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**REPORT TO PORT RENFREW UTILITY SERVICES COMMITTEE
MEETING OF TUESDAY, SEPTEMBER 23, 2014**

SUBJECT 2015 OPERATING AND CAPITAL BUDGETS

ISSUE

This report provides a synopsis of the 2015 budgets, highlighting significant proposed changes. In accordance with Bylaw No. 3281, "Port Renfrew Utility Services Committee Bylaw, 2005", "Upon its establishment, and in November of each year, the Committee shall approve an annual budget for each of the services provided in 12(a) and 12(b) and 12(c) above [sewer, street lighting and water] 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, for the approval of the Regional Board and for inclusion in the Regional Board's provisional and annual budgets." Bylaw 3745, "Port Renfrew Utility Services Committee Bylaw, 2005, Amendment Bylaw No. 2, 2010" provides authority for the provision of solid waste services to the Port Renfrew Sewer Services Committee.

BACKGROUND

PORT RENFREW STREET LIGHTING LOCAL SERVICE

2014 Estimated Actuals Operations versus Budgeted Expense

The estimated actual operating cost is projected to be \$160 under budget as a result of:

- lower than budgeted expenditures for:
 - other operating expenses
- higher than budgeted expenditures for:
 - electricity charges

The estimated actual revenue is projected to be on budget.

This results in a projected year-end surplus of \$160.

2015 Operating Expense

An increase in the 2015 operating expense of \$550 (8.2%) is proposed. This is primarily a result of:

- Increase of \$910 in electricity charges.
- Increase of \$7 in internal labour charges.
- Decrease of \$367 in contingency

It is proposed that the contingency be reduced from the 2014 budget figure of \$587 to \$220 for the 2015 budget. This will assist in keeping total operating costs to a minimum. The contingency is to be used in the event that the operating budget is exceeded, likely due to an unplanned emergency repair event.

Capital/Reserve/Debt

Currently there is no capital plan, reserve or debt for this service area.

2015 Revenue (User Charge and Parcel Tax)

It is proposed that:

- The projected year-end surplus of \$160 be carried forward as revenue in 2015.
- The user charge increase from the 2014 level set at \$2,970 to \$3,535; based on 87 single family equivalents (SFE) this equates to \$40.63 per SFE an increase of 19%.
- The parcel tax increase from the 2014 level set at \$2,970 to \$3,535; based on 87 taxable folios, and including the 5.25% surveyors tax fee this equates to \$42.77 per folio an increase of 19%.

Forecast 2015-2019

A five-year operating budget forecast is provided for information. Modest increases are expected to address inflation most notably to electricity costs.

PORT RENFREW REFUSE DISPOSAL LOCAL SERVICE

2014 Estimated Actual Revenue and Expense

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

2015 Operating Expenses

An increase in the 2015 operating expenses of \$6,500 is proposed, due to the following factors:

- A decrease in revenues obtained from the sale of recyclable materials.
- Increased hauling and machinery costs.
- Food waste hauling and processing to comply with the January 2015 disposal ban.
- An operating deficit carried forward from 2013.

Refuse Disposal Capital Plan

In 2014/5 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.

2015 Revenue Requirement

It is proposed to decrease the planned contribution to the Reserve Funds in 2014 by \$1,323. The net change in the revenue requirement (taxes and fees) for 2015 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 2015 Taxes

The recommended 2015 budget would maintain the tax rate at the 2014 level of \$0.49/\$1000 of property value.

Forecast 2015-2019

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

2014 Estimated Actual Operations versus Budgeted Expense

The estimated actual operating expense is projected to be \$16,110 under budget as a result of:

- Lower than budgeted expenditures for:
 - labour charges for administration and engineering (internal time charges).
 - purchased repairs (equipment, structures, and electrical equipment)
- Higher than budgeted expenditures for:
 - labour charges for operations (water system leaks)
 - contract for services (backhoe and gravel truck rentals)
 - supplies (watermain repair materials)

- Unspent contingency in the amount of \$12,000.

The estimated actual operating revenue is projected to be \$4,920 higher than budgeted as a result of:

- Higher than budgeted revenue for:
 - Other revenue (connection charges).

This results in a projected year-end surplus of \$21,030.

It is proposed that the projected year-end surplus be carried forward as revenue in 2015.

2015 Operating Expense

An increase in the 2015 operating expense of \$1,250 (1.3%) is proposed. This is primarily a result of:

- Increase of \$30 in repairs and maintenance.
- Increase of \$50 in insurance.
- Increase of \$90 in other allocations.
- Increase of \$60 in water testing expenditures.
- Increase of \$580 in electricity expenditures.
- Increase of \$130 in diesel fuel.
- Increase of \$430 in operations labour charges.
- Increase of \$320 admin services
- Decrease of \$750 in contingency
- Decrease of \$80 in postage and freight.
- Decrease of \$150 in telecom

It is proposed that an \$11,250 contingency, approximately 10% of the operating costs, be provided for in the budget, a similar amount to 2014. The contingency is to be used in the event that the operating budget is exceeded, likely due to a major unplanned emergency repair event.

2015 Debt/Reserves

2015 Capital Reserve Fund

It is proposed that \$26,690 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 \$103,393

MFA Debt

There is no debt servicing cost for the service.

2015 Revenue (User Charge and Parcel Tax)

In order to meet operating expenses it is proposed that:

- The projected year-end surplus of \$21,030 be carried forward as revenue in 2015.

- The user charge increase from \$51,270 to \$51,960; based on 243.33 single family equivalents SFE equates to \$213.54, a 1.35% increase.
- The parcel tax increase from \$51,260 to \$51,960; based on 172 taxable folios and including the 5.25% surveyors tax fee this equates to \$317.95 per folio a 1.35% increase.

Water Capital Plan

The following capital work is planned for 2015:

Well Head Protection (\$6,000)

In 2011, the well head was recognized as being vulnerable to surface water contamination by the Vancouver Island Health Authority, and the CRD committed to building a structure to protect it.

Osprey Place Pump Station (\$30,000)

Provide a community pressure sustaining booster station for the immediate area of Osprey Place. This could be housed below grade with a pit less pump and pressure tank that could be sized to improve overall system pressure for the domestic requirements of Osprey Place, or conversely it could be above grade which would be easier to maintain.

Forecast 2016-2019

A five-year capital budget forecast is provided for information. The Strategic Asset Management Plan (SAMP) of 2012 (\$5,000) is in progress and it is proposed to include capital expenditures of \$45,000 per year beginning in 2016 for water system improvements. Funding sources will be determined and a corresponding increase in revenue will be required. Water treatment upgrades and water main replacements will be reviewed in 2015 in light of plans for land development in the Port Renfrew area in order to provide 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 86 in the 2014 budget year, and is expected to be 86 for 2015. 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.

2014 Estimated Actuals Operations versus Budgeted Expense

The estimated actual operating expense is projected to be \$100 over budget as a result of:

- Addition of internal interest payments.

The estimated actual revenue is projected to be \$3,899 higher than budgeted as a result of:

- Lower than budgeted interest payments as a result of debt refinancing.

This results in a projected year end surplus of \$3,899.

2015 Operating Expense

An increase in the 2015 operating expense of \$100 (12.3%) is proposed.

This is primarily a result of:

- Increase of \$100 in internal interest payments.

A decrease in expenses of \$7,895 is proposed. This is primarily a result of:

- Decrease in interest payments as a result of debt refinancing.
- A surplus carry forward from 2014 of \$3,899.

2015 Debt/Capital Reserve

There are no capital reserve funds for this service, and no new debt is planned.

2015 Revenue Impact (Property Value Tax)

The cost of this service is recovered through a property value tax, which averaged \$217.16 per folio in 2014, or \$1.27 per \$1000 of assessed value. For 2015 the tax rate is estimated at \$0.79 per \$1000 of assessed value a 60% decrease over 2014. There are no user charges associated with this service.

Snuggery Cove Water Capital Plan

There is no future capital work planned for this service.

Forecast 2015-2019

A five-year capital and operating budget forecast is provided for information. The Snuggery Cove Water Service will be extinguished when the repayment of the 2004 borrowing for the Port Renfrew water system upgrades and Snuggery extension is complete in 2019.

PORT RENFREW SEWER LOCAL SERVICE

2014 Estimated Actuals Operations versus Budgeted Expense

The estimated actual operating expense is projected to be \$24,270 under budget as a result of:

- Lower than budgeted expenditures for:
 - grit disposal charges
 - labour charges for operations (allocations operations)
 - labour charges finance, marine monitoring, others (allocations other)
 - labour charges for engineering and admin (internal time charges)
 - other operating expenses
- Higher than budgeted expenditures for:
 - electricity charges
- Unspent contingency in the amount of \$10,890.

The estimated actual revenue is projected to be on budget.

This results in a projected year-end surplus of \$24,270.

It is proposed that \$11,490 of the projected year-end surplus be carried forward as revenue in 2015 and the remaining amount be transferred to Capital Reserve Fund to supplement the \$890 planned transfer in 2014.

2015 Operating Expense

A decrease in the 2015 operating expense of \$4,590 (-4.9%) is proposed. This is primarily a result of:

- Decrease of \$4,890 in the contingency.
- Increase in other operating expenses.

It is proposed that the contingency be reduced from \$10,980 to \$6,000 as a result of a decrease in the surplus carry forward for 2015 compared to 2014. The contingency is to be used in the event that the operating budget is exceeded, likely due to a major unplanned emergency repair event.

2015 Debt/Reserves

2015 Capital Reserve Fund:

It is proposed that:

- \$2,500 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 \$18,722.

2015 Revenue (User Charge and Parcel Tax)

It is proposed that:

- \$11,490 of the projected year-end surplus be carried forward as revenue in 2015.
- the user charge increase slightly from the 2014 level set at \$39,910 to \$39,945; based on 94.77 SFE's this equates to \$421.49 per SFE a slight increase over 2014.
- The parcel tax increase slightly from the 2014 level set at \$39,910 to \$39,945; based on 87 taxable folios and including the 5.25% surveyors tax fee equates to \$483.24 per folio a slight increase over 2014.

Sewer Capital Plan

The following capital work is planned for 2015:

Port Renfrew WW Treatment Plant Tree Removal (\$6,000)

The poplar trees at 16988 Tsonoqua Drive overhang into the treatment plant area and are causing extra work for the operator in the fall as he's constantly managing the falling leaves both on the protective netting and within the treatment process. The leaves can cause problems with the treatment process which in turn can cause compliance issues. The home owner at 16988 Tsonoqua has granted permission to top the trees provided a professional insured contractor is used. This project would be funded from the capital reserve fund.

Forecast 2016-2019

A five-year capital and operating budget forecast is provided for information. In 2015, a SAMP will be prepared to develop a short and long term plan to successfully manage the wastewater utility. The conceptual budget is proposed to include capital expenditures of \$45,000 per year beginning in 2016 for sewer system improvements. Funding sources will be determined and a corresponding increase in revenue will be required. Wastewater treatment upgrades and sewer collection system replacements will be reviewed in 2015 in light of plans for land development in the Port Renfrew area in order to provide an acceptable level of service and maximize the service lives of system components.

RECOMMENDATIONS

That the Port Renfrew Utility Services Committee recommend to the CRD Board:

1. That the 2015 operating and capital budget for the Port Renfrew Street Lighting Local Service be approved as presented;
2. An increase in the annual user charge to \$40.63 and an increase in the parcel tax to \$42.77 for the Port Renfrew Street Lighting Local Service;
3. That the 2015 operating and capital budget for the Port Renfrew Refuse Disposal Local Service be approved as presented;
4. That the 2015 operating and capital budget for the Port Renfrew Water Local Service be approved as presented;
5. An increase in the annual user charge to \$213.54 and an increase in the parcel tax to \$317.95 for the Port Renfrew Water Local Service;
6. That the 2015 operating and capital budget for the Snuggery Cove Water Local Service be approved as presented;
7. That the 2015 operating and capital budget for the Port Renfrew Sewer Local Service be approved as presented;
8. An increase in the annual user charge to \$421.49 and an increase in the parcel tax to \$483.24 for the Port Renfrew Sewer Local Service;
9. To balance the 2014 actual revenue and expense for the Port Renfrew Street Lighting Local Service on the 2015 contingency.
10. To balance the 2014 actual revenue and expense for the Port Renfrew Refuse Disposal Local Service on the 2014 Transfer to Capital Reserve Fund; and
11. To balance the 2014 actual revenue and expense for the Port Renfrew Water Local Service on the 2015 contingency.

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