

**DATE:** February 1, 2019**FILE:** 1700-02/2019/305,306,309,314**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 – Comox Valley, Greaves Crescent, England Road, and  
Sandwich Water Local Service Areas – Function 305, 306, 309, and 314**

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**Purpose**

To provide the Electoral Areas Services Committee (EASC) with the proposed 2019 - 2023 financial plans and work plan highlights for the Comox Valley, Sandwich, Greaves Crescent, and England Road Water Local Service Areas (WLSAs), functions 305, 306, 309 and 314 respectively.

**Recommendation from the Chief Administrative Officer:**

THAT the proposed 2019 - 2023 financial plans for the Comox Valley (305), Sandwich (306), Greaves Crescent (309), and England Road (314) Water Local Service Areas be approved.

**Executive Summary**

The Comox Valley Water System (CVWS) previously provided water in bulk to six WLSAs adjacent to the City of Courtenay and the Town of Comox: the Comox Valley, Sandwich, Arden Road, Greaves Crescent, England Road and Marsden/Camco service areas. Until 2019, the six WLSAs functioned as individual service areas with separate financial plans for revenue generation, operating expenses, reserves and capital works.

In 2017, the Comox Valley Regional District (CVRD) Board initiated a merger to expand the Comox Valley WLSA to encompass all six water distribution WLSA's. The expansion bylaw was adopted in 2018 and as of January 1, 2019 the six services have been merged into the Comox Valley WLSA, function 305. The 2019-2023 financial plan will be the first plan where the previous six water distribution services are managed as one.

A summary of the five year financial plan for the service is as follows:

- Operating expenses for all six service areas have been rolled into the Greater Comox Valley Water Service (GCVWS) (function 305). Revenue generated from existing frontage, parcel and equalization taxes for the three remaining services will be transferred to function 305.
- Scheduled increases to the bulk water rate as approved in 2016 have resulted in increased revenue requirements and an increase in user rates. Increases to user rates directly reflect the increase to the bulk water rate.
- 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.

- A rebate for properties with farm status, as classified by BC Assessment, was introduced in 2017. Applicants are required to reapply annually, the rebate for 2018 will be issued as part of the April 2019 water bill. The rebate provides properties with farm status to be charged the tier one rate for all water consumed over the base amount.
- A comprehensive asset management plan will be completed in early 2019 for the service. The plan will build on previously completed asset management work and will incorporate a review of rates and the recommended annual contribution for asset replacement.
- As the six services are merged into one, each area is required to contribute to capital assets in an equitable manner. As of January 1, 2019 two service areas will no longer exist and the remainder will pay an equalization parcel tax to meet the capital requirements within the Financial Fairness for Capital Assets Policy, approved by the Board in 2018.
- One capital project is planned in 2019 and includes the upgrade of a watermain along Lloyd Road to resolve fire flow issues at one of the furthest reaches of the system. This project will be completely funded from reserves. Acquisition of the necessary rights-of-ways for the watermain began in 2018 for the project.

Prepared by:

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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**

The CVWS provides water in bulk to the GCVWS, which encompasses areas adjacent to the City of Courtenay and the Town of Comox. These areas were connected to the CVWS for various reasons ranging from resolving known health issues with poor quality ground water, to taking over small improvement districts. In 2018, comprehensive planning and initial steps were undertaken in order to merge the six separate services into the GCVWS as of January 1, 2019. Merging the services provides the following economic efficiencies by:

- Streamlining budget preparation, no longer will each of the six service areas require their own budget to be prepared and presented once the merger process is fully complete.
- Simplifying utility bill production and collection.
- Simplifying communication on water system issues.
- Allowing for a holistic and comprehensive planning and decision making for the entire water system.
- Reducing the financial burden for small service areas in the case of unplanned/ emergency repairs.

Tables No. 1 through No. 4 below summarize the 2019 proposed budget as compared to the 2018 adopted budget for the WLSA's. Arden and Marsden/Camco WLSAs were dissolved as at December 31, 2018 and all operating expenses for the previous six WLSAs are now rolled into the GCVWS, function 305. The only budget items remaining in the three remaining separate WLSAs are any parcel tax requirements that are collected to cover the cost of borrowing (England Road

WLSA, function 314 only) or needed to meet the equalization rate, and transfers of that revenue to 305 through a 'transfer to other function'.

Table No. 1: Greater Comox Valley WLSA, Function 305 - Financial Plan Highlights


 <b>2019 Proposed Budget</b>				<b>#305 Comox Valley Water (Expanded Service)</b>			
Operating	2018 Budget	2019 Proposed Budget	Increase (Decrease)				
<b>Revenue</b>							
Frontage/Parcel Taxes	919,732	118,860	(800,872)				
Sale Services User Fees	1,021,781	1,215,393	193,612				
Other Revenue / Recoveries	432,000	13,654	(418,346)				
Prior Years Surplus	220,642	19,500	(201,142)				
Transfer from Reserve	112,600	112,600	-				
	<b>\$ 2,706,755</b>	<b>\$ 1,480,007</b>	<b>\$ (1,226,748)</b>				
<b>Expenditures</b>							
Personnel Costs	135,783	175,929	40,146				
Operating	934,214	1,088,487	154,273				
Contribution to Reserve	1,063,874	73,820	(990,054)				
Tsfr Other Functions	454,032	29,171	(424,861)				
Transfer to Other Governments	112,600	112,600	-				
Debt Charges	6,252		(6,252)				
	<b>\$ 2,706,755</b>	<b>\$ 1,480,007</b>	<b>\$ (1,226,748)</b>				
<b>Capital</b>							
<b>Funding Sources</b>							
Senior Government Grants	247,344		(247,344)				
Transfer from Reserve	1,060,000	120,000	(940,000)				
	<b>\$ 1,307,344</b>	<b>\$ 120,000</b>	<b>\$ (1,187,344)</b>				
<b>Funding Applied</b>							
Capital Projects & Equip	1,307,344	120,000	(1,187,344)				
	<b>\$ 1,307,344</b>	<b>\$ 120,000</b>	<b>\$ (1,187,344)</b>				

Table No. 2: Sandwich WLSA, Function 306 - Financial Plan Highlights



			
#306 Sandwich Water			
Operating	2018 Budget	2019 Proposed Budget	Increase (Decrease)
<b>Revenue</b>			
Frontage/Parcel Taxes	840,000	84,316	(755,684)
Other Revenue/Recoveries	432,000		(432,000)
Sale Services User Fees	253,890		(253,890)
Prior Years Surplus	65,840		(65,840)
Transfer from Reserve	112,600		(112,600)
	<b>\$ 1,704,330</b>	<b>\$ 84,316</b>	<b>\$ (1,620,014)</b>
<b>Expenditures</b>			
Personnel Costs	72,359		(72,359)
Operating	169,244		(169,244)
Contribution to Reserve	906,752		(906,752)
Tsfr Other Functions	443,375	10,883	(432,492)
Tsfr Other Government	112,600	73,433	(39,167)
	<b>\$ 1,704,330</b>	<b>\$ 84,316</b>	<b>\$ (1,620,014)</b>
<b>Capital</b>			
<b>Funding Sources</b>			
Senior Government Grants	247,344		247,344
Transfer from Reserve	940,000		940,000
	<b>\$ 1,187,344</b>	<b>\$ -</b>	<b>\$ 1,187,344</b>
<b>Funding Applied</b>			
Capital Projects & Equip	1,187,344		(1,187,344)
	<b>\$ 1,187,344</b>	<b>\$ -</b>	<b>\$ (1,187,344)</b>

Table No. 3: Greaves Crescent WLSA, Function 309 - Financial Plan Highlights



2019


Proposed Budget

#309 Greaves Crescent Water

Operating	2018 Budget	2019 Proposed Budget	Increase (Decrease)
Revenue			
Frontage / Parcel Taxes		377	377
Sale Services User Fees	10,077		(10,077)
Prior Years Surplus	17		(17)
	\$ 10,094	\$ 377	\$ (9,717)
Expenditures			
Personnel Costs	614		(614)
Operating	6,745		(6,745)
Contribution to Reserve	2,506		(2,506)
Tsfr Other Functions	229	377	148
	\$ 10,094	\$ 377	\$ (9,717)

Table No. 4: England Road WLSA, Function 314 - Financial Plan Highlights

Table No. 1: England Road Water, Function 011 Financial Plan Highlights



2019  
Proposed  
Budget

#314 England Road Water

Operating	2018 Budget	2019 Proposed Budget	Increase (Decrease)
Revenue			
Frontage/Parcel Taxes	6,357	8,645	2,288
Sale Services User Fees	8,850		(8,850)
Prior Years Surplus	1,518		(1,518)
	\$ 16,725	\$ 8,645	\$ (8,080)
Expenditures			
Personnel Costs	616		(616)
Operating	7,824		(7,824)
Contribution to Reserve	1,736		(1,736)
Tsfr Other Functions	297	2,394	2,097
Debt Charges	6,252	6,251	(1)
	\$ 16,725	\$ 8,645	\$ (8,080)

The entire 2019 - 2023 proposed five year financial plan for the CVWS WLSAs including the requisition summaries 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 Greater Comox Valley, Sandwick, Greaves Crescent and England Road WLSAs, functions 305, 306, 309 and 314, include:

#### *Revenue Sources*

Water for the Comox Valley WLSA is supplied in bulk from the CVWS and revenue is derived from a combination of user rates and parcel tax. The purchase of bulk water and subsequent revenue projections for the Comox Valley WLSA is detailed in the bullets below:

- Increases to user rates for the WLSA effective April 1, 2019 were approved by the EASC in November 2017. The increases to the user rates reflect the increase to the bulk water rate and are required to ensure sufficient revenues are collected to operate the service.
- A parcel tax is collected for the England Road WLSA (function 314) to fund the debt for the original capital connection project and will be retired in 2020.

To ensure that each area contributes equitably to the capital assets as part of the GCVWS, a capital reserve equalization rate will be charged and collected. Summarized below are the key points for the equalization rate:

- The rate of \$1,550 per connection was selected as the target rate, based on a rate that the Comox Valley WLSA had already achieved.
- The equalization rate will be implemented, unique to each of the six areas to bring all areas to the \$1,550 per connection reserve rate.
- The target is to bring all areas to an equitable level within five years, with the exception of Sandwick which will achieve equity in ten years.
- As of January 1, 2019 two service areas already have sufficient reserve balances and will not be charged an equalization rate and no longer exist as separate service areas. These two WLSAs being Arden Road, previously function 311, and Marsden/Camco, previously function 317.

**Table No. 5: Annual Equalization Amounts for Each of the Six Previous WLSAs.**

<b>Water Local Service Area</b>	<b>Equalization Rate*</b>
Comox Valley	\$0
Sandwick	\$84,316**
Greaves Crescent	\$377
England Road	\$2,394

\* Equalization rate per year for five years for each of the entire service area.

\*\* \$84,316 to be apportioned to equalization and purchase of Veteran's Memorial Parkway (VMP) watermain until such time that VMP is paid off.

Along with the equalization rate, a single parcel tax of \$60 per year will be implemented for all connections. Note that the Arden and Marsden/Camco services have reserve funds greater than the target and will therefore not pay the \$60 per year parcel tax for a set time period.

#### *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.

Staffing costs budgeted in the 2019-2023 proposed financial plans increase over time to accommodate wage increases included and expected as part of the CUPE collective agreement. A

five year operational staff allocation review was completed in 2016 for all WLSAs and future allocations are based on the historical average. The intent going forward is to review this budget allocation every three years. Only the actual operator time spent in each area is charged to that service.

#### *Operations*

All operation expenses for the six WLSAs are now included within the Greater Comox Valley WLSA, function 305. Merging of the service areas is expected to result in cost efficiencies for operations which will be refined over time.

#### *Capital*

Two capital projects are planned or underway for 2019: upgrade of the water main along Lloyd Road, and completion of the connection of Sandwick to the CVWS.

The Lloyd Road upgrade is required to resolve fire flow issues at one of the furthest reaches of the system. The first phase of the project is to secure the necessary right-of-way for the existing water main. Securing of the right-of-ways progressed in 2018 and completion is expected in early 2019 to be able to begin engineering and design of the upgrade.

Conversion and connection of the Sandwick WLSA to the CVWS is nearly complete with connection planned for early 2019. The Sandwick Improvement District became a CVRD service as of December 31, 2016. Improvements included installation of water meters on all connections, completed in 2018, and system modifications to connect to the CVWS.

**Table No. 6: 2019 Planned Capital Projects**

Project Title	Description	Estimated Value	Anticipated Schedule
Lloyd Road Watermain Replacement	Required to resolve fire flow issues at one of the farthest reaches of the system.	\$120,000	Engineering- spring 2019 Construction- summer/ fall 2019
Sandwick Conversion	Connect the Sandwick system to the CVWS	\$100,000	Underway, completion by end of February

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 plans.

#### *Reserves*

As part of the merger of the service areas, a single parcel tax of \$60 per year will be implemented for all connections to contribute to reserves for future asset management requirements. Once a detailed asset management plan has been developed for the WLSA, a further review and analysis of asset management reserve requirements will be completed and adjustments to the \$60 parcel tax and/or user rates will be recommended.

The reserves for the six WLSAs were merged in the Comox Valley WLSA, function 305 effective 2019 and are available for the merged services, reducing the financial burden that each small service area may have been faced with in the event of unplanned/ emergency repairs.

The estimated merged reserve balances as at December 31, 2018 are as follows and will be updated once the 2018 year end is finalized.

- Capital works reserve fund balance: \$2,940,432
- Funds for future expenditure reserve fund balance: \$295,304

**Citizen/Public Relations**

A newsletter was provided to all residents within the CVWS WLSAs as part of their December bill informing residents of the merger of the service areas. A newsletter will also be provided in April 2019 providing full details on parcel tax rates for each area.