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**REPORT TO LYALL HARBOUR / BOOT COVE WATER LOCAL SERVICE COMMITTEE
MEETING OF TUESDAY NOVEMBER 13, 2012**

SUBJECT 2013 OPERATING AND CAPITAL BUDGET

ISSUE

This report provides a synopsis of the 2013 budget, highlighting significant proposed changes. In accordance with Bylaw No. 1875, "Lyal 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

2012 Estimated Actual Revenue and Expense

The actual 2012 revenue is expected to be \$953 greater than budget. Operating expenses are expected to be \$3,168 below budget and the \$8,858 contingency is not expected to be used. It is proposed to carry forward the resulting \$12,979 surplus to supplement 2013 revenue.

2013 Operating Expense

An increase of \$3,636 in operating expense is proposed for 2013, including the following:

- Increase of \$3500 to allow for a transfer to maintenance reserve funds. This reserve is required for regular replacement of filter media.
- Increase of \$136 to allow for small increases in various operating line items.

Capital Plan

There are no capital projects planned for 2013.

2013 Revenue Requirement

It is proposed to decrease the contingency from \$8,858 to \$1,461, and the prior year surplus will decrease in 2013 from \$20,111 to \$12,979. The net change in the revenue requirement (taxes and fees) for 2013 is calculated from these changes as follows:

Operating budget increase (decrease)	\$3,636
Contingency increase (decrease)	(\$7,397)
<u>Prior year surplus decrease (increase)</u>	<u>\$7,132</u>
Net increase (decrease) in tax and fee revenue requirement	\$3,371

Impact on 2013 Taxes and User Charges

In order to raise the additional revenue required for 2013, it is recommended that the annual user charge be increased from \$375.00 to \$396.20. The parcel tax would remain unchanged.

Forecast 2014-2017

A five-year capital and operating budget forecast is provided for information. Capital upgrades will 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 Dam Safety Review for Money Lake Dam was completed in 2012 and recommends the following improvements:

- Raise dam crest \$30,000 in 2014
- Install gravel toe berm \$40,000 in 2014
- Update O&M Manual and Emergency Response Plan \$4,000 in 2014
- Soil Investigation and Seismic Stability Analysis \$40,000 in 2015.

The scope and budget for the distribution system asset replacements will be considered upon completion of the 2012 Strategic Asset Management Plan.

Based on the conceptual budgets shown in the Capital Plan, new borrowing of \$314,000 for the projects would increase annual debt servicing cost by roughly \$34,521 by 2016, requiring a corresponding increase in parcel tax or user charge revenue (roughly \$212 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 2013 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 2013 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 2013 budget; and
3. Balance the Lyll Harbour / Boot Cove Water Service 2012 actual revenue and expense on the contingency in 2013.



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

Ted Robbins, B.Sc., C. Tech.
A/General Manager, Integrated Water Services

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Attachment: 1