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REPORT TO FULFORD WATER SERVICE COMMITTEE MEETING OF TUESDAY, 07 OCTOBER 2008

SUBJECT **FUNDING TO COMPLETE CAPITAL WORKS PROJECT**

PURPOSE

To present for the consideration of the Fulford Water Service committee (FWSC), a proposal to transfer funds from the capital reserve fund to the capital project to complete the project.

BACKGROUND

Capital Regional District (CRD) staff presented an overview of the completion of the capital project to the committee at a meeting 03 April of this year, suggesting the cost to complete the overall project would be between \$200,000 and \$260,000. The FWSC, at that meeting, agreed to transfer \$106,000 from the capital reserve to the project to continue works by the electrical and mechanical contractors. The North Salt Spring Waterworks District and Emery Electric have been working on components of the project for most of the summer, however the water district also needed to deploy staff to other projects during this time, hence completion of the plant, projected for this fall, will now likely be at year-end. The additional expenditures over the \$106,000, previously approved, total \$14,549 with funds committed to contractors and material suppliers amounting to a further \$28,251. At this time there remains considerable work yet to be completed and it is certain that the overall project overrun will be significantly more than projected in April.

Works Completed and Outstanding

The major works on the water treatment plant have been completed. Included in this item are the electrical service and motor controls, the construction of the building and the installation of the DAF and other treatment equipment. Works remaining on the treatment plant include the eyewash station, installation of railings and cabinetry inside the station and frost proofing, retaining walls and site final grading outside of the building. Outside tankage for storage or residuals and backwash water are installed. Interconnections from the new mains on Southridge to the plant have been completed.

The water booster station which lifts water to the reservoir from the water plant, has been constructed and most of the pipework and electrical equipment installed. Underground piping between the station, the water plant and reservoir piping has been installed.

The water reservoir has been completed and connected to the new water mains. There is a need to connect the school to the new main. If the waste treatment plant is to be utilized for wastewater disposal there will need to be an auxiliary pump purchased and installed.

The raw water lift station on Sunnyside has been upgraded with a new electrical service. The station is now ready to receive new pumps.

The final works to complete the system are generally all associated with interconnecting the new works to the existing system. These include:

- tie-in at Morningside and Sunnyside

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- tie-in at Sunnyside cul-de-sac
- tie-in at Sunnyside and Hilltop
- tie-in Morningside at Tahouney
- reconnect services on Sunnyside from old to new system

There is a continuing problem to service three homes on Tahouney Road. As these homes cannot be easily connected to the new system without a further main extension, it is likely the disinfection plant at Reynolds Road will need to be maintained for a period of time. Alternatively a short main extension will be needed to provide service to the properties from the Hilltop pressure main.

Cost Projections

Expenditures and commitments for the project are as follows:

The following are estimates to complete the project:

	CONTRACT	WORKS COMPLETED	WORKS FOR COMPLETION
	Budget	\$1,650,900	
	Project Expenditures to date	\$1,665,450	
	Commitments	\$28,251	
	Funds Remaining	(\$42,800)	\$42,800
	Expenditures:		
1	Complete miscellaneous works, water plant site, includes purchase allowance for general materials for the project		\$30,000
2	Retaining wall and final grading		\$10,000
3	Carpentry for exterior frost protection, cabinet installation, stairs and hand railings		\$20,000
4	Tie-ins as described (includes new pumps for raw water station)		\$36,000
5	Services installation		\$24,000
6	Electrical Work completion		\$15,000
7	Completion of service connection to School, tie in to waste plant		\$12,000
	Total Expenditures		\$188,800
	Revenue Sources		
	Reserve Fund		(\$108,605)
	2008 Budget Surplus		(\$37,834)
	Total Revenue		(\$146,439)
	Additional Revenue Required		(\$42,361)

Notes: The expenditures do not include metering of all parcels as projected. The installation would likely add \$50,000 to the budget.

Funding for Project Completion

It is evident that although some of the noted works could be delayed, there will be a need to fund the outstanding works in 2009 or beyond. At this time, the options to reduce the shortfall of funds include:

- 1) Increase parcel tax, one year. To fund the total, an increase in the order of \$441 would be needed.
- 2) Delay or defer non essential works. These works might include the final grading and school tie in, items 2 and 7 however costs associated with these items amounts to only \$22,000. As a parcel tax, this would reduce the increase in parcel tax by about 50%. The parcel tax would need to be maintained for 2010 to finish funding the works.
- 3) Seek approval to borrow funds. This approach would allow metering to be also completed at the same time. Total cost to borrow \$100,000 would amount to approximately \$11,000 per year which could be raised by a parcel tax increase of \$115.
- 4) CRD staff have need to complete arrangements with the BC Ferry Corporation for inclusion of the terminal into the Fulford water service area. As with the school district, it is anticipated that the Ferry Corporation would be required to demonstrate some benefit in return for their participation in the area.

ALTERNATIVES

1. That the FWSC approve an increase in the Capital Project through the transfer of remaining capital reserve funds, estimated at year-end 2008 to be \$146,439, to the capital fund, to permit work to be continued on those items needed to complete and activate the water treatment plant and system, and through the 2009 annual budget review process, identify how the committee wishes for CRD to generate the additional funds necessary to complete the project.
2. That the FWSC defer action on this item pending the review of the 2009 operating budget as prepared by CRD Staff.

FINANCIAL IMPLICATIONS

Earlier this year, based on present unit rates for the various trades, the Fulford project was estimated to require additional funds of between \$200,000 and \$260,000 to complete all intended work items. The committee at that time approved a transfer of \$106,000 to the project from the reserve fund. Considerable work has been completed on the project to date however there remains the need to fund completion works of some \$188,800. The funds in reserve are expected to increase to \$146,439 at year-end and staff are recommending the transfer of these funds to the capital project at this time. If estimates are correct, the project will still see a shortfall of funds amounting to some \$42,000. It will be necessary to determine, through the 2009 budget process how the committee wishes CRD to make up the shortfall of funds.

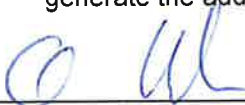
SUMMARY/CONCLUSIONS

The Fulford water project is entering its last phase for construction. Expenditures to complete all work items in the project are now projected to cost \$188,800. The committee has the opportunity to transfer the remaining reserve funds to the capital project, however there will remain a shortfall in funding amounting to approximately \$42,000 which will need to be made up through 2009. Staff will discuss with the committee options to fund the shortfall during the 2009 budget review process.

RECOMMENDATION

That the Fulford Water Service committee:

1. approve an increase in the capital project, through the transfer of remaining capital reserve funds, estimated at year-end 2008 to be \$146,439, to the capital fund, to permit work to be continued on those items needed to complete and activate the water treatment plant and system, and
2. during the 2009 annual budget review process, identify how the committee wishes for CRD to generate the additional funds necessary to complete the project.



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