

REGIONAL DISTRICT OF NANAIMO

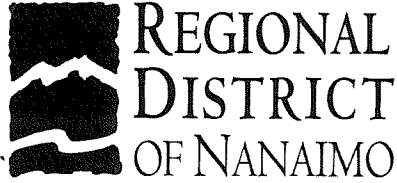
**REGULAR BOARD MEETING
TUESDAY, JUNE 22, 2010**

**CIRCULATED REPORT
FOR AGENDA**

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MEMORANDUM

TO: John Finnie, General Manager
Regional and Community Utilities

DATE: June 14, 2010

FROM: Sean De Pol
Manager, Wastewater Services

FILE: 3150-10

SUBJECT: Parksville Lions Request for Development Cost Charge Exemption

PURPOSE

To consider a 100% exemption of RDN's Northern Community Sewer Service Development Cost Charges for the Parksville Lions supportive living housing development at 205 East Jensen, Parksville.

BACKGROUND

At the May 27, 2008 Board meeting, the Board, by resolution, granted the Parksville Lions Housing Society (Society) a 50% exemption on Northern Community Sewer Development Cost Charges (DCC) for their proposed housing development at 205 East Jensen Avenue, Parksville. Between March 27, 2003 and May 29, 2008, the legislation provided for DCC exemptions for non-profit rental housing by resolution. After May 29, 2008, DCC exemptions were required to be authorized by bylaw.

Subsequently, based on legal counsel's advice that DCC exemptions should be authorized by bylaw rather than by Board resolution, staff developed a region-wide bylaw to bring consistency to sewer DCC reductions throughout the RDN sewer service areas. The *Regional District of Nanaimo Not-for-Profit Rental Housing Sewer Development Cost Charge Reduction Bylaw No. 1577, 2010* was considered at the March 9, 2010 Committee of the Whole. The proposed bylaw recommended a 50% reduction in sewer DCC charges for not-for-profit rental housing. At that meeting, the Committee recommended a 100% reduction. Based on this directive, the draft bylaw was amended and forwarded to the Inspector of Municipalities for approval. Inspector approval of the bylaw was received on April 23, 2010 and the bylaw was scheduled to go to the April 27, 2010 Board meeting for adoption.

However, a letter dated April 27, 2010 to RDN from the City of Nanaimo raised questions and concerns about the 100% reduction so the Board did not proceed to adoption of Bylaw No. 1577. Alternately, staff were directed to prepare a report for the Board regarding the City's concerns.

City and RDN staff were to meet to review the matter, but at the June 8, 2010 Committee of the Whole meeting, the Parksville Lions Housing Society attended as a delegation and identified their need for a 100% DCC reduction by June 2010 to accommodate their budget and construction time-lines. The Society had apparently prepared the project budget under the assumption that they could obtain a 100% DCC reduction, without which the project could face some financial issues.

In response to the delegation, the Committee directed staff to: *Prepare a resolution that would give the Parksville Lions Housing society project a 100% reduction of DCCs in the Oceanside Area.*

ALTERNATIVES

1. Grant a 100% exemption of the Northern Community Sewer DCCs for Parksville Lions supportive living housing development at 205 East Jensen Avenue, Parksville, BC.
2. Do not provide any additional exemption of the Northern Community Sewer DCCs beyond the 50% approved at the May 27, 2008 Board meeting.
3. Provide alternate direction.

FINANCIAL IMPLICATIONS

Alternative 1

Exemptions in DCC revenues require that funding for future capacity comes from elsewhere, typically from increased DCCs for other development categories.

Based on the Northern Community Sewer Service Area DCC Bylaw, DCC rates and on project information provided to the City of Parksville by the Parksville Lions Housing Society, a 100% exemption for the Parksville Lions project would result in waiving an estimated \$113,000 in DCCs. Although this particular exemption may not necessitate adjustment of other DCC rates at this time, providing the Parksville Lions with an exemption will likely create a precedent and result in further similar requests of this kind and additional impact on other DCC rates.

A total of \$45 million in DCC projects is expected in the Northern Community over the next six years. This represents a significant capital plan for increasing the capacity of our facilities. The capital plan is financed by DCCs collected from Parksville, Qualicum Beach and Regional District sewer service areas in Electoral Areas E (Pacific Shores) and G (French Creek, Barclay Crescent and Surfside).

Alternative 2

A 50% exemption would result in a waiver of approximately \$56,500 in DCCs.

LEGAL IMPLICATIONS

Staff note that it is legal counsel's advice that DCC exemptions should be authorized by bylaw rather than by Board resolution and that it is now, in effect, unlawful to grant DCC reduction by resolution.

SUSTAINABILITY IMPLICATIONS

A bylaw to reduce sewer DCCs for not-for-profit rental housing supports Goal 2 of the Regional Growth Strategy (RGS) and parts of the RGS review that advance the economic and social diversity in RDN communities.

A 100% reduction in sewer DCCs for not-for-profit rental housing could lead to an increase in affordable rental housing units in the RDN. This has direct benefits for low to medium income individuals and families, as well as the community as a whole. A mix of housing within the RDN's designated growth areas increases the potential for a variety of households, interests, skills, and lifestyles to co-exist and contribute to a more inclusive, economically diverse, and resilient community.

SUMMARY/CONCLUSIONS

At the June 8, 2010 Committee of the Whole meeting, a delegation representing the Parksville Lions Housing Society requested a 100% reduction of the Northern Community Sewer Service Area DCCs associated with its proposal to expand its supportive living housing development at 205 East Jensen Avenue, Parksville. The value of a full exemption is estimated at \$113,000. In response, the Committee directed staff to prepare a resolution for the Board that would provide the Parksville Lions with a 100% reduction in sewer DCCs for the Parksville project.

Staff note that it is legal counsel's advice that DCC exemptions should be authorized by bylaw rather than by Board resolution and that it is now, in effect, unlawful to grant DCC reduction by resolution. Accordingly, staff are unable to recommend to the Board that they consider a resolution to provide 100% DCC reduction to the Parksville Lions Housing Society for their Parksville project. Staff are recommending, however, that the Board support the 100% reduction in principle at this time and that a bylaw be adopted to provide 100% DCC reduction for the Northern Community Sewer Service Area. The Society qualifies for and has been granted a 50% reduction in sewer DCCs.

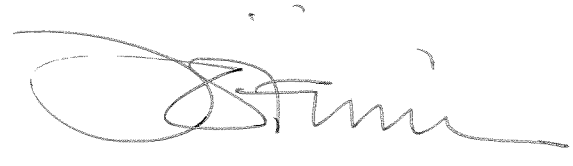
In order to bring certainty to future DCC reduction requests and to address the issues raised by the City of Nanaimo and Parksville and Qualicum municipalities, it is recommended that the Board direct staff to prepare a DCC reduction bylaw that would provide separate DCC reductions for the Northern and Southern Sewer Service areas.

RECOMMENDATION

1. That the Board support, in principle, a 100% reduction in Sewer Development Cost Charges for the Parksville Lions Society supportive living housing development at 201 East Jensen Avenue, Parksville.
2. That staff be directed to amend the "Regional District of Nanaimo Not-for-Profit Rental Housing Sewer Development Cost Charge Reduction Bylaw No. 1577, 2010" to provide a 50% reduction in sewer DCCs for not-for profit rental housing for the Southern Community Sewer Service area and a 100% reduction in sewer DCCs for not-for-profit rental housing for the Northern Community Sewer Service Area.



Report Writer



General Manager Concurrence



C.A.O. Concurrence



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CAO APPROVAL <i>(Signature)</i>	
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RHD	
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MEMORANDUM

TO: Carol Mason
Chief Administrative Officer

DATE: June 21, 2010

FROM: Dennis Trudeau
General Manager, Transportation & Solid Waste Services

FILE: 2240-20-TROA

SUBJECT: 2010/2011 Annual Operating Agreement -
Regional District of Nanaimo / BC Transit

PURPOSE

To bring forward the 2010/2011 Annual Operating Agreement for the Nanaimo Regional Conventional and Custom Transit System with BC Transit for consideration and approval.

BACKGROUND

The Annual Operating Agreement (AOA) between the Regional District of Nanaimo (RDN) and BC Transit is renewed on an annual basis and provides the cost sharing service arrangements for Conventional and Custom Transit services in Districts 68 and 69 for the period of April 1, 2010 to March 31, 2011. The Agreement has been brought before the Board previously but was not approved. At the May 25, 2010 Board meeting the following motion was approved:

That staff be directed to arrange a meeting between the Chair of the RDN Board and selected members of the Transit Select Committee and the BC Transit Chair to discuss the 2010-2011 Annual Operating Agreement.

That meeting has taken place and based upon the results of that meeting staff is bringing forward the AOA for approval.

Conventional Transit:

The total costs included for Conventional Transit in the AOA for 2010/2011 are \$9,982,503. This represents a \$754,278 (8.2%) increase from the 2009/10 final AOA budget. The Conventional Transit costs are cost shared with BC Transit at a current rate of 46.7%.

Custom Transit:

The total costs included for Custom Transit in the AOA for 2010/2011 are \$1,639,504. This represents a \$67,877 (4.3%) increase from the 2009/2010 AOA budget. The Custom Transit costs are cost shared with BC Transit at a current rate of 66.7%.

Staff has reviewed the costs for both Conventional and Custom Transit and, except for the debt and BC Transit management fees, the increases can be explained by inflation or an actual increase in service.

Debt Service:

The debt service costs include the lease fees for the vehicles that make up our Conventional and Custom Transit fleet. The debt service costs have increased significantly due to BC Transit's componentization program, which reduces the potential for large fluctuations of maintenance costs for large emergency repairs such as engines and transmissions. The costs of these repairs are now calculated with the debt service of each bus.

There has been recent correspondence from BC Transit regarding the make-up of the fleet that is being financed by the RDN. Previously the RDN had been advised that we would be losing our newer Nova buses and replacing them with older Flyer buses. This AOA indicates that we will be keeping our Nova buses for the term of this agreement, which is to the end of April 2011. There is no indication from BC Transit on whether the RDN is in line to receive more Nova buses.

BC Transit Management Fee:

Management services costs for BC Transit have also gone up considerably over the last two years. BC Transit has indicated that this reflects their organizational development to meet the goals of the Provincial Transportation Plan and to provide support to their partners to help achieve the plan goals. In addition, BC Transit indicates that TILMA, HST and a redistribution of fees from Victoria Transit System to the rest of the municipal systems have contributed to the increase in management fees. Staff has confirmed with BC Transit that all Tier One systems pay the same management service fee percentage.

Staff was not aware of the significant increases to the BC Transit management fee structure until they received the new AOA and therefore these increases have not been reflected in the RDN 2010 budget. One of the reasons for this delay is that BC Transit does not do calendar year budgets but instead budgets from April to March of the next year. For this reason the RDN does not receive BC Transit's finalized budget information until after staff has prepared the region's budget.

The BC Transit management fees for Conventional and Custom transit are approximately \$170,000 higher than staff budgeted. Of that BC Transit cost shares on the management service fees between 46.7% or 66.7%, depending on whether it is Conventional or Custom Transit. After BC Transit cost share is accounted for there remains approximately \$83,000 that has not been included in the transit budgets. To address this increase in costs, staff will have to reallocate contingency funds that had been budgeted for potential schedule changes and fuel price increases.

Staff has had a number of discussions with BC Transit regarding their increased management fee costs. The most recent meeting took place on June 18, 2010 when the members of the RDN Board met with the Chair of BC Transit and his senior staff. They appear to recognize that the budgeting process can be improved by communicating better and earlier with RDN staff. They have also offered to open their books to the RDN to review how the BC Transit Management Service fee is determined and offered to amend the fee if it was determined to be flawed.

ALTERNATIVES

1. That the Board approve the 2010/2011 Annual Operating Agreement as presented.
2. That the Board not approve the 2010/2011 Annual Operating Agreement and provide further direction to staff.

FINANCIAL IMPLICATIONS

Under Alternative one, the 2010/2011 Custom and Conventional Transit AOA budget of \$11,622,007, will be cost shared between the RDN and BC Transit. The cost is higher than originally budgeted. One of the major increases is related to the BC Transit management fee that, after cost sharing, will leave approximately \$83,000, which was not included in the transit budgets.

During the budget preparation staff included some contingencies for schedule changes and fuel price increases that as of this date have not been required. Staff expects that as long as fuel prices remain relatively stable that this contingency can be used to offset the increase in BC Transit's management fees without incurring a deficit. If the fuel contingency is used up due to increased fuel prices, staff will then have to utilize funds that have been set aside for possible schedule increases.

Under Alternative 2, if the Board does not approve the AOA it will remove BC Transit's obligation to cost share in the service.

SUSTAINABILITY IMPLICATIONS

The Transportation Services Department is working continuously on improving the viability and efficiency of public transit. The Annual Operating Agreement is a fundamental agreement that allows the Regional District of Nanaimo to enter into a cost sharing arrangement with BC Transit. Residents within the Regional District of Nanaimo rely on public transit, whether it is for conventional or custom transit, as the options provided by public transit enable residents to leave their cars at home while they take the bus to work, to school, to medical appointments or for other equally important reasons. The use of cleaner running buses, combined with the use of biodiesel fuel, demonstrates RDN Transit's commitment to reducing its carbon footprint, which is in keeping with the RDN's Corporate Climate Change Plan.

SUMMARY/CONCLUSION

BC Transit has forwarded the Annual Operating Agreement covering the period April 1, 2010 to March 31, 2011 for the RDN Custom (handyDART) and Conventional Transit Systems. Transportation Services staff has reviewed this AOA, in conjunction with the approved RDN 2010 budget for transit services.

The 2010/2011 Custom and Conventional Transit AOA indicates a budget of \$11,622,007, which is cost shared between the RDN and BC Transit.

Management services costs for BC Transit have gone up considerably. BC Transit has indicated that this reflects their organizational development to meet the goals of the Provincial Transportation Plan and to provide support to their partners to help achieve the plan goals.


Staff has had a number of discussions with BC Transit regarding their increased management fee costs. The most recent meeting took place on June 18, 2010 when the members of the RDN Board met with the Chair of BC Transit and his senior staff. BC Transit appears to recognize that the budgeting process can be improved by better communication and earlier discussion with RDN staff. They have also offered to open their books to the RDN to review how the BC Transit Management Service fee is determined and offered to amend the fee if it was determined to be flawed.

Preparing transit budgets can be a challenging task. There are many variables that have the potential to change significantly year after year such as fuel costs and fare revenue. In addition BC Transit has some charges that can change significantly such as their management fee, which should be explained better and earlier in the budget process.


Staff recommends that the Board approve the 2010/2011 Annual Operating Agreement with BC Transit. Staff will work with BC Transit to review how their fees are dispersed amongst the local government partners and, if necessary, bring an amendment to the AOA back to the RDN Board for approval.

RECOMMENDATION

That the 2010/2011 Annual Operating Agreement (AOA) with BC Transit be approved.



Report Writer



CAO Concurrency