

Improvement District Governance: Policy Statement



Improvement District Governance: Policy Statement

Table of Contents

1.0 PURPOSE	1
2.0 SUMMARY	1
3.0 BACKGROUND	1
3.1 History and Purpose of Improvement Districts	1
3.2 Characteristics	3
3.3 Development of Regional Districts	3
3.4 Transfer of Improvement District Responsibility	4
4.0 MINISTRY REVIEWS AND CHANGING MANAGEMENT OF IMPROVEMENT DISTRICTS	4
4.1 Introduction	4
4.2 Early Ministry Approach to Managing Improvement Districts	4
4.3 Task Force on Rural Services and Governance	5
4.4 Ministry Management Reviews	6
4.5 Current Status	7
4.6 Key Issues Governance Facing Improvement Districts	7
5.0 MINISTRY LEGISLATIVE ACTIONS	8
5.1 Year 2000 Legislation	8
5.2 Future Legislation for Improvement Districts	9
6.0 MINISTRY STRATEGY FOR MANAGING IMPROVEMENT DISTRICTS	10
6.1 Overall Vision for Improvement Districts	10
6.2 Ministry Objectives	10
6.3 Ministry Principles	10
6.4 Ministry Program Management Policies	11
6.4.1 Local Government Structure	11
6.4.2 Access to Ministry Grants	12
6.4.3 Capital Financing	13
6.4.4 Ministry Oversight	13
6.4.5 Ministry Advisory Services	13
APPENDICES	14

1.0 PURPOSE

This paper presents the policies of the Ministry of Community Services with respect to its responsibilities for overseeing the system of improvement districts in the province. The intent of the paper is to provide a comprehensive picture of the ministry's approach so that all stakeholders are clear about ministry policies and practices. The key stakeholders are:

- improvement districts;
- the public;
- regional districts;
- municipalities; and
- other provincial agencies.

To this end the paper:

- reviews the history of improvement districts in the province;
- describes ministry reviews of issues associated with improvement districts;
- outlines ministry legislative actions;
- lays out the ministry vision, objectives and principles for improvement districts; and
- lays out the current policies of the ministry in areas such as local government structure, capital financing, supervision and management and advisory services.

It is important that this policy paper focus on the issues of the improvement district governance system, including issues of accountability, administration, service delivery and land use planning. It does not focus on issues in improvement districts such as water supply, fire protection or drainage, all of which are important issues but, which are dealt with elsewhere.

2.0 SUMMARY

- The ministry has been responsible for the improvement district system in the province since 1979.
- A consistent set of objectives towards improvement districts have guided the ministry over the past twenty years. These have focused on enabling them to perform the local service role that is expected of them but at the same time preparing for the eventual assumption of their responsibilities by municipalities and regional districts.
- While the ministry's objectives have been constant, the strategies have shifted over time.
- This policy statement provides an up to date statement of the ministry's vision, objectives, expectations and policies, including the recent legislative changes.

3.0 BACKGROUND

3.1 History and Purpose of Improvement Districts

Improvement districts are incorporated public bodies managed by elected trustees which are established to operate and administer services such as community water systems and fire departments within a specific geographic area. They were first established in the 1920s as a method to provide public management for several large irrigation systems in the Okanagan Valley. These systems had been under private management but they were in danger of going bankrupt. Incorporating improvement districts to manage the irrigation systems provided access to provincial borrowing programs and greater certainty for repaying loans because of their ability to tax land owners.

For a number of years, following their introduction, improvement districts continued to be incorporated to manage irrigation or domestic water systems. They were subject to

provisions of the *Water Act* which were the responsibility of the ministry now known as the Ministry of Environment, Lands and Parks. Private water systems were also subject to this Act and it became convenient for the Ministry to incorporate improvement districts and transfer ownership of the private water systems to them where the utility owner became unwilling or unable to operate it or the residents wanted the advantages that public control can bring to the administration of community services.

Improvement districts were gradually given responsibility for services other than water. For example, fire protection began to be undertaken by improvement districts in 1945. This occurred because municipalities were the only public body that could provide local services but it was not always viable to incorporate small rural communities where the residents wanted only one or two services, not general governance. These additional services included such things as dyking, drainage, street lighting, garbage collection, ambulance service and capital funding for small rural hospitals or diagnostic and treatment centres.

3.2 Characteristics

Currently there are 240 improvement districts in the province. The majority of these are concentrated in three regions: the Kootenays; the Okanagan Valley; and Vancouver Island. There is only one improvement district located north of Prince George (Atlin Improvement District). While there are 37 improvement districts located within municipal boundaries, the majority are located in unincorporated areas within a regional district. Of the latter, 54 are located on the fringe of a municipality.

The predominant service provided by improvement districts is water. One hundred ninety-six improvement districts provide domestic water and 52 provide water for irrigation. Most of the improvement districts which provide water have joint domestic and irrigation systems which are a reflection of the fact that development has occurred on lands that were previously used for agricultural purposes.

Improvement districts may provide multiple services. However, the majority (about 80%) only provide a single service. The most services provided by one improvement district is nine and this by the Clearwater Improvement District. A comprehensive list of services provided by improvement districts is shown on attached Table One.

The diversity of communities served by an improvement district varies from small, isolated, rural subdivisions of less than 20 parcels to large urban centres like Kelowna and Abbotsford.

3.3 Development of Regional Districts

Legislation enabling the creation of regional districts was introduced in 1965. Over the next five years, a total of 29 regional districts were incorporated. The boundaries of the regional districts were, to a large extent, based on school district boundaries but with a number of compromises necessary to ensure each had a reasonable tax base. Regional districts were created for three purposes: to provide services to the entire region; to provide a framework for inter-municipal service delivery; and to provide general local governance for areas outside municipal boundaries. In the latter role, regional districts were in direct competition with already existing improvement districts. However, it would take some time for the regional district system to become fully established.

In 1967, through the adoption of the *Hospitals Districts Act*, responsibility for regional hospital capital financing was transferred from improvement districts to regional districts. The regional district system did not develop overnight and, in fact, the strategy was described by local government scholars as "a strategy of gentle imposition". The system was built up regional district by regional district over a ten year period. In 1979 the first comprehensive review of the regional district system was undertaken by the Farmer Commission. In the period 1983 to 1986, a second review was undertaken by former

Minister of Municipal Affairs, Dan Campbell. As a consequence of these reviews, in 1989 a comprehensive rewrite of the regional district part of the *Municipal Act* was enacted.

3.4 Transfer of Improvement District Responsibility to Municipal Affairs

In 1965, the provisions in the *Water Act* that had applied to fire protection and street lighting improvement districts were copied into the *Municipal Act*. As well, responsibility for fire protection districts was transferred to the ministry. This facilitated a division of responsibilities between the Ministry of Environment which was responsible for water related improvement districts and Municipal Affairs which was responsible for all other improvement districts. In 1979, the legislative provisions relating to improvement districts were removed from the *Water Act* and responsibility for all improvement districts was transferred from the Ministry of Environment to the Ministry of Municipal Affairs. In addition, four staff members of the Ministry of Environment, who provided advice and assistance on improvement district matters, were assigned to the Ministry of Municipal Affairs.

The transfer was largely in recognition that improvement districts had more in common with local governments than they had with private water utilities. Therefore, it made sense to consolidate all local government responsibilities with the Ministry of Municipal Affairs. Nonetheless, the environment ministry continued to provide engineering support for improvement districts and the ministry until 1986, when two engineers were transferred to Municipal Affairs.

4.0 MINISTRY REVIEWS AND CHANGING MANAGEMENT OF IMPROVEMENT DISTRICTS

4.1 Introduction

Improvement districts have a long history. Before the advent of regional districts, they were the predominant form of local governance and service delivery in rural areas of the province. However, over time, improvement districts began to lose their predominant role as the vehicle for the delivery of local services in rural areas. The role of improvement districts has receded with the creation of regional districts and their broad roles in: providing: general government for electoral areas; land use planning and associated regulatory services; and local services like water and fire protection. They became just one of a number of delivery vehicles available for consideration by rural residents.

As the regional district system developed it began to assume responsibility for local services which were originally the exclusive prerogative of improvement districts. This intensified after the 1989 amendments to the *Municipal Act* which strengthened regional districts. The ministry's policies towards improvement districts and its management approaches have adapted to these changes. Specifically, the ministry has undertaken a number of reviews of improvement districts since 1979 and these have provided an impetus for considering changes to the ministry's approach to improvement districts.

4.2 Early Ministry Approach to Managing Improvement Districts

The ministry approach to managing improvement districts since taking responsibility in late 1979 has gone through a number of phases. It is fair to say that the ministry's attention over the period 1979 to 1989 was focused on creating a strong foundation of regional district government in the province. Very little policy attention was paid to improvement districts. Consequently, in the early years, the policies of the ministry were the policies of the Ministry of Environment, Lands and Parks. This is because, in part, the legislation was transferred from MELP "as is" and it became a stand alone part of the *Municipal Act* and, in part, because improvement districts were managed by staff transferred from the environment ministry. During this period of time, improvement district incorporations were still promoted, particularly as a means of converting private

water utilities into public ownership. As well, through this period there was no comprehensive strategy in place to guide the integration of improvement districts into the local government system or ministry program areas.

However, increasingly the ministry began to ask questions about the relationship between improvement districts and regional districts. The new regional district legislation in 1989 and concerns with growth management arising from rapid growth rates raised issues of integrating governance, land use planning and servicing decision making by regional districts with improvement district decision making. As well, by 1987 all of the former environment staff had retired and these positions filled by ministry staff. Finally, the arrangement that had the environment ministry provide engineering services for the ministry ended with the transfer of staff to Municipal Affairs. All of these factors provided an impetus for change and prompted the ministry to undertake a comprehensive review of rural services and governance.

4.3 Task Force on Rural Services and Governance

In 1989, the ministry established the Task Force on Rural Services and Governance, comprised of representatives of each key local government program area in the ministry. It undertook a limited consultation process with improvement districts and regional districts and produced a comprehensive report entitled Rural Service Delivery and Governance in BC.

The report identified the role improvement districts should play in the local government service hierarchy, particularly as it related to regional districts. Specifically, it proposed that improvement districts would continue but ministry efforts would be focused on reinforcing the role of regional districts as the primary local government for rural areas. The report made a number of specific recommendations to facilitate the transfer of improvement district responsibilities to regional districts.

The rationale for this recommendation to focus on regional districts can be summarized as follows:

- Regional districts are the general government for rural areas and have a broad role in providing governance, planning, regulation and service delivery. As a consequence, they can provide integrated decision making.
- Regional districts are better able to manage growth because they have a full set of planning tools and can effectively link decisions on land-use policies, regulation (i.e. building inspection) and services.
- Most regional districts have economies of scale and can hire administrative and technical staff familiar with the operation and regulation of local services while improvement districts do not always have the resources to hire experienced staff.
- Regional district borrowing terms and rates are better than those available to improvement districts because regional districts can borrow through the Municipal Finance Authority.
- Regional districts have access to a province-wide insurance plan through the Municipal Insurance Association which stabilizes insurance costs. Improvement districts are not covered by this Association.
- Regional districts have access to grant programs for study and capital cost purposes. Improvement districts do not have direct access to these grants.
- Taxes are collected on the provincial tax bill so there may be residual benefit from the provincial Home Owner Grant. Except for fire protection and street lighting taxes, improvement districts must prepare and collect their own taxes or user rates.

The report was never published nor did it receive widespread publicity. However, the report had a significant impact on ministry decision making. In fact, the ministry has been following the Task Force recommendations since 1989, discouraging the creation or expansion of improvement districts and encouraging the use of regional districts as the primary rural area servicing vehicle. As well, the report recognized the need to review the improvement district legislation because it was antiquated and did not reflect the overall strategic directions of the province with respect to local governments.

Also, as a consequence of this report, the management responsibility of the ministry was reshaped to reflect a similar management strategy as used for all other local governments. Emphasis was placed on providing advice, direction and assistance in maintaining the viability of improvement districts in the province, in particular through the following:

- promoting effective financial management through consultation with elected and non-elected officials, review of all long term borrowing proposals and review of improvement district financial statements;
- undertaking a program of community visits and attending improvement district association meetings;
- promoting good administrative practices in improvement districts, in particular through developing and maintaining the comprehensive Improvement District Manual (first published in 1983); and
- developing, and maintaining, an information base on improvement district operations.

4.4 Ministry Management Reviews

In 1994, a draft paper called Key Issues Affecting Improvement Districts was presented and discussed at ministry-sponsored workshops at the two Improvement District Association conventions held that year. There was general consensus at both conventions on the key issues and support for the need for change to legislation and ministry programs.

In 1997, an internal report, called Improvement District Review, was completed which reviewed current improvement district operations to determine if they were meeting provincial and public expectations. This review was undertaken as a result of issues arising from the litigation involving the Naramata Irrigation District to assess the likelihood of other improvement districts encountering difficulties like Naramata.

In 1998, an external report, prepared by Dave Wilson, former administrator of the Fraser-Fort George Regional District, called Improvement Districts in BC - A Review of Suggested Strategies for Management and Change, was completed. This review built on the 1997 report and did the following:

- identified and analysed key issues facing the ministry and local governments regarding improvement districts;
- developed a framework for describing and categorizing improvement districts for management purposes;
- provided a summary of findings on critical issues and possible policy and program directions; and
- provided recommendations on further process.

The Wilson report was significant in two respects. First, it confirmed that the ministry objective of facilitating conversion to regional district and municipal jurisdiction was the right one. Second, it accepted that the most practical approach was an incremental, voluntary approach to conversion with an emphasis on creating the incentives for improvement districts, regional districts and municipalities to facilitate conversion of improvement districts to regional district and municipal jurisdiction.

4.5 Current Status

The ministry strategy to this point has been successful in its fundamental objective. The number of improvement districts being incorporated slowed and many were dissolved. The total number peaked in 1983 at 327. The reason there are 87 fewer improvement districts today is a direct consequence of policies that the ministry followed from 1989 to date. These included the following:

- *Municipal incorporation.* Where a new community is incorporated, or an existing municipal government is restructured, the *Municipal Act* requires the improvement district to be dissolved and the service responsibility turned over to the municipality.
- *Municipal boundary extensions.* Improvement districts that were located on the fringe of a municipality were dissolved if the area was added to the boundary of a municipality.
- *Transfer to regional districts.* Where there was a local consensus for a regional district to take over responsibility for services that have been provided by an improvement district, the province transferred the assets and liabilities of the improvement district to the regional district. Regional district access to sewer and water infrastructure capital grants has been a major incentive for conversion.
- *Fewer improvement district incorporations.* Since 1990, only two improvement districts have been incorporated. Table Two outlines the number of incorporations and dissolutions that have occurred since the 1920's.

4.6 Key Issues Governance Facing Improvement Districts

At the end of the 1990's the ministry was in a position to take stock, to review what had been accomplished and what remained to be done. The issues facing local government and the Province concerning improvement districts have been well-identified through the reviews and consultation processes outlined above. In summary, the key outstanding issues associated with improvement districts are the following:

- *public accountability:* There is concern that improvement districts do not have the same standard of public accountability that regional districts and municipalities have. Key issues are openness of meetings, elections and referenda;
- *administrative effectiveness:* The small size of some improvement districts and traditions of self-help need to be balanced with the need for professionalism in dealing with the complex issues many improvement districts face;
- *relationships between improvement districts and regional districts:* It is inevitable that there is potential for conflict when land use planning and servicing responsibilities are vested in different jurisdictions in rural areas; and
- *growth management:* Population growth and development pressures have placed strains on many improvement districts.

The next section outlines the ministry's legislative program for dealing with these issues while the final section discusses the ministry's vision, objectives and principles and how these guide the ministry in the delivery of its programs.

5.0 MINISTRY LEGISLATIVE ACTIONS

5.1 Year 2000 Legislation

In 1999, the Minister of Municipal Affairs committed to a review of the legislative provisions for improvement districts as part of Phase 3 of the *Municipal Act* Reform process. In early 2000, the Improvement District Legislative Review Steering Committee was created to: prioritize the issues; plan and carry out a consultation program; prepare materials for presentation and discussion at a series of regional workshops; carry out the technical analysis of key issues following the regional workshops; review draft legislation; and make recommendations on legislative and non-legislative remedies.

The key elements in the consultation process were the following:

- questionnaires were mailed out to local governments to solicit feedback on problem or concern areas. Separate questionnaires were sent out to improvement districts, regional districts and municipalities; and
- two regional consultation workshops were held in Kelowna and Nanaimo to enable improvement district representatives to discuss improvement district issues.

In March 2000 the Steering Committee and ministry developed legislative and non-legislative proposals in response to the Steering Committee's directions.

Bill 14, (*Local Government Statutes Amendment Act*, 2000) adopted at the year 2000 session of the provincial Legislature, advanced a number of legislative proposals. These are the most substantial changes to improvement district legislation since the ministry assumed full responsibility for improvement districts in 1979. The legislative proposals support the ministry's vision for improvement districts as well as the specific objectives and principles which are outlined in the following section. They also build on previous consultations and ministry reviews and are consistent with and build on changes to the *Municipal Act* introduced as part of the *Municipal Act* reform process in 1998, 1999 and 2000.

Bill 14 provisions are directed at four objectives: increasing public accountability; protecting the financial health of improvement districts; increasing administrative effectiveness and efficiency; and facilitating fair and effective growth management. The specific proposals are discussed below under each objective.

Public Accountability

- requiring trustees to establish written procedures for calling and conducting meetings;
- ensuring the annual general meeting is open to all residents, not just land owners; and
- providing that open meeting rules for municipalities and regional districts can be made applicable to improvement districts by cabinet regulation where and when appropriate.

Protecting Financial Health

- requiring financial statements to be prepared in accordance with generally accepted accounting principles for local governments;
- mandating audits by a qualified auditor; and
- limiting improvement district investments to the same instruments as other local governments.

Administrative Efficiency and Effectiveness

- authorizing the board of trustees to appoint standing and select committees with membership that may include the public;
- providing general authority for improvement districts to appoint professional staff;
- requiring establishment of professional positions in the areas of corporate and financial administration; and
- providing authority to indemnify and provide for the defence of trustees, officers, employees and volunteers in legal actions.

Fair and Effective Growth Management

- providing clear authority for establishing standards for the subdivision of land and requiring developers to provide works and services as a condition of the subdivision of land; and
- authorizing latecomer payments for excess and extended services required in relation to the subdivision of land to more fairly allocate costs previously paid solely by the developer.

At the same time, Bill 14 advances a number of changes to regional district legislation which will indirectly contribute to the vision and the objectives. These are:

- strengthening provisions for regional districts to establish elected local community commissions to manage local services;
- enhancing flexibility for regional districts to establish management committees and commissions to oversee local services including those provided by former improvement districts; and
- requiring regional districts to consider whether consultation is required with improvement districts in preparing and amending official community plans.

5.2 Future Legislation for Improvement Districts

The ministry has consulted with improvement districts on three other issues. These are:

- *elector qualifications*: The issue is who should be eligible to vote, be nominated, run and be elected to office. Currently, only land owners and corporations qualify, tenants do not;
- *elector approval*: The issue is the role of the public in approving long term capital commitments. Currently, there are no legislative requirements for elector approval although ministry administrative practice is to require it as a condition of bylaw approval; and
- *elections process*: The issue is whether there should be secret ballot elections or not. Currently, trustees are elected at an annual general meeting.

The ministry has deferred action on these issues until a future year for two reasons:

- The issue of who should vote in improvement district elections is controversial and is closely related to the issue of what issues require elector approval and how the approval is obtained. The ministry will be looking at all elector approval requirements in the *Local Government Act* in the future. It makes sense that improvement district provisions will be reviewed at the same time as regional district and municipal provisions; and
- A major policy decision is necessary as to whether full fledged universal suffrage elections are appropriate given the small size of many improvement districts and the role of improvement districts as single purpose service providers rather than full-fledged local governments.

6.0 MINISTRY STRATEGY FOR MANAGING IMPROVEMENT DISTRICTS

6.1 Overall Vision for Improvement Districts

The ministry recognizes that municipalities and regional districts are, and will continue to be, the primary components of the local government system in the province. The ministry expects that improvement districts will, over time, be converted to municipal or regional district jurisdiction and at some point in time all improvement districts will be under municipal or regional district jurisdiction. However, it is recognized that improvement districts will have an important role to play in providing local services to rural areas for some time and the process of change will largely be voluntary.

6.2 Ministry Objectives

The ministry strategy for improvement districts has four basic objectives:

1. It is the ministry's objective to increase the ability of improvement districts to effectively provide local services and be accountable to the public while maintaining incentives and removing constraints to conversion of improvement district to regional district and municipal jurisdiction.
2. It is the ministry's objective to minimize risks of failure in the improvement district system which could have serious financial implications for the province, improvement districts and residents.
3. It is the ministry's objective that conversion of improvement districts to regional district and municipal jurisdiction take place incrementally, over time and, for the most part, with local assent.
4. It is the ministry's objective to reduce the number of improvement districts. In short, it is anticipated that improvement districts will be an important part of the local government system in this province for some time and that their role will decrease as their responsibilities are increasingly assumed by regional districts and municipalities.

6.3 Ministry Principles

The ministry and the public have a number of expectations with respect to improvement districts. These expectations can be expressed as a set of overriding principles which can guide both the updating of the legislative framework for improvement districts and the delivery of the ministry's programs. Some of the key expectations are the following:

- *accountability*: the boards of trustees of improvement districts should be accountable to their citizens. In this sense, the boards of trustees should be open and transparent, information should be shared and there should be adequate opportunities for public participation;
- *representation*: there should be adequate representation for all citizens of the improvement district;
- *authority*: improvement districts should have sufficient authority to carry out their responsibilities;
- *appropriate provincial involvement*: provincial government involvement in improvement district affairs should be limited to protecting critical provincial interests;
- *effective growth management*: improvement districts need to play their part in the management of growth and change;

- *harmonious and constructive inter-governmental relations*: improvement districts should develop positive relations with the regional district or municipality of which they are part, and with adjacent improvement districts or municipalities;
- *integration*: improvement districts should have a well defined place in the local government system and be effectively integrated with regional district and municipal governments;
- *consistency*: improvement districts and other local governments should operate under a common set of objectives and consistent legislation;
- *financial accountability*: improvement districts should manage their financial affairs consistent with good local government practice in areas like budgets, financing, audits and accountability to the citizens; and
- *efficient and effective administration*: improvement districts should manage their affairs consistent with good local government practice in terms of having professional staff support and fair and effective administrative procedures.

6.4 Ministry Program Management Policies

The ministry has a number of programs which provide support for and oversight of improvement districts. These programs recognize the great diversity in size, services provided and administrative resources of improvement districts. The ministry tries to tailor these policies to the individual circumstances of the improvement districts and allocates its advisory and oversight resources accordingly.

The ministry has established a number of policies to guide the delivery of these programs consistent with the vision, objectives and principles.

6.4.1 Local Government Structure

- *The ministry will not create new improvement districts except where there is an overriding provincial interest and no other alternative exists.* With the exception of the Sun Peaks Mountain Resort Improvement District, which was incorporated in 1995 pursuant to the *Mountain Resort Associations Act* and which is a special case, only one other improvement district has been incorporated in the past ten years (1992).
- *The ministry will dissolve all improvement districts which are wholly or partially within an area which is newly incorporated within a municipality and transfer responsibility for those services to the municipality.* This is mandated by the provincial statute. For example, seven improvement districts were dissolved as part of the process of incorporating the new Municipality of Bowen Island in 1999.
- *The ministry will encourage and facilitate regional districts assuming greater responsibility for local services in rural areas.* The conversion of improvement districts is a two way street. Both the improvement district and the regional district have to be willing partners. Ministry advisory efforts will be focused to a large extent on encouraging regional district involvement in providing local services in rural areas and facilitating the transfer process.
- *The ministry will encourage rural improvement districts which are adjacent to municipal boundaries to convert to municipal jurisdiction through extension of municipal boundaries.* This is consistent with the ministry's approach to the management of urban fringe areas.

- *The ministry will critically review all proposals for major improvement district boundary extensions and, before approving such boundary extensions, discuss the potential transfer with municipalities and regional districts. Approval of boundary extensions is no longer automatic and regional districts are encouraged to assume responsibility for services.*
- *The ministry will encourage municipalities having improvement districts within their boundaries to assume responsibility. In many cases, municipalities and improvement districts have established co-operative relationships but municipalities are encouraged to plan for eventual assumption of responsibility.*
- *The ministry will not grant additional service responsibilities to existing improvement districts where the regional district is capable of effectively providing the service.*
- *The ministry will take a pro-active approach to restructure improvement districts which:*
 - o *are experiencing problems with their infrastructure;*
 - o *have serious management problems;*
 - o *are facing irreconcilable conflicts with municipalities or regional districts;*
 - or
 - o *are not complying with legislative requirements*

6.4.2 Access to Ministry Grants

The ministry vision is to encourage the conversion of improvement districts to regional district service areas and municipal jurisdiction. Consistent with that direction, it is important to maintain the existing financial incentives for conversion. Specifically the ministry will:

- restrict Sewer and Water Infrastructure Grants to regional districts and municipalities. This has been a consistent policy for the past 20 years.
- encourage regional districts to work with improvement districts and to make application for capital infrastructure grants to rehabilitate improvement district water and sewer systems on the assumption that the ownership of the system would shift to the regional district. This has been a consistent policy for the past 20 years.
- encourage regional districts to utilize Restructure Implementation Grants to assist with the administrative cost incurred by local governments when they assume responsibility for improvement district services.
- encourage regional districts to utilize Infrastructure Planning Grants to assist regional districts and improvement districts in analysing sewerage and water systems. This is as a precursor to regional districts assuming responsibility and upgrading those systems possibly with provincial Water and Sewer Infrastructure Grants.
- support the historic policy of the Ministry of Finance and Corporate Relations providing improvement districts access to the provincial tax roll and the services of the provincial Surveyor of Taxes for fire protection and street lighting purposes but not for other services. The indirect effect of this is to provide access to the provincial Home Owner Grant for fire and street lighting taxes but not for other services. This policy reflects the fact that historically the primary role of improvement districts was in water supply where the most common means of cost recovery has been user fees and parcel taxes and not ad valorem property value taxes

6.4.3 Capital Financing

The Municipal Finance Authority (MFA) provides long-term capital borrowing, pooled leasing and short term investment pooling services for regional districts and municipalities. These services provide substantial financial benefits for local governments. In December 1999, through a cabinet order, improvement districts gained access to the pooled leasing and short term investment pool services. A legislative change would be necessary to give improvement districts access to long term borrowing services. The Ministry is prepared to engage in discussions with the Municipal Finance Authority and the Ministry of Finance and Corporate Relations which could lead to improvement districts having access to MFA financing for long term borrowing.

6.4.4 Ministry Oversight

The ministry will enhance its oversight of improvement districts in accordance with the following policies, the ministry will:

- consider information received through communications with improvement districts, including bylaws, financial statements and other submissions to enable early and effective identification of potential issues and concerns; and
- take a pro-active approach to assisting improvement districts with administrative or financial problems and facilitate the settlement of disputes between competing interests.

The intent of these actions is to have early warning of potential "hot spots" and the ability to assist at the earliest sign of difficulties.

6.4.5 Ministry Advisory Services

The ministry emphasizes providing quality and timely advice to improvement districts, regional districts, municipalities and the public. In this regard, the Ministry's policy is to undertake the following actions, the ministry will:

- continue to develop advisory materials to demonstrate to regional districts, municipalities, improvement districts and the public the advantages of conversion to regional district service areas and municipal jurisdiction where appropriate.
- encourage improvement districts to contract with regional districts for administrative and operational services. This will be particularly important given the new legislative requirements to establish administrative officers responsible for financial management and for corporate administration.
- encourage improvement districts to take advantage of certain services of the Municipal Finance Authority, in particular, pooled leasing and short term investment pools.
- continue to update the improvement district manual to ensure that it provides high quality advice on key issues facing improvement districts.
- continue efforts to provide face-to-face advice to improvement districts particularly through participation at improvement district association conferences.
- work with partners on developing best practices guides for improvement districts. In this regard, the following are the priority areas: conversion to regional district service areas; servicing new development; and conducting elections.

APPENDICES

Table One: Frequency of Services Provided by Improvement Districts

Waterworks	173
Fire protection	37
Street lighting	18
Irrigation	46
Drainage	25
Dyking	14
Garbage	8
Parks/Playgrounds	13
Sewers	4
Cemetery	4
Community Hall/ Recreation	4
Lake Level Control	1
Land Improvements	2
Mosquito Control	1
Water Treatment/Quality	1
Boat Launch/Docks	2
Health Centre	1
Housing	1
River Bank Protection	1
Sidewalks	1

Table Two: Incorporation and Dissolution of Improvement Districts

	Incorporation	Dissolution
1920's	21	0
1930's	17	0
1940's	68	0
1950's	134	0
1960's	138	69
1970's	81	70
1980's	65	53
1990's	3	61
2000's	0	44
2010's	0	8

Current to June 1, 2012.