

prepared for



# Amalgamation Study Technical Analysis

**PROPOSAL FOR :**

Duncan-North Cowichan  
Citizens' Assembly on Amalgamation

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# 1. INTRODUCTION

## Background

### Context

The possibility of amalgamating Duncan and North Cowichan has been debated by residents of both municipalities for years, including a previous referendum nearly four decades ago. During the 2014 municipal election, voters were asked if they were in favour of conducting a study on amalgamation. At the time, 52 percent of Duncan electors and 68 percent of North Cowichan electors voted in favour of a study. As a result, the municipalities established a citizen-led approach to research, study, and discuss the potential for amalgamation of the two municipalities. This technical study supports that process, which is being undertaken by the Duncan-North Cowichan Citizens' Assembly on Municipal Amalgamation.

Duncan and North Cowichan are highly integrated communities; it is difficult to know where one begins and where one ends. Residents regularly travel between the two jurisdictions for work, school, recreation, and day-to-day tasks. The municipalities cooperate and share costs on many existing services, including the following:

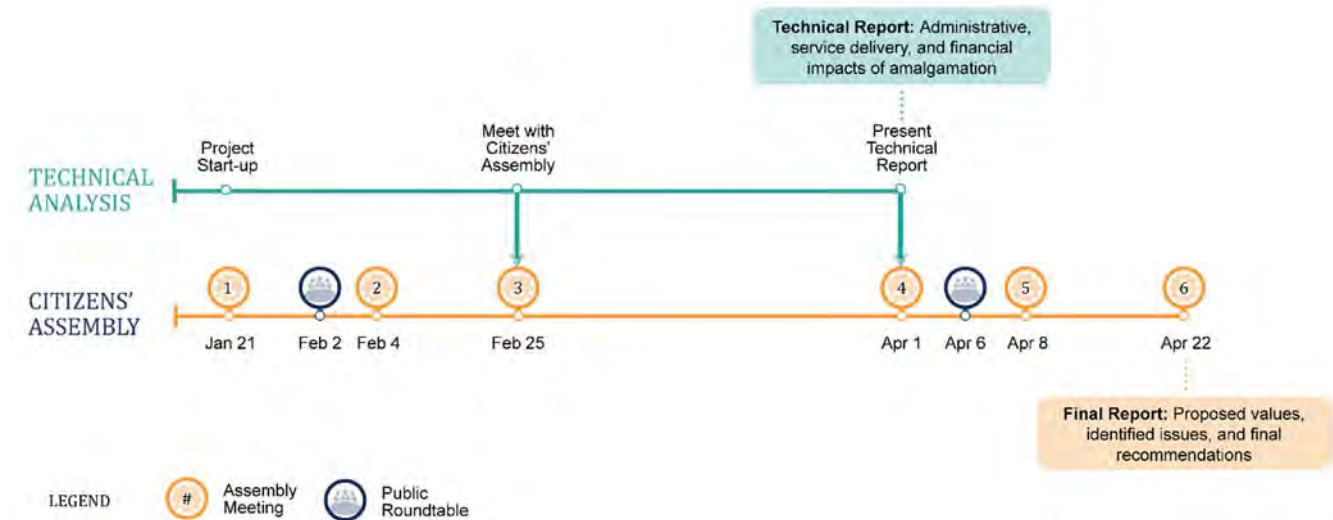
- The municipalities share costs for the Cowichan Aquatic Centre and the Island Savings Centre. Both facilities are in North Cowichan but close to the border of the two municipalities.
- The City of Duncan supplies water to many residents in North Cowichan.
- The two municipalities, Cowichan Tribes, and Cowichan Valley Regional District (CVRD) Electoral Areas are served by the same sewage treatment plant. This plant site is leased on Cowichan Tribes land.
- The two municipalities are served by the same RCMP detachment (although Duncan is served by the RCMP Provincial Unit and North Cowichan is served by an RCMP Municipal Unit).
- The Duncan Fire Department and North Cowichan Fire Department provide mutual aid to each other.
- The municipalities have developed an Inter-Municipal Relationship Protocol.

Recognizing the existing level of cooperation and integration between the two municipalities, this study seeks to identify the key administrative, financial, and service impacts of amalgamation.

## Study Purpose

This technical study helps to fulfill the mandate set by the vote in favour of studying the potential for municipal amalgamation. The study supports the work of a parallel Citizens' Assembly process, which involves developing a set of values for good local governance, establishing a list of issues that need to be resolved for amalgamation to be considered, making a recommendation regarding amalgamation. The technical study identifies the key administrative, financial, and service impacts of amalgamation to help residents and elected officials make an informed decision.

As part of this process, the Citizens' Assembly provided a series of questions to be addressed through this study (see **Appendix A**). These questions are addressed throughout this report.



## Local Government Overview

### Definition of a Municipality

Under the *Community Charter*, municipalities are recognized as an independent order of government. Municipalities have broad authority to provide a variety of services to meet local needs, including, but not limited to, the following:<sup>1</sup>

- General government;
- Transportation;
- Protective services;
- Environmental protection;

<sup>1</sup> Local Government Department. *Municipalities*. Province of British Columbia, Ministry of Community, Sport and Cultural Development, N.D. <http://www.cscd.gov.bc.ca/lgd/pathfinder-mun.htm> (March, 2017).

- Recreation and Culture;
- Land use planning and regulation of development; and,
- Regulation of other areas under municipal jurisdiction.

Municipalities are governed by an elected mayor and council. The size of council is determined by the *Community Charter* and based on the population and class of the municipality. As the City of Duncan and Municipality of North Cowichan are both municipalities of less than 50,000 residents, their councils are set at a mayor and six councillors.

## Amalgamation

Amalgamation is a type of municipal restructuring where two or more existing municipalities combine to form a single new municipality. In BC, amalgamation must be approved by a majority of voters in each municipality. Overall, municipal restructure is not uncommon in BC. However, the amalgamation of municipalities is rare because local governments have alternative options for sharing services. The last voluntary amalgamation occurred over two decades ago, when the District of Abbotsford and District of Matsqui joined to form the City of Abbotsford (see detailed description below).

Amalgamation, as with other forms of municipal restructuring, occurs through five phases:<sup>2</sup>

**Phase 1:** The communities considering amalgamation contact the Ministry of Community, Sport and Cultural Development (CSCD) to express interest in studying the issue.

**Phase 2:** A committee is created by the relevant local governments to oversee the amalgamation study and manage public consultation. In this study, the Citizens' Assembly, facilitated by a consultant (MASS LBP), was created to accomplish this goal.

**Phase 3:** The terms of reference for the study are established and a Request for Proposal is issued to select a consultant to complete the technical study. The study is funded in part by each of the relevant municipalities, as well as through a provincial Restructure Planning Grant. For this study, this report is the fulfillment of this phase.

**Phase 4:** The study is presented to the community. The committee (Citizens' Assembly) will make a recommendation regarding amalgamation, including any conditions which need to be met. It will be up to both Councils to determine how to proceed, including whether or not to recommend a referendum to the Province. The final decision to order a referendum rests with the Minister of Community, Sport and Cultural Development. If the study proceeds to a referendum, the Ministry of Community, Sport and Cultural Development would normally offer a restructuring assistance grant.

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<sup>2</sup> Ministry of Municipal Affairs. Managing Changes to Local Government Structure in British Columbia: A Review and Program Guide. Province of British Columbia, 2000.

**Phase 5:** The referendum is held. If citizens of both municipalities vote in favour of amalgamation, implementation will begin. The Ministry will work with Legislative Council to prepare Letters Patent for a potential recommendation by the Minister of Community, Sport and Cultural Development to the Provincial Cabinet regarding the amalgamation of the municipalities. If amalgamation is approved, Ministry staff will normally provide financial assistance and help to coordinate the transition process.

## History of Amalgamation in BC

Most people are familiar with amalgamation due to high-profile, forced amalgamations in eastern Canada, including Halifax Regional Municipality in 1996, City of Toronto in 1998, City of Ottawa in 2001, City of Hamilton in 2001, and City of Montreal in 2002.

Amalgamation has been touted as an attractive option to increase the efficiency of service delivery and reduce costs. However, research suggests that most amalgamations rarely result in these outcomes.<sup>3</sup> Moreover, BC's system of regional districts provides for many opportunities to coordinate and share services. Because of this factor, BC municipalities typically do not need to amalgamate to achieve service efficiency and regional cooperation. In 2003, the provincial *Community Charter* included a provision (Section 279) which essentially stated that "no forced amalgamations" would be initiated.

The Province of BC provides some key forms of support for smaller municipalities. These forms of support include the provision of Small Community Grants to municipalities that have populations of less than 19,000 people, and lower levels of police taxes for small municipalities, especially those under 5,000. As a result of these factors, amalgamations are much rarer in BC than in other provinces. The most recent BC example is the amalgamation of Abbotsford and Matsqui in 1995.

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<sup>3</sup> Bish, Robert L. and Clemens, Eric G. *Local Government in British Columbia*. 4th Edition. Union of BC Municipalities. 2008. Vojnovic, Igor. "The Transitional Impacts of Municipal Consolidation." *Journal of Urban Affairs*. Volume 22, Number 4, 2000, pgs. 385-417. 2000.



## Case Study #1: Abbotsford-Matsqui

The District Municipalities of Abbotsford<sup>4</sup> and Matsqui shared many characteristics with Duncan and North Cowichan. Abbotsford had a small, older downtown, while Matsqui was geographically larger with a spread out commercial area. The two municipalities shared many services and cooperated primarily through the regional district. However, rapid development and population growth put a strain on shared service delivery arrangements. When the communities finally voted in favour of amalgamation in 1993, the issue had already been debated for decades. More than twenty years have passed since the communities amalgamated and the benefits of hindsight allow us to identify several lessons learned:<sup>5</sup>

1. The implementation process was more substantial than anticipated—for example, it involved the cost of hiring consultants to support a joint committee of councils, costs associated with severance pay due to staff restructuring, and renegotiations of various agreements and contracts.
2. One of the largest costs was the harmonization of the Official Community Plans and Zoning Bylaws. The initial process took approximately two years and caused delays in processing land use applications and building permits.
3. Full administrative and cultural transition took almost a generation of staff.
4. Achieving full harmonization between the existing Zoning Bylaws took almost two decades.
5. One-time consolidation expenses amounted to about \$1.15 million. The Province covered approximately one-third of these expenses.
6. Streamlined decision-making (one Council instead of two) facilitated large investments in infrastructure improvements. Costs of these improvements were spread out over a larger population.
7. Municipal spending did not change substantially.
8. The amalgamated municipality was able to plan new residential and commercial developments more effectively.
9. Economic development became easier to facilitate as there was only one set of plans and regulations to follow. Amalgamation also made it easier and clearer to market

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<sup>4</sup> It is interesting to note that pre-1995 Abbotsford was the result of the amalgamation of the Village of Abbotsford and the District Municipality of Sumas in 1972.

<sup>5</sup> These conclusions are based on conversations with staff involved in the Abbotsford-Matsqui amalgamation, as well as the work of Igor Vojnovic assessing amalgamations in Canada in the 1990s.

opportunities to the business community; prior to amalgamation, there had been significant confusion over boundaries, postal codes, and which rules applied where.

Twenty years down the line, the legacy has been generally positive, and reference to pre-amalgamation rarely occurs.

### Case Study #2: Nanaimo

In 1975, the City of Nanaimo amalgamated with five improvement districts (note that this was more of a boundary restructure rather than an amalgamation of two municipalities). This example was a case of forced amalgamation; the old City of Nanaimo had voted in favour of amalgamation while the improvement districts voted against. The new City inherited vastly different levels of service throughout each area of the community, along with expectations of service equalization. While it is hard to imagine Nanaimo pre-amalgamation, several lessons have emerged:

1. Expectations of equal service levels may be costly and difficult to implement. Forty years later, services levels are still being upgraded/equalized in Nanaimo.
2. Council adopted a blanket 'no-layoffs' post-amalgamation policy. The result was that all staff were assimilated into the new administration, regardless of need.
3. Combining collective agreements may raise salaries to the level of the most generous agreement.
4. A two-year ward system was put in place following amalgamation. The system was extended to ten years due to the difficulty of transitioning elected ward Councillors to at-large Councillors. The system was eventually changed to an at-large electoral system due to the disparity in the ratio of Councillors to voters between wards.

Ultimately, amalgamation is up to local citizens and their desire to be part of one municipality. The experience of other municipalities does not provide clear direction on whether or not to amalgamate. However, the experience of other municipalities provides some key themes to consider:

1. *There is no right size "standard" for a municipality.* On the surface, the larger size of a municipality may appear to offer economies of scale in service delivery and greater standing in negotiating agreements with senior government. However, experience from other jurisdictions shows that amalgamating into a larger municipality does not always result in direct benefits due to overall greater size.

2. *The time to amalgamate is when the communities are ready.* In the case of Abbotsford and Matsqui, the reason for the yes vote in 1993 was cited as increased familiarity with amalgamation through decades of debates.
3. *There will be a transition period.* Restructuring two local governments is a complex process. Even when the formal processes of consolidating organizational structures and service delivery arrangements are completed, it is likely that a period of time will need to pass before an amalgamated municipality becomes the “new normal.”

## Study Method and Report Overview

### Study Method

The work presented in this report was completed in parallel with the Citizens’ Assembly process. The information collected and analyzed was informed by previous municipal restructuring studies, questions posed by the Citizens’ Assembly, and key issues unique to Duncan and North Cowichan.

Information was collected through a variety of means, including:

- interviews with municipal staff;
- field visits;
- review of background documents, policies, plans, and bylaws; and,
- analysis of financial information, including five-year financial plans and capital plans, revenues and expenditures, assessment data, tax rate bylaws, and other data.

While responsibility for this report rests with Urban Systems, this technical study also benefited significantly from the research questions and insights raised by a local Advisory Panel, including: Mike Coleman (former Mayor of Duncan); Jim Dias (former North Cowichan Chief Administrative Officer); Tom Ireland (former Duncan Chief Administrative Officer); Mary Beth Mackenzie (former Deputy Clerk for North Cowichan and former staff member in Abbotsford during its amalgamation); and, Glen Ridgway (former North Cowichan Councillor). We are grateful to both the Advisory Panel and the Citizens’ Assembly for their volunteer efforts in support of this study process.

### Limitations

#### Scope of Study

This study offers a ‘point-in-time’ snapshot of amalgamation impacts on key services areas and overall services based on 2016 values (assessment, revenue, expenditures and tax rates). While figures from 2011 to 2016 are provided for comparison, this study does not provide an in-depth analysis of the factors that have contributed to changes in assessment

values or municipal revenue and expenditures over time. This study also does not project future changes associated with factors such as community growth or changes in service levels over time.

## Implementation of Amalgamation

As part of its mandate, the Citizens' Assembly will provide recommendations regarding amalgamation, including any conditions which would need to be satisfied if a merger were to proceed. This study provides technical information to inform these recommendations but does not provide analysis of the implementation process itself, or the variables which may impact implementation. Based on our review of previous amalgamations, the implementation process is complex and requires significant financial and human resources capacity, as well as leadership in decision-making regarding staffing and priorities.

## Prerogative of Council

The Citizens' Assembly provided a number of questions to guide this study and these questions are provided in **Appendix A**. These questions have been addressed through the body of this study (particularly but not exclusively in *Section 7 – Key Considerations*). It is important to highlight that many decisions are ultimately up to the priorities and directions provided by current and future municipal Council(s) – whether the municipalities remain separate or amalgamate.

## Report Organization

**Section 1. Introduction** provides an introduction to the study and an overview of municipal government and amalgamation.

**Section 2. Overview of Duncan and North Cowichan** provides an overview of the City of Duncan and Municipality of North Cowichan through community profiles and reviews of corporate structure.

**Section 3. Financial Overview** reviews financial information for both municipalities, including assessment data, tax rate information, municipal revenues and expenditures, capital projects, reserves, debt levels, and senior government grants.

**Section 4. Municipal Administration and Service Impacts** analyzes potential amalgamation impacts across six overarching service areas: general government, planning and development services, public works and engineering/transportation services, protective services, environmental health, and parks and recreation services.

**Section 5. Financial Impacts** assesses the budget and tax rate impacts of two main amalgamation scenarios, including impacts on the combined budget and tax rates.

**Section 6. Regional District Impacts** provides an overview of Duncan and North Cowichan's participation in CVRD services and outlines potential impacts to the Regional District as a result of an amalgamation.

**Section 7. Key Considerations** discusses the key issues and themes raised by amalgamation across six broad themes: community; governance; transition process; community vision, planning and development; social and environmental goals; and the impacts of not amalgamating.

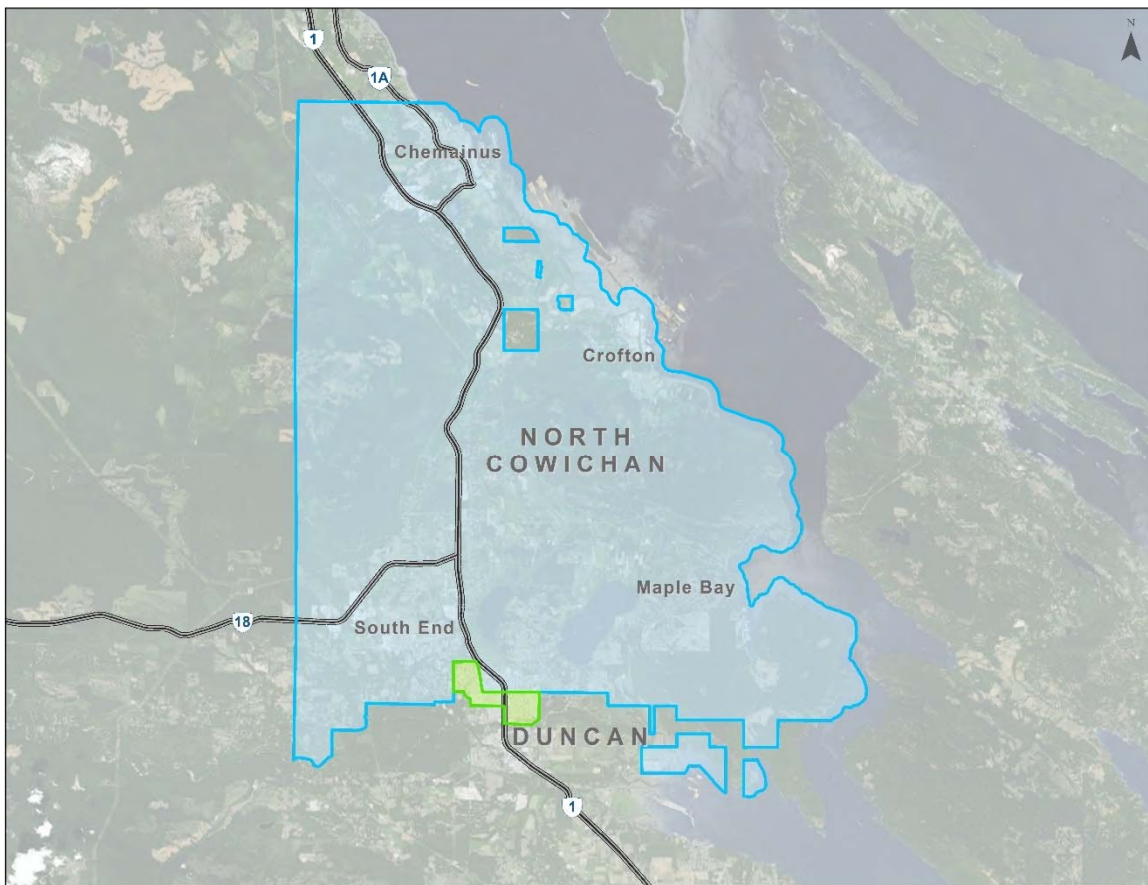
## 2. OVERVIEW OF DUNCAN AND NORTH COWICHAN

This section provides basic information about the City of Duncan and Municipality of North Cowichan, as well as an overview of corporate structures in both municipalities. This information is provided for context and to support the analysis in subsequent chapters.

### Duncan and North Cowichan at a Glance

Duncan and North Cowichan are close neighbours. Both visitors and residents report a sense of not knowing where one municipality begins and the other ends. The map in Figure 1 shows the geographical connection between the two municipalities.

*Figure 1 - Map of Duncan and North Cowichan*



While two distinct municipalities, this area is often referred to as a “community of communities.” Duncan is considered a regional downtown. Its small geographic area holds a high concentration of commercial and civic buildings. North Cowichan is significantly larger and includes four larger communities (and a number of smaller ones). Unlike Duncan, it also includes a significant coastline, lakes, and forested areas. In North Cowichan, the primary community areas are:

- South End, a concentrated commercial and residential area bordering Duncan;
- Maple Bay, a rural, waterfront community experiencing rapid housing growth;
- Crofton, which includes a waterfront, residential community, significant forestry activity, and the Crofton Mill; and,
- Chemainus, a long-standing community with its own town centre, on the north-end of the municipality.

Though close neighbours, the two municipalities vary in geographical and population size.

**Table 1** provides a snapshot of Duncan and North Cowichan, including areas where they are similar and areas where they differ.

*Table 1 - Municipal Overview*

|                                       | Duncan                             | North Cowichan                       |
|---------------------------------------|------------------------------------|--------------------------------------|
| <b>Population (2016)</b>              | 4,944                              | 29,676                               |
| <b>Population Change 2011 to 2016</b> | 0.2%                               | 3.0%                                 |
| <b>Land Area</b>                      | 2.07 km <sup>2</sup>               | 195.56 km <sup>2</sup>               |
| <b>Population Density</b>             | 2,387.1/km <sup>2</sup>            | 151.7/km <sup>2</sup>                |
| <b>Representation (Municipal)</b>     | Mayor and 6 Councillors            | Mayor and 6 Councillors              |
| <b>Representation (Regional)</b>      | 1 Director<br>(voting strength: 3) | 3 Directors<br>(voting strength: 15) |

Sources: Canada Census 2016. BCA 2016.

**Table 2** provides a summary of historic growth in Duncan and North Cowichan. Figures for Cowichan Valley Regional District (CVRD) and the Province are provided for comparison. Duncan’s population and dwelling count have remained stable, while North Cowichan has experienced growth comparable to the CVRD, though slower than the rate across BC.

*Table 2 - Change in Population and Dwelling Counts between 2006 and 2016*

|                                | Duncan | North Cowichan | CVRD  | British Columbia |
|--------------------------------|--------|----------------|-------|------------------|
| <b>Population</b>              | -0.8%  | 7.7%           | 8.9%  | 13.0%            |
| <b>Total Private Dwellings</b> | -0.3%  | 15.8%          | 14.2% | 15.4%            |

Source: Canada Census 2006 and 2016.

**Table 3** provides a snapshot of assessment data and taxes in each of the municipalities. This data is discussed in greater detail in Chapter 3: Financial Overview.

Table 3 - Assessment and Tax Overview

|   | Duncan                              | North Cowichan   |
|---|-------------------------------------|--|
| <b>2016 Net Taxable Assessment</b>          | \$604,930,000                       | \$4,392,340,000  |
| <b>2016 Assessment Share</b>                | 77% residential<br>23% business     | 87% residential<br>8% business<br>4% industrial<br>1% other                        |
| <b>2016 Tax Share</b>                       | 56.4% residential<br>42.7% business | 66.6% residential<br>15.4% major industry<br>13.3% business<br>3.5% light industry |
| <b>2016 Residential Tax Rate*</b>           | \$9.5722 per \$1,000                | South End: \$9.0638 per \$1,000<br>North End: \$8.3940 per \$1,000                 |
| <b>2016 General Municipal Tax Revenue**</b> | \$4,690,000                         | \$26,620,000   |
| <b>2016 Total Revenue***</b>                | \$9,570,000                         | \$54,330,000   |

\*Includes general municipal, CVRD, school, hospital, BCA, and MFA. Duncan tax rate also includes provincial police tax and police bridging capital levy. North Cowichan includes two taxes charged by area: CVRD Island Savings Centre (South End only) and CVRD Theatre Grant (North End only).

\*\*Duncan general municipal tax revenue includes general municipal tax and the police bridging capital levy. North Cowichan municipal tax revenue includes general municipal tax only (which includes tax revenue used for policing).

\*\*\*Total revenue includes property taxes, parcel taxes, user fees (e.g. water and sewer), and other revenue (e.g. own sources, transfers from other governments). Cited total revenue figures are from adopted 2016-2020 Financial Plans.

## Organizational Overview

As they serve very different population sizes, Duncan and North Cowichan have relatively different corporate structures. This section provides a high-level overview of corporate structure, staffing, and remuneration, while Chapter 4 reviews how a potential amalgamation may impact staffing.

### Corporate Structure and Staffing

The differences in population and geographic size are reflected in the relative staff complements of each municipality. However, per capita, the two communities have similar levels of staffing. Organizational charts for both municipalities are provided in **Appendix B**.

Table 4 - Council and Staffing Overview

|                                     | Duncan                  | North Cowichan                       |
|-------------------------------------|-------------------------|--------------------------------------|
| <b>CAO, Directors, and Managers</b> | 6 FTE                   | 23 FTE                               |
| <b>General Staff</b>                | 26.8 FTE plus students  | 144.8 FTE plus students and contract |
| <b>Per Capita</b>                   | 1 FTE per 151 residents | 1 FTE per 205 residents              |

North Cowichan has a more complex corporate structure with more than six times the number of staff as Duncan. This staffing level is reflective of a population that is six times as large as Duncan's; a land area that is almost 100 times as large as Duncan's; and, the



complexity of managing a forestry industry, marinas, fresh and saltwater waterfronts, industrial areas, agricultural areas, and more infrastructure. Major differences in staffing are summarized below.

*Table 5 - Differences in Corporate Structure*

| Service Area         | Duncan  | North Cowichan                            |
|----------------------|---|---|
| Human Resources      | Managed by each department with some use of consulting services                     | Full-time staff                           |
| Information Services | Contracted out  | Full-time staff                           |
| Bylaw Enforcement    | Contracted to Commissionaires   | Full-time staff                           |
| Parks and Recreation | Parks maintenance and operations managed by Public Works and Engineering department | Dedicated parks and recreation department |

## Remuneration

Total remuneration is reflective of the different community sizes. When considered per capita, the communities spend a comparable amount on salaries.

*Table 6 - Total Remuneration*

| Salary Type       | Duncan                    | North Cowichan            |
|-------------------|---------------------------|---------------------------|
| Elected Officials | \$130,000                 | \$220,000                 |
| Employees         | \$2,500,000               | \$14,160,000              |
| <b>Total</b>      | <b>\$2,630,000</b>        | <b>\$14,380,000</b>       |
| <b>Per Capita</b> | <b>\$530 per resident</b> | <b>\$485 per resident</b> |

*Source: 2015 Statement of Financial Information. Includes salaries and expenses. Does not include employer cost of benefits not considered taxable to employees.*

### 3. FINANCIAL OVERVIEW

This section provides a financial overview of both Duncan and North Cowichan, providing detailed information to inform the analysis in later chapters. The purpose of this section is to provide context for comparing the financial impacts of amalgamation.

#### Property Taxation

##### Assessment

Property assessment data for 2016 (**Table 7**) shows that there are 2,198 properties in Duncan, valued at approximately \$605 million, and 13,557 properties in North Cowichan, valued at approximately \$4.4 billion. Due to its size, the total assessed value of North Cowichan residential properties is more than eight times that of Duncan residential properties.

*Table 7- Property Assessment Comparison (2016)*

| Class   | Duncan                 |                        | North Cowichan         |                        |
|---|------------------------|------------------------|------------------------|------------------------|
|   | Net Taxable Assessment | Average Property Value | Net Taxable Assessment | Average Property Value |
| Residential                                     | \$463,590,000          | \$240,000              | \$3,828,670,000        | \$310,000              |
| Utilities                                       | \$900,000              | \$300,000              | \$4,900,000            | \$190,000              |
| Supportive Housing                              | \$0                    | \$0                    | \$0                    | \$0                    |
| Major Industry                                  | \$0                    | \$0                    | \$134,230,000          | \$10,330,000           |
| Light Industry                                  | \$100,000              | \$100,000              | \$49,350,000           | \$630,000              |
| Business  | \$140,010,000          | \$490,000              | \$347,480,000          | \$760,000              |
| Managed Forest Land                             | \$0                    | \$0                    | \$2,440,000            | \$120,000              |
| Recreational Property & Non-profit Organization | \$320,000              | \$160,000              | \$16,890,000           | \$840,000              |
| Farm  | \$10,000               | \$10,000               | \$8,400,000            | \$20,000               |
| <b>Total</b>                                    | <b>\$604,930,000</b>   | <b>\$280,000</b>       | <b>\$4,392,340,000</b> | <b>\$320,000</b>       |

Property values in North Cowichan are generally higher than similar properties in Duncan:

- The average residential property in North Cowichan is valued 29 percent higher than the average residential property in Duncan: \$310,000 versus \$240,000.
- The average business property in North Cowichan is valued 55 percent higher than the average business property in Duncan: \$760,000 versus \$490,000.

North Cowichan includes the presence of major industry and forest land, two property types not found within Duncan. North Cowichan also has a significant coastline and lakes.

## Converted Assessment

Another way of considering tax assessments is looking at converted assessment value (**Table 8**). Converted assessment values take into account the composition of the property tax base and provide a greater weighting to non-residential property types that generally pay higher tax rates (e.g. utilities, industry, and business). Converted assessment values are determined by multiplying net taxable assessment by a percentage prescribed by Provincial regulation. When assessment figures are used to apportion costs between multiple jurisdictions (e.g. for regional district services), total converted assessment is typically used as the basis for distributing the tax burden between property classes.

*Table 8 - Converted Assessment Comparison (2016)*

| Class   | Duncan              | North Cowichan       |
|---|---------------------|----------------------|
| Residential                                     | \$46,360,000        | \$382,870,000        |
| Utilities                                       | \$310,000           | \$1,710,000          |
| Supportive Housing                              | \$0                 | \$0                  |
| Major Industry                                  | \$0                 | \$45,640,000         |
| Light Industry                                  | \$30,000            | \$16,780,000         |
| Business  | \$34,300,000        | \$85,130,000         |
| Managed Forest Land                             | \$0                 | \$730,000            |
| Recreational Property & Non-profit Organization | \$30,000            | \$1,690,000          |
| Farm  | \$0                 | \$840,000            |
| <b>Total</b>                                    | <b>\$81,040,000</b> | <b>\$535,390,000</b> |

Note, however, that both Duncan and North Cowichan use their own tax ratios for setting tax rates and that these tax rates are different than the provincial multiples used for regional district services or the Duncan Police Tax. See **Table 15** (following) for an illustration of how each community's assessment translates into property tax revenue.

## Tax Rates and Tax Ratios

General municipal property tax rates are based on tax ratios that are approved by the Councils in each community.<sup>6</sup> Tax ratios for 2016 are summarized in **Table 14**. As illustrated, the tax ratios for utilities, industrial properties, business properties, and managed forest land (North Cowichan only) are set so that the municipalities generate higher tax revenue per \$1,000 of assessment from these property classes versus the residential property class.

The tables that follow provide a detailed breakdown of 2016 tax rates across all classes in both Duncan and North Cowichan.

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<sup>6</sup> Tax ratios identify different levels of taxation applicable to the various property classes in relation to residential properties (Class 1). For example, if there is a tax ratio of 2.2 for business properties (Class 6), the business property tax rate would be 2.2 times higher than the residential tax rate.

Table 9 - Duncan Tax Rates (2016)

| Class                            | General Municipal | Police Bridging | Provincial Police Tax | Regional District | School  | BCAA   | MFA    | Hospital | Total   |
|----------------------------------|-------------------|-----------------|-----------------------|-------------------|---------|--------|--------|----------|---------|
| Residential                      | 3.8318            | 0.9305          | 0.3408                | 1.6420            | 2.2016  | 0.0543 | 0.0002 | 0.5710   | 9.5722  |
| Utility                          | 32.1844           | 7.8156          | 1.1928                | 5.7470            | 13.5000 | 0.4995 | 0.0007 | 1.9983   | 62.9383 |
| Light Industry                   | 9.9375            | 2.4132          | 1.1587                | 5.5828            | 5.4000  | 0.1575 | 0.0007 | 1.9413   | 26.5917 |
| Business                         | 9.6721            | 2.3488          | 0.8350                | 4.0229            | 5.4000  | 0.1575 | 0.0005 | 1.3988   | 23.8356 |
| Recreational Property/Non-profit | 3.8318            | 0.9305          | 0.3408                | 1.6420            | 3.1000  | 0.0543 | 0.0002 | 0.5710   | 10.4706 |
| Farm                             | 3.8318            | 0.9305          | 0.3408                | 1.6420            | 6.9000  | 0.0543 | 0.0002 | 0.5710   | 14.2706 |

Table 10 - Duncan Business Improvement Area (BIA) Rates for Business Properties (2016)

| BIA Core | BIA Fringe |
|----------|------------|
| 3.7261   | 2.6084     |

Table 11 - North Cowichan Tax Rates – South End Only (2016)

| Class                            | General Municipal | Regional District | CVRD Island Savings Centre (South End) | School  | BCAA   | MFA    | Hospital | Total   |
|----------------------------------|-------------------|-------------------|--|---------|--------|--------|----------|---------|
| Residential                      | 4.6293            | 0.8505            | 0.7423                                 | 2.2016  | 0.0543 | 0.0002 | 0.5856   | 9.0638  |
| Utility                          | 36.4431           | 2.9768            | 2.5981                                 | 13.5000 | 0.4995 | 0.0007 | 2.0495   | 58.0677 |
| Supporting Housing               | 4.6293            | 0.8505            | 0.7423                                 | -       | -      | 0.0002 | 0.5856   | 6.8079  |
| Major Industry                   | 30.5441           | 2.8918            | 2.5238                                 | -       | 0.4995 | 0.0007 | 1.9909   | 38.4508 |
| Light Industry                   | 18.8544           | 2.8918            | 2.5238                                 | 5.4000  | 0.1575 | 0.0007 | 1.9909   | 31.8191 |
| Business                         | 10.1789           | 2.0838            | 1.8187                                 | 5.4000  | 0.1575 | 0.0005 | 1.4346   | 21.0740 |
| Managed Forest                   | 18.6661           | 2.5516            | 2.2269                                 | -       | 0.3167 | 0.0006 | 1.7567   | 25.5186 |
| Recreational Property/Non-profit | 3.7399            | 0.8505            | 0.7423                                 | 3.1000  | 0.0543 | 0.0002 | 0.5856   | 9.0728  |
| Farm                             | 4.4976            | 0.8505            | 0.7423                                 | 6.9000  | 0.0543 | 0.0002 | 0.5856   | 13.6305 |

Table 12 - North Cowichan Tax Rates – North End Only (2016)

| Class                            | General Municipal | Regional District | CVRD Theatre Grant (North End) | School | BCAA   | MFA    | Hospital | Total   |
|----------------------------------|-------------------|-------------------|--------------------------------|--------|--------|--------|----------|---------|
| Residential                      | 4.6293            | 0.8505            | 0.0725                         | 2.2016 | 0.0543 | 0.0002 | 0.5856   | 8.3940  |
| Utility                          | 36.4431           | 2.9768            | 0.2536                         | 13.500 | 0.4995 | 0.0007 | 2.0495   | 55.7232 |
| Supporting Housing               | 4.6293            | 0.8505            | 0.0725                         |        |        | 0.0002 | 0.5856   | 6.1381  |
| Major Industry                   | 30.5441           | 2.8918            | 0.2464                         |        | 0.4995 | 0.0007 | 1.9909   | 36.1734 |
| Light Industry                   | 18.8544           | 2.8918            | 0.2464                         | 5.4000 | 0.1575 | 0.0007 | 1.9909   | 29.5417 |
| Business                         | 10.1789           | 2.0838            | 0.1775                         | 5.4000 | 0.1575 | 0.0005 | 1.4346   | 19.4328 |
| Managed Forest                   | 18.6661           | 2.5516            | 0.2174                         |        | 0.3167 | 0.0006 | 1.7567   | 23.5091 |
| Recreational Property/Non-profit | 3.7399            | 0.8505            | 0.0725                         | 3.1000 | 0.0543 | 0.0002 | 0.5856   | 8.4030  |
| Farm                             | 4.4976            | 0.8505            | 0.0725                         | 6.9000 | 0.0543 | 0.0002 | 0.5856   | 12.9607 |

Table 13 - North Cowichan - North End Only, Business Improvement Area (BIA) Rates for Light Industry and Business Properties (2016)

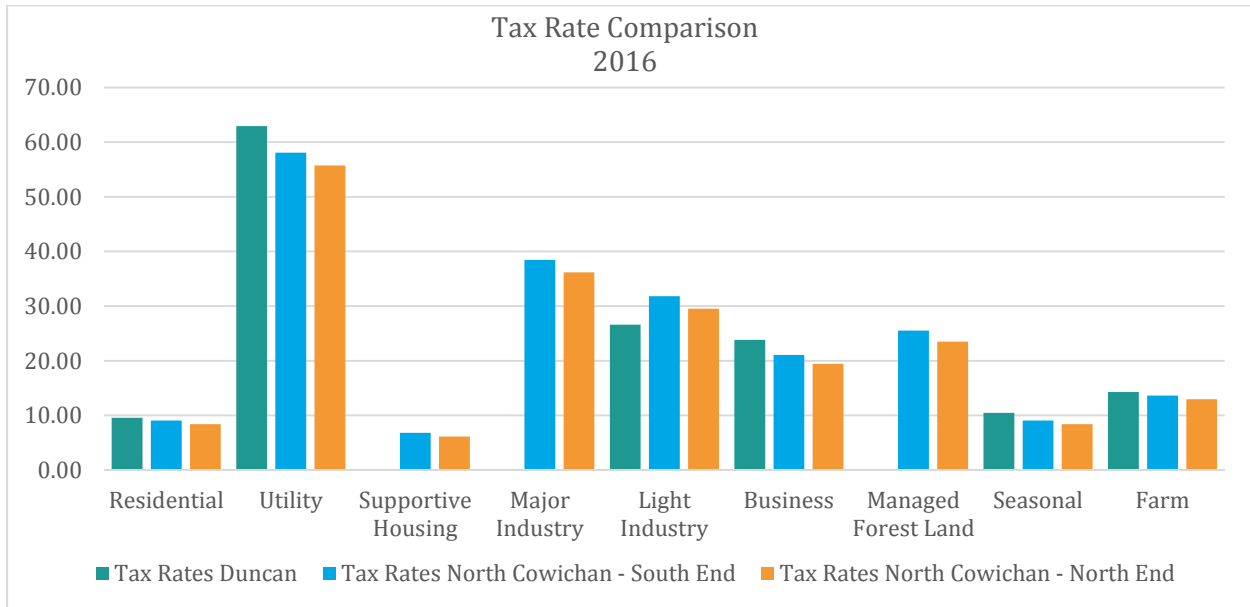
| BIA 1  | BIA 2  | BIA 3  |
|--------|--------|--------|
| 4.2500 | 3.5000 | 2.5000 |

Table 14 - Tax Ratios for the General Municipal Tax (2016)

| Class   | Duncan | North Cowichan | Average |
|---|--------|----------------|---------|
| Residential                                     | 1.00   | 1.00           | 1.00    |
| Utilities                                       | 8.40   | 7.87           | 8.14    |
| Supportive Housing                              | n/a    | 1.00           | 1.00    |
| Major Industry                                  | n/a    | 6.60           | 6.60    |
| Light Industry                                  | 2.59   | 4.07           | 3.33    |
| Business  | 2.52   | 2.20           | 2.36    |
| Managed Forest Land                             | n/a    | 4.03           | 4.03    |
| Recreational Property & Non-profit Organization | 1.00   | 0.81           | 0.90    |
| Farm  | 1.00   | 0.97           | 0.99    |

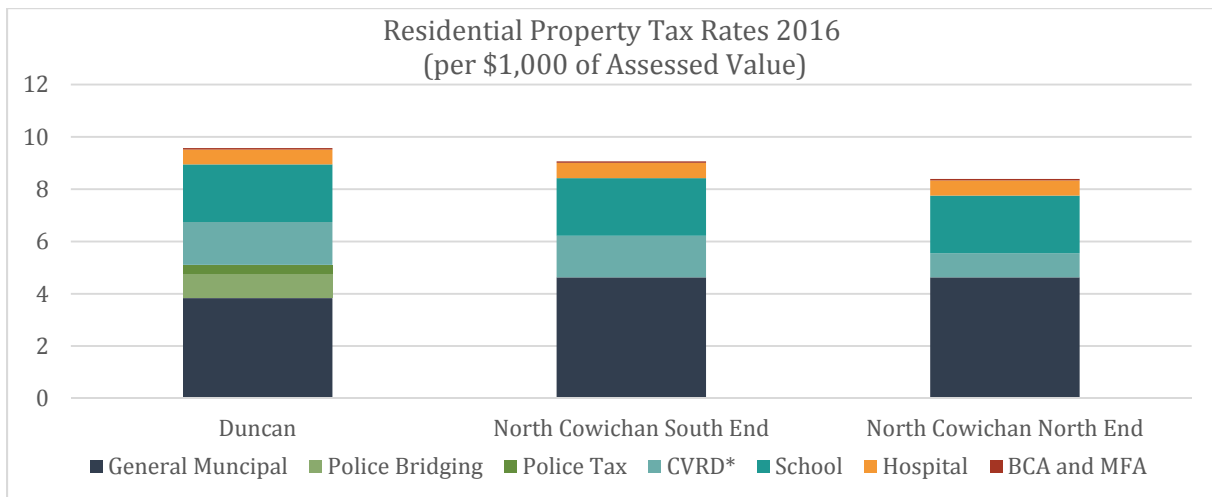
## Tax Rate Comparison

In general, Duncan tax rates are slightly higher than North Cowichan rates, except for light industrial properties. Duncan's lower tax rates are reflective of the City's lower property values.



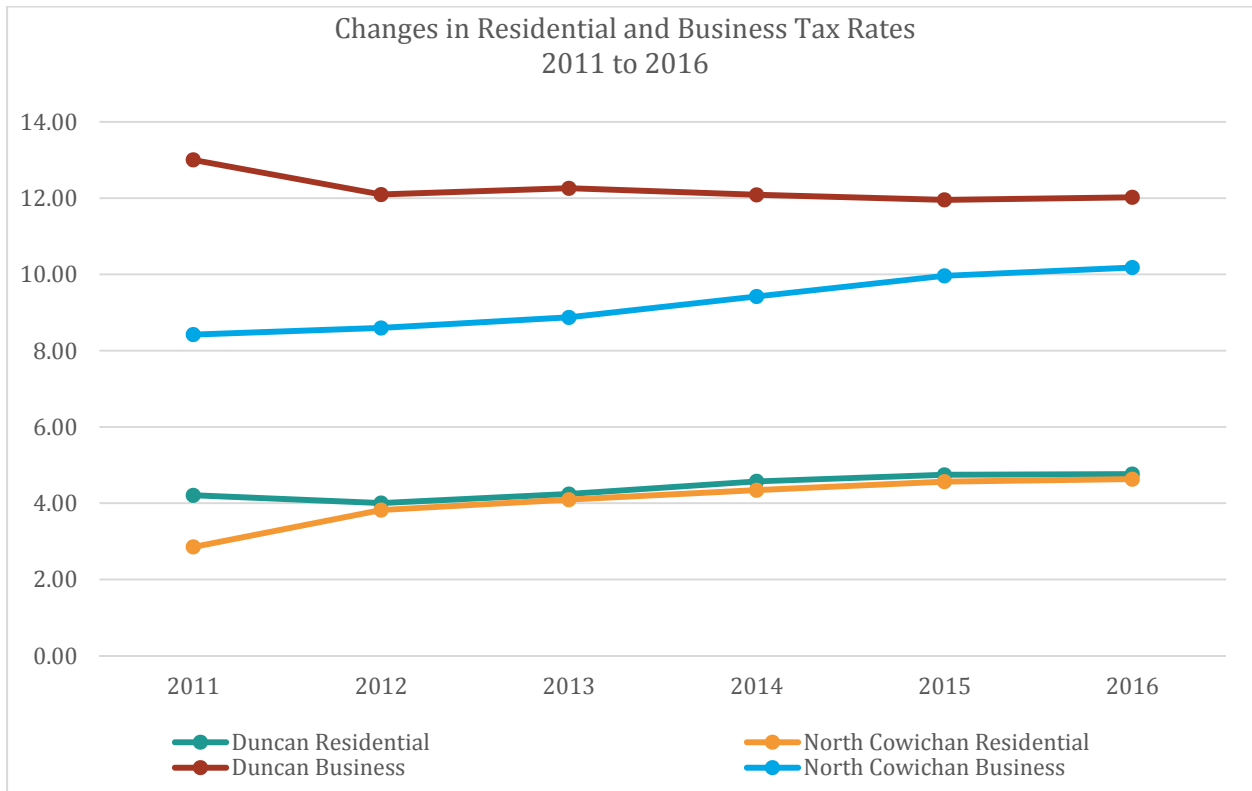
*Note: Tax rates shown here include general municipal, CVRD, school, MFA, and BCAA rates. Duncan rates also include police bridging capital and provincial police taxes. North Cowichan rates include CVRD hospital, CVRD Island Savings Centre (South End only), and CVRD Theatre (North End only). BIA taxes are area specific and not included here.*

To provide a more direct comparison between residential rates in Duncan and North Cowichan, a breakdown of applicable taxes is provided in the chart below. As shown, Duncan residential property owners pay a higher rate per \$1,000 of assessed value for the combined general municipal tax, police bridging capital levy, and provincial police tax are considered. North Cowichan's North End pays a smaller CVRD tax rate as it does not contribute to the recreation facilities in the South End.



*\*In North Cowichan, CVRD taxes include the Island Savings Centre in the South End but not the North End. The North End has a separate (smaller) CVRD tax for a Theatre Grant, as illustrated in Table 11.*

Between 2011 and 2016, Duncan’s tax rate rose by 13 percent. North Cowichan’s tax rate, on the other hand, experienced significant changes. Over this period, the residential rate rose by 62 percent, due to a shift in the tax burden from major industrial properties to residential properties. North Cowichan has also experienced significantly higher growth than Duncan. While this growth has helped increase its tax base, it also involves major investment in services and infrastructure. By 2016, North Cowichan’s tax rates appear to approach those of Duncan (see chart below).



## Property Tax Revenue

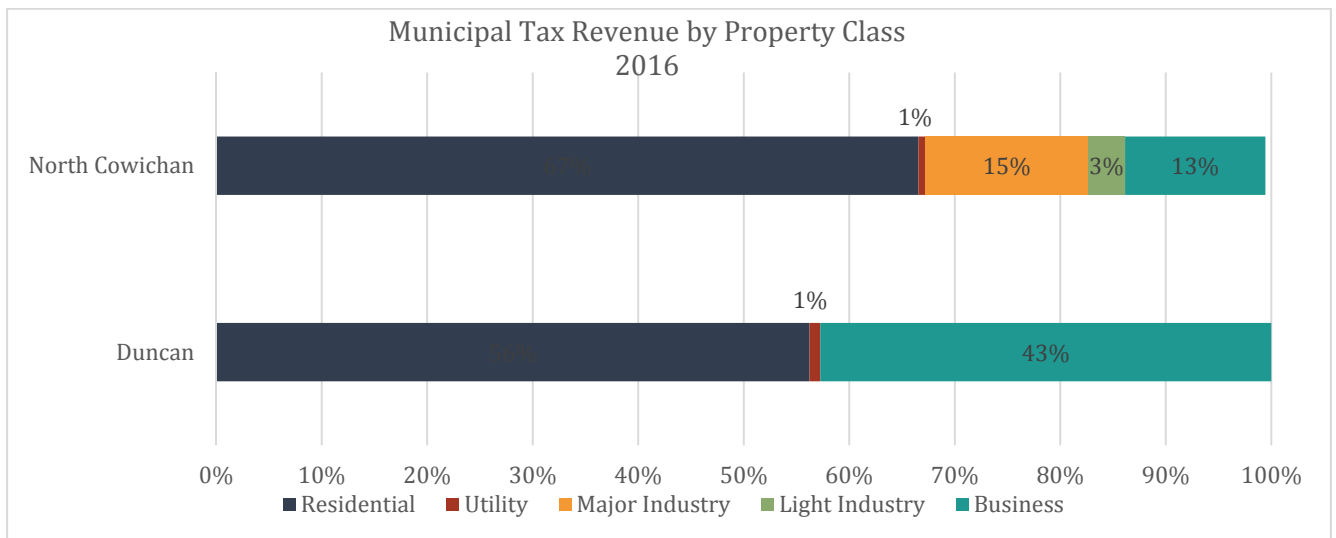
**Table 15** summarizes 2016 general municipal tax revenue from both Duncan and North Cowichan. The differences in tax revenue are reflective of each community’s size. North Cowichan has a more diverse range of properties from which to generate tax revenue.

*Table 15 - General Municipal Tax Revenue 2016*

| Class                | Duncan             | North Cowichan      |
|----------------------|--------------------|---------------------|
| Residential          | \$2,210,000        | \$17,720,000        |
| Utility              | \$40,000           | \$180,000           |
| Supportive Housing   | \$0                | \$0                 |
| Major Industry       | \$0                | \$4,100,000         |
| Light Industry       | \$0                | \$930,000           |
| Business             | \$1,680,000        | \$3,540,000         |
| Managed Forest Land  | \$0                | \$50,000            |
| Seasonal             | \$0                | \$60,000            |
| Farm                 | \$0                | \$40,000            |
| <b>Total Revenue</b> | <b>\$3,930,000</b> | <b>\$26,620,000</b> |

*Note: Duncan figures include police bridging capital levy.*

The chart below provides a breakdown of the proportions of tax revenue coming from each property class in Duncan and North Cowichan. North Cowichan generates more property tax from residential properties, but also generates a significant percentage of revenue from major industrial properties. Duncan, on the other hand, generates almost half of its tax revenue from business properties, reflecting its status as a regional downtown.

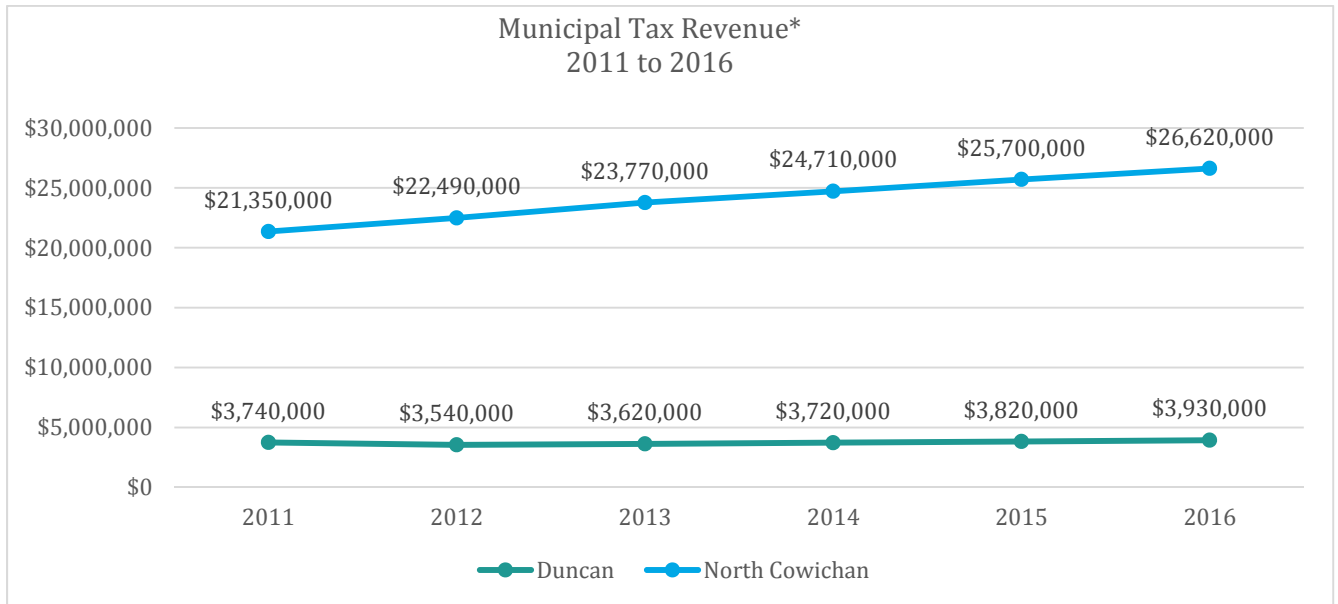


*Note: Figures in this chart refer to revenue from the general municipal tax. In the case of Duncan, revenue from police bridging tax is also included.*

Between 2011 and 2016, North Cowichan’s tax revenue grew much faster than that of Duncan: 25 percent versus 5 percent, respectively. This difference in the growth of tax revenue may be reflective of a number of factors, not least of which is faster population growth in North Cowichan and higher rates of development. North Cowichan’s residential property tax rate rose much faster than Duncan’s tax rate, as the tax burden



shifted away from industrial properties to residential properties. The result has been that the two communities now have fairly comparable residential tax rates.



\*Duncan figures include general municipal tax and police bridging capital levy. North Cowichan figures include general municipal tax only.

### Parcel Taxes and User Fees

Parcel taxes and user fees vary widely, not only between Duncan and North Cowichan, but between different areas within the community. North Cowichan covers a large geographic area and service delivery ranges depending on the neighbourhood. When combined, annual user fees currently are lowest in Duncan and highest in Crofton.

Table 16 - Parcel Tax and User Fee Comparison (2017)

|                                | Duncan       | North Cowichan |                |              |                |
|--------------------------------|--------------|----------------|----------------|--------------|----------------|
|                                |              | Chemainus      | Crofton        | South End    | Maple Bay      |
| Sewer Parcel Tax               | \$20         | \$431          | \$401          | \$189        | n/a            |
| Annual Sewer Fee               | \$295        | \$137          | \$260          | \$149        | \$1,000        |
| Water Parcel Tax               | n/a          | \$249          | \$175          | \$175        | n/a            |
| Annual Water Fee               | \$210*       | \$202          | \$350          | \$153        | n/a            |
| Waste and Organics Collections | \$131        | \$83           | \$83           | \$83         | \$83           |
| <b>Total</b>                   | <b>\$658</b> | <b>\$1,132</b> | <b>\$1,299</b> | <b>\$779</b> | <b>\$1,113</b> |

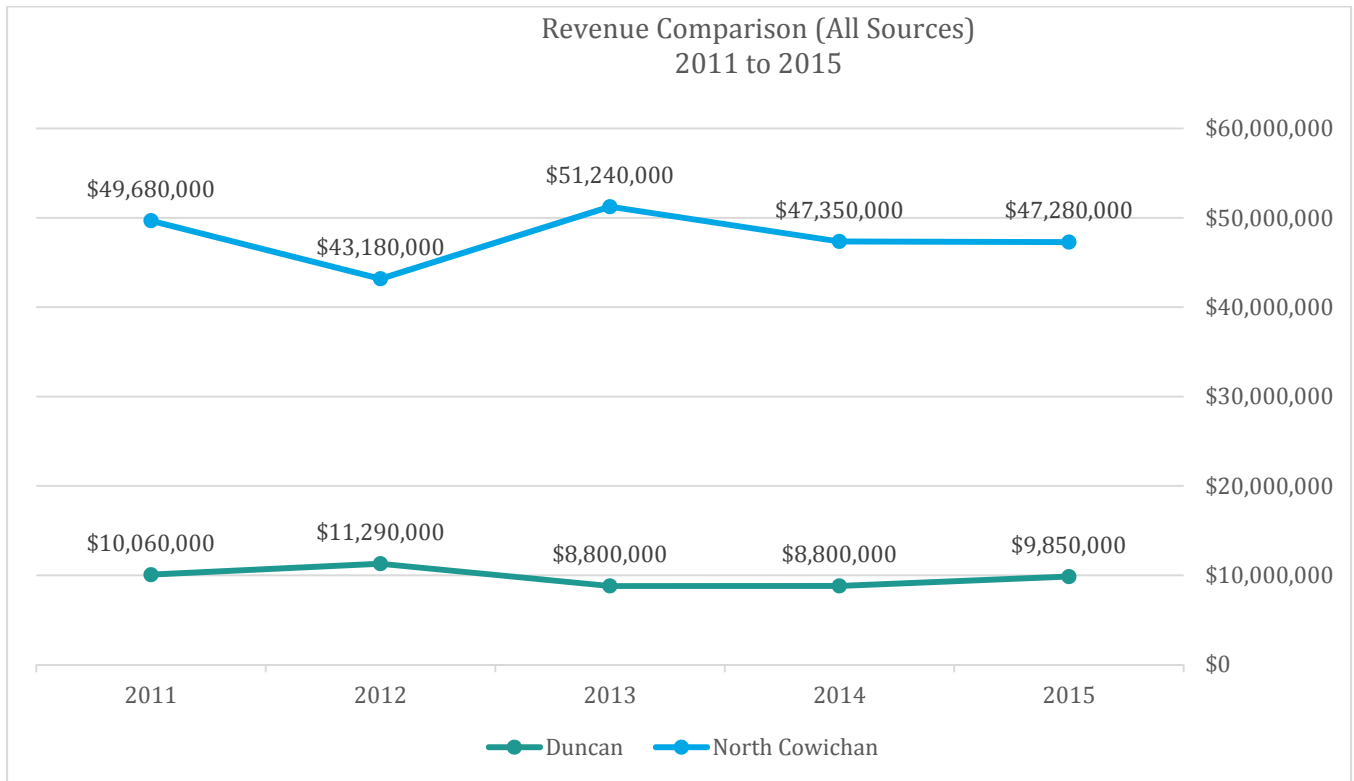
Source: Duncan Fees & Charges Bylaw No. 2090, 2010. North Cowichan Fees Bylaw 3603.

\*Illustrated Duncan annual water fee is the base annual fee for a metered residential property within City limits. For a property outside of City limits but connected to the City's system, the City charges a base annual rate of \$320.

## Revenues and Expenditures

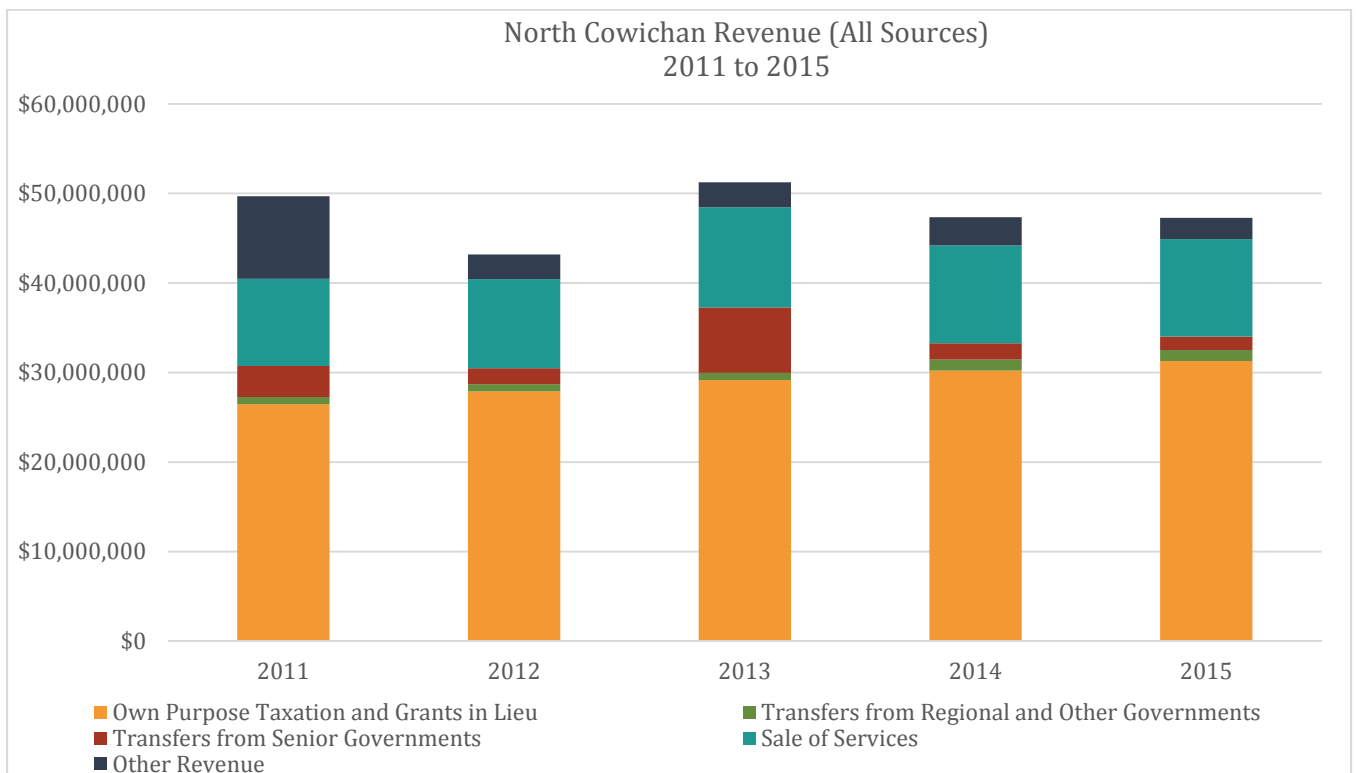
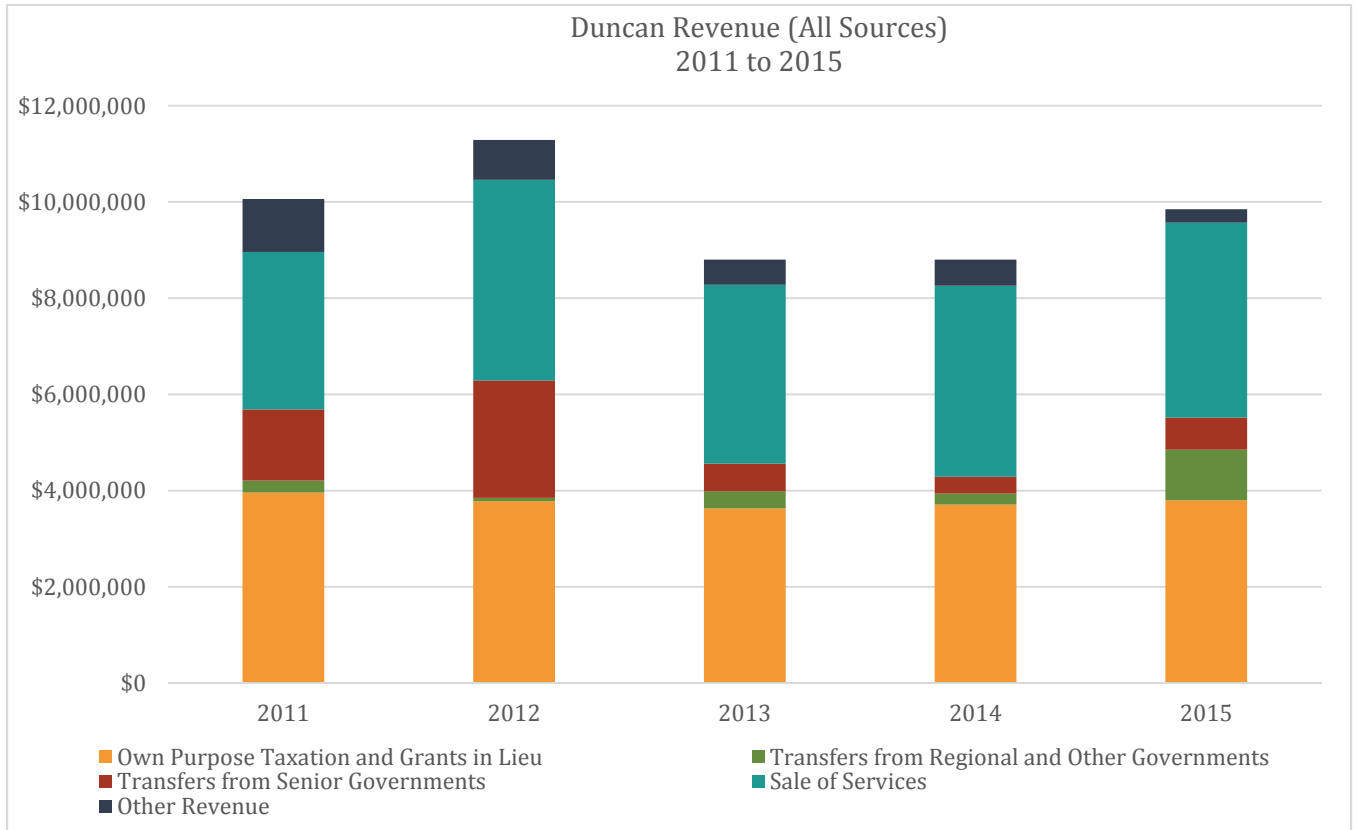
### Revenues

The chart below provides a comparison of total revenues for both Duncan and North Cowichan. These figures include own purpose taxation, grants in lieu of taxes, sale of services, transfers from senior governments, transfers from regional and other governments, and other revenue.



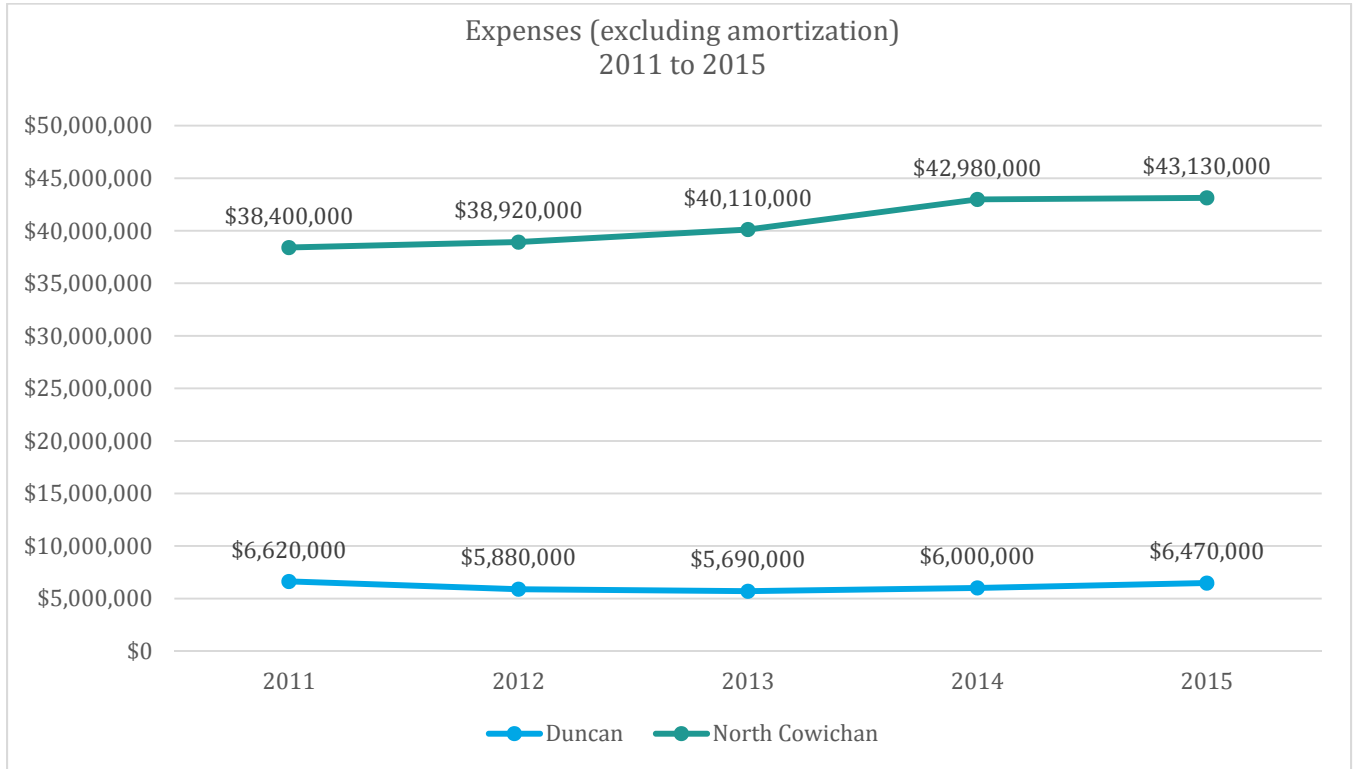
Between 2011 and 2015, revenues fluctuated in both communities. However, as the following two charts show, there were two primary reasons for the fluctuations:

- Duncan saw relatively stable tax revenue over this period--\$3,960,000 in 2011 and \$3,800,000 in 2015. However, transfers from senior, regional, and other governments, as well as other revenue, have fluctuated dramatically from year to year, reflecting different projects and funding opportunities.
- In contrast, North Cowichan experienced an increase in tax revenue over this period--\$26,460,000 in 2011 and \$31,280,000 in 2015. North Cowichan also experience wide fluctuations in transfers from senior government and other revenue.



## Expenditures

The chart below summarizes total expenditures from 2011 to 2015. North Cowichan has seen steady increases in expenditures, which rose 12 percent between 2011 and 2015. This increase is attributed in part to development and population growth, as well as various capital projects undertaken from year-to-year. Duncan's expenditures have stayed relatively stable, though dipping in 2012 to 2014, before rising again in 2015. Duncan's total population remained relatively stable over this period, and operating expenses have remained stable over this period. The trend of overall declining and then rising expenses was influenced by policing taxation changes in 2012, as well as expenditures on capital projects.



## Municipal Debt Levels

Based on data from 2015 Financial Statements (Year End of December 31, 2015), the two municipalities have outstanding long-term debt in the amount of:

- \$1,260,000 for the City of Duncan – These debts are for the Cowichan Aquatic Centre and the Sewage Lagoons, both facilities that are jointly owned with the District of North Cowichan; and,
- \$21,790,000 for the District of North Cowichan – Most of this debt (\$19,570,000) is included in the general fund, for projects such as the Maple Bay Fire Hall, Cowichan Aquatic Centre, and Municipal Hall expansion.

**Appendix C** lists all long-term debentures.

The long-term debt is equivalent to about \$250 per capita for Duncan and \$725 per capita for North Cowichan. Note that Duncan's debt is lower in part due to the uncertainty around policing costs. Between the 2006 Census and the 2011 Census, BC Stats reported that Duncan's population had exceeded 5,000 and the City began contributing to 70 percent of its policing costs. The 2011 Census showed that the population was still under 5,000 and the Province refunded the excess contribution. The City used this refund to help pay down its debt associated with the Cowichan Aquatic Centre. Furthermore, Duncan started to collect the police bridging levy to prepare for a potential increase in policing costs after the 2016 Census. As the population has remained under 5,000, the City can now continue to use the amount collected by the levy towards capital projects and alleviate the need to take on new debentures.

If the communities were to amalgamate, debts associated with the general fund would become the responsibility of all property owners within the combined municipality through general municipal property taxation (i.e. debt payments would continue to be funded through a municipal-wide general fund vs. only being funded through a specific geographic area). However, debt payments associated with utilities (i.e. water and sewer) would continue to be funded through the specific local area services (i.e. debt payments would not be spread throughout the larger geographic area).

## Reserves

Municipalities use reserves as a means of setting aside funds for future planned expenditures. Based on data from the 2015 Financial Statements (Year End of December 31, 2015), Duncan had total reserve fund balances of \$6,240,000 (e.g. machinery and equipment, police bridging capital, water and sewer utilities, parking improvement, operating reserves), while North Cowichan had total reserve fund balances of \$7,320,000 (e.g. machinery and equipment, forestry reserve, water and sewer local area services, parkland acquisition and development, harbours).

The reserve fund balances are equivalent to about \$1,250 per capita for Duncan and \$250 per capita for North Cowichan. With an amalgamation, some reserve funds used for

municipal-wide services could be combined, while other reserve funds would continue to be used within local areas only (e.g. specific water and sewer utilities).

In addition, municipalities report development cost charge reserve balances as liabilities, as their use is restricted by provincial legislation and amounts are recognized as revenue in the period in which corresponding development-related capital expenditures are incurred. In 2015, Duncan had a total DCC reserve fund balance of \$1,930,000, and North Cowichan had a total DCC reserve fund balance of \$6,990,000.

## Capital Assets and Projects

### Municipal Capital Assets

Not including land, Duncan's municipal capital assets (such as buildings and infrastructure) are valued at approximately \$122 million, while North Cowichan's municipal capital assets are valued at approximately \$693 million. **Table 17** provides a summary of the replacement value, remaining economic value, and percentage of life remaining for assets in both municipalities.

In general, Duncan's infrastructure is older than North Cowichan's infrastructure. As a confined municipality, new development in Duncan occurs in existing areas. In contrast, North Cowichan has more land to develop new neighbourhoods. The development of new neighbourhoods is part of the reason why North Cowichan's infrastructure is newer on average. One of the results of this age difference is that Duncan will have a greater need for investment in the near future, particularly for water and sewer. North Cowichan has more infrastructure overall, and more infrastructure per capita due to lower density of development. As a result, it will have higher long-term costs for maintaining and replacing its infrastructure.

Table 17 - Asset Information\*

|                      | Replacement Value    |                      | Remaining Economic Value |                      | % Life Remaining |                | Infrastructure Deficit |                     |
|----------------------|----------------------|----------------------|--------------------------|----------------------|------------------|----------------|------------------------|---------------------|
|                      | Duncan               | North Cowichan       | Duncan                   | North Cowichan       | Duncan           | North Cowichan | Duncan                 | North Cowichan      |
| General              | \$8,180,000          | \$37,180,000         | \$3,240,000              | \$12,340,000         | 40%              | 33%            | \$2,970,000            | \$11,330,000        |
| Parks and Recreation | \$13,130,000         | \$50,140,000         | \$5,190,000              | \$23,540,000         | 39%              | 47%            | \$3,860,000            | \$7,310,000         |
| Roads and Drainage   | \$44,010,000         | \$441,550,000        | \$9,580,000              | \$199,840,000        | 22%              | 45%            | \$27,130,000           | \$43,980,000        |
| Sewer                | \$12,770,000         | \$70,420,000         | \$1,860,000              | \$32,350,000         | 15%              | 46%            | \$7,620,000            | \$8,660,000         |
| Water                | \$43,890,000         | \$93,750,000         | \$12,480,000             | \$41,840,000         | 28%              | 45%            | \$11,800,000           | \$4,150,000         |
| <b>Totals</b>        | <b>\$121,980,000</b> | <b>\$693,040,000</b> | <b>\$32,350,000</b>      | <b>\$309,910,000</b> | <b>27%</b>       | <b>45%</b>     | <b>\$53,380,000</b>    | <b>\$75,430,000</b> |

\*Note: North Cowichan replacement values were provided by municipal staff. Duncan replacement values were calculated by inflating the historical cost using CPI data. Useful life assumptions for assets are comparable between the two communities with a few minor exceptions: North Cowichan assumes a 50-year life for all watermains, while Duncan uses a range between 50 and 80 years depending on the material.

## Planned Capital Projects

Both Duncan and North Cowichan have current or future capital projects at various stages of planning or development. For example, Duncan is currently planning for Government Street traffic improvements and commencing upgrades to Second Street's water, sanitary sewer, and stormwater mains. North Cowichan is planning the subdivision of the Chemainus Elementary site, Chaplin Street site improvements, a new RCMP detachment building, and various transportation, infrastructure and park/recreation projects.

Many capital projects have community-wide benefit (e.g. transportation projects or municipal building improvements) and they are generally funded by property owners within the whole municipality. Capital projects for local area services (e.g. water or sewer services provided to defined geographic areas within North Cowichan) are generally funded by property owners within those service areas only. **Tables 18 and 19** on the following page summarize the five-year capital budgets for each community.





Table 18 - City of Duncan 5-Year Capital Budget

| Department                | 2016               | 2017               | 2018             | 2019               | 2020               | 5-Year Total       |
|---------------------------|--------------------|--------------------|------------------|--------------------|--------------------|--------------------|
| General Government        | \$120,000          | \$40,000           | \$40,000         | \$40,000           | \$40,000           | \$280,000          |
| Fire Department           | \$40,000           | \$560,000          | \$80,000         | \$100,000          | \$100,000          | \$890,000          |
| Transportation            | \$3,620,000        | \$980,000          | \$800,000        | \$870,000          | \$1,030,000        | \$7,310,000        |
| Waste Collection          | \$10,000           | \$10,000           | \$10,000         | \$10,000           | \$10,000           | \$30,000           |
| Parks & Cultural Services | \$200,000          | \$30,000           | \$30,000         | \$30,000           | \$30,000           | \$310,000          |
| <b>Total</b>              | <b>\$3,990,000</b> | <b>\$1,630,000</b> | <b>\$950,000</b> | <b>\$1,050,000</b> | <b>\$1,210,000</b> | <b>\$8,820,000</b> |

Source: City of Duncan Detailed Five Year Financial Plan (2016-2020) Capital Expenditure Plan

Table 19 - Municipality of North Cowichan 5-Year Capital Budget

| Department                          | 2016                | 2017                | 2018                | 2019               | 2020               | 5-Year Total        |
|-------------------------------------|---------------------|---------------------|---------------------|--------------------|--------------------|---------------------|
| General Government                  | \$20,000            | \$10,000            | \$10,000            | \$10,000           | \$10,000           | \$60,000            |
| Acquisition and Development of Land | \$730,000           | \$900,000           | \$500,000           | \$700,000          | \$200,000          | \$3,030,000         |
| Municipal Property Improvements     | \$370,000           | \$390,000           | \$630,000           | \$630,000          | \$630,000          | \$2,630,000         |
| Information Services                | \$310,000           | \$200,000           | \$200,000           | \$210,000          | \$210,000          | \$1,130,000         |
| Community Development               | \$630,000           | \$50,000            | \$700,000           | \$550,000          | \$450,000          | \$2,390,000         |
| Police and Other                    | \$500,000           | \$11,500,000*       | \$11,500,000        | \$0                | \$0                | \$23,500,000        |
| Fire Department                     | \$600,000           | \$80,000            | \$40,000            | \$380,000          | \$540,000          | \$1,630,000         |
| Forestry                            | \$40,000            | \$0                 | \$0                 | \$0                | \$0                | \$40,000            |
| Transportation                      | \$13,540,000        | \$3,420,000         | \$3,590,000         | \$3,690,000        | \$3,750,000        | \$27,990,000        |
| Parks & Cultural Services           | \$1,130,000         | \$830,000           | \$760,000           | \$770,000          | \$770,000          | \$4,240,000         |
| <b>Total</b>                        | <b>\$17,850,000</b> | <b>\$17,370,000</b> | <b>\$17,920,000</b> | <b>\$6,930,000</b> | <b>\$6,550,000</b> | <b>\$66,630,000</b> |

Source: Municipality of North Cowichan 2016 Capital Budget

\*Note: As of 2016, the project to build a new police detachment in North Cowichan has been delayed beyond 2017/2018.

While most capital projects would not have a significant impact on amalgamation discussions, the planned RCMP detachment is presently to be funded by both North Cowichan and the Province, but not directly by Duncan. Since Duncan remains under 5,000 as of the 2016 census, the Province is responsible to fund the portion of the cost for the Provincial RCMP Policing Unit that serves Duncan. The total capital project cost is estimated to be about \$23 million. Based on the current staff complement, North Cowichan would be responsible for about \$12.1 million of the project cost. If Duncan had over 5,000 people or if Duncan and North Cowichan amalgamated, there would be an additional capital cost of approximately \$3.0 million to \$4.5 million that would be a local responsibility (versus a Provincial responsibility).

Additionally, as noted earlier, many of Duncan's planned capital projects are funded in part or all using revenue collected through the police bridging capital levy. Since 2012, the City has used this revenue stream for a variety of projects, including:

- Repayment of Cowichan Aquatic Centre debt;
- Dike infrastructure and flood mitigation infrastructure;
- Lee Street Pump Station;
- Rotary Park upgrades;
- Canada Avenue intersection and infrastructure replacement;
- Cedar Avenue infrastructure replacement; and,
- Fire Hall seismic upgrade.

Since Duncan's population remains below 5,000 as of the 2016 census, Council is currently considering using police bridging capital levy revenue to fund over \$4 million in capital projects over six years, including:

- Undergrounding of utilities on Canada Avenue/Government Street;
- Marchmont Road infrastructure improvements;
- Pine Avenue infrastructure improvements;
- Day Road infrastructure improvements;
- Storm main upgrades; and
- Boulevard and Gateway improvements along the Trans-Canada Highway.

## Other Considerations

### Senior Government Grants

Local governments receive unconditional grants from the Province, including a Small Community Grant for municipalities with populations of up to about 19,000, and Traffic Fine

Revenue Sharing for communities of over 5,000 population (i.e. communities that pay directly for policing).

In 2016, Duncan received a Small Community Grant of about \$510,000. This grant would not be available if the communities were to amalgamate. However, there would be net additional traffic fine revenue sharing funding of about \$60,000 to \$90,000 available due to the larger size of the community.

### **Taxes for Police Services**

The *Police Act* outlines municipal responsibilities for police services. The Province is responsible for police services for unincorporated areas and municipalities under 5,000, through RCMP provincial units. Once a municipality reaches 5,000 in population, it is required to provide its own police services, either through a contract with the Province for an RCMP municipal unit, or through its own municipal independent police force. Municipalities with RCMP contracts are required to pay a portion of total police costs based on their population:

- Population size of 5,000 to 14,999: 70 percent of RCMP member costs and 100 percent of apportioned costs of detachment and civilian support staff.
- Population size over 15,000: 90 percent of RCMP member costs and 100 percent of apportioned costs of detachment and civilian support staff.

The remaining costs for both scenarios are paid for by the federal government.

Both Duncan and North Cowichan receive police services through the RCMP. As a Municipality over 15,000, North Cowichan pays for 90 percent of its police operating costs and 100 percent of its apportioned costs for the detachment and civilian support staff. These costs are paid through the general municipal tax.

As a municipality under 5,000, Duncan is served by an RCMP Provincial Unit, operating out of the North Cowichan-Duncan Detachment alongside the members of the RCMP Municipal Unit for North Cowichan. Residents contribute to a portion of policing costs through the provincial police tax. Duncan's population has been on the cusp of the 5,000 population threshold for many years. To minimize the tax impact that would occur if its population exceeds 5,000, Duncan charges a police bridging capital levy. Note, however, that as Duncan's population did not exceed 5,000 in the 2016 Census, the levy is currently used to fund capital projects, as described previously.

In 2016, North Cowichan spent \$6,131,000 on policing. After revenues are accounted for, \$5,882,000 of this amount was funded through general municipal taxation. In the same year, Duncan collected about \$1,050,000 through both the provincial police tax (which amounted to about \$280,000, all of which is transferred to the Province) and the police bridging capital levy (which amounted to about \$770,000). The provincial police tax is based on a formula that includes total provincial policing costs, local assessment, and local population, and the revenue collected locally is not correlated directly with the cost of providing police services to Duncan.

Though the two communities are responsible for different proportions of their police costs, North Cowichan's general municipal tax rate is roughly comparable to the combination of Duncan's general municipal tax, provincial police tax, and police bridging capital levy. Based on the figures noted above, 25 percent of Duncan's tax revenue (including general municipal tax, police tax, and police bridging capital levy) goes toward police services (or to capital projects being funded in lieu of paying higher police taxes). Conversely, 22 percent of North Cowichan's general municipal tax revenue goes toward police services.

To allow for comparison with these figures, we estimated the portion of North Cowichan's 2016 general municipal tax rate that goes towards police services based on same-year net policing expenses, as shown in Table 20, below.

*Table 20 - Comparative Tax Rates for Policing*

| Class   | Duncan Tax Rate for Policing (2016)* | North Cowichan Tax Rate for Policing (2016) |
|---|--------------------------------------|---|
| Residential                                     | 1.2713                               | 1.0230                                      |
| Utilities                                       | 9.0084                               | 8.0537                                      |
| Supportive Housing                              | n/a                                  | 1.0230                                      |
| Major Industry                                  | n/a                                  | 6.7501                                      |
| Light Industry                                  | 3.5719                               | 4.1667                                      |
| Business  | 3.1838                               | 2.2495                                      |
| Managed Forest Land                             | n/a                                  | 4.1251                                      |
| Recreational Property & Non-profit Organization | 1.2713                               | 0.8265                                      |
| Farm  | 1.2713                               | 0.9939                                      |

*\*Note: Illustrated Duncan rate includes the provincial police tax and police bridging capital levy.*

### **What if Duncan's Population Reaches 5,000 People?**

For the purposes of this study, it is important to note that the financial analysis (presented in Sections 4 and 5) compares current policing costs to the policing costs of an amalgamated municipality. An amalgamated municipality would be responsible for 90 percent of front-line policing costs (as North Cowichan is, today). However, even without an amalgamation, Duncan faces the prospect of increased local policing costs if/when the population reaches 5,000.

As noted, Duncan's 2016 provincial police tax was approximately \$280,000. If Duncan's population reaches 5,000 people in the future, it would have an RCMP municipal unit rather than a provincial unit. Depending on the number of police officers assigned to the unit, it is estimated that Duncan's policing costs could be approximately \$1.1 million to \$1.7 million. This estimate is based on a range of 8 FTE to 12 FTE plus additional costs for municipal employees, accommodation (i.e. detachment), and information technology.

## 4. MUNICIPAL ADMINISTRATION AND SERVICE IMPACTS

If Duncan and North Cowichan were to amalgamate, the impacts would primarily be at the municipal level. Since Duncan and North Cowichan participate in the same regional and sub-regional services through the Cowichan Valley Regional District (CVRD), regional district administration and service delivery would not be directly affected (see Chapter 6 of this report).

For the purposes of this review, municipal services have been grouped into the following categories:

1. *General Government* – includes elected officials and the core administrations required to provide local government services to Duncan and North Cowichan.
2. *Planning and Development* – includes long-range community planning, land use regulations, development review, bylaw enforcement, and building inspection and permitting.
3. *Public Works and Engineering/Transportation Services* – includes the provision of transportation, stormwater management, water and sewer systems.
4. *Protective Services* – includes policing, fire protection, and animal control services.
5. *Environmental Health* – includes waste collection services and environmental programming, as well as the forestry program in North Cowichan.
6. *Parks and Recreation* – includes the provision of park land, public open space, recreational facilities, and recreational programs.

While Duncan and North Cowichan do not organize the municipal governments exactly in this way, the categories above provide a framework for comparisons between the two municipalities. For each of these categories, the following sections review the key service and financial impacts associated with an amalgamation.

Where applicable, financial impacts are organized into two different scenarios:

1. **Scenario 1** identifies automatic impacts of amalgamation only (e.g. a reduction from two councils to one council, a change in policing costs, and impacts to the small communities grant currently received by the City of Duncan);
2. **Scenario 2** identifies both the automatic impacts of amalgamation from Scenario 1, and plausible potential long-term changes in staffing levels that may occur with an amalgamation (e.g. the possibility of streamlined General Government requirements

and expenses and the possibility of a new full-time fire chief, deputy chief and support staff).



Additionally, where applicable, this study identifies potential one-time expenses associated with an amalgamation. It is noted that in many cases, amalgamation implementation could require significant existing staff resources. Therefore, it is possible that some staffing efficiencies may not be realized for a number of years following an amalgamation. In this respect, the Scenario 2 analysis provides a 'point-in-time' snapshot of potential changes once local government operations have normalized following an implementation period.



## General Government

### Overview

General government includes elected officials and the administration required to provide local government services to Duncan and North Cowichan. In each municipality, the municipal council is responsible for setting policy direction, while the chief administrative officer is charged with implementing policy and delivering services. Other key general government roles include preparing and preserving records and bylaws (i.e. corporate services), undertaking capital and operating expenditures as set out in the municipal financial plan, managing the collection of taxes (i.e. financial services), maintaining effective employee and labour relations (i.e. human resources), and managing information and communication technology services (i.e. information services).

|                            | <br>DUNCAN   | <br>MUNICIPALITY OF<br>NORTH<br>Cowichan                                 |
|----------------------------|---|---|
| Key Municipal Assets       | City Hall<br>Municipal Properties (e.g. Canada Building, Margaret Moss Health Centre site)  | Municipal Hall<br>Municipal Properties (e.g. Old Chemainus Fire Hall site, Chaplin Street site in Crofton)  |
| Municipal Responsibilities | CAO<br>Corporate Services<br>Financial Services<br>Human Resources (managed by each department, some consulting services)<br>Information Services (contracted out)                                      | CAO<br>Corporate Services<br>Financial Services<br>Human Resources<br>Information Services  |
| Service Area               | City of Duncan  | Municipality of North Cowichan  |
| Staffing Complement        | Total 8.6 FTE:<br>CAO: 1.0 FTE<br>Corporate Services: 2.0 FTE and contract help with Records Management Project<br>Financial Services: 5.6 FTE<br>Human Resources: 0 FTE<br>Information Services: 0 FTE | Total 26.6 FTE:<br>CAO: 3.0 FTE<br>Corporate Services: 6.0 FTE<br>Human Resources: 2.1 FTE<br>Financial Services: 10.5 FTE<br>Information Services: 5.0 FTE |
| Shared Service Delivery    | n/a   |   |
| CVRD Services              | General government (regional)   | General government (regional)   |

|                              |  |
|------------------------------|--|
| Comments on Level of Service | <p>Each community has 1 Mayor and 6 Councillors</p> <p>Representation at CVRD Board varies (Duncan has 1 CVRD Director with total voting strength of 3 for weighted votes; North Cowichan has 3 CVRD Directors with total voting strength of 15 for weighted votes)</p> <p>City of Duncan does not have dedicated human resources or information services staff</p> <p>Both communities are part of CUPE Local 358. North Cowichan staff complement does weekend work (e.g. recreation) while Duncan staff complement works weekdays only.</p> |
|------------------------------|--|

Table 21 - General Government 2016 Budget

|                    | 2016 Budgeted Revenue   |   | 2016 Budgeted Expenses   |   |
|--------------------|---|---|--|---|
|                    |  |  |  |  |
| General Government | \$0   | \$182,000   | \$1,156,000  | \$3,499,000   |

## Key Amalgamation Considerations

Table 22 - Key Amalgamation Considerations

| Service Delivery Considerations  | Administrative Considerations   | Financial Considerations  |
|--|---|---|
| An amalgamated community would be governed by a single elected council of seven rather than two elected councils of seven. | The General Government functions of each community would be combined. The amalgamated municipality would have a full staff complement, including HR and Information Services staff (currently provided in North Cowichan only). | There are <i>potential</i> cost savings associated with having one municipal council and a consolidated general government staffing complement. |

## Discussion

### A. Current Situation

Duncan and North Cowichan both have Councils of seven. The Councils have a variety of roles, including:

- setting policy;
- undertaking decision-making for all municipal services;
- reviewing and approving municipal bylaws and regulating the services that the municipalities provide;



- undertaking strategic plans;
- approving municipal financial plans;
- appointing representatives to other boards (e.g. CVRD); and,
- appointing administrative officials.

Most decisions are made by a simple majority of councillors present at a meeting, although some matters require a two-thirds majority of councillors present.

In both Duncan and North Cowichan, a variety of committees advise Council, as illustrated in the table below.

*Table 23 - Committees that Advise Council*

| City of Duncan Committees                 | Municipality of North Cowichan Committees |
|---|---|
| Committee of the Whole                    | Agricultural Advisory Committee           |
| Advisory Committee on Disability Issues   | Audit Committee                           |
| Advisory Design Panel                     | Chemainus Advisory Committee              |
| Environment and Sustainability Committee  | Community Planning Advisory Committee     |
| Tourism Committee and Totem Sub-Committee | Environmental Advisory Committee          |
|   | Forestry Advisory Committee               |
|   | Parks and Recreation Advisory Committee   |
|   | Sports Wall of Fame Nomination Committee  |
|   | Protective Services Committee             |
|   | Public Works Committee                    |

In addition, both Duncan and North Cowichan participate in a Joint Utilities Board for sewer.

Duncan and North Cowichan are both members of the CVRD. CVRD municipal directors are appointed by the Councils. Duncan has one CVRD director, while North Cowichan has three CVRD directors. Duncan and North Cowichan participate in the same bundle of CVRD services, including region-wide and sub-regional services. The Island Savings Centre is a unique exception, as Duncan participates in this service along with the South End of North Cowichan (as well as CVRD Electoral Areas D and E), but not the North End of North Cowichan. In turn, the North End of North Cowichan provides a grant for the Cowichan Performing Arts Centre. Along with CVRD Electoral Areas D and E, both Duncan and North Cowichan participate in the Island Savings Centre Commission, which oversees the operation of the Island Savings Centre.

The Duncan and North Cowichan General Government administrations are organized in similar ways with some differences in total staffing levels and arrangements for services such as Human Resources and Information Services/Information Technology. In each municipality, the CAO (Chief Administrative Officer) provides administrative leadership to

ensure that the policies, programs, and other directions of each council are implemented. Each CAO also advises and informs the council on the operation and affairs of the municipality.

Duncan and North Cowichan each have Corporate Services departments. The Corporate Services departments provide the communications link between the councils, other municipal departments, and the general public, providing assistance and advice to citizens with respect to Council/Committee processes, reporting procedures, and decisions. Key responsibilities typically include: drafting bylaws and agreements; maintaining minutes and overseeing records; administering elections; overseeing policy development; and, providing legal and procedural advice.

Duncan and North Cowichan each also have Financial Services/Finance departments. In each municipality, the Finance department prepares an annual detailed budget identifying all revenues and sources of funding for operating and capital expenditures, including projections for the next five years. In addition to the annual report and other legislative reporting, periodic financial reports are provided to Council and other departments. The Finance departments are responsible for receiving all monies paid to the municipalities, investing funds in authorized investments, expending money as authorized in the Financial Plan, and ensuring the preparation of accurate and full accounts of municipal financial affairs. Services are provided to other departments through the payroll, accounts payable, accounts receivable, and financial reporting functions.

The Human Resources function is responsible for maintaining effective employee and labour relations, including: providing advice and assistance with respect to recruitment, promotion, contract administration, benefits and salary administration; organizational development; formulation of corporate personnel policies and procedures; and, occupational health and safety. While North Cowichan has 2.1 FTE for Human Resources, Duncan does not have a Human Resources department. In the City, each department performs their own Human Resources function and Corporate Services assists with job posting and advertising. The City also retains consultants for some Human Resources needs as required, with a budget of approximately \$24,000 per year.

The Information Services function provides core information and communication technology services. North Cowichan has 5.0 FTE for Information Services. In addition to providing core services to the municipality, Information Services staff also provide shared information technology services to the Town of Ladysmith. Conversely, Duncan contracts out managed information technology services for approximately \$36,000 per year. In the City, the Finance Department is responsible for overseeing the work of the contractor and general information technology, while Corporate Services administers the website.

## B. Potential Amalgamation Impacts

### Scenario 1 – Automatic Annual Impacts Only:

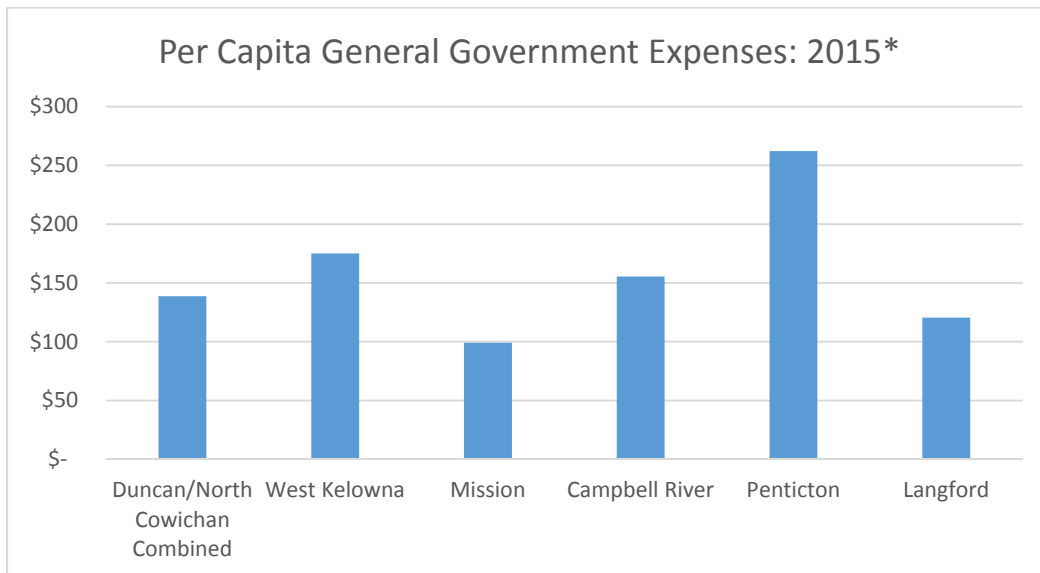
With an amalgamation, the main automatic impact would be the establishment of one municipal council versus the two existing councils. The result would be the elimination of duplicate expenses for municipal councils, as illustrated in **Table 24**.

Table 24 - Potential Automatic Financial Impacts for General Government (2016)

| Item                                   | Impact             |
|--|--------------------|
| Elimination of Expenses for 1 Council* | (\$140,000)        |
| <b>Net Annual Impact</b>               | <b>(\$140,000)</b> |

\*Includes Council remuneration and conferences/travel (e.g. annual UBCM convention)

This scenario does not contemplate additional savings associated with administrative staff, facilities or other related General Government expenses. As illustrated in the chart below, on a per capita basis, Duncan and North Cowichan’s current combined General Government expenses are generally in line with those of peer communities, *even though the Duncan/North Cowichan per capita expenses include expenses for two councils, two Chief Administrative Officers, two Finance Directors, two Corporate Officers, etc.* This comparison indicates that in Scenario 2 (below), there may be only limited opportunities to realize long-term efficiencies associated with streamlined General Government.



\*Source: BC Local Government Statistics (2015). BC Local Government Stats reporting varies from the 2016 municipal financial plan figures presented above. Additionally, these figures represent a ‘point-in-time’ snapshot. It is acknowledged that General Government expenses can vary from year to year.

## Scenario 2 – Annual Impacts that May Occur:

A detailed amalgamation implementation plan would be required to identify General Government staff positions and facility requirements for an amalgamated municipality. In Duncan and North Cowichan, the possibilities for long-term cost efficiencies are the most apparent through the streamlining of General Government services (as opposed to other service areas). For example, one municipality would be responsible for developing a long-term financial plan and providing accounts payable and receivable functions rather than two municipalities. And, there would be one Chief Administrative Officer, one Finance Director, and one Director of Corporate Services. However, when staff from two municipalities are combined, a review of other amalgamations suggests that there is a tendency to harmonize different salary levels upwards (i.e. salaries are scaled up), thus limiting the potential for savings. As well, while certain 'Director' level positions may be eliminated, there is a possibility that additional mid-level management positions could be required (see Risks, Opportunities, and Uncertainties, below).

The scope of this study does not allow for a detailed amalgamation implementation plan identifying the exact number of administrative positions required in an amalgamated municipality. However, a 'rule of thumb' approach can be used to estimate potential efficiencies that may occur for General Government services. Because of North Cowichan's size, its per capita net expenses for General Government are lower than Duncan's per capita net expenses for General Government. Using North Cowichan's current net General Government expenses of \$111 per capita and applying this per capita rate to an amalgamated municipality of about 35,000 people, total General Government expenses would be approximately \$3.9 million. This figure compares to current (2016) combined net General Government expenses of approximately \$4.5 million for both Duncan and North Cowichan. Thus, using these figures, an amalgamation could result in *potential* General Government savings of approximately \$580,000, as illustrated in the **Table 24**.

Table 25 - Potential General Government Savings

| Item  | Net Expenses       |
|---|--------------------|
| Theoretical Combined Net General Government Expenses at \$111 per capita    | \$3,890,000        |
| 2016 Combined Net General Government Expenses for Duncan and North Cowichan | \$4,470,000        |
| <b>Potential General Government Savings</b>                                 | <b>(\$580,000)</b> |

Of the \$580,000 in potential General Government savings, \$140,000 in savings would be associated with only having a requirement for one municipal council versus two municipal councils (as identified above). Therefore, the balance of \$440,000 would be associated with savings such as those realized from the elimination of duplicate staff positions, office and

overhead savings associated with reduced staffing levels, and professional fees (e.g. legal, audit).

### One-Time Implementation Expenses:

In General Government (and some associated functions), there are a variety of potential one-time expenses associated with an amalgamation. Key one-time expenses are highlighted in **Table 26**. It is noted that Provincial transition assistance could potentially assist with some of these expenses. However, at this stage, any potential Provincial transition assistance has not been quantified. Suggested allowances are used for these one-time expenses, many of which would be subject to further study and review as part of an Amalgamation Implementation Plan.

*Table 26 - Key one-time expenses associated with amalgamation*

| Item  | Suggested Allowance (Low) | Suggested Allowance (High) |
|---|---------------------------|----------------------------|
| Referendum on Amalgamation*   | \$0                       | \$80,000                   |
| Development of an Amalgamation Implementation Plan by a Joint Council/Joint Committee of Duncan and North Cowichan              | \$50,000                  | \$100,000                  |
| Amalgamation Communications Planning and Implementation   | \$50,000                  | \$75,000                   |
| Policy and Bylaw Harmonization (focused on General Government – not including Land Use Planning and Development or Engineering) | \$50,000                  | \$75,000                   |
| Renegotiation of Leases, Contracts and Agreements (assumes mainly done by staff with some legal/consulting support)             | \$50,000                  | \$75,000                   |
| Naming (including potential referendum), Branding, Logo, Letterhead, Website  | \$50,000                  | \$150,000                  |
| Signage (e.g. Buildings, Parks, Fleet, Community Gateways)  | \$300,000                 | \$600,000                  |
| Integration of Records, Information Technology and Financial Planning**   | \$100,000                 | \$400,000                  |
| Labour Relations (e.g. integration of union collective agreements, severance packages)  | TBD                       | TBD                        |
| <b>Total</b>  | <b>\$650,000+</b>         | <b>\$1,555,000+</b>        |

\*There is potentially no additional cost if referendum on amalgamation could occur simultaneously with local government elections.

\*\*Further review would be required as part of the Implementation Plan to determine actual costs for the integration of records, information technology and financial planning. Costs could be minimized since both

*the City and the Municipality use the same Vadim Software package for municipal financial management, and only the Municipality uses recreation software.*

### C. Risks, Opportunities and Uncertainties

*Table 27 - Risks, Opportunities and Uncertainties*

| Issue                                 | Considerations  |
|---------------------------------------|---|
| Potential Administrative Efficiencies | Depending on the amalgamation implementation plan, it is possible that current administrative staff from both municipalities would be required to engage in implementation activities, with any potential long-term savings to occur through natural attrition (e.g. retirements that result in positions left unfilled). Conversely, it is possible that an additional 'layer' of management would develop in an amalgamated municipality, with no resulting long-term savings from amalgamation.  |
| Facilities (e.g. Municipal Hall)      | Typically, municipalities have a single municipal hall. However, there are examples of municipalities that have departments spread throughout multiple buildings. In Duncan-North Cowichan, the North Cowichan municipal hall was recently expanded, and the facility currently has enough vacant or underutilized space to accommodate approximately 20+ additional staff members if required. The facility could potentially house an amalgamated municipal administration, with the possibility that the current Duncan City Hall could be repurposed (e.g. for other civic uses). Conversely, it may be possible to maintain a 'satellite' office at the current Duncan City Hall facility and provide front counter customer services, meeting space(s), and/or house a municipal department(s) in the facility. |
| Workloads                             | There are certain administrative functions that would likely require fewer staff to administer than the combined total staffing levels of the current municipalities. For example, in the Financial Services area, there would be one municipal Financial Plan and Capital Plan, one annual audit, one set of Financial Statements, one accounts payable and receivable function, and one set of property tax bills for the whole municipality. With systems in place that can handle a larger population, budget, and volume of transactions, it is likely that the incremental workload increase would not require the combined total staffing levels of both current municipalities, at least after a transition period.   |
| Salary Harmonization                  | Depending on the structure of a combined General Government Department, there may be a need for salary harmonization, which could result in some upscaling of salary expenses.  |

## Planning and Development Services

### Overview

Planning and Development Services include long-range community planning (e.g. Official Community Plan), land use regulations (e.g. Zoning Bylaw), development review, bylaw enforcement, and building inspection and permitting.







|                              |   |    |
|------------------------------|--|---|
| Key Municipal Assets         | n/a  | n/a   |
| Municipal Responsibilities   | Community planning<br>Development review<br>Building permitting and inspection<br>Bylaw enforcement<br>Business licencing  | Community planning<br>Development review<br>Building permitting and inspection<br>Bylaw enforcement<br>Business licencing                         |
| Service Area                 | City of Duncan   | Municipality of North Cowichan  |
| Staffing Complement          | Total 2.6 FTE<br>Planning and Building Inspection: 2 FTE<br>(1 planning and 1 building inspection)<br>plus students most of the year<br>Bylaw Enforcement: 0.6 FTE   | Total 13.6 FTE<br>Director/Approving Officer: 1 FTE<br>Planning & Sustainability: 5 FTE<br>Building & Compliance: 5 FTE<br>Support Staff: 2.6 FTE |
| Shared Service Delivery      | Cooperation on select planning initiatives (e.g. University Village Local Area Plan, Trail Network and Cycling Plan)<br><br>There is a co-operative agreement for inter-municipal business licencing between Duncan, North Cowichan, Ladysmith, and Lake Cowichan. The agreement allows applicants to work in the co-operative areas with one valid business licence, rather than an individual licence for each area. |   |
| CVRD Services                | Economic development<br>Social planning  | Economic development<br>Social planning   |
| Comments on Level of Service | Duncan has a bylaw officer for general enforcement, and the City uses Commissionaires for parking enforcement and public safety patrols. North Cowichan uses a bylaw officer for all enforcement.<br><br>Duncan CAO is the designated Approving Officer, whereas North Cowichan Development Services Director is the designated Approving Officer  |   |

Table 28 - Development Services 2016 Budget

|                      | 2016 Budgeted Revenue   |   | 2016 Budgeted Expenses   |   |
|----------------------|---|---|--|---|
|                      |  |  |  |  |
| Development Services | \$33,000  | \$461,000   | \$329,000  | \$1,967,000*  |

\*North Cowichan expenses include Economic Development in addition to Planning and Building Division expenses.

## Key Amalgamation Considerations

Table 29 - Key Amalgamation Considerations

| Service Delivery Considerations   | Administrative Considerations  | Financial Considerations  |
|---|--|---|
| With an amalgamation, long-range plans, bylaws, and fees would need to be consolidated or otherwise brought into alignment. | Staff would be combined and all planning and building related matters would be administered through the same department. | Fees and charges associated with this department (e.g. Development Cost Charges) would need to be aligned.<br><br>Potential cost savings if consolidation of staff results in increased efficiencies. |

## Discussion

### A. Current Situation

Duncan and North Cowichan offer a very similar suite of planning and development services. The primary differences relate to the overall staff complement in each municipality and the level of resources that can be committed to projects. In addition, there are some organizational differences, particularly with respect to bylaw enforcement.

Duncan has one planner who reports to the Director of Public Works and Development Services, and the City utilizes planning students to help accomplish projects. The planner supervises the building inspector, who also functions as the Local Assistant to the Fire Commissioner. Duncan also has one part-time bylaw enforcement officer, who reports to the Director of Corporate Services. In addition to other bylaw enforcement duties, the bylaw enforcement officer supervises the work of the Commissionaires, who perform parking enforcement and public safety patrols.

In North Cowichan, the Development Services department includes both a Planning and Sustainability Division and a Building and Compliance Division, as well as support staff. Unlike Duncan, North Cowichan municipal staff are responsible for all bylaw enforcement functions.



The two municipalities recently cooperated in the preparation of the joint University Village Local Area Plan. As well, there are other examples of cooperation, such as the current inter-municipal business licencing arrangement that allows applicants in each municipality to operate with one valid business licence rather than needing to have a business licence in both municipalities. However, there are also identified areas for improvement, as the business community, in particular, has expressed dissatisfaction with the current need to deal with two sets of Official Community Plans, Zoning Regulations, Sign Regulations, etc.

## B. Potential Amalgamation Impacts

### Scenario 1 – Automatic Annual Impacts Only:

---

If Duncan and North Cowichan were to amalgamate, there would be no automatic impacts to development services revenue or expenses. This scenario assumes that current net expenses for Duncan plus North Cowichan would be sufficient for a combined Development Services department.

### Scenario 2 – Annual Impacts that May Occur:

---

With an amalgamation, it is possible that there could be a reduction in the combined planning staff complement by about 1 FTE, resulting in savings of approximately \$100,000 including benefits.

*Table 30: Potential Development Services Annual Impacts that May Occur*

| Item                          | Impact             |
|-------------------------------|--------------------|
| Streamlined planning expenses | (\$100,000)        |
| <b>Net Annual Impact</b>      | <b>(\$100,000)</b> |

### One-Time Implementation Expenses:

---

With regard to Planning and Development Services, the main implementation expense would be the integration of Official Community Plans, Zoning Bylaws, Development Cost Charge Bylaws, and other Regulatory Bylaws (e.g. Fees and Charges Bylaws). Integration of GIS and mapping services is included in the allowance for integration of records and information technology under General Government services.

Additionally, while not a direct impact of amalgamation, there may be interest in advancing local area planning initiatives to further reinforce the identity of the various communities in an amalgamated municipality (e.g. Downtown and South End, Chemainus, Crofton, Maple Bay). Recent initiatives include completion of the Chemainus Downtown Revitalization Plan in 2011, the Crofton Local Area Plan in 2015, and the (joint) University Village Local Area Plan

in 2015. Depending on the priorities of an amalgamated municipality it is possible that funding could be directed towards new local area planning initiatives and/or implementation actions for existing local area plans.

*Table 31 - Suggested Allowances*

| Item   | Suggested Allowance (Low) | Suggested Allowance (High) |
|--|---------------------------|----------------------------|
| Integration of Official Community Plans, Zoning Bylaws, Development Cost Charge Bylaws and other Regulatory Bylaws | \$200,000                 | \$300,000                  |
| Local Area Planning Initiatives (i.e. new plans and/or implementation actions for existing plans)*                 | \$400,000                 | \$800,000                  |
| <b>Total</b>   | <b>\$600,000</b>          | <b>\$1,100,000</b>         |

*\*As indicated, Local Area Planning initiatives are not a direct impact of amalgamation and these initiatives would be at the discretion of the Council.*

### C. Risks, Opportunities, and Uncertainties

*Table 32 - Risks, Opportunities, and Uncertainties*

| Issue                           | Considerations   |
|---------------------------------|--|
| Potential Staffing Efficiencies | Depending on the amalgamation implementation plan, it is possible that current development services staff from both municipalities would be required to engage in implementation activities, with any potential long-term savings to occur through natural attrition (e.g. retirements that result in positions left unfilled).  |
| Development Fees                | Each municipality charges different levels of fees for development. For example, development cost charge rates vary slightly between Duncan and the North Cowichan South End, and Duncan additionally provides DCC reductions for multi-family residential developments that achieve desired density levels and meet criteria set out in the City's sustainability checklist. With amalgamation, it is likely that there would be a need to harmonize development cost charges between the South End and Duncan, as well as other associated development application and building permit fees. |
| Parking Enforcement             | Duncan currently uses Commissionaires for parking enforcement and public safety patrols. While an amalgamation would not necessarily trigger a change to this arrangement, an amalgamated municipality could choose to have municipal bylaw enforcement staff perform this function.   |
| Salary Harmonization            | Depending on the structure of a combined Development Services Department, there may be a need for salary harmonization, which could result in some upscaling of salary expenses.   |

## Public Works and Engineering/Transportation Services

### Overview

Public Works and Engineering/Transportation Services include the construction, maintenance, and operation of infrastructure. Each municipality’s department oversees infrastructure related to transportation, stormwater management, water systems, and sewer systems. Duncan is serviced by its own water and sewer systems; the City also provides water to parts of North Cowichan. North Cowichan has three water systems and four sewer systems by area: Chemainus, Crofton, South End, and Maple Bay (sewer area). Additionally, Duncan and North Cowichan both participate in the Joint Utilities Board for sewage treatment.







|                                   |   |  |
|-----------------------------------|---|--|
| <p>Key Municipal Assets</p>       | <p>Roads (25 km)<br/>                     Water system (80 km)<br/>                     Sewer system (29 km)<br/>                     Stormwater system (27km)<br/>                     Equipment (fleet of 52 units comprising solid waste vehicles, construction, snow and de-icing equipment, and parks equipment)<br/>                     Public works building/yard</p> | <p>Roads (291 km)<br/>                     Water systems (236 km) – Chemainus, Crofton, South End<br/>                     Sewer systems (149 km) – Chemainus, Crofton, South End, Maple Bay<br/>                     Stormwater Systems (156 km)<br/>                     Equipment (fleet of 131 units comprising solid waste vehicles, construction, snow and de-icing equipment, forest firefighting equipment, parks equipment)<br/>                     Public works building/yard</p> |
| <p>Municipal Responsibilities</p> | <p>Construction and maintenance of municipal assets (e.g. roads, water and sewer utilities, stormwater management systems)<br/>                     Services for other departments (e.g. parks maintenance, garbage, recycling and yard waste)</p>  | <p>Construction and maintenance of municipal assets (e.g. roads, water and sewer utilities, stormwater management systems)</p>   |
| <p>Service Area</p>               | <p>City-wide for roads and stormwater management<br/>                     Sewer services to some areas of North Cowichan, CVRD Electoral Areas D and E, and Cowichan Tribes, through service agreements.<br/>                     Water services to some areas of North Cowichan, CVRD Electoral Areas D and E, and Cowichan Tribes, through service agreements</p>           | <p>District-Wide for Roads and Stormwater Management<br/>                     Local Area Services for Water and Sewer</p>  |



|                                     |   |   |
|-------------------------------------|---|---|
| <p>Staffing Complement</p>          | <p>Total 18.9 FTE:<br/>                 Director: 1 FTE<br/>                 Operations Manager: 1 FTE<br/>                 Engineering Staff and Support: ~3 FTE<br/>                 Operations Crew: ~14 FTE<br/>                 Plus, about 4 summer students per year</p>   | <p>Total 62 FTE:<br/>                 Director and Support Staff: 2 FTE plus 1 Contract<br/>                 Development and Capital Projects: 7 FTE<br/>                 Infrastructure and Environment: 7 FTE<br/>                 Operations: 46 FTE plus 1 Term</p> |
| <p>Shared Service Delivery</p>      | <p>Duncan's water system covers approximately 5 square km and services over 15,000 people extending into portions of North Cowichan, CVRD Electoral Areas D and E, and Cowichan Tribes lands</p> <p>There is a joint project underway to study a backup water supply for Duncan/South End</p> <p>Duncan and North Cowichan South End sewer and waste water is treated at Joint Utilities Board (JUB) lagoons that are on land jointly leased by Duncan and North Cowichan</p> <p>Joint diking and flood mitigation</p> <p>City and Municipality work cooperatively (e.g. when City's garbage truck was broken, the Municipality loaned one to the City; municipal staff work together to coordinate water and roads projects)</p> <p>City and Municipality are currently discussing opportunities for purchasing and sharing some equipment</p> |   |
| <p>CVRD Services</p>                | <p>Malahat Transit (Victoria commuter service)<br/>                 Transit<br/>                 Liquid waste management - central</p>  | <p>Malahat Transit (Victoria commuter service)<br/>                 Transit<br/>                 Liquid waste management – central (South End only)</p>   |
| <p>Comments on Level of Service</p> | <p>North Cowichan is significantly larger and is responsible for more roads and infrastructure than Duncan.</p> <p>Duncan is currently undertaking a water metering program, including properties on the Duncan water system in North Cowichan. In North Cowichan, all residential and commercial water connections are metered.</p>  |   |

Table 33 - Engineering and Public Works/Transportation Services 2016 Budget

|  | 2016 Budgeted Revenue*  |   | 2016 Budgeted Expenses*   |   |
|--|---|---|---|---|
|  | <br>DUNCAN | <br>MUNICIPALITY OF NORTH Cowichan | <br>DUNCAN | <br>MUNICIPALITY OF NORTH Cowichan |
| Engineering and Public Works/<br>Transportation Services | \$0   | \$0   | \$1,014,000   | \$5,723,000   |

\*Figures do not include separate water and sewer utility funds in each community.

## Key Amalgamation Considerations

Table 34 - Key Amalgamation Considerations

| Service              | Service Delivery Considerations  | Administrative Considerations  | Financial Considerations   |
|----------------------|--|--|--|
| Roads and Stormwater | Service delivery would be combined.  |  | Costs of road and drainage maintenance and capital would be blended between the two communities.   |
| Water                | Local area services could remain in place. Duncan/North Cowichan South End water services could be consolidated. | Services would be administered from a consolidated department.<br><br>Sewer Joint Utilities Board would be dissolved and CVRD Areas D and E and Cowichan Tribes would continue to purchase services from the municipality (as opposed to the Joint Utilities Board). | User fees for Duncan’s water system would likely be synthesized (currently there are different rates inside versus outside City boundaries). Other user fees could potentially be synthesized. Applicable parcel taxes would likely remain the same. |
| Sewer                | Local area services could remain in place. Duncan/North Cowichan South End sewer services could be consolidated. |  | User fees could potentially be synthesized. Applicable parcel taxes would likely remain the same.  |

## Discussion

### A. Current Situation

Each municipality has an Engineering and Operations/Public Works group responsible for roads, stormwater management, and water and sewer utilities. Duncan’s group also includes staff responsible for solid waste collection and park maintenance (dealt with separately in the report sections on Environmental Health and Parks and Recreation Services). In North Cowichan, the size of the community justifies a totally separate parks maintenance crew.

Each municipality has its own public works yard. Duncan’s works yard is located next to the Joint Utilities Board sewage lagoons, whereas North Cowichan’s works yard is located next to the North Cowichan Municipal Hall. Each municipality also maintains a fleet that consists of solid waste vehicles, construction, snow and de-icing equipment, forest fire-fighting equipment (North Cowichan only), parks equipment, etc. Each municipality has an equipment fund that tracks costs related to municipal equipment. Municipal equipment is ‘charged out’ to departments for each job that it works on.

As noted above, there are existing examples where infrastructure systems extend from Duncan into North Cowichan, or where there are shared service delivery arrangements. Most significantly, Duncan’s water system services over 15,000 people, extending into North Cowichan as well as CVRD Electoral Areas D and E, and Cowichan Tribes lands. Water users outside of City boundaries pay higher user fees than water users within City boundaries. Also, the City of Duncan is currently undertaking a program to install water meters, including meters for those properties located on the Duncan water system in North Cowichan. Conversely, all residential and commercial connections in North Cowichan are metered.

As indicated above, both Duncan and North Cowichan participate in the Joint Utilities Board for sewage treatment. Operations are undertaken by the Municipality of North Cowichan. The CVRD and Cowichan Tribes purchase services from the Joint Utilities Board but they are not members of the Joint Utilities Board. There has been ongoing interest in sewage treatment governance, although it has not been studied in detail to date.

## B. Potential Amalgamation Impacts

### Scenario 1 – Automatic Annual Impacts Only:

For this function, the major amalgamation impact would be the consolidation of Duncan/South End water systems and the elimination of the Joint Utilities Board for sewage treatment. All residents would have water services provided by the municipality in which they live, and there would be further possibilities to interconnect the current Duncan and South End water systems.

At a minimum, for the current City of Duncan water system (which extends into North Cowichan and other surrounding areas), it is assumed that an amalgamated municipality would ‘blend’ the current differential water user fees that apply for properties within the City of Duncan boundary versus those properties that are outside of the City of Duncan boundary. This ‘blending’ of user fees could potentially result in increased user fees for property owners within Duncan and decreased user fees for property owners in North Cowichan, as illustrated in the table below.

Table 35 – Residential Water User Fees for City of Duncan System (2017)

| City of Duncan Water System  | Current Rate Within City Boundary | Current Rate Outside City Boundary | Theoretical Harmonized Rate* |
|--|-----------------------------------|------------------------------------|------------------------------|
| Residential Metered Water Rate per 6,000 cubic feet (semi-annual): | \$105.27                          | \$159.92                           | \$129.48                     |

\*Theoretical harmonized rate is a blended rate based on the number of current service connections in Duncan vs. North Cowichan. An actual harmonized rate may vary from this figure.

An amalgamated municipality may also consider further harmonizing water and sewer user fees between all systems over time. However, user fees are currently different even within North Cowichan (e.g. the South End, Chemainus and Crofton water rates are different from each other) and amalgamation would not directly trigger a need to adjust these rates.

Additionally, there are various existing parcel taxes, which are used to fund water or sewer capital projects. Existing parcel taxes would not directly be affected by an amalgamation. It is likely that property owners within existing service areas would continue to pay for capital projects funded by parcel taxes, as opposed to having these costs spread amongst broader geographic areas.

One municipality would be responsible for sewage treatment, and the CVRD and Cowichan Tribes would purchase sewage treatment services from the municipality rather than the Joint Utilities Board.

For the purposes of this scenario, it is assumed that the current combined engineering and public works/operations budgets would be sufficient for an amalgamated municipality.

### **Scenario 2 – Annual Impacts that May Occur:**

With an amalgamation, it appears that all current operations staff would continue to be required, with any potential future efficiencies to only be realized through natural attrition. However, it may be possible to streamline the combined engineering management functions, resulting in potential savings of approximately \$150,000 including benefits.

*Table 36: Potential Public Works and Engineering/Transportation Annual Impacts that May Occur*

| Item  | Impact             |
|---|--------------------|
| Streamlined engineering management expenses | (\$150,000)        |
| <b>Net Annual Impact</b>                    | <b>(\$150,000)</b> |

### **One-Time Implementation Expenses:**

There are a variety of potential one-time implementation expenses for Public Works and Engineering/Transportation Services, including: combining the asset management functions and undertaking asset management planning for the municipality as a whole; integrating infrastructure modelling; and harmonizing engineering-related bylaws (e.g. subdivision and development servicing standards). There do not appear to be significant one-time expenses for any equipment alterations or alignment in standards of service.

Table 37 - One-time amalgamation expenses

| Item   | Suggested Allowance (Low) | Suggested Allowance (High) |
|--|---------------------------|----------------------------|
| Coordination of Asset Management   | \$50,000                  | \$100,000                  |
| Infrastructure Modelling Integration   | \$100,000                 | \$200,000                  |
| Harmonizing Public Works and Engineering-Related Bylaws (e.g. Subdivision and Development Servicing Standards) | \$75,000                  | \$100,000                  |
| <b>Total:</b>  | <b>\$225,000</b>          | <b>\$400,000</b>           |

### C. Risks, Opportunities, and Uncertainties

Table 38 - Risks, Opportunities, and Uncertainties

| Issue                                    | Considerations   |
|--|--|
| Fleet Management                         | The may be potential long-term savings associated with the rationalization of two existing fleets. However, these savings would likely be realized through fleet attrition over time as equipment is retired and not replaced.   |
| Pooled Equipment                         | An amalgamated municipality could benefit from pooled equipment. For example, Duncan has a vacuum truck while North Cowichan does not have a vacuum truck. With an amalgamation, the vacuum truck would be available for the entire amalgamated municipality.  |
| Public Works Yard(s)                     | With some reshuffling of layout and/or equipment, the North Cowichan public works yard is sizeable enough to potentially function as the public works yard for a municipality of 35,000 people. The existing Duncan public works yard could be put to other civic purposes or the municipality could dispose of a portion of the site (which also includes a pump station that would need to be retained under municipal ownership).   |
| Funding of Water and Sewer Service Areas | Functionally, an amalgamation would not have an impact on the funding of currently separate water and sewer service areas in each community. In particular, any existing debt associated with systems would continue to be funded by the property owners within their respective service areas, through parcel taxes. However, there is a possibility that annual user fees could be synthesized over time. In particular, it is likely that the user fees for Duncan's current water system would be synthesized, as there are many users in North Cowichan and the current rates are different for North Cowichan users versus Duncan users. |





| Issue                 | Considerations  |
|-----------------------|---|
| Age of Infrastructure | Duncan's infrastructure systems are generally older than North Cowichan's infrastructure, and the infrastructure deficit would potentially be a liability for North Cowichan in the event of an amalgamation. |
| Salary Harmonization  | Depending on the structure of a combined Engineering and Public Works/Operations Department, there may be a need for salary harmonization, which could result in some upscaling of salary expenses.           |

## Protective Services

### Overview

The RCMP provides policing services to Duncan, North Cowichan and surrounding areas through a shared detachment. In the case of Duncan, this service is administered by the Province. Fire protection is delivered by separate volunteer fire departments serving each municipality. Both Duncan and North Cowichan provide animal control services through contract with Coastal Animal Services of BC.

|                            |    |    |
|----------------------------|---|---|
| Key Municipal Assets       | Fire hall<br>Equipment  | Police detachment building<br>Four fire halls: Chemainus, Crofton, Maple Bay, South End<br>Equipment  |
| Municipal Responsibilities | Policing services: responsibility of the Province (population under 5,000)<br>Fire protection<br>Pet licensing and animal control   | Policing services<br>Fire protection<br>Pet licensing and animal control  |
| Service Area               | Policing Services<br>North Cowichan<br>City of Duncan<br>First Nations Reserves<br>CVRD<br><br>Fire Protection<br>City of Duncan<br>CVRD Area E (Eagle Heights) through agreement<br>Cowichan Tribes Lands through agreement<br><br>Pet Licensing and Animal Control<br>Full municipality | Policing Services<br>North Cowichan<br>City of Duncan<br>First Nations Reserves<br>CVRD<br><br>Fire Protection<br>North Cowichan<br>Various service agreements to adjacent areas (e.g. Stz'uminus First Nation, Cowichan Tribes, Penelakut, Saltair)<br><br>Pet Licensing and Animal Control<br>Full municipality |
| Staffing Complement        | Police Services<br>RCMP Contract Administered by Province   | Police Services<br>RCMP Contract – Members: 31.0 FTE<br>Clerical: 10.2 FTE  |







|                              |   |    |
|------------------------------|--|---|
|                              | <p>Approximately 8 RCMP members assigned to Duncan</p> <p>Fire Protection<br/>Chief, Deputy Chief, Assistant Chief, 4 Captains, 4 Lieutenants, and 25 firefighters</p>   | <p>Information Services: 1.0 FTE<br/>Guards: 4.8 FTE</p> <p>Fire Protection<br/>125 volunteers in total, including 4 fire chiefs and 4 deputy fire chiefs</p> |
| Shared Service Delivery      | <p>The North Cowichan/Duncan RCMP detachment has 55 members in total and serves both communities as well as outlying areas.</p> <p>Fire departments have mutual aid agreements</p> <p>Coastal Animal Services provides pet licensing and animal control in both communities (through separate contracts)</p> |   |
| CVRD Services                | <p>Emergency 9-1-1<br/>Emergency planning<br/>Victim Services<br/>Safer Futures<br/>Cowichan Community Policing</p>  | <p>Emergency 9-1-1<br/>Emergency planning<br/>Victim Services<br/>Safer Future<br/>Cowichan Community Policing</p>  |
| Comments on Level of Service | <p>Duncan fire department has 100-foot aerial truck capacity. North Cowichan fire department has 65-foot aerial truck capacity and is equipped to do water rescue (by boat).</p> <p>New RCMP detachment building is being planned</p>  |   |

Table 39 - Police, Fire, and Animal Control 2016 Budget

|                    | 2016 Budgeted Revenue   |   | 2016 Budgeted Expenses   |   |
|--------------------|---|---|--|---|
|                    |  |  |  |  |
| Police Services    | n/a   | \$249,000   | \$283,000*   | \$6,131,000   |
| Fire Protection    | \$277,000**   | \$165,000**   | \$558,000  | \$1,545,000   |
| Pet Licenses/Other | \$5,000   | \$95,000  | \$72,000   | \$181,000   |
| <b>Total:</b>      | <b>\$282,000</b>  | <b>\$509,000</b>  | <b>\$913,000</b>   | <b>\$7,857,000</b>  |

\*As a community with less than 5,000 people, Duncan has a separate Police Tax, which covers less than 50 percent of Provincial costs.

\*\*Revenue includes Cowichan Tribes and Eagle Heights for Duncan, and various service contract agreements for North Cowichan (e.g. Stz'uminus First Nation IR 11 and Saltair)

## Key Amalgamation Considerations

Table 40 - Key Amalgamation Considerations

| Service                          | Service Delivery Considerations  | Administrative Considerations  | Financial  |
|----------------------------------|--|--|--|
| Police Services                  | Presently, an RCMP municipal unit provides police services for North Cowichan and RCMP provincial police provide policing services for Duncan (out of the same detachment). With amalgamation, the municipality would continue to be served by the same RCMP detachment. An RCMP municipal unit would provide police services for the municipality.  | With amalgamation, administration (e.g. municipal employees and detachment costs) would be a municipal responsibility. The Province would no longer be responsible for Duncan's policing services. | Currently, North Cowichan pays for 90 percent of its policing costs (the federal government pays for the remaining 10 percent). However, as Duncan is a municipality with less than 5,000 residents, Duncan property owners pay only a portion of front-line policing costs, through a Provincial Police Tax. Since Duncan does not currently pay the full cost of its policing services, following amalgamation, policing costs for the combined community would be greater than they are now, as the community would have to pay for 90 percent of the total policing costs. |
| Fire Protection                  | Currently, Duncan's fire hall is close to North Cowichan's South End Fire Hall. Due to current call volumes, a shift to a combined hall would likely trigger a requirement for at least some career staff. However, amalgamation may not directly trigger a need to change the current service delivery model. It could still be possible to operate two fire halls in Duncan/South End, each with volunteers. | Administration would be shared.  | With volunteer fire departments in both municipalities, the current fire service delivery model is the most cost effective model available. The act of amalgamation does not directly trigger a need to change this model. However, there could be increased pressure to have a career fire chief and support staff, or a composite service delivery model with both career staff and volunteers, particularly if there is a desire to consolidate the Duncan and South End fire halls   |
| Pet Licensing and Animal Control | Coastal Animal Services could continue to be the service provider.   | Following amalgamation, the contract for Coastal Animal Services would be combined.  | Costs would likely be similar as Coastal Animal Services would continue to serve the same area.  |

## Policing

### A. Current Situation

The North Cowichan/Duncan RCMP Detachment is an integrated detachment that currently provides serves both municipalities, but with significant differences in funding.

As a municipality with a population over 5,000, North Cowichan is responsible under the *Police Act* for providing, and bearing the necessary expenses of policing and law enforcement within its municipal boundaries. North Cowichan has a Municipal Police Unit Agreement with the Province for the provision of RCMP municipal police services. Under this Agreement, based on its population (over 15,000), North Cowichan pays for 90 percent of cost-base outlined in the Agreement for its 31 member RCMP municipal police unit, plus 100 percent of certain costs such as municipal support staff employees and the municipality's share of the detachment facility (with cost recovery from the Province for information technology and detachment space occupied by Provincial members serving other areas). Residents pay for their policing services through general municipal taxes.

Conversely, as Duncan has a population of less than 5,000 people, the provincial government is responsible for providing and paying for the City's policing services, provided by the RCMP Provincial Police Service. More specifically, for Duncan, these services are provided directly through the Duncan RCMP Provincial Unit, which is housed alongside the North Cowichan Municipal Unit within the North Cowichan/Duncan Integrated RCMP Detachment. Duncan property owners pay the provincially assessed Police Tax, which provides only partial cost recovery for front-line policing services (i.e. general duty/general investigative services). The Police Tax is assessed to unincorporated areas and to municipalities under 5,000 population, such as Duncan. In 2015, the Police Tax contributed to approximately 34 percent of the Province's total estimated 70 percent share of front-line policing costs for these areas. It is important to note that the Police Tax is not directly linked to the actual costs of providing direct service to Duncan; further, the Police Tax excludes additional specialized services (e.g. police dogs, traffic services, forensic identification, etc.), provincial resources, or infrastructure that is a part of the RCMP Provincial Police Service.

In the future, if Duncan's population were to reach or exceed 5,000, the municipality would be responsible for providing and paying for policing, provided either by the RCMP or by an independent police force. If Duncan were to enter into an Agreement with the Province for the provision of RCMP municipal services, the City would pay 70 percent of policing costs for RCMP members, plus 100 percent of certain costs such as support staff and its share of the detachment facility. Based on a 2009 resource assessment, it was estimated that 8 regular member positions would be the minimum resource level required for a Duncan Municipal Police Unit.

Given Duncan's population of just less than 5,000, in recent years the municipality has collected a 'police bridging capital levy.' This levy has enabled the City to avoid incurring debt on a number of capital projects. This levy has also enabled the City to prepare for the eventual possibility of higher policing costs once the population reaches 5,000, and mitigate the possibility of a major one-time increase in overall taxation.

It is also noted that the Municipality of North Cowichan has plans for a capital project to replace the current police detachment building. The project cost is currently estimated to be about \$23 million (not including financing costs through the Municipal Finance Authority), subject to further review and refinement as project planning progresses. Project costs are apportioned based on each community's pro rata share of detachment building space. This pro rata share is determined using the establishment of the detachment (regular members and support staff).

Currently, North Cowichan is responsible for about 52 percent of the total project capital cost. Since the integrated detachment includes the Provincial Police Service which also serves Duncan, CVRD electoral areas, and First Nations Reserves, the Province is responsible for the costs associated with the Provincial Police Service's share of the detachment space. The RCMP has an occupancy agreement with North Cowichan for the costs related to the Provincial Police Service occupying space in the municipally owned detachment building. Occupancy Agreements include the proportionate share of capital construction costs associated with a new detachment building until the Provincial Police Service's share of the project cost has been paid off. The costs in the Occupancy Agreement form part of the overall costs of providing the Provincial Police Service and they are subject to the appropriate cost sharing between the Government of Canada and the Province.

## B. Potential Amalgamation Impacts

### **Scenario 1 – Automatic Annual Impacts Only:**

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If Duncan and North Cowichan were to amalgamate, the municipality would be responsible for 90 percent of policing costs plus 100 percent of certain costs such as municipal support staff and detachment space for the operations of the expanded Municipal Police Unit. **Table 41** illustrates the key financial impacts associated with policing. The analysis focuses on the general municipal operating budget; however, in practice Duncan's current separate Police Taxes would also be affected, as illustrated in *Section 5* of this report.

The analysis is based on an incremental additional RCMP member complement of eight FTE for Duncan. In 2009 (and for a period until the Census confirmed that Duncan's population was less than 5,000), Duncan contributed to policing based on the costs for a municipal unit with eight members assigned to the municipality. However, this staffing complement is considered to be a minimum. A workload analysis would be required to confirm the number of RCMP members (see Scenario 2, below). Additionally, an amalgamated municipality could request to adjust the policing strength as required based on local needs. Municipalities

with Municipal Police Unit Agreements may directly increase resource levels to address local policing priorities, goals, and objectives as set by the municipality.

*Table 41: Potential Financial Impacts for Policing Based on an Additional 8 FTE (2016)*

| Item   | Impact             |
|--|--------------------|
| Incremental additional expenses for 8 RCMP FTE<br>(member costs and overtime at 90% of actual cost)  | \$1,230,000        |
| Incremental additional expenses for 2 municipal employees (at 100% of actual cost)   | \$170,000          |
| Incremental additional detachment expenses for Duncan complement*  | \$20,000           |
| Incremental additional expenses for detachment information technology*   | \$10,000           |
| Additional traffic fine revenue sharing<br>(approximate based on estimate of \$350,000 compared to \$290,000 for North Cowichan currently) | (\$60,000)         |
| <b>Net Annual Impact**</b>   | <b>\$1,370,000</b> |

*\*Incremental additional expenses for the detachment and information technology would actually be reductions to North Cowichan's current budget as the municipality currently receives revenue from the Province for these items.*

*\*\*The net annual impact only reflects changes to the combined municipal general fund. If an amalgamation were to occur, Duncan property owners would also see elimination of the separate provincial police tax (\$280,000) and municipal police bridging capital levy (\$770,000). As discussed further in Section 5 of this report, elimination of the police bridging capital levy could result in increased taxation level and/or increased debt financing costs depending on the approach to capital projects.*

As described in Section 3 of this report, it is noted that if Duncan's population reaches 5,000, Duncan's estimated annual policing costs would be approximately \$1.1 million (based on 8 FTE, with Duncan responsible for 70 percent of front-line policing costs). Therefore, if comparing Duncan at 5,000 population to an amalgamated municipality, the policing cost impact would be approximately \$270,000 (based on \$1,100,000 compared to \$1,370,000).

Additionally, it is noted that if Duncan and North Cowichan were to amalgamate prior to the completion of the capital project for a new detachment building, there would be an impact to the cost-sharing for this facility. Currently, only North Cowichan would incur municipal costs, with the 52 percent allocation to North Cowichan based on 40.3 FTE out of 76.8 FTE (including both RCMP members and municipal employees/public service employees). With an amalgamation, the municipality would have about 50.3 FTE out of 76.8 FTE, representing about 65 percent of the total staff complement. Therefore, based on the current estimated

project costs and the current detachment establishment, the municipality would be responsible for a capital cost of approximately \$15.1 million (North Cowichan + Duncan) rather than \$12.1 million (for North Cowichan only), not including financing costs through the Municipal Finance Authority.

### Scenario 2 – Annual Impacts that May Occur:

As indicated above, Scenario 1 is based on there being eight additional RCMP members assigned to the amalgamated municipal police unit, and this staffing complement is considered to be a minimum. Based on current call volumes to the North Cowichan/Duncan RCMP detachment, it is possible that up to about twelve additional RCMP members could be assigned to the municipality. To provide sensitivity analysis, Scenario 2 accounts for policing cost impacts based on this policing strength. Again, actual policing strength would be determined based on a workload forecast and discussions between an amalgamated municipality and the RCMP.

Table 42: Potential Financial Impacts for Policing Based on an Additional 12 FTE (2016)

| Item   | Impact             |
|--|--------------------|
| Incremental additional expenses for 12 RCMP FTE<br>(member costs and overtime at 90% of actual cost)                                       | \$1,850,000        |
| Incremental additional expenses for 3 municipal employees (at 100% of actual cost)   | \$250,000          |
| Incremental additional detachment expenses for Duncan complement*  | \$30,000           |
| Incremental additional expenses for detachment information technology*   | \$20,000           |
| Additional traffic fine revenue sharing<br>(approximate based on estimate of \$380,000 compared to \$290,000 for North Cowichan currently) | (\$90,000)         |
| <b>Net Annual Impact**</b>   | <b>\$2,060,000</b> |

\*Incremental additional expenses for the detachment and information technology would actually be reductions to North Cowichan's current budget as the municipality currently receives revenue from the Province for these items.

\*\*The net annual impact only reflects changes to the combined municipal general fund. If an amalgamation were to occur, Duncan property owners would also see elimination of the separate provincial police tax (\$280,000) and municipal police bridging capital levy (\$770,000). As discussed further in Section 5 of this report, elimination of the police bridging capital levy could result in increased taxation levels and/or increased debt financing costs depending on the approach to capital projects.



As described in Section 3 of this report, it is noted that if Duncan’s population reaches 5,000, Duncan’s estimated annual policing costs could be up to approximately \$1.7 million (based on 12 FTE, with Duncan responsible for 70 percent of front-line policing costs). Therefore, for this scenario, if comparing Duncan at 5,000 population to an amalgamated municipality, the policing cost impact would be approximately \$410,000 (based on \$1,650,000 compared to \$2,060,000).

Additionally, as a result of a change in the policing strength, there would also be changes to the apportionment of costs for a new detachment building. Using the increased policing strength figures from Scenario 2, the amalgamated municipality would have about 55.3 FTE out of 76.8 FTE (including RCMP members and public service/municipal employees), representing about 72 percent of the total staff complement. Therefore, based on the current estimated project costs and the current detachment establishment, the municipality would be responsible for a capital cost of approximately \$16.6 million (North Cowichan + Duncan) rather than \$12.1 million (for North Cowichan only) or \$15.1 million (Scenario 1), not including financing costs through the Municipal Finance Authority.

### C. Risks, Opportunities, and Uncertainties

*Table 43 - Risks, Opportunities, and Uncertainties*

| Issue                   | Considerations  |
|-------------------------|---|
| RCMP Staff Requirements | As indicated, 8 FTE would be the minimum RCMP complement required for the current Duncan area. If there is a desire or need to have additional policing strength, the policing cost impacts (presented above) could potentially reflect Scenario 2 more than Scenario 1.  |
| New Police Detachment   | North Cowichan is currently a few years away from building a new police detachment. At this time, the Province is responsible for the costs associated with the Provincial Police Service’s share of the detachment space. If Duncan’s population reaches 5,000 (e.g. in the 2021 census) before the project is constructed, the City would be responsible for about \$3 million to \$4.5 million of the project capital cost (depending on the policing strength assigned to Duncan). Or, as indicated, if the municipalities amalgamate before Duncan’s population reaches 5,000, the amalgamated municipality would be responsible for approximately \$15.1 million to \$16.6 million (depending on the policing strength assigned to the municipality) rather than \$12.1 million (for North Cowichan only), not including financing costs through the Municipal Finance Authority. |

## Fire Protection

### A. Current Situation

Duncan and North Cowichan both operate volunteer (paid on-call) fire departments. There is one fire hall in Duncan and there are four fire halls in North Cowichan, including halls in Chemainus, Crofton, Maple Bay, and the South End. There is a volunteer fire chief and deputy fire chief for each of the fire halls in North Cowichan and Duncan. In Duncan, the fire chief is appointed by Council, whereas in North Cowichan, the fire chiefs are elected by the members in each hall.

Each municipality has service agreements with neighbours. Duncan provides fire protection services to Cowichan Tribes and Eagle Heights (CVRD electoral area). North Cowichan provides fire protection services to various First Nations reserves and to Saltair (CVRD electoral area).

Between Duncan and North Cowichan, the level of service is comparable, with minor differences. For example, the Duncan fire department has 100-foot aerial truck capacity while the North Cowichan fire department has 65-foot aerial truck capacity. The North Cowichan fire department has a boat and is equipped to do water rescue, while water rescue is not required for Duncan. While there are a number of differences in the equipment between the municipalities, there is mutual aid between the fire departments, allowing for access to equipment that would otherwise be unavailable or required. In 2016, there were 14 mutual aid calls.

There are minor differences in the training standards that each department has declared pursuant to the *Fire Services Act* and the most recent *Structure Firefighters Competency and Training Playbook*. The Duncan department has declared itself as being at the 'full service operations level,' with an implication being that fire fighters can enter larger or complex structures that do not have pre-plans. The North Cowichan department has declared itself as being at the 'interior operations level,' with an implication that fire fighters will generally only go into larger or complex structures that have pre-plans. However, the North Cowichan department is also equipped to enter larger or complex structures if there is life requiring a rescue.

Within both municipalities there are current service delivery pressures, particularly in Duncan and the South End. The annual call volumes are the highest in this area, with approximately 230 calls for the Duncan Fire Hall and 300 calls for the South End Fire Hall. A number of peer municipalities have career staff, typically using a composite arrangement including both career staff and paid on call firefighters. Regardless of amalgamation, any potential future shift to a composite staff would represent a cost increase.

## B. Potential Amalgamation Impacts

### **Scenario 1 – Automatic Annual Impacts Only:**

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In and of itself, the act of amalgamation does not trigger a need for changes to the current fire protection approach or the combined expenses for fire protection. The municipalities are currently able to support a five-hall approach with volunteers. Potentially there could still be five volunteer fire chiefs and five fire halls each with continued unique service areas (even in Duncan/South End). The Duncan fire hall could even potentially continue to operate at the ‘full-service operations level,’ with the North Cowichan fire halls operating at the ‘interior operations level.’ Therefore, no cost impacts are projected in this scenario.

### **Scenario 2 – Annual Impacts that May Occur:**

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Amalgamation could potentially trigger a need for a full-time fire chief. There could also be a need for a deputy fire chief, training officer, and/or administrative support staff. An allowance of approximately \$600,000 is suggested for these purposes.

It is noted that amalgamation could also potentially result in increased pressure for additional career firefighting staff. For example, if the Duncan and South End fire halls were to be ‘merged,’ it is likely that the combined call volumes (of over 500 calls annually) would trigger a need for at least some full-time staff. This possibility is discussed further in the section on ‘Risks, Opportunities and Uncertainties,’ below.

### C. Risks, Opportunities and Uncertainties

Table 44 - Risks, Opportunities, and Uncertainties

| Issue                | Considerations  |
|----------------------|---|
| Staffing Level       | <p>Although an amalgamation may not directly trigger changes to fire protection, an amalgamated municipality would have a higher probability of moving towards a fire protection model that includes at least some career staff. Alternatives may include: 1) hiring a career fire chief and potentially other career staff including a deputy chief, training officer, and/or administrative support staff, while maintaining paid-on-call crews; or, 2) using composite staff arrangements, which would include both career and paid on-call members in Duncan and the South End, as well as potentially Chemainus/Crofton.</p> <p>Depending on the model, fire protection expenses could range significantly. As indicated above, an allowance of about \$600,000 is suggested to allow for the possibility of a career fire chief and associated support staff. Conversely, if there were to be a shift to a composite staffing model with both career fire fighters and volunteers, an allowance of about \$2 million to \$5 million+ could be required for additional expenses (over and above current combined net fire protection expenses of about \$1.7 million for Duncan and North Cowichan after accounting for revenue from current service agreements). A more detailed fire services review would be required to establish an appropriate model and costs if there were to be a change from the current model.</p> <p>As well, if career staff were to be used and there was a desire to operate out of one hall in Duncan/South End compared to the two current halls, there would be a need to expand one of the existing halls and add a bay for a third pumper truck (see sharing of equipment, below).</p> |
| Sharing of Equipment | <p>Duncan's equipment includes 2 pumper trucks, a 100-foot aerial platform, and a 3,500-gallon tender, while North Cowichan's South End equipment includes 2 pumper trucks, a 65-foot aerial platform, and a water rescue boat. In an amalgamation scenario that combines the Duncan/South End resources, there could be sharing of equipment, resulting, for example, in a need for 3 pumper trucks in total (compared to 4 currently).</p>  |

| Issue     | Considerations   |
|-----------|--|
| Insurance | <p>When developing property insurance rates, insurance companies refer to fire insurance grades. Published through the Fire Underwriters Survey, fire insurance grades are a measure of the capacity of the community to provide an effective level of response to structure fires that can be expected to occur based on the level of fire risk in the built environment. In determining fire insurance grades, various factors are considered, including: risk level; fire department; water supplies; fire safety control including prevention and education; and, emergency communications.</p> <p>Each insurance company uses its own formula to set property insurance rates. However, in general, as fire insurance grades improve, insurance companies consider the level of risk of loss to be lower, therefore increasing capacities and making the insurance market more competitive. Thus, improvements in fire insurance grades can result in lower insurance rates for property owners.</p> <p>In some communities, shifts to add career staff have resulted in improvements to fire insurance grades. It is possible that with an amalgamation, even a full-time fire chief and uniform training could result in improvements to fire insurance grades and resulting insurance rates. However, it is not possible to quantify the exact savings. A Fire Underwriters Survey and/or additional study can assist in determining actions that could be taken to improve fire insurance grades.</p> |

### Pet Licenses/Other

This study does not contemplate any amalgamation related financial impacts to animal control services. Currently there are individual contracts between the municipalities and Coastal Animal Services. With an amalgamation, there would be one contract with Coastal Animal Services. There are no anticipated cost efficiencies or additional expenses anticipated as a result of this shift. Nevertheless, it is noted that Duncan and North Cowichan currently have different dog licencing fees (e.g. North Cowichan charges \$35 for a licence purchased during January/February, while for the same period, Duncan charges \$16 for a neutered/spayed dog or \$35 for an unneutered/un-spayed dog). With an amalgamation, this fee structure would need to be harmonized.

## Environmental Health

### Overview

Environmental Health encompasses a range of services unique to each community. Both communities provide waste collection and environmental programs. Other environmental health initiatives include air quality management, corporate energy management, environmental education, management of native and invasive plants, water conservation, and West Nile Virus prevention.







|                              |    |   |
|------------------------------|---|--|
| Key Municipal Assets         | Garbage truck   | Garbage trucks (4)   |
| Municipal Responsibilities   | Garbage, recycling and kitchen organics (City)<br>Yard waste and glass collection (contracted out)<br>Environmental programs and initiatives such as corporate energy management, climate change, environmental education, native and invasive plants | Garbage (Municipality), recycling and kitchen organics (contracted out)<br>Environmental programs and initiatives such as corporate energy management, climate change, environmental education, native and invasive plants<br>Forestry program   |
| Service Area                 | City of Duncan  | Municipality of North Cowichan   |
| Staffing Complement          | Garbage and recycling: 0.6 FTE  | Garbage and recycling: 3.4 FTE<br>Energy: 0.5 FTE<br>Forestry: 2.34 FTE  |
| Shared Service Delivery      | Separate third-party contracts but with same providers (Multi Materials BC and Progressive Waste)   |  |
| CVRD Services                | Environmental initiatives<br>Solid waste management   | Environmental initiatives<br>Solid waste management  |
| Comments on Level of Service | Residential solid waste collection: bi-weekly<br>Residential recycling collection: bi-weekly<br>Organic collection: weekly<br>Yard waste and glass collection: monthly – 10 months per year   | Residential solid waste collection: bi-weekly<br>Residential recycling: bi-weekly<br>Organic collection: weekly<br>No yard waste or glass collection pick up<br>Proposal currently being prepared to change to automated collection to service more homes and reduce WorkSafe BC claims and premiums |

Table 45 – Solid Waste Management and Resources 2016 Budget

|                   | 2016 Budgeted Revenue   |   | 2016 Budgeted Expenses  |   |
|-------------------|---|---|---|---|
|                   |  |  |  |  |
| Garbage/recycling | \$211,000   | \$1,158,000   | \$247,000*  | \$1,075,000   |
| Energy            | n/a   | \$0   | n/a   | \$266,000   |
| Forestry          | n/a   | \$1,659,000   | n/a   | \$1,509,000   |
| <b>Total:</b>     | <b>\$211,000</b>  | <b>\$2,817,000*</b>   | <b>\$247,000</b>  | <b>\$2,850,000*</b>   |

\*Includes garbage and recycling, public washrooms, and environmental programs.

\*\*North Cowichan figures do not include cemetery revenue and expenses, included under Parks, Recreation and Culture for the purposes of this review.

## Key Amalgamation Considerations

Table 46 - Key Amalgamation Considerations

| Service               | Service Delivery  | Administrative   | Financial  |
|-----------------------|---|--|--|
| Garbage and recycling | <p>Both communities receive the same level of service for residential solid waste, recycling, and organics collection. Duncan residents also receive yard waste and glass collection on a monthly basis for 10 months of the year.</p> <p>While it may be possible for each community to maintain its current level of service (and pay separate garbage collection fees), a change in service for one of the communities is likely with an amalgamation.</p> | <p>Services would be administered by a consolidated Environmental Health department.</p> | <p>Financial impact depends on level of service chosen for combined community. If service level is raised to that received by the City of Duncan, total costs would increase. If service level is set to that received by North Cowichan residents, there would be a cost decrease as yard waste and glass collection services would be eliminated.</p> <p>Possible cost savings through consolidation of staff.</p> |
| Energy                | <p>North Cowichan has dedicated staff resources whereas Duncan staff deal with energy issues as part of broader portfolios – amalgamation would provide whole community with dedicated staff.</p>   |  | <p>Any change in level of service would be funded primarily through general taxation.</p>  |
| Forestry              | <p>This service is currently only provided by North Cowichan.</p>   |  | <p>Revenue and expenses would likely be shared by amalgamated</p>  |

|  |  |  |  |
|--|--|--|--|
|  |  |  | municipality (nominal impact as non-tax revenues and expenses are similar for this service). |
|--|--|--|--|

## Discussion

### A. Current Situation

Solid waste collection is one of the more significant environmental health functions undertaken in both Duncan and North Cowichan. The City of Duncan has one garbage truck and one employee who collects garbage, recycling and organics three days per week. The City collects recycling under contract with Multi Materials BC. As a result, user fees decreased and the City instituted a yard waste and glass collection program. The City contracts with Progressive Waste to provide this program where people can leave up to 10 bags or cans of yard waste and unlimited clean glass at the curb once per month from March to December for pick up.

In North Cowichan, solid waste collection services are provided by 3.4 FTE, who operate four trucks. North Cowichan is currently preparing a proposal to move away from manual collection to automated collection as a means to maintain collection times due to an increase in the number of residences, and to reduce WorkSafe BC claims and premiums. Like Duncan, the Municipality has an agreement with Multi Materials BC, although recycling is contracted to Progressive Waste. Unlike Duncan, North Cowichan does not provide yard waste or glass collection services.

Duncan and North Cowichan also have a range of other environmental programs and initiatives. In Duncan, a budget for environmental programs is allocated for Environment Committee initiatives, which are supported by Planning and Public Works staff. In North Cowichan, various staff also support environmental initiatives, working with an Environmental Advisory Committee and a Forestry Advisory Committee. Of note, North Cowichan also has committed staff resources dedicated to the Corporate Energy Program as well as the Forestry Program. The Forestry Program manages 25 percent of the total North Cowichan land base as a Municipal Forest Reserve. Through this program, 50,000 trees are planted annually, 50 hectares are logged per year, and revenues from the land base are used to cover expenditures and produce a profit for the municipality.

### B. Potential Amalgamation Impacts

For this function, the main amalgamation impacts relate to solid waste collection services. While possible, it is unlikely that an amalgamated municipality would continue to maintain two different levels of service and approaches for service delivery in relation to garbage and



recycling programs. In particular, the municipality would choose whether to use a contractor or municipal staff for recycling services. As well, the municipality would choose whether to provide yard waste and glass collection services.

Since solid waste collection services are funded from separate waste collection fees, any changes to costs would affect these fees as opposed to the general municipal tax. Depending on the approach, user fees could be anywhere from the current Duncan level of \$131 per residential property to the current North Cowichan level of \$83 per residential property.

**One-Time Implementation Expenses:**

In this service area, there are a potential one-time expenses associated with contract changes or labour relations. The one-time expenses for General Government provide allowances for these items.

**C. Risks, Opportunities, and Uncertainties**

*Table 47 - Risks, Opportunities, and Uncertainties*

| Issue                     | Considerations  |
|---------------------------|---|
| Level of Service          | Solid waste collection is one function where there is a different level of service between Duncan and North Cowichan. It is likely that the level of service would be streamlined as a result of an amalgamation, with associated cost increases or reductions for certain residents. |
| Service Delivery Provider | As indicated, Duncan and North Cowichan use municipal staff vs. contractors to deliver different aspects of solid waste management services. An amalgamated municipality would likely use a consistent approach in all areas.   |
| Salary Harmonization      | As a result of amalgamation there could be a need for salary harmonization, which could result in some minor upscaling of salary expenses for this function.  |

## Parks and Recreation Services

### Overview

Parks and recreation services include the provision and maintenance of park land, public open space, recreational facilities, and recreational programs. These services are primarily provided by the Municipality of North Cowichan and the CVRD, with the City of Duncan as a joint-owner or contributor to several facilities and parks. Duncan is primarily responsible for parks within its municipal boundary.



|                            |   |   |
|----------------------------|---|---|
| Key Municipal Assets       | <ul style="list-style-type: none"> <li>» Sports fields at McAdam Park and Rotary Park</li> <li>» Parks within City</li> <li>» Outdoor Totem Collection</li> </ul>   | <ul style="list-style-type: none"> <li>» Cowichan Aquatic Centre</li> <li>» Fuller Lake Arena</li> <li>» Crofton Outdoor Pool</li> <li>» 15 ballfields</li> <li>» 300+ acres of park space</li> <li>» Pioneer Cemetery and Mountain View Cemetery</li> </ul>  |
| Municipal Responsibilities | <ul style="list-style-type: none"> <li>» Ownership and maintenance of parks and sports fields</li> <li>» Contribution to jointly owned recreation facilities and parks (e.g. Cowichan Aquatic Centre and Evans Park)</li> <li>» Largest outdoor Totem collection in Canada</li> <li>» Contribution to regional library, Valley Seniors' Organization Centre, public art maintenance, and museum grants</li> </ul>   | <ul style="list-style-type: none"> <li>» Ownership and maintenance of parks, sports fields, wharves, Fuller Lake Arena, Cowichan Aquatic Centre, Crofton Outdoor Pool, cemeteries</li> <li>» Recreation programming</li> <li>» Contribution to regional library and grants in aid to community organizations</li> </ul> |
| Service Area               | <ul style="list-style-type: none"> <li>» City of Duncan</li> </ul>  | <ul style="list-style-type: none"> <li>» Municipality of North Cowichan</li> <li>» Providing services to City of Duncan</li> </ul>  |
| Staffing Complement        | <ul style="list-style-type: none"> <li>» Maintenance through Public Works staff complement (plus 3 students in the summers)</li> </ul>  | <ul style="list-style-type: none"> <li>» 63.6 FTE</li> </ul>  |
| Shared Service Delivery    | <ul style="list-style-type: none"> <li>» Duncan is joint owner and contributor to Cowichan Aquatic Centre (operated by North Cowichan)</li> <li>» Duncan is joint owner of Evans Park (sports fields in North Cowichan)</li> <li>» Duncan is a contributor to Kin Park (home to Kin Park Youth Urban Farm), located in North Cowichan</li> <li>» North Cowichan is a contributor to Centennial Park, located in Duncan</li> <li>» Numerous recreation services provided through CVRD, including Island</li> </ul> |   |



|                              |   |  |
|------------------------------|---|--|
|                              | Savings Centre (see below)  |  |
| CVRD Services                | <ul style="list-style-type: none"> <li>» Island Savings Centre</li> <li>» Island Savings Capital Loan - Theatre</li> <li>» Cowichan Regional Parks and Trails</li> <li>» Regional Parks</li> <li>» Regional Parkland Acquisition</li> <li>» Regional Tourism</li> <li>» Kinsol Trestle</li> <li>» Arts and Culture</li> <li>» Vancouver Island Regional Library</li> <li>» Cowichan Valley Hospice Society (grant)</li> </ul> | <ul style="list-style-type: none"> <li>» Island Savings Centre (South End only)</li> <li>» Islands Savings Capital Loan – Theatre</li> <li>» Theatre – North Cowichan (North End only, for grant to Cowichan Performing Arts Centre)</li> <li>» Regional Parks</li> <li>» Regional Parkland Acquisition</li> <li>» Regional Tourism</li> <li>» Kinsol Trestle</li> <li>» Arts and Culture</li> <li>» Vancouver Island Regional Library</li> <li>» Cowichan Valley Hospice Society (grant)</li> </ul> |
| Comments on Level of Service | <ul style="list-style-type: none"> <li>» City provides parks and contributes to other service providers (e.g. North Cowichan and CVRD) for recreation facilities and programming</li> </ul>   | <ul style="list-style-type: none"> <li>» North Cowichan is a major provider of recreation, parks, and culture services in the region. This service area makes up 27 percent of the municipality’s budget.</li> </ul>   |

Table 48 - Parks and Recreation 2016 Budget

|                      | 2016 Budgeted Revenue |              | 2016 Budgeted Expenses |              |
|----------------------|-----------------------|--------------|------------------------|--------------|
|                      |                       |              |                        |              |
| Parks and Recreation | \$12,000              | \$2,431,000* | \$887,000              | \$8,459,000* |

\*Cited North Cowichan revenue and expenses include all parks, recreation and culture revenue/expenses plus cemetery revenue/expenses (included under Environmental Health in Financial Plan)

## Key Amalgamation Considerations

Table 49 - Key Amalgamation Considerations

| Service              | Service Delivery  | Administrative               | Financial   |
|----------------------|---|------------------------------|---|
| Parks and Recreation | While each municipality has separate areas of responsibility, there is significant cost and service sharing between the two | Administration for parks and | There is already significant cost/service sharing between the two communities. Amalgamation would lead to |

| Service | Service Delivery  | Administrative                | Financial  |
|---------|---|-------------------------------|--|
|         | <p>communities. North Cowichan has a wider range of service responsibilities than Duncan.</p> <p>Regional recreation cost sharing has been a long-standing issue and the CVRD began a comprehensive review of this issue this year.</p> | recreation would be combined. | combined administration but similar costs for service provision. |

## Discussion

### A. Current Situation

Duncan and North Cowichan have highly integrated Parks and Recreation Services. While each municipality is responsible for park maintenance within its boundaries, there are joint ownership and/or cost sharing arrangements in place for parks like Evans Park, Kin Park, and Centennial Park. Duncan and North Cowichan jointly own the Cowichan Aquatic Centre, which is operated by the Municipality of North Cowichan. And, Duncan and North Cowichan (South End) both participate in the CVRD Island Savings Centre function along with CVRD Electoral Areas D and E.

Duncan operates its parks department with three full-time staff, and the City does not operate any indoor recreation facilities. However, the parks department maintains sports fields, several parks, and the largest outdoor Totem collection in Canada. In comparison, with its role in the delivery of recreation services, North Cowichan has a total parks and recreation staff complement of over 60 full-time staff.

### B. Potential Amalgamation Impacts

It is unlikely that there would be any immediate direct impacts of amalgamation on parks and recreation services. The combined Duncan and North Cowichan staff complement would be required to maintain and operate current parks, facilities, and programs. The Cowichan Aquatic Centre would be owned and operated by the amalgamated municipality, and the Island Savings Centre would continue to be owned and operated by the CVRD (see Risks, Opportunities, and Uncertainties, below).

## C. Risks, Opportunities, and Uncertainties

*Table 50 - Risks, Opportunities, and Uncertainties*

| Issue                 | Considerations   |
|-----------------------|--|
| Island Savings Centre | Amalgamation could potentially put pressure on the current CVRD Island Savings Centre function, as CVRD Areas D and E would be partners with the amalgamated municipality rather than Duncan and North Cowichan. |
| Salary Harmonization  | As a result of amalgamation there could be a need for salary harmonization, which could result in some minor upscaling of salary expenses for this function.   |

## 5. FINANCIAL IMPACTS

The previous chapter assessed the potential scenarios for administration and service delivery if Duncan and North Cowichan were to amalgamate. This chapter analyzes the potential financial impacts of these scenarios, including impacts on net municipal expenses, municipal revenue, and total taxes and charges for property owners.

The scope of this study limits the analysis to a 'point-in-time' snapshot of potential impacts. The analysis uses 2016 budget and tax figures to estimate the immediate impacts of amalgamation. It does not provide analysis or insight into the financial impacts of amalgamation over time.

### Potential Annual Impacts to an Amalgamated Municipality

#### Scenario 1 – Automatic Impacts of Amalgamation Only

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Scenario 1 contemplates impacts that would automatically occur as a result of an amalgamation. This scenario does not contemplate changes in overall combined staffing levels or overall facility requirements. However, this scenario accounts for the following changes to the combined general municipal fund:

- **One Council to serve the amalgamated municipality.** This change would decrease costs associated with General Government.
- **The addition of new policing costs.** The new municipality would automatically be responsible for 90 percent of its policing costs (as North Cowichan is now).
- **Elimination of the Small Community Grant:** A larger, amalgamated community would not qualify for the Small Community Grant currently received by Duncan.

**Table 51** provides an overview summary of these automatic impacts.

Table 51 - Scenario 1—Automatic Impacts of Amalgamation

| Item  | Variance from 2016 General Fund* |
|---|----------------------------------|
| General Government                                    | (140,000)                        |
| Planning and Development Services                     | --                               |
| Public Works and Engineering/Transportation Services  | --                               |
| Protective Services                                   | \$1,370,000                      |
| Environmental Health                                  | --                               |
| Parks and Recreation                                  | --                               |
| Small Community Grant (Eliminated)                    | \$510,000                        |
| <b>Net Additional Revenue Needed for General Fund</b> | <b>\$1,740,000</b>               |

\*Does not include Duncan's provincial police tax and police bridging capital levy.

**Table 52** illustrates the potential impact on the combined general municipal tax requirement. The pre-amalgamation combined revenue is the combination of Duncan and North Cowichan's combined general municipal tax revenue (not including provincial police tax or police bridging capital revenue for Duncan).

Table 52 - Scenario 1—Financial Impact Analysis

| Item   | General Municipal Tax Requirements |
|--|------------------------------------|
| Pre-Amalgamation Combined General Municipal Tax Revenue* | \$29,780,000                       |
| Net Additional Revenue Needed for General Fund           | \$1,740,000                        |
| <b>Post-Amalgamation Required General Municipal Tax</b>  | <b>\$31,520,000</b>                |

\*Does not include Duncan's provincial police tax and police bridging capital levy.

Additionally, Duncan property owners would experience the elimination of the current provincial police tax (\$280,000) and the police bridging capital levy (\$770,000).<sup>7</sup> Thus, while there is a net impact of \$1,740,000 for the general fund, when including Duncan's police taxes in the analysis, the combined net change in overall taxation is actually \$690,000 (based on \$1,740,000 - \$280,000 - \$770,000).

This analysis assumes that since an amalgamated municipality would be responsible for 90 percent of front-line policing costs, there would no longer be a need for a separate police bridging capital levy. Currently, Duncan uses this levy to mitigate the potential for a future major property tax increase once the municipality reaches a population of 5,000 and is required to directly pay a greater share of local policing costs. However, until such time that the population reaches 5,000, the City is using revenue from the police bridging capital levy to fund capital projects, as described in detail in Section 3 of this report.

As highlighted previously, the police bridging capital levy is intended to mitigate the potential for a future major property tax increase when Duncan is required to directly pay a greater share of local policing costs. With an amalgamation, it is assumed that the police bridging capital levy would be eliminated in favour of general municipal taxation that is used directly for policing costs (amongst other local government services). However, it is noted that the City of Duncan is currently considering using the police bridging capital levy revenue to fund over \$4 million in capital projects over six years. If capital projects were to continue to be funded at this level, there could be increased taxation levels (over and above those levels illustrated in the property tax impacts, below) and/or increased debt financing costs as a result of the elimination of the police bridging capital levy. Notwithstanding, an amalgamation would 'pool' the resources of the two municipalities and there could be a greater ability to take on capital projects.

## Scenario 2 – Potential Impacts of Amalgamation

Scenario 2 identifies potential changes to staffing and service delivery that *may* be triggered by an amalgamated municipality. It also includes the automatic impacts identified in Scenario 1.

1. An amalgamation may trigger changes in a number of service areas:

- **Efficiencies in staffing, office and overhead savings, and professional fees.**  
Amalgamation would likely trigger a review of combined staffing needs. Efficiencies may be found particularly in areas where there would be duplicate positions. General Government, Planning and Development Services, and Public Works and

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<sup>7</sup> The police bridging capital levy was designed to buffer Duncan against potential budget shocks associated with reaching a population of 5,000 and becoming responsible for 90 percent of policing costs. The analysis assumes that this levy would be eliminated following amalgamation as costs for policing services would be paid for through general revenue of the newly amalgamated municipality.



Engineering/Transportation are three areas where staffing efficiencies could potentially be realized.

- **Potential need for a full-time fire chief and support staff.** Amalgamation, due to a larger overall municipality and the potential need for additional fire services coordination, may trigger the need for a full-time fire chief and/or administrative support staff. This impact is not a direct result of amalgamation, but a potential need based on discussions with key staff including the Fire Chiefs from the Duncan and North Cowichan South End detachments.

**Table 53** provides a summary of these potential changes, including automatic changes identified in Scenario 1.

Table 53 - Scenario 2—Potential Impacts of Amalgamation

| Item  | Variance from 2016 General Fund* |
|---|----------------------------------|
| General Government                                    | (\$580,000)                      |
| Planning and Development Services                     | (\$100,000)                      |
| Public Works and Engineering/Transportation Services  | (\$150,000)                      |
| Protective Services                                   | \$2,660,000                      |
| Environmental Health                                  | --                               |
| Parks and Recreation                                  | --                               |
| Small Community Grant (Eliminated)                    | \$510,000                        |
| <b>Net Additional Revenue Needed for General Fund</b> | <b>\$2,340,000</b>               |

\*Does not include Duncan's provincial police tax and police bridging capital levy

**Table 54** illustrates the potential impact on the combined general municipal tax requirement. As with Scenario 1, the pre-amalgamation combined revenue is the combination of Duncan and North Cowichan's combined general municipal tax revenue (not including provincial police tax or police bridging capital revenue for Duncan).

Table 54 - Scenario 2—Financial Impact Analysis

| Item   | General Municipal Tax Requirements |
|--|------------------------------------|
| Pre-Amalgamation Combined General Municipal Tax Revenue* | \$29,780,000                       |
| Net Additional Revenue Needed for General Fund           | \$2,340,000                        |
| <b>Post-Amalgamation Required General Municipal Tax</b>  | <b>\$32,120,000</b>                |

\*Does not include Duncan's provincial police tax and police bridging capital levy

As with Scenario 1, Duncan property owners would experience the elimination of the current provincial police tax (\$280,000) and the police bridging levy (\$770,000).<sup>8</sup> Thus, in this scenario, while there is a net impact of \$2,340,000 for the general fund, when including Duncan's police taxes in the analysis, the combined net change in overall taxation is actually \$1,290,000 (based on \$2,340,000 - \$280,000 - \$770,000).

### Summary of Potential Financial Impacts to an Amalgamated Municipality

The following table illustrates the main differences between Scenarios 1 and 2. As shown, Scenario 2 anticipates further savings for General Government, Planning and Development Services, and Public Works and Engineering/Transportation Services. At the same time, Scenario 2 also anticipates more substantial amalgamation-related expenses for protective services, including policing and fire protection.

The result is that in Scenario 1, the amalgamated municipality requires an additional \$1.7 million in revenue for the General Fund, while in Scenario 2, the amalgamated municipality requires an additional \$2.3 million in revenue for the General Fund.

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<sup>8</sup> The police bridging capital levy was designed to buffer Duncan against potential budget shocks associated with reaching a population of 5,000 and becoming responsible for 90 percent of policing costs. The analysis assumes that this levy would be eliminated following amalgamation as costs for policing services would be paid for through general revenue of the newly amalgamated municipality.

*Table 55 Comparison of Scenario 1 and Scenario 2—Impacts of Amalgamation*

| Item  | Scenario 1 Variance from 2016 General Fund* | Scenario 2 Variance from 2016 General Fund* |
|---|---|---|
| General Government                                    | (140,000)                                   | (\$580,000)                                 |
| Planning and Development Services                     | --  | (\$100,000)                                 |
| Public Works and Engineering/Transportation Services  | --  | (\$150,000)                                 |
| Protective Services                                   | \$1,370,000                                 | \$2,660,000                                 |
| Environmental Health                                  | --  | --  |
| Parks and Recreation                                  | --  | --  |
| Small Community Grant (Eliminated)                    | \$510,000                                   | \$510,000                                   |
| <b>Net Additional Revenue Needed for General Fund</b> | <b>\$1,740,000</b>                          | <b>\$2,340,000</b>                          |

\*Does not include Duncan's provincial police tax and police bridging capital levy.

**Table 56** illustrates the potential impact on the combined general municipal tax requirements. As noted, the illustrated net additional revenue requirements are Duncan and North Cowichan's combined additional general municipal tax requirements. When factoring in the elimination of Duncan's current Police Tax and Police Bridging Capital Levy, the overall increased taxation requirements are actually \$690,000 for Scenario 1 and \$1,290,000 for Scenario 2.

*Table 56 Comparison of Scenario 1 and Scenario 2—Financial Impact Analysis*

| Item   | Scenario 1 General Municipal Tax Requirements | Scenario 2 General Municipal Tax Requirements |
|--|---|---|
| Pre-Amalgamation Combined General Municipal Tax Revenue* | \$29,780,000                                  | \$29,780,000                                  |
| Net Additional Revenue Needed for General Fund           | \$1,740,000                                   | \$2,340,000                                   |
| <b>Post-Amalgamation Required General Municipal Tax</b>  | <b>\$31,520,000</b>                           | <b>\$32,120,000</b>                           |

\*Does not include Duncan's provincial police tax and police bridging capital levy.

## Potential One-Time Implementation Expenses

The table below summarizes the potential one-time implementation expenses that are outlined in Chapter 4 of this report. As the annual financial impact analysis does not account for these one-time expenses, it is assumed that these expenses would be covered by potential provincial transition assistance, borrowing, or some combination of these and other funding sources.

*Table 57 - Potential One-Time Implementation Expenses*

| Item  | Potential Timeframe | Suggested Allowance (Low) | Suggested Allowance (High) |
|---|---------------------|---------------------------|----------------------------|
| Referendum on Amalgamation  | Year 0              | \$0                       | \$80,000                   |
| Development of an Amalgamation Implementation Plan by a Joint Council/Joint Committee of Duncan and North Cowichan              | Years 1-2           | \$50,000                  | \$100,000                  |
| Amalgamation Communications Planning and Implementation   | Years 1-2           | \$50,000                  | \$75,000                   |
| Policy and Bylaw Harmonization (focused on General Government – not including Land Use Planning and Development or Engineering) | Years 1-2           | \$50,000                  | \$75,000                   |
| Renegotiation of Leases, Contracts and Agreements (assumes mainly done by staff with some legal/consulting support)             | Years 1-2           | \$50,000                  | \$75,000                   |
| Naming (including potential referendum), Branding, Logo, Letterhead, Website  | Years 1-2           | \$50,000                  | \$150,000                  |
| Signage (e.g. Buildings, Parks, Fleet, Community Gateways)  | Years 1-10          | \$300,000                 | \$600,000                  |
| Integration of Records, Information Technology, and Financial Planning  | Years 1-2           | \$100,000                 | \$400,000                  |
| Labour Relations (e.g. integration of union collective agreements, severance packages)  | Years 1-2           | TBD                       | TBD                        |
| Integration of Official Community Plans, Zoning Bylaws, Development Cost Charge Bylaws and other Regulatory Bylaws              | Years 1-5           | \$200,000                 | \$300,000                  |

| Item   | Potential Timeframe | Suggested Allowance (Low) | Suggested Allowance (High) |
|--|---------------------|---------------------------|----------------------------|
| Local Area Planning Initiatives (i.e. new plans and/or implementation actions for existing plans)*             | Years 1-10          | \$400,000                 | \$800,000                  |
| Coordination of Asset Management   | Years 1-5           | \$50,000                  | \$100,000                  |
| Infrastructure Modelling Integration   | Years 1-5           | \$100,000                 | \$200,000                  |
| Harmonizing Public Works and Engineering-Related Bylaws (e.g. Subdivision and Development Servicing Standards) | Years 1-10          | \$75,000                  | \$100,000                  |
| <b>Total</b>   |                     | <b>\$1,475,000</b>        | <b>\$2,955,000</b>         |

*\*As indicated, Local Area Planning initiatives are not a direct impact of amalgamation and these initiatives would be at the discretion of the Council.*

## Overview of Adjusted General Municipal Tax Rates

For both scenarios, the additional annual revenue requirements were used to calculate the long-term potential tax rates that could result as a direct impact of the act of amalgamation. This analysis does not account for factors such as community growth, changes in assessment, or Council decisions to change service levels. This analysis is based on a 'point-in-time' snapshot comparing 2016 budgets and property taxes to a hypothetical future year when amalgamation has been implemented and operations between the two existing municipalities have 'normalized.'

As discussed earlier, Duncan and North Cowichan each use slightly different tax ratios to determine the relative tax burden on non-residential property classes (e.g. utilities, industry, business). If the municipalities were to amalgamate, the Council would need to decide on tax ratios for the amalgamated municipality. For the purposes of this study, tax impacts were calculated using an average of the tax ratios currently used in Duncan and North Cowichan (see Table 14). A Council could choose to adjust the tax ratios and the relative tax burden on respective property classes.

Based on the financial analysis for the potential annual impacts, it is possible to identify the potential tax rates for an amalgamated municipality. Tables 58 and 59 illustrate the potential general municipal tax rates required to support the general municipal fund as identified in Scenarios 1 and 2.

Table 58 – Potential General Municipal Tax Rates (Scenario 2)

| Class                | Assessment (General)   | Tax Ratios | Tax Rates | Total Taxes         |
|----------------------|------------------------|------------|-----------|---------------------|
| Residential          | \$4,292,259,608        | 1.00       | 4.7941    | \$20,577,590        |
| Utility              | \$5,797,390            | 8.14       | 39.0039   | \$226,121           |
| Supportive Housing   | \$0                    | 1.00       | 4.7941    | \$0                 |
| Major Industry       | \$134,226,500          | 6.60       | 31.6316   | \$4,245,793         |
| Light Industry       | \$49,445,800           | 3.33       | 15.9794   | \$790,116           |
| Business             | \$487,488,602          | 2.36       | 11.3212   | \$5,518,966         |
| Managed Forest Land  | \$2,436,300            | 4.03       | 19.3307   | \$47,095            |
| Seasonal             | \$17,210,600           | 0.90       | 4.3336    | \$74,584            |
| Farm                 | \$8,407,920            | 0.99       | 4.7259    | \$39,735            |
| <b>Total Revenue</b> | <b>\$4,997,272,720</b> |            |           | <b>\$31,520,000</b> |

Table 59 – Potential General Municipal Tax Rates (Scenario 2)

| Class                | Assessment (General)   | Tax Ratios | Tax Rates | Total Taxes         |
|----------------------|------------------------|------------|-----------|---------------------|
| Residential          | \$4,292,259,608        | 1.00       | 4.8854    | \$20,969,296        |
| Utility              | \$5,797,390            | 8.14       | 39.7463   | \$230,425           |
| Supportive Housing   | \$0                    | 1.00       | 4.8854    | \$0                 |
| Major Industry       | \$134,226,500          | 6.60       | 32.2337   | \$4,326,614         |
| Light Industry       | \$49,445,800           | 3.33       | 16.2836   | \$805,156           |
| Business             | \$487,488,602          | 2.36       | 11.5367   | \$5,624,023         |
| Managed Forest Land  | \$2,436,300            | 4.03       | 19.6986   | \$47,992            |
| Seasonal             | \$17,210,600           | 0.90       | 4.4161    | \$76,003            |
| Farm                 | \$8,407,920            | 0.99       | 4.8159    | \$40,492            |
| <b>Total Revenue</b> | <b>\$4,997,272,720</b> |            |           | <b>\$32,120,000</b> |

## Potential Property Tax Impacts on Representative Properties

This study provides property tax impacts for representative residential, business, and major industrial properties. Tax comparisons include applicable assessment-based (ad valorem) property taxes, parcel taxes, and user fees. The analysis assumes the same parcel taxes and user fees as used in 2016, with one exception. For those properties that currently have water supplied by the City of Duncan, it is assumed that water user fees would be harmonized following an amalgamation (i.e. the water user fees would be the same regardless of whether the property is within the current Duncan boundary or located in an adjacent area outside of the City of Duncan boundary).

### Potential Residential Property Tax Impacts

Table 60 illustrates the summary property tax and fee impacts of amalgamation for representative residential properties. As illustrated, amalgamation could potentially result in a reduction in tax rates for Duncan residential properties and an increase in tax rates for North Cowichan residential properties (in most cases). This situation is generally the result

of current higher per capita government costs for Duncan (due to the municipality's smaller population), lower average assessed values of properties in Duncan compared to North Cowichan, and the fact that Duncan has been charging the police bridging capital levy to mitigate potential future higher local costs for policing services. When the police bridging capital levy is included in the current situation but eliminated in the amalgamation scenarios, it has the effect of lowering taxes for Duncan property owners.

*Table 60 – Potential Tax Impacts on Representative Residential Properties*

| Representative Property                         | Total Taxes and Fees (2016) | Scenario 1           |                  | Scenario 2           |                  |
|---|-----------------------------|----------------------|------------------|----------------------|------------------|
|   |                             | Total Taxes and Fees | Change from 2016 | Total Taxes and Fees | Change from 2016 |
| Duncan \$240,000 Property                       | \$2,934                     | \$2,910              | (\$24)<br>(0.8%) | \$2,932              | (\$2)<br>(0.1%)  |
| North Cowichan \$310,000 Property (South End)*  | \$3,551                     | \$3,542              | (\$9)<br>(0.2%)  | \$3,570              | \$20<br>0.6%     |
| North Cowichan \$310,000 Property (North End)** | \$3,455                     | \$3,506              | \$51<br>1.5%     | \$3,535              | \$79<br>2.3%     |

\*Assumes a South End property on the City of Duncan water system, and harmonization of the City of Duncan water rates following an amalgamation.

\*\*Assumes a property in Chemainus.

For each of the representative properties, detailed sample tax notices are provided in Tables 61, 62, and 63.

Table 61 – Potential Tax Impacts on a Duncan Residential Property Assessed at \$240,000

| Item  | Current       |                 | Scenario 1    |                 | Scenario 2    |                 |
|---|---------------|-----------------|---------------|-----------------|---------------|-----------------|
|   | Rate          | Tax             | Rate          | Tax             | Rate          | Tax             |
| <u>Tax Levies</u>                                     |               |                 |               |                 |               |                 |
| General Municipal Tax*                                | 3.8318        | \$ 920          | 4.7941        | \$ 1,151        | 4.8854        | \$ 1,172        |
| Police Bridging Capital Levy                          | 0.9305        | \$ 223          | n/a           | \$ -            | n/a           | \$ -            |
| Police Tax - Provincial                               | 0.3408        | \$ 82           | n/a           | \$ -            | n/a           | \$ -            |
| CVRD  | 1.6420        | \$ 394          | 1.6420        | \$ 394          | 1.6420        | \$ 394          |
| School Levy   | 2.2016        | \$ 528          | 2.2016        | \$ 528          | 2.2016        | \$ 528          |
| Hospital  | 0.5710        | \$ 137          | 0.5710        | \$ 137          | 0.5710        | \$ 137          |
| BC Assessment Authority                               | 0.0543        | \$ 13           | 0.0543        | \$ 13           | 0.0543        | \$ 13           |
| Municipal Finance Authority                           | 0.0002        | \$ 0            | 0.0002        | \$ 0            | 0.0002        | \$ 0            |
| <b>Subtotal</b>                                       | <b>9.5722</b> | <b>\$ 2,297</b> | <b>9.2632</b> | <b>\$ 2,223</b> | <b>9.3545</b> | <b>\$ 2,245</b> |
| <u>Local Services/User Fees</u>                       |               |                 |               |                 |               |                 |
| Garbage Collection**                                  |               | \$ 131          |               | \$ 131          |               | \$ 131          |
| Sewer User Fee – Annual***                            |               | \$ 276          |               | \$ 276          |               | \$ 276          |
| Sewer Parcel Tax                                      |               | \$ 20           |               | \$ 20           |               | \$ 20           |
| Water User Fee - Annual****                           |               | \$ 210          |               | \$ 260          |               | \$ 260          |
| <b>Subtotal</b>                                       |               | <b>\$ 637</b>   |               | <b>\$ 687</b>   |               | <b>\$ 687</b>   |
| <b>Total Taxes and Fees</b>                           |               | <b>\$ 2,934</b> |               | <b>\$ 2,910</b> |               | <b>\$ 2,932</b> |
| <b>% Change in General Municipal and Police Taxes</b> |               |                 |               | <b>(6.1%)</b>   | <b>(4.3%)</b> |                 |
| <b>% Change for All Taxes and Fees</b>                |               |                 |               | <b>(0.8%)</b>   | <b>(0.1%)</b> |                 |

\*The general municipal tax rate is calculated to generate \$31.5 million in taxation (Scenario 1) and \$32.1 million in taxation (Scenario 2). The tax rate would be the same throughout an amalgamated municipality.

\*\*This analysis does not contemplate changes to garbage collection fees. As indicated in Section 4, it is acknowledged that fees may change depending on the service level for an amalgamated municipality.

\*\*\*Illustrated sewer user fee is the 2016 rate as included on 2016 property tax notices.

\*\*\*\*Water user fees are based on metered rates for a single detached home, assuming that rates would be harmonized following an amalgamation. Actual harmonized rates may vary.



*Table 62 – Potential Tax Impacts on a North Cowichan South End Residential Property Assessed at \$310,000: Assumes a South End Property Connected to City of Duncan Water*

| Item  | Current       |                 | Scenario 1    |                 | Scenario 2    |                 |
|---|---------------|-----------------|---------------|-----------------|---------------|-----------------|
|   | Rate          | Tax             | Rate          | Tax             | Rate          | Tax             |
| <u>Tax Levies</u>                                     |               |                 |               |                 |               |                 |
| General Municipal Tax*                                | 4.6293        | \$ 1,435        | 4.7941        | \$ 1,486        | 4.8854        | \$ 1,514        |
| CVRD  | 0.8505        | \$ 264          | 0.8505        | \$ 264          | 0.8505        | \$ 264          |
| CVRD Island Savings Centre (South End)                | 0.7423        | \$ 230          | 0.7423        | \$ 230          | 0.7423        | \$ 230          |
| School Levy   | 2.2016        | \$ 682          | 2.2016        | \$ 682          | 2.2016        | \$ 682          |
| Hospital  | 0.5856        | \$ 182          | 0.5856        | \$ 182          | 0.5856        | \$ 182          |
| BC Assessment Authority                               | 0.0543        | \$ 17           | 0.0543        | \$ 17           | 0.0543        | \$ 17           |
| Municipal Finance Authority                           | 0.0002        | \$ 0            | 0.0002        | \$ 0            | 0.0002        | \$ 0            |
| <b>Subtotal</b>                                       | <b>9.0638</b> | <b>\$ 2,810</b> | <b>9.2286</b> | <b>\$ 2,861</b> | <b>9.3199</b> | <b>\$ 2,889</b> |
| <u>Local Services/User Fees</u>                       |               |                 |               |                 |               |                 |
| Garbage Collection**                                  |               | \$ 83           |               | \$ 83           |               | \$ 83           |
| South End Sewer Parcel Tax                            |               | \$ 189          |               | \$ 189          |               | \$ 189          |
| Sewer Flat Charge                                     |               | \$ 149          |               | \$ 149          |               | \$ 149          |
| Water User Fee - Duncan Water System***               |               | \$ 320          |               | \$ 260          |               | \$ 260          |
| <b>Subtotal</b>                                       |               | <b>\$ 741</b>   |               | <b>\$ 681</b>   |               | <b>\$ 681</b>   |
| <b>Total Taxes and Fees</b>                           |               | <b>\$ 3,551</b> |               | <b>\$ 3,542</b> |               | <b>\$ 3,570</b> |
| <b>% Change in General Municipal and Police Taxes</b> |               |                 |               | <b>3.6%</b>     | <b>5.5%</b>   |                 |
| <b>% Change for All Taxes and Fees</b>                |               |                 |               | <b>(0.2%)</b>   | <b>0.6%</b>   |                 |

\*The general municipal tax rate is calculated to generate \$31.5 million in taxation (Scenario 1) and \$32.1 million in taxation (Scenario 2). The tax rate would be the same throughout an amalgamated municipality.

\*\*This analysis does not contemplate changes to garbage collection fees. As indicated in Section 4, it is acknowledged that fees may change depending on the service level for an amalgamated municipality.

\*\*\*Water user fees are based on metered rates for a single detached home, assuming that rates would be harmonized following an amalgamation. Actual harmonized rates may vary.

*Table 63 – Potential Tax Impacts on a North Cowichan North End Residential Property Assessed at \$310,000: Assumes a Property in Chemainus*

| Item  | Current       |                 | Scenario 1    |                 | Scenario 2    |                 |
|---|---------------|-----------------|---------------|-----------------|---------------|-----------------|
|   | Rate          | Tax             | Rate          | Tax             | Rate          | Tax             |
| <u>Tax Levies</u>                                     |               |                 |               |                 |               |                 |
| General Municipal Tax*                                | 4.6293        | \$ 1,435        | 4.7941        | \$ 1,486        | 4.8854        | \$ 1,514        |
| CVRD  | 0.8505        | \$ 264          | 0.8505        | \$ 264          | 0.8505        | \$ 264          |
| CVRD Theatre Grant (North End)                        | 0.0725        | \$ 22           | 0.0725        | \$ 22           | 0.0725        | \$ 22           |
| School Levy   | 2.2016        | \$ 682          | 2.2016        | \$ 682          | 2.2016        | \$ 682          |
| Hospital  | 0.5856        | \$ 182          | 0.5856        | \$ 182          | 0.5856        | \$ 182          |
| BC Assessment Authority                               | 0.0543        | \$ 17           | 0.0543        | \$ 17           | 0.0543        | \$ 17           |
| Municipal Finance Authority                           | 0.0002        | \$ 0            | 0.0002        | \$ 0            | 0.0002        | \$ 0            |
| <b>Subtotal</b>                                       | <b>8.3940</b> | <b>\$ 2,602</b> | <b>8.5588</b> | <b>\$ 2,653</b> | <b>8.6501</b> | <b>\$ 2,682</b> |
| <u>Local Services/User Fees</u>                       |               |                 |               |                 |               |                 |
| Garbage Collection**                                  |               | \$ 83           |               | \$ 83           |               | \$ 83           |
| Chemainus Sewer Parcel Tax                            |               | \$ 431          |               | \$ 431          |               | \$ 431          |
| Sewer Flat Charge                                     |               | \$ 137          |               | \$ 137          |               | \$ 137          |
| Water User Fee  |               | \$ 202          |               | \$ 202          |               | \$ 202          |
| <b>Subtotal</b>                                       |               | <b>\$ 853</b>   |               | <b>\$ 853</b>   |               | <b>\$ 853</b>   |
| <b>Total Taxes and Fees</b>                           |               | <b>\$ 3,455</b> |               | <b>\$ 3,506</b> |               | <b>\$ 3,535</b> |
| <b>% Change in General Municipal and Police Taxes</b> |               |                 |               | <b>3.6%</b>     | <b>5.5%</b>   |                 |
| <b>% Change for All Taxes and Fees</b>                |               |                 |               | <b>1.5%</b>     | <b>2.3%</b>   |                 |

\*The general municipal tax rate is calculated to generate \$31.5 million in taxation (Scenario 1) and \$32.1 million in taxation (Scenario 2). The tax rate would be the same throughout an amalgamated municipality.

\*\*This analysis does not contemplate changes to garbage collection fees. As indicated in Section 4, it is acknowledged that fees may change depending on the service level for an amalgamated municipality.

## Potential Business Property Tax Impacts

Table 64 illustrates the summary property tax and fee impacts of amalgamation for representative business properties. As with residential properties, amalgamation could potentially result in a reduction in tax rates for Duncan business properties and an increase in tax rates for North Cowichan business properties. Again, this situation is generally the result of current higher per capita government costs for Duncan (due to the municipality's smaller population), lower average assessed values of properties in Duncan compared to North Cowichan, and the fact that Duncan has been charging the police bridging capital levy to mitigate potential future higher local costs for policing services. When the police bridging capital levy is included in the current situation but eliminated in the amalgamation scenarios, it has the effect of lowering taxes for Duncan property owners.

*Table 64 – Potential Tax Impacts on Representative Business Properties*

| Representative Property                         | Total Taxes and Fees (2016) | Scenario 1           |                   | Scenario 2           |                   |
|---|-----------------------------|----------------------|-------------------|----------------------|-------------------|
|   |                             | Total Taxes and Fees | Change from 2016  | Total Taxes and Fees | Change from 2016  |
| Duncan \$490,000 Property                       | \$13,877                    | \$13,160             | (\$717)<br>(5.2%) | \$13,265             | (\$611)<br>(4.4%) |
| North Cowichan \$760,000 Property (South End)*  | \$16,595                    | \$17,419             | \$824<br>5.0%     | \$17,583             | \$988<br>6.0%     |
| North Cowichan \$760,000 Property (North End)** | \$19,156                    | \$20,024             | \$868<br>4.5%     | \$20,188             | \$1,032<br>5.4%   |

\*Assumes a South End property on the City of Duncan water system, and harmonization of the City of Duncan water rates following an amalgamation.

\*\*Assumes a property in Chemainus. Assumes property is located in Business Improvement Area 1.

For each of the representative properties, detailed sample tax notices are provided in Tables 65, 66, and 67.

Table 65–Potential Tax Impacts on a Duncan Business Property Assessed at \$490,000

| Item  | Current        |                  | Scenario 1     |                  | Scenario 2     |                  |
|---|----------------|------------------|----------------|------------------|----------------|------------------|
|   | Rate           | Tax              | Rate           | Tax              | Rate           | Tax              |
| <u>Tax Levies</u>                                     |                |                  |                |                  |                |                  |
| General Municipal Tax*                                | 9.6721         | \$ 4,739         | 11.3212        | \$ 5,547         | 11.5367        | \$ 5,653         |
| Police Bridging Capital Levy                          | 2.3488         | \$ 1,151         | n/a            | \$ -             | n/a            | \$ -             |
| Police Tax - Provincial                               | 0.8350         | \$ 409           | n/a            | \$ -             | n/a            | \$ -             |
| CVRD  | 4.0229         | \$ 1,971         | 4.0229         | \$ 1,971         | 4.0229         | \$ 1,971         |
| School Levy   | 5.4000         | \$ 2,646         | 5.4000         | \$ 2,646         | 5.4000         | \$ 2,646         |
| Hospital  | 1.3988         | \$ 685           | 1.3988         | \$ 685           | 1.3988         | \$ 685           |
| BC Assessment Authority                               | 0.1575         | \$ 77            | 0.1575         | \$ 77            | 0.1575         | \$ 77            |
| Municipal Finance Authority                           | 0.0005         | \$ 0             | 0.0005         | \$ 0             | 0.0005         | \$ 0             |
| <b>Subtotal</b>                                       | <b>23.8356</b> | <b>\$ 11,679</b> | <b>22.3009</b> | <b>\$ 10,927</b> | <b>22.5164</b> | <b>\$ 11,033</b> |
| <u>Local Services/User Fees</u>                       |                |                  |                |                  |                |                  |
| BIA Core  | 3.7261         | \$ 1,826         | 3.7261         | \$ 1,826         | 3.7261         | \$ 1,826         |
| Sewer User Fee - Annual                               |                | \$ 200           |                | \$ 200           |                | \$ 200           |
| Sewer Parcel Tax                                      |                | \$ 20            |                | \$ 20            |                | \$ 20            |
| Water User Fee - Annual**                             |                | \$ 152           |                | \$ 187           |                | \$ 187           |
| Subtotal  |                | \$ 2,197         |                | \$ 2,232         |                | \$ 2,232         |
| <b>Total Taxes and Fees</b>                           |                | <b>\$ 13,877</b> |                | <b>\$ 13,160</b> |                | <b>\$ 13,265</b> |
| <b>% Change in General Municipal and Police Taxes</b> |                |                  |                | <b>(11.9%)</b>   |                | <b>(10.3%)</b>   |
| <b>% Change for All Taxes and Fees</b>                |                |                  |                | <b>(5.2%)</b>    |                | <b>(4.4%)</b>    |

\*The general municipal tax rate is calculated to generate \$31.5 million in taxation (Scenario 1) and \$32.1 million in taxation (Scenario 2). The tax rate would be the same throughout an amalgamated municipality.

\*\*Water user fees are based on rates for a commercial premise with two fixtures, and assume that rates would be harmonized following an amalgamation. Actual harmonized rates may vary.

Table 66 – Potential Tax Impacts on a North Cowichan South End Business Property Assessed at \$760,000: Assumes a South End Property Connected to City of Duncan Water

| Item  | Current        |                  | Scenario 1     |                  | Scenario 2     |                  |
|---|----------------|------------------|----------------|------------------|----------------|------------------|
|   | Rate           | Tax              | Rate           | Tax              | Rate           | Tax              |
| <u>Tax Levies</u>                                     |                |                  |                |                  |                |                  |
| General Municipal Tax*                                | 10.1789        | \$ 7,736         | 11.3212        | \$ 8,604         | 11.5367        | \$ 8,768         |
| CVRD  | 2.0838         | \$ 1,584         | 2.0838         | \$ 1,584         | 2.0838         | \$ 1,584         |
| CVRD Island Savings Centre (South End)                | 1.8187         | \$ 1,382         | 1.8187         | \$ 1,382         | 1.8187         | \$ 1,382         |
| School Levy   | 5.4000         | \$ 4,104         | 5.4000         | \$ 4,104         | 5.4000         | \$ 4,104         |
| Hospital  | 1.4346         | \$ 1,090         | 1.4346         | \$ 1,090         | 1.4346         | \$ 1,090         |
| BC Assessment Authority                               | 0.1575         | \$ 120           | 0.1575         | \$ 120           | 0.1575         | \$ 120           |
| Municipal Finance Authority                           | 0.0005         | \$ 0             | 0.0005         | \$ 0             | 0.0005         | \$ 0             |
| <b>Subtotal</b>                                       | <b>21.0740</b> | <b>\$ 16,016</b> | <b>22.2163</b> | <b>\$ 16,884</b> | <b>22.4318</b> | <b>\$ 17,048</b> |
| <u>Local Services/User Fees</u>                       |                |                  |                |                  |                |                  |
| South End Sewer Parcel Tax                            |                | \$ 189           |                | \$ 189           |                | \$ 189           |
| Sewer Flat Charge                                     |                | \$ 159           |                | \$ 159           |                | \$ 159           |
| Water User Fee - Duncan Water System**                |                | \$ 231           |                | \$ 187           |                | \$ 187           |
| <b>Subtotal</b>                                       |                | <b>\$ 579</b>    |                | <b>\$ 535</b>    |                | <b>\$ 535</b>    |
| <b>Total Taxes and Fees</b>                           |                | <b>\$ 16,595</b> |                | <b>\$ 17,419</b> |                | <b>\$ 17,583</b> |
| <b>% Change in General Municipal and Police Taxes</b> |                |                  |                | <b>11.2%</b>     |                | <b>13.3%</b>     |
| <b>% Change for All Taxes and Fees</b>                |                |                  |                | <b>5.0%</b>      |                | <b>6.0%</b>      |

\*The general municipal tax rate is calculated to generate \$31.5 million in taxation (Scenario 1) and \$32.1 million in taxation (Scenario 2). The tax rate would be the same throughout an amalgamated municipality.

\*\*Water user fees are based on rates for a commercial premise with two fixtures, and assume that rates would be harmonized following an amalgamation. Actual harmonized rates may vary.

Table 67 – Potential Tax Impacts on a North Cowichan North End Business Property Assessed at \$760,000: Assumes a Property in Chemainus, in Business Improvement Area 1

| Item  | Current        |                  | Scenario 1     |                  | Scenario 2     |                  |
|---|----------------|------------------|----------------|------------------|----------------|------------------|
|   | Rate           | Tax              | Rate           | Tax              | Rate           | Tax              |
| <u>Tax Levies</u>                                     |                |                  |                |                  |                |                  |
| General Municipal Tax*                                | 10.1789        | \$ 7,736         | 11.3212        | \$ 8,604         | 11.5367        | \$ 8,768         |
| CVRD  | 2.0838         | \$ 1,584         | 2.0838         | \$ 1,584         | 2.0838         | \$ 1,584         |
| CVRD Theatre Grant (North End)                        | 0.1775         | \$ 135           | 0.1775         | \$ 135           | 0.1775         | \$ 135           |
| School Levy   | 5.4000         | \$ 4,104         | 5.4000         | \$ 4,104         | 5.4000         | \$ 4,104         |
| Hospital  | 1.4346         | \$ 1,090         | 1.4346         | \$ 1,090         | 1.4346         | \$ 1,090         |
| BC Assessment Authority                               | 0.1575         | \$ 120           | 0.1575         | \$ 120           | 0.1575         | \$ 120           |
| Municipal Finance Authority                           | 0.0005         | \$ 0             | 0.0005         | \$ 0             | 0.0005         | \$ 0             |
| <b>Subtotal</b>                                       | <b>19.4328</b> | <b>\$ 14,769</b> | <b>20.5751</b> | <b>\$ 15,637</b> | <b>20.7906</b> | <b>\$ 15,801</b> |
| <u>Local Services/User Fees</u>                       |                |                  |                |                  |                |                  |
| Chemainus BIA 1                                       | 4.2500         | \$ 3,230         | 4.2500         | \$ 3,230         | 4.2500         | \$ 3,230         |
| Chemainus Sewer Parcel Tax                            |                | \$ 431           |                | \$ 431           |                | \$ 431           |
| Sewer Flat Charge                                     |                | \$ 137           |                | \$ 137           |                | \$ 137           |
| Chemainus Water Parcel Tax                            |                | \$ 249           |                | \$ 249           |                | \$ 249           |
| Water User Fee  |                | \$ 340           |                | \$ 340           |                | \$ 340           |
| <b>Subtotal</b>                                       |                | <b>\$ 4,387</b>  |                | <b>\$ 4,387</b>  |                | <b>\$ 4,387</b>  |
| <b>Total Taxes and Fees</b>                           |                | <b>\$ 19,156</b> |                | <b>\$ 20,024</b> |                | <b>\$ 20,188</b> |
| <b>% Change in General Municipal and Police Taxes</b> |                |                  |                | <b>11.2%</b>     | <b>13.3%</b>   |                  |
| <b>% Change for All Taxes and Fees</b>                |                |                  |                | <b>4.5%</b>      | <b>5.4%</b>    |                  |

\*The general municipal tax rate is calculated to generate \$31.5 million in taxation (Scenario 1) and \$32.1 million in taxation (Scenario 2). The tax rate would be the same throughout an amalgamated municipality.

## Potential Major Industrial Property Tax Impacts

Table 68 illustrates the detailed property tax and fee impacts of amalgamation for a \$130 million major industrial property in North Cowichan. As noted, depending on the scenario, there is a potential property tax impact of about \$140,000 to \$190,000 as a result of amalgamation. This impact assumes the same tax ratio for major industry as used in 2016 by North Cowichan. Over the past few years, the Municipality has been reducing the relative tax burden on major industry. If an amalgamation occurred, it would be up to the municipal council to determine an appropriate tax ratio for major industry. If the tax impact of amalgamation was deemed to be unacceptable, the Council could adjust the tax ratio as it sees fit (with resulting tax impacts on other property classes).

*Table 68 – Potential Tax Impacts on a North Cowichan North End Major Industrial Property Assessed at \$1.3 million*

| Item                                     | Current |                    | Scenario 1 |                    | Scenario 2 |                    |
|--|---------|--------------------|------------|--------------------|------------|--------------------|
|  | Rate    | Tax                | Rate       | Tax                | Rate       | Tax                |
| <i>Tax Levies</i>                        |         |                    |            |                    |            |                    |
| General Municipal Tax*                   | 30.5441 | \$3,970,733        | 31.6316    | \$4,112,102        | 32.0096    | \$4,161,244        |
| CVRD                                     | 2.8918  | \$375,934          | 2.8918     | \$375,934          | 2.8918     | \$375,934          |
| CVRD Theatre Grant (North End)           | 0.2464  | \$32,032           | 0.2464     | \$32,032           | 0.2464     | \$32,032           |
| School Levy                              | 0.0000  | \$0                | 0.0000     | \$0                | 0.0000     | \$0                |
| Hospital                                 | 1.9909  | \$258,817          | 1.9909     | \$258,817          | 1.9909     | \$258,817          |
| BC Assessment Authority                  | 0.4995  | \$64,935           | 0.4995     | \$64,935           | 0.4995     | \$64,935           |
| Municipal Finance Authority              | 0.0007  | \$91               | 0.0007     | \$91               | 0.0007     | \$91               |
| <b>Total Taxes and Fees</b>              |         | <b>\$4,702,542</b> |            | <b>\$4,843,911</b> |            | <b>\$4,893,053</b> |
| <b>% Change in General Municipal Tax</b> |         |                    |            | <b>3.6%</b>        |            | <b>4.8%</b>        |
| <b>% Change for All Taxes and Fees</b>   |         |                    |            | <b>3.0%</b>        |            | <b>4.1%</b>        |

*\*The general municipal tax rate is calculated to generate \$31.5 million in taxation (Scenario 1) and \$32.1 million in taxation (Scenario 2). The tax rate would be the same throughout an amalgamated municipality.*

## Sensitivity of Tax Rates to Changes in Budget Requirements

Using current assessment data, it is possible to identify the impact of variations in the requirement for property tax revenue. Table 69 outlines how tax rates change for every \$100,000 in required municipal tax revenue for the City of Duncan and Municipality of North Cowichan in the current situation (2016) using the tax ratios applied in each community. Table 69 also outlines how tax rates would change for every \$100,000 in required municipal tax revenue for an amalgamated municipality, based on the average tax ratios for Duncan and North Cowichan.

Property owners can use these figures to calculate how a given municipal revenue requirement could potentially impact their property tax bill. As illustrated, an amalgamated municipality would have the lowest tax impact for a \$100,000 variation in tax revenue, as compared to each municipality individually. The reason is simply that an amalgamated municipality would have the ability to spread the tax impact over a larger total property assessment.

*Table 69 – Required Tax Rate for Every \$100,000 in Municipal Tax Revenue*



| Representative Property                              | Impact of a \$100,000 Variation in Tax Revenue in the City of Duncan (2016) | Impact of a \$100,000 Variation in Tax Revenue in the Municipality of North Cowichan (2016) | Impact of a \$100,000 Variation in Tax Revenue in an Amalgamated Municipality |
|--|---|---|---|
| Residential Tax Impact per \$1,000 of Assessed Value | \$0.1212  | \$0.0174  | \$0.0152  |
| Business Tax Impact per \$1,000 of Assessed Value    | \$0.3059  | \$0.0382  | \$0.0359  |



## 6. REGIONAL DISTRICT IMPACTS

### Current Services

The Cowichan Valley Regional District provides many services to its member municipalities. In general, Duncan and North Cowichan receive the same services, except for instances where the North Cowichan North End and South End do not participate in the same services (e.g. Island Savings Centre). The table below provides an overview of each of the CVRD services relevant to Duncan and North Cowichan.

|   |   |   |
|---|--|--|
| Region-wide Services  | <ul style="list-style-type: none"> <li>» General Government</li> <li>» Emergency 9-1-1</li> <li>» Economic Development</li> <li>» Regional Tourism</li> <li>» Environmental Initiatives</li> <li>» Emergency Planning</li> <li>» Regional Parks</li> <li>» Kinsol Trestle</li> <li>» Regional Parkland Acquisition</li> <li>» Arts and Culture</li> <li>» Cowichan Valley Hospice Society</li> <li>» Solid Waste Management</li> </ul> |  |
| Sub-regional Services Received by Both Duncan and North Cowichan                              | <ul style="list-style-type: none"> <li>» Malahat Transit</li> <li>» Transit</li> <li>» Island Savings Centre Capital Loan – Theatre</li> <li>» Victim Services</li> <li>» Safer Futures</li> <li>» Social Planning</li> <li>» Cowichan Community Policing</li> <li>» Liquid Waste Management - Central</li> </ul>  |  |
| Sub-Regional Services with Different Participation for North Cowichan South End vs. North End | <ul style="list-style-type: none"> <li>» Island Savings Centre</li> <li>» Liquid Waste Management Plan - Central</li> </ul>  | <ul style="list-style-type: none"> <li>» South End:                             <ul style="list-style-type: none"> <li>○ Island Savings Centre</li> <li>○ Liquid Waste Management Plan - Central</li> </ul> </li> <li>» North End:                             <ul style="list-style-type: none"> <li>○ Contribution to the Cowichan Performing Arts Centre</li> </ul> </li> </ul> |

## Key Amalgamation Considerations

| Service Delivery Considerations  | Administrative Considerations   | Financial Considerations  |
|--|---|---|
| <p>With an amalgamation, CVRD services would remain unchanged. All services currently provided would continue.</p> | <p>Administration of services would nominally change as CVRD would be interacting with one municipality instead of two. Communication between CVRD and municipal staff may be more streamlined.</p> <p>The number of Regional Board Directors and votes for an amalgamated municipality would be the same as the total number of Directors and votes for the separate communities of Duncan and North Cowichan. In total, there would be four Directors with a total voting strength of 18. Presently, there is one Director for Duncan (voting strength: 3) and three Directors for North Cowichan (voting strength: 15)</p> | <p>Cost recovery for CVRD services would remain unchanged with an amalgamation.</p> |

## Discussion

### A. Current Situation

Representation on the CVRD Board of Directors is determined by voting units based on total population. The CVRD uses a voting unit of one vote per 2,000 population (or portion thereof). Up to five votes can be cast by one Director. Based on these rules, Duncan currently has one Director with a voting strength of three votes. North Cowichan has three Directors with a voting strength of 15 votes in total.

At present, Duncan and North Cowichan receive largely the same CVRD services. The main exception relates to the Island Saving Centre and Cowichan Performing Arts Centre. In this case, the cost of this facility is distributed differently by area:

- Duncan and the South End of North Cowichan contribute to both the Island Savings Centre and the Cowichan Performing Arts Centre (along with CVRD Electoral Areas D and E); and,
- The North End of Duncan provides a grant to the Cowichan Performing Arts Centre and does not contribute to the Island Savings Centre.

Additionally, Duncan and the North Cowichan South End contribute to the CVRD Liquid Waste Management Plan (Central), while the North Cowichan North End is not a participant in this service.

## **B. Potential Amalgamation Impacts**

If current CVRD voting rules remain the same, the voting strength for Duncan and North Cowichan as an amalgamated community would be the same as the combined voting strength now: four Directors with a total voting strength of 18. An amalgamated municipality could have a unified voice representing a larger municipality on a Board that has otherwise remained unchanged. However, there is a potentially changed dynamic at the Regional District Board, as the amalgamated municipality would have four directors and all other jurisdictions (including municipalities and electoral areas) would have one director each.

Services provided by the CVRD would continue unchanged, as would the methods of cost recovery. Regional district services are paid for only by the property owners in the 'benefitting areas'—that is, the residents who receive given services. As a result, the distribution of costs (typically based on assessment) would remain unchanged with an amalgamation.

From a CVRD perspective, amalgamation may create uncertainty with smaller municipalities and Electoral Areas who may be concerned that an amalgamated municipality may take a more dominant role on the CVRD Board. This perspective could put pressure on services such as the Island Savings Centre, in which participants would include one large municipality and two smaller electoral areas. Notwithstanding, it is also recognized that representatives from an amalgamated municipality may not always vote as a 'block.' It is possible that on some issues an amalgamated municipality may not speak with one voice at the CVRD Board table.

If desired, the CVRD could request that the Province adjust the population represented by each voting unit. In turn, changes to the voting unit could impact the number of Directors for each jurisdiction. Similarly, the CVRD could review its electoral area boundaries and potentially request a change to the number/size of electoral areas. However, these changes would not be directly triggered by an amalgamation, and analysis of these options is beyond the scope of this study.

## 7. KEY CONSIDERATIONS

In addition to the technical impact analysis, there are numerous other key considerations associated with a potential amalgamation. This report chapter discusses the key considerations, organized around the following six themes: 1) community; 2) governance; 3) transition process; 4) community vision, planning and development; 5) social and environmental goals; and 6) the impacts of not amalgamating.

### Community

#### Municipality Name

The name of a municipality carries significant weight for both residents and visitors and it can be a signifier of community identity. Should Duncan and North Cowichan amalgamate, a transparent and thoughtful process for determining the name should be initiated. This issue is likely to be of particular concern to Duncan residents with their smaller population and geographic size. Businesses already cope with confusion related to whether they are part of Duncan or North Cowichan. Amalgamation would provide more clarity for marketing purposes, though there would be a transition period until a new name “sticks.”

Three relevant case studies exist for the naming process:

1. **Lake Country:** The municipality’s name was chosen with no reference to existing neighbourhood names. This approach allowed a new identity to be created and avoided the perception that one community was more important than another.
2. **West Kelowna:** In this case study, the municipality’s name was chosen through an opinion poll, rather than a binding referendum, leaving a number of residents unsatisfied. A key lesson is that the naming process should be transparent and intentional.
3. **Abbotsford:** In the amalgamation of Matsqui and Abbotsford, Abbotsford was the smaller community. It therefore came as a surprise when most residents chose Abbotsford as the name of the new amalgamated municipality. However, as Abbotsford had been the downtown for the area, residents in Matsqui had also come to identify with the name.

#### Community Identity

Duncan and North Cowichan are described as a community of communities: Chemainus, Crofton, Maple Bay, Sahtlam, Quamichan Lake, Duncan, and Genoa Bay. Residents are understandably concerned about how a municipal restructure may impact their community’s identity. Ward systems are often cited as a way to protect unique neighbourhood identities

However, municipalities of all sizes boast strong and unique neighbourhoods and active residents. Support for vibrant neighbourhoods can be buttressed through Council decisions that respect and promote neighbourhood identity, as well as citizen engagement and activism. The integrity of a community will also be strongly impacted by planning and development decisions. When Abbotsford amalgamated, the new Council chose to continue using historical neighbourhood names as a way of preserving and strengthening neighbourhood identity.

Strong neighbourhoods benefit from local initiatives. A few examples of these initiatives are identified below:

1. **Business Improvement Associations:** Local businesses can organize and collectively invest in their streets, storefronts, and signage, among other neighbourhood aspects.
2. **Neighbourhood Associations:** Made up of local residents, neighbourhood association across Canada are working to build connections between neighbours and strengthen their communities. They may organize local events (such as fundraisers or concerts), arrange fundraisers, start community gardens or art projects, among many other initiatives.
3. **Small Council Grants:** In some municipalities, small grants can be provided to local groups for initiatives that strengthen community connections or help beautify public spaces, among many other goals. Both Duncan and North Cowichan already provide 'grants-in-aid' to a number of community organizations.

## Governance

### Council Size

Section 118 of *Community Charter* outlines council sizes for municipalities. For a city or district with a population less than 50,000, the council size is set at one mayor and six councillors. However, the number of councillors can vary from this size through either the letters patent by which the municipality is created or through a bylaw passed by council. If council size is deemed to be an issue, a question about this issue could potentially be included on a referendum on amalgamation.

Amalgamation would result in changes to local political representation. Duncan and North Cowichan currently have the same Council size for dramatically different populations. The ratio between Councillors and residents would increase dramatically following amalgamation. However, this change does not necessarily translate into a reduction in how well local interests are represented, particularly if a shared vision benefits the greater community.

In the case of Abbotsford, the Province required the first Council of the newly amalgamated municipality to be larger than what was normal at the time. This was to ensure that elections did not push out representation from the smaller community of Abbotsford. However, the first post-amalgamation election resulted in fairly balanced representation of Councillors from different neighbourhoods. After several years, the Council size decreased. Based on past experiences, the Province will likely look for local input in setting Council size.

## Election Process

Concern over neighbourhood identity raised the issue of local representation in an amalgamated community. One suggestion favoured introducing a ward system to local government elections, as opposed to the present at-large election system.

**At-large Councillors:** In this system, elected Councillors represent the entire municipality.

During elections, voters select their preferred candidate for mayor and their preferred candidates for Council (as many votes as Councillor seats can be placed). Because voters can vote for multiple Councillors, they may be able to choose Councillors who represent a range of their interests. The Council itself is more likely to represent the entire community as opposed to specific geographic areas. However, this system does not provide neighbourhood residents with a specific Councillor who acts as their point of contact. Residents can approach any/all Councillors to discuss issues of interest or concern.

**Ward Councillors:** In this system, elected Councillors represent specific wards. During elections, voters select their preferred candidate for mayor and their preferred candidate for their ward. In some municipalities, there may be several Councillors who are elected to represent the community at-large. This system allows for representation for specific geographic areas (wards) and offers residents a direct contact in Council for their neighbourhood. However, this system encourages Councillors to focus on localized issues at the expense of the general community and may create competition between wards for resource allocation and development projects.

Members of the Citizens' Assembly asked for information on the ward system as a way to protect Duncan and North Cowichan's five distinct community identities: Duncan, South End, Maple Bay, Crofton, and Chemainus. Each of these areas could be made into a ward and would have direct representation on Council.

The ward system is extremely unusual in British Columbia, though common in other provinces. Lake Country, which incorporated in 1995, is currently the only municipality in BC with a ward system (it is actually a combination of ward and at-large councillors). This system was chosen at the time of incorporation to protect the interests of each of the distinct neighbourhoods of Winfield, Okanagan Centre, Carr's Landing, and Oyama. However, the

ward system has created a number of challenges for the municipality that are relevant to Duncan and North Cowichan:<sup>9</sup>

- Ward boundaries were based on geographic size, not population, and the ratio of residents for each Councillor is uneven.
- Councillors are generally well-known in their neighbourhood and are frequently elected by acclamation. Candidate participation is low.
- Voter turnout is low (although this may not be directly related to the ward system).
- Neighbourhood distinction has become less important over time as the community has grown and changed.

While a ward system offers a direct political representative for each neighbourhood, it does not automatically result in the preservation of community identity or a better voice at Council. It can also be costly and difficult to implement in a way that provides meaningful impacts over the at-large system. The approach to these issues is dependent on the elected officials and the local political culture. The ward system may in some cases encourage greater competition between neighbourhoods for capital projects and resources. In the at-large system, each Councillor represents the entire community. This may create greater incentives for Council to consider balancing the interests of each neighbourhood and the community as a whole.

## Provincial-Local Government Relations

The question was raised as to whether or not an amalgamated community would have greater standing with the provincial government, including in terms of receiving funding, advocating for the area, or influencing regulations. The community as a whole (Duncan and North Cowichan) may find it easier to coordinate with the Province as an amalgamated community (one process instead of two). However, it is unlikely that amalgamation would result in a significant increase in standing as the increase in community size is relatively small.

An amalgamated community could benefit from a unified voice at important forums such as the Union of BC Municipalities (UBCM). Conversely, in a UBCM context, a unified municipality would have only one opportunity to meet with a Minister on a topic of concern. Currently, if Duncan and North Cowichan both share an interest in a topic of concern, it is possible that they can engage with the Province either individually (i.e. twice) or jointly (i.e. as a unified voice).

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<sup>9</sup> District of Lake Country. *Neighbourhood Constituency Wards: Information and Comments*. Lake Country, BC. N.D. <https://lakecountry.civicweb.net/document/797/Ward%20Information%20Sheet.pdf?handle=1C7AE3936A964F8EBA9F1BF38D541B05> (March, 2017).

Presently, Duncan and North Cowichan apply for conditional provincial grants separately. As an amalgamated community, they may have fewer opportunities to apply for funding (i.e. one application instead of two) and Duncan would no longer receive the Small Communities Grant. However, for any conditional grants, total funding should be similar to current levels.

### Size of Municipality

The merits or challenges related to the size of an amalgamated community are not the same in every case. Economies of scale are often cited as a reason to amalgamate; however, this is not necessarily the case in all communities, particularly if service levels vary between neighbourhoods (e.g. rural versus urban) or if amalgamation results in increased salary or contract costs. A larger municipality may increase the taxpayer's *expected* level of service across the community, thereby potentially increasing costs.

There are a number of areas where a unified, larger municipality may serve the residents of Duncan and North Cowichan better. Together, a single municipality could offer a unified economic voice for the area and avoid competing with their next-door neighbour's interests. A unified municipality may also be seen as playing a larger, more cohesive role on regional issues within the CVRD (e.g. regional planning, transportation, emergency management).

## Transition Process

### Provincial Transition Assistance

The Local Government Grants Act (S.4) allows the provincial government to offer conditional grants to municipalities for

*“reviewing, studying, planning, organizing, or implementing the establishment or other reorganization of local government, including any change in the functions, structures, boundaries, or classifications of one or more municipalities and regional districts.”*

Two types of grants may apply if a referendum occurs and Duncan and North Cowichan electors both vote in favour of amalgamation:

- **Municipal Restructure Assistance Grant:** This grant provides transitional assistance for communities in favour of a municipal restructure, including help with police costs. The grant amount is generally calculated on a per capita basis.
- **Restructure Implementation Grant:** This grant is provided to support the implementation of a restructure, such as interim administration and transition support.

While there have been a number of municipal incorporations and boundary restructures in BC in recent years, amalgamations are rare and examples of comparable transition



assistance funding are unavailable. Nevertheless, it is expected that a per capita municipal restructure assistance grant could be available along with a restructure implementation grant.

### **Staffing of an Amalgamated Municipality**

Amalgamation raises concerns related to staffing efficiencies. Some communities undergoing amalgamation have indeed experienced large changes to staffing structure. One of the findings of this study is that there are few opportunities for significant efficiencies based on current staffing levels. Both Duncan and North Cowichan operate fairly lean staff complements throughout their departments. It is possible that staffing complements would be combined with additional levels of management in some departments. Chapter 4 provides a review of potential amalgamation scenarios.

### **Labour Relations**

One of the potential costly aspects of a municipal restructure is the renegotiation of union and other employment contracts. When wages differ for similar positions, the higher wage will often be used to set the benchmark in the new municipality. This was found to be the case in amalgamations forced by provincial governments.<sup>10</sup>

### **Communications**

As with all major institutional changes, municipal restructure can be complicated and confusing, particularly during the transition period. Residents and visitors may be unsure of what to call the new municipality, who to ask about services, and what rules and regulations apply. Recognizing the potential for the transition period to be challenging, previous experience shows that a strong and consistent communications strategy is vital to smoothing out the process.

A clear communications approach is needed regardless of whether the Citizens' Assembly and Council choose to recommend a referendum on amalgamation. Even in the case that there is no referendum on amalgamation, documentation and messaging on *why* the decision was made will support community understanding of the issues, and ensure that future conversations on amalgamation are fruitful and learn from lessons of the past.

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<sup>10</sup> Bish, Robert and Filipowicz, Josef. *Governing Greater Victoria: The Role of Elected Officials and Shared Services*. Fraser Institute. 2016.

## Community Vision, Planning, and Development

### Council Decisions

While we can speculate on the vision, direction, and priorities of a new amalgamated community, ultimately, these are decisions to be made by a future Council, influenced by the concerns of the day, economic climate, trends, and competing priorities. This study is about assessing the impacts of the act of amalgamation. Service levels would be decided by Council.

### Land Use Planning and Development

With amalgamation, the two sets of Official Community Plans, Zoning Bylaws, and other regulatory and policy documents would be combined over a transition period. The goal would be to align documents to be consistent in the application of guidelines and regulations. The direction of future development will be provided by Council with input from staff.

Through amalgamation, future land use planning would consider the area as a whole and there would be strengthened coordination between what is now Duncan and North Cowichan. However, it is possible for two separate municipalities to embark on land use planning together, particularly when they work closely already and there are numerous mutual benefits for guiding planning and development as a region rather than as separate municipalities. For example, the City of Langford and the City of Colwood developed an Official Community Plan jointly. This allowed the communities to approach planning and sustainability in an integrated fashion.

We identified three main benefits of amalgamating that relate to land use planning and development:

1. **Coordinated planning effort:** Long-term planning and zoning would be integrated and an amalgamated municipality could direct development in a way that benefits the whole area. Separate communities face many barriers to such an approach, including competing interests and accountability to a different set of residents.
2. **Harmonized rates and incentives:** Differences in rates such as business licences and Development Cost Charges (DCCs), as well as incentives such as DCC reductions, can create competition for development with neighbouring communities. Together, the area could share in the benefits of new businesses and growth.
3. **Harmonized OCP, Zoning Bylaw, and other development bylaws (e.g. subdivision, building, signage):** Harmonized policies and regulations would provide clarity for property owners and businesses. Due to the highly-connected nature of the two communities, this harmonization may benefit both over time. During the study process, members of the business community expressed frustration at conflicting regulations in Duncan and North Cowichan.

## **Economic Development**

Though Duncan and North Cowichan cooperate on a great number of community goals and issues, amalgamation would offer a greater opportunity for a community-wide approach to economic development. One example of this is the downtown. Presently, Duncan and South End, though neighbours, do not necessarily have a common vision as a cohesive community core. As a single community, there may be incentives to consider these two areas as two neighbourhoods in a broader community centre, and invest in them as the core of the community. This is, as with other community goals, dependent on vision and direction provided by Council. A unified community may find it easier to invest in its downtown. However, it may also feel pressure to direct economic opportunities to peripheral areas.

An amalgamated municipality would have the benefit of a single tax base. The result would be less competition for investment and development. A more coordinated approach may be easier to implement than through two separate municipalities.

## **Harmonization of Bylaws and Regulations**

Uncoordinated bylaws and regulations between Duncan and North Cowichan are a common complaint by the business community, although it is noted that there are existing areas of cooperation, such as joint business licencing. It is possible for the municipalities to pursue greater alignment of bylaws and regulations as separate municipalities if the political will is there, as well as the time and funding to carry out changes.

One of the greatest challenges of implementing amalgamation will be harmonizing the two communities' bylaws and regulations. The Zoning Bylaw of the City of Abbotsford was recently finally overhauled to deal with 'post-amalgamation' issues two decades after amalgamation. Harmonization of bylaws is a process that will take time but, once completed, will offer the greater community a streamlined approach to bylaws and regulations. Homeowners and businesses, particularly those who work or own property in both communities, will benefit from a consolidated approach to regulation and planning.

## **Social and Environmental Goals**

### **Environment and Climate Change**

The Citizens' Assembly raised questions about the capacity of an amalgamated community to offer benefits related to environmental protection, climate change mitigation and adaptation, and local alternative energy sources. Many environmental regulations are set by the Province of British Columbia. Municipalities are required to follow these regulations regardless of size.

Municipalities can take on any number of additional environmental initiatives. For example, a municipality at risk of sea level rise may invest in programs that protect against coastal erosion, or pilot a clean energy project to attract energy investment. As separate communities, Duncan and North Cowichan are able to pursue such projects independently or in collaboration. In 2013, North Cowichan Council adopted the Climate Action and Energy Plan which seeks to reduce energy consumption and emissions in the community. Both municipalities are currently aiming to be carbon neutral.

Municipalities can also enact various types of bylaws (e.g. floodplain bylaws) and development permit bylaws for environmental protection purposes. For example, North Cowichan has development permit requirements for marine waterfront development, protection of environmentally sensitive areas, hazard lands, and farmland protection. As well, Duncan has development permit requirements for protection of the natural environment and hazard lands.

Amalgamation offers a number of potential benefits to environmental goals, *should Council prioritize these goals*. Note, that it is also possible for a new Council to take a different direction. The benefits offered are based on the ability of the communities to plan and invest as one:

1. **Larger combined budget:** Combining the present budget may offer opportunities to invest in new initiatives or pilot projects.
2. **Improved coordination, particularly for land-based projects:** Projects that benefit from wide application may be easier to implement in a combined community. There would be less chance that an initiative in one area conflicts with another area.
3. **Shared benefits and risks:** North Cowichan has significantly more land than Duncan, including municipally-owned land. While North Cowichan could use this land for initiatives such as alternative energy, as a separate community, it would bear all the risks and capture all the benefits. Together, there may be a greater appetite for taking investment risks and benefits could be shared among a larger pool of residents. There may also be differences in opportunity depending on the area that are easier to take advantage of through a coordinated approach.
4. **Reduced competition:** As separate communities, there is greater potential for competition. For example, one municipality may introduce an environmental initiative that adds costs to business owners; the neighbouring municipality could potentially use this as a competitive advantage in attracting business.

## Social Planning

Duncan and North Cowichan face social and economic challenges together, as a part of a region, and separately, as unique communities. Homelessness, addiction, and crime may be more concentrated in some areas than others, but the issues driving these are much broader than municipal borders. In 2014, the CVRD completed a regional affordable housing needs

assessment, which identified a need for permanent affordable housing in the Duncan/North Cowichan area. The Municipality of North Cowichan has since partnered with the Community Land Trust Foundation of BC to develop plans for non-market affordable housing units on two municipally-owned properties.

Though direction on social planning issues will be based on Council direction and resource allocation, an amalgamated community may offer a strengthened opportunity to respond and serve community needs better. Similar to other considerations, a larger municipality may have the budget and staff to support initiatives above and beyond basic service provision. Currently, staff involved in social and housing issues have multiple other roles (e.g. land use planning). In the City of Duncan in particular, it would be difficult to provide the staff resources for social/housing issues, simply due to the size of the municipality and the budget limitations associated with the more limited municipal size and assessment base.

While amalgamation itself may not have a direct impact on social and economic challenges in the area, there are some important considerations for how a change in governance may be perceived:

- **Property taxes:** Residents may be understandably concerned about the potential for their property taxes to increase with an amalgamation. Based on our analysis, amalgamation would likely lead to a small decrease in municipal taxes for Duncan residents and a minor increase in taxes for North Cowichan residents.
- **User fees:** Analysis of user fees is beyond the scope of this study. However, based on the current provision of services such as water, sewer, and recreation, it is unlikely that most user fees would change as a direct result of amalgamation, with the exception of Duncan water (since rates vary inside and outside the current City boundary) and waste collection/recycling.
- **Social programs and affordable housing:** In this study, the financial analysis is based on a continuation of existing service levels. Many social programs and affordable housing related issues are senior government responsibilities. However, in the past number of decades, many local governments have become increasingly active in this arena. Generally, larger municipalities have greater resources to employ social planners and address affordable housing issues through a variety of tools, such as support for non-market or below-market housing through an affordable housing reserve fund and/or development incentives.

## Impacts of Not Amalgamating

Amalgamation has long been discussed in Duncan and North Cowichan. Some residents may ask, “what might happen if we *don’t* amalgamate?” While understandable, the answer to this question can only be speculative in nature, and it could depend on factors such as Duncan’s population size (which affects policing costs), pressures on various existing

services, and the level of collaboration between neighbouring jurisdictions. Whether the municipalities remain separate or amalgamate, Council decisions will play a critical role in determining the future vision and direction of a community. If the municipalities choose not to amalgamate, there are two main paths:

- 1) **Status quo:** Duncan and North Cowichan continue to remain separate and local services remain as they are (with the current level of cooperation and service integration).
- 2) **Remain separate but increase collaboration:** Duncan and North Cowichan can pursue additional opportunities of alignment and cooperation. Just a few examples of such opportunities are
  - a. developing a joint Official Community Plan;
  - b. shared planning of fire protection and infrastructure services; or
  - c. harmonizing bylaws, including regulatory requirements of development.

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# Appendix A Citizens' Assembly Questions





## Questions for the Technical Consultants

February 28, 2017

*Members of the Citizens' Assembly drafted the following questions which were transmitted to technical consultants at Urban Systems Inc. who have been retained by the Duncan and North Cowichan to provide an independent assessment of the fiscal, infrastructure, service and governance implications of amalgamation. Urban Systems will provide a report on their findings to the municipalities and the Assembly on or before April 1<sup>st</sup>, 2017.*

*To learn more about the Assembly, please visit: [www.dnc-cama.ca](http://www.dnc-cama.ca)*

### General

- 1) What lessons can Duncan and North Cowichan learn from Abbotsford and Nanaimo? How do the circumstances concerning amalgamation compare?
- 2) Why consider amalgamation now? Is there a better time or scale at which Duncan and North Cowichan should consider amalgamating?
- 3) What strategies could an amalgamated municipality adopt to preserve the distinct character and identity of local communities?

### Land Use & Planning

- 4) Is there anything we can learn concerning the development or harmonization of OCPs from other amalgamated municipalities in BC or other provinces?
- 5) What would be the approximate cost of creating a new Official Community Plan (OCP) for the amalgamated municipality as well as Local Area Plans for each of the communities within an amalgamated municipality, and harmonizing corresponding land use bylaws? What would be a reasonable timeline for completing this work?
- 6) Is it possible that the province could provide one-time funding to develop a new OCP and LAPs as part of transition funding?

## **Governance**

- 7) How would the by-laws of the two municipalities be harmonized? Would they continue to co-exist, would new by-laws be drafted or would the existing by-laws of one of the two municipalities supersede the other?
- 8) How have comparable municipalities in Canada changed their council systems following amalgamation? Is there a case for expanding council or implementing a ward or hybrid ward and at-large system? What factors should be considered when determining the appropriate council system for an amalgamated municipality?

## **Environment**

- 9) What environmental regulations would be affected by amalgamation? How would these regulations be harmonized?
- 10) Would an amalgamated municipality be better able to invest in local alternative energy sources, such as biomass, geothermal, tidal, or wind power? Would an amalgamated municipality be better positioned to attract alternative energy investment?
- 11) Would an amalgamated municipality be better able to influence provincial or federal environmental regulation? How would amalgamation affect our ability to responsibly manage and protect local water sources?
- 12) Would an amalgamated municipality be better able to protect and advocate for the local bioregion?

## **Taxation and finances**

- 13) What is the likely impact of amalgamation on tax rates for residents and businesses in Duncan and North Cowichan?
- 14) What factors related to amalgamation could lead to increased taxes for residents and businesses?
- 15) Could amalgamation have an adverse impact on low-income residents? If so, what might it be?
- 16) What provincial funds might be available – for what use, period and amount – to offset transition costs?
- 17) How would amalgamation change North Cowichan and Duncan's eligibility for specific provincial and federal funding programs?

## **Efficiencies, services, infrastructure**

- 18) How would an amalgamated municipality harmonize its services and infrastructure? Where are the widest gaps between existing services and infrastructure affecting residents and businesses of the two municipalities?
- 19) If amalgamation was to occur, in which areas could local administration and services could be streamlined and what savings are likely to result?
- 20) Where have previous amalgamations typically found cost savings and improved methods for delivering municipal services?
- 21) Given anticipated capital expenses in the next 5 - 10 years, how would amalgamation affect the overall costs of these projects and how would it impact the taxes of residents in both Duncan and North Cowichan?
- 22) Are there any anticipated new capital costs associated with amalgamation?
- 23) What are the anticipated costs of integrating services, governance, bylaws and zoning? How do these costs compare with anticipated savings during both the implementation period and over twenty-five years?
- 24) How would user fees and parcel fees change for residents if the municipal were to amalgamate?
- 25) What advantages would an amalgamated municipality enjoy in terms of cost efficiency, quality of services and infrastructure and standing with the provincial and federal government?
- 26) If the municipalities amalgamate, what would happen to existing service contracts? Are there any specific liabilities with regards to these contracts?
- 27) How should emergency services be delivered in an amalgamated municipality? What are the likely costs or savings and consequences for services?
- 28) Would an amalgamated city be in a better position to provide social and affordable housing?

## **Economic growth**

- 29) How is amalgamation likely to affect local economic activity and growth?

- 30) How does population and economic growth in Duncan and North Cowichan compare with the province as a whole and comparable municipalities over the past decade?
- 31) What are the current bylaw and policy differences between Duncan and North Cowichan that led to competitive advantages/disadvantages between municipalities?
- 32) What are the likely economic or opportunity costs of not amalgamating?
- 33) What advantages or disadvantages might accrue to local businesses from amalgamation?
- 34) Without amalgamation, does North Cowichan's continued growth pose a challenge to the viability of Duncan businesses and its tax base?
- 35) Would amalgamation strengthen area tourism?

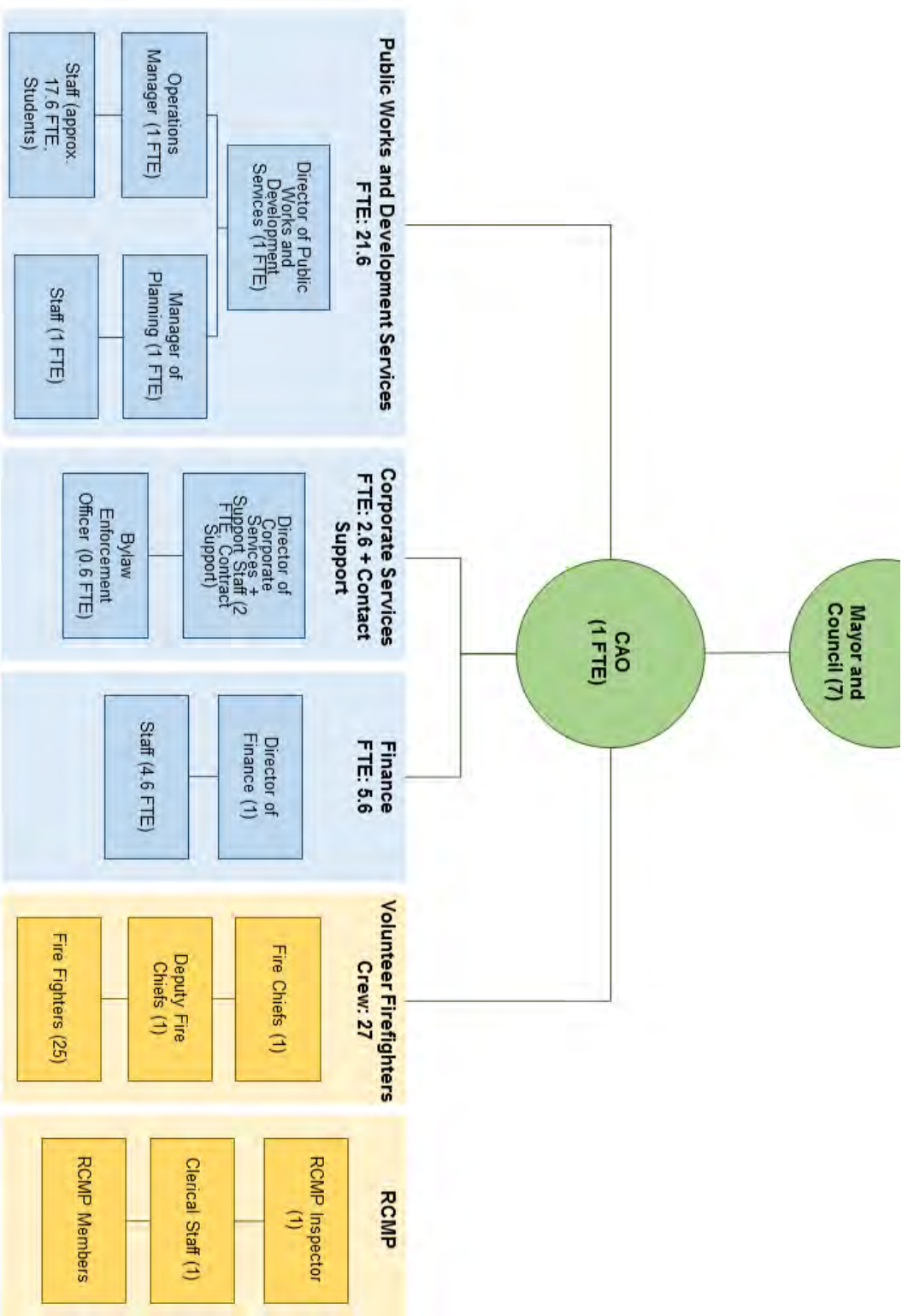
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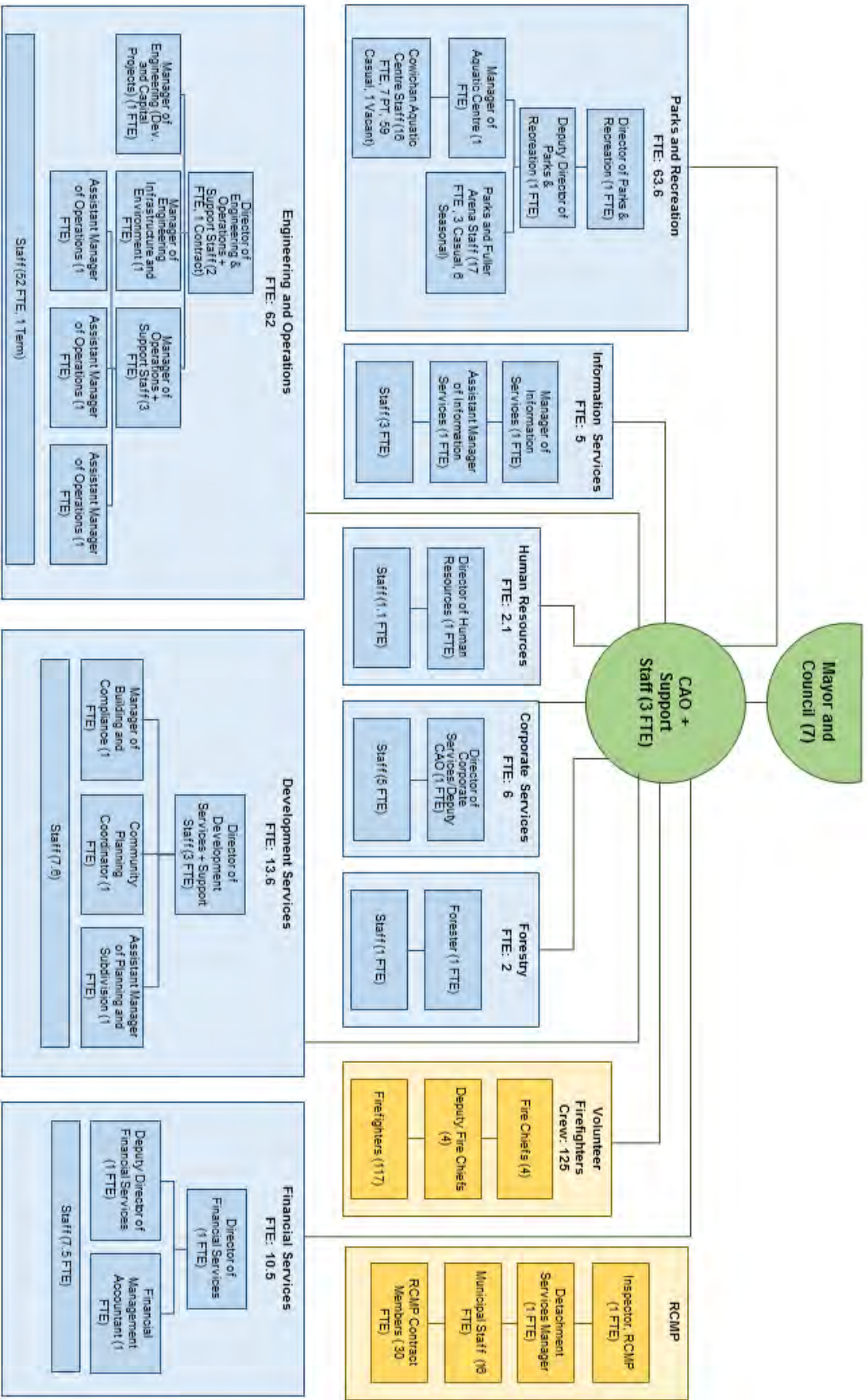
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## Appendix B Current Organizational Charts

## Duncan Organizational Chart



# North Cowichan Organizational Chart



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Appendix C  
**Long-Term Debt**  
**(as of 2016)**



## Duncan Debentures:

Total debentures are \$1,260,000 as at December 31, 2015, as follows:

| General Fund            | Maturity Date | 2015 Net Unmatured |
|-------------------------|---------------|--------------------|
| Cowichan Aquatic Centre | 2026          | \$1,140,000        |

| Sewer Utility Fund | Maturity Date | 2015 Net Unmatured |
|--------------------|---------------|--------------------|
| Sewage Lagoons     | 2019          | \$120,000          |

## North Cowichan Debentures:

Total debentures are \$21,790,000 as at December 31, 2015, as follows:\*

| General Capital Fund     | Maturity Date | 2015 Net Unmatured  |
|--------------------------|---------------|---------------------|
| Maple Bay Fire Hall      | 2025          | \$950,000           |
| Maple Bay Fire Hall      | 2028          | \$370,000           |
| Cowichan Aquatic Centre  | 2028          | \$11,020,000        |
| Cowichan Aquatic Centre  | 2029          | \$1,760,000         |
| Duncan Curling Club      | 2032          | \$470,000           |
| Tier 2 Flood Protection  | 2032          | \$670,000           |
| Tier 2 Flood Protection  | 2033          | \$930,000           |
| Municipal Hall Expansion | 2033          | \$1,400,000         |
| Stoney Hill Road         | 2040          | \$2,000,000         |
| <b>Total</b>             |               | <b>\$19,570,000</b> |

\*In addition, in 2016, the District of North Cowichan undertook long-term borrowing of an additional \$200,000 for flood protection (Loan Authorization Bylaw 3623).

| <b>Water Systems Capital Fund</b> | <b>Maturity Date</b> | <b>2015 Net Unmatured</b> |
|-----------------------------------|----------------------|---------------------------|
| Chemainus                         | 2016                 | \$20,000                  |
| Chemainus                         | 2030                 | \$1,430,000               |
| Crofton                           | 2029                 | \$410,000                 |
| South End                         | 2016                 | \$50,000                  |
| South End                         | 2016                 | \$20,000                  |
| <b>Total</b>                      |                      | <b>\$1,930,000</b>        |

| <b>Sewer Systems Capital Fund</b> | <b>Maturity Date</b> | <b>2015 Net Unmatured</b> |
|-----------------------------------|----------------------|---------------------------|
| Chemainus                         | 2017                 | \$180,000                 |
| Crofton                           | 2017                 | \$110,000                 |
| <b>Total</b>                      |                      | <b>\$290,000</b>          |

[www.urbansystems.ca](http://www.urbansystems.ca)

