

**REPORT TO SAANICH PENINSULA WATER COMMISSION
MEETING OF THURSDAY, OCTOBER 4, 2018**

**SUBJECT SAANICH PENINSULA WATER SERVICE - 2019 OPERATING AND CAPITAL
BUDGET**

ISSUE

This report provides an overview of the 2019 Saanich Peninsula Water Service operating and capital budget, highlighting the changes from the 2018 budget and the proposed 2019 budget figures. The report generally follows the sequence of information provided in the attached draft budget document (Appendix A).

BACKGROUND

The draft 2019 Saanich Peninsula Water Service budget has been prepared for the Saanich Peninsula Water Commission's (Commission) consideration. The Commission will make budget recommendations to the CRD Board. As in previous years, the draft 2019 budget has been prepared considering the CRD Board's 2019 service planning and financial expectations, which include identifying opportunities to realign or reallocate resources and seek potential synergies or 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.

2018 Year-end Financial Projections

The actual 2018 operating expense is projected to be \$64,190 under budget. The actual bulk water purchase expense is estimated to be higher than budget by \$132,880, due to the projected higher than budget demand volume at year end 2018. This corresponds with water sales revenue that is estimated to be \$192,255 higher than budget. The net revenue surplus is projected to be \$59,375 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 \$124,315 to \$574,315.

Operating Budget

An increase in the 2019 operating expense in the amount of \$80,244 is planned and results primarily from non-discretionary expense adjustments such as wage/salary increases, departmental support service allocations, and other operating expense increases such as electricity costs.

The bulk water purchase expense, based on the proposed 2019 Regional Water Supply wholesale water rate and the 2019 Saanich Peninsula Water budget demand volume, has been set at \$4,403,750.

Capital Budget

The planned transfer to the capital reserve fund in 2019 is \$470,000. At year-end 2018, the capital reserve fund balance is estimated to be \$3,721,492, which is available to fund major capital projects. The planned transfer to the equipment replacement fund in 2019 is \$50,000. At year-end 2018, the equipment replacement fund balance is estimated to be \$1,668,230, which is available to fund minor capital and operating machinery and equipment replacements. The value of the five-

year (2019-2023) capital plan is currently \$3,320,000, including a budget allowance for post-disaster water supply equipment and infrastructure improvements. 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.

The Development Cost Charge (DCC) program represents \$630,000 of the capital plan, and reflects the projects included in the 2018 DCC program update. At year-end 2018, the DCC reserve fund balance is estimated to be \$1,688,517. There are no new projects planned in 2019 under the DCC program.

Water Demand

Total water demand across the Saanich Peninsula Water Service area continues to exceed the annual budgeted demand figure as a result of extended periods of warm dry weather through the spring and summer, but also due to the continued rate of development and growth. The total 2018 year end demand is projected to be 6,500,000 cubic metres which is higher than the 2018 budgeted demand of 6,300,000 cubic metres. The recommended 2019 water rate has been calculated using a budget demand of 6,500,000 cubic metres.

2019 Water Rates

The 2019 CRD Regional Water Supply wholesale water rate of \$0.6775 per cubic metre, a 1.97% increase over the 2018 rate, has been approved by the Regional Water Supply Commission. The 2019 agricultural rate of \$0.2105 per cubic metre will also be recommended.

The recommended Saanich Peninsula Bulk Rate is \$0.9815 per cubic metre, a 2.0% increase over the 2018 rate. The increase in annual bulk water cost for the average household using 235 cubic metres per year would be \$4.55.

The Agricultural Research Station Rate has been set at \$1.0167 per cubic metre.

The Saanich Peninsula Water rate and Regional Water Supply rate history and projection is attached (Appendix B). 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 Capital Regional District Board:

1. Approve the 2019 operating and capital budget;
2. Approve the 2019 Saanich Peninsula bulk water rate of \$0.9815 per cubic metre, and the Agricultural Research Station water rate of \$1.0167 per cubic metre, adjusted if necessary by any changes in the CRD Regional Water Supply wholesale water rate;
3. Balance the 2018 actual revenue and expense on the transfer to capital reserve fund; and
4. Amend the Bulk Water Rates Bylaw accordingly.

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Attachments: 2

Appendix A: Draft Budget Document

Appendix B: Saanich Peninsula Water rate and Regional Water Supply Rate History and Projection