



# **TRUST AREA GOVERNANCE RENEWAL**

## **-- Summary Report -- September 2003**

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## **1. OVERVIEW**

The Islands Trust Council wishes to modernize the unique governance structure in the Trust Area to meet the emerging needs of island communities and the Islands Trust's legislated object. Council's long-term goal is new provincial legislation that would integrate the functions of regional districts with the land use responsibilities of local trust committees.

In the short term, the Islands Trust Council has selected some specific areas for governance renewal that would significantly enhance the ability of the Islands Trust to deal with immediate issues. These renewal strategies are in addition to Council's ongoing program to monitor new legislation and suggest minor legislative changes to improve the functions of the Islands Trust. For example, the method for appointing members to the Trust Fund Board and the application of tree protection bylaws to the Trust Area may form part of the on-going program. This discussion paper presents:

- that **general rationale** for the governance renewal initiative;
- the key activities of the **process**;
- key aspects of the **analysis** of the four targeted governance renewal options (see attached reports); and
- **recommendations** for the next steps in developing a governance renewal proposal.

## **2. RATIONALE**

The Islands Trust's Governance Renewal process was initiated in 2002 to address the following **factors**:

- unprecedented growth pressures on the fragile Gulf Island ecosystem;
- opportunities arising from local government changes within the *Community Charter*; and
- creation of the first island municipality and increasing island community interest in local governance options.

The process focuses on **benefits** for island communities and the province through:

- a structure that complements the creation of island municipalities;
- an enhanced capacity to achieve the provincially legislated object;
- a more fiscally sustainable form of local government;
- an improved value and level of service for taxpayers; and
- streamlined services that are more responsive to local needs.

The **principles** guiding the development and review of governance options are:

- greater equity for tax payers while ensuring the legislated object is not at risk;
- improved organizational self-sufficiency that ensures sustainability of its mandate;
- enhanced local autonomy within a shared vision for the Trust Area; and
- planning tools to assert land use values while promoting voluntary stewardship.

## **3. PROCESS**

The Governance Renewal Process **to date** has involved the following key activities:

- Council endorsement (March, 2002) of 'Governance Renewal Principles' (Attach 1) to focus and guide the process and the development of a Governance Renewal Proposal;
- Consultation with the Minister of Community, Aboriginal and Women's Services to secure technical support for the review process;
- Monitoring of the progress and implications of the *Community Charter* process to assess legislative and timing implications; and
- Council confirmation (June 2003) of four targeted renewal options for further analysis.

The **current analysis** of the merits and feasibility of four renewal options includes:

- Council direction (September 2003) on the preliminary strategies for implementation of the targeted renewal options;
- Preparation of two analysis reports – ‘Legislative Implications of Governance Renewal Initiatives’ and ‘Differentiated Tax Rate Analysis’;
- Consultation (October 2003) with the Minister of Community, Aboriginal and Women’s Services on next steps for a Governance Renewal Proposal and legislative request;
- Local trust committee consultation (September to December 2003) with island communities at regularly scheduled business meetings;
- Consultation with Trust Area MLA’s and Cabinet Ministers (September to December 2003) to solicit their support for a legislative proposal;
- Consultation with regional districts to discuss implementation requirements and concerns (October to December 2003); and
- Council review of Governance Renewal Options Analysis, “draft” Governance Renewal Proposal (December 2003).

Anticipated **next steps** are dependent on activities of the Provincial government:

- Further local trust committee consultation (January to March, 2004) with island communities at regularly scheduled business meetings;
- Submission of the legislative request to the Minister of Community, Aboriginal and Women’s Services (June, 2004);
- Monitoring and participation in further stages of the *Community Charter* process that involve regional districts; and
- Initiation of a legislative process for consideration by the Legislature (2004 or 2005).

## **4. OPTIONS ANALYSIS**

### **OVERVIEW**

In June 2003, Trust Council selected four (4) governance renewal options for further review on the basis that each one:

- could be achieved within the parameters of current legislation or with minor amendments;
- complements current functions rather than expands into additional local services;
- does not change the fundamental governance structure of the Islands Trust; and
- directly enhances governance effectiveness and service delivery efficiency.

The four (4) targeted **governance options** are:

- **Transfer of Land Use Authority:** assuming authority from other jurisdictions, in particular, the building inspection function from regional districts, the subdivision approval authority from the Ministry of Transportation, and the decision-making about non-farm land uses and subdivision of ALR lands from the Agricultural Land Commission;
- **Island Service Coordination:** achieving more responsive services through the creation of a joint committee of regional district and local trust committee representatives to coordinate the planning of future land uses and service delivery;
- **Legislated Object Dispute Resolution:** *establishing a process to resolve issues that arise when a provincial initiative collides with the legislated object of the Islands Trust; and*
- **Differentiated Tax Requisition:** establishing a base level of service throughout the Islands Trust Area that all property tax portfolios pay for and a discretionary level that local trust committees determine and taxpayers in the local trust area to which it applies pay for separately.

The four options are described under the following headings:

- **Description** gives a brief definition of the option;
- **Background** provides information about the issue to be resolved along with some expected outcomes if it is resolved satisfactorily;
- **Analysis** describes the merits and feasibility of different implementation strategies; and
- **Recommendation** indicates how to proceed with the preferred strategy.

The analysis covers the following aspects of implementing the option:

- **Legislative** opportunities and constraints;
- **Financial** implications to the taxpayer and/or consumer;
- **Service** impact in terms of constituent satisfaction and delivery efficiencies; and
- **Organizational** factors affecting the implementation of an option.

## **4.1 TRANSFER OF LAND USE AUTHORITY**

### **A. Description**

This option would involve assumption by the Islands Trust of several existing land use planning functions that other agencies currently performed. These functions are:

- the subdivision approval authority currently with the Ministry of Transportation,
- decisions about non-farm land uses and subdivision currently made by the Agricultural Land Commission and
- the building inspection function currently with regional districts.

### **B. Background**

#### **Key Issue(s)**

The major factor that would prompt the consolidation of land use planning services is the fragmentation of land use functions among various jurisdictions. Further, local trust committees often do not have the ability to influence the land use decisions made by these agencies. Decisions made by other agencies have less accountability to island communities than decisions made by the local government officials elected by island residents.

Currently, there are three local trust areas that do not have building inspection services provided by their regional district: Denman and Hornby islands in the Comox Strathcona Regional District and Lasqueti Island in the Power River Regional District. On two of these islands, the Islands Trust provides Siting & Use Permit services. For all three, the Islands Trust would not introduce the building permit function as part of its governance renewal initiative.

#### **Desired Outcome(s)**

The consolidation of land use planning services is expected to **streamline** the processing of land use planning applications. A 'one stop' access would be more convenient for the applicant. With fewer people handling an application, greater efficiency would be expected. Greater efficiencies would result in cost savings or more time for proactive community planning.

Equally important, staff familiar with the bylaws and **accountable** to local trust committees would conduct the interpretation of land use bylaws during application processing

## C. Analysis

### Legislative

Legislation currently exists that permits the Islands Trust to assume the **subdivision approval authority** and **decision making about non-farm land use** and **subdivision** in the Agricultural Land Reserve.

Existing legislation enables a regional district to contract the Islands Trust to perform all or a portion of **building inspection** activities. A contract arrangement would not extend decision-making authority to the Islands Trust, nor would it provide taxing authority for the function. It might provide cost savings to the taxpayer depending on the approach taken by a regional district board. A legislative amendment is required to allow the complete transfer of responsibility as well as authority for building inspection from regional districts to the Islands Trust.

Enabling legislation for the **voluntary transfer** of the building inspection by each regional district would allow for the gradual assumption of this function by the Islands Trust.

Another option is to seek legislation that would provide for the **statutory transfer** of this function from all regional districts to the Islands Trust. This approach would require extensive organizational efforts to gain regional district support for the enabling legislation. Once enacted, the amount of effort to transfer the function would be considerably less than negotiating six voluntary regional district transfers.

### Financial

Each function has some **cost recovery potential** through associated application fees. If a function is completely cost recoverable, transferring the function would have no impact on taxation levels.

If a transferred function required a **subsidy** from tax dollars, Council would have to determine if the function was part of the 'general' operations funded by the overall tax requisition for the Trust Area.

If Trust Council determined that the function was not part of 'general' operations, each local trust area would be required to **recover the costs** of the function in their area through its application fee schedule or the use of an additional local tax levy.

The 'expenditure-neutral' way to assume these functions is to transfer them on the basis that each one achieves cost recovery through application fees. This approach would require each local trust committee to adopt application fees determined by Council. However, at present Council cannot impose application fee schedules on local trust committees. A legislative amendment to achieve certainty about **fee schedules** may be required for assuming and sustaining a transferred function without an impact on current property tax levels.

Assuming further land use planning functions would increase the **liability exposure** of the Islands Trust. This outcome is an inherent reality with any increased local autonomy. The notion that all land use decisions should be made on the basis of existing local land use bylaws supports the placement of associated liabilities with the local government, not with other agencies.

### Service Delivery

The 'one stop' public access to land use-planning services could lead to greater efficiencies, as long as the Islands Trust had sufficient **organizational capacity**. However, if resources were insufficient for the assumption of the additional functions, application processing would be delayed and client dissatisfaction would be directed at the Islands Trust rather than another agency. For example, organizational capacity might be too limited to provide timely on-island site inspections.

Application fees for some of the land use planning functions are subsidized by the other jurisdictions that currently manage them. These fees could increase substantially if they are to reflect full cost recovery. For functions such as subdivision approvals and decisions within the Agricultural Land Reserve, the local trust committee might well choose to enhance the public process. This additional step would increase processing costs further. The difference between the initial estimate of **cost recovery fees** and the current charges would likely concern some applicants.

The concept of running these services as cost recovery centres creates a high degree of **budget uncertainty**. It is difficult to anticipate application volumes and the likelihood of operating these functions with no financial impact is low. These functions should only be assumed if their contribution to the object of the Islands Trust is meaningful, and not because of their potential for full cost recovery.

## Organizational

The **subdivision approval** and **building inspection functions** are **non-discretionary**. This means that a staff person makes decisions based on existing bylaws and is not subject to political influence. Decisions about **non-farm land uses and subdivision** in the ALR are made at the political level, but would be constrained by the Agricultural Land Commission's mandate and conditions. Bringing these land use decisions within the Islands Trust would not give elected officials significantly greater discretion over the related decisions.

If the processing of applications is based on cost recovery, this will have a significant impact on local decision-making processes. The degree to which public input and consultation can be accommodated will be limited by the need to process applications efficiently within **cost recovery margins**.

## D. Conclusions

The **subdivision approval authority** can be fully transferred within current legislation. The key question is whether it should be assumed within the base level of local planning service and therefore be subsidized as a 'general operation' expense of Trust Council to ensure consistency in the organization's capacity to perform the function. It is very possible that the Province will transfer this function in the future to regional districts and the Islands Trust. It is therefore prudent for the Islands Trust to assume this critical land use planning function in a proactive manner.

The **decision-making authority for non-farm land uses and subdivision** in the Agricultural Land Reserve can be transferred within current legislation. This transfer involves the delegation of an activity rather than a function, since the policies and fees of the Agricultural Land Commission would prevail. The delegation of this responsibility shifts Islands Trust staff referral of applications from the Commission to the local trust committee.

A statutory or voluntary transfer, rather than a contractual arrangement, is the best method to transfer the **building inspection function** if it is intended that the Trust assume authority for the function. In either case, a legislative amendment would be required for the regional district to hand over the authority for the building bylaw and taxation.

It is not in the Islands Trust's interest for the Islands Trust to act simply as a contractor, unless the regional district is prepared to ensure that Islands Trust tax requisition is not required to subsidize the function. Nor is it in the taxpayers' interest to pursue the contract approach, unless the regional district is able and willing to pass on cost savings.

With a transfer of the authority, the building inspection function appears to have a high potential for cost recovery as a 'general operation' of Trust Council if the fees are not subject to variation by local trust committees.

Some recommendations for this governance renewal option include:

1. **That the Executive Committee assemble feasibility details of various implementation options to assume the subdivision approval authority, non-farm ALR land use decision making and building inspection function on a 'break even' basis as a 'general' operation of Trust Council for the December 2003 Trust Council meeting.**
2. **That the Executive Committee meet with and assess the willingness of regional districts to agree to the 'statutory' or 'voluntary' transfer of the building inspection function for an update to December 2003 Trust Council meeting.**

## **4.2 ISLAND SERVICE COORDINATION**

### **A. Description**

An Island Service Coordination body is intended to enhance the coordination of services delivered by both the regional district and local trust committee within a local trust area.

### **B. Background**

#### **Key Issue(s)**

The '**service efficiency**' issue is the fragmentation of services to island communities due to their provision by a number of different agencies. Related problems include clarity about jurisdictional roles on the part of agencies and the public; duplication of effort; and poor economies for overhead administration of separated local services.

The '**governance effectiveness**' issue is the low level of local control over all services. Services that are provided by an off-island entity may not be responsive to local needs. In some cases, services are paid for by, but not available to, island communities.

#### **Desired Outcome(s)**

The overall aim is to maximize the effectiveness and efficiency of services, making their nature and level responsive to island community needs and having their providers responsible to taxpayers. A governance restructure would be required to address the problems associated with local autonomy over the services currently provided by the regional districts, whereas the governance renewal option limits the role of the Islands Trust to coordinating the delivery of services related to its core function of land use planning.

### **C. Analysis**

#### **Legislative**

Ultimate local autonomy in a local trust area over local service delivery is achieved through **island municipality incorporation**. This option is driven by local interests, not by Trust Council, and falls outside the scope of this governance renewal initiative.

A restructure of the Islands Trust as a **special regional district** responsible for land use planning and local services would allow for the economies of scale required to integrate all local services. This option is not currently available under existing legislation and is beyond the scope of this renewal initiative

Other options for cooperation between government agencies in a local trust area are inherently **voluntary**. Each government body would retain its jurisdictional authority and agree to processes that promote consultation, communication, and planning. Consequently, service coordination could only involve the linkage of land use planning with the planning of local service delivery. It would not result in greater local autonomy over the actual selection and delivery of local services.

The *Islands Trust Act* currently enables the Trust Council and local trust committees to establish **voluntary agreements** with other governments to coordinate activities in the Trust Area.

Regional districts can currently set up a **local commission** to provide advice or take responsibility for a specified service. It could set up a commission that includes the local trustees and that focuses on the coordination of a service or services in a local trust area. However, if any decision-making responsibilities were assigned to this body, it would make the local trustees potentially accountable to the regional district. If it acts as an advisory body to the regional district then it would simply be an extension of a voluntary arrangement contemplated in the provisions for voluntary agreements.

An Island **Service Coordination Body** could be set up under the provisions for service coordination agreements in the *Islands Trust Act*, if the intention was to link the planning of future land use with future servicing needs. This option would complement the linkage of the mandates of a regional district and a local trust committee without fettering the discretion of either party.

## Financial

The voluntary service coordination approach would be a 'discretionary' initiative of a local trust committee. The regular operations of this entity could be a part of the work program of a local trust committee if they choose to include it. It could also be funded by a local levy within the differentiated tax requisition model. Either option would have **no net increase** to the overall budget of the Islands Trust.

If the Service Coordination Body determined that it should take on a special planning project, it would be cost shared by the Islands Trust and the regional district subject to approval of the Islands Trust funding through the annual budget of Trust Council.

## Service Delivery

The level of **land use planning** would be enhanced if land use concepts were inter-related with knowledge about service delivery. This potential can be realized through current inter-governmental arrangements created by mutual interest that have been done in some local trust areas.

The formation of an Island Service Coordination Body through the *Islands Trust Act* would enable continuous attention to **coordinated planning of land use and future services**. This legislation facilitates planning to link the services provided in the local trust area by a regional district with the Trust Policy Statement and the Official Community Plan of a local trust committee. The requisite terms of reference would provide a focal point for ongoing cooperation that went beyond the good will of elected officials.

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This body would not directly affect current service delivery by a regional district, levels of service, costing and delivery mechanisms, since it would have no jurisdiction in this regard. Such matters would remain at the discretion of the regional district.

Many other issues transcend current jurisdictional boundaries. The Island Service Coordination Body would have the potential to be **proactive** on such issues, although the mandate of that entity might limit its ability to address these issues. This limitation could create false expectations on the part of the elected officials and or the public.

## **Organizational**

A **voluntary effort** on the part of a regional district and a local trust committee to set up a coordination mechanism promotes the notion of more responsive government. The key to its success is the ability of those involved to limit its activities to its proper realm of responsibility.

If the **purpose** of the service coordination body were not clear, organizational resources could be consumed dealing with issues that were not core to either jurisdiction. Further, the public might have higher expectations of its authority.

## **D. Conclusions**

The notion of transferring existing decision-making authority to local commission involving local trustees violates several governance renewal principles. It would create another level of local government that was not directly accountable to the public. Further, no legislation exists to create a new level of authority. If the aim was to more effectively integrate local services and land use planning, this goal should be considered along with governance restructure options such as an island municipality and a special regional district. With the current structural framework, a regional district can set up a local commission to guide it in making service delivery decisions.

Voluntary island service coordination falls short of integrated services for achieving greater efficiencies and local control. Thus, the preferred approach is to use currently existing mechanisms to enhance cooperation between respective agencies.

The recommendation for this governance renewal option is:

- 1. That the Executive Committee develop a policy framework to implement the service coordination provisions of the *Islands Trust Act* for local trust committees and regional districts to coordinate land use plans and future service delivery.**

## **4.3 LEGISLATED DISPUTE RESOLUTION**

### **A. Description**

The legislated dispute resolution option seeks to resolve conflicts that arise between the mandate of a Provincial Ministry and the legislated object of the Islands Trust.

### **B. Background**

#### **Key Issue(s)**

The key issue associated with promoting a legislated dispute resolution option is the lack of consideration shown by other provincially mandated agencies regarding the provincially legislated object of the Islands Trust. This lack of regard for the Trust object occurs when agencies undertake decision-making processes that exclude consultation with the Islands Trust. Often it

occurs because other agencies have discretion as to whether they consult with island communities when they encounter conflicts between mandates

## Desired Outcome(s)

The most basic aim would be to establish a clear obligation for another agency to undertake meaningful consultation when its activities could affect the Trust Area. Equally important is a mechanism to mediate conflicts that arise when there is consultation but no agreement.

## C. Analysis

### Legislative

The *Islands Trust Act* enables the Trust to develop **inter-agency protocols** with other agencies. Currently, there are over 30 agreements of this nature that describe joint processes for communication and consultation. They are non-binding and the outcomes of any given process are subject to the authority of the initiating agency.

The *Agricultural Land Commission Act* [Section 13] and the *Community Charter* [Section 284(1) (b)] both establish a **dispute resolution mechanism** that may be used when there is a conflict between local governments and the Province. A defined dispute resolution mechanism of this sort is intended to eliminate the uncertainty surrounding the resolution of outstanding issues. Currently, the Islands Trust is dependent on the good will of other agencies or on major organizational efforts to influence other agencies.

### Financial

There are **no direct costs** associated with a dispute resolution mechanism; unless an arbitration process and related cost-sharing is agreed to by the affected parties.

An arbitrated process should clarify processes so that fewer organizational resources are consumed dealing with uncertainty.

### Service Delivery

**Staff time** required to seek voluntary consultation and recognition of the Islands Trust object would be greatly reduced if other agencies knew there was a dispute resolution mechanism that could be triggered.

### Organizational

A defined process for the resolution of disputes with provincial agencies would increase the **confidence** of the Islands Trust in dealing with those agencies. In addition, it would encourage actions to uphold the legislated object, rather than negotiate it.

It is possible that having the potential to use conflict resolution would result in less **effort being spent** seeking voluntary consideration of the Trust object and influencing the decisions of other agencies, thus leaving more time to provide direct services to island communities.

## **D. Conclusion**

The continual need to negotiate for consideration of the Islands Trust object by provincial agencies is time consuming and non-binding. The Islands Trust should seek use of the mechanism the province is creating for municipalities for dispute resolution with the province. This renewal option seeks legislation parallel to changes expected when the *Community Charter* is reviewed with regional districts in mind.

The recommendation for this governance renewal option is:

1. **That Trust Council seek the application of section 284(1) (b) and related sections of the *Community Charter* to the Islands Trust to obtain the opportunity to initiate a dispute resolution mechanism in those instances when a provincial mandate collides with the legislated object in the Trust Area.**

## **4.4 DIFFERENTIATED TAX REQUISITION**

### **A. Description**

The notion of a differentiated tax requisition revolves around different views of 'community' in the Trust Area:

- The current fiscal approach views the entire Trust Area as a **single community**. Trust Council develops a budget to allocate resources and provide varying levels of land use planning services in different local trust areas. The tax requisition is applied as a flat rate on assessed property values throughout the Trust Area. Budget allocation decisions are based on the premise that land use-planning efforts in any given local trust area benefit the Trust Area community. The budget formula is not based on the property tax contributions attributed to any one local trust area.
- Another view sees the Trust Area as **multiple communities**. With this approach, Trust Council would allocate resources for local planning services on a 'value for money' basis beyond the costs calculated for the Trust Area as a whole and tied to the tax contribution of a local trust area. (Note: The *Islands Trust Act* does not provide for local levies for specific islands that are portion of a local trust area.)
- A third view, the **differentiated tax requisition** option, uses a combination of these approaches. This option would result in a new property tax formula that would recognize the needs of the overall Trust Area while acknowledging the different capacities for property tax contribution in different local trust areas through:
  - A **Trust Area tax** levied on assessed property values for services deemed to be in the interest of the entire region and the province generally; and
  - a variable **local levy** specific to each local trust area for discretionary or additional local planning services to that area.

With the differentiated tax requisition option, Trust Council would determine the Trust Area tax that would provide for:

- **Trust Area Service** costs covering functions that advance the general interests of the Trust Area;
- an **essential level of local planning service** determined for each local trust area by Council; and
- an equalization contribution by some islands to ensure the essential level of local planning service is available to all local trust areas.

In addition, each local trust committee would determine the variable local levy, which would provide for 'additional' land use planning services beyond the 'general operations' or the essential level of local planning services. These discretionary services would result in a further, separate tax specific for each local trust area.

## **B. Background**

### **Key Issue(s)**

The driving force for a differentiated requisition formula is the desire to balance expectations about 'value for money' with the needs of the entire Trust Area. Some local trust areas currently receive a value of service that is higher than their tax contribution, whereas other islands with larger tax assessment bases contribute more than they receive. The notion of the Trust Area as a 'single community' does not prevail when an island community looks for a 'value for money' that both meets its service needs and reflects its dollar contribution to the Islands Trust. The challenge is to achieve an acceptable threshold of 'cross-island subsidization' while retaining an essential level of local planning service throughout the Trust Area and thus avoid placing the legislated object and/or island community values at risk

### **Desired Outcome(s)**

There is an inherent redistribution of resources in any local government setting. A suitable compromise is required between the two extremes, namely, a 'specified levy' for only those services received in each local trust area and the current 'flat rate' throughout the Trust Area regardless of services received. Were a levy necessary for any localized services, some islands would be without an essential level of local planning services and contribute no resources for Trust Area Services. Island environments that are at risk because the lack of planning resources diminish the integrity of the legislated object throughout the Trust Area.

A responsive property tax formula would apply an essential local planning service level throughout the Trust Area. It would also provide clear accountability for shifting the 'surplus' tax contribution of some local trust areas to fund the 'deficit' of other local trust areas to achieve an essential level of local planning services.

## **C. Analysis**

The practice of the Islands Trust has been to develop its budget and apply a 'flat tax rate' to all property folios throughout the Trust Area. Trust Council then allocates its organizational resources through a continual assessment of work programs for local trust committees based on their land use planning needs, rather than their tax contribution.

The **proposed model** (See attached 'Differentiated Tax Rate Analysis) introduces a differentiated tax requisition that includes:

- A Trust Area tax comprised of **Trust Area Services** that provide programs and governance support for the Trust Area as a whole plus an '**essential**' local planning service level that is the same for all local trust areas; and
- A '**discretionary**' **service level** that covers local planning services beyond a 'base' service level and is determined individually for each local trust area.

The lowest common denominator for local planning service level is the amount that the local trust area with the lowest tax contribution has left after paying its share of Trust Area Services. With only this amount, some islands would be eligible for little or no local planning services whereas the others would have tax surpluses that they would be free spend as they pleased. A compromise is to adjust the base service level to an essential level that requires some cross-island subsidization while leaving the surplus contributors with some discretionary funds. This approach ensures that no local trust area is in a deficit tax contribution/service allocation situation and at risk because of an inability to access planning services.

## Legislative

Section 47(5) of the *Islands Trust Act* enables a specific 'local trust area' levy to be applied for the 'additional' operations of a local trust area that are beyond its 'general' operations. Currently all local planning services provided to local trust areas are considered to be part of the Trust Council operations. To implement a differentiated tax requisition, Trust Council would redefine its operations to include only an 'essential' level of local planning service to each local trust area, as well as the costs for Trust Area Services. The budget specific to the 'redefined operations' of Trust Council would be considerably less than the current total budget. Each local trust committee could then define the level of 'discretionary' planning services (if any) that it desired in addition to the 'essential level'. This amount would be requisitioned as an additional tax levy that was specific to each local trust area.

## Service Delivery

The notion of a flexible local planning service level specific to the needs of each local trust area promotes greater **public accountability**. The key to maintaining the capacity of the Islands Trust to meet public expectations is to ensure that the 'essential' service level for each local trust area does not become discretionary at a local or Trust Area level.

Using the lowest tax contribution as a basis to determine the minimum planning service level offers little opportunity for **proactive planning** in 50% of the local trust areas. It would be difficult to achieve the Trust's provincial object through land use planning that is primarily reactive.

The differentiated tax requisition would not result in improved **service delivery**. In fact, because it provides for only a minimum level of planning services and makes a higher level of service subject to the discretion of local trust committees, service levels in some local trust areas could be reduced.

If local planning service levels are variable then **resource levels** will be very uncertain. Fluctuation in discretionary levels of planning service would also be limited, as unpredictability here would affect continuity in staffing and interrupt the delivery and support of local planning services.

## Financial

A 'local planning service cost unit' has been calculated to identify a minimum local planning service level and develop an essential local planning service level. The resulting minimum service levels are quite low, based on the lowest common denominator, which is the service available to the local trust area with the lowest residual tax contribution after Trust Area Services are deducted. If this level is raised to a more practical level or 'essential' level, some local trust areas will be unable to cover their assigned essential local planning service level leaving them in a 'deficit' position. This means that unless a '**deficit**' local trust area receives subsidization from a 'surplus' contributor or it applies a substantial local levy, it may not be able to receive a minimal standard of planning service.

If this 'essential' planning service level is dependent on the application of a **local levy**, then even the reactive service standard becomes discretionary among 'deficit' areas. A minimum standard that is discretionary would likely erode the capacity of the Islands Trust to meet the fundamental expectations of constituents in these areas. Further, the consequent concerns from constituents in 'deficit' areas that would be required to make a significant tax contribution increase would be as problematic as the concerns currently heard from areas where the constituents believe that the cross-island subsidization is excessive.

The success of cross-island **subsidization** is dependent on justifying an essential planning service standard. The contributions of a 'surplus' area to a 'deficit' area must be viewed as a contribution to the overall Trust Area community.

The way to achieve this end is for Trust Council to establish an **essential local planning service level** that it is included in its operations and therefore applied to all properties in the Trust Area. This level of local planning services would be subsidized by all property folios on the basis that it is essential for the overall achievement of the legislated object and the needs of the Trust Area as a community. This approach would eliminate all the 'deficit' status of some local trust areas for essential local planning services.

The use of cross-island subsidization for an essential local planning service standard is eroded with each island municipal incorporation unless all local trust areas are able to finance their own base level of expenditures. Rapid elimination of subsidization would create a problematic tax burden for 'deficit' local trust area taxpayers just to cover the base service expenditures. A **phased-in scheme** to get all local trust areas to a self-sufficient state for funding its portion of the base service expenditures would ensure that the essential local planning service standard is not at risk in the future.

## Organizational

The practice of defining 'base' and 'discretionary' services will significantly change the decision-making practices of the Islands Trust. Budget discussions about the level of 'essential' local planning services to be provided to a 'deficit' island will be **more transparent** but potentially conflictual.

Management systems will be required to ensure a more accurate **accountability** for services in a political environment that has a more prominent 'value for money' perspective. Considerable time will be required to develop, calculate, and monitor time allocations to each local trust area depending on the level of the minimum local planning service standard set by the Islands Trust Council.

## D. Conclusions

The *Islands Trust Act* currently enables the Trust to implement a differentiated tax requisition without any further amendments.

The differentiated tax requisition model requires direction from Trust Council regarding the definition of the 'essential' local planning service level, cross subsidization limits and a time frame for local trust area self-sufficiency for base service expenditures.

Some recommendations for this governance renewal option include:

1. **That the Executive Committee develop financial models to demonstrate the impact of various tax requisition scenarios that reflect details on a 'essential' planning service level and a differentiated tax rate.**
2. **That the Financial Planning Committee propose a 2004/2005 budget format alternative to illustrate the allocation of local trust committee costs for the December 2003 Trust Council meeting.**

## **5. RECOMMENDATIONS**

### **5.1 TRANSFER OF LAND USE AUTHORITY**

1. That the Executive Committee assemble feasibility details of various implementation options to assume the subdivision approval authority, ALR subdivision and non-farm land use decision making and building inspection function on a 'break even' basis as a 'general' operation of Trust Council for the December 2003 Trust Council meeting.
2. That the Executive Committee meet with and assess the willingness of regional districts to agree to the 'statutory' or 'voluntary' transfer of the building inspection function for an update to December 2003 Trust Council meeting.

### **5.2 ISLAND SERVICE COORDINATION**

1. That the Executive Committee develop a policy framework to implement the service coordination provisions of the *Islands Trust Act* for local trust committees and regional districts to coordinate land use plans and future service delivery.

### **5.3 LEGISLATED DISPUTE RESOLUTION**

1. That Trust Council seek the application of section 284(1) (b) and related sections of the *Community Charter* to the Islands Trust to obtain the opportunity to initiate a dispute resolution mechanism in those instances when a provincial mandate collides with the legislated object in the Trust Area.

### **5.4 DIFFERENTIATED TAX REQUISITION**

1. That the Executive Committee develop financial models to demonstrate the impact of various tax requisition scenarios that reflect details on a 'essential' planning service level and a differentiated tax rate.
2. That the Financial Planning Committee propose a 2004/2005 budget format alternative to illustrate the allocation of local trust committee costs for the December 2003 Trust Council meeting.