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REPORT TO SURFSIDE PARK ESTATES WATER SERVICE COMMITTEE
MEETING OF OCTOBER 23, 2025

SUBJECT **Surfside Park Estates 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. 3131, "Surfside Park Estates 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 that could lead to potential 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 taxable folio and per Single Family Equivalent (SFE).

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

- Available funds on hand.
- 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

Operating Budget

It is projected that the operating expenses in 2025 will be approximately $16,039 over budget. Factors contributing to the operating overage include emergency response and corrective maintenance primarily due to the following events:

- Water system leak detection and repairs completed at several locations throughout the water distribution system.
- Emergency replacement of the water tank solar power electrical system.
- Increase in water quality metals testing for a period of six months, to better predict arsenic filtration media replacement frequency, to reduce the risk of drinking water quality exceedances.
- Additional unplanned costs for the planned prefiltration media replacement.

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 $14,970 ($16,039 less $1,069). To balance the operating budget at the end of year, it is proposed that the deficit of $14,970 be carried forward to the 2026 operating budget and immediately be included as an expenditure to be recovered from revenue in the 2026 financial plan as required by *LGA* Section 374(11). Any remaining deficit will be recovered by 2025 reserve fund transfers, namely the Capital Reserve Fund (CRF) and/or Operating Reserve Fund (ORF).

Operating costs for 2026 (excluding one-time cyclical programs funded by the ORF for prefilter media replacement for $5,000 in 2025) has decreased marginally by $580 (0.5%) compared to 2025. The operating decrease is primarily the result of lower arsenic media disposal costs that were realized over the last few years. This reduced cost offset the core inflation and labour cost increase.

Municipal Finance Authority (MFA) Debt
The service is currently carrying no debt.

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 $22,000 to $51,000.

It is proposed that 2026 transfers to the operating reserve be set at $7,000. The ORF balance at the end of 2025 is projected to be approximately $5,346. There is $12,000 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 $344,000.

It is proposed that the budgeted transfer to the CRF be set at $24,930 in 2026. The CRF balance at the end of 2025 is projected to be approximately $42,904.

Capital Expenditure Plan

The Five-Year Capital Plan includes $2,590,000 of expenditures to be funded by a combination of the service's CRF, grants and new debt.

A complete list of the capital projects can be found in Appendix A, but some of the most significant debt-funded capital projects include:

- The Wood Dale Drive Watermain Replacement (24-01) proposed for as early as 2026, which is a specific project for replacement of approximately 200 meters of watermain currently isolated due to known leaks. This is subject to a successful petition result in 2025.
- Water Storage Tank Replacement (25-01) is subject to a successful petition result in 2025. $800,000 of the total $1,700,000 budget has been allocated for 2026 in the event that the petition is successful. Construction would be anticipated to push into 2027.
- Arsenic Removal Assessment (26-02) is proposed to look into the implications of Health Canada removal target changes. Funding for this would be subject to receiving grant funding.
- Watermain Replacement Program (28-01), proposed as a future placeholder project for replacement of select watermains within the distribution network. This budget estimate will need to be further analyzed and refined as the replacement date approaches.

Funding of any of the debt-allocated projects will be subject to a successful petition process which is underway in 2025. Debt related to Capital Project 28-01 would be subject to a future petition or alternative approval process, which is outlined in Capital Project 28-02. Total estimated budget for Project 28-01, Watermain replacement, is $5,600,000. Only a total of $500,000 debt planned in 2029 to 2030 is simulated in the table below as the remaining budget of $5,100,000 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 only with the indicative interest rate provided by MFA at the time of simulation.

Table 1 – 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	2026	2051	4.80%	$950,000	$24,229	$45,600	$69,829
	25	2027	2052	4.85%	$1,050,000	$26,779	$50,925	$77,704
	25	2029	2054	4.85%	$50,000	$1,275	$2,425	$3,700
	25	2030	2055	4.85%	$450,000	$11,477	$21,825	$33,302
Total					**$2,500,000**	**$63,759**	**$120,775**	**$184,534**

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 $184,534 equates to approximately $1,757.47 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 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 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	$30,529	105	$306.02	$129,980	70	$1,856.86	**$2,162.87**
2026	$74,230	105	$744.07	$142,980	71	$2,013.80	**$2,757.87**
Change ($)	$43,701	0	$438.05	$13,000	1	$156.95	**$595.00**
Change (%)	143.15%	0.00%	143.15%	10.00%	1.43%	8.45%	**27.51%**

* 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 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 Surfside Park Estates Water Service 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 Surfside Park Estates Water Service as presented.

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Concurrence:	Varinia Somosan, CPA, CGA, Senior Manager, Financial Services / Deputy CFO
Concurrence:	Stephen Henderson, General Manager, Electoral Area Services
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ATTACHMENT

Appendix A: 2026 Budget - Surfside Water Service budget