

**DATE:** January 24, 2020**FILE:** 1700-02/2020/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: 2020 - 2024 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 2020 - 2024 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 2020 – 2024 financial plan for the Black Creek/ Oyster Bay Water Local Service Area, function 313 be approved.
2. THAT the application based annual rebate program for properties with farm status be continued for the service and that the program be re-evaluated in three years to ensure that the decrease in revenue resultant from the farm status rebate program remains below three per cent of the total annual revenue for the service.

**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 2020-2024 financial plan is provided in the bullets below:

- The five per cent increase in user rates that was approved in 2019 will result in an approximate \$23 increase in water revenue per year per user.
- A 13 per cent increase in personnel costs for the service is budgeted for 2020, arising from a portion of a new position being allocated to the BCOB Water Service, combined with increases to benefits and wages scheduled in the CUPE agreement.
- A 12.5 per cent decrease in operating costs is expected for the service in 2020, largely attributable to the bulk of the asset management planning work being completed.
- A draft asset management plan was completed for the service by AECOM in 2019. This work resulted in series of recommendations being made to further asset management for the service. Further work on development of the asset management plan and a review of rates will be completed in 2020.
- 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 with the Ministry of

Municipal Affairs and Housing and the Strathcona Regional District (SRD) to gain support from the SRD for drilling of the new production well within the park.

- Detailed design for the replacement of the watermain along Paulsen Road to improve fire flows to the Miracle Beach Elementary School is completed; construction will be completed in 2020.
- A rebate for properties with farm status, as classified by BC Assessment, was introduced in 2019. The program was to be re-evaluated in one year to ensure that the decrease in revenue resultant from the farm status rebate is not more than three percent of the total annual revenue for the service. The actual user rate revenue collected for the service in 2019 was \$403,463 and the total of the farm status rebates issued was \$5,876.26, representing a 1.46 per cent decrease in revenue.

Prepared by:

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**Stakeholder Distribution (Upon Agenda Publication)**

Strathcona Regional District	✓
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**Board Strategic Drivers**

The CVRD Board has set four strategic drivers to guide service delivery. Not all services will be influenced by all drivers. Table No. 1 notes the degree of influence the drivers have on projects and work plans.

**Table No. 1: Strategic Drivers**


Fiscal Responsibility	Climate Crisis and Environmental Stewardship and Protection
<ul style="list-style-type: none"> <li>• As part of the asset management work completed in 2019, an interim five per cent user rate increase was approved, frontage taxes are unchanged from 2019 values and a comprehensive rate review will be completed in 2020 to ensure sustainable service delivery moving forward.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The BCOB system is fully metered and utilizes a tiered conservation based rate structure to help minimize impact on watershed</li> </ul>
Community Partnerships	Indigenous Relations
<ul style="list-style-type: none"> <li>• CVRD staff are working through the process for conversion of Watutco to become part of the BCOB WLSA. Further consultation with Watutco and its residents is planned for 2020.</li> <li>• The BCOB WLSA is governed by the BCOB services committee, with representation from the CVRD and Strathcona Regional District</li> </ul>	<ul style="list-style-type: none"> <li>• Projects are not significantly influenced by this driver, however an update on the third production well project is being provided to the K’ómoks First Nation Chief and Council at one of their February, 2020 meetings.</li> </ul>

**Financial Plan Overview**

The 2020 - 2024 proposed five-year financial plan for 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](http://www.comoxvalleyrd.ca/currentbudget).

Table No. 2 summarizes the 2020 proposed budget as compared to the 2019 adopted budget. Significant variances from the 2019 adopted budget will be discussed in the financial plan sections that follow.

**Table No. 2: Financial Plan Highlights**

		#313 Black Creek/Oyster Bay Water		
Operating	2019 Budget	2020 Proposed Budget	Increase (Decrease)	
<b>Revenue</b>				
Frontage/Parcel Taxes	163,571	163,571	-	
Senior Government Grants	10,000		(10,000)	
Sale Services User Fees	503,609	528,539	24,930	
Prior Years Surplus	182,392	34,000	(148,392)	
	<b>\$ 859,572</b>	<b>\$ 726,110</b>	<b>\$ (133,462)</b>	
<b>Expenditures</b>				
Personnel Costs	192,627	217,091	24,464	
Directors Remuneration	2,992	2,992	-	
Operating	338,095	308,508	(29,587)	
Contribution to Reserve	165,882	37,454	(128,428)	
Tsfr Other Functions	18,212	18,301	89	
Debt Charges	141,764	141,764	-	
	<b>\$ 859,572</b>	<b>\$ 726,110</b>	<b>\$ (133,462)</b>	
<b>Capital</b>				
<b>Funding Sources</b>				
Senior Government Grants	533,285	533,285	-	
Transfer from Reserve	365,245	665,685	300,440	
	<b>\$ 898,530</b>	<b>\$ 1,198,970</b>	<b>\$ 300,440</b>	
<b>Funding Applied</b>				
Capital Projects & Equip	898,530	1,198,970	300,440	
	<b>\$ 898,530</b>	<b>\$ 1,198,970</b>	<b>\$ 300,440</b>	

Highlights of the 2020 - 2024 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 as an interim measure whilst a comprehensive rate review is completed in 2020 based on the recently completed asset management planning work for the service.
- The additional \$23 raised per user results in approximately \$24,000 in user rate revenue.
- To avoid the service running a deficit and to ensure adequate reserve contributions, recommendations for further increases to the user rate and an increase to the frontage tax will be brought forward to the BCOB Services Committee for implementation in late 2020 after completion of the comprehensive rate review.

#### Personnel

A new operator is proposed to be added to the CVRD water distribution operations crew in 2020, and a portion of this new position is allocated to the BCOB Water Service. This increase in operator allocation, combined with changes to the Canada Pension Plan, WCB increases, and wage increases scheduled in the CUPE agreement are anticipated to result in a 13 per cent increase in 2020 personnel costs for the service.

#### Operations

The majority of the budgeted 2020 operating expenses remain unchanged from 2019 amounts. A 12.5 per cent decrease in operating costs is proposed for 2020. Larger variances are summarized in Table No. 3.

**Table No. 3: 2020 Significant Operational Budget Variances from 2019 Budget**

Account Code	Description	2019 Budget Value	2020 Proposed Budget
02-2-313-387	<p><b>Other Professional Fees:</b> The decrease in other professional fees is due to the completion of the draft asset management plan in 2019, remaining work includes:</p> <ul style="list-style-type: none"> <li>• Assessment of river infiltration gallery (CFWD).</li> <li>• Watershed protection planning terms of reference development (CFWD).</li> <li>• Rate review and asset management plan updates.</li> </ul>	\$102,336	\$70,000
02-2-313-438	<p><b>Contracts/ Services Equipment:</b> Increase to the allowance, addition of a provision for preventative electrical work.</p>	\$20,000	\$40,000

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, but final approval for drilling of the production well from the SRD has not yet been secured. Given the urgency of securing new source water capacity, the CVRD is continuing to work towards securing SRD support for the project while at the same time exploring other opportunities.

All projects listed in Table No. 4 were approved as part of the 2019-2023 financial plan and are being carried forward for completion in 2020. An increase in the overall capital costs as shown in the 2020-2024 financial plan is attributable to increases in project costs due to increases in construction costs from previous estimates.

**Table No. 4: 2020 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)	Awaiting resolution with SRD
Paulsen Road Watermain Upgrade	Upgrade of the watermain along Paulsen Road that services Miracle Beach Elementary School to ensure sufficient fire flows for the system.	\$500,000*	Construction - Summer 2020
Replacement of Highway Meters	Replacement of meters along highway for safety and efficiency	\$50,000*	Installation - Fall 2020

*\*Project budgets increased from 2019-2023 financial planning values based on increase of construction costs from original estimate.*

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, 2019 estimated reserve fund balances are as follows:

- Capital works reserve fund balance was \$701,856;
- Development Cost Charges reserve fund balance was \$115,398;
- Future expenditure reserve was \$88,908.

The 2020 reserve balances will be confirmed once the 2019 year end is finalized.

This five-year financial plan includes an average capital works reserve contribution of \$42,182 per year. User rates and frontage tax will be reviewed as part of a comprehensive rate review in 2020 to ensure reserve contributions are sufficient for sustainable service delivery.

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 2019. 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, for a total annual bill of \$488 (billed quarterly).
- The average residential customer will pay approximately \$634 in 2020 for water.

**Citizen/Public Relations**

A newsletter was provided to residents as part of their January water bill, informing residents of the rate increase and asset management work that is underway, an open house in February is also planned to keep residents informed. An annual newsletter is also 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.

Engagement with Watutco residents for conversion to a CVRD service will occur in 2020, including a newsletter and an open house, culminating in a public approval process.