

**CAPITAL REGIONAL DISTRICT
CORE AREA LIQUID WASTE MANAGEMENT PLAN**

CHAPTER 17

CAPITAL FINANCING

OVERVIEW

This chapter discusses aspects of financing that are key to the commitments made in the Liquid Waste Management Plan. They include:

1. sharing of CRD costs for new capital expenditures among the municipal partners;
2. sharing of CRD costs for capital work on existing infrastructure among the municipal partners;
3. sharing of operating costs among the municipal partners;
4. provisions for municipalities, at their option, to include the CRD sewage requisition amount in the cost of a sewer utility and have the funding for that requisition come from municipal sewer utility charges rather than property value taxes; and
5. sharing of capital costs between the CRD and the provincial and federal governments.

EXPECTED PROVINCIAL COMMITMENTS

In making the commitments within this plan, the Capital Regional District and its municipal partners expect that the Province of British Columbia:

1. will approve CRD Bylaw No. 2312 or provide another means to allow for the requisition of money under section 809 of the *Municipal Act* to be collected by the municipalities by any method permitted under the *Municipal Act* or a regulation under the *Municipal Act*; and
2. will provide a minimum contribution of 50% of the capital costs associated with the provision of conveyance, further treatment and disposal facilities or, if infrastructure grants are available from the Government of Canada at the time of construction of those facilities, with a minimum contribution of one-third of the capital costs, along with a one-third contribution from the federal government.

COST SHARING AMONG MUNICIPALITIES

During Stage 2, the CRD Environment committee appointed a Cost Sharing subcommittee to negotiate and recommend an agreement for cost sharing the capital and operating costs of the works that will be constructed under the Liquid Waste Management Plan. Negotiations spanned a period of three years and culminated in the agreement of the participants, through the CRD Board, to share costs based on the following principles:

1. Cost sharing formula for existing facilities and existing borrowing remain unchanged.
2. Annual operating costs will be shared on the basis of total annual flow from participating municipalities.
3. Capital costs will be divided into two pools for cost sharing:
 - a. pool 1, comprising that portion of facility capacity provided to handle existing flows; and
 - b. pool 2, comprising the remaining portion of facility capacity provided to handle future flows.
4. The annual amortization cost of pool 1 costs will be shared on the basis of total annual flow from participating municipalities.

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5. The unitized approach (all participants cost share all regional facilities) will be adopted for cost sharing facilities.
 6. Development cost charges will be used to recover all of the pool 2 costs and development cost charges shall be based on:
 - a. equitable allocation of development cost charges between housing units of different sizes; and
 - b. escalation of development cost charges over time to take account of interest earnings.

Development Cost Charges

It was agreed that the rate for development cost charges would be based on the *estimated minimum sewage flows* calculated in accordance with the *Sewage Disposal Regulation* under the *Health Act*, as modified by the Capital Health Region. It was further agreed that the development cost charge should escalate over time to allow for interest on funds accumulated and inflation of costs up to the time of construction.

MUNICIPAL CHARGES TO PROPERTY OWNERS FOR CRD SEWAGE REQUISITION

The municipal partners expect that they will be provided with the option to include the CRD sewage requisition amount in the cost of a sewer utility and have the funding for that requisition come from municipal sewer utility charges rather than property value taxes. Specifically, the municipal partners, in making commitments through the CRD for capital works as part of this Liquid Waste Management Plan, make those commitments on the understanding that the Province of British Columbia will provide a means to allow for the requisition of money under section 809 of the *Municipal Act* to be collected by the municipalities by any method permitted under the *Municipal Act* or a regulation under the *Municipal Act*. A provision of Capital Regional District Bylaw No. 2312 provides for this change.

CAPITAL REGIONAL DISTRICT BYLAW NO. 2312

A copy of Capital Regional District Bylaw No. 2312 is provided in Appendix 17-A. The Bylaw provides for:

1. conversion of the authority provided by Supplementary Letters Patent to a local service for the seven Core Area Liquid Waste Management Plan municipalities of Colwood, Esquimalt, Langford, Oak Bay, Saanich, Victoria and View Royal;
2. a provision to allow municipalities to recover requisition of money under section 809 of the *Municipal Act* by sewer utility charges rather than property taxes; and
3. provisions to implement the cost sharing agreement outlined above for apportionment of CRD costs among the municipal partners.

Bylaw No. 2312 was given three readings by the CRD Board on 12 July 1995 and was rejected by the inspector of municipalities in October 1995 because of the municipal cost recovery provisions. The third reading of the original bylaw was rescinded by the Board on 25 October 1995, which then gave three readings to a revised bylaw. Since that time, the bylaw has been held by the CRD pending amendment of the *Municipal Act* to allow the CRD to use cost recovery section 4(1)(d) of the bylaw. Although the CRD was advised that amendment of the *Municipal Act* was scheduled for the spring of 1996, the Ministry of Municipal Affairs has not proceeded to amend the *Act* to allow this flexibility in cost recovery.

SHARING OF CAPITAL COSTS BETWEEN THE CRD AND SENIOR GOVERNMENTS

Senior government assistance with capital costs is considered an essential element of the plan. During Stage 2, the Board indicated that it “expects the province to make a substantial monetary contribution to the capital and land costs associated with the provision of conveyance, further treatment and disposal facilities in accordance with precedents established in other areas of the province.” A contribution of 50% of capital costs from the province is considered to be the minimum acceptable amount unless infrastructure grants are available from the federal government at the time of construction. In that case, a minimum of one-third contribution from the Province of British Columbia, along with a one-third contribution from the Government of Canada, is acceptable. The commitments for capital expenditures in this Plan are made with the understanding that the proposed provincial funding assistance will be available.

A listing of the planned capital funding improvements and the effects of the proposed funding arrangements are provided in Table 17.1. The effect on the average residential property is illustrated by Table 17.2.

**TABLE 17.1
PROPOSED CAPITAL FUNDING SOURCES**

	PLANNED CAPITAL IMPROVEMENTS	ESTIMATED COST	PROPOSED FUNDING SOURCES		
			FEDERAL	PROVINCIAL	REGIONAL
1.	2001-2005 trunk sewer infrastructure improvements (from Table 16.1)	\$30,370,000	\$10,123,000	\$10,123,000	\$10,124,000
2.	2006-2010 trunk sewer infrastructure improvements (from Table 16.1)	\$5,500,000	\$1,833,000	\$1,833,000	\$1,834,000
3.	2011-2020 trunk sewer infrastructure improvements (from Table 16.1)	\$23,900,000	\$7,967,000	\$7,967,000	\$7,966,000
4.	Primary treatment at Clover Point and Macaulay Point, including biosolids processing and relocation of the Macaulay Point workshop.	\$100,500,000	\$33,500,000	\$33,500,000	\$33,500,000
	TOTALS	\$160,270,000	\$53,423,000	\$53,423,000	\$53,424,000

**TABLE 17.2
ESTIMATED ADDITIONAL ANNUAL COST PER AVERAGE RESIDENTIAL PROPERTY (\$241,400)
(INCLUDES REPAYMENT OF DEBT AND ANNUAL OPERATING COSTS)**

	PLANNED CAPITAL IMPROVEMENTS	NO GRANTS	50% GRANT	66.7% GRANT
1.	Trunk sewer infrastructure improvements indicated in items 1, 2, and 3 of Table 17.1 (As it is planned that the trunk sewer infrastructure improvements will take place over a 20 year period, debt servicing will continue for 20 + 15 years or for 35 years. The costs per property for trunk sewer upgrading are average costs for this period.) ⁽¹⁾	\$30 ⁽²⁾ (\$12.60) ⁽²⁾⁽³⁾	\$16 ⁽²⁾ (\$6.80) ⁽²⁾⁽³⁾	\$12 ⁽²⁾ (\$4.80) ⁽²⁾⁽³⁾
2.	Primary treatment at Clover Point and Macaulay Point, including biosolids processing at a remote location ⁽¹⁾	\$162 (\$67) ⁽³⁾	\$107 (44) ⁽³⁾	\$88 (37) ⁽³⁾

(1) The assumed debt repayment period for each loan is 15 years.

(2) Actual increase in average household costs will vary from zero at the beginning and end of the debt servicing period to a peak of about double the amounts indicated in about 2015.

(3) Costs in shown in parentheses are costs per \$100,000 of assessed value for residential properties.