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**REPORT TO WILDERNESS MOUNTAIN WATER SERVICE COMMISSION  
MEETING OF FRIDAY 05 NOVEMBER 2010**

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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. 3511, "Wilderness Mountain Water Service Commission Bylaw No. 1, 2008", "Each year, according to the District budget timetable, the commission shall recommend 5-year capital and operating budgets for the service provided in the service area which shall cover all anticipated costs of development, maintenance, operational and other expenses, including debt charges and shall submit such expenditure costs, together with estimates for expected revenue, in a form approved by the Director of Finance of the Regional Board for the approval of the Regional Board and for inclusion in the Regional Board's 5-year Financial Plan."

BACKGROUND

2010 Operating Expense

The actual 2010 operating expense is expected to exceed budget by \$4,605 primarily due to extraordinary water quality analysis required to establish a baseline for water treatment design, and higher than planned effort for administration and commission support. However, 2010 revenues and expenses are expected to balance as planned borrowing costs of \$5,620 for capital works were not incurred. It is proposed to balance the revenue and expense by transferring the anticipated surplus of \$1,015 to the capital reserve fund.

2011 Operating Expense

An increase in the 2011 operating expense of \$5,178 is planned in order to increase the operating contingency from \$2,000 to \$7,500 (9.2% of operating expense). An operating contingency in the range of 10% is considered prudent for a small water service area. Unused contingency is typically transferred to reserves or capital funds at year end.

Capital Plan

Treatment Upgrade Project (2011, \$628,000; 2012, \$45,000)

With the baseline water quality established it is proposed to proceed with the water treatment upgrades to meet legislated requirements for drinking water treatment. Partial funding is provided by a British Columbia Community Water Improvement Program grant.

Strategic Asset Management Plan (2011, \$10,000)

The capital plan includes funding for an engineering study to conduct an asset inventory to assess the quantity, age, condition and approximate life expectancy of watermains and other infrastructure. The asset inventory will form the basis of a long term 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

Due to the recommended increase in operating contingency and a proposed transfer of \$2,000 to the Capital Reserve Fund, the revenue requirement for 2011 is \$95,348 (\$6,278 increase from 2010).

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 \$542.03 to \$568.33 per single family dwelling unit or equivalent, and that the parcel tax be increased from \$517.73 to \$528.37. The water rate would remain at the 2010 level of \$216.00.

Forecast 2012-2015

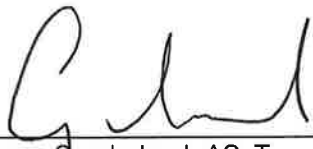
A five-year capital and operating budget forecast is provided for information. The costs to operate the Wilderness Mountain Water Service are not expected to change, with the exception of inflation. However, the cost to service debt related to the water treatment upgrade project will require revenue increases of approximately 22% in 2012, and 4% in 2013.

Other Considerations: Infrastructure Replacement

Although most of the infrastructure in the Wilderness Mountain Water Service Area is still relatively new, it is depreciating in value as it ages and will eventually require replacement at a large cost. Available capital reserve funds (\$11,113 at 31 December 2010) are likely insufficient for the purpose of an infrastructure renewal or replacement program. The proposed Strategic Asset Management Plan will guide the Commission in planning for future infrastructure replacement.

RECOMMENDATION

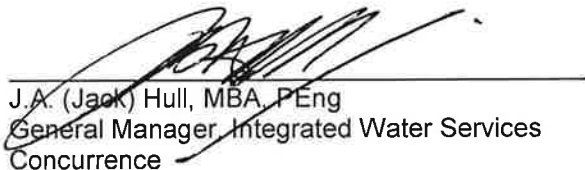
1. That the Capital Regional District Board approve the 2011 operating and capital budget for the Wilderness Mountain Water Service as presented;
2. That the Capital Regional District Board authorize increases in the parcel tax and the user charge for the Wilderness Mountain Water Service as required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



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CS:ls  
Attachment: 1