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REPORT TO MAGIC LAKE ESTATES WATER AND SEWER COMMITTEE MEETING OF TUESDAY, JULY 14, 2015

SUBJECT WASTEWATER INFRASTRUCTURE REPLACEMENT PROJECT UPDATE – REFERENDUM RESULTS AND NEXT STEPS

ISSUE

To present the results of the referendum to the Magic Lake Estates Water and Sewer Local Services Committee (Committee) regarding the Wastewater Infrastructure Replacement Project and to identify the next steps to advance the project following the failed referendum.

BACKGROUND

On Saturday, June 27, 2015, the Capital Regional District (CRD) held a referendum seeking approval from the residents and property owners in the Magic Lake Estates Sewer Local Service area to borrow up to \$6,050,000 for the purpose of administering, planning, designing, acquiring and constructing the capital replacement and upgrade of the Magic Lake Estates Wastewater System.

The official results of the referendum are as follows:

	<u>Yes</u>	<u>No</u>
Advance Polls	26	49
Mail-in Ballots	5	5
General Voting	63	72
Total	94 (43%)	126 (57%)

The referendum failed and as a result, staff prepared options to advance the most critical work proposed under the comprehensive project. Of the work proposed in the Wastewater Replacement Project, the most urgent issue is the Stop Use Order issued in April 2014 by Island Health Authority for the Chart Drive Septic System. Since that time, the sewage has been pumped and hauled to the gravity collection system for treatment at Schooner Treatment Plant, at a weekly cost of approximately \$1,000.

In developing alternatives for the Committee's consideration, CRD staff also evaluated the following issues in association with advancing the project: funding; design services; and procurement strategies.

- Funding options:
- 1) Combination of Reserve funds and new capital requisition; or
 - 2) Capital requisition (parcel tax increase over one year); or
 - 3) New referendum for Chart Drive; or
 - 4) Alternative approval process for Chart Drive.

- Procurement Strategies:
- 1) Design-bid-build; or
 - 2) Design-build.

- Design Services:
- 1) Contracted services; or
 - 2) CRD services.

In order to undertake the review of funding options, the current state of the finances and estimated major expenditures are summarized below. Currently, the available funding sources are the Capital Reserve Fund and Equipment Reserve Fund.

The existing balance in each account is as follows:

Balance as of June 1, 2015	
Capital Reserve Fund	\$ 161,174
Equipment Reserve Fund	\$ 76,003

However, at this time, we recommend the funds in Equipment Reserve Fund are transferred to the Capital Reserve Fund for a total of \$237,177. The Capital Reserve Fund can be used for operation and maintenance of the Magic Lake Estates Sewer Local Service.

Pumping and Hauling of Sewage from Chart Drive System

The pumping and hauling of sewage from the Chart Drive system is presently funded to the end of 2015 by a \$25,000 transfer from the Capital Reserve Fund (\$15,000 approved April 25, 2014, \$10,000 approved August 12, 2014) and the transfer of \$60,000 from the Community Works Fund by the Southern Gulf Islands Electoral Area Director for a total \$85,000. The cost of pumping and hauling as of June 1, 2015 is approximately \$52,345. The remaining \$32,655 is expected to cover the cost of pumping and hauling until the end of January 2016.

In order to advance the Chart Drive work (Project Budget \$760,000, see Appendix A), CRD staff require an initial amount of \$190,000 for project management, administration, staff allocation, design, tender and contract services. It is recommended that the Capital Reserve Fund be used to fund that work. A balance of \$47,177 will remain in the Capital Reserve Fund. The project fund sources are shown in Table 1 below:

Table 1 Chart Drive Pump Station and Force main Project Funding Sources

Source of Funding	Existing Balance	Balance after Transfers	Project Funding
Capital Reserve	161,174	47,177	190,000
Equipment Reserve	76,003*	0	
Parcel Tax			570,000
		Total	760,000

* Funds transfer from Equipment Reserve Fund to Capital Reserve Fund.

In addition, based on a discussion with the Provincial Grant Administrator for New Building Canada Fund - Small Communities Fund (SCF), it was indicated that if design proceeds and the project receives a grant, only the construction costs would still be eligible for the grant. By proceeding immediately, the project would be ready for construction in early 2016 with only limited impact on the eligible funding. Of the grant submission (6.05M), the remaining \$5,680,000 would still be considered eligible for funding by the Province.

Based on the above considerations, two viable alternatives were developed for the Committee's consideration for the Chart Drive Pump Station and Force main.

ALTERNATIVES

Alternative 1

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

- A. Receive the results of the Referendum;
- B. Direct staff to expedite the new Chart Drive Pump Station and Force main as follows:
 - i. Utilize a design-bid-build model to deliver the project;
 - ii. Approve funding the Chart Drive Pump Station and Force main. project budget of \$760,000, from combination of existing funds and parcel tax, as noted below:
 - a. Transfer \$76,003 from the Equipment Reserve Fund to the Capital Reserve Fund;
 - b. Approve the use of Capital Reserve funds in the amount of \$190,000 for project management, administration, staff allocation, design, tender and contract services during construction (design to begin immediately);
 - c. Proceed with an increase the Parcel Tax in 2016 to fund the remaining of the project cost of \$570,000 over one year at an estimated Parcel Tax of \$840 per parcel;
 - d. Defer transfers to the Capital Reserve Fund for the next two years (2015 and 2016) and review on an annual basis.
- C. Advise the New Building Canada Fund - Small Communities Fund (SCF) Program Administration - Small Communities Fund at the Province that the design of the Chart Drive Pump Station and Force main is proceeding.

Alternative 2

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

- A. Receive the results of the Referendum;
- B. Wait for the New Building Canada Fund - Small Communities Fund (SCF) grant announcements, anticipated in the fall of 2015, before proceeding with any of the Wastewater Infrastructure Replacement project identified in the grant submission.

IMPLICATIONS

Alternative 1 - In order to avoid further delay in remediation of the Chart Drive system, it is proposed to proceed with design of the new Chart Drive Pump Station and Force main.

During the analysis of alternatives by CRD staff, the design of the pump station progressed to a pre-design level and as such, this will allow a consultant to proceed with Detailed Design and deliver the project on time and on budget.

The use of the reserve funds (Capital and Equipment) will significantly reduce the financial impact on the property owner.

Additionally, to lessen the financial impact on the community, CRD will provide interim funding to the Magic Lake Estates Sewer Local Service interest at an annual rate of Prime Interest Rate minus 0.75%, which is currently 2.10%.

The proposed project schedule is as follows:

Select Consultant	July 2015
Design	August – October 2015
Tender Period	Mid-November 2015
Tender Closing	Mid-December 2015
Award	January 2016
Start of Construction	February 2016
Project Completion	August 2016

The proposed schedule is intended to expedite the project using existing funds available to ensure design is completed in 2015. This would provide the earliest estimated completion of August 2016 to avoid the cost of pump and hauling (approximately \$1,000 per week) for another year. Based on project completion date in August 2016 for the new Chart Drive Pump Station and Force main, the estimated additional funding required for pumping and hauling is approximately \$30,000 to be funded Capital Reserve Funds and/or surplus funds.

The SCF Provincial Grant Administrator has indicated that if design proceeds and should the grant submission be successful, only the design phase would not be eligible for the grant, provided the construction work has not been tendered. By proceeding with design immediately, the project would be ready for construction in early 2016 with only limited impact on the eligible funding.

Alternative 2 – The Magic Lake Estates Sewer Local Service may or may not receive a grant for partial funding under the SCF. Postponing design and construction of the Chart Drive Pump Station and Force main only delays addressing infrastructure issues and the Magic Lake Estates Sewer Local Service will continue to pay the high cost of pumping and hauling. It is anticipated that the grant announcements would be made prior to the federal election in the fall.

CONCLUSION

The referendum to borrow up to \$6,050,000 for the Wastewater Infrastructure Replacement project has failed. The design and construction of the Chart Drive Pump Station and Force main should proceed to limit the cost of pumping and hauling. Existing funds should be utilized to lower partial tax and reduce the financial impact on property owners. If the SCF grant submission is successful in next couple of months, the cost of construction of the Chart Drive Pump Station - Force main and the remainder of the comprehensive project will be considered for the grant.

RECOMMENDATION

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

- A. Receive the results of the Referendum;

- B. Direct staff to expedite the new Chart Drive Pump Station and Force main as follows:
- i. Utilize a design-bid-build model to deliver the project;
 - ii. Approve funding the Chart Drive Pump Station and Force main. project budget of \$760,000, from combination of existing funds and parcel tax, as noted below:
 - a. Transfer \$76,003 from the Equipment Reserve Fund to the Capital Reserve Fund;
 - b. Approve the use of Capital Reserve funds in the amount of \$190,000 for project management, administration, staff allocation, design, tender and contract services during construction (design to begin immediately);
 - c. Proceed with an increase the Parcel Tax in 2016 to fund the remaining of the project cost of \$570,000 over one year at an estimated Parcel Tax of \$840 per parcel;
 - d. Defer transfers to the Capital Reserve Fund for the next two years (2015 and 2016) and review on an annual basis.
- C. Advise the New Building Canada Fund - Small Communities Fund (SCF) Program Administration - Small Communities Fund at the Province that the design of the Chart Drive Pump Station and Force main will be proceeding.

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Attachments: 1: Appendix A: Chart Drive Cost Estimate

Appendix A

Revised Budget - Includes Revised Rock Quantity and Drainage Improvements					
	Description	Quantity	Units	Unit Cost	Amount
1. Sanitary Force main					
1.1	100mm Dia. PVC Sanitary Force main	875	lin.m	\$ 325	\$ 284,375
1.2	Air Valve	1	each	\$ 5,000	\$ 5,000
1.3	1050mm Dia. Manhole, max. 2m depth	1	each	\$ 8,000	\$ 8,000
1.4	Tie-in to Ex. SMH 243 at Spyglass Rd	1	Lump Sum	\$ 10,000	\$ 10,000
1.5	Sanitary Force main Gate Valves	4	each	\$ 2,000	\$ 8,000
1.6	Pigging/Clean Out Chamber	1	Lump Sum	\$ 30,000	\$ 30,000
1.7	Trench Rock Removal	80	m ³	\$ 310	\$ 24,800
<i>Sub-Total A</i>					\$ 370,175
2. Pump Station					
2.1	Package System, c/w pumps and wet well	1	Lump Sum	\$ 34,000	\$ 35,000
2.2	Pump Controls	1	Lump Sum	\$ 6,000	\$ 10,000
2.3	Valve Chamber	1	Lump Sum	\$ 27,000	\$ 30,000
<i>Sub-Total B</i>					\$ 75,000
Subtotal A + B					\$ 445,175
Contingency(30%)					\$ 133,553
Budget for Construction Cost					\$ 578,728
Engineering Design (10%)					\$ 57,873
Construction Services (18%)					\$ 104,171
SUB-TOTAL					\$ 741,000
3. Drainage Improvements					
3.1	Import, Place & Grade Fill Materials	1	Lump Sum	\$ 15,000	\$ 15,000
Subtotal					\$ 756,000
Total					\$ 760,000

Appendix A from September 15, 2014 Magic Lake Estates Wastewater System Infrastructure Replacement – Update staff report.