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**REPORT TO SALT SPRING ISLAND LIQUID WASTE DISPOSAL LOCAL SERVICE COMMISSION  
MEETING OF TUESDAY 29 NOVEMBER 2011**

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**SUBJECT      2012 OPERATING AND CAPITAL BUDGET**

**ISSUE**

This report provides a synopsis of the 2012 budget, highlighting significant proposed changes. In accordance with Bylaw No. 3693, "Salt Spring Island Water, Sewer and Liquid Waste Disposal Commissions Bylaw No. 1, 2010", "Before the end of November of each year, a Commission shall be presented with a five-year operating and capital budget for the service area, 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 revenues, in a form approved by the Financial Officer of the CRD for the approval of the Regional Board and for inclusion in the Regional Board's preliminary and annual budgets."

**BACKGROUND**

**2011 Estimated Actual Revenue and Expense**

Actual 2011 revenue is expected to be \$50,000 below budget due to plant shutdowns requiring diversion of septage and sludge off island. The actual 2011 operating expense is expected to be \$12,474 below, mainly due lower contract operations costs for bin hauling while raw sludge was being hauled off island. The off island disposal and replacement of the disposal field piping was funded through the capital project. As a result, a deficit of \$35,813 is expected to be carried forward to 2012.

**2012 Operating Plan and Budget**

The 2012 operating budget is based on a new proposed operating plan for the facility that is subject to the approval of the commission. The following outlines the proposed operating plan and budget assumptions:

1. The Burgoyne facility will operate as it currently does for January and February 2012 while a new transfer facility is constructed. In March 2012, when the transfer station is in service, the raw liquid waste will be hauled off island to a regional treatment facility.
2. The transfer facility construction will consist of a new receiving facility, grit removal, tank storage, pump out points, and road improvements, based on the current consulting engineer's design, and funded with existing capital project funds. The existing storage tanks will be removed and the dewatering and membrane bioreactor equipment will be off-line.
3. The service will enter into a two year agreement for the provision of off island hauling treatment and disposal services.
4. Operating budgets for items such as labour, electricity and chemical supplies have been reduced based on the reduced functionality at the plant, and contract for services budgets have been increased accordingly.
5. 2011 tipping fee rates would be maintained for 2012, but the parcel tax would increase.

**Salt Spring Island Liquid Waste Disposal Local Service Commission – 29 November 2011**

**Re: 2012 Operating and Capital Budget**

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**2012 Operating Expense**

- An increase in the 2011 operating expense of \$61,608 is proposed for the new operating plan. The debt expenditures will decrease by \$19,845 in 2012 as a five year debt matures.

**Capital Plan**

The following project is planned for 2012:

Septage Facility Upgrade – Phase 2 (carry forward from 2011): \$800,000

As noted in the operating plan for 2012, it is planned to construct the initial phase of the project, utilizing the funds that have been borrowed to date.

**2012 Revenue Requirement**

It is proposed to increase the contingency for 2012 by \$14,283 to mitigate the risk of an operating deficit due to a revenue shortfall. The annual debt servicing cost will decrease in 2012 by \$19,845, primarily due to the expiration of a five-year, \$210,000 loan in July 2012. The 2011 deficit to be carried forward to 2012 is estimated at \$35,813. The net change in the revenue requirement for 2012 based on these and the other budget adjustments to accommodate the proposed operating plan is an increase of \$46,724.

**Impact on 2012 Taxes and User Charges**

In order to raise the additional revenue required for 2012, it is recommended that the parcel tax be increased from \$42.10 to \$50.29. The tipping fee for sludge and septage is proposed to remain at the 2011 rate.

**Forecast 2013-2016**

A five-year capital and operating budget forecast is provided for information. It is proposed to undertake the off island operating plan for two years, but decide at the end of the first year whether to proceed with the completion of the proposed upgrade project. Additional funding would be required to complete the construction of the treatment and disposal facility; the additional funding would be subject to electoral assent and would increase the revenue requirement significantly in 2014.

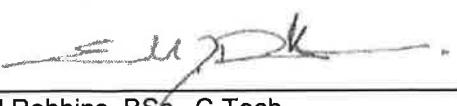
**Other Considerations**

The existing facility requires a complete rebuild. The proposed two year operating plan will allow the determination of the viability of a transfer facility prior to undertaking the full scope of the facility upgrade.

**RECOMMENDATION**

That the Salt Spring Island Liquid Waste Disposal Local Service Commission recommend that the Capital Regional District Board:

1. Approve the 2012 operating and capital budget for the Salt Spring Island Liquid Waste Local Service as presented; and
2. Balance the 2011 actual revenue and expense on the 2012 contingency.

  
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J.A. (Jack) Hull, MBA, P.Eng.  
General Manager, Integrated Water Services  
Concurrence

# **CAPITAL REGIONAL DISTRICT**

## **2012 BUDGET**

### **SSI Liquid Waste Disposal**

#### **COMMITTEE REVIEW**

Compiled and Presented by CRD Finance  
Data provided by Integrated Water Services

November 2011

**Service: 3.705      SSI Septage / Composting****Committee: Environmental Sustainability****DEFINITION:**

To provide, operate, collect, treat and dispose of septage and sewage sludge and co-compost septage and sewage sludge with wood waste for the local service area on Salt Spring Island under Bylaw No. 2118 (April 1993).

**PARTICIPATION:**

The additional local service area is co-terminus with the boundaries of the electoral area of Salt Spring Island.  
The electoral area of Salt Spring Island is the only participating area for this additional local service.

**MAXIMUM LEVY:**

Greater of \$126,650 or \$0.10 / \$1,000 to a maximum of \$323,459 on actual assessments for land and improvements.

**MAXIMUM CAPITAL DEBT:**

AUTHORIZED:	LA Bylaw No. 3564 (Dec 10, 2008)
BORROWED:	SI 3594 (Feb 11, 2009)
	SI 3634
	SI 3677 (Feb 10, 2010)
REMAINING:	

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5 year short term borrowing (to July 2012):

\$210,000

**COMMITTEE:**

Salt Spring Island Liquid Waste Disposal Local Services Committee established by Bylaw No. 2119 (May, 1993).

**FUNDING:**

Parcel Tax:	Annual, levied on all properties in the Electoral Area
Tipping Fee:	\$0.24 per imperial gallon (Bylaw No. 3563, Sept 10, 2008)
Connection Charge:	N/A

**RESERVE FUND:**

Bylaw No. 2274 (Feb 22, 1995)

**Service: 3.705 SSI Septage / Composting**

**Committee: Environmental Sustainability**

**TIPPING FEES**

Year	Taxable Folios	Parcel Tax	By-law No.	Budget Imperial Gallons	Actual Sewer Sludge Imperial Gallons	Charge	Budget Septage SSI Imperial Gallons	Actual Septage SSI Imperial Gallons	Charge
2008	5,616	\$42.11		290,000	309,027	\$0.225	522,000	626,783	\$0.225
2009	5,635	\$42.10		300,000	362,978	\$0.240	620,000	624,659	\$0.240
2010	5,649	\$42.10		300,000	357,207	\$0.380	660,000	558,295	\$0.380
2011	5,705	\$42.10		334,211	268,421	*	\$0.380	625,789	560,000
2012	5,705	\$50.29		334,210		\$0.380	626,000		\$0.380

\* estimated / projected for year end of 2011

Capital Regional District

**3.705 SSI Septage / Composting  
2012 - 5 YEAR CAPITAL PLAN  
(\$'000 - 2012 Dollars)**

Capital Works Description	Cap Type	2012	2013	2014	2015	2016	5 Yr Total	Projected completion cost
Septage Facility Upgrade - Phase 2	S	800	1,920	-	-	-	-	2,720
Gulf Islands Septic Lagoon Closure	S	-	75	-	-	-	-	75
<b>TOTAL</b>		<b>800</b>	<b>1,995</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,795</b>	

Funding Source:	2012	2013	2014	2015	2016	5 Yr Total	
Capital Funds on Hand	800	-	-	-	-	-	800
Debenture Debt (new debt only)	-	1,970	-	-	-	-	1,970
Donations / Third Party Funding	-	25	-	-	-	-	25
<b>Total Proposed Funding Source</b>	<b>800</b>	<b>1,995</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,795</b>	

Cap Type:

B = Buildings  
 E = Equipment  
 L = Land  
 S = Engineering Structures  
 V = Vehicles

## CAPITAL REGIONAL DISTRICT - SCHEDULE G

## **CAPITAL BUDGET FORM**

**2012 & Forecast 2013 to 2016**

**Service #:** 3.705      **Service Name:** SSI Se

Service #: Service Name:

**3.705** **SSI Septage / Composting**

**TOTAL**  
**Type Codes (2) \***

2,795,000 2,  
Ling Source Codes (A) \*\*

**2,795,000**      **2,795,000**  
**Ling Source Codes (4) \*\***

C = Capital Funds on Hand  
 R = Reserve Fund  
 S = Short Term Loans  
 L = Lands Sales

SSI Septage/Composting

- #1      **Septage Facility Upgrade – Phase 2 (2012)** ..... \$800,000  
Construction phase of \$2.1 million upgrade project initiated in 2009, fully funded through Municipal Finance Authority borrowing.
- #2      **Septage Facility Upgrade – Phase 2 (2013)** ..... \$1,920,000  
Construction phase of \$2.1 million upgrade project initiated in 2009, fully funded through Municipal Finance Authority borrowing.
- #3      **Gulf Islands Septic Lagoon Closure (2013)** ..... \$75,000  
Gulf Islands Septic, a private company on Salt Spring Island holds permits on two unused septic lagoons on the CRD Burgoyne Road processing property. The lagoons require restoration in order to abandon the permits. The CRD has submitted a closure plan to MOE. The costs provided in the capital plan are conceptual only. It is expected that Gulf Islands Septic will share the cost to close the lagoons (represented by a \$25,000 contribution in the capital plan); however, a cost sharing arrangement has not yet been agreed between the parties.

**SERVICE: 3.705 SALT SPRING ISLAND LIQUID WASTE DISPOSAL**

**COMMITTEE: SSI LIQUID WASTE**

**2012 KEY OBJECTIVES:**

Loan authorization for additional borrowing required to complete major process upgrade

**2011 KEY ACCOMPLISHMENTS:**

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**PERFORMANCE STANDARDS/BENCHMARKS:**

- Volume of septage treated 4,254 cubic metres (2008); 4,489m<sup>3</sup> (2009); 4,162 m<sup>3</sup> (2010)
- Operating cost to treat septage and sludge \$88.04 per cubic metre (2011 budget – operating)

**MAJOR BUDGET IMPACTS:**

- Revenue increase required to recover 2011 deficit and to accommodate proposed new borrowing
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**FIVE-YEAR CAPITAL PLAN BUDGET (see separate Capital Schedule)**

**MAJOR IMPACTS"**

- New borrowing will be required to complete facility upgrades, requiring a revenue increase

SEPTAGE/COMPOSTING - SALT SPRING		FUTURE PROJECTIONS							
		2012		2013		2014	2015	2016	
2011 BOARD BUDGET	2011 ESTIMATED ACTUAL	CORE BUDGET	CONTINUOUS SUPPLY-MENTARY	ONE-TIME SUPPLY-MENTARY	TOTAL	2013	2014	2015	2016
<u>OPERATING COSTS:</u>									
Contract For Services	30,000	2,600	242,044	0	246,885	251,823	256,859	261,996	261,996
Operating - Costs	356,345	374,311	191,626	0	195,458	199,364	203,375	207,447	207,447
Contingency	3,040	0	17,323	0	17,669	18,023	18,383	18,751	18,751
<b>TOTAL OPERATING COSTS</b>	<b>389,385</b>	<b>376,911</b>	<b>450,993</b>	<b>0</b>	<b>450,993</b>	<b>460,012</b>	<b>469,209</b>	<b>478,617</b>	<b>488,194</b>
*Percentage Increase over prior year	0.00%	-3.20%	15.82%	0.00%	0.00%	15.82%	2.00%	2.00%	2.00%
<u>CAPITAL / RESERVE</u>									
Transfer to Capital Fund	0	0	0	0	0	0	0	0	0
Transfer to Reserve Fund	0	0	0	0	0	0	0	0	0
Capital Costs	0	0	0	0	0	0	0	0	0
<b>TOTAL CAPITAL / RESERVES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Debt Expenditures	170,275	168,562	150,820	0	0	150,820	169,029	342,492	342,492
MFA Debt Reserve	0	0	390	0	0	390	19,700	0	0
<b>TOTAL COSTS</b>	<b>559,660</b>	<b>545,473</b>	<b>602,203</b>	<b>0</b>	<b>0</b>	<b>602,203</b>	<b>648,741</b>	<b>811,701</b>	<b>821,109</b>
*Percentage Increase over prior year	0.00%	-2.53%	7.60%	0.00%	0.00%	7.60%	7.73%	25.12%	1.16%
Internal Recoveries	0	0	0	0	0	0	0	0	0
Recoveries - Other	0	0	0	0	0	0	0	0	0
<b>OPERATING COSTS LESS INTERNAL RECOVERIES</b>	<b>559,660</b>	<b>545,473</b>	<b>602,203</b>	<b>0</b>	<b>0</b>	<b>602,203</b>	<b>648,741</b>	<b>811,701</b>	<b>821,109</b>
<b>FUNDING SOURCES (REVENUE)</b>									
estimated balance C/F from current to Next year	(35,813)	35,813	0	0	35,813	0	0	0	0
Balance C/F from Prior to Current year	33,710	(33,710)	(364,880)	0	(364,880)	(364,880)	(364,880)	(364,880)	(364,880)
Sale of Goods and Services	(364,800)	(314,800)	(210)	0	(390)	(390)	(390)	(390)	(390)
Revenue - Other	(210)	(210)	(160)	0	(160)	(160)	(160)	(160)	(160)
Grants In Lieu of Taxes	(160)	(160)	(160)	0	(160)	(160)	(160)	(160)	(160)
<b>TOTAL REVENUE</b>	<b>(331,460)</b>	<b>(317,273)</b>	<b>(329,617)</b>	<b>0</b>	<b>0</b>	<b>(329,617)</b>	<b>(365,430)</b>	<b>(365,430)</b>	<b>(365,430)</b>
<b>REQUISITION - PARCEL TAX</b>	<b>(228,200)</b>	<b>(228,200)</b>	<b>(272,586)</b>	<b>0</b>	<b>0</b>	<b>(272,586)</b>	<b>(283,311)</b>	<b>(446,271)</b>	<b>(455,679)</b>
*Percentage Increase over prior year	0.00%	0.00%	19.45%	0.00%	0.00%	19.45%	3.93%	57.52%	2.10%
NOTE: Capital / Reserve Fund Expenditures	0	0	0	0	0	0	0	0	0
PARTICIPANTS: Salt Spring Island	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
AUTHORIZED POSITIONS:	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Salaried									
Hourly									

## SEPTAGE/COMPOSTING - SALT SPRING