

DATE: February 6, 2020

FILE: 1700-02/2020/Function 307

TO: Chair and Directors
Electoral Areas Services Committee

Supported by Russell Dyson
Chief Administrative Officer

FROM: Russell Dyson
Chief Administrative Officer

R. Dyson

**RE: 2020 - 2024 Financial Plan – Denman Island Water Local Service Area –
Function 307**

Purpose

To provide the Electoral Areas Services Committee (EASC) with the proposed 2020 - 2024 Financial Plan and work plan highlights for the Denman Island Water Local Service Area (DIWLSA), function 307.

Recommendation from the Chief Administrative Officer:

THAT the proposed 2020 – 2024 financial plan for Denman Island Water Local Service Area, function 307, be approved.

Executive Summary

DIWLSA provides water to 23 residents located on Denman Island. Source water for the system is supplied from the Graham Lake Improvement District (GLID) and GLID manages day-to-day operations of DIWLSA. Comox Valley Regional District (CVRD) involvement with DIWLSA is limited primarily to issuing DIWLSA residents their annual water bill.

- No changes to user rates are scheduled for 2020. The user rates for the service mirror the rates charged by GLID. DIWLSA users pay \$1,400 per year for water or \$500 a year for no water.
- There are no CVRD personnel allocated to this service.
- Under the water supply agreement with GLID, the CVRD can recover up to \$1,000 in overhead costs from GLID each year.
- No reserve contributions for the service are made based on the structure of the water service agreement with GLID.
- An application from the CVRD and GLID to the Investing in Canada Infrastructure Program (ICIP) Environmental Quality Program for upgrades to the water treatment system required by Island Health is underway and due by February 26, 2020.
- A conversion study examining the prospect of GLID converting to a regional service is underway, and a draft is being brought forward to the February 10, 2020 EASC meeting.

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

Stakeholder Distribution (Upon Agenda Publication)

Graham Lake Improvement District	✓
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Board Strategic Drivers

The 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


Fiscal Responsibility:	Climate Crisis and Environmental Stewardship and Protection:
<ul style="list-style-type: none"> GLID manages the day to day operations of DIWLSA to reduce CVRD operating costs of the system. The conversion study will evaluate long term fiscal sustainability. 	<ul style="list-style-type: none"> Projects are not significantly influenced by this driver.
Community Partnerships:	Indigenous Relations:
<ul style="list-style-type: none"> DIWLSA and GLID are working together to develop a sustainable path forward for both services. 	<ul style="list-style-type: none"> The K’ómoks First Nation will be consulted should the CVRD opt to further investigate bulk water supply on Denman Island.

Financial Plan Overview

The 2020 - 2024 proposed five-year financial plan for the DIWLSA, function 307, including service establishment information, the requisition summary and the operating budget, 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 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

 2020 Proposed Budget		#307 Denman Island Water		
Operating	2019 Budget	2020 Proposed Budget	Increase (Decrease)	
Revenue				
Senior Government Grants	13,729		(13,729)	
Sale Services User Fees	30,900	30,900	-	
Other Revenue/Recoveries	1,000	1,000	-	
Transfer from Reserve	0		-	
Prior Year's Surplus	1	1,329	1,328	
	\$ 45,630	\$ 33,229	\$ (12,401)	
Expenditures				
Operating	45,630	32,377	(13,253)	
Contribution to Reserve		852	852	
	\$ 45,630	\$ 33,229	\$ (12,401)	

Highlights of the 2020 - 2024 proposed financial plan for function 307 include:

Revenue Sources

The user rates for the service mirror the rates charged in GLID to ensure equity between the two service areas and are as follows:

- Annual charge of \$500 for no water charged to all DIWLSA residents.
- Additional \$900 per year for unlimited water (total bill of \$1,400/year for water).

In 2019, \$5,976 in Community Works Funds was used to support completion of the water treatment options study to determine a path forward for the GLID and DIWLSA systems to comply with the *Surface Water Treatment Objectives (SWTO)*. An application to the ICIP is underway for treatment upgrades.

Personnel

There are no CVRD personnel allocated to this service. Under the agreement, the GLID operator completes the required routine sampling and monitoring of the system.

Operations

GLID manages day-to-day operations of DIWLSA at the same rate per connection that the GLID charges to the residents. The CVRD involvement is limited primarily to issuing of DIWLSA residents’ annual water bills. Under the water supply agreement, the CVRD is entitled to recover up to \$1,000 in overhead costs from the GLID each year.

The operation of the two systems independently however remains an unfeasible option for the long-term. The CVRD and GLID have largely agreed that amalgamation of the two systems into a single system potentially provides the most cost-effective solution for the operations and sustainability of these two services in the long term. A conversion study summarizing the logistics of a possible amalgamation of the two systems through extension of DIWLSA is mostly complete, and attached to the February 10, 2020 EASC meeting agenda.

Capital

There are no capital projects planned for the DIWLSA in the proposed financial plan. Since 2018 the CVRD has been working with GLID to look at treatment upgrade options and costs to comply with the *SWTO*. The study is cost shared between GLID and CVRD and is being used to support an application to the ICIP Environmental Quality Program that closes on February 26, 2020.

Reserves

At December 31, 2019 the capital works reserve fund balance for the DIWLSA was estimated at \$6,693. The balance will be confirmed once the 2019 year end has been finalized. No additional reserve contributions for the service are planned to be made based on the structure of the water service agreement with GLID.

Tax Impacts

No increases to rates are planned for 2020. DIWLSA users pay either:

- \$500 per year for no water; or
- \$1,400 per year for water, not metered.

Citizen/Public Relations

Following completion of the *SWTO* study and the conclusion of the governance study, communications with residents is planned to inform on current initiatives and the path forward for the service.