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**REPORT TO WILDERNESS MOUNTAIN WATER SERVICE COMMISSION
MEETING OF FRIDAY, SEPTEMBER 25, 2015**

SUBJECT 2016 OPERATING AND CAPITAL BUDGET

ISSUE

This report provides a synopsis of the 2016 operating and capital budget, highlighting significant proposed changes related to operational expenditures, debt charges, any capital expenditures and revenue for the Wilderness Mountain Local Service.

In accordance with the service area establishment Bylaw No. 3511 of the Wilderness Mountain Water Service Commission, Item 12 states that, *"Each year, according to the District budget timetable, the commission shall recommend 5-year operating and capital 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

2015 Estimated Actual Revenue and Expense

The estimated actual operating expense is projected to be \$28,880 under budget as a result of:

- Lower than budgeted expenditures for:
 - Contract for Services \$1,240
 - Other Allocations \$190
 - Supplies \$3,400
 - Labour Charges \$5,030
 - Contingency \$18,330
 - Other Operating Expenses \$2,040

- Higher than budgeted expenditures for
 - Electricity \$1,350

The estimated actual revenue is projected to be \$60 over the 2015 budget.

This results in a projected year-end surplus of \$28,940. It is proposed that entire projected year-end surplus of \$28,940 be transferred to Capital Reserve Fund 1075 in order to set aside funds for future capital improvements.

2016 Operating Expense

A decrease of \$230 (0.2%) in budgeted operating expense is proposed for 2016.

This is primarily a result of:

- Decrease of \$500 in Contract for Services.
- Increase of \$440 in other allocations.
- Increase of \$1,420 in electrical charges.
- Increase of \$110 in labour charges.
- Decrease of \$9,200 in contingency.
- Increase of \$690 in other operating expenses

It is proposed that the contingency be decreased to \$9,130 in the 2016 operating budget which is still about 10% of the total operating costs. This contingency is to be used in the event that the operating budget is exceeded due to a major unplanned event.

2016 Debt / Reserves

Capital Reserve Fund:

It is proposed that \$33,940 be transferred into the Capital Reserve Fund at the end of 2015. The balance in the reserve fund is projected to be \$160,226 at the end of 2015. This amount is within the recommended range of 2% to 5% of the estimated total replacement value of the water system as discussed in the 2015 draft SAMP.

MFA Debt:

In 2012, \$281,000 was borrowed for the water treatment plant project. The interest rate on the debt is 3.4% and it is being amortized over 15 years. The annual debt servicing cost of \$23,580 is slightly reduced from the 2015 amount.

Maintenance Reserves:

The Wilderness Mountain water system currently does not have a maintenance reserve fund as typically provided in other small water and waste water utilities. Maintenance reserve fund is typically used for minor equipment and consumable replacement expenditures during the budget year. Some examples may include chlorine pump, filters, UV lamps and lenses. The commission may want to consider creating a maintenance reserve fund for future budgets. An annual balance of \$5,000 is suggested for this fund which could be transferred from potential year-end surpluses in the budget.

2016 Revenue (User Charge and Parcel Tax

In order to meet operating expenses and debt servicing costs it is proposed that:

- The user charge remain at the same level as 2015 set at \$42,940. Based on a single family equivalent (SFE) 70 this equates to \$613.43 per SFE.
- The parcel tax remain at the same level as 2015 set at \$66,530. Based on 82 folios, and including the 5.25% surveyors tax fee this equates to \$853.94 per folio.

- The consumption charge (water rate), remain at the same level as 2015 set at \$15,120. Based on 70 SFE's this equates to \$216.00 per SFE.

2016 Capital Plan

The following capital work is planned for 2016 and proposed to be funded from the capital reserve account:

1. SCADA Upgrade, Phase 2, \$36,250
In 2015 the WMWSC approved Phase 1 SCADA upgrades and this work was completed. It is proposed to complete the balance of the improvements in order for the operators to receive field information from onsite instrumentation and alarms. It was noted at the March 31, 2015 commission meeting, that the SCADA equipment may result in lower operational costs of approximately \$2,000 per year (\$3,000 savings less SCADA servicing cost estimate of \$1,000 per year) associated with performing routine maintenance monitoring and/or call-out for items that could be addressed by accessing information from the water disinfection facility remotely at the Japan Gulch water treatment plant that is operated full time.
2. Undertake Improvement to Intake Pump \$2,500
The raw water supply pump at Wilfred Reservoir piping is fixed and it is proposed to install pipe fittings to allow the operators to remove and inspect the pump and motor with less difficulty.
3. Chemical Metering Pump \$2,000
The existing water treatment plant includes a chemical metering pump and these pumps are operated frequently and are critical for chemical dosing and it is proposed to purchase a spare pump and have it on hand should the existing fail.
4. Installation of a flushing saddle assembly \$4,000
The water main on Ambience Place lacks a means to purge water from the distribution water main and therefore, it is proposed to install a water main flushing saddle assembly.
5. NEW - William Brook Reservoir – Transfer Agreement \$2,500
The William Brook reservoir was determined to be surplus to the needs of the water service and it is proposed to transfer the ownership and operation of the dam and reservoir to another party. This expenditure related to the CRD staff and legal effort for such a transfer.

Forecast 2017-2020

The draft Strategic Asset Management Plan (SAMP) was delivered to the WMWC in 2015 which resulted in the capital projects as noted for 2016 except for item 5. No future capital expenditures are proposed at this time for the balance of the five year period of 2017 to 2020. The SAMP is a living document and will be revisited and updated from time to time which may result in future capital expenditures to replace existing water system assets or enhance the level of service.

RECOMMENDATION

That the Wilderness Mountain Water Service Commission recommend that the Capital Regional District Board:

1. Approve the 2016 operating and capital budget for the Wilderness Mountain Water System as presented;
2. Balance the 2015 estimated actual expense and revenue on the 2015 transfer to the capital reserve fund.

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Attachment: 1

CAPITAL REGIONAL DISTRICT

2016 Budget

Wilderness Mountain Water Service

Committee Review

Compiled and Presented by CRD Finance

Sep 2015

Service: 2.691 Wilderness Mountain Water Service

DEFINITION:

To finance, operate and maintain the supply, conveyance, treatment, storage and distribution of water to the Wilderness Mountain Local Service area that is within the JDF Electoral Area. The service was established by Bylaw No. 3503, adopted on May 14, 2008.

PARTICIPATION:

Wilderness Mountain Local Service Area

MAXIMUM LEVY:

Greater of \$130,000 or \$3.27/ \$1,000 of actual assessed value of land and improvements.

MAXIMUM CAPITAL DEBT:

Maximum Authorized: \$281,000 (MFA Bylaw No.3504, Wilderness Mountain Water Service adopted on May 14, 2008)
Borrowed: \$281,000 (MFA Bylaw No.3504, Wilderness Mountain Water Service)

COMMISSION:

Wilderness Mountain Water Service Commission established by Bylaw No. 3511 (July 9, 2008).

FUNDING:

Consumption Charge:

Water Consumption charge will be collected from each Single Family Equivalent connected to the water system based on the rates defined in Bylaw No. 3552. For 2009, the consumption rate is a flat rate of \$18 per month.

User Charge:

50% of operating and maintenance cost net of water consumption recovery, will be collected as a user fee charged to each Single Family Equivalent connected to the water system.

Parcel Tax:

50% of operating & maintenance costs net of water consumption recovery, will be collected as a parcel tax charged to every taxable property within the local service area.
100% of debt servicing costs will be collected as a parcel tax charged to every taxable parcel within the local service area.

RESERVE FUND # 1075:

Approved by Bylaw No. 3535 adopted on November 12, 2008.

Wilderness Mountain Water Service	2015		2016		FUTURE PROJECTIONS				
	BOARD BUDGET	ESTIMATED ACTUAL	2016 CORE BUDGET	2016 SUPPLEMENTARY	TOTAL 2016	2017	2018	2019	2020
OPERATING COSTS:									
Contract for Services	1,500	260	1,000	-	1,000	1,020	1,040	1,060	1,080
Other Allocations	13,740	13,550	14,180	-	14,180	14,480	14,780	15,080	15,380
Electricity	4,580	5,930	6,000	-	6,000	6,120	6,240	6,360	6,490
Supplies	3,700	300	3,700	-	3,700	3,770	3,840	3,910	3,990
Labour Charges	59,890	54,860	60,000	-	60,000	61,200	62,420	63,670	64,940
Contingency	18,330	-	9,130	-	9,130	9,310	9,500	9,690	9,890
Other Operating Expenses	6,310	4,270	7,000	-	7,000	7,120	7,240	7,370	7,500
TOTAL OPERATING COSTS	108,050	79,170	101,010	-	101,010	103,020	105,060	107,140	109,270
*Percentage Increase over prior year					-6.5%	2.0%	2.0%	2.0%	2.0%
DEBT/CAPITAL									
Transfer to Capital Reserve Fund	5,000	33,940	-	-	-	6,950	7,090	7,230	7,380
MFA Debt Principal	14,030	14,030	14,030	-	14,030	14,030	14,030	14,030	14,030
MFA Debt Interest	9,560	9,560	9,550	-	9,550	9,550	9,550	9,550	9,550
TOTAL CAPITAL / RESERVES	28,590	57,530	23,580	-	23,580	30,530	30,670	30,810	30,960
TOTAL COSTS	136,640	136,700	124,590	-	124,590	133,550	135,730	137,950	140,230
FUNDING SOURCES (REVENUE)									
Estimated Surplus c/f from 2015 to 2016	-	-	-	-	-	-	-	-	-
Surplus carried forward from 2014 to 2014	(12,050)	(12,050)	-	-	-	-	-	-	-
User Charge	(42,940)	(42,980)	(42,940)	-	(42,940)	(43,800)	(44,680)	(45,570)	(46,480)
Sale - Water	(15,120)	(15,120)	(15,120)	-	(15,120)	(15,120)	(15,120)	(15,120)	(15,120)
Other Income	-	(20)	-	-	-	-	-	-	-
TOTAL REVENUE	(70,110)	(70,170)	(58,060)	-	(58,060)	(58,920)	(59,800)	(60,690)	(61,600)
REQUISITION - PARCEL TAX	(66,530)	(66,530)	(66,530)	-	(66,530)	(74,630)	(75,930)	(77,260)	(78,630)
*Percentage increase over prior year requisition					0.0%	12.2%	1.7%	1.8%	1.8%

Service: 2.691 Wilderness Mountain Water Service

<u>Year</u>	<u>Taxable Folios</u>	<u>Parcel Tax</u>	<u>SFE's</u>	<u>Water Rate</u>	<u>User Charge</u>	<u>Tax & Charges</u>	<u>Bylaw</u>	<u>Assessments \$(000's)</u>
2011	82	\$549.33	67	\$216.00	\$568.33	\$1,333.66	3778	49,112
2012	82	\$704.39	69	\$216.00	\$558.81	\$1,479.20	3823	47,206
2013	82	\$782.41	69	\$216.00	\$570.59	\$1,569.00	3892	43,643
2014	82	\$811.73	70	\$216.00	\$566.50	\$1,594.23	3924	46,751
2015	82	\$853.94	70	\$216.00	\$613.43	\$1,683.37		42,680
2016 Budget	82	\$853.94	70	\$216.00	\$613.43	\$1,683.37		42,680

CAPITAL REGIONAL DISTRICT - SCHEDULE G

CAPITAL BUDGET FORM

2016 & Forecast 2017 to 2020

Service #: **2.691**

Service Name: **Wilderness Mountain Water Service**

Note: ↓ indicates a drop down menu is available for selection - Type Code (2); Funding Source (2); Funding Source (4); Participants (8)

Year (1)	Type Code (2)* ↓	Specific Project Description (3)	Capital Expense	Funding Amount Total (5)		Grant Program Sponsor (6)	Loan Authorization # (7)	Participants (8) ↓	%
				Source (4)** ↓					
2016	E	SCADA Upgrade, Phase 2	36,250	R	36,250				
2016	E	Undertake Improvements to Intake Pump	2,500	R	2,500				
2016	E	Chemical Metering Pump	2,000	R	2,000				
2016	E	Install Flushing Appurtenances, Ambience Place	4,000	R	4,000				
2016	S	William Brook Reservoir - Transfer Agreements	2,500	R	2,500				
TOTAL					47,250		47,250		

<p>Type Codes (2) *</p> <p>L = Land S = Engineering Structures B = Buildings V = Vehicles E = Equipment</p>	<p>Funding Source Codes (4) **</p> <p>D = Debenture Debt (new debt only) E = Equipment Replacement Fund G = Grants (Federal, Provincial) O = Donations / Third Party Funding</p>
<p>Type Codes (8) *</p> <p>C = Capital Funds on Hand R = Reserve Fund S = Short Term Loans L = Lands Sales</p>	

Service: 2.691 Wilderness Mountain Water Service

Committee: Electoral Area Services

- | | | |
|-----------|---|-----------------|
| #1 | SCADA Upgrade - Phase 2 (2016)
In 2015 Phase 1 of the SCADA upgrade project was complete, it is proposed to complete Phase 2 of the SCADA program to enable the water treatment plant operators to obtain field information from onsite instrumentation and alarms. | \$36,250 |
| #2 | Undertake Improvements to Intake Pump (2016)
The raw water supply pump at Wilfred Reservoir piping is fixed and it is proposed to install pipe fittings to allow the operators to remove and inspect the pump and motor with less difficulty. | \$2,500 |
| #3 | Chemical Metering Pump (2016)
The existing water treatment plant includes a chemical metering pump and these pumps are operated frequently and are critical for chemical dosing. It is proposed to purchase a spare pump to have on hand should the existing pump fail. | \$2,000 |
| #4 | Install Flushing Appurtenances on Ambience Place (2016)
Installation of a saddle and valve at the end of Ambience Place for flushing purposes and also act as a additional sampling port. | \$4,000 |
| #5 | William Brook Reservoir - Transfer Agreement (2016)
Preparation of ownership transfer agreement for the William Brook Reservoir (i.e. CRD staff effort, legal review, etc.) | \$2,500 |

Reserve Schedule

Reserve Fund: 2.691 Wilderness Mountain Water Capital Reserve Fund (Bylaw No.: 3535)

Reserve Cash Flow

	Estimate 2015	Budget				
		2016	2017	2018	2019	2020
Fund: 1075 Fund Center: 101994						
Beginning Balance	61,340	160,226	112,976	119,926	127,016	134,246
Transfer to Cap Fund (Based on Capital Plan)	(36,250)	(47,250)	-	-	-	-
Transfer from Operating Budget	33,940	-	6,950	7,090	7,230	7,380
Transfer from Cap Fund	101,196	-	-	-	-	-
Interest Income*	1,200	-	-	-	-	-
Ending Balance \$	160,226	112,976	119,926	127,016	134,246	141,626

Assumptions/Background:

Transfer as much as operating budget will allow

* Interest should be included in determining the estimated ending balance for the current year. Interest in planning years nets against inflation which is not included.