

**REPORT TO WILDERNESS MOUNTAIN WATER SERVICE COMMISSION
MEETING OF OCTOBER 28, 2025**

SUBJECT **Wilderness Mountain Water Service 2026 Operating and Capital Budget**

ISSUE SUMMARY

To present the 2026 Operating and Capital Budget for Commission 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 3511, "Wilderness Mountain Water Service Commission Bylaw No. 1, 2008".

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 Appendix A for the Wilderness Mountain Water Service.

The Operating Budget includes the regular annual costs to operate the service. 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 taxpayer and per Single Family Equivalent (SFE).

Factors taken into consideration 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 2026.

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

BUDGET OVERVIEW

Operating Budget

It is projected that 2025 operating expenses and revenue will be on budget. Typically, unforeseen events and operating emergencies would be funded from the Operating Reserve.

To balance the operating budget at the end of year, the actual deficit or surplus will be balanced by 2025 reserve fund transfers, namely the Capital Reserve Fund (CRF) and/or Operating Reserve Fund (ORF).

In the event of a deficit that cannot be fully recovered by reserve transfers 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 program funded by the ORF in 2025 for reservoir cleaning and inspection in the amount of \$10,000, and 2026 system flushing and valve exercising in the amount of \$4,000) have been increased by \$3,388 (2.4%) compared to 2025. The increase is primarily to account for inflation and increased labour, supply and maintenance costs.

Municipal Finance Authority (MFA) Debt

Loan Authorization Bylaw 3504 (LA3504), to borrow \$281,000, was approved and adopted in 2008 to upgrade/construct water supply and distribution facilities in the Wilderness Mountain Service Area. Table 1 below summarizes the detailed information for existing MFA debt issue related to LA3504.

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
LA3504-118	15	2012	2027	2022	3.40%	3.39%	\$281,000	\$16,138	\$9,526	\$25,664

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 \$34,000 to \$76,000.

It is proposed that the 2026 transfers to the operating reserve be set at \$15,922. The ORF balance at the end of 2025 is projected to be approximately \$2,869. There is \$32,000 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 \$319,000.

It is proposed that the budgeted transfer to the CRF be set at \$21,000 in 2026. The balance of the CRF at the end of 2025 is projected to be approximately \$29,614.

Capital Expenditure Plan

The five-year capital plan includes \$7,440,200 of expenditure to be funded by a combination of the service's CRF, grant funding, and new debt (debt funded projects are not approved until after the Alternate Approvals Process is complete).

A Petition or Alternative Approval Process (24-03) is proposed to be funded through the CRF for a total of \$10,000 in 2027 and is required to obtain elector input on borrowing strategies for multiple projects that have been identified with a debt funding source. A complete list of the capital projects can be found in Appendix A, but some of the most significant capital projects being proposed include:

- New Floating Intake (25-01), proposed as a combination of new debt and grant, with the intent that grant applications will be attempted if available.
- Treatment Plant Upgrades (25-02), at the request of the Commission to improve the Treatment Plant.
- Island Health Compliance – Assessment (26-01), proposed debt funded project to conduct an updated options analysis to re-evaluate the options available to bring the water service into compliance with Island Health requirements.
- Island Health Compliance – Capital (27-01), a placeholder budget proposed as a combination of debt and grant funding (if successful) to carry out capital improvements recommended from the options analysis.

Table 2 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 2 – Future New Debt Simulation

Future Borrowing(s) Estimation	Term	Borrowing Year	Retirement Year	Estimated Interest Rate	Principal	Principal Payment	Interest Payment	Total Annual Debt Cost
	25	2027	2052	4.85%	\$733,200	\$18,699	\$35,560	\$54,260
Total					\$773,200	\$18,699	\$35,560	\$54,260

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 \$54,260 equates to approximately \$669.87 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 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

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

The 2026 water rate for consumption charge has increased to \$321.35 per SFE compared to \$306.08 per SFE in 2025.

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

Table 3 – Parcel Tax, User Charge and Water Consumption Charge Summary

Budget Year	Parcel Tax	Taxable Folios	Parcel Tax per Folio*	User Charge	SFE Numbers	User Charge per SFE	Water Consumption Charge per SFE	Total Charges
2025	\$78,970	81	\$1,026.12	\$93,720	74	\$1,266.47	\$306.08	\$2,598.67
2026	\$82,920	81	\$1,077.45	\$98,410	74	\$1,329.85	\$321.35	\$2,728.65
Change (\$)	\$3,950	0	\$51.33	\$4,690	0	\$63.38	\$15.27	\$129.98
Change (%)	5.0%	0.0%	5.0%	5.0%	0.0%	5.0%	4.99%	5.0%

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

The 2026 fixed user charge and fixed water consumption 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.

ALTERNATIVES

Alternative 1

That the Wilderness Mountain Water Service Commission recommends that the Electoral Areas Committee recommend to the Capital Regional District Board that the 2026 Operating and Capital Budget and the Five-Year Financial Plan for the Wilderness Mountain Water Service be approved as presented.

Alternative 2

That the Wilderness Mountain Water Service Commission recommends that the Electoral Areas Committee recommend to the Capital Regional District Board that the 2026 Operating and Capital Budget and the Five-Year Financial Plan for the Wilderness Mountain Water Service be approved as amended.

RECOMMENDATIONS

That the Wilderness Mountain Water Service Commission recommends that the Electoral Areas Committee recommend to the Capital Regional District Board that the 2026 Operating and Capital Budget and the Five-Year Financial Plan for the Wilderness Mountain Water Service be approved as presented.

Submitted by:	Shayne Irg, P.Eng., Senior Manager, Water 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 Wilderness Mountain Water Service Budget