

# **Alexis Creek and Central Alexis Creek Water System Merge for 2022**

## **The Plan**

The Cariboo Regional District plans to merge the Alexis Creek Water System with the Central Alexis Creek Water System. Although both systems currently utilize the same well, pumphouse, and distribution network, historically they have been treated as separate services for budgeting and taxation purposes. For efficiency, cost-effectiveness, and clarity of operations the CRD will merge the two services for the 2022 operational year.

## **Background**

### **Alexis Creek Water:**

The Alexis Creek Water service was established in 1982. It services 30 land parcels made up of 21 customers. Operational costs are collected through an annual variable rate user fee. Due to increases in the cost of operation and maintenance, the current rate of \$394 is not sufficient to cover operating costs and build reserves in case of a major failure or for future equipment replacement.

### **Central Alexis Creek Water:**

The Central Alexis Creek Water service was established in 2009 and services 32 land parcels consisting of 25 customers. Essentially this service is an extension of the Alexis Creek Water system. Construction was completed in 2010 at a cost of \$ 1,616,786. Costs of construction were paid through Grant funding and a parcel tax applied to all users of the system. Originally set at \$224.00 per parcel subsequent interest rate reductions made it possible to reduce the annual tax to \$190.35 per parcel. The original construction is scheduled to be paid off in June 2029. The rate payers of Central Alexis Creek Water currently pay a user fee of \$480.00 for their service. This covers their portion of current operating costs plus a small contribution to reserves. However, reserve contributions are not where they need to be to cover necessary equipment replacements or unplanned major failures.

## **Current Issues**

The two services share the same infrastructure yet pay different rates. At present, Central Alexis Creek's rate is sufficient to cover their portion of operations, but both services lack the reserve funds necessary to replace aging equipment or cope with an unexpected major failure in the system. The current situation is largely a result of the past practice of implementing large user fee increases and then holding them constant over an extended period until inflationary pressure required another large increase. Whereas, more frequent, incremental increases to keep pace with inflation and rising operational costs will prevent the necessity for large increases going forward.

The pump and well house supplying both systems are reaching their end of life.. As the equipment ages it is becoming more prone to alarms, requiring a site visit by an operator. With the nearest utility operator some distance away, a site visit is very costly due to the amount of time spent travelling to and from the site. As the site servicing requirements have increased, the cost of maintenance has risen in

both of the services' budgets. Once a new system is operational, the existing system will be maintained as a backup removing the risk of having no water due to mechanical failure.

## **Proposed Approach**

It is likely the pump and well house will need to be replaced in the very near future. This will require some borrowing and will have an impact on the amount people will be paying for the service.

The current amounts raised by user fees is \$35,870.00. For 2020 operating costs of the two services was \$37,724.00. At present, user fees are not covering the costs of operations. Additionally, no contributions are being made to reserves -- to cover the replacement of infrastructure when it reaches end of life. The CRD proposes to equalize and increase the rate charged to system users to address these shortfalls.

At present, the users of the Alexis Creek Water system pay an annual fee of \$394.00 a year. The users of the Central Alexis Creek Water System pay an annual fee of \$480.00. The user fees need to be rationalized and a residential rate of \$500.00 for all users will be implemented. The parcel tax charged to current Central Alexis Creek users will be maintained until the loan has been paid off.

The increase to \$500.00 will increase revenues to the point where revenues are sufficient to cover operating costs, make contributions to reserves, and produce a small surplus. The user fee will be reviewed on a yearly basis, to prevent the historical need for large increases to make up for inflationary creep in operating costs.

To amend or repeal an existing bylaw, a two-thirds majority vote by the directors is required. The CRD does not require system users' consent to make these adjustments. The authority to merge the systems is provided in the Local Government Act. It stipulates:

### **Amendment or repeal of establishing bylaws**

**349** (1) Subject to an order under subsection (4) or (5), an establishing bylaw may be amended or repealed, at the option of the board,

(a) in accordance with the requirements applicable to the adoption of the bylaw that it amends or repeals, or

(b) with the consent of at least 2/3 of the participants.

(2) Sections 346 [*consent on behalf of municipal participating area*] and 347 (2) to (4) [*consent on behalf of electoral participating area*] apply to consent under subsection (1) (b) of this section.

(3) A bylaw amending or repealing an establishing bylaw has no effect unless it is approved by the inspector.

(4) The minister may order that a bylaw amending or repealing an establishing bylaw may be adopted only in accordance with the requirements applicable to the adoption of the bylaw that it repeals or amends.

(5) In addition to the requirement under subsection (1) or (4), as applicable, the minister may order that, before the bylaw is adopted, it must receive the approval of the electors

(a) in one or more specified participating areas, or in specified parts of one or more participating areas, or

(b) in the entire service area,

obtained in accordance with section 344 [approval by assent of the electors] or 345 [approval by alternative approval process], as specified by the minister.

(6) Section 137 (2) [minister may waive requirement for elector assent or approval] of the *Community Charter* does not apply to a bylaw amending or repealing an establishing bylaw.

(7) The regional district corporate officer must file with the inspector a bylaw amending or repealing an establishing bylaw after it has been adopted.

### **Changes to participating and service areas**

**350** (1) A bylaw amending an establishing bylaw may provide for changes to the boundaries of a service area, including merging 2 or more service areas.

(2) If a bylaw amending an establishing bylaw extends an existing service to a new participating area, the proposed participating area must be included as a participating area and the participant for the proposed participating area must be included as a participant for the purposes of section 349.

### **Next Steps**

The proposed changes will be brought before the Cariboo Regional District board for discussion and voting some time in 2021. No date has been set at this time. If the bylaw amendment is successful, a residential rate of \$500.00 for all users will be implemented beginning with the 2022 utility billing. The parcel tax charged to current Central Alexis Creek users will be maintained until the loan has been paid off.

It is recognized that the increase will come as a shock to some users. That said, \$500.00 works out to \$1.37 per day for the provision of potable water. As previously noted, the CRD is switching to a program of reviewing utility fees on a yearly basis and making inflationary adjustments as necessary. By doing so users will not experience sudden large increases to the utility fees to catch up with increasing costs.