



**REPORT TO JUAN DE FUCA WATER DISTRIBUTION COMMISSION
MEETING OF TUESDAY, JULY 6, 2021**

SUBJECT **Proposed Seagirt Improvement District (SID) Conversion**

ISSUE SUMMARY

The Seagirt Improvement District has requested that the Capital Regional District (CRD) take over their community water system, under the Juan de Fuca Water Distribution Service (JDFWDS).

BACKGROUND

The Seagirt Improvement District (SID) was established in 1961 to provide potable drinking water to properties on, and adjacent to, Seagirt Road located in East Sooke. There are approximately 85 properties within SID service area. The SID water system is currently connected to the Juan de Fuca Water Distribution System (JDFWDS) at a bulk meter connection at East Sooke Road and Seagirt Road. The SID is currently responsible for distribution of this water to properties in the SID, including operation, maintenance and administration for all components of the water system on public property. The SID is now considering dissolving and having the water system taken over by the CRD.

SID has requested that its water system be taken over by the CRD due to a number of reasons including:

- The ability of the aging residents to operate an improvement district.
- The ability of the CRD to borrow funds on behalf of the customers in order to undertake necessary infrastructure upgrades.
- Improved firefighting capacity.

A letter from SID is attached (Appendix A) outlining its takeover request and have since passed a resolution regarding the takeover (Appendix B). Both the Province and Island Health are supportive of the conversion of water improvement districts to regional district services. As part of SID's takeover request, CRD staff required an "engineering take over study" (Appendix C) that included an assessment of the existing water system, an outline of the proposed works that would be required for a conversion of the water system, and an estimate of the costs for the design and construction of the proposed works.

The existing SID water system components include:

- Connection (including meter) to the Juan de Fuca water distribution system on East Sooke Road.
- Approximately 1,500 metres of 100 millimetre (mm) distribution main along Seagirt Road within the road allowance. (substandard size)
- 13mm water services to each of the properties within the SID including meter boxes and non-touch read meters. (substandard size and meters)

The engineering study indicates the proposed construction scope of work required to address any infrastructure/liability concerns for the CRD to take over the SID water system is as follows:

- Full replacement of the existing SID water distribution system to 150mm diameter water main.
- 12 new hydrants on the new distribution main.
- 85 new 19mm water services complete with meters and meter boxes.
- 2 Air Valves.
- 9 Isolation Line Valves

Refer to Appendix D for a figure showing the SID and the proposed new infrastructure.

The total estimated costs to take over the SID system, including engineering, construction, CRD administration and operations costs and a 25% contingency is \$1,900,000. It is proposed that SID be responsible for the full costs. The CRD's recent discussions with the Province have indicated there could be some grant funding available that the CRD could apply for on behalf of the SID, with a conversion commitment and CRD support. Regardless, the Juan de Fuca Water Distribution Service would not bear any of the costs of the conversion.

For the CRD to take over the SID water system, the CRD and SID must start a service conversion process with the Province, which would be initiated by the Commission and CRD Board direction to proceed with the process, followed by a petition in the SID services area. Then, with the CRD Board's approval, a new CRD service would be established over the existing SID service area in order to finance the infrastructure improvements. The SID would then be dissolved and its assets would become CRD assets under the JDFWDS.

ALTERNATIVES

Alternative 1

That the Juan de Fuca Water Distribution Commission recommends that the Capital Regional District Board direct staff to:

1. Commence a service conversion process with the Province to convert the Seagirt Improvement District (SID) to a Capital Regional District (CRD) service which, when concluded, would result in incorporating the SID water infrastructure into the Juan de Fuca Water Distribution Service; and establishing a new service for the purpose of CRD financing of the infrastructure improvements required as a condition of conversion, and dissolving the SID; and
2. Apply for any available conversion or infrastructure grants on SID's behalf.

Alternative 2

That the Juan de Fuca Water Distribution Commission recommends that the Capital Regional District Board:

Receive the report, Proposed Seagirt Improvement District (SID) Conversion, for information and direct staff not to commence a service conversion process with the Province and advise SID accordingly.

IMPLICATIONS

Financial Implications

Alternative 1 would start the conversion of the SID to a CRD service at an estimated cost to SID of \$1,900,000 for initial capital improvements. A conversion/loan authorization process to establish a service area and enable infrastructure financing, and to transfer the existing SID infrastructure into the Juan de Fuca system, would need to take place. Upon completion, a new service area would be established for the sole purpose of financing the construction and requisitioning the ratepayers to service the debt. The former SID ratepayers would pay the full cost of administering the service until the debt was retired, then the CRD service would be dissolved.

JDFWDS would take over the new assets once the upgrades are completed. The infrastructure would be operated as part of the JDFWDS and the former SID customers would receive a JDFWDS bill for water consumed. There may be senior government grants that the CRD could apply for on the SID's behalf to lessen the cost burden. The conversion would have no material impact on the JDFWDS hydraulic capacity or overall regional water demand, as the SID currently receives water service as a customer of the JDFWDS.

Regional Growth Strategy Implications

Section 445 of the *Local Government Act* requires that all bylaws adopted by a regional district board, after the board has adopted a Regional Growth Strategy (RGS), be consistent with the RGS. Since the Seagirt Improvement District is currently a customer of the JDFWDS and is within the JDFWDS service area, there are no RGS implications as there will be no extension beyond the existing JDFWDS service area with the proposed conversion.

Alternative 2 would have no implications and the SID would continue to receive water from the existing connection and supply line at East Sooke Road.

CONCLUSION

The Seagirt Improvement District (SID) is located in the East Sooke Region of the Juan de Fuca Electoral Area that has requested the CRD/Juan de Fuca Water Distribution Service take over its water system. The estimated cost to the SID to be taken over is estimated at \$1,900,000 and requires a loan conversion/loan authorization process for service area establishment and financing.

RECOMMENDATIONS

That the Juan de Fuca Water Distribution Commission recommends that the Capital Regional District Board direct staff to:

1. Commence a service conversion process with the Province to convert the Seagirt Improvement District (SID) to a Capital Regional District (CRD) service which, when concluded, would result in incorporating the SID water infrastructure into the Juan de Fuca Water Distribution Service; and establishing a new service for the purpose of CRD financing of the infrastructure improvements required as a condition of conversion, and dissolving the SID; and
2. Apply for any available conversion or infrastructure grants on SID's behalf.

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ATTACHMENTS

- Appendix A: Letter and Attachments from Seagirt Improvement District
- Appendix B: Resolution from Seagirt Improvement District
- Appendix C: Engineering Takeover Study – Colquitz Engineering
- Appendix D: Figure 1 – Required Infrastructure Upgrades