



**REPORT TO REGIONAL WATER SUPPLY COMMISSION  
MEETING OF WEDNESDAY, NOVEMBER 20, 2013**

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**SUBJECT      2014 OPERATING AND CAPITAL BUDGET**

**ISSUE**

The purpose of the report is to provide a synopsis of the 2014 budget highlighting the proposed significant changes and additions. The report generally follows the sequence of information provided in the attached draft budget document (**Attachment 1**).

**Rate Base**

The rate base for 2014 has decreased by \$2,879,860 primarily due to overstating the 2013 forecast physical plant additions last year in anticipation of completing the \$4,025,593 McTavish Reservoir project prior to year end. Because this project was completed in 2013, it will be capitalized in the 2014 budget year, along with several other projects, including the Sooke Lake Reservoir intake tower valve replacements and the Leech Water Supply Area improvements (Page 3 of the budget document).

**Revenue Requirement**

The revenue requirement for 2014 has decreased by \$383,473. This is resulting from a decrease in the return on the rate base of \$917,000, largely due to changes in the physical plant value, debt refinancing, and increased depreciation net of expired depreciation on existing assets of \$52,513, offset by an increase in operational expenses of \$481,014, including supplementary budget requests (Pages 4 and 5 of the budget document).

**Operating Budget**

The 2014 operating budget reflects an increase in non-discretionary expenses such as negotiated wage/salary increases, departmental support service allocation increases, an increase in strategic partnership funding, and other operating expense increases such as electricity costs. In addition, there are two continuous supplementary requests; one for \$37,000 to fund the American Bullfrog control program and one for \$90,000 to fund a new departmental Information Technician position (cost shared with the other Integrated Water Services' service areas), and one single supplementary request for \$10,000 to fund the 100<sup>th</sup> year celebration of Sooke Lake Reservoir event planning and development. The net 2014 operating budget increase is \$481,014 (Pages 5 and 29 of the budget document).

Operating budget forecasts for 2015 through 2018 have been presented for information.

**Agricultural Subsidy**

The 2014 agricultural water rate has been maintained at the 2013 rate of \$0.2105 per cubic metre. The total budget for the agricultural subsidy is \$925,000.

**Capital Budget**

There are a number of capital projects planned for 2014 with a total value of \$3,280,000, plus \$677,000 in projects cost shared with the Juan de Fuca Water Distribution Service. The major expenditures in 2014 include continued restoration of the Leech Water Supply Area (\$350,000), upgrades to the Japan Gulch Chloramination System (\$1.5 million), Lubbe Dam No. 4 remediation study (\$200,000), and continued work on the water supply area security camera project (\$133,000) (Pages 14-16 of the budget document).

A five year capital plan has been presented for information.

Capital and Debt Expenditures

The 2014 capital expenditures will be partially funded through a transfer to the water capital fund in the amount of \$2,776,468, with the balance funded through debt. 2014 debt expenditures for existing and new debt servicing are budgeted to be \$12,712,573. The long term debt obligations are summarized on the attached graphs (**Attachment 2**). A new loan authorization will be required in 2014 to allow borrowing to fund the five year capital plan.

Water Demand

Water demand in the service area continues to typically decline when looking at year-over-year figures on a monthly basis. The 2013 year end total water demand was anticipated to be close to budget primarily due to the extended high temperature/no precipitation period during this past summer, which caused a significant increase in demand. However, a sharp decline in consumption during September, due to an extremely wet month, will cause the total year end consumption volume to be lower. In 2013, the budgeted demand was 46,528,000 cubic metres and the 2013 actual demand was projected to be 46,383,000 cubic metres in September. The recommended 2014 water rate has been calculated using a budget demand of 45,067,000 cubic metres, which is approximately 3.1% lower than the 2013 budgeted demand (Page 11 of the budget document).

Proposed 2014 Wholesale Water Rate

The recommended wholesale rate has taken into consideration the revenue required to meet operating and capital expenditures, including debt obligations, and the budget demand volume established for 2014. The proposed 2014 wholesale rate is \$0.5994 per cubic metre. The increase in annual cost for the average household using 235 cubic metres would be \$2.49 (Page 12 of the budget document).

Five Year Wholesale Water Rate Projection

The five year wholesale water rate projection is attached (**Attachment 3**). As in previous projections, it is assumed that demand remains constant.

Recommendations from the Regional Water Supply Commission Budget Subcommittee

The Regional Water Supply Commission Budget Subcommittee, at its meeting of October 16, 2013, recommended that the Regional Water Supply Commission:

1. Approve the 2014 Capital Budget and the Five Year Capital Plan;
2. Approve the 2014 Operating Budget;
3. Approve the 2014 wholesale water rate of \$0.5994 per cubic metre; and
4. Approve the 2014 agricultural water rate of \$0.2105 per cubic metre.

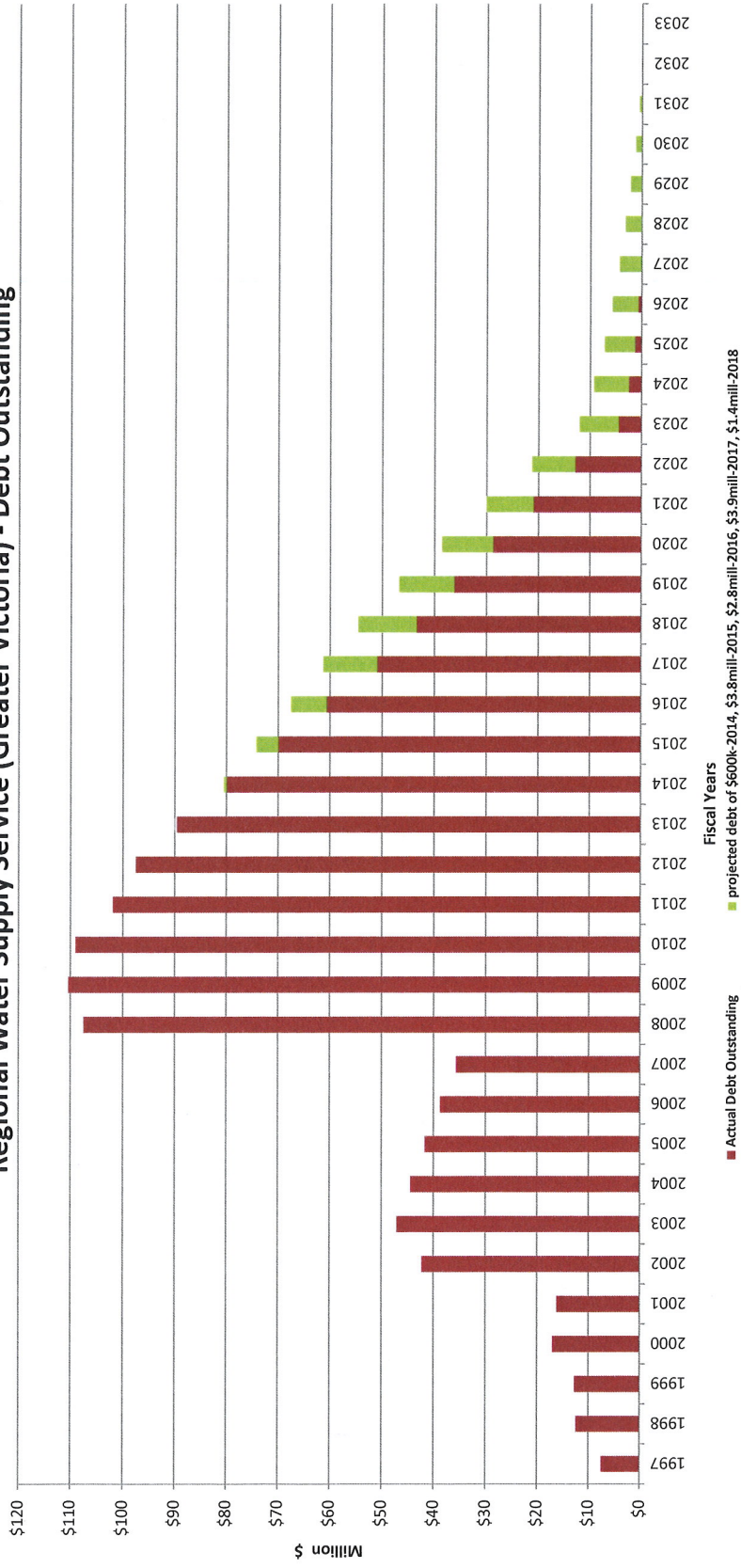
RECOMMENDATIONS

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

1. Approve the 2014 Capital Budget and the Five Year Capital Plan;
2. Approve the 2014 Operating Budget;
3. Approve the 2014 wholesale water rate of \$0.5994 per cubic metre;
4. Approve the 2014 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.

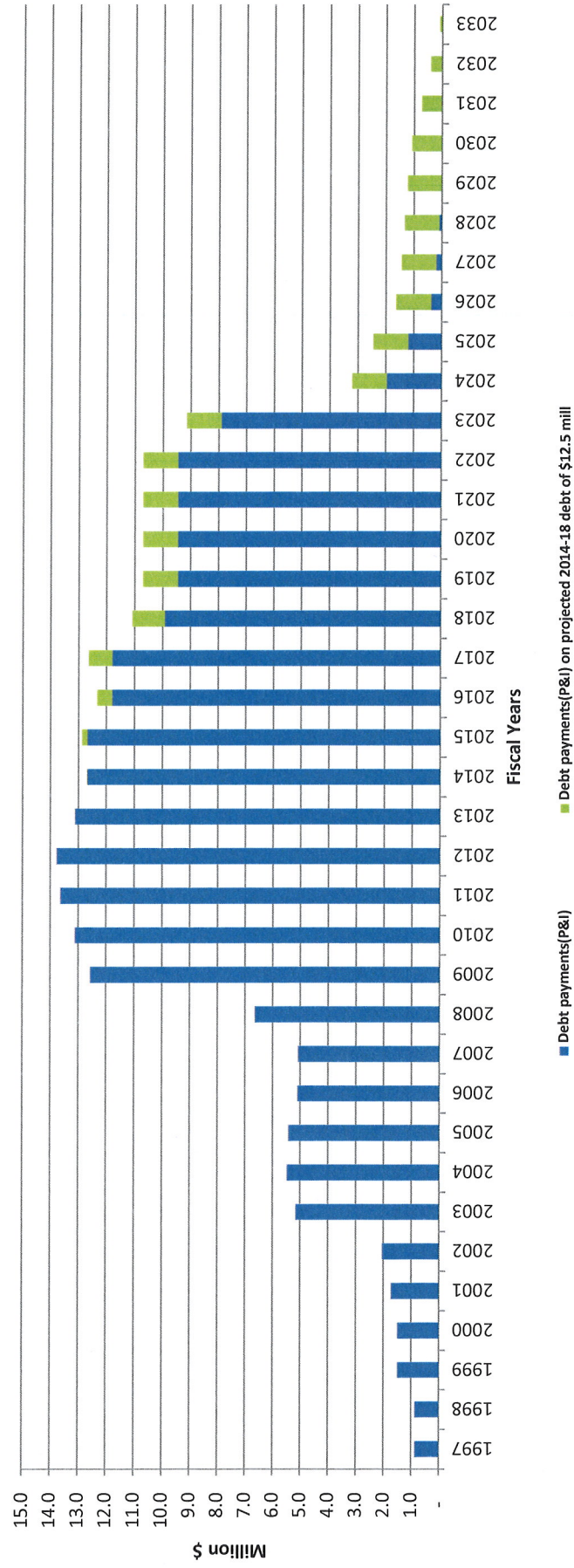
  
Ted Robbins, BSc, CTEch  
General Manager, Integrated Water Services

# Regional Water Supply Service (Greater Victoria) - Debt Outstanding

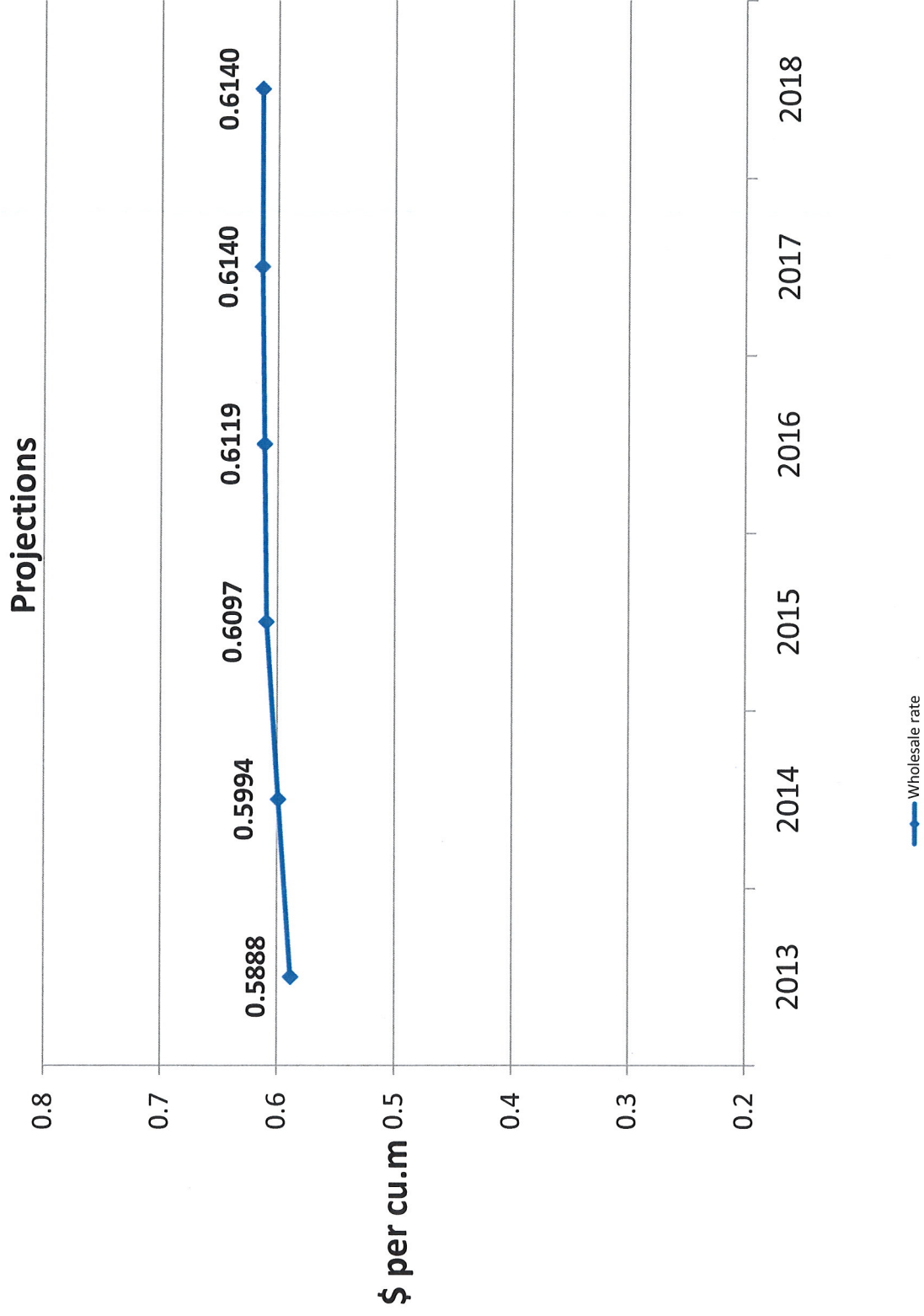




# Regional Water Supply Service (Greater Victoria) - Debt Payments (P&I) on Outstanding Debt



## Regional Water Supply Service (Greater Victoria) Wholesale Water Rate



**CAPITAL REGIONAL DISTRICT**

**BYLAW NO. 3920**

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**A BYLAW TO AMEND BYLAW 2570, "WATER SUPPLY LOCAL  
SERVICE AREA FEE AND CHARGE BYLAW NO. 1, 1997"**

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The Board of the Capital Regional District in open meeting assembled enacts as follows:

1. Bylaw No. 2570, "Water Supply Local Service Area Fee and Charge Bylaw No. 1, 1997" is amended as follows:
  - a) By deleting Schedule "A" in its entirety and substituting the attached Schedule "A", effective January 1, 2014.
2. This Bylaw may be cited for all purposes as the "Water Supply Local Service Area Fee and Charge Bylaw No. 1, 1997, Amendment Bylaw No. 15, 2013".

READ A FIRST TIME THIS	th	day of	December	2013
READ A SECOND TIME THIS	th	day of	December	2013
READ A THIRD TIME THIS	th	day of	December	2013
ADOPTED THIS	th	day of	December	2013

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CHAIR

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CORPORATE OFFICER

**SCHEDULE “A”**

For each cubic meter of water supplied:

- |                      |           |
|----------------------|-----------|
| 1. Bulk Water        | \$ 0.5994 |
| 2. Agriculture Water | \$ 0.2105 |