

**DATE:** April 8, 2016

**FILE:** 5610-01

**TO:** Chair and directors  
Electoral areas services committee

**FROM:** Debra Oakman, CPA, CMA  
Chief Administrative Officer

**RE:** Sandwick Waterworks Improvement District conversion

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### Purpose

The purpose of this report is to recommend that funding be provided from the Area B community works funds towards the Sandwick Waterworks Improvement District conversion project and to provide a status update on the project.

### Policy analysis

A regional district board may operate any service that the board considers necessary or desirable for all or part of the regional district, under section 332 of the *Local Government Act* (SBC, 2015, c.1). The Sandwick Waterworks is an improvement district under BC letters patent and has the responsibility to supply potable water in a specified area in Electoral Area 'B'. At the request of Sandwick, the Comox Valley Regional District (CVRD) board approved a resolution in November 2013 to initiate a conversion process to determine the suitability of Sandwick becoming a regional district service.

### Executive summary

In order to determine the suitability of Sandwick becoming a regional district service, a number of actions have occurred. Defero-West Local Government Consulting has provided a memo to the Comox Valley water committee including a current situation assessment and an options matrix and Koers has conducted an infrastructure assessment. The Comox Valley water committee received this information at its November 10, 2015 meeting and adopted a resolution to support, in principle, the conversion of the improvement district to a regional district service. The City of Courtenay, Island Health and Ministry of Community, Sport and Cultural Development are also involved in this project. A proposed timeline for this project is illustrated as appendix 'A'.

One of the key steps in this process is a public meeting / open house for Sandwick residents and property owners to share information on the conversion, identify expected costs and describe the proposed governance structure. Costs are very important to this conversion process and table 1 lists the conversion costs that Koers proposed in its 2015 assessment report.

Project	Cost
Infrastructure system changes and construction	\$ 307,000
Service connection meters (424 at \$1,200 each)	508,800
Capital improvement cost charge (423 residential at \$3,702 each)	1,565,946
Capital improvement cost charge (3,400 m2 school at \$10.80/m2)	36,720
<b>Total conversion costs</b>	<b>\$ 2,418,466</b>

Table 1 - Sandwick conversion costs (source: Koers 2015 assessment report)

Koers identifies the cost of water meters in its 2015 assessment report. Reasons to incorporate water meters in the Sandwich conversion process relate to reducing overall water demand and reducing the cost of providing water. The Comox Lake watershed protection plan, which is currently under final considerations and is the result of extensive community consultation and professional input, recommends the use of water meters in all areas of the Comox Valley water supply system and includes the following statement:

The population of the CVRD is increasing rapidly and may increase by almost 50% in the next 20 years. At the same time, low snowpack or drought years are predicted to become more common. The CVRD submitted a new water license application to the Ministry of Forests, Lands and Natural Resource Operations on June 4, 2013 to provide additional water to meet growing demand. The application was rejected based on the rationale that there was insufficient water in the Puntledge River to accommodate the license. The Ministry supported implementation of a universal water metering system and consumption based pricing system which have “been proven to reduce water consumption between 30 and 40 percent in most urban areas.”

The CVRD may provide some support to this conversion process in the form of Area B community works funds. CVRD staff are recommending that \$307,000 of Area B community works funds be used towards the infrastructure components of the conversion process. After the current commitments of \$424,180.83, Electoral Area B community works funds has \$1.7 million available. Further, Sandwich trustees have expressed an interest in offering Sandwich property owners with the option of financing conversion expenses or paying all conversion expenses up front. Financing the expenses would be collected through a parcel tax and interest would be incurred for the associated debt whereas paying the expenses up front enables those property owners who opt for this method to avoid paying interest or to personally finance the expense. In order that the Sandwich trustees can conduct their open house and provide adequate information to property owners, CVRD staff are recommending that financing debt expenses be offered under this conversion project. Before this commitment can be made, the CVRD staff must confirm that financing options are available through the Ministry of Community, Sport and Cultural Development and the Municipal Finance Authority. Table 2 illustrates the revenue required for this project, incorporating the Area B community works funds, and tallies the per property costs if the expenses are paid up front or financed. Other revenue identified in the table includes reserve funds currently held by the Sandwich Waterworks Improvement District and the remaining balance to be paid by the service area.

Revenue source	Amount
Sandwich reserve funds	\$ 156,600
Area B community works funds	307,000
Service area	1,954,866
Estimated cost per house (if paid up front)	\$ 4,611
Estimated annual cost per house (if financed over ten years)	\$ 560

Table 2 - Sandwich conversion revenue sources and costs

Following the proposed Sandwich Waterworks open house (tentatively scheduled for late April or May), the Sandwich board of trustees will make a decision on pursuing the conversion. As noted in appendix A, the CVRD’s next steps are dependent on the Sandwich trustees’ decision.

**Recommendation from the chief administrative officer:**

THAT up to \$307,000 of Area ‘B’ community works funds be committed for the infrastructure system changes and construction following the conversion of the Sandwick Waterworks Improvement District to a regional district service;

AND FURTHER THAT property owners in the proposed Sandwick water service be provided the opportunity to finance any expenses associated with system changes and construction, service connection meters or capital improvement cost charges with such costs to be recovered through the parcel tax mechanism, subject to Ministry of Community, Sport and Cultural Services approval.

Respectfully:

Prepared by:

*D. Oakman*

*J. Warren*

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Debra Oakman, CPA, CMA  
Chief Administrative Officer

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James Warren  
General Manager of Corporate  
Services

Attachments: Appendix A – “Proposed timeline for Sandwick Waterworks Improvement District conversion project”  
Appendix B – “Community works funds schedule as at March 31, 2016”

Appendix A – “Proposed timeline for Sandwick Waterworks Improvement District conversion project”

Date	Key Milestones	Status
November 2013	CVRD board initiated conversion feasibility process	Complete
June 2014	CVRD commissions Defero-West Consulting to lead review and feasibility study to identify options, costs and roles for Sandwick, City of Courtenay, Ministry of Community, Sport and Cultural Development and CVRD	In progress; consultants engaged with Sandwick and other parties to communicate with public and deliver options
October 2015	Koers and Associates Engineering Ltd. delivers infrastructure assessment report identifying proposed capital improvements and costs	Complete
November 2015	Comox Valley water committee supports conversion in principle	Complete
April 2016	Electoral areas services committee and CVRD board support sought for use of community works funds to assist property owners with conversion costs	For consideration at April meetings
June 2016	Seek public input and support for Sandwick conversion to CVRD service	Pending open house and feedback; will incorporate City of Courtenay infrastructure requirements with improvements identified by Koers assessment report
Sandwick trustees to decide on proceeding with conversion or not. If conversion is not pursued, the CVRD will not pursue any further actions. If conversion is pursued, the following actions are proposed.		
June to July 2016	CVRD board to request order in council (OIC) to convert the service effective January 1, 2017	Pending Sandwick trustees' decision
June to July 2016	Sandwick potentially seeking interim agreement for operation and maintenance of water system until such time as OIC and conversion are finalized	Pending Sandwick trustees' decision
Aug. to Sept. 2016	Follow-up communication with Sandwick residents to advise on outcome of trustees decision, conversion process and expected conversion timing, if supported	Pending Sandwick trustees' decision
Sept. to Nov. 2016	Develop 2017 to 2021 financial plan for Sandwick water service, prepare for records transfer, develop utility billing system, consider policy and regulations, etc. for pending service conversion	Pending Sandwick trustees' decision
Jan. 1, 2017	Conversion of Sandwick takes effect	CVRD to deliver service

**Comox Valley Regional District**

COMMUNITY WORKS FUNDS (Expiry: March 31, 2024)

As at March 31, 2016

**APPENDIX B**

	Area A	Area A	Area B	Area C
	Denman-Hornby Islands	Baynes Sound	Lazo North	Puntledge - Black Creek
<b>Balance-December 31, 2015</b>	<b>478,954.62</b>	<b>1,149,537.31</b>	<b>1,903,257.37</b>	<b>1,961,198.52</b>
<b>Total</b>	<b>5,492,947.82</b>	<b>1,149,537.31</b>	<b>1,903,257.37</b>	<b>1,961,198.52</b>
<b>2016 Approved funding (receivable)</b>	<b>88,163.30</b>	<b>219,027.91</b>	<b>320,148.54</b>	<b>370,686.59</b>
2016 New funds receivable				
<b>2016 Expenses</b>	<b>567,117.92</b>	<b>1,368,565.22</b>	<b>2,223,405.91</b>	<b>2,331,885.11</b>
Electoral Areas master sewer strategy	(81,005.48)	(40,502.74)		(40,502.74)
Regional water supply strategy	(28,346.82)		(14,173.41)	(14,173.41)
Driftwood Marine Park new trail	(14,193.50)			(14,193.50)
CV Sustainability Strategies-implementation phase	(10,703.62)	(3,567.87)	(3,567.88)	(3,567.87)
Kelland reservoir replacement project	(5,486.00)			(5,486.00)
Denman Island/Parnell water local service area	(4,356.08)			
Denman Island ferry trail	(1,647.50)			
Black Creek Oyster Bay water treatment project- (ultra violet)	(615.04)			(615.04)
<b>Commitments</b>	<b>(146,354.04)</b>	<b>(44,070.61)</b>	<b>(17,741.29)</b>	<b>(78,538.56)</b>
Electoral Areas master sewer strategy	\$ (1,717,110.71)	\$ (1,077,313.53)	\$	\$ (639,797.18)
Kelland reservoir replacement project	(317,514.00)		(307,000.00)	(317,514.00)
Sandwick waterworks infrastructure (pending approval)	(307,000.00)		(307,000.00)	
Hornby Island fire hall upgrade (green initiatives)	(200,000.00)			
One Spot trail improvements	(175,000.00)			
Regional water supply strategy	(118,988.46)		(59,493.73)	(175,000.00)
Denman Island ferry trail	(133,463.75)			(59,494.73)
Rainwater management strategy implementation	(100,890.79)		(100,890.79)	
Seal Bay Park trail improvements	(100,000.00)		(100,000.00)	
Driftwood Marine Park new trail	(85,806.50)			(85,806.50)
Jackson Drive sewer upgrade	(60,223.39)		(60,223.39)	
Denman Island/Parnell water local service area	(35,050.31)			
Brooklyn Creek watershed blueprint project	(33,400.00)		(33,400.00)	
Hornby Island free store solar energy demonstration project	(32,000.00)			
Hornby Island water treatment system	(30,000.00)			
Lower Lazo watershed drainage assessment	(30,000.00)			
Comox Valley sustainability strategies-implementation phase	(23,589.00)	(7,863.34)		(7,862.33)
Hawkins Road trail project	(17,309.59)			
King Coho waste water treatment project	(10,000.00)			
Black Creek Oyster Bay water treatment project- (ultra violet)	(5,984.96)			(5,984.96)
North Island College Centre for Applied Research, Technology and Innovation for the Food Environment Economic Development (FEED) Comox Valley	(5,000.00)		(5,000.00)	
<b>Current available funding</b>	<b>(3,538,331.46)</b>	<b>(430,514.06)</b>	<b>(731,180.83)</b>	<b>(1,291,459.70)</b>
<b>Proposed funding (2017/2018)</b>	<b>2,806,288.66</b>	<b>239,317.74</b>	<b>1,474,483.79</b>	<b>961,886.85</b>
<b>Available funding including estimated funding for 2016/2018</b>	<b>2,043,535.00</b>	<b>448,476.00</b>	<b>655,529.00</b>	<b>759,009.00</b>
<b>Available funding including estimated funding for 2016/2018</b>	<b>4,849,823.66</b>	<b>687,793.74</b>	<b>2,130,012.79</b>	<b>1,720,895.85</b>