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**REPORT TO LYALL HARBOUR / BOOT COVE WATER LOCAL SERVICE COMMITTEE
MEETING OF WEDNESDAY, OCTOBER 8, 2014**

SUBJECT 2015 OPERATING AND CAPITAL BUDGET – PRE-BUDGET MEETING

ISSUE

This report provides a synopsis of the 2015 operating and capital budget, highlighting significant proposed changes related to operational expenditures, debt charges, any capital expenditures and revenue for the Lyall Harbour/Boot Cove Water Service.

In accordance with the establishment Bylaw No. 1875, the Lyall Harbour / Boot Cove Water Local Services Committee shall: *"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

2014 Estimated Actual Revenue and Expense

The estimated actual operating cost is projected to be **\$6,100** under budget as a result of:

- lower than budgeted expenditures for:
 - repairs and maintenance (not incurring any water service connection charges).
 - operating supplies (chemicals).
 - labour charges for administrative and engineering (internal time charges).
 - other operating expenses.
- higher than budgeted expenditures for:
 - electricity.

The estimated actual revenue is project to be **\$1,810** under budget as a result of:

- lower than budgeted revenue for:
 - connection charges.
 - other revenue (service charges and penalties).

This results in a projected year-end surplus of **\$4,290**.

It is proposed that the year-end surplus be transferred to Capital Reserve Fund 1025 in 2014.

2015 Operating Expense

A decrease in the 2015 operating cost of **\$11,980** (-9.1%) is proposed.

This is primarily a result of:

- decrease of \$200 in repairs and maintenance expenditures.
- increase of \$55 in allocations.
- increase of \$120 in water testing expenditures.
- increase of \$660 in electricity expenditures.
- increase of \$40 in operating supply expenditures.
- decrease of \$637 in labour charges.
- increase of 601 in contingency
- decrease of \$12,840 in the deficit.
- Increase of \$221 in other operating expenses.

2015 Debt/Reserves

2015 Maintenance Reserves:

It is proposed that transfers to the maintenance reserves of \$1,500 remain at 2014 levels. Maintenance Reserves are to be used for the purchase of equipment and supplies that are typically not replaced annually such as filter media, ultraviolet lamps and sensors and ozone system maintenance activities.

The Maintenance Reserve balance at the end of 2014 is projected to be \$5,000.

2015 Capital Reserve Fund:

It is proposed that \$10,470 be transferred to the Capital Reserve Fund in order to prepare for anticipated future capital replacement projects.

The capital reserve fund balance at the end of 2014 is projected to be \$2,228.

MFA Debt

Debt servicing costs increased marginally from \$40,050 to \$39,899.

2015 Revenue (User Charge and Parcel Tax)

It is proposed that:

- connection charge revenue be removed from the budget.
- the user charge remain at 2014 level set at \$73,320; based on 159 single family equivalents (SFE) equals \$461.14.
- other revenue be reduced by \$300.
- the parcel tax remain at 2014 level set at \$97,480; based on 171 taxable folios and including the 5.25% surveyors tax fee equates to \$600.00.

2015 Capital Plan

The following capital work is planned for 2015

Referendum Expenses: (\$5,000)

In order to undertake the capital work, as identified in the five year capital plan, significant funding is required. Capital reserve funds on hand are insufficient therefore borrowing is required through a new loan authorization that will require assent of the electors through a referendum process.

Forecast 2016-2019

A five-year capital and operating budget forecast is provided for information.

In 2012 funding to complete a Strategic Asset Management Plan (SAMP) for \$25,000 was approved. The SAMP is in progress and its findings will identify future capital projects to ensure the reliability of the water system by completing system improvements as the existing infrastructure reaches its life expectancy. The SAMP 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. Until the SAMP is completed, it is proposed to include capital expenditures in the years 2017 to 2019 in the amount of \$100,000 per year with funding to be determined in future years.


More specifically, it is proposed to complete Money Lake dam safety improvements estimated at \$56,000 and \$90,000 in the years 2016 and 2017 respectively. The proposed dam safety work was identified in the EBA consulting report of April 2012, and the supplementary Tetra-Tech report of May 2, 2014.

RECOMMENDATION

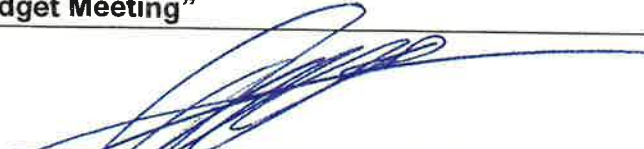
That the Lyall Harbour/Boot Cove Water Local Service Committee recommend that the Capital Regional District Board:

1. Approve the 2015 operating and capital budget for the Lyall Harbour / Boot Cove Water Service as presented;
2. Authorize the Parcel Tax of \$600.00 and User Charge of \$461.14 for the Lyall Harbour / Boot Cove Water Service; and
3. Balance the 2014 actual revenue and expense on the 2014 transfer to capital reserve fund and if necessary on the 2015 transfer to capital reserve fund.


FOR



Dan Robson, ASCT
Manager, Saanich Peninsula and Gulf Islands
Infrastructure Engineering and Operations



Scott Mason, P.Eng, B.Sc.
Manager, Water Engineering and Planning
Infrastructure Engineering and Operations



Peter Sparanese, P.Eng.
Senior Manager, Infrastructure Engineering
and Operations
Concurrence



Ted Robbins, B.Sc., C. Tech.
Integrated Water Services General and
Manager, Integrated Water Services
Concurrence

DR:ls
Attachment: 1