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**REPORT TO STICKS ALLISON WATER LOCAL SERVICE COMMITTEE
MEETING OF MONDAY 12 DECEMBER 2011**

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. 2558, "Sticks Allison Water Local Service Committee Bylaw No. 1, 1998", "Upon its establishment, and In November of each year, the Committee must approve an annual budget for the services provided in the Local 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 Revenue and Expense

The actual 2011 operating revenue and expense are expected to be on budget.

2012 Operating Expense

An increase in the 2012 operating expense of \$3,082 is proposed, mainly due to the following changes from 2011 budget:

- Water Quality: \$1,728 new budget is proposed for water quality data review, compilation and reporting to the public by the manager responsible for the CRD drinking water quality program, and expert advice to operational staff
- Operating and other labour: \$1,198 increase
- Corporate Services and Insurance: \$598 increase to reflect the actual level of effort required to provide the service.

Capital Plan

The following capital project is proposed for 2012:

Strategic Asset Management Plan (SAMP): \$12,500

An engineering study is proposed 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. \$10,000 will be provided by a Community Works Fund (Gas Tax) grant allocated by the CRD Board, and the remainder would be funded from Sticks Allison capital funds on hand.

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2012 Revenue Requirement

It is proposed to add a contingency of \$1,800 for 2012 (about 5% of total operating expense) to mitigate the risk of an operating deficit and revenue instability due to unplanned expenses or revenue shortfalls. The \$3,082 prior year deficit carried into 2011 is expected to be eliminated for 2012. The net change in the revenue requirement (taxes and fees) for 2012 is calculated from these changes and the proposed operating budget increase as follows:

Operating budget increase (decrease)	\$3,082
Contingency increase (decrease)	\$1,800
<u>Prior year deficit</u>	<u>(\$3,082)</u>
Net increase (decrease) in tax and fee revenue requirement	\$1,800

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 \$1,064.06 to \$1,117.00. No change is proposed in the parcel tax.

Forecast 2013-2016

A five-year capital and operating budget forecast is provided for information. Projects proposed for 2014 would increase the annual revenue requirement by roughly \$13,000. The scope, estimated cost and funding structure for capital work after 2012 is conceptual and would be refined based on the outcome of a proposed 2012 Strategic Asset Management Plan.

Other Considerations: Asset Maintenance and Replacement

Much of the infrastructure in the Sticks Allison Water Service Area is at or near the end of its useful life, and the 2012 budget does not include sufficient funding to replace it. 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 Sticks Allison Water Local Service Committee recommend that the Capital Regional District Board:

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



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Concurrence

CS:ls
Attachment: 1