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**REPORT TO WILDERNESS MOUNTAIN WATER SERVICE COMMISSION
MEETING OF MONDAY, NOVEMBER 19, 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. 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

2012 Estimated Actual Revenue and Expense

The 2012 revenue is projected to be \$1,111 in excess of budget, due to an increase in the number of SFE's connected to the system from 68 to 69. Operating costs are projected to be \$464 below budget. Debt servicing costs are projected to be \$7,197 below budget due to a reduction in the borrowing rate from 6% (budgeted) to 3.4% (actual).

The net result of the above changes is a projected 2012 surplus of \$8,772. This has been reflected as a transfer to the Capital Reserve Fund to provide for future capital projects.

2013 Operating Expense

An increase in the 2012 operating expense of \$2,959 (3.2%) is proposed, primarily due to increases in labour costs.

Capital Plan

There is 1 capital item planned for completion in 2013, and it was previously approved by the Commission:

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

This engineering study is 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.

2013 Revenue Requirement

The debt servicing budget (including Debt Servicing Expenditures and Transfer to Debt Reserve Fund) will increase for 2013 by \$6,757. The net change in the revenue requirement (taxes and fees) for 2013 is calculated from these changes and the proposed operating budget increase as follows:

Operating budget increase (decrease)	\$2,959
<u>Capital transfers & debt servicing expense increase (decrease)</u>	<u>\$ 6,757</u>
Net increase (decrease) in tax and fee revenue requirement	\$ 9,716

Impact on 2013 Taxes and User Charges

In order to raise the additional revenue required for 2013 and comply with the funding policies listed on Page 1 of the budget package, it is necessary to increase the user charge from \$558.81 to \$570.59, and increase the parcel tax from \$669.26 to \$767.77. The water rate would remain at the 2012 level of \$216.00.

Forecast 2014-2017

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. If the additional \$175,000 included in the plan is borrowed in 2015-16 (subject to electoral assent in 2014), the total annual debt cost would increase by about \$3,214 in 2015, \$8,579 in 2016 and \$5,651 in 2017. This will result in parcel tax increases each year.

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 (\$48,184.31 at 20 September 2012) 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 Commission recommend that the CRD Board:

1. Approve the 2013 operating and capital budget for the Wilderness Mountain Water Service as presented;
2. Authorize changes in the parcel tax and the user charge for the Wilderness Mountain Water Service as required to balance the 2013 budget; and
3. Balance the 2012 actual revenue and expense on 2012 transfer to the Capital Reserve Fund.

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