

**REPORT TO SURFSIDE PARK ESTATES WATER SERVICE COMMITTEE  
MEETING OF THURSDAY, JUNE 26, 2025**

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**SUBJECT**      **Capital Projects Requiring Funding – Potential Funding Options and Cost Implications**

**ISSUE SUMMARY**

The Surfside Park Estates Water Service Committee has requested that staff prepare a report outlining the proposed path forward to carry out water system improvements in future years, the amount of borrowing required through a loan authorization bylaw and options for obtaining elector approval for the loan (petition or alternative approval process).

**BACKGROUND**

The Surfside Park Estates (Surfside) Water System is located on the southwest side of Mayne Island in the Southern Gulf Islands Electoral Area and provides drinking water to approximately 70 customers. There are 105 parcels within the Surfside System that can be inhabited. Capital Regional District (CRD) Infrastructure and Water Services is responsible for the system's overall operation, maintenance, design, and construction.

There are currently two major capital improvement projects on the Surfside Water System Capital Plan that reserve funds are insufficient to carry out within the next two years. The two projects are the Wood Dale Drive Water Main Replacement and the Water Storage Tank Replacement. The project budgets and scopes are noted in Table 1.

**Table 1: Capital Projects requiring Debt Funding**

Project #	Capital Project Title	Budget	Scope
24-01	Wood Dale Drive Water Main Replacement	\$300,000	Replacement of approximately 200 meters (m) of 150 millimeters (mm) diameter polyvinyl chloride (PVC) watermain that is leaking along Wood Dale Dr.
25-01	Water Storage Tank Replacement	\$1,700,000	Design and construction of new water storage tanks and piping following the completed system review and options analysis.

The Wood Dale Drive watermain and the section of watermain from Wood Dale Drive to the existing water storage tanks are known major sources of leakage. Over the past five years, data shows that water production has increased at a rate that is six times higher than measured water use. This data indicates that system leaks or water losses are growing disproportionately to water use, posing a high risk to the service. Additionally, the rising water production is approaching the water treatment capacity, putting extra stress on the groundwater resource. The costs associated with water treatment are also escalating, particularly due to the increased frequency of arsenic media replacement.

**Surfside Park Estates Water Service Committee – June 26, 2025**  
**Capital Projects Requiring Funding – Potential Funding Options and Cost Implications 2**

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The existing two water storage tanks, integral to supplying water to the Surfside system, have been confirmed as having corrosion, poor access and safety concerns in addition to being non-seismically resilient and connected to the known leaky piping off Wood Dale Drive.

In 2024, CRD worked with a consulting engineer to complete a water system review and tank replacement options analysis and received the recommendation that the tanks be replaced within Mount Parke Regional Park. Further details, including the reports, are included in Appendix A.

These capital improvement projects are required to support future years of water service. The budget requested to complete these projects is \$2,000,000. In the absence of grant funding, debt funding (borrowing) will be required to proceed with the capital improvements. It is expected that authorization would be for total debt funding but specific budget allocation on a project specific basis would be adjustable through the annual capital planning process.

A loan authorization bylaw is required to borrow funds to complete the works. Under the *Local Government Act*, participating area approval is required prior to adopting a loan authorization. Approval may be obtained for a service in an electoral area in one of three methods: by petition, by alternative approval process (AAP), or assent voting (referendum). A matrix outlining these three unique processes and the benefits and challenges of each is attached as Appendix B.

## **ALTERNATIVES**

### *Alternative 1*

1. That the petition process be initiated to borrow up to \$2,000,000 over 25 years debt term to complete the capital improvement projects.
2. If the petition process is successful, that a loan authorization bylaw be advanced to the Electoral Areas Committee and Capital Regional District Board for readings and adoption; and
3. That staff complete the remaining steps required to secure the funds and begin the projects.

### *Alternative 2*

1. That the alternative approval process (AAP) be selected as the method for obtaining participating area approval to borrow up to \$2,000,000 over 25 years debt term to complete the capital improvement projects.
2. That a loan authorization bylaw be advanced to the Electoral Areas Committee and Capital Regional District Board for up to three readings and be referred to the Inspector of Municipalities for approval prior to conducting an AAP process.
3. If the AAP process is successful, that staff complete the remaining steps required to secure the funds and begin the projects.

### *Alternative 3*

1. Defer the capital improvement projects and continue to operate the system as is; and
2. Keep the capital improvement projects within the 5-year capital plan and apply for eligible grants to fund the replacements.

### *Alternative 4*

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

## **IMPLICATIONS**

### *Elector Approval of Loan Authorization Bylaw*

Elector approval may be secured through a petition if the owners representing at least 50% of the parcels in the service area, that in total must represent at least 50% of the assessed value of land and improvements, submit signed forms supporting the proposal to borrow funds.

The petition process is the least costly and most efficient approval process and typically takes up to 4 months; however, if less than 50% support it, assent voting (referendum) will be required prior to borrowing the funds.

Elector approval is obtained from an AAP when less than 10% of estimated eligible electors in the participating area oppose the proposed borrowing unless an assent voting (referendum) is held. The estimate of eligible electors will include the count of non-resident property owners and tenants residing in the service area as provided from Elections BC voters list. If less than 10% respond in opposition, then no further assent is required. If 10% or more oppose then an assent vote or referendum is required, which can cost upwards of \$70,000 and must be held within 80 days of the AAP deadline date.

Staff recommend proceeding with a petition process to obtain elector approval for borrowing in local water service areas due to following reasons:

1. **Efficiency:** The petition process can be quicker and more straightforward, often taking up to 4 months, compared to the AAP, which can take up to 7 months.
2. **Cost-Effective:** The petition process generally involves fewer administrative costs. It doesn't require public notices or advertising, which can save money.
3. **Clear Support:** The petition process directly measures support from property owners, who are often the most affected by the proposed changes. This can provide a clearer indication of genuine support.
4. **Less Risk of Failure:** The petition process requires a majority of property owners to show support, which can be easier to achieve than avoiding a 10% opposition threshold in the AAP.
5. **Simplicity:** The petition process is simpler, with one vote per property, making it easier to manage and understand.
6. **Direct Engagement:** It allows for direct engagement with property owners, potentially leading to more informed and committed support. As part of this process, the CRD recommends a public open house to educate the property owners about the projects and garner support.

### *Implementation of Petition Process*

The steps required to obtain elector approval via the petition are outlined below:

- Confirm committee approval for a petition process to obtain elector approval.
- Complete and send petition letter addressed to each owner(s) of the parcel/folio within the participating area (draft petition attached as Appendix C)
- Advertise the petition within the Surfside Water System (direct mail, local newspapers, notice boards and website).
- Host a public open house to share information and gather signatures. (not required but recommended)
- Determine results of the petition following the deadline of August 29, 2025 (the petition is at least a 30-day period from date petition letters are sent to each owner).

- If a 50% approval threshold is exceeded, present the loan authorization bylaw to the Electoral Areas Committee and CRD Board with a recommendation to introduce and provide up to three readings.
- Send the loan authorization bylaw to the British Columbia Inspector of Municipalities.
- Following approval by the Inspector, return the loan authorization bylaw to the CRD Board for final approval.
- Following the one-month bylaw challenging period, complete process to draw upon loan and begin projects.

### *Financial Implications*

Long-term debt must be arranged through the Municipal Finance Authority (MFA) which offers a maximum lending term of 30 years. MFA will set a fixed interest rate for an initial term, generally 10 years, and subsequently refinance the loan, typically in five-year increments. The loan authorization bylaw will define the maximum debt term; however, the length of the initial fixed term and the subsequent refinancing terms are at the sole discretion of the MFA.

For analytical purposes only, four different amortization term scenarios are simulated in Table 2. The cost of borrowing is the total of the estimated principal and interest payments over the borrowing term. The information in Table 2 is a high-level estimation only, based on the indicative interest rates published by MFA at the time of this staff report. The actual cost of borrowing will be dependent on the loan amount, actual interest rates at the time of borrowing and refinancing, and the amortization term selected.

**Table 2: Surfside Park Estates Water System Debt Servicing Costs - Simulation**

<b>Borrowing Amount</b>	<b>\$ 2,000,000</b>			
Borrowing term (years)	15	20	25	30
Indicative Interest Rate*	4.48%	4.74%	4.74%	4.74%
Cost of Borrowing \$	\$2,910,262	\$3,303,191	\$3,645,187	\$3,996,748
Annual Debt Payment \$	\$194,017	\$165,160	\$145,807	\$133,225
Annual Parcel Tax per taxable folio \$ **	\$1,848	\$1,573	\$1,389	\$1,269

\*MFA Indicative Market Rates used for analysis, taken from MFA Website, May 28, 2025.

\*\* Calculated parcel tax assuming no change in total folios, set at 2025 level of 105 folios.

CRD staff consider multiple guidelines with respect to amortization term, including estimated useful life of the infrastructure, the impact of the annual debt payment requirement, the total cost of borrowing over debt term, and the interest rate risk.

A longer amortization term will minimize the annual debt payments, but results in higher total cost of borrowing and higher interest rate risk exposure. Although a debt term of 15 years has the lowest total borrowing costs, a 25-year term is recommended in balancing the annual debt payment requirement for ratepayers, the interest rate risk and the useful life of the capital assets.

Staff will continue pursuing grant opportunities if any become available. An approved loan authorization bylaw will increase the grant success, since grant programs often require cost sharing by demonstrating the local share is committed and secured. The required actual borrowing amount will be reduced if a future grant is awarded.

*Service Delivery Implications*

Completing the approval process and borrowing funds sooner will minimize service disruptions caused by water quality issues, continued leakage and other issues related to aging infrastructure. The likelihood of disruptions will continue to increase until a solution is implemented.

The sooner the projects are complete, the lower the risk of emergency repairs and additional leakage. If leaks are addressed by the completion of these debt funded capital projects, less water would be produced through the treatment process and fewer costly arsenic media replacements would be needed.

Higher operational costs to maintain the existing infrastructure requiring upgrades will be incurred until funding is attained to complete the projects or failure occurs. If the infrastructure is left to fail, emergency replacement costs will likely be significantly higher than any planned replacement costs.

**CONCLUSION**

Multiple capital improvements are needed to upgrade the Surfside Park Estates Water System. With insufficient reserve funds, debt funding and a loan authorization bylaw are required to borrow the necessary estimated \$2,000,000. Under the *Local Government Act*, participating area approval is required for the loan authorization. A petition process is recommended over an Alternative Approval Process, as it is more efficient, cost-effective, and better represents parcel owners' feedback.

**RECOMMENDATION**

1. That the petition process be initiated to borrow up to \$2,000,000 over 25 years debt term to complete the capital improvement projects.
2. If the petition process is successful, that a loan authorization bylaw be advanced to the Electoral Areas Committee and Capital Regional District Board for readings and adoption; and
3. That staff complete the remaining steps required to secure the funds and begin the projects.

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**ATTACHMENT(S)**

Appendix A: Surfside Park Estates Water System Tank Replacement Options Analysis  
Appendix B: Matrix of Elector Approval Processes  
Appendix C: Draft Letter & Petition for the Surfside Park Estates Water System Borrowing