

Sage Mesa Water System Report June 2025

Description

Sage Mesa Water and Public Service Co. is a private water system built in 1966 that was originally owned by Mr. Richard Chapman and now his son John owns the system. The Chapman family owns the assets and water licences. Mr. Chapman owns the distribution system and also owns 1 golf course. Since 1993, Chapman has been trying to develop land at the end as well as to the west up the mountain of Sage Mesa and hasn't been successful.

Sage Mesa water system has 242 ratepayers, including Sage Mesa, Sandstone, Westwood, Pine Hills golf club, WOW golf course and Husula Highlands.

1988 – Boil water notice put on the system due to chlorination issues.

1990- Provincial government seized the system -Seize order 1378 (attached) for lack of adequate funding in Reserve fund, and deficits in chlorination equipment. The provincial government has been directly managing the water system since 1990. **Sage Mesa appears to be the only private water system in British Columbia under direct provincial management by the Comptroller of Water Rights.**

June 1990 – Richard Chapman agreed to sell the system to Province for \$1 provided the province will assume all liabilities.

2009 – Regional District Okanagan Similkameen(RDOS) was contracted by the province to perform day-to-day operations. Water quality sampling, daily system checks, fire hydrant maintenance, critical failures, break and leaks repaired,etc

2012 Neighboring water system, West Bench Irrigation District and RDOS entered into a Bulk Water Agreement with the City of Penticton to provide fully treated water in accordance with the Interior Health's Permit to Operate mandate. Sage Mesa Water was included in this historic agreement as the RDOS was aware that the Sage Mesa water system was needing improvements.

2019- Under provincial management the lower Sage Mesa area was put on a permanent Boil Water Notice. In addition, during freshet the Upper areas are on a Water Quality Advisory for Turbidity each spring.

December 2022: RDOS received an acquisition agreement from Mr. Chapman. Owner to receive \$1 for all water system assets (if vote passes).

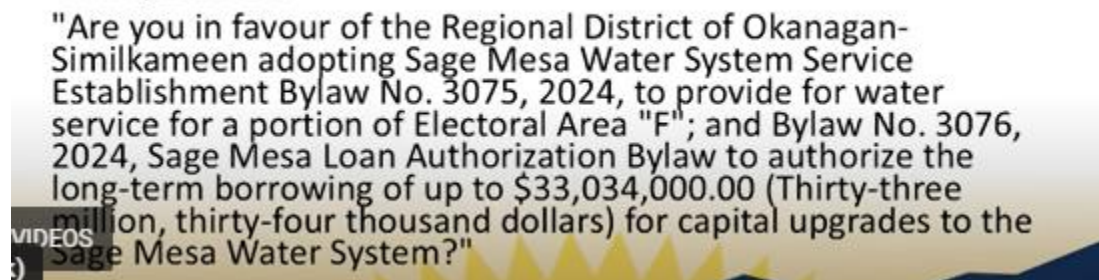
February 2023: RDOS Board approved to proceed as per Utility Acquisition policy.

June 2023: RDOS received Engineering and Financial Assessment report. Report author, McElhanney noted within the study that it is a Class D study (high level) with a 40% contingency. Engineer report states that cost of upgrades is \$33 million. \$10.2 million required between 2025-2032, another \$8.2 million required between 2026-2029 and 14.6 Million required between 2033-2037.

Fall 2024 Sage Mesa customers were informed that the RDOS has been asked to acquire the Sage Mesa System by the province due to aging infrastructure, insufficient financial resources, not meeting regulatory requirements, liability concerns and insurance, and the system is not eligible for government grants because Government manages it. Government can't give grants to themselves.

November 2025 vote:

THE QUESTION



"Are you in favour of the Regional District of Okanagan-Similkameen adopting Sage Mesa Water System Service Establishment Bylaw No. 3075, 2024, to provide for water service for a portion of Electoral Area "F"; and Bylaw No. 3076, 2024, Sage Mesa Loan Authorization Bylaw to authorize the long-term borrowing of up to \$33,034,000.00 (Thirty-three million, thirty-four thousand dollars) for capital upgrades to the Sage Mesa Water System?"

NO VOTE : Al Aderichin, P. Eng., Head, Water Utilities Engineering, Ministry of Water, Land and Resource Stewardship stated at the June public meeting that the provincial government will continue to manage the system and will immediately levy each homeowner with amount needed for capital upgrades. In this case we will be ineligible for government grants because the province will still manage the system and can't grant themselves money.

YES VOTE : Jim Zaffino, RDOS CAO stated at the June public meeting that RDOS will own the system and will apply for grants. If no grants are received, RDOS stated it will cost each homeowner \$8,300 – \$9,400 for capital costs, plus \$1800-\$2500 for operating costs. Approximately \$12,000 per year per home for water.

Not only will this be unaffordable for people, but it will drive property values down.

The threat of legal action may be necessary at this point. The Provincial Government has overseen the Sage Mesa water system for 35 years. Under Section 132 of the Water Sustainability Act (WSA), they should have developed a Water Sustainability Plan for our system—but they did not. Uniquely, the Province serves both as the Regulator for all private water systems in BC and as the direct manager of Sage Mesa’s system, making their oversight failures even more troubling. They have not adhered to their own laws, regulations, or best practices.

Over the decades of Provincial management, there have been recurring issues related to water quality.

Interior Health also bears responsibility, as it failed to pressure the provincial government (in accordance with the Water Sustainability Act) to provide a Water Sustainability Plan and and a resulting Action Plan as is required by all Private Water systems that the Water Comptrollers office manages.

Such a plan is critical in emergency situations or during abnormal operations affecting supply or source.

Also, the opportunity to benefit from the Bulk Water Agreement could be lost if not acted on soon which will cost ratepayers more in Capital and in Operations. This was a missed opportunity by the province in 2012.

And by doing nothing, costs for critical infrastructure have sky rocketed since the Bulk Water deal for West Bench happened.

<https://rdosregionalconnections.ca/sage-mesa-water-system-acquisition-assessment>

ACTS & Regulations: Federal and Provincial : Water Sustainability Act and Regulations, and Drinking Water Protection Act.

Interior Health provides Permits to Operate and is supposed to identify areas that a system is not in compliance prior to issuing or renewing Permits to Operate.

Questions:

1. The province seized the water system from a private owner because of apparent mismanagement. 35 years later, it appears that the system has been mismanaged by the province. Is the province liable because they did not follow the same rules that other water systems are required to adhere to?

2. If there is a NO vote, is it legal for the province to levy the ratepayers for the funds needed without a vote? Why does the RDOS have to get approval for borrowing if the province doesn't need approval for a huge levy?

3. Does the Water Comptrollers office have the ability to manage a Capital project of this size if we vote NO.

4. Is it legal for RDOS to make the ratepayers vote for the entire Class D study valuation when they haven't picked a formal direction ? City water or fix our current private system.

5. Is it legal for RDOS to make the ratepayers agree to borrowing all of the money now when no other RDOS system was held to that standard.

(examples : Naramata, Olalla, Sun Valley, Willowbrook, Mississauga Lake)

6. Was Interior Health in a Conflict of Interest in governing the Provincial Governments Water Comptrollers office while they managed the Sage Mesa Water System?