



**RDOS Area “D” Governance Study
Options Sheets
June 2016**

WATER AUTHORITY COLLABORATION

► What is the current system?

Currently there are 15 community water systems within Area “D.” Some of these systems are owned and operated privately, through utilities or strata-owned facilities. Six of the water systems are operated by irrigation or improvement districts. During the governance forums and survey process water was one of the primary issues identified by many communities. Some residents on private water systems thought their systems should be run by a public authority, some residents were concerned about looming costs, others identified the lack of grant funding, and some suggested the need for greater coordination between systems.

Each irrigation or improvement district and water system has its own bylaws, policies, and rates. All systems (private and public) must all comply with Interior Health and the Canadian Drinking Water Protection standards, although there are different regulations for small water systems (serve a population of less than 500) versus those that are larger, as well as regulations that relate to the water source. Four of the water systems in Area “D” are considered large systems – Okanagan Falls, Kaleden, Lakeshore Estates (Heritage Hills) and Apex. Two are irrigation districts, and two are private systems.

While the systems themselves are separate, they share many common tasks, concerns and objectives, including:

- maintaining records of their infrastructure and improvements to assist in assessments and planning;
- reliance upon expertise (some more than others) to assess the system from time to time, and recommend upgrades or changes;
- planning for meeting the Interior Health 4-3-2-1-0 objectives. Large systems should already have a plan to implement those standards; small systems will need to reach those standards over time;

- water sampling and testing (coliform and e. coli as a minimum);
- preparing an emergency response plan;
- preparing source protection plans;
- financial planning for capital replacement and major upgrades;
- educating users about initiatives such as water conservation and restrictions, and cross-connection control for long term water management, and to cope in times of drought.

In addition to these shared roles, interests and objectives, multiple water operators and residents have identified the following issues during the governance forum and survey process:

- lack of access for small water systems to grants or senior government funding;
- limited ability to borrow funds through banks (where available, interest rates are high);
- concern with the level of expertise of water operators;
- difficulty recruiting new trustees, due in part to the time involved, complexities of the operations, and liability concerns;
- liability concerns particularly with respect to water supply and quality issues.

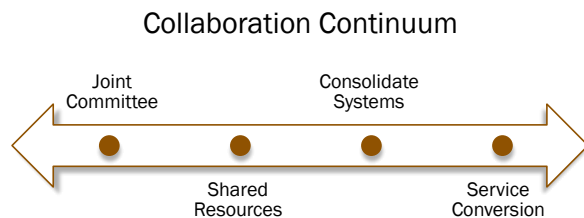
Similar concerns were noted by the consulting engineers in the infrastructure studies undertaken as part of the Area “D1” and “D2” Official Community Plan updates. The infrastructure study for the “D1” area (completed in 2015) recommended, among other items, that water purveyors seek partnerships and take advantage of economies of scale for data collection, inventory storage and management, condition assessments, equipment purchasing, operations and maintenance, and monitoring equipment. It was noted that many water purveyors did not have records with updated infrastructure information, and very few of the systems had records of ongoing costs, a renewal plan or significant reserves in place to prepare for infrastructure

replacement and renewal. The report identified a need for proactive infrastructure management and financing.

This *Options Sheet* therefore explores options for collaboration amongst water authorities. While there has been some discussions and meetings held between water purveyors, there is no requirement or established committee to meet or collaborate. The *Sheet* was created in response to the duplication in the roles of the separate water systems, as well as the issues raised by purveyors, residents and consulting engineers, and the expressed desire to collaborate, share resources, or take advantage of economies of scale.

➤ What are the options?

Collaboration between independent water authorities can consist of everything from informal meetings to discuss topics of shared interest, to consolidation and conversion of multiple systems under one local government authority. The level of collaboration can be viewed as a continuum or spectrum, including some of the options detailed below.



Joint Committee

A committee could be created with representatives from each water system, including the RDOS systems, to discuss topics of mutual interest, undertake joint public information campaigns (water conservation) and perhaps enable operators to understand the issues, common concerns, identify opportunities for shared resources. Water system operators could notify other systems prior to hiring expertise or ordering equipment or supplies, to see if there is an opportunity for undertaking plans together, ordering multiple supplies, etc. Interior Health could also be invited to attend meetings. The idea of a joint committee was also raised in the infrastructure study of water and sewer systems as part of the Area D2 OCP. A committee would not have to be formed by the RDOS; it could be lead by the Interior Health

Authority. The IHA has facilitated some joint meetings in the past (post-Walkerton), but not on an ongoing basis.

One example of a committee is the Kelowna Joint Water Committee (KJWC). The City of Kelowna operates its own water system, but several irrigation districts continue to exist within City boundaries. KJWC was created in 1991 to promote standardization of methods and materials, improve communications and provide an integrated approach to water supply within the City. The irrigation districts were working toward a plan to integrate all systems under the City's ownership. Although the ownership, governance and the plan to integrate and finance the water systems has become highly contentious of late, the KJWC has facilitated collaboration over more than 20 years, and enabled joint planning for groundwater protection, cross connection control, public notification programs, and resulted in harmonized programs for many water utility functions. A water committee created in the RDOS would not have the same mandate to integrate systems, nor the same internal political struggles of being a water authority within a municipal framework, which may reduce some of the political pressures facing the KJWC.

Shared Resources

Water systems could agree to share resources, particularly for aspects of the service that many systems must undertake, such as billings, record keeping or sharing administrators or certified operators. Interior Health noted that there are economies of scale by doing joint source protection plans (particularly for those systems that share a source, such as Kaleden, Skaha Estates and Lakeshore Highlands who all use Skaha Lake). Similarly, water systems also have to have emergency response plans, and while there is a portion of the plan that must reference the specific system, much of that planning could be done together to maximize use of local resources and expertise. One example of sharing resources is on Salt Spring Island, where the North Salt Spring Island Waterworks operates some of the regional district's water systems, as well as multiple other improvement district and private water systems on the Island. Similarly, the RDOS acts as the contract operator for a private system in Area "F" called Sage Mesa. This allows for sharing of the regional district's staff, expertise and professional operations without changes to the governance

framework. Another example of shared resources within Area “D” is that the Okanagan Falls Irrigation District and the Skaha Estates Improvement District use the same administrator.

Consolidating Systems

There are some small water systems that are located adjacent to larger ones, such as Rolling Hills and Sun Valley improvement districts, which are adjacent to Okanagan Falls Irrigation District. Residents may be better served over the long term if some smaller water systems were connected to larger systems, thereby increasing the level of water quality analysis, as well as the financial and administrative capacity to undertake infrastructure upgrades over time. Consolidation may also assist with the burden on the trustees in systems that have a small pool of residents to draw upon, although that could also be addressed through conversion to an RDOS service.

Conversion to RDOS Service

Converting a private water system or irrigation district to a regional district service is an option to provide access to grants and senior government funding, as well as financing through the Municipal Finance Authority (at low interest rates) to help fund infrastructure replacement or upgrades. The Province does not provide grants to irrigation districts as a means of encouraging the transfer of authority to regional districts or municipalities. The Ministry of Community Sport and Cultural Development’s objective and policy is that all improvement and irrigation districts, over time, will be converted to municipal or regional district jurisdiction. However, it is recognized that improvement districts have an important role to play in providing local services to rural areas in the meantime, and the process of change will largely be voluntary.

In addition to access to grants, other benefits of becoming a regional district service include access to expertise and staff to operate the system, shared administration (billings, bylaws, etc.), removal of the liability for the water system from volunteer trustees or board members, and the ability to integrate water system planning and operations in the context of other related regional district services, such as land use planning, fire protection, and other utilities such as sewer and stormwater. There may be efficiencies, for instance, in having shared operators for both sewer and water systems, especially for systems servicing the same

community, given the obvious link between water use and the resulting sanitary volumes. Depending on the desire of the water system board, together with the RDOS, water systems that become RDOS services can be governed by the RDOS Board alone, or supplemented by an advisory water committee or commission with some delegated authority.

There are many examples of individual water systems converting to regional district services. The RDOS currently owns and/or operates five water systems. Within the RDOS one of the more notable conversions was the Naramata Irrigation District. Despite the legacy of a lawsuit against the Irrigation District, the water service was converted to a regional district service in 1995. The system was a combined agricultural and domestic system, and due to one of the sources, was under boil water advisories for many years. The RDOS was able to secure grants and financing for upgrades, and received multiple awards for innovation and best practices for the treatment facility that was commissioned in 2007. The Naramata water system also has a Naramata Water Advisory Committee that was created at the time of conversion to a regional district service.

Greater Vernon Water is an example of a commission that was established to govern multiple water services. Originally created as the Greater Vernon Water Authority in 1994, it was established to merge three existing water utilities (City of Vernon, District of Coldstream and Vernon Irrigation District) into a single governance structure. A utility was created under the Regional District of North Okanagan, and the service was governed through a commission. The service supplies water within multiple jurisdictions, including the City of Vernon, District of Coldstream and water in three electoral areas, as well as supplying bulk water to the Town of Spallumcheen. The commission led the integration and connection of the multiple supply, storage and treatment facilities across the jurisdictions. Although not without its political challenges, the structure has enabled the different jurisdictions to work together toward integrated water supply, treatment and planning.

Like most regional districts, the RDOS has a policy regarding the acquisition of water systems, including the need for full assessment of the infrastructure condition and financial health of the

system prior to any decisions whether to assume responsibility for the system. Although regional districts are there to provide the services desired by residents, they need to assess any system proposed for conversion, and the impacts on local government resources in order to provide residents with estimates of the costs of the service under the regional district. Often systems are offered for conversion precisely because they have not been well maintained in the past, or have insufficient funds to respond to issues. Notably two improvement districts and one private water system in Area “D,” have recently initiated discussions regarding conversion to an RDOS service, and one is now scheduled for conversion in 2017.

➤ **What would be the impact on services?**

The water services will not necessarily change as the result of increased collaboration. Residents may not notice any differences in the water quality or service level. However, changes in practices such as joint planning, shared operators, and even learning about potential issues or solutions from discussions with other systems through a joint committee may improve operations, or create efficiencies that are reflected in costs. Improvements in source protection, water quality, emergency planning or financial planning are rarely noticed by residents, but are key components of a sustainable water service.

The impact of service would be felt, however, by the regional district if it were to assume ownership and/or operations of multiple water systems. Depending on the scale and systems added, the regional district would need to determine what additional staff capacity, if any, would be required. As referenced previously, the regional district requires an independent audit of the water system to be completed prior to agreeing to assume ownership and operation of a water system, including financial status, condition assessment of the infrastructure, required upgrades, etc. Assessment of the condition and required upgrades helps the regional district assess their own staffing needs to ensure the resources are available to address the needs of each individual water system.

➤ **What would the impact be on governance?**

The impact on governance would depend upon the level of collaboration sought by the various water systems. At one end, the creation of a joint advisory committee or sharing of resources has no impact on how the water system is governed, or who makes decisions. If, however, a water system consolidates with another system, or is converted to a regional district service, there would be impacts on how the system would be governed.

In a conversion to a regional district service, the individual Water Board for the improvement or irrigation districts is dissolved. The systems would no longer be governed by local trustees, but rather by the Regional District Board. As part of that conversion process, the RDOS could create an advisory committee for each individual system to provide advice during the transition (or longer term), or could create a broader committee with representatives from each community water system to advise on issues, concerns and priorities. Representatives on the advisory committee act as conduits to share information with their communities, and bring forward community service concerns to the RDOS. The RDOS has created similar committees to advise on individual systems in the past, such as the Naramata Water Advisory Committee. Other water services, such as West Bench, have chosen not to create an advisory committee. The creation of advisory committees does add a cost to the service.

➤ **What would the impact be on cost?**

The financial impacts – either savings or additional costs – of collaboration depend upon what activities are undertaken. At the one end of the spectrum, the creation of a joint committee would involve primarily a time commitment from volunteers, and a modest budget for some staff time and the administrative effort in facilitating meetings. Other efforts may increase the time and effort of staff or volunteers for the increased coordination, but may also realize savings from sharing costs, such as joint source protection plans.

The cost impacts of consolidating water systems will depend on the systems involved. Given the proximity of systems such as the Rolling Hills improvement district system and the Sun Valley Irrigation District there may be potential for consolidating with the neighbouring Okanagan Falls Irrigation District system. The 2011 infrastructure inventory for the OCP noted that

Rolling Hills Improvement District did not have a capital replacement fund, and paid \$375 per year, whereas rates at the neighbouring Sun Valley Irrigation District were almost double that rate, but they had higher power costs, a capital replacement plan and annually contributed to their reserves. As small systems, neither Sun Valley nor Rolling Hills have any water treatment, whereas Okanagan Falls system is a larger water system with chlorination. Combining systems may therefore result in quite different cost impacts for one system over another. Some residents may see a decrease in rates, whereas others will have an increase, but will also benefit from a higher level of oversight (full-time operators), as well as treated water.

Conversion to a regional district service, or contracting the RDOS as an operator of a water system also raises the same concern regarding impacts on water rates and system costs. Each water system has unique needs with respect to quantity, quality, treatment, distribution network, infrastructure upgrades, etc., and within the RDOS, each system continues to have an individual budget that reflects those realities. Regional districts do have some administrative costs for operating services that are not costs of the irrigation districts. Irrigation districts, and in particular smaller systems, rely upon volunteers to undertake many activities that would otherwise be completed by staff at a regional district. Small systems do not require certified operators, and therefore many water systems are run and operated by volunteers, which keeps operational costs low. Regional districts, as local governments, have requirements for Freedom of Information, record keeping, and use a combination of staff and consultants to plan, operate, maintain and administer water systems. The use of advisory committees can also add to the staff time and cost of administering a water system.

In addition to increases in operational costs, often regional districts receive requests to assume ownership and/or operations of water systems that are in poor condition, due to lack of maintenance and upgrades, or that have not collected sufficient funds to establish reserves or prepare for necessary replacement costs. In some cases, increases in costs may be necessary under any governance to sustain the water system due to infrastructure condition, increasing regulations or lack of financial planning.

Despite potential increases in operational costs, given that many systems will need infrastructure upgrades, the regional district can apply for provincial and federal government infrastructure grants to assist in those costs. In addition, the regional district can borrow funds at low rates through the Municipal Finance Authority, and also receives insurance at greatly reduced rates. These grants and loans through the MFA are not available to irrigation districts or private water systems. The grants and low-interest loans help reduce resident costs for capital replacement and upgrades, and enable regional districts to stabilize rates and amortize costs over long periods of time.

If a conversion is approved, the Province can provide Restructure Implementation Grants to cover the majority if not all of the administrative costs associated with the conversion, such as the integration of accounting and billing processes, transfer of files, licences, easements, contracts and equipment. Grants range depending on the size of the water system and the population it serves.

The RDOS currently owns or operates five water systems. Even though each system is unique, and that the users of any given systems are required to pay for their own upgrades for the individual system, the regional district does have the ability to share or pool some costs across all its water systems such as accounting, billings, records management, the purchase of equipment that can apply to multiple systems, and some types of planning processes that may benefit multiple systems. As mentioned previously, the sharing of some costs across multiple systems can have the effect of improving efficiency and minimizing some costs involved with water system operation.

➤ **Share your perspective!**

Increased collaboration between those providing water services in Area “D” is an option that could provide potential operational efficiencies, encourage more consistent standards and practices, reduce the burden on individual systems and volunteers and make better use of local expertise. Ultimately each system must plan for infrastructure renewal and replacement, and the costs of doing so without the assistance of financing or grants can be a significant burden for many systems to undertake. Planning ahead through good asset management and financial

planning practices is an option for some water systems, but becoming a service under the regional district may be a viable option for others in order to gain access to grants and low-cost financing, management of their water system by trained staff and operators, and help to integrate water services with other related planning and services delivered by the RDOS. Each system, which is governed by separate Boards and bodies, must determine the appropriate options given their unique situations and circumstances.

This *Options Sheet* has raised some ideas regarding ways to collaborate on the delivery of water services. Please take a minute to consider the ideas, and the questions below, and provide your feedback on this issue through our survey.

- *Would a joint committee with other Area “D” water systems (or other water systems throughout RDOS) be useful to discuss shared issues of concern?*
- *Are there opportunities to share resources amongst water systems in your area?*
- *Are there efficiencies to be gained through the joint operation or management of water systems?*
- *Can smaller water systems be sustainable, given their lack of access to grant funding or low –interest financing for infrastructure upgrades or replacement?*
- *Is there value in having one authority look after multiple water systems as well as other services such as land use planning and fire protection which are related to water service?*