



A Guide to Establishing Additional Service Areas in Rural Municipalities

February 2014

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Introduction

Effective January 1, 2014, councils of rural municipalities (RMs) will have a new way to fund the delivery of services in specific areas that require additional or different servicing from the rest of the RM, through the establishment of Additional Service Areas (ASAs).

ASAs are specially designated areas within an RM's boundaries that require different or separate services from the remainder of the RM. These additional services may be financed through a separate levy or fee schedule that applies only within the designated area. The formation of an ASA enables an RM to use different tax tools and mill rates within the designated area, ensuring that those benefitting from the additional services offered within its boundaries are also those bearing their costs.

Previously, RMs could establish what were known as special service areas (SSAs) only during periods of municipal restructuring; however, these are different from ASAs in one important respect (see below). The legislation now enables RMs to establish ASAs at any time council considers it appropriate to do so for specific areas in order to provide additional services, above the normal services the specified area(s) currently receives.

This authority was requested by the Saskatchewan Association of Rural Municipalities (SARM) in 2009, and positions RMs to respond to recent trends in population and prosperity in the province. The 2011 census showed that Saskatchewan's population grew almost seven per cent over the previous five years, with notable growth occurring in resort communities and rural areas that are within commuting distance of larger urban centres. Saskatchewan residents are enjoying increased prosperity and the lifestyle choices that often accompany this success.

As a result, the province has seen increased rural multi-lot acreage developments and other urban-like developments within the boundaries of RMs, which may require or request separate or different services from their surrounding municipalities.

Purpose of this Guide

This guide is intended to serve as a handbook for councils and residents who wish to establish ASAs in their RMs. In addition to outlining the intent and history of the legislative changes allowing the establishment of ASAs, the guide answers practical questions related to their administration and financing. It sets out the legislated parameters of creating ASAs, and provides examples to help inform councils and administrators of what ASAs can and cannot be used for, as well as outlining the steps involved in establishing an ASA.

Background

In recent years, RMs have expressed a desire to establish ASAs in unincorporated communities at times other than during municipal restructuring. Under *The Rural Municipalities Act, 1989*, subsection 172.1(1), RMs had the authority to establish what were known as municipal service areas (MSAs). MSAs were similar in design and purpose to ASAs, and were established through bylaw.

Under *The Municipalities Act* (MA), RMs could establish SSAs by ministerial order, but this ability was limited to periods of municipal restructuring in order to accommodate the different needs and services of the former municipalities undergoing those transformations. Taxes levied in the SSA are collected and deposited in a specific account, separate from the RM's general revenue account and are used exclusively to fund expenditures within the SSA. The RM is responsible for recording the revenues and expenses separately on the financial statement.

In 2009, SARM passed a resolution at its mid-term convention to request the then Minister of Municipal Affairs grant the authority to establish SSAs at any time.

Following extensive stakeholder consultation, the ministry developed a report in April 2011 recommending legislative amendments to the MA that would enable RMs to establish ASAs. These amendments were introduced in fall 2012, and passed the following spring. The amendments came into force January 1, 2014, to coincide with the start of the property tax year.

What are the benefits to Rural Municipalities of establishing ASAs?

With the recent rise in population and prosperity in Saskatchewan, land developers continue to purchase large parcels of land to create residential subdivisions within RMs. These urban-like areas often require or request services, such as street lights, water, waste collection and roads, that are not necessarily relevant to rural ratepayers in the surrounding RM.

Through the establishment of ASAs, council has the authority to use the appropriate tax tools to finance these services without imposing a financial burden on the rest of the RM's population. This benefits both those residing within the ASA and those who live outside of it. The legislative changes allow RMs to retain their autonomy by granting the authority to establish ASAs at any time through bylaw.

The ASA model and concept provides RM councils with a sustainable method to deal with growth and development challenges and opportunities since the services provided in the ASA would no longer be funded through the RM's general tax revenue.

Consider the following example. A country residential subdivision that exists in an RM has requested the RM council to provide dust control on the roads within the country residential subdivision, as well as provide garbage pick-up for country residential residents. While council recognizes the benefits of accommodating these requests, it is reluctant to impose higher taxes on all of its residents in order to do so. Council is now able to provide these additional services by establishing an ASA to accommodate the additional services requested by setting an additional mill rate or fee within the area, and allowing residents to finance the expenses related to dust control and garbage pick-up, without burdening residents of the RM who do not live in the country residential subdivision.

In another example, an ASA could provide a solution for an organized hamlet (OH) that has experienced decline and, as a result, has become inactive. Previously, the RM council may have been reluctant to dissolve the inactive OH over concerns that it would not be able to continue providing the different or additional services within that community without imposing a cost on the surrounding RM's residents. By reforming the OH into an ASA, council is able to continue financing those additional or different services through an additional tax or fee that only applies to the former OH's residents.

How are ASAs different from SSAs?

While ASAs are similar to SSAs in many respects, they also differ in important ways, notably in terms of financial management. The taxes levied within an SSA were allocated towards all expenditures within the designated area. In other words, the total amount of tax collected within the SSA is spent within the SSA. ASAs are managed differently in that only the additional taxes collected within the designated area are allocated towards the specific service or purpose detailed in the establishing bylaw. Basic services that are provided to all ratepayers within the RM continue to be financed through general revenues.

What are ASAs? What are they not?

ASAs are defined in clause 2(1)(a) of the MA as geographic areas within RMs that require different services or different levels of services from those that are provided in the rest of the RM. Under the MA, ASAs can be taxed at a different rate than the surrounding RM to finance the additional or different services with which they are provided.

Specifically, clause 2(1)(a) states:

*2(1)(a) ‘**additional service area**’ means a geographical area within a rural municipality that includes a residential or other land use requiring services or levels of services that are different from the services or levels of services provided in areas of the rural municipality that are not additional service areas;*

It is important to note that ASAs pertain to geographic areas rather than specific types of industries or properties. The MA sets out the purpose of ASAs in clauses 48.1(1) (a) and (b). Council shall not establish an ASA that is specific to an individual residential, commercial, industrial or agricultural property, nor individual businesses or types of businesses.

Clauses 48.1(1) (a) and (b) state:

48.1(1) Subject to subsections (2) to (7), the council of a rural municipality may, by bylaw, establish one or more additional service areas for all or any of the following purposes:

(a) to provide to the additional service area services or levels of services that are different from the services or levels of services provided in areas of the rural municipality that are not additional service areas;

(b) to provide for the ongoing operation and maintenance of services and infrastructure in the additional service area that were originally funded pursuant to The Planning and Development Act, 2007 by means of development levies and servicing agreements.

How are ASAs created?

Provisions for the establishment of ASAs are set out in the MA. An ASA is created through bylaw, whereas an SSA is established through the ministerial order that also provides for the municipal

restructuring. Establishing ASAs through bylaw rather than ministerial order allows councils to respond more quickly to changes in their RMs.

Councils who wish to establish an ASA must provide public notice in accordance with their existing public notice policy, as required by section 128 of the MA. This section requires council to provide at least seven days' notice before the council meeting where the proposed bylaw will be discussed. A longer notice period may be specified in a council's public notice policy. Section 128 allows councils to decide the most appropriate methods of giving public notice, and may require a council to amend its public notice policy to include ASA public notice matters.

Prior to passing an ASA bylaw, the MA also requires council to hold a public meeting or meetings to provide ratepayers with the opportunity to give feedback. A minimum of one public meeting must be held, but its timing is at the discretion of council. In some cases, council may wish to hold a public meeting both prior to drafting the bylaw, in order to receive input from ratepayers, as well as afterwards, in order to receive their feedback.

How are ASAs administered?

ASAs are established by bylaw of the RM. The ASA is bound by all the general bylaws and resolutions adopted by the RM. A bylaw establishing an ASA pertains only to the area described in that bylaw.

Accountability and self-sustainability is ensured through financial transparency with regard to the funds collected from an ASA's residents. Revenues and expenditures related to the ASA must be tracked through ASA accounts, separately from the rest of the RM. An annual financial statement for the ASA is required to be prepared and presented to council (See Appendix A).

How are ASAs funded?

The MA provides council with three financing options to cover the cost of additional services and associated infrastructure within the ASA. Council can decide which option, or combination of options, best suits the needs of the RM and residents within the ASA to cover the costs of the additional or increased services or infrastructure. The three options are:

1. Levy a mill rate that is in addition to the mill rate in the rest of the RM. In this case, the tax exemptions noted in sections 292 and 293 of the MA do not apply to the additional levy but do for the RM mill rate. All properties within the ASA are subject to the additional levy.
2. Set a schedule of fees to ratepayers of the ASA. The tax exemptions in sections 292 and 293 continue to apply to the RM mill rate but not to the fees.
3. Designate a percentage of the property tax levy collected from within the ASA to cover the cost of additional or increased services or infrastructure. No additional charges or levies are incurred in this case, and the tax exemptions in sections 292 and 293 continue to apply.

What steps are required to establish ASAs?

ASAs are established through a bylaw of the RM. In order to set-up an ASA, council should undertake the following actions:

Checklist

Provide Public Notice

1. Provide public notice.

In accordance with section 128 of the MA, council must provide public notice that it is considering a bylaw to establish an ASA, based on its public notice policy. (See section “How are ASAs created?”)



Create Strategic Plan

2. Create a Strategic Plan.

Council may wish to develop a strategic plan and/or pass a resolution with regard to the establishment of the ASA, in order to generate ratepayer support.



Call a Public Meeting

3. Call a public meeting.

Council must call a public meeting to hear any concerns or support for the proposed bylaw. The public meeting should present ratepayers with the complete picture of the proposed ASA, including its boundaries, method of taxation, budget and proposed services.

It is important to note **that council may call a public meeting or meetings at any time** prior to the passing of an ASA bylaw. (See section above “How are ASAs created?”)



Define the Boundaries

4. Define the boundaries.

ASAs are based on geographic areas, rather than types of residences or industries, so defining the boundaries is a crucial step. Ensure the boundary includes all of the properties receiving the provided services in order to provide the financial base to support the cost of those services. Avoid creating a situation where non-contributing properties receive these services.



Define the Services

5. Define the services.

Council should clearly define which incremental services will be provided within the ASA, and the costs associated with them. If infrastructure has already been installed by a developer, council should enter into a written service agreement, including terms and conditions, with the developer to outline how the RM is to operate and maintain the services. In some cases, council will need to identify ongoing maintenance costs or construction of additional services.



Assess Costs and Prepare Budget



Prepare the Bylaw



Adoption



Notification



Financial Reporting

Checklist

6. Assess costs and prepare a budget.

Preliminary costs will be determined based on the additional or different services required within the ASA. The intent of the ASA is to allow these services to be self-sustaining. The rate of taxation must reflect the cost of the services that are to be provided and are set out in the establishing bylaw.

In RMs that choose to levy an additional mill rate in the ASA, the exemptions noted in sections 292 and 293 of the MA do not apply to the additional rate and these properties will be subject to the additional levy. In RMs that finance their ASAs using a schedule of fees or percentage of property tax collected, these exemptions continue to apply to the RM mill rate but not to the fees. Note that any debt incurred through the provision of services or infrastructure within the ASA will be included in the total debt limit of the municipality.

7. Prepare the bylaw.

Council will prepare the bylaw to establish the ASA in accordance with the MA and give the bylaw the first two readings.

8. Adoption.

After it is given third reading, the proposed bylaw will be adopted, signed and will come into force.

9. Notification.

A certified copy of the bylaw must be provided to the Minister of Government Relations within 30 days of its passing for information. Bylaws should be sent to the Advisory Services and Municipal Relations Branch. While the bylaw is not subject to Ministerial approval, the Ministry will be monitoring the creation of ASAs.

10. Financial Reporting.

Council must ensure that revenues collected within an ASA reflect the cost of the additional or different services provided to ratepayers within the specially designated area. Revenues and expenditures must be tracked through **an account that is separate from that of the rest of the RM.**

An annual financial statement for the ASA, reflecting the additional revenues and expenditures that are collected and expended within the boundaries of the ASA, must be prepared and submitted to council. The financial statements will ensure financial accountability and demonstrate that the additional or different services provided within the ASA are self-sustaining. **See Appendix A for a sample financial statement.**

Once the ASA is established, what ongoing actions must council take?

As noted above in step 10, the RM must prepare an annual financial statement for the ASA and submit it to council. This statement must demonstrate that the funds collected from within the ASA, beyond those that are collected from every ratepayer in the RM, have been separately accounted for, and that any expenditure from those funds was spent within the ASA.

The MA, in subsection 111(n), (o) and (p), sets out the requirements for financial management with regard to an ASA:

“(n) all revenues collected from an additional service area pursuant to subsection 283(2.01) are allocated to an additional service area account;

“(o) moneys paid on behalf of an additional service area are paid from an additional service area account for all expenditures authorized by council; and

“(p) an annual financial statement for the revenues and expenditures of an additional service area is presented to council”.

What actions must council take to dissolve or alter an ASA?

Should council wish to amend, alter or discontinue the ASA, steps 5, 6, 7, 8, and 9 should be followed. If an ASA is dissolved, the funds remaining in its account must be spent to benefit the residents in the former ASA. The remaining funds may be deposited into a reserve account for future infrastructure expenses in the ASA.

Frequently Asked Questions

- 1. Can ASAs be established to tax certain industries at a higher rate to generate increased revenue for the RM?*

ASAs can only be established based on additional or different services required in a specific area, which can include infrastructure, such as roads and sewers, or services such as snow removal or community recreation. Legislation provides the authority to establish regulations surrounding dwelling requirements, the type or level of services to be provided, or the prohibition of certain property types, such as oil or gas wells.

- 2. Will the increased or different services provided within an ASA place a financial burden on residents living outside of its boundaries?*

In fact, the opposite of this statement is true. The ASA would be expected to generate enough revenue through taxation and fees to support the additional services provided within it. Tracking revenues and expenses for an ASA separately from the surrounding RM will ensure that it is self-sustaining.

3. *Will some landowners within the ASA be able to avoid paying the additional taxes levied within its boundaries?*

No. The exemptions noted in sections 292 and 293 of the MA, including the rural dwelling exemption, do not apply to the additional mill rate levied for an additional service or level of service provided within an ASA.

If the ASA is financed by setting a schedule of fees to ratepayers in the ASA, all properties within the ASA will be subject to the established fees. Legislation does not provide statutory exemptions from service fees.

If the ASA is financed by designating a percentage of the property tax levy collected from within the ASA to cover the cost of additional or increased services or infrastructure, the municipality does not impose any additional taxes. The exemptions in sections 292 and 293 continue to apply.

4. *Will ratepayers within the ASA be subject to the same bylaws and resolutions as others within the RM?*

General RM bylaws apply to residents of the ASA exactly as they do the remainder of the population in the RM. A bylaw establishing an ASA pertains only to the area described in the bylaw.

Example

(*Note that this example is taken from an RM in Manitoba, and so is bound by legislation that is specific to that province, and may contain provisions that are different from Saskatchewan. It is intended for information purposes only).

The RM of Langford, Manitoba, has proposed a special services bylaw to address dust control in two specific areas of the RM. The draft bylaw lays out the area to be designated as the special services area and the rate at which residents will be taxed to cover the costs of dust control measures. See Appendix C for full bylaw.

http://www.langford.ca/assets/downloads/by_law_05_13.pdf

APPENDIX A – Statement of Revenue and Expenditures

EXAMPLE

Statement of Revenue and Expenditures

Additional Service Area within RM

Revenue	Budget	Actual
Taxes/Fees Collected (amount collected for the Additional Services provided within the ASA only) ¹	\$7,000	\$7,940.20
Grants ²	\$1,450	\$1,450.00
Total	\$8,450	\$9,390.20
Expenditures³		
Transportation Services		
dust control	\$3,500.	\$3,100.00
Snow removal	\$4,800.	\$5024.34
Total	\$8,300.00	\$8,124.34
Estimated Operating Surplus (Deficit)	\$150.	\$1265.86
Add: Surplus (Deficit) as of January 1	\$0	\$0
Reserves (Accumulated Surplus) as of December 31	\$150.00	\$1,265.86⁴

¹ The amount levied by the RM to offset the expenditures for the additional service or addition level of services provided in the ASA only. This amount does not include the annual property taxes levied on the properties within the ASA.

² This would only be included if the RM received grant money to be used specifically to fund the additional service or additional level of services within the ASA.

³ The expenses incurred by the RM for providing the additional service or additional level of service, over and above the services provided normally by the RM. For example, if the RM normally provides snow removal for an area twice per year, and the residents request that snow removal be increased to three times per year, only the expenses incurred for providing snow removal one extra time would be included.

⁴ In accordance with section 315.1, the municipality shall give public notice to the ratepayers of the ASA as to how intends to use any excess revenue in the following year or if the excess revenue is to be deposited in to a reserve account for future infrastructure expenditures in the ASA.

APPENDIX B – Contact Information

For further information, contact:

Ministry of Government Relations

Municipal Relations

Website: <http://municipal.gov.sk.ca/>

Regina Office:

1010-1855 Victoria Avenue

REGINA, Saskatchewan S4P 3V7

Phone: 306-787-2680

APPENDIX C – Manitoba RM Langford ASA Bylaw

RURAL MUNICIPALITY OF LANGFORD BY-LAW NO. 05/13

BEING A BY-LAW OF THE RURAL MUNICIPALITY OF LANGFORD TO ESTABLISH A RATE FOR DUST CONTROL IN TWO SPECIAL SERVICE AREAS, AS A SPECIAL SERVICE, FOR THE YEARS 2014 TO 2016.

WHEREAS Subsection 312 of The Municipal Act, S.M. 1996, c. 58 – Cap.M225 states in part as follows:

312If approved by by-law, a municipality may provide, as a special service to all or part of a municipality, one or more of the following:

(b)snow removal and dust control; AND

WHEREAS:

WHEREAS Subsection 320 of The Municipal Act, S.M. 1996, c. 58 – Cap.M225 states in part as follows:

320(1) Subject to subsections (2) to (6) and subsection 321(4), a council may by by-law

(a) approve the local improvement or special services as set out in the plan or proposal; and

(b) authorize the municipality to impose taxes as set out in the plan or proposal.

316(1)Local improvement taxes or special services taxes must be calculated on the basis of one or more of the following:

(f)an amount for each parcel of land.

AND WHEREAS the Council of the Rural Municipality of Langford has prepared Special Service Plan No. 01/13 to establish a rate for dust control - the application of calcium on the municipal road called Centennial Drive, Special Service Area 1, and Road 89 West from PTH Highway 16 continuing for 1 km south, Special Service Area 2 as a special service pursuant to Part 10 of The Municipal Act;

AND WHEREAS the requirements as prescribed in Section 318, 319 and 320 of The Municipal Act have been complied with;

NOW THEREFORE, the Council of the Rural Municipality of Langford in session duly assembled enacts the following:

1. THAT pursuant to subsection 320(1) of The Municipal Act, the Rural Municipality of

Langford approves Special Service Plan No. 01/13 attached hereto as Schedule “A”.
 2. THAT the Rural Municipality of Langford levy an annual special service tax upon all rateable properties within Special Service Area No. 1 and 2 within the municipality as hereby attached in Schedule “B”

DONE AND PASSED by the Council of the Rural Municipality of Langford,

in Council duly assembled in the Town of Neepawa, in Manitoba, this day of , A.D. 2014.

REEVE

CHIEF ADMINISTRATIVE OFFICER

Given first reading this day of , 2013

Given second reading this day of ,2014

Given third reading this day of , 2014

BY-LAW NO. 05/13 of the Rural Municipality of Langford

SCHEDULE “B”

Special Service Area 1

Property Roll			SPECIAL SERVICE TAX	SPECIAL SERVICE TAX	SPECIAL SERVICE TAX
Number	House Number	Street	2014	2015	2016
8355000059		Centennial Drive	109.34	109.34	112.62
8360000065		Centennial Drive	109.34	109.34	112.62
8370000069		Centennial Drive	109.34	109.34	112.62
8380000075		Centennial Drive	109.34	109.34	112.62
8400000081		Centennial Drive	109.34	109.34	112.62
8410000085		Centennial Drive	109.34	109.34	112.62
8420000089		Centennial Drive	109.34	109.34	112.62
8430000097		Centennial Drive	109.34	109.34	112.62
8440000101		Centennial Drive	109.34	109.34	112.62
8450000105		Centennial Drive	109.34	109.34	112.62
8460000111		Centennial Drive	109.34	109.34	112.62
8470000117		Centennial Drive	109.34	109.34	112.62
8480000123		Centennial Drive	109.34	109.34	112.62
8490000131		Centennial Drive	109.34	109.34	112.62

85100000145	Centennial Drive	109.34	109.34	112.62
85200000153	Centennial Drive	109.34	109.34	112.62
85300000157	Centennial Drive	109.34	109.34	112.62
85400000161	Centennial Drive	109.34	109.34	112.62
85500000169	Centennial Drive	109.34	109.34	112.62
85700000175	Centennial Drive	109.34	109.34	112.62
86100000192	Centennial Drive	109.34	109.34	112.62

BY-LAW NO. 05/13 of the Rural Municipality of Langford

SCHEDULE “B”

Special Service Area 2

Property Roll Number	House Number	Street	Special Service Tax 2014	Special Service Tax 2015	Special Service Tax 2016
88810000	82111	Road 89W	273.33	273.33	281.53
88815000	82107	Road 89W	273.33	273.33	281.53
88820000	82097	Road 89W	273.33	273.33	281.53
88900000	82171	Road 89W	273.33	273.33	281.53
90700000	82136	Road 89W	273.33	273.33	281.53
91700000	82174	Road 89W	273.33	273.33	281.53
91745000	82166	Road 89W	273.33	273.33	281.53
91750000	82160	Road 89W	273.33	273.33	281.53
93110000	82084	Road 89W	273.33	273.33	281.53
93120000	82070	Road 89W	273.33	273.33	281.53
91200000	3 MURPHY ST	Road 89W	273.33	273.33	281.53
91300000	1	Kuharski St.	273.33	273.33	281.53

BY-LAW NO. 05/13 of the Rural Municipality of Langford

SCHEDULE “A”

SPECIAL SERVICE PLAN NO. 01/13

Pursuant to Section 314 of The Municipal Act

A. The Proposed Service:

Council for the Rural Municipality of Langford are proposing under this Special Service Plan to establish a special service tax for dust control (apply calcium) in two areas of the municipality. Dust control for the entire length of these two areas has been requested by several of their

residents, and it is most effective in residential areas to apply dust control to the length of road as opposed to segregated 300 ft strips fronting the residential lots.

B. Area of the Municipality:

There are 2 special service areas under this proposal: Special Service Area No. 1 - the municipal road called Centennial Drive, and Special Service Area No. 2 – the Road 89 West from PTH Highway 16 continuing for 1 km south. All property owners within these 2 Areas will be subject to a special service tax.

C. Estimated Cost of Service

Calculation of annual cost of dust control: chemical/ft x road length, divided by the number of parcels contributing = tax / year

3% increase in cost of dust control chemical in 2016

Special Service Area 1 Special Service Area 2

2014 \$ 109.34 2014 \$ 273.33

2015 \$ 109.34 2015 \$ 273.33

2016 \$ 112.62 2016 \$ 281.53

D. Method and Rate of Special Service Tax

Council is proposing the special service tax to be an amount per parcel of land. The rates will be as follows:

Special Service Area 1

2014:

$1.00 \times 2296 = \$2,296.00 / 21 = \109.34 per parcel

2015

$1.00 \times 2296 = \$2,296.00 / 21 = \109.34 per parcel

2016

$1.03 \times 2296 = \$2,364.88 / 21 = \112.62 per parcel

Special Services Area 2

2014:

$$1.00 \times 3280 = \$3,280.00 / 12 = 273.33$$

2015

$$1.00 \times 3280 = \$3,32.80 / 12 = 273.33$$

2016

$$1.03 \times 3280 = \$3,378.40 / 12 = 281.53$$

Prepared by Allison Bardsley

CAO Rural Municipality of Langford

July 23, 2013