



REGIONAL DISTRICT OF NORTH OKANAGAN

GREATER VERNON ADVISORY COMMITTEE MEETING

Thursday, January 29, 2015

9:00 am

SPECIAL AGENDA

A. APPROVAL OF AGENDA

1. Greater Vernon Advisory Committee – Special – January 29, 2015

RECOMMENDATION 1

That the Agenda of the January 29, 2015 Greater Vernon Advisory Committee Special meeting be approved as presented.

B. NEW BUSINESS

1. 2015 Greater Vernon Water (GVW) Budget Review

- Staff report dated January 29, 2015
- 2015 GVW Capital Projects

RECOMMENDATION 2

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That the proposed 2015 Greater Vernon Water operating and capital budget be approved in principle and recommended to the Board of Directors for approval within the Regional District of North Okanagan's 2015 Financial Plan; and further,

That a bylaw amendment be prepared for the Board of Director's consideration to include the proposed 4% water rate increase.

C. ADJOURNMENT



REGIONAL DISTRICT
of
NORTH OKANAGAN

REPORT

File No.: 1700

TO: Greater Vernon Advisory Committee
FROM: Stephen Banmen, General Manager, Finance
DATE: January 29, 2015
SUBJECT: 2015 Greater Vernon Water Operating & Capital Budget

RECOMMENDATION:

That the proposed 2015 Greater Vernon Water operating and capital budget be approved in principle and recommended to the Board of Directors for approval within the Regional District of North Okanagan's 2015 Financial Plan;

And That a bylaw amendment be prepared for the Board of Director's consideration to include the proposed 4% water rate increase.

SUMMARY:

The overall GVW operating budget is \$15,077,639 (2014 - \$14,128,177). The overall capital budget is \$5,571,000 (2014 - \$8,392,000).

Schedule A summarizes the proposed Greater Vernon Water Utility 2015 Budget. The 2015 budget does not yet include incomplete capital expenditures and their associated funding sources being carried over from 2014. The carry forward projects will be added to the financial plan bylaw following the close of the 2014 year-end. There will be no impact on the 2015 net budget or rates as a result of the 2014 carry forward projects.

The proposed budget includes a 4% rate increase to the fixed, metered and agricultural water rates. Two alternative rate increases are discussed later in the report.

The rate increase provides additional funds for the capital program, both current and future. The current revenue funding of the 2015 capital program is increasing by \$206,000, from \$4,565,000 in 2014 to \$4,771,000 in 2015.

The rate increase also provides additional funds for future capital projects through a \$736,000 increase in transfers to reserves (2014 - nil).

Operating Budget Highlights

The overall operating budget, excluding transfers to reserves, is essentially unchanged from 2014.

The major operating changes included the following:

GVW Function	\$ Increase/ (Decrease)
Special Projects	\$ 214,000
Distribution	174,000
GVW Administration	65,000
Supply	17,000
Treatment	(410,000)
General Operations & Programs	(36,000)
Debt Payment (net)	(24,000)
Total Increase/(Decrease)	--

'Special Projects' has increased by \$214,000 (from \$467,000 to \$681,000) mainly as a result of a \$200,000 budget to acquire various statutory rights of way in order to protect existing water lines.

There are numerous special projects within the proposed operating budget. These are generally one-time operational projects. They include:

- statutory rights of way acquisition
- review of GVW pressure zones
- surge relief valve assessment
- demolition of old facilities
- hydrant testing equipment
- VFD at Ranch Well #1
- re-roof headgates building
- catwalk at Gold Paradise diversion gates
- Middleton Mountain landscaping plan
- Painting foothills reservoir
- Cunliff reservoir study
- Outback lake pump and motor
- Kal Lake wet well cleaning and 400HP pump repair
- Goose Lake screen cleaning
- Duteau protozoa study
- Inundation studies
- Kal Lake storm water study

Water system distribution costs have increased by \$174,000 (from \$5,163,000 to \$5,337,000). Much of the work is contracted to our partner municipalities of Vernon and Coldstream for repair and maintenance of the distribution lines in their respective communities.

The largest decrease within the 2015 GVW operating budget is a related to treatment, with a \$410,000 reduction, from \$2.93 million to \$2.52 million. Within the functional area of water treatment, the largest savings are related to water treatment chemicals (\$134,000), utilities (\$129,000) and operations & maintenance (\$72,000).

The annual principal and interest payments on debt have decreased by \$24,000 as a result of debt refinancing by the Municipal Finance Authority. Although Schedule A shows a \$190,000 increase in debt payments, there is an offsetting \$214,000 increase in revenue within 'other income' related to the earnings on the regional district's sinking funds held by the MFA. Pursuant to the Public Sector Accounting Board standards, the RDNO's financial statements include the sinking fund earnings as revenue and the offsetting reduction in debt. The inclusion of \$214,000 in sinking fund earnings and the offset of \$214,000 in debt reduction is purely an accounting change in our budget process to be more consistent with our financial statement presentation.

Capital Budget Highlights

The total 2015 GVW capital budget is \$5,571,000.

Capital funding is provided by \$4,771,000 from current revenue, \$700,000 from long term borrowing (for Claremont local service area) and \$100,000 from BC Hydro.

Each project has been itemized separately in the capital budget information previously distributed.

Reserves and Outstanding Debt Highlights

The table below provides a comparison of the level of debt and reserves within GVW over 4 years. The figures for 2012 and 2013 are actual year-end amounts. The 2014 and 2015 figures are based on the 2014 budget and proposed 2015 budget.

	2015	2014	2013	2012
Long Term Debt	\$ 25,552,000	\$ 26,415,000	\$ 27,925,000	\$29,457,000
Operating Reserve	7,736,000	7,000,000	8,749,000	7,683,000
Statutory Reserves	7,158,000	7,052,000	6,983,000	6,868,000
DCC Reserve	0	311,000	693,000	3,188,000

The 2015 long term debt figure is a firm amount and includes the additional \$700,000 in long term borrowing for the Claremont Water Utility local service area included in the 2015 capital budget.

The operating reserve figures for 2014 and 2015 represent estimates of the unallocated balance of the reserve. Each year incomplete capital projects are carried forward to the next year. The project funding often drops to the operating reserve at year-end and is reallocated in the subsequent year's budget.

The Water DCC Reserve was fully allocated in the 2014 budget and one of the projects will be carried forward to 2015. The 2015 balance is completely dependent upon DCC's collected during the year.

Water Rate Increases

The proposed budget includes a 4% rate increase.

The GVW's long term capital program requires significant investment for infrastructure renewal to replace aging infrastructure, to expand the system to provide additional capacity and to improve water quality in meeting regulatory standards. While some uncertainty exists in terms of the Water Master

Plan, it is known that there are significant investments required in the water system. Thus, a modest rate increase of approximately twice the rate of inflation is proposed.

There is sufficient revenue at existing rates to meet the current operating needs of the system. The rate increase provides for an improved capital program funded from current revenue and provides for reserves to be set aside for years when the capital funding needs are greater.

Alternative Rate Proposals

1. A 10% rate increase

- This rate increase would provide an additional \$1.1 million for future capital expenditures, in addition to the \$736,000 currently proposed to be transferred to reserve.
- This rate increase would be the next step in developing a new financial strategy towards implementing the Water Master Plan. Other aspects of the strategy could be a greater reliance on grant funding, phasing the projects over a longer period of time, and building up reserves to reduce future borrowing requirements.
- The rate increase equates to the annual debt payments on a \$25 million project borrowed over 20 years.
- This proposal would require some additional work with the 'Water Rates Calculator' so that the proposed rates produced the expected revenue increase.

2. A 2% rate increase

- This rate would provide a minimal increase to reserves and provide some budget flexibility in terms of reallocating resources as decisions are made regarding the review of the Water Master Plan. The review will require some resources to be allocated, and could be significant depending upon the eventual work plan established.
- This rate increase essentially provides an inflationary increase in rates. It provides a break in large rate increases in recognition that a portion of the long term capital works plan is under review. However, a minimal rate increase is still required. It would not be prudent to keep rates unchanged given future infrastructure needs and rising operating costs.

Submitted by:



Stephen Banmen
General Manager, Finance

Approved for Inclusion



David Sewell, Chief Administrative Officer

Schedule A

372 - GREATER VERNON WATER UTILITY

	ACTUAL	BUDGET	FP	VARIANCE	%
	2013	2014	2015		
REVENUE					
PROPERTY VALUE TAXES	-	-	-	-	0.0%
PARCEL TAXES	-	-	-	-	0.0%
FEDERAL / PROVINCIAL GRANTS	(18,050)	(20,000)	(121,000)	(101,000)	505.0%
GRANTS IN LIEU OF TAXES	-	-	-	-	0.0%
FEES, CHARGES & OTHER INCOME	(17,219,524)	(18,673,177)	(19,827,639)	(1,154,462)	6.2%
TRANSFERS FROM RESERVES	(2,680,841)	(1,405,000)	-	1,405,000	(100.0%)
TRANSFERS FROM ACCUMULATED SURPLUS	-	(2,422,000)	-	2,422,000	(100.0%)
CAPITAL BORROWING	-	-	(700,000)	(700,000)	0.0%
	(19,918,415)	(22,520,177)	(20,648,639)	1,871,538	(8.3%)
EXPENSES					
WAGES & BENEFITS	1,785,441	1,923,686	1,952,000	28,314	1.5%
OPERATING EXPENSES	8,340,839	9,501,577	9,496,565	(5,012)	(0.1%)
DEBT PAYMENTS	2,935,124	2,702,914	2,893,074	190,160	7.0%
TRANSFERS TO RESERVES	115,395	-	-	-	0.0%
TRANSFERS TO SURPLUS/NON-STATUTORY RESERVES	1,025,527	-	736,000	736,000	0.0%
CAPITAL EXPENDITURES	5,716,088	8,392,000	5,571,000	(2,821,000)	(33.6%)
	19,918,415	22,520,177	20,648,639	(1,871,538)	(8.3%)
NET	-	-	(0)	(0)	0.0%

Function - 372 - Greater Vernon Water

Project	Total Expenditure	Current Revenue	Long Term Debt	Other	Comments/Status
<u>2015 Capital Projects:</u>					
Claremont Water Utility Acquisition	\$ 700,000		700,000		Local Service Area, design completed in 2014
Highway #6 Replacement: 9159 - 9555 Highway #6	\$ 660,000	660,000			Complete re/re 100mm cast iron watermain/ design in 2014, DoC high priority.
Replace Hypochlorite Storage Tank #2 at Mission Hill	\$ 20,000	20,000			Replaced 1 in 2014, need to replace 2 more at 1 per year
Aberdeen Low Level outlet	\$ 400,000	400,000			Existing pipe has broken joints near outlet, requires repair of dam safety
Pleasant Valley Rd - 41 Ave. to 20 St. & at 37 Ave to road edge	\$ 490,000	490,000			Coordinated project with CoV capital works
30 St - Hwy 6 to 37 Ave - Engineering	\$ 60,000	60,000			Coordinated project with CoV capital works, design and tender docs (30 St - Hwy 6 to 37 Ave) and Prelim. Design (30 St - 37 Ave to 39 Ave) in 2015 only.
Domestic and ICI Meter Replacement Pilot	\$ 250,000	250,000			Pilot project to assess water loss through aging domestic and larger aging ICI meters.
Radio Transmitters for Meters in RDNO area and pilot in VER/CLD	\$ 100,000	100,000			Installation of radio transmitters on meters in RDNO
Capital project contingency Regional Areas, Vernon and Coldstream	\$ 350,000	350,000			Provide contingency for projects that are not specifically budgeted for and pre-engineering services
Venables Way : Aberdeen to Middleton - Upgrade watermain	\$ 600,000	600,000			Coldstream #2 priority, continual watermain breaks experienced
UVT analyzer Duteau	\$ 43,000	43,000			Generate online data to determine viability of UV treatment at Duteau in the interim, prior to filtration.
Lake level equipment for Aberdeen & Grizzly	\$ 43,000	43,000			Equipment, install & divers
Replace transformer - Kal Lake Pump Station	\$ 210,000	110,000		100,000	Project scope changed from 2014 carryover project, BC Hydro to fund transformer
Raising Kal Intake by 3 m (extend to ensure under 20 m depth)	\$ 200,000	200,000			Including replacing screen
Design of Mission Hill WTP offices/lunchroom	\$ 20,000	20,000			The operating room at Mission Hill Water Treatment Plant currently resides with the electrical room, this creates excessive dust and noise for operators.
Pottery Rd/Polson Dr. - rail and creek crossing rehab., Vernon	\$ 125,000	125,000			Options looking at are directional drilling, inserting smaller pipe into 250 or cured in place polymer
Replace utility station PLC/Wyse SC-ADA equipment	\$ 90,000	90,000			Software support for this equipment is no longer available
Vehicle Replacement	\$ 15,000	15,000			Shared cost with Solid Waste 50/50
Tassie Drive from Cactus Dr - McClounie Road	\$ 100,000	100,000			Coordinated project with DoC capital works, replace existing 100mm AC with 150mm PVC
37 th Ave. Rail Crossing - casing for 200 mm carrier pipe	\$ 70,000	70,000			Coordinated project with CoV capital works
25th Avenue from lane west of 17th St to 15th Ave	\$ 325,000	325,000			Improve supply to McMechan Reservoir, MWP project
32 AVE ROAD - 27 ST TO 29 ST - upsize to 200mm	\$ 140,000	140,000			Coordinated project with CoV capital works
30 AVE - BX CREEK CROSSING - upsize to 200mm	\$ 130,000	130,000			Coordinated project with CoV capital works
WQ loop between Amber Dr & Lakeridge Pl, Vernon	\$ 80,000	80,000			140 m on easement including road (18 m X 2 under pavement)
Remove DND reservoir - replace with PRV	\$ 200,000	200,000			Vulnerable infrastructure to contamination of water system
Dallas Road	\$ 150,000	150,000			Infrastructure renewal project in an area with a number of breaks
	\$ 5,571,000	\$ 4,771,000	\$ 700,000	\$ 100,000	

Note: Preapproval of project received by Board