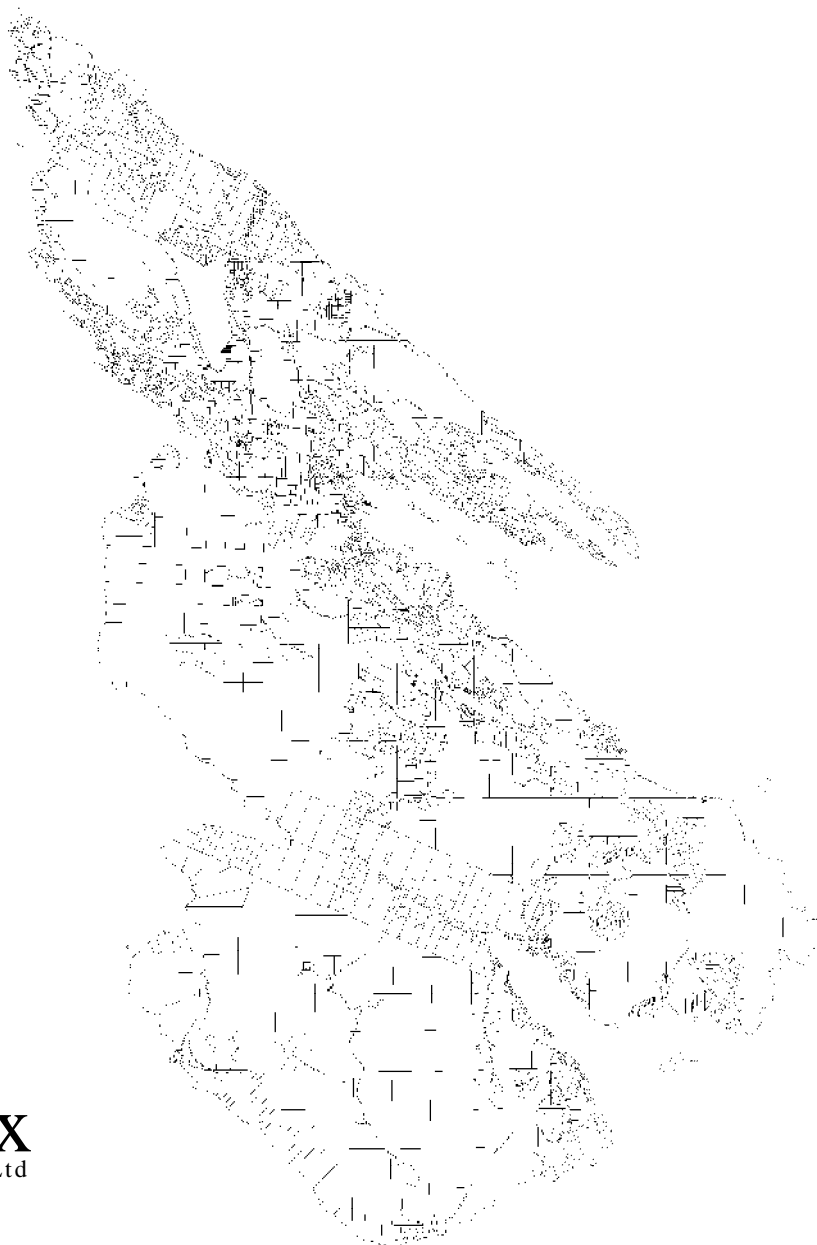


2002 Salt Spring Island Restructure Study Update

*Prepared for the Salt Spring Island
Local Government Restructure Study Committee*



Sussex
Consultants Ltd
May 2002

Table of Contents

Introduction	1
1.1 Overview	1
1.2 Study Timing	1
1.3 Major Assumptions	4
1.4 Report Outline	5
The Current Rural System	6
2.1 Population and Housing	6
2.2 Tax Base	7
2.3 Main Decision Bodies on Salt Spring Island	8
2.4 Property Taxes	8
Creating the New Municipality	11
3.1 Voting	11
3.2 Participation in Existing Bodies	11
3.3 Letters Patent	12
3.4 Shifts in Responsibilities	15
3.5 Layers of Local Government	16
3.6 A Municipality's Financial Authority	17
3.7 Environmental Protection	18
3.8 What Would NOT Change	19
The Municipality and the Islands Trust	22
4.1 Introduction	22
4.2 Trust Fund Board	22
4.3 Trust Executive	22
4.4 The Trust Council	23
4.5 Islands Trust Finances	25
4.6 The Protocol Agreement	26
4.7 Costs After Municipal Incorporation	28
The Municipality and the Regional District	29
5.1 Introduction	29
5.2 Regional District Board	29
5.3 Region-Wide Services	30
5.4 Local Services	30
5.5 Summary of Costs After Municipal Incorporation	32
5.6 Reserves and Debts	32
5.7 Regional Growth Strategy	32
Other Service Providers	33
6.1 Introduction	33
6.2 Province of BC	33
6.3 Improvement Districts	35
6.4 Private Utilities	36
Short Term Assistance	37
7.1 Introduction	37
7.2 Short Term Grants	37
7.3 Continuation of Provincial Services	38
Infrastructure and the Capital Fund	39
8.1 Introduction	39
8.2 Capital Fund Revenues	40
8.3 Two Levels of Road Improvements	40
8.4 Other Infrastructure Projects	41

8.5 Ongoing Capital Projects	42
8.6 Projected Capital Fund	43
8.7 Total Capital Spending	44
Annual Municipal Budget	45
9.1 Introduction	45
9.2 Road Improvements	45
9.3 Municipal Operating Costs	46
9.4 Municipal Revenues	55
9.5 Summary of Municipal Budget Projections	59
9.6 Apples to Apples Comparisons	60
Property Tax Impacts	61
10.1 Tax Rates	61
10.2 Tax Impacts on Homes	62
10.3 Property Tax Impacts on a Vacant Residential Lot	64
10.4 Property Tax Impacts on Businesses	65
10.5 Tax Impacts on Vacant Farms	66
10.6 Homes on Farm Land	67
10.7 ALR Property	68
What If ...	70
11.1 Introduction	70
11.2 Different Operating Costs	70
11.3 Different Infrastructure Costs	71
11.4 Community Growth	71
11.5 Higher Rural Tax Rates	72

List of Figures

Figure 1: Salt Spring Island Local Government Restructure Study Committee	1
Figure 2: Proposed Municipal Boundary	3
Figure 3: Population Comparison with Other Municipalities	6
Figure 4: Dwellings Occupied by Year-Round and Off-Island Residents	7
Figure 5: Residential Property as a Percent of the Total Tax Base	7
Figure 6: Current Political Representation	8
Figure 7: Total 2002 Property Taxes from Salt Spring Island	9
Figure 8: 2002 Taxes Paid by an Average Salt Spring Island Home	10
Figure 9: Summary of 2002 Taxes on an Average Salt Spring Home	10
Figure 10: General Requirements for Voter Eligibility in the Referendum	11
Figure 11: Service Transfer Dates	13
Figure 12: Overview of the Two Local Governance Forms	15
Figure 13: Shifts in Service Responsibilities Due to Municipal Incorporation	16
Figure 14: Local Governance on Salt Spring	17
Figure 15: Salt Spring's Role in the Islands Trust	24
Figure 16: Adoption of Community Plan Bylaws	24
Figure 17: Adoption of Other Land Use Bylaws	25
Figure 18: 2002-2003 Islands Trust Budget Summary	25
Figure 19: 2002-2003 Islands Trust Spending	26
Figure 20: Total 2002 Salt Spring Island Taxes for Island Trust Services	26
Figure 21: Average 2002 Salt Spring Homes taxes for the Islands Trust	26
Figure 22: The Capital Regional District Regional Board	29
Figure 23: Salt Spring's Participation in CRD Region-Wide Services	30
Figure 24: Salt Spring's Share of CRD's 2002 Budgets for Local Services	31
Figure 25: 2002 CRD Local Services on an Average Salt Spring Home (rural status)	31
Figure 26: Summary of Changes in CRD Taxes (2002 budgets)	32
Figure 27: Changes to Improvement Districts	35
Figure 28: Road Improvement Budgets	41
Figure 29: Projected Capital Fund for the Two Road Works Programs (in \$000s)	44
Figure 30: Summary of Capital Spending Over the First 9 Years	44
Figure 31: Projected Municipal Spending -- Rural Road Spending Level (\$2.5 million)	47
Figure 32: Projected Municipal Spending -- More Likely Road Spending Level (\$10 million)	48
Figure 33: Projected Planning Budget for a Salt Spring Island Municipality	53
Figure 34: Parks and Recreation Budgets	54
Figure 35: On-Going Transfers to Reserves (every year)	54
Figure 36: Projected Municipal Revenues - Rural Road Spending Levels (\$2.5 million)	56
Figure 37: Projected Municipal Revenues - More Likely Road Works (\$10 million)	56
Figure 38: Summary of Annual Municipal Budget Projections (after 8 years)	59
Figure 39: Comparison of Municipal Budget Sources	60
Figure 40: Projected Property Tax Rates for Homes (after 8 years)	61
Figure 41: Projected Property Tax Rates for Businesses (after 8 years)	62
Figure 42: Projected Property Tax Rates for Farm Property (immediate)	62
Figure 43: Property Taxes on an Average Salt Spring Home	63
Figure 44: Tax Impacts on Various Home Assessments (after 8 years)	63
Figure 45: Tax Impacts on an Average Salt Spring Home (per year)	63
Figure 46: Summary of Tax Change on an Average Home (after 8 years)	64
Figure 47: Property Taxes on an Average Vacant Salt Spring Lot (after 8 years)	64
Figure 48: Summary of Taxes on an Average Vacant Lot (after 8 years)	65
Figure 49: Property Taxes on a Business (after 8 years)	65
Figure 50: Property Taxes with Various Business Assessments (after 8 years)	66

<i>Figure 51: Property Tax Impact on a Typical Business (after 8 years)</i>	66
<i>Figure 52: Projected Taxes on Vacant Farm Properties (immediate)</i>	67
<i>Figure 53: Summary of Taxes on Vacant Farm Properties (immediate)</i>	67
<i>Figure 54: Projected Taxes on Farm Properties With Homes (after 8 years)</i>	68
<i>Figure 55: Summary of Taxes on a Farm With A Home (after 8 years)</i>	68
<i>Figure 56: Tax Impacts on a Home on ALR Land Which Is Not a Farm (after 8 years)</i>	69
<i>Figure 57: Summary of Taxes on an ALR Home (after 8 years)</i>	69
<i>Figure 58: Tax Impacts of Different Annual Spending on an Average Home</i>	70

Introduction

1.1 Overview

Salt Spring Island is the largest member of the Islands Trust, with a year-round population of almost 10,000 and a land area of 194 square kilometres. As a rural status community its services, community policies and property taxes are set by various off-island bodies with some local representation.

A referendum will be held on June 22, 2002 to decide if Salt Spring Island should become a municipality or remain a rural status community. The vote was requested by the Salt Spring Island Restructure Study Committee (see Figure 1) and is being held in accordance with provincial voting rules.

Figure 1: Salt Spring Island Local Government Restructure Study Committee

<ul style="list-style-type: none"> • David Wood, Chair • Wayne Fraser • Marc Holmes • Richard Kerr • Peter Lake • Gundy McLeod • Judy Norget, Vice-chair • Bob Rush 	<ul style="list-style-type: none"> • Chris Schmah • Rod Scotvold • Bob Watson • Ex officio members: <ul style="list-style-type: none"> • Kellie Booth (CRD director) • David Borrowman (Islands Trust) • Bev Byron (Islands Trust)
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The committee’s decision to request the referendum follows several years of study. In November of 2001 the committee completed and released its preliminary findings, based on figures for the year 2000. Public meetings were held in December, 2001 to present and discuss the results, and the committee requested that the province authorize a referendum to let residents decide which form of local governance they prefer.

The proposed municipal boundary is virtually the same as the Capital Regional District’s Electoral Area F boundary.

1.2 Study Timing

This report is an update of the November 2001 report. It presents updated information about what changes would occur in the decision-making bodies on the Island, which service responsibilities would be affected, and what the financial impacts might be if the current level of services were provided under municipal status instead of rural status.

An “apples to apples” comparison

The financial impacts presented here are based as much as possible on keeping the same level and array of local services as are currently provided under the rural status, using 2002 budget and tax information. This apples-to-apples comparison works well for most services. For example, the Capital Regional District’s budgets for recreation facilities and programs can simply be transferred to the municipal budget with no meaningful change in spending, as there is no requirement that the municipality would have to change the level of these services. There are, however, some unavoidable changes that would occur as a result of changing to municipal status -- for example, there would be a municipal council and a local municipal office which do not exist under rural status. These do not allow a strict apples-to-apples comparison and their budgets must be estimated.

The apples-to-apples approach isolates the financial impacts of changing the form of local government. If new, enhanced, or altered services were assumed for the municipal case, the same assumptions would have to be made for the rural case. If this were not done, it would be impossible to know which effects were due to becoming a municipality and which were due to changing the quality or scope of services. That would make it very hard for residents to weigh the advantages and disadvantages of municipal status.

Since many local service enhancements (recreation, or fire protection, for example) could also be attained under rural status, it is reasonable to hold the service levels constant when comparing municipal status to rural status.

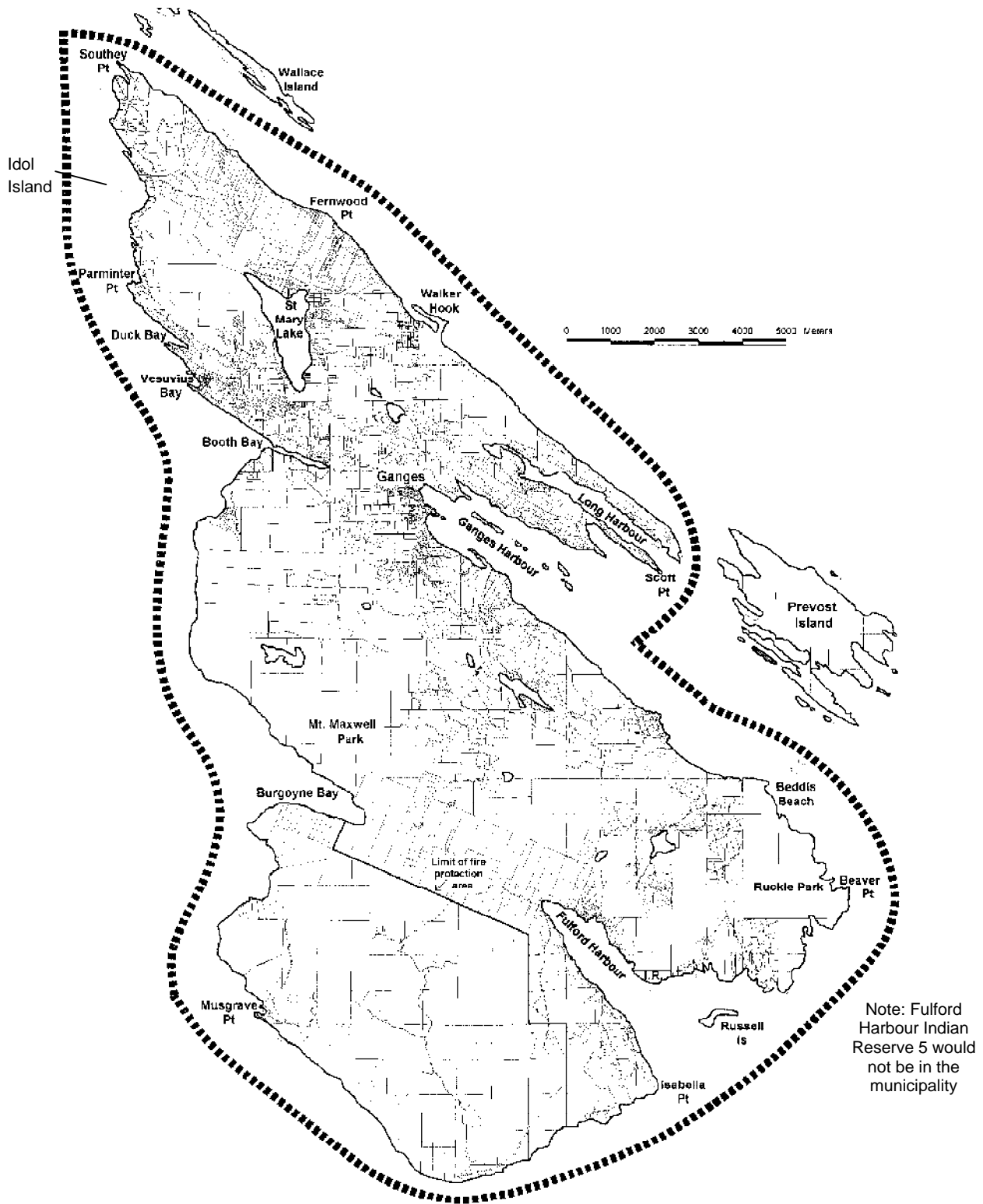
It must be stressed that the financial impacts in this report are based on the current level of services as much as possible and that these levels are held constant across the 9-year projection period. Obviously, things will change on Salt Spring over the next nine years under either rural or municipal status, and budgets and taxes will change in response to new services and new service levels no matter what the outcome of the referendum

Changes in service levels over time are not considered here.

Services have changed on Salt Spring over the past decade and they will change in the next too. However, to provide a clear basis for comparing municipal status with rural status, the current array and level have been assumed constant for the next nine years. Why nine years? Well, the municipality’s responsibility for some services, or the full costs of them, would not start right away. For example, the municipality would not start paying for policing until 2007. This means the full impacts of municipal status would not be felt until then. To keep the apples-to-apples comparison as accurate as possible, it is necessary to hold service levels constant during the phase-in of municipal costs in order to see the eventual, full impact of becoming a municipality. **In practice, the municipal budget would not stay at a constant level used here, just as the rural budgets won’t.**

Finally, it must be stressed that while these municipal budgets are reasonable for the purpose of isolating the impacts of municipal incorporation to make them clearer, budget priorities would be up to the elected municipal council. There will be pressure for new or enhanced services if the vote passes -- as there will if the vote fails, too. It is not possible to predict with certainty the service priorities of a future municipality, or a rural community either. This report measures the tax consequences of a municipal budget that, where possible, matches current service levels in the community.

Figure 2: Proposed Municipal Boundary



Municipal spending priorities would be up the elected council

While the budget estimates used here for financial impact assessments are reasonable and generally reflect an apples-to-apples comparison, the municipal taxes would be based on the spending priorities of the community and the council each year. This is especially true in light of the assumption, for impact measurement purposes, that services remain constant for nine years. Clearly, they will not remain constant no matter what the referendum outcome.

1.3 Major Assumptions

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.
- It is assumed the municipality would choose to phase in its taxes so that any tax rises due to municipal status would be gradual. This is a decision that would be up to council, but it is a reasonable assumption. The District of Sooke, a new municipality, is doing just that. An 8-year phase in is used here -- in other words, the full impact of municipal status would not be felt until 2010.
- Where possible and relevant, current spending on Salt Spring 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 Salt Spring 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.

What about rural taxes in the future?

It is assumed that the 2002 rural status tax levels 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 a continuation of the present rural one. In reality, rural taxes *will* change over time -- and they are unlikely to fall -- but it is simply not possible to predict the direction or magnitude of changes under the rural system with any confidence. This assumption should not be mistaken for certainty. ***A rise in the rural taxes could lessen the impact of municipal status.*** For example, a jump in the provincial tax rate -- to recover more policing costs, say, which is now being contemplated -- would raise the “before” taxes in the before-and-after comparison but have no effect on the “after” taxes, and the gap would narrow.

- All dollar amounts are stated in terms of constant 2002 dollar values; inflation would affect future amounts for both the municipal and rural cases.
- The 2002 tax base for the island includes about \$7.4 million in forest land property assessments. This total will fall due to (a) the purchase of substantial forestry lands

for park; and (b) the figure includes values related to logging that took place in the last several years, which would fall from the tax roll even if the park lands had not been acquired. *The decline in forestry land values will mean slightly higher taxes for homes no matter what the outcome of the referendum, since most local services are financed by the local tax base.* To keep things simple, this report assumes all the property assessments -- residential, commercial and forestry -- remain at their 2002 levels throughout the 9-year budget projection period.

- 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, and in both cases it is extremely difficult to project the tax impacts associated with community growth. See Chapter 11 for further discussion of this point.

1.4 Report Outline

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

1. Introduction and overview.
2. How the current rural system works.
3. Details of the new municipality's creation.
4. Salt Spring Island and the Island Trust.
5. Salt Spring Island and the Regional District.
6. Other services providers on Salt Spring Island.
7. The province's offer of assistance to aid the community if it restructures.
8. Projected spending on municipal infrastructure and other capital items.
9. Projected annual budgets for the new municipality.
10. Estimated property tax impacts of municipal incorporation.
11. Uncertainty and the impacts of "what if" questions.

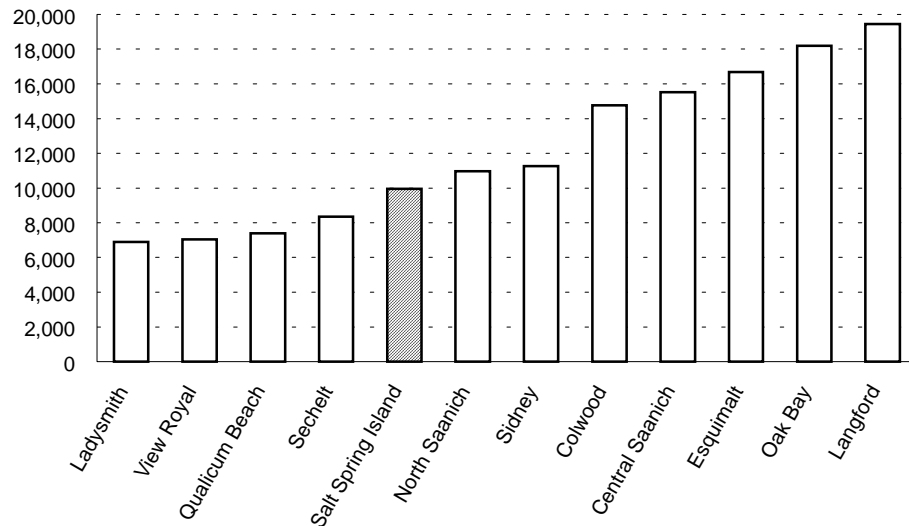
The Current Rural System

2.1 Population and Housing

The following figure shows Salt Spring Island’s population in relation to some other communities that are municipalities.

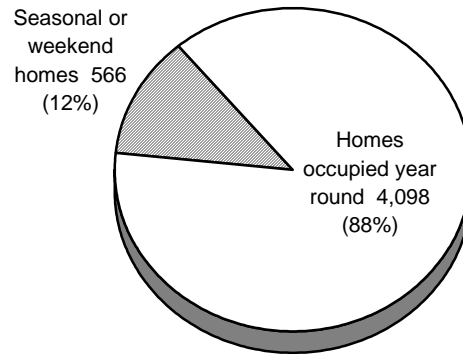
The 2001 Census reports that Salt Spring had 9,279 year round residents as of May, 2001. If it is true, then in the five years between 1996 and 2001 the population grew by only 30 people. Since that seems extremely unlikely, there is some reason to question the 2001 Census figure as being too low. For purposes of this report, it is assumed the 2002 year round population is 9,500 (though in fact it could be over 10,000).

Figure 3: Population Comparison with Other Municipalities



Using CRD, census, and assessment data, it is estimated that there are over 550 dwellings occupied only part of the year -- weekends, summers, and so on. Properties owned by off-islanders pay the same tax rates as other homes, and many of the owners of these properties can vote in local elections on Salt Spring (see section 3.1).

Figure 4: Dwellings Occupied by Year-Round and Off-Island Residents



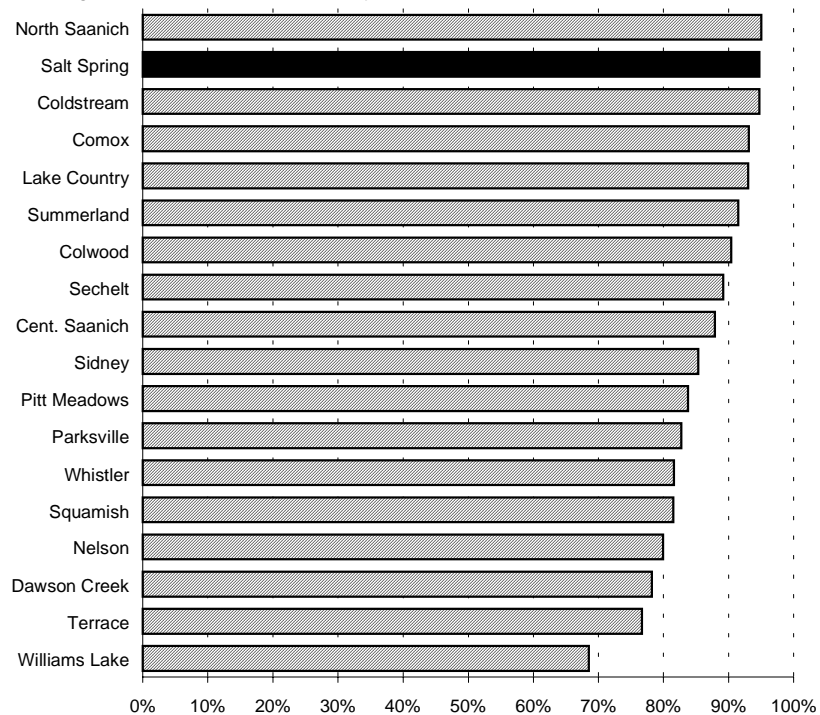
Source: 1996 Census data, 1999 CRD data, 1999 assessment data

2.2 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 most local services, both under rural and municipal status.

Salt Spring's total tax base is \$1.33 billion in 2002. Most of this (94%) is residential property (as in many other municipalities). 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. Salt Spring'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 Salt Spring is a municipality or a rural status community.

Figure 5: Residential Property as a Percent of the Total Tax Base



The average home is assessed at \$245,000.

Salt Spring's contribution to the Islands Trust funding is based on its tax base. In 2002, Salt Spring accounts for 35% of the Islands Trust tax base, which means it pays 35% of the total Trust property tax revenue

2.3 Main Decision Bodies on Salt Spring Island

The figure below shows the main decision-making bodies for Salt Spring's local services and community policies. The influence residents have on these bodies -- that is, the extent of the residents' political representation on those who make service and budget decisions -- varies significantly.

Figure 6: 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"> ▪ Capital Regional District 	<ul style="list-style-type: none"> ▪ Administration, recreation programs, bldg inspection, dog control, local parks, region-wide services 	<ul style="list-style-type: none"> ▪ 1 CRD board member for Salt Spring, out of 22 directors in total
<ul style="list-style-type: none"> ▪ Islands Trust Council 	<ul style="list-style-type: none"> ▪ Trust policies and community plan approval (provided the Local Trust Committee appeals a Trust Executive rejection of an OCP proposal) 	<ul style="list-style-type: none"> ▪ 2 locally elected trustees for all of Salt Spring, 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 Salt Spring 	<ul style="list-style-type: none"> ▪ 2 locally elected trustees and 1 off-island 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

2.4 Property Taxes

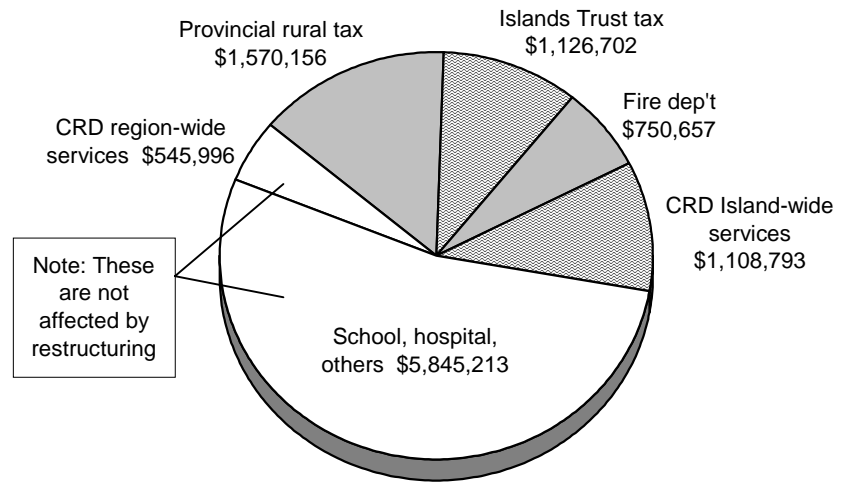
Property taxes are the main source of funds for local services. Under rural status, the link between what services cost and the taxes paid is sometimes weak. Some areas may pay more than their share of road and policing costs; others may pay less. It is difficult to determine the balance between costs and taxes under rural status.

Total Taxes from Salt Spring 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 Salt Spring's population and the need to expand the delivery of services accordingly.

Note that the total taxes in the next figure include the 5.25% provincial tax collection fee, which is added to the rural tax bills for regional district, the Islands Trust, and some improvement district taxes. The province builds this into the individual tax rates on each tax bill, so most 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 (municipalities collect their own taxes).

Figure 7: Total 2002 Property Taxes from Salt Spring Island



Includes provincial tax collection fees of \$176,188; local water & sewer charges

Individual Tax Bills

Of course, community growth and construction have produced a bigger tax base over the years, so looking at the *total taxes* 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.

Figure 8: 2002 Taxes Paid by an Average Salt Spring Island Home

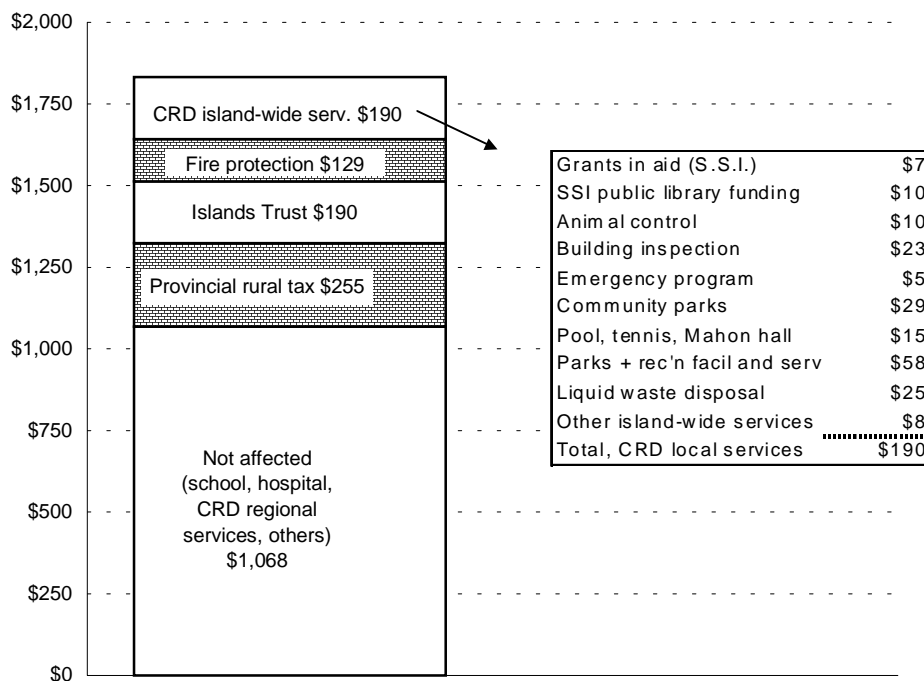
	Tax Rate	Tax
<i>(A) Affected by incorporation:</i>		
Provincial rural tax (roads + RCMP)	\$1.040	\$255
Islands Trust tax*	\$0.776	\$190
Fire protection tax*	\$0.528	\$129
CRD Island-wide services:		
Electoral area services*	\$0.436	\$107
Salt Spring parks + rec'n*	\$0.236	\$58
Liquid waste disposal (septage)*	parcel tax	\$25
Total affected		\$764
<i>(B) Not affected by incorporation:</i>		
CRD region-wide services*	\$0.376	\$92
School tax	\$3.478	\$852
Hospital tax	\$0.380	\$93
BC Asmnt Authority and MFA	\$0.127	\$31
<i>(C) Total property taxes**</i>		\$1,832

Average home assessment = \$245,000 (taxes vary with asmnt)

*Includes 5.25% provincial tax collection fee (total \$30 per home)

**Excludes local water + sewer services; excludes home owner grant

Figure 9: Summary of 2002 Taxes on an Average Salt Spring Home



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

Creating the New Municipality

3.1 Voting

The June 22, 2002 referendum will be conducted in accordance with the same voting rules that apply to the election of Islands Trust trustees, regional district rural directors, and municipal councils. For example, eligibility rules for voters are the same. You can qualify as an eligible voters in one of two ways: as a *resident elector* or as a *property elector*. Essentially, the eligibility requirements are as follows. **Note: These are the most basic rules but some cases require clarification or interpretation. Please contact the Chief Election Officer if you have questions regarding voter eligibility (see the newspaper for details about this).**

Figure 10: General Requirements for Voter Eligibility in the Referendum

To qualify as a resident elector (basically, people whose principal residence is Salt Spring)	To qualify as a property elector (basically, property owners whose principal residence is not Salt Spring)
Must be a Canadian citizen	Must be a Canadian citizen
Must be 18 years old or more	Must be 18 years old or more
Must have been a resident of BC for six months prior to voting	Must have been a resident of BC for six months prior to voting
Must have been a resident of Salt Spring for 30 days prior to voting	Must have been a registered owner of real property on Salt Spring for 30 days prior to voting
	Must have applied for or received a property elector certificate from the Capital regional District

Additional points to note.

- You can qualify as a resident elector or a property elector, but not both.
- No one can vote twice.
- Corporations do not get a vote.
- There can be only one property elector in the case of a property with multiple owners (though another owner or owners might qualify as resident electors because they live there).
- Renters can qualify as resident electors.

Got questions about voter eligibility or the advance polls?

Contact the Chief Election Officer, Tom Moore, at (250) 472-0059 or at tmoores63@shaw.ca, or the Deputy Officer at 537-9255.

3.2 Participation in Existing Bodies

The new municipality would continue to participate in some existing local bodies.

- Salt Spring would still be a member of the Capital Regional District. Municipal council would appoint one of its own members to sit on the CRD board each year.
- Salt Spring would also remain a member of the Islands Trust, sending two members to sit on the Trust Council. Voters would select which two members of municipal council they are. They would sit on the Trust Council for a three-year term.

- There are nine improvement districts on the island -- eight water districts and one fire district. Some would be dissolved on December 31, 2002; the remainder would be dissolved by December 31, 2003.

3.3 Letters Patent

If the referendum passes, the provincial cabinet can issue the letters patent to establish the municipality. This is a legal document that sets out particular details about dates for the new municipality's incorporation, which services become a municipal responsibility and when, and other rules affecting the new municipality's requirements and procedures. The final wording and issuance of the letters patent are up to the province, but considerable work has gone into drafting the details so far, and highlights of the contents are set out here.

The "environment" clause

The most unusual clause in the letters patent is the preamble "whereas" clause that states:

"Recognising the community's rural character and the importance of balancing environmental, social and economic sustainability in all community decisions, a fundamental principle of the community incorporating the Salt Spring Island municipality is to preserve, protect, and enhance the island's unique amenities and environment."

While much of this sentiment is included in the mandate of the Islands Trust, the committee felt that by including the clause in the letters patent, the spirit of the Trust's "protect and preserve" mandate would still apply in the unexpected event that anything happened to the Trust as a governing body.

A unique clause for Salt Spring Island

While all municipalities and regional districts have letters patent, none has a clause like Salt Spring's "environment" clause. It was requested by the restructure study committee to ensure that future municipal councils would have to recognize the unique nature of an island community and its environment.

The name of the municipality

The municipality's name would be "Salt Spring Island Municipality". It would be in the same category as a district municipality under the Local Government Act.

Municipal council

Municipal council would consist of a mayor and six councillors. All would be elected "at large" for three-year terms, like Islands Trust and regional district elections now.

Important dates

The date of incorporation would be either December 3rd or 4th, 2002 (the date has not been set as of this writing). This would be the inaugural meeting of council. The first elections for council would be on November 16, 2002 -- the normal local election date.

Service transfer dates

The new municipality would not have to deliver all its services right away, even though it would inherit legal responsibility for most of them from the start. The delay in providing some services stems from the letters patent which requires the municipality to contract the delivery of some services back to the Capital Regional District and the Islands Trust. This allows the municipality to gradually adjust to its full service responsibilities.

Figure 11: Service Transfer Dates

Existing body	Existing service or function	Authority transfers to municipality?	Service delivery contract?
Capital	Community health regulations	No	n.a.
Regional	Sewage source control	No	n.a.
District	Land banking and housing	No	n.a.
	Regional parks	No	n.a.
	Traffic safety commission	No	n.a.
	Solid waste disposal (landfill)	No	n.a.
	Emergency response telephone	No	n.a.
	Emergency communication	No	n.a.
	Regional parks vehicle towing	No	n.a.
	Elections	Dec. 31, 2002	No
	UBCM membership	Dec. 31, 2002	No
	Fernwood dock	Dec. 31, 2002	Yes, to Dec. 31, 2003
	Stormwater quality management	Dec. 31, 2002	Yes, to Dec. 31, 2003
	Salt Spring emergency programs	Dec. 31, 2002	Yes, to Dec. 31, 2003
	Animal control	Dec. 31, 2002	Yes, to Dec. 31, 2003
	Building inspection	Dec. 31, 2002	Yes, to Dec. 31, 2003
	Parks + rec'n facilities/programs	Dec. 31, 2002	Yes, to Dec. 31, 2003
	Library funding	Dec. 31, 2002	Yes, to Dec. 31, 2003
	Numbering of buildings	Dec. 31, 2002	Yes, to Dec. 31, 2003
	Noise control	Dec. 31, 2002	Yes, to Dec. 31, 2003
	Ganges sewerage	Dec. 31, 2002	Yes, to Dec. 31, 2004
	Sewage collection and disposal	Dec. 31, 2002	Yes, to Dec. 31, 2004
	Unightly premises bylaw	Dec. 31, 2002	No
	Liquid waste disposal (septage)	Dec. 31, 2002	Yes, to Dec. 31, 2004
	Highland water system	Dec. 31, 2002	Yes, to Dec. 31, 2003
	Maliview Estates sewage system	Dec. 31, 2002	Yes, to Dec. 31, 2004
	Fernwood water system	Dec. 31, 2002	Yes, to Dec. 31, 2003
Islands	Official community plan bylaw	Dec 31 2002^	Yes, to Dec. 31, 2005
Trust	Local land use bylaw	Dec 31 2002~	Yes, to Dec. 31, 2005
	Soil removal and deposit bylaws	Dec 31 2002~	Yes, to Dec. 31, 2005
	Local planning work (not Trust-wide functions)	Dec 31, 2002	Yes, to Dec. 31, 2005
Province	Roads maintenance	Dec 31, 2002	Yes, to Dec. 31, 2007
	RCMP services	Yes, in 2007	Yes, to April 1, 2007
	Subdivision approval authority	Dec. 31, 2002	No
Fire district	Fire protection	Dec. 31, 2002	No
Water districts:			
Beddis	Water	Dec. 31, 2002	No
Cedar Lane	Water	Dec. 31, 2002	No
Cedars of Tuam	Water	Dec. 31, 2002	No
Fulford	Water	Dec. 31, 2003	No
Habour View	Water	Dec. 31, 2003	No
Mt. Belcher	Water	Dec. 31, 2003	No
North SS	Water	Dec. 31, 2002	No
Scott Point	Water	Dec. 31, 2002	No

^ Changes to OCP require approval of the Trust Executive, Trust Council, or Province

~ All municipal bylaws must respect the Trust mandate and must be referred to the Trust for review

Election of Islands Trust trustees

The “double direct” system would be used to select which two members of municipal council represent Salt Spring on the Islands Trust Council. The two are those who (a) win a seat on municipal council and (b) finish first or second for Islands Trust Council. They must have indicated their willingness to serve on the Island Trust Council on the ballot for the normal municipal election. The letters patent also specify that the municipality may, any time after January 2005, by bylaw which must be approved by the province, provide for a referendum to obtain the opinion of voters about whether to continue with the double-direct system or replace it with a council-appointment system. Such a referendum could not change the method until after the 2005 elections (which means the change could not take place prior to the 2008 election).

Contract for local planning

The new municipality must contract its local planning service to the Islands Trust for the first three years, paying the same as if the island were still a rural community.

Farm land taxation

The new municipality must limit its tax rate on farm land to the prevailing rural rate. In addition, the loss of the farm home exemption from the rural tax is to be phased in over the first five years.

Water specified areas

There is to be a separate specified service area established for each of the eight water improvement districts: Beddis, Cedar Lane, Cedars of Tuam, Fulford harbour, Harbour View, Mount Belcher, North Salt Spring Island, and Scott Point waterworks. The assets and liabilities (mainly reserves and debts) of each must be held for the benefit/cost of each area alone.

Advisory Committees

The municipality must establish advisory committees to assist the municipal council on matters relating to the following services.

- A parks, arts and recreation commission (an extension of the existing CRD commission).
- A fire protection advisory committee to assist council on matters of fire protection policy. The members are to be the existing fire district trustees and the committee is to remain in place until at least the end of 2003.
- A water advisory committee for each of Beddis, Cedar Lane, Cedars of Tuam, North Salt Spring, and Scott Point water districts. Each committee is to consist of the existing trustees and each committee must remain in place until at least the end of 2003.
- A local service management committee for each of the sewage collection, Ganges sewers, Highland water, and Maliview sewage services (now CRD services) until at least December 31, 2003; members of these committees are to be appointed by the regional district.
- A liquid waste disposal committee to be appointed by the regional district.
- An emergency program committee to be appointed by the regional district.

These committees and commissions would continue past their minimum dates until and unless ended or reorganized by municipal council. It is expected that there would also be an Advisory Planning Commission, as most municipalities generally have these too.

3.4 Shifts in Responsibilities

These figures show how responsibilities for local services would shift as a result of becoming a municipality.

Figure 12: Overview of the Two Local Governance Forms

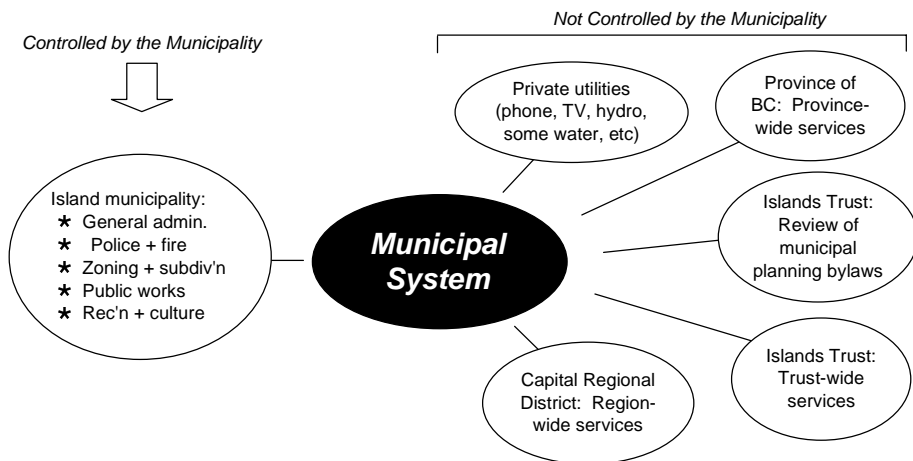
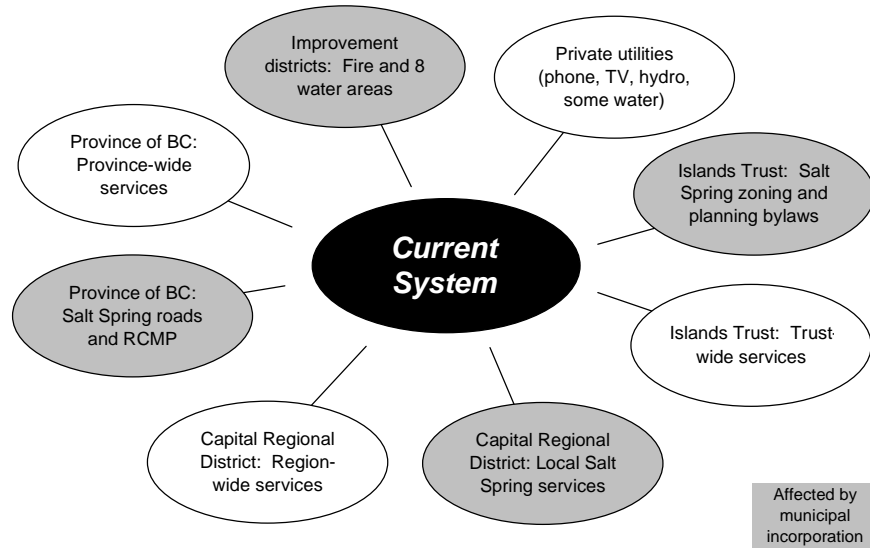
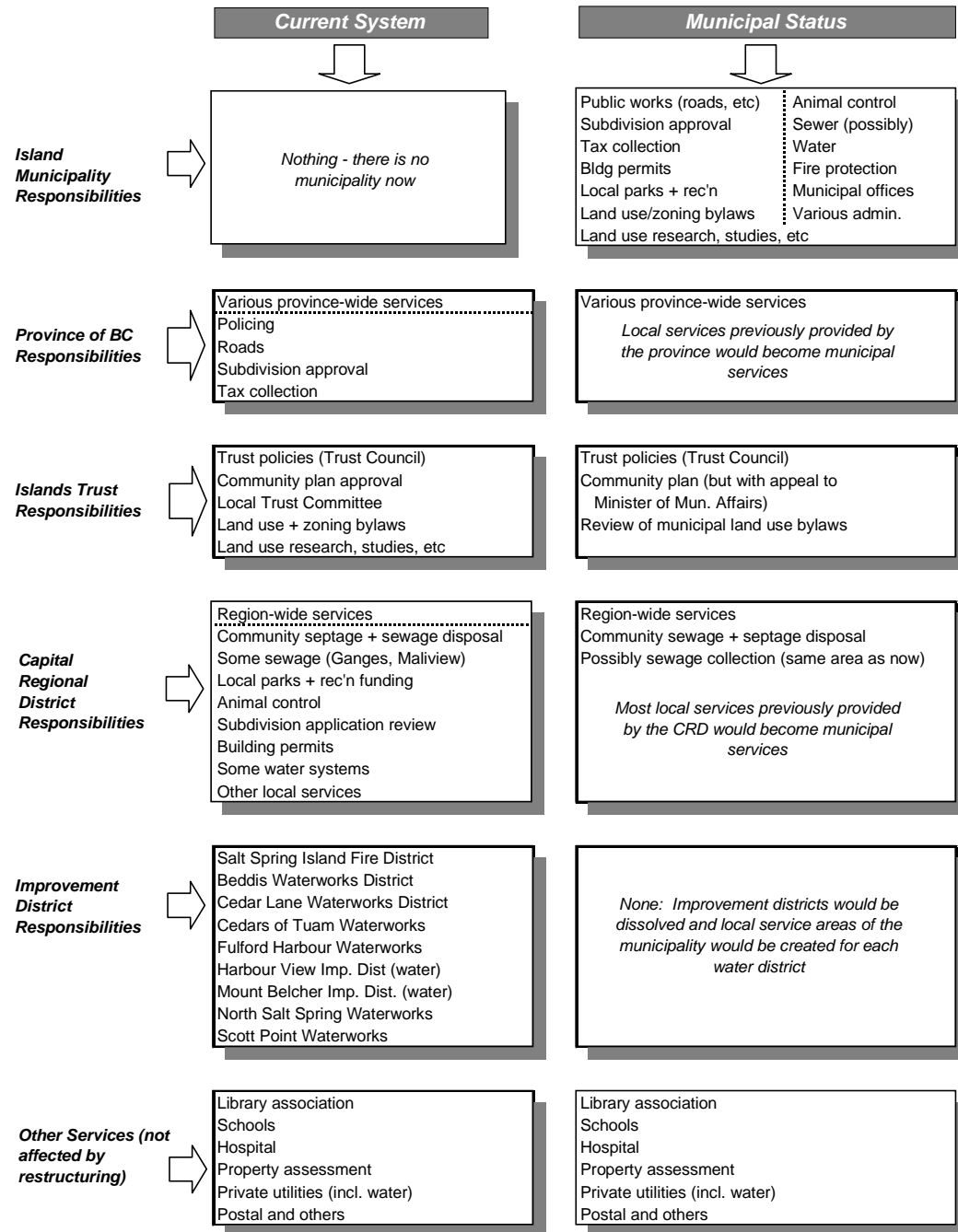


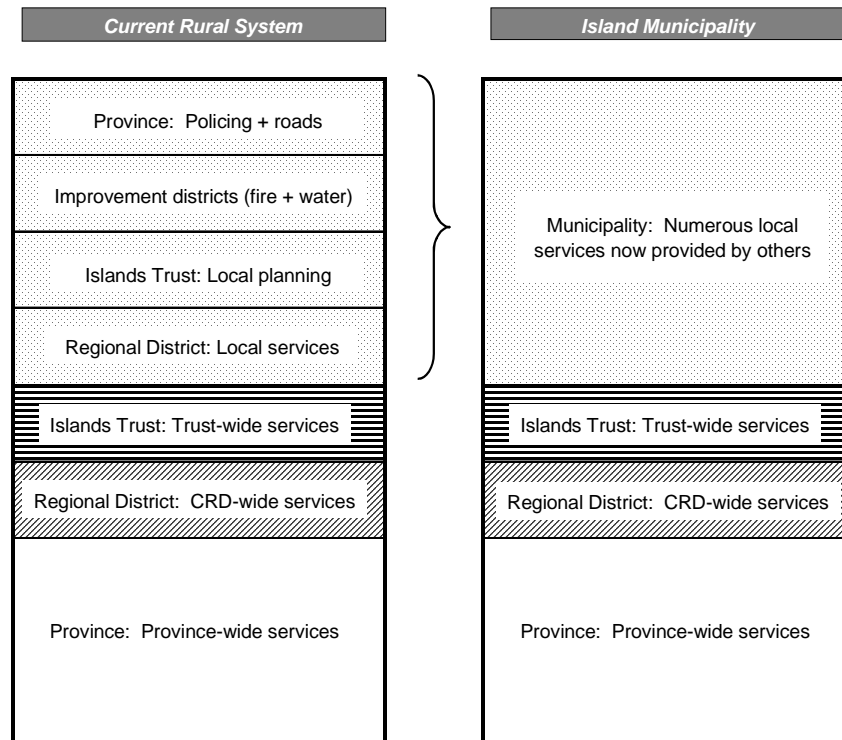
Figure 13: Shifts in Service Responsibilities Due to Municipal Incorporation



3.5 Layers of Local Government

Would creating a Salt Spring municipality simply add another level of government to the island's administration? Yes and no. Yes, because the most significant local bodies would still be there after incorporation, plus there would be a new municipal body. And no, because the roles of the existing bodies would be sharply reduced as the new municipal body inherits most of their services and responsibilities.

Figure 14: Local Governance on Salt Spring



3.6 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 sewage systems, 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.
- **Borrowing:** The Local Government 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 Salt Spring's case this limit would be about \$25 million. Before borrowing capital funds, the municipality must pass a series of bylaws and either hold a referendum or give residents the opportunity to sign a counter petition to force a referendum. If 5% of the electorate sign the counter petition, a binding referendum must be held. If the electors approve (that is, by a successful referendum) or if less than 5% of the electors request a referendum, provincial approval would be then be needed before the money could be borrowed.

Special limitation on capital spending

For the first three years, the municipality would not be allowed to spend more than \$750,000 on any capital project without the assent of the voters, even if the money is to come from reserves and not from borrowing. This limit would be part of the letters patent.

- ***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. One of the classes (major industry) does not exist on the island. Salt Spring's eight are: residential, utility (telephone, cable TV, for example -- but not water districts), unmanaged forest, light industry, business (and other), managed forest, 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 Salt Spring).
- ***Budget shifting:*** Under the current system, the budgets of each function cannot be mixed and merged. Islands Trust funds cannot be used for roads, and regional district parks funds can't be used for policing. This makes it hard to be responsive to changes in service needs during the year, after each budget has been set. However, a municipality can shift money during the year in response to changed circumstances, as long as it stays within its overall tax and budget bylaw limits for the year. This added flexibility allows municipalities to react to emergencies and other unusual circumstances much more quickly than rural communities can.

3.7 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, or how they would be used.* Most of the major tools can already be used, but by various bodies. For example, the Islands Trust already has the authority to pass and enforce zoning bylaws stipulating density, parking areas and other specifics of land use regulations that can affect environmental impacts. Subdivision approval authority already lies with the province, and regulation of liquid waste disposal lies with the CRD.

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

- ***Tree cutting:*** S. 923 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. A bylaw can't effectively prohibit uses permitted under a zoning bylaw (like a forestry zoning) and it can't restrict or

control logging on land already approved by the province for forestry (land in the Forest Land Reserve, for example). These approvals supersede municipal authority. Also, a bylaw can't limit development below the density allowed in a zoning bylaw. Nonetheless, 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 CRD, 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 issue, or to start a new program. CRD service changes require the support of multiple CRD members (in some cases a majority of the whole CRD Board), which may take some time. Furthermore, funds from one CRD service budget (parks, for example) cannot be used to fund efforts in another CRD service (Ganges 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 budget level can't be changed in mid year, funds can be shifted from one department to another 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.

3.8 What Would NOT Change

Municipal status for Salt Spring 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 water licence holder would change) but not in a practical way (in the example, the licence rules and regulations would not change). Some would not be affected immediately but could change in the future.

- **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. These include subdivision and zoning bylaws. 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. All

zoning and land use bylaws of the municipality must not contravene the “preserve and protect” mandate of the Trust.

Bylaws require public discussion

Proposed municipal bylaws must be presented for reading and discussion at public meetings. Land use and OCP bylaw proposals must follow essentially the same process of advertisements and open hearings as under the rural system.

• ***Home Owner Grants***

The annual home owner grant would not be affected by creating a municipality on Salt Spring. Resident owners under 65 qualify for a maximum grant of \$470, provided the grant does not reduce their net tax below \$350; those 65 and over qualify for a maximum grant of \$745 provided it does not reduce their net tax below \$100. Property taxes on Salt Spring are high enough that the full grant levels are already being used up for almost all Salt Spring homes, and these same full amounts would be available under municipal status. Of 4,700 homes, no more than 200 homes have owners who do not claim the full grant. Some of these properties might be ineligible for any grant at all because they are not the owners’ principal residences, so the actual number is likely smaller. Of these, there are 80 homes with an average unused grant of about \$100. In other words, the gross tax impacts later in this report apply to almost all the homes on the island, except for perhaps 80 that could use the grant to absorb \$100 of any tax rise due to municipal incorporation.

• ***School System***

Salt Spring Island is part of School District 64, which includes both municipal 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.

• ***Hospital and Health Services***

Salt Spring is part of a regional hospital district and health system. The Capital Regional Hospital District is responsible for funding existing debts incurred under the older system of building health care facilities. A Salt Spring municipality would have its own representative on the regional district board -- just as it does now -- so changing to municipal status would not affect these services or taxes in a meaningful way.

• ***Assessment Authority and Municipal Finance Authority***

All taxpaying properties in the province contribute to these two 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 Salt Spring municipality just as it is now for all regional districts and municipalities (except the City of Vancouver).

• ***Capital Regional District - Regional Services***

Salt Spring would continue to pay for and participate in the 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 CRD’s taxes on the island.

- ***Agricultural Land Reserve (ALR)***

Lands designated as ALR would retain their ALR status if a municipality is created on Salt Spring. 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 CRD 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.

- ***Ferries***

Decisions about the operations of the ferries would remain with BC Ferries and the provincial government, although it is expected that there would be regular discussions between the Ferry Corporation and municipal council regarding ferry system operations.

- ***Postal Service***

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

- ***Hydro, Telephone, and Cable TV Services***

These services would not be affected by municipal incorporation.

- ***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.

- ***Ambulance Service***

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

The Municipality and the Islands Trust

4.1 Introduction

Salt Spring would still be part of the Islands Trust, but not in quite the same way as now. The Islands Trust Act and the Municipal Act both specifically provide for island municipalities within the Trust area.

4.2 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 Salt Spring.* Salt Spring would continue to participate just as it does now.

4.3 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 Salt Spring's affairs would be affected in two ways.

- *Community plan bylaws:*
 - Current system: Bylaws that would change the “official community plan” are proposed by the Local Trust Committee and must be approved by the Executive. If the Executive withholds approval (as it would if it feels that the change would conflict with the “preserve and protect” mandate of the Trust), 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 before it becomes law.
 - Municipal status: Community plan changes are proposed by the municipal council and must first be submitted for approval by the Executive (as before), with recourse to the Trust Council (also as before) if the Executive rejects the plan. If neither approval can be obtained, however, 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 an island municipality, only one approval is needed -- any of the three can approve the bylaw (though the order of submission and appeal must be followed).
- *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 such bylaws to the Trust for review and comment. The Trust can't veto the bylaw but if it feels the bylaw runs counter to the Trust mandate, it can appeal to the Minister for a resolution of the disagreement.

4.4 The Trust Council

As an island municipality, Salt Spring Island would still have two members on the larger Trust Council.

- **Current system:** Salt Spring residents elect two representatives to sit on the 26-person Trust Council, along with the members from the other islands; all have 3-year terms. Together with one off-island member of the Trust Executive, these three form the Salt Spring Island Local Trust Committee. This three-person body develops, reviews and adopts land use policies and land development bylaws and then refers them to the Trust Executive for approval. If the Executive rejects then bylaw, the Committee can submit the bylaw for approval by the Trust Council.
- **Municipal status:** Two members of the municipal council would also sit on the Trust Council. They would be appointed for a three year term -- the same as municipal council, electoral area directors, and island trustees under the current rural system. The seven-member municipal council, including the two Trustees, would develop land use and development bylaws for approval. Voters in the municipal election would choose which two candidates for municipal council they prefer to see appointed to the Trust Council.

Figure 15: Salt Spring's Role in the Islands Trust

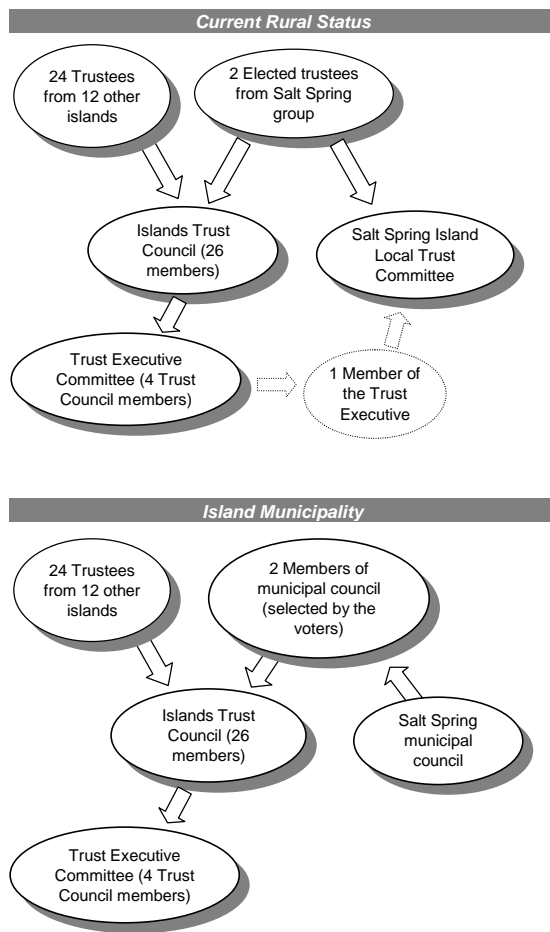


Figure 16: Adoption of Community Plan Bylaws

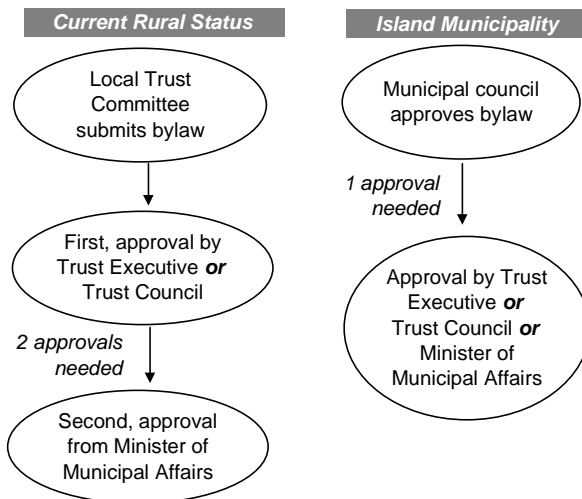
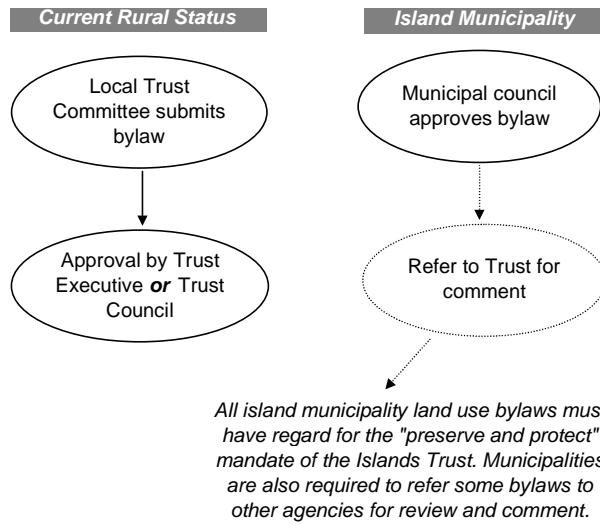


Figure 17: Adoption of Other Land Use Bylaws



4.5 Islands Trust Finances

The Islands Trust uses property taxes as the main source of its revenues. Islands Trust tax rates apply equally across all the islands, so homes of equal assessment pay the same Trust tax no matter which island they're on. The average home on Salt Spring Island has a higher assessment than on most other islands, so the average Salt Spring resident pays a higher Islands Trust tax than elsewhere.

The figure below shows the revenues and expenses of the Trust operations for the 2002-2003 fiscal year, which ends March 31, 2003. The 2002 Islands Trust tax rates are based on these budget figures.

Figure 18: 2002-2003 Islands Trust Budget Summary

Revenues		Expenditures		
		Direct	Admin.	Total
		Spending	Services	Spending
Property taxes*	\$3,254,575	Trust Council and Executive		
General provincial grant	\$352,000	\$542,320	\$189,054	\$731,374
Fees and sales	\$100,000	Trust Fund services	\$102,821	\$397,771
Miscellaneous rev	\$190,000	Local trust services^	\$841,625	\$2,767,430
	\$3,896,575	\$2,763,075	\$1,133,500	\$3,896,575

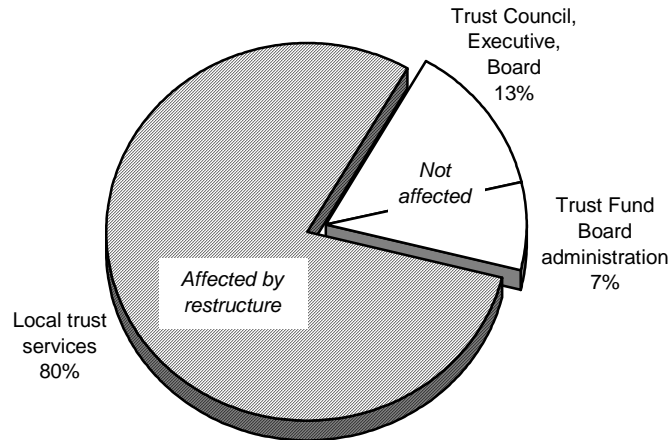
* Includes revenue from contract services to Bowen

^ Includes \$80,200 to a tax reserve

Salt Spring's contribution to the operations of the Trust Council, Trust Executive, and Trust Fund Board would not be affected by municipal status.

However, its contribution towards the Trust's local services would change, as land use planning would become the responsibility of the municipality rather than the Islands Trust -- except during the first three years, when Salt Spring would be committed to paying the rural level of taxes for the Trust. The figure below shows how the Trust applies the total taxes it collects.

Figure 19: 2002-2003 Islands Trust Spending



Salt Spring’s total property assessments account for 35% of the Trust total, so Salt Spring pays 35% of the total taxes. This amounts to about \$1 million, as shown below.

Figure 20: Total 2002 Salt Spring Island Taxes for Island Trust Services

	Needed by Isl. Trust	Provincial Tax Collection Fee*	Total
Trust Council and Executive	\$140,985	\$7,402	\$148,387
Trust Fund Board administration	\$76,755	\$4,030	\$80,785
Subtotal (not affected by restructure)	\$217,741	\$11,431	\$229,172
Local Trust services (affected)	\$852,760	\$44,770	\$897,530
Total	\$1,070,501	\$56,201	\$1,126,702

* 5.25% collection fee is levied only in rural areas

The next figure shows how much the average Salt Spring Island home paid in 2002 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 itself.

Figure 21: Average 2002 Salt Spring Homes taxes for the Islands Trust

	Needed by Isl. Trust	Provincial tax collection fee	Total
Trust Council, Executive, Board	\$24	\$1.25	\$25
Trust Fund Board administration	\$13	\$0.69	\$14
Subtotal, not affected by restructure	\$37	\$2	\$39
Local trust services (affected)	\$143	\$8	\$151
Total	\$180	\$10	\$190

Avg home asmnt is \$245,000; tax varies with assessed value

4.6 The Protocol Agreement

A 1996 agreement between the Islands Trust Council and the Ministry of Community, Aboriginal and Women's Services and Housing sets out various rules for a municipality in the Trust area. Key features of the protocol agreement are set out below; many are already in both the Local Government 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 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. 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.*
- Official 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. This means voters would specify which two municipal councillors they want to sit on the Islands Trust Council.
- 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 for the new municipality. Letters patent, issued by the provincial Cabinet, are the official documents that create the new municipality and set out particulars such as geographic boundaries, effective dates for service transfers, and special circumstances and rules.

Two 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. In 2002 Salt Spring Island paid approximately \$853,000 in Trust taxes for local planning services, plus another \$45,000 in the provincial tax collection fees, for a total of \$898,000. 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 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 Salt Spring voters. In a municipality, two members -- chosen directly by voters -- of municipal council would represent Salt Spring on the Trust Council. When voters elect the members of municipal council they will also, on a separate ballot, indicate which two candidates they wish to see appointed to the Trust. 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 Salt Spring on the Trust would be up to the voters rather than up to municipal council.

4.7 Costs After Municipal Incorporation

Salt Spring would continue to pay for its share of the operations of the Trust Council, the Executive Committee, and the Trust Fund Board just as it does as a rural status community. In 2002 this meant taxes of about \$229,000 from the island. However, the 5.25% provincial tax collection fee -- included in the 2002 total tax -- would no longer apply, so the municipal tax for the Trust would fall slightly, to about \$218,000.

For land use planning services, the protocol agreement also requires that for the first three years Salt Spring’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. In 2002 Salt Spring paid taxes of \$898,000 for local planning services (including the 5.25% provincial tax collection fee). For each of the first three years the tax bill would be \$45,000 less than now due to the removal of the tax collection fee.

Starting in the fourth year, the municipality would be free to provide planning services as it sees fit. Based on the current level of effort and the current staffing level devoted to Salt Spring Island planning, a spending allowance of \$404,000 per year has been used in the municipal budget projections later in this report. This allowance would cover 4.6 full time equivalent staff and incidental costs, including occasional special studies and mapping.

Note that the actual amount would be up to municipal council.

For purposes of this report, it is assumed that no provincial planning grants are received by the municipality; if grants are available, either the tax load would fall or extra planning studies could be undertaken.

The municipal budget for the current level of land use planning is about \$450,000 less than the Island pays now to the Trust for this service. Ignoring the provincial tax collection fee, the Island’s share of the Trust’s local planning costs is \$853,000, versus the estimated \$404,000 cost as a municipality for the same service level as is now provided by the Trust.

The Municipality and the Regional District

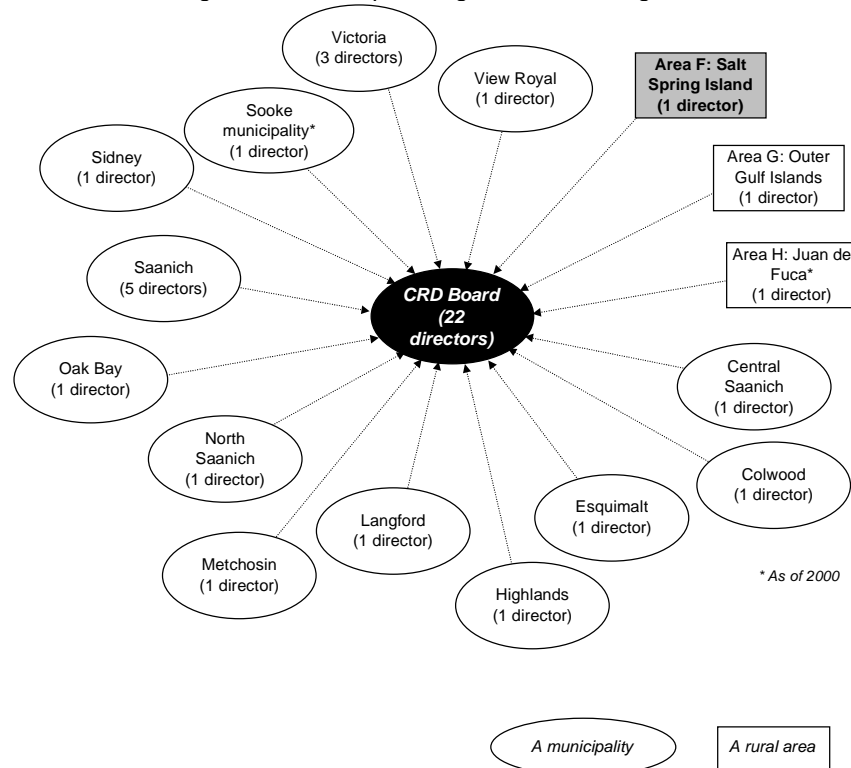
5.1 Introduction

The Capital Regional District (CRD) is the main provider of local services on Salt Spring Island. If Salt Spring becomes a municipality it would still be part of the CRD, but the CRD's roles on the island would be substantially reduced. Salt Spring would continue to participate in region-wide CRD functions but not local area, Salt Spring specific functions. It would have its own director on the board, just as it does now.

5.2 Regional District Board

The CRD board has 22 directors -- 19 from the 13 municipalities (the larger ones have multiple directors), and three from the rural areas (called electoral areas). Salt Spring is Electoral Area F. Rural directors are elected directly by voters every three years. In a municipality the municipal council appoints one of its own members for a one year term.

Figure 22: The Capital Regional District Regional Board



5.3 Region-Wide Services

Municipal incorporation would have no effect on Salt Spring's role in the CRD's region-wide services and Salt Spring's share of these taxes would not be affected -- except the 5.25% provincial tax collection fee would no longer be added to the bill (this cost is included in the municipality's administration cost). The figure below shows the 2002 taxes for regional services.

Figure 23: Salt Spring's Participation in CRD Region-Wide Services

	Total 2002 taxes		Taxes on an avge home	
	Rural status^	Island municipality	Rural status^	Island municipality
Legislative + general admin.	\$160,029	\$152,047	\$27.00	\$25.65
Building services (health bldgs)	\$0	\$0	\$0.00	\$0.00
Geospatial info system	\$1,388	\$1,319	\$0.22	\$0.22
Community relations	\$5,045	\$4,793	\$0.86	\$0.81
Community health service	\$0	\$0	\$0.00	\$0.00
Traffic safety commission	\$2,755	\$2,618	\$0.47	\$0.44
Regional parks	\$218,071	\$207,193	\$36.77	\$34.94
Regional parks debt	\$30,221	\$28,714	\$5.10	\$4.85
Land banking and housing	\$169	\$161	\$0.02	\$0.02
Regional planning services	\$22,262	\$21,152	\$3.77	\$3.58
Environmental roundtable	\$0	\$0	\$0.00	\$0.00
Environmental monitoring	\$2,406	\$2,286	\$0.42	\$0.39
Geospatial referencing	\$6,593	\$6,264	\$1.10	\$1.05
Solid waste disposal	\$0	\$0	\$0.00	\$0.00
Solid waste disposal debt	\$0	\$0	\$0.00	\$0.00
911 Emergency phone service	\$11,809	\$11,220	\$1.98	\$1.89
CREST emergency comm.	\$0	\$0	\$0.00	\$0.00
Emergency RCMP dispatch	\$63,719	\$60,541	\$10.76	\$10.22
Septage disposal	\$0	\$0	\$0.00	\$0.00
Regional source control	\$0	\$0	\$0.00	\$0.00
Feasibility reserve fund	\$22,266	\$21,155	\$3.77	\$3.58
Total tax requisition^	\$546,733	\$519,463	\$92.22	\$87.61

^ Rural tax includes provincial tax collection fee (doesn't apply in a municipality)

* Information services, not regional growth strategy

5.4 Local Services

Responsibility for almost all CRD local services would be transferred to the new municipality, along with any associated assets and liabilities. The next figure shows the 2002 budgets and tax requisitions from Salt Spring for the CRD's local services. The provincial tax collection fee would be eliminated (replaced by the municipality's administration costs), as would the CRD's overhead costs. This would lower the taxes needed to pay for these specific services after they are transferred to the municipality.

Figure 24: Salt Spring's Share of CRD's 2002 Budgets for Local Services

(A) Island-wide CRD services that would transfer to the municipality

Service	Rural status CRD tax		CRD tax as an Island Municipality
	Total tax [^]	Avg home [^]	
Elections	\$15,106	\$3	\$0 (part of munic. budget, not CRD budget)
UBCM	\$5,955	\$1	\$0 (part of munic. budget, not CRD budget)
Electoral area administration	-\$4,212	-\$1	\$0 (no electoral area administration)
Grants in aid (S.S.I.)	\$38,927	\$7	\$0 (part of munic. budget, not CRD budget)
SSI small craft harbour facility	\$0	\$0	\$0 (part of munic. budget, not CRD budget)
SSI public library funding	\$57,374	\$10	\$0 (part of munic. budget, not CRD budget)
Animal control	\$62,021	\$10	\$0 (part of munic. budget, not CRD budget)
Numbering of buildings	\$3,486	\$1	\$0 (part of munic. budget, not CRD budget)
Building inspection	\$136,680	\$23	\$0 (part of munic. budget, not CRD budget)
Soil deposit + removal regul'n	\$0	\$0	\$0 (part of munic. budget, not CRD budget)
Noise control	\$7,117	\$1	\$0 (part of munic. budget, not CRD budget)
Nuisance + unsightly premises	\$20,916	\$4	\$0 (part of munic. budget, not CRD budget)
Bylaw enforcement	\$0	\$0	\$0 (part of munic. budget, not CRD budget)
Emergency program	\$32,245	\$5	\$0 (part of munic. budget, not CRD budget)
SSI parks + rec debt payment	\$0	\$0	\$0 (part of munic. budget, not CRD budget)
Community parks	\$169,216	\$29	\$0 (part of munic. budget, not CRD budget)
Activity centre	\$0	\$0	\$0 (part of munic. budget, not CRD budget)
Pool, tennis, Mahon hall	\$88,893	\$15	\$0 (part of munic. budget, not CRD budget)
Parks + rec'n facil and services	\$342,643	\$58	\$0 (part of munic. budget, not CRD budget)
Stormwater mgmnt	\$0	\$0	\$0 (part of munic. budget, not CRD budget)
Septage and composting	\$133,299	\$25	\$0 (part of munic. budget, not CRD budget)
Total	\$1,109,666	\$191	\$0 (part of munic. budget, not CRD budget)

(B) Partial-island services that would become municipal specified areas

	CRD tax under rural status [^]		CRD tax as an Island Municipality*
Highland water	\$78,670	\$326 per parcel	\$0 (in munic. budget, not CRD budget)
Fernwood water	\$43,430	\$627 per parcel	\$0 (in munic. budget, not CRD budget)
Maliview Estates sewer	\$19,546	\$217 per parcel	\$0 (in munic. budget, not CRD budget)
Ganges sewer	\$37,315	\$118 per parcel	\$0 (in munic. budget, not CRD budget)
Total, limited area services	\$178,961	(pcl tax varies by area)	

[^] Rural tax includes provincial tax collection fee (doesn't apply in a municipality)

* The municipal tax would apply only to same limited area as under rural status

The following figure shows the taxes paid by an average Salt Spring home for the CRD's local services that would become municipal services if restructure proceeds.

Figure 25: 2002 CRD Local Services on an Average Salt Spring Home (rural status)

Grants in aid (S.S.I.)	\$7
SSI public library funding	\$10
Animal control	\$10
Building inspection	\$23
Emergency program	\$5
Community parks	\$29
Pool, tennis, Mahon hall	\$15
Parks + rec'n facil and services	\$58
Liquid waste disposal	\$25
Other island-wide services	\$8
Total, CRD local services	\$190

As noted in Figure 8 of section 3.3, the new municipality would have to contract the delivery of some CRD services back to the CRD for the first year (or two years, in the case of sewer systems). The municipal budget reflects this by showing just the net CRD tax requisition for 2003, rather than the full costs and any offsetting revenues. For 2004 and later, the full municipal costs are shown along with any offsetting revenues.

5.5 Summary of Costs After Municipal Incorporation

If municipal incorporation takes place, Salt Spring 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 Salt Spring residents for CRD regional services would thus fall slightly.

Figure 26: Summary of Changes in CRD Taxes (2002 budgets)

	Rural status [^]	Island municipality
Regional services	\$546,733	\$519,463
SSI parks + rec'n taxes	\$471,878	\$0*
All other local CRD taxes (asmnt-based)	\$504,489	\$0*
Total, CRD asmnt-based taxes	\$1,523,100	\$519,463
Island-wide septage disposal pcl	\$133,299	\$0
Limited area services (water + sewer)	\$178,961	\$0*
Grand total CRD taxes	\$1,835,360	\$519,463

* These costs shift from CRD budget to municipal budget

[^] Includes 5.25% provincial tax collection fee

5.6 Reserves and Debts

As part of the transfer of service responsibilities, the municipality would inherit the assets and liabilities of the CRD's local services. There are only three meaningful items of interest here -- park land, reserves and debts. Any reserves associated with specific island-wide CRD services would be transferred to the municipality. The only Island-wide CRD cash reserve of note that would be transferred to the municipality is \$113,200 in the Salt Spring community parks reserve. Note that the *operating* reserves associated with each CRD service are included in each year's service budget. There are some minor capital reserves for local Salt Spring services provided by the CRD (like the Highland water system); these would be transferred to the new municipality, as would any associated debts, and the assets and liabilities would be reserved for only those service areas.

5.7 Regional Growth Strategy

Salt Spring Island 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 Salt Spring would thus have no effect on the scope of the CRD plan, and it would not place Salt Spring under the policies of the plan.

Other Service Providers

6.1 Introduction

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

6.2 Province of BC

The province provides policing, road maintenance and improvements, tax collection, and subdivision approval on Salt Spring. Changing to municipal status would shift responsibility for these services to the island municipality. In rural areas, the provincial rural tax is generally used to fund policing and road costs. For 2002 the community pays \$1,570,000 in the form of the provincial rural tax for RCMP and for roads combined.

Policing

When the results of the 2006 census are released, they would show that the Salt Spring municipality has over 5000 residents. Under the Local Government Act, municipalities over 5000 are responsible for providing their own policing. Most BC municipalities choose to contract their policing service with the RCMP rather than establish their own force. It is reasonable to assume that a Salt Spring municipality would choose to do this too. Details of the contract are set out later in the municipal budget section of this report, but basically the municipality would pay 70% of the cost of officers and 100% of associated costs (civilian staff, rental of the RCMP building, and so on).

If the municipal population exceeds 15,000, the municipal share of officers' costs rises to 90%. If Salt Spring's population grows at 4% per year, it would cross the 15,000-person threshold in 2014; with a growth rate of 2% per year it would take until 2025. Of course, future growth rates are very uncertain.

It is estimated that the total cost of running the detachment on Salt Spring is about \$925,000 per year. Under municipal status it is estimated that the same level of service would cost the municipality \$727,000 because it would pay only 70% of the officers' costs (the province pays the other 30%).

Roads

The province is responsible for maintaining, repairing and improving roads in rural communities. There are about 255 km of public roads on Salt Spring, including the links between the three ferry terminals and roads to Mt. Maxwell and Ruckle provincial parks. It is estimated that over the last few years the province has spent an average of about \$1.1 million per year on road maintenance, repairs and improvements combined.

The province has indicated that the roads serving the destination points would not be classified as highways and thus would become a municipal responsibility.

Note that for the first five years the provincial contractor would continue to maintain the roads at no cost to Salt Spring residents; the province would pay for this. After that the municipality would be fully responsible for the local roads. 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 the first five years, 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 rarer in the long term, although Metchosin (outside Victoria), Wells (east of Quesnel), and Lake Country (north of Kelowna) 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 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 ones are less important. Under the rural system, road policies are set off island; under municipal status, they would be set by the locally-elected municipal council.

Combined Roads and Policing

The total cost of roads and policing on Salt Spring is about \$2.0 million per year. This is \$500,000 *more* than residents paid in the form of the provincial rural tax. In other words, residents are actually receiving more roads and policing services than they are paying for.

Subdivision Approval

As in most rural communities, the provincial Ministry of Transportation serves as the subdivision approval officer for Salt Spring Island, although it refers all subdivision applications to the Islands Trust and the CRD 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 (usually in the engineering department) would be designated as the approving officer. The municipality would levy subdivision application fees to help recover the cost of this.

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, Islands Trust, and some improvement district taxes. If the CRD needs taxes of, say, \$100,000 for a service on Salt Spring, the bills sent by the province total \$105,250, of which \$100,000 goes to the CRD 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.

In 2002 the provincial tax collection fee from all Salt Spring properties totalled \$176,000.

As a municipality, Salt Spring 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; if so, it levies interest charges and penalties against the overdue accounts to offset the temporary loss of tax revenues.

6.3 Improvement Districts

There are nine improvement districts on Salt Spring Island. All would be dissolved in favour of the municipality, though not right away.

Figure 27: Changes to Improvement Districts

	Number of elected trustees	Date of dissolution	Become a specified munic. area?	Municipal advisory committee?
Salt Spring Island Fire District	7	Dec. 31, 2002	No	Yes
Water districts:				
Beddis Waterworks District	5	Dec. 31, 2002	Yes	Yes
Cedar Lane Waterworks District	3	Dec. 31, 2002	Yes	Yes
Cedars of Tuam Waterworks District	3	Dec. 31, 2002	Yes	Yes
Fulford Harbour Waterworks District	3	Dec. 31, 2003	Yes	Yes
Harbour View Impr. District	3	Dec. 31, 2003	Yes	Yes
Mount Belcher Impr. District	3	Dec. 31, 2003	Yes	Yes
North Salt Spring Waterworks District	5	Dec. 31, 2002	Yes	Yes
Scott Point Waterworks District	3	Dec. 31, 2002	Yes	Yes

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 almost the whole island, so it would not be so necessary to "protect" them for the benefit of just those who were in the service area before restructure; the "before" and "after" groups are very close to one and the same. The rural properties currently inside the fire service area -- that is, part of the improvement district -- account for 98% of the total island property assessments. Only about 150 of the island's 5,800 properties -- and 25 of the 4,700 houses -- lie outside the service area now. Note: Being in a municipal fire service area does not mean that the same level of fire protection must be assured for all areas; those areas that are inaccessible can remain inaccessible for fire purposes.

For the other improvement districts, however, the letters patent specify that reserves created by each water area are not used to benefit another group -- say, by using the cash reserves of North Salt Spring Waterworks District to build sidewalks elsewhere. 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 could 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 Salt Spring'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 -- again, 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.

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.

Note that the municipality would be required to have water advisory bodies, consisting of the existing trustees, for the Beddis, Cedar Land, Cedars of Tuam, North Salt Spring, and Scott Point water districts until December 31, 2003. There would also have to be a fire protection services advisory committee, also consisting of the current fire district trustees, until at least December 31, 2003. These committees would continue past the end of 2003 until and unless ended by municipal council.

6.4 Private Utilities

There are a number of private utilities on Salt Spring, 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

7.1 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 other types of assistance are in the form of transitional measures that have organizational (rather than financial) benefits.

These offers of assistance were sent by the province to the Restructure Study Committee in August, 2000 and February, 2001.

7.2 Short Term Grants

Per Capita Grant

This report assumes the new municipality would receive a grant of \$200 per person, which would mean \$1,900,000 based on an estimated 9,500 permanent residents. The Ministry of Community, Aboriginal and Women's Services would confirm the population 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 would provide funding to assist in 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 help is over \$80,000. *This assistance has not been included 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 Salt Spring. 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 Salt Spring case too. With a proposed incorporation date of December, 2002, a 50% rebate is used in this study. It has been spread over three years to reflect the collection of delinquent tax accounts. A portion (10%) of this has been deducted to reflect unrecovered administration costs associated with accounts in arrears. Based on 2002 taxes, the estimated net rebate would amount to \$707,000 in total.

Planning Grant

The province has indicated that, as a municipality, Salt Spring 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, 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 over 75 parcels of land on Salt Spring Island. While most of it is part of the two provincial parks (Mt. Maxwell and Ruckle), there are some parcels that might be useful for municipal facilities, such as gravel pits. The province has indicated that three gravel pits -- Cusheon Pit, Horel Pit, and Musgrave Pit -- would be given to the new municipality. The council of a new Salt Spring municipality could apply for additional property transfers after incorporation, but no commitment has been made regarding any other property as of this writing. Without additional property transfers, the new municipality might have to buy land for a municipal hall -- though it is assumed here that it would choose to use rented space instead -- and possibly for public works storage.

7.3 Continuation of Provincial Services

Road Maintenance

The province would have its private contractor continue to maintain Salt Spring's roads for the first five years at no charge to Salt Spring taxpayers. In essence, the municipality would continue to receive the current rural service levels for roads without having to pay the provincial rural tax. As discussed later in section 9.3, surplus tax revenues would be generated in the early stages during the phase-in of road maintenance (and policing too), which 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

The province has not indicated there would be any assistance in the upgrading and improvement of Salt Spring roads.

Policing

The new municipality would become responsible for its policing following the publication, in 2007, of the 2006 federal census results, which would reveal a *municipal* population of over 5000 for the first time (of course, the population is already over 5000 now but the community is not a *municipality*). This means the municipality's full share of policing costs would not have to be faced until April 2007.

Infrastructure and the Capital Fund

8.1 Introduction

There are two basic classes of infrastructure that the new municipality would have to face:

- Short term projects -- that is, during the first 8 years -- to repair existing deficiencies in infrastructure like roads and to obtain new equipment and facilities. These costs show up in the capital fund in this report. The startup grants provided by the province would help pay for these improvements. In addition, in the early years, when the municipality has lower operating costs due to the phase-in of road maintenance and policing responsibilities, the phased-in tax rate would produce a tax surplus that can be used to build up a reserve to help finance these short term works.
- Regular, ongoing capital spending to maintain and occasionally expand the municipality's infrastructure, which is part of the annual operating budget of the municipality. These expenditures would be funded mainly by annual taxes. They show up in the annual operating budget as transfers to the capital fund, where they are spent on various projects.

The capital fund presented later (in section 8.6) shows how capital spending is financed and where the funds go. While the specific details of money in and money out could vary depending on the council's preferences, the mechanics of the fund as assumed here are a fair approximation of the financing principles whereby grants and surplus taxes are used to help pay for short term infrastructure works.

If there is a surplus in the capital fund by the end of the eighth year, it is treated as an interest-only account. This is a conservative assumption, as it leaves the capital sum untouched. The interest revenue becomes a perpetual revenue source. In this way the benefits of any remaining startup grants and early year excess taxes can be spread over a much longer time. The interest revenue shows up in the annual general budget, thus reducing the need for taxes. The capital fund then carries on, with additions to the fund (ie, taxes) matching spending from the fund (ie, ongoing capital works).

Note this report measures the impacts of two different road improvement spending levels:

- **Rural system road works**, in which the provincial level of capital spending on road repairs and improvements is maintained by the municipality. This is not a realistic spending level for the new municipality, but it does allow an "apples-to-apples" comparison between the rural and the municipal system taxes. This option would see about \$2.5 million in road improvements over the first nine years.
- **More realistic road works**, where the municipality spends about \$10 million over the first nine years fixing and improving local roads.

8.2 Capital Fund Revenues

The capital fund would receive money in six ways:

- A \$1.9 million startup grant (based on 9,500 people at \$200 per person), paid over the first three years.
- A \$707,000 rebate of the provincial rural tax, received over the first three years.
- Transfers of annual taxes for ongoing capital spending (as opposed to short term projects). These funds 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 “surplus” taxes, which vary from year to year during the early period. Surplus funds are generated in the early years because the municipality would not face its full slate of service costs until 2007. Note that it is assumed taxes are ramped up to their eventual levels over the first eight years -- that is, taxes rise gradually rather than all at once. The eighth year’s tax rate is set to balance the books in a “normal” year -- that is, after all the startup grants have been received, after the short term infrastructure improvements have been completed, and after the tax rate has gradually increased.
- No long term debts have been assumed for the municipal budget that uses the “rural road works” level or the “\$10 million road works” level of capital spending; taxes and grants would be more than sufficient to fund these amounts. Spending more than about \$10 million could require borrowing and long term debts.

8.3 Two Levels of Road Improvements

By far the biggest costs that would face the new municipality are road works. In general, Salt Spring’s roads will require substantial upgrading for a variety of reasons, including a history of low funding, aging and deterioration, substandard original road bed construction, and higher traffic volumes.

As part of the 2000-2001 restructure study, a preliminary road inventory and assessment of road improvements were undertaken by the Ward Consulting Group. Based on information from Ward’s site examinations, Ministry of Transportation information, and comments from some residents themselves, Ward concluded that a “wish list” of road rehabilitation and improvements for safety could total about \$12 million excluding long term road works.

Council would set road spending priorities

The actual spending on roads -- and all other municipal services too -- would be decided by the municipal council after consultation with residents. The “order of magnitude” estimates from 2001 study work are helpful but it would be council that would set the priorities, timing and budgets. Of all the spending assumptions that shape the tax impacts of municipal status, road maintenance, rehabilitation and improvements are the most important.

Should the recent rural system spending levels be used for the municipal projections?

- **Yes:** This report tries to make an apples-to-apples comparison of the tax impacts of municipal incorporation, using the *current service levels* but switching the service delivery process from the rural system to a municipal system. Wherever possible, costs and spending projections for the municipality have been held at their 2002

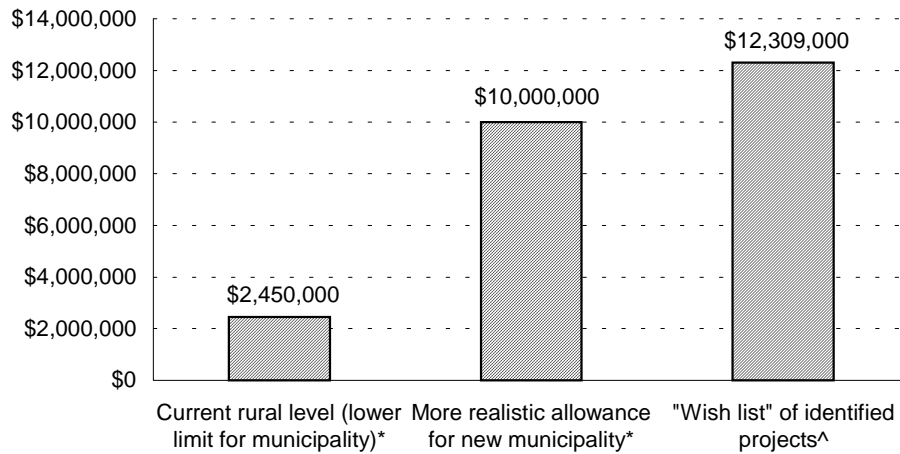
rural levels. It would be possible, technically, for the municipality to spend only as much as the province has been spending on road improvements and repairs. A true apples-to-apples comparison of services and costs should use the recent provincial spending level of \$273,000 per year. After all, it would be up to municipal council to choose how much to spend on roads, and it could choose to spend very little.

- **No:** Provincial spending on road work has been far less than municipalities typically spend. It is clearly foreseeable that municipal council would be under public and/or legal liability pressure to fix roads. The apples-to-apples comparison using the current provincial spending would hide this reality.

The tax analysis in this report measures the tax and budget impacts of two levels of spending on road improvements and rehabilitation.

- The rural level: \$2.5 million over the first 9 years, which is the pure apples-to-apples comparison using the provincial spending level. *Given the state of the roads, it is unrealistic to suppose the municipality could get by spending this small an amount.* Its main purpose is to serve as the lower limit of spending for the municipality for tax impact purposes
- A more realistic \$10 million over the first 9 years. This is an allowance only and assumes municipal council would prioritize the need for improvements to minimize tax burdens while undertaking a significant rehabilitation program. This amount would cover most -- but not all -- of the short and medium term works identified in the road report. Grants, developer contributions and other revenue sources could allow for total spending in excess of this tax-funded \$10 million or a reduction in the tax impacts.

Figure 28: Road Improvement Budgets



* Over 9 years

^ Short and medium term projects

8.4 Other Infrastructure Projects

Public works yard and equipment

For purposes of this report it is assumed that the municipality would contract out most of its road and drainage maintenance to a private company, just as the province has already

done for road maintenance. Several BC municipalities -- Lake Country (population 9,500), Metchosin (population 5,030), Highlands (population 1,560), and Wells (population 270) -- have chosen this route. Eventually, municipal council would have to decide whether this policy makes sense for Salt Spring, but the decision could wait because the province has agreed to have its private contractor carry on, at no local cost, for the first five years.

However, some municipal equipment and supplies would nonetheless be needed, even in the early years, because there would be some minor public works functions not included in the "standard" maintenance agreement now used by the province and its contractor (JJM). Examples of these include road edge and park trimming and cutting, some emergency equipment (water pumps, for example), vehicles for municipal engineering staff, materials needed in conjunction with emergencies (gravel, pipe, etc), and a spot for the storage of the above (though this could be rented). In addition, it may be necessary to purchase property from the province for a municipal works yard and storage site. A total budget allowance of \$450,000 has been set aside for these items during the first 3 years.

Municipal hall

It is assumed that rented premises could be used for the municipal hall, as there is no requirement that a municipality must own its offices. Since the recent sale of the provincial government building, it is not clear what options the municipality would have regarding obtaining its own property. In the long run it seems likely that the municipality would acquire land and build a municipal hall -- after all, most municipalities have done this -- but it would not be under strong pressure to do this in the short term, and in fact need never do it. It may be possible for the municipality to obtain, at a nominal cost, property from the province for use as municipal office or at least land for such a use.

A decision to build or buy property for a municipal hall would be made by the council of the day after it was satisfied that the financing plans were appropriate. It is possible that a capital budget of \$2-\$3 million could be considered for the purchase of a site, site preparation, design fees, construction, financing charges, and furnishings for a new municipal hall -- but this could vary up or down quite a bit depending on land availability, building design, interest rates, and numerous other factors. The alternative -- rented premises, such as at Function Junction -- is an entirely viable alternative and would save the municipality from having to borrow money. Rented premises are assumed in the annual budgets presented later.

Whether rented or built, the municipality would still have to provide furniture and equipment for its offices. An total allowance of \$600,000 has been used for this (split among the first 3 years).

8.5 Ongoing Capital Projects

All municipalities spend money each year on various capital acquisitions and infrastructure improvements. Examples include the replacement of equipment and furnishings; upgrading computer hardware and software; unforeseen repairs; parks improvements; and specialized studies of community issues. Besides taxes, there are special grants, reserve funds (like development cost charges), developer contributions, budget surpluses, and other sources of funds for capital. These ongoing amounts are over and above the short term items discussed in section 8.4 above.

An annual allowance of about \$180,000 for non-road capital expenses (fire, parks, recreation, etc) has been used in the municipal budget projections in this report. This level reflects the current capital spending in existing service budgets (which is consistent with the apples-to-apples financial comparison) plus some extra funding for administration-based items (furnishings, computers, etc).

The ongoing annual capital amounts show up both as an expense in the operating fund and as a revenue in the capital fund -- that is, the taxes are transferred from the operating fund to the capital fund, where it is spent on infrastructure.

These capital sums are only the annual tax-financed portion of capital.

Most municipalities also use other funding sources to finance improvements, like development cost charge revenues, infrastructure works grants, accumulated surpluses, and reserves. The Salt Spring budget here *excludes* these potential revenue sources, and the municipality would almost certainly be able to afford *additional* capital spending without using tax dollars -- but this has not been measured here.

8.6 Projected Capital Fund

The following tables shows how the capital fund might work. Two tables are shown:

- One using the rural road spending level of \$2.5 million over nine years;
- One using the more realistic road works budget of about \$10 million.

By year 9 -- the first “normal” year, after all startup grants have been received and the short term capital program is complete -- the fund operates at an equilibrium: revenues to the fund match spending from the fund. After eight years there are surplus funds left in the capital fund, but only for the “rural level road works” case. The \$10 million spending on roads uses up virtually all of the fund. so there is no meaningful interest from the balance in the fund.

Figure 29: Projected Capital Fund for the Two Road Works Programs (in \$000s)

Rural level road spending (\$2.5 million)										
Figures in constant 2002 \$	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Starting balance (in 000s)	--	\$1,753	\$3,141	\$3,786	\$5,077	\$5,877	\$5,713	\$5,634	\$5,632	n.a.
ADDITIONS TO FUND:										
Start-up grant: per capita	\$1,266	\$633	--	--	--	--	--	--	--	\$1,899
Start-up: Rural tax rebate	\$236	\$236	\$236	--	--	--	--	--	--	\$708
Tsfr from general revenues	\$453	\$453	\$453	\$453	\$453	\$453	\$453	\$453	\$453	\$4,077
Interest earned in fund	\$26	\$72	\$102	\$131	\$162	\$171	\$168	\$166	\$166	\$1,164
Transfer of surplus taxes	\$526	\$797	\$706	\$1,161	\$638	--	--	--	--	\$3,828
New long term debt	--	--	--	--	--	--	--	--	--	--
SPENDING FROM FUND:										
(A) Short term projects										
Public works yard, equip, etc	-\$50	-\$100	-\$300	--	--	--	--	--	--	-\$450
Municipal offices + equipment	-\$250	-\$250	-\$100	--	--	--	--	--	--	-\$600
Roads and drainage	--	--	--	--	--	--	--	--	--	--
(B) On-going capital										
Roads and drainage	-\$273	-\$273	-\$273	-\$273	-\$273	-\$273	-\$273	-\$273	-\$273	-\$2,457
Other munic. items	-\$180	-\$180	-\$180	-\$180	-\$180	-\$180	-\$180	-\$180	-\$180	-\$1,620
(C) Trsfr to reduce taxes										
	--	--	--	--	--	-\$336	-\$248	-\$169	-\$169	-\$922
Closing balance (in 000s)	\$1,753	\$3,141	\$3,786	\$5,077	\$5,877	\$5,713	\$5,634	\$5,632	\$5,629	n.a.

Municipal level road spending (\$10 million)										
Figures in constant 2002 \$	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Starting balance (in 000s)	--	\$335	\$331	\$214	\$283	\$501	\$208	\$64	\$64	n.a.
ADDITIONS TO FUND:										
Start-up grant: per capita	\$1,266	\$633	--	--	--	--	--	--	--	\$1,899
Start-up: Rural tax rebate	\$236	\$236	\$236	--	--	--	--	--	--	\$708
Tsfr from general revenues	\$680	\$680	\$830	\$830	\$830	\$830	\$830	\$830	\$830	\$7,170
Interest earned in fund	\$5	\$10	\$8	\$7	\$12	\$10	\$4	\$2	\$2	\$60
Transfer of surplus taxes	\$379	\$718	\$539	\$1,061	\$606	--	--	--	--	\$3,303
New long term debt	--	--	--	--	--	--	--	--	--	--
SPENDING FROM FUND:										
(A) Short term projects										
Public works yard, equip, etc	-\$50	-\$100	-\$300	--	--	--	--	--	--	-\$450
Municipal offices + equipment	-\$250	-\$250	-\$100	--	--	--	--	--	--	-\$600
Roads and drainage	-\$1,250	-\$1,250	-\$500	-\$1,000	-\$400	--	--	--	--	-\$4,400
(B) On-going capital										
Roads and drainage	-\$500	-\$500	-\$650	-\$650	-\$650	-\$650	-\$650	-\$650	-\$650	-\$5,550
Other munic. items	-\$180	-\$180	-\$180	-\$180	-\$180	-\$180	-\$180	-\$180	-\$180	-\$1,620
(C) Trsfr to reduce taxes										
	--	--	--	--	--	-\$305	-\$149	-\$2	-\$2	-\$458
Closing balance (in 000s)	\$335	\$331	\$214	\$283	\$501	\$208	\$64	\$64	\$64	n.a.

8.7 Total Capital Spending

The following figure summarizes the total municipal spending on capital items during the first nine years. Again, it must be noted that *the actual budgets would be set by the elected municipal council.*

Figure 30: Summary of Capital Spending Over the First 9 Years

	Rural Level Road Works (\$2.5m)	More Likely Road Works (\$10.0m)
(A) Short term improvements		
Public works yard, shop, equip.	\$450,000	\$450,000
Municipal offices + equipment	\$600,000	\$600,000
Roads and drainage	<i>incl below</i>	\$4,400,000
(B) Ongoing capital projects		
Roads and drainage	\$2,457,000	\$5,550,000
Other municipal items	\$1,616,000	\$1,616,000
Total capital spending, first 9 yrs	\$5,123,000	\$12,616,000

Annual Municipal Budget

9.1 Introduction

This chapter makes projections about what a Salt Spring Island municipality might spend on local services and what tax levels would be needed to finance them. Most of the projections are based on the actual 2002 spending amounts on Salt Spring services; others are based on experiences in “comparable” municipalities after adjusting for differences between them and Salt Spring. *Wherever possible, the costs of maintaining the current level of service have been estimated for the municipality.*

The apples to apples comparison

Remember, this report measures the impacts of municipal status in terms of current service levels, based on 2002 services and budgets wherever possible. The actual, future municipal spending would be higher as time passes, just as the future rural-status spending will be higher if the referendum fails. The nine-year projections of costs and taxes are all based on keeping services at their 2002 levels in order to isolate the impacts of becoming a municipality from the impacts of community growth, enhanced or new services, and other factors that might occur under both rural and municipal status. By 2005, for example, it is reasonable to expect that rural spending will be higher today, and municipal spending in 2005 would be higher than shown here too.

Note 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 2002 dollar values; inflation would affect them. This is true of both the rural case and the 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.

9.2 Road Improvements

As discussed earlier, two levels of spending on road works are considered here.

- The current rural spending level of \$2.5 million over the 9-year study period; this permits an “apples to apples” comparison of rural status and municipal status.
- A more likely level of \$10 million over the first 9 years. This would produce much better roads on the island than the rural level would.

9.3 Municipal Operating Costs

The tables on the next two pages show the projected annual municipal budget for a Salt Spring municipality -- one for each level of road improvement spending (\$2.5 million and \$10 million). 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 -- with the exception of the expanded road improvement programs.*

The differences between the tables are all related to the amounts spent on road improvements, either directly or indirectly; most other line items in the budget are the same. *Note again that it would be up to municipal council to set service levels, budgets, and taxes for the municipality.*

Figure 31: Projected Municipal Spending -- Rural Road Spending Level (\$2.5 million)

All figures in \$000s (2002 \$)	2003	2004	2005	2006	2007	2008	2009	2010	2011
Mayor's remuneration	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20
Remun. for other 6 councillors	\$54	\$54	\$54	\$54	\$54	\$54	\$54	\$54	\$54
Council expenses	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20
Total council	\$94	\$94	\$94	\$94	\$94	\$94	\$94	\$94	\$94
Wages, benefits, etc	\$399	\$456	\$513	\$542	\$542	\$542	\$542	\$542	\$542
Legal	\$30	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25
Audit, other professional	\$25	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20
Mun. hall, supplies, phone, equip	\$80	\$90	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Equipment + computers	\$40	\$45	\$50	\$50	\$50	\$50	\$50	\$50	\$50
Insurance (property + liability)	\$90	\$88	\$88	\$83	\$83	\$83	\$83	\$83	\$83
Membership, dues, staff training	\$10	\$15	\$20	\$20	\$20	\$20	\$20	\$20	\$20
Grants to organizations	\$37	\$37	\$37	\$37	\$37	\$37	\$37	\$37	\$37
Elections, advertising	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15
Miscellaneous and contingency	\$120	\$70	\$20	\$20	\$20	\$20	\$20	\$20	\$20
Total General Gov't	\$940	\$955	\$982	\$1,005	\$1,005	\$1,005	\$1,005	\$1,005	\$1,005
RCMP	--	--	--	--	\$545	\$727	\$727	\$727	\$727
Fire protection (excl. capital)	\$591	\$591	\$591	\$591	\$591	\$591	\$591	\$591	\$591
Bldg inspection + bylaw enforce.	\$130	\$354	\$354	\$354	\$354	\$354	\$354	\$354	\$354
Animal control	\$59	\$70	\$70	\$70	\$70	\$70	\$70	\$70	\$70
Emergency plan (net cost)	\$31	\$28	\$28	\$28	\$28	\$28	\$28	\$28	\$28
Total Protective	\$811	\$1,044	\$1,044	\$1,044	\$1,589	\$1,770	\$1,770	\$1,770	\$1,770
Equipment	\$40	\$50	\$60	\$60	\$60	\$60	\$60	\$60	\$60
Admin and engineering	\$100	\$100	\$150	\$200	\$255	\$255	\$255	\$255	\$255
Ditches and drainage	\$150	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200
Maintenance contract	--	--	--	--	--	\$872	\$872	\$872	\$872
Additional works + studies	\$50	\$10	\$128	\$128	\$128	\$128	\$128	\$128	\$128
Blvds, signs, lights, paths, etc	\$22	\$27	\$32	\$32	\$32	\$32	\$32	\$32	\$32
Miscellaneous	\$30	\$40	\$50	\$50	\$50	\$50	\$50	\$50	\$50
Less: Other dep't cost shares	--	-\$25	-\$25	-\$25	-\$25	-\$25	-\$25	-\$25	-\$25
Total Roads and Drainage	\$392	\$402	\$595	\$645	\$700	\$1,572	\$1,572	\$1,572	\$1,572
Local planning - Islands Trust	\$853	\$853	\$853	--	--	--	--	--	--
Local planning - own services	--	--	--	\$404	\$404	\$404	\$404	\$404	\$404
Total Community Devel.	\$853	\$853	\$853	\$404	\$404	\$404	\$404	\$404	\$404
Library	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55
Community parks (excl. capital)	\$152	\$159	\$159	\$159	\$159	\$159	\$159	\$159	\$159
Pool, tennis, Mahon hall (excl. cap)	\$69	\$105	\$105	\$105	\$105	\$105	\$105	\$105	\$105
Park + rec'n programs (excl. cap.)	\$332	\$277	\$277	\$277	\$277	\$277	\$277	\$277	\$277
Total Rec'n and Culture*	\$608	\$595	\$595	\$595	\$595	\$595	\$595	\$595	\$595
Transfers to reserves	\$158	\$158	\$158	\$158	\$158	\$158	\$158	\$158	\$158
Tsfr to capital: Ongoing amount	\$453	\$453	\$453	\$453	\$453	\$453	\$453	\$453	\$453
Surplus taxes to the Capital Fund	\$526	\$797	\$706	\$1,161	\$638	--	--	--	--
Total transfers to own funds	\$1,136	\$1,408	\$1,317	\$1,771	\$1,248	\$610	\$610	\$610	\$610
Bank + interest charges	\$34	\$36	\$38	\$35	\$40	\$50	\$50	\$50	\$50
Total Fiscal Services	\$1,170	\$1,444	\$1,355	\$1,806	\$1,288	\$660	\$660	\$660	\$660
(A) Munic. costs above (in \$000s)	\$4,774	\$5,292	\$5,423	\$5,499	\$5,581	\$6,007	\$6,007	\$6,007	\$6,007
(B) Tax for Regional Dist.	\$519	\$519	\$519	\$519	\$519	\$519	\$519	\$519	\$519
(C) Tax for the Islands Trust	\$218	\$218	\$218	\$218	\$218	\$218	\$218	\$218	\$218
(D) Tax for school + others	\$5,845	\$5,845	\$5,845	\$5,845	\$5,845	\$5,845	\$5,845	\$5,845	\$5,845
Total Expenses (in \$000s)	\$11,356	\$11,874	\$12,006	\$12,082	\$12,164	\$12,590	\$12,590	\$12,590	\$12,590

Note: Based on 2002 service levels; actual municipal budgets would be set by the municipal council; see following text in report

Figure 32: Projected Municipal Spending -- More Likely Road Spending Level
(\$10 million)

All figures in \$000s (2002 \$)	2003	2004	2005	2006	2007	2008	2009	2010	2011
Mayor's remuneration	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20
Remun. for other 6 councillors	\$54	\$54	\$54	\$54	\$54	\$54	\$54	\$54	\$54
Council expenses	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20
Total council	\$94	\$94	\$94	\$94	\$94	\$94	\$94	\$94	\$94
Wages, benefits, etc	\$399	\$456	\$513	\$542	\$542	\$542	\$542	\$542	\$542
Legal	\$30	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25
Audit, other professional	\$25	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20
Mun. hall, supplies, phone, equip	\$80	\$90	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Equipment + computers	\$40	\$45	\$50	\$50	\$50	\$50	\$50	\$50	\$50
Insurance (property + liability)	\$90	\$88	\$88	\$83	\$83	\$83	\$83	\$83	\$83
Membership, dues, staff training	\$10	\$15	\$20	\$20	\$20	\$20	\$20	\$20	\$20
Grants to organizations	\$37	\$37	\$37	\$37	\$37	\$37	\$37	\$37	\$37
Elections, advertising	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15
Miscellaneous and contingency	\$120	\$70	\$20	\$20	\$20	\$20	\$20	\$20	\$20
Total General Gov't	\$940	\$955	\$982	\$1,005	\$1,005	\$1,005	\$1,005	\$1,005	\$1,005
RCMP	--	--	--	--	\$545	\$727	\$727	\$727	\$727
Fire protection (excl. capital)	\$591	\$591	\$591	\$591	\$591	\$591	\$591	\$591	\$591
Bldg inspection + bylaw enforce.	\$130	\$354	\$354	\$354	\$354	\$354	\$354	\$354	\$354
Animal control	\$59	\$70	\$70	\$70	\$70	\$70	\$70	\$70	\$70
Emergency plan (net cost)	\$31	\$28	\$28	\$28	\$28	\$28	\$28	\$28	\$28
Total Protective	\$811	\$1,044	\$1,044	\$1,044	\$1,589	\$1,770	\$1,770	\$1,770	\$1,770
Equipment	\$40	\$50	\$60	\$60	\$60	\$60	\$60	\$60	\$60
Admin and engineering	\$100	\$100	\$150	\$200	\$255	\$255	\$255	\$255	\$255
Ditches and drainage	\$150	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200
Maintenance contract	--	--	--	--	--	\$872	\$872	\$872	\$872
Additional works + studies	\$50	\$10	\$128	\$128	\$128	\$128	\$128	\$128	\$128
Blvds, signs, lights, paths, etc	\$22	\$27	\$32	\$32	\$32	\$32	\$32	\$32	\$32
Miscellaneous	\$30	\$40	\$50	\$50	\$50	\$50	\$50	\$50	\$50
Less: Other dep't cost shares	--	-\$25	-\$25	-\$25	-\$25	-\$25	-\$25	-\$25	-\$25
Total Roads and Drainage	\$392	\$402	\$595	\$645	\$700	\$1,572	\$1,572	\$1,572	\$1,572
Local planning - Islands Trust	\$853	\$853	\$853	--	--	--	--	--	--
Local planning - own services	--	--	--	\$404	\$404	\$404	\$404	\$404	\$404
Total Community Devel.	\$853	\$853	\$853	\$404	\$404	\$404	\$404	\$404	\$404
Library	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55
Community parks (excl. capital)	\$152	\$159	\$159	\$159	\$159	\$159	\$159	\$159	\$159
Pool, tennis, Mahon hall (excl. cap)	\$69	\$105	\$105	\$105	\$105	\$105	\$105	\$105	\$105
Park + rec'n programs (excl. cap.)	\$332	\$277	\$277	\$277	\$277	\$277	\$277	\$277	\$277
Total Rec'n and Culture*	\$608	\$595	\$595	\$595	\$595	\$595	\$595	\$595	\$595
Transfers to reserves	\$158	\$158	\$158	\$158	\$158	\$158	\$158	\$158	\$158
Tsfr to capital: Ongoing amount	\$680	\$680	\$830	\$830	\$830	\$830	\$830	\$830	\$830
Surplus taxes to the Capital Fund	\$379	\$718	\$539	\$1,061	\$606	--	--	--	--
Total transfers to own funds	\$1,216	\$1,555	\$1,527	\$2,049	\$1,594	\$987	\$987	\$987	\$987
Bank + interest charges	\$34	\$36	\$38	\$35	\$40	\$50	\$50	\$50	\$50
Total Fiscal Services	\$1,250	\$1,591	\$1,565	\$2,084	\$1,634	\$1,037	\$1,037	\$1,037	\$1,037
(A) Munic. costs above (in \$000s)	\$4,853	\$5,439	\$5,633	\$5,777	\$5,927	\$6,384	\$6,384	\$6,384	\$6,384
(B) Tax for Regional Dist.	\$519	\$519	\$519	\$519	\$519	\$519	\$519	\$519	\$519
(C) Tax for the Islands Trust	\$218	\$218	\$218	\$218	\$218	\$218	\$218	\$218	\$218
(D) Tax for school + others	\$5,845	\$5,845	\$5,845	\$5,845	\$5,845	\$5,845	\$5,845	\$5,845	\$5,845
Total Expenses (in \$000s)	\$11,436	\$12,022	\$12,216	\$12,359	\$12,509	\$12,967	\$12,967	\$12,967	\$12,967

Note: Based on 2002 service levels; actual municipal budgets would be set by the municipal council; see following text in report

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. The total spending works out to about \$105 per person, which is consistent with other municipalities in the 10,000 population range.

- **Municipal council:** As in all municipalities, the mayor and council would set their own remuneration. Based on the levels elsewhere, an allowance of \$20,000 for the mayor and \$9,000 for each of the six other councillors has been made here. In addition, an allowance of \$20,000 for travel and other expenses has been set. The total budget for the council (including members' expenses) accounts for only 1.5% of the total municipal budget.
- **Staff and wages:** A budget allowance has been made for a total of 9.5 full time equivalent staff to deal with general administration, at an average cost of about \$57,000, for a total wage cost of \$542,000 (including deductions and benefits). The average cost is based on levels found in other municipalities and includes temporary help on an occasional basis. The projected staff complement allows for an administrator, a treasurer, a clerk, and 6.5 supporting positions (assistants, accounting clerks, general clerical, etc).
- **Professional fees:** An allowance of \$45,000 has been made for legal, audit and professional services. Note that another \$10,000 in legal fees is assumed for the land use planning department (rather than the administration department).
- **Municipal hall and equipment:** It is assumed the municipal office would be in rented premises (though they could also be in a municipally-owned building, depending on financing and council's preferences). For the first several years it might be possible to operate the basic municipal functions out of the North Salt Spring Waterworks offices, but this is not a viable long term option. A total of \$150,000 per year 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. Based on the 2002 regional district budget, Salt Spring taxpayers contributed \$37,000 for Electoral Area F grants in aid.

Protective Services

- **Policing:** A Salt Spring Island municipality would be required to arrange for its own policing starting in 2007. The vast majority of municipalities opt for a contract with the RCMP instead. The province would pay for policing until April 2007; the municipality would not face its full annual policing cost until 2008.

It is expected that the current detachment operations could continue under municipal status without any meaningful change. After the phase-in period, the estimated costs to the municipality would total just over \$727,000, as follows:

- **Officers:** The contract is based on a per-officer rate (set by Ottawa) that includes salaries, benefits, equipment and other non-wage costs. The present

rate is approximately \$102,000 per officer -- for 7 officers --- and the contract would stipulate that the municipal share of this would be 70%, for a total municipal cost of \$500,000.

- The municipality would be responsible for 100% of the civilian staff costs (clerical and administrative staff), which is estimated to be a total of \$92,000 per year (including benefits and employer deductions).
 - The RCMP contract would also include a base rent of the federally-owned RCMP building at a rate of \$55,000 per year. Operating costs of the building would add another \$30,000 per year.
 - An additional allowance of \$45,000 has been included in the budget for miscellaneous policing-related costs, including \$30,000 for the municipal share of a victims assistance worker (usually matched by provincial funding, which would allow for a doubling of the current 0.5 FTE for victims services).
- *Fire protection:* The existing fire department could continue to serve Salt Spring more or less the same as now. Policy decisions on fire protection would be made by the elected council rather than by the current trustees. The fire district would be dissolved in the first year, so fire protection costs would be included in the first municipal budget. To taxpayers, the fire service would actually cost a bit *less* than under rural status, because the provincial 5.25% tax collection fee would no longer apply. In addition, some of the office administration costs now included in the separate fire budget would be included in the municipality's overall general administration budget (for example, insurance and auditing). The net cost of the fire department -- after removing some general administration items, capital/reserve/debt spending (now included separately in "fiscal services"), and the street lighting (now included in "roads and drainage") would be \$591,000 per year for the same service as now delivered by the same volunteers with the same equipment.

Like all municipalities, it would be responsible for fire inspection and prevention services everywhere on the island -- including the southwest area that is not now covered by the department -- but inspection and prevention are relatively minor cost items compared to fire suppression. Municipal fire departments usually offer fire suppression coverage for the entire municipal area rather than just a part of it (as is the case under rural status), and this arrangement is assumed here. Fire protection to the more inaccessible areas would be difficult, but the municipality would not be required to ensure equal fire service access to all corners of its boundaries. It must be diligent in using its best efforts to fight fires but that does not mean equal service for all properties.

- *Building inspection and bylaw enforcement:* As discussed in section 5.5, the building permit and inspection service is provided by the regional district now, with a full time equivalent staff of 4.2 people. Both user fees (building permit applications) and taxes are used to fund it. Salt Spring residents paid taxes of \$130,000 for their share of these costs in 2002. Based on the current CRD staffing levels and costs -- and adding in one more bylaw enforcement officer to be conservative -- it is estimated the municipality would spend \$354,000 per year on this service. Offsetting this would be revenues from issuing permits, which has averaged about \$250,000 over the last few years. For 2003, the net CRD tax of \$130,000 is used as the municipal cost, with no offsetting revenues; for 2004 and later, the full municipal cost (\$354,000) is used in the budget, with a separate revenue line of \$250,00
- *Animal control:* Salt Spring residents paid \$60,000 in CRD taxes for this service in 2002. It is reasonable to assume the new municipality could arrange a contract with

a local individual (perhaps the same as the CRD uses) for this service. Adding in other costs generally in accordance with the CRD budget, the total municipal spending is estimated at \$70,000 per year. Offsetting revenues of \$15,000 are included in the budget as well. For 2003, however, only a net cost of \$60,000 is shown, with no offsetting revenues because this service would have to be contracted back to the CRD for the first year.

- *Emergency planning:* The 2002 CRD taxes from Salt Spring taxpayers for this service are \$31,000, and a net municipal cost of \$27,600 is used after deducting the CRD's administration costs (which wouldn't apply in the municipality).

Roads and drainage

These *annual operating costs* are not the same as the *capital costs* described in Chapter 8. This operating department includes the annual costs of road maintenance, snow and ice removal, street cleaning, drainage maintenance, shoulder maintenance, street lighting and equipment. Salt Spring Island has about 255 km of roads (stated in terms of 2-lane equivalents). All of these -- including the major roads joining the ferry terminals and leading to the two provincial parks (Mt. Maxwell and Ruckle) -- would become a municipal responsibility.

The province's offer of assistance stipulates that the province will have its contractor continue to maintain all local roads at no charge to Salt Spring residents for the first five years. After that the municipality must provide or otherwise arrange for this service on its own. Even during this "free" period, however, the municipality would have to budget for a number of costs related to roads and drainage. It would have to establish an engineering function to plan, coordinate and manage the large number of road and drainage improvements discussed earlier and included in the capital budget. It would have to monitor and coordinate the private contractor's work in relation to not just its own road improvement plan but also the coordination of work on the various water systems on the island. The budget assumption used here would allow for between 3 and 4 full-time equivalent (FTE) engineering administration staff.

It would almost certainly need to acquire, operate and maintain some equipment for its engineering crew as well as for emergency corrections. It would have to arrange for and monitor the preparation of studies by specialist consultants (like geotechnical reports). Budgets for these functions have been included in the projected annual operating costs for roads and drainage.

While most municipalities in BC maintain their own roads and drainage works crews, all make some use of private contractors to some degree (for example, few municipalities run their own concrete batch plants). Given the difficulties in starting up a large new public works department for a new municipality and the generally larger costs of maintaining a full complement of municipal crews on a permanent basis, it is assumed here that the municipality would contract out the bulk of its road maintenance program to a private company. The province has contracted out road services this way for years; and three newer, smaller municipalities -- Metchosin, Highlands, and Wells -- have opted for a private contract system, as has the District of Lake Country, a municipality of 9,500 residents just north of Kelowna. Like Salt Spring, it has a long length of local roads (173 km). It provides road maintenance via a private contractor -- though it still has substantial municipal costs related to roads and drainage even with a private contract in place. This model is assumed for Salt Spring, starting in year 6, after the initial 5-year "free" period.

It is estimated that the cost of obtaining a private contract to perform the same level of maintenance that the provincial contractor has performed in the last few years would be \$872,000 per year.

In addition to the engineering costs outlined several paragraphs earlier, there would also be costs related to operations and maintenance outside of the contract's terms. In particular, the municipality would no doubt face extended costs for the maintenance of drainage systems and storm water management -- something the rural system does not provide for well. There would also be other, more minor costs associated such things as with street lights, traffic markings and signage, and miscellaneous road-related services.

The total costs of this system are projected to be just under \$1.6 million per year. As in almost all municipalities, a minor share of this total would be apportioned to the operations of the water systems, since the public works function for roads would also provide some services to the water systems (engineering, for example).

Municipal status does not mean urban roads

It is important to note that being a municipality does not mean an urban road standard must be maintained everywhere. This is especially true on the Gulf Islands, where community life generally is not as shaped by urban densities and the effects these densities have on the need for traffic management. There is nothing wrong with rural road standards in a municipality that has a rural development pattern. Many island residents may prefer to keep roads narrow and rural where practical.

Land Use and Community Planning

Under the agreement between the Islands Trust and the Ministry of Community, Aboriginal and Women's Services, an island municipality must, for the first three years, contract its land use work to the Trust and pay the same Trust taxes as it would if it remained 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 2002 Salt Spring taxpayers paid \$1,070,000 for all Trust services (excluding the provincial tax collection fee) -- \$217,000 for Trust-wide services and functions, and \$853,000 for local planning services.

After municipal incorporation, the community would continue to pay the same amount for Trust-wide matters (\$217,800) as it does under rural status, except that the provincial tax collection fee of \$11,400 would no longer have to be paid. The tax rate needed to generate this is \$0.150 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 four options: hiring municipal staff, contracting with consultants, contracting with the Islands Trust, or some combination of these choices. The Trust currently has assigned 4.6 full-time equivalent staff for Salt Spring, 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 \$853,000 that Salt Spring pays for local planning is far above the spending levels found in comparable municipalities, including those with many more people than Salt Spring.

Based on the Trust’s current staffing levels, it is estimated that the municipality could provide essentially the same level of service for just over \$400,000, as shown in the following figure. This figure is still well above the average spending level in municipalities in the 10,000-15,000 population range.

Figure 33: Projected Planning Budget for a Salt Spring Island Municipality

Wages + benefits	\$292,000
Share of general office services	\$10,000
Travel + training	\$7,000
Computer systems	\$20,000
Materials + supplies	\$5,000
Phone, copier, equip.	\$15,000
Special studies	\$10,000
Legal + advertising	\$15,000
Misc (mapping allowance, etc)	\$30,000
Total	\$404,000

Salt Spring residents take an active role in the debates and discussions about land use and development policies. It seems unlikely that changing to municipal status would reduce the involvement of residents in these matters, and so it seems unwise to assume the community planning functions could be scaled back considerably in terms of staff time, studies, and public debate without incurring a meaningful social cost.

Since one of the goals of this study is to measure the impacts of changing to municipal status *with the same service levels where possible*, it is reasonable to project the planning costs based on the same 4.6 full time equivalent staff now used by the Trust. The budget for the subdivision approval function is part of the engineering department budget (see the preceding section) rather than part of the planning department budget.

Planning-related revenues -- primarily application fees for rezoning, development permits and subdivision -- reduce the reliance on tax dollars to fund this service. These are discussed later in the revenue section of this chapter.

Recreation and Culture

This department includes the costs associated with *local* parks and recreation facilities, not with *regional* parks; a Salt Spring municipality would still pay into the regional park system just as it does now as a rural community.

Parks and recreation on Salt Spring need not change much due to municipal status even though the facilities would be transferred from the CRD to the municipality, and the 2002 CRD budgets can be used as the municipal budgets within the goal of using constant service levels in the “before-and-after” comparison of municipal status. Starting in 2004, the CRD administration charges can be removed because these are already included in the municipal budget under the “general government” category. For 2003, however, the 2002 CRD tax requisitions are used as the only municipal cost, since it is assumed that these services would still be provided by the CRD in the first year. The 2003 cost to the

municipality would thus be the same as under the 2002 tax rural system. This ensures an apples-to-apples comparison of tax impacts.

Figure 34: Parks and Recreation Budgets

	Community Parks		Pool, tennis, Mahon		Parks + Programs		Parks debt		Total Parks + Rec'n	
	Current System	Island Munic.	Current System	Island Munic.	Current System	Island Munic.	Current System	Island Munic.	Current System	Island Munic.
Revenues:										
Taxes	\$152,200	\$143,320	\$68,600	\$61,090	\$331,350	\$310,860	\$438	\$0	\$552,588	\$515,270
Prior years' surplus	\$0	\$0	\$0	\$0	\$0	\$0	\$122,402	\$120,790	\$122,402	\$120,790
Other revenues	\$31,500	\$31,500	\$44,350	\$44,350	\$20,170	\$20,170	\$0	\$0	\$96,020	\$96,020
	\$183,700	\$174,820	\$112,950	\$105,440	\$351,520	\$331,030	\$122,840	\$120,790	\$771,010	\$732,080
Expenses:										
CRD admin. charges	\$8,880	\$0	\$7,510	\$0	\$20,490	\$0	\$2,050	\$0	\$38,930	\$0
Admin - operations	\$58,340	\$58,340	\$18,830	\$18,830	\$191,640	\$191,640	\$0	\$0	\$268,810	\$268,810
Legal ¹	\$0	\$0	\$0	\$0	\$3,000	\$3,000	\$0	\$0	\$3,000	\$3,000
Wages + contracts	\$47,980	\$47,980	\$58,730	\$58,730	\$5,050	\$5,050	\$0	\$0	\$111,760	\$111,760
Other operating costs	\$52,360	\$52,360	\$27,880	\$27,880	\$76,970	\$76,970	\$0	\$0	\$157,210	\$157,210
Debt payments	\$0	\$0	\$0	\$0	\$0	\$0	\$120,790	\$120,790	\$120,790	\$120,790
Total operating	\$167,560	\$158,680	\$112,950	\$105,440	\$297,150	\$276,660	\$122,840	\$120,790	\$700,500	\$661,570
Capital spending ²	\$11,000	\$11,000	\$0	\$0	\$54,370	\$54,370	\$0	\$0	\$65,370	\$65,370
Transfer to reserves ²	\$5,140	\$5,140	\$0	\$0	\$0	\$0	\$0	\$0	\$5,140	\$5,140
Total spending	\$183,700	\$174,820	\$112,950	\$105,440	\$351,520	\$331,030	\$122,840	\$120,790	\$771,010	\$732,080

¹ Included separately in "general gov't" section of municipal budget

² Included separately under the "fiscal services" category in the municipal budget

Note: The municipal budgets apply in year 2 and later; the yr.1 cost is just the CRD tax requisition

Fiscal Services

The municipality's annual budget would include various costs related to capital, saving, and banking.

- *Transfers to reserves:* Almost all municipalities of Salt Spring's size use a portion of their taxes to build up reserves for future expenditures (usually capital expenditures rather than normal operating expenditures). A budget allowance of \$145,000 per year has been included in the municipal projections.

Figure 35: On-Going Transfers to Reserves (every year)

Service or Dep't	Source	Annual amount
Parks and rec'n	2002 CRD budget	\$5,000
Building inspection	2002 CRD budget	\$0
Animal control	Allowance only	\$2,000
Fire dep't	2002 fire budget	\$100,915
Ongoing other serv.	Allowance only	\$50,000
Total transfers per yr		\$157,915

- *Ongoing capital spending:* As discussed in section 8.5 earlier, these are ongoing, "normal" capital spending amounts that form part of a municipality's longer term capital program; they are not the same as *short term* infrastructure works. In addition to a basic \$150,000 for items other than roads, the two levels include these amounts (as discussed in section 8.3 earlier):
 - Rural road spending level (\$2.4 million over 9 years): The current amount spent on road improvements by the province is about \$273,000 per year.
 - More likely level (\$10 million over 9 years): An annual allowance of \$650,000 has been allocated for ongoing municipal spending on "normal" capital works (as opposed to *short term* rehabilitation and startup costs). It is expected that most of this would be used for roads and drainage works.

- *Transfer of surplus taxes to the capital fund:* As discussed earlier, the gradual rise in the municipal tax rate would generate surplus revenues in the first few years because the municipality would not have yet inherited its full slate of cost responsibilities (like road maintenance and policing). These surplus funds can be put into the capital fund to help pay for the short term infrastructure improvements (mainly road and drainage works). See also section 8.6 earlier.
- *Bank charges and interest:* Like virtually all municipalities, a Salt Spring 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). The interest cost projections are based on borrowing up to 50% of the annual tax total during the first half of the year.

Collections for Other Governments

While the municipality would be the property tax collector for other agencies, it has no control over their tax rates and levies. The collections appear on both the revenue and expense sides of the municipal budget and are included in the before-and-after tax comparisons later on.

- *Regional District:* Salt Spring would still be a member of the Capital Regional District, but only for region-wide services rather than local services. The tax requisition for the CRD would amount to \$519,000, as discussed in Chapter 5.
- *Islands Trust:* As discussed in Chapter 4, Salt Spring would continue to participate in the operations and financing of the Trust Council, the Executive Committee, and the Trust Fund Board. In 2002 Salt Spring properties paid taxes of \$218,000 (excluding the provincial tax collection fee) for these three Trust functions.
- *School and others:* Taxes for schools, the regional hospital district, the Municipal Finance Authority, and the BC Assessment Authority would not be affected by municipal incorporation. The figures used here are the 2002 tax levies.

9.4 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. *An 8-year phase-in of municipal taxes has been assumed here* (rates are discussed in the next chapter). This generates surplus revenues in the early years, before the municipality has inherited responsibility for its full slate of services. For example, full roads maintenance costs would not be faced until year 6. The surplus funds are transferred to the capital fund to help finance capital improvements in the early years. Note that more tax dollars are needed for the \$10 million road improvement program than for the unlikely rural spending level of \$2.5 million. *Higher capital spending -- in this case, better roads -- would mean higher taxes.*

Note that council could adopt a different tax phase-in policy, like 5 years or even no phase-in at all (full tax load starting in the first year).

Figure 36: Projected Municipal Revenues - Rural Road Spending Levels
(\$2.5 million)

All figures in \$000s (constant \$)	2003	2004	2005	2006	2007	2008	2009	2010	2011
Taxes and grants in lieu									
General municipal tax	\$4,325	\$4,403	\$4,481	\$4,559	\$4,637	\$4,720	\$4,798	\$4,876	\$4,876
1% Utility tax + Hydro grants	--	\$52	\$105	\$105	\$105	\$105	\$105	\$105	\$105
BC Ferries and other grants	\$7	\$7	\$7	\$7	\$7	\$7	\$7	\$7	\$7
Sales of services									
Rec'n facilities and programs	--	\$96	\$96	\$96	\$96	\$96	\$96	\$96	\$96
Revenue from own sources									
Business+ vehicle licences	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25
Building permits, fees, surplus	--	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250
Development + zoning fees	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30
Fines, other licences, other permit	\$10	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25
Interest on current revenues	\$27	\$29	\$30	\$28	\$32	\$40	\$40	\$40	\$40
Tax penalties + interest	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
Fines (incl. traffic share)	\$10	\$10	\$10	\$10	\$10	\$10	\$20	\$20	\$20
Internal charges + recoveries	\$50	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75
Other revenues									
Provincial local gov't grant	\$179	\$179	\$179	\$179	\$179	\$179	\$179	\$179	\$179
Commission on school tax	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13
Conditional grants + tsfrs	\$8	\$8	\$8	\$8	\$8	\$8	\$8	\$8	\$8
Miscellaneous revenues	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40
Transfer from the Capital Fund	--	--	--	--	--	\$335	\$247	\$169	\$169
(A) Rev for municipal use (\$000s)	\$4,774	\$5,292	\$5,423	\$5,499	\$5,581	\$6,007	\$6,007	\$6,007	\$6,007
(B) Tax for Regional District	\$519	\$519	\$519	\$519	\$519	\$519	\$519	\$519	\$519
(C) Tax for the Islands Trust	\$218	\$218	\$218	\$218	\$218	\$218	\$218	\$218	\$218
(D) Tax for school + others	\$5,845	\$5,845	\$5,845	\$5,845	\$5,845	\$5,845	\$5,845	\$5,845	\$5,845
Total revenues (in \$000s)	\$11,356	\$11,874	\$12,006	\$12,082	\$12,164	\$12,590	\$12,590	\$12,590	\$12,590

Note: Based on 2002 service levels; actual municipal budgets would be set by the municipal council; see following text in report

Figure 37: Projected Municipal Revenues - More Likely Road Works (\$10 million)

All figures in \$000s (2002 \$)	2003	2004	2005	2006	2007	2008	2009	2010	2011
Taxes and grants in lieu									
General municipal tax	\$4,385	\$4,531	\$4,671	\$4,817	\$4,963	\$5,109	\$5,255	\$5,400	\$5,400
1% Utility tax + Hydro grants	--	\$52	\$105	\$105	\$105	\$105	\$105	\$105	\$105
BC Ferries and other grants	\$7	\$7	\$7	\$7	\$7	\$7	\$7	\$7	\$7
Sales of services									
Rec'n facilities and programs	--	\$96	\$96	\$96	\$96	\$96	\$96	\$96	\$96
Revenue from own sources									
Business+ vehicle licences	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25
Building permits, fees, surplus	--	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250
Development + zoning fees	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
Fines, other licences, other permit	\$10	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25
Interest on current revenues	\$27	\$29	\$30	\$28	\$32	\$40	\$40	\$40	\$40
Tax penalties + interest	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
Fines (incl. traffic share)	\$10	\$10	\$10	\$10	\$10	\$10	\$20	\$20	\$20
Internal charges + recoveries	\$50	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75
Other revenues									
Provincial local gov't grant	\$179	\$179	\$179	\$179	\$179	\$179	\$179	\$179	\$179
Commission on school tax	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13
Conditional grants + tsfrs	\$8	\$8	\$8	\$8	\$8	\$8	\$8	\$8	\$8
Miscellaneous revenues	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40
Transfer from the Capital Fund	--	--	--	--	--	\$304	\$148	\$2	\$2
(A) Rev for municipal use (\$000s)	\$4,853	\$5,439	\$5,633	\$5,777	\$5,927	\$6,384	\$6,384	\$6,384	\$6,384
(B) Tax for Regional District	\$519	\$519	\$519	\$519	\$519	\$519	\$519	\$519	\$519
(C) Tax for the Islands Trust	\$218	\$218	\$218	\$218	\$218	\$218	\$218	\$218	\$218
(D) Tax for school + others	\$5,845	\$5,845	\$5,845	\$5,845	\$5,845	\$5,845	\$5,845	\$5,845	\$5,845
Total revenues (in \$000s)	\$11,436	\$12,022	\$12,216	\$12,359	\$12,509	\$12,967	\$12,967	\$12,967	\$12,967

Note: Based on 2002 service levels; actual municipal budgets would be set by the municipal council; see following text in report

- *Other taxes:* Under s.353 of the Local Government Act, the municipality would collect 1% of the gross sales of telephone, cable TV and hydro services to Salt Spring 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 2005. BC Hydro grants in lieu of taxes and minor grants in lieu of taxes from senior governments have also been assumed. The assumed levels for Salt Spring are based on 2002 budgets in other municipalities.
- *BC Ferries:* The municipality would share in the grants in lieu program of BC Ferries because of its terminals on the Island. The estimates used here were calculated by the province.

Sales of Services

The current user fees collected by the regional district from its recreation facilities and programs would become municipal revenues after the services are transferred to the municipality -- starting in 2004. The letters patent specify that recreation facilities and services must be contracted back to the CRD for 2003, so no recreation revenues are included here for 2003. It is assumed the CRD would pay all costs, collect all revenues, and bill Salt Spring for the difference -- just as now. The tax figures for 2003 -- and the annual costs, user fees, and other associated revenues after 2003 -- are from the 2002 CRD budgets (see Chapter 5). This allows an apples-to-apples comparison of the impacts of municipal status with 2002 rural status.

Revenues From Own Sources

- *Licences:* A minor amount of revenue has been assumed from business licences and the issuance of municipal vehicle 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:* For 2003, no revenues are included because this service would still be provided by the CRD, and the municipality would simply pay the same tax load as under the current rural system. For 2004 and on, after the municipality is responsible for the costs and revenues, the CRD permit fee levels are assumed for the new municipality.
- *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 revenues on bank deposits during the last half of the year are calculated at 75% of the interest charges on loans in the first half of the year (see "fiscal services" discussion in preceding section).
- *Tax penalties:* Municipalities levy a penalty on taxpayers who pay late. The assumed level for Salt Spring is based on levels found in other municipalities, on a per capita basis.
- *Animal control, fines, other licences:* Municipalities get revenues from various bylaw infraction fines (like parking), miscellaneous licences (like special municipal vehicle plates for commercial vehicles), and a share of the provincial motor vehicle violation fines (speeding, etc); a \$15,000 sum has been projected for this. In addition, the municipality would earn revenue from the animal control function; based on the actual 2002 CRD budgets (for an apples-to-apples comparison), the island's revenue from this source is estimated at \$15,000 per year, starting 2004.

For 2003, the CRD would still provide this service on the island and collect all revenues itself; Salt Spring would only pay the rural tax load for this service in 2003.

- *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 various water systems. Municipal status and the eventual dissolution of the improvement districts would mean lower administration costs for each water district because the general municipal budget would include various costs that were formerly part of the water system charges. By charging the water systems their original share of administration costs, their original tax levels can be maintained and municipal incorporation would have a neutral effect on water taxes.

Other Revenues

- *Provincial grants:* All smaller municipalities in BC receive two grants from the provincial government -- a small communities protection grant and an equalization grant. The amount used here is based on the 2002 formulas. There is always a chance that future grant levels will fall, but this has not been factored into the analysis because the goal is to present a snapshot of “before-and-after” taxes based on 2002 service levels and other financial rules as much as possible. Holding the 2002 level constant is the only way to adhere to this goal. (Similarly, no changes are assumed to the rural system of taxes either, though these too will surely change in the future.)
- *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.
- *Interest from the Capital Fund:* The interest on the closing balance in the Capital Fund can be used to reduce the need for taxes. 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 interest on the closing balance under the rural level of road improvement spending is much larger than the one produced by the enhanced road improvement spending case.* This is because the Capital Fund will have a much larger balance if fewer funds are spent on road improvements.

Collections for other governments

As discussed at the end of section 9.3, the municipality would be the collection agency for school taxes, CRD regional service taxes, Islands Trust trust-wide services, regional hospital district taxes, Municipal Finance Authority taxes, and BC Assessment Authority taxes. These tax collections appear equally on both the revenue and expense sides of the municipal budget and they have no effect on the municipal tax rates. They are shown at the bottom of the preceding three tables.

9.5 Summary of Municipal Budget Projections

The figure below 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.

The budget projections are based on constant 2002 service levels -- but service levels will change over time

As stressed before, the setting of municipal budget and service policies 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.*

Note again that two budgets have been presented: one with a continuation of the rural spending level on road improvements (useful for the apples to apples comparison of tax impacts), and the more likely one with greater spending on road improvements.

Figure 38: Summary of Annual Municipal Budget Projections (after 8 years)

	Rural Level Road Works (\$2.5m)	More Likely Road Works (\$10.0m)
Revenues:		
Taxes for municipal use	\$4,876,000	\$5,400,000
Utility + other grants in lieu	\$112,000	\$112,000
Recreation revenues	\$96,000	\$96,000
Building + development fees	\$280,000	\$300,000
Interest and tax penalties	\$90,000	\$90,000
Provincial grant	\$179,000	\$179,000
Internal recoveries	\$75,000	\$75,000
Other (incl. int on capital fund)	\$299,000	\$132,000
Revenue for municipal use	\$6,007,000	\$6,384,000
Capital Regional Dist. taxes	\$519,000	\$519,000
Taxes for Islands Trust	\$218,000	\$218,000
School and other taxes	\$5,845,000	\$5,845,000
Total Revenues	\$12,590,000	\$12,967,000
Expenses:		
Gen. administration	\$1,005,000	\$1,005,000
Police protection	\$727,000	\$727,000
Fire protection	\$591,000	\$591,000
Other protective services	\$98,000	\$98,000
Roads and drainage	\$1,572,000	\$1,572,000
Community planning	\$404,000	\$404,000
Parks + recreation	\$595,000	\$595,000
Capital spending	\$453,000	\$830,000
Reserves + misc	\$562,000	\$562,000
Cost of municipal services	\$6,007,000	\$6,384,000
Capital Regional Dist. taxes	\$519,000	\$519,000
Taxes for Islands Trust	\$218,000	\$218,000
School and other taxes	\$5,845,000	\$5,845,000
Total Spending	\$12,590,000	\$12,967,000

Represents a normal year, after all short term grants have been used

9.6 Apples to Apples Comparisons

In order to isolate the effects of municipal status from the effects of factors like population growth, the budgets presented above try to use an apples to apples comparison. Wherever possible, the current rural service levels have been factored into the municipal budget.

For some services and functions this is fairly easy, as their 2002 rural spending could simply be adopted by the municipal council. For others, there is no clear financial counterpart under the municipal system, and the municipal budget for these items must be based on experiences elsewhere rather than on a rural equivalent.

Figure 39: Comparison of Municipal Budget Sources

Apples to apples (ie, rural service levels can be used for the municipal budget)	No rural counterpart (municipal budgets are based on other factors)
Parks and recreation facilities and programs	Mayor and council
Building inspection	Most municipal administration costs
Library funding costs	Overseeing road and drainage maintenance
Road maintenance (but not engineering or administration of maintenance contract)	Engineering and administration of road maintenance contract
Animal control	Road and drainage improvements and rehabilitation
Land use planning	
Fire protection	
Policing	
Emergency plan preparation	
Grants to community groups	
Street light costs	

Property Tax Impacts

10.1 Tax Rates

Key assumption: Tax rates would be phased in

It is assumed that tax rises would be phased in gradually over the first eight years, but this would be up to council. The shorter the phase-in period, the lower the eventual tax rate.

Municipalities choose the *relative* tax rates among property classes, whereas most rural property tax ratios are set by the provincial government. 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 business property rate at 2.9 times the residential rate, *because this ratio would produce the same proportionate tax changes for both homes and stores*. Under the rural system, the multiple for stores ranges from 2.45 (for Islands Trust, fire, hospital and CRD taxes) to 3.7 (for the provincial rural tax). The 2.9 figure is within this range.

The letters patent would restrict the municipality to using the prevailing rural tax rate for the farm properties -- currently, \$0.50 per \$1000 of assessed land value. Note that the rural rate applies to farm land only -- not to farm *houses*, which must pay the ordinary residential tax rate (though this change would be phased in over eight years).

Figure 40: Projected Property Tax Rates for Homes (after 8 years)

Municipal tax rate is reached after 8 years	Rural Status (2002 Rates)	Island Municipality	
		Rural Level Road Works (\$2.5m)	More Likely Road Works (\$10.0m)
(A) Tax rates per \$1000			
Municipal tax	--	\$3.318	\$3.675
CRD admin + parks	\$0.672	<i>incl. above</i>	<i>incl. above</i>
Fire protection tax	\$0.528	<i>incl. above</i>	<i>incl. above</i>
Islands Trust	\$0.776	\$0.150	\$0.150
Provincial rural tax	\$1.040	--	--
CRD regional services	\$0.376	\$0.357	\$0.357
School, hospital, others	\$3.985	\$3.985	\$3.985
Subtotal	\$7.377	\$7.810	\$8.167
(B) Island-wide parcel tax			
Septage + liquid waste*	\$25	\$24	\$24

* CRD tax under rural status; added to municipal tax after incorporation

Figure 41: Projected Property Tax Rates for Businesses (after 8 years)

Municipal tax rate is reached after 8 years	Rural Status (2002 Rates)	Island Municipality	
		Rural Level Road Works (\$2.5m)	More Likely Road Works (\$10.0m)
(A) Tax rates per \$1000			
Municipal tax	--	\$9.622	\$10.658
CRD admin + parks	\$1.646	<i>incl. above</i>	<i>incl. above</i>
Fire protection tax	\$1.294	<i>incl. above</i>	<i>incl. above</i>
Islands Trust	\$1.901	\$0.368	\$0.368
Provincial rural tax	\$3.700	--	--
CRD regional services	\$0.921	\$0.875	\$0.875
School, hospital, others	\$11.190	\$11.190	\$11.190
Subtotal	\$20.652	\$22.055	\$23.091
(B) Island-wide parcel tax			
Septage + liquid waste*	\$25	\$24	\$24
(C) Specified area taxes			
Ganges sewer (CRD)	\$118	\$112	\$112

* CRD tax under rural status; added to municipal tax after incorporation

Figure 42: Projected Property Tax Rates for Farm Property (immediate)

Municipal tax rate is reached right away	Rural Status (2002 Rates)	Island Municipality	
		Rural Level Road Works (\$2.5m)	More Likely Road Works (\$10.0m)
(A) Tax rates per \$1000			
Municipal tax	--	\$0.500	\$0.500
CRD admin + parks	\$0.672	<i>incl. above</i>	<i>incl. above</i>
Fire protection tax	\$0.528	<i>incl. above</i>	<i>incl. above</i>
Islands Trust	\$0.776	\$0.150	\$0.150
Provincial rural tax	\$0.500	--	--
CRD regional services	\$0.376	\$0.357	\$0.357
School, hospital, others	\$7.353	\$7.353	\$7.353
Subtotal	\$10.205	\$8.360	\$8.360
(B) Island-wide parcel tax			
Septage + liquid waste*	\$25	\$24	\$24

* CRD tax under rural status; added to municipal tax after incorporation

10.2 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 Salt Spring home has a property assessment of \$245,000. Taxes vary with assessed value, so lower priced homes would pay less and more expensive ones would pay more. The septic parcel tax has been shifted from the CRD to the municipal tax in the following impact tables and charts.

The home owner grant has *not* been deducted from the taxes (rural *or* municipal) because most residents already make full use of the grant. Of the 4700 homes, a maximum of only 200 might have not used their full grant, and some of these are not eligible for a grant because it is not the owner's principal residence.

Figure 43: Property Taxes on an Average Salt Spring Home

	Rural System	Island Municipality			
		Rural Level Road Works (\$2.5m)		More Likely Road Works (\$10.0m)	
		Island Munic.	Change	Island Munic.	Change
Provincial rural tax	\$255	\$0	-\$255	\$0	-\$255
Municipal tax	\$0	\$837	\$837	\$924	\$924
Fire protection	\$129	<i>inc above</i>	-\$129	<i>inc above</i>	-\$129
Islands Trust tax	\$190	\$37	-\$153	\$37	-\$153
Regional district	\$282	\$87	-\$195	\$87	-\$195
School and others	\$976	\$976	\$0	\$976	\$0
Total taxes	\$1,832	\$1,937	\$105	\$2,024	\$192

\$245,000 asmnt; excl. water + sewer charges; before home owner grant

Figure 44: Tax Impacts on Various Home Assessments (after 8 years)

Property asmnt	Rural System	Island Municipality			
		Rural Level Road Works (\$2.5m)		More Likely Road Works (\$10.0m)	
		Island Munic.	Change	Island Munic.	Change
\$100,000	\$763	\$805	\$42	\$841	\$78
\$150,000	\$1,132	\$1,196	\$64	\$1,249	\$117
\$200,000	\$1,500	\$1,586	\$86	\$1,657	\$157
\$250,000	\$1,869	\$1,977	\$108	\$2,066	\$197
\$300,000	\$2,238	\$2,367	\$129	\$2,474	\$236
\$350,000	\$2,607	\$2,758	\$151	\$2,882	\$275
\$400,000	\$2,976	\$3,148	\$172	\$3,291	\$315
\$450,000	\$3,345	\$3,539	\$194	\$3,699	\$354
\$500,000	\$3,714	\$3,929	\$215	\$4,108	\$394
\$550,000	\$4,082	\$4,320	\$238	\$4,516	\$434
\$600,000	\$4,451	\$4,710	\$259	\$4,924	\$473

Excludes local water and sewer charges; before home owner grant

Figure 45: Tax Impacts on an Average Salt Spring Home (per year)

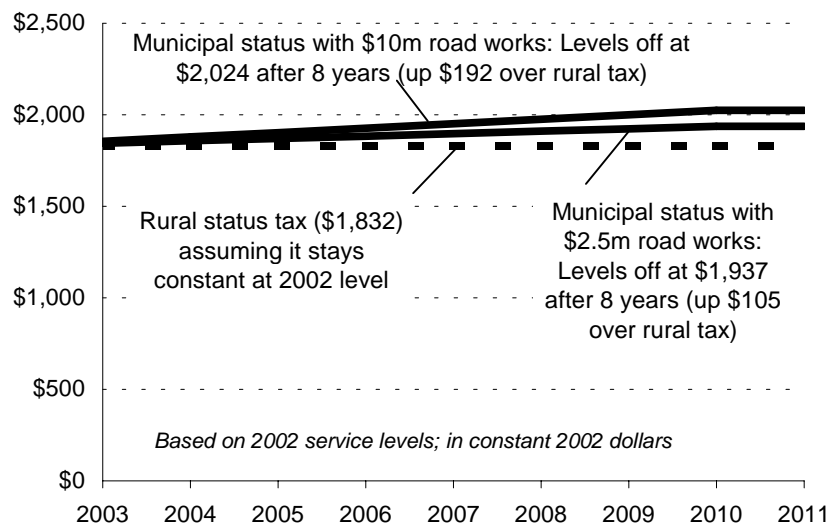
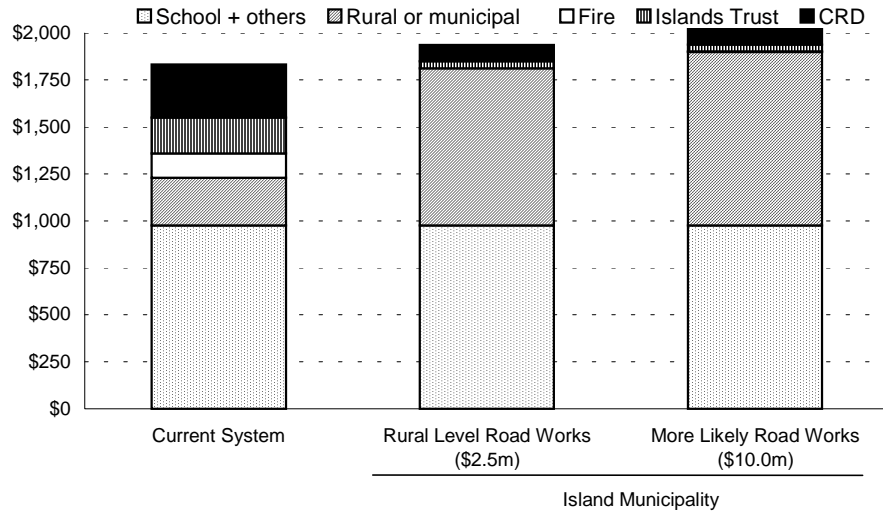


Figure 46: Summary of Tax Change on an Average Home (after 8 years)



\$245,000 asmnt; excl. water + sewer charges; before home owner grant; based on 2002 service levels

10.3 Property Tax Impacts on a Vacant Residential Lot

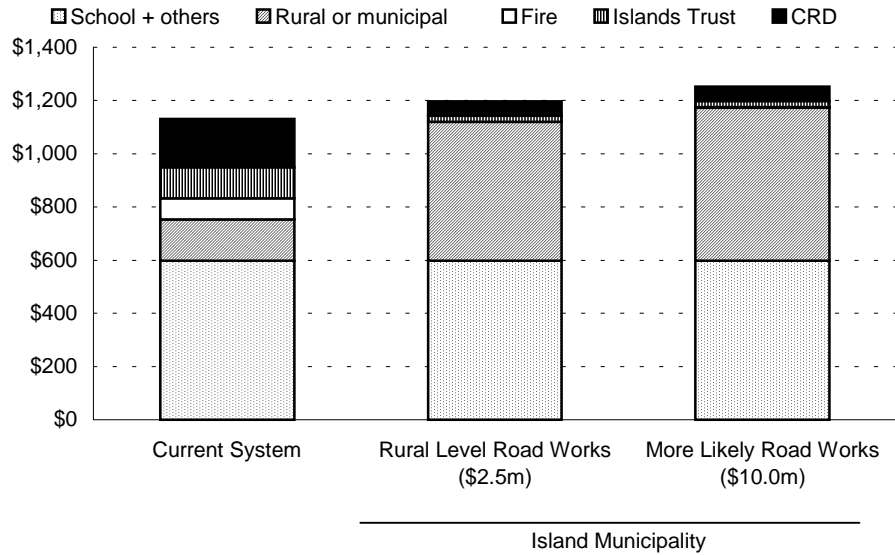
There are just over 900 vacant residential lots (residential here means assessment class 1), and their average assessed value is \$150,000. The tables below show the projected tax impacts on them.

Figure 47: Property Taxes on an Average Vacant Salt Spring Lot (after 8 years)

Tax changes after 8 years	Island Municipality				
	Rural System	Rural Level Road Works (\$2.5m)		More Likely Road Works (\$10.0m)	
		Island Munic.	Change	Island Munic.	Change
Provincial rural tax	\$156	\$0	-\$156	\$0	-\$156
Municipal tax*	\$0	\$522	\$522	\$575	\$575
Fire protection	\$79	\$0	-\$79	\$0	-\$79
Islands Trust tax	\$116	\$23	-\$93	\$23	-\$93
Regional district tax	\$182	\$54	-\$128	\$54	-\$128
School and others	\$598	\$598	\$0	\$598	\$0
Total taxes	\$1,131	\$1,197	\$66	\$1,250	\$119

Average vacant residential lot is assessed at \$150,000

Figure 48: Summary of Taxes on an Average Vacant Lot (after 8 years)



Total change after 8 yrs; based on 2002 service levels and costs; constant 2002 \$

10.4 Property Tax Impacts on Businesses

The average Salt Spring business has an assessed value of about \$250,000, though there are a few properties very much above this average.

Figure 49: Property Taxes on a Business (after 8 years)

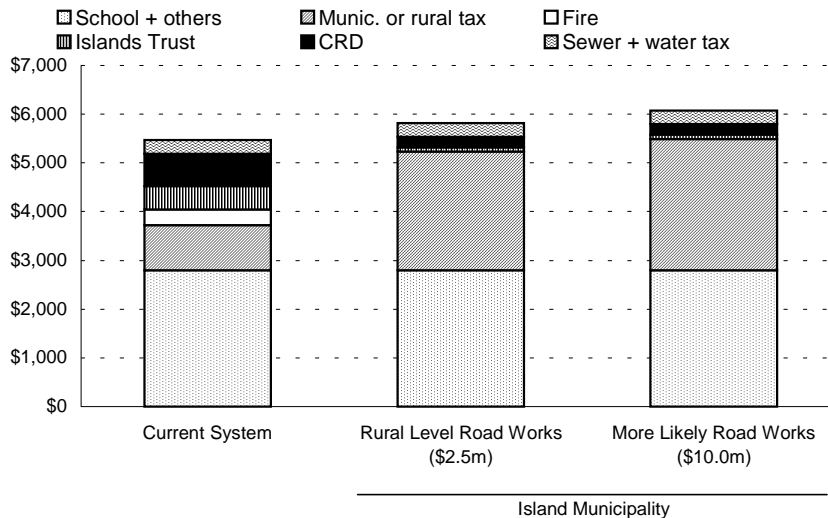
Tax changes after 8 years	Island Municipality				
	Rural System	Rural Level Road Works (\$2.5m)		More Likely Road Works (\$10.0m)	
		Island Munic.	Change	Island Munic.	Change
Provincial rural tax	\$925	\$0	-\$925	\$0	-\$925
Municipal tax*	\$0	\$2,430	\$2,430	\$2,688	\$2,688
Fire protection	\$323	<i>inc above</i>	-\$323	<i>inc above</i>	-\$323
Islands Trust tax	\$475	\$92	-\$383	\$92	-\$383
Regional district tax	\$667	\$219	-\$448	\$219	-\$448
Sewer + water taxes^	\$283	\$277	-\$6	\$277	-\$6
School and others	\$2,798	\$2,798	\$0	\$2,798	\$0
Total taxes	\$5,471	\$5,816	\$345	\$6,074	\$603

Based on \$250,000 property asmnt; excl. water + sewer user fees, which vary

Figure 50: Property Taxes with Various Business Assessments (after 8 years)

Tax changes after 8 years	Island Municipality				
	Rural System	Rural Level Road Works (\$2.5m)		More Likely Road Works (\$10.0m)	
		Island Munic.	Change from rural	Island Munic.	Change from rural
Asmnt					
\$100,000	\$2,373	\$2,507	\$134	\$2,610	\$237
\$150,000	\$3,406	\$3,609	\$203	\$3,765	\$359
\$200,000	\$4,438	\$4,712	\$274	\$4,919	\$481
\$250,000	\$5,471	\$5,815	\$344	\$6,074	\$603
\$300,000	\$6,504	\$6,918	\$414	\$7,228	\$724
\$350,000	\$7,536	\$8,020	\$484	\$8,383	\$847
\$400,000	\$8,569	\$9,123	\$554	\$9,537	\$968
\$450,000	\$9,601	\$10,226	\$625	\$10,692	\$1,091

Figure 51: Property Tax Impact on a Typical Business (after 8 years)



10.5 Tax Impacts on Vacant Farms

Farm land is land that has been designated as assessment class 9 by the BC Assessment Authority. It is land actually used to produce agricultural products. ALR land not used for farming is class 1 land (residential), not class 9 land. There are 78 properties on Salt Spring that have at least some vacant, class 9 farm land -- though 12 of these also contain some class 1 land (residential). The average assessment is about \$10,000 per property folio for the class 9 land.

Municipal tax rate can't exceed the rural rate for farm land

The municipal council must limit its tax rate on farm land to no more than the prevailing rural tax rate -- in 2002, \$0.50 per \$1000 assessment. Such a policy would have virtually no effect on the municipality's finances, since farm land accounts for only 0.5% of the island's tax base. This restriction of the tax rate would be imposed on the new municipality by the province.

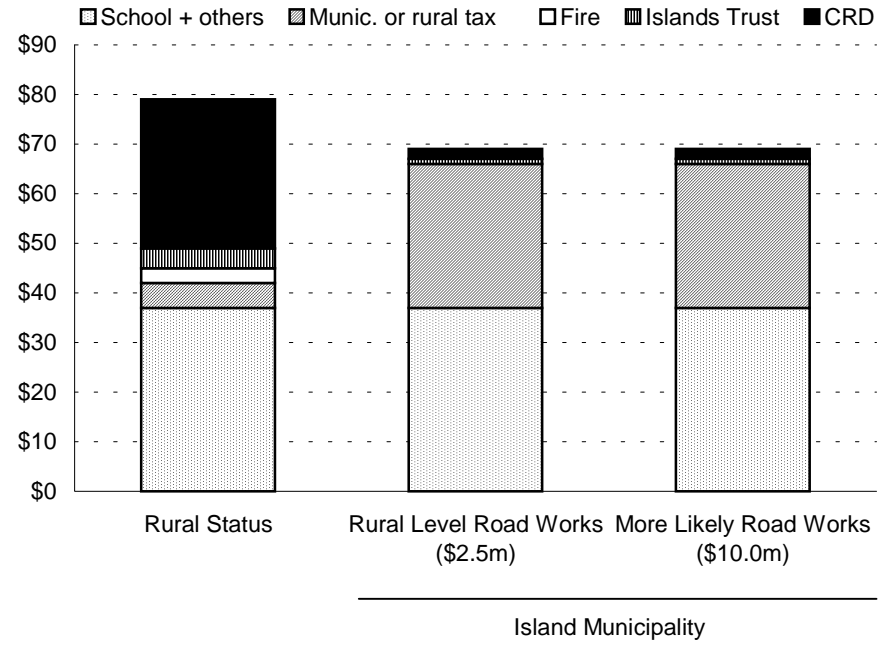
Figure 52: Projected Taxes on Vacant Farm Properties (immediate)

	Rural System	Island Municipality			
		Rural Level Road Works (\$2.5m)		More Likely Road Works (\$10.0m)	
		Island Munic.	Change	Island Munic.	Change
Provincial rural tax	\$5	\$0	-\$5	\$0	-\$5
Municipal tax	\$0	\$29	\$29	\$29	\$29
Fire protection	\$3	<i>inc above</i>	-\$3	<i>inc above</i>	-\$3
Islands Trust tax	\$4	\$1	-\$3	\$1	-\$3
Regional district taxes	\$30	\$2	-\$28	\$2	-\$28
School and others	\$37	\$37	\$0	\$37	\$0
Total taxes	\$79	\$69	-\$10	\$69	-\$10

Because the municipal tax could not exceed the prevailing rural rate for farm land, the tax saving would be the same no matter how much is spent on road improvements

Average farm land property assessment = \$10,000

Figure 53: Summary of Taxes on Vacant Farm Properties (immediate)



10.6 Homes on Farm Land

Property taxes on farms with homes are much more complicated than taxes on ordinary homes. There are 235 properties that have some farm land (class 9) plus a building.

- The farm land has its own, separate tax rate category (class 9).
- Most 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. There are 136 homes in this category. Farm buildings that are not homes (for example, barns or storage facilities) would retain their assessment exemption of up to \$50,000.

The tax rate for farm land can be different than the rate for the farm house itself. As noted earlier, the municipal tax rate on farm land would be kept at or below the rural tax rate (\$0.50 per \$1000). The ordinary residential rate would apply to the farm home. The

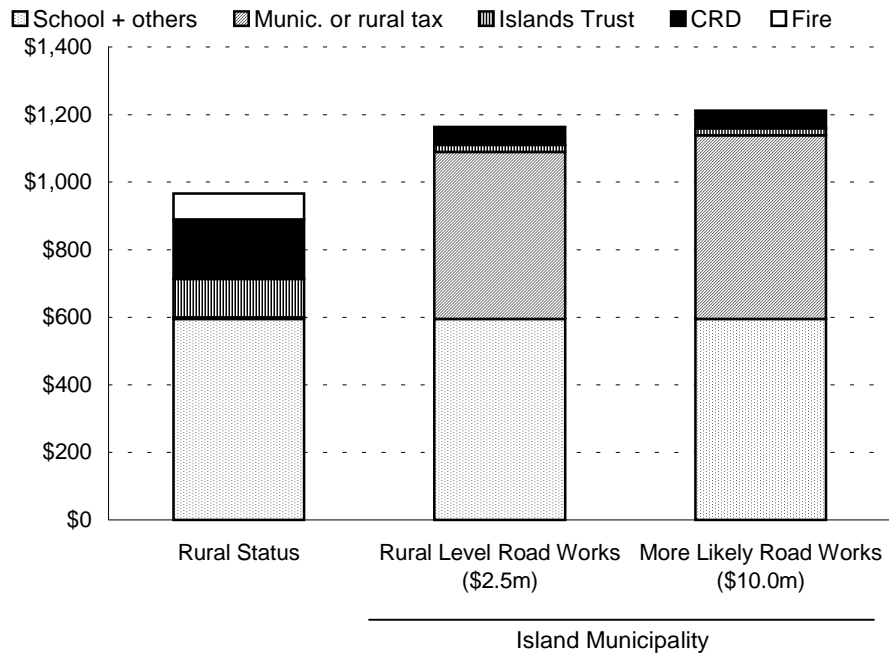
average assessed value on farm land is about \$10,000. The average assessed value of a house on farm land is about \$140,000, for a total of \$150,000.

Figure 54: Projected Taxes on Farm Properties With Homes (after 8 years)

Tax changes after 8 years	Island Municipality				
	Rural System	Rural Level Road Works (\$2.5m)		More Likely Road Works (\$10.0m)	
		Island Munic.	Change	Island Munic.	Change
Provincial rural tax	\$5	\$0	-\$5	\$0	-\$5
Municipal tax	\$0	\$494	\$494	\$543	\$543
Fire protection	\$77	inc above	-\$77	inc above	-\$77
Islands Trust tax	\$113	\$22	-\$91	\$22	-\$91
Regional district taxes	\$177	\$52	-\$125	\$52	-\$125
School and others	\$595	\$595	\$0	\$595	\$0
Total taxes	\$967	\$1,163	\$196	\$1,212	\$245

Avg property asmnt = \$150,000 (\$10,000 land + \$140,000 house); before grant

Figure 55: Summary of Taxes on a Farm With A Home (after 8 years)



10.7 ALR Property

Land designated as ALR is either farm land (class 9) if it is used for an agricultural purpose, or residential (class 1) if it is not. The case of a home on class 9 ALR land was examined in the preceding section; the case of a vacant ALR property that is a working farm was examined in section 10.4 earlier. The current section deals with ALR land with a home, where the land is not a farm but is residential (class 1).

As assessment class 1, the land assessment is 50% exempt for regional district, fire, and Islands Trust taxes. In a municipality, the land has no exemption for purposes of the municipal tax, but retains the exemptions for CRD, fire and Trust taxes. However, since some of the costs of these three services shift to the municipal budget -- where the land

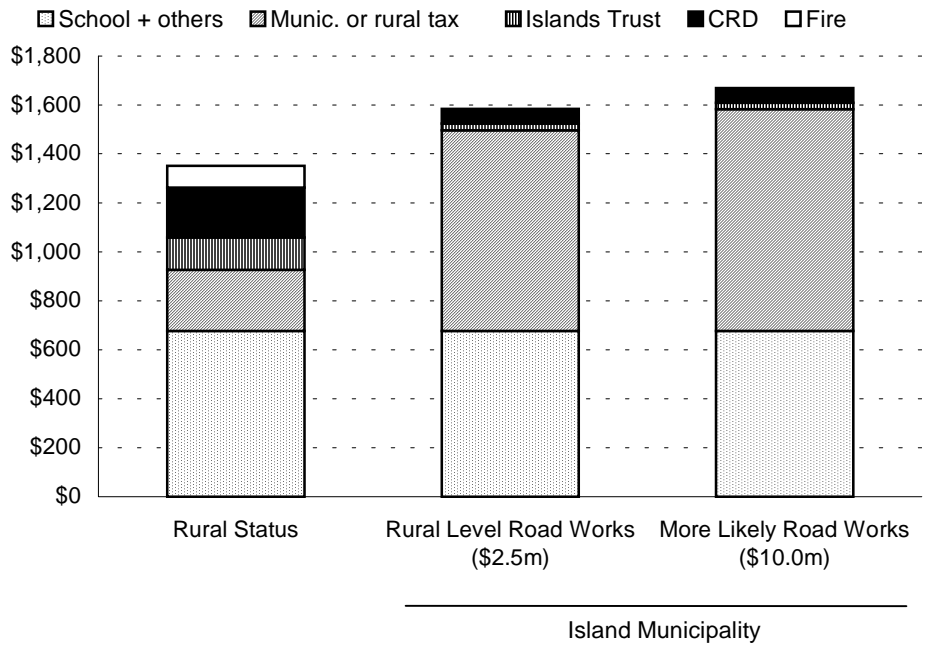
loses its 50% exemption -- the impact on a home in the ALR is greater than the impact on a normal home with the same assessed value.

Figure 56: Tax Impacts on a Home on ALR Land Which Is Not a Farm (after 8 years)

Tax changes after 8 years	Island Municipality				
	Rural System	Rural Level Road Works (\$2.5m)		More Likely Road Works (\$10.0m)	
		Island Munic.	Change	Island Munic.	Change
Provincial rural tax	\$250	\$0	-\$250	\$0	-\$250
Municipal tax	\$0	\$820	\$820	\$906	\$906
Fire protection	\$90	<i>inc above</i>	-\$90	<i>inc above</i>	-\$90
Islands Trust tax	\$132	\$26	-\$106	\$26	-\$106
Regional district taxes	\$203	\$61	-\$142	\$61	-\$142
School and others	\$677	\$677	\$0	\$677	\$0
Total taxes	\$1,352	\$1,584	\$232	\$1,670	\$318

Avg assessment = \$240,000; before home owner grant; excludes water + sewer

Figure 57: Summary of Taxes on an ALR Home (after 8 years)



Chapter 11
What If ...

11.1 Introduction

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

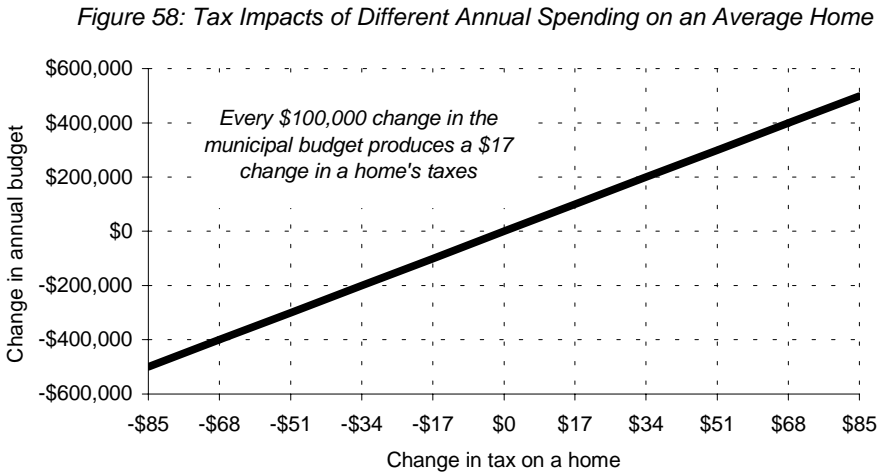
This chapter examines the tax impacts of different assumptions. Expressed in the form of questions, they are as follows:

- What if the municipality spends less, or more, on its operating budget?
- What if the municipality spends less, or more, on infrastructure improvements?
- What if the community grows rapidly?
- What if the rural tax rate is raised?

11.2 Different Operating Costs

The municipal 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 2002 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 every \$100,000 change in annual municipal operating costs would mean a \$17 change in taxes.



11.3 Different Infrastructure Costs

What would happen if \$1 million *less* was spent on capital (or, alternatively, if the same amounts are spent but \$1 million comes from additional grants or developer contributions)? Or what if capital spending *rises* by \$1 million?

The easiest way to test this is to assume the \$1 million is financed by a long term loan. At current interest rates, the annual cost of a \$1 million loan is close to \$100,000 per year. As shown immediately above, every \$100,000 change in municipal spending produces an \$17 change in taxes on an average home. Thus every \$1 million in additional -- or reduced -- infrastructure spending would mean a rise, or fall, of \$17 in taxes on a home.

11.4 Community Growth

The tax projections are based on keeping as many things constant as possible for the comparison of rural status and municipal status. This includes “snap shot” approach that freezes the community’s population for the analysis. What would happen if Salt Spring’s year-round population grows rapidly -- say, to 15,000? This is a 50% growth over the present level.

A comprehensive look at the costs of growth is beyond the scope of this restructure study, but some observations may help put the matter in focus. Remember, the issue here is not the *absolute* change in community spending that growth could bring but the *differences* between the changes under rural status and municipal status.

There would be a number of changes to municipal services. Operating costs would rise, though not all would rise in proportion.

- Administration costs would likely rise more or less on pace with the population.
- Road costs would probably not rise at the same rate, since road lengths would not rise at the same rate as new population. This is because much (if not most) of the new housing would be built on land that is already subdivided and served by the existing roads, and hence additions to the road network would be lower than the rate of new housing. Some new roads would likely be built, but by developers.
- Fire costs might jump as more professional staff are warranted -- but from the viewpoint of the restructure study this would not matter because the same cost increases would be faced under the rural system too. Both the “before” and “after” tax pictures would be equally affected by changes to the fire protection costs.
- Under the current rules, the municipality’s share of policing costs would rise from 70% of the officers’ cost to 90%. In addition, the policing service would have to expand in response to the demands of the larger population. For purposes here it is assumed that there would be a 50% rise in the police budget (that is, a 50% jump in the need for officers and civilian staff) in addition to the jump in the municipality’s share of the contract costs.
- The costs of other protective services -- building inspection, emergency planning, etc -- could also rise in proportion to the population rise.
- There would no doubt be an expanded need for recreation and cultural services in response to the larger community size. But here again expansions in these services are attainable under the current rural system too, so the net tax effects affect the “before” and “after” comparison equally and changes in the costs of delivering these services cancel themselves out in the comparison.
- There would be an expanded need for community planning, since more people means more issues to be resolved. A 50% jump is assumed in this service cost.

- Capital spending would certainly rise, as there would be a greater need for municipal infrastructure -- but it is unlikely that the need for short term, road and drainage improvements, since these “catch-up” works are already needed. Ongoing capital spending would surely rise, as would transfers to reserves. For purposes here a 50% jump is assumed for these two categories of municipal spending.
- Some revenues would also rise, since more people mean more fines and permits. However, these variable revenues account for only a small share of the total revenues needed to balance the books each year.
- Most significantly, the tax base would rise. While the total assessed value of land would not rise by 50% -- after all, many of the lots ready for building have already been created and included in the current tax base -- the assessed value of buildings would. Not only would there be a 50% rise in the number of dwellings, but, assuming the same preponderance of single detached houses as applies now, the average value of each new home would be above the current average. This is because the current average includes a large number of older, depreciated homes, whereas growth would add brand new homes to the tax base.

A separate analysis based on these assumptions indicates that municipal spending would rise by about \$2 million (excluding rises that would happen under rural status too, such as additional fire protection costs). After factoring in some extra revenues due to having more people, the difference in total extra taxes needed because of growth would be \$1.7 million. Because of new homes and businesses, the tax base would rise by about \$440 million, to \$1.7 billion. These figures produce a tax rate that is higher than the original projection by \$0.100 per \$1000 -- or an extra \$25 per home.

In other words, this admittedly simplistic estimate of the financial impacts of growth suggests that a 50% rise in population could mean an extra \$25 in the taxes on an average home compared to the projected tax impacts of a municipality with the current population of 10,000.

11.5 Higher Rural Tax Rates

The analysis presented earlier compares municipal tax loads to rural tax loads assuming the service levels and rural taxes remain at their 2002 levels. What would happen if the provincial rural tax rate (\$1.04 per \$1000 assessment in 2002) were raised? This is not idle speculation, as the province is currently considering how to recover more of its policing and road costs from small municipalities and rural communities, and it has suggested that these communities may face extra costs to achieve this. Raising the provincial rural tax could be one way to do this.

A higher rural tax rate would raise the “before” taxes but not the “after” taxes in the “before and after” comparison, and it would thus make municipal status look more attractive financially. What would be the effect if the province decided to recover, say, half of the local policing cost by raising the rural tax rate? In Salt Spring’s case, half of the policing cost would be about \$450,000. This would require an extra tax rate of \$0.31 per \$1000 of assessment, which translates into \$75 on an average home. In the words, such a policy would narrow the gap between rural status and municipal status by \$75.

It is not known what policy (if any) the province will eventually initiate with respect to a greater recovery of policing costs or road costs from rural communities.