

DATE: February 1, 2018

FILE: 5600-20/Denman Island

TO: Chair and Directors
Electoral Areas Services Committee

FROM: Russell Dyson
Chief Administrative Officer

Supported by Russell Dyson
Chief Administrative Officer

R. Dyson

RE: Denman Island Water Local Service Area- Conversion Study and Water Treatment Options Study

Purpose

The purpose of this report is to obtain approval for the allocation of feasibility study and Community Works Funds to complete two different studies being:

1. A comparative study assessing governance options and associated costs related to possible conversion of the Graham Lake Improvement District (GLID) to a Comox Valley Regional District (CVRD) service.
2. A water treatment options study to assess potential water treatment options to comply with the *Surface Water Treatment Objectives (SWTOs)*.

Recommendations from the Chief Administrative Officer:

1. THAT up to \$10,000 of Baynes Sound – Denman/Hornby Islands (Electoral Area A) feasibility study funds, function 154, be allocated for the completion of a comparative study to assess governance options and associated costs related to conversion of the Graham Lake Improvement District to a Comox Valley Regional District service.

AND FINALLY THAT an application be made to the Ministry of Municipal Affairs and Housing for restructure implementation grant in the amount of \$10,000 to help fund the conversion process.

2. THAT the remaining \$6,600 of Baynes Sound – Denman/Hornby Islands (Electoral Area A) Community Works Funds allocated for the Denman Island THM Resolution project be reallocated to the Denman Island Water Master Plan project.

AND FINALLY THAT \$11,000 of Baynes Sound – Denman/Hornby Islands (Electoral Area A) Community Works Funds be allocated towards the Comox Valley Regional District's share of the Denman Island Water Master Plan being undertaken by the Graham Lake Improvement District to select a water treatment solution to comply with the *Surface Water Treatment Objectives*.

Executive Summary

The CVRD and GLID have worked closely together in administering capital projects and more recently, operations of the GLID and Denman Island water local service area (DIWLSA) systems. In January 2018 the CVRD formally received a request from the GLID requesting that the CVRD review possible options available for conversion of GLID to a CVRD service. Amalgamation of the two systems into a single system will provide the following benefits:

- Improved operations and increased efficiencies as the two systems will be operated as a single system.

- Increased opportunities for grant funding for upcoming capital projects required to meet the SWTOs.

Before these negotiations can proceed, more information is needed. Approval is required to finance a study to assess the governance options and associated costs for conversion of the GLID system to a CVRD local service area.

In parallel with the conversion study, upgrades to the water treatment system are required to meet provincial regulations. The water treatment options study will be cost shared between the GLID and CVRD, with the CVRD’s portion being funded from Community Works Funds (CWFs). A portion of the CWFs have been reallocated from the chloramination project, the options study will be completed in 2018.

Prepared by:

Z. Berkey

Zoe Berkey, EIT
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Concurrence:

K. La Rose

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Stakeholder Distribution (Upon Agenda Publication)

Graham Lake Improvement District	✓
Ministry of Municipal Affairs and Housing	✓

Background/Current Situation

The CVRD owns and operates the DIWLSA. Water for the system is supplied to DIWLSA residents from the GLID (see Appendix A for a map of the two systems). Supply of water is governed by a water service agreement between GLID and the CVRD. Significant work and cooperation between each party has been required to ensure viability and sustainability of the two independent services. This work includes:

- Collaboration on treatment upgrades at the GLID’s water treatment building to install the chloramination station.
- Completion of a revised water service agreement wherein the GLID manages day-to-day operations of the DIWLSA system to help improve CVRD operations challenges to significantly reduce CVRD overhead and ensure long-term viability and sustainability of DIWLSA.

The ongoing independent operation of the two systems remains an unfeasible option for the long-term. Both the CVRD and GLID have identified that amalgamation of the two systems into a single system potentially provides the most cost-effective solution for the operations and sustainability of these two services in the long term. As such in January 2018, the CVRD received a letter from GLID formally requesting that the CVRD look into conversion of the system (letter attached as Appendix B).

The first step is a feasibility study that will include an assessment of the current system and a comparative analysis of governance options and costs for GLID, including remaining as a separate entity, and several options available for joining the CVRD. The finished study will be presented to the CVRD and GLID users, and some form of public support will be required for the conversion to proceed.

Moving forward in parallel with the possible conversion process, completion of a water treatment options study to determine the best treatment method for the water system to comply with the provincial *SWTOs* is also required.

The chloramination project was placed on hold in 2017 following notification from Island Health that the system will be required to meet the *SWTOs*. The balance of CWF previously allocated to the chloramination project were reallocated to assist GLID in the completion of an engineering study to determine treatment technologies and costs for the GLID system to comply with changing regulations. The study will be cost shared between the CVRD and GLID and an additional \$11,000 of CWFs are required (for a total not to exceed \$25,000) to help fund the study. The actual split of costs between GLID and DIWLSA will be determined as negotiations with GLID proceed. The options study will be completed in 2018.

In addition to improving operational efficiencies, amalgamation of the two systems into a single system will help to provide increased opportunities for grant funding for the capital requirements to meet the *SWTOs*. The CVRD will be working with GLID to complete the engineering study in time to support an application to the next phase of infrastructure funding expected in late 2018.

Policy Analysis

Local Government Act (RSBC 2015 c. 1) section 800 (2) (c) provides the authority to undertake feasibility studies in relation to proposed services. Feasibility studies services were established for Baynes Sound – Denman/Hornby Islands (Electoral Area A), Lazo North (Electoral Area B), and Puntledge-Black Creek (Electoral Area C) on October 30, 2000.

Options

The Electoral Areas Services Committee has the following options:

1. Utilize \$10,000 of feasibility studies-Electoral Area A funds to evaluate the GLID system and apply for a restructure implementation grant. Commit an additional \$11,000 of CWFs to help cost share the water treatment options study to evaluate water system upgrades required to meet the *SWTOs*.
2. Commit an additional \$11,000 of CWFs to help cost share the water treatment options study but do not support funding of a study to assess the viability of converting the GLID to a regional service.
3. Not proceed with further consideration of the GLID's conversion request to the CVRD or the water treatment options study.

The operation of GLID and DIWLSA as independent services is not a sustainable long term solution. GLID currently manages the day-to-day operations of the DIWLSA to reduce CVRD overhead. To better understand what efficiencies, if any, can be gained by amalgamating these two services completion of a feasibility study is required. In addition, the system requires upgrades to meet the *SWTOs*. Completion of a water treatment options study is necessary to determine options for the systems moving forward to comply with the *SWTOs*. As such only option No.1 above is recommended.

Financial Factors

Up to \$10,000 is required to finance an engineering feasibility study. Should the assessment show that there is a benefit to both systems in amalgamating into a single system and a successful transfer of ownership is obtained, the funds will be repaid to the feasibility study fund. There is currently \$17,000 available and unallocated within Electoral Area A feasibility study funds, function 154.

Additionally the water treatment options study will be cost shared with GLID with the CVRD's portion being funded from CWFs. \$14,000 of the CWFs are reallocated from the uncompleted commissioning of the chloramination project and an additional \$11,000 of CWFs are required.

Legal Factors

The Provincial Government's "Improvement District Conversion Guide" (link: http://www.cscd.gov.bc.ca/lgd/gov_structure/library/improvement_district_conversion_guide.pdf) describes the process followed for improvement district conversion. Fundamentally, a feasibility study will describe the current infrastructure condition, required or recommended improvements, financial status and any other operational consideration so that the improvement district and regional district and affected public members have a clear understanding of the options available. In this case, should GLID opt to convert to a CVRD service, a follow-up action item could be to merge the DIWLSA service with the newly converted Graham Lake service.

Regional Growth Strategy Implications

An objective of the Regional Growth Strategy is to provide affordable, effective and efficient infrastructure. Completion of a feasibility and water treatment study will provide useful information moving forward on the potential efficiencies of joining the two systems into a single service area and the water treatment requirements of the system.

Intergovernmental Factors

Conversion of the GLID to a CVRD service will require some form of public support. This might be elector assent/ approval or it might be evidence of public engagement, awareness and support for the conversion, including awareness of cost impacts.

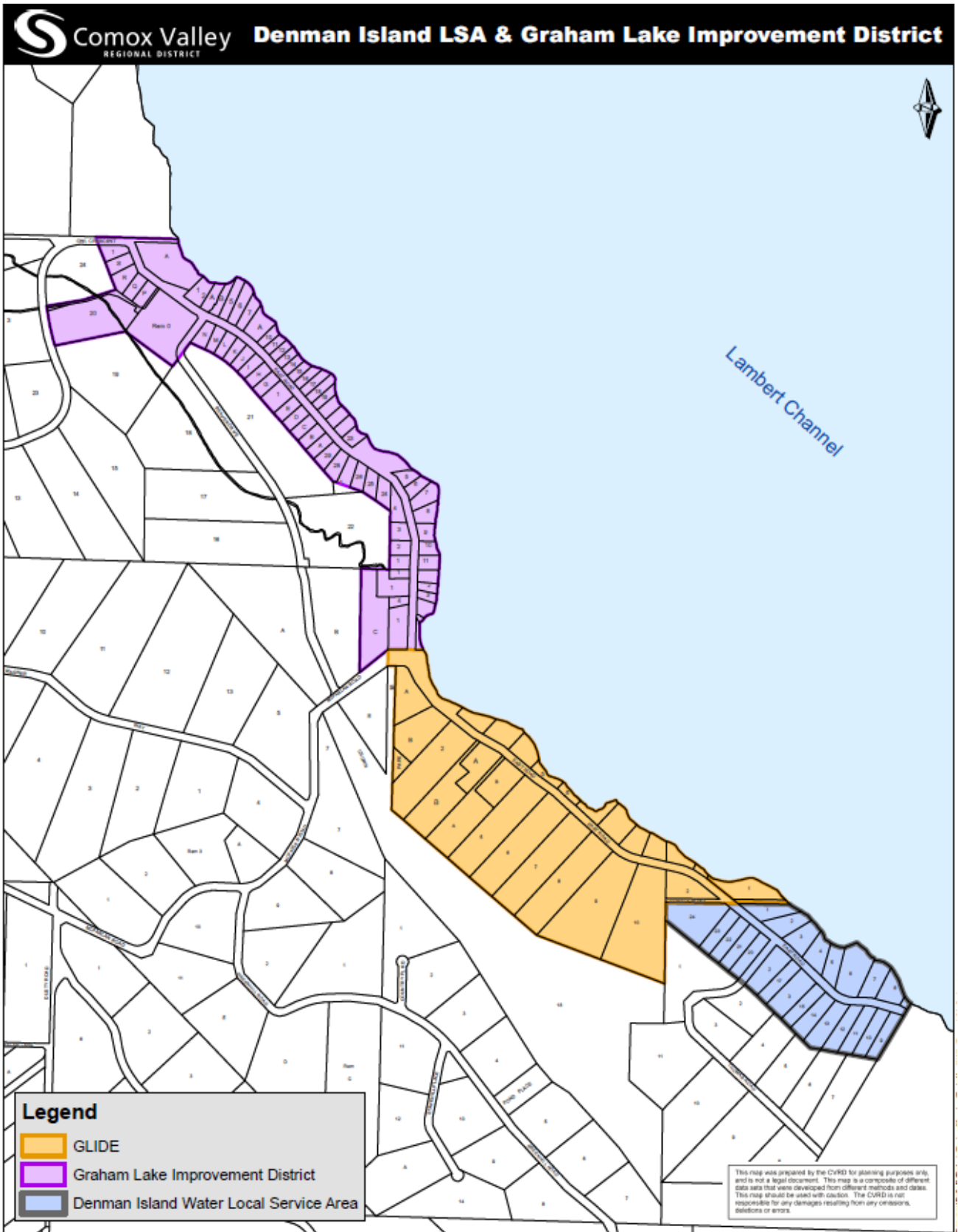
Interdepartmental Involvement

The Engineering Services Branch is leading the work outlined in this report. Assistance from Legislative Services has been received in preparation of the staff report and identification and support for potential grant funding opportunities. Legislative Services will provide assistance moving forward in regards to the conversion process and legislative requirements.

Citizen/Public Relations

The feasibility study will provide the CVRD and GLID with crucial information regarding the GLID and DIWLSA systems, and options for moving forward towards a sustainable future for both systems, together or apart. The report will include a detailed assessment and comparison of costs and risks for each of the options, and these will be communicated to the residents at a public event during summer 2018.

Attachments: Appendix A – "Map of DIWLSA and GLID System"
Appendix B – "Letter from GLID requesting CVRD to take over system"



Jenna Boguski

From: Kris La Rose
Sent: January-24-18 11:07 AM
To: Jenna Boguski
Subject: FW: GLID Governance Options

Follow Up Flag: Follow up
Flag Status: Flagged

Hi Jenna, please mirage this email and forward link to James W.

Thanks,

Kristian La Rose, P.Eng.

Senior manager of water/wastewater services
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From: Simon Palmer [mailto:simonpalmer3720@gmail.com]
Sent: Friday, January 19, 2018 3:31 PM
To: Russell Dyson <rdyson@comoxvalleyrd.ca>
Cc: bjolliffe <bjolliffe@comoxvalleyrd.ca>; James Warren <jwarren@comoxvalleyrd.ca>; Marc Rutten <mrutten@comoxvalleyrd.ca>; Kris La Rose <klarose@comoxvalleyrd.ca>; SimonPalmer <SimonPalmer3720@gmail.com>
Subject: GLID Governance Options

Russell,

Trustees passed the following Motion at their meeting yesterday

“ Moved that CVRD be asked to explore new forms of governance for GLID, including the creation of a Commission”

I would recommend that whoever does the study should be sensitive to the GLID members' 40 years of 'self-rule' of their water source, treatment etc; that though the possibility of having access to grants is an incentive, GLID members know as well as anyone that getting them is not guaranteed. Bottom line, they will instinctively be somewhat negative about ceding control over their future.

I am ready to provide more input as CVRD thinking on options develops.

Best - Simon