

DATE: January 31, 2018

FILE: 1700-02/2018/331

TO: Chair and Directors
Electoral Areas Services Committee

Supported by Russell Dyson
Chief Administrative Officer

FROM: Russell Dyson
Chief Administrative Officer

R. Dyson

RE: 2018 - 2022 Financial Plan – King Coho Wastewater Service – Function 331

Purpose

To provide the Electoral Areas Services Committee with the proposed 2018 - 2022 Financial Plan and work plan highlights for the King Coho Wastewater service, function 331.

Recommendation from the Chief Administrative Officer:

THAT the proposed 2018 - 2022 Financial Plan for the King Coho Wastewater service, function 331 be amended to include \$1,000 of debt interest charges in 2018, \$1,167 of debt interest charges in 2019 and \$100,000 for short-term debt pay down in 2019;

AND FURTHER THAT the proposed 2018 - 2022 Financial Plan for the King Coho Wastewater service, function 331 be amended to include a capital works reserve contribution amount of \$15,703 in 2018 and \$15,870 in 2019;

AND FINALLY THAT the proposed 2018 - 2022 Financial Plan for the King Coho Wastewater service, function 331 be approved as amended.

Executive Summary

The King Coho Wastewater service was established in early 2018 and provides wastewater treatment service to residents within the King Coho service area. 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. This capital upgrade will be funded in 2018 by short term debt and then repaid in 2019 by a parcel tax. Annual operation costs will be funded by user fees in 2018 and then by a reduced parcel tax in all future years. Financial Plan highlights for the service include:

- Proposed user rate revenue requirements of \$49,364 in 2018 equating to \$1,334 per participant, changing to a parcel tax for all future years;
- Proposed operational costs based on service establishment study work completed by The McElhanney Group Ltd. (McElhanney) in 2017 and further refined by the Comox Valley Regional District (CVRD) staff based on the operating expenses of similar services;
- Capital costs of \$150,000 in 2018 to upgrade wastewater treatment plant infrastructure;
- \$100,000 of debt repayment proposed in 2019 to repay short term debt incurred as part of the wastewater treatment plant upgrade in 2018.

The following key initiatives are included in the plan:

- Training and familiarization of CVRD wastewater operators for takeover of the King Coho Wastewater treatment plant;
- Detailed design, procurement and installation of equipment for the treatment plant upgrade;
- Improved automation and remote monitoring.

Prepared by:

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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.

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 development near the Little River ferry terminal. The 2018 – 2022 proposed Financial Plan is the first financial plan for the service and is assembled from study work completed by McElhanney and further refined by CVRD staff based on other similar services. Work plan highlights for 2018 including the following:

- Education and familiarization of CVRD wastewater operators with the day-to-day operation of the King Coho treatment plant;
- Design, procurement and installation of major capital upgrades aimed at returning the King Coho Wastewater treatment plant to a high level of performance;
- Assumption of all annual operational and reporting requirements for the service.

Table 1 below summarizes the 2018 proposed budget for the King Coho Wastewater service. Comparisons to 2017 are not provided as 2018 is the first year for this service.

Table 1: Financial Plan Highlights

 2018 Proposed Budget		#331 King Coho Sewer
Operating		2018 Proposed Budget
Revenue		
Sale Services User Fees		49,364
	\$	49,364
Expenditures		
Personnel Costs		11,074
Operating		20,737
Contribution to Reserve		15,703
Tsfr Other Functions		850
Debt Charges		1,000
	\$	49,364
Capital		
Funding Sources		
Senior Government Grants		50,000
Short Term Debt Proceeds		100,000
	\$	150,000
Funding Applied		
Capital Projects & Equip		150,000
	\$	150,000

The entire 2018 - 2022 proposed five year Financial Plan for the King Coho Sewer service, including the requisition summary and the operating and capital budgets, is available through the online budget binder at www.comoxvalleyrd.ca/proposedfinancialplan.

Highlights of the 2018 - 2022 proposed Financial Plan for function 331 include:

Revenue Sources

Revenue is provided from various sources as follows:

- in 2018 annual operating revenue is provided by user rates equating to \$1,334 per participant;
- in all future years 2019-2022 annual operating revenue will be provided by parcel tax set at \$1,361 per participant in 2019 and increasing by approximately two per cent per year over time;
- in addition to the annual parcel tax for operations, 2019 will require a larger than normal parcel tax contribution to repay short-term debt associated with a major capital upgrade completed in 2018.

It is recommended that \$100,000 of parcel tax revenue be included in 2019 and allocated towards repayment of short-term debt. This is further discussed in the capital section below.

Personnel

The proposed Financial Plan includes \$11,074 of personnel costs required to operate the wastewater treatment plant. Resources are provided from the CVRD’s pool of wastewater operators.

Operations

The majority of 2018 operating expenditures are allocated towards lab analysis, hydroelectricity, contract services for solids removal and routine repairs to machinery and equipment. Future operating costs will be based on actual experience gained in 2018.

It is recommended that the proposed budget be updated to include debt charges in 2018 and 2019 associated with short term debt, and that funding for this be provided through a reduction in reserve contributions.

Capital

The proposed Financial Plan includes significant capital spending of \$150,000 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 will be funded by \$50,000 of Lazo North (Area B) Community Works Fund and \$100,000 of short-term debt.

It is recommended that the proposed operating budget be updated to include a debt principal payment of \$100,000 in 2019 to support the full repayment of the short term debt.

Reserves

The proposed Financial Plan includes significant reserve contributions aimed at creating a sustainable capital works reserve fund to fund future equipment upgrades. The 2022 closing balance is estimated to be approximately \$84,754.

Citizen/public relations

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