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**REPORT TO WILDERNESS MOUNTAIN WATER SERVICE COMMISSION  
MEETING OF FRIDAY 25 NOVEMBER 2011**

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**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. 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**

2011 Estimated Actual Revenue and Expense

Actual 2011 revenue will be \$784 over budget due to the addition of one taxable folio and service connection for 2011. Actual 2011 operating expense is expected to be \$1,285 below budget.

Debt servicing costs (including Debt Servicing Expenditures and Transfer to Debt Reserve Fund) will also be \$4,720 below budget, as no borrowing was required in 2011 to finance the treatment upgrade project. As a result of the revenue and expense variances, and the unused \$7,500 contingency, a surplus of \$14,289 is anticipated. It is proposed to add the surplus to the planned \$2,000 transfer to the Capital Reserve Fund, resulting in a total expected transfer of \$16,289.

2012 Operating Expense

An increase in the 2012 operating expense of \$2,058 is proposed, due to increases in labour costs.

Capital Plan

Treatment Upgrade Project (carry forward from 2011): \$579,000

Design was completed in 2011, but all contract payments and commissioning will occur in 2012. The total project budget of \$708,000 is funded by a provincial grant (2/3) and a 2008 loan authorization (1/3).

Treatment Upgrade Project - Contingency: \$85,000

In addition to the borrowing required for the treatment upgrade project, the Wilderness Mountain electors authorized \$45,000 borrowing that was not previously assigned to the project. \$10,000 was assigned in 2011 to the Strategic Asset Management Plan. It is proposed to assign the remainder to the treatment project as contingency. In addition, the Capital Regional District (CRD) Board has allocated a \$50,000 Community Works Fund (Gas Tax) grant to the project, which is proposed to be assigned as contingency.

Strategic Asset Management Plan (carry forward from 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 water mains 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.

2012 Revenue Requirement

The debt servicing budget (including Debt Servicing Expenditures and Transfer to Debt Reserve Fund) will increase for 2012 by \$12,160. It is proposed to eliminate the \$2,000 planned transfer to reserve in 2012. The net change in the revenue requirement (taxes and fees) for 2012 is calculated from these changes and the proposed operating budget increase as follows:

Operating budget increase (decrease)	\$	2,058
Capital debt expense increase (decrease)	\$	12160
Transfer to reserve fund increase (decrease)	(\$	2,000)
Net increase (decrease) in tax and fee revenue requirement	\$	12,218

Impact on 2012 Taxes and User Charges

In order to raise the additional revenue required for 2012 and comply with the funding policies listed on Page 1 of the budget package, it is necessary to decrease the user charge from \$568.33 to \$558.81, and increase the parcel tax from \$521.93 to \$661.19. The water rate would remain at the 2011 level of \$216.00.

Forecast 2013-2016

A conceptual five-year capital and operating budget forecast is provided for information. It is anticipated that capital expenditures will increase annual debt costs within the next five years. In addition to the current project, a conceptual budget of \$100,000 for a 2013 project will be refined based on the recommendations arising from the Strategic Asset Management Plan. If \$100,000 is borrowed in 2013 as indicated (subject to electoral assent), the total annual debt cost would increase by about \$20,000 in 2013, requiring a parcel tax increase of roughly \$250 per taxable folio.

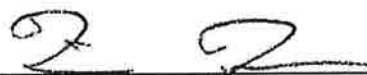
Other Considerations: Infrastructure Replacement


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 (\$30,647 at 30 September 2011) are 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**

That the Wilderness Mountain Water Service Committee recommend that the CRD Board:

1. Approve the 2012 operating and capital budget for the Wilderness Mountain Water Service as presented; and,
2. Authorize changes in the parcel tax and the user charge for the Wilderness Mountain Water Service as required to balance the 2012 budget; and,
3. Balance the 2011 actual revenue and expense on 2011 transfer to the Capital Reserve Fund.

  
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Attachment: 1