



**REPORT TO JUAN DE FUCA WATER DISTRIBUTION COMMISSION
MEETING OF TUESDAY, 6 NOVEMBER 2007**

SUBJECT 2008 CAPITAL AND OPERATING BUDGET

PURPOSE

The purpose of this report is to provide a synopsis of the 2008 budget highlighting the proposed significant changes. The report generally follows the sequence of information provided in the draft budget document.

BACKGROUND

Rate Base

The rate base for 2008 has increased by \$9.148 million primarily as a result of new infrastructure additions associated with the continuing development in the service area (Pages 3 & 4 of the budget document).

Revenue Requirement

The revenue requirement for 2008 has increased by \$611,079 (Page 5) with \$658,179 related to capital investments, \$12,900 increase the operations budget plus an increase in the non-rate revenue of \$60,000 offsetting the increases. Supplementary requests total \$30,000, details of which are provided on Pages 7-9.

Operations Budget

The core budget reflects an increase in non-discretionary expenses such as negotiated wage increases and increased corporate allocations. The core budget variance year over year is the difference between the 2007 Board budget (Column 2), less 2007 single supplementary items of \$30,000 and the 2008 core budget (Column 4) on page 36.

After deduction of 2007 single supplementary items and the addition of 2008 single supplementary items, the net increase in the operations budget is \$12,900. In 2008 a single supplementary is proposed to improve customer service in the billing system by expanding payment options and a customer survey to understand our customer's needs, expectations and perceptions.

Significant growth in the residential sector continues, particularly in Langford, resulting in the following new infrastructure being brought into service in 2006:

- 2 pump stations
- 1 reservoir
- 2 pressure regulating station
- 8,606 metres growth related water main additions
- 4,230 metres of water main were replaced
- 82 fire hydrants
- 1 large meters and
- 667 residential meters

In 2007, 756 new residential meters have been added to date, 800 estimated by year end.

2008 Capital Budget

The projected capital expenditures for the period 2008 – 2012 total \$11.859 million, excluding DCC expenditures, plus \$1.258 million shared with the Regional Water Supply System. The 5-year capital budget for DCC projects totals \$6.162 million. Expenditures on DCC projects are dependent on when development proceeds.

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Wholesale Water Rate

The Budget Subcommittee of the Regional Water Supply Commission has recommended a wholesale rate of \$0.4068, an increase of \$0.0782. Currently the wholesale rate accounts for 27.3% of the retail rate. With the proposed increases, this will increase to 30.9%.

Staffing

A summary of Water Services Department staffing is attached (Attachment 1). Full time staffing for the department has been increased by 3.3 FTE, including a disinfection plant operator (1 FTE), vehicle mechanic (1 FTE), a water maintenance operator position for capital works (1 FTE), a cross connection control data entry clerk (0.5 FTE) and a reduction in the retail meter reader position (0.2 FTE). Staff charged to the distribution system operating budget will increase by .25 FTE.

2008 Retail Water Rate

The proposed retail water rate is \$1.3161, an increase of \$0.1120. The rate increase reflects the impact of new capital assets on the revenue requirement and the significant increase in the wholesale rate due to the acquisition of the Leech water supply lands. As a result the cost to the average user will increase by \$35.62 per annum, Page 11. The increase in the wholesale rate accounts for \$24.87 of the increase in the average residential water bill.

5-Year Water Rate Projection

The 5-year water rate projection is attached (Attachments 2 and 3). The projections should be considered as a general indication of future water rates and is based on information currently available. Given the rapid growth in the service area, the projection assumes water demand increasing at half the rate of the projected population growth. The first projection (Attachment 2) includes new infrastructure under the DCC program and the second without DCC projects (Attachment 3). As soon as new water infrastructure is 'used and useful', depreciation expense is included in the revenue requirement. However, as new subdivisions are occupied over a period of years, new revenues lag the increase in revenue requirement resulting in higher water rates.

Changes to *Water Distribution Local Service Conditions Fees and Charges Bylaw No. 1, 2006*

Proposed changes to the bylaw are addressed in Staff Report #JWDC 2007-12.

Selected 2007 Accomplishments

- Implemented Phase 2 of billing meter radio read.
- Implemented enhanced meter reading system to alert meter reader of unusual water consumption to allow immediate checks for possible leaks.
- Maintaining targets for the water main replacement program.
- Participated in the AWWA and NWWBI benchmarking projects.
- Assumed responsibility for CRD Fleet corporately.

Performance Indicators

For the past several years the CRD has participated in the National Water Benchmarking, one of 32 utilities to do so. Benchmarking allows participants to highlight strengths and identify areas for improvement.

The attached report (Attachment 4) summarizes CRD Water Services performance in comparison to the participating municipal services providers.

RECOMMENDATION

That the Juan de Fuca Water Distribution Commission recommend to the CRD Board that:

1. The 2008 Capital and Operating Budget be approved;
2. The 2008 retail water rate of \$1.3161 per cubic metre, adjusted if necessary by any change in the proposed wholesale rate, be approved; and
3. Bylaw 3490, *Water Distribution Local Service Conditions, Fees and Charges Bylaw No. 1, 2007* be introduced and read a first time, read a second time, read a third time and be adopted.

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