

**REVIEW OF GOVERNANCE
AND SERVICING ISSUES**

Final Report

Prepared For:

**The Board Of
The Regional District
Of Central Okanagan**

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CHAPTER ONE: INTRODUCTION

1.1 BACKGROUND

In the Spring of 2002, we were asked by the Board of the Regional District of Central Okanagan (RDCO) to assist them explore a range of governance and servicing issues. Initial terms of reference for the work are contained in Appendix A. A meeting was held with a Committee of the Board on July 31, 2002 to prioritize the issues and to select a list of services that would demonstrate the issues and provide context for the review. At that time, the Board members agreed that the priority issues would be as follows:

- The potential dominant role of the City of Kelowna and the reluctance, therefore, of smaller jurisdictions to participate in services.
- The possibility of a jurisdiction benefiting from a service but not participating in it (the 'free rider' issue).
- The large time at Board and Committee meetings devoted to Electoral Area issues.
- The possibility of a subsidy to the Electoral Area Services because of the way costs are allocated among services.
- Differences in urban/rural expectations and the difficulty, therefore, of achieving a service level and cost of service that will satisfy all participants.
- The practice of contracting with the City of Kelowna for service delivery.
- The lack of a truly regional identity in service governance and delivery.

The Board also agreed that these issues were best discussed in the context of the following service areas:

- Regional Parks
- Air Quality
- Transportation Demand Management
- Regional Planning
- Electoral Area Planning
- Allocation of Administrative Overhead
- Transit

Following this session we asked the Regional District to prepare a 'fact sheet' on each of the short-listed services. These fact sheets are contained in Appendix B.

We have used the fact sheets plus extensive documentation provided to us by the Regional District and interviews with members of regional staff to better understand the issues raised by the Board. We have also interviewed senior staff of the three municipalities within the Region to better understand the issues from their perspective.

On November 19, 2002 we presented a Committee of the Board with our observations on the issues and some alternative ways of resolving them, using the services identified in July. The Board members provided feedback and guidance on the options presented. We documented our observations and conclusions in the form of a draft report, which was presented on January 20, 2003. This report contains our findings.

1.2 GENERAL MESSAGES

In the individual Chapters we detail our observations and conclusions on the issues identified by the Board. In each Chapter, we provide an independent perspective on the significance of the issue and a range of options (a menu of choices) for the Board to consider. In some areas, we have examined the evidence and have suggested that the problem is not as great as originally perceived. In this introductory section we would like to add some general messages that flow from our work.

In a study like this, the focus tends to be on the 'problems' identified not on the overall operations of the Regional Board. It is important, therefore, to keep the issues discussed in perspective. There will always be differences of opinion at a Regional Board table – this is inevitable given the varied nature of the jurisdictions within a region. It is the manner in which these differences are resolved that determines the character and tone of the Board. By most measures and by all accounts, the Board of the Regional District of Central Okanagan is a well functioning body. The Board is responsible for over 100 services and only a small proportion of them are discussed in this report. Therefore, the issues identified are best characterized as 'irritants' that need to be addressed but which do not distract from the overall effectiveness of the Regional Board.

We applaud the Board for taking the decision to address these irritants before they become more serious, and we compliment the Board on the manner in which they have discussed the issues during the course of our review. Although views have been strongly expressed, there has been a willingness to consider the opinions of others.

We believe that most of the issues identified by the Board can be resolved with some fine tuning of existing governance arrangements.¹ We have deliberately sought out simple solutions wherever possible; we see no need to over-complicate the situation. For example, we have identified a long list of potential safeguards for small jurisdictions but there is no benefit in using them all. Also, we have recommended changes that can be

¹ Not all will agree that the changes proposed for Transit are fine-tuning.

adopted and implemented relatively easily and have identified ways for the partners to try out new arrangements without being locked in for ever. Therefore, in our view, solutions to the identified 'irritants' are available should the Board wish to adopt them.

Some of the recommendations in this report will have a financial impact on members. The scale of impact is generally quite small, however, and we recommend that the Board consider first the appropriate governance arrangements and, only then, assess ways to address any financial consequences of those arrangements.

Whether or not the Board adopts the suggestions presented in this report, we recommend that the issue of governance and servicing arrangements be revisited on a periodic basis (e.g. every three years) to see how well changes are working and to allow early action on any newly emerging issues.

CHAPTER TWO: THE DOMINANT MUNICIPALITY AND FREE RIDER ISSUES

2.1 BACKGROUND

Within the Central Okanagan, two thirds of the population lives in the City of Kelowna – see Exhibit 2.1. Therefore, Kelowna has the potential to play a dominant role within the Regional District. The City of Kelowna also contains more than 70% of the converted assessment in the region. Therefore, Kelowna is the dominant contributor to any regional service the cost of which is allocated according to the strength of the property tax base.

EXHIBIT 2.1 DISTRIBUTION OF POPULATION AND ASSESSMENT- 2001

Jurisdiction	Population	Converted Assessment
(Per Cent of Total)		
Municipalities		
Kelowna	66.5%	72.2%
Lake Country	6.3%	5.6%
Peachland	3.2%	2.9%
Electoral Areas		
Westside	21.6%	17.3%
Ellison/Joe Rich	2.5%	2.1%

Until recently, Kelowna's Directors on the Regional Board held 50% of the votes on any issue requiring an unweighted vote.² On matters requiring a weighted vote, Kelowna's Directors had 2/3rds of the votes. Effective in 2003, the potential voting power has of Kelowna has changed slightly with the election of 3 directors from the newly established Westside Electoral Area. Exhibit 2.2 compares the potential voting power of Kelowna's Directors in 2002 and 2003. It should be remembered that the regional directors vote as individuals not as representatives of the City. Therefore, the City's Directors may choose not vote in the same manner.

² Even with 50% of the votes, the Directors would still need the agreement of one other Director to pass a motion at the Board. A tie vote results in the motion being defeated.

EXHIBIT 2.2
THE POTENTIAL VOTING POWER OF KELOWNA

Year	Unweighted Votes (Kelowna/Total)	Weighted Votes (Kelowna/Total)
2002	5/10	23/37
2003	5/11	25/39

The RDCO is not unique in having a large municipality that can potentially play a dominant role. There are several other regional districts where the largest municipality has the potential to play a dominant role – see Appendix C. A more unique feature of the RDCO is the potential dominance of two jurisdictions. Almost 90% of the Region’s population lives in Kelowna or Westside. Therefore, these two jurisdictions together can effectively dominate all regional decisions.³

The potential dominance of one jurisdiction has raised concerns for at least one of the smaller jurisdictions within the RDCO. These concerns relate to the potential consequence of being involved in a regional service where the interests of Kelowna may not always match the interests of the smaller jurisdictions. For the smaller jurisdictions, participation in a regional service along with Kelowna could result in the following:

- A lack of influence and control over service levels or service quality.
- A lack of control over service costs. This is particularly a concern for smaller jurisdictions that do not have as strong a tax based as Kelowna. There is a concern that costs may become unaffordable for the smaller jurisdictions.
- Should service conditions become unacceptable, exit from the service may be difficult or impossible.

Therefore, smaller jurisdictions may be reluctant to participate in regional services or they may feel frustrated because they cannot sufficiently influence the nature and cost of a service within which they are already a participant.

In some circumstances, the answer to this problem is simple. A small municipality could choose not to participate in a regional service and, instead, deliver the service themselves. Often, however, this is not a practical option because the service can only cost-effectively be delivered on a regional basis. Therefore, the choice is seemingly either to participate or not to have the service.

³ Over the next year or two, Westside residents will be asked to consider the possibility of municipal restructuring. One option that may be considered is the amalgamation of all or part of the Westside with the City of Kelowna. If this were to happen, it would make the new municipality truly dominant in the region and may even call into question the structure of the region. A potential parallel is the amalgamation of Abbotsford and Matsqui in the old Central Fraser Valley Regional District. The CFVRD was subsequently merged with others to form the Fraser Valley Regional District.

For many regional services, if a small jurisdiction chooses to opt out of the service, it has limited consequences for the other jurisdictions of the region. The service is not delivered to the small jurisdiction and it does not contribute to the cost. The remainder of the members can still deliver the service in a cost-effective manner.

The difficulty for the other members arises when a jurisdiction chooses not to participate in a regional service but its residents can still benefit from the service. For example, if a jurisdiction did not contribute to the cost of the regional parks system, it would be difficult to exclude its residents from visiting the parks. In any situation where a jurisdiction can be a 'free rider' on the service, its failure to participate in a service can lead to friction between a member that chooses not to participate and the other jurisdictions in the region.

The 'free rider' situation is problematic for other reasons:

- The service provided may be substantially unchanged whether or not a small jurisdiction participates. Therefore, it is hard to demonstrate incremental savings as a result of the fact that the small jurisdiction does not participate. This again leads to friction between participants and non-participants.
- Often the service is initiated by one of the larger jurisdictions and later becomes a regional service once it is recognized that the service is benefiting other jurisdictions. If, however, the total cost of the service does not change very much as others participate, the net result can be seen as the larger jurisdiction offloading costs onto the smaller jurisdictions.
- Residents of a smaller jurisdiction may wish to receive and pay for a different level of service than that provided. But, because of the nature of the service, different service levels cannot be provided to different jurisdictions.
- It may be the case that a non-participating jurisdiction benefits from a regional service but it is hard to measure with any precision the precise benefit received (for example, only a fraction of the residents of the non-participating jurisdiction may benefit). The difficulty of measuring the benefit makes it difficult to design cost-sharing arrangements that are linked to the benefit received.

In the Central Okanagan, four of the seven services illustrating areas of concern have free rider characteristics: Regional Parks; Air Quality; Regional Planning; and, Transportation Demand Management. Therefore, in designing new approaches, we have to bear in mind not just the concerns of smaller jurisdictions but also those of all jurisdictions concerning the free rider issue.

2.2 POTENTIAL SAFEGUARDS FOR SMALLER JURISDICTIONS

The *Local Government Act* provides regional districts with considerable flexibility in designing service arrangements. Design elements that could act as a safeguard to smaller jurisdictions include:

- **Taxation limits:** In some circumstances servicing by-laws must include a limit on the tax requisition that can be charged for the service. In other circumstances it is optional. A taxation limit can provide protection against participation in an unaffordable service.
- **Exit provisions:** The *Act* lays out a prescribed process for a participant to exit from a service. By design, the process is slow and multi-phased because the process of exit is not one to be taken lightly. In some circumstances exit is not allowed (for example, exit is not allowed from a transit or a regional parks service).
- **Sunset provisions:** The establishment by-law can be time-limited. After the sunset date, a new by-law would have to be passed (or other prescribed conditions met) in order for the service to continue. In effect, the sunset date provides a date of automatic exit should a jurisdiction not wish to continue to participate.⁴
- **Service increments:** The establishment by-law could allow jurisdictions to participate in service increments. For example, a base level of recreation services but not an enhanced level. This is one way of allowing jurisdictions to pay for the service they value and can afford but to respect the fact that jurisdictions may be satisfied with different levels of service.
- **Voting on Administrative Issues:** The Regional Board can delegate administration of a service to a Committee or Commission and can customize voting arrangements for that body. This could be used to give small jurisdictions greater influence over day-to-day administration of a service.

The service establishment by-law can be amended with the consent of two-thirds of the participants. This limits, therefore, the degree of protection for small jurisdictions.

The Regional Board can also adopt policies that provide safeguards for smaller jurisdictions including voting arrangements that deviate from those prescribed in the *Local Government Act*. For example, they could adopt a different voting rule for changing the taxation limit on a service than is provided for in the *Act*.⁵

⁴ The sunset provision could not be used to undermine the legislated exit provisions. Some consideration should be given to the timing of any sunset provision and local government electoral and budget cycles.

⁵ This would impose a political constraint on the Board not a legal constraint. Board policy could be changed at any time according to the legislative voting rules. However, a political commitment by the Board expressed in the form of Board policy may be seen to have as much legitimacy in the regional context as provincial legislation.

If the safeguards provided by the *Act* and/or Board policy are not sufficient for a smaller jurisdiction, there is always the possibility that the jurisdiction could participate in a service through a service contract rather than through the by-law. The service contract would contain customized terms and conditions that would meet the interests of both the small jurisdiction and the other participants.

2.3 POTENTIAL SAFEGUARDS FOR OTHER JURISDICTIONS

The design of service arrangements, be they part of a by-law or part of a service contract, have to meet the needs of all parties including the larger jurisdictions as well as smaller jurisdictions. For example, it is unlikely that participants would agree to a voting arrangement that effectively allows a single small jurisdiction hold a veto over major decisions. Also, participants would be unlikely to accept exit arrangements that would allow a jurisdiction to walk away from joint costs. Therefore, the design of suitable governance arrangements always involves balancing the interests of the various parties.

Possible safeguards for larger jurisdictions include:

- **Service plans:** Well-defined service plans allow members to have a common, precise understanding of the service to be provided. While, service plans are never static, nor do they lay-out every point of detail, they can give participants greater certainty over the future direction of the service. Service plans can also be used to define appropriate service increments.
- **Plurality voting:** Critical decisions may have high voting thresholds (e.g. 2/3rds majority) but they should not be constrained by the need for unanimous decisions.
- **Conditions on Exit:** Where exit is possible, it should be accompanied with suitable notice and implementation provisions. It should also require continued payment where jurisdictions have committed to long-term fixed costs.

The design of the service arrangements is particularly difficult where there is the potential for a jurisdiction to be a 'free rider'. If a participant exits, cost may not change. Jurisdictions may claim differences in 'benefit' from a service but these differences may be hard to measure. Therefore, the design of service arrangements tends to be most challenging in these circumstances.

2.4 CONCLUSIONS

It is clear that the combination of the **Local Government Act** and Board policy allows safeguards to be designed and implemented, both for small jurisdictions and other participants. Some suggestions with respect to specific services are provided in the next Chapter. If jurisdictions wish to use them, suitable arrangements can be developed.

However, smaller jurisdictions cannot seek ‘absolute’ safeguards and other participants cannot be inflexible.

A jurisdiction may still choose not to participate in a service because the service does not offer sufficient value to its constituents. This is difficult for other parties to accept where it is possible to exclude oneself from a service yet still receive benefit – this is the essence of the free-rider issue. It is also difficult for the larger jurisdictions to accept what they view as a special arrangement for smaller jurisdictions (e.g. participation in part but not all of the service) where the free-rider issue is present. In these circumstances, the larger jurisdictions need to decide whether partial participation under well-defined conditions is better than no participation.

CHAPTER THREE: DOMINANT MUNICIPALITY/FREE RIDER ISSUES – APPLICATION TO INDIVIDUAL SERVICES

This Chapter discusses ways in which the tension between the dominant municipality and free rider issues can be resolved in the context of four services: Regional Parks, Air Quality, Transportation Demand Management and Regional Planning.

3.1 REGIONAL PARKS

The Current Situation

All members of the Regional District participate in the Regional Parks function, a service that has been in place for many years. In recent years, concerns have been expressed about the growing cost of acquiring land for new parks and smaller jurisdictions have become concerned that the service may become unaffordable. Since participants cannot exit from this service using the exit provisions in the *Local Government Act*, smaller jurisdictions are concerned that they will be exposed to ever increasing costs and have little control over the direction of the service.

Some safeguards have already been put in place by Board policy to help address the concerns of the smaller jurisdictions. In response to the additional cost of acquiring the Gellatly Nut Farm, the Board has established a cap on future tax requisitions.⁶ Also, the policy lays out the voting rules for amending the taxation cap: at least four out of the six member jurisdictions must approve any change.⁷ Board practice is that the three municipal participants take the decision to their councils in advance of a vote at the Board. This voting rule is now out of date because of the change from 6 to 5 jurisdictions effective in 2003.

The Board also provides a special annual grant to Peachland of \$12,000 to assist with the maintenance of its beachfront. This grant can be seen as a partial ‘rebate’ to a municipality in which the amount of regional park is under represented compared to other jurisdictions. The Regional Parks Plan identifies Peachland as a priority area for the establishment of a new regional park.

⁶ The cap is generally set at 16 cents/\$1,000 with a higher cap of 19 cents during the period of acquisition of Gellatly Nut Farm

⁷ Note that this is a vote of jurisdictions not Directors.

Possible Approaches⁸

Further safeguards that the Board could consider include:

- **Maintaining the cap on taxation and raise the voting threshold:** Since the voting threshold has to be amended, it could be made more restrictive. For example, the threshold for change could be four out of five jurisdictions or 10 out of 11 Directors. Both of these suggested rules would require a high level of agreement before a change could be made. However, a single small jurisdiction could not veto change.
- **Flexibility in financial participation:** Member jurisdictions may have differences of opinion on the appropriate pace of expansion of the Park system, especially if the financial impact cannot be contained within the agreed cap on taxation. In situations where the cost of acquisition would cause costs to exceed the agreed taxation cap, members could call upon the jurisdiction that contains the new Park to pay a larger share of the acquisition costs than they would pay under the regular cost-allocation formula.⁹
- **Opting Out of Tax Increases:** Where a jurisdiction does not agree with an increase in the taxation cap, it could be allowed to opt-out of any increase. However, opting-out would have consequences. First, the jurisdiction would continue to contribute at the level set by the previously established cap. Second, the jurisdiction could not benefit from any Park expansion within its boundaries unless it became a full participant in the service and repaid any contributions missed through opting out.

It should not be possible to exit completely from the service. Members who have helped to build the Parks service should be expected to help sustain it. If a member were to exit, it would still be possible for its residents to benefit from the Parks system.

Conclusions

Because of the creation of the Westside Electoral Area, some change in the current voting rule is necessary. We recommend a rule that requires 4 out of 5 jurisdictions to approve any change. This is slightly more restrictive than the current arrangement but falls short of a requirement of unanimity. A decision also has to be taken about the way Westside's views would be expressed under this formula (e.g. agreement of two out of the three directors would signal consent).

We do not see reason to add further safeguards at this time. Reaching agreement on the precise conditions of an opting out provision may be difficult and the effort better

⁸ One way to allocate costs to users and limit the tax burden it to introduce park user fees. This has not been suggested because the Board has made it clear that it has no appetite for Park user fees.

⁹ It was the case in the recent Gellatly Nut Farm acquisition.

directed to resolving issues in other service areas. Board members may wish to consider the issue of flexible contributions for Park acquisition in the context of each specific opportunity since each situation is likely to have its own unique circumstances.

3.2 AIR QUALITY AND TRANSPORTATION DEMAND MANAGEMENT

The Current Situation – Air Quality

The Air Quality service has been in place since the mid 1990s. All members other than Lake Country participate in the service. In one year, Lake Country did contribute to the cost of the service but through a special grant rather than a regional tax requisition.¹⁰

Lake Country's concerns about participation in this service reflect the general concerns outlined in the previous Chapter, particularly the uncertainty about future cost increases. To date, the tax requisition for this function has always been relatively modest and program managers have relied heavily on seeking funding sources (e.g. grants of various types).¹¹ However, the service is still in its infancy and there is no certainty about the future direction of the service.

Air quality management is a good example of service where smaller jurisdictions can benefit even if they do not participate. Air movement does not respect local government boundaries. An improvement in air quality will benefit all residents to some degree even if they do not participate in the service. Therefore, the jurisdictions that participate would like to see all members contribute to the cost of the service.

The Air Quality Management program was started on a smaller scale by the City of Kelowna and later became a regional function. Also, the service is managed by City staff under contract to the Region. There is an appearance, therefore, that the service is still operating as a City service with regional funding. This perception has also been identified as a potential barrier to full participation in the service.

The Current Situation – Transportation Demand Management

In general terms, TDM is very similar to Air Quality. It is a relatively new service and is still at an early stage of development. A business plan has been developed but no timetable has been set for implementation of the plan. Therefore, the future direction of the service and future costs are uncertain. The current cost of the service is significantly higher than the cost of Air Quality.¹² Work on TDM was initiated by the City of Kelowna and it became the basis for the regional service. Today, the service is managed by City staff under contract to the Region.

¹⁰ Interestingly, Lake Country has implemented the regional air quality management by-law but Peachland has not.

¹¹ The total tax requisition for the service in 2002 was \$58,000.

¹² The total tax requisition for the service in 2002 was \$229,000.

Peachland and Lake Country do not participate in the service and have never contributed to the cost of the service. The smaller municipalities do not participate for two principal reasons. First, the perception that the service is of greatest benefit to the City of Kelowna and other areas where traffic congestion is a problem. Second, the concerns about the potential dominance of Kelowna discussed in Chapter Two.

TDM is another service where the benefits cannot be contained within local government boundaries. While traffic congestion occurs primarily in the core areas, residents of all jurisdictions contribute to this congestion and pay a price (in delays and travel time) if the problem remains unresolved. Therefore, action to address TDM issues has benefit for all residents of the region even if they do not contribute to the cost of the service. It is very likely, however, that the benefits of TDM are not evenly spread throughout the region. Unfortunately, it is hard to derive a cost-sharing arrangement that reflects the benefit received because it is difficult to measure the benefit directly.¹³

Possible Approaches

Because of the flexibility in the *Local Government Act*, it is possible to design service arrangements that include safeguards for smaller jurisdictions. For Air Quality and TDM, some of the potential safeguards include:

- **Taxation Limits:** A limit on the level of taxation and/or the rate of increase in taxation over time. Given that both of these services are under development, it may be difficult to specify an appropriate upper bound on taxation. Therefore, member jurisdictions may wish to put greater emphasis on limits to annual tax requisition increases.
- **Special Voting Rules to Govern Changes:** By policy, the Board could agree to special voting rules that would govern any changes to the safeguards. Any change would require a high degree of unanimity (e.g. 4 out of 5 jurisdictions to approve any change to the conditions).
- **Service Components:** Members could identify service ‘components’ or service ‘levels’. Participation in one component would not oblige a member to participate in another. This would allow smaller jurisdictions to restrict their contribution if they see limited value for their residents in some of the components. The intention here is not to have a multiplicity of components but to avoid the situation where a jurisdiction is forced to make an ‘all in or all out’ decision.

¹³ It is possible to consider proxy measures such as transit use given that transit use tends to be higher in the more congested areas.

- **Sunset clause:** The service could include a sunset provision. The service would terminate unless agreement was reached to continue the service. Given that both Air Quality and TDM are in their infancy, sunset provisions make some sense. In a sense, sunset provisions give participants a defined date at which they can exit without strings attached.
- **Clear, straightforward and fair exit provisions:** Even if a sunset provision is included, exit could be made possible on a last resort basis where other safeguards have clearly fallen down. However, exit would be subject to defined terms and conditions:
 - o **Triggers:** Exit from a service would be possible only if pre-defined ‘trigger’ conditions were met. For example, a decision to increase the taxation limit by more than 10% would be sufficient grounds for a jurisdiction to initiate exit from the service.¹⁴ Participating jurisdictions would agree not to exit, unless the defined criteria were met. However, the exit provisions of the *Local Government Act* could always be used by a jurisdiction in exceptional circumstances that could not have been anticipated when the triggers were established.
 - o **Timetable:** The exit process would follow a predefined timetable. For example: The jurisdiction wishing to leave would give 6 months notice of its intent prior to the end of a fiscal year. Exit would take place at the end of the fiscal year following the year in which notice is given (Hence if notice is given in January 2003, exit would take place effective December 31, 2004).
 - o **Continuing Contribution:** During the period of exit period, the tax requisition from the exiting jurisdiction could not be increased (unless part of an earlier commitment.). The exiting jurisdiction would be responsible for continued funding (after exit) of items previously identified as ‘committed and unavoidable’. For the Air Quality and TDM services as currently constituted these commitments would not be large or long-lived.

Implementation of some or all of these provisions should provide adequate safeguard for the smaller jurisdictions.

Conclusion

Given the current nature of these two services, it should be possible to give smaller jurisdictions sufficient safeguards through a combination of taxation limits; special voting rules and a sunset clause. To encourage entry, member jurisdictions should also be prepared to phase in the contribution of new members if this is needed to avoid a large increase in the jurisdiction’s overall contribution to regional services. We see no reason

¹⁴ The exit provisions could be linked to this service or could be part of a general exit policy of the Board. The triggers could be related to the cost of a specific service or to the more general ‘ability to pay’ indices such as the rate of increase of the total tax requisition.

at this stage to develop service components or exit provisions. A need for these may come as the services mature.

If these safeguards are not considered adequate, we see no reason why smaller jurisdictions could not participate through a service contract rather than as full members of the regional service.

Of course, a jurisdiction may still choose not to contribute because they do not see sufficient value for their residents compared to the other uses for scarce tax dollars. To encourage future participation, members may continue to invite non-participants to attend meetings on Air Quality and TDM. However, in our view, there has to be some consequence for not contributing to the cost of a service. The Board could, for example, adopt a policy that no contribution equals no voice and no vote at the Board table on these subjects. Of course, Board members could always invite input from non-contributors but non-contributors would not have the right to participate without being asked.

3.3 REGIONAL PLANNING

The Current Situation

The Regional District has developed and established a high-level regional growth strategy. All jurisdictions participated in this exercise and each of the municipalities has developed regional context statements.

As part of the regional growth strategy process, the Board identified a number of issues that need to be addressed before further work is undertaken on regional growth issues. Discussion papers on these issues have been prepared or are near completion.¹⁵ The Regional Planning function did not require a tax requisition in 2002. All work has been completed using accumulated surpluses.

Conclusions

It is expected that future work on Regional Planning will involve specific planning projects. Participation in these initiatives will not be mandatory but each jurisdiction will be able to participate on a selective basis. Since the initiatives will be established as projects, the fiscal impact of participation will be known. Given these circumstances, there does not appear to be a need for additional safeguards at this time.

¹⁵ This paper is one of the Discussion Papers identified by the Board.

3.4 CHANGING THE VOTING UNIT

Under the Local Government Act, the Regional Board can request the provincial government to vary the 'voting unit', which is used to determine the number of weighted votes and the number of Directors for each jurisdiction in the region. Therefore, a general way to change the voting structure on the Board is to change the voting unit.

Exhibit 3.1 illustrates the impact of changing the voting unit from the current 4,000 to 5,000 persons. If the 5,000 figure were adopted, the potential dominance of Kelowna would be reduced, especially with respect to unweighted votes. On an unweighted vote, Kelowna would have to gain the support of two other Directors to ensure passage of a motion. The dominance of Kelowna is unchanged on weighted votes issues and cannot be because weighted votes are directly connected to population levels.

EXHIBIT 3.1 IMPACT OF CHANGING THE VOTING UNIT (2003)

Voting Unit	Unweighted Votes (Kelowna/Total)	Weighted Votes (Kelowna/Total)
4,000	5/11	25/39
5,000	4/10	20/31

An increase in the voting unit effectively increases the number of residents that are represented by each Director on the Board. Exhibit 3.2 shows the ratio of residents to Directors under the current 4,000 voting unit. It shows that the Directors from Kelowna represent a much larger number of residents than residents of other jurisdictions. Any increase in the voting unit would increase this disparity.

EXHIBIT 3.2 RATIO OF RESIDENTS TO DIRECTORS (2003)

Jurisdiction	Residents per Director
Kelowna	19,653
Lake Country	9,267
Peachland	4,654
Westside	10,626
Ellison/Joe Rich	3,672

CHAPTER FOUR: TIME DEVOTED TO ELECTORAL AREA ISSUES

This Chapter examines the concern raised by some municipalities that a large amount of time at Board and Committee meetings is devoted to electoral area issues rather than regional issues.

4.1 BACKGROUND

Of the 107 services delivered by the Regional District, the vast majority are services to the electoral areas:

- Only 18 services are provided region-wide
- 79 are provided to the Electoral Areas only
- 64 are provided to Westside only

The large number and wide range of services provided to Westside is not surprising. In population terms, it is the largest and fastest growing electoral area in BC. Also, it is larger than 80% of the municipalities in the province. As a result, a significant amount of time of Board and Committee Meetings is devoted to electoral area issues, especially land-use planning issues on the Westside.¹⁶

At present, Board Committees are not structured to minimize the involvement of the municipalities in electoral area issues:

- Committees are structured on functional not geographic lines (e.g. Engineering, Planning, Transportation, Parks). Therefore, each Committee deals with a range of issues, some of which involve all jurisdictions but many of which affect the electoral areas only.
- The Committees are advisory not administrative. Therefore, they do not relieve the Board of decision-making responsibility. The Board has created one agency to manage affairs on the Westside - the Westside Parks and Recreation Commission. However, significant service and policy decisions are still the responsibility of the Board.
- All Committees include a representative from each member jurisdiction.

Over the next few years, this issue may go away because many of the services currently provided to the Westside may become the responsibility of a municipal

¹⁶ This has been confirmed by review of Board agendas and minutes.

government. In 2003, a major restructure study will be undertaken on the Westside. This study will examine a range of alternative governance structures including the creation of a new municipality, amalgamation with Kelowna, or other form of governance. The study could lead to a vote on restructure options.

However, the timing and direction of these restructuring efforts cannot be known with any certainty. Therefore, this Chapter presents some options for addressing the issue in the near term.

4.2 ALTERNATIVE APPROACHES

We have identified three ways of addressing concerns over the time spent on electoral area issues. In selecting these options, we were mindful of the following constraints:

- **Limits on delegation:** The *Local Government Act* limits the extent to which decisions can be delegated by the Regional Board to other bodies. For example, by-law making authority cannot be delegated to a Committee or a Commission. This severely constrains the extent to which the Board can delegate land-use planning issues.¹⁷
- **Municipal Participation in Fringe Area Planning:** Kelowna participates in fringe area planning and, therefore, all its Directors have the right to vote on such issues.¹⁸ Also, by Board policy, all jurisdictions vote on electoral area OCPs.
- **Committees Working Well:** Directors and staff have told us that the current Committee system is generally working well.

Option #1: Restructure Board Meetings

Under this Option, the Board's agenda would be divided into two parts:

- Part One: Issues affecting the Region as a whole and/or issues on which all Board members vote.
- Part Two: All Electoral Area planning issues and any servicing issues that affect the Electoral Areas only.

All Board members would attend Part One. The smaller municipalities could choose not to attend Part Two. The absence of Directors from the small municipalities would not

¹⁷ The fact that decisions must be taken to a Board meeting does not mean that all members would be entitled to vote on planning issues.

¹⁸ Fringe Area planning is a sub-set of Electoral Area Planning.

leave the Board without a quorum, although it could leave the impression of disinterest or a divided Board.¹⁹

Under this approach, it would be possible to schedule Board meetings where the majority of issues to be discussed are Electoral Area issues. Some of these meetings could be held on the Westside rather than at the main Board office.

This Option could include a revision of the current policy that allows all Directors to vote on electoral area OCPs.

Option #2: Board Committee on EA Planning

Under this Option, the Board would delegate as much authority as possible to a Board committee on Electoral Area planning. Kelowna would sit on this Committee and participate in fringe area decisions. The municipalities that do not participate in fringe area planning would not sit on this Committee. The work of the Committee would include:

- Providing advice to the Board on all electoral area planning decisions that need to be taken by the Board. The issues would still have to be discussed and voted on at a duly constituted Board meeting, but the expectation is that the time taken at the meeting would be shorter than it is today.
- Relieving the Board of responsibility of a decision or action where this is possible under current legislation (e.g. Public Hearings).

This approach may achieve many of the benefits of Option #1 but without the appearance of disjointed Board meetings. However, given the limited potential for delegation, it may be seen as adding another layer of decision making rather than streamlining.

Meetings of the Board Committee could be held regularly on the Westside. It may also be desirable to invite representatives of the large Improvement Districts on the Westside to participate in planning discussions in order to encourage closer coordination of land-use and servicing issues.

Option #3: EA Service Committee

Under this Option, the Board would create an Electoral Area Service Committee. This Committee would be responsible for managing all services that are provided exclusively to the Electoral Areas. Only the four Electoral Area Directors would sit on the Committee. This change would necessitate some restructuring of the other Committees.

The Regional Board would delegate as much administrative decision-making as possible to this Committee. The Committee would also make a recommendation on any

¹⁹ The Board quorum is 6 Directors.

issue where a Board decision is necessary (e.g. extending sewer service to a new service area). However, given the limits on delegation in the Act, this Committee is unlikely to relieve the Board of a great deal of work.

4.3 FRINGE AREA PLANNING

Under the current arrangements, the City of Kelowna participates in fringe area planning and this allows each Director from Kelowna to vote on fringe area planning issues. Therefore, it has the majority of votes on these issues. However, the City of Kelowna contributes only 8.65% of the tax requisition for Electoral Area Planning. We are told that this contribution rate is derived from an estimate of the cost of development planning work in the fringe area.²⁰ However, the calculation is based on dated information.

Even though this voting power has not been used in a way that has offended the Electoral Areas, it is not clear to us that the City of Kelowna should have a potential majority of votes on fringe area planning issues. Therefore, reconsideration of this voting arrangement is in order. Given the sensitivity of fringe area decisions, we recommend that all votes in the fringe areas require the concurrence of Kelowna and the electoral area. At the same time, the cost-sharing figures should be updated.

Alternatively, the City of Kelowna may wish to reconsider its participation in and financial contribution to fringe area planning. It may, for example, feel that it has sufficient influence on growth management decisions through its participation in Regional Planning.

4.4 CONCLUSIONS

We recommend that the Board adopt the simplest procedural solution to this issue. In our view this is Option #1 which calls for a restructuring of the Board's agenda. As an adjunct, however, the Board should reconstitute the Planning and Environment Committee into two committees: one to deal with electoral area issues only; and one to deal with region-wide issues. The former would meet regularly and would not include representatives from Lake Country and Peachland. The latter would meet on an 'as required' basis. The Board should delegate as many issues as possible to the Electoral Area Committee including public hearings. However, we do not recommend adopting Option #2 that would see **all** Board issues reviewed first by the Electoral Area Planning Committee.

The Board should reconsider the voting arrangements for fringe area planning and confirm that the current division of costs is still appropriate.

²⁰ With Kelowna responsible for one-half of those costs.

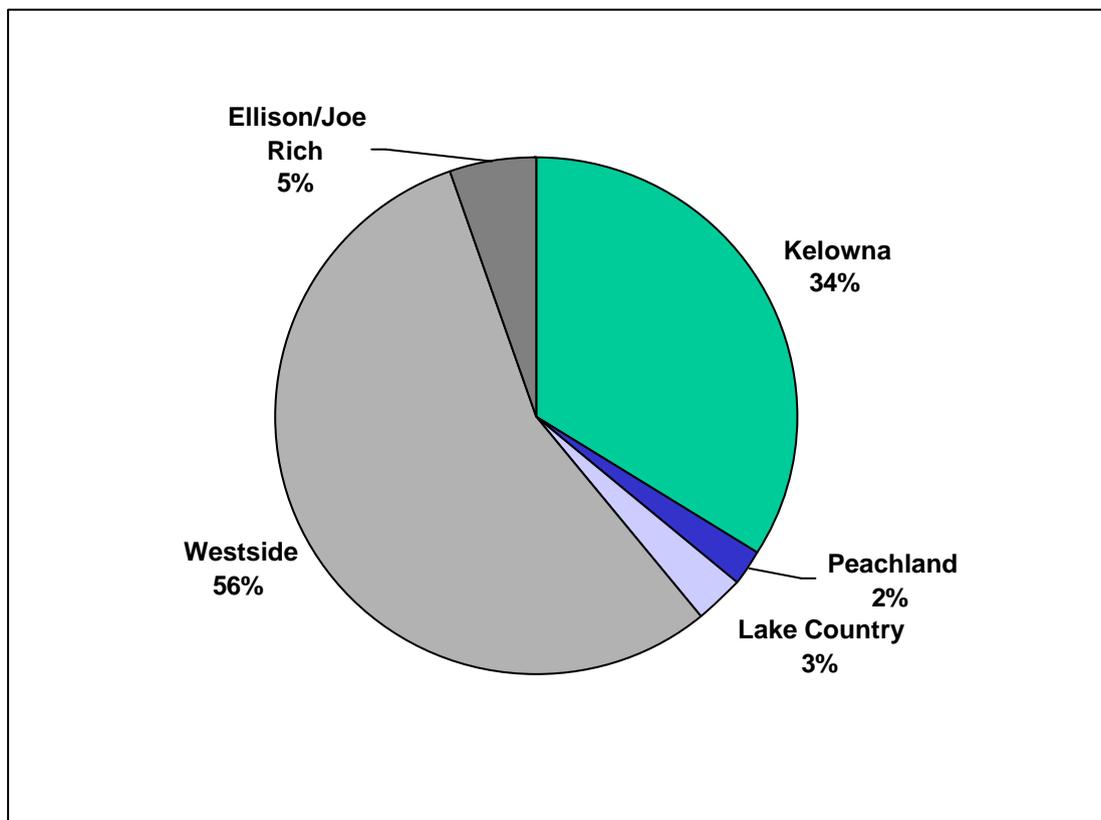
CHAPTER FIVE: ALLOCATION OF SHARED ADMINISTRATION COSTS

The smaller municipalities have expressed the concern that the electoral areas are not bearing the full cost of the services in which they participate. This is thought to be particularly true of shared administration costs. In this Chapter we examine the way costs are allocated in RDCO.

5.1 BACKGROUND

Like all Regional Districts, RDCO allocates costs to individual services. Exhibit 5.1 shows the allocation of service costs among jurisdictions based on the extent to which each jurisdiction participates in the various services. As the Exhibit shows, more than half of the Region's costs are allocated to the Electoral Areas. This is not surprising because of the large number of services received by those Areas.

EXHIBIT 5.1 ALLOCATION OF SERVICE COSTS



In most instances, costs are easily identified with the service in question and there is little or no ambiguity about the appropriate allocation. Some costs, however, cannot be simply and directly associated with a single service. Shared administration costs, such as those associated with financial services, information systems and space, have to be allocated to individual services in a way that is acceptable to members of the Regional Board.

In RDCO, shared administration costs represent around 8% of total costs. Rather than allocate 8% to every service, individual services are placed into one of four categories and are charged overhead based on the relative amount of administration used:

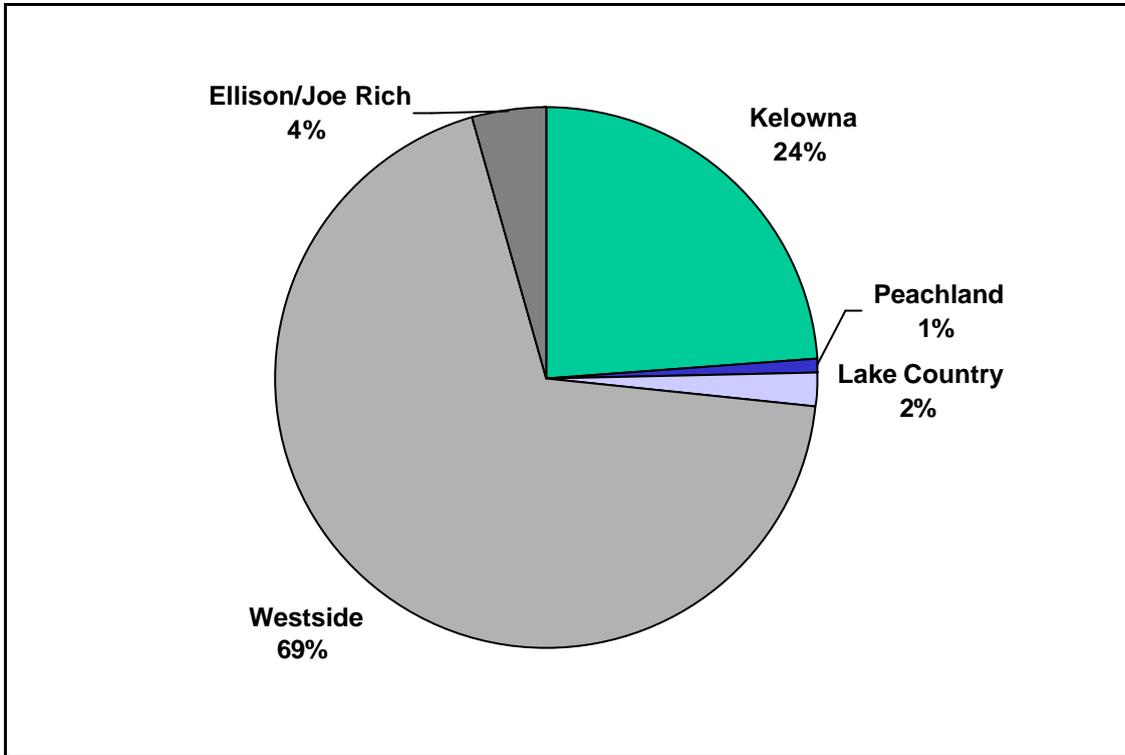
- 5% for services that require very little administration (e.g. Street lights)
- 10% for services that administration gets involved in periodically (e.g. Fire Departments, Transit)
- 15% for services with constant use of administration services such as Payroll, Invoicing, Purchasing, Payables, and Computer usage. (e.g. Parks programs, Planning, etc.)
- 15% + 5% which reflects additional involvement of Engineering Dept. Utilities that require substantial involvement from the Engineering Department (e.g. Water & Sewer)

Exhibit 5.2 shows the allocation of administration costs. It shows that 73% of costs are allocated to the electoral areas. Once again this reflects the pattern of services provided. It also reflects the fact that some of the larger region-wide services impose very low administrative costs (e.g. Okanagan Water and SIRP). Exhibit 5.3 illustrates the same point in a slightly different way. It shows the ratio of administration costs to total cost by jurisdiction. Again the ratio is highest for the Electoral Areas.

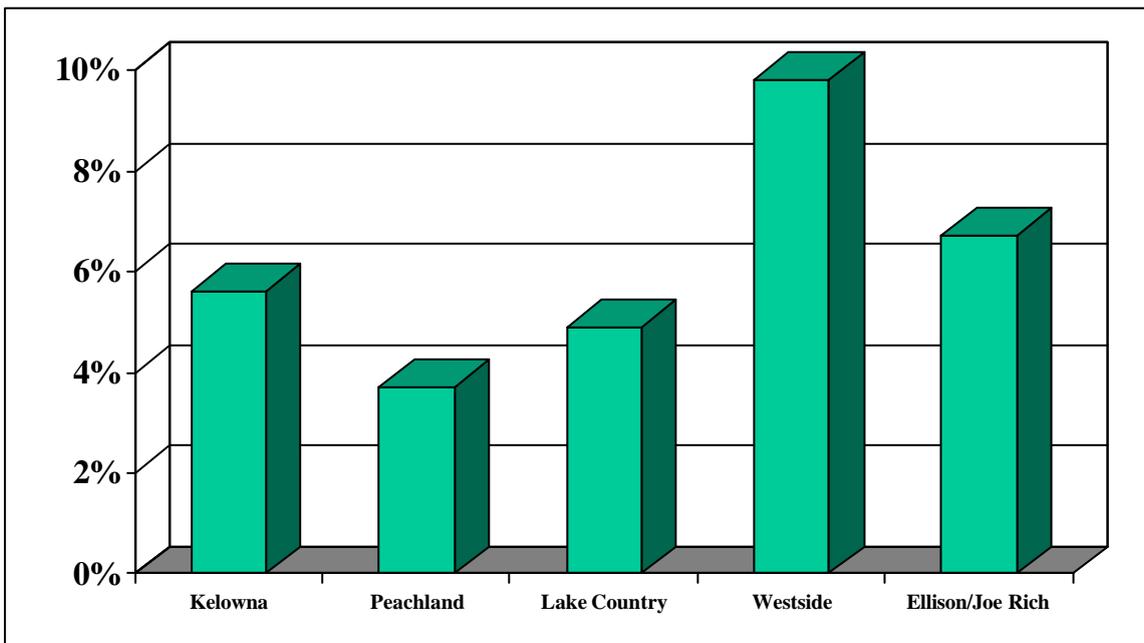
In addition to regional administration costs, the Board allocates administration costs within the engineering department. These are allocated to engineering capital projects, almost all of which are associated with work in the Electoral Areas.

While there is always room for debate in the way shared costs are allocated, the system used by RDCO provides a reasonable but simple way of differentiating the impact of various services on administration costs.

**EXHIBIT 5.2
ALLOCATION OF ADMINISTRATION COSTS**



**EXHIBIT 5.3
ADMINISTRATION COSTS RELATIVE TO EXPENDITURE**



5.2 ALLOCATION OF BOARD COSTS

The administration costs associated with the work of the Board and its Committees are a special example of the debate about cost allocation. Today, Board costs are allocated in RDCO in two ways. First, some costs uniquely associated with the Electoral Areas are allocated either to the Electoral Area Administration function or the Westside Office function.²¹ These costs are recovered from the Electoral Areas. Second, all remaining costs are charged to the Regional Board function, and these costs are recovered from all member jurisdictions using the default allocation method based on converted assessment. In practice this means that 80% of Board costs are recovered from the municipalities.

It could be argued that, since the Board's time is not entirely devoted to regional business, Board costs should be allocated as part of administration overhead.²² A policy change of this nature would lead to a reallocation of costs from municipalities to electoral areas. The impact of this change is shown in Exhibit 5.4. Kelowna would be the largest beneficiary of this change but the impact in tax savings would be less than \$1 per resident.

EXHIBIT 5.4 IMPACT OF REALLOCATING BOARD COSTS

Jurisdiction	Allocation By Assessment	Allocation As Administration Overhead
Kelowna	\$180,475	\$59,680
Peachland	\$7,175	\$2,447
Lake Country	\$13,975	\$4,778
Westside	\$43,200	\$171,905
Ellison/Joe Rich	\$5,175	\$11,191

5.3 CONCLUSIONS

Based on the information provided to us, we feel that the Regional District allocates costs in a reasonable manner and it is not obvious to us that there is a significant (if any) subsidy to electoral areas. We see no reason to change the current method of allocating costs but recommend that the Board continue to fine-tune its allocation method over time.

²¹ We understand that changes are planned in 2003 that will see more costs allocated to these functions.

²² See the discussion in Chapter Four.

The only point of potential disagreement is over the way Board costs are allocated. We do not support the principle of allocating Board costs as part of administrative overhead. The operation of the Board is, for the most part, corporate in nature. Where Committee or Commission costs are uniquely and unambiguously associated with individual services we would advocate re- allocating those costs.

CHAPTER SIX: CONVENTIONAL TRANSIT

This Chapter discusses three issues identified by the Regional Board: the lack of clear regional identity in the approach taken to some services; the difficulty of meeting different service expectations (e.g. the difference between rural and urban expectations) within a single service; and, the tensions created by having the City of Kelowna administer a regional service. It does so in the context of conventional transit services, which provides a telling illustration of each of them.

6.1 THE CURRENT SITUATION

From a rider's point of view, conventional transit in the RDCO is a single unified system. The service is managed and delivered by a single operating company (a private company under contract) and the various routes operate in an integrated fashion across local government boundaries. However, this uniformity masks the underlying complexity of the governance arrangements.

Three local governments are involved in the governance of transit services: the City of Kelowna; the District of Lake Country; and, RDCO (including the Electoral Areas and Peachland). Each of these governments has its own contract with BC Transit which is the provincial agency involved in the planning, delivery and finance of transit services. Coordination of governance decisions is achieved through the Transportation Committee of the Regional District. However, this Committee does not have decision-making authority. Recommendations of the Transportation Committee have to be approved by the three governing authorities. On a day-to day basis, the City of Kelowna provides oversight of the contractual arrangements with the private sector operator, on behalf of the three governing bodies.

BC Transit shares the cost of providing transit service. In recent years, BC Transit's contribution has covered around 47% of the operating and capital costs of conventional transit. However, BC Transit has frozen its contribution to transit province-wide and is in the process of developing new cost-sharing arrangements with local government

Since the service is integrated at an operational level, local government's share of costs has to be allocated among the three governing authorities. The manner in which costs are shared has been a controversial issue and, in recent years, various modifications have been made to the allocation formula. As a result, the allocation calculation, which is linked to the service provided, service use and revenue generated, is one of the more complicated cost-sharing arrangements in the province.

6.2 WHY NOT A TRULY REGIONAL SERVICE?

Given that the service operates on a regional basis and given the complexity of the current governance arrangements, the question arises ‘why is the service not established as a regional function under regional district governance?’ A number of reasons have been suggested:

- **Loss of effective control:** The City of Kelowna is concerned about the potential loss of control over the quantity and quality of service in the City. Transit, by its nature, tends to be concentrated in the more heavily developed parts of the region. In RDCO, most of these are inside the City’s boundaries.
- **Loss of influence :** Smaller jurisdictions, such as Lake Country, are concerned about the potential loss of influence within a regional context (e.g. over the cost-allocation formula). They recognize that a jurisdiction cannot exit from a regional transit function using the current provisions of the *Local Government Act*.
- **Lack of Agreement on Priorities:** Each government has its own list of service expansion priorities, not all of which would rank high in a regional context. In short, there is not a shared vision on the future of transit services. The current arrangements allow each governing authority some freedom to make their own decisions on these priorities without having to spend a long time negotiating every service decision with other jurisdictions.

These are valid and understandable reasons why jurisdictions may resist changes to the current governance arrangements. But transit is also a major issue that, along with other transportation issues, will shape the livability of the Region. Therefore, the future governance arrangements for transit are seen as a litmus test of the collective commitment by member jurisdictions to regional governance in matters of regional significance.

6.3 IS REGIONAL DISTRICT GOVERNANCE FEASIBLE?

Technically, the conversion of transit to a regional service is straightforward. The service would be established and governed by the Regional Board, and a single contract would be developed with BC Transit. The issue is whether sufficient mechanisms and safeguards could be put in place to address the concerns outlined above. Once again, the tools are available to customize service arrangements that meet the needs of the partners. For example:

- **Operational Decisions:** This is a service where management decisions (e.g. new routes; service levels; fares) could be delegated to the Transportation Committee. The composition of the Committee and the voting rules could be customized to meet the needs of the partners. The Committee could, for

example, agree to use a non-weighted vote for all decisions. This would leave the City of Kelowna with the largest number of votes but it would not give the City an automatic majority on all issues.

- **Cost-Sharing:** The cost sharing arrangements would be agreed to beforehand and laid out in the establishment by-law. It would not be appropriate for the current cost-sharing arrangements to be replaced by the default method of regional district cost-allocation. Although the current formula is complicated, considerable time has been invested in developing it and it contains some sensible incentives for participants (e.g. the cost of service expansion in any single jurisdiction would be paid for by that jurisdiction).
- **Tax Limits:** The service would include a cap on taxation and/or a cap on the rate of increase of taxation.
- **Special Voting Rules:** The Board would agree that changes to critical conditions (e.g. cost-allocation and the taxation cap), could not be made without agreement expressed through special voting rules (e.g. four out of five jurisdictions must agree).
- **Sunset Clause:** The service would be established for a defined period of time (e.g. five years). At the end of that period, participants would have the option of returning to the current arrangements.
- **Exit Provisions:** The Board could agree to exit provisions under defined and exceptional circumstances.

No matter what the structure of the service, regional governance will not work well if participants do not have a shared vision of the future of transit services (e.g. scale of investment required) and a shared understanding about the way transit priorities should be established (e.g. potential ridership; relationship to regional growth strategy). Therefore, the decision to proceed with a new governance structure must be accompanied by a high-level service plan that demonstrates broad agreement on the future direction for transit. That plan may wish to distinguish between region-wide service issues and local issues.²³

Movement to regional governance could be accompanied by other changes that would strengthen the role of the Region in the coordination of transportation decisions:

- **Include TDM:** Since transit and TDM issues are closely linked, TDM could become a service component of the transit function (assuming all jurisdictions choose to participate) and included as a cost to be allocated among members. The allocation formula for transit could be adopted for TDM.

²³ In addition, service expansion decisions have been and will continue to be strongly influenced by the funding available through BC Transit.

- **Switch to Regional Staff:** Management of Transit could become the responsibility of Regional District staff rather than contracted to the City of Kelowna. There is a view that the current arrangements are more efficient and effective than could be achieved through regional staff. However, even if this view is correct, the change would have a strong symbolic influence. Under the current arrangement transit services and TDM are managed by Kelowna staff based in the City of Kelowna's offices who report to City of Kelowna management. There is an impression, therefore, that these staff members will be more sensitive to Kelowna concerns than those of other jurisdictions.
- **First Nations involvement:** The Board could work toward new arrangements for the involvement of the Westbank First Nation in transit governance and funding.

6.4 CONCLUSIONS

Despite the cumbersome governance structures, the region operates a viable, unified transit system. The future success of the transit system will depend on the ability of the partners to develop a shared vision for the future of the service, whether or not the service is managed in the current fragmented fashion.

However, the opportunity exists for the partners to move to a system of Regional Governance that will remove some of the complications of the current system and will demonstrate a willingness to work together on regional transportation issues under the single governing umbrella of the Regional District. The *Local Government Act* provides the Board with sufficient tools to design a service arrangement that includes safeguards for the participants. Most importantly, the service should include a sunset provision that would allow members to reconsider joint governance after a reasonable trial period (e.g. five years). The arrangement should also allow for early exit provisions in exceptional circumstances.

If it is not possible to devise a regional service arrangement that meets the needs of all partners, it would still be useful to create a regional service that includes the two largest partners: Kelowna and Westside.

REVIEW OF GOVERNANCE AND SERVICING ISSUES

Appendices

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January 26, 2003

APPENDIX A: TERMS OF REFERENCE FOR THE STUDY

1.0 Purpose

The Regional District of Central Okanagan in conjunction with the municipalities of Kelowna, Lake Country and Peachland wishes to examine governance and servicing options within the Central Okanagan. This work is being commissioned in accordance with the Regional District's Growth Management Strategy and will entail the preparation of a focus report (or "discussion paper") with recommendations for the future.

The purpose of the work is to provide direction to the Regional Board and, subsequently, Municipal Councils in fulfilling the Regional Growth Strategy vision, specifically to:

"Work cooperatively to establish Regional Governance that will:

- Provide a meaningful and equitable role in decision making for all local governments;
- Recognize that the impact and importance of specific regional issues may be different in the various governments within the Region;
- Recognize that each local government's ability to pay its share of the cost of addressing regional issues may be limited by the size and makeup of its tax base;
- Recognize the regional implications of commercial, industrial, residential and institutional activity, and determine the impacts of the distribution of those activities throughout the Region;
- Explore new revenue sources for regional service delivery, including Provincial legislation to provide secure sources other than property taxation."

The discussion paper will provide a general overview of emerging governance and financial partnership issues that the region is facing, will examine strategic options for addressing these issues, and will make recommendations for potential changes to existing regional governance and service practices.

A consultant with expertise in local and regional governance models will be retained to oversee preparation of the discussion paper. A team comprised of regional district, municipal and provincial staff representatives will assist in components of the work.

2.0 Scope of the Discussion Paper

The discussion paper will be developed through consultation with senior administrative officers of the regional district and its member municipalities, and through a process of consultation with elected officials via the Regional Governance and Services Committee.

It is anticipated that the discussion paper will generally contain the following components:

1. Context to the discussion, including identification of current and emerging issues of governance, for example:
 - perception that many regional services duplicate services offered at another level of government – provincial or municipal;
 - perception that regional program budgets and program policies are established by majority vote and are not sufficiently responsive to priorities of smaller communities;
 - differing interpretations to “working cooperatively”, “coordination”, “meaningful roles in decision making” and “fair share of costs”;
 - perception that new approaches are needed for the future in order to achieve the Central Okanagan growth strategy vision.

1. Discussion and analysis of options relating to key components of regional governance, such as:
 - Alternative mechanisms to enhance financial ability of communities to participate in regional functions;
 - Alternative mechanisms to allow partners to join or to withdraw from a regional function or program (e.g.: sunset clauses, late-comer fees, partnership dispute resolution, defining and handling changes to service agreements);
 - Alternative mechanisms for allocating costs of program and regional district administration.

2. Analysis of the projected impact on the existing regional district governance structure that may come from potential new general revenue sources e.g.: sales tax credits that may favor certain land uses (e.g.: casinos, auto sales lots).

3. Provide policy direction and make recommendations to the Regional Board of Directors. Specific policy recommendations will be made concerning:
 - Differing methods of implementing and monitoring recommendations of the regional growth strategy, including monitoring of regional context statements and performance based budgets;
 - A framework for periodic review of regional programs and services;
 - A framework for evaluating potential new regional functions and services, particularly those formerly conducted by other levels of government, community agencies etc.

***APPENDIX B:
FACT SHEETS***

Administration Overhead

Air Quality

Electoral Area Planning

Regional Parks

Regional Planning

Transportation Demand Management

Transit

CENTRAL OKANAGAN GROWTH MANAGEMENT STRATEGY
Discussion Paper on
Governance and Servicing in the Central Okanagan

Service: Administration Overhead

Description of Service:

The Board policy is that the Administrative Overhead is recovered by applying an overhead charge to the various services.

This administration levy against services is allocated based on dollars spent providing the service.

Administration costs include the following program budget costs:

- Administration
- Finance
- Engineering Services
- Human Resources
- Information Systems.

All members of the Central Okanagan Regional District are charged administration overhead, through the programs they participate in:

- City of Kelowna
- District of Lake Country
- District of Peachland
- Westside Electoral Area
- Ellison / Joe Rich Electoral Area

Service Delivery and Governance:

Administration service is delivered through the Administration Services, Finance Services, Engineering Services, Human Resources, and Information Systems program budgets.

Staff and the Governance and Services Committee make recommendations to the Regional Board for decision making.

The Regional Board receives and discusses recommendations and votes on the matters at hand.

Cost and Cost Allocation:

Member municipalities and electoral areas only pay towards the cost of administration of programs that they participate in.

The Board policy is to allocate administration costs to four service level categories at a ratio of: 1:2:3:(3+5%).

This policy allows administrative costs to be charged back to the programs that receive administrative services, according to the level of service provided.

The four administrative service level categories & the approximate rates (which vary slightly from year to year):

- 5% for Services that require very little administration (Streetlights, etc.)
- 10% for Services that administration gets involved in periodically (Fire Departments, Transit, etc)
- 15% for services with constant administration (Payroll, Invoicing, Purchasing, Payables, Computer usage, etc.) involvement (Parks programs, Planning, etc.)
- 15% + 5% which reflects additional involvement of Engineering Dept. Utilities that require substantial involvement from Engineering Dept (Water & Sewer)

Generally the regional District recovers costs on the basis of assessment to all participants. However, in the case of administration overhead, the policy described above is the more equitable method. The table below illustrates the amounts the members would pay under both methods:

Member	Current Method	Assessment Value Method
Electoral Areas	\$ 1,490,828	\$ 323,860
City of Kelowna	485,934	1,469,554
District of Lake Country	38,908	113,811
District of Peachland	19,921	58,356

Key Issues:

Some members feel they are paying more than their fair share and some of the member municipalities feel there is a duplication of administration services.

The members only pay for their portion of administrative costs that are allocated to the program services in which they participate. There are administrative costs associated with running programs.

CENTRAL OKANAGAN GROWTH MANAGEMENT STRATEGY
Discussion Paper on
Governance and Servicing in the Central Okanagan

Service: Air Quality

Description of Service:

Work with partners to protect and improve air quality, especially as growth occurs, in the best interests of the people of the Central Okanagan, to improve their quality of life.

Effectively direct and manage air quality improvement contract services and budget to:

- Identify types of emissions to be monitored.
- Determine emission loading.
- Develop reduction strategies.
- Develop regulations.
- Identify outside funding sources.
- Determine public support and acceptance.
- Implement new programs.
- Educate the public.

Focus on Particulate Emissions and Baseline Inventories and carryout projects (see project listing in measures) to improve air quality.

Participating members are:

- City of Kelowna
- District of Peachland
- Westside Electoral Area
- Ellison / Joe Rich Electoral Area

Service Delivery and Governance:

Service Delivery is on a contract basis with City of Kelowna.

Recommendations are made to the Regional Board by the Air Quality Committee (Board members and representatives from participating municipalities are voting members, and representatives from fire prevention, health agencies, provincial and federal agencies, and adjacent regional districts are non-voting members).

The Regional Board receives and discusses recommendations and votes on the matters at hand.

Contractor Activities:

- Air Quality Monitoring and Reporting.
- Clean Air Education (Air Quality and Transportation Demand Management).
- Implementing Air Quality Regulations.
- Great Okanagan Wood Stove Exchange Program.
- Evaluation and Monitoring of Regional Programs.
- Monitoring and Pilot Testing of New Technologies.

.5 Contract FTE is allocated to this program. The City of Kelowna supplements the budget to support a full-time employee.

Cost and Cost Allocation:

There is a \$55,000 annual contract with the City of Kelowna.

Allocated to City of Kelowna, Peachland, Westside Electoral Area, and Ellison / Joe Rich Electoral area on the basis of assessment.

Key Issues:

Air Quality is a concern to the whole region. As growth occurs, air quality suffers, and there are no municipal or electoral boundaries for air. Population growth in the Region is encouraged, and air quality needs to be managed in a responsible manner.

Board members have expressed concern that the work is carried out by an employee of the City of Kelowna under the contract. The Regional District therefore loses the expertise and skill set that this person could provide in other areas if they were a regional district staff person.

Air Quality is a concern to the entire Okanagan Valley. The Central Okanagan Regional District participates in this function. The North and South Okanagan regional districts attend committee meetings as guests, but do participate financially.

Not all members within the RDCO participate in this program. The District of Lake Country has expressed concern about participating in this function because they are uncertain of the costs that may be incurred in the future. Once they participate, they will have to fund the program to the level that is decided by the board on a weighted vote basis. Approval from municipal councils would not be required.

CENTRAL OKANAGAN GROWTH MANAGEMENT STRATEGY
Discussion Paper on
Governance and Servicing in the Central Okanagan

Service: Electoral Area Planning

Description of Service:

To provide professional planning services at a level of service comparable to an urban municipality, with respect to development and implementation of land use policies, and in the evaluation of development applications, to enhance the quality of life and environment within the Electoral Areas and City of Kelowna fringe areas.

To enhance communication with the public, the development community and government agencies through the delivery of general planning services, and in the evaluation of development applications and project assignments to increase awareness of planning service activities and address public needs.

To review and evaluate development applications in accordance with the land use policies, procedures, regulations and servicing standards established in the Growth Management Strategy, Official Community Plans, Rural Land Use, and Regulatory Bylaws of the Regional Board with regard to:

- Residential use
- Commercial and Industrial use
- Institutional and Utility Services use
- Agricultural, Forest and Resource Lands
- Environmental Protection
- Social Environment (community, neighborhoods, safety & security)
- Hazardous Areas
- Parks, Linear Pathways and Recreation
- Roads and Transportation Services
- Heritage Features
- Future Land Use Designations and Development

Participating members are:

- Westside Electoral Area
- Ellison / Joe Rich Electoral Area
- City of Kelowna (fringe area planning only)

Service Delivery and Governance:

Service is delivered by the Regional District's Planning Department, as directed by the Regional Board, based on recommendations by the various committees and commissions.

Recommendations to the Regional Board are made by:

- Planning and Environment Committee (Board members)
- Environmental Advisory Committee (Members of the public appointed by the Board)
- Agricultural Advisory Committee (Members of the public appointed by the Board).
- Staff
- The City of Kelowna (they participate in fringe area planning)
- Advisory Planning Commissions (members of the public for each area, appointed by the Board)
- Staff

The Regional Board receives and discusses recommendations and votes on the matters at hand.

Planning Department Electoral Area Planning Activities:

- Providing information to the public.
- Evaluation of development applications:
 - Official Community Plan amendments
 - Development Permits
 - Development Variance Permits
 - Agricultural Land Reserve referrals from the Land Reserve Commission
 - Zoning Amendments
 - Land Use Contract Amendments
 - Temporary Commercial / Industrial Use Permits
 - Subdivision referrals from Ministry of Transportation and Highways
 - Miscellaneous referrals from provincial agencies (liquor licenses, sand and gravel extraction, crown land leases, etc.)
- Development Application Projects.
- Planning and Design Projects.
- Neighborhood Planning.
- Environmental Planning.

9.36 FTE's are allocated to this program.

Cost and Cost Allocation:

Electoral Planning 2002 operational and capital budget is \$834,165.

The City of Kelowna contributes towards electoral area planning for fringe areas on a percentage basis (8.65% of the costs). This formula was arrived at between the two planning departments several years ago, based upon the planning activities within the fringe area.

The remainder of the costs are shared among the electoral areas based on assessed values.

Key Issues:

Some municipal members feel they should be able to vote on all planning issues within the Electoral Areas. It is Board policy for everyone to vote on Official Community Plans, regardless of the fact that not everyone pays toward the costs of preparing and maintaining those plans.

With fringe area planning, member municipalities have expressed concerns about the allocation of costs to their respective municipalities. Development within the Electoral Areas (such as Crown Leases in community watersheds) has the potential to impact municipal services.

Some members have expressed concern about the high volume and heavy involvement of the Board in the processing of Electoral Area development applications (i.e, 73 applications in 2001, excluding subdivisions).

Reduced provincial capacity to deliver services and to manage growth in electoral areas.

CENTRAL OKANAGAN GROWTH MANAGEMENT STRATEGY **Discussion Paper on** **Governance and Servicing in the Central Okanagan**

Service: Regional Parks

Description of Service:

To provide a network of regional parks and trails. These will represent the complete range of regionally significant natural environments for residents and visitors to the Central Okanagan. The program will provide opportunities for outdoor experience and activities in accordance with the Official Regional Park Plan that encourages public understanding, appreciation and enjoyment of the region's natural and cultural landscapes while ensuring the long term ecological and commemorative integrity of each park and trail.

Number of Parks and Type:

4	Conservation
6	Natural
15	Recreation / Cultural / Waterfront
2	Trails
27	Total

All members of the Central Okanagan Regional District participate:

- City of Kelowna
- District of Lake Country
- District of Peachland
- Westside Electoral Area
- Ellison / Joe Rich Electoral Area

Service Delivery and Governance:

Service is delivered by the Regional District's Parks Department, as directed by the Regional Board, based on recommendations made by the Parks Advisory Committee.

Staff and the Parks Advisory Committee make recommendations to Regional Board regarding operations and policies.

The Regional Board receives and discusses recommendations and votes on the matters at hand.

Parks Department Regional Parks Activities:

- Manage operation and maintenance including:
 - Maintaining Park Health.
 - Park Safety and Hygiene.
 - Enhancement of Park Amenities.
 - General Repairs and Maintenance.
 - Preventative Maintenance.
- Manage planning, design and development.
- Manage promotion, interpretation and education.

14.41 FTE's are allocated to this program.

The Board's policy is to limit regional parks expenditures to \$.16 per \$1000 of assessment. In order to change this policy, the Board has to receive 2/3 agreement from participating member municipalities and electoral areas.

Cost and Cost Allocation:

Regional Parks 2002 operational and capital budget is \$2,009,616.

The costs are shared among the participants based on assessed values, and occasionally, donations from the community, or grants are available.

\$654,633 is allocated for repayment of debt regarding land acquisition.

- 78%, or \$508,905 is to repay two major purchases: Gellatly Nut Farm and Fintry Provincial/Regional Park.

In recognition of the fact that Peachland does not have a major regional park, the parks function contributes \$12,000 annually to the District of Peachland for the maintenance of the Peachland beach.

Key Issues:

Comments have been raised at Board meetings as to the geographical equity of parks locations.

There are concerns with regard to weighted voting. Some participants are concerned that they do not have enough influence to have their concerns dealt with, therefore the policy for a requisition limit came into effect. This gives some comfort level to these participants.

"Community" parks and "Regional" parks are defined in the Official Regional Park Master Plan, but there still remains some confusion.

Appendix B

The control of costs and return on investments within the Regional Parks budget are a concern. Staff are addressing this through recommendations that arose from a Parks Audit, and implementation of performance based budgeting.

CENTRAL OKANAGAN GROWTH MANAGEMENT STRATEGY
Discussion Paper on
Governance and Servicing in the Central Okanagan

Service: Regional Planning

Description of Service:

To promote a joint planning approach to addressing issues of interest to all municipal / administrative jurisdictions within the Central Okanagan, in order to manage growth and support human settlement that is socially, economically, and environmentally healthy.

All members of the Central Okanagan Regional District participate:

- City of Kelowna
- District of Lake Country
- District of Peachland
- Westside Electoral Area
- Ellison / Joe Rich Electoral Area

Service Delivery and Governance:

Service is delivered by the Regional District's Planning Department as directed by the Regional Board, based on recommendations made by the various committees.

Recommendations are made to the Regional Board by:

- Inter-Governmental Advisory Committee (Provincial ministry, municipal, and RDCO staff representatives.)
- Planning and Environment Committee (Board members)
- Regional Transportation Committee (Board members and representatives from participating member municipalities)
- Governance and Services Committee (Board members)
- Environmental Advisory Committee (Members of the public appointed by the Board)
- Staff

The Regional Board receives and discusses recommendations and votes on the matters at hand.

Planning Department's Regional Planning Activities:

- Coordination, policy development and implementation, for Region-wide Comprehensive Planning, particularly:
 - Growth Management Strategy in the key areas of:
 - Regional Governance & Service Delivery
 - Housing
 - Environmental Protection
 - Water Resources
 - Air Quality
 - Economic Development
 - Transportation

Including:

- Completion of Discussion papers and monitoring tools in key issue areas to develop and implement coordinated actions to guide the board and municipalities in the management of growth in accordance with the GMS bylaw.
- Development of Regional Context Statements in each of the Region's Official Community Plans, to reflect attainment of the goals and objectives of the RGMS.
- Stewardship of aquatic habitat in partnership with federal and provincial governments.
- Implementation of the Communication Strategy by involving the public in the development of the discussion papers and providing information to them through public meetings, workshops and on the internet.

3.04 FTE's are allocated to this program. The Habitat steward position is funded by Federal/Provincial governments, therefore costs do not appear in budget.

Cost and Cost Allocation:

Regional Planning 2002 operational budget is \$167,334.

The costs are shared among the participants based on assessed values. For 2002, mainly due to a 2001 surplus, no tax requisition was necessary.

Key Issues:

Once the discussion papers are completed, the Board will have to make a decision as to how the Planning Department will implement recommendations that have arisen from

these discussion papers relating to the Regional Growth Management Strategy, and fund any costs.

Member municipalities have expressed the concern that they already support a planning function within each of their municipalities, and why should they contribute to a regional planning department. Clarity is needed to illustrate that the Regional Planning function acts as an umbrella to coordinate RGMS planning and habitat stewardship for the entire region.

CENTRAL OKANAGAN GROWTH MANAGEMENT STRATEGY
Discussion Paper on
Governance and Servicing in the Central Okanagan

Service: Transportation Demand Management

Description of Service:

Participate in Transportation Demand Management (TDM) for the Central Okanagan Region to meet the demands of regional growth.

Provide funding and participate in TDM planning within the region to promote effective and efficient transportation systems.

Participating members are:

- City of Kelowna
- Westside Electoral Area
- Ellison / Joe Rich Electoral Area

Service Delivery and Governance:

Service delivery is on a contract basis with City of Kelowna.

The Regional Transportation Committee (Board members, but Lake Country and Peachland are excluded from voting) makes recommendations to the Regional Board for decision making.

The Regional Board receives and discusses recommendations and votes on the matters at hand. Lake Country and Peachland do not participate in the program.

Cost and Cost Allocation:

The TDM 2002 operational budget is \$272,257.

There is a \$225,000 annual contract with the City of Kelowna.

Allocated to City of Kelowna, Westside Electoral Area, and Ellison / Joe Rich. Electoral area on the basis of assessment.

Key Issues:

Due to the size and urban nature of the Regional District, the need for a coordinated road and public transportation network is a concern to the entire region as a whole. As growth occurs, transportation infrastructure needs and costs in the entire Region will increase.

Board members have expressed concern that the work is carried out under contract by City of Kelowna employees. The Regional District therefore loses the expertise and skill set that these people could provide in other areas if they were a regional district staff.

Not all members participate in this function. The Districts of Lake Country and Peachland have expressed concern about participating in this function because they are uncertain of the costs that may be incurred in the future. Once they participate, they will have to fund the program to the level that is decided by the board on a weighted vote basis.

CENTRAL OKANAGAN GROWTH MANAGEMENT STRATEGY
Discussion Paper on
Governance and Servicing in the Central Okanagan

Service: Transit

Description of Service:

The Regional District manages the budget payments for the three budget programs relating to this function. The RD pays BC Transit Contract Fees, and the City of Kelowna handles the administration of the programs on their behalf.

Westside Transit:

Provide conventional transit services to residents in Peachland, Westside Electoral Area (Westbank, Glenrosa, Lakeview Heights, and West Kelowna Estates).

Handi-Dart (Westside):

Provide access to "door to door" transit services for eligible users (e.g. the elderly, physically challenged, etc.) residing in the Westside Electoral Area, who have no access to alternative forms of transportation.

Ellison Transit:

Provide transit services to residents in Ellison, to ensure access to transportation. This includes both conventional and Handi-Dart service.

Participating Members:

- Regional District (under their own contract and budget with BC Transit, manages and funds service for):
 - District of Peachland
 - Electoral Area Westside
 - Local Service Area Ellison (within Ellison / Joe Rich Electoral Area).

These members also participate, but under their own municipal budgets and contracts with BC Transit:

- City of Kelowna
- District of Lake Country

Service Delivery and Governance:

BC Transit have contracted with one operator for the coordination and operation of the whole transit system in the Central Okanagan. There are 3 separate operational contracts with local governments:

- Regional District :
 - Provides the following service:
 - Westside Transit (for Westbank, Lakeview Heights, West Kelowna Estates, Glenrosa, and District of Peachland)
 - Handi-Dart Transit (for the Westside area described above)
 - Ellison Transit and Handi-Dart Transit.
 - The City of Kelowna administers this service with BC Transit, with the RDCO Engineering Department providing bus stop maintenance for the area identified under Westside Transit above. BC Transit pays the City of Kelowna for administration.
- City of Kelowna
- Lake Country

The Regional Transportation Committee (Board members) makes recommendations and decisions regarding operations and service levels.

The Regional Board receives and discusses recommendations and votes on the matters at hand.

Cost and Cost Allocation:

The Regional District, City of Kelowna, and District of Lake Country are allocated costs, based on service hour formulae agreed upon according to the previous year's service hours. The contractor uses the same assets and pools costs to provide all service to all areas.

The Regional District allocates its portion of the costs to Peachland, the Westside Electoral Area, and Ellison, based on service costs within the area as determined by BC Transit.

The Transit 2002 operational budgets are:

- Westside Transit Services: \$1,055,918.
- Handi-Dart (Westside): \$129,803.
- Ellison Transit: \$15,413.

Key Issues:

Freeze on funding from BC Transit. How or if these funding levels will change in the near future?

The District of Lake Country has expressed concerns with the levels of service provided and associated costs. Because the costs for all three contracts are pooled and allocated according to service hours, there is some potential for inequities in some situations. If costs increase significantly in the pool due to increased service to a member (for example, several new buses purchased for the group, mainly to service a particular area), impacts occur in the other two contracts as well.

Should there be one regional service under a Regional District transit function?

Where & when does expansion / contraction occur?

APPENDIX C: VOTING STRUCTURE OF REGIONAL DISTRICTS - 2003

REGIONAL DISTRICT	Total Population	Voting Unit	Number of Jurisdictions			Number of Directors			Weighted Votes		
			Mun.	E.A.	Total	Mun.	E.A.	Total	Mun.	E.A.	Total
Alberni - Clayoquot	30,345	2,000	3	6	9	4	6	10	11	8	19
Bulkley - Nechako	40,856	3,000	8	7	15	8	7	15	11	9	20
Capital	325,754	5,000	13	3	16	19	3	22	67	5	72
Cariboo	65,659	2,500	4	12	16	4	12	16	12	23	35
Central Coast	3,781	1,500	0	5	5	0	5	5	0	5	5
Central Kootenay	57,019	2,500	9	11	20	9	11	20	15	16	31
Central Okanagan*	147,739	4,000	3	2	5	7	4	11	30	9	39
Columbia - Shuswap	48,219	2,500	4	6	10	5	6	11	14	10	24
Comox - Strathcona	96,131	2,500	8	9	17	11	9	20	31	18	49
Cowichan Valley	71,998	2,000	4	9	13	6	9	15	23	20	43
East Kootenay	56,291	2,500	7	6	13	8	6	14	19	10	29
Rocky Mountain*	5,720	150	1	2	3	6	3	9	28	11	39
Fraser - Fort George *	95,317	4,000	4	7	11	7	7	14	23	8	31
Fraser Valley*	237,550	5,000	5	8	13	13	8	21	49	8	57
GVRD	1,986,965	20,000	21	1	22	32	1	33	112	1	113
Kitimat - Stikine	40,876	2,000	5	5	10	7	5	12	16	11	27
Kootenay - Boundary	31,843	2,500	8	5	13	8	5	13	13	6	19
Mount Waddington	13,111	600	4	4	8	5	4	9	16	8	24
Nanaimo *	127,016	2,500	3	8	11	8	8	16	38	18	56
North Okanagan	73,227	2,500	6	5	11	8	5	13	26	10	36
Okanagan - Similkameen	76,635	1,800	6	8	14	10	8	18	33	18	51
Peace River	55,080	3,000	7	4	11	8	4	12	15	8	23
Powell River	19,765	2,000	1	5	6	2	5	7	7	6	13
Skeena - Queen Charlotte *	21,693	2,000	4	5	9	5	5	10	11	5	16
Squamish - Lillooet	33,011	2,000	4	4	8	5	4	9	16	5	21
Sunshine Coast	25,599	2,000	3	5	8	3	5	8	7	9	16
Thompson - Nicola *	119,222	3,250	8	10	18	12	10	22	33	13	46

* One Municipality has 50% or more of the weighted votes

**Based on 1996 Census. Figures include people residing on Indian Reserves

APPENDIX D – SLIDE PRESENTATION OF FINAL REPORT

Slide 1

RDCO Governance and Servicing Issues

Report to the RDCO Board

January 20, 2003

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Slide 2

Background

- Growth Strategies - Governance Issues Identified
- Short List of Issues and Services - July 31
- Observations/Options - Nov 19
- Draft Report - Today

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Slide 3

The Issues

1. Dominant municipality/free rider
2. Time devoted to Electoral Area issues
3. Subsidy of Electoral Area Services
4. Others:
 - Differences in urban/rural expectations
 - Contracting with Kelowna
 - Regional identity

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Slide 4

The Services

- Issue #1:
 - Reg. Parks/Air Quality/TDM/Reg. Planning
- Issue #2:
 - EA Planning/EA Services
- Issue #3:
 - Overhead allocation
- Issue #4:
 - Transit

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Slide 5

General Messages

- Well functioning Regional District
- Sensible to address irritants
- Safeguards and modifications are available - if jurisdictions want to use them
- For the most part, fine tuning is sufficient
- Keep it simple
- Periodic review of governance issues

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Issue #1 Dominant Municipality Free Rider

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Concerns of Smaller Jurisdictions

- Lack of control/influence
- Costs may become unaffordable
- Exit may be difficult or impossible

‘Free Rider’ Complications

- Potential benefit without contribution
- Hard to demonstrate/measure benefit
- Service unchanged by participation

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Menu of Possible Safeguards

- Taxation limit
- Service increments/funding increments
- Sunset provisions
- Exit provisions (with triggers)
- Customized voting on key changes
- Service contract not by-law

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Regional Parks Suggested Direction

- Retain taxation cap
- Higher voting threshold (4 out of 5 jurisdictions)
- Westside jurisdiction (2 out of 3 Directors)
- A single small jurisdiction cannot veto

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Air Quality/TDM Suggested Direction

- Minimum
 - Taxation limit / taxation increase limit
 - Voting threshold 4 out of 5 jurisdictions
 - Sunset clause
- Phase-in of Contribution
- Later - if necessary
 - Service ‘components’
 - Exit provisions (full or partial)

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Exit Provisions

- **Triggers**
 - e.g. change in taxation limit greater than 10%
- **Mechanism**
 - 6 months notice of intent prior to year end
 - 1 year phase-out period (subject to negotiation or 100% of last-year's requisition)
 - Continued funding of items previously identified as 'committed and unavoidable'

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Regional Planning

- **Future planning initiatives**
 - participation on selective basis
 - MOUs between members

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Issue #2
Time Devoted to
Electoral Areas Issues

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Prevalence of EA Issues

- 107 regional services
 - 18 are region-wide
 - 79 EA only/64 Westside only
- Westside
 - Largest and fastest growing EA in the province
 - Bigger than 80% of existing municipalities

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Suggested Direction

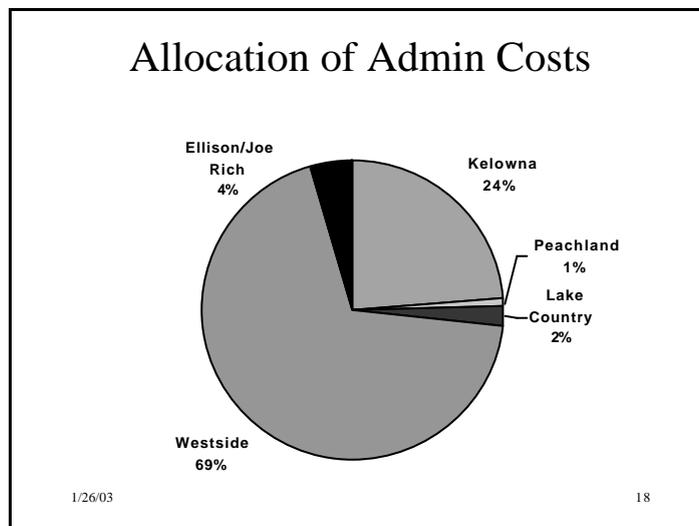
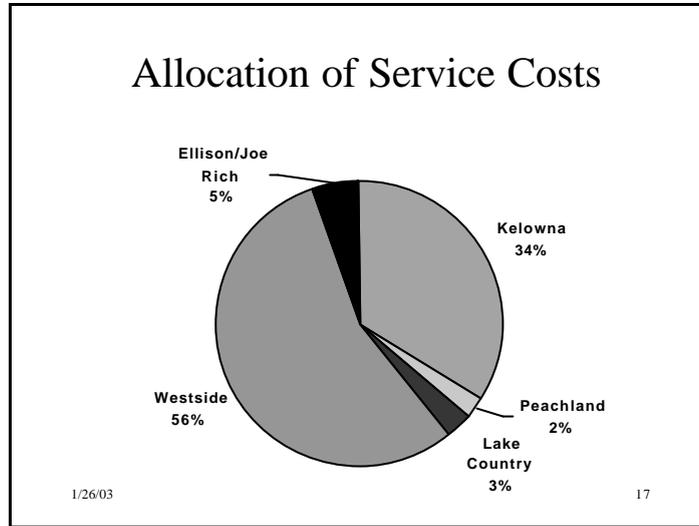
- **Restructure Board Meetings**
 - EA planning issues in a ‘block’
 - Partial attendance on EA issues
 - Board meetings on Westside
- **Board Committee on EA Planning**
 - Maximum Delegation (e.g. Hearings)
 - Limited core membership
 - Invite Improvement Districts to Participate
- **Revisit voting and funding for Fringe Area Planning**

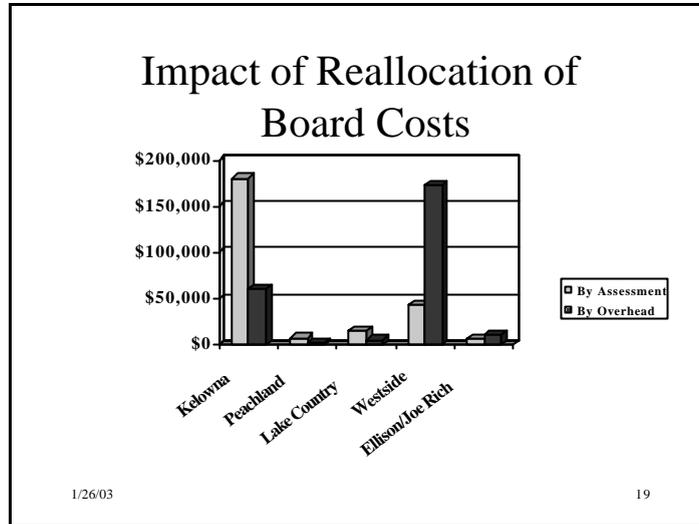
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**Issue #3
Allocation of
Administration Costs**

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Suggested Direction

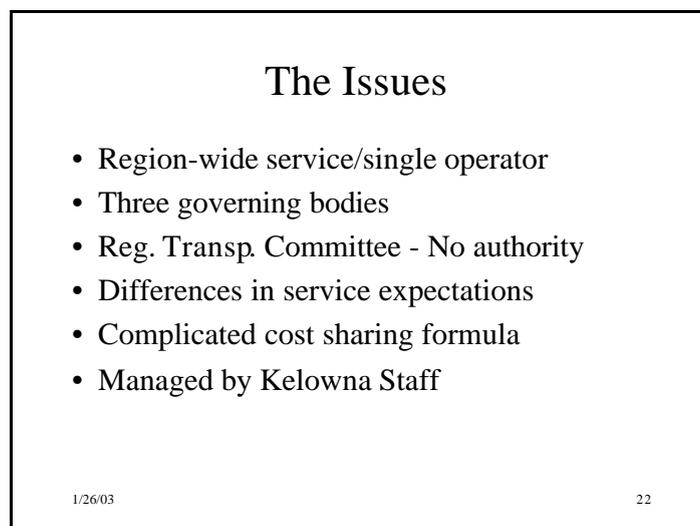
- Continue with fine-tuning
- Do not allocate Board Costs as “overhead”

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Issue #4
Conventional Transit

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The Issues

- Region-wide service/single operator
- Three governing bodies
- Reg. Transp. Committee - No authority
- Differences in service expectations
- Complicated cost sharing formula
- Managed by Kelowna Staff

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Why not a Regional Function?

- Loss of control
- Loss of influence
- Disagreement over transit priorities

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Suggested Direction

- Governed by Regional Board
- Managed by Transp. Committee
- Agreed cost sharing and rules
- Taxation limits
- Special voting rules
- Sunset Clause (e.g. 5 years)
- Early exit in exceptional circumstances
- Managed by a Regional Staff
- TDM as a component

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