



**REPORT TO REGIONAL WATER SUPPLY COMMISSION  
MEETING OF WEDNESDAY, NOVEMBER 7, 2012**

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**SUBJECT      2013 CAPITAL AND OPERATING BUDGET**

**PURPOSE**

The purpose of the report is to provide a synopsis of the 2013 budget highlighting the proposed significant changes and additions. The report generally follows the sequence of information provided in the draft budget document.

Rate Base

The rate base for 2013 has decreased by \$252,002 primarily due to overstating the 2012 forecast physical plant additions last year. Major capital additions to the rate base include the final capitalization phase of the McTavish Reservoir replacement and various projects listed on Page 3 of the budget document.

Revenue Requirement

The revenue requirement for 2013 has increased by \$201,120 mainly resulting from an increase in the rate of return of \$200,300 due to change in capital assets, increased depreciation expense of \$12,112 net of expired depreciation of existing assets, offset by a decrease in operational expense of \$11,292 primarily resulting from a continuous supplementary reduction in the Demand Management program (Pages 4 and 5 of the budget document).

Operations Budget

The 2013 board budget reflects an increase in non-discretionary expenses such as negotiated wage/salary increases, a single supplementary request of \$20,000 for the American Bullfrog eradication program, offset by a significant continuous supplementary reduction in the Demand Management budget of \$262,688, resulting in a net decrease in the board budget from previous year of \$11,292 (Page 5 of the budget document).

The single supplementary item for the American Bullfrog eradication program is conditional on matching funding by CRD Parks. This single supplementary is reflected for each of the years 2013-2015 and has been recurring annually since 2005. The continuous supplementary reduction for the Demand Management program has been reflected for the years 2013 and 2015 (Pages 6 - 10 of the budget document). The demand management program will be re-aligned as part of a wider departmental approach to integrated and coordinated outreach that promotes regional environmental sustainability. Overall, the demand management program will gain efficiencies by integrating the messaging with other environmental programs.

Operating budget forecasts for 2014 and 2015 have been presented for consideration.

Capital Budget

The projected capital expenditures for the period 2013 - 2017 total \$23.008 million, plus \$1.793 million cost shared with the Juan de Fuca water distribution service. The major expenditures over the five year period include restoration of the Leech Water Supply Area (\$2.232 million), completion of the Sooke Intake Tower valve replacement (\$1.5 million), replace Supply Mains (\$6.200 million), and upgrades to the Japan Gulch Chloramination System (\$5.5 million). Debt servicing expenditures show an increase of \$280,027 in 2013. Attachment 1 reflects the projected additional debt required to sustain the five year capital plan. Attachment 2 reflects the debt servicing costs on the projected debt.

Agricultural Subsidy

The 2013 Agricultural water rate has been maintained at the 2012 rate of \$0.2105 per cubic meter. The total budget for the Agricultural subsidy is \$925,000.

Water Demand

Total water demand in the service area continues to decline below the 5-year average demand. In 2012 the budgeted demand was 47,721,000 cubic metres and the 2012 actual demand is projected to be 45,891,000 cubic metres. The recommended 2013 water rate has been calculated using a budget demand of 46,528,000 cubic metres which is 2.5% lower than the 2012 budgeted demand.

Two other water rate options based on lower demand volumes have been prepared for consideration (Attachment 3).

Proposed 2013 Wholesale Water Rate

The recommended wholesale rate has taken into consideration the revenue required to meet debt obligations as well as the declining water use trend. The proposed 2013 wholesale rate is \$0.5888 per cubic metre. The increase in annual cost for the average household using 235 cubic metres would be \$4.44 (Page 12 of the budget document).

5-Year Water Rate Projection

The 5-year water rate projection is attached (Attachment 4). As in previous projections, it is assumed that demand remains constant. It should also be noted that capital expenditures are not fully reflected in the water rate until after the asset is in service, i.e. 'used and useful'.

Recommendations from the Regional Water Supply Commission Budget Subcommittee

The Regional Water Supply Commission Budget Subcommittee, at its meeting of October 18, 2012, recommended that the Regional Water Supply Commission:

1. Approve the 2013 Capital Budget and the five-year Capital Plan;
2. Approve the 2013 Operating Budget;
3. Approve the 2013 wholesale water rate of \$0.5888 per cubic metre;
4. Approve the 2013 agricultural water rate of \$0.2105 per cubic metre.

**RECOMMENDATION**

That the Regional Water Supply Commission recommends that the CRD Board:

1. Approve the 2013 Capital Budget and the five-year Capital Plan;
2. Approve the 2013 Operating Budget;
3. Approve the 2013 wholesale water rate of \$0.5888 per cubic metre;
4. Approve the 2013 agricultural water rate of \$0.2105 per cubic metre; and
5. Amend the *Water Supply Local Service Area Fee and Charge Bylaw No. 1, 1997* accordingly.

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Attachments: 4