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**REPORT TO GANGES SEWER LOCAL SERVICE COMMISSION
MEETING OF TUESDAY 29 NOVEMBER 2011**

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 Actual Revenue and Expense

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

2012 Operating Expense

An increase in the 2012 operating budget of \$10,996 is proposed, including labour cost adjustments and allowance for increased sludge disposal volumes. It is also proposed to add a \$28,112 contingency for 2012 to mitigate the risk of an operating deficit.

2012 Capital Plan

The following projects are planned for 2012:

Dissolved Oxygen Instrument Replacement (carry forward from 2011): \$8,000

Existing instruments are nearing the end of their service life and are obsolete. Funding for this item will be provided from the capital reserve fund.

Strategic Asset Management Plan: \$30,000

This contribution from Gas Tax grant funds will provide matching funding for the \$30,000 Engineering Study project included in the 2011 budget. It is proposed to conduct an asset inventory to determine the quantity, age and approximate life expectancy of the system infrastructure and develop a long term financial plan to fund infrastructure renewal and replacement as required to maintain an acceptable level of service and stable annual cost of service.

Ganges Sewer Local Service Commission – 29 November 2011

Re: 2012 Operating and Capital Budget

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2012 Revenue Requirement

It is proposed to increase the contingency by \$28,000 for 2012. With the proposed operating expenses, the net change in the revenue requirement for 2012 is a \$35,647 increase.

Impact on 2012 Taxes and User Charges

In order to raise the additional revenue required for 2012, it is recommended that user charge revenue be increased from \$517,747 to \$553,394 (i.e. from \$388 to \$415 for a single-family dwelling). The parcel tax would remain at the 2011 level of \$118.04 per taxable folio.

Forecast 2013-2016

A five-year capital and operating budget forecast is provided for information. Major upgrades will be required within the next five years to address the need for improvements to the Ganges treatment plant. The scope and budget for these and other upgrades will be considered upon completion of the 2011-2012 Engineering Study, for a proposed 2012 or 2013 loan authorization (public approval) process to fund future works.

Other Considerations: Asset Maintenance and Replacement

Some of the infrastructure in the Ganges Sewer Service Area is at or near the end of its useful life, and the 2012 budget does not include sufficient funding to replace it. 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 Ganges Sewer Local Service Commission recommend that the Capital Regional District Board:

1. Approve the 2012 operating and capital budget for the Ganges Sewer Local Service as presented;
2. Authorize an increase in user charges for the Ganges Sewer Local Service as required to balance the 2012 budget; and
3. Balance the 2011 actual revenue and expense on the 2012 contingency.



Ted Robbins, B.Sc., C.Tech.
Senior Manager, Water Management



J.A. (Jack) Hull, MBA, P.Eng.
General Manager, Integrated Water Services
Concurrence

TR:CS:ls
Attachment: 1

CAPITAL REGIONAL DISTRICT

2012 BUDGET

Ganges Sewer Utility (SSI)

COMMITTEE REVIEW

Compiled and Presented by CRD Finance
Data provided by Integrated Water Services

November 2011

Service: 3.810 Ganges Sewer Utility (SSI)

Committee: Environmental Sustainability

DEFINITION:

To provide, operate and maintain sewage collection treatment and disposal facilities in the Ganges area on Salt Spring Island. (Letters Patent - March, 1978; Bylaw No. 492, 1978) Local Service Conversion Bylaw No. 1923, July 12, 1991.

PARTICIPATION:

Ganges - C(764) LSA#10

MAXIMUM LEVY:

Greater of \$270,000 or \$7.46 / \$1,000 to a maximum of \$1,638,148 on actual assessed value of land and improvements.

MAXIMUM CAPITAL DEBT:

AUTHORIZED: LA Bylaw No. 491(June 1978)/646(Jan. 1980) \$2,700,000
Sup. Letter Patent (Oct. 1980) adjusted to 4,100,000
BORROWED & RETIRED: (2,100,000)
EXPIRED: (2,000,000)
REMAINING: 0

5 Year borrowing (ends 2010) 70,140
5 Year leasing Zenon (ends 2010) 236,470

COMMISSION:

Ganges Sewer Local Services Committee established by Bylaw No. 1906, April 24, 1991.

FUNDING:

Any deficiencies after user charge and/or frontage tax or parcel tax to be levied on taxable school assessments, excluding all the property of BC Hydro and Power Authority.

User Charge: Based on water consumption billed annually to properties connected to the system.

Parcel Tax: Annual charge based only on properties capable of being connected to system.

Connection Charge: Based on actual cost.

RESERVE FUND:

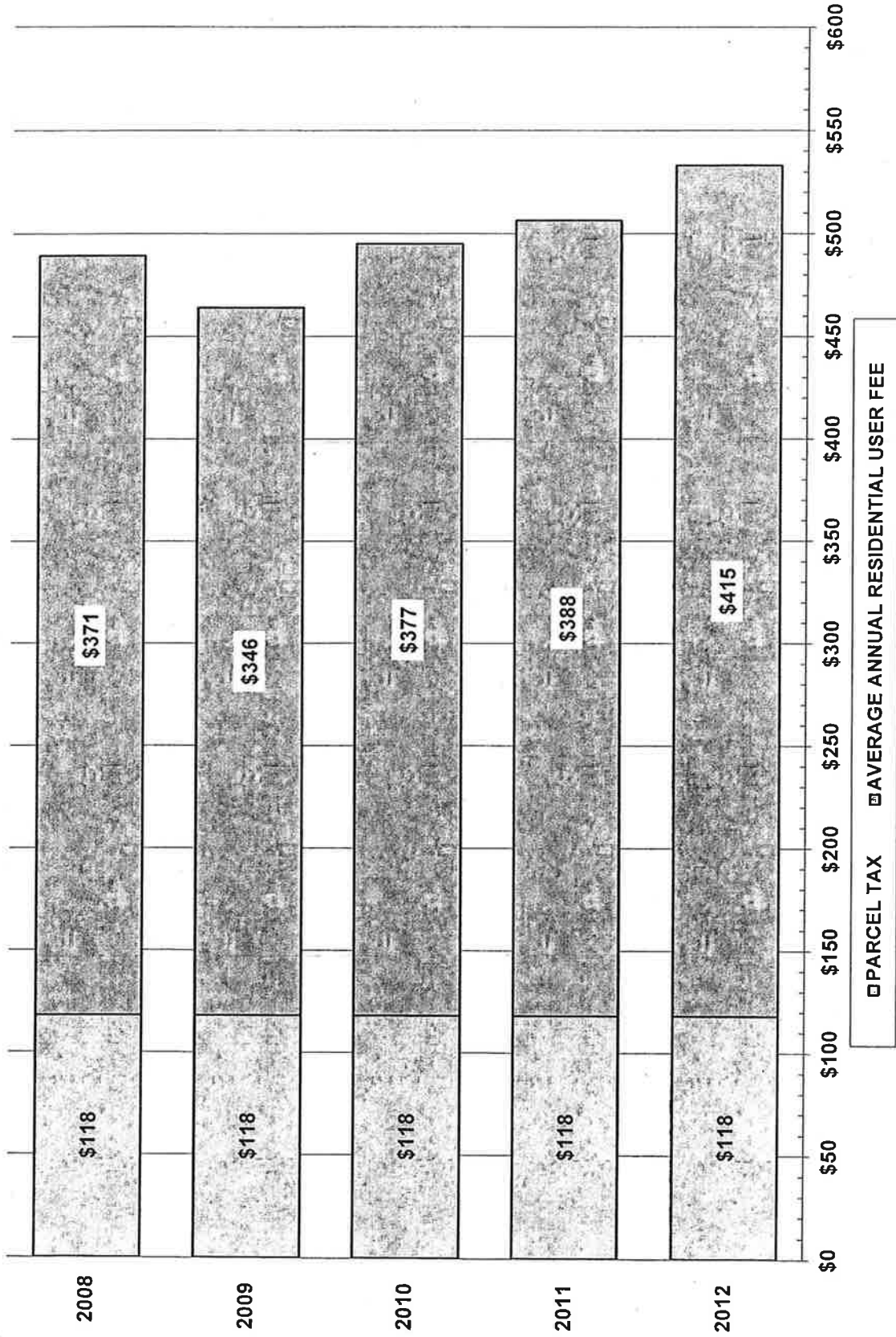
Bylaw No. 3125 (November 26, 2003)

Service: 3.810 Ganges Sewer Utility (SSI) Committee: Environmental Sustainability

Year	Taxable Folios		Parcel Tax		Residential		Bylaw No.	Actual Assessments	Converted Assessments
	Folios	Parcel Tax	Bylaw No.	SFE's	User Charge **				
2008	365	\$118.04					207,958,720	29,746,528	
2009	379	\$118.04					206,779,420	29,711,740	
2010	381	\$118.04					213,514,921	30,975,235	
2011	382	\$118.04	3704				219,590,947	31,788,005	
2012	382	\$118.04							

** CURRENT: Variable rates plus square footage for commercial
 Variable rates for institutional
 Fixed \$150 per SFE and variable rates for Residential
Variable rates are based on water flow

CAPITAL REGIONAL DISTRICT GANGES SEWER FUNDING ANALYSIS 2008 - 2012



Actual Costs 2008 - 2011, Projected 2012
 Prepared by CRD Finance
 11/16/2011

Service: 3.810 Ganges Sewer Utility (SSI)

Committee: Environmental Sustainability

GANGES SEWER CAPITAL RESERVE FUND (# 1056)

Balance as at:	December 31, 2010	44,513
Interest (estimate)		664
Transfer to Reserve		
Transfer to Sewer Capital		(26,000)
Earmarked for Membranes		
TOTAL ESTIMATED FUNDS:	December 31, 2011	<u><u>\$19,177</u></u>

GANGES SEWER CAPITAL PURCHASE FUND

Balance as at:	December 31, 2010	96,437
Interest (estimate)		1,439
Connection Revenue		
Transfer to Sewer Capital		(24,000)
TOTAL ESTIMATED FUNDS:	December 31, 2011	<u><u>\$73,876</u></u>

**3.810 Ganges Sewer Utility (SSI)
2012 - 5 YEAR CAPITAL PLAN
(\$'000 - 2012 Dollars)**

Capital Works Description	Cap Type	2012	2013	2014	2015	2016	5 Yr Total	Projected completion cost
Dissolved Oxygen Instrument Replacement	E	8	-	-	-	-	8	
Strategic Asset Management Plan (SAMP)	S	30	-	-	-	-	30	
Replace Preliminary Screening System	S	-	200	-	-	-	200	
Remove Abandoned RBC Components	S	-	35	-	-	-	35	
Implement SAMP Recommendations (to be confirmed by SAMP)	E	-	100	-	-	-	100	
Lift Station Electrical/SCADA Upgrades (Manson & Harbour House)	E	-	100	-	-	-	100	
Membrane Replacement	E	-	-	500	-	-	500	
TOTAL		38	435	500	-	-	973	

Funding Source:	2012	2013	2014	2015	2016	5 Yr Total
Debtenture Debt (new debt only)	-	435	500	-	-	935
Grants (Federal, Provincial)	30	-	-	-	-	30
Reserve Fund	8	-	-	-	-	8
Total Proposed Funding Source	38	435	500	-	-	973

Cap Type:

- B = Buildings
- E = Equipment
- L = Land
- S = Engineering Structures
- V = Vehicles

Ganges Sewer (SSI)

- #1 **Disolved Oxygen Instrument Replacement (2012)** \$8,000
Existing instruments are nearing the end of their service life and are obsolete.
- #2 **Strategic Asset Management Plan (SAMP)(2012)** \$30,000
This contribution from Gas Tax grant funds provides matching funding for the \$30,000 SAMP item included in the 2011 budget.
- #3 **Replace Preliminary Screening System (2013)** \$200,000
The existing mechanical screen at the Ganges WWTP headworks is a flow constriction, is maintenance intensive and is subject to overflows. A new mechanical screen is required.
- #4 **Remove Abandoned RBC Components (2013)** \$35,000
Obsolete and unused components require removal and disposal.
- #5 **Implement SAMP Recommendations (2013)** \$100,000
(To be confirmed by SAMP). The 2011 Strategic Asset Management Plan will recommend a prioritized list of infrastructure replacements, which will serve as the basis for future capital spending plans.
- #6 **Lift Station Electrical/SCADA Upgrades (2013)** \$100,000
(Manson & Harbour House)
- #7 **Membrane Replacement (2014)** \$500,000

SERVICE: 3.810

GANGES WASTEWATER

COMMITTEE: GANGES WASTEWATER

2012 KEY OBJECTIVES :

- Develop long term capital plan based on asset condition assessment

2011 KEY ACCOMPLISHMENTS:

- UV equipment installed
- Asset condition assessment completed

PERFORMANCE STANDARDS/BENCHMARKS:

- Total waste water volume treated 176,233 m³ (2008), 172,118m³ (2009), 163,873m³ (2010)
- Cost to convey and treat waste water \$3.07/m³ (2011 budget – operations)
- Compliance with Waste Management Permit

MAJOR BUDGET IMPACTS:

FIVE-YEAR CAPITAL PLAN BUDGET (see separate Capital Schedule)

MAJOR IMPACTS:

- Long term capital plan will require new borrowing. A loan of more than \$400,000 would likely require a revenue increase

2012 KEY OBJECTIVES:

- Continue to deliver water that meets regulatory requirements
- Strategic Asset Management Plan

2011 KEY ACCOMPLISHMENTS:

GANGES SEWER UTILITY	2011		2012				FUTURE PROJECTIONS			
	BOARD BUDGET	ESTIMATED ACTUAL	CORE BUDGET	CONTINUOUS SUPPLEMENTARY	ONE-TIME SUPPLEMENTARY	TOTAL	2013	2014	2015	2016
OPERATING COSTS:										
Operating - Costs	524,259	529,371	529,559	5,696	0	535,255	545,946	556,848	567,967	579,303
Contract For Services	35,040	30,040	35,040	0	0	35,040	35,741	36,456	37,185	37,928
Contingency	112	0	28,112	0	0	28,112	28,560	29,131	29,714	30,308
TOTAL OPERATING COSTS	559,411	559,411	592,711	5,696	0	598,407	610,247	622,435	634,865	647,539
*Percentage Increase over prior year	0.00%	0.00%	5.95%	1.02%	0.00%	6.97%	1.98%	2.00%	2.00%	2.00%
CAPITAL / RESERVE										
Transfer to Capital Fund	0	0	0	0	0	0	0	0	0	0
Transfer to Equipment Replacem	0	0	0	0	0	0	0	0	0	0
Transfer to Reserve Fund	0	0	0	0	0	0	6,490	0	0	0
TOTAL CAPITAL / RESERVES	0	0	0	0	0	0	6,490	0	0	0
Debt Expenditures	0	0	0	0	0	0	15,225	65,325	102,795	102,795
MFA Debt Reserve	0	0	0	0	0	0	4,350	5,000	0	0
TOTAL COSTS	559,411	559,411	592,711	5,696	0	598,407	636,312	692,760	737,660	750,334
*Percentage Increase over prior year	0.00%	0.00%	5.95%	1.02%	0.00%	6.97%	6.33%	8.87%	6.48%	1.72%
Internal Recoveries	0	0	0	0	0	0	0	0	0	0
Recovery - Other	0	0	0	0	0	0	0	0	0	0
OPERATING COSTS LESS INTERNAL RECOVERIES	559,411	559,411	592,711	5,696	0	598,407	636,312	692,760	737,660	750,334
FUNDING SOURCES (REVENUE)										
estimated balance C/F from current to Next year										
Balance C/F from Prior to Current year	3,349	3,349	0	0	0	0	0	0	0	0
Revenue - Other	(2,027)	(2,027)	(2,027)	0	0	(2,027)	(2,027)	(2,027)	(2,027)	(2,027)
User Charges	(517,747)	(517,747)	(547,698)	(5,696)	0	(553,394)	(591,299)	(647,747)	(692,647)	(705,321)
Grants in Lieu of Taxes	(145)	(145)	(145)	0	0	(145)	(145)	(145)	(145)	(145)
Grants - Federal/Provincial/Ot	0	0	0	0	0	0	0	0	0	0
TOTAL REVENUE	(516,570)	(516,570)	(549,870)	(5,696)	0	(555,566)	(593,471)	(649,919)	(694,819)	(707,493)
REQUISITION - PARCEL TAX	(42,841)	(42,841)	(42,841)	0	0	(42,841)	(42,841)	(42,841)	(42,841)	(42,841)
*Percentage Increase over prior year	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
NOTE: Capital / Reserve Fund Expenditures PARTICIPANTS: Salt Spring Island Specified Area AUTHORIZED POSITIONS:	0	0	0	0	0	0	0	0	0	0
Salaried	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Hourly	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

GANGES SEWER UTILITY

column	Prior Yr v7	Est Act v9	Core v2	Cont v3	Single v4	Total	Fcst Yr1 v10	Fcst Yr2 v11	Fcst Yr3 v12	Fcst Yr4 v13
Operating - Costs	524,259	529,371	529,559	5,696	0	535,255	545,946	556,848	567,967	579,303
Contract For Services	35,040	30,040	35,040	0	0	35,040	35,741	36,456	37,185	37,928
Contingency	112	0	28,112	0	0	28,112	28,560	29,131	29,714	30,308
Other Labour	3,450	3,450	3,480	0	0	3,480	3,550	3,621	3,693	3,767
Corp.Svs & Insurance/Legal	26,350	26,350	27,337	0	0	27,337	27,884	28,441	29,010	29,590
Envir Protection & Lab	20,400	20,400	20,684	5,696	0	26,380	26,908	27,446	27,995	28,555
Operating Labour	194,948	193,831	197,763	0	0	197,763	201,718	205,753	209,868	214,065
Vehicles	18,806	18,800	18,665	0	0	18,665	19,038	19,419	19,807	20,204
Travel Expenses	6,737	3,000	6,737	0	0	6,737	6,872	7,009	7,149	7,292
Repairs and Maintenance Costs	9,610	7,900	9,610	0	0	9,610	9,802	9,998	10,198	10,402
Rentals and Leases	820	820	820	0	0	820	836	853	870	888
Disposal Costs	110,000	115,440	119,920	0	0	119,920	122,318	124,765	127,260	129,803
Operating - Other Costs	7,198	12,650	5,200	0	0	5,200	5,304	5,409	5,516	5,623
Administration & Engineering	50,290	48,660	43,693	0	0	43,693	44,552	45,428	46,320	47,228
Licences/Surveys/Fees	2,870	2,870	2,870	0	0	2,870	2,927	2,986	3,046	3,107
Water Testing Expenditures	0	0	0	0	0	0	0	0	0	0
Utilities & Telecom	7,500	8,100	7,500	0	0	7,500	7,650	7,803	7,959	8,118
Electricity	45,000	45,000	45,000	0	0	45,000	45,900	46,818	47,754	48,709
Supplies - Other	500	500	500	0	0	500	510	520	531	541
Supplies - Chemical	6,900	6,900	6,900	0	0	6,900	7,038	7,179	7,322	7,469
Supplies - Operating	12,880	14,700	12,880	0	0	12,880	13,138	13,400	13,668	13,942
Operating - Costs	524,259	529,371	529,559	5,696	0	535,255	545,946	556,848	567,967	579,303
Operating Expenditures - LSA's	559,411	559,411	562,711	5,696	0	598,407	610,247	622,435	634,865	647,539
Transfer to Capital Fund	0	0	0	0	0	0	0	0	0	0
Transfer to Equipment Replacem	0	0	0	0	0	0	0	0	0	0
Transfer to Reserve Fund	0	0	0	0	0	0	6,490	0	0	0
Capital Costs	0	0	0	0	0	0	0	0	0	0
Capital Reserve Expenditures	0	0	0	0	0	0	6,490	0	0	0
Debt Expenditures	0	0	0	0	0	0	15,225	65,325	102,795	102,795
MFA Debt Reserve	0	0	0	0	0	0	4,350	5,000	0	0
Internal Recoveries	0	0	0	0	0	0	0	0	0	0
Revenue - Other	(2,027)	(2,027)	(2,027)	0	0	(2,027)	(2,027)	(2,027)	(2,027)	(2,027)
User Charges	(517,747)	(517,747)	(547,698)	(5,696)	0	(553,394)	(591,239)	(647,747)	(692,647)	(705,321)
Grants in Lieu of Taxes	(145)	(145)	(145)	0	0	(145)	(145)	(145)	(145)	(145)
Grants - Federal/Provincial/Ot	0	0	0	0	0	0	0	0	0	0
Transfer From Own Funds	0	0	0	0	0	0	0	0	0	0
Revenue	(519,919)	(519,919)	(549,870)	(5,696)	0	(555,566)	(593,471)	(649,919)	(694,819)	(707,463)
Parcel Taxes	(42,841)	(42,841)	(42,841)	0	0	(42,841)	(42,841)	(42,841)	(42,841)	(42,841)
Funds Carried Forward	0	0	0	0	0	0	0	0	0	0
Deficit	3,349	3,349	0	0	0	0	0	0	0	0
Debit	0	0	0	0	0	0	(1)	0	0	0
Total Plan	0	0	0	0	0	0	(1)	0	0	0

2012 BUDGET ACCOUNT DETAIL

CAPITAL REGIONAL DISTRICT

Cost Center Group : 810GANG_OP.BADP
 Cost Element Range : 0000400000 0000799999
 Period Range : 01 12 Fiscal Year : 2012

Cost Center	101273 Ganges Sewer Environmental Program Prjct	Budget Request
Cost Element (1)	Cost Element Description and Continuous Supplement Detail (2)	(3)
530970	<p>Alloc. - Marine Monitoring Programs</p> <p>Outfall Monitoring - Ganges,,,,,,,,,,,,, This budget covers the funds necessary to conduct the effluent and receiving environment monitoring required by Permit PE-5521 and for treatment plant operation. This monitoring includes:</p> <p>Effluent quality: Monthly sampling of disinfected secondary effluent, secondary effluent, influent and mixed liquor required for compliance with the permit and for treatment plant operation.</p> <p>Effluent toxicity sampled once per year in effluent.</p> <p>Effluent priority pollutants sampled once per year in effluent.</p> <p>Surface fecal coliforms (receiving water) will be undertaken 5 times in a 30 day period, once a year as per new regulatory requirement. To support this, a continuous supplement has been requested.</p>	<p>\$5,696.00</p> <p>\$5,696.00</p>
Total: 101273 Ganges Sewer Environmental Program Prjct		\$5,696.00