

SEWERAGE FACILITIES ASSISTANCE GRANTS PROGRAM GUIDE Update 2020

www.obwb.ca/overview-grants/sfa/

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INTRODUCTION

Welcome to the OBWB Sewage Facilities Grant Program!

This resource is for municipalities and regional districts who have already received or are applying for a Sewage Facilities Assistance (SFA) Grant through the Okanagan Basin Water Board. In this information package, you will find the Terms of Reference for the program, detailed information on the steps in the application process, and all resources related to reporting and invoicing.

There have been some recent (2017) changes to the manner in which the OBWB administers this program, and the process is now more streamlined and uniform for grant recipients and the Okanagan Basin Water Board. Changes for 2020 includes a more detailed explanation of the process to calculate grants for self-financed projects.

The Okanagan Basin Water Board is happy to provide support and information throughout all stages of the grant process—please do not hesitate to contact the Operations and Grants Manager at any time:

OBWB Operations and Grants Manager

1450 K.L.O. Road

Kelowna, B.C., V1W 3Z4

P: 250-469-6270

F: 250-762-7011

email: grants@obwb.ca

We are here to help!

SFA TERMS OF REFERENCE (2017)

1.0 Preamble

The 1974 Okanagan Basin Study identified nutrient pollution as the major cause of algal blooms and deteriorating water quality in Okanagan and Skaha Lakes. The biggest source of pollution was municipal sewer outfalls.

As local governments consider the lakes a regional resource, they established the Sewage Facilities Assistance (SFA) grant program to subsidize construction of tertiary sewage treatment plants and collection systems in valley communities. The program is funded by a valley-wide tax, levied on all properties in the basin and administered by the Okanagan Basin Water Board (OBWB).

By upgrading sewage infrastructure, the amount of phosphorus entering the lakes from municipal effluent has decreased more than 90%.

A significant proportion of this program's funds have gone toward community sewer projects intended to decrease water pollution coming from developments with small lots, and failing or over-capacity septic systems. To avoid repeating these costly fixes in the future, the OBWB now requires applicants to have in place zoning policies or bylaws prohibiting new development of lots less than 1.0 hectare that are not serviced by community sewers. This requirement is intended to encourage responsible development.

2.0 Operating Principles

2.1 The grant program funds upgrades to treatment plants using old technology and extensions of sewer service to subdivisions, created prior to 1978 that are still on septic.

2.2 As per OBWB's Supplementary Letters Patents (circa 1976), the Water Board can levy up to 21¢ per \$1000 assessed value for SFA grants on all properties within the Okanagan drainage area.

2.3 The funding formula for grants is as follows:

2.3.1 For projects approved and receiving payments before April 1, 2011, the OBWB will pay 18% of the total eligible project costs, with the community first paying 2.5¢ per \$1000 (2.5 mills) of the converted assessment amount.

2.3.2 For projects approved after April 1, 2011, the OBWB will pay 16% of the total eligible project costs - on average, the same net amounts as historical grants.

3.0 Eligibility

3.1 Only communities employing tertiary treatment of sewage effluent are eligible for grants. (1977)

3.2 Areas outside the watershed, or that are not taxed for OBWB programs, are not eligible for grants.

3.3 Lots that were existing at the time of the original grant program, 1977, (and have not been subsequently subdivided), will be eligible for funding when sanitary sewers are installed. (2020)

3.3.1 For projects in which sewer extensions will service both pre- and post-1977 development, only the proportion of the project servicing pre-1978 lots is eligible for funding.

3.4 The OBWB will only fund sewage infrastructure applications in communities that comply with its 1.0 Hectare Policy, where the community has zoning policies or bylaws prohibiting the creation of lots smaller than 1.0 hectare that are not serviced by community sewers. (2007)

3.4.1 Communities must also have policies and bylaws in place prohibiting the development of accessory dwellings (carriage houses) on properties less than 1.0 hectare that are not connected to community sewer. (2013)

3.4.2 The 1.0 Hectare Policy is limited in geographic scope to the portions of the regional districts within the Okanagan watershed. Districts should be aware that subdivision of lots on septic smaller than 1.0 hectare outside the Okanagan watershed may jeopardize funding from provincial sources. (2007)

3.4.3 Each local government with subdivision approval authority is responsible for adopting the 1.0 Hectare Policy.

3.4.3.1 A regional district's grant eligibility is not affected if a member municipality does not comply with the 1.0 Hectare Policy.

3.4.3.2 A regional district's grant eligibility will be affected if one of its Electoral Areas (located in the Okanagan Basin) does not comply with the 1.0 Hectare Policy. (2007)

3.5.4 Home-site severance lots are exempted from the 1.0 Hectare Policy. (2004)

3.5.5 The 1.0 Hectare Policy may be waived through preparation of a Liquid Waste Management Plan (LWMP) that is approved by the province. Systems put in place

under this waiver will be considered permanent infrastructure and will be ineligible for future SFA funds. The LWMP must be supported by appropriate bylaws (e.g., OCPs, zoning, subdivision standards). In addition, local government bylaws must be in place for the enforcement of operation and maintenance of these systems. All Type II and III package treatment systems serving multiple homes must be registered under the Municipal Sewage Regulations, which among other requirements specifies that developers must post a bond equivalent to the value of the wastewater treatment infrastructure (2007).

4.0 Application Policies

There are three main steps to the SFA program: (1) an SFA Notification Form (2) an SFA Application, and (3) an SFA Annual Reporting Form. All templates are provided by the OBWB on request.

4.1 Communities should submit an SFA Notification indicating their intention to apply for a grant at the early stages of the planning process so that adequate funds can be requisitioned. This notification should be provided to the OBWB at least one year in advance of a SFA Application.

4.2 Grants will not be paid retroactively. Grant payments to communities will commence in same year that debt payments commence. Applicants should submit an SFA Application to the OBWB at completion of project works.

4.3 Grants are awarded based on the information provided in the SFA Application. The OBWB reserves the right to review and revise grant awards if significant changes to the project occur after receiving approval for grant funding.

4.4 Applicants must provide a calculation to determine the percentage of lots that were developed pre-1978 in their proposed project. (2017)

4.5 Applicants must provide a copy of the bylaw or policy that prohibits creation of lots smaller than 1.0 hectare that are not serviced by community sewers, and prohibiting the development of accessory dwellings of properties less than 1.0 hectare that are not serviced by community sewers.

4.6 Applicants must disclose all sources of funding at the time of SFA Application and a detailed cost-estimate of the project.

4.6.1 Where receipt of an OBWB grant brings the total grant funding beyond 100% of the total project cost, the OBWB grant will be reduced to bring the total of all grant funding to equal 100% of the total project cost.

5.0 Financing and Payments

5.1 Annual assessments are made based on the projected draw on the fund for each fiscal year. It is not always necessary to levy the full 21¢ per \$1,000 assessment (allowed by legislation).

5.2 If the amounts to be paid are greater than the funds available for distribution, payments will be reduced proportionately such that all recipients are reduced by the same percentage. An exception is made for communities which have not previously qualified for assistance from the Board. In this case, the reduction will not apply for the first three years and any shortfall will be born proportionately by the other qualifying communities.

5.3 Water Board grants are made on a debt repayment basis. Grants are tied to a Municipal Finance Authority (MFA) issue and repaid over a 20 or 25 year period.

5.3.1 OBWB payments are made twice annually, in August and December, after the requisitioned tax monies are received. Payments will be made on receipt of invoice from recipients, timed to match recipient payment commitments.

5.4 OBWB grant payment amounts are recalculated when MFA financing is changed, usually 10 years after the initial repayment. It is the responsibility of the applicant to re-calculate their payment schedules on their annual report and submit supporting documentation.

5.5 When an MFA debt is retired or forgiven, OBWB grant payments will cease.

5.6 Communities that do not incur debt are still eligible for OBWB funding, paid over 20 years on a similar schedule to MFA debt repayment.

5.6.1 Where debt is not incurred, and the project (or portions of the project) is self-financed, an imputed debt payment schedule will be calculated using MFA interest, sinking fund, and capitalization rates from the year the project was completed. A self-financed amortization schedule will be created tied to the MFA Issue that was set in the same year that the SFA grant commences.

5.6.2 In the case of self-financing, imputed debt schedules will be recalculated in accordance with the related MFA Issue. This recalculation will account for changes in interest rate, sinking fund factor and Capitalization rate as set for the related MFA Issue. (Revised for clarity 2020)

5.7 To receive payments, communities must submit their SFA Annual Report and provide current documentation on their debt repayments, or certify that no changes have occurred since the previous annual report.

APPLYING TO THE PROGRAM

Before you Apply

The following pages will guide you step by step through the OBWB's Sewage Facilities Assistance Grant program. Before beginning, please read the Terms of Reference in this package to confirm the project's eligibility.

The Sewage Facilities Assistance Grants involve an ongoing process of notification, application and reporting to the Okanagan Basin Water Board. There will be a high level of communication through the duration of the program.

Steps of the SFA Grant Process

- 1.) Complete and submit a Notification Form. The OBWB should receive this notification at least a year before completing the SFA grant application.
- 2.) Complete and submit the SFA Grant Application Form. This form will confirm project details and provide the OBWB necessary financial information about your project, including Municipal Finance Authority (MFA) Issue Numbers, repayment schedules, and debt expiry dates. Your OBWB SFA grant will be calculated based on these financial details.
- 3.) You will complete an Annual Report every year, signed and validated by your CAO or financial approving officer. This last step is ongoing for the life of your grant(s) with the Okanagan Basin Water Board. The Annual Report provides an updated MFA debt repayment schedule (or self-financed calculation) and recalculates (if necessary) the OBWB grants at its two payment dates, August 1 and December 1. Your community is required to submit an invoice on these dates in order to receive the grant payment.

Please make at least two copies of the application package – one for submission to the Okanagan Basin Water Board and one for your files. You will need to refer to these materials when completing future reporting and invoicing.

Electronic copies of all forms can be obtained by calling the

Operations and Grants Manager at 250-469-6270,

or by email at grants@obwb.ca.

NOTIFICATION FORM

Applicants should complete the Notification Form well in advance of applying for a Sewage Facilities Assistance Grant from the Okanagan Basin Water Board. The Okanagan Basin Water Board needs early notification of a community's intent to apply to the program so that the appropriate funds can be requisitioned. Please remember to make two copies, one to submit and a copy for your files. Contact the OBWB Operations and Grants Manager if you need assistance.

Detailed Notification Instructions

Section A - Applicant Information

- A.1 - Name of local government - the name of the local government applying to the Sewage Facilities Grant program, either municipal or regional.
- A.2 - Project contact information - contact information for the project leader, including telephone number, e-mail and fax number.

Section B - Project Summary

- B.1 - Project title - a brief but descriptive (10 word max.) working title for this project.
- B.2 - Location of project - the neighbourhood and street location of the project.
- B.3 - Targeted project completion date - the month and year the project is anticipated to be complete.
- B.4 - Current stage of the project - at what stage is the project? Is this in the planning stages? Have you broken ground and started construction?
- B.5 - Percentage of pre-1978 development - Calculate the amount of the project capacity (sewer or treatment plant) that services development created before 1978.
- B.6 - Project description - a one sentence overview of the project. For example: "Project will move Mr. Roger's neighbourhood from septic to community sewer."
- B.7 - Total project budget - the budget for the entire project, not just the pre-1978 components.
- B.8 & B.9 - Please select yes or no to answer the questions concerning sewage plant construction and upgrading areas on septic to community sewer.

Section C - Declaration and Authorization

Review and obtain signatures by the authorized officers in your organization.

APPLICATION FORM

Applicants should complete the Grant Application form once they have determined the final cost of the project and have started repaying MFA debt, or once they have self-financed the project.

The application provides important project details and gives the OBWB the necessary financial information about your project, including Municipal Finance Authority (MFA) Issue numbers, repayment schedules and debt expiry dates.

Please review the application form and assemble information relating to sewage treatment plant and community sewer capacities, percentage of the development in the project area dating prior to 1978, and information on all MFA loans associated with financing the project.

DETAILED APPLICATION INSTRUCTIONS

Section A - Applicant Information

A.1 - Name of local government - the name of the local government applying to the Sewage Facilities Grant program, either municipal or regional.

A.2 - Project contact information - contact information for the project leader, including telephone number and fax number.

Section B - Project Summary

B.1 - Project title - a brief but descriptive (10 word max.) working title for this project.

B.2 - Location of project - the neighbourhood and street location of the project.

B.3 - Targeted project completion date - the month and year of project completion.

B.4 - Project description - a one sentence overview of the project. For example: Project will move Mr. Roger's neighbourhood from septic service to community sewer.

B.5 - Total project budget - the budget for the entire project, not just the pre-1978 components.

B.6 - Sewage plant upgrade or construction - does any part of the project involve upgrade to, or construction of, sewage treatment plant facilities? Please select either Yes or No from the dropdown menu. If you answer Yes here, you must complete Section C.

B.7 - Sewering of neighbourhoods - does any part of this project involve upgrades to, or construction of, community sewers? This includes upgrading neighbourhoods previously on septic onto community sewer. Please select either Yes or No from the dropdown menu. If you answer Yes here, you must complete Section D.

Section C - Sewage Treatment Plant Upgrade or Construction

C.1 - Proportion of project - how much of the entire project budget is allotted to upgrades to, or construction of, a sewage treatment plant? This is important if the project includes both plant and community sewer work. If the project solely involves sewage treatment plant upgrades or construction, enter 1.00. If there is no work involving plant upgrades or construction, enter 0.00.

C.2 - Sewage treatment plant, pre-1978 service - of the portion of the project that involves upgrade or construction of a treatment plant, what proportion of the plant will service pre-1978 development? Please enter this number as a decimal between 0.00 and 1.00.

Section D - Sewering of Neighbourhoods

D.1 - Proportion of project - how much of the entire project budget is allotted to upgrades to, or construction of, community sewers? This is important if the project includes both plant and community sewer work. If the project solely involves community sewer upgrades or construction, enter 1.00. If there is no work involving community sewer upgrades or construction, enter 0.00.

D.2 - Community sewers, pre-1978 service - of the portion of the project that involves upgrade or construction of community sewers, what proportion of the sewers will service pre-1978 development? Please enter this number as a decimal between 0.00 and 1.00.

Section E - Project Financing

E.1 - MFA issue number - please enter the issue number of any MFA notes received for this project.

E.2 - MFA expiry date - the month and year of the expiry date of the MFA notes received for this project. Enter this number in the format MM/YYYY.

E.3 - First repayment - The date of the first repayment from your MFA repayment schedule. Enter this number in the format MM/YYYY.

E.4 - Semi-annual repayment schedule - the months and amounts of the regularly scheduled repayments for each MFA issue. Please enter the three-letter abbreviation for the month of the repayment and the amount of that repayment as a number with two decimal places. Do not use commas or the dollar sign.

E.5 - Total amount of MFA issue - the total amount of the MFA issue. Enter this as a dollar figure with two decimal places. Do not use commas or the dollar sign.

Section F - Eligible Amounts

These calculations are automatic. Please do not enter data here. The fields will calculate and deduct any ineligible portion of debt (any parts of the project servicing post 1978 development are ineligible for grant funding). Grants are paid at 16% of Total Qualifying Debt.

Section G - Declaration and Authorization

Once completed, the figures in the application must be verified and authorized by both the treasurer/chief financial officer and the chief administrative officer.

SUBMITTING YOUR GRANT FORMS

Please submit the electronic copy of the Grant Application form to grants@obwb.ca. Both pages of the signed hardcopy, with all required supporting documents, should be mailed to:

OBWB Operations and Grants Manager

1450 K.L.O. Road, Kelowna,

V1W 3Z4.

Please ensure you keep a hardcopy for your records, as it will be required for future grant invoicing and reporting.

REPORTING TO THE SFA PROGRAM

Before you Report

WHY THE ANNUAL GRANT REPORT?

The Sewage Facilities Grant Program is one of the OBWB's longest-running programs, with a current budget of about \$1,600,000/year. In order to improve financial tracking and provide continuity of information from year to year, the OBWB is now requiring all grant recipients to complete an annual report. This report will summarize the status and payment schedules of all projects with ongoing OBWB funding.

THE ANNUAL GRANT REPORTING PROCESS

The following pages will guide you through the annual report process for the OBWB's Sewage Facilities Grant Program, due each year on or before October 1. The Guide to the Annual Report explains the step-by-step procedure for completing the annual report form. Electronic copies of the annual form can be obtained by calling the Operations and Grants Manager at 250-469-6270, or by emailing grants@obwb.ca.

SUPPORTING DOCUMENTATION REQUIRED

In addition to the completed annual report form, you must submit a copy of the grant retirement schedule for each MFA issue you have listed, or certify that no changes have occurred since the previous annual report. For self-financed projects, you must check the corresponding MFA Issue and recalculate the amortization schedule when there are changes to the interest rate, sinking fund factor, or capitalization rate published by MFA for that issue. These tools are available on the MFA website.

Please note the Annual Grant Report is due by October 1 each year.

Please make at least two copies of the annual report form – one for submission to the Okanagan Basin Water Board and one for your files. You will need to refer to these materials when completing future reporting and invoicing.

If you have questions about the form, please contact the Operations and Grants Manager by phone at 250-469-6270, or by emailing grants@obwb.ca.

BACKGROUND DOCUMENTS

Prior to beginning the report process, please assemble the following information:

- MFA issues for all projects receiving SFA grants
- Percentage of each project that services pre-1978 development
- If self-financed, the repayment schedule calculated during the grant approval

-If your grant was approved prior to April 1st 2011, you will require the

assessment values of these properties as of 1988 (converted assessment amount).

A single Annual Grant Report listing all funded projects should be submitted each year

DETAILED APPLICATION INSTRUCTIONS

Section A - Contact Information

A.1 - Name of local government - the name of the local government that received funding from the OBWB's Sewage Facilities Grant Program

A.2 - Project Contact Information - contact information for the main project contact, including telephone number, fax number and email.

Section B - Annual Payment Schedule Information

The information entered in Section E on pages 3 & 4 here will be used to automatically calculate the amounts in the shaded boxes.

Section C - Quarterly Payment Breakdown

These are automatically calculated quarterly payment summaries of the amounts you enter in section E.

Section D - Declaration and Authorization

Answer both questions at the top of the page. The invoice schedule must be verified and authorized by both the treasurer/chief financial officer and the chief administrative officer. Any errors in calculations may be subject to reconciliation from future grant amounts (i.e. increasing or decreasing future payments).

Section E - Payment Schedule Information

E.1 - Project/Component Name - A short name for the area serviced by the specific MFA issue you are calculating.

E.2 - Year Grant Approved/First MFA Payment - Enter the fiscal year that the grant was approved and the first payments were made. This information is used to determine the calculation of the grant amount in E.13

E.3 - Self-Finance? - Select yes or no from the drop-down menu.

E.4 - MFA Issue No. - Enter the MFA issue number under which the project was financed.

E.5 - Retire Date - Enter the date of the last MFA loan repayment in the format MMM-YY.

- E.6 - Int Rate - Enter the current interest rate as per the MFA loan schedule.
- E.7 - Semi-Annual Repayment Schedule - Enter the month in a three letter format, i.e. JAN. Enter the principle and interest payment amounts according to the MFA loan schedule.
- E.8 - Total MFA Payment for Project - This column is calculated automatically.
- E.9 - Converted Assessment Amount - Enter the 1988 Assessment Values of the total area serviced by the project. If the year entered in column E.2 is 2012 or later, do not complete E.9.
- E.10 - Pre-1978 Area - Enter a percentage of the project that is servicing pre-1978 development infrastructure. Enter a decimal value of 1.00 or less. i.e. 0.60 is 60%.
- E.11 - Excess - This column is calculated automatically. This is the amount of ineligible debt for projects approved before April 1st 2011.
- E.12 - Eligible MFA Amounts - This column is calculated automatically. This column shows the amounts that are eligible for OBWB SFA Grants.
- E.13 - Grant Amount - This column is calculated automatically. This column shows the amount of OBWB SFA grant awarded annually by project.

SUBMITTING YOUR ANNUAL GRANT REPORT AND INVOICING

Please submit the electronic copy of the Annual Grant Report form to grants@obwb.ca. Both pages of the signed hardcopy, with required copies of the grant retirement schedule for each MFA note, should be mailed to (please keep a copy for your files):

OBWB Operations and Grants Manager

1450 K.L.O. Road, Kelowna, V1W 3Z4.

Please invoice for August 1st and December 1st according to the schedule in Section D