

DATE: February 4, 2021**FILE:** 1700-02/2021/305, 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: 2021-2025 Financial Plan – Comox Valley, Sandwich, Greaves Crescent and England Road Water Local Service Areas – Functions 305, 306, 309 and 314**

Purpose

To provide the Electoral Areas Services Committee (EASC) with the proposed 2021-2025 financial plan 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.

Recommendations from the Chief Administrative Officer:

THAT the proposed 2021-2025 financial plan for the Comox Valley (305), Sandwich (306), Greaves Crescent (309), and England Road (314) Water Local Service Areas be approved;

AND THAT the Comox Valley Regional District Board approve an allocation of \$200,000 of Electoral Area B Community Works Funds towards the Lloyd and Astra Roads main replacement project in 2022.

Executive Summary

The 2021-2025 financial plan is the second five year financial plan after merging of the smaller WSLA's into the Comox Valley WLSA and a summary of the financial plans is as follows:

- As part of the merger, each of these WLSAs is required to contribute to capital reserves in an equitable manner. An equalization parcel tax was levied in the WLSAs to meet the capital requirements within the Financial Fairness for Capital Assets Policy, approved by the board in 2018.
- From an operational perspective, all of these services are now managed under function 305. The smaller services will be retired as their equalization parcel taxes expire.
- The nine per cent increase in user rates that was approved in 2019 and took effect in April 2020, was anticipated to result in a \$32 increase in water rates per year for the average user.
- In response to the COVID-19 pandemic, regional bulk water rates were decreased for 2021 and 2022, which will help to increase reserve contributions for the service until the comprehensive rate review is completed in 2021.
- A 13 per cent increase in personnel costs for the service is budgeted for 2021, to fully fund the support from the Finance department, combined with increases to benefits and wages scheduled in the CUPE agreement.
- A 13 per cent decrease in operating costs is expected for the service in 2021, largely attributable to the decrease in the bulk water rate in response to the COVID-19 pandemic.
- A draft asset management plan was completed for the service by AECOM in 2019. This work resulted in a series of recommendations being made to further asset management for the service. Further work on development of the asset management plan and a review of rates will be completed in 2021.

- A rebate for properties with farm status, as classified by BC Assessment, was introduced in 2017. Applicants are required to reapply annually, the rebate provides properties with farm status to be charged the tier one rate for all water consumed over the base amount. The total rebate amount for 2020 was \$245.
- No capital projects are planned for 2021.

Prepared by:

Concurrence:

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Board Strategic Drivers

The Comox Valley Regional District (CVRD) Board has set four strategic drivers to guide service delivery. Not all services will be influenced by all drivers. Table No. 1 notes the degree of influence the drivers have on projects and work plans.

Table No. 1: Board Strategic Drivers

Fiscal Responsibility:	Climate Crisis and Environmental Stewardship and Protection:
<ul style="list-style-type: none"> • An interim nine per cent increase to rates was approved in 2019 and took effect April 2020. The purpose of this increase was to avoid running a service deficit and ensure adequate reserve contributions while a rate review is completed. • A comprehensive rate review for the service was scheduled for 2020 but has been postponed; the rate review will be completed in 2021 to ensure sustainable service delivery moving forward. 	<ul style="list-style-type: none"> • The Comox Valley system is fully metered and utilizes a tiered conservation based rate structure to help minimize consumption impacts on the watershed.
Community Partnerships:	Indigenous Relations:
<ul style="list-style-type: none"> • Projects are not significantly influenced by this driver. 	<ul style="list-style-type: none"> • Staff are keeping the K'ómoks First Nation (KFN) Chief and Council updated on relevant initiatives in this service at regular monthly meetings, and are committed to adhering to the KFN Cultural Heritage Policy for all capital project work.

Rethink Comox Valley / COVID-19 Response and Renewal

On May 12, 2020, the board adopted a COVID-19 renewal plan for the review of service levels and all necessary, critical and functional projects slated for the next five years. At the August 10, 2020 EASC meeting, recommended actions for the plan were brought forward and the following actions were approved:

- Use the reduced bulk water rate to increase reserve contributions and strengthen the reserve fund balance for the Comox Valley Water System WLSA, ultimately helping reduce future rate increases after the comprehensive rate review is complete.
- Participation in an inter-regional Mutual Aid Agreement (MAA) with neighboring regional districts and municipalities, and a separate local Comox Valley MAA with smaller water and sewer purveyors to ensure the Comox Valley Water System and Comox Valley Sewer System are covered in case staffing falls below emergency levels, and that we are doing our part to provide the same comfort to smaller purveyors in the Comox Valley.

Economic Recovery Task Force Actions

No applicable actions.

Financial Plan Overview

The 2021-2025 proposed five-year financial plan for the Comox Valley WLSA, function 305, including service establishment information, the requisition summary and the operating and capital budgets, 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.

As of January 1, 2019, the six smaller WLSAs that encompass areas adjacent to the City of Courtenay and the Town of Comox and are connected to the Comox Valley Water System were merged operationally into one service, the Comox Valley WLSA, function 305.

Tables No. 2 through No. 5 below summarize the 2021 proposed budget as compared to the 2020 adopted budget for the WLSAs. The only budget items remaining in the three separate WLSAs are any parcel tax requirements that are needed to meet the equalization rate, and transfers of that revenue to 305 through a “transfer to other function.” Staff will undertake a review of the equalization plan in 2021 to confirm each area is on track for meeting the target per property reserve rate, and provide an update to the Inspector of Municipalities. The final parcel tax collected to cover the cost of borrowing for England Road WLSA, function 314, retired in 2020.

Table No. 2: Comox Valley WLSA, Function 305 - Financial Plan Highlights


 2021 Proposed Budget				#305 Comox Valley Water			
Operating	2020 Budget	2021 Proposed Budget	Increase (Decrease)				
Revenue							
Frontage/Parcel Taxes	117,240	117,240	-				
Sale Services User Fees	1,336,933	1,336,933	-				
Other Revenue / Recoveries	15,919	14,139	(1,780)				
Prior Years Surplus	38,290	9,002	(29,288)				
	\$ 1,508,382	\$ 1,477,314	\$ (31,068)				
Expenditures							
Personnel Costs	156,550	177,378	20,828				
Operating	1,117,141	969,866	(147,275)				
Contribution to Reserve	205,379	307,685	102,306				
Tsfr Other Functions	29,312	22,385	(6,927)				
	\$ 1,508,382	\$ 1,477,314	\$ (31,068)				
Capital							
Funding Sources							
Senior Government Grants							
Transfer from Reserve	0	50,000	(50,000)				
	\$ -	\$ 50,000	\$ 50,000				
Funding Applied							
Capital Projects & Equip	0	50,000	50,000				
	\$ -	\$ 50,000	\$ 50,000				

Table No. 3: Sandwich WLSA, Function 306 - Financial Plan Highlights



 2021 Proposed Budget				#306 Sandwich Water			
Operating	2020 Budget	2021 Proposed Budget	Increase (Decrease)				
Revenue							
Frontage/Parcel Taxes	84,907	84,907	-				
Prior Years Surplus	73,357		(73,357)				
	\$ 158,264	\$ 84,907	\$ (73,357)				
Expenditures							
Tsfr Other Functions	11,398	11,474	76				
Tsfr Other Government	146,866	73,433	(73,433)				
	\$ 158,264	\$ 84,907	\$ (73,357)				

Table No. 4: Greaves Crescent WLSA, Function 309 - Financial Plan Highlights

Table No. 11: Greaves Crescent Water, Function 007 Financial Plan Highlights




2021
Proposed
Budget

#309 Greaves Crescent Water

Operating	2020 Budget	2021 Proposed Budget	Increase (Decrease)
Revenue			
Frontage / Parcel Taxes	377	377	-
Prior Years Surplus			-
	\$ 377	\$ 377	\$ -
Expenditures			
Tsfr Other Functions	377	377	-
	\$ 377	\$ 377	\$ -

Table No. 5: England Road WLSA, Function 314 - Financial Plan Highlights

Table No. 3: England Road Water, Function 314 - Financial Plan Highlights



2021
Proposed
Budget

#314 England Road Water

Operating	2020 Budget	2021 Proposed Budget	Increase (Decrease)
Revenue			
Frontage/Parcel Taxes	8,645	2,288	(6,357)
Prior Years Surplus	290		(290)
	\$ 8,935	\$ 2,288	\$ (6,647)
Expenditures			
Tsfr Other Functions	4,144	2,288	(1,856)
Debt Charges	4,791	0	(4,791)
	\$ 8,935	\$ 2,288	\$ (6,647)

Highlights of the 2021-2025 proposed financial plan for function 305 include:

Revenue Sources

Water for the Comox Valley WLSA is supplied in bulk from the Comox Valley Water System 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:

- A nine per cent user rate increase was approved in 2019 and took effect April 2020, as an interim measure whilst a comprehensive rate review is completed for the service based on the recently completed asset management planning work. In response to COVID-19, the rate review and subsequent rate increases have been delayed, and as a result rates remain flat from 2020 to 2021.
- As part of the COVID-19 response and recovery plan, the Comox Valley Water Supply System, function 300, temporarily reduced bulk water rates to \$0.80 per cubic meter for 2021 and 2022 resulting in additional reserve contributions for function 305.
- A parcel tax was collected for the England Road WLSA (function 314) to fund the debt for the original capital connection project and was retired in 2020. The service will still exist until 2024 to cover the equalization rate as detailed below.

To ensure that each area contributes equitably to the capital assets, a capital reserve equalization rate is being charged and collected. Summarized below and Table No. 6 are the key points for the equalization rate:

- \$1,550 per connection was selected as the target reserve balance per property, based on the reserve levels that the Comox Valley WLSA had already achieved.
- A unique equalization parcel tax was implemented for each of the areas to bring all areas to the \$1,550 per connection reserve rate.
- The objective is to bring all areas to an equitable level within five years, with the exception of Sandwick which will achieve equity in 10 years.

Table No. 6: Annual Equalization Amounts for Each of the Previous WLSAs.

Water Local Service Area	Equalization Rate	Year Equalization Reached
Comox Valley (305)	\$0	N/A
Sandwick (306)	\$84,907*	2029
Greaves Crescent (309)	\$377	2024**
England Road (314)	\$2,388	2024**

* \$84,907 to be apportioned to equalization and purchase of Veteran's Memorial Parkway (VMP) watermain until such time that VMP is paid off.

** 2023 budget year with a repeal of the service ahead of the 2024 budget year

Along with the equalization rate, a \$60 per year parcel tax is in place for all properties to contribute to reserves for future asset management requirements. Note that the former Arden and Marsden/Camco services had reserve funds greater than the target and will therefore not pay the \$60 per year parcel tax for a set time period. This parcel tax amount will be reviewed as part of the comprehensive rate review.

Personnel

Changes to fully fund the support from the Finance department combined with wage increases scheduled in the CUPE agreement are anticipated to result in a 13 per cent increase in 2021 personnel costs for the service.

Water operators make up the bulk of personnel costs for the service. Only time spent by the operators on this service is billed to the service. Prior to bringing forward the proposed 2022-2026 plan, staff will undertake a review of water operator allocations between water services with the objective of tightening up budgeted personnel cost projections.

Operations

All operational expenses for the merged WLSAs are included within the Comox Valley WLSA, function 305; the majority of the budgeted 2021 operating expenses remain unchanged from 2020 amounts. Operating expenses decreased by 13 per cent in 2021 largely resultant of the decrease to the bulk water rates from \$0.83/m³ to \$0.80/m³.

Capital

The only capital project currently planned for the service over the 2021-2025 financial plan is the Lloyd Road watermain replacement. The Lloyd Road watermain is reaching the end of its estimated service life and has experienced a number of breaks. Engineering and design for the project began in 2019; however, the watermain is located in a highly sensitive archaeological area and the cost of replacing this line while minimizing impacts to the surrounding environment has resulted in a significant increase in the estimated cost.

In 2019, with the recently completed asset management plan, it was identified that the nearby water main along Astra Road is reaching the end of its service life and should be replaced in the early 2020s. As such the replacement of Lloyd Road was delayed as part of the 2020-2024 financial plan and rolled into the replacement of Astra Road in 2022, to reduce capital costs by minimizing mobilization costs, etc.

Moving forward, staff will engage with the KFN Chief and Council and ensure compliance with the KFN Cultural Heritage Policy for the Lloyd Road watermain replacement, and all other capital projects for this service.

Staff are recommending that \$200,000 of Electoral Area B Community Works Funds, or approximately one third of the total capital costs, be allocated to the Lloyd and Astra Road main replacement project in 2022.

A detailed asset management plan was completed in 2019 and will help to inform future asset replacement requirements based on age of infrastructure, condition and risk. In 2020, a computerized maintenance management system was procured to help monitor maintenance and repairs of assets to further inform asset replacement. A comprehensive rate review and development of an asset replacement schedule for the coming years will be completed in 2021, with any increases in rates being delayed to 2022 to avoid adding additional cost pressures on the community as it recovers from the COVID-19 crisis.

Reserves

The reserves for the 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 of December 31, 2019, are as follows and will be updated once the 2019 year end is finalized.

- Capital works reserve fund balance: \$4,212,943
- Funds for future expenditure reserve fund balance: \$340,215

With the decrease in the bulk water rate for 2021 and 2022, an increase in the contribution to capital reserves for these two years is anticipated; the average reserve contribution for these two years is approximately \$287,000. Reserve contributions decreases substantially to approximately \$175,000 in the later three years of the 2021-2025 financial plan once the bulk water rate increases in 2023, if no further rate increases occur. User rates and frontage tax will be reviewed as part of a comprehensive rate review to ensure reserve contributions are sufficient for sustainable service delivery.

Tax Impacts

Participants in the Comox Valley WLSA pay metered user rates and a parcel tax for water; depending on the former WLSA, the parcel tax will vary.

- The amount of 2021 residential parcel tax that a user pays is dependent on which former WLSA the user resides in. A breakdown is provided below, noting that changes to the parcel tax rates may be made following completion of a comprehensive rate review for the service:

Comox Valley	\$60
Arden	None until 2027*
Sandwich	\$257
Greaves Crescent	\$73
England Road	\$148
Marsden/Camco	None until 2024*
<i>* unless adjustments to the parcel tax for asset management are made prior to the above listed dates</i>	

- User rates for all the merged WLSAs are the same. The average residential user consumes 239 cubic meters of water annually. A nine per cent increase in user rates was approved in 2019 and took affect April 2020, resulting in an increase of approximately \$32 per year for the average user, for a total average annual bill of \$382 (billed tri-annually).
- Average residential customers will pay a range of \$382 to \$639 annually for water in 2021 depending on the previous service area and equalization parcel tax.

Citizen/Public Relations

An annual newsletter is also sent out as part of the March water bill. This newsletter provides a summary of work completed in the previous year and what is planned for next.