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BEDDIS WATER SERVICE COMMISSION

Notice of Meeting on **Monday, October 4, 2021 at 9:00 AM**
SSI Library, 129 McPhillips Ave, Salt Spring Island, BC

Gary Holman

Laurie Jacques

Geoff Bartol

Michael
McCormick

AGENDA

1. Territorial Acknowledgement / Call Meeting to Order

2. Limited Space Meeting Resolution

That this resolution applies to the Beddis Water Service Commission for the meeting being held on October 4, 2021, and that the attendance of the public at the place of the meeting will be limited in accordance with the applicable requirements or recommendations under the Public Health Act, despite the best efforts of the Commission because:

- a. The available meeting facilities cannot accommodate more than (20) people in person, including members of the Commission and staff, and
- b. There are no other facilities presently available that will allow physical attendance of the Commission and the public in sufficient numbers;
and

That the Commission is ensuring openness, transparency, accessibility and accountability in respect of the open meeting by the following means:

- a. By making the meeting agenda, as well as the other relevant documents, available on the CRD website, and directing interested persons to the website by means of the notices provided in respect of the meeting,
- b. By making the minutes of the meeting available on the CRD website following the meeting.

3. Approval of Agenda

1-2

4. Adoption of the Minutes of December 3, 2020

3-5

5. Chair and Director Reports

6. New Business

6.1 2022 Operating and Capital Budget

6-10

That the Beddis Water Service Commission:

1. Approve the 2022 operating and capital budget as presented, and that the 2021 actual operating deficit or surplus be balanced on the 2021 capital reserve fund transfer.
2. Recommend that the Electoral Area Services Committee recommend that the CRD Board approve the 2022 Operating and Capital Budget

To ensure quorum, advise Shayla Burnham 250 537 4448 if you cannot attend.

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and the five year Financial Plan for the Beddis Water Service as presented.

- 7. Outstanding Business - None**
- 8. Adjournment**



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**Minutes of the Beddis Water Service Commission
Held December 3, 2020 at the Creekside Meeting Room, #108 121 McPhillips Ave Salt
Spring Island, BC**

DRAFT

Present: **Director:** Gary Holman
 Commission Members: Laurie Jacques, Geoff Bartol, Michael McCormick
 Staff: Karla Campbell, Senior Manager SSI Electoral Area; Lia Xu, Manager,
 Finance Services; Dan Robson, Manager, Saanich Peninsula and Gulf Islands
 Operations; Allen Xu, Manager Engineering; Tracey Shaver, Recording
 Secretary
 Absent: Ruth Waldick
 Participants: Simon Wheeler

VIRTUAL MEETING via Microsoft Teams

1. Territorial Acknowledgement / Call Meeting to Order

Meeting was called to order at 9:30 am with the additional item of election of chair as the second order of business.

2. Election of Chair

Commissioner Bartol nominated Laurie Jacques for position of chair.
Hearing no other nominations Laurie Jacques accepted the position of chair and was appointed by acclamation.

3. Approval of Agenda

Approval of the agenda was inadvertently left off and has been added back in which will cause the remainder of agenda items to be renumbered.

MOVED by Commissioner Jacques, **SECONDED** by Commissioner Bartol,
That the Beddis Water Service Commission agenda of December 3, 2020 be approved as amended by adding in items election of chair, approval of agenda, renumbering of the remaining items and item 6.2 Innova Water Optimization Study.

CARRIED

4. Adoption of the Minutes of October 10, 2019

MOVED by Commissioner Jacques, **SECONDED** by Commissioner Bartol,
That the Beddis Water Service Commission meeting minutes of October 10, 2019 be approved.

CARRIED

5. Chair and Director Reports - None

6. New Business

6.1 2021 Operating and Capital Budget

- 2020 is projected to be over by approximately \$13,000 due to emergency responses, corrective maintenance and lower water sales revenue and a leak adjustment.
- Staff suggest carrying the debt over to 2021 and recovering it through user charges for a one year increase
- Chair Jacques presented several items for discussion and declared that the Beddis Water Service would not approve the budget as submitted.
- Lengthy discussion on merits of a mobile generator system to be shared between other water service areas versus the proposed stand-alone systems for specific treatment plants to maintain water production during prolonged power outages.

Karla Campbell left the meeting at 10:00 am

Karla Campbell returned to the meeting at 10:17 am

MOVED by Director Holman, **SECONDED** by Commissioner Bartol,
That the Beddis Water Service Commission recommend that before tendering the back-up power request for proposal, staff approach other water districts to determine if there is interest in participating in the investigation of a shared portable back-up power system such as a mobile generator.

CARRIED

- Lengthy discussion on proposed increase to user charge; major driver is the operational debt, lower water sales and a long term financial review by staff.
- Staff advise that lowering transfers to reserves will put the service at risk of future deficits and may continue a cycle of having user charges with significant fluctuation each year.
- Several items in the 2021 capital plan are relying on Community Works Funds; Director Holman requests alternative funding sources be investigated.
- Director Holman proposed a combination of lowering both transfers to reserves to achieve a User Charge increase of 21% instead of the proposed 29%.
- The amendment to the transfers to reserves will lower the User Charge to about \$143.00 from \$199.39.

MOVED by Director Holman, **SECONDED** by Commissioner Bartol,
That the Beddis Water Service Commission requests a reduction in the 2020 transfer to reserves as follows: Operating Reserves lowered by \$1,000 and Capital Reserves by \$6,000.

CARRIED

MOVED by Commissioner Jacques, **SECONDED** by Commissioner Bartol,
That the Beddis Water Service Commission:

1. Approve the 2021 capital budget in principal as presented, and that the 2020 actual operating deficit to be carried forward to 2021 budget to be recovered by user charge;

2. Approve the 2021 operating budget as amended, and that the 2020 actual operating deficit to be carried forward to 2021 budget to be recovered by user charge;
3. Recommend that the Electoral Area Services Committee recommend that the CRD Board approve the 2021 Operating and Capital Budget and the five year Financial Plan for the Beddis Water Service as amended.

CARRIED

Director Holman leaves the meeting at 11:45 am

6.2 Water Optimization Study

Joint study is still in a draft form and no comments will be released until it is finalized.

Lia Xu leaves the meeting at 11:50 am

7. Outstanding Business

7.1 Beddis Asset Management Plan

- Tool to be used to inform capital plans
- Updating plan each year
- Seven individual structures related to the service were evaluated
- Report received for information

8. Adjournment

MOVED by Commissioner Jacques, **SECONDED** by Commissioner Bartol,
That the meeting be adjourned at 11:57 am.

CARRIED

CHAIR

SENIOR MANAGER



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**REPORT TO BEDDIS WATER SERVICE COMMISSION
MONDAY, OCTOBER 04, 2021**

SUBJECT 2022 Operating and Capital Budget

ISSUE SUMMARY

To present the 2022 operating and capital budget. In accordance with Bylaw No 3247, "Beddis Water Service Commission Bylaw No. 1, 2004" the Commissions' approval of the annual budget is required.

BACKGROUND

The Capital Regional District (CRD) is required by legislation under the *Local Government Act* (LGA) to prepare an annual operating and capital budget and a 5-year financial plan including Operating Budgets and Capital Expenditure Plans annually. CRD staff have prepared the financial plan shown in Appendix A to this report for the Beddis Water Service.

The Operating Budget includes the regular annual costs to operate the service. The Capital Expenditure Plan shows the anticipated expenditures for capital additions. These may include purchases of new assets or infrastructure, upgrades or improvements to existing assets or asset review and study work potentially leading to future capital improvements.

In preparing the Operating Budget, CRD staff considered:

1. Actual expenditures incurred between 2019 and 2021
2. Anticipated changes in level of service (if any)
3. Maximum allowable tax requisition
4. Annual Cost per taxpayer and per SFE

Factors taken into consideration in the preparation of the Capital Expenditure Plan included:

1. Available funds on hand
2. Projects already in progress
3. Condition of existing assets and infrastructure
4. Regulatory, environmental, and health and safety factors.

Adjustments for surpluses or deficits from 2021 may be made in January 2022. The CRD Board will give final approval to the budget and financial plan in March 2022.

The Financial Plan for the years 2023 – 2026 may be changed in future years.

BUDGET OVERVIEW

Operating Budget

It is projected the 2021 operating expenses will be approximately \$14,511 over budget. Factors contributing to the operating overage include emergency response and corrective maintenance primarily due to the following events:

- Water system leak repairs.
- Corrective maintenance of the water treatment facility skimmer gear box, air saturator pump and flash mixer equipment.
- Replacement of water treatment plant faulty electronic (HOA) switches and PH probe equipment.

It is projected that the 2021 operating revenue will be \$1,926 below budget. This lower revenue is primarily due to lower than budgeted water sales revenue.

As a result, there is an overall estimated deficit and cash flow shortage of approximately \$16,437. In order to balance the budget, it is proposed that the 2021 capital reserve fund transfer be reduced by the deficit amount for this year. Otherwise, the resulting deficiency in 2021 must immediately be included as an expenditure to be recovered from revenue in 2022 financial plan as required by Local Government Act Section 374(11).

The 2022 gross operating cost has been increased by \$10,527 (6%) over 2021. The increase is primarily to account for core inflation and one-time preventative maintenance activity cost for the service.

Municipal Finance Authority (MFA) Debt

Loan Authorization Bylaw 3825 to borrow \$400,000 was approved and adopted in 2012 for capital upgrades to the Beddis Water System. Table 1 below summarizes the detailed information for existing MFA debt issues related LA3825.

Table 1 – Existing Debt Summary

MFA Issues	Term	Borrowing Year	Retirement Year	Refinance Year	Original Interest Rate	Current Interest Rate	Principal	Principal Payment	Interest Payment	Total Annual Debt Cost
LA3825-124	10	2013	2023	NA	3.15%	3.15%	\$300,000	\$24,987	\$9,450	\$34,437
LA3825-126	10	2013	2023	NA	3.85%	3.85%	\$70,000	\$5,830	\$2,695	\$8,525
Total							\$370,000	\$30,817	\$12,145	\$42,962

Operating Reserve Fund

The Operating Reserve Fund is used to undertake maintenance activities that typically do not occur on an annual basis. Typical maintenance activities include hydrant/standpipe maintenance and reservoir cleaning and inspection. The operating reserve also funds the procurement of equipment and supplies that are not purchased on an annual basis. Additionally, the operating reserve could be used for emergency unplanned repairs if sufficient fund balance is available.

It is proposed that transfers to the operating reserve increase significantly from \$4,190 to \$15,000 to ensure future maintenance activities are fully funded and adequate minimum fund balance is

maintained. There is \$24,000 in planned maintenance to be funded by the Operating Reserve over the next five years.

The Operating Reserve Fund balance at the end of 2021 is projected to be approximately \$11,629.

Capital Reserve Fund

The Capital Reserve Fund is to be used to pay for capital expenditures that are not funded by other sources such as grants, operating budget or debt.

It is proposed that the 2022 capital reserve fund transfer (CRF) increase from \$23,000 to \$35,000 to support the planned capital program. A total of \$209,000 will be required from capital reserves over the next five years to support the capital expenditure plan.

The balance of the Capital Reserve Fund at the end of 2021 is projected to be \$8,257.

Capital Expenditure Plan

The 5-year plan includes \$699,000 of expenditures to be funded by a combination of grants, the service’s Capital Reserve Fund, and new debt following a public engagement and referendum process planned in 2023. The new debt will fund the construction of the Sky Valley Booster Pump Station and Second Reservoir at the Sky Valley project and the construction of backup power improvements for the service, both currently planned for 2024. The only project planned for 2022 is the dismantling and removal of the Lautman Reservoir.

Table 2 below provides the future debt servicing cost simulation for analytical purposes with the indicative interest rate provided by MFA at the time of simulation.

Table 2 – Future New Debt Simulation

Future Borrowing(s) Estimation	Term	Borrowing Year	Retirement Year	Refinance Year	Estimated Interest Rate	Principal	Principal Payment	Interest Payment	Total Annual Debt Cost
	15	2024	2039	2034	2.90%	\$290,000	\$16,469	\$8,410	\$24,879

At the commencement of each loan, 1% of the gross amount borrowed is withheld and retained by MFA as Debt Reserve Fund (DRF). In order to provide the full amount to fund the capital project, this 1% DRF amount is budgeted in operating budget in the year of borrowing. However, there is no principal payment required in the year of borrowing.

Capital Projects Fund

As specific capital projects are approved, funding revenues are transferred into the Capital Project Fund from multiple funding sources, including Capital Reserve Fund (CRF), grant funding, external contributions and debt. Whenever possible, any funds remaining upon completion of a project will be transferred back to the reserve funding source(s) for use on future projects. The design of the new Intake Screen at Beddis (Project CE.676 Beddis Water Intake Assessment) is complete and to be closed by the end of 2021.

There will be approximately \$2,916 returned to the Capital Reserve Fund from closed projects at year end of 2021.

Fixed Back-up Power Generation Equipment Projects

Specific projects of note are Project 20-06 (CE.735) *Power Generation Equipment – Study* (initiated in 2021) and Project No. 21-01 – *Back-up Power Construction* that is currently planned for 2024. The Beddis Water Service has the following sites that require back-up power: 1) Water Treatment Plant and booster pump station; and, 2) Lautman Pump Station. In the event of a power failure at either of these sites, the water distribution system is pressured by gravity from two water storage tanks. Staff's recommendation is to install fixed back-up power generation equipment at both the water treatment plant and booster pump station site and the Lautman pump station site in order to ensure the community remains with potable water to their service at all times, including during extended utility power outages. The risks of not having back-up power is as follows:

Operations and Maintenance Staff Occupational Health and Safety Risk:

- In the event of a long duration power outage, typically the result of a significant storm event, operations and maintenance staff are responding to a number of emergencies in the water and wastewater services on Salt Spring Island. This response is often completed during inclement weather with dangerous travel conditions due to closed roads as well as cancelled or challenging ferry crossings. These responses result in long working hours during which worker fatigue is a concern. The lack of fixed back-up power generation equipment result in another element of emergency to which the staff have to respond resulting in additional travel risk and fatigue.
- The use of portable or trailered generators would increase this Health and Safety Risk as this would require staff to tow equipment to sites through difficult conditions and continue to expose them to fatigue when there are a number of other issues to resolve.

Service and Fire Risk:

- During an extended power outage, if the water in the storage tank drains through normal usage or due to a main break/leak, there will be no water to users shortly after the power loss. This will also expose the service to risk in terms of no water in the distribution system for fire-fighting purposes.

Public Health and Safety Risk:

- In the event that the water distribution system and storage tanks depressurize, the service is typically placed under a Boil Water Advisory when water service is restored. This is as a result of the risk of foreign and contaminated materials entering the system through groundwater infiltration. This water quality risk exposes the public to a health concern as well as staff to further emergency response in terms of communicating the Advisory and then completing the water service recovery plan which involves extensive water main flushing and water quality sampling.

Financial Risk:

- The lack of back-up power results in extensive staff involvement, as outlined above,. This operational response labour is a cost funded by the service and often results in unforeseen operational costs in excess of budget and cashflow.

For the reasons outlined above, it is staff's recommendation that the Beddis Water Local Service Commission approve these Fixed Back-up Power Generation Projects as presented in the 5 year capital plan.

User Charge and Parcel Tax

The service is funded by parcel tax, fixed user charge and sale of water consumption. Properties connected to the water system pay the annual fixed user charge and all properties within the local service area are responsible for the parcel tax. The tiered water consumption rates are unchanged from 2021. The water consumption revenue is projected to be the same as 2021.

Table 3 below summarizes the 2022 over 2021 changes for parcel tax and user charge.

Table 3 – Parcel Tax and User Charge Summary

Budget Year	Parcel Tax*	Taxable Folios Numbers	Parcel Tax per Folio*	User Charge	SFE Numbers	User Charge per SFE	Parcel Tax & User Charge
2021	\$73,470	137	\$564.43	\$105,562	127	\$831.20	\$1,395.63
2022	\$74,960	137	\$575.88	\$117,759	128	\$919.99	\$1,495.87
Change (\$)	\$1,490	0	\$11.45	\$12,197	1	\$88.80	\$100.24
Change (%)	2.03%	0.00%	2.03%	11.55%	0.79%	10.68%	7.18%

* Includes the 5.25% admin fee charged by the Ministry of Finance (not CRD revenue)

RECOMMENDATION

That the Beddis Water Service Commission:

1. Approve the 2022 operating and capital budget as presented, and that the 2021 actual operating deficit or surplus be balanced on the 2021 capital reserve fund transfer.
2. Recommend that the Electoral Area Services Committee recommend that the CRD Board approve the 2022 Operating and Capital Budget and the five year Financial Plan for the Beddis Water Service as presented.

Submitted by	Karla Campbell, Senior Manager, Salt Spring Island Electoral Area
Submitted by	Matthew McCrank, MSc., P.Eng., Senior Manager, Infrastructure Operations
Submitted by	Rianna Lachance, BCom, CPA, CA, Senior Manager Financial Services
Concurrence	Robert Lapham, MCIP, RPP, Chief Administrative Officer

MMc/KC/RL/:sb

Attachment: [2022 Budget Beddis Water Service Budget](#)