Fair Share/ Peace River Memoranda of Understanding

A History

PRE-FAIR SHARE

1994

1998

2005

2015

August 2019

This document was compiled by the local governments in the Peace River region and does not necessarily reflect the opinions of the Province of British Columbia.

This is strictly a guidance and historical document prepared by and for local government signatories to the Peace River Agreement. Neither the Province nor the provincial representatives on the Partnership Committee are bound by this document.

WITH DEEPEST GRATITUDE TO:

The local government appointed officials on the original 3M Committee who led the evolution of the Fair Share / Peace River Memoranda of Understanding:

Colin Griffith, City Manager, City of Fort St. John

Harald Hansen, Administrator, City of Dawson Creek

Moray Stewart, Administrator, Peace River Regional District

The Elected Officials of the:

District of Chetwynd

City of Dawson Creek

City of Fort St. John

District of Hudson's Hope

Village of Pouce Coupe

District of Taylor

District of Tumbler Ridge

Peace River Regional District

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Appendix B: 1998 Memorandum of Understanding Between Her Majesty the Queen in the Right of the Province of British Columbia, represented by the Deputy Premier, Minister of Energy and Mines and Minister Responsible for Northern Development and by the Minister of Municipal Affairs and the Peace River Regional District.

Appendix C: 2005 Memorandum of Understanding Among Her Majesty the Queen in the Right of the Province of British Columbia, represented by the Ministry of Community, Aboriginal and Women's Services (the "Province") and Peace River Regional District and District of Chetwynd and City of Dawson Creek and City of Fort St. John and District of Hudson's Hope and Village of Pouce Coupe and District of Taylor and District of Tumbler Ridge (the "Region").

Appendix D: 2015 Memorandum of Understanding Among Her Majesty the Queen in the Right of the Province of British Columbia, represented by the Ministry of Community, Sport and Cultural Development (the "Province") and Peace River Regional District and District of Chetwynd and City of Dawson Creek and City of Fort St. John and District of Hudson's Hope and Village of Pouce Coupe and District of Taylor and District of Tumbler Ridge (the "Region" or "Signatories").

1. Introduction

In early 2018, a workshop was facilitated in Fort St. John with the Chief Administrative Officers (CAOs) and Chief Financial Officers (CFOs) of several municipalities within the Peace River Regional District (PRRD). A key action item of this workshop was to document the historic evolution of the Peace River Memorandum of Understanding (MOU) and former Fair Share Memoranda of Understanding as well as to communicate the various dimensions and nuances of the MOUs, which today's users may not be aware of.

This document is prepared with multiple audiences in mind, including the councils/board of the local governments in the Peace River region, senior staff for all impacted local governments, and front-line staff who work with the MOU on a regular basis.

This document is organized into the following sections:

- **Section 2 – Definitions:** This section defines terms that are frequently used in this document.
- **Section 3 – Overview:** This section discusses how communities function as service centres for industry.
- **Section 4 – Financing Local Government Service Delivery:** This section presents a summary of how services are provided by local governments and how revenues are generated to finance those services.
- **Section 5 – The Conventional Approach to Municipal Access to the Industrial Tax Base:** This section provides an overview of the approach to accessing the industrial tax base in B.C., and more specifically, the oil and gas industry in Northeast B.C.
- **Section 6 – Other Municipal Initiatives Related to Industrial Taxation in Northeast B.C.:** This section provides a summary of other initiatives that Northeast B.C. local governments have undertaken to capture industrial taxation outside of municipal boundaries.
- **Section 7 – Role of Local Governments in Northeast B.C. in the Development of an Industrial Taxation Agreement:** This section summarizes the roles of local governments in Northeast B.C., including the PRRD, Northeast B.C. municipalities and the 3M Committee in the initial development of an industrial taxation agreement.
- **Section 8 – Fair Share Memoranda of Understanding:** This section provides the history that led up to the development of the original Fair Share MOU and how it evolved during its lifespan.
- **Section 9 – Peace River Memorandum of Understanding:** This section provides information on the new Peace River MOU.
- **Section 10 – The Allocation Formula:** This section presents the allocation formula that is used in the Peace River MOU today, highlighting key elements of the formula.
- **Section 11 – Closing and Looking Forward:** This section closes this document and highlights some considerations for the future.


Northern Rockies
Regional Municipality
Peace River
Regional District

2. Definitions

3M Committee is defined as a committee, consisting of the Chief Administrative Officers and/or City Managers of the City of Fort St. John, the City of Dawson Creek, and the Peace River Regional District, established to support the Peace River Regional District Board's initiative to implement an industrial tax sharing strategy in the Peace River region. For the 2005 Fair Share Memorandum of Understanding, the 3M Committee was expanded to include representation from other municipalities in the Peace River region.

Fair Share is defined as an all-encompassing term to describe three successive Memoranda of Understanding (MOU), those being the 1994 Memorandum of Understanding Between Her Majesty the Queen in the Right of the Province of British Columbia, represented by the Minister of Municipal Affairs and the Peace River Regional District (1994 MOU), the 1998 Memorandum of Understanding Between Her Majesty the Queen in the Right of the Province of British Columbia, represented by the Deputy Premier, Minister of Energy and Mines and Minister Responsible for Northern Development and by the Minister of Municipal Affairs and the Peace River Regional District (1998 MOU), and the 2005 Memorandum of Understanding Among Her Majesty the Queen in the Right of the Province of British Columbia, represented by the Ministry of Community, Aboriginal and Women's Services (the "Province") and Peace River Regional District and District of Chetwynd and City of Dawson Creek and City of Fort St. John and District of Hudson's Hope and Village of Pouce Coupe and District of Taylor and District of Tumbler Ridge (the "Region") (2005 MOU).

Fort Nelson-Liard Regional District (FNLRD) is defined as a former name of the Northern Rockies Regional Municipality, held from October 22, 1987 to March 26, 1999, when it was renamed the Northern Rockies Regional District and the Northern Rockies Regional Municipality on February 6, 2009.

Local government is defined as a government, other than a federal or provincial government, which has a jurisdiction over a defined territory, is governed by a body which is locally elected (either directly or indirectly) and has the power to impose property taxes (either directly, indirectly or conditionally). Forms of local government in Northeast B.C. relevant to this document include municipalities, regional districts district municipalities.

Municipality is defined as a form of local government that encompasses the geographic area of a municipal corporation that provides a wide range or services, including utilities, transportation, servicing, arts and culture, parks and recreation and emergency services, among others. The term municipality in this document includes cities, towns, villages and district municipalities.

Northeast B.C. is defined as the geographical area within the governing boundaries of the Peace River Regional District – including member municipalities – and the Northern Rockies Regional Municipality. Northeast B.C. shares a border with Alberta to the east and the Yukon and the Northwest Territories to the north. It is separated from the northwestern region of the province by the Rocky Mountains.

Northern Rockies Regional District (NRRD) is defined as a former name of the Northern Rockies Regional Municipality, held from March 26, 1999 until February 6, 2009.

Northern Rockies Regional Municipality (NRRM) is defined as a unique regional municipality. It was previously a portion of the Peace River-Liard Regional District (October 31, 1967 – October 22, 1987) until the creation of the Fort Nelson-Liard Regional District (October 22, 1987 – March 26, 1999), renamed the Northern Rockies Regional District (March 26, 1999 – February 6, 2009). The regional municipality was incorporated on February 6, 2009.

1967–1987
Peace River-Liard Regional District

1987–1999
Fort Nelson-Liard Regional District

1999–2009
Northern Rockies Regional District

2009+
Northern Rockies Regional Municipality

1967–1987

Peace River-Liard Regional District

1987+

Peace River Regional District

Peace River is defined as the Memorandum of Understanding (MOU) Among Her Majesty the Queen in the Right of the Province of British Columbia, represented by the Ministry of Community, Sport and Cultural Development (the "Province") and Peace River Regional District and District of Chetwynd and City of Dawson Creek and City of Fort St. John and District of Hudson's Hope and Village of Pouce Coupe and District of Taylor and District of Tumbler Ridge (the "Region" or "Signatories") for Payments in Place of Direct Access to the Unincorporated Industrial Tax Base ("Peace River MOU") (2015 MOU).

Peace River region is defined as the geographical area within the governing boundaries of the Peace River Regional District.

Peace River-Liard Regional District (PRLRD) is defined as a former name of a regional district that encompassed what is commonly known as Northeast B.C. The Peace River-Liard Regional District was incorporated on October 31, 1967 until October 22, 1987, when it was split into two: the Fort Nelson-Liard Regional District (now Northern Rockies Regional Municipality) to the north and the Peace River Regional District to the south.

Peace River Regional District (PRRD) is defined as a regional district in Northeast B.C. The regional district comprises seven municipalities (Chetwynd, Dawson Creek, Fort St. John, Hudson's Hope, Pouce Coupe, Taylor and Tumbler Ridge) and four regional district Electoral Areas (B, C, D and E). It is the largest regional district in B.C. by area. The regional district was incorporated on October 22, 1987.

Province is defined as the Provincial Government of British Columbia, unless otherwise stated.

Regional District is defined as a form of local government that encompasses the geographic area of a regional district corporation. Regional districts can perform some functions for both the municipalities and electoral areas within the regional district but are not responsible for providing the same services as municipalities. Regional districts are governed by boards of directors, which are composed of mayors or councilors from municipalities within the regional district as well as directors from electoral areas outside municipal boundaries.

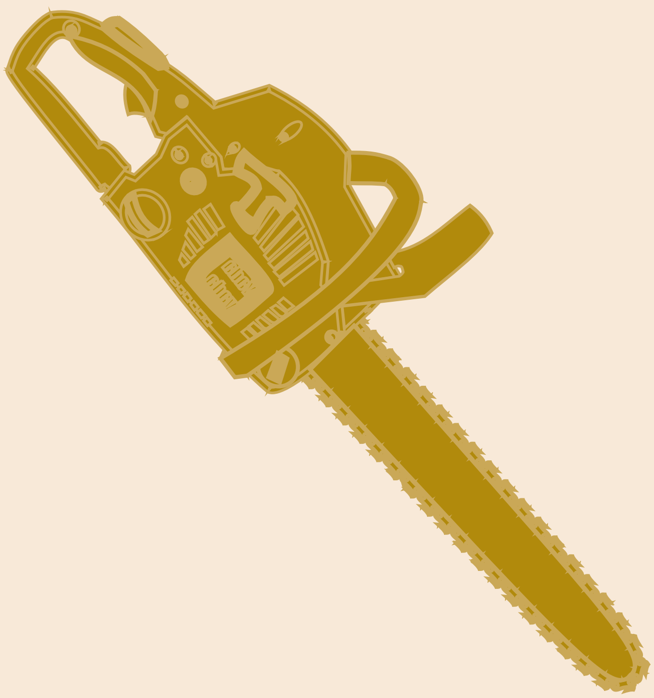
3. Overview

The resource industries of B.C. are a vital component of B.C.'s economy. The oil and gas, energy, mining, and forestry sectors that are prevalent in the region are central to provincial economic prosperity. Resource-based industries depend heavily on local governments – particularly municipalities – in the region to accommodate their workforces and to provide the required range of services. Therefore, the municipalities of Northeast B.C. have a central role to play in supporting the industrial development that drives the provincial economy. These communities provide serviced land for housing and other uses, transportation, utility systems, recreation and cultural facilities, policing, and a host of other services that support resource industries. While the municipalities of the region provide services to the workforces of industry as well as industry itself, they are not able to tax industry in order to generate the revenues required to support the provision of such services. The inability to tax the industrial tax base was viewed as a unique situation which no other resource-based municipality in the Province was faced with. In order to deal with this unique situation, the municipalities of Northeast B.C. decided to pursue innovative arrangements to address the problem.

In 1991, a study was initiated by the FNLRD (now the NRRM) and the PRRD to research the unique disconnect between the rural oil and gas industry and the municipalities which functioned as their key service centres. This study was completed in 1992 by the consulting firm Semmens and Adams. The report clearly demonstrated that while municipalities in Northeast B.C. accommodated the workforces and provided services to industry, they did not have the tax base support from the industries that they were serving. In addition, previous analysis had shown that approximately 90% of the industrial tax base in Northeast B.C., (comprising utilities and major/light industry) was located within unincorporated rural areas, beyond the direct taxing jurisdiction of municipalities. To address these challenges across Northeast B.C., different approaches were taken to address the lack of access to the industrial tax base. At this time, the Peace River region's service centres decided to pursue the taxation of rural industry through the taxation powers of the regional district. The Town of Fort Nelson, however, decided to pursue the creation of a single tier municipal government – a regional municipality which merged the Town and former Regional District – which would also provide it with direct taxation powers for broader industrial tax base. The Town became involved again during the negotiation process for the 2005 Fair Share MOU, but ultimately did not sign the MOU.

Municipalities in Northeast B.C. have made many efforts to directly tax rural industry. The Northeast B.C. municipalities worked collaboratively in the initial pursuit of researching methods to access the industrial tax base outside of municipal boundaries, as well as individually investigated methods to achieve this.

Today, all communities in the Peace River region see the positive impacts that the Fair Share and Peace River MOUs have had on their municipalities and the NRRM sees the benefits of being incorporated as a regional municipality. However, the current Peace River MOU still does not meet the Peace River region's original desire of permanent municipal access to the rural industrial tax base for taxation purposes.



4. Financing Local Government Service Delivery

4.1 SERVICE PROVISION BY LOCAL GOVERNMENTS

Service centres in Northeast B.C. support a wide variety of industries, including oil and gas, mining, and forestry, among others. A range of services are provided in these centres – some provided by local government while others are provided by provincial and federal government agencies. Municipal governments are the primary form of local government responsible for services such as the provision of water and sewer utilities, recreation, protective services, and cultural facilities. Services such as health care, schools, justice, and social services are provided by provincial and/or federal levels of government, sometimes in conjunction with municipal governments and other local authorities. These services are also used by temporary workers such as those involved in construction projects or commuting shift workers that reside outside of the region.

Northeast B.C. spans approximately 194,000 square kilometres of land and includes seven municipalities in the Peace River Regional District (PRRD) (Chetwynd, Dawson Creek, Fort St. John, Hudson's Hope, Pouce Coupe, Taylor, and Tumbler Ridge) and the Northern Rockies Regional Municipality (NRRM). Northeast B.C. is a unique region in B.C., especially when considering industry and taxation, for the following reasons:

- **Resource-Based Industry – Industry in Northeast B.C. involves mainly resource extraction and transmission of coal, timber, minerals, natural gas, and petroleum. These activities are primarily located outside of municipalities, in the unincorporated areas of Northeast B.C. There are also instances of mines (coal and other minerals) and manufacturing processes located within municipal boundaries.**
- **Municipal Service Centres – The Northeast B.C. municipalities function as service centres for the dispersed industrial activity occurring throughout the region.**
- **Size of Industrial Tax Base – Relative to other regions in B.C., Northeast B.C. has a very large industrial tax base, containing 88% of the 32,000 industrial properties in the entire province (Northeast B.C. Resource Municipalities Coalition, 2015).**
- **Access to Majority of Industrial Tax Base – Prior to incorporation of the NRRM, approximately 90% of the industrial tax base in Northeast B.C. was located in the unincorporated areas, and 10% within the boundaries of incorporated municipalities. Therefore, the service centre municipalities did not have direct access to this industrial tax base. Industrial properties are not subject to municipal taxation but are subject to the Provincial Rural Tax and any applicable taxes for regional, sub-regional, and electoral area services (in addition to other rural area taxes such as school taxes and hospital taxes).**

As the industrial operations that benefit from service centres are not often located within the municipal boundaries, it is difficult to define the precise geographical boundaries for the reach of the centres. Currently, there are six general service regions in Northeast B.C.: Dawson Creek/Greater Pouce Coupe, Fort St. John/Greater Taylor, Greater Chetwynd, Greater Hudson's Hope, Greater Tumbler Ridge, and Northern Rockies.

4.2 REVENUE GENERATION BY LOCAL GOVERNMENTS

In B.C., local governments have a revenue base that can be grouped into four basic revenue sources. These revenue sources include property taxation (generally the major revenue source), grants from other levels of government, user fees and charges, and other locally imposed forms of revenue and partnerships (UBCM, 2012). On average, just under 50% of revenues generated by local governments are from property taxation (UBCM, 2012).

4.3 LOCAL GOVERNMENT PROPERTY TAXATION

Properties within municipal boundaries are taxed according to the tax rate established by each municipality for one of nine property classes (UBCM, 2012). The property class assessments provided by the British Columbia Assessment Authority (BCAA) are those to which tax rates are applied, generating the property taxes that municipalities require in order to fund the delivery of services. While assessments are determined independently by the BCAA, it is the responsibility of municipalities to determine the distribution of the tax burden among the various property classes (UBCM, 2012). This must be done by council each year. The situation is slightly different with respect to the collection of property taxes from properties outside of municipal boundaries.

In the unincorporated areas of B.C. outside of municipal boundaries, property assessments are still determined by BCAA. However, Cabinet determines the tax rates and provincial ratios and the Surveyor of Taxes is responsible for the administration and collection of rural property taxes on behalf of the Province, as well as the requisitions from regional districts for the services and functions that they carry out. The Surveyor of Taxes also collects taxes across rural B.C. for provincially funded services, such as the school tax.

From the assessments provided annually by the BCAA and the tax rates imposed, local governments generate the revenues required to fund the provision of services to their residents. These revenues are generated by all property classes present within a local government's boundaries. Depending on the composition of properties within a local government's boundaries, a larger portion of the tax burden may fall more to any one of the nine property classes. While municipalities have considerable flexibility in setting the Class 1 tax rate and corresponding ratios between the remaining property classes, generally the Province sets the Class 1 tax rate and has established ratios between property classes in unincorporated areas within regional districts.

5. The Conventional Approach to Municipal Access to the Industrial Tax Base

5.1 THE RESOURCE INDUSTRY OF B.C.

For a number of municipalities, the taxation of industry within their boundaries provides a significant share of their annual general tax revenues to provide the necessary services to their citizens.

Throughout B.C., a number of municipalities have resource-based industrial assessment within their jurisdiction. The most common types of resource industry include forestry-related industries, such as pulp mills, sawmills, or mines and mining-related industry.

In many instances, this type of resource industry is located within municipal jurisdictions, and therefore is assessed and contributes to the municipality's annual taxation revenue. For example:

- Highland Valley Copper is located within the District of Logan Lake;
- Domtar Pulp Mill is located within the City of Kamloops;
- Ainsworth OSB plant is located within 100 Mile House;
- Conuma Coal (Wolverine Mine) is located within the District of Tumbler Ridge;
- Rio Alcan aluminum smelter is located within the District of Kitimat;
- Canfor Sawmill is located within the District of Chetwynd;
- Port Alberni Mill is located within the City of Port Alberni; and
- Chevron refinery, Shell Oil facility, Petro-Canada tank farm, and TransMountain tank farm are all located within the City of Burnaby.

One trend which has appeared is that those communities with assessments within Class 4 – Major Industry generally receive a greater proportion of property taxation revenues from these assessment classes. This observation can be attributed to the fact that, on average, industrial assessment is taxed at a higher rate than other types of assessment. Some examples that demonstrate this include:

- Logan Lake has 40% of its total property assessment base as Class 4 – Major Industry assessment. This 40% of assessment, provides Logan Lake with 71% of its property tax revenues;
- In Kitimat, 42% of the total property assessment base comes mainly from Class 4 – Major Industry and a small amount of Class 5 – Minor Industry; together these provide 77% of Kitimat's property taxes;
- In 100 Mile House, Class 4 – Major Industry and Class 5 – Minor Industry assessment of 7% provides 43% of property tax revenues;
- Port Alberni has 4% of Class 4 – Major Industry assessment providing 22% of property tax revenues; and,
- Powell River has 5% of Class 4 – Major Industry assessment which provides 26% of the city's property tax revenues (Government of British Columbia, Tax Rates and Tax Burden, 2018).

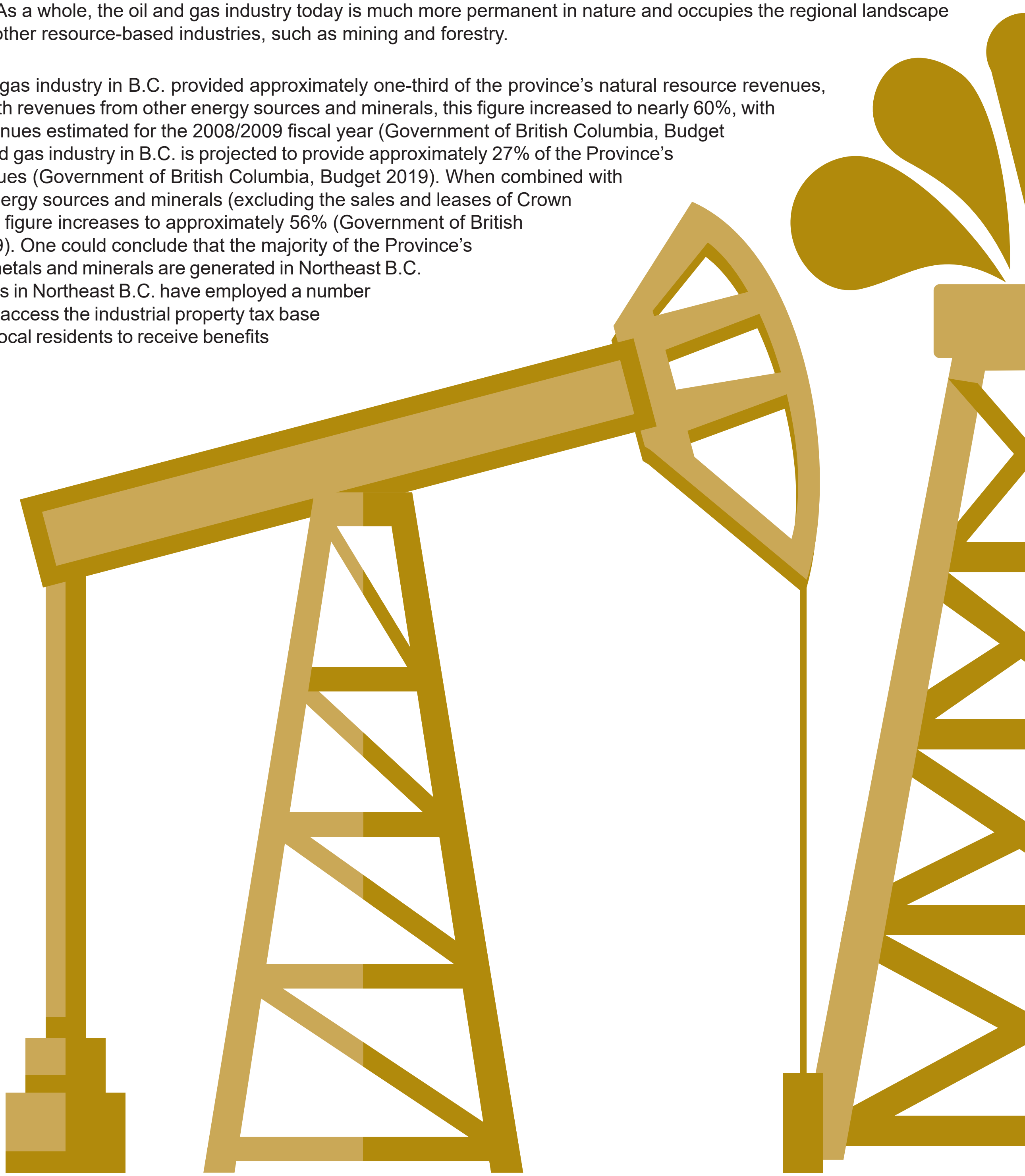
While a number of municipalities in B.C. receive a significant proportion of their taxation from industrial properties within their boundaries, this scenario does not exist for the major municipal service centres to industry in Northeast B.C., where the main form of industry is the oil and gas sector. This is because the oil and gas industry cannot easily be captured within municipal boundaries due to its location, size, and scope. Municipalities with more localized industrial uses, such as mills and mines, are better able to tax these industries. Conversely, more distributed industrial activities, such as oil and gas, are more difficult to tax by municipalities, even though municipalities host a good share of the workforces.

5.2 EVOLUTION OF THE OIL AND GAS INDUSTRY IN NORTHEAST B.C.

In British Columbia, the majority of the infrastructure for the oil and gas industry is situated in the Western Canada Sedimentary Basin, located in part in Northeast B.C. Historically, the oil and gas industry was very mobile, and constrained to work only during certain times of the year when access to oil and gas sites was available. The industry was most active for approximately six months during the winter. The extensive use of the landscape in oil and gas production led to a vast footprint, the remnants of which cover the majority of the region. There is virtually no land in Northeast B.C. that remains untouched by the effects of the oil and gas industry. Due to its itinerant nature, it was rare for industry centres to be located within the boundaries of municipalities.

Over time, the mobility of the industry has greatly decreased. Today, innovations in technology have changed the landscape of the industry. What once was a traditionally mobile industry is now much less transient. The operational period of industry has increased from six months to nearly year-round. The scale of the industrial infrastructure has also changed; fewer wells are being drilled than in the past, but today's wells are much larger and are being used more effectively for longer periods of time. Camps associated with the industry are more permanent and often placed closer to service centres in the region. Employees commonly reside in nearby communities rather than commuting frequently. As a whole, the oil and gas industry today is much more permanent in nature and occupies the regional landscape in a manner similar to other resource-based industries, such as mining and forestry.

In the past, the oil and gas industry in B.C. provided approximately one-third of the province's natural resource revenues, and when combined with revenues from other energy sources and minerals, this figure increased to nearly 60%, with over $2.1 billion in revenues estimated for the 2008/2009 fiscal year (Government of British Columbia, Budget 2008). Today, the oil and gas industry in B.C. is projected to provide approximately 27% of the Province's natural resource revenues (Government of British Columbia, Budget 2019). When combined with revenues from other energy sources and minerals (excluding the sales and leases of Crown land drilling rights), this figure increases to approximately 56% (Government of British Columbia, Budget 2019). One could conclude that the majority of the Province's revenue from energy, metals and minerals are generated in Northeast B.C. Over time, municipalities in Northeast B.C. have employed a number of strategies in order to access the industrial property tax base in the region to enable local residents to receive benefits in the form of services.



6. Other Municipal Initiatives Related to Industrial Taxation in Northeast B.C.

6.1 FORT ST. JOHN AND TAYLOR

Fort St. John experienced periods of rapid population growth during the 1960s and 1970s, including some of the highest population growth rates in the north and in B.C. as a whole. Despite Fort St. John's rapid growth rate, and unlike other service centres elsewhere in the province, the City of Fort St. John did not have access to the property tax base of the industries which it was serving.

A further issue compounding Fort St. John's financial situation was the increased growth and development occurring adjacent and near to the City's boundaries. Between the 1950s and 1970s, areas adjacent to the City grew quickly without proper levels of servicing. An example of this is the Anneofield area which developed southeast of Fort St. John's boundaries in the late 1950s and early 1960s (Urban Systems, 2003).

Efforts were made by Fort St. John to address the issue of its small industrial tax base, which prevented it from providing an adequate level of services to its residents. Discussions were held with the Province and the municipality of Taylor, located 15 kilometers southeast of Fort St. John, around possibly creating a district municipality that would incorporate both municipal jurisdictions. As Taylor had a high industrial tax base and a small population of 605 residents in 1971 (B.C. Stats, 2008), the rationale behind a proposed district municipality was to share the industrial assessment and more efficiently provide government services to both communities.

However, a district municipality amalgamating Fort St. John and Taylor was never created. Instead, the Ministry of Municipal Affairs encouraged efforts to be redirected to establish an agreement between Taylor and Fort St. John for the sharing of revenues from the McMahon gas plant located near Taylor. Discussions began in late 1974 and in the fall of 1975, the McMahon gas plant was incorporated into Taylor and a revenue sharing agreement between Fort St. John and Taylor was brought into effect (Urban Systems, 2003).

While the implementation of the revenue sharing agreement provided an increase in revenue to Fort St. John, it did not address the issue of accessing the industrial tax base outside of municipal boundaries. The revenue sharing agreement only provided access to tax revenues from one plant and not the entire industry being served in Northeast B.C.

6.2 DAWSON CREEK

The City of Dawson Creek is the second most populous municipality in the PRRD. Along with a strong presence of oil and gas in the area, Dawson Creek is also a service centre to a large agricultural industry, and a transportation and tourism hub due to it being Mile 0 of the Alaska Highway. As a result of the strong economy in the region, many amenities were developed in Dawson Creek to service residents in the area, including sports facilities, arts and culture centres, schools and a hospital. When funding the Encana Events Centre, Dawson Creek looked to the PRRD Electoral Areas D and E as well as the neighbouring Village of Pouce Coupe to participate in pooling together tax revenue to fund the centre.

One initiative that Dawson Creek has undertaken in order to grow its industrial tax base was extending its municipal boundaries west in order to incorporate a Louisiana Pacific forest products operation. Another initiative is the sharing of property tax revenues from the Tembec mill, which is located between Dawson Creek and Chetwynd. While the Tembec mill is encompassed within the District of Chetwynd boundaries as a satellite, property tax revenues are shared between both Chetwynd and Dawson Creek.

The development of additional industrial operations around the perimeter of Dawson Creek is a challenge, due to the fact that most of the land falls within the provincial Agricultural Land Reserve, limiting industrial growth.

6.3 CHETWYND

The District of Chetwynd has been historically successful in establishing arrangements with the PRRD for the provision of shared services. This enables Chetwynd to capture a share of unincorporated industrial property taxes that supports the District financially. There are multiple instances of shared services in Chetwynd. In 1970, a referendum resulted in the PRRD Electoral Area E contributing financially to the construction of an arena in Chetwynd – this process was repeated in 1980 with a successful library referendum, in 1986 with a successful fire protection referendum, and in 1987 with a successful leisure centre referendum. As stated previously, Chetwynd also receives a portion of the property taxes revenues from the Tembec mill located between Chetwynd and Dawson Creek.

6.4 HUDSON'S HOPE

The District of Hudson's Hope has historically derived municipal revenues due to its proximity to B.C. Hydro's W.A.C Bennett Dam and Peace Canyon Dam. The boundaries of Hudson's Hope include both dams and it receives an annual payment in lieu of taxes from B.C. Hydro. The Province has applied a special formula to Hudson's Hope, which considers the size of the municipality and the revenue that would be generated if the traditional Provincial formula that applies to other B.C. Hydro dams and generating facilities were used. The use of this special formula has previously been contested by the Council of Hudson's Hope, in efforts to continue increasing these revenues for the District. As the boundary of Hudson's Hope is extensive, the majority of the population receiving services from Hudson's Hope live within the municipality and therefore shared service arrangements with neighbouring local governments are unnecessary.

6.5 TUMBLER RIDGE

The District of Tumbler Ridge was formed due to the development of the Northeast Coal project, including the construction of the Quintette Coal Mine and the Bullmoose Mine, a highway, transmission line, and rail line. The establishment of the town site and functioning municipal government was an integral component of the Northeast Coal project and the District worked with the Province to develop the town physically, socially and financially. A financial plan was prepared that identified sources of revenue, including the two mines and associated processing facilities. These industrial facilities were purposefully included within the boundaries of Tumbler Ridge in order to allow the District to generate property tax revenues required for a functioning municipality. Approximately 60% of Tumbler Ridge's property tax revenues were generated from the taxation of these two mines. In the early 2000s, both mines closed, greatly reducing the property tax revenues of the municipality. The District Council established the Tumbler Ridge Revitalization Task Force composed of representatives from the District, PRRD and Province, as well as community and business leaders. The Province agreed to assume Tumbler Ridge's debt and dedicated funding for services. Two new mines, the Wolverine Mine and the Trend Mine, were opened in the early 2000s, re-establishing the industrial tax base of the area, but were closed in 2014, creating the same challenges related to economic diversity and financial concerns that were previously seen in the early 2000s. Today, while mines are present in Tumbler Ridge, the majority of them remain in a "care and maintenance" phase until market conditions improve.

6.6 FORT NELSON

In the early 1970s, the Province supported the incorporation of Fort Nelson as a resource community (Village municipality). However, it was not supportive of the community's plan for the creation of a district municipality that would have included major industries within the municipal boundaries. This led to inadequate property tax revenues, which prevented the Village from providing even the most basic services. Between 1971 and 2009, Fort Nelson sought to gradually access the regional industrial tax base to enable it to provide basic municipal services. While Fort Nelson initiated the process that culminated in the first Fair Share MOU, it did not continue along that route, but instead decided to pursue alternate mechanisms to access the unincorporated industrial tax base in the FNLRD/NRRD. The pursuit of accessing this tax base took decades, ultimately resulting in the incorporation of the NRRM in 2009.

While many municipalities have taken individual paths to access the unincorporated industrial tax base in Northeast B.C., each local government had an important role to play in collectively developing an industrial taxation agreement, which today is known as the Peace River MOU.

7. Role of Local Governments in Northeast B.C. in the Development of an Industrial Taxation Agreement

7.1 ROLE OF THE PEACE RIVER REGIONAL DISTRICT

Regional boards always act on behalf of their members, be they municipalities or electoral areas. The PRRD Board made the decision to sign the initial Fair Share MOU in 1994 and signed on behalf of all of its members, including the municipalities and the electoral areas. This reflected the fact that, between 1991 and 1994, the individual municipalities decided to pursue solutions to their tax base challenges through the taxation authority and mechanisms available through the PRRD. As the municipalities had worked extensively on solutions as members of the PRRD, the PRRD was the logical choice to sign the MOU. The Board members representing the individual municipalities obtained a mandate from their respective Councils, through Council resolutions, to represent the wishes of their Councils in the decision to sign the MOU.

The 1994 and 1998 Fair Share MOUs were negotiated under the guidance and authority of the PRRD although, as indicated above, the PRRD acted on behalf of its members (including municipalities) and had no ability to pursue objectives other than those agreed to by its members. The initiative for negotiating the MOU came from a number of municipalities, most notably Fort St. John and Dawson Creek. The PRRD became the means through which the goals of the individual members could be reconciled and achieved. It also administered the allocation formula and distributed the funds based on the MOU reached by the members of the PRRD.

The role of the PRRD in the negotiation of the third Fair Share MOU changed from its role in the initial two MOUs. Rather than working exclusively though the PRRD, a new governance arrangement was designed and approved by the municipal councils and the Regional Board that provided for greater participation of all elected officials in the process, rather than only the PRRD Board members. For administrative efficiency and the fact that it represented all the beneficiaries of the MOU, the PRRD was retained as the agency responsible for administering the allocation formula and the distribution of the funds.

7.2 ROLE OF THE NORTHEAST B.C. MUNICIPALITIES

The role of the Northeast B.C. municipalities was to advocate for access to the unincorporated industrial tax base located outside of municipal boundaries so that they could continue their roles as service centres for the oil and gas industry, including improving the levels of service they were able to provide.

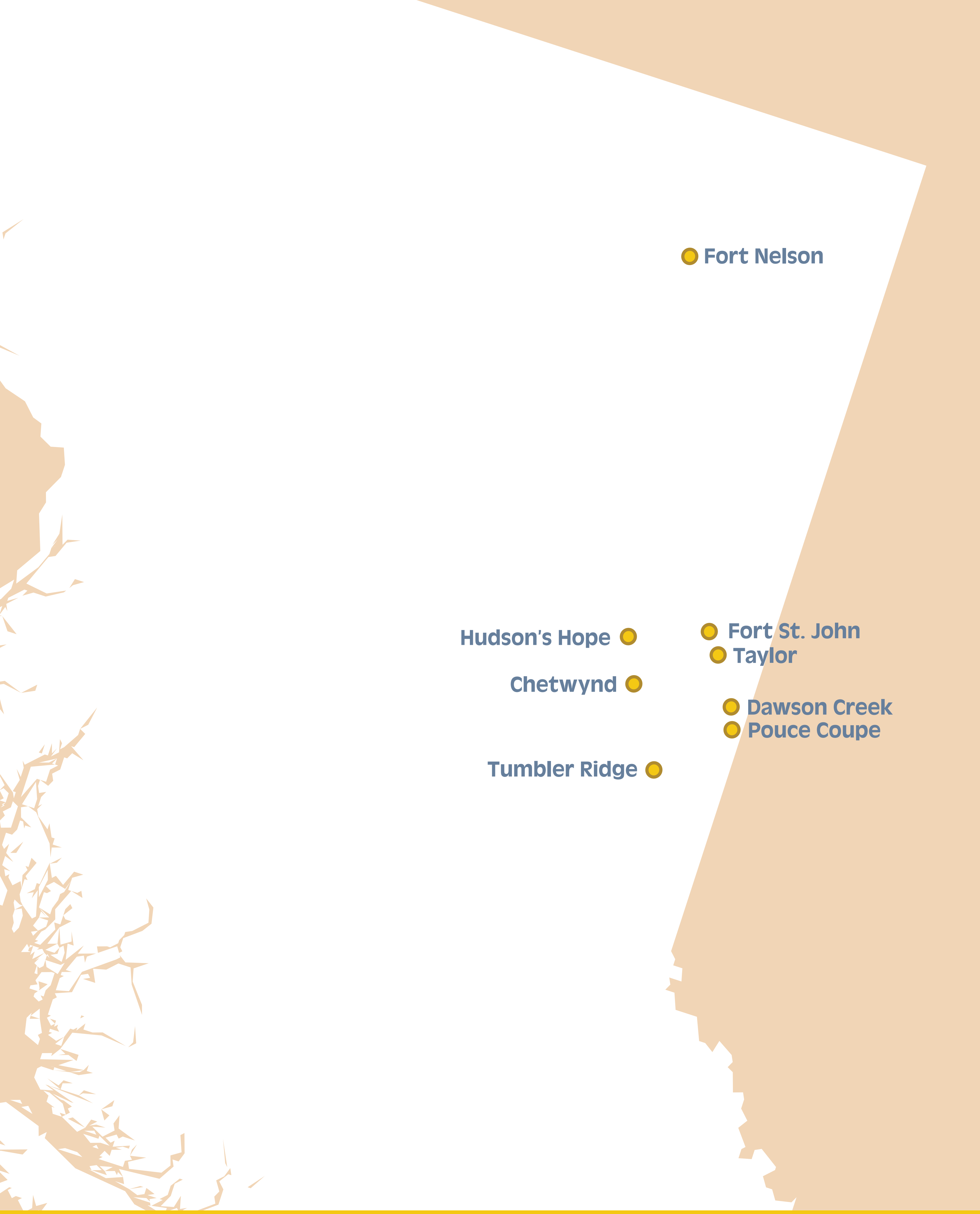
Fort St. John, Dawson Creek and Fort Nelson were the main drivers in seeking access to the unincorporated industrial tax base to solve the financial burden associated with the lack of municipal industrial assessment. These three municipalities, along with the other municipalities in Northeast B.C., needed to work collaboratively in order to seek the solutions they desired. In the initial process leading to the 1994 Fair Share MOU, these municipalities provided direction to both the 3M Committee and the PRRD.

In the initial Fair Share MOU, the PRRD signed the document on behalf of all the member municipalities; in subsequent MOUs, the involvement of the municipalities increased and all were individually required to sign the 2005 Fair Share MOU and 2015 Peace River MOU.

7.3 ROLE OF 3M COMMITTEE

For the 1994 and 1998 Fair Share MOUs, the PRRD provided the forum for reconciling differing objectives, developing unified positions and representing these positions to the Province. However, much of the actual strategizing and preparation for negotiations for the first two Fair Share MOUs was undertaken by the 3M Committee, consisting of Chief Administrative Officers and General Managers from Fort St. John, Dawson Creek and the PRRD. The 3M Committee reported to the Industrial Tax Committee (Regional Board Committee) which in turn reported to the entire Regional Board.

For the 2005 Fair Share MOU, the 3M Committee was re-established. It was also expanded to not only include Fort St. John, Dawson Creek and the PRRD, but also Taylor in order to represent the smaller municipalities. The 3M Committee reported to an Elected Officials Working Committee which, in turn, reported to all the elected municipal council members and electoral area representatives at plenary sessions held throughout the process. It was thought that by engaging all elected officials directly in the process, more informed and expeditious decision-making would result. In addition, each municipal council and electoral area director was required to sign off on all key decisions including the decision to enter into the 2005 Fair Share MOU. For this reason, the MOU contains the signatures of all municipalities and the PRRD on behalf of the electoral area directors.


Fort Nelson
Hudson's Hope
Fort St. John
Taylor
Chetwynd
Dawson Creek
Pouce Coupe
Tumbler Ridge

8. Fair Share Memoranda of Understanding

8.1 PRE-FAIR SHARE

In the 1970s and 1980s, continued development in the unincorporated areas around the major municipal service centres in Northeast B.C. such as Dawson Creek and Fort St. John was affecting both municipal service delivery and finances. Municipal services and facilities were being used by residents outside of incorporated boundaries, and yet these communities were receiving no tax base support from the unincorporated areas. This realization resulted in several municipalities in Northeast B.C. establishing "benefitting areas" with surrounding electoral areas of the PRRD in order to structure more equitable servicing arrangements and to access the industrial tax base surrounding them. The District of Chetwynd and the then Town of Fort Nelson were both successful in structuring such arrangements with their respective electoral areas.

In the 1980s, B.C. experienced a recession and when it occurred, Fort St. John was particularly vulnerable. While it did have some of the highest residential and business tax rates in the province, it was still generating inadequate tax revenues to provide even the most basic services, including maintenance of infrastructure. These recurring challenges saw Fort St. John's infrastructure deficit continue to increase into the early 1990s. At this time, Fort St. John realized that unless it was able to access the industrial property tax base located outside of its boundaries, it would not be able to remain financially viable. A renewed effort was made to address this situation.

The initial Fair Share MOU did not start with a decision by the PRRD Board requesting that the Province enter into an arrangement with the PRRD. Rather, it started as an initiative by the City of Fort St. John in 1991, who was quickly joined by other municipalities, to "regionalize" certain services as well as establish a general government extended services function through the PRRD which would generate additional revenue.

An Industrial Tax Committee was established by the PRRD to prepare recommendations to "regionalize" certain services including the implementation of the general government extended services function. The objective was to enable the PRRD (through provision of a variable taxation authority) to directly tax the unincorporated industrial tax base to generate the revenue required to recover the cost of regionalized services, as well as to generate revenue through the general government extended services function. This process would have enabled the municipalities to benefit financially by spreading the cost of the municipally-provided services over the large, unincorporated industrial tax base. The PRRD Board agreed to explore this concept, and the 3M Committee was established to support this initiative through research and analysis.

The 3M Committee was given the mandate to explore the establishment of a variety of regional service arrangements. The Semmens and Adams study, completed in 1992, came to the following conclusions:

- The Peace River region is one of the richest industrial regions in B.C.;
- Most of the industrial workforce in the Peace River region resides within urban centres but the majority of the industrial tax base is located outside of these urban centres;
- Elsewhere in B.C., the majority of the industrial tax base is incorporated within the boundaries of the municipality which acts as the industry's service centre;
- Residential tax rates in some Peace River region municipalities are significantly higher than the rest of the province due to the poor industrial tax bases in municipalities in the Peace River region;
- Industrial tax rates for unincorporated industries are considerably lower than those paid by industry incorporated within municipal boundaries; and
- Access to the industrial tax base within the region is inequitable.

Drawing on the conclusions of the Semmens and Adams study, the 3M Committee prepared a report entitled "Toward Taxation Equity" and submitted the report to the PRRD Board for consideration. The PRRD Board reviewed the outcome of the study and determined that the most equitable solution would be the establishment of a regional industrial tax base pool. Under this proposal, industry in Northeast B.C. would pay property taxes equivalent to 75% of average provincial industrial tax rates. The revenue generated from industry would be placed in a shared tax pool and allocated to municipalities and electoral areas on the basis of population and existing industrial assessment.

The Industrial Tax Committee presented its findings and recommendations to the PRRD Board in January of 1993. The Board considered the recommendations of the committee and made the following decisions:

- Approval in principle was given to the creation of a general government extended services function;
- Approval in principle was given to a formula for the phasing in of industrial tax rates as well as for a formula for allocating the revenues; and
- The Industrial Tax Committee was authorized to proceed with meetings with the Minister of Municipal Affairs and with industry representatives.

Numerous meetings and negotiations took place in 1993 between the local governments of the PRRD, Provincial ministers, area Members of the Legislative Assembly (MLAs) and industry representatives including the Canadian Association of Petroleum Producers. The focus of these discussions was the establishment of a general services function within the Peace River region based on the findings of the Semmens and Adams report.

During the initial Fair Share negotiations, the Town of Fort Nelson reviewed the mandate and objectives of the Industrial Tax Committee to obtain approval from the Province for Peace River region municipalities to directly tax the regional industrial tax base. In view of this objective, the Town of Fort Nelson decided not to continue its involvement in the process. Instead, Fort Nelson decided to pursue the creation of a single tier local government which would provide the Town with the same ability to tax the regional industrial tax base, leading to the creation of the FNLRD, ultimately becoming the NRRM.

In early 1993, approval in principle was given to the creation of what would become known as Fair Share.

8.2 GUIDING PRINCIPLES OF THE FAIR SHARE MEMORANDA OF UNDERSTANDING

The original arrangement between the Province and the PRRD on behalf of the Peace River region municipalities in 1994 was a MOU between these two parties which came to be known as Fair Share. The general principles upon which the MOU was based are recounted below.

'The Province recognized the unique situation of the PRRD, with limited access to the gas and oil industry tax base which is widely dispersed throughout the rural area of the region.

It is recognized that the regional district's member municipalities are the service centres to industry in the area and provide the necessary infrastructure which services industry and its workers, the majority of whom reside within the boundaries of the municipalities, and that recent industry growth has placed additional demands on local government infrastructure.

It is further recognized that municipal infrastructure is currently inadequate and is deteriorating and that the PRRD municipalities must have access to the region's industrial tax base to provide new facilities and the necessary improvements to existing infrastructure.'

These principles were further articulated by two key funding directions geared to achieving the objective of enhancing infrastructure condition and capacity.

1. *An appropriate contribution towards the cost of infrastructure improvements will be made by industry and utility property owners in the regional district rural areas; and*
2. *An undue share of the cost of infrastructure improvements is not placed on property owners [in municipalities] with a below average industrial and utilities property assessment base.*

These principles were implemented by instituting a special annual Provincial tax referred to as the Peace River Local Government Infrastructure Tax, levied by the Province's Surveyor of Taxes on rural industrial and utility properties, with the proceeds then transferred to the PRRD for distribution. Precise and detailed wording and associated requirements of each Fair Share MOU can be found in Appendices A – C.

1994

8.3 1994 FAIR SHARE MEMORANDUM OF UNDERSTANDING

Many meetings and negotiations took place with the Province, area MLAs and industry representatives regarding the proposed establishment of the 1994 Fair Share MOU. While the Province supported the establishment of the MOU, including the direct taxation of industry in the unincorporated areas of Northeast B.C. by municipalities, industry was not in favour of this approach.

In 1994, the first MOU was signed between the PRRD Chair and the then Minister of Municipal Affairs, on behalf of the Province. This MOU was to be reviewed no later than five years from the time of signing. Within this MOU, the Province acknowledged the unique situation of the Peace River region where the more populous municipal service centres do not have adequate access to the tax base of the industries they serve. The Province also recognized the important role that the service centres play in the economic development of the region and the fact that the infrastructure in the major service centres was inadequate and deteriorating. However, the 1994 Fair Share MOU did not give Peace River region municipalities what they were ultimately seeking – the ability to directly tax industry located outside of municipal boundaries. This right was reserved to the Province who agreed to levy the Peace River Local Government Infrastructure Tax. This tax would be capped at a rate which would raise $2 million in revenue. With the Province also contributing a grant equal to the annual tax levy, a total of $4 million was to be collected annually and distributed among the municipalities and electoral areas of the PRRD.

The 1994 Fair Share MOU provided a modest increase in revenues to all municipalities and, while it was appreciated, it did pose a series of challenges:

- It was a grant from the Province to municipalities and did not give municipalities the ability to raise the revenues needed from industrial assessment;
- The grant was fixed at $4 million and as growth continued, municipalities would have to encourage the Province to increase the grant in order to offset the cost of growth;
- The grant was based on a mutually agreed upon MOU. However the MOU was not a legally-binding agreement on the part of the Province and the Province could at any time, without the consent of the municipalities, terminate the MOU and the grant; and
- The level of funding was inadequate to address the growing infrastructure costs of the two largest municipalities: Fort St. John and Dawson Creek. At the time the 1994 Fair Share MOU was being finalized, Fort St. John had an infrastructure deficit approaching $100 million and Dawson Creek also had serious infrastructure issues. The $4 million in funds to be shared among all PRRD municipalities and electoral areas was viewed as insufficient.

1998

8.4 1998 FAIR SHARE MEMORANDUM OF UNDERSTANDING

Even with the funding provided through the 1994 Fair Share MOU, the infrastructure deficit continued to increase and the ability of municipalities within the Peace River region to provide adequate services continued to decrease. At the recommendation of the 3M Committee, the PRRD began to pursue increased funding by renegotiating the 1994 Fair Share MOU. Negotiations began in 1997 and in early 1998 a second MOU was presented to the PRRD for consideration, which would provide $113.5 million over a ten-year period to be distributed among Peace River Regional local governments. The primary objective of the renegotiation was to see an increase in the annual funding amount; the 1998 Fair Share MOU met that objective.

The 1998 Fair Share MOU did not change the fundamental structure of the arrangement established in the 1994 Fair Share MOU in that it remained a combination of the $2 million generated by the Peace River Local Government Infrastructure Tax and supplemented by additional funding from the Province. However, the annual amount did not make any provision to reflect growth, and the revenue allocation formula remained the same with municipalities receiving 90% and electoral areas receiving 10% of annual revenues. The Province enshrined the allocation formula within the MOU so that it could not be amended by the municipalities and electoral areas.

Negotiations for the second Fair Share MOU began with the Province with the intention of increasing the level of funding available to local governments. Again, the Town of Fort Nelson and the FNLRD were not part of the renegotiation of the MOU, given their continued interest in pursuing the establishment of a single tier local government that had direct property taxation powers over a broader industrial tax base within the FNLRD boundaries.

8.5 2005 FAIR SHARE MEMORANDUM OF UNDERSTANDING

While the municipalities affected by initially two Fair Share MOUs were pleased to see the enhancement of revenues available to them through these MOUs, they felt that limitations still existed within the 1998 Fair Share MOU and allocation formula. In late 2002, a review of the 1998 Fair Share MOU was undertaken. The Province responded with a willingness to participate in this review but noted that the Ministry's three-year service plan provided for no change in municipal transfers through to 2004/05. This meant that there would be no opportunities for increasing the Fair Share amount until at least 2005.

The Peace River region local governments expanded the alliance involved in re-negotiating the third Fair Share MOU to include the then Town of Fort Nelson and the NRRD. This invitation was extended to Fort Nelson and the NRRD as it became evident that a consistent policy and solution for Northeast B.C. as a whole was required rather than the ad hoc approach being taken. Both the Town of Fort Nelson and the NRRD agreed to participate in the alliance as their efforts to establish a single tier local government were not being given serious consideration. The new alliance of local governments made initial presentations to the Province advocating direct access to the industrial tax base. The inclusion of the Town of Fort Nelson and the NRRD prompted the alliance to pursue the creation of two tax pools with the ability of local government to directly tax Class 2, 4 and 5 property assessment in both pools.

An unexpected aspect of the Province's offer was that the new MOU would apply only to the PRRD and its member municipalities and not to the Town of Fort Nelson and the NRRD. The Province indicated that Fort Nelson was seen by the Province as having its own means of capturing the benefits of a wider industrial tax base and being quite successful in using conventional means to access the industrial tax base, something that was not available in the PRRD as it was in the NRRD.

In the spring of 2005, the final version of the 2005 Fair Share MOU was signed by the Province, Peace River region municipalities and the PRRD, seeing the culmination of several years of work and advocacy led by member municipalities of the PRRD. The 2005 Fair Share MOU saw the amount received from the Province increase from $12 million annually to a minimum of $20 million annually. One of the most notable aspects of the 2005 Fair Share MOU was that the annual allocation amount provided by the Province would reflect increases in the assessment of industrial properties (property classes 2, 4, and 5) located outside of municipal boundaries within the PRRD's electoral areas. If the industrial sector in the PRRD unincorporated areas saw assessment increases of 6.5%, then the annual amount to be allocated would be increased by 6.5%. Furthermore, the annual allocation amount would not fall below $20 million, even if a decline in the industrial sector were to occur. This provided security for the local governments recipients in the Peace River region and ensured that the allocation amount kept pace with the increased pressures faced by municipalities in providing services. Finally, the 2005 Fair Share MOU specifically stated that unanimous consent of the PRRD and its member municipalities was required if these municipalities were to act under the 2005 Fair Share MOU.

Another element of the 2005 Fair Share MOU was a $20 million one-time historic infrastructure deficit payment, and the requirement for reporting on what projects were funded under this portion of the MOU.

9. Peace River Memorandum of Understanding

9.1 INTRODUCTION

The 2005 Fair Share MOU, signed between the Province, Peace River region municipalities and the PRRD, was set to expire in March 2020. Discussions between the Province and local governments of the PRRD began well in advance of the March 2020 expiration date. This led to the early termination of the 2005 Fair Share MOU and it being replaced with a new MOU referred to as the Peace River MOU in May 2015.

Various aspects of the 2005 Fair Share MOU were carried forward into the Peace River MOU. These include the considerations and objectives which underpin the MOUs, requirement for Peace River region local government consensus, and provisions relating to the potential for an allocation formula review.

A number of new elements were included in the Peace River MOU. The remainder of this section provides brief summary descriptions of each of these new elements. Precise and detailed wording and associated requirements of the Peace River MOU can be found in Appendix D.

9.2 GUIDING PRINCIPLES OF THE PEACE RIVER MEMORANDUM OF UNDERSTANDING

The Province, Peace River region municipalities and the PRRD signed a Memorandum of Understanding between the Province and the Region for Payments in Place of Direct Access to the Unincorporated Industrial Tax Base ("Peace River MOU") in 2015. The principles upon which this MOU are based are noted as 'Considerations' in the MOU and include the following.

1. ***The Parties recognize the unique situation of the Region with respect to limited access to the industrial property tax base.***
2. ***In particular, the Parties recognize that much of the industry is located in areas outside of municipal boundaries and therefore is not subject to municipal taxes. Municipal boundary adjustments, inter-municipal tax sharing arrangements, and the regionalization of services cannot adequately address this issue.***
3. ***The Parties recognize that the Region's municipalities are the service centres to industry and its workers, and that industry growth will continue to place additional demands on municipal infrastructure and services.***
4. ***The Parties recognize that historical infrastructure deficits continue to exist in some of the Region's municipalities.***
5. ***The Parties recognize that the considerations in paragraphs 1 through 4 must be addressed with the objective of achieving a reasonable degree of comparability with the revenues from property classes 2, 4, and 5 ("Industrial Revenues") available in other industrial municipalities across British Columbia.***

These 'Considerations' reflect and carry forward the guiding principles in the original Fair Share MOU, and support consideration of a unique approach to accessing the industrial tax base within the Peace River region to support the provision of services to industry by municipalities.

9.3 PARTNERSHIP COMMITTEE

The Province and local governments of the Peace River region struck a Partnership Committee under the Peace River MOU. This Committee comprises an equal number of representatives from the Province and the Region (three at the inception of the Peace River MOU, with the provision to expand if agreed to), and specifies certain appointees from each party. The Committee's responsibilities include considering matters identified by either party as impediments to municipalities as they plan for growth, resolving issues which may arise from implementation of the Peace River MOU, establishing frameworks for various matters related to the Peace River MOU (applications and approvals for funding, dispute resolution, negotiations in relation to Provincial policy changes, renewal of the MOU, and potential entry of a new municipality), as well as other matters related to the effective operation of the Peace River MOU. The Province provided $1 million in 2015 to the PRRD to support the work of the Committee.

9.4 SPECIAL PAYMENT

A provision was made for a special payment to those local governments whose councils or board approved in principle the Peace River MOU by May 20, 2015 an amount equal to that signatory's share of $3 million in accordance with the allocation formula.

9.5 ANNUAL PAYMENT

A new formula was introduced to the Peace River MOU to replace that contained in the 2005 Fair Share MOU. This new formula set a base amount of $50 million for 2016 through 2019, and then increased that base amount at a rate of 2% annually for the period 2020 through 2034. The annual increase can be reviewed periodically and potentially amended through negotiation between the parties.

9.6 ELIGIBILITY

A number of annual payment eligibility criteria were introduced through the Peace River MOU. These are summarized generally below:

- Signatories must be local governments (municipalities at the PRRD);
- Signatories were required to submit the following plans to the Province outlining capital investments, operational activities and policies which identify how annual payments contribute to enhancement of the Region as an industrial service centre:
  - Long-term development plan by October 31, 2015; this plan must be updated every five years;
  - Annual development plan by January 31 of each year; and
- Signatories were also required to submit annual progress reports to the Province by January 31 of each year which provide a retrospective review of investments, activities and policies undertaken, and how these align with the annual development plans.

9.7 REPORTING, APPLICATION, AND APPROVAL REQUIREMENTS

The Province's Assistant Deputy Minister (ADM) responsible for local government will, on an annual basis, receive and review development plans and progress reports. This review will include a number of criteria which, if met, will allow the ADM to approve the plan and report, as well as the annual payment. If the criteria are not met, the ADM may withhold some, or all, of the local government's annual payment. This decision to withhold payment may be reconsidered through a dispute resolution process established by the Partnership Committee.

9.8 RENEWAL OF THE PEACE RIVER MEMORANDUM OF UNDERSTANDING

Provisions were included in the 2015 Peace River MOU with respect to its renewal. Three of these provisions pertain to annual payment amounts:

- In 2023 and 2031, the annual rate of growth (2%) of payments under the Peace River MOU will be reviewed by the Province and Peace Region local governments;
- In 2031, a new total annual payment amount to begin in April 2035 will be set; and
- In 2039 and every 8 years thereafter, the annual rate of growth and payments will be reviewed, unless otherwise agreed to by the parties.

The reviews undertaken in 2023 and 2031 are subject to an assessment of the need for additional infrastructure and services in the Peace Region in relation to growth of the industrial tax base, and the state of Provincial revenues from sources in the Region such as royalties and bonuses from sale or lease of subsurface rights. Mutually agreed-upon third parties can be engaged to assist with assessments relating to annual rates of growth and payments. Any change to the Peace River MOU requires the unanimous consent of all signatories to the MOU, including the Province.

10. The Allocation Formula

10.1 INTRODUCTION

Since 1994, there have been a total of three Fair Share MOUs (1994, 1998, and 2005) and one Peace River MOU (2015). Each of these MOUs build off the previous version, either through adjustments in the MOU language, increasing the clarity and understanding of the purpose of the MOU, or modifications to the allocation formula itself.

This section highlights how the allocation formula has evolved over time and concludes with a summary of the current allocation formula. The principles which form the foundation of the allocation formula, along with additional details on aspects of the MOU other than the formula, are provided in the preceding portions of this report (particularly Sections 8 and 9).

10.2 EVOLUTION OF ALLOCATION FORMULA

10.2.1 1994 ALLOCATION FORMULA

The initial 1994 Fair Share MOU was structured with the following mechanisms (see Appendix A):

- A special tax levy would be imposed by the Province on electoral area assessment classes 2, 4, and 5. The tax rates used for the levy needed to raise a minimum of $2 million;
- The Province would provide a grant that matched the amount raised by the tax levy, for a total amount available to be allocated of $4 million ($2 million tax levy + $2 million Provincial grant);
- The formula was designed to distribute the proceeds of the levy and matching grant by equalizing the tax base on a per capita basis across all municipal jurisdictions;
- The formula was intended to enhance the municipal tax base; the MOU clearly states that in no instances would the formula result in a reduction to a municipality's existing tax base;
- A total of 10% of the tax levy amount to be allocated was to be distributed amongst the four electoral areas of the PRRD. No similar provision was applied to the matching grant; and
- The formula used current converted values of assessments for Hospital purpose prepared by the British Columbia Assessment Authority and municipal population statistics as determined by the Director of Statistics appointed under the Statistics Act.

Components of the 1994 Allocation Formula:

- m = total current converted values of a municipality's assessments for Hospital purposes as contained in the Authenticated Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority;
- M = the sum of m;
- R = total current converted values of electoral area assessments of classes 2, 4, and 5 for Hospital purposes as contained in the Authenticated Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority;
- p = the municipal populations statistics as determine by the Director of Statistics appointed under the Statistics Act and utilized in a manner consistent with that of the Local Government Grants population statistics;
- P = the sum of p;
- C = the calculation of the equalized per capita tax base;
- a = the calculation of the figures used to apportion the levy and matching grant;
- A = the sum of a;
- L = the Provincial special levy on electoral areas classes 2, 4, and 5 current net taxable assessed values for Hospital purposes minus 10%; and
- G = the Provincial matching grant.

The 1994 Allocation Formula is as follows:

- **Step 1:** Calculation of the equalized per capita tax base.

$$\frac{M + R}{P} = C$$

- **Step 2:** Calculation of the figures used to apportion the levy and matching grant. If a returns a negative value for any municipality, that municipality is removed from the calculations and steps 1 and 2 are repeated.

$$(p \times C) - m = a$$

- **Step 3:** Calculation of each municipality's share of the levy and matching grant.

$$\frac{a}{A} \times (L + G) = \text{Allocation}$$

An example of the allocation formula can be found in Appendix A.

There are a few elements to consider that have been present in each allocation formula since the 1994 Fair Share MOU.

Population Data

Population data is based on B.C. Statistics estimates, which are determined in July of each year and updated again each December. It is important to note that the B.C. Statistics estimates are just that – estimates. As B.C. Statistics obtains additional information, the estimates are updated. When the calculations are completed, the most current B.C. Statistics estimates available at that time are utilized. As a result, if one reviews current B.C. Statistics population estimates today, these values may differ from the values used in previous Fair Share calculations.

Assessment Data

The allocation formula is driven by assessment (both unincorporated and incorporated industrial assessment) and population. The formula is intended to be dynamic and responses to shifts in both of these key drivers. The main assessment driver of the allocation formula is the amount used for allocation. The purpose of this amount is to equalize the assessment amounts from each community so that the allocation amounts can be distributed across a level field.

In general, the assessment data utilized to determine the Fair Share allocation is a combination of the unincorporated industrial assessment (Classes 2, 4, and 5), total municipal assessment and municipal industrial assessment only. As municipal industrial assessment increases, the amount obtained from Fair Share typically decreases. This is because the Fair Share allocation is intended to supplement where communities are lacking – in the assessment for their industrial classes.

10.2.2 1998 ALLOCATION FORMULA

In 1998, the Fair Share MOU was renewed. Generally, the MOU was identical to the previous one, and the formula was identical. The 1998 Fair Share MOU again recognized that municipal infrastructure continued to be inadequate and deteriorating and that the PRRD municipalities needed access to the region's industrial tax base to provide new facilities and the necessary improvements to existing infrastructure. The MOU states that through the implementation of an Oil and Gas Revenue Reallocation Program, the infrastructure within the regional district is raised to an adequate level and, in particular, able to respond to the demands placed on it by oil and gas industry growth. The MOU needed to be funded in such a way that it achieved a fair balance among local government jurisdictions, taxpayers, and sources of revenue.

The 1998 allocation formula was structured with the following new adjustments:

- The Province again provided an annual Provincial tax levy for the PRRD under the Taxation (Rural Area) Act. The difference was the amount to be raised, which was determined by the Province for the year in question;
- The tax rate for the Provincial levy could change over time, as the amount to be raised changed, although the levy continued to be imposed on electoral area assessment Classes 2, 4, and 5; and
- Taxes collected under this MOU were referred to as the "Peace River Local Government Infrastructure Tax" and were identified separately from the Provincial Rural Area Tax rate.

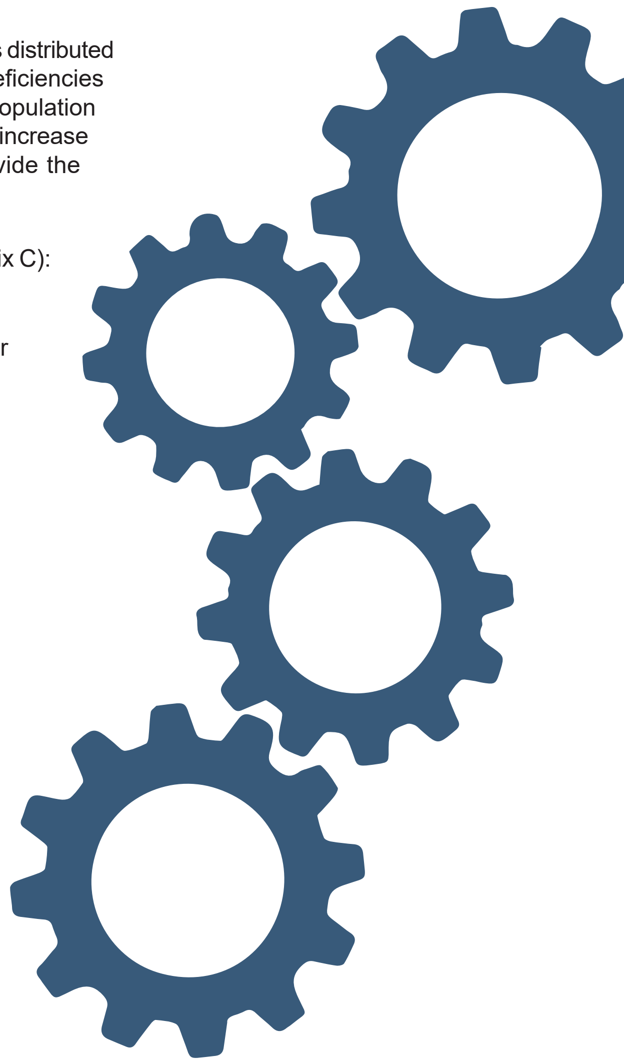
The allocation formula saw a total of $113.5 million allocated to the PRRD, 90% of that amount being allocated to the municipalities within the region. The 1998 Fair Share MOU can be found in Appendix B.

10.2.3 2005 ALLOCATION FORMULA

In 2005, the allocation formula was revised. This was because, while over $133 million was distributed from 1998 to 2004, the annual amount was still inadequate to address infrastructure deficiencies in the region and did not reflect the growth that the municipalities were seeing in their population base or the industrial growth that was occurring in the region. Municipalities continued to increase their roles as service centres to the oil and gas industry but were still unable to provide the appropriate levels of services for growing communities.

Key elements of the 2005 Fair Share MOU allocation formula included (found in Appendix C):

- The Province would pay the sum of $20 million to the PRRD for the fiscal year 2005/06;
- The proposed allocation formula was designed to weigh the allocations toward the Region's municipalities that:
    - Did not have adequate industrial tax base support, as evidenced by the comparison to a representative group of industrial municipalities elsewhere in the Province;
    - Had historically not benefited from industrial tax base support resulting in infrastructure deficits;
    - Were experiencing high levels of population growth and demand for services, due to the growth of the oil and gas industry; and
    - Play a vital service centre role in supporting both the oil and gas industry and a large contiguous rural population.



The new formula was split into two pools:

- Pool 1 (60% of annual allocation amount):
  - The 10% allocated to the electoral areas of the PRRD came from Pool 1 only; and
  - The formula was driven by assessment and population data.

- Pool 2 (40% of annual allocation amount):
  - This amount would increase based on the growth of the unincorporated industrial assessment annually;
  - A minimum of $250,000 would be allocated to each municipality in Pool 2 (should the allocation yield a value less than $250,000 to a municipality, funds would be re-distributed to ensure that a minimum allocation of $250,000 was achieved; and
  - The formula was driven by assessment, population and benefitting area data.

Given the growth that occurred in the PRRD, in terms of both assessments and population, in general all municipalities saw annual increases in their Fair Share allocations as a result of the 2005 allocation formula.

The 2005 Fair Share MOU saw the addition of new elements to the allocation formula. In addition to populations and assessments as indicated above, the allocation formula also takes into consideration the following topics.

Benefitting Area Data

A new factor of the Fair Share allocation is determining the impacts to municipalities as a result of benefitting area industrial revenues. These benefiting areas include portions of PRRD electoral areas and contribute to the financial situation of impacted municipalities. This is done by capturing unincorporated area industrial tax assessment in a defined benefitting area and re-directing the resulting tax revenues to those municipalities that provide services to the defined benefitting areas. This extra calculation applies only to Pool 2. The revenues that each municipality receives, as a result of identified benefitting areas, are converted into an equivalent assessment, which is then added to the total assessment for the municipality. These benefitting areas include the following elements as:

- B.C. Hydro Grant (Hudson's Hope);
- Chetwynd Recreation Facilities;
- North Peace Leisure Pool;
- South Peace Multiplex;
- Dawson Creek/Chetwynd Revenue Sharing (Tembec – see below); and
- Dawson Creek Sub-Regional Recreation.

In general, benefitting areas were included if the benefitting value exceeded $25 per capita. This would allow for new benefitting areas to be included, or existing benefitting areas to be excluded, should the situation arise.

Tembec

The Tembec mill is located between Dawson Creek and Chetwynd. The mill has an impact on both of these municipalities, however it has a larger impact on Chetwynd. The Fair Share calculations take this into consideration by assigning 40% of Tembec's converted assessment to Dawson Creek and the remaining 60% to Chetwynd. The results of this are incorporated into adjusted assessment data for both communities.

Components of the 2005 Allocation Formula

The 2005 allocations are determined through a formula and computed using a spreadsheet. There are 14 specific worksheets in the broader spreadsheet that are part of the allocation formula. Of the 14 worksheets, three are summaries while the remaining 11 require updating. These include:

- Notes;
- 2008-Pool 1;
- 2008-Pool 2;
- Scorecard-Assessments (IndCon);
- Scorecard-Actual Values (Pool2);
- Chetwynd-Adjusted Assessment;
- 2008 Converted Assessment;
- 2007 Population;
- Rural Industrial Assessment;
- MCS Tax Burden (Schedule 707); and
- Indexing.

The explanations for 14 worksheets are provided below.

Notes

The Notes worksheet includes explanations about where information is found, what information is used and a few key pieces of data.

Comparison (Current Year to Previous Year)

This worksheet provides a comparison between the current year's annual allocation and the previous year's annual allocation. The data is broken down into rural and municipal allocations for each year.

Summary (Year) Allocation

This worksheet provides a summary of the current annual allocation data, broken down into rural and municipal allocations.

Pool 1

This worksheet determines the total Fair Share amount for Pool 1 (60% of the total annual allocation). Data from a number of tables is used in this calculation, including:

- Electoral area converted hospital assessments broken down by class and electoral area;
- Municipal converted hospital assessments broken down by municipality;
- Tembec recalculations for Dawson Creek and Chetwynd and adjusted municipal assessments reflecting this recalculation; and
- Municipal population breakdowns.

Pool 2

This worksheet determines the total annual allocations for Pool 2 (40% of the total annual allocation). Data from a number of tables is used in this calculation, including:

- Electoral area converted hospital assessments broken down by class and electoral area;
- Municipal converted hospital assessments – industrial classes only, broken down by municipality;
- Tembec recalculations for Dawson Creek and Chetwynd and adjusted municipal assessments reflecting this recalculation;
- Reflection of Chetwynd leisure facility benefits (industrial property class revenues received) from the Chetwynd Arena, Chetwynd Leisure Centre, and Chetwynd Library;
- Reflection of Dawson Creek Multiplex benefits (industrial property class revenues received);
- Reflection of North Peace Leisure Pool benefits (industrial property class revenues received);
- Reflection of Dawson Creek sub-regional recreation benefits (industrial property class revenues received);
- Conversion of benefiting area revenues to equivalent assessments;
- Adjusted municipal assessments taking into consideration the Tembec recalculations and the benefiting area revenues;
- Municipal population breakdowns;
- Calculations of equalized per capita data based on the municipal population, municipal adjusted data, and rural area data; and
- If applicable, calculations of equalized per capita data after Taylor is removed. [1]

1 Note: In the past, the population of Taylor was very small and, due to the amount of industry, the industrial assessment values were large. The population is now growing so while Taylor did not qualify as part of the Fair Share MOU in the past, it does now. This calculation remains in case it is needed in the future. It is not currently used in the allocation calculation.

Scorecard-Assessments (IndCon)

This worksheet presents a summary of the assessed values of all sources of accessible revenue that form the industrial tax base. The assessed values are based on the actual values found in the Scorecard-Actual Values (Pool 2) worksheet. Total Municipal Converted Assessment data is displayed along with other sources of industrial tax revenues.

Scorecard-Actual Values (Pool 2)

This worksheet presents a summary of the actual values of all sources of accessible revenue that form the industrial tax base. For each municipality, the total revenue collected from industries is referenced from the Province's Tax Burden (Schedule 707) worksheet. Other sources of industrial tax revenues are also displayed. These totals are then used in Table 11 of the Pool 2 worksheet for conversions of the benefiting area revenues to equivalent assessments.

Ratios

This worksheet presents the current year's converted total municipal industrial assessment, as adjusted for Tembec, for each municipality in the PRRD. This information is referenced from the Scorecard-Assessment (IndCon) worksheet. In addition, the previous year's industrial revenues collected from all sources are also presented. The values were taken from the Scorecard-Actual Values (Pool 2). This information is used to determine the ratio between the industrial assessment values and the revenues collected from industrial sources and is subsequently used to converted industrial revenues received from benefiting areas into an equivalent assessment.

Chetwynd-Adjusted Assessment

This worksheet presents the breakdown of assessments in the District of Chetwynd. Specifically, the general assessment values, converted industrial assessment values, tax rates, associated ratios and adjusted assessment values are used to determine the adjusted converted industrial assessment totals.

Converted Assessment

This worksheet presents a breakdown of converted assessment values, according to the completed roll, for all incorporated and unincorporated industries in the PRRD.

Population

This worksheet presents the population estimates for each municipality and unincorporated area (electoral area). The most recent information from B.C. Stats is used for municipal population estimates and the most recent information from Statistics Canada (Census) is used for unincorporated area population estimates. Chetwynd, Fort St. John, and Dawson Creek populations are adjusted according to the percentage of the unincorporated population that resides immediately outside of these jurisdictions; these figures are used in the Scorecard worksheets to reflect benefiting area impacts.

Rural Industrial Assessment

This worksheet presents the unincorporated industrial assessment base, beginning with 2005 data, and includes a breakdown of each electoral area and related class of industry. This information is crucial to determining how much the unincorporated industrial assessment has increased and determines the indexing rate for the annual allocation amount.

Tax Burden (Schedule 707)

This worksheet presents the details of the assessment data for the municipalities in the PRRD, including assessments, tax rates, municipal taxes and class proportions of taxes and assessments. This information has been obtained from the Province's website. The population estimates presented on this worksheet are not used for other calculations because more recent data is available. In addition, revenue from industry has been isolated and calculated for each municipality.

Indexing

This worksheet presents the existing annual allocation amounts with indexing, beginning with 2005 data. For calculating the indexing rate for each year, 2004 data was been used as a base amount. The information is broken down into Pool 1 and Pool 2 and used to calculate indexing rate changes between each year. Assessment data from the Rural Industrial Assessment worksheet is also used in these indexing rate calculations.

10.3 SUMMARY OF CURRENT ALLOCATION FORMULA

In 2015, the new Peace River MOU was signed. This saw no changes at all to the 2005 Fair Share allocation formula, with the exception of the INDEXING element. In the new 2015 Peace River MOU, no indexing is present from 2015 to 2020. From 2020, an annual increase of 2% is applied to the allocation amount. As noted previously, opportunities to review this rate of increase are present in 2023 and 2031.

One of the observations of the current formula is each municipality's portion will vary year to year, depending on the increase (or decline) of a municipality's population and the increase (or decrease) in assessment growth. While one municipality's population and assessment value may increase, this municipality may still see a decrease in allocation value from the previous year due to another municipality's higher growth rate of population and assessment value; this is particularly evident when the allocation amount is fixed.

11. Closing

The evolving versions of the Fair Share MOU and the new Peace River MOU have been a key element of the financial sustainability of local governments in the Peace River region. They have been vital to the ability of the Peace River region governments to fund improvements to infrastructure, and to continue to provide and expand their service offerings to the oil and gas industry, its employees, and the residents of the communities.

The Fair Share / Peace River MOUs have had a tremendous positive effect on the Peace River region and its residents.

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Appendix A:

1994 Memorandum of Understanding Between Her Majesty the Queen in the Right of the Province of British Columbia, represented by the Minister of Municipal Affairs and the Peace River Regional District.

MEMORANDUM OF UNDERSTANDING

BETWEEN

HER MAJESTY THE QUEEN
IN THE RIGHT OF THE PROVINCE OF BRITISH COLUMBIA,
represented by
THE MINISTER OF MUNICIPAL AFFAIRS

AND

THE PEACE RIVER REGIONAL DISTRICT

December 15, 1994

to be reviewed in 5 years. 1999

MEMORANDUM OF UNDERSTANDING
between the
PROVINCE OF BRITISH COLUMBIA
and
THE PEACE RIVER REGIONAL DISTRICT

General Principles:

The Province recognizes the unique situation of the Peace River Regional District, with limited access to the gas and oil industry tax base which is widely dispersed throughout the rural area of the region.

It is recognized that the regional district's member municipalities are the service centers to industry in the area and provide the necessary infrastructure which services industry and its workers, the majority of whom reside within the boundaries of the municipalities, and that recent industry growth has placed additional demands on local government infrastructure.

It is further recognized that municipal infrastructure is currently inadequate and is deteriorating and that the Peace River Regional District municipalities must have access to the region's industrial tax base to provide new facilities and the necessary improvements to existing infrastructure.

Objectives:

The objective of this agreement and undertaking is to ensure that the infrastructure within the regional district is raised to an adequate level, and in particular can respond to the demands placed on it by recent oil and gas industry growth, and is funded in such a way that:

1) An appropriate contribution towards the cost of infrastructure improvements will be made by industry and utility property owners in the regional district rural areas; and

2) An undue share of the cost of infrastructure improvements is not placed on property owners in municipalities with a below average industrial and utilities property assessment base.

The Province and the Peace River Regional District agree and undertake that:

a) The Province will provide for an annual Provincial tax levy for the Peace River Regional District under the *Taxation (Rural Area) Act*, capped at a tax rate which will raise an additional $2 million in 1995, for the purposes of infrastructure development in the region;

b) The Province will provide an annual grant equal to the tax levy collected under (a) above, from a voted appropriation commencing in the year 1995;

c) The total monies raised under sections (a) and (b) above shall be paid to the Peace River Regional District not later than August 1 in each calender year;

d) Taxes collected under this agreement shall be referred to as the "Peace River Local Government Infrastructure Tax" for all purposes and if practicable, will be identified separately from the Provincial Rural Area Tax rate, subject to the technical ability of the Surveyor of Taxes and systems in place;

e) The proceeds of the tax levy and provincial grant will be transferred to the Peace River Regional District and will be utilized for local government capital infrastructure purposes, which shall include capital projects such as, but not restricted to, providing sewerage works, water works, drainage works, road and sidewalk improvements and shall specifically include rural area infrastructure projects for natural gas supply, telephone and electrical systems within the region;

f) The Peace River Regional District shall distribute the monies in accordance with the allocation formula attached hereto and forming part of this agreement;

g) The parties agree to expedite the restructure process by pursuing the incorporation of major industrial properties, subject to the following principles:

1. That the incorporation process be negotiated by the parties on a specific community and on a major industry site by site basis;

2. That costs be distributed equitably to all property classes to support infrastructure development and improvements to meet the needs of industry and the residents of the regional district;

3. Recognition be given to commitments to existing local and extended service areas, tax sharing agreements and potential future services, with the rural area directors being fully involved in the restructure process;

4. Equitable tax sharing agreements be pursued to help distribute taxation revenue on a linked sub-regional basis.

h) A tripartite working group be established comprising the principal appointed officers of the Peace River Regional District, the City of Dawson Creek, the City of Fort St. John and the District of Chetwynd, representatives from industry and provincial staff from the Ministry of Municipal Affairs, Ministry of Energy Mines and Petroleum Resources and the Ministry of Finance and Corporate Relations, with the following terms of reference:

1. To meet at least annually to evaluate and monitor the program to ensure that it meets planned and expected outcomes;

2. To meet as required for dealing with the principles and issues relating to the incorporation of major industrial properties.

i) The parties continue to work towards regionalization of services, for example police services and recreation services.

The Memorandum of Understanding shall be reviewed not later than 5 years after the date of signing.

Darlene Marzari
Minister of Municipal Affairs

Mayor Joe Judge, Chair
Peace River Regional District

December 15, 1994

APPENDIX TO THE MEMORANDUM OF AGREEMENT

The Province will impose a special tax levy on Electoral Area assessment classes 2, 4, and 5.

The tax rates used for the levy are the rates necessary to raise $2,000,000 from Electoral Area classes 2, 4, and 5 using 1994 net taxable assessed value for Hospital purposes and Provincial tax factors as a base.

The special levy will yield a minimum $2,000,000 per annum. In addition, the Province will be providing from its general revenues, a grant matching the levy.

The purpose of the formula is to distribute the proceeds of the levy and matching grant by equalizing the tax base on a per capita basis across all municipal jurisdictions. The formula is intended to enhance the municipal tax base, in no instances will the formula result in a reduction to a municipality's existing tax base.

The formula provides for 10 percent of the special levy to be distributed amongst the Electoral Areas. No similar provision is applied to the matching grant.

The formula uses current converted values of assessments for Hospital purposes prepared by the British Columbia Assessment Authority and municipal population statistics as determined by the Director of Statistics appointed under the Statistics Act. Their incorporation into the formula is subject to annual approval of the Inspector of Municipalities.

Distribution Formula.

Where

m = Total current converted values of a municipality's assessments for Hospital purposes as contained in the Authenticated Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority.

M = The sum of m

R = Total current converted values of Electoral Area assessments of classes 2 ,4, and 5 for Hospital purposes as contained in the Authenticated Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority.

p = The Municipal populations statistics as determined by the Director of Statistics appointed under the Statistics Act and utilized in a manner consistent with that of the Local Government Grants population statistics.

P = The sum of p

$$C = \frac{M + R}{P}$$ (Calculation of the equalized per capita tax base)

$$a = (p \times C) - m$$ (Calculation of the figures used to apportion the levy and matching grant)

A = The sum of a

L = The Provincial special levy on Electoral Areas classes 2, 4, and 5 current net taxable assessed values for Hospital purposes minus 10 percent.

G = The Provincial matching grant.

Step 1) $$\frac{M + R}{P} = C$$ (Calculation of the equalized per capita tax base)

Step 2) $$(p \times C) - m = a$$ (Calculation of the figures used to apportion the levy and matching grant)

if (a) returns a negative value for any municipality, that municipality is removed from the calculations and steps 1 and 2 are repeated.

Step 3) $$\frac{a}{A} \times (L + G) = \text{Allocation}$$ (Calculates each municipality's share of the levy and matching grant)

The attached pro-forma distribution is provided for illustrative purposes only.

PROFORMA DISTRIBUTION FOR ILLUSTRATIVE PURPOSES ONLY

STEP 1	(P)	(M)	(R)	(M) + (R)	(M+R)/P=(C)
	MUNICIPAL POPULATION	MUNICIPAL VALUES	RURAL AREAS CLASSES 2,4,5	TOTAL CONVERTED VALUES	EQUALIZED PER CAPITA
	29,419	109,738,483	295,493,289	405,231,772	13,774

STEP 2	(p)	(C)	(p) x (C)	(m)	(pxC)-m=(a)
	MUNICIPAL POPULATION	EQUALIZED PER CAPITA	EQUALIZED CONVERTED	MUNICIPAL CONVERTED	USED FOR APPORTIONING
D Creek	10,904	13,774	150,197,058	37,815,735	112,381,323
FS John	13,782	13,774	189,840,045	46,256,753	143,583,292
Chetwynd	2,861	13,774	39,408,821	12,405,168	27,003,653
H Hope	1,050	13,774	14,463,216	11,607,919	2,855,297
P Coupe	822	13,774	11,322,632	1,652,908	9,669,724
T Ridge		SEE NOTE	0		0
Taylor		SEE NOTE	0		0
	29,419		405,231,772	109,738,483	295,493,289

STEP 3

Special Levy	2,000,000	
Rural area provision	(200,000)	
	1,800,000	(L)
Matching Grant	2,000,000	(G)
	3,800,000	(L) + (G)

	(a) USED FOR APPORTIONING	(a) --- x (L+G) (A) ALLOCATION
D Creek	112,381,323	1,445,207
FS John	143,583,292	1,846,460
Chetwynd	27,003,653	347,263
H Hope	2,855,297	36,719
P Coupe	9,669,724	124,351
T Ridge	0	0
Taylor	0	0
	295,493,289	3,800,000

NOTE: Taylor and Tumbler Ridge have been removed from the calculations as their existing per capita tax base exceeds the equalized per capita tax base and returns a negative apportioning figure (a) in step 2.

Appendix B:

1998 Memorandum of Understanding Between Her Majesty the Queen in the Right of the Province of British Columbia, represented by the Deputy Premier, Minister of Energy and Mines and Minister Responsible for Northern Development and by the Minister of Municipal Affairs and the Peace River Regional District.

MEMORANDUM OF UNDERSTANDING

BETWEEN

HER MAJESTY THE QUEEN
IN THE RIGHT OF THE PROVINCE OF BRITISH COLUMBIA

represented by

THE DEPUTY PREMIER, MINISTER OF ENERGY AND MINES AND
MINISTER RESPONSIBLE FOR NORTHERN DEVELOPMENT
and by
THE MINISTER OF MUNICIPAL AFFAIRS

AND

THE PEACE RIVER REGIONAL DISTRICT

MEMORANDUM OF UNDERSTANDING
between the
PROVINCE OF BRITISH COLUMBIA
and
THE PEACE RIVER REGIONAL DISTRICT

General Principles:

The Province recognizes the unique situation of the Peace River Regional District, with limited access to revenues from the gas and oil industry.

It is recognized that the regional district's member municipalities are the service centres to industry in the area and provide the necessary infrastructure which services industry and its workers, the majority of whom reside within the boundaries of the municipalities, and that recent industry growth has placed additional demands on local government infrastructure.

It is recognized that municipal infrastructure is currently inadequate and is deteriorating and that the Peace River Regional District municipalities need access to additional revenue to provide new facilities and the necessary improvements to existing infrastructure.

It is further recognized that the Province, local government and the oil and gas industry will benefit from, and have important roles to play in the success of, the Oil and Gas Initiative.

Objectives:

The objective of this agreement and undertaking is to ensure that, through the implementation of an Oil and Gas Revenue Reallocation Program, the infrastructure within the regional district is raised to an adequate level, and in particular can respond to the demands placed on it by recent oil and gas industry growth, and is funded in such a way that achieves a fair balance among local government jurisdictions , taxpayers and sources of revenue.

The Province and the Peace River Regional District agree and undertake that:

a) The Province may continue to provide for an annual Provincial tax levy for the Peace River Regional District under the *Taxation (Rural Area) Act,* at a tax rate which will raise an amount to be determined by the Province for the year in question (the amount), for the purposes of infrastructure development in the region. The Province may consequently impose a special tax levy on Electoral Area assessment classes 2, 4 and 5. The tax rates to be used for the special tax levy are the rates necessary to raise the amount from Electoral Area classes 2, 4 and 5.

b) Taxes collected under this agreement shall be referred to as the "Peace River Local Government Infrastructure Tax" for all purposes and if practicable, will be identified separately from the Provincial Rural Area Tax rate, subject to the technical ability of the Surveyor of Taxes and systems in place.

c) In each fiscal year specified in Column 1 of Appendix A, the Peace River Regional District (the PRRD) will be paid the amount specified in Column 2. The amount specified in Column 2 is a total that includes the amount of any "Peace River Local Government Infrastructure Tax" imposed for that fiscal year under section (a). For the fiscal year 1998/99, the amount specified in Column 2 also includes any amounts paid on account of the Memorandum of Understanding approved on December 15, 1994 under the authority of Order in Council 1571/94 (the former MOU).

d) The total amounts payable under sections (a) and (c) shall be paid to the PRRD not later than August 1 in each calendar year. The payments shall be described as payments under the Oil and Gas Revenue Reallocation Program.

e) Ten percent of the amounts paid under section (d) shall be allocated among the regional district's electoral areas according to a plan or plans approved by the regional board, and shall be utilized for rural local government capital infrastructure purposes which shall include the provision or maintenance of capital infrastructure, and which may include, but need not be restricted to, projects for natural gas supply, telephone and electrical systems within the region, or contributions to municipalities for the use by rural residents of municipal capital facilities;

f) Ninety percent of the amounts paid under section (d) shall be distributed among the municipalities in the regional district according to the distribution formula in Appendix B.

g) The former MOU expires once all payments under it in respect of fiscal year 1998/99 have been made.

This MOU expires at the end of fiscal year 2007/08. It will be reviewed in fiscal year 2002/03, and the review will include, but not be restricted to, the examination of whether Oil and Gas Revenue Reallocation Program payments should be increased and/or indexed to suitable growth measures.

Glen Clark

The Honourable Glen Clark
Premier

D. Miller

The Honourable Dan Miller
Deputy Premier,
Minister of Energy, Mines and
Minister Responsible for Northern Development

Jenny W.C. Kwan

The Honourable Jenny W.C. Kwan
Minister of Municipal Affairs

Karen Goodings

Karen Goodings, Chair
Peace River Regional District

APPENDIX A

Column 1 Year	Column 2 Oil and Gas Revenue Reallocation Program payment
1998/99	6
1999/00	11.5
2000/01	12
2001/02	12
2002/03	12
2003/04	12
2004/05	12
2005/06	12
2006/07	12
2007/08	12
*all amounts are in millions of dollars	

APPENDIX B

The formula allocates 10 percent of the Oil and Gas Resource Revenue Reallocation Program amount to be distributed to the Electoral Areas with 90% to be distributed to the municipalities.

The formula uses current converted values of assessments for Hospital purposes prepared by the British Columbia Assessment Authority and municipal population statistics as determined by the Director of Statistics appointed under the Statistics Act.

Distribution Formula

Where

m = Total current converted values of a municipality's assessment for Hospital purposes as contained in the Authenticated Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority, as adjusted to reflect phase-in conditions applied to boundary expansions or new revenue sharing arrangements.

M = The sum of m

R = Total current converted values of Electoral Area assessments of classes 2, 4 and 5 for Hospital purposes as contained in the Authenticated Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority.

p = The Municipal population statistics as determined by the Director of Statistics appointed under the Statistics Act and utilized in a manner consistent with that of the Local Government Grants population statistics.

P = The sum of p

$C = \frac{M + R}{P}$ (Calculation of the equalized per capita tax base)

$a = (p \times C) - m$ (Calculation of the figures used to apportion the Program amount)

A = The sum of a

L = The program amount minus 10 percent.

Step 1) $\frac{M + R}{P} = C$ (Calculation of the equalized per capita tax base)

Step 2) $(p \times C) - m = a$ (Calculation of the figures used to apportion the Program amount)

If (a) returns a negative value for any municipality, that municipality is removed from the calculations and steps 1 and 2 are repeated.

Step 3) $\frac{a}{A} \times L =$ Allocation (Calculates each municipality's share of the program amount)

Appendix C:

2005 Memorandum of Understanding Among Her Majesty the Queen in the Right of the Province of British Columbia, represented by the Ministry of Community, Aboriginal and Women's Services (the "Province") and Peace River Regional District and District of Chetwynd and City of Dawson Creek and City of Fort St. John and District of Hudson's Hope and Village of Pouce Coupe and District of Taylor and District of Tumbler Ridge (the "Region").

Mar 31, 2020

MEMORANDUM OF UNDERSTANDING

AMONG

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA

represented by

THE MINISTRY OF COMMUNITY, ABORIGINAL AND WOMEN'S SERVICES (the "Province")

AND

PEACE RIVER REGIONAL DISTRICT

AND

District of Chetwynd

AND

City of Dawson Creek

AND

City of Fort St. John

AND

District of Hudson's Hope

AND

Village of Pouce Coupe

AND

District of Taylor

AND

District of Tumbler Ridge

(the "Region")

MEMORANDUM OF UNDERSTANDING
BETWEEN THE PROVINCE AND THE REGION

Background

In 1998 the Province and the Peace River Regional District (the "PRRD") entered a Memorandum of Understanding (the "1998 MOU").

The parties wish to terminate the 1998 MOU and replace it with this Memorandum of Understanding.

Pursuant to Part 4, Division 5 of the Local Government Grants Regulations, B.C. Reg. 221/95, the Province is authorized to make special assistance grants to assist in the resolution of municipal or regional district problems that are unusual or unique.

NOW THEREFORE the Province and the Region (the "Parties") agree and undertake that:

Considerations

1. The Parties recognize the unique situation of the Region with respect to limited access to the oil and gas industry property tax base.

2. In particular, the Parties recognize that much of the oil and gas industry is located in areas outside of municipal boundaries and therefore is not subject to municipal taxes. Municipal boundary adjustments, inter-municipal tax sharing arrangements, and regionalization of services cannot adequately address this issue.

3. The Parties recognize that the Region's municipalities are the service centres to industry and its workers and that industry growth will continue to place additional demands on municipal infrastructure and services.

4. The Parties recognize that historical infrastructure deficits continue to exist in some of the Region's municipalities.

5. The Parties recognize that the considerations in paragraphs 1 through 4 must be addressed with the objective of achieving a reasonable degree of comparability with the revenues from property classes 2, 4, and 5 ("Industrial Revenues") available in other industrial municipalities across British Columbia.

Objective

6. The objective of this MOU is to address issues respecting parity, responsiveness, local autonomy, accountability, certainty, industrial competitiveness, economic development and regional infrastructure needs while having limited precedent effect with other local governments in British Columbia. In addition the Parties have a mutual interest in ensuring that each local government within the Region has the resources to upgrade, maintain and expand the services and infrastructure necessary to facilitate the economic expansion of the oil, gas, forest and other industries within the Region.

Requirement for Regional Consensus

7. When the Region acts under this MOU it requires the unanimous consent of the PRRD and its member municipalities.

Term of Memorandum of Understanding

8. Notwithstanding the date of execution of this MOU, the term of this MOU will commence on March 18, 2005 and expire on March 31, 2020.

Payments for Historical Infrastructure Deficits

9. The Province will pay to the beneficiaries the amounts in accordance with Appendix 1.

10. These payments are provided in recognition of the significant historical deficits in local infrastructure and are provided for the general purpose of addressing these local infrastructure deficits.

11. Payments will be made directly to the beneficiaries not later than March 31, 2005.

12. Until the funds are fully expended, each beneficiary will publish a report on an annual basis setting out the projects funded in whole or in part by its payment for historical infrastructure deficits. In the case of the Region's municipalities, this report may be included in the annual report required under section 98(2) of the *Community Charter*.

Annual Payments

13. The Province will pay the sum of $20 million to the PRRD for the fiscal year 2005/06 no later than April 30, 2005.

14. For each year after 2005/06 for the duration of the term of this MOU, the Province will pay to the PRRD no later than April 30 of each year an amount to be calculated in accordance with Appendix 2.

15. The amounts paid under paragraphs 13 and 14 will be distributed by the PRRD in accordance with the allocation formula set out in Appendix 3.

16. If the Province implements a policy change, a legislative change to an enactment, a regulatory change under an enactment, or a change to any order made by the Commissioner under the *Assessment Act* (a "Policy Change"), and the Province or the Region believes that the Policy Change impacts the Region in a materially different manner than other industrial municipalities:

    a) the Parties will enter into negotiations with the intent to ensure that the Region is maintained within the average per capita Industrial Revenues of the top ten industrial municipalities in the rest of British Columbia; and

    b) the negotiations will be concluded within six months of the announcement of the Policy Change.

Allocation Formula Review

17. In the event of a change in circumstances that causes the Region to seek revision to the allocation formula for the annual revenue payments in Appendix 3, the Region may request a review and approval by the Province of amendments to the allocation formula during the provincial fiscal years 2009/10 and 2014/15 of the term of this MOU.

18. A request for review must be submitted in writing no later than September 30 and must contain a proposed allocation formula.

19. The proposed allocation formula should weight the allocations toward the Region's local governments that:

    a) do not have adequate industrial tax base support, as evidenced by comparison to a representative group of industrial municipalities elsewhere in the Province;

    b) have historically not benefited from industrial tax base support resulting in infrastructure deficits;

c) are experiencing high levels of population growth and demand for services, due to the growth of the oil and gas industry; and

d) play a vital service centre role in supporting both the oil and gas industry and a large contiguous rural population.

20. Upon approval by the Province, the amended allocation formula will replace the formula in Appendix 3, effective for the payments made under paragraph 14 of this MOU for the years 2010 and 2015, as the case may be.

Review of MOU

21. At least one year prior to the expiry of this MOU, the Parties agree to enter discussions to determine whether the Parties are willing to consider entering into a new agreement when the current MOU expires.

Amendments

22. Any amendments to this MOU shall be in writing and signed by the Parties.

Termination

23. Effective upon the date of execution of this MOU, the 1998 MOU is hereby terminated.

DATED this 22nd day of March, 2005.

PEACE RIVER REGIONAL DISTRICT
Karen Goodings
Chair, PRRD

District of Chetwynd
Evan Saugstad, Mayor

City of Dawson Creek
Wayne Dahlen, Mayor

City of Fort St. John
Steve Thorlakson, Mayor

District of Hudson's Hope
Lenore Harwood, Mayor

Village of Pouce Coupe
Doyle McNabb, Mayor

District of Taylor
Fred Jarvis, Mayor

District of Tumbler Ridge
Clay Iles, Mayor

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA represented by The Minister of the Ministry of Community, Aboriginal and Women's Services,
THE HONOURABLE MURRAY COELL

The Minister of the Ministry of Energy and Mines,
THE HONOURABLE RICHARD NEUFELD

APPENDIX 1

Disbursements for the Purposes of Paragraph 9

CHETWYND	$ 2,004,585
DAWSON CREEK	$ 10,503,641
FORT ST JOHN	$ 15,027,265
HUDSON'S HOPE	$ 578,089
POUCE COUPE	$ 839,177
PRRD	$ 5,250,000
➢ Rural allocation to electoral areas $ 3,500,000	
➢ Rural allocation to regional district $ 1,750,000	
TAYLOR	$ 258,299
TUMBLER RIDGE	$ 538,944

Note: sum to be paid to PRRD is composed of two separate allocations, as shown.

APPENDIX 2

Calculation of Annual Grant Under Paragraph 14

The annual payable grant is equal to the base year grant of $20 million, multiplied by the rate of change in the rural industrial assessment base between the last completed taxation year and 2004.

$$\text{Payment} = \$20 \text{ million} \times \frac{\text{Rural Industrial Assessment Base (Previous Taxation Year)}}{\text{Rural Industrial Assessment Base (2004)}}$$

For the purposes of this agreement, the rural industrial assessment base for a given year is equal to the sum of net taxable values of Class 2, 4 and 5 properties for hospital purposes in the rural area of the Peace River Regional District, as reported by the British Columbia Assessment Authority in the revised roll for that taxation year (RG618).

In 2004, the rural industrial assessment base was $1,683,268,954.

Column 1 **Payment Year**	Column 2 **Payment Calculation**
2005/06	$20 million
2006/07	$\$20 \text{ million} \times \frac{\text{Rural Industrial Assessment Base (2005)}}{\$1{,}683{,}268{,}954}$
2007/08	$\$20 \text{ million} \times \frac{\text{Rural Industrial Assessment Base (2006)}}{\$1{,}683{,}268{,}954}$
2008/09	$\$20 \text{ million} \times \frac{\text{Rural Industrial Assessment Base (2007)}}{\$1{,}683{,}268{,}954}$
2009/10	$\$20 \text{ million} \times \frac{\text{Rural Industrial Assessment Base (2008)}}{\$1{,}683{,}268{,}954}$
2010/11	$\$20 \text{ million} \times \frac{\text{Rural Industrial Assessment Base (2009)}}{\$1{,}683{,}268{,}954}$
2011/12	$\$20 \text{ million} \times \frac{\text{Rural Industrial Assessment Base (2010)}}{\$1{,}683{,}268{,}954}$
2012/13	$\$20 \text{ million} \times \frac{\text{Rural Industrial Assessment Base (2011)}}{\$1{,}683{,}268{,}954}$
2013/14	$\$20 \text{ million} \times \frac{\text{Rural Industrial Assessment Base (2012)}}{\$1{,}683{,}268{,}954}$

2014/15	$20 million X	Rural Industrial Assessment Base (2013) / $1,683,268,954
2015/16	$20 million X	Rural Industrial Assessment Base (2014) / $1,683,268,954
2016/17	$20 million X	Rural Industrial Assessment Base (2015) / $1,683,268,954
2017/18	$20 million X	Rural Industrial Assessment Base (2016) / $1,683,268,954
2018/19	$20 million X	Rural Industrial Assessment Base (2017) / $1,683,268,954
2019/20	$20 million X	Rural Industrial Assessment Base (2018) / $1,683,268,954

APPENDIX 3

Allocation Formula for Annual Payments under Paragraph 15

1. Introduction

This appendix sets out the allocation formulae for the allocation of the annual grant payment as set out in Sections 13 and 14 of the Memorandum of Understanding.

2. Allocating Increases and Decreases In The Grant Amounts

In the first year of the agreement (2005), the base amount in Pool 1 is $12 M and the base amount in Pool 2 is $ 8 M. In each subsequent year of the agreement, the base amounts in each pool will be adjusted to reflect changes in the sum of Class 2, 4 and 5 net taxable values for hospital purposes in the rural area of the Peace River Regional District. These adjustments will occur in the following manner:

Step 1 Any increase or decrease in the grant amount in each year of the agreement will be determined by the application of the formula set out in Appendix 2

Step 2 The increase or decrease will be proportionately allocated to Pool 1 and Pool 2 based on the original $12 M and $8 M amount. This will require 60% of any increase or decrease to be allocated to Pool 1 and 40% of any increase or decrease to be allocated to Pool 2.

3. Allocation of Funds in Pool 1

10% of the grant amount in Pool 1 is allocated to the electoral areas.

Funds in Pool 1 will be allocated as follows:

Step 1 The total current converted values of each municipality's assessments for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority is determined. (RG 618). The converted values of the District of Chetwynd and the City of Dawson Creek are adjusted to reflect tax revenue sharing arrangement for the Tembec plant.

Step 2 The total converted values of each municipality are added to establish a sum of all municipal total converted values.

Step 3 The total converted values of Electoral Area assessments of Classes 2, 4 and 5 for Hospital purposes as contained in the Revised Net Taxable and Converted Value Reports provided annually by the British Columbia Assessment Authority are established. (RG 618)

Step 4 The municipal population is established for each municipality based on the statistics as determined by the Director of Statistics appointed under the Statistics Act and used in a manner consistent with that of the Local Government Grants population statistics.

Step 5 The populations of each municipality are added to establish a total population for all municipalities

Step 6 The equalized per capita tax base is calculated by adding the total current converted values of all municipal assessments (Step 2) and the total current converted value of Classes 2,4 and 5 assessments in the rural area of the Peace River Regional District (Step 3) and then dividing that total by the total municipal population as determined in Step 4.

Step 7 The equalized per capita tax base as calculated in Step 6 is multiplied by the population of each municipality. The total current converted values of each municipality's assessment for Hospital purposes (as determined in Step 1) is then subtracted from that product to determine a value. If that value is a negative number for any municipality, that municipality (population and converted assessment) is removed from the calculations and the calculations described in Steps 6 and 7 are carried out again.

Step 8 The values calculated for each of the municipalities in Step 7 are added to establish a sum for all of the municipalities.

Step 9 The values calculated in Step 7 for each municipality and Step 8 for all municipalities are then used as the basis for apportioning the grant amount in Pool 1 as adjusted to reflect changes in the value of the assessment of Classes 2, 4 and 5 in the Electoral areas. Each municipality's share is calculated by dividing the value established for each municipality (Step 7) by the value established in Step 8 and then multiplying the total grant amount available in Pool 1 by that number.

The following provides a summary of the calculations required.

Allocation Formula For Pool 1

Where:

m = Total current converted values of a municipality's assessment for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority, as adjusted to reflect phase-in conditions applied to boundary expansions or revenue sharing arrangements such as the Tembec plant.

M = The sum of m

R = Total current converted values of Electoral Area assessments of classes 2, 4 and 5 for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority.

p = The Municipal population statistics as determined by the Director of Statistics appointed under the Statistics Act and utilized in a manner consistent with that of the Local Government Grants population statistics.

P = The sum of p

$C = \frac{M + R}{P}$ (Calculation of the equalized per capita tax base)

$a = (p \times C) - m$ (Calculation of the figures used to apportion the grant amount)

A = The sum of a

L = The grant amount for Pool 1 minus 10 percent.

Step 1) $\frac{M + R}{P} = C$ (Calculation of the equalized per capita tax base)

Step 2) $(p \times C) - m = a$ (Calculation of the figures used to apportion the grant amount)

If (a) returns a negative value for any municipality, that municipality is removed from the calculations and Steps 1 and 2 are repeated.

Step 3) $\frac{a}{A} \times L$ = Allocation (Calculates each municipality's share of the Grant amount)

4. Allocation of Funds in Pool 2

Step 1 The current converted values of Classes 2, 4 and 5 of each municipality's assessments for Hospital purposes as contained in the Revised Net Taxable and Converted Values reports provided annually by the British Columbia Assessment Authority is determined. (RG 618)

Step 2 The current converted values of Classes 2, 4 and 5 of assessment for Hospital purposes are adjusted as follows:

- The current converted values of the District of Chetwynd are adjusted as shown in Schedule 2 to reflect the tax rate limitations set out in Supplementary Letters Patent.
- The current converted values of the District of Chetwynd and the City of Dawson Creek are adjusted as shown in Schedule 3 to reflect the tax revenue sharing arrangements between the District of Chetwynd and the City of Dawson Creek for the Tembec plant and the tax rate limitation placed on the plant pursuant to Supplementary Letters Patent.
- The current converted values of the District of Chetwynd and the City of Fort St. John are adjusted as shown in Schedule 4 to reflect the tax base support received from Classes 2, 4 and 5 in the unincorporated participating areas of the service areas.
- The current converted values of the District of Hudson's Hope are adjusted as shown in Schedule 5 to reflect the grant in lieu of taxes received from B.C. Hydro.

Step 3 In the event that a municipality participates in a regional district service area during the term of the agreement and receives the support of tax revenues generated from Classes 2, 4 and 5 in the unincorporated participating area to the level set out in Schedule 6, the converted values of Classes 2, 4 and 5 the municipality shall be adjusted as shown in Schedule 6.

Step 4 The current converted values of Classes 2, 4 and 5 of each municipality, as adjusted in Steps 2 and 3 above are added to establish a sum of all municipal converted values for Classes 2, 4 and 5.

Step 5 The total converted values of rural area assessments of Classes 2, 4 and 5 for hospital purposes as contained in the Revised Net Taxable and Converted Value Reports provided annually by the British Columbia Assessment Authority are established. (RG 618)

Step 6 The municipal population is established for each municipality based on statistics as determined by the Director of Statistics appointed under the Statistics Act and used in a manner consistent with that of the Local Government Grants population statistics.

Step 7 The populations of each municipality as determined in Step 6 are added to establish the total municipal population.

Step 8 The equalized per capita tax base is calculated by adding the current converted values of Classes 2, 4 and 5 of all municipal assessments (Step 2) as adjusted in Steps 2 and 3 and the total current converted value of Classes 2, 4 and 5 assessments in the electoral areas (Step 5) and then dividing that total by the total municipal population as determined in Step 7.

Step 9 The equalized per capita tax base as calculated in Step 8 is multiplied by the population of each municipality. The current converted value of Classes 2, 4 and 5 of each municipality's assessment for hospital purposes (as determined in Step 1 and adjusted in Steps 2 and 3) is then subtracted from that product to determine a value.

Step 10 The values calculated for each of the municipalities in Step 9 are added to establish a sum for all of the municipalities.

Step 11 The values calculated in Step 9 for each municipality and Step 10 for all municipalities are then used as the basis for apportioning the grant amount in Pool 2 as adjusted to reflect changes in the value of the assessment of Classes 2, 4 and 5 in the municipalities. Each municipality's share is calculated by dividing the value established for each municipality (Step 10) by the value established in Step 9 and then multiplying the total grant amount available in Pool 2 by that number.

Step 12 If that value is less than $250,000, the municipality or municipalities are each allocated a minimum grant of $250,000 and the municipality or municipalities are removed from the calculations. The amount of the grant in Pool 2 available for distribution in that year is adjusted by subtracting the amount of the minimum grant(s) allocated to those municipalities and the calculations described in Steps 8 to 11 are carried out again.

Step 13 The share of each municipality's share of Pool 2 is added to each municipality's share of Pool 1 to establish the total share available to each municipality.

Allocation Formula For Pool 2

m = Current converted values of Classes 2, 4 and 5 of a municipality's assessment for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority, as adjusted to reflect revenue sharing agreements, participation in regional district service areas, receipt of grants-in-lieu, and tax rate limitations established in Supplementary Letters Patent

M = The sum of m

R = Total current converted values of Electoral Area assessments of classes 2, 4 and 5 for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority.

p = The Municipal population statistics as determined by the Director of Statistics appointed under the Statistics Act and utilized in a manner consistent with that of the Local Government Grants population statistics.

P = The sum of p

C = $\frac{M + R}{P}$ (Calculation of the equalized per capita tax base)

a = $(p \times C) - m$ (Calculation of the figures used to apportion the grant amount in Pool 2)

A = The sum of a

L = The grant amount for Pool 2.

Step 1) $\frac{M + R}{P} = C$ (Calculation of the equalized per capita tax base)

Step 2) $(p \times C) - m = a$ (Calculation of the figures used to apportion the grant amount in Pool 2 amount)

Step 3) $\frac{a}{A} \times L$ = Allocation (Calculates each municipality's share of the grant amount)

Step 4) If the apportionment for any municipality is less than $250,000 that municipality is allocated the minimum grant of $250,000 and removed from the calculations. Steps 1, 2 and 3 are repeated based on an adjusted grant amount which reflects any amounts required for the minimum payment(s).

Schedule 1

Existing Formula Tembec Assessment Recalculation

$M =$	Assessment actual value of the Tembec plant as provided annually by the British Columbia Assessment Authority.
$mX=$	Converted assessment for the Tembec plant.
$P =$	Provincial multiple.
$M_{DC} =$	Municipal converted assessment for Dawson Creek.
$M_{CH} =$	Municipal converted assessment for Chetwynd.
$M_{A(DC)} =$	Total municipal converted assessment adjusted for Dawson Creek.
$M_{A(CH)} =$	Total municipal converted assessment adjusted for Chetwynd.

Step 1)	$m \times P$	$= mX$	(Calculation of the converted assessment for the Tembec plant.)
Step 2)	$mX \times 40\%$	$= mX_{DC}$	(Calculation of converted assessment that is allocated to Dawson Creek based on 40%/60% Dawson Creek/ Chetwynd split.)
Step 3)	$mX \times 60\%$	$= mX_{CH}$	(Calculation of converted assessment that is allocated to Chetwynd based on 40%/60% Dawson Creek/ Chetwynd split.)
Step 4)	$mX_{DC} + M_{DC}$	$= M_{A(DC)}$	(Calculation of total converted assessment for Dawson Creek reflecting 40% addition of Tembec converted Assessment.)
Step 5)	$mX_{CH} - mX + M_{CH}$	$= M_{A(CH)}$	(Calculation of total converted assessment for Chetwynd reflecting 100% reduction of Tembec converted assessment and then the addition of 60% Chetwynd Tembec converted assessment.)

Schedule 2

Chetwynd Assessment Adjustments

X =	Property Class.
mX_1 =	Current Class X assessment for Chetwynd for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority, that does not require tax rate limitation adjustments.
mX =	Current Class X assessment for Chetwynd for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority.
mXa =	Current Class X assessment for Chetwynd for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority, adjusted to reflect tax rate limitations.
TM_A =	Sum of adjusted assessments and unadjusted assessments, by property class.
$tX2$ =	Current municipal Class X tax rate for Chetwynd without cap.
tXa =	Current municipal Class X capped tax rate for Chetwynd.
cX =	Conversion factor.
M_A =	Converted adjusted municipal assessment.
R =	Ratio between capped municipal tax rate and uncapped municipal tax rate.

Step 1)	$\dfrac{tXa}{tX}$	= R	(Calculation of the ratio between the capped and uncapped municipal tax rate.)
Step 2)	R x mX	= mXa	(Calculation of adjusted Class 2, 4 or 5 assessment.)
Step 3)	$mXa + mX_1$	= TM_A	(Adds the portion of adjusted municipal assessment to that municipal assessment which does not require adjustment.)
Step 4)	TM_A x cX	= M_A	(Converted total adjusted assessment.)

Step 5) Steps 1 through 4 are completed for each of Classes 2, 4 and 5.

Schedule 3

Tembec Assessment & Revenue Calculations

m =	Actual assessment value of the Tembec plant as provided annually by the British Columbia Assessment Authority.
mX =	Converted assessment for the Tembec plant.
TR =	Chetwynd's limited tax rate that is applied to the Tembec plant.
P =	Provincial multiple.
M_{DC} =	Municipal converted assessment for Dawson Creek.
M_{CH} =	Municipal converted assessment for Chetwynd.
$M_{A(DC)}$ =	Total municipal converted assessment for Dawson Creek.
$M_{A(CH)}$ =	Total municipal converted assessment for Chetwynd.
R_{DC} =	Revenue to Dawson Creek from Tembec plant, using Chetwynd's limited tax rate.

Step 1)	$m \times P$	$= mX$	(Calculation of the converted assessment for the Tembec plant.)
Step 2)	$mX \times 40\%$	$= mX_{DC}$	(Calculation of converted assessment that is allocated to Dawson Creek based on 40%/60% Dawson Creek/ Chetwynd split.)
Step 3)	$mX \times 60\%$	$= mX_{CH}$	(Calculation of converted assessment that is allocated to Chetwynd based on 40%/60% Dawson Creek/ Chetwynd split.)
Step 4)	$mX_{DC} + M_{DC}$	$= M_{A(DC)}$	(Calculation of total converted assessment for Dawson Creek reflecting 40% addition of Tembec converted assessment.)
Step 5)	$mX_{CH} - mX + M_{CH}$	$= M_{A(CH)}$	(Calculation of total converted assessment for Chetwynd reflecting 100% reduction of Tembec converted assessment and then the addition of 60% Chetwynd Tembec converted assessment.)
Step 6)	$m \times 40\%$	$= m_{DC}$	(Calculation of Dawson Creek's actual assessment for the Tembec plant.)
Step 7)	$m_{DC} \times TR$	$= R_{DC}$	(Calculation of revenues Dawson Creek receives from Tembec plant with the application of Chetwynd's limited tax rate.)

Ratio Determination

M = Municipal converted assessment for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority.

Br = Revenues received by each municipality from service areas, revenue sharing agreements, grants-in-lieu etc.

Mr = Revenues received from incorporated industry within each municipality.

BM = Sum of *Br* and *Mr* (benefiting area revenues and incorporated industry revenues).

R = Ratio between all revenues received by municipality and industrial assessments.

Step 1)	$Br + Mr$	$= BM$	(Calculation of the total revenues including service areas and incorporated industrial revenues.)
Step 2)	$\frac{M}{BM}$	$= R$	(Calculation of ratio for each municipality.

Converted Equivalent Assessment Determination

M= Municipal converted assessment for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority.

ITA = Total of industrial class revenues only from incorporated industry and Tembec revenues.

R = Ratio between all revenues received by municipality and industrial assessments. Ratio indicates that each $1 of revenue a municipality receives is equivalent to $*X* of converted assessment.

EA = Calculated converted equivalent assessment.

TEA = Summation of converted equivalent assessments for each municipality.

M_A = Adjusted municipal converted assessment reflecting Tembec adjustments.

Step 1)	$ITA \times R$	$= EA$	(Calculation of the converted equivalent assessment from each municipality's revenues received from service areas.)
Step 2)	$\sum EA$	$= TEA$	(Summation of converted equivalent assessments for each municipality.)
Step 3)	$TEA + M$	$= M_A$	(Adjusted municipal converted assessment reflecting Tembec assessment adjustments and Tembec revenue sharing agreement adjustments.

Schedule 4

Adjustments To Reflect District of Chetwynd and City of Fort St. John Participation In Regional District Service Areas

R =	Amount requisitioned from rural areas for the particular benefiting area revenues being calculated.
M_X =	Current assessment by class for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority, for the particular benefiting area.
M_{TX} =	Total current assessment by class for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority, for the particular benefiting area. (Note that this only applies to service areas which cover more than one jurisdiction. For example, the North Peace Leisure Pool benefiting area covers jurisdiction 759 and 760, so assessments must be totaled).
CM_{TX} =	Converted total current assessment by class for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority, for the particular benefiting area.
TCM =	Converted total current assessment for all classes for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority, for the particular benefiting area.
X =	Property Class.
Cx =	Conversion multiple by property class.
P =	Provincial Tax Ratios
T_1 =	Calculated Class 1 tax rate.
T_x =	Calculated Class X tax rate.
TA_x =	Calculation of revenues by property class.
TA =	Total of all revenues generated.
ITA =	Total of industrial class revenues only.

Step 1)	$Mx \times Cx$	$= CM_{TX}$	(Calculation of converted benefiting area assessment by class.)
Step 2)	$\sum CM_{TX}$	$= TCM$	(Summation of converted benefiting area assessments.)
Step 3)	$\frac{R}{TCM} \times 100$	$= T_1$	(Calculation of Class 1 tax rate.)
Step 4)	$T_1 \times P$	$= T_X$	(Calculation of Classes 2 – 9 tax rates.)
Step 5)	$T_X \times A_X$	$= TA_X$	(Calculation of Classes 1 – 9 revenues.)
Step 6)	$\sum TA_X$	$= TA$	(Summation of all revenues.)
Step 7)	$\sum ITA_X$	$= ITA$	(Summation of industrial revenues only.)

Ratio Determination

M = Municipal converted assessment for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority.

Br = Revenues received by each municipality from service areas, revenue sharing agreements, grants-in-lieu etc.

Mr = Revenues received from incorporated industry within each municipality.

BM = Sum of *Br* and *Mr* (benefiting area revenues and incorporated industry revenues).

R = Ratio between all revenues received by municipality and industrial assessments.

Step 1) $Br + Mr = BM$ (Calculation of the total revenues including service areas and incorporated industrial revenues.)

Step 2) $\frac{M}{BM} = R$ (Calculation of ratio for each municipality.)

Converted Equivalent Assessment Determination

M = Municipal converted assessment for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority.

ITA = Total of industrial class revenues only from "Adjustments To Reflect District of Chetwynd and City of Fort St. John Participation In Regional District Service Areas."

R = Ratio between all revenues received by municipality and industrial assessments. Ratio indicates that each $1 of revenue a municipality receives is equivalent to $*X* of converted assessment.

EA = Calculated converted equivalent assessment.

TEA = Summation of converted equivalent assessments for each municipality.

M_A = Adjusted municipal converted assessment reflecting adjustments.

Step 1) $ITA \times R = EA$ (Calculation of the converted equivalent assessment from each municipality's revenues received from service areas.)

Step 2) $\sum EA = TEA$ (Summation of converted equivalent assessments for each municipality.)

Step 3) $TEA + M = M_A$ (Adjusted municipal converted assessment reflecting assessment adjustments.)

Schedule 5

Hudson Hope's BC Hydro Grant Calculation

M = Municipal converted assessment for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority.

Br = Hudson Hope's BC Hydro Grant Revenue.

Mr = Revenues received from incorporated industry within Hudson's Hope.

BM = Sum of *Br* and *Mr* (Hudson's Hope's Hydro grant and incorporated industry revenues).

R = Ratio between all revenues received by Hudson's Hope and industrial assessments. Ratio indicates that each $1 of revenue a municipality receives is equivalent to $X of converted assessment.

EA = Calculated equivalent assessment.

Step 1)	$Br + Mr$	$= BM$	(Calculation of the total revenues including Hydro grant and incorporated industrial revenues.)
Step 2)	$\frac{M}{BM}$	$= R$	(Calculation of ratio for Hudson's Hope.)
Step 3)	$Br \times R$	$= EA$	(Calculation of the converted equivalent assessment from Hudson Hope's BC Hydro Grant.)
Step 4)	$EA + M$	$= M_A$	(Adjusted municipal converted assessment reflecting assessment adjustments.)

Schedule 6

Adjustments to Converted Values of Municipalities Participating in Regional District Service Areas

1. This schedule applies in the event that a municipality participates in a regional service area of the Peace River Regional District during the term of the agreement and receives the support of tax revenues generated from Classes 2, 4 and 5 in the unincorporated participating area.
2. Service areas which are exempt from the application of this schedule include those:
   - that are established wholly for the benefit of unincorporated areas;
   - that are established as region wide functions that involve the participation of all municipalities and electoral areas of the Peace River Regional District;
   - where the annual revenue generated from Classes 2, 4 and 5 is less than $25 per capita measured by taking the total annual revenue generated within rural portion of the service area from Classes 2, 4 and 5 and dividing it by the population of the participating municipality as determined by the Director of Statistics appointed under the Statistics Act for the year in which the service area is established.
3. The converted values of Classes 2, 4 and 5 of a municipality participating in a service area as described in sections 1 and 2 above shall be adjusted as follows before being entered into the allocation formula:

M = Municipal assessment for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority.

Br = Class 2, 4 and 5 revenues received by each municipality from the benefiting area

Mr = Revenues received from incorporated industry within each municipality.

BM = Sum of *Br* and *Mr* (benefiting area revenues and incorporated industry revenues).

EA = Calculated converted equivalent assessment.

TEA = Summation of converted equivalent assessments for each municipality.

M_A = Municipal assessments adjusted to reflect inclusion of benefiting area converted equivalent industrial assessments.

R = Ratio between all revenues received by municipality and industrial assessments. Ratio indicates that each $1 of revenue a municipality receives is equivalent to $*X* of converted assessment.

Step 1)	$Br + Mr$	$= BM$	(Calculation of the total revenues including service areas and incorporated industrial revenues.)
Step 2)	$\frac{M}{BM}$	$= R$	(Calculation of ratio for each municipality.
Step 3)	$Br \times R$	$= EA$	(Calculation of the equivalent converted assessment from each municipality's revenues received from service areas.)
Step 4)	$\sum EA$	$= TEA$	(Summation of equivalent assessments for each municipality.)
Step 5)	$TEA + M$	$= M_A$	(Addition of converted equivalent assessments for each municipality to their industrial converted assessment.)

4. The adjustments to the converted values of a municipality participating in a service area of the PRRD shall be made in the calculations for the year immediately following the year in which the service area is established by bylaw enacted by the regional board of the Peace River Regional District.

Appendix D:

2015 Memorandum of Understanding Among Her Majesty the Queen in the Right of the Province of British Columbia, represented by the Ministry of Community, Sport and Cultural Development (the “Province”) and Peace River Regional District and District of Chetwynd and City of Dawson Creek and City of Fort St. John and District of Hudson’s Hope and Village of Pouce Coupe and District of Taylor and District of Tumbler Ridge (the “Region” or “Signatories”).

<u>MEMORANDUM OF UNDERSTANDING</u>

AMONG

Her Majesty the Queen in Right of the Province of British Columbia

represented by

The Ministry of Community, Sport and Cultural Development
(the "Province")

and

Peace River Regional District

and

District of Chetwynd

and

City of Dawson Creek

and

City of Fort St John

and

District of Hudson's Hope

and

Village of Pouce Coupe

and

District of Taylor

and

District of Tumbler Ridge

(the "Region" or "Signatories")

Memorandum of Understanding Between the Province and the Region for Payments in Place of Direct Access to the Unincorporated Industrial Tax Base ("Peace River Agreement")

Preamble

Whereas the Province and the Region believe that citizens are best served when both orders of government acknowledge and respect the jurisdiction of each, work to harmonize their actions and foster co-operative approaches to matters of mutual interest.

Whereas the Province and the Region intend to work collaboratively to ensure that investments made by the Signatories to this MOU are strategic, purposeful and forward-looking.

Whereas the Province and the Region intend that this MOU provide the basis for a long-term, respectful relationship that builds strong communities, with the capacity to support the sustained economic growth of the region.

Whereas the Province and the Region agree that a key part of building such capacity is ensuring that the municipal Signatories benefit from the unincorporated industrial tax base located outside their boundaries.

Whereas an agreement on the amount and distribution of the payments in place of the unincorporated industrial tax base is required to enable the municipal Signatories and electoral areas to address historic infrastructure deficits and make sound investment decisions related to future growth.

Whereas in 2005 the Province and the Region entered into a Memorandum of Understanding dated March 22, 2005 (the "2005 MOU").

Whereas the Parties wish to terminate the 2005 MOU and replace it with this MOU.

Whereas pursuant to Part 4, Division 5 of the *Local Government Grants Regulations*, B.C. Reg. 221/95, the Province is authorized to make special assistance grants to assist in the resolution of municipal or regional district problems that are unusual or unique.

NOW THEREFORE the Province and the Region (the "Parties") agree and undertake that:

Considerations

1. The Parties recognize the unique situation of the Region with respect to limited access to the industrial property tax base.

2. In particular, the Parties recognize that much of the industry is located in areas outside of municipal boundaries and therefore is not subject to municipal taxes. Municipal boundary adjustments, inter-municipal tax sharing arrangements, and the regionalization of services cannot adequately address this issue.

3. The Parties recognize that the Region's municipalities are the service centres to industry and its workers and that industry growth will continue to place additional demands on municipal infrastructure and services.

4. The Parties recognize that historical infrastructure deficits continue to exist in some of the Region's municipalities.

5. The Parties recognize that the considerations in paragraphs 1 through 4 must be addressed with the objective of achieving a reasonable degree of comparability with the revenues from property classes 2, 4 and 5 ("Industrial Revenues") available in other industrial municipalities across British Columbia.

Objective

6. The objective of this MOU is to address issues respecting historic infrastructure deficits, parity, responsiveness, local autonomy, accountability, certainty, industrial competitiveness, economic development and regional infrastructure needs while having limited precedent effect with other local governments in British Columbia. In addition, the Parties have a mutual interest in ensuring that the Signatories to this MOU have the resources to upgrade, maintain and expand the services and infrastructure necessary to facilitate the economic expansion of the oil, gas, forest and other industries within the region.

Partnership Committee

7. The Province and the Region will establish a Partnership Committee to collaborate on issues of shared interest to the Province and Region in meeting the spirit of this MOU.

8. Terms of appointment, membership, responsibilities and decision-making for the Partnership Committee are set out in Appendix 3 of this MOU.

9. The Province will provide the Peace River Regional District (PRRD) with $1 million in 2015 for the purposes of supporting the work of the Partnership Committee.

Requirement for Regional Consensus

10. When the Region acts under this MOU it requires the unanimous consent of the PRRD and its member municipalities.

Commencement

11. This MOU will commence on May 31, 2015

Special 2015 Payment

12. If a local government Signatory to this MOU provides to the Province, prior to May 20, 2015, a Resolution of its council or board which confirms approval in principle of this MOU, the Province will pay to the Signatory, in 2015, an amount equal to that Signatory's share of $3 million to be distributed in accordance with the allocation formula set out in Appendix 2.

13. If a local government Signatory does not provide to the Province, prior to May 20, 2015, a Resolution as described in section 12, that local government Signatory's allocated share of the payment referred to in section 12 shall be divided amongst the remaining local government Signatories that met the requirements of section 12 in accordance with the allocation formula set out in Appendix 2.

Annual Payments

14. Upon the Signatories meeting the requirements established in sections 15 through 19 of this MOU, the Province will pay to each Signatory, no later than April 30 of each year, an amount determined in accordance with Appendix 1 and Appendix 2 of this MOU to and including April 30, 2034 unless any portion of the annual amount is withheld under section 18. Annual payments beyond April 30, 2034 are subject to new annual payment amounts to be negotiated pursuant to section 25.

Eligibility

15. In order for a Signatory to be eligible for payments under this MOU, it must annually meet the following eligibility criteria:

    (a) the Signatory must be located within the PRRD;
    (b) By October 31, 2015, the Signatory must submit to the Province's Assistant Deputy Minister responsible for Local Government ("ADM for LG") a Long-Term Development Plan ("LTDP") that outlines the intended policies, operational activities and capital investments for a five-year period identifying how the annual payment under this MOU will contribute to the objective of enhancing the region as a service centre for industry and its workers. The LTDP may be amended at any time and any amendments must be submitted to the ADM for LG. Every five years from 2015, each Signatory must submit a revised LTDP to the ADM for LG by October 31 of that year;

(c) By January 31, 2016, each Signatory must submit to the ADM for LG an Annual Development Plan ("ADP") that provides a prospective report on the anticipated policies, operational activities and capital investments the Signatory expects to undertake during the upcoming calendar year utilizing the upcoming annual payment in alignment with that Signatory's LTDP;

(d) By January 31, 2016 each Signatory must submit to the ADM for LG an Annual Progress Report ("APR") that provides a retrospective review of the policies, operational activities and capital investments the Signatory has undertaken during the previous two calendar years, with alignment to the ADP submitted in the previous year; and,

(e) For all years after 2016, each Signatory will submit an annual ADP and APR by January 31 of each year to the ADM of LG. With the agreement of the ADM of LG an annual ADP or APR may be submitted after January 31.

Reporting, Application and Approval Requirements

16. The ADM for LG will receive and review both the ADP and APR provided by each Signatory as an application for the annual funding to be approved for the following year, in consideration of the following criteria:
    (a) The applicant Signatory continues to meet the eligibility criteria established in section 15;
    (b) The applicant Signatory has met all annual statutory requirements under the *Community Charter* and/or the *Local Government Act*;
    (c) The ADP submitted by the applicant Signatory reasonably demonstrates that annual payments provided for the upcoming year will contribute to the implementation of policies, operational activities or capital investments consistent with that signatory's LTDP; and
    (d) The APR submitted by the applicant Signatory reasonably demonstrates that annual payments provided during the previous year have contributed to the implementation of policies, operational activities or capital investments consistent with that Signatory's LTDP and the previous year's ADP.

17. No later than April 7 of 2016 and each year thereafter, the ADM for LG will confirm for each applicant Signatory whether their ADP and APR are approved based upon the criteria in section 16. Meeting all criteria will result in approval of that Signatory's payment on April 30 of that year pursuant to section 14.

18. If the ADM for LG determines that one or more of the criteria in section 16 have not been met by a Signatory, he or she may withhold some or all of the annual payment of that Signatory or may request additional information from the Signatory before authorizing payment. The ADM of LG may not unreasonably withhold payment if the above criteria have been satisfied.

19. Within 30 days of the ADM for LG's decision to withhold some or all of the annual payment from a Signatory, the Signatory may seek reconsideration of the decision of

the ADM for LG through a dispute resolution process established by the Partnership Committee within one year from the commencement of this MOU.

Policy Change

20. If the Province implements a policy change, legislative amendment to an enactment, or a change to any order under the *Assessment Act* (a "Policy Change"), and the Province or the Region believes that the Policy Change impacts the Region in a materially different manner than other industrial municipalities:

    a) the Parties will enter into negotiations with the intent to ensure that the Region is maintained within the average per capita Industrial Revenues of the top ten industrial municipalities in the rest of British Columbia; and,
    b) the negotiations will be concluded within 6 months of the announcement of the Policy Change.

Allocation Formula Review

21. In the event of a change in circumstances that causes the Region to seek revision to the allocation formula in Appendix 2, the Region may request a review and approval by the Province of amendments to the allocation formula every five years, beginning in 2020, for the duration of the term of this MOU.

22. A request for review must be submitted in writing no later than September 30 of the previous year and must contain a proposed allocation formula.

23. Any proposed allocation formula should weight the allocations toward the Region's local governments that:

    a) do not have adequate industrial tax base support, as evidenced by comparison to a representative group of industrial municipalities elsewhere in the Province;
    b) have historically not benefitted from industrial tax base support resulting in infrastructure deficits;
    c) are experiencing high levels of population growth and demand for services, due to the growth of industry; and,
    d) play a vital service centre role in supporting both industry and a large contiguous rural population.

24. Upon approval by the Province, the amended allocation formula will replace the formula in Appendix 2, effective for the payments made under section 14 of this MOU for all years to follow.

Renewal of MOU

25. (a) In 2023 and 2031, the Parties agree to review this MOU with respect to the amount of the annual rate of growth described in Appendix 1. Any agreed upon change will apply to the next payment required to be made pursuant to section 14 of this MOU.

(b) In 2031, the Parties will review the total annual payment, including the annual rate of growth, to determine a new total annual payment which will commence on April 30, 2035. This agreement will replace Appendix 1 and may include specification of the term of the total annual payments as well as future review periods for the annual payments and annual rate of growth.

(c) Unless otherwise agreed to by the Parties, the annual payments and annual rate of growth will be reviewed in 2039 and every eight years thereafter.

(d) The reviews referred to in subsections (a) and (b) are subject to the following

i. The assessed need for additional infrastructure and services within the Region related to the growth of the industrial tax base; and
ii. The state of Provincial revenue flowing from industrial growth in the Region, such as growth in gas royalties and bonuses from the sale or lease of subsurface rights.

(e) With respect to the reviews referred to in subsections (a) and (b), any Signatory may request the retention of an external third party to assist in identifying, evaluating and analyzing key indicators and trends related to these principles. The third party must be selected by mutual agreement of the Parties.

Amendments

26. Any amendments to this MOU shall be in writing and signed by the Parties.

Termination of 2005 MOU

27. Upon the execution of this MOU by all parties below, the 2005 MOU is hereby terminated.

Execution in Counterpart

28. This MOU may be executed in counterparts. Each counterpart, when so executed and delivered to each of the other Parties, will be deemed an original and all such counterparts together will constitute one and the same document. Delivery of each executed counterpart shall be by facsimile to each of the other parties.

DATED this 29th day of May, 2015

PEACE RIVER REGIONAL DISTRICT
Lori Ackerman, Chair

Coralee Oakes

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA represented by
The Minister of the Ministry of Community, Sport and Cultural Development
The Honourable Coralee Oakes

District of Chetwynd
Merlin Nichols, Mayor

City of Dawson Creek
Dale Bumstead, Mayor

City of Fort St. John
Lori Ackerman, Mayor

District of Hudson's Hope
Gwen Johansson, Mayor

William C Plowright

Village of Pouce Coupe
William Plowright, Mayor

District of Taylor
Rob Fraser, Mayor

District of Tumbler Ridge
Don McPherson, Mayor

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Appendix 1

Calculation of the Annual Grant Under Section 14

The annual payment is to be calculated using the following formula for each year of this MOU unless an adjustment is negotiated under Section 25.

The annual increases beginning in 2020 represent a 2.0 percent annual rate of growth. This rate may be reviewed and amended through negotiation under section 25 of this MOU, with reviews to take place every eight years following commencement of this MOU.

Year	Formula
2016	$50 million dollars
2017	The 2016 amount
2018	The 2017 amount
2019	The 2018 amount
2020	The 2019 amount X 1.02
2021	The 2020 amount X 1.02
2022	The 2021 amount X 1.02
2023	The 2022 amount X 1.02
2024	The 2023 amount X 1,02
2025	The 2024 amount X 1.02
2026	The 2025 amount X 1,02
2027	The 2026 amount X 1.02
2028	The 2027 amount X 1.02
2029	The 2028 amount X 1.02
2030	The 2029 amount X 1.02
2031	The 2030 amount X 1.02
2032	The 2031 amount X 1.02
2033	The 2032 amount X 1,02
2034	The 2033 amount X 1.02

Appendix 2

Allocation Formula for Annual Grant Under Appendix 1 To Determine the Individual Annual Payments under Section 14

1. Introduction

This appendix sets out the allocation formulae for the allocation of the annual grant payment as set out in Section 14 of the Memorandum of Understanding.

2. Allocating Increases and Decreases In The Grant Amounts

In the first year of the 2005 MOU, the base amount in Pool 1 was $12 M and the base amount in Pool 2 was $ 8 M. In each subsequent year of the agreement, the base amounts in each pool have been adjusted to reflect changes in the sum of Class 2, 4 and 5 net taxable values for hospital purposes in the rural area of the Peace River Regional District. These adjustments will continue to occur in the following manner:

Step 1 Any increase or decrease in the grant amount in each year of the agreement will be determined by the application of the formula set out in Appendix 1.

Step 2 The increase or decrease will continue to be proportionately allocated to Pool 1 and Pool 2 based on the original $12 M and $8 M amount. This will require 60% of any increase or decrease to be allocated to Pool 1 and 40% of any increase or decrease to be allocated to Pool 2

3. Allocation of Funds in Pool 1

10% of the grant amount in Pool1 is allocated to the electoral areas. Funds in

Pool1 will be allocated as follows:

Step 1 The total current converted values of each municipality's assessments for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority is determined. (RG 618). The converted values of the District of Chetwynd and the City of Dawson Creek are adjusted to reflect tax revenue sharing arrangement for the Tembec plant.

Step 2 The total converted values of each municipality are added to establish a sum of all municipal total converted values.

Step 3 The total converted values of Electoral Area assessments of Classes 2, 4 and 5 for Hospital purposes as contained in the Revised Net Taxable and Converted Value Reports provided annually by the British Columbia Assessment Authority are established. (RG 618)

Step 4 The municipal population is established for each municipality based on the statistics as determined by the Director of Statistics appointed under the Statistics Act and used in a manner consistent with that of the Local Government Grants population statistics.

Step 5 The populations of each municipality are added to establish a total population for all municipalities.

Step 6 The equalized per capita tax base is calculated by adding the total current converted values of all municipal assessments (Step 2) and the total current converted value of Classes 2, 4 and 5 assessments in the rural area of the Peace River Regional District (Step 3) and then dividing that total by the total municipal population as determined in Step 4.

Step 7 The equalized per capita tax base as calculated in Step 6 is multiplied by the population of each municipality. The total current converted values of each municipality's assessment for Hospital purposes (as determined in Step 1) is then subtracted from that product to determine a value. If that value is a negative number for any municipality, that municipality (population and converted assessment) is removed from the calculations and the calculations described in Steps 6 and 7 are carried out again.

Step 8 The values calculated for each of the municipalities in Step 7 are added to establish a sum for all of the municipalities.

Step 9 The values calculated in Step 7 for each municipality and Step 8 for all municipalities are then used as the basis for apportioning the grant amount in Pool 1 as adjusted to reflect changes in the value of the assessment of Classes 2, 4 and 5 in the Electoral areas. Each municipality's share is calculated by dividing the value established for each municipality (Step 7) by the value established in Step 8 and then multiplying the total grant amount available in Pool 1 by that number.

The following provides a summary of the calculations required.

Allocation Formula for Pool 1

Where:

m = Total current converted values of a municipality's assessment for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority, as adjusted to reflect phase-in conditions applied to boundary expansions or revenue sharing arrangements such as the Tembec plant.

M = The sum of m.

R = Total current converted values of Electoral Area assessments of classes 2, 4 and 5 for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority.

p = The Municipal population statistics as determined by the Director of Statistics appointed under the Statistics Act and utilized in a manner consistent with that of the Local Government Grants population statistics.

P = The sum of p.

C = $\frac{M + R}{P}$ (Calculation of the equalized per capita tax base)

a = (p x C) – m (Calculation of the figures used to apportion the grant amount)

A = The sum of a.

L = The grant amount for Pool 1 minus 10 percent.

Step 1) $\frac{M + R}{P} = C$ (Calculation of the equalized per capita tax base)

Step 2) $(p \times C) - m = a$ (Calculation of the figures used to apportion the grant amount)

If (a) returns a negative value for any municipality, that municipality is removed from the calculations and Step 1 and 2 are repeated.

Step 3) $\frac{a}{A} \times L$ = Allocation (Calculates each municipality's share of the grant amount)

4. Allocation of Funds in Pool 2

Step 1 The current converted values of Classes 2, 4 and 5 of each municipality's assessments for Hospital purposes as contained in the Revised Net Taxable and Converted Values reports provided annually by the British Columbia Assessment Authority is determined. (RG 618)

Step 2 The current converted values of Classes 2, 4 and 5 of assessment for Hospital purposes are adjusted as follows:

- The current converted values of the District of Chetwynd are adjusted as shown in Schedule 2 to reflect the tax rate limitations set out in Supplementary Letters Patent.
- The current converted values of the District of Chetwynd and the City of Dawson Creek are adjusted as shown in Schedule 3 to reflect the tax revenue sharing arrangements between the District of Chetwynd and the City of Dawson Creek for the Tembec plant and the tax rate limitation placed on the plant pursuant to Supplementary Letters Patent.
- The current converted values of the District of Chetwynd and the City of Fort St. John are adjusted as shown in Schedule 4 to reflect the tax base support received from Classes 2, 4 and 5 in the unincorporated participating areas of the service areas.
- The current converted values of the District of Hudson's Hope are adjusted as shown in Schedule 5 to reflect the grant in lieu of taxes received from B.C. Hydro.

Step 3 In the event that a municipality participates in a regional district service area during the term of the agreement and receives the support of tax revenues generated from Classes 2, 4 and 5 in the unincorporated participating area to the level set out in Schedule 6, the converted values of Classes 2, 4 and 5, the municipality shall be adjusted as shown in Schedule 6.

Step 4 The current converted values of Classes 2, 4 and 5 of each municipality, as adjusted in Steps 2 and 3 above are added to establish a sum of all municipal converted values for Classes 2, 4 and 5.

Step 5 The total converted values of rural area assessments of Classes 2, 4 and 5 for hospital purposes as contained in the Revised Net Taxable and Converted Value Reports provided annually by the British Columbia Assessment Authority are established. (RG 618)

Step 6 The municipal population is established for each municipality based on statistics as determined by the Director of Statistics appointed under the Statistics Act and used in a manner consistent with that of the Local Government Grants population statistics.

Step 7 The populations of each municipality as determined in Step 6 are added to establish the total municipal population.

Step 8 The equalized per capita tax base is calculated by adding the current converted values of Classes 2, 4 and 5 of all municipal assessments (Step 2) as adjusted in Steps 2 and 3 and the total current converted value of Classes 2, 4 and 5 assessments in the electoral areas (Step 5) and then dividing that total by the total municipal population as determined in Step 7.

Step 9 The equalized per capita tax base as calculated in Step 8 is multiplied by the population of each municipality. The current converted value of Classes 2, 4 and 5 of each municipality's assessment for hospital purposes (as determined in Step 1 and adjusted in Steps 2 and 3) is then subtracted from that product to determine a value.

Step 10 The values calculated for each of the municipalities in Step 9 are added to establish a sum for all of the municipalities.

Step 11 The values calculated in Step 9 for each municipality and Step 10 for all municipalities are then used as the basis for apportioning the grant amount in Pool 2 as adjusted to reflect changes in the value of the assessment of Classes 2, 4 and 5 in the municipalities. Each municipality's share is calculated by dividing the value established for each municipality (Step 10) by the value established in Step 9 and then multiplying the total grant amount available in Pool 2 by that number.

Step 12 If that value is less than $250,000, the municipality or municipalities are each allocated a minimum grant of $250,000 and the municipality or municipalities are removed from the calculations. The amount of the grant in Pool 2 available for distribution in that year is adjusted by subtracting the amount of the minimum grant(s) allocated to those municipalities and the calculations described in Steps 8 to 11 are carried out again.

Step 13 The share of each municipality's share of Pool 2 is added to each municipality's share of Pool 1 to establish the total share available to each municipality.

Allocation Formula for Pool 2

m = Current converted values of Classes 2, 4 and 5 of a municipality's assessment for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority, as adjusted to reflect revenue sharing agreements, participation in regional district service areas, receipt of grants-in-lieu, and tax rate limitations established in Supplementary Letters Patent.

M = The sum of m.

R = Total current converted values of Electoral Area assessments of classes 2, 4 and 5 for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority.

p = The Municipal population statistics as determined by the Director of Statistics appointed under the Statistics Act and utilized in a manner consistent with that of the Local Government Grants population statistics.

P = The sum of p.

C = $\frac{M + R}{P}$ (Calculation of the equalized per capita tax base)

a = $(p \times C) - m$ (Calculation of the figures used to apportion the grant amount in Pool 2)

A = The sum of a.

L = The grant amount for Pool 2.

Step 1) $\frac{M + R}{P} = C$ (Calculation of the equalized per capita tax base)

Step 2) $(p \times C) \quad -m = a$ (Calculation of the figures used to apportion the grant amount in Pool 2 amount)

Step 3) $\frac{a}{A} \times L \quad = \text{Allocation}$ (Calculates each municipality's share of the grant amount)

Step 4) If the apportionment for any municipality is less than $250,000 that municipality is allocated the minimum grant of $250,000 and removed from the calculations. Steps 1, 2 and 3 are repeated based on an adjusted grant amount which reflects any amounts required for the minimum payment(s).

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Schedule 1

Existing Formula Tembec Assessment Recalculation

M = Assessment actual value of the Tembec plan as provided annually by the British Columbia Assessment Authority.

mX = Converted assessment for the Tembec plant.

P = Provincial multiple

M_{DC} = Municipal converted assessment for Dawson Creek.

M_{CH} = Municipal converted assessment for Chetwynd.

$M_{A(DC)}$ = Total municipal converted assessment adjusted for Dawson Creek.

$M_{A(CH)}$ = Total municipal converted assessment adjusted for Chetwynd.

Step 1)	$m \times P$	$= mX$	(Calculation of the converted assessment for the Tembec plant.)
Step 2)	$mX \times 40\%$	$= mX_{DC}$	(Calculation of converted assessment that is allocated to Dawson Creek based on 40%/60% Dawson Creek/ Chetwynd split.)
Step 3)	$mX \times 60\%$	$= mX_{CH}$	(Calculation of converted assessment that is allocated to Chetwynd based on 40%/60% Dawson Creek/ Chetwynd split.)
Step 4)	$mX_{DC} + M_{DC}$	$= M_{A(DC)}$	(Calculation of total converted assessment for Dawson Creek reflecting 40% addition of Tembec converted Assessment.)
Step 5)	$mX_{CH} - mX + M_{CH}$	$= M_{A(CH)}$	(Calculation of total converted assessment for Chetwynd reflecting 100% reduction of Tembec converted assessment and then the addition of 60% Chetwynd Tembec converted assessment.)

Schedule 2

Chetwynd Assessment Adjustments

X = Property Class

mX_1 = Current Class X assessment for Chetwynd for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority,that does not require tax rate limitation adjustments.

mX = Current Class X assessment for Chetwynd for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority.

mXa = Current Class X assessment for Chetwynd for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the Brttish Columbia Assessment Authority, adjusted to reflect tax rate limitations.

TM_A= Sum of adjusted assessments and unadjusted assessments, by property class.

$tX2$ = Current municipal Class X tax rate for Chetwynd without cap.

tXa = Current municipal Class X capped tax rate for Chetwynd.

cX = Conversion factor.

M_A = Converted adjusted municipal assessment.

R = Ratio between capped municipal tax rate and uncapped municipal tax rate.

Step 1)	$\frac{tXa}{tX}$	= R	(Calculation of the ration between the capped and uncapped municipal tax rate.)
Step 2)	$R \times mX$	= mXa	(Calculation of adjusted Class 2, 4 or 5 assessment.)
Step 3)	$mXa + mX_1$	. TM_A	(Adds the portion of adjusted municipal assessment to that municipal assessment which does not require adjustment.)
Step 4)	$TM_A + cX$	= M_A	(Converted total adjusted assessment.)
Step 5)	Steps 1 through 4 are completed for each of Classes 2, 4 and 5.		

Schedule 3

Tembec Assessment & Revenue Calculations

M =	Assessment actual value of the Tembec plan as provided annually by the British Columbia Assessment Authority.
mX =	Converted assessment for the Tembec plant.
TR =	Chetwynd's limited tax rate that is applied to the Tembec plant.
P =	Provincial multiple
M_{DC} =	Municipal converted assessment for Dawson Creek.
M_{CH} =	Municipal converted assessment for Chetwynd.
$M_{A(DC)}$ =	Total municipal converted assessment adjusted for Dawson Creek.
$M_{A(CH)}$ =	Total municipal converted assessment adjusted for Chetwynd.
R_{DC} =	Revenue to Dawson Creek from Tembec plan, using Chetwynd's limited tax rate.

Step 1)	$m \times P$	$= mX$	(Calculation of the converted assessment for the Tembec plant.)
Step 2)	$mX \times 40\%$	$= mX_{DC}$	(Calculation of converted assessment that is allocated to Dawson Creek based on 40%/60% Dawson Creek/ Chetwynd split.)
Step 3)	$mX \times 60\%$	$= mX_{CH}$	(Calculation of converted assessment that is allocated to Chetwynd based on 40%/60% Dawson Creek/ Chetwynd split.)
Step 4)	$mX_{DC} + M_{DC}$	$= M_{A(DC)}$	(Calculation of total converted assessment for Dawson Creek reflecting 40% addition of Tembec converted Assessment.)
Step 5)	$mX_{CH} - mX + M_{CH}$	$= M_{A(CH)}$	(Calculation of total converted assessment for Chetwynd reflecting 100% reduction of Tembec converted assessment and then the addition of 60% Chetwynd Tembec converted assessment.)
Step 6)	$m \times 40\%$	$=M_{DC}$	(Calculation of Dawson Creek's actual assessment for the Tembec plant.)
Step 7)	$M_{DC} \times TR$	$=R_{DC}$	(Calculation of revenues Dawson Creek receives from Tembec plant with the application of Chetwynd's limited tax rate).

Ratio Determination

M =	Municipal converted assessment for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority.
Br =	Revenues received by each municipality from service areas, revenue sharing agreements, grants-in-lieu etc.
Mr =	Revenues received from incorporated industry within each municipality.
BM =	Sum of Br and Mr (benefiting area revenues and incorporated industry revenues).
R =	Ratio between all revenues received by municipality and industrial assessments

Step 1)	$Br + Mr$	$= BM$	(Calculation of the total revenues including service areas and incorporated industrial revenues.)
Step 2)	$\dfrac{M}{BM}$	$= R$	(Calculation of ratio for each municipality.)

Converted Equivalent Assessment Determination

M =	Municipal converted assessment for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority.
ITA =	Total of industrial class revenues only from incorporated industry and Tembec revenues.
R =	Ratio between all revenues received by municipality and industrial assessments. Ratio indicates that each $1 of revenue a municipality receives is equivalent to *$X* of converted assessment.
EA =	Calculated converted equivalent assessment.
TEA =	Summation of converted equivalent assessments for each municipality.
M_A =	Adjusted municipal converted assessment reflecting Tembec adjustments.

Step 1)	ITA x R	= EA	(Calculation of the converted equivalent assessment from each municipality's revenues received from service areas.)
Step 2)	$\sum EA$	= TEA	(Summation of converted equivalent assessments for each municipality.)
Step 3)	TEA + M	$= M_A$	(Adjusted municipal converted assessment reflecting Tembec assessment adjustments and Tembec revenue sharing agreement adjustments.)

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Schedule 4

Adjustments to Reflect District of Chetwynd and City of Fort St. John Participation in Region District Service Areas

R =	Amount requisitioned from rural areas for the particular benefiting area revenues being calculated.
M_X =	Current assessment by class for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority, for the particular benefiting area.
M_{TX} =	Total current assessment by class for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority, for the particular benefiting area. (Note that this only applies to service areas which cover more than one jurisdiction. For example, the North Peace Leisure Pool benefiting area covers jurisdiction 759 and 760, so assessments must be totaled).
CM_{TX} =	Converted total current assessment by class for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority, for the particular benefiting area.
TCM =	Converted total current assessment for all classes for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority, for the particular benefiting area.
X =	Property Class.
C_X =	Conversion multiple by property class.
P =	Provincial Tax Ratios.
T_1 =	Calculated Class 1 tax rate.
T_X =	Calculated Class X tax rate.
TA_X =	Calculation of revenues by property class.
TA =	Total of all revenues generated.
ITA =	Total of industrial class revenues only.

Step 1)	$M_X \times C_X$	$= CM_{TX}$	(Calculation of converted benefitting area assessment by class.)
Step 2)	$\sum CM_{TX}$	$= TCM$	(Summation of converted benefitting area assessments.)
Step 3)	$\frac{R}{TCM} \times 100$	$= T_1$	(Calculation of Class 1 tax rate.)
Step 4)	$T_1 \times P$	$= T_X$	(Calculation of Classes 2 – 9 tax rates.)
Step 5)	$T_1 \times A_X$	$= TA_X$	(Calculation of Classes 1 – 9 revenues.)
Step 6)	$\sum TA_X$	$= TA$	(Summation of all revenues.)
Step 7)	$\sum ITA_X$	$= ITA$	(Summation of industrial revenues only.)

Ratio Determination

M =	Municipal converted assessment for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority.
Br =	Revenues received by each municipality from service areas, revenue sharing agreements, grants-in-lieu etc.
Mr =	Revenues received from incorporated industry within each municipality.
BM =	Sum of *Br* and *Mr* (benefiting area revenues and incorporated industry revenues).
R =	Ratio between all revenues received by municipality and industrial assessments

Step 1)	$Br + Mr$	$= BM$	(Calculation of the total revenues including service areas and incorporated industrial revenues.)
Step 2)	$\frac{M}{BM}$	= R	(Calculation of ratio for each municipality.)

Converted Equivalent Assessment Determination

M =	Municipal converted assessment for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority.
ITA =	Total of industrial class revenues only from "Adjustments To Reflect District of Chetwynd and City of Fort St. John Participation In Regional District Service Areas."
R =	Ratio between all revenues received by municipality and industrial assessments. Ratio indicates that each $1 of revenue a municipality receives is equivalent to *$X* of converted assessment.
EA =	Calculated converted equivalent assessment.
TEA =	Summation of converted equivalent assessments for each municipality.
M_A =	Adjusted municipal converted assessment reflecting adjustments.

Step 1)	ITA x R	= EA	(Calculation of the converted equivalent assessment from each municipality's revenues received from service areas.)
Step 2)	$\sum$EA	= TEA	(Summation of converted equivalent assessments for each municipality.)
Step 3)	TEA + M	= M_A	(Adjusted municipal converted assessment reflecting Tembec assessment adjustments and Tembec revenue sharing agreement adjustments.)

Schedule 5

Hudson's Hope BC Hydro Grant Calculation

M =	Municipal converted assessment for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority.
Br =	Hudson's Hope BC Hydro Grant Revenue.
Mr =	Revenues received from incorporated industry within Hudson's Hope
BM =	Sum of *Br* and *Mr* (Hudson's Hope Hydro grant and incorporated industry revenues).
R =	Ratio between all revenues received by Hudson's Hope and industrial assessments. Ratio indicates that each $1 of revenue a municipality receives is equivalent to $X of converted assessment.
EA =	Calculated equivalent assessment.

Step 1)	$Br + Mr$	$= BM$	(Calculation of the total revenues including Hydro grant and incorporated industrial revenues.)
Step 2)	$\frac{M}{BM}$	= R	(Calculation of ratio for Hudson's Hope.)
Step 3)	$Br \times R$	= EA	(Calculation of the converted equivalent assessment from Hudson's Hope BC Hydro Grant.)
Step 4)	EA + M	$= M_A$	(Adjusted municipal converted assessment reflecting assessment adjustments.)

Schedule 6

Adjustments to Converted Values of Municipalities Participating in Regional District Service Areas

1. This schedule applies in the event that a municipality participates in a regional service area of the Peace River Regional District during the term of the agreement and receives the support of tax revenues generated from Classes 2, 4 and 5 in the unincorporated participating area.
2. Service areas which are exempt from the application of this schedule include those:
   - that are established wholly for the benefit of unincorporated areas;
   - that are established as region wide functions that involve the participation of all municipalities and electoral areas of the Peace River Regional District;
   - where the annual revenue generated from Classes 2, 4 and 5 is less than $25 per capita measured by taking the total annual revenue generated within rural portion of the service area from Classes 2, 4 and 5 and dividing it by the population of the participating municipality as determined by the Director of Statistics appointed under the Statistics Act for the year in which the service area is established.
3. The converted values of Classes 2, 4 and 5 of a municipality participating in a service area as described in sections 1 and 2 above shall be adjusted as follows before being entered into the allocation formula:

M =	Municipal converted assessment for Hospital purposes as contained in the Revised Net Taxable and Converted Value reports provided annually by the British Columbia Assessment Authority.
Br =	Class 2, 4 and 5 revenues received by each municipality from the benefiting area.
Mr =	Revenues received from incorporated industry within each municipality.
BM =	Sum of *Br* and *Mr* (benefiting area revenues and incorporated industry revenues).
EA =	Calculated converted equivalent assessment.
TEA =	Summation of converted equivalent assessments for each municipality.
M_A =	Municipal assessments adjusted to reflect inclusion of benefiting area converted equivalent industrial assessments.
R =	Ratio between all revenues received by municipality and industrial assessments. Ratio indicates that each $1 of revenue a municipality receives is equivalent to *$X* of converted assessment.

Step 1)	$Br \div Mr$	$= BM$	(Calculation of the total revenues including service areas and incorporated industrial revenues.)
Step 2)	$\frac{M}{BM}$	= R	(Calculation of ratio for each municipality.)
Step 3)	$Br \times R$	= EA	(Calculation of the converted equivalent assessment from each municipality's revenues received from service areas.)
Step 4)	$\sum EA$	= TEA	(Summation of equivalent assessments for each municipality to their industrial converted assessment.)
Step 5)	TEA ÷ M	$= M_A$	(Addition of converted equivalent assessments for each municipality to their industrial converted assessment.)

4. The adjustments to the converted values of a municipality participating in a service area of the

PRRD shall be made in the calculations for the year immediately following the year in which the service area is established by bylaw enacted by the regional board of the Peace River Regional District.

Appendix 3

Partnership Committee

Appointment and Membership

1. The Partnership Committee shall consist of three (3) members appointed by the Province and three (3) members appointed by the Region.
   - Provincial representatives shall be the Assistant Deputy Minister responsible for Local Government and two other Assistant Deputy Ministers appointed by the Province.
   - Representatives of the Region will be the Chief Administrative Officer of the City of Fort St John, the Chief Administrative Officer of the City of Dawson Creek and the Chief Administrative Officer of one of the remaining Signatory local governments in the Region. The third Chief Administrative Officer shall be appointed by the remaining Signatory local governments from among the remaining Signatory local governments for a two-year term. No Chief Administrative Officer appointed from among the remaining local governments may be appointed for a second term until the Chief Administrative Officer from each of the remaining signatory local governments has served a two-year term.

2. The Partnership Committee will be co-chaired by two (2) members, one of which will be appointed by each of the Province and the Region.

3. Upon agreement of the Province and the Region, other members may also be appointed, so long as the composition of the committee consists of equal representation from the Province and the Region.

4. Replacement members may, from time to time, be appointed. The Province and the Region agree to keep each other informed of new appointments in writing.

5. If a Co-Chair is not able to attend a meeting, or is otherwise unable to act, the Co- Chair may designate an alternate in writing, and that alternate shall act as that Co-Chair.

6. If a member is not able to attend a meeting, or is otherwise unable to act, that member may designate an alternate, and that alternate shall act as that member.

7. Upon any signatory referring an issue to the Partnership Committee, that member shall be entitled to present those issues to the Committee and participate in any discussions related to that issue.

Responsibilities

8. The Partnership Committee will have the following responsibilities:

- Consider matters identified by local governments or the Province as impediments faced by Peace River Region communities in planning for future growth, including matters related to municipal boundary extensions, tax rate limits and provincial services;
- Resolve any issues arising from the implementation of this MOU;
- Establish and maintain the framework for applications and approvals under sections 16 through 19, and establish a dispute resolution process to address any requests for reconsideration arising from a decision of the ADM responsible for Local Government pursuant to section 18 not to approve a payment to a Signatory;
- Provide a framework for any negotiations related to policy change under section 20;
- Provide a framework for renewal of this MOU under section 25;
- Provide a framework for the entry of a new municipality as a Signatory to this MOU; and
- Address other matters as required for the effective operation of this MOU.

8. Upon agreement, the Partnership Committee may undertake any additional duties or responsibilities it deems to be consistent with the spirit of this MOU.

<u>Decisions</u>

9. The Partnership Committee will govern by consensus, examine issues together and, in good faith, reasonably attempt to resolve potential issues.

10. The decisions, approvals and recommendations of the Partnership Committee will be made or given upon agreement by the Members, within their respective delegated authorities. The signature of both Co-Chairs on behalf of the Partnership Committee shall be verification, for the purposes this MOU, of any such decision, recommendation or approval by the Partnership Committee.

11. With respect to a reconsideration of a decision of the ADM for LG pursuant to section 19 of this MOU, the ADM for LG will remove himself for the purposes of the reconsideration and a replacement member will be appointed by the Province pursuant to section 4 of this Appendix.

12. For certainty, decisions made by the Partnership Committee cannot amend this MOU. All amendments to this MOU must be made in accordance with section 26.