



DISTRICT OF LAKE COUNTRY

POLICY 08.100

Water Restructure Policy

The following was adopted as Policy at the Regular Council Meeting held on August 12, 2008.

Resolution #08.08.387

Moved by: Councillor Clark
Seconded by: Councillor Greenwell

Policy

General Policies

1. The main objective will be to evolve to a single municipal water utility in the District of Lake Country.
2. Lots larger than 4 hectares will be allowed to use wells or surface water for domestic purposes if they are not in an existing Local Service Area and subject to regulatory bylaws such as zoning and subdivision and servicing.
3. An interim objective is to have Water User's Groups/Communities included in existing Local Service Areas.
4. The District does not support Water User's Groups/Communities becoming Private Utilities.
5. The long term objective is to have Private Water Utilities become part of a single Municipal Utility.
6. The interim objective is to have Private Utilities established as Local Service Areas.
7. The District will only support expansion of Private Utilities as outlined below.
8. The District supports the merger of Local Service Areas as a key strategy to evolving to a single Municipal Utility in the District of Lake Country.
9. New development areas should be serviced by an existing Local Service Area.
10. Development Cost Charges will be collected on a consolidated basis on behalf of all Local Service Areas.
11. The District of Lake Country Water Regulation and Rates Bylaw will apply in all Local Service Areas.
12. Regulations restricting the waste, lending, selling, giving or the disposal of water supplied by the District as set out in the District of Lake Country Water Regulation and Rates Bylaw will be imposed on all consumers, whether inside or outside the District, by agreement pursuant to Section 15 (g) of the Bylaw.
13. The District of Lake Country will complete a water conservation strategy that will include a metering program in all water serviced areas within the District. The water conservation strategy and metering program will also apply to all consumers, whether inside or outside the District, through terms and conditions set out in an agreement pursuant to Section 15 (g) of the District of Lake Country Water Regulation and Rates Bylaw.

Acquisition Policies

1. The District supports the acquisition of the assets of Water User's Groups/Communities and Private Water Utilities.
2. The first preference will be for the service areas being acquired to be included in an existing Local Service Area. The second preference will be to create a separate new Local Service Area.
3. Prior to acquisition a study with terms of reference similar to Appendix 2 attached must be undertaken with the costs being borne directly by the Water User's Groups/ Community or Private Utility. The District will support the creation of a Local Service Area for the purpose of undertaking the study.
4. The District will request Provincial Study grants where applicable.
5. Capital improvements identified in the study must be:
 - a) Completed by the Water User's Community or Private Water Utility prior to the acquisition, or
 - b) A new Local Service Area and Loan Authorization be completed prior to the acquisition to ensure that the upgrades will be completed and paid for by the user's and property owners within the existing Water User Group/Community or Private Utility.
6. In situations where the service area being acquired is to be included in an existing Local Service Area, outstanding debt will not transfer to the existing Local Service Area.
7. Development Cost Charges will not apply to existing properties on takeover.
8. Capital Expenditure Charges will not apply to the existing serviced properties when acquiring a utility and establishing a separate Local Service Area as these funds are segregated and the amounts would be retained to the credit of the service area.
9. Water Allocation will be reviewed and addressed as part of the study process when acquiring utilities. (Appendix 2)

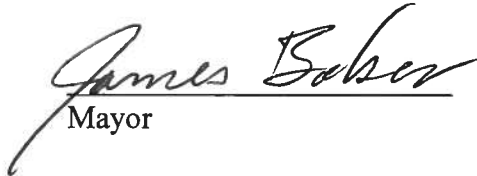
Merger Policies

1. The District will not object to the merger of Water User's Groups/Communities or Private Water Utilities to each other or to a District Local Service Area.
2. The District will encourage the merger of Local Service Areas based on the following principles:
 - a) The condition or state of repair of each of the Local Service Areas is similar. A study or partial study with terms of reference similar to Appendix 2 may be required to determine this. If one of the systems require upgrading then the capital improvements must be completed, or a loan authorization bylaw put in place, prior to the merger.
 - b) Rate structures can be standardized.
 - c) Existing Debt will be allocated as follows:
 - i) If Existing Debt is tied to particular properties and a commutation opportunity was provided the debt will stay with the existing properties. Also included in this category will be any new debt incurred by private utilities, existing service areas and other water systems as a condition of upgrading prior to the District creating a new service area and/or merging with the existing service area. Existing debt that falls into this category will include:
 - Coral Beach Pumphouse and Reservoir – This is internal debt borrowed from the District of Lake Country Capital Works Reserve. Bylaw 308 provided for this 20 year debt at 7% from 2000 to 2019. Sixty-Two (62) properties were involved at \$1,782 each for a total obligation of \$110,484. Sixteen (16) properties commuted

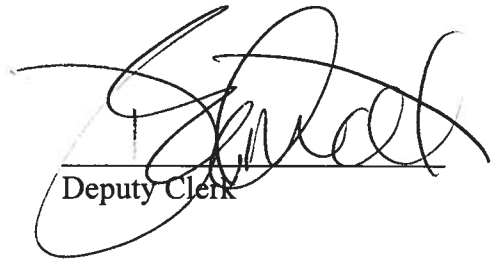
- and forty-six (46) properties continue to pay a parcel tax of \$168 per year on a specified area basis. The option is available for existing properties to commute anytime prior to the end of the debt.
- Water Line Extension and Fire Hydrants for Brun Road and Rolyat Road – Bylaw 509 provided for this debt to be borrowed from the District of Lake Country Local Improvement Reserve. This is a 25 year debt at 5.5% from 2004 to 2029. 12 properties were included at \$6,966.93 per lot for a total obligation of \$83,603.16. 2 properties commuted and 10 properties are paying a parcel tax of \$519.83 per year. Property owners may commute anytime prior to the end of the debt.
 - Oyama Kal Lake Pumphouse, Intake, Chlorinator, Reservoir and Mains – Bylaw 96-085 provide for this borrowing through MFA based on 20 years from 1998 to 2017. Original debt of \$469,000 was refinanced by MFA in 2007 at a rate of 4.55%. The system originally had 275 properties of which 81 commuted prior to the MFA debt issue. Commutation is not available now that the debt is fixed through MFA. The total outstanding debt at December 31, 2007 is \$277,863. A parcel tax of \$176 from 2008 onwards is anticipated to be levied.
- ii) If the existing debt is global it will be shared amongst all properties within the merged service area. Debt falling into this category will include:
- Winfield Okanagan Centre – This related to the Hiram Walker water system purchase. This debt was completely paid off as of January 25, 2008.
 - Eldorado Reservoir – This project budget was \$4.2 million funded by a \$1.6 million grant; \$800,000 in water DCC's; \$1.3 million debt against future water DCC's; and \$500,000 debt against future user fees. Bylaw 617 will provide for the borrowing of up to \$500,000 to be paid by all water users in the WOC water system. The actual security issuing resolution under Bylaw 617 approved \$249,000 to be borrowed in the Fall 2008 Municipal Finance Authority Issue over ten years.
 - Okanagan Centre Road – Bylaw 594 provides for up to \$518,350 in five year short term debt through MFA. This project is not yet complete and the debt issue will likely occur in 2009. Repayment will be through user fees.
 - Oyama Water System – Bylaw 249 provided for \$220,400 in borrowing from the Province. All properties in the Oyama system are currently paying \$101 (2008) per year as a parcel tax. The debt matures in 2012.
- d) Specified areas will continue to be utilized where appropriate.
- e) DCC's will continue to be consolidated. The existing DCC bylaw may require updating to address the restructure and merger of systems.
- f) No connection fee as these are already connected and on a District owned Local Service Area. The District will ensure that adequate records are in place for each of their Local Service Areas prior to mergers so that additional administrative burden will not be borne by the merged Local Service Area.
- g) DCC's will not apply to existing properties.
- h) Capital Expenditure Charges will apply however credits may be applied by the District if the smaller utility being merged has a usable water license and water supply and/or has other assets that will benefit the larger utility upon merger. This will be reviewed as part of the study (Appendix 2).
- i) Existing reserves of the merged systems will be consolidated.

Expansion Policies

1. Council will support the expansion of Water User's Groups/Communities and Private Utilities under the following conditions:
 - a) It is not practical as determined by the District for the expansion area to be included in an existing Local Service Area;
 - b) The expansion does not interfere with an existing Local Service Area;
 - c) The expansion will not affect the existing users of the Water User's Group/Community or Private Utility by reducing domestic flows or fire flows;
 - d) All new works must comply with the District's subdivision servicing bylaw;
 - e) Funding must be in place for any future capital works;
 - f) The District may consider entering into Bulk Water Supply agreements when they deem it preferable to have the customers on a municipal system with the water supply being provided by the private utility or water Users Group.
 - g) The Comptroller of Water Rights must approve the extension.



Mayor



Deputy Clerk

Supplemental Information

The District Official Community Plan sets out general objectives, policies and actions related to water supply:

“16. Water Supply

A clean, safe source of water is a vital community resource. In addition to providing water for the purpose of drinking, personal and home use, it is important that there is an adequate supply for agricultural, industrial and commercial and fire protection. Therefore, maintaining the quality and quantity of water for all uses and users should continue to be a priority within the District of Lake Country.

16.8 Objectives

1. *Fix seasonal turbidity problems.*
2. *Increase capacity to existing systems to meet District and industry standard fire flow requirements.*
3. *Ensure a safe and reliable domestic water supply.*
4. *Ensure that private utility systems are constructed to meet current servicing standards.*
5. *Identify limitations to the existing fire flow system.*
6. *Ensure a safe and reliable agricultural water supply.*

16.9 Water Policies and Actions

1. *The District intends to proceed with a Water Master Plan to identify the current condition of its systems, expansion possibilities, water conservation initiatives and the capital requirements for the future.*
2. *The District intends to establish fire limit areas to recognize fire suppression limitations due to inadequate fire flows in areas of the municipality.*
3. *The District does not support the establishment of new private water systems. The District will allow existing water systems to expand provided those systems are upgraded to municipal standards.*
4. *The District will assume control over small private water systems if requested to do so by the owner and the users, with the costs of the operation being covered by the user of the system.*
5. *The District will continue to monitor activities in the District watersheds and aggressively protect its water resources from degradation.*
6. *New development must be provided with community water systems meeting the District’s servicing requirements including fire flows. Once constructed, the system must be turned over to the District.*
7. *The District will allow lots larger than 4 hectares to use wells or surface water for domestic water.”*

In addition to the OCP, Council adopted Policy 99.08.44 pertaining to the extension of private water utilities as follows:

“That private water utilities in Lake Country be allowed to expand under the following conditions:

- *The extension does not interfere with an existing municipal utility;*
- *The extension will not adversely affect existing users of the private utility by reducing domestic flows or fire flows;*

- *All new works must comply with the District's subdivision servicing bylaw;*
- *Funding must be put in place for any future capital works (i.e. water reservoir expansion);*
- *The utility must agree to supply water to the new users through a franchise agreement with the District; and*
- *The Comptroller of Water Rights must approve the extension."*

Various other District of Lake Country bylaws impact policy relative to water. These include zoning, subdivision and servicing, building, and water regulation and rates.

Within the District there are presently five water systems owned by the District as Local Service Areas, five private water systems and a number of small Water User's Groups. There are numerous properties served by their own wells/systems. This adds significant complexity in terms of achieving the Official Community Plan objectives through the defined water policies and actions.

The following is a brief summary of each of the common types of water supply systems/structures:

Own Well

These are regulated through the Water Act and the Ground Water Protection Regulation. Water Act Part 2 –Licensing, Diversion and Use of Water and Related Matters as well as Part 3 – Water Users' Community does not apply at this time although the Lieutenant Governor in Council may bring this in through regulation in the future. Part 5 – Wells and Ground Water Protection of the Water Act took effect on Nov 1, 2004 as part of a broader initiative to improve drinking water protection.

The Ground Water Protection Regulation took effect Nov 1, 2005 and was designed to:

- Improve the safety and quality of BC's ground water resources.
- Established standards to protect groundwater supplies by requiring all water wells in BC to be properly constructed, maintained, and at the end of their service, properly deactivated and ultimately closed.
- All water supply wells constructed after November 1, 2005 are required to meet minimum construction standards.

It is estimated that there are approximately 500 properties in the District that are on their own well or own surface supply. Areas that have experienced problems include the "cow road" area (20-30 properties), Oyama Lake Rd area (approximately 15 properties, and a portion of the Commonage area.

Own System – Surface Water

Surface water or "Stream" is defined in the Water Act – "includes a natural water course or source of water supply, whether usually containing water or not, and a lake, river, creek, spring, ravine, swamp and gulch."

Although a license is required under the Water Act, a domestic water system that serves only one single-family residence is not included in the definition of "water supply system" under the Drinking Water Protection Act. Accordingly, much of the Drinking Water Protection Act would not apply.

Water User's Communities

Water User's Communities can be established under Part 3 of the Water Act. The Comptroller may issue to a group of 6 or more licenses a certificate of incorporation. This Part 3 does not apply to groundwater at this time however the Lieutenant Governor in Council could bring in a regulation to have it apply in the future. There are presently no Water User's Communities in Lake Country however the following is provided for background as there is a possibility that one or more could be formed in the future.

A Water User's Community is a public corporate body and has the exclusive control and operation of the works constructed or used under the licenses mentioned in its certificate of incorporation. They may:

- Acquire, hold and control property and licenses.
- Acquire, construct, hold, maintain, improve, replace and operate works, and
- Levy assessments on its members and enforce payment of those assessments by suit in a court of competent jurisdiction.

In addition to the Water Act, the Drinking Water Protection Act applies including those sections related to potable water, construction permits, operating permits etc. There is a small system exemption contained in the Drinking Water Protection Regulation that would exempt these systems from Section 6 – Supply Systems Must Provide Potable Water if:

- (a) the system does not provide water for human consumption or food preparation purposes, and is not connected to a water supply system that provides water for human consumption and food preparation purposes, or
- (b) each recipient of the water from the system has a point of entry or point of use treatment system that makes the water potable.

It should also be noted that the regulations do not include small systems as a prescribed system for the purposes of the Drinking Water Protection Act Section 9 – Qualification standards for persons operating water supply systems. A small system is defined as a water supply system that serves up to 500 individuals during any 24 hour period.

Private Water Utilities

These are created and regulated under the Water Utility Act. The Utilities Commission Act also applies therefore the Comptroller of Water Rights and the Utility Regulation Section, Water Management Branch are responsible for the regulation of these private utilities.

The Drinking Water Protection Act, Drinking Water Protection Regulation, Water Act, and the Ground Water Protection Regulation would all apply to these private utilities. The small system exemptions noted in the Water User's Community section above also apply to these systems.

There are presently 5 private water utilities in Lake County. These are Alto, Lakepine, Eastside, Kal Pine and Woodsdale/Roberts.

Improvement Districts

These are local authorities that are focused on providing local services such as water. Each improvement district is governed by a board of elected trustees and is independent of the Municipality. There are no improvement districts in Lake County and it is highly unlikely that one would be created in the future given provincial policy and District of Lake Country policy.

Local Service Areas

These are established by bylaw under Division 5 of Part 7 of the Community Charter. Specified Areas previously established under the Local Government Act were deemed to be local service areas through the transitional provisions with the Charter.

The District presently has five local service areas being Ponderosa, Oyama, WOCID, Coral Beach and Wood Lake. Ponderosa was a Regional District local service prior to incorporation of Lake Country and was transferred by Letter's Patent. Oyama was an improvement district but was in the process of being taken over by the Regional District at time of incorporation. The letters patent provided for transfer of this utility. WOCID and Wood Lake were improvement districts and were phased out as required by the Letter's Patent. Coral Beach was a private utility however the owner essentially abandoned the utility so the District established it as a Local Service Area approximately one year after incorporation.

Municipal Water Utility

The District of Lake Country does not presently have an overall municipal utility but could establish one under the Community Charter.

Summary

Appendix 1 provides an overview of the existing systems in the District of Lake Country. It also provides a summary of the general policies and strategies reflected in the recommended policies, the priorities, and the general process suggested for achieving the objectives. Specific recommendations relative to individual water systems will be the subject of separate memorandums.

The policies and related processes are intended to promote the main objective of evolving to a single municipal utility recognizing that the District must exercise due diligence, address fairness and equity issues on behalf of the users and property owners within the various water structures, and manage the associated risks that can shift when restructuring or acquiring new utilities.

The District's long term strategy has been to acquire private water utilities as this will provide the opportunity for integration, standardization and service enhancement. The District recognizes that evolving to a single utility will create capacity. Key water objectives such as long term water quality enhancement can best be achieved on a consolidated basis. Also, municipal utilities have access to provincial and federal grants that are not made available to private utilities and/or user groups. Provincial agencies such as Interior Health recognize the advantages and support the District's strategy of evolving to a single municipal utility.

A water conservation strategy that includes a metering program is deemed to be a critical policy objective. Water Regulation and Rates Bylaw 633, 2007 establishes water metering regulation for all works owned and operated by the District. It will be necessary to review other District bylaws such as the building bylaw to establish water meter regulations for areas (utilities) that are not owned and operated by the District. Section 15 (g) of the Bylaw allows the District to impose terms and conditions consistent with the Bylaw for all consumers receiving District water whether inside or outside the District Boundaries. These agreements should ensure that these areas adhere to District of Lake Country water conservation and metering strategies. This will aid in implementing an overall water conservation strategy and meter retrofit program within the District.

It will also be very important for the District to understand and rationalize future demands to address the needs of all users including agriculture, industry and residential. It is anticipated that future needs will be carefully considered as policies are established through the existing Official Community Plan review.

To properly manage the water resource it is important that the District regulate the sale of bulk water. Presently, Section 15 (d) of the District of Lake Country Water Regulation and Rates Bylaw 633, 2007 states that no person shall waste, lend, sell, give or otherwise dispose of water supplied by the District. Also, Section 15 (g) allows for the District to require an agreement for any consumer, whether inside or outside the District boundaries, desiring a water supply or a renewal of a water supply. The agreement may contain any terms or conditions which are consistent with the Water Regulation and Rates bylaw. In recognition of the recommended policy that Council restricts the sale of bulk water by all consumers being supplied by the District; all agreements should clearly setout this limitation.

Appendix 2 is a draft terms of reference that can be adapted to meet the needs of the specific issue being considered. In some cases, such as the merger of a small Local Service Area with a larger Local Service Area only a portion of the study may need to be completed. Larger and more complex mergers or acquisitions will require a full study to completely understand and properly manage the transaction. It will be important to address specific issues relative to Water Allocation, Reserves, Debt, Connection

Fees, and Capital Expenditure Charges when undertaking the study. It must also be recognized that some private utilities such as Alto that are in a good state of repair may require a less detailed review prior to acquisition.

Appendix 3 is provided as a simple analysis of how the financial risks and liability risks may shift as existing systems are restructured. Financial risks related to operations, maintenance and capital will ultimately be borne by the users and property owners within the individual utilities regardless of structure. When merging utilities however, these risks will be shared by all users and property owners within the larger utility.

From a liability perspective, the Municipality will be exposed to additional risks when they take over systems. These risks must be understood as part of a due diligence process and properly managed. When merging Local Service Areas the liability exposure that may have rested with the individual service areas will now be shared by all users and property owners within the new combined Local Service Area. Again, the relative risks must be understood so that they can be mitigated and managed effectively.

Administration feels that the recommended policies and processes will help achieve long term objectives and provide significant benefit from an overall community health perspective. It is important to recognize that many of the issues (development cost charges, capital expenditure charges, water allocation etc.) are extremely complex. When implementing policy and reviewing these types of issues at the study stage it will be important to address them in a manner that will not detract from, or be a significant deterrent to achieving, the main objective of evolving to a single water utility.

**Appendix 1 - Water Restructure Policies Backgrounder
District of Lake Country**

Single Property	Water User's Community, Societies, User Groups					Private Water Utilities					Local Service Areas				
Systems/Well	Moberly Rd Society	Society	User Group	User Group	User Group	Alto	Eastside	Kal Pine	Woodsdale	Lake Pine	Winfield/Okan.	Ponderosa	Oyama	Coral Beach	Wood Lake
<p align="center">General Policies and Strategies</p> <p>Long term to have on Municipal Utility Allow lots larger than 4 hectare to use wells or surface water for domestic Interim - support inclusion into an existing Local Service Area when feasible DCC/Capital Charge required when adding to an existing Local Service Area New development per Subdivision Bylaw and DCC Bylaw</p>	<p align="center">General Policies and Strategies</p> <p>Longer term objective is to have them part of a Municipal Utility Study with terms of reference similar to Appendix 2 required to determine upgrading requirements, operational strategies etc. Upgrading to reasonable standard and/or loan authorization in place prior to creating as a Local Service Area or including them in an existing LSA Capital Charge may apply depending on condition of system, state of repair and license/supply when connecting to an established system If no debt needs to be created then include them in an existing LSA If debt required create as a separate LSA then merge such that the debt will stay with the existing properties in LSA until retired Do not support these becoming Private Utilities Will only support conditional expansion Connection Charges/Administrative Fees may be required when adding to an existing LSA if adequate records not in place District of Lake Country Water Rates and Regulation Bylaw will apply to new areas established as LSA's or merged into an existing LSA If receiving bulk water from a District system then Water Rates and Regulation Bylaw will apply re - water conservation, metering, selling of water etc.</p>					<p align="center">General Policies and Strategies</p> <p>Longer term objective is to have them part of a Municipal Utility Study with terms of reference similar to Appendix 2 required to determine upgrading requirements, operational strategies etc. Upgrading to reasonable standard and/or loan authorization in place prior to creating as a Local Service Area or including them in an existing LSA Capital Charge may apply depending on condition of system, state of repair and license/supply when connecting to an established system If no debt needs to be created then include them in an existing LSA If debt required create as a separate LSA then merge such that the debt will stay with the existing properties in LSA until retired Do not support new Private Utilities Will only support conditional expansion Connection Charges/Administrative Fees may be required when adding to an existing LSA if adequate records not in place District of Lake Country Water Rates and Regulation Bylaw will apply to new areas established as LSA's or merged into an existing LSA Water allocation will be reviewed and rationalized as part of study terms of reference when considering acquisition or inclusion into an existing LSA If receiving bulk water from a District system then Water Rates and Regulation Bylaw will apply re - water conservation, metering, selling of water etc.</p>					<p align="center">General Policies and Strategies</p> <p>Main Objective is to have them evolve to be part of a single Municipal Utility Short Term Objective is to merge Local Service Areas - phased approach Preferred option will be to include new areas into existing Local Service Areas rather than create new Local Service Areas Strategy in place for standardizing rates to accommodate merging Capital expenditure charges may apply when mergers occur depending on the condition of system, license, supply etc. Strategy in place to ensure that each Local Service Area is in similar state of repair prior to merger DCC's collected on consolidated basis on behalf of all Local Service Areas Any upgrading required to bring standard up in a Local Service Area will be paid by users/property owners in the Local Service Area Debt allocation based on specific policy Consolidated DCC strategy to be implemented District of Lake Country Water Rates and Regulation Bylaw will apply in LSA's Water allocation will be reviewed and rationalized as part of study terms of reference when considering merging LSA's</p>				
<p align="center">Priorities</p> <p>Road Area 20-30 properties Oyama Lake Road approx. 15 properties Commonage Road area - Dry Area</p>	<p align="center">Priorities</p> <p>Moberly Road to be included in Lake Pine Local Service Area May need to create a separate LSA for distribution upgrade with debt to stay with those property owners/users in the Moberly Road system</p>					<p align="center">Priorities</p> <p>Lake Pine upgrade, acquisition and creation as a Local Service Area Woodsdale upgrade, acquisition and inclusion in Winfield/Okan. Local Service Area -2008</p>					<p align="center">Priorities</p> <p>Ponderosa tie in to Winfield/Okan., Upgrade and merger with Winfield/Okan. in 2008 Start phased in rate standardization in 2008 for O & M, future capital and reserves Merge Winfield/Okan, Oyama and Wood Lake effective January 01, 2009 into Lake Country Water Local Service Area Lake Pine Local Service Area merged with Lake Country LSA - January 01, 2010 Study for Coral Beach in 2008, upgrading if required (or loan authorization) in 2009 and merge with Lake Country Local Service Area in January 2010. A main objective will be to evolve to a single municipal water utility in the District</p>				
<p align="center">Process</p> <p>To be initiated by the Property Owner Engineering analysis required to determine feasibility at cost of property owner All costs to be borne by property owner</p>	<p align="center">Process</p> <p>To be initiated by the Water User's Community/Society/User Group A study required to be completed with a terms of reference similar to the attached - Appendix 2 Water User's Community/Society to fund the study directly or through the establishment of a Local Service Area for the purpose of the study Provincial study grants will be requested when applicable Capital Improvements identified in the study will be completed prior to the inclusion in the existing Local Service Area. Alternatively, a new Local Service Area and Loan Authorization can be adopted to ensure that the upgrades can be completed and paid for by the user's and properties within the Water User's Community/Society</p>					<p align="center">Process</p> <p>To be initiated by the Private Utility A study required to be completed with a terms of reference similar to the attached - Appendix 2 Private Utility to fund the study directly or through the establishment of a Local Service Area for the purpose of the study Provincial Study grants will be requested when applicable Capital Improvements identified in the study will be completed prior to the inclusion in the existing Local Service Area. Alternatively, a new Local Service Area and Loan Authorization can be adopted to ensure that the upgrades can be completed and paid for by the user's and properties within the Private Water Utilities</p>					<p align="center">Process</p> <p>Initiated by the District in consultation with the property owners/users in the Local Service Areas A study required to be completed with a terms of reference similar to the attached - Appendix 2 Study cost to be borne by property owners/users in Local Service Areas Provincial Study grants will be requested when applicable Capital Improvements completed, or loan authorization in place to complete the necessary upgrades to an existing Local Service Area prior to Merger</p>				

Appendix 2

Water Restructure Policies Study Terms of Reference

This Terms of Reference will provide guidance to the selected consultant to carry out a comprehensive assessment of the (describe system below please)

This assessment is to be undertaken with a view to gathering information to provide the basis for (describe the nature of the transaction i.e. acquisition, merger)

The selected consultant will be expected to refer to existing documents including but not limited to: (list of relevant documents such as previous studies, O.C.P, Subdivision and Development Bylaw)

The following should be included in the final assessment report:

1.0 Current Status

History, Location and Service Area

- Location of System
- History of System
- Service Area, number of connections, population served and range of uses served
- IHA Boil Water Notification (incidence, duration and justification)
- Transfer of Ownership (prior and initiative)
- Council Resolution

Governance

- Ownership of the System
- Public Accountability Provisions
- Comptroller of Water Use Planning and Utilities Branch (roles and responsibilities)

Administration

- Staffing and organization of staff
- Salaries and benefits of staff

Risk Management

- Nature, extent and adequacy of insurance coverage
- Emergency Response Plans

Communications Systems

- Telemetry Systems
- Alarms

Permits, Licenses

- Construction Permits (IHA)
- Operating Permit (IHA) – conditions of permit
- Water Licence(s) (LWBC)
- Highway Permits (MOT)
- CPCN
- Environmental Operators Certification Program (EOCP) system classification

Financial

- Existing costs allocation (administrative, operational, debt service)
- Personal Debt Service
- Rate Structure
- Sources of revenue and method of cost recovery
- Reserves, trust and other financial assets
- Current annual budget
- Existing and historical rates
- Capital plan
- Forensic financial audit

Assets

- Nature and ownership of physical assets including real property, infrastructure components, 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

Water System Description

- Source: chemical and bacteriological water quality
- Intake: description, age, capacity
- Treatment facilities: nature of treatment, disinfection, age and capacity
- Storage facilities: location, type, age, capacity
- Distribution: pipe material, location, size, pump stations, pressure reducing valves

Land Use Plans and Regulations

- Official Community Plan status
- Area covered by Zoning Bylaw

2.0 Assessment**Infrastructure Assessment****Water System**

- Description of design standards used in analysis (DLC Subdivision Servicing Bylaw)
- Assessment of source based on existing and projected future demand:
 - Source water quality (past trends, existing quality)
 - Risk of impact by adjacent stream inflow or lake usage
 - Adequacy of source to supply existing and projected future demand
- Assessment of condition and adequacy of intake works (intake, pump station) to meet existing and projected future demands

- Assessment of condition and adequacy of existing treatment facilities including level of treatment achieved and consistency with Drinking Water Protection Act and regulation and Canadian Drinking Water Standards
- Assessment of condition and adequacy of storage facilities to meet existing and projected future demand
- Assessment of accessibility of systems
- Provide feasibility estimate for infrastructure upgrade to achieve fire flow objectives

Assessment of Operations and Maintenance

- Consistency of sampling, testing and reporting protocols with requirements of Drinking Water Protection Act and regulations, other Provincial legislation and best practices
- Adequacy of emergency response plan and procedures
- Adequacy of level of maintenance to properly manage and protect the asset and ensure the production of safe, potable water consistent with Provincial regulations
- Approach to contracting Level of training and certification of operators
- Evaluation of operations and maintenance from risk management perspective
- Evaluation of operations and maintenance from perspective of efficiency and cost effectiveness
- Evaluation of insurance coverage
- Adequacy of administrative records

Assessment of Financial Positions and Practices

- Adequacy of rates to recover full costs of operations
- Adequacy of capital planning effects
- Adequacy of reserves and contingencies to fund replacement and repairs
- Budget process
- Overall financial position of system

Assessment of Easements and 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 the system
- Determine the projected land development for this water service area and the potential to allow future connections

3.0 Plans and Programs

Infrastructure Upgrading Plan

- Identification of upgrading required to bring water system into conformity with DLC standards and specifications and IHA operating permits including preparation of capital estimates and the recommended phasing of capital projects
- Provide estimate of critical timelines for replacement of infrastructure

Operations and Maintenance Plan

- Recommended changes in water quality
- Recommended changes in sampling, testing and reporting
- Recommended changes in emergency response plan
- Recommended changes in maintenance procedures and level of effort
- Recommended operations and maintenance manual

Training Program

- Recommended training program for operator(s)
- Recommended EOCP operator certification

Financial Plan

- Preparation of capital plan including staging of capital projects and proposed sources of capital revenue for each project
- Recommendation on connection fee charges prior to acquisition or merger
- Recommendation on capital expenditure charges prior to acquisition or merger
- Implications for Water Allocation prior to acquisition or merger
- Changes in operation and maintenance costs to implement recommended changes
- Overall changes in annual cost and required revenues
- Implications for reserve and trust funds
- Implications for user fees, tax rates and tariffs

Land Use Planning Strategy

- Recommended initiatives to enable management of land use and development

4.0 Impact of Conversion to Municipal Ownership

- Implications for representation of the ratepayers
- Implications for administration, operations and maintenance activities
- Financial implications:
 - Applications and impact of potential grants from provincial government for capital projects
 - Implications for DLC management, administrative and operational costs including insurance premiums, costs associated with sampling, testing, billing, collections and other activities

**Appendix 3
Water Structure Risk Analysis**

Service Method	Financial Risk - Operations/Capital	Liability Risk Management	Municipal Resource Requirements
Own Wells/System	Property Owner	Primarily Property Owner Municipality - easy to manage through Council policy and fire preparation and response policies	Few municipal resources - operationally Admin/Management if problems arise
Water User's Communities Societies/User Groups	Property Owners	Primarily Property Owner Municipality - easy to manage through Council policy and fire preparation and response policies	Few municipal resources - operationally Admin/Management if problems arise. May be closer to wanting to evolve to LSA than single well systems so may require more staff time. System may add community health concerns so could be more concern to municipality
Private Water Utilities	Property Owners and Users Within the Private System Area System Owner	Owner of the Utility Property Owners/Users	Few municipal resources - operationally Significantly more Admin./Management time as many systems are in disrepair resulting in requests for the municipality to assist through the creation of a LSA.
Local Service Areas	Property Owners and Users Within the Local Service Area	Municipality as Owner Property Owners/Users	Significant municipal resources - operationally Significant Admin./Management