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**REPORT TO ELECTORAL AREAS COMMITTEE
MEETING OF WEDNESDAY, APRIL 8, 2026**

SUBJECT **Bylaw No. 4747: Cedar Lane Loan Authorization Bylaw for Water Treatment Plant Capital Upgrades**

ISSUE SUMMARY

To consider Bylaw No. 4747, “Cedar Lane Water Service Loan Authorization Bylaw No.1, 2026”, for the purpose of financing the renewal and upgrades to the Cedar Lane Water System.

BACKGROUND

The Cedar Lane Treatment Plant/Pump Station on Salt Spring Island services 37 properties. The Cedar Lane Water System was first developed in 1970. The CRD took ownership of the system and then established the ‘CRD Cedar Lane Water Service’ in 2007.

Water is pumped from the Mansell Wells #1 and #5 to the water treatment plant which has cartridge filtration, ultraviolet disinfection, and chlorination secondary disinfection. The treated water is then pumped into the Cedar Lane Reservoir which has a capacity of 136 m³ (30,000 IG) then distributed via mains to residents.

Manganese Removal Treatment Upgrade

Manganese levels in the Cedar Lane Water System were flagged by Island Health Authority (IH) in late 2021 to be in excess of the newly established Maximum Acceptable Concentration (MAC) and Aesthetic Objective (AO) levels for manganese in drinking water. The levels were updated in 2019 to be MAC=0.120 mg/L and AO=0.02 mg/L. Cedar Lane water quality continues to regularly exceed the MAC. The Island Health Authority, as the regulator of drinking water systems on Vancouver Island and the Southern Gulf Islands, indicated at that time that this health concern must be addressed with a properly designed treatment system for Manganese (Mn) removal.

The CRD engaged in an assessment of options to ensure Cedar Lane could meet the new guidelines. As an alternative, additional wells were explored, but no viable well options were discovered. Other treatment options such as biofiltration, chlorine oxidation and Greensand filtration were then explored. The Greensand filtration system (which also assists with reducing Iron levels) was recommended as the most effective solution to pursue.

The project design consists of two Greensand Plus filtration systems to be installed to remove the manganese. Backwash supply water tank, backwash wastewater tank and chlorine room HVAC are all also included in the project to support the safe, efficient operation of the system

Spare Pressure Pump and Drive Unit

Within the current Cedar Lane Water Treatment Plant, a pressure pump and drive unit are utilized to maintain adequate distribution pressure for potable water. Historical maintenance records indicate that this pump typically requires replacement every four years and is currently approaching the end of its useful life. Furthermore, an asset management plan prepared by McElhanney identified the need for a spare pressure pump to ensure system reliability. Considering project and operational expenses, as well as inflation, the anticipated cost for the spare system is projected to be no more than \$40,000 funded by debt when procurement occurs in 2027.

The water treatment plant upgrade projects will be funded by grants, debt and the Cedar Lane Water Service's reserve fund. The total remaining amount not covered by grants and reserve funds is \$230,000. A borrowing bylaw would enable the CRD to fully fund the projects and proceed with the work. This includes the manganese removal upgrade to the water treatment plant (\$190k) and purchase of a spare pump/pressure drive unit (\$40k).

ALTERNATIVES

Alternative 1

The Electoral Areas Committee recommends to the Capital Regional District Board:

1. That the attached Certification of Results of Petition for Borrowing – Cedar Lane Water Treatment Plant be received;
2. That Bylaw No. 4747, "Cedar Lane Water Service Loan Authorization Bylaw No. 1, 2026" be introduced and read a first, second and third time; and
3. That Bylaw No. 4747 be forwarded to the Inspector of Municipalities for approval.

Alternative 2

That the proposed bylaw be referred back to staff for further information.

IMPLICATIONS

Legislative Implications

Participating area approval for borrowing (Bylaw No. 4747) was received through a successful Petition of the property owners in the Cedar Lane Water System in January-March 2026. The petition was certified as sufficient and valid with at least 50% of the property owners representing 50% of the net taxable value of all land and improvements in the service area having requested the borrowing of up to \$230,000 (attached as Appendix A).

Following adoption of Bylaw No. 4747, borrowings up to \$230,000 will be authorized and will support the planned five-year capital plan expenditures commencing in 2026. In accordance with the *Local Government Act*, long-term borrowing (i.e., loans with a term of more than five years) cannot be undertaken without approval of a security issuing bylaw once the loan authorization bylaw is approved. Section 24 of the *Municipal Finance Authority Act* states that a regional district security issuing bylaw may only be enacted and financed if the long-term borrowing is arranged through the Municipal Finance Authority of BC (MFABC).

Financial Implications

The Cedar Lane Water System Renewal and Upgrade projects with a total budget of \$516,500, are funded through grants, Capital Reserve Fund and debt. As a result, borrowing of up to \$230,000 is required to complete the projects. The projects are included in the five-year financial plan (2026-2030).

For analytical purposes only, and with MFABC's indicative interest rate of 4.42% at the time of analysis, the estimated annual debt servicing payments are approximately \$22,174 with a 15-year amortization term. The total debt servicing payments over the debt term are estimated to be approximately \$332,610. Debt servicing payments will be funded by taxation.

To ensure optimization of interest and timing of long-term debt, issuance of a temporary borrowing will be proposed if Ministerial approval is obtained. The timing of the debt issuance will be based on the timing of expenditures and cash flow requirement. The actual debt costs will be dependent on prevailing interest rates at the time of issuing.

Regulatory Implications

The Island Health Authority is the regulatory body that oversees drinking water quality guidelines in this area, and they have mandated that the CRD upgrade the Cedar Lane Water Treatment Plant, so the water quality meets their current level of acceptable manganese in the water. Island Health Authority has granted an extension to the CRD to December 31, 2027 to comply and upgrade the manganese water treatment system and have it fully operational by this date.

Service Delivery Implications

Completing the approval process and borrowing funds sooner will minimize service disruptions. The likelihood of disruptions will increase until a solution is implemented.

CONCLUSION

Bylaw No. 4747: "Cedar Lane Water Service Loan Authorization Bylaw No. 1, 2026", was drafted in preparation for future borrowing to enable the construction of the manganese removal project and purchase of a spare pressure pump/drive unit in the Service's five-year (2026-2030) capital plan. A successful petition process has been completed with the rate payers of Cedar Lane to authorize the borrowing plan. The Bylaw will be forwarded to the Inspector of Municipalities for approval prior to adoption. If supported staff will advance the loan authorization bylaw and complete the steps needed to secure the funding.

RECOMMENDATION

The Electoral Areas Committee recommends to the Capital Regional District Board:

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3. That Bylaw No. 4747 be forwarded to the Inspector of Municipalities for approval.

Electoral Areas Committee – April 8, 2026

Bylaw No. 4747: Cedar Lane Loan Authorization Bylaw for Water Treatment Plant Capital Upgrades

Submitted by:	Dan Ovington, BBA, Senior Manager, Salt Spring Island Administration
Concurrence:	Stephen Henderson, MBA, P.G.Dip.Eng, BSc, General Manager, Electoral Area Services
Concurrence:	Varinia Somosan, CPA, CGA, Acting Chief Financial Officer, Financial Services / Deputy CFO
Concurrence:	Kristen Morley, J.D., Corporate Officer & General Manager, Corporate Services
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS

Appendix A: Certificate of Results - Cedar Lane Petition for Borrowing

Appendix B: Bylaw No. 4747, "Cedar Lane Water Service Loan Authorization Bylaw No. 1, 2026"