewer

7.5 Transfer of Services

Responsibility for all of the local services provided by the GVRD -- see part (A) of the preceding figure -- would shift to the new municipality. This would be accomplished by the letters patent issued by provincial cabinet for the new municipality.

Ownership of the assets and liabilities of each local service would also be transferred to the Bowen municipality, including cash reserves, equipment, and debts. For the Bowen-wide services (like garbage collection or the recreation commission) this poses no special problems in terms of who benefits. The beneficiaries of these transfers are the same taxpayers who created the assets and liabilities in the first place -- that is, *all* the Bowen taxpayers.

However, there are a few GVRD services that affect only a part of Bowen Island. These "specified area" services are as follows.

- Cove Bay water supply (which also supplies water for the Cates Hill/Valhalla system and the Queen Charlotte Heights water system);
- Cove Bay water distribution;
- Cates Hill/Valhalla water supply (see Cove Bay supply) and distribution;
- Queen Charlotte Heights water supply (see Cove Bay supply) and distribution;
- and,
- Snug Cove sewerage.

The province commonly requires new municipalities to operate these as "specified area services" and this is expected in Bowen's case too. The assets and liabilities of each service area can thus be protected for the sole benefit (or cost, in the case of a debt) of just those taxpayers who were involved in the service before restructuring. This prevents the municipality from using, say, Snug Cove sewer reserve funds to install street lights somewhere else on the island; the funds could be used only for costs related to the Snug Cove sewer system itself. (Note: This same asset/liability transfer protection can be applied to improvement districts too.)

Responsibility for GVRD local services could start in the first year of the municipality. If a restructure vote is held and passes in June 1999, the new municipality could be created in 1999 with the first full year in 2000. This would allow the GVRD to continue to

provide the local services up until December 31, 1999, and there would be time to prepare and adopt a GVRD budget for 2000 that properly reflects Bowen's municipal status on a full-year basis.

However, it might be better to phase in the new municipality's service responsibilities more gradually. This could be done by having the GVRD continue to provide, on a contract basis, certain services to Bowen for a year or two following municipal incorporation. These contracts, if desired, could be set forth in the letters patent of the new municipality. If transitional contracts with the GVRD are to be used, the municipality should receive some assurances in advance as to how the contract prices are to be calculated.

7.6 Reserves and Debts

As part of the transfer of service responsibilities, the municipality would inherit the assets and liabilities of the GVRD's local services. There are only two meaningful items of interest here -- reserves and debts.

- **Reserves:** The following reserves would be transferred from the GVRD to the municipality; they are estimates as at the end of 1998. Note that the Cove Bay reserve would be protected for the benefit of only those properties within the Cove Bay service area; these funds could not be used for any other purpose outside the service area. The other reserves were built up using funds from all Bowen taxpayers and so they could be used for the benefit of all Bowen taxpayers, but municipal council would have to use the reserves for the intended purposes. For example, council could decide to use some park reserve funds to improve or build a park anywhere on Bowen but could not apply the money to non-park uses like sidewalks, street lights or road repairs.
 - Community parks: \$220,000
 - Recreation programming: \$83,000
 - Mt. Gardner dock operation: \$7,000
 - Cove Bay water supply: \$49,000
- **Debts:** There are capital debts associated with some of the GVRD's local services on Bowen. The annual payments for these debts are included in the tax requisitions shown earlier. *The debt payments would not be affected by restructuring* -- that is, the same annual payments need to be made whether Bowen is a municipality or a rural area. The benefits of paying off the debts would be the same under both rural and municipal status. In 1998 the annual debt payments were as follows.
 - Bowen school community centre: \$26,565 (paid by all Bowen taxpayers; this will be paid off by next year)
 - Cove Bay water: \$111,878 (paid only by properties in the water service area)
 - Cates Hill - Valhalla water: \$5,299 (paid only by service area properties)
 - Queen Charlotte Heights water: \$12,163 (paid only by service area properties)
 - Snug Cove sewer system: \$13,818 (paid only by properties in the service area)

7.7 Regional Growth Strategy

In January 1996 the GVRD board adopted its *Livable Region Strategic Plan*, which provides growth management strategies and goals, and identifies housing and population ranges for various areas of the region. The plan was for all practical purposes done under the provisions of the "regional growth strategies" section of the Municipal Act. These rules define the procedures for creating regional plans which involve multiple municipalities and/or rural areas. The province accepted the plan early in 1996.

Bowen Island lies within the outer boundary of the GVRD plan *but it is not subject to the regional plan guidelines or policies*. This is because section 36(3) of the Island Trust Act specifically exempts Trust areas from the requirements of a regional growth strategy plan. Creating a municipality on Bowen would thus have no effect on the scope of the GVRD plan, and it would not place Bowen under the policies of the plan.

This is not to say there is no link at all between the GVRD planning process and Bowen's process. In particular, the development of Bowen's transit service involves the Greater Vancouver Transit Authority, whose policies, in turn, must conform to the regional plan. While this is only a minor link, it is a reminder that Bowen is part of a larger urban area.

7.8 Costs After Municipal Incorporation

If municipal incorporation takes place Bowen would continue to pay for region-wide services just as it does now -- with the exception that the 5.25% provincial tax collection fee would not apply. The taxes paid by Bowen residents for GVRD regional services would thus fall slightly.

- Current system: \$67,969 (including the provincial tax collection fee)
- Municipal status: \$64,580 (same as before, but without the tax collection fee).

All local service requisitions from the GVRD would end, since these services would be shifted from the GVRD to municipal responsibility. Instead of showing up as GVRD tax requisitions, they would show up as municipal departmental costs. They would still require tax dollars, but these would now be *municipal* taxes rather than *GVRD* taxes.

The budget projections for the new municipality presented later in this report include the costs and associated revenues of GVRD local services as municipal items. It is assumed the same general service levels would be provided after municipal incorporation, so that the impacts of restructuring can be seen (but choosing service levels and budgets would be up to future municipal councils).

However, responsibility for certain services might not be shifted right away. A phase-in of transfers would allow the new municipality time to better manage its new duties and adjust to the rise in local decision making authority. The municipality could also contract some functions to the GVRD for the first few years. After the phase-in, the municipality would be free to continue the contracts (if the GVRD agrees) or provide the services in such fashion as council feels is appropriate.

Bowen and Other Service Providers

8.1 Introduction

In addition to the Islands trust and the GVRD, there are several other types of bodies delivering local services on Bowen Island, including the province and improvement districts.

8.2 Province of BC

The province provides policing, road maintenance and improvements, tax collection, and subdivision approval on Bowen. Changing to municipal status would shift all but policing from the province to the municipality.

Policing

Policing would remain with the province because the Municipal Act specifies that only municipalities with over 5000 residents are responsible for their policing. Since Bowen's population is below 3000 it would not inherit this service responsibility.

Bowen could grow by another 2200 or so permanent residents; the community plan allows for almost double this growth. If so, the municipality would become responsible for policing in the year following the federal census which reveals crossing this threshold. Most municipalities in BC sign a policing agreement with the RCMP rather than create their own police force. The current federal-provincial policing agreement calls for the municipality to pay 70% of the costs of the officers and their equipment, plus all of the civilian costs (clerks, for example) and space for the RCMP detachment. A number of factors shape policing costs and the figure is not certain, but a Bowen municipality could face an annual bill of perhaps \$350,000 if it crosses the 5000 population threshold.

Of course, such population growth would bring many other changes too, in terms of traffic volumes, parking, water supply capacities, sewage treatment needs, parks space and facilities, schools, and numerous other community aspects. These changes would require adaptation by Bowen residents -- whether or not Bowen is a municipality -- and the matter of growth management is clearly a paramount concern on Bowen. The impacts of growth will have to be considered no matter what form of governance is in place.

It is possible that even as a rural community Bowen would have to pay a larger share of its policing costs. It is the province, after all, which sets the provincial rural tax rate, not the rural residents themselves. The province may well decide to change this tax rate to recover more of the policing costs from rural residents; it has changed the rate in the past.

Roads

The province is responsible for maintaining, repairing and improving roads in rural communities. There are about 60 km of public roads on Bowen and these would be transferred to municipal responsibility if restructuring takes place. The provincial contractor would continue to maintain the roads for the first five years following municipal incorporation at no cost to Bowen residents (the province would pay for this).

Decisions about road improvements, rehabilitation, and service priorities would be up to the municipal council, as would the setting of standards and requirements for new roads.

After that date, it would be up to the municipality to decide how it wants to maintain roads.

- It could negotiate a new contract with a private contractor, either as part of a long term policy or as a short term solution. Some municipalities use this in the short term. It is rare in the long term, although Metchosin (outside Victoria) and Wells (east of Quesnel) are doing this.
- It could hire its own public works staff and use a mixture of contracted and in-house services. This is the most common procedure for BC municipalities. Private contractors are used to varying degrees, ranging from the occasional hiring of only specialized equipment and workers to the frequent hiring of crews and equipment for road cleaning, snow removal, boulevard cutting, ditch clearing, pavement patching and other routine maintenance tasks.

The municipality would not have to maintain all roads to precisely the same standards. It is common for less-used roads to receive a somewhat lower level of service than main roads. The need to prioritize the use of limited maintenance resources exists in both rural status communities and in municipalities.

Not all roads have to be paved; many municipalities have considerable unpaved road lengths. Street lights and sidewalks do not have to be installed in all parts of the municipality. It would be up to municipal council to prioritize what road improvements are most important and what one are less important.

Subdivision Approval

As in most rural communities, the provincial Ministry of Transportation and Highways serves as the subdivision approval officer for Bowen Island, although it refers all subdivision applications to the Islands Trust and the GVRD for review and comment. Subdivision application fees are charged to offset the costs of this service.

Following municipal incorporation, this function would shift to the municipality and a municipal employee would be designated as the approving officer. Fees would still be charged for new applications.

Tax Collection

The province is the property tax collector in rural areas. It collects taxes for the school district, hospital district, library district, regional district, Islands Trust, Municipal Finance Authority, BC Assessment Authority and certain improvement districts. It charges a 5.25% fee for the collection of regional district, library district, Islands Trust, and improvement district taxes. If the GVRD needs taxes of, say, \$100,000 for a service on Bowen, the bills sent by the province total \$105,250, of which \$100,000 goes to the GVRD and \$5,250 is kept by the province. Each

taxpayer's bill contains this 5.25% markup, though it is not shown separately on the tax bill itself.

As a municipality, Bowen would become the tax collector for these agencies. Municipalities normally do not add a tax collection fee. Their general administrative efforts and costs already include the preparation, mailing and payment processing of their own tax bills, so the added costs are relatively small. The municipality may have to advance the total tax levy to each agency even though some people have not paid their bills; it then levies interest charges and penalties against the overdue accounts to offset the temporary loss of tax revenues.

8.3 Improvement Districts

There are six improvement districts on Bowen Island, as set out below.

Figure 35: Bowen Island Improvement Districts

Name	Functions	No. of Trustees	Parcels served	No. of Connections
Bowen Island Fire District	Fire protection	7	Whole island	n.a.
Blue Water Impr. District	Water	7	151	135
Bowen Bay Impr. District	Water	5	56	52
Eagle Cliff Impr. District	Water, boat launch	5	113	90
Hood Point Impr. District	Water, parks, boat launch	7	100	72
Tunstall Bay Impr. District	Empty body - no actual service		143	117

Figure 36: Improvement District Taxes and Fees

Name	Taxes and User Fees	Taxes Collected By ...
Bowen Island Fire District	\$0.50 per \$1000 asmnt	Province of BC
Blue Water Impr. District	\$300 parcel tax	Improvement District
Bowen Bay Impr. District	\$250 parcel tax	Improvement District
Eagle Cliff Impr. District	\$220 parcel tax + \$225 fee	Improvement District
Hood Point Impr. District	\$200 parcel tax + \$280 fee	Improvement District
Tunstall Bay Impr. District	None - private utility charges only	No taxes - private fees

Following municipal incorporation, the improvement districts would eventually be dissolved and their assets and liabilities transferred to the name of the municipality. The fire department assets were created by the whole island, so it would not be necessary to "protect" them for the benefit of just those who were in the service area before restructure; the "before" and "after" groups are one and the same.

For the other improvement districts, however, it would be appropriate to ensure the reserves created by each area are not used to benefit another group -- say, by using the cash reserves of Blue Water to build sidewalks elsewhere. This protection is a common occurrence when limited-area improvement districts are dissolved in favour of municipalities. *The province commonly writes into the municipality's letters patent the requirement that each improvement district become a specified water service area of the municipality and that each set of assets (like reserves) be used only for the benefit of the service area's residents.*

The same asset protection would also keep the liabilities within the local area, so other taxpayers do not have to make debt payments on behalf of the limited area residents. Keeping the assets separate also means keeping the liabilities separate.

The municipality can then charge water taxes at the levels needed to support each water area's operations, although it can also levy user fees as well. Most municipalities with multiple specified areas for water levy *one user fee* everywhere, and many have *separate tax rates for each area*. The tax often reflects the debt and capital costs associated with each area's infrastructure (including replacement reserves as needed), and the user fee reflects the aggregated costs of running all water systems combined. In Bowen's case, it may be more practical to keep both the user fees and taxes separate for each area, at least until such time as there is an administrative or engineering rationale for changing to a more uniform user fee system.

The municipality would be obliged to operate, maintain and improve each system as needed -- just as each improvement district is now. The costs of remedying any deficiencies could be recovered from each specified area as needed -- just as would occur under the current system. In most cases, however, the municipality would be able to react more quickly to undertake significant repairs and corrections than would the improvement district, because it usually has better access to immediate funds and equipment.

It is also commonplace for the province to require that there be established an advisory committee from each improvement district that is dissolved in favour of the municipality, when dissolution eventually takes place. Each committee would advise the municipal council on matters related to its water service after the service has been transferred to the municipality. This helps ensure continuity of service delivery and local area policies.

Over time the municipality may decide to reduce the number of distinct service areas by combining some whose rate and financial structures are similar, or whose supply and distribution lines should be linked and shared for reasons of efficiency, but this would have to be assessed on a case by case basis, and the occasion to amalgamate some might never arise.

8.4 Private Utilities

There are a number of private utilities on Bowen, mainly for the provision of water. *The municipality would be under no obligation to take over these companies, and residents who receive their water from the utilities would continue to do so after municipal incorporation.* They would get the same bills as before and make their payments to the same company as before.

There could arise circumstances where it makes sense for the municipality to purchase or otherwise take over a private water utility, but it would entertain the idea as it sees fit on a case by case basis. A takeover or transfer would require the consent of both parties.

Short Term Assistance

9.1 Introduction

The Province of BC usually provides an array of assistance to ease a community's transition from rural status to municipal status. Some forms of assistance are short term grants; others are the continuation of provincially-funded services for a period after restructure or a phase-in of municipal service responsibilities; and others types of assistance are in the form transitional measures which have organizational (rather than financial) benefits.

9.2 Short Term Grants

Per Capita Grant

The new municipality would receive a grant of \$200 per person, which would mean \$560,000 based on an estimated 2800 permanent residents. The Ministry of Municipal Affairs would conduct a review of the population to confirm the number at the time of municipal incorporation. This money would be given to the municipality in equal parts over the first three years.

Restructure Implementation Grant

The province has committed to funding most of the implementation costs of the new municipality, including the referendum itself, the first municipal elections and the hiring of an interim administrator for the municipality prior to the inaugural meeting of the first elected council. The estimated value of this assistance is \$50,000; it would be given to the GVRD since there would be no municipal council in place during this period. *This assistance has not been counted in the budgets or tax projections for the new municipality.*

Rebate of the Rural Tax

The province may rebate either all (if incorporation occurs before July 1) or half (if incorporation occurs on or after July 1) of the provincial rural taxes from Bowen. Note that this is not a firm commitment. However, the province has in fact delivered this rebate to virtually all the new municipalities in the last decade or so, and so it has been assumed in the Bowen case too. It has been assumed that the incorporation date for the Bowen municipality would be after July 1, so a 50% rebate is used in this study. A portion (15%) of this has been deducted to reflect outstanding tax collections, which would become the responsibility of the municipality. The estimated net rebate amounts to about \$235,000.

Planning Grant

The province has indicated that, as a municipality, Bowen would be eligible for planning grants, but this is not a guarantee the grants would be made. Most planning grants require matching funds from the municipality directly, whereas the per capita grant and the rural tax rebate do not. Because of the uncertainty about getting such grant money, this report assumes none will be received.

Property Transfer

The province owns property on Bowen Island and some of it would be valuable for use as municipal facilities. Such property, if transferred, would probably be transferred on the condition that the lands be used solely for municipal purposes -- which means the municipality couldn't sell or lease the property for some market-based use without forfeiting title to the lands. The province has indicated that the council of a new Bowen municipality could apply for such transfers after incorporation, but no commitment has been made regarding any property as of this writing.

9.3 Continuation of Provincial Services

Road Maintenance

The province has offered to have its private contractor continue to maintain Bowen's roads for a period of five years at no charge to Bowen taxpayers. In essence, the municipality would continue to receive the current rural service levels for roads without having to pay the provincial rural tax. The cost savings produced by this phase-in of road responsibilities would allow the municipality to build up a reserve that would mean smaller tax changes by the time its full service responsibilities are in place.

Road Improvements

In 1991 the province had a restructure assistance program in which a new municipality would be eligible to get 75% funding for improvements to specific roads. This formed part of the offer of assistance to Bowen at the time of the 1991 referendum. However, this program is no longer in effect, and a Bowen municipality would be responsible for the entire costs of improving and upgrading deficient roads.

Policing

The province would remain responsible for policing on Bowen even after municipal incorporation, so there would be no change in the continuation of this service.

9.4 Transfer of GVRD Property

The Bowen Restructure Study Committee has requested that the GVRD agree to transfer some of its property on Bowen to a new municipality if one is created. As of this writing no response from the GVRD board has been received on the matter.

The Capital and Stabilization Fund

10.1 Introduction

The new municipality would face a series of uneven capital expenditures on infrastructure improvements in the first few years. As well, like all municipalities, it would have to fund more regular, ongoing capital spending to maintain infrastructure.

The ongoing program forms part of the annual municipal budget and would be funded mainly by annual taxes. This cost shows up in the annual general budget (see next chapter) as “ongoing spending - other capital”.

However, funding the short term capital improvements would be a bit different. The short term startup grants provided by the province can be used to help pay for these improvements. In addition, the lower operating costs in the early years -- when the province maintains roads at no local cost for the first five years, for example -- would allow the municipality to put money into a reserve to help finance capital spending.

The stabilization fund represents this tool. While the specific mechanics could vary depending on the council’s preferences, the fund as assumed here is a fair approximation of the principles.

10.2 Fund Revenues

The capital and stabilization fund would receive money in six forms:

- A \$560,000 startup grant based on population.
- A \$235,000 rebate of the rural tax (about 50% of the annual total).
- Transfers of taxes for ongoing capital spending (as opposed to short term projects). These funds simply flow out again in the form of capital spending (see next section of this chapter).
- Interest earned on the money in the fund.
- Transfers of “excess” taxes, which vary from year to year during the early period. This money is generated by levying the same taxes across all the years even though the expenses in the early years are lower than in the later years. The tax rate is the rate needed to balance the books in a “normal” year -- that is, after all the grants have been received and the short term infrastructure improvements have been completed.
- New long term debt for the municipal hall and for a portion of the short term road improvements. This money simply flows out of the fund in the form of capital spending on the municipal offices and roads. The annual costs of repaying this debt are included in the “fiscal services” part of the annual municipal budget. **Note that voters could reject the borrowing of capital funds.** If this happens, either the capital project can’t be undertaken or some other source of funding must be found (for example, reserves or grants). Before new borrowing can occur, voters are given an opportunity to sign a counter petition to force a referendum on the matter; if 5% of the eligible electors sign within 30 days, a binding referendum must be held.

10.3 Fund Expenditures

Money from the capital and stabilization fund is spent in three ways.

(A) Short term infrastructure improvements

- **Public works:** The municipality could choose to contract out virtually all of its road, drainage, water and sewer work to a private company, as the province has already done for road maintenance. This is uncommon for municipalities, but several -- Metchosin (population 5030), Highlands (population 1560) and Wells (population 270) -- have done this. Council would have to decide whether this policy makes sense for Bowen, but the decision could wait because the province would have its contractor carry on, at no local cost, for the first five years. *This report assumes Bowen council chooses to establish its own, modest public works department*, which would require the establishment of a small works yard and shop for equipment and supplies, as well as the acquisition of equipment. Some equipment would be needed in the early years for water, sewer, parks, and miscellaneous functions even though the road contractor would be responsible for the majority of work. A budget allowance of \$500,000 has been set aside for the establishment of the public works department. ***This is not the lowest cost assumption.*** The municipality could contract out virtually all of its public works efforts, or contract out greater portions of it. This would reduce costs, but it would also reduce the flexibility to deal with unforeseen events and to redirect staff resources as circumstances warrant. Not only would the annual operating costs be lower but the startup capital required would be also be lower, falling to perhaps only \$100,000 (it is difficult to imagine that absolutely no public works equipment would be needed. If the municipality does not have to provide its own public works equipment and facilities, its might need only \$100,000 for equipment and related machinery. *This \$400,000 capital savings translates into a tax savings of about \$25 per home.*

- **Municipal hall:** It is assumed rented premises could be used for the first two years and that a new building would be constructed in the second year for occupancy in the third year. A budget allowance of \$750,000 has been used for the costs associated with the new building, including site work, design, construction, furnishings and equipment. This allowance is based on several recent municipal offices:
 - The District of Highlands (1,560 residents) is about to construct a 1400 sq. ft. municipal building with 8 offices (but not council chambers) for \$150,000; no land purchase was necessary.
 - The District of Metchosin (5,030 residents) just built a new 4200 sq. ft. municipal hall (including council chambers) for \$500,000; no land purchase was necessary.
 - The Town of View Royal (6,900 residents) just completed a larger building with room for 13 staff, council work areas, and council chambers for meetings, at a cost of \$1.4 million.

Some funds would have to be spent in the first year to provide the starting office equipment and furnishings in the rented premises; these could later be moved to the assumed new building. The choice of a design and cost limit would be up to municipal council. It is assumed that the province or GVRD would make available the land for the offices at no meaningful cost to the municipality. ***This is not the lowest cost assumption.*** If the GVRD agrees to transfer the Old Store to the municipality for use as a municipal hall, or if

some other building is provided at low cost, then the full capital allowance would not be needed and the tax projections later in this report would be lower. *If only, say, \$250,000 were spent on the municipal offices, taxes on an average home would be about \$15 lower than estimated later.*

- **Roads and drainage:** Some roads on Bowen will need repair and improvement whether or not Bowen incorporates as a municipality. Under rural status the province is responsible for prioritizing and funding the improvements. Under municipal status this would be up to the elected council. It is difficult to project the municipal spending on this item for several reasons. The potential availability of development cost charges -- not now present on Bowen, but present in most municipalities -- could provide extra funding for improvements if new developments are approved. If council enacts a DCC bylaw more could be spent on road improvements than without DCCs. The availability of senior government funding under programs like the recent federal-provincial infrastructure works program could clearly affect road works budget. Recognizing these uncertainties, the higher cost assumptions in this report assume \$2,000,000 for short term improvements -- that is, works done in the first six years. The lower cost budget assumes \$1,000,000. Additional spending is described in the next point.

(B) Ongoing, long term capital:

This spending matches the annual transfer from general tax revenues for this specific purpose. For the higher cost budget, an annual allowance of \$175,000 has been assumed for this (except for the first years, where lower spending is assumed in this category). During the first nine years this amounts to \$1,350,000. Most of this would likely be spent on road and drainage improvements, equipment and furnishings. All this money is assumed to come from taxes; if other revenue sources are available -- for example, grants or development cost charges -- then the tax impacts described later will be overstated. This allowance excludes any use of reserve funds (an annual allowance of \$30,000 has been included in the general fund budget for the ongoing purchase of equipment and occasional special capital project). The lower cost budget assumes \$125,000 per year for this ongoing spending.

(C) Tax savings in later years:

The closing balance in the capital and stabilization fund is assumed to be converted into a revenue-producing annuity. In this way the benefits of any remaining startup grants and early year excess taxes can be spread over a much longer time. The revenue from the annuity shows up in the annual general budget, thus reducing the need for taxes to a small degree.

The municipal council could choose to spend less or more on infrastructure improvements. For example, it might not have to build a municipal hall (depending on whether the GVRD transfers property to the municipality), or fewer road improvements could be warranted. The range of capital spending in this report is from \$2.5 million to \$4.7 million over the first 9 years. The lower alternative spending level could allow the municipality to avoid incurring new debts to pay for the capital programs, whereas the capital component of the higher municipal budget would require new debt of \$900,000. *Note that residents could reject the borrowing of such capital funds.*

10.4 Projected Fund Amounts

The following figure shows how the projected annual transactions in the capital and stabilization fund might work. It shows the higher cost budget assumptions. By year 9 -- the first "normal" year -- there are no longer any transfers of unused taxes into the fund and all the short term infrastructure improvements have been completed.

Figure 37: Capital and Stabilization Fund (Higher Cost Spending Assumptions)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
STARTING BALANCE	\$0	\$760,106	\$905,128	\$1,010,051	\$909,509	\$372,176	\$2,287	\$12,014	\$16,444
ADDITIONS TO FUND:									
Start-up grant: per capita	\$186,667	\$186,667	\$186,667						
Start-up: Rural tax rebate	\$233,716								
Tsfr from general revenues	\$50,000	\$100,000	\$150,000	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000
Interest earned in fund	\$5,608	\$25,740	\$49,441	\$52,603	\$38,571	\$14,331	\$137	\$721	\$987
Stability tsfrs from taxes	\$474,115	\$312,615	\$198,815	\$246,855	\$224,096	\$15,780	\$9,590	\$3,709	
New long term debt		\$800,000	\$100,000						
SPENDING FROM FUND:									
(A) Short term projects									
PW yard, equip, etc	-\$40,000	-\$30,000	-\$30,000		-\$400,000				
Municipal offices + equipment	-\$100,000	-\$750,000							
Road, drainage, misc		-\$400,000	-\$400,000	-\$400,000	-\$400,000	-\$400,000			
(B) On-going capital	-\$50,000	-\$100,000	-\$150,000	-\$175,000	-\$175,000	-\$175,000	-\$175,000	-\$175,000	-\$175,000
(C) Trsfr to reduce taxes									-\$1,877
CLOSING BALANCE	\$760,106	\$905,128	\$1,010,051	\$909,509	\$372,176	\$2,287	\$12,014	\$16,444	\$15,554

10.5 Total Capital Spending

The following figure summarizes the total municipal spending on capital items during the first nine years.

Figure 38: Summary of Capital Spending Over First 9 Years

	Lower cost assumptions (lower taxes)	Higher cost assumptions (higher taxes)
(A) Short term improvements		
Public works yard, shop, equip.	\$100,000	\$500,000
Municipal offices and equipment	\$350,000	\$850,000
Road and drainage improvements	\$1,000,000	\$2,000,000
(B) Ongoing capital projects	\$1,025,000	\$1,350,000
Total capital spending, first 9 years	\$2,475,000	\$4,700,000
Funded by new debt		\$900,000
Funded by taxes and grants	\$2,475,000	\$3,800,000

The higher-cost allowance assumes that \$900,000 of the capital spending would be financed by long term borrowing; no borrowing would be needed under the lower cost assumption. Note that council cannot simply decide on its own to incur new debts. Voters must be given the opportunity to sign a counter petition to force a vote on incurring new debts; if 5% of the eligible electors sign, a binding vote must be held. Alternatively, council can simply hold a referendum on the question without a counter petition. Either way, council cannot commit the municipality to a new long term loan without giving electors a chance to reject it or at least a chance to force a vote on the matter.

Annual Municipal Budget

11.1 Introduction

This chapter makes projections about the spending of a new Bowen Island municipality. Some of the projections are based on observed 1998 spending on Bowen services; others are based on experiences in other municipalities after adjusting for differences between them and Bowen.

Note, however, that actual spending levels would be determined by the locally elected municipal council. The figures presented here are reasonable for analytical purposes but they cannot be definitive. Municipal council would be free to spend less, or more, than the figures presented here. Council could choose to initiate new services, or change the way existing ones are provided, and this would affect spending and taxes. Future municipal spending priorities can't be predicted with certainty.

Of course, future spending levels under continued rural status can't be predicted with certainty either.

Other noteworthy comments about the spending projections include the following.

- All amounts are stated in terms of constant 1998 dollar values; inflation would affect them. This too is true of both the rural and municipal case.
- The bulk of municipal spending would occur in the general fund. Most municipal services are financed through the general fund, and discussion of these items comprises the bulk of this chapter.

11.2 Experiences in Other Municipalities

No two municipalities are precisely alike, so the experiences elsewhere cannot be applied to the Bowen case with sureness. However, there are several municipalities which share a number of similarities with Bowen, and looking at their spending on some services can help guide the making of projections for Bowen. The following table shows them.

Of course, not all experiences elsewhere are equally valid for all service cost comparisons. Adjustments have to be made for differences in population, road lengths, and so on (and in some cases the spending on certain services elsewhere is simply not relevant for the Bowen case).

Figure 39: Municipal Budgets Examined for the Bowen Case

	Pop'n (est. 1998)	Residential parcels	KM of Roads	Administration	Roads and drainage	Community planning	Non-tax revenues
Bowen	2,800	1,780	60				
Lions Bay	1,450	549	7	✓	✓		✓
Highlands	1,600	633	37	✓	✓	✓	✓
Sicamous	3,200	1,596	50	✓			✓
Gibsons	3,900	1,797	32	✓	✓	✓	✓
Oliver	4,500	1,825	40	✓		✓	✓
Metchosin	5,000	1,822	81	✓	✓	✓	✓
Qualicum Beach	7,400	3,705	80	✓	✓	✓	✓
Sechelt	8,300	4,509	75	✓	✓	✓	✓
Parkville	10,200	4,242	88			✓	

11.3 Municipal Operating Costs

The table on the next page shows the projected annual municipal budget for a Bowen municipality. This is the *general fund* budget, as opposed to the *water fund* or the *sewer fund*. Each fund would have its own revenues and expenses. The general fund is by far the largest of three funds since most municipal services are general services. General taxes account for the vast majority of municipal taxes.

The figures are stated in constant dollars. They represent, as much as possible, the costs of providing services at current levels of service. For some services, however, there are unavoidable changes in scope due to a shift in responsibilities from a more remote body (say, the Ministry of Transportation and Highways, in the case of roads) to the new municipality.

Note again that, while reasonable for purposes of this study, the projections are only estimates. ***It would be up to municipal council to set service levels, budgets, and taxes for the municipality.***

For those service costs that are not directly transferable from actual 1998 rural levels (like GVRD services), the spending figures shown in the next table reflect conservatism -- that is, they lie more on the high side than on the low side. For example, the basic land use planning budget (\$175,000 per year), while realistic, is a generous sum; a total of \$125,000 would also be possible (but at the low end of a realistic range).

For certain municipal departments a ***lower cost spending assumption*** could be also considered. This alternative is identified where applicable in the text describing each department.

The table shows the budget for the higher cost assumptions.

Figure 40: Projected Municipal Spending Per Year (Higher Spending Assumptions)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Mayor's remuneration	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000
Remun. for other 6 councillors	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000
Council expenses	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000
Total council	\$70,000	\$70,000	\$70,000	\$70,000	\$70,000	\$70,000	\$70,000	\$70,000	\$70,000
Wages	\$252,000	\$280,000	\$280,000	\$280,000	\$280,000	\$280,000	\$280,000	\$280,000	\$280,000
Legal (excl. \$10,000 in planning)	\$50,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
Audit, other professional	\$20,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Mun. hall, supplies, phone, equip	\$30,000	\$30,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Equipment + computers	\$10,000	\$15,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Insurance (property + liability)	\$29,600	\$29,600	\$29,600	\$44,600	\$44,600	\$44,600	\$44,600	\$44,600	\$44,600
Membership, dues, staff training	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Grants to organizations	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Labour relations, empl. programs	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Elections, advertising	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Miscellaneous and contingency	\$15,000	\$15,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Total General Gov't	\$503,600	\$511,600	\$531,600	\$546,600	\$546,600	\$546,600	\$546,600	\$546,600	\$546,600
RCMP	\$0 - municipalities below 5000 population do not pay for policing								
Fire protection	\$255,000	\$255,000	\$255,000	\$255,000	\$255,000	\$211,800	\$211,800	\$211,800	\$211,800
Bldg permits + inspections	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000
Animal ctrl, emerg. plan, misc	\$60,700	\$60,700	\$60,700	\$60,700	\$60,700	\$60,700	\$60,700	\$60,700	\$60,700
Total Protective	\$440,700	\$440,700	\$440,700	\$440,700	\$440,700	\$397,500	\$397,500	\$397,500	\$397,500
PW yard and common services	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$50,000	\$50,000	\$50,000	\$50,000
Admin and engineering	\$30,000	\$45,000	\$60,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000
Ditches and drainage	\$30,000	\$40,000	\$50,000	\$60,000	\$70,000	\$70,000	\$70,000	\$70,000	\$70,000
Road maintenance and repair	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$150,000	\$150,000	\$150,000	\$150,000
Blvds, pathways, sidewalks	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$20,000	\$20,000	\$20,000	\$20,000
Snow removal, street cleaning	\$0	\$0	\$0	\$0	\$0	\$60,000	\$60,000	\$60,000	\$60,000
Street lighting + traffic signs	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Miscellaneous	\$5,000	\$10,000	\$15,000	\$20,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Less: Other dep't cost shares	-\$10,000	-\$20,000	-\$20,000	-\$20,000	-\$20,000	-\$20,000	-\$20,000	-\$20,000	-\$20,000
Total Transport	\$95,000	\$115,000	\$145,000	\$190,000	\$205,000	\$450,000	\$450,000	\$450,000	\$450,000
Local planning - Islands Trust	\$297,000	\$297,000	\$297,000	\$0	\$0	\$0	\$0	\$0	\$0
Local planning - own services	\$0	\$0	\$0	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000
Total Community Devel.	\$297,000	\$297,000	\$297,000	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000
Garbage collection	\$198,400	\$198,400	\$198,400	\$198,400	\$198,400	\$198,400	\$198,400	\$198,400	\$198,400
Health Board	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Environment Health	\$198,400	\$198,400	\$198,400	\$198,400	\$198,400	\$198,400	\$198,400	\$198,400	\$198,400
Recreation programming	\$274,900	\$274,900	\$274,900	\$274,900	\$274,900	\$274,900	\$274,900	\$274,900	\$274,900
Bowen Island community centre	\$26,600	\$26,600	\$26,600	\$26,600	\$26,600	\$26,600	\$26,600	\$26,600	\$26,600
Parks and playgrounds	\$108,800	\$108,800	\$108,800	\$108,800	\$108,800	\$108,800	\$108,800	\$108,800	\$108,800
Library grant	\$77,500	\$77,500	\$77,500	\$77,500	\$77,500	\$77,500	\$77,500	\$77,500	\$77,500
Total Rec'n and Culture	\$487,800	\$487,800	\$487,800	\$487,800	\$487,800	\$487,800	\$487,800	\$487,800	\$487,800
Transfers to reserves	\$20,000	\$25,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
Tsfr to capital: Ongoing spending	\$50,000	\$100,000	\$150,000	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000
Tsfr to capital + stability fund	\$474,115	\$312,615	\$198,815	\$246,855	\$224,096	\$15,780	\$9,590	\$3,709	\$0
Total transfers to own funds	\$544,115	\$437,615	\$378,815	\$451,855	\$429,096	\$220,780	\$214,590	\$208,709	\$205,000
New long term debt paymt	\$0	\$84,800	\$95,400	\$95,400	\$95,400	\$95,400	\$95,400	\$95,400	\$95,400
Bank + interest charges	\$34,500	\$36,800	\$39,100	\$41,400	\$46,100	\$46,100	\$46,100	\$46,100	\$46,100
Total Fiscal Services	\$578,615	\$559,215	\$513,315	\$588,655	\$570,596	\$362,280	\$356,090	\$350,209	\$346,500
(A) Municipal Costs (above)	\$2,601,115	\$2,609,715	\$2,613,815	\$2,627,155	\$2,624,096	\$2,617,580	\$2,611,390	\$2,605,509	\$2,601,800
(B) Tax for Regional Dist.	\$64,580	\$64,580	\$64,580	\$64,580	\$64,580	\$64,580	\$64,580	\$64,580	\$64,580
(C) Tax for the Islands Trust	\$71,000	\$71,000	\$71,000	\$71,000	\$71,000	\$71,000	\$71,000	\$71,000	\$71,000
(D) Tax for school + others	\$1,529,304	\$1,529,304	\$1,529,304	\$1,529,304	\$1,529,304	\$1,529,304	\$1,529,304	\$1,529,304	\$1,529,304
Total Expenses (A+B+C+D)	\$4,265,999	\$4,274,599	\$4,278,699	\$4,292,039	\$4,288,980	\$4,282,464	\$4,276,274	\$4,270,393	\$4,266,684

Stated in constant 1998 dollar values

General Administration

General administration functions include the operations of the municipal council, office staff, budget and bylaw preparation, personnel and payroll administration, tax billing and collection, municipal office supplies and maintenance, general municipal liability and property insurance, and other services necessary for administering the day to day operations of the municipality.

- Council: Mayor and council set their own remuneration. While compensation is not mandatory (Lions Bay, for example, does not pay its council), almost all municipalities do pay their council members in recognition of the time spent attending meetings and other official functions. Based on the levels elsewhere (see table below), an allowance of \$14,000 for the mayor and \$8,000 for each of the six other councillors has been made here. In addition, an allowance of \$8,000 for travel and other expenses has been set, also based on occurrences elsewhere. The total budget for the council would account for less than 3% of the municipality's general spending.

Figure 41: 1998 Remuneration for Mayor and Councillors

	Population	Residential properties	Mayor	Each Councillor
Anmore	1,200	412	\$10,400	\$5,200
Belcarra	700	475	\$10,400	\$5,200
Lions Bay	1,400	556	\$0	\$0
Highlands	1,600	684	\$5,500	\$3,500
Sicamous	3,100	1,596	\$10,600	\$6,600
Gibsons	3,900	1,797	\$12,000	\$6,800
Oliver	4,500	1,825	\$20,800	\$11,100
Metchosin	5,000	1,822	\$12,200	\$7,100
Qualicum Beach	7,400	3,705	\$15,600	\$8,500
Average of above	3,200	1,430	\$10,833	\$6,000
<i>Bowen projections</i>	2,800	1,780	\$14,000	\$8,000

NB: Excludes reimbursement of expenses and travel allowances

- Staff: An budget allowance has been made for a total of five full time staff, at an average cost of about \$56,000, for a total wage cost of \$280,000. The average cost is based on levels found in other municipalities and includes temporary help and coverage on an occasional basis. The projected staff complement would be an clerk-administrator, a treasurer, an accounting-support position, and two clerical-receptionist positions.
- Municipal offices: These could be in rented, commercial premises or in a municipally-owned building, but there are in fact very few places on Bowen for municipal offices. Depending on the particular layout, offices and ancillary space of 150-200 square meters of space could be needed, plus a room for council meetings. This report assumes the municipality rents moderate space for the first two years and then moves into a newly constructed municipal hall in the third year. The costs of building the hall are included in the capital and stabilization fund.
- Professional fees: An allowance of \$45,000 has been made for legal, audit and other professional services. Note that an another \$10,000 in legal fees has been included in the land use planning department (rather than the administration department), effectively raising the municipal total to \$55,000 per year.
- Municipal hall and equipment: A total of \$50,000 has been included for the operation of the municipal offices, including funds for equipment contracts (computers and photocopiers, for example).

- Liability and property insurance has been projected using liability rates from the Municipal Insurance Association (the main insurance organization for municipalities), plus an allowance for property coverage and payments of deductible amounts.
- Grants to organizations have been kept at the existing rural-status levels. As per the 1998 GVRD budget, Bowen taxpayers contributed \$10,000 in the form of a levy for Area C grants in aid.

Lower spending assumption: The higher cost budget for general administration totals \$547,000 per year. An alternative, lower budget of \$487,000 is also realistic. The \$60,000 savings could result from:

- Lower remuneration for council (say, \$10,000 for the mayor and \$5,000 for each councillor would save \$22,000 per year)
- Reduced staffing (4.5 full time equivalents rather than 5 FTE could save \$28,000 per year)
- Higher deductible insurance policy (perhaps a \$5-\$10,000 savings)

Protective services

- RCMP: A Bowen Island municipality would not have to pay for policing, since it would be under the 5000 population threshold for municipal policing costs. The provincial rural system would continue to be used for the island, with no local contribution to the costs. Unlike current rural status where a portion of the rural tax goes towards policing, a municipality under 5000 makes no payment at all for this provincial service. Potential policing costs are discussed in a later chapter.
- Fire protection: The existing fire department would continue to serve Bowen more or less as is. Policy decisions on fire protection would be made by the elected council rather than by the current trustees. The service would be administered by the municipality but the current system of volunteers and equipment could continue just as is. In 1998 a total tax load of \$255,000 was needed to support the fire service, and this amount has been included in the budget projections.
- Building permits and inspection: This service is provided by the GVRD under the current system using 1.7 full time equivalent staff (FTE) people.. User fees (building permit applications) and taxes are used to fund it. It is assumed here that the municipality would spend more or less the same as the GVRD in providing this service and would recoup as much of the costs via application fees as does the GVRD. The total spending in 1998 was \$156,000 (after deducting GVRD overhead costs that are already included in the general administration costs above), and this amount has been used in the projections here. The actual spending will vary from year to year, as the number of building permits fluctuates in accordance with development activity. It would be up to council to determine how it wants to provide this service. Choices include hiring municipal staff directly; contracting the service out to individuals; or contracting the service out to the GVRD (assuming the two parties could agree on the terms).

Lower spending assumption: The higher cost budget for building inspection totals \$125,000 per year, based on the GVRD's costs. The municipality might be able to coordinate and combine the task assignments of its employees to realize a cost savings, or arrange for a lower cost contract than the GVRD costs. A total of \$100,000 is a realistic alternative cost.

- Animal control and other protective services: The GVRD currently provides this service with 0.6 full time equivalent staff. As with building inspection, the GVRD

spending level has been assumed for the new municipality, after removing GVRD overhead costs. An extra cost has been included for the preparation of emergency readiness plans as well.

Lower spending assumption: The higher cost budget totals \$60,700 for animal control and other protective services. A lower alternative budget of \$50,700 is also realistic.

Roads and transportation

This department includes road maintenance, snow and ice removal, street cleaning, drainage maintenance, boulevard and shoulder maintenance, street lighting and equipment. Bowen Island has about 60 km of roads that would become a municipal responsibility. As part of the province's offer of assistance, the provincial contractor would continue to provide road maintenance services -- at no direct cost to Bowen taxpayers -- for the first five years. It would then be up to municipal council to decide if the use of a private contractor should continue past this. Three municipalities in BC have chosen to do this: Wells (270 residents), Highlands (1560 residents), and Metchosin (5030 residents) have opted for this system. Virtually all the others use a mixture of their own staff and private contractors. Municipal crews use their own equipment for routine maintenance (like boulevard trimming, pipe repairs, and so on), and contractors are hired for construction and specialized maintenance services on a bidding basis.

Wells is too small and its climate too different for comparison here, but in Highlands (37 km of roads) and Metchosin (81 km) the average annual maintenance cost works out to about \$4,400 per km. Of course, these are not island municipalities, and contractors can get their crews, supplies and equipment to the site more easily than a Bowen contractor could. It must be recognized that there already is, in fact, a contractor providing this service on Bowen, so the idea of this option remains a realistic proposition. If Bowen opted to use a fully-contracted service the annual cost could be in the range of \$5500 per km -- say, about 25% higher than experienced in Highlands and Metchosin. This would work out to about \$330,000 per year. ***The actual sum could not be known until (a) council chooses to investigate this option and (b) sealed bids are obtained.***

As shown below, road maintenance costs are higher in municipalities which run their own public works departments, as shown below. Street lights are excluded from the numbers since Bowen has so few. The costs exclude a share of the public works budgets that relate to work on water and sewer system (these are not funded by general taxes).

Figure 42: Annual Road Maintenance Costs per KM

	KM of roads	Complete water systems?	Complete sewer systems?	Mainly urban or rural?	Net Cost per KM*
Mainly by private contractor					
Highlands	37	No	No	Rural	\$4,200
Metchosin	81	No	No	Rural	\$4,600
Mainly by municipal staff					
Lions Bay	10	Yes	No	Urban	\$6,800
Sechelt	75	Mainly	Mainly	Urban	\$7,600
Qualicum Beach	80	Yes	Yes	Urban	\$10,000
Gibsons	32	Yes	Yes	Urban	\$8,100
<i>Basic Bowen projections</i>	<i>60</i>	<i>Mainly</i>	<i>No</i>	<i>Rural</i>	<i>\$7,500</i>

* Net of recoveries from water and sewer systems

Lions Bay has much less road length than Bowen but, like Bowen, it is essentially a residential-only community. The other three with their own crews have road lengths generally more comparable to Bowen -- but all have significant commercial development areas which attract high traffic volumes and require a much higher level of road maintenance than do rural, or even purely residential, areas. Only some of these are provincially-maintained highways. It is reasonable to expect that Bowen's average costs would be lower because it lacks a significant higher-attention commercial core.

In addition, it is doubtful that most Bowen residents expect, or would be willing to pay for, an urban level of road maintenance or a change to an urban set of standards where (among other things) sidewalks are the norm rather than the exception. Bowen does not receive a high standard of maintenance now, and residents can decide for themselves whether they feel there is significant public support for the introduction of urban service standards. It is a fair comment that many Bowen residents consider the lack of a full slate of urban standards to be an attraction (but it is not clear how many feel this).

It is true that getting many materials to Bowen requires boat transport and that boat transport is more costly than truck-only transport. This would raise the average cost for Bowen. However, materials account for a relatively small part of a municipality's road maintenance budget, so this premium is likely to be fairly small.

For purposes of this report, it is assumed that a Bowen municipal council would choose to have its own crews and equipment, starting in year 6, since this is a much more prevalent choice than the contracting out option. *In the end, however, this decision would be up to municipal council, as would the budget for this and all other services.* The cost projections in the budget work out to an average of \$7500 per km of road for a Bowen municipality -- generally about 35% more expensive than a private contract might cost, but a bit less than some other towns which have a more urban lifestyle. The gross cost of the public works budget would actually be a bit higher than \$7500 per km, but some costs would be recovered from water and sewer users as a normal component of their water and sewer rates.

By having its own department, the municipality would have greater flexibility to direct public works efforts and resources to various municipal services -- parks, roads, drainage, water, and so on -- but it would pay more for this than if it chooses to contract out road maintenance. In terms of staff, the projected budget would allow for a public works director, a foreman, and 3-4 equipment operators/general hands. The full staffing costs would not be needed until year 6, after the provincial contract ends. However,

some road transport costs would be incurred starting in year 1 as the new municipality would have to prepare engineering plans for road improvements and provide some drainage services even before it inherits full road responsibilities.

Lower spending assumption: Using a private contractor could be cheaper than using municipal crews and equipment. If Bowen could obtain such a contract for \$5,500 per km it would save perhaps \$120,000 on maintenance work, but it would also have to spend a bit more administering the contract, so a net savings of \$100,000 is more realistic.

Community Planning

Under the protocol agreement between the Islands Trust and the Ministry of Municipal Affairs, a municipality in the Trust area must, for the first three years, contract its planning work to the Trust and pay the same Trust taxes as it would as a rural status community. It would be up to the Trust and the municipality to reach agreement as to the work program each year during this period. Note that municipal council would be responsible for land use planning decisions and policies immediately upon incorporation. In 1998 Bowen paid \$368,000 for Trust services (excluding the provincial tax collection fee) -- \$71,000 for Trust-wide services and functions, and \$297,000 for local planning services.

After restructuring, the municipality would continue to pay the rural amount for Trust-wide matters (\$71,000). At the bottom of the preceding table this is shown as a collection for other governments. It also shows up as a matching amount on the revenue side of the budget. The tax rate needed to generate this sum works out to \$0.136 per \$1000 of assessed property value, and this is included in the tax impact analysis later.

After the first three years the municipality would be free to obtain local planning services as it sees fit. This includes hiring municipal staff, contracting with consultants, contracting with the Islands Trust, or some combinations of these options. The Trust currently has assigned one full time planner and a part-time technician for Bowen, plus use of trust-wide planning support services like mapping. Because the Trust recovers its planning costs across all islands based on their assessed values rather than on actual amounts spent, there is no direct link between what an island pays and what specific planning services it receives.

The \$297,000 Bowen pays for local planning is well above the levels found in comparable municipalities, including those with many more people than Bowen, as shown in the following figure.

Figure 43: 1998 Community Planning Costs

	<i>Population</i>	<i>Residential folios</i>	<i>Gross spending</i>	<i>Revenue + grants</i>	<i>Taxes needed</i>
Gibsons	3,900	1,797	\$121,100	-\$21,000	\$100,100
Oliver	4,500	1,825	\$60,600	-\$17,000	\$43,600
Metchosin	5,000	1,822	\$32,200	-\$15,300	\$16,900
Qualicum Beach	7,400	3,705	\$115,000	-\$50,000	\$65,000
Sechelt	8,300	3,365	\$291,500	-\$60,400	\$231,100
Parksville	10,200	4,242	\$153,000	-\$51,100	\$101,900
Bowen - Current rural system* =	2,800	1,780	\$297,000	incl.	\$297,000

* Revenues + grants have already been deducted in Bowen's "rural system" cost

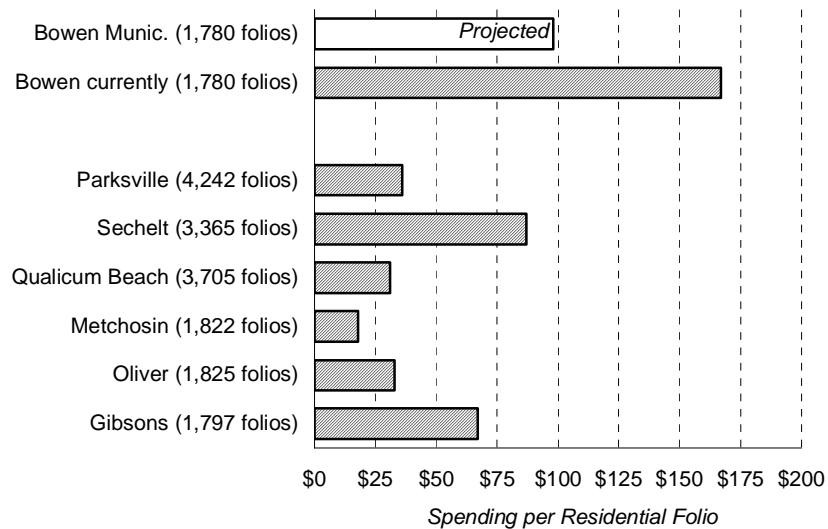
Bowen is an active community in terms of residents' involvement in, and concerns on, community planning issues, and it would be unlikely (but possible) that a low spending level would be adopted by the elected municipal council. For purposes here it is assumed that, starting in year 4, the municipality would spend \$175,000 on planning and development matters, including two full time staff members (a planner and a technician) -- though, as mentioned before, the actual figures would be set by municipal council. The assumed budget is shown below.

Figure 44: Projected Cost of Planning Services After Year 3 (Basic Budget)

Wage costs - planner + technician	\$120,000
Mapping, GIS, computer	\$10,000
Materials, supplies	\$7,500
Dues, publications	\$2,500
Special studies	\$20,000
Legal and advertising	\$10,000
Miscellaneous	\$5,000
Total spending (before revenues)	\$175,000

The next figure summarizes the assumed planning costs and shows the Bowen totals compared to other municipalities. Note that planning-related revenues -- primarily application fees for rezoning, development permits and subdivision -- will reduce the reliance on tax dollars to fund this service. These are discussed later in the revenue section of this chapter.

Figure 45: Local Planning Costs Per Residential Folio



Lower spending assumption: The basic cost of \$175,000 per year is still well above the levels found in other communities. A lower cost of \$125,000 would also be reasonable. This could result from lower full time staff costs (either through cost sharing with other departments or the use of a part time employee), less frequent special studies, or the use of provincial planning grants.

Garbage Collection

The municipality would inherit responsibility for garbage collection from the GVRD; the GVRD uses a private contractor for this service. Municipal council would have to

decide whether to hire municipal staff or continue contracting the service out. It makes more sense to contract it out, at least in the early years, as council will be very busy adjusting to the new governance structure and would be looking for ways to reduce the number of major service reorganizations. It is thus assumed that council would use the same contracting provisions as does the GVRD. Based on the 1998 GVRD budget, the total costs of providing this service -- excluding GVRD overhead charges -- is \$198,400. This amount is used in the municipal budget projections here.

It is also assumed the current parcel tax -- \$75 per lot, after removing the provincial tax collection fee -- would remain in place. Taxes are discussed in the revenue section of this chapter.

Recreation and Culture

The current array of parks, recreation and cultural services on Bowen need not change at all due to municipal incorporation, so the 1998 GVRD budgets can fairly be used as the basis for projecting the municipal spending levels. In all cases the GVRD overhead charges have been removed from the costs, since the municipality's overhead has already been accounted for in the general administration department discussed earlier.

- **Recreation programming:** The GVRD's cost is \$284,900 (including transfers to capital reserves and shared costs with the school). User fee revenues (\$79,400) are included in the revenue section of the municipal budget.
- **Community school centre:** The GVRD cost of \$26,600 refers to the annual debt payment only, and this would not be affected in any way by restructuring. It expires in 2000, but as this drop affects both rural status and municipal status equally it is left in the projections here to allow a more consistent comparison between the actual rural taxes in 1998 and the projected municipal taxes.
- **Parks and playgrounds:** The GVRD budget (\$108,800) consists mainly of parks planning and design works and transfers to capital reserves for future parks construction. As with garbage collection, it is assumed that the current parcel tax for this service would be continued by municipal council; after removing the provincial tax collection fee it would be \$61 per parcel. This tax is included in the revenue section of this chapter. The GVRD currently has 2.75 FTE employees and 32 contracted instructors for recreation services on Bowen.
- **The 1998 library grant (\$77,500)** could remain unchanged by restructure, and it is assumed that municipal council would continue to make this grant to the library association. Note that the library association's responsibilities need not be affected by restructuring.

Fiscal Services

The municipality would face a series of costs related to capital, debt and banking.

- **Transfers to reserves:** Most municipalities devote a portion of their annual taxes to build up reserves. The most common, and regular, are transfers to an equipment replacement reserve, which is used to replace public works vehicles and equipment as they wear out. An annual sum of \$30,000 has been assumed here. There would not be a significant need to use this reserve for the first five years because the provincial contractor would be responsible for the roads and the municipality would not need a full array of vehicles and equipment.
- **Ongoing capital spending:** As discussed in the previous chapter, all municipalities spend tax funds each year on capital items as a routine part of their operations. The amounts fluctuate from year to year as circumstances change. An average of \$150,000 per year has been allocated in the budget projections. *This is only the annual tax-financed portion of capital.* Most municipalities also routinely

spend other money on capital improvements using grant funding, development cost charge revenues, infrastructure works grants, and accumulated reserves. *The budget allocation used here excludes these revenue sources; the municipality would almost certainly be able to afford additional capital spending without using tax dollars.*

- *Transfers to the capital and stability fund:* As discussed in the previous chapter, the stable tax rate for the new municipality would generate excess revenues in the first few years, before the municipality inherits the full slate of responsibilities (like roads). These excess funds are assumed to be put into the capital and stability fund to assist in the financing of short term infrastructure improvements.
- *New debt payments:* It has been assumed the municipality would have to construct a municipal hall, in the second year. A budget allowance of \$850,000 has been used here; as always, the actual budget and funding decision would be up to municipal council. Even with the short term, grants and excess taxes, the capital and stability fund would not have enough funds to pay for the new hall as well as all the short term road improvements. To remedy this, it is assumed that the municipality would borrow a total of \$900,000 for these capital needs, in two steps over year 2 and 3. The annual debt payments are based on a 15-year sinking fund debenture loan with a 6% nominal interest rate (the latest MFA rate at the time of writing was 5.55%). **Note:** Council cannot simply incur new long term debts. Voters must either be given the chance to sign a counter petition that would force a binding vote on the matter if 5% of the eligible electors sign, or the chance to vote in a binding referendum directly if no petition is offered.
- *Bank charges and interest:* Like virtually all municipalities, a Bowen municipality would face banking service charges, as well as interest on temporary borrowing during the first part of the year (until taxes are collected in the summer).

Lower spending assumption: The municipal council could feel fewer sums are needed for ongoing capital projects (as opposed to short term infrastructure improvements). Access to provincial grants could also reduce the need for tax dollars for this spending. A lower cost allowance of \$125,000 per year could be realistic. Similarly, fewer funds could be set aside for reserves and interest charges each year than are included in the basic budget; a \$10,000 savings could be a realistic alternative (from \$77,000 to \$67,000). Finally, municipal council could decide to spend less on short term infrastructure, or voters may reject a council initiative to borrow funds for infrastructure. This would reduce annual debt payments. The municipality could spend a total of \$2.5 million over the first nine years on infrastructure improvements without borrowing money; this is about \$2 million lower than assumed in the higher cost budget. This would mean no annual debt payment.

Collections for Other Governments

The municipality would be the property tax collector for other agencies, even though it has no control over the tax rates and levies used by others. These sums appear in matching amounts on the revenue side of the municipal budget. The taxes are included in the before-and-after tax impact comparisons later in this report.

- *Regional District:* Bowen would still be a member of the Greater Vancouver Regional District, but only for region-wide services. As discussed in an earlier chapter, the total taxes paid to the GVRD for these regional services amount to about \$55,000 in 1998.
- *Islands Trust:* Bowen would continue to participate in the trust-wide services of the Islands Trust, including the Trust Council, the Executive Committee, and the

Trust Fund Board. In 1998 the taxes for these amounted to \$71,000 (excluding the provincial tax collection fee).

- *School and others:* Taxes for schools, the regional hospital district, the Municipal Finance Authority, the BC Assessment Authority, and BC Transit would not be affected by municipal incorporation. The figures used here are the 1998 tax levies.

11.4 Municipal Revenues

The following figure shows the projected municipal revenues for the higher spending budget assumptions.

Taxes and Grants in Lieu of Taxes

- *General municipal tax:* These revenues are set at the level needed to balance the books in a “normal” year -- that is, after all the short term assistance has been received and the initial infrastructure improvements have been made. The same set of municipal tax rates has been held constant across all the years (rates are discussed in the next chapter). This generates excess revenues in the early years, before the municipality has inherited responsibility for its eventual, full slate of services. For example, full roads costs would not be faced until year 6. The excess funds are transferred to the capital and stabilization fund to help finance capital improvements in the early years. More taxes are needed under the higher cost assumptions than under the lower cost assumptions.
- *Parcel taxes:*
 - *Garbage tax:* It is assumed that the current garbage parcel tax would remain in place, except that the 5.25% provincial tax collection fee would no longer apply. This means the municipal garbage parcel tax (\$75) would be less than the rural status tax (\$78).
 - Similarly, it is assumed the municipal council would choose to keep the parcel tax for parks at the current level. After removing the provincial add-on, this tax is \$61 per parcel.
- *Other taxes:* Under s.353 of the Municipal Act, the municipality would collect 1% of the gross sales of telephone, cable TV and hydro services to Bowen customers. This tax is paid by the utility companies, not by residents. The estimates used here are based on levels observed in other mainly-residential municipalities. However, there are one- and two- year lags in this tax, so the full amounts wouldn't start until year 3. Minor grants in lieu of taxes from senior governments have been assumed.

Figure 46: Projected Municipal Revenues (Higher Spending Assumptions)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Taxes and grants in lieu									
General municipal tax	\$1,737,868	\$1,737,868	\$1,737,868	\$1,737,868	\$1,737,868	\$1,737,868	\$1,737,868	\$1,737,868	\$1,737,869
Garbage tax @ \$75 per parcel	\$131,500	\$131,500	\$131,500	\$131,500	\$131,500	\$131,500	\$131,500	\$131,500	\$131,500
Parks tax @ \$61 per parcel	\$108,800	\$108,800	\$108,800	\$108,800	\$108,800	\$108,800	\$108,800	\$108,800	\$108,800
1% Utility tax + Hydro grants	\$0	\$9,800	\$19,600	\$19,600	\$19,600	\$19,600	\$19,600	\$19,600	\$19,600
Other grants in lieu of taxes	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
Sales of services									
Garbage user fees + misc rev.	\$66,900	\$66,900	\$66,900	\$66,900	\$66,900	\$66,900	\$66,900	\$66,900	\$66,900
Rec'n facilities and programs	\$79,400	\$79,400	\$79,400	\$79,400	\$79,400	\$79,400	\$79,400	\$79,400	\$79,400
Revenue from own sources									
Business+ vehicle licences	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Building permits + fees	\$196,227	\$196,227	\$196,227	\$196,227	\$196,227	\$196,227	\$196,227	\$196,227	\$196,227
Development + zoning fees	\$33,500	\$33,500	\$33,500	\$33,500	\$33,500	\$33,500	\$33,500	\$33,500	\$33,500
Interest on current revenues	\$27,600	\$29,400	\$31,300	\$33,100	\$36,900	\$36,900	\$36,900	\$36,900	\$36,900
Tax penalties + interest	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Fines	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Internal charges + recoveries	\$32,520	\$32,520	\$32,520	\$51,280	\$51,280	\$51,280	\$51,280	\$51,280	\$51,280
Other revenues									
Provincial local gov't grant	\$160,000	\$152,000	\$144,400	\$137,180	\$130,321	\$123,805	\$117,615	\$111,734	\$106,147
Commission on school tax	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300
Conditional grants + tsfrs	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Miscellaneous revenues	\$15,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Tsfr from Stabilization Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,877
(A) Rev. for Municipal Use	\$2,601,115	\$2,609,715	\$2,613,815	\$2,627,155	\$2,624,096	\$2,617,580	\$2,611,390	\$2,605,509	\$2,601,800
(B) Tax for Regional District	\$64,580	\$64,580	\$64,580	\$64,580	\$64,580	\$64,580	\$64,580	\$64,580	\$64,580
(C) Tax for the Islands Trust	\$71,000	\$71,000	\$71,000	\$71,000	\$71,000	\$71,000	\$71,000	\$71,000	\$71,000
(D) Tax for school + others	\$1,529,304	\$1,529,304	\$1,529,304	\$1,529,304	\$1,529,304	\$1,529,304	\$1,529,304	\$1,529,304	\$1,529,304
Total Revenues (A+B+C+D)	\$4,265,999	\$4,274,599	\$4,278,699	\$4,292,039	\$4,288,980	\$4,282,464	\$4,276,274	\$4,270,393	\$4,266,684

Stated in constant 1998 dollar values

Sales of Services

The current rural-system recreation and garbage user fees can be used for the municipality too, since it is assumed that these services could operate essentially as is even after municipal incorporation. The figures here are from the 1998 GVRD budgets.

Revenues From Own Sources

- **Licences:** A minor amount of revenue has been assumed from business licences and the issuance of municipal plates. This would require that municipal council adopt a business licence bylaw, but this is the rule rather than the exception among municipalities. Virtually all municipalities use business licences as a way to help control the activities of businesses as well as to recover costs associated with managing commercial developments and operations.
- **Building permits:** These revenues are the same as used in the GVRD building inspection budget and assume Bowen accounts for 90% of all Area C building permits.
- **Development and zoning fees:** These figures come from the Islands Trust records. After incorporation, development applicants would pay the municipality rather than the Islands Trust.
- **Interest on current revenues:** These are revenues earned on bank deposits and reserves.
- **Tax penalties:** Municipalities levy a penalty on taxpayers who are late. A minor amount has been assumed for this revenue.
- **Fines:** Municipalities levy fines for bylaw infractions. A minor sum has been projected here.
- **Internal charges and recoveries:** Most municipalities apportion some common costs across other departments to better reflect the real costs of each service. The revenues here are administration charges already built into the taxes for sewer and water systems.

Other Revenues

- *Provincial grants:* All small municipalities in BC receive two grants from the provincial government -- a small communities protection grant and an equalization grant. The starting figure (for year 1) has been supplied by the province. However, recent years have seen a significant decrease in the unconditional grants given to larger municipalities. Even though small municipalities have not suffered, it is assumed here that the downward trend in grants will continue. The figures proposed for the budget assume an annual 5% decline in this revenue source.
- *Commissions:* Municipalities can levy a small commission on the collection of school taxes paid by properties within the municipal boundary.
- *Miscellaneous revenues:* All municipalities have various revenues from diverse sources such as map sales, sales of municipal vehicles and equipment, conditional grants, donations, rental of municipal properties and facilities, public works recoveries for work on private properties, and so on.
- *Stability transfers:* Available funds in the capital and stabilization fund can be used to reduce the need for taxes in any given year. This is less likely in the early years -- when large scale infrastructure improvements mean a greater need for such funds -- than in the later years, after the short term improvements have been made. The balance remaining in the fund in year 9 has been converted to an annuity which provides a set amount of revenue for the next 11 years (thus spreading the benefits of short term grants over a total of 20 years). This revenue is used to reduce the reliance on taxes.

Collections for other governments

As discussed in the preceding section on spending, the municipality would be the collection agency for school taxes, GVRD regional service taxes, Islands Trust trust-wide services, regional hospital district taxes, Municipal Finance Authority taxes, BC Assessment Authority taxes, and BC Transit taxes. These tax collections appear equally on both the revenue and expense side of the municipal budget, and they have no effect on the municipal tax rates. The tax rates of each agency is included in the tax impact analysis presented in the next chapter.

11.5 Summary of Municipal Budget Projections

The following figure summarizes the projected municipal budgets for a normal year -- that is, a later year, when all the short term assistance provided by the province has been used.

As mentioned earlier, the adoption of a municipal budget and the setting of policies for municipal services would, in the end, be the responsibility of the elected municipal council. *Council would be free to set the budgets and service levels as it sees fit, and these will no doubt be different than the projections here.* Different municipal budgets would produce different municipal taxes -- just as different rural service costs and policies will change the “before” picture in the before and after comparison. Future service levels, costs, and taxes are uncertain in both the rural case and the municipal case.

Nonetheless, the projections here represent a realistic look at what it might cost to operate a Bowen Island municipality holding service levels as closely as possible to their current, rural system levels. Of course, some unavoidable changes would result, such as a shift in road responsibilities. Other services -- such as garbage collection and

recreation funding -- could be provided by the municipality more or less just as they are provided under the rural system.

Figure 47: Summary of Annual Municipal Budget

	Lower cost assumptions (lower taxes)	Higher cost assumptions (higher taxes)
General municipal tax	\$1,295,000	\$1,738,000
Garbage parcel tax ¹	\$132,000	\$132,000
Parks parcel tax ¹	\$109,000	\$109,000
Other taxes	\$20,000	\$20,000
Sales of services ¹	\$146,000	\$146,000
Rev. from own sources ¹	\$314,000	\$323,000
Provincial grant ²	\$106,000	\$106,000
Other revenues	\$78,000	\$28,000
Total municipal revenues	\$2,200,000	\$2,602,000
Taxes for GVRD	\$65,000	\$65,000
Taxes for Islands Trust	\$71,000	\$71,000
Taxes for school + others	\$1,529,000	\$1,529,000
Total Revenues	\$3,865,000	\$4,267,000
Gen. administration ²	\$487,000	\$547,000
Protective services ¹	\$363,000	\$398,000
Roads and drainage ²	\$350,000	\$450,000
Community planning	\$125,000	\$175,000
Garbage collection ¹	\$198,000	\$198,000
Recreation + library ¹	\$488,000	\$488,000
Ongoing capital ²	\$125,000	\$175,000
New debt payments ²	\$0	\$95,000
Reserves + misc ²	\$64,000	\$76,000
Total municipal spending	\$2,200,000	\$2,602,000
Taxes for GVRD, Trust, others	\$1,665,000	\$1,665,000
Total Expenses	\$3,865,000	\$4,267,000

Normal year, after all short term grants have been used

¹ Based primarily on actual 1998 budget and tax figures

² No directly comparable item under the rural system

Figure 48: Summary of Municipal Revenues (Higher Spending Assumption)

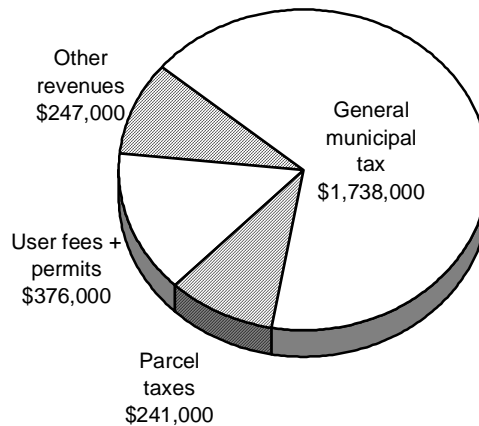
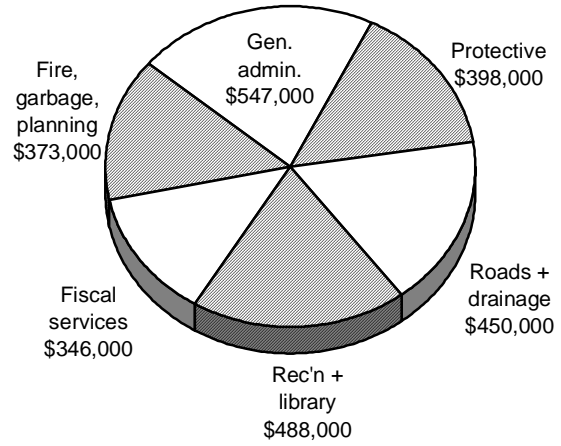


Figure 49: Summary of Municipal Spending (Higher Spending Assumption)



Property Tax Impacts

12.1 Tax Rates

The total municipal tax revenue needed to balance the books can be translated into a tax rate by dividing the total revenue by the total property assessments. The tax rates can then be used to compare taxes on a home under municipal status with the taxes under rural status. The difference between the two is the impact of municipal incorporation.

Municipalities set the *relative* tax rates among the various property classes, whereas rural communities do not. Varying the rates shifts the tax load from one class -- say, residential -- to another, like business. Under the rural system (as well as in most municipalities) business properties pay a higher tax than homes do. Selecting the relative rates would be up to municipal council, but for purposes here it is assumed that council would set the rate to produce the same proportionate tax impacts for both homes and businesses. This means the municipal rate for stores would be 2.8 times the residential rate.

It is also assumed that the municipality would use the rural tax rate for the 11 farm properties on Bowen -- \$0.50 per \$1000 of assessed land value. This applies to farm land only -- not to farm *houses*, which must pay the ordinary residential tax rate.

Figure 50: Projected Residential Property Tax Rates for the Island Municipality

	Current System ¹	Island Municipality	
		Lower Spending	Higher Spending
(A) Tax rates per \$1000 asmnt			
Municipal tax (higher spending)	--	\$2.419	\$3.247
GVRD local services	\$1.159	incl. above	incl. above
Fire protection tax	\$0.500	incl. above	incl. above
Islands Trust	\$0.720	\$0.136	\$0.136
Provincial rural tax	\$1.000	--	--
GVRD regional services	\$0.110	\$0.105	\$0.105
School, hospital, others	\$2.742	\$2.742	\$2.742
Subtotal, higher spending	\$6.231	\$5.402	\$6.230
Lower cost assumptions:			
Municipal tax	--	\$2.419	\$2.419
All others (as above)	\$5.072	\$2.983	\$2.983
Subtotal (lower spending)	\$5.072	\$5.402	\$5.402
(B) Island-wide parcel taxes			
GVRD local: Garbage collect'n	\$78.46	\$74.55	\$74.55
GVRD local: Parks	\$64.42	\$61.21	\$61.21
(C) Specified area taxes			
Cove Bay water (\$ / \$1000)	\$0.624	\$0.593	\$0.593
Cove Bay water (parcel)	\$270.85	\$257.34	\$257.34
Snug Cove sewer (parcel)	\$256.70	\$243.90	\$243.90
Cates/Valhalla water (parcel)	\$270.85	\$257.34	\$257.34
Q. Charlotte Hghts water (pcl)	\$270.85	\$257.34	\$257.34

¹ Tax collection fee is included in fire, Islands Trust, GVRD, and specified area rates

Figure 51: Projected Business Property Tax Rates for the Island Municipality

	Current System ¹	Island Municipality	
		Lower Spending	Higher Spending
(A) Tax rates per \$1000 asmnt			
Municipal tax (higher spending)	--	\$6.773	\$9.092
GVRD local services	\$2.840	<i>incl. above</i>	<i>incl. above</i>
Fire protection tax	\$1.225	<i>incl. above</i>	<i>incl. above</i>
Islands Trust	\$1.764	\$0.381	\$0.381
Provincial rural tax	\$3.700	--	--
GVRD regional services	\$0.270	\$0.294	\$0.294
School, hospital, others	\$11.716	\$11.716	\$11.716
Subtotal, higher spending	\$21.515	\$19.164	\$21.483
Lower cost assumptions:			
Municipal tax	--	\$6.773	\$6.773
All others (as above)	\$18.675	\$12.391	\$12.391
Subtotal (lower spending)	\$18.675	\$19.164	\$19.164
(B) Island-wide parcel taxes			
GVRD local: Garbage collect'n	\$78.46	\$74.55	\$74.55
GVRD local: Parks	\$78.46	\$61.21	\$61.21
(C) Specified area taxes			
Cove Bay water (\$ / \$1000)	\$1.529	\$1.660	\$1.660
Cove Bay water (parcel)	\$270.85	\$257.34	\$257.34
Snug Cove sewer (parcel)	\$256.70	\$243.90	\$243.90
Cates/Valhalla water (parcel)	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>
Q. Charlotte Hghts water (pcl)	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>

¹ Tax collection fee is included in fire, Islands Trust, GVRD, and specified area rates

12.2 Tax Impacts on Homes

The tax rates from the preceding table can now be translated into taxes on typical homes, as shown in the following figures. Note that the average Bowen home has a property assessment of about \$300,000.

The figures below exclude the home owner grant under both the rural system and municipal status (that is, the grant has not been deducted from the taxes).

Figure 52: Property Taxes on an Average Bowen Home

	Current System	Island Municipality	
		Lower cost assumptions	Higher cost assumptions
Provincial rural tax	\$300	\$0	\$0
Municipal tax	\$0	\$726	\$974
Fire protection	\$150	<i>inc above</i>	<i>inc above</i>
Islands Trust tax	\$216	\$41	\$41
Tax for local parks	\$64	\$61	\$61
Tax for garbage	\$78	\$75	\$75
Tax for GVRD	\$381	\$32	\$32
School and others	\$823	\$823	\$823
Total taxes	\$2,012	\$1,758	\$2,006
Change from current system =		\$254 lower	\$6 lower

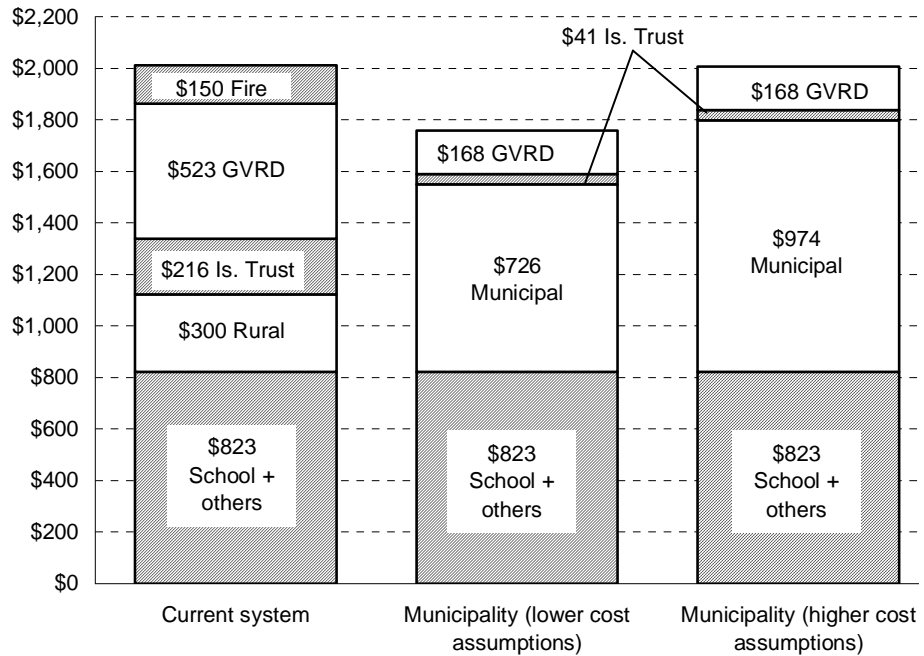
Before deducting home owner grant; excludes water + sewer charges

Figure 53: Taxes on a Range of Home Assessments

Property Asmnt	Current System Taxes	Island Municipality			
		Lower Spending:		Higher Spending:	
		Taxes	Change	Taxes	Change
\$100,000	\$766	\$676	-\$90	\$759	-\$7
\$150,000	\$1,078	\$946	-\$132	\$1,070	-\$8
\$200,000	\$1,389	\$1,216	-\$173	\$1,382	-\$7
\$250,000	\$1,701	\$1,486	-\$215	\$1,693	-\$8
\$300,000	\$2,012	\$1,758	-\$254	\$2,006	-\$6
\$350,000	\$2,324	\$2,026	-\$298	\$2,316	-\$8
\$400,000	\$2,635	\$2,297	-\$338	\$2,628	-\$7
\$450,000	\$2,947	\$2,567	-\$380	\$2,939	-\$8
\$500,000	\$3,258	\$2,837	-\$421	\$3,251	-\$7

Before deducting home owner grant; excludes water + sewer charges
Higher spending tax change varies due to rounding

Figure 54: Tax Impacts on an Average Bowen Home



Before deducting home owner grant; excludes water and sewer charges

12.3 Property Tax Impacts on Businesses

It has been assumed the municipality would adopt a tax rate structure such that the overall property tax impacts on businesses are proportionately the same as on homes. This requires a tax rate ratio of 2.80 -- that is, the tax rate for businesses is 2.80 times whatever tax rate is needed for homes.

Figure 55: Property Taxes on a Business (\$500,000 asmnt)

	Current System	Island Municipality	
		Lower cost assumptions	Higher cost assumptions
Provincial rural tax	\$1,850	\$0	\$0
Municipal tax	\$0	\$3,387	\$4,546
Fire protection	\$613	<i>inc above</i>	<i>inc above</i>
Islands trust tax	\$882	\$190	\$190
Tax for local parks	\$64	\$61	\$61
Tax for garbage	\$78	\$75	\$75
Tax for GVRD	\$1,555	\$129	\$129
School and others	\$5,858	\$5,858	\$5,858
Total taxes	\$10,900	\$9,700	\$10,859
Change from current system =		\$1,200 lower	\$41 lower

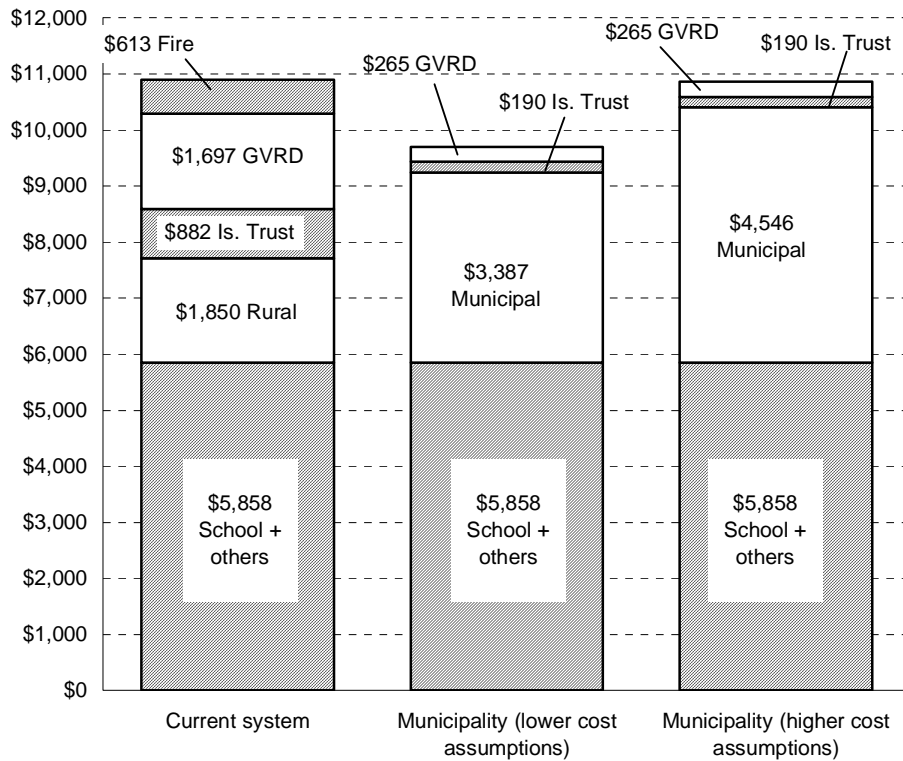
Excludes water and sewer taxes and fees

Figure 56: Property Tax on a Range of Business Assessments

Property Asmnt	Current System Taxes	Island Municipality			
		Lower Spending:		Higher Spending:	
		Taxes	Change	Taxes	Change
\$200,000	\$4,446	\$3,962	-\$484	\$4,425	-\$21
\$300,000	\$6,597	\$5,874	-\$723	\$6,570	-\$27
\$400,000	\$8,749	\$7,787	-\$962	\$8,714	-\$35
\$500,000	\$10,900	\$9,700	-\$1,200	\$10,859	-\$41
\$600,000	\$13,051	\$11,613	-\$1,438	\$13,004	-\$47
\$700,000	\$15,203	\$13,526	-\$1,677	\$15,148	-\$55
\$800,000	\$17,354	\$15,438	-\$1,916	\$17,293	-\$61
\$900,000	\$19,506	\$17,351	-\$2,155	\$19,437	-\$69
\$1,000,000	\$21,657	\$19,264	-\$2,393	\$21,582	-\$75

Excludes water and sewer taxes and fees

Figure 57: Property Tax Impact on a Typical Business



12.4 Tax Impacts on Farms

Property taxes on farms are much more complicated than taxes on homes. There are 11 farm properties on Bowen -- that is, land which has been classified as BC Assessment Authority class 9 ("farm land"). This refers to land only; buildings on farm land are in the residential category (class 1). Homes on farm land are exempt from the provincial rural tax but not from municipal taxes. This means that the municipality must tax the farm home as though it were any other home, which is a change from the current rural system. Only two homes are in this category. Farm buildings that are not homes (for example, barns or storage facilities) have an assessment exemption of up to \$50,000 under both rural and municipal status.

Farm land is a separate tax rate category too. This means the tax rate applied to farm land can be different than the rate applied to the farm home itself. It is assumed here that the municipal council would adopt the rural tax rate on farm land -- \$0.50 per \$1000 assessment -- as the municipal tax rate. This is a reasonable assumption in terms of continuity between the current system and municipal status. In addition, such a policy would have virtually no effect on the municipality's finances, since farm land accounts for only 0.01% of the island's tax base.

On six of the eleven properties, farm land is only a small share of the total land; the main use is residential (class 1 land) rather than farm (class 9). Their average farm assessment is only \$12,700, whereas their class 1 land assessments average \$165,000. In other words, the taxes on these farm properties are so dominated by their residential assessments that the impacts of restructuring are essentially the same as impacts on normal homes, as presented in section 12.2 earlier.

This leaves two main categories for farms: vacant farm land assessed at about \$10,000; and farm land (\$10,000) with a \$100,000 home. These two groups account for the remaining five farm properties.

Figure 58: Taxes on Vacant Farm Land (\$10,000 land asmnt)

	Current System	Island Municipality			
		Lower Spending:		Higher Spending:	
		Taxes	Change	Taxes	Change
Provincial rural tax	\$5	\$0	-\$5	\$0	-\$5
Municipal tax*	\$0	\$5	\$5	\$5	\$5
Fire protection	\$3	<i>inc above</i>	-\$3	<i>inc above</i>	-\$3
Islands trust tax	\$4	\$1	-\$3	\$1	-\$3
Tax for local parks	\$64	\$61	-\$3	\$61	-\$3
Tax for garbage	\$78	\$75	-\$3	\$75	-\$3
Tax for GVRD	\$6	\$1	-\$5	\$1	-\$5
School and others	\$36	\$36	\$0	\$36	\$0
Total taxes	\$196	\$179	-\$17	\$179	-\$17

* It is assumed municipal council keeps farm land tax rate at rural level
No home owner grant applies because there is no home (it is vacant farm land)

Figure 59: Taxes on Farm with a Home (\$10,000 land , \$100,000 bldg)

	Current System	Island Municipality			
		Lower Spending:		Higher Spending:	
		Taxes	Change	Taxes	Change
Provincial rural tax	\$5	\$0	-\$5	\$0	-\$5
Municipal tax*	\$0	\$247	\$247	\$330	\$330
Fire protection	\$53	<i>inc above</i>	-\$53	<i>inc above</i>	-\$53
Islands trust tax	\$76	\$15	-\$61	\$15	-\$61
Tax for local parks	\$64	\$61	-\$3	\$61	-\$3
Tax for garbage	\$78	\$75	-\$3	\$75	-\$3
Tax for GVRD	\$133	\$12	-\$121	\$12	-\$121
School and others	\$310	\$310	\$0	\$310	\$0
Total taxes	\$719	\$720	\$1	\$803	\$84

* It is assumed municipal council keeps farm land tax rate at rural level
Before deducting home owner grant; excludes water + sewer charges

12.5 Comparisons With Other Municipalities

The projected taxes on an average Bowen home can be put into the broader perspective of taxes in other municipalities. This is not to say Bowen taxes *should* be the same as elsewhere; after all, every community is different. But such a comparison provides a check on the reasonableness of the projections.

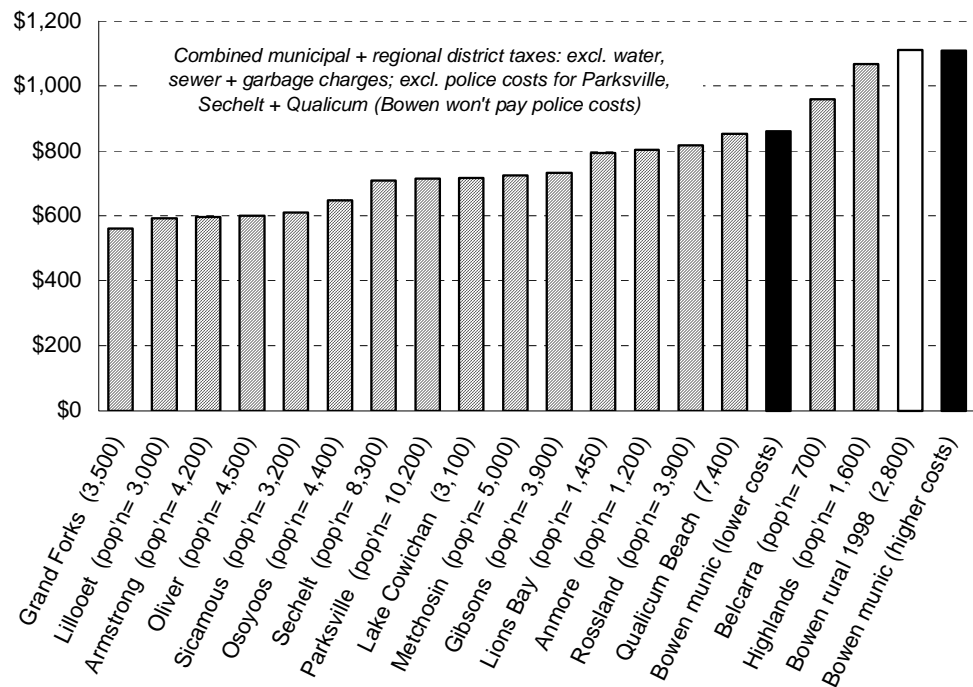
The focus here is on *local* property taxes, not *all* property taxes. School taxes -- which usually make up about half of each tax bill -- are based on rates set by the province, not by the local community, and are not relevant when projecting municipal budgets and taxes.

Regional district taxes are relevant, though. It often happens that some services funded only by the municipality in one community may be funded as a regional district service in another. A comparison of only *municipal* taxes would miss this important feature and produce a distorted tax comparison. Recreation facilities and fire protection are the most

common example of shared services whose costs sometimes appear on the regional district tax bill rather than the municipal tax bill. To make sure the comparison is fair, the combined municipal and regional district taxes have been used in the table below. This essentially ensures all “municipal-type service” taxes are accounted for.

The average home assessment is used in the calculations. Bowen’s average is higher than most. Using the average home assessment allows a fair comparison of the average costs of providing local services. Among municipalities, divergent average assessments generally do not invalidate the comparison. If two municipalities spend about the same on services but have different average assessments, they will have offsetting differences in their tax rates. The one with a lower average assessment will have a higher municipal tax rate; the one with a higher average assessment will have a lower municipal tax rate. In each case the tax bill on an average home would be about the same if the total tax revenues needed by the municipalities are about the same.

Figure 60: 1998 Local Taxes on an Average Home



What If ...

13.1 Introduction

The tax impacts just presented are based on a series of assumptions about what service and budget priorities the Bowen municipal council would choose. While the projections are reasonable estimates of how the current level of services could translate into municipal taxes, *the actual budget decisions would be made by municipal council.*

This chapter examines the tax impacts of different assumptions. Expressed in the form of questions, they are as follows:

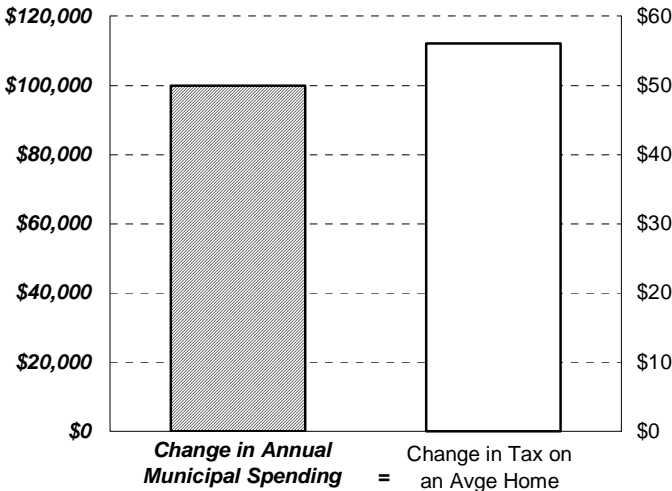
- What if the municipality spends less, or more, on its operating budget?
- What if the municipality spends less, or more, on short term infrastructure improvements?
- What if the municipality shifts some of the tax load away from business properties and onto residential properties?
- What if the municipality eliminates the parcel taxes for garbage and parks and uses general taxes instead?
- What if the municipal boundary included Bowyer Island or Passage Island?

13.2 Different Operating Costs

The higher cost budget set out earlier represents a continuation of the current service levels as much as possible, with several unavoidable changes that municipal status would require. The changed services are mainly administration, roads, planning, and fiscal services; most other service budgets can be fairly based on the 1998 rural costs.

Since the budgets set by municipal council may well differ from the assumptions made here, it is helpful to know the tax impacts of less, or more spending. The figure below shows that a \$100,000 change in municipal spending would mean a \$56 change in taxes.

Figure 61: Tax Impacts of Different Annual Spending on an Average Home



13.3 Policing Costs

The Municipal Act exempts municipalities below 5000 from responsibility for policing, and Bowen is well below this level. What would happen if Bowen's year-round population grew to the point where a federal census revealed a population over 5000?

Most BC municipalities over 5000 choose to contract with the RCMP for policing services; it might be possible for a Bowen municipality to contract for policing with the West Vancouver police force too.

Under the current RCMP agreement, the municipality would pay 70% of the costs of officers and 100% of civilian and office costs. It is a bit difficult to estimate the costs of a Bowen-RCMP service contract cost with much confidence; while the cost responsibilities are clear, the number of municipal officers is not easily predicted. It cannot be so low the RCMP feels it precludes effective policing; it cannot be so high the municipality can't afford it. Accommodation and other service delivery concerns affect things too.

For the sake of this discussion, if Bowen and the RCMP (and the province too, since it pays 30% of the officers' costs) agreed on, say, 4 full time officers for Bowen (and this is not a confident assumption), the municipal share of costs would be about \$250,000. Office costs, including one full time civilian (a 100% municipal cost), could add another \$100,000, for a total of perhaps \$350,000 per year that is not included in the earlier tax impact projections.

However, Bowen's tax base would have grown significantly as its population grew, since another 2,200 permanent residents would be needed in order to cross the 5000 population trigger. This would require about 850 new homes. If some of these are seasonal homes that are converted to permanent occupancy, with no effect on total property assessments, the effective rise in the tax base could be the equivalent of, say, 750 new homes. With an average assessment of \$375,000 (new homes would have a higher assessed value than the existing housing stock), the tax base would rise by over \$280 million -- a 55% rise over the 1998 level. The impact of the \$350,000 police cost, spread across the larger tax base, would amount to about \$125 per home.

Thus, a crude estimate of policing costs would add about \$125 to the municipal tax projections -- but not right away. Even with a relatively high 6% annual growth rate, Bowen would not cross the 5000 threshold until *after* the 2006 census, which means crossing the trigger point would not occur until the 2011 census. Since the publication of census results lags behind the census itself, a Bowen municipality would not start paying for policing until 2012. The province routinely phases in the new police costs over the first three years -- which means the full tax impacts of policing (the \$125) would not occur until 2014. By then the province may well have changed the way rural areas pay for their policing, so the \$125 figure may overstate the impacts due to municipal status.

13.4 Different Infrastructure Costs

Municipal council would have to decide how much to spend on improvements to infrastructure in the short term (say, the first 7 years). The higher cost analysis assumed a total of \$4.7 million on road, drainage, public works, and municipal hall improvements over the first nine years. Just under \$1 million of this was assumed to be funded by new loans, since the short term grants are not sufficient to cover the short

term capital needs. The lower cost assumption included \$2.5 million over the first nine years, with no new borrowing.

What if the projected total turns out to be \$1 million too high, or too low? If spending falls by this amount, fewer funds might have to be borrowed for short term infrastructure and fewer taxes needed to service the new debt. If spending rises by \$1 million, more funds might have to be borrowed and taxes would have to rise to service the enlarged debt (this ignores any potential grants).

The municipality could realize half of a \$1 million savings in capital spending if the GVRD agrees to transfer the Old General Store to the municipality for use as the town hall. Other spending falls could result from fewer road improvements.

Assuming the same borrowing terms as before (15-year term, sinking fund repayments, and 6.0% nominal interest rate), a \$1 million change in the debt works out to about \$100,000 per year in debt payments.

- Spending \$1 million *less* would *reduce* the tax burden on an average home by \$56
- Spending \$1 million *more* would *raise* the tax burden by \$56.

13.5 Tax Shift to Residential Property

The tax rates used in the original projections assumed that the municipality would choose a set of tax rates that produce the same proportionate tax rise for both homes and businesses. The business tax rate multiple needed to produce this is 2.80; if the residential tax rate is, say, \$1 per \$1000, then the business rate would be \$2.80.

Municipal council could choose something different. Choosing a higher business multiple would shift more of the tax burden away from homes and onto businesses; a lower multiple would shift taxes away from businesses. This is a limited opportunity because almost 98% of the tax base is residential to start with, whereas in some other municipalities more of the tax base lies in the business category. It would be unrealistic to shift a large chunk of the residential tax onto the very small business category.

What if the municipality used a tax rate multiple of 2.45? This is the same ratio used now for GVRD, Islands Trust, fire district, and hospital taxes (but not for the provincial rural tax, which is 3.7 times the residential rate). The residential tax rate would be higher than originally projected, and the business rate would be lower.

As shown below, the lower business tax multiple of 2.45 would *raise* the tax impacts on a home by \$6 and *lower* the impacts on businesses by about \$500. This is based on the higher spending budget; the *relative* change also applies to the lower cost assumption.

Figure 62: Impacts of a Shift in Taxes from Businesses to Homes

Based on the higher municipal spending assumptions	Current system	Island Municipality	
		Bus. tax mult. = 2.80	Bus. tax mult. = 2.45
Impact on homes:			
Municipal tax rate (\$ per \$1000)	<i>n.a.</i>	\$3,247	\$3,266
Total property taxes (all agencies)	\$2,012	\$2,006	\$2,012
Change due to restructure		-\$6	\$0
		Down .3%	No change
Impact on businesses:			
Municipal tax rate (\$ per \$1000)	<i>n.a.</i>	\$9,092	\$8,002
Business tax rate multiple	<i>n.a.</i>	2.80	2.45
Total property taxes (all agencies)	\$10,900	\$10,859	\$10,291
Change due to restructure		-\$41	-\$609
		Down .4%	Down 5.6%

13.6 No Parcel Tax for Garbage or Parks

These two services are mainly funded by parcel taxes rather than assessment-based taxes. Such parcel taxes are uncommon in municipalities. What would happen if they were eliminated and the funds were obtained through the regular general tax instead?

The total general tax revenues would rise by the same amount as the parcel tax revenue falls, since the general tax would have to rise to make up for the lost parcel taxes. As shown in the next figure, this extra general tax translates into an assessment-based tax rate with precisely the same tax impact as the two parcel taxes. In other words, this switch would not affect the tax impacts presented in the original analysis.

Figure 63: Impacts of No Parcel Taxes for Garbage and Parks

Total revenues from garbage and sewer parcel taxes	\$240,300
General tax rate needed to generate this total	\$0.452
	(\$ per \$1000)
Tax impact on an average home	
Add: Extra assessment-based general tax	\$136
Subtract: Savings from elimination of parcel taxes	-\$136
Net effect of the shift	\$0

13.7 Passage Island and Bowyer Island

The basic municipal boundary includes all of Bowen Island, Finisterre Island, and Hutt Island. The next two closest islands are Bowyer and Passage. Bowyer Islands residents have expressed an interest in joining Bowen as part of an island municipality if one is formed (though this is not an unconditional interest). Bowyer residents have not expressed an interest.

Neither Passage nor Bowyer receive nearly as many services as Bowen, and their residents pay lower taxes because of this. In particular, they do not participate in most of the GVRD's local services, like garbage collection or recreation funding.

Concentrating on Passage because of the interest shown by its residents, the following figure shows some characteristics of the island (much of it based on BC Assessment Authority information).

Figure 64: Characteristics of Passage Island

No. of properties (folios)	61
Number of homes	25
Year-round residents	25
Km of opened roads	0
Property assessments	\$9,400,000
<i>Pct of Bowen's asmnt</i>	1.8%

Several comments should be made about including Passage Island in the boundary.

- It would raise the tax base and therefore expand the ability to fund services -- but not by very much, at least in proportionate terms. Adding Passage would raise the island municipality's tax base by less than 2%.
- It would be difficult (but not impossible) to provide certain services to Passage Island. Boat travel would be necessary for dog control, building inspections, bylaw enforcement, and limited other services that residents would pay taxes for and would thus expect to receive. In general, though, this might be a minor concern. Some services could not be provided at all, like fire protection.
- Perhaps most importantly, it would mean a significant tax rise for residents and property owners on Passage Island (and for Bowyer as well, if it were considered). Sticking with the Bowen average assessment of \$300,000 for consistency, the basic tax projections for the new municipality would mean a much larger jump for Passage properties than for Bowen properties (see the following figure). And, unlike Bowen residents who would receive virtually all the services of the municipality, residents on Passage Island would not receive fire protection or road maintenance (as there are no roads), could not receive fast responses for on-island visits by municipal staff due to the need for boat travel, and would not enjoy equal access to Bowen's recreation facilities even though they pay much the same taxes for them.

The next table shows the taxes that would be faced by a home on Passage Island. Because taxes on Bowyer are the same as on Passage, the table applies equally to Passage and Bowyer. The top part of the figure shows the impacts using the full municipal tax rate as discussed earlier in this report. Homes on Bowyer or Passage would face a tax jump if the normal municipal tax rate is applied to them after municipal incorporation.

The tax jump could be reduced by removing two of the main undeliverable services -- roads and fire protection -- from the tax bills sent to Passage or Bowyer. As shown on the bottom part of the figure, a restricted municipal tax could mean a tax *decrease* to about the same extent as faced by an average Bowen home which pays the full municipal tax rate.

Figure 65: Impacts of Restructuring on Bowyer and Passage Island Homes

Based on a home assessed at \$300,000	Current System	Island Municipality			
		Lower spending:		Higher spending:	
		Tax	Change	Tax	Change
Provincial rural tax	\$300	--	-\$300	0	-300
Municipal tax	--	\$726	\$726	\$974	\$974
Fire protection	\$0	\$0	\$0	0	\$0
Islands trust tax	\$216	\$41	-\$175	\$41	-\$175
Tax for local parks	\$0	\$0	\$0	\$0	\$0
Tax for garbage	\$0	\$0	\$0	\$0	\$0
Tax for GVRD*	\$171	\$32	-\$139	\$32	-\$139
School and others	\$823	\$823	\$0	\$823	\$0
Total taxes	\$1,510	\$1,622	\$112	\$1,870	\$360
Without tax for fire or roads:					
Municipal tax	--	\$411	\$411	\$603	\$603
All others	\$1,510	\$896	-\$614	\$896	-\$614
Total taxes	\$1,510	\$1,307	-\$203	\$1,499	-\$11

* Currently: Region-wide services + Area C administration

Since the extension of the municipal boundary to include Passage (or Bowyer) would probably have no material impact on municipal taxes -- the extra costs would more or less be offset by extra taxes -- Bowen residents may be indifferent about the idea of including them (at least, indifferent from a financial perspective).

If the province agrees to create a specified tax area for roads and fire that excludes Passage (or Bowyer), then the taxes faced by these properties would be about the same, or even a bit less, than under the current system. Even with tax neutrality, these residents may not want to be part of the municipality for non-financial reasons. If a decision is made to exempt them from road and fire taxes, it should be made very clear to Bowyer and Passage residents from the start that they will not enjoy equal access to all the remaining municipal services because of their relative isolation, and that the municipality would not be under any obligation to establish new services directed specifically at the two islands.

If Passage Island is in the municipality and pays full municipal taxes (that is, pays taxes for roads and fire protection), this could save the average Bowen home about 1.5% of the municipal tax -- about \$5-15 per year. If it joins the municipality but does not pay for roads or fire protection, the municipal tax on an average Bowen home would be about the same as projected earlier in this report.

Glossary of Terms

Ad Valorem Taxes

Most property taxes are ad valorem taxes, as opposed to *parcel taxes* or *frontage taxes*. Ad valorem taxes are taxes based on assessed property value. Individual tax bills 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 payable of \$300 ($\$2.00 \times \$150 = \300).

Arterial Highway

The province designates roads that carry substantial through-traffic as arterial highways and shares in the maintenance and upgrade costs of these after incorporation. No Bowen Island roads qualify for this designation; all roads would be local roads and the municipality would be responsible for the costs associated with them. See also short-term assistance grants.

Assessment Authority

Property assessments in BC are determined by the BC Assessment Authority, an independent arm of the provincial government. The service is financed by one set of property taxes levied at the same rate across the province. Municipal properties pay the same rates as unincorporated properties, so these taxes would not be affected by municipal incorporation of a rural community.

Borrowing (Short Term)

Most municipalities borrow funds to make ends meet during the early part of the year (before tax bills are sent out) and then repay the loans when tax payments are received in the summer. Municipalities can't run at a deficit and can't borrow money to balance their books at year's end.

Borrowing (Long Term)

Municipalities can borrow funds for capital projects somewhat like a mortgage for a house purchase. These are generally long term loans with terms of 10-20 years, depending on the loan market. The loans are arranged through the provincial Municipal Finance Authority. For most long term loans the municipality must provide an opportunity for voters to force a binding referendum on the question; provincial approval is also required. A municipality's borrowing power is basically determined by is the size of its tax base, with adjustments for the values of water and sewer systems. Bowen's maximum municipal borrowing authority would be approximately \$10 million.

Capital Spending

Capital spending refers to the use of money for the infrastructure improvements (roads, parks, municipal buildings, etc) and for the purchase of vehicles and equipment. They

can be financed in a number of ways, including using current year's tax revenues, borrowing funds via long term loans, using reserve funds that have been put away over years, and using grant money from the province of BC. A new municipality would receive substantial startup grants from the province to assist in the transition from rural status to municipal status. 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, using annual tax dollars, short term grants, and long term debt, has been developed in the analysis. See also *short-term assistance grants* and *borrowing (long term)*.

Council (Municipal)

Municipalities are governed by elected municipal councils. In Bowen's case this would consist of a mayor and 6 council members. They are elected at large to three-year terms (just as the GVRD director is now). The municipal council would choose one of its own members to sit on the GVRD board as Bowen's representative. It would also appoint two of its members to represent Bowen on the Islands Trust Council (though it might have to appoint members as chosen by voters; see *double direct voting*).

Council (Islands Trust)

The 13 island groups in the Islands Trust elect a council of 26 trustees -- two from each island group. The Bowen group includes Bowen, Hutt, Finisterre, Passage, and Bowyer Islands. The trust council initiates policies through its Trust Policy Statement, manages the overall trust budget, and reviews and approves land use plans and bylaws. See *double direct voting*.

Development Cost Charges (DCCs)

The Municipal Act allows municipalities (and, with more limits, regional districts) to levy a charge against new developments to help fund improvements and expansions to infrastructure that are triggered by community growth. Eligible works are limited to roads, water, sanitary sewers, drainage, and open space acquisition.

Double Direct Voting

The Protocol Agreement between the Islands Trust and the Ministry of Municipal Affairs defines how the municipal council members who are appointed to sit on the trust council get to be appointed. In the absence of an agreement to the contrary, the appointees are those two municipal councillors (including the mayor) who receive the greatest number of votes for that post when electors cast their ballots in municipal elections (every three years). Eligible candidates must have included their name on the trustee ballot as well as on the municipal council or mayoralty ballot. Only those winning a seat on municipal council are eligible to sit on the trust council even if they top the polls for that position in the municipal election; only holders of a council seat qualify.

Electoral Area

Electoral areas are rural members of regional districts, as opposed to municipal members. Electoral areas have one director on the regional district board -- in this case, the GVRD. The GVRD has 20 municipal members and two electoral areas -- Area A (UBC and the Endowment Lands) and Area C (Bowen, Barnston Island, Brunswick Beach, and a few other scattered areas).

GVRD

GVRD stands for the Greater Vancouver Regional District. The GVRD is run by a regional board composed of directors from each of the 22 members of the GVRD area -- 20 municipalities and 2 electoral areas. Since the larger municipalities have multiple directors, there are 35 members on the board. On Bowen, the GVRD is one of the main providers of local services that would become municipal services if incorporation proceeds. However, there are a number of GVRD services that all members, including municipalities, participate in, like regional parks and hospital planning. If incorporation proceeds on Bowen Island, the bulk of Electoral Area C's residents will be in the new municipality. The residents of Bowen would have their own director on the regional board, rather than sharing one seat now with the other parts of Area C (though Bowen has the vast majority of Area C's population and tax base). After incorporation this director would be appointed by mayor and council from their own ranks, as opposed to the rural system in which voters choose their regional director in a separate election.

Home Owner Grant

The province of BC provides annual grants to owners of residential properties provided it is their principal residence. Renters and owners of seasonally-occupied properties are not eligible for the grant. The basic home owner grant for 1999 is a maximum of \$470 when the owner is under 65 years of age, and \$745 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. The amount of the grant reduces as assessed property value rises; owners of low assessed homes can get more than owners of expensive homes. The home owner grant would not be affected by municipal incorporation.

Improvement District

Improvement districts are a form of local government authorized under the Municipal Act. There are five functioning improvement districts on Bowen Island: the fire district which covers the whole island, and local area districts providing water (and in a few cases additional, minor services) to specific areas. An improvement district has elected trustees to pass bylaws and the set policies for its services. Water improvement districts finance their operations through tolls, tariffs, and taxes, but not ad valorem taxes. Fire improvement districts generate revenues for their operations mainly through ad valorem property taxes.

Incorporation

As used here incorporation refers to changing a rural status community to a municipality under the Municipal Act. Responsibility for a number of services would shift from the regional district, the province, and improvement districts 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, dates of service transfers, and numerous other matters. In this study restructuring is the same as municipal incorporation because only the municipal status option has been examined; in theory there could be other restructure options.

Island Municipality

There are four basic types of municipalities in BC: a village, a town, a city, and a district municipality. The Municipal Act specifies that a municipality created within the Islands Trust area is to be called an island municipality and has all the powers and duties of a district municipality. It is to be called the “Island Municipality of ...” or “... Island Municipality”.

Islands Trust

The Islands Trust is a provincially created body charged with preserving and protecting the unique amenities and environment of the trust area. It does this by administering, managing, and planning land uses on the 13 main islands and numerous minor islands in the trust area, in cooperation with municipalities, regional districts, improvement districts, other persons and organizations and the government of British Columbia. It has three important arms: Trust Council, a 26-member body with two members from each major island; the Executive Committee, a four member panel selected by the Council to make executive decisions and approve local bylaws; and the Trust Fund Board, a panel of three or more members which administers the assets of trust fund.

Levy

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

MFA

MFA stands for Municipal Finance Authority. This agency of the provincial government 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 borrows the required amount on various money markets, choosing the best rates possible. The property tax rates used to finance the administration 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 from the province to ease the transition from rural status to municipal status (see *short-term assistance grants*). In addition, all smaller (under 5000) BC municipalities receive an ongoing, unconditional grant from the province each year. In recent years the province has reduced the size of these grants to larger municipalities, but small municipalities have seen little change. 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 grants and the ongoing, unconditional grant (but at a reduced level).

Parcel Tax

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

Protocol Agreement

In the context here, this is an agreement between the Islands Trust and the Ministry of Municipal Affairs that sets out certain rules and default policies for Island

Municipalities in their relationship with the Trust. Among other things, it specifies that an municipality will use a double direct voting method to determine which two council members will be appointed to the Trust Council; that the municipality will purchase its local planning services from the Trust for the first three years, paying the same rate as if it remained a rural status community; and that certain referral processes must be established to ensure communication of policies and decisions between the Trust, the municipality, and various provincial agencies.

Provincial Rural Tax

With the exception of the University Endowment Lands, all areas of the province that are not in a municipality pay the provincial rural tax. This ad valorem tax is currently \$1.00 per \$1000 assessed value for residential properties. The purpose of the tax is to pay for road maintenance and RCMP costs provided to rural residents by the province. All taxable properties on Bowen Island pay the rural tax. If incorporation proceeds, the provincial rural tax is eliminated, replaced by a municipal tax.

Provincial Tax Collection Fee

Property taxes in rural areas are collected by the provincial Surveyor of Taxes in Victoria and then forwarded on to the various taxing authorities (such as the school district, regional district, etc). The province charges a fee for this service, equal to 5.25% of the local taxes. "Local" taxes here refers to GVRD taxes, fire protection district taxes, and Islands Trust taxes. This amount is added to the tax rates. If the fire protection district needs \$100,000 in taxes, the province sets a tax rate for this service to generate a total revenue of \$105,250. This extra amount is not shown separately on tax notices; the rates shown for these local services have already been marked up 5.25% by the time residents see their tax bills.

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 island 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 discretion of the Minister of Municipal Affairs to decide whether or not incorporation should take place. The Minister is unlikely to overturn any significant majority for 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

See *incorporation*.

Rural Tax

See *provincial rural tax*.

Short Term Assistance Grants

The province of BC makes grants during the first several years to assist a new municipality during the transition from rural status to municipal status. The three major forms of assistance in Bowen's case are:

- A grant of about \$560,000 based on \$200 per permanent residents (paid soon after incorporation);
- Continued road maintenance by the provincial contractor for the first five years, at no cost to Bowen taxpayers;
- A rebate of a portion of the provincial rural tax, estimated at \$230,000 (note: this rebate is not assured, but it has been given in every restructure case in the last decade).

Specified area

A specified area service is a service provided only to a defined portion of a larger territory. There are several specified areas on Bowen Island. For example, garbage collection is provided as a specified area over the whole of Bowen Island -- that is, all of Bowen Island is the specified area of the GVRD for this service. The Cove Bay water system is an example of a specified area that is not the whole island; only Cove Bay properties pay taxes for this. Two types of local government can have specified areas: a regional district (in this case, the GVRD) and a municipality. There can be multiple specified areas; the taxes and tolls in one area can be different than those in another area, even for the same type of service. For example, 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 some services among properties on the basis of the benefits they receive, recognizing that some properties benefit more, some less, and some not at all.

Tax Shifting

Municipal councils are free to choose the share of property taxes they wish to place on each different type of land use -- residential, business, and so on. Bowen Island's tax base is almost all residential, which means there is a limited opportunity to shift taxes away from the residential properties and onto some other type of properties, or vice versa. The 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.