

**DATE:** January 31, 2019**FILE:** 1700-02/2019/307**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 – Denman Island Water Local Service Area–Function 307****Purpose**

To provide the Electoral Areas Services Committee (EASC) with the proposed 2019 - 2023 financial plan and work plan highlights for the Denman Island Water Local Service Area (DIWLSA), function 307.

**Recommendation from the Chief Administrative Officer:**

THAT the proposed 2019 - 2023 financial plan for the Denman Island Water Local Service Area, function 307 be approved.

**Executive Summary**

DIWLSA provides water to 23 residents located on Denman Island. Source water for the system is supplied from the Graham Lake Improvement District (GLID). 2018 was the first year of the revised service agreement with GLID, where GLID manages day-to-day operations of DIWLSA to help improve Comox Valley Regional District (CVRD) operational challenges. CVRD involvement with DIWLSA is limited primarily to issuing DIWLSA residents their annual water bill.

The revised agreement has resulted in some significant changes in the operations and revenue for DIWLSA, the agreement has been renewed for 2019 and these changes are reflected in the 2019-2023 financial plan, as summarized below:

- A water treatment options study will be completed in 2019. The study is cost shared with GLID with the CVRD's share being funded from Community Works Funds (CWFs). The study reviews six different treatment options and provided Class D cost estimates for each option. The study is nearing completion with pilot testing of the preferred option prior to final selection of a treatment method.
- A conversion study for GLID to become a CVRD owned and operated service was completed in 2018 and reviewed a number of governance options and associated conversion costs. The CVRD and GLID are in continued communication to determine a path forward based on the results of the study. The study was fully funded by the Ministry of Municipal Affairs and Housing, Infrastructure Planning Grant Program.
- The variances in the financial plan from 2018 to 2019 are substantially due to the completion of the study work funded by grants.

Prepared by:

Concurrence:

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**Stakeholder Distribution (Upon Agenda Publication)**

Graham Lake Improvement District	✓
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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**

The changes in the 2019-2023 proposed financial plan from the 2018-2022 financial plan reflect the completion of the 2018 study works funded by grants. An overview of the 2019-2023 financial plan is provided in the sections below.

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>2019 Proposed Budget</b>				<b>#307 Denman Island Water</b>			
<b>Operating</b>	<b>2018 Budget</b>	<b>2019 Proposed Budget</b>	<b>Increase (Decrease)</b>				
<b>Revenue</b>							
Senior Government Grants	25,644		(25,644)				
Sale Services User Fees	30,900	30,900	-				
Other Revenue/Recoveries	1,000	1,000	-				
Transfer from Reserve	6,625		(6,625)				
	<b>\$ 64,169</b>	<b>\$ 31,900</b>	<b>\$ (32,269)</b>				
<b>Expenditures</b>							
Operating	56,799	31,900	(24,899)				
Prior Yr Overexpended	7,370		(7,370)				
	<b>\$ 64,169</b>	<b>\$ 31,900</b>	<b>\$ (32,269)</b>				

The entire 2019 - 2023 proposed five year financial plan for the DIWLSA, including the requisition summary and operating budget, 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 function 307 include:

#### *Revenue Sources*

The user rates for the service mirror the rates charged in GLID to ensure equity between the two service areas and are as follows:

- Annual charge of \$500 for no water charged to all DIWLSA residents.
- Additional \$900 per year for unlimited water (total bill of \$1,400/year for water).

In 2018, \$25,600 in CWFs was used to support completion of the water treatment options study to determine a path forward for the GLID and DIWLSA systems to comply with the *Surface Water Treatment Objectives (SWTO)*. This study is nearing completion.

Additionally phase one of a conversion study looking at governance and financial impacts of combining the DIWLSA and GLID service areas was completed in 2018. The study cost \$10,000 and was fully funded through the Ministry of Municipal Affairs and Housing Infrastructure Planning Grant Program.

#### *Personnel*

There are no CVRD personnel allocated to this service.

Under the agreement, the GLID operator completes the required routine sampling and monitoring of the system, eliminating the requirement for CVRD waterworks operators to travel to Denman Island at least once a month.

#### *Operations*

GLID manages day-to-day operations of DIWLSA at the same rate per connection that the CVRD charges to the residents. The CVRD involvement is limited primarily to issuing of DIWLSA residents' annual water bills. The CVRD recovers some overhead costs from GLID at the end of the year for this service.

The operation of the two systems independently however remains an unfeasible option for the long-term. Both the CVRD and GLID have identified that amalgamation of the two systems into a single system potentially provides the most cost-effective solution for the operations and sustainability of these two services in the long term.

In February 2018, the EASC approved completion of a feasibility study to complete an assessment of the current system and a comparative analysis of the costs for GLID to join the CVRD or remain as a separate service. The study will provide a number of governance options and associated costs for users. GLID and the CVRD are currently in the process of discussing potential paths forward based on the results of the study.

#### *Capital*

There are no capital projects planned for Denman in 2019. Water quality testing in 2012 revealed that bulk water from the GLID system exceeded the maximum allowable level for total trihalomethanes (THMs). As a result, the CVRD Board agreed to commit \$100,000 from Baynes Sound – Denman/Hornby Islands (Electoral Area A) CWFs towards a long-term solution to reduce THMs from the source water to acceptable levels. An additional \$20,000 from Baynes Sound – Denman/Hornby Islands (Electoral Area A) CWFs was allocated to support the commissioning of the treatment plant upgrades in 2017.

The THM project was placed on hold in 2017 following notification from Island Health that the system does not meet the Drinking Water Treatment Objectives (Microbiological) for Surface Water

Supplies. In 2018 the CVRD agreed to cost share a study with GLID to look at treatment upgrade options and costs to comply with the SWTO. Below summarizes the results of the study:

- Six treatment options were reviewed that would meet the SWTO, each option reviewed upfront capital costs, monthly operational costs and 20-year life cycle costs.
- The option that provided the lowest upfront capital and 20-year life cycle costs was cartridge filtration, pilot testing is currently underway to determine the viability of the cartridge filters as a treatment option.

#### *Reserves*

At December 31, 2018 the capital works reserve fund balance for the DIWLSA was estimated at \$6,461. The balance will be confirmed once the 2018 year end has been finalized. No additional reserve contributions for the service are planned to be made based on the structure of the water service agreement with GLID.

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

Following completion of the SWTO study and the conclusion of the governance study, communications with residents is planned to inform on current initiatives and the path forward for the service.