



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.