

**REPORT TO SKANA WATER SERVICE COMMITTEE
MEETING OF OCTOBER 23, 2026**

SUBJECT **Skana Water Service 2026 Operating and Capital Budget**

ISSUE SUMMARY

To present the 2026 operating and capital budget for Committee review and recommendation for the approval of the Capital Regional District (CRD) Board and for inclusion in the CRD Five-Year Financial Plan, in accordance with Bylaw No. 3133, "Skana Water Service Committee Bylaw No. 1, 2003".

BACKGROUND

The CRD is required by legislation under the *Local Government Act* (LGA) to prepare an annual operating and capital budget and a five-year Financial Plan. CRD staff have prepared the financial plan shown in Appendix A.

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, upgrades or improvements to existing assets or asset review and study work potentially leading to future capital improvements.

In preparing the Operating Budget, CRD staff considered:

- Actual expenditures incurred between 2023 and 2025.
- Anticipated changes in level of service (if any).
- Maximum allowable tax requisition.
- Annual Cost per taxpayer and per Single Family Equivalent (SFE).

Factors considered in the preparation of the Capital Expenditure Plan included:

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

Adjustments for surpluses or deficits from 2025 may be made in January 2026. The CRD Board will give final approval to the budget and financial plan in March 2026.

The Financial Plan for the years 2027 to 2030 is forecasted and can be updated in future years.

BUDGET OVERVIEW

Operating Budget

It is projected that 2025 operating expenses will be approximately \$14,220 over budget.

Factors contributing to the operating overage include emergency response and corrective maintenance primarily due to the following events:

- Emergency replacement of deep well pump for Well 13.
- Emergency water system leak investigations.

The debt servicing cost will be \$1,069 below the budget since the planned new borrowing of \$50,000 in 2025 is now deferred to 2026.

It is projected that the 2025 operating revenue will be on budget.

As a result, there is an overall estimated operating deficit of approximately \$13,151 (\$14,220 less \$1,069). To balance the operating budget at the end of year, the actual deficit will be recovered by 2025 reserve fund transfers, namely the Capital Reserve Fund (CRF) and/or Operating Reserve Fund (ORF). In the event the deficit cannot be fully recovered by reserve transfers in 2025, the deficit must immediately be included as expenditure to be recovered from revenue in the 2026 financial plan as required by the LGA Section 374(11).

Operating costs for 2026 (excluding one-time cyclical programs funded by the ORF for water system flushing program for \$10,000 in 2025) has increased by \$7,753 (11.8%) compared to 2025. The increase is primarily to account for core inflation and additionally, an ongoing \$3,000 allocation to address water conservation efforts and bylaw amendments as requested by the committee.

Municipal Finance Authority (MFA) Debt

Currently there is no debt for this service.

Operating Reserve Fund

The ORF is used to fund cyclical maintenance activities, equipment and supplies purchases that typically do not occur on an annual basis, to mitigate the swings in expense and revenue requirement year over year. Typical maintenance activities include hydrant/standpipe maintenance, reservoir cleaning and inspection and ground water well servicing. Additionally, the ORF is used to respond to unforeseen events and operating emergencies.

The ORF transfers planned in the budget are evaluated and guided by the CRD Operating Reserve Guidelines endorsed by the CRD Board. The target balance for the service is ranged from \$12,000 to \$28,000.

It is proposed that 2026 transfers to the operating reserve be set at \$9,000. The operating reserve fund balance at the end of 2025 is projected to be approximately \$4,739. There is \$16,000 of planned maintenance to be funded by the ORF over the next five years.

Capital Reserve Fund

The CRF is to be used to pay for capital expenditures that are not funded by other sources such as grants, operating budget, or debt.

The CRF transfers planned in the budget are evaluated and influenced by the funding required to support the five-year capital expenditure plan and the emergency response to infrastructure failures, also guided by the CRD Capital Reserve Funding Guidelines endorsed by the CRD Board. The target balance for the service to be maintained is approximately \$158,000.

It is proposed that the budgeted transfer to the CRF be set at \$24,970 in 2026. The capital reserve balance at the end of 2025 is projected to be approximately \$34,445.

Capital Expenditure Plan

The five-year plan includes \$2,295,000 of expenditures to be funded by a combination of the service's capital reserve fund, and new debt. A complete list of projects is included within Appendix A, with some additional discussion provided below.

- The Water Storage Tanks Replacement (18-01) budget is subject to a successful petition result in 2025. \$500,000 of the total \$1,000,000 budget has been allocated for 2026 in the event that the petition is successful, and construction would be anticipated to push into 2027.
- The Source Water Surveillance (26-01) project is proposed to be funded from new debt.
- Water sample station improvements (25-01) is a new project proposed to be funded by capital reserve and will be used to replace three deadend flush points in the system.
- Watermain Replacement program (28-02) is proposed for future years (2028 and beyond) to begin replacement of aging watermain infrastructure.

Funding of any of the debt-allocated projects will be subject to a successful petition process, which is underway in 2025 (Capital Project 18-01, 23-01 and 26-01). Debt related to Capital Project 28-02 would be subject to a future petition or alternative approval process, which is outlined in Capital Project 28-01. Total estimated project budget for Project 28-02, Watermain replacement, is \$3,000,000. Only a total of \$1,150,000 debt planned in 2028 to 2030 is simulated in the table below as the remaining budget of \$1,850,000 is outside the scope of the five-year 2026 to 2030 capital plan. Table 1 below provides the future debt servicing cost simulation for analytical purposes with the indicative interest rate provided by MFA at the time of simulation.

Table 1 - Future New Debt Simulation

	<i>Term</i>	<i>Borrowing Year</i>	<i>Retirement Year</i>	<i>Estimated Interest Rate</i>	<i>Principal</i>	<i>Principal Payment</i>	<i>Interest Payment</i>	<i>Total Annual Debt Cost</i>
Future Borrowing(s) Estimation	25	2026	2051	4.80%	\$565,000	\$14,410	\$27,120	\$41,530
	25	2027	2052	4.85%	\$500,000	\$12,752	\$24,250	\$37,002
	25	2028	2053	4.85%	\$55,000	\$1,403	\$2,668	\$4,070
	25	2029	2054	4.85%	\$130,000	\$3,315	\$6,305	\$9,620
	25	2030	2055	4.85%	\$1,000,000	\$25,504	\$48,500	\$74,004
Total					\$2,250,000	\$57,383	\$108,843	\$166,226

At the commencement of each loan, 1% of the gross amount borrowed is withheld and retained by MFA as Debt Reserve Fund (DRF). To provide the full amount to fund the capital project, this 1% DRF amount is budgeted in the operating budget in the year of borrowing. However, there is no principal payment required in the year of borrowing. The estimated debt servicing cost of \$166,226 equates to approximately \$2,277.07 cost per parcel.

Capital Projects Fund

As specific capital projects are approved, the funding revenues for them are transferred into the Capital Projects Fund from multiple funding sources if applicable, including CRF, grant funding, external contributions, and debt. Any funds remaining upon completion of a project are transferred back to the CRF for use on future capital projects or back to its original funding source(s).

User Charge and Parcel Tax

The service is funded by parcel tax and fixed user charge. Properties connected to the water system pay the annual fixed user charge and all properties within the local service area are responsible for the parcel tax. Table 2 below summarizes the 2026 over 2025 changes for parcel tax and user charge.

Table 2 – Parcel Tax and User Charge Summary

Budget Year	Parcel Tax	Taxable Folios Numbers	Parcel Tax per Folio*	User Charge	SFE Numbers	User Charge per SFE	Parcel Tax & User Charge
2025	\$28,441	73	\$410.06	\$73,780	53	\$1,392.08	\$1,802.14
2026	\$54,430	73	\$784.76	\$78,990	53	\$1,490.38	\$2,275.14
Change (\$)	\$25,989	0	\$374.70	\$5,210	0	\$98.30	\$473.00
Change (%)	91.38%	0.00%	91.38%	7.06%	0.00%	7.06%	26.25%

* Includes the 5.25% admin fee charged by the Ministry of Finance (not CRD revenue)

The 2026 fixed user charge per SFE based on the budget presented will be included in the fees and charges bylaw for approval by the CRD Board to be effective January 2026.

RECOMMENDATION

That the Skana Water Service Committee recommends that Electoral Areas Committee recommend that the Capital Regional District Board approve the 2026 Operating and Capital Budget and the Five-Year Financial Plan for the Skana Water Service as presented.

Submitted by:	Jason Dales, B.SC., WD IV, Senior Manager, Wastewater Infrastructure Operations
Concurrence:	Varinia Somosan, CPA, CGA, Senior Manager, Financial Services / Deputy CFO
Concurrence:	Stephen Henderson, General Manager, Electoral Area Services
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENT(S)

Appendix A: 2026 Budget - Skana Water Service budget