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**REPORT TO SKANA WATER SERVICE COMMITTEE  
MEETING OF TUESDAY, NOVEMBER 20, 2012**

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**SUBJECT    2013 OPERATING AND CAPITAL BUDGET**

**ISSUE**

This report provides a synopsis of the 2013 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**

**2012 Estimated Actual Expense**

The actual 2012 operating expense is expected to be \$10,478 below budget, primarily due to unused contingency and lower than expected operating costs. It is proposed to carry forward the surplus to supplement 2013 revenue.

**2013 Operating Expense**

An increase of \$1,790 (1.7%) in the operating expense is proposed for 2013 the following reasons:

Operating Costs: \$487 (1.6%) increase

This main factor contributing to this increase is a labour cost increase as per the collective agreement with our unionized staff.

Transfer to Maintenance Reserve Account: \$1,000 increase

This is included in 2013 as a continuous supplementary item to provide a buffer for future costs that are higher than expected such as UV lamp replacement and water sampling.

Contract for Services: \$190 (2%) increase

This minor adjustment is recommended to match predicted actual expenses in 2012.

Contingency: \$113 (2.3%) increase

Capital Plan

The following capital project was approved in 2012, and is recommended to carry forward into 2013. Funding was from a Community Works Fund (Gas Tax) grant allocated by the CRD Board:

Strategic Asset Management Plan: \$10,000

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.

2013 Revenue Requirement

The prior year surplus would increase by \$4,470 from \$6,107 in 2012 to \$10,577 in 2013. It is also proposed that \$2,680 be transferred to the Reserve Fund to buffer unexpected future costs. The net change in the revenue requirement (taxes and fees) for 2013 is calculated from these changes as follows:

Operating budget increase (decrease)	\$1,790
Transfer to Reserve Fund (decrease)	\$2,680
<u>Prior year surplus decrease (increase)</u>	<u>(\$4,470)</u>
Net increase (decrease) in tax & fee revenue requirement	\$0

There is no change in revenue requirement for 2013.

Impact on 2013 Taxes and User Charges

The user charge would remain at \$813.00, and the parcel tax would remain at \$279.00.

Forecast 2013-2016

A five-year capital and operating budget forecast is provided for information. Asset replacement projects forecast for 2015 would require new borrowing, subject to electoral assent. The scope, estimated cost and funding structure for capital work after 2013 is conceptual and would be refined based on the outcome of the 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 2013 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 2013 operating and capital budget for the Skana Water Service as presented; and
2. Balance the 2012 actual revenue and expense on 2013 Contingency.

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Attachment: 1