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**FULFORD WATER SERVICE
ANNUAL REPORT ON OPERATIONS
16 MAY 2011**

CAPITAL PROJECTS

The Fulford Water Service Commission (FWSC) has recommended the following capital projects for 2011, with a combined budget of \$145,000:

- Water Service Connection to Fulford School: \$30,000
- Fence around Reservoir: \$15,000

As contractual conditions of siting the water treatment plant and storage tank in an easement on school property, the service area is required to provide a service connection to the school and a fence around the storage tank at no capital cost to the school.

- Sunnyside/Hilltop/Tahouney Watermain Service Installation: \$90,000

It is proposed to construct a new 150mm (6") PVC watermain between the Sunnyside Drive pressure reducing station and cul-de-sac and 50mm (2") HDPE extensions to watermains on Hilltop and Tahouney, complete with 18 metered service connections and one hydrant. This project will enable every current customer of the Fulford Water Service to receive water from the new treatment plant, and will provide a fire hydrant near the intersection of Sunnyside and Hilltop.

- Loan Authorization Public Assent Process: \$10,000

It is proposed to fund the capital plan with a new loan through the Municipal Finance Authority, requiring approval of the electors of the Fulford Water Service Area to borrow funds.

REFERENDUM TO BORROW CAPITAL FUNDS

On the recommendation of FWSC the CRD Board gave three readings to a loan authorization borrowing bylaw on (date) for \$225,000. Since that time the FWSC decided not to proceed with some capital projects reducing the borrowing requirement for 2011 to \$145,000. To avoid delays in proceeding with the 2011 capital projects the FWSC has decided to proceed with the approval process on the current bylaw. If the borrowing is approved by the electors, the FWSC will have the authority to borrow up to \$225,000; however, the FWSC is proposing to only borrow the funds needed to complete the 2011 projects. The balance of \$80,000 could be borrowed in subsequent years for new capital projects approved by the FWSC. A referendum to approve the borrowing is planned for summer 2011. If the referendum passes, work is expected to begin in the fall of 2011.

The annual cost of borrowing may be recovered through user charges or parcel tax. Depending on the method, the cost of borrowing at 6% annual interest with a 15 year term would be as follows:

- To borrow \$145,000 (2011 Capital Plan), EITHER:
 - a) The residential user charge per dwelling unit increases by \$145 annually (\$36 per three months on the water bill), and the average non-residential user charge per service connection increases by \$176 annually (\$44 per three months on the water bill); OR
 - b) The annual parcel tax increases by \$158 per taxable folio.

WATER SUPPLY AND DEMAND

A total of 36,939 cubic metres (m³) of water was abstracted from Lake Weston in 2010, about 4% less than in 2009. Water production is presented in Figures 1 and 2.

Figure 1. Annual Water Production

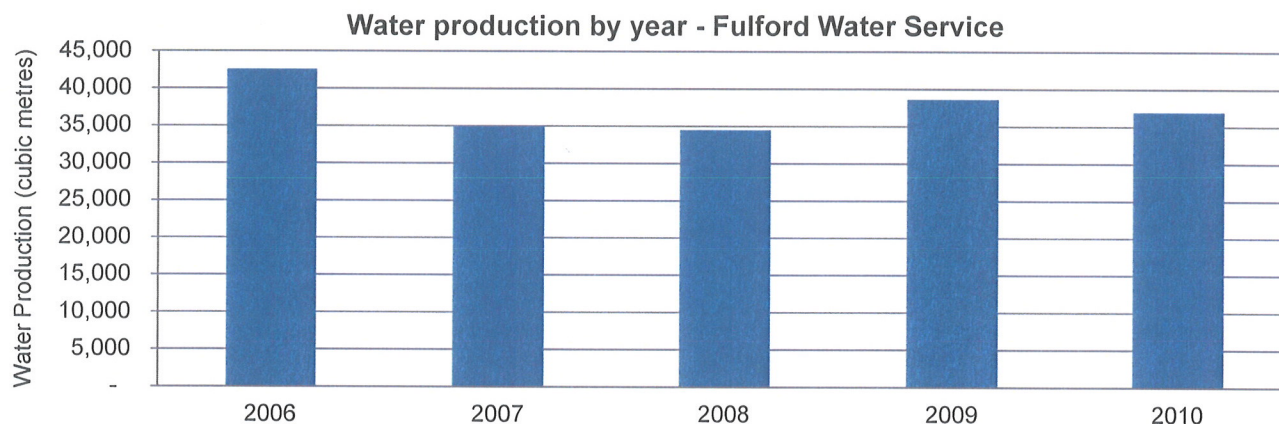
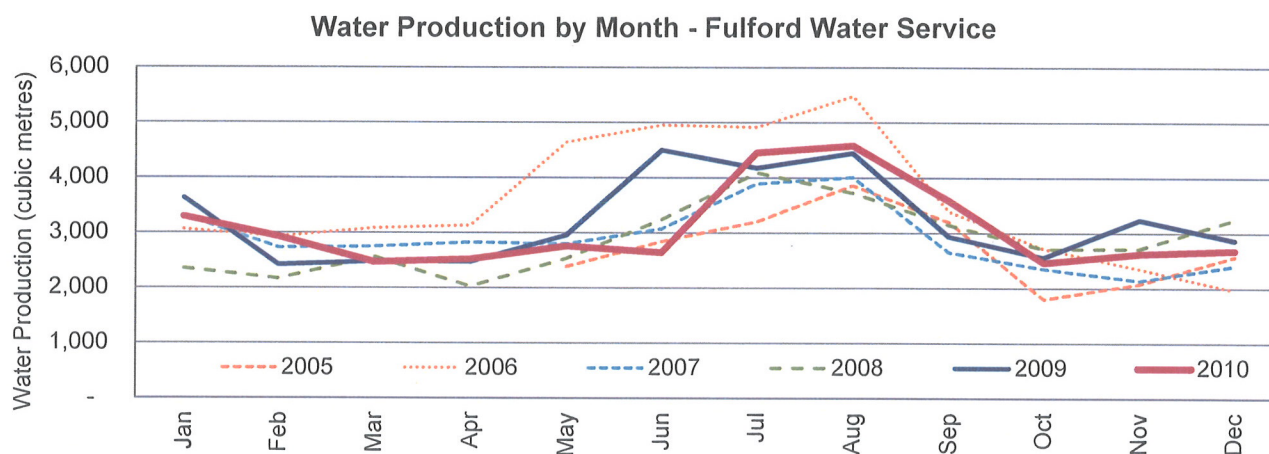


Figure 2. Monthly Water Production



WATER QUALITY

Drinking water quality items of interest occurring in the Fulford Drinking Water System include the following:

- On April 18, 2011, in consultation with Dr. Richard Stanwick, Chief Medical Health Officer, Vancouver Island Health Authority, a *Do Not Consume Drinking Water Advisory* was issued to those customers on Sunnyside Drive and Tahouney Road who are supplied with drinking water that has received chlorine disinfection only.
- The Advisory was issued in response to the finding of microcystin, a toxin produced by blue-green algae in Lake Weston.
- In 2010, while samples collected from Lake Weston showed the presence of the parasite, *Cryptosporidium*, no parasites were found in the disinfected water.

- Samples collected from the distribution system over the past year showed satisfactory bacteriological water quality.
- Samples collected for Trihalomethanes, a disinfection by-product, were generally over the 100 ug/L Canadian Guideline limit.

SYSTEM OPERATION

Generally the new treatment plant operated very smoothly throughout 2010 following commissioning and optimization early in the year. Water demand ranged between 0.7 to 1.4 litres per second (l/s), well below the design capacity of 4.5 l/s. Some emergency work was required to deal with power outages caused by bad weather, and problems with a sensor in the UV disinfection system toward the end of the year. The sensor was replaced in January 2011. Significant maintenance events in 2010, and approximate costs, included:

March

- Performed repairs to watermain on Morningside Drive - \$1,500.00

May

- Cleaned raw water intake at Weston Lake and flushed water mains - \$900.00

June

- Emptied and cleaned DAF chamber at treatment facility - \$1,000.00
- Fabricated and installed sound proofing boxes for the saturator and booster pumps DAF facility – \$1,200.00
- Repaired chlorine injection pumps at Reynolds Road chlorination building - \$250.00

October

- Repaired leak at 164 Morningside drive - \$1,800.00
- Replaced three failing air release valves on raw water main between Reynolds and Tahouney Road – \$3,200.00

November

- Repaired air release valve 158 Sunnyside - \$1,300.00

December

- Replaced failed piping, fittings and isolation valves at the Reynolds Road disinfection building - \$900.00
- Freeze protected exterior piping at treatment plant - \$2,000.00

2010 OPERATING REVENUE AND EXPENSE

Attached is a *Statement of Financial Activities* as prepared by CRD Finance and Corporate Services for the year 2010. The statement provides an overview of the revenues and expenditures for the year. Revenues include parcel taxes (transfers from government), user charges (sale of services), and other revenue including connection charges, interest on savings, and late payment charges.

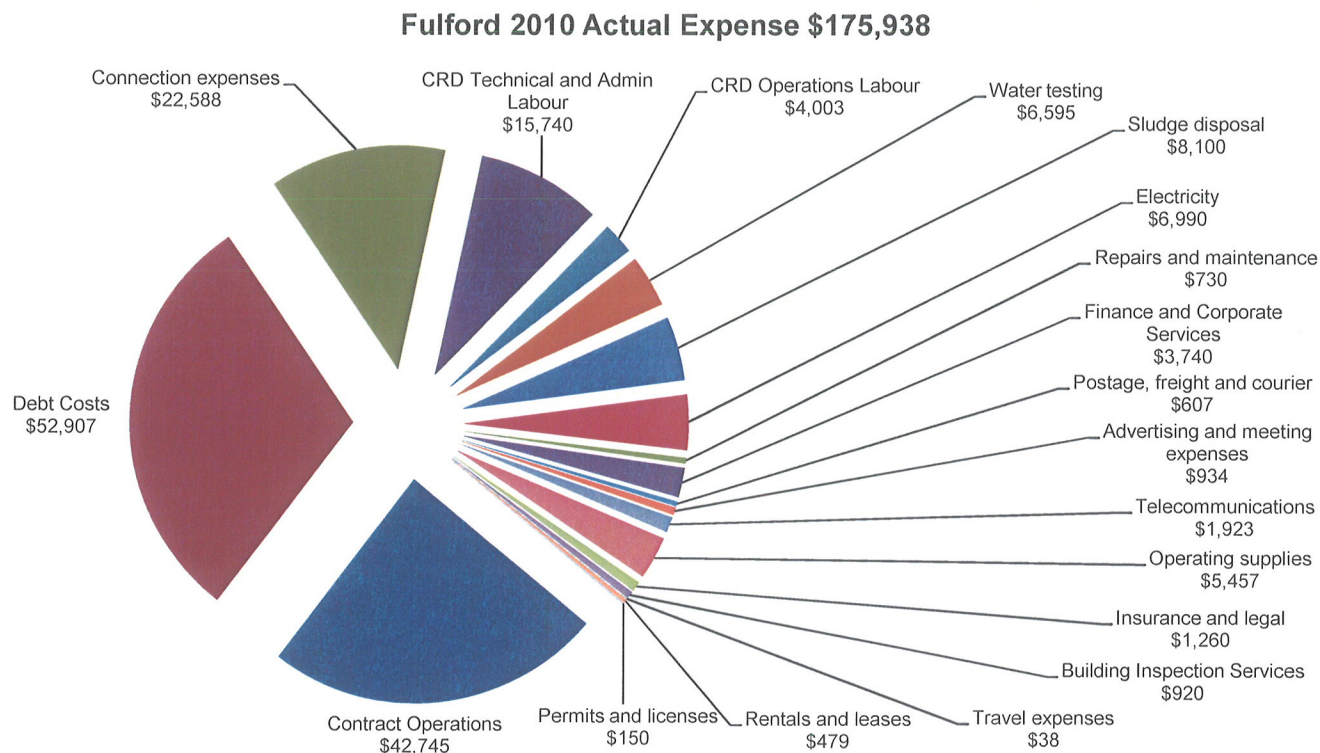
Expenditures include all costs to administer the service. *General government services* and *other fiscal services* are charges levied by CRD Corporate Services for accounting, billing and administration of loans. *Other* includes all expenses needed for the operation and administration of the service, including funding of capital projects. Figure 3 shows a breakdown of 2010 actual expenses.

If there is a significant operating surplus, funds may be transferred to a reserve or capital project account. The remaining balance is then applied to any surplus or deficit carried forward from the prior year. Regional District services are not permitted to plan to carry forward a deficit, so a deficit in a given year requires a tax or fee increase in the following year to recover costs and prevent a subsequent deficit.

Fulford expense in 2010 included a connection cost of \$22,588 associated with a single property, where a watermain extension was required to provide a service connection. The associated revenue was received in 2009, although only a small fraction of the cost was incurred in 2009. Expenses in 2010 exceeded revenues by \$28,555. A transfer

of \$10,000 from the capital fund (reversal of a 2010 transfer into capital) reduced the 2010 net expenditure to \$18,555, which was partially offset by the 2009 surplus of \$8,240, resulting in a net deficit of \$10,315 carried into 2011. The Fulford Water Service Capital Reserve Fund held a balance of \$0 at 31 December 2010.

Figure 3. 2010 Operating Expense – Fulford Water Service



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CAPITAL REGIONAL DISTRICT

WATER REVENUE FUND

Statement of Financial Activities (Unaudited) For the Year Ended December 31, 2010

	Fulford Water Supply
Revenue	
Transfers from government	\$ 60,617
Sale of services	90,247
Other revenue from own sources:	
Interest earnings	8
Other revenue	(3,489)
Grants in lieu of taxes	-
	147,383
Expenditure	
General government services	3,740
Grants in aid	-
Other	171,801
Salaries and wages	-
Other fiscal services	397
Recovery	-
	175,938
Net revenue (expenditure)	(28,555)
Transfers to own funds:	
Water Capital Fund	(10,000)
Reserve Funds	-
Equipment Replacement Fund	-
Transfers from own funds:	
Reserve Funds	-
Change in fund balance	(18,555)
Opening balance	8,240
Closing balance	\$ (10,315)