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**REPORT TO SKANA WATER SERVICE COMMITTEE  
MEETING OF THURSDAY 15 DECEMBER 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. 3133, "Skana Water Service Committee Bylaw No. 1, 2003", "Upon its establishment, and In November of each year, the committee must approve an annual budget for the services provided in the Water 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 revenue, in a form approved by the Treasurer of the Regional Board for the approval of the Regional Board and for inclusion in the Regional Board's provisional and annual budgets."

**BACKGROUND**

2011 Estimated Actual Expense

The actual 2011 operating expense is expected to be \$6,107 below budget, primarily due to unused contingency. It is proposed to carry forward the surplus to supplement 2012 revenue.

2012 Operating Expense

An increase in the 2011 operating expense of \$1,865 is proposed for the following reasons:

Operating Costs: \$786 increase

This main factors contributing to this increase are a labour cost increase and additional labour and travel associated with reading water meters quarterly by Capital Regional District (CRD) staff (\$332). The meter reading work has been removed from the JLB Services contract.

Contract for Services: \$1,000 increase

Despite the fact that meter reading has been removed from JLB's contract, an increase of \$1,000 over last year's budget is necessary to maintain the current level of service, accommodate an adjustment in the contract operator's hourly rate, and budget for extra work requested by the CRD as required throughout the year. The extra work is unplanned work that has occurred in previous years and may occur again in 2012, including additional sampling, customer inquiries, and meeting utilities on site (e.g. BC Hydro).

Capital Plan

The following capital project is proposed for 2012, to be funded from a Community Works Fund (Gas Tax) grant allocated by the CRD Board:

Strategic Asset Management Plan: \$10,000

It is proposed to conduct an asset inventory to determine the quantity, age, condition and approximate life expectancy of water mains and other infrastructure; estimate the cost to renew or replace infrastructure; and develop a long-term financial plan to fund infrastructure renewal or replacement as required to maintain an acceptable level of service and stable annual cost of service.

2012 Revenue Requirement

The proposed \$1,865 increase in the operating budget would be partially offset by a \$77 increase in the prior year surplus from \$6,030 in 2011 to \$6,107 in 2012. The balance would increase the revenue requirement (taxes and fees) for 2012 from \$51,445 to \$53,233.

Impact on 2012 Taxes and User Charges

In order to raise the additional revenue required for 2012, it is recommended that the user charge be increased from \$789.22 to \$813.00. The parcel tax would remain at the 2011 level of \$279.00.

Forecast 2013-2016

A five-year capital and operating budget forecast is provided for information. Asset replacement projects forecast for 2013 would require new borrowing, subject to electoral assent. The scope, estimated cost and funding structure for capital work after 2012 is conceptual and would be refined based on the outcome of the proposed 2012 Strategic Asset Management Plan. If \$100,000 is borrowed as shown in the Capital Plan, a revenue increase of roughly \$11,000 would be required, corresponding to a parcel tax increase of roughly \$160 per taxable folio.

Other Considerations: Asset Maintenance and Replacement

The water mains in the Skana water system are approaching the end of their useful life, and the 2012 budget does not include sufficient funding to replace them. The current budget is also insufficient to accommodate the preventive maintenance required to keep assets in good working order throughout their life cycle, particularly as system components age. The Strategic Asset Management Plan will provide an estimate of the annual budget that would be required to replace assets at the end of their service lives, and to provide the level of preventive maintenance required to sustain an acceptable level of service and maximize the service lives of system components.

**RECOMMENDATION**

That the Skana Water Service Committee recommend that the CRD Board:

1. Approve the 2012 operating and capital budget for the Skana Water Service as presented;
2. Authorize an increase in the user charge for the Skana Water Service as required to balance the 2012 budget; and
3. Balance the 2011 actual revenue and expense on 2011 transfer to the capital reserve fund.

  
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Concurrence

CS:ls  
Attachment: 1