



**REPORT TO CORE AREA LIQUID WASTE MANAGEMENT COMMITTEE
MEETING OF WEDNESDAY, OCTOBER 9, 2024**

SUBJECT Core Area Wastewater Service 2025 Operating and Capital Budget

ISSUE SUMMARY

To provide an overview of the draft 2025 Core Area Wastewater Service budget, highlighting the changes from the 2024 budget and the proposed 2025 budget figures. The report generally follows the information provided in the attached draft budget document (Appendix A).

BACKGROUND

The 2025 Core Area Wastewater Service budget has been prepared for the Core Area Liquid Waste Management Committee’s (the Committee) consideration. The Committee will make budget recommendations to the Capital Regional District (CRD) Board through the Committee of the Whole in October. The draft 2025 budget has been prepared considering the CRD Board’s 2025 service and financial planning guidelines, 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.

2024 Year End Financial Projections

The 2024 total operating budget of \$34.19 million (M) is projected to be \$34.98M resulting in \$0.79M deficit, largely driven by \$1M exceedance in biosolids disposal costs. The following table summarizes the estimated variance by driver:

Operating Budget Variance Drivers	Impact \$ (B)/W
RTF Operations and Biotreatment and Disposal	\$987,805
Repairs & Maintenance	-\$129,873
Supplies - Chemicals & Other	\$87,000
Electricity & Utilities	-\$115,000
Other Costs	-\$46,392
Total Variance	\$783,540
Required Transfer from Reserve Fund	-\$783,540

The estimated balance of the operating reserve fund after transferring and balancing the year end deficit will be \$3.3M.

2025 Operating Budget

Conveyance and Treatment Operations

The 2025 conveyance and treatment operations budget is \$36.4M which represents an 8.7% increase over the 2024 budget.

The most notable operating budget changes are as follows:

- Allocation Integrated Water Services (IWS) Operations: \$0.57M total increase due to labour charge-out rate increases in line with the projected collective agreement (\$0.336M), and the new 2025 Initiative Business Case (IBC) for a systems Maintenance Technologist (2b-2.3) (\$0.082M). In addition, there is an increase in the asset management allocation of Corporate Services (\$0.145M) due to the Corporate Enterprise Asset Management team being realigned from Financial Services to IWS. This is included in the CRD Evolves program as the focus the asset management team transitions from an overarching financial to an operating function. These resources will initially be focusing on supporting water and wastewater infrastructure, as the services with the largest percent of engineered assets. The funding for this division has been split among the water and wastewater services based on asset value and criticality. In 2026, asset management standards and programs will be expanded to all services across with engineered assets and funding will be realigned to reflect this focus.
- Allocation Standard Overhead: An increase of \$0.238M based on the percentage of the prior year's budget and the budgeted cost for 2025.
- Allocation Other: an increase of \$0.385M due to 2 new FTEs for the Innovative Projects Work Unit IBC 1b-4.2 (\$0.202M) and Inflationary increases for Environmental Monitoring, Marine Protection, Infrastructure Engineering, and Facilities Management (\$0.183M).
- Residuals Treatment Facility (RTF) Operations and Biotreatment and Disposal: a net decrease of \$0.167M primarily due to a reduction from the previous year expense to align with the biosolids disposal strategy commitment. This reduction assumes Lafarge Richmond is successful at receiving 65% of the biosolids in 2025 while the remaining 35% will be diverted to an alternate Tier 2 location as defined in the Long-Term Strategy.
- Operating Other: a total of \$0.92M. Of that, \$0.57M increase is due to both one-time (\$0.35M) and ongoing (\$0.015M) backwash tank cleaning costs, as well as ongoing annual host community impact charge (\$0.07M) and \$0.35M increase is due to higher insurance premiums and inflationary costs for equipment and contracted services. The backwash tank cleaning costs is an anticipated maintenance activity that only occurs every five years.
- Repairs and Maintenance: \$0.44M increase due to additional cyclical maintenance costs including inspections, repairs, and equipment replacement.
- Supplies - Chemical and Other: a \$0.48M overall increase over last year mainly due to 15% increase in the unit price of the process chemicals and the increase in consumption of carbon media used to reduce plant odours.

Further details of the rational for the IBC's listed above and the rational for the positions and service level drivers can be found in Appendix D, while the full 2025 Community Needs Summary will be presented at the Committee of the Whole on October 30, 2025.

Environmental Services Programs Operations

The Core Area Wastewater Service includes several environmental programs, provided through the Environmental Protection Division, as part of the requirements to achieving CRD's regulatory

commitments under the Core Area Liquid Waste Management Plan (LWMP). These programs are summarized below (including 2025 requisition impact):

- **Onsite Sewage System Management Program (24.4%)** – The program manages septic system maintenance through bylaw compliance monitoring and educational materials to reduce the impacts of failing septic systems on human health and the environment. The District of North Saanich has been added to the service for 2025.
- **Core Area Liquid Waste Management Plan Administration (8.2%)** – The program manages the LWMP and oversees implementation of the commitments. The program also conducts all reporting and plan amendment preparation for the service. Biosolids Advanced Thermal Demonstration pilot project has been added to the 2025-2029 budget, to be financed by Municipal Finance Authority borrowing and funded through requisition.
- **Harbours Studies Program (3.9%)** – The program provides for the CRD to work in partnership with other stakeholders, including communities, local governments, and senior governments, to protect and improve the environmental quality of Victoria and Esquimalt harbours.
- **Regional Source Control Program (3.4%)** – The program is aimed at reducing contaminants that industries, institutions, and households discharge into sanitary sewers. The program will be more important than ever in point-of-discharge contaminant reduction to protect the sewage collection and treatment systems, the quality of the treatment plant sludge and biosolids, the marine receiving environment, and public and worker health and safety.
- **Marine Monitoring Program (3.3%)** - The program provides for the marine environment sampling and testing and regulatory reporting related to the effluent discharges from CRD wastewater facilities. The program budget is funded through the conveyance and treatment budget.
- **Core Area Stormwater Quality Management Program (3.3%)** – Using an integrated watershed management approach, the program coordinates the management of stormwater quality, including investigations to assess shoreline discharges and contaminant sources, to protect the marine environment.
- **Inflow and Infiltration Enhancement Program (3.1%)** – The program is co-managed with IWS Engineering and provides for the CRD to engage with the participants to identify and reduce the amount of rain and ground water that enters the sanitary sewer systems. The program budget is funded through the conveyance and treatment budget.
- **Septage Disposal Program** – This program is funded by service fees and provides oversight for the contract between the CRD and SPL Wastewater Recovery Ltd. which provides septage receiving and processing services for the CRD.

2025 Capital Budget

Capital Plan

A five-year capital plan is presented for information (Appendix B). The plan includes projects that will replace infrastructure at end-of-service life to ensure the system continues to operate reliably without service interruptions or risk to property, public health or the environment. The plan also includes projects that add conveyance capacity 'just in time' to convey flows to 2045 and utilize the ultimate design capacity of existing conveyance facilities, such as pump stations, and the McLoughlin Point Wastewater Treatment Plant (MPWWTP).

The capital budget for 2025 is \$30.6M and the total 2025-2029 capital budget is \$78.3M. There are projects planned in each of the major asset categories including wastewater treatment plant upgrades, pump station upgrades, gravity sewer and manhole upgrades and replacements, pressure pipe upgrades, flow meter installations, replacements, system control and communications upgrades and outfall/overflow improvements.

Reserve Funding

There are currently four reserve funds established for this service. Reserves serve several specified purposes including stabilizing revenue requirements and funding capital renewal and replacement. The service has the following reserve funds (2024 estimated year-end balances):

- **Operating Maintenance (O&M) Reserve (\$3.3M):** used to pay for significant O&M expenses that do not occur on an annual basis, including the overages related to the biosolids, chemicals, tipping fees in 2024. Based on the CRD Operating Reserve Guidelines the Operating Maintenance Reserve is currently under funded, therefore 2025 operating maintenance reserve fund contributions are set at \$0.7M as a start to approach a reasonable target level of \$4.0M per the guideline. It is planned that \$0.8M will be utilized next year resulting in a slight decrease to the fund in 2025.
- **Equipment Replacement Reserve (\$6M):** used to pay for 'minor' equipment replacement that typically has a service life of less than five years and/or a value of less than \$25,000. In 2025 there will be a contribution of \$100,000 to the equipment replacement reserve fund, with the intent to increase to \$400,000 in 2026.
- **Core Area Wastewater Treatment Plant (CAWWTP) Debt Retirement Reserve (\$18.6M):** used to accumulate funds sufficient to pay down the treatment program debt issuances, in full, as they hit their 10-year renewal option. The establishment of this fund aligns with the financing strategy approved by the CRD Board in 2019, which was designed to deliver the most cost-effective financing structure, with the lowest overall cost to the participants. The combined annual contribution to the Debt Retirement Reserve and the debt servicing costs for the CAWWTP financing totals \$12M. Contribution to the Debt Retirement Reserve will continue to increase as debt on the CAWWTP is paid down. This strategy is aimed at achieving full repayment of the CAWWTP project debts at their first renewal in 10 years. After repayment, capacity will be used to reach capital reserve targets for the capital long range plan.
- **Capital Replacement Reserve (\$17M):** used to pay for 'major' equipment and infrastructure replacement that has a service life of five to 25 years or more. The replacement and funding of other components of the wastewater system that have a service life of up to 75 years, such as gravity trunk sewers and forcemains, large pumps, electrical distribution systems, concrete tanks and superstructures and major building components, will be part of the long-term capital plan and largely funded through a combination of reserves and long-term financing. In an effort to minimize the impact on requisitions, the reserve contribution continues to be reduced, now set at \$2.1M instead of the original \$3.1M. In 2026, the contribution will be reinstated to \$3.1M, with an additional \$1M per year added in 2028 and 2029 to help offset the temporary reductions in 2024 and 2025. The reserve will be used to fund \$6.3M of the 2025 capital plan including \$1.63M carry-forward projects from 2024.

Requisition

The 2025 requisition is \$58.23M after incorporating the requisition for capital, which includes debt servicing of the new and existing conveyance and treatment system works, and system operations. The 2025 requisition represents a 9.4% increase over the 2024 requisition. This increase is due to the additional cost of chemical increases, cyclical maintenance, higher insurance premiums, increased labour charges, and issuance of new long-term debt.

ALTERNATIVES

Alternative 1

The Core Area Liquid Waste Management Committee recommends the Committee of the Whole recommend to the Capital Regional District Board:

1. Approve the 2025 Core Area Wastewater Service operating and capital budgets as presented;
2. Direct staff to balance the 2024 actual revenue and expenses on the transfer to the operating reserve; and
3. Direct staff to update carry forward balances in the 2025 Capital Budget for changes after year end.

Alternative 2

The Core Area Liquid Waste Management Committee recommends the Committee of the Whole recommend to the Capital Regional District Board:

1. Approve the 2025 Core Area Wastewater Service operating and capital budgets as amended;
2. Direct staff to balance the 2024 actual revenue and expenses on the transfer to the operating reserve; and
3. Direct staff to update carry forward balances in the 2025 Capital Budget for changes after year end.

IMPLICATIONS

Financial Implications

The operating budget reflects costs by type required to support the wastewater treatment service level. The capital budget includes a five-year infrastructure investment to maintain the current system and required replacement of the aging conveyance lines. Together, with reserve contributions, the five-year plan sustains the service at the level required to ensure community needs are met. If the proposed budget is amended, the implications could vary depending on how the budget is amended and the impact on specific programs and initiatives, on-going operations, or the capital work program. One-time reductions in reserve fund contributions could be considered by the Committee to help mitigate the budget and rate increases but would result in higher longer-term costs and potential delays in critical infrastructure projects, potentially compromising service reliability and increasing future financial pressure.

CONCLUSION

This 2025 Core Area Wastewater Service budget is presented for the Core Area Liquid Waste Management Committee's (Committee) consideration. The Committee will make budget recommendations to the Capital Regional District (CRD) Board through the Committee of the Whole in October. The 2025 budget reflects the operating costs of the McLoughlin Point

Wastewater Treatment Plant (WWTP) and the conveyance system, as well as the existing and new capital costs and reserve fund contributions. The operating budget will continue to be refined as the operation of the WWTP is optimized as the CRD gains experience with the new operation. The CRD has resumed investment in the renewal of the conveyance system infrastructure that existed prior to the Core Area Wastewater Treatment Project, to ensure the system continues to operate reliably and without impacts on public health or the environment. The financial implications of the 2025 operating and capital budget vary by participant, depending on the operating and capital cost apportionments associated with annual flow and allocated treatment capacity.

RECOMMENDATION

The Core Area Liquid Waste Management Committee recommends the Committee of the Whole recommend to the Capital Regional District Board:

1. Approve the 2025 Core Area Wastewater Service operating and capital budgets as presented;
2. Direct staff to balance the 2024 actual revenue and expenses on the transfer to the operating reserve; and
3. Direct staff to update carry forward balances in the 2025 Capital Budget for changes after year end.

Submitted by:	Alicia Fraser, P. Eng., General Manager, Integrated Water Services
Concurrence:	Glenn Harris, Ph.D., R.P.Bio., Acting GM, Parks, Recreation & Environmental Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer, GM Finance & IT
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS

- Presentation: Core Area Wastewater Service 2025 Budget Review
- Appendix A: Core Area Wastewater - Combined View
- Appendix B: Debt – Core Area Wastewater Capital
- Appendix C: Core Area Wastewater Operations
- Appendix D: Initiative Business Case Summaries