RDOS Area "D" Service & Boundary Configuration Study
Incorporation Insight
October 2021

INCORPORATION STUDY PROCESS

What is the purpose of this paper?

Electoral Area "D" of the Regional District of Okanagan Similkameen is currently undergoing a *Services and Boundary Configuration Study*. The study proposes to examine the services provided in Electoral Area "D", and to identify any issues or concerns with services or governance. The study includes consideration of different boundary configurations and explores the high-level impact that incorporation would have on political representation, governance structure and service provision in those scenarios.

The *Services and Boundary Configuration Study* does not presume that an incorporation study will proceed. Ultimately the Study Committee must contemplate whether an incorporation study might be an appropriate future step, and if so, identify the most suitable boundary for that subsequent analysis.

Therefore, as part of the *Services and Boundary Configuration Study*, this overview of the incorporation process is provided so the Committee and residents become familiar with what the process would look like for any area or community included within any subsequent incorporation study analysis.

➢ What is an incorporation study?

In British Columbia, the system of local government, as described in the *Local Government Act* and *Community Charter* is composed of three main forms of local government:

- municipalities,
- regional districts and
- improvement districts

Other legislated forms of local governance exist for special purposes; however, the concept of local government is primarily focused on municipalities, regional districts and improvement districts.

Incorporation is the process by which an unincorporated area – also called a rural area or electoral area – becomes a municipality. Before this local government structural change can occur, the province, through the Ministry of Municipal Affairs (MUNI), oversees an established incorporation process. An Incorporation Study, as this *Incorporation Insights* paper explains, is one step in this process.

➢ How is it initiated?

The MUNI has the responsibility for overseeing change to the local government system, to ensure that the structure of local governments best fits local needs, as well as local and provincial objectives. To incorporate, the change must be supported by:

- the community,
- the local government, and
- the province.

Without the support of any one of these three groups, the initiative will not proceed.

MUNI is therefore responsible for not only handling requests to proceed with and fund Incorporation Studies, but in ensuring that an incorporation study is an appropriate tool, process and response to address the community's characteristics and issues.

The MUNI therefore provides advice and support to communities that are considering restructure options to help them analyze the existing services and governance, and engage the community in identifying issues they are facing so that appropriate solutions and responses can be considered. These studies, such as the current *Area "D" Services and*

*Boundary Configuration Stud*y, are typically precursors to any Incorporation Study, and may include services and governance studies, as well as a boundary analysis to identify communities where incorporation may represent a viable option.

Through these initial or precursor studies, the community can understand what services they receive, who provides each service, how the governance system works, and identify issues with respect to services and service levels, costs, and governance. Some of the issues may be ones that could be resolved through a restructure such as incorporation; others may be able to be addressed through the creation of new or adjusted services, different service delivery arrangements or additional governance options to involve residents more directly in local decision-making. As part of the studies, solutions to concerns raised by the community are identified.

Precursor studies are typically led by a Study Committee comprised of residents from the study area. The results of the study are presented to the Board, and are accompanied by a recommendation from the Committee regarding next steps.

If a regional district has undergone these initial restructure studies, and the studies identify an interest in pursuing incorporation, the local government, based on direction from the regional district Board of Directors, contacts the MUNI to request an incorporation study.

➢ What does an Incorporation Process involve?

The MUNI considers requests to support Incorporation Studies. As part of the restructure study process, the ministry has fundamental principles:

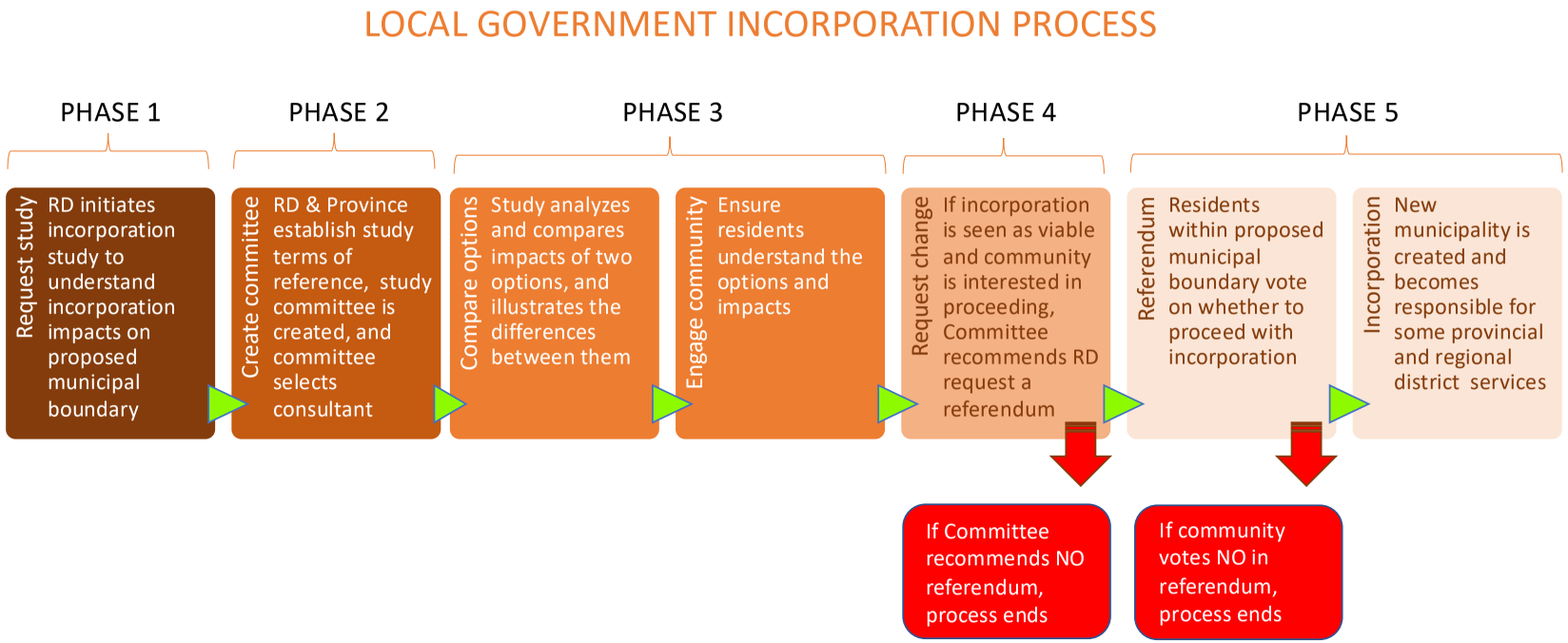
- the process for examining local government restructuring should be locally focussed;
- a local committee oversees an independent consultant;
- local government restructuring should be decided by the electorate through a referendum;
- local government restructuring decisions should be made by an informed electorate after an extensive process of research, analysis and community discussion; and
- all sectors of the community need to be represented and involved in the discussion.

These fundamental principles underlie the five-phase incorporation process outlined below (and illustrated in Figure 1).

1. Communities contact the MUNI. The Ministry evaluates the local context and provides general information on the incorporation process. The ministry may facilitate a public meeting within the community to provide information about the process.
2. Together the local government and MUNI establish a Terms of Reference for the Incorporation Study. The local government then creates an incorporation study committee that represents a broad range of local interests. The committee's main task is to oversee the preparation of the Incorporation Study and to manage public consultation. The ministry provides advice on how to form the committee and design the consultation process.

   Once formed, the study committee issues a call for proposals and selects a consultant. The ministry approves a Restructure Planning Grant to fund the study and provides staff who act as resources when necessary.
3. The third phase involves the study itself, with the goal of obtaining information on incorporation on fiscal issues, service delivery, and political representation. The study generally takes more than one year to complete.
4. Incorporation Study Committee presents the findings to the community and, based on public input, decides whether to recommend a referendum to the ministry. If the committee wishes to proceed, the Minister of Municipal Affairs offers a restructuring assistance grant and orders a referendum.
5. A referendum is held. If the vote passes, the implementation process begins. Ministry staff prepare the Letters Patent, which are then considered by cabinet. If the Letters Patent are approved, ministry staff then coordinate the implementation of the restructuring. The ministry also provides financial assistance to the community to implement restructuring.

Figure 1


LOCAL GOVERNMENT INCORPORATION PROCESS
PHASE 1
PHASE 2
PHASE 3
PHASE 4
PHASE 5
Request study
RD initiates incorporation study to understand incorporation impacts on proposed municipal boundary
Create committee
RD & Province establish study terms of reference, study committee is created, and committee selects consultant
Compare options
Study analyzes and compares impacts of two options, and illustrates the differences between them
Engage community
Ensure residents understand the options and impacts
Request change
If incorporation is seen as viable and community is interested in proceeding, Committee recommends RD request a referendum
Referendum
Residents within proposed municipal boundary vote on whether to proceed with incorporation
Incorporation
New municipality is created and becomes responsible for some provincial and regional district services
If Committee recommends NO referendum, process ends
If community votes NO in referendum, process ends

➢ How is an Incorporation Study Committee created and what is its role?

The regional district's Board of Directors establishes the Incorporation Study Committee to conduct the Incorporation Study, and appoints members to that Committee. The Committee's membership is usually representative of the demographics and interests that are present within the incorporation study area. All members of the Committee serve in a volunteer capacity. The Electoral Area Director serves on the Committee in an *ex-officio*, non-voting capacity.

The Committee serves as an objective fact-finding and oversight body, established to ensure that all stages of the study, including the community engagement process, are conducted in a neutral and balanced fashion. Individual members of the Committee are expected to remain impartial, and ensure that any expression of personal opinions does not undermine the Committee's neutrality or credibility as an oversight body, or as a conduit for providing information to the public. The Committee plays a key role in sharing information with residents and engaging them in the process. All Committee meetings are open to the public.

Ultimately it is the Committee's responsibility to recommend to the regional district whether to hold a referendum on incorporation.

➢ What does an Incorporation Study include?

While each community has a unique set of circumstances and issues, all incorporation studies include some basic elements:

- *Comparative Analysis* — An Incorporation Study determines and describe the service, governance, financial, property tax and other implications associated with the potential incorporation. The implications are compared against the service delivery, governance and property tax situations under the status quo option. The comparative analysis includes not only the local services provided by the regional district, but also the services provided by the province or improvement/irrigation districts that would become the responsibility of a new municipality as a result of incorporation.
- *Implementation* — An Incorporation Study outlines the process through which incorporation would be implemented, including an overview of the restructure assistance that would be provided by the province. This includes restructure assistance grants, funding for any specific initiatives as well as any commitment to fund maintenance of the roads in a defined post-incorporation period, or upgrades to bring the roads to identified standards prior to any transfer of responsibility.
- *Multi-Year Operating Budget* — An Incorporation Study provides a multi-year operating budget to illustrate potential financial implications for a new municipality. The budget must extend beyond the restructure assistance period.
- *Property Tax Implications* — An Incorporation Study provides the property tax implications of incorporation, compared to the property tax situation under the status quo option, for sample properties in the incorporation study area.
- *Community Engagement* — The study process must engage the community and provide electors within the incorporation study area with opportunities to review, understand, and question the implications of incorporation.
- *Final Report* — A final report is prepared that summarizes the study analysis and includes a synopsis of the public engagement process and findings. The report is submitted to the regional district and the MUNI.

➢ What is the role of the community?

As noted previously, the Incorporation Study Committee is comprised of residents from within the incorporation study area. The Committee's meetings are open to the public. Once the study committee has reviewed and is satisfied with the analysis and information provided through the study, a comprehensive public engagement process is initiated. One of the key roles of the Study Committee is to engage with and listen to input provided by residents. The Committee reflects upon that input and makes a recommendation to the regional district Board of Directors on whether to hold a referendum on incorporation.

Ultimately it is the residents of the incorporation study area that determine whether an incorporation proceeds. Incorporation only takes place if residents

(electors) within the study area vote for incorporation through a referendum as set out in the *Local Government Act*.

➢ What is the role of the province?

As noted, the province is involved in all local government restructuring, since restructuring must be approved by the provincial cabinet. The MUNI has the lead responsibility for an Incorporation Study on behalf of the province. However, a few other ministries also have roles because of the shift in governance, service, and financial responsibility from the province to local governments that occurs as part of an incorporation.

Ministry of Municipal Affairs
The MUNI facilitates the Incorporation Study process, and provides communication between communities, local governments, and provincial ministries. The MUNI offers information and advice without interfering in the process. The MUNI also undertakes consultation with local First Nations as part of the incorporation study process.

Other roles of the ministry include:

- provides restructure planning grants to the study committees, allowing them to hire a consultant to undertake the Incorporation Study;
- provides information on restructuring and local government in general;
- serves as a corporate memory of previous restructuring initiatives and is a point of contact with other communities and restructuring committees, allowing the committee to learn from the experiences of others;
- acts as a mediator where differences arise within the community or between the community, local governments and provincial agencies;
- organizes and supervises any resulting referendum;
- works with other ministries to provide a provincial offer of assistance for incorporation;
- develops the Letters Patent to implement incorporation if the referendum passes;
- works with the council and regional district to implement any incorporation, including holding elections for municipal council if required; and
- works with the new municipality to ensure a smooth transition to its new status.

Ministry of Transportation and Infrastructure
The Ministry of Transportation and Infrastructure (MoTI) is responsible for maintaining all public roads in rural areas. During incorporation all roads except those in the provincial highway network are transferred to the local government. MoTI provides information to Municipal Affairs on the implications of these transfers and offers transitional assistance.

After restructuring, MoTI generally makes sure maintenance contractors continue to provide maintenance services for roads transferred to the municipality for five years.

Ministry of Public Safety and Solicitor General
The Ministry of Public Safety and Solicitor General (PSSG) is responsible for policing in rural areas. If a new municipality is incorporated and its population is over 5,000, then the municipality becomes responsible for policing on April 1 following the census which establishes the population at that level. PSSG provides information regarding any transition that is needed and identifies assistance that may be available based on the circumstances.

Ministry of Finance
The Ministry of Finance is responsible for administering the property tax system in rural areas. As well, it sets and levies the provincial rural services tax under the *Taxation (Rural Area) Act*. The ministry provides information regarding any refund of taxes collected under this Act depending on when incorporation occurs.

➢ What is the role of the regional district?

As the local government for unincorporated areas, regional districts play a major role in any Incorporation Study. The Board of Directors is involved in advancing the request for an Incorporation Study, as well as supporting requests for the studies that lead up to that process. Ultimately it is the regional district Board that must request a referendum on incorporation, based on the advice of an Incorporation Study Committee.

The electoral area director for the incorporation area plays a pivotal role as the political representative for rural residents. The electoral area director serves as an ex-officio member of the Incorporation Study Committee and is usually actively engaged with the

incorporation study area residents throughout the process.

- **What happens if the Committee does not recommend a referendum?**

If an Incorporation Study Committee does not recommend that the issue of incorporation proceed to a referendum vote, then the Board of Directors of the regional district would not proceed with asking the MUNI to hold an incorporation vote. Unless otherwise identified through the restructure and incorporation study process, no changes to the local government structure would result.

RDOS Area "D" Service & Boundary Configuration Study
Incorporation Insight
November 2021

INCORPORATION IMPACTS

What is the purpose of this paper?

Electoral Area "D" of the Regional District of Okanagan Similkameen is currently undergoing a *Services and Boundary Configuration Study*. The study proposes to examine the services provided in Electoral Area "D", and to identify any issues or concerns with services or governance. The study includes consideration of different boundary configurations and explores the high-level impact that incorporation would have on political representation, governance structure and service provision.

The *Services and Boundary Configuration Study* does not presume that an incorporation study will proceed. Ultimately the Study Committee must contemplate whether an incorporation study might be an appropriate future step, and if so, identify the most suitable boundary for that subsequent analysis.

As part of the *Services and Boundary Configuration Study*, this paper is therefore intended to communicate some of the high-level impacts that can be anticipated to occur as a result of incorporation. The purpose is to help the Committee and residents become familiar with some of the impacts that incorporation would have, to help them appreciate and consider whether they believe incorporation is an option worth exploring for their community.

➢ What happens when a community incorporates?

Incorporating as a municipality triggers a number of changes and impacts for a community. Some of those changes occur right away, while others develop over time. There are impacts due to the legislative changes statutory requirements, and transferred services and others that evolve due to the changes in governance and local control afforded by the new governance and local Council structure.

An examination of newly formed municipalities reveals many impacts – changes in tax levels, services, and governance. However, it is important to understand and distinguish between changes that happen as a result of incorporation, and those that occur because the locally-elected Council has the authority and flexibility to respond to its individual community's needs. Indeed, this is why it is difficult to compare municipalities and their paths – not all the changes that occur in a new municipality can or should be understood as impacts that are directly attributable to incorporation itself, nor should they be expected in all incorporation scenarios.

For instance, a municipality has the flexibility to determine service levels for their own community, and has the authority to regulate certain areas that a regional district does not. However, it does not necessarily follow that service levels will increase, nor that the municipality will choose to utilize those new authorities to create regulations. The purpose of this paper is therefore to identify those changes that happen *as a result of* incorporation. How those changes in governance and authority are used, is ultimately what will determine the impacts for any individual community. However, those impacts, and the cost implications will vary depending on the individual situation.

➢ What service changes occur?

Once incorporated, a municipality will become the local government for the community, and

responsible for most local government services currently provided by the regional district[1]. Incorporation will also trigger the transfer of some services from the province that were previously provided to electoral areas, including the authority for local roads (not provincial highways) and for subdivision approval. Municipalities do not have the option to refuse – transfer of the ownership and responsibility for local roads happens automatically upon incorporation.

New Municipal Services*

- ✓ *Local roads*
- ✓ *Subdivision approval*
- ✓ *Tax notices and collection*
- ✓ *Municipal hall*
- ✓ *Irrigation/Improvement District services*

** not currently provided to Area "D" by RDOS*

An incorporated municipality would also become responsible for providing tax notices to residents, collecting taxes and, where applicable, remitting the balances to the various authorities (i.e. RDOS, Province, BC Assessment authority, school board, etc.). That service is provided to electoral area residents by the Provincial Surveyor of Taxes. Because this would no longer be a function provided by the Surveyor of Taxes, municipal residents do not pay the 5.25% provincial fee for each tax collected.

Another service that would become the responsibility of a new municipality would be any utility or service currently operated by an improvement or irrigation district, that is wholly located within the new municipal boundary. There are four improvement districts within Area "D," so if any of those were to be encompassed by a municipal boundary, the improvement/irrigation district would be dissolved, and the assets would become owned by, and the service provided by, the municipality.

As a municipality there are some areas that of regulation that are options for municipalities, that are otherwise not available to regional districts – one of the primary ones is business licencing. Most municipalities choose to regulate businesses, and create business licences to implement that service. However, just because a new municipality would have that new authority does not mean it would necessarily choose to provide that service.

Although a new municipality would become responsible for providing local government services such as planning, that does not mean that the municipal staff would have to deliver the service. Municipalities are responsible for providing the services, but can decide how those services are provided. In some cases, municipalities may choose to participate in shared service arrangements with other jurisdictions in the region, including having services provided by the regional district. For instance, the municipality will have authority for making decisions on garbage and recycling collection; however, it may choose to continue to have that service delivered by the regional district, who provides the service to many electoral areas and the Village of Keremeos.

Because the municipality would become responsible for providing services, as well as having a municipal Council as the governing body, a municipality requires a municipal hall. While not a new "service" a hall is necessary as an office for staff, as well as an area for Council to convene and to host public meetings.

It is worth noting that some services are currently required to be provided at the regional level, such as solid waste management and regional growth strategy planning. These regional services would continue to be provided by the region, and upon incorporation the new municipality would automatically become one of the participating jurisdictions.

➢ What about service level changes?

Most services will not experience changes that occur as a result of incorporation. Often municipalities may determine that a different service level is warranted or desired, based on community input and priorities, but for most services this is not a requirement of incorporation.

[1] There are some exceptions for services that are required, by statute, to be provided by the regional district, such as regional growth strategies and solid waste management planning.

An example is local road standards. The Province has established road standards, as well as maintenance standards for its provincial roads, and the roads in Area "D" are created and maintained based on those standards. Municipalities have the opportunity to adopt their own standards – everything from right-of-way and pavement widths, storm drainage infrastructure, sidewalks or walking paths, bike lanes, to roadside clearing, street sweeping, patching or frequency of snow clearing – may be different than those associated with the provincial rural areas. However, municipalities are not required to create higher standards than those currently provided to Area "D" by the province. It is not a requirement of incorporation that municipal road standards or maintenance requirements be higher than the standards provided by the Province.

Municipal Service Level Increases (required)

- ✓ *Municipal fire service – increased service level*

One notable exception is in the fire suppression. If a fire suppression service is provided by a municipality, there are some additional standards and service levels that the department is required to provide, in accordance with the *Fire Services Act*. One of those services is providing fire investigations. This is not typically a service offered by most volunteer fire departments operating in electoral areas, due in part to the expertise and time involved.

➢ How does governance change?

When a municipality is created, the RDOS would be replaced as the local government by the new municipal corporation; similarly, the RDOS's Board of Directors would be replaced as the local governing body by the new Municipal Council for the newly incorporated area.

Municipal Governance

- ✓ *Locally elected council (5 or 7 members)*
- ✓ *Municipal director on RDOS Board*

Council would consist of a mayor and either 4 or 6 councillors[2], all of whom would be elected at-large to represent the community as a whole. Council, together, would be responsible for making all major decisions, including those related to the establishment of new services and programs, the review and approval of major development applications, and the passing of the annual financial plan (i.e., budget). Significantly, Council would also determine local road standards and other road-related matters.

Residents

In addition to electing their council members, residents of the new municipality would be involved in local decision-making through consultation processes, much as residents of Area "D" are today. Council could establish a citizen-based Advisory Planning Commission (APC) to comment on development applications and land-use matters and could also create a recreation commission to guide that service, similar to that already created for recreation in Okanagan Falls.

Resident electors would have some role to play in approving certain decisions of Council through the alternative approval (petition) process and/or assent votes. The range of decisions on which approval would be required in the municipality, however, would be different than that which exists in Electoral Area "D". Municipal electors would need to approve long-term borrowing, decisions to enter into public-private partnerships, the disposal of local utilities and certain types of parkland, and certain other decisions, just as electors do today in Area "D". Decisions by Council to establish new services would not be subject to elector approval.

Regional District

A new municipality would become a RDOS member municipality, along with Penticton, Summerland, Oliver, Osoyoos, Keremeos and Princeton. Council would appoint one of its members to the RDOS Board of Directors as a Municipal Director. This Director would vote at the Board table on all corporate matters (e.g., adoption of the annual financial plan), and in

[2] Council size is determined during the incorporation process.

decisions on services in which the municipality participated.

Provincial Government
The provincial government would have diminished authority over local services in a new municipality. Specifically, the province would no longer make decisions related to local roads, and would no longer have authority over subdivision approval.[3] The province would still, however, make decisions concerning local policing.

➢ What are the high-level cost impacts?

Upon incorporation, there are some changes both to the revenue sources available to incorporated municipalities, but also to how the taxation tools can be used.

Revenue Sources
Changes in municipal revenue sources include:
- grants from other governments
- agreements
- tax on private utilities

Grants
Unconditional grants are provided to local governments without any need for applications, and without restrictions or reporting requirements on their use. Both regional districts and municipalities receive unconditional grants from the Province. The regional district receives the *Basic Grant* and the municipalities receive *Small Community Grant.* The Basic Grant is based on population, in both the electoral areas and entire region, and the Small Communities Grant is a function of a base amount plus an amount based on population. Both grants represent relatively minor sources of revenue for the local governments; the intention is that the grants assist in the payment of administration costs.

Similar to the province's *Small Community Grant*, the *Community Works Fund*, which is part of the Federal Gas Tax program, requires no application. Monies awarded, however, are not unconditional in that they can only be expended on eligible projects as outlined in the program requirements. Local governments must also report annually on the projects and their outcomes. The RDOS currently receives Gas Tax funding for the electoral areas; incorporated municipalities receive their own allocation of the Community Works Funding.

Aside from the Gas Tax, most conditional grants are competitive, application-based grants awarded to local governments to assist in funding specific projects. The federal and provincial governments are the principal providers of such grants. Many grant programs are focused on infrastructure and capital projects, including public works projects related to sewer, water and roads services, or are directed towards affordable housing, internet services or child care spaces. Other grants focus on financial and community planning. Which grants a local government is eligible for depends upon the services they offer. While both regional districts and municipalities are eligible for the same grants, regional districts are sometimes limited to two applications, which can result in electoral areas "competing" to be prioritized for a regional grant application with other areas or communities in the region. Municipalities submit one application per grant.

Agreements
The *Community Charter* gives municipalities the authority to grant a franchise for the provision of natural gas within their borders – a provision not available to regional districts. In total, 75 municipalities in BC, including many in the Interior, have exercised this authority and have granted a franchise to Fortis BC. Under these agreements, Fortis shares 3% of its gross revenues of natural gas sales made within the municipality in exchange for the right to operate within the local government's roads and rights-of-way. The agreements also absolve Fortis from paying any approval, license, inspection or permit fee from the municipality. Because Area "D" has Fortis natural gas service, a new municipal council could choose to enter into a franchise agreement as an additional source of revenue. The amount that the new local government could expect to receive would depend upon the boundaries of the municipality, and number of natural gas users.[4]

[3] The province would remain in control of Highway 97, which is designated a provincial highway.

[4] As an example, the Town of Oliver received $47,559 in 2020

Tax on Private Utilities

Inside municipalities, private utility companies do not pay property value taxes on some of their improvements (e.g., telephone lines). Instead, the utilities pay a special tax equivalent to 1% of revenue generated inside the municipality. In unincorporated areas, these assets are taxable and contribute towards services. The resulting utility tax received by a municipality depends on the boundary, and utilities inside.[5]

Municipal Finance

- ✓ *Grants allocated to municipality (unconditional grants)*
- ✓ *Utilities 1% tax*
- ✓ *Option for franchise fee (Fortis)*
- ✓ *Ability to change tax ratios*

Tax Ratios

The primary tool to assist local governments in raising revenues is property taxes. The ability to levy property taxes is available to both regional districts and municipalities. Property taxes are applied to the assessed values for eight different property classes. Both municipalities and regional districts set tax rates to enable them to recover their costs through property taxes.

Tax ratios are different than tax rates. The 'tax ratio' is the tax rate levied on a class divided by the tax rate levied on the residential class. The tax ratios for all regional districts are the same, and are shown in Figure 1. As the table shows, for most of the non-residential tax classes the tax ratio is greater than 1, which means that business properties pay a higher rate of tax than residential properties.

Tax ratios in the unincorporated areas are set by the provincial government and apply to any property taxes levied by a regional district or an improvement district.[6] These local governments can adjust property tax rates but not tax ratios. The tax ratios shown in Figure 1 were first established by the province in the mid 1980s and have never been changed.

In contrast, municipalities have almost complete discretion over tax rates and tax ratios.[7] Municipalities can adjust tax ratios to change the proportion of taxes levied from each class. A municipality therefore has the option of setting tax ratios different to those prescribed by the province for unincorporated areas. The new municipal council would make the decision on the appropriate allocation of taxes among the various property classes. The result could be that the municipality chooses to recover a different proportion of the tax burden from different property classes.

Figure 1
2021 Tax Rates and Ratios
Area "D" Economic Development

Property Class	Tax Rate[1] ($/$1,000)	Tax Ratio
Residential	$0.1379	1.00
Utilities	$0.4827	3.50
Major Industry	$0.4689	3.40
Light Industry	$0.4689	3.40
Business/other	$0.3379	2.45
Managed Forest	$0.4137	3.00
Recreation/Non-profit	$0.1379	1.00
Farm	$0.1379	1.00

[1] [1] Tax Rate excludes 5.25% Surveyor of Taxes fee

➢ What does this mean for residents?

While the responsibility for services and various financial recovery tools change with incorporation, not all changes will translate into impacts for residents or taxpayers bottom line.

The transfer of decision-making authority from the province to the municipality also includes a transfer in the cost to municipal taxpayers. Local taxpayers would become fully responsible for the cost of maintaining local roads, for processing and approving

[5] As an example, the Town of Oliver received $99,312 in 2020.

[6] The fixed tax ratios do not apply to parcel taxes, nor do they apply to the provincial rural area tax.

[7] Municipalities are restricted by the ratio that can apply to utilities. The maximum tax rate levied on a Utility (Class 2) property is the greater of $40 per 1,000 or 2.5 times the Business (Class 6) property tax rate.

subdivisions, and for delivering tax notices. However, residents would no longer pay for the provincial rural tax, which is used by the province to fund roads. Similarly, although a new municipality would recover administration costs, including the collection of taxes, from municipal residents, those residents would no longer have to pay the 5.25% premium on their taxes previously recovered the cost of providing that service to electoral areas.

Not all municipal services will be associated with a reduction in costs elsewhere. Some costs, such as a municipal hall, may represent a new item for local residents. However, the costs of capital assets can be borrowed and paid back over long periods of time, to reduce the impact.

Given the current population of Area "D" is estimated at 4,198, policing services for a new municipality would continue to be provided by the province. However, the police tax that helps to recover the cost of that service does change upon incorporation. In addition, municipalities nearing the 5,000 population threshold need to keep in mind the implications associated with policing a community of more than 5,000. Once over 5,000, the municipality would have the option of providing its own police department, contracting with an adjacent municipality with an existing municipal police department or by entering into an agreement with the Province to contract the RCMP as the municipal police service.

If a municipality enters into an agreement with the province, the federal government pays 30% of the RCMP cost-base to the municipality's 70%. Municipalities are responsible for 100% of certain costs, such as the detachment building, holding cells, furniture and civilian support staff. Municipalities with more than 5,000 people that are policed by municipal police department, or that contract with the municipal department in an adjacent municipality, must pay 100% of their policing costs.

The Province also recognizes the impact of the transfer of some of the services and responsibilities to a newly incorporated municipality. The transition to paying for roads, in particular, is a significant change. Accordingly, as part of incorporation process, the provincial government creates a "provincial offer" that provides some grants and assistance to help in the transition to become a new municipality.

Some potential components of a previous provincial offers include:

- Community planning grant to assist in the conversion and transition of key policy documents and bylaws
- Service transition grant
- Per capita municipal restructure assistance
- Roads assistance – continued operations and maintenance of local roads at provincial levels for a period of up to 5 years
- Incorporation referendum assistance

One of the purposes of a detailed incorporation study, is therefore the closer examination of each of these impacts – how they translate into taxes, and whether, given the specific boundary, tax base, population and service characteristics, those impacts offset each other, if the differences are minimal, or where they may be more significant. The cumulative impact of all the changes varies depending on the services provided, the population, the total amount, as well as the characteristics of the assessment base of the incorporation area. The provincial offer is also an important consideration in the incorporation study process to determine the impact on residents.

SUMMARY OF INCORPORATION IMPACTS

New municipal services*

- ✓ Local roads
- ✓ Subdivision approval
- ✓ Tax notices and collection
- ✓ Municipal hall
- ✓ Irrigation/Improvement District services

Municipal Service level increases

- ✓ Municipal fire service – increased service level required if provided by municipality

Municipal governance

- ✓ Locally-elected council (5 or 7 members)
- ✓ Municipal director on RDOS Board

Municipal finance

- ✓ Grants allocated to municipality (unconditional grants)
- ✓ Utilities 1% tax
- ✓ Option for Franchise Fee (Fortis)
- ✓ Ability to change tax ratios

** not currently provided to Area "D" by RDOS*

RDOS Area "D" Service & Boundary Configuration Study
Incorporation Insight
December, 2021

BOUNDARY CONSIDERATIONS

What is the purpose of this paper?

Electoral Area "D" of the Regional District of Okanagan Similkameen is currently undergoing a *Services and Boundary Configuration Study*.

The purposes of the study are to:

1) Examine the services provided in Electoral Area "D", identify any issues or concerns with services or governance, and gauge interest among citizens in pursuing incorporation.
2) Recommend a boundary after considering the high-level impact that incorporation would have on political representation, governance structure and service provision.

The *Services and Boundary Configuration Study* does not presume that an incorporation study will proceed. Ultimately the Study Committee, based on direction from the community, must contemplate whether an incorporation study might be an appropriate future step, and if so, identify the most suitable boundary for that subsequent analysis.

Therefore, as part of the *Services and Boundary Configuration Study*, this paper on boundary considerations shares with the Committee and residents the factors and criteria that are typically used to identify a municipal boundary. The paper is serves as a primer in advance of the boundary identification process that forms part of this study.

➢ Why is an incorporation boundary needed?

Prior to initiating an Incorporation Study, the Ministry of Municipal Affairs establishes an incorporation study area boundary. The boundary is required to enable the committee and its consultants to gather and analyze the data for the study, and is critical in determining the costs for each option being considered. It is only once the boundary is determined that the specific services provided to the area can be identified and quantified, assessment base totalled, and tax impacts calculated.

The process to determine the tax impacts and compare the existing costs and services to an incorporation scenario is comprehensive – it involves a considerable amount of work by the regional district, consultants, the Ministry of Municipal Affairs, and incorporation committee, as well as residents. The goal of the process is to provide information to the community so residents can make an informed decision on whether they would like to incorporate. Providing clear information is a key objective of the process; providing only one scenario helps to make this process straightforward for residents who must weigh the options.

➢ How is a boundary established?

Establishing a boundary for an incorporation study is a three-phase process. It involves:

- Data collection and review
- Gathering community input
- Establishing criteria

After the collection of both qualitative and quantitative inputs, and analysis of that information relative to key criteria, consultants provide some suggested options for review and subsequently identify a preferred option. Prior to being approved for the purposes of an incorporation study, the boundary is typically recommended by a committee, endorsed by the regional district, and approved by the Ministry. Ministry staff look to input from the

boundary study, including recommendations from consultants, the study committee and the regional district, to help inform a decision.

DATA COLLECTION AND REVIEW

Many of the factors considered in determining a boundary rely upon factual data that is collected and analyzed. Some data sources and information collected includes (but is not necessarily limited to):

- Regional Growth Strategies and relevant policies
- Official Community Plans or other land use plans
- existing settlement patterns
- land use or zoning regulations
- population and population density
- Statistics Canada Census information
- local government services (all types) and service areas
- infrastructure master plans and/or proposed capital improvements
- local road networks
- property assessment class maps/information
- property assessment values
- Agricultural Land Reserve (ALR) and farm property inventories

COMMUNITY INPUT

Community input is a key component of governance studies that are completed prior to an incorporation study. Community concerns are often the reason governance and subsequent incorporation studies are initiated.

Community input provides an opportunity for all community members to learn about who provides services, how the current system works, and share perspectives on what is working well, as well as identify concerns or needs that are not being met. Depending on the issues identified, options can be developed to address community concerns, including alternatives within the current governance framework as well as those that require changes to the governance structure.

As with any qualitative input, there is always a range of perspectives and opinions shared. Just because concerns are identified in a certain area does not necessarily mean that the area will be included within an incorporation study. Conversely, just because some members of a community are uncertain of the costs or regulations that might occur in an incorporation scenario does not mean the community would be excluded.

Community input is one of the factors considered by consultants, the regional district and Ministry of Municipal Affairs when determining a boundary. As noted previously, however, there are many factors that go into establishing a logical municipal boundary. It is normal to have a range of opinions within the incorporation study area; the incorporation study process highlights the changes and impacts of an incorporation, and provides all residents with the opportunity to hear about and understand the potential impacts. It is only once that information is available that residents can make informed decisions on the best path forward for their own property, and for their community.

DEVELOP CRITERIA

Once the quantitative and qualitative data have been compiled, the factors can be compared to criteria that are relevant to the community. Some criteria are considered for the incorporation of any community; others may relate to the specific situation and directions identified by the community. For example, there may be areas that would not otherwise be included within the proposed municipal boundary based on tax base, land use and service boundary analysis; however, if residents express a strong sense of connection to a specific neighbourhood, and desire to be included within the boundary rather than separated from the community with which they identify, then that community may be included.

Figure 1 provides a summary of some of the main data inputs or factors considered, related evaluation criteria and an explanation of why they are included as part of the process. The factors are not listed in any particular order – all factors are important and are taken into consideration.

The importance of every criterion, combined with the reality that it is unlikely that any single boundary option will maximize or fulfill all criteria, is what makes selecting a boundary so challenging. Ultimately once the data are considered together, and compared with the criteria, several boundary options and iterations may be drafted and considered before recommendations are made.

➢ Can the boundary change once it is established?

Once a specific boundary is used as the basis for an incorporation study, all the costs, tax impacts and budgeting created as part of that study are predicated on the specific assessment base, property class mix, and cost of services within that specific boundary. Minor changes to the boundary will not typically change the identified impacts significantly. Substantial changes, however, in terms of tax base, servicing or property class, could have significant impacts and warrant figures to be recalculated. Any re-examination of costs would be time-consuming, given that incorporation studies typically require between 1 and 2 years to complete. The primary objective of the boundary analysis, therefore, is to identify key concerns in advance to avoid the need for changes later in the process. Receiving endorsement of the boundary from a study committee, regional district and Ministry of Municipal Affairs helps to ensure that a range of perspectives were included, and reduces the need for changes later in the process.

If an incorporation occurs, and a municipality is established, there are opportunities and processes identified in the *Local Government Act* for property owners to apply to bring their properties in or out of a municipal boundary. This adjustment process follows a similar restructure process, albeit on a smaller scale. A property owner (or group of owners) would submit a request for inclusion or exclusion to the municipal council. If council approved the request, it would be forwarded to the Ministry of Municipal Affairs for processing. Before a boundary change could occur, elector approval from all municipal residents would be required through a vote (similar to a referendum), unless this requirement is waived by the Minister.[1]

[1] The Minister of Municipal Affairs can waive the requirement for elector assent from the entire municipality in the case of a reduction of a municipal boundary (boundary exclusion).

Figure 1
Boundary Considerations
Factors and Criteria

Factor	Criterion	Explanation
Future Growth and Development	Incorporation boundaries encompass areas identified for future growth/development in Regional Growth Strategy and Official Community Plan. Incorporation scenarios minimize the amount of protected agricultural land, and lands designated in the OCP as Agricultural, within the boundaries. Incorporation scenarios represent areas that are large enough to allow for future growth, but sufficiently compact to facilitate efficient and cost-effective servicing.	The RGS and OCP were developed through processes that included a considerable amount of public engagement. The plan identifies growth areas, and land use categories that reference where future development may occur, and that speak to allowable uses and densities. A range of land uses, such as Commercial, Medium Density Residential, Town Centre and Industrial may be important to include within the Incorporation Study Area boundary.
Property Assessment Class	Incorporation scenarios include properties that together cover a range of property assessment classes. Incorporation scenarios seek to minimize properties identified by BC Assessment as Class 9 Farm, due to the tax impacts to those Class 9 properties (loss of residential exemptions) after incorporation.	A diverse tax base allows for sharing of the tax burden across the various property classes, and provides opportunities to balance contributions from different uses during the establishment of tax rates.
Agricultural Land Reserve	Incorporation scenarios minimize the amount of ALR land included within the municipal boundaries.	Given that Class 9 (farm) properties lose tax exemptions in a municipal incorporation scenario, incorporation can present a burden for some ALR properties.
Local Government Services and Service Areas (water and sewer)	Incorporation scenarios include the whole of individual service areas, particularly for utility infrastructure (water and sewer).	Wherever practicable, efforts should be taken to include whole local service areas within a proposed municipal boundary. Service planning, governance, finance and operation are easier to manage when the entire service area is contained within one jurisdiction under the responsibility of one local government, and one jurisdiction has responsibility and control for both land use and utilities.

Factor	Criterion	Explanation
Local Service Areas (Fire)	Incorporation scenarios consider including whole of fire service areas within a municipal boundary, and consider implications of including areas not serviced within the municipal boundary.	The local fire service area boundaries reflect the response times for fire events, given fire hall locations and local road networks. Fire departments can provide services beyond municipal boundaries, so while it is administratively easier to include the entire service area boundary within one jurisdiction, it is not critical that the entire service area be within the incorporated area. It is less common to provide two different service levels within one municipality (i.e. to have portions of a municipality that receive no fire service, and other areas that do).
Potential Infrastructure	Incorporation scenarios accommodate the need for future infrastructure development, in particular anticipated expansion of sanitary sewer collection and treatment systems.	'Hard' infrastructure services are most efficiently provided where the jurisdiction has control over the utilities and the land use.
Local Road Network	Incorporation scenarios include only those roads that are required to facilitate efficient transportation and land use planning, complete communities and that are important to the local community. Incorporation scenarios, wherever practicable, include complete local roads, and do not create "orphan" road ends by excluding portions of no-thru roads.	Minimizing the number and length of local roads is an important cost consideration for any municipality. The longer the road network, the greater the operation and maintenance cost borne by the community.
Tax Base	Incorporation scenarios create an assessment base that is significant in value to support the municipal needs.	In addition to the diversity of the tax base, having a significant base helps to reduce the tax burden, particularly for fixed costs, contributes toward financial resiliency and increases the borrowing power.
Parcel and natural/physical boundaries	Incorporation scenarios follow established lot lines, and do not create municipal boundaries that divide lots. Incorporation scenarios use natural areas or community divisions, where possible, to help	The use of logical contiguous boundaries assists in providing efficient servicing, and fosters a sense of community between neighbours.

Factor	Criterion	Explanation
	preserve communities of interest, and create logical, contiguous boundaries.	
Population	Incorporation scenarios should have sufficient population to sustain a resilient community, including long-term options for municipal candidates and representation. Incorporation scenarios should represent areas with population densities that set the areas apart from their rural surroundings, and allow for the development and financing of efficient infrastructure.	While several municipalities in BC have small populations, larger populations are generally associated with economic viability and resiliency. Furthermore, larger populations are needed to ensure sufficient pool of candidates to fill council positions over time. Concentrations of people is a key factor in differentiating between urban development nodes and rural living. Density is also critical to the development of efficient infrastructure networks and more urban local services.
Community Input	Where practical, include whole settlement areas or communities within the boundary instead of dividing communities that identify as a node or place. Preference given to communities where issues regarding services, service levels and/or governance have been identified and where incorporation provides a potential solution to those issues.	Statistics Canada identifies Designated Places and Designated Centres based on input from the Province of BC. The boundaries of these designations may speak to sense of community. Other communities may develop or define themselves based on subdivision patterns, or key features or community hubs such as a park or local commercial area. Unless identified for inclusion through other criteria, areas that are satisfied with the current regional district model of services, service levels and governance, and have not expressed any interest in incorporation are generally not included.