Saanich Peninsula Water Commission Amalgamation Study

Draft Report Presentation to Regional Water Supply Commission

October 15, 2025

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CONNECTIONS Planning Associates Ltd.

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Outline

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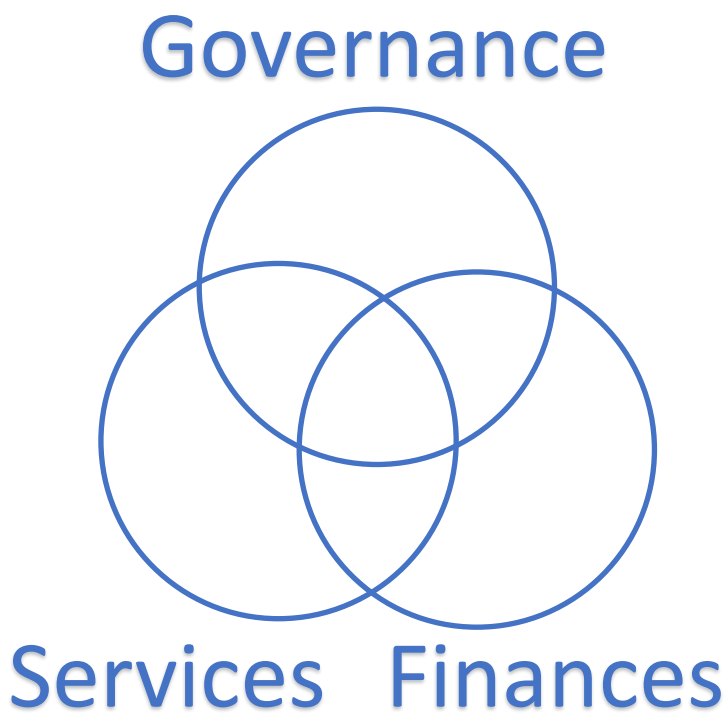


Background / Scope

- 1976 – Following dissolution of 3 improvement districts, the Saanich Peninsula Water Commission was established by letters patent as a sub-regional service, to provide potable water supply to Sidney, North Saanich and Central Saanich.
- 1997 – Regional Water Supply system established through provincial legislation for the majority of the capital region, transferring assets, liabilities, and management to CRD.
- Today, the Saanich Peninsula Water system is connected seamlessly to Regional Water Supply system – it purchases bulk water from the regional system and sells it to the 3 municipal partners for distribution to local residents and ratepayers.
- Scope of study is to review the pros and cons (and other considerations) of the potential amalgamation of the Saanich Peninsula Water system into the Regional Water Supply system.

Draft Report – Current Overview

- The Draft Report provides an overview of governance, operations and finances for both Saanich Peninsula Water system and the Regional Water Supply system.
- It was presented to Saanich Peninsula Water Commission on July 17, 2025 who recommended presenting it to the Regional Water Supply Commission (today).
- Governance Overview
  - Saanich Peninsula Water Commission consists of elected officials and community members, including First Nations, with unweighted votes (1 seat = 1 vote).
  - Regional Water Supply Commission consists of elected officials only from their respective communities (including the 3 peninsula municipalities). Voting is based on CRD weighted/non-weighted vote structures.
  - Water Advisory Committee provides advice to regional commission – TOR recently revised to include participation from all First Nations in the CRD (ex officio).

Draft Report – Current Overview

- Operations Overview
  - Saanich Peninsula Water service maintains both sub-regional water supply and distribution infrastructure for the peninsula municipalities, based on its historical origins.
  - Regional Water Supply service provides water source, treatment and supply throughout the CRD (except for the peninsula).
  - There are currently assets within the Saanich Peninsula Water system that solely benefit a single municipality, rather than strictly provide water supply for the sub-regional service.
  - Approximately 5 FTEs are directly assigned to Saanich Peninsula Water service operations, who receive additional operations support from time to time from staff at Regional Water Supply and/or Juan de Fuca Water. This includes both water supply mains as well as more operationally complex reservoirs.

Draft Report – Current Overview

- Financial Overview
  - Both Saanich Peninsula Water and Regional Water Supply utilize water rates (based on a per m^3 usage) as its main form of revenue.
  - Saanich Peninsula Water purchases bulk water from Regional Water Supply at $0.8631 per m^3 and flows it through to each peninsula municipality at $1.2575 per m^3. The rate differential ($0.3944 per m^3) funds the remainder of Saanich Peninsula water operations.
  - Saanich Peninsula Water infrastructure valued at $22 million (book value), which is much less than its replacement values (Asset Management Plan underway will update these values).
  - Regional Water Supply will be providing up to 50% capital funding for the Bear Hill Trunk Extension as it provides long-term benefits to the regional water system. The other half will be funded by Saanich Peninsula Water user from an approved loan authorization bylaw.

Draft Report – Options Consideration

- The Draft Report considers potential amalgamation scenarios based on the lenses of governance, operations and financial considerations.
- An overarching considerations should be given to the guiding principle of **“benefiter pay”**. If the benefits of a service (or infrastructure component) are realized at a more local level, and more specifically for an individual municipality, then the ownership, operations and funding should ideally rest with that individual jurisdiction.

Scenario 1 – Complete Amalgamation

- All assets and liabilities of the Saanich Peninsula Water system would be transferred to the Regional Water Supply system, and the service would be dissolved.
- The three municipalities on the Saanich Peninsula would purchase bulk water directly from the Regional Water Supply service, for distribution to their respective local residents and ratepayers.
- Would require a vote from at least two-thirds of the participants (i.e. two of the three municipal Councils) and approval from the Inspector of Municipalities.
- Would also require two-thirds consent from the Regional Water Supply Commission participants.

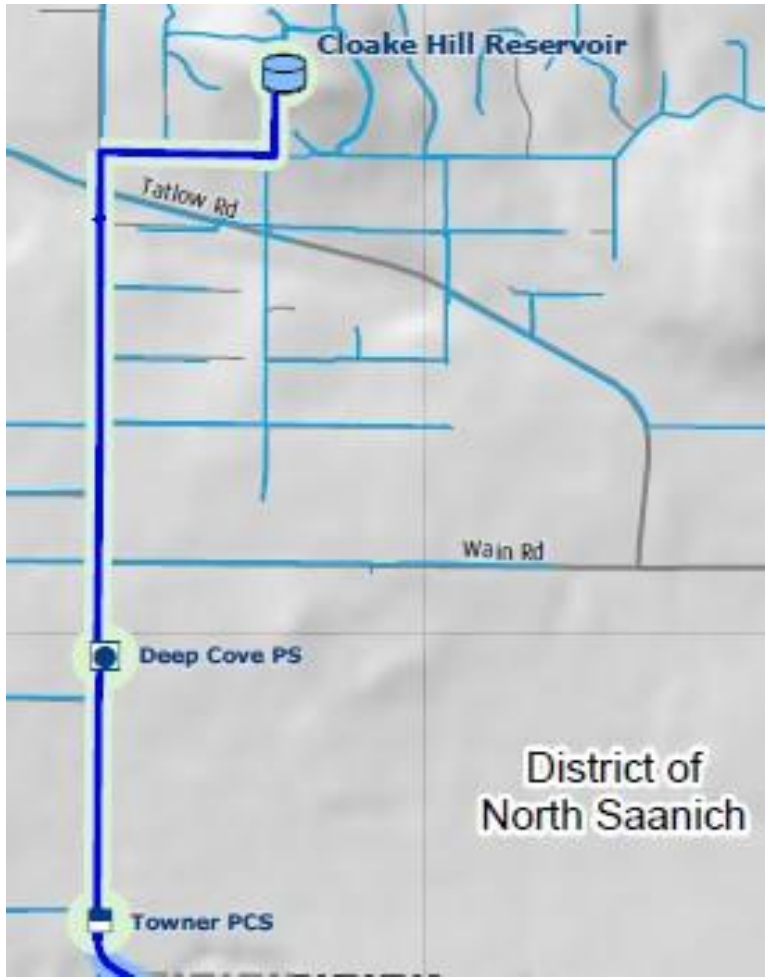
Scenario 1 – Complete Amalgamation

- Transfer of operations would be relatively seamless, although additional efficiencies are not anticipated under this scenario (nominal admin. savings).
- Benefits to long-term strategic infrastructure investments being prioritized and planned across the combined system.
- Does not align with “benefiter pay” principle, given the localized distribution infrastructure being transferred to regional water.
- Financial impacts – increases regional water budget by $2.8 million (6.2% increase), theoretical water rates:
  - Regional – from $0.8631 to $0.9166 per m^3 (increase of $0.0535 per m^3)
  - Peninsula – from $1.2575 to $0.9166 per m^3 (decrease of $0.3409 per m^3)

Scenario 2 – Partial Amalgamation

- All assets related to water **supply** would be transferred to the Regional Water Supply system, and assets related to water **distribution** would be transferred to the peninsula municipality which benefits from the distribution infrastructure.
- Two-thirds vote of the participants applies, similar to Scenario 1.
- The three municipalities on the Saanich Peninsula would purchase bulk water directly from the Regional Water Supply service, for distribution to their respective local residents and ratepayers.
- Each municipal Council would likely need to review and approve the transfer of select water distribution infrastructure into respective ownership, maintenance and operations.

Scenario 2 – Potential Transfer of Water Distribution Infrastructure (N. Saanich)



CRD Regional Water Supply Main
CRD Saanich Peninsula Water Supply Main
Non-CRD Water Main
CRD Continued Asset Ownership
North Saanich Potential Asset Ownership
Central Saanich Potential Asset Ownership
Sidney Potential Asset Ownership
CRD Reservoir
CRD Pump Station
CRD Pressure Control Station
CRD Bulk Meter

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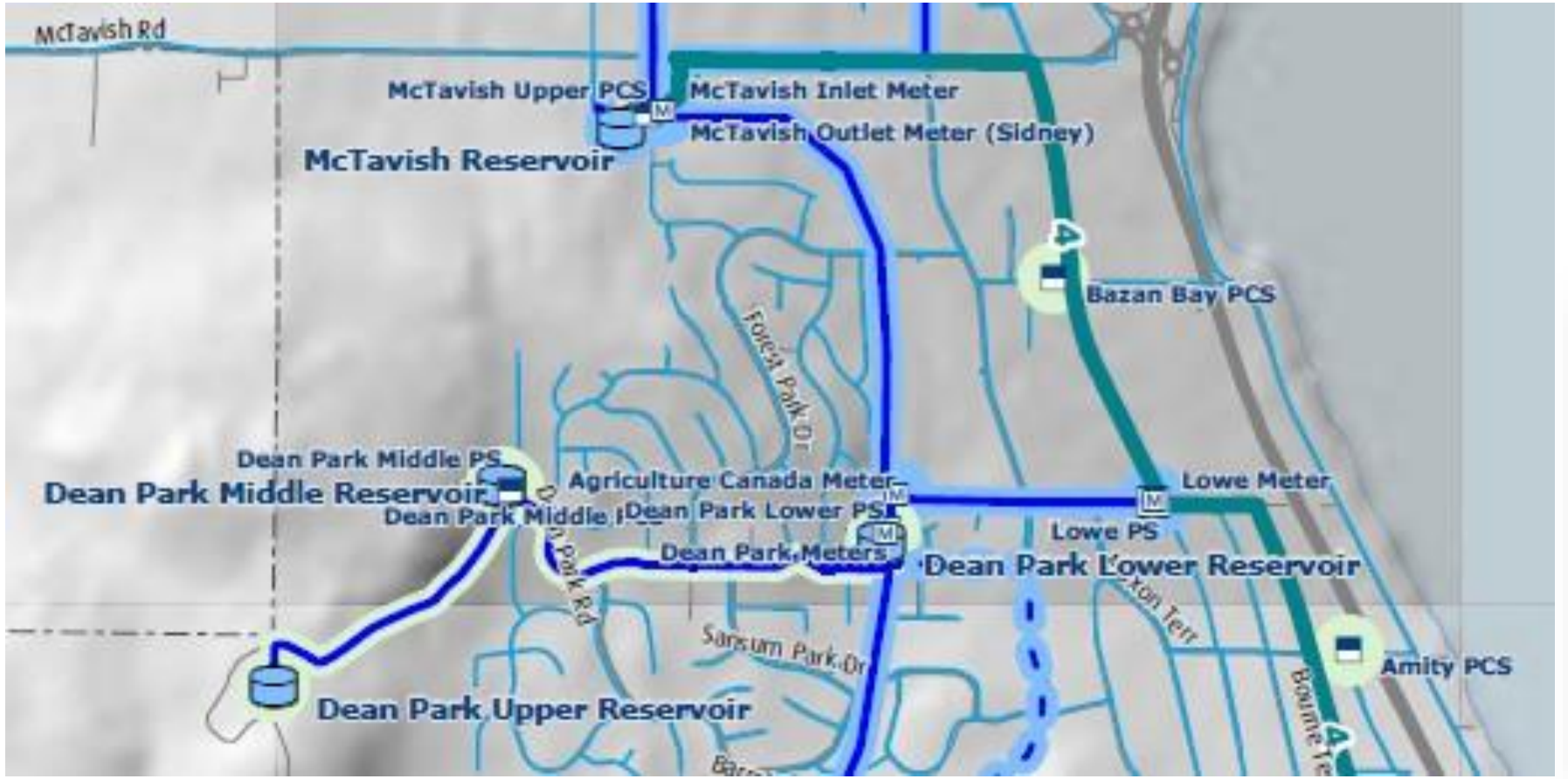

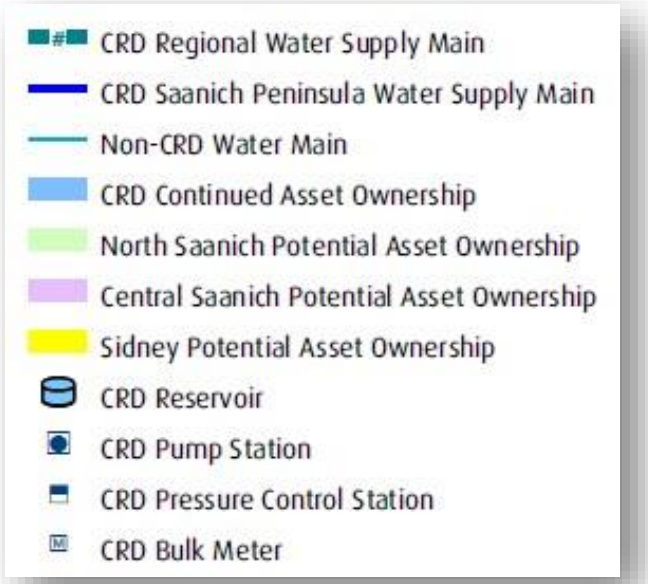

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CRD Bulk Meter

Scenario 2 – Potential Transfer of Water Distribution Infrastructure (Sidney)

- CRD Regional Water Supply Main
- CRD Saanich Peninsula Water Supply Main
- Non-CRD Water Main
- CRD Continued Asset Ownership
- North Saanich Potential Asset Ownership
- Central Saanich Potential Asset Ownership
- Sidney Potential Asset Ownership
- CRD Reservoir
- CRD Pump Station
- CRD Pressure Control Station
- CRD Bulk Meter

Scenario 2 – Partial Amalgamation

- Aligns closely with “benefiter pay” principle, given that localized water distribution infrastructure remains with each respective municipality.
- Transfer of water distribution infrastructure to municipalities would result in potential CRD operational efficiencies of ~40% (from 5 FTE to 3 FTE).
- Some municipalities may be challenged to immediately take on additional water distribution infrastructure. An option to explore with CRD providing an operational backstop (either temporary transition or potential long-term contractual arrangement).
- Financial impacts – increases regional water budget by $1.5 million (3.3% increase), municipal budget impacts TBD. Theoretical water rates:
  - Regional – from $0.8631 to $0.8916 per m^3 (increase of $0.0285 per m^3)
  - Peninsula – from $1.2575 to $0.8916 per m^3 (decrease of $0.3659 per m^3 – potential savings may be offset by additional operating costs for water distribution infrastructure)

Scenario 3 – Status Quo

- Maintains both the Saanich Peninsula Water system and Regional Water Supply system as two separate and distinct services within the Capital Regional District.
- All assets and liabilities, revenues and expenditures, and capital reserves remain with the Saanich Peninsula Water service.

Other Considerations

- Reserve Funds – Approx. $7.5 million in capital reserves, $2.1 to remaining in a statutory DCC Reserve Fund. Remaining $5.4 million would be apportioned depending on potential scenario.
- Asset Management Plan – currently underway, will provide a more accurate replacement value of the various water infrastructure components to assist in the better delineating the assets under Scenario 2.
- Asset Retirement Obligation – recommend adding this to the Asset Management Plan review, to determine the potential financial impact of the disposal of select infrastructure components (i.e. Asbestos Cement watermains) at the end of their useful lives.
- Timing of Transition (Scenario 1 or 2) – ideally at the beginning of the calendar year, i.e. January 1, 2027. A mid-year transition is possible but is a bit more complicated fiscally.

Consultation and Engagement

- Depending on the scenario to be considered by the Saanich Peninsula Water Commission for further review, there are a number of interested parties to be consulted with, including the following:
  - Regional Water Supply Commission – review Draft Report in order to gauge initial response to potential amalgamation scenarios.
  - Saanich Peninsula municipalities (District of North Saanich, District of Central Saanich, Town of Sidney) – review Draft Report and scenarios and discuss the potential impacts (operational, financial, administrative, etc.) for each participant.
  - Centre for Plant Health – review water infrastructure servicing the property to confirm ownership and responsibility.

Next Steps

- Continue work on Asset Management Plan (and Asset Retirement Obligation) to better identify replacement costs for Saanich Peninsula Water system infrastructure (supply & distribution) – Fall 2025.
- Report back to Saanich Peninsula Water Commission and seek direction regarding next steps: Scenario 1 or 2 = further analysis/consultation, Scenario 3 = status quo (no further analysis) – end of 2025.
- Complete consultation and engagement program and finalize analysis and reporting based on direction from the Commission – early 2026.

Questions? Discussion?

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Thank you!

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