

Water Service Optimization Study

Salt Spring Island Electoral Area



Capital Regional District | MARCH 2020

Overview

Salt Spring Island (Salt Spring) water service delivery is carried out by multiple agencies, including the Capital Regional District (CRD), the North Salt Spring Waterworks District (NSSWD), other smaller improvement districts, and private utilities, making it difficult to achieve economies of scale and a coordinated approach to water service delivery.

Currently, the NSSWD owns and operates two water treatment and distribution systems that provide water to approximately 5,500 people. The CRD owns five different water systems, two of which they operate themselves and three others that are operated by NSSWD under contract. Two other water improvement districts (Scott Point and Mt. Belcher) and one private water utility (Erskine Water Society) contract with NSSWD to operate their water systems as well. Harbour View Improvement District is operated by residents of that district.

Water licenses for all the water systems and any well connections with more than one user are issued through the Ministry of Forests, Lands, Natural Resource Operations and Rural Development (FLNR). Island Health regulates the quality of drinking water for sources where there is more than one user through water source approvals and water system construction and operating permits. For a more detailed overview of water responsibility on Salt Spring, please see Appendix 1.

A number of different reports, studies and programs have been initiated by various groups and agencies to try to improve coordination of water resource management and/or service delivery on the island. These include the Salt Spring Alliance 'Governance Working Group Report' (2018), the Positively Forward 'Improving Capital Regional District Service Delivery on Salt Spring Island' (2018), the SSIWPA 'Integrated Freshwater Management Program' (2016-present) and the Provincial/CRD joint 'Salt Spring Island Governance Study' (2013) and 'Salt Spring Island Incorporation Study' (2016). While the electors of Salt Spring conclusively decided against municipal incorporation in 2017, to date none of the other reports or studies have been adopted by a local service provider as a blueprint for change.

The island is grappling with water shortages (especially in summer) and the NSSWD has a moratorium on connections to its system. Moving forward, there is recognition by both the CRD and NSSWD that better integration of water service delivery and management would benefit all residents on Salt Spring.

After a meeting between representatives from Islands Trust, CRD, NSSWD and Municipal Affairs and Housing (MAH), it was suggested that the island-wide issue of water source protection and watershed management could be dealt with through a CRD 'Drinking Water & Watershed Protection Service.' The Regional District of Nanaimo and Cowichan Valley Regional District have similar services in place. Work is currently being done to scope out how such a service could be established and what responsibilities could fall under the service.

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In addition, NSSWD and CRD agreed that a study to look at ways to improve coordination between the public water service providers on the island would be beneficial. The proposed 'Water Service Optimization Study' would look at:

- The existing governance and administration framework for service delivery by the various public water service providers on Salt Spring (e.g. how each service provider makes decisions about services and operates its water system);
- Stakeholder views on how water is managed and provided to ratepayers by the public water service providers;
- Shared goals for water service optimization;
- At least two different options for NSSWD and the CRD to improve water service delivery on Salt Spring. Two of the options must include:
 - Option A – improve integration and coordination of service delivery on Salt Spring while maintaining NSSWD's status as an independent public water service provider
 - Option B – create a consolidated CRD Salt Spring Water Commission and centralize operation and administration of Salt Spring water service on island (this option would include conversion of NSSWD to a CRD service);
- The potential benefits and challenges of each option; and
- Recommended next steps for each of the options presented if the CRD and NSSWD were to decide to move forward with one of the options.

Study Objectives

The objectives of the study would be to:

- Summarize how governance, administration, and operation of water service is currently conducted by each of the public water service providers on Salt Spring.
- Conduct a stakeholder analysis to identify the different stakeholders and the level of consultation required for each type of stakeholder (stakeholders must, at a minimum, include elected officials, staff and ratepayers from each of the public water service providers).
- Based on feedback gathered from stakeholders summarize gaps, overlaps, strengths, and challenges of the current public water service model on Salt Spring.
- Develop a shared understanding between the key stakeholders (if possible) of what 'service optimization' means in the context of public water service on Salt Spring and establish goals for the options to achieve (there may need to be separate goals for each option).
- Review and summarize different regional district water service models and measure them against the water service optimization goals established.
- Recommend at least two different options for NSSWD and CRD to possibly move forward with. The two options that must be included are:
 - Option A - Outline and make recommendations to improve integration and decision-making between NSSWD and the CRD if NSSWD does not convert based on the shared water service optimization goals established by stakeholders.

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- Option B - Outline and make recommendations for a consolidated CRD Salt Spring Water Commission with operation and administration of water service centralized on island based on the shared water service optimization goals established by stakeholders. This option would involve NSSWD converting to a CRD service and staff likely moving into positions with the CRD. As much detail as possible should be provided about how the commission would function and the operational framework for water service management on island to allow stakeholders to make an informed decision – Appendix 2 provides a list of some relevant questions to answer.
- Describe the benefits and challenges associated with each option and how well they achieve each of the service optimization goals established by the stakeholders.
- Identify reasonable next steps to implement each of the options should the CRD and NSSWD jointly agree to move forward with one of these.

Scope of Work

The study area is the areas of Salt Spring serviced by either the CRD or one of the improvement districts on the island.

Study Contents

The final study report should include, but is not limited to, the following components:

- 1) Background: overview of the purpose of the study and report contents; stakeholder analysis; data collection; and methodologies.
- 2) Research Results: summary of stakeholder consultations; shared service optimization goals identified by key stakeholders; evaluation criteria used to decide on options based on service optimization goals; and summary of service model research.
- 3) Findings: detailed description of each recommended option; overview of the risks and benefits of each option; and associated analysis of available data and identification of data 'gaps'.
- 4) Conclusions and Next Steps: clear summary of report findings and limitations, or other conclusions; and proposed next steps for each of the recommended options if implementation were to proceed.
- 5) Appendices: technical or aggregated data (as necessary).

Timeline

It is recommended that the project be completed within the following timelines:

| Task/Deliverable | Completion Date |
|--|-------------------|
| Consultant(s) chosen to undertake work by CRD | October 31, 2019 |
| Project schedule with key milestones delivered by consultant | November 30, 2019 |
| First interim progress report provided to MAH & NSSWD by CRD, including results of the stakeholder analysis and summary of the service optimization goals if available | March 31, 2020 |

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| Task/Deliverable | Completion Date |
|--|-------------------|
| Second interim progress report provided to MAH & NSSWD by CRD, including stakeholder engagement summary and research findings if available | May 31, 2020 |
| Draft report provided by consultant to CRD, NSSWD and MAH staff for review/comment | July 31, 2020 |
| Final formatted report delivered by consultant to CRD, NSSWD and MAH | October 31, 2020 |
| Final account of project expenses delivered to MAH from CRD | December 31, 2020 |

This timeline will become more certain after a consultant is selected and agreement is reached with the consultant on a feasible study completion schedule.

Linkages

The consultant may want to review reports related to service governance, such as the Salt Spring Island Governance Study and the Salt Spring Island Incorporation Study, to gather information about stakeholder views.

Administration

The CRD will procure a consultant, or consultants, in accordance with the CRD's procurement policy and process and it will meet the requirements of applicable trade agreements including the *New West Partnership Trade Agreement (NWPTA)*, the *Canadian Free Trade Agreement (CFTA)*, and the *Canada-EU Comprehensive Economic and Trade Agreement (CETA)*.

Consultant(s) will be sought to undertake this study with sufficient experience and expertise in local government restructure, service delivery and governance studies to effectively identify options to improve water service integration and management on Salt Spring.

In supervising the work of the consultant(s), the CRD is responsible for ensuring that expected outputs completed by the consultant(s) meet the requirements outlined in this Terms of Reference.

The consultant(s) shall report directly to the CRD, who will administer the contract. MAH and NSSWD staff will provide additional input including review of the criteria for choosing the consultant and the consultant proposals, review of the draft materials, and provision of comments prior to completion of the final report.

The total funding available for the *water service optimization study* will be determined by the CRD; the MAH contribution is up to [Amount]. Disbursements under contract(s) will be made by the CRD.

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The CRD will provide MAH and NSSWD staff with a copy of the selected consultant's proposal accepted as the basis of a contract for the study and/or a preliminary outline of the study and work plan before substantive work begins.

A draft report written by the consultant(s) will be provided to CRD, NSSWD and MAH staff for review and comment prior to the report being finalized.

Once the report is finalized, the CRD will convey the findings to the Minister of Municipal Affairs and Housing and North Salt Spring Waterworks District.

Appendix 1

Water Responsibility on Salt Spring Island

Jurisdiction over water is shared by a variety of different agencies and groups on Salt Spring Island.

Province

The Ministry of Forests, Lands, Natural Resource Operations and Rural Development (FLNR) is responsible for the implementation of the *Water Sustainability Act (WSA)* which includes the allocation and regulation of fresh water. They regulate water by deciding on water licenses for both surface and groundwater diversion and use. Licensees are responsible for payment of fees annually and to meet any conditions associated with the license. Additionally, the province authorizes works in and about a stream and short-term use of water. Dams constructed to store water are also regulated under the *Water Sustainability Act*.

The Province also maintains a number of long-term observation wells that monitor groundwater levels on the Island and dependent on funding, or need, carries out scientific studies to better manage and protect the freshwater resource on the island. Provincial staff also respond to concerns with licensees, private well owners and the general public.

Island Health is responsible for regulating the quality of drinking water for sources where there is more than one user (e.g. do not regulate private wells for individual households) through water source approvals, water system construction, and operating permits all under the *Drinking Water Protection Act*. The Ministry of Environment and Climate Change has responsibility for the *Environmental Management Act* which has a number of regulations which protect the quality of water.

CRD

The CRD owns and is responsible for the operation of five water systems on Salt Spring (Fulford, Beddis, Cedar Lane, Cedars of Tuam, and Highland/Fernwood). They contract with North Salt Spring Waterworks District to operate three of the five systems. The CRD also owns and operates three wastewater facilities on Salt Spring. The CRD holds licenses for these systems and is responsible for ensuring compliance with terms and conditions associated with those licenses.

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Islands Trust

Islands Trust has a mandate to preserve and protect the islands in the Trust Area. They do this through land-use planning and regulation and conservation. As part of its conservation mandate on Salt Spring, Islands Trust provides funding for the Salt Spring Island Watershed Protection Alliance (SSIWPA) (see below) to protect freshwater sources.

Improvement Districts

The North Salt Spring Waterworks District (NSSWD) provides water to an estimated 5,500 people on Salt Spring Island. It owns and operates two water treatment and distribution systems using lake sources of water and operates six others on contract (two other improvement districts' systems, one private water utility (Erskine Water Society), and three of the five CRD water systems). These systems hold appropriate water licenses to store and divert water (both lake and groundwater).

Three other water improvement districts exist on the island (Scott Point (pop.58), Mt. Belcher (pop.100), and Harbour View (pop.35). Scott Point and Mt. Belcher contract with NSSWD to operate their water systems and Harbour View Improvement District is operated by residents of that district. All three of these systems use groundwater sources.

Private Water Systems

On Salt Spring Island, there are many lots that are not serviced by a public water system. On these properties, land owners are responsible for development and maintenance of their water systems. These lots are serviced in one of the ways described below.

- A private groundwater well provides domestic water to one single-family dwelling. In this case, the *Water Sustainability Act* does not require a water licence and Island Health does not consider the well and works to be a water supply system so does not require that the owner be compliant with the *Drinking Water Protection Act*.
- A private groundwater well (or wells) provides water to more than one single-family dwelling, a multi-unit residential development, or a multi-unit commercial development. This includes private utilities or water societies regulated by the *Water Utilities Act* (e.g. the Erskine Water Society) as well as all types of strata developments (e.g. Maracaibo Estates and Merchant Mews) regulated by the *Strata Properties Act*. In this case, the *Water Sustainability Act* does require a water licence and Island Health considers the system to be a water supply system so requires that it be compliant with the *Drinking Water Protection Act*.
- A surface water source is used to provide domestic water to one single-family dwelling on a private lot. In this case, the *Water Sustainability Act* does require a water licence, but Island Health does not consider the intake and works to be a water supply system so does not require that the owner be compliant with the *Drinking Water Protection Act*.

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- A surface water source is used to provide domestic water to more than one single-family dwelling, a multi-unit residential development, or a multi-unit commercial development. This could include private utilities or water societies regulated by the *Water Utilities Act* or strata developments regulated by the *Strata Properties Act*. In this case, the *Water Sustainability Act* does require a water licence and Island Health considers the system to be a water supply system so requires that it be compliant with the *Drinking Water Protection Act*.
- A private lot collects rainwater for domestic use in one single-family dwelling. Rainwater catchment is not regulated by the *Water Sustainability Act*, so a water licence is not required and Island Health does not consider the catchment or treatment works to be a water supply system so does not require that the owner be compliant with the *Drinking Water Protection Act*. Island Health does not permit rainwater to be used as the water supply for anything other than a single-family dwelling.

Non-Profit

Salt Spring Island Water Preservation Society (SSIWPS) - local non-profit whose purpose is to promote and preserve the sources of potable water on Salt Spring. They do this by acquiring land, conducting and promoting scientific studies of water resources and increasing public awareness of the value of water.

Salt Spring Island Watershed Protection Alliance (SSIWPA) – established in 2013 by Islands Trust to coordinate a more integrated approach to water resource management on Salt Spring Island. Members have included both elected officials and/or staff of the Salt Spring Island Local Trust Committee, CRD, FLNR, Ministry of Agriculture, North Salt Spring Waterworks District, Highland and Fernwood Water Service Commission, and Beddis Water Service Commission. The Alliance currently receives most of its funding from Islands Trust which restricts the use of the funds to coordination and facilitation.

Appendix 2

Relevant Questions in Establishing a Consolidated Salt Spring Water Commission and Centralizing Administration and Operation of Water Services on Salt Spring

Authorities:

- Which authorities should be delegated from the CRD Board to the commission
- What decisions will still need to be made by the Board

Governance:

- Who should be members on the commission

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- How should membership be decided (e.g. election, appointed, combination)
- How will decisions get made (e.g. voting strength)
- How will funding be allocated
- If some of the other improvement districts do not want to convert, how could they participate with the commission
- How would new applications to join the commission get handled

Organizational structure:

- What decisions would get made by the commission and what would get made by senior management
- What management and staff would be needed to administer and operate the systems on Salt Spring separate from the other CRD owned and operated systems on Vancouver Island (including a proposed organizational chart)
- How will the commission work with existing services (e.g. wastewater treatment; potential new drinking water and watershed protection service)