



MEMORANDUM

DATE: November 6, 2025

To: CVRD Board of Directors

FROM: Neil Forrest, Manager, Asset Systems, Asset Management Section

SUBJECT: Capital Asset Reserve Contribution Funding

Purpose

This memorandum has been developed to provide the funding level for capital reserves and what mechanisms the CVRD can use to support consistent funding without having to increase requisition to unsustainable levels.

The Board has mandated a maximum 4% increase but has made recommendations that CVRD make a concerted effort to reduce that to the 2.5% originally determined. This memo recognizes the Board mandate, while also supporting the Board's strategic direction toward prioritizing asset management.

Background

In the 2023-2026 Corporate Strategic Plan, there is a strategic objective to demonstrate strong fiscal stewardship.

STRATEGIC OBJECTIVE 12 To demonstrate strong fiscal stewardship.		
ACTIONS	BOARD	EAD*
12.1 Fully implement an asset management program, including all asset groups and natural assets, which mitigate climate risks	✓	
12.2 Refine sustainable service delivery plans within the CVRD's asset management program	✓	
12.3 Increase regional service coordination to support cost efficiency	✓	✓

The actions that need to happen to achieve that strategic objective is to be transparent in how much our services cost in the terms of asset value, and how much reserve contributions are needed to support our financial sustainability goals.

Being financially sustainable is becoming an increasingly popular focus point of the Federal and Provincial Government. Grant funding organizations are now making funding applications more stringent and are requiring better evidence that asset management planning is being completed by each applicant. There is also a shift in what the grant funding can be spent on, which may limit the CVRD's reliance on grants in the future.

Analysis

With the cost-of-living crisis, it is critical that the CVRD can continue to deliver the services to its communities in a sustainable and cost-effective manner. One step toward achieving this objective is through strategic planning for future renewals and committing to contributing to capital reserves so that there are sufficient funds to maintain our service delivery for future generations.

Similar to many communities, the CVRD has identified that there are insufficient capital reserves to sustainably fund future asset renewals.

The table below shows the insured asset values of all the assets that provide CVRD services, their average age, average estimated useful lifespans (EUL), and the reserve contribution needed per annum so that asset renewals can be sustainably funded (as currency and as a percentage). It should be noted that the annual contribution figure is for the replacement of all assets over the next 80 years. This will not be the case as buildings, for example, will last beyond the 80-year window.

Table 1 – Annual Reserve Contributions based on Insured Values

Service	Asset Value	Average Age	Average EUL	Percent Per year	Contribution Per Year
Water	\$111,938,322	38	80	2.5%	\$2,719,396
Sewer	\$104,988,912	29	80	2.1%	\$3,236,569
Fire	\$29,723,746	41	80	2.8%	\$683,132
Facilities	\$158,333,840	49	75	9.0%	\$6,116,144
Recycling & Solid Waste	\$15,126,167	16	80	1.6%	\$493,425
Parks & Trails	\$11,555,303	28	80	1.9%	\$209,342
Emergency Management	\$1,622,117	15	50	2.9%	\$23,896
	Total:				\$13,481,906

As part of the calculation to determine the reserve contribution levels for each service, the minimum, maximum, and average annual percentage contributions were also calculated and the values are shown in the table below.

Table 2 – Minimum and Maximum Percentage Contributions

Service	Minimum	Maximum	Average
Water	1.52%	4.00%	2.52%
Sewer	1.33%	3.98%	2.22%
Fire	1.82%	3.85%	2.83%
Facilities	1.72%	33.33%	9.23%

Service	Minimum	Maximum	Average
Recycling & Solid Waste	1.32%	10.33%	3.74%
Parks & Trails	-8.00%	2.00%	0.64%
Emergency Management	0.90%	1.58%	1.24%

The lowest annual reserve percentage is calculated at 0.9%, which is the difference between total asset value, current reserve levels, divided over a 50-year period. It is recommended that this be the minimum annual reserve contribution to be applied to all services that have minimal or no reserves. The table below shows a comparison of the annual contributions calculated in Table 1 compared to the 0.9% of total asset value.

Table 3 – Insured Value Reserve Contribution & 0.9% Contribution Comparison

Service	Asset Value	Contribution Per Year (Asset Value)	Contribution Per Year (0.9%)
Water	\$111,938,322	\$2,719,396	\$999,555
Sewer	\$104,988,912	\$3,236,569	\$1,147,770
Fire	\$29,723,746	\$683,130	\$241,645
Facilities	\$158,333,840	\$6,076,114	\$1,391,339
Recycling & Solid Waste	\$15,126,167	\$432,109	\$131,695
Parks & Trails	\$11,555,303	\$211,469	\$97,972
Emergency Management	\$1,622,117	\$23,896	\$5,146
Total	\$433,288,407	\$13,382,661	\$4,015,122

Using a 0.9% of asset value contribution will not fund all future asset renewals, but until the CVRD has more accurate data, it is a good start. This is due to the fact that:

- we are using insured values rather than factual replacement costs, which may alter the level of funding required from contributions.
- we are assuming some install dates and useful lifespans which may make the asset look like they are in worse condition than they are; and
- we are assuming that all assets will be replaced over the next 80 years due to the limitations in the installation dates and useful lifespans.

Contributing a reduced level to capital reserves does increase the risk of the CVRD divisions/ sections not being able to replace or renew assets without relying on debt or grants. Underfunding can also affect service levels, resulting in having to reduce service levels to keep costs down or, in the worst-case scenario, stop providing the service.

Reserve Funding Options

Funding for consistent capital reserve contribution may be sourced from various revenue streams, including:

- annual reserve contributions
- percentage of operations budget
- parcel tax or requisition
- user fees and parcel tax

Analysis has been completed to determine division/section proposed budgeted committed contributions to capital reserves in 2026 that meet or exceed the 2025 contribution level.

Current Reserve Contributions - Fire

The table below shows the reserve contribution commitments for 2026 by the fire department, the fire hall, and the difference in reserve contributions made in 2025.

Table 4 – Current Reserve Contributions - Fire

Service	Fire Hall	2025 Reserve Contributions	2026 Reserve Contributions	\$ Difference
Fire	Honeymoon Bay	\$25,000	25000	0
Fire	Youbou	\$10,000	\$14,000	\$4,000
Fire	Malahat	\$70,000	\$70,000	\$0
Fire	Mesachie Lake	\$5,000	\$2,500	-\$2,500
Fire	Sahtlam	\$261,674	\$250,000	-\$16,674
Fire	North Oyster	\$171,000	140000	-\$31,000

The reserve contributions for Mesachie Lake, Sahtlam, and North Oyster have been reduced to meet the 4% mandate. It is recommended that the level of funding be increased to meet or exceed 2025 funding levels.

Current Reserve Contributions - Facilities

The table below shows the reserve contribution commitments for 2026 by facilities, the buildings, and the difference in reserve contributions made in 2025.

Table 5 – Current Reserve Contributions - Facilities

Service	Facilities	2025 Reserve Contributions	2026 Reserve Contributions	\$ Difference
Facilities Management	CVRD Head Office	\$0	\$0	\$0
Facilities Management	Cowichan Community Centre	\$524,937	\$524,937	\$0
Facilities Management	Cowichan Lake Sports Arena & Western Community Halls	\$37,374	\$37,374	\$0
Facilities Management	Kerry Park Recreation Centre	\$0	\$0	\$0
Facilities Management	Shawnigan Lake Community Hall & Elsie Miles School	\$0	\$0	\$0

The reserve contributions for all facilities remain unchanged from 2025 contribution levels. However, Kerry Park and Shawnigan Lake facilities have not transferred any funding to capital reserves in the last 2 years. The reserve contributions to the Cowichan Lake Sports Arena and western community halls (Honeymoon Bay, Mesachie Lake, and Youbou) equates to 14% of the lowest contribution calculated in Table 2.

Current Reserve Contributions – Recycling & Solid Waste, Parks and Utilities

The reserve funding for Recycling & Solid Waste, Parks & Trails, and Utilities has been very minimal and remains generally unchanged for 2026. Although further work is necessary to determine the extent of required increases to parcel tax and requisition contributions to support capital reserves, it is understood that capital reserves in these functions (especially Utilities) are extremely underfunded to meet future replacement requirements.

As identified in the following tables to this report, there are six water service areas and five sewer service areas that are at the maximum parcel tax contributions as identified in their respective bylaws and, therefore, no increases can be contemplated until the bylaw maximum amounts have been adjusted.

The remaining 16 water systems and 11 sewer systems could receive additional funding contributions into their respective capital reserve accounts to begin to fund future end of life replacements. The tables provide two scenarios for consideration and interest: the first is the parcel tax impacts per property per system for a 2% increase to the parcel tax (Table 6); and the second scenario provides costing analysis for a 5% increase to the parcel tax (Table 7).

Utilities systems that do not currently have a parcel tax levied on properties are not included in the below costing tables.

Table 6 – 2% Increase to Parcel Tax

Function	Name	Current PT	Proposed PT With 2%	2% PT Increase/User
601	Satellite Park Water	\$ 650.00	\$ 676.38	\$ 26.38
603	Douglas Hill Water	\$ 400.00	\$ 424.38	\$ 24.38
604	Lambourn Water	\$ 321.00	\$ 343.69	\$ 22.69
605	Arbutus Mountain Water	\$ 350.00	\$ 362.34	\$ 12.34
606	Malahat Water	\$ 1,350.00	\$ 1,387.21	\$ 37.21
608	Fern Ridge Water	\$ 690.00	\$ 741.74	\$ 51.74
611	Bald Mountain Water	\$ 350.00	\$ 362.09	\$ 12.09
613	Dogwood Ridge Water	\$ 800.00	\$ 833.88	\$ 33.88
615	Arbutus Ridge Water	\$ 518.00	\$ 529.94	\$ 11.94
616	Carlton Water	\$ 740.00	\$ 775.19	\$ 35.19
617	Shellwood Water	\$ 950.00	\$ 985.53	\$ 35.53
618	Woodley Range Water	\$ 900.00	\$ 938.54	\$ 38.54
619	Burnum Water	\$ 550.00	\$ 569.85	\$ 19.85
620	Mesachie Lake Water	\$ 500.00	\$ 518.87	\$ 18.87
625	Shell Beach Water	\$ 1,000.00	\$ 1,037.55	\$ 37.55
630	Shawnigan Village Water	\$ 700.00	\$ 726.77	\$ 26.77
640	Saltair Water	\$ 818.00	\$ 833.54	\$ 15.54
653	Youbou Water	\$ 308.50	\$ 318.69	\$ 10.19
660	Honeymoon Bay Water	\$ 210.00	\$ 226.82	\$ 16.82
670	Cherry Point Water	\$ 783.00	\$ 828.88	\$ 45.88
680	Shawnigan Lake North Water	\$ 405.00	\$ 421.40	\$ 16.40
690	Kerry Village Water	\$ 270.00	\$ 290.96	\$ 20.96
800	Cowichan Bay Sewer	\$ 286.00	\$ 302.32	\$ 16.32
801	Brulette Sewer	\$ 427.00	\$ 445.20	\$ 18.20
802	Sentinel Ridge Sewer	\$ 351.00	\$ 381.17	\$ 30.17
804	Lambourn Sewer	\$ 300.00	\$ 325.78	\$ 25.78
805	Arbutus Mountain Sewer	\$ 898.00	\$ 925.60	\$ 27.60
806	Malahat Sewer	\$ 1,400.00	\$ 1,432.84	\$ 32.84
810	Mesachie Lake Sewer	\$ 825.00	\$ 855.70	\$ 30.70
811	Bald Mountain Sewer	\$ 520.00	\$ 535.17	\$ 15.17
812	Cobble Hill Village Sewer	\$ 550.00	\$ 575.72	\$ 25.72
813	Mill Springs Sewer	\$ 450.00	\$ 467.77	\$ 17.77
815	Arbutus Ridge Sewer	\$ 746.00	\$ 763.00	\$ 17.00
820	Eagle Heights Sewer	\$ 600.00	\$ 616.38	\$ 16.38
830	Maple Hills Sewer	\$ 600.00	\$ 625.37	\$ 25.37
840	Shawnigan Beach Estates Sewer	\$ 480.00	\$ 507.95	\$ 27.95
850	Kerry Village Sewer	\$ 301.00	\$ 338.72	\$ 37.72
860	Youbou Sewer System	\$ 600.00	\$ 616.77	\$ 16.77

Table 7 – 5% Increase to Parcel Tax

Function	Name	Current PT	Proposed PT With 5%	5% PT Increase/User
601	Satellite Park Water	\$ 650.00	\$ 715.96	\$ 65.96
603	Douglas Hill Water	\$ 400.00	\$ 460.94	\$ 60.94
604	Lambourn Water	\$ 321.00	\$ 377.72	\$ 56.72
605	Arbutus Mountain Water	\$ 350.00	\$ 380.84	\$ 30.84
606	Malahat Water	\$ 1,350.00	\$ 1,443.03	\$ 93.03
608	Fern Ridge Water	\$ 690.00	\$ 819.35	\$ 129.35
611	Bald Mountain Water	\$ 350.00	\$ 380.23	\$ 30.23
613	Dogwood Ridge Water	\$ 800.00	\$ 884.69	\$ 84.69
615	Arbutus Ridge Water	\$ 518.00	\$ 547.85	\$ 29.85
616	Carlton Water	\$ 740.00	\$ 827.97	\$ 87.97
617	Shellwood Water	\$ 950.00	\$ 1,038.83	\$ 88.83
618	Woodley Range Water	\$ 900.00	\$ 996.35	\$ 96.35
619	Burnum Water	\$ 550.00	\$ 599.62	\$ 49.62
620	Mesachie Lake Water	\$ 500.00	\$ 547.16	\$ 47.16
625	Shell Beach Water	\$ 1,000.00	\$ 1,093.88	\$ 93.88
630	Shawnigan Village Water	\$ 700.00	\$ 766.92	\$ 66.92
640	Saltair Water	\$ 818.00	\$ 856.86	\$ 38.86
653	Youbou Water	\$ 308.50	\$ 333.98	\$ 25.48
660	Honeymoon Bay Water	\$ 210.00	\$ 252.05	\$ 42.05
670	Cherry Point Water	\$ 783.00	\$ 897.70	\$ 114.70
680	Shawnigan Lake North Water	\$ 405.00	\$ 446.00	\$ 41.00
690	Kerry Village Water	\$ 270.00	\$ 322.41	\$ 52.41
800	Cowichan Bay Sewer	\$ 286.00	\$ 326.80	\$ 40.80
801	Brulette Sewer	\$ 427.00	\$ 472.51	\$ 45.51
802	Sentinel Ridge Sewer	\$ 351.00	\$ 426.43	\$ 75.43
804	Lambourn Sewer	\$ 300.00	\$ 364.45	\$ 64.45
805	Arbutus Mountain Sewer	\$ 898.00	\$ 966.99	\$ 68.99
806	Malahat Sewer	\$ 1,400.00	\$ 1,482.11	\$ 82.11
810	Mesachie Lake Sewer	\$ 825.00	\$ 901.74	\$ 76.74
811	Bald Mountain Sewer	\$ 520.00	\$ 557.93	\$ 37.93
812	Cobble Hill Village Sewer	\$ 550.00	\$ 614.31	\$ 64.31
813	Mill Springs Sewer	\$ 450.00	\$ 494.43	\$ 44.43
815	Arbutus Ridge Sewer	\$ 746.00	\$ 788.49	\$ 42.49
820	Eagle Heights Sewer	\$ 600.00	\$ 640.96	\$ 40.96
830	Maple Hills Sewer	\$ 600.00	\$ 663.42	\$ 63.42
840	Shawnigan Beach Estates Sewer	\$ 480.00	\$ 549.87	\$ 69.87
850	Kerry Village Sewer	\$ 301.00	\$ 395.29	\$ 94.29
860	Youbou Sewer System	\$ 600.00	\$ 641.93	\$ 41.93

Recommendations

It is recommended that the Board commit to the following:

- Increasing the capital reserve contributions to 2025 levels for the fire halls.
- Consider the 2%, 5% or other increases to the capital reserve contributions to utilities functions identified within the table.
- Consider committing to contributing to the capital reserves for Kerry Park Recreation Centre and Shawnigan Lake Community Centre at the same level as Cowichan Lake Sports Arena.

END OF MEMO

NF/jr