

DATE: January 30, 2019

FILE: 5330-20/SSP

TO: Chair and Directors
Electoral Areas Services Committee

FROM: Russell Dyson
Chief Administrative Officer

Supported by Russell Dyson
Chief Administrative Officer

R. Dyson

RE: Electoral Area A Wastewater – Next Steps

Purpose

The purpose of this report is to update the committee on the outcome of the Union of British Columbia Municipalities (UBCM) scope change request for the South Sewer Project (SSP) and anticipated next steps for wastewater management in Baynes Sound – Denman/Hornby Islands (Electoral Area A).

Recommendations from the Chief Administrative Officer:

1. THAT the Comox Valley Regional District Board confirm the dissolution of the South Sewer Select Committee in accordance with the terms of reference.
2. THAT the existing Baynes Sound – Denman/Hornby Islands (Electoral Area A) and Puntledge – Black Creek (Electoral Area C) community works funds allocations to the South Sewer Project (December 31, 2018, balances of \$834,392 and \$410,969 respectively) be held for a period of one year in consideration of a feasible alternative before being considered for re-allocation;

AND FURTHER THAT staff prepare a report which identifies options for continued project planning and development including a comprehensive public and stakeholder engagement plan.

Executive Summary

- A considerable body of planning and engineering work has been completed to evaluate wastewater management alternatives for Electoral Area A. It is important that this work continue and a resolution of this problem is realized in a timely manner that is acceptable to the area served, financially viable and technically sound.
- In 2013, the Comox Valley Regional District (CVRD) received \$15 million in Gas Tax General Strategic Priorities Funding (GSPF) towards implementation of wastewater treatment in this area. A formal scope change request was submitted to UBCM. Correspondence received from UBCM in January 2019 confirmed that this scope change request was not approved.
- At the May 15, 2018, meeting the Sewage Commission provided support, in principle, to receive wastewater from Electoral Area A, subject to the satisfactory resolution of further service negotiations on matters related to governance, terms of service, financial impact and regulatory considerations. This has the potential to deliver an optimal wastewater management solution for the region.
- The CVRD will continue to engage with key stakeholders and the K'ómoks First Nation (KFN), as alternative options are being examined.
- Follow up reports with options for continued wastewater planning and project development work in Electoral Area A, and the results of the analyses currently underway through the

Sewage Commission will be brought forward for the committee’s consideration in spring/summer 2019.

Prepared by:

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Concurrence:

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Concurrence:

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Stakeholder Distribution (Upon Agenda Publication)

South Sewer Select Committee	✓
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Background/Current Situation

Wastewater is currently managed by private onsite sewage systems within the communities of Royston and Union Bay. There is evidence indicating problems with the effectiveness of these systems, presenting ongoing human health and environmental concerns. The primary challenges with onsite sewage systems in these areas include poor native soil conditions and high seasonal ground water combined with small lots and high lot densities. In addition, many older systems are undersized relative to current regulations, and many others are overdue for maintenance or repair. A considerable body of planning and engineering work has been completed to evaluate wastewater management alternatives for the area.

In 2013, \$15 million in gas tax funding was allocated towards construction of a collection system and water resource recovery facility for the area. Following the allocation of gas tax funding, the CVRD initiated a Liquid Waste Management Plan (LWMP) process for the south region which included significant consultation with the community and stakeholders. Through an evaluation of options, the LWMP focused on the implementation of the South Sewer Project, which included construction of a new collection system, treatment facility and conveyance infrastructure that would transport treated effluent to the Comox Valley Water Pollution Control Centre for discharge through the existing outfall off Cape Lazo. The concept of a new outfall into Baynes Sound was not supported by the LWMP Public and Technical Advisory Committees. This lack of support for a Baynes Sound outfall had significant financial impact on the project.

Due to the high cost of the SSP, senior government funding was aggressively pursued in order to increase overall project affordability. Prior to the referendum in 2016, project staff were on track to secure over 60 per cent of total project costs through grant funding and contributions from project partners. In order to meet funding program timelines, the LWMP process was abandoned prior to completion and a referendum related to the project was held in June 2016. While the referendum failed to achieve elector approval, the need for a wastewater management solution for the area remains.

Following the results of the referendum, CVRD staff made contact with the various senior government funding agencies to explore the possibility of retaining some of the funding allocated to the SSP towards an alternative wastewater solution for Royston and Union Bay. Out of this process, a formal scope change request was submitted to UBCM for review in July 2018, to reallocate the original \$15M GSPF grant towards wastewater upgrades for both Electoral Area A and Cumberland. On January 15, 2019, the CVRD received correspondence from UBCM indicating that the scope

change request was not approved, and that the funding that was committed to the SSP will be returned to the Strategic Priorities Fund pool for future investments.

The outcome of the scope change request represents a decision point for the future of the South Sewer Select Committee and the existing community works funds (CWF) allocations towards the SSP, both of which will be discussed in further detail in the Options section of this report.

In spite of the 2016 referendum results and UBCM's rejection of the proposed SSP funding scope change, there remains a need to address failing on-site wastewater systems in Royston and Union Bay. Also, K'ómoks First Nation and Kensington each have an interest in partnering on a wastewater solution for the area in order to provide long-term, safe, reliable and cost effective sewage treatment for their development lands south of Courtenay. The CVRD is continuing to work towards a sustainable wastewater solution for these areas.

In May 2018, the Comox Valley Sewage Commission provided support in principle to receive wastewater from Electoral Area A at the CVWPCC. Support was provided subject to the satisfactory resolution of further service negotiations on matters related to governance, terms of service, financial impact and regulatory considerations.

Analysis in support of resolution of the matters discussed above is currently underway alongside the Comox Valley Sewerage Service LWMP process. The results of these analyses will be brought to the Electoral Areas Services Committee and the Sewage Commission in mid-2019. Prior to this, a report including options for further project planning and development work for Electoral Area A wastewater will be brought forward for this committee's consideration in spring 2019.

Policy Analysis

At the April 30, 2013, Comox Valley Regional District Board meeting, the following motion was passed to create the SSSC:

THAT the board approves the south sewer select committee terms of reference as attached to the staff report dated April 18, 2013, with membership to be determined by separate CVRD board resolution.

The committee's mandate is to provide advice including:

...matters related to the governance, financial, technical, environmental and societal conditions related to the south sewer project.

At the April 19, 2017 meeting, the SSSC passed the following motions:

THAT preliminary support be requested from the Sewage Commission to conduct further analysis on a south sewer service option for partnering with the Comox Valley Sewage Service;

AND FURTHER THAT subject to receipt of preliminary support from the Sewage Commission the board rise and report.

At their May 15, 2018 meeting, the Sewage Commission passed the following motions:

THAT the Comox Valley Sewage Commission support in principle receipt of wastewater from those defined areas within Baynes Sound-Denman/Hornby Islands (Electoral Area A)

identified in the staff report dated May 11, 2018, subject to the satisfactory resolution of further service negotiations on matters related to governance, terms of service, financial impact and regulatory considerations;

AND FURTHER THAT the impact of accepting wastewater from Electoral Area A be evaluated through Stage One of the Comox Valley Sewage Service Liquid Waste Management Plan (LWMP);

AND FURTHER THAT staff be directed to report back to the Comox Valley Sewage Commission with detailed analysis on governance, terms of service, financial impact and regulatory considerations to support a final decision on provision of service to Electoral Area A and incorporation of Electoral Area A flows into Stage Two and Three of the LWMP;

AND FINALLY THAT all costs associated with the related analysis and planning be borne by Electoral Area A.

Options

The South Sewer Select Committee's terms of reference define the tenure of the committee as follows:

This committee is a select committee and shall expire upon reporting its final findings to the CVRD board or on December 31, 2018, whichever is earlier. This committee's terms of reference may be reviewed and amended from time to time, upon the approval of the board.

There are thus two options to consider regarding the future of the South Sewer Select Committee:

1. Confirm the dissolution of the South Sewer Select Committee in accordance with the terms of reference.
2. Amend the terms of reference to extend the term of the South Sewer Select Committee.

Given that the mission of the SSSC was specific to matters relating to the South Sewer Project, and that the CVRD no longer has the Gas Tax strategic priorities funding allocated to the project, the timing is appropriate to dissolve the SSSC as alternate options are being examined. In the interim, regularly scheduled meetings between KFN and the CVRD are proposed to review alternate options and resulting recommendations. For these reasons, Option 1 is recommended.

As of December 31, 2018, there is over \$1.2 million in Community Works Funds remaining allocated to the South Sewer Project; \$834,392 from Electoral Area A, and \$410,969 from Electoral Area C. Staff have determined the following options regarding these CWF allocations:

1. Retain the existing CWF allocations to the South Sewer Project for a period of one year as alternate options are being assessed.
2. Release the existing CWF allocations to the South Sewer Project such that these funds can be allocated to other projects.

The 2016 referendum results, the results of the scope change request and the analysis underway with the Sewage Commission create some uncertainty regarding the future direction of wastewater treatment for Electoral Area A. While the analysis with the Sewage Commission is underway and a subsequent project development process for Electoral Area A wastewater is being considered, keeping these CWF allocated towards the south sewer project means they are available for future project development work. A follow-up report including options for future project development

work will be brought forward for the committee's consideration in spring 2019. For these reasons, Option 1 is recommended.

Financial Factors

External funding is extremely important for any infrastructure solution for the area, particularly as the collection costs associated with any centralized treatment or conveyance system are high and largely fixed.

Final SSP cost estimates presented to Royston and Union Bay residents prior to the 2016 referendum included the option of a lump sum commutation payment of \$22,500, with a \$25,000 maximum allowable requisition. In order to ensure future project viability, servicing costs for existing residents in Royston and Union Bay should be reduced below this amount.

Collaboration between the CVSS and Electoral Area A could provide potential cost savings to all prospective partners. Further financial analysis on this option will be brought to the Electoral Areas Services Committee and the Sewage Commission later in 2019.

Should the option of conveying Electoral Area A wastewater to the CVWPCC for treatment be deemed feasible, staff will work to identify potential grant funding opportunities with the aim of ensuring the project remains affordable for future participants in the service.

Legal Factors

Further analysis is underway to better understand potential governance options for providing sewage conveyance, treatment and disposal services to Electoral Area A. Leftside Partners, who are also completing the utilities governance work for the CVRD sewer and water services, have been hired to complete this analysis. An interim report on this analysis, including potential service delivery models and governance implications, will be brought to this committee in the coming months.

Regional Growth Strategy Implications

There has been concern in the past that the inclusion of rural participants in the CVSS could facilitate undesirable densification outside of municipal boundaries. However, implementation of the Regional Growth Strategy and Rural Official Community Plan over the past several years has limited densification to settlement nodes such as Union Bay. Development outside of these areas is constrained by a four hectare minimum lot size for subdivision.

Intergovernmental Factors

The area that was to be serviced by the proposed SSP falls entirely within the traditional territories of the KFN. The KFN continue to be strong project partners with significant land holdings in the area, and have maintained representation on the SSSC.

The 2016 referendum outcome is significant for both the CVRD and KFN as it may impact KFN's development plans for the south region. As the need for adequate solutions for wastewater treatment and disposal in the south region still exists, both partners together with other jurisdictions will continue to work collaboratively towards addressing the issue and protecting the environment. Regularly scheduled meetings between KFN and CVRD to review alternate options and resulting recommendations is an option being considered should the SSSC be dissolved.

The CVSS is governed by the Sewage Commission, whose membership includes representatives from Comox, Courtenay and the Department of National Defence. Collaboration with the CVSS has the potential to deliver an optimal wastewater management solution for the region. The

technical, legal and financial analyses currently underway will evaluate the viability of this partnership.

Interdepartmental Involvement

Engineering Services staff will work closely with staff from Legislative Services and Financial Services as options are explored in more detail.

Citizen/Public Relations

The CVRD recognizes and fully respects the 2016 referendum results and will ensure that a proper public engagement process continues as alternative solutions are further developed. Further details on future public engagement options will be included in a subsequent staff report.

Public consultation during the south region LWMP and SSP development has shown that residents are aware of the wastewater challenges in the area and understand that a solution still needs to be found which protects the natural environment and provides cost effective wastewater treatment. Many Electoral Area A residents are supportive of affordable, centralized wastewater treatment, and related input from them has been received as part of the LWMP process underway for the Comox Valley Sewerage System.

Attachments: Appendix A – “Scope Change Request for the South Regional Wastewater Management and Resource Recovery Project”
Appendix B – “Terms of Reference – South Sewer Select Committee”



January 9, 2019

Chair Bob Wells
Comox Valley Regional District
600 Comox Road
Courtenay, BC V9N 3P6

Comox Valley Regional District

RECEIVED

File: 5330-2018SP

JAN 15 2019

To: WEB

cc: RYANSON: M. LUTIG
KLAROSE: D. MONTIETH

Dear Chair Bob Wells:

**RE: SCOPE CHANGE REQUEST FOR THE SOUTH REGIONAL
WASTEWATER MANAGEMENT AND RESOURCE RECOVERY PROJECT
(387)**

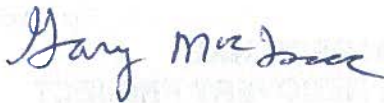
On December 3, 2018, the Gas Tax Management Committee met to review the scope change request submitted by Comox Valley Regional District and the Village of Cumberland for the General Strategic Priorities Fund (GSPF) South Regional Wastewater Management and Resource Recovery Project.

This letter is to inform the Comox Valley Regional District Board of Directors that the request was not approved. The Gas Tax GSPF grant funding committed for the Regional Wastewater Project will be rescinded and returned to the Gas Tax Strategic Priorities Fund pool for future investments.

The GSPF program delivers funds to communities based on a technically scored competition. Any significant changes in approved GSPF projects are required to be considered by the Gas Tax Management Committee, and reviewed by a technical committee to determine that any changes meet or exceed the criteria established in the program intake. As this project was originally approved under the 2012 GSPF/Innovations Fund intake, the program objectives focused on large, regional, innovative projects that resulted in environmentally sustainable outcomes of cleaner air, water, and a reduction in ghg emissions. UBCM received over 240 applications under the 2012 intake and approved 53 projects. CVRD received funding due to the high technical score assigned to its application for the original project.

The Gas Tax Management Committee has determined that the technical score of the revised application does not meet the minimum threshold to qualify for funding. In fairness to the wider local government community, the funds will be reallocated to the program. The Committee also considered the time since the original approval, in which UBCM staff worked to support the Regional District in finding a viable solution over the past six years, and the timeline of the proposal project, which would extend well beyond the termination of the GSPF program.

Sincerely,



Gary MacIsaac
Chair, Gas Tax Management Committee

Pc: Russell Dyson, Chief Administrative Officer, Comox Valley Regional District
Sundance Topham, Chief Administrative Officer, Village of Cumberland

File: 0540-20

Terms of Reference South Sewer Select Committee

Mission: Established by the Comox Valley Regional District (CVRD) and including representatives from the CVRD and the K'ómoks First Nation, this committee considers matters relating to the south sewer project and reports its findings to the K'ómoks First Nation council and CVRD board. The committee is also a liaison between the two parties represented on the committee and will share information amongst the parties. The committee will seek input and approval, where required, directly from the CVRD electoral areas services committee and the K'ómoks First Nation.

Authority: The south sewer select committee serves as an advisory body to the CVRD electoral areas services committee and the board.

Mandate: The south sewer select committee will have the authority to provide advice to the electoral areas services committee and the K'ómoks First Nation on matters pertaining to its mission. Such advice is to include matters relating to the governance, financial, technical, environmental and societal conditions relating to the south sewer project.

Membership: As a select committee of the CVRD board, the south sewer select committee is comprised of:

- Two members representing the CVRD electoral areas and appointed by the CVRD:
 - o Director Bruce Jolliffe
 - o Director Edwin Grieve
- Two members representing the K'ómoks First Nation and appointed by the K'ómoks First Nation:
 - o Chief Councillor Nicole Rempel
 - o Monty Horton (Land Manager)

All parties are encouraged to appoint alternate members to attend in a member's absence.

The committee includes liaison roles for an elected official from:

- Councillor Erik Eriksson (appointed by the City of Courtenay) and
- Mayor Leslie Baird (appointed by the Village of Cumberland).

The liaison roles can attend and participate in committee meetings to assist with open communications between the neighbouring jurisdictions while also improving the awareness of each jurisdiction's opportunities and challenges. Liaisons may not attend closed meetings where a conflict of interest may arise.

Committee chair: The committee shall elect a chair and vice-chair from amongst its members at the first meeting of each year.

Resources: Each jurisdiction will determine the appropriate resources to support their jurisdiction on this select committee.

Tenure: This committee is a select committee and shall expire upon reporting its final findings to the CVRD board or on December 31, 2018, whichever is earlier. This committee's terms of reference may be reviewed and amended from time to time, upon the approval of the board.

Reporting: The committee will provide its minutes to the corporate legislative officer within 48 hours of any committee meeting. The minutes will be distributed to the CVRD electoral areas services committee and K'ómoks First Nation for receipt. Where the board feels it is necessary, the committee may be asked to meet with the board and brief the board on an issue(s) within its purview. This invitation shall be extended to the chair of the committee as the representative of the committee.

Contact with the Media: Any contact with the media regarding issues related to the work of this committee shall be handled by the committee chair or shall be referred by the committee chair to the CVRD board chair. If the matter under questioning by the media deals with CVRD board policy around issues related to the work of this committee, the matter shall be referred to the board chair. The chief administrative officer, general manager of engineering services and general manager of corporate services will provide assistance and / or guidance to the board chair and committee chair in responding to the media.

Public Meetings: Unless otherwise provided for in the CVRD procedure bylaw, the committee meetings are open to the public. The committee may close a meeting to the public if the subject matter relates to a matter identified under section 90 of the *Community Charter*.

Terms of Reference History:

Approved: April 30, 2013

Amended: August 10, 2017