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**REPORT TO STICKS ALLISON WATER LOCAL SERVICE COMMITTEE
MEETING OF WEDNESDAY NOVEMBER 28, 2012**

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. 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

2012 Estimated Actual Revenue and Expense

The actual 2012 operating revenue is expected to be \$1,512 under budget, and the 2012 operating expense is expected to be \$433 under budget.

2013 Operating Expense

An increase in the 2013 operating expense of \$429 is proposed, primarily due to labour rate increases.

Capital Plan

The following capital project was approved in 2012 and is carried forward to 2013:

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

An engineering study is proposed to determine the quantity, age, condition and approximate life expectancy of watermains 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.

The following project is new for 2013:

Replace UV System: \$5,000

The existing over-the-counter UV treatment equipment was installed in 2004 and has come to the end of its useful life. It is prone to failure and is not compatible with SCADA. The replacement equipment will be more reliable, compatible with SCADA, and staff will have the ability to monitor and troubleshoot remotely.

2013 Revenue Requirement

It is proposed to increase the contingency amount by \$842 from \$658 to \$1,500 for 2013 to mitigate the risk of an operating deficit and revenue instability due to unplanned expenses or revenue shortfalls. It is also proposed to include a \$2,270 transfer to the Capital Reserve Fund in 2013 to provide funding for capital projects. The \$1,142 prior year deficit carried into 2012 is expected to be reduced by \$721 to \$421 for 2013. The net change in the revenue requirement (taxes and fees) for 2013 is calculated from these changes and the proposed operating budget increase as follows:

Operating budget increase (decrease)	\$429
Contingency increase (decrease)	\$842
Transfer to Capital Fund increase (decrease)	\$2,270
<u>Prior year deficit increase (decrease)</u>	<u>(\$721)</u>
Net increase (decrease) in tax and fee revenue requirement	\$2,820

Impact on 2013 Taxes and User Charges

In order to raise the additional revenue required for 2013, it is recommended that the user charge be increased from \$1,066.18 to \$1,149.12. No change is proposed in the parcel tax.

Forecast 2014-2017

A five-year capital and operating budget forecast is provided for information. Projects proposed for 2015 and 2016 would increase the annual revenue requirement by roughly \$11,000. The scope, estimated cost and funding structure for capital work after 2013 is conceptual and will be refined based on the completion of the Strategic Asset Management Plan that was initiated in 2012.

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 2013 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 2013 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 2013 budget; and
3. Balance the 2012 actual revenue and expense on the 2013 contingency.



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