



# STAFF REPORT TO COMMITTEE

**DATE OF REPORT** October 5, 2023  
**MEETING TYPE & DATE** Electoral Area Services Committee of December 20, 2023  
**FROM:** Utilities Division  
Operations Department  
**SUBJECT:** Sewer System Establishment Bylaw Amendments  
**FILE:** 3900-30

## **PURPOSE/INTRODUCTION**

The purpose of this report is to recommend bylaw amendments to increase the maximum annual tax requisition limits and to incorporate property tax valuation as an additional basis for requisition for the Mill Springs, Cobble Hill Village and Lambourn Estates Sewer systems.

## **RECOMMENDED RESOLUTION**

That it be recommended to the Board:

1. That CVRD Bylaw No. 3711 – Mill Springs Sewer System Establishment bylaw, 2013, be amended to increase the maximum annual requisition limit from \$137,000 to the greater of \$171,250, or an amount that equals the amount raised by applying the property value tax rate of \$0.53718 per \$1,000 to the net taxable value of land and improvements in the service area.
2. That CVRD Bylaw No. 4205 – Cobble Hill Village Sewer System Establishment bylaw, 2018 be amended to increase the maximum annual requisition limit from \$160,000 to the greater of \$200,000, or an amount that equals the amount raised by applying the property value tax rate of \$1.11553 per \$1,000 to the net taxable value of land and improvements in the service area.
3. That CVRD Bylaw No. 3052 – Lambourn Estates Sewer System Establishment bylaw, 2008 be amended to increase the maximum annual requisition limit from \$39,000 to the greater of \$48,750, or an amount that equals the amount raised by applying the property value tax rate of \$0.29697 per \$1,000 to the net taxable value of land and improvements in the service area.

## **BACKGROUND**

**Mill Springs Sewer:** The current requisition is not at the maximum allowed but was last increased in 2018. This service area increased by 30 properties in 2023, and is proposed to expand by an addition of approximately 60 properties in 2024, with further development expected following inclusion. By increasing the maximum requisition and adding the incorporated property tax valuation as an additional basis for requisition, this sewer system will be able to maintain its financial viability.

**Cobble Hill Village Sewer:** The current requisition is not at the maximum allowed but has not been increased since establishment in 2018. It is proposed to expand by an addition of several properties in 2024, with further development expected following inclusion. By increasing the

maximum requisition and adding the incorporated property tax valuation as an additional basis for requisition, this sewer system will be able to maintain its financial viability.

**Lambourn Estates Sewer:** The current requisition is at the maximum allowed and was last increased in 2018. It is proposed to expand by an addition of several properties in 2024, with further development expected following inclusion. By increasing the maximum requisition and adding the incorporated property tax valuation as an additional basis for requisition, this sewer system will be able to maintain its financial viability.

As asset renewal projects are imminent, an increase in the requisition will be required for most utility systems. Most service areas grow and expressions of interest to join the service area have been received. Adding new parcels to a service area where the requisition limit has been reached causes individual parcel taxes to drop. Often user fees are then increased to cover the necessary cost of service. To help address this issue, staff recommend that the method of establishing the requisition limit be changed from a flat ‘cap’ to a limit that incorporates a property value tax rate. By adding this recovery method via assessed values, the Local Government Act 349 (3) requires a change to be approved by the Inspector of Municipalities.

### **ANALYSIS**

To address the cost of providing the services, a higher requisition limit is required.

Using a requisition limit based on the assessed value of property provides greater flexibility to address increases to the cost of providing services or service area expansions. The Board retains control over the amount that is to be requisitioned annually through the budget process.

Parcel taxes will continue to be charged for these services, but with this amendment, the parcel tax will not have to be reduced as new properties join the service area and costs of providing the service increase.

Staff also recommend minor housekeeping/wording changes to update outdated legislative references.

### **FINANCIAL CONSIDERATIONS**

**Mill Springs Sewer:** The annual cost of providing this sewer service is recovered by user fees of \$376 per year and parcel tax of \$407. The maximum parcel tax requisition has been \$137,000 for Mill Springs or \$509, based on 269 customers. We are expecting approximately 96 additional customers to join this service area.

The proposed new maximum is \$171,250 or \$637 per home based on 269 customers. 30 homes have already requested inclusion with an additional 60 properties in cue. An increase and property value tax rate are critical in order to maintain parcel taxes at the same rate per customer.

At the time of this report:

- Operating Reserves are fully committed for the current sewer upgrade project (Reserve range is \$40,000-\$80,000).
- Capital reserves are at \$0.
- Mill Springs pays no retroactive allocation adjustment.
- There is currently no debt for this service.

### **Short- and Long-term Asset Requirements**

The wastewater treatment plant has been completely re-built and expanded. The collection systems and disposal/recharge lands require expansion to accept the new customers. This work is currently underway.

**Cobble Hill Village Sewer:** The annual cost of providing this sewer service is recovered by user fees of \$500 per year and parcel tax of \$500. The maximum parcel tax requisition has been \$160,000 for Cobble Hill or \$941, based on 170 customers. We are expecting approximately 30 additional customers to join this service area.

The proposed new maximum is \$200,000 or \$1,177 per home based on existing 170 homes. A development with more than 30 proposed homes is in cue. An increase is therefore required in order to maintain parcel taxes at the same rate per customer.

At the time of this report:

- Operating Reserves are \$4,312 (Reserve range is \$34,000-\$67,000).
- Capital reserves are at \$0.
- Cobble Hill pays a retroactive allocation adjustment of \$723 until 2024.
- There is currently no debt for this service.

#### Short- and Long-term Asset Requirements

The wastewater treatment plant has been expanded. The collection system is proposed to expand to accept the new customers.

**Lambourn Estates Sewer:** The annual cost of providing this sewer service is recovered by user fees of \$668 per year and parcel tax of \$269. The maximum parcel tax requisition has been \$39,000 for Lambourne Estates or \$269, based on 146 customers.

The proposed new maximum is \$48,750 or \$334 per home based on existing 146 homes. An increase is required because this system has been at maximum requisition for several years and several properties are proposed to join.

At the time of this report:

- Operating Reserves are \$9,908 (Reserve range is \$20,000-\$50,000).
- Capital reserves are at \$17,675.
- Lambourn pays a retroactive allocation adjustment of \$6,213 until 2024.
- Long term debt for treatment plant upgrades totals \$7,434 annually until 2030.

#### Short- and Long-term Asset Requirements

The collection system for this sewer is aging and requires inflow and infiltration repairs, due to the high flows in winter months.

#### **COMMUNICATION CONSIDERATIONS**

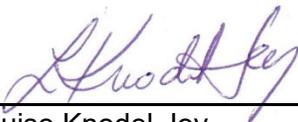
Not applicable.

**STRATEGIC/BUSINESS PLAN CONSIDERATIONS**

The Corporate Strategic Plan includes an objective to demonstrate strong fiscal leadership. The recommended resolution provides a reliable essential service.

- Community Services (*Cowichan Community Centre, Cowichan Lake Recreation, South Cowichan Recreation, Arts & Culture, Facilities & Transit*)
- Corporate Services (*Finance, Human Resources, Information Technology, Legislative Services*)
- Operations (*Utilities, Parks & Trails, Recycling & Waste Management*)
- Land Use Services (*Community Planning, Strategic Initiatives, Development Services, Building Inspection & Bylaw Enforcement*)
- Strategic Services (*Communications & Engagement, Economic Development, Emergency Management, Environmental Services*)

Prepared by:



Louise Knodel-Joy  
Senior Engineering Technologist

Reviewed by:



Vanessa Thomson, P. Eng.  
Manager



Darcy Mooney, P. Ag.  
General Manager

Reviewed for form and content and approved for submission to the Committee:

Resolution:

Corporate Officer

Financial Considerations:

Chief Financial Officer