



UTILITY SYSTEM ACQUISITION POLICY

Applicability: All CVRD

Effective Date: July 11, 2018

PURPOSE:

To establish a policy regarding utility system acquisition.

POLICY:

1. Acquisition of Existing Utility Systems

- a.** The CVRD will entertain requests to assume ownership of existing utility systems from:
 - i.** Utility customers, utility system owners, improvement districts or provincial authorities; and
 - ii.** Provided that the Electoral Area Director concludes that there is sufficient local support for the potential acquisition, which is often provided by a letter requesting that the CVRD investigate the feasibility of acquiring a utility system.
 - iii.** If utility customers approach the CVRD directly to request acquisition, the CVRD will consult with the utility system owner to obtain the owner's consent prior to initiating the acquisition process.
- b.** Alternatively, the CVRD will initiate a utility system acquisition process itself if the owner of the utility system agrees and such an acquisition would:
 - i.** Result in measurable improvements to utility service provision (i.e. quality and reliability, as well as compliance with federal or provincial regulations and the CVRD Subdivision Servicing Bylaw);
 - ii.** Be supported by the utility customers of that system;
 - iii.** Enable the CVRD to realize economies of scope or scale, which would result in cost savings relative to the utility systems meeting the same standards on their own; and
 - iv.** Support broader CVRD objectives of amalgamation as per Official Community plans (OCP), Liquid Waste Management Plan (LWMP) and policies.

2. Acquisition of New Utility Systems

- a.** The CVRD will entertain requests to assume ownership of new utility systems from:
 - i.** Owners and developers; and
 - ii.** Provided that Land Use Services Department and the Electoral Area Director supports the potential acquisition, the new infrastructure is built to CVRD and provincial standards and the development meets planning objectives.

3. Developments Joining CVRD Utility Systems
 - a. The CVRD will entertain requests from properties to join existing CVRD utilities from:
 - i. Owners and developers; and
 - ii. Provided that the Land Use Services Department and the Electoral Area Director supports the inclusion, the system has capacity for growth, the new infrastructure is built to the CVRD and provincial standards and the development meets planning objectives.
4. First Nation Developments Requesting Service from CVRD Utility Systems
 - a. The CVRD will entertain requests from First Nations requesting service from existing CVRD utilities from:
 - i. First Nations Governing Councils and their developers;
 - ii. Provided that Land Use Services Department and the Electoral Area Director supports the servicing, the system has capacity for growth, the new infrastructure is built to the CVRD and provincial standards and the development meets planning objectives; and
 - iii. An agreement between both parties be executed prior to servicing.
5. CVRD Utilities Joining Non-CVRD Utility Systems
 - a. The CVRD will entertain requests from CVRD customers wishing to join non-CVRD utilities from:
 - i. Customers; and
 - ii. Provided that Land Use Services Department and the Electoral Area Director supports the exclusion, and the non-CVRD system has capacity for growth and meets planning objectives and the customers have representational say at the non-CVRD system.
6. CVRD Utilities Joining First Nations Utility Systems
 - a. The CVRD will review amalgamation of CVRD Utilities with First Nations Utility Systems by special agreement and negotiations.
7. Prioritizing Systems for Acquisition
 - a. The CVRD will prioritize the acquisition of utility systems that pose significant health risks to utility customers and the environment; and
 - b. Utility systems able to connect to an adjacent system will have higher priority than those which cannot.
8. Financial Viability of Utility Systems
 - a. The CVRD will consider acquiring utility systems that have at least 50 connections and are expected to be financially viable to own and operate; and

- b. The Board may waive this size requirement if expansion or amalgamation is possible.

9. Engineering Assessments

- a. The CVRD will not acquire an existing utility system until a comprehensive assessment has been carried out by a qualified professional consistent with the requirements established by the CVRD in its Terms of Reference for Utility System Assessments;
- b. Upon receipt of an expression of interest, the Electoral Area Director can request access to the Electoral Feasibility Study Function Fund. If approved, these funds will be used to engage an engineering firm to examine the history, legal status and condition of the utility system. If the system is taken over by the CVRD, this amount is to be repaid by the new function; and
- c. In the case of a development joining a utility service area, an engineering assessment will be required to determine the impact of this development on the existing CVRD utility service. This study will be funded entirely by the developer and carried out by the CVRD.

10. Number of Engineering Assessments

- a. The CVRD will limit the number of completed engineering assessments for existing utility systems to two per year provided staff resources are available.

11. Utility Transfer agreement and Transfer of Financial Assets

- a. A utility transfer agreement must be completed between the owner of the utility and the CVRD;
- b. The transfer of a utility system to the CVRD will be conditional on the transfer of all the financial assets related to the system including all pertinent reserve and trust funds, performance reserve funds in place as requirements of the provincial regulatory body as well as any pre-servicing or other prepaid commitments; and
- c. In extenuating circumstances, the Board may waive this requirement.

12. Payment for Utility Systems

- a. It is the practice of the CVRD not to pay more than consideration of \$10 for the acquisition of any utility system; and
- b. In extenuating circumstances, the Board may waive this requirement.

13. Public Approval Process for Acquiring Existing Utilities

- a. The CVRD will assume ownership of an existing utility system only upon a successful public approval process.

14. Timing

- a. The CVRD will work with relevant regulatory agencies to promote the timely completion of the required assessment and regulatory process related to the acquisition process.

15. Legal Risk

- a. The CVRD will not acquire or assume responsibility for a utility system if it is determined there is undue legal risk associated with doing so.

16. Systems Without Valid Permits or Licences

- a. The CVRD will not acquire or assume responsibility for utility systems that are at substantial risk of inability to meet required permits, licences or registrations.

17. Rights-of-Way, Easements, Ownership of Lands

- a. The CVRD will not assume ownership of utility systems where major facilities, mains and other constructed works are not located within registered rights-of-way or easements held by the owners of the system or within a legal parcel owned or leased by the owner;
- b. For new utility systems, all major infrastructure must be located on lands to be transferred to the Regional District; and
- c. For developments joining existing utility services areas where rights-of-way are required, all costs for obtaining these rights-of-way will be borne by the developer.

18. Service Delivery

- a. All activities related to the management, operation and maintenance of the utility systems must be carried out by CVRD staff or its contactors.

19. Supervisory Control and Data Acquisition Systems (SCADA)

- a. The CVRD will prioritize the development and installation of a SCADA system to ensure efficient and effective service delivery for all of its utility systems; and
- b. All upgrades to existing and new utility system must include a SCADA system component or accommodate the future installation of SCADA systems.

20. Compliance With Provincial Legislation

- a. The CVRD may discuss recommendations from the assessment report with regulatory officials in order to ensure their requirements will be satisfied following implementation of the recommendations; and
- b. The CVRD will operate, maintain and upgrade its utility system to be consistent with pertinent provincial legislation, directives and best practices.

21. Servicing Standards for New Systems

- a. As a condition of acquisition, all new utility systems (including strata developments) must meet design standards and construction specifications outlined in the CVRD Subdivision Servicing Bylaw;
- b. As a condition of acquisition, the CVRD may engage a third party (chosen by the CVRD), to review any document, report, or analysis related to the utility system that the developer has submitted to the CVRD. The developer will be responsible for the full cost of any required third party review; and

- c. All design works must be carried out by a suitably qualified engineer and the CVRD must have access to the preliminary and detailed design information for direction prior to construction of works.

22. Servicing Standards for Existing Systems

- a. The CVRD will prepare a long term upgrade plan for all acquired systems; and
- b. The CVRD will work to bring all existing utility systems to required standards and will communicate these policies to customers of systems that are not compliant.

23. Emergency Plans

- a. For acquisition of a new system, an emergency plan or funding for one must be provided to the CVRD.

24. Conservation Plans

- a. The CVRD will develop and implement water conservation plans for all of its water systems.

25. Water Metering

- a. All new water systems must be metered or funding for metering must be provided;
- b. For existing unmetered water systems conservation plans will be prepared that include metering commitment; and
- c. The CVRD will establish water user rates based on water metering and an inclined block coverage fee structure.

26. Land Use Planning

- a. The CVRD will coordinate its utility services for service delivery objectives with the Land Use Services Department planning regulations and policies.

27. Cost of Conversion

- a. All costs accrued throughout the utility acquisition process will be repaid by the new function its first fiscal year;
- b. All outstanding water or wastewater charges must be collected by the applicant prior to system acquisition;
- c. All outstanding water or wastewater debts owed by the applicant must be paid prior to system acquisition; and
- d. The CVRD will not support borrowing for new developments where future customers repay debt.

28. Rates

- a. The CVRD will introduce utility rates to recover the full cost of providing the utility service, including replacement cost of infrastructure for both new and existing utility systems; and

- b. The CVRD will consider phasing in rate increases due to long-term asset management over multiple years to help mitigate the impact on customers.

29. Loan Authorization

- a. If borrowing is required for capital upgrades to the existing works in preparation of acquisition, the CVRD will advance the loan authorization for elector approval at the same time as the establishing bylaw.
- b. If borrowing is required for capital upgrades to the existing works in preparation of acquisition, the CVRD will advance the loan authorization for elector approval at the same time as the establishing bylaw.

30. Tangible Capital Asset Information and Long-Term Capital Replacement

- a. Applicants must provide the information on tangible capital assets in a form acceptable to the CVRD for all new utility systems infrastructure the applicant constructs or installs. This information will be provided to the CVRD as a condition of acquisition;
- b. For existing utility systems, collecting information on the system's tangible capital assets will be part of the required comprehensive assessment;
- c. As a condition of acquisition of a new utility system, the CVRD will require the developer to provide 5% of the value of the tangible capital assets to establish a reserve fund for long term capital replacement; and
- d. As a condition of acquisition, a 10% deficiency bond is required for a two-year warranty term for all new capital assets.

Approved by: Board Approval date: July 11, 2018
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