



CITY OF WEST KELOWNA REGULAR COUNCIL ADDENDUM

Tuesday, July 14, 2020, 1:30 P.M.

COUNCIL CHAMBERS

2760 CAMERON ROAD, WEST KELOWNA, BC

Pages

2. INTRODUCTION OF LATE ITEMS

- *2.1 Rose Valley Water Treatment Plant Presentation, Loan Authorization Bylaw and Local Area Service Establishment Bylaw (see Item 8.1.1 under Division Reports)**

2

THAT Council consider and resolve to read the City of West Kelowna Rose Valley Water Treatment Plant Local Area Service Establishment Bylaw No. 280, 2020 a first, second and third time; and further,

THAT Council consider and resolve to read the City of West Kelowna Rose Valley Water Treatment Plant Loan Authorization Bylaw No. 281, 2020 a first, second and third time; and,

THAT Council directs staff to submit the City of West Kelowna Rose Valley Water Treatment Plant Local Area Service Establishment Bylaw No. 280, 2020 and the City of West Kelowna Rose Valley Water Treatment Plant Loan Authorization Bylaw No. 281, 2020 to the Province, publish the required advertising and issue notification to the property owners within the proposed Local Area Service for establishment of the local area service on Council Initiative - Subject to Petition Against for both the establishment of the Local Area Service and to authorize borrowing.



COUNCIL REPORT

To: Mayor and Council

Date: July 13, 2020

From: Paul Gipps, CAO

File No:

Subject: **Rose Valley Water Treatment Plant Presentation, Loan Authorization Bylaw and Local Area Service Establishment Bylaw**

RECOMMENDATION

THAT Council consider and resolve to read the City of West Kelowna Rose Valley Water Treatment Plant Local Area Service Establishment Bylaw No. 280, 2020 a first, second and third time; and further,

THAT Council consider and resolve to read the City of West Kelowna Rose Valley Water Treatment Plant Loan Authorization Bylaw No. 281, 2020 a first, second and third time; and,

THAT Council directs staff to submit the City of West Kelowna Rose Valley Water Treatment Plant Local Area Service Establishment Bylaw No. 280, 2020 and the City of West Kelowna Rose Valley Water Treatment Plant Loan Authorization Bylaw No. 281, 2020 to the Province, publish the required advertising and issue notification to the property owners within the proposed Local Area Service for establishment of the local area service on Council Initiative - Subject to Petition Against for both the establishment of the Local Area Service and to authorize borrowing.

STRATEGIC AREA(S) OF FOCUS

Invest in Infrastructure

Strengthen our Community

PURPOSE

The purpose of this report is to:

- Inform and seek Council's endorsement to begin the process of establishing a Local Area Service (LAS) and authorizing a Loan Authorization Bylaw reflecting long-term borrowing for future RVWTP users (currently 8,246 properties), and begin a Council Initiative – Subject to Petition Against process. This will determine if there is no sufficient petition against from RVWTP LAS property owners to the long-term borrowing of up to \$23.5 million and interest;
- To confirm that the planned RVWTP annual water rate increase of \$34 divided over two years (\$13 in 2021 and \$21 in 2022) remains unchanged despite the impacts of COVID-

19, and that no additional annual increases to design, build and finance the plant are required; and

- To confirm that the \$34 increase (from \$116 to \$150 annually) will cover the cost to design, build and finance the plant over the long-term borrowing period.

BACKGROUND

Construction of Rose Valley Water Treatment Plant (RVWTP) is the single largest infrastructure project the City of West Kelowna has ever undertaken. The plant is designed with at least a 75-year lifespan with the capability to expand. The City's asset management strategy over decades to come will factor in the maintenance required for the plant that extends well beyond the 75-years.

The City originally intended to begin design of the RVWTP in 2021 with construction to start in 2022, subject to funding availability. Having received the Federal and Provincial Canada Infrastructure grant, under the Clean Water and Wastewater Fund, the City is able to complete construction of the project in summer 2022 rather than begin in 2022. Completion of the plant in 2022 is also a funding grant requirement, which means the City must secure its borrowing this summer and subsequently award the final significant tender.

The Rose Valley Water Treatment Plant does not apply to the Powers Creek Water Treatment Plant users, nor does it apply to Westbank First Nations water users.

Once constructed, the RVWTP will be a state of the art, Level 4 Water Treatment Plant. The process will include dissolved air flotation (DAF), filtration and ultraviolet (UV) disinfection to provide water year-round that meets or exceeds all federal, provincial, and Interior Health Authority standards for safety and aesthetics. This treatment process has been successfully used all over the world, including the City's Powers Creek Water Treatment Plant. The plant is being designed to produce 70 mega litres per day (ML/D) which will serve Sunnyside, Pritchard, Local Rose Valley (Lakeview Heights) and West Kelowna Estates.

Land and Design

In March 2019, the City of West Kelowna confirmed the purchase of a 24-acre portion of 2010 Bartley Road, at a cost of \$915,000, for the purpose of building the RVWTP.

The City had applied in fall 2017 to obtain rights to use Crown land immediately north of Rose Ridge Park and approximately 1.5 kilometres south of the existing chlorine-only water treatment facility, built in 1977.

On March 26, 2019, Council withdrew its application to the Ministry of Forests, Lands, Natural Resources Operations and Rural Development for tenure on the parcel of the Crown land, located adjacent to District Lots 503, 2685 and 2188, Osoyoos Division Yale Land District.

Since the application process was ongoing after nearly 18-months, the City had chosen instead to make the nearby property purchase at 2010 Bartley Road in order to meet its grant obligations. Crown land tenure was therefore no longer required.

The plant was subsequently designed for the new site, which required significant updates to meet new site elevations, improved scale and function, site-specific environmental considerations and terrain, among other factors. Detailed design of the plant is substantially complete, which will enable the final significant tender to be released to the market later this summer.

Continued Use of a Long-term Borrowing Model

The City's previous significant infrastructure projects, such as its sewer systems and the Powers Creek Water Treatment Plant, required long-term borrowing in addition to the City funds available. Long-term borrowing is also being recommended for the RVWTP project.

The City's financial model, outlined later in this report, reflects the requirement to borrow **up to** \$23.5 million and interest beginning in 2022. It is important to recognize that the actual amount in 2022 may be lower, thus an '**up to**' \$23.5 million framework is used.

Influences that may help lower the actual borrowing amount include:

- Lower construction costs with an increased competitive market due to COVID-19;
- *Actual* overall capital cost expenditures may be lower than today's *estimate*;
- Users who prefer to pay their portion up front will reduce the amount required to borrow in 2022; and
- Additional development over the next two years will include new users who will pay into the system.

The City does not require public approval for short-term borrowing (e.g. 5 years) and could proceed to cover the cost of up to \$23.5 million and interest through short-term borrowing.

This option is not recommended as the time constraints for property owners to pay are much shorter. Short-term borrowing has not been used for similar infrastructure across the city.

As part of Council's *Strengthen our Community* pillar within its 2020 – 2022 Strategic Priorities, understanding the preference of the community about how to pay remains a priority of Council. Should Council endorse the recommendation in this report, staff will proceed with the legislative and non-legislative processes to inform the community about the Council Initiative - Counter Petition Against process, timing, next steps, and provide the community with customer service support to help guide them through the process.

Should Council prefer an alternative option, staff will develop the appropriate process and public information material about how to pay with a short-term borrowing model.

DISCUSSION

Current Project Status

The site was cleared in fall 2019 and early works construction for the first tender awarded in March 2020 continues to progress, which includes:

- ✓ Excavation
- ✓ Blasting
- ✓ Roadworks



Utilities

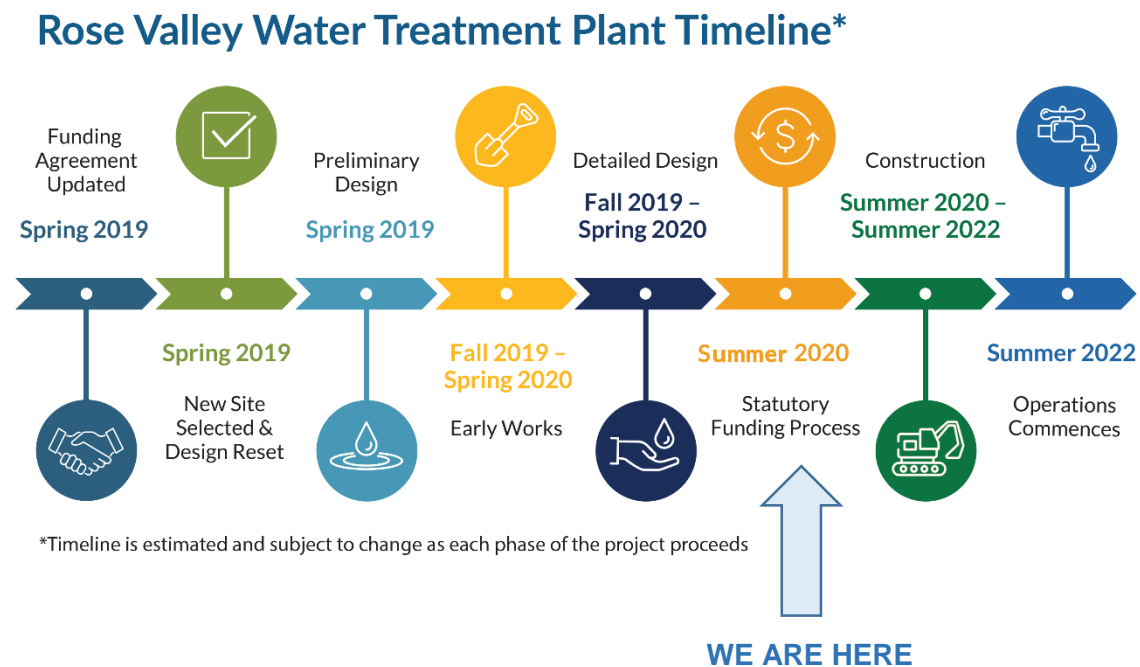
Other site prep works

The remaining general contractor tender that will be issued later this summer also remains on-track with the pre-qualification process for bidders underway. Following that, smaller tenders will be awarded for components such as electrical and instrumental equipment.

A cost breakdown for design and construction of the project will be provided once the remaining significant general contractor tender is awarded in late summer 2020. This will ensure the City does not compromise its competitive bidding and contractor selection process prior to tender award.

Additional information and progress completion images are included in the companion presentation and posted online at www.westkelownacity.ca/rvwtp.

Project Schedule



Next Steps

Establishing a Local Area Service (LAS) and Loan Authorization Bylaw

Staff has identified a Local Area Service (LAS) for the Rose Valley Water Treatment Plant, which currently includes approximately 8,350 properties. Please refer to RVWTP LAS map attached to this report as part of establishing the **City of West Kelowna Rose Valley Water Treatment Plant Local Area Service Establishment Bylaw No. 280, 2020** under Section 211 (1)(b) of the *Community Charter*.

The new RVWTP LAS will serve the following areas:

- Pritchard Water Service Area
- Local Rose Valley Water Service Area (Lakeview Heights)
- Sunnyside Water Service Area

- West Kelowna Estates Water Service Area

As summarized in the infographic attached to this report, from 2018 through June 2020, the new RVWTP LAS's noted above experienced 890 combined water quality advisory days out of 918 days.

In contrast, the Powers Creek Water Treatment Plant users only experienced 13 water quality advisory days out of 918 days. Those rare instances were primarily due to a third-party contractor striking city watermain.

When the RVWTP goes into operation in 2022, water quality advisory days will be extremely limited just as they are with the Powers Creek plant. Together, the two plants will serve most of the City of West Kelowna properties and the City will be able to meet its requirement to deliver clean, safe and reliable drinking water to the community for generations to come.

Staff has also provided Council with the **City of West Kelowna Rose Valley Water Treatment Plant Loan Authorization Bylaw No. 281, 2020** under Sections 217 (1)(b) and 213 of the *Community Charter*.

This is to undertake borrowing from the Municipal Finance Association (MFA) of up to \$23.5 million through a Council Initiative – Subject to Petition Against process that could proceed based on no sufficient petition against received by Council in the required timeframe (30-day period).

This method would require at least 50 per cent of all RVWTP parcel owners representing at least 50 per cent of the local service area property value to sign and submit the written counter petition against form to the City within the 30-day period.

Based on the process outlined below, staff anticipate undertaking the 30-day response period in August/September 2020.

At-a-Glance: Counter Petition Process

July 14, 2020 – Report to Council seeking Council's endorsement on the Local Area Service (LAS) Establishment Bylaw and Loan Authorization Bylaw with three readings (1 week).

If endorsed:

July 15 – Loan Authorization Bylaw to the Ministry of Municipal Affairs and Housing for Inspector Approval, including Liability Servicing Limit Certificate (4 – 6 weeks).

August – Statutory advertising (Notice of Intent), posting and deliver Notice of Intent and counter petition package to all RVWTP service area parcel owners (2 weeks).

August/September – Response period is 30 days for RVWTP LAS property owners to return a Petition Against form (4 weeks).

August/September - Corporate Officer review, determination of results and issuance of the Certificate of Sufficiency (1 week).

August/September – LAS Bylaw and Loan Authorization Bylaw to Regular Council Meeting for Adoption (1 week). This is the 13 - 15 week period.

August/September – Quashing period, Corporate Officer’s Certificate to the Ministry of Municipal Affairs and Housing, and Ministry of Municipal Affairs and Housing Inspector Certificate of Approval (9 weeks combined).

Estimated Total Weeks to Bylaw Adoption (13 – 15 weeks).

Throughout the legislative process, staff will include a RVWTP Project Update as a standing Regular Council agenda item beginning in August 2020. This, along with ongoing stakeholder and public communication and engagement, will provide accurate, timely and transparent updates about what’s been completed, where we are today and what’s next.

FINANCIAL IMPLICATIONS

Local governments borrow through the Municipal Finance Authority (MFA) in BC. This organization was created in 1970 and exists to provide long-term debt issuance under a collaborative borrowing model. This model allows member municipalities to realize economies of scale, thus minimizing borrowing costs over the short and long term.

West Kelowna has used the borrowing facilities provided by the MFA in the past and is planning to borrow under this structure for the RVWTP. The estimated maximum borrowing is up to \$23.5 million, which would require yearly principal/interest payments of approximately \$1,252,800 per year. This amount is well within the City’s capacity to service its borrowing commitments.

The MFA calculates the liability-servicing limit to be 25% of a local government’s revenues from the previous year. This means the City of West Kelowna will only be at 28% of its borrowing capacity, which includes the RVWTP project. If Council endorses the borrowing recommendation, the City will still have more than 70% of its borrowing capacity remaining.

The estimated \$23.5 million loan is calculated before taking into account the taxpayer’s option of paying a commuted value up front and avoiding interest. The City’s planning for borrowing anticipates offering a one-time commuted value of \$2,815 (estimated) paid up front thus reducing the total borrowing required.

Annual payments of \$1,252,800 has been estimated under a conservative 25-year rate structure (2.58%). In reality, the loan would be initiated with a ten-year term and then renewed in five-year segments. This provides options for debts to be paid down early if the opportunity exists but also potentially provides for lower interest rates at each renewal. Currently the ten-year rate sits at 1.8%, which would save City of West Kelowna taxpayers almost \$200,000 per year.

Prior to COVID-19 and reviewed again in May/June 2020, staff has confirmed the financial model to design, build and finance the RVWTP:

Project Value

Not To Exceed \$75 million

Grant Funding

\$41 million Federal and Provincial Canada Infrastructure Grant

City Reserve

\$4.4 million

Eligible Development Cost Charges (DCCs)

\$6.1 million

Borrowing

Up to \$23.5 million (borrow only what's required beginning in 2022)

Grant Funding	\$41 million
City Reserve	\$4.4 million
Eligible DCCs	\$6.1 million
Borrowing	\$23.5 (maximum)
Total Project Value	\$75 million (not to exceed)

1) Number of Parcels in RVWTP area (est)	8,350
2) Annual Debt Servicing (high estimate)	\$1,252,800
Cost per parcel (divide lines 1 and 2)	\$150 per year, per parcel
Re-payment Option Through One-time Fee: one-time payment of total debt servicing cost in 2022 (with no interest)	\$2,815 per parcel
Repayment Option Through Parcel Tax: users existing \$150 utility fee will be removed from their annual water bill and moved into an annual parcel tax in 2022	\$150 per year, per parcel

COMMUNICATION AND ENGAGEMENT SUMMARY

Both statutory and non-statutory communication and engagement will occur with those directly in the RVWTP LAS, with community leaders and key stakeholders, and with the broad public leading up to, during and after the Council Initiative – Subject to Petition Against process. Communications and engagement planning has been adapted to adhere to the social distancing requirements during COVID-19 and will include primarily digital and print information and engagement.

Pre-Subject to Petition Against Process: Non-legislative

This phase has and will continue to include the following tools and methods:

- ✓ Publicity through media releases, public service announcements and interviews
- ✓ Paid newspaper advertising
- ✓ Website updates
- ✓ E-blasts to subscribers
- ✓ Video clips

- ✓ Social media posts and interactions
- ✓ One-on-one discussions with community members
- ✓ Project information handouts
- ✓ Presentations
- ✓ Reports to Council
- ✓ Small online group information sessions

Should Council endorse the report recommendation, the attached household mailer would be finalized and mailed to RVWTP LAS property owners the week of July 20, 2020. The purpose is to create awareness with RVWTP LAS property owners about the \$34 increase, the long-term borrowing recommendation and that the Council Initiative - Subject to Petition Against process is underway prior to property owners receiving the counter petition package in the mail.

Staff will also continue with broader outreach through the tools and methods listed above. Customer service points of entry, such as Legislative Services, Engineering and Finance staff, are also available by phone, email and can accommodate pre-scheduled individual meetings to help guide the public through the process.

Subject to Petition Against Process: Legislative

The Corporate Officer will mail the Council Initiative – Subject to Petition Against package with supplemental information to all RVWTP LAS land parcels (properties) once the Loan Authorization Bylaw has received Inspector Approval. Two statutory newspaper advertisements (Notice of Intent) will be placed, with the second ad earmarking the start of the 30-day period.

While the legislative process is underway, continued print, electronic and virtual community relations activities will also continue as noted above. Note there will be no in-person gatherings that exceed the Provincial Health Officer's social distancing requirements. Thus, the Petition Against Form must be returned via mail or dropped in the City Hall drop box received by the City before the 30-day period ends.

Post-Subject to Petition Against Process: Non-legislative

Once the 30-day period has passed, staff will provide Council and the community with the outcome, recommendations, next steps and timing through the tools and methods noted above. As this phase will be guided by the outcome of responses received, greater detail will be provided at the start of this phase.

CONCLUSION

Staff have prepared the following three options for Council's consideration:

- 1) Proceed with long-term borrowing of 25 years, including a loan authorization bylaw that would see each parcel within the RVWTP local area service pay \$150 annually or \$2,815 lump sum (estimated in 2022) to service the up to \$23.5 million funds required; or
- 2) Proceed with short term borrowing of 5 years, including a loan authorization bylaw that would see each parcel within the RVWTP local service area pay \$600 annually for 5-

years or \$2,815 lump sum (estimated in 2022) to service the up to \$23.5 million funds required; or

- 3) Proceed with a single one-time payment of \$2,815 (estimated in 2022) per parcel within the RVWTP local area service to fund the up to \$23.5 million funds required.

REVIEWED BY

Warren Everton, CFO

Allen Fillion, Director of Engineering and Public Works

Sandy Webster, Director of Corporate Initiatives

Tracey Batten, Deputy CAO/Corporate Officer

APPROVED FOR THE AGENDA BY

Paul Gipps, CAO

Powerpoint: Yes ☒ No ☐

Attachments:

- 1) Rose Valley Water Treatment Plant Local Area Service Establishment Bylaw No. 280, 2020
- 2) Rose Valley Water Treatment Plant Loan Authorization Bylaw 281, 2020
- 3) RVWTP LAS Map (as of July 2020)
- 4) It's All About Water! Did You Know? Water quality infographic (as of July 2020)
- 5) Important Update About Your Water! DRAFT household mailer (to be finalized following Council direction)
- 6) Question and Answer DRAFT document (to be finalized following Council direction)
- 7) Newspaper Ad for Future Rose Valley Water Treatment Plant Users

CITY OF WEST KELOWNA

BYLAW NO. 280, 2020

A BYLAW TO ESTABLISH A LOCAL AREA SERVICE FOR THE
CONSTRUCTION AND OPERATION OF THE ROSE VALLEY WATER
TREATMENT PLANT

WHEREAS Section 210 of the *Community Charter* provides authority for local area services, a municipal service that is to be paid for in whole or in part by a local service tax under Section 216 for services that the Council considers provide particular benefit to part of the municipality; and,

WHEREAS Section 211(1)(b) of the *Community Charter* authorizes Council to establish a local area service by bylaw, if the service and its cost recovery methods have been proposed by Council initiative subject to a petition against by the property owners subject to the local service tax; and,

WHEREAS Council has initiated a local area service subject to petition against to construct and operate a Water Treatment Plant to be known as the Rose Valley Water Treatment Plant, pursuant to Section 213 of the *Community Charter*; and,

WHEREAS the *Community Charter* provides for a part of the cost to be borne by property owners benefitting from a local area service and for the levy and imposition of a local service tax to be imposed on benefitting properties to recover the owners' portion of the costs; and,

WHEREAS the Corporate Officer has certified that the petition against received for the works does not constitute a sufficient petition signed by a majority of the owners, representing at least half of the assessed value of the parcels that would be subject to the local service tax;

NOW THEREFORE the Council of the City of West Kelowna in open meeting assembled, enacts as follows:

1. Title

This Bylaw shall be cited for all purposes as the "CITY OF WEST KELOWNA ROSE VALLEY WATER TREATMENT PLANT LOCAL AREA SERVICE ESTABLISHMENT BYLAW NO. 280, 2020".

2. Establishment of Local Area Service

The City hereby establishes a local area service under the provisions of Section 211 of the *Community Charter* to be known as the "Rose Valley Water Treatment Plant Construction and Operation Local Area Service".

3. Description of Service

The description of the local area service is the construction and operation of a water treatment plant and distribution to serve a specified local service area.

4. Boundaries of Local Area Service

The Rose Valley Water Treatment Plant Construction and Operation Local Area Service includes all of the parcels within the area outlined in heavy dashed black line on the plan attached to and forming part of this bylaw as Schedule 'A' – Rose Valley Water Treatment Plant Construction and Operation Local Area Service Boundaries (the "Local Area Service").

5. The annual costs for the service established in Section 2 shall be recovered by:

5.1. The cost recovery method for an amount not exceeding \$23,500,000 and interest, that is subject of the local area service established under this bylaw, shall be recovered by way of a parcel tax under Division 4 of Part 7 of the *Community Charter* imposed only within the Local Area Service on the basis of a single amount for each parcel;

As an alternative to the preceding cost recovery method, an owner of a parcel within the Local Area Service may elect to pay their portion of the Local Area Service Charge levied for their parcel in the form of a one-time cash payment; and/or;

5.2. The imposition of local area service charges under Section 210 and 194 of the *Community Charter* for the operation of the water treatment plant and distribution that may be set by separate bylaw for the purpose of recovering these costs.

READ A FIRST, SECOND AND THIRD TIME THIS ____ DAY OF ____, 2020.

RECEIVED the assent of the electors of City of West Kelowna on the ____ day of ____, 2020 .

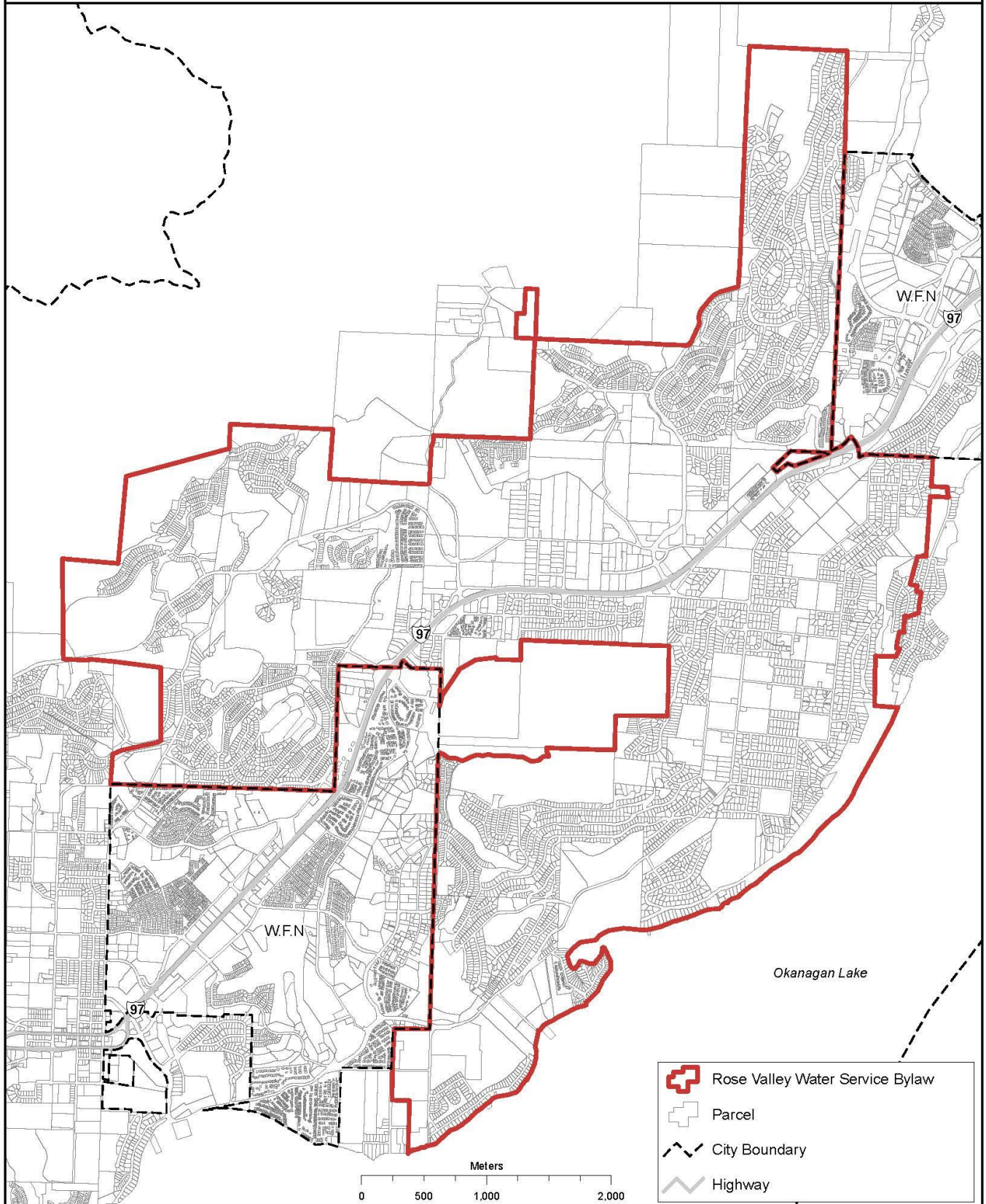
ADOPTED THIS ____ DAY OF ____, 2020.

MAYOR

CITY CLERK



CITY OF WEST KELOWNA - SCHEDULE "A" BYLAW No. 0280



CITY OF WEST KELOWNA

BYLAW NO. 281, 2020

A BYLAW TO AUTHORIZE THE BORROWING OF THE ESTIMATED COST OF
CONSTRUCTING THE ROSE VALLEY WATER TREATMENT PLANT

WHEREAS it is deemed desirable and expedient to construct the Rose Valley Water Treatment Plant; and,

WHEREAS the estimated cost of constructing the Rose Valley Water Treatment Plant including expenses incidental thereto is the sum of \$75,000,000 of which the sum of \$23,500,000 is the amount of debt intended to be borrowed by this bylaw; and,

WHEREAS the borrowing proposed by council initiative in accordance with sections 217 (1)(b) and 213 of the *Community Charter*, and no sufficient petition against the Rose Valley Water Treatment Plant or the borrowing has been received by Council within the required timeframe;

NOW THEREFORE, the Council of the City of West Kelowna in open meeting assembled enacts as follows:

1. Title

This Bylaw may be cited as the "CITY OF WEST KELOWNA ROSE VALLEY WATER TREATMENT PLANT LOAN AUTHORIZATION BYLAW NO. 281, 2020."

2. The Council is hereby empowered and authorized to undertake and carry out or cause to be carried out the construction of the Rose Valley Water Treatment Plant generally in accordance with general plans on file in the municipal office and to do all things necessary in connection therewith and without limiting the generality of the foregoing:
 - a) To borrow upon the credit of the Municipality a sum not exceeding \$23,500,000.
 - b) To acquire all such real property, easements, rights-of-way, licenses, rights or authorities as may be requisite or desirable for or in connection with the construction of the Rose Valley Water Treatment Plant.
3. The maximum term for which debentures may be issued to secure the debt created by this bylaw is 25 years.

READ A FIRST, SECOND AND THIRD TIME THIS ____ DAY OF _____, 2020.

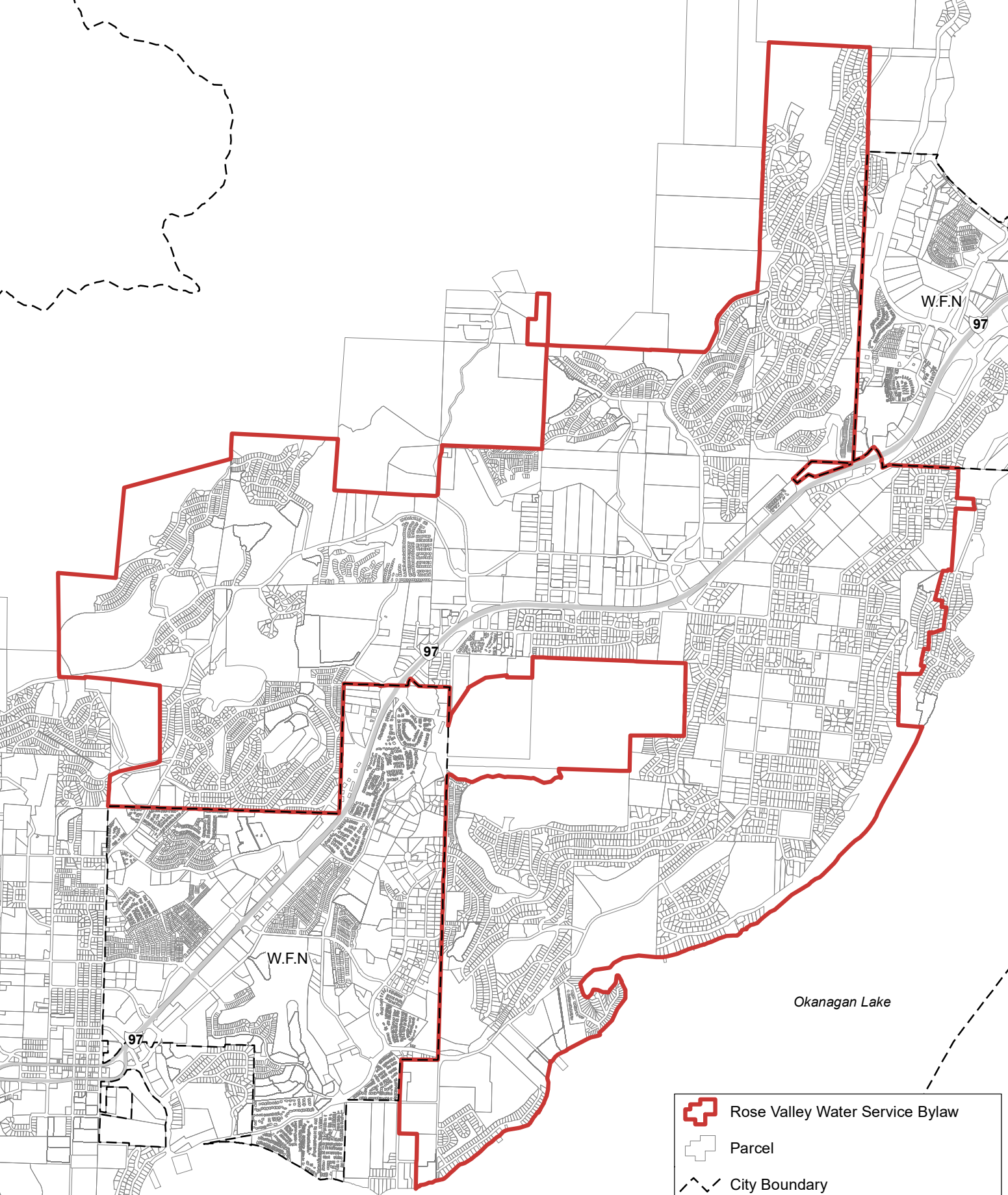
RECEIVED the approval of the Inspector of Municipalities this ____ DAY OF _____, 2020.


RECEIVED the assent of the electors of City of West Kelowna on the____day of _____, 20.


ADOPTED this ____ DAY OF _____, 2020.


MAYOR


CITY CLERK



 Rose Valley Water Service Bylaw

 Parcel

 City Boundary

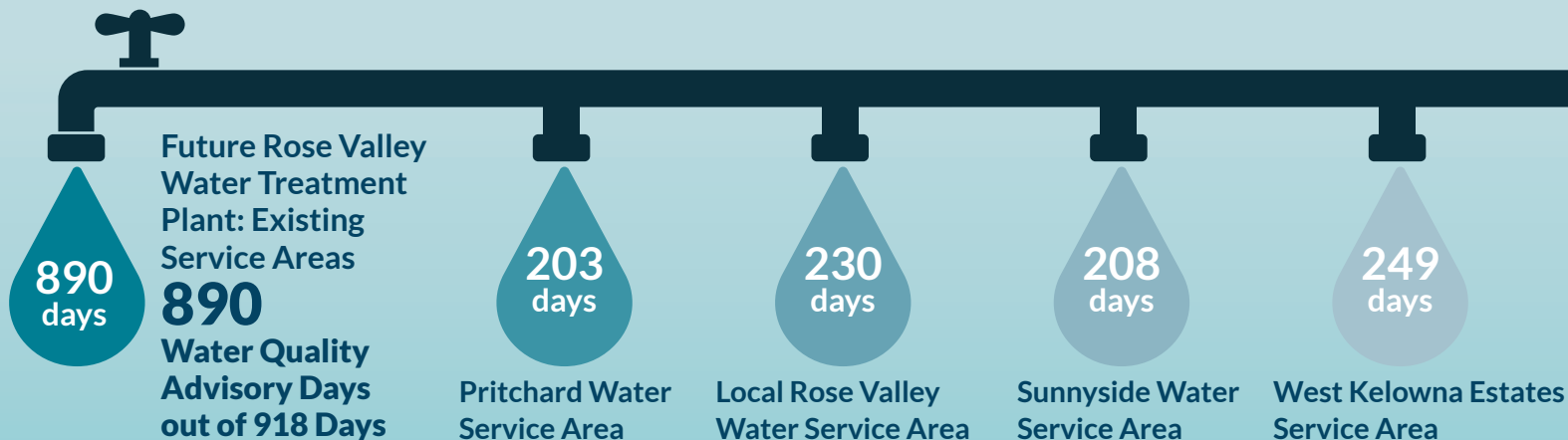
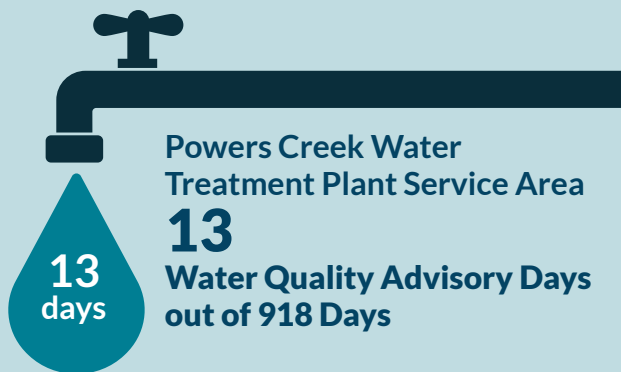
 Highway

IT'S ALL ABOUT WATER!

Did You Know?

There were **890** combined water quality advisory days out of 918 days in the future Rose Valley Water Treatment Plant service area (2018 through June 2020).

Clean, safe and reliable water is in the works!



Stay connected with us as we move forward!



@westkelownacity



@cityofwestkelowna

Page 17 of 29



www.westkelownacity.ca



INVEST IN
INFRASTRUCTURE

IMPORTANT UPDATE ABOUT YOUR WATER!



Moving forward to deliver clean, safe and reliable drinking water to our future Rose Valley Water Treatment Plant users

How Rose Valley Water Treatment Plant Users Pay in 2022

Property owners in the future Rose Valley Water Treatment Plant (RVWTP) area currently pay \$116 per year in preparation for the plant. We need to reach \$150 per year in 2022. After the \$34 increase, there will be no further annual increases to design, build and finance the plant. That annual amount of \$150 would then pay for the plant over the recommended long-term borrowing period.

It's not about whether the RVWTP plant will be built. It's about the best option to pay for water service.

WHAT'S THE BOTTOM LINE?

The water rate increase by 2022 will be no more than \$34 per property from what future RVWTP users pay today.



RECOMMENDED OPTION

✓ **Long-Term Borrowing**

- 💧 Users pay \$116 per year today
- 💧 Users will pay \$150 per year by 2022 (an increase of \$34 over two years)
- 💧 That annual \$150 per year will cover the cost to design, build and finance the plant over the long-term borrowing period with no further increases

LIKE THIS OPTION?

Do nothing until we contact you in 2022.

Page 18 of 29



INVEST IN
INFRASTRUCTURE

EXAMPLE



RECOMMENDED OPTION: LONG-TERM BORROWING



On July 14, 2020, City Council voted in favour of pursuing long-term borrowing using an 'up to' financing model. This means the City only borrows what it needs, and only when it's needed, beginning in 2022.

Securing the financing today that allows the City to draw the funds in 2022 will ensure the costs are covered for the remaining part of construction activity. To retain Federal and Provincial Canada Infrastructure Grant funding of \$41 M, and to prevent cost escalation, the City must determine the desire of future RVWTP users about how to pay well in advance of 2022.

WHAT HAPPENS NEXT?

This update is to provide advanced notice that the process is getting underway, and to watch for more information well in advance of 2022.

The City is undertaking a legislative process (by mail) called a Council Initiative – Subject to Petition Against. This is to determine from RVWTP property owners if they agree with the recommended long term borrowing. If they agree, there is no action required. If they do not agree, property owners would sign the counter petition against form and return it to the City within a 30-day period.

Alternatives, such as short-term borrowing (e.g. 5-year or 1-year), do not require property owner approval and would result in higher repayment terms. Council would like to understand if RVWTP users are opposed to the recommended option to pay for their water service (with the option to pay it out early).

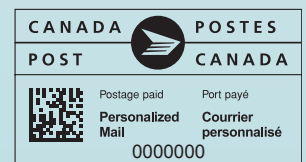
Watch your mail for more information in the coming weeks visit online at westkelownacity.ca/rvwtp and subscribe to receive timely e-updates.

It's about how to pay, not if the plant is being built!

Note: water users of Powers Creek and WFN water systems are not affected by this initiative.

How We Cover The Costs

Grant Funding	\$41 M
City Water Reserve	\$4.4 M
Eligible DCC's	\$6.1 M
Borrowing – up to	\$23.5 M
<hr/>	
Project Value – up to	\$75 M



CUSTOMER NAME
CUSTOMER ADDRESS
CITY PROVINCE POSTAL CODE

EXAMPLE



Project Update

ROSE VALLEY WATER TREATMENT PLANT

QUESTIONS AND ANSWERS (Q&A)

DRAFT EXAMPLE (as of July 13, 2020)

Current Project Status

IS THE ROSE VALLEY WATER TREATMENT PLANT (RVWTP) BEING BUILT?

Yes! Early works construction began in spring 2020 that includes excavation, blasting, roadworks, utilities and other other site works. The remaining significant tender to be issued late summer 2020 also remains on schedule, which includes foundation and facility work, mechanical and electrical, pipe and pump station construction and other heavy construction activity.

The plant is scheduled to go into operation in summer 2022 when construction is completed.

Today, it's about how we pay for the plant, not whether the plant will be built.

WHERE IS THE RVWTP LOCATED?

The plant is located on a 24-acre portion of City-owned land at 2010 Bartley Road in the Rose Valley area of West Kelowna.

WHAT IS THE COST BREAKDOWN FOR THE PLANT?

Grant Funding: \$41 million Federal and Provincial Canada Infrastructure Grant

City Reserve: Currently \$4.4 million

Eligible Development Cost Charges (DCCs): \$6.1 million

Borrowing: Up to \$23.5 million (borrow only what's required beginning in 2022)

The total project value is based on a not-to-exceed model of up to \$75 million.

HOW CAN THE COSTS BE REDUCED?

These factors may also reduce the final costs of the project:

- **Construction costs are lower with an increased competitive market** – staff have now established a pre-qualification process for the second tender to allow for greater cost competitiveness with interested construction companies. Since the economic slow-down with COVID-19, the market has responded favourably with lower unit pricing on other capital projects in the city and across the region.
- **Anticipated water rate increases may be lower** – West Kelowna is receiving continued development applications (despite COVID-19) in the RVWTP area where new users will pay into the new system. This is expected to reduce the amount that users will pay in 2022 along with any property owners who wish to pay a lump sum in 2022. Additionally, with construction costs decreasing and if the City is successful in receiving a grant for water system interconnections, the City would borrow less. This means that despite previous project cost escalation (new land, updated design, increased pumping stations etc), the amount users would pay starting in 2022 may be lower with more new residents sharing the cost.
- **Shifting the debt payment into a parcel tax in 2022 for RVWTP users** – by simply shifting the water rate debt payment (\$150) portion into a parcel tax, qualifying residents can defer the \$150 as many do with their taxes (staff are also looking into this for existing Powers Creek water users). This would allow our community to have greater flexibility with payment options.

WHO WILL THE PLANT SERVE WHEN IT OPENS IN 2022 AND IS THERE AN AREA MAP?

The plant will serve the following areas:

- Prichard Water Service Area
- Local Rose Valley Water Service Area (Lakeview Heights)
- Sunnyside Water Service Area
- West Kelowna Estates Water Service Area

As of July 2020, the RVWTP local service area accounts for nearly 8,350 parcels (properties). When the plant goes into operation in 2022, there will be two years of additional properties from new development that will also pay into the cost of the plant.

The local area service GIS map is on the City's RVWTP webpage at www.westkelownacity.ca/rvwtp. Property owners can input their address to determine if they are in the RVWTP local service area.

WILL THE RVWTP NEARLY ELIMINATE THE REPEATED WATER QUALITY ADVISORIES?

Yes! For example, the Powers Creek Water Treatment Plant users experienced only 13 water quality advisory days out of 918 days (2018 through June 2020). Those 13 days were for rare events such as a contractor striking our water main.

Without a water treatment plant, the Pritchard, local Rose Valley (Lakeview Heights), Sunnyside and West Kelowna Estates local water service areas had a combined 890 water quality advisory days out of 918 days.

The RVWTP is also a critical infrastructure asset to meet Interior Health Authority's (IHA) mandate that all domestic systems must meet Canadian Drinking Water Standards by 2025.

ARE ANY PROPERTY OWNERS IN THE POWERS CREEK WATER TREATMENT PLANT SYSTEM OR WESTBANK FIRST NATION WATER SERVICE AREAS AFFECTED?

No. This only applies to future RVWTP local service area users.

IS THE PROJECT AHEAD OF THE ORIGINAL TIMELINE?

Yes. Initial planning for this project was planned for 2021 with completion in 2025. Early works construction has begun and the plant is scheduled to be in operation in summer 2022.

WHAT ARE THE NEXT STEPS AND TIMING FOR THE PROJECT?

In July 2020, if Council endorses establishing a Local Service Area (LAS) and proceeding with a Loan Authorization Bylaw that recommends long term borrowing, staff would proceed with a 'Council Initiative – Subject to Petition Against' process this summer (2020).

This is a legislative, mail-in petition against process to determine if at least 50 per cent of all RVWTP property owners representing at least 50 per cent of the local service area value are opposed to the LAS and long term borrowing.

This is not a vote against the RVWTP being built. It's about how users pay for it (long-term borrowing, short-term borrowing or lump sum payment).

The Council Initiative – Subject to Petition Against is a *Community Charter* tool that, in this case, would be used for RVWTP property owners to sign and submit a form to the City within the defined mail-in period (30 days). If less than either 50 per cent criteria is met, staff would recommend to Council that the LAS and long term borrowing should proceed.

If long term borrowing does not proceed, Council would evaluate other options in early fall, such as short term borrowing or lump sum payment, in order to ensure the City provides clean, safe and reliable drinking water to RVWTP local area users by 2025.

Project Cost

WHAT IS THE 'NOT TO EXCEED' COST ESTIMATE OF THE PLANT?

The total project value is based on a not-to-exceed model of up to \$75 million (2022 dollars). This includes a \$41 million Federal and Provincial Canada Infrastructure Grant that expires in 2022; City reserve funds of \$4.4 million; eligible DCC's \$6.1 million; and borrowing up to \$23.5 million (borrow only what's required beginning in 2022).

WOULD RVWTP RESIDENTS AND BUSINESSES PAY THE SAME FOR THE DESIGN, BUILD AND FINANCING OF THE PLANT?

Yes. While most residential properties are one parcel, many business and agricultural properties are made up of multiple parcels and therefore will be paying per parcel.

WHAT IS THE AMOUNT THAT THE CITY NEEDS TO BORROW AND WHY?

The City is using a 'not to exceed' framework and will secure the financing of up to \$23.5 million once borrowing is required in 2022. Borrowing is required that ensures the costs to design, build and finance the plant are covered using the lowest impact method to the community as possible.

WHERE DOES THE CITY BORROW FROM?

Local governments in BC, including the City of West Kelowna, borrow through the Municipal Finance Authority (MFA). This organization was created in 1970 and exists to provide long-term debt issuance

under a collaborative borrowing model. This model allows member municipalities to realize economies of scale, thus minimizing borrowing costs over the short and long term.

DOES BORROWING NEGATIVELY AFFECT THE CITY'S FINANCIAL STATUS

No. West Kelowna has used the borrowing facilities provided by the Municipal Finance Association (MFA) in the past and is planning to borrow under this structure for the RVWTP. The estimated maximum borrowing is up to \$23.5 million, which would require yearly principal/interest payments of approximately \$1,252,800 per year. This amount is well within the City's capacity to service its borrowing commitments.

The MFA calculates the liability-servicing limit to be 25% of a local government's revenues from the previous year. This means the City of West Kelowna will only be at 28% of its borrowing capacity, which includes the RVWTP project. If Council endorses the borrowing recommendation, the City will still have more than 70% of its borrowing capacity remaining.

The estimated \$23.5 million loan is calculated before taking into account the taxpayer's option of paying a commuted value up front and avoiding interest. The City's planning for borrowing anticipates offering a one-time commuted value of \$2,815 (estimated in 2022) paid up front thus reducing the total borrowing required.

The yearly payments of \$1,252,800 has been estimated under a conservative 25-year rate structure (2.58%). In reality, the loan would be initiated with a ten-year term and then renewed in five-year segments. This provides options for debts to be paid down early if the opportunity exists but also potentially provides for lower interest rates at each renewal. Currently the ten-year rate sits at 1.8%, which would save City of West Kelowna taxpayers almost \$200,000 per year.

DOES THE CITY REQUIRE PUBLIC CONSENT TO BORROW FUNDS?

For long term (25-year) borrowing, yes.

For short term (5-year) borrowing, no.

However, short term borrowing means that property owners would pay a higher interest rate and annual capital cost over five-years as opposed to long-term borrowing (yet with the option to pay it out in 2022).

Council would like to hear from RVWTP local service area property owners if they are opposed to recommended long term borrowing. Even with long term borrowing, property owners will have the option to pay out the \$2,815 in 2022 if they prefer to pay a lump sum.

WHAT OPTIONS ARE BEING CONSIDERED BY COUNCIL FOR USERS TO PAY FOR THE PLANT?

Council will be considering the three options below at the Council meeting on July 14, 2020.

Recommended Option: 25-year borrowing (existing \$150 water utility in 2022 becomes a parcel tax and paid down over the borrowing period)

This option includes a Subject to Petition Against process with RVWTP LAS property owners determining if there is sufficient petition against the recommended long-term borrowing. Property owners could also pay out the \$2,815 in a lump sum in 2022, or repay long-term through the annual parcel tax.

Alternative Option: 5-year borrowing

This option means that RVWTP LAS property owners would pay approximately \$600 per year over five years to repay the short-term borrowing. Property owners could also pay out the \$2,815 in a lump sum in 2022, or replay through the 5-year term.

Alternative Option: Lump sum payment of \$2,815 in 2022 with no option to pay monthly or annually.

HAS THE ANTICIPATED COST INCREASED SINCE THE ORIGINAL PLAN?

Yes, for now. Based on factors such as new land purchase and designed to site elevations, additional pump/lift stations, environmental compliance measures, increased utility connections, inter-connections for the Sunnyside and West Kelowna Estates water systems are included. Several factors previously mentioned may decrease the actual cost of the plant in 2022 versus the anticipated cost today.

WHY DOES THE RVWTP COST MORE THAN THE POWERS CREEK WATER TREATMENT PLANT?

The Powers Creek Water Treatment Plant went into operation in 2007, and those users continue to pay for the plant through long-term borrowing today. Since 2007, design and construction costs have naturally increased, inflation has increased, cost for land acquisition and site elevations differ, size and function of each plant differ, terrain with specific requirements and other factors result in increased cost.

WILL THE POWERS CREEK WATER TREATMENT PLANT USERS BE ABLE TO MOVE THEIR REMAINING DEBT FROM THE WATER UTILITY BILL THEY RECEIVE TO A PARCEL TAX, TOO?

This may be possible for the Powers Creek users. Staff are reviewing this and will provide an update once confirmed later this year.

WILL NEW COMMUNITY GROWTH IN THE RVWTP AREA BE SERVICED FROM THE NEW PLANT?

Yes. The RVWTP will have the capacity to increase from a 70ML/d plant to a 115ML/d plant for future growth planning. New users will also pay into the system once they become property owners in the RVWTP local service area.

Council Initiative - Subject to Petition Against

WHAT IS A 'COUNCIL INITIATIVE – SUBJECT TO PETITION AGAINST' PROCESS AND WHY IS IT BEING USED?

The *Community Charter* as part of the Local Government Act allows municipalities to use legislative tools to determine support or opposition for initiatives such as borrowing. The tools being recommended is a Council Initiative – Subject to Petition Against for establishing the RVWTP local area service (LAS) and to borrow up to \$23.5 million beginning in 2022.

With the social distancing restrictions during COVID-19, this mail-in method will provide Council with an understanding if there is sufficient petition against long-term borrowing. The mail-in petition process is a 30-day duration beginning from the date of the second statutory newspaper ad, which is anticipated to occur in August/September 2020.

The community will be kept informed about each step of the process through the City's print, electronic and community relations tools and methods. And, more specifically, RVWTP LAS property owners will be receiving a counter petition package in the mail with instructions about what to do, when, how, next steps and how to connect with staff for guidance through the process.

This method would require at least 50 per cent of all RVWTP parcel owners representing at least 50 per cent of the local service area property value to sign and submit the written Petition Against Form to the City within the 30-day period.

Based on the process outlined below, staff anticipate undertaking the 30-day response period in August/September 2020.

WHO DOES THE COUNTER PETITION AGAINST PROCESS APPLY TO?

Only the RVWTP Local Area Service (LAS) property owners in the Pritchard, Local Rose Valley (Lakeview Heights), Sunnyside and West Kelowna Estates area comprised of approximately 8,246 properties (as of July 2020). Please refer to the interactive GIS map on the RVWTP webpage at www.westkelownacity.ca/rvwtp.

WHAT ARE THE STEPS AND TIMELINE WITHIN A COUNTER PETITION PROCESS?

The process takes approximately 13 – 15 weeks to complete. Please visit the RVWTP webpage for an outline of the major steps at www.westkelownacity.ca/rvwtp.

If endorsed by Council, the process would begin in mid-July, with the Subject to Petition Against 30-day period anticipated during August/September 2020.

IF RVWTP PROPERTY OWNERS PREFER THE RECOMMENDED LONG-TERM BORROWING OPTION, WHAT SHOULD THEY DO?

There is no action required. The Subject to Petition Against package can be discarded once it arrives in the mail. Only if any RVWTP Local Area Service (LAS) property owners are against long-term borrowing would they sign and submit the Petition Against Form within the 30-day period.

IF RVWTP PROPERTY OWNERS DO NOT PREFER THE RECOMMENDED LONG TERM BORROWING OPTION, WHAT HAPPENS NEXT?

If at least 50 per cent of property owners representing at least 50 per cent of RVWTP property owners sign and submit the Petition Against Form to object to long-term borrowing, then all property owners would be at risk for an alternative financing option and the long term borrowing option would no longer be used. This means that Council would consider other options, such as short term borrowing (e.g. 5-years or one lump sum) to pay for the design, construction and financing of the plant when it opens in 2022.

Payment Options

IF LONG TERM BORROWING IS THE PREFERRED BORROWING OPTION, WHAT ARE THE WAYS TO PAY IN 2022?

The \$150 annual water rate fee will be removed from your annual water bill and transferred into a parcel tax. The total of \$2,815 can be paid out all at once in 2022, or you can keep the \$150 on your

annual taxes for the duration of the borrowing period (25-years). This option also allow those who are eligible to defer this tax.

IF LONG TERM BORROWING IS APPROVED, CAN I KEEP THE \$150 ON MY WATER UTILITY BILL AND PAY IT QUARTERLY?

No. The \$150 will be removed from RVWTP Local Area Service (LAS) property owners and moved into an annual parcel tax in 2022. Property owners can pay out the total (\$2,815) in 2022 only, instead of using the long term borrowing method.

IF LONG TERM BORROWING IS NOT THE PREFERRED OPTION, WHAT HAPPENS NEXT?

Council would consider other options, such as short-term borrowing (e.g. 5-year). This method is not recommended as it requires RVWTP property owners to pay through a shorter term. If long-term borrowing proceeds, property owners will still have the option to pay the \$2,815 (estimated) in one lump sum in 2022 to avoid interest.

IF I WANT TO PAY THE LUMP SUM, CAN I ONLY DO THIS IN 2022?

Yes. If RVWTP Local Area Service (LAS) property owners would like to pay out the \$2,815 (estimated) in a one-time payment, this can be done in 2022 only.

WHAT'S THE BENEFIT OF PAYING A LUMP SUM IN 2022?

For those staying in their homes long-term and/or who may not want to use the long-term repayment option, paying a lump sum (available in 2022 only) may fit better with their financial situation. The lump sum option may also be attractive to prospective home buyers in the event RVWTP property owners sell their home during the borrowing period, as the debt will already have been paid out.

CAN THE POWERS CREEK WATER TREATMENT PLANT USERS TRANSFER THEIR REMAINING LONG TERM BORROWING REPAYMENT INTO A PARCEL TAX, TOO?

This may be possible and City Finance staff anticipate having this information later this year.

WHERE CAN I FIND INFORMATION ABOUT WHAT MY CURRENT WATER UTILITY BILL INCLUDES?

Pie charts outlining the planned annual water rate increases are on the RVWTP webpage of the City's website at www.westkelownacity.ca/rvwtp. Future Infrastructure, for example, covers the delivery of water pipe infrastructure, pumps, interconnections, and more. This is a different deduction than what future RVWTP property owners have been paying into (Debt Financing), and Water Consumption (which is based on how much water is used on each property). The City continues to build its reserves to add new and replace existing infrastructure as we do with our sewer systems.

Historical Context

WHAT COUNCIL PRIORITY DOES THE RVWTP PRIMARILY REPRESENT?

The RVWTP is Council's top priority project and supports the *Invest in Infrastructure* pillar.

WHAT WERE THE DIFFICULTIES WITH SECURING A SITE LOCATION?

Finding a site that was downstream from the Rose Valley Dam, above the existing residential development areas, and available for purchase provided significant challenges. Once a suitable site was selected, as with any real estate transaction, it took time to finalize the land purchase.

Historical flooding in 2017 and 2018 also occupied City resources for emergency response and recovery. The City was required to purchase land for the new plant because efforts to acquire a Crown land grant in a timely fashion were unsuccessful.

IS IT IMPERATIVE TO BUILD THE RVWTP NOW?

Yes. The Rose Valley Water Service Area needs a treatment plant to comply with the provisions of the provincial Drinking Water Treatment Objectives for Surface Water Supplies in BC, and to meet Interior Health's condition of permit to operate a water system. Also, the funding assistance is here now, thanks to \$41 million in joint funding from the governments of Canada and British Columbia.

WHY DOES THE ROSE VALLEY WATER SERVICE AREA NEED A NEW WATER TREATMENT PLANT?

The current water distribution system is inefficient and does not adequately disinfect the water to meet Provincial and Federal Drinking Water Standards. Right now, water can still be cloudy and boil water advisories are still needed. With the new water treatment plant, clean filtered water will be distributed to residents all year.

The new plant will also update an outdated water distribution system. The Rose Valley Water Service Area currently uses three different systems, supplying water to residents from different intakes on Okanagan Lake, or Rose Valley Reservoir. The new system will supply filtered water efficiently from one protected source - the Rose Valley Reservoir.

CAN THE MONEY IN RESERVES FOR GENERAL MUNICIPAL INFRASTRUCTURE SUCH AS FACILITIES, ROADS, PARKS AND SIDEWALKS BE USED TO OFFSET THE COSTS?

No. Taxes are collected from all taxpayers and invested in programs, operations, infrastructure and general municipal reserves that benefit the city as a whole, whereby everyone has the opportunity to benefit from the investment. In contrast, user fees are collected from customers of a particular service – in this case water - and then invested in programs, operations, infrastructure and general reserves that benefit those who use the system.

A hydro utility works in much the same way, for example. In the same respect, when the Powers Creek Treatment Plant was completed in 2007, general taxation from West Kelowna residents living outside the water system was not be used to pay for the facility. However, other West Kelowna residents could have chosen to pay higher user fees at the time to build water treatment plants for their individual systems and did not. As climate now changes, and weather and conditions in the watershed affect the quality of water, residents are seeking plants that provide multi-barrier treatment and the costs of building these facilities are much higher than they were when Powers Creek Water Treatment Plant construction started 15 years ago.

WILL THOSE LIVING ON WESTBANK FIRST NATION (WFN) LAND BE ABLE TO JOIN CITY WATER SERVICES IN THE FUTURE?

Yes, this would be possible and the City will continue its collaboration with WFN in the years ahead.

CAN OUR WATER COME FROM OKANAGAN LAKE?

Yes. However, the Water Utility Master Plan determined that this option would be less affordable in terms of the cost to acquire the lakeside land and build the plant and due to higher annual operating and maintenance costs. Most of the Rose Valley Water local service area is located on hillsides, and it is neither economically nor environmentally feasible to pump large volumes of water uphill. To best serve all of the properties in this service area, water will flow primarily downhill from Rose Valley Reservoir into the existing distribution systems.

NEED MORE INFO?

CALL THE CITY OF WEST KELOWNA AT 778.797.1000 AND OUR STAFF WILL GUIDE YOU THROUGH THE PROCESS.

PLEASE SUBSCRIBE TO RECEIVE IMPORTANT PROJECT E-UPDATES AT WWW.WESTKELOWNACITY.CA/SUBSCRIBE.

TO FUTURE ROSE VALLEY WATER TREATMENT PLANT USERS

Did You Know?

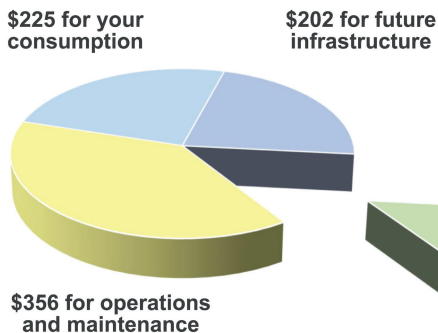
The cost to design, build and finance the Rose Valley Water Treatment Plant (RVWTP) would result in no more than a \$34 increase from what users pay today.

As part of the annual water rate bylaw for the next two years, a small water utility rate increase once per year, in planned increments, will cover the costs:

- The 2021 increase would be \$13 for a total of \$129.
- The 2022 increase would be \$21 for a total of \$150.
- In 2023, no further increases would be needed for design, construction and financing the plant.

Balancing Out the Costs

From Water Rates



To Parcel Tax



The \$150 debt payment would then be shifted from the water utility bill into a parcel tax to allow for tax deferment options.

When the City seeks approval to borrow this summer, the cost to future water treatment plant users would be no more than \$34 from what they pay today.

More information will be posted and mailed in the coming months, but please contact us with any questions!

We also ask that you subscribe to our e-notification system to receive news updates on the RVWTP project directly to your email. Please consider signing up today at westkelownacity.ca/subscribe.

CONNECT WITH US

2760 Cameron Road, West Kelowna, BC V1Z 2T6
T: 778.797.1000 | F: 778.797.1001 | E: info@westkelownacity.ca