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WILDERNESS MOUNTAIN WATER SERVICE COMMISSION
Notice of Meeting on **Tuesday, November 27, 2018 at 10 a.m.**
Main Conference Room, 479 Island Highway, Victoria, BC

Rob Hancock (Chair) Director Mike Hicks Dale Tallyn Chuck Taylor

AGENDA

1. Approval of Agenda
2. Election of Chair
3. Adoption of Minutes of December 14, 2017
4. 2019 Operating and Capital Budget (staff report)
5. Wilderness Mountain Service Water Supply Options and Feasibility Study (staff report)
6. Correspondence
7. New Business
8. Adjournment

To ensure quorum, advise Sharon Orr if you are unable to attend: sorr@crd.bc.ca or 250-474-9622



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Agenda Item #3

**Minutes of a Meeting of the Wilderness Mountain Water Service Commission
Held December 14, 2017 in the Main Conference Room, 479 Island Highway, Victoria, BC**

PRESENT: **Committee Members:** R. Hancock (C), C. Taylor, Director M. Hicks
Staff: T. Robbins, General Manager, Integrated Water Services, I. Jesney, Senior Manager, Infrastructure Engineering, M. McCrank, Senior Manager, Infrastructure Operations, Kyu-Chang Jo, Financial Analyst, L. Siemens (recorder)

The meeting was called to order at 10:37 a.m.

1. Approval of Agenda

MOVED by Director Hicks, **SECONDED** by R. Hancock,
That the agenda be approved as distributed.

CARRIED

2. Adoption of Minutes of October 28, 2016

The following change was made to the minutes:

- Item 3 – #1 of the motion to read: "Complete items 1 and 3 for an estimated cost of \$5,000 to be funded from the Capital Reserve Fund (CRF).

MOVED by Director Hicks, **SECONDED** by C. Taylor,
That the minutes of be adopted as amended.

CARRIED

3. Island Health Discussion

Ted Robbins updated the commission on Island Health's concerns regarding water treatment and that an options analysis was to be carried out in 2018 to deal with the concerns.

4. 2018 Operating and Capital Budget

I. Jesney presented a written report and the 2018 Operating and Capital Budget documents.

The following change was made to the 5-Year Capital Plan:

Item 18.01 Water Service Options Analysis
Funded \$10,000 from reserves and \$15,000 from grants.

MOVED by R. Hancock, **SECONDED** by Director Hicks,
That the Wilderness Mountain Water Service Commission:

1. Approve the 2018 operating and capital budget as amended, and recommend that the 2017 actual deficit be balanced on the 2017 transfer from Capital Reserve Fund (estimated to be \$18,635) and the remaining deficit be brought forward as an expense in the 2018 budget; and
2. Recommend that the Electoral Area Services Committee recommend that the CRD Board approve the 2018 Operating and Capital Budget and the five-year Financial Plan for the Wilderness Mountain Water Service as amended.

CARRIED

5. Correspondence

T. Robbins discussed the content of correspondence to/from Island Health regarding the Wilderness Mountain water system.

MOVED by R. Hancock, **SECONDED** by Director Hicks,
That the letters dated November 15, 2017 and December 6, 2017 be received for information.

CARRIED

6. New Business

M. McCrank provided a handout regarding the Public Alert Notification System.

7. Adjournment

MOVED by R. Hancock, **SECONDED** by Director Hicks,
That the meeting be adjourned at 11:57 a.m.

CARRIED



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Agenda Item #4

**REPORT TO WILDERNESS MOUNTAIN WATER SERVICE COMMISSION
MEETING OF TUESDAY, NOVEMBER 27 2018**

SUBJECT 2019 OPERATING AND CAPITAL BUDGET

ISSUE

To present the 2019 operating and capital budget. In accordance with Bylaw No 3511, "Wilderness Mountain Water Service Commission Bylaw No. 1, 2008" the commission's approval of the annual budget is required.

BACKGROUND

The Capital Regional District (CRD) is required by legislation under the *Local Government Act* (LGA) to prepare an annual operating and capital budget and a 5 year financial plan including Operating Budgets and Capital Expenditure Plans annually. CRD staff have prepared the financial plan shown in Appendix A to this report for the Wilderness Mountain Water Service.

The Operating Budget includes the regular annual costs to operate the service. The Capital Expenditure Plan shows the anticipated expenditures for capital additions. These may include purchases of new assets or infrastructure as well as upgrades or improvements to existing assets.

In preparing the Operating Budget, CRD staff took into account:

1. Actual expenditures incurred between 2016 and 2018
2. Anticipated changes in level of service (if any)
3. Maximum allowable tax requisition
4. Annual cost per taxpayer and per Single Family Equivalent (SFE)

Factors taken into consideration in the preparation of the Capital Expenditure Plan included:

1. Available funds on hand
2. Projects already in progress
3. Condition of existing assets and infrastructure
4. Regulatory, environmental, and health and safety factors.

Adjustments for surpluses or deficits from 2018 may be made in January 2019. The CRD Board will give final approval to the budget and financial plan in March 2019.

The Financial Plan for the years 2020 – 2023 may be changed in future years.

BUDGET OVERVIEW

Operating Budget

It is anticipated that operating expenses in 2018 will be on budget. Revenue is anticipated to be \$390 over the budgeted amount. This results in a net surplus of \$390. CRD staff recommend that this amount be transferred to the Capital Reserve Fund to balance the 2018 budget.

The 2019 operating budget has been increased by 6.7% to account for inflation as well as an increase in supplies and labour primarily associated with operation and maintenance of the filters. Included in this increase is a contingency amount which has been returned to previous levels.

Municipal Finance Authority (MFA) Debt

MFA debt servicing costs are incurred on debt of \$281,000 issued in 2012 at 3.4% interest. It is anticipated that \$100,000 will be borrowed in 2019 to pay for capital expenditures. A 1% refundable fee will be paid to MFA and interest expense will be slightly higher than 2018.

Contingency

There is no Operating Reserve Fund for this Service so it is recommended that a contingency of \$5,000 be included in 2019, for unplanned operational expenses.

Capital Reserve Fund

The Capital Reserve Fund is to be used to pay for capital expenditures that are not funded by other sources such as grants, operating budget or debt. The balance at the end of 2018 is projected to be \$30,005.

Capital Expenditure Plan

The 5-year plan includes \$1,187,500 of expenditures to be funded by a combination of the Service's Capital Reserve Fund and debt.

A large portion of these expenditures is to address the requirements to achieve the *Drinking Water Treatment Objectives (microbiological) for Surface Water Supplies in British Columbia (SWTO)*. An options and feasibility study is being completed in 2018 which will inform a decision by the Committee and the community through public engagement and a referendum (proposed for 2019) as to what upgrades are required to meet the SWTO. In the years 2019-2021 a project budget of \$1,100,000 has been allocated to complete the approved upgrades from the options study. This number is a placeholder until a decision and schedule is arrived at regarding the actual scope of the project. At that time a final budget will be determined.

Capital Projects Fund

As specific capital projects are approved, the funding revenues for them are transferred into the Capital Project Fund. Whenever possible, any funds remaining upon completion of a project are

transferred back to the Capital Reserve Fund for use on future capital projects. There is a planned transfer from the Capital Projects Fund to the Capital Reserve Fund in 2018 in the amount of \$2,404 resulting from the pre-filtration project being under budget.

In 2018 \$5,200 was incurred to complete emergency work to replace the roof of the Water Treatment Plant Filter Building. The roof was found to be leaking on the equipment during heavy precipitation events during the winter of 2017/18. It is proposed that the expense be funded by a transfer from the Capital Reserve Fund.

User Charge and Parcel Tax

The user charge and parcel tax fund the service. Typically the user charge funds the operational costs and the parcel tax funds the debt and Capital Reserve Fund contributions. Properties connected to the water system pay the annual user charge and all properties within the local service area are responsible for the parcel tax. The proposed 2019 user charge is \$892.11 which is \$42.39 (5.0%) over 2018. The parcel tax will be increased to \$796.95 to fund debt expenses. This is an increase of \$22.59 (2.9%) over 2018. The fixed consumption charge of \$20.00 will remain at the 2018 rates. Historical user charge and parcel tax rates are included for information.

RECOMMENDATION

That the Wilderness Mountain Water Services Commission:

1. Approve the 2019 operating and capital budget as presented, and recommend that any deficit be brought forward as an expense in the 2019 budget and the contingency be reduced by an equal amount, and a surplus be transferred to the Capital Reserve Fund;
2. Approve the Capital Reserve Funding in the amount of \$5,200 for emergency replacement of the roof of the Water Treatment Plant Filter Building in 2018; and,
3. Recommend that the Electoral Area Services Committee recommend that the CRD Board approve the 2019 Operating and Capital Budget and the five year Financial Plan for the Wilderness Mountain Water Service as presented.

Submitted by	Matthew McCrank, MSc., P.Eng., Senior Manager, Infrastructure Operations
Submitted by	Ian Jesney, P.Eng. Senior Manager, Infrastructure Engineering
Submitted by	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
Concurrence	Ted Robbins, B.Sc., C.Tech., General Manager, Integrated Water Services
Concurrence	Robert Lapham, MCIP, RPP, Chief Administrative Office

MMc/IJ/RL:td

Attachment: Appendix A – 2019 Wilderness Mountain Water Service Budget

CAPITAL REGIONAL DISTRICT

2019 Budget

Wilderness Mountain Water Service

Committee Review

Compiled and Presented by CRD Finance

Nov-18

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 to a maximum of \$141,190

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. 4170.

User Charge:

Collected as a fixed user fee charged quarterly to each Single Family Equivalent connected to the system

Parcel Tax:

Charged to each taxable parcel in the service area whether connected or not.

RESERVE FUND # 1075:

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

Wilderness Mountain Water Service	2018		BUDGET REQUEST				FUTURE PROJECTIONS			
	BOARD BUDGET	ESTIMATED ACTUAL	CORE BUDGET	2019 ONGOING	ONE-TIME	TOTAL	2020	2021	2022	2023
OPERATING COSTS:										
Contract for Services	1,000	1,000	1,020	-	-	1,020	1,040	1,060	1,080	1,100
Allocations	14,470	14,200	14,880	-	-	14,880	15,360	15,880	16,450	16,780
Electricity	6,000	6,000	6,120	-	-	6,120	6,240	6,360	6,490	6,620
Supplies	11,220	11,220	11,440	-	-	11,440	11,660	11,900	12,140	12,390
Labour Charges	65,000	65,000	67,000	-	-	67,000	68,340	69,700	71,100	72,510
Contingency	680	680	5,000	-	-	5,000	5,000	5,000	5,000	5,000
Other Operating Expenses	11,480	11,750	11,720	-	-	11,720	11,930	12,150	12,370	12,590
TOTAL OPERATING COSTS	109,850	109,850	117,180	-	-	117,180	119,570	122,050	124,630	126,990
*Percentage Increase over prior year						6.7%	2.0%	2.1%	2.1%	1.9%
DEBT/CAPITAL										
Transfer to Capital Reserve Fund	-	390	-	-	-	-	-	-	-	-
MFA Debt Reserve Fund	80	80	1,000	-	-	1,000	5,500	5,000	-	-
MFA Debt Principal	14,033	14,033	14,030	-	-	14,030	19,030	71,470	71,470	71,470
MFA Debt Interest	9,547	9,547	10,390	-	-	10,390	23,300	23,300	67,050	67,050
TOTAL CAPITAL / RESERVES	23,660	24,050	25,420	-	-	25,420	47,830	99,770	138,520	138,520
TOTAL COSTS	133,510	133,900	142,600	-	-	142,600	167,400	221,820	263,150	265,510
FUNDING SOURCES (REVENUE)										
Balance c/fwd from 2017 to 2018	4,320	4,320	-	-	-	-	-	-	-	-
User Charge	(60,330)	(60,330)	(63,340)	-	-	(63,340)	(65,730)	(68,210)	(70,790)	(73,150)
Sale - Water	(17,040)	(17,160)	(17,040)	-	-	(17,040)	(17,040)	(17,040)	(17,040)	(17,040)
Other Income	(130)	(400)	(130)	-	-	(130)	(130)	(130)	(130)	(130)
TOTAL REVENUE	(73,180)	(73,570)	(80,510)	-	-	(80,510)	(82,900)	(85,380)	(87,960)	(90,320)
REQUISITION - PARCEL TAX	(60,330)	(60,330)	(62,090)	-	-	(62,090)	(84,500)	(136,440)	(175,190)	(175,190)
*Percentage increase over prior year requisition						2.9%	36.1%	61.5%	28.4%	0.0%

Reserve Schedule

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

Reserve Cash Flow

Fund: 1075 Fund Center: 101994	Estimated 2018	Budget				
		2019	2020	2021	2022	2023
Beginning Balance	41,711	30,005	15,005	15,005	15,005	15,005
Transfer to Cap Fund (Based on Capital Plan)	(15,200)	(15,000)	-	-	-	-
Transfer from Operating Budget	390	-	-	-	-	-
Transfer from Cap Fund	2,404	-	-	-	-	-
Interest Income*	700	-	-	-	-	-
Ending Balance \$	30,005	15,005	15,005	15,005	15,005	15,005

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.

CAPITAL REGIONAL DISTRICT CAPITAL PLAN

Service #: 2.691
 Service Name: Wilderness Mountain Water Service

FIVE YEAR FINANCIAL PLAN														
Proj. No.	Capital Exp.Type	Capital Project Title	Capital Project Description	Total Project Budget	Asset Class	Funding Source	Carry Forward from 2018	2019	2020	2021	2022	2023	5 - Year Total	Contingent ID
16-05	New	William Brook Reservoir - Transfer Agreement	Funding required for legal fees to transfer of the William Brook Reservoir.	\$2,500	L	Cap	\$2,500	\$2,500	\$0	\$0	\$0	\$0	\$2,500	
17-01	New	Source Water Vulnerability Study	Study to detmine the vulnerability of the source water and its viability as a water source.	\$25,000	S	Grant	\$0	\$0	\$0	\$0	\$25,000	\$0	\$25,000	
19-01	New	Public Engagement & Referendum	Public engagement and a referendum is required for funding future projects.	\$15,000	S	Res	\$0	\$15,000	\$0	\$0	\$0	\$0	\$15,000	
19-02	Renewal	Treatment / Supply Improvements	Based upon the Water Service Options Analysis work on the chosen option will be carried out.	\$1,100,000	S	Debt	\$0	\$100,000	\$500,000	\$500,000	\$0	\$0	\$1,100,000	
20-01	Renewal	Pipeline Piggig Upgrades	Cleaning of the water mains through a use of a "pig".	\$50,000	S	Debt	\$0	\$0	\$50,000	\$0	\$0	\$0	\$50,000	
GRAND TOTAL				\$1,192,500			\$2,500	\$117,500	\$550,000	\$500,000	\$25,000	\$0	\$1,192,500	

Service: 2.691 Wilderness Mountain Water Service

Proj. No. 16-05	Capital Project Title William Brook Reservoir - Transfer Agree	Capital Project Description Funding required for legal fees to transfer of the William Brook Reservoir.
Asset Class Land	Board Priority Area Other	Corporate Priority Area Drinking Water
Project Rationale <i>The William Brook reservoir was determined to be surplus to the needs of the water service and it is the ownership and operation of the dam and reservoir to another party. Funds are required for CRD staff and legal effort for the proposed transfer.</i>		
Proj. No. 17-01	Capital Project Title Source Water Vulnerability Study	Capital Project Description Study to detmine the vulnerability of the source water and its viability as a water source.
Asset Class Engineered Structures	Board Priority Area Other	Corporate Priority Area Drinking Water
Project Rationale <i>Study to determien the medium to long term vulnerability of the source water (Wilfred Reservoir) and its viability as a water source (quantity and quality) for the WMWS system in light of pressures such as projected demand changes and climate change. In addition, in light of the degradation of the source water that occurred in April - August 2016, determine if there are upgrades required to the Water Treatment Process to account for the raw water quality. This is a requirement of the operating permit and is being deferred to 2022.</i>		
Proj. No. 18-01	Capital Project Title Water Service Options Analysis	Capital Project Description Prepare report recommending future water service options for the service.
Asset Class Engineered Structures	Board Priority Area Other	Corporate Priority Area Drinking Water
Project Rationale <i>To meet Island Health requirements, an options analysis is required to determine the best way to deliver potable water to the service. The two prime options are enhanced treatment or service from the Juan de Fuca Water services. Funds are required to undertake an options analysis resulting in report with recommendation for future servicing.</i>		
Proj. No. 19-01	Capital Project Title Public Engagement & Referendum	Capital Project Description Public engagement and a referendum is required for funding future projects.
Asset Class Engineered Structures	Board Priority Area Other	Corporate Priority Area Drinking Water
Project Rationale <i>A loan will be required to fund the dedicated storage tank supply line, pipeline cleaning, treatment / supply improvements and any other capital work which will not be included under the capital reserve fund. The proposed loan will required public engagement and a referendum.</i>		
Proj. No. 19-02	Capital Project Title Treatment / Supply Improvements	Capital Project Description Based upon the Water Service Options Analysis work on the chosen option will be carried out.
Asset Class Engineered Structures	Board Priority Area Other	Corporate Priority Area Drinking Water
Project Rationale <i>Based upon the outcome of the Water Service Options Analysis and Public Engagement & Referendum, treatment and/or supply improvements will be designed and implemented. Improvements will be based upon feedback from the public engagement. Funds are required to carry out detailed design and construction.</i>		
Proj. No. 20-01	Capital Project Title Pipeline Pigging Upgrades	Capital Project Description Cleaning of the water mains through a use of a "pig".
Asset Class Engineered Structures	Board Priority Area Other	Corporate Priority Area Drinking Water
Project Rationale <i>Due to the water quality issues in April - August 2016, it is proposed to clean the water mains with a pigging process. Funds are required to retain services to pig the water mains and construct facilities to allow for the water main cleaning.</i>		

Wilderness Mountain Water Service
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Capital Projects Fund

Year/Project#	Status	Capital Project Description	Total Budget	Expenditure Actuals	Remaining Funds	Funding Source-CRF*	Funding Source-CWF**	Return Surplus to CRF*	Return Surplus to CWF**
2016/CE.515	OPEN	William Brook Reservoir	2,500	-	2,500	2,500	-	-	-
2017/CE.587	CLOSED	Pre Filtration	20,000	17,596	2,404	20,000	-	2,404	-
2018/CE.644	OPEN	Option Analysis	25,000	19,690	5,310	10,000	15,000	-	-
2018/CE.677	OPEN	Roof Replacement	5,200	-	5,200	5,200	-	-	-
		Totals	52,700	37,286	15,414	37,700	15,000	2,404	-

* CRF (Capital Reserve Fund)

** CWF (Community Works Fund)

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>
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	3987	42,680
2016	82	\$774.36	70	\$243.43	\$861.86	\$1,879.64	4074	43,178
2017	82	\$715.44	71	\$240.00	\$748.59	\$1,724.03	4170	49,803
2018	82	\$774.36	71	\$240.00	\$849.72	\$1,864.08	4233	55,347
2019	82	\$796.95	71	\$240.00	\$892.11	\$1,929.06		