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**REPORT TO LYALL HARBOUR / BOOT COVE WATER LOCAL SERVICE COMMITTEE  
INFORMATION REPORT, FEBRUARY 25, 2015**

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**SUBJECT     2015 OPERATING AND CAPITAL BUDGET UPDATE**

**ISSUE**

The purpose of this report is to provide an update for the Lyall Harbour/Boot Cove Water Local Service Committee regarding the 2015 Operating and Capital Budget and Capital Reserve Fund account status.

**BACKGROUND**

2014 Operating Expenses and Revenue

On November 7, 2014 Capital Regional District (CRD) staff presented the 2015 Operating and Capital Budget Report (the Report) to the Lyall Harbour/Boot Cove Water Local Service Committee for their consideration and approval.

The Report, presented to the Committee, identified that the 2014 actual operating expenses were projected to be approximately \$6,100 under budget. However, at 2014 year-end, actual operating budget, operating expenses are approximately \$6,320 more than budgeted; a variance of \$12,420.

There are a number of issues and contributing factors that resulted in the variance since the budget was prepared and ultimately presented to the Committee. The contributing factors include emergency operating effort to address the water treatment capital improvement project, issues including:

1. Ultra violet light equipment repair.
2. Ozonation equipment repair.
3. Chlorine injection pump repair.
4. Call-outs due to water quality alarms.
5. Money Lake spillway log-boom repair.

The 2014 operating revenue, as presented in the Report, was projected to be \$1,810 below budget. The actual 2014 revenue is \$1,625 below budget; marginally better than projected.

As a result of these emergency issues and unbudgeted operating expenses, the projected year-end surplus of \$4,290 as previously presented is now approximately a \$7,940 year-end deficit. As presented in the Report, it was proposed to transfer the projected year-end surplus to the Capital Reserve Fund 1025 (CRF) in 2014. Now that there is a year-end deficit this transfer will not be made. Additionally, in order to balance the 2015 operating and capital budget without adjusting the approved 2015 user fees or parcel tax, the budgeted transfer to the CRF in 2015

will be reduced from \$14,080 to \$6,140. Balancing the budget in this manner is consistent with the recommendation approved by the committee which states:

*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 2015 actual revenue and expense on the 2014 transfer to capital reserve fund and if necessary on the 2015 transfer to capital reserve fund***

As a result of not making these transfers (as per item #3 above), the 2014 year-end CRF balance will be approximately \$4,290 less than originally stated in the Report. In addition, the projected 2015 year-end CRF balance is further reduced by approximately \$7,940 for a total reduction of approximately \$12,230. This shortfall effectively reduces the overall available funding for the five-year capital plan.

Water Treatment Plant Capital Project Update:

In review of the completed water treatment capital project account, there remains a committed deficiency holdback amount of \$12,424. A holdback provides the owner assurance the Contractor will return to complete the identified deficiencies. In this instance the Contractor has not earned nor claimed for the monies and the CRD was left to address, and subsequently resolve these deficiencies directly.

It is now confirmed that the holdback funds are considered uncommitted and can now be transferred to the Capital Reserve Fund 1025 to be used for five-year capital plan. The \$12,424 holdback amount will offset the shortfall in the capital reserve fund as a result of not making these transfers due to the 2014 operating deficit. This will ensure that the five-year capital plan remains fully funded.

Capital Reserve Fund Update

The capital reserve fund balance summary table:

	<b>2014</b>	<b>2015 *</b>	<b>2016 *</b>	<b>2017 *</b>	<b>2018 *</b>	<b>2019 *</b>
Nov 7, 2014	\$ 19,581	\$ 16,411	\$ 13,241	\$ 10,071	\$ 6,901	\$ 9,231
Feb 24, 2015 (Update)	\$ 12,027	\$ 16,701	\$ 13,531	\$ 10,361	\$ 7,191	\$ 7,191

(\* Planned)

The table above identifies that there is sufficient budget in the capital reserves to fund the current capital five-year plan.

**ALTERNATIVES**

**Alternative 1**

That the Lyll Harbour/Boot Cove Water Local Service Committee receive this report for information.

**Alternative 2**

That the Lyll Harbour/Boot Cove Water Local Service Committee request additional information from staff.

**IMPLICATIONS**

**Alternative 1** – There are no implications.

**Alternative 2** – There will be extra staff time required in order to; collect additional information; prepare and present a staff report to the Committee for their consideration. As a result there will be additional costs.

**CONCLUSION**

The actual year-end 2014 operating budget resulted in a deficit due to a number of contributing emergency operating efforts. As a result, transfers to the capital reserve fund in 2014 and 2015 have been reduced from the Report. However, committed capital project funds related to the water treatment project are now available that can be transferred to the Capital Reserve Fund 1025 and be used for future capital improvements identified in the five-year capital plan as previously approved by the Committee.

**RECOMMENDATION**

That the Lyll Harbour/Boot Cove Water Local Service Committee receive this report for information.

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