

**DATE:** March 5, 2020

**FILE:** 5600-20/Watutco

**TO:** Chair and Directors  
Black Creek - Oyster Bay Services Committee

**FROM:** Russell Dyson  
Chief Administrative Officer

Supported by Russell Dyson  
Chief Administrative Officer

***R. Dyson***

**RE:** Watutco Water System – Comox Valley Regional District Connection Cost Options

### **Purpose**

To receive approval on the proposed financing strategy for the Comox Valley Regional District's (CVRD) Watutco Water System servicing option (connection to the Black Creek - Oyster Bay (BCOB) Water Local Service Area (WLSA)) ahead of the public assent process to provide clarity and certainty to residents in regards to costs.

### **Recommendations from the Chief Administrative Officer:**

1. THAT staff bring forward an amendment to Bylaw No. 2462 being "Black Creek - Oyster Bay Water Local Service Area Capital Improvement Charge Bylaw No. 2462, 2002" to provide for an annual utility billing to spreading out the applicable Capital Improvement Charges for those properties serviced by the Watutco Water System and within the proposed extension of the Black Creek - Oyster Bay Water Service, as outlined in the staff report dated March 5, 2020.
2. THAT subject to a successful petition process for the extension of the Black Creek - Oyster Bay Water Service to include those properties currently serviced by the Watutco Water System, the Board allocate up to \$451,000 of Electoral Area C Community Works Funds for system modifications and installation of water meters.
3. THAT up to \$10,000 of Electoral Area 'C' feasibility study funds, function 153, be allocated for completion of the electoral assent process and associated costs related to the Black Creek –Oyster Bay water local service area boundary expansion for connection of the Watutco Water System.

### **Executive Summary**

At the November 19, 2019 BCOB Services Committee meeting a recommendation was approved to complete a petition process for the extension of the BCOB WLSA to encompass the Watutco Water System, wherein Watutco provides raw water to BCOB. The estimated conversion cost per connection for Watutco residents is \$10,720, this includes system modifications, water meters and Capital Improvement Cost Charges (CICC).

Integral to the upcoming public consultation process is how these costs will be recovered from residents. The BCOB CICC bylaw is currently written that each property is required to pay \$6,058 upfront prior to connection to the BCOB Water System. To provide a financially feasible option for residents and in recognition of the public health interests, staff are recommending the following:

1. Allow CICC's to be recovered through an annual utility bill over the next 10 years for the Watutco area only.
2. Utilize Community Works Funds (CWF) for the system modification costs for a total CWF contribution of \$451,000. The current uncommitted CWFs for Electoral Area C are \$1,858,940.

The Watutco water system currently has \$155,000 in reserves, the proposed allocation for CWFs is to cover the remainder of the system modifications costs so that no borrowing and subsequent parcel tax is required for capital upgrades. Should the BCOB Services Committee approve the recommendations within the staff report, the annual costs for Watutco residents associated with conversion to the CVRD system will be as summarized in Table No. 1.

**Table No. 1: Estimated Annual Costs Associated with CVRD Option for Watutco Users**

Component	Cost
Total Capital Costs for System Modifications	\$606,000
Less Community Works Funds	\$(451,000)
Less Watutco Reserves	\$(155,000)
<b>Annual Capital Cost Per Connection</b>	<b>\$0</b>
Capital Improvement Cost Charges (\$6,058 x 130 connections)	\$787,540
<b>Annual Utility Bill for CICC's to be Paid Back over 10 Years</b>	<b>\$606</b>
<b>Annual User Rates*</b>	<b>\$488</b>
<b>Annual Frontage Tax**</b>	<b>\$146</b>
<b>Total Annual Cost/Connection for Water for Next 10 Years</b>	<b>\$1,240</b>

\* Watutco residential users will be charged a flat rate of \$488 per year until installation of water meters is complete, which is in line with what the average residential BCOB user currently pays for water. Following installation of meters residents will pay based on usage.

\*\*The current BCOB frontage tax is \$1.24 per foot of taxable frontage, the average BCOB user pays \$146 per year in frontage tax.

Electoral Area C feasibility funds are being proposed to be utilized to cover the costs associated with the petition process for conversion of Watutco. Should conversion of Watutco be successful, the funds will be repaid to the feasibility study fund. Should the BCOB Services Committee approve the recommendations above, timing for the petition process is proposed below:

- April 2020: Open house for residents, providing cost per connection information and discussion on assent process.
- May 2020: Complete the public assent process by way of petition, staff would compile the list of property owners and mail a petition form to the affected property owners. It is proposed that a one-month opportunity be provided to property owners to respond following distribution of the notice and petition form. A report would be provided to the BCOB Services Committee confirming the results of the petition process.

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**Government Partners and Stakeholder Distribution (Upon Agenda Publication)**

Watutco Enterprises Ltd.	✓
Strathcona Regional District	✓