

**DATE:** February 1, 2019**FILE:** 1700-02/2019/313**TO:** Chair and Director  
Black Creek/Oyster Bay Services CommitteeSupported by Russell Dyson  
Chief Administrative Officer**FROM:** Russell Dyson  
Chief Administrative Officer***R. Dyson*****RE: 2019 - 2023 Financial Plan –Black Creek/Oyster Bay Water Local Service Area–  
Function 313**

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**Purpose**

To provide the Black Creek/Oyster Bay (BCOB) Services Committee with the proposed 2019 - 2023 financial plan and work plan highlights for the BCOB Water Local Service Area (WLSA), function 313.

**Recommendation from the Chief Administrative Officer:**

THAT the proposed 2019 - 2023 financial plan for the Black Creek/Oyster Bay Water Local Service Area, function 313, be approved.

**Executive Summary**

The BCOB Water System includes two ground water supply wells and one surface water well adjacent to the Oyster River along with a water treatment facility which treats the water that supplies both the Macaulay and Kelland reservoirs. The water system supplies a service area straddling the Oyster River, with approximately 600 properties south of the river and 350 properties north of the river. A summary of the 2019-2023 financial plan is provided in the bullets below:

- The proposed plan sees a modest increase to operating costs for the service and the completion of two capital projects.
- Current user rates are not meeting the recommended annual contribution for asset replacement, however no further changes to user rates are planned until the completion of asset management planning in early 2019.
- An anomaly has been identified in the allocations used to calculate personnel costs in the proposed financial plan and an amendment will be brought forward to correct it. The number of operators remains unchanged in 2019, therefore increases in 2019 personnel costs in the amended financial plan will be solely attributable to changes to the Canada Pension Plan, Employer Health Tax premiums, and wage increases scheduled in the CUPE agreement.
- Asset management work will include inventory assessments, condition and risk assessment planning, level of service information and an evaluation of total lifecycle costs.
- Installation of a new test and production well within the Oyster River Nature Park received 83 per cent grant funding through the Clean Water and Wastewater Fund (CWWF), drilling of a test well was completed in 2017. The CVRD continues to work to secure Strathcona Regional District (SRD) support for drilling of the new production well.
- Detailed design for the replacement of the watermain along Paulsen Road to improve fire flows to the Miracle Beach Elementary School was completed in 2018, construction will be completed in 2019. This project will be fully funded from reserves.

Prepared by:

Concurrence:

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**Stakeholder Distribution (Upon Agenda Publication)**

Strathcona Regional District	✓
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**Policy Analysis**

Establishment Bylaw – Please refer to the 2019 – 2023 financial plan online budget binder at [www.comoxvalleyrd.ca/currentbudget](http://www.comoxvalleyrd.ca/currentbudget) where this information can be found.

**Financial Plan Overview**

Table No.1 summarizes the 2019 proposed budget as compared to the 2018 adopted budget. Significant variances from 2018 adopted budget will be discussed in the financial plan highlights section below.

**Table No. 1: Financial Plan Highlights**

 <b>#313 Black Creek/Oyster Bay Water</b>			
<b>Operating</b>	<b>2018 Budget</b>	<b>2019 Proposed Budget</b>	<b>Increase (Decrease)</b>
<b>Revenue</b>			
Frontage/Parcel Taxes	163,252	163,252	-
Senior Government Grants		10,000	10,000
Sale Services User Fees	500,609	503,609	3,000
Prior Years Surplus	133,716	68,333	(65,383)
	<b>\$ 797,577</b>	<b>\$ 745,194</b>	<b>\$ (52,383)</b>
<b>Expenditures</b>			
Personnel Costs	210,331	222,813	12,482
Directors Remuneration	2,992	2,992	-
Operating	300,723	324,092	23,369
Contribution to Reserve	127,644	35,321	(92,323)
Tsfr Other Functions	14,123	18,212	4,089
Debt Charges	141,764	141,764	-
	<b>\$ 797,577</b>	<b>\$ 745,194</b>	<b>\$ (52,383)</b>
<b>Capital</b>			
<b>Funding Sources</b>			
Senior Government Grants	540,143	533,285	(6,858)
Transfer from Reserve	390,685	365,245	(25,440)
	<b>\$ 930,828</b>	<b>\$ 898,530</b>	<b>\$ (32,298)</b>
<b>Funding Applied</b>			
Capital Projects & Equip	930,828	898,530	(32,298)
	<b>\$ 930,828</b>	<b>\$ 898,530</b>	<b>\$ (32,298)</b>

The 2019 - 2023 proposed five year financial plan for the Black Creek/Oyster Bay Water Service, including the requisition summary and operating and capital budgets, is available through the online budget binder at [www.comoxvalleyrd.ca/currentbudget](http://www.comoxvalleyrd.ca/currentbudget).

Highlights of the 2019 - 2023 proposed financial plan for the service include:

#### *Revenue Sources*

Revenues for the BCOB WLSA are derived from a combination of frontage tax and user rates.

Revenue projections and user rates are summarized below:

- A rate increase in 2017, coupled with increases to operating and personnel costs, does not positively affect the annual contribution for asset replacement (ACFAR) and the current rates do not meet the required reserve contribution figure for sustainable service delivery as identified by Econics in 2015.
- A rate review will take place once the detailed asset management plan is completed in early 2019.

At this stage, no prior year surplus is estimated to be carried forward to 2019. This will be reviewed once the 2018 year end has been finalized in February.

#### *Personnel*

An anomaly has been identified in the allocations used to calculate personnel costs in the proposed financial plan and an amendment will be brought forward to correct it. The number of operators remains unchanged in 2019. Increases in 2019 personnel costs in the amended financial plan will be attributable solely to changes to the Canada Pension Plan, Employer Health Tax premiums, and wage increases scheduled in the CUPE agreement.

#### *Operations*

The majority of the budgeted 2019 operating expenses remained unchanged from 2018 amounts. See Appendix A for a table highlighting the significant operating expense variances which represent an overall increase of \$23,369, this increase is almost exclusively due to an increase in other professional fees

One operational project that will be carried forward from 2018 is the \$30,000 supply of smart meters and meter transceiver units to be installed by CVRD waterworks staff. The primary driver for this project is to increase operator safety, especially along Highway 19A, and improve meter reading efficiency. Currently operators are required to walk along the highway to read meters, due to the location of the meters two operators are sent; one to walk and read the meters, and another to drive behind the operator reading meters to ensure the operator is seen by oncoming traffic. The new meters will allow for one operator to complete the reads from the vehicle with no walking on the highway required, subsequently reducing resources and improving safety for operators.

#### *Capital*

The primary driver for capital spending for the BCOB WLSA is the need for increased capacity for the system. The BCOB WLSA has seen a consistent decline in source water capacity over the past few years. Development of a new source will help to ensure sufficient water is available in the years to come. Drilling of a new production well for the system began in 2017, a summary of the current project status is provided below:

- Development of a new source began in 2017 and a new test well was drilled, procurement of an engineering firm to develop the design of the new well and connection to existing system was also completed. At this time the Strathcona Regional District (SRD) indicated a

formal agreement for access to the Oyster River Nature Park would be required prior to proceeding.

- Since 2017 discussions with the SRD are ongoing for access to the Oyster River Nature Park for the drilling and construction of a new 12-inch production well.
- In May 2018, GW Solutions completed a report reviewing water availability within the Oyster River Nature Park. In September 2018, the BCOB Services Committee approved a recommendation to send the report to the SRD Board for their review and that a review of water capacity be undertaken to determine the ability of the water supply to supply both the BCOB WLSA and the SRD Northern Area D Water Service. This analysis is currently underway.
- Preliminary design for the well kiosk and water line was completed in 2018.
- The project is budgeted at \$640,000 and received 83 per cent grant funding through the CWWF. The CVRD's portion of the project will be funded from reserves. An extension of the grant funding to March 2020 was received in fall 2018.

CVRD's delegation of purchasing authority bylaw and procurement policy, no longer requires approval of the CVRD Board for contracts exceeding \$100,000 such as those listed in Table No. 2. If the Board wishes to specifically review certain projects or initiatives prior to contract award, it should highlight those during the financial planning process. Both projects listed in Table No. 2 were approved as part of the 2018-2022 financial plan and are being carried forward for completion in 2019.

**Table No. 2: 2019 Capital Projects**

Project #	Project Title	Description	Estimated Value	Anticipated Award Date
1	New Production Well	Construction of new well head, kiosk and water main to connect new source to existing system.	\$680,500 (83 per cent funded from CWWF grant)	Construction- May 2019
2	Paulsen Road Watermain Upgrade	Upgrade of the watermain along Paulsen Road that services Miracle Beach Elementary School will be upgraded in 2019 to ensure sufficient fire flows for the system.	\$275,000	Engineering- Completed  Construction- March 2019

#### *Reserves*

At December 31, 2018 estimated reserve fund balances are as follows:

- Capital works reserve fund balance was \$562,750;
- Development Cost Charges reserve fund balance was \$107,282;
- Future expenditure reserve was \$87,294.

The 2019 reserve balances will be confirmed once the 2018 year end is finalized.

This five year financial plan includes an average capital works reserve contribution of \$33,588 per year. For 2019 an increase in operations and personnel costs without an increase in rates has led to a decrease in reserve contributions. User and parcel tax rates will be reviewed once asset management work is completed to ensure a more robust reserve contribution.

**Citizen/Public Relations**

To keep residents informed on what is happening within the WLSA, an annual newsletter will be sent out as part of the March 2019 water bill. The newsletter will provide a summary of work completed in 2018 and what is planned for 2019.

Attachments: Appendix A – “Operating Expense Variances”

**Appendix A- Function 313 Operating Expense Variances**

**Table No.1: Operating Expense Variances**

<b>Account Code</b>	<b>Description</b>	<b>2018 Budget Value</b>	<b>2019 Proposed Budget</b>
02-2-313-387	<b>Other Professional Fees:</b> The planned other professional fee items included are: <ul style="list-style-type: none"><li>• Asset management planning (carried forward).</li><li>• Assessment of the river infiltration gallery (carried forward).</li><li>• Watershed protection planning terms of reference development.</li></ul>	\$65,000	\$88,333
02-2-313-447	<b>Repairs and Maintenance of Machinery/Equipment:</b> A decrease in the allowance for repairs and maintenance of equipment is recommended based on a review of historical actuals.	\$20,000	\$15,000