

THE CORPORATION OF THE CITY OF ROSSLAND  
**MEMORANDUM**



**TO:** Mayor and Councillors

**FILE:** 471.10

**PC:** Management

**DATE:** December 28, 2009

**FROM:** Victor Kumar CAO/City Manager

**SUBJECT:** Regional Recreation & Haley Park Funding Request

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**Background:**

In 1980, the electors of the communities of Rossland, Warfield, Trail, Montrose, Fruitvale and RDKB Electoral Areas "A" (Beaver Valley) and Electoral Area B (Genelle & Rivervale) voted to establish jointly seven regional services. The jointly funded services established were: Parks and Recreation, Waste Management, Transit, Airport, Cemetery and Fire Services. The joint funding of the services began effective January 1, 1981. The Regional District became the fiscal agent of all the local governments with powers granted through Supplementary Letters Patent (SLP) for each service to formulate budgets and requisition each local government for the share of the property taxation to operate these seven services, either regionally or within the jurisdiction of each local government having local autonomy but having a regional focus without discriminating in use and fees charged to use the facilities, library, community centres, swimming pools and sports fields.

Initially a Commission was established to manage the seven east end services and a technical committee of senior staff was also established to provide guidance and support to the Commission. The Commission reported to the Board. The Commission and the Technical Committee is no longer in operation.

The initial vision was to transfer all the regional service assets to the Regional District. The first two assets that were transferred were the Fire Services-equipment land and buildings and the Transit. Due to the nature of the fire services, the mix of volunteers and full time fire fighters, there were numerous conflicts in the ensuing years. This led to a hold on the transfer of the other assets.

As the years went by, there were numerous conflicts among the participating local governments. Most of the conflicts arose as a result of the lack of understanding of the role and the service function of the Regional District and those of the local governments who owned the facilities and the assets. The conflicts were not serious enough to warrant withdrawal.

As the faces changed over the years, the original intent of the electors of the regional services was lost. It was overtaken by the accounting concept of debit and credit from each participant. Debit representing the amount requisitioned and the credit representing the amount received. With the principle of "debit and credit" increasingly taking the forefront the intent of the regional property taxation of these services was lost. Hence forth the wishes of the electors was filed away as jostling took place as to how much money one local government should or should not pay into the regional services.

The regional system was established so that the substantial assessment base in Trail and Electoral A can be utilized by all the communities to provide facilities, playfields, libraries and community centres for the Lower Columbia residents regardless of the resident of the users. These seven services represented the bulk of the municipal budgets of all local governments. These services also reflected the mobility of the residents and the sharing of the facilities and libraries.

Majority of the services have operated with minimal conflict and continue to operate across the region. Unfortunately the parks and recreation service was broadly defined causing a significant amount of conflict and tension.

Over the years many meetings and proposals occurred without any significant progress. In the prevailing years Cominco started to suffer significant losses in Trail operations and was on the verge of closure. Cominco approached the City of Trail, the Province and the Federal Governments for financial assistance in the modernization of the plants and to become the low cost producer of metals so it could be sustainable in the long run. The Communities with the assistance of the Job Protection Commissioner agreed to revamp the local taxation. As part of the local initiative the Province also moved to make changes that lead to the establishment of the Columbia Basin Trust and the transfer of power generation assets. The plant was modernized in Trail with the commitment of all the Communities and not only Trail.

With the change in the local government legislation a "review provision" was included allowing the participants to seek a "review" and "withdrawal". The inclusion of this provision in the Local Government Act accelerated the demise of the original intent of the voters by those who did not fully comprehend the nature of the regional system of service delivery and taxation.

Today we have created a situation where one or more communities are engaging into a negotiation and partnerships with the rest of the communities with Terms and Conditions that defies the original intent of the electorate of the Lower Columbia Valley Communities.

**Key Issue:**

The key issue is reaching an agreement on the basic regional funding mechanism through which the original intent of the electorate in the Lower Columbia Communities can be maintained with modifications and in a manner that is sustainable in the long run and provides the autonomy to the local governments owning facilities, libraries and other assets to make operations, maintenance and capital improvement decisions.

**Discussion of Issues:**

*Service Function: Parks and Recreation.* It should be recognized that this is an extremely broad service. It included parks, libraries, arts, culture, recreational programs and facilities. Over the past 27 years this broad nature of the service has lead to the ballooning of the requisition and taxation. Each community started to question the amount taxed in the local community and the amount returned. This lead to its demise. It is recognized that several attempts were made to reach comprises within the participating local governments. For one reason or the other not every participating member was willing to reach compromises. With the various positions solidified, it seemed difficult to resolve the conflict without moving towards the notion of *service withdrawal*. The citizens are facing the demise of the function

with restriction on the mobility on the use of the various facilities, parks/playfields, libraries and community centres that were and continue to be funded (debt repayment) today.

*Funding Mechanism:* The funding mechanism is sound and no changes are necessary. It provides the sharing of resources among the various Lower Columbia Local Governments under the auspicious of the RDKB. This sharing mechanism is inherent in our system of democracy at the local, provincial and federal levels. The Federal government has a transfer payment mechanism. It is not perfect but has worked over many years. The Province has a similar mechanism for the local governments in the sharing of revenues. Smaller communities get small communities protection grants. At the local government level throughout the Province there are tax sharing agreements. In the Peace River Country, the Elk Valley, the Central Kootenay etc all have some form of sharing of local resource revenues.

*Sustainability of the revenue sharing mechanism:* The basic principle that must be recognized is that the past funding mechanism could not be sustainable. Once the issue of debit and credit is removed, it is possible to move to a more regional goal of sustainable funding of key infrastructures within the framework of combined resources.

*Local autonomy:* The past can not be corrected. Hence it must be recognized that each local government maintains the operating autonomy within their jurisdiction. The operating component revolves around the "recreation" activities rather than the maintenance, operation and improvements to the key infrastructure that supports the "recreation and leisure" activities. Clearly it is up to the local councils and the board to determine to what extent it wishes to subsidize the "recreation" aspects within its jurisdictions. Failure to separate the recreation and leisure activities from that of the facilities has been the weakest part of the entire funding mechanism since its establishment.

*Proportionate Sharing of Funds:* There had been numerous proposals in the manner in which the proportionate sharing of taxation and capital allocation might work. This past allocation methods have resulted in an unequal distribution leading to the common perception of the debit and the credit from one community to the other. Any future proportionate sharing mechanism must recognize the local autonomy on the delivery of programs and facility utilization. This should be managed through local decision. Any shortfall should be exclusive to the local jurisdiction making the decision with respect to the fees and charges. The operation, maintenance and improvements should be a formula based funding that is fair and equitable to the participants. British Columbia Building Corporation-BCBC- has done extensive analysis of all types of buildings. This agency has established the benchmark on operation and maintenance per square feet. The basic components included in the operation and maintenance are : cleaning ( janitorial and supplies, window cleaning and interior and exterior), grounds( maintenance of common area, snow removal etc), HVAC ( minor repairs), Elevator and escalators( repairs), electrical( lamp & tube replacement) non-energy utilities( waste removal, water, sewer and recycling), fuels( heating and cooling), energy utilities( electricity and natural gas); security systems( equipment and monitoring) fire and safety( building and premises) Insurance ( fire and extended coverage) . It is regrettable that the services of this independent agency was not called upon to provide guidance in establishing the framework for the funding formula for the operation, maintenance and improvements to the key facilities. In an effort to move forward the services of BCBC would be valuable to structure the funding formula for key facilities, buildings, swimming pools, community centres, parks and playfields. Funding for improvements and capital rests with the

local jurisdictions. The regional government provides the annual debt payments. It will be up to the local jurisdiction to seek approval of the electors. The local jurisdictions can "trade" with each other on the annual debt payments to consolidate the amount for a level of debt to complete any proposed major improvements.

Based on the foregoing discussion, the following Options and Alternatives are provided for consideration.

### **Options and Alternatives:**

*Option 1: Council advises Trail that the City of Rossland is interested in funding the Haley Park in context of the original electorate mandate of continuing with the Regional Service within a defined Terms of Reference that includes the manner of funding key facilities identified within each participating jurisdiction and the funding formula to be determined by an independent agency such as BCBC and incorporating a debt structure for funding improvements of key facilities.* This option proposes engaging an agency like BCBC to provide an independent cost structure for the operation and maintenance of key facilities used regionally. A further principle of debt is incorporated to fund improvements with each participant allocated a proportionate share of debt repayment based on debt servicing capacity of the participating jurisdictions. The running of local leisure and recreation programs is solely at the discretion of the local jurisdiction. The deficit is to be funded by the local jurisdiction. Regional funding may not be assigned to the leisure and recreation programs.

*Option 2: Council advises Trail that the City agrees to fund the improvements to the Haley Park.* As a key regional facility it serves the entire Lower Columbia Communities. To this extent there will be no discrimination of fees and charges for the use of the facility by any resident of the Lower Columbia Communities. The principle of debt financing should be an option included rather than using one time payment. Trail will be responsible for the debt with the debt servicing shared proportionately.

*Option 3: Council advises Trail that Rossland declines the City of Trail's request.* Piece meal funding is rejected unless it is done in the context of the all composite regional funding of defined parks and facilities within the participating jurisdictions.

*Option 4: Council advises that the City agrees to fund the Improvements to Haley Park provided the Facility is transferred to the Regional District of Kootenay Boundary.* Trail transfers the facility to the Regional District. A new regional service is established that funds Haley Park. The Regional District may contract the service back to the City of Trail for the operation and maintenance. The City of Trail can further run the leisure and recreation programs, however, Trail will be responsible for the deficits. The improvements will be funded through a debt charge and repayment.

### **Impact on Budget, Cost and Revenue generation**

A regional cost sharing utilizes the regional assessment base. Every participant's tax rate should be the same regardless of the local government. The total taxation within the local government will differ due to the composition of the assessment within its jurisdiction. For fiscal years 2010 -\$240,200; 2011-\$161,450 and 2012- \$161,450 continues to be funded under regional services for the improvements to the Trail Memorial Centre. Rossland's

property tax share of these payments for the next 3 years is \$40,834 in 2010 and \$27,446 for the years 2011 and 2012.

### **Legislative Authority Precedents and Policies**

Legislation authorizes Councils to conduct referendums and plebiscites. Precedents exist in revenue sharing and service deliveries. Under the existing regional services, legislation does allow for the local autonomy in the delivery of regional services provided it is not discriminatory. Fees and charges can still be set by the local government having the jurisdiction over the service. The ownership of the asset can be joint or through a single entity. One of the key policy issues for consideration within the regional system is the use of debt financing and a sharing of leisure programs' revenues and costs.

### **Strategic Plan and SSP Implications**

The single biggest impact is the social and economic aspect. No single community can advance without taking into consideration the resources of the entire Lower Columbia Communities. The major employer and others relying on the recruitment and attraction of employees rely on the services, facilities and infrastructure available in the entire Lower Columbia. The basic principle is that all parties must work together to make the region successful which in turn makes each community/local government strong economically and socially. The leadership must come from the Mayors, Councils and the Chief Administrative Officers of all the local governments.

Respectfully submitted

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City Manager