



Making a difference...together

**REPORT TO SURFSIDE PARK ESTATES WATER SERVICE COMMITTEE
MEETING OF FRIDAY, NOVEMBER 22, 2013**

SUBJECT 2014 OPERATING AND CAPITAL BUDGET

ISSUE

This report provides a synopsis of the 2014 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

2013 Estimated Actual Revenue & Expense

Actual 2013 revenue is projected to be slightly lower than budget, by \$53. The actual 2013 operating expense is expected to be \$1,919 under budget, and the contingency of \$12,186 is not expected to be spent. Although materials costs associated with purchasing arsenic media were higher than expected, this was offset by lower than expected charges for Operating Labour and Repairs & Maintenance. It is proposed to carry forward the resulting \$14,052 operating surplus to supplement 2014 revenue.

2014 Operating Expense

An increase in the 2014 operating expense of \$1,427 is proposed, primarily due to insurance and financial administration cost increases.

Capital Plan

There are no capital projects planned for 2014.

2014 Revenue Requirement

The proposed \$1,427 increase in the operating budget would be added to a \$581 increase in the prior year surplus from \$13,471 in 2013 to \$14,052 in 2014. The proposed budget also includes a \$4,186 decrease of the contingency from \$12,186 to \$8,000, and an increase in the Transfer to Reserve of \$3,340.

The net change in the revenue requirement (taxes and fees) for 2014 is calculated from these changes as follows:

Operating budget increase (decrease)	\$1,427
Contingency increase (decrease)	(\$4,186)
Transfer to Reserve increase (decrease)	\$3,340
<u>Prior year surplus decrease (increase)</u>	<u>(\$581)</u>
Net increase (decrease) in tax and fee revenue requirement	\$0

Impact on 2014 Taxes and User Charges

Proposed 2014 Parcel Tax (\$326.11) and User Charge (\$953.30) are unchanged from 2013.

Forecast 2014-2018

A five-year capital and operating budget forecast is provided for information. The asset replacement projects in 2015-18 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 \$200,000 is borrowed as shown in the Capital Plan, a revenue increase of roughly \$20,000 would be required for debt servicing, corresponding to a parcel tax increase of roughly \$200 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 2014 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 2014 operating and capital budget for the Surfside Park Estates Water Service as presented;
2. Approve 2014 Parcel Tax of \$326.11 and User Charge of \$953.30; and
3. Balance the 2013 actual revenue and expense on the 2014 contingency.

Tim Tanton, MPA, P.Eng.
Senior Manager, Infrastructure Engineering

Ted Robbins, B.Sc., C. Tech.
General Manager, Integrated Water Services
Concurrence

TT:ls
Attachment: 1