

City of Duncan Boundary Restructure Study

Summary of the Technical Report

Sussex
Consultants Ltd

August 2006

Introduction

1. This study examines the potential impacts of expanding the City of Duncan boundary to include an area south of the Cowichan River
2. The study is being done by the Boundary Restructure Public Steering Committee, a volunteer group of local residents. The Committee hired Tom Reid of Sussex Consultants to prepare an independent look at the impacts of boundary expansion. The Committee will present the findings for public discussion and then make recommendations and suggestions regarding City boundary expansion to the Elected Officials Steering Committee and the City.

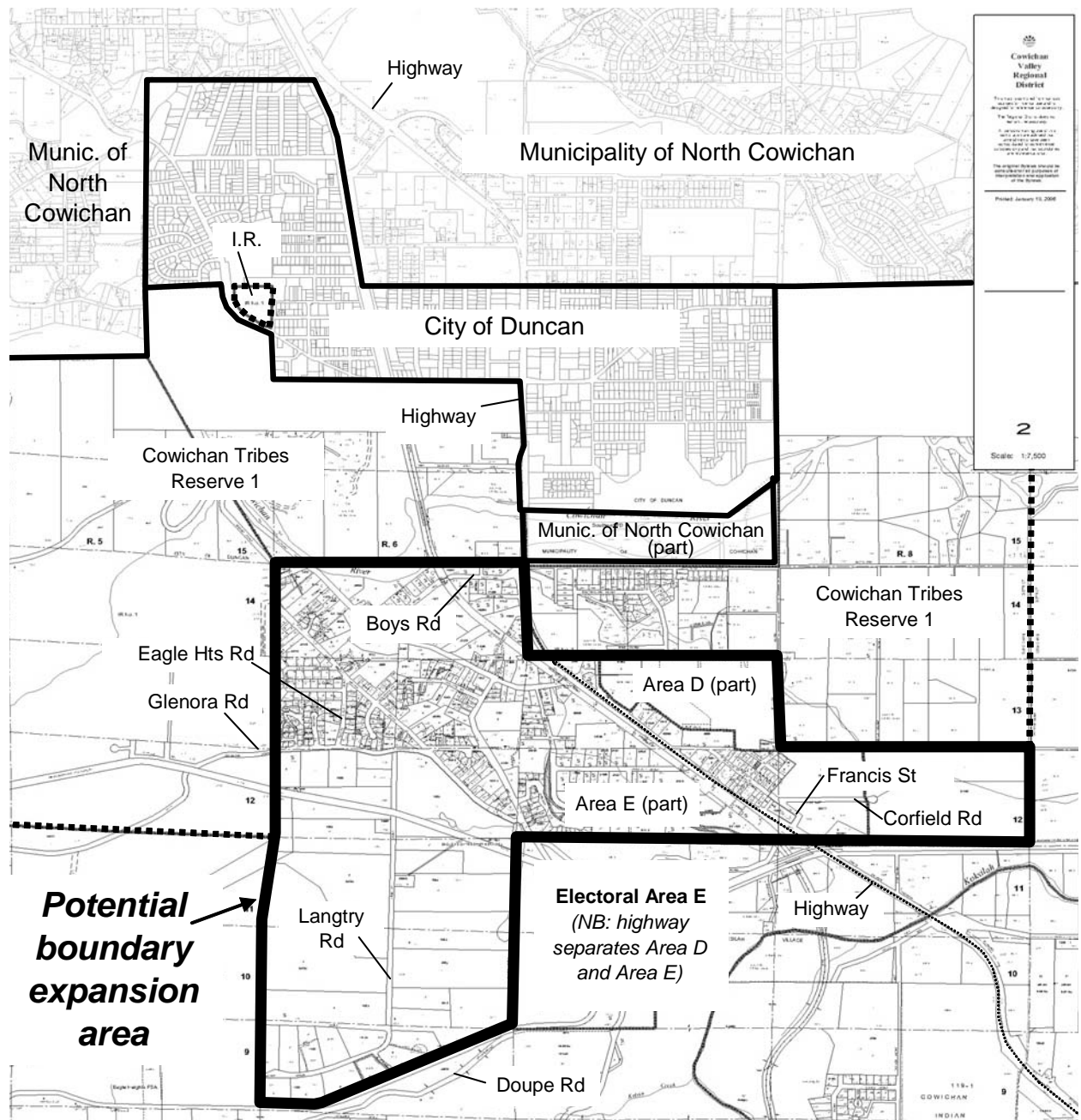
The Public Steering Committee

Name ...	Representing ...
• John Campbell (Chair)	• Area E
• Joanne Gardiner (Vice Chair)	• Area D
• Calvin Fee	• Area E
• Sheila Hobbs	• City of Duncan
• Peter Holmes	• Area D
• Tracey King	• City of Duncan
• Rob Laver	• City of Duncan
• Chip Seymour	• Cowichan Tribes
• Mark Turner	• District of N. Cowichan
• Henry Wikkerink	• Area E
• Alternates: Cathy Basskin	• Area D
Renee Leger	• District of N. Cowichan

3. This summary is a synopsis of the larger Technical Report. See the bottom of page 7 for a list of places to see the full report.
4. *Expanding the City boundary is not mandatory.* If it takes place, it will be because the City and the expansion area taxpayers want it.
5. Only the province can change the City boundary. The province would also set out the conditions as to how boundary expansion would be approved and implemented, as well as providing start-up financial assistance to the community. *This needs more discussion with the province.*
6. Joining the City does not mean leaving the regional district. The City is and still would be a member of the CVRD for region-wide functions. Joining the City means relying less on the CVRD for community services and policies.
7. As shown on the following map, the expansion area has three main parts: Eagle Heights (where most of the residents live); the commercial and light industrial area along both sides of the highway; and a rural area south of Eagle Heights. The smaller portion along the northeast side of the highway is part of Electoral Area D of the regional district; the remainder is part of Area E.

Why join the City?

8. More decisions about community services and policies in the expansion area would be made by a locally elected body (City Council), without the need for approval from officials who are accountable only to more distant voters.
9. Without boundary expansion, residents of the expansion area may soon face an additional fee to use the pool. Unlike City or North Cowichan taxpayers, expansion area homes don't pay property taxes to support the pool though they use it, so the City and North Cowichan (who administer the pool) have agreed to charge non-taxpayers an extra fee. Joining the City would avoid this surcharge for expansion area residents.



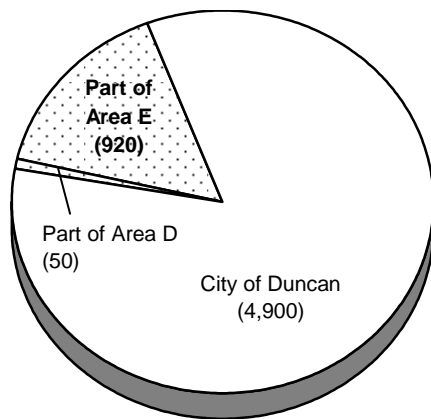
10. Joining the City could produce enhanced service levels for roads, drainage, street lights, and sidewalks for the expansion area. Sidewalk and street light policies would be up to City council (these policies would be known before residents are asked to decide about joining the City). Grants from the province could be used to fund these. Expansion area homes could also have more frequent garbage collection, though this would cost more than they pay now.
11. Joining the City could mean lower user fees for water and sewer than under the current system.
12. Joining the City would mean “one stop shopping” for matters of civic information, taxes and community policies. Currently, expansion area residents may not know where to go with questions about water (the City), parks (the regional district), or roads (the province).

13. By paying the same taxes as City residents, expansion area taxpayers could not be accused of failing to share equally in the costs of services and amenities that are enjoyed by all residents in the area.
14. These potential gains must be weighted against the overall tax and regulatory impacts of joining the City, though mitigation measures could be implemented to reduce or eliminate tax rises.

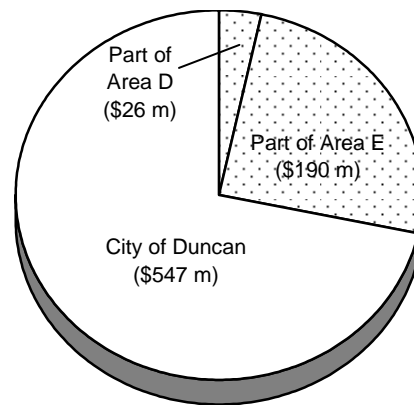
The current system

15. The expansion area represents a 20% rise in the City's population: there are about 1000 in the expansion area and 5000 in the City. It also represents a 40% rise in the City's tax base (using the weighted hospital values, which reflects the higher taxes paid by business).

Total estimated population = 5,870



Total 2006 tax base = \$763 million



16. Residents outside the City do not vote in City elections, do not pay City taxes, and have no say in City policies, yet they use City services and amenities.
17. Expansion area residents rely mainly on the regional district and the province for local services. The budgets and service levels are set by remote bodies – that is, approval for many community policies and programs must be obtained from officials not elected by the local taxpayers. For example, a zoning or community park bylaw for Area E requires approval from the majority of all nine regional district directors (including Shawnigan Lake, Youbou, and Honeymoon Bay-Mesachie Lake), not just the Area E director. Expansion area residents do not get to vote for these other directors. In the City, all the decision makers – that is, the City Council – are elected by only City voters.
18. Both the City and the expansion area generally have the same array of services, though the City does have a higher level of services (for example, the pool, road maintenance, sidewalks, and street lights).
19. There is a more direct link between costs and taxes in the City than in the expansion area. This is because City properties, and only City properties, fund almost all of the City's own services, whereas in the expansion area some services are funded across a far bigger area, and costs and taxes are pooled across many taxpayers. This is particularly true for land use planning, building inspection, and animal control; it is less true for community parks; and it does not apply to very localized services like Eagle Heights sewer.

Selected services and functions in the study area

	In the City of Duncan	In Area D and E (parts in study area)
<i>(A) Functions and services that differ</i>		
1	Reg. District (CVRD) director	A member of City council
2	Main local gov't body	City council
3	Property tax collection	City
4	Zoning bylaws	City council
5	Official community plan	City council
6	Subdivision approval	City staff
7	Water system	City
8	Sewage collection system	City
9	Building permits + inspections	City
10	Local road maintenance and repair	City (but hwy is a provincial service)
11	Garbage collection + recycling	City (own staff)
12	Pool	City
13	Community parks	City

<i>(B) Shared functions and services</i>		
1	Sewage treatment / disposal	Joint City-North Cowichan-CVRD
2	Fire department	City fire dep't
3	Policing	Province/RCMP
4	Garbage disposal (landfill)	CVRD
5	Cowichan Centre	CVRD~
6	Library	V.I. Library Distr.
7	Highway	Province
8	Property assessment	Province

CVRD = Cowichan Valley Regional District

*** Excludes Langtry Rd area*

** Subdivision application is made to CVRD but provincial staff has approval authority*

~ Participation in funding varies in the study area (not all areas pay the same)

20. Boundary expansion would change the tax picture, and the current 2006 tax differences between the City and the expansion area would not apply. An average home in the City pays \$186 more than an Area D home and \$318 more than a home in Area E, after factoring in garbage, water, and sewer charges. These gaps would shrink when a pool surcharge is implemented for residents outside the City and North Cowichan.
21. Taxes are higher in the City because of its broader array of services and higher service standards. For example, a City home pays \$33 for the pool (the expansion area pays no taxes for this); a City home pays \$349 for roads (versus under \$140 in the expansion area); and a City home pays \$95 for community parks (an Area E home pays \$57).
22. There is inconsistent funding of local services. Homes in the City pay for the pool (as do homes in North Cowichan) but expansion area homes do not. The City and Area E contribute to the arena but Area D does not. Each area funds its own community parks separately. Despite the funding gaps, all residents have more or less access to these facilities and amenities. This could change when a new pool surcharge for expansion area users is implemented.

23. Continued electoral area status will not mean taxes stay constant for expansion area homes. CVRD taxes have been rising at about 10% a year (over and above inflation) under the current system. The City is also facing increased costs for policing, and this could raise its taxes.

Transition

24. The existing zoning and land use bylaws of the regional district would be inherited by the City. There is nothing about joining the City that requires a change in community plans or zoning.
25. The City requires business licences, and this would apply in the expansion area. Other City bylaws, like animal control, noise control, and building permits, would apply in the expansion area but in general these City regulations simply replace the existing regional district regulations.
26. The City's development cost charge (DCC) bylaw would not apply to the expansion area unless City Council amends the bylaw to do so. DCCs apply to growth and development, and since most of the expansion area is already built out, there would be little residential growth to trigger DCCs.
27. The province's program to assist municipalities in restructuring would mean a minimum of \$145,500 in short term grants to the City. A more likely value is \$500,000 (and it could even exceed \$1 million). This is more than enough to finance the immediately needed repairs and improvements to expansion area roads, and in fact could provide funding for sidewalks, street lights, and other service improvements in the expansion area – or be used to lower taxes there.
28. The large reserves of the Area E parks function (\$400,000) could be protected for the benefit of CVRD taxpayers. The City would not get the \$400,000.
29. A form of ward system could be created to assure the expansion area of a seat or seats on City Council. Only expansion area voters would be eligible to vote for this councillor (or councillors). This could help allay the fears that expansion area residents would have no say on council decisions. One system could see one reserved seat on council for the expansion area and all the rest elected "at large" (that is, all voters elect them). Another system could see one seat for the expansion area alone, two or three for the current City area alone, and the remainder elected at large. This could be a useful transitional measure (though not so likely as a permanent feature).
30. The City's garbage collection rates need not be affected much by restructure. The basic analysis assumes that the full weekly service would be provided to the expansion area and that they pay the full City fee for this. Currently, the expansion area gets collection every two weeks and pays less than in the City. A City home would see no change in fees as a result of restructure; an expansion area home would pay about \$60 more (but get more frequent service).
31. It would be possible to maintain the two different garbage collection schedules and two different fees even after boundary extension. This would reduce the burden on expansion area taxpayers.
32. Boundary restructure would mean standardization of water charges. Currently, expansion area homes pay more for water than do City homes. After restructure, they could both pay the same. A City home would pay \$6 more than without restructure; an expansion area home would save \$35.
33. Sewer user fees would change, but the parcel tax could still be limited to City properties only; expansion area homes need not pay it. With a standardized user fee for both areas combined, restructure would mean an \$5 rise for a City home and a \$38 fall for an expansion area home.
34. The very large reserve fund in the Eagle Heights sewer function (\$800,000) would be protected for the benefit of only Eagle Heights. The province would ensure this.

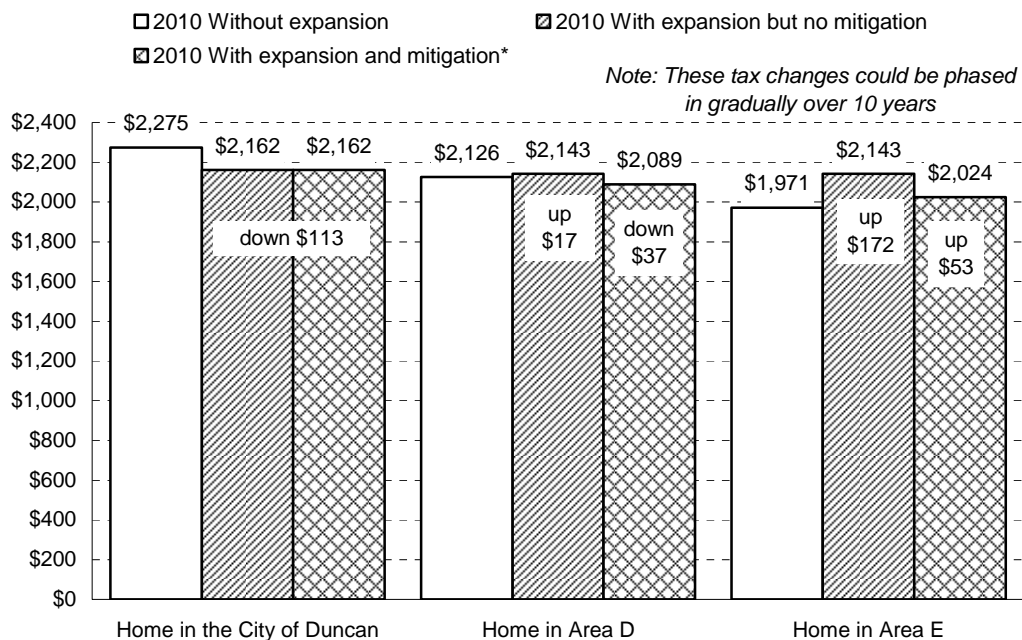
Approval by taxpayers

Expansion area taxpayers would have a say in the decision about expansion based on an approval process to be defined by the Minister of Community Services. City residents could also have a say.

Spending, taxes, and mitigation

35. The *region-wide* functions of the regional district would not be affected by boundary restructure. However, it would affect certain *local* services and functions. After allowing for a reduction in spending because there would be fewer people to serve, the CVRD could still be short \$87,000 in taxes. This translates into \$5 on a home in the remaining part of Area D home and \$28 for a home in the remaining part of Area E. The province could ensure that the City contributes funding for these services, either for a transition period or even permanently.
36. Adding the expansion area to the City would add costs to the budget, particularly for roads. City spending could rise by just under \$600,000 (or 13%). Almost \$200,000 of this is due to expansion area roads. Adding the expansion area would also raise the City's tax base by about 40%. This rise would outstrip the rise in costs. The net result is that the City tax rate after restructure would be lower than the tax rate without restructure.
37. Even after factoring in a rise in CVRD taxes for land use planning, animal control, community parks, and other local services, expansion area homes could still see a tax rise due to joining the City – *unless some mitigation steps are taken* (see next point). By 2010 there could be a modest rise for Area D homes (\$17) and a more substantial \$172 rise for Area E homes; city taxes would be lower by \$113 (all these are stated in constant 2006 dollars).

Tax impacts on a typical home (\$200,000 asmnt)



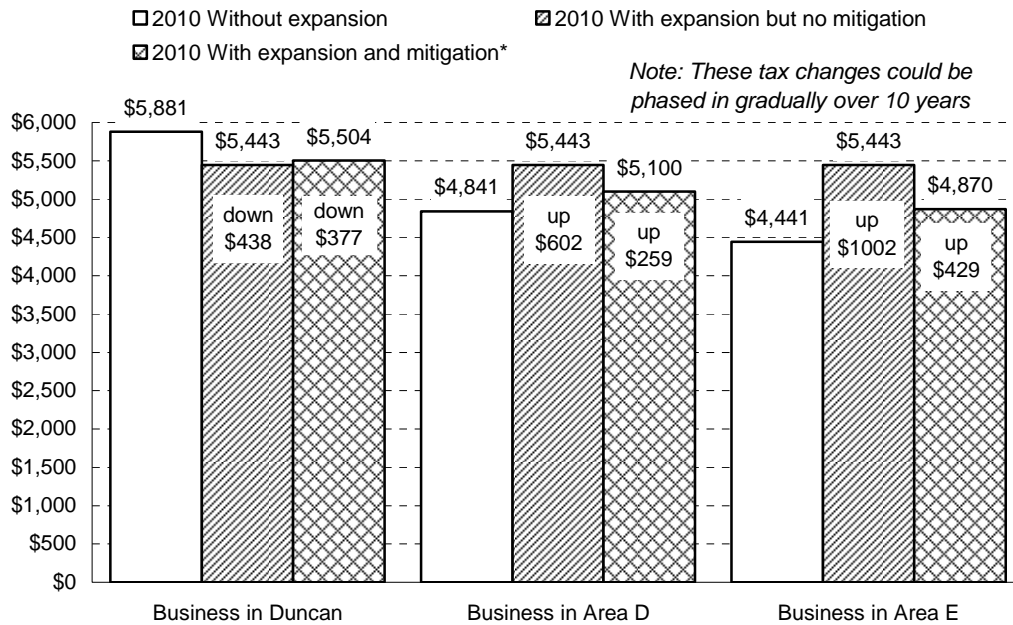
* Two mitigation steps: Keep rural garbage collection schedule plus maximum annuity

38. The tax rises are not inevitable, as mitigation steps are available. Mitigation could reduce the tax burden by over \$120. Steps could include these:
 - Keeping expansion area garbage collection at its current lower-cost, less-frequent level (this would save an expansion area home about \$60 per year).
 - Street lights could be funded separately in the expansion area (this could save about \$5).
 - Using surplus “start-up” funds to reduce expansion area taxes in the form of an annuity that benefits only the expansion area (this could save \$36-\$65).

- City-level taxes could be phased in gradually, over five or ten years.

- The tax mitigation policies that could benefit expansion area homes would also benefit businesses and industries.
- In addition, for business and industry in the expansion area, the City tax rate multiple could be lowered (from the current 3.54 to, say, 3.0), which would further reduce the tax burden on these two property types (though it would shift another \$17 to home tax bills). As with homes, taxes could be phased in over five or ten years for business and industry.
- The tax impacts on an industrial property in the expansion area would be similar to those shown below for a store, and the mitigation steps would produce about the same effect as for a store. Expansion area businesses could face a greater tax impact than homes. The figures below include the City's \$100 business licence fee.

Tax impacts on a \$200,000 business (\$200,000 asmnt)



*Includes City business licence (\$100) * Two mitigation steps: Lower tax rate multiple (3.0) in the expansion area plus maximum annuity*

- If it turns out that the 2006 Census reveals a City population of below 5000, and thus its policing cost isn't triggered, restructuring by itself would mean less of a benefit to City homes. This is because the City's "before" taxes would be lower than assumed but the "after" taxes would stay the same. However, the City policing cost for the "after" case would be delayed until at least 2012.
- There are farms and farm homes south of Glenora Road, and a significant amount of ALR lands. The tax impacts on farm homes would be worse than for a regular home. In addition, most of the farms supply their own water and have their own sewer system. For these reasons, consideration should be given to leaving the area south of Glenora Road out of the restructure. Leaving it out would have no meaningful impacts on the expanded City's finances and taxes.

Want to learn more?

You can see the whole technical report and a 7-page summary at:

- ✓Duncan City hall (200 Craig Street)
- ✓The Cowichan Valley Regional District (175 Ingram Street)
- ✓The library (2687 James Street)
- ✓The Cowichan Tribes office (5762 Allenby Road)
- ✓On the web at www.city.duncan.bc.ca/duncan_city_hall/boundary_restructure.htm