



# REPORT

To: Rural Budgets Administration Committee

Report Number: ADMN-RBAC-006

From: Katrin Saxty, Urban Systems Ltd.

Date: August 25, 2020

**Subject: Peace River Agreement – Theoretical Allocation Amount for Electoral Area C**

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## RECOMMENDATION:

That the Rural Budgets Administration Committee receive the report titled “Peace River Agreement – Theoretical Allocation Amount for Electoral Area C – ADMN-RBAC-006”, which presents a theoretical allocation of electoral area Peace River Agreement funds, if Electoral Area C were treated as a municipality, for discussion.

## BACKGROUND:

The Peace River Agreement (PRA) has been in effect in the PRRD since 2015, following the Fair Share agreement, which was in effect through various memorandums of understanding from 1994-2015. The PRA is a funding agreement between the Provincial government, the PRRD and the seven partner municipalities within it, intended to address infrastructure deficits in the region, which exist largely due to the nature of industry in the area.

In the spring of 2019, PRRD staff were asked to investigate developing alternate scenarios for the allocation of the electoral area allotment of the PRA. The municipal allotment of the PRA is allocated based on a dynamic combination of population and assessment - with a particular emphasis on the presence, or lack thereof, of industrial assessment. The electoral area allotment is simply split equally between the four electoral areas, a strategy that has been in place since the inception of Fair Share in 1994.

Through conversations with the Chief Financial Officer, and subsequent staff transitions, as well as the Electoral Area C Director, a theoretical allocation amount was calculated for Electoral Area C, based on treating it as a municipality. The purpose of this exercise was to demonstrate the implications of allocating the Electoral Area C allotment through the municipal mechanism. This report serves to summarize the rationale and theoretical scenario.

## RATIONALE:

Electoral Area C is a unique electoral area within the PRRD for a number of reasons:

1. The Charlie Lake area is the most densely populated and unincorporated area within the PRRD, and in many ways, is more similar to a municipality than a rural community;
2. Municipal-style water and sewer services are both present in this area;
3. The Charlie Lake area has a population of 1,897 (2016 Census), and would be the fifth largest municipality in the region, between Tumbler Ridge (1,987) and Taylor (1,469);

4. Electoral Area C has the largest population of the four electoral areas within the PRRD, with a population of 6,772, compared to Electoral Area D's 5,920, Electoral Area B's 5,628, and Electoral Area E's 2,949 (2016 Census).

In terms of total and industrial assessment comparisons, Electoral Area C also mimics the municipalities in the region more similarly than the other electoral areas, as demonstrated in Figure 1 below:

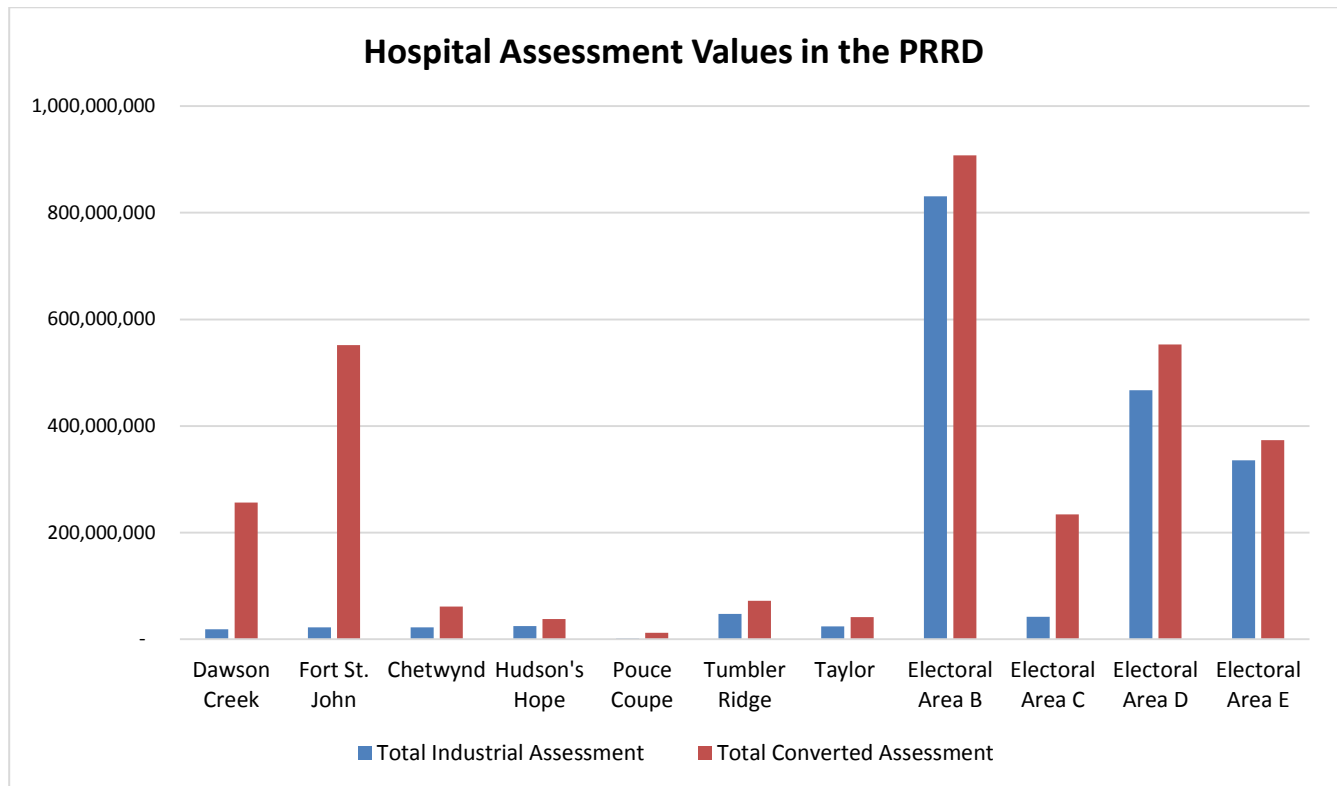


Figure 1: 2019 Assessment Values in the PRRD

Population, total industrial assessment, and total converted assessment are the three variables that the municipal distribution of the PRA allocation is based on. In terms of these criteria, Electoral Area C has stronger commonalities with the municipalities within the PRRD than the other electoral areas.

### ALTERNATIVE OPTIONS:

1. That the Rural Budgets Administration Committee provide further direction.

### STRATEGIC PLAN RELEVANCE:

- ☒ Not Applicable to Strategic Plan.

### FINANCIAL CONSIDERATION(S):

Any change in the allocation amount to one electoral area would have implications to the allocation amounts received by the remaining electoral areas. The current electoral area allocation is an equitable distribution of 10% of the Pool 1 funds. In 2019, the electoral area total allocation was \$3 M.

The following outlines the assumptions of the theoretical electoral area redistribution scenario:

1. The allocation of funding was only calculated for Pool 1 of the current PRA allocation formula, which distributes a total of \$30 M between the municipalities and electoral areas.
2. Population data for the municipalities comes from 2018 BC Statistics data; population data for the electoral areas, including Electoral Area C in the theoretical scenario, comes from 2016 Census data.
3. Electoral Area C's allocation in the theoretical scenario is based on the total converted assessment value.

The following table outlines the 2019 PRA funding allocation of Pool 1 for reference:

*Table 1: Peace River Agreement 2019 Pool 1 Allocation*

<b>Municipality/Electoral Area</b>	<b>Total 2019 PRA Pool 1 Amount</b>
Dawson Creek	\$ 8,940,798
Fort St John	\$ 13,161,811
Chetwynd	\$ 1,787,634
Hudson's Hope	\$ 482,616
Pouce Coupe	\$ 662,900
Tumbler Ridge	\$ 1,059,226
Taylor	\$ 905,015
<b>TOTAL MUNICIPAL</b>	<b>\$ 27,000,000</b>
Electoral Area B	\$ 750,000
<b>Electoral Area C</b>	<b>\$ 750,000</b>
Electoral Area D	\$ 750,000
Electoral Area E	\$ 750,000
<b>TOTAL ELECTORAL AREA</b>	<b>\$ 3,000,000</b>
<b>TOTAL PRA ALLOCATION</b>	<b>\$ 30,000,000</b>

The theoretical allocation of 2019 PRA Pool 1 funding, treating Electoral Area C as a municipality would result in Electoral Area C receiving a calculated value of approximately \$2.7 M, based on the combination of its population, total industrial assessment, and total converted assessment.

### **COMMUNICATIONS CONSIDERATION(S):**

None at this time.

### **OTHER CONSIDERATION(S):**

In order to increase the allocation amount of \$750,000 to Electoral Area C, the following Peace River Agreement considerations are noted:

- The four electoral areas receive one collective allocation amount that is currently distributed equitably amongst them; any increase in the allocation amount to Electoral Area C would result in a decrease in the allocation amounts for the remaining three electoral areas. This, however, would not result in a change to the overall allocation formula contained within the PRA MOU.
- The current PRA does not stipulate how the electoral area total allocation amount must be distributed amongst the four electoral areas; at this time, this is not considered a change under the MOU but this should be confirmed.

- As per the current PRA:
  - any action under this MOU requires the unanimous consent of the PRRD and its member municipalities;
  - opportunities to revisit the allocation formula are built into the MOU and opportunities to request a review of the allocation formula every 5 years, beginning in 2020 and require a request to be received in writing no later than September 30 of the previous year and containing a proposed allocation formula;
  - in 2023 and 2031, the MOU will be reviewed with respect to the amount of the annual rate of growth; and
  - in 2031, the total annual payment, including the annual rate of growth, will be reviewed in order to determine a new total annual payment which would commence on April 30, 2035.