

In-camera**DATE:** February 8, 2022**FILE:**6750-20/CV**TO:** Chair and Directors
Regional District Board**FROM:** Russell Dyson
Chief Administrative OfficerSupported by Russell Dyson
Chief Administrative Officer**R. Dyson****RE: Comox Valley Economic Development Service – Service Review Final Report****Purpose**

To seek the Board's endorsement of the recommendations from the service review of the Comox Valley Economic Development Service, Function 550.

Recommendations from the Chief Administrative Officer:

1. THAT the Board concur with the recommendations provided in the Report on the Service Review dated January 2022 and staff be directed to bring forward an amendment to Bylaw No. 345 being "Comox Valley Economic Development Service Conversion Bylaw No. 345, 2016" to:
 - a) remove the Town of Comox as a participant and modify the service boundaries accordingly;
 - b) modify the service name to reflect the Comox Valley Regional Tourism Service;
 - c) modify the service purpose and related provisions to remove reference to economic development and insert tourism and destination marketing services;
 - d) insert language concerning the Town of Comox's
 - i. obligation to contribute their portion of debt and facility maintenance costs until the Vancouver Island Visitor Centre (VIVC) mortgage is retired; and
 - ii. entitlement to a share of any benefits from the disposition, lease or re-purposing of the VIVC during the period in which the Town of Comox contributes to the VIVC mortgage debt and maintenance costs.

AND FURTHER THAT staff be authorized to negotiate service contracts with the Town of Comox and the Village of Cumberland for tourism and destination marketing services with such contracts being subject to Board approval;

AND FINALLY THAT such direction and the public release of this staff report and the report on the service review dated January 2022 be actioned upon receipt of affirmative responses to the service findings report from all of the service participants.

2. THAT upon adoption of the amendment to Bylaw No. 345 being "Comox Valley Economic Development Service Conversion Bylaw No. 345, 2016" to repurpose the service as the Comox Valley Regional Tourism Service, the Village of Cumberland be invited to participate in the service through contract for 2022 and join the service as a formal participating area starting in 2023.

3. THAT staff be directed to undertake a transition planning process for the Vancouver Island Visitor Centre to identify and assess options for the use of the facility.
4. THAT the Comox Valley Economic Development Select Committee, established to consider matters relating to the contract deliverables with the Comox Valley Economic Development Society, be disbanded.

Executive Summary

- On October 30, 2020 the Town of Comox requested a service review of the Comox Valley Economic Development Service, Function 550 citing dissatisfaction with the service governance model and the resulting challenges to service delivery. [The staff report dated November 19, 2020](#) detailed this request and the framework for dispute resolution in regards to regional district services.
- The review process has followed the statutory framework provided for in the *Local Government Act* in which participant representatives, assisted by a third-party facilitator, reviewed the terms and conditions of the service and undertook negotiations to identify common interests and reach agreement on the issues identified.
- The enclosed Report on the Service Review dated January 2022 documents this process conducted over an eleven-month period and articulates the outcomes and recommendations for consideration by each of the service participants.
- In summary, the recommendations provide for a restructuring and redesign of Function 550 by focusing the service purpose on tourism and destination marketing services as well as removing the Town of Comox as a participant under terms obligating contributions to the outstanding mortgage for the Vancouver Island Visitor Centre (VIVC) and with a corresponding entitlement to any benefits arising from the disposition, lease or re-purposing of the facility. This adjustment to the service purpose means economic development services will no longer be delivered to the region and instead undertaken individually by each jurisdiction. The recommendations also provide for the establishment of tourism service contracts with both the Town of Comox and Village of Cumberland (Village) so that they may benefit from the service, with the latter body being invited to join the redesigned service as a formal participant. Should Cumberland join the service the contract between the Comox Valley Regional District (CVRD) and the Village would be terminated at the appropriate time.
- In consideration of the significance of the VIVC and the decentralization of visitor services a transition planning process for the facility is proposed to be initiated in 2022 to identify and assess options for its use. The process is expected to carry into and expand in 2023 as the regional tourism service is further developed.
- In recognition of the need for and benefits of collaboration and information sharing in regards to the parties' individual economic development activities, the service review representatives also supported the notion of holding of ad hoc regional economic development roundtables. It is noted that such roundtables can be accommodated through Elected Officials' Forums that the CVRD regularly conducts or through municipal-led events.
- Subject to endorsement by each of the participating bodies, this staff report seeks the Board's endorsement of the necessary actions stemming from the review recommendations as well as the public release of the report. Staff will provide a verbal update at the February 15, 2022 meeting respecting the consideration by each of the parties.
- Staff have updated the Ministry's Planning and Land Use Management Branch respecting the status of the service review negotiations and will notify the Minister of Municipal Affairs should agreement be reached.

- A public news release to communicate the completion of the process and the direction concerning implementation of the recommendations is also planned to be issued following confirmation of agreement by all parties.
- The draft Function 550 budget, developed around the provision of tourism services, will be presented to CVRD Board on March 15, 2022 and will include information concerning a potential contract extension with Tourism Vancouver Island. The amending bylaw associated with the implementation of the service review recommendation would also be considered at that time, should this initiative proceed.

This report is being considered in-camera in accordance with section 90(1)(k) of the Community Charter which provides that part of a board meeting may be closed to the public if the matter pertains to negotiations and related discussions respecting the proposed provision of regional district services that are at their preliminary stages and that, in the view of the board, could reasonably be expected to harm the interests of the regional district if they were held in public.

Prepared by:

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Jake Martens
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Concurrence:

J. Warren

James Warren
Deputy Chief
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Government Partners and Stakeholder Distribution (Upon Agenda Publication)

N/A	✓
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Attachments: Appendix A – Report on the Service Review dated January 2022



Statutory Service Review
Comox Valley Economic Development Service
January, 2022

REPORT ON THE SERVICE REVIEW

RECOMMENDATIONS

Recommendations arising from the Service 550 Service Review, for presentation to the City of Courtenay, Town of Comox and Comox Valley Regional District:

- > *THAT the parties amend Conversion Bylaw No. 345 (2016) to remove the economic development component of the service.*
- > *THAT the parties support the creation of ad hoc regional roundtables as forums for collaboration on initiatives aimed at promoting the economic development of the Comox Valley.*
- > *THAT the parties amend Conversion Bylaw No. 345 (2016) to remove the Town of Comox as a participating jurisdiction.*
- > *THAT the parties endorse a Fee-for-Service Contract between the Town of Comox and CVRD, as described under "Recommendation 4" in the Report on the Service Review, designed to:*
 - *enable Comox to partake in and benefit from the Comox Valley visitor services and destination marketing initiatives developed and delivered on behalf the Service 550 participants*
 - *ensure that Comox pays its share of the outstanding VIVC mortgage debt*

- *enable Comox to receive a share of any benefits from the disposition, lease or re-purposing of the VIVC, during the period in which the Town's contributions to the VIVC mortgage debt continue*

- > *THAT the Village of Cumberland be invited to join the re-designed and renamed Service 550 (Comox Valley Regional Tourism).*
- > *THAT Conversion Bylaw No. 345 (2016) be amended to reflect the name change to the service, and the inclusion of the Village of Cumberland as a participant.*

INTRODUCTION

At the end of October, 2020, the Town of Comox exercised its authority under section 357(1) of the *Local Government Act* to initiate a statutory review of the Comox Valley Economic Development Service (Service 550). In accordance with section 355(2) of the *Act*, one elected official from each participating jurisdiction was selected to represent the jurisdiction in the Service Review process. The Chair of the Comox Valley Regional District (CVRD) was selected to represent the Regional District Board.

Pursuant to section 359(1) of the *Act*, the CVRD Board arranged for the Preliminary Meeting of the Service Review to be held on January 19, 2021. At that meeting, representatives agreed to a scope of



review and a process to guide discussions. Within the agreed scope, and guided by the agreed process, the representatives participated in a total of six meetings (in addition to the Preliminary Meeting) over an eleven-month period ending on December 14, 2021.

An independent local government consultant was retained by the parties to design the Service Review process, facilitate Service Review meetings, and develop — in consultation with the local government Chief Administrative Officers — possible solutions for consideration by the representatives. This report, titled *Service Review Recommendations*, has been prepared by the consultant based on the outcomes of the Service Review. The report will be presented for consideration to the parties' governing bodies — namely, the CVRD Board of Directors, the Town of Comox Municipal Council, and the City of Courtenay Municipal Council.

The report begins by profiling Service 550 as it existed at the start of the Service Review, and as it continues to exist today pending endorsement and implementation of the recommended changes. The scope of the Service Review is then outlined, followed by a chronological examination of the Service Review meetings. The report ends by presenting the outcomes of the Service Review as recommendations to the local governments.

The primary purpose of the report is to present recommendations aimed at resolving the concerns of the parties, and concluding the Service Review. The report also serves, however, as the official record of the Service Review and its outcomes. For this reason, the chronological examination of the meetings is documented in considerable detail, as are the outcomes of the Review.

COMOX VALLEY ECONOMIC DEVELOPMENT — SERVICE 550

Service Participants

The Comox Valley Economic Development Service is a long-standing service of the CVRD, established in 1976 under supplementary letters patent. The service's *Conversion Bylaw No. 345*, adopted by the Board in 2016, identifies the following participating jurisdictions:

- City of Courtenay
- Town of Comox
- Electoral Area A
- Electoral Area B
- Electoral Area C

The service area includes the whole of the participating municipalities and the whole of Electoral Areas B and C. In Electoral Area A, only the Baynes Sound portion of the jurisdiction is included.

Service Definition

Conversion Bylaw No. 345 sets out the purpose of the service: to "encourage the responsible expansion of the Comox Valley economic base as well as enhance wealth and employment opportunities". A set of specific, core economic development activities to be undertaken in pursuit of this purpose is also set out in the bylaw.

Service 550's scope of activities evolved over time to include two additional areas of focus, both of which are related to tourism. These focus areas are identified as:

- destination marketing, which includes efforts aimed at promoting the Comox Valley as a vacation destination
- visitor information services, which are activities aimed at helping visitors to the Comox Valley learn about the area and experience its range of visitor experiences

Service Governance

CVRD Board is the ultimate governing body for Service 550. Decisions taken by the Board follow the default voting provisions of the *Local Government Act*.

Historically, the role of the Board in decision-making has been limited by the presence of the Comox Valley Economic Development Society (CVEDS), an independent entity created to deliver the service (see below). Prior to the recent dissolution of the Society, the CVEDS Board of Directors played an important role in service governance.



Service Finance

The 2021 budget for Service 550 projected close to \$1.17 million in expenses. This amount was the total required to provide the full service, including its economic development and tourism elements, for the year. A 2021 tax requisition of \$0.98 million covered the bulk of the expenses. The full tax burden was allocated among participants on the basis of converted assessment.

Service Delivery

At the start of the Service Review and for many years prior to that time, Service 550 was delivered by CVEDS on behalf of the Regional District. CVEDS was established in 1998 by the member jurisdictions (not the CVRD corporation) as a non-profit service delivery body. The CVRD entered into a new service contract with the Society in mid-2020.

SCOPE OF REVIEW

At the Review's Preliminary Meeting in January, 2021, the representatives of the parties considered the issues raised by the Town of Comox in its notice of Service Review. Individual representatives then put forward additional issues to consider for inclusion in the scope of the Review.

Based on their discussion of the full set of issues presented, representatives agreed to focus the Review on three issues:

- *Current Service Delivery* — Representatives agreed — albeit for different reasons — that the Comox Valley Economic Development Society could not continue in its role as the economic development and tourism service agency for the local governments of the Comox Valley. Representatives agreed to identify and examine the implications for the service of terminating the CVEDS' contract.
- *Service Definition* — Representatives expressed different views with respect to elements of Service 550 that should remain regional in nature and within the shared service, and elements that should be provided at a local or sub-regional level outside of Service 550. The jurisdictions were united, however, on the need to re-define the existing service to focus on a reduced scope of activities. The Service

Review, it was agreed, would be the process through which the representatives could determine the specific service elements of the to provide through a re-defined Service 550.

- *Delivery Model* — Representatives agreed to use the Service Review to determine the specific service model — in-house, arm's-length agency or service contractor — for delivery of the re-defined, shared service.

It is important to highlight the issue of service definition in the scope of Service Review. The representatives' decision to use the Service Review as the vehicle to re-design Service 550's elements, including its list of participants, reflected the view shared by all parties that significant changes to the service were required. The decision also reflected an understanding that not all jurisdictions would continue to collaborate through a collective service of the Regional District in all aspects of economic development and tourism. Through the review, it was determined, the representatives would recognize and facilitate decisions by all individual jurisdictions to participate or not participate in the re-designed service. This accommodation was provided not only to the Town of Comox — the participant that initiated the Service Review — but to all jurisdictions.

SERVICE REVIEW CHRONOLOGY

March, 2021

The representatives to the Service Review held their first meeting on March 16, 2021. In the weeks leading up to this date, the CVRD Board issued contract termination notice to CVEDS. Efforts began immediately to identify the implications of contract termination, and of the potential resulting dissolution of CVEDS, for the parties. These efforts remained ongoing after the March 16 meeting.

In discussions at the meeting itself, representatives made progress in identifying possible changes to the service. All representatives, for example, confirmed that there was no interest in retaining regional economic development in a re-defined Service 550. Representatives were quick, however, to support the creation of *ad hoc* regional economic roundtables at which jurisdictions and others —



including K'ómoks First Nation — could share information and develop shared initiatives.

On the tourism side, at least some of the representatives expressed an interest in continuing with the shared provision of visitor services in Service 550. The same representatives spoke to the value, as well, in continuing to participate in shared destination marketing efforts aimed at drawing targeted groups of visitors to the Comox Valley.

In the weeks following the March 16 meeting, the Members of CVEDS met with the CVEDS' Board of Directors to review the Society's assets and liabilities, and to understand the intentions of the Board with respect to dissolution. The Regional District Board approved an interim *Five-Point Plan* designed by staff to provide short-term stability to ongoing tourism and economic development activities, and to give the parties to the Service Review the time required to complete their process.

A key element of the *Five-Point Plan* was a proposal aimed at protecting the Vancouver Island Visitor Centre (VIVC), a community asset held by CVEDS and funded through Service 550. Under the *Plan* the CVRD would assume from CVEDS title to the facility, as well as Centre's outstanding mortgage liability. The *Plan* also called on the CVRD to assume responsibility for the tourism service delivery sub-contract between CVEDS and Tourism Vancouver Island (TVI), and to replace CVEDS in its role as Secretariat for the Economic Recovery Task Force.

April, 2021

The second meeting of the Service Review was held on April 20, 2021. Most of the time at this meeting was spent discussing possibilities for shared tourism. Key points from the discussion were as follows:

- *Regional Tourism* — All jurisdictions except for the Town of Comox expressed an interest in regional tourism, and a commitment to taking responsibility for the VIVC facility, VIVC mortgage and TVI delivery contract.
- *New Service Design* — All representatives agreed that the current tourism service, based

out of the VIVC, was not the preferred service model for the Comox Valley. A new vision, scope and service model for a Comox Valley visitor services and destination marketing function was required.

- *Full-Region* — Several representatives expressed a desire to expand the tourism service area to include the Village of Cumberland, Hornby Island and Denman Island. Several also highlighted the importance of, and opportunities for, engaging K'ómoks First Nation.

Following the April 20 meeting, the Service Review facilitator spoke individually to each of the representatives and to the local government CAOs to better understand the parties' interests. The following points emerged from these discussions:

- The Town of Comox did not wish to participate in any form of shared, Regional District service, including a re-designed service focused on visitor services and destination marketing.
- The City of Courtenay and Electoral Areas A, B and C remained interested in collaborating on visitor services and destination marketing through a regional tourism service, re-imagined and re-defined through ongoing discussion involving all willing parties, including the Village of Cumberland and other jurisdictions that are not currently participating in Service 550.
- The City of Courtenay, CVRD and CVEDS were in discussions with Destination BC to determine how to transfer the Municipal Regional District Tax (MRDT) from CVEDS to a new designated recipient in a way that would avoid any interruption in the program.
- The CVRD remained intent on implementing the agreed *Five-Point Plan* and, in so doing, assuming ownership and responsibility for the mortgage liability of the VIVC, as well as responsibility for the contract with TVI.
- All parties remained interested in collaborating on economic development initiatives through *ad hoc* regional roundtables. None of the



parties, however, expressed interest in participating in a formal regional economic development service.

May, 2021

The third meeting of the Service Review was held on May 13, 2021. The meeting focused on regional tourism (economic development, the parties had determined, would be provided through local economic development services, not as part of a re-designed Service 550). Two regional tourism scenarios were presented for discussion by representatives at the meeting:

- *Regional Tourism WITHOUT Town of Comox* — Under this scenario, the City of Courtenay and Electoral Areas A, B and C would choose to participate in a revised Service 550 focused on the provision of regional visitor services and destination marketing initiatives. Invitations to join the service would be sent to the Village of Cumberland Municipal Council, along with the Chairs of Denman Works and the Hornby Island Community Economic Development Corporation.

The Town of Comox would not participate in the service. The Town's decision to withdraw from Service 550 entirely would trigger a discussion on compensation — specifically, the question as to whether or not Comox should be expected to compensate the remaining participants for a portion of the cost incurred by the service in taking ownership of the VIVC.

Regional tourism would be delivered for at least an initial period by TVI on contract to the CVRD. The participants would engage in a strategic planning process to examine the potential to transition visitor services from a centralized VIVC-based model to a more dynamic, decentralized model.

Destination marketing efforts in the service would be supported in part by MRDT funds, which could be administered by TVI on behalf of the service and the hospitality sector. The annual tax requisition paid by the participating jurisdictions would fund a portion of visitor service and destination marketing costs, but

would also be used to pay the VIVC mortgage and operation.

Efforts would be taken to promote a "Team Comox Valley" approach by collaborating with a Town of Comox local tourism service, the K'ómoks First Nation and other entities in the region.

- *Regional Tourism WITH Town of Comox* — Under this scenario, the Town of Comox would participate along with Courtenay and Electoral Areas A, B and C in a revised, tourism-focused Service 550. As in the other scenario, invitations to join the service would be sent to the Village of Cumberland and the Islands.

TVI would deliver the service on contract to the CVRD, and would work with the parties to help develop a decentralized visitor services model. The voting model for the service would be examined to address concerns raised by Comox (and possibly shared by others) related to a perceived inability to influence decision-making. Changes would be introduced using the authority under the *Local Government Act* to ensure that weighted stakeholder decisions reflected the broad consensus of participants.

The MRDT program, which would support destination marketing initiatives, could be collected over a broader, regional area to capture overnight accommodation providers (including online services) throughout the region.

The first scenario, which would result in regional tourism *without* the Town of Comox, was the agreed outcome of the May 13 meeting. The matter of an "exit fee" to be paid by Comox was discussed at length. Representatives agreed that an equitable fee would include an amount to address the Town's portion of the mortgage liability connected to the VIVC, as well as a portion of the cost associated with any outstanding items connected to the imminent dissolution of CVEDS. Both the VIVC- and CVEDS-related costs, it was agreed, were the responsibility of all current Service 550 participants. Representatives did not agree on a rationale for additional compensation to address the ongoing operation of the VIVC.

Representatives resolved at the end of the meeting to pause the Service Review in order to provide sufficient time to implement the *Five-Point Plan*. Implementation could not be completed until the CVRD had received all information related to the transfer of the VIVC facility and TVI contract to the Regional District, along with any outstanding items connected to the dissolution of CVEDS.

July, 2021

The fourth meeting of the Service Review was held on July 27, 2021. Representatives focused their discussions on two papers that were developed and distributed in advance of the meeting. The first paper, titled *Service 550 Re-Design Proposal* set out a blueprint for a Comox Valley Regional Tourism Service with participation by all five existing Service 550 participants, including the Town of Comox, and all other jurisdictions that wished to join (e.g., Village of Cumberland). The second paper was titled *"Exit Fee" Framework*. This paper addressed the need to determine an exit fee for any existing participant to leave Service 550 entirely.

Both papers were developed by the facilitator in the weeks following the May 13 meeting. Drafts were presented to the Chief Administrative Officers of the Town of Comox, City of Courtenay and CVRD. The *Service 550 Re-Design Proposal* was written, notwithstanding the outcome of the May 13 meeting, to address the possibility that Comox may wish to understand what a revised regional tourism service could look like prior to determining its final course of action. It was thought, in particular, that safeguards outlined in the proposed re-design — for example, a provision for automatic future service reviews — could provide Comox with the necessary comfort to consider remaining in a regional function.

The *Service 550 Re-Design Proposal* ended with a set of suggested next steps for representatives to consider. The most immediate of these steps called on the representatives of the City of Courtenay and Town of Comox to present the proposal to their respective Municipal Councils in order to obtain the Councils' approvals-in-principle. The Electoral Area Directors were asked to present the proposal to the CVRD Board to obtain the same approval. The facilitator was made available to all of the parties to

assist in presenting the paper; the facilitator was also made available to the Village of Cumberland to present and explain the proposed re-design.

In August, 2021, the facilitator presented the proposal to the Electoral Area Services Committee of the CVRD Board. In September, 2021, the facilitator met to discuss the proposal with the City of Courtenay Council and Village of Cumberland Council. The Town of Comox's representative to the Service Review, along with the Town's Chief Administrative Officer, presented the proposal to Comox Town Council.

On September 10, 2021, shortly after the presentation to Comox Town Council, the Chair of the CVRD received a letter from Comox's Mayor, announcing the Town's decision to withdraw entirely from Service 550. The letter noted that Comox would be providing all elements of Service 550 — economic development, visitor services and destination marketing — as local services.

October, 2021

Representatives met for the Service Review's fifth meeting October 14, 2021. The *"Exit Fee" Framework* paper presented at the July 27 meeting set the stage for the October discussions. The paper identified the purpose of an exit fee, outlined a set of principles to help guide discussion on a fee, and listed suggested exit fee components.

Importantly, the paper reminded the representatives that their agreement to use the Service Review as the vehicle to re-design Service 550's elements, including its list of participants, reflected the view shared by all parties that significant changes to the service were required. The representatives' agreement also reflected an understanding that not all jurisdictions would continue to collaborate through a collective service of the Regional District in all aspects of economic development and tourism. Through the review, it was determined, the parties would recognize and facilitate decisions by each jurisdiction to participate or not participate in the re-designed service. This accommodation was provided not only to the Town of Comox — the participant that initiated the Review — but to all jurisdictions.



At the meeting, representatives made some progress in determining an appropriate exit fee. There was consensus that the fee for Comox — and, indeed, for any jurisdiction that wished to withdraw from all elements of the service — should take into account the following factors:

- the outstanding mortgage debt on the VIVC
- the need to complete outstanding capital repairs on the VIVC (repairs that were identified through a recent review of the Centre's state of repair)
- any outstanding liabilities associated with the dissolution of CVEDS
- any outstanding costs incurred to indemnify CVEDS' Directors from future potential (unanticipated) liabilities

Representatives did not reach agreement on the question of whether a departing jurisdiction, after paying the exit fee, should receive a portion of any revenues generated by the sale of facility, should such a sale occur.

After tabling the matter for further consideration, representatives received a presentation from Tourism Vancouver Island — the current tourism contractor — on the importance of, and the potential for, some level of ongoing collaboration in destination marketing under the shared "Comox Valley" brand, as well as the potential for ongoing cooperation on visitor services through a decentralized model with a scaled-back use of the VIVC. The Mayor and Chief Administrative Officer from the Village of Cumberland were welcomed into the meeting to hear the presentation and participate in group discussion on it. TVI's presentation was requested based on the understanding that, despite the lack of full support for a new regional tourism service, all jurisdictions had indicated an interest in some level of collaboration on destination marketing and visitor services efforts.

Following the presentation, representatives of the jurisdictions, including the Village of Cumberland, explored possible structural arrangements for ongoing collaboration. Two options were put forward by the facilitator. The options are similar to one another in most respects. Both options, for

example, feature the following elements:

- *Regional Tourism Service* — Central to both options was a re-designed Service 550 focused on destination marketing and decentralized visitor services. The resulting service — Comox Valley Regional Tourism — would be a service of the Regional District with five participating jurisdictions:
 - City of Courtenay
 - Village of Cumberland
 - Electoral Area A (Baynes Sound)
 - Electoral Area B
 - Electoral Area C
- *Tourism Vancouver Island* — In both options the CVRD would contract service delivery to Tourism Vancouver Island.
- *Town of Comox* — The Town of Comox would not be a participating jurisdiction in the service under either option. In both options, however, the Town would receive, benefit from and pay for the service through a fee-for-service contract.

The chief difference between the options concerned the body with which Comox would contract. In one option, Comox would contract with the CVRD to contribute to and collaborate on visitor services and destination marketing initiatives delivered by TVI. In the other option, Comox would contract directly with TVI for the services. It was determined that the first option, featuring a contract with the CVRD, would be the most straightforward for all parties, including TVI.

December, 2021

December 14, 2021, was the final meeting of the Service Review. The matter of the exit fee was the focus of the meeting.

The agenda for the meeting included a "Setting the Stage" background section that set out the points on which representatives had reached agreement in October. The background section noted, as well, that CVRD staff had confirmed earlier in 2021 that capital reserves in place for the Centre were sufficient for the necessary capital repairs to the

facility. Staff had also confirmed that the 2021 Service 550 budget was sufficient to accommodate all costs associated with the dissolution of CVEDS. The amount of funding — if any — required to indemnify CVEDS' Directors from future liabilities was not entirely known; however, based on information available in December, the risk of future costs was (and remains) considered low.

The exit fee component that was both certain and known going into the December Service Review meeting was the outstanding mortgage debt on the VIVC. The Town of Comox's total share of the debt at the end of 2021 was approximately \$72,000.

In response to the wishes of the Service 550 participants, the CVRD agreed to undertake, with existing service participants only, a *VIVC Transition Planning Process* in 2022 to identify and assess options for the Visitor Centre facility. A decision emerging from the planning process to sell the facility would generate proceeds that would benefit the service and the participating jurisdictions that, by virtue of their continued participation, assumed responsibility for the facility. A decision to retain ownership of the Centre, but to re-purpose it as a venue for other uses, could generate lease revenues that would also benefit the service and its jurisdictions.

Should a jurisdiction that withdraws from Service 550, but pays its share of the VIVC's outstanding mortgage debt, be entitled to share in the financial benefits generated by the re-purposing or sale of the facility? Or, should the financial benefits flow solely to the jurisdictions that continue to participate in the re-designed Service 550 — the service to which the facility is attached? These questions informed the development of exit fee options for the Service Review parties to consider.

Two options were developed for discussion at the December 14 meeting:

- *Option 1: No Exit Fee* — Under this option, a departing jurisdiction would pay its full 2022 Service 550 requisition in January, 2022, and withdraw from the service by March 31 of the same year. The jurisdiction would pay no exit fee, but would also receive no share of benefits generated by the re-purposing or disposition of

the VIVC. The jurisdiction would not be expected to make any contributions to the ongoing operation or improvement of the facility, including any improvements required to address unforeseen incidents.

In essence, Option 1 dealt with the issue of future benefits by eliminating the need for an exit fee. In that respect, the option was straightforward and would result in a clean and final separation for the departing jurisdiction from the service. The option embraced the position that the VIVC and its future use are the responsibility of, and for the benefit of, the service and its participating jurisdictions only. Non-participants would have no responsibility for, no role in governing, and stand to receive no benefit from, the Centre, irrespective of past payments made.

- *Option 2: Mortgage, Improvements & Maintenance* — In this option, the departing jurisdiction would pay its full 2022 Service 550 requisition in 2022, and withdraw from the service by March 31 of that year. The jurisdiction would enter into an exit fee contract with the CVRD under which the jurisdiction would be required to make an annual VIVC facility payment to cover the jurisdiction's portion of:
 - the mortgage debt for the facility
 - the cost to maintain the facility
 - facility improvement costs necessary to keep the facility in a state of proper repair

The jurisdiction would make the facility payment each year for four years, or until the mortgage debt had been fully retired. During the term of the payment contract, the jurisdiction would be entitled to a share of any financial benefits generated by the re-purposing or sale of the Centre. At the end of the contract term, the jurisdiction's payments towards the facility would end, as would the jurisdiction's claim on any financial benefits.

Following considerable discussion, the representatives of the City of Courtenay, Electoral Areas B

and C, and the CVRD Board endorsed Option 2.¹ The Town of Comox representative agreed to present Option 2 to Comox Council to ensure acceptance.

SERVICE REVIEW RECOMMENDATIONS

The Service 550 Service Review began on January 19, 2021, with the preliminary meeting of representatives. From the outset, the parties to the Review, through their representatives in the process, agreed to use the Review as a vehicle to re-design Service 550. This agreement reflected the view shared by all parties that significant changes to the service were required. The agreement also reflected an understanding that not all jurisdictions would continue to collaborate through a collective service of the Regional District in all aspects of economic development and tourism. Through the review, it was determined, the parties would recognize and facilitate decisions by every individual jurisdiction to participate or not participate in the re-designed service. This accommodation was provided not only to the Town of Comox — the participant that initiated the Service Review — but to all jurisdictions.

Over six subsequent meetings, representatives considered a range of proposals that were designed to help address concerns and, where possible, align the parties' interests. By the end of December, 2021, a number of outcomes had emerged. These outcomes are outlined in this final section of the report as recommendations to the local governments represented in the Service Review.

Recommendation 1:

Economic Development Service

The first recommendation arising from the Service Review concerns the economic development component of Service 550:

- *THAT the parties amend Conversion Bylaw No. 345 (2016) to remove the economic development component of the service.*

If endorsed by the parties, this recommendation would eliminate economic development as a

shared, regional service of the Regional District. Individual jurisdictions could choose to create (or to not create) their own, local economic development services.

Recommendation 2:

Regional Roundtables

All representatives to the Service Review expressed support for local government jurisdictions to come together, along with K'ómoks First Nation and other interested parties, in *ad hoc* regional economic development roundtables. These roundtables would be convened as forums for collaboration on initiatives aimed at promoting the economic development of the Comox Valley. The recommendation on roundtables is as follows:

- *THAT the parties support the creation of ad hoc regional roundtables as forums for collaboration on initiatives aimed at promoting the economic development of the Comox Valley.*

Recommendation 3:

Participation in Regional Tourism

Through its representative to the Service Review, and in its letter of September 10, 2021, to the Chair of the CVRD Board, the Town of Comox has expressed its desire exit Service 550 entirely, including the service's regional tourism components. The recommendation to the local governments on this point is as follows:

- *THAT the parties amend Conversion Bylaw No. 345 (2016) to remove the Town of Comox as a participating jurisdiction.*

Recommendation 4:

Exit Fee

The recommendation on the matter of the exit fee arises from the discussion on the Option 2 proposal as presented to representatives at the December 14, 2021, Service Review meeting. In accordance with this discussion, the exit fee for the Town of Comox would be determined and paid as follows:

¹ The Electoral Area A Director was not present, but agreed in advance to support the agreed option.

- Comox would pay its full Service 550 requisition for 2022, based on the same terms as those which apply to the other Service 550 participants.
- Comox would withdraw from Service 550 on or before March 31, 2022, with the support of the remaining participants.
- Comox would enter into a Fee-for-Service Contract with the CVRD to partake in and benefit from the Comox Valley visitor services and destination marketing initiatives developed by Tourism Vancouver Island on behalf the Service 550 participants.
 - The price of the Town's Fee-for-Service Contract for 2022 would be \$0, since Comox would have already paid the full 2022 service requisition.
 - The Contract price for subsequent years, beginning 2023, would be determined by Comox and the CVRD based on anticipated Service 550 costs in those years — costs that would include, specifically, the cost of the service contract for tourism services, regular VIVC maintenance, and the remaining mortgage payments required to retire the VIVC debt.
- For clarity, the Town of Comox would not be expected to contribute towards the cost of any future VIVC capital improvements beyond those capital repairs that have already been identified by the CVRD and shared with the parties.
 - The parties have agreed to fund the identified repairs, in their entirety, using existing Service 550 capital reserves towards which the Town has already contributed.
 - The cost of future capital improvements that may be determined beyond 2022 would be born solely by the jurisdictions that participate in Service at the time.
- For as long as the Town of Comox continued to pay through its Fee-for-Service contract a portion of the VIVC mortgage debt, the Town would receive a share of any proceeds earned as a result of a decision by the Service 550 participants to dispose of the Centre.
 - The Town's share would be negotiated by the parties, taking into account past payments made to the facility by all jurisdictions.
- During the period in which the Town's VIVC debt contributions continued, efforts by the Service 550 participants to lease or otherwise re-purpose the Centre could generate revenues for the service.
 - Any such revenues would be used to help reduce total net service costs.
 - Comox's share of the benefits associated with these revenues would be realized through the Town's annual Fee-for-Service Contract payment, which (as noted) would be based each year on the Service 550 service costs (net of capital improvements not already identified for funding out of existing capital reserves)
- Once the Town's contributions to the VIVC mortgage debt had ended, the Town would renounce its legal claim to a portion of any benefits generated by the future disposition, lease or re-purposing of the Centre.

The recommendation on the matter of the exit fee is as follows:

- *THAT the parties endorse a Fee-for-Service Contract between the Town of Comox and CVRD, as described under "Recommendation 4" in the Report on the Service Review, designed to:*
 - *enable Comox to partake in and benefit from the Comox Valley visitor services and destination marketing initiatives developed and delivered on behalf the Service 550 participants*



- *ensure that Comox pays its share of the outstanding VIVC mortgage debt*
- *enable Comox to receive a share of any benefits from the disposition, lease or re-purposing of the VIVC, during the period in which the Town's contributions to the mortgage debt continue*

Recommendations 5 and 6:**Village of Cumberland**

Strong support was expressed in the Service Review for expanding Service 550 — re-designed and renamed to focus on regional tourism — to include the Village of Cumberland. Accordingly, it is recommended:

- *THAT the Village of Cumberland be invited to join the re-designed and renamed Service 550 (Comox Valley Regional Tourism).*
- *THAT Conversion Bylaw No. 345 (2016) be amended to reflect the name change to the service, and the inclusion of the Village of Cumberland as a participant.*