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**REPORT TO LYALL HARBOUR / BOOT COVE WATER LOCAL SERVICE COMMITTEE
MEETING OF FRIDAY, NOVEMBER 7, 2014**

SUBJECT 2015 OPERATING AND CAPITAL BUDGET – 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 **\$6,101** 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.

Capital Projects

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 level. 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 \$14,080 be transferred to the Capital Reserve Fund in order to prepare for anticipated future capital replacement projects.

The capital reserve balance summary table:

December 31, 2013 balance	\$ 4,945
Planned transfer from 2014 operating budget	\$ 4,290
Excess capital funds from Money Lake Dam Repairs	\$ 2,037
Excess funding for SAMP study – budget reduced from \$25k to \$20k	\$ 5,000
Excess capital funds from water system upgrade project	\$ 2,395
Excess capital funds from storm culvert headwall	\$ 937
Interest expense	(\$ 23)
Projected capital reserve fund balance at end of 2014	\$19,581

MFA Debt

Debt servicing costs decreased marginally from \$40,049 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) equates to \$461.14/SFE.
- Other revenue be reduced by \$300.
- The parcel tax increase from \$97,480 to \$101,090; based on 171 taxable folios and including the 5.25% surveyors tax fee equates to \$622.21/taxable folio.

2015 Capital Plan

The following capital work is planned for 2015 (total \$34,500; refer to the budget documents for additional detail):

Dam Safety Improvements (Money Lake Dam 1) (\$16,000):

1. Prepare an Operating and Maintenance Manual and an Emergency Response Plan (\$4,000).
2. Re-caulk the concrete spillway structure (\$2,000)
3. Replace the spillway boom (\$10,000)

Equipment Infrastructure Replacement (\$18,500):

1. Filter building roof replacement (\$5,500)
2. Install isolation valve/bypasses for the pressure reducing valve stations, Phase 1 (\$8,000)
3. Pressure reducing valve replacements (\$5,000)

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 \$20,000 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 \$45,000 per year for years 2016, 2017 and 2018 and 33,000 in year 2019. The total five-year capital plan includes expenditures totaling \$202,500.

The proposed capital improvements included dam safety improvements including a soils investigation and simple seismic stability assessment as recommended in the latest Dam Safety Review prepared by EBA Consulting in April 2012 and the installation of a gravel toe berm on the downstream side of the dam to maintain dam integrity. This work is proposed to be completed in the years 2016, 2017 and 2018.

Additionally, further equipment replacements are proposed to install numerous air valves, standpipe valves and additional isolation valves for each of the pressure reducing valve stations in the years 2016 and 2019.

Supplementary Funding / Grant

In the fall of 2014 an application for grant funding related to the Community Works Fund (CWF) was approved to a maximum of \$112,000 with matching funding coming from the users of the system. The current five-year capital plan as identified above, totals \$202,500, of which \$101,250 is funded from the CWF and the balance or \$101,250 from the users of the water system. It should be noted that any changes in expenditures for the 5 year capital plan will result in adjustments in CWF contribution amount.

RECOMMENDATION

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

1. Approve the 2015 operating and capital budget for the Lyll Harbour / Boot Cove Water Service as presented;
2. Approve the 2015 Parcel Tax of \$622.21 and User Charge of \$461.14 for the Lyll 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.

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