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**REPORT TO CEDAR LANE WATER SERVICE COMMISSION  
MEETING OF MONDAY 28 NOVEMBER 2011**

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**SUBJECT      2012 OPERATING AND CAPITAL BUDGET**

**ISSUE**

This report provides a synopsis of the 2012 budget, highlighting significant proposed changes. In accordance with Bylaw No. 3693, "Salt Spring Island Water, Sewer and Liquid Waste Disposal Commissions Bylaw No. 1, 2010", "Before the end of November of each year, a Commission shall be presented with a five-year operating and capital budget for the service area, which shall include estimates for the administrative, development, maintenance, operational and other expenses, including debt charges, and shall submit such expenditure estimates, together with estimates for expected revenues, in a form approved by the Financial Officer of the CRD for the approval of the Regional Board and for inclusion in the Regional Board's preliminary and annual budgets."

**BACKGROUND**

2011 Estimated Actual Revenue and Expense

2011 Revenue is expected to be on budget. Expenditures are expected to be \$2,185 below budget, mainly due to lower labour expenditures. It is proposed to transfer the operating surplus to the capital reserve fund.

2012 Operating Expense

An increase in the 2012 operating expense of \$4,255 is proposed, including labour cost adjustments, finance and corporate services support costs, and a continuous supplemental budget of \$1,728 for water quality oversight. It is also proposed to add a \$3,675 contingency for 2012 to mitigate the risk of an operating deficit.

2012 Capital Plan

The following projects are proposed for 2012:

Hydrant Installation with lead directly from the reservoir: \$40,000  
Asbestos Cement Main Replacement: \$42,000

This work is funded by an infrastructure grant and capital funds on hand (borrowed in 2010).

Strategic Asset Management Plan (SAMP): \$10,000

An engineering study is proposed to determine the quantity, age, condition and approximate life expectancy of water mains and other infrastructure; estimate the cost to renew or replace infrastructure; and develop a long-term financial plan to fund infrastructure renewal or replacement as required to maintain an acceptable level of service and stable annual cost of service. \$5,000 will be provided by a

Community Works Fund (Gas Tax) grant allocated by the CRD Board, and the remainder would be funded from the Cedar Lane Water Capital Reserve Fund.

2012 Revenue Requirement

The \$11,013 prior year deficit carried into 2011 will be eliminated for 2012. With the proposed operating expenses and a planned transfer to reserve of \$3,930 in 2012, the net change in the revenue requirement for 2012 is \$877.

Impact on 2012 Taxes and User Charges

In order to raise the additional revenue required for 2012, it is recommended that the fixed annual user charge be increased from \$763.11 to \$786.00. The parcel tax and consumption charge would remain at 2011 levels.

Forecast 2013-2016

A five-year capital and operating budget forecast is provided for information. Capital upgrades will likely be required within the next five years to replace aging assets in the distribution system. The scope and budget for these and other upgrades will be considered upon completion of the proposed 2012 Strategic Asset Management Plan. A conceptual budget figure of \$100,000 has been set for 2014 to undertake capital upgrades recommended in the Strategic Asset Management Plan.

Other Considerations: Asset Maintenance and Replacement


The Cedar Lane infrastructure is aging and some components are nearing the end of their useful life and the 2012 budget does not allow for significant capital reserve fund contributions. The current budget is also insufficient to accommodate the preventive maintenance required to keep assets in good working order throughout their life cycle, particularly as system components age. The Strategic Asset Management Plan will provide an estimate of the annual budget that would be required to replace assets at the end of their service lives, and to provide the level of preventive maintenance required to sustain an acceptable level of service and maximize the service lives of system components.

**RECOMMENDATION**

That the Cedar Lane Water Service Commission recommends that the CRD Board:

1. Approve the 2012 operating and capital budget for the Cedar Lane Water Service as presented;
2. Authorize an increase in the fixed annual user charge for the Cedar Lane Water Service as required to balance the 2012 budget; and
3. Balance the 2011 actual deficit on the 2011 transfer to reserve.

  
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Concurrence

TR/CS:ls  
Attachment: 1