

DATE: April 3, 2018**FILE:** 5600-03**TO:** Chair and Directors
Electoral Areas Services Committee**FROM:** Russell Dyson
Chief Administrative OfficerSupported by Russell Dyson
Chief Administrative Officer*R. Dyson***RE: Comox Valley Water Distribution Services Merger****Purpose**

To describe the method and required legislative components for expanding the Comox Valley water local service area to include the five other local service areas being Sandwick, Greaves, Arden, England and Marsden/Camco.

Recommendation from the Chief Administrative Officer:

THAT the greater Comox Valley water local service area (function 305) expansion / merger to include the five other local service areas being Sandwick (306), Greaves (309), Arden (311), England (314) and Marsden/Camco (317) be implemented by:

- Applying all capital and operational activities for the Comox Valley water distribution services under the greater Comox Valley water distribution service effective January 1, 2019;
- Adopting a policy to equalize reserve funds in each distribution service by December 31, 2023;
- Transferring or utilizing equalized reserve funds for the greater Comox Valley service on a per connection basis (based on the connections for each service on January 1, 2018);
- Repealing original service establishment bylaws for Sandwick (306), Greaves (309), Arden (311), England (314) and Marsden/Camco (317) when the associated debt for each service is retired and / or reserve funds are equalized for the greater Comox Valley water service;
- Updating or adopting parcel tax bylaws to facilitate the equalized reserve fund contributions and implementing a parcel tax for 'fixed costs' associated with delivering potable water; and
- Communicating the change in service configuration and financial impact associated with the reserve fund equalization and revenue generation for operating the service in summer and fall 2018.

AND FURTHER THAT the bylaws and policies described in Appendix A to the staff report dated April 3, 2018 be forwarded to the Comox Valley Regional District Board for implementation.

Executive Summary

The Comox Valley Regional District (CVRD) Board of Directors resolved to merge the six water distribution services that are supplied water through the Comox Valley Water Supply System for January 1, 2019. This report describes the required changes to CVRD bylaws and policies to enable the merger. Appendix A provides further detail on the services, reserve funds, parcel taxes, operations and bylaw/policy updates related to this project and Appendix B illustrates the process. Specific outcomes to be realized by this project and principles associated with the change include:

- One distribution service for rural areas supplied by the supply service creates equity and fairness to all taxpayers and reduces administrative burden for managing multiple services.
- An equalized reserve fund program will ensure all current services are contributing to future capital works for the proposed greater service in a fair and equitable manner.
- Property owners will be informed about the change in service configuration and financial impact prior to the changes taking effect.

Should the Electoral Areas Services Committee and Board approve the recommendation in this report, bylaws and policies will be introduced for consideration. Alternatively, the committee can direct staff to review alternative approaches to the service merger concept or not proceed with the merger at this time.

Prepared by:

Concurrence:

Concurrence:

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Stakeholder Distribution (Upon Agenda Publication)

None.	
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- Attachments: Appendix A – “Comox Valley Water Distribution Service Configuration and Financial Impacts”
 Appendix B – “Graphic Illustrating Comox Valley Water Distribution Service Merger Process”

Appendix A

“Comox Valley Water Distribution Service Configuration and Financial Impacts”

The Comox Valley Water Distribution Service Merger Project has many components, legislative updates and operational impacts. From a public perspective, the key impacts relate to changes in parcel tax rates and revenue to be collected. An information sheet / newsletter will be prepared that itemizes the changes and distributed over the summer and fall 2018, should the CVRD proceed with the merger. The information in this appendix provides background details and illustrates some of the components associated with the merger.

Service Area

- The Comox Valley Water Distribution Service (function 305) will be expanded to include the other five service areas, being Sandwick (306), Greaves Crescent (309), Arden (311), England (314) and Marsden/Camco (317) effective January 1, 2019. The expanded service will continue as function 305 and will be named the Greater Comox Valley Water Distribution Service.
- Beginning January 1, 2019, all utility bill payments, a universal parcel tax related to fixed costs, operations, and capital works associated with the Greater Comox Valley Water Distribution Service will occur and be planned for under function 305.
- The maximum requisition for the expanded function 305 will be \$167,500 (the total of the existing services including a 25 per cent contingency increase to ensure the ‘fixed costs’ are accounted).
- The current distribution services will continue to exist until such time as debt is retired (in England) and / or reserve funds are balanced on a dollars per connection basis and transferred out to the new 305 service (following ‘equalization contributions’).

Reserve funds

- Given the principle that funds in the existing reserve accounts should be used specifically for those who contributed to the fund, a policy statement will be required to bring all reserve funds to a ‘per connection’ equitable level and that equalization is to be achieved over five years
- The following table shows connections, current reserves and projected annual parcel tax (for next five years) for each original service to achieve equalization

Water LSA	Connections	Capital Works Reserve	Future Expenditure Reserve	Capital Development Charges Reserve	Total per Connection (All Reserves)	Target per Connection (All reserves)	Annual Equalization Rate (2019 - 2023)	Proposed rate for Administrative Ease
Comox Valley	1366	\$2,169,254	\$144,929	n/a	\$1,694.13	\$1,700	\$1	\$0
Sandwick	424	\$128,029	\$50,484	\$10,552	\$445.91	\$1,700	\$251	\$251
Greaves Crescent	28	\$41,993	\$1,000	n/a	\$1,535.46	\$1,700	\$33	\$33
Arden Road	228	\$419,092	\$62,986	n/a	\$2,114.38	\$1,700	(\$83)	\$0
England Road	26	\$28,860	n/a	n/a	\$1,110.00	\$1,700	\$118	\$118
Marsden / Camco	88	\$153,204	\$35,905	n/a	\$2,148.97	\$1,700	(\$90)	\$0

Note: All reserve fund balances are estimates as at December 31st, 2018 based on 2018 - 2022 recommended financial plan.

Note: All reserves will target a per connection value of \$1700. For the existing Comox Valley, Arden and Marsden/Camco services, no equalization rate is required. Equalization principle will address current inequity for Arden and Marsden/Camco services.

- A new reserve fund is to be created for the Greater Comox Valley Service (305) effective January 1, 2019 for ‘fixed costs’. The rate is to be determined and will incorporate affordability and sustainability principles.

Parcel Taxes

- Currently in place for
 - debt payment in 314 (England).
 - ‘fixed costs’ in 305 (Comox Valley) and 317 (Marsden/Camco) – based on a ‘per foot’ charge.
- Proposed to be effective on January 1, 2019
 - Continue with debt payment in 314 (England) until 2020 when debt is retired.
 - Repeal ‘per foot’ frontage in 305 and 317.
 - Adopt new parcel tax for 305 (greater Comox Valley) for ‘fixed costs’ – The rate is to be determined and will incorporate affordability and sustainability principles.
 - Adopt new equalization parcel tax for Sandwick, Greaves and England Road services – includes amending Sandwick parcel tax to reduce from \$2000 charge in 2018 to the ‘equalization rate’ for 2019 and subsequent four years (see table above under reserve funds heading).

Policy Updates

- Thorough review of any policies that relate to current services 305 (Comox Valley), 306 (Sandwick), 309 (Greaves Crescent), 311 (Arden), 314 (England) and 317 (Marsden/Camco). Updates will be recommended to the Electoral Areas Services Committee as required.
- Adopt new policy on reserve funds for original services:
 - To bring all reserve funds to a ‘per connection’ equitable level and that equalization is to be achieved over five years.
 - Include commentary that allows reserve funds to be spent before equalization achieved if situation develops where dollars are required; if that happens, then a reset is required to achieve equalization over an updated time frame rather than spending the reserves, the policy could allow the transfer of the reserve to the new larger 305 service so that the reserves can be spent from that service. The transfer would only take place once the balancing had occurred.
 - Commitment to spend funds from original reserves on a ‘per connection’ basis (as determined at January 1, 2018 and shown in table above).

Bylaw Changes

- Service bylaws:
 - Amend bylaw 1886 to expand 305 to include 305 (Comox Valley), 306 (Sandwick), 309 (Greaves Crescent), 311 (Arden), 314 (England) and 317 (Marsden/Camco).
 - Repeal original service establishment bylaws for 306 (Sandwick), 309 (Greaves Crescent), 311 (Arden), 314 (England) and 317 (Marsden/Camco) when debt retired and / or reserve funds spent.
 - Amend bylaw 1783 to reflect greater Comox Valley service (requires Comox Valley Water Committee support – this report and concept would be presented to committee following EASC and Board support).
- Reserve fund bylaws:
 - Establish new reserve fund for expanded 305 ‘fixed costs’.
- Parcel tax bylaws:
 - New parcel tax bylaw for expanded 305 ‘fixed costs’, includes repeal of existing parcel tax bylaw for function 305 (Bylaw No. 2337).
 - Amend parcel tax bylaw for Sandwick to reduce \$2000 charge in 2018 to equalization rate in 2019.
 - Repeal Marsden/Camco parcel tax bylaw.
 - Adopt new parcel tax bylaws for Greaves and England Road to set equalization rate

Appendix B
“Graphic Illustrating Comox Valley Water Distribution Service Merger Process”

