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**REPORT TO STICKS ALLISON WATER LOCAL SERVICE COMMITTEE  
MEETING OF THURSDAY NOVEMBER 21, 2013**

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**SUBJECT 2014 OPERATING AND CAPITAL BUDGET**

**ISSUE**

This report provides a synopsis of the 2014 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 Capital Regional District (CRD) Board and for inclusion in the CRD Board's provisional and annual budgets."

**BACKGROUND**

**2013 Estimated Actual Revenue and Expense**

The actual 2013 operating revenue is expected to be \$1,520 under budget, and the 2013 operating expense is expected to be \$3,049 under budget, resulting in a projected year-end surplus of \$1,529.

**2014 Operating Expense**

An increase in the 2014 operating expense of \$1,832 is proposed, primarily due to increases in operating – other costs, water testing expenditures and utilities & telecom items.

**Capital Plan**

There are no capital projects planned for 2014.

**2014 Revenue Requirement**

It is proposed to decrease the contingency amount by \$601 from \$2,369 to \$1,768 and to reduce the transfer to the Capital Reserve Fund by \$270 in 2014. The \$448 prior year surplus is expected to increase by \$1,081 to \$1,529 for 2014. Debt expenditures decrease by \$3,067 in 2014 as loans incurred in 1999 begin to expire. Connection fee revenue is projected to be \$130 less in 2014. The net change in the revenue requirement (taxes and fees) for 2014 is calculated from these changes and the proposed operating budget increase as follows:

Operating budget increase (decrease)	\$1,832
Contingency increase (decrease)	(\$601)
Transfer to Capital Fund increase (decrease)	(\$270)
Debt Expenditure increase (decrease)	(\$3,067)
Revenue – other decrease (increase)	\$130
<u>Prior year surplus decrease (increase)</u>	<u>(\$1,081)</u>
Net increase (decrease) in tax & fee requirement	(\$3,057)

Impact on 2014 Taxes and User Charges

The decrease in debt charges results in a projected decrease in parcel tax in 2014, from \$339.39 to \$215.64. No change is proposed in the User Charge of \$1,149.12.

Forecast 2014-2018

A five-year capital and operating budget forecast is provided for information. Projects proposed for 2015-18 would increase the annual revenue requirement by roughly \$12,000. The scope, estimated cost and funding structure for future capital work is conceptual and will be refined based on the completion of the Strategic Asset Management Plan (SAMP) 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 2014 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 SAMP 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 2014 operating and capital budget for the Sticks Allison Water Local Service as presented;
2. Authorize a decrease in the Parcel Tax to \$215.64 and maintain the \$1,149.12 User Charge for the Sticks Allison Water Local Service; and
3. Balance the 2013 actual revenue and expense on the 2014 contingency.

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Concurrence

TT:ls  
Attachment: 1