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SKANA WATER SERVICE COMMITTEE

Notice of Meeting on **Tuesday, October 16, 2018 at 10 a.m.**
Main Conference Room, 479 Island Highway, Victoria, BC

Jon Sanders (Chair)

Director D. Howe

Robert Johnston

Graeme Fryling

Ramon Hagkull

AGENDA

1. Approval of Agenda
2. Election of Chair
3. Adoption of Minutes of October 16, 2017
4. 2019 Operating and Capital Budget Report
5. New Business
6. Adjournment

To ensure quorum, advise Sharon Orr 250.474.9622 or sorr@crd.bc.ca if you cannot attend.



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**Minutes of a Meeting of the Skana Water Service Committee
Held Monday, October 16, 2017 in the Main Conference Room, 479 Island Highway,
Victoria, BC**

PRESENT: **Committee Members:** J. Sanders (C), G. Fryling, R. Johnston, R. Hagkull
Staff: M. McCrank, Senior Manager, Infrastructure Operations; I. Jesney, Senior Manager, Infrastructure Engineering, D. Robson, Manager, Saanich Peninsula and Gulf Islands Operations, K. Jo, Financial Analyst, L. Siemens (recorder)

ABSENT: Director D. Howe

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. 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 September 29, 2016

MOVED by G. Fryling, **SECONDED** by R. Johnston,
That the minutes of September 29, 2016 be adopted as previously distributed.

CARRIED

4. 2018 Operating and Capital Budget

M. McCrank presented a written report and the 2018 Operating and Capital Budget documents.

R. Hagkull joined the meeting at 10:35 a.m.

MOVED by J. Sanders, **SECONDED** by R. Johnston,

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.

Skana Water Service Committee - Minutes
October 16, 2017

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CARRIED

5. New Business

M. McCrank updated the committee on the progress of the Juan de Fuca Billing Software Enhancement Project.

6. Adjournment

MOVED by J. Sanders, **SECONDED** by R. Johnston,
That the meeting be adjourned at 10:51 a.m.

CARRIED

CHAIR

SECRETARY

DRAFT



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Agenda Item #4

**REPORT TO SKANA WATER SERVICE COMMITTEE
MEETING OF TUESDAY, OCTOBER 16, 2018**

SUBJECT 2019 OPERATING AND CAPITAL BUDGET

ISSUE

To present the 2019 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 2016 and 2018
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

Adjustments for surpluses or deficits from 2018 may be made in January 2019. The CRD Board will give final approval to the budget and financial plan in March 2019.

The Financial Plan for the years 2020 – 2023 may be subject to change in future years.

BUDGET OVERVIEW

Operating Budget

In 2018 spending on labour and material costs for repairs and maintenance has been lower than budgeted. Therefore, it is anticipated that operating expenses in 2018 will be approximately \$5,090 under budget. The 2018 operating revenue is projected to be approximately \$700 more than budget.

CRD staff recommend that the budgeted transfer to the Capital Reserve Fund be increased to balance the 2018 budget.

The 2019 operating budget includes \$1,500 for non-recurring hydrant maintenance. This will be funded by a transfer from the services Operating Reserve Fund. The 2019 budget for regular annual operating costs has been increased by 1.8% to account for inflation and an increase in labour charges.

Municipal Finance Authority (MFA) Debt

The 2018 budget for debt interest included an estimate of \$3,330 on new debt of \$400,000 to fund the storage tank replacement project. It is proposed that this project be postponed to 2020. Therefore, debt interest will be \$3,330 below budget in 2018. It is recommended that the 2018 transfer to the capital reserve fund be increased to balance.

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 increase by 2% from \$1,000 to \$1,020 to ensure future maintenance activities are fully funded and keep up with inflation.

The operating reserve fund balance at the end of 2018 is projected to be \$8,782.

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 increase from \$3,070 to \$7,350. The balance at the end of 2018 is projected to be approximately \$44,819

Capital Expenditure Plan

The 5-year plan includes \$450,000 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 2019. 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 from the Capital Reserve 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. 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 2019 user charge of \$905.00 is a slight reduction from 2018 and the parcel tax of \$332.62 remains unchanged from 2018. Historical user charge and parcel tax rates are included for information.

RECOMMENDATION

That the Skana Water Service Committee:

1. Approve the 2019 operating and capital budget as presented, and that the 2018 actual surplus or deficit be balanced on the 2018 transfer to the Capital Reserve Fund; and
2. Recommend that Electoral Area Services Committee recommend to the CRD Board that the 2019 Operating and Capital Budget and the five year Financial Plan for the Skana Water Service be approved 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	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:td
Attachment:

Appendix A: 2019 Budget Skana Water Service – Commission Review Oct 2018

CAPITAL REGIONAL DISTRICT

2019 Budget

Skana Water (Mayne)

Committee Review

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 \$147,710

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%
	S.I. Bylaw No. 3196	(39,500)	2.00%
	S.I. Bylaw No. 3457 (2007)	(29,200)	4.82%
	Expired Nov 2008	(10,150)	

REMAINING:		<u>0</u>	
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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)

Skana Water (Mayne)	2018		BUDGET REQUEST				FUTURE PROJECTIONS			
	BOARD BUDGET	ESTIMATED ACTUAL	CORE BUDGET	2019 ONGOING	ONE-TIME	TOTAL	2020	2021	2022	2023
<u>OPERATING COSTS:</u>										
JLB Services Contract	10,640	10,640	10,850	-	-	10,850	11,070	11,290	11,520	11,750
Repairs & Maintenance	1,100	1,500	2,610	-	-	2,610	1,170	1,200	1,230	1,260
Allocations	5,870	5,530	5,790	-	-	5,790	5,680	5,600	5,530	5,650
Water Testing	2,690	2,500	2,740	-	-	2,740	2,790	2,850	2,910	2,970
Electricity	2,400	2,100	2,400	-	-	2,400	2,450	2,500	2,550	2,600
Supplies	1,130	800	820	-	-	820	840	860	880	900
Labour Charges	19,540	15,220	20,450	-	-	20,450	20,860	21,280	21,710	22,140
Other Operating Expenses	3,260	3,250	3,300	-	-	3,300	3,260	3,320	3,380	3,440
TOTAL OPERATING COSTS	46,630	41,540	48,960	-	-	48,960	48,120	48,900	49,710	50,710
*Percentage Increase over prior year						5.0%	-1.7%	1.6%	1.7%	2.0%
Transfer from Operating Reserve Fund	-	-	(1,500)	-	-	(1,500)	-	-	-	-
NET OPERATING COSTS	46,630	41,540	47,460	-	-	47,460	48,120	48,900	49,710	50,710
*Percentage Increase over prior year						1.8%	1.4%	1.6%	1.7%	2.0%
<u>DEBT/RESERVES</u>										
Transfer to Operating Reserve Fund	1,000	1,000	1,020	-	-	1,020	1,040	1,060	1,080	1,100
Transfer to Capital Reserve Fund	3,070	12,190	7,350	-	-	7,350	7,350	7,350	7,350	7,350
MFA Debt Principal	6,940	6,940	6,940	-	-	6,940	22,930	22,930	22,930	22,930
MFA Debt Interest	7,420	4,090	3,140	-	-	3,140	4,740	21,410	21,410	21,410
TOTAL DEBT / RESERVES	18,430	24,220	18,450	-	-	18,450	36,060	52,750	52,770	52,790
TOTAL COSTS	65,060	65,760	65,910	-	-	65,910	84,180	101,650	102,480	103,500
<u>FUNDING SOURCES (REVENUE)</u>										
User Charges	(41,890)	(42,560)	(42,740)	-	-	(42,740)	(43,420)	(44,220)	(45,050)	(46,070)
Other Revenue	(100)	(130)	(100)	-	-	(100)	(100)	(100)	(100)	(100)
TOTAL REVENUE	(41,990)	(42,690)	(42,840)	-	-	(42,840)	(43,520)	(44,320)	(45,150)	(46,170)
REQUISITION - PARCEL TAX	(23,070)	(23,070)	(23,070)	-	-	(23,070)	(40,660)	(57,330)	(57,330)	(57,330)
*Percentage increase over prior year										
User Charges						2.0%	1.6%	1.8%	1.9%	2.3%
Requisition						0.0%	76.2%	41.0%	0.0%	0.0%
Combined.						1.3%	27.8%	20.8%	0.8%	1.0%

**Skana Water Reserves
Summary Schedule
2019 - 2023 Financial Plan**

Reserve/Fund Summary

	2018	Budget				
		2019	2020	2021	2022	2023
Operating Reserve Fund	8,782	8,302	9,342	10,402	11,482	12,582
Capital Reserve Fund	44,819	42,169	49,519	31,869	39,219	46,569
Total	53,601	50,471	58,861	42,271	50,701	59,151

Reserve Schedule

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

Reserve Cash Flow

Fund: 1067 Fund Center: 101849

	Budget					
	2018	2019	2020	2021	2022	2023
Beginning Balance	36,895	44,819	42,169	49,519	31,869	39,219
Transfer to Cap Fund (Based on Capital Plan)	(5,000)	(10,000)	-	(25,000)	-	-
Transfer from Cap Fund	-	-	-	-	-	-
Transfer from Operating Budget	12,190	7,350	7,350	7,350	7,350	7,350
Interest Income*	734	-	-	-	-	-
Ending Balance \$	44,819	42,169	49,519	31,869	39,219	46,569

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.

Reserve Schedule

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

Reserve Cash Flow

Fund: 1500 Fund Center: 105214

	Budget					
	2018	2019	2020	2021	2022	2023
Beginning Balance	7,623	8,782	8,302	9,342	10,402	11,482
Transfer from Operating Budget	1,000	1,020	1,040	1,060	1,080	1,100
Transfer to Operating Budget		(1,500)	-	-	-	
Interest Income*	159	-	-	-	-	-
Ending Balance \$	8,782	8,302	9,342	10,402	11,482	12,582

Assumptions/Background:

Maintain a minimum balance of \$4,000

CAPITAL REGIONAL DISTRICT CAPITAL PLAN

CAPITAL BUDGET FORM
2019 & Forecast 2020 to 2023

Service #: 2.642
Service Name: Skana Water (Mayne)

Proj. No.
The first two digits represent first year the project was in the capital plan.

Capital Exp. Type
Study - Expenditure for feasibility and business case report.
New - Expenditure for new asset only
Renewal - Expenditure upgrades an existing asset and extends the service ability or enhances technology in delivering that service
Replacement - Expenditure replaces an existing asset

Funding Source Codes
Debt = Debenture Debt (new debt only)
ERF = Equipment Replacement Fund
Grant = Grants (Federal, Provincial)
Cap = Capital Funds on Hand
Other = Donations / Third Party Funding

Funding Source Codes (cont)
Res = Reserve Fund
STLoan = Short Term Loans
WU = Water Utility

Asset Class
L - Land
S - Engineering Structure
B - Buildings
V - Vehicles
E - Equipment

Capital Project Title
Input Title of Project. For example "Asset Name - Roof Replacement", "Main Water Pipe Replacement".

Capital Project Description
Briefly describe project scope and service benefits.
For example: "Full Roof Replacement of a 40 year old roof above the swimming pool area; The new roofing system is built current energy standards, designed to minimize maintenance and have an expected service life of 35 years".

Total Project Budget
This column represents the total project budget not only within the 5-year window.

FIVE YEAR FINANCIAL PLAN

Proj. No.	Capital Exp.Type	Capital Project Title	Capital Project Description	Total Project Budget	Asset Class	Funding Source	Carry Forward from 2018	2019	2020	2021	2022	2023	5 - Year Total
17-02	Study	Groundwater Study	Identify any groundwater protection issues and conduct a water audit .	\$10,000	S	Cap	\$5,000	\$5,000	\$0	\$0	\$0	\$0	\$5,000
17-03	New	Public Engagement/Referendum	Conduct public engagement and referendum to seek elector assent to borrow funds for storage tank replacement.	\$10,000	S	Cap	\$10,000	\$10,000	\$0	\$0	\$0	\$0	\$10,000
17-04	Renewal	Well #8 Upgrade	Conduct well improvements including new well liner, replacement of well seal and SCADA automation.	\$35,000	S	Res	\$0	\$0	\$0	\$25,000	\$0	\$0	\$25,000
18-01	Replacement	Storage Tank Replacement	Replace the existing storage tanks.	\$400,000	E	Debt	\$0	\$0	\$400,000	\$0	\$0	\$0	\$400,000
18-02	Study	Water Quality Study	Conduct a groundwater quality study on Well #13 and its aquifer to determine if treatment is required.	\$15,000	S	Res	\$10,000	\$10,000	\$0	\$0	\$0	\$0	\$10,000
GRAND TOTAL				\$470,000			\$25,000	\$25,000	\$400,000	\$25,000	\$0	\$0	\$450,000

Service:	2.642	Skana Water (Mayne)
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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				
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.				
Proj. No.	18-01	Capital Project Title	Storage Tank Replacement	Capital Project Description	Replace the existing storage tanks.
Asset Class	Equipment	Board Priority Area	Other	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.	18-02	Capital Project Title	Water Quality Study	Capital Project Description	Conduct a groundwater quality study on Well #13 and its aquifer to determine if treatment is required.
Asset Class	#N/A	Board Priority Area	Other	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 propsoed to determine any required changes to the treatment process that may be required.				

Skana Water (Mayne Island)

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**
2019/17-02	OPEN	CE.580 Groundwater Study	10,000	-	10,000	10,000	-	-	-
2019/17-03	OPEN	CE.579 Public Engagement/Referend	10,000	-	10,000	10,000	-	-	-
2021/17-04	OPEN	CE.623 Well #8 Upgrade	35,000	(8,792)	1,208	35,000			
2017/	OPEN	CE.622 Safety Equipment Well #8	2,000	(138)	1,862	2,000			
2017/	OPEN	CE.624 Well #13 Upgrade	6,000	-	6,000	6,000			
2019/18-02	OPEN	CE.665 Water Quality Study	15,000	-	5,000	15,000			
		Totals	78,000	(8,930)	34,070	78,000	-	-	-

* CRF (Capital Reserve Fund)

** CWF (Community Works Fund)

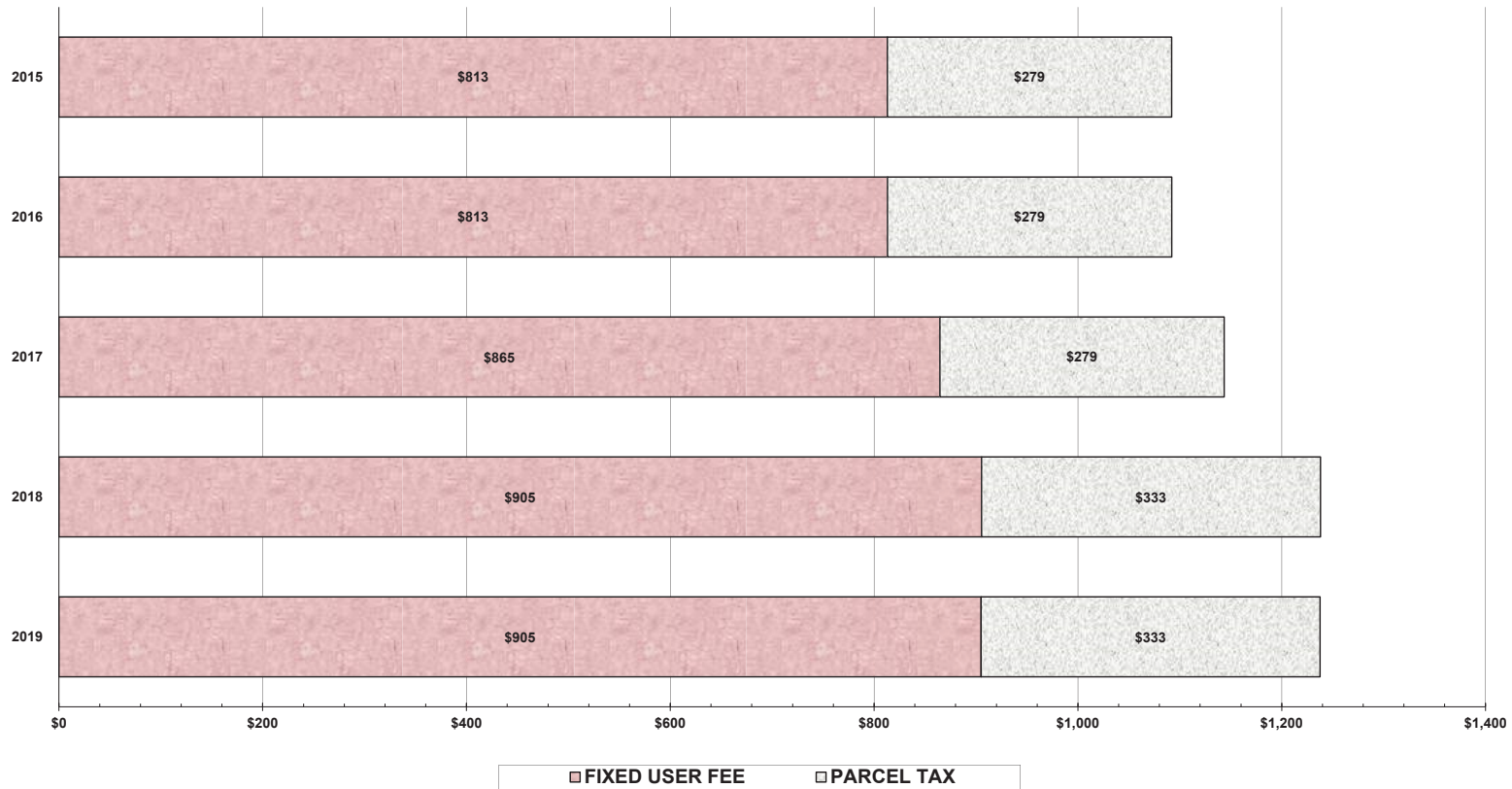
Service:

2.642 Skana Water (Mayne Island)

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	\$930.89	\$1,209.87	4074	11,521
2017	73	\$332.62	46	\$910.65	\$1,243.27	4170	13,844
2018	73	\$332.62	47	\$905.43	\$1,238.05	4233	15,307
2019	73	\$332.62	48	\$905.00	\$1,237.62		

CAPITAL REGIONAL DISTRICT Skana Water (Mayne Island) FUNDING ANALYSIS 2015-2019



Actual Costs 2015-2018, Projected 2019
Prepared by CRD Finance
03/10/2018