



## 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.**

### AMENDED AGENDA

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**CALL TO ORDER      9:30 a.m.**

#### AGENDA

1. Adoption of Agenda Pages 1-3

#### PRESENTATIONS AND DELEGATIONS

#### REPORTS

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| 2. Sunshine Coast Regional District Water Services – Capital Plan Update<br><i>Manager, Asset Management</i><br><b>(Voting – A, B, D, E, F, District of Sechelt)</b>   | Annex A<br>pp 4-27                     |
| 3. Regional Water Service Area 2024 Rate Bylaw Amendment<br><i>General Manager, Corporate Services / Chief Financial Officer</i><br><i>Manager, Budgeting and Grants</i><br><b>(Voting – A, B, D, E, F, District of Sechelt)</b> | <b>⇒REPLACE</b><br>Annex B<br>pp 28-35 |
| 4. North Pender Water Service Area 2024 Rate Bylaw Amendment<br><i>General Manager, Corporate Services / Chief Financial Officer</i><br><i>Manager, Budgeting and Grants</i><br><b>(Voting – All Directors)</b>                  | Annex C<br>pp 36-43                    |
| 5. South Pender Water Service Area 2024 Rate Bylaw Amendment<br><i>General Manager, Corporate Services / Chief Financial Officer</i><br><i>Manager, Budgeting and Grants</i><br><b>(Voting – All Directors)</b>                  | <b>⇒REPLACE</b><br>Annex D<br>pp 44-51 |
| 6. 2024 Wastewater User Fee and Capital Plan Overview<br><i>General Manager, Corporate Service / Chief Financial Officer</i><br><i>Manager, Asset Management</i><br><b>(Voting – All Directors)</b>                              | <b>⇒REPLACE</b><br>Annex E<br>pp 52-55 |

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| <p>7. Greaves Road [381] Wastewater 2024 User Fee Review<br/><i>Manager, Utility Services</i><br/><i>Utility Business Coordinator</i><br/><b>(Voting – All Directors)</b></p>              | <p>Annex F<br/>pp 56-58</p> |
| <p>8. Woodcreek Park [382] Wastewater 2024 User Fee Review<br/><i>Manager, Utility Services</i><br/><i>Utility Business Coordinator</i><br/><b>(Voting – All Directors)</b></p>            | <p>Annex G<br/>pp 59-61</p> |
| <p>9. Woodcreek Park [382] Wastewater Capital Plan Update<br/><i>Manager, Asset Management</i><br/><i>Manager, Utility Services</i><br/><b>(Voting – All Directors)</b></p>                | <p>Annex H<br/>pp 62-64</p> |
| <p>10. Secret Cove [385] Wastewater 2024 User Fee Review<br/><i>Manager, Utility Services</i><br/><i>Utility Business Coordinator</i><br/><b>(Voting – All Directors)</b></p>              | <p>Annex I<br/>pp 65-68</p> |
| <p>11. Langdale [388] Wastewater Capital Plan Update<br/><i>Manager, Asset Management</i><br/><i>Manager, Utility Services</i><br/><b>(Voting – All Directors)</b></p>                     | <p>Annex J<br/>pp 69-71</p> |
| <p>12. Curran Road [391] Wastewater 2024 User Fee Review<br/><i>Manager, Utility Services</i><br/><i>Utility Business Coordinator</i><br/><b>(Voting – All Directors)</b></p>              | <p>Annex K<br/>pp 72-75</p> |
| <p>13. Roberts Creek Co-housing [392] Wastewater 2024 User Fee Review<br/><i>Manager, Utility Services</i><br/><i>Utility Business Coordinator</i><br/><b>(Voting – All Directors)</b></p> | <p>Annex L<br/>pp 76-79</p> |
| <p>14. Roberts Creek Co-Housing [392] Wastewater Capital Plan Update<br/><i>Manager, Asset Management</i><br/><i>Manager, Utility Services</i><br/><b>(Voting – All Directors)</b></p>     | <p>Annex M<br/>pp 80-82</p> |
| <p>15. Lily Lake [393] Wastewater 2024 User Fee Review<br/><i>Manager, Utility Services</i><br/><i>Utility Business Coordinator</i><br/><b>(Voting – All Directors)</b></p>                | <p>Annex N<br/>pp 83-85</p> |

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

Annex O  
pp 86-87

**COMMUNICATIONS**

**NEW BUSINESS**

**IN CAMERA**

**ADJOURNMENT**

## SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

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**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

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### 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.**
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### 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
6	Exposed Watermain Rehabilitation Budget Increase	350,000
		<b>1,113,050</b>

**Capital**

	Project	Cost (Estimated)
1	Supervisory Control Data Acquisition Upgrade	352,815
2	Chapman Creek Raw Water Pump Station Pump Upgrade	129,658
3	Chapman WTP HVAC Replacement	155,000
4	Chapman WTP – Distribution Meters Install	140,000
5	Raw Water Reservoirs - Site B	150,000
6	Pneumatic Boring Tool	85,000
7	Corporate Security Systems	7,200
8	Cove Cay pumpstation Upgrades - Increased budget	671,200
9	Replacement of Flat Bed Crane Truck and Medium Sized Truck*	33,907
10	Light Duty Truck**	6,197
		<b>1,730,977</b>
* This represents 6 months of 5yr loan, total project cost is \$295,000		
** This represents 6 months of 5yr loan(RWS) , total project cost is \$65,000		

<b>New Staffing Requests</b>	<b>488,372</b>
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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)

<b>Fee Summary</b>	<b>User Fee</b>	<b>Parcel Tax</b>	<b>Overall</b>
Current Rate	\$651.49	\$392.05	\$1,043.54
Proposed Increase	\$63.51	\$57.95	\$121.46
<b>2024 Rate</b>	<b>\$715</b>	<b>\$450</b>	<b>\$1,165</b>
	<b>9.75%</b>	<b>14.78%</b>	<b>11.64%</b>
<b>Reserve Summary</b>	<b>Operating Reserve</b>	<b>Capital Reserve</b>	
Opening Uncommitted Balance	\$1,277,375	\$4,695,432	
Projected 2023 Surplus/(Deficit)	505,665	917,549	
Budgeted Transfers to Reserves	1,777,944	1,291,325	
Budgeted Transfers from Reserves	(1,263,050)	(1,540,873)	
<b>Ending Uncommitted Balance</b>	<b>\$2,297,934</b>	<b>\$5,363,434</b>	
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 33% 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
<b>2024 Rate</b>	<b>\$685</b>	<b>\$415</b>	<b>\$1,100</b>
	<b>5.14%</b>	<b>5.86%</b>	<b>5.41%</b>
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	882,703	
Budgeted Transfers from Reserves	(1,263,050)	(1,540,873)	
<b>Ending Uncommitted Balance</b>	<b>\$1,932,502</b>	<b>\$4,954,811</b>	
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
<b>2024 Rate</b>	<b>\$750</b>	<b>\$470</b>	<b>\$1,220</b>
	<b>15.12%</b>	<b>19.88%</b>	<b>16.91%</b>
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	1,524,843	
Budgeted Transfers from Reserves	(1,263,050)	(1,540,873)	
<b>Ending Uncommitted Balance</b>	<b>\$2,724,120</b>	<b>\$ 5,596,952</b>	
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:

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

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)	(1,263,050)	(1,263,050)	(1,263,050)	(1,263,050)
<b>Net Operating Surplus/ (Deficit)</b>	<b>389,088</b>	<b>(258,564)</b>	<b>514,894</b>	<b>149,463</b>	<b>941,081</b>

**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)	(319,082)	(319,082)	(319,082)	(319,082)
LUA Short-Term Debt	(159,003)	(463,205)	(463,205)	(463,205)	(463,205)
Base Budget Expenses	(1,508,940)	(1,508,940)	(1,508,940)	(1,508,940)	(1,508,940)
Salaries & Wages	-	(968,292)	(968,292)	(968,292)	(968,292)
Funding of Operations	-	-	-	-	-
Transfer to Reserves	2,353,888	614,667	1,291,325	882,703	1,524,843
Capital Project Costs	(2,327,500)	(1,540,873)	(1,540,873)	(1,540,873)	(1,540,873)
<b>Net Capital Surplus/ (Deficit)</b>	<b>26,388</b>	<b>(926,206)</b>	<b>(249,548)</b>	<b>(658,170)</b>	<b>(16,030)</b>

*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 watermain 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	

## SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

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**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

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### 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.**
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### 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
3	Water Supply Analysis	85,000
		<b>134,952</b>

**Capital**

	Project	Cost (Estimated)
1	Supervisory Control Data Acquisition Upgrade	100,000
2	Pneumatic Boring Tool	10,000
3	South Pender McNeill Lake Dam-Construction	53,000
4	South Pender Harbour WTP – Heater Replacement	82,391
5	Light Duty Truck*	729
		<b>246,120</b>
* 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 SCRD, 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)

<b>Fee Summary</b>	<b>User Fee</b>	<b>Parcel Tax</b>	<b>Overall</b>
Current Rate	\$762.95	\$431.83	\$1,194.78
Proposed Increase	\$82.05	\$83.17	\$165.22
<b>2024 Rate</b>	<b>\$845</b>	<b>\$515</b>	<b>\$1,360</b>
	<b>10.75%</b>	<b>19.26%</b>	<b>13.83%</b>
<b>Reserve Summary</b>	<b>Operating Reserve</b>	<b>Capital Reserve</b>	
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	(134,952)	(245,391)	
<b>Ending Uncommitted Balance</b>	<b>\$595,662</b>	<b>\$802,143</b>	
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 15% 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
<b>2024 Rate</b>	<b>\$815</b>	<b>\$500</b>	<b>\$1,300</b>
	<b>6.82%</b>	<b>15.79%</b>	<b>8.81%</b>
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	(134,952)	(245,391)	
<b>Ending Uncommitted Balance</b>	<b>\$563,547</b>	<b>\$785,796</b>	
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.

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
<b>2024 Rate</b>	<b>\$869</b>	<b>\$601</b>	<b>\$1,470</b>
	<b>13.90%</b>	<b>39.18%</b>	<b>23.04%</b>
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	(134,952)	(245,391)	
<b>Ending Uncommitted Balance</b>	<b>\$621,357</b>	<b>\$895,859</b>	
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:

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

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)	(134,952)	(134,952)	(134,952)	(134,952)
<b>Net Operating Surplus (Deficit)</b>	<b>(89,421)</b>	<b>(190,356)</b>	<b>(102,521)</b>	<b>(134,636)</b>	<b>(76,826)</b>

**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	<b>310,859</b>	<b>144,519</b>	<b>290,557</b>	<b>274,209</b>	<b>384,272</b>
Capital Project Costs	-	(245,391)	(245,391)	(245,391)	(245,391)
<b>Net Capital Surplus (Deficit)</b>	<b>310,859</b>	<b>(100,872)</b>	<b>45,166</b>	<b>28,818</b>	<b>138,881</b>

*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:

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

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

For the Sunnyside Wastewater Service [383], a multi-year rate was approved for periods up to 2024 (excerpt below). Therefore, the proposed 2024 rate is estimated to meet operational needs.

308/21      **Recommendation No. 6**    *Wastewater 2022 User Fee Reviews*  
*(in part)*

AND THAT the respective wastewater utility rate bylaws be amended to reflect the proposed 2022 User Fee rates for residential properties as follows:

<b>Service</b>	<b>2022</b>
<i>Sunnyside</i>	\$745.23

AND THAT the respective wastewater utility rate bylaws be amended to reflect the proposed 2023 and 2024 User Fee rates for residential properties as follows:

<b>Service</b>	<b>2023</b>	<b>2024</b>
<i>Sunnyside</i>	\$767.59	\$790.62

The remaining six 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 & 2024 frontage fees are as follows:

<b>Function</b>	<b>Service Name</b>	<b>2023</b>	<b>2024</b>
<b>381</b>	Greaves Road Waste Water	\$450.00	\$500.00
<b>382</b>	Woodcreek Waste Water	\$450.00	TBD
<b>383</b>	Sunnyside Waste Water	\$402.00	\$502.00
<b>384</b>	Jolly Roger Waste Water	\$202.00	\$252.00
<b>385</b>	Secret Cove Waste Water	\$252.00	\$352.00
<b>386</b>	Lee Bay Waste Water	\$252.00	\$302.00
<b>387</b>	Square Bay Waste Water	\$267.00	\$317.00
<b>388</b>	Langdale Waste Water	\$450.00	TBD
<b>389</b>	Canoe Road Waste Water	\$474.00	\$524.00
<b>390</b>	Merrill Crescent Waste Water	\$450.00	\$500.00
<b>391</b>	Curran Road Waste Water	\$303.00	\$353.00
<b>392</b>	RC Cohousing Waste Water	\$450.00	TBD
<b>393</b>	Lily Lake Village Waste Water	\$254.00	\$304.00
<b>394</b>	Painted Boat Waste Water	\$352.00	\$402.00
<b>395</b>	Sakinaw Ridge Waste Water	\$862.18	\$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	