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STICKS ALLISON WATER LOCAL SERVICE COMMITTEE

Notice of Meeting on **Monday, October 29, 2018 at 2 p.m.**

Main Conference Room, 479 Island Highway, Victoria, BC

Doug Knight (Chair)

Director Dave Howe

Patrick Ramsay

Mel Serink

Brian Russell

AGENDA

1. Approval of Agenda
2. Adoption of Minutes of October 24, 2017
3. 2019 Operating and Capital Budget
4. New Business
5. Adjournment

To ensure quorum advise Sharon Orr 250.474-9622 or sorr@crd.bc.ca if you are unable attend.



Making a difference...together

**Minutes of the Sticks Allison Water Local Service Committee
Held Monday, October 24, 2017 in the Main Conference Room, 479 Island Highway,
Victoria, BC**

PRESENT: **Committee Members:** D. Knight (Chair), B. Russell, P. Ramsay

Staff: M. McCrank, Senior Manager, Infrastructure Operations; K. Jo, Financial Analyst; D. Robson, Manager, Saanich Peninsula and Gulf Islands Operations; L. Siemens (recorder)

ABSENT: M. Serink, Director D. Howe

The meeting was called to order at 2:10 p.m.

1. Approval of Agenda

MOVED by B Russell, **SECONDED** by P. Ramsay,
That the agenda be approved as previously circulated.

CARRIED

2. Adoption of Minutes of October 24, 2016

MOVED by B. Russell, **SECONDED** by P. Ramsay,
That the minutes of October 24, 2016 be adopted.

CARRIED

M. McCrank updated the committee on the progress of the Juan de Fuca Billing Software Enhancement Project.

3. 2018 Operating and Capital Budget

M. McCrank presented a written report and the 2018 Operating and Capital budget documents.

MOVED by P. Ramsay, **SECONDED** by B. Russell,
That the Sticks Allison Water Local Service Committee:

1. Approve the 2018 operating and capital budget as presented, and recommend that the 2017 actual surplus or deficit be balanced on the 2017 transfer to the capital reserve fund; and
2. Recommend that the Electoral Area Services Committee recommend that the CRD Board approve the 2018 Operating and Capital Budget and the five-year Financial Plan for the Sticks Allison Water Service as presented.

CARRIED

4. **New Business**

The committee advised staff regarding concerns that contractors may be crossing over buried pipe potentially causing damage to the pipe. Staff agreed to contact the Building Inspection Division to investigate if there is a mechanism to address the issue.

5. **Adjournment**

MOVED by B. Russell, **SECONDED** by P. Ramsay,
That the meeting be adjourned at 2:45 p.m.

CARRIED

CHAIR

SECRETARY



Making a difference...together

**REPORT TO STICKS ALLISON WATER LOCAL SERVICE COMMITTEE
MEETING OF MONDAY OCTOBER 29, 2018**

SUBJECT 2019 OPERATING AND CAPITAL BUDGET

ISSUE

To present the 2019 operating and capital budget. In accordance with Bylaw No bylaw 2558, "Sticks Allison Water Local Service Committee Bylaw No. 1, 1998" the committee's approval of the annual budget is required.

BACKGROUND

The Capital Regional District (CRD) is required by legislation under the Local Government Act (LGA) to prepare an annual Operating and Capital budget and a five year Financial Plan. CRD staff have prepared the budget and financial plan shown in Appendix A to this report for the Sticks Allison Water Service.

The Operating Budget includes the regular annual costs to operate the service. The Capital Expenditure Plan shows the anticipated expenditures for capital additions. These may include purchases of new assets or infrastructure, upgrades or improvements to existing assets or asset review and study work that could potential lead to future capital improvements.

In preparing the Operating Budget, CRD staff took into account:

1. Actual expenditures incurred between 2016 and 2018
2. Anticipated changes in level of service (if any)
3. Maximum allowable tax requisition
4. Annual Cost per taxpayer and per SFE

Factors taken into consideration in the preparation of the Capital Expenditure Plan included:

1. Available funds on hand
2. Projects already in progress
3. Condition of existing assets and infrastructure
4. Regulatory, environmental, and health and safety factors

Adjustments for surpluses or deficits from 2018 may be made in January 2019. The CRD Board will give final approval to the budget and financial plan in March 2019.

The Financial Plan for the years 2020 – 2023 may be changed in future years.

BUDGET OVERVIEW

Operating Budget

It is anticipated that operating expenses in 2018 will be approximately \$3,940 over budget, due to unexpected corrective maintenance tasks which included; water distribution system flushing due to elevated levels of iron and manganese; reservoir communications battery replacement; UV equipment failure.

The 2018 operating revenue is projected to be approximately \$280 over budget. As a result, the 2018 operating deficit is estimated to be \$3,660.

CRD staff recommend that there be a recovery from the Operating Reserve Fund in the amount of \$1,600 to support unplanned corrective maintenance and the budgeted transfer to the Capital Reserve Fund be reduced by \$2,060 to balance the 2018 budget.

The 2019 operating budget includes \$10,000 for reservoir cleaning and inspection maintenance that does not occur on an annual basis. This will be funded by a transfer from the service's Operating Reserve Fund. The 2019 budget for regular annual operating costs has been increased by 3.4% over the 2018 budget to account for inflation and increased labour activity costs.

Operating Reserve Fund

The operating reserve fund is used to undertake maintenance activities that typically do not occur on an annual basis. Typical maintenance activities include hydrant/standpipe maintenance, reservoir cleaning and ground water well servicing. The operating reserve also funds the procurement of equipment and supplies that are not purchased on an annual basis. Additionally, the operating reserve could be used for emergency unplanned repairs.

It is proposed that transfers to the operating reserve increase by 6.7% from \$3,000 to \$3,200 to ensure future maintenance activities are fully funded and to account for inflation. There is \$20,000 of planned maintenance to be funded by the Operating Reserve over the next five years.

The operating reserve fund balance at the end of 2018 is projected to be \$7,524.

Capital Reserve Fund

The capital reserve fund is to be used to pay for capital expenditures that are not funded by other sources such as grants, operating budget or debt.

It is proposed, as a result of a projected 2018 operating budget overage, that the 2018 capital reserve transfer be reduced from \$5,000 to \$2,940 and that the budgeted transfer to the capital reserve fund remain at \$5,000 in 2019.

The balance at the end of 2018 is projected to be \$19,626.

Capital Expenditure Plan

The 5-year plan includes \$6,000 of expenditures to be funded by the service's capital reserve fund.

Capital Projects Fund

As specific capital projects are approved, the funding revenues for them are transferred into the Capital Project Fund from the Capital Reserve Fund. Whenever possible, any funds remaining upon completion of a project are transferred back to the Capital Reserve Fund for use on future capital projects. The 2017 electrical repair project, budgeted at a cost of \$8,000 was completed under budget. Therefore, \$2,067 will be transferred from the Capital Projects Fund back to the Capital Reserve Fund in 2018.

User Charge and Parcel Tax

The user charge and parcel tax fund the service. Properties connected to the water system pay the annual user charge and all properties within the local service area are responsible for the parcel tax. The proposed 2019 user charge is \$1,321.47 per Single Family Equivalent (SFE), an increase of \$46.76 (3.7%) over 2018. The parcel tax is proposed to remain at the 2018 rate of \$138.49 per taxable folio. Historical user charge and parcel tax rates are included for information.

RECOMMENDATION

That the Sticks Allison Water Local Service Committee:

1. Approve the 2019 operating and capital budget as presented, and recommend that the 2018 actual surplus or deficit be balanced on the 2018 transfer to the capital reserve fund as well as transfer from the operating reserve fund; and,
2. Recommend that the Electoral Area Services Committee recommend that the CRD Board approve the 2019 Operating and Capital Budget and the five year Financial Plan for the Sticks Allison Water Service as presented.

Submitted by:	Matthew McCrank, M.Sc., P.Eng., Senior Manager, Infrastructure Operations
Submitted by:	Ian Jesney, P.Eng. Senior Manager, Infrastructure Engineering
Submitted by	Rianna Lachance, BCom, CPA CA Senior Manager Financial Services
Concurrence	Ted Robbins, B.Sc., C.Tech., General Manager, Integrated Water Services
Concurrence	Robert Lapham, MCIP, RPP, Chief Administrative Officer

MMc/IJ/AD:td
Attachment:

Appendix A - 2019 Sticks Allison Water Budget

CAPITAL REGIONAL DISTRICT

2019 Budget

Sticks Allison Water

Committee Review

Service: **2.665** **Sticks Allison Water (Galiano)**

Committee: **Electoral Area Services**

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 42,700

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.

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

RESERVE FUND:

Bylaw No. 2740.

STICKS ALLISON WATER GALIANO ISLAND	BUDGET REQUEST						FUTURE PROJECTIONS			
	2018		2019				2020	2021	2022	2023
	BOARD BUDGET	ESTIMATED ACTUAL	CORE BUDGET	ONGOING	ONE-TIME	TOTAL				
OPERATING COSTS:										
Repairs & Maintenance	850	400	10,760	-	-	10,760	970	5,980	6,090	1,100
Allocations	3,270	3,260	3,180	-	-	3,180	3,110	3,050	3,020	3,080
Water Testing	2,030	1,800	2,070	-	-	2,070	2,110	2,150	2,190	2,230
Electricity	1,240	1,200	1,290	-	-	1,290	1,320	1,350	1,380	1,410
Supplies	760	700	760	-	-	760	780	800	820	840
Labour Charges	29,270	34,000	30,700	-	-	30,700	31,310	31,940	32,580	33,230
Other Operating Expenses	3,130	3,130	3,170	-	-	3,170	3,210	3,250	3,290	3,330
TOTAL OPERATING COSTS	40,550	44,490	51,930	-	-	51,930	42,810	48,520	49,370	45,220
*Percentage Increase over prior year						28.1%	-17.6%	13.3%	1.8%	-8.4%
Transfer from Operating Reserve Fund	-	(1,600)	(10,000)	-	-	(10,000)	-	(5,000)	(5,000)	-
NET OPERATING COSTS	40,550	42,890	41,930	-	-	41,930	42,810	43,520	44,370	45,220
*Percentage Increase over prior year						3.4%	2.1%	1.7%	2.0%	1.9%
DEBT/RESERVES										
Transfer to Operating Reserve Fund	3,000	3,000	3,200	-	-	3,200	3,260	3,330	3,400	3,470
Transfer to Capital Reserve Fund	5,000	2,940	5,000	-	-	5,000	5,000	5,000	5,000	5,000
TOTAL DEBT / RESERVES	8,000	5,940	8,200	-	-	8,200	8,260	8,330	8,400	8,470
TOTAL COSTS	48,550	48,830	50,130	-	-	50,130	51,070	51,850	52,770	53,690
FUNDING SOURCES (REVENUE)										
User Charges	(43,340)	(43,340)	(44,930)	-	-	(44,930)	(45,870)	(46,650)	(47,570)	(48,490)
Other Revenue	(210)	(490)	(200)	-	-	(200)	(200)	(200)	(200)	(200)
TOTAL REVENUE	(43,550)	(43,830)	(45,130)	-	-	(45,130)	(46,070)	(46,850)	(47,770)	(48,690)
REQUISITION	(5,000)	(5,000)	(5,000)	-	-	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
*Percentage increase over prior year										
User Charges						3.7%	2.1%	1.7%	2.0%	1.9%
Requisition						0.0%	0.0%	0.0%	0.0%	0.0%
Combined						3.3%	1.9%	1.5%	1.8%	1.8%

**Sticks Allison Reserves
Summary Schedule
2019 - 2023 Financial Plan**

Reserve/Fund Summary

	2018	Budget				
		2019	2020	2021	2022	2023
Operating Reserve Fund	7,524	724	3,984	2,314	714	4,184
Capital Reserve Fund	19,626	18,626	23,626	28,626	33,626	38,626
Total	27,150	19,350	27,610	30,940	34,340	42,810

Reserve Schedule

Reserve Fund: 2.665 Sticks Allison Water (Galiano) Operating Reserve Fund (Bylaw No.: 4144)

Reserve fund used for: unforeseen operational repairs and maintenance; infrequent maintenance activities such as reservoir cleaning and inspection, hydrant teardowns and ground water well maintenance. Optimum minimum balance of \$4,000 (approximately 10%) of the annual operating budget.

Reserve Cash Flow

Fund: 1500 Fund Center: 105215	Budget					
	2018	2019	2020	2021	2022	2023
Beginning Balance	6,004	7,524	724	3,984	2,314	714
Transfer from Ops Budget	3,000	3,200	3,260	3,330	3,400	3,470
Interest Income	120	-	-	-	-	-
Expenditures	(1,600)	(10,000)	-	(5,000)	(5,000)	-
Planned maintenance activity		Reservoir Cleaning and inspection		Hydrant teardown	Well and well pump inspection	
Ending Balance \$	7,524	724	3,984	2,314	714	4,184

Reserve Schedule

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

Fund: 1068 Fund Center: 101890

	Estimate	Budget				
	2018	2019	2020	2021	2022	2023
Beginning Balance	14,419	19,626	18,626	23,626	28,626	33,626
Transfer to Cap Fund (Based on Capital Plan)	-	(6,000)	-	-	-	-
Transfer from Cap Fund	2,067	-	-	-	-	-
Transfer from Operating Budget	2,940	5,000	5,000	5,000	5,000	5,000
Interest Income	200	-	-	-	-	-
Ending Balance \$	19,626	18,626	23,626	28,626	33,626	38,626

CAPITAL REGIONAL DISTRICT CAPITAL PLAN

CAPITAL BUDGET FORM
2019 & Forecast 2020 to 2023

Service #: 2.665
Service Name: Sticks Allison Water (Galiano Island)

Proj. No.
The first two digits represent first year the project was in the capital plan.

Capital Exp. Type
Study - Expenditure for feasibility and business case report.
New - Expenditure for new asset only
Renewal - Expenditure upgrades an existing asset and extends the service ability or enhances technology in delivering that service
Replacement - Expenditure replaces an existing asset

Funding Source Codes
Debt = Debenture Debt (new debt only)
ERF = Equipment Replacement Fund
Grant = Grants (Federal, Provincial)
Cap = Capital Funds on Hand
Other = Donations / Third Party Funding

Funding Source Codes (cont)
Res = Reserve Fund
STLoan = Short Term Loans
WU = Water Utility

Asset Class
L - Land
S - Engineering Structure
B - Buildings
V - Vehicles
E - Equipment

Capital Project Title
Input Title of Project. For example "Asset Name - Roof Replacement", "Main Water Pipe Replacement".

Capital Project Description
Briefly describe project scope and service benefits.
For example: "Full Roof Replacement of a 40 year old roof above the swimming pool area; the new roofing system is built current energy standards, designed to minimize maintenance and have an expected service life of 35 years".

Total Project Budget
This column represents the total project budget not only within the 5-year window.

FIVE YEAR FINANCIAL PLAN

Proj. No.	Capital Exp.Type	Capital Project Title	Capital Project Description	Total Project Budget	Asset Class	Funding Source	Carry Forward from 2018	2019	2020	2021	2022	2023	5 - Year Total
18-01	Study	Condition Assessment	Conduct a condition assessment of the infrastructure.	\$6,000	S	Res	\$6,000	\$6,000	\$0	\$0	\$0	\$0	\$6,000
GRAND TOTAL				\$6,000			\$6,000	\$6,000	\$0	\$0	\$0	\$0	\$6,000

Service 2.665	Sticks Allison Water (Galiano)
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Proj. No.	18-01	Capital Project Title	Condition Assessment	Capital Project Description	Conduct a condition assessment of the infrastructure.
Asset Class	S	Board Priority Area	Other	Corporate Priority Area	Drinking Water
Project Rationale	The Sticks Allison asset management plan was drafted in 2011, outlining the system and its condition. Funds are required for staff to update the condition assessment of infrastructure and provide estimates for replacement or repair and schedules based upon their current condition and expected service life.				

Sticks Allison Water

Capital Projects Fund

Year/Project#	Status	Capital Project Description	Total Budget	Expenditure Actuals	Remaining Funds	Funding Source-CRF*	Funding Source-CWF**	Return Surplus to CRF*	Return Surplus to CWF**
2017/CE.620	CLOSED	WTP Electrical Repair	8,000	5,933	2,067	8,000		-2,067	
		Totals	8,000	5,933	2,067	8,000	-	-2,067	-

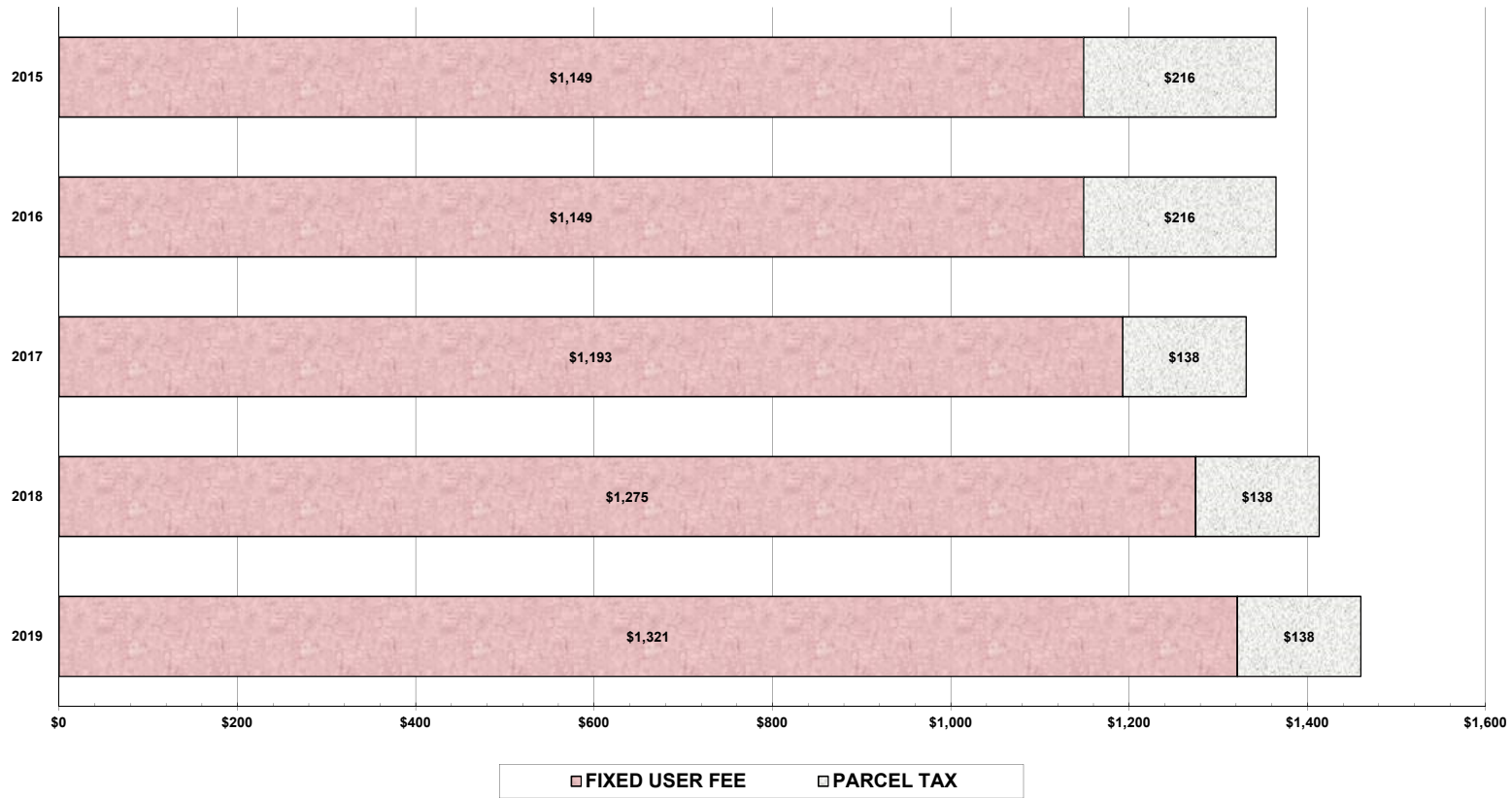
* CRF (Capital Reserve Fund)

** CWF (Community Works Fund)

Service:	2.665	Sticks Allison Water (Galiano)	Committee: Electoral Area Services
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<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	3987	15,183
2016	26	\$202.40	34	\$1,192.97	\$1,395.37	4074	15,026
2017	38	\$138.49	34	\$1,192.94	\$1,331.43	4170	16,542
2018	38	\$138.49	34	\$1,274.71	\$1,413.19	4233	18,810
2019	38	\$138.49	34	\$1,321.47	\$1,459.96		

CAPITAL REGIONAL DISTRICT STICKS ALLISON WATER FUNDING ANALYSIS 2015-2019



Actual Costs 2015-2018, Projected 2019
Prepared by CRD Finance
10/10/2018