

DATE: February 6, 2020

FILE: 1700-02/2020/331

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 – King Coho Wastewater Service – Function 331

Purpose

To provide the Electoral Areas Services Committee with the proposed 2020-2024 financial plan and work plan highlights for the King Coho wastewater service, function 331.

Recommendation from the Chief Administrative Officer:

THAT the proposed 2020-2024 financial plan for King Coho wastewater service, function 331, be approved.

Executive Summary

The proposed 2020-2024 financial plan for the King Coho wastewater service, function 331, includes the following highlights:

- A 2020 parcel tax rate for the service of \$1,786.41 per user. Included in the 2020 rate is an estimated \$398.35 in debt financing for short-term borrowing to be repaid over five years.
- Additional community works funds (CWF) revenue of \$67,500 was allocated to wastewater treatment plant upgrades for 2020. The total CWF contribution for that project is now \$117,500.
- Personnel costs allocated to the service for 2020 is \$10,096, slightly increased from 2019.
- An additional \$7,435 will need to be added to the 2020 recommended budget to allow for an emergency repair to the marine outfall and the treatment plant to be offset by a reduction in reserve contributions.
- Capital expenditures of \$197,847 are proposed in 2020 to complete the conversion of the emergency storage tank to an equalization tank.
- A future expenditure reserve fund has been established for the service to assist with unanticipated operational costs and biennial expenditures.
- Increased operational costs have resulted in a decrease in the capital works reserve contribution for the service. The asset management needs of the service will be re-evaluated following the completion of the capital upgrades in 2020.

Prepared by:

Concurrence:

D. Monteith

M. Rutten

Darry Monteith
Manager of Liquid Waste Planning

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 1 notes the degree of influence the drivers have on projects and work plans.

Table 1: Strategic Drivers

<p>Fiscal responsibility:</p> <ul style="list-style-type: none"> • With only 37 participants, even small increases in operational needs and/or capital works requirements for the service can have a significant impact on parcel tax rates. • Additional community work funds have been committed towards the capital upgrades to reduce the impact to the residents. 	<p>Climate crisis and environmental stewardship and protection:</p> <ul style="list-style-type: none"> • Capital improvements planned for 2020 will result in improved water quality in the receiving environment, and reduced risk to the CVRD of enforcement actions due to permit non-compliance.
<p>Community partnerships:</p> <ul style="list-style-type: none"> • This service is provided to three freehold strata corporations in partnership. 	<p>Indigenous relations:</p> <ul style="list-style-type: none"> • Projects are not significantly influenced by this driver.

Financial Plan Overview


The King Coho wastewater service is a domestic sewer treatment service servicing three freehold strata corporations with a combined total of 37 units, with 2019 being the first full year of CVRD operation.

The capital and operational needs of the service continue to be refined as CVRD staff become more familiar with the system. Because of this there are some significant variances between the 2019 adopted budget and actual expenditures. Adjustments have been made to 2020 allocations based on experience gained throughout 2019. Additionally, to assist with unanticipated operational costs and biennial expenditures, a future expenditure reserve fund has been established for the service.

The 2020-2024 proposed five-year financial plan for the King Coho wastewater service, function 331, 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 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 2: Financial Plan Highlights

		#331 King Coho Sewer		
Operating	2019 Budget	2020 Proposed Budget	Increase (Decrease)	
Revenue				
Frontage / Parcel Taxes	150,351	66,097	(84,254)	
Prior Year's Surplus	3			
	\$ 150,354	\$ 66,097	\$	84,254
Expenditures				
Personnel Costs	9,705	10,096	391	
Operating	22,433	24,727	2,294	
Contribution to Reserve	116,866	15,185	(101,681)	
Tsfr Other Functions	1,350	1,350	-	
Debt Charges		14,739	14,739	
	\$ 150,354	\$ 66,097	\$	(84,257)
Capital				
Funding Sources				
Senior Government Grants	6,856	67,500	60,644	
Short Term Debt Proceeds		67,500	67,500	
Transfer from Reserves	100,000	62,847	(37,153)	
	\$ 106,856	\$ 197,847	\$	90,991
Funding Applied				
Capital Projects & Equip	106,856	197,847	90,991	
	\$ 106,856	\$ 197,847	\$	90,991

Highlights of the 2020-2024 proposed financial plan for function 331 include:

Revenue Sources

- In 2020, annual operating revenue and short-term debt servicing costs will be recovered through parcel tax, at a rate of \$1,786.41 per user with a total annual revenue of \$66,097.
- Debt servicing costs of \$398.35 are included in the 2020 parcel tax rate to cover cost increases for required capital upgrades.
- The 2019 parcel tax of \$4,064 per parcel funded a one-time capital charge of \$100,000 as well as the operating costs.

Personnel

- The proposed financial plan includes \$10,096 of personnel costs required to operate the wastewater treatment plant. Resources are provided from the CVRD’s pool of wastewater operators. Position allocations remain consistent with 2019, with 10.63 per cent of a wastewater treatment plant operator position allocated to this service.
- Management of the service is provided by the Liquid Waste Management Planning (LWMP) service, function 340. Management fees of \$1,000 remain consistent with 2019, captured under Transfer to Other Functions. An additional \$350 is allocated under Transfer to Other Functions to service 335 for vehicle usage.

Operations

There was a modest increase in operational costs due to increased lab analysis fees, a new cable service for system controls and other minor increases.

A compulsory emergency repair to the marine outfall and the rotating biological contactor (RBC) unit has recently been identified, which will necessitate an additional \$7,435 being added to the 2020-2024 recommended financial plan to enable these repairs to be completed.

Capital

In 2020, capital expenditures of \$197,847 are proposed to finish the necessary upgrades to the King Coho treatment process. Planned work includes the conversion of the emergency storage tank to an equalization tank. The conversion will allow for primary solids to settle out in the equalization tank, and therefore significantly reduce solids loading into the RBC, while also delivering wastewater to the RBC unit at a consistent flow rate. Engineering and design for the conversion was completed in 2019. Updated cost estimates for this conversion are well in excess of the original budgeted value.

The 2019-2023 financial plan included a capital works budget of \$106,856 for 2019 for completion of capital upgrades required to bring the system into compliance with its operating permit. In 2019, design and engineering for conversion of the emergency storage tank was complete. A revised cost estimate of \$182,400 was provided for this project, which is well in excess of the original budgeted value and available reserves. With an added allowance for construction management, the total project cost for the conversion is estimated at \$197,847, requiring additional capital funding of \$135,000 to complete the upgrade. A carry forward of \$62,847 is estimated for 2020 to complete the conversion. The additional \$135,000 will be funded through \$67,500 in short-term borrowing and \$67,500 in Lazo North (Electoral Area B) CWF.

Short-term borrowing could be reduced with an additional allocation of CWF in 2020. This would enable a capital reserve contribution that could not otherwise be met.

Table 3: Optional Amendments to Capital Reserve Revenues

Option	CWF Grant Funding	Short-term Borrowing	Available Capital Reserve Contribution
Current	\$67,500	\$67,500	\$0
1	\$135,000	\$0	\$14,739
2	\$101,250	\$33,750	\$7,370

The project approved in the financial plan will be procured in accordance with the Comox Valley Regional District Delegation of Purchasing Authority Bylaw No. 510, 2018, and the Board-approved Procurement Policy. If the Board wishes to receive additional information on the project prior to the procurement and/or contract award, it should be highlighted at this time.

Reserves

As of December 31, 2019, the projected capital works reserve fund balance is \$83,413. The 2020 proposed budget includes an estimated contribution of \$7,435 towards capital works reserves; however, this allocation will be decreased to \$0 in the recommended financial plan to cover the cost of the emergency outfall repair and RBC unit repair. A contribution of \$7,750 towards future expenditure reserves is also proposed for 2020 to support outfall inspection costs in 2021 and assist with unanticipated operational costs.

Increasing operational costs are resulting in less funds being available to contribute to the service's capital works reserve. Staff have reviewed the asset management plan for this service, and identified

the need for a larger capital works reserve contribution than is currently able to be provided at existing parcel tax rates. Staff plan to re-evaluate asset management needs following the completion of the system upgrades to determine if a parcel tax increase is required in future years. No reserve funds were transferred to the service when the utility was acquired by the CVRD.

Tax Impacts

- The 2020 parcel tax rate for this service is \$1,786.41. This includes an estimated \$398.35 in debt servicing costs for the short-term borrowing required to complete capital upgrades. This debt will be repaid by increased parcel taxes for five years.
- The 2019 parcel tax rate for the service was \$4,064. Included in the 2019 rate was a charge of \$2,703 per user (totalling \$100,000), collected for capital upgrades to the wastewater treatment plant and a charge of \$1,361 for annual operations.

Citizen/Public Relations

A newsletter highlighting 2020-2024 parcel tax requirements, as well as the timing of the emergency storage tank conversion project, is planned to be distributed to service participants in February 2020, with a public open house to follow.

Following completion of the system upgrades, staff will re-evaluate the asset management needs of the service, and will engage with residents early if a parcel tax increase is required in future years.