



CCRD (Proposed) SERVICE REPORT

To: Chair Samuel Schooner and Board of Directors
From: Courtney Kirk, Chief Administrative Officer / CFO
Meeting Date: September 17, 2020
Subject: Progress Report - Proposed Conversion & Service – Hagensborg Waterworks Improvement District (HWD)

Background:

During the February 13-14, 2020 meeting, the Board resolved in-camera and released the following resolution to the public:

20-02-24IC M/S Directors Northeast/Kennedy THAT the Board of Directors of the Central Coast Regional District authorizes execution of the Hagensborg Water Improvement District Infrastructure grant funding award between CCRD and British Columbia;

AND THAT Administration is directed to pursue a conversion process with the Hagensborg Water Improvement District and Ministry of Municipal Affairs and Housing;

AND THAT Administration is directed to pursue funding through the Ministry as per their correspondence of February 12, 2020 to explore implementation of a local community commission for governance over the service and additional review of the long term financial implications of the project and operations to the CCRD.

CARRIED

With the onset of the COVID-19 pandemic in March 2020 requiring significant CCRD and provincial staff resources in response, pursual of a conversion process toward the conversion of the Hagensborg Waterworks (Improvement) District to a service area of the Central Coast Regional District was put on hold. Staff level meetings with provincial staff and HWID representatives to discuss planning necessary to effect both the conversion and completion of the grant funded infrastructure project resumed in late June.

The Trustees of the Hagensborg Water District had previously made the resolution to dissolve and transfer its services to the Central Coast Regional District, largely based on the award of grant funding for the “Hagensborg Community Potable Water Distribution and Treatment Project No. IG0125” from the Investing in Canada Infrastructure Program (ICIP) in the amount of \$3,785,294.

The shared cost agreement between the regional district and the province, signed in March 2020, as per the authorizing board resolution noted above, stipulates that the

improvement district must convert to a regional district service area as a condition of grant approval.

Quarterly [or Bi-Annual or Annual] Highlights:

Regional District staff (Finance Manager, Chief Administrative Officer, Operations Manager) have participated in monthly or twice-monthly meetings with the improvement district and with the province since June 2020 in an effort to discuss issues and to develop a work plan for the conversion and for the project construction, and particularly to gain clarity on the process steps required. Staff have also had meetings or conversations with engineers, regulators, the ministry and auditors. The work plan is progressing but is not yet complete. The next meeting is scheduled to be held the week of September 14th 2020. *See attached report for more detailed reporting.*

Grant Funded Projects Administered Under the (proposed) Service:

- 1) 2015 Infrastructure Planning Grant for condition assessment \$11,000. Lead: HWD
- 2) (New) Infrastructure Planning Grant for asset management strategy resulting from condition assessment – to be developed this fall – approx. \$10,000.
- 3) ICIP as noted above - \$3.785 million for water treatment and portion of distribution system
- 4) (New) Restructure Implementation Grant – to assist the regional district with administrative costs associated with the conversion – not yet developed - \$15,000 (TBC)

Feasibility Studies Authorized Under the Service:

None.

Board Priorities - Service Specific Progress of CCRD Strategic Plan 2019 – 2022 (unamended):

Goal 3 Improving Our Infrastructure – Investing in Safe and Sustainable Public Works and Construct Hagensborg Water System

- Grant Approval (March 2020 completed)
- MOU with Improvement District
- Construction

Financial/Budgetary:

Total Budget (Including Grants): N/A

Budget (User Fees and Requisition Only): N/A

Grant Funded Special Projects

Special Project: Water treatment	Total Project Cost: \$5.162m
	Total Grant Revenue: \$3.785m
	Percent total expended: 0%
	Received: March 2020 \$1,462,420

- Note: the “Hagensborg Community Potable Water Distribution and Treatment Project No. IG0125” grant application to the Investing in Canada Infrastructure Program (ICIP)

with a successful award of \$3,785,294 assumes a phased project, with approximately 2 million dollars in unmet funding

Apportioned Administration Reflecting Time Requirements – Staff and Elected Officials:

As noted above, regional district staff have spent considerable time and effort over the last few months to get the “lay of the land”, to develop a joint work plan, a communication strategy and to review legislative requirements related to the conversion of fire protection and water supply and distribution services.

CCRD Mandate for Service Delivery:

The current understanding of the progression of the service is as follows, however, this process could change according to decisions made by the Board respecting the CCRD’s agency regarding the conversion.

As matters currently stand, it appears the province will issue the Order in Council (OIC) to dissolve the improvement district and transfer responsibility for its services to the regional district. The mandate for CCRD service delivery will be created by this process. It appears the Regional District is not required to pass a service establishment bylaw (nor undertake an assent process for service establishment) for the Hagensborg water supply and distribution and fire protection services. Ministry staff provided the following clarification:

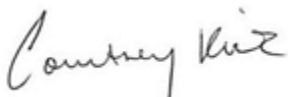
The OIC creates the service for the RD and after the effective date of the OIC needs to amend the bylaw as if it were an establishing bylaw (e.g., add the contents of the bylaw). In this process there is no need to seek electoral approval. The authority for this is found in s. 45 of the Local Government Act.

Legislation/Bylaw/Policy:

The question as to whether an assent process is required, and whether an assent process will be undertaken in any case by the Regional District, has been raised on several occasions.

Ministry staff advise that Section 45 of the Local Government Act (LGA) provides the authority for the Lieutenant Governor in Council (aka Provincial Government) to continue the service(s) of an improvement district as a service of a regional district. After the Order in Council (OIC) is passed and the service is continued as a regional district service, the regional district adopts a bylaw that describes the key features of the continued service. That bylaw is adopted using the rules for amending existing service establishment bylaws and is then deemed to be a service establishment bylaw under s. 45(5) of the LGA. For certainty, s. 45(5) asserts that a regional district bylaw adopted in this way is deemed to be an establishing bylaw.

Respectfully Submitted by:



Courtney Kirk, Chief Administrative Officer

Central Coast Regional District

Hagensborg Waterworks District Conversion and Project Work Plan – September 10, 2020
Progress Report

The following report has been developed primarily by using notes from the process of inter-agency meetings with the Ministry of Municipal Affairs and Housing, Hagensborg Waterworks District, Urban Systems (on behalf of HWD), regional district staff and supports (CAO, Operations, Financial Services). Others from the province have also attended, depending on the topic of the meeting.

Other information has been obtained from the Ministry's Improvement District Conversion Guide (2004), the Local Government Act, the HWD budget and other documents posted on their website, the Hagensborg Waterworks District Conversion Review (2019) and proposal documents related to conversion and/or project construction from KPMG, auditors.

This report includes work that is in progress and work that is contemplated as part of the conversion and the capital project.

Contents:

1. Pre-Conversion

- a) HWD Infrastructure Planning Grant – Condition Assessment
- b) Water System Upgrade Pre-Design Engineering Work -see also 4(a)
- c) (New) Infrastructure Planning Grant – Asset Management Strategy
- d) Determine treatment options in consultation with Vancouver Coastal Health
- e) Determine fire flows
- f) Fire Protection budget for 2021
- g) Waterworks budget for 2021
- h) Conversion Analysis Report
- i) Determine transitional governance
- j) Restructure Implementation Grant

2. Conversion

- a) Determine assent / implementation process
- b) Provincial Order in Council (OIC)
- c) Bylaw 1 – Service Establishment – Water supply and distribution
- d) Bylaw 2 – Service Establishment – Fire protection

3. Post Conversion

- a) HWD audit of 2020 records
- b) CCRD audit of 2020 records
- c) CCRD Five Year Financial Plan
- d) Transfer of records and assets
- e) Bylaw No. 3 – Fire Department governance
- f) Bylaw No. 4 – Waterworks governance
- g) Bylaws 5, 6, 7, 8, 9, 10 – Establish reserve funds

4. Capital Project / Treatment Facility / Distribution

- a) ICIP Grant - Environmental Quality Stream
- b) Preliminary Risk & Mitigation Plan
- c) Project Delivery Plan

5. Other Significant Matters

- a) Mutual Aid Agreement
- b) Beyond capital project upgrade
- c) Communications Plan / Strategy (Pre-, Conversion, & Post)

1.0 Pre-Conversion

- a) HWD Infrastructure Planning Grant – Condition Assessment
The HWD received a grant in 2015 through the regional district which was not used. Urban Systems has been retained by the HWD to do a condition assessment which will be completed by the end of October.
- b) Water System Upgrade Pre-Design Engineering Work
This work is part of the larger capital project and is funded by HWD. The project involves creek crossings and paperwork for permits required for pipe crossings and a treatment plant site is being assessed. MOTI is being engaged regarding right of ways and Vancouver Coastal Health is being consulted for their requirements. The geotechnical field work will include test pits by the highway and a local excavator for a subsurface review. Some field work is expected to take place in late September.
- c) (New) Infrastructure Planning Grant – Asset Management Strategy
An application will go forward this fall for an asset management strategy. The particulars will depend on the results of the condition assessment currently being undertaken and the scope of work will be developed by HWD, CCRD and Urban Systems (who is being retained by HWD). The HWD will be the lead, but the grant application must be approved and submitted through the regional district. Anticipated cost \$10,000.
- d) Determine treatment options in consultation with Vancouver Coastal Health
Vancouver Coastal Health imposed a deadline of August 31st as a requirement to have a plan to address the provision of potable water. The regional district has worked with HWD and Urban Systems to meet the requirements of VCH. VCH requires as a condition of construction and operating permits, a minimum treatment of chlorine. Generally, chlorine is accompanied by UV and filtration and it is anticipated that this will be the combination selected and approved by VCH. The regional district has requested that de-chlorination at the household be investigated and Urban Systems is currently looking into this as an option.
- e) Determine fire flows
Inquiries have been made and VCH has been consulted regarding alternatives. Ideally a reservoir is in place, but VCH appears open to “phasing” and a bypass valve may be an option if there is reliable notification in place. Discussions continue.
- f) Fire Protection budget for 2021
The timing of the conversion is at issue in the matter of developing the fire protection budget for 2021. Options are being considered, with the assistance of the Ministry and with the Surveyor of Taxes and BC Assessment Authority. Depending on the date of conversion, the HWD will develop the 2021 budget and requisition the province for the annual levy for fire protection. Coordination is required in order to prevent both entities requisitioning taxes for the same service.

g) Waterworks budget for 2021

The annual budget for the HWD will be developed by the HWD later this fall. The budget will then be included in the regional district's five-year financial plan. The waterworks revenues are primarily derived from user fees, so tax levy is not an issue for coordination.

h) Conversion Analysis Report

In September 2019 the HWD commissioned a conversion report using the services of Jim Tarves. It was presented to the Hagensborg Waterworks District users shortly thereafter. The report was compiled using information from various sources including from HWD, engineering reports, and the Ministry of Municipal Affairs and Housing and is available on the HWD website.

The regional district has requested a proposal from KPMG to address, among other things, a conversion analysis. The final report would summarize the anticipated financial implications to the regional district associated with the conversion. It would include a summary of previous analysis, financial implications, key financial risks and a sensitivity analysis.

i) Determine transitional governance

If it is deemed necessary, the regional district may consider interim or transitional governance such as the appointment of a standing committee in an advisory capacity through the conversion process until such time as ongoing governance is determined which will be established by bylaw and will include a terms of reference.

j) Restructure Implementation Grant

The Improvement District Conversion Guide published by the Ministry in 2004, provides that when a Cabinet order has been approved to dissolve an improvement district and transfer responsibility for its services to a regional district, the ministry may provide a Restructure Implementation Grant to assist the regional district with the administrative costs associated with the conversion. The costs can include the integration of accounting and billing processes as well as the transfer of titles, licences, easements, contracts and equipment.

The administrative costs associated with converting vary depending on population and the number of services and the number of connections to the water system. The minimum grant is \$5,000 and the maximum is \$25,000 as follows:

	Less than 100 water connections or a population less than 100	100 to 500 water connections or a population between 100 and 500	Greater than 500 water connections or a population greater than 500
Single service other than water	\$5,000	\$5,000	\$10,000
Single service – water only	\$5,000	\$10,000	\$15,000
Multiple services - but not water	\$5,000	\$10,000	\$15,000 - \$20,000
Multiple services including water	\$5,000	\$15,000	\$15,000 - \$25,000

According to the above table, the regional district would be eligible to receive \$15,000. As noted on the front-page summary, we are already approaching the point where CCRD has incurred this level of in-kind costs but have not completed the process by a significant degree.

The HWD population is estimated to be 460 with approximately 224 connections. An application has not yet been developed or submitted for this grant funding.

2.0 Conversion

a) Determine assent / implementation process

Generally, for an improvement district conversion to be implemented, the regional district is required to pass a service area establishment bylaw. The regional district, the province and the improvement district can choose from two options, for when this bylaw should be passed.

Option 1 – the regional board can pass the service area establishment bylaw prior to the Cabinet order that dissolves the improvement district and transfers responsibility for its services to the regional district. The bylaw must receive the assent of the electors either by a petition, alternative approval process, or a referendum. This option is typically used when the construction and financing (borrowing) for a capital project to upgrade the service infrastructure forms part of the conversion proposal. Since elector assent is required under this option, it gives more certainty to the decision to convert.

Option 2 – The regional board can pass a service area establishment bylaw after the Cabinet order has been passed that dissolves the improvement district and transfers responsibility for its services to the regional district. In this case, the Cabinet order can exempt the service area establishment bylaw from elector assent. This option is typically used when there has been a suitable public consultation process and the users affected have indicated strong support for the conversion.

In December 2019, the HWD conducted a ballot count by asking the question: “in favour of accepting the \$3.78 million dollar government grant and conversion to the Central Coast Regional District”. Results were Yea: 68; Nay: 63

However, Ministry staff have recently confirmed that an assent process for the service conversion to be in effect by CCRD is not required, and that the Order in Council provides for the transfer of the establishing bylaw from the improvement district to the regional district. As noted in the attached cover report it appears the province will issue the Order in Council (OIC) to dissolve the improvement district and transfer responsibility for its services to the regional district. The mandate for CCRD service delivery will be created by this process. It appears the Regional District is not required to pass a service establishment bylaw (nor undertake an assent process for service establishment) for the Hagensborg water supply and distribution and fire protection services. Ministry staff provided the following clarification:

The OIC creates the service for the RD and after the effective date of the OIC needs to amend the bylaw as if it were an establishing bylaw (e.g., add the contents of the bylaw). In this process there is no need to seek electoral approval. The authority for this is found in s. 45 of the Local Government Act.

b) Provincial Order in Council (OIC)

The OIC transfers rights, property, assets, bylaws and resolutions, leases, licences, permits, contracts etc. from HWD to CCRD. The preferred assent/implementation process must be finalized for the OIC to be issued.

c) Bylaw 1 – Service Establishment – Water supply and distribution

Establishing the service and including it in the Five-Year Financial Plan provide for expenditures to be lawful. The following is an excerpt from the *Local Government Act*:

339 (1) An establishing bylaw for a service must do the following:

- (a) describe the service;
- (b) define the boundaries of the service area;
- (c) identify all municipalities and electoral areas that include participating areas for the service;
- (d) indicate the method of cost recovery for the service, in accordance with section 378 [*options for cost recovery*];
- (e) set the maximum amount that may be requisitioned for the service by
 - (i) specifying a maximum amount,
 - (ii) specifying a property value tax rate that, when applied to the net taxable value of land and improvements in the service area, will yield the maximum amount, or

(iii) specifying both a maximum amount and a property value tax rate as referred to in subparagraphs (i) and (ii), in which case the maximum amount is whichever is greater at the applicable time.

d) Bylaw 2 – Service Establishment – Fire protection

See above. A separate establishing bylaw is required for Fire Protection services.

3.0 Post Conversion

a) HWD audit of 2020 records

Depending on confirmation of an established conversion date it is anticipated that HWD will proceed with and be responsible for the audit of the 2020 accounting records. The converted service areas would then be included in the regional district audit for the year ending December 31, 2021.

b) CCRD audit of 2020 records

The annual audit of the 2020 records is not anticipated to cover the newly established service areas.

c) CCRD Five Year Financial Plan

The regional district's five year financial plan will include provision for capital and operating expenses and revenues for the newly converted service areas. The financial plan must be adopted by the board of directors on or before March 31, 2021.

d) Transfer of records and assets

The OIC will provide the authority to transfer all the assets and liabilities from the HWD to the regional district, but ongoing effort will be required to complete the paper work related to the transfer of each permit, licence, vehicle, property etc.

The transfer of the accounting records will likely be by electronic means, and the actual books will be transferred with the HWD laptop. It is expected that the HWD will convert their records to match the regional district's accounting software, in order to ease the transition.

The OIC will also provide that the bylaws and resolutions of the HWD will continue in force as bylaws or resolutions of the regional district until those bylaws or resolutions are amended or repealed by the board of directors of the regional district. An in-depth review of all of the HWD bylaws will be required in order to complete the overall transition and to ensure compliance with regional district policies and bylaws, where applicable.

e) Bylaw No. 3 – Fire Department governance

The fire protection component of HWD is likely informed by bylaw. (This will be determined in the course of the bylaw review as noted above.) As already noted,

HWD bylaws will remain in effect until repealed or amended. The review of the fire department governance will be conducted in relation to the regional district's bylaws which provide for a Fire Department Executive Committee (FDEC) for the Bella Coola Fire Department. Upon consultation with the HWD and Hagensborg Fire Department, the board may elect to mirror the bylaw for a new (second) FDEC, or otherwise establish governance taking into account their wishes or HWD bylaws already in place.

f) Bylaw No. 4 – Waterworks governance

After taking into consideration the wishes of the users, the board may elect to establish a Local Community Commission (LCC), a commission, a standing committee or an advisory committee.

Local Community Commissions are not common in the province. They differ from other forms of governance in that their members are elected by the users. LCC's are regulated by the *Local Government Act* and are comprised of 4 elected commissioners plus the electoral area director. (Because the HWD boundaries include 2 electoral areas, it is unknown if both would be represented on the LCC.) The LCC establishment must be approved by referendum and the delegation of their authority may only be through adopted bylaw. If a Local Community Commission is established, it would be prudent to conduct the election at the same time as the local government elections. The next local government election will be held in October 2022.

g) Bylaws 5, 6, 7, 8, 9, 10 – Establish reserve funds

The following are known reserve funds extracted from the audited financial statements posted on their website. Each restricted fund would require a separate bylaw which would provide for how the funds are accumulated and put into each fund and the particulars of how each fund is to be used. As noted above, if the HWD bylaws do exist, they will remain in force until amended or repealed by the regional district.

Unrestricted Funds:

- The Waterworks Operating Surplus fund reports for the District's assets, liabilities, revenues and expenses related to water works operations.
- The Fire Protection Operating Surplus fund reports for the District's assets, liabilities, revenues and expenses related to fire protection operations.
- The Water Treatment System Operating Surplus fund reports for the District's assets, liabilities, revenues and expenses related water treatment system operations (compliance).

Restricted Funds:

- The Waterworks Capital Development Reserve fund reports for the District's assets, liabilities, revenues and expenses. These funds are to be used only for approved tangible capital asset expenditures.

- The Waterworks Water Act Compliance Reserve fund reports for the District's assets, liabilities, revenues and expenses. This fund is to be used for future tangible capital asset expenditures and approved maintenance expenses.
- The Contingency Reserve fund reports for the District's assets, liabilities, revenues and expenses. This fund is to be used for emergency purposes and for unanticipated expenses exceeding the budget.
- The Fire Protection Reserve fund reports for the District's assets, liabilities, revenues and expenses. This fund is to be used for future tangible capital asset expenditures and approved maintenance expenses.
- The Waterworks Invested in Tangible Capital Asset fund reports for the District's assets, liabilities, revenues and expenses related to tangible capital assets.
- The Fire Protection Invested in Tangible Capital Asset fund reports for the District's assets, liabilities, revenues and expenses related to tangible capital assets.

4.0 Capital Project / Treatment Facility / Distribution

a) Environmental Quality Stream

The Investing in Canada Infrastructure Program grant, as identified earlier in this report, was signed in March 2020, and is meant to provide for a treatment facility and replacement of portions of the water distribution system. The original costs estimates for grant application purposes were Class D estimates. As part of this funding, Class C estimates will be prepared that may alter the overall project costs.

b) Preliminary Risk & Mitigation Plan

The regional district may be in the position of having to modify the scope of the project in the event of possible project overruns, or may have to obtain additional grant funding from other sources or from the water users.

c) Project Delivery Plan

A Project Delivery Plan will be considered in order to plan for the development of the grant deliverables:

- Scope
- Governance
- Approach, timeline, milestones
- Key risks identified
- Compilation of existing documentation
- Schedule and work plan
- Budget, including future maintenance costs
- Key stakeholder engagement and communications (see below)
- Project management protocols (delegation)

5.0 Other Significant Matters

a) Mutual Aid Agreement

The regional district's bylaw 290 is a mutual aid agreement between the fire departments in the Bella Coola valley. This conversion does not necessarily affect the bylaw, but it is noted that the bylaw was adopted in 1999 and is very much out of date and has not taken into consideration extensive changes in fire protection regulation.

b) Beyond capital project upgrade

Funding options are being explored for a Phase II capital upgrade to provide for replacement of the distribution system.

c) Communications Plan / Strategy (Pre-, Conversion, & Post)

Significant effort has been made to develop a communication plan or strategy to encompass all three phases of the conversion process. Issues to address include:

- treatment method;
- costs; and
- governance

The costs for communications have not been captured anywhere at this time.

Delivery of communications can be made on the websites or newsletters, and consideration has been given to having a town hall forum with elected officials and with experts (engineers, health authority, the province, a finance person) to answer community questions.

END OF REPORT