

BOARD REPORT

TO: Chair and Directors

File No: 0470-20-05

SUBJECT: **Proposed Golden-Area A Core Facilities Contribution Agreement Establishment Bylaw**

DESCRIPTION: Report from Charles A. Hamilton, Chief Administrative Officer, dated May 17, 2018.
Establishment of Proposed Core Facilities Funding Contribution Service in Area A.

RECOMMENDATION #1: THAT: the CSRD Board give first, second, and third readings to the *Electoral Area A Core Facilities Funding Contribution Service Establishment Bylaw No. 5777*; this 17th day of May, 2018.

RECOMMENDATION #2: THAT: assent voting (referendum) for Electoral A Core Facilities Funding Contribution Establishment Bylaw No.5777 be held on Saturday, October 20, 2018 in accordance with Sections 342, 344 of the *Local Government Act*;

RECOMMENDATION #3: THAT: the *Electoral Area A Core Facilities Funding Contribution Establishment Bylaw No. 5777* be forwarded to the Inspector of Municipalities for approval and that the Inspector be requested pursuant to Section 174(1) of the *Local Government Act*, to set the general voting day for October 20, 2018;

RECOMMENDATION #4 THAT: the Regional District Board approve the Assent Voting question for *Electoral Area A Core Facilities Funding Contribution Establishment Bylaw No. 5777*, as follows:

"Are you in favour of the Columbia Shuswap Regional District adopting Electoral Area A Core Facilities Funding Contribution Establishment Bylaw No. 5777, which will permit the Regional District to make an annual funding contribution to the Town of Golden to cover 20% of the net operating costs of the four core facilities, at a maximum annual taxation limit that is the greater of \$125,000 or \$0.1238 per \$1,000 calculated on the net taxable value of land and improvements?"

RECOMMENDATION #5 THAT: the Board allocate \$20,000 from the Rural Feasibility Fund to undertake a public engagement process and to conduct the referendum (other voting).

SHORT SUMMARY:

The Town of Golden (the Town) and Electoral Area A (Area A) have funding partnerships for a variety of services and facilities in the community, however, the Town is the owner of other recreational and cultural facilities within the Town that are not subject to a funding partnership. These facilities are managed, maintained, and paid for by the Town, however, the facilities are used by many individuals and groups in the neighbouring rural area. The Town and the CSRD have been in discussions since August 2016 about a new cost sharing arrangement that would account for those services and facilities that are available and utilized by both Town and rural residents yet paid for solely by Town of Golden taxpayers.

The parties agreed that the most practical way forward to establish a new cost sharing model was to focus on a limited number of key facilities that are not subject to a cost sharing arrangement, but are available to and used extensively by residents of the surrounding Electoral Area. The four facilities that were chosen include: the Golden Municipal Swimming Pool, the Golden Civic Centre, the Golden and District Senior's Centre, and the Mount 7 Rec Plex.

The CSRD representatives on the Committee that was established to review shared services have advanced a formal cost sharing arrangement with the Town. The arrangement would involve the CSRD establishing a new service that would authorize the regional district to levy a tax on rural area residents for the purpose of making a funding contribution to the Town. In exchange for this contribution, Area A residents would continue to receive unchanged and traditional access to the four facilities for its residents. The new service, which would be subject to elector assent, would be referred to as the *Core Facilities Funding Contribution Establishment Bylaw*. It is further proposed that elector assent (referendum) would be sought in conjunction with the 2018 local general elections to be held on October 20, 2018.

VOTING:Unweighted
CorporateLGA Part 14
(Unweighted)Weighted
CorporateStakeholder
(Weighted)**BACKGROUND:**

Golden Town Council established The *Partnered Services Delivery Review Select Committee* on December 1, 2015. The committee's inaugural meeting was held on August 17, 2016. The committee was comprised of the following members:

- Mayor Ron Oszust, Town of Golden
- Councillor Chris Hambruch
- Councillor Bruce Fairley
- Karen Cathcart, CSRD Area A Director
- Stephanie Knaak, CSRD Area A Alternate Director
- Derek Smith, Area A Advisory Committee

The CAO's from the Town and the CSRD worked with the Committee in an advisory capacity. The work of the Committee over the past 19 months focused on reviewing the various partnered or shared services that exist between the Town and rural Golden to: (1) determine whether the agreements meet

the needs of the two jurisdictions, and (2) to determine whether cost sharing arrangements need to be expanded.

It is beyond the scope of this Board Report to detail the work that was carried out by the Committee as this was done previously in a *Discussion Paper* that I prepared and was considered by the Board at its regular meeting on November 16, 2017. The *Discussion Paper* is posted on the CSRD website for reference purposes.

POLICY:

Section 338 of the *Local Government Act* sets out the statutory requirement that the Board must first adopt an establishment bylaw in order to operate a service. Additionally, the Board enacted Policy A-60 (Regional District Checklist) in December 2010. The policy is to be used as a guideline to provide staff with clear direction when proposing a new function or service.

KEY ISSUES/CONCEPTS:

The Town and Area A have funding partnerships for a variety of services and facilities in the community, the Town is the owner of other recreational and cultural facilities within the Town that are not subject to a funding partnership. These facilities are managed and maintained by the Town, however, the facilities are used by many individuals and groups in the neighbouring rural area. One of the most contentious issues that has arisen in recent years has been the sharing of costs provided by one local government that benefit the population extending beyond its boundaries. Of particular interest are the debates relating to cost sharing for recreation and cultural facilities. It is not uncommon to find many municipalities provide services that benefit populations outside their boundaries. In large part, the difficulties in enabling cost-sharing can be linked to the fact that there is fragmentation in the system (i.e., two distinct government jurisdictions) and that there is really a mismatch between the administrative boundaries of local government and the catchment or benefitting areas for providing services.

The Town of Golden, like many local governments, is being forced to rethink the scale and organization of public services given the rising costs to deliver these services. The Town is facing tough choices as available revenues fall short of what is needed to provide the desired level of service to the community. One option that is available to the Town to address the broader issue of non-contributing members using and benefitting from Town facilities would be to introduce a two-tiered fee structure for peripheral or non-resident users of a facility.

The Town has indicated, however, that it wishes to avoid this approach, primarily because the Town and surrounding Electoral Area enjoy a strong relationship and a long history of cooperation and mutual support, and additionally because of the administrative cost of managing a two-tiered fee structure. Both parties recognize the value of working together and wish to find a long term, mutually acceptable funding partnership. In order to protect, develop, and maintain service levels in the community, the Town of Golden Council established a Select Committee in June 2016 entitled *Partnered Services Delivery Review Select Committee*. The purpose of the committee, which includes members from both elected bodies, is to explore partnership agreements between the Town and Regional District given that there is significant use of Town facilities by rural residents, although these facilities are paid for solely by municipal taxpayers.

One of the biggest challenges in developing a fair and equitable funding partnership between the Town and rural Golden (Area A) is the reluctance of some residents that live outside the Town to pay their fair share of the costs of recreation and cultural services. They are content to obtain the benefit of using the facilities and programs without making contributions to the capital and operating costs. This is an important consideration because one needs to keep in mind that any funding partnership between the Town and Area A will need to be approved by the electors in Area A, and, undoubtedly, some residents will be reluctant to pay anything for a service or program that they currently enjoy at no cost, that they do not use or that they use infrequently.

What needs to be understood is that regional districts are only mandated to execute a very small number of functions. They act on behalf of municipalities in interactions with the Municipal Finance Authority, they must prepare comprehensive solid waste management plans, undertake emergency planning, and provide administration for rural areas. Apart from these required functions, regional districts are free to undertake a wide range of voluntary services that meet the needs and interests of their residents. This flexibility in providing only requested services allows electoral area residents to only pay for those services in which they wish to participate. The principle of voluntary participation can be problematic, however, because municipalities will frequently provide facilities and services that residents from neighboring rural areas regularly use but never financially contribute to either in terms of construction or the maintenance of the facility.

With the exception of the mandated services described above, a Regional District must first enact a service establishment bylaw if it wishes to establish a service, this includes shared or joint services with another jurisdiction. These bylaws outline what the service is, how it will be delivered, who will benefit from the service, and how the costs will be recovered. In most, although not all, instances, before a service establishment bylaw can be adopted, the assent of the electors is required. The assent of the electors is what gives the regional district the legal authority to levy a tax in respect of a given service or function.

Aside from the requirement for elector assent, some of the other challenges in designing and implementing a fair cost sharing arrangement between the two jurisdictions includes the following:

- It is difficult to measure with any precision the exact benefit received by non-contributing participants;
- How to address the differences in urban and rural expectations and the difficulty of achieving a service level and cost of service that will satisfy all participants?
- How does the CSRD ensure an appropriate degree of influence and control over service levels or service quality when decisions are made exclusively at the municipal level? and;
- How does the CSRD ensure adequate controls over rising facility costs?

The Town and the CSRD have been in discussions since August 2016 about a new cost sharing arrangement that would account for those services and facilities that are available and utilized by both Town and rural residents yet paid for solely by Town of Golden taxpayers.

The parties agreed that the most practical way forward to establish a new cost sharing model was to focus on a limited number of key facilities that are not subject to a cost sharing arrangement, but are

available to and used extensively by residents of the surrounding Electoral Area. The four facilities that were chosen include: the Golden Municipal Swimming Pool, the Golden Civic Centre, the Golden and District Senior's Centre, and the Mount 7 Rec Plex.

The CSRD representatives on the Committee that was established to review shared services have advanced a formal cost sharing arrangement with the Town. The arrangement would involve the CSRD establishing a new service that would authorize the regional district to levy a tax on rural area residents for the purpose of making a funding contribution to the Town. In exchange for this contribution, Area A residents will receive access to the four facilities for its residents. The new service, which would be subject to elector assent, would be referred to as the *Core Facilities Funding Contribution Service Establishment Bylaw*. It is further proposed that elector assent would be sought in conjunction with the 2018 local general elections (referendum) to be held on October 20, 2018.

FINANCIAL:

There are separate financial issues for the Board to consider. The first consideration involves the proposed cost sharing arrangement and payment for services and what the impacts will be to Area A taxpayers. The second consideration is the funding required from the Rural Feasibility Study Fund to cover the cost of public engagement activities and to share in the cost of holding a referendum in October 2018 in conjunction with the general local election.

1. Proposed Cost Sharing Arrangement and Payment for Services

The CSRD proposes to provide an annual payment to the Town totaling 20% of the aggregate net operating costs for the four core facilities. The arrangement would not provide for a pro rata share of capital costs. Based on the 2017 budget for the four core facilities, the 20% cost sharing proposal represents an annual contribution from Area A taxpayers of approximately \$94,000. This figure is based on 20% of the 2017 Town's net operating costs of \$468,000. This amount translates into a tax rate of 0.0927 per \$1,000 of assessment or \$9.27 per \$100,000.

The CSRD's cost sharing proposal represents roughly 50% of the amount that the Town had proposed in its cost sharing proposal to the CSRD. The apportionment of operating costs provided for in the Town's initial proposal called for Area A residents to cover 40% of net operating costs. The Town's proposal based on a 40% apportionment was deemed unacceptable by the CSRD representative on the Committee for the following reasons:

1. The likelihood of obtaining elector assent if rural residents are expected to assume 40% of operating costs would be more difficult to achieve;
2. An implied governance discount should be factored into the cost sharing formula to account for the fact that the CSRD would have no say on how the facilities would be managed or operated;
3. There is a limited ability for certain rural residents to attend activities at the facilities based on location, and distance to, the facilities.

In essence, the CSRD is proposing a straightforward fee for services arrangement with the Town, wherein the CSRD would be purchasing the ability to access and use the facilities for rural residents. The CSRD would not participate in the provision of the service or in its governance. Accordingly, the CSRD wants to have some protection against rising costs that result from service level enhancements made at the sole discretion of Town Council.

Because the Electoral Area Director has no say on how the facilities are managed or operated, or in the setting of priorities, rural ratepayers will have no control over the ultimate size of the budget. It is not reasonable for the Town to expect rural contributions to be open-ended, and to increase automatically as costs rise. To this end, the Parties have agreed that should elector assent be obtained and a cost sharing agreement is entered into between the Town and the CSRD that a cost containment provision be incorporated into the agreement.

The taxing authority that the CSRD is seeking under the terms of the proposed service establishment bylaw does not contemplate or provide for a contribution to capital. However, the CSRD representatives have agreed in principle to make an annual contribution to capital based on 40% of the anticipated capital needs that have been projected over the next 10 years. The source of funding for capital contributions will not, however, come from local taxation, but rather from Gas Tax funds allocated to Area A. As a result, capital contributions made by the CSRD will be restricted to those capital projects that qualify to receive Gas Tax funding under the program's eligibility criteria. Based on the 40% formula and the projected capital needs over a 10 year time horizon, the CSRD's annual contribution is estimated to be in the neighbourhood of \$31,500.

2. Immediate Financial Requirement from Rural Feasibility Fund

Funds to undertake public engagement and to deliver the referendum can be provided through the Rural Feasibility Study Fund. If the service establishment bylaw receives elector assent, the Rural Feasibility Study Fund monies will be repaid by the new function in its first fiscal year. If the referendum fails, the funding is not recovered and it is simply absorbed as a non-recoverable expense by the Rural Feasibility Fund budget. A budget of \$20,000 is estimated for public engagement activities and to cover the referendum expenses in connection with the general local elections this October.

SUMMARY:

The Town and the Regional District both wish to establish a fair and equitable formula to determine future Electoral Area A contributions to the four Core Facilities described in this report. This has not been a simple or straightforward task because the determination of equity is a somewhat subjective exercise, in that what may be considered by one party to be entirely equitable may be considered by another to be unfair. In any event, after considerable discussion over the past year and a half, the parties have arrived at a cost sharing arrangement that is fair and defensible at least from the CSRD's perspective. The Town believes that the Area A's percentage of operating costs should be higher, but, at the same time, it realizes the legislative challenges that must be overcome.

IMPLEMENTATION:

If the Board endorses the recommendations, elector assent would be sought in conjunction with the 2018 local general elections (referendum) to be held on October 20, 2018.

COMMUNICATIONS:

The Town of Golden will be notified of the Board's decision. The referendum communication process will begin in conjunction with the general local elections taking place on October 20, 2018.

DESIRED OUTCOMES:

The Board endorse staff recommendations.

BOARD'S OPTIONS:

1. *Endorse the Recommendation.*
2. *Deny the Recommendation.*
3. *Defer.*
4. *Any other action deemed appropriate by the Board.*

LIST NAME OF REPORT(S) / DOCUMENT(S) AVAILABLE FROM STAFF:

1. List reports

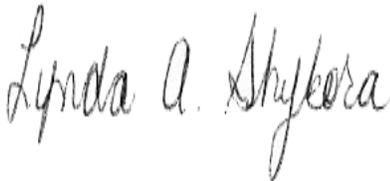
Report Approval Details

Document Title:	Golden Area A Core Facilities Contribution Agreement Establishment Bylaw.docx
Attachments:	- FAQ's – Rural Golden Shared Services May2018.pdf
Final Approval Date:	May 8, 2018

This report and all of its attachments were approved and signed as outlined below:



Jodi Pierce - May 4, 2018 - 2:29 PM



Lynda Shykora - May 8, 2018 - 1:11 PM

No Signature - Task assigned to Charles Hamilton was completed by assistant Lynda Shykora

Charles Hamilton - May 8, 2018 - 1:12 PM