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**REPORT TO BEDDIS WATER SERVICE COMMISSION
MEETING OF TUESDAY, MAY 8, 2012**

SUBJECT 2012 WATER SYSTEM UPGRADE PROJECT PHASE 1 – CAPITAL RESERVE FUNDING

ISSUE

Upgrades to the Beddis water service infrastructure must be completed to comply with a Vancouver Island Health Authority compliance order. The Beddis Water Service Commission intends to partially fund the work through the use of capital reserve funds and must authorize the transfer of funds from the reserve fund to the capital project.

BACKGROUND

At its March 2, 2012 meeting, the Beddis Water Service Commission was advised that a drinking water protection act compliance order for the Beddis Water System was issued by the Vancouver Island Health Authority. To comply with the order, completion of the water treatment, storage and distribution works identified as Phase 1, is required by March 31, 2013. The estimated cost to complete Phase 1 is \$460,000. To fund this work, the Capital Regional District (CRD) was proposing to seek approval from the Inspector of Municipalities, to undertake a loan through the Municipal Finance Authority, up to \$460,000. However, the Beddis Water Service Commission has advised staff that it would be preferable to utilize \$60,000 in available capital reserve funds to partially fund the work and reduce the loan amount to a maximum of \$400,000.

ALTERNATIVES

1. That the Beddis Water Service Commission recommend that \$60,000 in Beddis Water Service capital reserve funds be allocated to the Phase 1 water upgrade project budget, reducing the loan amount to a maximum of \$400,000 to fund the remainder of the project.
2. That the Beddis Water Service Commission recommend that the Beddis Water Service capital reserve funds are not used to partially fund the Phase 1 water upgrade project and the project be entirely funded through a new loan up to \$460,000.

IMPLICATIONS

Alternative 1:

The current Beddis Water Service capital reserve fund balance is \$82,279. If \$60,000 is allocated to the upgrade project, the remaining balance of \$22,279 would be an adequate reserve fund in the short term, until the fund could be rebuilt. As a result of decreasing the loan principal by \$60,000, the parcel tax impact on the service area customers to service the new debt would be reduced by approximately \$66 per folio annually.

Alternative 2:


If no capital reserve funds are allocated to fund the upgrade project, the loan authorization bylaw will be prepared based on a loan up to \$460,000 for the Beddis Water Service.

CONCLUSION


The estimated cost to complete Phase 1 of the Beddis Water System upgrade project is \$460,000. To fund this work, it is proposed to allocate \$60,000 in available Beddis Water Service capital reserve funds to partially fund the work and seek approval from the Inspector of Municipalities, to undertake a loan through the Municipal Finance Authority, up to \$400,000 to fund the remainder of the project.

RECOMMENDATION

That the Beddis Water Service Commission recommend that \$60,000 in Beddis Water Service capital reserve funds be allocated to the Phase 1 water upgrade project budget, reducing the loan amount to a maximum of \$400,000 to fund the remainder of the project.



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Concurrence

TR:ls