



# Village Of Chase

## Administrative Report

**TO: Mayor and Council**

**FROM: Director Financial Services**

**DATE: 8 December 2016**

**RE: 2017 Capital Budget Considerations**

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### **ISSUE/PURPOSE**

To highlight changes made to the Capital Budget for the 2017 to 2021 period for council review. Changes may be required as the projected five year budget is reviewed by council.

### **HISTORY/BACKGROUND**

The 2016 Capital Budget was approved with a total of \$2,828,800 in expenditures of which \$508,000 was funded out of surplus, \$490,000 from donations and trade-in, \$124,000 from DCC's, \$441,000 from reserves, and the balance of \$1,265,800 from grants. To date only \$1,591,400 has actually been expended. Many of these projects will be carried forward to 2017

### **Administration**

The School Annex Study is presently scheduled for 2018 funded out of surplus for \$10,000.

The replacement of our computer server is imminent. We did not need to proceed with this in 2016 and \$25,000 is reserved for possible use in 2017. When it becomes necessary, it will need to be completed immediately.

### **Fire Department**

Fire Hydrant Replacement is budgeted for \$15,000 each year. Funds were not utilized for 2016 and are reserved for use in 2017. Incremental costs budgeted each subsequent year for two additional fire hydrants per year.

Command half ton for 2017 at a cost of \$15,000 funded from surplus is increased to \$20,000.

Training Containers for 2017 at a cost of \$25,000 funded from surplus is reduced to \$20,000 and transferred to 2019.

Replacement Fire Engine at a cost of \$350,000 is increased to \$400,000 funded from surplus for the year 2020.

Upgrade to Air compressor at a cost of \$48,000 funded from surplus for the year 2018.

Upgrade to Communications System at a cost of \$68,000 funded from surplus for 2021 is reduced to cost of \$25,000

### **Rescue Department**

Rescue Truck at a cost of \$80,000 funded from surplus in 2021 is increased to a cost of \$90,000

Hydraulic Tools at a cost of \$65,000 funded from surplus in 2018 is changed to \$35,000 per year in 2019 and 2020.

### **Public Works**

Plow Truck in the amount of \$90,000 funded from surplus in 2018.

Flat Bed Truck for parks in the amount of \$40,000 removed from five year plan pending vehicle replacement review in 2017.

I have removed the projected Aylmer Road upgrade at a cost of \$325,000 funded from DCC's scheduled for 2020. Major portion will be funded by new development in 2017. The village may be required to fund some works, information will be coming forward.

I have moved the Cottonwood Water upgrade at a cost of \$775,000 and Street upgrades at a cost of \$440,000 originally scheduled for 2017 to 2019.

The land acquisition for roads in the amount of \$45,000 has been moved into 2017 funded from reserves.

Cul-de sac works are re-scheduled at a cost of \$41,000+ per year for 2018 to 2020 funded from surplus.

Lane way works between Pine Street and Willow Street is added for a cost of \$27,500 funded from surplus in 2019. Additional cost of water works related to project in the amount of \$66,000 funded from surplus in 2019.

Hillside Street works is added at a cost of \$89,600 from Surplus in 2018. Additional cost of water works in the amount of \$56,000 to be funded from surplus in 2018.

Street Lights (25) for Shuswap Avenue are added at a cost of \$34,000 funded from Surplus in the future.

### **Parks**

Memorial Park power pedestals at a cost of \$7,500 are scheduled for 2017 funded from Surplus

Wilson Park Phase 2 walkway in the amount of \$25,000 is scheduled for 2020 funded from grants.

Wilson Park phase 2 Parking in the amount of \$35,000 is scheduled for 2020 funded from surplus.

Wilson Park Footbridge in the amount of \$150,000 is scheduled for 2019 funded from surplus.

Memorial Park Solar Lights replacement in the amount of \$25,000 is scheduled for 2017 funded from surplus.

Memorial Park Playground equipment in the amount of \$25,000 is scheduled for 2018 funded from surplus.

Trails Master plan in the amount of \$10,000 is scheduled for 2017 funded from grant.

West Shuswap Avenue Improvements in the amount of \$20,000 is scheduled for 2018 funded from surplus.

### **Arena**

Arena drainage and parking lot paving – estimated in the amount of \$75,600 for works to be completed in 2017 funded from surplus.

### **Community Hall**

Community Hall annual capital renovation project for works to be completed annually at a cost of \$25,000 will be funded from surplus. An additional \$25,000 has been provided to remediate the leakage situation which was identified in 2016.

### **Water Fund**

VLA Waterline Loop along Aylmer Road to be completed in 2017 at a cost of \$70,000 to be funded from surplus.

Water Chlorination modules added to for three year replacement cycle in the amount of \$10,000 per year for 2017 to 2019 to be funded from committed reserve.

### **Waste Water Treatment**

Mill Park Lift Station Pump replacement at a cost of \$30,000 to be funded \$15,000 from Surplus and \$15,000 from reserve, and an additional smaller pump is to be acquired in 2019 for \$10,000 funded from surplus.

Sewage Treatment Plant to be completed in 2017. Balance of the old project in progress is \$1,401,000 with additional costs of \$833,000 plus standard 15% engineering overhead of \$127,000 added brings total costs to \$2,361,000. Funding is from grant remaining of \$873,000, DCC of \$126,000, Statutory Capital Sewer Reserve of \$303,000, Contingency reserve carried forward from 2016 of \$184,000, Gas Tax Grant of \$374,000 and \$501,000 from surplus.

Drakes Landing sewage line conversion to gravity feed capability in conjunction with works being performed by the developer for the Aylmer Road sewage line will cost approximately \$160,000 in 2017 funded from surplus.

### **DISCUSSION**

The five year plan for capital provides for the acquisition of \$5,686,700 in assets. The largest single item is in 2017 for the Sewage treatment plant for \$2,391,000 which will utilize \$502,000 in reserves and \$501,000 in surplus funds.

We will have no liquidity to handle emergencies and the single year shock will have an impact upon the future.

But the long term problem is not the utility funds. The Waste Water Fund will have a one year dip with a deficit of \$476,900 but in the future generates surpluses in excess of \$200,000 per year. In five years the Waste Water Cash Surplus will be \$2,511,800. The Water Fund is gradually recovering from its deficit position and in 2020 will begin to generate a surplus. In five years the water fund will have an accumulated deficit of \$807,900. The General Fund is where we have a major problem. It continues to operate at a

deficit averaging \$414,000 per year and in five years the accumulated deficit will be \$1,907,600.

The Capital expenditures are the major contributing factor, costing a total of \$2,446,700 from revenues over five years, of which \$1,568,700 is in the general fund.

Based on our budget for 2016 we will begin 2017 with a cash surplus of \$754,900. **At the end of 2017 we will have a cash deficit of \$31,600 which is not permitted.** The preliminary budget indicates the village will be in a deficit position for the next five years.

### **FINANCIAL IMPLICATIONS**

The high level of capital spending relative to the total budget will create a fiscal crunch in 2017. The water treatment plant cost over runs result in the Village losing significant grant revenues that could go a long way towards eliminating the situation. Original budget was \$1,600,000 and the grant approved on that basis was \$1,045,000. With the costs incurred and the tenders received for the remainder of the project the estimated cost will be \$2,590,000, an increase near \$1,000,000. Grants are not available for the increased cost portion of the project and the entire cost will be absorbed by the Village. Changes are being worked on to reduce the scope of work required to be completed. This could enable us to receive grants on a portion of the over run in the future as a separate project. It will reduce the costs incurred and will improve the Village cash position temporarily.

### **RECOMMENDATION**

**That staff and council review the capital budget in depth for the purpose of establishing priorities and that the village begins to prepare policy guidelines for capital and project funding for future budgeting.**

Respectfully submitted,

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Leif Pedersen,  
Director Financial Services