

REPORT ON WATER OPTIONS

Beaver Creek Improvement District
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Overview

Your BCID Trustees have been investigating how best to manage our water system. While the options are complex, the problem is simple. We must improve our water to meet VIHA standards. And, regardless of which option we choose, we are facing substantial costs to repair, update and maintain our storage and distribution systems.

While there is no requirement to convert to an ACRD model, your Trustees have committed to discussing this in public and to hold a referendum before any changes are made.

We will hold this public discussion on **Tuesday, October 11th, 2011, at the ADSS Auditorium from 6:30pm to 9:30pm.** Please plan to attend. Don't miss the opportunity to shape our future.

The nature of this report is to provide a guide for where we expect Tom Reid, Sussex Consultants, to lead this discussion. There is no single choice that will satisfy every ratepayer, and we know that. All we can do is present the information you requested and respect your majority decision.

Water Management challenges

- Expensive water supply improvements needed to meet VIHA directives
- More regulations and higher requirements for water systems in general
- Upgrades to various water distribution components needed now
- Limited reserves for funding improvements
- We need to implement a long-term asset management plan

The May 2011 Koers & Associates Engineering report on our system identified the capital works and improvements we face at about \$5 million over the next few years.

Beaver Creek share of proposed regional water supply . . . \$2,950,000 needed now*
Near-term improvements to distribution system . . . \$2,070,000 needed over next 8 years
Medium- and long-term system pipe renewal plan . . . \$ 277,000 needed per year (averaged)

**Note: Koers reported sharing a regional water supply would cost Beaver Creek \$2.1 million less - about \$175,000/year - than going it alone to meet VIHA regulations. However, supply is separate from distribution; the costs of maintaining distribution lines would remain a local Beaver Creek function. The Koers comparison did not account for these costs.*

Eligibility to apply for grants versus partnership

- As an improvement district, Beaver Creek doesn't qualify for infrastructure grants. With the ACRD model we may be eligible to apply for grants. Without grants or a partnership we need to borrow \$5 million for near term works, raising our annual budget by about \$400,000.
- Funding a long-term renewal plan would add another \$300,000 a year. These two costs total about \$700 per home per year. We must then add the costs of operating our water system (pumps, testing, administration, etc.) on top of that.
- In partnership with Corix Utilities, the cost per home would be about the same. However, we would not be borrowing money and servicing debt: we would be buying a brand new water system with our money.

Options

Option 1a:

Remain an improvement district and borrow funds to do the needed works. The BCID continues to operate and manage the water distribution system. The people of Beaver Creek retain ownership of the water license and system.

Option 1b:

Remain an improvement district but partnership the management and operation of the distribution system with Corix Utilities. Discussions include Corix upgrading our own stand-alone water supply. The people of Beaver creek retain ownership of the water license and system.

Option 2a: Convert to a traditional regional district model. The ACRD owns and operates the service. The BCID would be dissolved and assets transferred to the ACRD for the use of the service area.

Option 2b: Convert to a regional district model in which the ACRD owns the system but management is delegated to a local Beaver Creek commission. The BCID would be dissolved. A new local commission would operate the water system. Assets would be transferred to the ACRD for the use of the service area.

Notes on ACRD models

- We are already part of the Regional District. Conversion to a service area would add water distribution to the list of services and functions such as 911, regional planning, building permits and fire protection that we currently participate in.

- Under conversion, ratepayers would continue to pay for Beaver Creek water. Assets and reserves would be transferred to the ACRD for the benefit of Beaver Creek residents only.
- Conversion would mean eligibility to apply for grants; lower insurance costs and borrowing rates, plus water taxes could be deferred or part of home owner grants.
- The difference between ACRD models 2a and 2b is this. Under model 2a, an appointed water advisory committee would advise the ACRD. All administrative and water system work would be performed by the ACRD. Under 2b, a local Beaver Creek water commission would have the authority to operate and manage the system. Day-to-day management could be delegated to the commission.

Notes on the Corix proposal

- Corix Utilities has prepared an estimate for operating, upgrading and administering the Beaver Creek system under a long-term service contract.
- The BCID would retain ownership of the water system and license.
- Corix would be responsible for managing the pipes and reservoir system, meeting provincial regulations, upgrading supply and the distribution system as needed, billing and responding to customers.
- The Corix proposal includes upgrading the stand-alone Beaver Creek water supply rather than joining a regional system. Corix estimates the cost of upgrading is lower than Koers reported.
- Customers would be billed directly for the water system at \$924 per year, rising at 2% per year.
- BCID Trustees' work would be limited to managing the service contract with Corix, meeting provincial reporting requirements (audit, AGM, etc) and administering other aspects of the improvement district.
- A parcel tax to cover administration costs would likely be levied.

Questions & Answers

1. **Do we have to convert to a service area?** No. We can stay an improvement district but we still have to upgrade the water system.
2. **Who makes the decision on the options? Will there be a referendum?** The Trustees will make the final decision on which option will be pursued but have committed to holding a referendum on it. Under either conversion option, the ACRD Board and Province also have to approve.
3. **Why convert our water to an ACRD system?** No matter what, we must upgrade. ACRD models offer potential - though not guaranteed - access to grants; lower insurance costs and borrowing rates.

4. **If we convert, do we lose our assets?** Yes. Our water license, reserves and property would be transferred to the ACRD to be used for our benefit.
5. **What are the financial impacts?** Water taxes will increase substantially to fund needed improvements. Without grants, the Corix option would be the least expensive. With grants, conversion could be the least expensive depending on choices beyond our control. *(See section below, "So, what's the bottom line here?")*
6. **Would the home owner grant be affected?** The grant limit wouldn't change but the water tax can't be included in determining whether you get the maximum grant. Under the ACRD it would be. Larger new homes already get the maximum grant. Older, small homes may not qualify for the maximum now, but *might* under conversion.
7. **Could we defer the water tax under the ACRD?** Yes.
8. **Would we lose our assets under the Corix option?** No. The people of Beaver Creek would retain ownership of the water license, property and reserves.

Summary

To pay for necessary upgrades, Beaver Creek will face a steep rise in water taxes regardless of governance arrangement. There is a possibility of grants under an ACRD model, and reduced insurance and borrowing costs. To convert to an ACRD model, the BCID would be dissolved and transfer ownership and assets to the ACRD.

To retain ownership of our water license, property and reserves, we can either go it alone or enter a partnership to meet our water needs. In general, the most costly and least efficient option is to go it alone.

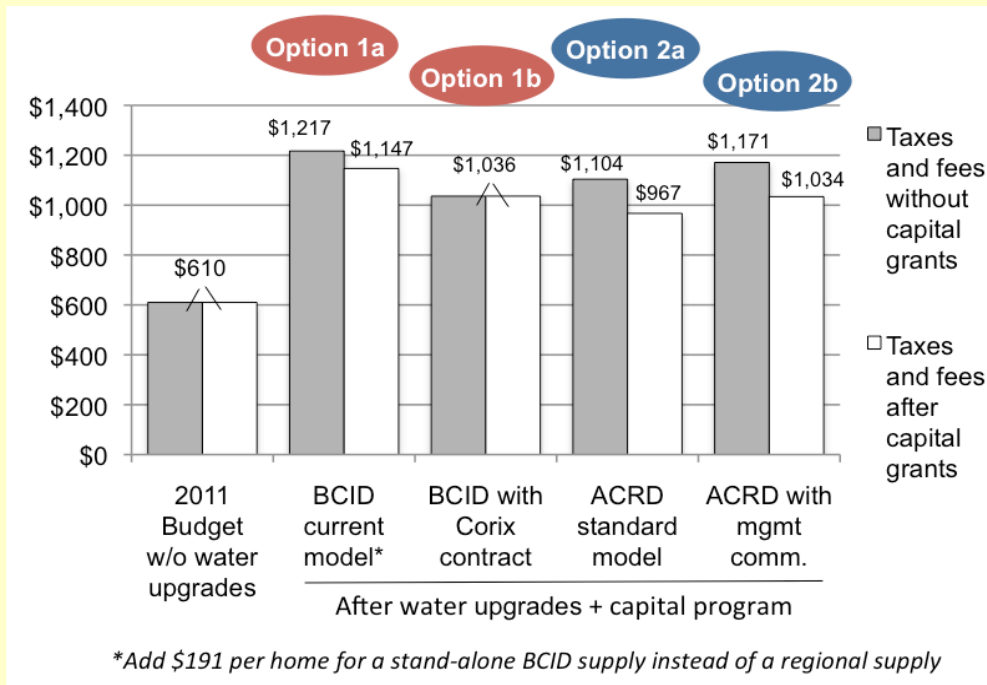
Should we opt for the partnership arrangement, we will likely pay about the same monthly amount as we would under an ACRD arrangement. The difference is that as a service area we would be servicing debt each month for a system owned by the region. With a partnership we would be paying down a system owned by the people of Beaver Creek.

So, what's the bottom line here?

The bottom line is there isn't one. We are going to have to decide on the data to date, because there will never be a time when we have all the answers.

The estimated water charges shown below still don't tell the whole story but it's the best guesstimated our consultant could make.

Estimated water charges on an average Beaver Creek property (2011 levels)




Missing from the mix are additional costs not included because they depend on actions taken outside of Beaver Creek's control.

- As part of a regional water system that may choose a different water source (say Sproat Lake or via Catalyst) we would be burdened with decommissioning costs of our pumphouse. Bear in mind that necessary preparation to meet VIHA's 4321 has already cost us \$130,000 in upgrades to the pumphouse.
 - Decommissioning the pumphouse, building and equipment removal is estimated at approximately \$150,000. Note: requirement from Ministry of Transport is not yet known.
- All options - except the Corix proposal - did not include land acquisition costs.
 - Approximately \$750,000 for the BCID pumphouse. The interconnection proposed by the ACRD may be at no cost if the Ministry of Transport permits decommissioning the roads in the area.
- All options - except the Corix proposal - did not include the cost of replacing our failing

reservoir with a substantially larger reservoir that we've needed for at least the last 30 years.

- The estimated reservoir replacement is 1.8 million plus or minus 25% in engineering fees.
- As a service area, we would immediately need to upgrade our four inch water mains which are deemed inadequate for fire flows.
 - If we remain an improvement district then an adequate reservoir supply is sufficient. However, the four inch water mains should be replaced as budgetary funds permit over the next 15 year period.
- Neither ACRD option included system maintenance costs.



Options for Beaver Creek's Water Service

Public discussion will be held
Tuesday, October 11, 2011

6:30 pm - 9:30 pm.

ADSS Auditorium