
TO: Randy Alexander
General Manager, Regional & Community Services

DATE: May 30, 2013

FROM: Mike Donnelly
Manager of Water and Utility Services

FILE: 5620-20 ERWS

**SUBJECT: French Creek Bulk Water Service Area
Removal from the Englishman River Water Service Joint Venture Agreement**

PURPOSE

To bring forward the necessary agreement and bylaw amendments for the removal of the French Creek Bulk Water Service Area from the Englishman River Water Service (ERWS) joint venture agreement.

BACKGROUND

The Regional District of Nanaimo has received a request from the French Creek Resident's Association to remove the French Creek Bulk Water Service Area from the Englishman River Water Service joint venture agreement. A detailed information report was provided to the Board in March of 2013 that provided the background information on the request and the associated implications.

Staff have reviewed the request with respect to water allocation and capital cost apportionment changes. The allocation for Nanoose Bay would move from 16.7% to 26% with French Creek leaving the ERWS joint venture agreement. French Creek would remain in the Arrowsmith Water Service joint venture agreement for Arrowsmith dam debt, maintenance, ongoing operations and any future improvements. The Arrowsmith Water Service joint venture does not have a water allocation component.

Under the ERWS agreement, the two parties, the City of Parksville and the Regional District of Nanaimo (Nanoose and French Creek Bulk Water Service Areas), hold the water allocations and are responsible for capital and operational costs associated with the new intake on the Englishman River, water treatment plant and associated piping. With the removal of the French Creek Bulk Water Service Area from the Englishman River Water Service Agreement apportionments would be amended as follows;

Englishman River Water Service (ERWS)

	Existing	Modified
City of Parksville	74%	74%
RDN Nanoose Bay	16.7%	26%
RDN French Creek	9.3%	0%

In the presentation to the Arrowsmith Water Service (AWS) in April of 2011 the engineering consultants (Associated Engineering, Koers & Associates Engineering and Ker Wood Leidel) tasked with carrying out a full review of the project, identified that Nanoose area would require at least 22% of the available water license. The existing allocation of 16.7% would not meet that requirement. Based on this, the re-allocation of water to meet future demands in the Nanoose Bay area would be prudent.

In order for French Creek Bulk Water Service Area to be removed from the Englishman River Water Service the recommended amendments must first receive ERWS Board approval. The province has requested that once ERWS Board approval has been granted, the supporting information with respect to the French Creek Development Cost Charge bylaw amendment be forwarded for their consideration and review. Once that process is complete the agreement and bylaw amendments will be forwarded to the Regional District of Nanaimo Board for their consideration and approval. The following amendments have been reviewed by RDN legal counsel, and are recommended.

(1) Englishman River Water Service First Amendment Agreement (attached)

This agreement adjusts the participation of the RDN participants and allocates the Electoral Area G (French Creek) portion of 9.3% to Electoral Area E (Nanoose). It also allows for a future re-allocation back to Electoral Area G (French Creek) should the Board wish to do so in the future.

(2) Amendment of the French Creek Bulk Water Supply Local Service Area Establishment Bylaw No. 1050 (attached)

This amendment modifies the existing bylaw to reflect ongoing obligations associated with the Arrowsmith Dam and its operation, repair and upkeep.

(3) Amendment of the French Creek Bulk Water Local Service Area Development Cost Charge Bylaw No. 1089 (attached)

This amendment reduces the amounts of development cost charges payable to “nil”.

ALTERNATIVES

1. Approve the recommended amendments.
2. Provide alternate direction to staff.

FINANCIAL IMPLICATIONS

With these changes, the French Creek Bulk Water Service Area would be removed from the ERWS joint venture agreement, while remaining within the AWS agreement along with the original partners.

Under the AWS agreement, the French Creek Bulk Water Service Area will be responsible for their allocation percentage for Arrowsmith dam debt, maintenance, ongoing operations and any future improvements. The costs associated with these activities generated a parcel tax in 2013 of \$131.

The French Creek Bulk Water Service Area has a current reserve fund of \$836,000 which will be utilized to pay down the remainder of the debt for the AWS agreement, and for any future capital associated with the Arrowsmith dam. The 2013 parcel tax for French Creek Bulk Water will be reduced to \$5.00 to pay ongoing operating costs for the AWS service. This rate is contemplated to be unchanged for approximately 10 to 15 years. After that period the reserve fund will have been exhausted and debt on the Arrowsmith dam will have been retired. This would then result in an estimated annual parcel tax of approximately \$20 at that time.

The allocation of the 9.3% share to Nanoose Bay Bulk Water will result in additional costs for that service area moving forward. Following is the breakdown of estimated costs over the next five years.

NANOOSE BULK WATER
Englishman River Water Service - Joint Venture Share

	2013	2014	2015	2016	2017
	Budget	Budget	Budget	Budget	Budget
Tax per parcel at 16.7% of ERWS Licence (2012-2016 Financial Plan)	\$ 282	\$ 294	\$ 305	\$ 318	\$ 391
Tax per parcel at 26% of ERWS Licence (2013-2017 Financial Plan)	\$ 282	\$ 310	\$ 335	\$ 368	\$ 405
Change to annual parcel tax**	\$ -	\$ 16	\$ 30	\$ 50	\$ 14

** Does not incorporate any increase in the number of parcels over the 5 year period.

SUMMARY

The French Creek Resident’s Association has requested that their bulk water service area be removed from the Englishman River Water Service joint venture agreement. Removal from the agreement allows the Nanoose Bulk Water Service Area to receive the additional water supply recommended in the Associated Engineering, Koers & Associates Engineering and Ker Wood Leidel (KWL) report to the Arrowsmith Water Service Board.

The French Creek Bulk Water Service Area will remain in the Arrowsmith Water Service joint venture agreement along with the RDN, City of Parksville and the Town of Qualicum Beach under the terms of the existing agreement.

The proposed bylaw amendments require both ERWS Board approval and Provincial approval prior to seeing RDN Board approval.

RECOMMENDATIONS

1. That the Englishman River Water Service First Amendment Agreement be approved.
2. That the Bylaw to Amend the French Creek Bulk Water Supply Local Service Area Establishment Bylaw No. 1050, 1996 Amendment Bylaw No. _____ 2013 be approved.
3. That the Bylaw to Amend the Regional District of Nanaimo French Creek Bulk Water Local Service Area Development Cost Charge Bylaw No. 1089, 1997 Amendment Bylaw No. _____ 2013 be approved.

Report Writer

General Manager Concurrence

CAO Concurrence

ENGLISHMAN RIVER WATER SERVICE

FIRST AMENDMENT AGREEMENT

THIS AGREEMENT dated for reference the day of , 2013.

BETWEEN:

REGIONAL DISTRICT OF NANAIMO

A corporation incorporated under the *Local Government Act*
6300 Hammond Bay Road
Nanaimo, B.C. V9T 6N2

(the "RDN")

OF THE FIRST PART

AND:

CITY OF PARKSVILLE

A municipal corporation incorporated under the *Local Government Act*
100 E. Jensen Avenue, PO Box 1390
Parksville, B.C. V9P 2H3

("Parksville")

OF THE SECOND PART

WHEREAS:

The RDN and Parksville entered into a Joint Venture Agreement to establish a joint venture for the purpose of developing the Englishman River Water Intake and Treatment Facility;

The RDN and Parksville wish to amend the agreement to adjust the participation of the RDN to reflect participation of Electoral Area E (Nanoose) and to allocate the capacity allotted to Electoral Area G (French Creek) to Electoral Area E (Nanoose);

NOW THEREFORE this Agreement witnesses that, in consideration of the mutual covenant and agreements, the parties covenant each with the other as follows:

1.1 Part 16 is amended by renumbering section 16.1 as 16.1 (a) and adding the following as section 16.1 (b):

"16.1 (b) The Parties acknowledge that at some point in the future the RDN may wish to reallocate water capacity under this Agreement to provide the residents of the service area established under the French Creek Bulk Water Supply Local Service Area Establishment Bylaw No. 1050, 1996 with an opportunity to participate in the design, construction, reconstruction, purchase, operation, maintenance of the Englishman River Water Intake and Treatment Facility within the amount of the Participating Interest of the RDN determined under section 2.9 of this Agreement and that the Parties to this Agreement shall execute all necessary amendments, documents, and assurances reasonably required to facilitate the reallocation of the Participating Interest of the RDN.

1.2 Schedule B is amended by deleting "French Creek Bulk Water Supply Service Establishment Bylaw No. 1050";

1.3 Schedule C –Capital Cost Apportionment is amended by deleting

“RDN: Nanoose 16.7%
French Creek 9.3%”

And replacing it with the following:

“RDN: (Electoral Area E – Nanoose) 26%”

1.4 In all other respects the provisions of the Agreement are confirmed and ratified.

IN WITNESS WHEREOF the parties have executed this Amendment Agreement with effect as of the date and year first above written.

The Regional District of Nanaimo by its)
authorized signatory(ies):)

_____)
Name:)

_____)
Name:)

The City of Parksville by its authorized)
signatory(ies):)

_____)
Name:)

_____)
Name:)

REGIONAL DISTRICT OF NANAIMO

BYLAW NO. 1050-06

**A BYLAW TO AMEND THE FRENCH CREEK BULK WATER SUPPLY
LOCAL SERVICE AREA ESTABLISHMENT BYLAW NO. 1050, 1996**

WHEREAS the Board of the Regional District of Nanaimo wishes to amend the scope of the service established under section 1 of French Creek Bulk Water Supply Local Service Area Establishment Bylaw No. 1050, 1996 to limit the scope of the service to matters pertaining to the Arrowsmith Water System.

AND WHEREAS the Electoral Area 'G' Director has consented in writing to the adoption of this bylaw.

NOW, THEREFORE, the Board of the Regional District of Nanaimo in open meeting assembled enacts as follows:

1. This bylaw may be cited for all purposes as the "French Creek Bulk Water Supply Local Service Area Establishment Amendment Bylaw No. 1050.06, 2013".
2. French Creek Bulk Water Supply Local Service Area Establishment Bylaw No. 1050, 1996 is amended by deleting section 1 and replacing it with the following:

"A service is hereby established for the design, construction, reconstruction, purchase, operation and maintenance of facilities for the Arrowsmith dam."

Introduced and read three times this _____ day of _____, 2013.

Received the approval of the Inspector of Municipalities this _____ day of _____, 2013.

Adopted this _____ day of _____, 2013.

DRAFT

DRAFT

Chairperson

Corporate Officer

REGIONAL DISTRICT OF NANAIMO

BYLAW NO. 1089-04

**A BYLAW TO AMEND THE REGIONAL DISTRICT OF NANAIMO
FRENCH CREEK BULK WATER LOCAL SERVICE AREA
DEVELOPMENT COST CHARGE BYLAW NO. 1089, 1997**

WHEREAS by Regional District of Nanaimo French Creek Bulk Water Local Service Area Development Cost Charge Bylaw No. 1089, 1997 the Regional District of Nanaimo established development cost charges for the French Creek Bulk Water Service established under the French Creek Bulk Water Supply Local Service Area Establishment Bylaw No. 1050, 1996;

AND WHEREAS the Regional District has determined that the extent to which the residents of the French Creek Bulk Water Service Area established under the French Creek Bulk Water Supply Local Service Area Establishment Bylaw No. 1050, 1996 will create a capital cost burden for the facilities associated with the Arrowsmith dam bulk water supply facility is at present uncertain, but the Regional District wishes to enable the residents of the Service Area to have the opportunity to make use of such facilities in the future in the event that future circumstances increase the likelihood of residents of the Service Area requiring access to the Arrowsmith dam bulk water supply facility;

NOW, THEREFORE, the Board of the Regional District of Nanaimo in open meeting assembled enacts as follows:

1. This bylaw may be cited for all purposes as the “Regional District of Nanaimo French Creek Bulk Water Local Service Area Development Cost Charge Amendment Bylaw No. 1089.04, 2013”.
2. Regional District of Nanaimo French Creek Bulk Water Local Service Area Development Cost Charge Bylaw No. 1089, 1997 is amended by revising Schedule “B” to replace the amounts of development cost charges payable under Schedule “B” to “nil”.

Introduced and read three times this _____ day of _____, 2013.

Received the approval of the Inspector of Municipalities this _____ day of _____, 2013.

Adopted this _____ day of _____, 2013.

DRAFT

DRAFT

Chairperson

Corporate Officer