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**REPORT TO SURFSIDE PARK ESTATES WATER SERVICE COMMITTEE
MEETING OF WEDNESDAY, NOVEMBER 28, 2012**

SUBJECT 2013 OPERATING AND CAPITAL BUDGET

ISSUE

This report provides a synopsis of the 2013 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

2012 Estimated Actual Revenue & Expense

Actual 2012 revenue is projected to be slightly higher than budget, by \$260. The actual 2012 operating expense is expected to be \$2,987 under budget. Although labour and materials costs associated with arsenic media removal and replacement were higher than expected, this was offset by use of contingency funds. It is proposed to carry forward the \$3,247 operating surplus to supplement 2013 revenue.

2013 Operating Expense

An increase in the 2013 operating expense of \$1,484 is proposed, primarily due to labour and water testing cost increases.

Capital Plan

The following capital projects are proposed for 2013:

Strategic Asset Management Plan (SAMP): \$10,000 (2013, carry forward from 2012)

This budget item was approved by the Committee in 2012 and is funded by a \$10,000 contribution from the Community Works Fund (Gas Tax) grant allocated by the Capital Regional District Board. The \$10,000 from gas tax will be used to reduce funding required by system users to \$2,500, while also increasing the amount available for the SAMP to a total of \$12,500.

Isolate/Disconnect Main on Windjammer Place: \$7,000 (2013)

This main is a system legacy that is no longer needed. The main runs through a swamp and is connected to a well, and the recommendation to remove it is based on concerns about possible cross-connection to the potable system.

Implement Recommendations from SAMP: \$50,000 in 2014, \$50,000 in 2015

The Strategic Asset Management Plan (SAMP) will recommend a prioritized list of infrastructure replacements, which will serve as the basis for future capital spending plans. The precise amount of these items is not yet known and will be refined upon completion of the SAMP.

2013 Revenue Requirement

The proposed \$1,484 increase in the operating budget would be added to a \$2,184 decrease in the prior year surplus from \$5,431 in 2012 to \$3,247 in 2013. The proposed budget also includes a \$1,262 decrease of the contingency from \$5,630 to \$4,368.

The net change in the revenue requirement (taxes and fees) for 2013 is calculated from these changes as follows:

Operating budget increase (decrease)	\$1,484
Contingency increase (decrease)	(\$1,262)
<u>Prior year surplus decrease (increase)</u>	<u>\$2,184</u>
Net increase (decrease) in tax and fee revenue requirement	\$2,406

Impact on 2013 Taxes and User Charges

In order to raise the additional revenue required for 2013, it is recommended that the user charge be increased from \$953.30 to \$990.89. No change is proposed in the parcel tax of \$326.11.

Forecast 2014-2017

A five-year capital and operating budget forecast is provided for information. The asset replacement projects in 2014 and 2015 would require new borrowing subject to electoral assent. The scope, estimated cost and funding structure for capital work after 2013 is conceptual and would be refined based on the outcome of the Strategic Asset Management Plan. If \$100,000 is borrowed as shown in the Capital Plan, a revenue increase of roughly \$10,000 would be required for debt servicing, corresponding to a parcel tax increase of roughly \$100 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 2013 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.

RECOMMENDATIONS

That the Surfside Park Estates Water Service Committee recommend that the Capital Regional District Board:

1. Approve the 2013 operating and capital budget for the Surfside Park Estates Water Service as presented;
2. Authorize an increase in the user charge for the Surfside Park Estates Water Service as required to balance the 2013 budget; and
3. Balance the 2012 actual revenue and expense on the 2013 contingency.



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Attachment: 1