

DATE: November 14, 2019

TO: Chair and Director
Black Creek/ Oyster Bay Services Committee

FROM: Russell Dyson
Chief Administrative Officer

FILE: 5600-01/BCOB

Supported by Russell Dyson
Chief Administrative Officer

R. DYSON

RE: Watutco Water System Servicing Decision and Path Forward

Purpose

To provide the recommended Comox Valley Regional District (CVRD) servicing option for the Watutco Water System and the proposed path forward.

Recommendations from the Chief Administrative Officer

THAT staff be directed to proceed with a petition process for those property owners within Puntledge – Black Creek Electoral Area C that fall within the proposed extension of the Black Creek – Oyster Bay Water Service as outlined on Appendix A attached to the staff report dated November 14, 2019;

AND FURTHER THAT if sufficient and valid petition is received pursuant to the Local Government Act and the Regional District Establishing Bylaw Approval Exemption Regulation, staff be directed to bring forward an amendment to Bylaw No. 1557 being “Black Creek and Oyster Bay Water Local Service Area Conversion and Establishment Bylaw No. 1557, 1993” to advance the boundary extension proposal;

AND FURTHER THAT subject to sufficient and valid petition being received, the Directors for Electoral Area C and D, being the service participants, consent to the amendment of Bylaw No. 1557 being “Black Creek and Oyster Bay Water Local Service Area Conversion and Establishment Bylaw No. 1557, 1993” in writing;

AND FINALLY THAT as part of completion of the above processes staff apply for transfer of water licenses from the Watutco Water System to the Black Creek / Oyster Bay Water Local Service Area.

Executive Summary

In December 2015, the owner of the Watutco Water System submitted a letter formally requesting to enter into negotiations with the CVRD to take over their private system, including the three water licenses held by Pacific Playgrounds.

Based on the owners request a feasibility and governance study was completed and presented to the Black Creek-Oyster Bay (BCOB) Services Committee in April 2019. The preferred servicing option for Watutco is for their service to become part of the BCOB Water Local Service Area (WLSA). This solution provides raw water from Watutco’s river infiltration gallery to the existing BCOB system and Watutco becomes connected to the BCOB WLSA.

The above option is contingent upon on the support and accent of Watutco residents, followed by the consent and approval of establishment bylaws by the BCOB services committee.

Including Watutco into the BCOB WLSA provides a number of benefits:

- Improved reliability of the river infiltration gallery for the system. Connecting the two infiltration galleries would help to improve reliability of the system, as the challenge with the CVRD’s current infiltration gallery is that the river is shifting away from the gallery towards Watutco’s.
- Increased license capacity for the service. Watutco is currently not utilizing its entire license capacity, resulting in the excess license capacity being available for BCOB.
- Increased water availability for the system, approximately an additional 22m³/hr would be available for the BCOB WLSA, based on the results of the August 2018 pump test.
- For Watutco to join the BCOB WLSA, each connection would be required to pay the associated Capital Improvement Cost Charge (CICC), the total CICC payable to the BCOB water service is approximately \$800,000.
- As part of jointing the BCOB WLSA, Watutco residents would agree to upgrade their systems to CVRD standards without the imposition of any burden on existing BCOB participants.

Should the BCOB Services Committee approve the recommendations above, the path forward would be as follows:

- December 2019/ January 2020: Open house for residents, providing cost per connection information and discussion on assent process.
- Winter 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.

Prepared by:

Z. Berkey

Zoe Berkey, EIT
Engineering Analyst

Concurrence:

Kris La Rose, P.Eng.
Senior Manager of
Water/Wastewater Services

Concurrence:

M. Rutten

Marc Rutten, P.Eng.
General Manager of
Engineering Services

Stakeholder Distribution (Upon Agenda Publication)

Watutco Enterprises Ltd.	✓
Strathcona Regional District	✓

Background/Current Situation

The Watutco Water System is a privately owned and operated water supply and distribution system supplying water to 128 residential and two commercial properties. Water for the system is supplied by an infiltration gallery and a shallow well located within the Pacific Playgrounds recreation site adjacent to the Oyster River.

Development potential for Watutco is limited primarily to two parcels within the service area, the remainder of the properties are smaller residential lots that are zoned as such. The two properties with the greatest development potential are:

- The Pacific Playgrounds recreation site is zoned Tourist Commercial One (TC-1), which provides for significant density and a variety of uses. The property is currently has a number of cottages and RV's for rent along with a campground and a marina. While the TC-1 zone provides for increased density, a number of other factors may limit development potential such as the floodplain, environmentally sensitive areas, servicing and rainwater management.
- The Saratoga Beach Mobile Home Park, is currently situated on a 24 acre lot that is not fully developed. The property is currently zoned Residential Two, but a rezoning application could be submitted to increase the density. The property is within a Settlement Node, where growth is allowed, provided the development can be adequately serviced.

The current challenge for the Watutco Water System is:

- The Watutco system treats water with ultraviolet light and chlorine and is not in compliance with the *Drinking Water Treatment Objectives (Microbiological) for Surface Water Supplies* and will require upgrades to be in compliance.

In December 2015, the owner of the Watutco Water System submitted a letter formally requesting to enter into negotiations with the CVRD to take over the private system, including the three water licences held by Pacific Playgrounds. Before proceeding with these negotiations more information was required. A water system assessment and governance options analysis was completed and presented to the BCOB Services Committee in April 2019. The study work assessed potential governance and capital options for the conversion of the Watutco Water System to a CVRD WLSA.

Additionally, there remains the option of the status quo, where Watutco remains a private utility and continues to operate as such. Should the two systems remain independent the Watutco system will require upgrades to be in compliance with Island Health.

Option 1: Raw Water Transfer from Watutco to BCOB

In this option, raw water from the Watutco system would be transferred to the BCOB system via a new water main under the Oyster River to the existing source water infrastructure of the BCOB system. A new reservoir for the Watutco system would be required to help equalize flow and to provide storage for firefighting purposes. Currently the Watutco and BCOB distribution networks are interconnected but valved off, minor modifications to the Watutco distribution system may be required when the valve is opened.

Watutco would be managed by the BCOB Services Committee; it would provide additional source water to the BCOB Water System that is experiencing water capacity challenges and the existing Watutco infrastructure would not become a financial burden to the BCOB. In addition Watutco users would be paying CICC's to the BCOB service to join the system. Prior to conversion to a CVRD service, elector assent would be required, as recommended in both the governance study and by CVRD legislative services, it is recommended that electoral assent be obtained via way of petition.

Option 2: Watutco System Remain Separate from the BCOB System but Operated by CVRD

In this option the Watutco Water System would become a separate CVRD WLSA that would be owned and operated by the CVRD. Upgrades to the Watutco system would include the addition of direct filtration complemented with chemical addition to comply with regulations and addition of a clearwell and a reservoir for fire protection and emergency storage.

Watutco would become its own service area separate of BCOB resulting in management of the Watutco water system falling under the Electoral Areas Services Committee. As with option 1, elector assent would be required, likely via way of petition.

Option 3: Status Quo

In this option Watutco would remain an independent private utility. Watutco would still be required to upgrade the water system to meet the *Drinking Water Treatment Objectives (Microbiological) for Surface Water*. The upgrades required in this option would be the same as the upgrades described in option two above.

Watutco would be required to manage the design and construction of the necessary improvements along with financing the improvements.

Policy Analysis

At the May 27, 2019 meeting the BCOB Services Committee a staff report presenting the results of the Watutco Water System Assessment and Governance Options was presented.

Options

The BCOB Services Committee has the following options:

1. Proceed with an electoral assent process, via petition for the conversion of the Watutco Water System to become part of the BCOB WLSA.
2. Not proceed with providing servicing option for Watutco to become converted to the BCOB WLSA. In this case a staff report will be brought forward to the Electoral Areas Services Committee, for Watutco to become a standalone CVRD service.

Conversion of Watutco to the BCOB WLSA, provides the least cost option to Watutco residents along with providing a number of benefits to the BCOB WLSA including additional water supply capacity, a significant influx of capital through CICC, and greater economies of scale for the BCOB service moving forward. As such only Option No. 1 above is recommended.

Financial Factors

The water system assessment completed by McElhanney in 2019 looked at potential capital cost implications for the Watutco Water System should the system be transferred to the CVRD. Costs are very important in determining the options for conversion of a service, the cost of each option for Watutco is described within Table No. 1 below. In addition to infrastructure system changes and construction, for option one CICC's would be required to be paid to BCOB for Watutco to join the WLSA.

Table No. 1: Class ‘D’ (+/- 50 per cent) Capital Cost Estimates for Watutco Connection Options

Component	Option 1 Raw Water Supply to BCOB	Option 2 Separate CVRD Service	Option 3 Status Quo
WTP Upgrade		\$500,000	\$500,000
Reconfigure Booster Lift Station	\$20,000	\$20,000	\$20,000
Gravity/Forcemain	\$50,000		
Backwash Lift Station		\$30,000	\$30,000
Backwash Main		\$30,000	\$30,000
Reservoir/Clearwell*	\$350,000	\$1,400,000	\$1,400,000
Water Distribution System	\$30,000		
Capital Improvement Cost Charges (130 at \$6,058 each)	\$787,540		
Water Meters (130 at \$1,200 each)	\$156,000	\$156,000	\$156,000
Total Cost	\$1,393,540	\$1,436,000	\$1,436,000
Estimated One-time Capital Cost Per Connection*	\$10,720	\$11,046	\$11,046
Estimated Annual Residential Operating Costs Per Connection	\$540**	\$825***	\$825***

*For options 1 and 2 the CVRD would amortize repayment of these one-time costs to reduce impact on users.

**Based off the average annual residential bill for BCOB customers, excludes any increases to rates that are expected as part of the asset management work currently being completed.

***Estimated based off the 2020 financial plan for Watutco and including an increase to operating costs of \$65,000 to account for the increased operator costs and disbursements associated with the installation of a new water treatment plant.

For the two CVRD options, borrowing will be required to finance the necessary capital improvements. Resulting in a parcel tax being implemented.

Legal Factors

A satisfactory agreement between Watutco and the CVRD for the acquisition of the water system would be required, and the CVRD will be required to establish a service area to fund the cost of acquisition of the Watutco Water System.

Establishment of a service area for the purpose of acquiring, operating, constructing or extending of the water system will require some form of elector approval, under section 342 of the *Local Government Act* (RSBC 2015 c.1). Both the governance study completed by Stewart McDannold Stuart and the CVRD’s legislative services branch recommend assent by way of petition, due to the small size of the service area assent by petition is the most straightforward and economical. The petition process is summarized in the bullets below:

- Under section 337 of the Local Government Act and under the Regional Districts Establishing Bylaw Approval Exemption Regulation, amendments to the service establishment bylaw are permitted to add or remove parcels to an existing service upon submission of a petition to the regional district to change the boundaries of the service area and with the consent of at least 2/3 of the participants to the amendment. Under section 347 of the Local Government Act an Electoral Area Director can provide participating area approval by consenting in writing to adoption of the service establishment bylaw amendment.

- To advance the service boundary extension would require:
 - That the petition be signed by the owners of at least 50 per cent of the parcels liable to be charged for the proposed service;
 - The persons signing must be the owners of parcels that in total represent 50 per cent of the net taxable value of all land and improvements within the proposed service area; and
 - That the Directors for Electoral Areas C and D consent in writing to adoption of the service establishment bylaw amendment.
- The “Black Creek and Oyster Bay Water Local Service Area Conversion and Establishment Bylaw, 1993, 2010” must be amended to expand the service and a petition process is proposed to obtain elector approval, which requires half the properties owners who represent at least half of the assessed values to submit petition forms.
- If the recommendation contained within this staff report is supported, staff would be tasked with compiling the list of property owners and mailing a petition form to the affected property owners that would describe:
 - the service proposed;
 - the boundaries of the proposed service area;
 - the terms proposed for recovering costs; and
 - any other relevant information.

It is proposed that a one-month opportunity be provided to property owners to respond following distribution of the notice and petition form. Petition forms not returned by the established deadline will be deemed to be a ‘no’, indicating property owners do not support the boundary extension. Following the deadline, a report would be provided to the board confirming the results of the petition process and, if the required support from property owners is met, providing the associated amending bylaw for readings. Following adoption of the bylaw, property owners would then be advised via letter that they will be added to the service

Regional Growth Strategy Implications

The Regional Growth Strategy has identified the Saratoga Miracle Beach area as a settlement node. A prime issue limiting growth within the Saratoga Beach settlement node is the lack of servicing, including water. The Watutco system currently owns and operates three water licenses, transfer of the water licenses and source water to the BCOB system may help relieve some of the current water capacity concerns within the system.

In addition, the current Watutco system is unmetered, potentially resulting in higher consumption patterns. Should the CVRD begin managing the system improved water management and conservation efforts in accordance with the Regional Growth Strategy will be implemented, including the installation of water meters.

Intergovernmental Factors

Discussions with Watutco Enterprises and the Ministry of Community, Sport and Cultural Development will be required should it be decided to proceed with the conversion process.

Interdepartmental Involvement

Engineering Services is leading this work, with support from Legislative Services in regards to discussions on acquisition and elector assent.

Citizen/Public Relations

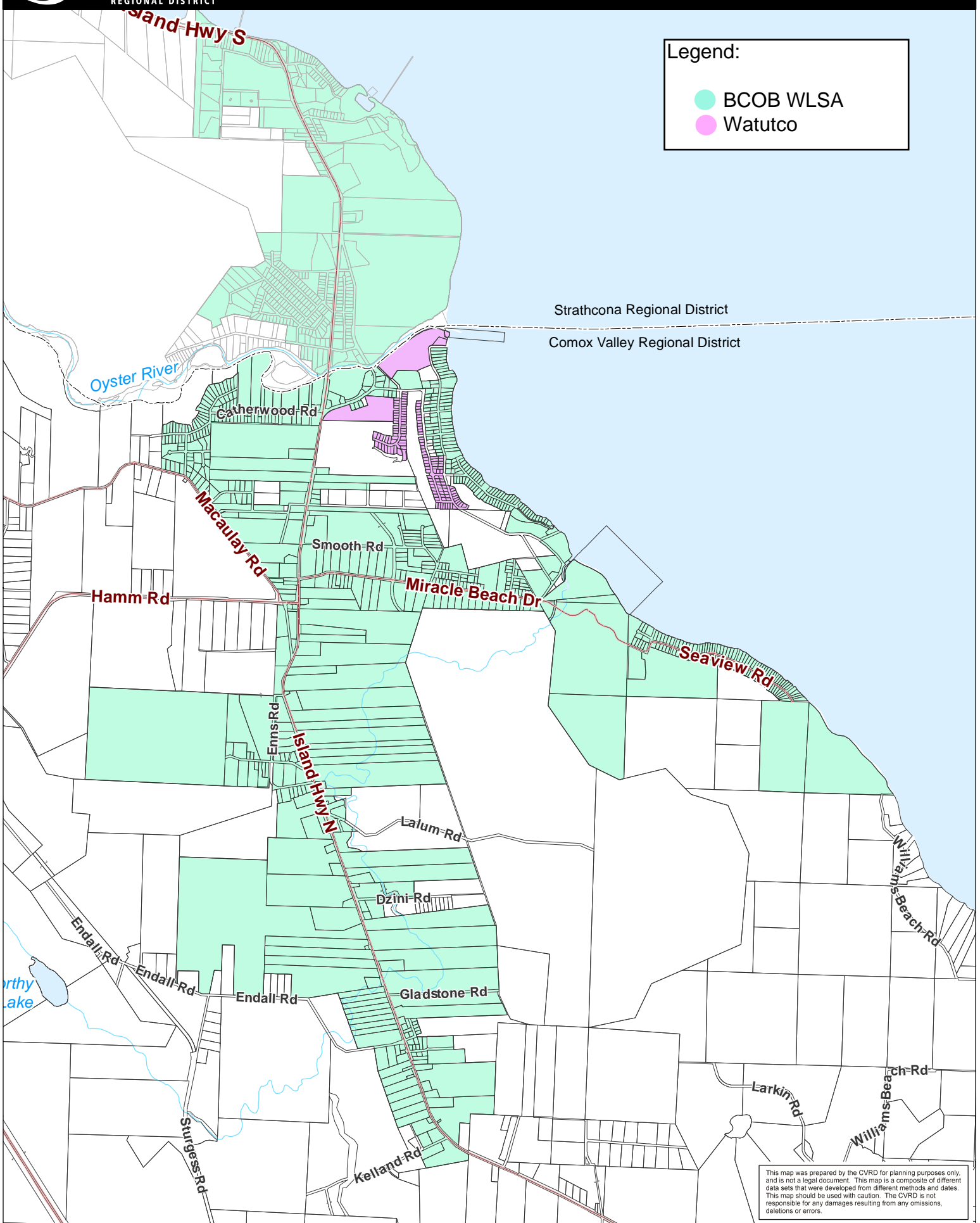
One of the key steps in the potential transfer of water systems is engaging with Watutco residents and property owners to share information on the conversion, identify expected costs and describe

proposed governance structures. An open house was held in July 2019, informing residents of what is happening and the next steps. A second open house is planned for fall 2019 to provide the cost per connection information for the available options ahead of an electoral assent process.

Attachments: Appendix A - Map of Watutco Properties

Legend:

- BCOB WLSA
- Watutco



This map was prepared by the CVRD for planning purposes only, and is not a legal document. This map is a composite of different data sets that were developed from different methods and dates. This map should be used with caution. The CVRD is not responsible for any damages resulting from any omissions, deletions or errors.