

DATE: February 4, 2021**FILE:** 1700-02/2021/Function 312**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 – Royston Water Local Service Area – Function 312****Purpose**

To provide the Electoral Areas Services Committee (EASC) with the proposed 2021 - 2025 financial plan and work plan highlights for the Royston Water Local Service Area (WLSA), function 312.

Recommendations from the Chief Administrative Officer:

1. THAT the proposed 2021 – 2025 financial plan for the Royston Water Local Service Area, function 312, be approved;
2. THAT the board approve an allocation of five hundred thousand dollars (\$500,000) of Baynes Sound – Denman/Hornby Islands - Electoral Area A Community Works Funds towards the extension of regional water to the Royston Water Local Service Area, function 312, starting in 2022.

Executive Summary

The Royston WLSA is supplied water in bulk from the Village of Cumberland and includes two reservoirs, a booster pump station and a re-chlorination station. A summary of the 2021-2025 financial plan is provided below:

- A nine per cent increase in user rates was approved in 2019 and took effect in April 2020, this increase equates to an approximate \$45 increase in water rates per year for the average user. No rate increases are scheduled for 2021.
- A 20 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.
- Operating costs remain essentially unchanged for 2021 as compared to 2020. An updated three-year water service agreement with the Village of Cumberland was completed in 2020. Bulk water rates are scheduled to remain constant at \$0.81 per cubic meter for the three-year term.
- 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.
- An upgrade of the watermain along Minto Road for fire flow protection is scheduled for 2021.
- As required in the bulk water agreement with the Village of Cumberland, staff are progressing the development of an alternate water servicing option for Royston. There are significant capital costs associated with changing the water supply source for Royston and

staff are working to identify project partners to reduce costs. Further work on this project will likely result in options being brought forward to the EASC in 2021.

Prepared by:

Concurrence:

K. La Rose

M. Rutten

Kris La Rose, P.Eng
Senior Manager of Water/
Wastewater Services

Marc Rutten, P.Eng
General Manager of
Engineering Services

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"> A comprehensive rate review will be completed in 2021 to ensure sustainable service delivery moving forward. 	<ul style="list-style-type: none"> The Royston 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"> Partnerships with the City of Courtenay and the K'ómoks First Nation are being explored in an effort to reduce the costs of securing an alternate water source for the Royston WLSA. 	<ul style="list-style-type: none"> The CVRD is working closely with the K'ómoks First Nation to partner on the conveyance and delivery of water to the south region.

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:

- 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 Royston WLSA, function 312, 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.

Table No. 2 below summarizes the 2021 proposed budget as compared to the 2020 adopted budget. Significant variances from 2020 adopted budget will be discussed in the financial plan sections that follow.

Table No. 2: Financial Plan Highlights

 2021 Proposed Budget				#312 Royston Water			
Operating	2020 Budget	2021 Proposed Budget	Increase (Decrease)				
Revenue							
Frontage/Parcel Taxes	196,000	196,000	-				
Sale Services User Fees	541,744	541,744	-				
Prior Years Surplus	152,086	106,952	(45,134)				
	\$ 889,830	\$ 844,696	\$ (45,134)				
Expenditures							
Personnel Costs	192,011	231,297	39,286				
Operating	457,882	458,807	925				
Referendum Costs	0	12,000	12,000				
Contribution to Reserve	227,570	130,137	(97,433)				
Tsfr Other Functions	12,367	12,455	88				
	\$ 889,830	\$ 844,696	\$ (45,134)				
Capital							
Funding Sources							
Transfer from Reserve	400,000	350,000	(50,000)				
	\$ 400,000	\$ 350,000	\$ (50,000)				
Funding Applied							
Capital Projects & Equip	400,000	350,000	(50,000)				
	\$ 400,000	\$ 350,000	\$ (50,000)				

Highlights of the 2021 - 2025 proposed financial plan for function 312 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. An updated agreement was signed in 2020 and includes an updated term for three years.
- Per the agreement, the bulk water rate remains constant at \$0.81 per cubic meter for the three year term.
- A nine per cent user rate increase was approved in 2019 and took effect in April 2020. A comprehensive rate review will be completed in 2021 based on the asset management planning work completed for the service in 2019.

Personnel

Changes in how existing positions are allocated to fully fund the support from the Finance department, and wage increases scheduled in the CUPE agreement are anticipated to result in a 20 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

The majority of the budgeted 2021 operating expenses remain unchanged from 2020 amounts, resulting in only a minor change to operating expenses. There are no significant variances to note between 2020 and 2021.

Capital

Upgrade of the watermain along Minto Road is being carried forward from 2020 and scheduled for completion in 2021, this project will be funded from reserves.

Development of a detailed asset management plan was completed in 2019. The plan will help to inform future asset replacement requirements based on age of infrastructure, condition and risk. A detailed asset replacement schedule for the coming years will be completed in 2021 as part of the comprehensive rate review.

As part of the bulk water agreement with the Village of Cumberland, the CVRD is required to find an alternate water source for the Royston WLSA. Alternate water supply planning is underway and staff are working on scoping the project and determining project partners. Progression of the preliminary and detailed design is planned for 2021 and will likely culminate in an approval process for Royston residents in late 2021 or early 2022. An extension to the grant funding for this project to 2023 has been received.

Summarized in Table No. 3 are the capital projects for 2021.

Table No. 3: 2021 Capital Projects

	Project Title	Description	Estimated Value	Anticipated Award Date
1	Minto Road Watermain Replacement (CFWD)	Replacement of the watermain along Minto Road to improve fire flows in the area.	\$250,000	Engineering - Spring 2021 Construction- Fall 2021
2	Royston Alternate Water Supply	As part of the bulk water agreement with the Village of Cumberland, the CVRD is required to find an alternate water source for the Royston WLSA.	\$2,500,000	Approvals - 2020/2021 Engineering and Construction - Starting late 2021, or early 2022.Completion 2023.
3	Annual Capital Equipment (CFWD)	Replacement of meters along highway.	\$100,000	To be completed in 2021.

Given the scale of the expense of extending regional water to the Royston WLSA, staff are recommending that \$500,000 of Baynes Sound – Denman/Hornby Islands (Electoral Area A)

community works funds, or approximately 20 per cent of total anticipated costs, be allocated to this project.

All projects approved in the financial plan will be procured in accordance with Bylaw No. 510 and the board approved Procurement Policy. Any project the board wishes to receive additional information on prior to the procurement and/or contract award should be highlighted at this time.

Reserves

At December 31, 2020 the reserve fund balances are estimated as follows:

- Capital works reserve fund balance of \$2,018,682, which is used to fund priority capital projects required in the service. The Minto Road project is to be funded from reserves.
- Future expenditure reserve of \$328,250 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 \$66,589 which is restricted to funding capital work attributed to development.

This five year financial plan includes annual capital works reserve contributions and also future expenditure reserve fund contributions of \$5,000 per year in 2022 – 2025 (\$15,317 in 2021). User rates and frontage tax will be reviewed as part of a comprehensive rate review in 2021 to ensure reserve contributions are sufficient for sustainable service delivery.

Tax Impacts

Participants in the Royston WLSA pay metered user rates and a parcel tax for water.

- The residential parcel tax for this service is \$200 per parcel and has remained unchanged for many years.
- The average residential user consumes 243 cubic meters of water annually. A nine per cent increase in user rates was approved for 2020 resulting in an increase of \$45 per year for the average user, for a total annual bill of \$568 (billed quarterly).
- The average residential customer will pay \$768 in 2021 for water.
- A rebate for properties with farm status, as classified by BC Assessment, was introduced in 2018. 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 for function 312 was \$1,925.

Citizen/Public Relations

A newsletter was provided to residents in January 2020 as part of their quarterly water bill, informing residents of the rate increase and asset management work that is underway. 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.