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**REPORT TO PORT RENFREW UTILITY SERVICES COMMITTEE
MEETING OF TUESDAY, MARCH 5, 2013**

SUBJECT 2013 OPERATING AND CAPITAL BUDGETS

ISSUE

This report provides a synopsis of the 2013 budgets, highlighting significant proposed changes.

BACKGROUND

PORT RENFREW STREET LIGHTING LOCAL SERVICE

This service exists for the purpose of recovering the cost of street lighting provided by BC Hydro.

2012 Actual Revenue and Expense

Revenue in 2012 was on budget and expenses were less than budgeted, leaving a surplus of \$596 at yearend.

2013 Operating Expense

An increase in the 2013 operating expense of \$441 is proposed, including the following:

- Electricity (BC Hydro service charges): \$210 increase to cover the current BC Hydro rate
- Contingency: \$182 increase
- Administration labour: \$9 increase necessary to offset a labour cost increase
- Corporate services: \$40 decrease to reflect rising cost of insurance.

Capital Plan

There is no capital plan for this service.

2013 Revenue Requirement

Implementing the proposed changes to the 2013 operating budget, and the \$1,389 difference between last year's deficit carry forward and this year's surplus carry forward, would decrease the revenue requirement (taxes and fees) from \$6,740 to \$5,809.

Impact on 2013 Taxes and User Charges

To raise the revenue required for 2013, it is recommended that parcel tax be decreased from \$41.24 to \$35.14, and that the annual user charge be decreased from \$39.19 to \$33.38.

Forecast 2013-2017

A five-year capital and operating budget forecast is provided for information. No significant changes are planned.

PORT RENFREW REFUSE DISPOSAL LOCAL SERVICE

2012 Actual Revenue and Expense

Revenues in 2012 were \$2,621 less than budgeted. Operating expense in 2012 was \$434 over budget, but when the \$5,292 contingency is taken into account, the total operating costs were \$4,858 under budget. Internal recoveries were \$11 less than expected. A resulting surplus of \$2,226 is carried forward to supplement 2013 revenue.

2013 Operating Expenses

A decrease in the 2013 operating expenses of \$850 is proposed, including the following adjustments:

- Contract services: \$2,100 increase to accommodate increased volume of material transferred
- Administration and engineering: \$2,950 decrease to reflect a lower expected level of effort in 2013

Capital Plan

There are no immediately foreseen capital projects. However, the operation is currently being reviewed and there may be some capital improvements required in order to meet legislated safety and environmental requirements, address kitchen scrap diversion and other operational issues.

2013 Revenue Requirement

It is proposed to increase contributions to reserve funds in 2012 by \$725, and to eliminate the contingency, which was \$5,292 in 2012. The prior year surplus will decrease in 2012 by \$5,567, and miscellaneous revenue will increase by \$150. The net change in the revenue requirement (taxes and fees) for 2012 is calculated from these changes as follows:

Operating budget increase (decrease)	(\$850)
Contingency increase (decrease)	(\$5,292)
Transfer to reserve increase (decrease)	\$725
Prior year surplus decrease (increase)	\$5,567
<u>Miscellaneous revenue decrease (increase)</u>	<u>(\$150)</u>
Net increase (decrease) in tax and fee revenue requirement	\$0

Impact on 2013 Taxes

The recommended 2013 budget would increase the tax rate from \$0.46/\$1000 of property value to \$0.49/\$1000 of property value. Due to the increase in number of folios from 265 in 2012 to 275 in 2013, the result is that for the average house the levy decreases from \$96.88 to \$92.25.

Forecast 2014-2017

A five-year capital and operating budget forecast is provided for information. The costs to operate the Port Renfrew Refuse Disposal Service are not forecast to change with the exception of inflation.

However, the Services Agreement between the CRD and the Pacheedaht First Nation (PFN) that governed the use of the transfer station by the PFN has expired and a new agreement needs to be negotiated. The operating budget may need to be adjusted depending on what, if any, changes in payments from the PFN occur as a result of those negotiations.

PORT RENFREW WATER LOCAL SERVICE

2012 Actual Revenue and Expense

Revenue in 2012 was very close to budget, falling short by \$68. Expenses in 2012 were \$19,643 under budget, and the \$12,140 contingency was not needed. The largest areas that were under budget were Operating Labour (under budget by \$9,229) and Administration & Engineering (under budget by \$5,747). It is proposed to carry forward the surplus of \$31,715 to supplement 2013 revenue.

2013 Operating Expense

An increase in the 2013 operating expense of \$595 is proposed, primarily due to labour cost increases.

Capital Plan

There is one capital project planned for 2013, to be funded from the Capital Reserve:

Procure Backup Well Pump/Motor: \$4,000

Currently the existing well pump and motor are 12 years old and although not prone to failure they are near the end of their life cycle. Rather than having to wait for delivery of a new well pump when the current pump fails, staff are recommending purchase a spare and have it on hand so there will be minimal interruption in the delivery of water to the service area.

2013 Revenue Requirement

It is proposed to reduce the contingency by \$140 to make it an even \$12,000. The prior year surplus will decrease in 2012 by \$4,237. The net change in the revenue requirement (taxes and fees) for 2012 is calculated from these changes as follows:

Operating budget increase (decrease)	\$595
Contingency increase (decrease)	(\$140)
Transfer to Reserve Fund increase (decrease)	\$3,265
Transfer to Capital Fund increase (decrease)	(\$5,000)
<u>Prior year surplus decrease (increase)</u>	<u>\$4,237</u>
Net increase (decrease) in tax and fee revenue requirement	\$2,957

Impact on 2012 Taxes and User Charges

The number of users (single-family equivalents) connected to the Port Renfrew water system decreased in 2013 from 244.33 to 242.33, as a result of a quadriplex successfully changing its status to duplex. The number of parcels paying parcel tax increased from 163 in 2012 to 172 in 2013. Taking the SFE decrease and parcel count increase into account, in order to raise the additional revenue required for 2013 it is recommended that the annual user charge (per SFE) be increased from \$203.38 to \$211.15, and that the parcel tax be decreased from \$320.86 to \$313.09. The total of parcel tax and 1.0 SFE charges will therefore remain at \$524, as it was in 2012 and 2011.

Forecast 2014-2017

A five-year capital and operating budget forecast is provided for information. A conceptual capital expense of \$45,000 per year beginning in 2014 for upgrades arising from the SAMP would require a corresponding increase in revenue. The scope and budget of water treatment upgrades will be reviewed in 2013 in light of plans for land development in the Port Renfrew area.

Other Considerations: Asset Maintenance and Replacement

Many of the water mains in the Port Renfrew water system are approaching the end of their useful lives, and the 2013 budget does not include sufficient funding to replace them. 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.

SNUGGERY COVE WATER SERVICE

This service was established in 2002 for the sole purpose of servicing debt relating to the expansion of the Port Renfrew water system to the Snuggery Cove area. The debt cost was to be repaid by 44 taxable parcels in the Snuggery Cove area. As a result of recent development, the number of parcels increased to 84 during the 2012 budget year, and then to 92 in the 2013 budget year. The Snuggery Cove area is included as part of the Port Renfrew Water Service Area for the purpose of operation of the water system and future capital works.

2012 Estimated Actual Revenue and Expense

The actual 2012 revenue and expenses were on budget.

2013 Operating Expense

An increase in the 2012 operating expense of \$10 (0.03%) is proposed to reflect a small increase in contribution to the MFA Debt Reserve.

2013 Revenue Requirement

The proposed \$10 increase in operating expense is offset by a \$10 increase in Other Revenue. The increase in the deficit carried forward from \$119 in 2012 to \$135 in 2013 yields a \$16 increase in the 2013 revenue requirement, from \$31,785 to \$31,801.

Impact on 2013 Taxes and User Charges

The cost of this service is recovered through a property value tax, which averaged \$232.16 per folio in 2012. Due to the increase in folios, the average tax in 2013 will decrease to \$217.39. There are no user charges associated with this service.

Forecast 2014-2017

A five-year capital and operating budget forecast is provided for information. The revenue requirement is forecast to remain unchanged, although an adjustment may occur if there is an adjustment in the interest rate in 2014 when the debt is refinanced. The Snuggery Cove Water Service will be extinguished when the repayment of 2004 borrowing is complete in 2019.

PORT RENFREW SEWER LOCAL SERVICE

2012 Actual Revenue and Expense

Actual 2012 revenue was slightly (\$482) less than budget, and Expenses were \$4,522 less than budget. The \$7,000 budget contingency was not expended.

It is proposed to carry forward the resulting surplus of \$11,040 to supplement 2013 revenue.

2013 Operating Expense

A slight decrease in the 2013 operating expense of \$401 is proposed. This reflects decreases in a number of items such as Operating Labour and Administration & Engineering, which were partially offset by increases in insurance costs.

Capital Plan

There are no capital projects planned for 2013.

2013 Revenue Requirement

It is proposed that the \$5,000 transfer to the Capital Fund which occurred in 2012 be eliminated in 2013, and that the transfer to Reserve Fund be increased by \$2,767, from \$625 to \$3,392. It is also proposed that the contingency be reduced by \$1,452, to \$5,548 for 2013. The prior year surplus will decrease in 2013 by \$4,036. The net change in the revenue requirement (taxes and fees) for 2013 is calculated from these changes as follows:

Operating budget increase (decrease)	\$(401)
Contingency increase (decrease)	\$(1,452)
Transfer to Capital Fund increase (decrease)	\$(5,000)
Transfer to Reserve Fund increase (decrease)	\$2,767
<u>Prior year surplus decrease (increase)</u>	<u>\$4,036</u>
Net increase (decrease) in tax and fee revenue requirement	\$(50)

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 \$413.88 to \$421.16 and that the parcel tax be decreased from \$490.15 to \$482.87. The total charge for a lot with 1.0 SFE would therefore be the same as in 2012, at \$904.

Forecast 2014-2017

A five-year capital and operating budget forecast is provided for information. A conceptual capital expense of \$45,000 per year beginning in 2014 for upgrades arising from the SAMP would require a corresponding increase in revenue. The scope and budget of water treatment upgrades will be reviewed in 2013 in light of plans for land development in the Port Renfrew area.

Other Considerations: Asset Maintenance and Replacement, and Contingency

Many of the sewers in the Port Renfrew water system are approaching the end of their useful lives, and the 2013 budget does not include sufficient funding to replace them. 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 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.

RECOMMENDATIONS

1. That the Port Renfrew Utility Services Committee recommend to the CRD Board that the 2013 operating and capital budget for the Port Renfrew Street Lighting Local Service be approved as presented;
2. That the Port Renfrew Utility Services Committee recommend to the CRD Board an decrease in the parcel tax to \$35.14 and a decrease in the user fee to \$33.38 for the Port Renfrew Street Lighting Local Service as required to balance the 2013 budget;
3. That the Port Renfrew Utility Services Committee recommend to the CRD Board that the 2013 operating and capital budget for the Port Renfrew Refuse Disposal Local Service be approved as presented;
4. That the Port Renfrew Utility Services Committee recommend to the CRD Board that the 2013 operating and capital budget for the Port Renfrew Water Local Service be approved as presented;

5. That the Port Renfrew Utility Services Committee recommend to the CRD Board an increase in the annual user charge to \$211.15 and a decrease in the parcel tax to 313.09 for the Port Renfrew Water Local Service as required to balance the 2013 budget;
6. That the Port Renfrew Utility Services Committee recommend to the CRD Board that the 2013 operating and capital budget for the Snuggery Cove Water Local Service be approved as presented;
7. That the Port Renfrew Utility Services Committee recommend to the CRD Board that the 2013 operating and capital budget for the Port Renfrew Sewer Local Service be approved as presented; and
8. That the Port Renfrew Utility Services Committee recommend to the CRD Board an increase in the annual user charge to \$421.16 and a decrease in the parcel tax to \$482.87 for the Port Renfrew Sewer Local Service as required to balance the 2013 budget.

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

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

TT:ls
Attachments: 5