



Making a difference...together

**REPORT TO LYALL HARBOUR / BOOT COVE WATER LOCAL SERVICE COMMITTEE  
MEETING OF TUESDAY 22 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. 1875, "Lyll Harbour / Boot Cove Water Local Services Committee Bylaw, 1990", "Upon its establishment, and on or before December of each year, the Committee shall approve an annual budget for the services provided in the local 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 revenue, to the Treasurer of the Regional Board for the approval of the Regional Board and for inclusion in the Regional Board's provisional and annual budgets."

**BACKGROUND**

**2011 Estimated Actual Revenue and Expense**

The actual 2011 revenue is expected to be on budget. Operating expenses are expected to be \$2,171 below budget and the \$13,588 contingency is not expected to be used. It is proposed to carry forward the resulting \$15,759 surplus to supplement 2012 revenue.

**2012 Operating Expense**

An increase in the 2012 operating expense of \$1,058 is proposed, to accommodate the addition of regular dam safety inspections as required by the Ministry of Environment.

**Capital Plan**

The following capital projects are planned for 2012:

Water Treatment Plant and Tank Construction (2011 carry forward): \$600,000

A new bolted steel tank will be installed, and upgrades to the water treatment plant will be completed. The project was started in 2009 with an overall budget of \$1,279,200 and is funded from a federal/provincial grant and a 2008 loan authorization. The project also includes customer meter installation, which was completed in 2009.

Strategic Asset Management Plan: \$25,000

It is proposed to conduct an engineering study to determine the quantity, age, condition and approximate life expectancy of water mains and other infrastructure; estimate the cost to renew or replace infrastructure; and develop a long-term financial plan to fund infrastructure renewal or replacement as required to maintain an acceptable level of service and stable annual cost of service. \$20,000 of the total will be funded from Gas Tax revenue (no impact on user fees), and the other \$5,000 will be funded from reserves (no impact on user fees).

2012 Revenue Requirement

It is proposed to decrease the contingency from \$13,588 to \$6,055, and the prior year surplus will decrease in 2012 from \$33,120 to \$15,759. The net change in the revenue requirement (taxes and fees) for 2012 is calculated from these changes and the proposed operating budget increase as follows:

Operating budget increase (decrease)	\$1,058
Contingency increase (decrease)	(\$7,533)
<u>Prior year surplus decrease (increase)</u>	<u>\$17,361</u>
Net increase (decrease) in tax and fee revenue requirement	\$10,886

Impact on 2012 Taxes and User Charges

In order to raise the additional revenue required for 2012, it is recommended that the annual user charge be increased from \$325.00 to \$391.22. The parcel tax would remain unchanged.

Forecast 2013-2016

A five-year capital and operating budget forecast is provided for information. Capital upgrades will likely be required within the next five years to address safety issues with the Money Lake Dam, and to replace aging assets in the distribution system. The scope and budget for these and other upgrades will be considered upon completion of the 2011 Dam Safety Review and the 2012 Strategic Asset Management Plan. Based on the conceptual budgets shown in the Capital Plan, new borrowing of \$430,000 for the projects would increase annual in annual debt servicing cost by roughly \$47,000 by 2016, requiring a corresponding increase in parcel tax or user charge revenue (roughly \$300 per connected household).

Other Considerations: Asset Maintenance and Replacement

Much of the infrastructure in the Lyll Harbour/Boot Cove Water 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 Lyll Harbour/Boot Cove Water Local Service Committee recommend that the Capital Regional District Board:

1. Approve the 2012 operating and capital budget for the Lyll Harbour / Boot Cove Water Service as presented;
2. Authorize an increase in the user charge for the Lyll Harbour / Boot Cove Water Service as required to balance the 2012 budget; and
3. Balance the Lyll Harbour / Boot Cove Water Service 2011 actual revenue and expense on the surplus carried forward to 2012.



---

Tim Tanton, MPA, P.Eng.  
Senior Manager, Infrastructure Engineering  
Concurrence



---

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

CS:ls  
Attachment: 1