

**REPORT TO FERNWOOD WATER LOCAL SERVICE COMMITTEE
MEETING OF TUESDAY, 15 OCTOBER 2008**

SUBJECT HIGHLAND / FERNWOOD WATER CAPITAL PROJECT SCHEDULE

PURPOSE

To provide the Fernwood Water Local Service Committee (FWLSC) with a summary of anticipated expenditures for Fernwood to participate in the Highland water treatment plant project and a schedule for the proposed referendum process necessary to obtain the assent of the electors for a Capital Regional District (CRD) borrowing for the project.

BACKGROUND

The FWLSC, to participate in the proposed construction of a new dissolved air floatation (DAF) water plant as being constructed by the Highland water local service area, will need to obtain the assent of the electors, by way of referendum, for CRD to borrow approximately \$100,000 over 15 years. The borrowing is expected to be funded without need to increase the annual fees and charges currently levied to residents and property owners in the Fernwood district. While costs for debt servicing will increase as a consequence of the borrowing the increase should be offset by reductions in operations cost realized by Fernwood as they participate with Highlands in operation of a single plant.

There has been considerable discussion with the Highlands water committee respecting the public process and provision of information which is to precede the referendum, which will be scheduled for February 2009. As the Fernwood area will be participating in the same referendum process, a tentative schedule of activities is provided for the information of the committee on this program.

The work continues on the capital program to construct the Highlands Plant. The most favourable location for the plant has been determined to be adjacent to the Fernwood water plant site, located on Maycock Road right of way. Under the original plan, the plant would have been located in the Highland area, with the cost to extend the system to Fernwood paid by Fernwood. With recent increases in the cost of construction and materials, the cost allocated to this interconnection has been estimated to be \$200,000. Although no longer specifically required by Fernwood to interconnect to Highlands, as this cost has been identified for this component, it is suggested that the Fernwood contribution to connect to the Highlands funded plant be this same amount. The costs for the borrowing have been included in the five-year projection for debt servicing costs in the 2009 annual budget. These costs are indicated to commence in 2010, subject to a successful referendum in 2009.

The Fernwood Borrowing needed is calculated as follows:

Cost of Interconnect to Highland Plant	\$200,000
Cost of Referendum	\$7,000
Community Water Improvement Grant	<u>(\$107,000)</u>
Net Cost to Fernwood	\$100,000

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Referendum Process Schedule

There are two components of the referendum process, one component, undertaken by the CRD Board, ultimately determines the referendum date, while the second, undertaken by staff in concert with the committee, provides the information flow to the public respecting the project and the process. Items 1 to 3 in the table below provide the Board's process while the remaining items are related to the public process up to the first advanced poll as suggested in item 9.

Item	Description	Status/Timing
1	Borrowing bylaws to CRD Board (first three readings)	November 12, 2008
2	Receive bylaws back from Province	December 31, 2008
3	Board initiates referendum process (retain returning officer, preparation of voters list, schedule for advanced and final poll, preparation of question, advertising etc – typically 6 week duration process)	Initiated January 2009, sets referendum date to Saturday February 21, 2009
4	Public information process commencement	January, 2009
5	Circulate question and answer details for project by mail	January 12, 2009
6	Host open house for project	January 24, 2009
7	Follow-up circular by mail	January 30, 2009
8	Driftwood Article	February, 2009
9	First advanced Poll held	February 11, 2009
10	Voting day	February 21, 2009

The primary push for information exchange to residents has in past been most successful when undertaken in the last six weeks leading up to the referendum. The Q & A mail-out would cover why the borrowing is needed; the financial impact, which is expected to be minimal, and why, what the borrowing will enable, being the completion of the water plant plus other high priority upgrades, details of the borrowing, 15 years, annual cost, and finally, the intention to create a new joint Highland/Fernwood service area to enable both water districts to share in the operating costs of the new facility, thus reducing the individual cost to a user in either water district. The open house allows for questions to be addressed which arise from the mail-out and for issues to be clarified. The second mail-out is essentially a record of issues raised, and questions addressed at the open house.

Capital Project Work Schedule, 2008 / 2009

The following milestones for the continuation of the capital project are summarized following:

Item	Description	Status
1	Select and purchase DAF prefabricated plant	Complete, awaiting delivery
2	Obtain final approval for Fernwood site from MOT	In progress
3	Obtain lease for pipe route under St. Mary Lake for interconnect	Survey in progress, application ready for submission to MOE
4	Design underwater pipeline interconnect	Complete, ready to tender
5	Award construction for interconnect/ install	2009 (Fisheries Dependent)
6	Complete design of Highland / Fernwood plant	January 30, 2009
7	Tender construction of plant	February 30, 2009
8	Construct plant, install DAF	September 30, 2009
9	Mechanical ,electrical	March 31, 2010

Combining the Highland and Fernwood System

Staff will present a summary budget reflecting the proposed expenditures to operate a new water plant for a combined Highland / Fernwood service area during the 2009 budget presentations. The budget will be provided for information, however if the establishment of a new combined service is approved in the referendum, the budget could then be adopted for use in the combined system in either 2009 or more likely 2010. Accompanying the new budget and service would be a new Highland / Fernwood service commission established by bylaw. The new commission would continue to have membership from Maliview sewer but its members for the larger water area would be drawn from the combined area.

ALTERNATIVES

1. That the FWLSC request the CRD Board proceed to seek approval of the electors by referendum to support a borrowing of \$100,000, to be financed through the Municipal Finance Authority (MFA) over 15 years, for the connection of the Fernwood water system to the new Highland water treatment plant.
2. That the FWLSC refer the matter back to staff for more information.

FINANCIAL IMPLICATIONS

The cost for the referendum process is estimated to be approximately \$10,000 - \$14,000 for the two water districts, shared equally (\$7,000) as part of the capital works project. Should the referendum fail, the costs would be recovered from the 2009 operating budget.

SUMMARY/CONCLUSIONS

The Highland water local service area has proceeded with the supply and installation of a new water treatment facility to replace its aging St. Mary water plant and the construction provides an opportunity for the Fernwood water local service to connect to the new plant at an attractive cost. The total cost of the connection to the plant has been projected to be \$200,000 and the CRD has received a commitment under the BC Community Water Improvement program to fund up to \$107,000 of the total cost.

The Fernwood water local service, to participate with and connect to the new Highlands water treatment facility, will need to request the CRD Board borrow some \$100,000 in funds through the MFA, and as part of that process the CRD Board will host a referendum on the question. This report details the intended process to obtain the approval of the electors by way of a referendum to be held in February 2009. The question of establishment of a new Highland and Fernwood water service may also be asked at the same time. A new combined service budget is projected to reduced cost for a Fernwood water user.

RECOMMENDATION

That the Fernwood Water Local Service Committee request the CRD Board to proceed to seek approval of the electors by referendum to support a borrowing of \$100,000, to be financed through the Municipal Finance Authority (MFA) over 15 years, for the connection of the Fernwood water system to the new Highland water treatment plant.



Gary Hendren, ASCT
Local Services Engineering Coordinator

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