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## **REPORT TO SALT SPRING ISLAND LIQUID WASTE DISPOSAL LOCAL SERVICE COMMITTEE MEETING OF MONDAY, 18 AUGUST 2008**

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### **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, SSILW 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. An updated project cost estimate and options for project phasing and cost recovery were prepared by staff and reviewed by the committee at its 6 August 2008 meeting. Staff were directed to refine cost recovery options based on committee input and to prepare a request to proceed with public approval to borrow funds at the next meeting.

The total estimated project cost is \$2.09 million, including the \$300,000 provision for a permanent composting facility. Subject to public approval of a borrowing bylaw in November 2009, it is proposed that the project be completed in two phases in 2009 and 2010. The permanent compost facility could be included in the work to be completed in the second phase in 2010, or could be completed as late as 2013 under the proposed borrowing bylaw.

The Capital Regional District (CRD) will borrow funds for this project through the Municipal Finance Authority (MFA) 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. 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 prepared a five-year budget considering the following:

- Parcel tax and tipping fee will remain unchanged from 2008 for years 2009 and 2010 while upgrades are completed.
- The 2007 five-year borrowing continues as planned, without refinancing.
- No further charges are paid for disposal of dewatered sludge to the regional landfill (i.e. on-island end use of composted biosolids product is feasible).
- Operating costs increase 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.
- The contingency is eliminated in 2009 and 2010, and restored in 2011 at \$20,000.
- Revenue increases in 2009 and 2010 due to increases in volume of material received.
- Operating costs are reduced in 2011 reflecting the upgraded facility.

Assuming 15-year MFA debt by 2011, anticipated surplus carry forward will no longer be sufficient to

meet expenditure requirements. An increase in revenue of 12% is required in 2011 to service ongoing debt and operating expenditures. If parcel count and sales volume remain at current levels, an increase in parcel tax of \$10 to \$52.11 (24%) would be necessary in 2011. Alternatively, if revenue is increased by 3% in 2009 (e.g. increase in tipping fee to \$0.240 to match the market rate in Greater Victoria), the revenue increase required in 2011 would be reduced by half. The total nominal cost of a \$2.1 million, 15 year MFA borrowing at 6% is approximately \$3.4 million.

Assuming 20-year MFA debt, an increase in revenue of 7% is required in 2011 to service debt associated with plant upgrades. If parcel count and sales volume remain at current levels, an increase in parcel tax of \$5 to \$47.11 (12%) would be necessary in 2011. Alternatively, if revenue is increased by 3% in 2009 (e.g. increase in tipping fee to \$0.240 to match the market rate in Greater Victoria), no further revenue increase is required for at least five years. The total nominal cost of a \$2.1 million, 20 year MFA borrowing at 6% is approximately \$3.8 million.

### **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 five year budget and capital borrowing plan which indicates the proposed project can be accommodated using 15-year MFA debt, maintaining the current tipping fee and parcel tax rate for at least the next two years, with an increase in revenue of 12% required by 2011. Alternatively, the proposed project can be accommodated using 20-year MFA debt, maintaining the current tipping fee and parcel tax rate for at least the next two years, with an increase in revenue of 7% required by 2011.

Operating costs have increased significantly since 2007, warranting an increase in the tipping fee to \$0.24 per imperial gallon or a single parcel tax increase of approximately \$3 in 2009. If the revenue is increased on this basis, the upgrade project can be accommodated with a further 6% revenue increase by 2011 using 15-year MFA debt, or with no revenue increase required using 20-year MFA debt.

### **SUMMARY**

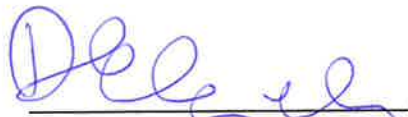
In order to complete required major upgrades to the Burgoyne septage processing facility, the CRD Board will need to enact a bylaw to borrow \$2.1 million and will need to obtain the assent of the electors by way of referendum. It is proposed to host the referendum concurrently with municipal elections 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.



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