TO: Committee of the Whole
FROM: Murray Walters
Manager, Water Services
FILE: 5500-22-SP-01

SUBJECT: San Pareil Water UV Project Short-Term Borrowing

RECOMMENDATION

That the Regional District of Nanaimo Board authorizes up to $75,718 be borrowed, under Section 403 of the Local Government Act, from the Municipal Finance Authority for the purpose of paying the property owners’ share of the cost of the recently completed UV Water Treatment Facility in the San Pareil Water Service Area, and that the loan be repaid within 5 years, with no rights of renewal.

SUMMARY

In 2016, the Board approved the Regional District of Nanaimo (RDN) move forward with the San Pareil UV Water Treatment project that was 83% funded by grants and 17% funded by the property owners in the San Pareil Water Service Area. The project was completed in late 2019 and payment of the property owners’ share of the project is now required. Payment is either through a one-time lump-sum payment or through a five-year borrowing arranged by the RDN on their behalf. A number of property owners have made the one-time lump-sum payment and $75,718 is required to be borrowed on behalf of the remaining property owners. An approved motion by the RDN Board is required to arrange this five-year short term borrowing with the Municipal Finance Authority (MFA).

BACKGROUND

In 2016, the RDN Board approved a motion to proceed with the San Pareil UV Water Treatment project. The addition of a UV treatment step to the water supply in the San Pareil Water Supply Area (WSA) was approved by Island Health as an effective method to satisfy mandatory Groundwater at Risk of Containing Pathogens (GARP) regulations. The project was completed in 2019.

The actual project cost of $781,000 was covered by a combination of federal and provincial grants (83%), and the property owners (17%) through a one-time lump-sum payment or short-term borrowing by the RDN on their behalf. While the Board approved the project in 2016, a specific motion was not put forth at that time to approve the short-term borrowing required on behalf of the property owners. In this type of project financing, the property owners’ contribution is left uncollected until the work is complete and fully paid for to ensure that correct amount is collected. The project is now complete, the precise property owners’ share has been established, and a number of property owners have made the one-time lump-sum payment.
The RDN is ready to arrange the short-term loan on behalf of the remaining property owners and requires an approved specific Board motion to submit the request to the MFA.

ALTERNATIVES

1. That the Regional District of Nanaimo Board authorizes up to $75,718 be borrowed, under Section 403 of the Local Government Act, from the Municipal Finance Authority for the purpose of building a UV Water Treatment Facility in the San Pareil Water Service Area, and that the loan be repaid within 5 years, with no rights of renewal, or

2. Provide alternate direction.

FINANCIAL IMPLICATIONS

The property owners’ share of the project costs is $136,479. This is 17.5% of the total project cost, compared to a plan of 17.0%, as it includes some costs related to commissioning of the equipment that occurred after the allowable time to claim grant funds. 130 of the property owners have already elected to take advantage of the one-time lump-sum payment option of $467. The remaining 162 property owners will be part of the five-year borrowing option and will pay approximately $104 per year for 5 years. The debt stays with the property should the home be sold. This money owing is added as a separate line to the property owner’s annual parcel tax requisition. Borrowing will be through the MFA at the short-term financing daily floating rate, which is currently indicating 1.55%. The interest rate risk remains with the property owner, and any variance from the estimated daily floating rate will be corrected on the amount owing in the following year.

STRATEGIC PLAN IMPLICATIONS

Growth Management - Provide effective regional land use planning and responsible asset management for both physical infrastructure and natural assets.