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**TO:** Regional District of Nanaimo Board      **MEETING:** December 4, 2018

**FROM:** Murray Walters  
Manager, Water Services      **FILE:** 5500-22-FC

**SUBJECT:** French Creek Water Local Service Capital Improvements Loan Authorization  
Bylaw No.1780, 2018

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### **RECOMMENDATION**

That “French Creek Water Local Service Capital Improvements Loan Authorization Bylaw No.1780, 2018” be introduced and read three times.

### **SUMMARY**

The Regional District of Nanaimo (RDN) has applied for a grant to offset the cost of a significant upgrade to the French Creek Water System. The grant application states that the RDN portion of the total project funding will be met through a combination of reserves and new borrowing. The grant administrators (Ministry of Municipal Affairs and Housing - MMAH) have specified that additional evidence of the RDN's commitment to this funding must be provided before the end of 2018 in order for the grant application to be considered. The MMAH have agreed that having a Loan Authorization Bylaw at third reading at the December 4, 2018 Board Meeting would constitute suitable evidence. This report provides background on the project and details of the RDN funding commitment required.

### **BACKGROUND**

In August 2018, under direction from the RDN Board, staff applied for a grant to upgrade the French Creek Water System under the “Investing in Canada Infrastructure Program - Environmental Quality” program administered by the province of B.C. The project involves a new water treatment plant, reservoir, well upgrade, and control upgrade. All the new and upgraded parts will be located on land currently used for this purpose in the French Creek Water Service Area. The motivation for the project is the extremely high iron and manganese levels in the water from these wells. While the water quality meets the (mandatory) health requirements for drinking water, it exceeds the (recommended) aesthetic requirements. The water can at times be dark brown like tea as a result of these elements. While safe to drink, it is not appealing to the eyes or the palate. This has been a known problem for many years.

Previous attempts to secure grant funding to upgrade the system or connect to the adjacent Town of Qualicum Beach water system have not been successful, though there is a connection to the Qualicum Beach system for use in emergencies (fire). The Water Service Area does not have sufficient financial reserves to fund this kind of project without the contribution from this grant.

The total cost of the project is estimated to be \$1,871,500, of which the RDN would be responsible for \$505,305. Assuming the grant is approved, the project is currently on the ten year capital plan starting in 2023. The work is scheduled in 2023 to allow the water service area time to accumulate some reserves and to keep borrowing and tax requisitions reasonable.

Funding for the project is summarized in Table 1. About half of the RDN portion of the project costs, or \$250,000, will come from borrowing.

**Table 1 – Summary of Project Funding**

<b>French Creek Water System Upgrade - Spending Plan</b>				
<i>Funding Source</i>	<i>Total Spend</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>
<i>RDN - Reserves</i>	\$ 255,306	\$ 101,061	\$ 102,653	\$ 51,592
<i>RDN - Borrowing</i>	\$ 250,000	\$ -	\$ 150,000	\$ 100,000
<i>RDN Total</i>	\$ 505,306	\$ 101,061	\$ 252,653	\$ 151,592
<i>Grant Funding</i>	\$ 1,366,195	\$ 273,239	\$ 683,098	\$ 409,859
<i>Project Total</i>	\$ 1,871,501	\$ 374,300	\$ 935,750	\$ 561,450

The request for evidence of commitment from MMAH suggests that staff prepare a loan authorization bylaw and have it at third reading at the December board meeting. The next step in the loan authorization process would be to gain approval from the 239 parcels in the French Creek Water Service Area that would share the burden of this debt. This approval could be in the form of *assent of electors* or the *alternative approval process*, and would only be sought if the grant application is successful. The Bylaw will not be moved forward for adoption if the grant application is not successful.

## **ALTERNATIVES**

1. Introduce and give three readings to Bylaw No.1780.
2. Provide alternate direction to staff.

## **FINANCIAL IMPLICATIONS**

By taking this bylaw to third reading, the Board is committing to borrowing \$250,000 in 2024 on behalf of the residents served by the French Creek Water Service Area if:

- the pending grant application is successful, and;
- the residents approve.

The residents would repay the principal and interest over a 20 year period through annual parcel taxes.

## **STRATEGIC PLAN IMPLICATIONS**

Focus On Economic Health- We Recognize The Importance Of Water In Supporting Our Economic And Environmental Health

A handwritten signature in blue ink, appearing to read "M Walters", with a stylized flourish at the end.

Murray Walters, P.Eng.  
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November 16, 2018

Reviewed by:

- S. De Pol, Director, Water and Wastewater Services
- R. Alexander, General Manager, Regional and Community Utilities
- P. Carlyle, Chief Administrative Officer

Attachment:

1. French Creek Water Local Service Capital Improvements Loan Authorization Bylaw No.1780, 2018