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**REPORT TO SURFSIDE PARK ESTATES WATER SERVICE COMMITTEE
MEETING OF WEDNESDAY 2 NOVEMBER 2011**

SUBJECT 2012 OPERATING AND CAPITAL BUDGET

ISSUE

This report provides a synopsis of the 2012 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

2011 Estimated Actual Expense

The actual 2011 operating expense is expected to be \$5,431 below budget primarily due to unused contingency. It is proposed to carry forward the operating surplus to supplement 2012 revenue.

2012 Operating Expense

An increase in the 2012 operating expense of \$5,059 is proposed for the following reasons:

Operating Costs: \$1,576 increase

This increase is necessary to offset a labour cost increase, and for a new \$852 budget for labour and travel associated with reading water meters quarterly by CRD staff. This work has been removed from the JLB Services contract.

Contract for Services: \$3,000 increase

An increase is proposed to maintain the current level of service, accommodate an adjustment in the contract operator's hourly rate, and budget for extra work requested by the CRD as required throughout the year.

Contingency: \$483 increase

It is proposed to increase the contingency from 8.08% to 8.25% of the bare operating budget expense.

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Capital Plan

The following capital projects are proposed for 2012:

Strategic Asset Management Plan: \$10,000

The 2011 budget included a \$5,000 item for a Strategic Asset Management plan (SAMP), which is now underway. This 2012 budget item is a \$10,000 contribution from the Community Works Fund (Gas Tax) grant allocated by the Capital Regional District Board. The \$10,000 will be used to reduce the amount required from system users from \$5,000 to \$2,500, and to increase the budget of the SAMP to a total of \$12,500.

PRV Replacement (2"): \$15,000

The pressure reducing valve station at the intersection of Wooddale Drive and Barque Road requires renewal to maintain service pressures within an acceptable range in the distribution system and at customer connections. The structure is in good condition, but the pipework and valves are corroded and require replacement. Capital reserves are available to fund this project.

2011 Revenue Requirement

The proposed \$5,059 increase in the operating budget would be partially offset by a \$1,431 increase in the prior year surplus from \$4,000 in 2011 to \$5,431 in 2012. The balance would increase the revenue requirement (taxes and fees) for 2012 from \$90,536 to \$94,164.

Impact on 2011 Taxes and User Charges

Two single-family dwelling units were added to the Surfside water system in 2011, increasing the total from 62 to 64. Taking this into account, in order to raise the additional revenue required for 2012, it is recommended that the user charge be increased from \$925.53 to \$953.30. No change is proposed in the parcel tax.

Forecast 2013-2016

A five-year capital and operating budget forecast is provided for information. Several asset replacement projects are forecast for 2013 and 2014, which would require new borrowing subject to electoral assent. The scope, estimated cost and funding structure for capital work after 2012 is conceptual and would be refined based on the outcome of the proposed 2012 Strategic Asset Management Plan. If \$128,000 is borrowed as shown in the Capital Plan, a revenue increase of roughly \$14,000 would be required, corresponding to a parcel tax increase of roughly \$140 per taxable folio.

Other Considerations: Asset Maintenance and Replacement

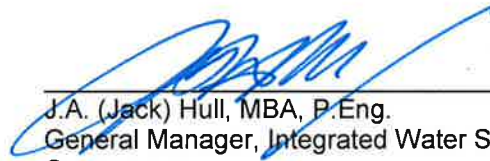
The water mains in the Surfside water system are approaching the end of their useful life, and the 2012 budget does not include sufficient funding to replace them. The current budget is also insufficient to accommodate the preventive maintenance required to keep assets in good working order throughout their life cycle, particularly as system components age. The Strategic Asset Management Plan 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

1. That the Capital Regional District Board approve the 2012 operating and capital budget for the Surfside Park Estates Water Service as presented; and
2. That the Capital Regional District Board authorize an increase in the user charge for the Surfside Park Estates Water Service as required to balance the 2012 budget; and
3. That the Surfside Park Estates Water Service 2011 actual revenue and expense be balanced on 2011 transfer to the capital reserve fund.



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Concurrence

CS/TT:ls
Attachment: 1