

WATER UTILITY ACQUISITION

Preamble

The Columbia Shuswap Regional District undertook a study to establish policies and assessment criteria for the acquisition of new and existing water utilities. This policy is a result of that study and has been developed to minimize risks to the CSRD and to maximize benefits to water users when assessing requests for CSRD acquisition of existing and proposed water utilities.

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

- (a) The CSRD has a complete understanding of the condition of the candidate water system prior to acquiring that system.
- (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.

Policy

1. Prioritizing Systems for Acquisition

The CSRD will prioritize the acquisition of water systems to those that pose significant health risks to water users.

2. Initiating the Acquisition of Existing Water Systems

- (a) The CSRD will entertain requests to assume ownership of existing water systems from:
 - (i) Water users; or
 - (ii) 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 Columbia Shuswap Regional District 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.

- (b) Alternatively, the CSRD will initiate a water system acquisition process itself if the owner of the water system agrees and such an acquisition would:
 - (i) 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);
 - (ii) likely be supported by the water users of that system;
 - (iii) 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
 - (iv) support broader CSRD objectives.

3. Financial Viability of Water Systems

The CSRD will consider acquiring only water systems that have at least 50 connections and are expected to be financially viable to own and operate.

4. Acquisition of Multiple Existing Water Systems

The CSRD will assess its capacity to acquire any additional existing water systems prior to doing so. If required, potential acquisitions will be phased in over multiple years. The CSRD will acquire additional existing water systems only if:

- (a) all water systems owned by the CSRD at that time are compliant with Provincial legislation; or
- (b) system assessments have been completed and corresponding financial plans are in place to upgrade any non-compliant CSRD system to meet Provincial legislation.

In either case, the CSRD must obtain public assent from the water users of the existing system prior to acquisition.

5. Public Assent Process for Acquiring Existing Systems

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

- (a) 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.
- (b) Upon receipt of an expression of interest, the Electoral Area Director will request from the CSRD Board, access to a Feasibility Study Fund. 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.

- (c) 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. Limit to Number of Assessments

- (a) In conjunction with the policies in the both the Water System Acquisition Strategy and the Sewer System Acquisition Strategy, the CSRD will limit the combined number of completed engineering assessments for water and sewer systems destined for CSRD acquisition at any point in time to a total of three (3).
- (b) In extenuating circumstances, the Board may waive this requirement.

8. Payment for Water Systems

- (a) It is the policy of the CSRD to pay not more than a consideration of \$1.00 for the acquisition of any water system.
- (b) In extenuating circumstances, the Board may waive this requirement.

9. Transfer of All Financial Assets at Conversion

- (a) The transfer of a water system to CSRD ownership will be conditional on the transfer to the CSRD of all of 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.
- (b) In extenuating circumstances, the Board may waive this requirement.

10. Timing

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.

11. Transfer of Systems and Legal Risk

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.

12. Transfer of Systems without Valid Permits or Licenses

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).

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

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.

14. Service Delivery

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.

15. Supervisory Control and Data Acquisition (SCADA) Systems

- (a) The CSRD will prioritize the development and installation of a regional SCADA system to ensure efficient and effective service delivery to all of its domestic water systems.
- (b) All upgrades to existing water systems and all plans for new water systems must either include SCADA system components or accommodate the future installation of SCADA systems.

16. Servicing Standards for New Systems

- (a) The CSRD will require all new water systems serving fee simple developments to meet the water system design standards and construction specifications outlined in the CSRD's Subdivision Servicing Bylaw.
- (b) As a condition of acquisition, new water systems must be built to the water system design standards and construction specifications outlined in the CSRD's Subdivision Servicing Bylaw. This requirement applies to all types of systems, including those related to strata developments.
- (c) 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.

17. Servicing Standards for Existing Systems

Over time as funding becomes available, the CSRD will bring all existing water systems it acquires into compliance with the water system design standards and construction specifications outlined in the CSRD's Subdivision Servicing Bylaw.

18. Water System Maintenance Standards

The CSRD will ensure all of its water systems enjoy the same high level of preventative maintenance in accordance with its Master Water System Maintenance Task List.

19. Conservation Plans

The CSRD will develop and implement water conservation plans for all of its water systems.

20. Water Meter Installation

- (a) Effective 2009, the CSRD will require developers to install water meters (at no cost to the CSRD) in all new developments, including single-family residential developments, as a condition of subdivision or building permit issuance as per the CSRD's Subdivision Servicing Bylaw.
- (b) For existing water systems that will be acquired by the CSRD, the CSRD will install water meters within two years after the system is acquired. Costs (net of grants) for meter installation will be wholly funded by water users of that system.
- (c) The CSRD will establish a voluntary water metering program to encourage water users (including residential water users) within existing CSRD-owned systems to install water meters.
- (d) The CSRD will establish water user rates based on water metering.

21. Existing Committees/Governance Structures

- (a) The CSRD will not delegate any decision-making authority related to water service provision to a commission, committee or any similar body.
- (b) A Regional Water System Advisory Committee will be created to provide advice regarding water service provision. The Regional Water System Advisory Committee will be advisory only and will not have any decision-making authority (see Appendix D of the Water Utility Acquisition Strategy for the Terms of Reference for the Regional Water System Advisory Committee).
- (c) 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. After this time, the Local Transition Advisory Committee will be dissolved, and the new water system will have one representative (plus an alternate) on the Regional Water System Advisory Committee, which will play the sole advisory role.
- (d) Local committees of existing CSRD water systems will be maintained for a period of one year after the Water System Acquisition Strategy is established (i.e., one year after the Board formally endorses these policies).
- (e) In order to plan, construct, operate and maintain water systems in a manner which reflects local objectives and views, the CSRD will ensure frequent and ongoing consultations with the Interior Health Authority and the ratepayers of water systems owned by the CSRD.

22. Cost Recovery

- (a) The CSRD will consider pooling costs across multiple water systems where appropriate to improve the financial viability of service provision while maintaining fairness for water users.

- (b) A system's existing debt and reserves will remain with that system and will not be pooled over other systems.

23. Grants

- (a) Where possible, the CSRD will apply for senior government grants for capital projects to help support its water systems. Suitable grant programs include:
 - (i) General Strategic Priorities Fund
 - (ii) Innovations Fund
 - (iii) Community Works Fund
 - (iv) Building Canada Fund
 - (v) FCM Green Municipal Fund
- (b) Where possible, the CSRD will apply for senior government grants for non-capital initiatives to help support its water systems. Suitable grant programs include:
 - (i) Infrastructure Planning Grants
 - (ii) Restructure Implementation Grants
 - (iii) General Strategic Priorities Fund
 - (iv) Innovations Fund
 - (v) Community Works Fund
 - (vi) FCM Green Municipal Fund

24. Loan Authorization Bylaw

- (a) Where capital improvements are required, the CSRD will submit an application for a capital grant (if a suitable grant program is in place) and will not proceed with the elector assent process or the loan authorization bylaw until it is known whether the grant has been secured.
- (b) If borrowing is required, the CSRD will advance the loan authorization bylaw (in the amount of the total improvements less committed grants) for elector assent at the same time as the establishing bylaw. Only those properties that benefit from the borrowing would be responsible for the debt payments.

25. Water User Rates

- (a) The CSRD will introduce uniform water user rates to recover the full cost of providing safe, reliable water.
- (b) The CSRD will consider phasing in rate increases over multiple years to help mitigate the impact on water users.

26. Development Cost Charges

The CSRD will use various development financing tools to ensure that new development pays its fair share of water system infrastructure costs.

27. Costs of Conversions

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). See also Section 6 (b).

28. Compliance with Provincial Legislation and Directives

The CSRD will operate and maintain its water systems consistent with pertinent Provincial legislation, directives, and best practices including, but not limited to, the disinfection and treatment of water sources, sampling, monitoring and reporting, cross connection control, distribution system protection, emergency response planning, and certification of operators.

29. Shared-Interest Developments

- (a) The CSRD does not support the provision of domestic water services by shared-interest developments.
- (b) The CSRD's official community plans and associated zoning bylaws will prohibit the establishment of new shared-interest developments.
- (c) The CSRD will not consider acquiring any water system owned by a shared-interest development. The shared-interest development must be converted to bareland strata or fee simple status prior to the CSRD considering acquisition.

30. Consistency with Land Use Planning Regulations and Policies

The CSRD will coordinate its land use planning regulations and policies (e.g., Official Community Plans, zoning regulations), where they exist, with CSRD service delivery objectives.

31. Monitoring and Evaluating Water System Improvements

- (a) The CSRD will monitor and evaluate the impact of its acquisition policies and practices in terms of the following:
 - (i) improvements to the reliability, safety, and quality of water provided;
 - (ii) improvements to water service delivery;
 - (i) effectiveness of the CSRD's overall strategy for acquiring water systems; and
 - (ii) effectiveness of the acquisition process.
- (b) 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.

32. Memoranda of Understanding

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

33. Tangible Capital Assets and Infrastructure Renewal

- (a) Developers must provide information on tangible capital 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.
- (b) For existing water systems, collecting information on the system's tangible capital assets will part of the required comprehensive assessment (see Policy 6).

As a condition of 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.

34. Existing Properties Connecting to a CSRD Water System

- (a) Existing properties applying to connect to a CSRD water system shall pay a contribution into 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.
- (b) In extenuating circumstances, the Board may deviate from this formula to calculate the contribution to a capital reserve account.

35. Financial Feasibility of Treatment

- (a) For newly developed water systems acquired by the CSRD, the CSRD will determine the affordability of higher-level treatment upgrades in consultation with the developer. In order to defer higher-level treatment, a financial plan for making the necessary treatment upgrades in the future must be prepared. As a condition of acquisition, the CSRD will require the developer to provide funds to finance the future treatment components. These funds will be held in a capital reserve specifically for that purpose.
- (b) For existing water systems acquired by the CSRD, the CSRD will determine the affordability of higher-level treatment upgrades in consultation with water users. If water users decide to defer higher-level treatment, then the CSRD will prepare a financial plan for making the necessary treatment upgrades in the future. In general, full treatment should not be considered until there are at least 300 connections on the water system or until water quality dictates the necessity for the community's health.

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