



SPECIAL COMMITTEE OF THE WHOLE

Friday, November 10, 2023

TO BE HELD

IN THE BOARDROOM OF THE SUNSHINE COAST
REGIONAL DISTRICT OFFICES AT 1975 FIELD ROAD, SECHELT, B.C.
AGENDA

CALL TO ORDER 9:30 a.m.

AGENDA

1. Adoption of Agenda Pages 1-3

PRESENTATIONS AND DELEGATIONS

REPORTS

2. Sunshine Coast Regional District Water Services – Capital Plan Update Annex A
pp 4-26
Manager, Asset Management
(Voting – A, B, D, E, F, District of Sechelt)
3. Regional Water Service Area 2024 Rate Bylaw Amendment Annex B
pp 27-34
*General Manager, Corporate Services / Chief Financial Officer
Manager, Budgeting and Grants*
(Voting – A, B, D, E, F, District of Sechelt)
4. North Pender Water Service Area 2024 Rate Bylaw Amendment Annex C
pp 35-42
*General Manager, Corporate Services / Chief Financial Officer
Manager, Budgeting and Grants*
(Voting – All Directors)
5. South Pender Water Service Area 2024 Rate Bylaw Amendment Annex D
pp 43-50
*General Manager, Corporate Services / Chief Financial Officer
Manager, Budgeting and Grants*
(Voting – All Directors)
6. 2024 Wastewater User Fee and Capital Plan Overview Annex E
pp 51-53
*General Manager, Corporate Service / Chief Financial Officer
Manager, Asset Management*
(Voting – All Directors)

7. Greaves Road [381] Wastewater 2024 User Fee Review
Manager, Utility Services
Utility Business Coordinator
(Voting – All Directors) Annex F
pp 54-56
8. Woodcreek Park [382] Wastewater 2024 User Fee Review
Manager, Utility Services
Utility Business Coordinator
(Voting – All Directors) Annex G
pp 57-59
9. Woodcreek Park [382] Wastewater Capital Plan Update
Manager, Asset Management
Manager, Utility Services
(Voting – All Directors) Annex H
pp 60-62
10. Secret Cove [385] Wastewater 2024 User Fee Review
Manager, Utility Services
Utility Business Coordinator
(Voting – All Directors) Annex I
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11. Langdale [388] Wastewater Capital Plan Update
Manager, Asset Management
Manager, Utility Services
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12. Curran Road [391] Wastewater 2024 User Fee Review
Manager, Utility Services
Utility Business Coordinator
(Voting – All Directors) Annex K
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13. Roberts Creek Co-housing [392] Wastewater 2024 User Fee Review
Manager, Utility Services
Utility Business Coordinator
(Voting – All Directors) Annex L
pp 74-77
14. Roberts Creek Co-Housing [392] Wastewater Capital Plan Update
Manager, Asset Management
Manager, Utility Services
(Voting – All Directors) Annex M
pp 78-80
15. Lily Lake [393] Wastewater 2024 User Fee Review
Manager, Utility Services
Utility Business Coordinator
(Voting – All Directors) Annex N
pp 81-83

- 16.** 2024 Refuse Collection [355] Fee Review
General Manager, Corporate Services / Chief Financial Officer
(Voting – B, D, E, F)

Annex O
pp 84-85

COMMUNICATIONS

NEW BUSINESS

IN CAMERA

ADJOURNMENT

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – November 10, 2023

AUTHOR: Kyle Doyle, Manager, Asset Management

SUBJECT: SUNSHINE COAST REGIONAL DISTRICT WATER SERVICES – CAPITAL PLAN UPDATE

RECOMMENDATION(S)

(1) THAT the report titled Sunshine Coast Regional District Water Services – Capital Plan Update be received for information.

BACKGROUND

In 2015 the Sunshine Coast Regional District (SCRD) Corporate Asset Management Plan (CAMP) was published. This document summarized various services that the SCR D delivers and information about the assets that enable those services to be delivered. This document provided a snapshot of the approximate replacement value and age of assets used to collect, store, treat, and deliver drinking water to participants in SCR D water services.

In 2023 the BC Water and Waste Association (BCWWA) released a follow up to their 2015 report “*Are Our Water Systems At Risk?*”. The original report provided an insight into the financial health of Municipal Water and Wastewater systems across 161 BC Municipalities. The follow up report reviews progress towards financial sustainability and discusses emerging factors such as impacts from a transitioning workforce, climate change, and inflation. The BCWWA recommends that local governments prioritize funding water renewal projects and adjust rates to cover the full cost of these services. The key findings from this report apply to SCR D water services and reinforce the urgency of taking steps to improve the financial sustainability of these services.

The SCR D is currently working to address the supply challenges posed by a changing climate and the challenges and opportunities associated with population growth and evolving development patterns. The capital infrastructure solutions for these challenges are funded through the same revenues that fund infrastructure renewal.

The Sunshine Coast Regional District Water Services – Capital Plan Update report (**ATTACHMENT A**) seeks to help establish a comprehensive context of the capital funding needs for the SCR D water services. This will facilitate informed decision making across all issues that impact long-term financial sustainability of SCR D water services.

The purpose of the attached report is to provide an updated high-level summary of the SCR D Water Service’s existing Capital Assets and future financial renewal needs.

DISCUSSION

SCRD water services have undergone a detailed review of their asset registries. The 2015 CAMP cited multiple sources of information that were used to develop summaries of each service's assets and their replacement valuations. Validation efforts have established a single source of information with a much higher degree of confidence in the accuracy of the data. Less than 10% of buried infrastructure assets have attribution that cannot be verified through record drawings. These unverified attributes, such as existing material and diameter, do not significantly impact the overall projections of future capital renewal expenditures.

Efforts to better capture the actual costs to replace assets and when it theoretically should be expected that asset replacement will be necessary have improved the understanding of the magnitude and timing of future asset renewal expenditures. It should be noted that these assessments are undertaken with minimal assessment of the actual physical condition of the assets as most of them are buried. The actual condition of assets or the service needs of the water systems could trigger the need to replace them prior to the end of their theoretical end of life.

Options and Analysis

The three Water Services (Regional, North Pender Harbour, South Pender Harbour) are unique and independent. This report highlights that all three water services have an infrastructure funding deficit that will challenge the ability to provide affordable services in the future without action to resolve these funding deficits.

Most of the future renewal expenditure is anticipated to be related to the replacement of watermains. The linear geography of the Sunshine Coast combined with the low-density of most development requires a higher-than-average amount of watermain per service connection. Most of the SCR D's watermains are buried underneath highway and roads. The costs to repave these roadways to the standards stipulated by the Ministry of Transportation and Infrastructure are a significant factor in the overall cost to replace watermains.

On the other end of the spectrum, individual high-cost assets pose a different challenge. These include dams, water treatment plants, and reservoirs. Replacement assets in this category need to become more resilient to the impacts of climate change and be capable of serving a larger population than the original assets. The attached report considers 'like for like' replacement of these assets, increased levels of service requirements (to deal with climate change and meet future regulatory requirements) will increase the cost to replace these assets.

The SCR D Water Services - Capital Plan Update provides a basis for understanding the cost of maintaining the existing level of service. Bridging this understanding with a thorough understanding of the future requirements can enable cost savings through creative solutions and efficient design.

Organizational and Intergovernmental Implications

The attached report may be used to provide more holistic context for capital investment decisions in the SCR D water services. The information in this report should be integrated with an emerging understanding of the capital investments required to meet both the regional growth demands, evolving regulatory requirements and the challenges posed by the changing climate.

Financial Implications

This report is for information and has no direct financial implications.

Communications Strategy

Information contained in this report will be included in future communications about our water services. A particular focus will be placed on conveying the challenges mentioned in the Executive Summary of the report. The BCWWA report highlights the disparity between the expectations of water service customers and the reality of the challenges that are faced by those that manage and operate these water services. By integrating the lessons learned through this work into the messages that are conveyed to the public it may be possible to bridge that gap and reduce the opposition that is faced by the efforts to achieve financial sustainability.

STRATEGIC PLAN AND RELATED POLICIES

This work informs decisions that will lead to responsible stewardship of water services assets. Asset Stewardship is a core purpose of Local Governments as articulated in the Local Government Act.

The report aligns with the SCR D Asset Management Policy by seeking to facilitate informed decisions through the development of long-term capital projections. The SCR D Financial Sustainability Policy commits the SCR D to consider the cost of existing levels of service before considering enhancements.

CONCLUSION

The SCR D Water Services are the focus of attention for the challenges they face due to climate change and population growth. This report seeks to ensure these challenges are considered within a comprehensive understanding of asset stewardship challenges that are posed by the considerable portfolio of aging assets within each water service.

Reviewed by:			
Manager	X – S. Walkey	CFO	X - T. Perreault
GM	X – R. Rosenboom	Legislative	
A/CAO	X – I. Hall	Other	

SCRD WATER SERVICES

2023 Capital Planning Update

Executive Summary

The Sunshine Coast Regional District (SCRD) provides drinking water to approximately 24,000 residents and businesses through three Water Services. These services have been under strain due to climate change, aging infrastructure, and expanding customer bases. Investments continue to be made in new infrastructure to diversify water sources and enhance storage capacity to address these challenges and it is understood that more will be needed.

The 2015 SCRD Corporate Asset Management Plan highlighted the value, lifespan, and funding status of the water service assets. As assets age their efficiency declines, leading to potential service disruptions and increased operational costs. A 2023 report by the BC Water and Waste Association emphasized the financial challenges faced by many local governments in BC, suggesting that financial sustainability for water services should be a top priority.

Since 2015, the SCRD has made strides towards more mature asset management practices. This has involved consolidating asset information from various sources and ensuring data accuracy. This effort to improve data accuracy is ongoing, although it is thought that the impact of the remaining data gaps is insignificant on the overall capital renewal projections.

Significant progress towards more accurate costing and timing projections for asset replacement have also been achieved. This has increased confidence in projections of the cost to replace assets and the expected time they will need to be replaced and has facilitated the development of 50-year projections of the capital renewal expenditures for the three Water Services.

This report provides a snapshot of each Water Service's asset portfolio. While there are unique challenges for each Water Service there is a common need to recognize and plan for the financial expenditure that will be required in the next 50 years. The assets across all three services, which include the Water Treatment Plants, dams, groundwater wells, reservoirs, and more, have a combined current replacement value of nearly \$600 million as of 2023. Although most of these assets are still in fair or better condition a significant portion will require replacement in the coming decades.

Introduction

The Sunshine Coast Regional District (SCRD) provides drinking water to approximately 24,000 residents through three Water Services. The largest of these services, the Regional Water Service (RWS), is comprised of six water systems located across the Sunshine Coast from Egmont to Keats Island. Two other Water Services, North Pender Harbour Water Service (NPHWS) and South Pender Harbour Water Service (SPHWS), deliver water to residents of Garden Bay and Madeira Park, respectively. The provision of clean drinking water is facilitated by infrastructure that is owned and managed by the SCRD. These infrastructure assets are necessary for the collection, storage, treatment, and distribution of drinking water to the participants of these three water services.

These systems have experienced pressure on their water supply due to the challenges posed by a changing climate and a growing customer base. Investments in new infrastructure to establish alternative water sources and increase storage capacity are aimed to help resolve these emerging challenges. However, it is essential to recognize the looming service challenges that will be posed by aging assets.

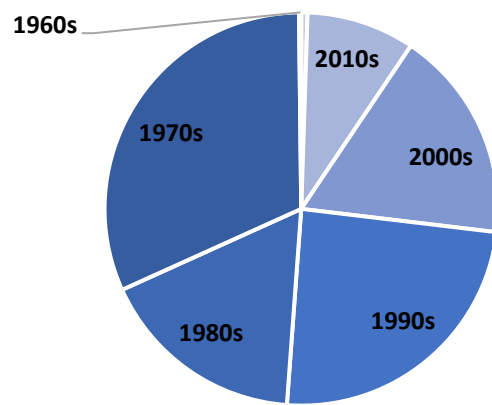
The 2015 SCR D Corporate Asset Management Plan (CAMP) provided a high-level overview of the Water Services' assets' value, remaining life, and funding status. Nearly 50% of the total current replacement value of all water service assets was installed between 1970 and 1990.

As assets age, their performance deteriorates and the ability to provide reliable services is impacted. This can result in increased transmission losses, service interruptions, and burgeoning operational costs. Planning for the replacement of these assets to avoid service disruptions is a critical part of the SCR D's obligation to provide responsible asset stewardship.

A 2023 report by the BC Water and Waste Association (BCWWA) reviewed the financial health of 161 municipalities' water and wastewater services across BC. This report indicated that few local governments have established financial sustainability for their water services. The challenge of responsible asset stewardship will be exacerbated by emerging risks posed by climate change, a workforce undergoing a generational transition, and uncertainty around inflation according to the BCWWA. The report suggested that the financial sustainability of water services needs to be the top priority of local governments in BC.

The 2015 CAMP provided a series of recommendations to improve the SCR D's asset management practices, operational efficiency, and communication around assets. The practice of asset management at the SCR D has matured since then and many of the action items have been completed. This work has enabled a long-term projection of the capital renewal needs for the SCR D Water Services.

The purpose of this report is to provide an updated high-level summary of the three SCR D's Water Services' projected capital asset renewal financial needs. This report also seeks to inform future decisions that impact the financial sustainability of these Water Services.



% of Current Replacement Value by Decade of Installation

What Have We Learned?

Since 2015 the SCRD has matured its asset management practices to better facilitate sustainable service delivery. Significant effort has been invested in the refinement and validation of data contained within asset registries for many services including the three Water Services. Asset information was compiled from multiple sources and a thorough review was completed to ensure as complete of a data set as possible was established. Asset registries are the foundation of long-term capital planning and these improvements have enabled a more detailed understanding of future funding requirements for capital infrastructure renewal.

It should be appreciated that there remains uncertainty in the information that has been compiled and that it is not uncommon among local governments to have gaps in their data sets. Specifically with buried assets it can be difficult or costly to verify the information that was recorded at the time of installation. Approximately 5-10% of watermain data was incomplete. This means attribute data such as material type, depth, or size of pipe was not known. Where it was not possible to determine these attributes, they were assumed based on the average attributes of the known assets.

An analysis of all costs associated with the replacement of buried infrastructure suggest that these attributes have a relatively insignificant impact on the overall cost, for this reason effort has been directed towards refining the understanding of the major cost drivers for asset replacement. Efforts to verify unknown asset data will continue be an ongoing part of the practice of asset management at the SCRD.

The method in which asset replacement timing, asset replacement costs, and how much today’s cost estimates will increase over time are determined was reviewed and revised to improve the accuracy of future needs projections. These improvements to the asset registries have facilitated a 50-year projection of capital asset renewal expenditures. The results can be used to inform a long-term strategy to achieve financial sustainability for the SCRD water services.

Asset Replacement – Timing

Table 1: Asset Condition By % EUL Remaining

Condition	% Life Remaining
Very Good	80 – 100%
Good	60 – 80%
Fair	40 – 60%
Poor	20 – 40%
Very Poor	0 – 20%

Knowing when it will be necessary to replace assets is critical to achieving financial sustainability. The actual lifespan of an asset is influenced by many factors including material type, quality of construction/installation, environmental conditions, and operation and maintenance activities. Tracking the condition of an asset can provide a more accurate assessment of its performance and the need for replacement. In lieu of extensive condition assessment data the condition of an asset can be assumed based on its remaining percentage of Estimated Useful Life (EUL) as shown in Table 1. Where this report discusses the condition

of assets it should be recognized that this is inferred by the percentage of EUL remaining and not based on actual verified condition assessments.

Estimated Useful Life values for water service assets were determined through a review of EUL values published by other governments and agencies around BC. Different asset material within an asset class (i.e. concrete vs steel reservoir) may have different EUL. A summary of average age and EUL across various asset classes in the RWS can be seen in Figure 1 below.

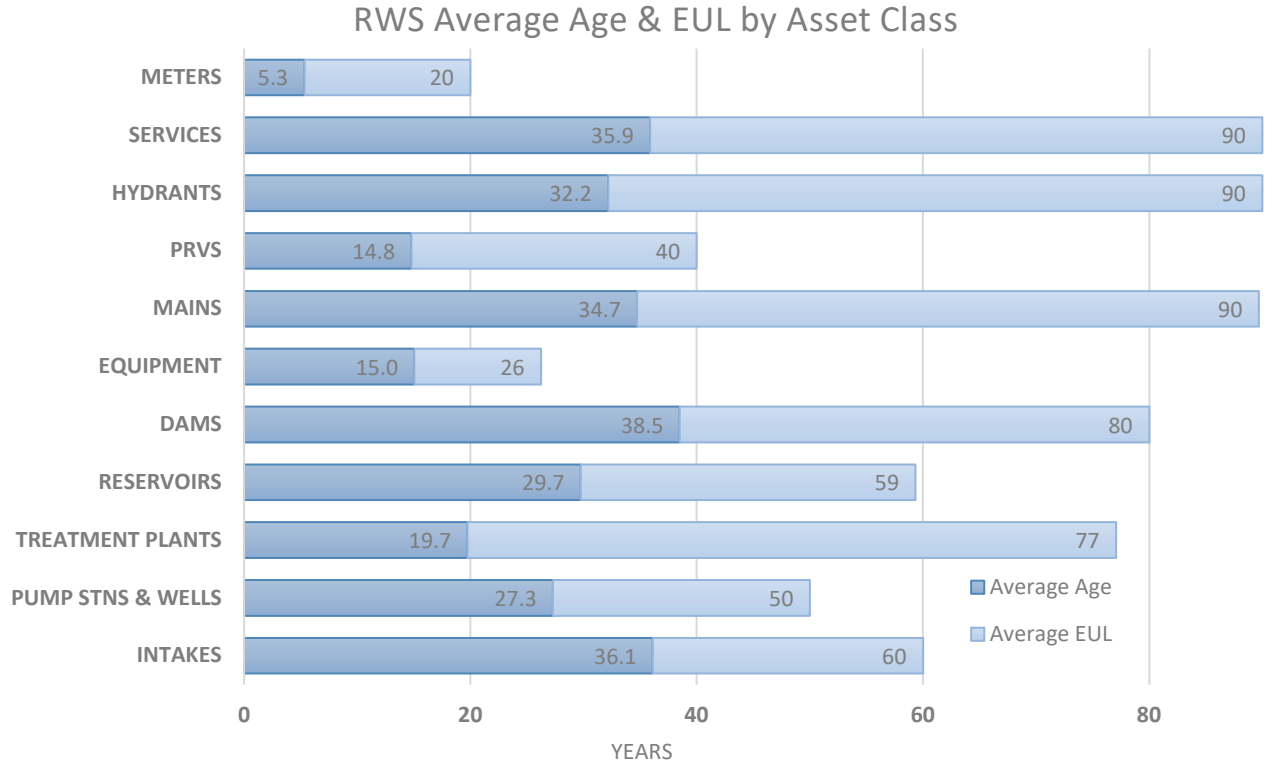


Figure 1: Regional Water Service Average Asset Age and EUL by Asset Class

In the future, integrating existing condition assessment information into asset registries and instituting a strategic condition assessment regimen will improve the accuracy of the asset renewal forecasts.

Asset Replacement – Values

Projecting asset replacement costs is a complex task with many influencing variables to consider. Both the SCRDP CAMP and BCWWA reports use Tangible Capital Asset (TCA) values for asset replacement costs. TCA values are intended to represent the original value of an asset when it was acquired. These values can misrepresent the actual cost of asset replacement where the scope of work to replace an asset is more complex than the original installation.

For example, with underground water mains the TCA value does not include the cost of remediating roads that are disturbed when accessing the water main. TCA values also do not consider emerging issues that may impact replacement costs such as regulatory changes, inflation, technological advancements, or climate change impacts.

The SCRD has worked to improve the accuracy of replacement cost estimates through a review of the factors that influence replacement costs. Ensuring capture of the full scope of work associated with the replacement of each asset and improving accuracy of the replacement cost estimates were identified as primary opportunities for improvement.

Asset registries now attempt to capture full life-cycle capital costs associated with each asset. This includes demolition/disposal, project management, design, and engineering expenses for each asset. An analysis of replacement cost estimates and actual project costs led to the inclusion of a variable contingency factor correlated to the source of the estimate. TCA values are still used in these projections where more reliable replacement cost sources are not available.

An example of additional cost factors beyond the replacement cost of an asset is shown in Figure 2. Continuous review of actual project costs compared to projections will inform future adjustments to these contingencies.

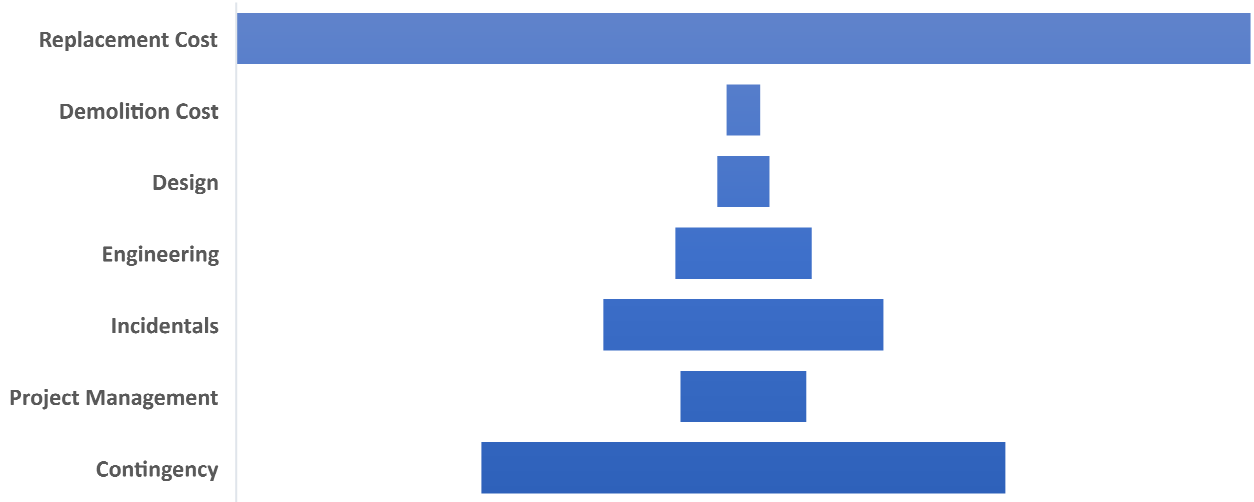


Figure 2: Sample Distribution of Asset Replacement Costs by Expense Type

Different assets will have different distributions of cost depending on the complexity of the asset and the confidence in the source of replacement cost information.

Projecting Future Costs

The cost to replace an asset typically increases as time passes. Much of this is caused by small increases over time in the cost for each component of the work, i.e., labour costs, material costs, fuel prices, and insurance premiums. Until recently a 2% annual inflation rate was commonly accepted as sufficient to account for these cost increases.

A review of historical inflation rates across Canada completed in 2019 indicated that the historical average rate of inflation tended to increase as a longer period was considered with peak 10-year average rates of inflation exceeding 4.6%. The rate of inflation has a compounding impact on projected cost that varies significantly from 2% inflation to 5% inflation as shown in Figure 3 below.

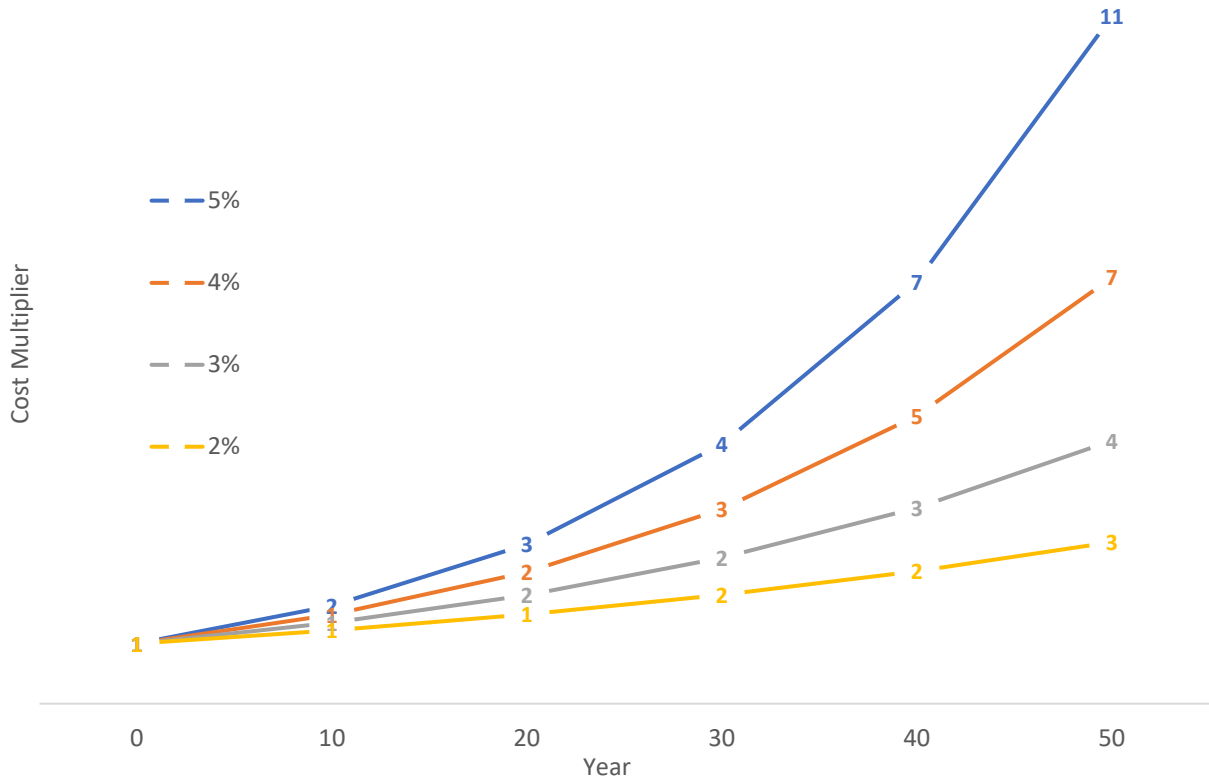


Figure 3: Comparison of Inflation Rates over 50 Years

This demonstrates how capital renewal projects which are forecast to occur in 40 years may see costs vary by more than 300% depending on the rate of inflation used. Community feedback has demonstrated that using higher interest rates in capital expense forecasting can be counter productive to progress towards financial sustainability.

For the purposes of forecasting future project costs a rate of 3% annual inflation has been used to project current replacement cost estimates forward.

Overview of Capital Assets: Regional Water Service

The Regional Water Service is comprised of a variety of assets that are critical to the provision of clean drinking water. These include the Chapman Creek Water Treatment Plant, groundwater wells, reservoirs, pumping stations, water mains, valves, fire hydrants, and water meters. These assets have a combined current replacement value of nearly \$470 million as of 2022. A summary of these assets’ replacement values is presented in Table 2 below.

Table 2: Regional Water Service Asset Summary of Replacement Value

Service	Asset Group	Quantity	Replacement Value (2023\$ M)
Supply & Treatment	Intakes	4	2.0
	Dams	2	23.9
	Water Treatment Plant	6	21.6
	Well Pumping Stations	4	2.8
Storage	Reservoirs	17	37.3
Transmission & Distribution	Booster Pumping Station	10	9.0
	Mains	336 km	307.3
	Hydrants	1243	11.2
	PRV & PRV Chambers	22	1.9
	Service Connections	9965	33.7
Supporting Assets	Various*		18.8
		TOTAL	469.5

* Vehicles, Equipment, Works Yard, SCADA, Meters, Blowoffs

Most of this infrastructure was installed when the Sunshine Coast experienced an explosion of growth between 1970 and 2000. The assets that were contributed to the Regional Water Service during that period account for more than 70% of the nearly \$470 million current replacement value of all RWS assets. Figure 4 below shows the distribution of the current replacement value of RWS assets by installation date.

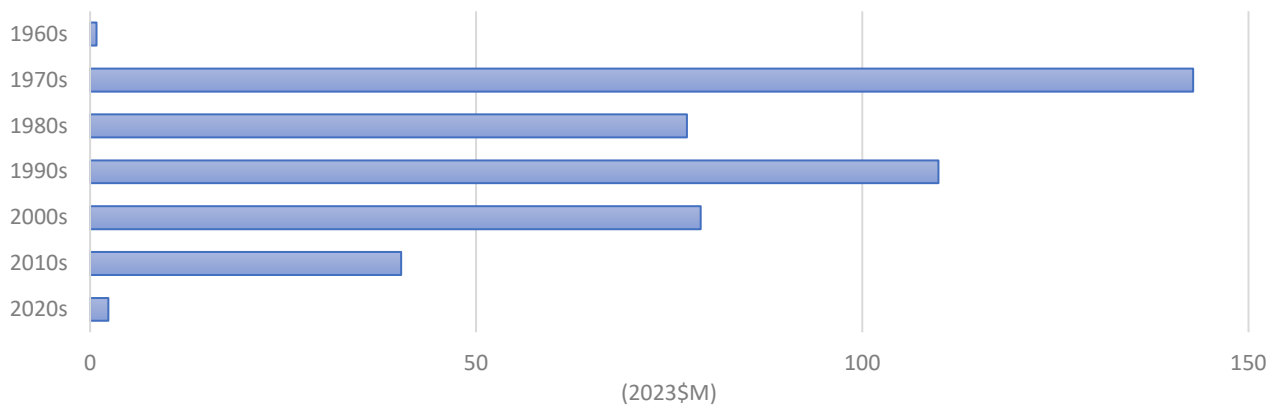


Figure 4: Current Replacement Value of RWS Assets by Decade of Asset Installation

More than 70% of the total current replacement value of the RWS assets was installed in between 1970 and 2000. The good news is that much of this infrastructure should still be in fair or better condition based on the percentage of remaining EUL. As per the inferred condition rating discussed previously (Table 1), less than 4% of the RWS’s total current asset replacement value is attributed to assets that most likely are in a poor or very poor condition.

However as shown by Figure 5, more than 40% will be classified as being in a poor or very poor condition in 10 years. This further emphasizes the need for financial preparedness and strategic planning for asset renewal.

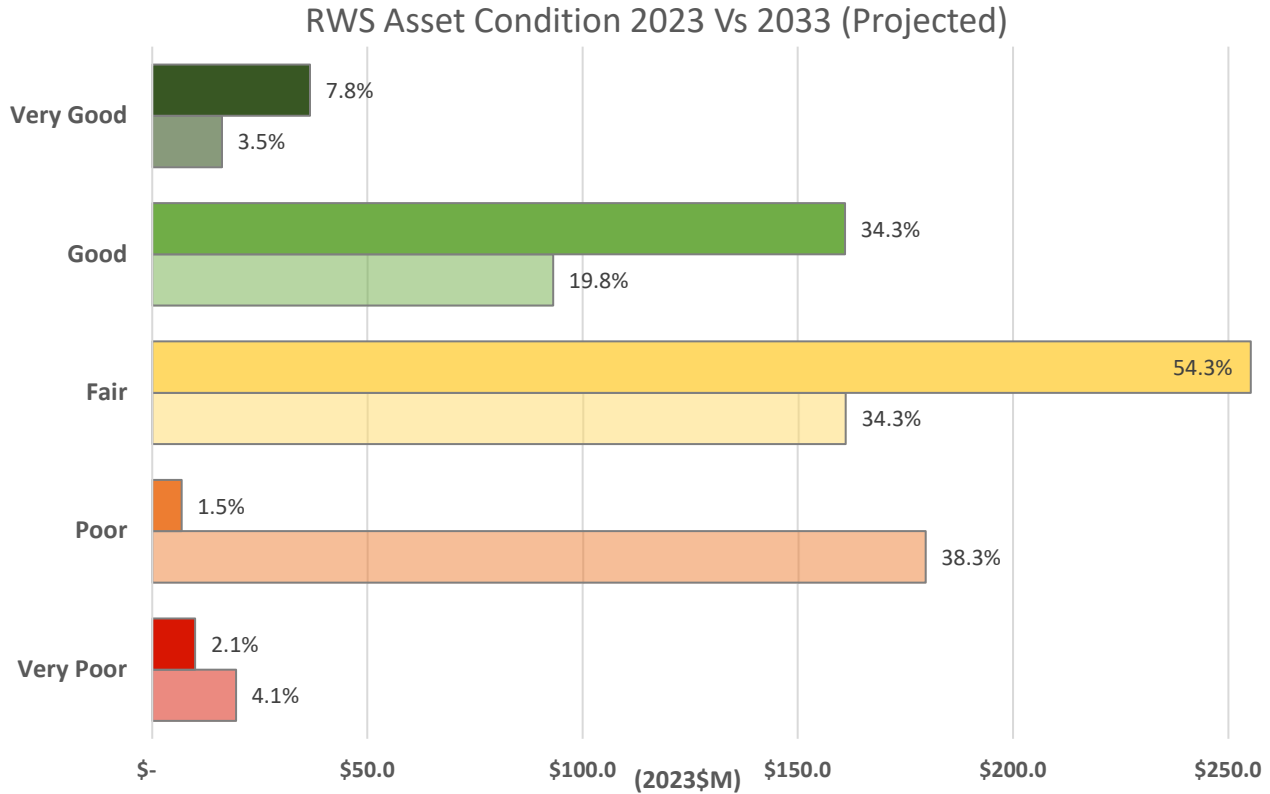


Figure 5: Comparison of Current and Future Distribution of Asset Replacement Value by Condition – 2023 (top) vs 2033 (bottom)

The estimated useful life of an asset assumes that suitable maintenance effort is invested into the asset throughout its lifespan. As mentioned earlier assets often begin to experience degraded performance as they approach end of life, they also often have increased operational costs.

Overview of Capital Assets: North Pender Harbour

The North Pender Harbour Water Service is supported by many assets that are critical to the provision of clean drinking water. These include the Garden Bay Water Treatment Plant, a re-chlorination station, reservoirs, a pumping station, water mains, valves, fire hydrants, and water meters. These assets have a combined current replacement value of more than \$50 million as of 2022. A summary of these assets’ replacement values is presented in Table 3 below.

Table 3: North Pender Harbour Water Service Asset Summary of Replacement Value

Service	Asset Group	Quantity	Replacement Value (2023\$ M)
Supply & Treatment	Intakes	1	0.2
	Water Treatment Plant	1	1.5
Storage	Reservoirs	3	0.9
Transmission & Distribution	Booster Pumping Station	2	0.8
	Mains	29 km	42.1
	Hydrants	110	1.4
	PRV & PRV Chambers	6	0.5
	Service Connections	552	2.2
Supporting Assets	Various*		0.6
		TOTAL	50.3

* Vehicles, Equipment, Works Yard, SCADA, Meters, Blowoffs

Approximately half of the approximately \$50 million current replacement value of all NPHWS assets was installed between 1960 and 1990. Figure 6 below shows the distribution of the current replacement value of NPHWS assets by installation date.

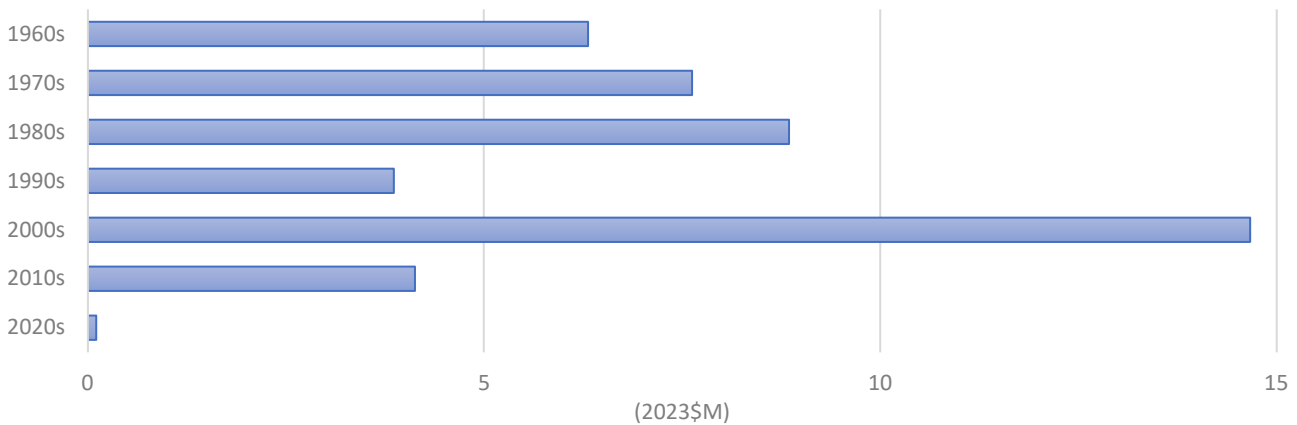


Figure 6: Current Replacement Value of NPHWS Assets by Decade of Asset Installation

Based on an evaluation of the percentage of remaining EUL (Table 1), the North Pender Harbour Water Service currently has over half of its total current replacement value in assets that are in good to very good condition. Just over 15% of the NPHWS’s total current asset replacement value is attributed to assets in poor or very poor condition. However as shown by Figure 7, more than 30% will be in poor or very poor condition in 10 years.

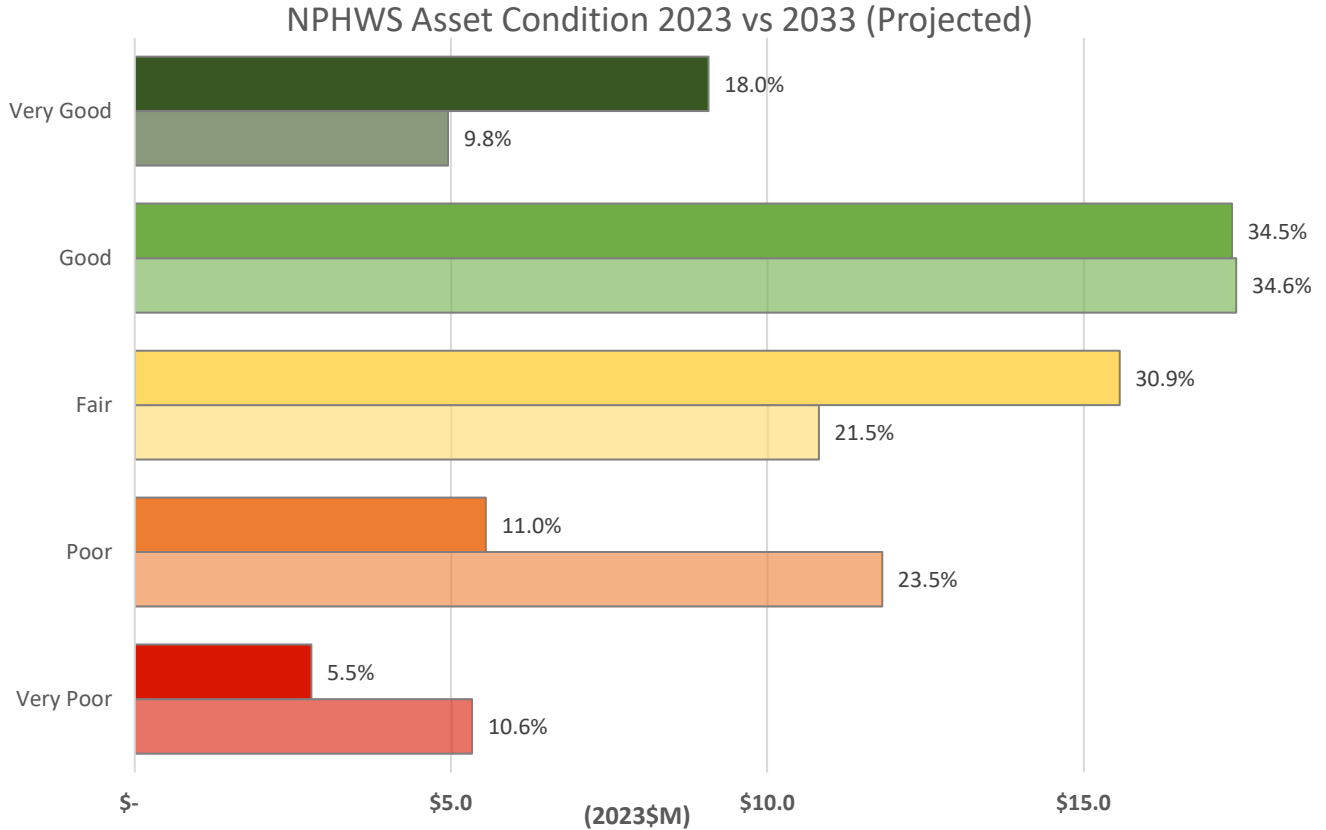


Figure 7: Comparison of Current and Future Distribution of Asset Replacement Value by Condition – 2023 (top) vs 2033 (bottom)

The estimated useful life of an asset assumes that suitable maintenance effort is invested into the asset throughout its lifespan. As mentioned earlier assets often begin to experience degraded performance as they approach end of life, they also often have increased operational costs.

Overview of Capital Assets: South Pender Harbour

The South Pender Harbour Water Service utilizes a variety of assets that are critical to the provision of clean drinking water. These include the South Pender Harbour Water Treatment Plant, dams, reservoirs, pumping stations, water mains, valves, fire hydrants, and water meters. These assets have a combined current replacement value of more than \$75 million as of 2022. A summary of these assets’ replacement values is presented in Table 4 below.

Table 4: South Pender Harbour Water Service Asset Summary of Replacement Value

Service	Asset Group	Quantity	Replacement Value (2023\$ M)
Supply & Treatment	Intakes	2	0.8
	Dams	1	4.1
	Water Treatment Plant	2	12.7
Storage	Reservoirs	3	2.2
Transmission & Distribution	Booster Pumping Station	3	0.9
	Mains	31 km	46.2
	Hydrants	94	1.2
	Service Connections	894	3.5
Supporting Assets	Various*		4.2
		TOTAL	75.7

* Vehicles, Equipment, Works Yard, SCADA, Meters, Blowoffs

Most of SPHWS infrastructure was installed prior to 1990 with the notable exception of the water treatment plant constructed in 2014. The assets that were contributed to the SPHWS prior to 1990 account for almost 70% of the approximately \$75 million current replacement value of all SPHWS assets. Figure 8 below shows the distribution of the current replacement value of RWS assets by installation date.

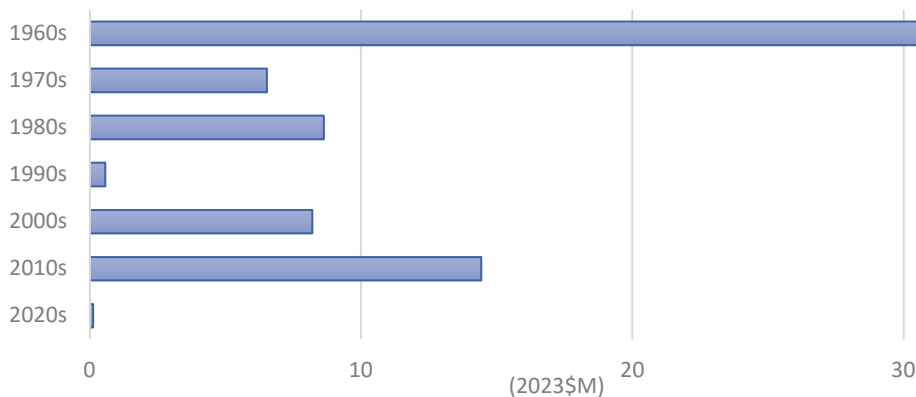


Figure 8: Current Replacement Value of SPHWS Assets by Decade of Asset Installation

Nearly 50% of the total current replacement value of the SPHWS assets was installed in the 1960s. This is reflected by the fact that more than half of the current replacement value of is comprised of assets that have eclipsed the halfway point of their EUL. Using the percentage of estimated useful life remaining as a condition rating, over half of the current replacement value of assets in poor to very poor condition comes from watermains. These have high cost and pose logistical challenges associated with large scale replacement. Half of the SPHWS’s total current asset replacement value that is attributed to assets in good or very good condition comes from the recently constructed Water Treatment Plant. Figure 9 shows that the greatest proportion of assets will be in very poor condition in 10 years.

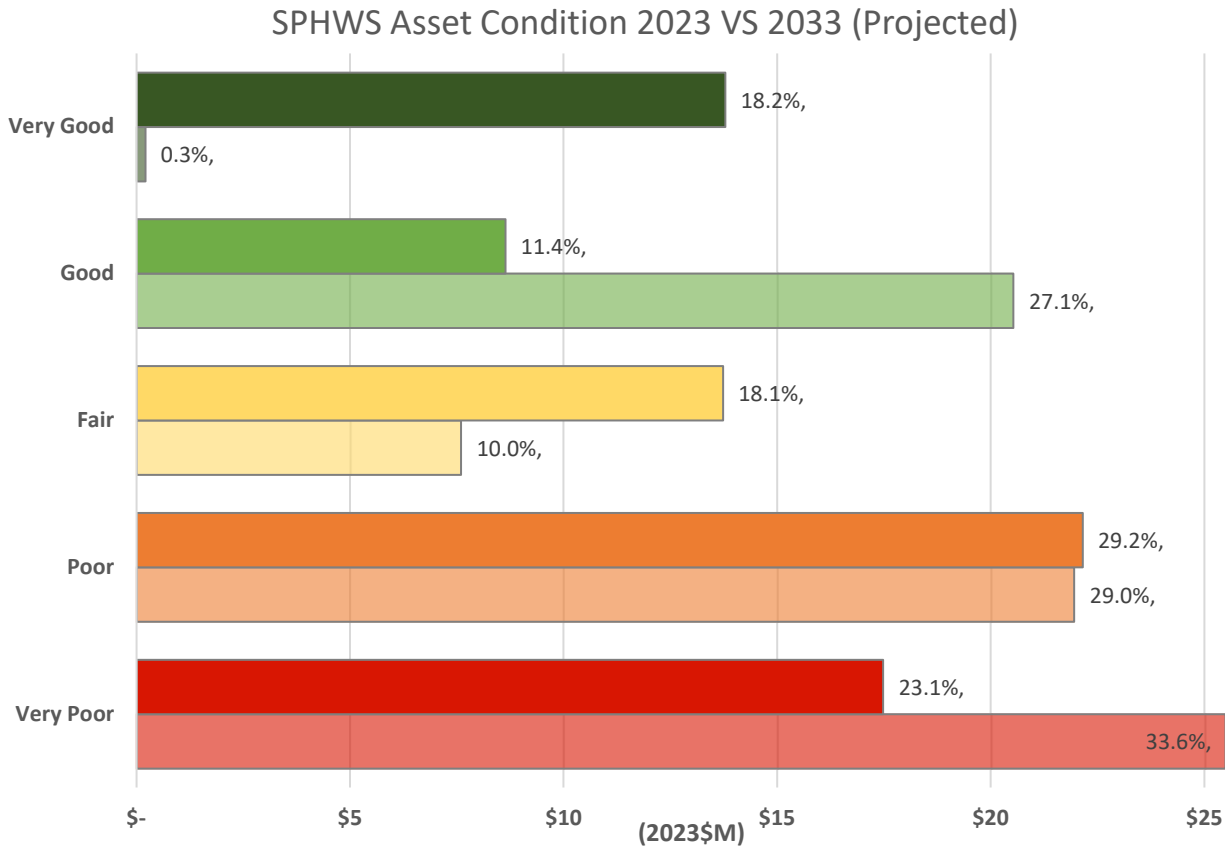


Figure 9: Comparison of Current and Future Distribution of Asset Replacement Value by Condition – 2023 (top) vs 2033 (bottom)

The estimated useful life of an asset assumes that suitable maintenance effort is invested into the asset throughout its lifespan. As mentioned earlier assets often begin to experience degraded performance as they approach end of life, they also often have increased operational costs.

Capital Asset Renewal Future Financial Needs

The 50-year projection of capital renewal needs for the SCRD Water Services provide an insight into the magnitude of funding required to achieve financial sustainability and highlight several opportunities for proactive actions to control future costs. The projection for the RWS can be seen in Figure 10 below. (50-year projections of capital renewal expenditures for all three water services can be found in Appendix A). The data also enables a deeper understanding of the factors that drive the funding requirements of this service.

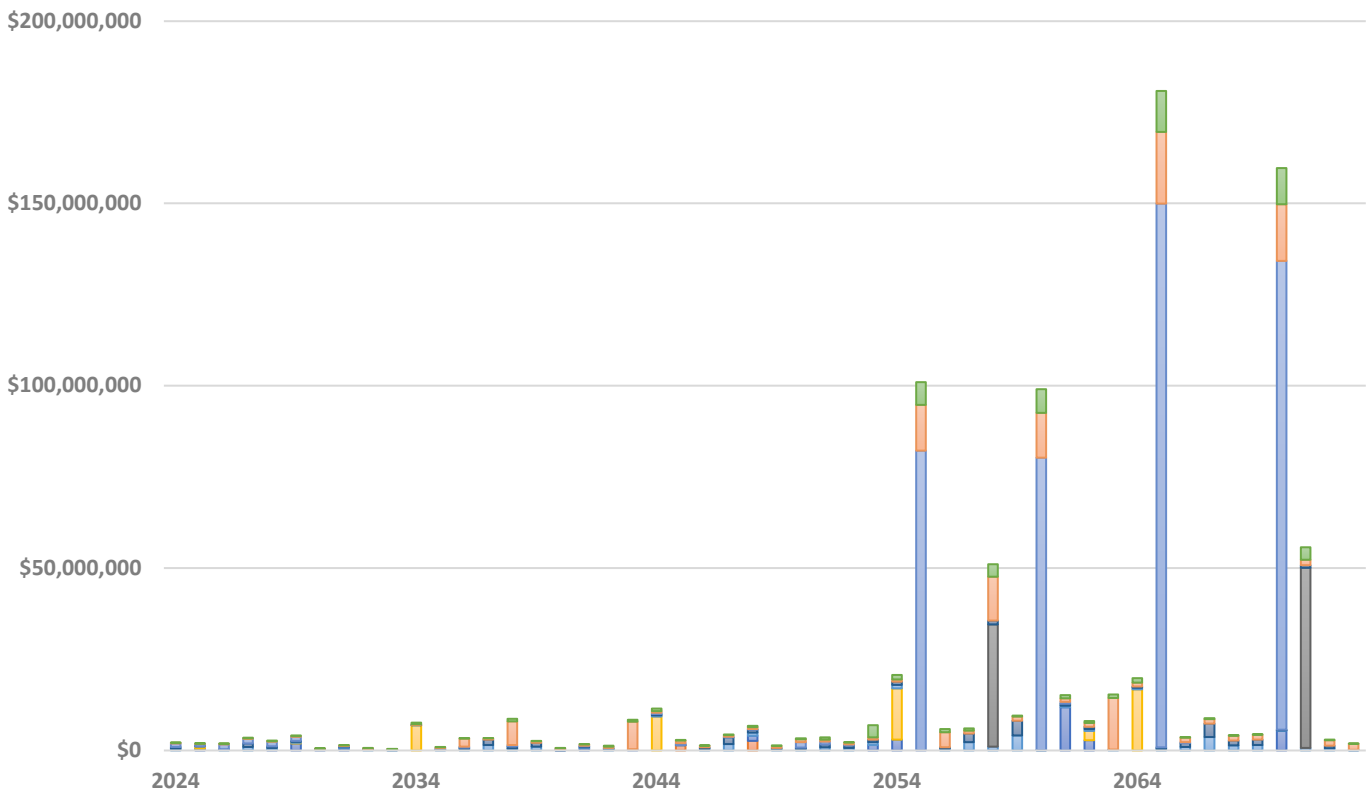


Figure 10: Regional Water Service 50-year Annual Capital Renewal Expenditure Projection

The distribution of projected expenditures for the RWS illustrates that there is time to make progress towards financial sustainability. It also highlights the magnitude of the challenge that is faced by the RWS as more than one hundred kilometers of watermains are expected to need replacement. Watermain replacement is projected to be a challenge for all the SCRD Water Services.

Watermains

Watermains account for more than 65% of projected capital renewal expenditures for all Water Services over the next 50 years. For NPHWS watermains account for over 80% of 50-year projected capital renewal expenditures. The nature of the geography of the Sunshine Coast requires a greater length of watermain

per dwelling than typical to deliver drinking water to residents, this is illustrated by the comparison to other BC local governments in Figure 11 below.

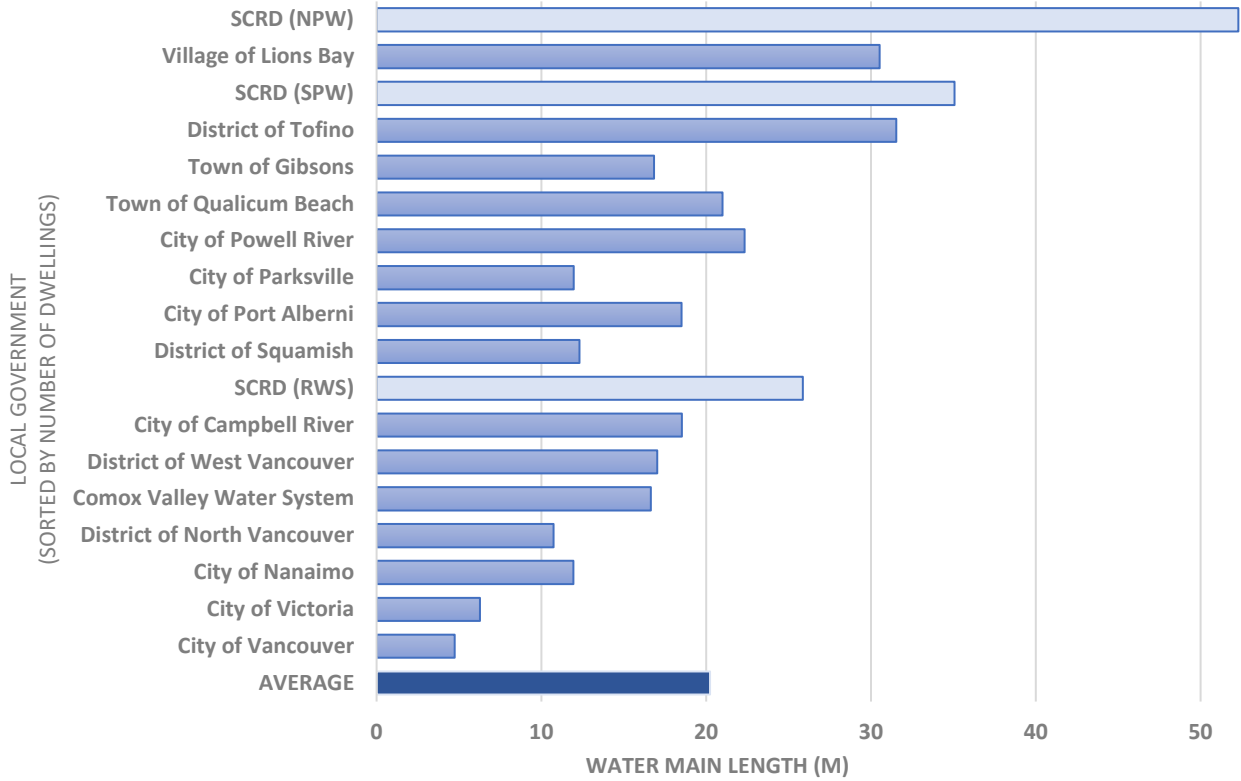


Figure 11: Comparison of Length of Watermain per Dwelling

The cost to replace watermains largely depends on the depth of the watermain and whether the overlying surface is a paved road or not. Depth is directly correlated with the cost of excavation and replacement of fill, whereas repaving was observed to account for approximately 35% of the overall cost to replace a watermain.

In 2019 the Ministry of Transportation and Infrastructure (MoTI) published their ‘Utility Policy Manual’ which stipulates minimum standards for remediation of their roadways after a third-party has altered/damaged the pavement. This means when the SCR D is required to remove a section of asphalt to access the underground infrastructure (including the road shoulder), the road must be repaved from the edge of pavement to the painted lane divider lane on the road. Historically, only the section removed by the SCR D had to be repaved.

The fact that watermains are projected to constitute nearly two-thirds of upcoming asset renewal costs, combined with the expectation that the majority of infrastructure will reach its end of life within a 20-year span, underscores the importance of a forward-thinking strategy.

A replacement program that considers the actual condition and criticality of each section of watermain may help to mitigate the chance of service disruptions. This could also assist with the logistical challenges posed by the hundreds of kilometers of watermain projected to reach end of life between 2054 and 2074 by spreading asset replacement efforts over more time.

Capital Reserves

The capital renewal projections suggest that the bulk of expenditures for the RWS and NPHWS will occur after 2054. This presents an opportunity to build reserve funds to offset the amount of debt that will be needed to finance the future replacement of critical water assets. Figure 12 below shows that more than 80% of projected RWS capital renewal expenditures over the next 50 years will occur after 2054.

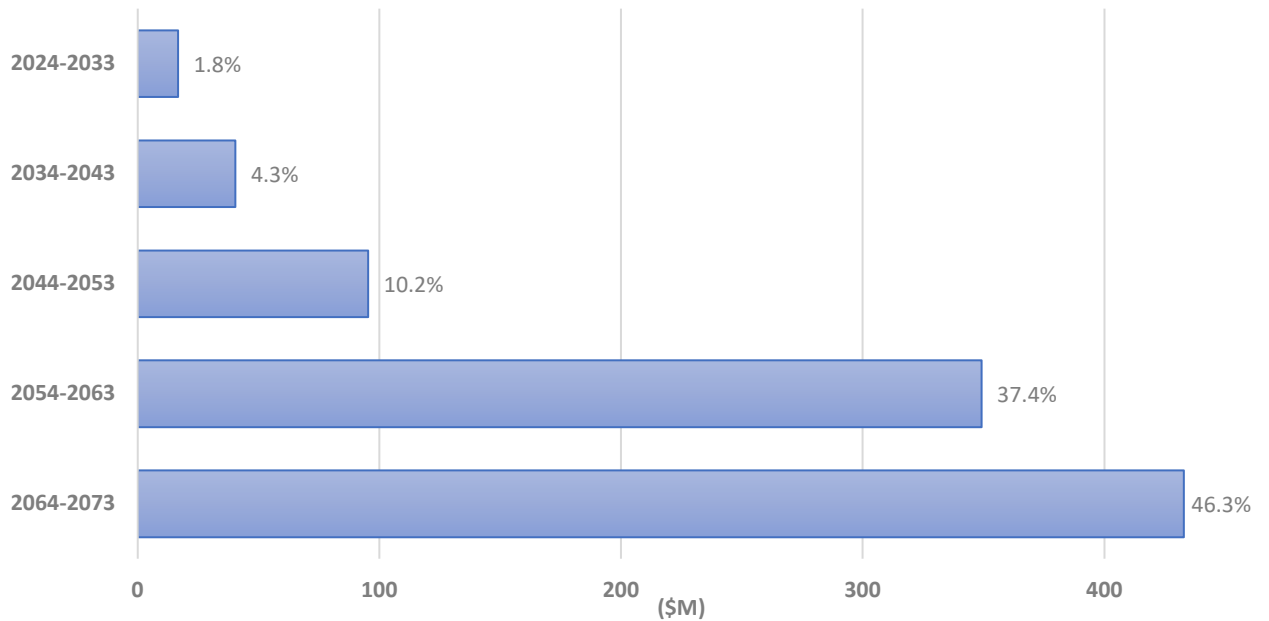


Figure 12: RWS 50-Year Projected Capital Asset Renewal Expenditures by Decade

Assuming that assets are replaced at the end of their useful lives it is projected that the RWS will require approximately \$150 million invested into asset renewal over the next 30 years. After which over \$770 million dollars is projected to be required in the two decades beyond that. Beyond the current 50-year projection it should be assumed that continuous investment into infrastructure replacement will be required.

The good news, again, is that these infrastructure deficits are not insurmountable. Contributions to capital reserves accrue interest over time and this benefit can be best realized by initiating a reserve contribution strategy as soon as possible.

Figure 13 shows how different magnitudes of dedicated reserve contribution could grow over time and significantly mitigate the future financial impact from asset replacement at 3% annual interest.

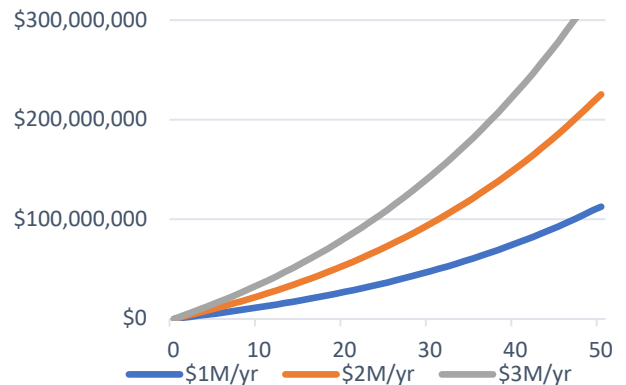


Figure 13: 50-year Reserve Fund by Annual Contribution

Other Challenges

This work highlights the financial challenge posed by the need to replace critical infrastructure as it ages as well as the potential logistical issues that will be posed by the volume of infrastructure that is projected to require replacement over a relatively short period of time. This analysis is only related to existing infrastructure and does not consider the need to upgrade assets to continue to meet regulatory requirements, accommodating population growth or addressing the need to react to a changing climate.

The SCRD is working to build more resilient water services which are expected to provide safe and adequate drinking water to more residents every year. Effort is ongoing to identify the key areas which require investment to ensure that the service expectations can be met into the future. This includes work to address water supply concerns, explore opportunities for expanded water storage, promote more efficient use of water, ensure that suitable flow and pressure is available in all areas, and to be able to better understand the full impacts of future development and climate change. Collectively these efforts will inform the full magnitude of capital investments that are required in each of the SCRD Water Services.

This broader conversation is required to resolve the perpetuation of funding shortfalls that are driven by a siloed understanding of the cost of providing water services. A long-term strategy built upon a more comprehensive perspective can better leverage opportunities for efficiencies and is the best path towards financial sustainability.

Conclusion

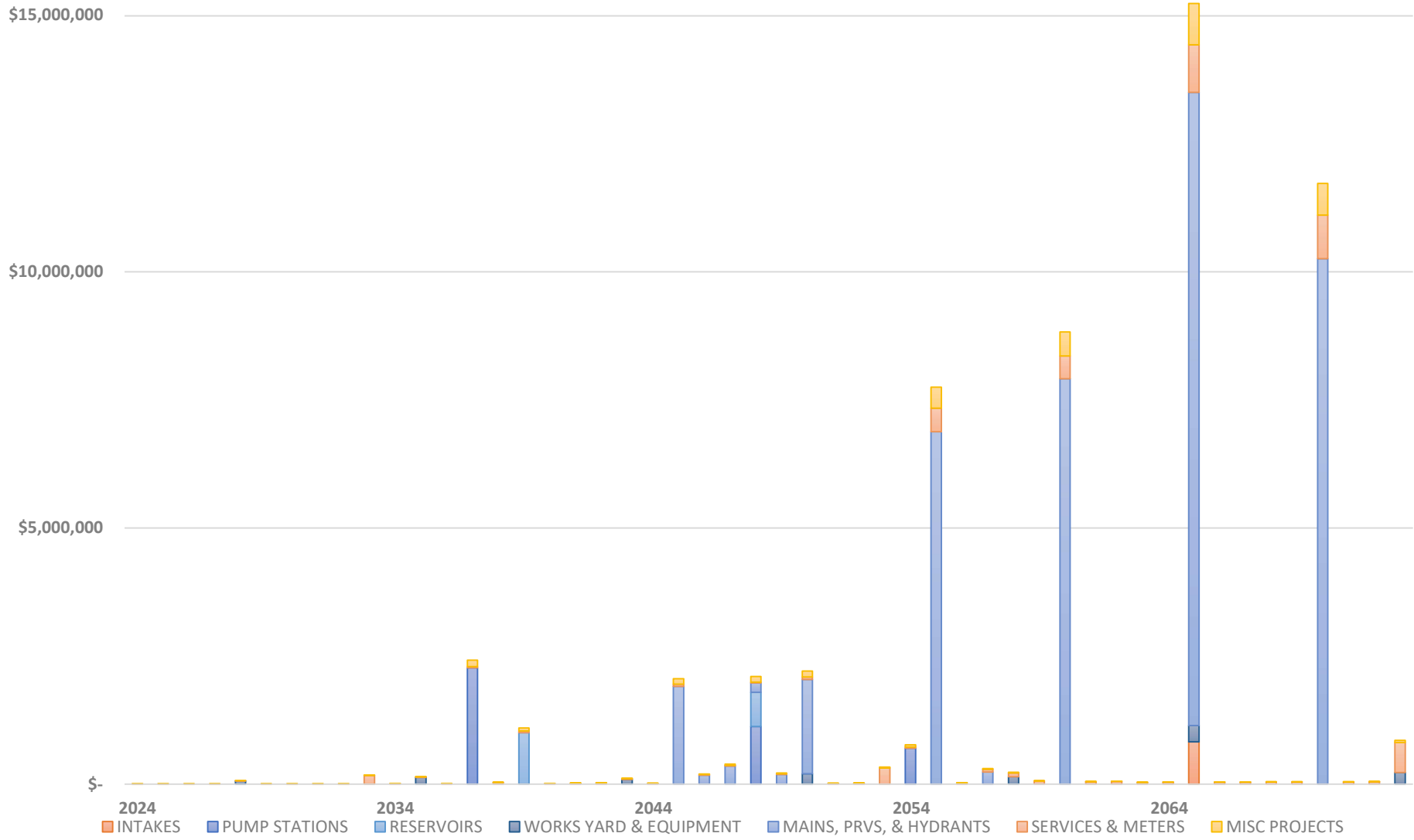
The water services provided by the Sunshine Coast Regional District utilize hundreds of millions of dollars worth of assets to deliver safe drinking water to residents. There has been a concerted effort to develop a better understanding of these assets to ensure that they can be managed effectively to allow the continued provision of clean drinking water. Many of these assets were installed over a short period of times and replacing them will be challenging from both a logistical and financial perspective.

Each of the three SCRD water services is faced with multiple emerging challenges that will require capital investment in the future. The best solutions will only be realized by working to better understand each of these challenges. There is an opportunity to make strategic funding decisions today that will secure the financial sustainability of the SCRD water services for the future.

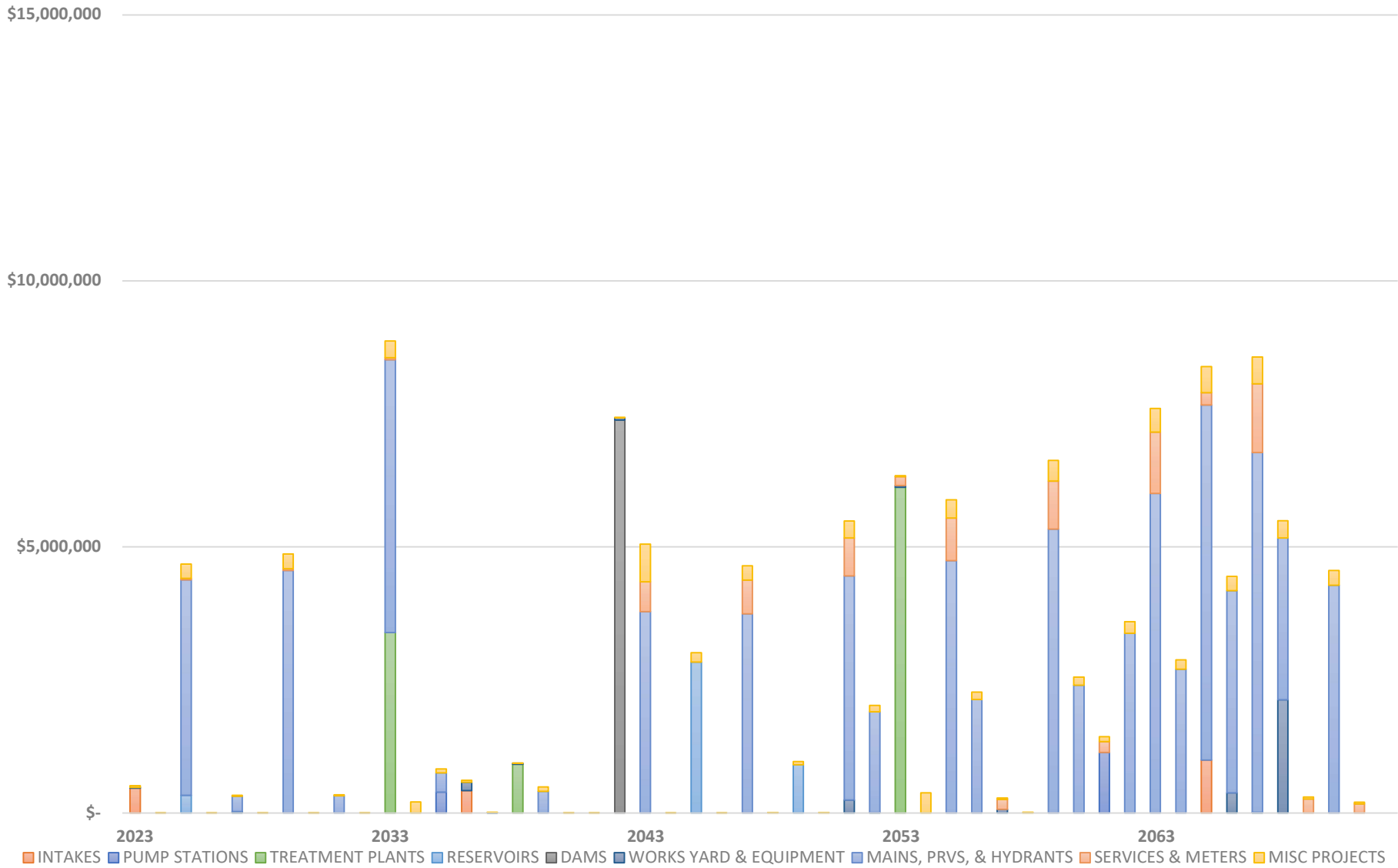
Appendix A

50-year Capital Renewal Expenditure Projections

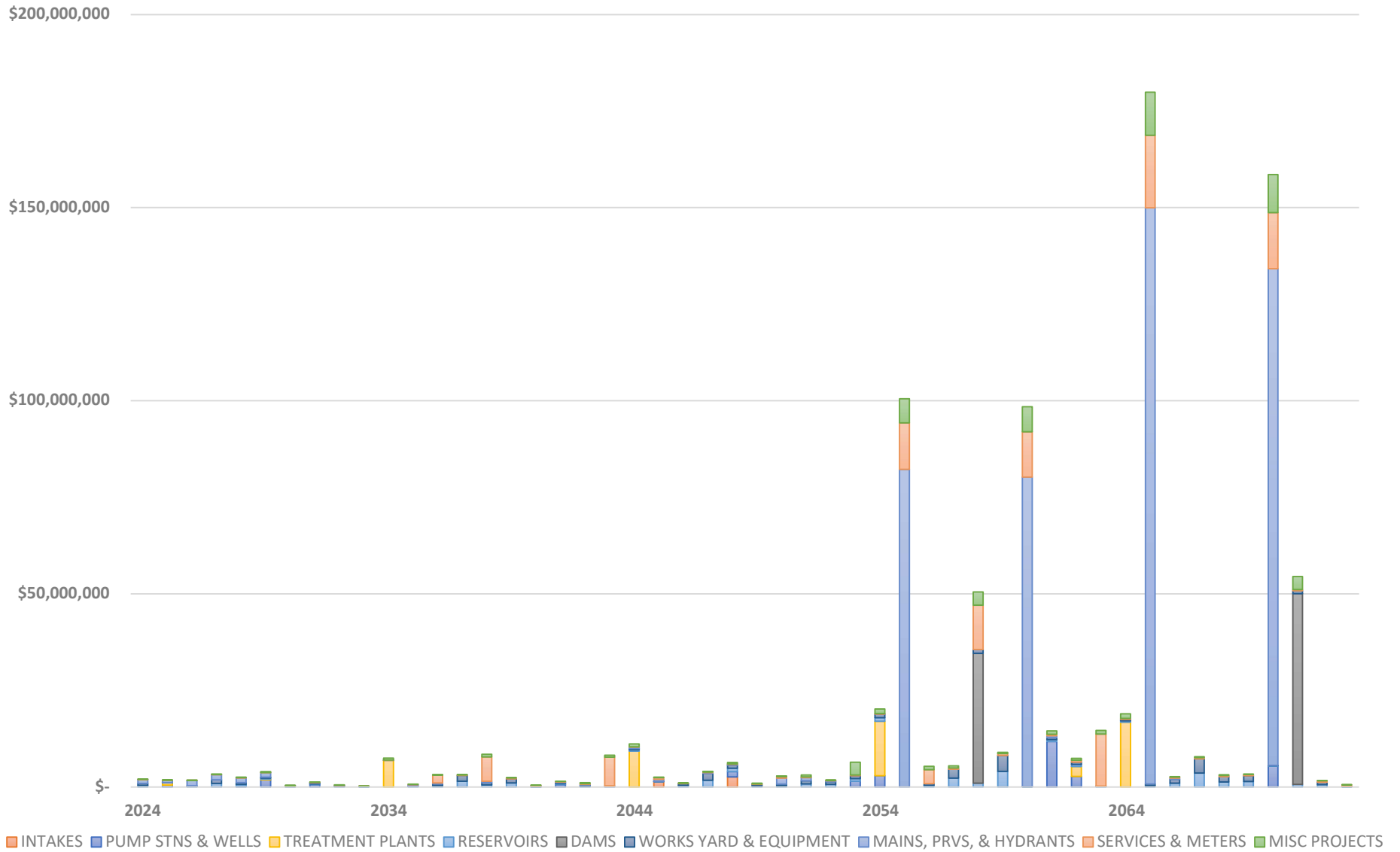
North Pender Harbour Water Service – 50-year Annual Capital Renewal Expenditure Projections



South Pender Harbour Water Service – 50-year Annual Capital Renewal Expenditure Projections



Regional Water Service – 50-year Annual Capital Renewal Expenditure Projections



SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – November 10, 2023

AUTHOR: Tina Perreault, General Manager, Corporate Services / Chief Financial Officer
Alex Taylor, Manager, Budgeting and Grants

SUBJECT: REGIONAL WATER SERVICE AREA 2024 RATE BYLAW AMENDMENT

RECOMMENDATION(S)

- (1) **THAT the report titled Regional Water Service Area 2024 Rate Bylaw Amendment be received for information;**
 - (2) **AND THAT the Water Rates and Regulations Bylaw No. 422, Schedule B be amended to increase the Regional Water Service Area User Fees and Metered Usage Fees by 9.75% and Parcel Taxes by 14.78% for an overall rate increase of 11.64%;**
 - (3) **AND THAT the amended Bylaw(s) will be presented for readings and adoption at the December 14, 2023, Regular Board Meeting;**
 - (4) **AND FURTHER THAT the 2024-2028 Draft Financial Plan be amended accordingly.**
-

BACKGROUND

The Regional Water Service Area (RWSA) consists of approximately 11,150 parcels and 11,800 billable water users.

An amendment to Water Rates and Regulations Bylaw No. 422 needs to be adopted prior to January 1, 2024, in order to meet the legislated timelines for user fees and the Parcel Tax Roll review process.

The current parcel tax and user rates per single family residential dwelling are \$392.05 and \$651.49, respectively.

The purpose of this report is to recommend 2024 rate increases for the RWSA which align with the current and short-term funding requirements of the service.

DISCUSSION

The primary objective in rate determination is setting appropriate and sustainable fees that help the utility achieve full cost recovery. This is achieved by determining the funding envelope required to service RWSA customers over the long term while maintaining financial sustainability.

The following capital and operating projects as well as staffing requests will be presented as part of the Round 1 budgeting meetings to be held on December 4-6, 2023. These projects would generally surface ahead of rate proposals as part of Pre-Budget. Projects proposed to be

funded through grants are not included in this overview. Any decisions by the Board to not approve any of these projects will result in an increase in Operating Reserves and/or Capital Reserves which are significantly underfunded at this time (refer to Capital Plan Update in this agenda).

Operating

	Project	Cost (Estimated)
1	Chapman Creek Monitoring Plan and Adaptive Management Plan	150,000
2	Service Review Utility Services	127,500
3	Aquifer 560 Watershed Agreement	130,550
4	Chapman siphon removal	155,000
5	Church Rd. Compliance Monitoring	200,000
		763,050

Capital

	Project	Cost (Estimated)
1	Exposed Watermain Rehabilitation Budget Increase	350,000
2	Supervisory Control Data Acquisition Upgrade	352,815
3	Chapman Creek Raw Water Pump Station Pump Upgrade	129,658
4	Chapman WTP HVAC Replacement	155,000
5	Chapman WTP – Distribution Meters Install	140,000
6	Raw Water Reservoirs - Site B	150,000
7	Pneumatic Boring Tool	85,000
8	Corporate Security Systems	7,200
9	Cove Cay pumpstation Upgrades - Increased budget	600,000
10	Replacement of Regional Water Flat Bed Crane Truck*	21,264
11	Light Duty Truck**	6,197
		1,997,134

* This represents 6 months of 5yr loan, total project cost is \$185,000
 ** This represents 6 months of 5yr loan(RWS) , total project cost is \$65,000

New Staffing Requests	488,372
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The two primary sources of revenue for the RWSA are parcel taxes and user fees. Parcel taxes are calculated as a function of parcel size and levied against all parcels within the RWSA. User fees are composed of flat rate water user fees, which are levied on all residential water users within the RWSA, as well as metered water rates that are levied on ICI (industrial, commercial and institutional) water users.

The best practice methodology for the allocation of expenditures and revenues within the RWSA is based on the principle that parcel tax revenues fund capital expenditures (and associated debt principal payments) and that user fee revenues fund operating related expenditures. This also aligns with the Boards Financial Sustainability Policy.

In considering the rates for 2024, it is important to consider the current state of the infrastructure for this water system and its water supply. The infrastructure associated with the water supply and distribution system for this water system is extensive and there is an ongoing need to address performance issues with aging infrastructure and to improve its asset management. Significant financial investments have been made and will continue to be required to address the current water supply situation.

Historical Rates

Historical rates and annual increases for the past 5 years are detailed in the table below:

	2019	2020	2021	2022	2023
Parcel Tax	263	276.94	290.79	305.33	392.05
User Fee	287.31	410.85	468.37	526.92	651.49
Total	550.31	687.79	759.16	832.25	1043.54
Total \$ Increase	\$18.84	\$137.48	\$71.37	\$73.09	\$211.29
Total % Increase	3.54%	24.98%	10.38%	9.63%	25.39%

Historical Reserve Activity

Net contributions/(withdrawals) from the reserve funds for the past 4 years are detailed in the table below:

	2019	2020	2021	2022
Operating	229,220	173,142	331,977	(93,180)
Capital	631,826	2,562,309	1,579,725	(593,266)

Options and Analysis

Three rate increase options are presented below for consideration. Note that the rates and increases presented are applicable to a single-family residential dwelling on a parcel up to 1 acre in size.

All amounts are estimates and will change based on final budget allocations (wage rates, support service allocation etc.) and 2023-year end surplus/deficit values. It should be noted that the capital cost to construct the Lower Crown Reservoir and its associated operational costs are not included below. Should this initiative proceed, the ending uncommitted capital and operating reserves will differ.

Total annual capital funding is equal to parcel tax revenue less any amount required to fund operations. The budgeted transfer to capital reserves is calculated by deducting existing and proposed base budget capital expenditures, debt principal repayments from total annual capital funding. The budgeted transfer to operating reserves is calculated by deducting existing and proposed base budget operating expenditures inclusive of operational salaries & wages, support service costs, and operational costs from total User Fee funding.

It should be noted that with each 1% (\$6.51) increase to User Fees and 1% (\$3.92) increase to Parcel Tax results in approximately \$79,336 and \$45,779 increase to the Operating and Capital Reserve balance respectively.

Option 1 –\$121.46 overall rate increase (\$63.51 increase to user fees, \$57.95 increase to parcel taxes)

Fee Summary	User Fee	Parcel Tax	Overall
Current Rate	\$651.49	\$392.05	\$1,043.54
Proposed Increase	\$63.51	\$57.95	\$121.46
2024 Rate	\$715	\$450	\$1,165
	9.75%	14.78%	11.64%
Reserve Summary	Operating Reserve	Capital Reserve	
Opening Uncommitted Balance	\$1,277,375	\$4,695,432	
Projected 2023 Surplus/(Deficit)	505,665	917,549	
Budgeted Transfers to Reserves	1,777,944	1,303,968	
Budgeted Transfers from Reserves	(763,050)	(1,969,673)	
Ending Uncommitted Balance	\$2,797,934	\$4,947,277	
Total Annual Capital Funding from Parcel Taxes: \$5,254,550			
Parcel Taxes Required to Fund Operations: \$NIL			

Staff recommend this option for the following reasons:

- Allows for the replenishment of operating reserves. This would allow for some unanticipated in year expenses. Ending operating reserves could support unanticipated operating projects. This scenario is seen as the minimum recommended amount taking into account the impact to taxpayers of a rate increase.
- Provides for a projected increased ending uncommitted capital reserve balance. Keeping a healthy capital reserve balance is important as the RWS expects significant financial investments associated with the water supply expansion projects under development. Given that the budgeted project funded from capital reserve is 42% of the opening reserve balance, this option still leaves a low ending reserve balance.
- The projected ending uncommitted operational reserve balance improves the financial capacity to respond to emergency situations and components of the capital investment required in the upcoming years including feasibility studies and engineering design.

The Regional Water service will require significant financial investments in the years to come; therefore, it is important to strengthen both the operating & capital reserves. Consequently, additional long-term loans might be required to fund these projects with the associated debt servicing costs being funded by Parcel Taxes.

Option 2 –\$56.46 overall rate increase (\$33.51 increase to user fees, \$22.95 increase to parcel taxes)

Fee Summary	User Fee	Parcel Tax	Overall
Current Rate	\$651.49	\$392.05	\$1,043.54
Proposed Increase	\$33.51	\$22.95	\$56.46
2024 Rate	\$685	\$415	\$1,100
	5.14%	5.86%	5.41%
Reserve Summary	Operating Reserve	Capital Reserve	
Opening Uncommitted Balance	\$1,277,375	\$4,695,432	
Projected 2023 Surplus/(Deficit)	505,665	917,549	
Budgeted Transfers to Reserves	1,412,513	895,346	
Budgeted Transfers from Reserves	(763,050)	(1,969,673)	
Ending Uncommitted Balance	\$2,432,502	\$4,538,654	
Total Annual Capital Funding from Parcel Taxes: \$4,845,928			
Parcel Taxes Required to Fund Operations: \$NIL			

This option is not recommended for the following reasons:

- Although this option allows for a lower overall rate increase, any additional unanticipated expenses would weaken an already low reserve balance further and any emergency or unplanned operating expenses may not have sufficient funding.
- The capital reserve would be further depleted below a balance that is considered low for future replacement needs. This may result in deferral of required rate increases for future required capital investments and improved asset management compared to option #1.

Option 3 –\$176.46 overall rate increase (\$98.51 increase to user fees, \$77.95 increase to parcel taxes)

Fee Summary	User Fee	Parcel Tax	Overall
Current Rate	\$651.49	\$392.05	\$1,043.54
Proposed Increase	\$98.51	\$77.95	\$176.46
2024 Rate	\$750	\$470	\$1,220
	15.12%	19.88%	16.91%
Reserve Summary	Operating Reserve	Capital Reserve	
Opening Uncommitted Balance	\$1,277,375	\$4,695,432	
Projected 2023 Surplus/(Deficit)	505,665	917,549	
Budgeted Transfers to Reserves	2,204,131	1,537,486	
Budgeted Transfers from Reserves	(763,050)	(1,969,673)	
Ending Uncommitted Balance	\$3,224,120	\$ 5,180,795	
Total Annual Capital Funding from Parcel Taxes: \$5,488,068			
Parcel Taxes Required to Fund Operations: \$NIL			

This option is not recommended as it would put a greater financial burden on the Regional Water rate payers.

Financial Implications

The following table highlights the additional revenue and net capital funding increase that will result under each of the three options presented:

	Option 1	Option 2	Option 3
Additional User Fee Revenue	\$773,458	\$408,027	\$1,199,645
Additional Parcel Tax Revenue	\$676,658	\$268,036	\$910,176
Total Additional Revenue	\$1,450,116	\$676,062	\$2,109,821
Net capital funding increase over prior year	\$676,658	\$268,036	\$910,176

The following table summarizes the net operating and net capital impact from each of the options including result if no changes to rates were made.

Operating

	2023	No Change	Option 1	Option 2	Option 3
User Fee Revenue	7,933,634	7,933,634	8,707,092	8,341,661	9,133,279
Expenses					
Administrative	(1,121,507)	(1,160,768)	(1,160,768)	(1,160,768)	(1,160,768)
Salaries & Wages	(4,121,846)	(4,027,864)	(4,027,864)	(4,027,864)	(4,027,864)
Operating Costs	(1,902,243)	(1,740,516)	(1,740,516)	(1,740,516)	(1,740,516)
Funding Required from PT	-	-	-	-	-
Operating Project Costs	(398,950)	(763,050)	(763,050)	(763,050)	(763,050)
Net Operating Surplus/(Deficit)	389,088	241,436	1,014,894	649,463	1,441,081

Capital

	2023	No Change	Option 1	Option 2	Option 3
Parcel Tax Revenue	4,577,892	4,577,892	5,254,550	4,845,928	5,488,068
Expenses					
Long Term Debenture Debt	(423,122)	(703,706)	(703,706)	(703,706)	(703,706)
Equipment Financing Loans	(132,939)	(300,242)	(300,242)	(300,242)	(300,242)
LUA Short-Term Debt	(159,003)	(463,205)	(463,205)	(463,205)	(463,205)
Base Budget Expenses	(1,508,940)	(1,515,137)	(1,515,137)	(1,515,137)	(1,515,137)
Salaries & Wages	-	(968,292)	(968,292)	(968,292)	(968,292)
Funding of Operations	-	-	-	-	-
Transfer to Reserves	2,353,888	627,310	1,303,968	895,346	1,537,486
Capital Project Costs	(2,327,500)	(1,969,673)	(1,969,673)	(1,969,673)	(1,969,673)
Net Capital Surplus/(Deficit)	26,388	(1,342,363)	(665,705)	(1,074,327)	(432,187)

Future Implications

In Q1 2024 the draft Water Strategy will be presented to the Board. The Water Strategy will be the strategic plan for the SCRD Water Services. It identifies strategic priorities, objectives, and actions that will guide the future planning and delivery of SCRD Water Services, and acts as a workplan for SCRD staff. The Water Strategy supports SCRD Board priorities, provides context for policy making, strategic planning, and aligns with other SCRD strategies and management plans. The Water Strategy should be reviewed and updated at a minimum every 5 years, with a planning horizon of 25 years. There are four Strategic Priorities identified in the draft Water Strategy:

- Water Supply;
- Water Infrastructure;
- Water Efficiency;
- Source Water Protection.

Work is underway to identify action plans for each of the listed Strategic Priorities. These plans will include both initiatives that are currently underway and identify new ones. The following information and initiatives will be considered in these Water Strategy action plans and are suggested to be included in the considerations of the rates for 2024:

- The SCRD is collaborating with the shíshálh Nation to confirm the feasibility of a Raw Water Reservoir on Nation owned land. While this reservoir might be operational in 2024 the financial implications of this are not yet considered in the rate analyses as they are to be confirmed and it is still unsure if the reservoir indeed can be operation in 2024. If it does, the operational costs for 2024 could be up to \$500,000.
- The infrastructure associated with the water supply and distribution system for this water system is extensive and aging and there is an ongoing need to address performance issues with aging infrastructure such as pump stations, valves, water supply and treatment infrastructure.
- A preliminary finding of the water modelling analyses is that substantial investments in watermains replacements and upgrades are required to improve the fire flow in parts of this water system. The final results and recommended next steps will be presented to the Board in Q1 2024.
- Significant financial investments have been made and will continue to be required to address the current water supply situation in 2024 and beyond. This will include further studies to confirm the feasibility of additional water supply sources, the technical studies in support of the design and permitting of new supply sources as well as the funding of the actual construction of the infrastructure for these new water supply sources from capital reserves and long-term debt.
- Climate change is resulting in unanticipated consequences for our water supply, including performance issues that could result in the need to undertake major upgrades to the water treatment. Additionally, climate change results in increased damage to our infrastructure resulting from more intense storms.
- The Asset Management plans under development for this system will guide the future rates required to adequately operate and maintain the system and replace the

infrastructure components in a timely manner. Therefore, staff recognize that it is likely that user fee and parcel tax rates increase sufficiently to grow reserves balances to service future water supply and asset management projects.

- Staff have initiated a review of the rate structure for the water services. The first results of this work were presented to the Board in 2023 and a different rate structure could be implemented as early as 2025.
- While the SCRD is continuing to apply for grants to reduce the financial burden of the required investments to the Regional Water Service, most of these grants are heavily oversubscribed which impacts the likelihood of being successful in obtaining grants.

Timeline for next steps or estimated completion date

Once approval is received to amend the user rates and parcel taxes, the Water Rates Bylaw 422, Schedule B will be amended to increase the Regional Water Service Area User Fees and Parcel Taxes and forwarded to the December 14, 2023 Board Meeting for three readings and adoption. This is to allow for readings after the Round 1 Budget deliberations.

Communications Strategy

The increase to these user fees will be communicated as part of a comprehensive communication effort regarding the 2024 Utility rates. This will include advertisement in news papers, a mail-out to all service participants, virtual information sessions, through the SCRD social media and website, budget documentation as well as additional information included with the utility bill when distributed.

STRATEGIC PLAN AND RELATED POLICIES

Annual reviews and adjustments of fees and charges is consistent with Section 4.2.2 of the Financial Sustainability Policy.

CONCLUSION

In the Regional Water Service Area, parcel taxes are intended to fund capital expenditures (acquiring or maintaining fixed assets) and user fees are intended to fund operational expenditures (ongoing costs of running the service).

For 2024, staff recommend a 9.75% increase to user rates and a 14.78% increase to parcel tax rates for an overall rate increase of 11.64%. Pending Board direction, Water Rates and Regulations Bylaw No. 422, Schedule B will be updated and forwarded to the December 14, 2023 Board Meeting for three readings and adoption.

Reviewed by:			
Manager	X - S. Walkey	Finance	
GM	X - R. Rosenboom	Legislative	
Acting CAO	X - I. Hall	Other	

UNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – November 10, 2023

AUTHOR: Tina Perreault, General Manager, Corporate Services / Chief Financial Officer
Alex Taylor, Manager, Budgeting and Grants

SUBJECT: NORTH PENDER WATER SERVICE AREA 2024 RATE BYLAW AMENDMENT

RECOMMENDATION(S)

- (1) **THAT the report titled North Pender Service Area 2024 Rate Bylaw Amendment be received for information;**
 - (2) **AND THAT the Water Rates and Regulations Bylaw No. 422, Schedule D be amended to increase the North Pender Water Service Area User Fees and Metered Usage Fees by 5.11% and Parcel Taxes by 14.19% for an overall rate increase of 7.79%;**
 - (3) **AND THAT the amended Bylaw(s) will be presented for readings and adoption at the December 14, 2023, Regular Board Meeting;**
 - (4) **AND FURTHER THAT the 2024-2028 Draft Financial Plan be amended accordingly.**
-

BACKGROUND

The North Pender Harbour Water Service Area (NPHWSA) consists of approximately 775 parcels and 580 billable water users. The current parcel tax and user rates per single family residential dwelling are \$385.33 and \$918.22, respectively.

An amendment to Water Rates and Regulations Bylaw No. 422 needs to be adopted prior to January 1, 2024 in order to meet the legislated timelines for user fees and the Parcel Tax Roll review process.

The purpose of this report is to recommend 2024 rate increases for the NPHWSA which align with the current and short-term funding requirements of the service.

DISCUSSION

The primary objective in rate determination is setting appropriate and sustainable fees that help the utility achieve full cost recovery. This is achieved by determining the funding envelope required to service NPHWSA customers over the long term while maintaining financial sustainability.

The following capital and operating projects as well as new staffing requests will be presented as part of the Round 1 budgeting meetings to be held on December 4-6, 2023. Projects proposed to be funded through grants are not included in this overview. Any decisions by the

Board to not approve any of these projects will result in an increase in Operating Reserves and/or Capital Reserves.

Operating

	Project	Cost (Estimated)
1	North and South Pender Water System Connection Feasibility Study & Design	34,952
2	Service Review Utility Services	7,500
		42,452

Capital

	Project	Cost (Estimated)
1	Supervisory Control Data Acquisition Upgrade	50,000
2	Pneumatic Boring Tool	5,000
3	Light Duty Truck*	365
		55,000

*This represents 6 months of 5 year loan (NPH portion), total project cost is \$65,000

New Staffing Requests	21,229
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The two primary sources of revenue for the NPHWSA are parcel taxes and user fees. Parcel taxes are calculated as a function of parcel classification (Residential, Institutional, Commercial) and levied against all parcels within the NPHWSA. User fees are composed of flat rate water user fees, which are levied on all residential water users within the NPHWSA.

The best practice methodology for the allocation of expenditures and revenues within the NPHWSA is based on the principle that parcel tax revenues fund capital expenditures (and associated debt principal payments) and that user fee revenues fund operating related expenditures. This also aligns with the Boards Financial Sustainability Policy.

In considering the rates for 2024, it is important to consider the current state of the infrastructure for this water system and its water supply. Since the system takeover by the SCRD in 2006, substantial efforts have been made to improve the condition of the infrastructure. The current condition of the infrastructure is such that additional effort will be required in primarily the distribution system to bring it up to current day standards and reduce the daily maintenance cost of the service. The infrastructure associated with the water supply and distribution system for this water system is extensive and there is an ongoing need to address performance issues with aging infrastructure and to improve its asset management. Significant financial investments have been made and will continue to be required to address the current water supply situation.

Historical Rates-annual increases for the past 5 years are detailed in the table below:

	2019	2020	2021	2022	2023
Parcel Tax	326.63	326.63	326.63	341.00	385.33
User Fee	277.74	416.61	624.92	711.16	918.12
Total	604.37	743.24	951.55	1052.16	1303.45
Total \$ Increase	\$28.16	\$138.87	\$208.31	\$100.61	\$251.29
Total % Increase	4.89%	22.98%	28.03%	10.57%	23.88%

Historical Reserve Activity

Net contributions/(withdrawals) from the reserve funds for the past 4 years are detailed in the table below:

	2019	2020	2021	2022
Operating	13,668	119,842	114,724	32,985
Capital	(110,276)	(7,338)	209,353	185,239

Options and Analysis

Three rate increase options are presented below for consideration. Note that the rates and increases presented are applicable the rates for a residential parcel containing one dwelling unit.

All amounts are estimates and will change based on final budget allocations (wage rates, support service allocation etc.) and 2023-year end surplus/deficit values.

Total annual capital funding is equal to parcel tax revenue less any amount required to fund operations. The budgeted transfer to capital reserves is calculated by deducting existing and proposed base budget capital expenditures, debt principal repayments from total annual capital funding. The budgeted transfer to operating reserves is calculated by deducting existing and proposed base budget operating expenditures inclusive of operational salaries & wages, support service costs, and operational costs from total User Fee funding.

It should be noted that with each 1% (\$9.18) increase to User Fees and 1% (\$3.85) increase to Parcel Tax results in approximately \$5,619 and \$3,004 increase to the Operating and Capital Reserve balances respectively.

Option 1 – \$101.55 overall rate increase (\$46.88 increase to user fees, \$54.67 increase to parcel taxes)

Fee Summary	User Fee	Parcel Tax	Overall
Current Rate	\$918.12	\$385.33	\$1,303.45
Proposed Increase	\$46.88	\$54.67	\$101.55
2024 Rate	\$965	\$440	\$1,405
	5.11%	14.19%	7.79%
Reserve Summary	Operating Reserve	Capital Reserve	
Opening Uncommitted Balance	\$247,417	\$722,539	
Projected 2023 Surplus/(Deficit)	149,482	14,000	
Budgeted Transfers to Reserves	91,527	207,486	
Budgeted Transfers from Reserves	(42,452)	(55,000)	
Ending Uncommitted Balance	\$445,975	\$889,025	
Total Annual Capital Funding from Parcel Taxes: \$343,106			
Parcel Taxes Required to Fund Operations: \$NIL			

Staff recommend this option for the following reasons:

- The projected Ending Uncommitted Operational Reserve Balance improves the financial capacity to respond to emergency situations and components of the capital investment required in the upcoming years such as feasibility studies and engineering design.
- This continues to contribute to the Capital Reserve Balance. This allows for significant future financial investment in capital infrastructure.
- Provides construction indexed inflation protection to capital reserve balances, protecting their purchasing power. Although less than ideal, this balances the need to restore the operating reserves without too high a tax increase in one year.

The North Pender Water service will require significant financial investments in the years to come; therefore, it is important to strengthen both the operating & capital reserves. The Ending Uncommitted Capital Reserve Balance is still considered low in comparison to the major capital investment required in the upcoming years associated with the water mains and the water treatment system.

Consequently, additional long-term loans might be required to fund these projects with the associated debt servicing being funded by Parcel Taxes.

Option 2 – \$41.55 overall rate increase (\$21.88 increase to user fees, \$19.67 increase to parcel taxes)

Fee Summary	User Fee	Parcel Tax	Overall
Current Rate	\$918.12	\$385.33	\$1,303.45
Proposed Increase	\$21.88	\$19.67	\$41.55
2024 Rate	\$940	\$405	\$1,345
	5.11%	2.38%	3.19%
Reserve Summary	Operating Reserve	Capital Reserve	
Opening Uncommitted Balance	\$247,417	\$722,539	
Projected 2023 Surplus/(Deficit)	149,482	14,000	
Budgeted Transfers to Reserves	76,228	180,194	
Budgeted Transfers from Reserves	(42,452)	(55,000)	
Ending Uncommitted Balance	\$430,676	\$861,733	
Total Annual Capital Funding from Parcel Taxes: \$315,814			
Parcel Taxes Required to Fund Operations: \$NIL			

This option is not recommended for the following reasons:

- Although this option allows for a lower overall rate increase, any additional unanticipated expenses would weaken an already low reserve balance further and any emergency or unplanned operating expenses may not have sufficient funding.
- This would result in approximately 15,300 less in the operating reserve and \$27,292 less in the capital reserve than option #1.

Option 3 – \$161.55 overall rate increase (\$81.88 increase to user fees, \$79.67 increase to parcel taxes)

Fee Summary	User Fee	Parcel Tax	Overall
Current Rate	\$918.12	\$385.33	\$1,303.45
Proposed Increase	\$81.88	\$79.67	\$161.55
2024 Rate	\$1,000	\$465	\$1,465
	8.92%	20.68%	12.39%
Reserve Summary	Operating Reserve	Capital Reserve	
Opening Uncommitted Balance	\$247,417	\$722,539	
Projected 2023 Surplus/(Deficit)	149,482	14,000	
Budgeted Transfers to Reserves	112,945	226,981	
Budgeted Transfers from Reserves	(42,452)	(55,000)	
Ending Uncommitted Balance	\$467,393	\$908,520	
Total Annual Capital Funding from Parcel Taxes: \$362,601			
Parcel Taxes Required to Fund Operations: \$NIL			

This option is not recommended as it would put a greater financial burden on the NPHWSA rate payers.

Financial Implications

The following table highlights the additional revenue and net capital funding increase that will result under each of the three options presented:

	Option 1	Option 2	Option 3
Additional User Fee Revenue	\$28,688	\$13,389	\$50,106
Additional Parcel Tax Revenue	\$42,631	\$15,339	\$62,126
Total Additional Revenue	\$71,320	\$28,728	\$112,233
Net capital funding increase over prior year	\$42,631	\$15,339	\$62,126

The following table summarizes the net operating and net capital impact from each of the options including result from if no changes to rates were done.

Operating

	2023	No Change	Option 1	Option 2	Option 3
User Fee Revenue	561,858	561,858	590,546	575,247	611,964
Expenses					
Administrative	(59,349)	(64,693)	(64,693)	(64,693)	(64,693)
Salaries & Wages	(308,785)	(309,953)	(309,953)	(309,953)	(309,953)
Operating Costs	(119,877)	(124,373)	(124,373)	(124,373)	(124,373)
Funding Required from PT	-	-	-	-	-
Operating Projects	(321,603)	(42,452)	(42,452)	(42,452)	(42,452)
Net Operating Surplus (Deficit)	(247,756)	20,387	49,075	33,776	70,493

Capital

	2023	No Change	Option 1	Option 2	Option 3
Parcel Tax Revenue	300,475	300,475	343,106	315,814	362,601
Expenses					
Long Term Debenture Debt	(27,650)	(27,050)	(27,050)	(27,050)	(27,050)
Equipment Financing Loans	(13,771)	(14,136)	(14,136)	(14,136)	(14,136)
Base Budget Expenses	(21,000)	(21,000)	(21,000)	(21,000)	(21,000)
Salaries & Wages	-	(73,434)	(73,434)	(73,434)	(73,434)
Funding of Operations	-	-	-	-	-
Transfer to Reserves	238,054	164,855	207,486	180,194	226,981
Capital Project Costs	(104,949)	(55,000)	(55,000)	(55,000)	(55,000)
Net Capital Surplus (Deficit)	133,105	109,855	152,486	125,194	171,981

Future Implications

In Q1 2024 the draft Water Strategy will be presented to the Board. The Water Strategy will be the strategic plan for the SCRD Water Services. It identifies strategic priorities, objectives, and

actions that will guide the future planning and delivery of SCRD Water Services, and acts as a workplan for SCRD staff. The Water Strategy supports SCRD Board priorities, provides context for policy making, strategic planning, and aligns with other SCRD strategies and management plans. The Water Strategy should be reviewed and updated at a minimum every 5 years, with a planning horizon of 25 years. There are four Strategic Priorities identified in the draft Water Strategy:

- Water Supply;
- Water Infrastructure;
- Water Efficiency;
- Source Water Protection.

Work is underway to identify action plans for each of the listed Strategic Priorities. These plans will include both initiatives that are currently underway and identify new ones. The following information and initiatives will be considered in these Water Strategy action plans and are suggested to be included in the considerations of the rates for 2024:

- The infrastructure associated with the water supply and distribution system is extensive, aging, and there is an ongoing need to address performance issues such as pump stations, valves, water supply and treatment infrastructure. The replacement of old or undersized watermains that are not scheduled yet to be replaced are in the multi-million dollars.
- A preliminary finding of water modelling analyses is that substantial investments in watermains replacements and upgrades are required to improve the fire flow in parts of this water system. The final findings and recommended next steps will be presented to the Board in Q1 2024.
- Climate change is resulting in unanticipated consequences for our water supply, including performance issues for our North Pender Water System that could result in the need to undertake major upgrades to the Garden Bay water treatment system. Preliminary estimates for those upgrades indicate are estimated at about \$9,000,000. More details about these upgrades will be presented to the Board in the upcoming months.
- The Asset Management plans under development for this system will guide to the future rates required to adequately operate and maintain the system and replace the infrastructure components in a timely manner. Therefore, staff recognize that it is likely that user fee and parcel tax rates increase sufficiently to grow reserves balances to service future water supply and asset management projects.
- Staff have initiated a review of the rate structure for the water services. The first results of this work were presented to the Board in 2023 and a different rate structure could be implemented as early as 2025.
- While the SCRD is continuing to apply for grants to reduce the financial burden of the required investments to the North Pender Harbour Water Service, most of these grants are heavily oversubscribed which impacts the likelihood of being successful in obtaining grants.

Timeline for next steps or estimated completion date

Once approval is received to amend the user rates and parcel taxes, the Water Rates Bylaw 422, Schedule D will be amended to increase the North Pender Harbour Water Service Area User Fees and Parcel Taxes and forwarded to the December 14, 2023 Board Meeting for three readings and adoption. This is after the Round 1 Budget deliberations.

Communications Strategy

The increase to these user fees will be communicated as part of a comprehensive communication effort regarding the 2024 Utility rates. This will include advertisement in news papers, a mail-out to all service participants, virtual and in-person information sessions, through the SCRD social media and website, budget documentation as well as additional information included with the utility bill when distributed.

STRATEGIC PLAN AND RELATED POLICIES

Annual reviews and adjustments of fees and charges are consistent with Section 4.2.2 of the Financial Sustainability Policy.

CONCLUSION

In the NPHWSA, parcel taxes are intended to fund capital expenditures (acquiring or maintaining fixed assets) and user fees are intended to fund operational expenditures (ongoing costs of running the service).

For 2024, it is recommend that a 5.11% increase to user rates and 14.19% increase to parcel tax rates for an overall rate increase of 7.79%. Pending Board direction, Water Rates and Regulations Bylaw No. 422, Schedule D will be updated and forwarded to the December 14, 2023 Board Meeting for three readings and adoption.

Reviewed by:			
Manager	X - S. Walkey	Finance	
GM	X - R. Rosenboom	Legislative	
A/CAO	X - I. Hall	Other	

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – November 10, 2023

AUTHOR: Tina Perreault, General Manager, Corporate Services / Chief Financial Officer
Alex Taylor, Manager, Budgeting and Grants

SUBJECT: SOUTH PENDER WATER SERVICE AREA 2024 RATE BYLAW AMENDMENT

RECOMMENDATION(S)

- (1) **THAT the report titled South Pender Service Area 2024 Rate Bylaw Amendment be received for information;**
 - (2) **AND THAT the Water Rates and Regulations Bylaw No. 422, Schedule E be amended to increase the South Pender Water Service Area User Fees and Metered Usage Fees by 10.75% and Parcel Taxes by 19.26% for an overall rate increase of 13.83%;**
 - (3) **AND THAT the amended Bylaw(s) will be presented for readings and adoption at the December 14, 2023, Regular Board Meeting;**
 - (4) **AND FURTHER THAT the 2024-2028 Draft Financial Plan be amended accordingly.**
-

BACKGROUND

The South Pender Harbour Water Service Area (SPHWSA) consists of approximately 1,047 parcels and 1,027 billable water users. The current parcel tax and user rates per single family residential dwelling are \$431.83 and \$762.95, respectively.

An amendment to Water Rates and Regulations Bylaw No. 422 needs to be adopted prior to January 1, 2024 in order to meet the legislated timelines for user fees and the Parcel Tax Roll review process.

The purpose of this report is to recommend 2024 rate increases for the SPHWSA which align with the current and short-term funding requirements of the service.

DISCUSSION

The primary objective in rate determination is setting appropriate and sustainable fees that help the utility achieve full cost recovery. This is achieved by determining the funding envelope required to service SPHWSA customers over the long term while maintaining financial sustainability.

The following capital and operating projects as well as new staffing requests will be presented as part of the Round 1 budgeting meetings to be held on December 4-6, 2023. Projects proposed to be funded through grants are not included in this overview. Any decisions by the Board to not approve any of these projects will result in an increase in Operating Reserves and/or Capital Reserves.

Operating

	Project	Cost (Estimated)
1	Water Piping System Connection Feasibility Study & Design	34,952
2	Service Review Utility Services	15,000
		49,952

Capital

	Project	Cost (Estimated)
1	Supervisory Control Data Acquisition Upgrade	115,437
2	Pneumatic Boring Tool	10,000
3	Water Supply Analysis	85,000
4	South Pender McNeill Lake Dam-Construction	53,000
5	South Pender Harbour WTP – Heater Replacement	82,391
6	Light Duty Truck*	729
		346,557
* This represents 6 months of 5 year loan (SPH Portion), total project cost is \$65,000		

New Staffing Requests	44,610
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The two primary sources of revenue for the SPHWSA are parcel taxes and user fees. Parcel taxes are calculated as a function of parcel size and levied against all parcels within the SPHWSA. User fees are composed of flat rate water user fees, which are levied on all residential water users within the SPHWSA.

The best practice methodology for the allocation of expenditures and revenues within the SPHWSA is based on the principle that parcel tax revenues fund capital expenditures (and associated debt principal payments) and that user fee revenues fund operating related expenditures. This also aligns with the Boards Financial Sustainability Policy.

In considering the rates for 2024, it is important to consider the current state of the infrastructure for this water system and its water supply. Since the management of this system was taken over by the SCR D, substantial efforts have been made to improve the condition of the infrastructure. The current condition of the infrastructure is such that additional effort will be required in primarily the distribution system to bring it up to current day standards and reduce the daily maintenance cost of the service. The infrastructure associated with the water supply and distribution system for this water system is extensive and there is an ongoing need to address performance issues with aging infrastructure and to improve its asset management. Significant financial investments have been made and will continue to be required to address the current water supply situation.

Historical Rates

Historical rates and annual increases for the past 5 years are detailed in the table below:

	2019	2020	2021	2022	2023
Parcel Tax	330.87	347.41	347.41	382.15	431.83
User Fee	415.01	529.14	613.80	675.18	762.95
Total	745.88	876.55	961.21	1057.33	1194.78
Total \$ Increase	\$28.13	\$130.67	\$84.66	\$96.12	\$137.45
Total % Increase	3.92%	17.52%	9.66%	10.00%	13.00%

Historical Reserve Activity

Net contributions/(withdrawals) from the reserve funds for the past 4 years are detailed in the table below:

	2019	2020	2021	2022
Operating	(92,764)	42,354	148,463	25,458
Capital	(212,522)	105,722	155,878	280,949

Options and Analysis

Three rate increase options are presented below for consideration. User Fees and parcel tax rates used in the analysis are based on the rates for a single residential dwelling unit and parcel up to two acres in size.

All amounts are estimates and will change based on final budget allocations (wage rates, support service allocation etc.) and 2023-year end surplus/deficit values.

Total annual capital funding is equal to parcel tax revenue less any amount required to fund operations. The budgeted transfer to capital reserves is calculated by deducting existing and proposed base budget capital expenditures, debt principal repayments from total annual capital funding. The budgeted transfer to operating reserves is calculated by deducting existing and proposed base budget operating expenditures inclusive of operational salaries & wages, support service costs, and operational costs from total User Fee funding.

It should be noted that with each 1% (\$7.63) increase to User Fees and 1% (\$4.32) increase to Parcel Tax results in approximately \$8,168 and \$4,706 increase to the Operating and Capital Reserve balances respectively.

Option 1 – \$165.22 overall rate increase (\$82.05 increase to user fees, \$83.17 increase to parcel taxes)

Fee Summary	User Fee	Parcel Tax	Overall
Current Rate	\$762.95	\$431.83	\$1,194.78
Proposed Increase	\$82.05	\$83.17	\$165.22
2024 Rate	\$845	\$515	\$1,360
	10.75%	19.26%	13.83%
Reserve Summary	Operating Reserve	Capital Reserve	
Opening Uncommitted Balance	\$688,687	\$745,608	
Projected 2023 Surplus/(Deficit)	9,496	11,370	
Budgeted Transfers to Reserves	32,431	290,557	
Budgeted Transfers from Reserves	(49,952)	(330,391)	
Ending Uncommitted Balance	\$680,662	\$717,143	
Total Annual Capital Funding from Parcel Taxes: \$561,213			
Parcel Taxes Required to Fund Operations: \$NIL			

Staff recommend this option for the following reasons:

- This is the minimum User Fee Increase required in order to ensure that projected Ending Uncommitted Operational Reserve Balance stays within +/- 2% of the opening 2024 opening balance.
- This ensures that the projected Capital Reserve Balance is not depleted over depleted. This allows for small budget increases to capital project due to unforeseen expenditures.

The South Pender Water service will require significant financial investments in the years to come; therefore, it is important to both the operating & capital reserves are maintained. The Ending Uncommitted Capital & Operating Reserve Balances are still considered low in comparison to the major capital & operational investment required in the upcoming years associated with the water mains and the water treatment system.

Consequently, additional long-term loans might be required to fund upcoming capital projects with the associated debt servicing being funded by Parcel Taxes.

Option 2 – \$120.22 overall rate increase (\$52.05 increase to user fees, \$68.17 increase to parcel taxes)

Fee Summary	User Fee	Parcel Tax	Overall
Current Rate	\$762.95	\$431.83	\$1,194.78
Proposed Increase	\$52.05	\$68.17	\$120.22
2024 Rate	\$815	\$500	\$1,300
	6.82%	15.79%	8.81%
Reserve Summary	Operating Reserve	Capital Reserve	
Opening Uncommitted Balance	\$688,687	\$745,608	
Projected 2023 Surplus/(Deficit)	9,496	11,370	
Budgeted Transfers to Reserves	316	274,209	
Budgeted Transfers from Reserves	(49,952)	(330,391)	
Ending Uncommitted Balance	\$648,547	\$700,796	
Total Annual Capital Funding from Parcel Taxes: \$544,865			
Parcel Taxes Required to Fund Operations: \$NIL			

This option is not recommended for the following reasons:

- Although this option allows for a lower overall rate increase, any additional unanticipated expenses would weaken an already low reserve balance further and any emergency or unplanned operating expenses may not have sufficient funding.
- This is the minimum required increase to the User Fee to ensure that operational costs are not funded from Parcel Tax. Therefore, any unforeseen operational costs may result in operations being funded from Parcel Tax.
- This is the minimum required increase to Parcel Tax to ensure the projected Capital Reserve Balance is not depleted.

Option 3 – \$165.22 overall rate increase (\$106.05 increase to user fees, \$169.17 increase to parcel taxes)

Fee Summary	User Fee	Parcel Tax	Overall
Current Rate	\$762.95	\$431.83	\$1,194.78
Proposed Increase	\$106.05	\$169.17	\$275.22
2024 Rate	\$869	\$601	\$1,470
	13.90%	39.18%	23.04%
Reserve Summary	Operating Reserve	Capital Reserve	
Opening Uncommitted Balance	\$688,687	\$745,608	
Projected 2023 Surplus/(Deficit)	9,496	11,370	
Budgeted Transfers to Reserves	58,126	384,272	
Budgeted Transfers from Reserves	(49,952)	(330,391)	
Ending Uncommitted Balance	\$706,357	\$810,859	
Total Annual Capital Funding from Parcel Taxes: \$654,928			
Parcel Taxes Required to Fund Operations: \$NIL			

This option would ensure that there is growth in the projected uncommitted operating and capital reserves. However, this option is not recommended as it would put a greater financial burden on the SPHWSA rate payers.

Financial Implications

The following table highlights the additional revenue and net capital funding increase that will result under each of the three options presented:

	Option 1	Option 2	Option 3
Additional User Fee Revenue	\$87,835	\$55,720	\$113,530
Additional Parcel Tax Revenue	\$90,634	\$74,286	\$184,349
Total Additional Revenue	\$178,468	\$130,005	\$297,880
Net capital funding increase over prior year	\$90,634	\$74,286	\$184,349

The following table summarizes the net operating and net capital impact from each of the options including result from if no changes to rates were done.

Operating

	2023	No Change	Option 1	Option 2	Option 3
User Fee Revenue	816,764	816,764	904,599	872,484	930,294
Expenses					
Administrative	(111,645)	(116,746)	(116,746)	(116,746)	(116,746)
Salaries & Wages	(507,765)	(502,223)	(502,223)	(502,223)	(502,223)
Operating Costs	(253,075)	(253,199)	(253,199)	(253,199)	(253,199)
Funding Required from PT	-	(55,404)	-	-	-
Operating Projects	(33,700)	(49,952)	(49,952)	(49,952)	(49,952)
Net Operating Surplus (Deficit)	(89,421)	(105,356)	(17,521)	(49,636)	8,174

Capital

	2023	No Change	Option 1	Option 2	Option 3
Parcel Tax Revenue	470,579	470,579	561,213	544,865	654,928
Expenses					
Long Term Debenture Debt	(123,956)	(123,056)	(123,056)	(123,056)	(123,056)
Equipment Financing Loans	(10,764)	(18,819)	(18,819)	(18,819)	(18,819)
Base Budget Expenses	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
Salaries & Wages	-	(103,781)	(103,781)	(103,781)	(103,781)
Funding of Operations	-	-	-	-	-
Transfer to Reserves	310,859	144,519	290,557	274,209	384,272
Capital Project Costs	-	(330,391)	(330,391)	(330,391)	(330,391)
Net Capital Surplus (Deficit)	310,859	(185,872)	(39,834)	(56,182)	53,881

Future Implications

In Q1 2024 the draft Water Strategy will be presented to the Board. The Water Strategy will be the strategic plan for the SCRD Water Services. It identifies strategic priorities, objectives, and actions that will guide the future planning and delivery of SCRD Water Services, and acts as a workplan for SCRD staff. The Water Strategy supports SCRD Board priorities, provides context for policy making, strategic planning, and aligns with other SCRD strategies and management plans. The Water Strategy should be reviewed and updated at a minimum every 5 years, with a planning horizon of 25 years. There are four Strategic Priorities identified in the draft Water Strategy:

- Water Supply;
- Water Infrastructure;
- Water Efficiency;
- Source Water Protection.

Work is underway to identify action plans for each of the listed Strategic Priorities. These plans will include both initiatives that are currently underway and identify new ones. The following information and initiatives will be considered in these Water Strategy action plans and are suggested to be included in the considerations of the rates for 2024:

- The infrastructure associated with the water supply and distribution system for this water system is extensive and aging and there is an ongoing need to address performance issues with aging infrastructure such as pump stations, valves, water supply and treatment infrastructure. The replacement of old or undersized watermains that are not scheduled yet to be replaced would cost about 15-20 two million dollars.
- A preliminary finding of water modelling analyses is that substantial investments in watermains replacements and upgrades are required to improve the fire flow in parts of this water system. The final findings and recommended next steps will be presented to the Board in Q1 2024.
- The Asset Management plans under development for this system will guide to the future rates required to adequately operate and maintain the system and replace the infrastructure components in a timely manner. Therefore, staff recognize that it is likely that user fee and parcel tax rates increase sufficiently to grow reserves balances to service future water supply and asset management projects.
- Staff have initiated a review of the rate structure for the water services. The first results of this work were presented to the Board in 2023 and a different rate structure could be implemented as early as 2025.
- While the SCRD is continuing to apply for grants to reduce the financial burden of the required investments to the South Pender Harbour Water Service, most of these grants are heavily oversubscribed which impacts the likelihood of being successful in obtaining grants.

Timeline for next steps or estimated completion date

Once approval is received to amend the user rates and parcel taxes, the Water Rates Bylaw 422, Schedule E will be amended to increase the South Pender Harbour Water Service Area

User Fees and Parcel Taxes and forwarded to the December 14, 2023 Board Meeting for three readings and adoption. This aligns with the conclusion of the 2024 Round 1 Budget deliberations.

Communications Strategy

The increase to these user fees will be communicated as part of a comprehensive communication effort regarding the 2024 Utility rates. This will include advertisement in news papers, a mail-out to all service participants, virtual information sessions, through the SCRD social media and website, budget documentation as well as additional information included with the utility bill when distributed.

STRATEGIC PLAN AND RELATED POLICIES

Annual reviews and adjustments of fees and charges are consistent with Section 4.2.2 of the Financial Sustainability Policy.

CONCLUSION

In the SPHWSA, parcel taxes are intended to fund capital expenditures (acquiring or maintaining fixed assets) and user fees are intended to fund operational expenditures (ongoing costs of running the service).

For 2024, staff recommend a 10.75% increase to user rates and 19.26% increase to parcel tax rates for an overall rate increase of 13.83%. Pending Board direction, Water Rates and Regulations Bylaw No. 422, Schedule E will be updated and forwarded to the December 14, 2023 Board Meeting for three readings and adoption.

Reviewed by:			
Manager	X – S. Walkey	Finance	
GM	X – R. Rosenboom	Legislative	
A/CAO	X – I. Hall	Other	

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – November 10, 2023

AUTHOR: Tina Perreault, GM Corporate Service/Chief Financial Officer
Kyle Doyle, Manager, Asset Management

SUBJECT: **2024 WASTEWATER USER FEE AND CAPITAL PLAN OVERVIEW**

RECOMMENDATIONS

THAT the report titled ‘2024 Wastewater User Fee and Capital Plan Overview be received for information.

BACKGROUND

The Sunshine Coast Regional District (SCRD) operates 15 established wastewater services located in the rural electoral areas.

Each year an analysis of the Wastewater/Sewage Treatment rates are conducted to align with the upcoming Financial Planning process. The various bylaws are required to be adopted prior to January 1, 2024, to meet the legislated timelines for adoption of the Financial Plan Bylaw, the Parcel Tax Roll review process, and the associated billing.

For 2023, five-year schedules of frontage fee adjustments covering 2024-2028 were adopted for 11 of the wastewater services. The remaining four services saw a single year adjustment and were to be reviewed prior to the 2024 Budget process.

The purpose of this report is to discuss the overall status of the wastewater service area operations, and to provide context for 2024 User and Frontage fee adjustments which align with the funding requirements of the services.

DISCUSSION

A thorough analysis of the operating budgets was performed in Q3 2023 and there will be several base budget, new staffing, and service-specific budget proposals coming forward to the 2024 Budget. Based on the preliminary analysis, it has been concluded that eight services do not require User Rate adjustments for 2024 because there is sufficient operating budget projected to cover increased costs, and there are adequate reserves to cover proposed project or cost shortfalls. These include the following services:

Service	Current and Proposed User Fee	Rationale and next steps
Jolly Roger [384]	\$986.54	<ul style="list-style-type: none"> Existing operating budget is expected to cover 2024 proposed increases.
Lee Bay [386]	\$487.67*	<ul style="list-style-type: none"> Significant operating reserve can be used to offset small operating shortfalls at this time. A 2024 proposal

		<p>will be brought forward to use operating reserves as 'rate stabilization'.</p> <ul style="list-style-type: none"> *User Rates have not increased since 2022.
Square Bay [387]	\$1281.02	<ul style="list-style-type: none"> Existing operating budget is expected to cover 2024 proposed increases.
Langdale [388]	\$1,427.22	<ul style="list-style-type: none"> Existing operating budget is expected to cover 2024 proposed increases.
Canoe [389]	\$985.31*	<ul style="list-style-type: none"> Existing operating budget is expected to cover 2024 proposed increases. *User Rates have not increased since 2022.
Merrill [390]	\$1948.25*	<ul style="list-style-type: none"> Existing operating budget is expected to cover 2024 proposed increases. *User Rates have not increased since 2022.
Painted Boat [394]	\$586.13*	<ul style="list-style-type: none"> Existing operating budget is expected to cover 2024 proposed increases. *User Rates have not increased since 2022.
Sakinaw [395]	\$1,323.63	<ul style="list-style-type: none"> Existing operating budget is expected to cover 2024 proposed increases. *User Rates have not increased since 2022.

The remaining seven services are addressed with reports on this agenda with associated rationale for User Fee increases for recommended bylaw amendments.

The four wastewater services that did not have five-year schedules for Frontage Fees adjustments adopted during the 2023 budget are also included in this agenda with rationale for Frontage Fee increases for recommended bylaw amendments. The 2023 frontage fees were as follows:

Frontage Fees		2023
381	Greaves Road Waste Water Plant	\$ 450.00
382	Woodcreek Park Waste Water Plant	\$ 450.00
383	Sunnyside Waste Water Plant	\$ 402.00
384	Jolly Roger Waste Water Plant	\$ 202.00
385	Secret Cove Waste Water Plant	\$ 252.00
386	Lee Bay Waste Water Plant	\$ 252.00
387	Square Bay Waste Water Plant	\$ 267.00
388	Langdale Waste Water Plant	\$ 450.00
389	Canoe Road Waste Water Plant	\$ 474.00
390	Merrill Cresent Waste Water Plant	\$ 450.00
391	Curran Road Waste Water Plant	\$ 303.00
392	Roberts Creek Cohousing Waste Water Plant	\$ 450.00
393	Lily Lake Village Waste Water Plant	\$ 254.00
394	Painted Boat Waste Water Plant	\$ 352.00
395	Sakinaw Ridge Waste Water Plant	\$ 862.18

Financial Implications

Addressing anticipated increases in operating and capital budgets will ensure that funding is in place to support service requirements.

Timeline for next steps

If approval is received to amend user fees and frontage, the appropriate bylaw amendments will be drafted and presented to the December 14, 2023, Regular Board Meeting for three readings and adoption. The updated user fees will be reflected in the 2024 fiscal calendar year.

Communications Strategy

Information regarding rate changes and funding has been communicated via print advertising, social media, and will be included on utility invoices and posted on the SCRD website within the 'Let's Talk' pages.

STRATEGIC PLAN AND RELATED POLICIES

This rate increase is in alignment with the Bylaws and Board Financial Sustainability Policy and the Corporate Asset Management Plan.

CONCLUSION

The SCRD is responsible for the operation and maintenance of 15 wastewater facilities and the establishment of a sustainable funding model for the service area. For 2024, there are 7 services needing fee increases and 4 that require additional capital funding through frontage fees. Amendments to the Bylaws will be presented at the December 14, 2023 Board meeting for adoption.

Reviewed by:			
Manager	X – S. Walkey	CFO/Finance	
GM	X - R. Rosenboom	Legislative	
A/CAO	X – I. Hall	Other	

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – November 10, 2023

AUTHOR: Shane Walkey, Manager, Utility Services
Bobby Rebner, Utility Business Coordinator

SUBJECT: GREAVES ROAD [381] WASTEWATER 2024 USER FEE REVIEW

RECOMMENDATIONS

- 1) THAT the report titled Greaves Road [381] Wastewater 2024 User Fee Review be received for information;
- 2) AND THAT the Sewage Treatment Facilities Service Unit Bylaw No. 428, (Schedule C) be amended to increase the Greaves Road Service Area User Fees to \$763.61 for 2024;
- 3) AND THAT the amended Bylaw(s) will be presented for readings and adoption at the December 14, 2023 Regular Board Meeting;
- 4) AND FURTHER THAT the 2024-2028 Draft Financial Plan be amended accordingly.

BACKGROUND

The Greaves Road Service Area (Greaves Road) consists of five (5) billable users. The current user rate per single family residential dwelling for 2023 is \$627.81.

An amendment to Sewage Treatment Facilities Service Unit Bylaw No. 428 is required to be adopted prior to January 1, 2024, to meet the legislated timelines for adoption of the Financial Plan Bylaw, the Parcel Tax Roll review process, and the associated billing.

The purpose of this report is to discuss the current financial sustainability of the Greaves Road wastewater service area operations, and to recommend 2024 user fee rate increases which align with the funding requirements of the service.

DISCUSSION

In the Greaves Road wastewater service area, user fees are intended to fund operational expenditures (ongoing costs of running the service) and (frontage/parcel taxes) are intended to fund capital expenditures (acquiring or maintaining fixed assets). The Board's Financial Sustainability Policy reflects this funding alignment.

Historical Rates-rates and annual increases are as follows:

	2020	2021	2022	2023	*2024
User Fee	\$595.84	\$480.60	\$487.81	\$627.81	\$763.61
Total \$ Increase		-\$115.24	\$7.21	\$140.00	\$135.80
Total % Increase		-19.34%	1.50%	28.70%	21.63%

*Recommended for 2024

Analysis

A thorough analysis of the Greaves Road operating budget was performed in Q3 2023, and the service area is operating within existing operating budget allowances. However, due to increases in disposal and trucking fees for liquid wastewater sludge removal, there is a need to increase the operating budget to account for these additional anticipated costs in 2024. There is also a proposal for additional staffing requests that will have some of the overall salaries and wages apportioned to the various wastewater service areas to assist with permitting, environmental monitoring/compliance and other operating requirements.

- Base Budget Increases – Disposal and Trucking Expenses \$318.95
- New Staffing Request \$67

There is also carryforward project to be completed in 2024. The nearby tree root system is infiltrating the distribution pipes and the roots and trees need to be removed. This project is funded by existing reserve accounts. This work is nearing completion and is scheduled to be completed in early 2024.

- Septic Field Maintenance- \$5,000

Based on the anticipated needs for the operating budget requirements for 2024 (i.e., increases in salaries and wages, support services, etc.), as well as the recommended increase(s) to the base operating budget associated with the 2024 proposed Disposal and Trucking expense increases, the following analysis and recommended rate is proposed.

21.63% rate increase (\$135.80 per year increase)

Fee Summary	User Fee
Current User Fee Rate (2023)	\$627.81
Proposed Increase	135.80
2024 User Fee Rate	\$763.61
% Increase	21.63%
Operating Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$5,809
Projected 2023 Surplus	\$500
Budgeted Transfers to Operating Reserves	\$0
Budgeted Transfers from Operating Reserves	\$0
Ending Uncommitted Balance	\$6,309

This rate is recommend because:

- This option addresses anticipated increases in operating budget expenditures and continues to support the SCRD’s Financial Sustainability Policy by funding operational expenditures 100% with user fee revenue.
- Maintains appropriate operating reserve levels, which improves the financial capacity to respond to emergency situations, feasibility studies and/or other operating related one-time projects.

Financial Implications

By addressing anticipated increases in operating budget spending proactively, it will ensure that funding is in place to support O&M requirements in 2024. This will help reduce the risks associated with operating budget deficits and undesirable drawdowns of operating reserves.

Timeline for next steps

If approval is received to amend user fees, the appropriate bylaw amendments will be drafted and presented to the December 14, 2023, Regular Board Meeting for three readings and adoption. The updated user fees will be reflected in the 2024 fiscal calendar year.

Communications Strategy

Information regarding rate changes and funding has been communicated via print advertising, social media, and will be included on utility invoices and posted on the SCR D website within the 'Let's Talk' pages.

STRATEGIC PLAN AND RELATED POLICIES

This rate increase is in alignment with the Bylaws and Board Financial Sustainability Policy and the Corporate Asset Management Plan.

CONCLUSION

The SCR D is responsible for the operation and maintenance of the Greaves Road wastewater facility and the establishment of a sustainable funding model for the service area.

The current user fee rate for Greaves Road does not provide sufficient revenue to meet the annual operations and maintenance budget obligations within the service area anticipated for 2024. It is therefore recommended to increase the user fee for this system to \$763.61 in 2024. This increase represents an increase of \$135.80 (21.63%) from the 2023 user fee of \$627.81.

Reviewed by:			
Manager		CFO/Finance	X -T. Perreault
GM	X - R. Rosenboom	Legislative	
Acting CAO	X – I. Hall	Other	

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – November 10, 2023

AUTHOR: Shane Walkey, Manager, Utility Services
Bobby Rebner, Utility Business Coordinator

SUBJECT: **WOODCREEK PARK [382] WASTEWATER 2024 USER FEE REVIEW**

RECOMMENDATIONS

- 1) **THAT the report titled Woodcreek Park [382] Wastewater 2024 User Fee Review be received for information;**
- 2) **AND THAT the Woodcreek Park Sewer User Rates Bylaw No. 430, (Schedule A) be amended to increase the Woodcreek Park Service Area User Fees to \$800.74 for 2024;**
- 3) **AND THAT the amended Bylaw(s) will be presented for readings and adoption at the December 14, 2023, Regular Board Meeting;**
- 4) **AND FURTHER THAT the 2024-2028 Draft Financial Plan be amended accordingly.**

BACKGROUND

The Woodcreek Park Service Area (Woodcreek Park) consists of 73 billable users. The current user rate per single family residential dwelling for 2023 is \$782.45.

An amendment to Woodcreek Park Sewer User Rates Bylaw No. 430 is required to be adopted prior to January 1, 2024, to meet the legislated timelines for adoption of the Financial Plan Bylaw, the Parcel Tax Roll review process, and the associated billing.

The purpose of this report is to discuss the current financial sustainability of the Woodcreek Park wastewater service area operations, and to recommend 2024 user fee rate increases which align with the funding requirements of the service.

DISCUSSION

In the Woodcreek Park wastewater service area, user fees are intended to fund operational expenditures (ongoing costs of running the service) and (frontage/parcel taxes) are intended to fund capital expenditures (acquiring or maintaining fixed assets). The Board's Financial Sustainability Policy reflects this funding alignment.

Historical Rates- rates and annual increases are as follows:

	2020	2021	2022	2023	*2024
User Fee	\$554.17	\$648.55	\$658.28	\$782.45	\$800.74
Total \$ Increase		94.38	\$9.73	\$124.17	\$18.29
Total % Increase		17.03%	1.50%	18.86%	2.34%

**Recommended for 2024*

A thorough analysis of the Woodcreek Park operating budget was performed in Q3 2023 and the service area is currently operating within existing operating budget allowances. However, Staff have identified additional pump outs are required at this plant to improve effluent quality. In 2023 there is an anticipated surplus of \$5000. With additional pumping in 2024 and with increases in disposal and trucking fees for liquid wastewater removal, it is calculated that there will not be a surplus in 2024 and further funds are required. However, due to increases in disposal and trucking fees for liquid wastewater sludge removal, there is a need to increase the operating budget to account for these additional anticipated costs in 2024. There is also a proposal for additional staffing requests that will have some of the overall salaries and wages apportioned to the various wastewater service areas to assist with permitting, environmental monitoring/compliance and other operating requirements.

- Base Budget Increases – Disposal and Trucking Expenses \$1,177
- New Staffing Request \$738

There is also currently one approved project in Woodcreek Park that is in progress for several damaged collection system. Work is continuing to locate and repair additional cleanouts. This project is funded by existing operating reserve accounts and does not impact user rates for 2024.

Inspection Chamber Repairs \$5,964

Based on the anticipated needs for the operating budget requirements for 2024 (i.e., increases in salaries and wages, support services, etc.), as well as the recommended increase(s) to the base operating budget associated with the 2024 proposed Disposal and Trucking expense increases, the following analysis and recommended rate is proposed.

Recommended Rate Increase- 2.34% (\$18.29 per year increase)

Fee Summary	User Fee
Current User Fee Rate (2023)	\$782.45
Proposed Increase	\$18.29
2024 User Fee Rate	\$800.74
% Increase	2.34%
Operating Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$77,560
Projected 2023 Surplus	\$5,000
Budgeted Transfers to Operating Reserves	\$0
Budgeted Transfers from Operating Reserves	\$0
Ending Uncommitted Balance	\$82,560

The rate is recommended because:

- This option addresses anticipated increases in operating budget expenditures and continues to support the SCRD’s Financial Sustainability Policy by funding operational expenditures 100% with user fee revenue.

- Maintains appropriate operating reserve levels, which improves the financial capacity to respond to emergency situations, feasibility studies and/or other operating related one-time projects.

Timeline for next steps

If approval is received to amend user fees, the appropriate bylaw amendments will be drafted and presented to the December 14, 2023, Regular Board Meeting for three readings and adoption. The updated user fees will be reflected in the 2024 fiscal calendar year.

Communications Strategy

Information regarding rate changes and funding has been communicated via print advertising, social media, and will be included on utility invoices and posted on the SCR D website within the 'Let's Talk' pages.

STRATEGIC PLAN AND RELATED POLICIES

This rate increase is in alignment with the Bylaws and Board Financial Sustainability Policy and the Corporate Asset Management Plan.

CONCLUSION

The SCR D is responsible for the operation and maintenance of the Woodcreek Park wastewater facility and the establishment of a sustainable funding model for the service area.

The current user fee rate for Woodcreek Park does not provide sufficient revenue to meet the annual operations and maintenance budget obligations within the service area anticipated for 2024. It is therefore recommended to increase the user fee for this system to \$800.74 in 2024. This increase represents an increase of \$18.29 (2.34%) from the 2023 user fee of \$782.45.

Reviewed by:			
Manager		CFO/Finance	X - T. Perreault
GM	X - R. Rosenboom	Legislative	
A/CAO	X - I. Hall	Other	

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – November 10, 2023

AUTHOR: Kyle Doyle, Manager, Asset Management
Shane Walkey, Manager, Utility Services

SUBJECT: **WOODCREEK PARK [382] WASTEWATER CAPITAL PLAN UPDATE**

RECOMMENDATION(S)

- 1) **THAT the report titled Woodcreek Park [382] Wastewater Capital Plan Update be received for information;**
 - 2) **AND THAT the Woodcreek Park Sewer User Rates Bylaw No. 430 (*Schedule A*) be amended to increase the Frontage Fee for the Woodcreek Park Wastewater Service by \$50, resulting in a 2024 Frontage Fee of \$500, to be reviewed again prior to the 2025 budget;**
 - 3) **AND FURTHER THAT the 2024-2028 Draft Financial Plan be amended accordingly.**
-

BACKGROUND

In 2022, a report titled, “Woodcreek Park [382] Wastewater Capital Plan” was received. The report recommended that Woodcreek Park wastewater service Frontage Fees increase by \$50 annually for each of the next five years. At the time, an upgrade to the treatment process and collection system had not yet started and the financial impacts were not fully known. Reflecting the uncertainty of the project costs, the following SCRD Board resolution was adopted on Dec 9, 2022, and further amended by SCRD Board resolution 369/22 on Dec 15, 2022:

369/22 **Recommendation No. 8** *Woodcreek Park [382] Wastewater Capital Plan Update*

THAT the report titled Woodcreek Park [382] Wastewater Capital Plan Update be received for information;

*AND THAT the Woodcreek Park Sewer User Rates Bylaw No. 430 (*Schedule A*) be amended to increase Frontage Fees by \$50.00 for Frontage Fee of \$450.00 for 2023;*

AND FURTHER THAT the 2023-2027 Draft Financial Plan be amended accordingly.

Frontage Fees for Woodcreek Park between 2020 and 2023 have increased from \$102.00 to \$450.00.

The purpose of this report is to provide an update on the Capital Plan for the Woodcreek Wastewater Service.

DISCUSSION

No significant updates are available since last year. The concerns regarding the overall long-term financial sustainability of the Woodcreek wastewater service remain. As articulated in last years Capital Plan Update report, significant long-term savings for each parcel can be realized by proactively increasing revenue for capital replacement and building sufficient reserve funds.

The (partially grant-funded) project to upgrade the wastewater treatment infrastructure is ongoing. Once the work approaches completion the full impact of the upgrades on the Capital Plan will be better understood.

Options and Analysis

Similar to last year, a one-time increase to the Frontage Fees is appropriate for this service in place of a 5-year commitment to a rate structure to account for the uncertainty of the ongoing work.

It is recommended that the Woodcreek Park User Rates Bylaw No. 430 (Schedule A) be amended to reflect a \$50.00 increase to Frontage Fees resulting in a \$500.00 fee for 2024.

A report will be brought back next year to provide updates on the Capital Plan for this service.

Organizational and Intergovernmental Implications

Compliance with effluent discharge permit requirements is met by ensuring the infrastructure is in good working order.

The SCRCD is bound by responsibilities established by the *Local Government Act*:

“purposes of a regional district include... (c) providing for stewardship of the public assets of its community”

Providing for the stewardship of public assets includes planning for and funding the maintenance, repair, and eventual replacement of such assets. Taking steps towards establishing a sustainable funding model for the replacement of capital assets for wastewater services aligns with the purposes of a Regional District.

Financial Implications

Proactively building a Capital Reserve will minimize the impact of future infrastructure costs and mitigate future debt servicing costs.

Timeline for next steps or estimated completion date

Ongoing monitoring of the condition and performance of the treatment system will inform next steps.

Communications Strategy

Staff have worked to establish an online presence for each wastewater service at letstalk.scrd.ca – this will be the primary point of contact for these wastewater participants. The website will be communicated on utility billing literature and through typical social media channels occasionally, and any rate changes will be communicated through all these same channels.

STRATEGIC PLAN AND RELATED POLICIES

Capital Planning is a pillar of a healthy Asset Management practice and is supported by the SCRD’s Asset Management policy as well as the Financial Sustainability Policy. Efforts to mitigate foreseeable debt are supported by the SCRD’s Debt Management Policy.

CONCLUSION

The Woodcreek Park Wastewater Service has an infrastructure funding deficit and is facing significant infrastructure costs in the next 20 years. Adjustments to the revenues that contribute to Capital Reserves can mitigate projected debt obligations necessary to replace critical infrastructure. **Staff recommend that the Board implement a \$50.00 annual increase for 2024 Frontage Fees for the Woodcreek Wastewater Service resulting in the following Frontage Fees: \$500.00 in 2024.**

Reviewed by:			
Manager	X – S. Walkey	CFO / Finance	X - T. Perreault
GM	X - R. Rosenboom	Legislative	
A/CAO	X – I. Hall	Other	

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – November 10, 2023

AUTHOR: Shane Walkey, Manager, Utility Services
Bobby Rebner, Utility Business Coordinator

SUBJECT: **SECRET COVE [385] WASTEWATER 2024 USER FEE REVIEW**

RECOMMENDATIONS

- 1) **THAT the report titled Secret Cove [385] Wastewater 2024 User Fee Review be received for information;**
 - 2) **AND THAT the Sewage Treatment Facilities Service Unit Bylaw No. 428, (Schedule C) be amended to increase the Secret Cove Service Area User Fees to the following for 2024:**
 - Secret Cove Residential User Fee: \$829.96**
 - Secret Cove Marina User Fee: \$847.34**
 - Secret Cove Restaurant User Fee: \$1,205.51**
 - 3) **AND FURTHER THAT the 2024-2028 Draft Financial Plan be amended accordingly.**
-

BACKGROUND

The Secret Cove Service Area (Secret Cove) consists of 34 billable users – 32 residential users and two (2) commercial users. The current approved user rate per single family residential dwelling for 2023 is \$793.52. The Secret Cove Marina commercial user rate is \$810.14, and the Secret Cove Restaurant commercial user rate is \$1,152.58.

An amendment to Sewage Treatment Facilities Service Unit Bylaw No. 428, (Schedule C) is required to be adopted prior to January 1, 2024, to meet the legislated timelines for adoption of the Financial Plan Bylaw, the Parcel Tax Roll review process, and the associated billing.

The purpose of this report is to discuss the current financial sustainability of the Secret Cove wastewater service area operations, and to recommend 2024 user fee rate increases which align with the funding requirements of the service.

DISCUSSION

In the Secret Cove wastewater service area, user fees are intended to fund operational expenditures (ongoing costs of running the service) and (frontage/parcel taxes) are intended to fund capital expenditures (acquiring or maintaining fixed assets). The Board's Financial Sustainability Policy reflects this funding alignment.

Historical Rates- rates and annual increases are as follows:

	2020	2021	2022	2023	*2024
User Fee	\$616.36	\$712.57	\$712.57	\$793.52	\$829.96
Total \$ Increase		\$96.21	\$0.00	\$80.95	\$36.44
Total % Increase		15.61%	0.00%	11.36%	4.59%

**Recommended for 2024*

Analysis

A thorough analysis of the Secret Cove operating budget was performed in Q3 2023 to determine the financial sustainability of the service area. In 2023 there is an expected surplus of approximately \$4500 potentially due to plant headworks maintenance and repair. The headworks maintenance has stopped excess material making its way into the plant which causes pump damage and replacement. However, due to increases in disposal and trucking fees for liquid wastewater sludge removal, there is a need to increase the operating budget to account for these additional anticipated costs in 2024. There is also a proposal for additional staffing requests that will have some of the overall salaries and wages apportioned to the various wastewater service areas to assist with permitting, environmental monitoring/compliance and other operating requirements.

- Base Budget Increases – Disposal and Trucking \$975
- New Staffing Request \$403

Note: There are two other user rate ‘types’ within the Secret Cove wastewater service area which are rates levied on the Secret Cove Marina and the Secret Cove Restaurant. For simplicity, only the residential rates have been identified in the table above however the recommendations discussed below will also include proportional percentage increases to the two commercial wastewater user rates.

Approved Project Details

There are currently three (3) approved operating projects in Secret Cove. These projects are funded by existing committed reserve accounts and do not impact on 2024 user fees.

- | | |
|---|----------|
| Statutory Right of Way | \$4,000 |
| <ul style="list-style-type: none"> • Survey and legal work to map and legally register Statutory Right of Ways | |
| Outfall Maintenance – Phase 1 | \$11,000 |
| <ul style="list-style-type: none"> • Replacement of/and additional outfall anchoring | |
| Feasibility and Planning Study | \$12,500 |
| <ul style="list-style-type: none"> • Engineering consultant evaluation of the existing treatment and collection system condition and future planning | |

Based on the anticipated needs for the operating budget requirements for 2024 (i.e., increases in salaries and wages, support services, etc.), as well as the recommended increase(s) to the base operating budget associated with the 2024 proposed Disposal and Trucking expense increases, the following analysis and recommended rate is proposed.

Recommended Rate Increase – 4.59% (\$36.44 per year increase)

Fee Summary	User Fee
Current Rate - Residential (2023)	\$793.52
Proposed Increase	\$36.44
2024 User Fee Rate	\$829.96
% Increase	4.59%
Operating Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$17,203
Projected 2023 Surplus	\$4,500
Budgeted Transfers to Operating Reserves	\$0
Budgeted Transfers from Operating Reserves	\$0
Ending Uncommitted Balance	\$21,703

Note: This option also includes a 4.59% increase to the user rates for the Secret Cove Marina and the Secret Cove Restaurant.

Staff recommend this option for the following reasons:

- This option addresses anticipated increases in operating budget expenditures and continues to support the SCRD’s Financial Sustainability Policy by funding operational expenditures 100% with user fee revenue.
- Maintains appropriate operating reserve levels, which improves the financial capacity to respond to emergency situations, feasibility studies and/or other operating related one-time projects.
- By addressing anticipated increases in operating budget spending proactively, it will ensure that funding is in place to support O&M requirements in 2024. This will help reduce the risks associated with operating budget deficits and undesirable drawdowns of operating reserves.

Timeline for next steps

If approval is received to amend user fees, the appropriate bylaw amendments will be drafted and presented to the December 14, 2023, Regular Board Meeting for three readings and adoption. The updated user fees will be reflected in the 2024 fiscal calendar year.

Communications Strategy

Information regarding rate changes and funding has been communicated via print advertising, social media, and will be included on utility invoices and posted on the SCRD website within the ‘Let’s Talk’ pages.

STRATEGIC PLAN AND RELATED POLICIES

This rate increase is in alignment with the Bylaws and Board Financial Sustainability Policy and the Corporate Asset Management Plan.

CONCLUSION

The SCRD is responsible for the operation and maintenance of the Secret Cove wastewater facility and the establishment of a sustainable funding model for the service area.

The current user fee rates for Secret Cove do not provide sufficient revenue to meet the annual operations and maintenance budget obligations within the service area anticipated for 2024. It is therefore recommended to increase the user fee rates for residential, and the marina and restaurant at Secret Cove to \$829.96, \$847.34, and \$1,205.51 respectively. This represents an increase of 4.59% from the 2023 user fees for all customer types within the service area.

Reviewed by:			
Manager		CFO/Finance	X - T. Perreault
GM	X - R. Rosenboom	Legislative	
A/CAO	X - I. Hall	Other	

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – November 10, 2023

AUTHOR: Kyle Doyle, Manager, Asset Management
Shane Walkey, Manager, Utility Services

SUBJECT: LANGDALE [388] WASTEWATER CAPITAL PLAN UPDATE

RECOMMENDATION(S)

- 1) **THAT the report titled Langdale [388] Wastewater Capital Plan Update be received for information;**
 - 2) **AND THAT the Sewage Treatment Facilities Service Unit Bylaw No. 428 (Schedule B) be amended to increase the Frontage Fee for the Langdale Wastewater Service by \$50.00, resulting in a 2024 Frontage Fee of \$500.00, to be reviewed again prior to the 2025 budget;**
 - 3) **AND FURTHER THAT the 2024-2028 Draft Financial Plan be amended accordingly.**
-

BACKGROUND

In 2022, a report titled, “Langdale [388] Wastewater Capital Plan” was received. The report recommended that Langdale wastewater service receive a single-year increase to Frontage Fees from \$400/yr to \$450/yr. This was recommended as the results of a grant application to partially fund the replacement of the existing treatment plant were anticipated to be announced. Several possible options exist with varying degrees of impact on the funding requirements for the service, with a desire to select the option with minimal impact on rate payers. The following SCRD Board resolution was adopted on Dec 9, 2022, and further amended by SCRD Board resolution 369/22 on Dec 15, 2022:

369/22 **Recommendation No. 8** *Langdale [388] Wastewater Capital Plan Update*

THAT the report titled Langdale [388] Wastewater Capital Plan Update be received for information;

AND THAT the Sewage Treatment Facilities Service Unit Bylaw No. 428 (Schedule B) be amended to increase the Frontage Fee for the Langdale Wastewater Service by \$50.00, resulting in a 2023 Frontage Fee of \$450.00, to be reviewed again prior to the 2024 budget;

AND FURTHER THAT the 2023-2027 Draft Financial Plan be amended accordingly.

The purpose of this report is to provide an update on the Capital Plan for the Langdale Wastewater Service.

DISCUSSION

The Langdale Wastewater Service has applied for grant funding for the replacement of the wastewater treatment plant. Depending on the result of the grant and an analysis of the overall lifecycle costs, the option of connecting to the neighboring wastewater service to leverage the economy of scale is being explored. At this point the preferred solution has not been determined and there has not been any significant progress that informs the eventual impact on the Capital Plan.

The concerns regarding the overall long-term financial sustainability of Langdale wastewater service remain. As articulated in last year's Capital Plan Update report, significant savings to each parcel can be realized by proactively increasing revenue for capital replacement and building sufficient reserve funds.

Options and Analysis

Similar to last year, a one-time increase to the Frontage Fees is appropriate for this service in place of a 5-year commitment to a rate structure to account for the uncertainty of the ongoing work.

It is recommended that the Sewage Treatment Facilities Service Unit Bylaw No. 428 (Schedule B) be amended to increase the Frontage Fee for the Langdale Wastewater Service by \$50.00, resulting in a 2024 Frontage Fee of \$500.00

A report will be brought back next year to provide updates on the Capital Plan for this service.

Organizational and Intergovernmental Implications

Compliance with effluent discharge permit requirements is met by ensuring the infrastructure is in good working order.

The SCR D is bound by responsibilities established by the *Local Government Act*:

“purposes of a regional district include... (c)providing for stewardship of the public assets of its community”

Providing for the stewardship of public assets includes planning for and funding the maintenance, repair, and eventual replacement of such assets. Taking steps towards establishing a sustainable funding model for the replacement of capital assets for wastewater services aligns with the purposes of a Regional District.

Financial Implications

Proactively building a Capital Reserve will minimize the impact of future infrastructure costs and mitigate future debt servicing costs.

Timeline for next steps or estimated completion date

The determination of the final cost of the solution to the failed treatment plant will inform next steps.

Communications Strategy

Staff have worked to establish an online presence for each wastewater service at letstalk.scrd.ca – this will be the primary point of contact for these wastewater participants. This will be communicated on utility billing literature and through typical social media channels occasionally.

Virtual and in-person engagement opportunities were hosted by the SCRD this summer. These sessions sought to explain the service specific funding challenges and provide a forum for resident questions.

STRATEGIC PLAN AND RELATED POLICIES

Capital Planning is a pillar of a healthy Asset Management practice and is supported by the SCRD’s Asset Management policy as well as the Financial Sustainability Policy. Efforts to mitigate foreseeable debt are supported by the SCRD’s Debt Management Policy.

CONCLUSION

The Langdale Wastewater Service has an infrastructure funding deficit and is facing significant infrastructure costs in the next 20 years. Adjustments to the revenues that contribute to Capital Reserves can mitigate projected debt obligations necessary to replace critical infrastructure. **Staff recommend that the Board implement a one-time \$50.00 increase, resulting in a 2024 Frontage Fee of \$500.00, and to be reviewed again prior to the 2025 budget.**

Reviewed by:			
Manager		CFO / Finance	X - T. Perreault
GM	X - R. Rosenboom	Legislative	
A/CAO	X - I. Hall	Other	

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – November 10, 2023

AUTHOR: Shane Walkey, Manager, Utility Services
Bobby Rebner, Utility Business Coordinator

SUBJECT: **CURRAN ROAD [391] WASTEWATER 2024 USER FEE REVIEW**

RECOMMENDATIONS

- 1) **THAT the report titled Curran Road [391] Wastewater 2024 User Fee Review be received for information;**
- 2) **AND THAT the Sewage Treatment Facilities Service Unit Bylaw No. 428, (Schedule C) be amended to increase the Curran Road Service Area User Fees to \$742.68 for 2024;**
- 3) **AND THAT the amended Bylaw(s) will be presented for readings and adoption at the December 14, 2023 Regular Board Meeting;**
- 4) **AND FURTHER THAT the 2024-2028 Draft Financial Plan be amended accordingly.**

BACKGROUND

The Curran Road Service Area (Curran Road) consists of 59 billable users. The current user rate per single family residential dwelling for 2023 is \$668.38.

An amendment to Sewage Treatment Facilities Service Unit Bylaw No. 428, (Schedule C) is required to be adopted prior to January 1, 2024, to meet the legislated timelines for adoption of the Financial Plan Bylaw, the Parcel Tax Roll review process, and utility billing.

The purpose of this report is to discuss the current financial sustainability of the Curran Road wastewater service area operations, and to recommend 2024 user fee rate increases which align with the funding requirements of the service.

DISCUSSION

In the Curran Road wastewater service area, user fees are intended to fund operational expenditures (ongoing costs of running the service) and (frontage/parcel taxes) are intended to fund capital expenditures (acquiring or maintaining fixed assets). The Board's Financial Sustainability Policy reflects this funding alignment.

Historical Rates-Historical fees and annual increases are as follows:

	2020	2021	2022	2023	*2024
User Fee	\$536.75	\$618.70	\$618.70	\$668.38	\$742.68
Total \$ Increase		\$81.95	\$0.00	\$49.68	\$74.30
Total % Increase		15.27%	0.00%	8.03%	11.12%

**Recommended for 2024*

Analysis

A thorough analysis of the Curran Road operating budget was performed in Q3 2023 to determine the financial sustainability of the service area. In 2023 a deficit of approximately \$4,000 is expected due to increased pump out costs.

Due to increases in disposal and trucking fees for liquid wastewater sludge removal, there is a need to increase the operating budget to account for these additional anticipated costs in 2024. There is also a proposal for additional staffing requests that will have some of the overall salaries and wages apportioned to the various wastewater service areas to assist with permitting, environmental monitoring/compliance and other operating requirements.

- Base Budget Increases – Disposal and Trucking Expenses \$4,489
- New Staffing Request \$403

Options and Analysis

The following options and analysis are based on addressing the anticipated operating budget requirements for 2024 (i.e., increases in salaries and wages, support services, etc.), as well as the recommended increase(s) to the base operating budget associated with the 2024 proposed disposal and trucking expenses increase (see above):

Option 1 – 11.12% rate increase (\$74.30 per year increase)

Fee Summary	User Fee
Current User Fee Rate (2023)	\$668.38
Proposed Increase	\$74.30
2024 User Fee Rate	\$742.68
% Increase	11.12%
Operating Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$67,348
Projected 2023 Surplus/(Deficit)	(\$4,000)
Budgeted Transfers to Operating Reserves	\$0
Budgeted Transfers from Operating Reserves	\$0
Ending Uncommitted Balance	\$63,348

Staff recommend this option for the following reasons:

- This option addresses anticipated increases in operating budget expenditures and continues to support the SCRD’s Financial Sustainability Policy by funding operational expenditures 100% with user fee revenue.
- Maintains appropriate operating reserve levels, which improves the financial capacity to respond to emergency situations, feasibility studies and/or other operating related one-time projects.

Option 2 – 0.00% rate increase (\$0.00 per year increase)

Fee Summary	User Fee
Current User Fee Rate (2023)	\$668.38
Proposed Increase	\$0.00
2024 User Fee Rate	\$668.38
% Increase	0.00%
Operating Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$67,348
Projected 2023 Surplus/(Deficit)	(\$4,000)
Budgeted Transfers to Operating Reserves	\$0
Budgeted Transfers from Operating Reserves	(\$4,384)
Ending Uncommitted Balance	\$58,964

Staff do not recommend Option 2 for the following reasons:

- This option does not address anticipated increases in operating budget expenditures and does not support the SCRD’s Financial Sustainability Policy by funding operational expenditures 100% with user fee revenue.
- This option will result in a budgeted operating deficit and will unnecessarily draw down operating reserves. Given the age of this facility and increased likelihood of future maintenance and repairs, it is not suggested to draw down operating reserves to fund regular annual operational requirements.

Financial Implications

By addressing anticipated increases in operating budget spending proactively, Option 1 will ensure that funding is in place to support O&M requirements in 2024. This will help reduce the risks associated with operating budget deficits and undesirable drawdowns of operating reserves.

Timeline for next steps

If approval is received to amend user fees, the appropriate bylaw amendments will be drafted and presented to the December 14, 2023, Regular Board Meeting for three readings and adoption. The updated user fees will be reflected in the 2024 fiscal calendar year.

Communications Strategy

Information regarding rate changes and funding has been communicated via print advertising, social media, and will be included on utility invoices and posted on the SCRD website within the ‘Let’s Talk’ pages.

STRATEGIC PLAN AND RELATED POLICIES

This rate increase is in alignment with the Bylaws and Board Financial Sustainability Policy and the Corporate Asset Management Plan.

CONCLUSION

The SCRD is responsible for the operation and maintenance of the Curran Road wastewater facility and the establishment of a sustainable funding model for the service area.

The current user fee rate for Curran Road does not provide sufficient revenue to meet the annual operations and maintenance budget obligations within the service area anticipated for 2024. It is therefore recommended to increase the user fee for this system to \$742.68 in 2024. This increase represents an increase of 11.12% from the 2023 user fee of \$668.38.

Reviewed by:			
Manager		CFO/Finance	X - T. Perreault
GM	X – R. Rosenboom	Legislative	
A/ CAO	X – I. Hall	Other	

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – November 10, 2023

AUTHOR: Shane Walkey, Manager, Utility Services
Bobby Rebner, Utility Business Coordinator

SUBJECT: **ROBERTS CREEK CO-HOUSING [392] WASTEWATER 2024 USER FEE REVIEW**

RECOMMENDATIONS

- 1) **THAT the report titled Roberts Creek Co-Housing [392] Wastewater 2024 User Fee Review be received for information;**
- 2) **AND THAT the Sewage Treatment Facilities Service Unit Bylaw No. 428, (Schedule C) be amended to increase the Roberts Creek Co-Housing Service Area User Fees to \$1,307.48 for 2024;**
- 3) **AND THAT the amended Bylaw(s) will be presented for readings and adoption at the December 14, 2023 Regular Board Meeting;**
- 4) **AND FURTHER THAT the 2024-2028 Draft Financial Plan be amended accordingly.**

BACKGROUND

The Roberts Creek Co-Housing Service Area (Roberts Creek) consists of 31 billable users. The current user rate per single family residential dwelling for 2023 is \$1,241.10.

An amendment to Sewage Treatment Facilities Service Unit Bylaw No. 428, (Schedule C) is required to be adopted prior to January 1, 2024 in order to meet the legislated timelines for adoption of the Financial Plan Bylaw, the Parcel Tax Roll review process, and utility billing.

The purpose of this report is to discuss the current financial sustainability of the Roberts Creek wastewater service area operations, and to recommend 2024 user fee rate increases which align with the funding requirements of the service.

DISCUSSION

In the Roberts Creek wastewater service area, user fees are intended to fund operational expenditures (ongoing costs of running the service) and (frontage/parcel taxes) are intended to fund capital expenditures (acquiring or maintaining fixed assets). The Board's Financial Sustainability Policy reflects this funding alignment.

Historical Rates- fees and annual increases are as follows:

	2020	2021	2022	2023	*2024
User Fee	\$687.94	\$852.88	\$865.67	\$1,247.10	\$1,307.48
Total \$ Increase		\$164.94	\$12.79	\$383.43	\$60.38
Total % Increase		23.98%	1.50%	44.29%	4.84%

**Recommended for 2024*

Analysis

A thorough analysis of the Roberts Creek operating budget was performed in Q3 2023 to determine the financial sustainability of the service area. The expected surplus for 2023 is approximately \$9,500 and may be due to the recent upgrades and operating efficiencies that were completed in the last few years. Staff will continue to modify the plant and the budget to ensure the plant is running smoothly and the operating budget is accurate.

Due to increases in disposal and trucking fees for liquid wastewater sludge removal, there is a need to increase the operating budget to account for these additional anticipated costs in 2024. There is also a proposal for additional staffing requests that will have some of the overall salaries and wages apportioned to the various wastewater service areas to assist with permitting, environmental monitoring/compliance and other operating requirements. Wastewater

- Base Budget Increases – Disposal and Trucking Expenses \$1,044
- New Staffing Request \$537

The following options and analysis are based on addressing the anticipated operating budget requirements for 2024 (i.e., increases in salaries and wages, support services, etc.), as well as the recommended increase(s) to the base operating budget associated with the 2024 proposed disposal and trucking expenses increase (see above):

Option 1 – 4.84% rate increase (\$60.38 per year increase)

Fee Summary	User Fee
Current User Fee Rate (2023)	\$1,247.10
Proposed Increase	\$60.38
2024 User Fee Rate	\$1,307.48
% Increase	4.84%
Operating Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$11,848
Projected 2023 Surplus/(Deficit)	\$9,500
Budgeted Transfers to Operating Reserves	\$0
Budgeted Transfers from Operating Reserves	\$0
Ending Uncommitted Balance	\$21,348

Staff recommend this option for the following reasons:

- This option addresses anticipated increases in operating budget expenditures and continues to support the SCRD’s Financial Sustainability Policy by funding operational expenditures 100% with user fee revenue.
- Maintains appropriate operating reserve levels, which improves the financial capacity to respond to emergency situations, feasibility studies and/or other operating related one-time projects.

Option 2 – 0.00 % rate increase (\$0.00 per year increase)

Fee Summary	User Fee
Current User Fee Rate (2023)	\$1,247.10
Proposed Increase	\$0.00
2024 User Fee Rate	\$1,247.10
% Increase	0.00%
Operating Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$11,848
Projected 2023 Surplus/(Deficit)	\$9,500
Budgeted Transfers to Operating Reserves	\$0
Budgeted Transfers from Operating Reserves	(\$1,872)
Ending Uncommitted Balance	\$19,476

Staff do not recommend Option 2 for the following reasons:

- This option does not address anticipated increases in operating budget expenditures and does not support the SCRD’s Financial Sustainability Policy by funding operational expenditures 100% with user fee revenue.
- This option will result in a budgeted operating deficit and will unnecessarily draw down operating reserves. Given the relatively low operating reserve account balance in Roberts Creek it is not recommended to draw down operating reserves to fund regular annual operational requirements.

Financial Implications

By addressing anticipated increases in operating budget spending proactively, Option 1 will ensure that funding is in place to support O&M requirements in 2024. This will help reduce the risks associated with operating budget deficits and undesirable drawdowns of operating reserves.

Timeline for next steps

If approval is received to amend user fees, the appropriate bylaw amendments will be drafted and presented to the December 14, 2023, Regular Board Meeting for three readings and adoption. The updated user fees will be reflected in the 2024 fiscal calendar year.

Communications Strategy

Information regarding rate changes and funding has been communicated via print advertising, social media, and will be included on utility invoices and posted on the SCRD website within the ‘Let’s Talk’ pages.

STRATEGIC PLAN AND RELATED POLICIES

This rate increase is in alignment with the Bylaws and Board Financial Sustainability Policy and the Corporate Asset Management Plan.

CONCLUSION

The SCRCD is responsible for the operation and maintenance of the Roberts Creek wastewater facility and the establishment of a sustainable funding model for the service area.

The current user fee rate for the Roberts Creek wastewater service area does not provide sufficient revenue to meet the annual operations and maintenance budget obligations within the service area anticipated for 2024. It is therefore recommended to increase the user fee for this system to \$1,307.48 in 2024. This increase represents an increase of 4.84% from the 2023 user fee of \$1,247.10.

Reviewed by:			
Manager	X – S. Walkey	CFO/Finance	X - T. Perreault
GM	X - R. Rosenboom	Legislative	
A/CAO	X – I. Hall	Other	

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – November 10, 2023

AUTHOR: Kyle Doyle, Manager, Asset Management
Shane Walkey, Manager, Utility Services

SUBJECT: ROBERTS CREEK CO-HOUSING [392] WASTEWATER CAPITAL PLAN UPDATE

RECOMMENDATION(S)

- 1) **THAT** the report titled Robert’s Creek Co-Housing [392] Wastewater Capital Plan Update be received for information;
 - 2) **AND THAT** the Sewage Treatment Facilities Service Unit Bylaw No. 428 (*Schedule B*) be amended to reflect a \$50.00 annual increase in Frontage Fees for Robert’s Creek Co-Housing, over the next five years, resulting in the following fees: \$500.00 in 2024, \$550.00 in 2025, \$600.00 in 2026, \$650.00 in 2027, and \$700.00 in 2028;
 - 3) **AND THAT** the Capital Plan be reviewed and presented to the Board prior to the adoption of the 2024 Budget;
 - 4) **AND FURTHER THAT** the 2024-2028 Draft Financial Plan be amended accordingly.
-

BACKGROUND

In 2022, a report titled, “Roberts Creek Co-Housing [392] Wastewater Capital Plan” was received. This report recommended that Roberts Creek Co-Housing wastewater service Frontage Fees increase by \$50.00 in 2023, and that the alterations to the treatment plant be observed for a year before returning in 2024 with an updated Capital Plan informed by the performance of the treatment plan. The following SCRD Board resolution was adopted on Dec 9, 2022, and further amended by SCRD Board resolution 369/22 on Dec 15, 2022:

369/22 **Recommendation No. 28** *Robert’s Creek CoHousing [392] Wastewater Capital Plan Update*

THAT the report titled Robert’s Creek CoHousing [392] Wastewater Capital Plan Update be received for information;

AND THAT the Sewage Treatment Facilities Service Unit Bylaw No. 428 (Schedule B) be amended to reflect a \$50.00 increase in Frontage Fees for the Roberts Creek Wastewater Service, resulting in a fee of \$450.00 for 2023;

AND THAT the Capital Plan be reviewed and presented to the Board prior to the adoption of the 2024 Budget;

AND FURTHER THAT the 2023-2027 Draft Financial Plan be amended accordingly.

The purpose of this report is to provide an update on the Capital Plan for the Roberts Creek Co-Housing wastewater service.

DISCUSSION

In 2023 the recommended increase to Robert's Creek Co-Housing wastewater service Frontage Fees was limited to a single year due to significant concurrent increases to User Fees and a desire by operations staff to monitor the performance of the system after process improvements had been implemented. The performance of this system has raised no concerns over the last year and as such no adjustments to the projected capital renewal needs have been made.

Options and Analysis

Observations over the last year suggest that the system is performing as expected and no indication of premature failure of any significant components has been observed.

This service can achieve a financially sustainable level of capital renewal funding by implementing a five-year program of \$50.00 annual increases to the Frontage Fee.

It is recommended that Frontage Fees for Robert's Creek Co-Housing, increase by \$50.00 annually over the next five years, resulting in the following fees: \$500.00 in 2024, \$550.00 in 2025, \$600.00 in 2026, \$650.00 in 2027, and \$700.00 in 2028.

Organizational and Intergovernmental Implications

Compliance with effluent discharge permit requirements is met by ensuring the infrastructure is in good working order.

The SCR D is bound by responsibilities established by the *Local Government Act*:

"purposes of a regional district include... (c)providing for stewardship of the public assets of its community"

Providing for the stewardship of public assets includes planning for and funding the maintenance, repair, and eventual replacement of such assets. Taking steps towards establishing a sustainable funding model for the replacement of capital assets for the Roberts Creek Co-Housing wastewater service aligns with the purposes of a Regional District.

Financial Implications

Proactively building a Capital Reserve will minimize the impact of future infrastructure costs and mitigate future debt servicing costs.

Timeline for next steps or estimated completion date

Ongoing monitoring of the condition and performance of the treatment system will inform next steps. Funding opportunities for design and construction of the eventual treatment system replacement will continue to be sought.

Communications Strategy

Staff have worked to establish an online presence for each wastewater service at letstalk.scrd.ca – this will be the primary point of contact for these wastewater participants. This will be communicated on utility billing literature and through typical social media channels occasionally.

STRATEGIC PLAN AND RELATED POLICIES

Capital Planning is a pillar of a healthy Asset Management practice and is supported by the SCRD’s Asset Management policy as well as the Financial Sustainability Policy. Efforts to mitigate foreseeable debt are supported by the SCRD’s Debt Management Policy.

CONCLUSION

The Robert’s Creek Co-Housing Wastewater Service has an infrastructure funding deficit and is facing ongoing infrastructure costs in the next 20 years. Adjustments to the revenues that contribute to Capital Reserves can mitigate projected debt obligations necessary to replace critical infrastructure. **Staff recommend that the Board increase Frontage Fees for Robert’s Creek Co-Housing by \$50.00 annually over the next five years, resulting in the following fees: \$500.00 in 2024, \$550.00 in 2025, \$600.00 in 2026, \$650.00 in 2027, and \$700.00 in 2028.**

Reviewed by:			
Manager		CFO / Finance	X.- T. Perreault
GM	X – R. Rosenboom	Legislative	
A/CAO	X – I. Hall	Other	

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – November 10, 2023

AUTHOR: Shane Walkey, Manager, Utility Services
Bobby Rebner, Utility Business Coordinator

SUBJECT: LILY LAKE [393] WASTEWATER 2024 USER FEE REVIEW

RECOMMENDATIONS

- 1) **THAT the report titled Lily Lake [393] Wastewater 2024 User Fee Review be received for information;**
 - 2) **AND THAT the Sewage Treatment Facilities Service Unit Bylaw No. 428, (Schedule C) be amended to increase the Lily Lake Service Area User Fees to \$1,143.48 for 2024;**
 - 3) **AND THAT the amended Bylaw(s) will be presented for readings and adoption at the December 14, 2023 Regular Board Meeting;**
 - 4) **AND FURTHER THAT the 2024-2028 Draft Financial Plan be amended accordingly.**
-

BACKGROUND

The Lily Lake Service Area (Lily Lake) consists of 28 billable users. The current user rate per single family residential dwelling for 2023 is \$992.83.

An amendment to Sewage Treatment Facilities Service Unit Bylaw No. 428, (Schedule C) is required to be adopted prior to January 1, 2024, in order to meet the legislated timelines for adoption of the Financial Plan Bylaw, the Parcel Tax Roll review process, and utility billing.

The purpose of this report is to discuss the current financial sustainability of the Lily Lake wastewater service area operations, and to recommend 2024 user fee rate increases which align with the funding requirements of the service.

DISCUSSION

In the Lily Lake wastewater service area, user fees are intended to fund operational expenditures (ongoing costs of running the service) and (frontage/parcel taxes) are intended to fund capital expenditures (acquiring or maintaining fixed assets). The Board's Financial Sustainability Policy reflects this funding alignment.

Historical Rates- fees and annual increases are as follows:

	2020	2021	2022	2023	*2024
User Fee	\$641.69	\$701.37	\$711.89	\$992.84	\$1,143.48
Total \$ Increase		\$59.68	\$10.52	\$280.95	\$150.64
Total % Increase		9.30%	1.50%	39.47%	15.17%

**Recommended for 2024*

Analysis

A thorough analysis of the Lily Lake operating budget was performed in Q3 2023 to determine the financial sustainability of the service area. However, due to increases in disposal and trucking fees for liquid wastewater sludge removal, there is a need to increase the operating budget to account for these additional anticipated costs in 2024. There is also a proposal for additional staffing requests that will have some of the overall salaries and wages apportioned to the various wastewater service areas to assist with permitting, environmental monitoring/compliance and other operating requirements.

- Base Budget Increases – Disposal and Trucking Expenses \$2,670
- New Staffing Request \$336

Based on the anticipated needs for the operating budget requirements for 2024 (i.e., increases in salaries and wages, support services, etc.), as well as the recommended increase(s) to the base operating budget associated with the 2024 proposed Disposal and Trucking expense increases, the following analysis and recommended rate is proposed.

15.17% rate increase (\$150.64 per year increase)

Fee Summary	User Fee
Current User Fee Rate (2023)	\$992.84
Proposed Increase	\$150.64
2024 User Fee Rate	\$1,143.48
% Increase	15.17%
Operating Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$28,308
Projected 2023 Surplus/(Deficit)	\$2,000
Budgeted Transfers to Operating Reserves	\$0
Budgeted Transfers from Operating Reserves	\$0
Ending Uncommitted Balance	\$30,308

Staff recommend this option for the following reasons:

- This option addresses anticipated increases in operating budget expenditures and continues to support the SCRD’s Financial Sustainability Policy by funding operational expenditures 100% with user fee revenue.
- Maintains appropriate operating reserve levels, which improves the financial capacity to respond to emergency situations, feasibility studies and/or other operating related one-time projects.

Financial Implications

By addressing anticipated increases in operating budget spending proactively, it will ensure that funding is in place to support O&M requirements in 2024. This will help reduce the risks associated with operating budget deficits and undesirable drawdowns of operating reserves.

Timeline for next steps

If approval is received to amend user fees, the appropriate bylaw amendments will be drafted and presented to the December 14, 2023, Regular Board Meeting for three readings and adoption. The updated user fees will be reflected in the 2024 fiscal calendar year.

Communications Strategy

Information regarding rate changes and funding has been communicated via print advertising, social media, and will be included on utility invoices and posted on the SCRD website within the 'Let's Talk' pages.

STRATEGIC PLAN AND RELATED POLICIES

This rate increase is in alignment with the Bylaws and Board Financial Sustainability Policy and the Corporate Asset Management Plan.

CONCLUSION

The SCRD is responsible for the operation and maintenance of the Lily Lake wastewater facility and the establishment of a sustainable funding model for the service area.

The current user fee rate for the Lily Lake wastewater service area does not provide sufficient revenue to meet the annual operations and maintenance budget obligations within the service area anticipated for 2024. It is therefore recommended to increase the user fee for this system to \$1,143.48 in 2024. This increase represents an increase of \$150.64 (15.17%) from the 2023 user fee of \$992.84.

Reviewed by:			
Manager		CFO/Finance	X - T. Perreault
GM	X - R. Rosenboom	Legislative	
A/CAO	X - I. Hall	Other	

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – November 10, 2023

AUTHOR: Tina Perreault, General Manager, Corporate Services / Chief Financial Officer

SUBJECT: **2024 REFUSE COLLECTION [355] FEE REVIEW**

RECOMMENDATION(S)

(1) THAT the report titled 2024 Refuse Collection [355] Fee Review be received for information.

BACKGROUND

At the November 21, 2021 Board meeting the following recommendation related to the refuse collection rates was adopted:

306/21 **Recommendation No. 1 2022 Refuse Collection [355] Fee Review**
 THAT the report titled 2022 Refuse Collection [355] Fee Review be received for information;

AND THAT Schedule A of *Sunshine Coast Regional District Waste Collection Bylaw No. 431* be amended to increase waste collection fees by 0% for 2022 and 5% for 2023;

AND THAT the 2022 and 2023 projected operating shortfalls be funded by operating reserves (rate stabilization funds) in the amount of \$8,017 and \$33,536 respectively;

AND FURTHER THAT the 2022-2026 Financial Plan be amended accordingly.

As a multi-year rate structure was approved to align with existing contractual agreement terms, this report is to present an analysis and make recommendations to the Refuse Collection Service [355] rates for 2024.

DISCUSSION

An analysis of projected service costs for 2024 has been done in preparation of establishing rates for the coming year. Refuse collection rates are set based on the revenue required to fund the service level and contract values approved by the Board. Any surplus is transferred to operating reserves, and conversely, operating reserves can be used to stabilize or smooth out rate increases if sufficient funds exist.

The current contract for curbside garbage collection services is set to expire on May 31, 2024 and the SCR D will go to the market to solicit proposals for this service. The 2023 Q3 variance presented at the October 19, 2023, Finance Committee, projected the Refuse Collection service [355] of a 2023 year-end surplus of over \$90K. Although the Refuse Collection service is

expecting a surplus in 2023, costs in relation to the service are expected to increase. A review of the proposed 2024 budget to determine if the rates will be sufficient concluded that the existing rates appear to be sufficient at this time. There is also an uncommitted operating reserve balance of \$317,600 exclusive of any 2023 surplus/deficit. This reserve fund can be used as a rate stabilization fund in 2024 should the costs exceed expectations. More information will be given when new contract values are known and options will be presented to the Board at that time.

Therefore, it is recommended that the rates for 2024 remain the same as 2023 and staff return in Q4 of 2024 to review the Refuse Collection fees for 2025. If the SCRCD proceeds with a 0% increase in 2024, the rates would be as follows and no amendments to the existing Bylaw is needed:

<u>Annual Collection Fee</u>	<u>2024</u>
Single Family Residential Dwelling Unit	\$201.26
Mobile Home in Mobile Home Park	\$169.67

If approval is received to have rates remain the same as 2023, these fees will be incorporated in the 2024-2028 Financial plan.

Communications Strategy

User Fees will be communicated as part of the 2024 budget and utility rates communications plan. Service participants will have the opportunity to engage with staff at public budget information sessions. There will also be information included with the utility bill when distributed.

STRATEGIC PLAN AND RELATED POLICIES

The rates presented are consistent with the Board’s Financial Sustainability policy.

CONCLUSION

The refuse collection rates were set for a three year-period (2021-2023) and due to lower than expected expenses and higher revenues, a 2024 rate increase is not required. Therefore, it is recommended that the Refuse Collection rates stay static in 2024.

Reviewed by:			
Manager		Finance	
GM	X - R. Rosenboom	Legislative	
A/CAO	X- I. Hall	Other	