



January 4, 2023

**REPORT TO:** ARROWSMITH WATER SERVICE MANAGEMENT BOARD

**FROM:** ARROWSMITH WATER SERVICE MANAGEMENT COMMITTEE

**SUBJECT:** ARROWSMITH WATER SERVICE (AWS) 2023 - 2027 FINANCIAL PLAN

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

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**EXECUTIVE SUMMARY:**

Under Section 8.2 of the AWS 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, AWS Joint Venture Agreement also requires that, on or before January 31<sup>st</sup> 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 Arrowsmith Water Service Management Committee dated January 4, 2023, entitled "Arrowsmith Water Service (AWS) 2023 - 2027 Financial Plan" be received.
2. THAT the Arrowsmith Water Service Management Board approve the 2023 - 2027 Financial Plan as outlined in Table 1, attached to the January 4, 2023, report.
3. THAT the Arrowsmith Water Service Management Board recommend the Joint Ventures approve their respective portions of the 2023 - 2027 Financial Plan as outlined in Table 2 - PARKSVILLE, Table 3 - RDN, and Table 4 - QUALICUM BEACH attached to the January 4, 2023, report.

**BACKGROUND:**

A 2023-2027 provisional budget for AWS is required per Section 8.2 of the AWS 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 AWS 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 AWS for the next five years. The proposed financial plan is shown in Table 1, attached.

**OPTIONS:**

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

**ANALYSIS:**

Approval of the financial plan will allow completion of necessary operations and maintenance projects ensuring that the water supply to the Englishman River is not interrupted and high-quality drinking water delivery and environmental stewardship are maintained. If changes are proposed by the Board, then it would be helpful for these items to be separated from the portions of the financial plan that are acceptable to avoid delays for approved projects and tasks.

**FINANCIAL IMPACT:**

The 2023 - 2027 Financial Plan sets out the financial requirements needed for the AWS 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 financial plan includes funding increases in 2023 totaling \$161,200 from the previous plan, resulting in increases for the partners as follows: Parksville - \$107,200 increase, RDN - \$37,600 increase, Qualicum Beach - \$14,900 increase.

Of the total increase, \$83,400 relates to the continuation of projects started in 2022 with completion expected in 2023 including the dam safety review and security upgrade projects. This will result in a decrease to the forecasted 2022 partner contributions reflected in the 2022-2026 Financial Plan.

The approximate \$78,000 balance of the 2023 increase relates to increased wages and equipment costs for more frequent dam inspections required by the provincial dam safety review, increased insurance costs, and additional repairs and maintenance contingency recommended by staff.

**REFERENCES:**

- *Arrowsmith Water Service Joint Venture Agreement - July 1, 2022*

Respectfully submitted,

*Original signed by B. Woods*

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B. WOODS  
Director of Operations, City of Parksville

*Original signed by J. Holmes*

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J. HOLMES  
Director of Finance, City of Parksville

**ENDORSED BY:**

*Original signed by K. Kehler*

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

TABLE 1 2023-2027 Summary Budget

ARROWSMITH WATER SERVICE 2023 - 2027 FINANCIAL PLAN (\$)						
ARROWSMITH WATER SERVICE	2022	2023	2024	2025	2026	2027
<b>REVENUE</b>						
Parksville Requisition (63.9% for Admin and Maintenance, Ops based on flow)	220,002	222,314	158,652	155,329	177,630	161,783
RDN Requisition (22.4% for Admin and Maintenance, Ops based on flow)	77,162	77,963	55,624	54,460	62,277	56,722
Qualicum Requisition (13.7% - for Admin and Maintenance Only)	36,237	39,223	31,524	30,811	35,593	32,195
<b>Joint Venture Requisitions</b>	<b>333,400</b>	<b>339,500</b>	<b>245,800</b>	<b>240,600</b>	<b>275,500</b>	<b>250,700</b>
<b>TOTAL REVENUE</b>	<b>333,400</b>	<b>339,500</b>	<b>245,800</b>	<b>240,600</b>	<b>275,500</b>	<b>250,700</b>
<b>EXPENDITURES</b>						
<b>Operating</b>						
<b>Administration</b>	82,200	94,500	97,800	101,200	104,700	108,400
<b>Operations</b>	68,900	53,200	15,700	15,700	15,700	15,700
<b>Maintenance</b>	95,200	112,300	76,200	77,600	79,000	80,500
<b>Road Maintenance</b>	5,100	4,100	4,100	4,100	4,100	4,100
<b>Total Operating Expenses</b>	<b>251,400</b>	<b>264,100</b>	<b>193,800</b>	<b>198,600</b>	<b>203,500</b>	<b>208,700</b>
<b>Transfer to Reserves</b>	42,000	42,000	42,000	42,000	42,000	42,000
<b>Total Operating</b>	<b>293,400</b>	<b>306,100</b>	<b>235,800</b>	<b>240,600</b>	<b>245,500</b>	<b>250,700</b>
<b>Capital</b>						
Equipment	40,000	33,400	10,000	-	30,000	-
<b>Total Capital</b>	<b>40,000</b>	<b>33,400</b>	<b>10,000</b>	<b>-</b>	<b>30,000</b>	<b>-</b>
<b>TOTAL EXPENDITURES</b>	<b>333,400</b>	<b>339,500</b>	<b>245,800</b>	<b>240,600</b>	<b>275,500</b>	<b>250,700</b>
<b>NET SURPLUS (DEFICIT)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

TABLE 2 Parkville Share of Costs

<b>ARROWSMITH WATER SERVICE</b> <b>2023 - 2027 FINANCIAL PLAN (\$)</b> <b>Parkville Share of Costs</b>						
	2022	2023	2024	2025	2026	2027
<b>REVENUE</b>						
Parkville Requisition (63.9% for Admin and Maintenance, Ops based on flow)	\$ 220,002	\$ 222,314	\$ 158,652	\$ 155,329	\$ 177,630	\$ 161,783
<b>TOTAL REVENUE</b>	<b>220,002</b>	<b>222,314</b>	<b>158,652</b>	<b>155,329</b>	<b>177,630</b>	<b>161,783</b>
<b>EXPENDITURES</b>						
<b>Operating</b>						
Administration	52,526	60,386	62,494	64,667	66,903	69,268
Operations	50,986	39,368	11,618	11,618	11,618	11,618
Maintenance	60,833	71,760	48,692	49,586	50,481	51,440
Road Maintenance	3,259	2,620	2,620	2,620	2,620	2,620
<b>Total Operating Expenses</b>	<b>167,604</b>	<b>174,133</b>	<b>125,424</b>	<b>128,491</b>	<b>131,622</b>	<b>134,945</b>
<b>Transfer to Reserves</b>	26,838	26,838	26,838	26,838	26,838	26,838
<b>Total Operating</b>	<b>194,442</b>	<b>200,971</b>	<b>152,262</b>	<b>155,329</b>	<b>158,460</b>	<b>161,783</b>
<b>Capital</b>						
Equipment	25,560	21,343	6,390	-	19,170	-
<b>Total Capital</b>	<b>25,560</b>	<b>21,343</b>	<b>6,390</b>	<b>-</b>	<b>19,170</b>	<b>-</b>
<b>TOTAL EXPENDITURES (no Grant)</b>	<b>220,002</b>	<b>222,314</b>	<b>158,652</b>	<b>155,329</b>	<b>177,630</b>	<b>161,783</b>
Capital Planning Grant	-	-	-	-	-	-
Transfer from Reserves	-	-	-	-	-	-
<b>TOTAL EXPENDITURES (with Grant)</b>	<b>220,002</b>	<b>222,314</b>	<b>158,652</b>	<b>155,329</b>	<b>177,630</b>	<b>161,783</b>
<b>NET SURPLUS (DEFICIT)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**TABLE 3 Regional District of Nanaimo Share of Costs**

<b>ARROWSMITH WATER SERVICE</b> <b>2023 - 2027 FINANCIAL PLAN (\$)</b> <b>RDN Share of Costs</b>						
	2022	2023	2024	2025	2026	2027
<b>REVENUE</b>						
RDN Requisition (22.4% for Admin and Maintenance, Ops based on flow)	\$ 77,162	\$ 77,963	\$ 55,624	\$ 54,460	\$ 62,277	\$ 56,722
<b>TOTAL REVENUE</b>	<b>77,162</b>	<b>77,963</b>	<b>55,624</b>	<b>54,460</b>	<b>62,277</b>	<b>56,722</b>
<b>EXPENDITURES</b>						
<b>Operating</b>						
Administration	18,413	21,168	21,907	22,669	23,453	24,282
Operations	17,914	13,832	4,082	4,082	4,082	4,082
Maintenance	21,325	25,155	17,069	17,382	17,696	18,032
Road Maintenance	1,142	918	918	918	918	918
<b>Total Operating Expenses</b>	<b>58,794</b>	<b>61,074</b>	<b>43,976</b>	<b>45,052</b>	<b>46,149</b>	<b>47,314</b>
<b>Transfer to Reserves</b>	9,408	9,408	9,408	9,408	9,408	9,408
<b>Total Operating</b>	<b>68,202</b>	<b>70,482</b>	<b>53,384</b>	<b>54,460</b>	<b>55,557</b>	<b>56,722</b>
<b>Capital</b>						
Equipment	8,960	7,482	2,240	-	6,720	-
<b>Total Capital</b>	<b>8,960</b>	<b>7,482</b>	<b>2,240</b>	<b>-</b>	<b>6,720</b>	<b>-</b>
<b>TOTAL EXPENDITURES (no Grant)</b>	<b>77,162</b>	<b>77,963</b>	<b>55,624</b>	<b>54,460</b>	<b>62,277</b>	<b>56,722</b>
Capital Planning Grant	-	-	-	-	-	-
Transfer from Reserves	-	-	-	-	-	-
<b>TOTAL EXPENDITURES (with Grant)</b>	<b>77,162</b>	<b>77,963</b>	<b>55,624</b>	<b>54,460</b>	<b>62,277</b>	<b>56,722</b>
<b>NET SURPLUS (DEFICIT)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

TABLE 4 The Town of Qualicum Share of Costs

<b>ARROWSMITH WATER SERVICE 2023 - 2027 FINANCIAL PLAN (\$) Qualicum Beach Share of Costs</b>						
	2022	2023	2024	2025	2026	2027
<b>REVENUE</b>						
Qualicum Requisition (13.7% - for Admin and Maintenance Only)	36,237	39,223	31,524	30,811	35,593	32,195
<b>TOTAL REVENUE</b>	<b>36,237</b>	<b>39,223</b>	<b>31,524</b>	<b>30,811</b>	<b>35,593</b>	<b>32,195</b>
<b>EXPENDITURES</b>						
<b>Operating</b>						
<b>Administration</b>	11,261	12,947	13,399	13,864	14,344	14,851
<b>Operations</b>	-	-	-	-	-	-
<b>Maintenance</b>	13,042	15,385	10,439	10,631	10,823	11,029
<b>Road Maintenance</b>	699	562	562	562	562	562
<b>Total Operating Expenses</b>	<b>25,003</b>	<b>28,893</b>	<b>24,400</b>	<b>25,057</b>	<b>25,729</b>	<b>26,441</b>
<b>Transfer to Reserves</b>	5,754	5,754	5,754	5,754	5,754	5,754
<b>Total Operating</b>	<b>30,757</b>	<b>34,647</b>	<b>30,154</b>	<b>30,811</b>	<b>31,483</b>	<b>32,195</b>
<b>Capital</b>						
Equipment	5,480	4,576	1,370	-	4,110	-
<b>Total Capital</b>	<b>5,480</b>	<b>4,576</b>	<b>1,370</b>	<b>-</b>	<b>4,110</b>	<b>-</b>
<b>TOTAL EXPENDITURES (no Grant)</b>	<b>36,237</b>	<b>39,223</b>	<b>31,524</b>	<b>30,811</b>	<b>35,593</b>	<b>32,195</b>
Capital Planning Grant	-	-	-	-	-	-
Transfer from Reserves	-	-	-	-	-	-
<b>TOTAL EXPENDITURES (with Grant)</b>	<b>36,237</b>	<b>39,223</b>	<b>31,524</b>	<b>30,811</b>	<b>35,593</b>	<b>32,195</b>
<b>NET SURPLUS (DEFICIT)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**APPENDIX A Changes from Prior Approved Budget**

	2023	2024	2025	2026	2027	
<b>Operating - Changes from Previous Budget</b>						
Administration - Wages and Benefits	8,400	9,100	9,800	10,500	11,300	Increase for allocation of management time and completion of Dam Emergency Plan (regulatory requirement)
Administration - Dam Insurance	9,700	10,800	12,000	15,900	2,600	Insurers estimating 10%+ increases
Operations - Dam Safety Review	25,000	-	-	-	-	50% completed in 2021; move \$25k to 2023
Maintenance - Dam Safety Review	25,000	-	-	-	-	50% completed in 2021; move \$25k to 2023
Maintenance - Contracts	15,000	-	15,000	-	15,000	Maintenance/Repair contingency in each year (previously every 2nd yr)
<b>Operating - New</b>						
Operations - Consulting	25,000	-	-	-	-	Dam Operating Review
Maintenance - Wages and Benefits	16,300	17,100	17,800	18,500	19,400	Increase staff time re weekly dam inspection required per dam safety review
Maintenance - Equipment Rental/Repair	5,000	5,000	5,000	5,000	5,000	Dam inspection in person twice per year per dam safety review (snowmobile rental)
<b>Capital - Previous</b>						
Equipment	33,400	-	-	-	-	Security upgrade started in 2022; remaining \$33,400 moved to 2023
<b>Total changes</b>	<b>\$ 162,800</b>	<b>\$ 42,000</b>	<b>\$ 59,600</b>	<b>\$ 49,900</b>	<b>\$ 53,300</b>	