



**REPORT TO JUAN DE FUCA WATER DISTRIBUTION COMMISSION
MEETING OF TUESDAY, 7 OCTOBER 2008**

SUBJECT 2009 CAPITAL AND OPERATING BUDGET

PURPOSE

The purpose of this report is to provide a synopsis of the 2009 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 2009 has increased by \$3.006 million primarily as a result of new infrastructure additions associated with the continuing development in the service area (Pages 2 & 3 of the budget document).

Revenue Requirement

The revenue requirement for 2009 has increased by \$17,546 (Page 4) with \$3,546 related to capital investments, \$349,000 increase the operations budget plus an increase in the non-rate revenue of \$6,000 and a transfer of finance charges of \$329,000 on borrowed DCC funds to the DCC fund offsetting the increases. There are no supplementary requests for 2009 other than a reduction of \$8,980. Details are provided on pages 6 and 7.

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 2008 Board budget (Column 2), less 2008 single supplementary items of \$30,000 and the 2009 core budget (Column 4) on page 27.

After deduction of the 2008 single supplementary items and the reduction of the 2009 continuous supplementary item, the net increase in the operations budget is \$348,944. In 2009 the continuous supplementary item reflects a 0.2 FTE reduction in meter reader requirements due to the implementation of the radio read project.

Significant growth in the residential sector continues, particularly in Langford, resulting in the following new infrastructure being brought into service in 2007:

- 3 pump stations
- 1 reservoir
- 2 pressure regulating stations
- 13,993 metres growth related water main additions
- 6,347 metres of water main were replaced
- 105 fire hydrants
- 2 large meters
- 796 residential meters

In 2008, 544 new residential meters have been added to date, 775 estimated by year end.

2009 Capital Budget

The projected capital expenditures for the period 2009 – 2013 total \$14.067 million, excluding DCC expenditures, plus \$1.515 million shared with the Regional Water Supply System. The 5-year capital budget for DCC projects totals \$4.777 million. Expenditures on DCC projects are dependent on when development proceeds.

Juan de Fuca Water Distribution Commission – 7 October 2008

Re: 2009 Capital and Operating Budget

Page 2

Wholesale Water Rate

The Budget Subcommittee of the Regional Water Supply Commission has recommended a wholesale rate of \$0.4463, an increase of \$0.0395. Currently the wholesale rate accounts for 30.9% of the retail rate. With the proposed increases, this will increase to 32.6%

Staffing

A summary of Water Services' staffing is attached (Attachment 1). Full time staffing for the department has been increased by 3.8 FTE, including a cross connection control officer (1 FTE), a reduction in the retail meter reader position (0.2 FTE), a professional geoscientist (1 FTE), conversion of an auxiliary position to permanent (1 FTE), and a watershed technician (1 FTE). Funding for the latter two positions is already included in the existing budget. Staff charged to the distribution system operating budget will increase by 0.350 FTE after transfer of 0.55 FTE from supply to retail and reduction of the meter reader position by 0.2 FTE.

2009 Retail Water Rate

The proposed retail water rate is \$1.3682, an increase of \$0.0521. The rate increase reflects the increase in the operations budget and the increase in the wholesale rate. As a result the cost to the average user will increase by \$16.57 per annum, Page 9. The increase in the wholesale rate accounts for \$12.56 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. The first projection (Attachment 2) includes new infrastructure under the DCC program and the second without DCC projects (Attachment 3).

Selected 2008 Accomplishments

- Implemented Phase 3 of billing meter radio read.
- Maintaining targets for the water main replacement program.
- Participated in NWWBI benchmarking projects.

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 2009 Capital and Operating Budget be approved; and
2. The 2009 retail water rate of \$1.3682 per cubic metre, adjusted if necessary by any change in the proposed wholesale rate, be approved.

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