

Approved by OBWB, 04 June, 2024

## Sewerage Facilities Assistance Grants Terms of Reference 2024

### 1.0 Preamble

In 1974, the [Okanagan Basin Study](#) identified nutrient pollution as the primary cause of algal blooms and deteriorating water quality in Okanagan lakes. The biggest source of pollution was municipal sewer outfalls. As local governments consider the lakes a regional resource, they established the Sewerage Facilities Assistance (SFA) grant program to help fund construction of tertiary sewage treatment plants, and collection systems in valley communities. The program is funded by a valley-wide levy on all taxable properties in the Basin—administered by the Okanagan Basin Water Board (OBWB).

By steadily upgrading sewerage infrastructure, the amount of phosphorus entering the lakes from municipal effluent has decreased by more than 90%. A significant proportion of this program's funds have gone toward community sewer projects intended to decrease water pollution 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 a sewer system provided as a service by a municipality or regional district, or alternatively, an approved Liquid Waste Management Plan that includes decentralized wastewater management. These requirements are intended to encourage responsible development, protecting water quality and public health, among other values.

In 2023 and 2024, OBWB conducted a full review of the SFA program in collaboration with Okanagan local governments, the Ministry of Municipal Affairs, and Interior Health; and has expanded funding opportunities. The following Terms of Reference reflects the outcome of this review.

### 2.0 Definitions

Definitions in this document are derived from provincial Acts and Regulations wherever possible. Each definition is accompanied by the source reference. In cases where two provincial sources conflict, a revised definition and all references are provided. Definitions are intended to clarify these Terms of Reference for the administration of the SFA program only and are not intended to regulate local government definitions in zoning bylaws or other regulatory documents. In cases where existing definitions are in conflict, OBWB staff will work with the local government to ensure the intent of the SFA program TOR is understood, and met.

**Accessory Dwellings** - A self-contained dwelling unit, such as a garden suite, laneway home, carriage house or garage suite located on the same legal lot as another dwelling. [Housing and Tenancy](#) Note: This does NOT include Secondary Suites

**Effluent** - domestic sewage that has been treated by a treatment method and discharged into a discharge area; [Sewerage System Regulation](#)

**Liquid Waste Management Plan** – A provincially-approved plan, developed with public consultation, authorizing a local government in accordance with operational certificates, to proceed with measures to accommodate existing or future development with a strategy to ensure the management, resource recovery and disposal of treated waste is sufficiently protective of public health and the environment. [Guide to LWMPs](#)

**Lot/Parcel** – Any lot, block or other area in which land is held or into which it is subdivided (including a Strata Lot as defined in the [Strata Property Act](#)). [Sewerage System Regulation](#)

**Secondary Suite** - A complete living unit with its own kitchen, sleeping area, and washroom facilities contained within another dwelling. The two dwelling units (the primary residence and the secondary suite) and any common spaces make up a single real estate entity that cannot be stratified or otherwise legally separated from the other. [Housing and Tenancy Note: A secondary suite is NOT an accessory dwelling.](#)

**Septic** – A system for receiving, treating and settling domestic sewage such that

- (a) solids within the wastewater settle,
- (b) anaerobic digestion of organic materials occurs, and
- (c) effluent is discharged. [Municipal Wastewater Regulation](#) and [Sewerage System Regulation](#)

**Sewage/Wastewater** means domestic wastewater or municipal liquid waste, including contributions from

- (a) holding tanks in recreational vehicles, boats and houseboats,
- (b) commercial, institutional and industrial sources,
- (c) inflow and infiltration,
- (d) septic tank pumpage,
- (e) holding tank solids, and
- (f) sludge from wastewater facilities. [Municipal Wastewater Regulation](#)

**Sewerage/Sewage System** - refers to the system of pipes, pumps and other equipment used for the collection, storage, and treatment of sewage/wastewater or stormwater and discharge of treated effluent, but does not include septic or holding tanks. [Onsite Sewage Systems](#)

## 3.0 Operating Principles

3.1 The grant program funds upgrades to treatment plants and extensions of Sewerage/Sewage Systems provided as a service by a municipality or regional district to lots created before 2007, prior to the implementation of the 1.0-Hectare Policy.

3.2 The grant program also funds the development or updating of Liquid Waste Management Plans (LWMP) that include consideration of decentralized wastewater/on-site wastewater systems as permanent and sustainable infrastructure.

3.3 As per OBWB's Supplementary Letters Patents (circa 1976), the Water Board can levy up to 21¢ per \$1,000 assessed value for SFA grants on all properties within the Okanagan drainage area.

## 4.0 Eligibility

4.1 Only communities employing wastewater treatment facilities that meet provincial and federal regulatory requirements or demonstrate that the project complies with the British Columbia Environmental Management Act and is authorized under the municipal Wastewater Regulation or an approved Liquid Waste Management Plan are eligible for grants.

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

4.3 Only local governments (municipalities and regional districts) in the Okanagan Basin are eligible for SFA grants. First Nations and Bands within the Okanagan Basin who have sewer service agreements with eligible local governments, where the local government agrees to accept effluent from sewage collection systems and where those system are connected to a sewer system provided as a service by a municipality or regional district, will also be eligible for SFA Grants with the same eligibility requirements as local governments.

4.4 Grants will not be paid retroactively for areas already serviced by sewers or that previously received SFA funding.

4.5 Lots created before 2007 (prior to OBWB instituting the 1.0-Hectare Policy to be consistent with provincial policy), not subsequently subdivided, and with no current access to a sewer system provided as a service by a municipality or regional district will be eligible for funding when the sewer system is installed.

4.5.1 For projects in which sewer extensions will service both pre- and post-2007 development, only the proportion of the project servicing pre-2007 lots is eligible for funding.

### 4.6 The 1.0-Hectare Policy:

The OBWB will only fund sewage infrastructure applications in communities that comply with its 1.0-Hectare Policy, **or** alternatively, have a provincially approved Liquid Waste Management Plan that considers the management of on-site systems as permanent, sustainable infrastructure including their monitoring/management, safe and effective disposal of products (biosolids, septage), and cumulative environmental effects. All eligible areas as described in section 4.8 below are subject to the 1.0 Hectare Policy or an alternative LWMP.

4.6.1 Communities must have bylaws or policies in place requiring connections to a sewer system provided as a service by a municipality or regional district to all lots less than 1.0 hectare; **and**

4.6.2 Communities must have bylaws or policies in place prohibiting the development of accessory dwellings on properties less than 1.0 hectare that are not connected to sewer systems provided as a service by a municipality or regional district; **and**

4.6.3 Communities must have bylaws in place for decommissioning existing on-site sewage systems or septic on properties that are being/have been connected to a sewer system provided as a service by a municipality or regional district.

#### 4.7 The 1.0-Hectare Policy Annual Confirmation of Compliance

Prior to any grant payment in a given year, the recipient must provide confirmation to the OBWB that bylaws or policies are in place meeting the requirements of the 1.0 Hectare Policy.

4.7.1 Applicants must provide a list of all adopted amendment bylaws and issued permits approved by the local government in the previous calendar year, if any, that provided exceptions and/or variances to the bylaw regulations that relate to the OBWB's 1.0 ha Policy.

4.7.2 Where a community allows variances or does not comply with their own 1.0-Hectare bylaws or Liquid Waste Management Plan, all SFA grant payments to that community will be suspended for a minimum of one year and until the community can confirm compliance.

4.7.3 Where a community does not provide confirmation to OBWB of annual compliance with the 1.0-Hectare Policy, all grant payments to that community will pause until compliance is confirmed.

#### 4.8 The 1.0-Hectare Policy Applicability and Exclusions:

4.8.1 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.<sup>1</sup>

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

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

b. 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.

4.8.3 Where local governments have authority to regulate land use on lands subject to the [Agricultural Land Commission Act](#) or the [Agricultural Land Reserve Use Regulation](#), the 1.0-Hectare Policy must be applied. However, land-use decisions made by a provincial authority, outside of the local government's control will not affect their eligibility for SFA funding.

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<sup>1</sup> The Ministry of Municipal Affairs has long included this policy as a condition within infrastructure funding programs where funding is advanced to extend local government sewer systems.

4.8.4 Where local governments may establish bylaws to regulate land use outside a municipality under the [Local Government Act Section 506](#), the 1.0-Hectare Policy must be applied. However, land-use decisions made by a provincial authority (such as a provincial subdivision approving officer), outside of the local government's control will not affect their eligibility for SFA funding.

4.8.5 The 1.0 Hectare Policy does not apply in the following cases:

- a. Home-site severance lots<sup>2</sup>.
- b. A subdivision that does not create additional lots/parcels and only results in road or park dedications or an adjustment of boundaries between existing parcels.
- c. A subdivision of a parcel to accommodate unattended equipment necessary for the operation of a utility use.
- d. A subdivision of a parcel to accommodate the following:
  - i. a wildlife management area designated under the Wildlife Act;
  - ii. a park preserved in its natural state and having no buildings or structures;  
or
  - iii. natural area conservation, provided that the parcel is transferred to a government entity or a nongovernmental organization and also charged by a covenant prohibiting the construction of buildings and structures of all types.

#### 4.9 The Liquid Waste Management Plan Alternative

The OBWB will fund the development or updating of Liquid Waste Management Plans under the eligibility criteria, application policies and payments as detailed in this Terms of Reference.

4.9.1 Communities must submit proof of provincial approval for their LWMP before funding will be approved.

4.9.2 Costs associated with the three stages of the LWMP planning process as outlined in the [Interim Guidelines for Preparing Liquid Waste Management Plans](#) will be eligible for grants.<sup>3</sup>

## 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

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<sup>2</sup> [Homesite Severance Policy](#)

<sup>3</sup> Upon changes or replacement of the Interim *LWMP* guidelines, this Terms of Reference and eligibility will also be updated to reflect those changes.

made for communities which have not previously qualified for assistance from the OBWB. 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 The funding formula for grants is as follows:

5.3.1 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.

5.3.2 For projects approved after April 1, 2011, the OBWB will pay 16% of the total eligible project costs<sup>4</sup>

5.3.3 For funding of a LWMP, OBWB will pay 16% to a maximum of \$30,000 for each planning phase for developing or updating the plan. OBWB will pay for up to three phases, to a maximum of \$90,000.

5.4 OBWB grants for sewerage infrastructure projects 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—as established in the OBWB funding agreement.

5.4.1 OBWB payments are made twice annually, in August and December, after the requisitioned tax monies are received.

5.5 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.

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

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

5.7.1 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.

5.7.2 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.

5.8 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.

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<sup>4</sup> On average, this is the same amount as historical grants with the formula described in 5.3.1.

5.9 Water Board grants for LWMPs will be paid at the rate of 16% of the cost to a maximum of \$30,000 per-phase, up to \$90,000 for all three phases. Annual lump-sum payments will be limited to one phase-payment per year (maximum \$30,000) with subsequent grants for completed phases coming in years two and three. No interest is paid on LWMP grants.

## 6.0 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. Templates are included in the program guide, and are available on the [OBWB Sewer Grants webpage](#).

6.1 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 by August 15, in the year before an SFA Application.

6.2 Grants are approved in principle when OBWB receives an SFA Notification, and final grant payments are calculated following project completion when OBWB receives an SFA Application with final project costs.

6.3 Grant payments will commence in the same year that debt payments commence, or when LWMP phases are complete and approved. Applicants should submit an SFA Application to the OBWB at completion of project works.

6.4 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.

6.5 Applicants must provide the method used to determine the percentage of lots that were developed pre-2007 in their proposed project – for example, by calculation or digital analysis.

6.6 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.

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

6.7.1 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 no more than 100% of the total project cost.