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**REPORT TO WILDERNESS MOUNTAIN WATER SERVICE COMMISSION
MEETING OF WEDNESDAY, NOVEMBER 27, 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. 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

2013 Estimated Actual Revenue and Expense

The 2013 revenue is projected to be \$1,052 in excess of budget, due to an increase in the number of Single Family Equivalent (SFE's) connected to the system from 69 to 70. Operating costs are projected to be \$5,420 below budget. The net result of these changes is a projected 2013 surplus of \$6,472. This has been reflected as a transfer to the Capital Reserve Fund to provide for future capital projects, and would leave the year-end surplus at \$0.

2014 Operating Expense

Net increase in the 2014 operating expense of \$785 (0.8%) is proposed, primarily due to increases in labour costs of \$2,617 and a reduction of the contingency amount by \$2,500.

Capital Plan

There are no capital projects planned for 2014.

2014 Revenue Requirement

The debt servicing budget (including Debt Servicing Expenditures and Transfer to Debt Reserve Fund) will see a minor increase of \$10 in 2014. The net change in the revenue requirement (taxes and fees) for 2014 is calculated from the above changes and the proposed operating budget increase as follows:

Operating budget increase (decrease)	\$785
<u>Capital transfers & debt servicing expense increase (decrease)</u>	<u>\$10</u>
Net increase (decrease) in tax and fee revenue requirement	\$795

Impact on 2014 Taxes and User Charges

The user charge will decrease by 0.8% in 2014 due to the addition of one SFE in 2013. The 2014 user charge will be \$566.50 compared to 2013 rate of \$570.59, a decrease of \$4.09. The 2014 CRD parcel tax levy will be \$771.24 compared to the 2013 rate of \$743.38, an increase of 3.7% or \$27.86 per annum. The 2014 water rate will remain at the 2013 level of \$216.00.

Forecast 2014-2018

A 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 \$300,000 included in the plan is borrowed in 2016-18 (subject to electoral assent in 2015), the total annual debt cost would increase by \$24,321 by 2018. The corresponding increase in debt servicing would equate to a parcel tax increase of \$296 by 2018.

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 (\$55,405.51 at September 2013) 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 2014 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 2014 budget; and
3. Balance the 2013 actual revenue and expense on the 2013 transfer to the Capital Reserve Funds.

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Concurrence

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Attachment: 1