

DATE: February 19, 2021

FILE: 1700-02/2021/Function 300, 301, 302

TO: Chair and Directors
Comox Valley Water Committee

FROM: Russell Dyson
Chief Administrative Officer

Supported by Russell Dyson
Chief Administrative Officer

J. Warren, for:

RE: 2021 - 2025 Financial Plan – Comox Valley Water System – Function 300, 301, 302

Purpose

To provide the Comox Valley Water Committee with the proposed 2021 - 2025 financial plan and work plan highlights for the Comox Valley Water System (CVWS), function 300, sub-function 301, implementation of the Comox Lake Watershed Protection Plan (WPP), and sub-function 302, Comox Valley water treatment plant and raw water intake.

Recommendation from the Chief Administrative Officer:

THAT the proposed 2021 – 2025 financial plan for Comox Valley Water System service, functions 300, 301 and 302 be approved;

AND FURTHER THAT the recommended 2021 – 2025 financial plan for Comox Valley Water System service include a \$250,000 capital project to repair and upgrade the Puntledge River water main crossing, funded by the capital works reserve.

Executive Summary

The CVWS is currently in the process of completing the Comox Valley Water Treatment Plant (CVWTP). The 2021-2025 financial plan includes the significant capital spending required to complete the CVWTP, and a new sub-function 302 has been created for budgeting and tracking operational costs for the new treatment plant.

The bullets below provide a summary of the 2021-2025 financial plan:

- Bulk water rate impact:
 - As part of the COVID-19 response and renewal plan, the bulk water rate for the service will decrease in 2021 from \$0.83/m³ to \$0.80/m³ in 2021 and 2022.
 - Under the CVWTP funding strategy the previous bulk water rate forecast will accommodate debt servicing for borrowing required for the CVWTP, and will result in an average incremental cost of \$86 per property, per year at project completion in 2021, compared to 2017 water rates.
- A 30 per cent increase in personnel costs for the service is budgeted for 2021, as a result of the addition of three new operators for the CVWTP, the water service share of a new in-house electrician, and increases to benefits and wages scheduled in the CUPE agreement.
- There is a four per cent reduction in operation costs as compared to 2020, driven by the COVID-19 response and renewal plan for the service, due to temporary reductions in spending for implementation of the WPP, and the delayed replacement of several vehicles.

- Capital:
 - Construction of the CVWTP continued in 2020 and the new water treatment plant is anticipated to be operational in summer 2021. Funding for CVWTP and other capital projects will be from a combination of grant funding, capital works reserves, development cost charges (DCCs) reserves and new debt.
 - A new fiber communications connection to the East Courtenay reservoir is planned for 2021 along with development of a concrete cylinder pipe repair kit to expedite emergency leak response on the large diameter water main supplying East Courtenay.
 - Follow up repair of the Puntledge River water main crossing at an estimated cost of \$250,000, including addition of infrastructure that will make future such repairs simpler and less expensive to execute.
- Implementation of a computerized maintenance management system (CMMS) for the service is planned in 2021, with the award of the contract to CityWorks in late 2020. This system will streamline operations and maintenance activities of the water team both in the field and in office, and is particularly important as the CVRD continues to enhance its water service areas with the recent addition of Union Bay and the new water treatment plant. The CMMS system is expected to be an integral tool for streamlining processes and practices of managing infrastructure as the CVRD implements its asset management program.
- Watershed protection (sub-function 301):
 - In parallel with construction of the CVWTP, the Comox Valley Regional District (CVRD) is implementing the WPP.
 - In 2020 a management planning process for the newly acquired Coal Beach property on Comox Lake was initiated, water quality and environmental monitoring was expanded and the education and outreach program implementation continued.
 - The 2021 work plan will include completion of the Coal Beach management plan, a review of the WPP risk assessment, and continuation of public outreach and education programs.

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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 on the following page 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"> Revenue for the service is largely derived from the sale of bulk water. In response to the COVID-19 pandemic, bulk water rates are temporarily decreasing for 2021 and 2022. Impacts to reserve contributions will be mitigated by decreased operating expenses. The water treatment project is over 50 per cent funded by grants. 	<ul style="list-style-type: none"> All rural connections are now metered with a conservation rate structure, and Courtenay and Comox are both well on their way to having all commercial and some residential connections metered. Water conservation is a priority for all partners. Implementation of the WPP will continue in 2021.
Community Partnerships:	Indigenous Relations:
<ul style="list-style-type: none"> The service itself is a partnership between Courtenay, Comox, and all three electoral areas working together to deliver high quality drinking water to almost 50,000 community members. Implementation of the WPP is guided by the watershed advisory group, with representation from all key watershed stakeholders. 	<ul style="list-style-type: none"> The CVRD is working closely with the K'ómoks First Nation (KFN) to partner on the conveyance and delivery of water to KFN development lands in the south region. As a result of the Mutual Benefit Agreement signed with the KFN in 2018, the KFN now sits as an observer on the Comox Valley Water Committee and all parties are working towards a future voting role on the committee.

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 July 14, 2020 Comox Valley Water Committee meeting, the following recommended actions were approved:

- Reduce increases to the service revenue requirements over the next two years by reducing operational expenses, as detailed within the July 9, 2020 staff report and within the financial plan.
- Decreases to the bulk water rate for 2021 and 2022 to \$0.80 per cubic meter, and return to the previously scheduled increase to \$0.96 per cubic meter in 2023.
- 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 for this service.

Financial Plan Overview

The 2021 - 2025 proposed five-year financial plan for the Comox Valley Water System, functions 300-302, 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 below summarizes the 2021 proposed budget as compared to the 2020 adopted budget. Significant variances from 2020 adopted budget will be discussed in the financial plan sections that follow.

Table No. 2: Financial Plan Highlights

 2021 Proposed Budget			
#300 Comox Valley Water Supply System			
Operating	2020 Budget	2021 Proposed Budget	Increase (Decrease)
Revenue			
Senior Government Grants			-
Sale Services User Fees	6,998,510	6,785,111	(213,399)
Applications/Permit Fees	0	1,250	1,250
Other Revenue/Recoveries	98,980	99,225	245
Transfer from Reserve	1,166,665	0	(1,166,665)
	\$ 8,264,155	\$ 6,885,586	\$ (1,378,569)
Expenditures			
Personnel Costs	1,386,322	1,806,242	419,920
Operating	2,401,282	2,306,308	(94,974)
Contribution to Reserve	2,235,436	1,200,403	(1,035,033)
Transfer to Other Functions	27,391	2,692	(24,699)
Transfer to Other Governments	750,000	0	(750,000)
Debt Charges	1,463,724	1,569,941	106,217
	\$ 8,264,155	\$ 6,885,586	\$ (1,378,569)
Capital			
Funding Sources			
Senior Government Grants	36,256,366	7,105,087	(29,151,279)
Other Revenue/Recoveries	10,000	1,350,000	1,340,000
Short Term Debt Proceeds	14,646,464	14,353,536	(292,928)
Transfer from Reserve	10,056,115	9,493,470	(562,645)
	\$ 60,968,945	\$ 32,302,093	\$ (28,666,852)
Funding Applied			
Capital Projects & Equip	60,968,945	32,302,093	(28,666,852)
	\$ 60,968,945	\$ 32,302,093	\$ (28,666,852)

Highlights of the 2021 - 2025 proposed financial plan for functions 300 - 302 include:

Revenue Sources

The CVWS is funded through the sale of bulk water to its customers and as such revenue for the service is directly related to the amount of water consumed. Increases to the bulk water rate bylaw were approved by the Comox Valley Water Committee in 2016, and were within the approved 2020 to 2024 financial plan, including further increases in 2021 (\$0.85/m³) and in 2023 (\$0.96/m³).

In response to the COVID-19 pandemic, bulk water rates for 2021 and 2022 have been decreased to \$0.80/m³ to assist the community during the COVID-19 recovery phase. Rates will increase again to the scheduled \$0.96/m³ in 2023.

Personnel

With the CVWTP due for completion in spring 2021, and as approved in the 2020 – 2024 financial plan, in 2021 the CVWS is hiring new senior Level IV water treatment operator, lead hand, and Level III water treatment operator in 2021 to manage the new infrastructure. These new operator positions will be allocated to the regional service's new sub-function 302 - Comox Valley water treatment plant and raw water intake. Because the positions are being hired progressively, with the Level III not anticipated to be in place until just before the new treatment plant is operational, the service won't see the full cost of these new positions until the second half of 2021.

Also in 2021 the CVRD is hiring a new in-house electrician to displace much of the electrical work currently being performed by contractors, and provide a much needed back up to the existing SCADA technician. The CVWS will cover 50 per cent of the new electrician role, and the Comox Valley Sewer Service will cover the remainder.

The hiring of the new water treatment plant operators and electrician, combined with wage increases scheduled in the CUPE agreement, are anticipated to result in a 30 per cent increase in personnel costs for the service in 2021.

Operations

The majority of the budgeted 2021 operating expenses remain unchanged from 2020 amounts. A four per cent decrease in operating costs is proposed for 2021, as a result of proposed cost savings due to COVID-19. See Appendix A for a table highlighting the significant operating expense variances.

Sub-function 301 tracks expenditures for the WPP. Implementation of the WPP will allow for compliance with Island Health regulations, minimize operations and maintenance costs of the CVWS, and ensure the ongoing safe reliable supply of drinking water for the community.

Implementation of the WPP in 2020 included initiating the Coal Beach property management planning process, expanding the water quality and environmental monitoring program and continued implementation of the education and outreach program. The 2021 work plan will include completion of the Coal Beach management plan, a review of the WPP risk assessment, and continuation of public outreach and education programs.

The new sub-function 302 tracks expenditures for the new water treatment plant and lake intake. Estimates for water treatment plant operating costs previously included in the 300 plan have now been broken out into sub-function 302.

Capital

The primary driver for the significant capital spending in 2021 is the CVWTP, which is mandated by regulations, will bring the CVRD in line with other jurisdictions across BC and is vital to provide safe, secure water to the Comox Valley. See Appendix B for a detailed list of budgeted capital projects.

Revenue for capital projects will be funded through a combination of capital works reserves, DCC reserves, long term debt and grant funding. Capital in 2020 was funded by reserves, grant funding and new debt.

Capital project works completed in 2020 include:

- CVWTP
 - Construction of the raw water transmission main.
 - Underground structures at water treatment plant and start mechanical and electrical work.
 - Electrical building structure and raw water pump station construction underway.
- Condition assessment of the pre-stressed concrete forcemain from the Puntledge River to the Tsolum River within the operational budget to help inform condition and remaining service life of this major capital infrastructure.

Projects scheduled for 2021 include:

- Completion of bulk water standpipe upgrades, including installation of a new bulk water kiosk, work began in 2020 and is nearing completion.
- Continued work on the development of a route for extension of water services south (this project is being managed by CVRD staff but fully funded from others and grant funding).
- Completion of construction of the CVWTP, with a capital budget for 2021 of \$30.8 million, will include construction of the water treatment plant, raw water pump station and transmission mains.
- Follow up repair of the Puntledge River water main crossing at an estimated cost of \$250,000, including addition of infrastructure that will make future such repairs simpler and less expensive to execute.

As the result of the recent budget amendment for the CVWTP, outlined in the January 7, 2021 staff report and approved by the board on January 12, 2021, the timing for all capital spending will be reviewed and revised where necessary in the 2021 – 2025 recommended financial plan.

Reserves

The 2021-2025 proposed financial plan optimizes use of available capital works and DCC reserves, to help fund the significant capital costs associated with delivering the CVWTP, but leaving the reserves in good shape by the end of the proposed financial planning period.

As of December 31, 2020 reserves for the service are estimated to be:

- Future expenditure reserve fund balance for the CVWS - \$50,000.
- Capital works reserve fund balance - \$17,691,580.
- DCC reserve fund balance - \$1,606,441.

The future expenditure reserve fund is normally used for liability and exposure expenses, however is available to fund opportunities and other emergent events. In 2020, \$750,000 was used to fund the purchase of land within Perseverance Creek watershed. The capital works reserve fund is used to fund priority capital projects required in the service, while DCC reserves can only be used to fund projects that are identified by the DCC bylaw and increase the capacity of the service.

Bulk Water Rate Impacts

The projected increases to the bulk water rate will result in an average incremental cost per property of approximately \$86 per year at project completion (year 2021), compared to annual costs in 2017. Further increases to the bulk water rate are budgeted for in 2023 and 2024, and depending on the jurisdiction and extent of water conservation driven effects on water consumption, may result in a further incremental cost to residents.

Citizen/Public Relations

In 2017 the CVRD awarded a contract to Zinc Strategies, a communications consultant, to assist the CVRD with communications for water and wastewater capital projects. Zinc has played a crucial support role to internal CVRD communications in development of educational information for the CVWTP in 2020. Zinc will continue to play a critical supporting role to CVRD communications for the CVWTP in 2021.

In spring 2018, a contract was awarded for a four-part outreach, education and communications project to address water efficiency and watershed protection. Significant communications and outreach was initiated in 2019 and has continued since. This comprehensive project is targeting all residents as well as visitors to the Comox Valley, with the goal of raising awareness about the value of water quality and quantity and how to act responsibly to ensure protection of our water resources into the future.

Attachments: Appendix A – Operating Expense Variances
Appendix B – Capital Project Summary

Appendix A- Function 300, 301, 302 Operating Expense Variances

Account Code	Description	2020 Budget Value	2021 Proposed Budget
02-2-300-276	Software License: Increase in licensing with addition of CityWorks computerized maintenance management system.	\$46,400	\$61,800
02-2-300-354	Education Programs: Temporary reduction of rebates and funding for other water efficiency programs.	\$120,000	\$70,000
02-2-300-387	Other Professional Fees: Planned professional fees include: <ul style="list-style-type: none"> • Continued work on asset management planning. • Coal Beach property management planning process (CFWD). • Concrete cylinder pipe emergency response kit and planning. • Regional water strategy. 	\$517,500	\$240,000
02-2-301-354	Education Programs (301): Watershed Protection Plan education and outreach program. Decrease in work in response to COVID-19 pandemic.	\$70,000	\$28,000
02-2-301-438	Contracts/ Services/ Equipment (301): Equipment purchase in support of Watershed Protection Plan goals.	\$60,000	\$20,000
02-2-301-485	Contribution to Capital Works Reserve: Annual capital projects/equipment needs.	\$25,000	\$15,000
Sub-function 302	All account codes are new this year (302) Estimated water treatment plant operating costs previously carried in the 300 budget have been broken out to this new sub-function.	n/a	\$775,824

Appendix B – 2021-2025 Capital Projects - Comox Valley Water Supply System, Function 300, 301, 302

Capital	Project Description	2020 Carry Forwards	2021 Proposed Budget	2022 Financial Plan	2023 Financial Plan	2024 Financial Plan	2025 Financial Plan
Annual Capital Equipment	Annual capital equipment replacements. Compact loader in 2021 for water treatment plant.		\$115,000	\$15,000	\$20,000	\$20,000	\$20,000
Vehicle Capital Purchase	Annual vehicle replacements as required by the CVRD's fleet management policy.		\$50,000	\$50,000	\$100,000	\$140,000	\$140,000
Annual Capital Projects	- CCP repair kit. - CFWD-Fiber connection for East Courtenay reservoir. - New connection for Grieve Crescent -Puntledge crossing leak repair.	\$120,000 + (REMAINDER OF BULK WATER STANDPIPE BUDGET)	\$360,000	\$60,000	\$60,000	\$60,000	\$60,000
Comox Valley Water Treatment Project	Required for compliance with Island Health and the Drinking Water Treatment Objectives for Surface Water Sources.		\$28,997,093	\$3,557,566	\$3,624,637		
Extension of Water Service South	A project to be built and owned by the CVRD but fully funded by K'ómoks First Nation and other users of the new infrastructure.		\$2,700,000	\$16,090,000			
Maintenance Management System (MMS) (CFWD)	Purchase of MMS software to streamline preventative maintenance of water infrastructure.(CFWD)	\$80,000	\$80,000				
Total			\$32,302,093	\$19,772,566	\$3,804,637	\$220,000	\$220,000

Note: 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.