



Agenda No: 7.2

Meeting Date: Feb. 22, 2010

Environmental Services

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ENVIRONMENTAL SERVICES DEPARTMENT REPORT

For the Board February 22, 2010

TO: Chair & Members of the Regional Board
FROM: Delphine Maja, Sr. Engineering Technologist
DATE: February 15, 2010
SUBJECT: Utility Acquisition Policy

RECOMMENDATION:

THAT the Regional Board approve the preparation of a Utility Acquisition Policy and that the costs associated with the creation of the new policy, estimated not to exceed \$25,000, be paid for by Feasibility Funds.

PURPOSE:

Prior to considering any utility acquisition, the utility system should be evaluated to determine the extent of system upgrades required and the financial impact the participating property owners would be accountable for.

The proposed Policy will guide all future decisions related to water or sewer system acquisitions, assessment, and operations. These policies and assessment procedures will be written to specifically minimize the Regional District's risk and maximize benefits to system users.

To minimize risk, these policies and assessment procedures will be developed to ensure that:

- the RDCO has as complete an understanding of the condition of the candidate utility system as possible prior to acquiring that system;
- the RDCO has the necessary resources (e.g., financial resources, organizational capacity, technology) to own and operate additional systems; and,
- the candidate utility system will be financially viable over the long-term under RDCO ownership.

To maximize benefit, these policies and assessment procedures will be developed to ensure that:

- RDCO ownership yields significant improvements in the quality and reliability of the service;
- economies of scope and scale are realized to reduce costs and improve affordability of user rates; and,
- users are fairly represented within the governance system.

BACKGROUND:

It is anticipated that as the Health Authorities bring about more stringent water servicing requirements the Regional District will be approached by the purveyors of small water systems that are unable to meet these water quality objectives to take over operation of these systems.

Historical RDCO Water System Acquisitions

Of the twelve (12) water systems that at one time have been owned/operated by the Regional District, ten (10) have been acquired from either private or public utility purveyors, only the Falconridge and the proposed Upper Fintry/Shalal Road/Valley of the Sun water systems were/are installed as local improvement projects.

The ten transfers occurred for a variety of reasons, although mostly were due to limited funds, inability to secure government funding, and lack of qualified operators. The following table identifies where and how these systems originated and their current ownership:

| | WATER SYSTEM | LOCATION | ACQUIRED FROM | CURRENT OWNERSHIP |
|------------------------------------|--|--------------------------|---------------------|-------------------|
| 1 | Adventureland | Hwy 97 at Ponderosa Rd | Private Ownership | DLC |
| 2 | Green Bay (Mortimer) | Lakeview Heights | Private Ownership | DWK |
| 3 | Killiney Beach | North Westside Road | Private Ownership | RDCO |
| 4 | Oyama | North end of Wood Lake | Irrigation District | DLC |
| 5 | Shambooldard/Prichard | Lakeview Heights | Private Ownership | DWK |
| 6 | Star Place | Trepanier Bench | Subdivision | RDCO |
| 7 | Sunnyside | Lakeview Heights | Private Ownership | DWK |
| 8 | Sunset Ranch | Ellison | Subdivision | RDCO |
| 9 | West Kelowna Estates | West Kelowna Estates | Private Ownership | DWK |
| 10 | Westshore Estates | North Westside Road | Private Ownership | RDCO |
| Local Improvement Projects: | | | | |
| 11 | Falconridge | Hwy 33 at Falconridge Rd | | RDCO |
| 12 | Upper Fintry /Shalal Rd /Valley of the Sun | North Westside Road | | RDCO |

DLC – District of Lake Country

DWK – District of West Kelowna

RDCO – Regional District of Central Okanagan

Although some of these transfers date back to over 20 years, staff continue to work towards completing the paperwork, documentation, and investigations into

1. transferring the statutory rights of way
2. compiling and checking accuracy of record drawings
3. determining the scope and cost of capital improvements and depreciation
4. locating and dealing with 'emergency' repairs

5. completing well head protection plans
6. constructing (& securing funding) additions to undersized reservoirs

Having a policy and/or procedures in place would reduce, if not eliminate, the extra staffing hours and expenses as spent now on utilities gained thru past acquisitions.

Proposed Policy Scope

In order to standardize the acquisition process the final document will be a roadmap, providing directions and milestones required to complete the transfer.

Asset and liability assessments, operations assessments, regulatory assessments, gaining public support and government approvals will be more easily accomplished by following the tools to be provided in the Policy, being:

- evaluation matrices
- check lists
- sample agreements
- pre-requisites
- flow charts
- forms & templates
- requirements
- timelines
- terms of references

Proposed Partnerships

The implementation of a Utility Acquisition Policy will require the support of various Provincial Ministries and agencies, particularly:

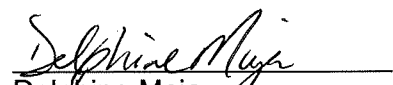
- the Ministry of Environment,
- the Ministry of Community Development,
- the Ministry of Transportation, and
- the Interior Health Authority.

Staff will investigate whether or not there would be a benefit into entering into bilateral Memoranda of Understanding with these organizations to clearly identify the roles and responsibilities of each party.

CONCLUSIONS AND RECOMMENDATIONS:

In conclusion, Regional District Staff recommend that a Utility Acquisition Policy be created, and financed thru feasibility funds, in order to provide staff with procedural direction and with a template for when considering future utility system acquisitions.

Respectfully submitted,


Delphine Maja
Sr. Engineering Technologist


Chris Radford
Director of Environmental Services