



The Corporation of the City of Courtenay

# Staff Report

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**To:** Council

**File No.:** 5600-20

**From:** Director of Operational Services

**Date:** January 14, 2026

**Subject:** CVRD Water South Extension Project – Project Approval

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## **PURPOSE:**

This report provides Council with a comprehensive review of the Comox Valley Regional District (CVRD) Water South Extension Project, outlining the governance, financial impacts, technical scope, strategic significance, and partnership implications of the project and seeks Council approval for CVRD Bylaw No. 897 and Bylaw No. 898, and to authorize staff to enter into a project agreement with CVRD, enabling the deployment of essential water infrastructure for Courtenay's future growth.

## **EXECUTIVE SUMMARY:**

The Water South Extension Project is a transformative regional infrastructure initiative led by the Comox Valley Regional District in partnership with K'ómoks First Nation and the Royston Water Local Service Area. The project will extend water transmission infrastructure south of Courtenay, supporting Treaty Settlement Lands, Royston, and key growth areas in South Courtenay. This investment is foundational to the City's long-term growth strategy, ensuring reliable water service for future development and aligning with the City's Water Master Plan and the Regional Growth Strategy. Governance is anchored in two CVRD bylaws: Bylaw No. 897 Service Establishment and Bylaw No. 898 Loan Authorization, which require City Council consent. The City's financial commitment is estimated at \$4.42 million, with a recommended contingency bringing the total to \$4.8 million. The projected annual residential utility bill impact is estimated between \$29-33 per annum, with the upper limit based on the full \$5.5 million borrowing; if the actual borrowing is less, the impact will be proportionally lower. Council approval will enable timely delivery and advance the City's strategic infrastructure goals. This project supports sustainable development, economic growth, and regional collaboration, positioning Courtenay for future success.

## **BACKGROUND:**

The Water South Extension Project (WSEP) is a regionally significant infrastructure initiative led by the Comox Valley Regional District (CVRD), in partnership with the City of Courtenay, K'ómoks First Nation (KFN), and the Royston Water Local Service Area. CVRD's leadership has been central to the project's development, providing governance, coordination, and technical expertise to deliver essential water infrastructure for the region.

The project began in 2018 with a Mutual Benefit Agreement between CVRD and KFN, establishing a shared vision to extend water transmission infrastructure south of Courtenay. This initial partnership focused on supporting Treaty Settlement Lands and Royston, with KFN's involvement ensuring Indigenous interests were integrated into the planning and design. Over time, the scope expanded to include the City of Courtenay as a direct beneficiary, particularly for servicing growth areas in South Courtenay such as The Ridge and Christie Parkway. The infrastructure includes transmission mains, metered connections, and pressure-reducing valves, all supplied by the Comox Valley Water System.

Key milestones in the project's evolution include:

- The identification of the transmission main as a critical component in the City’s Water Master Plan, supporting future development, and aligning with the Regional Growth Strategy.
- The expansion of the project’s scope to address municipal growth, economic opportunities, and community well-being for Courtenay and the region.
- Ongoing collaboration among CVRD, the City, and KFN has strengthened governance, transparency, and shared stewardship of regional resources.

As the project advanced, detailed design and cost apportionment studies were completed, ensuring that financial responsibilities were distributed fairly among partners. The technical complexity of the project required robust coordination, engineering, and procurement processes, with CVRD providing project management and oversight.

Recent communications and planning efforts have focused on finalizing the legal and financial frameworks necessary for project delivery. This includes the development of two key bylaws:

- Bylaw No. 897 establishes the CVRD service for constructing the water transmission infrastructure, with the City of Courtenay as the sole participating area.
- Bylaw No. 898, which authorizes borrowing to fund the City’s share of project costs, provides a manageable repayment horizon that aligns with the expected lifespan of the infrastructure.

The project is now in its final stages, with Council being asked to approve these bylaws and authorize the City Manager to finalize and execute the project agreement with CVRD. This agreement will formalize the City’s role as a service participant, set out terms for collaboration, funding, and deployment, and ensure alignment with regional partners. The collaborative approach positions all partners to respond effectively to future opportunities, such as expanded sewer servicing and regional growth initiatives.

Through each phase, the WSEP has demonstrated the value of regional partnership, strong leadership from CVRD, and the benefits of collaboration with Indigenous and local government partners. The project is poised to deliver lasting benefits for the City of Courtenay, KFN, and the broader region, supporting sustainable growth and community resilience.

**DISCUSSION:**

The Water South Extension Project is central to the City’s long-term growth strategy, ensuring reliable water infrastructure for future development and enhancing resilience in the face of changing demands. The partnership with K’ómoks First Nation, formalized through the Mutual Benefit Agreement and operationalized through these bylaws, reflects a commitment to mutual benefit and shared stewardship of regional resources. The project also strengthens the City’s relationships with other local governments and service areas, fostering a collaborative approach to infrastructure planning and delivery. The City’s role as a service participant, rather than a signatory to the tri-party agreement, reflects the evolving governance structure and the importance of CVRD’s ownership and operational responsibilities.

The foundational agreement for the Water South Extension Project is the Mutual Benefits Agreement (MBA) between the Comox Valley Regional District and K’ómoks First Nation. Although the City of Courtenay is not a party to this agreement, it establishes the governance, cost apportionment, design, procurement, communications, and risk management framework for the project. Key elements include project scope and schedule, cost allocation principles, design review protocols, procurement and execution standards, communications and stakeholder engagement, risk management, dispute resolution, and confirmation of CVRD’s ownership and operational responsibility for the infrastructure.

The City’s project agreement with CVRD will be modeled on the principles, schedules, and operational protocols set out in the regional agreement, with modifications as required to reflect the City’s specific interests, obligations, and regulatory context. The agreement will address municipal interests, regulatory requirements, and Council’s strategic priorities, while maintaining consistency with the regional framework. Staff have reviewed the draft and confirm that the final agreement will incorporate all necessary terms to protect the City’s interests and ensure effective delivery of the Water South Extension Project.

The legislative process for the Water South Extension Project requires Council’s written consent to Bylaw No. 897 and Bylaw No. 898 before submission to the Inspector of Municipalities. The CVRD Board gave three readings to both bylaws on December 9, 2025. Council is requested to provide its consent by February 17, 2026, in order to meet project and legislative deadlines.

The proposed timeline for the bylaw approval process is as follows:

- December 2025: Water Committee and CVRD Board consideration of bylaw readings.
- January/February 2026: City of Courtenay Council consideration of bylaw approval and consent.
- March 2026: Approval of bylaws by the provincial Inspector of Municipalities.
- April 2026: CVRD Board adoption of service establishment and loan authorization bylaws.
- May/June 2026: Challenge period and issuance of the certificate of approval for the loan authorization bylaw.
- July 2026: CVRD Board consideration of security issuing bylaw to secure long-term debt.

Timely Council consent is essential to maintain project momentum and ensure the loan authorization bylaw is approved prior to Fall 2026, when the project is scheduled to be tendered, to meet the grant funding deadline, which requires substantial completion of the project by March 2028.

The project timeline has been revised to reflect grant requirements and the need for coordination among project partners. The following table compares the original schedule with the updated roadmap, providing a clear overview of key milestones:

<b>Milestone</b>	<b>May 2025 Report</b>	<b>Updated Roadmap</b>
<b>Detail Design Start</b>	<b>Nov 2025</b>	<b>Dec 2025</b>
<b>60% Design Completion</b>	—	<b>Mar 2026</b>
<b>90% Design Completion</b>	—	<b>Jun 2026</b>
<b>Issued for Tender (IFT)</b>	<b>Mid 2026</b>	<b>Oct 2026</b>
<b>Issued for Construction</b>	—	<b>Jan 2027</b>
<b>Construction Start</b>	<b>Late 2026</b>	<b>Mar 2027</b>
<b>Substantial Completion</b>	<b>Mar 2028</b>	<b>Mar 2028</b>

This updated timeline provides greater clarity for resource planning and stakeholder engagement as the project transitions from preliminary planning to execution. The adjustments underscore the importance of

timely Council decisions on the sub-service and borrowing bylaws to maintain alignment with the revised schedule. The timeline also reflects the need for coordination with federal indigenous economic development financing, as highlighted by communications from K'ómoks First Nation. Timely affirmation of the City's commitment is essential to maintain project momentum and secure necessary funding.

**POLICY ANALYSIS:**

The Water South Extension Project is fully aligned with the City of Courtenay's Official Community Plan and growth strategies, supporting sustainable development, economic growth, and regional collaboration. The project is proposed to be governed by key bylaws and complies with provincial legislation, including the Local Government Act and Community Charter. It advances OCP objectives by enabling infrastructure investments in designated growth areas, facilitating new housing and development opportunities, and ensuring responsible stewardship of resources. The project also reflects best practices in Indigenous engagement through partnership with K'ómoks First Nation, and is consistent with the Comox Valley Regional District's Regional Growth Strategy. Together, these policies and legal frameworks provide a robust foundation for the project's delivery and long-term success.

**FINANCIAL IMPLICATIONS:**

The City of Courtenay's financial responsibility for the Water South Extension Project is currently projected at \$4.42 million, as determined by the most recent Class C cost apportionment. To accommodate potential adjustments and future cost increases, CVRD staff recommend including a ten percent contingency, raising the total anticipated funding requirement to approximately \$4.8 million. This figure accounts for \$58,908 already contributed between 2019 and 2024. Repayment of the City's share will be managed through a sub-service bylaw, with the debt amortized over a period of twenty or thirty years, in alignment with established regional service financing practices.

Depending on final project costs and borrowing needs, the City's commitment is expected to fall between \$4.8 million and the borrowing bylaw ceiling of \$5.5 million. This will be financed via a sub-service agreement with the CVRD. If the City borrows \$4.8 million over 20 years (recommended) at an interest rate of 5%, the annual debt servicing cost will be approximately \$380,000. Should 75% of this cost be allocated to residential customers, the annual amount attributed to these properties would be \$285,000, translating to an annual impact of ~\$29 per household across 9,800 units.

In the scenario where the City borrows the maximum amount of \$5.5 million, the annual debt servicing cost rises to \$435,500. Under the same allocation, residential customers would bear \$326,500 annually, equating to ~\$33 per household. These financial changes will necessitate updates to the frontage tax apportionment beginning in 2027, ensuring that revised debt servicing costs are accurately reflected in the water utility frontage tax structure.

This approach provides a prudent estimate, preparing Council and the community for the highest potential financial scenario, while actual costs may be lower depending on final expenditures and borrowing requirements. Importantly, the financial plan benefits from \$7.4 million in grant funding secured by CVRD, which significantly reduces the burden on local taxpayers and strengthens the project's feasibility.

The cost-sharing arrangement is based on a thorough analysis of the jurisdictions that will benefit, with the City's portion reflecting anticipated growth and future water service needs. The inclusion of a ten percent contingency serves as a safeguard against unforeseen cost increases, supporting the City's fiscal resilience and long-term sustainability.

**ADMINISTRATIVE IMPLICATIONS:**

Implementation of the Water South Extension Project will require ongoing coordination between City staff, CVRD, and project partners. Staff will be responsible for finalizing the project agreement, managing the sub-service bylaw, overseeing financial arrangements, and reporting on key milestones and decisions as the project progresses. Administrative resources will be allocated to ensure effective delivery, compliance with legislative requirements, and alignment with Council’s strategic direction. Staff will also facilitate communications with stakeholders and ensure that project timelines and funding deadlines are met.

**STRATEGIC PRIORITIES REFERENCE:**

The Water South Extension Project aligns with the City’s strategic priorities by supporting sustainable development, economic growth, and regional collaboration. The project is consistent with the City’s Water Master Plan and the Regional Growth Strategy, ensuring that infrastructure investments are targeted to areas of greatest need and future growth. By advancing this initiative, Council demonstrates its commitment to long-term planning, responsible stewardship of resources, and partnership with regional and Indigenous stakeholders.

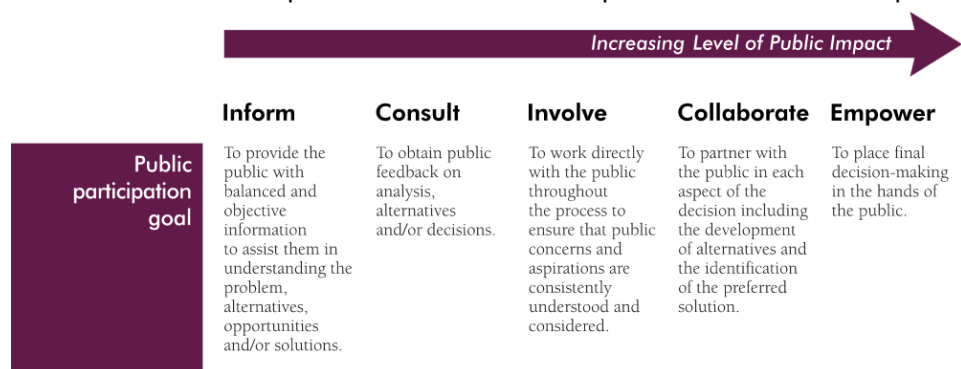
This initiative addresses the following strategic priorities:

- Municipal Infrastructure - Continued regional collaboration: Regional Growth Strategy, Liquid Waste Management Plan, South Sewer Conveyance, organics/solid waste, air quality, and regional parks

**PUBLIC ENGAGEMENT:**

Public engagement for the Water South Extension Project will be guided by the International Association for Public Participation (IAP2) framework, ensuring transparent, inclusive, and meaningful communication with Courtenay residents. While the project will be led by the Comox Valley Regional District, the City will collaborate closely to inform, the public at key milestones. Engagement activities will include clear information sharing through City and CVRD channels, opportunities for feedback on project impacts and timelines, and ongoing updates as the project progresses. This approach supports trust, responsiveness, and alignment with best practices in municipal engagement, while respecting CVRD’s leadership role in project delivery.

Staff would inform the public based on the IAP2 Spectrum of Public Participation:



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**RECOMMENDATION:**

The CVRD Water South Extension Project, governed by Bylaw No. 897 and Bylaw No. 898, represents a critical investment in the City’s infrastructure, regional partnerships, and long-term growth. The project is

supported by robust governance, prudent financial planning, and strategic alignment with municipal and regional priorities. Council's approval and public affirmation of commitment will enable CVRD to finalize the bylaws and move forward with this transformative initiative. Staff recommend that Council consent to the adoption of Bylaw No. 897 and Bylaw No. 898, authorize the City Manager to finalize and execute the project agreement with CVRD, and direct staff to take all necessary steps to implement the agreement and advance the project.

**OPTIONS:**

1. THAT Council consent to the adoption by Comox Valley Regional District of Bylaw No. 897 "Water Extension South Connection Service Establishment Bylaw No. 897" pursuant to section 346 of the *Local Government Act*, and Bylaw No. 898 "Water Extension South Connection Service Loan Authorization Bylaw No. 898" pursuant to section 407 of the *Local Government Act*, and;

THAT Council authorize the City Manager to finalize and execute the Water South Extension Project agreement with the Comox Valley Regional District, and direct staff to take all necessary steps to implement the agreement and advance the project.

2. THAT Council approve Bylaw No. 897 and Bylaw No. 898 in principle, subject to staff providing a final draft of the project agreement with the Comox Valley Regional District for Council's review and approval prior to execution, and further direct staff to negotiate terms that ensure fiscal responsibility and alignment with the City's strategic priorities.
3. THAT Council approve Bylaw No. 897 and Bylaw No. 898 as presented, and direct staff to return to Council with a proposed project agreement with Comox Valley Regional District for separate consideration prior to execution.

**ATTACHMENTS:**

1. CVRD Staff Report: Water South Extension Project – Legislative Requirements
2. CVRD Bylaw No. 897, "*Water Extension South Connection Service Establishment Bylaw No. 897*"
3. CVRD Bylaw No. 898, "*Water Extension South Connection Service Loan Authorization Bylaw No.898*"

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