

**DATE:** February 7, 2020

**FILE:** 1700-02/2020/Function 305,306,309,314

**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 – Comox Valley, Sandwick, 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 2020 - 2024 Financial Plan and work plan highlights for the Comox Valley, Sandwick, Greaves Crescent, and England Road Water Local Service Areas (WLSAs), functions 305, 306, 309 and 314 respectively.

### Recommendation from the Chief Administrative Officer:

THAT the proposed 2020 - 2024 financial plans for the Comox Valley (305), Sandwick (306), Greaves Crescent (309), and England Road (314) Water Local Service Areas be approved, subject to the following amendments to the projected user rate revenue being included in the 2020 - 2024 recommended financial plan, to be funded by reductions in the contributions to capital works reserves:

	2020	2021	2022	2023	2024
Currently proposed	\$1,446,356	\$1,446,356	\$1,446,356	\$1,446,356	\$1,446,356
Amend to	\$1,326,933	\$1,326,933	\$1,326,933	\$1,326,933	\$1,326,933

### Executive Summary

The 2020-2024 financial plan will be the second year of the merged Comox Valley WLSA and a summary of the financial plans are as follows:

- The nine per cent increase in user rates that was approved in 2019 will result in a \$32 increase in water rates per year for the average user.
- The proposed financial plan includes an error in the projected revenue which is proposed to be corrected in the motions attached to this report.
- Once the financial plan is amended for the lower revenue projection, anticipated reserve contributions over the five year plan will decrease.
- As part of the merger, each of these WLSAs is required to contribute to capital reserves in an equitable manner. The WLSAs will be levied an equalization parcel tax to meet the capital requirements within the Financial Fairness for Capital Assets Policy, approved by the Board in 2018.
- 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 service, combined with increases to benefits and wages scheduled in the CUPE agreement.
- A two per cent increase in operating costs is expected for the service in 2020, largely attributable to the increase in the bulk water rate.
- 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.

- 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 2019 was \$112.
- No capital projects are planned for 2020, the upgrade of a watermain along Lloyd Road has been delayed until 2022. As part of the asset management work completed in 2019, it was identified that the water main on Astra Road also needs to be replaced. To minimize construction costs the replacement of the Lloyd Road watermain will be completed as part of this larger replacement project in 2022.

Prepared by:

***K. La Rose***

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

Concurrence:

***M. Rutten***

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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 below 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, parcel taxes are unchanged from 2019 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 Comox Valley 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>• Projects are not significantly influenced by this driver</li> </ul>	<ul style="list-style-type: none"> <li>• The replacement of the watermain along Lloyd Road will involve use of alternative pipe replacement technologies to minimize impacts to a First Nation midden along the alignment.</li> </ul>

### Financial Plan Overview

The 2020 - 2024 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](http://www.comoxvalleyrd.ca/currentbudget).

As of January 1, 2019, the six smaller WLSA’s which encompass areas adjacent to the City of Courtenay and the Town of Comox and are connected 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 2020 proposed budget as compared to the 2019 adopted budget for the WLSAs. The only budget items remaining in the three separate WLSAs are any parcel tax requirements that are collected to cover the cost of borrowing (England Road WLSA, function 314 only) or needed to meet the equalization rate, and transfers of that revenue to 305 through a ‘transfer to other function.

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


		<b>#305 Comox Valley Water</b>		
<b>Operating</b>	<b>2019 Budget</b>	<b>2020 Proposed Budget</b>	<b>Increase (Decrease)</b>	
<b>Revenue</b>				
Frontage/Parcel Taxes	117,180	117,180	-	
Sale Services User Fees	1,215,393	1,456,356	240,963	
Other Revenue / Recoveries	216,224	14,239	(201,985)	
Prior Years Surplus	109,193	21,401	(87,792)	
Transfer from Reserve	112,600		(112,600)	
	<b>\$ 1,770,590</b>	<b>\$ 1,609,176</b>	<b>\$ (161,414)</b>	
<b>Expenditures</b>				
Personnel Costs	140,950	156,550	15,600	
Operating	1,096,818	1,117,141	20,323	
Contribution to Reserve	391,051	306,173	(84,878)	
Tsfr Other Functions	29,171	29,312	141	
Transfer to Other Governments	112,600		(112,600)	
	<b>\$ 1,770,590</b>	<b>\$ 1,609,176</b>	<b>\$ (161,414)</b>	
<b>Capital</b>				
<b>Funding Sources</b>				
Senior Government Grants				
Transfer from Reserve	120,000		120,000	
	<b>\$ 120,000</b>	<b>\$ -</b>	<b>\$ 120,000</b>	
<b>Funding Applied</b>				
Capital Projects & Equip	120,000		(120,000)	
	<b>\$ 120,000</b>	<b>\$ -</b>	<b>\$ (120,000)</b>	

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


		#306 Sandwick Water		
Operating	2019 Budget	2020 Proposed Budget	Increase (Decrease)	
<b>Revenue</b>				
Frontage/Parcel Taxes	84,907	84,907	-	
Prior Years Surplus	150,529	73,433	(77,096)	
	<b>\$ 235,436</b>	<b>\$ 158,340</b>	<b>\$ (77,096)</b>	
<b>Expenditures</b>				
Tsfr Other Functions	162,003	11,474	(150,529)	
Tsfr Other Government	73,433	146,866	73,433	
	<b>\$ 235,436</b>	<b>\$ 158,340</b>	<b>\$ (77,096)</b>	
<b>Capital</b>				
<b>Funding Sources</b>				
Transfer from Reserve	196,500		196,500	
	<b>\$ 196,500</b>	<b>\$ -</b>	<b>\$ 196,500</b>	
<b>Funding Applied</b>				
Capital Projects & Equip	196,500		(196,500)	
	<b>\$ 196,500</b>	<b>\$ -</b>	<b>\$ (196,500)</b>	

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


		#309 Greaves Crescent Water		
Operating	2019 Budget	2020 Proposed Budget	Increase (Decrease)	
<b>Revenue</b>				
Frontage / Parcel Taxes	377	377	-	
Prior Years Surplus	1,732		(1,732)	
	<b>\$ 2,109</b>	<b>\$ 377</b>	<b>\$ (1,732)</b>	
<b>Expenditures</b>				
Tsfr Other Functions	2,109	377	(1,732)	
	<b>\$ 2,109</b>	<b>\$ 377</b>	<b>\$ (1,732)</b>	

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

Operating		2020 Proposed Budget		
		2019 Budget	2020 Proposed Budget	Increase (Decrease)
<b>Revenue</b>				
Frontage/Parcel Taxes		8,645	7,427	(1,218)
Prior Years Surplus		2,404		(2,404)
		<b>\$ 11,049</b>	<b>\$ 7,427</b>	<b>\$ (3,622)</b>
<b>Expenditures</b>				
Tsfr Other Functions		4,798	2,388	(2,410)
Debt Charges		6,251	5,039	(1,212)
		<b>\$ 11,049</b>	<b>\$ 7,427</b>	<b>\$ (3,622)</b>

Highlights of the 2020 - 2024 proposed financial plans for functions 305, 306, 309 and 314 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 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.
- The proposed financial plan includes erroneous revenue projections which will be corrected prior to final approval.
- The additional \$32 raised per user results in approximately \$241,000 in additional user rate revenue.
- To avoid the service running a deficit and to ensure adequate reserve contributions, recommendations for further increases to the user rate and an increase to the frontage tax will be brought forward to the EASC for implementation in late 2020 after completion of the comprehensive rate review.
- A parcel tax is collected for the England Road WLSA (function 314) to fund the debt for the original capital connection project and will be retired in 2020.

To ensure that each area contributes equitably to the capital assets, a capital reserve equalization rate is being charged and collected. Summarized below 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 ten 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	
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.

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 have 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 being completed in 2020.

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 Comox Valley WLSA. 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.

A five year operational staff allocation review was completed in 2016 for all WLSAs and future allocations are based on the historical average. The intent going forward is to review this budget allocation on a more frequent basis; the budget allocation will be reviewed in 2020 for the 2021-2025 financial plan. Only the actual operator time spent in each area is charged to that service.

Operations

All operational expenses for the merged WLSAs are included within the Comox Valley WLSA, function 305. Merging of the service areas is expected to result in cost efficiencies for operations which will be refined over time.

Operating expenses increased by two per cent in 2020 largely resultant of the increase to the bulk water rates from \$0.80/m<sup>3</sup> to \$0.83/m<sup>3</sup>.

Capital

The only capital project currently planned for the service over the 2020 – 2024 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. Further, with the recently completed asset management plan, it was identified that the nearby water main along Astra Road is reaching of its service life and should be replaced in the early 2020’s. As such the replacement of Lloyd Road is proposed to be rolled into the replacement of Astra Road in 2022, to reduce capital costs by minimizing mobilization costs etc.

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. A comprehensive rate review and development of an asset replacement schedule for the coming years will be completed in 2020.

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 at December 31, 2019 are as follows and will be updated once the 2019 year end is finalized.

- Capital works reserve fund balance: \$3,922,832
- Funds for future expenditure reserve fund balance: 313,946

The average reserve contribution over the 2020-2024 financial plan is \$239,000 and will decrease over the course of the financial plan if no further rate increases occur. These values will decrease once the revenue projections are corrected. 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 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 2020 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 in 2020 following completion of a comprehensive rate review for the service:

Comox Valley	\$60
Arden	None until 2027*
Sandwick	\$257
Greaves Crescent	\$73
England Road	\$148
Marsden/Camco	None until 2024*
<i>* unless adjustments to the parcel tax for asset management are made</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 for 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 2020 depending on the previous service area and equalization parcel tax.

**Citizen/Public Relations**

A newsletter was provided to residents in December as part of their billing, 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.