



Making a difference...together

SALT SPRING ISLAND LIQUID WASTE LOCAL SERVICE COMMISSION

Notice of Meeting on **THURSDAY, January 25, 2018 at 1:00 PM**

Creekside Meeting Room, 108 121 McPhillips Ave, Salt Spring Island, BC

Wayne McIntyre

Rod Scotvold (r)

Rob Pingle (r)

Gary Holman

Mary Richardson

(r = regrets)

AGENDA

- 1. Election of Chair and Vice Chair**
- 2. Approval of Agenda**
- 3. Adoption of Minutes- no previous minutes to approve**
- 4. Chair and Director Report**
- 5. Reports**
 - 5.1 2018 Operating and Capital Budget Report**

That the Salt Spring Island Liquid Waste Disposal Commission:

1. Approve the 2018 operating and capital budget as presented, and that the 2017 actual surplus or deficit be balanced evenly between the 2017 transfer to the Capital Reserve Fund and the 2017 transfer to the Operating Reserve Fund;
 2. Recommend that the Electoral Area Services Committee recommend that the CRD Board approve the 2018 Operating and Capital Budget and the five year Financial Plan for the Salt Spring Island Liquid Waste Disposal Local Service as presented.
- 6. New Business**
- 7. Outstanding Business**
- 8. Adjournment**

To ensure quorum, advise Tracey Shaver 250 537 4448 if you cannot attend.



Making a difference...together

**REPORT TO THE SALT SPRING ISLAND LIQUID WASTE DISPOSAL COMMISSION
MEETING OF THURSDAY, JANUARY 25, 2018**

**SUBJECT SALT SPRING ISLAND LIQUID WASTE DISPOSAL LOCAL SERVICE 2018
OPERATING AND CAPITAL BUDGET**

ISSUE

For the past several years the Salt Spring Island Liquid Waste Commission did not have sufficient members to establish a quorum so budget reporting was received directly by the Electoral Area Services Committee. In January 2018, the Capital Regional District Board appointed several new volunteer commissioners, therefore the 2018 operating and capital budget will be presented to the Salt Spring Island Liquid Waste Disposal Commission at its inaugural meeting on January 25, 2018.

BACKGROUND

The Capital Regional District (CRD) is required by legislation under the *Local Government Act* (LGA) to prepare an annual operating and capital budget and a 5-year financial plan including Operating Budgets and Capital Expenditure Plans annually. CRD staff have therefore, prepared the financial plan shown in Appendix A to this report for the Salt Spring Island Liquid Waste Disposal Local Service.

The Operating Budget includes the regular annual costs to operate the service. The Capital Expenditure Plan shows the anticipated expenditures for capital additions. These may include purchases of new assets or infrastructure as well as upgrades or improvements to existing assets or asset review and study work potentially leading to future capital improvements.

In preparing the Operating Budget, CRD staff took into account:

1. Actual expenditures incurred between 2015 and 2017
2. Anticipated changes in level of service (if any)
3. Maximum allowable tax requisition
4. Annual Cost per taxpayer and per SFE

Factors taken into consideration in the preparation of the Capital Expenditure Plan included:

1. Available funds on hand
2. Projects already in progress
3. Condition of existing assets and infrastructure
4. Regulatory, environmental and health and safety factors

Adjustments for surpluses or deficits from 2017 may be made in January 2018. The CRD Board will give final approval to the budget and financial plan in March 2018.

The Financial Plan for the years 2019 – 2022 may be changed in future years.

BUDGET OVERVIEW

Operating Budget

It is anticipated that operating expenses in 2017 will be approximately \$31,900 over budget, due primarily to higher than projected septage hauling and disposal costs. However, this cost overrun is offset by higher than projected operating revenue. This results in an operating surplus for the service. CRD staff recommend that the budgeted transfer to the Capital Reserve Fund and the Operating Reserve Fund be split equally to balance the 2017 budget and to support future cyclical system maintenance costs.

The 2018 operating budget has been increased by 6.5% over the 2017 budget to account for inflation, increased labour charges and a projected increase in septage hauling costs.

Municipal Finance Authority (MFA) Debt:

MFA debt servicing costs are incurred on debt of \$280,000 issued in 2009 at 4.90% interest, \$400,000 issued in 2009 at 4.13% interest, \$650,000 issued in 2010 at 4.50% interest and \$770,000 issued in 2013 at 3.85% interest. The annual debt servicing cost of \$194,020 will remain unchanged in 2018.

Operating Reserve Fund

The Operating Reserve Fund is used to undertake maintenance activities that typically do not occur on an annual basis. Typical maintenance activities include power line maintenance and inspection, access road maintenance and septage storage tank inspection and maintenance. The operating reserve also funds the procurement of equipment and supplies that are not purchased on an annual basis. Additionally, the operating reserve could be used for emergency unplanned repairs.

It is proposed that transfers to the Operating Reserve Fund increase by 2% in 2018. The Operating Reserve Fund balance at the end of 2017 is projected to be \$35,247.

Capital Reserve Fund:

The Capital Reserve Fund is to be used to pay for capital expenditures that are not funded by other sources such as grants, operating budget or debt.

It is proposed that transfers to the Capital Reserve Fund be increased from \$17,440 to \$17,460. The balance at the end of 2017 is projected to be \$158,785.

Capital Expenditure Plan

The 5-year plan includes \$1,290,000 of expenditures to be funded by a combination of the service's Capital Reserve Funds and new debt following a public engagement and referendum process planned in 2018. The new debt will fund the design and construction of a new wastewater treatment facility project.

Capital Project Funds

As specific capital projects are approved, the funding revenues for them are transferred into this Capital Project Fund. Whenever possible, any funds remaining upon completion of a project are transferred back to the Capital Reserve Fund for use on future capital projects.

User Charge and Parcel Tax

The disposal user charge (disposal rate) and the parcel tax fund the service. All properties within the local service area are responsible for the parcel tax while users of the facility pay the disposal rate. The proposed user charge (disposal rate) of \$0.415 per imperial gallon is a 1.2% increase from 2017 and the parcel tax of \$55.11 will remain at the 2017 rate.

RECOMMENDATION

That the Salt Spring Island Liquid Waste Disposal Commission:

1. Approve the 2018 operating and capital budget as presented, and that the 2017 actual surplus or deficit be balanced evenly between the 2017 transfer to the Capital Reserve Fund and the 2017 transfer to the Operating Reserve Fund;
2. Recommend that the Electoral Area Services Committee recommend that the CRD Board approve the 2018 Operating and Capital Budget and the five year Financial Plan for the Salt Spring Island Liquid Waste Disposal Local Service as presented.

Submitted by:	Karla Campbell, BPA, Senior Manager, Salt Spring Island Electoral Area
Submitted by:	Matthew McCrank, MSc., P.Eng., Senior Manager, Infrastructure Operations
Submitted by	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
Concurrence	Ted Robbins, B.Sc., C.Tech., General Manager, Integrated Water Services
Concurrence	Robert Lapham, MCIP, RPP, Chief Administrative Officer

MMc/IJ/RL/KC:ls:ts

Attachment: 2018 Budget SSI Liquid Waste-Commissioner Review Nov 2017

CAPITAL REGIONAL DISTRICT

2018 Budget

SSI Septage / Composting

EASC Review

Compiled and Presented by CRD Finance

Jan-18

Service: 3.705 SSI Septage / Composting

Committee: Electoral Area Services

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 \$331,402 on actual assessments for land and improvements.

MAXIMUM CAPITAL DEBT:

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:	\$0.41 per imperial gallon (Bylaw No. 4171, April 12, 2017)
Connection Charge:	N/A

RESERVE FUND:

Bylaw No. 2274 (Feb 22, 1995)

SSI Septage / Composting	2017		BUDGET REQUEST				FUTURE PROJECTIONS			
	BOARD BUDGET	ESTIMATED ACTUAL	CORE BUDGET	ONGOING	ONE-TIME	TOTAL	2019	2020	2021	2022
OPERATING COSTS:										
Sludge Hauling Contract	308,750	346,030	330,000	-	-	330,000	336,600	343,330	350,200	357,200
Grit & Waste Sludge Disposal	6,900	11,500	10,000	-	-	10,000	10,200	10,400	10,610	10,820
Repairs & Maintenance	6,230	7,570	6,350	-	-	6,350	6,470	6,590	6,710	6,840
Allocations	24,860	16,980	17,580	-	-	17,580	17,930	18,290	18,660	19,040
Electricity	2,650	1,500	2,650	-	-	2,650	2,700	2,750	2,810	2,870
Supplies	520	2,500	530	-	-	530	540	550	560	570
Labour Charges	114,610	110,330	130,090	-	-	130,090	132,650	135,300	138,010	140,760
Contingency	-	-	-	-	-	-	-	-	-	-
Other Operating Expenses	12,040	12,050	10,310	-	-	10,310	10,500	10,700	10,910	11,120
TOTAL OPERATING COSTS	476,560	508,460	507,510	-	-	507,510	517,590	527,910	538,470	549,220
*Percentage Increase over prior year						6.5%	2.0%	2.0%	2.0%	2.0%
DEBT/RESERVES										
MFA Debt Principal	104,880	104,880	104,880	-	-	104,880	104,880	156,700	156,700	156,700
MFA Debt Interest	89,140	89,140	89,140	-	-	89,140	97,470	139,140	139,130	139,140
Transfer to Operating Reserve Fund	2,540	6,215	2,590	-	-	2,590	2,640	2,690	2,740	2,790
Transfer to Capital Reserve Reserve Fund	17,440	21,115	17,460	-	-	17,460	19,650	19,710	19,770	19,810
TOTAL DEBT / RESERVES	214,000	221,350	214,070	-	-	214,070	224,640	318,240	318,340	318,440
TOTAL COSTS	690,560	729,810	721,580	-	-	721,580	742,230	846,150	856,810	867,660
FUNDING SOURCES (REVENUE)										
Estimated balance C/F from 2017 to 2018	-	-	-	-	-	-	-	-	-	-
Balance C/F from 2016 to 2017	-	-	-	-	-	-	-	-	-	-
Sale - Septage Sludge	(230,850)	(269,000)	(249,000)	-	-	(249,000)	(254,890)	(260,920)	(267,080)	(273,360)
Sale - Sewage Sludge	(153,900)	(155,000)	(166,000)	-	-	(166,000)	(170,230)	(174,570)	(179,000)	(183,510)
Payments in Lieu	(520)	(520)	(240)	-	-	(240)	(240)	(240)	(240)	(240)
Other Revenue	(500)	(500)	(500)	-	-	(500)	(500)	(500)	(500)	(500)
TOTAL REVENUE	(385,770)	(425,020)	(415,740)	-	-	(415,740)	(425,860)	(436,230)	(446,820)	(457,610)
REQUISITION - Parcel Tax	(304,790)	(304,790)	(305,840)	-	-	(305,840)	(316,370)	(409,920)	(409,990)	(410,050)
*Percentage increase over prior year requisition						0.3%	3.4%	29.6%	0.0%	0.0%

Reserve Schedule

Reserve Fund: 3.705 SSI Septage Operating Reserve Fund (Bylaw No. 4144)

Reserve fund used for: unforeseen operational repairs and maintenance; infrequent maintenance activities such as access road maintenance, power line maintenance and septage holding tank maintenance etc. Optimum minimum balance of \$50,000 (approximately 10%) of the annual operating budget.

Reserve Cash Flow

Fund: 1500 Fund Center: 105209

	Budget					
	2017	2018	2019	2020	2021	2022
Beginning Balance	29,032	35,247	27,837	30,477	23,167	25,907
Transfer from Operating Budget	6,215	2,590	2,640	2,690	2,740	2,790
Expenditure	-	(10,000)	-	(10,000)	-	-
Planned maintenance activity		Power line maintenance		Access Road Maintenance		
Ending Balance \$	35,247	27,837	30,477	23,167	25,907	28,697

Reserve Schedule

Reserve Fund: 3.705 SSI Septage / Composting Capital Reserve Fund (Bylaw No.:2274)

Reserve Cash Flow

Fund: 1087 Fund Center: 102146

	Budget					
	2017	2018	2019	2020	2021	2022
Beginning Balance	137,670	158,785	176,245	155,895	100,605	120,375
Transfer to Cap Fund (Based on Capital Plan)		-	(40,000)	(75,000)	-	-
Transfer from Operating Budget	21,115	17,460	19,650	19,710	19,770	19,810
Interest Income*		-	-	-	-	-
Ending Balance \$	158,785	176,245	155,895	100,605	120,375	140,185

* Interest should be included in determining the estimated ending balance for the current year. Interest in planning years nets against inflation which is not included.

Service: 3.705 **SSI Septage / Composting**

Proj. No. 16-02	Capital Project Title Septage Facility Upgrade	Capital Project Description Septage receiving station and storage tanks
Asset Class Engineered Structures	Board Priority Area 0	Corporate Priority Area Environmental Protection
Project Rationale <i>The actual construction cost for the facility has varied from \$676,000 to over \$1,500,000. The value shown here is subject to verification and change once the design process is complete. Will need funds set aside for composting allocated to this phase.</i>		

Proj. No. 16-03	Capital Project Title Options Analysis	Capital Project Description Options for treatment and disposal and public consultation
Asset Class Engineered Structures	Board Priority Area 0	Corporate Priority Area Environmental Protection
Project Rationale <i>Review options for the treatment and disposal of the septage sludge. Do complete life cycle analysis. Public engagement and referendum to borrow. Estimates to date indicate it will not be possible to construct the treatment and disposal facilities without additional money. While this may change once the septage receiving and storage phase is complete and preferred treatment and disposal option selected, it is prudent to assume a referendum and significant public engagement will be required.</i>		

Proj. No. 18-01	Capital Project Title Treatment and Disposal	Capital Project Description Engineering and construction of treatment and disposal
Asset Class Engineered Structures	Board Priority Area 0	Corporate Priority Area Environmental Protection
Project Rationale <i>This is the design and construction of the preferred treatment and disposal chosen through the options analysis.</i>		

Service: 3.705 **SSI Septage / Composting**

Proj. No. 19-01	Capital Project Title Groundwater Monitoring	Capital Project Description Groundwater monitoring
Asset Class Engineered Structures	Board Priority Area 0	Corporate Priority Area Environmental Protection
Project Rationale <i>As part of the long term impact analysis of the old lagoons, groundwater monitoring may be required. Groundwater monitoring may also be required for on-site disposal of the treated sludge.</i>		

Proj. No. 20-01	Capital Project Title Lagoon Closure	Capital Project Description Lagoon Closure
Asset Class Engineered Structures	Board Priority Area 0	Corporate Priority Area Environmental Protection
Project Rationale <i>The old lagoons have not been officially closed. Additional tests and reports are required.</i>		

Proj. No.	Capital Project Title 0	Capital Project Description 0
Asset Class #N/A	Board Priority Area 0	Corporate Priority Area 0
Project Rationale		

Proj. No.	Capital Project Title 0	Capital Project Description 0
Asset Class #N/A	Board Priority Area 0	Corporate Priority Area 0

SSI Septage / Composting

Capital Projects Fund

Project#	Status	Capital Project Description	Total Budget	Expenditure Actuals	Remaining Funds	Funding Source-CRF*	Funding Source-Debt**	Funding Source-Operating***	Return Surplus to CRF*
CE.225	OPEN	Septage Facility Upgrade	2,240,940	(1,984,317)	256,623	50,000	2,100,000	8,428	
		Totals	2,240,940	(1,984,317)	256,623	50,000	2,100,000	8,428	0

* CRF (Capital Reserve Fund)

** Debt (MFA Debt)

*** Operating (Operating Budget)

Service: 3.705 SSI Septage / Composting

Committee: Electoral Area Services

<u>Year</u>	<u>Taxable Folios</u>	<u>Parcel Tax</u>	<u>Rate/Gallon*</u>	<u>Sewer Sludge (Gallons)</u>	<u>Septage (Gallons)</u>	
2011	5,705	\$42.10	\$0.38	350,092	501,437	851,529
2012	5,735	\$50.29	\$0.38	406,206	544,042	950,248
2013	5,763	\$50.29	\$0.38	433,400	537,500	970,900
2014	5,763	\$50.33	\$0.38	436,823	541,439	978,262
2015	5,765	\$55.64	\$0.39	365,886	586,101	951,987
2016	5,821	\$52.49	\$0.40	373,676	697,858	1,071,534
2017	5,821	\$55.11	\$0.41	380,000	570,000	950,000
2018	5,841	\$55.11	\$0.415	400,000	600,000	1,000,000

* Bylaw No. 4172

¹Actual Volume

²Estimated Volume