

**REPORT TO STICKS ALLISON WATER LOCAL SERVICE COMMITTEE
MEETING OF OCTOBER 30, 2025**

SUBJECT **Sticks Allison Water Local Service Committee - 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, pursuant to Bylaw No 2558, "Sticks Allison Water Local Service Committee Bylaw No. 1, 1998."

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.
- 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 the operating expenses in 2025 will be approximately \$13,700 over budget primarily due to the emergency replacement of the Ultraviolet Light Reactor water treatment system.

It is projected that the 2025 operating revenue will be approximately \$300 under budget primarily due to the service receiving lower water sales revenue.

As a result, there is an overall operating deficit of approximately \$14,000. 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 reserves 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 leak risk investigation and provisional repairs for \$10,0000 in 2025) have increased by \$2,379 (4.2%) compared to 2025. The increase is primarily to account for core inflation.

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 ranges from \$12,000 to \$27,000.

It is proposed that the 2026 transfer to the ORF be set at \$6,255. The ORF balance at the end of 2025 is projected to be \$3,833. There is \$7,000 of planned maintenance to be funded by the operating reserve fund 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 \$97,000.

It is proposed that the 2026 transfer to the CRF be set at \$23,985. The CRF balance at the end of 2025 is projected to be \$45,683.

Capital Expenditure Plan

The five-year plan includes \$2,185,000 of expenditures to be funded by the service's CRF, and new debt.

A complete list of the capital projects can be found in Appendix A. The most significant item for discussion is the potential use of debt funding to initiate a future Watermain Replacement Program (27-02). If this work were to be approved, it would require an Alternative Approval Process (AAP) (26-01) to obtain elector input into borrowing strategies.

Table 1 below provides the future debt servicing cost simulation, for analytical purposes only, with the indicative interest rate provided by MFA at the time of simulation. The debt servicing is for the Watermain Replacement Project for a total budget of \$2,100,000. Please refer to the 2026 to 2030 five-year Capital Plan for details on this project.

Table 1 – Future New Debt Simulation

<i>Future Borrowing(s) Estimation</i>	<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>
	30	2027	2057	4.85%	\$150,000	\$2,882	\$7,275	\$10,157
	30	2028	2058	4.85%	\$500,000	\$9,606	\$24,250	\$33,856
	30	2029	2059	4.85%	\$1,450,000	\$27,858	\$70,325	\$98,183
Total					\$2,100,000	\$40,346	\$101,850	\$142,196

At the commencement of each loan, 1% of the gross amount borrowed is withheld and retained by MFA as a 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 \$142,196 equates to approximately \$3,742.01 cost per parcel.

Capital Projects Fund

As specific capital projects are approved, the funding revenues for them are transferred into the Capital Project 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).

Currently there are no active capital projects in the service.

User Charge and Parcel Tax

The service is funded by parcel tax, fixed user charge, and variable water consumption charge. Properties connected to the water system pay the fixed user charge and all properties within the local service area are responsible for the parcel tax.

The 2026 water rate for consumption charge remains unchanged from 2025. Table 2 below summarizes the 2026 over 2025 changes for parcel tax and user charge.

Table 2 – Parcel Tax and User Charge Summary

<i>Budget Year</i>	<i>Parcel Tax</i>	<i>Taxable Folios Numbers</i>	<i>Parcel Tax per Folio*</i>	<i>User Charge</i>	<i>SFE** Numbers</i>	<i>User Charge per SFE</i>	<i>Parcel Tax & User Charge</i>
2025	\$5,560	38	\$154.00	\$68,640	37	\$1,855.14	\$2,009.14
2026	\$6,674	38	\$184.85	\$82,370	37	\$2,226.22	\$2,411.07
Change (\$)	\$1,114	0	\$30.85	\$13,730	0	\$371.08	\$401.93
Change (%)	20.04%	0.00%	20.04%	20.00%	0.00%	20.00%	20.01%

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

** Single Family Equivalent

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

ALTERNATIVES*Alternative 1*

That the Sticks Allison Water Local 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 Sticks Allison Water Service as presented.

Alternative 2

That the Sticks Allison Water Local 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 Sticks Allison Water Service as amended.

RECOMMENDATION

That the Sticks Allison Water Local 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 Sticks Allison 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 Sticks Allison Water Service Budget