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District of Lake Country

Report from the Financial Services Manager

To: Mayor and Council
Date Presented: October 7, 2008
Subject: Water System Merger

Issue

Should Council adopt a bylaw to merge the Wood Lake, Winfield Okanagan Centre, Oyama and Ponderosa water specified areas?

Recommendation

That Lake Country Water Service Area Bylaw 695, 2008, be read a first, second and third time.

Background

A Water Restructure Policy recommended to Council by the Water Services Advisory Committee on June 20th and adopted by Council on August 12, 2008 identified the District's main objective was to evolve into a single municipal water utility (see attached).

The District presently has five water service areas:

- Ponderosa;
- Oyama;
- WOCID;
- Coral Beach;
- Wood Lake.

Ponderosa was a Regional District local service area prior to incorporation of Lake Country and was transferred by Letters Patent. Oyama was an improvement district, but was in the process of being taken over by the Regional District at the time of incorporation. Letters Patent provided for transfer of this water system on December 31, 1995. WOCID and Wood Lake were improvement districts and were transferred to the District of Lake Country on January 1, 1998 pursuant to Letters Patent. Coral Beach was a private utility; however, the owner essentially abandoned the utility and transferred the assets to the District which then established a Local Service Area approximately one year after incorporation.

Provisions under the Community Charter provide for the merging of local service areas as long as the original establishment bylaws provided for the merger. The original bylaws all provide for a merger. The new local service area will be a non-contiguous portion of Lake Country (see Schedule "A" of bylaw).

The bylaw before Council merges 4 of the 5 District water systems. It includes the three main systems Wood Lake, WOCID and Oyama, and also Ponderosa which is already serviced with WOCID water. Pursuant to policy, the Coral Beach water system will be reviewed during 2009, with the possibility of it being merged with the others January 1, 2010. Ultimately after some further analysis, the District will either expand the boundary to include a broader area of the District through an “enlargement bylaw” or will dissolve the boundaries of the merged specified area to form a Lake Country water utility.

The latter possibility will require legal advice to determine the process involved to remove the specified area boundary and operate as a water utility. There is some concern by staff about losing existing powers regarding areas in the City of Kelowna and being able to regulate new applications where licensing and/or infrastructure is lacking, if the specified area boundary is removed altogether.

Due to the inadequate infrastructure of the Ponderosa specified area, this area is the only specified area that was required to buy into the merged system. A report was forwarded to Council previously which outlined the associated cost and set a parcel tax. The other three water systems are rated fairly equal and have relatively good infrastructure and water licensing.

In the short term, the water systems will continue to operate much in the same manner, but from an administrative perspective will be more streamlined. The merger will allow the District to streamline the utility rates across the areas involved in the merger. The variety of utility rates has created a lot of confusion amongst both staff and property owners. The various billing structures are very difficult to manage. The billing structures were inherited from the former improvement districts and each had different rules (taxes and utility fees). Each specified area has its own unique billing codes, rates and sometimes personal history of property owners. Following the adoption of this bylaw, a new standardized water rate structure will be developed in consultation with the Water Services Advisory Committee during the budget process. Once complete, the bylaw will be forwarded to Council for consideration.

In addition, the merger will streamline accounting issues related to the expenditures within each of the water systems. At present all purchases and labour must be coded to their respective water system which has been administratively cumbersome because most expenses are split across all five systems.

Pursuant to the policy on water mergers, the debt listed below will remain with the existing properties in the current specified areas:

- District of Lake Country Brun/Rolyat Road Water System Local Area Service Parcel Tax Bylaw 509, 2004;
- District of Lake Country Security Issuing Bylaw No. 96-085 (Oyama water system’s Kal Lake pumphouse and associated works);
- Ponderosa Road Local Service Parcel Tax Bylaw 694, 2008.

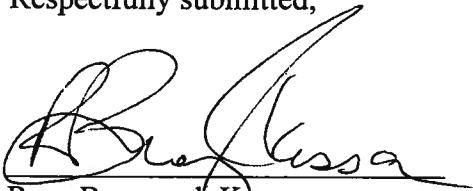
Global debt will be shared amongst all properties within the merged service areas. Debt falling into this category will include:

- Eldorado Reservoir – Bylaws 608 and 617
- Okanagan Centre Road East Waterline Extension– Bylaw 594
- Oyama Water System-Bylaw 249

The District's water regulation bylaw was written on a consolidated basis. The new bylaw adopted in 2006 replaced the previous specified area water regulation bylaws which were inherited with the improvement districts. In addition, the District's DCC bylaw was written on a consolidated basis with respect to water. Water DCC's apply to development connecting to the existing Winfield Okanagan, Oyama or Wood Lake water systems.

The water capital reserves held by each of the specified areas will be consolidated and will be considered by Council under Bylaw 696.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Rose Bronswyk Kassa". The signature is fluid and cursive, with a large initial "R" and "K".

Rose Bronswyk Kassa
Financial Services Manager

DISTRICT OF LAKE COUNTRY

BYLAW 695

A BYLAW TO MERGE WATER LOCAL SERVICE AREAS FOR THE PURPOSE OF PROVIDING WATER

WHEREAS pursuant to the provision of the *Community Charter*, the Council of the District of Lake Country is empowered by bylaw to undertake any work or service coming within the powers of the municipality for the special benefit of a local service area of the municipality.

AND WHEREAS Local Service Areas for the purpose of providing, operating, maintaining and undertaking water supply to areas of the District of Lake Country were established by:

- Oyama Water System Specified Area Establishment Bylaw 96-055;
- District of Lake Country Wood Lake Water System Specified Area Establishment Bylaw 97-168;
- WOCID Water System Specified Area Establishment Bylaw 96-067;
- Ponderosa Road Water System Specified Area Establishment Bylaw 96-051;

AND WHEREAS the Council is empowered by bylaw to merge two or more local service areas into one local service area.

NOW THEREFORE the Council of the District of Lake Country, in open meeting assembled, enacts as follows:

1. The specified areas created by bylaw and listed below are hereby merged to form the new "Lake Country Water System" shown outlined on the map attached hereto as Schedule "A", and forming part of this bylaw, and hereinafter referred to as the Benefiting Area.
 - Oyama Water System Specified Area Establishment Bylaw 96-055;
 - District of Lake Country Wood Lake Water System Specified Area Establishment Bylaw 97-168;
 - WOCID Water System Specified Area Establishment Bylaw 96-067;
 - Ponderosa Road Water System Specified Area Establishment Bylaw 96-051;
2. The District of Lake Country is hereby authorized to provide, to operate, to maintain and to undertake and carry out, or cause to be carried out, water supply and distribution services and to do all things necessary in connection therewith for the special benefit of the Benefiting Area.
3. The entire cost of the service provided pursuant to the authorization of this bylaw shall be borne by the Benefiting Area and shall be raised by Council, and for that purpose the Council may levy parcel taxes and or fees within the Benefiting Area.

4. The outstanding debt of each of the local service areas listed below shall stay with the properties identified within each bylaw and any amendments thereto.
 - District of Lake Country Brun/Rolyat Road Water System Local Area Service Parcel Tax Bylaw 509, 2004;
 - Oyama Water System Specified Area Establishment Bylaw 96-055 with debt issued under District of Lake Country Security Issuing Bylaw No. 96-085 (Oyama water system's Kal Lake pumphouse and associated works);
 - Ponderosa Road Local Service Parcel Tax Bylaw 694, 2008.
5. Should the sums recovered through parcel taxes or fees at any time be insufficient to meet the costs of the service, Council may levy and impose within the Benefiting Area a rate on land and improvements over and above all other rates sufficient to meet such deficit in the same manner and time as other general municipal taxes.
6. Council may, by bylaw, merge the Benefiting Area with any other specified area created to provide water service, whether contiguous or not, for the purpose of providing, consolidating and completing necessary services for such merged area.
7. The following bylaws and any amendment thereto are hereby repealed in their entirety:
 - District of Lake Country Wood Lake Water System Specified Area Establishment Bylaw 97-168;
 - WOCID Water System Specified Area Establishment Bylaw 96-067;
 - Ponderosa Road Water System Specified Area Establishment Bylaw 96-051;
8. This bylaw shall take effect December 31, 2008.
9. This bylaw may be cited as "*Lake Country Water Service Area Bylaw 695, 2008*".

READ A FIRST TIME this ____ day of _____, 2008.

READ A SECOND TIME this ____ day of _____, 2008.

READ A THIRD TIME this ____ day of _____, 2008.

RECONSIDERED AND ADOPTED, this ____ day of _____, _____.

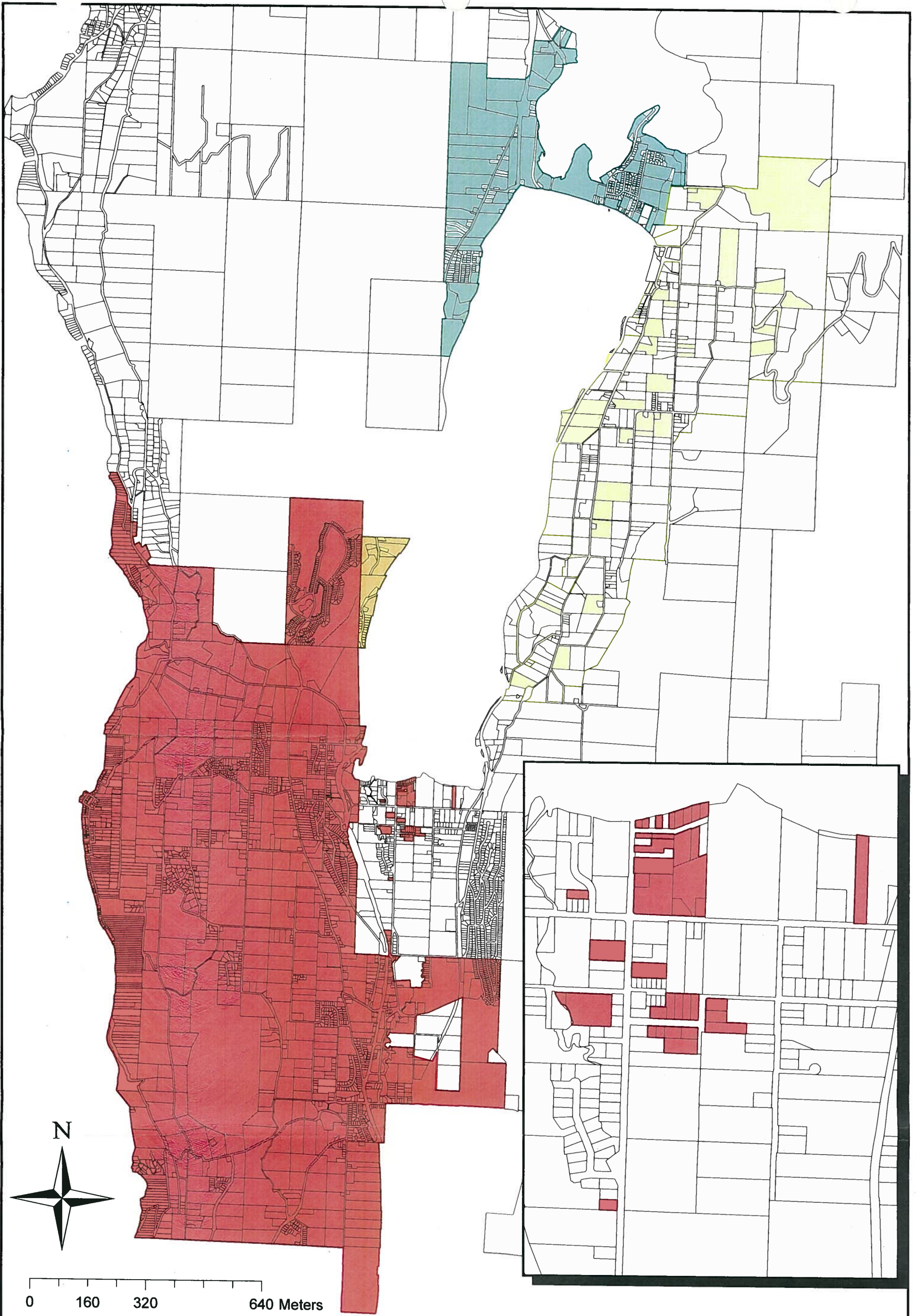
Mayor





Clerk

I hereby certify the foregoing to be a true and correct copy of the Bylaw cited as the "*Lake Country Water Service Area Bylaw 695, 2008*", adopted by Council on _____, 2008.

Dated at Lake Country, B. C.

Clerk



system	
	Oyama Service Area
	Winfield Okanagan Centre Service Area
	Ponderosa Service Area
	Wood Lake Service Area

Schedule 'A'
Lake Country
Water Service Area
Bylaw 695, 2008





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.

“original signed by Mayor Baker”

Mayor

“original signed by Dana Schmidt”

Deputy Clerk



District of Lake Country

Report from the Financial Services Manager

To: Mayor and Council
Date Presented: October 7, 2008
Subject: Water Capital Works Reserve Fund

Issue

Should Council adopt a bylaw to set aside monies for the purposes of capital expenditures and redemption of debentures issued for the Lake Country Water Service Area?

Recommendation

That Water Capital Works Reserve Fund Establishment Bylaw 696, 2008 be read a first, second, and third time.

Background

With the adoption of Bylaw 695, the District of Lake Country will merge the Ponderosa, Wood Lake, Oyama and Winfield Okanagan Centre water systems. Reserve funds have been established by bylaw for each of the specified areas. The proposed capital works reserve fund is a statutory reserve established by bylaw to hold funds for future capital expenditures and for the redemption of debentures issued for the water system.

With the merger of the four water systems, four separate funds are no longer required. One reserve fund is all that is required to hold monies.


To summarize, the bylaw before Council does the following:

1. Establishes a new Water Capital Works Reserve Fund.
2. Transfers any balances in the existing reserves to the new reserve fund;
3. Repeals each of the existing four (4) reserve fund bylaws for the specified areas involved in the merger.

For information, the December 31, 2007 balances in each of the existing water system reserve funds is as follows:

Oyama Water Reserve	\$189,965
Winfield Okanagan Centre	37,026
Wood Lake	31,921
Ponderosa	0
Total Reserve Balance, December 31, 2007	<u>\$258,912</u>

Respectfully submitted,


Rose Bronswyk Kassa
Financial Services Manager

DISTRICT OF LAKE COUNTRY

BYLAW 696

A BYLAW TO ESTABLISH A WATER CAPITAL WORKS RESERVE FUND TO SET ASIDE MONIES TO FUND CAPITAL EXPENDITURES AND TO MERGE THE EXISTING SPECIFIED AREA WATER RESERVE FUNDS

WHEREAS the *Community Charter* provides Council with the authority to adopt a bylaw to establish a reserve fund for a specified purpose and direct that money be placed to the credit of the reserve fund.

AND WHEREAS the Council of the District of Lake Country enacted the following reserve fund bylaws:

- Oyama Irrigation Water System Specified Area Capital Expenditure Reserve Fund Establishment Bylaw 96-040
- District of Lake Country Wood Lake Water System Reserve Fund Establishment Bylaw 97-155
- District of Lake Country Winfield and Okanagan Centre Water System Reserve Fund Establishment Bylaw 97-156
- Ponderosa Road Water System Capital Works Reserve Fund Establishment Bylaw 96-041

AND WHEREAS the Council of the District of Lake Country has enacted a bylaw to merge the Wood Lake, Oyama, WOCID and Ponderosa water system specified areas together; therefore, removing the requirement for separate reserve funds.

NOW THEREFORE the Council of the District of Lake Country in open meeting assembled enacts as follows:

1. There shall be and is hereby established a Reserve Fund, pursuant to the provisions of the *Community Charter*, to be known as the “Water Capital Works Reserve Fund”.
2. The monies set aside shall be recorded and maintained in a separate account and, until required to be used, may be invested in the manner provided by the *Community Charter*.
3. The monies held in the Oyama Irrigation Water System Specified Area Capital Expenditure Reserve Fund , Wood Lake Water System Reserve Fund, Ponderosa Road Water System Capital Works Reserve Fund and Winfield and Okanagan Centre Water System Reserve Fund are hereby transferred to the Water Capital Works Reserve Fund established herein.

4. Monies from current revenue, from general revenue surplus, from water system surplus, or as otherwise provided for in the *Community Charter* may from time to time be paid into the Reserve Fund.
5. The monies set aside in the Reserve Fund, and any interest earned thereon, shall be expended in accordance with the *Community Charter* for the following purposes:
 - (a) Capital expenditures, including the purchase of real property, easements, rights-of-way, and licenses for the water system;
 - (b) Redemption of debentures and other liabilities of the water system.
6. This bylaw shall take effect December 31, 2008.
7. The following bylaws and any amendments thereto are hereby repealed in their entirety:
 - (a) Oyama Irrigation Water System Specified Area Capital Expenditure Reserve Fund Establishment Bylaw 96-040
 - (b) District of Lake Country Wood Lake Water System Reserve Fund Establishment Bylaw 97-155
 - (c) District of Lake Country Winfield and Okanagan Centre Water System Reserve Fund Establishment Bylaw 97-156
 - (d) Ponderosa Road Water System Capital Works Reserve Fund Establishment Bylaw 96-041
8. This bylaw may be cited as “Water Capital Works Reserve Fund Establishment Bylaw 696, 2008”.

READ A FIRST TIME this ____ day of _____, 2008.

READ A SECOND TIME this ____ day of _____, 2008.

READ A THIRD TIME this ____ day of _____, 2008.

RECONSIDERED AND ADOPTED this ____ day of _____, 2008.

Mayor

Clerk

I hereby certify the foregoing to be a true and correct copy of the Bylaw cited as “Water Capital Works Reserve Fund Establishment Bylaw 696, 2008”

Dated at Lake Country, BC

Deputy Clerk

Water System Merger Supplemental Notes

Benefits and additional rationale for the merger:

1. Economies of Scale

- Improved administration of the systems in terms of rates, public confusion, rate structures, purchasing, etc.
- Construction and funding of future capital projects in terms of pooled financial resources.
 - for example, IHA is requiring filtration on all our water systems by 2015 – it will be more cost effective dealing with the challenge on a global basis
- Drought management – flexibility in dealing with the issue and the ability to move water.
- Need to look 10, 20 and 40 years into the future not just where we are today.

2. Land Use Planning

- Pursuant to the OCP, future growth & development is mainly centered on the area of Lake Country serviced by the Winfield and Okanagan Centre Water System (WOCWS).
- All of the improved economies of scale are currently going to the WOCWS because of Council's and the community's decision on where urban development should take place based on the OCP. Benefits accruing because of growth include:
 - \$3 million in Water DCC's have been collected in the last 3 years – almost all from development connected to WOCWS
 - the additional annual revenue on WOCWS from new connections in 2008 was \$106,500; on the Oyama and Wood Lake Water Systems there was only a combined total of \$3,800
 - as an integrated community, all of the District's water users should be gaining the benefits of this additional water revenue and improved economies of scale, not just WOCWS water users
 - the District does not want to be in a situation in the future where it is faced with a large capital expenditure in the Oyama and the Wood Lake Water Systems (i.e. filtration plants) and be pressured to change land use policies for all of the wrong reasons just to improve the per unit cost (economies of scale) for the users on smaller and separate water systems

3. Many Aspects of the Water Systems are Already Merged

- The water operations staff already maintains all District water systems as one integrated crew.
- The existing DCC bylaw includes a discussion on the possible merger of the District's water systems.
- The Water DCC reserve is already a consolidated reserve.
- The water regulation bylaw (bylaw 633) adopted in October 2007 applies to all water systems equally, with the exception of water rates.
- Because the systems have many of the same cost pressures, annual user fees have been converging since the incorporation of the District of Lake Country in 1995. See graphs "Water Rates 1975 to 2008 – Adjusted for Inflation (2008 \$'s)" and "Irrigation Rates 1975 to 2008 – Adjusted for Inflation (2008 \$'s)"

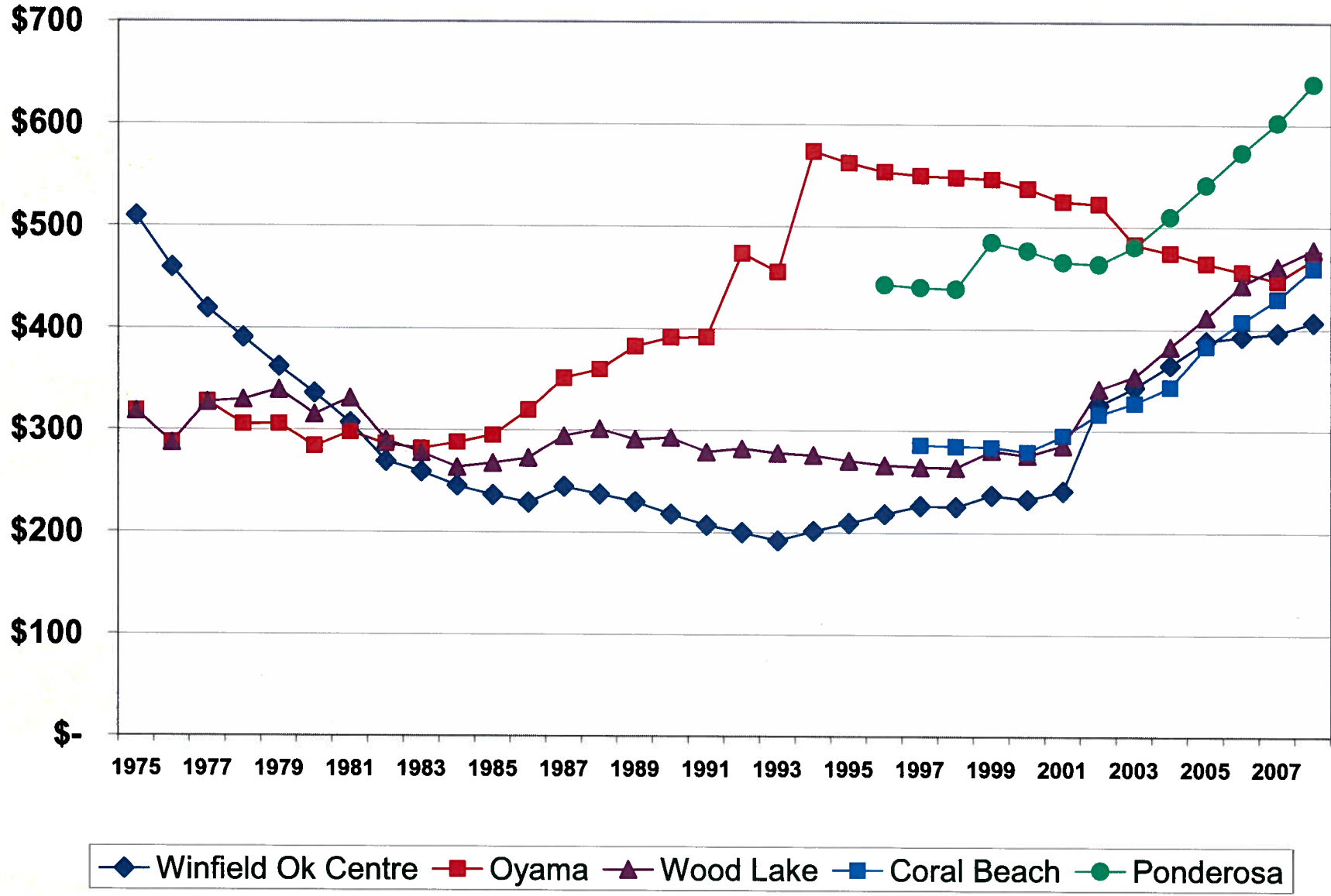
4. Similar Process to the Previous Merger of Fire Departments

- The District used to have 3 separate fire specified areas all with different tax rates, levels of debt, levels of reserves, different state of infrastructure, different Fire Underwriter Survey (FUS) ratings, etc. – all similar issues to the merger of the water systems.
- The departments and specified areas were merged in 1997. Looking back, it was the right thing to do and the District has a stronger fire service because of the merger.
- The District's FUS rating is now better than the best of the 3 previous ratings of the former fire departments.
- There will never be an absolute perfect time to merge, but the sooner it is done the fairer it will be for everyone, and this was demonstrated by the merger of the fire departments.

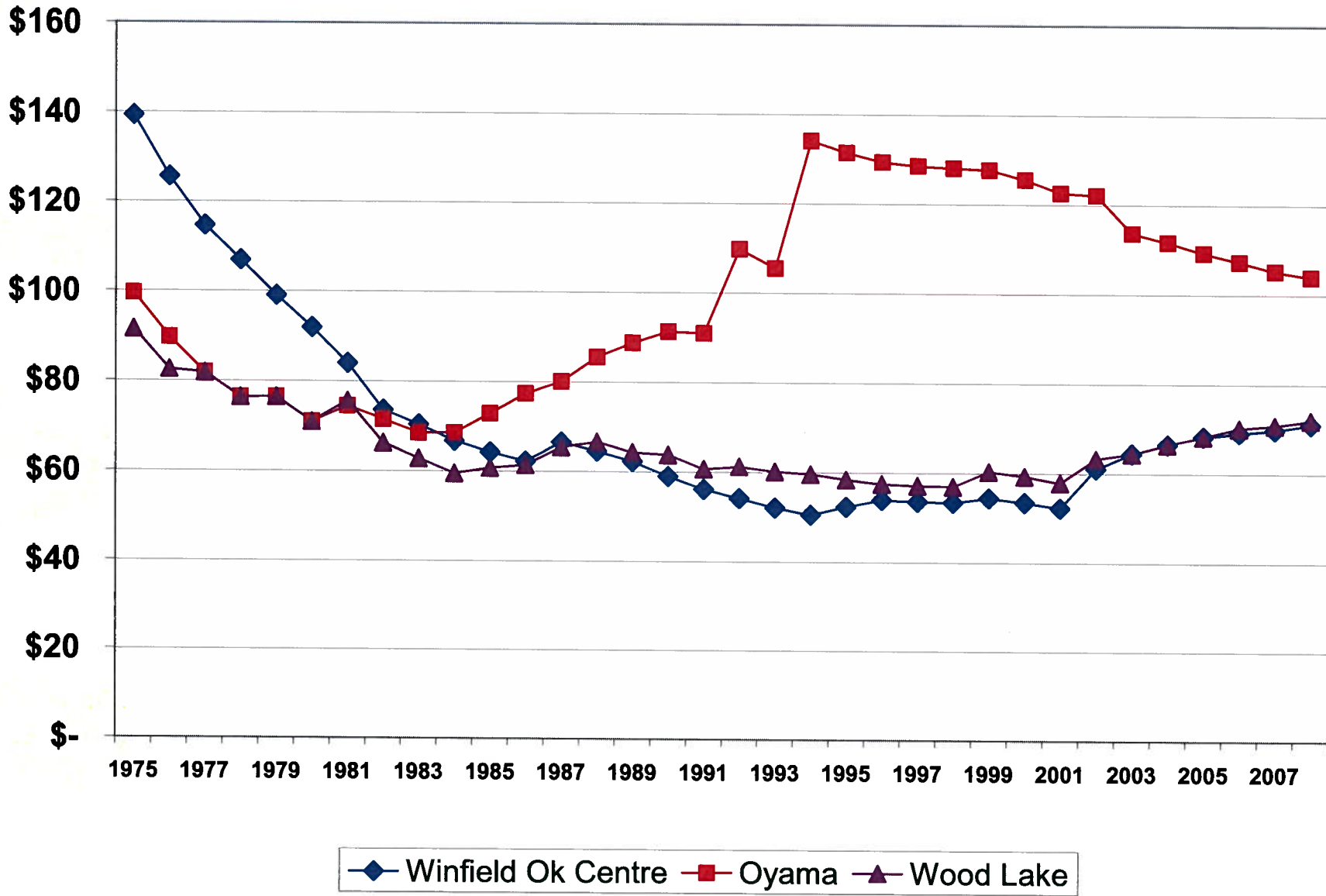
5. Water Services Advisory Committee (WSAC)

- The issue of water system mergers and policy development has been worked on a lot in 2008. A draft policy was originally presented to the WSAC on April 4th.
- The Committee directed staff and the consultant to make a number of amendments to the draft policy, and later on June 12th the WSAC recommended that Council adopt it. Council's adoption of the policy occurred on August 12th.
- These 2 bylaws formalize the decision Council has already made, as recommended by the WSAC. Everything contained in the bylaws were originally detailed in the policy.
- The WSAC still includes a number of former water trustees from each of the 3 former irrigation and improvement districts. They have tended to be the most skeptical over the years about merging systems, but have now recommended unanimously moving forward with the merger.

Water Rates 1975 to 2008 Adjusted for Inflation (2008 \$'s)



Irrigation Rates 1975 to 2008 Adjusted for Inflation (2008 \$'s)



2008 WATER RATES

	2007	2008	\$ Change	% Change
<u>WINFIELD OKANAGAN CENTRE</u>				
User Fee:	\$ 345.00	\$ 359.00	\$ 14.00 /yr	4.1%
Irrigation:	Per acre 'A' land \$ 69.00	\$ 71.00	\$ 2.00 /ac	2.9%
	Minimum \$ 47.00	\$ 48.00	\$ 1.00 /ac	2.1%
Maintenance Fee:	\$ 82.00	\$ 84.00	\$ 2.00 /yr	2.4%
Typical Household:	\$ 392.00	\$ 407.00	\$ 15.00 /yr	3.8%
<i>- pays both the user fee and the minimum irrigation</i>				
<u>WOOD LAKE</u>				
User Fee:	\$ 363.00	\$ 381.00	\$ 18.00 /yr	5.0%
Irrigation:	Per acre 'A' land \$ 70.00	\$ 72.00	\$ 2.00 /ac	2.9%
	Minimum \$ 70.00	\$ 72.00	\$ 2.00 /ac	2.9%
Parcel Tax:	\$ 93.00	\$ 97.00	\$ 4.00 /yr	4.3%
Typical Household:	\$ 456.00	\$ 478.00	\$ 22.00	4.8%
<i>- pays both the user fee and the parcel tax</i>				
<u>OYAMA</u>				
User Fee:	\$ 348.00	\$ 368.00	\$ 20.00 /yr	5.7%
Irrigation:	Per acre 'A' land \$ 104.00	\$ 104.00	\$ - /ac	0.0%
	Minimum \$ 54.00	\$ 54.00	\$ - /ac	0.0%
Parcel Tax:	\$ 94.00	\$ 101.00	\$ 7.00 /yr	7.4%
Typical Household:	\$ 442.00	\$ 469.00	\$ 27.00	6.1%
<i>- pays both the user fee and the parcel tax</i>				
<i>- also pays \$176/yr for 20 yrs for 1996 upgrade unless one-time charge of \$2,335 was commuted.</i>				
<u>CORAL BEACH</u>				
User Fee:	Connected \$ 425.00	\$ 460.00	\$ 35.00 /yr	8.2%
	Non-connected \$ 175.00	\$ 180.00	\$ 5.00 /yr	2.9%
Typical Household:	\$ 425.00	\$ 460.00	\$ 35.00	8.2%
<i>- pays only the connected fee</i>				
<i>- also pays \$168/yr for 20 yrs for the 1999 upgrade unless one-time charge of \$1,782 was commuted.</i>				
<u>PONDEROSA</u>				
User Fee:	\$ 425.00	\$ 460.00	\$ 35.00 /yr	8.2%
Parcel Tax:	\$ 170.00	\$ 180.00	\$ 10.00 /yr	5.9%
Typical Household:	\$ 595.00	\$ 640.00	\$ 45.00	7.6%
<i>- pays both the user fee and the parcel tax</i>				

news

Water merger promises benefits for entire District

By CHRIS LAW

Last week council took the next step towards creating a single water system in the municipality when it gave three readings to a bylaw that will merge the Winfield/Okanagan Centre, Oyama, Wood Lake and Ponderosa systems. Public comments on the merger will be collected at an upcoming special council meeting.

The District claims that merging the systems will

provide more flexibility in meeting the community's water needs and increase economies of scale for the entire district.

"We need to look down the road 15 or 20 years. The easiest way to administer our water will be through a merged system," said Director of Finance Stephen Banmen.

Banmen expects economies of scale to be found in areas such as rate structures, purchasing and construction and funding of future capital

projects.

One such capital project will be the water filtration system that the Interior Health Authority is requiring the District to have in place by 2015. The cost of the project is expected to run into the tens of millions of dollars.

Up until now the Winfield/Okanagan Centre system has been benefiting the most from economies of scale said Banmen because council has expressed a desire to focus

development in the Winfield area. Banmen and his colleagues at the District feel that in the interest of fairness the entire community should share those benefits and merging the water systems would allow a more equitable distribution of them.

Many of the functions relating to water in the District are already operating on a merged basis and have improved efficiency. Completing the merger by connecting the systems will only open new possibilities. In times where farmers crops are threatened by drought for example, it will be easier to move water to the endangered areas.

A related bylaw will see the creation of a single capital fund for the merged system and the elimination of the four capital funds that

correspond to each of the four systems that are currently in use. A single fund will give planners more flexibility when deciding how money is to be spent on the water system.

The Coral Beach water system in Carr's Landing will be unaffected by this merger however Banmen says the District is looking into the possibility of merging it with the others in 2009 or 2010.

Thursday, October 9, 2008 -
'The New View in Lake Country'

DLC on verge of merging water systems

District of Lake Country Council took three swift steps towards merging the Wood Lake, Winfield Okanagan Centre and the Ponderosa specified water systems Tuesday.

Acting on a recommendation from staff, council granted first, second and third reading to the merger, the thrust of which originated from discussions at the Water Services Advisory Committee. That board is comprised of representatives from all three water systems and stakeholders including orchardists and business.

Generally speaking, says DLC Director of Finance Steve Banman, the committee felt the merger will streamline operations and cut down significantly on duplication. Some of the board members are fruit growers and the recent success of amalgamating packinghouses in the Okanagan served as a road map for this merger, he said.

"I can attest that they historically have been more skeptical about a merger than most people," said Banman of the water board. "But they are in favour of it and referenced Okanagan fruit growing co-ops as an example of improved economics of scale."

The measure, he added, also benefits long term land use planning because it will alleviate pressure on council to open the door to development to pay for upgrades on the smaller water systems. Instead, costs for District-wide upgrades, such as the Interior Health mandated need for filtration systems prior to 2015, can be spread out over a wider margin.

He said a similar merger of area fire halls 11 years ago has been successful.

However, he admitted there have been some concerns expressed by the public regarding how this plan will affect their existing water rates. Some areas carry a larger development burden than others and therefore questions of fairness still exist. Council plans to hear such concerns at a forthcoming meeting prior to adoption.



7) v,
District of Lake Country
Report from the Director of Finance

To: Mayor and Council
Date Presented: August 12, 2008
Subject: Water Restructure Policies

Issue

Whether to adopt policies related to the restructure of the District's water systems.

Recommendation

That Council adopt the attached polices as recommended by the Water Services Advisory Committee, and

That Council repeal policy 99.08.44

Background

At the April 4, 2008 and June 20, 2008 Water Services Advisory Committee meetings, the committee discussed a comprehensive policy on the restructure of the District's water systems, including polices related to merger, acquisition, and expansion.

The committee directed that some changes be made to the draft policy following the April 4th committee meeting (shown in red), and the committee recommended that the policy be adopted by Council at their June 20th meeting.

The existing policy 98.08.44 is captured in the new policy; therefore, it can be repealed.

Respectfully submitted,

Stephen Banmen
Director of Finance

Leamont/Smit

That the Minutes of the Water Services Advisory Committee of April 4, 2008, be adopted as amended.

3. Business Arising from the Minutes

a) Water Restructure Policies Final Draft

The Administrator read the Water Restructure Policy as it would be presented to Council and, with the Director of Engineering, answered questions posed by the Committee.

Thiessen/Smit

*That the Water Restructure Policy be adopted as presented.
Carried.*

b) Draft Agricultural Plan

The Chair requested that the recording secretary provide the ten page summary of the Draft Agricultural Plan to Committee members via email.

4. New Business

a) Water Operations Updates

Mike Mitchell, the new Water Utility Foreman was introduced by the Chair. The Water Utility Foreman then presented a detailed Operations Report to the Committee. All systems were reported to be in good shape for the summer with little to no repairs during irrigation turn-on.

b) Water Operations Policy 08.96 – Valve Turn Off Procedure

The Administrator explained that this procedure was not new but is traditionally done when a leak is located on private property.

Elliot/van Roehoudt

*That the Water Operations Policy 08.96- Valve Turn Off be adopted.
Carried.*

c) General Water Priorities

The Administrator provided the Committee with a General Water Priorities presentation covering availability, infrastructure and priorities for 2008 and 2009.

Priorities for 2008 include:

- Staffing, training, organizational changes
- Completion of infrastructure projects (Town Centre, Kal Lake Booster, telemetry upgrades)
- Residential transfers from Vernon Creek water to the Okanagan Lake source

Memo

To: Randy Rose, Administrator
From: Barry Gagnon
Date: June 12, 2008
Re: Water Restructure Policies

Recommendation

It is recommended that Council adopt the following policies related to Water Utility Structures.

General Policies

- The main objective will be to evolve to a single municipal water utility in the District of Lake Country.
- 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.
- An interim objective is to have Water User's Groups/Communities included in existing Local Service Areas.
- The District does not support Water User's Groups/Communities becoming Private Utilities.
- The long term objective is to have Private Water Utilities become part of a single Municipal Utility.
- The interim objective is to have Private Utilities established as Local Service Areas.
- The District will only support expansion of Private Utilities as outlined below.
- 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.
- New development areas should be serviced by an existing Local Service Area.
- Development Cost Charges will be collected on a consolidated basis on behalf of all Local Service Areas.
- The District of Lake Country Water Regulation and Rates Bylaw will apply in all Local Service Areas.
- 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.

- 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

- The District supports the acquisition of the assets of Water User's Groups/Communities and Private Water Utilities.
- 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.
- 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.
- The District will request Provincial Study grants where applicable.
- Capital improvements identified in the study must be:
 - Completed by the Water User's Community or Private Water Utility prior to the acquisition, or
 - 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.
- 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.
- Development Cost Charges will not apply to existing properties on takeover.
- 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.
- Water Allocation will be reviewed and addressed as part of the study process when acquiring utilities. (Appendix 2)

Merger Policies

- 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.
- The District will encourage the merger of Local Service Areas based on the following principles:
 - 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.

- Rate structures can be standardized.
- Existing Debt will be allocated as follows:
 - 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.
 - 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 Center 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.
 - Specified areas will continue to be utilized where appropriate.
 - DCC's will continue to be consolidated. The existing DCC bylaw may require updating to address the restructure and merger of systems.
 - 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.
 - DCC's will not apply to existing properties.
 - 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).
 - Existing reserves of the merged systems will be consolidated

Expansion Policies

- Council will support the expansion of Water User's Groups/Communities and Private Utilities under the following conditions:
 - It is not practical as determined by the District for the expansion area to be included in an existing Local Service Area;
 - The expansion does not interfere with an existing Local Service Area;
 - 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;
 - All new works must comply with the District's subdivision servicing bylaw;
 - Funding must be in place for any future capital works;
 - 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.
 - The Comptroller of Water Rights must approve the extension.

Background – Water Restructure Policy Recommendations

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 01, 2004 as part of a broader initiative to improve drinking water protection.

The Ground Water Protection Regulation took effect Nov 01, 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 Nov 01, 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 Letters 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 Letters 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 set out 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 Background
District of Lake Country**

Single Property Systems/Well	Water User's Community/Society/User Groups (Moberdy Rd, Lake Pine, Wood Lake)	Private Water Utilities Alto, Eastside, Kai Pine, Woodside, Lake Pine	Local Service Areas 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</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</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>Cow Road Area 20-30 properties Oyama Lake Road approx. 15 properties Commonage Road area - Dry Area</p>	<p align="center">Priorities</p> <p>Moberdy 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 Moberdy Road system</p>	<p align="center">Priorities</p> <p>Lake Pine upgrade, acquisition and creation as a Local Service Area Woodside 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 2008 and merge with Lake Country Local Service Area in January 2009. 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
District of Lake Country
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 EOC 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
District of Lake Country
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

DISTRICT OF LAKE COUNTRY

Municipal Office

10150 Bottom Wood Lake Road, Lake Country, British Columbia V4V 2M1
Telephone: 250-766-5650 Fax: 250-766-0116

MINUTES

WATER SERVICES ADVISORY COMMITTEE

- Date:** Friday, April 4, 2008
- Time:** 9:00 a.m.
- Place:** Council Chambers, Municipal Hall
10150 Bottom Wood Lake Road
- Present:** Malcolm Mitchell, Chair
Councillor Barb Leamont
Bernie Gatzke
Toby Smit
Jake Thiessen
Marc van Roechoudt
Larry Fallis
Al Garred
Dave Allingham
Jim Elliott
- Absent:** Councillor Penny Gambell
Ron Taylor
- Staff:** Randy Rose, Administrator
Stephen Banmen, Director of Finance
Rose Bronswyk Kassa, Financial Services Manager (9:45)
Deb Youngest, Recording Secretary
- Guest:** Barry Gagnon

The Chair called the meeting to order at 9:00 a.m.

1. Adoption of the Water Services Advisory Committee Agenda for April 4, 2008

Garred/van Roechoudt

*That the Water Services Advisory Committee Agenda for April 4, 2008 be adopted.
Carried.*

2. Adoption of Minutes of the Water Services Advisory Committee of February 8, 2008

Leamont/Smit

*That the Minutes of the Water Services Advisory Committee of February 29, 2008, be
adopted as received.
Carried.*

3. Business Arising from the Minutes

a) Reservoir Lease Lot Sales - Rally

The Administrator noted that, further to the ongoing issues surrounding the proposed sales of crown lease lots on the upland reservoirs, the Mayor (along with City of Kelowna Councillor Given) is holding a rally at Beasley Park on April 5, 2008. A petition for non-support of these sales will be circulated.

b) Metering Program

The Administrator advised that the District's grant application to the Okanagan Basin Water Board (OBWB) to fund a metering program was not approved. There was some discussion of other potential sources of funding.

c) Snowpack Update

The Chair noted that the snowpack readings taken subsequent to the last meeting of the WSAC measured higher than previous readings. However, the plan to manage water as if in "drought mode" will proceed.

4. New Business

a) Water Restructure Policies

General Policy Direction

The Administrator introduced Barry Gagnon, the consultant that is working with the District on policies related to integration of the water systems, including assimilation of small private systems. Policy recommendations were included in the agenda package, and an overview of these was then presented by the Administrator, highlighting:

- The ultimate objective is to end up with a single municipal water utility
- The District does not support creation of new user groups or private utilities
- The District supports the establishment of private utilities as Local Service Areas (LSA's) and the merger of LSA's.

There was some discussion related to the use of wells or surface water licences. The recommendation that lots must be larger than 4 hectares was confirmed to be based in the existing Subdivision and Servicing Bylaw and OCP.

Acquisition Policies

The Administrator noted that the District is in the process of taking over some small private systems (Lakepine and Woodsdale), and needs policies in place to guide this process. Highlights of this section include:

- The District supports the acquisition of private utility systems, with the preference being inclusion in an existing LSA. The second choice would be to create a new LSA.
- Capital improvements or loan authorizations to ensure completion of capital improvements must be completed prior to acquisition.

- Costs are to be borne by users of these systems and outstanding debt remains associated with the users of the original utility.
- Development Cost Charges and Capital Expenditure Charges will not apply to the existing, serviced properties.

The Director of Finance noted that each situation was unique, each with its own challenges and levels of complexity, best dealt with in interim steps in advance of a merger with the larger system.

Discussion ensued in which it was noted that, while some utilities are in disrepair and require upgrading prior to merger, other utilities are already improved and would bring assets to the larger system. Barry Gagnon noted that the issue of fairness and equity was addressed by attempting to ensure systems are in a similar state of repair at the time of merger. The Administrator confirmed that the value of systems which were in good repair would be recognized, and asset valuations would be analyzed and included for consideration as part of any takeover negotiations.

The Director of Finance noted that, while each system has a unique set of both problems and advantages, merging systems would be of overall benefit to all by allowing economies of scale and pooled resources to enable upgrades (infrastructure, water treatment) that would otherwise not be achievable by independent smaller systems.

It was discussed that the merger of water systems would provide flexibility in operations that would allow for improved water quality.

Merger Policies

The Administrator confirmed that the District has no objection to the merger of private utilities. The District will encourage the merger of LSA's provided that capital improvements (or loan authorizations) are complete prior to merger, that rates can be standardized, and that outstanding debt is dealt with as set out in the policy recommendations.

There was some discussion regarding outstanding debts. The Director of Finance clarified that in some cases, certain debt would be paid from user fees (in a merged system as a global cost of all users) and certain debt would remain with specific properties.

Expansion Policies

There was some discussion regarding scenarios in which expansion of a private system would be acceptable. It was noted that some systems have a capital plan in place that sets out areas where expansion could occur.

The provision of water under bulk supply agreements was discussed. It was noted that:

- The District has bulk water supply agreements with the City of Kelowna; these specify limits on the total volume of water that may be sold.
- The Water Regulation Bylaw 633 prohibits District-supplied water from being taken away or sold by "bulk water businesses."
- Water licences held by private utilities set the allowable water available but do not specify how it may be distributed; while small private utilities do not normally sell water in bulk, they could establish bulk-rate agreements.

Some concern was expressed that these policies do not specifically deal with issues related to the expansion of water service beyond the District's current jurisdictional boundaries. It was suggested that any such proposal should be reviewed on a case-by-case basis and with consideration for the District's long-term water needs regarding existing users, growth and agriculture.

The Administrator enquired whether the Committee saw the policies as sound and sensible. The general consensus was favorable, with numerous comments made supporting the move towards a single system as positive for reasons of equity, quality and safety. While some concern was expressed that well-run systems may lose their accumulated surplus when assets were melded into the overall system, the general principle was supported. Feedback on improving the documents included:

- Inclusion of a point that addresses the issue of bulk water sales
- Inclusion of a point that addresses external boundary expansions

The Administrator advised that the documents would be refined and brought back to the Committee prior to being taken to Council.

b) Lakepine Water Utility

The Director of Finance noted that Council has advised staff to proceed with the takeover process. As a first step, a bylaw to establish the Lakepine system as a Local Service Area and a loan authorization bylaw are currently being developed. Debt for the required upgrades will stay with the users. A Capital Expenditure Charge Credit will be recommended. Asset purchase agreements are proceeding. It was noted that while the developer is covering a substantial portion of the costs, users are also contributing; public meetings will be forthcoming.

c) Ponderosa Local Service Area

The Director of Finance reviewed the recommendations, noting they have not yet gone to Council. Bullet points 3 and 4 were clarified to note that a charge of \$3200 is normally applied when a property connects to the Winfield Okanagan Centre Water System, but that since the capital cost of the works is being paid by the users, a \$1200 Capital Expenditure Credit should apply and only \$2000 in respect of "water rights" be charged.

In response to questions regarding costs of and payment for capital works, the Director of Finance confirmed that users will have the option to pay up front (commute the charge) or pay through the application of a 20-year parcel tax. The cost figures have not yet been issued to the system users.

The Ponderosa well pumps are currently not in service and water is being fed to the system through a temporary connection with the Winfield Okanagan Centre water system.

Thiessen/Garred

That the Water Service Advisory Committee recommends to Council that Council approves the consultant's recommendations as presented, regarding the Ponderosa system.

Carried.

d) Woodsdale Water Utility

The Director of Finance indicated that the Woodsdale system would be going through a similar process as the Lakepine system. A user-funded study is expected to be completed by 2009.

Gatzke/Smit

That the Water Service Advisory Committee recommends to Council that Council approves the consultant's recommendations as presented, regarding the Woodsdale Water Utility.

Carried.

e) Water Master Plan Review & OCP

The Administrator presented a slideshow illustrating growth management issues for Lake Country, noting some positive and negative aspects of growth and the need for good planning, especially for infrastructure. Pointing out the “nodes for growth” as designated in the OCP and reviewing the growth projections in terms of numbers of units and percentage increases, the Administrator requested that the Committee consider what types of recommendations to make to Council as part of the OCP Review.

Items under consideration include:

- The capacity of the water infrastructure to keep up with growth, the long term plan for a new pump station, and the limitations of the existing pipelines.
- The need to look at growth as more than just “housing” to ensure non-residential water needs are addressed.
- How the community should look in 10-20 years; broad policy directions regarding what types of growth are most desirable.
- The need to consider the implication of “seasonal/tourist” and “vacant/absentee-owner” when discussing what is meant by growth in residential use.
- The possibility of using zoning, planning and the OCP as tools to direct future water allocation, and how it should be allocated; whether caps on water allocations for various purposes (residential, business, agricultural) could or should be used.
- Policies to guide the opening up of new land to development; the desirability of opening up new land vs. build-out followed by sustainable growth.
- Policies to address conservation (watering restrictions, xeriscape requirements)
- The need to obtain more public comment to inform policy development.

The Administrator requested that Committee members consider these issues in detail to enable discussion and consolidation of ideas at the next meeting. It was noted that with the OCP Review at an early stage, the Committee has the opportunity as a major stakeholder to make recommendations and policy statements that will provide guidance to existing and future Council.

It was suggested that Committee members be provided with a copy of the Draft Agricultural Plan for review prior to the next meeting.

5. Date of Next Meeting

The date of the next meeting was tentatively set as May 16, 2008 at 9:00 a.m.

6. Adjournment

Allingham/Garred

*That the meeting of the Water Services Advisory Committee be adjourned.
Carried.*

The Chair declared the meeting adjourned at 11:45 a.m.

Malcolm Mitchell
Chairman

Randy Rose
Administrator