

# Hagensborg Waterworks District Conversion Review



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# INTRODUCTION

The purpose of this review is to outline the implications for the conversion of the Hagensborg Waterworks District (HWD) to the Central Coast Regional District (CCRD).

The authors of this report have cited information available from various sources. Some of these sources include:

- HWD Office
- CCRD Canada Infrastructure Grant Application
- Columbia Shuswap Regional District (CSRD)
- Motherwell & Associates Engineering Ltd. for HWD 1997 Report on System Development
- Urban Systems-Asset Management Investment Plan 2017 for CCRD
- The Ministry of Municipal Affairs and Housing

## BACKGROUND

### General Description

There are 224 parcels of land within the boundary of the HWD and its population is estimated to be about 460. The land-use within the community can generally be described as rural residential.

The necessary replacement of aging infrastructure and a new water treatment plant would not proceed without grant funding. The HWD has accumulated their present reserves for over 10 years. It would take possibly 30 to 40 or more years to save the money required to implement this proposed project. Being an improvement district makes access to capital funding very difficult, therefore, approaching the CCRD to sponsor this application was essential to continuity of and providing improvements to the water service to the community.

Climate change is expected to cause continued unpredictability and variability in precipitation and related weather events which impact watercourses. With respect to Snootli Creek, specifically the HWD's intake on this creek, this could lead to seasonal water shortages, spikes in turbidity impacting water quality, and similar conditions. The proposed treatment plant design will include provisions to deal with variable water quality, such as turbidity spikes and pathogens.

The proposed distribution system improvements and potential installation of water meters is expected to reduce water use through a combination of physical infrastructure improvements and behaviour change. This will make the service area less vulnerable to water shortages. The proposed storage reservoir will also help address variation in both water quality and quantity.

The proposed new water treatment plant will be designed to satisfy the following criteria:

- Deliver high quality water in accordance with the *Drinking Water Protection Act and Regulation* as well as the Guidelines for Canadian Drinking Water Quality (this is potable water)
- Meet the following treatment objectives outlined by Vancouver Coastal Health: 4 log (99.99%) reduction of viruses. 3 log (99.9%) reduction of Giardia and Cryptosporidium. 2 or more disinfection/treatment barriers for all surface water systems. Less than 1 NTU of turbidity, with a target of 0.1 NTU. 0 total and fecal coliforms and E. coli.

The long-term boil water advisory has been in effect in the HWD for 23 years due to elevated levels of organics in the surface water source. The community water system is supplied by raw surface water. New water connections may not be considered at this time due to VCH guidelines restricting community planning and development.

## Administration

From 1965 to the early 70s, 29 regional districts were incorporated. It is fair to say that the provincial government's attention over the period of 1979 to 1989 was focused on creating a strong foundation of regional district government. Very little policy attention was paid to improvement districts.

The Ministry of Municipal Affairs and Housing remains committed to the legislation and the Ministry expects both regional districts and improvement districts to engage in

discussions concerning efficient and effective governance for delivery of critical services, such as water, sewer and fire protection to its citizens.

Conversion is the process of bringing the operations of an improvement district into compliance with the *Local Government Act*. Conversion is one way to provide governance and service, and one of the benefits of such a conversion is the ability to request funding under capital infrastructure programs. The policy has resulted in the voluntary dissolution of improvement districts; from the peak of 327 improvement districts to the current number as of October 2018 of 204. Of these improvement districts, 162 operate water systems.

In summary, this review is formed around the following points:

- Water treatment is a concern of some water users
- The approval of the current grant application
- Representation of the ratepayers after conversion

The CCRD has indicated that they are willing and ready to assist and will engage in the conversion process if there is a strong mandate from the ratepayers of Hagensborg.

All the interests in the community must be considered, and it is important to note that:

- A petition does not allow renters to express their opinion
- A referendum gives all residents the opportunity to vote provided they meet the normal requirements (see appendix A for further details on voting)
- The decision of having either a petition or referendum rests with the CCRD in collaboration with the ratepayers and HWD board

## Finance

The current operating and capital budgets were passed on the 11th day of October 2018. The HWD maintains restricted reserve funds for the purposes of water and fire protection and the balance in the fund as at December 31, 2018 was \$1,227,494.

## Operations

The last engineering assessment of the improvement district's capital works was done in August 2018 by Urban Systems. Based on the engineering assessment, a grant

application to the federal and provincial governments to construct and finance improvements to the capital works was passed unanimously by the trustees at that time.

## Asset Management

In 2016 the CCRD undertook an asset management process that considers what they own, the cost to replace what they own and how much money needs to be invested annually to maintain the assets. If the HWD was converted there could be a charge to the ratepayers for the annual monies to be set aside to help replace the system when needed.

## CURRENT ISSUES

### Representation

The electoral area boundary between Areas C and D cuts through the community of Hagensborg and its ratepayers would be represented by two directors on the CCRD Board. This could be a positive or negative factor as Regional District directors may be responsible for a service area that they are not always residing in.

### Administration and Operations

The CCRD and HWD along with other jurisdictions have experienced ongoing difficulty in recruiting and retaining staff and there is value to consolidating services. The duplication of legislative, administrative, financial and operational positions can be reduced through conversion.

### Finance

Future opportunities to access funding for both fire protection funding and additional infrastructure requirements will be available through the CCRD. Improvement districts do not have the same funding opportunities as regional districts.

# CONVERSION

The following include policies that could be adopted by the CCRD which includes what changes would take place in the HWD.

## Representation

A standing committee could be created by the regional board and could be delegated certain responsibilities regarding Hagensborg water. This committee could be comprised of the electoral area director(s) and ratepayers and/or trustees from HWD. See Appendix B Comparison on Committees and Commissions.

## Administration

What will the conversion process look like?

- The process normally takes 6-12 months
- The CCRD Board passes a resolution of their intent to take on the service
- The HWD trustees pass a resolution asking the Province that the improvement district be dissolved
- Conversion is essential for the HWD to access funds to replace failing infrastructure
- The property owners and residents in the improvement district are informed about the governance and financial impacts and have a chance to express their opinion on this matter
- The HWD and the CCRD have reached agreement to all the terms (including identifying the preferred timing of the conversion), and planned for the transfer of assets and liabilities
- The improvement district has discharged all its statutory obligations (audited financial statements, AGM etc.)

From there, here's what could happen:

- There are two options to dissolve the improvement district:

- **Option 1** The regional board can dissolve the improvement district by passing a service area establishment bylaw prior to the Cabinet order which is the same as an Order in Council (OIC). This bylaw not only dissolves the improvement district, but it also transfers responsibility for its services to the regional district. The service area establishment bylaw must receive the assent of the electors either by a petition, alternative approval process, or a referendum. This option is typically used when the construction and financing for a capital project to upgrade the service infrastructure forms part of the conversion proposal.
  - **Option 2** The Cabinet order (OIC) can establish the service under section 45(3)(a) of the *Local Government Act* as the service is “continued” by the regional district after dissolution. If the OIC establishes the service (“continues”), the regional district would then pass a bylaw under section 349 as an amendment with consent (after the OIC). Although that bylaw would be the establish bylaw for the service, it is considered an amendment as the service is already “continued”.
- An Order-in-Council goes to Cabinet for consideration. The Order will identify various key items and an effective date. Subject to the 6-12 month process we recommend it be January 1 of the following year so that it fits neatly with the local government fiscal year
  - Once the Order is signed by the Lieutenant Governor, a copy is sent to the improvement district and the regional district for their records
  - The improvement district wraps up its outstanding business and ensures delivery of the official seal, plus all materials, building keys, etc. prior to the effective date of the Order
  - Once the Order takes effect, the regional district destroys the official seal of the improvement district or returns it to the Ministry for destruction
  - The Regional District would pass a service amending bylaw
  - The contracts for the administrative staff will be transferred to the Regional District at conversion and it is proposed that they will be integrated within the Regional District, or their positions will be terminated with appropriate compensation

## Finance

The Cabinet Order dissolving an improvement district would ensure that reserve funds of the HWD could only be used for the HWD water system and fire protection within the



current boundaries of the HWD. The CCRD will not be able to spend operating funds on any other services than the ones transferred from the improvement district.

## Operations

### Detailed List of Project Works Needed

The proposed works for the Hagensborg community water system may include:

- Construction of necessary replacement of aging infrastructure and a new water treatment plant equipped with filtration equipment, UV and chlorine disinfection systems, and instrumentation/controls equipment
- Connection of the existing emergency backup well to the proposed treatment plant to facilitate potential groundwater supply
- Replacement of a minimum of 7 km of distribution system watermains plus an additional approximately 1.5 km of branch lines that are undersized and deteriorated to the extent that they are the source of significant leakage
- Installation of approximately 30 fire hydrants throughout the distribution system
- Replacement of approximately 150 water service connections including potential installation of water meters

## Fire Protection

*Recommendation: That the HWD Fire Service remain as is until after conversion.*

The CCRD could access their feasibility study funds, which are funds set aside to conduct feasibility assessments for new services. Depending on the scope of work for a study, an adequate report can be created for between \$10,000 - \$20,000. If as a result of the feasibility study, a formal assent occurs and passes, then the feasibility study funds used for the study are replenished by the local service area that is established that benefited from the study. The consultant could provide a sense of the requirements of the Fire Underwriters Survey as well as issues around recruitment, dispatch, equipment and capital.

# IMPACT OF CONVERSION ON ISSUES

## Representation

The standing committee that is established under Section 218(2) of the *Local Government Act* can help to compensate for the loss of autonomy. This is accomplished by providing advice and political support to the electoral area directors on water issues and economic development. This same committee can also be used to facilitate relationship building, cooperation and collaboration.

## Administration

The CCRD is a member of the Municipal Insurance Association of BC (MIABC). MIABC was created in the 1980's at a time when BC's local governments were unable to obtain acceptable liability insurance in the commercial market. MIABC is not an insurance company but is a reciprocal insurance pool owned by the member local governments. The MIABC's insurance rates are generally more comprehensive and less expensive. Therefore, the cost of general liability coverage after conversion is generally reduced by a substantial amount.

## Operations

The removal of the current boil water advisory would begin the process that would allow more development in the community which would enhance the autonomy of Hagensborg.

# PROS AND CONS OF CONVERSION

## Cons

- Change of current autonomy
  - Independence to continue maintenance of water system
- There would be two electoral area directors with possibly opposing views on the CCRD Board representing Hagensborg ratepayers' interest
- Neither of the electoral area directors on the CCRD Board representing Hagensborg may be actual users of the water system or fire protection service

## Pros

- Improved actual autonomy as a community for new land development opportunities
- Availability of capital grants for infrastructure projects
- Access to borrowing through the Municipal Finance Authority
- Access to investment opportunities if funds earmarked for projects are not needed right away
- Improved capacity to deal with the effects of climate change that can cause variability and unpredictability that can impact water supply
- Streamlining the “capacity box” of administrative and operational staff so that there is not a duplication of draining the talent pool available in the valley
- Future funding opportunities for fire protection as the CCRD is one step closer to developing a cohesive and comprehensive fire protection plan in the valley
- Removes the difficulty in getting volunteers to commit to serving as a trustee, because of the time commitment and the increasing complexities of the operation and administration of improvement district services
- Better able to meet higher expectations of residents for the level of services
- Elimination of conflict with other local government services, such as land-use planning
- Elimination of criticisms by residents regarding accountability of trustees
- No liability concerns particularly with respect to water supply and quality issues
- Better able to deal with increasing costs of complying with enhanced provincial regulations and standards particularly in terms of the *Drinking Water Protection Act*
- Potential increase in property values due to potable water

See Appendix C for a comparison of improvement districts and regional districts

## Impact of Conversion on Water Issues (for review purposes only)

	HWD As Is		HWD Without Grant		CCRD With Grant	
				Est. annual average fee		Est. annual average fee
<b>REVENUE</b>						
Tolls & Parcel Taxes Average based on 224 properties	\$118,384	\$275 Base \$125 Tax	\$318,500	1,425	\$96,500	\$430
<b>EXPENSES</b>						
Administration	\$ 18,001		\$30,000		\$15,000	
Treatment (inc) Payroll			20,000		35,000	
Maintenance Misc. legal, ins	12,410		7,500 10,000		7,500 5,000	
Other exp Prof Fees	14,588		4,000		4,000	
Utilities	4,175					
Asset Replacement/ Amortization	15,917		30,000		30,000	
Debt Payment			217,000			
Total Expenditures	65,091					
Surplus end of year	53,293					
	<b>\$118,384</b>		<b>\$318,500</b>		<b>\$96,500</b>	

Notes:

1. For comparative purposes Bella Coola Townsite rates are \$216\* residential, \$898\* commercial.  
\*We have not reviewed the CCRD 2019 budget but understand that these rates do not include a contribution to the Asset Replacement Fund.
2. The Urban Systems Report-2017 Asset Management Plan for capital asset of comparable value is \$75,000. \$30,000 is included in this review.
3. These figures relate to water service only; An explanation of the impact on fire is shown on the next table "Impact of Conversion on Fire Issues"
4. If the HWD decided to borrow the amount of the grant at a financial institution and repay it with a 30-year mortgage with current prime @ 3.95% the annual cost would be approximately \$217,000. For comparison purposes the MFA current rate at @ 2.39% would require an annual payment of \$172,000. The annual extra payment for the HWD to borrow the same amount would be \$45,000. Over thirty years this would amount to an additional burden on the HWD ratepayers of \$1,350,00. A \$200 per year increase is expected if borrowing money as an improvement district.

## Impact of Conversion on Fire Issues (for review purposes only)

<b>REVENUE</b>		
Property tax on 224 properties	98,240	\$2.41/\$1,000 on a \$136k residence =\$328 property tax (2017 tax notice)
Misc. Rev and Interest	29,209	
Total Revenue	127,449	
<b>EXPENSES</b>		
Payroll Admin	13,370	
Repairs and Mtnce	3,771	
Hydrants Utilities Other expenses i.e. insurance, hydro, fees, suppliers etc	8,108 26,515	
2. Asset Replacement/Depreciation	1,768	
Surplus End of Year	73,917	
3. Debt Payment		
<b>TOTAL</b>	<b>\$127,449</b>	

### Notes:

Currently there is 50/50 split between the revenue allocated from water delivery fees and fire protection taxes. If this “principle” were continued after conversion the impact of fire protection revenue that is presently collected through the BC Assessment Authority and Surveyor of Taxes would be somewhat identical to the impact on water charges.

No change to the actual fire protection infrastructure and equipment is contemplated in this review. The impact of conversion for fire protection services would be appropriately done after conversion and once the new water system is developed. The logic is that adequate water supply and flow is needed for fire protection. Also, without significant grant monies, tax levies will increase dramatically to pay for the recommendations in a feasibility study.

# Appendices



**Appendix A**  
**Comparison on Committees and Commissions**  
**CCRD Service Delivery and Governance Study Final Report, 2017**

Type	Role/Power	Membership	Elected or Appointed?	How Created	CCRD Example	LGA
Advisory Committee	<ul style="list-style-type: none"> <li>Advisory role only</li> <li>No delegated power</li> </ul>	Elected or non-elected officials	Appointed	Approved by Board	Economic Development Advisory Committee	
Standing Committee	<ul style="list-style-type: none"> <li>Generally deals with broad topics</li> <li>Can be delegated authority for decision-making</li> </ul>	Elected or non-elected officials, provided that at least one member is a regional director	Appointed	Approved by Board chair. Delegation of any board authority may only be done by bylaw adopted by at least 2/3 of votes cast.	n/a	Section 218 (2)
Commission	<ul style="list-style-type: none"> <li>Can be advisory, but generally delegated authority for operation of services</li> </ul>	Elected or non-elected officials	Appointed	Approved by Board. Delegation of any board authority may only be done by bylaw adopted by at least 2/3 of votes cast.	Denny Island Recreation Commission, Centennial Pool Commission, Airport Commission	Section 263
Local Community Commission	<ul style="list-style-type: none"> <li>Delegated responsibilities and powers through delegation bylaw.</li> <li>Can operate or administer services, or can have purely advisory role</li> </ul>	4 elected commissioners plus electoral area director	Elected	Bylaw must be approved by referendum (residents within the LCC area). Delegation of authority may only be through a bylaw adopted by at least 2/3 of the votes cast.	n/a	Sections 243 – 245

## Appendix B

FEATURE	REGIONAL DISTRICT SERVICE AREA	IMPROVEMENT DISTRICT
<b>Implementation</b>	<ul style="list-style-type: none"> <li>• created by regional district bylaw</li> <li>• consent of electoral area director required or assent of voters</li> <li>• Inspector of Municipalities approves most establishment bylaws</li> </ul>	<ul style="list-style-type: none"> <li>• Lieutenant Governor in Council relatively unfettered in incorporating, expanding or dissolving improvement districts</li> <li>• Letters Patent are the incorporating document</li> <li>• petition of residents normally required</li> </ul>
<b>Representation</b>	<ul style="list-style-type: none"> <li>• represented on the Regional Board by the electoral area director</li> <li>• the Board may delegate administrative responsibility to a local management committee with appointed members</li> </ul>	<ul style="list-style-type: none"> <li>• represented by chair and two or more trustees</li> <li>• terms are for 3 years but are staggered so one or more members are elected in each year</li> </ul>
<b>Service Responsibilities</b>	<ul style="list-style-type: none"> <li>• no mandatory services</li> <li>• services are established by the Regional Board at the request of the residents</li> </ul>	<ul style="list-style-type: none"> <li>• no mandatory services</li> <li>• smaller range of permissive services than municipalities</li> <li>• services are established by Cabinet</li> </ul>
<b>Administration of Services</b>	<ul style="list-style-type: none"> <li>• services administered by the Regional Board or delegated to a local management committee or commission</li> <li>• regional district staff required as necessary to facilitate administration and operation of services</li> </ul>	<ul style="list-style-type: none"> <li>• services administered by the trustees</li> <li>• Secretary required and other staff as necessary to facilitate administration and operation of services</li> </ul>
<b>Fiscal Capacity</b>	<ul style="list-style-type: none"> <li>• access through the regional district to conditional local government grants only</li> <li>• province levies and collects taxes on behalf of the regional district</li> <li>• residents pay provincial rural services levy</li> <li>• cannot vary burden of taxes among different classes of assessment</li> <li>• any residual Home Owner Grant can be applied against taxes levied for local services</li> </ul>	<ul style="list-style-type: none"> <li>• no access to conditional or unconditional local government grants</li> <li>• property taxes levied and collected by the improvement district except for street lighting and fire protection services which are levied and collected by the Provincial Surveyor of Taxes</li> <li>• residents pay provincial rural services levy</li> <li>• any residual Home Owner Grant can be applied against taxes levied for fire protection or street lighting services only</li> <li>• trustees can determine classes of</li> </ul>

		assessment and the burden of taxes accordingly
<b>Financing of Capital Works</b>	<ul style="list-style-type: none"> <li>• short and long term borrowing is available through the Municipal Finance Authority</li> </ul>	<ul style="list-style-type: none"> <li>• fire protection and street lighting financed through Provincial Surveyor of Taxes</li> <li>• all other services financed through the Ministry of Finance</li> </ul>
<b>Community Planning Implications</b>	<ul style="list-style-type: none"> <li>• Regional Board responsible for planning with input from the Advisory Planning Commission if one is established</li> <li>• co-ordination of planning with local management committee if one is established, or between regional district departments</li> </ul>	<ul style="list-style-type: none"> <li>• community planning rests with Regional Board even though improvement districts provide services with planning implications</li> </ul>
<b>Provincial Supervision</b>	<ul style="list-style-type: none"> <li>• procedural rules and safeguards are explicit in legislation</li> <li>• supervision is limited to boundaries, borrowing and legality</li> </ul>	<ul style="list-style-type: none"> <li>• procedural rules and safeguards are not always explicit in legislation</li> <li>• supervision is extensive</li> <li>• bylaws are registered with the Inspector of Municipalities</li> </ul>
<b>General</b>	<ul style="list-style-type: none"> <li>• appointed members</li> <li>• the Board may delegate administrative and operational responsibility to a local management committee or commission</li> <li>• board can decide which services will be subject to delegation</li> <li>• board can determine the extent of delegation ranging from full operational and administrative decision making or advisory powers only</li> <li>• board can not delegate law making powers</li> </ul>	<ul style="list-style-type: none"> <li>• elected commissioners</li> <li>• approval by voters</li> <li>• board can determine the extent of delegation ranging from full operational and administrative decision making or advisory powers only</li> <li>• board can not delegate law making powers</li> </ul>
<b>Representation</b>	<ul style="list-style-type: none"> <li>• commission or committee may include the electoral area director or not</li> <li>• standing committee requires that at least one member be a board director</li> <li>• commission or committee represented on the Regional Board by the electoral area director</li> </ul>	<ul style="list-style-type: none"> <li>• four members elected from the community plus the electoral area director form the commission</li> <li>• commissioners can be elected annually or triennially</li> </ul>
<b>Implementation</b>	<ul style="list-style-type: none"> <li>• created by regional district delegation bylaw</li> <li>• no consent of electoral area director or assent of voters</li> </ul>	<ul style="list-style-type: none"> <li>• created by regional district bylaw</li> <li>• approval of the electors required</li> </ul>

	required	
<b>Administration of Services</b>	<ul style="list-style-type: none"> <li>• regional district staff required as necessary to facilitate administration and operation of services</li> </ul>	<ul style="list-style-type: none"> <li>• regional district staff required as necessary to facilitate administration and operation of services</li> </ul>
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