



REGIONAL
DISTRICT
OF NANAIMO

STAFF REPORT TO
Electoral Area Services Committee
February 8, 2024

**NANOOSE BAY PENINSULA RESERVOIR IMPROVEMENT PROJECT – SEEKING BOARD
DIRECTION FOR TYPE OF PARTICIPATING AREA APPROVAL**

RECOMMENDATION

That approval of the electors for the Nanoose Bay Peninsula Reservoir Improvement Project be obtained by an Alternative Approval Process.

BACKGROUND

The Nanoose Bay Peninsula Water Service Area (NBPWSA) is comprised of approximately 2600 properties located in Electoral Area E between Lantzville and Parksville, B.C. The potable water used for drinking water and fire protection is stored in six reservoirs located throughout the Nanoose Bay Peninsula. The Water Reservoir Improvement Project (the Project) has two distinct elements:

1. The Arbutus Reservoir located on Link Place is the only reservoir in the system that services the highest-pressure zone in the NBPWSA. It has been in service since 1982 and requires renewal or replacement. Two options were considered to accomplish this:
 - a. Decommission the reservoir, add the storage capacity elsewhere in the NBPWSA, and install a new pumphouse to service the highest-pressure zone. Detailed engineering and cost estimating was completed on this option in 2022. The engineering study revealed that providing for fire flow requirements in this pressure zone via pumpstation would be very complex and expensive, requiring additional land and additions to other infrastructure in the water system. The estimated cost of this option is \$1,600,000 not including the cost of the additional land required.
 - b. Renew the existing reservoir. This includes replacement of the plastic liner in the reservoir and replacement of the entire wood roof structure. Conceptual engineering was completed on this option, including discussions with vendors of the plastic tank lining, and a cost estimate was prepared. The estimated cost of this option is \$603,000. Due to the much lower capital cost, ease of operation, and lower operating costs, this option was selected for inclusion in the Project.
2. A phased development agreement (PDA) was established in 2014 with the landowner/developer in the Lakes District and Schooner Cove area of the NBPWSA. Within that PDA there is an infrastructure phasing plan that indicates a new water storage reservoir will be required to support development in these areas. The new reservoir will be constructed on Notch Hill, near the Fairwinds Golf Course and adjacent to the Canadian Forces Maritime Experimental and Test Ranges (CFMETR) property. The new reservoir will be partially funded by Development Cost Charges (DCC).

The renewal of the Arbutus Reservoir is identified in the NBPWSA Renewal Plan as being partially funded by a combination of capital reserves and borrowing. The NBPWSA Renewal Plan also includes asset additions such as

the new reservoir on Notch Hill and identifies them as funded by borrowing and Development Cost Charges. Participating area approval is required before the Regional District of Nanaimo (RDN) can borrow funds on behalf of the NBPWSA property owners for these projects. Three options for participating area approval are listed in the provincial guidelines and are summarized below.

- 1) Option 1: Assent Voting (Referendum) - A referendum is conducted in a similar manner to local government elections and can either be done at the same time as a general local election or by-election, or on its own as a stand-alone vote. This method is typically used to obtain elector approval if an issue is controversial, requires a significant contribution of taxpayers' dollars, or is significant in scale or impact on the community. The voting day must be on a Saturday, various notices are legislatively required, including notice of applications to volunteer as scrutineer, and notice of referendum. The cost of holding a stand-alone vote on a specific issue apart from a general election is significantly higher in comparison to other options for elector approval. Another disadvantage of a referendum is that a number of the Nanoose Bay property owners do not live in the local service area all year-round and may not be able to easily participate. One additional disadvantage is that local area residents and renters may participate in a referendum and may skew the outcome against what the actual property owners (taxpayers) want.
- 2) Option 2: Alternative Approval Process (AAP) - The provincial best practices guidelines indicate that this method is used when the public has been actively engaged and there are reasonable indications that citizens are in favour of the initiative. This method is also commonly used if the proposed project affects the continuity of the service (i.e., not optional). If ten percent of the eligible electors have not submitted elector response forms in opposition to the initiative, the project may proceed as proposed. Some advantages of the alternative approval process are that it provides increased accessibility and flexibility over a referendum as there is a minimum of 30 days for electors to express their views which can include submitting responses electronically by fax or email, and it is a more cost-effective alternative to a referendum. Some disadvantages of the AAP are that there can be poor public perception of this method, and there would be extra costs of redoing the elector approval process again in a different manner (referendum) if it was unsuccessful.
- 3) Option 3: Petition - This method uses paper petitions individually mailed to each property owner to garner support for the initiative. Signed petitions in support of the proposed initiative, must be returned to the RDN by owners of at least 50% of the parcels in the NBPWSA, and those parcels must represent at least 50% of the assessed value of all the properties in the NBPWSA. The petition must indicate the relevant electoral participating area, purpose of the proposed borrowing, estimated amount of the proposed borrowing, and the maximum term of the loan. The electoral area director must also consent in writing to the adoption of the bylaw to borrow funds for the project. If an owner does not agree with the proposed project/service, they may destroy their petition instead of returning it to the regional district. The advantages of a petition process are that it is less expensive than a stand-alone referendum in this case, it requires active elector participation, and the results are easy to interpret. The main disadvantage to a petition would be the cost and complexity of managing the mailed documents if it was an extremely large population.

RDN staff's recommendation is to use Option 2, an Alternative Approval Process, to garner support for the borrowing of funds for the reservoir improvements in the service area. An AAP is considered to be the most appropriate way to garner elector approval when the infrastructure improvements are not optional, as is the current situation for the continuity of drinking water supply and fire protection in the NBPWSA. As part of the preparation for the AAP, residents and property owners in the NBPWSA will be made aware of the project through extensive community engagement.

FINANCIAL IMPLICATIONS

Arbutus Reservoir Renewal

RDN staff completed conceptual engineering for the Arbutus Reservoir renewal, including discussions with vendors of the plastic tank lining, and prepared a project budget that includes allowances for permits, consultants, and project-related contingencies. The total estimated cost of this option is \$603,000, with revenue sources as follows:

- Internal RDN Capital Administration costs funded from the NBPWSA Operating Budget of \$3,000;
- NPWSA Capital Reserve contribution of \$300,000; and
- Long-term borrowing of \$300,000.

New Notch Hill Reservoir

RDN staff, with help of an engineering consultant, have completed advanced stages of the detailed engineering required for the new reservoir on Notch Hill and a Class B cost estimate for construction. The budget for the Project, to be executed in 2025 if elector approval is achieved, is \$1,773,535. All direct and indirect costs identified in the cost estimate have been escalated to reflect expected 2025 costs. The budget includes allowances for permits, consultants, and contingency amounts tailored to the risks involved in executing different aspects of the final design, construction, and commissioning. The new reservoir on Notch Hill is considered in RDN *Bylaw No. 1715 Nanoose Bay Peninsula Water Service Area Development Cost Charge, 2014*¹ (the DCC Bylaw) which aims to ensure that new developments are paying an appropriate share of the drinking water infrastructure that is required to support the development. The DCC bylaw sets the share of funding for the new reservoir that is recoverable from development cost charges at 49%. Revenue for the Project execution in 2024 and 2025 includes:

- Elector approval costs funded from the NBPWSA Operating Budget of \$10,000;
- Internal Capital Administration Charge funded from the NBPWSA Operating Budget of \$8,776;
- Development Cost Charge contribution of \$869,032 (49% of total capital); and
- Long-term borrowing of \$904,503 (51% of total capital).

The total long-term borrowing required for the entire Project (Arbutus reservoir renewal and new Notch Hill Reservoir) is \$300,000 + \$904,503 = \$1,204,503. Using the current Municipal Finance Authority lending rate of 4.5% and a 25-year amortization results in an estimated annual debt repayment of \$33 for each of the 2,572 properties in the NBPWSA. The actual amount will be slightly different than this depending on the lending rate in place at the time of borrowing. Property owners will be given the opportunity to pay their share as a lump sum (to avoid interest) or the amortize the amount on their taxes.

The costs of undertaking each type of elector approval are different. Ten thousand dollars (\$10,000) has been allocated to the elector approval process in the NBPWSA 2024 Operating Budget. These funds are enough to cover the expenses for an AAP or a petition approval process, but not a referendum. A referendum is expected to cost at least \$35,000. The recommended AAP process is expected to incur a total cost of less than \$5,000 for meeting venues, publishing, advertising, and postage.

¹ This Bylaw superseded Bylaw 1088, 1997

STRATEGIC PLAN ALIGNMENT

The use of an alternative approval process to gain elector approval for borrowing to support reservoir improvements in the Nanoose Bay Peninsula Water Service Area is consistent with the 2023-2026 Board Strategic Plan as follows:

Planning and Managing for Growth - Understand and develop an inter-connected framework of strategies and plans to manage growth to support complete communities, including planning, transportation, infrastructure, and fiscal sustainability.

REVIEWED BY:

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