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**REPORT TO STICKS ALLISON WATER LOCAL SERVICE COMMITTEE
MEETING OF TUESDAY, SEPTEMBER 22, 2015**

SUBJECT 2016 OPERATING AND CAPITAL BUDGET

ISSUE

This report provides a synopsis of the 2016 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

2015 Estimated Actual Revenue and Expense

The estimated actual operating cost is projected to be **\$7,045** under budget as a result of:

- lower than budgeted expenditures for:
 - water testing (\$340)
 - Supplies (\$60)
 - labour charges for administrative and engineering (\$60).
 - other operating expenses(\$370)
- Higher than budgeted expenditures for:
 - repairs and maintenance (\$225)
- unspent contingency in the amount of \$6,440.

Budgeted debt servicing costs of \$1,540 will not be incurred.

The estimated actual revenue is projected to on budget

The service also used the maintenance reserve fund to pay for ultra violet light equipment replacement which is an additional \$225 revenue.

This results in a projected year-end surplus of \$\$8,810.

It is proposed to carry forward the projected year-end surplus as revenue into 2016.

2016 Operating Expense

An decrease in the 2016 operating expense of **\$460** (-1.0%) is proposed. This is primarily a result of:

- Increase of \$10 in repairs and maintenance expenditures.
- Increase of \$330 in allocations.
- Increase of \$120 in water testing expenditures.
- Increase of \$70 in electricity expenditures.
- Increase of \$10 in operating supply expenditures.
- Increase of \$540 labour charges
- Decrease of \$1440 in contingency
- Decrease of \$100 in other operating expenses.

It is proposed that a \$5,000 contingency be provided for in the budget. The contingency is to be used in the event that the operating budget is exceeded, likely due to a major unplanned emergency repair event.

2016 Debt/Reserves

2016 Maintenance Reserves:

It is proposed that transfers to the maintenance reserves of \$1,020 remain at 2015 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 2015 is projected to be \$1,795 after a \$225 expenditure for ultraviolet lamp replacement.

2016 Capital Reserve Fund:

It is proposed that \$8,640 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 2015 is projected to be \$11,125.

MFA Debt

The remaining debt (LA2557-070) for the service area was retired in June 2014. The 2015 budgeted cost of \$540 for MFA debt reserve fund and \$1,000 for MFA debt interest were not expended because funds were not borrowed in 2015 as anticipated.

2016 Revenue (User Charge and Parcel Tax)

It is proposed that:

- The projected year-end surplus of \$ 8,810 be carried forward as revenue in 2016.
- The user charge increase remain at 2015 level set at \$39,070; based on 34 single family equivalents (SFE) equals \$1,149.
- The parcel tax remain at 2015 level set at \$5,330; based on 26 taxable folios and including the 5.25% surveyors tax fee equates to \$215.76 (unchanged from the previous year).

Capital Plan 2016

The proposed capital projects planned for 2016 include:

1. Safety Equipment (\$2,000 in 2016)

The CRD's safety advisor has undertaken a review of the treatment facility in consultation with the WorkSafe BC officer and determined that additional eyewash safety equipment and drench hose is required.

2. Ground Water Study (\$5,000 in 2016)

Due to the observed decrease in the Sticks Allison well water level, it is proposed to conduct a high-level ground water study of the existing aquifer. A more detailed study may be required pending the information gathered during the high-level study.

Forecast 2017-2020 Capital and Operating Budget

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 in 2020 of \$ 42,290 (\$ 1.243.82 per SFE).

The draft Strategic Asset Management Plan (SAMP) is due to be delivered with the 2016 budget presentation 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.

RECOMMENDATION

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

1. Approve the 2016 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 2015 actual revenue and expense for the Sticks Allison Water Service by carrying forward the estimated surplus to 2016 as revenue.

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DR/SM:ls
Attachment: 1

CAPITAL REGIONAL DISTRICT

2016 Budget

Sticks Allison Water

COMMITTEE REVIEW

Compiled and Presented by CRD Finance

Sep 2015

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DEFINITION:

To establish, acquire, operate and maintain a water supply system for the Sticks Allison Water Area. The service is to supply, treat, convey, store and distribute water. Local Service Area Bylaw No.2556 (January 28, 1998).

PARTICIPATION:

Local Service Area

MAXIMUM LEVY:

Greater of \$18,700 or \$2.27 / \$1,000 of actual assessed value of land and improvements, to a maximum of \$34,465

MAXIMUM CAPITAL DEBT:

AUTHORIZED TO BORROW:	LA Bylaw No. 2557	148,000	
BORROWED:	SI Bylaw No. 2632 - Mar '99	(20,000)	15 Year ended 2013
	SI Bylaw No. 2684 - Dec '99	(81,260)	15 Year ends 2014
PREPAYMENT:	\$3,895 x 12	(46,740)	
REMAINING:		<u> </u>	
		\$0	

COMMISSION:

Sticks Allison Local Service Committee established by Bylaw No. 2558.

FUNDING:

Any deficiencies after user charge are to be levied on taxable hospital assessments.

User Charge: Annual user fee to be charged per single family equivalency actually connected to the system. Excess consumption fee, all users, in excess of 10,000 Imperial gallons per month @ \$10 per 1,000 Imperial Gallons.

Parcel Tax: Annual parcel tax levied only on properties capable of being connected to the system, and participating in debt servicing. Commuted Parcel Tax for prepayment in 1998 - 12 properties.

Connection Charges: Actual cost plus 15% administration fee - minimum connection \$400 (Bylaw No. 2559 - January 28, 1998).

RESERVE FUND:

Bylaw No. 2740.

Service:

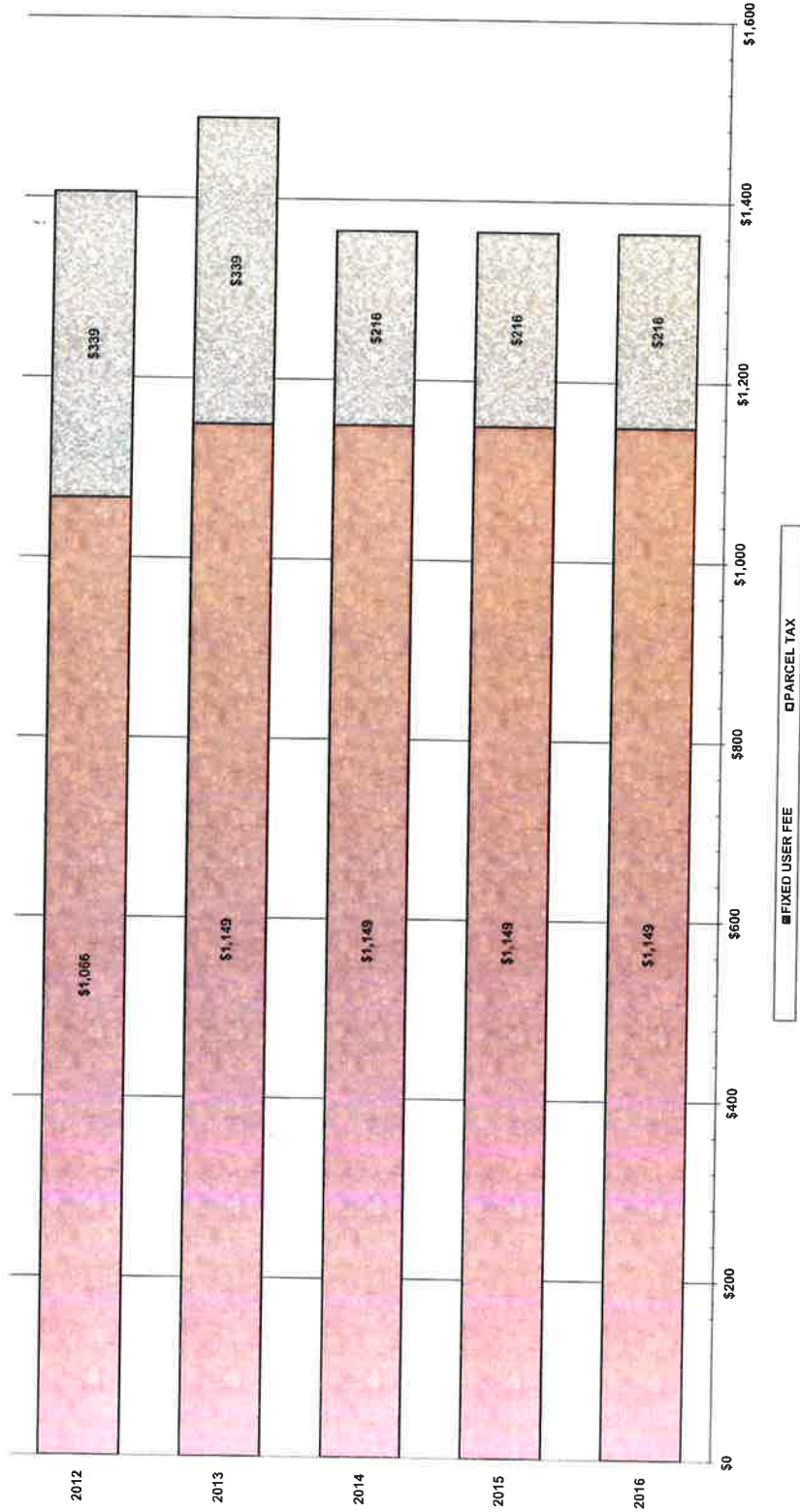
2.665

Sticks Allison Water (Galliano)

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>
2010	26	\$339.39	34	\$668.24	\$1,007.63		18,275
2011	26	\$339.39	34	\$1,064.06	\$1,403.45	3778	16,973
2012	26	\$339.39	34	\$1,066.18	\$1,405.57	3823	17,007
2013	26	\$339.39	34	\$1,149.12	\$1,488.51	3892	16,380
2014	26	\$215.64	34	\$1,149.12	\$1,364.76	3924	14,813
2015	26	\$215.76	34	\$1,149.12	\$1,364.88		15,183
2016 Budget	26	\$215.76	34	\$1,149.12	\$1,364.88		15,183

CAPITAL REGIONAL DISTRICT STICKS ALLISON WATER FUNDING ANALYSIS 2012-2016



Actual Costs 2012-2015, Projected 2016
Prepared by CRD Finance
16/09/2015

CAPITAL REGIONAL DISTRICT - SCHEDULE G

CAPITAL BUDGET FORM 2016 & Forecast 2017 to 2020

Service #: 2.665

Service Name: Sticks Allison Water (Galiano)

Note: ↓ indicates a drop down menu is available for selection - Type Code (2); Funding Source (4); Participants (8)

Year (1)	Type Code (2)* ↓	Specific Project Description (3)	Capital Expense	Funding Source (4)** ↓		Funding Amount Total (5)	Grant Program Sponsor (6)	Loan Authorization # (7)	Participants (8) ↓	%
				Source (4)** ↓	Amount Total (5)					
2016	E	Safety Equipment	2,000	R		2,000				
2016	S	Ground Water Study	5,000	R		5,000				
TOTAL										
				<u>7,000</u>			<u>7,000</u>			

Type Codes (2)* L = Land S = Engineering Structures B = Buildings V = Vehicles E = Equipment	Funding Source Codes (4)** D = Debenture Debt (new debt only) E = Equipment Replacement Fund G = Grants (Federal, Provincial) O = Donations / Third Party Funding
Capital Funds on Hand R = Reserve Fund S = Short Term Loans L = Lands Sales	

Service: 2.665

Sticks Allison Water

Committee: Electoral Area Services

#1 Safety Equipment (\$2,000 in 2016)

(a) The CRD's safety advisor has undertaken a review of the treatment facility in consultation with the WorkSafe BC officer and determined that additional eyewash safety equipment and drench hose is required.

#2 Ground Water Study (\$5,000 in 2016)

(a) Due to the observed decrease in the Sticks Allison well water level, it is proposed to conduct a high level ground water study of the existing aquifer. A more detailed study may be required pending the information gathered during the higher level study.

Reserve Schedule

Reserve Fund: 2.665 Sticks Allison Water (Galiano) Capital Reserve Fund (Bylaw No.: 2740)

Reserve Cash Flow

	Estimate 2015	Budget				
		2016	2017	2018	2019	2020
Fund: 1068 Fund Center: 101890						
Beginning Balance	5,795	11,125	12,765	19,605	31,535	48,555
Transfer to Cap Fund (Based on Capital Plan)	-	(7,000)	-	-	-	-
Transfer from Operating Budget	5,230	8,640	6,840	11,930	17,020	19,120
Interest Income*	100	-	-	-	-	-
Ending Balance \$	11,125	12,765	19,605	31,535	48,555	67,675

Assumptions/Background:

Description of assumptions, activity or other.

* 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.