

**REPORT TO SAANICH PENINSULA WATER COMMISSION
MEETING OF THURSDAY, OCTOBER 19, 2017**

SUBJECT 2018 CAPITAL AND OPERATING BUDGET

ISSUE

This report provides an overview of the 2018 Saanich Peninsula Water Service operating and capital budget, highlighting the changes from the 2017 budget and the proposed 2018 budget figures. The report generally follows the sequence of information provided in the attached draft budget document (Attachment 1).

BACKGROUND

2017 Operating Expenditures and Revenue

The actual 2017 operating expense is projected to be \$36,010 under budget. The actual bulk water purchase expense is estimated to be higher than budget by \$19,125, due to the projected higher than budget demand volume at year end 2017. This corresponds with water sales revenue that is estimated to be \$27,345 higher than budget. The net revenue surplus is projected to be \$8,220 after the bulk water purchase expense is deducted. To balance the budget at year end, the proposed transfer to the capital reserve fund has been increased by \$44,230 to \$321,430.

2018 Operating Expense

An increase in the 2018 operating expense in the amount of \$37,415 is planned and results primarily from non-discretionary expense adjustments such as wage/salary increases and administration costs.

The bulk water purchase expense, based on the proposed 2018 Regional Water Supply wholesale water rate and the 2018 budget demand volume, has been set at \$4,185,720.

2018 Capital Budget

The planned transfer to the capital reserve fund in 2018 is \$450,000. At year-end 2017, the capital reserve fund balance is estimated to be \$4,668,979, which is available to fund major capital projects. The planned transfer to the equipment replacement fund in 2018 is \$50,000. At year-end 2017, the equipment replacement fund balance is estimated to be \$1,627,939, which is available to fund minor capital and operating machinery and equipment replacements. The value of the five-year (2018-2022) capital plan is currently \$4,775,000, including a \$1,500,000 (2018 phase) budget allowance to replace the 400mm diameter Deep Cove water supply main. With the current reserve fund balance, and the planned contributions over the next five years, based on the current capital plan, there will be sufficient funding in reserves for the five-year capital plan, while maintaining a positive balance for unplanned expenditures, without the need for borrowing. The service currently does not carry any debt.

There are no new projects planned in 2018 under the Development Cost Charge (DCC) program., however, completion of the program review and update has been delayed and is now expected to be finalized by year end. As reflected in the DCC capital plan, it is anticipated that the program update will confirm the need to construct additional storage at the Bear Hill Reservoir, currently planned for 2021 with a budget of \$1,000,000. Once the DCC program update is finalized, the DCC infrastructure plan, funding requirements, rates and bylaw, will be updated accordingly. At year-end 2017, the DCC reserve fund balance is estimated to be \$1,363,627.

2018 Budget Demand Volume

Water demand in the service area has been relatively stable even with regional water demand being influenced by less indoor consumption related to household conversions to low flow fixtures and high efficiency appliances. However, beginning in 2015, actual annual demand in the service area has exceeded budget demand. Again in 2017, water demand is projected to exceed budgeted demand, primarily due to increased demand resulting from unseasonal warm and dry weather this past summer and fall. In 2017, the budgeted demand is 6,270,000 cubic metres and the actual demand is projected to be 6,300,000 cubic metres. The proposed 2018 Saanich Peninsula water rate has been calculated using a budget demand of 6,300,000 cubic metres.

2018 Water Rates

The 2018 CRD Regional Water Supply wholesale water rate of \$0.6644 per cubic metre, a 4.22% increase over the 2017 rate, has been recommended by the Regional Water Supply Commission Budget Subcommittee. The 2018 agricultural rate of \$0.2105 per cubic metre has also been recommended. A summary of the agricultural water demand across the region is attached for information (Attachment 2).

The recommended Saanich Peninsula Bulk Rate is \$0.9621 per cubic metre, a 5.60% increase over the 2017 rate. The increase in annual bulk water cost for the average household using 235 cubic metres per year would be \$11.99.

The Agricultural Research Station Rate has been set at \$0.9973 per cubic metre.

The Saanich Peninsula Water rate and Regional Water Supply rate history and projection is attached (Attachment 3). The rates may be adjusted in the future to reflect actual revenue and expenditure circumstances and water demand volumes.

RECOMMENDATION

That the Saanich Peninsula Water Commission recommend that the CRD Board:

1. Approve the 2018 operating and capital budget;
2. Approve the 2018 Saanich Peninsula bulk water rate of \$0.9621 per cubic metre, and the Agricultural Research Station water rate of \$0.9973 per cubic metre, adjusted if necessary by any changes in the CRD Regional Water Supply wholesale water rate;
3. Balance the 2017 actual revenue and expense on the transfer to capital reserve fund; and
4. Amend the Bulk Water Rates Bylaw accordingly.

Submitted by:	Ted Robbins, BSc, CTech, General Manager, Integrated Water Services
Concurrence:	Ben Semmens, BCom, CPA, CMA, Senior Financial Advisor, Financial Services
Concurrence:	Nelson Chan, MBA, CPA, CMA, Chief Financial Officer, Financial Services
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

TR:mm

Attachments: 3