



**NANOOSE BAY PENINSULA WATER SERVICE AREA RESERVOIR IMPROVEMENT PROJECT –
ALTERNATIVE APPROVAL PROCESS**

RECOMMENDATIONS

1. That “Nanoose Bay Peninsula Water Service Area Reservoir Improvement Loan Authorization Bylaw No. 1911, 2024”, be introduced and read three times and forwarded to the Inspector of Municipalities for approval.
2. That the Board approve the Elector Response Form as provided in Attachment 2; establish 4:00 p.m. on September 16, 2024, as the deadline for receiving elector responses for the alternative approval process; and determine the total number of electors of the area to which the approval process applies to be 5,381.
3. That the Board endorse the Engagement Plan for the Nanoose Bay Peninsula Water Service Area Reservoir Improvement Project.

BACKGROUND

On February 27, 2024, the Regional District of Nanaimo (RDN) Board passed the following resolution:

No. 24-114 *It was moved and seconded that the approval of the electors for the Nanoose Bay Peninsula Reservoir Improvement Project be obtained by an Alternative Approval Process.*

The Alternative Approval Process (AAP) will provide the property owners in the Nanoose Bay Peninsula Water Service Area (NBPWSA) with the opportunity to decide whether the Regional District of Nanaimo (RDN) will borrow funds on their behalf to undertake a reservoir improvement project (the Project). In response to the above-noted Board resolution, staff have prepared an engagement plan, an elector response form, and the borrowing bylaw.

In brief the Project consists of renewing the Arbutus Reservoir, which is at the end of its useful life, and construction of a new reservoir at Notch Hill. This will be the third reservoir at the Notch Hill site. The new reservoir is required for system resiliency and to accommodate planned growth in the Lakes District of Nanoose Bay.

The Engagement Plan Highlights are included with this report as Attachment 1. The main components of the engagement plan are:

- Establishing a Get Involved RDN (GIRDN) project webpage that contains all of the project related information;
- Hosting four in-person information sessions;

- Advertising through social media, newspaper ad(s) and roadside signage; and
- Mailing an information letter directly to NBPWSA property owners.

The key messages of the Engagement Plan are:

- Water storage improvements are necessary in the NBPWSA to restore the assets to a good condition and to ensure that adequate storage is in place for fire protection.
- Property owners are encouraged to attend an information session about the Nanoose Bay Peninsula Water Service Area Reservoir Improvement Project to become involved and informed.
- The decision to borrow funds from the Municipal Finance Authority in order to complete the Reservoir Improvement Project will be made by the Board, subject to the approval of the property owners in the NBPWSA through this AAP process.
- Following the Engagement Plan, the AAP will be held in August and September 2024. If the AAP is successful, the RDN Board will be asked to provide final direction on the borrowing in September 2024.

A copy of the elector response form is provided as Attachment 2. In an AAP process, approval of the electors has been obtained if, at the end of the time period for the receiving elector response forms, the number of response forms received is less than 10% of the number of electors of the area to which the approval process applies (per the *Community Charter*). This AAP process applies to the NBPWSA residents and property owners in Electoral Area E, and the total number of electors in the participating area is determined to be 5,381. Therefore, if less than 538 elector response forms are received by 4:00 P.M. on September 16, 2024, elector approval is deemed to have been obtained and the Board can proceed to adopt Bylaw No. 1911.

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 \$602,096, with revenue sources as follows:

- Internal Capital Administration costs funded from the NBPWSA Operating Budget of \$2,996;
- NPWSA Capital Reserve contribution of \$293,559; and
- Long-term borrowing of \$305,541

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 total budget for the Project is \$1,876,953. \$107,109 of this total has been spent on engineering in 2023. The remainder, \$1,769,844, will be spent in 2025 if elector approval is achieved. 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* (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:

2024

- Elector approval costs funded from the NBPWSA Operating Budget of \$10,000;

2025

- Internal Capital Administration costs funded from the NBPWSA Operating Budget of \$8,776;
- Development Cost Charge contribution of \$862,923 (49% of total capital);
- Long-term borrowing of \$892,254; and
- NPWSA Capital Reserve contribution of \$5,891

The total long-term borrowing required for the entire Project (Arbutus reservoir renewal and new Notch Hill Reservoir) is \$1,197,795. The impact of this on the NBPWSA residents would result in annual debt repayments of approximately \$34.22 for each of the 2,574 properties in the NBPWSA. Residents would also have the option to pay for their share of the debt up front, thereby avoiding interest charges. Doing so would result in a one-time payment of approximately \$465 per property. "Nanoose Bay Peninsula Water Service Area Reservoir Improvement Loan Authorization Bylaw No. 1911, 2024" is provided as Attachment 3. Additionally, \$862,923 of currently unfunded DCCs are anticipated to be funded by borrowing temporarily from the Nanoose Bay Bulk Water Supply Service Reserve and the principal component of this debt repaid upon receipt of DCCs. Interest earned by the lending Reserve while the funds are redirected is expected to be recovered through taxation costing approximately \$10 per parcel each year for the 5 year short term borrowing, assuming interest rate of 5.55% and depending on when the DCCs come available to repay the loan.

\$10,000 has been allocated to the elector approval process in the NBPWSA 2024 Operating Budget. These funds will be used to cover the costs involved in the petition and public engagement process such as handouts, large format presentation material, meeting expenses, and advertising.

STRATEGIC PLAN ALIGNMENT

One of the goals of the *2023-2026 Regional District of Nanaimo Strategic Plan* is:

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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- D. Holmes, Chief Administrative Officer

ATTACHMENTS

1. Engagement Plan Highlights
2. Elector Response Form
3. Nanoose Bay Peninsula Water Service Area Reservoir Improvement Loan Authorization Bylaw No. 1911, 2024