



**REPORT TO JUAN DE FUCA WATER DISTRIBUTION COMMISSION  
MEETING OF TUESDAY, 3 NOVEMBER 2009**

---

SUBJECT      2010 CAPITAL AND OPERATING BUDGET

PURPOSE

The purpose of this report is to provide a synopsis of the 2010 budget highlighting the proposed significant changes. The report generally follows the sequence of information provided in the draft budget document.

BACKGROUND

Rate Base

The rate base for 2010 has increased by \$42,543,127 million with the biggest impact resulting from the re-evaluation of assets to comply with the requirements of the Public Sector Accounting Board (PSAB). This has added \$24 million to the rate base. In addition, the rate base also reflects new infrastructure additions associated with the continuing development in the service area and the watermain replacement program (Pages 2 & 3 of the budget document).

Return on Rate Base

Due to significant increase in the rate base, the rate of return has been reduced to mitigate the impact of the PSAB asset revaluations on the 2010 water rate.

Revenue Requirement

The revenue requirement for 2010 has increased by \$140,563 (Page 4) which is comprised of an increase in depreciation related to capital investments and increase in asset values of \$858,663 offset by a reduction in return on rate base of \$807,200, an increase in the operations expenditure budget of \$114,600 plus an increase in the non-rate revenue of \$25,500.

Operating Expenditures Budget

The 2010 board budget reflects increase in non-discretionary expenses such as negotiated wage/salary increases and increased corporate allocations. The net increase in the Board budget from previous year (Column 2 less Column 7) is \$114,600, which includes the proportionate share of a single supplementary request of \$26,100 for a Fleet manager administrative assistant shared with Regional Water Supply. Details are provided on Pages 6 & 7 of the budget document.

The addition of new assets due to development and the infrastructure renewal program continued, resulting in the following infrastructure being brought into service in 2008:

- 3 pump stations
- 1 reservoir
- 2 pressure regulating stations
- 13,993 metres growth related water main additions
- 6,347 metres of water main were replaced
- 105 fire hydrants
- 2 large meters
- 796 residential meters

In 2009, 493 new residential meters have been added to date, with 600 estimated by year end.

### 2010 Capital Budget

The projected capital expenditures for the period 2010 – 2014 totals \$16.009 million, excluding DCC expenditures, plus \$1.336 million shared with the Regional Water Supply System. The 5-year capital budget for DCC projects totals \$4.740 million. Expenditures on DCC projects are dependent on when development proceeds.

### Wholesale Water Rate

The Budget Subcommittee of the Regional Water Supply Commission has recommended a wholesale rate of \$0.5385, an increase of \$0.0922. Currently the wholesale rate accounts for 32.6% of the retail rate. With the proposed increase, this will increase to 36.1%.

### Staffing

A summary of Water Services' staffing is attached (Attachment 1). The budget includes a single supplementary increase of 0.45 FTE for administrative support for Fleet Management.

### 2009 Retail Water Rate

The proposed retail water rate is \$1.4927, an increase of \$0.1245. The rate increase reflects the increase in the operations budget and a significant increase in the wholesale rate. As a result, the cost to the average user will increase by \$29.13 per annum (Page 9 of the budget document). The increase in the distribution component of the retail rate is \$7.56 per annum for the average residential customer.

### 5-Year Water Rate Projection

The 5-year water rate projection is attached (Attachment 2). The projections should be considered as a general indication of future water rates and is based on information currently available.

### Selected 2009 Accomplishments

- Completed year 4 of the radio read program installation in the distribution system.
- Replaced over 6,000 metres of watermains.
- Several developments have been accomplished with our billing system. They are as follows:
  - Enhanced the billing system to reduce a step in the billing process from 1-2 days to 2-3 hours.
  - Developed automated work order functionality which reduces processing time from 5 minutes to 15 seconds.

### Performance Indicators

For the past several years the CRD has participated in the National Water Benchmarking, one of 32 utilities to do so. Benchmarking allows participants to highlight strengths and identify areas for improvement.

The attached report (Attachment 3) summarizes CRD Water Services performance in comparison to the participating municipal services providers.

RECOMMENDATION

That the Juan de Fuca Water Distribution Commission recommend that the CRD Board:

1. Approve the 2009 Capital and Operating Budget;
2. Approve the 2009 retail water rate of \$1.4927 per cubic metre, adjusted if necessary by any change in the proposed wholesale rate; and
3. Amend the *Water Distribution Local Service Conditions, Fees and Charges Bylaw* accordingly.

---

J.A. (Jack) Hull, MBA, P.Eng.  
General Manager, Water Services