

**REPORT TO SAANICH PENINSULA WATER COMMISSION
MEETING OF THURSDAY, OCTOBER 17, 2019**

**SUBJECT SAANICH PENINSULA WATER SERVICE - 2020 OPERATING AND CAPITAL
BUDGET**

ISSUE

To provide an overview of the 2020 Saanich Peninsula Water Service operating and capital budget, highlighting the changes from the 2019 budget and the proposed 2020 budget figures. The report generally follows the sequence of information provided in the attached draft budget document (Appendix A).

BACKGROUND

The draft 2020 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 2020 budget has been prepared considering the CRD Board's 2020 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.

2019 Year-end Financial Projections

The actual 2019 operating expense is projected to be \$56,725 under budget. The actual bulk water purchase expense is estimated to be higher than budget by \$203,250, due to the projected higher than budget demand volume at year end 2019. This corresponds with water sales revenue that is estimated to be \$294,531 higher than budget. The net revenue surplus is projected to be \$91,281 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 \$142,205 to \$612,205.

Operating Budget

An increase in the 2020 operating expense in the amount of \$57,411 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 2020 Regional Water Supply wholesale water rate and the 2020 Saanich Peninsula Water budget demand volume, has been set at \$4,738,240.

Capital Budget

The planned transfer to the capital reserve fund in 2020 is \$650,000. At year-end 2019, the capital reserve fund balance is estimated to be \$5,341,796 which is available to fund major capital projects. The planned transfer to the equipment replacement fund in 2020 is \$50,000. At year-end 2019, the equipment replacement fund balance is estimated to be \$1,768,094, which is available to fund minor capital and operating machinery and equipment replacements. The value of the five-year (2020 to 2024) capital plan is currently \$2,690,000, 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 \$145,000 of the capital plan, and reflects the projects included in the 2018 DCC program update. At year-end 2019, the DCC reserve fund balance is estimated to be \$2,181,923. There is one DCC project planned in 2020 under the DCC program, which is to install a backup power generator at the Hamsterley Pumpstation. The project budget has been set at \$430,000; \$95,000 will be funded from the DCC reserve fund and \$335,000 will be funded from the capital reserve fund.

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 2019 year end demand is projected to be 6,800,000 cubic metres which is higher than the 2019 budgeted demand of 6,500,000 cubic metres. The recommended 2020 water rate has been calculated using a budget demand of 6,800,000 cubic metres.

2020 Water Rates

The 2020 CRD Regional Water Supply wholesale water rate of \$0.6968 per cubic metre, a 2.85% increase over the 2019 rate, has been approved by the Regional Water Supply Commission. The 2020 agricultural rate of \$0.2105 per cubic metre has also been recommended. The Regional Water Supply agricultural water rate budget funds the difference between the municipal retail water rate and the CRD agricultural water rate. A summary of the agricultural water volumes and agricultural water rate payments for 2011 to 2018 is attached for information (Appendix C).

The recommended Saanich Peninsula Bulk Rate is \$1.0223 per cubic metre, a 4.16% increase over the 2019 rate. The increase in annual bulk water cost for the average household using 235 cubic metres per year would be \$9.59.

The Agricultural Research Station Rate has been set at \$1.0575 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.

RECOMMENDATIONS

That the Saanich Peninsula Water Commission recommend that the Capital Regional District Board:

1. Approve the 2020 operating and capital budget;
2. Approve the 2020 Saanich Peninsula bulk water rate of \$1.0223 per cubic metre, and the Agricultural Research Station water rate of \$1.0575 per cubic metre, adjusted if necessary by any changes in the CRD Regional Water Supply wholesale water rate;
3. Direct staff to balance the 2019 actual revenue and expense on the transfer to capital reserve fund; and
4. Direct staff to amend the Bulk Water Rates Bylaw accordingly.

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Attachments: 3

Appendix A: Draft Budget Document

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

Appendix C: Agricultural Water Volumes and Rate Payments 2011 - 2018