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**REPORT TO MAGIC LAKE ESTATES WATER AND SEWER LOCAL SERVICES COMMITTEE
MEETING OF TUESDAY, FEBRUARY 10, 2015**

**SUBJECT OPTIONS TO MAXIMIZE GRANT FUNDING ASSOCIATED WITH THE WATER
SYSTEM IMPROVEMENT PROJECT**

ISSUE

To identify any improvements that could be realized within the current water system improvement project to maximize the grant funding.

BACKGROUND

At its meeting of January 19, 2015, the Magic Lake Estates Water and Sewer Local Services Committee (committee) requested that Capital Regional District (CRD) staff identify options to maximize the use of any available grant funding associated with the water treatment plant project (project).

The CRD staff have reviewed the project budget, financial commitments and have estimated the project expenditures to completion of the project. Further, a residual budget amount is estimated which could be expended on eligible items of such as fencing, analytical equipment and auxiliary power generators that were either identified and/or deferred at an earlier stage in the project. It should be noted that the residual budget is not confirmed as the final amounts for Rohl Enterprises contract are still being quantified and other expenditures such as temporary genset rental related to the Frigate Tanks construction are still to be deducted.

The project cost breakdown summary identified items of work that are potentially no longer required and therefore the amounts may be applied to proposed improvements. These include a reduction in the Frigate tank effort estimated at \$50,000, associated commissioning at \$30,000, and \$50,000 for the water main contingency totaling \$130,000. In accordance with the budget reporting and grant formula this amount is combined with the estimated grantable project amount as reported monthly and the non-grantable amount deducted to total approximately \$200,000. The budget commitments for the Builders Lien Act and liquidated damages are accounted for separately.

Options for water system improvements that were identified include the following:

1. Frigate Tank Kiosk Fencing – a protective fence is being procured to protect the frigate tank kiosk for an amount of up to \$10,000. Note that this item is underway as directed at the previous Committee meeting.
2. Water Quality Analytical Instruments – it is proposed to purchase and receive dissolved oxygen and temperature monitoring instruments for both raw water pump stations to aid in the operation of the water treatment process. The equipment is estimated to cost \$10,000 per site, totaling \$20,000.

3. Auxiliary power generators (gensets) – the project originally included the provision of auxiliary power, but was deferred due to budget concerns at the time of awarding the project to Rohl Enterprises. It is proposed that gensets be purchased and received for Buck Lake pump stations and the Magic Lake water treatment plant. After deducting the fencing and analytical instruments as priority items, the residual funding available would be approximately \$170,000. We anticipate that this funding should be sufficient, but will confirm at the tender stage.

With the pending grant deadline it is proposed to only purchase the equipment noted in item 2 and 3 above. Installation and programming would have to be funded separately. Further, it should be noted that Rohl Enterprises contract has reached the milestone of substantial performance and therefore, the opportunity to have Rohl complete new construction work has passed. It is not advisable to take on construction actively that may not be completed before the funding deadline as any expenditures completed after the deadline will be borne solely by the MLE water service.

ALTERNATIVES

Alternative 1

That the Magic Lake Estates Water and Sewer Local Services Committee direct Capital Regional District staff to proceed with the purchase water quality analytical instruments up to \$20,000 and auxiliary power generators up to \$170,000 subject to the availability of grantable project funding.

Alternative 2

That the Magic Lake Estates Water and Sewer Local Services Committee direct Capital Regional District staff to not proceed with any further work.

IMPLICATIONS

Alternative 1 – If the committee directs CRD staff to proceed with the purchase of water quality analytical equipment of up to \$20,000 for Buck Lake and Magic Lake raw water, this allow the water treatment system operators to monitor raw quality trends and optimize the treatment process. It is likely that the instruments can be sourced, procured and delivered prior to the funding deadline although installation and programming most likely will have to be funded directed by the water service. In addition, to procure gensets for up to \$170,000, for the Buck Lake pump station and Magic Lake treatment plant sites and again the installation and programming would have to be funded solely by the water service.

Alternative 2 – By not preceding with any additional work, the MLE water service may not maximize the funding grant. The balance or one-third could remain with the water service as a capital reserve amount to fund future improvements.

CONCLUSION

There is estimated to be available budget of approximately \$200,000 of grantable funding albeit at some risk of changing due to issues beyond CRD's control. The CRD has identified potential items which may be eligible under the grant agreement.

RECOMMENDATION

That the Magic Lake Estates Water and Sewer Local Services Committee direct Capital Regional District staff to proceed with the purchase Water Quality Analytical Instruments up to \$20,000 and auxiliary power generators up to \$170,000 subject to the availability of grantable project funding.

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