



WELLS - BOUNDARY EXTENSION AND REVENUE OPTIMIZATION STUDY

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URBAN
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1.0 INTRODUCTION

1.1 OVERVIEW AND PURPOSE

In 2024 the District of Wells completed an update to its Official Community Plan. The document is key to charting a path forward for the community in the context of major changes to its economic base. The plan highlights the importance of retaining and celebrating current residents and businesses while making room for the newly approved Cariboo Gold Mine, which will have large and not yet fully quantified impacts to the community.

The original intent of the study was to assess whether the entirety of the mining operation on the backside of Cow Mountain could be brought into the District Boundary. However, as a result of more recent events related to the new mine operation occurring in the community, the study presents an opportunity to perform financial testing and regulatory review to understand how the District is able to tax industrial operations within its boundary and the potential for bringing satellites of those operations into the District. The original avenue of analysis will be maintained and analyzed, but the outputs of the study will carry value beyond the project's original intention.

In addition to the original intent and the opportunity to respond to short term developments related to mining activity, there are additional opportunities for boundary extension. This study presents an analysis of additional industrial, tourism and other opportunities that the District could consider for future boundary extension.

The process undertaken for this work was designed to mirror the Municipal Boundary Extension Process Guide authored by the Province, which details how boundary extensions must be carried out. It will be supported by various sources of required data to conduct the required financial analysis, which are outlined in **Appendix A**.

1.2 STUDY PROCESS

The study process is split into four distinct phases:

1. Project Initiation and Background Review

- Project start up
- Collect and review updated background information
- Meet with District staff to review key issues, and confirm study area boundaries.

2. Review of Boundary Extension Options

- Review of current situation
- Mining regulation review
- Initial calls with government agencies
- High level financial impact analysis

3. Stakeholder Engagement

- Learn more about the potential implications of a boundary change internally and externally
- Confirm the proposed structure of a boundary extension proposal, including measures to offset any potential tax impacts to industry and the CRD

4. Preparation of Final Report

- Prepare the final report and recommendations in accordance with the Municipal Boundary Extension Process Guide (2010).

1.3 ENGAGEMENT OVERVIEW

The proposed engagement is structured to learn about the potential implications of a boundary change internally and externally and to confirm the proposed structure of a boundary extension proposal, including measures to offset any potential tax impacts to industry and the CRD. We anticipate engaging with the following agencies and organizations:

- Proponents of operations that may be affected by a boundary change
- Local First Nations
- Cariboo Regional District
- BC Assessment
- Provincial Ministries
- Municipal finance
- Local government structure
- Council discussion

As a result of these discussions there may be a need to review and adjust the financial impact analysis. The nature of stakeholder engagement is ultimately dependent on Council's preferred direction following a review of boundary extension options. As part of a formal application, additional referrals would be required to relevant stakeholders, including First Nations and other Provincial Ministries. Following the completion of project Phase 2 (Review of Boundary Extension Options), a communications strategy will be developed with the District. Additional conversations with provincial ministries may be best accomplished via in-person discussions in Victoria. All engagement activities will be documented in the final report.

2.0 CURRENT SITUATION

2.1 ELECTED REPRESENTATION AND DECISION MAKING

Municipalities and regional districts operate under provincial legislation, primarily the Local Government Act and Community Charter. A municipal boundary extension transfers local government jurisdiction from a regional district to a municipality, affecting local services, governance, and property tax collection.

The Ministry establishes policies, processes requests, ensures proposals meet requirements, and communicates decisions. The municipality develops proposals, communicates with electors and property owners, consults with neighbouring jurisdictions, and implements approved extensions. The regional district provides information, reviews proposals, communicates interests, and assists in implementation.

Municipalities should consider the impact of boundary extensions on current land use processes and obtain support from relevant parties. Decisions on boundary extensions are independent of land use processes, but municipalities may need to wait for these processes to be completed before submitting proposals.

2.2 CURRENT CONTEXT AND BOUNDARY

The Boundary Extension Study will consider parcels near or adjacent to the District's current municipal boundary, as shown below. Of particular interest is the Cow Mountain mine site, operated by Barkerville Gold Mines near Reduction Road. Other areas may be considered based on their alignment with the District's community growth and revenue goals.

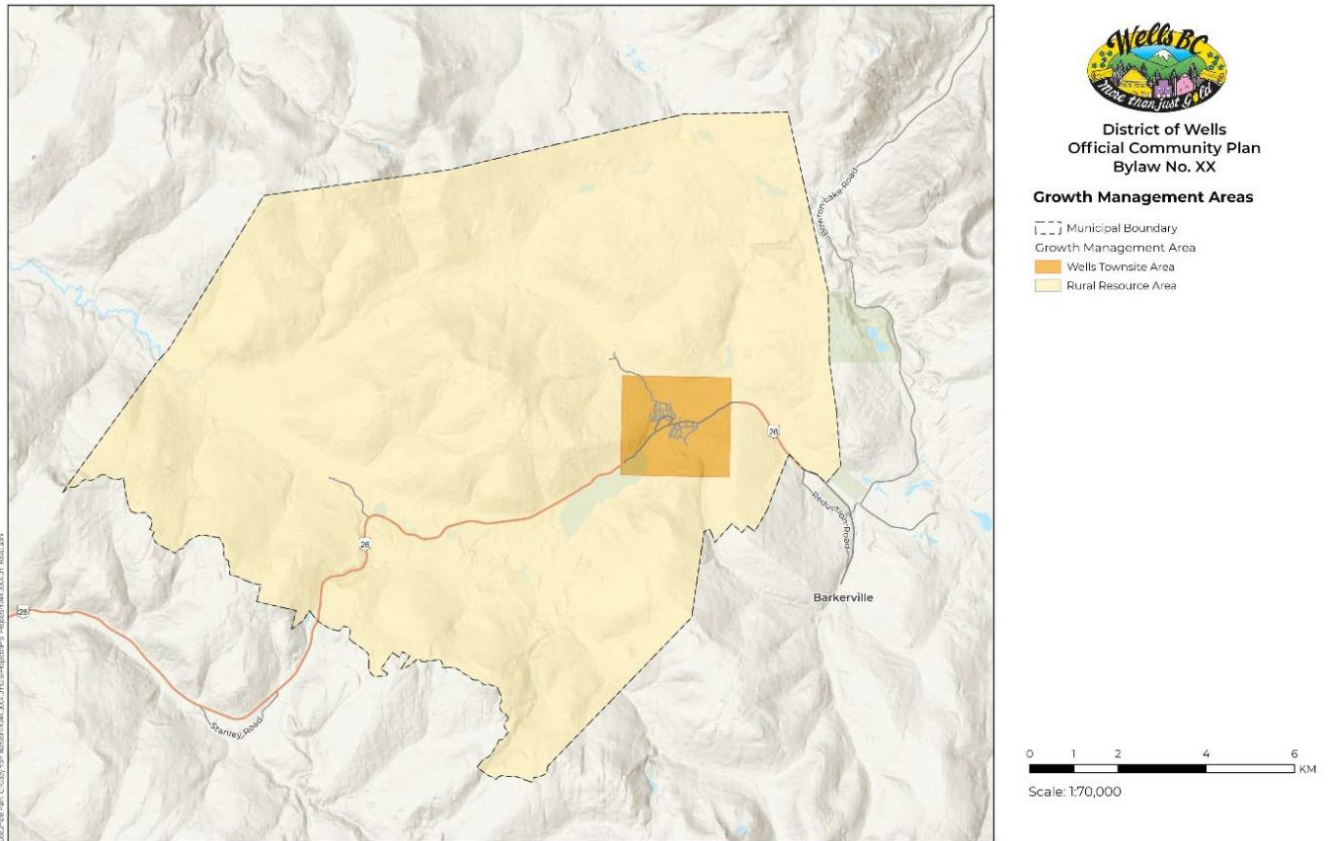


Figure 1: Growth Management Areas

2.3 CURRENT SERVICE DELIVERY

- This section will provide an overview of current service delivery and the authority Wells has to provide key services
- This section will additionally provide a brief snapshot of the financial context for the District. In relation to current service it will break down the municipal budget (e.g. pie chart of major expense categories), revenue sources (similar pie chart), assessment, tax rates & ratios, user fees

The District collects various taxes, some of which are levied on behalf of the Regional District. These include:

- School Taxes: These are levied to support the local school district and its educational services.
- BC Assessment: This fee is for property assessment services provided by BC Assessment.
- Regional District Taxes: These taxes support the services provided by the Cariboo Regional District.
- General Municipal Taxes: These are used to fund various municipal services provided by the District of Wells, which include:
 - Administration
 - Maintenance and electrical for municipal buildings

- Emergency services
- Public works labour, supplies and equipment
- Economic and community development
- Hospital Taxes: These taxes contribute to the funding of local hospital services.
- MFA (Municipal Finance Authority) Taxes: This is a small fee associated with the Municipal Finance Authority.
- Policing Cost Recovery Tax: This tax helps cover the costs of local policing service.
- Rural Refuse: This fee is for rural refuse collection services.

Additionally, there are local services taxes which include:

- Garbage Parcel Tax: This tax is for garbage collection services.
- Sewer Parcel Tax: This tax funds sewer services.
- Water Parcel Tax: This tax is for water supply services.
- Garbage - Single Family Dwelling: This fee is specifically for garbage collection for single-family dwellings.
- Sewer - Single Family Dwelling: This fee is for sewer services for single-family dwelling.
- Water - Single Family Dwelling: This fee is for water supply services for single-family dwellings.

2.4 CURRENT TAX LEVELS

Current tax levels are noted in the table below.

Category	Rate
School - res	2.2997
BC Assessment - res	0.0347
Regional District - res	0.5738
General - res	2.2210
Hospital - res	0.7405
MFA - res	0.0002
Policing Cost Recovery Tax - res	0.3352
Rural Refuse - res	0.3486
Garbage Parcel Tax	\$20.00
Sewer Parcel Tax	\$210.00

Category	Rate
Water Parcel Tax	\$244.00
Garbage - Single family dwelling	\$40.00
Sewer - Single family dwelling	\$166.50
Water - Single family dwelling	\$175.50

2.5 REGIONAL DISTRICT SERVICES AND CONTEXT

- This section will provide an overview of authority and services provided by the Regional District, and a high-level analysis of associated costs based on the RD's financial statements

3.0 MINING AND COMMUNITY GROWTH CONTEXT

3.1 OVERVIEW OF MINING ACTIVITY AND GROWTH CONTEXT

- Summary of current and proposed mining in and around Wells (both inside and outside of municipal boundary)
- Overview of related growth context and housing/infrastructure needs (link to OCP, discuss current population and growth context)

3.2 BC MINING TAXATION OVERVIEW

This section will provide an overview of BC's mining taxation context, considering the following:

- Ministry of Energy and Mines
- BC Rural Tax
- Land and resource rights: distinction between above-ground versus below-ground rights
- Overview of how mines are taxed
 - Mineral tax, levied by Province: <https://www2.gov.bc.ca/gov/content/taxes/natural-resource-taxes/mining/mineral-tax/coal-other-mines#tax-rate>
 - Note considerations for resource benefit agreements (local governments) and revenue sharing agreements (First Nations)
 - Contaminated site taxation considerations (based on engagement with BC Assessment and Province)

3.3 PEER COMMUNITY TAX COMPARISONS

COMPARABLE COMMUNITIES

Logan Lake does not appear to have any special agreements with the Highland Valley Copper mine. However, Class 4 property taxes constitute a significant portion (70%) of their tax revenue. The Elk Valley agreement does not utilize any new revenue generation tools; it essentially standardizes the tax rates across Elkford, Sparwood, Fernie, and RDEK for consistency, and shares property tax revenues based on predetermined percentages. Notably, the agreement includes a provision suggesting that if a new mine opens in the region, the closest municipality should apply for a boundary extension to capture the tax revenue. This approach may offer valuable insights for future considerations. Further investigation into similar occurrences could be beneficial.

Without provincial negotiations, as seen with the Peace River Agreement or the Northwest RBA, Class 4 property taxes based on BC assessment values remain the primary tool available for municipalities to generate revenue from mines.

The Highland Valley Copper Mine in Logan Lake has an assessed value of approximately \$98 million, with less than \$1 million attributed to the land and the remainder to improvements. It is anticipated that the assessment for the Barkerville mine in Wells will be comparable once construction is completed.

COMPARABLE COMMUNITY TAX RATES

As highlighted below, the District of Wells did not apportion any taxes to the Major Industry property classification in 2023. Nearly 3 quarters of Logan Lake's and Kitimat's municipal budget's rely on major industry.

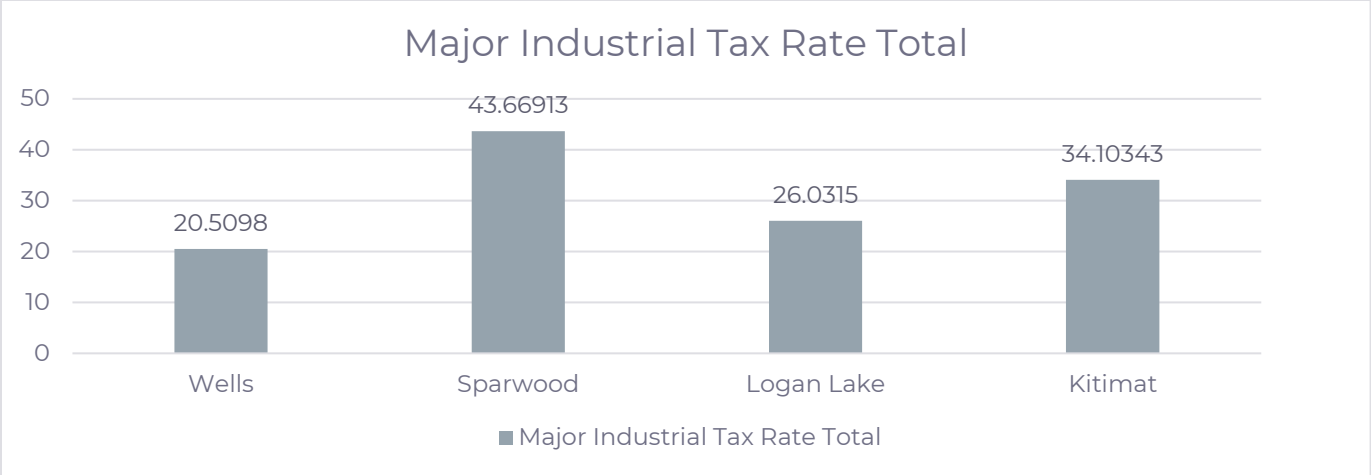
2023 Municipal Tax Apportionment. Source: gov.bc.ca

	District of Wells	Sparwood	Logan Lake	Kitimat
Residential Class 1	61.9%	25.3%	20.3%	15.90%
Utilities Class 2	3.5%	15.5%	7.5%	0.18%
Supportive Housing Class 3	0.0%	0.0%	0.0%	0.00%
Major Industry Class 4	0.0%	45.8%	70.0%	73.79%
Light Industry Class 5	0.9%	0.3%	0.0%	1.11%
Business Class 6	33.3%	12.6%	2.3%	8.95%
Managed Forest Land class 7	0.0%	0.5%	0.0%	0.00%
Recreation Non Profit Class 8	0.5%	0.0%	0.0%	0.06%
Farm Class 9	0.0%	0.0%	0.0%	0.00%

While 0% of the 2023 District of Wells' municipal budget is from the Major Industrial property class, they do have a tax rate of set for Major Industrial properties. Compared to Sparwood, Logan Lake and Kitimat the District of Wells' tax rate for Major Industrial properties is the lowest, at 20.50980.

Tax Rate Comparison

	Purpose of Tax Rate	Residential	Utilities	Supportive Housing	Major Industry	Light Industry	Business	Managed Forest Land	Recreation Non-Profit	Farm
Wells	Municipal	2.39075	23.60872	3.45379	12.00000	10.85402	9.44348	3.45379	2.39075	2.39075
	Reg'l District	0.89740	5.27888	0.89740	3.08469	3.43348	2.70168	0.89740	0.89740	0.89740
	Hospital	0.73732	2.58064	0.57101	2.50691	2.50691	1.80645	0.57101	0.73732	0.73732
	School	2.32920	12.57000	0.10000	1.33000	3.33000	3.33000	1.95000	1.99000	7.29000
	Other	0.36690	1.62150	0.10020	1.58820	1.22960	0.91300	1.23790	0.36690	0.36690
	Totals	6.72157	45.65974	5.12240	20.50980	21.35401	18.19461	8.11010	6.38237	11.68237
Sparwood	Municipal	3.21400	39.29580	4.06310	37.85613	15.27880	9.22790	11.83740	2.41050	3.21400
	Reg'l District	0.63415	2.21950	0.71408	2.15610	2.15610	1.55360	1.90240	0.63415	0.63415
	Hospital	0.31024	1.08580	0.31961	1.05480	1.05480	0.76010	0.93070	0.31024	0.31024
	School	1.59210	12.57000	0.10000	1.33000	3.33000	3.33000	1.95000	1.99000	7.29000
	Other	0.27390	1.29620	0.10020	1.27210	0.91350	0.68520	0.95900	0.27390	0.27390
	Totals	6.02439	56.46730	5.29699	43.66913	22.73320	15.55680	17.57950	5.61879	11.72229
Logan Lake	Municipal	1.73460	40.00000	1.73460	20.40210	6.57410	5.45310	1.73460	1.73460	4.02430
	Reg'l District	0.59770	2.09190	0.59770	2.03210	2.03210	1.46430	1.79310	0.59770	0.59770
	Hospital	0.29930	1.04750	0.29930	1.01760	1.01760	0.73320	0.89790	0.29930	0.29930
	School	1.42580	12.57000	0.10000	1.33000	3.33000	3.33000	1.95000	1.99000	7.29000
	Other	0.26730	1.27300	0.10020	1.24970	0.89110	0.66900	0.93920	0.26730	0.26730
	Totals	4.32470	56.98240	2.83180	26.03150	13.84490	11.64960	7.31480	4.88890	12.47860
Kitimat	Municipal	0.00000	31.47321	0.00000	29.65109	19.96955	10.97229	0.00000	21.08107	0.00000
	Reg'l District	0.06549	0.59701	0.00000	0.56245	0.37880	0.20813	0.00000	0.39989	0.00000
	Hospital	0.50452	1.76582	0.00000	1.71537	1.71537	1.23607	0.00000	0.50452	0.00000
	School	1.97110	12.57000	0.10000	1.33000	3.33000	3.33000	1.95000	1.99000	7.29000
	Other	0.14816	0.85596	0.00020	0.84452	0.48592	0.37708	0.23860	0.14816	0.03380
	Totals	2.68927	47.26200	0.10020	34.10343	25.87964	16.12357	2.18860	24.12364	7.32380



Major Industrial Tax Rate Total

- This section will further recommend updates to Wells Tax Ratios if applicable

4.0 GROWTH AREAS WITHIN THE MUNICIPAL BOUNDARY

4.1 LAND USE DEMAND & SUPPLY

RESIDENTIAL

- Outline residential growth needs from OCP
- Outline areas identified for residential growth through the OCP

INDUSTRIAL / COMMERCIAL

- Outline ICI growth needs from OCP
- Outline areas identified for ICI growth through the OCP

4.2 SERVICING

- For the growth areas identified above; what servicing is currently available, and what would be needed to service growth?

4.3 FINANCIAL FEASIBILITY

- High level assessment of current costs/parcel for services and infrastructure; extrapolate to growth areas identified above (capital costs required to open up new growth areas may not be available, but will be acknowledged/referenced)
- High level assessment of revenue potential using average current land values in the District and existing user fees & charges

5.0 MUNICIPAL BOUNDARY EXTENSION POTENTIAL & IMPACTS

5.1 BOUNDARY EXTENSION OPTIONS

- Mine area outside boundary
- Barkerville
- Industrial growth potential
- Troll Ski Resort

5.2 BOUNDARY EXTENSION OPTION 1

- Land Use
- Servicing
- Financial

5.3 BOUNDARY EXTENSION OPTION 2

- Land Use
- Servicing
- Financial

5.4 BOUNDARY EXTENSION OPTION 3

- Land Use
- Servicing
- Financial

5.5 POTENTIAL REGIONAL DISTRICT CONSIDERATIONS

- Impacts to Regional District Services and Revenue

6.0 KEY RECOMMENDATIONS AND NEXT STEPS

- This section will provide recommendations in accordance with the Municipal Boundary Extension Process Guide (2010). This will include some details on known deliverables that can accompany the submission.

APPENDIX A:
INFORMATION REQUEST



APPENDIX A: INFORMATION REQUEST

Cariboo Regional District

Item	Source	Status	Comments
GIS mapping files for the District of Wells	CRD GIS		Legal with PIDs, utility ROW, current OCP and zoning, ALR, anything on mining projects
GIS mapping files for surrounding CRD Electoral Area C	CRD GIS		Legal with PIDs, utility ROW, current OCP and zoning, ALR, service areas if available, anything on mining projects
2024 BC Assessment Roll – Wells	CRD GIS/Finance	Provide email template to Jerry to send to BC assessment	For now will only have access to completed 2024 data: Key Dates. Include actual values, exempt values, net taxable values, etc. Include property codes/classes and actual use codes.
2024 BC Assessment Roll – CRD Electoral Area C	CRD GIS/Finance		Info is used by Province for rural area taxation but is provided to CRD for reference. Include actual values, exempt values, net taxable values, etc. Include property codes/classes and actual use codes.
CRD Detailed Financial Plan	Budget and Finances - Cariboo Regional District		Check if online or make request to staff – want detailed financial plan and can use 2024-2028 as base but should also refer to 2025-2029 when available
CRD Requisitions	Tax Requisition Template for Bylaw Schedules - Dec 21, 2023.xlsx (need final 2024 version if this isn't it)		Get 2025 when available
Tax Rates for CRD Electoral Area C & Sample Tax Notice	Property taxes in rural areas - Province of British Columbia	Received (online)	XLS file of 2024 rural area tax rates is saved in Z folder now. Web link also allows us to do a tax roll search and identify applicable taxes for any PID or folio number in the electoral area. Go to “Do a tax roll search”

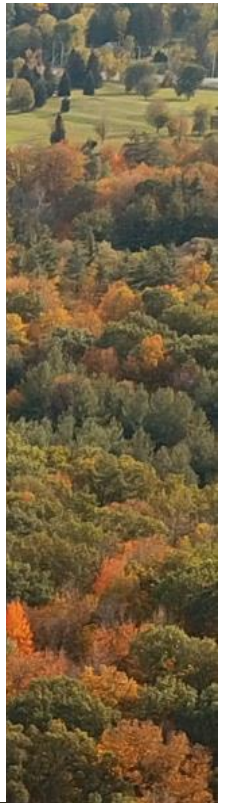
District of Wells

Item	Source	Status	Comments
Status of relevant mining projects and potential future assessment associated with mining projects	District	From Jerry: There are no active mines within the District at this time to the best of our knowledge. A few Placer operations with no permanent structures are just outside Municipal boundaries. <i>Note: will need more detail on this, possibly from CRD?</i>	General information on smaller mining operations ongoing within the municipal boundary
Wells Financial Plan	District	Received	2022 audited financial statements and 2024 budgets. 2025 budget anticipated to be available in March/April 2025.
Wells Tax Rate Bylaw & User Fees	District	Requested	For purpose of comparing tax ratios to peer municipalities
Sample Wells Tax Notice	District	Received	To verify applicable taxes
Items highlighted by Mayor Coleman: <ul style="list-style-type: none"> 2024 Economic Development Plan DOW Concise Business 	District	Received	Economic Development plan by Clearcourse Consulting, DOW Concise Business Plan provides a list of projects.
Other?	District		Jerry to provide if any others come up as information is provided to Urban team.

Province/Other

Item	Source	Status	Comments
Current MOTT road maintenance costs	MOTT		<p>Local government structure staff at Municipal Affairs may be able to assist. Will just be relevant for any local roads in study area(s).</p> <p>Note that provincially number Highway 26 is likely remain a provincial responsibility throughout. Reduction Road was noted as potential road that would require a service agreement of some kind.</p>
Current rural area policing costs and background	Province Justice staff and/or District of Wells RCMP detachment		Will be variable based on study area. May be close to negligible if study area is small and just includes mining resources. Could start with a discussion with Wells RCMP detachment.

APPENDIX B:
ILLUSTRATIVE PROPERTY TAX
EXAMPLES



APPENDIX B: ILLUSTRATIVE PROPERTY TAX EXAMPLES

Illustrative Example: Logan Lake – Highland Valley Copper Mine

The Highland Valey Copper mine is within the Logan Lake municipal boundary (below). The described parcels only include those with building improvements; this list is not exhaustive. Several other parcels associated with the mine do not list building improvements and have been excluded from the example as a municipality cannot tax Crown land. The following example is intended to illustrate the relative magnitude of tax implications to the District.

Table 1 Highland Valley Copper Tax Illustration

Highland Valley Copper	1531 HIGHWAY 3 PRINCETON	Princeton	Total Assessed Value	Illustrative Logan Lake Industrial Taxes Mill Rate (26.03150 Class 4: 2023)
Total Value 2023 (as of July 1, 2022)	\$684,100	\$3,167,800		
Land	\$19,1000	\$151,400	\$342,400	\$0
Buildings	\$665,000	\$3,016,400	\$3,681,400	\$95,832.36
Total Value 2022	\$658,100	\$3,050,100		
Land	\$19,100	\$151,400	\$170,500	\$0
Buildings	\$639,000	\$2,898,700	\$3,537,700	\$92,091.64



Illustrative Example: Elkford - Teck Coal

Teck Coal is within Elkford's municipal boundary. The District has a tax-sharing agreement with neighbouring Sparwood and Fernie, which means the total taxes are split between the three communities. However, Elkford can still apply a higher mill rate for Major Industry heavy Industrial (the mine) than other types of major industrial operators in the District. The described parcel is only one of several parcels that make up the mine area. The following example is intended to illustrate the relative magnitude of tax implications to the District.

- Major Industry Rate Total (per \$1,000 taxable value) – **24.48268**
- Major Industry General Levy (per Elk Valley Property Tax Sharing Agreement) – **37.85613**

Table 2 Teck Coal Tax Illustration

Teck Coal	2637 FORDING HIGHWAY ELKFORD	Illustrative Elkford Industrial Taxes Mill Rate (37.85613, per Elk Valley Property Tax Sharing Agreement Class 4: 2023)
Total Value 2023 (as of July 1, 2022)	\$51,110,000	
Land	\$3,757,000	\$0
Buildings	\$47,353,000	\$1,792,601.32
Total Value 2022	\$49,342,100	
Land	\$2,293,100	\$0
Buildings	\$47,049,000	\$1,781,093.06



Elk Valley Property Tax Sharing Agreement

The District of Elkford is also a signatory of the Elk Valley Property Tax Sharing Agreement, which lays out how municipal taxes are shared in the Elk Valley between the District of Elkford, the District of Sparwood, the City of Fernie and the Regional District of East Kootenay. The agreement was negotiated between the mine, municipalities and the Province and has been revisited periodically to ensure that the distribution of funds is fair. The agreement also establishes common taxation rates and formulas for distribution.

Osisko development corp. Cariboo Gold Project

- The Cariboo Gold project received its Environmental Assessment Certificate in October 2023.

2023 BC Assessment

The following table outlines the valuation of the above-noted properties per the 2023 B.C. Assessment and applies current mill rates from Wells, Logan Lake and Elkford to illustrate the difference in the tax amount that could potentially be collected on buildings in the mine area. It is important to remember that the District is unable to collect taxes on Crown lands, only buildings and improvements.

Table 3 Cariboo Gold Project assessment 2023

Oisisko Example	Lowhee Rd Wells	Illustrative Wells Industrial Taxes Mill Rate (20.5098 per \$1,000 taxable value)	Taxes at Logan Lake's Rate 26.0315	Taxes at Elkford's Major Industry Rate 37.85613
Total Value 2023 (as of July 1, 2022)	\$447,900			
Land	\$47,900	\$0	\$0	\$0
Buildings	\$400,000	\$8,203.92	\$10,412.60	\$15,142.45
Total Value 2022	\$474,700			
Land	\$47,700	\$0	\$0	\$0
Buildings	\$427,000	\$8,758	\$10,413	\$15,142

Illustrative Example Future Development

The Feasibility Study for the Cariboo Gold Project released in January 2023 lists the anticipated capital costs for the project (Section 1.12.1). It is possible to use these numbers to calculate the potential value of improvements to the mine area that may be taxable by the District, recognizing that the District cannot apply taxes to provincially held crown land, only improvements. The table below lists the surface improvements that may be eligible for taxation by the District and applies its current mill rate and the current rates from comparative communities.

Table 4 Cariboo Gold Project Illustration - Future Improvements

Oisisko Example	Anticipated Capital Costs From Jan 2023 Technical Feasibility Study	Illustrative Wells Industrial Taxes 20.5098	Taxes at Logan Lake's Industrial Rate 26.0315	Taxes at Elkford's Major Industry Rate 37.85613
Surface Infrastructure	\$37,500,000	\$769,117.50	\$976,181.25	\$1,419,604.88
Processing Plant - Wells	\$124,100,000	\$2,545,266	\$3,230,509	\$4,697,946
Total	\$161,600,000	\$3,314,383.68	\$4,206,690.40	\$6,117,550.61

If the District were to tax improvements made to land, only the potential tax amount could be significant, even under the District's current mill rate. However, if the District were to increase its mill rate to be more in line with other communities, it would potentially garner an even greater tax amount.



APPENDIX C:
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SUBHEADING

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