

**REPORT TO REGIONAL WATER SUPPLY COMMISSION  
MEETING OF WEDNESDAY, 18 APRIL 2007**

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SUBJECT BYLAW 3419 "REGIONAL WATER SUPPLY WATER WORKS FACILITIES LOAN AUTHORIZATION BYLAW NO. 1, 2007"

PURPOSE

The purpose of this report is to request approval of Bylaw No. 3419 authorizing the borrowing of up to \$26,000,000 for the purpose of acquiring, designing and constructing water works facilities.

BACKGROUND

Loan authorization bylaw 2862, adopted in 2001 authorizing borrowing of \$75 million for water supply facilities, expired on July 11 2006, five years after its adoption. Only \$34 million has been borrowed due to the lower outlay for the enhanced disinfection projection as a result of the Federal and Provincial grants and the change in concept.

Based on the 2007 five year capital plan (Attachment 1), \$40 million will be needed to meet the funding requirements of the capital plan. Major projects include the new water supply system to Sooke, replacement of the No. 2 main and the new McTavish Reservoir. Approximately 35% of these costs will be funded from funds available for transfer to capital with the balance from borrowing. Funds will only be borrowed based on actual cash requirements and approval of projects by the Commission.

Under the *Local Government Act*, participating area approval is required for the approval of the loan authorization. There are three options available for obtaining participating area approval:

- a) Assent from the electors may be given by voting (Referendum);
- b) Participating area approval of the electors may be given by the alternative approval process; or
- c) Consent from all the Municipal Councils on behalf of the electors and consent from the electoral area by referendum

Obtaining assent from electors by voting (referendum) is expensive. Participating area approval by the alternative approval method is relatively inexpensive. Under this method, the loan authorization is approved unless at least 10% of eligible voters (26,555 voters) oppose the adoption of the bylaw.

ALTERNATIVES

1. Approve Regional Water Supply Waterworks Facilities Loan Authorization Bylaw No. 3419 to fund the 2007 five-year capital plan and obtain the assent of the electorate by referendum.
2. Approve Regional Water Supply Waterworks Facilities Loan Authorization Bylaw No. 3419 to fund the 2007 five-year capital plan using the alternative approval process to obtain the assent of the electorate.
3. Approve Regional Water Supply Waterworks Facilities Loan Authorization Bylaw No. 3419 to fund the 2007 five-year capital plan by obtaining consent of the Municipal Councils on behalf of the electors and of the electoral area electors by referendum.
4. Not approve the loan authorization bylaw.

FINANCIAL IMPLICATIONS

Alternative 1. Obtaining the assent of the electorate by referendum is expensive requiring considerable staff time to manage the process to obtain a positive result. The cost would be about \$100,000.

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Alternative 2. The alternative approval process is relatively inexpensive (less than \$10,000) using local print media to inform the public of the reasons for the loan authorization bylaw.

Alternative 3. In this case, 100 percent approval is necessary by all councils and a vote in favour in the referendum. If any one council does not give its consent, or the referendum fails, then the loan authorization bylaw could not be adopted.

Alternative 4. If the borrowing is not approved and funding is restricted to funds available from cash flow, then 65% of proposed capital expenditures will have to be postponed. For example there would be insufficient funds to proceed with the Sooke water supply project.

The estimated debt servicing costs for the \$26 million borrowing at the projected rate of 6% shown in Attachment 1 have been included in the 2007 five-year operating budget. The projected 5 year wholesale water rate impact with the projected borrowing is shown in Attachment 2.

It is recommended that the Commission recommend to the Board obtaining assent of the electors by the alternative approval process.

**RECOMMENDATION:**

That the Regional Water Supply Commission recommend to the CRD Board that:

1. Bylaw No. 3419, “Regional Water Supply Water Works Facilities Loan Authorization Bylaw No. 1, 2007” be introduced and read a first time, read a second time, and read a third time; and
2. The assent of the electorate be obtained by the alternative approval process.

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