

**DATE:** February 6, 2020**FILE:** 1700-02/2020/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: 2020 - 2024 Financial Plan – Royston Water Local Service Area – Function 312****Purpose**

To provide the Electoral Areas Services Committee (EASC) with the proposed 2020 - 2024 Financial Plan and work plan highlights for the Royston Water Local Service Area (WLSA), function 312.

**Recommendation from the Chief Administrative Officer:**

THAT the proposed 2020 – 2024 financial plan for the Royston Water Local Service Area, function 312, be approved.

**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 2020-2024 financial plan is provided below:

- User rates are projected to increase by 11.5 per cent in 2020 arising from the increase to user rates and projected increase in water demand.
- The nine per cent increase in user rates that was approved in 2019 will result in a \$45 increase in water rates per year for the average user.
- An 11 per cent increase in personnel costs for the service is budgeted for 2020, arising from a portion of a new position being allocated to the Royston WLSA, combined with increases to benefits and wages scheduled in the CUPE agreement.
- A four per cent decrease in operating costs is expected for the service in 2020, largely attributable to the bulk of the asset management planning work being completed.
- 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 2020.
- As per 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 2020.
- The Gartley Road fire flow project to improve fire flows at one of the furthest reaches of the system was completed in 2019. Upgrade of the watermain along Minto Road is scheduled for 2020.

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: Strategic Drivers**


<b>Fiscal Responsibility:</b>	<b>Climate Crisis and Environmental Stewardship and Protection:</b>
<ul style="list-style-type: none"> <li>As part of the asset management work completed in 2019, an interim nine per cent user rate increase was approved, frontage taxes are unchanged from 2019 values and a comprehensive rate review will be completed in 2020 to ensure sustainable service delivery moving forward.</li> </ul>	<ul style="list-style-type: none"> <li>The Royston system is fully metered and utilizes a tiered conservation based rate structure to help minimize consumption impacts on the watershed.</li> </ul>
<b>Community Partnerships:</b>	<b>Indigenous Relations:</b>
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>The CVRD is working closely with the K’ómoks First Nation to partner on the conveyance and delivery of water to the south region.</li> </ul>

**Financial Plan Overview**

The 2020 - 2024 proposed five-year financial plan for the Royston WLSA service, 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](http://www.comoxvalleyrd.ca/currentbudget).

Table No. 2 summarizes the 2020 proposed budget as compared to the 2019 adopted budget. Significant variances from 2019 adopted budget will be discussed in the financial plan sections that follow.

Table No. 2: Financial Plan Highlights

		#312 Royston Water		
Operating	2019 Budget	2020 Proposed Budget	Increase (Decrease)	
<b>Revenue</b>				
Frontage/Parcel Taxes	196,000	196,000	-	
Sale Services User Fees	485,737	541,744	56,007	
Prior Years Surplus	245,812	51,500	(194,312)	
	<b>\$ 927,549</b>	<b>\$ 789,244</b>	<b>\$ (138,305)</b>	
<b>Expenditures</b>				
Personnel Costs	172,744	192,011	19,267	
Operating	478,171	457,882	(20,289)	
Contribution to Reserve	264,344	126,984	(137,360)	
Tsfr Other Functions	12,290	12,367	77	
	<b>\$ 927,549</b>	<b>\$ 789,244</b>	<b>\$ (138,305)</b>	
<b>Capital</b>				
<b>Funding Sources</b>				
Transfer from Reserve	446,000	400,000	(46,000)	
	<b>\$ 446,000</b>	<b>\$ 400,000</b>	<b>\$ (46,000)</b>	
<b>Funding Applied</b>				
Capital Projects & Equip	446,000	400,000	(46,000)	
	<b>\$ 446,000</b>	<b>\$ 400,000</b>	<b>\$ (46,000)</b>	

Highlights of the 2020 - 2024 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. The current agreement expires December 31, 2020.
- Per the agreement, Cumberland notified the CVRD at the end of September 2018 that the bulk water rate would increase to \$0.81/m<sup>3</sup>, with no further changes since that time.
- User rate revenue is projected to increase by 11.5 per cent in 2020 arising from the increase to user rates and projected increase in water demand.
- A nine per cent user rate increase was approved in 2019 as an interim measure whilst a comprehensive rate review is completed in 2020 based on the recently completed asset management planning work for the service.

Personnel

A new operator is proposed to be added to the CVRD water distribution operations crew in 2020, and a portion of this new position is allocated to the Royston Water Service. This increase in operator allocation, combined with changes to the Canada Pension Plan, WCB increases, and wage increases scheduled in the CUPE agreement are anticipated to result in an 11 per cent increase in 2020 personnel costs for the service.

Operations

The majority of the budgeted 2020 operating expenses remain unchanged from 2019 amounts. A four per cent decrease in operating costs is proposed for 2020. Larger variances are summarized in Table No. 3.

**Table No. 3: 2020 Proposed Other Professional Fees Versus 2019 Budget**

Account Code	Description	2019 Budget Value	2020 Proposed Budget
02-2-312-387	<b>Other Professional Fees:</b> Continued work on alternate water supply planning (carried forward). The draft asset management plan was completed in 2019.	\$100,500	\$60,000
02-2-312-438	<b>Contracts/Services Equipment:</b> Increase to the allowance, addition of a provision for electrical work.	\$25,000	\$35,000

Capital

The upgrade of the watermain along Gartley and Gartley Point Road was completed in 2019. This upgrade was required to resolve fire flows at one of the furthest reaches of the system. The project was fully funded by reserves, and a budget amendment was completed in 2019, the total project budget was \$450,000 and the project came in over budget at \$471,000 as a result of a number of changes that were required during construction.

Upgrade of the watermain along Minto Road is scheduled for 2020 and 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 2020 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. \$50,000 has been allocated in 2020 for alternate supply planning and will likely culminate in an approval process for Royston residents in late 2020 or early 2021. Summarized in Table No. 4 are the capital projects for 2020.

**Table No. 4: 2020 Capital Projects**

	<b>Project Title</b>	<b>Description</b>	<b>Estimated Value</b>	<b>Anticipated Award Date</b>
1	Minto Road Watermain Replacement	Replacement of the watermain along Minto Road to improve fire flows in the area.	\$250,000	Engineering - Spring 2020 Construction- Fall 2020
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.	\$2,550,000	Approvals - 2020/2021 Engineering and Construction - Starting late 2021, or early 2022

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, 2019 the reserve fund balances are estimated as follows:

- Capital works reserve fund balance of 1,744,544, which is used to fund priority capital projects required in the service. The Gartley Road project was funded through the capital works reserve and the Minto Road project is also to be funded from reserves.
- Future expenditure reserve of \$315,231 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 \$64,922 which is restricted to funding capital work attributed to development.

This five year financial plan includes an average capital works reserve contribution of \$105,000 per year and a future expenditure reserve fund contribution of \$5,000 per year. User rates and frontage tax will be reviewed as part of a comprehensive rate review in 2020 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 2020 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 2019 for function 312 was \$1,714, which resulted in a decrease in total user rate revenue of 0.4 per cent for the service.

**Citizen/Public Relations**

A newsletter was provided to residents in January as part of their quarterly water bill, informing residents of the rate increase and asset management work that is underway. An open house in February is also planned to keep residents informed. 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.