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**REPORT TO CEDARS OF TUAM WATER SERVICE COMMISSION
MEETING OF MONDAY 23 JANUARY 2012**

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

The actual 2011 operating revenue and expense are expected to be on budget.

2012 Operating Expense

An increase in the 2012 operating expense of \$3,149 is proposed, including labour cost adjustment and a continuous supplemental budget of \$1,728 for water quality oversight.

2012 Capital Plan

The following capital projects are proposed for 2012:

Maintain Well House Access Road: \$6,000

It is proposed to improve access to the well site to maintain year-round vehicle access and minimize disruption to the land owner. The scope of work is to be determined.

Pressure Sensor on Well Casing: \$2,000

It is proposed to install a pressure transmitter in well to enable SCADA monitoring of well water level. This would provide early warning of water shortages, and would produce data for improved water resource management.

Replace Chlorine Pump System: \$7,000

It is proposed to replace the existing pump system with new equipment that enables full SCADA function (remote monitoring and control of chlorine residual concentration).

Strategic Asset Management Plan (SAMP): \$5,000

\$5,000 will be provided by a Community Works Fund (Gas Tax) grant allocated by the Capital Regional District (CRD) Board in 2012, to match the \$5,000 funding included in the 2011 Cedars of Tuam budget. The total project budget would increase to \$10,000.

2012 Revenue Requirement

The proposed operating cost increase will be partially offset by elimination of the \$1,411 prior year deficit that impacted the 2011 budget. The net change in the revenue required from user charges would be an increase of \$1,728.

Impact on 2012 User Charges

In order to raise the revenue required for 2012, it is recommended that the fixed annual user charge be increased from \$1,603.87 to \$1,711.88. The consumption charge would remain at the 2010 level.

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 2013 to undertake capital upgrades recommended in the Strategic Asset Management Plan.


Other Considerations: Asset Maintenance and Replacement, and Contingency

The Cedars of Tuam infrastructure is aging and some components are nearing the end of their useful life and the 2012 budget does not allow for 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. The proposed 2012 budget also does not include an operating contingency to mitigate the risk of an operating deficit.


RECOMMENDATION

That the Cedars of Tuam Water Service Commission recommends that the CRD Board:

1. Approve the 2012 operating and capital budget for the Cedars of Tuam Water Service as presented;
2. Authorize an increase in the fixed annual user charge for the Cedars of Tuam Water Service as required to balance the 2012 budget; and
3. Balance the 2011 actual revenue and expense on the 2012 fixed annual user charge.



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Concurrence

TR:CS:ls
Attachment: 1