

**DATE:** February 1, 2019**FILE:** 1700-02/2019/312**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 – Royston Water Local Service Area– Function 312**

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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 Royston Water Local Service Area (WLSA), function 312.

**Recommendation from the Chief Administrative Officer:**

THAT the proposed 2019 - 2023 financial plan for the Royston Water Local Service Area, function 312, be approved.

**Executive Summary**

The Royston WLSA was converted to a Comox Valley Regional District (CVRD) owned and operated service in 2010 and has been operating as a CVRD service ever since. A summary of the 2019-2023 financial plan is provided below:

- Operating expenses remain largely unchanged for the service.
- A revised three year term for the water supply agreement between the CVRD and Village of Cumberland was signed in 2017. Per the agreement Cumberland, they are to notify the CVRD of any changes to the subsequent year's bulk water rate by October 1. The bulk water rate for 2019 is \$0.81/m<sup>3</sup>.
- An error has been identified in the allocations used to calculate personnel costs in the proposed financial plan, resulting in an over estimation of projected expenses in this category. An amendment will be brought forward to correct this error, and reduce the projected personnel costs for this service. 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.
- No changes to user rates are planned for the system until completion of asset management work in early 2019.
- Asset management work to be completed in 2019 will include inventory assessments, condition and risk assessment planning, level of service information and an evaluation of total lifecycle costs.
- Design of the upgrade of a water main along Gartley Road to resolve fire flow issues at one of the furthest reaches of the system was completed in 2018. Construction of the project will be complete prior to summer 2019.

Prepared by:

Concurrence:

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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 below 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>#312 Royston Water</b>			
Operating	2018 Budget	2019 Proposed Budget	Increase (Decrease)
<b>Revenue</b>			
Frontage/Parcel Taxes	195,400	195,400	-
Sale Services User Fees	478,237	485,737	7,500
Other Revenue/Recoveries	2,700		(2,700)
Prior Years Surplus	192,549	100,000	(92,549)
	<b>\$ 868,886</b>	<b>\$ 781,137</b>	<b>\$ (87,749)</b>
<b>Expenditures</b>			
Personnel Costs	187,594	214,092	26,498
Operating	500,323	487,667	(12,656)
Contribution to Reserve	168,756	67,088	(101,668)
Tsfr Other Functions	12,213	12,290	77
	<b>\$ 868,886</b>	<b>\$ 781,137</b>	<b>\$ (87,749)</b>
<b>Capital</b>			
<b>Funding Sources</b>			
Transfer from Reserve	450,000	424,000	(26,000)
	<b>\$ 450,000</b>	<b>\$ 424,000</b>	<b>\$ (26,000)</b>
<b>Funding Applied</b>			
Capital Projects & Equip	450,000	424,000	(26,000)
	<b>\$ 450,000</b>	<b>\$ 424,000</b>	<b>\$ (26,000)</b>

The entire 2019 – 2023 proposed five year financial plan for the Royston WLSA, 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*

Water for the Royston WLSA is supplied in bulk from the Village of Cumberland and revenues for the service are derived from a combination of parcel tax and user rates. The purchase of bulk water and subsequent revenue projections for the Royston WLSA are detailed below:

- A water supply agreement governs the supply and purchase arrangement of water for the Royston WLSA. The current agreement is set to expire in 2020.
- Per the agreement, Cumberland notified the CVRD at the end of September 2018 that the bulk water rate for 2019 would increase to \$0.81/m<sup>3</sup>
- No change in the parcel tax rate or the user rates are expected until completion of a detailed asset management plan for the service in early 2019.
- The increase in revenue as shown in the table above is attributed to an increase in revenue expected from new connection fees, due to the amendments to the fees and charges bylaw as approved in 2018.

#### *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 remain unchanged from 2018 amounts. Other professional fees for the service for 2019 are primarily all carried forward from 2018 and are summarized in Table No. 2.

**Table No. 2: 2019 Proposed Other Professional Fees Versus 2018 Budget**

Account Code	Description	2018 Budget Value	2019 Proposed Budget
02-2-312-387	<b>Other Professional Fees:</b> Planned professional fees include: <ul style="list-style-type: none"> <li>• Asset management (carried forward).</li> <li>• Alternate water supply planning (carried forward).</li> <li>• Pressure zone assessment (carried forward).</li> </ul>	\$120,000	\$110,000

#### *Capital*

One capital project will be completed in 2019, being the upgrade of the water main along Gartley Road. This upgrade is required to resolve fire flow issues at one of the furthest reaches of the system. The project was identified as requirement for the service as part of the 2013 Koers Water System Study and the project is estimated to cost \$450,000 and will be funded completely from

reserves. Design and engineering was completed in 2018 and construction will be completed prior to summer 2019.

Upgrade of the watermain along Minto Road has been delayed until 2020. Development and completion of a detailed asset management plan in 2019 will help to inform future asset replacement requirements based on age of infrastructure, condition and risk. The asset management plan is expected to be complete in early 2019 and will help to inform the capital replacement requirements for the 2020-2024 financial plan.

#### *Reserves*

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

- Capital works reserve fund balance of \$1,903,144 , which is used to fund priority capital projects required in the service. The Gartley Road Project will be funded through the capital works reserve, the majority of the project was carried forward into 2019, resulting in only a modest decrease in the capital works reserve as compared to 2017.
- Future expenditure reserve of \$304,651 which is used to manage system liability issues that may arise, and can also be used to fund operational costs and capital project requirements.
- Capital Improvement Cost Charge reserve of \$63,744 which is restricted to funding capital work attributed to development.

This five year financial plan includes an average capital works reserve contribution of \$55,993 per year and a future expenditure reserve fund contribution of \$5,000 per year.

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

To keep residents informed on what is happening within the WLSA, the 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.