



Financial Implications of Potential Dissolution

Preliminary Analysis

May 7, 2026

Key Considerations

- This presentation is for information only
- It uses the 2026 budget as a baseline example
- The numbers shown are not a prediction of future costs or taxes
- Actual outcomes will depend on:
 - Future decisions
 - Services and service levels
 - Administrative arrangements
- This is not a recommendation for or against dissolution



Background and Council Direction

- The Village is reviewing its long-term financial sustainability and service delivery
- A small tax base creates ongoing challenges in funding services and meeting obligations
- Community interest in understanding long-term viability and governance options
- Municipal dissolution and transition to a RD model is being explored
- Council has directed that financial analysis be completed on potential impacts of dissolution
- This includes taxes, service levels, and overall costs
- The information is intended to support understanding and informed discussion



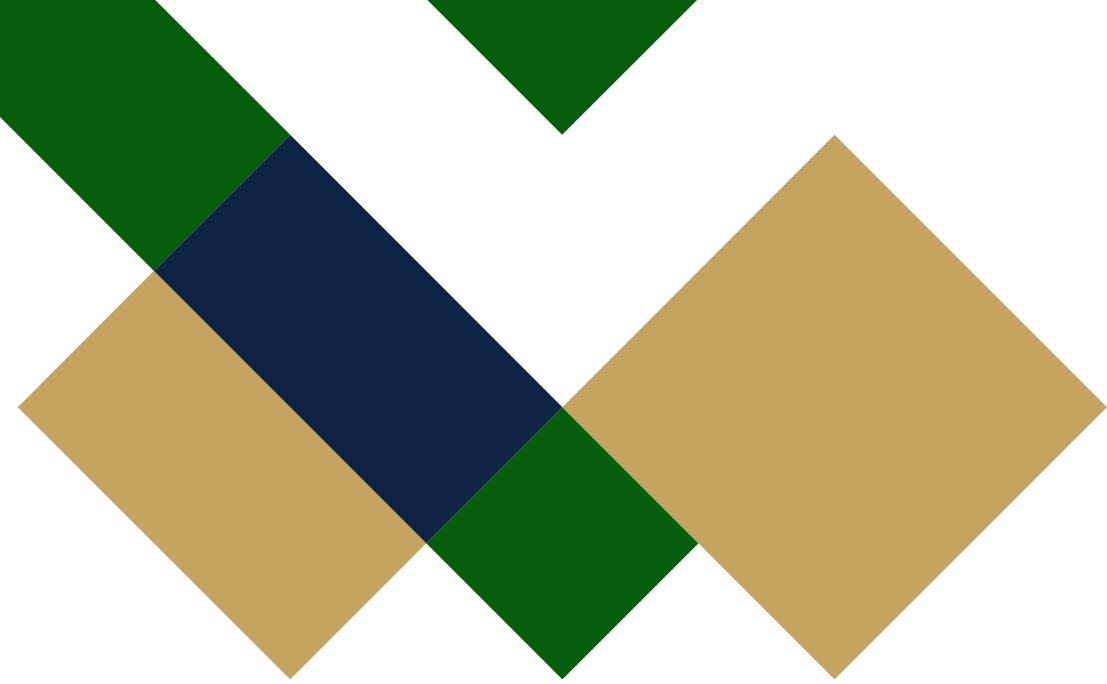
Why This Is Being Considered

- Small and primarily residential tax base limits revenue capacity
- Ongoing pressure to fund:
 - Core services
 - Infrastructure maintenance and replacement
 - Legislative and administrative requirements
- Limited ability to build and maintain adequate reserves
- Increasing costs (administration, compliance, inflation)
- Exploring governance options to understand long-term sustainability



Dissolution Process

- Authority under the *Local Government Act*
- Dissolution may occur only where the following are met:
 - Assent of the electors of the municipality is obtained; and
 - Approval of the Province is granted through an Order of the Lieutenant Governor in Council
- A municipal Council may initiate consideration of dissolution, but final decision rests with the Province.
- It is important that financial disclosure occurs prior to public approval
 - Supports understanding and informed decision-making
- Dissolution is a multi-year process requiring additional studies, provincial review, coordination with multiple agencies, and consultation with First Nations to address potential impacts on rights, services, and governance before any decision is made.



Dissolution Process Cont.

- After public approval is obtained, the Province reviews the proposal and determines if dissolution is in the public interest.
- If approved, the Province will issue an Order in Council that formally dissolves the Village and may address:
 - The transfer or disposition of municipal assets;
 - Responsibilities for existing liabilities and any long-term debt;
 - The use, allocation, and protection of reserve funds;
 - Transitional governance and administrative arrangements; and
 - The continuation, establishment, or restructuring of municipal services under a RD governance model.

Municipal Vs. Regional District Governance

Key Feature	Municipal	Regional District
Governance Structure	Mayor and 4 Councillors, full control	1 EA Director on a 14-member Board, limited control
Decision-Making	Local Council makes decisions focused solely on Sayward	Decisions made by Regional Board balancing multiple communities
Legislative Authority	Broad authority under <i>Community Charter and Local Government Act</i>	Limited authority; only for services established under the <i>Local Government Act</i>
Service Delivery Model	Full-service municipality (all services provided corporately, though utilities usually tracked separately)	Service-based model (service established individually by bylaw)
Taxation Approach	Single municipal tax base with locally set tax rates and ratios	Service-based taxation; provincially set tax ratios (no local control)
Tax Collection	Collected and enforced by the municipality	Collected by the Province (includes a 5.25% administration fee)

Municipal Vs. Regional District Governance Cont.

Key Feature	Municipal	Regional District
Control Over Tax Policy	High – Council sets tax multiples and policies	Limited – tax ratios set by Province
Administrative Structure	Stand-alone municipal administration	Shared regional administration allocated across services
Cost Allocation	Costs pooled and funded through general taxation	Costs allocated to specific services and participating areas
Grant Eligibility	Eligible for municipal-only grants (e.g., Small Communities Grant)	Not eligible for municipal grants; funding flows through RD
Local Representation	Direct representation focused only on Sayward taxpayers	Indirect representation through 1 Director within a regional board
Flexibility	High flexibility to adjust services, taxation, and priorities locally	Reduced flexibility; decisions depend on regional governance structure

How the Financial Comparison Was Done



Financial Approach

- Based on the 2026 Village budget to allow a fair comparison

Key Assumptions

- Service levels and costs remain generally the same
- Services continue under a regional district model
- Roads transfer to the Province

Administrative Costs

- Shared and allocated across services (RD model) – estimated at 10%

Important

- Results depend on future RD decisions. Actual costs will differ based on service and cost-sharing choices

Projected Cost Savings

Cost Savings

- Council and election costs
- Municipal administration and corporate structure
- Some reporting and statutory requirements
- Property tax administration (moves to Province)
- Road costs transfer to Province

Revenues Lost or Reduced

- Small Communities Grant and most of the CWF Grant
- Some investment income and tax penalties

***Savings depend on how services are structured and may vary significantly**



Projected Additional Costs

- Administrative costs allocated to each service (highly variable)
- Participation in additional RD services
- Provincial tax collection fee of 5.25%
- Potential for administrative costs to be allocated fully to Sayward, which could significantly increase total costs



Estimated Post-Dissolution Taxation

Component	Amount
Base Service Costs	\$334,732
Regional District Administrative Allocation	\$74,557
Additional Regional District Service Costs	\$101,679
Provincial 5.25% Collection Fee	\$26,826
Total Estimated Taxation	\$537,794
Current Municipal Taxation	\$853,593
Estimated Net Reduction	(\$315,799)
Percentage Change	(37.0%)

Note: Outcomes are highly sensitive to administrative cost allocation. In some scenarios, total taxation could increase rather than decrease.

Grants and Revenue Implications

Small Communities Grant

- \$330,000 annual grant lost

Canada Community-Building Fund (Gas Tax)

- \$78,620 annual grant reduced to approximately \$15,209, allocation no longer Sayward specific and now up to the Board

Utility Revenues

- Method of collection now up to the Board (parcel tax, user fee, property taxation etc)
- User fees are expected to remain largely unchanged initially, but may increase over time to build adequate reserves and ensure the service is fully self-funded and able to cover future repairs and replacements

Other Revenues

- Some revenues will be lost or allocated to SRD Admin including investment income, tax penalties, licenses and permit revenues, and PILTS



Redistribution of Tax Burden

Municipalities use municipal tax multiples and general assessment, while regional districts use provincial tax multiples and hospital assessment. This redistributes taxes resulting in higher share for residential properties and lower share for non-residential

Taxation Class	Municipal Multiple	Provincial Multiple	Current Share of Taxation	Post-Dissolution Share of Taxation
Class 1: Residential	1.00	1.00	43.75%	77.10%
Class 2: Utilities	8.65	3.50	0.55%	0.75%
Class 5: Light Industry	12.48	3.40	34.60%	16.66%
Class 6: Business/Other	6.21	2.45	6.75%	4.70%
Class 7: Managed Forest	100.69	3.00	14.10%	0.74%
Class 8: Recreational/Non-Profit	8.30	1.00	0.25%	0.05%

Other Property Taxation Impact



Tax Policy

- Loss of flexibility. No ability to adjust tax multiples.

Tax Collection

- Loss of flexibility. July 2nd due date and 10% penalty now set

Other Taxing Authorities

- No change to other taxing authorities except VIRL, which may see a small decrease

Net Financial Impact - Residential



Current Taxes

- \$2,323.50 or \$604.65 per \$100,000 assessed

Estimated Taxes under the SRD

- \$2,585.72 or \$673.16 per \$100,000 assessed
- Estimated increase of \$263 or 11.3%

Important Considerations

- Increase driven primarily by redistribution of tax burden and loss of municipal tax flexibility.
- The impact to residential properties will likely be even greater
 - Unknown treatment of Sayward administration costs
 - Expected increased funding to reserves

Net Financial Impact – Non-Residential

- Non-residential properties are generally expected to experience a reduction in taxation relative to the current municipal structure.
- While administration costs are uncertain, even if they are fully allocated to Sayward properties and eliminate overall savings, these properties would still see a reduction due to the change in tax multiples.
- Reduction primarily due to lower provincial tax multiples applies to non-residential classes.



Key Assumptions

- Based on the 2026 Village budget as a single-year baseline
- Assumes Sayward would become part of EA A (could be own EA, or EA boundaries could change)
- Assumes service levels and operations remain similar
- Assumes roads transfer to the Province
- Assumes services continue under a RD model
- Assumes administrative costs are shared and allocated across services
- Administrative costs estimated at 10% of service cost
- Assumes current tax structure, assessment data, and provincial framework remain in place
- Assumes no long-term debt



Key Uncertainties

- Regional District decisions (services, cost-sharing, priorities) will affect outcomes
- Administrative cost allocation is uncertain and may vary
- If RD administrative costs are fully allocated to Sayward, costs could increase by around \$385,000
- Future tax savings may be lower than shown – offsetting future reductions in legal costs
- Property assessment changes and major taxpayers could impact tax distribution
- Provincial policies, grants, and tax rules may change over time
- One-time transition costs are not included and could be significant, some government funding may be available
- Additional studies required, including
 - Service delivery and infrastructure (e.g., roads)
 - Provincial ministry review
 - First Nations consultation
- Timeline, costs, and final structure are not yet known



What This All Means

- Dissolution would change how Sayward is governed, funded, and represented
- Total taxation may decrease overall, but residential taxes are expected to increase
- Some non-residential properties may pay less
- Local decision-making would shift from a municipal Council to the Regional District Board
- Outcomes will vary and depend heavily on Regional District decisions and cost allocation methods



Risks and Trade-Offs

- Loss of local decision-making and direct control
- Uncertainty in administrative cost allocation
- Residential taxpayers expected to carry a larger share of taxation
- Possible tax reduction to business properties
- Loss of direct municipal grants and funding certainty
- One-time transition costs not yet quantified
- Future service levels and priorities determined at the regional level
- Access to regional expertise and capacity
- Services are structured individually, so residents only pay for the services they participate in



What Happens Next

- Council receives and considers the preliminary financial analysis
- Report is shared with residents and property owners
- Additional studies would be required before any vote
- Future work would involve the Province, SRD, service partners, and First Nations
- Dissolution is a multi-year process, not an immediate decision
- No decision has been made; this analysis is intended to inform discussion



Final Takeaway

- Dissolution does not eliminate service costs; it changes how they are funded
- Overall costs may decrease, but impacts vary by property type
- Residential properties are expected to pay more under the modelled scenario
- Local governance and decision-making would change significantly
- There are important uncertainties that require further analysis
- This is an initial assessment to support informed community discussion





Questions
