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**REPORT TO HIGHLAND WATER AND SEWER LOCAL SERVICES COMMITTEE AND  
FERNWOOD WATER LOCAL SERVICE COMMITTEE  
MEETING OF FRIDAY 17 JULY 2009**

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**SUBJECT      CAPITAL PROJECT UPDATE**

**PURPOSE**

To provide the Highland Water and Sewer Local Services committee (HWSLSC) and the Fernwood Water Local Service Committee (FWLSC) a progress update on the capital upgrade project.

**BACKGROUND**

On 21 March 2009, the electors of the Highland and Fernwood water local service areas supported the borrowing of funds to construct a new shared water treatment plant and underwater pipeline to connect the two service areas and to upgrade both existing distribution systems. The approved project will prepare the two services to merge for the purpose of operation and future capital upgrades. The debt required to complete the upgrade project will be repaid separately by the two existing service areas, which will continue to exist for that sole purpose.

Since the project was initiated by the HWSLSC before the loan authorization referendum, several elements of the project were already complete before 2009. As of July 2009, the status of the project is as follows:

- Dissolved Air Flotation (DAF) process module is complete and ready for delivery from Greater Vancouver.
- Site design and construction drawings for water treatment plant are substantially complete and being reviewed by Capital Regional District (CRD) staff.
- Tenders have been received and evaluated for the underwater interconnecting pipeline (separate staff report to 17 July meeting).
- Regulatory approvals for underwater pipeline are in progress.

The next major milestones in project construction are to tender the construction of the treatment plant and to secure approval to construct the underwater pipeline. It is anticipated that plant construction will go to tender in August, and a contract is expected to be awarded by November. The CRD has been informed by the Province that a first nation has expressed interest in conducting an archaeological study of the proposed underwater pipeline route as a condition of approval. The cost and schedule implications of such a study are not yet known.

**Project Budget and Financial Status**

Staff have established a combined project structure and budget based on the plan presented for public approval earlier in 2009. Since the project existed in the Highland service prior to the loan authorization process, the overall budget also includes work conducted in previous years in the Highland area.

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The project budget is structured as follows:

<b>HIGHLAND / FERNWOOD WATER UPGRADE PROJECT</b>			<b>BUDGET</b>
<b>2008 Highland Non-Grantable (actual costs)</b>			<b>\$87,320</b>
	Reservoir Rehabilitation	\$48,610	
	Leak Repair	\$38,710	
		<u>\$87,320</u>	\$87,320
<b>Upgrade Project 2009-2012</b>			<b>\$1,918,900</b>
<b>Highland Grantable</b>	Water Treatment Plant	\$976,140	
	Interconnecting Pipeline	\$100,000	
		<u>\$1,076,140</u>	\$1,076,140
<b>Highland Non-Grantable</b>	Distribution Upgrades	\$363,000	
	Referendum	\$5,000	
		<u>\$368,000</u>	\$368,000
<b>Fernwood Grantable</b>	Water Treatment Plant	\$299,760	
	Interconnecting Pipeline	\$100,000	
		<u>\$399,760</u>	\$399,760
<b>Fernwood Non-Grantable</b>	Distribution Upgrades	\$70,000	
	Referendum	\$5,000	
		<u>\$75,000</u>	\$75,000
<b>TOTAL PROJECT BUDGET</b>			<b>\$2,006,220</b>

Due to the higher than budgeted cost of the underwater pipeline, the available funding to complete the remaining project works is \$50,000 to \$80,000 less than budgeted. The Highland loan authorization is sufficient to accommodate increased borrowing should it be required; however it was not intended to borrow more than \$400,680 unless Fernwood electors declined participation in the project.

**ALTERNATIVES**

1. That the Highland Water and Sewer Local Services Committee and the Fernwood Water Local Service Committee receive this report for information.
2. That the Highland Water and Sewer Local Services Committee and the Fernwood Water Local Service Committee refer the matter back to staff for more information.

**FINANCIAL IMPLICATIONS**

Based on the work completed to date and the tenders received for underwater pipeline construction, there is a funding shortfall of \$50,000 to \$80,000 to complete the remaining project tasks according to budget. It is anticipated that an \$80,000 shortfall may be recovered through adjustments to scope and design of distribution upgrades without significantly altering the overall project plan or cost sharing arrangement.

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The financial condition of the project will be more clearly defined when tenders are received for treatment plant construction late in 2009.

Given that the majority of the anticipated shortfall relates to work completed on the Highland system in 2008 and that the current Highland operating budget has the capacity to fund increased project work if required without requiring an increase in taxes or fees, project costs to date do not indicate that any increase in taxes or fees will likely be required of either the Highland or Fernwood water service in order to complete the project.

**SUMMARY**

Work on the Highland / Fernwood water system upgrade project is progressing. Although the cost of underwater pipeline construction is higher than budgeted, overall project costs to date do not indicate that any increase in taxes or fees will likely be required of either the Highland or Fernwood water service in order to complete the project.

**RECOMMENDATION**

That the Highland Water and Sewer Local Services Committee and the Fernwood Water Local Service Committee receive this report for information.



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