

**REPORT TO SAANICH PENINSULA WATER COMMISSION
MEETING OF THURSDAY, JULY 17, 2025**

SUBJECT **Saanich Peninsula Water Commission Amalgamation Study Update**

ISSUE SUMMARY

To provide an update on the Saanich Peninsula Water Commission Amalgamation Study and to seek direction on the next steps.

BACKGROUND

Within the Saanich Peninsula, water supply is provided through a sub-regional service established by the Capital Regional District (CRD) in the late 1970s. This sub-regional service provides potable water to three municipal partners: District of North Saanich, District of Central Saanich and Town of Sidney.

In 1997, the CRD established a Regional Water Supply service for the majority of the region. This system is interconnected to the Saanich Peninsula water system and includes the broad coordination of operations and maintenance staff at Infrastructure and Water Services (IWS). However, as these are legally two unique services established by bylaw, there remains the statutory requirement to separate operations, finances and governance.

In November 2023, the District of Central Saanich approved the following referral motion:

That the Saanich Peninsula Water Commission investigate the possibility of amalgamation with the Regional Water Supply Commission.

Subsequently, at its March 20, 2024 meeting, the Saanich Peninsula Water Commission approved the following motion:

That staff be directed to undertake a feasibility study to explore the implications of amalgamating the Saanich Peninsula Water Commission with the Regional Water Supply Commission;

CRD then commissioned Connections Planning Associates Ltd. (CPAL) to undertake this feasibility study. Several inter-related operational, financial, administrative and political factors of the existing service were reviewed and included in the report, attached as Appendix A.

In addition to governance, operations and financial considerations, an overarching consideration was given to the guiding principle of “benefiter pay”. That is, if the benefits of the service are realized at a more local level (as opposed to regional) and more specifically for a single municipality only, then the ownership, operations and funding should rest with that individual jurisdiction.

Based on this principal, three scenarios were developed and considered in relation to the impacts of governance, operations and financial components of the Saanich Peninsula Water service:

- Scenario 1 (Complete Amalgamation) – transfer all existing Saanich Peninsula water assets and liabilities (water supply and distribution infrastructure) to the Regional Water service.
- Scenario 2 (Partial Amalgamation) – transfer the existing water supply assets that service multiple municipalities from Saanich Peninsula to Regional Water Supply Service, and existing water distribution infrastructure, which serve only a single municipality, to that respective municipality (District of North Saanich, District of Central Saanich, Town of Sidney) as appropriate. Refer to Appendix D for a Figure showing the proposed transfer.
- Scenario 3 (Status Quo) – maintain ownership and governance of water assets within the current services, with some recommended improvements.

Proceeding any further with either Scenario 1 or 2 would require approval from the Regional Water Supply Commission. Following approval, consultation and engagement with the three municipal partners (Central Saanich, North Saanich and Sidney), must be conducted as part of this study.

The following are potential next steps to further this study:

- Seek direction from Saanich Peninsula Water Commission on whether to further investigate Scenario 1 or 2 and proceed with consultation or move forward with Scenario 3 and not undertake any further work on this project.
- If Scenario 1 or 2 is considered, then the Amalgamation Study Draft Report would need to be presented to the Regional Water Supply Commission to gauge their initial response on potential amalgamation scenarios.
- CRD to complete the Asset Management Plan for the Saanich Peninsula Water Service to better understand the age and condition of the infrastructure, replacement value and long-term strategies to manage the water assets. This is currently in progress and should be completed within 12 to 18 months.
- CRD to complete the Asset Retirement Obligation (ARO) review for the Saanich Peninsula Water Service to determine the potential financial impact of the disposal of select infrastructure components (i.e., Asbestos Cement watermain) at the end of their useful lives.
- Complete the consultation with municipal partners and reporting back to the Saanich Peninsula Water Commission to consider options moving forward.

ALTERNATIVES

Alternative 1

That staff be directed to:

1. Proceed with further analysis of both Scenario 1 (Complete Amalgamation) and Scenario 2 (Partial Amalgamation).
2. Undertake consultation and engagement with Municipal partners.
3. Include the necessary resources to support this work within the 2026 Capital Plan.

Alternative 2

The Saanich Peninsula Water Commission recommends that the Capital Regional District Board proceed with Scenario 3 (Status Quo) and not undertake any further work on analysis.

Alternative 3

That this report be referred back to staff for additional information.

IMPLICATIONS

The estimates presented are theoretical and based on broad assumptions, and would require additional detailed analysis and calculations to further refine the potential financial impacts

Scenario 1 – Complete Amalgamation

Scenario 1 would have all assets and liabilities of the Saanich Peninsula Water system transferred to the Regional Water Supply system, and the service would be dissolved once the debt has been retired and DCC funds drawn down. The three municipalities on the Saanich Peninsula would purchase bulk water directly from the Regional Water Supply service, for distribution to residents and ratepayers.

Governance Impacts

Aside from the administrative requirements, there may be a real or perceived sense of loss of sub-regional decision-making currently taking place at the Saanich Peninsula Water Commission (SPWC). Since representation from each of the three Saanich Peninsula municipalities currently exists on the Regional Water Supply Commission (RWSC), at a high-level it may appear that the SPWC is an extra layer of governance amongst the many CRD commissions and committees.

Another important consideration is the loss of non-elected members currently serving on the SPWC, because the RWSC is comprised only of elected officials. There is community representation on the Water Advisory Committee which includes a dedicated seat for a SPWC representative, as well as representation from First Nations.

Operations Impacts

In recent years, CRD staff have been working to align common programs between both the Regional and Saanich Peninsula Water Services, such as the maintenance management and emergency response programs, to ensure a consistent service level of asset care. As coordination between the two services has been on going, amalgamation will not have a substantial change, though combining these services would pose several potential operational efficiencies in the management of the service and the response to non-routine incidents.

By combining the two teams, there are opportunities for optimizing the management structure over time. It is recommended that a team continue to work from the Saanich Peninsula Wastewater Treatment Plant and ongoing management oversight be present at this location. As both systems grow, amalgamating these teams will increase the economies of scale and potentially reduce or defer future Full-Time Equivalent (FTE) needs in both services.

During major projects and non-routine activities, such as major watermain breaks, staff continue to have a duplication of effort as support and expertise are required from the Regional Operations Team, while the local Saanich Peninsula resources are also required given their familiarity with the system. Amalgamation of these teams would result in increased cross training and elimination of that duplication. There would also be savings by combining call or stand-by operations requirements for the two services.

There will be some time savings for administration, finance and technical staff who currently support the SPWC and associated meetings, but this is relatively nominal given the number of committees and commissions that staff support throughout the CRD.

These efficiencies would improve the overall management and efficiency of operations; however, they are difficult to quantify and would not result in a substantial reduction in the combined operating budgets.

Financial Impacts

The financial impacts reflect information provided either in the 2024 Board presentation or the Connections Planning Associates 2025 draft report, as outlined in the attached appendices. These figures are theoretical, based on broad assumptions, and will require further analysis and updated calculations to be refined.

Adding the additional Saanich Peninsula costs to the Regional Water Service budget results in a total combined budget of \$47.761 million, or an increase of approximately 6.2%. If this increase was applied directly to the current bulk water rate of \$0.8631 per cubic meter (m³), this would theoretically raise the bulk water rate for all Regional Water Supply users to \$0.9166 per m³. Conversely, the Saanich Peninsula retail water rate (for 2025) is \$1.2575 per m³. Based on the assumptions in this scenario, theoretically that rate would drop to \$0.9166 per m³, or a potential savings for each of the three Saanich Peninsula municipalities of \$0.3409 per m³.

There is approximately \$7.5 million in capital reserve funds which would transfer from the Saanich Peninsula Water Service to the Regional Water Service. Of that amount, approximately \$2.1 million would be placed in a statutory Development Cost Charge (DCC) Reserve fund to be used only on capital projects outlined in the Saanich Peninsula Water DCC program. The remaining funds would be folded into the Regional Water capital reserve and equipment reserve funds respectively.

Timing of Transition

Considering the upcoming review with the Commissions, planned consultation and engagement with interested parties, and legislative requirement, the anticipated timing for transition could potentially be on January 1, 2027.

Scenario 2 – Partial Amalgamation

Because the Saanich Peninsula Water Service was created from the dissolution of three water improvement districts, it has elements of both water supply and water distribution. Some infrastructure provides trunk water supply throughout the Saanich Peninsula, while other infrastructure provides water distribution benefits to a single jurisdiction. The Figure included in Appendix D identifies infrastructure within the Saanich Peninsula Water Service that functions as water distribution infrastructure to a single municipality and therefore could be transferred to that respective municipality prior to dissolution of the SPWC. As such, Scenario 2 contemplates that only the regional supply infrastructure components would be transferred to the Regional Water Supply Service, with the remaining distribution infrastructure divided amongst each municipality. This is a high-level infrastructure assessment at this time; further analysis and more detailed review would be required to confirm potential ownership transfer of water distribution infrastructure.

Governance Impacts

All the preceding governance impacts outlined in Scenario 1 are pertinent to this scenario. The main difference is that any language in the Letters Patent or bylaws regarding the transfer of assets and liabilities would need to be more precise. This is because four jurisdictions – District of North Saanich, District of Central Saanich, Town of Sidney and CRD (through the Regional Water Supply service) – would be assuming the ownership and responsibility of the various water assets.

Operations Impacts

Due to the integrated working relationship within IWS amongst the various water supply and distribution services, there is currently staff coordination and efficiencies established. That said, under this scenario, water distribution infrastructure is being transferred to the three Saanich Peninsula municipalities and therefore would lessen operational responsibilities. Given this factor, and the need to maintain operations for the Saanich Peninsula water supply infrastructure (as well as continue to support Gulf Island water operations), we have estimated a potential reduction of 2 FTEs for water operations (i.e. from 5 FTE to 3 FTE, or a 40% reduction).

Given the magnitude of some of the water distribution assets being potentially transferred to each municipality, some may have concerns about the capacity of their current operations staff to take on additional infrastructure. Further discussions and consultation with each municipality should take place, and the CRD would be open to an option of taking on distribution system operations as a backstop (either as a transition measure or potentially under contractual agreement).

Financial Impacts

The financial impacts reflect information provided either in the 2024 Board presentation or the Connections Planning Associates 2025 draft report, as outlined in the attached appendices. These figures are theoretical, based on broad assumptions, and will require further analysis and updated calculations to be refined.

Like Scenario 1, all bulk water expenditures would no longer be required as part of amalgamation. Under this scenario, we have accounted for 40% savings to operating expenditures and 50% savings to capital expenditures due to the potential ownership transfer of distribution infrastructure from Saanich Peninsula Water services to their respective municipalities.

Based on these assumptions, the overall impact on the Regional Water Supply Service budget is approximately \$1.48 million, or approximately 4.1% increase from the current budget. If this applied directly to the current bulk water rate of \$0.8631 per m³, this would theoretically raise the bulk water rate for all Regional Water Supply users to \$0.8916 per m³. Based on the assumptions in this scenario, the Saanich Peninsula retail rate would drop from \$1.2575 per m³ to \$0.8916 per m³, or potential savings for each of the three Saanich Peninsula municipalities of \$0.3659 per m³.

The \$2.1 million in DCC reserves would remain in a statutory DCC Reserve fund to be used only on capital projects outlined in the Saanich Peninsula Water DCC program. The remaining funds in the capital reserve and equipment reserve funds would be divided amongst the four participants – CRD (Regional Water Supply service), District of North Saanich, District of Central Saanich, and Town of Sidney. In fairness, this could be divided based on the proportional value of the infrastructure assets being transferred to each jurisdiction, to be determined.

Timing of Transition

The timing of transition for this scenario is the same as Scenario 1.

Scenario 3 – Status Quo

This scenario maintains both Saanich Peninsula Water and Regional Water Supply as two distinct services within the Capital Regional District. All assets and liabilities, revenues and expenditures, and capital reserves remain with the Saanich Peninsula Water service, and there is no transition period required.

First Nations Reconciliation

Currently, the Capital Regional District (CRD) provides water service to the four First Nations on the Saanich Peninsula through the District of Central Saanich (Tsartlip and Tsawout First Nations) and the District of North Saanich (Pauquachin and Tseycum First Nations) municipal water systems. The four First Nations currently pay the respective retail water rates charged by the distributors.

In 2022, the RWSC endorsed an alternate operating arrangement whereby First Nations could sign a Bulk Water Services Agreement with the Regional Water Supply and receive the bulk water rate. The proposed Bulk Water Supply Services Agreements strongly supports the government-to-government approach by providing First Nation governments with the opportunity to purchase bulk water at the same rate as the local governments served by the Regional Water Supply Service. This work is ongoing, but all agreements, once signed, will be retroactive to January 2023.

Once these agreements have been finalized, the First Nations will be direct customers of the Regional Water Supply and service would be independent of the Saanich Peninsula Water Commission.

CONCLUSION

The amalgamation study provides an overview of the governance, operations and finance components of the Saanich Peninsula Water Service, as well as consideration of potential amalgamation scenarios, as follows:

- Scenario 1 (Complete Amalgamation) – transfers all existing Saanich Peninsula water assets and liabilities (water supply and distribution infrastructure) to the Regional Water Service.
- Scenario 2 (Partial Amalgamation) – transfers the existing water supply assets from Saanich Peninsula to Regional Water Supply Service, and existing water distribution infrastructure to their respective municipalities (District of North Saanich, District of Central Saanich, Town of Sidney) as appropriate.
- Scenario 3 (Status Quo) – maintains ownership and governance of water assets within the current services, with some recommended improvements for more strategic planning.

Additional analysis and Regional Water Supply Commission agreement is required to further refine Scenario 1 and 2.

RECOMMENDATION

That staff be directed to:

1. Proceed with further analysis of both Scenario 1 (Complete Amalgamation) and Scenario 2 (Partial Amalgamation).
2. Undertake consultation and engagement with Municipal partners.
3. Include the necessary resources to support this work within the 2026 Capital Plan.

Submitted by:	Joseph Marr, P. Eng., Senior Manager, Infrastructure Engineering
Concurrence:	Alicia Fraser, P. Eng., General Manager, Infrastructure and Water Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer, GM Finance & IT
Concurrence:	Kristen Morley, J.D., General Manager, Corporate Services & Corporate Officer
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENT(S)

Appendix A: SPWC Amalgamation Study – Draft Report
Appendix B: Presentation to SPWC – October 17, 2024
Appendix C: Staff Report to SPWC – January 18, 2024
Appendix D: Saanich Peninsula Water Supply Infrastructure Map
Presentation: SPWC Amalgamation Study