

*Beaver Creek Improvement District*

# *Water Service Delivery Options*

October 11, 2011

# Introduction

- Study done for BCID and ACRD
- Independent review
- 2011 budget levels used
- BCID = Beaver Creek Improvement District
- ACRD = Alberni-Clayoquot Regional District
- VIHA = Vancouver Island Health Authority



Current situation

## Beaver Creek basics

- About 1,000 water connections
- About 2,300 people served
- Beaver Creek has own water supply + reservoir + distribution
- Community must improve water quality to meet health regulation

## The improvement district

- BCID is a junior form of local gov't
- Managed by 5 elected trustees
- Under provincial legislation
- Only 1 main service: water
- Must meet water quality rules
- Trustees set policies ... but ...
- Provincial oversight is required

## More than one local body

- BCID is the most “local” body ...
- But Beaver Creek is also part of:
  - Alberni-Clayoquot Reg. District
  - Province of BC (roads, policing)
  - School District 70
  - Van. Island Library District

# The Regional District (ACRD)

- 10 members + 11 directors:
  - 3 Municipalities (total of 4 directors)
  - 6 Electoral areas (total of 6 directors)
  - 1 Nuu-Chah-Nulth representative
- Beaver Creek is part of Area E
- 2 Main types of ACRD functions:
  - Shared (multiple communities)
  - Local services (small areas)
- Broadest local gov't here

# ACRD services at Beaver Creek

- General administration (Board, bldg, etc)
- 911 Service
- Building permits and inspections
- Planning and zoning
- Emergency planning
- Noise control + Animal control
- Transit + Alberni Valley airport
- Solid waste management
- Regional parks
- Grants in aid
- Beaver Ck fire dep't funding



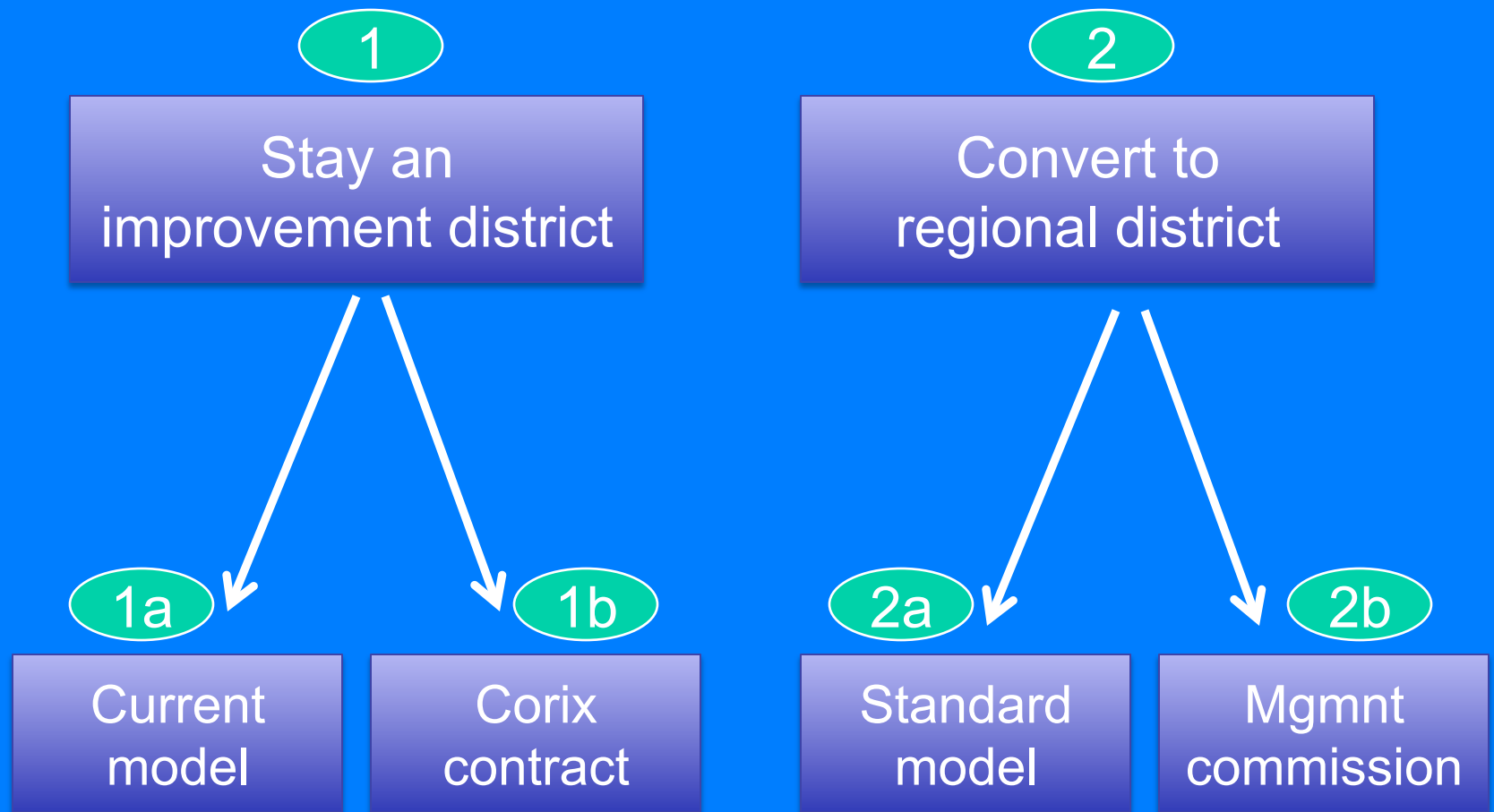
# Challenges facing Beaver Creek

- Need to improve:
  - Water supply (turbidity, etc)
  - Water storage (reservoir, fire)
  - Distribution system (sizes and aging)
- This work will cost millions
- BCID has very small reserve fund
- A funding source will be needed



# The management options

# The options



## 1a Stay an ID – Current model

- Board of Trustees continues
- Local office at Beaver Creek, with staff
- BCID borrows money for upgrades
- BCID staff operates water system
- BCID staff manages billing and accounts
- No access to grants for distribution works
- Must meet provincial water quality rules
- Could join Alberni Valley water supply
- Still part of ACRD for various services

## 1b Stay an ID – Corix contract

- BCID + Trustees continue to exist
- BCID still has admin obligations + costs
- BCID owns the water system
- 21-Year service contract instead of:
  - BCID borrowing money for upgrades
  - BCID staff operating the system
- Corix sends own bills + operates system
- No access to grants
- Must meet provincial water quality rules
- Stand-alone water supply (not regional)
- Still part of ACRD for various services

## 2a Convert to ACRD – Std model

- No BCID – ACRD Board replaces Trustees
- Can have a local advisory commission
- Office shifts to Port Alberni
- ACRD operates + administers water
- BCID assets shift to RD (but protected)
- ACRD borrows money for upgrades
- Access to grants for supply + distrib works
- Must meet provincial water quality rules
- Could join Alberni Valley water supply
- Still part of ACRD for various services

## 2b Convert to ACRD – local mgmt

Same as previous ACRD option, but ...

- Board delegates operations to a commission of Beaver Creek residents
- Commission could operate from BCID bldg and have commission staff
- Bylaws adopted by ACRD Board, but ..
- Local group manages water system
- Option requires special approval from ACRD Board



# Comparison of options



# Overview of options

Option 1a

Option 1b

Option 2a

Option 2b

	BCID – current model	BCID – Corix contract	ACRD – Standard model	ACRD – Mgmt commission
Would there be BCID Trustees? →	Yes	Yes	No	No (but local mgmt commission)
Who adopts water bylaws? →	BCID	BCID	ACRD	ACRD
Who owns the water assets? →	BCID	BCID	ACRD (but held for Beaver Ck only)	ACRD (but held for Beaver Ck only)
Water operations + work priorities →	BCID staff	Corix (after Trustee review)	ACRD staff	ACRD staff
Long term financial commitment →	Yes - Loan for upgrades	Yes - 21-Year service agreement	Yes - Loan for upgrades	Yes - Loan for upgrades
Eligible for grants? →	Yes, for regional supply only	No	Yes	Yes
Voting: Only Landowners? →	Yes	Yes	No, renters too	No, renters too

# Who is responsible for ...

Option 1a

Option 1b

Option 2a

Option 2b

	BCID – current model	BCID – Corix contract	ACRD – Standard model	ACRD – Mgmt commission
Adopting water bylaws →	BCID Trustees (registration req'd)	BCID Trustees (registration req'd)	ACRD Board	ACRD Board
Setting water budgets →	BCID Trustees (admin + water)	Corix for water; Trustees for BCID admin	ACRD Board (admin + water)	ACRD Board (admin + water)
Financial audit →	BCID Trustees	BCID Trustees	ACRD Board	ACRD Board
Meeting water quality regulations →	BCID Trustees	Corix and BCID Trustees	ACRD Board	ACRD Board
Collecting user fees →	BCID	Corix	ACRD	ACRD
Collecting parcel tax →	BCID	BCID	ACRD (via Province)	ACRD (via Province)
Customer relations →	BCID	Corix	ACRD	ACRD mgmt commission

# Water bills to residents

Option 1a

Option 1b

Option 2a

Option 2b

	BCID – current model	BCID – Corix contract	ACRD – Standard model	ACRD – Mgmt commission
<b>User fee</b> →	Yes, mainly for admin + O&M	Yes, for Corix admin, O&M, and upgrades	Yes, mainly for admin + O&M	Yes, mainly for admin + O&M
Who do residents pay? →	BCID	Corix	ACRD	ACRD
<b>Parcel tax</b> →	Yes, mainly to fund upgrades	Yes, to fund BCID administration	Yes, mainly to fund upgrades	Yes, mainly to fund upgrades
Who do residents pay? →	BCID	BCID	ACRD (via Province)	ACRD (via Province)
Eligible for home owner grant + deferral? →	No	No	Yes	Yes



Upgrading the system

# Water supply assumption

(A) Replace existing Beaver Creek supply with a new stand-alone supply (Stamp River)

- Estimated cost to Beaver Creek .. \$5.05 million

... or ...



(B) Join in a new, shared Alberni Valley water supply (using Sproat Lake, for example)

- Estimated cost to Beaver Creek .... \$2.95 million

Joining in a shared water supply would save a home \$191 in parcel taxes, so it has been assumed here

*Source of costs: Koers & Associates Engineering Ltd.*

## (a) Total near-term upgrades

Distribution system upgrades	\$1,820,000
South reservoir upgrades	<u>\$ 250,000</u>
Subtotal excluding water supply upgrade	\$2,070,000
Beaver Creek share of regional supply	<u>\$2,950,000</u>
Total capital needed for near-term work .....	\$5,020,000
	
Annual debt payment faced by BCID .....	\$ 386,120
	
Annual parcel tax needed to fund debt .....	\$398 per home

*Source of costs: Koers & Associates Engineering Ltd.*

# Funding for near-term upgrades

Option 1a


Option 1b

Option 2a

Option 2b

	BCID – current model	BCID – Corix contract	ACRD – Standard model	ACRD – Mgmt commission
Amount →	\$5,020,000	Not separated from other Corix works + services	\$5,020,000	\$5,020,000
Financial commitment →	Yes – long term loan	Yes – long term service contract	Yes – long term loan	Yes – Long term loan
Source of loans →	Bank or credit union	Included in Corix contract price	Municipal Finance Authority	Municipal Finance Authority
Current interest rate →	4.1% for supply, 5% for others	Corix internal matter	4.1% for all loans	4.1% for all loans
Debt cost per year →	\$386,000 / year	None – service contract instead	\$374,000 / year	\$374,000 / year
How residents pay for debt →	Parcel taxes	Included in Corix bill to residents	Parcel taxes	Parcel taxes
Eligible for infra. grants →	Yes, for regional supply only	No	Yes	Yes

## (b) Long term capital program

- Annual plan to replace pipes, valves, etc as they age
  - Over and above short term capital
  - Funded from annual parcel taxes
  - Estimated at \$302,000 per year
  - Translates to \$311 parcel tax per home
- 



# Funding for long-term upgrades

Option 1a

Option 1b

Option 2a

Option 2b

	BCID – current model	BCID – Corix contract	ACRD – Standard model	ACRD – Mgmt commission
Amount per year →	\$302,000 / year	Not separated from other Corix works + services	\$302,000 / year	\$302,000 / year
Borrowed money? →	No – part of annual budget	No – part of service contract	No – part of annual budget	No – part of annual budget
How residents pay for it →	Parcel tax from BCID	Included in Corix bill to residents	Parcel tax from ACRD	Parcel tax from ACRD



# Taxes and user fees

# 2011 BCID budget

## ***Revenues:***

BCID water parcel taxes	\$230,860
BCID water tolls	\$378,168
Connections + capital levy deposits	\$ 32,800
Other revenues	<u>\$ 21,750</u>
Total revenues .....	<u>\$663,578</u>

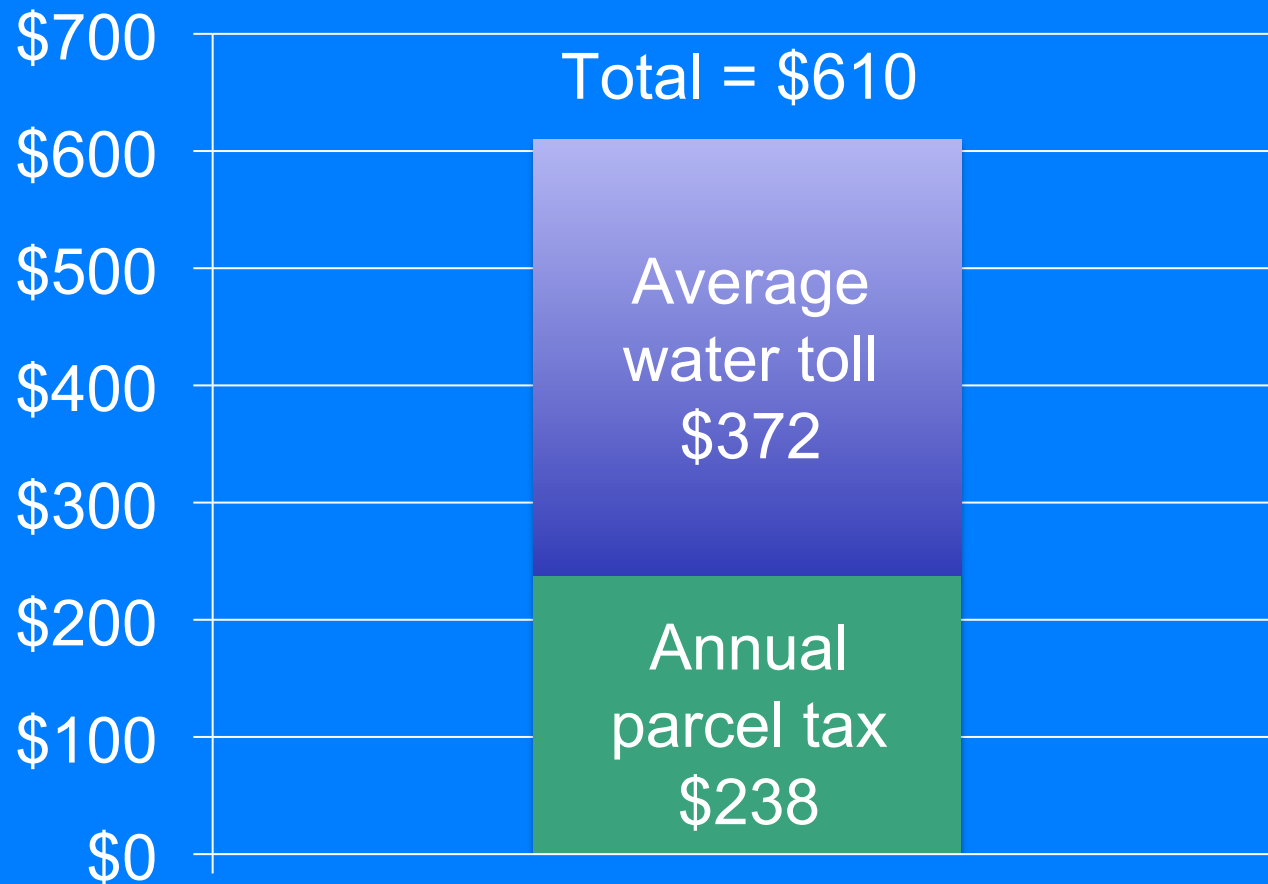
## ***Spending:***

Administration	\$200,276
Water operation + maintenance	\$378,302
Debt payments for water upgrades	\$0
Annual capital works program	<u>\$ 85,000</u>
Total spending .....	<u>\$663,578</u>

*Note: Budget does not provide for major water system upgrades*

# 2011 BCID charges

*Average home pays \$610 for water in 2011*



# Budget estimates (2011 base year)

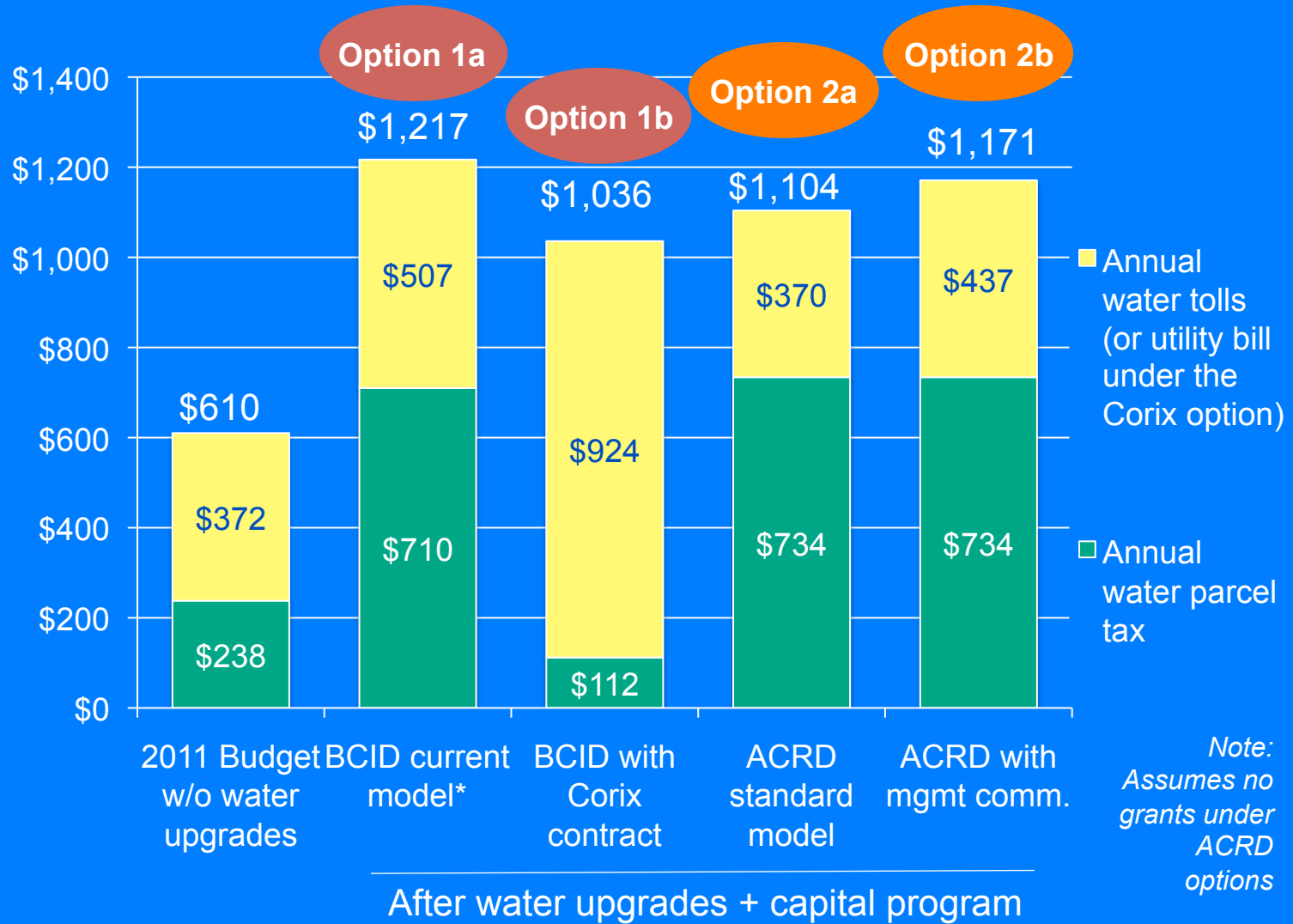
	2011 BCID budget	After water upgrades + capital program			
		Option 1a BCID current model	Option 1b BCID with Corix service contract	Option 2a ACRD standard model	Option 2b ACRD with management commission
Water parcel taxes	\$230,860	\$688,220	\$108,900	\$676,502	\$676,502
BCID or ACRD water tolls~	\$378,168	\$515,304	\$0	\$376,028	\$444,228
Connections + capital levy deposits	\$32,800	\$32,800	\$0	\$32,800	\$32,800
Other revenues	\$21,750	\$21,750	\$3,750	\$21,750	\$21,750
<b>Total public sector revenues</b>	<b>\$663,578</b>	<b>\$1,258,074</b>	<b>\$112,650</b>	<b>\$1,107,080</b>	<b>\$1,175,280</b>
Water admin (BCID or ACRD)	\$200,276	\$200,276	\$86,650	\$81,000	\$149,200
Water op'ns/mgmt (BCID or ACRD)	\$378,302	\$369,578	\$26,000	\$349,578	\$349,578
Debt payments for water upgrades^	\$0	\$386,120	<i>In Corix bill</i>	\$374,402	\$374,402
Annual capital works program	\$85,000	\$302,100	<i>See note*</i>	\$302,100	\$302,100
<b>Total public sector spending</b>	<b>\$663,578</b>	<b>\$1,258,074</b>	<b>\$112,650</b>	<b>\$1,107,080</b>	<b>\$1,175,280</b>

~ Under Option 1b, Corix would collect its own user fees instead of BCID or ACRD collecting tolls

^ Assumes no capital grants are forthcoming; shared regional water supply is assumed

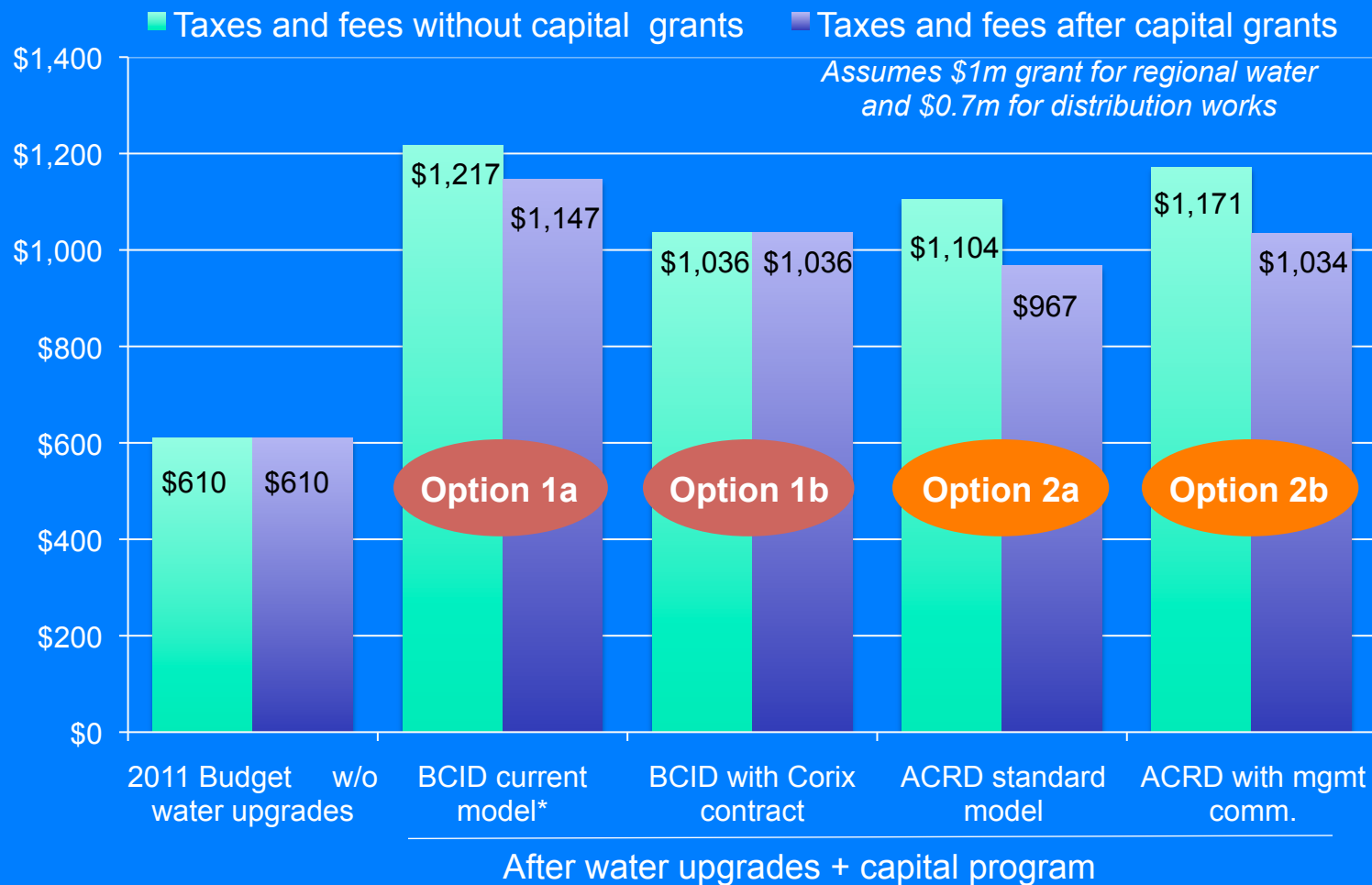
\* Corix contract would include an annual program but details are not known and can't be compared directly with the assumptions for the other options.

# Total water bills (2011 base year)



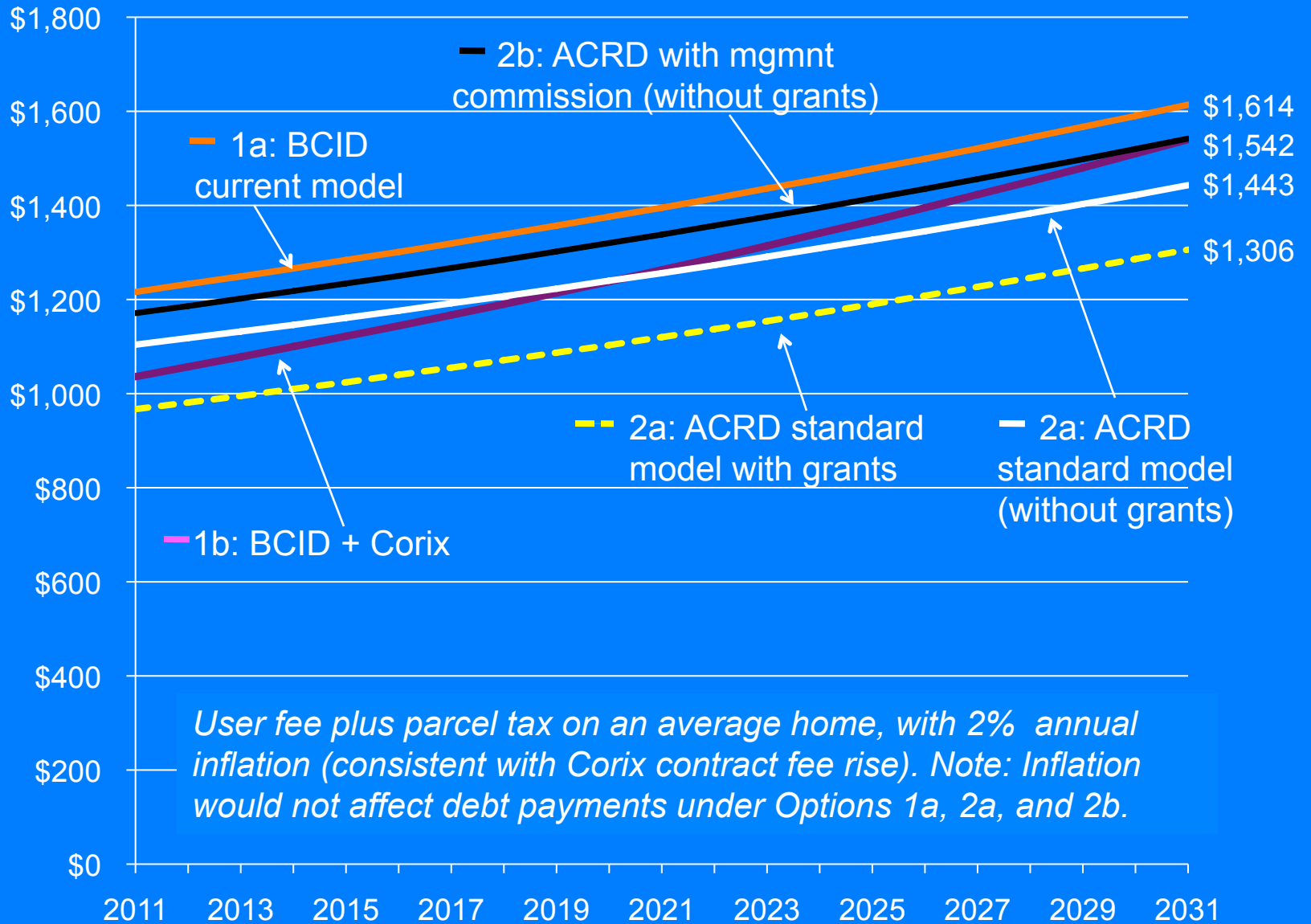
\*Add \$191 per home for a stand-alone BCID supply instead of a regional supply

# Effects of grants (2011 base yr)



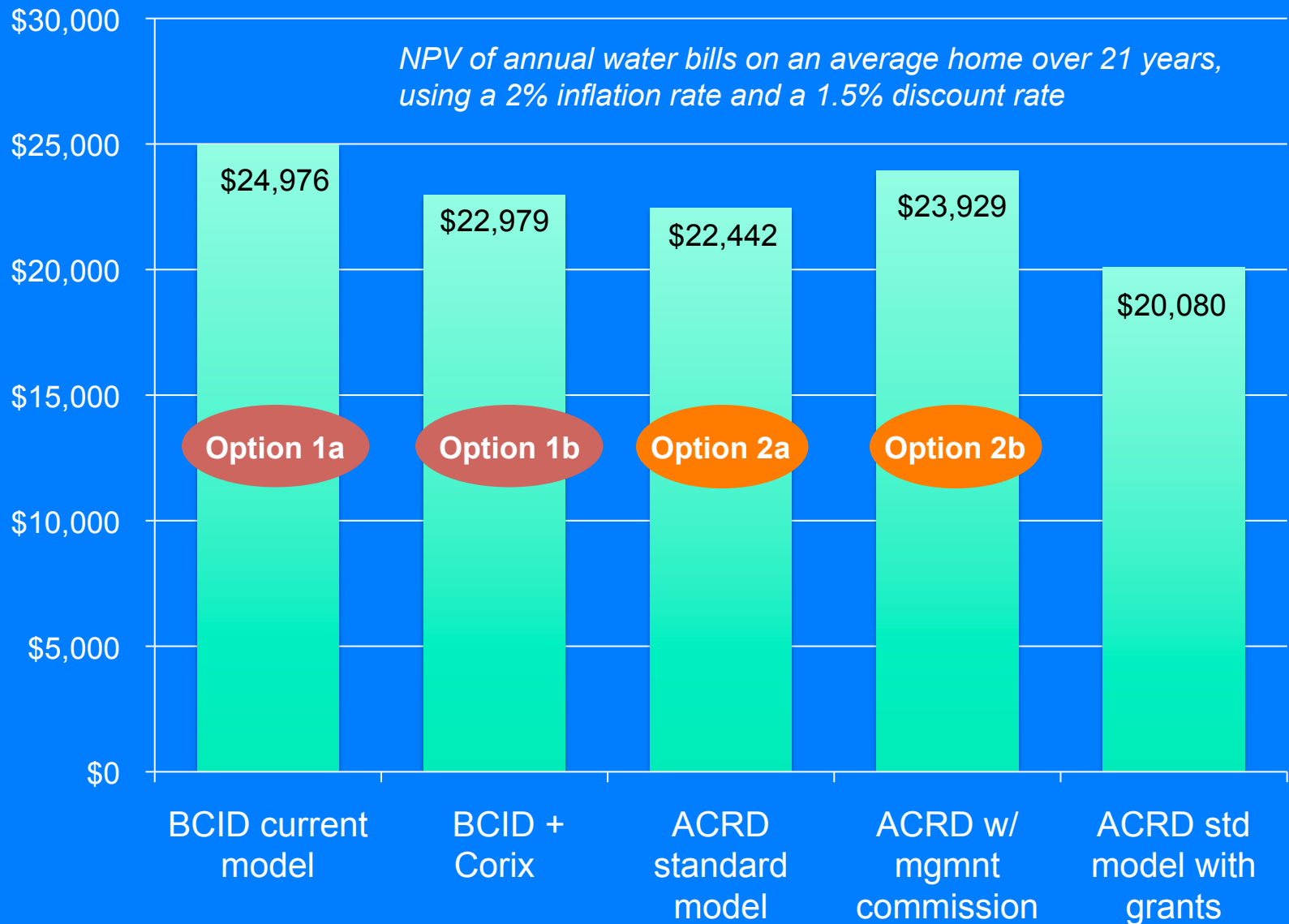
\*Add \$191 per home for a stand-alone BCID supply instead of a regional supply

# Water bills change over time





# Present value of home water bills





Strengths + weaknesses

Option 1a

## Current BCID model

Strengths	Weaknesses
<ul style="list-style-type: none"><li>• Locally elected body for most service decisions</li><li>• Local office for meetings and administration</li><li>• Local body's only focus is Beaver Creek water</li></ul>	<ul style="list-style-type: none"><li>• Highest water charges</li><li>• Higher insurance costs</li><li>• Higher borrowing rates</li><li>• Water taxes not eligible for tax deferral or home owner grant</li><li>• Limited access to specialists</li><li>• Uncertain future loan terms</li></ul>

Option 1b

# BCID with Corix contract

Strengths	Weaknesses
<ul style="list-style-type: none"><li>• Lowest water charges in early years (unless ACRD options get grants)</li><li>• Billing and service delivery economies of scale</li><li>• Local office in community</li><li>• Local body's only focus is Beaver Creek</li></ul>	<ul style="list-style-type: none"><li>• Administration duplication (for BCID business)</li><li>• New layer between water users and elected officials</li><li>• Water taxes not eligible for tax deferral or home owner grant</li><li>• Not eligible for capital grants</li></ul>

# ACRD – Standard model

Strengths	Weaknesses
<ul style="list-style-type: none"><li>• Lowest water charges in later years</li><li>• Administration efficiencies</li><li>• More administrative capacities + specialists</li><li>• Lower borrowing rates</li><li>• Better insurance and rates</li><li>• Water tax eligible for home owner grant + tax deferral</li><li>• Enhanced water technical resources and coverage</li></ul>	<ul style="list-style-type: none"><li>• Higher water charges in early years (unless grants obtained)</li><li>• No purely-local body</li><li>• 5.25% provincial tax collection fee added</li><li>• Office shifts to Port Alberni</li><li>• Local body (ACRD Board) has multiple functions to manage</li></ul>

Option 2b

# ACRD + mgmnt commission

Strengths	Weaknesses
<ul style="list-style-type: none"><li>• Lower borrowing rates</li><li>• Improved admin capacities</li><li>• Better insurance and rates</li><li>• Water tax eligible for home owner grant + tax deferral</li><li>• Enhanced water technical resources and coverage</li><li>• Local office for day-to-day operations</li><li>• Local body for day-to-day operations (commission)</li></ul>	<ul style="list-style-type: none"><li>• Higher water charges (unless grants obtained)</li><li>• No locally-elected body with bylaw power</li><li>• 5.25% tax collection fee</li><li>• Admin duplication (ACRD general admin on top of commission admin)</li><li>• ACRD Board might not agree to delegate authority</li></ul>



End of presentation