

REQUEST FOR DECISION REPORT

TO: Committee of the Whole

FROM: Al Radke, CAO

IN COLLABORATION WITH: N/A

SUBJECT: Lund Waterworks District Grant Request

ACTION/RECOMMENDATION

THAT the Committee recommend the Board respectfully deny the Lund Waterworks District request for a Community Works Fund grant and encourage them to seek services from the Municipal Finance Authority, in particular, pooled leasing and short term investment pools.

THAT the Committee recommend the Board write Selena Robinson, Minister of Municipal Affairs and Housing once again to include the following points:

- re-emphasize the cost factor magnitude and who is solely involved in a dissolution of Lund Waterworks District;
 - inform how governance, resources and expertise are negligible in comparison to the monetary considerations;
 - express that the qathet Regional District is on good terms with the Lund Waterworks District regarding a conversion;
 - illustrate the geographical and futuristic challenges regarding a conceptual regional water transmission line;
 - reveal how complicated the situation is with the Environment Quality Program not allowing the stacking of senior government funding, Community Works Fund included;
 - demonstrate how unachievable the immediate financial proposition is based on regional district service delivery legislation and no service establishing bylaw in place;
 - and lastly, request a meeting with her to discuss the matter in greater detail.
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PURPOSE/SUMMARY

To consider a grant request from the Lund Waterworks District.

BACKGROUND

At the regularly scheduled Committee meeting of the Committee of the Whole held on January 18, 2018; the following resolution was adopted by the Committee:

THAT the Committee of the Whole postpone consideration to respectfully deny Lund Waterworks District request for the Community Works grant until a Committee of the Whole meeting in February, subsequent to having a discussion on principles for awarding Community Works funds.

At the regularly scheduled Board meeting of the qathet Regional District held on February 22, 2018; the following resolution was adopted by the Board:

THAT the Board direct staff to amend Policy 3.12 - Community Works Fund Allocation to provide for checklist to determine how funding will be awarded to worthy projects.

At the regularly scheduled Board meeting of the qathet Regional District held on April 26, 2018; the following resolutions were adopted by the Board in-camera and then a subsequent rise and report was made:

THAT the Board write the Minister of Municipal Affairs and Housing emphasizing the cost factor magnitude and who is solely involved in a dissolution of Lund Waterworks District and request a meeting with her to discuss the matter; and

THAT the Chair and CAO be authorized to travel to Victoria, with all reasonable expenses approved, should a meeting be granted.

The Community Works Fund (CWF) is delivered by the province to all local governments in BC through a direct annual allocation. The pool of funding is established through the Gas Tax Fund agreement between the federal government and the province. This particular pool is based on a per capita formula with a funding floor, and delivered twice annually as an automatic grant. The same Gas Tax Fund also establishes pools of grant funding such as the Strategic Priorities Fund which is accessed on a competition basis.

Resolutions B74 - Water Improvement Districts and B77 - Eligibility to Access Federal Gas Tax Funding were both presented to the assembly at the September 2017 UBCM Convention. One speaks directly to water improvement districts and the other to not-for-profits involved with purveying potable water. But the purpose of each was to request that the provincial government open up infrastructure funding programs such as the Gas Tax Fund and enable both water improvement districts and not-for-profits to be eligible to apply directly for funding grants. Both were endorsed at the convention.

STRATEGIC PRIORITY

Economic Development - Creating a supportive, enabling economic development environment enhances the sustainability of our community.

DISCUSSION

The Lund Waterworks District has applied again for CWF funding. Please refer to Appendix A. They applied previously and a report was written for the January 18, 2018 Committee of the Whole meeting. They have made the case that “Pipework and valves along the exterior of the tanks have rusted to the point of seizure and are unusable. This means we cannot isolate one tank from the other for maintenance or repairs. If we suffer a breakdown of any sort we will be unable to supply water until repairs are made which would take many days if not weeks”.

While researching for this report, I came across a resource titled, *Improvement District Governance: Policy Statement*. This is a policy statement from the Ministry of Municipal Affairs and Housing which was then known as the Ministry of Community Services. In that policy statement Ministry Advisors are to “encourage improvement districts to take advantage of certain services of the Municipal Finance Authority, in particular, pooled leasing and short term investment pools” (Province of British Columbia, 2006, p. 13). I am uncertain if this avenue is still available to improvement districts or if Lund Waterworks has investigated it. But if it is and the borrowing is cost prohibitive to them, then how is the service going to be financially sustainability under the umbrella of the qathet Regional District?

Improvement districts across BC have been in a precarious position for some years now, whether they knew it or not. The Ministry’s vision was that they expected, “that improvement districts will, over time, be converted to municipal or regional district jurisdiction and at some point in time all improvement districts will be under municipal or regional district jurisdiction” (Province of BC, 2006, p. 10). That principle has been underlying many provincial policies.

For instance, the way the province has set up the eligibility for CWF funding is a double edged sword. The province does not allow improvement districts to apply for competitive grants but instead directs them to their jurisdictional regional district. This creates competing interests within the Regional District itself for the precious allocation of scarce CWF resources. As well, depending on the grant, the province is stipulating that should a local government apply for a grant on behalf of an improvement district and they are successful, one condition upon accepting the grant is that the improvement district relinquishes all assets, ownership and operations to the sponsoring local government.

Another initiative to support the Ministry’s vision has been to curb the creation of improvement districts. Since approximately 1992 only one improvement district has been approved (Province of BC, 2006). To support this protocol the Ministry adopted management policy mandating that they “will dissolve all improvement districts which are wholly or partially within an area which is newly incorporated within a municipality and transfer responsibility for those services to the municipality” (Province of BC, 2006, p. 11).

To this end, seven improvement districts were dissolved when the Municipality of Bowen Island was incorporated (Province of BC, 2006).

In light of the two following provincial policy statements, I would propose that the Ministry is falling short on their role, responsibilities and obligations.

- “The ministry will take a pro-active approach to restructure improvement districts which are experiencing problems with their infrastructure” (Province of BC, 2006, p. 12).
- “It is the ministry's objective to minimize risks of failure in the improvement district system which could have serious financial implications for the province, improvement districts and residents” (Province of BC, 2006, p. 10).

The Policy Statement also speaks to Restructure Implementation Grants and Infrastructure Planning Grants to be utilized by the Regional District for transitioning assets and operations and/or analyzing the current state of affairs of the infrastructure. We already have a Kerr Wood Leidel report projecting that it would cost \$6 million to bring the system up to par; and those are in 2009 dollars. However, we have not heard a word about potential grants for transitioning assets or operations.

There has been no dialogue to speak of from the province regarding conversion of the service. They have not indicated what might transpire or what the Regional District might be able to expect as far as conversion dollars are concerned, if any. I believe the province needs to come to the table and have a candid conversation about this. Synergies of service coordination, resources and expertise, access to grant programs and robust governance structure alone are not nearly attractive enough. Because no matter how you look at it, the way regional districts are legislated to provide services, it is going to be the same 109 water users benefitting from the service that will have to foot the bill.

Back in February Lund Waterworks advised the Board that they were seeking dissolution and voted unanimously to seek conversion from an improvement district to a regional district service area. The Board acknowledged this and wrote Minister Selena Robinson a letter requesting a meeting. The Minister's response has already been before you today. There is an option to accept her proposal and apply to the Environmental Quality Program to improve community infrastructure for the Lund waterworks system. However, that intake closes August 29, 2018. Plus, the offer is a moot point. Upon exploring the grant guidelines, I discovered that the applicant must commit to its share of the project (26.67%). I also discovered that senior government funding is subject to stacking rules and CWF funds fall into this category and therefore, would not be eligible to be utilized as our contribution towards the project. Without a Regional District - Lund Water Service in existence, there is no current pool of funding to draw from to even attempt to make a contribution. Without a service we cannot even borrow. Because again the prescriptive rules of regional district legislation come down on us. As noted in the Union of British Columbia Municipalities (UBCM) Regional District Tool Kit,

Perhaps the key feature of regional district finance is its use of separate, discrete funds for different regional district services. Every service provided by a regional district is accounted for separately using a dedicated service fund ... Because the funds are discrete, revenues and

costs specific to one service cannot be arbitrarily shifted to or spread among other services. Each regional district service has its own group of participating jurisdictions. Participants in one service are not expected to subsidize, and are not permitted to be subsidized by, participants of other services. (UBCM, 2005, p. 26)

Linda Greenan, Manager of Financial Services, informs me that there is \$152,373 in unallocated CWF funding. Another option would be to award Lund Waterworks District a grant of \$110,000 from the Community Works Fund to upgrade and repair three, 9000 gallon, water storage tanks. But would we then be subjected to a forced amalgamation in due course anyway? This is another reason why the province really needs to inform us as well as Lund Waterworks where everything and everybody stands; everyone knows that they have the powers.

FINANCIAL IMPLICATIONS

To be determined.

PUBLIC AND/OR STAKEHOLDER ENGAGEMENT

N/A

CONCLUSION

This grant request comes outside of the typical 'grant season' leading up to budget adoption. Competing interests have interfered with establishing a checklist to determine how CWF funding will be awarded to worthy projects. I believe it would be premature to award grant funding at this juncture because it would be precedent setting and any future policy checklist would be compromised. I also believe it would be most appropriate to write Minister Robinson again in another attempt to illustrate to her what a complicated situation this truly is.



Al Radke
Chief Administrative Officer

References

Province of British Columbia. (2006). Improvement district governance: Policy statement. Retrieved from https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/local-governments/governance/powers/improvement_district_governance_policy.pdf

Union of British Columbia Municipalities. (2005). *Regional district tool kit*. (1st ed.). Retrieved from <http://www.ubcm.ca/assets/library/Publications/Regional~District~Tool~Kit/Regional%20District%20Tool%20Kit-complete.pdf>