

## PARCEL TAX INCREASE FOR 2022

You will have received notice of the Parcel Tax for 2022 in the mail and most of you will probably be surprised at the amount of the increase – 31.5 per cent. The purpose of this document is to explain why the Trustees found it necessary to take this step.

The parcel tax is used to fund the replacement of Mill Bay Waterworks District's (MBWD) infrastructure as it reaches the end of its expected life, or fails completely. The primary components are: wells, water mains, valves and fittings, hydrants, water treatment plants, storage reservoirs and pump stations. Each component has a different life depending on its function, its usage and the materials with which it is made. By and large, the infrastructure is in good shape but some of the water mains are cause for concern.

The pipe distribution system is made up of asbestos cement (AC) and poly-vinyl chloride (PVC) pipe. There are 5.2 km of AC pipe, 73 % of which is at least 59 years old. The design life of this AC pipe is 50 years. The remaining 27 % will reach its design life before 2028. The PVC pipe, comprising about 19 km in length, is much newer, ranging in age from 3 to 41 years old. The design life of PVC pipe is 100 years.

The focus of concern is the AC pipe and MBWD has to embark on a program of replacement of this aging infrastructure, with some urgency. As its top priority, Trustees have decided to replace the AC pipe along the Mill Bay Road for two principal reasons: i) it is one of the oldest lines in the system and at high risk of failure, and ii) the Ministry of Transportation & Infrastructure (MoTI) has started planning the upgrading of this road with construction to follow imminently. It will be significantly less expensive for MBWD to replace the AC pipe (with PVC pipe) before the road upgrades take place.

The estimated cost of replacing the AC pipelines in our system is \$ 3,576,250. This estimate is based on construction prices prevailing in 2019. Since this estimate was prepared for MBWD, construction costs have increased generally by 57%, to \$5,615,000 (2022 dollars) to replace our AC watermains. The current uncommitted balance in the Capital Renewal Fund – the fund into which the Parcel Taxes are invested – is \$ 952,020.02 (as of January 31, 2022). As you can see, MBWD is significantly short of funds to meet the replacement cost of the high priority lines.

The replacement of the pipe along Mill Bay Road is estimated to cost \$ 2.4 million (in 2022 dollars) provided we complete pipe replacement before MoTI undertakes the road upgrade. This is still more than we have available, currently, in dedicated funds for this purpose.

The staff and trustees of MBWD will be meeting in early June to prepare a strategic plan. The question of how we address the shortage of funds for infrastructure replacement will inevitably come under scrutiny at this time. The political climate toward Improvement Districts does not leave us many options for alternative sources of finance. It is in consideration of these factors that the trustees concluded that we need to significantly increase our parcel tax revenue. The 31.5 per cent increase in the rate for 2022 is a necessary starting point. It is to be hoped that the strategic plan, along with any studies that emerge from that exercise, will define a future direction that is less alarming.