



**Sorrento Blind Bay Incorporation Study
Service Sheets
February, 2021**

ADMINISTRATION SERVICES

This ADMINISTRATION sheet was developed for presentation to the Sorrento-Blind Bay Incorporation Study Committee at its meeting on February 11, 2021. The sheet was prepared using information available at the time of writing. Changes will be made if new information becomes available.

Information presented on the Sorrento-Blind Bay Incorporation Scenario is based on the assumptions that:

- > *Sorrento-Blind Bay Municipality would provide its own administration and its own grants-in-aid service*
- > *the Municipality would continue to contribute to regional administration services provided to all jurisdictions*
- > *the Municipality would levy and collect its own taxes (the BC Surveyor of Taxes would not be used)*
- > *the CSR's administration budget would be reduced rather than left whole and simply reallocated to remaining jurisdictions*

their work, as well as the overall management of the local government organization. There are three administration services:

- General Government (all jurisdictions including electoral areas)
- General Government (electoral areas only)
- Administration Overhead

Taken together, these services encompass all administration functions, including:

- property management
- purchase of office supplies and equipment
- records management
- financial services
- legal services
- communications
- Information technology
- administrative support for the board
- elections

Also included under the category of administration are services that support other functions, and services through which the CSR provides financial support. These services include:

- Vehicle Fleet
- Feasibility Studies
- Asset Management
- Grants in Aid (Electoral Areas)

THE PRESENT: ELECTORAL AREA C

What service is provided?

General administration services consist of a variety of functions that support the elected officials of the Columbia Shuswap Regional District (CSR) and

The CSR allocates a portion of the administration costs to each service or function, in accordance with the *Local Government Act*. The CSR has a policy regarding how to best allocate those costs.



The standard administration overhead charge is 10% of each service's net expenses, multiplied by a percentage that reflects the level of administrative services required. Services with fewer transactions, reporting requirements and contract management are charged a lower overhead rate. In some cases— the Okanagan Regional Library, Transit, Dog Control are examples — the allocation is a flat rate.

An additional administration function provided to electoral areas is the collection of local property taxes. In British Columbia, all property taxes levied in electoral areas are collected by the Surveyor of Taxes, a provincial government office. The cost of the service is added by the province to the tax notices sent to property owners.

Over the course of the Incorporation Study, all administration costs allocated to the individual services and paid by property owners were removed from the service cost calculations in the individual service sheets. These costs are brought together here and accounted for in this *Administration* sheet. This approach has been taken to allow for a direct comparison of the administration costs under the Incorporation scenario and the Two Electoral Areas scenario.

Who makes decisions?

Staff make recommendations and decisions on operational and administrative matters. Those recommendations and decisions are approved by the CSRD Board of Directors. Operational decisions for services that include all electoral areas and member municipalities are approved by the full Board. Operational decisions for services that include electoral areas only are often discussed by the Electoral Area Directors Committee. Budget or financial matters for all of the services are all made by the full Board using weighted votes.

Who delivers the service?

Administration services are delivered primarily by CSRD staff under the direction of the Chief Administrative Officer (CAO). The CAO is supported by a senior management team comprised of a Manager of Operations, a Manager of Financial Services and Human Resources, and a Manager of Development Services.

The Administration Department includes a total of seven people, including the CAO, Deputy Corporate Administrator, an Assistant Deputy Corporate Officer, a Communications Coordinator, Legislative Services Clerk, Administrative Clerk and Receptionist. The Financial Services Department has seven staff members (6.71 FTE) including the Financial Services Manager, a Deputy Treasurer, a Payroll Administrator/HR Assistant, an Accounts Payable Clerk, an Accounting Technician, two Financial Services Assistants and a part-time Clerical Assistant/Utility Clerk.

The Information Technology and GIS Department also supports administration services with an Information Systems Coordinator, IS/GIS Coordinator and Electronic Records Management Facilitator (2.1 FTE). The combined FTE of the three administration services, taking into account the different departments involved, totals 21.43.

What is spent on the service?

The cost of each of administration service is presented in Figure 1. Area C's grants-in-aid requisition is in addition to the individual grants issued to Shuswap Search and Rescue, South Shuswap First Responders and the SPCA, as these contributions are established by bylaw (and referenced in different service sheets).

How are the costs recovered?

Regional districts receive a grant from the provincial government each year to assist in general and electoral area administration costs. The amounts received are based on population (total population in the regional district as well as the electoral area population). Other administrative revenues include grants and payments-in-lieu of taxes from public agencies, including the federal government and BC Hydro.

General government service costs are also recovered in part through the administration recovery charges that are allocated to each individual service based on the level of effort and time involved to administer each service. As noted previously, the CSRD has a policy regarding how these costs are allocated to individual services. Close to \$1.34 million in administrative costs were assigned in this way to the general administration

**Figure 1
 CSRD Administration Services (2020)
 Costs and Requisitions**

Service	Operating Cost	Tax Req
General Govt (reg)	\$1,419,700	\$0
General Govt (EAs)	\$1,688,988	\$484,399
Admin Overhead	\$1,691,050	\$1,471,050
Vehicle Fleet	\$98,300	\$0
Feasibility Study (reg)	\$40,000	\$40,000
Feasibility Study (EA)	\$40,000	\$40,000
Asset Management	\$182,746	\$0
Grant in Aid (Area C)	\$559,713	\$178,500
Service Admin Costs (all areas)	\$865,132	\$659,048
Surveyor Tax (Area C whole)	n/a	\$190,066
Area C Tax Requisition		\$1,000,115
Surveyor of Taxes (local service area; parcel tax)		\$90,518

and electoral area administration services in 2020. These costs are recovered in part through property taxes charged for the specific services, and in part from fees charged on individual services. For the purposes of this study, however, the costs are brought together and set out in this service sheet.

Administration costs that cannot be allocated to individual services, and that cannot be recovered through grants or payments-in-lieu of taxes, are recovered through property value taxes. Examples of such costs are those related to building operations, equipment, office furniture and grounds maintenance. Grants-in-aid for electoral areas are also recovered through value taxes.

Several of the administration services at the CSRD have operating reserve funds. The level of reserve funds at the end of 2020 is shown in Figure 2. Only the Administration Overhead service (which includes the cost of the CSRD building) also has a capital reserve (\$33,351 at the end of 2019).

**Figure 2
 CSRD Administration Services (2020)
 Operating Reserve Funds**

Service	Reserve Balance
General Government (all)	\$370,225
General Government (EAs)	\$331,444
Administration Overhead (CSRD building)	\$74,170
Vehicle Fleet	\$18,393
Asset Management	\$7,210

What is the cost to a typical residence?

Figure 3 shows the cost of each administration service to a typical residence within Area C valued at \$400,000. The figure shows the cost for Area C residences situated outside of a local water service area, but inside the Area C sub-regional fire service area — this cost is labelled "Total Taxes Owning". The figure also shows the cost for residences located in Blind Bay, Sorrento and Reedman Point. Residents in these neighbourhoods pay towards local water and street light services.

THE FUTURE: INCORPORATION

A newly incorporated municipality would be responsible for all administration costs including those related to general government, finance, asset management and grants-in-aid.

As noted in earlier service sheets, the new municipality would assume responsibility over several services currently provided by the regional district. Municipal administration costs, therefore, would also encompass the cost of overseeing those services. Residents of the new municipality would no longer contribute to the administration of those particular CSRD services; nor would they pay taxes to fund the cost of the General Government (EA)

Figure 3
CSRD Administration Property Taxes (2020)
Electoral Area C
 (Residence Valued at \$400,000)

Service	Tax Rate	Tax Req
General Govt (reg)	n/a	\$0
General Govt (EAs)	0.0515	\$20.59
Admin Overhead	0.0886	\$35.46
Vehicle Fleet	n/a	\$0
Feasibility Study (reg)	0.0024	\$0.96
Feasibility Study (EA)	0.0053	\$2.14
Asset Management	n/a	\$0
Grant in Aid (Area C)	0.0611	\$24.44
Service Admin Costs* (Area C)	0.0694	\$40.84
Surveyor Tax (Area C whole)*	n/a	\$46.82
Total Taxes Owning*		\$171.25

* Does not include administration costs or Surveyor of Taxes costs collected from residences in local service areas (see below), with the exception of Area C Sub-regional Fire Service

**Total Administration Taxes Owning
in Local Service Areas**

Blind Bay Residence	\$212.49
Sorrento Residence	\$224.98
Reedman Point Residence	\$239.10

service.¹

Residents of the new municipality would contribute to administration costs of local CSRD services that are not transferred to the municipality. Municipal residents would also contribute to CSRD administration services that are delivered to the entire region.

¹ Property taxes currently paid in the incorporation study area to fund administration overhead for services that would no longer be provided to the area by the regional district total approximately

The new municipality would be responsible for, and would pay for, providing tax notices to residents, collecting taxes and, where applicable, remitting the balances to the various authorities (i.e. CSRD, Province, BC Assessment authority, school board, etc.). Residents would no longer pay the 5.25% provincial fee to the Surveyor of Taxes for each tax collected.

The number of municipal staff needed to fulfill the administrative roles is assumed at 7.0 FTE. Administrative staff numbers from several similar-sized municipalities were researched to determine this estimate.

The ongoing costs related to governance and general administration for the new municipality is estimated at \$1.2 million. This estimate is in the mid-range of the costs incurred by a sample of similar-sized municipalities. Administration costs in the newly incorporated municipality are shown in Figure 4.

Figure 4
Municipal Administration Services
Property Taxes (2020)
 (Residence Valued at \$400,000)

Service	Tax Rate	Tax Req
Municipal Admin*	0.4666	\$186.64
Grants-in-Aid	0.0619	\$24.77
Admin Overhead (CSRD)	0.0886	\$35.46
Feasibility Study (reg)	0.0024	\$0.96
CSRD Local Service Admin Costs	n/a**	\$10.65
Total Taxes Owning		\$258.48

* Includes water, fire and street light admin

** Includes services paid by parcel tax

\$160,000. This amount is in addition to the \$79,000 in taxes provided by the study area towards the General Government (EA) service.

In addition to the ongoing administration costs, the new municipality can expect to incur transition costs in its early years — costs related, for example, to recruitment of staff and conversion of bylaws. An order of magnitude estimate of these costs is \$250,000. It is expected that the costs would be paid using transition funding that would be outlined in the Provincial Offer of Restructure Assistance.²

The new municipality would also be expected to lease or build space for a municipal hall. The cost for a new or renovated facility would depend on the specific site and location, and would include a combination of land and construction. A general construction cost estimate for a municipal building is \$250 per square foot.³ For the purpose of this service sheet it is assumed that the municipality would lease space or finance the construction of a new hall using restructure assistance funds in the Provincial Offer.

As a municipality, Sorrento-Blind Bay would not receive the basic grant provided to the regional district by the province to assist with electoral area administration costs. The municipality would, however, receive a small communities grant of \$485,000 to help fund municipal administration.

The impact on administration costs for the remainder of Area C under the incorporation scenario would not be significant. There would be a need to redistribute some costs among remaining participants for services in which the new municipality chose not to participate. In most cases, however, the costs of the services themselves would be reduced as a result of the reduction in service area or scope. Overall, there is no cost tax impact anticipated for a residence outside the study area.

THE FUTURE: TWO ELECTORAL AREAS

In the event that incorporation were not chosen, Electoral Area C as it exists today would be divided

into two areas: Area C1 and Area C2. For administration services there would be no significant changes to the costs of the services, or the taxes owing by taxpayers. The only added costs would relate to the addition of one electoral area director. This addition would have a small impact on the tax requisition for the General Government (EA) service of \$1.68 for typical residence.

SUMMARY OF IMPACTS

The administrative service tax impacts for the future scenarios are presented in Figure 5.

**Figure 5
Administration Services
Property Taxes (2020)*
Future Scenarios**

Scenario	Taxes Owing
Incorporation	
Sorrento-Blind Bay Mun.	\$258.48
Area C Remainder	\$171.25
Two Electoral Areas	
Area C1	\$172.93
Area C2	\$172.93
Blind Bay Residence	\$214.17
Sorrento Residence	\$226.66
Reedman Point	\$240.78

* On a residence valued at \$400,000.

² A separate sheet will be provided on this Offer.

³ The City of Armstrong is contemplating construction of a new City hall building on City land. A concept plan for a 17,144 ft² building is

estimated to cost \$3.7 million. At MFA 20-year financing rates, annual costs for this project would total approximately \$250,000.