



January 4, 2023

REPORT TO: ENGLISHMAN RIVER WATER SERVICE MANAGEMENT BOARD

FROM: ENGLISHMAN RIVER WATER SERVICE MANAGEMENT COMMITTEE

SUBJECT: ENGLISHMAN RIVER WATER SERVICE (ERWS) 2023 - 2027 FINANCIAL PLAN

PURPOSE: *Board Consideration of the ERWS 2023 - 2027 Financial Plan*

EXECUTIVE SUMMARY:

Under Section 8.2 of the ERWS Joint Venture Agreement, a proposed financial plan for the upcoming five years is required to be presented to the Management Board on or before December 15 of the year preceding each fiscal year of the joint venture. The *Community Charter* governs municipalities and regional districts and requires the adoption of a five-year financial plan. Therefore, the ERWS Joint Venture Agreement also requires that, on or before January 31st of each joint venture fiscal year, the Board must advance a recommended five year financial plan to the Joint Venturers for their consideration.

RECOMMENDATION:

1. THAT the report from the Englishman River Water Service Management Committee, dated January 4, 2023, entitled "Englishman River Water Service (ERWS) 2023 - 2027 Financial Plan" be received.
2. THAT the Englishman River Water Service Management Board approve the ERWS 2023 - 2027 Financial Plan, attached as Schedule A.
3. THAT the Englishman River Water Service Management Board recommends the Joint Venturers adopt their respective portions of the ERWS 2023 - 2027 Financial Plan, attached as Schedule B - Parksville and Schedule C - RDN.

BACKGROUND:

A 2023-2027 provisional budget for ERWS is required per Section 8.2 of the ERWS Joint Venture Agreement. The proposed five year financial plan is required to be presented to the Board on or before December 15 of the year proceeding each fiscal year. Due to the election in October 2022 and new elected officials being assigned to the Management Board, the Management Committee is presenting this in January of this fiscal year.

The *Community Charter* requirements for the venturers includes the adoption of a five year financial plan and the ERWS Joint Venture Agreement Section 8.3 requires that the five year financial plan be advanced to the joint venturers by January 31 for adoption.

The 2023 - 2027 Financial Plan was developed to outline the funding requirements for administration, operations, maintenance, and capital expenditures for ERWS for the next five years. The proposed financial plan is shown in Table 1, attached.

Changes to the 2023-2027 financial plan from the amounts budgeted in the 2022-2026 Financial plan are outlined as attached in Appendix A.

ERWS Staff have been operating, maintaining, and working through operational challenges since late 2019 and have identified areas where adjustments to operating and maintenance costs are needed each year. As certain equipment moves into its fourth year of operations, some components continue to need annual servicing, calibration, and certification that require specialized outside contractor services.

OPTIONS:

1. Approve the 2023 - 2027 Financial Plan and recommend the Joint Venturers approve their respective portions of the financial plan.
2. Provide the ERWS Management Committee with other direction.

ANALYSIS:

Approval of the Financial Plan will allow staff to move forward right away in 2023 with mandated and other necessary projects to improve operational efficiencies, safety, and resiliency. If changes are proposed by the Board, then it would be helpful for individual budget changes that are acceptable be approved by Board resolution, so all proposed changes are not delayed.

FINANCIAL IMPACT:

The 2023 - 2027 Financial Plan sets out the financial requirements needed for the ERWS staff to carry out forecasted operations and projects for these years. Without this plan the administration, operations, and other major maintenance would have to rely on the 2023 budget included in the 2022 - 2026 Financial Plan.

The 2023 - 2027 Financial Plan includes funding increases in 2023 totaling \$888,000 from previously approved Financial Plan, resulting in increases for the joint venturers as follows: Parksville - \$657,100 increase and RDN - \$230,900 increase. The specific budget changes from prior years financial plans are outlined in Appendix A attached to this report.

Of that total increase, \$302,000 relates to the continuation of projects approved by the Board for 2022 with completion expected in 2023 including environmental monitoring, technical support, critical spare parts inventory, water resiliency and storage options, and residual handling projects. This will result in a decrease to the forecasted 2023 partner contributions reflected in the 2022-2026 Financial Plan.

The approximate \$586,000 balance of the 2023 increase relates to increased insurance premiums, adjustments to full time staffing and collective agreement increases, increased chemical costs, and additional capital contingency amount recommended by staff to address findings in ongoing operational and equipment reviews. Finally, staff recommend increasing the transfer to Capital Replacement Reserve from \$100,000 to \$200,000 based on preliminary evaluations of replacement timeframes and costs of significant components of the water treatment plant.

REFERENCES:

- *Englishman River Water Service Joint Venture Agreement - July 1, 2022*

Respectfully submitted,

Original signed by B. Woods

B. WOODS
Director of Operations, City of Parksville

Original signed by J. Holmes

J. HOLMES
Director of Finance, City of Parksville

ENDORSED BY:

Original signed by K. Kehler

K. KEHLER, MPA
Chief Administrative Officer, City of Parksville
On behalf of the ERWS/ AWS Management Committee

SCHEDULE A: 2023-2027 Summary Financial Plan

ENGLISHMAN RIVER WATER SERVICE 2023 - 2027 FINANCIAL PLAN (\$)						
Englishman River Water Service	2022	2023	2024	2025	2026	2027
REVENUE AND CONTRIBUTIONS						
<u>Joint Venture Requisitions</u>						
Parksville Requisition (74 %)	\$ 1,588,900	\$ 1,874,400	\$ 1,544,100	\$ 1,463,600	\$ 1,651,200	\$ 1,453,200
RDN Requisition (26%)	558,200	658,600	542,500	514,200	580,100	510,600
Total Joint Venture Requisitions	2,147,100	2,533,000	2,086,600	1,977,800	2,231,300	1,963,800
TOTAL REVENUE AND CONTRIBUTIONS	\$ 2,147,100	\$ 2,533,000	\$ 2,086,600	\$ 1,977,800	\$ 2,231,300	\$ 1,963,800
EXPENDITURES						
<u>Operations</u>						
Administration	490,900	437,600	347,700	349,800	356,100	311,000
Operations	875,500	1,029,800	1,054,400	1,079,600	1,105,400	1,131,400
Maintenance	295,700	250,600	217,000	168,400	169,800	171,400
Minor Capital	210,000	465,000	97,500	50,000	50,000	50,000
Transfer to Reserves	100,000	200,000	200,000	200,000	200,000	200,000
Total Expenses & Reserve Transfers	1,972,100	2,383,000	1,916,600	1,847,800	1,881,300	1,863,800
<u>Capital</u>						
Land Acquisition & Improvements	-	-	-	-	-	-
Equipment	55,000	100,000	170,000	130,000	100,000	100,000
River Intake / Supply Mains	20,000	-	-	-	250,000	-
Water Treatment Plant	-	-	-	-	-	-
Aquifer Storage and Recovery	-	-	-	-	-	-
Residual Handling/Geobags	100,000	50,000	-	-	-	-
Total Capital	175,000	150,000	170,000	130,000	350,000	100,000
TOTAL EXPENDITURES	\$ 2,147,100	\$ 2,533,000	\$ 2,086,600	\$ 1,977,800	\$ 2,231,300	\$ 1,963,800
NET SURPLUS (DEFICIT)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SCHEDULE B: Parkville Share

ENGLISHMAN RIVER WATER SERVICE 2023 - 2027 FINANCIAL PLAN PARKSVILLE SHARE - 74%						
	2022	2023	2024	2025	2026	2027
REVENUE AND CONTRIBUTIONS						
<u>Joint Venture Requisitions</u>						
Parkville Requisition (74 %)	\$ 1,588,900	\$ 1,874,400	\$ 1,544,100	\$ 1,463,600	\$ 1,651,300	\$ 1,453,200
TOTAL REVENUE AND CONTRIBUTIONS	\$ 1,588,900	\$ 1,874,400	\$ 1,544,100	\$ 1,463,600	\$ 1,651,300	\$ 1,453,200
EXPENDITURES						
<u>Operations</u>						
Administration	363,300	323,800	257,300	258,900	263,500	230,200
Operations	647,900	762,100	780,300	798,900	818,100	837,200
Maintenance	218,800	185,400	160,500	124,600	125,700	126,800
Minor Capital	155,400	344,100	72,200	37,000	37,000	37,000
Transfer to Reserves	74,000	148,000	148,000	148,000	148,000	148,000
Total Expenses & Reserve Transfers	1,459,400	1,763,400	1,418,300	1,367,400	1,392,300	1,379,200
<u>Capital</u>						
Land Acquisition & Improvements	-	-	-	-	-	-
Equipment	40,700	74,000	125,800	96,200	74,000	74,000
River Intake / Supply Mains	14,800	-	-	-	185,000	-
Water Treatment Plant	-	-	-	-	-	-
Aquifer Storage and Recovery	-	-	-	-	-	-
Residual Handling/Geobags	74,000	37,000	-	-	-	-
Total Capital	129,500	111,000	125,800	96,200	259,000	74,000
TOTAL EXPENDITURES	\$ 1,588,900	\$ 1,874,400	\$ 1,544,100	\$ 1,463,600	\$ 1,651,300	\$ 1,453,200
NET SURPLUS (DEFICIT)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Schedule C: RDN Share

ENGLISHMAN RIVER WATER SERVICE 2023 - 2027 FINANCIAL PLAN RDN SHARE - 26%						
	2022	2023	2024	2025	2026	2027
REVENUE AND CONTRIBUTIONS						
<u>Joint Venture Requisitions</u>						
RDN Requisition (26%)	\$ 558,200	\$ 658,600	\$ 542,500	\$ 514,200	\$ 580,000	\$ 510,700
TOTAL REVENUE AND CONTRIBUTIONS	\$ 558,200	\$ 658,600	\$ 542,500	\$ 514,200	\$ 580,000	\$ 510,700
EXPENDITURES						
<u>Operations</u>						
Administration	127,600	113,800	90,400	90,900	92,600	80,900
Operations	227,600	267,700	274,100	280,700	287,300	294,200
Maintenance	76,900	65,200	56,400	43,800	44,100	44,600
Minor Capital	54,600	120,900	25,400	13,000	13,000	13,000
Transfer to Reserves	26,000	52,000	52,000	52,000	52,000	52,000
Total Expenses & Reserve Transfers	512,700	619,600	498,300	480,400	489,000	484,700
<u>Capital</u>						
Land Acquisition & Improvements	-	-	-	-	-	-
Equipment	14,300	26,000	44,200	33,800	26,000	26,000
River Intake / Supply Mains	5,200	-	-	-	65,000	-
Water Treatment	-	-	-	-	-	-
Aquifer Storage and Recovery	-	-	-	-	-	-
Residual Handling/Geobags	26,000	13,000	-	-	-	-
Total Capital	45,500	39,000	44,200	33,800	91,000	26,000
TOTAL EXPENDITURES	\$ 558,200	\$ 658,600	\$ 542,500	\$ 514,200	\$ 580,000	\$ 510,700
NET SURPLUS (DEFICIT)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

APPENDIX A: Changes from Approved 2022-2026 Budget

	2023	2024	2025	2026	2027	Notes
Items in previous Financial Plan						
Administration - Environmental monitoring	12,000	-	-	-	20,000	\$8k 2022 to 2023; final yr reporting in 2027; total over 6 years still within 2022 proposal
Administration - Technical Support	10,000	-	-	-	-	\$10k 2022 to 2023 (total \$60k in 2023);
Administration - Consulting	15,000	-	-	-	-	\$15k 2022 to 2023 Plant Design Audit-partially complete
Administration - Legal	10,000	5,000	5,000	5,000	5,000	
Administration - Insurance premiums	33,400	35,800	38,300	41,000	47,400	Increased premiums per AON: 2021 actual = \$50K; 2022 actual = \$65k; 2023 quote \$75.7k
Operations - Wages and Benefits	103,400	110,300	117,400	124,600	132,200	Right sizing employees, pager pay and assumed collective agreement increase
Operations - SCADA Monitoring/Programming	-	20,000	20,000	20,000	20,000	2025-27: \$20k increase per year - continued need in this area
Operations - Parts, Materials and Supplies	30,000	31,800	33,600	35,400	36,108	Increased cost of all chemicals (incr based on 2022 forecast)
Maintenance - Wages and Benefits	5,200	5,600	6,000	6,400	6,800	Full complement of staff - based on 2022 forecast.
Maintenance - Critical spare parts	35,000	-	-	-	-	\$35k 2022 to 2023 to complete spare parts inventory
Maintenance - Preventive Mtce program	-	50,000	-	-	-	\$50k 2023 to 2024 to finish works planned for 22/23; \$50k 2027 to continue program
Maintenance - Geobags replacement	10,000	10,000	10,000	10,000	10,000	Estimated annual cost (no replacement required in 2022)

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	2023	2024	2025	2026	2027	Notes
Minor Capital - Railway crossing	55,000					New spending package (below) + \$55k remaining moved from 2022 to 2023 (\$290k total per RFP)
Minor Capital - Network Switches/Laptop	(17,500)	17,500				Defer 2023 to 2024
Minor Capital - Water Resiliency and Storage Options	125,000					Move 2022 to 2023 -Combined water resiliency study (\$75k) and water storage options study (\$50k)
Transfer to Reserves	100,000	100,000	100,000	100,000	100,000	Recommended increase re capital replacement
Capital - Equipment		(35,000)				Vehicle in FP not required
Capital - River Intake - Weir Screens		(250,000)		250,000		Defer project 2024 to 2026
Capital - Residual handling (geobags)	50,000	-	-	-	-	Operational in 2022; final costs in 2023
Capital - Contingency	70,000	70,000	70,000	70,000	70,000	Propose increase in contingency to address findings in ongoing operational and equipment reviews
2023 New items						
Capital - Railway Crossing	235,000					RFP bid for works to be completed in 2023 (Total \$290k = \$235k + \$55k)
Total Changes	\$ 881,500	\$ 171,000	\$ 400,300	\$ 662,400	\$ 447,508	