

**DATE:** January 29, 2019**FILE:** 1700-02/2019/331**TO:** Chair and Directors  
Electoral Areas Services Committee**FROM:** Russell Dyson  
Chief Administrative OfficerSupported by Russell Dyson  
Chief Administrative Officer***R. Dyson*****RE: 2019-2023 Financial Plan – King Coho Wastewater Service – Function 331**

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**Purpose**

To provide the Electoral Areas Services Committee with the proposed 2019-2023 financial plan and work plan highlights for the King Coho wastewater service, function 331.

**Recommendation from the Chief Administrative Officer:**

THAT the proposed 2019-2023 financial plan for King Coho wastewater service, function 331, be approved.

**Executive Summary**

The proposed 2019-2023 financial plan for the King Coho wastewater service, function 331, includes the following highlights:

- A 2019 parcel tax rate for the service of \$4,064 per user with a total annual revenue of \$150,351. Included in the 2019 rate is a one-time charge of \$2,703 per user (totalling \$100,000) for capital upgrades to the wastewater treatment plant. The parcel tax rate is proposed to decrease in 2020 to \$1,361 per user following completion of the capital upgrades, to cover ongoing operation and maintenance of the system.
- The proposed financial plan includes \$9,705 in personnel costs required to operate and maintain the wastewater treatment plant. Resources are provided from the Comox Valley Regional District's (CVRD) pool of wastewater operators.
- The CVRD took ownership of the King Coho wastewater treatment plant in October 2018. As such, 2019 will be the first full year of CVRD operation. The operational needs of system continue to be refined as CVRD wastewater operators become more familiar with the system. Adjustments have been made to 2019 allocations based on experience gained throughout 2018.
- Capital expenditures of \$100,000 in 2019 are proposed to complete the upgrades to the wastewater treatment plant infrastructure to bring the system back into compliance with the discharge permit.
- A reserve fund has been established for the service. The proposed financial plan includes significant reserve contributions aimed at creating a sustainable capital works reserve fund to fund future equipment upgrades.

Prepared by:

Concurrence:

***D. Monteith***

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Darryl Monteith  
Manager of Liquid Waste  
Planning***M. Rutten***

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Marc Rutten, P.Eng.  
General Manager of  
Engineering Services Branch

**Policy Analysis**

Bylaw No. 495, being the “King Coho Wastewater Service Establishment Bylaw No. 495, 2017” establishes the service, its boundaries and its maximum cost recovery.

Bylaw No. 563, being the “King Coho Wastewater Service Parcel Tax Bylaw No. 563, 2018” establishes the annual parcel tax amount for this service for 2019.

At its November 2015 meeting, the Electoral Areas Services Committee passed the following motion:

THAT subject to approval of 50 per cent funding by participating strata, that the 2016-2020 financial plan commit \$10,000 of community works funds (CWF) for half of the anticipated condition assessment and asset management plan costs.

At the November 20, 2017 meeting the Electoral Areas Services Committee approved the following recommendations:

THAT the 2018-2022 financial plan commit \$50,000 of Electoral Area B Community Works Funds towards the required capital upgrades to the wastewater treatment infrastructure for the King Coho Wastewater Service

THAT, subject to the establishment of the King Coho Wastewater Service, the Comox Valley Regional District enter into a short term financing agreement in an amount up to \$100,000 with the Municipal Finance Authority under section 175(1) of the *Community Charter* for the required capital upgrades to the wastewater treatment infrastructure for the King Coho Wastewater Service

AND FINALLY THAT this financing be repaid within five years of entering into the agreement.

**Financial Plan Overview**

The King Coho wastewater service was established in early 2018 with final reading of the establishment bylaw provided at the January 23, 2018, CVRD Board meeting. The service is a domestic sewer treatment service for residents of the King Coho strata development near the Little River ferry terminal. As part of service creation, participants agreed to pay a one-time capital upgrade charge necessary to bring the treatment system back within permit compliance.

The 2018-2022 financial plan was the first financial plan for the service and was assembled from study work completed by McElhanney Consulting Services Ltd. and further refined by CVRD staff based on similar services. The operational needs of the service continue to be refined as CVRD wastewater operators become more familiar with the system.

Negotiations for the transfer of works, the required Statutory Rights of Way (SRW), and the transfer of provincial permits continued through summer 2018. In October 2018, the CVRD officially took ownership of the King Coho wastewater system.


Operations, maintenance and repairs were completed by CVRD operators under contract with the managing Strata Corporation from February 2018 until September 2018. During this time, operational expenditures outside the scope of the service agreement, such as hydro and insurance,

remained the responsibility of the Strata. Those costs within the scope of the service agreement were recovered directly from the Strata.

Beginning in October 2018, the CVRD took responsibility for all operational expenditures. From October 2018 to December 2018 operating revenue was collected through user rates equating to a monthly charge of \$111 per strata unit for a total of \$12,321.

Table 1 summarizes the 2019 proposed budget as compared to the 2018 adopted budget. Significant variances from the 2018 adopted budget will be discussed in the financial plan highlights section below.

**Table 1: Financial Plan Highlights**

 <b>#331 King Coho Sewer</b>				
<b>Operating</b>	<b>2018 Budget</b>	<b>2019 Proposed Budget</b>	<b>Increase (Decrease)</b>	
<b>Revenue</b>				
Sale Services User Fees	49,364	150,351		100,987
	<b>\$ 49,364</b>	<b>\$ 150,351</b>	<b>\$</b>	<b>100,987</b>
<b>Expenditures</b>				
Personnel Costs	11,074	9,705		(1,369)
Operating	20,737	22,433		1,696
Contribution to Reserve	15,703	116,863		101,160
Tsfr Other Functions	850	1,350		500
Debt Charges	1,000			(1,000)
	<b>\$ 49,364</b>	<b>\$ 150,351</b>	<b>\$</b>	<b>100,987</b>
<b>Capital</b>				
<b>Funding Sources</b>				
Senior Government Grants	57,171			(57,171)
Short Term Debt Proceeds	100,000			(100,000)
Transfer from Reserves		100,000		100,000
	<b>\$ 157,171</b>	<b>\$ 100,000</b>	<b>\$</b>	<b>(57,171)</b>
<b>Funding Applied</b>				
Capital Projects & Equip	157,171	100,000		(57,171)
	<b>\$ 157,171</b>	<b>\$ 100,000</b>	<b>\$</b>	<b>(57,171)</b>

The 2019-2023 proposed five-year financial plan for the King Coho wastewater service, including the requisition summary and the operating and capital budget, 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).

Highlights of the 2019-2023 proposed financial plan for the King Coho Wastewater service, function 331, include:

#### *Revenue Sources*

- In 2018, actual operating revenue was provided through a combination of service agreement and user rates.

- Due to the delay in capital works, short term debt proceeds were not required in 2018. The 2019 proposed budget shows \$100,000 in capital funds now coming directly from parcel tax revenue, eliminating debt servicing costs for service participants.
- In 2019, annual operating revenue and a one-time capital charge of \$100,000 will be recovered through parcel tax, at a rate of \$4,064 per user with a total annual revenue of \$150,351.
- The parcel tax rate is proposed to decrease in 2020 to \$1,361 per user following completion of the capital upgrades to cover ongoing operation and maintenance of the system.

#### *Personnel*

- The proposed financial plan includes \$9,705 of personnel costs required to operate the wastewater treatment plant. Resources are provided from the CVRD's pool of wastewater operators. Service hours have decreased in 2019 with the installation of a PLC and controls to allow for remote monitoring. This has allowed for a reduction in personnel costs of \$1,369.
- Management of the service is provided by the Liquid Waste Management Planning (LWMP) service, function 340. Management fees have been increased by \$500 in 2019, resulting in a \$500 increase in Transfer to Other Functions.

#### *Operations*

- The operational needs of the King Coho wastewater system continue to be refined as CVRD wastewater operators become more familiar with the system. Adjustments have been made to 2019 allocations based on experience gained throughout 2018. Variances of note include:
  - A reduction in contract services of \$1,200 in 2019. Contract services include a biennial allocation for outfall inspection resulting in a higher allocation in year 2019, 2021 and 2023.
  - An increase in telephone and alarm lines of \$390 in 2019.
  - New allocations for permits, software licences, materials/supplies, property insurance and water.
- Legal fees were incurred in 2018 for the preparation of a utility transfer agreement and contract of sale of goods, preparation and registration of required SRWs, and re-assignment of the outfall licence and discharge permit to the CVRD. These are considered one-time costs associated with the transfer of assets from the Strata to the CVRD. There is no allocation for legal in the 2019-2023 financial plan.

#### *Capital*

The 2018-2022 financial plan included capital spending of \$157,171 in 2018 for the completion of treatment plant upgrades in order to bring the King Coho treatment plant into compliance with its operating permit. These capital works were to be funded by \$57,171 of Electoral Area B Community Works Fund and \$100,000 of short-term debt.

Capital works were delayed until late 2018, pending transfer of the utility to the CVRD. Given the delay in initiating project works, short-term borrowing is no longer required.

Utilizing the \$57,171 in community works funds allocations, the following upgrades were completed in 2018 for King Coho:

- System operations review by Hannah Environmental to help troubleshoot operation issues.
- Upgrades to the alarms and monitoring equipment.

- Installation of a new water service to help improve operational challenges with treatment process.
- Upgrades to the PLC and controls.

In 2019, capital expenditures of \$100,000 are proposed to finish the necessary upgrades to the King Coho treatment process.

Planned work for 2019 includes:

- Engineering and construction of modifications to the emergency storage tank to convert to an equalization tank to buffer peak inflows.
- Structural assessment of existing pedestrian bridge across Little River.

#### *Reserves*

As of December 31, 2018, the projected capital works reserve fund balance is \$15,703. The 2019 budget includes an annual contribution of \$116,863 towards capital works reserves. This includes a \$100,000 one-time contribution to complete system upgrades which will be expended in 2019.

The proposed financial plan includes significant reserve contributions aimed at creating a sustainable capital works reserve fund to fund future equipment upgrades. An asset management plan is being developed for the service to ensure sustainable service delivery.

#### **Citizen/Public Relations**

The CVRD worked closely with service participants through a petition process in late 2017. Moving forward, communications will be delivered by newsletter highlighting parcel tax requirements as well as the timing of planned capital upgrades in 2019.

Attachments: Appendix A – “King Coho Upgrades – Project Summary”

Appendix A – King Coho Upgrades – Project Summary

**King Coho Wastewater Service (Function 331)**

Significant Projects – 2019 Financial Plan

<u>Budgeted Amount</u>	<u>Timeframe</u>
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**Capital**

Engineering and construction of modifications to emergency storage tank; structural assessment of pedestrian bridge

\$ 100,000	April - July
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<b>\$ 100,000</b>
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All projects approved in the financial plan will be procured in accordance with Bylaw No. 510 and the Board approved Procurement Policy. If the Board wishes to receive additional information on this project prior to the procurement and/or contract award, it should be highlighted at this time.