

DATE: February 4, 2021**FILE:** 1700-02/2021/Function 313**TO:** Chair and Directors
Black Creek - Oyster Bay Services CommitteeSupported by Russell Dyson
Chief Administrative Officer**FROM:** Russell Dyson
Chief Administrative Officer**R. DYSON****RE: 2021 - 2025 Financial Plan – Black Creek - Oyster Bay Water Local Service Area,
Function 313**

Purpose

To provide the Black Creek - Oyster Bay (BCOB) Services Committee with the proposed 2021 - 2025 financial plan and work plan highlights for the BCOB Water Local Service Area (WLSA), function 313.

Recommendations from the Chief Administrative Officer:

1. THAT the proposed 2021 – 2025 financial plan for the Black Creek - Oyster Bay Water Local Service Area, function 313, be approved;
2. THAT the board approve an allocation of seventy thousand dollars (\$70,000) of Puntledge - Black Creek (Electoral Area C) Community Works Funds towards function 313 for the replacement of Black Creek Oyster Bay Water Local Service Area water meters to complement thirty thousand dollars (\$30,000) of Oyster Bay - Buttle Lake (Electoral Area D) Community Works Funds requested from the Strathcona Regional District for this project.

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 2021-2025 financial plan is provided in the bullets below:

- The five per cent increase in user rates that took effect in April 2020 was intended as a temporary measure while a comprehensive rate review was performed for the service.
- In response to the COVID-19 pandemic the rate review has been delayed, but costs for the service continue to increase and the proposed budget includes the minimum increases to user fee revenue required to avoid the service entering into deficit, being five per cent in 2021, and nine per cent in 2022.
- A 14.6 per cent increase in personnel costs for the service is budgeted for 2021, to fully fund the support from the Finance department combined with increases to benefits and wages scheduled in the CUPE agreement. Only time spent by the operators is billed to the service, and because actual personnel costs are consistently under those budgeted in this service, a review of allocations will take place before the next financial plan is brought forward.
- A 28 per cent increase in operating costs is expected for the service in 2021, driven by an allocation of \$100,000 to undertake a water master plan for the service to plan to ensure sufficient supply and distribution capacity for growth in the area.

- 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). Support from the Strathcona Regional District (SRD) for the project was achieved in December 2020. Drilling of the production well is complete and construction for the remainder of the works is scheduled for completion by the end of March 2021.
- With recent development in the area Comox Valley Regional District (CVRD) staff have been working with developers, and an improved design that will improve fire flows to the Miracle Beach Elementary School has been identified; updated design on this work is underway with a cost sharing agreement with developers and construction planned for 2021.
- A rebate for properties with farm status, as classified by BC Assessment, was introduced in 2019. The program was re-evaluated in 2020 and approved for a further three years. The total rebate for 2020 was \$5,220.

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Board Strategic Drivers

The CVRD Board has set four strategic drivers to guide service delivery. Table No. 1 notes the degree of influence the drivers have on projects and work plans.

Table No. 1: Board Strategic Drivers

Fiscal Responsibility	Climate Crisis and Environmental Stewardship and Protection
<ul style="list-style-type: none"> • An interim five per cent increase to rates was approved in 2019 and took effect April 2020 to avoid running a service deficit and ensure adequate reserve contributions while a rate review is completed. • A comprehensive rate review for the service was scheduled for 2020 but has been postponed until 2021 in response to the COVID-19 pandemic. • The proposed financial plan includes rate increases for 2021 and 2022 to ensure the service does not go into deficit while the comprehensive rate review is completed. 	<ul style="list-style-type: none"> • The driver for the new production well project is to increase capacity for the system, especially in summer months, where climate models predict longer and drier summers for the region. • The BCOB system is fully metered and utilizes a tiered conservation based rate structure to help minimize water consumption and impact on the Oyster River watershed.
Community Partnerships	Indigenous Relations
<ul style="list-style-type: none"> • CVRD staff are working through the process for conversion of the Watutco Water System to become part of the BCOB WLSA. Further consultation with Watutco and its residents is planned for 2021. • The BCOB WLSA is governed by the BCOB Services Committee, with representation from the CVRD and SRD. 	<ul style="list-style-type: none"> • Projects are not significantly influenced by this driver, however staff are keeping the K'ómoks First Nation Chief and Council updated on the new production well project and other water related initiatives in this service at regular monthly meetings.

Rethink Comox Valley / COVID-19 Response and Renewal

On May 12, 2020 the board adopted a COVID-19 renewal plan for the review of service levels and all necessary, critical and functional projects slated for the next five years. At the August 10, 2020 BCOB Services Committee meeting, recommended actions for the plan were brought forward and the following actions were approved:

- Defer asset management driven rate increases to 2022 to avoid adding additional cost pressures on the community as it recovers from the COVID-19 crisis.
- Participation in an inter-regional Mutual Aid Agreement (MAA) with neighboring regional districts and municipalities, and a separate local Comox Valley MAA with smaller water and sewer purveyors to ensure the Comox Valley Water System and Comox Valley Sewer System are covered in case staffing falls below emergency levels, and that we are doing our part to provide the same comfort to smaller purveyors in the Comox Valley.

Economic Recovery Task Force Actions


Not applicable.

Financial Plan Overview

The 2021 - 2025 proposed five-year financial plan for the BCOB WLSA, function 313 , including service establishment information, the requisition summary and the operating and capital budgets, is available within the full proposed budget binder, provided in both searchable PDF and e-reader formats, located on the CVRD financial plan web page at www.comoxvalleyrd.ca/currentbudget.

Table No. 2 on the following page summarizes the 2021 proposed budget as compared to the 2020 adopted budget. Significant variances from the 2020 adopted budget will be discussed in the financial plan sections that follow.

Table No. 2: Financial Plan Highlights

 2021 Proposed Budget				#313 Black Creek/Oyster Bay Water			
Operating	2020 Budget	2021 Proposed Budget	Increase (Decrease)				
Revenue							
Frontage/Parcel Taxes	163,562	163,562	-				
Sale Services User Fees	528,539	554,716	26,177				
Prior Years Surplus	123,006	129,382	6,376				
	\$ 815,107	\$ 847,660	\$ 32,553				
Expenditures							
Personnel Costs	217,091	248,901	31,810				
Directors Remuneration	2,992	2,992	-				
Operating	308,508	396,184	87,676				
Contribution to Reserve	126,451	43,434	(83,017)				
Tsfr Other Functions	18,301	14,385	(3,916)				
Debt Charges	141,764	141,764	-				
	\$ 815,107	\$ 847,660	\$ 32,553				
Capital							
Funding Sources							
Senior Government Grants	533,285	413,500	(119,785)				
Contributions from Others		7,500					
Transfer from Reserve	665,685	698,139	32,454				
	\$ 1,198,970	\$ 1,119,139	\$ (79,831)				
Funding Applied							
Capital Projects & Equip	1,198,970	1,119,139	(79,831)				
	\$ 1,198,970	\$ 1,119,139	\$ (79,831)				

Highlights of the 2021 - 2025 proposed financial plan for function 313 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 five per cent user rate increase was approved in 2019 and took effect April 2020 as an interim measure whilst a comprehensive rate review is completed based on the recently completed asset management planning work for the service.
- The increase of five per cent in user rates is anticipated to generate an additional \$26,000 in user rate revenue for 2021.
- To avoid the service running a deficit and to ensure adequate reserve contributions, the proposed financial plan requires a further five per cent increase in user rates in 2021, and anticipates an additional nine per cent increase in 2022 once the comprehensive rate review is completed.

Personnel

Changes to fully fund the support from the Finance department and wage increases as scheduled in the CUPE agreement are anticipated to result in a 15 per cent increase in 2021 personnel costs for the service.

Water operators make up the bulk of personnel costs for the service. Only time spent by the operators on this service is billed to the service. Upon review through this financial planning process, it is clear that actual personnel costs are consistently well below budgeted costs – with the savings typically resulting in higher than expected reserve contributions.

Prior to bringing forward the proposed 2022-2026 plan staff will undertake a review of water operator allocations between water services with the objective of tightening up budgeted personnel cost projections.

Operations

The majority of the budgeted 2021 operating expenses remain unchanged from 2020 amounts. A 28 per cent increase in operating costs is proposed for 2021 driven almost completely by an increase to other professional fees, changes to this category are summarized in Table No. 3.

Table No. No. 3: 2021 Significant Operational Budget Variances from 2020 Budget

Account Code	Description	2020 Budget Value	2021 Proposed Budget
02-2-313-387	Other Professional Fees: The increase in other professional fees is due to the allocation of \$100,000 to complete a water master plan for the service. Most of the remainder of fees within this category are carry forwards from 2020 for watershed protection planning and asset management.	\$70,000	\$152,000

The water master planning process is long overdue for this service, and is required to provide a roadmap to guide upgrades to the service moving forward. The BCOB Water Master Plan (WMP) will complement the asset management plan recently completed for the service by informing the sizing of infrastructure replaced at the end of its life, and likely drive some asset replacement before end of life to satisfy growth demands. The WMP will also provide key inputs to an update to the BCOB Development Cost Charge bylaw planned for late 2021 and early 2022 to ensure that developers continue to pay a fair share of new infrastructure costs for the service.

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 dry years to come. Exploratory drilling for a new production well for the system began in 2017 and final approval for drilling of the production well from the SRD was secured in December 2020. Drilling of the new production well was completed in fall 2020 and following approval from SRD in December construction for the remaining water infrastructure to connect the well to the system is anticipated to be completed ahead of the March 31, 2021 deadline for grant funding.

Table No. 4: 2021 Capital Projects

Project Title	Description	Estimated Value	Anticipated Award Date
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 contract awarded January 2021 production well drilled 2020.
Paulsen / Schultz/ Oyster River Way Watermain Connection	Previously included within the budget as an upgrade to an existing water main. With proposed development in the area CVRD are working with developers and have changed scope, working with developers on an improved long term solution for the area.	\$500,000	Design- 2020 Construction- 2021
Annual Capital Projects	Continued replacement of meters and hypo upgrade.	\$85,000	\$60,000 for meter replacement program

In 2020 the BCOB Water Service started a program to replace all residential water meters, and this financial plan includes \$60,000 per year for 2021 to 2024 for a total of \$240,000 for this project. Staff are recommending that \$100,000 of the total cost be covered by a combination of Electoral Area C and Electoral Area D Community Works Funds, split by proportion of population between those two areas.

All projects approved in the financial plan will be procured in accordance with Bylaw No. 510 and the board approved procurement policy. Any project the board wishes to receive additional information on prior to the procurement and/or contract award should be highlighted at this time.

Reserves

At December 31, 2020 estimated reserve fund balances are as follows:

- Capital works reserve fund balance was \$753,956;
- Development Cost Charges reserve fund balance was \$167,383;
- Future expenditure reserve was \$91,191.

The 2021 reserve balances will be confirmed once the 2020 year end is finalized.

This five-year financial plan includes an average capital works reserve contribution of approximately \$36,000 per year. User rates and frontage tax will be reviewed along with the asset management plan for this service as part of a comprehensive rate review in the future to ensure reserve contributions are sufficient for sustainable service delivery.

User Rates and Frontage Tax Impacts

Participants in the BCOB WLSA pay metered user rates and a parcel tax for water.

- The frontage tax for this service is \$1.24 per foot and remains unchanged from 2020. The frontage for each parcel varies with the frontage on the average residential property being \$146 per year.

- The average residential user consumes 253 cubic meters of water annually. A five percent increase in user rates was approved for 2020 resulting in an increase of \$23 per year for the average user.
- Another five per cent increase in rates is proposed for 2021, which is anticipated to add an additional \$24 per year for the average user.

Citizen/Public Relations

An annual newsletter is sent out as part of the March water bill. This newsletter provides a summary of work completed in the previous year and what is planned for next.

Discussion and negotiation with Watutco (Pacific Playgrounds) continued in 2020. Should agreement be reached, engagement with Watutco residents for conversion to a CVRD service will occur in 2021, including a newsletter and an open house, culminating in a public approval process.