



Making a difference...together

## **REPORT TO SALT SPRING ISLAND LIQUID WASTE DISPOSAL LOCAL SERVICE COMMITTEE MEETING OF WEDNESDAY, 6 AUGUST 2008**

---

### **SUBJECT      AUTHORIZATION TO BORROW FUNDS FOR MAJOR UPGRADE**

#### **PURPOSE**

To present to the Salt Spring Island Liquid Waste Disposal Local Service committee (SSILW) for consideration, a request to proceed with public approval to borrow funds for a major upgrade to the septage and biosolids receiving and processing facility at Burgoyne Bay.

#### **BACKGROUND**

At its meeting of 26 June 2008, the committee directed staff to prepare a borrowing bylaw for public approval in a November 2008 referendum, concurrent with municipal elections, for upgrades to the Burgoyne septage facility. These upgrades are required in order to resolve several operating issues with the existing facility.

#### **Updated Project Cost Estimate**

At the June meeting, staff presented a preliminary cost estimate of \$1.13 million to complete the required upgrades, and \$0.3 million to construct a permanent composting facility subject to the success of the composting pilot that is expected to commence in 2008. The project cost estimate has been refined as follows:

- Include a permanent process building to house the headworks grit channel and screen, press, polymer preparation system, pumps, electrical and control equipment; \$300,000.
- Increase budget for headworks equipment by \$100,000 (to \$350,000) based on published costs for similar equipment recently installed in North America.
- Increase budget for engineering, project management, regulatory approvals and contingency by \$250,000 (to \$482,000, or 30% of direct costs of construction labour, materials and equipment) based on Capital Regional District (CRD) experience with current plant construction projects on Salt Spring Island.

The resulting updated total estimated project cost is \$2.09 million, including the \$300,000 provision for a permanent composting facility. Although the estimate has increased significantly, the higher cost would yield a permanent facility that efficiently processes raw septage, grease and wastewater plant sludge into a compost product that is a benefit to the community.

#### **Project Phasing and Cost Recovery**

Subject to public approval by referendum in November 2008 to borrow funds, it is proposed that the septage upgrade project be constructed in two phases in 2009 and 2010, with the composting facility constructed in late 2010 or early 2011 subject to a successful pilot compost project. Works proposed for 2009 would include engineering design, site work, tank upgrades, effluent treatment upgrades and procurement of major components. A spring and a fall borrowing will provide the necessary costs for this work, estimated at approximately \$750,000. The remaining work for the septage facility upgrade project,

**Salt Spring Island Liquid Waste Disposal Local Service Committee – 6 August 2008**

**Re: Authorization to Borrow Funds for Major Upgrade**

**Page 2**

totalling \$1,037,000 would be completed in 2010. The construction of the permanent compost facility will be carried out in 2011 at an estimated cost of \$300,000, for a total project cost of \$2,087,000.

The CRD will borrow funds for this project through the Municipal Finance Authority twice yearly, spring and fall. The fall borrowing costs are not reflected in the year they are borrowed, rather they will affect the annual operating budget in the year following. The project cost flow and projected borrowing is provided on the attached Budgetary Costing Worksheet. These annual costs have been considered in context with the annual operating budget expenditures for annual operation, present debt payment commitments, and anticipated revenue to determine whether the project will require increases in revenue to balance at year-end 2009, to 2012.

The present operating budget for 2009 is currently being prepared for the consideration of the committee. Staff have undertaken preparation of a preliminary five year budget considering the following:

- Parcel tax to remain unchanged from 2008.
- Tipping fee to increase to match that charged by the regional septage disposal facility.
- No further charges for disposal of product to the regional landfill.
- Increased operating costs in 2009 and 2010 reflecting the present level of effort to operate the facility in the current condition and extra time needed for the compost pilot.
- Elimination of the contingency in 2009 and 2010.
- Increases in revenue from tipping fees due to normal volume of material increases.
- Reduction in operating costs in 2011 reflecting the upgraded facility.

While this budget will be refined further over the next two weeks, the analysis suggests the following:

- The present five year borrowing retirement may continue as proposed and will not need to be refinanced unless there is a benefit to do so.
- There are sufficient funds to allow the borrowing increases due to the new project to be retired by way of existing parcel tax with prudent management of the annual budget, and assuming revenue from tipping fees continues to increase due to increases in volume received.
- There should be no need to increase tipping fee rates except in either 2008 or 2009. A 2008 increase might provide a better fit for the introduction of the anticipated septage pump out program expected in 2009.
- It is assumed the expenditure of contingency funds while the capital project is underway will be unnecessary as replacement of equipment can likely be accommodated within the overall project.
- It is assumed the acquisition of a local supply of wood waste can be developed on island, reducing costs for purchase and transport to the island.

**Authorization to Borrow**

In order to complete the upgrades, the CRD Board will need to enact a bylaw to borrow \$2.1 million. The community would be asked to support the borrowing of this amount, to be expended for upgrade of the present liquid waste processing facility and, if supported by the composting pilot project, to complete a permanent compost facility. In order to seek public approval by referendum concurrently with the November 2008 municipal elections, a draft bylaw must be approved by the CRD Board no later than its 10 September 2008 meeting. The bylaw and a supporting staff report must be prepared for the Board agenda at least three weeks before the Board meeting, which in this case is 20 August 2008. The committee will need to provide direction of staff whether it wishes to proceed to the Board meeting with the necessary bylaw.

**ALTERNATIVES**

1. That the Salt Spring Island Liquid Waste Disposal Local Service committee recommend to the CRD Board the borrowing of \$2,100,000 for upgrading liquid waste disposal and compost facilities for the Salt Spring Island liquid waste local service area, with approval from the electors to be obtained by way of referendum held in concert with the November municipal election.
2. That the Salt Spring Island Liquid Waste Disposal Local Service committee direct staff to prepare for public approval at some time after the November 2008 elections.

**FINANCIAL IMPLICATIONS**


CRD staff have completed a preliminary five year budget and capital borrowing plan which suggests the proposed borrowing for the project can be accommodated without an increase in the parcel tax for the next five years. Operating costs during this same time period will increase in 2009 and 2010 which will require an increase in the tipping fees to \$0.24/ gallon in 2008. Staff will continue to revise the five year budget and will report any significant changes to the committee in advance of the borrowing bylaw going to the Board.

**SUMMARY**

In order to complete required major upgrades to the Burgoyne septage processing facility, the CRD Board will need to enact a bylaw to borrow \$2.1 million and will need to obtain the assent of the electors by way of referendum. It would be proposed to host the referendum at the same time as the municipal elections in November of 2008 unless directed otherwise by the committee.

**RECOMMENDATION**

That the Salt Spring Island Liquid Waste Disposal Local Service committee recommend to the CRD Board the borrowing of \$2,100,000 for upgrading liquid waste disposal and compost facilities for the Salt Spring Island liquid waste local service area, with approval from the electors to be obtained by way of referendum held in concert with the November municipal election.

---

Colwyn Sunderland, ASCT  
Local Services Engineering Coordinator

CS:ls