

**REPORT TO SAANICH PENINSULA WATER COMMISSION
MEETING OF OCTOBER 21, 2025**

SUBJECT **Saanich Peninsula Water Service 2026 Capital and Operating Budget**

ISSUE SUMMARY

To provide an overview of the 2026 Saanich Peninsula Water Service operating and capital budget, highlighting the changes from the 2025 budget and the proposed 2026 budget figures. The report generally follows the sequence of information provided in the attached draft budget document (Appendix A).

BACKGROUND

The draft 2026 Saanich Peninsula Water Service (SPWS) budget has been prepared for the Saanich Peninsula Water Commission's (Commission) consideration. The Commission will make budget recommendations to the Capital Regional District (CRD) Board through the Committee of the Whole in October. As in previous years, the draft 2026 budget has been prepared considering the CRD Board's 2026 service planning and financial expectations, which include identifying opportunities to realign or reallocate resources and seek potential efficiencies between departments and services, reviewing of service levels and adjustments related to regulatory compliance, and undertaking infrastructure improvements to maintain service levels across the service area. The following sets out the key components of the budget.

2025 Year-End Financial Projections

Operating expenses for 2025 are projected to be \$254,404 (13.5%) below budget at year-end, primarily due to lower operations allocation expenses. Wholesale water purchase costs are expected to be \$86,293 (1.6%) over budget due to higher-than-forecasted water demand. Debt servicing costs are projected to be \$208,972 (95.3%) under budget due to the partial deferral of the SPW System Upgrade and Expansion project (Capital Project No. 21-05), which has been carried forward to 2026 in the capital plan.

Water sales are projected to exceed the budget by \$125,499 (1.6%) driven by increased demand, while other revenue will be under budget by \$129,000 (46.6%). Other revenue includes user charges, interest income on working capital, and earnings on Municipal Finance Authority (MFA) debt reserve funds. The year-end surplus will be balanced by increasing the transfer to the capital reserve fund by \$373,582 (62.3%) (Page 4 of Appendix A).

Year-end revenue and expenditure projections are summarized on the next page:

Budget Item	Projected Variance (\$)	Projected Variance (%)
Expense		
Distribution System Operating Expenditures	\$(254,404)	(13.5%)
Wholesale Water Purchase from Regional Water Service	\$86,293	1.6%
Debt Servicing - Principal and Interest	\$(208,972)	(95.3%)
Revenue		
Water Sales	\$125,499	1.6%
Other	\$(129,000)	(46.6)%
Surplus	\$373,582	4.5%

2026 Budget

Operating Budget

The 2026 operating budget reflects an increase in non-discretionary expenses related to anticipated wage/salary increases, corporate support service allocation increases, and other operating expense increases such as electricity costs. The net core 2026 operating budget increase is \$96,694 (5.1%).

Wholesale Water Expenditure

The SPWS is responsible for distributing and selling drinking water to the municipalities within its service area. To do so, it purchases treated drinking water from the Regional Water Supply System. The cost of this purchase is based on projected demand within the Saanich Peninsula Water system and the 2026 wholesale water rate set by the Regional Water Supply Service.

Total water consumption in the service area is projected to continue increasing year over year, primarily due to growth. The 2025 year-end actual consumption is estimated at 6,500,000 cubic metres, 100,000 cubic metres over budget. The recommended 2026 water rate is based on a budgeted demand of 6,600,000 cubic metres (Page 7 of Appendix A), an increase of 400,000 cubic metres over the 2025 budgeted.

The 2025 demand estimate was set early in the budget cycle using the best available data at the time. Subsequent summer consumption data suggests that actual 2025 demand is projected to reach 6.6 million. The budget maintained the conservative year end projection for 2025-year end projected but adjusted the 2026 estimate to better reflect observed consumption trends.

The proposed 2026 CRD Regional Water Supply wholesale water rate is \$0.9314 per cubic metre, representing a 7.91% increase over the 2025 rate, subject to approval by the Regional Water Supply Commission (Page 8 of Appendix A). This rate increase is being driven by investments to renew the existing assets, well as investments to ensure reliable drinking water in the face of climate change and population growth. This rate also reflects the recent purchase of the Kapoor Lands.

The wholesale water purchase expense, based on the proposed 2026 Regional Water Supply wholesale water rate and the 2026 Saanich Peninsula Water budget demand volume, has been set at \$6,146,976, an increase of \$623,136 (11.3%) over 2025 resulting from an increase in projected demand combined with the Wholesale water rate increase.

Capital Budget

There are several capital projects planned for 2026 with a total value of \$15,611,500, the majority of which is attributed to Capital Project No. 21-05, which includes construction of the Bear Hill Trunk Watermain extension project that was recently awarded for construction. This single project accounts for 70% of the five-year capital plan and is the single largest project this service has funded in recent years.

A five-year capital plan is presented for information. The value of the five-year (2026-2030) capital plan is currently \$22,290,633 including an on-going budget allowance for post-disaster water supply equipment and infrastructure improvements.

The Development Cost Charge (DCC) program represents \$855,960 of the five-year (2026-2030) capital plan, and reflects the projects included in the DCC program update. At year-end 2025, the DCC reserve fund balance is estimated to be \$2,222,842 (Page 8-14 of Appendix A).

Capital and Debt Expenditures

The planned transfer to the capital reserve fund in 2026 is \$400,000, a reduction of \$200,000 from the 2025 budgeted contribution. At year-end, the capital reserve fund balance is estimated to be \$5,200,942 which is available to fund major capital projects.

Loan authorization Bylaw No. 4411 in the amount of \$12,900,000 was approved in 2021 to allow continued partial funding of the five-year capital plan. Staff forecast borrowing under this bylaw will be undertaken in fall of 2026. The debt servicing costs associated with this loan will begin in 2026 and come into full effect in 2027. In 2026, the debt service cost increased \$356,102, which represented 38% of the 2026 budget increase.

The planned transfer to the equipment replacement fund in 2026 is \$150,000, an increase of \$50,000 from the 2025 contribution. At year-end, the equipment replacement fund balance is estimated to be \$1,737,029, which is available to fund minor capital and operational equipment replacements including vehicles.

The changes from 2025 to 2026 SPWS expenditures are summarized graphically in Appendix D.

Proposed Agricultural Water Rate

At their meeting of November 26, 2024, the Water Advisory Committee recommended that the Regional Water Supply Commission maintain the current agricultural water rate. This was presented to the Regional Water Supply Commission at their meeting of January 15, 2025.

In the absence of any other direction, the 2026 agricultural water rate is maintained at the same 2025 rate of \$0.2105 per cubic metre, subject to the Regional Water Supply Commission's approval. The Regional Water Supply agricultural water rate budget funds the difference between the municipal retail water rate and the CRD agricultural water rate.

A summary of the agricultural water volumes and agricultural water rate payments for 2011 to 2024 is attached as Appendix C.

Proposed 2026 Saanich Peninsula Wholesale Water Rate

The proposed 2026 SPWS wholesale water rate is \$1.3593 per cubic meter, an 8.1% increase over the 2025 rate. The increase in annual wholesale water cost for the average household

assuming 239 cubic meters per year would be \$24.34 (Page 7 of Appendix A).

The Agricultural Research Station rate has been set at \$1.3945 per cubic meter, a 7.9% increase over the 2025 rate. Although both the SPWS and agricultural rates are increasing by the same amount (\$0.1018) from 2025 to 2026, the percentage increase is lower for agriculture (7.9% vs. 8.1%) due to its higher 2025 starting rate.

Water Rate and Wholesale Water Rate History and Projection

The Saanich Peninsula Water rate and Regional Water Supply rate history and projection is attached as Appendix B. The rates may be adjusted in the future to reflect actual revenue and expenditure circumstances and water demand volumes.

ALTERNATIVES

Alternative 1

The Saanich Peninsula Water Commission recommends that the Committee of the Whole recommend that the Capital Regional District Board:

1. Approve the 2026 Operating and Capital Budget and the Five-Year Capital Plan;
2. Approve the 2026 Saanich Peninsula Water Service wholesale water rate of \$1.3593 per cubic meter, and the Agricultural Research Station water rate of \$1.3945 per cubic meter, adjusted, if necessary, by any changes in the Regional Water Supply wholesale water rate;
3. Direct staff to balance the 2025 actual revenue and expense on the transfer to capital reserve fund;
4. Direct staff to update carry forward balances in the 2026 Capital Budget for changes after year end; and
5. Direct staff to amend the Wholesale Water Rates Bylaw accordingly.

Alternative 2

The Saanich Peninsula Water Commission recommends that the Committee of the Whole recommend that the Capital Regional District Board:

1. Approve the 2026 Operating and Capital Budget and the Five-Year Capital Plan;
2. Approve the 2026 Saanich Peninsula wholesale water rate, and the Agricultural Research Station water rate as amended (amended rate), adjusted, if necessary, by any changes in the Regional Water Supply wholesale water rate;
3. Direct staff to balance the 2025 actual revenue and expense on the transfer to capital reserve fund;
4. Direct staff to update carry forward balances in the 2026 Capital Budget for changes after year end; and,
5. Direct staff to amend the Wholesale Water Rates Bylaw accordingly.

IMPLICATIONS

Financial Implications

If the proposed budget is amended, the implications could vary depending on how the budget is amended and the impact on specific programs, on-going operations, or the capital work program. One-time reductions in reserve fund contributions could be considered by the Commission to help mitigate the budget and rate increases, but additional capital financing could result in the longer

term.

CONCLUSION

The draft 2026 Saanich Peninsula Water Service budget is presented for the Saanich Peninsula Water Commission's consideration. The Commission will make budget recommendations to the Capital Regional District Board through the Committee of the Whole in October. The draft 2026 Saanich Peninsula Water Service budget was prepared considering the Capital Regional District Board's 2026 service planning and financial expectations. A proposed increase in operating and capital funding that includes an increase in the wholesale water costs from the Regional Water Supply Service, combined with an adjusted revenue budget, is resulting in a recommended wholesale water rate of \$1.3593 per cubic meter, an 8.1% increase over the 2025 rate.

RECOMMENDATION

The Saanich Peninsula Water Commission recommends that the Committee of the Whole recommend that the Capital Regional District Board:

1. Approve the 2026 Operating and Capital Budget and the Five-Year Capital Plan;
2. Approve the 2026 Saanich Peninsula Water Service wholesale water rate of \$1.3593 per cubic meter, and the Agricultural Research Station water rate of \$1.3945 per cubic meter, adjusted, if necessary, by any changes in the Regional Water Supply wholesale water rate;
3. Direct staff to balance the 2025 actual revenue and expense on the transfer to capital reserve fund;
4. Direct staff to update carry forward balances in the 2026 Capital Budget for changes after year end; and
5. Direct staff to amend the Wholesale Water Rates Bylaw accordingly.

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ATTACHMENTS

Appendix A: Draft 2026 SPWS Budget
Appendix B: Retail and Wholesale Rate - History and Projection
Appendix C: Agricultural Water Rate Funding Comparisons 2011-2024
Appendix D: 2026 Budget Waterfall