

To: CAO for the Electoral Area Services Committee
From: Paul Gipps, Chief Administrative Officer

Date: 2019 04 09
File No: 3920-20-0837/1433

Subject: Hatzic Prairie Water System Legacy Debt

RECOMMENDATION

THAT staff be directed to enter into a Capital Improvement Construction Fee Agreement with the owners of the property located at 11426, 11210 and 11082 Sylvester Road not connecting into the Hatzic Prairie Water System Sylvester Road Extension.

STRATEGIC AREA(S) OF FOCUS

Support Healthy & Sustainable Community
Provide Responsive & Effective Public Services

PRIORITIES

Priority #2 Air & Water Quality

BACKGROUND

The Hatzic Prairie Water System (HPWS) was originally built in 2008 to provide potable water to the Sheltered Cove, Riverside and Mountainview subdivisions in Hatzic Prairie. In 2011, the system was upgraded with the construction of a reservoir for the provision of fire protection. Both the original system and the 2011 upgrades were paid for through a combination of grant funding as well as borrowing through the Municipal Financing Authority (MFA). The service area for the HPWS is shown in dark blue in the attached figure.

Funding for this service area is collected through a parcel tax as well as a user fee collected in the form of a semi-annual utility bill. The funds collected cover the water systems operations expenses, contributions towards the systems capital reserve and to service the legacy debt from funds borrowed through MFA for the original 2008 construction and 2011 upgrades. With the changes to the fee structure by proposed Fees and Regulations Amendment Bylaw No. 1522, 2019, all funding for operations expenses and contributions towards the capital reserve would be collected through the user fee whereas all funding required to service the legacy debt would be collected through the parcel tax.

In 2017, a petition was sent out to property owners on Sylvester Rd for the further expansion of the HPWS to provide service to properties along the Sylvester Rd corridor. The proposed extension would be financed through grant funding and some borrowing through MFA to be repaid only by the adjacent properties along Sylvester Rd. The service area for the Sylvester Rd water main extension is shown in light blue in the attached figure. The petitions sent out in 2017 passed in favour of the project and in early 2019 the Sylvester Rd water main extension was built.

Today we are finalizing the service areas and associated fees and taxes needed to collect the funds for this Sylvester Rd extension.

Staff are proposing that for consistency purposes all properties covered by the Sylvester Road Water Extension petition shall be required to pay for the construction of the project under a construction service area. Properties that connect will be required to pay all operating costs including the legacy debt that exists for the base system through an operating service area. There are three properties (11426, 11210 and 11082 Sylvester Rd) that are choosing not to connect, as they have their own well, and instead of collecting the legacy debt through a property tax each year we are proposing that they enter into a Capital Improvement Connection fee agreement, similar to a late user agreement, whereby they would be required to pay the current and historical legacy debt less depreciated value of the legacy infrastructure should they connect.

Staff feel this is a good alternative to taxation today for a future payment model should they connect.

COMMENTS BY:

Tareq Islam, Director of Engineering and Community Services

No further comments.

Mike Veenbaas, Director of Financial Services

No further comments.

