

MINUTES

BRAITHWAITE ESTATES IMPROVEMENT DISTRICT

Meeting 41st Annual General Meeting
Date **Thursday, April 5, 2018**
Place Kerry Park Recreation Centre - Social Lounge

Present: Robin Brett, Chair; Francis Hugo, Vice Chair; Charles Davidson, Treasurer; Gerry Giles, Trustee; David McLachlan, Trustee; Alan Seal, Operator; Karen Bereczki, Administrator; George Morine, Auditor.

Call to Order: 7:30 p.m.

1.0 INTRODUCTION

Chair Robin Brett called the meeting to order, introduced the head table and welcomed 19 residents of the District.

Chair Brett advised that the meeting was called for the following purposes:

- 1) To receive from the Trustees a report on the conditions of the works and a statement of the financial condition of the Improvement District;
- 2) To discuss with the Trustees any matter relating to the works or finances of the Improvement District;
- 3) To fix the honorarium of the Trustees for the ensuing year;
- 4) To elect three Trustees: two Trustees to serve for a three-year term and one Trustee to serve for a one-year term.

2.0 ADOPTION OF MINUTES

Minutes of the March 30, 2017, Annual General Meeting were distributed to the residents in attendance.

Moved: Jim Barker
Second: Dave Dougan

Carried: **That the March 30, 2017 Annual General Meeting minutes be accepted as amended.**

3.0 AUDITOR REPORT *George A. Morine, CA, CPA*

George Morine, CA, CPA, of MNP LLP, Chartered Professional Accountants, was introduced as the District's auditor. Mr. Morine referred to the audited financial statements as circulated, and briefly reviewed the schedules contained therein.

MNP has audited the consolidated statement of financial position of BEID as at December 31, 2017, and the consolidated statements of operations, changes in net debt and cash flows for the year then ended. These consolidated financial statements are the responsibility of the District's management. MNP's responsibility is to express an opinion on these consolidated financial statements based on its audit.

MNP conducted its audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In MNP's opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Moved: Jim Barker

Second: Katrina Grounds

Carried: That the audited financial statements for the year ended December 31, 2017 be accepted as presented.

The Chair thanked Mr. Morine for presenting the Auditor's Report, and excused him from the balance of the meeting

4.0 REPORT OF THE TRUSTEES ON THE OPERATIONS OF THE DISTRICT *Robin Brett, Chair*

Braithwaite Estates Improvement District is a local government body responsible for water services to this community. It was brought into existence by the Province of BC in a document known as Letters Patent which outline the district boundaries and the services it will provide to the residents, and the powers that can be exercised by the elected board of trustees. These powers include the ability to enact and enforce regulations and charges, to assess and collect taxes, to acquire, hold and dispose of lands, to borrow money and expropriate lands required to carry out its functions.

Improvement Districts are similar in structure to a municipality but are more informal and usually only provide one services such as water. Trustees are only allowed to consider water related issues. If we consider other issues when making policies or comment on other issues, we will be reminded that those issues are the responsibility of other government departments and not ours.

When I say that Improvement Districts are like Municipalities, we are in fact governed by the same Local Government Act as Municipalities and Regional Districts.

We are part of and overseen by the Ministry of Community Services. Bylaws are overseen by the Ministry and are registered with the Inspector of Municipalities. In addition, each year the Ministry requires that we file an annual report, submit the audited financial statements, the minutes of the AGM and a budget for each of the funds for the upcoming year.

In your financial statement, you will see each of these funds laid out. When consolidated, it appears that the district has ample funds, however it must be noted that we are not allowed to borrow from one fund to prop up deficits in another.

1. Operating Fund

Some residents are concerned that their water bills and taxes went up last year and I will cover the reasons why in this report. The district is permitted to have moderate surpluses, but we are not allowed to budget for profit. So, in the Operating Fund we basically try to set rates to cover the expenses. There is no way to sugar coat this fact; our income MUST cover our expenses. And our expenses go up every year. So, in 2017 the charges for water went up from less than \$1 per day to over \$1.30 per day because the district could not continue to operate at a loss and take money out of retained earnings to prop up the budget as it did in 2016. When we did the budget for 2017 and realized there was going to be a loss again, rates had to go up because soon there would be no Retained Earnings left to draw on.

There are reasons for the higher costs, many of which that have nothing to do with us.

For example, years ago the Health Officer came out and tested the water once a month at no cost to the district. Now we are required to test weekly and pay for not only the testing but also delivery costs to the certified lab in Sidney.

There are also new costs to pay because the Province of BC took control of water rights in the province. Every water purveyor now must register their wells and pay a rate for pumping water. Improvement Districts are being charged \$2.25 per 1000 cubic meters that are pumped into the system from the aquifer, and that cost is now passed along to users.

We also had enormous start-up costs under this new system, in hours to go through the whole process of registering each well and proving that we have had continuous use of them, to establish our wells in date order with other community wells. The new provincial rules are “first in time first in line” and simply put, if there are water shortages those with wells showing continuous use with the earliest dates; are first in line for water rights. Karen had a lot of research into archived files pulling out old Master Plans and engineering reports, and archived receivables and payables to show we have had continuous use of our wells, and scanning all those documents and then going onto the new government website to register our wells with all the original well data, and downloading to the government all the reports that she pulled out and scanned. A herculean effort on Karen’s part and hundreds of hours of work to make sure we are “first in line”.

Hydro goes up, wages go up, delivery charges go up, costs to repair things go up. Over the last two years costs were rising much faster than our rates, and we could no longer absorb the difference.

Currently most properties are paying \$1.31 per day for all the water for the average family to drink, cook with, clean with, bathe with, and to do laundry. Even with the increase and keeping very tight control on costs, this year’s operating budget was estimated to produce a surplus of only \$171.73. Our surplus ended up being more, which meant we could put back \$13,000 of the money we pulled out of retained earnings in 2016. We currently have a surplus of \$50,301 in retained earnings in the operations account, which taken over the 42 years the district has been in operation, works out to \$1,197 average surplus each year. That is how closely we budget.

We absolutely must meet our budgets. Years ago, Improvement Districts didn't need to save money. We could rely on provincially sponsored loans – called Debentures - to do needed replacements and repairs. Those debentures are no longer available from the Province. We are on our own, and neither the province or regional district is coming to rescue us financially. If we fail to meet our budgets, our only recourse is to borrow money from a bank which means our rates will go up to cover the interest, or turn the district over to the CVRD which means water rates will go up, there will be water restrictions whether necessary or not, and mandatory chlorination because the regional district automatically chlorinates every system under their control.

We want the best for our district. We want financial sustainability. We want operational resilience, in other words a system that is up to date and in good shape. We want experienced staff. And we want public safety. We also pride ourselves on our unchlorinated water. If we chlorinated, all we would have to do is make sure the chlorine level in the water was adequate. But we don't want to drink chlorinated water. Testing to make sure our unchlorinated water is safe, costs money.

Because we don't chlorinate, the Health Department requires us to test weekly for E coli and Fecal Coliform in our water. They do not require us to test for certain parameters that allow us to monitor other non-coliform parameters that show growth may be building up in our pipes. We pay for the extra testing above and beyond what the Health Dept. requires because that vegetative non-coliform growth, while not dangerous in itself, can cause the bad bacteria to have a place to latch onto and grow. When the vegetative counts go up we know the system needs attention like flushing. Those extra tests cost money. But when you consider that the testing that the Health Department requires for the presence of E coli and Fecal coliform just tells you when you've got it, and those tests takes 3 days to culture get back to us - if we just did the required testing, you could have been drinking contaminated water for 3 days before we even found out! We think the early warning tests we do are worth the extra costs

There can be an awfully high cost for getting this wrong. I would like to tell you a story to explain why we can't get this this wrong.

In 2000 a major event occurred in a small town of 4,800 people when heavy rains washed cattle manure into the town's shallow well, from a nearby farmer's field. The manure contained a particularly dangerous strain of E coli and Campylobacter that contaminated the town's drinking water. When the water tests came back, a staff member who didn't appreciate the consequences of what he was doing, simply fudged the test results. About 2,700 people became ill and 7 died. You have probably all heard of Walkerton, but perhaps what you may not know is that the economic impact to that community has totaled \$155 million so far. The coroner costs were over \$500,000 alone. And worst of all, that outbreak in 2000 wasn't the end of Walkerton's problems.

It is now eighteen years later, and many Walkerton residents have long-term, life-threatening health problems. These include: Hemolytic Uremic Syndrome, a condition caused by the E coli bacteria, that causes the abnormal destruction of red blood cells which clog the filtering system in the kidneys, leading to kidney failure, dialysis, a kidney transplant, or death. Residents also suffer from other permanent conditions, like Reactive Arthritis which is a particularly painful form of arthritis triggered by an infection like E coli. Reactive arthritis usually targets your knees and the joints of your

ankles and feet. It can also affect your hands, eyes, skin and urethra. Many residents also suffer from chronic Irritable Bowel Syndrome, Diabetes, and High Blood Pressure caused by the E coli infection. There are even cases of gout in young children, a condition normally unheard of in the young.

This need not have happened, but people weren't properly trained or monitored, and effective filtration/chlorination systems that could have prevented it were not in place.

Trustees might be able to make your water cheaper so that everyone likes us. We can (on paper) slash the budget, cut the services, hire less trained and qualified people, skimp on the extra testing we do, fix nothing that until it blows up in our faces, upgrade nothing until it breaks down completely ... basically skimp on care for the system and the professionalism of our staff. Some of you might be without water more often until major things get fixed, but it might cost a bit less. Your water bill might be a bit cheaper: But will it be worth it? I ask myself if cutting corners in Walkerton worked well for them.

As trustees, we have a role in ensuring our community's safety. In fact, we have a legal duty to do so – to make sure the water is safe and that all our operations are in compliance with every Government Act. Our decisions have an impact on the health of people in our community. We strive never to take our drinking water, the system that provides it, or the people that manage it, for granted. We sit on this board to protect 4 things. We hope that these things are also what you want.

- 1) The human resource assets. We want well trained and knowledgeable staff
- 2) The physical assets (the infrastructure)- We want a district that is sound from a structural point of view, from the largest item to the smallest leak that we want fixed quickly and the water turned back on.
- 3) The financial assets – we want a district that is financially sound for the future
- 4) The water assets – we want adequate quantities of safe water.

2. Renewal and Reserve Fund

About 7 years ago, it was mandated by the province that improvement districts establish savings to pay for replacement of infrastructure once the life of that infrastructure is at its end. We were very fortunate that one of our trustees started this fund long before it was mandated by the province. This has allowed our district to accumulate more in our Renewal and Reserve fund than other districts have managed to do, who started later. Starting earlier also allowed us to boost our savings with more interest, because we started at a time when interest rates were much higher than they are now.

The monthly figure we are supposed to contribute to this fund come from specific calculations – very simply it's the total of the replacement costs of the assets when their life is over, divided by the number of remaining years to reach that age, and then broken down into a yearly and finally a monthly figure. Unfortunately, some years the money comes out much faster than it goes in, including 2016 when \$57,080 was contributed to the renewal and reserve fund, and \$136,757 was spent.

We continue to pay into this fund and we also continue to use it for major repairs. We know that our system is aging and as it does, we will continue to draw more and more on this Renewal and Reserve fund for its intended purpose - to do our major repairs.

In 2017 we:

- Upgraded the reservoir controls \$5,840.00
- Annual Generator Maintenance \$ 567.00
- Waterline Repair on Rolmar Crescent \$5,606.00
- Well # Perimeter Drain repair \$ 430.00
- Upgrades at Pumphouse 2 (replacing meters, relocate dialer to Well #3, change signal wire and replace baseboard heater) \$1,070.00

We also purchased some new equipment: leaf blower \$213.00 and office multi-function printer \$325.00 and mandated training courses and exams for Operators \$1,457.00

Generally, it is taxes that provide the money for the renewal and reserve fund. The reason for this is because when we bill taxes we bill everyone, including the bare land owners. We can't bill bare land owners for water because they don't use water. If we didn't bill taxes, there would be no way to get bare land people to pay into the district's upkeep at all. We feel that it is important that bare land people do pay into the district because when they eventually want to access district water, they want a district that is up to date in its repairs, not falling apart. By taxing, the district gets the bare land people to contribute a share towards this upkeep.

Our budget shows we need to put just over \$57,000 into Renewal and Reserve this year. Last year taxes before the increase would have brought in only \$43,200. Because we were not meeting the budgeted amount through tax revenue, taxes also had to be increased.

3. CEC Funds

These funds come from developers and are restricted by the provincial government to use for only items that increase the water capacity of the district – basically for new wells or new water towers. These funds cannot be used for any other purpose like repairs or replacing assets we already own. Unfortunately, we cannot borrow from one fund to augment another.

I should mention the other authority that governs Improvement District - the Health Department. An improvement district our size is required to test water once a week for pathogens like E coli and fecal coliform. We add to that by testing quarterly for Nitrates and Nitrites because of the proximity to the composting facilities across the highway, and we do a required complete chemical analysis of the water yearly. Our water tests results come directly from the lab to our operator, the chair, the health department and our administrator who then distributes them to the trustees. If anything is wrong in our tests, the Environmental Health Officer would take control and give us our instructions until the situation is resolved.

As I mentioned, we tend to test weekly for more parameters than the Health Department requires, because we know that some of those non-health related tests give us warning when the system needs flushing or even temporarily cleaning with chlorine the way we had to do, two years ago.

For over 40 years, this district has made it a policy to clear up any minor issues before the health department is ever required to step in, and your present trustees continue with that same policy.

4. Groundwater Levels

Vice-Chair Francis Hugo reported that groundwater levels in Aquifer 197 are currently two feet above long-term levels. The aquifer is healthy and plentiful and seasonal water restrictions are not contemplated at this time. Groundwater capacity is sufficient to meet the needs of residents wishing to maintain green lawns, flower beds and gardens. Rate structures are set on a scale of “the more you use, the more you pay”. On a positive note, seasonal consumption contributes revenues to the District’s finances. That said, water conservation is strongly encouraged, not just in summer months but year-round as well.

5. Water Sample Reports

Trustee Hugo then referenced the Full Spectrum Water Sample Test Results included in the meeting handout. He noted that BEID water is of high quality, is a valuable resource and needs to be protected from potential contamination. From an operational standpoint, water samples are tested weekly, quarterly, and annually.

6. Question Period:

In conclusion of the Trustees’ Report, the Chair opened the floor for question period. A lengthy discussion ensued with salient points identified as follows:

- 1) Further explanation was demanded respective to:
 - a. Tolls increase implemented on June 1, 2017
 - b. Tax increase implemented on June 1, 2017
 - c. Taxes charged on bare land

As set out in the Trustees’ Report above, annual costs were climbing higher than income, and the Board did provide details of this in their Newsletter. However, it is evident the details about the rate changes may not have given enough information or was not the information sought by residents. While the Trustees committed to providing more details in their Newsletters, those in attendance were reminded they can contact the district at any time with questions or concerns.

- 2) Request for information on cost of Groundwater Rental Fees

The Board indicated that it would provide further information relative to well licensing and groundwater fees in an upcoming newsletter.

- 3) 2015 Master Plan Update:

- a. Not everything needs to be done at once
- b. Staged approach should be considered to control costs

The Board is required to have a master plan and wherever possible it does take a staged approach to control costs. To that end, discussion recognized that there is a true economy of scale respective to undertaking a complete project opposed to addressing an issue one element at a time. Some projects cannot be done on a piecemeal basis, and constant disruptions to service over a longer period is not what most residents want.

- 4) Request for Trustees to do a better job of communicating:
 - a. Advance notification
 - b. Reminders
 - c. Advertise in local newspapers

As identified in #1 above, while considering value for cost and recognizing that ads in papers are very expensive and the net result is increased costs, Trustees will utilize available resources to make improvements in this area.

- 5) Request for clarification of which two hydrants were replaced

The Board agreed to respond directly to the individual asking the question.

- 6) Full spectrum water sample
 - a. Suggestion that all three wells get tested separately rather than a blended sample being taken from the water tower

The Board noted that while individual well tests may have some merit, blended water is what we are drinking. Full spectrum tests are expensive and testing three wells instead of one blended test will increase costs.

Since there were no further questions/comments forthcoming, Question Period was closed. Attendees were referred to page 9 of the audited financial statements for detailed information on annual expense items.

5.0 TRUSTEE HONORARIUM

The Chair advised the honorarium is currently \$7,000 per year, as set by the ratepayers at the March 30, 2017 AGM. This amount is divided into six equal parts - the four Trustees receive one part each (\$1,166.67) and the Chair receives two parts (\$2,333.32). The honorarium was last increased from \$6,000 to \$7,000 by ratepayers at the April 8, 2012 AGM.

Moved: Jim Barker

Second: Katrina Grounds

Carried: **That the trustee honorarium be set at \$7,000.00 for the 2018 fiscal.**

6.0 ELECTION OF TRUSTEES

Chair Robin Brett referred the running of the Election to Trustee Gerry Giles. Trustee Giles explained the election process as follows:

Pursuant to Section 684(1) of the *Local Government Act*, in order to vote at an election for improvement district trustees, a person must be:

- 1) a Canadian citizen
- 2) 18 years of age or older
- 3) an owner of land within the improvement district
- 4) entitled to be registered as a voter under the *Elections Act*.

Every person who is qualified to be a voter in an improvement district is also qualified to be a trustee.

The Trustees' terms of office were accounted for: Robin Brett and Francis Hugo's three-year terms have expired. Charles Davidson has moved out of the District and he is stepping down having served two years of a three-year term. Therefore, there are three vacant Trustee positions comprising two three-year terms and one one-year term.

Ms. Brett has agreed to stand for re-election for a three-year term. Mr. Hugo has agreed to stand for re-election for a one-year term.

Nominations were called for candidates to stand for election to a three-year term.

- 1) Katrina Grounds nominated Robin Brett. *Accepted.***
- 2) Alex Scheiber nominated Rhonda Scheiber. *Accepted.***
- 3) Sanja Hugo nominated Phillip Le Good. *Accepted.***

Further nominations were called three times and when no further nominations were received, nominations were declared closed.

As three candidates were nominated for two vacant positions, an election was held by secret ballot. Trustee Gerry Giles collected the ballots. Charles Davidson and Jennifer Ferris were appointed to count the ballots.

Charles Davidson presented the results to Trustee Gerry Giles.

Meanwhile, nominations were called for candidates to stand for election to a one-year term.

- 1) Gerry Giles nominated Francis Hugo. *Accepted.***

Further nominations were called three times and when no further nominations were received, nominations were declared closed.

Francis Hugo was declared elected by acclamation to serve for a one-year term.

Robin Brett and Phillip Le Good were elected by majority vote to each serve for a three-year term.

Each candidate was thanked for letting their names stand for election.

The 2018/19 Board of Trustees was confirmed as follows: Trustees Robin Brett, Gerry Giles, Francis Hugo, Philip Le Good, and David McLachlan.

Moved: Jim Barker

Second: Katherine Barwick

Carried: That the election ballots be destroyed.

7.0 OTHER BUSINESS

Jackie Barker extended thanks to the Board of Trustees for its efforts on behalf of the residents of the District. She noted that it was good to see more people in attendance, and also good to welcome someone new to the Board.

Since there was no other business forthcoming, the Chair thanked the owners for attending, and the meeting was adjourned.

8.0 ADJOURNMENT

Moved: Jim Barker

Second: Katrina Grounds

Carried: That the meeting adjourn at 9:30 p.m.

The next regular meeting of the Board of Trustees will be held at 7:00 p.m. on Thursday, May 3, 2018, at the Arbutus Ridge Golf Club.

CERTIFIED CORRECT

Chairperson

Administrator