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**REPORT TO MAGIC LAKE ESTATES WATER AND SEWER LOCAL SERVICES
COMMITTEE
MEETING OF TUESDAY JUNE 17, 2014**

SUBJECT WATER SYSTEM CAPITAL IMPROVEMENT PROJECT

ISSUE

This report for the Magic Lake Estates Water and Sewer Local Services Committee (Committee) addresses three issues: 1. to provide a project update, 2. to seek the Committee's approval for proceeding with water main construction work and 3. to transfer \$100,000 from the water capital reserve fund to address commissioning costs associated with the capital project.

BACKGROUND

1. Water System Improvement Project Update

At the time of authoring this staff report the following work has been completed:

- The new water treatment plant has been commissioned and is providing potable water to the customers as of early April 2014.
- The Magic Lake pump station work has been commissioned.
- The Buck Lake pump station work has nearly been completed with minor deficiencies and commissioned as of the first week of June. Buck Lake was re-established as the primary source of raw water for the treatment plant.
- Approximately 2,660m of new water mains (raw and treated) have been installed by the contractor.
- Bosun pressure reducing valve station work has been completed.

Other

- The Frigate reservoir work has been deferred until mid-October due to construction logistics, summer demand and fire risk during summer construction.
- Water main construction work is proposed to be completed before the end of 2014.

Refer to Attachment 1 for a timeline illustration for the remaining tasks and schedule for construction, engineering and Capital Regional District (CRD) effort, based on the information available at this time.

2. Water Main Work

Further to the report to the Committee of November 19, 2013, whereby the Committee approved the transfer of two thirds of \$500,000 from the sewer service to the water service in order to complete water system improvements consistent with the funding agreement and criteria, the CRD staff are seeking approval to proceed with additional water main construction work. To date, under the Rohl Enterprises (Rohl) contract, approximately 2,660m of water mains have been installed between the raw water and treated water systems. The \$500,000 has been allocated to install additional water mains.

In accordance with AECOM Canada Ltd.'s (AECOM) current scope on this project, they have prepared and delivered 90% design drawings for the first year of water main replacements as described in their report of September, 2011. It is proposed to complete the designs and present them to Rohl for pricing.

It should be noted that AECOM's scope does not include services beyond the delivery of the final designs and approvals. Therefore, additional effort is needed to conduct engineering services related to contract administration, inspection and preparation of record information. In accordance with the CRD's Procurement Policy, it is proposed to obtain three quotes from qualified engineering companies for the services. The proposed schedule is to procure the engineering services by August, negotiate a change in the construction contract by September and construct the works in September, October and November.

The project budget and expenditures are such that the \$500,000 is committed solely for the water main work. It was also discussed at the May 13, 2014 Committee meeting whether any of the two thirds of the \$500,000 be transferred back to the sewer service to possibly address the Chart Drive Septic Field project. The CRD staff have prepared an separate staff report addressing the issues related to the Chart Drive system for the Committee's consideration.

3. Commissioning Cost Associated with the Capital Project

As part of the delivery of this capital project, the commissioning costs associated with CRD staff's time needs to be funded. In 2014, CRD staff have expended nearly \$70,000 in labour and estimate that we will need an additional \$30,000 before the project is completed. It is proposed to supplement the operating budget by transferring \$100,000 from the MLE Water Reserve Fund (#1024). The Capital Reserve fund consists of \$408,980 as of June 9, 2014 and accounts for dam safety work, \$167,000 for water main work and interest. Therefore, if a \$100,000 amount is approved the residual Reserve Fund would total \$308,980.

ALTERNATIVES

Alternative 1:

That the Magic Lake Estates Water and Sewer Local Services Committee:

1. Receive the water system improvement project update for information;
2. Direct CRD staff to prepare and issue a request for quotation in order to procure engineering services to complete the water main construction work; and
3. Direct CRD staff to proceed with transferring \$100,000 from the Magic Lake Estates Water Reserve Fund #1024 to the operating account to fund project commissioning costs.

Alternative 2:

That the Magic Lake Estates Water and Sewer Local Services Committee:

1. Direct staff not to proceed with additional water main construction work; and that

2. No reserve funds be reallocated to the operating budget, resulting in a deficit in the operating budget at year-end.

IMPLICATIONS

The funding is available to complete additional water main work in the amount of \$500,000 for engineering and construction. By approving this work, the CRD staff feel that the watermain projects could be completed before the end of the grant requirements of March 31, 2015 and thereby maximizing the two-thirds funding.

If no further water main work is conducted then the balance of the grant funding, two thirds of \$500,000, would not be utilized to the benefit of the water service. This funding could be transferred back to the sewer service to address the Chart Drive septic field issue. However, upon further review, it became very clear that in order to do this it would require Provincial and Federal approval, a decision from the MLE sewer service area on the preferred option, securing a loan authorization through using an alternative approval process or referendum process and preparation of the detail design and tender for construction. We would not be able to complete all this by the March 31st, 2015 grant deadline.

The CRD staff have been involved with the Capital Project participating in construction meetings, responding to emergencies, attending training sessions and other tasks that are directly related to the project. The commissioning effort is in addition to the regular operation and maintenance activities undertaken for the service area. As a result, the 2014 operations budget will likely run a deficit because of this commissioning effort.

CONCLUSION

Much of the water capital improvement project has been completed with the water treatment plant producing and delivering potable water to the MLE customers currently from Buck Lake.

It is proposed to utilize the grant funding by completing additional water mains beyond those previously installed by the contractor. This will require the procurement of engineering services and a negotiated change with the contractor.

Additional funding for CRD staff effort is required to supplement the operating budget as a result of effort related to the capital project.

RECOMMENDATIONS

That the Magic Lake Estates Water and Sewer Local Services Committee:

1. Receive the Water System Improvement Project Update for information.
2. Direct the Capital Regional District staff to prepare and issue a request for quotation in order to procure engineering services to complete the water main work; and
3. Direct CRD staff to proceed with transferring \$100,000 from the Magic Lake Estates Water Reserve Fund #1024 to the operating account to fund project commissioning costs.

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Attachments: 1 (Project Timeline)

