Staff Report
Request for Decision

TO: Committee of the Whole – May 22, 2025

AUTHOR: Jesse Waldorf, Manager Capital Projects
Remko Rosenboom, General Manager, Infrastructure Services

SUBJECT: **UNIVERSAL WATER METERING PHASE 3 – BUDGET AMENDMENT REQUEST**

The purpose of this report is to request additional budget and contract amendment for the completion of the Universal Water Metering Project based on a newly established cost to complete and an update to scope of work. This report requests Board decision to accept, reject, or provide alternate direction with respect to staff's recommendation as presented below.

Recommendation(s):

(1) THAT the Universal Water Metering Phase 3 Project budget be increased by $2,608,250 to $12,000,000, funded $6,000,000 from Canada Community-Building Fund Strategic Priorities Fund Grant, and $6,000,000 from long-term debt;

(2) AND THAT Contract No. 2237022 with Neptune Technology Group Canada Co. be increased by up to a maximum value of $10,800,000 (excluding GST);

(3) AND THAT the delegated authorities be authorized to execute the amended contract with Neptune Technology Group Canada Co.;

(4) AND FURTHER THAT the 2025-2029 Financial Plan be updated accordingly.

BACKGROUND

The Sunshine Coast Regional District's (SCRD) Universal Water Metering Program entered its third and final phase in 2023, with the awarding of a contract to Neptune Technology Group Canada Co. (Neptune) for the installation of water meters in the District of Sechelt. This phase includes approximately 4,222 service connections across various neighbourhoods in Sechelt.

The project is funded through a combination of a $6,000,000 grant from the Canada Community-Building Fund (Strategic Priorities Fund) and $3,391,750 in long-term borrowing approved through the Alternate Approval Process (AAP), bringing the total

amended project budget to $9,391,750. The original project budget of $7.25 million, funded entirely through long-term borrowing approved via AAP in 2021, was increased in 2022 following the successful UBCM Strategic Priorities Fund grant application.

On March 23, 2023, the SCRD Board approved the contract award to Neptune and amended the project budget to reflect this funding structure. The contract excludes the installation of large-size meters serving multi-user complexes.

On December 12, 2024, the Board approved an increase to the Universal Water Metering Phase 3– Archaeological Monitoring Service Agreement, raising its value by $255,068 to a total of $936,329 (excluding GST). The overall project budget remained unchanged at that time.

Meter installations began in October 2023 and are expected to be completed by the third quarter of 2025. At the project's outset, several assumptions were made regarding the status of existing water services, including the depth, size, and precise location of service connections, many of which were originally installed by third parties (e.g., developers) without detailed SCRD records. As installation progresses, the SCRD has been updating its records to improve accuracy for all service connections in the Sechelt area.

Since the start of installation, several contract amendments have been made to accommodate the replacement of broken or non-conforming meters and address non-standard service connection sizes. These changes have not resulted in an increase to the total contract value with Neptune, as the full quantity of required replacements is still being confirmed.

DISCUSSION

The project is currently approximately 84% complete with the most challenging and complex installations remaining, including the multi-user service connections excluded from the original contract. The remaining installations can be divided into three categories:

1. Very deep service connections: About 390 services connections to be metered were found to be at depths requiring machine excavation and appropriate safety measures (e.g., benching, shoring) due to the depths of existing infrastructure, and proximity to existing services such at gas and underground electrical services. This work has been costed at fixed unit prices that could result in a total cost of up to $1,903,335.

    - Includes: mobilization, excavator, hydro-vac, shoring, compaction, trucking, labour, materials, traffic control, and restoration (soil/seed, landscaping as need).

- While these meter installations were in scope, the machine and hydro excavation and associated additional works were not in scope.

- Staff considered the option of installing these meters inside instead of outside at the service connection. Water meters installed in-ground at the water service connection are essential to accurately record all water used at the property, and to detect leaks that may occur on private water service lines, which are often the largest. If the meter was installed inside, any water used or leaked prior to the meter would be unaccounted for. Additionally, inside installations in residential dwellings can also be very costly and create liabilities for the SCRD. Therefore, interior meter installations are currently only advanced at locations with dedicated mechanical rooms.

2. Master meters for strata and large services: Approximately 50 large multi-residential or strata services require vault-mounted or mechanical room-installed master meters. As mentioned above, this scope of work was not included in the original tender, as the nature of the infrastructure in these locations was unidentified at the time. This work has been costed at fixed unit prices that could result in a total cost of up to $1,322,500.

    - Includes for exterior: concrete inground vault, and large meter install with required plumbing work and fittings, and restoration of paving, concrete, and landscaping.

    - Includes for interior: retrofit of water service rooms, required plumbing work and fittings, and large meter install.

    - These larger meters were not included in the budget or scope for the original project but are required for the project to allow for metered billing to proceed.

3. Non-conforming install conditions: A substantial amount of non-conforming meters, connection sizes, or installs requiring additional services were identified, resulting in a projected additional cost of about $642,000.

In summary, as the specific conditions at each water meter installation site are now fully understood, it is now confirmed that the original approval project budget is insufficient for the installation of water meters in all of Sechelt. The primary reasons for this are: increased costs associated with archaeological assessments, and previously unidentified non-conforming water service connection sizes, and very deep service connections. In addition, there is now a good understanding of the costs for the installation of water meters at the previously unknown number of multi-user service connections left out of the original contract with Neptune. It is estimated based on the pricing submitted by the

contractor that the cost to complete the project is now $12,000,000 including a 15% contingency.

Option 1: Award Contract Amendment for Remaining Work

This option would have the contract with Neptune amended to allow them to complete all the remaining installations of the water meters in the Sechelt area.

This option provides the SCRD with the highest level of cost certainty, minimizes the risk of exceeding available funding and other project delivery risks, and supports the timely project completion for the implementation of volumetric billing as of January 1, 2027. It also maintains project momentum without requiring internal reallocation of staff, impacts to other work priorities, or a revised procurement process.

Should the Board choose to go with Option 1, a recommendation has been proposed in the Overview section on page one of this report.

Option 2: Procure Alternate Contractor

This option would result in Neptune completing water meter installations as much as possible within the existing contract value. The SCRD would subsequently publicly tender the remaining work. This approach is not guaranteed to result in a lower cost while it introduces substantial risks of delay, project management, and delivery challenges. The SCRD also does not have sufficient internal capacity to manage or oversee the remaining installations directly without diverting resources from other priority projects.

Depending on the delay that this option presents, the authority to borrow under the approved *Loan Authorization Bylaw* may expire. In accordance with *Community Charter* Section 179(4), the authority to borrow under the *Loan Authorization Bylaw* ends five years from the date of adoption. *Loan Authorization Bylaw No. 730* was adopted July 8, 2021. The Municipal Finance Authority (MFA) typically has two offers to fund loan requests, one in the spring and one in the fall. Should the project continue past the spring of 2026, the SCRD may have to adopt a new *Loan Authorization Bylaw* and undergo a new Electoral Approval Process.

Should the Board choose to go with Option 2, a recommendation could be considered as follows:

> THAT staff initiative a procurement process for that part of the Phase 3 of the Universal Water Metering Project that can not be completed under the current contract with Neptune Technology Group Canada Co.

FINANCIAL IMPLICATIONS

The proposed revised project budget request of $12,000,000 provides a 15% contingency buffer over forecasted needs.

	Original Budget	Estimated Total Cost to Complete
Neptune - original project scope	$5,002,854	$6,151,951
Neptune - additional scope to date		$641,451
Neptune - additional scope to be completed		$3,225,835
Archaeology	$936,329	$1,062,145
SCRD miscellaneous costs		$204,755
Contingency	$3,452,567	$713,863
Totals	$9,391,750	$12,000,000

The requested increase is proposed to be funded through long-term debt bringing the total project budget to be funded $6,000,000 from long-term borrowing and $6,000,000 from the Canada Community-Building Fund Strategic Priorities Fund Grant. *Loan Authorization Bylaw No. 730* approved total borrowing for this project up to $7,250,000. At current indicative MFA interest rates, an additional $2,608,250 in long-term borrowing would result in an increase of $249,900 in debt servicing costs per year, or $22.20 per parcel in the Regional Water Service Area.

COMMUNICATIONS

Given the significant cost increases associated with this phase of the project, staff recognize that public concern and scrutiny are likely. Communications would focus on transparency and context. A media release and FAQ may be developed depending on the level of public interest following Board approval.

STRATEGIC PLAN AND RELATED POLICIES

This project supports the Board's Water Stewardship and Asset Management priorities. Universal metering enhances leak detection, supports volumetric billing, and is a foundational tool for efficient water use.

TIMELINE FOR NEXT STEPS

Upon Board approval, staff will amend the Financial Plan and execute the updated contract with Neptune. This would allow all water meters to be installed by Q3 2025.

Staff would present a contract amendment related to the archeological assessment if the work required will indeed exceed the current contract value for that work.

CONCLUSION

Universal Water Metering Phase 3 is in its final stretch, with over 84% of installations complete. However, challenging site conditions and the costs for previously not considered and complex large residential installations have led to the need for additional budget to complete the project. Staff recommend updating the contract with Neptune to facilitate them completing the installation of all water meters in the Sechelt area to reduce financial risk and maintain schedule certainly.

A budget increase of $2,608,250 is recommended to ensure completion of all remaining meter installations by Q3 2025. This revised budget remains within the limits of the AAP and available grant funding. While Option 2 might offer theoretical cost savings, it carries substantial risks, particularly cost overruns during project delivery resulting from unfamiliarity with the project scope, project delays, and impacts to other work priorities. Most critically, such delays could jeopardize the ability to complete the project in time to meet the MFA's 2026 spring loan deadlines and the implementation of volumetric billing by January 1, 2027.

The recommended course of action ensures project integrity, financial prudence, and continued alignment with strategic goals, while preserving the ability to transition to volumetric billing without further delay. Proceeding under Option 1 offers the greatest certainty in both cost and schedule, enabling responsible project delivery.

Reviewed by:			
Manager		Finance	X - A. Taylor
GM		Legislative	
CAO	X - T. Perreault	Purchasing	