

**REPORT TO MAGIC LAKE ESTATES WATER AND SEWER COMMITTEE
MEETING OF NOVEMBER 13, 2025**

SUBJECT **Magic Lake Estates Water and Sewer 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. 2339 "Magic Lake Estates Water and Sewer Committee Bylaw 1995".

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 five-year Financial Plan. CRD staff have prepared the financial plans for the following services:

- Magic Lake Estates Water System Local Service (Appendix A).
- Magic Lake Estates Sewerage System Local Service (Appendix B).

The Operating Budgets include 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, 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)

In preparing the Capital Expenditure Plan, CRD staff considered:

- Available funds
- Projects 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

Magic Lake Estates Water System Local Service (Appendix A)

Operating Budget

It is projected that the 2025 operating expenses will be approximately \$139,300 over budget. Factors contributing to the operating overage include emergency response and corrective maintenance primarily due to the following events:

- Emergency response and repairs to the Magic Lake North Dam structure. During regular weekly dam inspections, a significant hole was observed on the face of the dam structure. Action was taken immediately, as per the Magic Lake Dam Emergency Plan (DEP), triggering a Level 1 response that included engaging a technical representative who prepared a work plan to address the issue and oversee the repairs as required by the Provincial Dam Regulators.
- Replacement of the radio communications antenna located at Captains Tank.
- Emergency replacement of the Captains Tank Remote Terminal Unit (RTU) Supervisory Control and Data Acquisition (SCADA) Pack.
- Water system leak repairs:
 - Privateers at Signal Hill (significant repair requiring external resources)
 - Privateers water service line leak repair
 - Signal Hill water service line leak repair
- Water Treatment Plant replacement of:
 - the flocculator gear box
 - the Dissolved Air Filtration (DAF) train 2 actuated flow control valve
 - several large Universal Power Supply (UPS) (back up power battery packs).
 - the Heating Venting Air Conditioning (HVAC) variable frequency drive electrical equipment
 - the failing SCADA server electronic equipment

It is projected that the 2025 operating revenue will be \$10,785 higher than budget primarily due to Municipal Finance Authority (MFA) debt reserve fund earnings from the debt retirement.

Consequently, there is an overall operating deficit of approximately \$128,515. To balance the operating budget at the end of year, the actual deficit will be first recovered by reducing 2025 reserve fund transfers, per funding availability, namely the Capital Reserve Fund (CRF) and/or the Operating Reserve Fund (ORF). The remaining deficit of \$88,515 that cannot be fully recovered by reserve transfers in 2025 must immediately be included as expenditure to be recovered from revenue in 2026 financial plan as required by LGA Section 374(11).

Operating costs for 2026 have increased by \$93,028 (11.9%) compared to 2025. Excluding one-time cyclical programs funded by the ORF in the amount of \$45,000 for fire hydrant corrective maintenance and Schooner Water Treatment Plant tank inspection in 2025; and \$40,000 for Captains and Frigate Tank cleaning and inspection in 2026. The increase is primarily to account for core inflation, and an ongoing labour adjustment to support additional staff allocation amounts for the operations and maintenance of the water system.

Municipal Finance Authority Debt

Loan Authorization Bylaw 3633 (LA3633) was approved and adopted in 2009 to borrow \$2,560,000 to upgrade water treatment and water systems. Table 1 below summarizes the detailed information for existing MFA debt issue related to LA3633.

MFA issue LA3633-110 for \$723,000 borrowing with \$48,066 annual interest and principal costs retires in 2025 and has been removed from Table 1.

Table 1 – Existing Debt Summary

MFA Issues	Term	Borrowing Year	Retirement Year	Refinance Year	Original Interest Rate	Current Interest Rate	Principal	Principal Payment	Interest Payment	Total Annual Debt Cost
LA3633-116	15	2011	2026	2021	4.20%	1.47%	\$250,000	\$13,420	\$1,838*	\$15,258
LA3633-121	15	2012	2027	2022	2.90%	3.39%	\$559,500	\$30,035	\$18,967	\$49,002
LA3633-124	15	2013	2028	2023	3.15%	4.52%	\$1,002,500	\$53,816	\$45,313	\$99,129
LA3633-126	15	2013	2028	2023	3.85%	4.52%	\$25,000	\$1,342	\$1,130	\$2,472
Total							\$1,837,000	\$98,613	\$67,248	\$165,861

*Spring borrowing; Interest payment is half in the year of retirement

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 \$191,000 to \$436,000.

It is proposed that 2026 transfers to the ORF be set at \$61,250. The ORF balance at the end of 2025 is projected to be approximately \$5,646. There is \$90,000 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 \$1,070,000.

It is proposed that the budgeted transfer to the CRF be set at \$48,910 in 2026. All outstanding issues related to the Water Treatment and System Upgrade project have been resolved and \$453,972 of surplus project funds and interest have been returned to the CRF. The CRF balance at the end of 2025 is projected to be \$770,964.

In addition to the general CRF outlined above, there is a separate reserve fund from the insurance settlement in 2021 of \$592,842, which is dedicated to fund the water treatment plant upgrades in the future. This balance at the end of 2025 is projected to be \$598,487.

Capital Expenditure Plan

The five-year plan includes \$4,025,000 of expenditures to be funded by a combination of capital on hand, the service's CRF, and future debt.

Proposed 2026 capital expenditures include continuation of Phase 1 Buck Lake Dam repairs (21-04), initiation of Phase 2 Buck Lake Dam repairs (26-01), ISOPAC (coagulant chemical)

permanent handling and storage improvements design work, Water Treatment Plant (WTP) Process Pipe condition assessment and upgrades, SCADA improvements, insulation efforts to Pressure Control Station (PCS) kiosks and Petition/Alternative Approval Process (26-03) to inform future borrowing.

Other future planned works include a Watermain Replacement program (27-01), Captains Tank Replacement and ISOPAC Permanent Handling and Storage (27-03), all funded by future debt, pending a successful Petition/Alternative Approval Process (26-03) to obtain elector input into this borrowing proposal.

Table 2 below provides the future debt servicing cost simulation for analytical purposes with the indicative interest rate provided by MFA at the time of simulation. The debt servicing is for three projects totaling \$3,325,000. Please refer to the 2026 through 2030 Five-Year Capital Plan for details.

Table 2 – Future New Debt Simulation

	Term	Borrowing Year	Retirement Year	Estimated Interest Rate	Principal	Principal Payment	Interest Payment	Total Annual Debt Cost
Future Borrowing(s) Estimation	25	2027	2052	4.85%	\$925,000	\$23,591	\$44,863	\$68,453
	25	2028	2053	4.85%	\$1,400,000	\$35,705	\$67,900	\$103,605
	25	2029	2054	4.85%	\$1,000,000	\$25,504	\$48,500	\$74,004
Total					\$3,325,000	\$84,800	\$161,263	\$246,062

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 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 \$246,062 equates to approximately \$205.74 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 its original non-CRF funding sources if required.

User Charge and Parcel Tax

The service is funded by fixed user charges, parcel taxes, and variable water consumption charges.

Properties connected to the water system pay the annual user charge and water consumption and all properties within the local service area are responsible for the parcel tax. The tiered water consumption rates remain unchanged from 2025. The water consumption charge is measured in cubic meters over a three-month billing period at the following tiered rates:

- Greater than 50 cubic meters - \$0.50 per cubic meter
- Greater than 80 cubic meters - \$1.50 per cubic meter

Table 3 below summarizes the 2026 over 2025 changes for parcel tax and user charge.

Table 3 – 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	\$597,460	1196	\$525.77	\$427,931	1082	\$395.50	\$921.27
2026	\$701,965	1196	\$617.74	\$502,960	1082	\$464.84	\$1,082.58
Change (\$)	\$104,505	0	\$91.97	\$75,029	0	\$69.34	\$161.31
Change (%)	17.49%	0.00%	17.49%	17.53%	0.00%	17.53%	17.51%

* 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 tired water consumption rates based on the budget recommended will be included in the fees and charges bylaw for approval by the CRD Board effective January 2026.

Magic Lake Estates Sewerage System Local Service (Appendix B)

Operating Budget

It is projected that the 2025 operating expenses will be approximately \$12,730 over budget. Factors contributing to the projected overage include emergency response and corrective maintenance primarily due to the following events:

- Higher energy use for new wastewater treatment plant (WWTP) due to more aeration and pumping required by the new membrane process.
- Several weather-related emergency responses affecting facility infrastructure and wastewater treatment processes that require environmental incident response and reporting.
- An unknown suspected contamination event in the sewer collection system created an emergency response at the WWTP causing biological upset and impacted production. The plant was attended to after hours and through a weekend to support the operation.
- Additional labour required to operate and maintain the additional equipment, increased monitoring to the process, and infrequent chemical addition.

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

As a result, there is an overall estimated operating deficit of approximately \$12,730. To balance the operating budget at the end of year, the actual deficit will be first recovered by reducing 2025 reserve fund transfers, per funding availability, 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 2026 financial plan as required by *Local Government Act* (LGA) Section 374(11).

Operating costs for 2026 (excluding 2026 one-time cyclical program funded by the Operating Reserve Fund (ORF) in the amount of \$12,000) have increased by \$85,801 (11.9%) compared to 2025. The increase is primarily to account for additional labour required to operate and maintain the new WTP, increased energy costs, lab supplies, and core inflation adjustments.

Municipal Finance Authority Debt

Loan Authorization Bylaw 4048 (LA4048) to borrow \$1,530,000 was approved and adopted in 2016 for the wastewater system renewal and upgrade. Table 4 below summarizes the detailed information for existing MFA debt issues related to LA4048.

Table 4 – Existing Debt Summary (applicable to all Properties in the service area)

<i>MFA Issues</i>	<i>Term</i>	<i>Borrowing Year</i>	<i>Retirement Year</i>	<i>Refinance Year</i>	<i>Interest Rate</i>	<i>Principal</i>	<i>Principal Payment</i>	<i>Interest Payment</i>	<i>Total Annual Debt Cost</i>
LA4048-139	10	2016	2026	NA	2.10%	\$745,000	\$64,987	\$15,645	\$80,632
LA4048-142	10	2017	2027	NA	3.15%	\$250,000	\$21,808	\$7,875	\$29,683
LA4048-146	10	2018	2028	NA	3.20%	\$535,000	\$46,668	\$17,120	\$63,788
Total						\$1,530,000	\$133,463	\$40,640	\$174,103

Loan Authorization Bylaw 4320 (LA4320), to borrow up to \$6,000,000, was approved and adopted in 2019 for WWTP Improvements. A one-time lump-sum special payment option was provided to the ratepayers, and 137 properties exercised the payment option. As the result, \$1,130,268 was collected from lump-sum payments. In 2021, total of \$3,760,000 was borrowed through two debt issuances, LA4320-153 in the spring and LA4320-156 in the fall, and another \$1,000,000 was borrowed through LA4320-157 in the spring of 2022 to finance the WWTP Improvements project. Only the properties that didn't exercise the one-time lump sum payment option will pay the debt servicing cost related to LA4320 for the debt term of 30 years.

Table 5 below summarizes the detailed information for existing MFA debt issues related to LA4320.

Table 5 – Existing Debt Summary (only applicable to properties no one-time payment received)

<i>MFA Issues</i>	<i>Term</i>	<i>Borrowing Year</i>	<i>Retirement Year</i>	<i>Refinance Year</i>	<i>Interest Rate</i>	<i>Principal</i>	<i>Principal Payment</i>	<i>Interest Payment</i>	<i>Total Annual Debt Cost</i>
LA4320-153	30	Spring 2021	2051	2031	2.41%	\$2,500,000	\$59,248	\$60,250	\$119,498
LA4320-156	30	Fall 2021	2051	2031	1.98%	\$1,260,000	\$29,861	\$24,948	\$54,809
LA4320-157	30	Spring 2022	2052	2032	3.36%	\$1,000,000	\$22,778	\$33,600	\$56,378
Total						\$4,760,000	\$111,887	\$118,798	\$230,685

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 sewer flushing, outfall inspections, and tank clean outs. 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 \$168,000 to \$384,000.

It is proposed that 2026 transfers to the ORF be set at \$20,520. The ORF balance at the end of 2025 is projected to be approximately \$47,993. There is \$67,000 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 \$773,000.

It is proposed that the budgeted transfer to the CRF be set at \$46,000 in 2026. The capital reserve balance at the end of 2025 is projected to be approximately \$426,103.

Capital Expenditure Plan

The five-year plan includes \$3,960,000 of expenditures to be funded by a combination of capital on hand, the service's CRF, grants, and future debt. In 2026, \$295,000 in expenditures are forecasted, which is primarily for close-out costs associated with the larger WWTP and Pump Station improvements projects that were completed through 2025. This 2026 funding also includes a replacement towable generator. Other future planned works include:

- Renewal of Buccaneer, Capstan, Cutlass and Masthead pump stations (27-02), with some planning/design efforts within the five-year period funded by the CRF, and physical improvements to be deferred while seeking potential grant funding to support;
- Closed-circuit television (CCTV) inspections of asbestos cement (AC) pipe (28-01), funded by the CRF, with the intent of prioritizing pipelines for replacement; and
- AC Sewer Pipe Replacement (28-03) as a placeholder budget to begin replacement of AC sewer pipes. This program is proposed to be funded by future debt, which will be subject to a successful Alternative Approval Process (27-01) to obtain elector input into this borrowing proposal.

Table 6 below provides the future debt servicing cost simulation for analytical purposes with the indicative interest rate provided by the MFA at the time of simulation. The debt servicing is for two projects for a total of \$3,100,000. Part of the debt servicing is for the project 28-03 AC Sewer pipe replacement for a total estimated project budget of \$2,000,000. Only \$1,100,000 of debt planned in 2029 to 2030 is simulated in the table below as the remaining budget of another \$900,000 is outside the scope of the five-year 2026 through 2030 capital plan. Please refer to the 2026 to 2030 Five Year Capital Plan for details on these projects.

Table 6 – Future New Debt Simulation

	Term	Borrowing Year	Retirement Year	Estimated Interest Rate	Principal	Principal Payment	Interest Payment	Total Annual Debt Cost
Future Borrowing(s) Estimation	25	2028	2053	4.85%	\$800,000	\$20,403	\$38,800	\$59,203
	25	2029	2054	4.85%	\$1,300,000	\$33,155	\$63,050	\$96,205
	25	2030	2055	4.85%	\$1,000,000	\$25,504	\$48,500	\$74,004
Total					\$3,100,000	\$79,062	\$150,350	\$229,412

At the commencement of each loan, 1% of the gross amount borrowed is withheld and retained by the MFA as a DRF. To provide the full amount to fund the capital project, this 1% DRF amount is budgeted in 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 \$229,412 equates to approximately \$323.57 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 the 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 its original non-CRF funding sources if required.

User Charge and Parcel Tax

The service is mainly funded by user charge and parcel tax. Properties connected to the wastewater system pay the annual user charge and all properties within the local service area are responsible for the parcel tax. Table 7 below summarizes the 2026 over 2025 changes for parcel tax and user charge.

Table 7 – Parcel Tax 1 and User Charge Summary

Budget Year	Parcel Tax 1	Taxable Folios Numbers	Parcel Tax per Folio*	User Charge	SFE Numbers	User Charge per SFE	Parcel Tax & User Charge
2025	\$624,830	709	\$927.55	\$317,390	651	\$487.54	\$1,415.09
2026	\$725,071	709	\$1,076.36	\$368,240	651	\$565.65	\$1,642.01
Change (\$)	\$100,241	0	\$148.81	\$50,850	0	\$78.11	\$226.92
Change (%)	16.04%	0.00%	16.04%	16.02%	0.00%	16.02%	16.04%

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

In 2020, property owners were provided the option of paying a one-time lump sum of \$8,249.30 for their share of the cost of the WWTP Upgrade or to pay debt servicing costs over 30 years through parcel tax. The new debt servicing cost must be budgeted and levied separately through a second parcel tax roll (Parcel Tax 2) to facilitate a parcel tax levied only to those taxable folios that did not pay the lump-sum.

The estimated parcel tax on the second parcel roll (Parcel Tax 2), related to the debt servicing cost, is displayed in Table 8 below. Parcel Tax 2 excludes 137 folios that elected to pay the one-time lump sums totaling \$1,130,268.

Table 8 – Parcel Tax 2 Summary – New Debt Only

Budget Year	Parcel Tax 2	Taxable Folios Numbers	Parcel Tax per Folio*
2025	\$229,484	573	\$421.52
2026	\$229,484	573	\$421.52
Change (\$)	0	0	0
Change (%)	0.00%	0.00%	0.00%

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

A summary of total parcel tax (1 and 2) and user charge arranged by payment option on new debt is displayed in table 9 below.

Table 9 – Comparative - Total Parcel Tax and User Charge per Folio by Payment Option

Parcel Tax and User Charge	2025	2026 Lump-sum option			2026 Debt-servicing option		
		Amount	Change (\$)	Change (%)	Amount	Change (\$)	Change (%)
Parcel Tax 1	\$927.55	\$1,076.36	\$148.81	16.04%	\$1,076.36	\$148.81	16.04%
Parcel Tax 2	\$421.52				\$421.52	\$0.00	\$421.52
User Charge	\$487.54	\$565.65	\$78.11	16.02%	\$565.65	\$78.11	16.02%
Total	\$1,836.61	\$1,642.01	\$226.92	16.04%	\$2,063.53	\$226.92	12.36%

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

ALTERNATIVES

Alternative 1

That the Magic Lake Estates Water and Sewer Committee recommends that the 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 Magic Lake Estates Water and Sewer Services as presented.

Alternative 2

That the Magic Lake Estates Water and Sewer Committee recommends that the 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 Magic Lake Estates Water and Sewer Services as amended.

RECOMMENDATION

That the Magic Lake Estates Water and Sewer Committee recommends that the 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 Magic Lake Estates Water and Sewer Services as presented.

Submitted by:	Jason Dales, B.Sc., WD IV, Senior Manager, Wastewater Infrastructure Operations
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer & General Manager, Finance & Technology
Concurrence:	Stephen Henderson, General Manager, Electoral Area Services
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENT(S)

Appendix A: 2026 Magic Lake Water Service Budget
 Appendix B: 2026 Magic Lake Sewer Service Budget