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**REPORT TO STICKS ALLISON WATER LOCAL SERVICE COMMITTEE  
MEETING OF WEDNESDAY, OCTOBER 29, 2014**

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**SUBJECT 2015 OPERATING AND CAPITAL BUDGET**

**ISSUE**

This report provides a synopsis of the 2015 operating and capital budget, highlighting significant proposed changes related to operational expenditures, debt charges, any capital expenditures and revenue for the Sticks Allison Water Local Service.

In accordance with the service area establishment Bylaw No. 2558 article 8, the Sticks Allison Water Local Service Committee, *"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**

**2014 Estimated Actual Revenue and Expense**

The estimated actual operating cost is projected to be **\$9,070** under budget as a result of:

- lower than budgeted expenditures for:
  - labour charges for administrative and engineering.
  - other operating expenses (property services)
- Higher than budgeted expenditures for:
  - repairs and maintenance
- unspent contingency in the amount of \$6,310.

The estimated actual revenue is projected to be **\$1,570** under budget as a result of:

- lower than budgeted revenue for:
  - connection charges.
  - other revenue (service charges and penalties).

This results in a projected year-end surplus of **\$7,500**.

**2015 Operating Expense**

An increase in the 2015 operating expense of **\$540** (1.2%) is proposed.

This is primarily a result of:

- Increase of \$90 in repairs and maintenance expenditures.
- Decrease of \$260 in allocations.

- Increase of \$40 in water testing expenditures.
- Increase of \$100 in electricity expenditures.
- Increase of \$10 in operating supply expenditures.
- Increase of \$460 in labour charges.
- Increase of \$130 in contingency
- Decrease of \$30 in other operating expenses.

It is proposed that a \$6,440 contingency be provided for in the budget, a similar amount to 2014. The contingency is to be used in the event that the operating budget is exceeded, likely due to a major unplanned emergency repair event.

#### 2015 Debt/Reserves

##### 2015 Maintenance Reserves:

It is proposed that transfers to the maintenance reserves of \$1,020 remain at 2014 levels. Maintenance Reserves are to be used for the purchase of equipment and supplies that are typically not replaced annually such as filter media, ultraviolet lamps and sensors and other various items.

The Maintenance Reserve balance at the end of 2014 is projected to be \$1,020.

##### 2015 Capital Reserve Fund:

It is proposed that \$5,230 be transferred to the Capital Reserve Fund in order to prepare for anticipated future capital replacement projects.

The capital reserve fund balance at the end of 2014 is projected to be \$3,249.

##### MFA Debt

The remaining debt for the service area will be retired in 2015 and as result annual debt servicing expenditures are reduced from \$5,370 to \$1,540.

#### 2015 Revenue (User Charge and Parcel Tax)

It is proposed that:

- The projected year-end surplus of \$7,500 be carried forward as revenue in 2015.
- The user charge remain at 2014 level set at \$39,070; based on 34 single family equivalents (SFE) equals \$1,149.12
- The parcel tax remain at 2014 level set at \$5,330; based on 26 taxable folios equals \$205 plus 5.25% equals \$215.76.

#### Capital Plan 2015

There are no capital projects planned for 2015.

#### Forecast 2016-2019

A five-year capital and operating budget forecast is provided for information.

The operating budget is forecast to increase approximately 2% annually; this results in a forecast user charge of \$43,460 (\$1,278.23 per SFE).

In 2012 funding to complete a Strategic Asset Management Plan (SAMP) for \$12,500 was approved. The SAMP is in progress and its findings will identify future capital projects to ensure the reliability of the water system by completing system improvements as the existing infrastructure reaches its life expectancy. 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. Until the SAMP is completed, it is proposed to include capital expenditures in the years 2016 to 2019 in the amount of \$50,000 per year with funding to be determined in future years.

**RECOMMENDATION**

That the Sticks Allison Water Local Service Committee recommend that the Capital Regional District Board:

1. Approve the 2015 operating and capital budget for the Sticks Allison Water Service as presented; and
2. Authorize the Parcel Tax of \$215.76 and User Charge of \$1,149.12 for the Sticks Allison Water Service; and
3. Balance the 2014 actual revenue and expense on the 2014 transfer to the capital reserve fund.

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Dan Robson, A.Sc.T.  
Manager, Saanich Peninsula and  
Gulf Islands Operations

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Scott Mason, B.Sc., P.Eng.  
Manager, Water Engineering and Planning

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Peter Sparanese, P.Eng.  
Senior Manager, Infrastructure Engineering  
and Operations  
Concurrence

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Ted Robbins, B.Sc., C.Tech.  
General Manager, Integrated Water Services  
Concurrence

DR/SM:ls  
Attachment: 1