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**REPORT TO SURFSIDE PARK ESTATES WATER SERVICE COMMITTEE
MEETING OF WEDNESDAY 24 NOVEMBER 2010**

SUBJECT 2011 OPERATING AND CAPITAL BUDGET

ISSUE

This report provides a synopsis of the 2011 budget, highlighting significant proposed changes. In accordance with Bylaw No. 3131, "Surfside Park Estates Water Service Committee Bylaw No. 1, 2003", "Upon its establishment, and In November of each year, the committee must approve an annual budget for the services provided in the Water 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

2010 Estimated Actual Expense

The actual 2010 operating expense is expected to be \$5,147 below budget due to unused contingency. It is proposed to transfer the operating surplus to the capital reserve fund.

2011 Operating Expense

An increase in the 2011 operating expense of \$6,135 is proposed for the following reasons:

Allocation – Operating Labour: \$734

Additional effort is required in order to maintain an acceptable level of service and to maintain compliance with statutory requirements as equipment ages (increase of about 1 hour per month).

Labour – Administration and Engineering: \$1,200

An increase is proposed to reflect the actual level of effort required for administration of the service. In particular, time has been budgeted for the Manager – Saanich Peninsula and Gulf Islands Operations, which had not previously been recovered directly from the local service areas.

Operating – Other: \$1,728 (Water Quality Oversight)

Water purveyors are required to report drinking water quality information to the public; however, this work has not previously been budgeted for local services. This continuous supplementary will provide a program of water quality data review, compilation and reporting to the public by the manager responsible for the CRD drinking water quality program. The deliverables will include annual and monthly reports published on the CRD website, and expert advice to operational staff.

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Operating – Other: \$1,843 (Vehicles and Travel)

Effective 1 January 2011, the Surfside Park Estates Water Service became the responsibility of the Integrated Water Services Department. As a result, changes have been made for 2011 to the method of recovery of travel (e.g. ferry fares) and vehicle expenses. Vehicle and travel costs were previously overhead expenses recovered through labour rates for all CRD Environmental Services operations (local and regional services). Travel and vehicle costs will now be recovered directly from each service area based on the actual costs incurred.

Allocation – Corporate Services and Insurance/Legal: \$630

Changes have been made for 2011 to the method of assessing costs for financial and corporate services (including accounting, debt administration, billing, and bylaw management). These changes better align the cost of providing services to the level of effort required.

Capital Plan

The following capital project is proposed for 2011, to be funded from available capital reserves:

Strategic Asset Management Plan: \$10,000

It is proposed to conduct an asset inventory 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.

2011 Revenue Requirement

Implementing the planned changes to the 2011 operating budget, and elimination of the prior year surplus of \$1,483 that was carried into 2010, would increase the revenue requirement (taxes and fees) for 2011 from \$86,918 to \$94,536.

Impact on 2011 Taxes and User Charges

In order to raise the additional revenue required for 2011, it is recommended that the user charge be increased from \$867.18 to \$990.05. No change is proposed in the parcel tax.

Forecast 2012-2015

A five-year capital and operating budget forecast is provided for information. The costs to operate the Surfside Park Estates Water Service are not expected to significantly change, with the exception of inflation and a proposed increase in the contingency in 2013. It is proposed to replace a pressure reducing valve station in 2012 and to replace unusable hydrants with standpipes in 2013, with total funding of \$37,000 from a temporary increase in the parcel tax. These changes would require a temporary increase in the parcel tax to about \$590 in 2012, returning to about \$375 in 2013. The scope, estimated cost and funding structure for capital work after 2011 is conceptual and would be refined based on the outcome of the proposed 2011 Strategic Asset Management Plan.

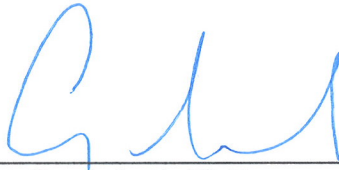
Other Considerations: Infrastructure Replacement

The watermains in the Surfside Park Estates Water Service Area are approaching the end of their useful life, and the 2011 budget does not include a planned contribution to capital reserves for the purpose of infrastructure renewal. A substantial planned contribution to a capital reserve fund would enable aging infrastructure to be replaced or upgraded before unmanageable water loss rates or other problems

develop. This measure would require a revenue increase beyond that recommended for the 2011 budget.

RECOMMENDATION

1. That the Capital Regional District Board approve the 2011 operating and capital budget for the Surfside Park Estates Water Service as presented; and,
2. That the Capital Regional District Board authorize increases in the parcel tax and the user charge for the Surfside Park Estates Water Service as required to balance the 2011 budget; and,
3. That the Surfside Park Estates Water Service 2010 actual revenue and expense be balanced on 2010 transfer to the capital reserve fund.



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Attachment: 1