

Union Bay Improvement District Conversion Study

Newsletter #3
September 2020

The Union Bay Improvement District (UBID) Conversion Study was initiated in the spring of 2020, to explore the implications of the potential conversion of existing UBID services (specifically water, fire protection, and street lighting) to the Comox Valley Regional District (CVRD). Urban Systems, a consulting firm with offices in Victoria and Courtenay, has been commissioned to undertake a technical, unbiased review of the options and engage stakeholders and the public in the process. The study has been funded in part by the Ministry of Municipal Affairs and Housing (the Ministry).

The purpose of this study is to understand and communicate the financial implications, benefits and challenges, and the potential public concerns associated to a change of governance of UBID services, as well as to identify opportunities to enhance services under the current governance structure. The study includes a detailed review of existing services provided by UBID, as well as a comprehensive analysis of two potential options for the ratepayers of Union Bay to consider:

Option A – Convert UBID’s services to CVRD local area services (for water, fire protection and street lighting).

Option B – Remain as an Improvement District, with recommendations to enhance UBID’s current governance.

Throughout the study, an Advisory Working Group comprised of staff and elected officials from UBID, staff and elected officials from CVRD, and Ministry staff provided support and guidance to the consulting team. The initiative began in March 2020 with initial background review and analysis, and a Final Draft Report is now available for public review (see timeline).

This is the third in a series of newsletters to keep the community informed throughout the process. A public open house (both virtual and in-person) is being planned in the fall to provide additional information and to gauge residents’ desire in moving forward with either option, which may include a community vote (i.e. referendum).

March – April 2020

BACKGROUND REVIEW
AND STAKEHOLDER
ENGAGEMENT



May – July 2020

ANALYSIS OF
GOVERNANCE
OPTIONS



Aug – Sept 2020

DRAFT REPORT



Fall 2020

PUBLIC OPEN HOUSE
AND COMMUNITY
ENGAGEMENT

Fall 2020

FINAL REPORT

✓ = Completed

BACKGROUND

The Union Bay Improvement District (UBID) is a local authority under the provincial *Local Government Act*, which provides local services to 690 properties and nearly 800 ratepayers in the Union Bay community. Although UBID was officially incorporated in 1960, water service has been provided to the community for over 100 year since the initial damming of Langley Lake in 1908 to supply water to the coal washer. Fire protection and street lighting services were added to UBID’s responsibilities in 1972.

In recent years, there have been a number of challenges to UBID’s governance model including multiple Board Trustee resignations resulting in a loss of quorum. Staff transitions have added to the challenges, including the recent retirement of the Chief Administrative Office in July 2020. On the service delivery side, there are increasing demands due to future development plans, as well as increasing regulations and service level requirements for both water and fire services. In May 2020, UBID commissioned its new \$4.2 million water treatment plant which was mandated by Island Health in order to meet provincial drinking water regulations.

On the financial side, as an improvement district UBID is not eligible to receive senior government grant funding as is other local governments (i.e. municipalities and regional districts). Therefore, the entire amount of the new treatment plant is being funded and financed by the ratepayers through capital reserve and borrowing. This holds true for any new water capital including asset renewal and refurbishment.



COMPARISON OF POTENTIAL IMPACTS

The UBID Conversion Study outlines in detail the comparison of potential impacts between conversion to a regional district local service and remaining as an improvement district. The report highlights these impacts in a number of categories including: governance and representation; key assets; human resources and administration; and finance and legal. The report only highlights the impacts under both options, and remains neutral on the “pros and cons” of each.

Although a detailed financial analysis was not part of the scope of the study, a number of key observations were made based on discussions with UBID and CVRD staff, and experience with other similar studies. Using UBID’s 2020 budget of expenditures, a high-level review (see table) indicates that most expenditures with either remain the same or decrease, with a few budget items being eliminated (e.g. Trustee remuneration, administration office lease). Finally, expenditures related to labour are still to be determined as UBID finalized its union contract negotiations; however, these costs would be born by either UBID or CVRD once they are finalized.

**Union Bay Improvement District
Potential Conversion Impacts to Expenditures (based on 2020 Budget)**

Expenditure Remains the Same	
Expenditure Decreases	
Expenditure Eliminated	
Expenditure To Be Determined	

	Admin & Public Works	Fire Rescue	Streetlights	Totals
EXPENDITURES				
Advertising and Promotions	\$4,571.00	\$4,200.00		\$8,771.00
Legal	\$11,000.00	\$2,625.00		\$13,625.00
Audit and Accounting	\$10,500.00	\$10,500.00		\$21,000.00
Insurance	\$18,000.00	\$14,700.00		\$32,700.00
Information Technology Costs	\$6,769.16	\$2,100.00		\$8,869.16
Office Expenses	\$5,238.44	\$4,200.00		\$9,438.44
Postage and Courier Costs	\$4,095.32	\$525.00		\$4,620.32
Occupancy Expense (Janitorial)	\$5,584.90	\$1,050.00		\$6,634.90
Bad Debt Expense	\$638.18	\$0.00		\$638.18
Loan Payments and Charges	\$209,129.16	\$0.00		\$209,129.16
Commercial Lease Costs	\$19,122.61	\$2,205.00		\$21,327.61
Bank Service Charges and Interest Costs	\$201.82	\$630.00		\$831.82
Principle Loan Payments	\$0.00	\$0.00		\$0.00
Adjustment Write-offs	\$0.00	\$0.00		\$0.00
TOTAL ADMINISTRATION COSTS	\$294,850.59	\$42,735.00	\$0.00	\$337,585.59
Materials and Supplies	\$38,792.85	\$8,925.00		\$47,717.85
TOTAL MATERIALS AND SUPPLIES	\$38,792.85	\$8,925.00	\$0.00	\$47,717.85
Subcontractors	\$25,000.00	\$4,200.00		\$29,200.00
Professional Fees	\$15,000.00	\$0.00		\$15,000.00
Communications	\$5,658.66	\$5,250.00		\$10,908.66
Utilities	\$16,380.00	\$7,087.50	\$37,000.00	\$60,467.50
Repairs and Maintenance	\$8,320.56	\$7,350.00		\$15,670.56
Hydrant Maintenance		\$6,720.00		\$6,720.00
Dues, Memberships and Licenses	\$2,090.18	\$6,300.00		\$8,390.18
Travel and Training	\$8,400.00	\$17,325.00		\$25,725.00
Total Other Expense	\$80,849.40	\$54,232.50	\$37,000.00	\$172,081.90
Remuneration - Administration	\$151,300.23	\$50,433.41		\$201,733.64
Remuneration - Trustees	\$3,200.00	\$3,200.00		\$6,400.00
Remuneration - Waterworks	\$179,415.25			\$179,415.25
Remuneration - Fire Department		\$119,000.56		\$119,000.56
Remuneration - FF Honorarium		\$3,000.00		\$3,000.00
EI Expense	\$6,998.40	\$1,329.70		\$8,328.10
CPP Expense	\$12,597.12	\$2,925.33		\$15,522.45
WCB Expense	\$4,199.04	\$1,329.70		\$5,528.74
Employee Benefits	\$14,696.64	\$14,866.74		\$29,563.38
Total Payroll Expense	\$372,406.68	\$196,085.44	\$0.00	\$568,492.12
Vehicle - Fuel	\$6,825.00	\$2,925.33		\$9,750.33
Vehicle - Insurance	\$3,150.00	\$1,329.70		\$4,479.70
Vehicle - Repairs and Maintenance	\$3,150.00	\$14,866.74		\$18,016.74
Total Vehicle Costs	\$13,125.00	\$19,121.77	\$0.00	\$32,246.77
TOTAL EXPENDITURES	\$800,024.52	\$321,099.71	\$37,000.00	\$1,158,124.23
PW Capital Reserve Funds Contributions*	\$62,637.23			
FD Capital Reserve Funds Contributions*	\$145,627.71			
Total	\$208,264.94			

*Note: Future capital reserve funds contributions should be increased for sustainable service delivery, especially for waterworks capital.

KEY SUMMARY OBSERVATIONS

While the report is intended to provide a neutral analysis of the potential options, there a number of key summary observations outlined which may help the residents and elected officials of UBID and CVRD in making an informed decision.

- Regardless of the option the assets and liabilities will remain with the community ratepayers, either as an improvement district or regional district local service. For the latter, although all assets and liabilities would transfer to the Comox Valley Regional District, they would remain with the specific local service established for the Union Bay community for water, fire protection, and street lighting.
- Based on the available information and assumptions in the study, conversion to a Regional District local service is estimated to be cost neutral (with a potential small cost savings depending on labour costs). This is based on the CVRD support service costs of approximately 4 – 5% of expenditures for water and fire protection, with nominal support service costs for street lighting.
- Conversion to a Regional District local service would mean the dissolution of the UBID Board of Trustees, but local representation would still be through the Electoral Area Director for Area “A”.
- Conversion to a Regional District local service would provide access to a larger pool of expertise (e.g. engineering, planning, finance and administration), access to senior government grants, and financing through Municipal Finance Authority (MFA).
- Conversion of the Fire Service would involve the provision of an annual operating grant from the CVRD to the Union Bay Volunteer Firefighters Association, who would then operate the fire services contract with the Regional District, for administration, bookkeeping services, insurance and utilities, and volunteer firefighter remuneration. The Union Bay Fire Chief and Deputy Fire Chief would become employees of the CVRD.
- Although the analysis was based on the UBID 2020 budget, there will be additional costs under either option including additional operating costs for the new water treatment plant (commissioned in May 2020) and additional labour costs due to the new union collective agreement (currently under negotiation).
- Costs for watermain replacement could increase under the conversion option, due to the CVRD’s higher level of service for watermain repair. However, with either option it is recommended that additional asset management practices be incorporated into the organization, in order to support sustainable service delivery.

NEXT STEPS

This newsletter and Draft Report will be used to inform the community at the upcoming Public Open House (both virtual and in-person) in Fall 2020. Based on the feedback from residents and ratepayers, the Final Report will be presented to both UBID and CVRD Boards to determine next steps, which may include a community vote through a referendum.

For more information, please refer to the UBID website (www.union-bay.ca) under “UBID Governance Review” or e-mail your questions to : UBIDgovernance@urbansystems.ca