W-4 WATER UTILITY ACQUISITION

Department of Primary Responsibility: Environmental and Utility Services	
Approval Date: June 24, 2009	**Approved by: Board**

Purpose

This policy aims to reduce risks and maximize benefits for water users when evaluating requests for the Columbia Shuswap Regional District (CSRD) to acquire existing or proposed water utilities.

To minimize risk, this policy is intended to ensure that:

a. The CSRD fully understands the candidate water system's condition before acquiring it.
b. The CSRD has the financial, organizational and technological resources to own and operate additional water systems.
c. The candidate water system will be financially viable over the long term under CSRD ownership.

To maximize benefit, this policy is intended to ensure that:

a. CSRD ownership yields significant improvements in the quality and reliability of water service.
b. Economies of scope and scale are realized to reduce costs and improve affordability of user rates.
c. Water users are fairly represented within the governance system.

Scope

This Policy is meant to provide owners of existing or proposed water utility systems with clear requirements for the CSRD to consider utility system acquisition and guidance on the CSRD's processes for evaluating applications.

1. Initiating the Acquisition Process

1.1 The CSRD will entertain requests to assume ownership of existing water systems from:

a. Water users; or
b. Water system owners provided that the Electoral Area Director concludes that there is sufficient local support for the potential acquisition, which is often provided by an informal petition signed by area residents requesting that the CSRD investigate the feasibility of acquiring a water system. If water users approach the CSRD directly to request acquisition, the CSRD will consult with

the water system owner to obtain the owner's consent prior to initiating the acquisition process.

1.2 Alternatively, the CSRD may choose to initiate a water system acquisition process itself if the owner of the water system agrees, and such an acquisition would:

a. Result in result in measurable improvements to water service provision (i.e., water quality and reliability, as well as compliance with the Drinking Water Protection Act and the CSRD's Subdivision Servicing Bylaw);
b. Likely to be supported by the water users of that system;
c. Enable the CSRD to realize economies of scope or scale, which would result in cost savings relative to the water systems meeting the same standards on their own; and
d. Support broader CSRD objectives.

2. Pre-requisites for Acquisitions of Existing Water Systems

To be considered for acquisition an existing system must:

2.1 Have a minimum of 50 users connected;

2.2 Have a completed assessment that identifies any upgrades required to comply with CSRD and Provincial standards together with a financial plan to address such upgrades; and,

2.3 Be financially viable to operate and maintain over the long term (including funding for the necessary CSRD internal resources needed to manage and administer the system).

3. Pre-requisites for Acquisitions of New Water Systems

The acquisition of a new water system may be considered provided that the system:

3.1 Will have a minimum of 75 active connections;

3.2 Is constructed in accordance with CSRD standards;

3.3 Is located in a geographic area that is easily accessible for operations and maintenance;

3.4 Is financially viable to operate and maintain over the long term (including funding for the necessary CSRD internal resources needed to manage and administer the system);

3.5 Will be operated and maintained by the developer for a minimum of one year.

4. Prioritization of Water System Acquisitions

The CSRD's Prioritization Tool (Appendix A) will be used to evaluate water system acquisition applications. The tool will be used to evaluate the existing acquisition applications received prior to 2025 and any new applications received beyond. Results of the prioritization evaluation process will be shared with applicants to advise whether an application meets the threshold to accept into the CSRD acquisition process. The processing of applications accepted into the acquisition process will be dictated by staff resourcing, contractor resources and annual work planning.

The elements of the prioritization tool, used to review and process acquisition applications, include the following:

4.1 Existing systems that pose significant health risks to users.

4.2 Existing systems that prove to be financially viable.

4.3 New systems that benefit the CSRD in terms of addressing existing health issues.
4.4 New systems that provide economies of scale, that are beneficial to other systems.
4.5 Number of residents benefiting from the service.

5. Public Assent Process for Acquiring Existing Systems

5.1 The CSRD will assume ownership of an existing water system only upon a successful public assent process. A public assent process should be completed before the end of August (in order to enable appropriate coding by the BC Assessment Authority) to ensure that a CSRD takeover is possible for the following year.

6. Comprehensive Assessment of Existing Systems

6.1 The CSRD will not acquire a water system until a comprehensive assessment has been carried out by qualified professionals consistent with the requirements established by the CSRD in its Terms of Reference for Water System Assessments (Appendix B).
6.2 Upon receiving an expression of interest, the Electoral Area Director will request from the CSRD Board access to a Feasibility Study Funds. If approved, these funds will be used to engage an engineering firm to examine the history, legal status, and condition of the water system. If the water system is ultimately taken over by the CSRD, this amount is to be repaid by the new function in its first fiscal year.
6.3 The CSRD will not accept connections to an existing CSRD water system until a comprehensive engineering assessment of the existing infrastructure as well as the engineering works necessary to connect the property(s) to the CSRD water system has been carried out by qualified professionals. The cost of an engineering assessment will be paid in advance by the existing owner(s) who are requesting to connect to the CSRD water system.

7. Payment for Water Systems

7.1 It is the policy of the CSRD to pay no more than a consideration of $1.00 for the acquisition of any water system.
7.2 In extenuating circumstances, the Board may waive this requirement.

8. Transfer of All Financial Assets at Conversion

8.1 The transfer of a water system to CSRD ownership will be conditional on the transfer to the CSRD of all the financial assets related to the water system including all pertinent reserve and trust funds, performance reserve funds in place as a requirement of the Comptroller of Water Rights, bonds or other securities, as well as any pre-servicing or other prepaid commitments.
8.2 In extenuating circumstances, the Board may waive this requirement.

9. Timing

9.1 The CSRD will work with relevant regulatory agencies to promote the timely completion of required assessment and regulatory processes related to the acquisition of water systems by the CSRD.

10. Transfer of Systems and Legal Risk

10.1 The CSRD will not acquire or assume responsibility for a water system if the CSRD determines there is undue legal risk associated with doing so.

11. Transfer of Systems without Valid Permits or Licenses

11.1 The CSRD will not acquire or assume responsibility for a water system if the CSRD determines that there is substantial risk that it will not be able to obtain valid permits for the construction or operation of the system or valid licenses (e.g., water licenses).

12. Constructed Works Protected by Rights-of-Way, Easements, Lease or Fee Simple Ownership

12.1 The CSRD will not assume ownership or responsibility for a water system where major facilities, mains and other constructed works are not located within registered rights-of-way or easements held by the owner of the system or within legal parcels owned or leased by the owner unless the CSRD deems that it, rather than the existing owner, is in a better position to acquire the required rights-of-way, easements or parcels.

13. Service Delivery

13.1 All activities related to the management, operation and maintenance of CSRD water systems will be carried out by CSRD staff, its contractors and/or private sector partners.

14. Servicing Standards for New Systems

14.1 As a condition of acquisition and in accordance with the CSRD's Subdivision Servicing Bylaw, the CSRD may engage a third party (chosen by the CSRD) to review any document, report, or analysis related to the water system that the developer has submitted to the CSRD. The developer will be responsible for the full cost of any required third-party review.

15. Water Meter Installation

15.1 The CSRD will require developers to install water meters (at no cost to the CSRD) in all new developments that will be acquired by the CSRD, including single-family residential developments, as a condition of subdivision or building permit issuance as per the CSRD's Subdivision Servicing Bylaw.

15.2 For existing water systems that will be acquired by the CSRD, the CSRD may install water meters after the system is acquired. Costs (net of grants) for meter installation will be wholly funded by water users of that system.

16. Existing Committees/Governance Structures

16.1 The CSRD will not delegate any decision-making authority related to water service provision to a commission, committee or any similar body.

16.2 Upon the acquisition of an existing water system, the CSRD will establish a Local Transition Advisory Committee that will function for one year after acquisition by the CSRD.

17. Costs of Conversions

17.1 The cost of all studies to assess the feasibility of converting ownership of a water system from an improvement district, water users' community, private utility, strata or any other governance model to the CSRD will be financed by the CSRD from a Feasibility Study Fund established for such a purpose. Where the conversion is successful, the Regional District will recover its costs from Provincial grant programs and from the regional water service area established as a result of the conversion. Where the conversion is not successful, the costs of the assessment will be borne by the CSRD (net of grants).

18. Shared Interest Development

18.1 The CSRD does not support the provision of domestic water services by shared-interest developments.

18.2 The CSRD will not consider acquiring any water system owned by a shared-interest development. The shared-interest development must be converted to bare land strata or fee simple status prior to the CSRD considering acquisition.

19. Consistent with other CSRD Regulations and Policies

19.1 Official Community Plans and Zoning Regulations will guide CSRD financial planning, land use planning regulations and policies where they exist, with CSRD service delivery objectives.

20. Monitoring and Evaluating Water System Improvements

20.1 The CSRD will monitor and evaluate the impact of its acquisition policies and practices in terms of the following:

a. improvements to the reliability, safety, and quality of water provided;
b. improvements to water service delivery;
c. effectiveness of the CSRD's overall strategy for acquiring water systems; and,
d. effectiveness of the acquisition process.

20.2 The CSRD will review its policies and practices every five years and will make any necessary changes to ensure that water system improvements are occurring and that the provision of water services is of the highest quality.

21. Coordination with Provincial Ministries

21.1 The CSRD will work closely with relevant Provincial Ministries and agencies to improve water service provision in the unincorporated areas of the CSRD. The CSRD will periodically review these agreements and, if required, may negotiate a Memoranda of Understanding to better support improvements to water service provision in the CSRD's unincorporated areas.

22. Tangible Capital Assets and Infrastructure Renewal

22.1 Developers must provide information on all assets in a form acceptable to the CSRD for all new water system infrastructure they construct/install. This information will be provided to the CSRD as a condition of acquisition at no cost to the CSRD.

22.2 For existing water systems, collecting information on the system's tangible capital assets will be part of the required comprehensive assessment.

22.3 As a condition of the acquisition of a new system, the CSRD will require the developer to provide 10% of the value of the water system's tangible capital assets to the CSRD or $50,000 (whichever is greater). This amount will be deposited into a reserve fund for long-term capital replacement.

23. Existing Properties Connecting to a CSRD Water System

23.1 Existing properties applying to connect to a CSRD water system shall pay a contribution to the respective water system's Capital Reserve Fund for future capital infrastructure at a rate of ten (10) times the current parcel tax of the respective water system, based on the number of residences and/or businesses on the property, in addition to the established connection fee.

Revision History

Amendment Date	**Description of Change**
March 2010 February 2011 August 2013	

MEMORANDUM

May 15, 2025

TO: Ben Van Nostrand
CC: Tim Perepolkin
FROM: John Weninger
FILE: Columbia Shuswap Regional District
SUBJECT: Water System Acquisition Prioritization

INTRODUCTION

The CSRD often receives requests to acquire both existing water systems and systems resulting from new developments. Currently, there are seven water systems in line that have applied to the CSRD for acquisition. Due to limited resources, the CSRD Utilities department has a restricted capacity to acquire systems, necessitating the prioritization of these and future acquisition applications.

The *CSRD Water System Acquisition Policy* provides general guidelines on the preferred criteria for acquisition:

- Existing systems posing significant health risks to users.
- Existing systems that are financially viable.
- New systems that address current health issues within the CSRD.
- New systems offering economies of scale that benefit other systems.

However, the policy is not specific on how the systems meeting one or more of these criteria will be prioritized relative to other applications.

To address the need for clearer application prioritization, the Director of Environmental Services has retained JW Infrastructure Planning Ltd. to collaborate with department staff on developing a prioritization framework.

PROPOSED FRAMEWORK

After reviewing the problem and examining existing prioritization frameworks from other sectors, it is recommended to create a scoring system to rank each application. This system will assign points to reflect the benefits provided by each application and the number of CSRD residents affected (referred to as “reach”). Benefits can be categorized as either health or economic benefits. The total score will be the sum of the points attributed to health benefits and those attributed to economic benefits.

Total Points = (Health Benefit Points) + (Economic Benefit Points)

BENEFITS DEFINITIONS

It is proposed that the benefits align with the *CSRD Water System Acquisition Policy* and that the total benefits be the sum of the health benefits and the financial benefits derived from economies of scale.

Health Points

The total health points are calculated as the product of the benefits and the reach of the benefits (i.e. the number and type of residents that receive health benefits).

Total Health Points = Health Benefits x Health Reach

A maximum of 3 benefit points is awarded based on the potential health benefits resulting from the acquisition.

The potential health benefits and the associated points with each is as per the table below:

IMPACT	DESCRIPTION OF ISSUE ADDRESSED	HEALTH BENEFIT POINTS
NONE	NONE	0
MINIMAL	SEASONAL BOIL WATER ADVISORIES	1
MODERATE	CONTINUOS BOIL WATER ADVISORY	2
SIGNIFICANT	WATER UNDRINKABLE ADVISORY	3

Financial Points

The total financial points are calculated as the product of the economic benefits and the reach of the benefits (i.e. the number and type of residents that receive economic benefits).

Total Economic Points = Economic Benefits x Economic Reach

A maximum of 1.5 benefit points is awarded based the degree to which the system may contribute to the economies of scale of another CSRD system.

The potential economic benefits and the associated points with each is as per the table below:

IMPACT	DESCRIPTION OF ISSUE ADDRESSED	POINTS
MINIMAL	<10% ADDITIONAL SCALE OR >75 USERS (NEW DEV)	0.5
MODERATE	20-50% ADDITIONAL SCALE	1
SIGNIFICANT	>50% SCALE	1.5

REACH DEFINITIONS

The “reach” of the project considers both the customers of the application area and the number of existing customers that would benefits from the increased economies of scale.

TYPE OF CUSTOMER	POINTS PER CUSTOMER
NEW DEVELOPMENT CUSTOMERS	1
CUSTOMERS BENEFITTING FROM ECONOMIES OF SCALE	2
EXISTING RESIDENTS RECEIVING NEW SERVICE	3

The above definition of “reach” points gives the highest priority to existing residents in need of the service, followed by existing CSRD customers who will benefit from the economies of scale. New development customers receive the least points.

The Reach points are calculated separately for both of the Health Benefits Reach and the Economica Benefits Reach

TOTAL SCORE CALCULATION

The total score will be the product of benefits and reach for each category added together.

$$\textbf{Total Points} = \textbf{Benefits}_{H} \times \textbf{Reach}_{H} + \textbf{Benefits}_{E} \times \textbf{Reach}_{E}$$

Expressing the points as a product of benefits and reach acknowledge that two applications with similar benefits but with one application benefitting twice the number of residents should receive twice as many points.

SCORING EXAMPLE

To evaluate the framework, it has been applied to seven applications in the queue.

	UPPER SORRENTO	WILDROSE BAY	COPPER COVE	TALANA	SHELTER BAY	OSPREY	KETTLESON
HEALTH REACH POINTS =	75	318	108	153	50	50	54
HEALTH BENEFIT POINTS =	3	0	0	0	0	0	0
TOTAL HEALTH SCORE =	225	0	0	0	0	0	0
ECONOMIC REACH POINTS =	1341	318	394	439	50	220	54
ECONOMIC BENEFIT POINTS =	0.5	1	1	1	1	1.5	1
TOTAL ECONOMIC SCORE =	670.5	318	394	439	50	330	54
GRAND TOTAL =	**895.5**	**318**	**394**	**439**	**50**	**330**	**54**

An Excel spreadsheet has been developed to assist the CSRD by automatically calculating the points based on the provided inputs. I look forward to meeting with you to address any questions and receive your input.

Sincerely,

JW INFRASTRUCTURE PLANNING LTD.

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Principal Consultant
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Appendix B
Policy W-4

Terms of Reference for Water System Assessments

Assessments provide an important basis for negotiating and decision-making. For this reason, they need to be comprehensive, and should be carried out by professionals who can be held accountable for the quality and accuracy of the analysis. An assessment process can have a variety of intentions. For example:

- To ensure regulatory compliance and develop plans for water system upgrades;
- To evaluate water system security and vulnerability;
- For asset management purposes;
- For source water protection;
- For risk management; and,
- For public health protection.

This Terms of Reference contains a list of topics that should be addressed in an assessment of the suitability of a water system for CSRD acquisition. The list does not address all assessment requirements of the Drinking Water Protection Act. The goals of this assessment process are to:

- Provide a description of the existing water system, including general information regarding the system and the existing infrastructure, as well as operational, management and financial information;
- Assess the water system to determine whether it meets current legislation, CSRD requirements, and best practices. This includes implications for water quality, system reliability, current/future needs, administrative/operational/maintenance activities;
- Identify implications for CSRD risk; and
- Determine the financial implications for both the CSRD and its water users through the development of a plan for system upgrades, and an assessment of the financial viability of the system.

The assessment process can often be limited by a lack of information regarding the system, including a lack of design/construction/operational records. This is further exacerbated because water system infrastructure is mainly buried/not readily visible for inspection.

The level of detail required in the assessment process therefore needs to be balanced with the benefit that will be gained by the assessment. For example, in cases where the existing infrastructure does not appear to meet CSRD standards/current best practices, then the physical assessment process does not need to be extensive.

It is therefore recommended that the assessment process consider the following:

Taking Stock of the Existing Situation

Location, History and Service Area

- Location of the system
- History of system
- Service area
- Number and type of connections (existing/build-out), population served, range of uses served Governance

Ownership of System (ID, private utility, WUC)

- Bylaws
- Method Representation/Elections
- Public Accountability Provisions
- Administration

Staffing and organization of staff

- Certification of operators and EOCP classification of water system
- Salaries and benefits of staff
- Office facilities, works yards and ownership
- Risk Management

Nature and extent of insurance coverage

- Underwriter
- Premiums
- Emergency response plans

Communications systems

- SCADA
- Method of data recording, alarms

Permits and Licenses

- Construction Permit (IHA)
- Operating Permit (IHA) – conditions of permit
- Water license(s) (MoE)
- Highway permits (MoT)
- CPCN (if private utility)
- Easements
- IHA boil orders or advisories-incidence, duration

Financial

- Existing costs (administrative, operational, debt service)
- Sources of revenue and method of cost recovery (taxes, charges, fees, development charges)
- Reserves, trust and other financial assets
- Current annual budget
- Existing rates
- Capital plan

Assets

- Nature and value of physical assets including the system itself, real property, equipment and supplies

Operations

- Sampling, testing and reporting protocols – frequency, methods
- Emergency response procedures
- Standards and specifications for infrastructure and operations
- Maintenance planning and maintenance activities
- Contracting—existing contracts, types of activities contracted out

System Description

- General – record drawings, design reports, geotechnical or other information, monitoring/maintenance records (e.g. flows, water quality, pump hours)
- Source (primary, secondary)
- If surface source-description of watershed including existing uses, tenures
- Intake (if surface source)-description, age and capacity Well – description, age, capacity, reports: hydrogeological/pump test/wellhead protection
- Treatment facilities-(nature of treatment-disinfection, filtration; age, capacity)
- Storage facilities-location, type, age, capacity, reports: geotechnical/structural/leakage investigation/inspection, frequency of cleaning
- Distribution system (pipe material, location, size; pump stations, PRVs)

Land Use Plans/Regulations

- Official Community Plan status
- Area covered by Zoning Bylaw

Infrastructure Assessment

- Description of design standards used in analysis (standards in the CSRD's Subdivision Servicing Bylaw must be used)
- Assessment of source based on existing and projected future demand:
    - Adequacy of watershed protection plans and measures (surface source)
    - Adequacy of groundwater protection plan -Source water quality (past trends, existing quality)
    - Security of well (groundwater) -Risk to well from flooding or seepage/impact by adjacent stream or lake (groundwater)
    - Adequacy of source to supply existing and projected future demand (both)
- Assessment of condition and adequacy of intake works (intake, pump station) to meet existing and projected future demand (surface), and Fisheries requirements
- Condition and adequacy of existing treatment facilities including level of treatment achieved and consistency with DWPR and Canadian Drinking Water Standards
- Condition and adequacy of storage facilities to meet existing and projected future demand
- Condition and ability of pumping facilities and PRVs to provide for existing and projected future demand
- Condition and adequacy of existing distribution system to meet existing and projected future demand
- Condition and adequacy of operator safety equipment and review of what is required to meet
- WorkSafe BC legislation

Assessment of Financial Position and Practices

- Adequacy of rates to recover full cost of operations after CSRD acquisition
- Adequacy of reserves and contingencies to fund replacement and repairs
- Budget process
- Overall financial position of system

Assessment of Easements/Rights-of-way

- Determine whether system facilities are protected by required easements and rights-of-way

Assessment of Permits and Licenses

- Review of licenses and permits to ensure validity, etc.

Land Use Management

- Determine the need for land use planning and regulations in view of potential upgrading of system

Plans and Programs

Infrastructure Upgrading Plan

- Identification of upgrading required to bring (water) system into conformity with CSRD standards and specifications, IHA operating permit, WCB requirements for operator safety equipment, and other relevant standards. The deficiencies noted in the assessment should be addressed by the recommended works. The plan should include the preparation of capital cost estimates and a recommended phasing plan (in consultation with the CSRD).

Operations and Maintenance Requirements

- Recommended resources and skills needed to operate and maintain the system in consideration of CSRD capacity
- Calculation of operation and maintenance cost for proposed upgraded system Recommended training program for operator(s)

Financial Plan – to be completed by the CSRD

- Preparation of a 5 year capital plan including staging of capital projects and proposed sources of capital revenue for each project
- Confirmation of operation and maintenance costs
- Annual costs and required revenues
- Implications for reserve and trust funds
- Implications for user fees, tax rates and tariffs