

**REPORT TO PORT RENFREW UTILITY SERVICES COMMITTEE
MEETING OF OCTOBER 28, 2025**

SUBJECT Port Renfrew Utility Services 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 the inclusion in the CRD Five-Year Financial Plan, in accordance with Bylaw No. 3281, "Port Renfrew Utility Services Committee Bylaw No. 1, 2005".

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 including Operating Budgets and Capital Expenditure Plans annually. CRD staff have prepared the financial plan shown in appendices A to D for the following Port Renfrew services.

- A. Street Lighting Local Service – pertains to the operation of streetlights for the service area.
- B. Refuse Disposal Local Service – pertains to the operation and capital plan for the refuse service area.
- C. Water Local Service – pertains to the operation and capital plan for the entire water service area.
- D. Sewer Local Service – pertains to the operation and capital plan for the sewer service area.

The Operating Budget includes the regular annual costs to operate the services. The Capital Expenditure Plan shows the anticipated expenditure 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 considered:

- Actual expenditures incurred between 2023 and 2025.
- Anticipated changes in level of service (if any).
- Maximum allowable tax requisition.
- Annual cost per taxable folio 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 2025.

The Financial Plan for the years 2027 to 2030 may be changed in future years.

BUDGET OVERVIEW

Port Renfrew Street Lighting Local Service (Appendix A)

Operating Budget

It is projected that operating expenses in 2025 will be \$2,732 under budget due to unspent contingency funds and savings in electricity costs. It is projected that the 2025 operating revenue will be \$125 under budget.

As a result, there is an overall operating surplus of approximately \$2,607 at the time of forecast in the mid-year. To balance the operating budget at year end, the actual surplus from 2025 will be carried forward into the 2026 operating budget.

Contingency funds have been included in the operating budget in recent years to fund possible increases in the cost of electricity. CRD staff recommend the contingency funds be set at \$2,822 for 2026. Operating costs for 2026 have been increased by \$485 (4.4%) compared to 2025. The increase is primarily to account for inflation and higher energy costs.

Currently there is no capital plan, reserve or debt for this service.

User Charge and Parcel Tax

The service is funded by parcel tax and user charges on residential properties. All properties within the local service area are responsible for the user charge and parcel tax. Table 1 below summarizes the 2026 over 2025 changes for parcel tax and user charge.

Table 1 – User Charge and Parcel Tax 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	\$4,148	88	\$49.61	\$4,310	90	\$47.89	\$97.50
2026	\$4,220	88	\$50.47	\$4,390	90	\$48.78	\$99.25
Change (\$)	\$72	0	\$0.86	\$80	0	\$0.89	\$1.75
Change (%)	1.74%	0.00%	1.74%	1.86%	0.00%	1.86%	1.80%

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

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 to be effective January 2026.

Port Renfrew Refuse Disposal Local Service (Appendix B)

Operating Budget

It is projected that 2025 operating expenses will be approximately \$4,749 over budget. Factors contributing to the operating overage are primarily due to a busy summer tourist season with increased waste tonnages being received at the depot. This resulted in increased costs for staff wages to keep the depot operating seven days a week, for additional bin servicing, and associated Hartland Landfill tipping fees.

Revenues for 2025 are expected to be \$15,983 over budget which is a result of increased Internal Recovery Funding from the CRD Environmental Resources Management Budget.

As a result, there is an overall budget surplus of \$11,234 at the time of forecast in the mid-year.

To balance the operating budget at year end, the actual surplus or deficit will be balanced with 2025 reserve fund transfers, namely the Capital Reserve Fund (CRF) and/or Equipment Replacement Fund (ERF). In the event the deficit cannot be fully recovered by reserve transfers in 2025, the deficit must immediately be included as an expenditure to be recovered from revenue in the 2026 financial plan as required by the LGA Section 374(11).

Operating costs for 2026 have increased by \$9,514 (6.5%) compared to 2025. This increase is primarily due to inflation and the expectation that high tourism activity will continue to require increases in staff wages, costs for bin servicing, and Hartland Landfill tipping fees.

Currently there is no debt or operating reserve for this service.

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 funds 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 emergency responses 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 \$60,000.

It is proposed that the budgeted transfer to the CRF be set at \$22,880 in 2026. The capital reserve balance at the end of 2025 is projected to be \$50,022.

Equipment Replacement Fund

The ERF is used to fund the replacement of assets such as fencing, pavement, and bins. It is proposed that the transfer to the ERF be increased to \$4,040 in 2026. The balance of the ERF at the end of 2025 is projected to be \$43,848. As the service undertakes the next phase of planning for the five-year capital plan, including site efficiency upgrades, it is anticipated that associated equipment upgrades will be identified and funded in future years through the ERF.

Capital Expenditure Plan

The five-year capital plan includes approximately \$189,500 of expenditures to implement ongoing site upgrades that will improve site capacity. This capital plan will be funded by a combination of the service's capital on hand (\$150,000) and CRF (\$39,500) in 2026.

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 will be transferred back to its original funding source(s).

Cost per Average Household

The cost per average household is based on the assessment value in the service area. This information is available from BC Assessment in February of each year, at which point the cost per average household will be calculated.

Port Renfrew Water Local Service (Appendix C)

Operating Budget

It is projected that the total operating expenses in 2025 will be \$675 over budget due to unexpected maintenance repairs. These repairs include multiple water leaks and low-pressure investigations, as well as a large increase in chemical costs and usage.

It is projected that the 2025 operating revenue will be \$330 over budget.

There is an overall operating deficit of approximately \$345 at the time of forecast in the mid-year. To balance the operating budget at the end of year, the actual surplus or deficit will be balanced with 2025 reserve fund transfers, namely the CRF and/or 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 the *LGA* Section 374(11).

Operating costs for 2026 (excluding one-time cyclical program funded by the ORF in 2025 for tree clearing in the amount of \$10,000 and 2026 reservoir cleaning in the amount of \$8,000) have been increased by \$17,411 (12.7%) compared to 2025. The increase is primarily to account for inflation, increased labour costs, and the cost of chemicals for disinfection.

Currently there is no debt for this service.

Operating Reserve Fund

The ORF is used to fund cyclical maintenance activities, equipment, and supply 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. The ORF is also 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 \$24,000 to \$55,000.

It is proposed that 2026 transfers to the ORF be set at \$15,000. The ORF balance at the end of 2025 is projected to be \$7,669. There is \$21,000 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 \$228,000.

It is proposed that the budgeted transfer to the CRF be set at \$20,720 in 2026. The balance of the reserve fund at the end of 2025 is projected to be approximately \$68,623.

Capital Expenditure Plan

The five-year plan includes \$3,195,000 expenditures to be funded by a combination of the service's CRF, capital on hand, grants and new debt.

The Water Master Plan Study (24-01) was initiated in 2024 funded through a combination of Growing Communities Fund (GCF) and Community Works Fund (CWF) and will continue into 2026. The completion of the Master Plan will better inform future projects and thus the Petition or Alternative Approval Process (AAP) (22-01) will progress only after the Master Plan is complete and incorporated into capital planning. All other projects shown on the Capital Plan (as can be seen in Appendix C) are placeholder budgets but will be reassessed and prioritized to align with the outcome of the Master Plan.

Table 2 below provides the future debt servicing cost simulation for analytical purposes only with the indicative interest rate provided by the Municipal Finance Authority (MFA) at the time of simulation.

Table 2 – 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>
	25	2027	2052	4.85%	\$916,667	\$23,378	\$44,458	\$67,837
	25	2028	2053	4.85%	\$600,000	\$15,302	\$29,100	\$44,402
	25	2029	2054	4.85%	\$350,000	\$8,926	\$16,975	\$25,901
Total					\$1,866,667	\$47,607	\$90,533	\$138,140

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 \$138,140 equates to approximately \$537.51 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 the CRF, grant funding, external contributions, and debt. Any funds remaining upon completion of a project will be transferred back to its original funding source(s).

User Charge and Parcel Tax

This service is funded through user charge and parcel tax. Properties connected to the water system pay the annual user charge and all properties within the local service area pay the parcel tax. Table 3 below summarizes the 2026 over 2025 changes for parcel tax and user charge.

Table 3 – User Charge and Parcel Tax 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	\$87,329	253	\$363.30	\$85,550	317	\$270.21	\$633.51
2026	\$92,477	257	\$378.72	\$96,118	336	\$286.43	\$665.15
Change (\$)	\$5,148	4	\$15.42	\$10,568	19	\$16.22	\$31.64
Change (%)	5.90%	1.58%	4.24%	12.35%	5.99%	6.00%	4.99%

* 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 recommended will be included in the fees and charges bylaw for approval by the CRD Board to be effective January 2026.

Port Renfrew Sewer Local Service (Appendix D)

Operating Budget

It is projected that the 2025 operating expenses will be \$8,996 over budget. This is primarily due to increased labour costs, emergency response work, and maintenance/repairs to aging infrastructure.

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

As a result, there is an overall deficit of approximately \$8,996 at the time of forecast in the mid-year. To balance the operating budget at the end of year, the actual deficit or surplus will be balanced with 2025 reserve fund transfers, namely the CRF and/or ORF. In the event the deficit cannot be fully recovered by reserve transfers in 2025, the deficit must immediately be included as an expenditure to be recovered from revenue in 2026 financial plan as required by the LGA Section 374(11).

Operating costs for 2026 have increased by \$5,063 (4.3%) compared to 2025. The increase is primarily to account for inflation, and perceived labour costs reflecting the new collective agreement.

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 treatment facility tank draining/cleaning/inspection, backup power generator load testing, collection system, etc. Additionally, the ORF is also 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 \$23,000 to \$52,000.

It is proposed that transfers to the operating reserve be set at \$5,000 in 2026. The Operating Reserve Fund balance at the end of 2025 is projected to be approximately \$13,932.

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 \$166,000.

It is proposed that the budgeted transfer to the CRF be set at \$20,600 in 2026. The balance of this reserve at the end of 2025 is projected to be approximately \$37,578.

Capital Expenditure Plan

The five-year plan includes \$590,000 of expenditures to be funded by a combination of the service's CRF, capital funds on hand and new debt.

The Sewer Master Plan Study (24-01) was initiated in 2024 funded through a combination of the GCF and CWF and will continue into 2026.

Completion of the Master Plan will better inform future projects and thus the Petition or AAP (22-02) will progress only after the Master Plan is complete and incorporated into capital planning. All other projects shown on the Capital Plan (Appendix D) are placeholder budgets and will be reassessed and prioritized to align with the outcome of the Master Plan.

Table 5 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 System Renewal Project (28-01) for a total budget of \$500,000. Please refer to the 2026 to 2030 Five-Year Capital Plan for details on this project.

<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>
	25	2028	2053	4.85%	\$200,000	\$5,100	\$9,700	\$14,800
	25	2029	2054	4.40%	\$300,000	\$7,650	\$14,550	\$22,200
Total					\$500,000	\$12,750	\$24,250	\$37,000

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 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 \$37,000 equates to approximately \$420.46 cost per parcel.

Capital Projects Fund

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

User Charge and Parcel Tax

This service is funded through user charge and parcel tax. Properties connected to the sewer system pay the annual user charge and all properties within the local service area are responsible for the parcel tax. Table 6 below summarizes the 2026 over 2025 changes for parcel tax and user charge.

Table 6 – 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	\$70,369	88	\$841.63	\$70,349	98	\$719.54	\$1,561.17
2026	\$73,890	88	\$883.74	\$73,871	98	\$755.55	\$1,639.29
Change (\$)	\$3,521	0	\$42.11	\$3,522	0	\$36.01	\$78.12
Change (%)	5.00%	0.00%	5.00%	5.01%	0.00%	5.00%	5.00%

* 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 recommended will be included in the fees and charges bylaw for approval by the CRD Board to be effective January 2026.

ALTERNATIVES

Alternative 1

That the Port Renfrew Utility Services Committee recommends that the Electoral Areas Committee recommend that the Capital Regional District Board:

1. Approve the Port Renfrew Street Lighting Service 2026 Operating and Capital Budget and the five-year Financial Plan as presented;
2. Approve the Port Renfrew Refuse Disposal Service 2026 Operating and Capital Budget and the five-year Financial Plan as presented;
3. Approve the Port Renfrew Water Service 2026 Operating and Capital Budget and the five-year Financial Plan as presented;
4. Approve the Port Renfrew Sewer Service 2026 Operating and Capital Budget and the five-year Financial Plan as presented.

Alternative 2

That the Port Renfrew Utility Services Committee recommends that the Electoral Areas Committee recommend that the Capital Regional District Board:

1. Approve the Port Renfrew Street Lighting Service 2026 Operating and Capital Budget and the five-year Financial Plan as amended;
2. Approve the Port Renfrew Refuse Disposal Service 2026 Operating and Capital Budget and the five-year Financial Plan as amended;
3. Approve the Port Renfrew Water Service 2026 Operating and Capital Budget and the five-year Financial Plan as amended;
4. Approve the Port Renfrew Sewer Service 2026 Operating and Capital Budget and the five-year Financial Plan as amended.

RECOMMENDATIONS

That the Port Renfrew Utility Services Committee recommends that the Electoral Areas Committee recommend that the Capital Regional District Board:

1. Approve the Port Renfrew Street Lighting Service 2026 Operating and Capital Budget and the five-year Financial Plan as presented;
2. Approve the Port Renfrew Refuse Disposal Service 2026 Operating and Capital Budget and the five-year Financial Plan as presented;
3. Approve the Port Renfrew Water Service 2026 Operating and Capital Budget and the five-year Financial Plan as presented;
4. Approve the Port Renfrew Sewer Service 2026 Operating and Capital Budget and the five-year Financial Plan as presented.

Submitted by:	Denis Jasinsky, Acting 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 Port Renfrew Street Lighting
Appendix B: 2026 Budget Port Renfrew Refuse Disposal
Appendix C: 2026 Budget Port Renfrew Water
Appendix D: 2026 Budget Port Renfrew Sewer