



Making a difference...together

SKANA WATER SERVICE COMMITTEE
Notice of Meeting on **Monday, October 16, 2017 at 10 a.m.**
Main Conference Room, 479 Island Highway, Victoria, BC

Jon Sanders (Chair)
Ramon Hagkull

Director D. Howe

Robert Johnston

Graeme Fryling

AGENDA

1. Approval of Agenda
2. Election of Chair
3. Adoption of Minutes of September 29, 2016
4. 2018 Operating and Capital Budget (staff report)
5. New Business
6. Adjournment

To ensure quorum, advise Lorrie Siemens 250.360.3087 or lsiemens@crd.bc.ca if you cannot attend.



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Minutes of a Meeting of the Skana Water Service Committee
Held Thursday, September 29, 2016 in the Main Conference Room, 479 Island Highway,
Victoria, BC

PRESENT: **Committee Members:** J. Sanders (C), G. Fryling, R. Johnston, Alternate Southern Gulf Islands Regional Director, P. LeBlond (for D Howe)

Staff: M. Cowley, Acting Senior Manager, Infrastructure Engineering; M. McCrank, Senior Manager, Infrastructure Operations; D. Robson, Manager, Saanich Peninsula and Gulf Islands Operations, S. Mason, Manager, Water Engineering and Planning, P. Dayton, Senior Financial Analyst, L. Siemens (recorder)

ABSENT: R. Hagkull

The meeting was called to order at 10 a.m.

1. Approval of Agenda

MOVED by G. Fryling, **SECONDED** by R. Johnston,
That the agenda be approved as distributed.

CARRIED

2. Election of Chair

Nominations were called for Chair of the Skana Water Service Committee for a one-year term. Graham Fryling was nominated and declined. Jon Sanders was nominated and agreed to stand. Nominations were called for two additional times, and hearing none, Jon Sanders was elected as Chair.

3. Adoption of Minutes of April 12, 2016

MOVED by G. Fryling, **SECONDED** by R. Johnston,
That the minutes of April 12, 2016 be adopted as previously distributed.

CARRIED

4. Quarterly Water Bill Updates

M. McCrank presented a written report.

MOVED by J. Sanders, **SECONDED** by G. Fryling,
That the Skana Water Service Committee receive the report for information and request verbal updates as to the progress of the Juan de Fuca Billing Software Enhancement Project.

CARRIED

5. **2017 Operating and Capital Budget**

M. McCrank presented a written report and the 2017 Operating and Capital Budget documents.

MOVED by J. Sanders, **SECONDED** by G. Fryling,
That the Skana Water Service Committee recommend to the CRD Board:

1. Approve the 2017 operating and capital budget for the Skana Water Service as presented;
2. Approve the 2017 Parcel Tax Rate of \$278.98 and User Charge of \$864.57 for the Skana Water Service;
3. Balance the 2016 actual revenue and expense on the 2016 transfer to the capital reserve fund; and
4. Authorize the proposed transfer of \$6,033 from the Capital Project Fund WSV185143 to the Capital Reserve Fund 1067.

CARRIED

6. **New Business**

A discussion took place on the new *Water Sustainability Act* and the use of exploratory wells by residents within the Skana water service area.

MOVED by J. Sanders, **SECONDED** by R. Johnston,
That the Skana Water Service Committee direct staff to determine the locations of the exploratory wells, determine the liability ramifications, and develop options for mitigation. And that the cost to complete this investigation will come from the 2016 operating budget

CARRIED

7. **Adjournment**

MOVED by J. Sanders, **SECONDED** by G. Fryling,
That the meeting be adjourned at 11:18 a.m.

CARRIED



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**REPORT TO SKANA WATER SERVICE COMMITTEE
MEETING OF MONDAY, OCTOBER 16, 2017**

SUBJECT 2018 OPERATING AND CAPITAL BUDGET

ISSUE

To present the 2018 operating and capital budget. In accordance with Bylaw No 3133, "Skana Water Service Committee Bylaw No. 1, 2003" the Committee's approval of the annual budget is required.

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 five year Financial Plan. CRD staff have prepared the budget and financial plan shown in Appendix A to this report for the Skana Water 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, 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 Single Family Equivalent (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

The proposed Operating and Capital budget for the Service will be presented to the Electoral Area Services Committee in the fall of 2017. 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 subject to change in future years.

BUDGET OVERVIEW

Operating Budget

It is anticipated that operating expenses in 2017 will be approximately \$1,300 under budget. CRD staff recommend that the budgeted transfer to the Capital Reserve Fund be increased to balance the 2017 budget.

The 2018 operating budget has been increased by 5.8% to account for inflation and an increase in electrical energy use and labour charges.

Municipal Finance Authority (MFA) Debt

The 2018 MFA Debt interest expense of \$7,420 includes \$1,410 on \$29,200 that was borrowed in 2007. Additional short term debt may begin in late 2018 to undertake capital improvements and will increase as the money is borrowed. The 2018 debt servicing costs are projected to be \$14,360.

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 hydrant maintenance, reservoir cleaning and ground water well servicing. 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 of \$1,000 remain at the 2017 amount. The operating reserve fund balance at the end of 2017 is projected to be \$7,264.

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 the transfer to the capital reserve fund remain at \$3,070. The balance at the end of 2017 is projected to be approximately \$32,400.

Capital Expenditure Plan

The 5-year plan includes \$460,000 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 replacement of the water storage tanks.

Capital Projects Fund

As specific capital projects are approved, the funding revenues for them are transferred into a 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. At this stage, with several open projects, there is no plan to transfer funds from the projects fund to the Capital Reserve Fund until such time as the projects are completed and financially closed.

User Charge and Parcel Tax

The user charge and parcel tax fund the service. Typically the user charge funds the operational costs and the parcel tax funds the debt and capital reserve fund contributions. Properties connected to the water system pay the annual user charge and all properties within the local service area are responsible for the parcel tax. The proposed 2018 user charge of \$910.63 and parcel tax of \$332.62 are an increase from the 2017 values. Historical user charge and parcel tax rates are included for information.

RECOMMENDATION

1. That the Skana Water Service Committee approve the 2018 operating and capital budget as presented, and that the 2017 actual surplus or deficit be balanced on the 2017 transfer to the capital reserve fund; and
2. That the Skana Water Service Committee 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 Skana Water Service as presented.

Submitted by:	Matthew McCrank, M.Sc., P.Eng., Senior Manager, Infrastructure Operations
Submitted by:	Ian Jesney, P.Eng. Senior Manager, Infrastructure Engineering
Submitted by	Amber Donaldson, MA, CPA, CMA, A/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/AD:ls
Attachment: 1

2018SKANABUDGET Oct 3 2017

CAPITAL REGIONAL DISTRICT

2018 Budget

Skana Water (Mayne)

Committee Review

Compiled and Presented by CRD Finance

Oct 2017

Service: 2.642 Skana Water (Mayne) **Committee:** Electoral Area Services

DEFINITION:

To provide for the construction of water supply and distribution facilities for Skana Water Service Area. Bylaw No. 3090 (November 12, 2003).

PARTICIPATION:

Southern Gulf Islands Skana Water Service Area #47, U(764)

MAXIMUM LEVY:

Greater of \$54,100 or \$9.65 / \$1,000 to a maximum of \$111,182.

MAXIMUM CAPITAL DEBT:

AUTHORIZED:	LA Bylaw No. 3090 (Nov. 12/03)	157,700	
BORROWED:	S.I. Bylaw No. 3154 (Apr. 22/04)	(78,850)	2.40% 2014 Remaining: \$32,889
	S.I. Bylaw No. 3196	(39,500)	4.98% 2014 Remaining: \$16,476
	S.I. Bylaw No. 3457 (2007)	(29,200)	4.82% 2014 Remaining: \$17,682
	Expired Nov 2008	(10,150)	

REMAINING:

0

COMMISSION:

Skana Water Service committee established by Bylaw # 3133 (Dec 10, 2003).

FUNDING:

User Charge: Annual charge per single family equivalency unit connected to the system.

Parcel Tax: Annual charge only on properties capable of being connected to the system.

Connection Charges: At cost or minimum of \$1,000.

RESERVE FUND:

Fund 1067, established by Bylaw # 3192 (July 14, 2004)

	2017		2018				FUTURE PROJECTIONS			
	BOARD BUDGET	ESTIMATED ACTUAL	CORE BUDGET	ONGOING	ONE-TIME	TOTAL	2019	2020	2021	2022
Skana Water (Mayne)										
OPERATING COSTS:										
JLB Services Contract	10,430	10,600	10,640	-	-	10,640	10,850	11,070	11,290	11,520
Repairs & Maintenance	1,070	1,000	1,100	-	-	1,100	1,130	1,160	1,190	1,220
Allocations	6,500	5,790	5,869	-	-	5,869	5,980	6,090	6,200	6,320
Water Testing	2,640	2,640	2,690	-	-	2,690	2,740	2,790	2,850	2,910
Electricity	1,390	2,300	2,400	-	-	2,400	2,450	2,500	2,550	2,600
Supplies	1,110	1,300	1,130	-	-	1,130	1,150	1,170	1,190	1,210
Labour Charges	17,800	15,800	19,540	-	-	19,540	19,880	20,280	20,690	21,100
Other Operating Expenses	3,140	3,330	3,260	-	-	3,260	3,310	3,370	3,430	3,490
TOTAL OPERATING COSTS	44,080	42,760	46,629	-	-	46,629	47,490	48,430	49,390	50,370
*Percentage Increase over prior year			5.8%				1.8%	2.0%	2.0%	2.0%
DEBT/RESERVES										
Transfer to Operating Reserve Fund	1,000	1,000	1,000	-	-	1,000	1,020	1,040	1,060	1,080
Transfer to Capital Reserve Fund	3,010	4,430	3,070	-	-	3,070	3,070	10,290	10,500	10,710
MFA Debt Principal	6,940	6,940	6,940	-	-	6,940	28,420	22,930	22,930	22,930
MFA Debt Interest	4,090	4,090	7,420	-	-	7,420	23,140	21,410	21,410	21,410
TOTAL DEBT / RESERVES	15,040	16,460	18,430	-	-	18,430	55,650	55,670	55,900	56,130
TOTAL COSTS	59,120	59,220	65,059	-	-	65,059	103,140	104,100	105,290	106,500
FUNDING SOURCES (REVENUE)										
User Charges	(39,770)	(39,770)	(41,889)	-	-	(41,889)	(42,770)	(43,730)	(44,920)	(46,130)
Other Revenue	-	(100)	(100)	-	-	(100)	(100)	(100)	(100)	(100)
TOTAL REVENUE	(39,770)	(39,870)	(41,989)	-	-	(41,989)	(42,870)	(43,830)	(45,020)	(46,230)
REQUISITION - PARCEL TAX	(19,350)	(19,350)	(23,070)	-	-	(23,070)	(60,270)	(60,270)	(60,270)	(60,270)
*Percentage increase over prior year			5.3%				2.1%	2.2%	2.7%	2.7%
User Charges			19.2%				161.2%	0.0%	0.0%	0.0%
Requisition Combined.			9.9%				58.6%	0.9%	1.1%	1.2%

Reserve Schedule

Reserve Fund: 2.642 Skana Water Operating Reserve Fund (Bylaw No.: 4144)

Reserve Cash Flow

Fund: 1500 Fund Center: 105214

	Budget					
	2017	2018	2019	2020	2021	2022
Beginning Balance	6,264	7,264	8,264	7,784	8,824	9,884
Transfer from Operating Budget	1,000	1,000	1,020	1,040	1,060	1,080
Expenditures			(1,500)			(2,000)
Interest Income*			Hydrant Mtce			Reservoir Cleaning
		-	-	-	-	-
Ending Balance \$	7,264	8,264	7,784	8,824	9,884	8,964

Assumptions/Background:

Maintain a minimum balance of \$4,000

Reserve Schedule

Reserve Fund: 2.642 Skana Water Capital Reserve Fund (Bylaw No.: 3192)

Reserve Cash Flow

Fund: 1067 Fund Center: 101849

	2017	Budget			
		2018	2019	2020	2021
Beginning Balance	65,941	32,371	20,441	23,511	8,801
Transfer to Cap Fund (Based on Capital Plan)	(38,000)	(15,000)		(25,000)	
Transfer from Cap Fund					
Transfer from Operating Budget	4,430	3,070	3,070	10,290	10,500
Interest Income*		-	-	-	-
Ending Balance \$	32,371	20,441	23,511	8,801	19,301
					30,011

Assumptions/Background:

Transfer whatever the operating budget will allow

* 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: 2.642

Skana Water (Mayne)

Proj. No. 17-02

Capital Project Title Groundwater Study

Capital Project Description Identify any groundwater protection issues and conduct a water audit.

Asset Class Engineered Structures

Board Priority Area Other

Corporate Priority Area Drinking Water

Project Rationale Due to the varying levels in the Skana well water level, it is proposed to conduct a high-level groundwater study of the existing aquifer and identify any groundwater protection issues related to the new Water Sustainability Act of 2016. As part of the study it is proposed to conduct a water audit of the system to determine if there are any appreciable leaks in the system and further determine the condition of the PVC pipe and water service connections.

Proj. No. 17-03

Capital Project Title Public Engagement/Referendum

Capital Project Description Conduct public engage and referendum to seek elector assent to borrow funds for storage tank replacement.

Asset Class Engineered Structures

Board Priority Area Other

Corporate Priority Area Drinking Water

Project Rationale A loan will be required to fund the storage tank replacement any other capital work which will not be included under the capital reserve fund. The proposed loan will required public engagement and a referendum.

Proj. No. 17-04

Capital Project Title Well #8 Upgrade

Capital Project Description Conduct well improvements including new well liner, replacement of well seal and SCADA automation.

Asset Class Engineered Structures

Board Priority Area Other

Corporate Priority Area Drinking Water

Project Rationale A recent inspection of Well #8 identified a number of deficiencies. Recommended improvements include the installation of new well liner, replacement of the well seal, and other associated minor improvements to protect it from surface runoff.

Service: 2.642

Skana Water (Mayne)

Proj. No. 18-01
Asset Class Equipment
Capital Project Title Storage Tank Replacement
Board Priority Area Other
Capital Project Description Replace the existing storage tanks,
Corporate Priority Area Drinking Water

Project Rationale *The existing storage tanks are at the end of their design life and do not meet seismic requirements. It is proposed to replace the existing tanks with a glass fused steel tank.*

Proj. No. 19-01
Asset Class Engineered Structures
Capital Project Title Water Quality Study
Board Priority Area Other
Capital Project Description Well #13 and its aquifer to determine if
treatment is required.
Corporate Priority Area Drinking Water

Project Rationale *Due to the adverse water quality event in December 2015 a groundwater study on Well #13 and its connected aquifer is proposed to determine any required changes to the treatment process that may be required.*

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

Skana Water (Mayne)

Capital Projects Fund

Year/Project#	Status	Capital Project Description	Total Budget	Expenditure Actuals	Remaining Funds	Funding Source-CRF*	Funding Source-CWF**	Return Surplus to CRF*	Return Surplus to CWF**
2011/CE.293.4501.10	CLOSED	SAMP	2,500	(6,177)	(3,677)	2,500			
2011/CE.293.4501.31	CLOSED	SAMP - CWF	10,000	(2,116)	7,884		10,000		7,884
2015/CE.449	CLOSED	Reservoir Tank Study	10,000	(10,436)	(436)	10,000			
2016/CE.517	CLOSED	Well Inspection & Remediation	8,000	(9,325)	(1,325)	8,000			
2017/CE.579	OPEN	Public Engagement / Referendum	10,000	0	10,000	10,000			
2017/CE.580	OPEN	Groundwater Study	10,000	0	10,000	10,000			
2017/CE.622	OPEN	Safety Equipment Well #8	2,000	0	2,000	2,000			
2017/CE.623	OPEN	Well #8 Upgrade	10,000	0	10,000	10,000			
2017/CE.624	OPEN	Well #13 Upgrade	6,000	0	6,000	6,000			
		Totals	62,500	(28,054)	34,446	52,500	10,000	0	7,884

* CRF (Capital Reserve Fund)

** CWF (Community Works Fund)

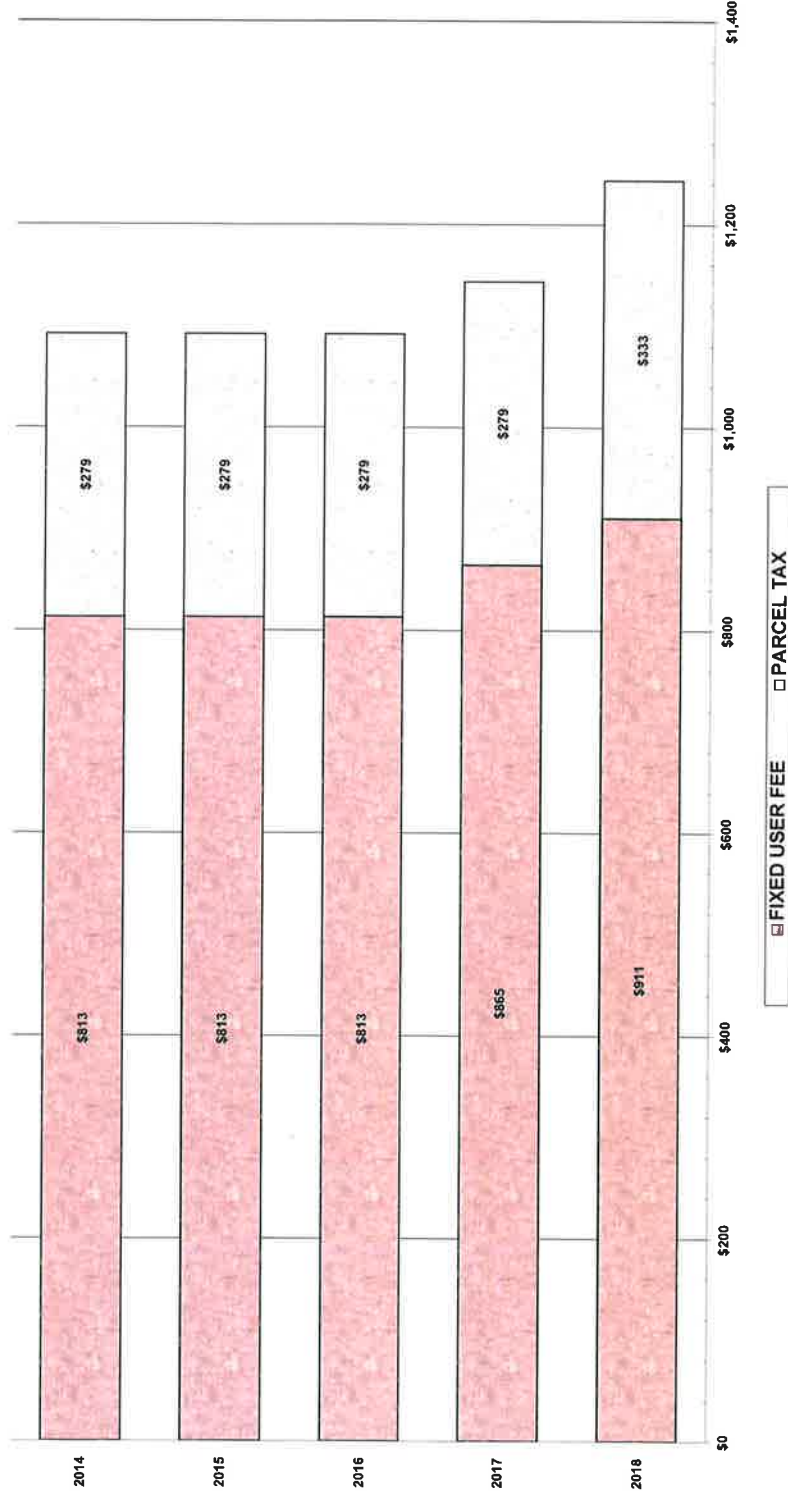
Service:

2.642 Skana Water (Mayne)

Committee: Electoral Area Services

<u>Year</u>	<u>Taxable Folios</u>	<u>Parcel Tax</u>	<u>SFE's</u>	<u>User Charge</u>	<u>Tax & Charges</u>	<u>Bylaw</u>	<u>Assessments \$(000's)</u>
2011	72	\$279.00	41	\$789.22	\$1,068.22	3778	16,030
2012	73	\$279.00	42	\$813.00	\$1,092.00	3823	14,233
2013	73	\$279.00	42	\$813.00	\$1,092.00	3892	13,153
2014	73	\$279.00	43	\$813.00	\$1,092.00	3924	12,466
2015	73	\$278.99	44	\$812.95	\$1,091.94	3987	11,521
2016	73	\$278.98	45	\$883.78	\$1,162.76	4074	11,521
2017	73	\$278.98	46	\$864.57	\$1,143.55	4170	13,844
2018	73	\$332.62	46	\$910.63	\$1,243.25	4170	

CAPITAL REGIONAL DISTRICT Skana Water (Mayne) FUNDING ANALYSIS 2014-2018



Actual Costs 2014-2017, Projected 2018
Prepared by CRD Finance
10/02/2017