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**REPORT TO PORT RENFREW UTILITY SERVICES COMMITTEE  
MEETING OF MONDAY, NOVEMBER 18, 2013**

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**SUBJECT**    **2014 OPERATING AND CAPITAL BUDGETS**

**ISSUE**

This report provides a synopsis of the proposed 2014 budgets, highlighting significant 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.

**2013 Estimated Actual Revenue and Expense**

Revenue in 2013 is projected to be \$128 higher than budget and expenses are projected to be \$319 less than budget, leaving a surplus of \$447 at yearend.

**2014 Operating Expense**

A decrease in the 2014 operating expense of \$26 is proposed, including the following:

- Electricity (BC Hydro charges): \$275 increase to cover the increase in Hydro rate
- Contingency: \$280 decrease
- Other minor changes.

**Capital Plan**

There is no capital plan for this service.

**2014 Revenue Requirement**

Implementing the proposed changes to the 2014 operating budget, including the \$149 decrease in surplus carry forward, will increase the revenue requirement (taxes and fees) from \$5,809 to \$5,948.

**Impact on 2014 Taxes and User Charges**

To raise the revenue required for 2014, it is recommended that parcel tax be increased from \$35.14 to \$35.98, and that the annual user charge be increased from \$33.38 to \$34.18.

### Forecast 2014-2018

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

### PORT RENFREW REFUSE DISPOSAL LOCAL SERVICE

#### 2013 Estimated Actual Revenue and Expense

Revenues and Expenses in 2013 are both projected to be on budget.

#### 2014 Operating Expenses

A decrease in the 2014 operating expenses of \$9,786 is proposed, due to the following factors:

- \$7,370 decrease in proposed Contract for Services budget
- \$2,416 decrease in Operating – Other Costs.

#### Capital Plan

In 2014 there is a \$15,000 capital item for purchase of a Food Waste Transfer Bin. This is required in order to comply with the ban on kitchen scraps at the Hartland Landfill, which comes into effect on January 1, 2015. The existing refuse transfer bin is showing signs of aging and, subject to an assessment by a qualified professional, may need to be replaced through a capital purchase in 2015 at an estimated cost of approximately \$10,000.

#### 2014 Revenue Requirement

It is proposed to decrease the planned contribution to the Reserve Funds in 2014 by \$1,323. The prior year surplus will decrease in 2014 by \$2,226, and miscellaneous revenue is expected to decrease by \$2,457. The net change in the revenue requirement (taxes and fees) for 2014 is calculated from these changes as follows:

Operating budget increase (decrease)	(\$9,786)
Transfer to reserve increase (decrease)	(\$1,323)
Internal Recoveries decrease (increase)	\$8,826
Recovery – Other decrease (increase)	(\$2,400)
Prior year surplus decrease (increase)	\$2,226
<u>Miscellaneous revenue decrease (increase)</u>	<u>\$2,457</u>
Net increase (decrease) in tax and fee revenue requirement	\$0

#### Impact on 2014 Taxes

The recommended 2014 budget would maintain the tax rate at the 2013 level of \$0.49/\$1000 of property value.

### Forecast 2014-2018

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**

#### **2013 Estimated Actual Revenue and Expense**

Revenue in 2013 is projected to be \$540 less than budget, and expenses are projected to be \$12,321 under budget, including an unused contingency of \$12,000. The largest variances were Operating Labour (over budget by \$4,140), Repairs & Maintenance (under budget by \$2,900), Water Testing (under budget by \$900), and Supplies – Chemical (under budget by \$500). It is proposed to carry forward the surplus of \$11,781 to supplement 2014 revenue.

#### **2014 Operating Expense**

An increase in the 2014 operating expense of \$497 is proposed, primarily due to labour cost increases.

#### **Capital Plan**

There are no capital projects planned for 2014.

#### **2014 Revenue Requirement**

The prior year surplus will decrease in 2013 by \$19,934. The net change in the revenue requirement (taxes and fees) for 2013 is calculated from these changes as follows:

Operating budget increase (decrease)	\$497
Transfer to Reserve Fund increase (decrease)	(\$20,187)
Prior year surplus decrease (increase)	\$19,934
Net increase (decrease) in tax and fee revenue requirement	\$244

#### **Impact on 2014 Taxes and User Charges**

The number of users (single-family equivalents) connected to the Port Renfrew water system increased in 2013 from 242.33 to 243.33. Taking this into account, it is recommended that the annual user charge (per SFE) be decreased from \$211.15 to \$210.71, and that the parcel tax be increased from \$313.09 to \$313.74. The total of parcel tax and 1.0 SFE charges will therefore remain at \$524, as it has been since 2011.

#### **Forecast 2014-2018**

A five-year capital and operating budget forecast is provided for information. A conceptual capital expense of \$45,000 per year beginning in 2015 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 2014 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 2014 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 92 in the 2013 budget year, and is expected to be 94 for 2014. 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.

**2013 Estimated Actual Revenue and Expense**

The actual 2013 revenue and expenses are projected to be on budget.

**2014 Operating Expense**

A decrease in the 2014 operating expense of \$10 is proposed to reflect a small decrease in contribution to the MFA Debt Reserve.

**2014 Revenue Requirement**

The proposed \$10 decrease in operating expense is offset by a \$10 decrease in Other Revenue. The elimination of the \$135 deficit carried forward from in 2012 to 2013 yields a \$135 decrease in the 2014 revenue requirement, from \$31,801 to \$31,666.

**Impact on 2014 Taxes and User Charges**

The cost of this service is recovered through a property value tax, which averaged \$211.91 per folio in 2013, or \$1.27 per \$1000 of assessed value. For 2014 the tax rate is estimated at \$1.26 per \$1000 of assessed value. There are no user charges associated with this service.

**Forecast 2014-2018**

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**

**2013 Estimate Actual Revenue and Expense**

2013 revenue is projected to be on budget, and Expenses are projected to be \$3,177 less than budget. The \$5,548 contingency is not expected to be used.

It is proposed to carry forward the resulting surplus of \$8,725 to supplement 2014 revenue.

2014 Operating Expense

An increase in the 2014 operating expense of \$509 is proposed. This reflects an increase in a Operating Labour.

Capital Plan

There are no capital projects planned for 2014.

2014 Revenue Requirement

It is proposed that the transfer to Reserve Fund be decreased by \$2,499, from \$3,392 to \$893. It is also proposed that the contingency be reduced by \$548, to \$5,000 for 2014. The prior year surplus is projected to decrease by \$2,315. The net change in the revenue requirement (taxes and fees) for 2014 is calculated from these changes as follows:

Operating budget increase (decrease)	\$509
Contingency increase (decrease)	\$(548)
Transfer to Reserve Fund increase (decrease)	(\$2,499)
Grants in Lieu of Taxes decrease (increase)	\$223
<u>Prior year surplus decrease (increase)</u>	<u>\$2,315</u>
Net increase (decrease) in tax and fee revenue requirement	\$0

Impact on 2014 Taxes and User Charges

It is proposed that the Parcel Tax remains at \$482.87 for 2014, and that User Charges remain at \$421.18.

Forecast 2014-2018

A five-year capital and operating budget forecast is provided for information. A conceptual capital expense of \$45,000 per year beginning in 2015 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 2014 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 2014 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 2014 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 increase in the parcel tax to \$35.98 and a increase in the user fee to \$34.18 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 2014 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 2014 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 a decrease in the annual user charge to \$210.71 and a increase in the parcel tax to 313.74 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 2014 operating and capital budget for the Snuggery Cove Water Local Service be approved as presented; and
7. That the Port Renfrew Utility Services Committee recommend to the CRD Board that the 2014 operating and capital budget for the Port Renfrew Sewer Local Service be approved as presented.

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Concurrence

TT:ls  
Attachments: 5