



CORPORATE AND ADMINISTRATIVE SERVICES COMMITTEE

Thursday, November 26, 2020
SCRD Boardroom, 1975 Field Road, Sechelt, B.C.

AGENDA

CALL TO ORDER 9:30 a.m.

AGENDA

1. Adoption of Agenda

PRESENTATIONS AND DELEGATIONS

2. Paul Fripp, BDO Canada LLP
Regarding: Audit Planning Report
(Voting – All Directors)

REPORTS

3. BDO Canada Audit Planning Letter
General Manager, Corporate Services / Chief Financial Officer
(Voting – All Directors) Annex A
Pages 1-34
4. Federal Gas Tax – Community Works Fund Policy
General Manager, Corporate Services / Chief Financial Officer
(Voting – Electoral Area Directors) Annex B
pp. 35-40
5. 2021 Meeting Schedule
Deputy Corporate Officer
(Voting – All Directors) Annex C
pp. 41-55
6. Insurance Invoices over \$100,000: 2021 Municipal Insurance
Association and Aon Reed Stenhouse Inc.
Manager, Purchasing and Risk Management
(Voting – All Directors) Annex D
pp. 56-58
7. Wastewater 2021 Frontage Fee Reviews
Manager, Asset Management
(Voting – Electoral Area Directors) Annex E
pp. 59-120
8. 2021 Wastewater User Fee Review
Manager, Asset Management
(Voting – Electoral Area Directors) Annex F
pp. 121-147

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|--|------------------------|
| 9. North Pender Harbour Water Service Area 2021 Rate Bylaw Amendment
<i>General Manager, Corporate Services/Chief Financial Officer and Budget and Financial Analyst</i>
(Voting – All Directors) | Annex G
pp. 148-154 |
| 10. South Pender Harbour Water Service Area 2021 Rate Bylaw Amendment
<i>General Manager, Corporate Services/Chief Financial Officer and Budget and Financial Analyst</i>
(Voting – All Directors) | Annex H
pp. 155-161 |
| 11. Regional Water Service Area 2021 Rate Bylaw Amendment
<i>General Manager, Corporate Services/Chief Financial Officer and Budget and Financial Analyst</i>
(Voting – All Directors) | Annex I
pp. 162-168 |
| 12. 2021 Refuse Collection [355] Fee Review
<i>Manager, Financial Services and Manager, Solid Waste Services</i>
(Voting – All Directors) | Annex J
pp. 169-174 |
| 13. Budget Update Implementation of shíshálh Nation Foundation Agreement
<i>General Manager, Infrastructure Services</i>
(Voting – All Directors) | Annex K
pp. 175-176 |

COMMUNICATIONS

NEW BUSINESS

IN CAMERA

ADJOURNMENT

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Corporate and Administrative Services Committee – November 26, 2020

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

SUBJECT: BDO CANADA-2020 AUDIT PLANNING REPORT

RECOMMENDATION

THAT the report titled BDO Canada- 2020 Audit Planning Report be received;

AND THAT the Audit Planning Report from BDO Canada LLP with respect to the Audit of the Financial Statements of the Sunshine Coast Regional District (SCRD) and Foreshore Leases (Hillside) for the year ended December 31, 2020 be received;

AND FURTHER THAT this recommendation be forwarded to the November 26, 2020 Regular Board meeting.

BACKGROUND

The purpose of BDO Canada's (BDO) "*Audit Planning Report to the SCRD Board*" is to communicate key issues, responsibilities and audit strategy which will be undertaken for the Sunshine Coast Regional District's (SCRD's) annual financial audit. The audit conducted by BDO is in accordance with Canadian Generally Accepted Auditing Standards (GAAS), which requires the explicit communication for roles and responsibilities by both parties.

The SCRD Board has the responsibility of providing oversight of the financial reporting process. As part of the two way communication with the auditors, the Board may highlight any areas of specific concerns or questions it may have for the auditors prior to the final audit.

DISCUSSION

BDO's "Audit Planning Report," summarizing the plans and other matters pertinent to the 2020 audit for the SCRD and Foreshore (Hillside), which is attached for reference. SCRD's engagement partner, Paul Fripp will also be presenting the Audit Report as part of this Committee, including the Audit Risk Areas and Planned Responses; Changes in Accounting Standards potentially impacting the SCRD.

The 2020 interim audit is scheduled for early December 2020 with the final audit scheduled for the March 2021. The draft financial statements and audit report is scheduled for presentation at the April 2021 Corporate and Administrative Services Committee in preparation for the SCRD Board's final adoption.

As part of the final Report to the Board from BDO for the 2019 audit (presented at the April 23, 2020 Corporate and Administrative Services Committee), the following items was identified within the Management Letter, excerpt below:

1. PSAS 3280: Asset Retirement Obligations

Beginning with the December 31, 2022 year end, the provisions of section PS 3280: Asset Retirement Obligation will be in effect. This standard will require that a liability be recognized at any time when there is a legal obligation to incur retirement costs in relation with a tangible capital asset.

This standard is in some ways similar but is broader in scope than the current sections PS 3270: Solid Waste Landfill Closure and PS 3260: Liability for Contaminated Sites. Initial adoption of this standard may place a burden on the District's management to consider and identify potential legal obligations for retirement costs among the District's extensive network of public infrastructure and other tangible capital assets.

We encourage management to continue to formulate a plan to implement this new standard. We encourage management to discuss proposed steps and application of this standard with BDO to ensure that reasonable and adequate steps are taken consistent with those of comparable local governments.

2. Continuity of Controls

Rapid changes to the way we work has been brought on by the current COVID-19 pandemic. Many organizations are seeing disruptions to their established workflow, processes and control structures. We are recommending that, in spite of the challenges we are all currently facing, every effort is made to ensure the continuity of controls within the Districts operations. With particular respect to controls over financial reporting we have noted that the vacancy in the Manager of Financial Services is at risk of compounding with this more general workflow disruption, with the end result being a significant impact on the controls.

Both of these items are addressed within the 2020 Audit Report.

STRATEGIC PLAN AND RELATED POLICIES

The annual financial audit is a statutory requirement for the SCRD and aligns with the Boards 2019-2023-Strategic Plan Focus Area of *Communication and Engagement*.

CONCLUSION

The purpose of this report is to provide information and seek Board direction. It is recommended that the Committee receive BDO's "*Audit Planning Report*" and that if there are any questions they be identified for staff to forward to BDO prior to the final audit.

Attachment:

1. BDO Canada - SCRD 2020 Audit Planning Report to the Board of Directors

Reviewed by:			
Manager		CFO	
GM		Legislative	
CAO	X - D. McKinley	Other	

SUNSHINE COAST REGIONAL DISTRICT

AUDIT PLANNING REPORT TO THE BOARD OF DIRECTORS

November 13, 2020



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EXECUTIVE SUMMARY

Our audit and therefore this report will not necessarily identify all matters that may be of interest to the Board of Directors in fulfilling its responsibilities. This report has been prepared solely for the use of the Board of Directors and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.



Your Dedicated BDO Audit Team

Paul Fripp, CPA, CA will be the lead on the engagement team, supported by experts as deemed necessary. Please refer to page 3 for contact information should you have any questions or concerns regarding the financial statement audit.



Timeline

Please refer to page 4 for the detailed milestones.



Audit Risk Areas

Our audit is focused on risks specific to your business and key accounts. Specifically, we have identified the following areas on which to focus:

- ▶ COVID-19 Impact
- ▶ Recognition of Grant & Government Transfer Revenue [*Mandatory audit standards consideration*]
- ▶ Management Override of Internal Controls [*Mandatory audit standards significant risk*]
- ▶ Liability for Landfill Closure
- ▶ Staff Compensation



Materiality

Materiality for all items other than infrastructure is preliminarily set at \$1,450,000, and materiality for infrastructure is preliminarily set at \$2,700,000. These levels are based on the prior year's financial results, and as described on page 7.



Engagement Objectives

Our overall responsibility is to form and express an opinion on the financial statements. The performance of this audit does not relieve management or those charged with governance of their responsibilities. Our current year engagement letter has been included as Appendix F and provides further details regarding the scope of our work.



Fraud Discussion

Through our planning process, and prior years' audits, we have developed an understanding of your oversight processes. We are not currently aware of any fraud affecting the District. Please see Appendix C for clarification of the auditor's responsibilities for detecting fraud.

If you are aware of changes to processes or are aware of any instances of actual, suspected or alleged fraud affecting the District, we request that you provide us with this information.

YOUR DEDICATED BDO AUDIT TEAM

In order to ensure effective communication between the Board of Directors and BDO Canada LLP, the contact details of the engagement team are outlined below. We attempt to provide continuity of service to our clients to the greatest extent possible in accordance with any mandated partner rotation rules. When rotation is required for key members of the engagement team, we will discuss this matter with the Board of Directors and determine the appropriate new individual(s) to be assigned to the engagement based on particular experience, expertise and engagement needs.

NAME	ROLE	PHONE NUMBER	EMAIL
Paul Fripp, CPA, CA	Engagement Partner	604.932.3799 ext: 1985	pfripp@bdo.ca
Brian Szabo, CPA, CA	Quality Review Partner	604.646.3389	bszabo@bdo.ca
Andrew Davies, CPA	Audit Manager	604.688.5421 ext: 4869	andavies@bdo.ca
Dylan Hughes	Auditor in Charge	604.688.5421 ext: 4783	dhughes@bdo.ca
Liz Yeung	Senior Auditor	604.688.5421 ext: 6671	lyeung@bdo.ca
Darren Taylor, CPA, CA	Indirect Tax Partner	604.433.4725	dtaylor@bdo.ca

AUDIT TIMELINE

The following schedule outlines the anticipated timing of the audit of the financial statements of the District.

As part of the year end Board of Directors meeting, we will provide the Board of Directors with a copy of our draft audit opinion, discuss our findings, including significant estimates utilized by management, accounting policies, financial statement disclosures, and significant transactions completed during the year. We will also report any significant internal control deficiencies identified during our audit and reconfirm our independence.



AUDIT RISK AREAS AND PLANNED RESPONSES

Based on our knowledge of the District's business, our past experience, and knowledge gained from management and the Board of Directors, we have identified the following significant risks; those risks of material misstatement that, in our judgment, require special audit consideration.

Significant risks arise mainly because of the complexity of the accounting rules, the extent of estimation and judgment involved in the valuation of these financial statement areas, and the existence of new accounting pronouncements that affect them. We request your input on the following significant risks and whether there are any other areas of concern that the Board of Directors has identified.

AUDIT RISK AREA	RISKS NOTED	PLANNED RESPONSE
Impact of COVID-19	The global health crisis known as "COVID-19" has caused significant disruptions to workforces across the globe. This drives potential operational risks for many organizations.	Review the impact of COVID-19 - whether temporary or permanent - on processes, controls and cash flows. Based on the results of this review we will perform additional procedures, or revise previously planned procedures, to address any additional audit risk areas identified.
Recognition of Grant and Government Transfer Revenue <i>(Mandatory audit standards consideration)</i>	Accounting standards relating to grants and government transfers revenue recognition are complex and open to interpretation. There is a risk that grants or revenue derived from other government transfers may be incorrectly deferred into future periods.	Funding will be verified through a review of the agreements, which ensures that the amounts recorded exist, are complete and are recorded accurately. Expenditures incurred for projects which are funded by arrangements that include certain stipulations will also be reviewed to ensure that those expenditures meet the requirements of the funding agreement. Review other revenue streams to ensure they are recorded in accordance with the latest revenue recognition standards.
Management Override of Internal Controls <i>(Mandatory audit standards significant risk)</i>	Management is in a unique position to perpetrate fraud because of management's ability to directly or indirectly manipulate accounting records, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	Review of transactions recorded in various ledgers for unusual, non-recurring adjustments that are not addressed by other audit procedures. Testing the appropriateness of key estimates, and any adjustments made in the preparation of the financial statements.

AUDIT RISK AREA	RISKS NOTED	PLANNED RESPONSE
Liability for Landfill Closure	A complex area that requires estimation, reliance on expert reports and calculations, and key management assumptions.	<p>Assess the results of work performed by external engineers regarding the remaining life and associated costs of the landfill closure and post-closure.</p> <p>Evaluate the key inputs used in the valuation of the landfill closures and post-closure liability, such as discount and inflation rates.</p> <p>Review the calculations and disclosures prepared by management and management's experts.</p>
Staff Compensation	A significant single type of expenditure that covers many employees and departments. This figure is often of particular interest to taxpayers.	<p>Perform a test of controls over the payroll system, including a review of a sample new staff additions and departures.</p> <p>Perform variance analysis and other analytical procedures, and investigate all significant fluctuations or otherwise unexpected results.</p>

MATERIALITY



Misstatements, including omitted financial statement disclosures, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances and include an assessment of both quantitative and qualitative factors and can be affected by the size or nature of a misstatement, or a combination of both.

Materiality for all items other than infrastructure (“specific materiality”) is preliminarily set at \$1,450,000, and materiality for infrastructure is preliminarily set at \$2,700,000. These figures are based on the prior year’s total revenue and tangible capital assets, respectively. Specific performance materiality, a risk-adjusted threshold used in the performance of audit testing, is preliminarily set at \$1,230,000. The trivial threshold, above which all detected differences are reported to the Board, is preliminarily set at \$72,500.

Our materiality calculation is based on the District’s prior year results. In the event that actual results vary significantly from those used to calculate preliminary materiality, we will communicate these changes to the Board of Directors as part of our year end communication.

We will communicate all corrected and uncorrected misstatements identified during our audit to the Board of Directors, other than those which we determine to be “clearly trivial”. Misstatements are considered to be clearly trivial for purposes of the audit when they are inconsequential both individually and in aggregate.

We encourage management to correct any misstatements identified throughout the audit process.

USING THE WORK OF OTHERS

Experts

In order for us to perform adequate audit procedures on certain financial statement areas, we will be relying on the work of, and the report prepared by, Mercer Canada (in relation to certain employee benefits) and XCG Environmental Engineers & Scientists (in relation to the landfill liability). In accordance with audit standards, we may be required to discuss or otherwise communicate with these experts regarding certain matters. These matters may consist of the following:

- ▶ The objective and nature of our audit engagement and how we intend to use the expert's findings and report.
- ▶ Our assessment of the significant and risk aspects of the engagement that will affect the expert's work.
- ▶ The requirement to advise us if they have any relationship with the District which could impair their judgment or objectivity in the conduct of their engagement.
- ▶ The nature, timing and extent of the expert's work and our planned review of it, possibly including review of their working papers.
- ▶ Confirmation that the assumptions used in their calculations are consistent with those used in the prior periods and with industry standards.
- ▶ Their obligation to advise BDO Canada LLP of any matters up to the estimated audit report date that may affect their calculations and their report.

We ask that the appropriate level of management review the data provided to both Mercer Canada and XCG Environmental Engineers & Scientists, and that they also review the assumptions used and results reported by the expert for reasonableness.

APPENDICES

Appendix A: BDO Resources

Appendix B: BDO Audit Strategy

Appendix C: Responsibilities

Appendix D: Independence Letter

Appendix E: Changes in Accounting Standards With Potential Affect To The District

Appendix F: Engagement Letter

APPENDIX A: BDO RESOURCES

BDO is a leading provider of professional services to clients of all sizes in virtually all business sectors. Our team delivers a comprehensive range of assurance, accounting, tax, and advisory services, complemented by a deep industry knowledge gained from nearly 100 years of working within local communities. Commitment to knowledge and best practice sharing ensures that expertise is easily shared across our global network.

Outlined below is a sample of current BDO resources which may be of interest to Management and the Board of Directors.

ASSET RETIREMENT OBLIGATIONS (ARO): A PRACTICAL APPROACH TO SECTION PS 3280

Section PS 3280, Asset Retirement Obligations, is effective **for fiscal years beginning on or after April 1, 2022 (delayed from April 1, 2021 due to COVID-19)** which means December 31, 2023 will be the District's first year impacted by this standard. The standard provides guidance on how to account for and report a liability for asset retirement obligations (AROs). It is anticipated that, for many public sector entities, adopting this standard will require a significant amount of cross-departmental cooperation and work.

This publication walks through a practical approach to applying Section PS 3280: https://www.bdo.ca/BDO/media/FRS/PSAS/PSAS_Update_11Sep20.pdf

EMPLOYEE WELLNESS DURING COVID-19

The social restrictions, workplace disruptions and general uncertainty of COVID-19 is having a significant impact on employee stress levels, creating negative effects on productivity and engagement. Even as restrictions initially eased in the summer months, uncertainty regarding a second wave and overall conclusion to this pandemic continued to drive increased stress. During this second wave, employees are expected to once again experience exceptional levels of anxiety related to workplace safety, and the resulting safety of their loved ones.

In these articles, BDO's Human Resources Advisory team shares a few insights on how to alleviate employee anxiety:
<https://www.bdo.ca/en-ca/insights/advisory/human-resources/how-employee-surveys-can-help-employee-wellness/>
<https://www.bdo.ca/en-ca/insights/advisory/human-resources/top-4-strategies-to-retain-key-talent-during-critical-times/>

SMART CITY ARCHITECTURE: A BLUEPRINT FOR BUILDING URBAN INFRASTRUCTURE

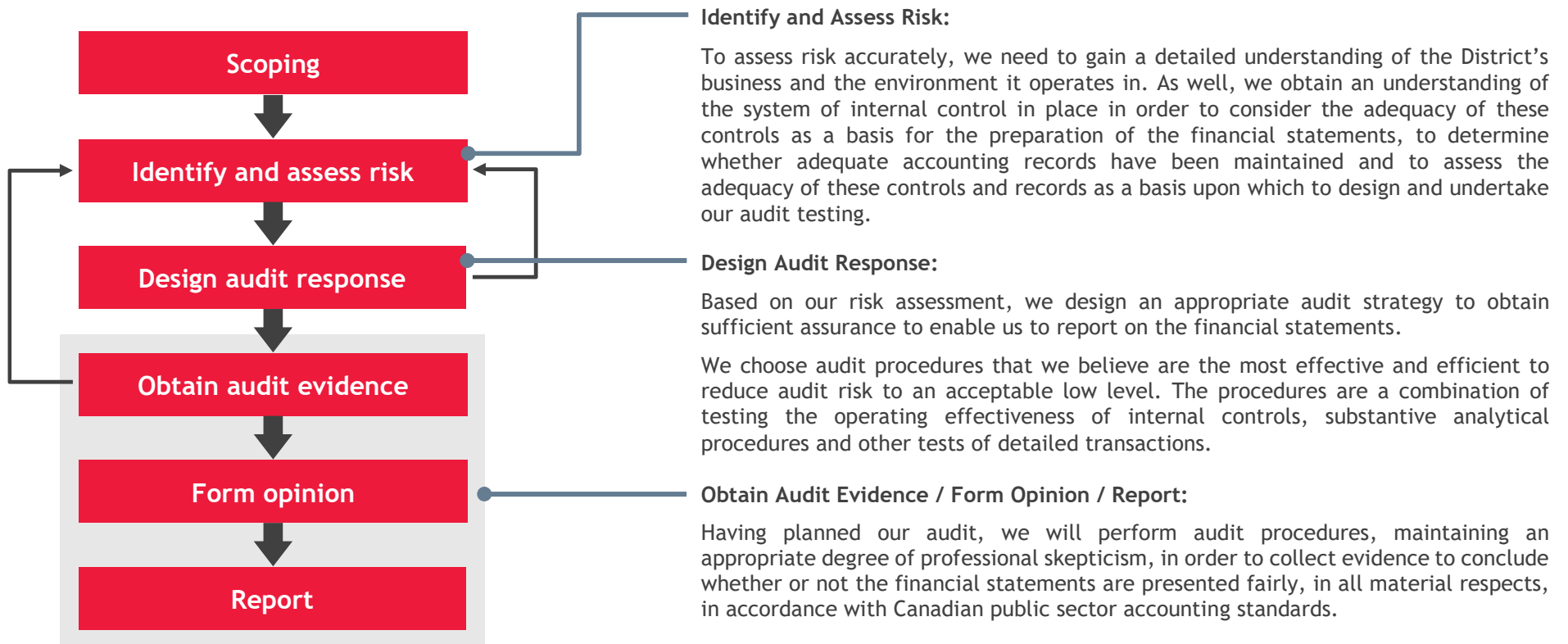
Transforming a city into a smart city can bring long-term benefits and opportunities for sustainability and innovation for both citizens and businesses. However when undertaking an integration initiative of this magnitude many issues can surface. A well-established plan coupled with active stakeholder engagement can clear the path to realizing this new urban infrastructure vision.

Download the full guide here: <https://www.bdo.ca/en-ca/insights/industries/public-sector/smart-cities-blueprint-urban-infrastructure/>

APPENDIX B: BDO AUDIT STRATEGY

Our overall audit strategy involves extensive partner and manager involvement in all aspects of the planning and execution of the audit and is based on our overall understanding of the District.

We will perform a risk-based audit which allows us to focus our audit effort on higher risk areas and other areas of concern for management and the Board of Directors.



APPENDIX C: RESPONSIBILITIES

It is important for the Board of Directors to understand the responsibilities that rest with the District and its management, those that rest with the external auditor, and the responsibilities of those charged with governance. BDO's responsibilities are outlined below and within the engagement letter dated November 13, 2020, and is included in Appendix F. The oversight and financial reporting responsibilities of management and the Audit and Risk Management Committee are also summarized below.

AUDITOR'S ENGAGEMENT OBJECTIVES

Our overall objective is to express an opinion as to whether the financial statements present fairly, in all material respects, the financial position, financial performance and cash flows of the District in accordance with Canadian public sector accounting standards.

Year-End Audit Work	Other Information
<ul style="list-style-type: none"> ▶ Work with management towards the timely issuance of the financial statements. ▶ Provide timely and constructive management letters. This will include deficiencies in internal control identified during our audit. ▶ Present significant findings to the Board of Directors including key audit and accounting issues, any significant deficiencies in internal control and any other significant matters arising from our work. 	<ul style="list-style-type: none"> ▶ Read the other information included in the District's Annual Report to identify material inconsistencies, if any, with the audited financial statements.
	Year-Round Work
	<ul style="list-style-type: none"> ▶ Consult regarding accounting, indirect tax, information systems and controls, and other reporting matters as requested throughout the year.

AUDITOR'S RESPONSIBILITIES FOR DETECTING FRAUD

We are responsible for planning and performing the audit to obtain reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud, by:

- ▶ Identifying and assessing the risks of material misstatement due to fraud;
- ▶ Obtaining sufficient and appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- ▶ Responding appropriately to fraud or suspected fraud identified during the audit.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

Fraud Risk Assessment Procedures

- ▶ Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments;
- ▶ Management's process for identifying and responding to the risks of fraud in the District, including any specific risks of fraud that management has identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist;
- ▶ Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the District; and
- ▶ Management's communication, if any, to employees regarding its view on business practices and ethical behaviour.



Response to Assessed Fraud Risks

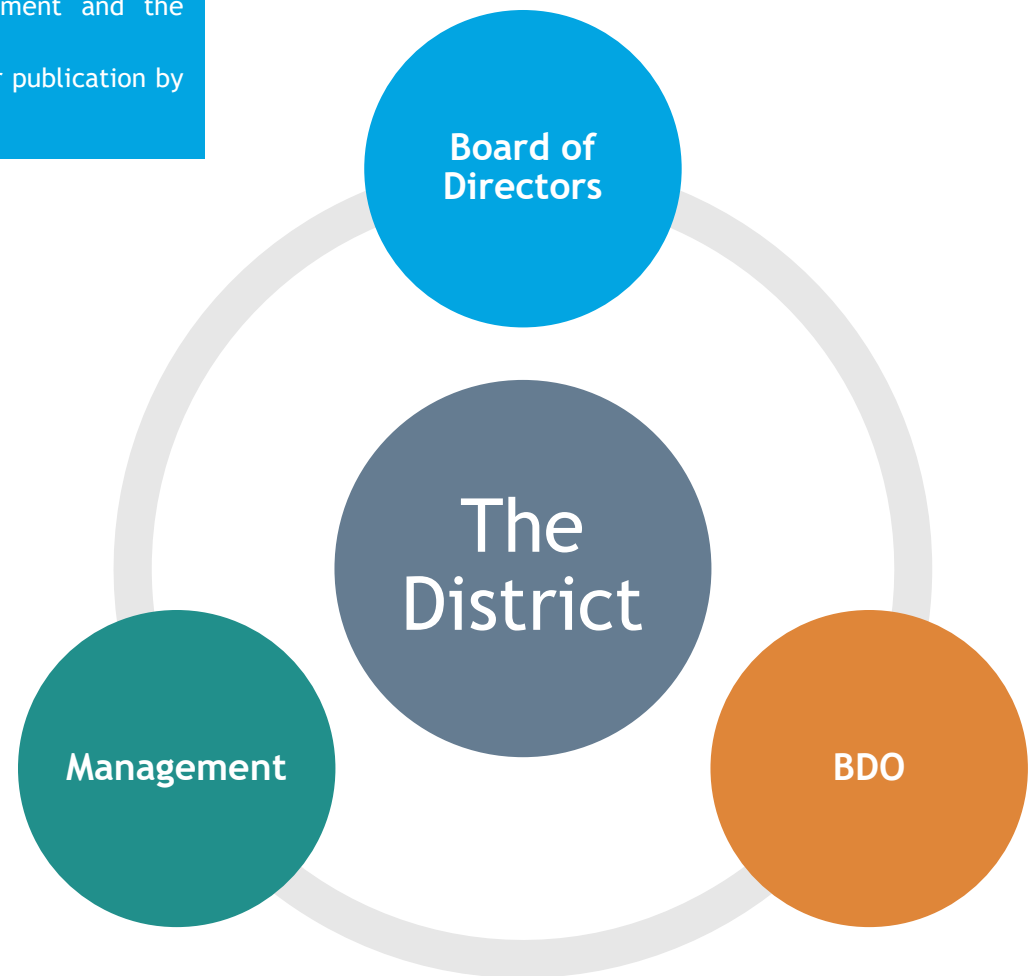
- ▶ Inquire of management, the Board of Directors, and others related to any knowledge of fraud, suspected fraud or alleged fraud;
- ▶ Perform disaggregated analytical procedures and consider unusual or unexpected relationships identified in the planning of our audit;
- ▶ Incorporate an element of unpredictability in the selection of the nature, timing and extent of our audit procedures; and
- ▶ Perform additional required procedures to address the risk of management's override of controls including:
 - Testing internal controls designed to prevent and detect fraud;
 - Testing the appropriateness of a sample of adjusting journal entries and other adjustments for evidence of the possibility of material misstatement due to fraud;
 - Reviewing accounting estimates for biases that could result in material misstatements due to fraud, including a retrospective review of significant prior years' estimates; and
 - Evaluating the business rationale for significant unusual transactions.

RESPONSIBILITIES OF THOSE CHARGED WITH GOVERNANCE

- ▶ Oversee the work of the external auditor engaged for the purpose of issuing an independent auditor's report.
- ▶ Facilitate the resolution of disagreements between management and the external auditor regarding financial reporting matters.
- ▶ Review the financial statements and annual report prior to their publication by the District.

MANAGEMENT RESPONSIBILITIES

- ▶ Maintain adequate accounting records and maintain an appropriate system of internal control for the District.
- ▶ Select and consistently apply appropriate accounting policies.
- ▶ Prepare the annual financial statements in accordance with Canadian public sector accounting standards.
- ▶ Safeguard the District's assets and take reasonable steps for the prevention and detection of fraud and other irregularities.
- ▶ Make available to us, as and when required, all of the District's accounting records and related financial information.



APPENDIX D: INDEPENDENCE LETTER

November 13, 2020

Members of the Board of Directors
Sunshine Coast Regional District

Dear Members of the Board of Directors:

We have been engaged to audit the financial statements of Sunshine Coast Regional District (the “District”) for the year ended December 31, 2020.

Canadian generally accepted auditing standards (GAAS) require that we communicate at least annually with you regarding all relationships between the District and our Firm that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, we have considered the applicable legislation and relevant rules and related interpretations prescribed by the appropriate provincial institute/order, covering such matters as:

- Holding a financial interest, either directly or indirectly in a client;
- Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- Economic dependence on a client; and
- Provision of services in addition to the audit engagement.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since April 17, 2020, the date of our last letter.

We are not aware of any relationships between the District and our Firm that, in our professional judgment, may reasonably be thought to bear on independence that have occurred from April 17, 2020 to November 13, 2020.

We hereby confirm that we are independent with respect to the District within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia as of November 13, 2020.

This letter is intended solely for the use of the Board of Directors, its committees, management and others within the District and should not be used for any other purposes.

Yours truly,

BDO Canada LLP

Chartered Professional Accountants

APPENDIX E: CHANGES IN ACCOUNTING STANDARDS WITH POTENTIAL TO AFFECT THE DISTRICT

The following summarizes the status of new standards and the changes to existing standards as of the fall of 2020. The Appendix also reviews Exposure Drafts, Statements of Principles, Projects and Post Implementation Reviews that provide information on the future direction of CPA Public Sector Accounting Handbook.

NEW STANDARDS NOT YET IN EFFECT

Section PS 3400 Revenue

(effective years beginning on or after April 1, 2023 - date revised due to COVID)

This section is related to revenue recognition principles that apply to revenues of governments and government organizations other than government transfers and tax revenue.

The Public Sector Accounting Handbook has two Sections that address two major sources of government revenues, government transfers and tax revenue. Revenues are defined in Section PS 1000, Financial Statement Concepts. Recognition and disclosure of revenues are described in general terms in Section PS 1201, Financial Statement Presentation.

This section addresses recognition, measurement and presentation of revenues that are common in the public sector. It is less complex than the comparable new IFRS standard, although generally consistent in philosophy.

This new Section will be effective for fiscal years beginning on or after April 1, 2023. Earlier adoption is permitted.

Section PS 3280, Asset Retirement Obligations

(effective years beginning on or after April 1, 2022 - date revised due to COVID)

This new Section establishes standards on how to account for and report a liability for asset retirement obligations. The main features of the new Section are:

- An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset.
- Asset retirement costs associated with a tangible capital asset controlled by the entity increase the carrying amount of the related tangible capital asset (or a component thereof) and are expensed in a rational and systematic manner.
- Asset retirement costs associated with an asset no longer in productive use are expensed.
- Measurement of a liability for an asset retirement obligation should result in the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date.
- Subsequent measurement of the liability can result in either a change in the carrying amount of the related tangible capital asset (or a component thereof), or an expense, depending on the nature of the re-measurement and whether the asset remains in productive use.
- A present value technique is often the best method with which to estimate the liability.
- As a consequence of the issuance of Section PS 3280:
 - editorial changes have been made to other standards; and
 - Section PS 3270, Solid Waste Landfill Closure and Post-Closure Liability has been withdrawn.

This Section applies to fiscal years beginning on or after April 1, 2022. Earlier adoption is permitted.

Section PS 3270 will remain in effect until the adoption of Section PS 3280 for fiscal periods beginning on or after April 1, 2022, unless a public sector entity elects earlier adoption.

This is one of the most significant new standards in years and will require considerable staff time in most entities to prepare for compliance. BDO has tools and resources to assist in this regard including our ARO Implementation Checklist.

Financial Instruments Narrow Scope Amendments

(effective years beginning on or after April 1, 2022 - date revised due to COVID)

As the name implies, these amendments are quite narrow in scope and will not impact many entities.

The amendments are intended to:

- clarify how to deal with financial instruments intended to maintain orderly conditions for the circulation of the Canadian dollar (will impact Federal Government only)
- change treatment of bond repurchases such that will not always be an immediate extinguishment of debt
- clarifies and simplifies certain transitional provisions

An Exposure Draft was issued in January 2019 and a Final Standard was issued in March 2020.

EXPOSURE DRAFTS PENDING

Purchased Intangibles: Narrow Scope Amendments

This project came together quickly as a result of a submission to the Public Sector Accounting Discussion Group. An Exposure Draft was issued in November 2019 and comments closed January 31, 2020. It is expected that PSAB will approve the amendments in fall 2020.

The main features of these amendments will be to:

- remove the recognition prohibition on purchased intangibles from Section PS 1000;
- remove the disclosure requirements from Section PS 1201 relating to purchased intangibles not recognized; and thus,
- allow for the recognition of purchased intangibles in public sector financial statements.

Public Private Partnerships

This project has been underway since 2014 and is nearing completion. PSAB is currently deliberating feedback received on the exposure draft which closed at the end of February 2020.

The exposure draft recommends the following:

- an asset would be recorded when the public sector entity controls:
 - the purpose and use of the infrastructure;
 - access to the infrastructure; and
 - any significant interest accumulated in the infrastructure when the public private partnership's term ends.
- asset to be recorded at cost/fair value -- usually based on present value of future payments related to construction/acquisition of asset
- record liability at same amount as asset
- liability a financial liability when cash/asset consideration, but if non-financial consideration may be:
 - a non-financial liability such as unearned revenue
 - or if no performance obligations may be immediate recognition of proceeds from grants of rights for use
- where a liability is recorded, it should be reduced as performance obligations are settled
- fairly detailed disclosure requirements

Concepts Underlying Financial Performance

This project includes both the "Conceptual Framework" and "Reporting Model" related to it. It is also nearing completion with an Exposure Draft expected in January 2021.

The existing Conceptual Framework found in Sections PS 1000, Financial Statement Concepts and PS 1100, Financial Statement Objectives will be replaced by 10 new chapters. Because the Conceptual Framework is used to develop generally accepted accounting principles (GAAP) but is not considered GAAP itself, there is not expected to be immediate impact from the introduction of the Conceptual Framework. It will, however, influence future Standards development so it is important that the concepts and principles be understood and considered.

Further a new Reporting Model will come along to amend and/or replace PS 1201, Financial Statement Presentation. It is expected that the new Reporting Model will allow better flexibility for application of PSAS to financial statements of government organizations and general improvements to aid understanding of financial statements. In particular, potential options for presentation of endowment investments and related fund balances.

CONSULTATION PAPERS AND INVITATIONS TO COMMENT

Review of International Strategy

On May 5, 2020, PSAB voted to approve "Option 2 - Adapt IPSAS principles when developing future standards," as described in Consultation Paper 2, "Reviewing PSAB's Approach to International Public Sector Accounting Standards." This decision resulted from extensive consultation with Canadian stakeholders. The Board initiated the project through its 2017-2021 Strategic Plan, "Review of PSAB's Approach to International Public Sector Accounting Standards."

Option II: Adapt IPSAS principles when developing future standards. PSAB would continue to develop PSAS, but future standards would be based on principles in existing individual IPSAS as each is considered by PSAB. The Board would establish a "Criteria for Modifying Principles" document to provide guidance on when departures from IPSAS principles in a standard under consideration are permitted. The Board's conceptual framework and financial reporting model would continue as the foundation for Canadian public sector generally accepted accounting principle (GAAP). So, a departure from principles in an individual IPSAS would be required if they conflict with the Board's framework or model. Changes to GAAP under this option would occur prospectively, and the Board's due process would be modified to incorporate the Criteria for Modifying Principles. Given that future PSAS would be based on principles in existing individual IPSAS, there would be an increased focus toward influencing the principles under development for new IPSAS.

Government Not-for-Profit Strategy

When government not-for-profits were brought into the PSA Handbook they were given the option of applying PSAS standards or PSAS standards in conjunction with the "4200 Series" of standards that mirror Part III of the CPA Handbook. It was always recognized that the 4200 Series was likely a stop-gap measure with additional NPO-specific standards being brought into the "regular" PSA Handbook. The need to review the GNFP strategy become more urgent with several provinces mandating that their organizations not use the 4200 series.

This is a difficult area because of the fact that many GNFPs operate quite differently than governments do and therefore do not fit well into a government financial reporting model. Moreover, not-for-profit organizations that are not government controlled follow different standards than GNFPs do (particularly those GNFPs that do not use 4200 series) which makes comparisons between some entities difficult.

PSAB has recognized the issues facing the GNFPO sector and has created a GNFPO Strategy Committee to guide it through a process of developing improved guidance for GNFPOs. Retired BDO partner Bill Cox is the Chair of this committee. The committee issued its first Consultation Paper in May 2019 which was mostly fact-finding. A second consultation paper will be issued in January 2021 which will include options and a recommended strategy. The recommendation will be for GNFPOs to go “full PSAS” but that as part of this process the existing PS 4200 standards will be reviewed on a standard by standard basis. Each existing 4200 standard will either be brought in to amend or supplement PSA standards or be discarded.

Employment Benefits

The existing Employee Benefits standards in PS 3250, Retirement Benefits and PS 3255, Post-employment Benefits are some of the older standards currently existing in the PSA Handbook. Quite frankly, they have not kept pace with the changes that have occurred in the industry. New concepts such as “Target-Benefit Plans” and “Shared-Risk Plans” do not fit in neatly to existing standards.

In recognition of the wide scope of review required to modernize these standards, PSAB had broken initial review into three different sections:

- Deferral Provisions (Invitation to Comment issued in November 2016)
- Discount Rate Guidance (Invitation to Comment issued in November 2017)
- Non-Traditional Pension Plans (Invitation to Comment issued in October 2018)

However, in late 2019 all projects in this area were curtailed for re-evaluation.

In mid-2020 the project was rebooted with a revised approach. The revised approach focuses on addressing the previously identified key issues using a multi-release strategy. Given the reboot, it is too early to predict where this project might be headed.

APPENDIX F: ENGAGEMENT LETTER

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Direct Line: 604-932-3799
E-mail: pfripp@bdo.ca

November 13, 2020

Sunshine Coast Regional District
1975 Field Road
Sechelt, BC
V0N 3A1

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

Dear Sirs/Mesdames:

We understand that you wish for us to continue as the auditors of Sunshine Coast Regional District for its fiscal year ended December 31, 2020 and subsequent years.

We are pleased to continue as your auditors subject to the terms and conditions of this Agreement, to which the attached Standard Terms and Conditions form an integral part. The definitions set out in the Standard Terms and Conditions are applicable throughout this Agreement. This Agreement will remain in place and fully effective for future years until varied or replaced by another relevant written agreement.

Paul Fripp, CPA, CA will be the Engagement Partner for the audit work we perform for you. The Engagement Partner will call upon other individuals with specialized knowledge to assist in the performance of services.

Our Role as Auditors

We will conduct our audit(s) in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements prepared in accordance with Canadian public sector accounting standards are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by you, as well as evaluating the overall financial statement presentation.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements, whether by fraud or error, may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.

In making our risk assessments, we consider internal control relevant to your preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of your internal controls. However, we will communicate to you concerning any significant deficiencies in internal controls relevant to the audit of the financial statements that we have identified during the audit.

We will also communicate matters required by professional standards, to the extent that such matters come to our attention, to you, those charged with governance and/or the board of directors.



We will also communicate matters required by professional standards, to the extent that such matters come to our attention, to you, those charged with governance and/or the board of directors.

Reporting

Our audit will be conducted on the basis that the financial statements have been prepared in accordance with Canadian public sector accounting standards.

Our independent auditor's report will be substantially in the form set out in Canadian Auditing Standard (CAS) 700. The form and content of our report may need to be amended in the light of our audit findings. If we are unable to issue or decline to issue an audit report, we will discuss the reasons with you and seek to resolve any differences of view that may exist.

Role of Management and Those Charged with Governance

You acknowledge and understand that you have responsibility for:

- (a) the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards. The audit of the financial statements does not relieve you of your responsibilities;
- (b) such internal controls as you determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- (c) providing us with:
 - access, in a timely manner, to all information of which you are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - additional information that we may request for the purpose of the audit;
 - unrestricted access to persons within the entity from whom we determine it is necessary to obtain audit evidence;
 - financial and non-financial information (other information) that will be included in document(s) containing financial statements and our audit report thereon prior to the date of our auditor's report. If it is not possible to provide all the other information prior to the date of our auditor's report, you are responsible for provision of such other information as soon as practicable; and
 - written confirmation concerning representations made to us in connection with the audit. If appropriate and adequate written representations are not provided to us, professional standards require that we disclaim an audit opinion.

Financial Statement Services

We will obtain your approval, if during the course of our engagement we:

- (a) prepare or change a journal entry; or
- (b) prepare or change an account code or a classification for a transaction.



Tax Services

Our audit is conducted primarily to enable us to express an opinion on the financial statements. The audit process is not designed to provide us with a full understanding of your tax situation and in particular, to allow us to determine whether the entity has specific tax compliance issues. We understand that you are not looking to BDO to provide you with any guidance or advice in regard to tax planning or compliance.

Additional Services

We are available to provide a wide range of services beyond those outlined in this Agreement. To the extent that any additional services that we provide to you that are not provided under a separate written engagement agreement, the provisions of this Agreement will apply to the services.

Fee Estimation

The estimated fee as well as payment terms for this engagement are as specified in our response to your RFP number 16260 dated June 24, 2016.

We will notify you on a timely basis should we encounter circumstances that would require us to perform work outside the scope of this RFP response and would therefore result in additional fees.

For each future year we will issue a Summary of Services providing details of our Services and fees.

We anticipate that our fees will be invoiced payable as follows:

- **30%** during the interim audit period;
- **60%** during the final audit period; and
- **Final 10%** upon issuance of our audit report.

We reserve the right to suspend our Services if any of our invoices become delinquent. Fees that are not paid within 30 days of an invoice or by a specified payment deadline will be considered delinquent.

Additional information relating to our fees is provided in the Standard Terms and Conditions.



Standard Terms and Conditions

A copy of our Standard Terms and Conditions is attached as Appendix 1. You should ensure that you read and understand them. The Standard Terms and Conditions include clauses that limit our professional liability.

Please sign and return the attached copy of this Agreement to indicate your agreement with it. If you have any questions concerning this Agreement, please contact us before signing it.

It is a pleasure for us to be of service and we look forward to many future years of association with you.

Yours truly,

BDO Canada LLP

Chartered Professional Accountants
PF/ad/mt

Agreement of all the terms and conditions in this Agreement is hereby acknowledged by:

Signature

Date

Name (please print)

Position

Please carefully review this Agreement, which includes the attached Standard Terms and Conditions, prior to signing it. A complete copy of the signed engagement letter should be returned to us.

cc: Board of Directors

Appendix 1 - Standard Terms and Conditions

1. Overview and Interpretation

- 1.1 This Agreement sets forth the entire agreement between the parties in relation to Services and it supersedes all prior agreements, negotiations or understandings, whether oral or written, with respect to Services. To the extent that any of the provisions of the accompanying letter conflict with these Standard Terms and Conditions, these Standard Terms and Conditions shall prevail. This Agreement may not be changed, modified or waived in whole or part except by an instrument in writing signed by both parties.

- 1.2 In this Agreement, the following words and expressions have the meanings set out below:

This Agreement - these Standard Terms and Conditions, the letter to which they are attached, and any supporting schedules or other appendices to the letter, and any Summary of Services letters issued in future years.

Services - the services provided or to be provided under this Agreement

We, us, our, BDO - refer to BDO Canada LLP, a Canadian limited liability partnership organized under the laws of the Province of Ontario

You, your - the party or parties contracting with BDO under this Agreement, including the party's or parties' management and those charged with corporate governance. You and your does not include BDO, its affiliates or BDO Member Firms

BDO Member Firm or Firms - any firm or firms that form part of the international network of independent firms that are members of BDO International Limited

Confidential Information - information that contains identifying features that can be attributed to you or individual personnel

2. BDO Network and Sole Recourse

- 2.1 BDO is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international network of independent member firms (i.e. BDO Member Firms), each of which is a separate legal entity.
- 2.2 We may use other BDO Member Firms or subcontractors to provide Services; however, we remain solely responsible for Services. You agree not to bring any claim or action against another BDO Member Firm (or their partners, members, directors, employees or subcontractors) or our subcontractors in respect of any liability relating to the provision of Services.
- 2.3 You agree that any of our affiliates, subcontractors, and other BDO Member Firms and any subcontractors thereof whom we directly or indirectly involve in providing Services have the right to rely on and enforce Section 2.2 above as if they were a party to this Agreement.

3. Respective Responsibilities

- 3.1 We will use reasonable efforts to complete, within any agreed-upon time frame, the performance of Services.

- 3.2 You shall be responsible for your personnel's compliance with your obligations under this Agreement. We will not be responsible for any delays or other consequences arising from you not fulfilling your obligations.
- 4. Working Papers and Deliverables
 - 4.1 Ownership - Any documents prepared by us, or for us, in connection with Services belong solely to us.
 - 4.2 Oral advice and draft deliverables - You should not rely upon any draft deliverables or oral advice provided by us. Should you wish to rely upon something we have said to you, please let us know and, if possible, we will provide the information that you require in writing.
 - 4.3 Translated documents - If you engage us to translate any documents, advice, opinions, reports or other work product of BDO from one language to another, you are responsible for the accuracy of the translation work.
 - 4.4 Reliance by Third Parties - Our Services will not be planned or conducted in contemplation of or for the purpose of reliance by any party other than you. Items of possible interest to a third party will not be addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction.
 - 4.5 Consent to use the Report - Nothing in this Agreement shall be construed as consent to the use of our report in connection with a continuous disclosure document, a public or private offering document, an annual report or any other document and we expressly do not provide such consent. If you request consent for the use of our report, we will consider, at the relevant time, providing consent and any conditions that we may attach to such consent. Our consent must be in writing.
 - 4.6 Consent requests - In order to provide consent, professional standards require that we read the other information in the related document and consider whether such information is materially inconsistent with the related financial statements. Any consent request must be made on a sufficiently timely basis to allow us to consider your identification and resolution of events occurring in the period since the date of our report, and to obtain updated written representation letters. Such procedures will be performed at your cost and will be documented in a separate engagement letter.
- 5. Confidentiality
 - 5.1 We agree to use Confidential Information provided by you only in relation to the Services in connection with which the information is provided and we will not disclose the information, except where required by law, regulation or professional obligation. We may however, give Confidential Information to other BDO Member Firms or other subcontractors assisting us in providing Services. Any party to whom we subcontract work will be required to keep Confidential Information confidential either by professional obligation or contract with us. Any BDO Member Firms or other subcontractors we use will be bound by the same confidentiality obligations.
 - 5.2 BDO shall be entitled to include a description of the work we render to or for you in marketing and research materials and disclose such information to third parties, provided that all such information will be made anonymous and not associated with you. Additionally, we may analyze information on an industry or sector basis for internal purposes or to provide industry/sector wide information to our clients or potential clients.

You consent to our using information obtained from you in this way provided that the outputs therefrom will not contain any identifying features that can be attributed to you.

6. Independence

- 6.1 Professional and certain regulatory standards require us to be independent, in both fact and appearance, with respect to our clients in the performance of our Services. We will communicate to you any relationships between BDO (including its related entities) and you that, in our professional judgment, may reasonably be thought to bear on our independence.

7. Offers of Employment

- 7.1 Any discussions that you, or any party acting on your behalf, have with professional personnel of our Firm regarding employment could pose a threat to our independence. Your recruitment of an engagement team member from the current or prior year's engagement may compromise our independence and our ability to render agreed Services to you. Engagement team members may include current and former partners and staff of BDO, other BDO Member Firms and other firms who work under our direction. Therefore, you agree to inform us prior to any such discussions so that you and we can implement appropriate safeguards to maintain our independence.

8. Professional and Regulatory Oversight

- 8.1 As required by legal, regulatory, or professional authorities (both in Canada and abroad) and by BDO policy, our client files must periodically be reviewed by practice inspectors to ensure that we are adhering to professional and BDO standards. It is understood that by entering into this Agreement, you provide your consent to us providing our files relating to your engagement to the practice inspectors for the sole purpose of their inspection.
- 8.2 Certain regulatory bodies may also have the right to conduct investigations of you, including the Services provided by us. To the extent practicable and permitted by law, we will advise you of any such investigation request or order prior to providing our working papers.
- 8.3 You agree to reimburse us for our time and expenses, including reasonable legal fees, incurred in responding to any investigation that is requested or authorized by you or investigations of you undertaken under government regulation or authority, court order or other legal process.

9. Privacy and Consents

- 9.1 You agree we will have access to all personal information in your custody that we require to complete our engagement. We may collect, use, transfer, store, or process such information disclosed by you of a personal nature (personal information). Our Services are provided on the understanding that:
- (a) you have obtained any consents for collection, use and disclosure to us of personal information required under all applicable privacy legislation; and
 - (b) we will hold all personal information in compliance with our Privacy Statement.

10. Electronic Communications

- 10.1 Both parties recognize and accept the security risks associated with email communications, including but not limited to the lack of security, unreliability of delivery and possible loss of confidentiality and privilege. Unless you request in writing that we do not communicate by internet email, you assume all responsibility and liability in respect of risk associated with its use.
- 10.2 By signing this Agreement, you provide BDO with express consent to communicate with you and your employees, as applicable, electronically, including sending BDO newsletters, publications, announcements, invitations and other news and alerts that may be of interest to you. You and your employees may withdraw such consent at any time by contacting BDO at www.bdo.ca/unsubscribe.

11. Limitation of Liability

- 11.1 In any dispute, action, claim, demand for losses or damages arising out of the Services performed by BDO pursuant to this Agreement, BDO shall only be liable for its proportionate share of the total liability based on degree of fault as determined by a court of competent jurisdiction or by an independent arbitrator as a result of the dispute resolution procedures, notwithstanding the provisions of any statute or rule of common law which create, or purport to create, joint and several liability.
- 11.2 Our liability shall be restricted to damages of a direct and compensatory nature and shall not include indirect, consequential, aggravated or punitive damages, or damages for loss of profits or expected tax savings, whether or not the likelihood of such loss or damage was contemplated.
- 11.3 You agree that BDO shall in no event be liable to you for any actions, damages, claims, liabilities, costs, expenses, or losses in any way arising out of or relating to the Services performed hereunder for an aggregate amount of more than the higher of:
- (a) three times the fees paid to BDO by you, in a twelve consecutive month period, for the Services provided pursuant to this Agreement giving rise to the claim; and
 - (b) \$25,000.
- 11.4 No exclusion or limitation on the liability of other responsible persons imposed or agreed at any time shall affect any assessment of our proportionate liability hereunder, nor shall settlement of or difficulty enforcing any claim, or the death, dissolution or insolvency of any such other responsible persons or their ceasing to be liable for the loss or damage or any portion thereof, affect any such assessment.
- 11.5 You agree claims or actions relating to the delivery of Services shall be brought against us alone, and not against any individual. Where our individuals are described as partners, they are acting as one of our members.

12. Indemnity

- 12.1 To the fullest extent permitted by applicable law and professional regulations, you agree to indemnify and hold harmless BDO from and against all losses, costs (including solicitors' fees), damages, expenses, claims, demands or liabilities arising out of or in consequence of:

- (a) a misrepresentation by a member of your management or board of directors, regardless of whether such person was acting in your interest;
- (b) the Services performed by BDO pursuant to this Agreement, unless, and to the extent that, such losses, costs, damages and expenses are found by a court of competent jurisdiction to have been due to the gross negligence of BDO. In the event that the matter is settled out of court, we will mutually agree on the extent of the indemnification to be provided by you, failing which, the matter may be referred to dispute resolution in accordance with the terms of this Agreement.

13. Alternative Dispute Resolution

- 13.1 Both parties agree that they will first attempt to settle any dispute arising out of or relating to this Agreement or the Services provided hereunder through good faith negotiations.
- 13.2 In the event that the parties are unable to settle or resolve their dispute through negotiation, such dispute shall be subject to mediation pursuant to the National Mediation rules of the ADR Institute of Canada Inc. All disputes remaining unsettled for more than 60 days following the parties first meeting with a mediator or such longer period as the parties mutually agree upon shall be subject to arbitration pursuant to the National Arbitration Rules of the ADR Institute of Canada Inc. Such arbitration shall be final, conclusive and binding upon the parties, and the parties shall have no right of appeal or judicial review of the decision. The parties hereby waive any such right of appeal which may otherwise be provided for in any provincial arbitration statute made applicable under the National Arbitration Rules.

14. Limitation Period

- 14.1 You shall make any claim relating to Services or otherwise under this Agreement no later than one year after you became aware or ought reasonably to have become aware of the facts giving rise to any such claim.
- 14.2 You shall in no event make any claim relating to the Services or otherwise under this Agreement later than four years after the completion of the Services under this Agreement.
- 14.3 To the extent permitted by law, the parties to this Agreement agree that the limitation periods established in this Agreement replace any limitation periods under any limitations act and/or any other applicable legislation and any limitation periods under any limitations act and/or any other applicable legislation shall not alter the limitation periods specified in this Agreement.

15. Québec Personnel

- 15.1 We may sometimes have individual partners and employees performing Services within the Province of Québec who are members of the Ordre des comptables professionnels agréés du Québec. Any such members performing professional services hereunder assumes full personal civil liability arising from the practice of their profession, regardless of their status within our partnership. They may not invoke the liability of our partnership as grounds for excluding or limiting their own liability. The provisions in Sections 11 (Limitation of Liability) and 14 (Limitation Period) shall therefore not apply to limit the personal civil

liability of partners and employees who are members of the Ordre des comptables professionnels agréés du Québec.

16. Termination

- 16.1 This Agreement applies to Services whenever performed (including before the date of this Agreement).
- 16.2 You or we may terminate this Agreement at any time upon written notice of such termination to the other party. We will not be liable for any loss, cost or expense arising from such termination. You agree to pay us for all Services performed up to the date of termination, including Services performed, work-in-progress and expenses incurred by us up to and including the effective date of the termination of this Agreement.

17. Fees and Billings

- 17.1 Our estimated fee is based on an assumed level of quality of your accounting records, the agreed upon level of preparation and assistance from your personnel and adherence to the agreed-upon timetable. Our estimated fee also assumes that your financial statements are in accordance with the applicable financial reporting framework and that there are no significant new or changed accounting policies or issues or internal control or other reporting issues. We will inform you on a timely basis if these factors are not in place.
- 17.2 Should our assumptions with respect to the quality of your accounting records be incorrect or should the conditions of the records, degree of cooperation, results of audit procedures, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimated fees are based, we may adjust our fees and planned completion dates.
- 17.3 Our professional fees will be based on our billing rates which depend on the means by which and by whom our Services are provided. We also will bill you for our out-of-pocket expenses, our administrative charge (described below), and applicable Goods and Services Sales Tax, Harmonized Sales Tax, Quebec Sales Tax and Provincial Sales Tax.
- 17.4 Our administrative charge is calculated as a percentage of our professional fee and represents an allocation of estimated costs associated with our technology infrastructure, telephone charges, photocopying and some support staff time costs.
- 17.5 Our accounts are due when rendered and invoiced amounts are deemed to be earned when paid. BDO may suspend the performance of Services in the event that you fail to pay an invoice when it is due. Interest may be charged at the rate of 12% per annum on all accounts outstanding for more than 30 days.

18. Governing Laws

- 18.1 The terms of our engagement shall remain operative until amended, terminated, or superseded in writing. They shall be interpreted according to the laws of the province or territory in which BDO's principal Canadian office performing the engagement is located, without regard to such province/territory's rules on conflicts of law.



19. Survival

- 19.1 The provisions of this Agreement that give either of us rights or obligations beyond its termination shall continue indefinitely following the termination of this Agreement. Any clause that is meant to continue to apply after termination of this Agreement will do so.

20. Force Majeure

- 20.1 We will not be liable for any delays or failures in performance or breach of contract due to events or circumstances beyond our reasonable control, including acts of God, war, acts by governments and regulators, acts of terrorism, accident, fire, flood or storm or civil disturbance.

21. Assignment

- 21.1 No party may assign, transfer or delegate any of the rights or obligations hereunder without the written consent of the other party or parties. BDO may engage independent contractors and BDO Member Firms to assist us in performing the Services in this Agreement without your consent.

22. Severability

- 22.1 If a court or regulator with proper jurisdiction determines that a provision of this Agreement is invalid, then the provision will be interpreted in a way that is valid under applicable law or regulation. If any provision is invalid, the rest of this Agreement will remain effective.

Version: 202006

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Corporate and Administrative Services Committee – November 26, 2020

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

SUBJECT: **FEDERAL GAS TAX - COMMUNITY WORKS FUND POLICY**

RECOMMENDATION(S)

THAT the report titled Federal Gas Tax - Community Works Fund Policy be received;

AND THAT the Federal Gas Tax-Community Works Fund Policy be approved as presented.

BACKGROUND

The Community Works Fund (CWF) is provided through the Federal Gas Tax Fund (Gas Tax Agreement or GTA) and is allocated on a per-capita basis twice-a-year to all local governments in British Columbia (BC).

In BC, the federal GTA is administered by the Union of British Columbia Municipalities (UBCM) through a tripartite agreement between Canada, British Columbia and UBCM, which is effective up to the end of 2024. Funding is distributed up front, twice annually to local governments who have signed a Funding Agreement with UBCM. Payments to each recipient consist of a base amount of approximately \$55,000 annually with the remainder allocated on a per capita basis.

Regional Districts receive funding based on rural area populations only. The Sunshine Coast Regional District (SCRD) signed the *2014-2024 Community Works Fund Agreement* with UBCM on July 14, 2014 and has received an average of \$644,000 annually over the first five years of the agreement. Included as part of this agenda is the CWF funding update. At the direction of the Board, these funds have been allocated to each of the five rural areas based on rural area populations for use towards projects within each rural area per the following motion:

163/17 **Recommendation No. 4** *Gas Tax Community Works Funding*

AND THAT 2016 Census population data be used as the basis for allocating Gas Tax Community Works Funding by Electoral Area for funds received after January 1, 2017.

Resolution #364/20 as follows, was made to incorporate changes to the draft policy (attached):

Recommendation No. 3 *Federal Gas Tax – Community Works Fund Framework*

The Corporate and Administrative Services Committee recommended that the report titled Federal Gas Tax – Community Works Fund Framework be received;

AND THAT the recommended changes as follows be incorporated into the draft Federal Gas Tax – Community Works Fund Policy and presented at a future Committee in preparation of final Policy approval:

- Purpose change to “a process for efficient expenditures of funds”;
- 7.1.3c – change to non-project to non-profit;
- 6.2.5 – change “eligible outside agencies” to “eligible partners”.

DISCUSSION

Staff have incorporated the resolved changes and present the attached Federal Gas Tax - Community Works Fund Policy to the Committee for final approval.

STRATEGIC PLAN AND RELATED POLICIES

A Policy for the Community Works Gas Tax Funds aligns with the Boards Strategic focus areas of Asset Stewardship; Community Resilience and Climate Change Adaptation; and Working Together. This also aligns with the Boards Financial Sustainability Policy.

CONCLUSION

The CWF is provided through the GTA and is administered in BC by UBCM. The CWF Agreement is effective up to the end of 2024 and funding is distributed up front, twice annually to local governments who have signed an Agreement with UBCM. Regional Districts receive funding based on rural area populations only.

The need to document and formalize past Board direction regarding how the SCRD allocates the Federal Gas Tax – Community Works Fund monies it receives each year and how the funds are administered is presented in the attached Federal Gas Tax – Community Works fund Policy for the Committee’s approval.

Attachment A: Federal Gas Tax-Community Works Fund Policy

Reviewed by:			
Manager		Finance	
GM		Legislative	
CAO	X – D. McKinley	Other	

Sunshine Coast Regional District

BOARD POLICY MANUAL

Section:	Finance	
Subsection:	Gas Tax	
Title:	Federal Gas Tax - Community Works Fund	

1. POLICY STATEMENT

Community Works Funds (CWF) are made available to eligible local governments, including the Sunshine Coast Regional District (SCRD), by the Government of Canada pursuant to the Agreement on the Transfer of Federal Gas Tax Revenues or Gas Tax Agreement (the “GTA”) between the Union of British Columbia Municipalities (UBCM) and the Governments of Canada and British Columbia. Funding under the program is intended to be directed to local priorities that fall within one of the eligible project categories and that are in keeping with the GTA’s intended outcomes of reduced greenhouse gas emissions, cleaner air and cleaner water.

All local governments receive CWF. The formula for dispersing the funding is based on a formula which includes a base amount and an amount per capita. Member Municipalities within the SCRD receive their own share of the CWF according to their population as does the Regional District.

2. PURPOSE

The purpose of this policy is to define a process for a fair and equitable distribution of the funding received from the CWF consistent with the terms and conditions of the GTA and to define a process for efficient expenditures of funds and ensure compliance with the CWF Agreement (as defined below).

3. DEFINITIONS

Federal Gas Tax Funds- means those funds received annually by the Federal Gas Tax - Community Works Fund, overseen by UBCM, to the SCRD.

“Agreement”- refers to the 2014-2024 Community Works Fund Agreement signed between the Regional District and the Union of BC Municipalities (UBCM)

“Annual Funding”- means the annual amount received from UBCM in two instalments in July and December of each year.

“Supplemental Funding”- means any additional payments received from UBCM from the Community Works Fund program.

4. SCOPE

Proposed projects or initiatives must meet the eligible criteria and guidelines as outlined by the Agreement.

In order for funds to be expended, the Regional District must have an established service under which an eligible project can be undertaken.

5. AUTHORITY TO ACT

- 5.1. *Local Government Act*, Section 263 (1) (a), (b), and (c).
- 5.2. The Board will be designated to review and evaluate all proposed projects and initiatives that meet the eligible criteria and guidelines of CWF.
- 5.3. The SCRD Board has both statutory and budgetary limitations and wish to ensure that these funds are disbursed as fairly and equitably as possible.

6. POLICY

6.1. Allocation of Funds

- 6.1.1. The SCRD receives CWF funds each year from the Federal Government of Canada, under Gas Tax Fund Agreements (GTA) between the Federal Government of Canada, the Province of British Columbia, UBCM and the SCRD. Under this policy, these funds are allocated for use in the Electoral Areas (EA) of the Regional District (Areas A, B, D, E and F).
- 6.1.2. No portion of these funds are allocated to member municipalities as they receive their own share of Federal Gas Tax funds under separate agreement with UBCM.
- 6.1.3. Funds received are allocated as follows:
 - 6.1.3.1. Regular Annual and or Supplemental Funds are 100% allocated to individual EA's A, B, D, E and F on a per-capita basis, based on most recent census using the Census Voting Strength reports published by the Province of British Columbia following each census taking.
 - 6.1.3.2. Regular Annual and or Supplemental Funds will be allocated based on a prospective basis. Subsequent changes in population will not cause unspent funds to be re-allocated.
 - 6.1.3.3. Interest earned on unspent balances will be allocated annually to the respective balances of each EA.
 - 6.1.3.4. Despite this allocation process, CWF belong to the SCRD as a whole. As such, EA Directors are free to re-distribute funds allocated to the area they represent to any other area of the SCRD or may 'pool' funds as they desire.

6.2. Use of Funds

- 6.2.1. All CWF must be used in accordance with eligibility criteria contained in the master agreement with UBCM, and any subsequent changes or updates thereto.
- 6.2.2. The Chief Financial Officer is responsible to determine whether specific projects or proposed expenditures meet eligibility criteria, but may consult with UBCM as necessary in making such determination.

6.2.3. The following project areas shall be given priority:

- a) Projects which align with the SCRD's strategic priorities;
- b) Projects which address critical infrastructure needs, capacity building, including capital investment plans, integrated community sustainability plans, life-cycle cost assessments, and asset management plans for the SCRD;
- c) Infrastructure projects that are owned or leased by the SCRD;
- d) Projects which benefit the greatest portion of an EA or region as a whole.

6.2.4. Projects that appear eligible will require a detailed project plan and budget with eligible project categories. CWF can be applied to all of a project or only the portion that meets the requirements.

6.2.5. Funding for projects from eligible ~~partners outside agencies~~ will be considered only if, after examining the SCRD's short and long-term financial commitments, there is available unallocated funding.

7. RESPONSIBILITIES AND PROCEDURES

7.1. The responsibilities and procedures related to this policy are as follows:

7.1.1. Staff:

- a) Develop eligible proposals to present the EA Directors
- b) Complete all reporting requirements.

7.1.2. EA Directors:

- a) The EA Directors shall review and evaluate all proposed projects and initiatives that meet the eligible criteria and guidelines of CWF and recommend to the Board of Directors approval of chosen projects

7.1.3. Board:

- a) Adopt the Federal Gas Tax-Community Works Fund Policy and consider updates from time to time;
- b) Approve funding of CWF projects during the annual financial plan process and any required financial plan amendments;
- c) Approve contribution agreements with non-profit ~~fit~~ organizations received CWF monies.

8. TIMELINES

- 8.1. In order to be included in the Financial Plan for the following year, proposals for eligible projects must be presented prior to or as part of the SCRD's pre-budgeting process. Proposals received after this date will only be considered if the project is considered an emergency. This deadline is provided to allow the EA Directors to review the proposed projects in advance of the financial planning process and to reduce the occurrence of financial plan amending bylaws.

9. REPORTING

- 9.1. The SCRD is required to provide annual reporting to UBCM, including measured outcomes on recent past projects.
- 9.2. Third party recipients must agree to provide necessary information to enable that reporting upon request, or be subject to a requirement to repay the CWF previously provided for the project and/or not be considered eligible for future funding.
- 9.3. SCRD staff will provide bi-annually (April and October) a report to the Corporate and Administrative Services Committee on the current status of the Gas Tax-Community Works Fund, including budgeted project commitments, year to date spending and uncommitted funds available to be spent on eligible projects. This information will also be provided as part of the annual Financial Planning process.

Approval Date:		Resolution No.	
Amendment Date:		Resolution No.	
Amendment Date:		Resolution No.	
Amendment Date:		Resolution No.	

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Corporate and Administrative Services Committee – November 26, 2020

AUTHOR: Jennifer Hill, Deputy Corporate Officer

SUBJECT: 2021 MEETING SCHEDULE

RECOMMENDATIONS

THAT the report titled 2021 Meeting Schedule be received;

AND THAT the 2021 Meeting Schedule be considered for adoption as presented.

BACKGROUND

The schedule of meetings for the Sunshine Coast Regional District (SCRD) Board and Board Committees is adopted annually. Changes to the meeting schedule can be made throughout the year by resolution or in alignment with *Board Procedures Bylaw No. 717*.

DISCUSSION

The proposed schedule follows in “Attachment A”. Most months, the schedule of meetings follows the standard timing as noted below:

Board	2 nd and 4 th Thursdays (2:00 p.m.)
Infrastructure Services Committee	2 nd Thursday (9:30 a.m.)
Planning and Community Development Committee	3 rd Thursday (9:30 a.m.)
Corporate and Administrative Services Committee	4 th Thursday (9:30 a.m.)
Policing and Public Safety Committee	Quarterly on the 3 rd Thursday of the month in January, April, July, and October (2:00 p.m.)
Transportation Advisory Committee	Quarterly on the 3 rd Thursday of the month in January, April, July, and October (3:15 p.m.)

Two notable changes have been proposed for the 2021 standard schedule. The start time for Board meetings has been moved from 1:30 p.m. to 2:00 p.m. to provide additional time to prepare amended Board agendas in response to late items coming forward from Standing Committee meetings held earlier in the day. For consistency, the Policing and Public Safety Committee meetings and Transportation Advisory Committee meetings are also proposed to begin at 2:00 p.m. Secondly, Infrastructure Services Committee meetings have been moved to the 2nd Thursday while Planning and Community Development Committee meetings are proposed for the 3rd Thursday to better accommodate operational needs related to timelines for meeting preparation.

Regional Hospital District Board meetings have not been included and will be scheduled as required.

The suggested exceptions to the above schedule are as follows:

February

- The Special Corporate and Administrative Services (CAS) Committee Round 1 Budget meeting has been scheduled for February 1st, 2nd and 5th in order to avoid a scheduling conflict with the February 3rd and 4th LGLA Leadership Forum.
- The Parcel Tax Roll Review Panel meeting has been scheduled for Thursday, February 25th at 9:00 a.m., just prior to the regularly scheduled Corporate and Administrative Services Committee meeting.

March

- The Special CAS Round 2 Budget meeting has been scheduled for March 4th and 5th.
- The dates for the High Ground Civic Governance Forum have not yet been announced. In previous years it has been scheduled towards the end of March or beginning of April. The potential impact to the Board's meeting schedule is therefore currently unknown.

April

- The Association of Vancouver Island and Coastal Communities (AVICC) Convention, previously scheduled for April 16th to 18th, has been cancelled. The AVICC Executive Committee will be meeting on December 11th to discuss the feasibility of holding a virtual convention in 2021. The potential impact to the Board's meeting schedule is therefore currently unknown.

August

- No meetings scheduled – summer break.

September

- Planning and Community Development Committee meeting moved from September 16th to September 2nd to accommodate Directors attending the Union of BC Municipalities (UBCM) Convention.

November

- Inaugural Board (2022 Election of the Chair and Vice Chair) meeting moved from November 11th to November 4th due to Remembrance Day.
- November Infrastructure Services Committee meeting moved from November 11th to November 18th at 2:00 p.m. due to Remembrance Day.

December

- Only one Board meeting scheduled in December.
- No Corporate and Administrative Services Committee meeting scheduled.
- Office closed on December 27th, 28th and January 3rd for statutory holidays. Office closed December 29th, 30th and 31st for the annual holiday office closure. Office to re-open on Tuesday, January 4, 2022.

STRATEGIC PLAN AND RELATED POLICIES

Preparation and adoption of the 2021 Meeting Schedule is in accordance with the Notice of Regular Meetings requirements set out in *Sunshine Coast Regional District Board Procedures Bylaw No. 717*.

CONCLUSION

Staff are requesting approval for the 2021 Meeting Schedule.

Attachment A: 2021 Meeting Schedule

Reviewed by:			
Manager		Finance	
GM		Legislative	X – S. Reid
CAO	X – D. McKinley	Other	

January

2021

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					1 New Year's Day Statutory Holiday	2
3	4	5	6	7	8	9
10	11	12	13	14 9:30am Infrastructure Services Committee Meeting 2:00pm Regular Board Meeting	15	16
17	18	19	20	21 9:30am Planning and Community Development Committee Meeting 2:00pm Policing and Public Safety Committee 3:15pm Transportation Advisory Committee	22	23
24	25	26	27	28 9:30am Corporate and Administrative Services Committee Meeting 2:00pm Regular Board Meeting	29	30
31						

February

2021

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1 9:30am Special CAS Committee (Round 1 Budget Meeting)	2 9:30am Special CAS Committee (Round 1 Budget Meeting)	3 LGLA – Leadership Forum	4 LGLA – Leadership Forum	5 9:30am Special CAS Committee (Round 1 Budget Meeting)	6
7	8	9	10	11 9:30am Infrastructure Services Committee Meeting 2:00pm Regular Board Meeting	12	13
14	15 Family Day Statutory Holiday	16	17	18 9:30am Planning and Community Development Committee Meeting	19	20
21	22	23	24	25 9:00am Parcel Tax Roll Review Panel 9:30am Corporate and Administrative Services Committee Meeting 2:00pm Regular Board Meeting	26	27
28						

March

2021

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2	3	4 9:30am Special CAS Committee (Round 2 Budget) Meeting	5 9:30am Special CAS Committee (Round 2 Budget) Meeting	6
7	8	9	10	11 9:30am Infrastructure Services Committee Meeting 2:00pm Regular Board Meeting	12	13
14	15	16	17	18 9:30am Planning and Community Development Committee Meeting	19	20
21	22	23	24	25 9:30am Corporate and Administrative Services Committee Meeting 2:00pm Regular Board Meeting	26	27
28	29	30	31			

April

2021

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1	2 Good Friday Statutory Holiday	3
4	5 Easter Monday Holiday	6	7	8 9:30am Infrastructure Services Committee Meeting 2:00pm Regular Board Meeting	9	10
11	12	13	14	15 9:30am Planning and Community Development Committee Meeting 2:00pm Policing and Public Safety Committee 3:15pm Transportation Advisory Committee	16 AVICC 2021 Convention - CANCELLED	17 AVICC 2021 Convention - CANCELLED
18 AVICC 2021 Convention - CANCELLED	19	20	21	22 9:30am Corporate and Administrative Services Committee Meeting 2:00pm Regular Board Meeting	23	24
25	26	27	28	29	30	

May

2021

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1
2	3	4	5	6	7	8
9	10	11	12	13 9:30am Infrastructure Services Committee Meeting 2:00pm Regular Board Meeting	14	15
16	17	18	19	20 9:30am Planning and Community Development Committee Meeting	21	22
23	24 Victoria Day Statutory Holiday	25	26	27 9:30am Corporate and Administrative Services Committee Meeting 2:00pm Regular Board Meeting	28	29
30	31					

June

2021

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1	2	3 Federation of Canadian Municipalities Annual Conference and Trade Show (Montreal)	4 Federation of Canadian Municipalities Annual Conference and Trade Show (Montreal)	5 Federation of Canadian Municipalities Annual Conference and Trade Show (Montreal)
6 Federation of Canadian Municipalities Annual Conference and Trade Show (Montreal)	7	8	9	10 9:30am Infrastructure Services Committee Meeting 2:00pm Regular Board Meeting	11	12
13	14	15	16	17 9:30am Planning and Community Development Committee Meeting	18	19
20	21	22	23	24 9:30am Corporate and Administrative Services Committee Meeting 2:00pm Regular Board Meeting	25	26
27	28	29	30			

July

2021

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1 Canada Day Statutory Holiday	2	3
4	5	6	7	8 9:30am Infrastructure Services Committee Meeting 2:00pm Regular Board Meeting	9	10
11	12	13	14	15 9:30am Planning and Community Development Committee Meeting 2:00pm Policing and Public Safety Committee 3:15pm Transportation Advisory Committee	16	17
18	19	20	21	22 9:30am Corporate and Administrative Services Committee Meeting 2:00pm Regular Board Meeting	23	24
25	26	27	28	29	30	31

August

2021

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2 BC Day Statutory Holiday	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

September

2021

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			1	2 9:30am Planning and Community Development Committee Meeting	3	4
5	6 Labour Day Statutory Holiday	7	8	9 9:30am Infrastructure Services Committee Meeting 2:00pm Regular Board Meeting	10	11
12	13 Union of BC Municipalities (UBCM) Convention (Vancouver)	14 Union of BC Municipalities (UBCM) Convention (Vancouver)	15 Union of BC Municipalities (UBCM) Convention (Vancouver)	16 Union of BC Municipalities (UBCM) Convention (Vancouver)	17 Union of BC Municipalities (UBCM) Convention (Vancouver)	18
19	20	21	22	23 9:30am Corporate and Administrative Services Committee Meeting 2:00pm Regular Board Meeting	24	25
26	27	28	29	30		

October

2021

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					1	2
3	4	5	6	7	8	9
10	11 Thanksgiving Day Statutory Holiday	12	13	14 9:30am Infrastructure Services Committee Meeting 2:00pm Regular Board Meeting	15	16
17	18	19	20	21 9:30am Planning and Community Development Committee Meeting 2:00pm Policing and Public Safety Committee 3:15pm Transportation Advisory Committee	22	23
24	25	26	27	28 9:30am Corporate and Administrative Services Committee Meeting 2:00pm Regular Board Meeting	29	30
31						

November

2021

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2	3	4 2:00pm Inaugural Board Meeting (2022 Election of the Chair and Vice Chair)	5	6
7	8	9	10	11 Remembrance Day Statutory Holiday	12	13
14	15	16	17	18 9:30am Planning and Community Development Committee Meeting 2:00pm Infrastructure Services Committee	19	20
21	22	23	24	25 9:30am Corporate and Administrative Services Committee Meeting 2:00pm Regular Board Meeting	26	27
28	29	30				

December

2021

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			1	2	3	4
5	6	7	8	9 9:30am Infrastructure Services Committee Meeting 2:00pm Regular Board Meeting	10	11
12	13	14	15	16 9:30am Planning and Community Development Committee Meeting	17	18
19	20	21	22	23	24	25
26	27 Statutory Holiday for Christmas Day	28 Statutory Holiday for Boxing Day	29 Field Road Holiday Office Closure	30 Field Road Holiday Office Closure	31 Field Road Holiday Office Closure	

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Corporate and Administrative Services Committee - November 26, 2020

AUTHOR: Valerie Cropp, Manager, Purchasing and Risk Management

SUBJECT: **INSURANCE INVOICES OVER \$100,000: MUNICIPAL INSURANCE ASSOCIATION (MIA) AND AON REED STENHOUSE INC. (AON)**

RECOMMENDATION(S)

THAT the report titled Insurance Invoices over \$100,000: 2021 Municipal Insurance Association (MIA) and Aon Reed Stenhouse Inc. (Aon) be received;

AND THAT payment of up to \$120,000 be authorized for liability insurance to MIA;

AND THAT payment of up to \$230,000 be authorized for property insurance to Aon;

AND THAT the 2020-2024 Financial Plan be amended to reflect the changes in premiums.

BACKGROUND

Delegation Bylaw 532 requires that all purchases over \$100,000 be authorized by a Board Resolution.

Insurance premiums for the Sunshine Coast Regional District (SCRD) are determined in December of the prior year following a review of the current coverage, and any changes to property or assets for the SCRD. Staff continue to work with our insurance brokers to finalize the amounts, however, this must be executed by year-end to ensure appropriate coverage for the SCRD. Staff will report the final values through the 2021 Budget process.

Through a cost evaluation process the SCRD has chosen to insure liability insurance from MIA and property insurance from Aon to receive the best value to the SCRD.

The purpose of this report is to receive Board approval for 2021 premiums.

DISCUSSION

Municipal Insurance Association (MIA): For 2021, the annual estimated assessment is, 120,000 (2020-\$82,368), which represents a combination of per capita rates, claims experience and some administrative costs. The assessment reflects year over year changes in the SCRD community's population and experience rating. Experience rating is based on community's claims development in the 2015 to 2019 policy years. Experience premiums and discounts are calculated using the MIA's member approved experience rating formula.

Included in 2021 estimate is the 'Casual Legal Service' program which provides legal opinion to its members for a cost of an estimate of \$500 per year and covers advice on all local government issues with unlimited inquiries (limited to 30 minutes). If a Casual Legal Advice subscriber contacts the law firm in good faith for the 30-minute advice service, but the matter takes longer than 30 minutes or requires preparation or review of documents then the subscriber is entitled to a discounted hourly rate. This is a valuable service for non-complex legal questions that are not covered under SCRD policy and in addition, the SCRD receives quarterly newsletters, bulletins on court cases and legislation and a number of other resources.

The SCRD has used this program at least ½ dozen times in 2020, some of the advice inquires went beyond 30 minutes which resulted in a reduce billed (about half the hourly standard rate) for the legal opinion.

For 2021 report the Risk Management Division will report on complete stats and cost savings.

Aon Reed Stenhouse Inc. (Aon): The estimated premium for 2021 of \$230,000 (2020-\$209,710) includes the renewal of property, boiler, crime, recreational instructors, AD&D and general liability insurance.

The rate is a result of the SCRD's increase in asset values in 2020 Statement of Values (SoV) and a hard insurance market, which when there is a high demand for insurance, but a lower supply of coverage available. The brokers are seeing a rate increase in the range of 5-15%.

The SoV is a tool for the SCRD and its Insurer to determine the value of insured assets. and maintaining an accurate SoV will benefit the SCRD, as more detailed information provides the Insurer with a healthier understanding of the cost and risks associated with the assets.

Our annual review of our insurance program has resulted in a change on how we will manage Group User insurance fees. In the past our recreation staff has been collecting and maintain group user insurances fees tracking form on a monthly bases and reporting back to AON. With switching to MIA program user groups will be able to access the insurance directly through a MIA portal which will resulting in staff spending less time on the administration of the group user program.

Financial Implications

The estimated 2021 premium for MIA may increase up to \$120,000, which is approximately 14% or \$37,632 higher than prior years. As liability is recovered through the Support Service Allocation, this increase will need to be updated as part of the 2021 Round 1 Budget figures. The policy is as follows:

Liability Insurance is paid through

a. Liability Insurance and Legal Fees

Liability Insurance and Legal Fees are included in function 110 and will be allocated proportionately to individual functions, based on the function's prior year net operating budget.

For Aon, these values are also estimated and will be refined over the coming weeks.

Due to volatile market conditions this year and the economic disruption brought on by the pandemic has intensified the hardening insurance market as a whole, resulting in dramatic premium increases across the countries insurance industry. Out of a necessity to fund claims adjusted to a higher risk environment, we are seeing rate increases that are larger than in previous years.

Recognizing these values are still estimates with MIA and Aon, the contracts need to be executed, and approval is required prior to year-end, Staff will report back as part of 2021 Budget process.

STRATEGIC PLAN AND RELATED POLICIES

This report aligns with the Boards Financial Sustainability Policy. speaks to the Board's Policy of *Fiscal Sustainability*.

CONCLUSION

Delegation Bylaw 532 requires that all purchases over \$100,000 be authorized by Board Resolution.

Insurance premiums are determined in December of the prior year following a review of the current coverage and any changes to property or assets for the SCRD.

Staff recommend the payments of up to \$120,000 and \$230,000 be authorized to the Municipal Insurance Association and Aon Reed Stenhouse respectively.

Reviewed by:			
Manager		CFO/Finance	X - T. Perreault
GM		Legislative	
CAO	X - D. McKinley	Other	

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Corporate and Administrative Services Committee – November 26, 2020

AUTHOR: Kyle Doyle, Manager, Asset Management

SUBJECT: WASTEWATER 2021 FRONTAGE FEE REVIEWS

RECOMMENDATIONS

THAT the report titled Wastewater 2021 Frontage Fee Reviews be received;

AND THAT the respective rate Bylaws be amended to reflect the proposed 2021 Frontage Fees detailed in Table 16 of the report;

AND THAT the 2021-2025 Financial Plan be amended accordingly.

AND FURTHER THAT the recommendation be forwarded to the November 26, 2020 Regular Board Meeting.

BACKGROUND

In January 2020 a report titled 'Wastewater Asset Management and Rate Review' presented a comprehensive review of wastewater funding and provided recommendations to adjust User and Frontage Fees as a part of an effort to progress towards sustainable funding for these services.

It was indicated at that time that further review and public engagement would be conducted. From August to October of this year individual presentations were delivered to each of the 15 wastewater services detailing updates regarding the capital funding plans.

The purpose of this report is to provide a summary of the capital funding plans and proposed Frontage Fees for the 15 wastewater services.

DISCUSSION

Introduction

The 15 wastewater services operated by the Sunshine Coast Regional District (SCRD) provide sewage treatment for small neighbourhoods across the regional district. Many of these facilities are approaching the end of their lifespans and require or have undergone replacement of infrastructure. The scope of these infrastructure projects is often unprecedented for these neighbourhoods since the time the wastewater facilities were first installed.

The advent of Asset Management as a portfolio within local governments, as promoted by both Provincial and Federal governments, has helped to expose an alarming trend in Canadian public infrastructure: the lack of consideration given to lifecycle costs associated with public infrastructure. This has facilitated a paradigm shift in financial management of service delivery and efforts to mitigate large increases in costs associated with infrastructure renewal are becoming common. The objective of creating a consistent cost over time for the delivery of the

service has replaced the previous model of paying as little as possible now and relying extensively on debt to fund future replacement.

Unlike municipalities, services provided by Regional Districts are financed only through revenues generated from the recipients of the service. For the 15 wastewater services within the SCRD this means the costs are shared by a small number of residents.

As there has been a lack of attention given to lifecycle costing by local governments in the past, there is a subsequent lack of adequate reserves set aside to finance the replacement of the aging infrastructure. This report summarizes the 50-year Capital Funding Plan and illustrates potential financial consequences each of three unique funding strategies for each wastewater service. Each strategy is accompanied with corresponding proposed five-year rate structure to provide short-term cost certainty.

Capital Budgets - Changes

After consulting the public prior to the previous rate review in January 2020, efforts were made to recognize and adapt to feedback received. The following changes were made across all service areas:

- By reviewing historical SCRD contract data Engineering Allowances were reduced by ~3% and contingency was reduced by ~15%
- Where possible consideration was given to financing larger portion of future infrastructure renewal projects.
- Variable borrowing rates reflecting the projected term of the borrowing was factored into the models.
- Construction Inflation was changed from a flat rate to a variable rate to reflect the uncertainty of future construction costs more accurately.

These changes generally reduced the projected capital expenditure when compared to the previously modeled Capital Budgets for each wastewater service.

Additionally, a five-year fee schedule has been created for each service. This aligns with the five-year financial plans applied to the higher level budget planning within the SCRD and provides financial certainty for both residents and staff.

Public Engagement

Residents of each wastewater service area were invited to attend a virtual information session with the option to participate. The format of these sessions was an approximately 30 minute presentation with time for questions at the end. Delivery was over Zoom and YouTube. The attendance during the live delivery was quite variable. Some sessions were well attended with a lengthy dialogue that followed and others were not attended on Zoom by any residents. The recorded videos have all been viewed and continue to receive views on YouTube.

Participants were able to ask questions and deliver comments. Polls were conducted at most meetings to gauge resident preferences. These polls were the object of much consternation at times as there was a sense that they may misrepresent the opinion of the residents and mislead the process. For this reason we have omitted polling data.

Generally residents were appreciative of the sessions and their ability to participate. While many participants accepted the need to increase the funding based on future capital expenditures, there are some that disagree with the principal of contributing towards reserve funds allocated to future capital projects. There is a persistent belief amongst some residents that Provincial and Federal grant money will be available to subsidize the eventual replacement of these wastewater systems. Disagreement regarding the magnitude of future costs was raised by participants in several of the public sessions.

Feedback continues to be received via email and telephone. Some residents are advocating for frontage fees to be frozen until there is additional consultation is completed.

Options and Analysis

Frontage Fees

The existing frontage fees for all service areas do not satisfy future capital expenditures. The magnitude of the variance between the projected need and the existing funding varies significantly amongst service areas. While all 15 services are similar in nature, there is a great deal of variance in population of the service area, the number of participating lots, the age of the infrastructure and the existing condition of the infrastructure.

It is important to note that many wastewater services are projected to undergo successive infrastructure replacement projects in the future. The chronological spacing of these projects creates a situation where overlapping debt obligations compound to rapidly drive the frontage fees higher. For this reason, it is frequently required to fully fund the initial project in order to avoid excessive debt with subsequent projects.

It is also important to note that the estimates below for replacement projects is based on the expected life span of assets, however, in many cases, these facilities may require work prior to the timeframes outlined by the plan. This would then precipitate the need to fund repairs (major or minor) ahead of schedule, furthering the need to provide some financial stability to the services.

Service Area Specific Details

381 – Greaves Road

Greaves Road service area consists of 6 participating parcels. The balance of the Capital Reserve is approximately \$3,200. Current revenue from frontage fees is \$612 annually for the entire service.

The next projected capital expenditure is the replacement of the treatment plant and the addition of a collection system. A feasibility study will be initiated shortly to confirm the scope and costs of these replacements. The costs are currently estimated at approximately \$193,000 in 2027. At the 2020 rate of contribution, capital reserve balance is expected to approximately \$7,500 in 2027 which will result in a deficit of \$185,500. Using current interest rates on a maximum loan period of ½ of the estimated useful life of the infrastructure (25 years) it is anticipated each parcel will be responsible for an annual debt obligation of \$1,830 for that 25 year period. The actual frontage in that period will consist of this annual debt obligation and any other capital needs, for example related to minor system components or the drain field. These values and the

timing of the initiation of the debt will be updated after receipt of the feasibility study for this service.

By increasing frontage fees in the lead up to the anticipated replacement date it is possible to accrue a larger capital reserve and reduce the debt obligation for each parcel. This will also mitigate the magnitude of the frontage fee increase associated with the debt repayment.

The short timeline associated with the replacement of the infrastructure limits the variety of funding options. Table 1 below represents three potential five-year fee structure scenarios. The replacement of the treatment plan and the addition of the collection system may be eligible for grants, this has been represented in the model by the second scenario. Visual representation of the 50-year Capital Model and the consequences of each of these scenarios can be found in **Attachment A**.

Table 1 - Potential Frontage Fee Structure - Greaves Road

Greaves Road	2020	2021	2022	2023	2024	2025
Scenario 1	\$ 102.00	\$ 202.00	\$ 302.00	\$ 402.00	\$ 502.00	\$ 602.00
Scenario 2	\$ 102.00	\$ 202.00	\$ 302.00	\$ 402.00	\$ 502.00	\$ 602.00
Scenario 3	\$ 102.00	\$ 152.00	\$ 202.00	\$ 252.00	\$ 302.00	\$ 352.00

382 – Woodcreek Park

Woodcreek Park service area consists of 73 participating parcels. The balance of the Capital Reserve is approximately \$33,000. Current revenue from frontage fees is \$7,446.

Design work has been completed to address current performance issues with this facility. The results are presented at the November 19, 2020 Infrastructure Services Committee meeting. The recommended infrastructure replacements are currently being considered for a grant of \$844,000. Beyond this, the next projected capital expenditure is the replacement of the drainfield and security fencing valued at approximately \$633,000 in 2039. The remaining 30 years of the 50 year horizon captured by the capital model are anticipated to have four more infrastructure projects with an average value of \$1.4 million dollars.

Three five-year frontage fee scenarios are presented below in Table 2 for Woodcreek Park. Visual representation of the 50-year Capital Model and the consequences of each of these scenarios can be found in **Attachment A**. Receipt of a grant for the sand filter project has not been considered in these scenarios as the project is required to be completed in the very near future to meet regulatory requirements, even if the grant application is not successful.

Table 2 - Potential Frontage Fee Structure - Woodcreek Park

Woodcreek Park	2020	2021	2022	2023	2024	2025
Scenario 1	\$ 102.00	\$ 302.00	\$ 502.00	\$ 702.00	\$ 902.00	\$ 1,102.00
Scenario 2	\$ 102.00	\$ 302.00	\$ 502.00	\$ 702.00	\$ 902.00	\$ 920.04
Scenario 3	\$ 102.00	\$ 152.00	\$ 202.00	\$ 252.00	\$ 302.00	\$ 352.00

383 – Sunnyside

Sunnyside Road service area consists of 11 participating parcels. The balance of the Capital Reserve is approximately \$33,000. Current revenue from frontage fees is \$1,122 annually.

The next projected capital expenditure is the replacement of the treatment plant and collection system valued at approximately \$210,000 in 2027. At the current rate of contribution, capital reserve balance is expected to approximately \$27,000 in 2027 which will result in a deficit of \$183,000. Using current interest rates on a maximum loan period of ½ of the estimated useful life of the infrastructure (25 yrs) it is anticipated each parcel will be responsible for an annual debt obligation of approximately \$1,000. This would be the minimum frontage fee for wastewater services associated with each parcel.

Three five-year frontage fee scenarios are presented below in Table 3 for Sunnyside Road. Visual representation of the 50-year Capital Model and the consequences of each of these scenarios can be found in **Attachment A**. Receipt of a grant for the upcoming infrastructure project has been illustrated under the conditions proposed by the second scenario.

Table 3 - Potential Frontage Fee Structure - Sunnyside Road

Sunnyside Road	2020	2021	2022	2023	2024	2025
Scenario 1	\$ 102.00	\$ 302.00	\$ 502.00	\$ 702.00	\$ 902.00	\$ 920.04
Scenario 2	\$ 102.00	\$ 202.00	\$ 302.00	\$ 402.00	\$ 502.00	\$ 602.00
Scenario 3	\$ 102.00	\$ 152.00	\$ 202.00	\$ 252.00	\$ 302.00	\$ 352.00

384 – Jolly Roger

Jolly Roger service area consists of 32 participating parcels. The balance of the Capital Reserve is approximately \$39,600. Current revenue from frontage fees is \$3,264 annually.

The next projected capital expenditure is the replacement of the outfall anchors in 2024, anticipated to cost approximately \$45,000 followed by the treatment plant valued at approximately \$850,000 in 2029. At the current rate of contribution, capital reserve balance is expected to be approximately \$52,700 in 2024 which will result in a remaining reserve balance of \$7,700. Under these conditions the reserve would accrue an additional \$16,300 before the replacement of the treatment plant. Using current interest rates on a loan for a 25 year period it is anticipated each parcel will be responsible for an annual debt obligation of approximately \$1,800. This would be the minimum frontage fee for wastewater services associated with each parcel.

By increasing the frontage fee prior to these projects it is possible to accrue additional reserve funds and mitigate the debt obligations partially while accumulating reserve for the replacement of the outfall that is shared with a neighbouring service area (Secret Cove).

Three five-year frontage fee scenarios are presented below in Table 4 for Jolly Roger. Visual representation of the 50-year Capital Model and the consequences of each of these scenarios can be found in **Attachment A**. Receipt of a grant for the upcoming treatment plant project has been illustrated under the conditions proposed by the second scenario.

Table 4 - Potential Frontage Fee Structure - Jolly Roger

Jolly Roger	2020	2021	2022	2023	2024	2025
Scenario 1	\$ 102.00	\$ 302.00	\$ 502.00	\$ 702.00	\$ 902.00	\$ 1,102.00
Scenario 2	\$ 102.00	\$ 202.00	\$ 302.00	\$ 402.00	\$ 502.00	\$ 602.00
Scenario 3	\$ 102.00	\$ 152.00	\$ 202.00	\$ 252.00	\$ 302.00	\$ 352.00

385 – Secret Cove

Secret Cove service area consists of 34 participating parcels. The balance of the Capital Reserve is approximately \$12,800. Current revenue from frontage fees is \$3,468 annually.

The next projected capital expenditure is the replacement of the outfall anchors in 2024, anticipated to cost approximately \$45,000 followed by the treatment plant valued at approximately \$850,000 in 2029. At the current rate of contribution, capital reserve balance is expected to be approximately \$26,700 in 2024 which will necessitate borrowing to complete the project. At the time of the projected replacement of the treatment plant it is expected that using current interest rates on a maximum loan for a 25 year period it is anticipated each parcel will be responsible for an annual debt obligation of approximately \$1,700. This would be the minimum frontage fee for wastewater services associated with each parcel.

By increasing the frontage fee prior to these projects it is possible to accrue additional reserve funds and mitigate the debt obligations partially while accumulating reserve for the replacement of the outfall that is shared with a neighbouring service area (Jolly Roger) as well as the collection system.

Three five-year frontage fee scenarios are presented below in Table 5 for Secret Cove. Visual representation of the 50-year Capital Model and the consequences of each of these scenarios can be found in **Attachment A**. Receipt of a grant for the upcoming treatment plant project has been illustrated under the conditions proposed by the first scenario.

Table 5 - Potential Frontage Fee Structure – Secret Cove

Secret Cove	2020	2021	2022	2023	2024	2025
Scenario 1	\$ 102.00	\$ 302.00	\$ 502.00	\$ 702.00	\$ 902.00	\$ 1,102.00
Scenario 2	\$ 102.00	\$ 202.00	\$ 302.00	\$ 402.00	\$ 502.00	\$ 602.00
Scenario 3	\$ 102.00	\$ 152.00	\$ 202.00	\$ 252.00	\$ 302.00	\$ 352.00

386 – Lee Bay

Lee Bay service area consists of 179 participating parcels. The balance of the Capital Reserve is approximately \$258,700. Current revenue from frontage fees is \$18,258 annually.

The next projected capital expenditure is the replacement of the standby generator in 2024, anticipated to cost approximately \$111,000 followed by the treatment plant valued at approximately \$6,700,000 in 2049. At the current rate of contribution, capital reserve balance is expected to be approximately \$677,000 in 2049 which will necessitate borrowing to complete the treatment plant project. At the time of the projected replacement of the treatment plant it is expected that using current interest rates on a loan period of 25 years it is anticipated each parcel will be responsible for an annual debt obligation of approximately \$2,600. This would be the minimum frontage fee for wastewater services associated with each parcel.

By increasing the frontage fee prior to these projects it is possible to accrue additional reserve funds and mitigate the debt obligations partially while accumulating reserve for the replacement of the further necessary infrastructure replacement.

Two five-year frontage fee scenarios are presented below in Table 6 for Lee Bay. Visual representation of the 50-year Capital Model and the consequences of each of these scenarios

can be found in **Attachment A**. The impact on future reserve levels affected by extending annual rate increases two or six extra years are shown for scenario 2.

Table 6 - Potential Frontage Fee Structure - Lee Bay

Lee Bay	2020	2021	2022	2023	2024	2025
Scenario 1	\$ 102.00	\$ 302.00	\$ 502.00	\$ 702.00	\$ 902.00	\$ 920.04
Scenario 2	\$ 102.00	\$ 202.00	\$ 302.00	\$ 402.00	\$ 502.00	\$ 602.00

387 – Square Bay

Square Bay service area consists of 93 participating parcels. The balance of the Capital Reserve is approximately \$44,800. Current revenue from frontage fees is \$20,220 annually.

Square Bay was fortunate to receive a grant to replace the treatment system in 2019. In recent years it has been identified that the collection system will require investments prior to the end of the anticipated life of this system in 2043 as the currently high level of infiltration of rainwater in the collection system is resulting in unanticipated performance issues with the treatment system. Once most of collection system has been replaced by 2043, starting in 2055, a series of major projects occur in relatively rapid succession. The timing of these projects necessitate building reserves in excess of the expenses anticipated for the earlier infrastructure projects to mitigate large frontage fee increases that are driven by debt obligations compounding multiple times.

Three five-year frontage fee scenarios are presented below in Table 7 for Square Bay. Visual representation of the 50-year Capital Model and the consequences of each of these scenarios can be found in **Attachment A**.

Table 7 - Potential Frontage Fee Structure - Square Bay

Square Bay	2020	2021	2022	2023	2024	2025
Scenario 1	\$ 217.00	\$ 417.00	\$ 617.00	\$ 817.00	\$ 1,017.00	\$ 1,037.34
Scenario 2	\$ 217.00	\$ 317.00	\$ 417.00	\$ 517.00	\$ 617.00	\$ 717.00
Scenario 3	\$ 217.00	\$ 267.00	\$ 317.00	\$ 367.00	\$ 417.00	\$ 467.00

388 – Langdale

Langdale service area consists of 40 participating parcels. The balance of the Capital Reserve is approximately \$4,080. Current revenue from frontage fees is \$4,080 annually.

Langdale is currently awaiting a feasibility study to provide direction the best course to resolve aging infrastructure that has begun to fail. The current reserve balance is minimal and it is expected that the feasibility study will recommend significant investment in infrastructure. A new treatment plant and drain field were anticipated to be required in 2024 with projected cost of approximately \$875,000. Based on current reserve contribution rates a loan of approximately \$850,000 would be required to fund this work, with a per parcel associated debt of \$1,250. These values and the timing of the initiation of the debt will be updated after receipt of the feasibility study for Langdale wastewater service.

Three five-year frontage fee scenarios are presented below in Table 8 for Langdale. Visual representation of the 50-year Capital Model and the consequences of each of these scenarios

can be found in **Attachment A**. Successful award of a grant for 30% of the anticipated infrastructure costs for the upcoming years have been modeled using scenario 1 as well.

Table 8 - Potential Frontage Fee Structure - Langdale

Langdale	2020	2021	2022	2023	2024	2025
Scenario 1	\$ 102.00	\$ 302.00	\$ 502.00	\$ 702.00	\$ 902.00	\$ 1,319.00
Scenario 2	\$ 102.00	\$ 202.00	\$ 302.00	\$ 402.00	\$ 502.00	\$ 1,393.00
Scenario 3	\$ 102.00	\$ 152.00	\$ 202.00	\$ 252.00	\$ 302.00	\$ 1,430.00

*cells highlighted yellow represent debt obligation minimum payments

389 – Canoe Road

Canoe Road service area consists of 10 participating parcels. The balance of the Capital Reserve is approximately \$3,070. Current revenue from frontage fees is \$4,243 annually.

Canoe Road has currently higher than average frontage fees due to debt obligations associated with the recent replacement of its treatment system. The next projected capital expenditure is the replacement of the not properly functioning collection system valued at approximately \$146,000 in 2029. At the current rate of contribution, capital reserve balance is expected to be approximately \$41,000 in 2029 which will result in a deficit of \$105,000. Using current interest rates on a maximum loan period of 25 year it is anticipated each parcel will be responsible for an annual debt obligation of approximately \$620. This would become the minimum frontage fee for wastewater services associated with each parcel.

Three five-year frontage fee scenarios are presented below in Table 9 for Canoe Road including the potential receipt of a grant for 30% of the collection system. Visual representation of the 50-year Capital Model and the consequences of each of these scenarios can be found in **Attachment A**.

Table 9 - Potential Frontage Fee Structure - Canoe Road

Canoe Road	2020	2021	2022	2023	2024	2025
Scenario 1	\$ 424.30	\$ 432.79	\$ 441.44	\$ 450.27	\$ 459.28	\$ 468.46
Scenario 2	\$ 424.30	\$ 474.30	\$ 524.30	\$ 574.30	\$ 624.30	\$ 636.79
Scenario 3	\$ 424.30	\$ 432.79	\$ 441.44	\$ 450.27	\$ 459.28	\$ 468.46

390 – Merrill Crescent

Merrill Crescent service area consists of 14 participating parcels. The balance of the Capital Reserve is approximately \$436. Current revenue from frontage fees is \$3,170 annually.

Merrill Crescent has debt obligations associated with the recent construction of a disposal field. The next projected capital expenditure is the replacement of the treatment system in 2032. A feasibility study will be initiated shortly to confirm the scope and costs of these replacements while this is currently valued at approximately \$310,000. At the current rate of contribution, capital reserve balance is expected to approximately \$38,000 in 2032 which will result in a deficit of \$272,000. Using current interest rates on a maximum loan of a 25-year period it is anticipated each parcel will be responsible for an annual debt obligation of approximately \$1,170. This would become the minimum frontage fee for wastewater services associated with

each parcel. These values and the timing of the initiation of the debt will be updated after receipt of the feasibility study for this service.

Two five-year frontage fee scenarios are presented below in Table 10 for Merrill Crescent. Visual representation of the 50-year Capital Model and the consequences of each of these scenarios can be found in **Attachment A** including the potential receipt of a grant for 30% of the treatment system under scenario 1.

Table 10 - Potential Frontage Fee Structure - Merrill Crescent

Merrill Crescent	2020	2021	2022	2023	2024	2025
Scenario 1	\$ 226.71	\$ 326.71	\$ 426.71	\$ 526.71	\$ 626.71	\$ 726.71
Scenario 2	\$ 226.71	\$ 276.71	\$ 326.71	\$ 376.71	\$ 426.71	\$ 476.71

391 – Curran Road

Curran Road service area consists of 70 participating parcels. The balance of the Capital Reserve is approximately \$30,400. Current revenue from frontage fees is \$10,710 annually.

Curran Road has several minor projected capital expenditures in the near future followed by the phased replacement of the collection system valued at approximately \$1,240,000 by 2061 (anticipated to occur over multiple phases beginning in 2053). Following that in 2065 is the replacement of the treatment system. At the current rate of contribution, capital reserve balance is expected to approximately \$380,000 in 2053 which will largely finance the first phase of collection system related expenditure. The subsequent phases and treatment plant will be largely debt resulting in a large jump in debt obligation.

Three five-year frontage fee scenarios are presented below in Table 11 for Curran Road. Visual representation of the 50-year Capital Model and the consequences of each of these scenarios can be found in **Attachment A**.

Table 11 - Potential Frontage Fee Structure - Curran Road

Curran Road	2020	2021	2022	2023	2024	2025
Scenario 1	\$ 153.00	\$ 353.00	\$ 553.00	\$ 753.00	\$ 953.00	\$ 1,153.00
Scenario 2	\$ 153.00	\$ 253.00	\$ 353.00	\$ 453.00	\$ 553.00	\$ 653.00
Scenario 3	\$ 153.00	\$ 203.00	\$ 253.00	\$ 303.00	\$ 353.00	\$ 403.00

392 – Roberts Creek Co-Housing

Roberts Creek Co-Housing service area consists of 31 participating parcels. The balance of the Capital Reserve is approximately \$35,850. Current revenue from frontage fees is \$6,324 annually.

Roberts Creek Co Housing currently has performance issues resulting in non-compliances with permit requirements. Addressing these issues could result in a need for infrastructure improvements prior to the anticipated end-of life of the current infrastructure at a currently unknown cost.

Based on the anticipated end-of life of the current infrastructure Roberts Creek Co Housing is projected to require a drain field replacement in 2043 at an expected cost \$285,000. Following

that in 2053 is the replacement of the treatment system with an estimated cost of approximately \$1,700,000. At the current rate of contribution, capital reserve balance is expected to approximately \$181,000 in 2043 which will necessitate debt to fund both the drain field and the subsequent treatment plant. These values and the timing of the initiation of the debt will be updated after the capital investments required to address the current performance issues have been determined.

Three five-year frontage fee scenarios are presented below in Table 12 for Roberts Creek Co Housing. Visual representation of the 50-year Capital Model and the consequences of each of these scenarios can be found in **Attachment A**.

Table 12 - Potential Frontage Fee Structure - Roberts Creek Co Housing

Roberts Creek Co-Housing	2020	2021	2022	2023	2024	2025
Scenario 1	\$ 204.00	\$ 304.00	\$ 404.00	\$ 504.00	\$ 604.00	\$ 704.00
Scenario 2	\$ 204.00	\$ 404.00	\$ 604.00	\$ 616.08	\$ 628.40	\$ 640.97
Scenario 3	\$ 204.00	\$ 254.00	\$ 304.00	\$ 354.00	\$ 404.00	\$ 454.00

393 – Lily Lake

Lily Lake service area consists of 28 participating parcels. The balance of the Capital Reserve is approximately \$0. Current revenue from frontage fees is \$5,712 annually.

Lily Lake is projected to require a drain field replacement in 2045 at an expected cost \$258,000. Following that in 2055 is the replacement of the treatment system with an estimated cost of approximately \$1,800,000. At the current rate of contribution, capital reserve balance is expected to approximately \$142,000 in 2045 which will necessitate debt to fund both the drain field and the subsequent treatment plant.

Three five-year frontage fee scenarios are presented below in Table 13 for Lily Lake. Visual representation of the 50-year Capital Model and the consequences of each of these scenarios can be found in **Attachment A**.

Table 13 - Potential Frontage Fee Structure - Lily Lake

Lily Lake	2020	2021	2022	2023	2024	2025
Scenario 1	\$ 204.00	\$ 304.00	\$ 404.00	\$ 504.00	\$ 604.00	\$ 704.00
Scenario 2	\$ 204.00	\$ 404.00	\$ 604.00	\$ 804.00	\$ 820.08	\$ 836.48
Scenario 3	\$ 204.00	\$ 254.00	\$ 304.00	\$ 354.00	\$ 404.00	\$ 454.00

394 – Painted Boat

Painted Boat service area consists of 34 participating parcels. The balance of the Capital Reserve is approximately \$5,200. Current revenue from frontage fees is \$3,468 annually.

Painted Boat is projected to require a replacement of the UV component of the treatment system in 2038, a drain field replacement in 2048 at an expected cost \$785,000. Following that in 2058 is the replacement of the treatment system with an estimated cost of approximately \$1,400,000. At the current rate of contribution, capital reserve balance is expected to approximately \$95,000 in 2048 which will necessitate debt to fund both the drain field and the subsequent treatment plant.

Three five-year frontage fee scenarios are presented below in Table 14 for Painted Boat. Visual representation of the 50-year Capital Model and the consequences of each of these scenarios can be found in **Attachment A**.

Table 14 - Potential Frontage Fee Structure - Painted Boat

Painted Boat	2020	2021	2022	2023	2024	2025
Scenario 1	\$ 102.00	\$ 302.00	\$ 502.00	\$ 702.00	\$ 716.04	\$ 730.36
Scenario 2	\$ 102.00	\$ 202.00	\$ 302.00	\$ 402.00	\$ 502.00	\$ 602.00
Scenario 3	\$ 102.00	\$ 152.00	\$ 202.00	\$ 252.00	\$ 302.00	\$ 352.00

395 – Sakinaw Ridge

Sakinaw Ridge service area consists of 29 participating parcels. The balance of the Capital Reserve is approximately \$0. Current revenue from frontage fees is \$19,437 annually of which the majority is allocated to fund operation costs due to the occupancy of the service (8 residences).

Sakinaw Ridge is projected to require a drain field pump replacement in 2038 at an expected cost \$110,000. Following that in 2048 is the replacement of the drain field with an estimated cost of approximately \$600,000. At the current rate of contribution, capital reserve balance is expected to be negligible in 2038 which will necessitate debt to fund both the pumps and the drain field, with a looming treatment plant replacement in 2058.

Sakinaw Ridge wastewater treatment system was designed for more than triple the parcels that is currently occupied. The operational expenses should be subsidized by frontage fees to mitigate this disparity in financial responsibility that has been placed on the current residents.

Three five-year frontage fee scenarios are presented below in Table 15 for Sakinaw Ridge assuming operational expenses are funded through user fees. Visual representation of the 50-year Capital Model and the consequences of each of these scenarios can be found in **Attachment A**. The degree to which frontage fees should subsidize operational expenses is under review.

Table 15 - Potential Frontage Fee Structure - Sakinaw Ridge

Sakinaw Ridge	2020	2021	2022	2023	2024	2025
Scenario 1	\$ 670.27	\$ 770.27	\$ 870.27	\$ 970.27	\$ 1,070.27	\$ 1,091.68
Scenario 2	\$ 670.27	\$ 845.27	\$ 1,020.27	\$ 1,040.68	\$ 1,061.49	\$ 1,082.72
Scenario 3	\$ 670.27	\$ 720.27	\$ 770.27	\$ 820.27	\$ 870.27	\$ 920.27

Financial Implications

Further delays in increasing contributions to Capital Reserve funds will require rapid frontage fee increases in order to avoid exacerbated debt servicing costs for future residents. Where capital investments are required to address current performance issues with some of the services the necessity for doing so is increased.

In recommending the 2021 rates staff considered the financial uncertainty associated with the Covid-19 pandemic and ongoing discussions with residents concerned about the impacts of any substantial rate increase in general on their lives.

A one-time increase this year will ensure that the reserve contributions are progressing to a sustainable level while allowing flexibility to manage the uncertainty that exists today in 2021

The proposed increases are represented in Table 16 below and are based on a balance between moving towards sustainable service funding and recognizing the economic uncertainty present today.

Table 16 - Proposed 2021 Frontage Fee Changes

Service	2020	2021
Greaves	\$ 102.00	\$ 202.00
Woodcreek	\$ 102.00	\$ 302.00
Sunnyside	\$ 102.00	\$ 202.00
Jolly Roger	\$ 102.00	\$ 202.00
Secret Cove	\$ 102.00	\$ 202.00
Lee Bay	\$ 102.00	\$ 202.00
Square Bay	\$ 217.42	\$ 317.42
Langdale	\$ 102.00	\$ 202.00
Canoe	\$ 424.30	\$ 424.30
Merrill	\$ 226.71	\$ 326.71
Curran	\$ 153.00	\$ 253.00
Roberts Creek	\$ 204.00	\$ 304.00
Lily Lake	\$ 204.00	\$ 304.00
Painted Boat	\$ 102.00	\$ 202.00
Sakinaw	\$ 670.27	\$ 845.27

In 2021 staff will continue to explore options to mitigate the impact of rate increases on vulnerable residents and attempt to continue to foster an understanding of the rationale driving the need for these increases to residents.

It is recommended that THAT the respective rate Bylaws be amended to reflect the proposed 2021 User Fees detailed in Table 16 of the report.

Timeline for next steps or estimated completion date

Once approval is received to amend frontage fees, the appropriate bylaw amendments will be drafted and presented to a November 2020 Board Meeting for three readings and adoption.

Further investigation into the potential to defer fees associated with capital improvements should be conducted to provide residents with flexibility to manage finances while still creating sustainable service delivery models for all wastewater services.

Communication Strategy

A Communication Plan has been developed to inform homeowners of the rate increases. Information regarding rate changes will be communicated via print advertising, social media and on utility invoices sent to customers. The rate changes will also be posted on the SCRD website.

STRATEGIC PLAN AND RELATED POLICIES

This report aligns with the Boards Strategic focus area of Infrastructure Management and Engagement and Communication.

Financial Sustainability Policy – Sections 4.2.1, 4.2.2, 4.2.4, 4.6.1 and 4.6.2

Corporate Asset Management Plan V. 1.1

CONCLUSION

The SCRD manages 15 wastewater treatment facilities and is responsible for the operation and maintenance of these facilities, the establishment of sustainable funding models, and ensuring compliance with environmental regulations.

The current fee structure does not provide sufficient revenue to meet these obligations. Specific local service areas face imminent financial shortfalls due to aging infrastructure and insufficient funding. Frontage Fees do not currently meet capital requirements for many of the SCRD managed wastewater services.

It is recommended that increases to Frontage Fees outlined in Table 16 be adopted for 2021 and that the Board commit to a five-year frontage fee structure by the end of 2021 for implementation in 2022 to provide long-term certainty to residents.

Attachment

Attachment A – Capital Model Graphs

Reviewed by:			
Manager		CFO	X - T. Perreault
GM	X – R. Rosenboom	Legislative	X – S. Reid
CAO	X - D. McKinley	Other	

Greaves Road

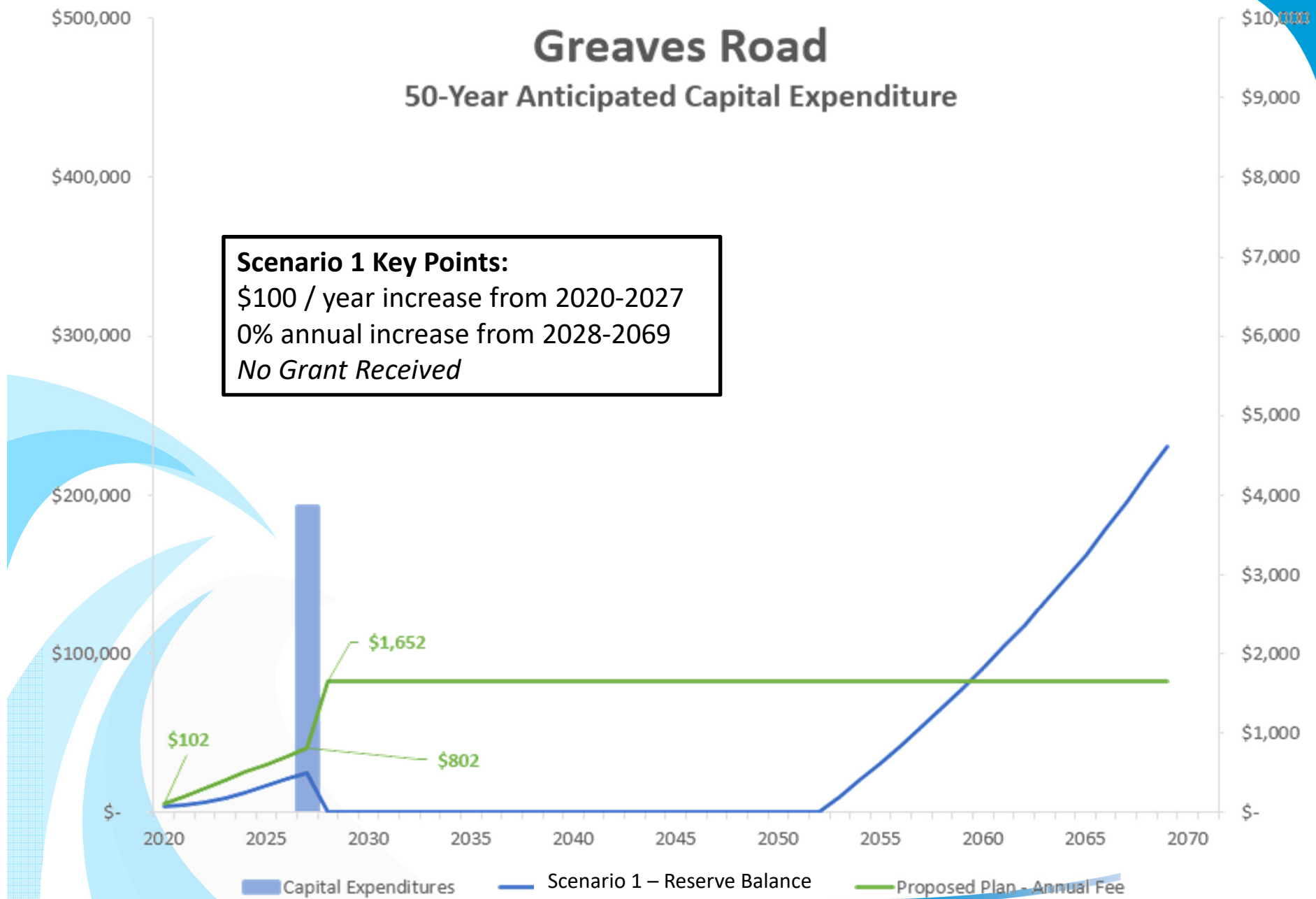
50-Year Anticipated Capital Expenditure

Scenario 1 Key Points:

\$100 / year increase from 2020-2027

0% annual increase from 2028-2069

No Grant Received



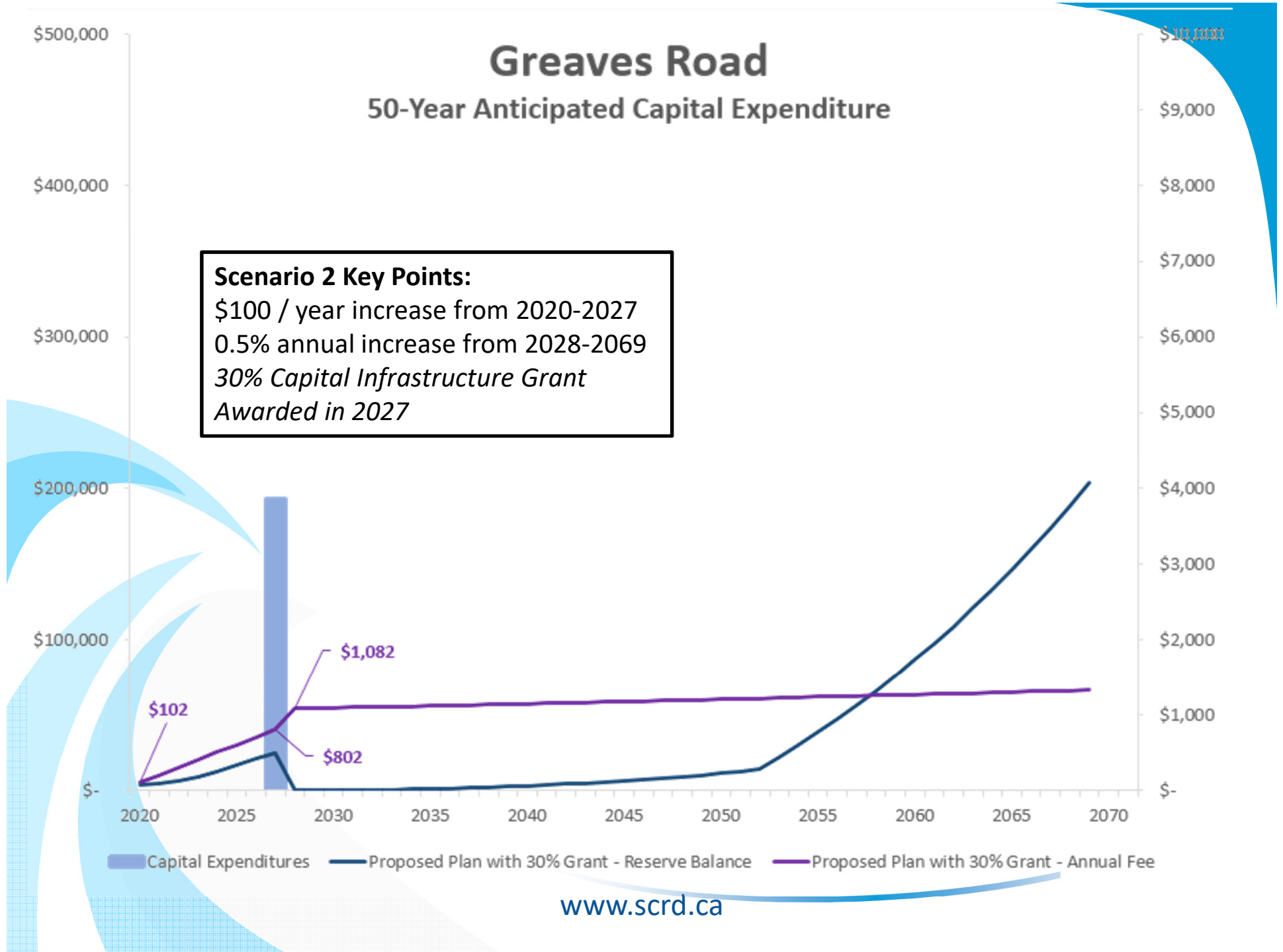
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Greaves Road

50-Year Anticipated Capital Expenditure

Scenario 2 Key Points:

\$100 / year increase from 2020-2027
 0.5% annual increase from 2028-2069
 30% Capital Infrastructure Grant
 Awarded in 2027



Greaves Road

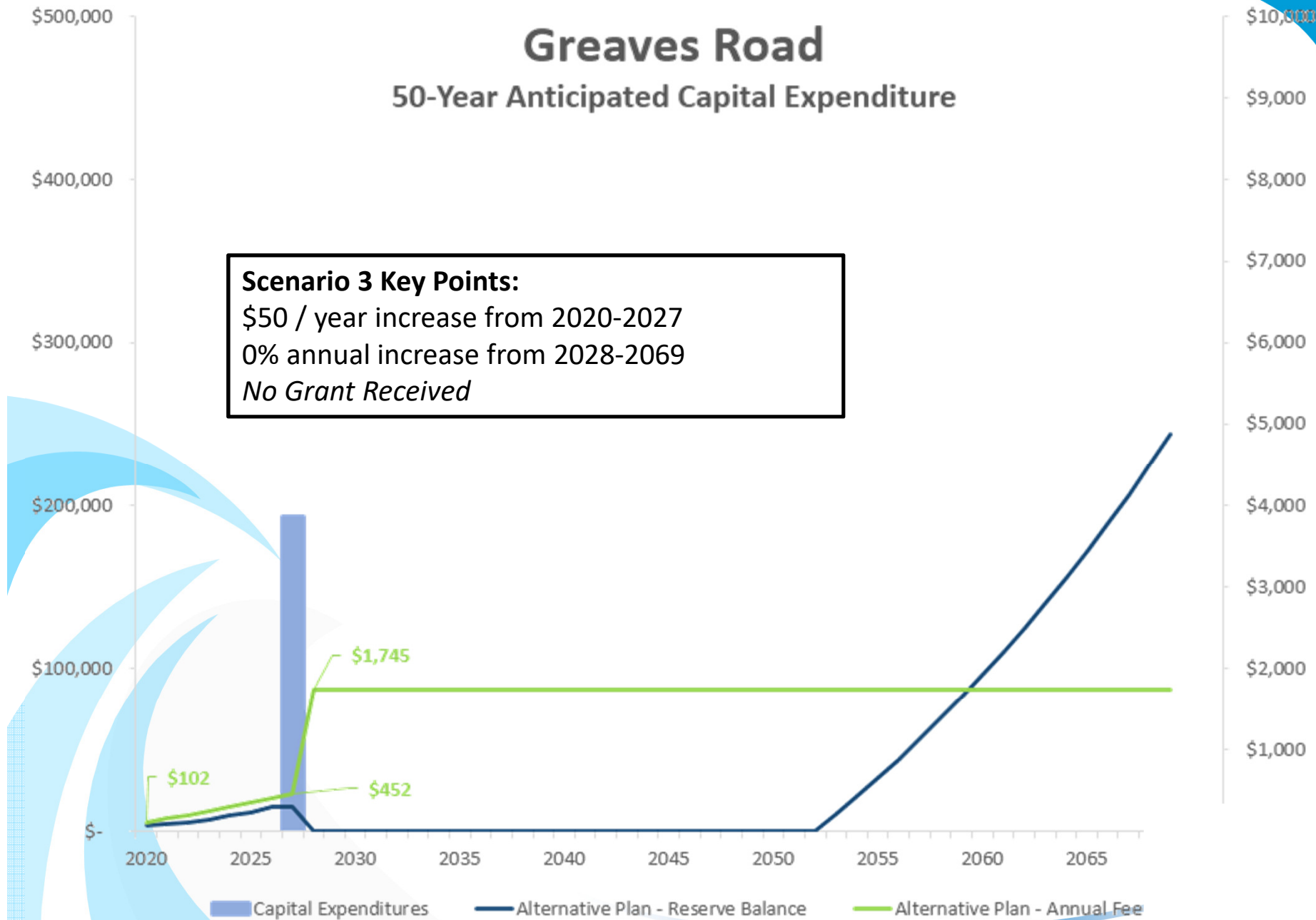
50-Year Anticipated Capital Expenditure

Scenario 3 Key Points:

\$50 / year increase from 2020-2027

0% annual increase from 2028-2069

No Grant Received



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Woodcreek Park

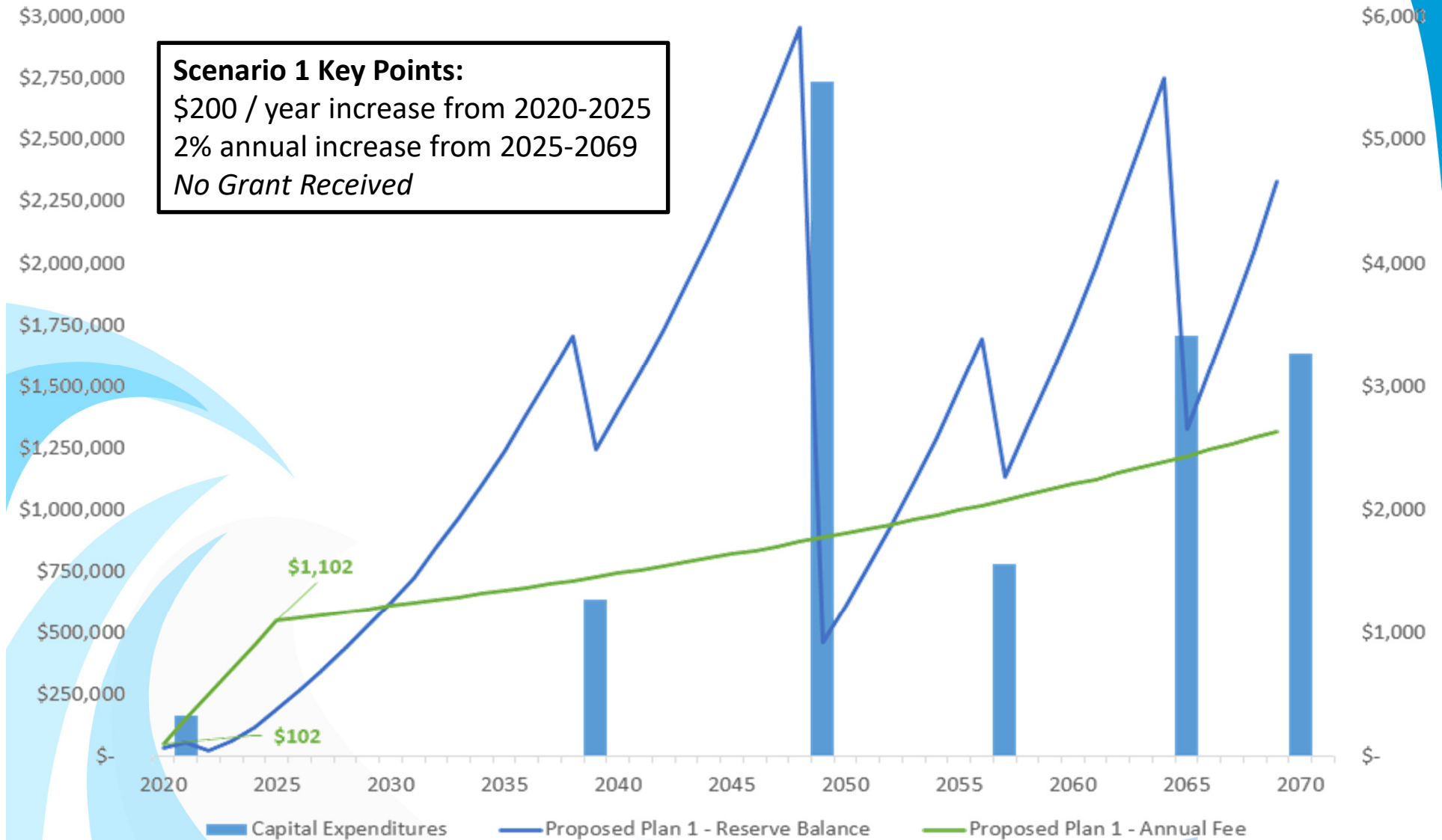
50-Year Anticipated Capital Expenditures

Scenario 1 Key Points:

\$200 / year increase from 2020-2025

2% annual increase from 2025-2069

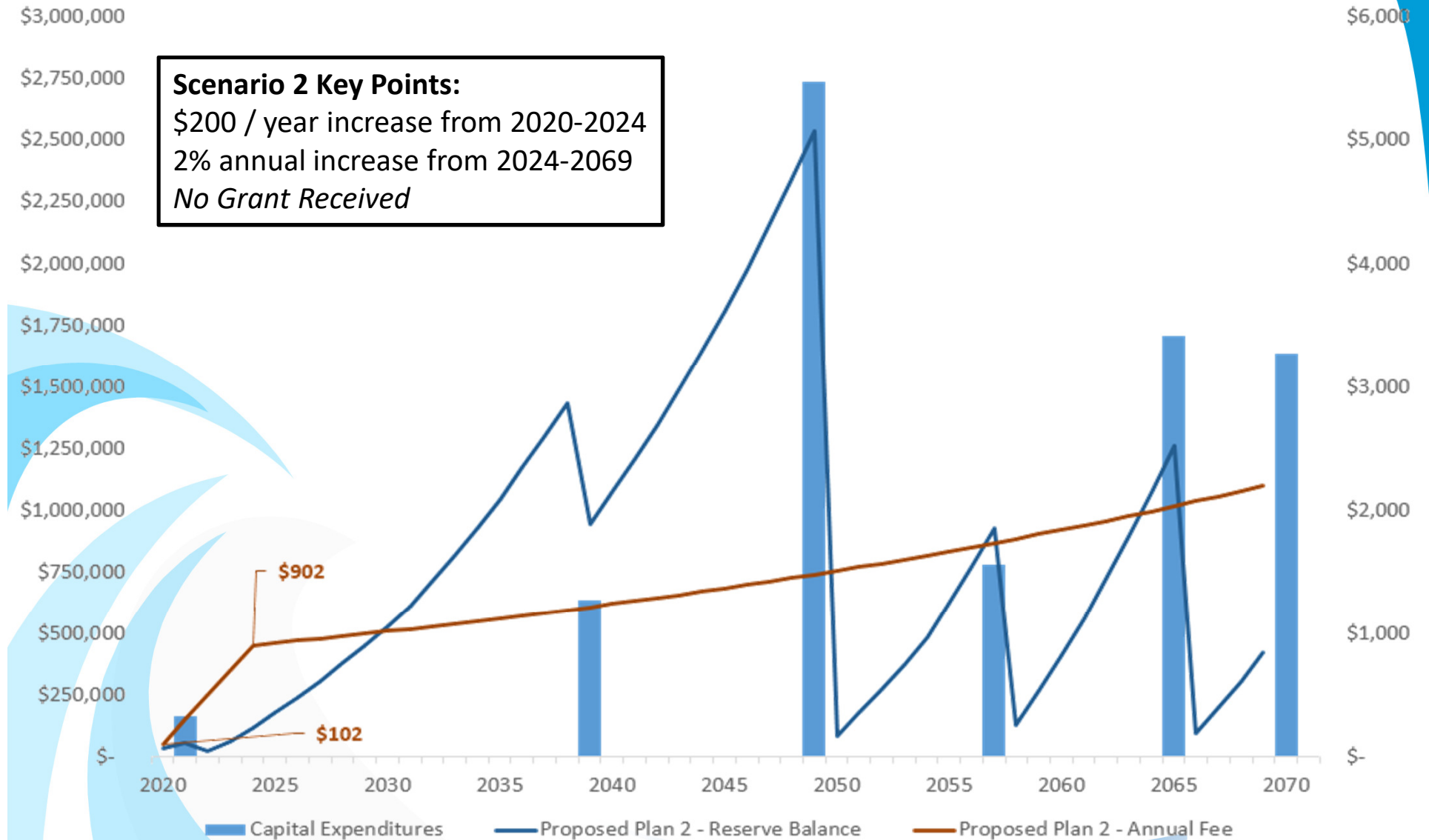
No Grant Received



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Woodcreek Park

50-Year Anticipated Capital Expenditures



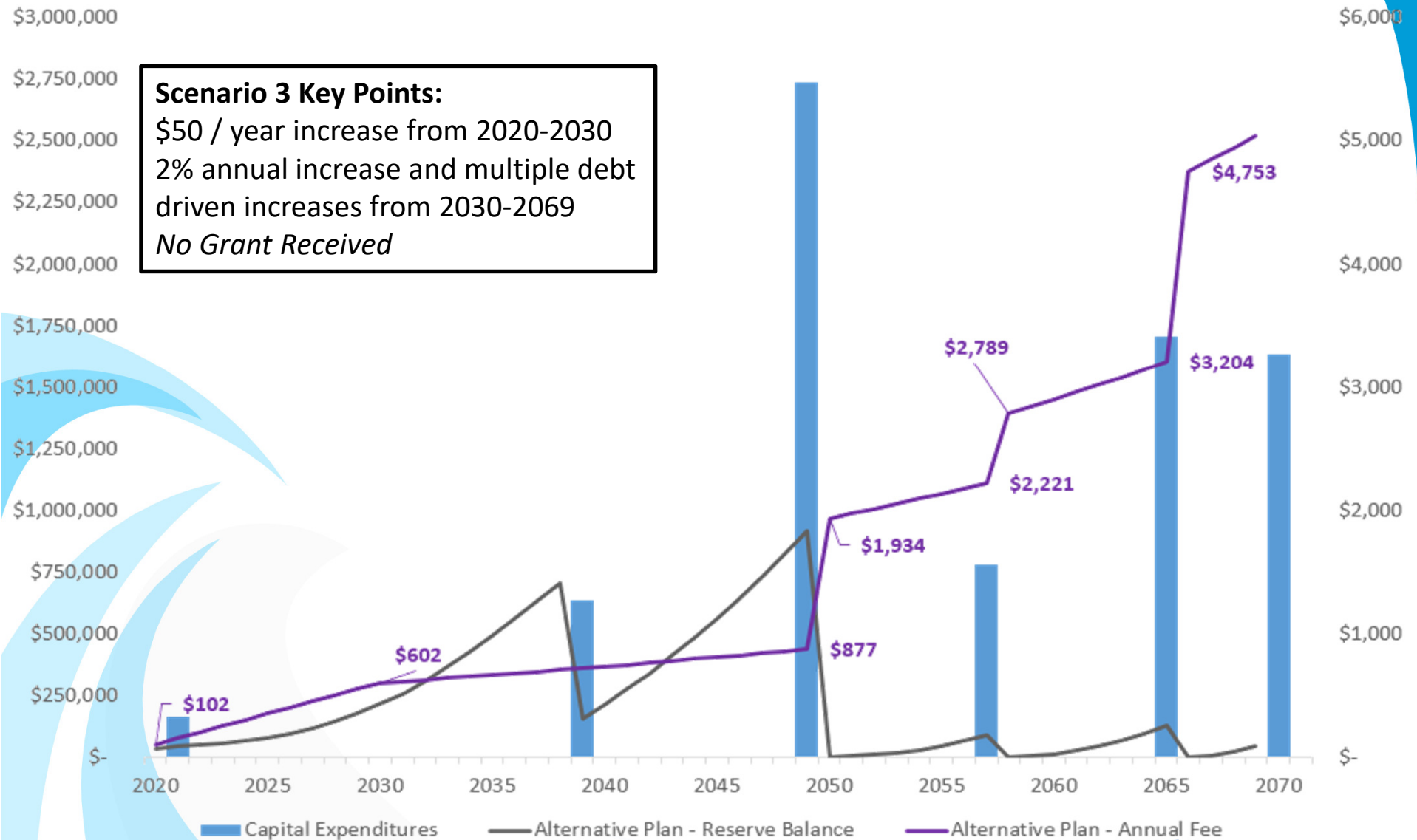
www.scrd.ca

Woodcreek Park

50-Year Anticipated Capital Expenditures

Scenario 3 Key Points:

\$50 / year increase from 2020-2030
2% annual increase and multiple debt driven increases from 2030-2069
No Grant Received

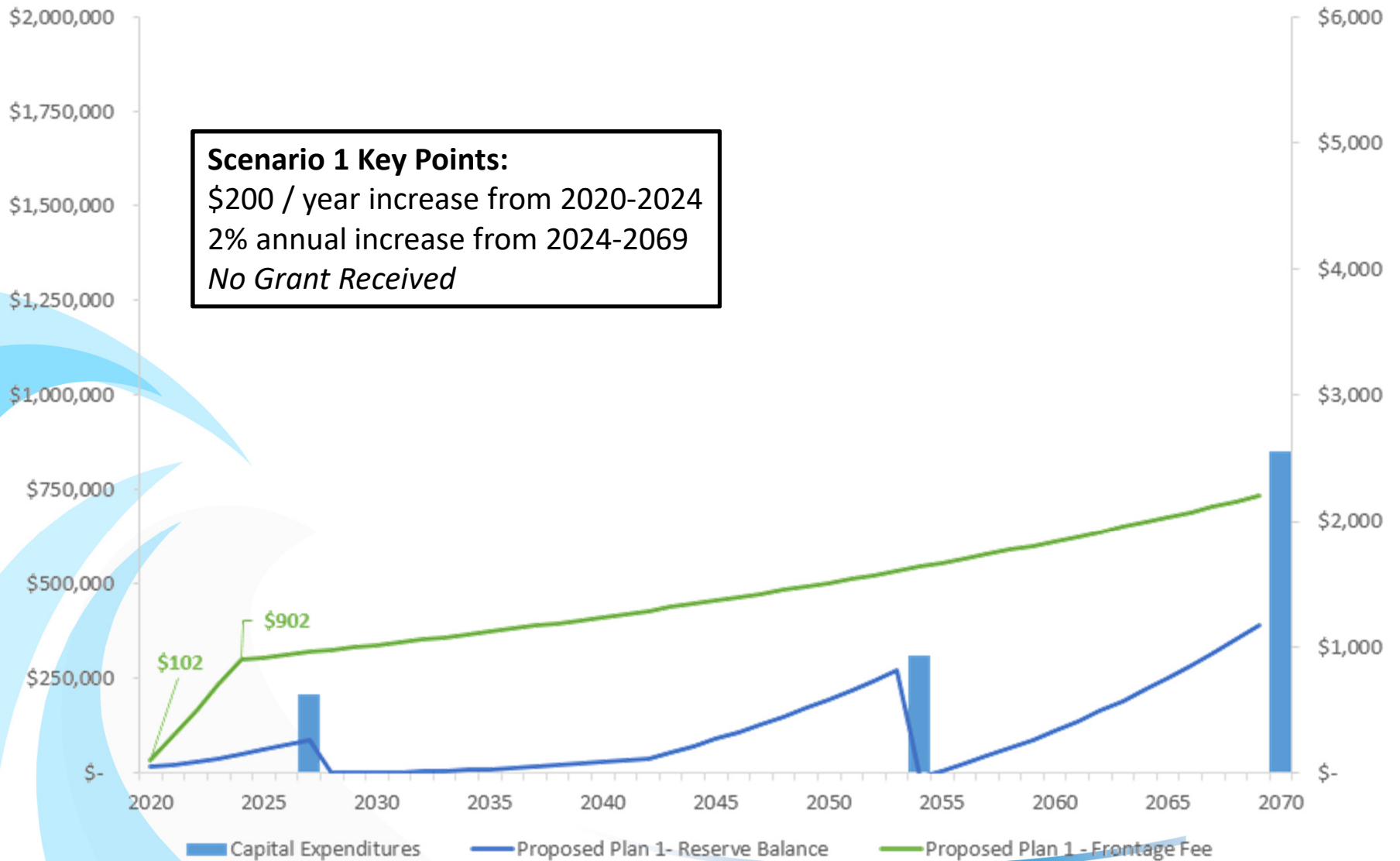


Sunnyside Road

50-Year Anticipated Capital Expenditures

Scenario 1 Key Points:

\$200 / year increase from 2020-2024
 2% annual increase from 2024-2069
No Grant Received



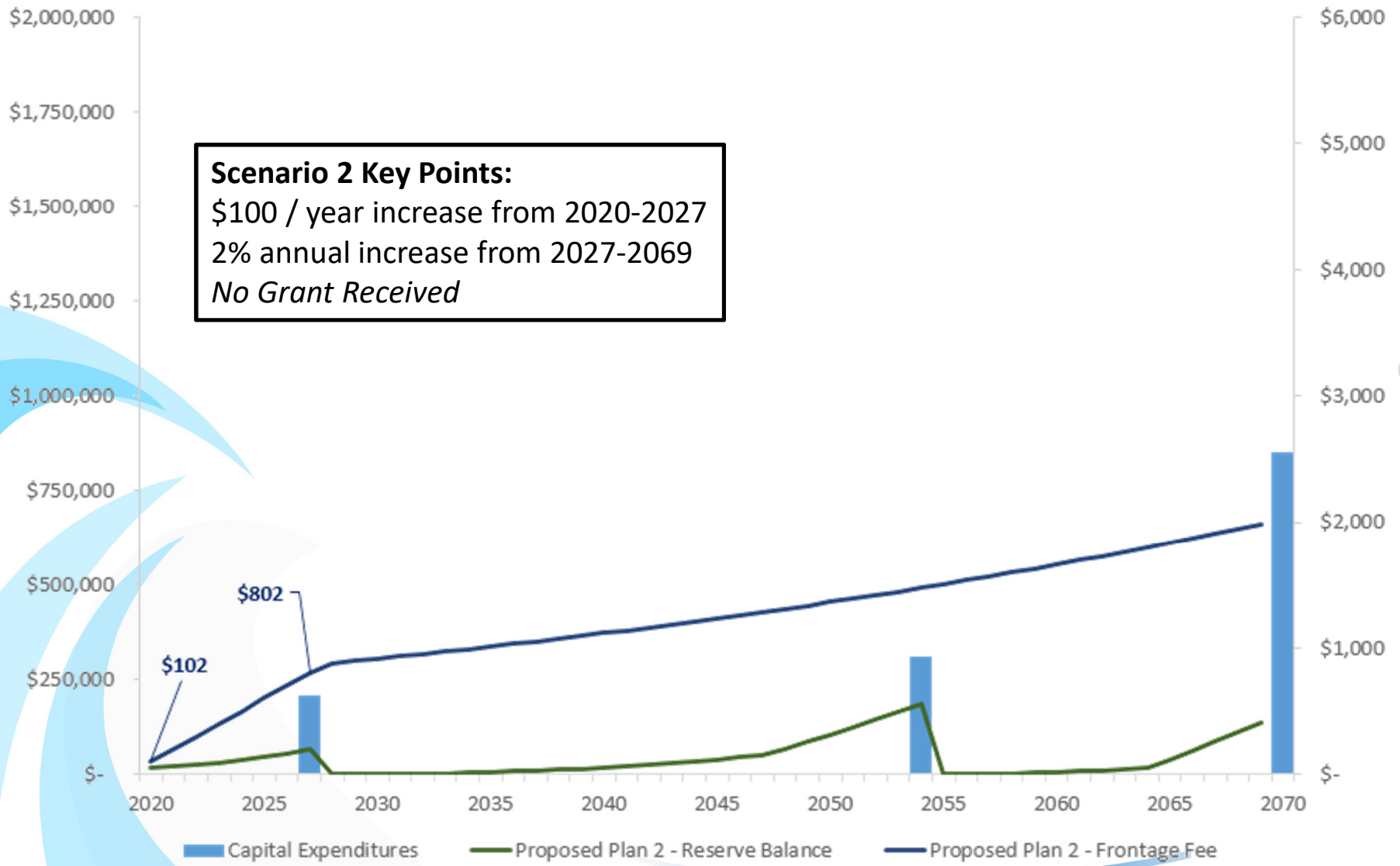
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Sunnyside Road

50-Year Anticipated Capital Expenditures

Scenario 2 Key Points:

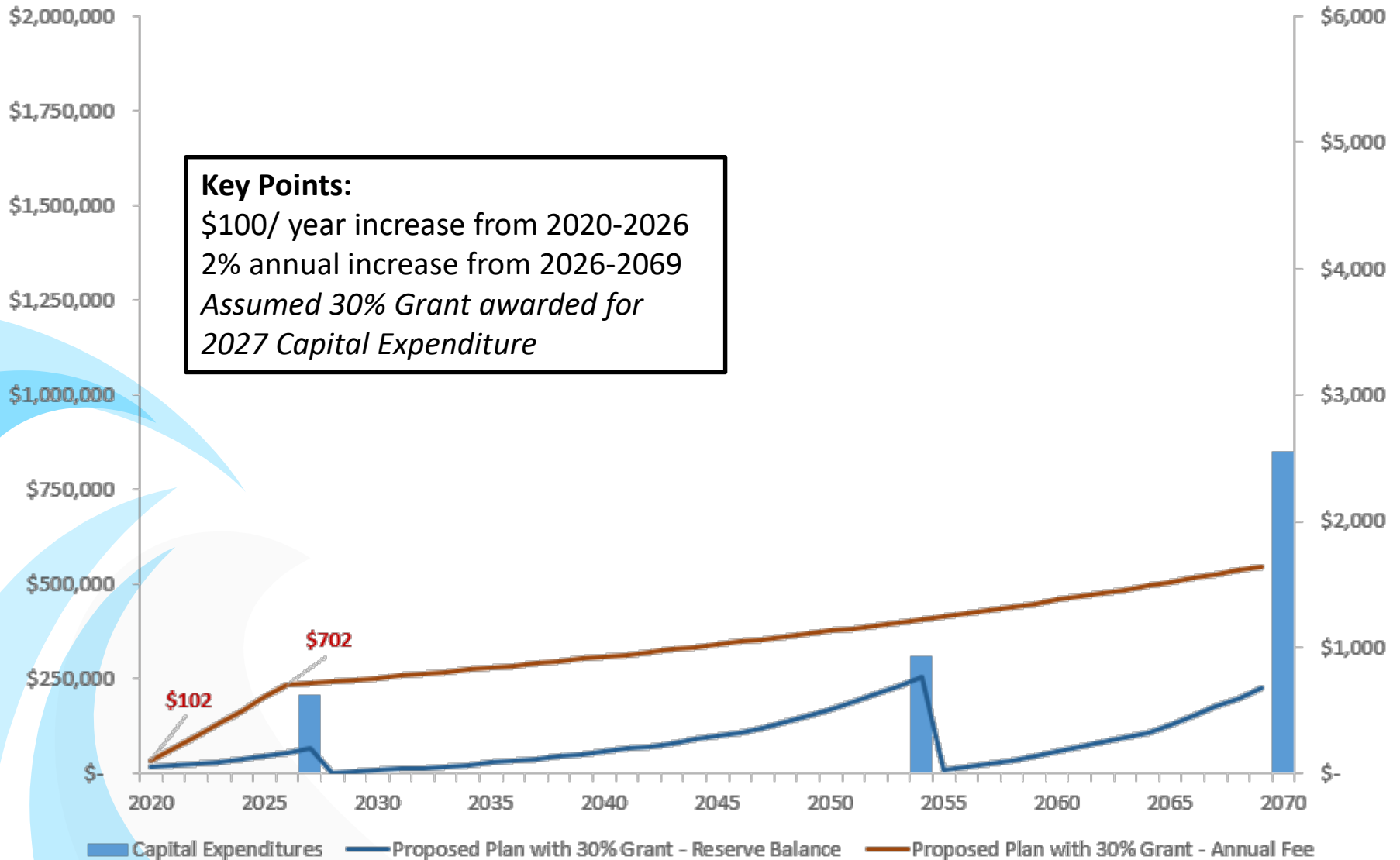
\$100 / year increase from 2020-2027
 2% annual increase from 2027-2069
No Grant Received



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Sunnyside Road

50-Year Anticipated Capital Expenditures



Sunnyside Road

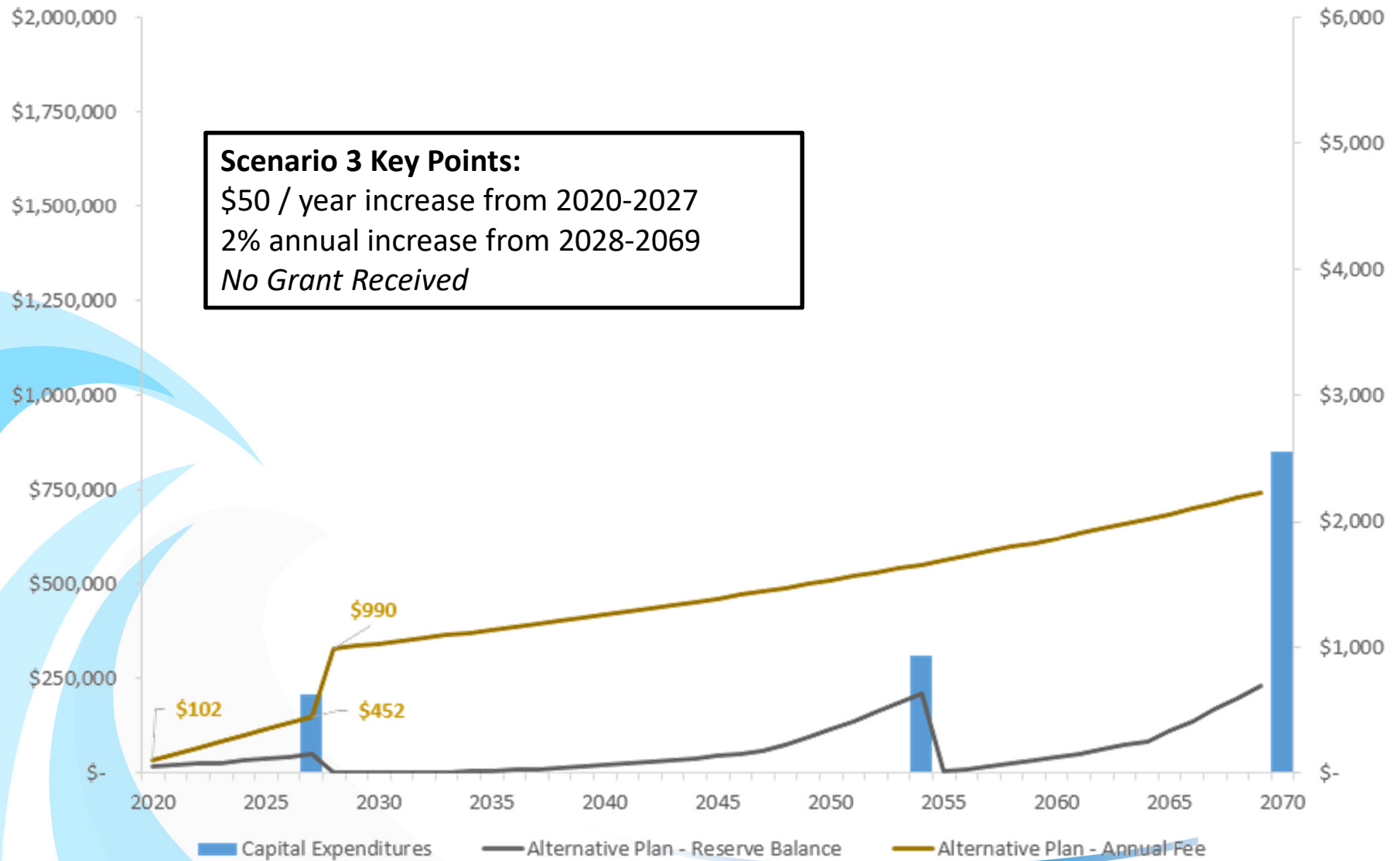
50-Year Anticipated Capital Expenditures

Scenario 3 Key Points:

\$50 / year increase from 2020-2027

2% annual increase from 2028-2069

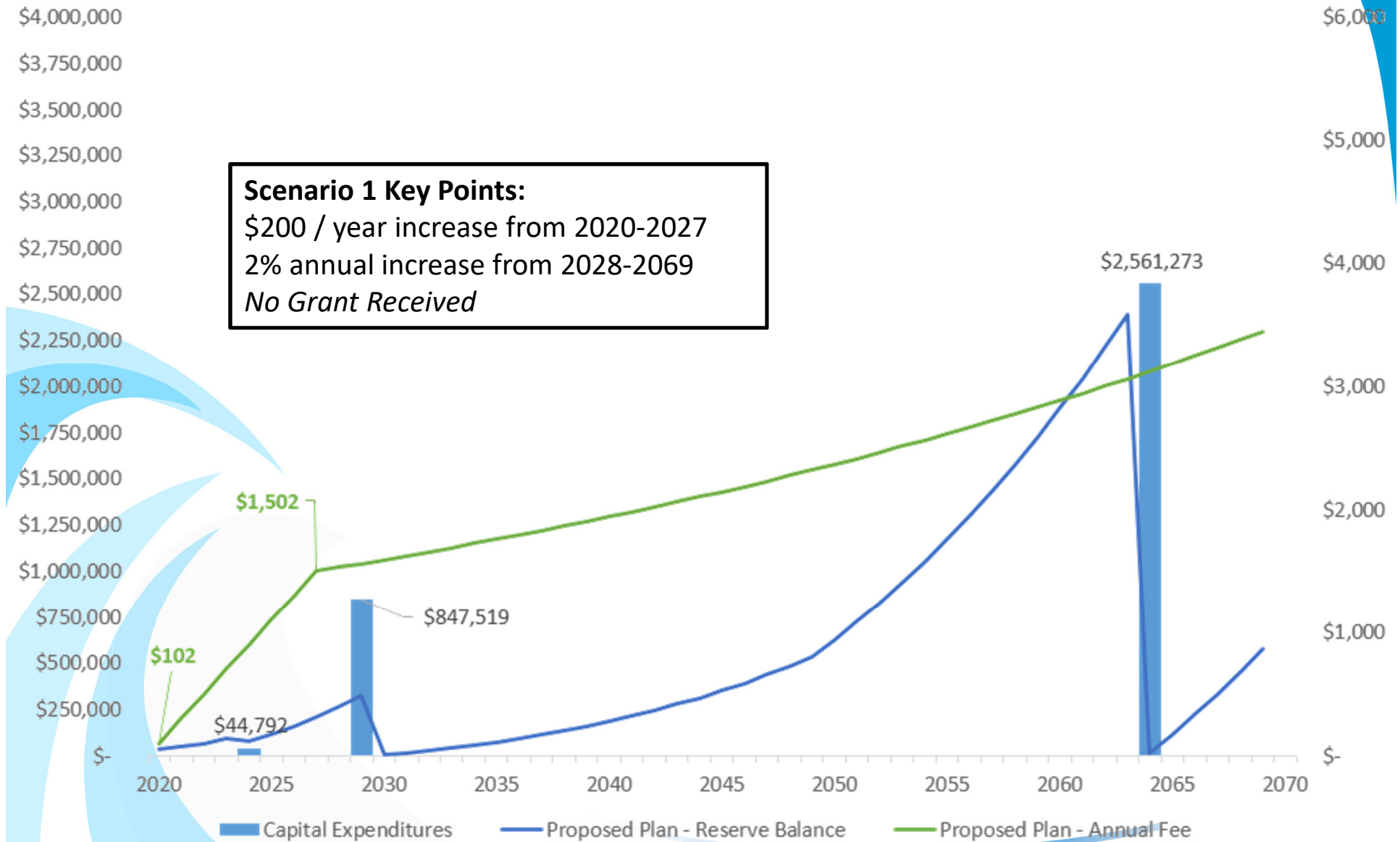
No Grant Received



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Jolly Roger

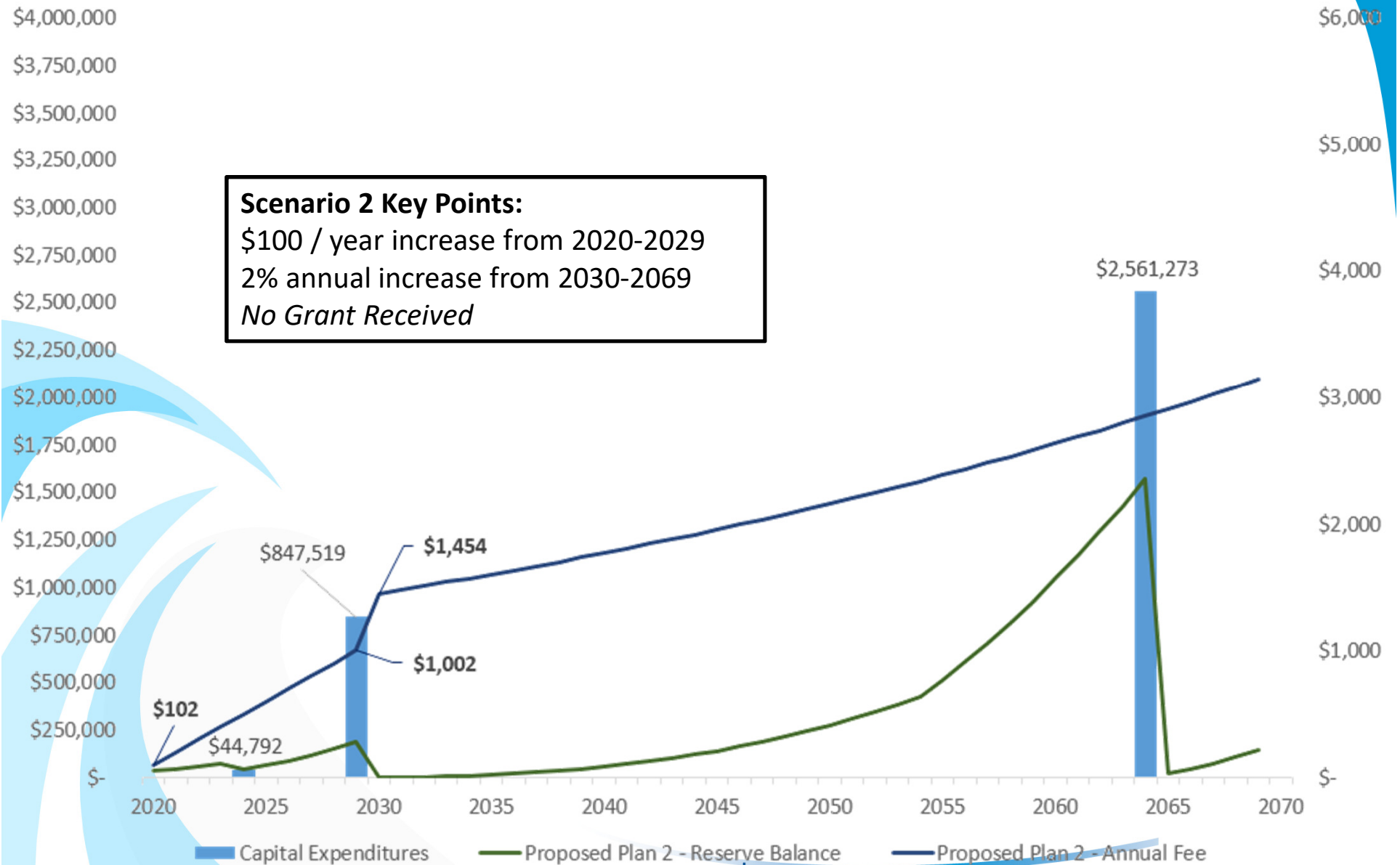
50-Year Anticipated Capital Expenditure



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Jolly Roger

50-Year Anticipated Capital Expenditure



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Jolly Roger

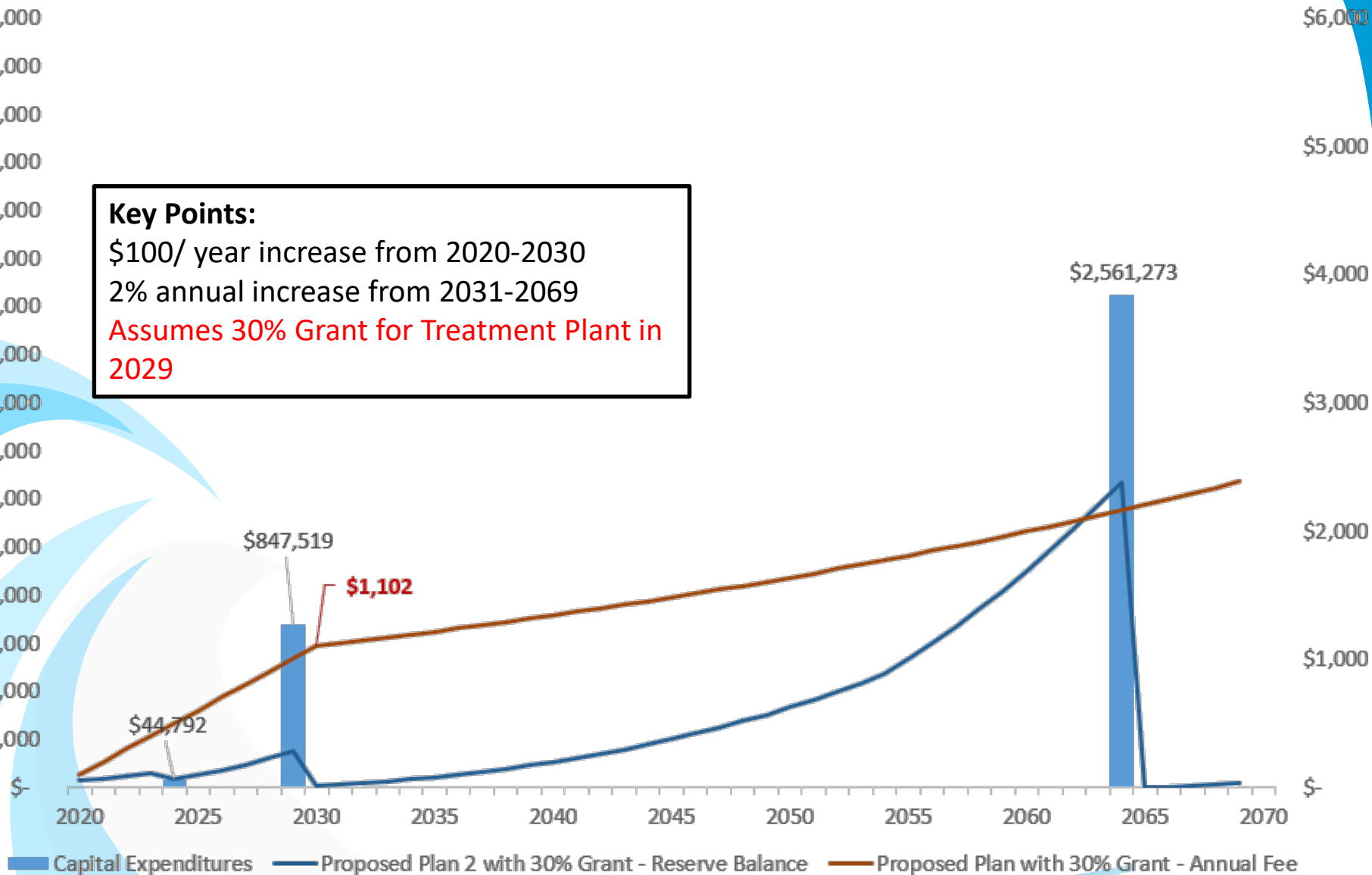
50-Year Anticipated Capital Expenditure

Key Points:

\$100/ year increase from 2020-2030

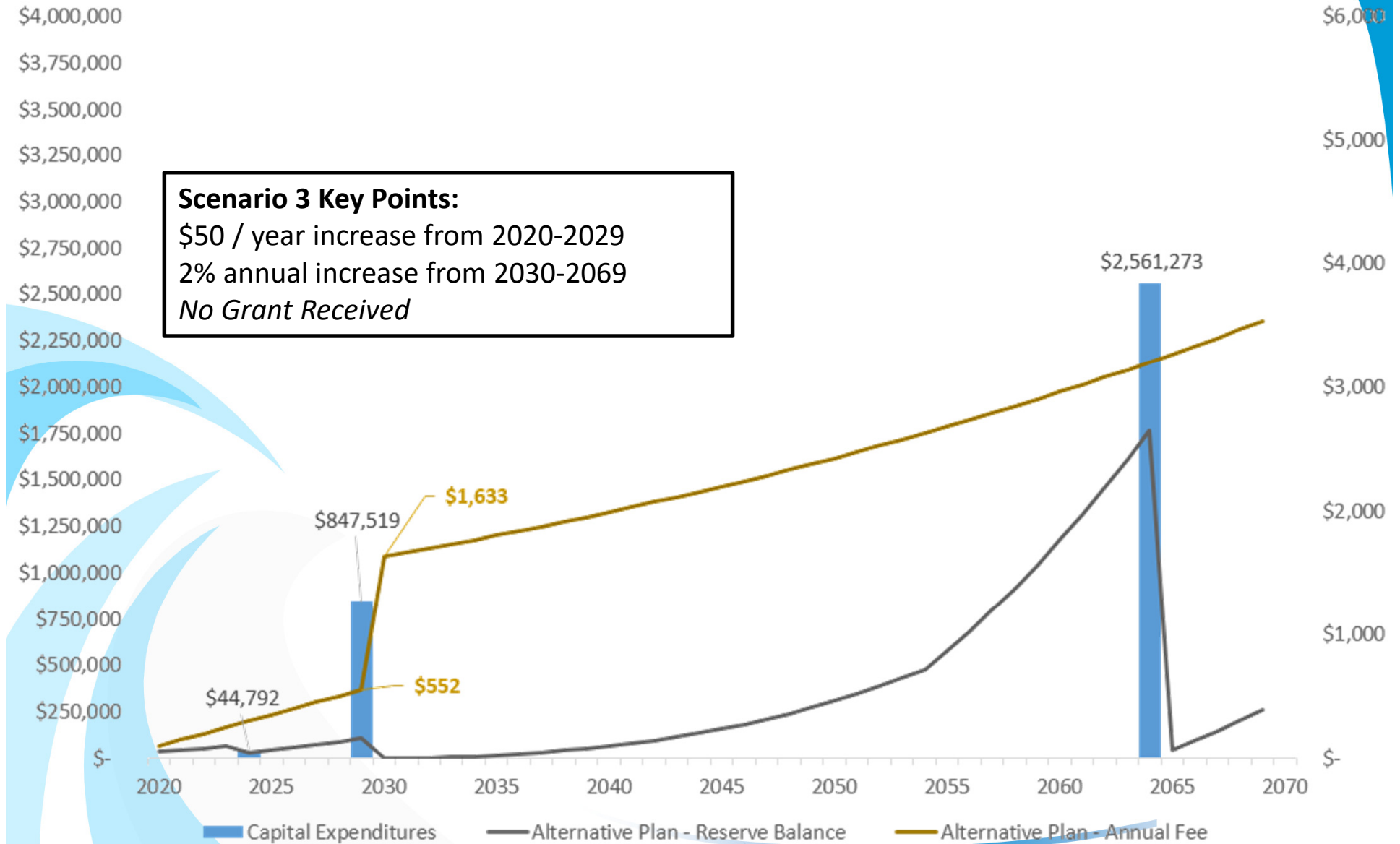
2% annual increase from 2031-2069

Assumes 30% Grant for Treatment Plant in 2029



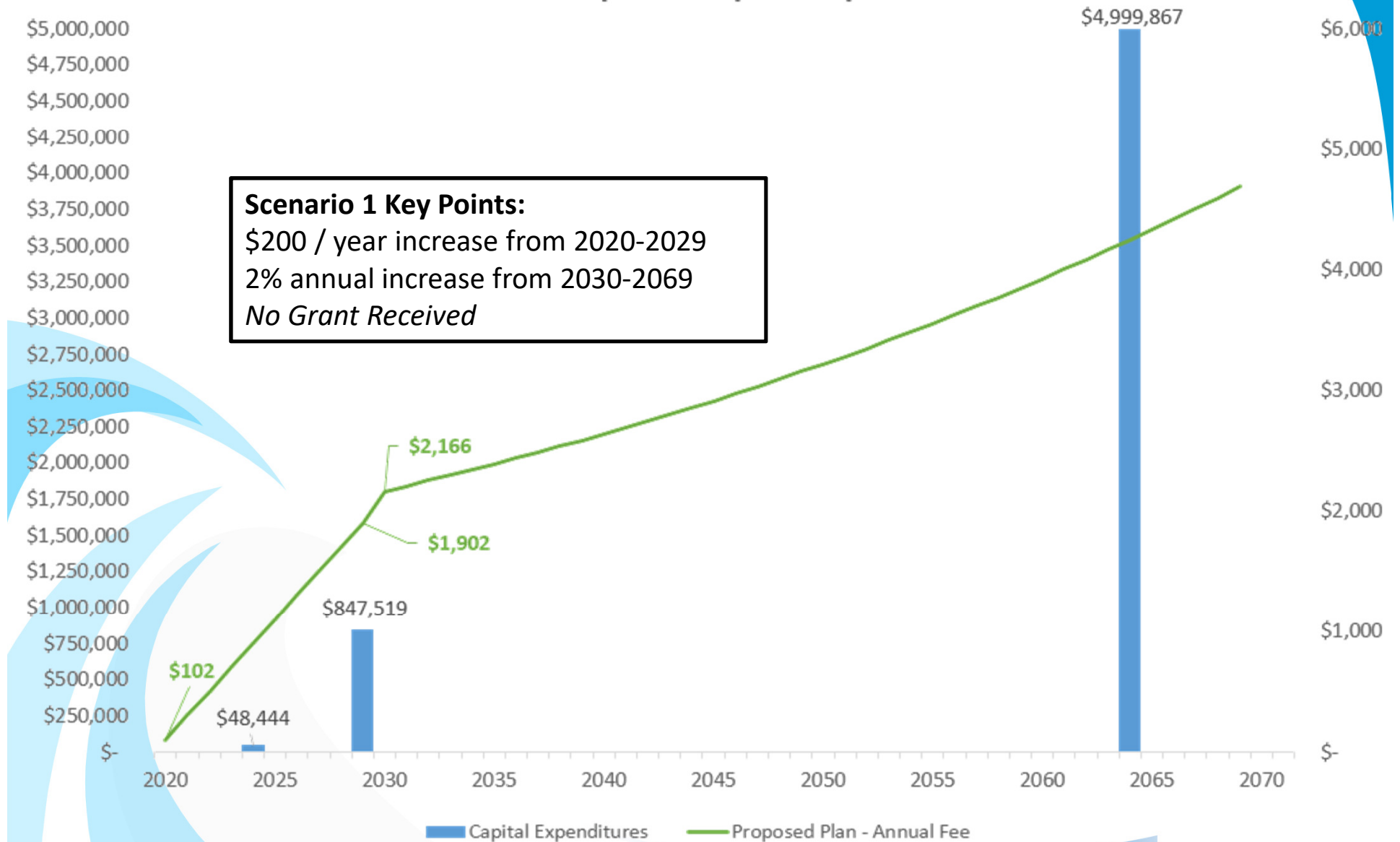
Jolly Roger

50-Year Anticipated Capital Expenditure



Secret Cove

50-Year Anticipated Capital Expenditure



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Secret Cove

50-Year Anticipated Capital Expenditure

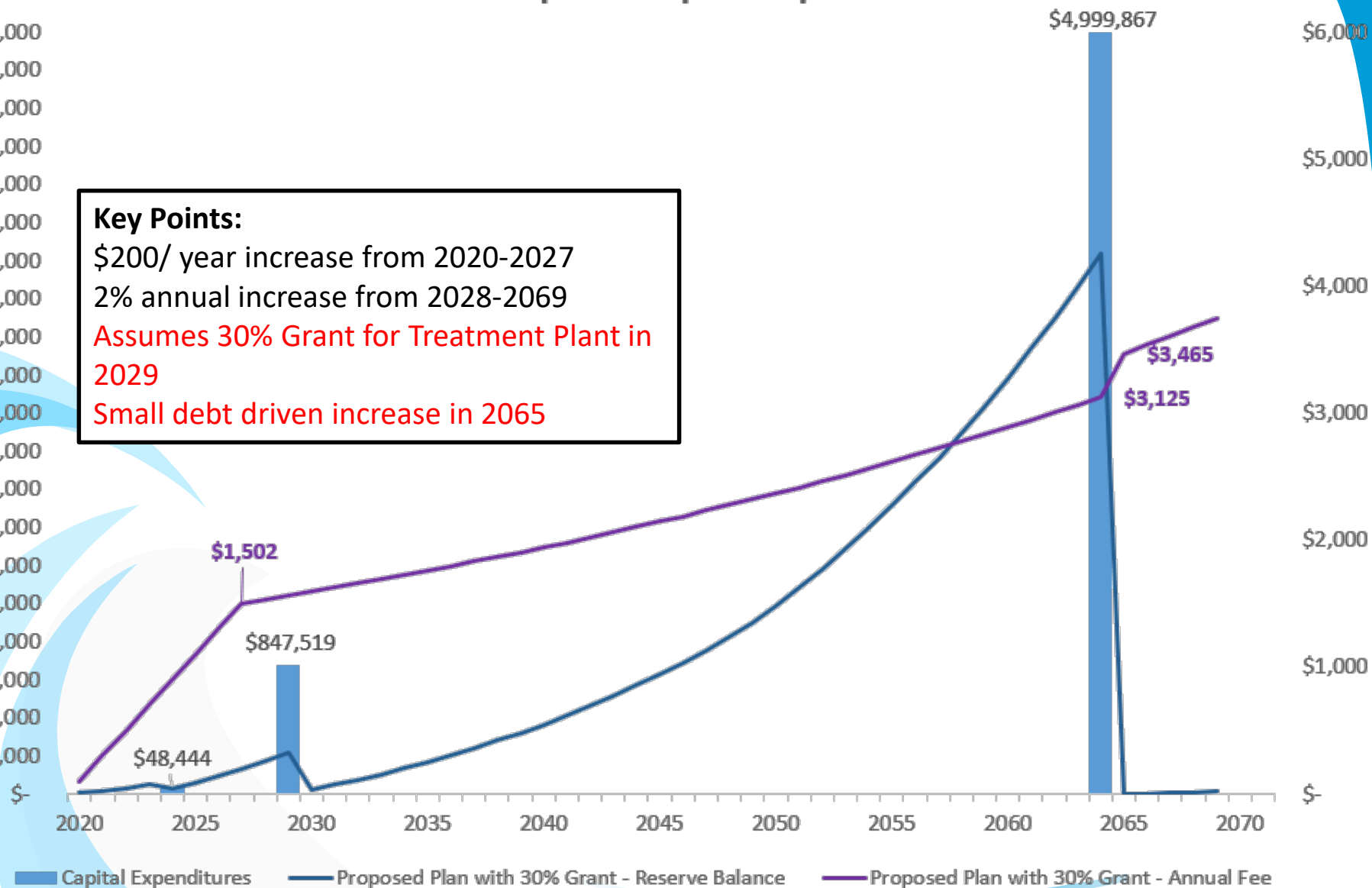
Key Points:

\$200/ year increase from 2020-2027

2% annual increase from 2028-2069

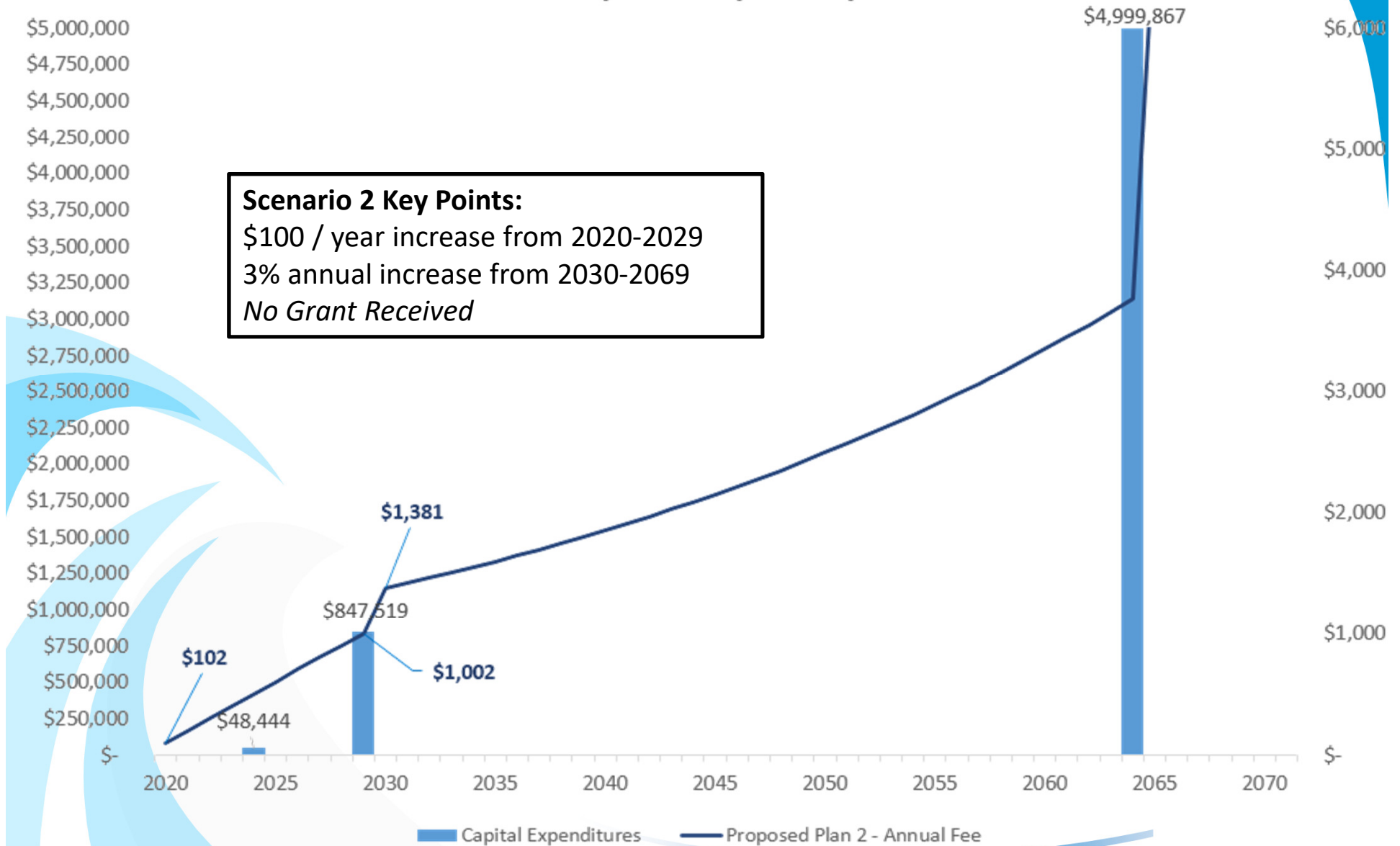
Assumes 30% Grant for Treatment Plant in 2029

Small debt driven increase in 2065



Secret Cove

50-Year Anticipated Capital Expenditure



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Secret Cove

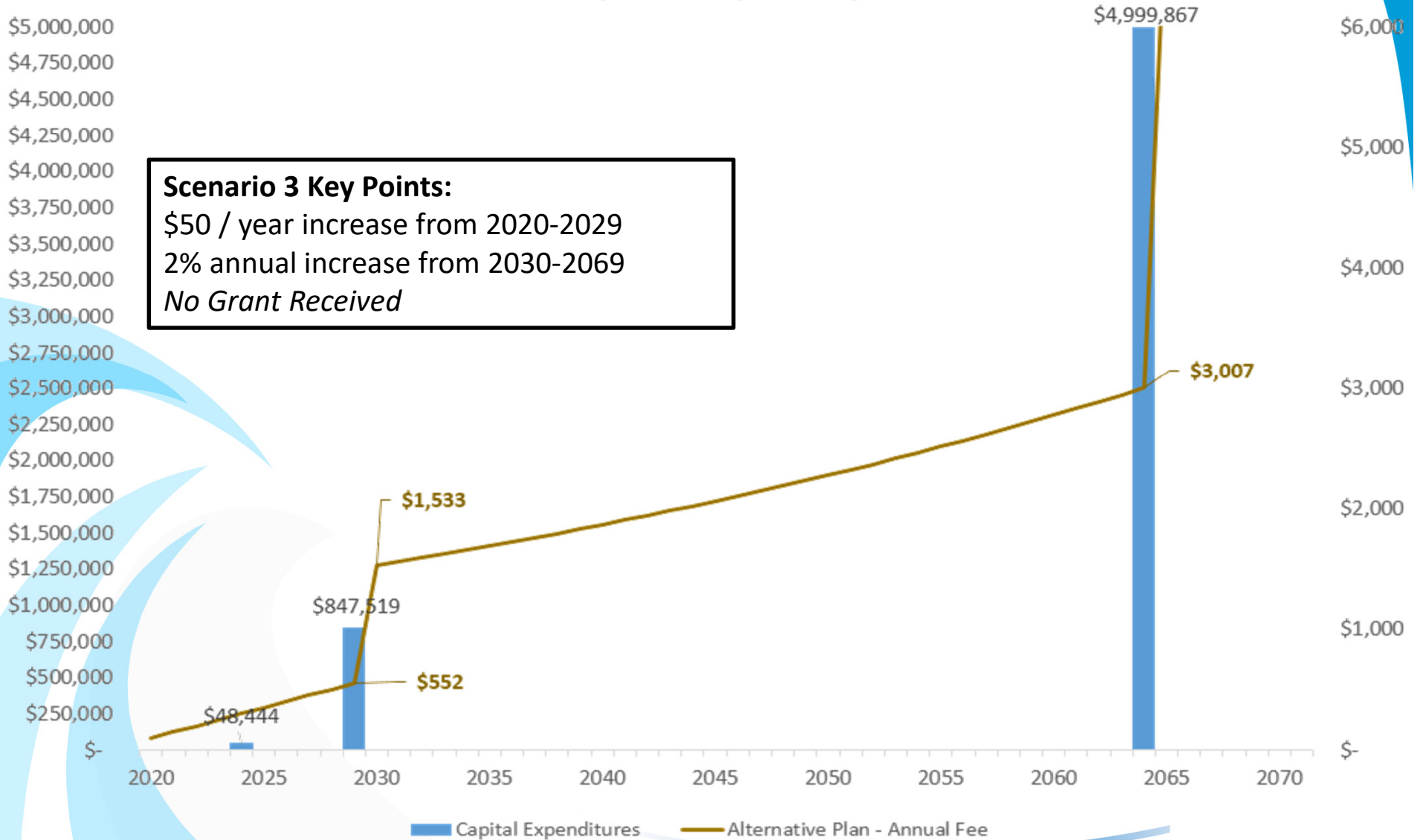
50-Year Anticipated Capital Expenditure

Scenario 3 Key Points:

\$50 / year increase from 2020-2029

2% annual increase from 2030-2069

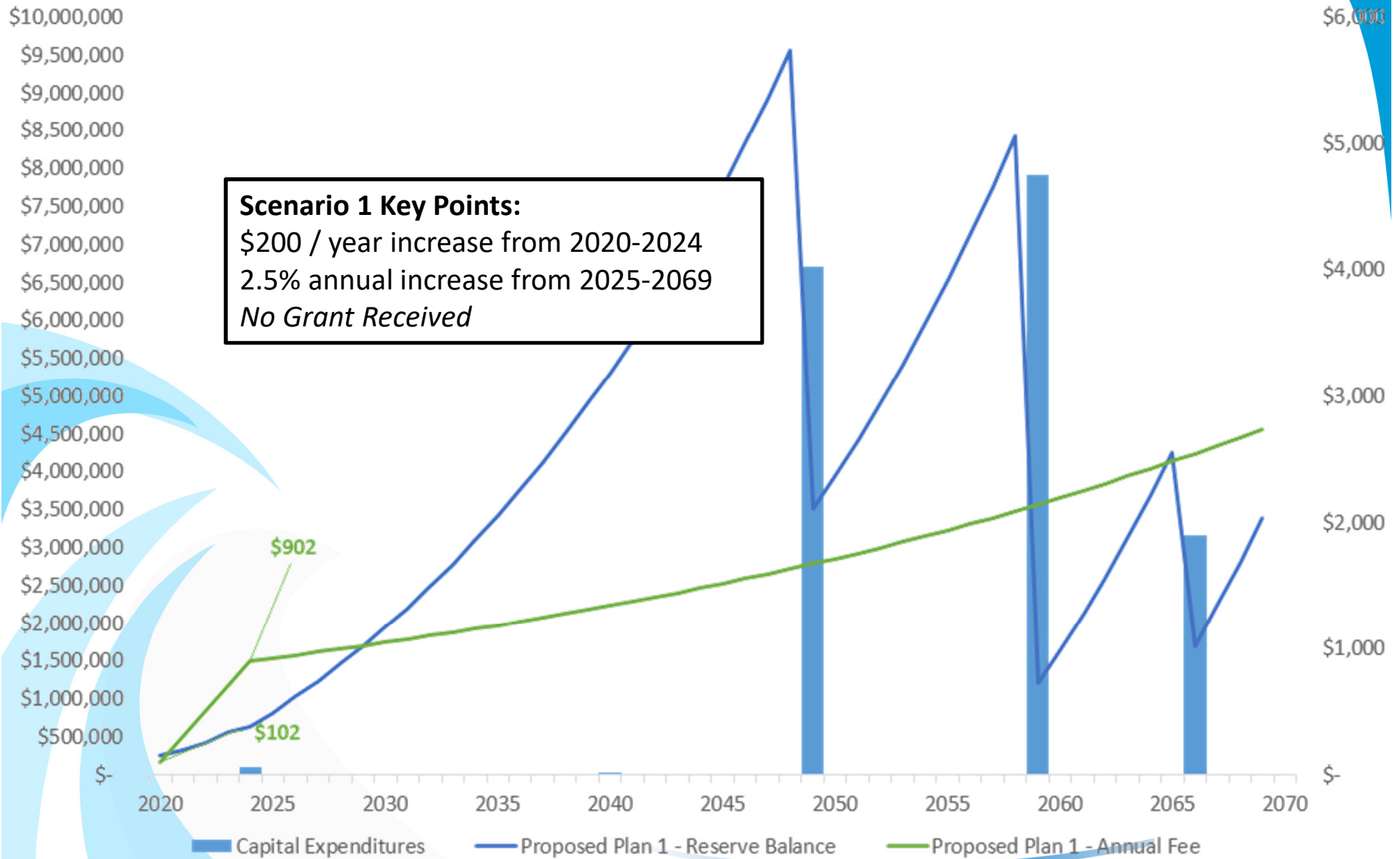
No Grant Received



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Lee Bay

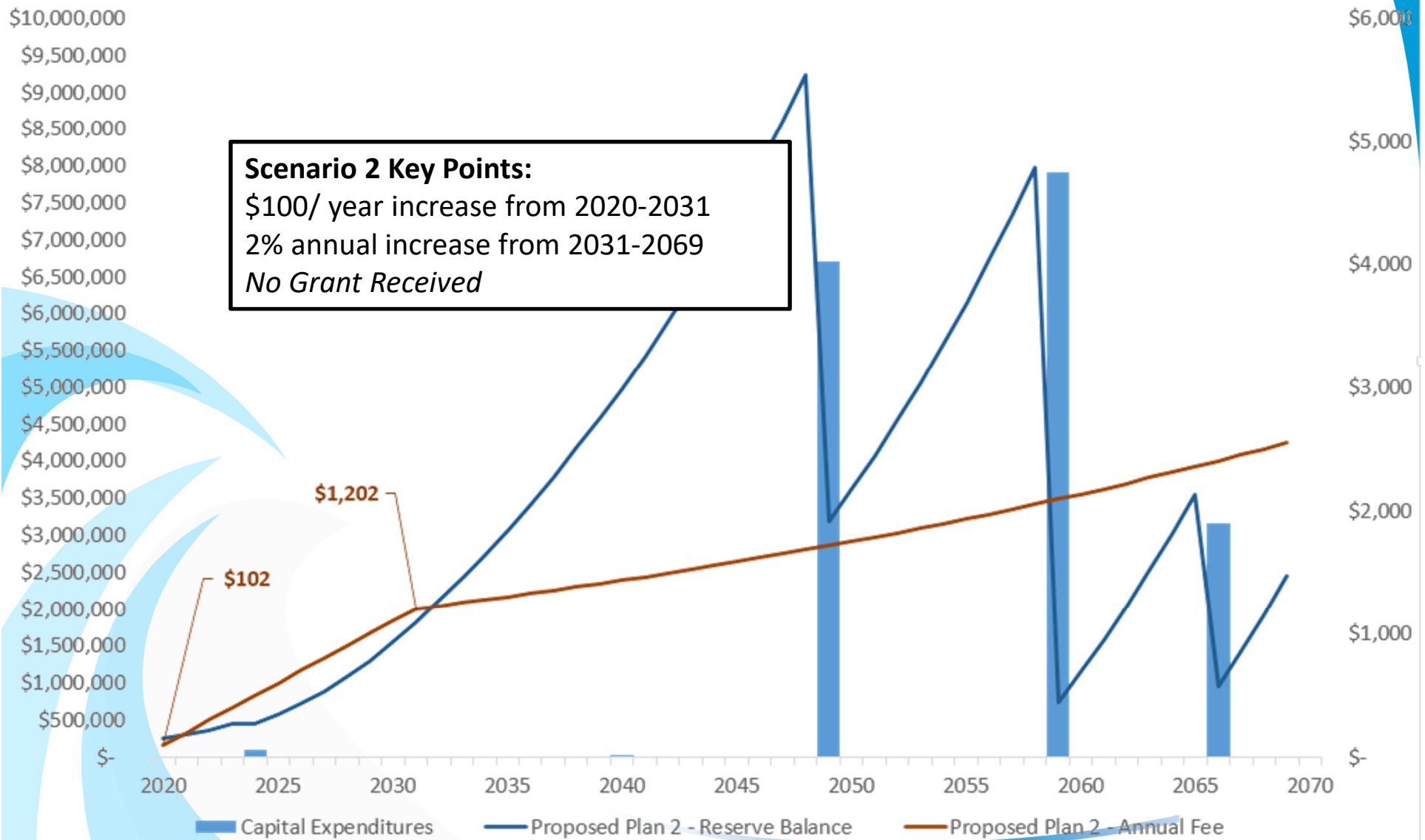
50-Year Anticipated Capital Expenditure



www.scrd.ca

Lee Bay

50-Year Anticipated Capital Expenditure



www.scrd.ca

Lee Bay

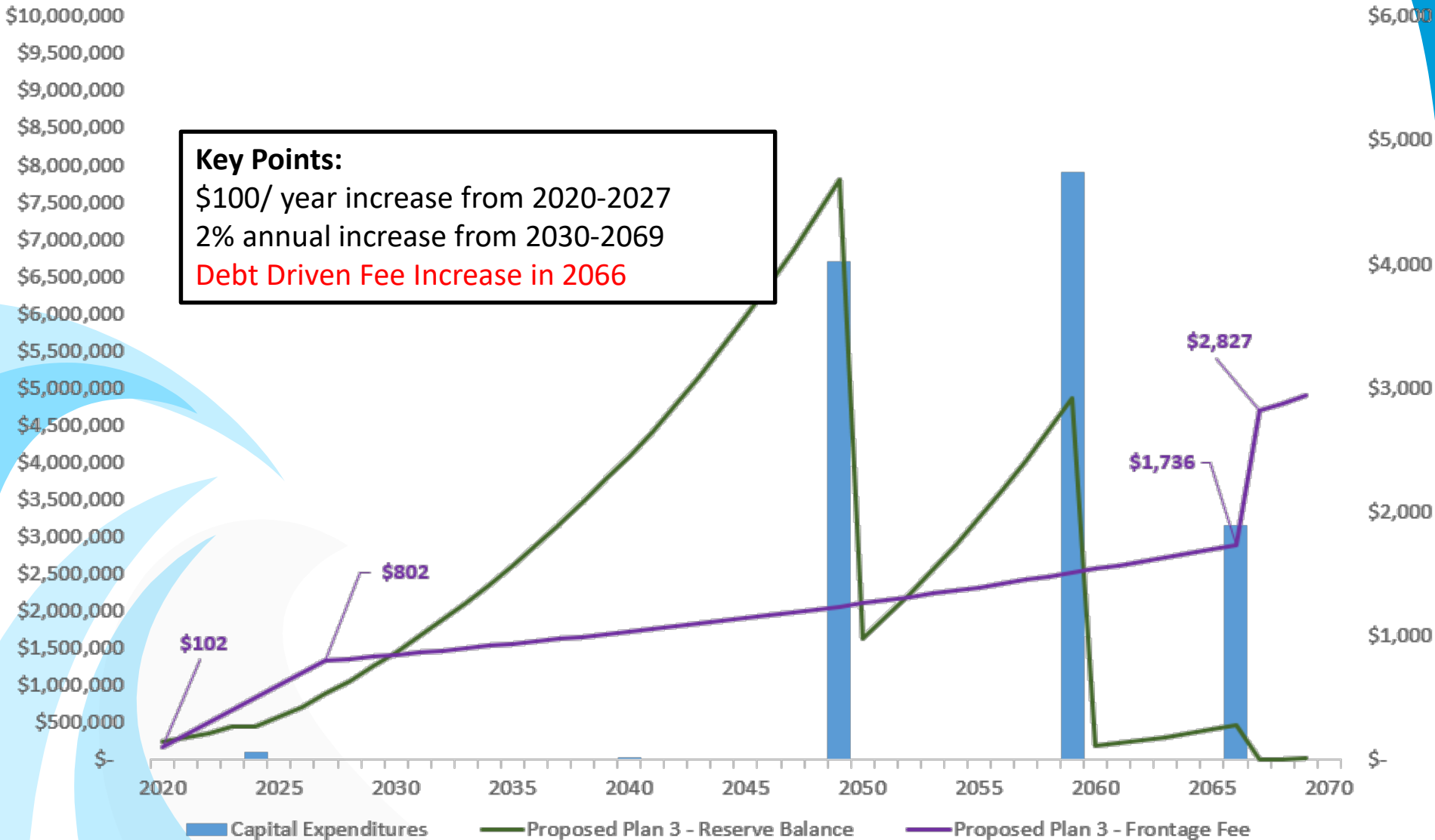
50-Year Anticipated Capital Expenditure

Key Points:

\$100/ year increase from 2020-2027

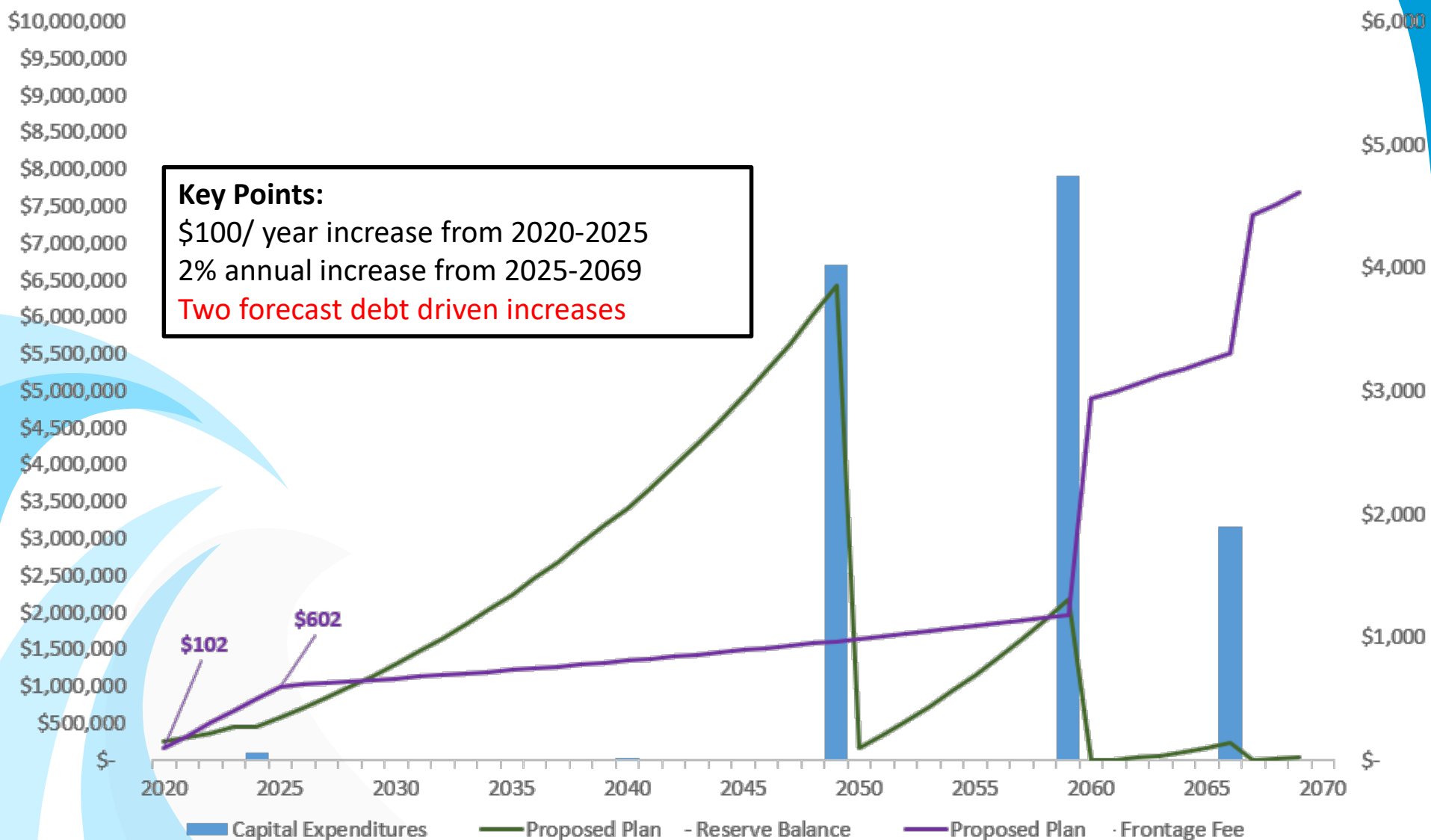
2% annual increase from 2030-2069

Debt Driven Fee Increase in 2066



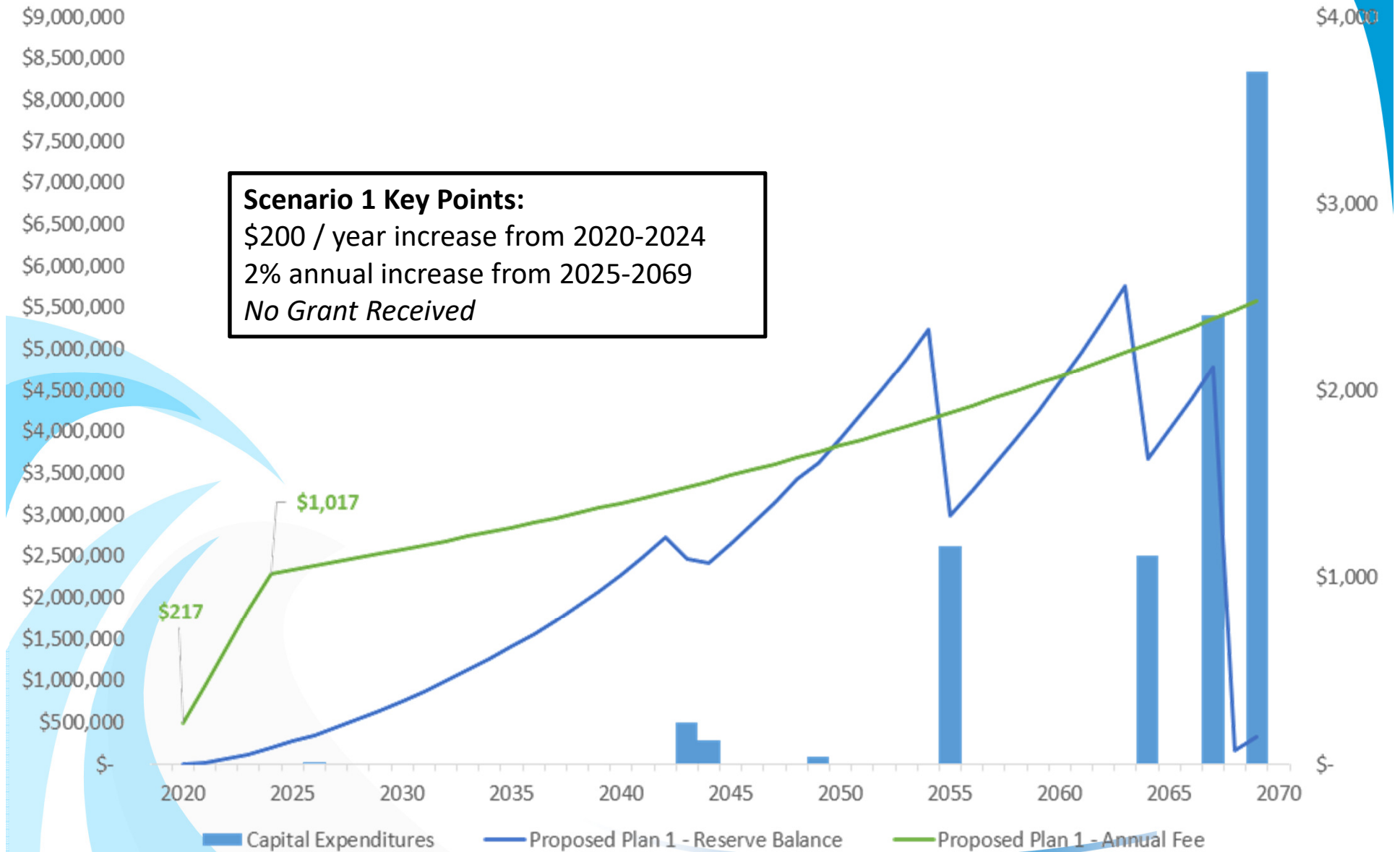
Lee Bay

50-Year Anticipated Capital Expenditure



Square Bay

50-Year Anticipated Capital Expenditures



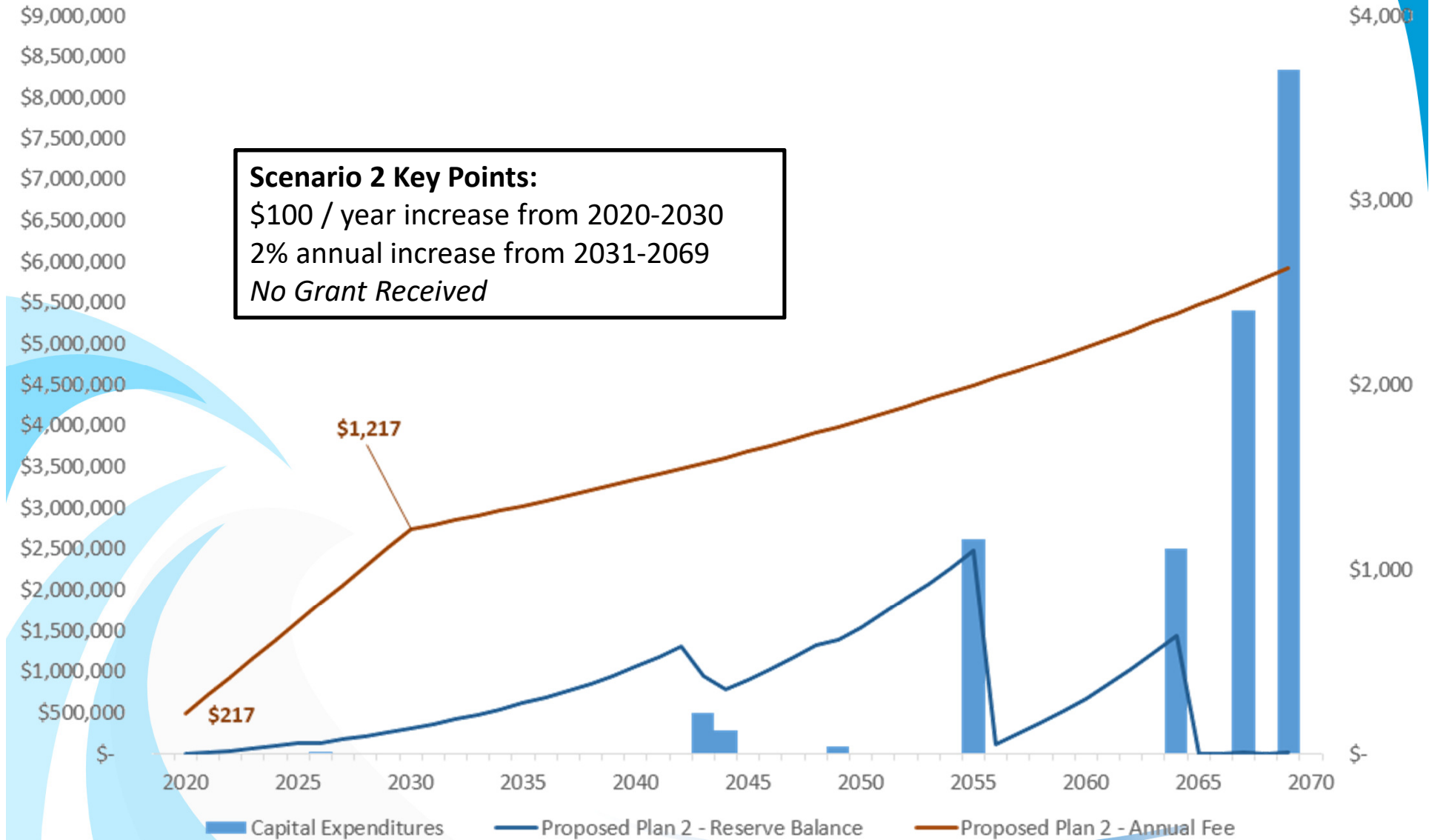
www.scrd.ca

Square Bay

50-Year Anticipated Capital Expenditures

Scenario 2 Key Points:

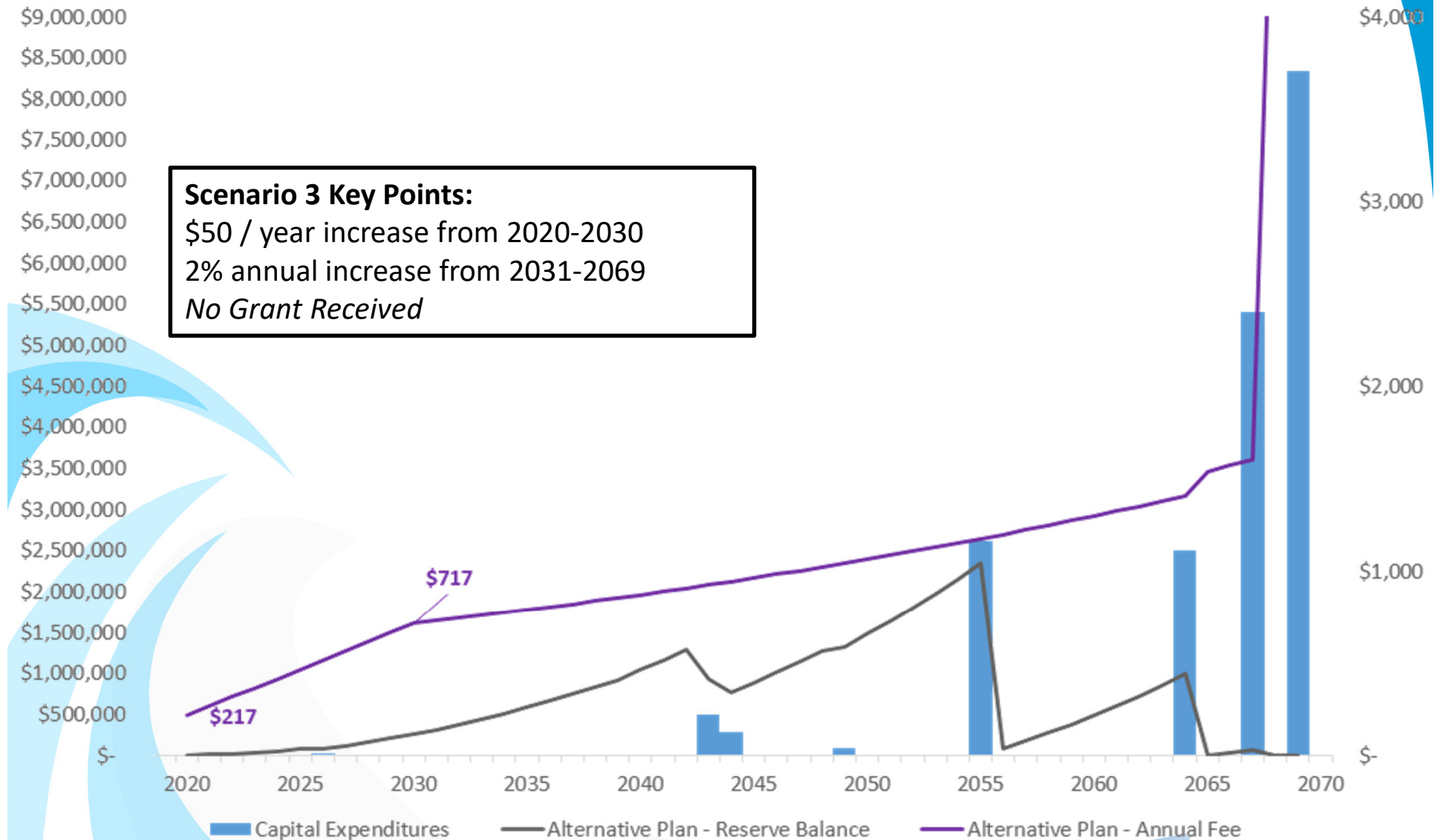
\$100 / year increase from 2020-2030
 2% annual increase from 2031-2069
No Grant Received



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Square Bay

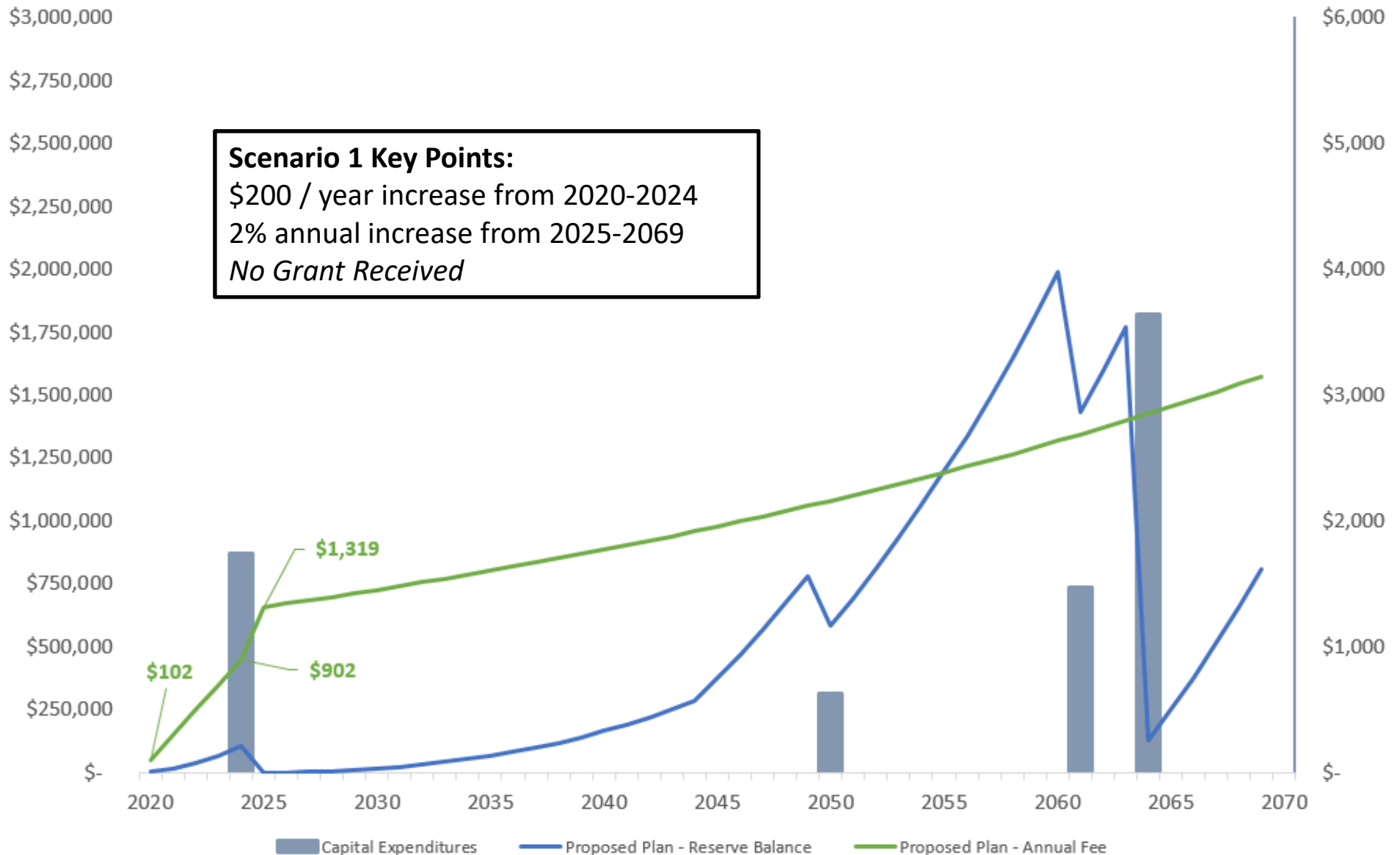
50-Year Anticipated Capital Expenditures



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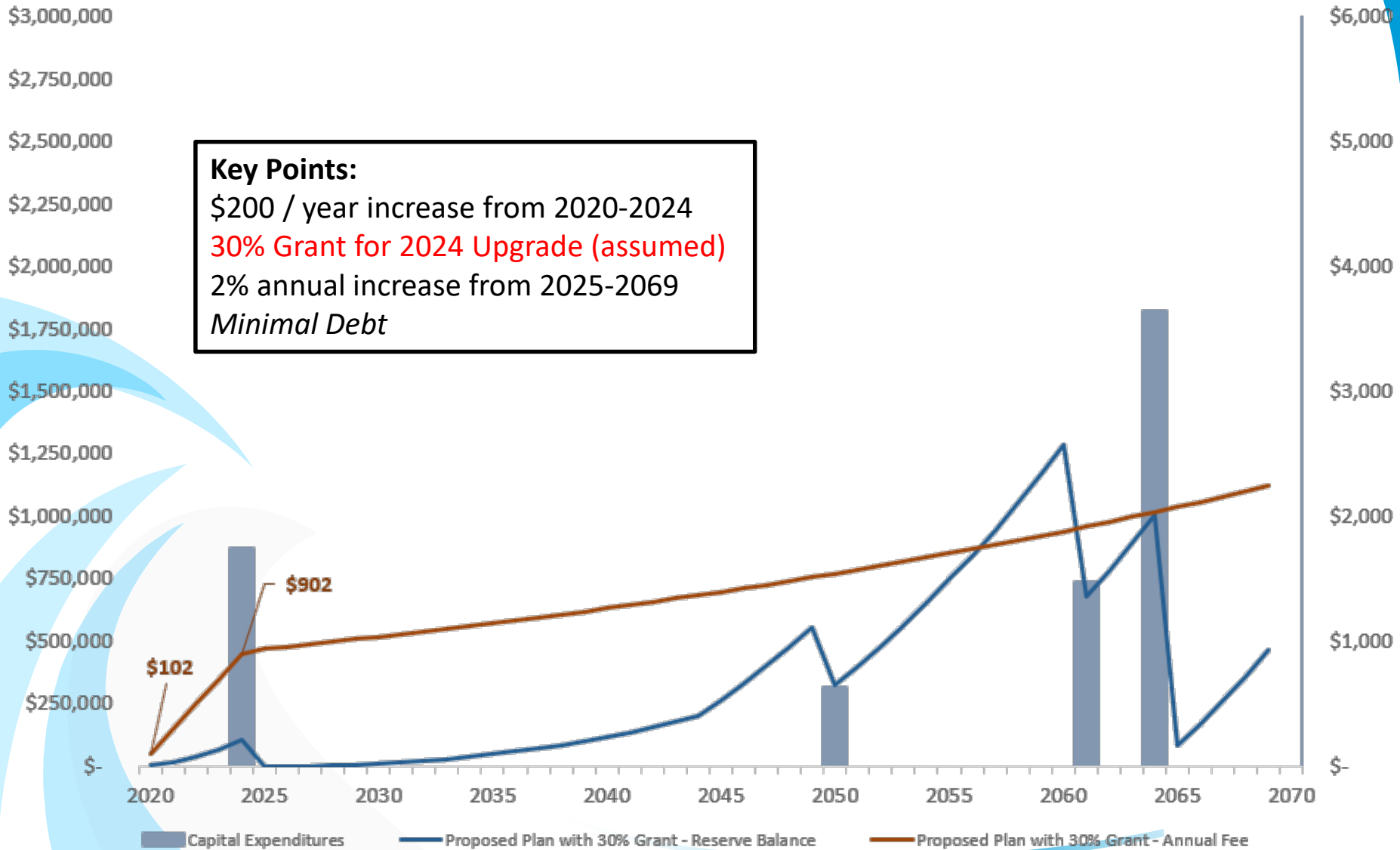
Langdale

50-Year Anticipated Capital Expenditures



Langdale

50-Year Anticipated Capital Expenditures



Langdale

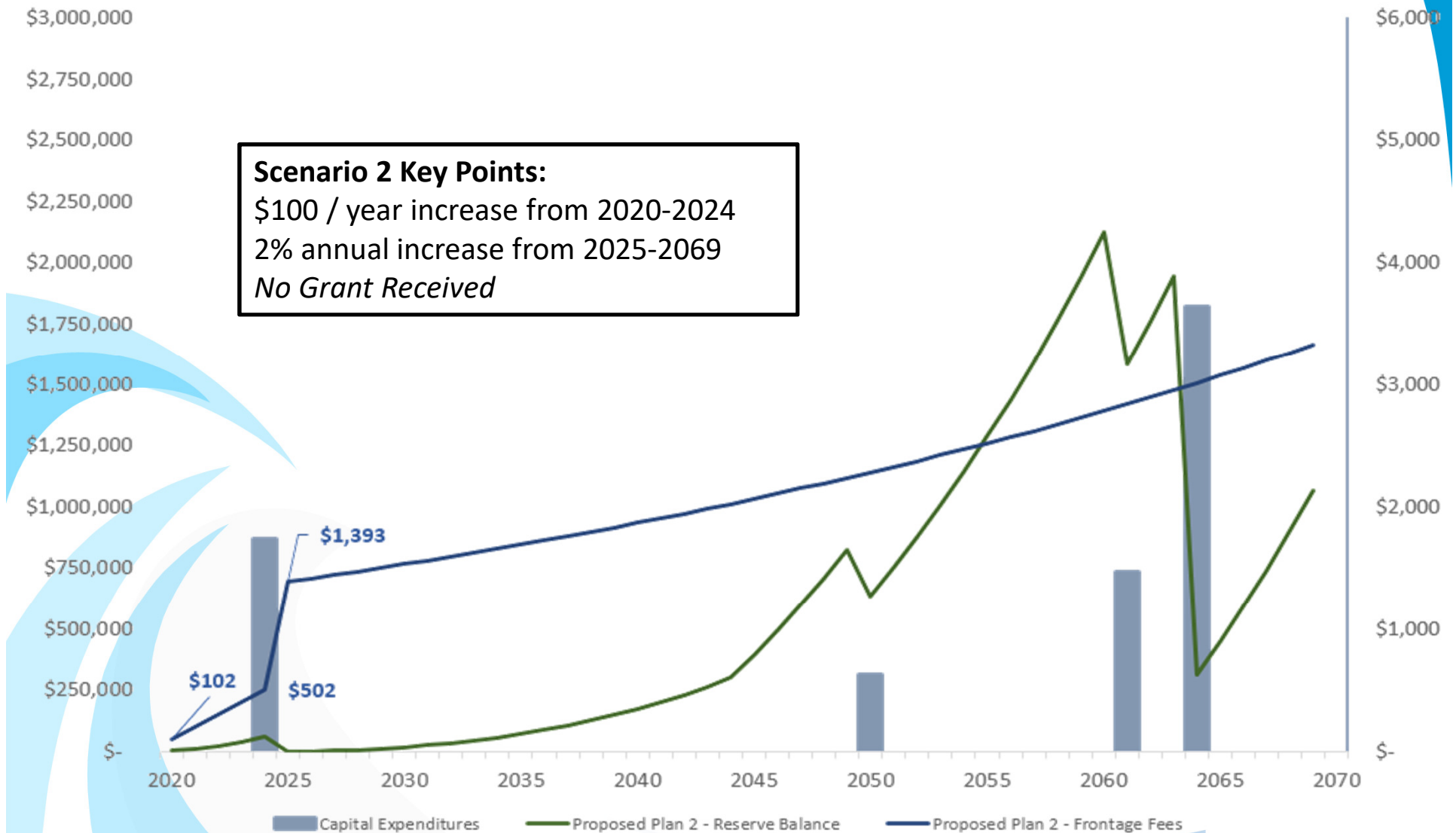
50-Year Anticipated Capital Expenditures

Scenario 2 Key Points:

\$100 / year increase from 2020-2024

2% annual increase from 2025-2069

No Grant Received



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Langdale

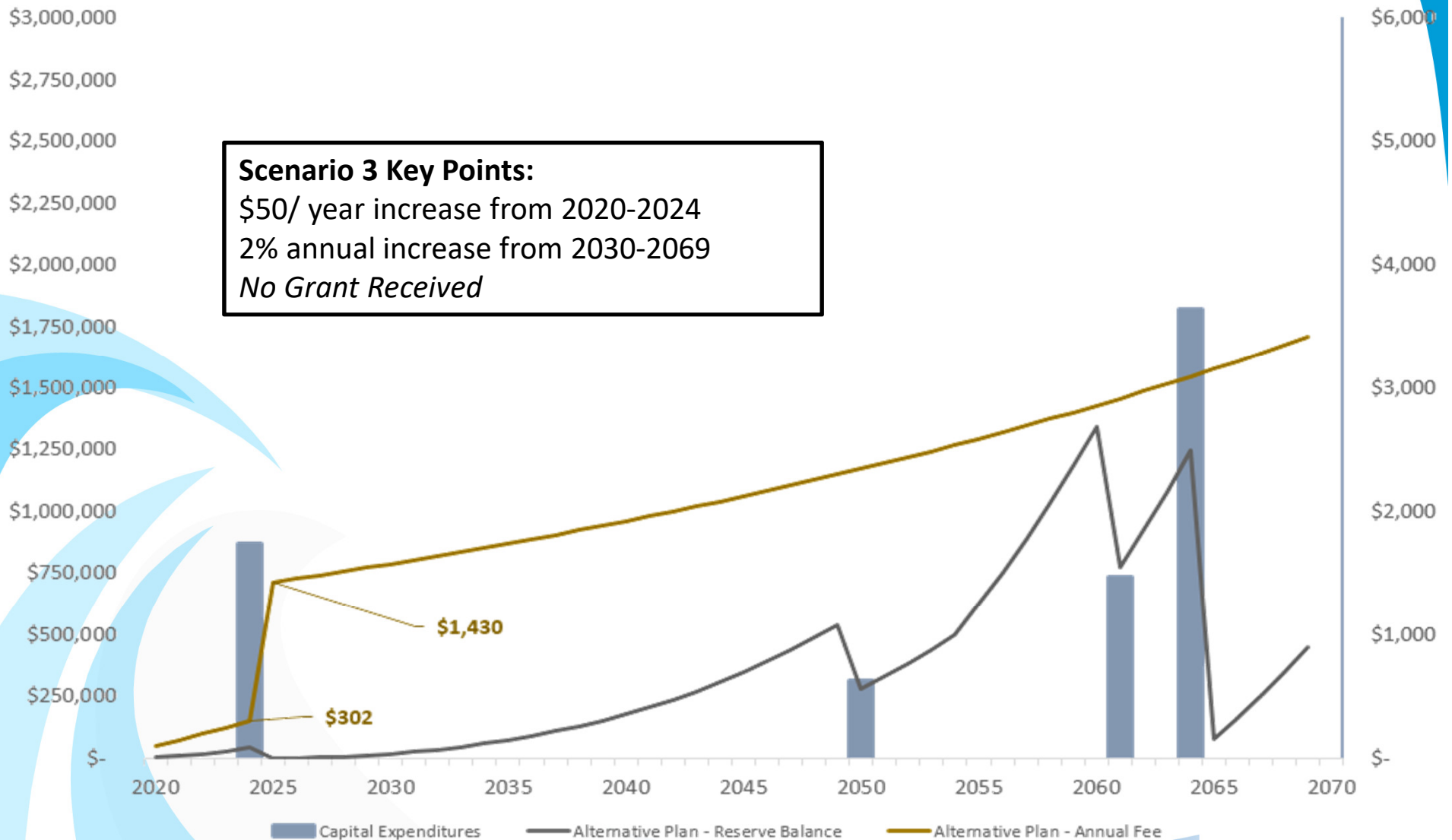
50-Year Anticipated Capital Expenditures

Scenario 3 Key Points:

\$50/ year increase from 2020-2024

2% annual increase from 2030-2069

No Grant Received



Canoe Road

50-Year Anticipated Capital Expenditures

\$1,000,000

\$3,000

\$750,000

Scenario 1 Key Points:

2% annual increase from 2020-2069

No Grant Received

\$500,000

\$250,000

\$2,000

\$1,000

\$-

2020

2025

2030

2035

2040

2045

2050

2055

2060

2065

2070

\$146,568

\$671

\$507

\$751,391

Capital Expenditures

Proposed Plan - Reserve Balance

Proposed Plan - Annual Fee

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Canoe Road

50-Year Anticipated Capital Expenditures

\$1,000,000

\$3,000

\$750,000

Scenario 2 Key Points:

\$50 / year increase from 2020-2024

2% annual increase from 2025-2069

No Grant Received

\$500,000

\$250,000

\$2,000

\$1,000

\$-

2020

2025

2030

2035

2040

2045

2050

2055

2060

2065

2070

\$146,568

\$624

\$424

\$751,391

Capital Expenditures

Alternative Plan - Reserve Balance

Alternative Plan - Annual Fee

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Canoe Road

50-Year Anticipated Capital Expenditures

\$1,000,000

\$3,000

\$750,000

Key Points:

2% annual increase from 2020-2069

30% Capital Infrastructure Grant Awarded in 2029

\$500,000

\$250,000

\$146,568

\$751,391

\$2,000

\$1,000

\$-

2020

2025

2030

2035

2040

2045

2050

2055

2060

2065

2070

Capital Expenditures

Proposed Plan with 30% Grant - Reserve Balance

Proposed Plan with 30% Grant - Annual Fee

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Merrill Crescent

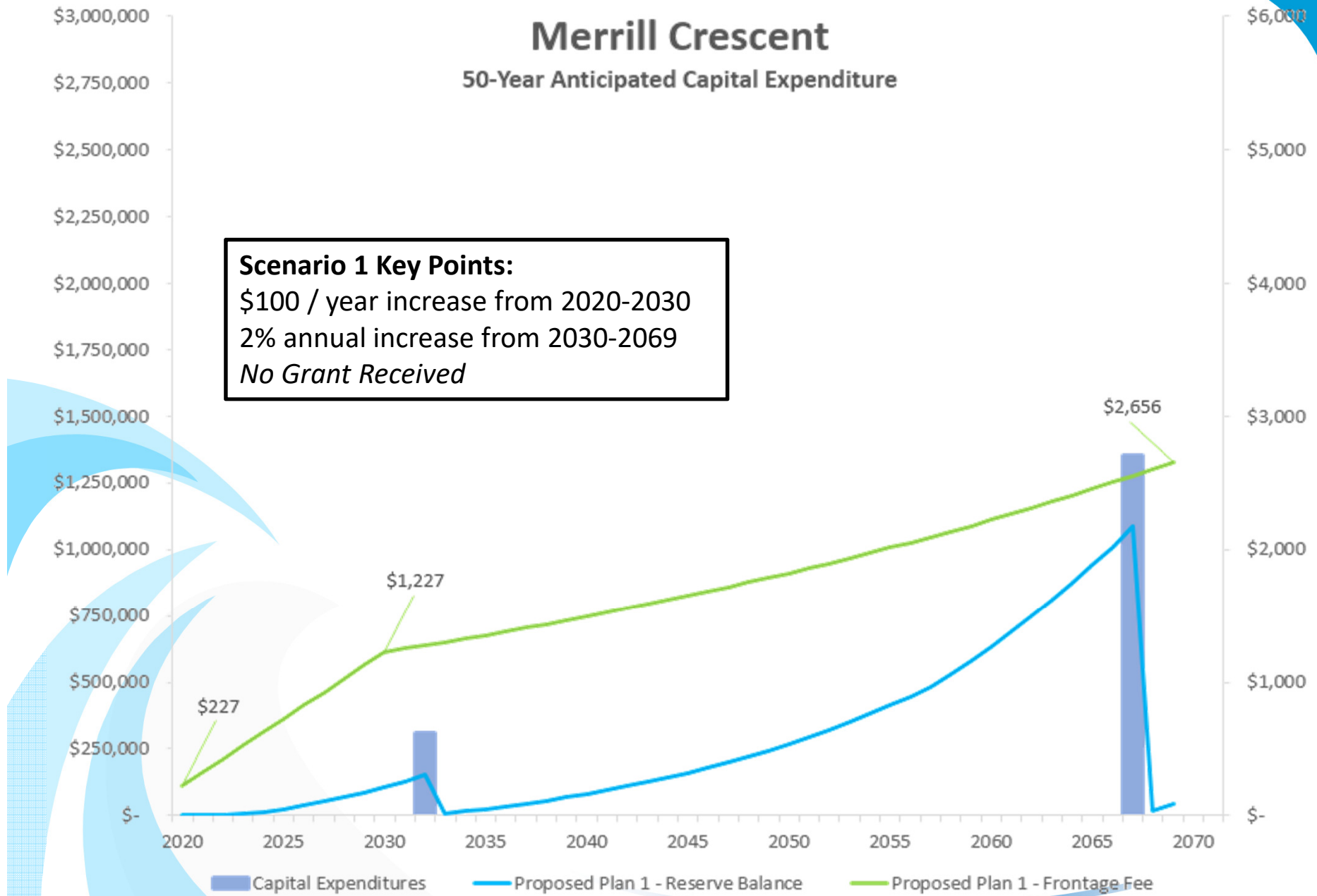
50-Year Anticipated Capital Expenditure

Scenario 1 Key Points:

\$100 / year increase from 2020-2030

2% annual increase from 2030-2069

No Grant Received



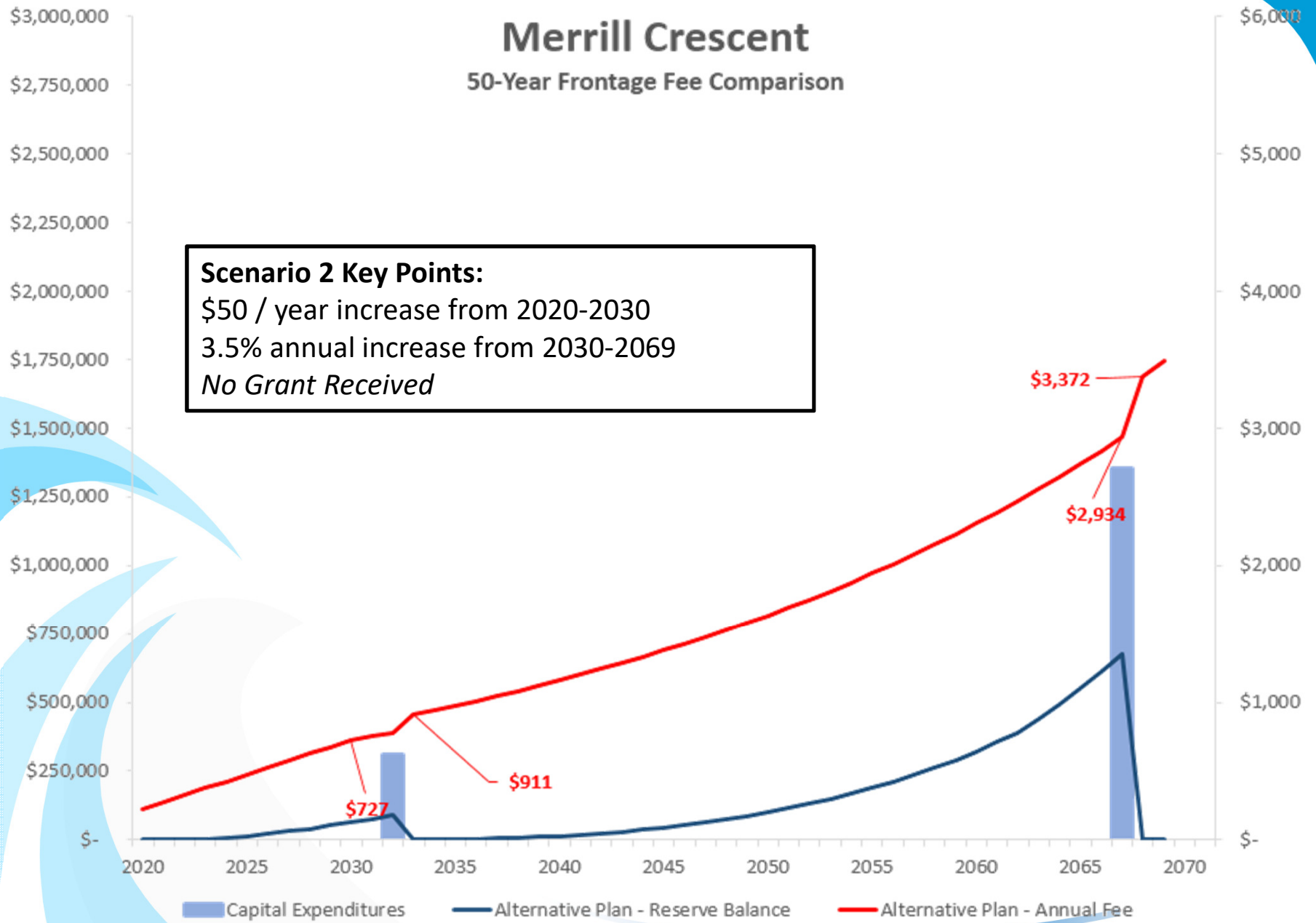
www.scrd.ca

Merrill Crescent

50-Year Frontage Fee Comparison

Scenario 2 Key Points:

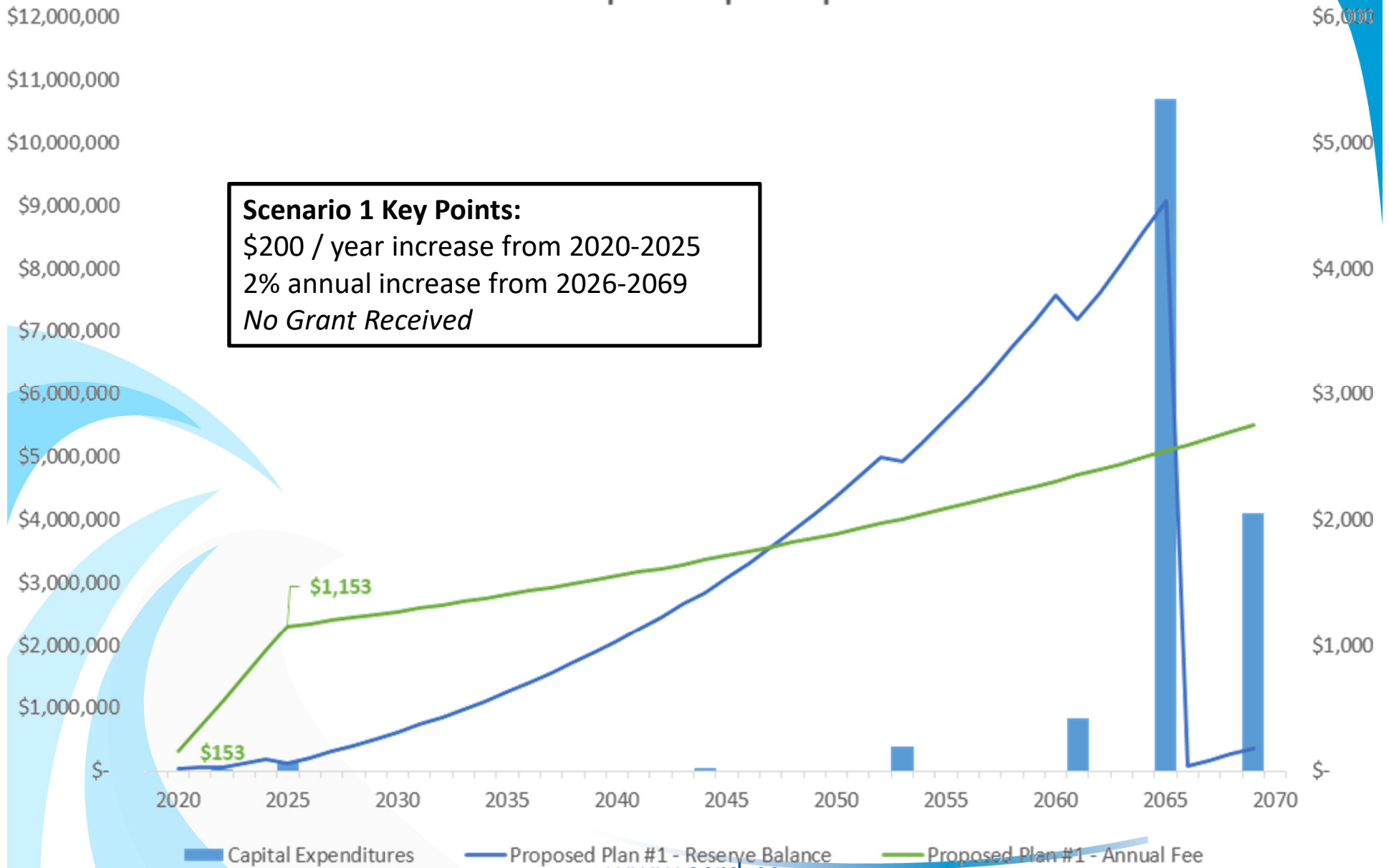
- \$50 / year increase from 2020-2030
- 3.5% annual increase from 2030-2069
- No Grant Received



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Curran Road

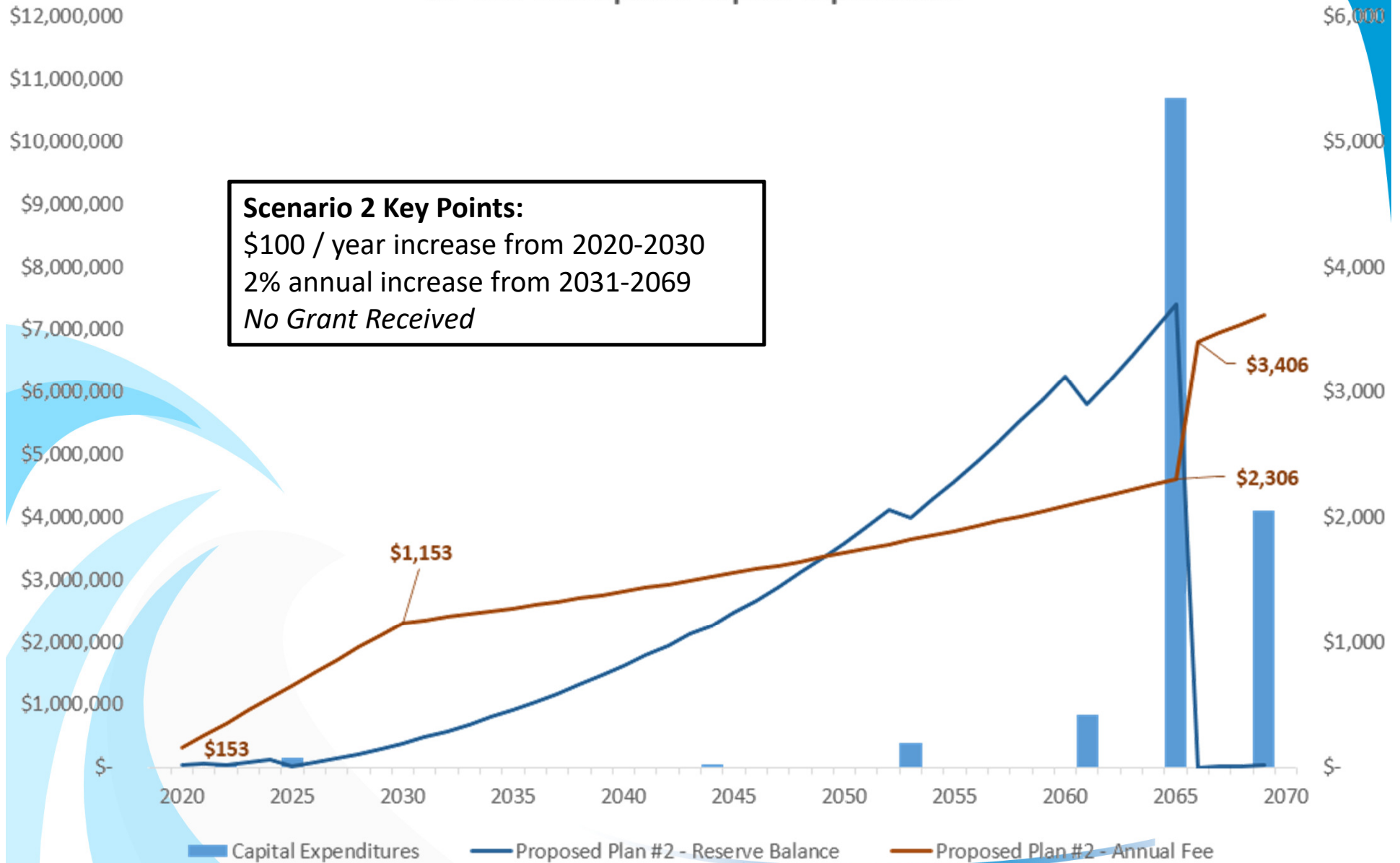
50-Year Anticipated Capital Expenditure



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Curran Road

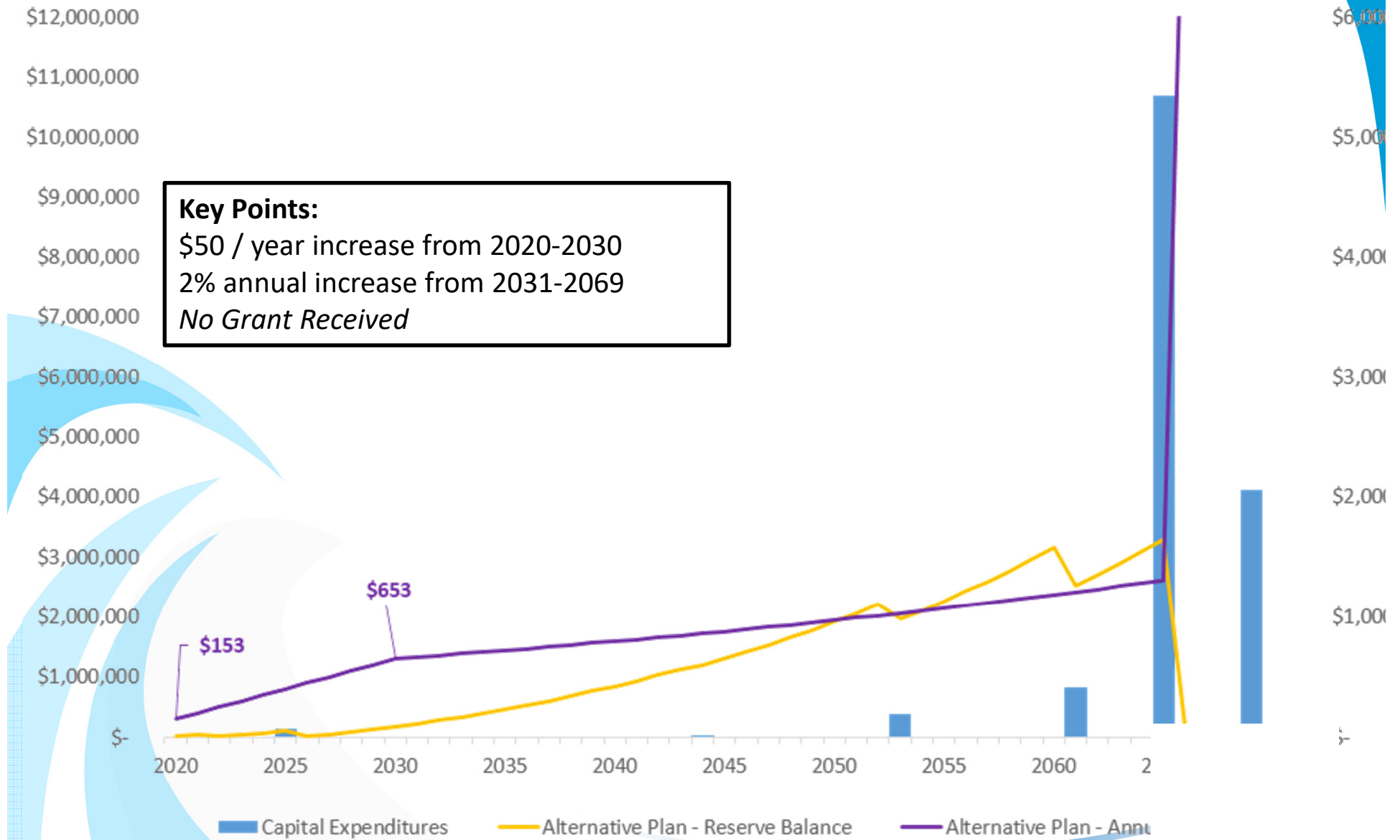
50-Year Anticipated Capital Expenditure



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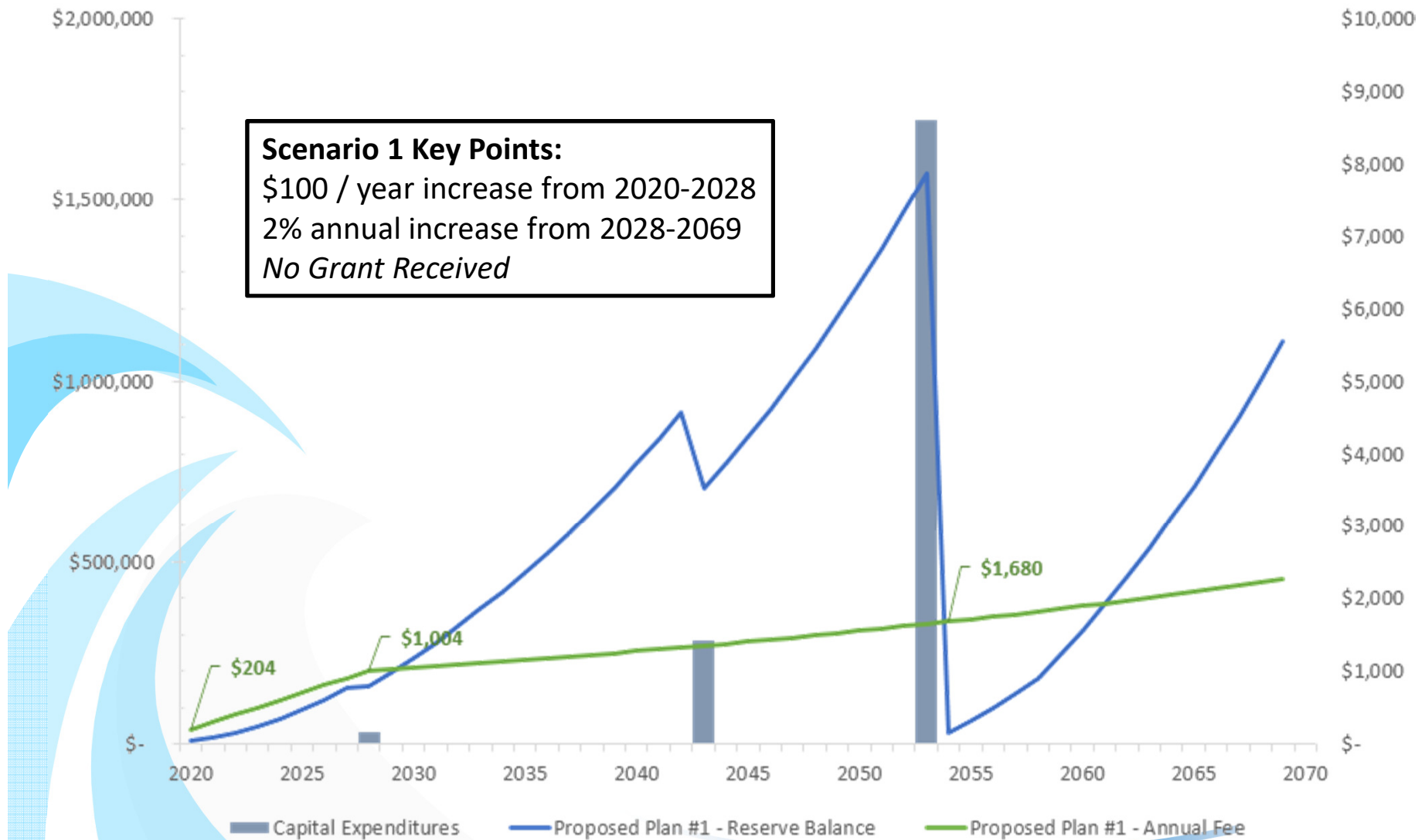
Curran Road

50-Year Anticipated Capital Expenditure



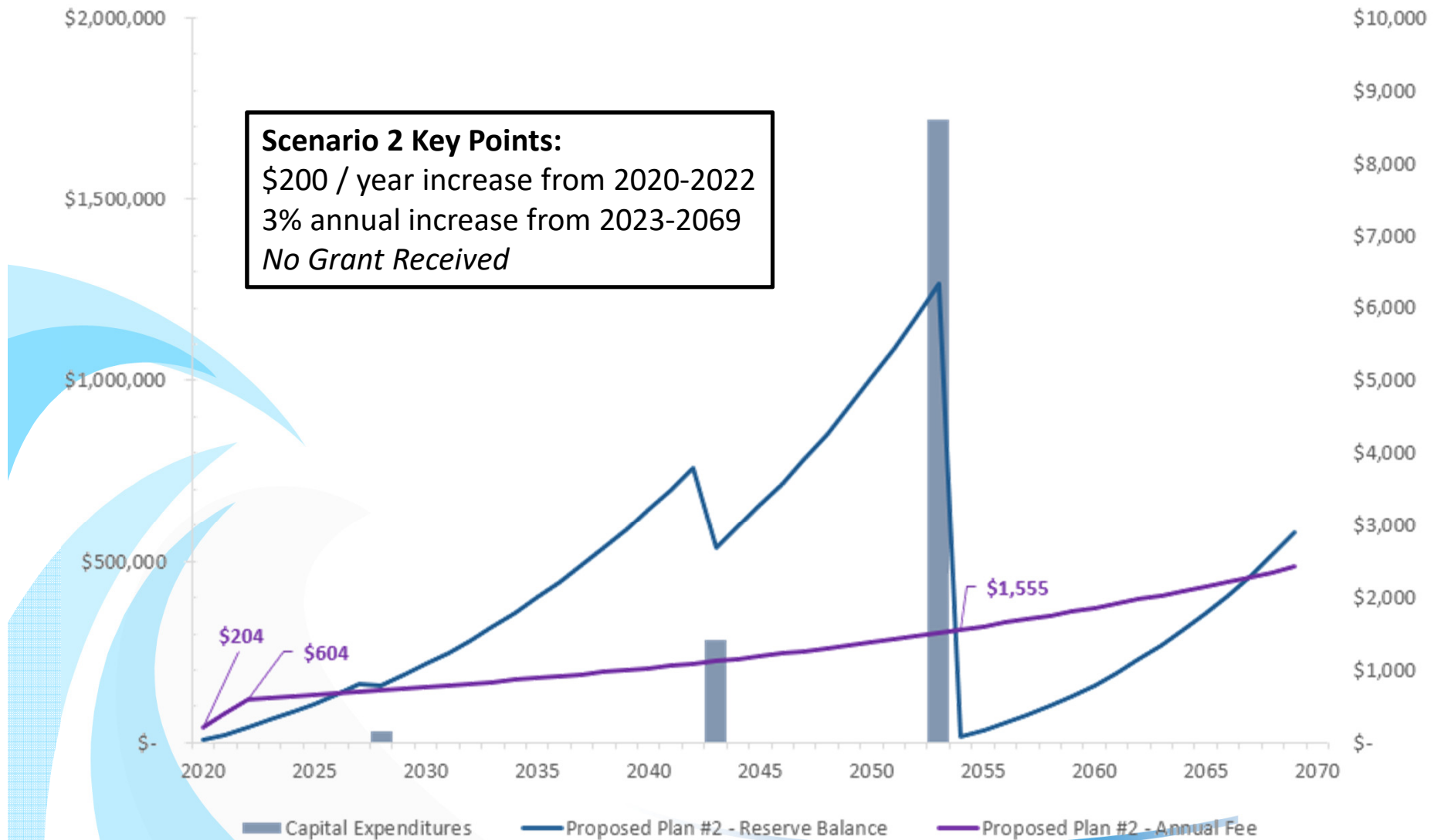
www.scrd.ca

Roberts Creek Co-Housing 50-Year Anticipated Capital Expenditures



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Roberts Creek Co-Housing 50-Year Anticipated Capital Expenditures

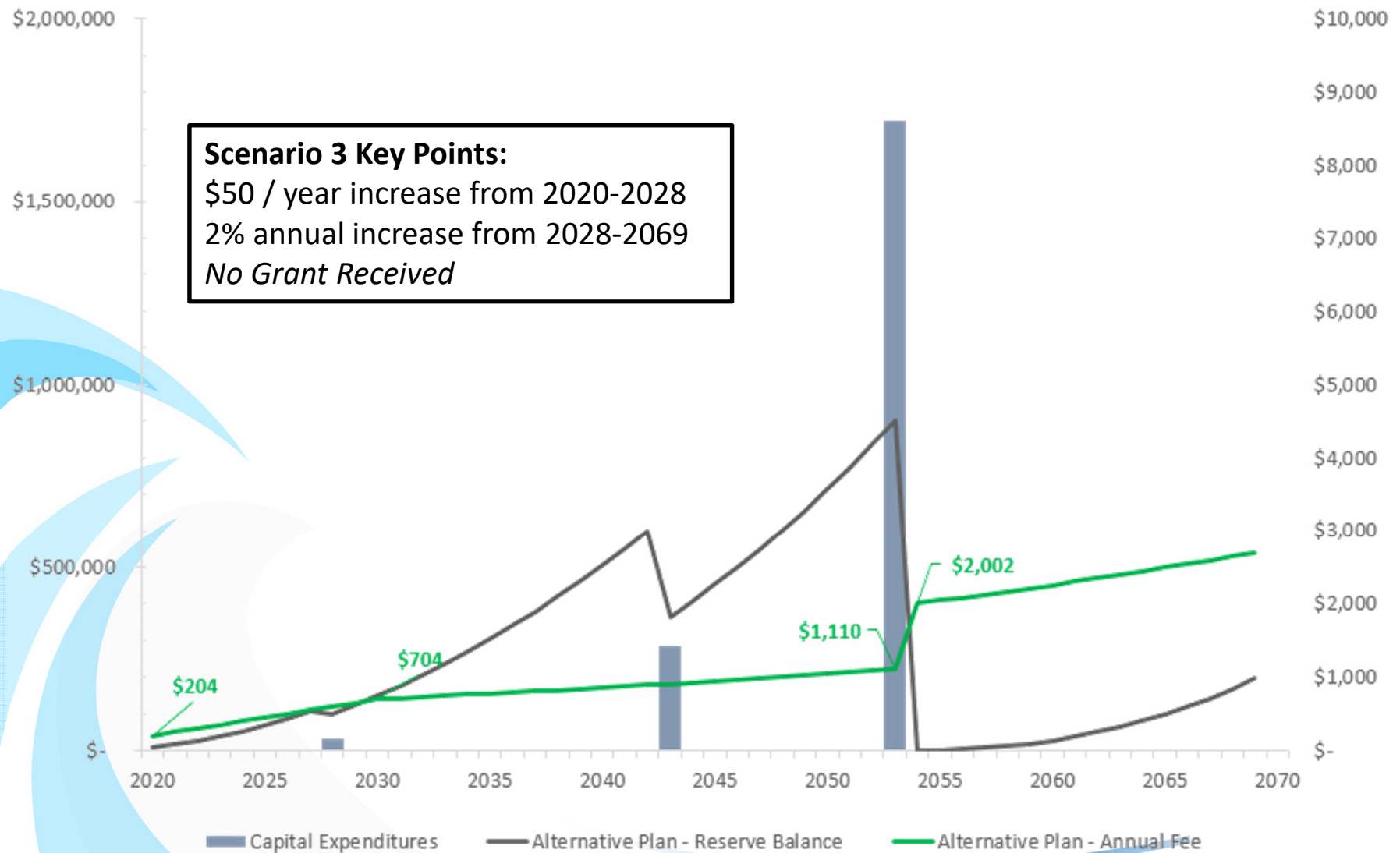


www.scrd.ca

Roberts Creek Co-Housing 50-Year Anticipated Capital Expenditures

Scenario 3 Key Points:

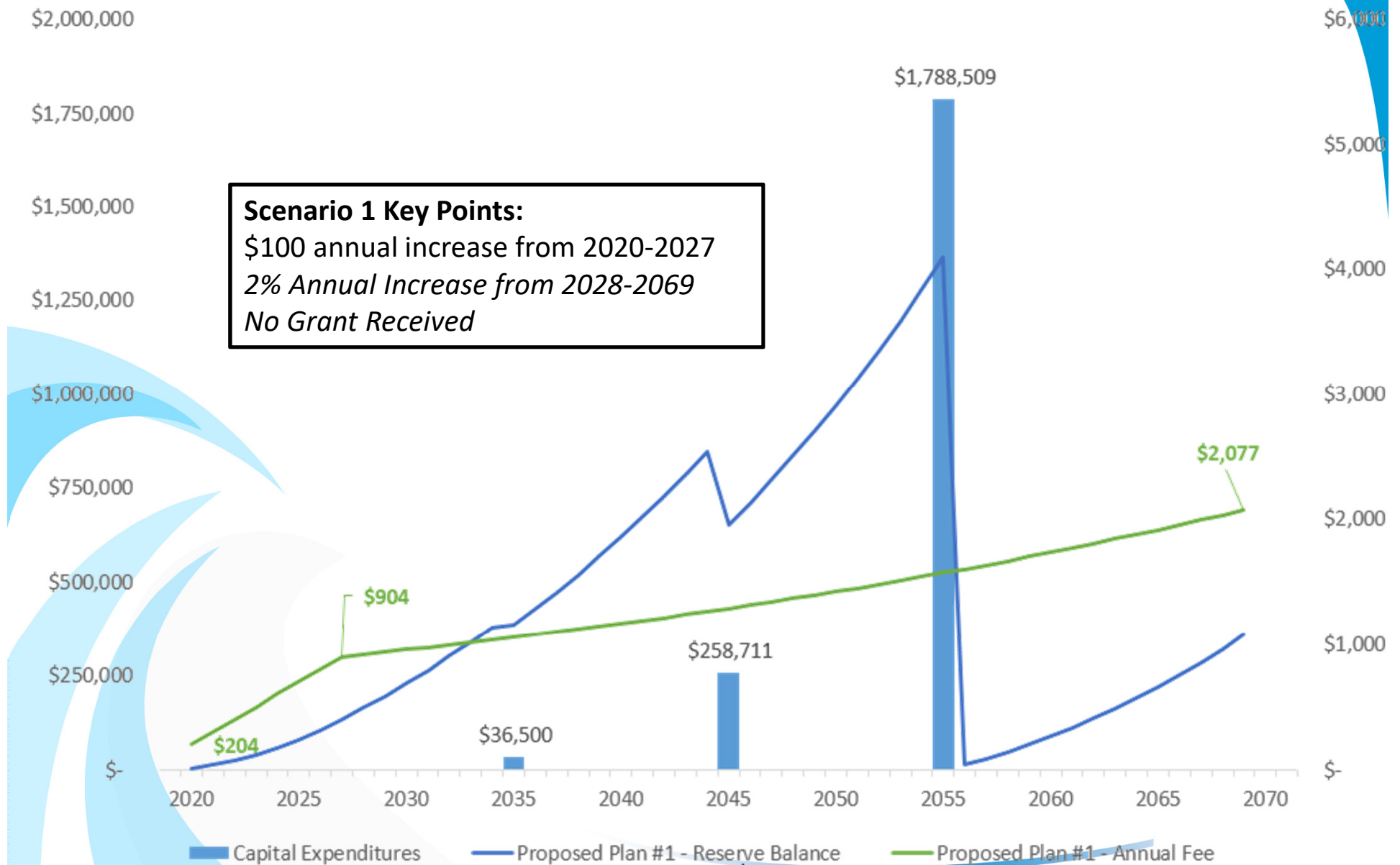
\$50 / year increase from 2020-2028
2% annual increase from 2028-2069
No Grant Received



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Lily Lake

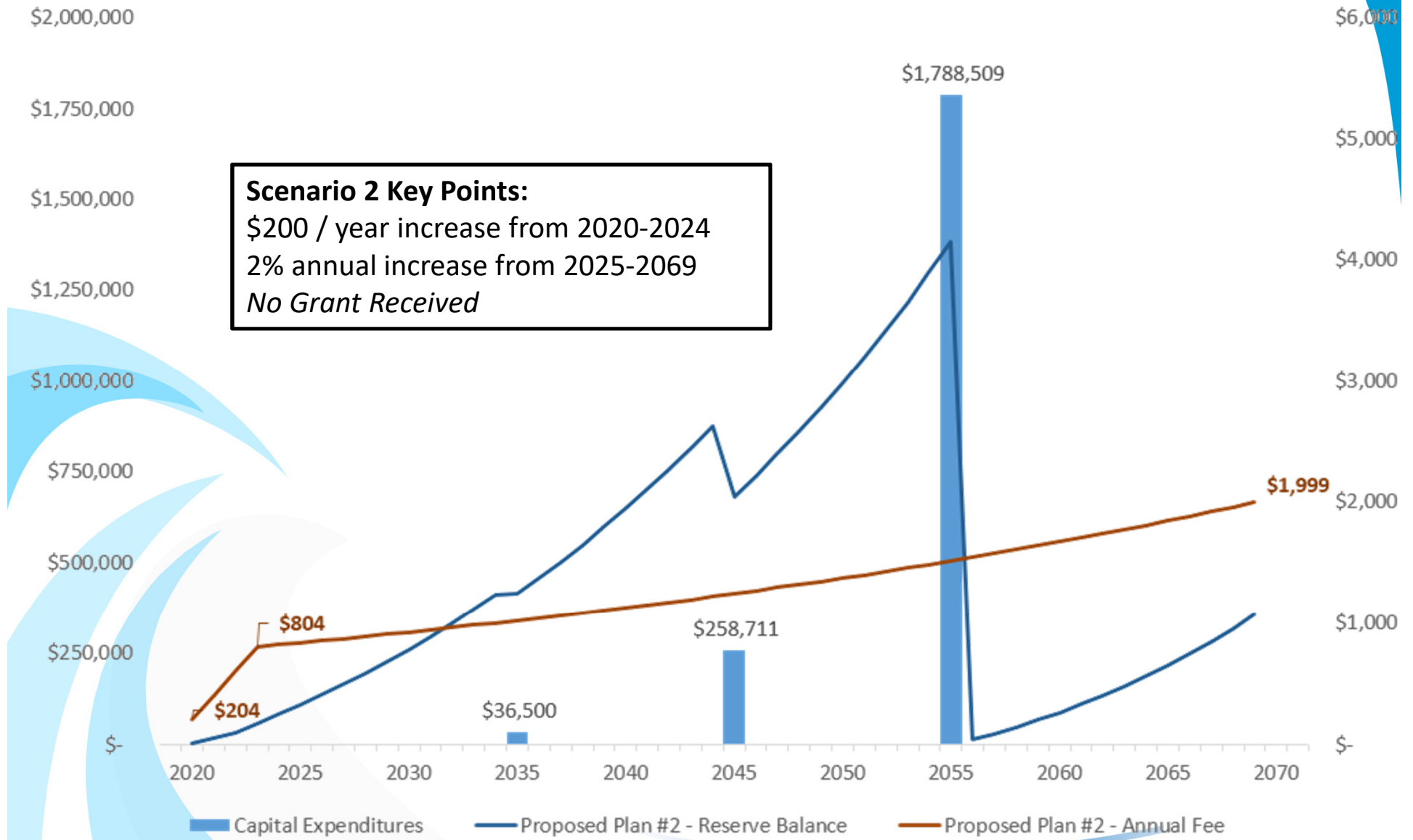
50-Year Anticipated Capital Expenditures



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Lily Lake

50-Year Anticipated Capital Expenditures



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Lily Lake

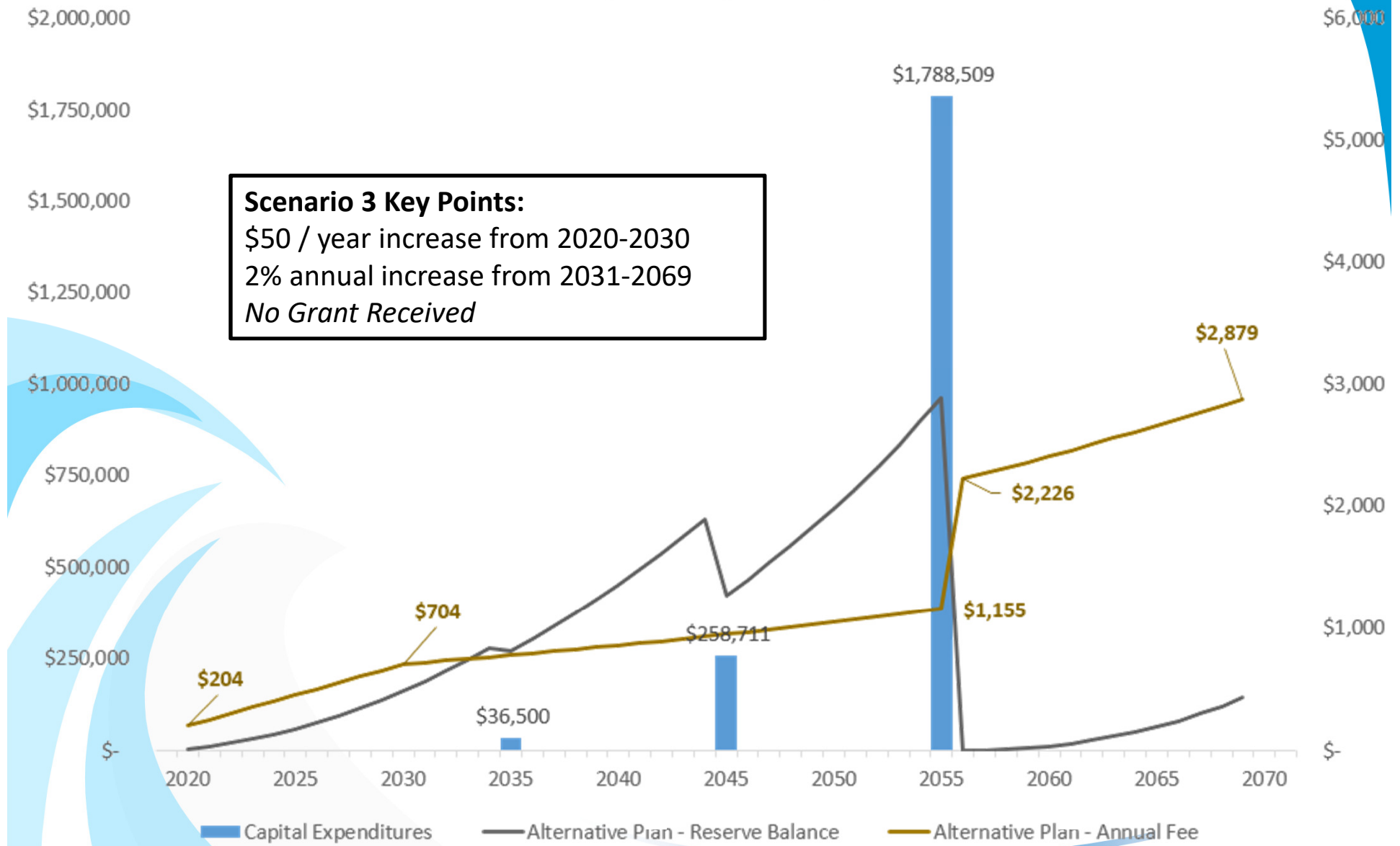
50-Year Anticipated Capital Expenditures

Scenario 3 Key Points:

\$50 / year increase from 2020-2030

2% annual increase from 2031-2069

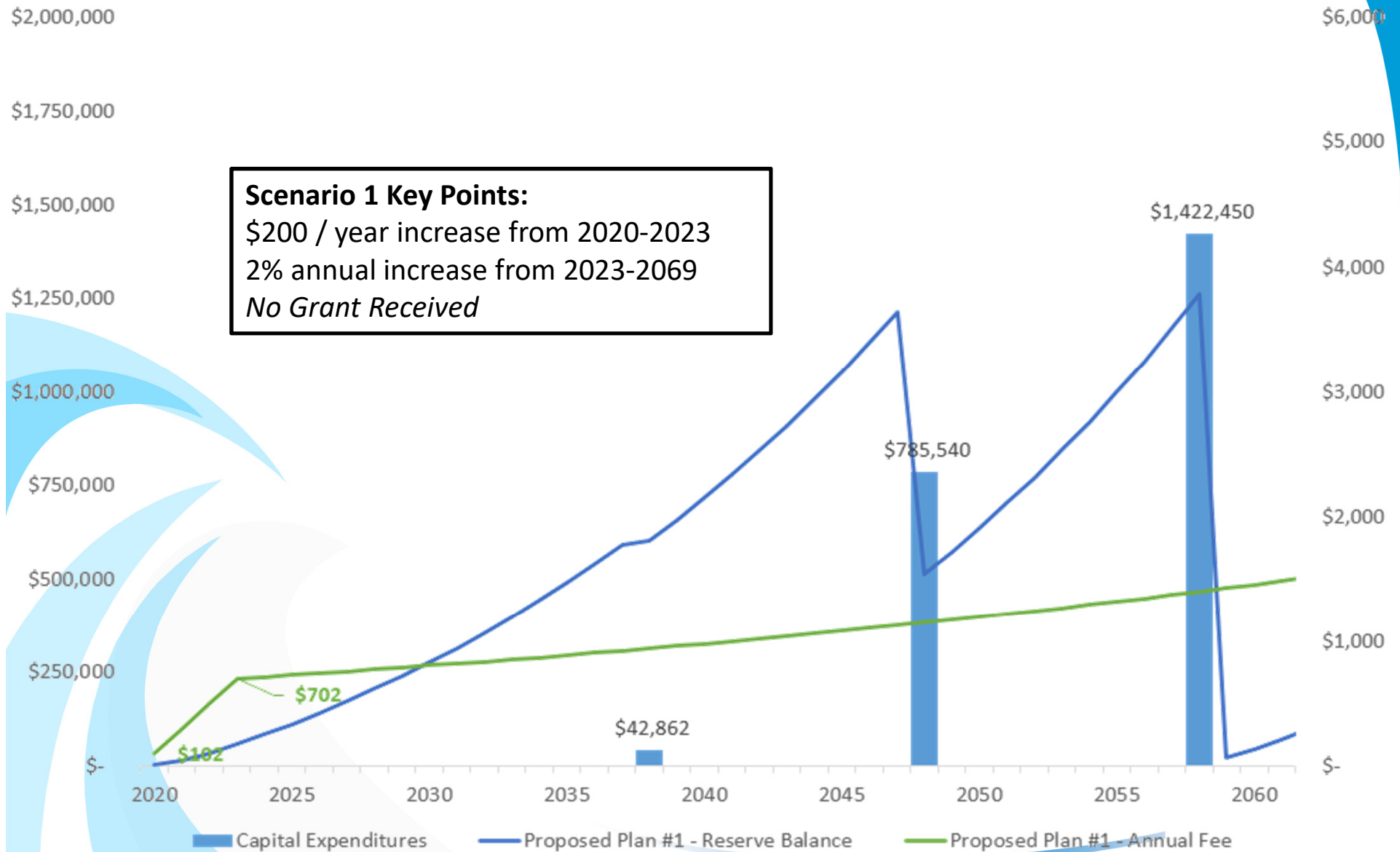
No Grant Received



www.scrd.ca

Painted Boat

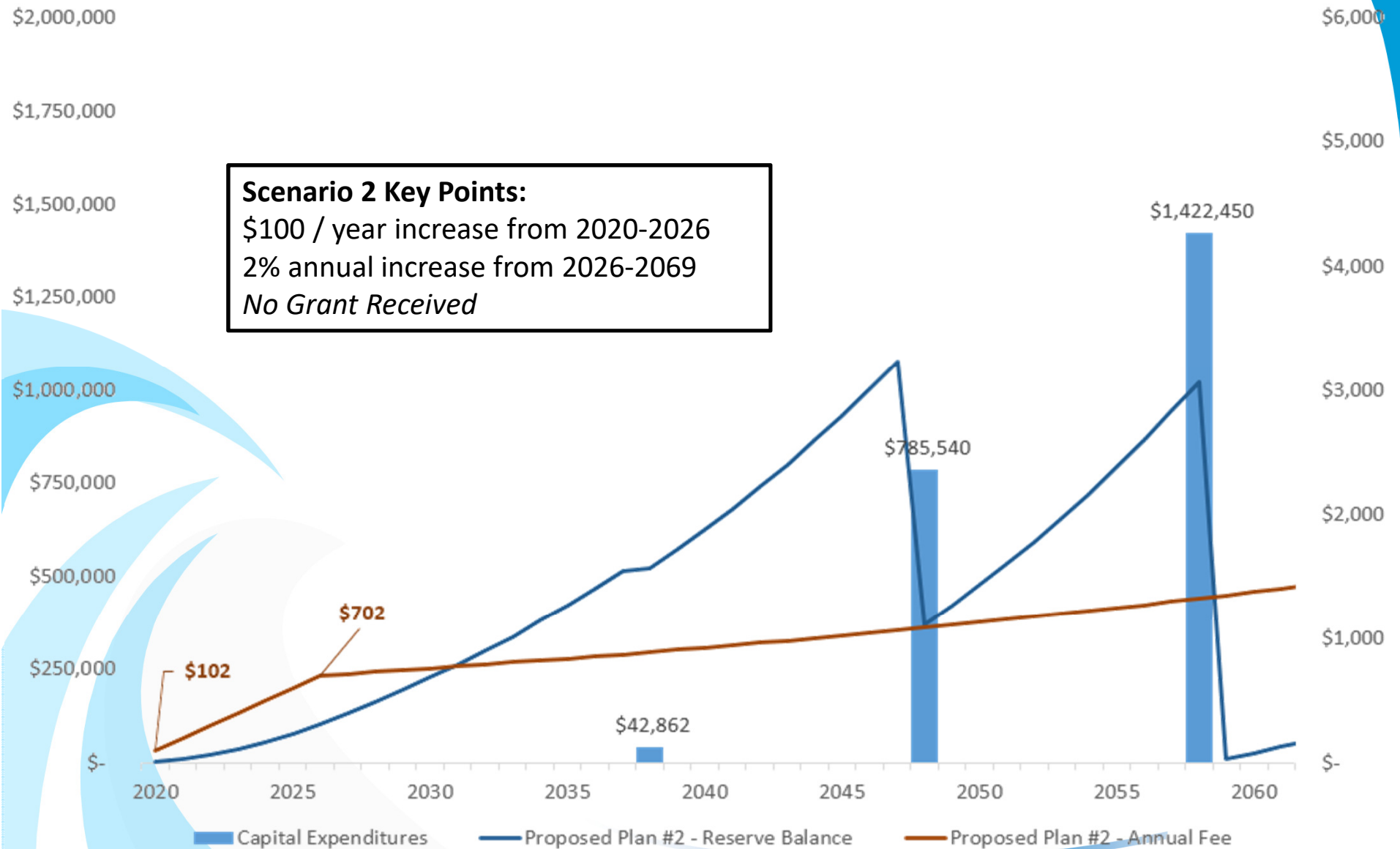
50-Year Anticipated Capital Expenditures



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Painted Boat

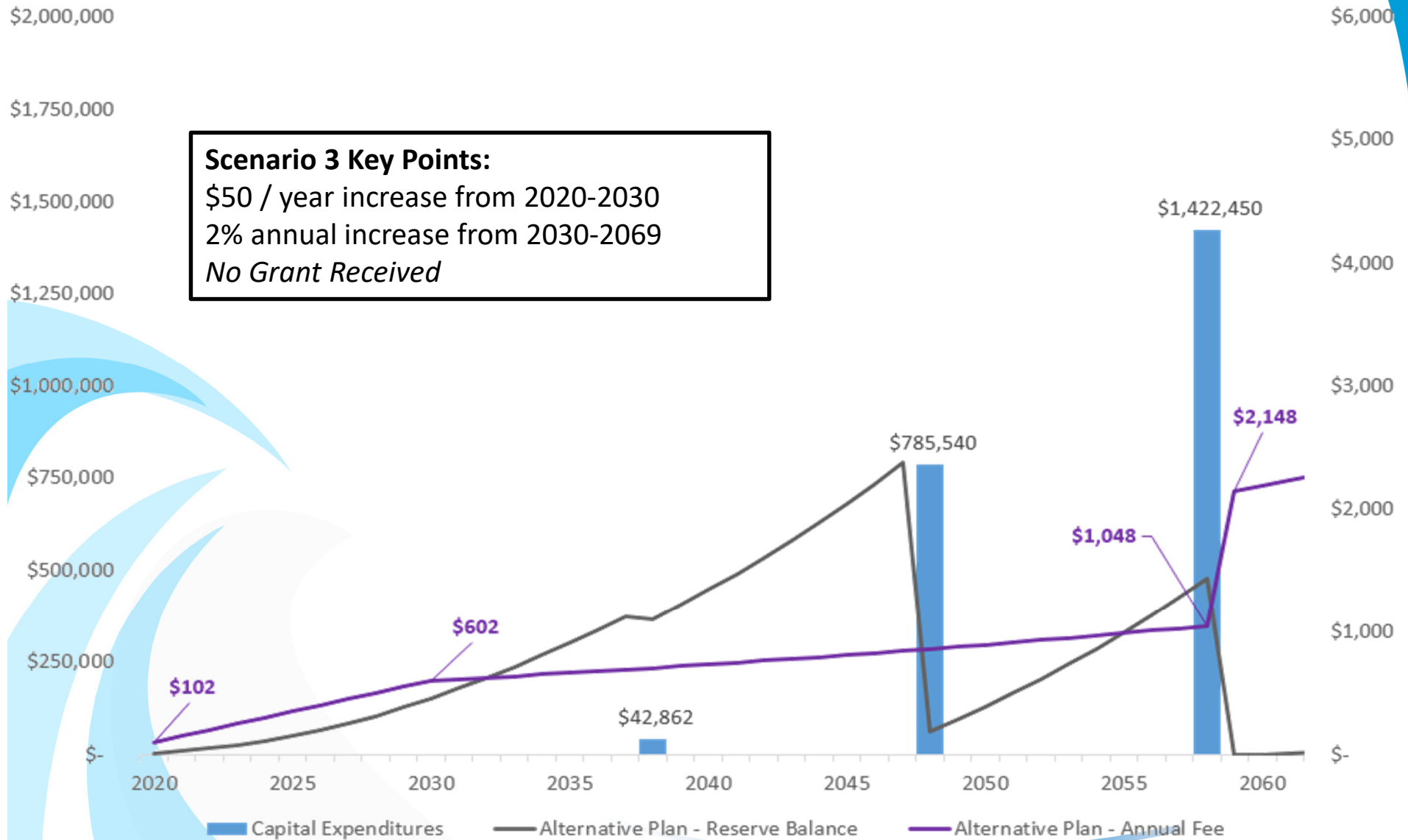
50-Year Anticipated Capital Expenditures



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Painted Boat

50-Year Anticipated Capital Expenditures



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Sakinaw Ridge

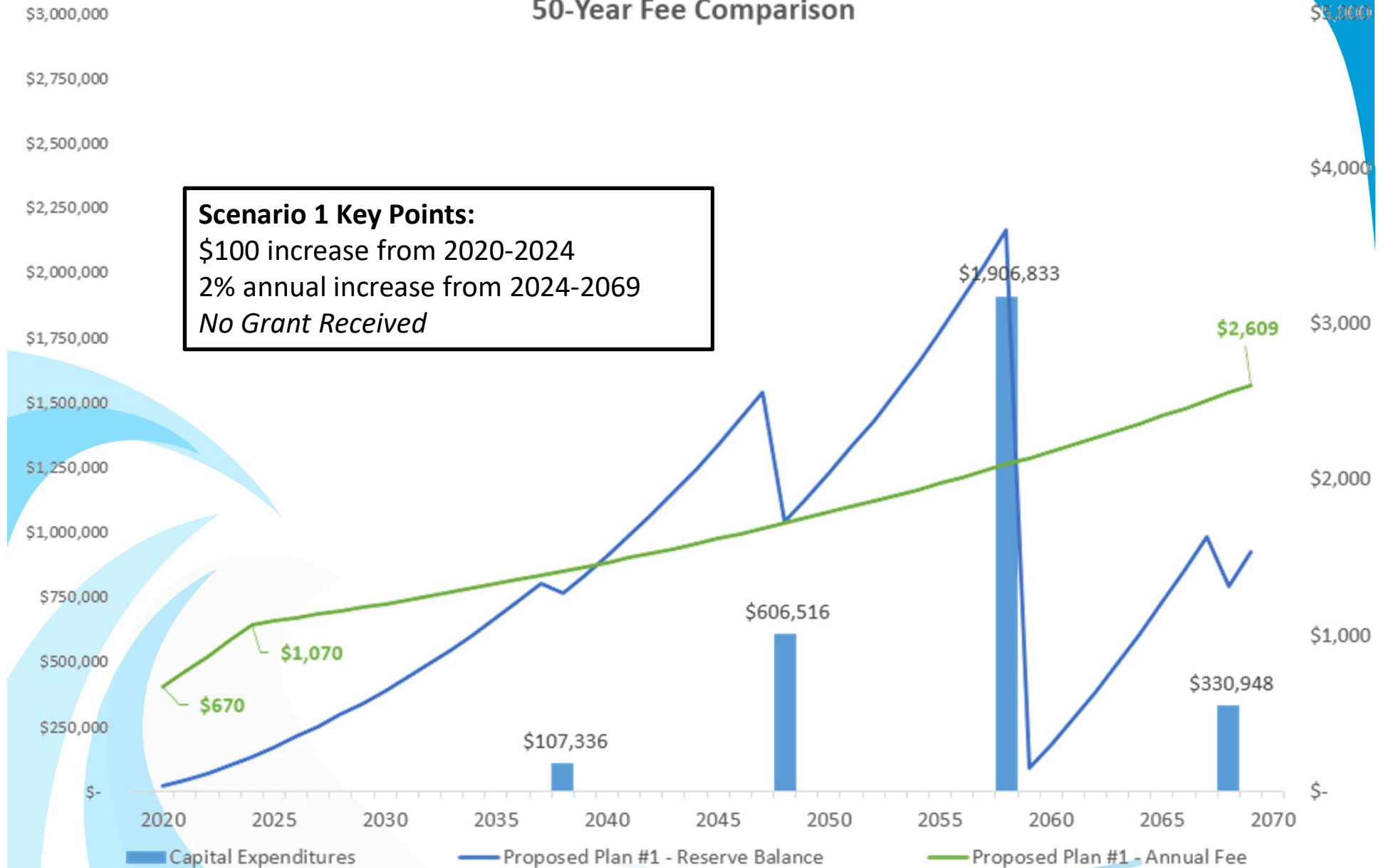
50-Year Fee Comparison

Scenario 1 Key Points:

\$100 increase from 2020-2024

2% annual increase from 2024-2069

No Grant Received



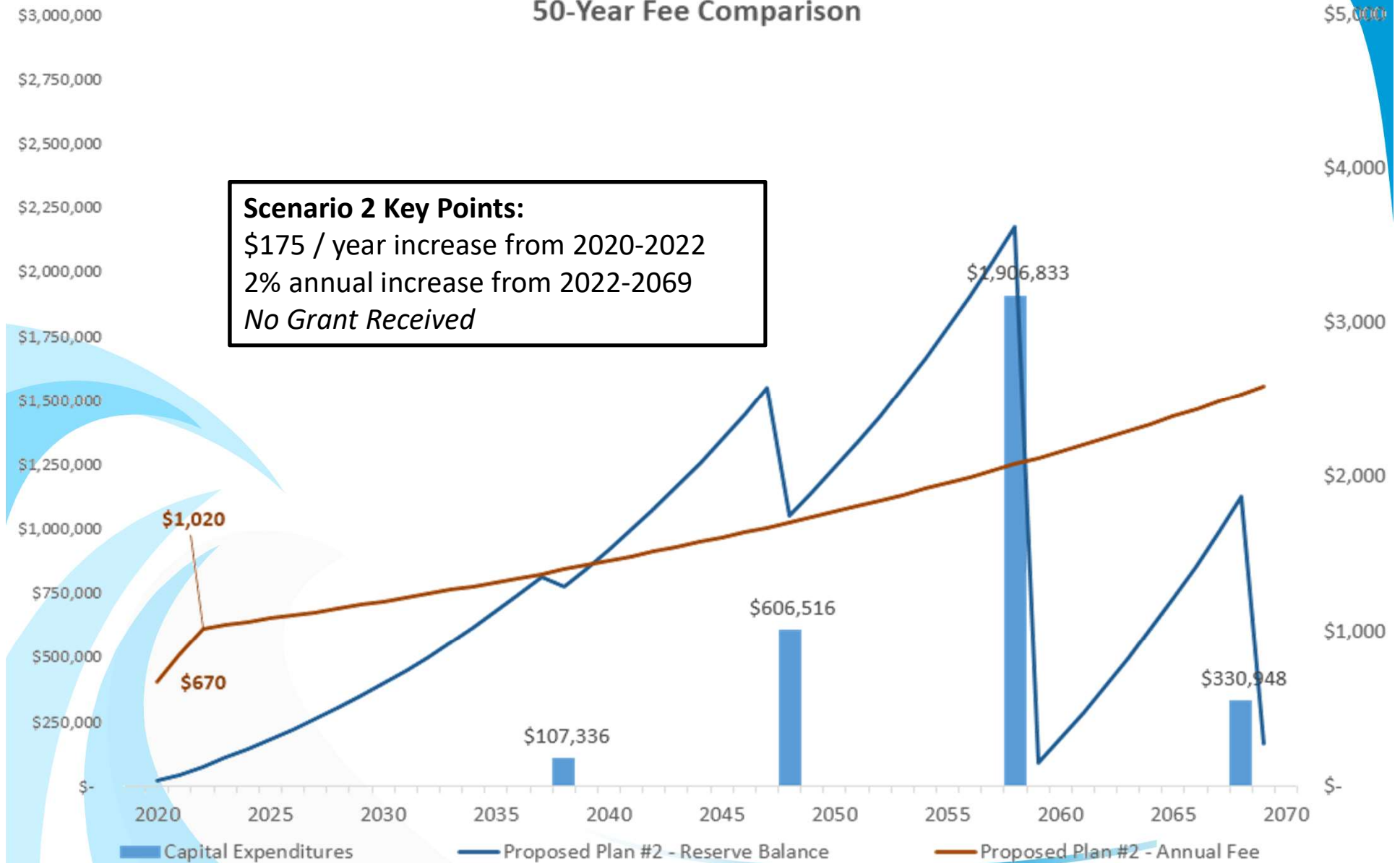
www.scrd.ca

Sakinaw Ridge

50-Year Fee Comparison

Scenario 2 Key Points:

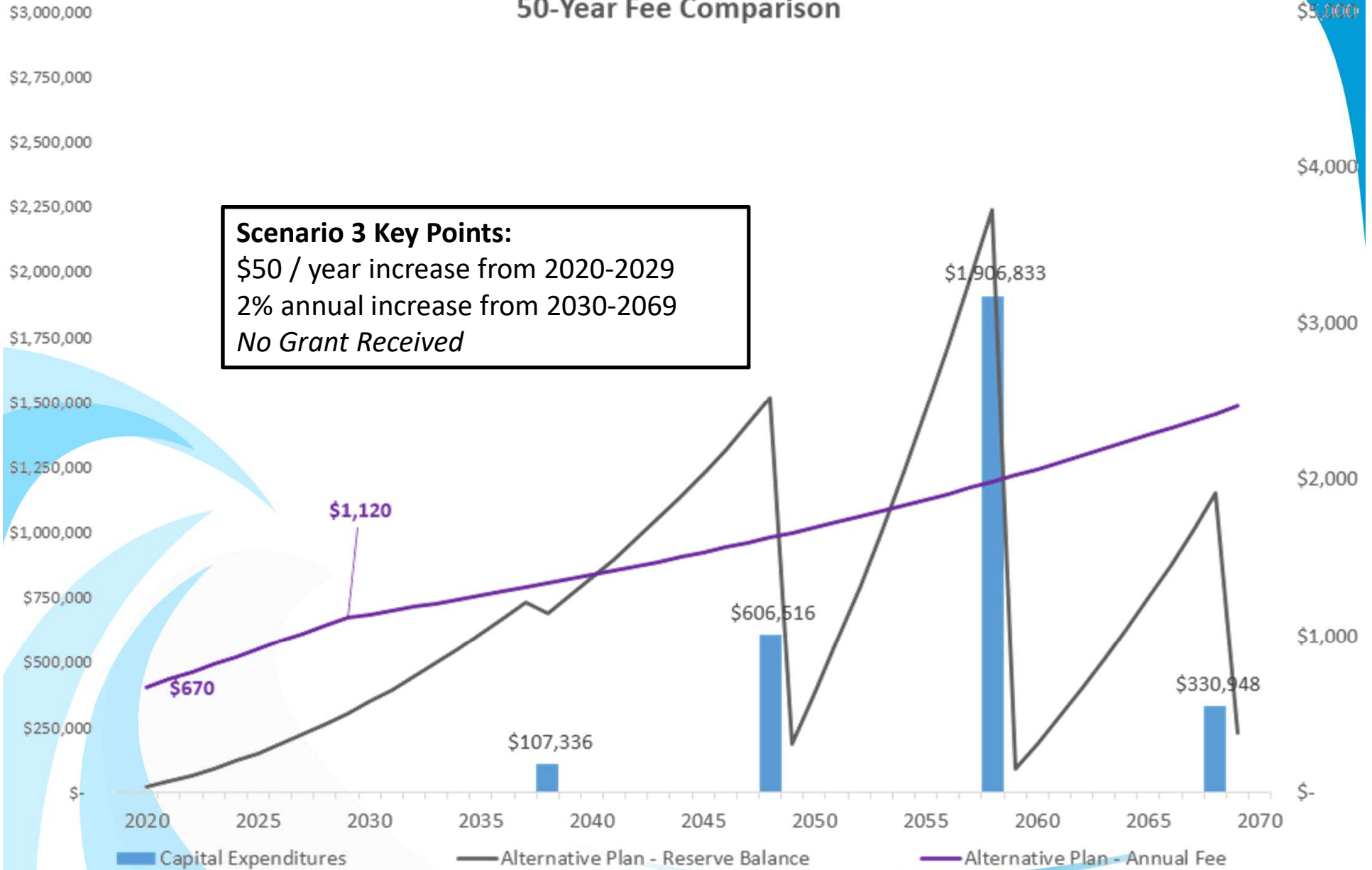
\$175 / year increase from 2020-2022
 2% annual increase from 2022-2069
No Grant Received



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Sakinaw Ridge

50-Year Fee Comparison



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SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Corporate and Administrative Services Committee – November 26, 2020

AUTHOR: Kyle Doyle, Manager, Asset Management

SUBJECT: 2021 WASTEWATER USER FEE REVIEW

RECOMMENDATIONS

THAT the report titled 2021 Wastewater User Fee Review be received;

AND THAT the respective rate Bylaws be amended to reflect the proposed 2021 User Fees detailed in Table 2 of the report;

AND THAT the 2021-2025 Financial Plan be amended accordingly;

AND FURTHER THAT the recommendation be forwarded to the November 26, 2020 Regular Board Meeting.

BACKGROUND

In January 2020 a report titled 'Wastewater Asset Management and Rate Review' presented a comprehensive review of wastewater funding and provided recommendations to adjust User and Frontage Fees as a part of an effort to progress towards sustainable funding for these services.

It was indicated at that time that an annual review would be conducted and presented to the board to ensure funding levels were appropriate. The purpose of this report is to provide a summary of the review of User Fees for the 15 wastewater services. To date a full calendar year has not passed since the implementation of the new rate structure.

DISCUSSION

Introduction

A review of the Operation and Maintenance (O&M) budgets for 15 wastewater services has been conducted. This review occurred with less than one full year of operations occurring since the implementation of a new rate structure for both User Fees and Frontage Fees. It is expected that subsequent reviews of the O&M budgets for these functions will be able to provide a more certain understanding of how the projected budgets are performing against actual expenses.

Increases to Operational Expenses

There are two significant factors that have been identified that will increase the cost of delivering wastewater services. Most notably, the Sechelt Wastewater Treatment Plant has increased the cost of disposing of septage. The rate to dispose of sewage sludge that is routinely pumped out of 14 of the 15 wastewater services has increased 260% from \$0.05/litre to \$0.13/litre. In addition there is a latent increase proportional to the operational expenses of each service that

will be realized in the upcoming year. This increase is driven by the Support Services Allocation Policy.

The specific projected financial impact of this change is presented below in Table 1.

Table 1 - Projected Change in Operational Expenses

Function	Name	No of users	Projected Increase to Annual Pumping Fees	Increased Support Service Allocation	Allocation for Inflationary Increase	Total Increase	Per User increase
381	Greaves	5	\$ 230.00	\$ 73.00	\$ 25.00	\$ 328.00	\$ 65.60
382	Woodcreek	73	\$ 5,520.00	\$ 1,026.00	\$ 344.00	\$ 6,890.00	\$ 94.38
383	Sunnyside	8	\$ 230.00	\$ 84.00	\$ 28.00	\$ 342.00	\$ 42.75
384	Jolly Roger	31	\$ 3,680.00	\$ 821.00	\$ 160.00	\$ 4,661.00	\$ 150.35
385	Secret Cove	34	\$ 3,680.00	\$ 449.00	\$ 162.00	\$ 4,291.00	\$ 126.21
386	Lee Bay	113	\$ 7,360.00	\$ 31.00	\$ 288.00	\$ 7,679.00	\$ 67.96
387	Square Bay	80	\$ 7,360.00	\$ 2,825.00	\$ 601.00	\$ 10,786.00	\$ 134.83
388	Langdale	40	\$ 5,520.00	\$ 1,515.00	\$ 357.00	\$ 7,392.00	\$ 184.80
389	Canoe	6	\$ -	\$ 208.00	\$ 38.00	\$ 246.00	\$ 41.00
390	Merrill	12	\$ 920.00	\$ 900.00	\$ 151.00	\$ 1,971.00	\$ 164.25
391	Curran	57	\$ 3,680.00	\$ 766.00	\$ 225.00	\$ 4,671.00	\$ 81.95
392	Roberts Creek	31	\$ 3,680.00	\$ 1,132.00	\$ 301.00	\$ 5,113.00	\$ 164.94
393	Lily Lake	28	\$ 920.00	\$ 599.00	\$ 180.00	\$ 1,699.00	\$ 60.68
394	Painted Boat	34	\$ 920.00	\$ 298.00	\$ 141.00	\$ 1,359.00	\$ 39.97
395	Sakinaw	8	\$ 920.00	\$ 1,597.00	\$ 268.00	\$ 2,785.00	\$ 348.13

Observed Variance from Projected 2020 Expenditures

Repeating the provision that this analysis follows less than one full year of operation, there are some notable variances observed from the projected 2020 operation budgets for the wastewater services. Projected budgets were based on a full complement of utility staff, however that was not realized for the entirety of the year. As such over \$80,000 in budgeted staffing expenses were not utilized over the 15 services.

Further variance can be observed in the non-staffing expenses related to wastewater services, however that is to be expected as the projected budgets were based on annualized costs over a period of several years. Appendix A contains charts detailing variance by service for both staffing and non-staffing expenses and Appendix B contains detailed charts for each service. These expenses should be continued to be reviewed annually as more data will become available over time.

Operation and Maintenance Reserves

The January 2020 report recommended several wastewater services have a temporary additional fee to build O&M Reserve level to meet minimum targets. Some services are projected to exceed the target minimum for O&M reserves and most are projected to reach the minimum reserve ahead of the original 5-year schedule due to the unspent staffing expenses from 2020.

Service Area Specific Details

381 – Greaves Road

Greaves Road is expected to have increased O&M Expenses of \$230/yr related to increased pumping fees and \$73 from increased support services costs. The cost of providing the service is also anticipated to rise due to inflationary increases in the magnitude of \$25.

The total increase in O&M Expenses is expected to be \$326 for this service, or approximately \$65 for each participant in the service.

Greaves Road is anticipated to have exceeded the targeted \$7,500 O&M reserve by the end of this year including the commitment of up to \$1,250 towards the grant-funded feasibility study that is expected to be awarded soon.

382 – Woodcreek Park

Woodcreek Park is expected to have increased O&M Expenses of \$5,520/yr related to increased pumping fees and \$1,026 from increased support services costs. The cost of providing the service is also anticipated to rise due to inflationary increases in the magnitude of \$344.

The total increase in O&M Expenses is expected to be \$6,890 for this service, or approximately \$94 for each participant in the service.

Woodcreek Park is in the process of upgrading various components of its treatment system and is projected to exceed the anticipated staff expenditures for the year.

383 – Sunnyside

Sunnyside is expected to have increased O&M Expenses of \$230/yr related to increased pumping fees and \$84 from increased support services. The cost of providing the service is also anticipated to rise due to inflationary increases in the magnitude of \$28.

The total increase in O&M Expenses is expected to be \$342 for this service, or approximately \$43 for each participant in the service.

Sunnyside is anticipated to have exceeded the targeted \$7,500 O&M reserve by the end of this year however there are outstanding expenses that have yet to be resolved that may deplete the reserve below the target threshold. These include a feasibility study to assess future capital expenditures, repairing known issues with the collection system and expenses related to clarifying land ownership/right-of-way uncertainties.

384 – Jolly Roger

Jolly Roger is expected to have increased O&M Expenses of \$3,680/yr related to increased pumping fees and \$821 from increased support services. The cost of providing the service is also anticipated to rise due to inflationary increases in the magnitude of \$160.

The total increase in O&M Expenses is expected to be \$4,661 for this service, or approximately \$150 for each participant in the service.

Jolly Roger is anticipated to have exceeded the targeted \$10,000 O&M reserve by the end of this year however there are outstanding expenses that have yet to be resolved that may deplete the reserve below the target threshold. These include a feasibility study to assess future capital expenditures and expenses related to clarifying land ownership/right-of-way uncertainties.

385 – Secret Cove

Secret Cove is expected to have increased O&M Expenses of \$3,680/yr related to increased pumping fees and \$449 from increased support services. The cost of providing the service is also anticipated to rise due to inflationary increases in the magnitude of \$162.

The total increase in O&M Expenses is expected to be \$4,291 for this service, or approximately \$126 for each participant in the service.

Secret Cove is anticipated to have exceeded the targeted \$10,000 O&M reserve by the end of this year including outstanding expenses that have yet to be resolved. These include a feasibility study to assess future capital expenditures and expenses related to clarifying land ownership/right-of-way uncertainties.

386 – Lee Bay

Lee Bay is expected to have increased O&M Expenses of \$7,360/yr related to increased pumping fees and \$31 from increased support services. The cost of providing the service is also anticipated to rise due to inflationary increases in the magnitude of \$288.

The total increase in O&M Expenses is expected to be \$7,679 for this service, or approximately \$68 for each participant in the service.

Lee Bay has an O&M Reserve balance greater than the target threshold.

387 – Square Bay

Square Bay is expected to have increased O&M Expenses of \$7,360/yr related to increased pumping fees and \$2,825 from increased support services. The cost of providing the service is also anticipated to rise due to inflationary increases in the magnitude of \$601.

The total increase in O&M Expenses is expected to be \$10,786 for this service, or approximately \$135 for each participant in the service.

Square Bay has an O&M Reserve balance greater than the target threshold.

388 – Langdale

Langdale is expected to have increased O&M Expenses of \$5,520/yr related to increased pumping fees and \$1,515 from increased support services. The cost of

providing the service is also anticipated to rise due to inflationary increases in the magnitude of \$357.

The total increase in O&M Expenses is expected to be \$7,392 for this service, or approximately \$185 for each participant in the service.

Langdale has an O&M Reserve balance greater than the target threshold including the planned projects for the service area.

389 – Canoe Road

Canoe Road is expected to have increased O&M Expenses of \$208 related to increased support services. The cost of providing the service is also anticipated to rise due to inflationary increases in the magnitude of \$38.

The total increase in O&M Expenses is expected to be \$246 for this service, or approximately \$41 for each participant in the service.

Canoe Road is anticipated to have exceeded the targeted \$7,500 O&M reserve by the end of this year with no planned expenditures.

390 – Merrill Crescent

Merrill Crescent is expected to have increased O&M Expenses of \$920/yr related to increased pumping fees and \$900 from increased support services. The cost of providing the service is also anticipated to rise due to inflationary increases in the magnitude of \$151.

The total increase in O&M Expenses is expected to be \$1,971 for this service, or approximately \$164 for each participant in the service.

Merrill Crescent is anticipated to have exceeded the targeted \$7,500 O&M reserve by the end of this year including outstanding expenses related to a feasibility study to assess future capital expenditures.

391 – Curran Road

Curran Road is expected to have increased O&M Expenses of \$3,680/yr related to increased pumping fees and \$766 from increased support services. The cost of providing the service is also anticipated to rise due to inflationary increases in the magnitude of \$225.

The total increase in O&M Expenses is expected to be \$4,671 for this service, or approximately \$81 for each participant in the service.

Curran has an O&M Reserve balance greater than the target threshold including any planned O&M projects for the service area.

392 – Roberts Creek Co Housing

Roberts Creek Co Housing is expected to have increased O&M Expenses of \$3,680/yr related to increased pumping fees and \$1,132 from increased support services. The cost of providing the service is also anticipated to rise due to inflationary increases in the magnitude of \$301.

The total increase in O&M Expenses is expected to be \$5,113 for this service, or approximately \$165 for each participant in the service.

Roberts Creek Co Housing has an O&M Reserve balance greater than the target threshold including the planned O&M projects for the service area.

393 – Lily Lake

Lily Lake is expected to have increased O&M Expenses of \$920/yr related to increased pumping fees and \$599 from increased support services. The cost of providing the service is also anticipated to rise due to inflationary increases in the magnitude of \$180.

The total increase in O&M Expenses is expected to be \$1,699 for this service, or approximately \$61 for each participant in the service.

Lily Lake has an O&M Reserve balance greater than the target threshold including the planned O&M projects for the service area.

394 – Painted Boat

Painted Boat is expected to have increased O&M Expenses of \$920/yr related to increased pumping fees and \$298 from increased support services. The cost of providing the service is also anticipated to rise due to inflationary increases in the magnitude of \$141.

The total increase in O&M Expenses is expected to be \$1,359 for this service, or approximately \$40 for each participant in the service.

Painted Boat has an O&M Reserve balance greater than the target threshold with no planned projects.

395 – Sakinaw Ridge

Sakinaw Ridge is expected to have increased O&M Expenses of \$920/yr related to increased pumping fees and \$1,597 from increased support services. The cost of providing the service is also anticipated to rise due to inflationary increases in the magnitude of \$268.

The total increase in O&M Expenses is expected to be \$2,785 for this service, or approximately \$348 for each participant in the service. Sakinaw Ridge currently operates under a unique arrangement where some of the operational expenses are funded through revenue collected from Frontage Fees due to the low build out ratio of this service area. Balancing of funding sources will need to be completed subsequent to the Capital Funding Review for wastewater services.

Sakinaw Ridge has an O&M Reserve balance greater than the target threshold with no planned projects.

Financial Implications

A summary of the recommended changes to the existing User Fees for the 15 wastewater service areas is presented below in Table 2. Recommended changes include reserve building fees as well.

Table 2: Recommended User Fee Changes

Function	Name	Fee Bylaw	# of Users	2020 User Fees	Per User Increase	2021 User Fees	2020 Reserve Contribution	2021 Reserve Contribution	Net Change
381	Greaves	428	5	\$ 415.00	\$ 65.60	\$ 480.60	\$ 180.84	\$ -	\$ (115.24)
382	Woodcreek	430	73	\$ 554.17	\$ 94.38	\$ 648.55	\$ -	\$ -	\$ 94.38
383	Sunnyside	428	8	\$ 306.47	\$ 42.75	\$ 349.22	\$ 385.00	\$ 385.00	\$ 42.75
384	Jolly Roger	428	31	\$ 646.07	\$ 150.35	\$ 796.42	\$ 36.12	\$ 36.12	\$ 150.35
385	Secret Cove	428	34	\$ 586.36	\$ 126.21	\$ 712.57	\$ 30.00	\$ -	\$ 96.21
386	Lee Bay	428	113	\$ 412.50	\$ 67.96	\$ 480.46	\$ -	\$ -	\$ 67.96
387	Square Bay	428	80	\$ 501.19	\$ 134.83	\$ 636.02	\$ -	\$ -	\$ 134.83
388	Langdale	428	40	\$ 924.98	\$ 184.80	\$ 1,109.78	\$ -	\$ -	\$ 184.80
389	Canoe	428	6	\$ 929.75	\$ 41.00	\$ 970.75	\$ 146.83	\$ -	\$ (105.83)
390	Merrill	428	12	\$ 1,499.00	\$ 164.25	\$ 1,663.25	\$ 240.43	\$ -	\$ (76.18)
391	Curran	428	57	\$ 536.75	\$ 81.95	\$ 618.70	\$ -	\$ -	\$ 81.95
392	Roberts Creek	428	31	\$ 687.94	\$ 164.94	\$ 852.88	\$ -	\$ -	\$ 164.94
393	Lily Lake	428	28	\$ 640.69	\$ 60.68	\$ 701.37	\$ -	\$ -	\$ 60.68
394	Painted Boat	644	34	\$ 537.50	\$ 39.97	\$ 577.47	\$ -	\$ -	\$ 39.97
395	Sakinaw	714	8	\$ 955.94	\$ 348.13	\$ 1,304.07	\$ 250.00	\$ -	\$ 98.13

Communication Strategy

A Communication Plan has been developed to inform homeowners of the rate increases. Information regarding rate changes will be communicated via social media and on utility invoices sent to customers. The rate changes will also be posted on the SCRD website.

STRATEGIC PLAN AND RELATED POLICIES

This report aligns with the Boards Strategic focus area of Infrastructure Management and Engagement and Communication.

Financial Sustainability Policy – Sections 4.2.1, 4.2.2, 4.2.4, 4.6.1 and 4.6.2

Corporate Asset Management Plan V. 1.1

CONCLUSION

Changes to the cost of service delivery has necessitated increases to the User Fees of all wastewater services. Unexpected staffing shortages has accelerated reserve building in some service areas.

User Fees will continue to be reviewed to ensure operational budgets are sustainably financed over the full period of assumed annualized expenses.

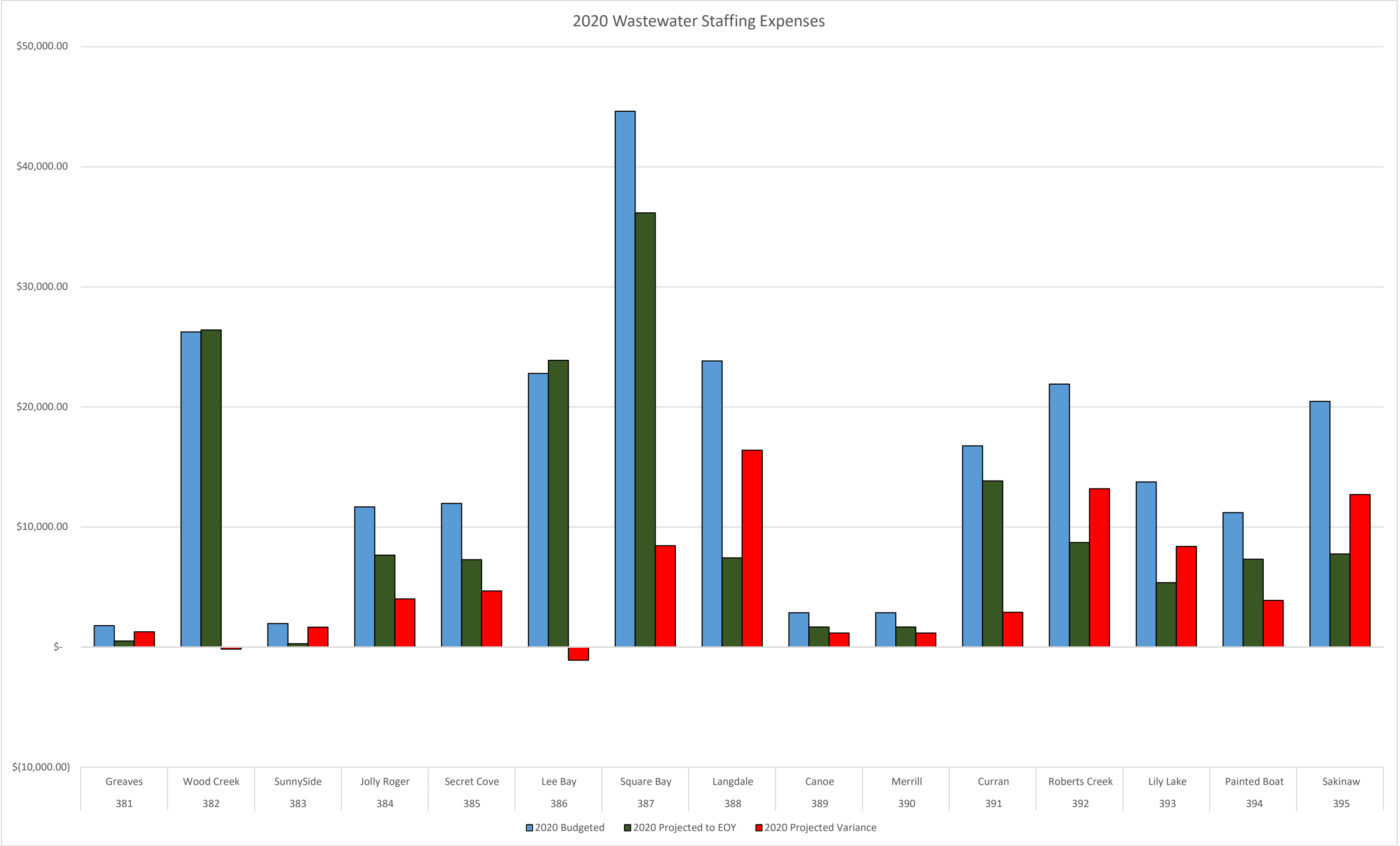
It is recommended that the increases outlined in Table 2 are implemented and that annual review of user rates continues.

Attachments

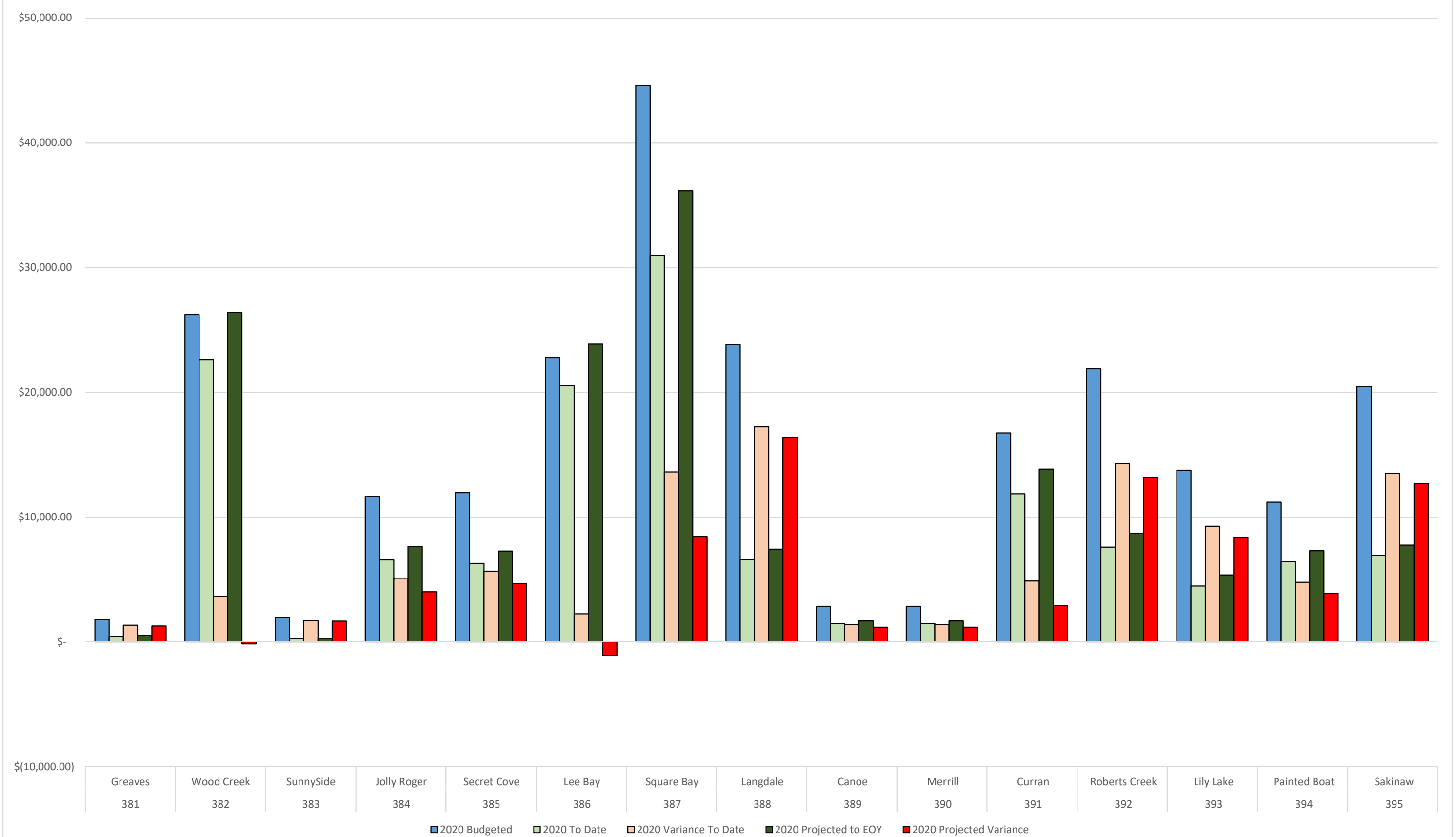
Attachment A – Staffing and Non-Staffing Variance

Attachment B – Expenses by Service Area

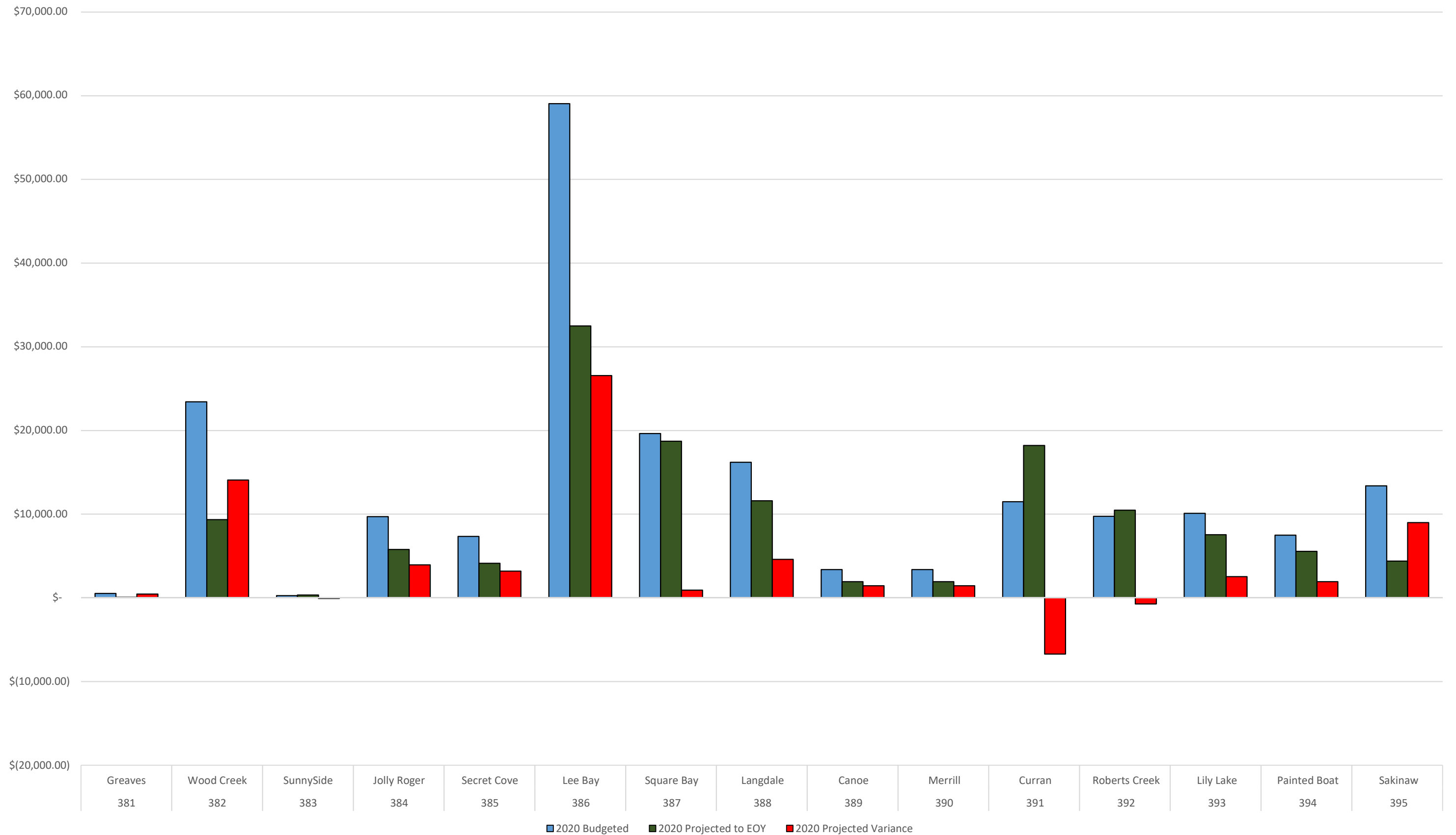
Reviewed by:			
Manager	X – S. Walkey	CFO	X – T.Perreault
GM	X – R.Rosenboom	Legislative	
CAO	X - D. McKinley	Other	

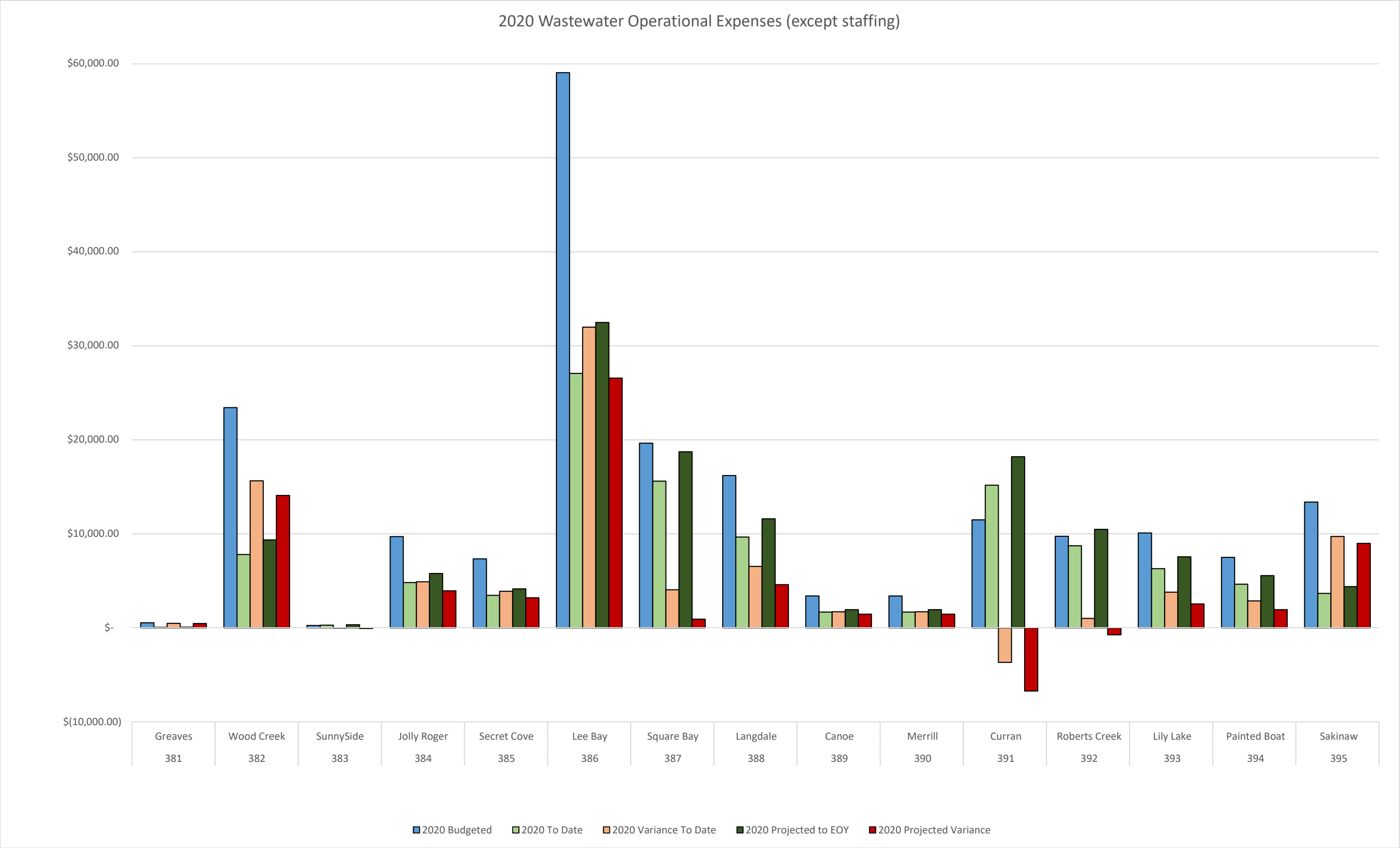


2020 Wastewater Staffing Expenses

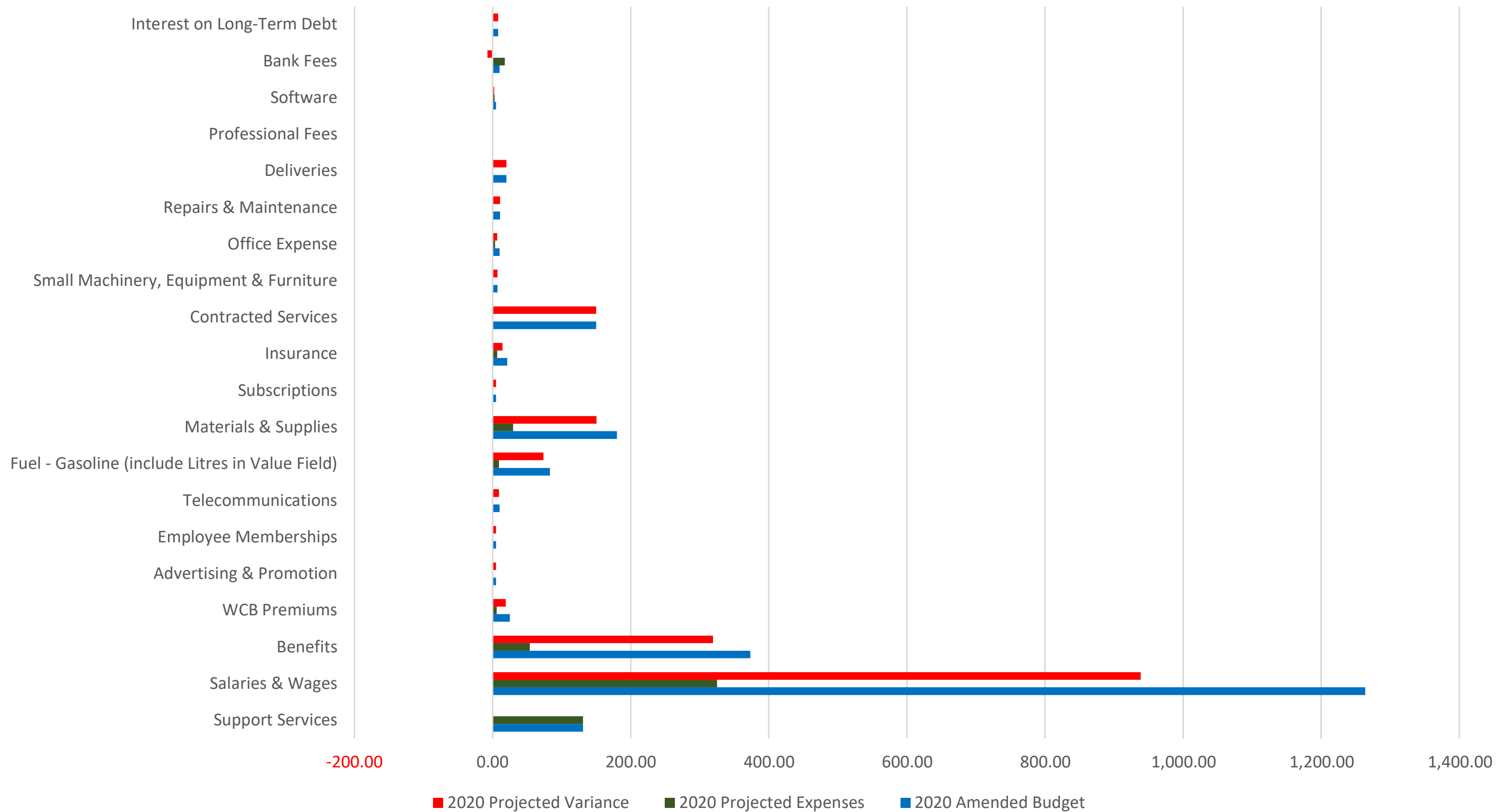


2020 Wastewater Non-Staffing Expenses

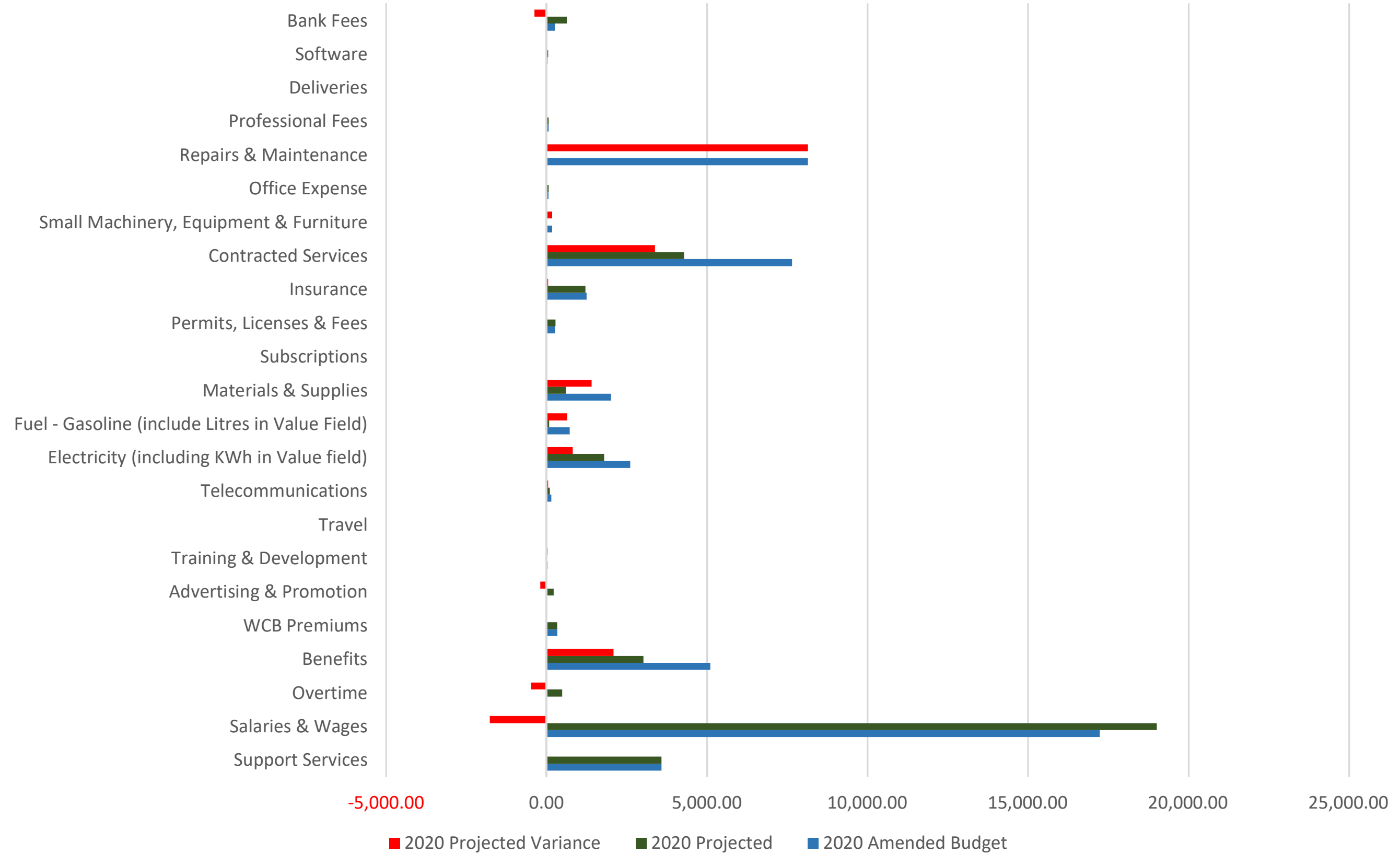




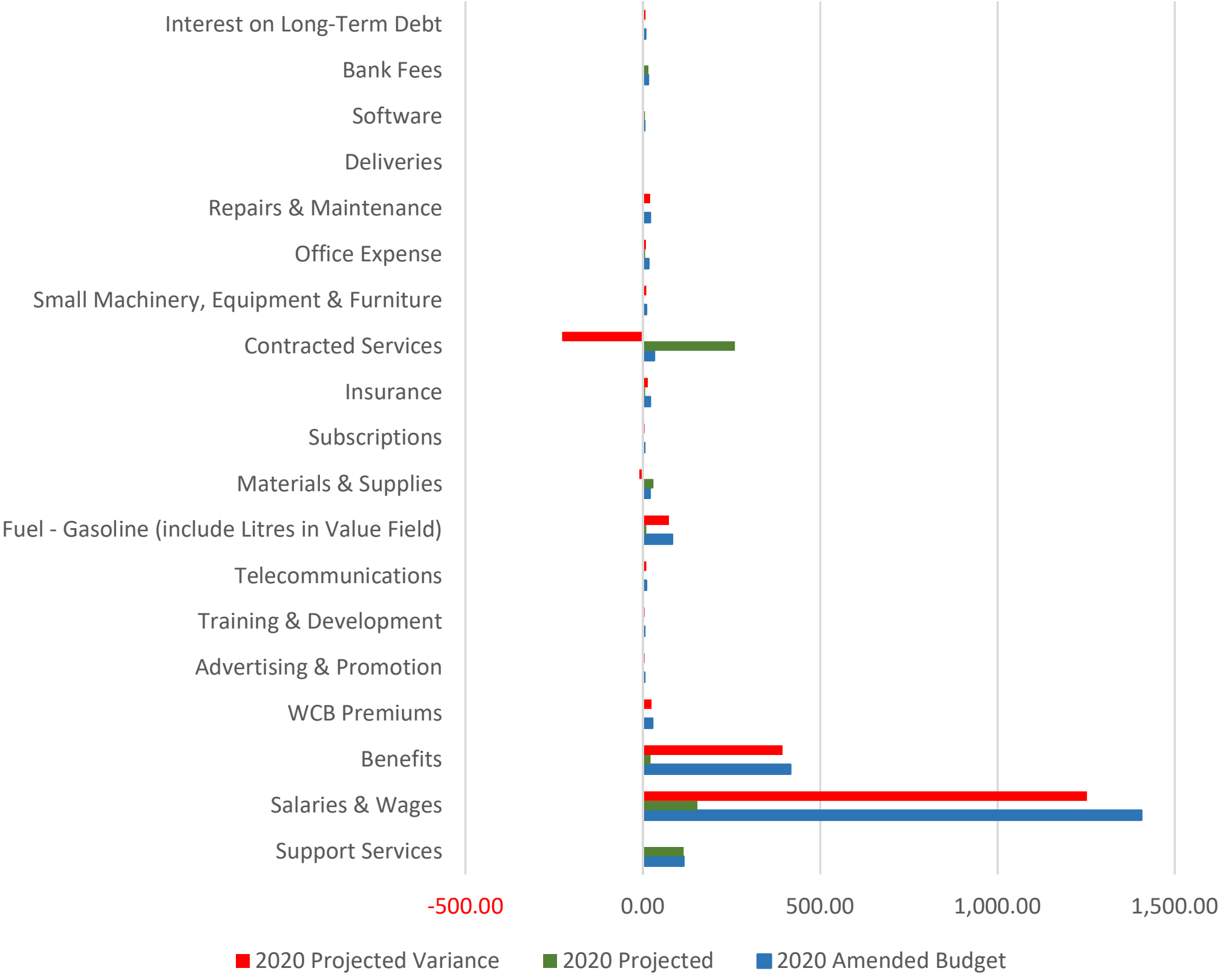
Greaves Road Variance by Account



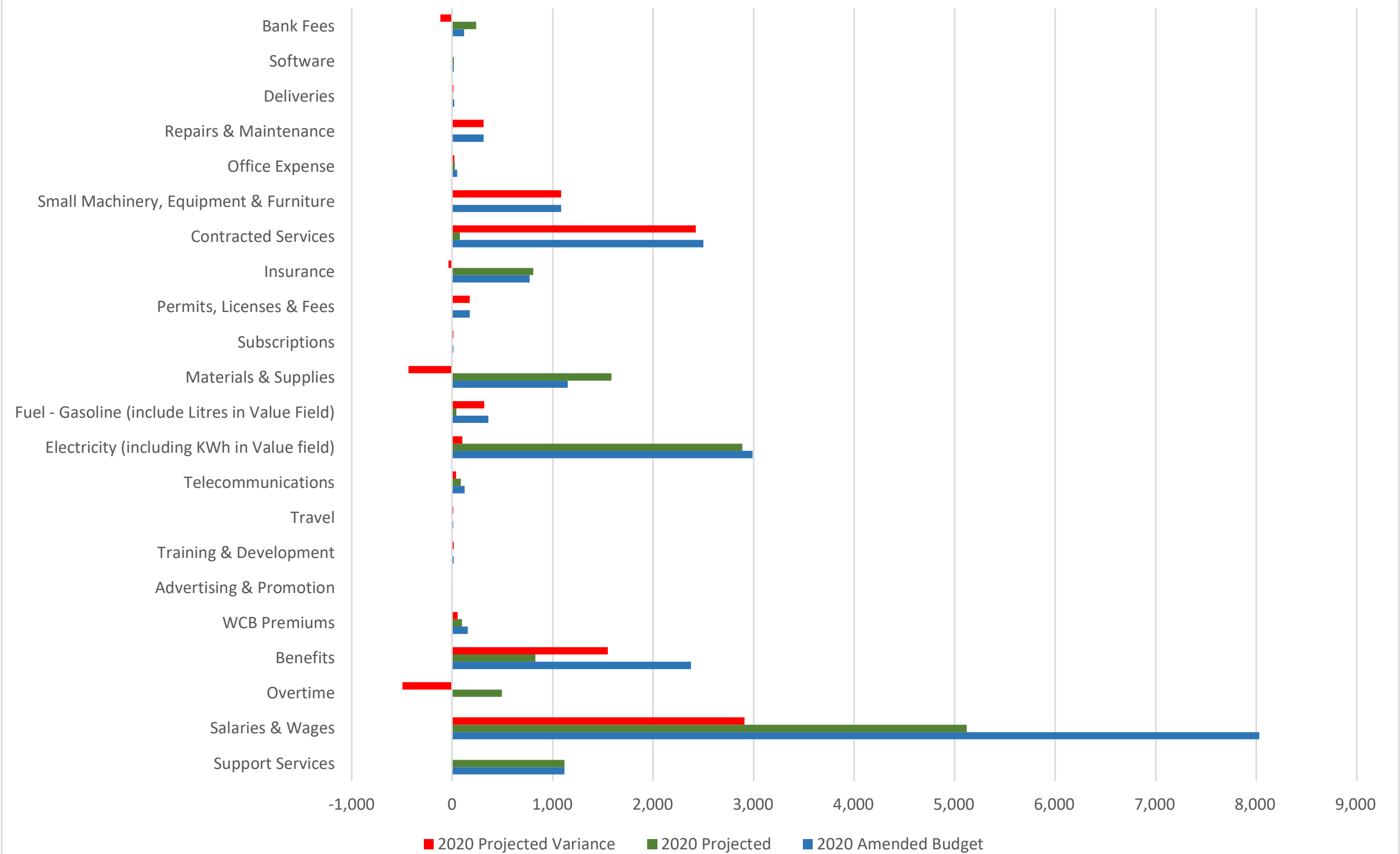
Woodcreek Variance by Account

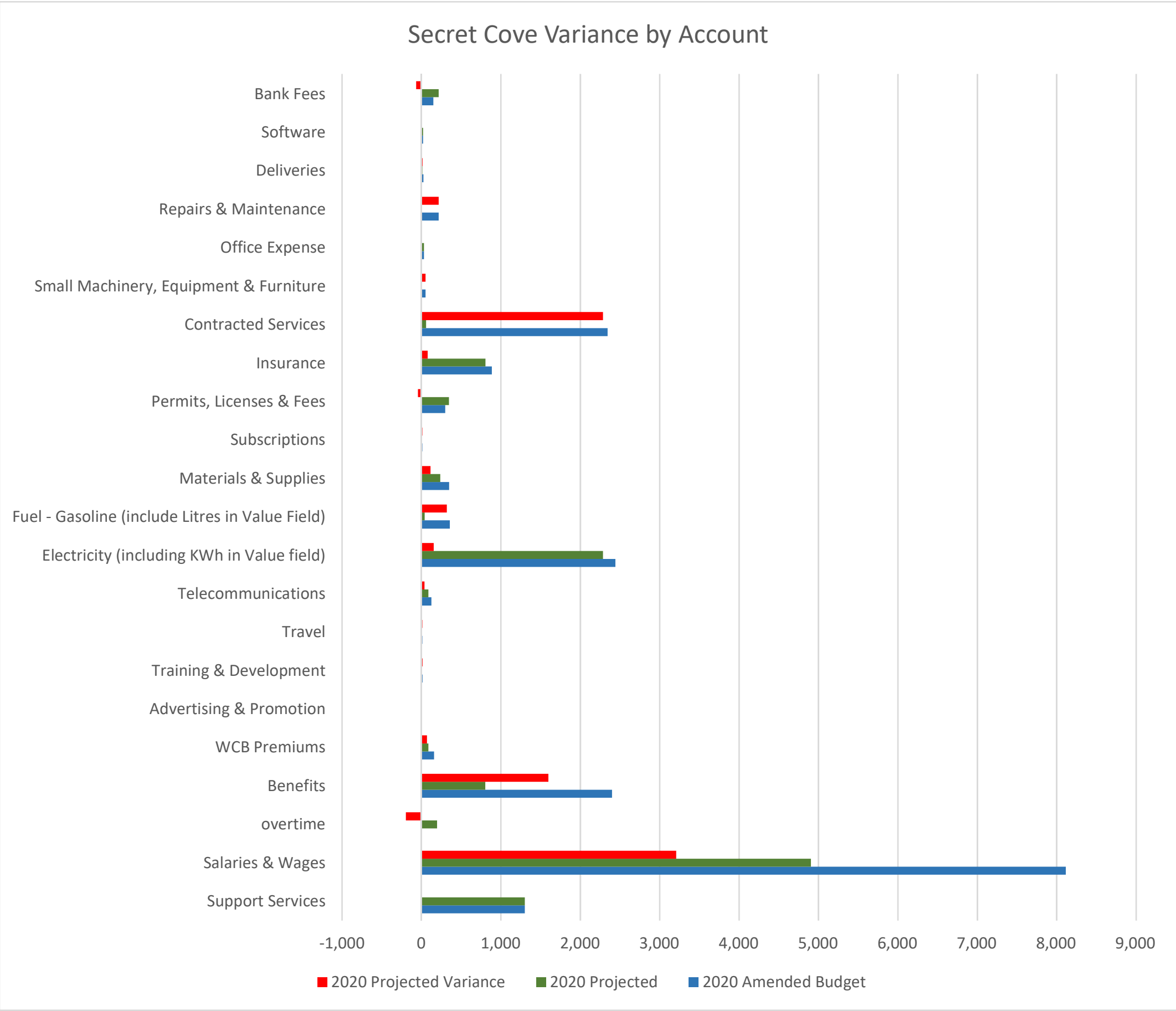


Sunnyside Variance By Account

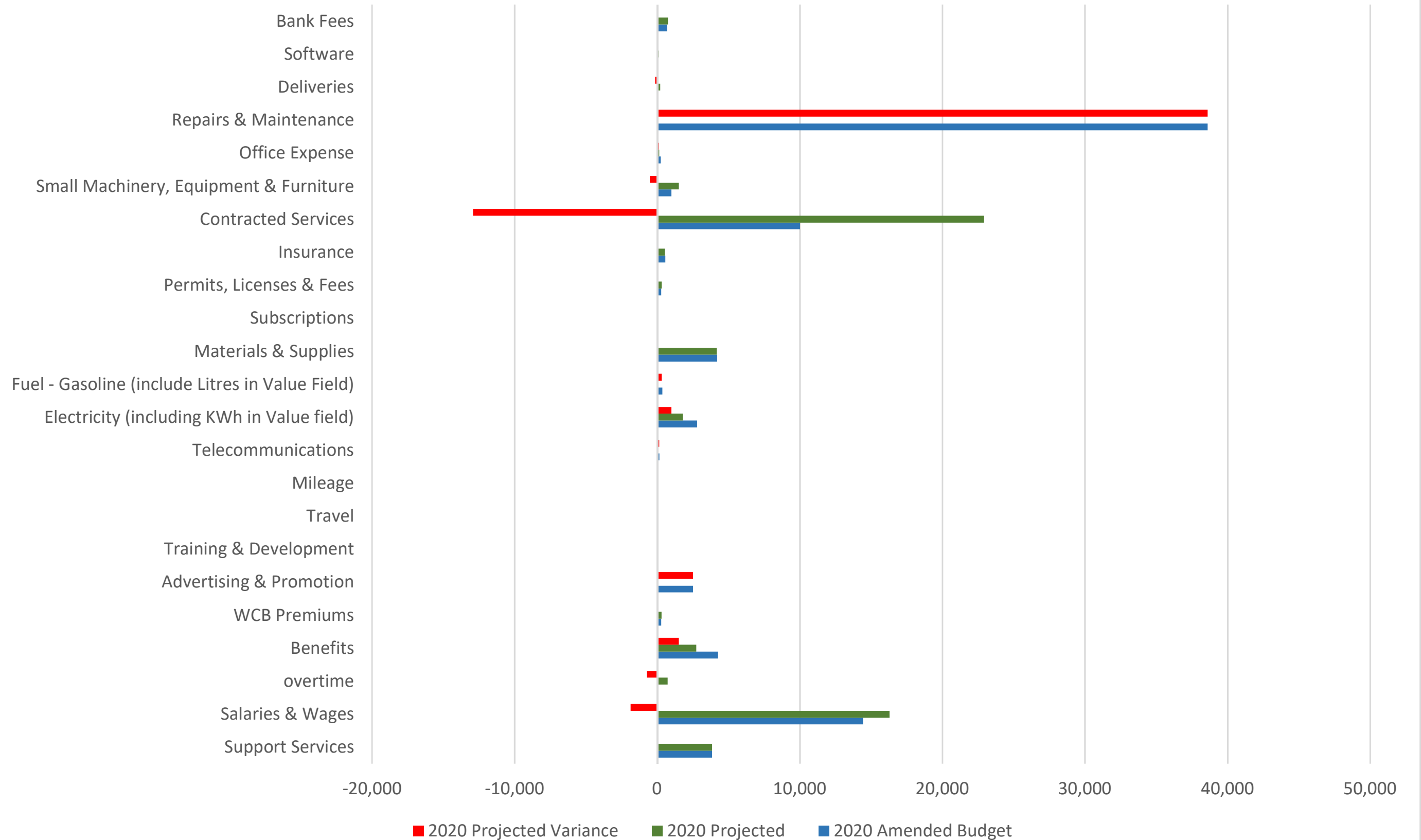


Jolly Roger Variance by Account

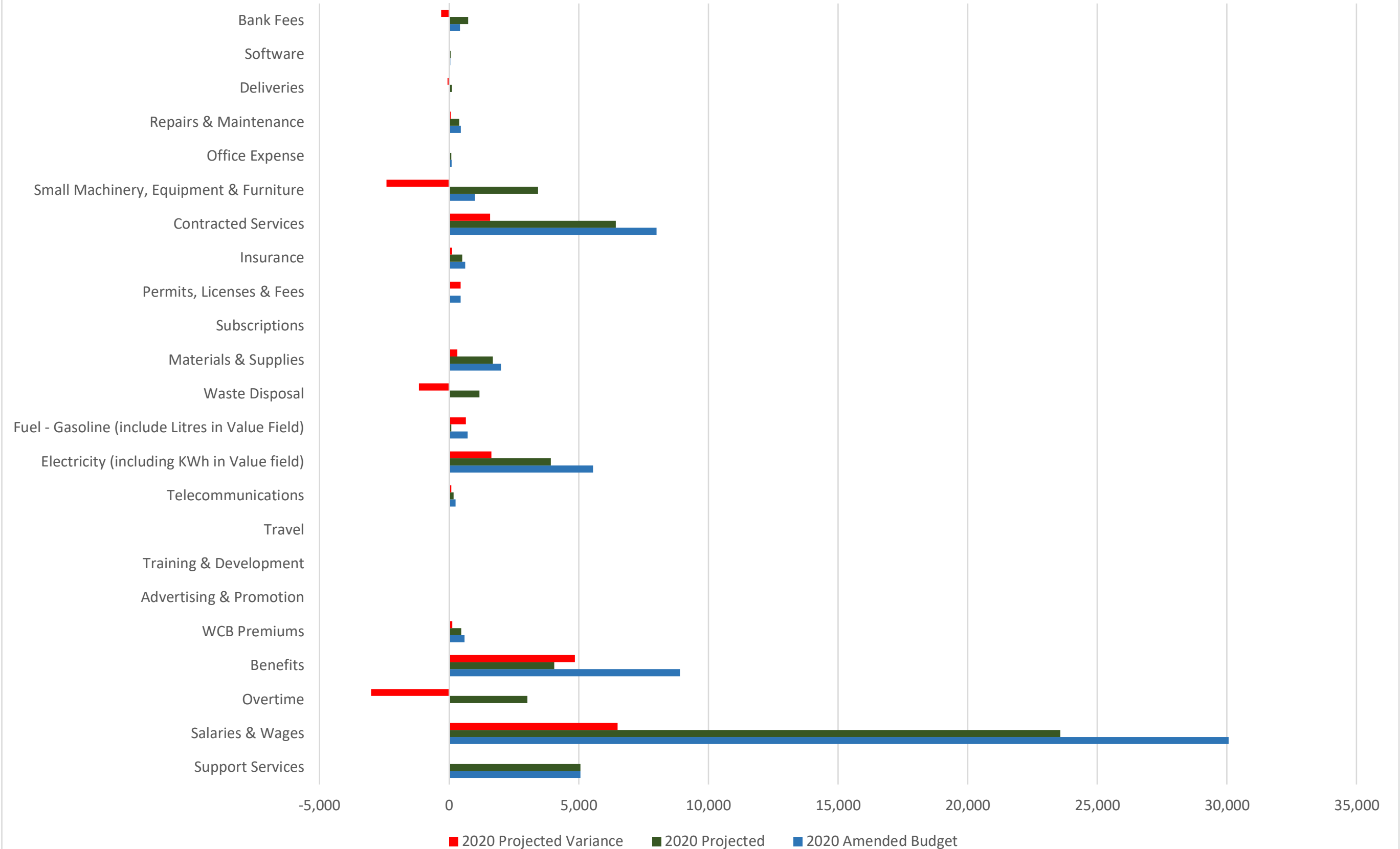


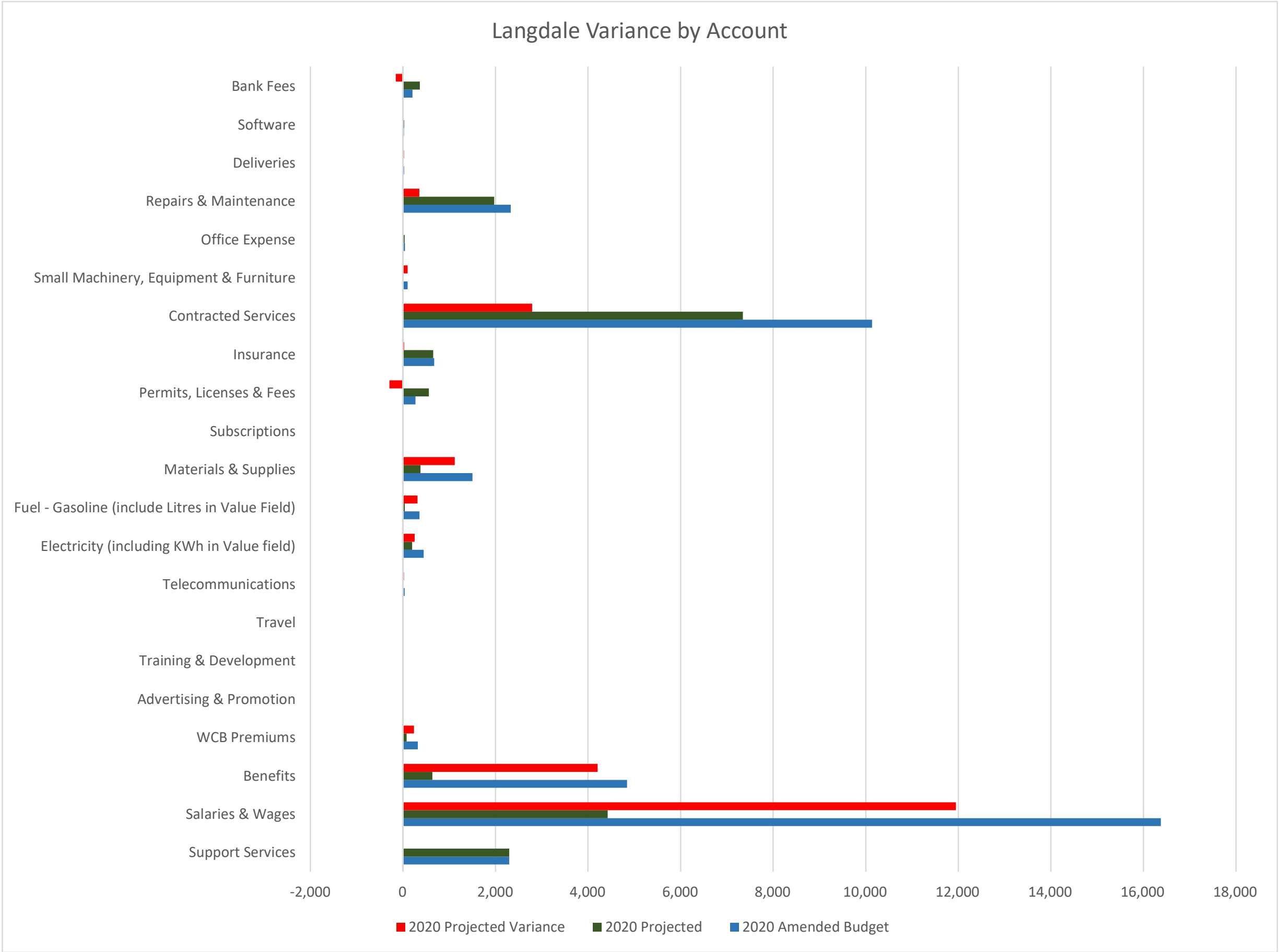


Lee Bay Variance by Account

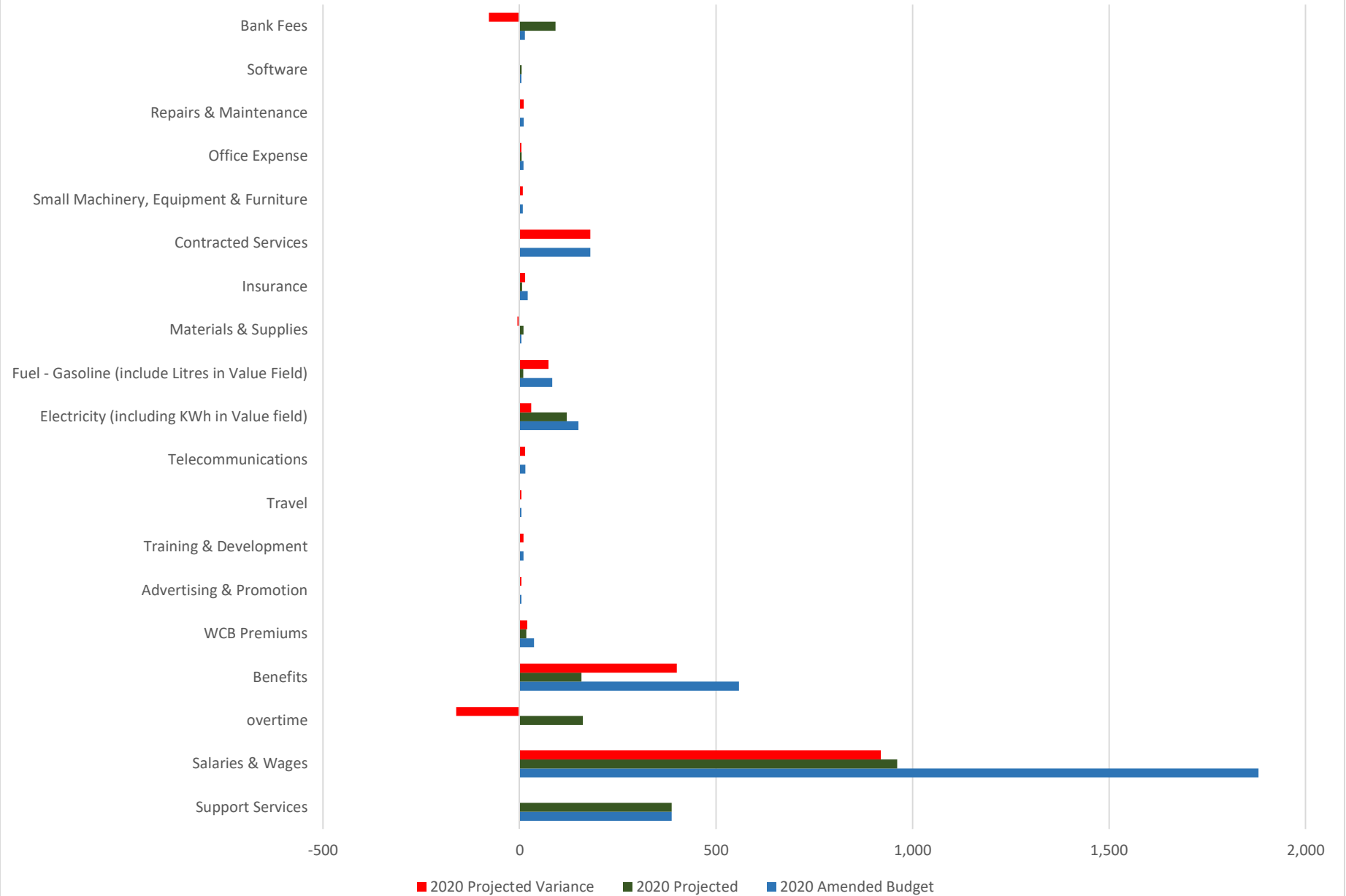


Square Bay Variance by Account

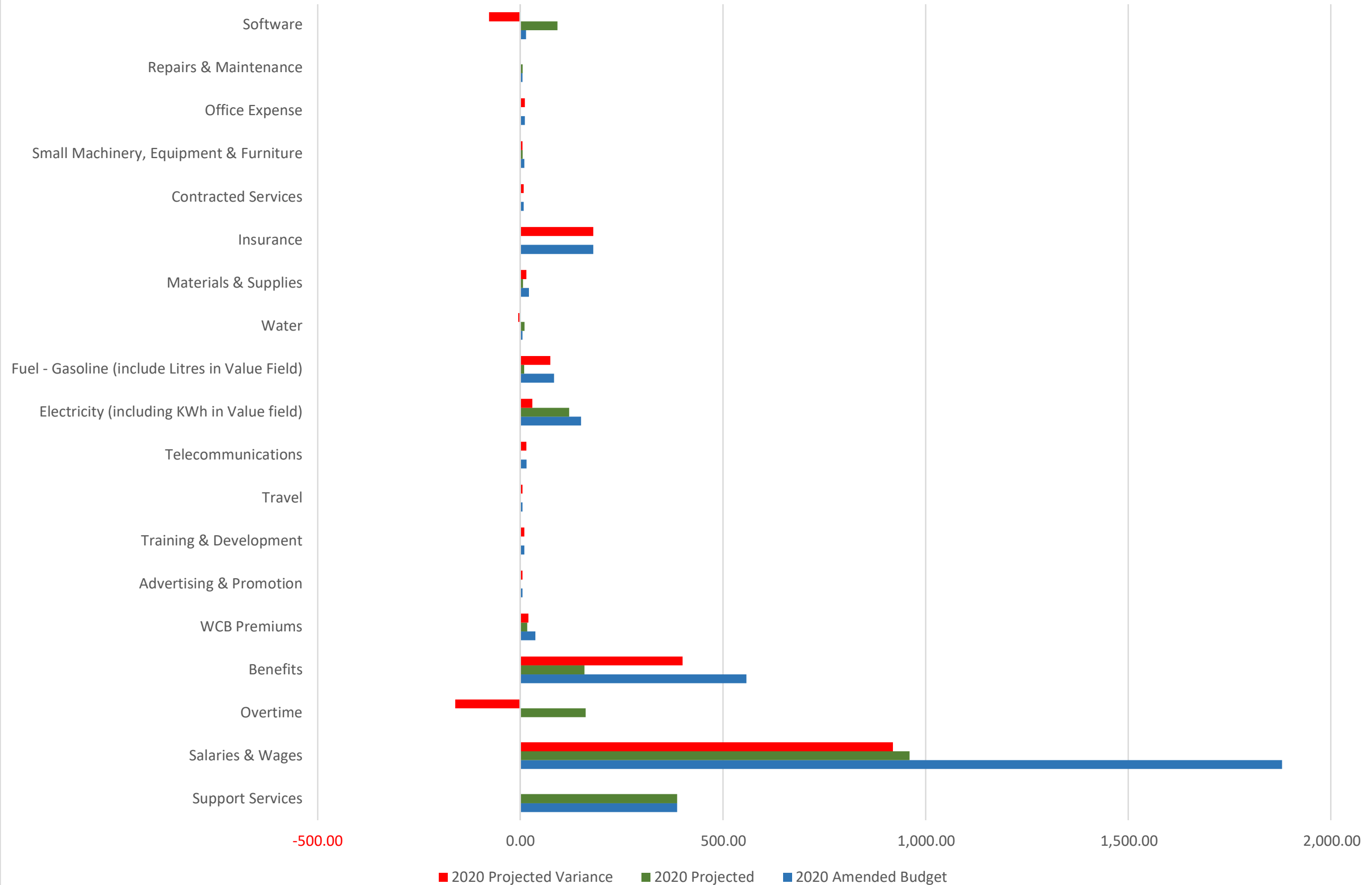


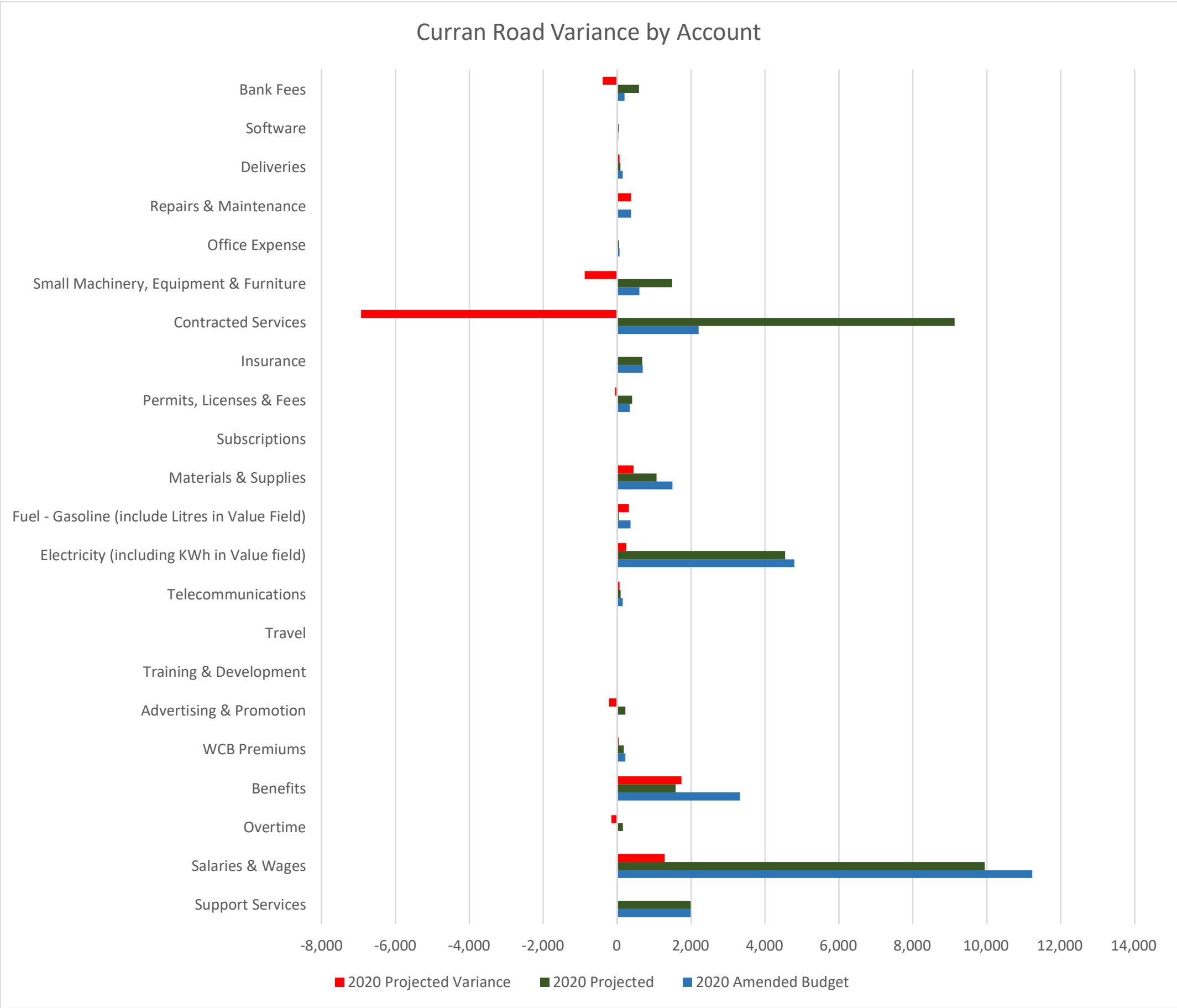


Canoe Road Variance by Account

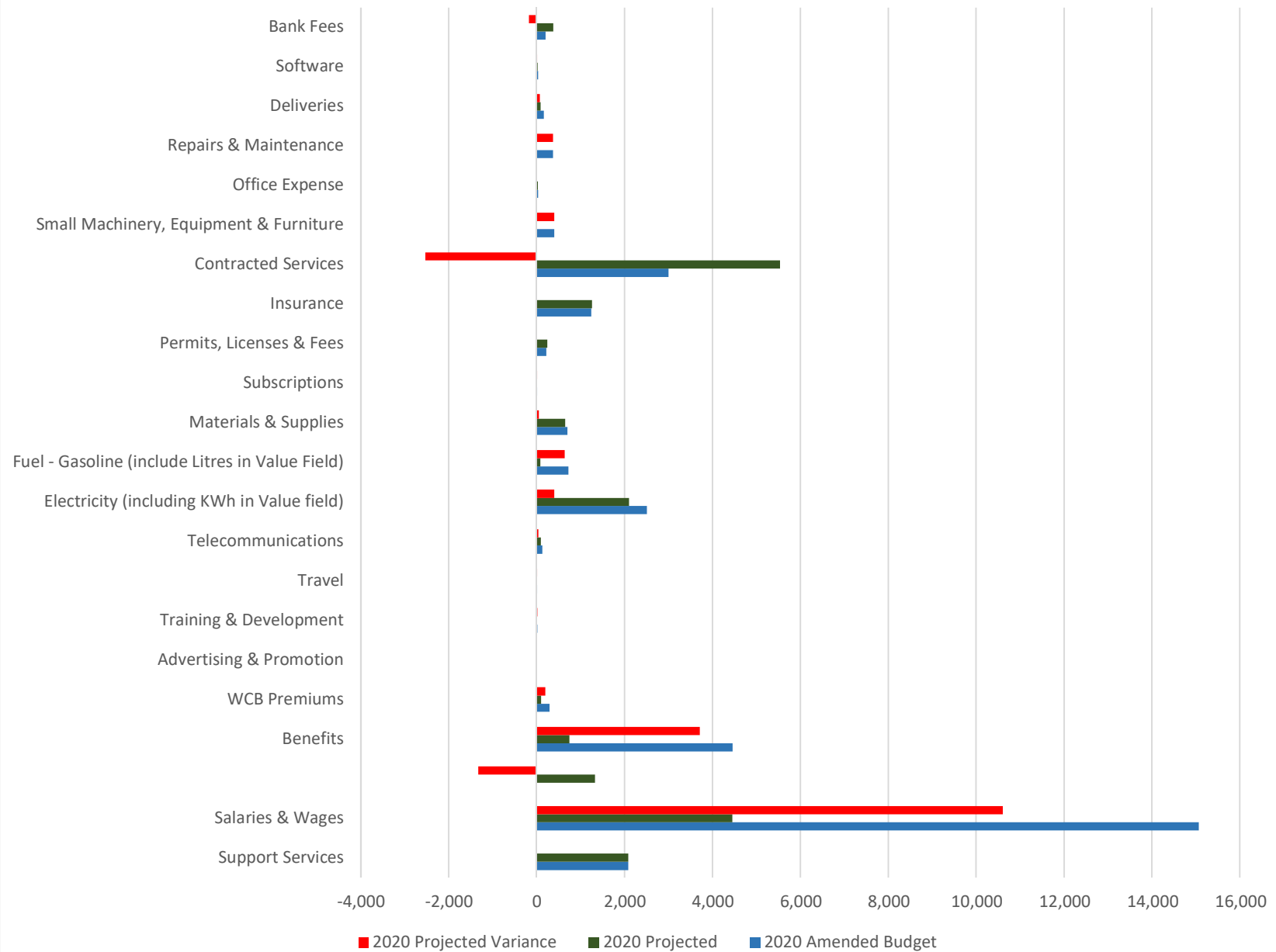


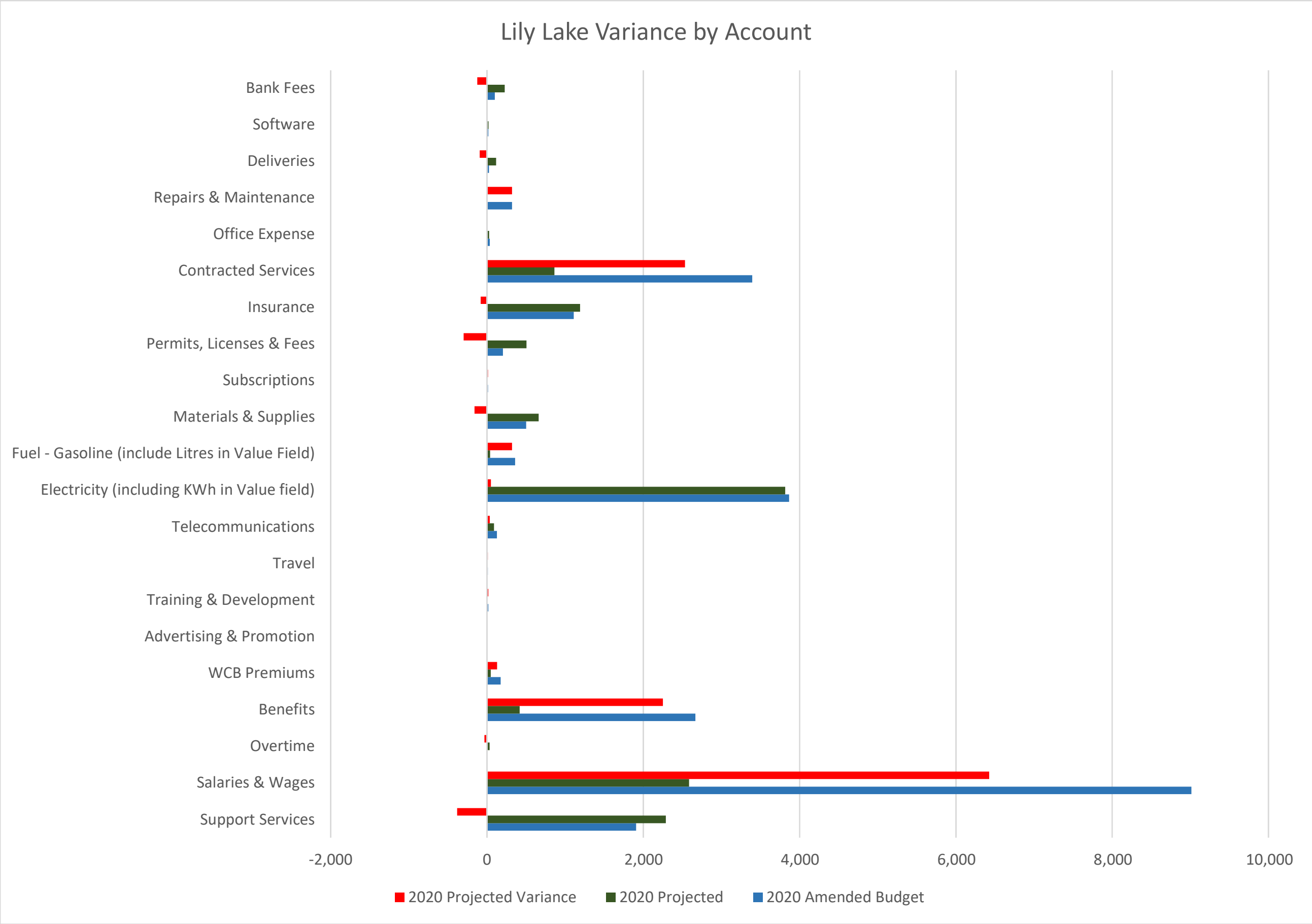
Merrill Crescent Variance by Account

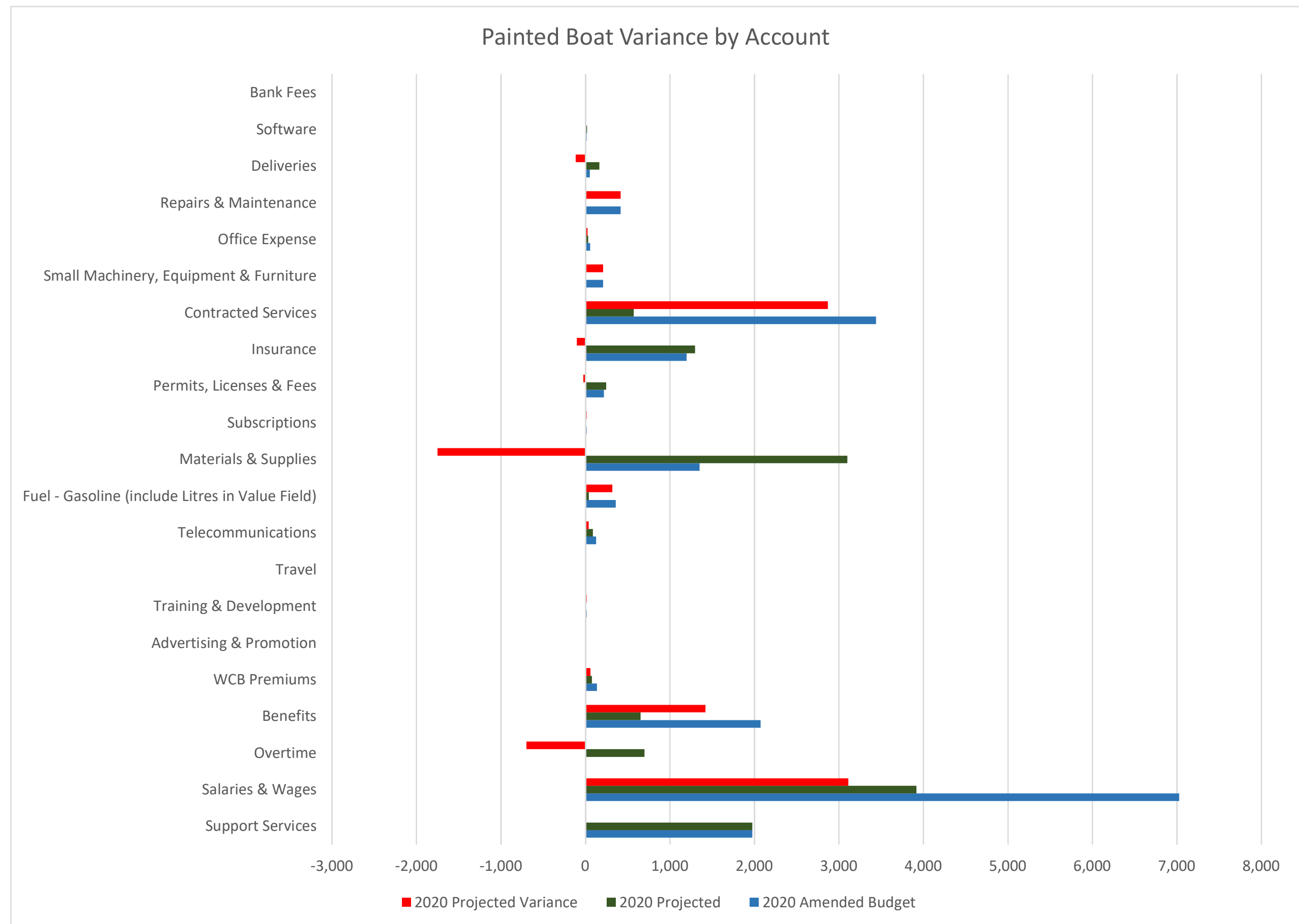


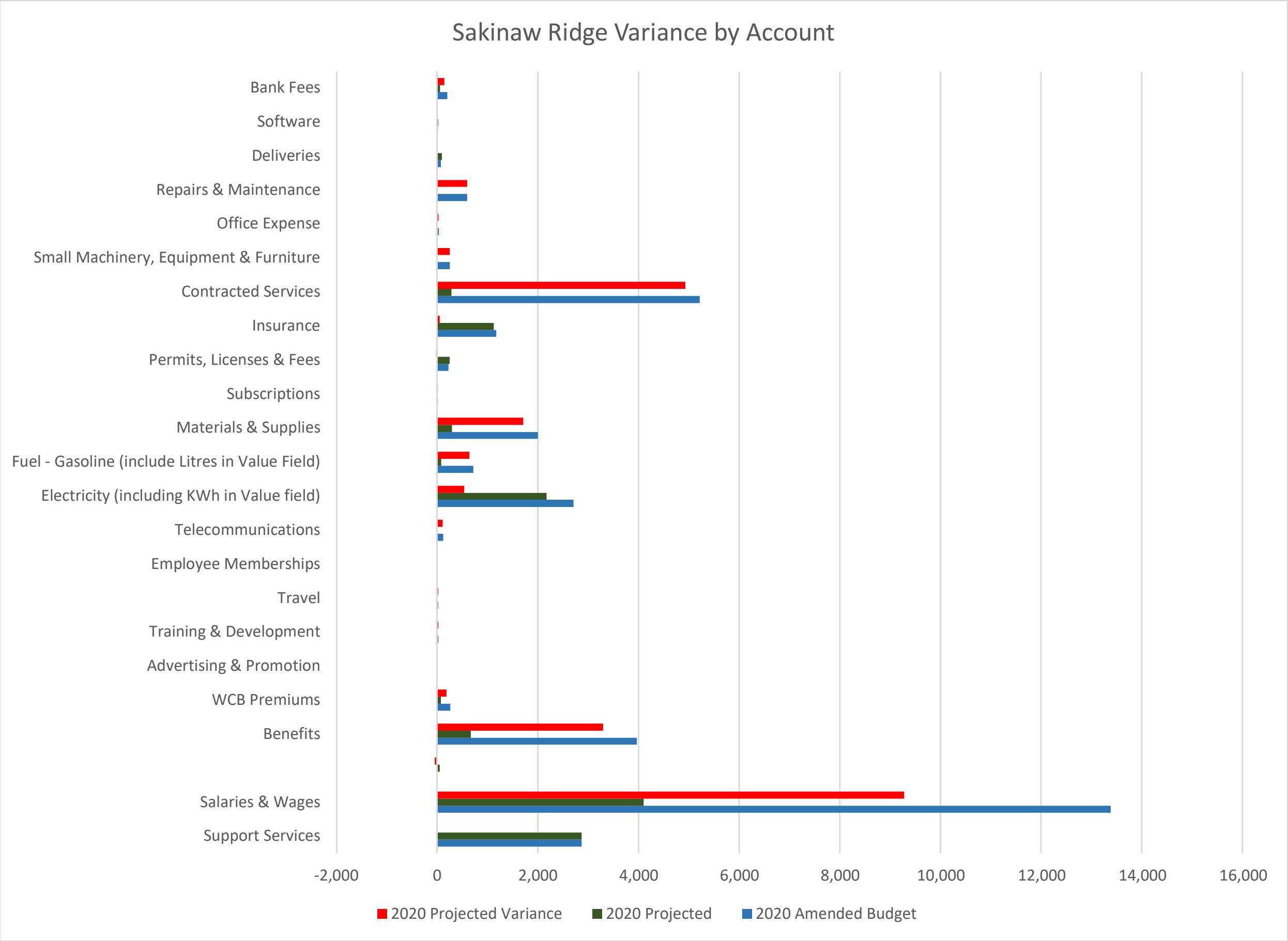


Roberts Creek Variance by Account









SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Corporate and Administrative Services Committee – November 26, 2020

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

SUBJECT: **NORTH PENDER HARBOUR WATER SERVICE AREA 2021 RATE BYLAW AMENDMENT**

RECOMMENDATIONS

THAT the report titled North Pender Harbour Water Service Area 2021 Rate Bylaw Amendment be received;

AND THAT the Water Rates and Regulations Bylaw 422, Schedule D be amended to increase the North Pender Harbour Water Service Area User Fees and Metered Usage Fees by 50.0% with no increase to Parcel Taxes for an overall rate increase of 28%;

AND THAT the 2021-2025 Financial Plan be amended accordingly;

AND FURTHER THAT the following recommendation be forwarded to the November 26, 2020 Regular Board meeting.

BACKGROUND

The North Pender Harbour Water Service Area (NPHWSA) consists of approximately 763 parcels and 525 billable water users. The current parcel tax and user rates per single family residential dwelling are \$326.63 and \$416.61, respectively.

An amendment to Water Rates Regulations Bylaw No. 422 is required to be adopted prior to January 1, 2021 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 2021 rate increases for the NPHWSA which align with the current and short-term funding requirements of the service.

DISCUSSION

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). That being said, the high vacant parcel rate in this service area has historically resulted in a higher proportion of parcel tax revenue being used to fund operations to reduce the financial burden on users.

Currently, annual capital funding is \$169,528 with \$95,861 (36.2%) of parcel tax revenue budgeted to fund operating expenditures. Only recently have rate increases begun to address this imbalance through larger increases to user rates. For 2021, it is recommended that this imbalance be reduced to provide increased capital funding and clarity with respect to setting rates going forward.

The following operating projects presented as part of the Pre-Budget meetings held on November 5-6, 2020, will be brought to Round 1 budget deliberations and have been factored into all rate increase proposals:

Operating

	Project	Cost (Estimated)
1	Capital Infrastructure Project Technician	5,209
2	Water Metering Program- Neptune 360 Fees	700
3	Water Metering Program- Customer Relationship Tool	2,500
4	Water Metering Program- Leak Correlator	2,000
		10,409

The costs listed above are estimates based on the information that was available to staff at pre-budget. It should be noted that these costs are used in the analysis to determine the suggested user fee rates, however are subject to change based on further analysis completed by staff.

In considering the rates for 2021, it is important to consider the current state of the infrastructure for this water system. 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 a substantial additional effort will be required in primarily the distribution system to bring this up to current day standards and reduce the daily maintenance cost of the system. Based on recent actual costs of well over \$1,000 per linear meter of water main and a total length of the distribution system of 27,241 meters, this will require a significant capital investment.

Historical Rates

Historical rates and annual increases dating back to 2013 are detailed in the table below:

	2013	2014	2015	2016	2017	2018	2019	2020
Parcel Tax	274.07	293.25	307.91	320.23	320.23	320.23	326.63	326.63
User Fee	194.15	207.74	218.13	226.86	235.93	255.98	277.74	416.61
Total	468.22	500.99	526.04	547.09	556.16	576.21	604.37	743.24
Total \$ Increase		\$32.77	\$25.05	\$21.05	\$9.07	\$20.05	\$28.16	\$138.87
Total % Increase		7.00%	5.00%	4.00%	1.66%	3.61%	4.89%	22.98%

Unit of Measure for Metered Rates

Historically, metered rates for the North Pender Harbour Water Service have been expressed in 'imperial gallons' in the Bylaw. This is reflective of the rates that were in place when the SCRD assumed responsibility of the system from the Garden Bay Waterworks Improvement District.

The new billing software implemented by the SCRD in 2017 did not support billing in imperial units and thus, the unit rate as defined in the Bylaw must be converted to a metric standard for billing purposes.

Staff intend to convert the metered rates in the Bylaw to a metric standard (cubic meters) for 2021 to align with the current method of billing. For added transparency, equivalent rates in imperial gallons will be noted in parenthesis.

Options and Analysis

The following options and analysis are based on budget proposals before the beginning of Round 1 and estimated uncommitted reserve balances. These values will change based on final budget allocations (wage rates, support service allocation etc.) and 2020 year-end surplus/deficit values.

User fees and parcel tax rates used in the analysis are based on the rates for a residential parcel containing one dwelling unit.

The budgeted transfer to capital reserves is calculated by deducting base budget capital expenditures and debt servicing costs from total annual capital funding. Total annual capital funding is equal to parcel tax revenue less any amount required to fund operations.

Option 1 – 28% overall rate increase (50% increase to user fees, 0% increase to parcel taxes)

Fee Summary	User Fee	Parcel Tax	Overall
Current Rate	\$416.61	\$326.63	\$743.24
Proposed Increase	208.31	-	208.31
2021 Rate	\$624.92	\$326.63	\$951.55
% Increase	50.0%	0%	28.0%
Reserve Summary	Operating Reserve	Capital Reserve	
Opening Uncommitted Balance	\$39,529	\$323,432	
Projected 2020 Surplus	19,880	81,544	
Budgeted Transfers to Reserves	-	155,412	
Budgeted Transfers from Reserves	(4,500)	-	
Ending Uncommitted Balance	\$54,909	\$560,388	
Total Annual Capital Funding from Parcel Taxes: \$231,085			
Parcel Taxes Required to Fund Operations: \$24,684 (9.7%)			

Staff recommend this option for the following reasons:

- Reduces allocation of parcel tax revenue used to fund operations from \$95,861 (36.2%) to \$24,684 (9.7%), which in line with Financial Sustainability Policy
- Net result is an annual capital funding increase of \$61,557 as compared to 2020
- The 38.4% increase in capital uncommitted reserve balance is beneficial in anticipation of future water main replacement costs and other asset management considerations.
- The operating reserves level is at risk of not being able to support unexpected operational expenditures. Further increasing the user rates would be required to address this and currently not recommended in consideration to the overall financial burden to ratepayers this year.

Option 2 – 16.8% overall rate increase (30% increase to user fees, no increase to parcel taxes)

Fee Summary	User Fee	Parcel Tax	Overall
Current Rate	\$416.61	\$326.63	\$743.24
Proposed Increase	124.98	-	124.98
2021 Rate	\$541.59	\$326.63	\$868.22
% Increase	30.0%	0.0%	16.8%
Reserve Summary	Operating Reserve	Capital Reserve	
Opening Uncommitted Balance	\$39,529	\$323,432	
Projected 2020 Surplus	19,880	81,544	
Budgeted Transfers to Reserves	-	104,750	
Budgeted Transfers from Reserves	(4,500)	-	
Ending Uncommitted Balance	\$54,909	\$509,727	
Total Annual Capital Funding from Parcel Taxes: \$180,423			
Parcel Taxes Required to Fund Operations: \$75,346 (29.5%)			

This option is not recommended because the net annual capital funding would be \$180,423 which is only \$10,895 greater than in 2020 and \$50,662 less as compared to option #1. This would require a deferral of required rate increases for future water main replacement and improved asset management. In addition, this option would result in \$75,346 of parcel tax funding to fund operations and hence require funding of a greater portion of operations through parcel taxes than option #1.

Option 3 – 23.5% overall rate increase (40% increase to user fees, 2.5% increase to parcel taxes)

Fee Summary	User Fee	Parcel Tax	Overall
Current Rate	\$416.61	\$326.63	\$743.24
Proposed Increase	166.64	8.17	174.81
2021 Rate	\$583.25	\$334.80	\$918.05
% Increase	40.0%	2.5%	23.5%
Reserve Summary	Operating Reserve	Capital Reserve	
Opening Uncommitted Balance	\$39,529	\$323,432	
Projected 2020 Surplus	19,880	81,544	
Budgeted Transfers to Reserves	-	136,475	
Budgeted Transfers from Reserves	(4,500)	-	
Ending Uncommitted Balance	\$54,909	\$541,452	
Total Annual Capital Funding from Parcel Taxes: \$212,148			
Parcel Taxes Required to Fund Operations: \$50,015 (19.1%)			

This option is similar to option #1 however, the net annual capital funding would be \$212,148 which is \$18,937 less. In addition, the amount of parcel taxes required to fund operations would increase by \$25,331 as compared to option #1. This option would therefore be funding a greater portion of operations through parcel taxes.

Financial Implications

As discussed, increasing user fees by a substantial margin will result in an increase to capital funding by reducing the allocation of parcel tax revenue to fund operations. 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	\$126,654	\$75,992	\$101,323
Additional Parcel Tax Revenue	-	-	\$6,394
Total Additional Revenue	\$126,654	\$75,992	\$107,717
Net Capital Funding Increase	\$61,557	\$10,895	\$42,620

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

	2020 (Budgeted)	No Change	Option 1 (50%)	Option 2 (30%)	Option 3 (40%)
User Fee Revenue	253,308	253,308	379,962	329,300	354,631
Expenses					
Administrative	(57,136)	(64,803)	(64,803)	(64,803)	(64,803)
Salaries & Wages	(176,221)	(212,599)	(212,599)	(212,599)	(212,599)
Operating Costs	(125,035)	(127,244)	(127,244)	(127,244)	(127,244)
Funding Required from PT	105,084	151,338	24,684	75,346	50,015
Operating Projects	(82,545)	(4,500)	(4,500)	(4,500)	(4,500)
Net Operating Deficit	(187,629)	(155,838)	(29,184)	(79,846)	(54,515)

Capital

	2020 (Budgeted)	No Change	Option 1 (0%)	Option 2 (0%)	Option 3 (2.5%)
Parcel Tax Revenue	255,769	255,769	255,769	255,769	262,163
Expenses					
Long Term Debenture Debt	(29,450)	(28,850)	(28,850)	(28,850)	(28,850)
Equipment Financing Loans	(22,891)	(25,823)	(25,823)	(25,823)	(25,823)
Base Budget Expenses	(21,000)	(21,000)	(21,000)	(21,000)	(21,000)
Funding of Operations	(105,084)	(151,338)	(24,684)	(75,346)	(50,015)
Transfer to Reserves	77,344	28,758	155,412	104,750	136,475
Capital Project Costs	(156,650)	-	-	-	-
Net Capital Surplus (Deficit)	(79,306)	28,758	155,412	104,750	136,475

Future Implications

When considering the rates for 2021 there are several future implications to be considered:

- The current condition of the water distribution infrastructure (water mains) is such that it will require a significant investment in the upcoming years to bring them to an acceptable standard and reduce the costs associated with reactive maintenance. For example, in 2020, several leaks have had to be repaired. The current capital reserves levels do not allow for this investment to be made in a meaningful way.
- During its pre-budget meetings for the 2021 Budget, the Board postponed the development of a water supply plan for this system to 2022. Such a plan will guide water supply improvements required to ensure the service levels standards are met all over the system in the immediate and long-term future and will review the water supply during emergency situations.
- 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.

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 10, 2020 Board Meeting for three readings and adoption.

Communications Strategy

The increase to these user fees will be communicated as part of a comprehensive communication effort regarding the 2021 Utility rates. This will include advertisement in news papers, a mail-out to all service participants, virtual information sessions, thorough 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 North Pender Harbour 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).

Under the historical rate schedules for NPHWSA, a portion of parcel tax revenue has been required to fund operating expenditures. To address this imbalance, user fees need to be increased at a rate greater than the increase in operating expenditures.

For 2021, staff recommend a 50% increase to user rates and no increase to parcel tax rates for an overall rate increase of 28%. This will reduce the proportion of parcel tax revenue required to fund operations from 36.2% to 9.7% and increase net capital funding by \$61,557 to \$231,085.

The proposed parcel tax increase will result in an increase to the capital reserve required in support of anticipated future investment requirements.

Pending Board direction, Water Rates and Regulations Bylaw No. 422, Schedule D will be updated and forwarded to the December 10, 2020 Board Meeting for three readings and adoption.

Reviewed by:			
Manager		CFO/Finance	X - T-Perreault X - B. Wing
GM	X –R. Rosenboom	Legislative	X - S. Reid
CAO	X - D. McKinley	Other	

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Corporate and Administrative Services Committee – November 26, 2020

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

SUBJECT: SOUTH PENDER HARBOUR WATER SERVICE AREA 2021 RATE BYLAW AMENDMENT

RECOMMENDATION(S)

THAT the report titled South Pender Harbour Water Service Area 2021 Rate Bylaw Amendment be received;

AND THAT the Water Rates Bylaw 422, Schedule E be amended to increase the South Pender Harbour Water Service Area User Fees and Metered Usage Fees by 16% and no increase to Parcel Taxes in 2021 for an overall rate increase of 9.7%;

AND THAT the 2021-2025 Financial Plan be amended accordingly.

AND FURTHER THAT these recommendations are forwarded to the regular Board meeting of November 26, 2020.

BACKGROUND

The South Pender Harbour Water Service Area (SPHWSA) consists of approximately 1,046 parcels and 984 billable water users. The current parcel tax and user rates per single family residential dwelling are \$347.41 and \$529.14, respectively.

An amendment to Water Rates and Regulations Bylaw No. 422 is required by the January 2021 Board meeting in order to meet the legislated timeline for the annual Parcel Tax Roll Review.

The purpose of this report is to recommend 2021 rate increases for the SPHWSA which align with the current and short-term funding requirements of the service.

DISCUSSION

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).

Under the current rate structure, no parcel tax revenue was allocated to fund operating expenses. In 2020, user rates were increased so that all funding of operations was supported from user fees. For 2021, it is recommended that another increase is made so that once again user fees can fund operations and provide increased capital funding. Annual capital funding is currently budgeted at \$378,530 in 2020.

The following operating and capital projects presented as part of the Pre-Budget meetings held on November 5-6, 2020, will be brought to Round 1 budget deliberations and have been factored into all rate increase proposals:

Operating

	Project	Cost (Estimated)
1	Capital Infrastructure Project Technician	10,419
2	Dam Inspections & Emergency Response	12,500
3	Water Metering Program- Neptune 360 Fees	1,400
4	Dogwood Reservoir-Feasibility Study	15,000
5	Water Metering Program- Customer Relationship Tool	5,000
6	Water Metering Program- Leak Correlator	4,000
		48,319

Capital

	Project	Cost (Estimated)
1	Vehicle Replacement- Truck #436 (Debt Servicing)	6,957
2	Dogwood Reservoir-Construction	93,000
3	McNeil Lake Dam Upgrades	230,000
4	Water Treatment Plant Upgrades-Phase 2	50,000
		379,957

The costs listed above are estimates based on the information that was available to staff at pre-budget. It should be noted that these costs are used in the analysis to determine the suggested user fee and parcel tax rates, however are subject to change based on further analysis completed by staff.

In considering the rates for 2021, it is important to consider the current state of the infrastructure for this water system. 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 a substantial additional effort will be required in primarily the distribution system to bring this up to current day standards and reduce the daily maintenance cost of the system. Based on recent actual costs of well over \$1,000 per linear meter of water main and a total length of the distribution system of 32,901 meters, this will require a significant capital investment.

Historical Rates

Historical rates and annual increases dating back to 2013 are detailed in the table below:

	2013	2014	2015	2016	2017	2018	2019	2020
Parcel Tax	277.62	297.05	311.90	324.38	324.38	324.38	330.87	347.41
User Fee	306.83	328.31	344.73	358.52	372.86	393.37	415.01	529.14
Total	584.45	625.36	656.63	682.90	697.24	717.75	745.88	876.55
Total \$ Increase		\$40.91	\$31.27	\$26.27	\$14.34	\$20.51	\$28.13	\$130.67
Total % Increase		7.00%	5.00%	4.00%	2.10%	2.94%	3.92%	17.52%

Unit of Measure for Metered Rates

Historically, metered rates for the South Pender Harbour Water Service have been expressed in 'imperial gallons' in the Bylaw. This is reflective of the rates that were in place when the SCRD assumed responsibility of the system from the South Pender Harbour Waterworks Improvement District.

The new billing software implemented by the SCRD in 2017 did not support billing in imperial units and thus, the unit rate as defined in the Bylaw must be converted to a metric standard for billing purposes.

Staff intend to convert the metered rates in the Bylaw to a metric standard (cubic meters) for 2021 to align with the current method of billing. For added transparency, equivalent rates in imperial gallons will be noted in parenthesis.

Options and Analysis

The following options and analysis are based on proposed initiatives and estimated uncommitted reserve balances. These values will change based on final budget allocations (wage rates, support service allocation etc.) and 2020 year end surplus/deficit values.

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 respectively.

The budgeted transfer to capital reserves is calculated by deducting base budget capital expenditures and debt servicing costs from total annual capital funding. Total annual capital funding is equal to parcel tax revenue less any amount required to fund operations.

Option 1 – 9.7% overall rate increase (16% increase to user fees, no increase to parcel taxes)

Fee Summary	User Fee	Parcel Tax	Overall
Current Rate	\$529.14	\$347.41	\$876.55
Proposed Increase	84.66	-	84.66
2021 Rate	\$613.80	\$347.41	\$961.21
% Increase	16.0%	0%	9.7%
Reserve Summary	Operating Reserve	Capital Reserve	
Opening Uncommitted Balance	\$511,138	\$446,408	
Projected 2020 Surplus	97,182	17,816	
Budgeted Transfers to Reserves	3,381	214,393	
Budgeted Transfers from Reserves	(24,000)	(373,000)	
Ending Uncommitted Balance	\$587,701	\$305,617	
Total Annual Capital Funding from Parcel Taxes: \$378,532			
Parcel Taxes Required to Fund Operations: \$NIL			

This option is not recommended for the following reasons:

- User fees are able to fund operations without drawing funds from Parcel taxes.
- Results in net annual capital funding of \$378,352 which is on par with 2020
- Maintains a healthy combined reserve balance which allows for funding of operational and capital projects in the future

Option 2 – 18.0% overall rate increase (16% increase to user fees, 21% increase to parcel taxes)

Fee Summary	User Fee	Parcel Tax	Overall
Current Rate	\$529.14	\$347.41	\$876.55
Proposed Increase	84.66	72.96	157.62
2021 Rate	\$613.80	\$420.37	\$1,034.17
% Increase	16.0%	21.0%	18.0%
Reserve Summary	Operating Reserve	Capital Reserve	
Opening Uncommitted Balance	\$511,138	\$446,408	
Projected 2020 Surplus	97,182	17,816	
Budgeted Transfers to Reserves	3,381	293,885	
Budgeted Transfers from Reserves	(24,000)	(373,000)	
Ending Uncommitted Balance	\$587,701	\$385,109	
Total Annual Capital Funding from Parcel Taxes: \$458,024			
Parcel Taxes Required to Fund Operations: \$NIL			

This option is not recommended for the following reasons:

- This option requires a \$157.62 overall increase to fees which puts a larger financial burden on customers of this area than option #1
- Net result is an annual capital funding increase of \$79,494 from 2020 however, Capital reserves are already sufficient given the projects expected to take place in 2021 and any cost overruns can be sufficiently funded from operating reserves should this be required

Option 3 – 14.7% overall rate increase (12.5% increase to user fees, 18% increase to parcel taxes)

Fee Summary	User Fee	Parcel Tax	Overall
Current Rate	\$529.14	\$347.41	\$876.55
Proposed Increase	66.14	62.53	128.67
2021 Rate	\$595.28	\$409.94	\$1,005.22
% Increase	12.5%	18.0%	14.7%
Reserve Summary	Operating Reserve	Capital Reserve	
Opening Uncommitted Balance	\$511,138	\$446,408	
Projected 2020 Surplus	97,182	17,816	
Budgeted Transfers to Reserves	-	264,696	
Budgeted Transfers from Reserves	(24,000)	(373,000)	
Ending Uncommitted Balance	\$584,320	\$355,920	
Total Annual Capital Funding from Parcel Taxes: \$428,835			
Parcel Taxes Required to Fund Operations: \$17,832 (4%)			

This option is not recommended for the following reasons:

- Requires \$17,832 (4%) of parcel tax revenue to fund operations which goes against the objective to fund operations through user fees
- This option requires a \$128.67 overall increase to fees which puts a larger financial burden on customers of this area than option #1

Financial Implications

As discussed, increasing user fees by a substantial margin will result in an increase to capital funding by reducing or eliminating the allocation of parcel tax revenue to fund operations. 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	96,974	\$96,974	\$75,761
Additional Parcel Tax Revenue	-	79,492	68,136
Total Additional Revenue	96,974	\$176,466	\$143,897
Net Capital Funding Increase (Decrease)	\$2	\$79,494	\$50,305

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

	2020 (Budgeted)	No Change	Option 1 (16%)	Option 2 (21%)	Option 3 (18%)
User Fee Revenue	606,085	606,085	703,059	703,059	681,846
Expenses					
Administrative	(103,795)	(114,575)	(114,575)	(114,575)	(114,575)
Salaries & Wages	(296,221)	(336,422)	(336,422)	(336,422)	(336,422)
Operating Costs	(231,097)	(248,681)	(248,681)	(248,681)	(248,681)
Funding Required from PT	25,028	93,593	-	-	17,832
Operating Project Costs	-175,045	(24,000)	(24,000)	(24,000)	(24,000)
Net Operating Deficit	(200,073)	(117,593)	(20,619)	(20,619)	(41,832)

Capital

	2020 (Budgeted)	No Change	Option 1 (0%)	Option 2 (21%)	Option 3 (18%)
Parcel Tax Revenue	378,532	378,532	378,532	458,024	446,668
Expenses					
Long Term Debenture Debt	(126,656)	(125,756)	(125,756)	(125,756)	(125,756)
Equipment Financing Loans	(6,425)	(6,426)	(6,426)	(6,426)	(6,426)
Base Budget Expenses	(25,000)	(31,957)	(31,957)	(31,957)	(31,957)
Funding of Operations	(25,028)	(93,593)	-	-	(17,832)
Transfer to Reserves	195,423	120,800	214,393	293,885	264,697
Capital Project Costs	(247,451)	(373,000)	(373,000)	(373,000)	(373,000)
Net Capital Deficit	(52,028)	(252,200)	(158,607)	(79,115)	(108,303)

Future Implications

When considering the rates for 2021 there are several future implications to be considered:

- The current condition of the distribution is such that it will require a significant investment in the upcoming years to bring this up to the current day standards and reduce the daily maintenance costs. The current capital reserves levels do not allow for this investment to be made.
- During its pre-budget meetings for the 2021 Budget, the Board postponed the development of a water supply plan for this system to 2022. Such a plan will guide water supply improvements required to ensure the service levels standards are met all over the system in the immediate and long-term future and will review the water supply during emergency situations.
- 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.

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 10, 2020 Board Meeting for three readings and adoption.

Communications Strategy

The increase to these user fees will be communicated as part of a comprehensive communication effort regarding the 2021 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 South Pender Harbour 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).

Under the historical rate schedules for the Regional Water Service Area, a portion of parcel tax revenue has been required to fund operating expenditures. To align with 2020 where parcel taxes were not required to fund operations, user fees need to be increased at a rate greater than the increase in operating expenditures.

For 2021, staff recommend a 16% increase to user rates and no increase to parcel tax rates for an overall rate increase of 9.7%.

Pending Board direction, Water Rates and Regulations Bylaw No. 422, Schedule E will be updated and forwarded to the December 10, 2020 Board Meeting for three readings and adoption.

Reviewed by:			
Manager		CFO/Finance	X - T. Perreault X – B. Wing
GM	X – R. Rosenboom	Legislative	X – S.Reid
CAO	X – D. McKinley	Other	

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Corporate and Administrative Services Committee – November 26, 2020

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

SUBJECT: REGIONAL WATER SERVICE AREA 2021 RATE BYLAW AMENDMENT

RECOMMENDATION(S)

THAT the report titled Regional Water Service Area 2021 Rate Bylaw Amendment be received;

AND THAT the Water Rates and Regulations Bylaw 422, Schedule B be amended to increase the Regional Water Service Area User Fees and Metered Usage Fees by 14% and Parcel Taxes by 5% for an overall rate increase of 10.4%;

AND THAT the 2021-2025 Financial Plan be amended accordingly.

AND FURTHER THAT these recommendations are forwarded to the regular Board meeting of November 26, 2020.

BACKGROUND

An amendment to Water Rates Regulations Bylaw No. 422 need to be adopted prior to January 1, 2021 in order to meet the legislated timelines for user fees and the Parcel Tax Roll review process.

The Regional Water Service Area (RWSA) consists of approximately 11,091 parcels and 11,162 billable water users.

The current parcel tax and user rates per single family residential dwelling are \$276.94 and \$410.85, respectively.

The purpose of this report is to recommend 2021 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 operating and capital projects presented as part of the Pre-Budget meetings held on November 5-6, 2020, will be brought to Round 1 budget deliberations and have been factored into all rate increase proposals:

Operating

	Project	Cost (Estimated)
1	Capital Infrastructure Project Technician	88,559
2	Dam Inspections & Emergency Response	30,000
3	SCADA Technician Staffing Increase (0.30 FTE)	13,234
4	Water Metering Program- Neptune 360 Fees	11,900
5	Water Supply Plan- Feasibility Study LT Surface Water Supply Sources	225,000
6	Water Supply Plan- Public Participation	20,000
7	Water Supply Plan-Water Distribution Model Update and Tech. Analysis	187,000
8	Water Metering Program- Customer Relationship Tool	42,500
9	Water Metering Program- Leak Correlator	34,000
		652,193

Capital

	Project	Cost (Estimated)
1	Vehicle Replacement-Truck #438, #474, #477 (Debt Repayment)	18,264
2	Chapman & Edwards Dam Improvements	290,000
3	Chapman & Edwards Lake Communication System Upgrade	74,125
4	Chapman Creek WTP Chlorine Upgrades	1,000,000
5	Eastbourne Groundwater Investigation	350,000
6	Groundwater Investigation Round 2 Phase 3	500,000
7	Minor Capital Base Budget Increase	50,000
8	Reed Rd. Pump Station Zone 4 Improvements	70,000
		2,352,389

The costs listed above are estimates based on the information that was available to staff at pre-budget. It should be noted that these costs are used in the analysis to determine the suggested user fee and parcel tax rates, however are subject to change based on further analysis completed by staff.

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) and that user fee revenues fund operating related expenditures. This also aligns with the Boards Financial Sustainability Policy.

Under the current rate structure, no parcel tax revenue was allocated to fund operating expenses. Should the decision be made not to raise user fees, an estimated \$617,950 (19.3%) of parcel taxes would be required to fund operations for 2021 based on current rates and assuming remaining budget proposals are approved. This would result in net annual capital funding of \$2,578,976, a reduction of \$567,287 as compared to 2020.

It is recommended that part of any rate increase for 2021 be targeted to user fees in order to fully fund operating expenditures through user fee revenue. This in turn will increase capital funding by reducing or eliminating the allocation of parcel tax revenue to operations.

In considering the rates for 2021, 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 crisis.

Historical Rates

Historical rates and annual increases dating back to 2013 are detailed in the table below:

	2013	2014	2015	2016	2017	2018	2019	2020
Parcel Tax	244.29	249.27	252.46	255.41	255.41	257.84	263.00	276.94
User Fee	215.36	231.79	246.62	255.77	266	273.63	287.31	410.85
Total	459.65	481.06	499.08	511.18	521.41	531.47	550.31	687.79
Total \$ Increase		\$21.41	\$18.02	\$12.10	\$10.23	\$10.06	\$18.84	\$137.48
Total % Increase		4.66%	3.75%	2.42%	2.00%	1.93%	3.54%	24.98%

Options and Analysis

Three rate increase options are presented below for the Committee's 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 2020 year end surplus/deficit values.

The budgeted transfer to capital reserves is calculated by deducting base budget capital expenditures and debt servicing costs from total annual capital funding. Total annual capital funding is equal to parcel tax revenue less any amount required to fund operations.

Option 1 – 10.4% overall rate increase (14% increase to user fees, 5% increase to parcel taxes)

Fee Summary	User Fee	Parcel Tax	Overall
Current Rate	\$410.85	\$276.94	\$687.79
Proposed Increase	57.52	13.85	71.37
2021 Rate	\$468.37	\$290.79	\$759.16
% Increase	14.0%	5.0%	14.4%
Reserve Summary	Operating Reserve	Capital Reserve	
Opening Uncommitted Balance	\$1,633,867	\$4,126,069	
Projected 2020 Surplus	561,344	1,003,266	
Budgeted Transfers to Reserves	75,069	1,566,378	
Budgeted Transfers from Reserves	(508,500)	(2,334,125)	
Ending Uncommitted Balance	\$1,761,780	\$4,361,588	
Total Annual Capital Funding from Parcel Taxes: \$3,356,772			
Parcel Taxes Required to Fund Operations: \$NIL			

Staff recommend this option for the following reasons:

- User fees are able to fund operations without allocating funds from Parcel taxes.
- Net result is an annual capital funding increase of \$210,509 from 2020.
- The increase to parcel taxes will ensure that the decrease in capital uncommitted reserve balance is limited to 15%. This reduces the deferral of future increases future years for future investments in aging infrastructure, asset management and water supply expansion.
- The reduction in operating reserve level does not impact the ability to fund unexpected operational expenditures.

Option 2 – 9.0% overall rate increase (15% increase to user fees, no increase to parcel taxes)

Fee Summary	User Fee	Parcel Tax	Overall
Current Rate	\$410.85	\$276.94	\$687.79
Proposed Increase	61.63	-	61.63
2021 Rate	\$472.48	\$276.94	\$749.42
% Increase	15.0%	0.0%	9.0%
Reserve Summary	Operating Reserve	Capital Reserve (Fully Fund BP #7)	
Opening Uncommitted Balance	\$1,633,867	\$4,126,069	
Projected 2020 Surplus	561,344	1,003,266	
Budgeted Transfers to Reserves	124,570	1,406,532	
Budgeted Transfers from Reserves	(508,500)	(2,334,125)	
Ending Uncommitted Balance	\$1,811,281	\$4,201,742	
Total Annual Capital Funding from Parcel Taxes: \$3,196,926			
Parcel Taxes Required to Fund Operations: \$NIL			

This option is not recommended for the following reasons:

- Decreases capital reserves by 927,593 (18.1%) which defers required increases to future years, including for future water supply expansion investments and improved asset management.
- An additional increase to the parcel tax rate of \$80.37 (29%) would be required to sustain the opening balance for the uncommitted capital reserves

Option 3 – 14.0% overall rate increase (20% increase to user fees, 5.0% increase to parcel taxes)

Fee Summary	User Fee	Parcel Tax	Overall
Current Rate	\$410.85	\$276.94	\$687.79
Proposed Increase	82.17	13.85	96.02
2021 Rate	\$493.02	\$290.79	\$783.81
% Increase	20.0%	5.0%	14.0%
Reserve Summary	Operating Reserve	Capital Reserve (Fully Fund BP #7)	
Opening Uncommitted Balance	\$1,633,867	\$4,126,069	
Projected 2020 Surplus	561,344	1,003,266	
Budgeted Transfers to Reserves	372,077	1,566,378	
Budgeted Transfers from Reserves	(508,500)	(2,334,125)	
Ending Uncommitted Balance	\$2,058,788	\$4,361,588	
Total Annual Capital Funding from Parcel Taxes: \$3,356,772			
Parcel Taxes Required to Fund Operations: \$NIL			

This option is not recommended for the following reasons:

- This option requires a \$96.02 overall increase to fees which puts a larger financial burden on customers of this area than option #1
- This option results in \$297,008 more in operating reserves than option #1 however operating reserves are already sufficient given the projects expected to take place in 2021 and are adequate to support any cost overruns

Financial Implications

As discussed, increasing user fees by the suggested margin will result in an increase to capital funding by ensuring that the allocation of parcel tax revenue to fund operations is not necessary. 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	\$693,119	\$742,520	\$990,027
Additional Parcel Tax Revenue	159,846	-	159,846
Total Additional Revenue	\$852,865	\$742,520	\$1,149,873
Net Capital Funding Increase	\$210,509	50,663	\$210,509

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

	2020	No Change	Option 1 (14%)	Option 2 (15%)	Option 3 (20%)
User Fee Revenue	4,950,135	4,950,135	5,643,154	5,692,655	5,940,162
Expenses					
Administrative	(753,917)	(858,290)	(858,290)	(858,290)	(858,290)
Salaries & Wages	(2,867,132)	(3,220,844)	(3,220,844)	(3,220,844)	(3,220,844)
Operating Costs	(1,281,098)	(1,488,951)	(1,488,951)	(1,488,951)	(1,488,951)
Funding Required from PT	-	617,950	-	-	-
Operating Project Costs	(435,261)	(508,500)	(508,500)	(508,500)	(508,500)
Net Operating Deficit	(387,273)	(1,126,450)	(433,431)	(383,930)	(136,423)

Capital

	2020	No Change	Option 1 (5%)	Option 2 (0%)	Option 3 (5%)
Parcel Tax Revenue	3,196,926	3,196,926	3,356,772	3,196,926	3,356,772
Expenses					
Long Term Debenture Debt	-175019	(187,519)	(187,519)	(187,519)	(187,519)
Equipment Financing Loans	-93074	(125,671)	(125,671)	(125,671)	(125,671)
Base Budget Expenses	(1,458,940)	(1,477,204)	(1,477,204)	(1,477,204)	(1,477,204)
Funding of Operations	-	(617,950)	-	-	-
Transfer to Reserves	1,469,893	788,582	1,566,378	1,406,532	1,566,378
Capital Project Costs	(3,030,972)	(2,334,125)	(2,334,125)	(2,334,125)	(2,334,125)
Net Capital Deficit	(1,561,079)	(1,545,543)	(767,747)	(927,593)	(767,747)

Future Implications

When considering the rates for 2021 there are several future implications to be considered:

- 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 such as pump stations, valves, water supply and treatment infrastructure.
- Significant financial investments have been made and will continue to be required to address the current water supply crisis in 2022 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. Similar debt-funding would be required from 2022 and onwards for the phase 3 water meters installation project
- 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.

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 10, 2020 Board Meeting for three readings and adoption.

Communications Strategy

The increase to these user fees will be communicated as part of a comprehensive communication effort regarding the 2021 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).

Under the historical rate schedules for the Regional Water Service Area, a portion of parcel tax revenue has been required to fund operating expenditures. To align with 2020 where parcel taxes were not required to fund operations, user fees need to be increased at a rate greater than the increase in operating expenditures.

For 2021, staff recommend a 14% increase to user rates and a 5% increase to parcel tax rates for an overall rate increase of 10.4%. Given the number of potential projects being undertaken in 2021, this will ensure the allocation of parcel tax revenue to fund operations is not necessary and increase net capital funding by \$210,509 to \$3,356,772.

The proposed increase to parcel taxes will ensure that the decrease in capital uncommitted reserve balance is limited to 15%. This reduces the deferral of future increases for future investments in aging infrastructure, asset management and water supply expansion.

There is no formal SCRD policy regarding target capital reserve levels in relation to the anticipated required investments with asset management and service level improvements (e.g. water supply expansion). However, the projected uncommitted capital reserves levels at the end of 2021 could be considered low.

Pending Board direction, Water Rates and Regulations Bylaw No. 422, Schedule E will be updated and forwarded to the December 10, 2020 Board Meeting for three readings and adoption.

Reviewed by:			
Manager		CFO/Finance	X – T. Perreault X – B. Wing
GM	X – R. Rosenboom	Legislative	X – S. Reid
CAO	X – D. McKinley	Other	

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Corporate and Administrative Services Committee – November 26, 2020

AUTHOR: Brad Wing, Manager, Financial Services
Robyn Cooper, Manager, Solid Waste Services

SUBJECT: 2021 REFUSE COLLECTION [355] FEE REVIEW

RECOMMENDATION(S)

THAT the report titled 2021 Refuse Collection [355] Fee Review be received;

AND THAT Schedule A of Sunshine Coast Regional District Waste Collection Bylaw No. 431 be amended to increase waste collection fees by 9.0% for 2021, 5.0% for 2022 and 3.5% for 2023;

AND THAT the 2021-2025 Financial Plan be amended accordingly;

AND FURTHER THAT these recommendations be forwarded to the November 26, 2020 Regular Board meeting.

BACKGROUND

Refuse collection rates are set based on the revenue required to fund the service level and contract values approved by the Board. Any surplus revenue not required to fund expenditures in the financial plan is budgeted as a transfer to operating reserves. Conversely, operating reserves can be used to stabilize or smooth out rate increases if sufficient funds exist.

Curbside collection of food waste began on October 6, 2020. A summary of recent Board resolutions related to the implementation of this service and the resulting changes to the financial plan are summarized in the table below.

In addition, resolution 284/20 No. 8 authorizing the discontinuation of the coupon program is also noted in the table given its impact on the financial plan. Discontinuation of this program will save approximately \$35,000 in 2021 and \$68,000 in 2022 and beyond.

Date	Res. No.	Resolution
Oct. 10, 2019	244/19 No. 6	<p>AND THAT the base budget for Function 355 Refuse Collection be increased by \$385,900 based on the estimated net increase to operating and overhead costs required to fund a weekly curbside food waste collection service and bi-weekly garbage collection service beginning in 2020;</p> <p>AND THAT the increase for 2020 be pro-rated at \$231,100 based on an anticipated mid-year start date for the change in service;</p>

		<p>AND THAT the increase be funded through additional user fee revenue subject to results of an RFP and amendment of SCRD Waste Collection Bylaw No. 431;</p> <p>AND FURTHER THAT the Financial Plan 2019-2023 be amended accordingly.</p>
Jan. 9, 2020	006/20 No. 6	<p>AND THAT the contract for Curbside Collection of Food Waste in Electoral Areas B, D, E and F be awarded to Waste Management of Canada Corporation in the amount up to \$2,343,586 (plus GST);</p> <p>AND THAT the SCRD purchase of food waste collection containers from Waste Management of Canada Corporation, with a capital expenditure in the amount of \$193,670 (\$181,000 plus applicable taxes), be approved and funded from Operating Reserves;</p> <p>AND THAT the 2020-2024 Financial Plan be amended accordingly;</p>
JAN. 9, 2020	006/20 No. 7	<p>AND THAT the contract for Food Waste Processing Services Electoral Areas B, D, E and F be awarded to Salish Environmental Group Inc. in the amount up to \$205,800 (plus GST);</p> <p>AND THAT the 2020-2024 Financial Plan be amended accordingly;</p>
JAN. 30, 2020	026/20 No. 6	<p>AND THAT Schedule A of Sunshine Coast Regional District Waste Collection Bylaw No. 431 be amended to increase waste collection fees by 14% for 2020 and to allow for food waste collection as part of the annual fees;</p> <p>AND FURTHER THAT the 2020-2024 Financial Plan be amended accordingly.</p>
Jul. 30, 2020	284/20 No. 8	<p>THAT the Area B, D, E, F coupon program be discontinued;</p> <p>AND THAT the 2020-2024 Financial Plan be amended accordingly*.</p> <p><i>*base budget reduction of \$35,000 in 2021 and \$68,000 in 2022 and beyond</i></p>

The purpose of this report is to review the base budget operating expenses and funding requirements associated with the implementation of weekly curbside food waste collection and every-other-week curbside garbage collection for a full fiscal year and to make recommendations for the 2021 - 2023 refuse collection service fees and charges.

DISCUSSION

Weekly curbside collection of food waste began on October 6, 2020. At the same time, curbside garbage collection changed from weekly to every-other-week. 2021 will be the first full fiscal year operating at this service level which will have a material impact on the base budget for this service.

Discontinuation of the coupon program will offset the cost of the increased service level. The estimated savings from discontinuation of this program is \$68,000 annually (roughly \$11.43

annually per user) which is equivalent to a 6.5% rate increase. Note that the savings in 2021 are estimated at \$35,000 as coupons issued in 2020 are valid until April 30, 2021.

The estimated uncommitted refuse collection operating reserve balance available for use in 2021 is \$97,705. This includes a projected 2020 year end operating surplus transfer of \$40,000 and is equivalent to approximately 9.2% of fee revenue.

Base Budget Operating Expenses

The Board approved a base budget increase of \$385,900 on October 10, 2019 for the implementation of weekly curbside collection of food waste and every-other-week collection of garbage. This increase was pro-rated at \$231,100 for 2020 based on an anticipated mid-year start date.

Based on final contract values and estimates, the actual increase to base budget operating expenses over 2019 values is only \$329,779 for 2021 (2020 - \$130,686). This increase is offset by an additional \$35,000 reduction from discontinuation of the coupon program.

Further increases to the base budget of between \$44,000 and \$48,000 are anticipated for 2022 and 2023 due mainly to inflationary contract increases and support service allocations. The 2022 increase is offset by an additional \$33,000 reduction from discontinuation of the coupon program.

A summary of the changes to base budget operating expenses as a result of the service level changes is included in the table below. Reduced tipping fees for garbage disposal are estimated and further refinements will be made to this line item in the 2022 base budget once actual volumes and costs associated with every-other-week collection are known.

Refuse Collection Base Budget Operating Expenses (2019-2023)					
	2019	2020	2021	2022	2023
Administrative services	\$ 88,090	\$ 93,856	\$ 114,474	\$ 125,921	\$ 132,217
Wages & benefits	35,830	49,603	50,580	51,592	52,623
Garbage disposal tipping fees	241,980	164,480	164,000	164,000	164,000
Coupon program tipping fees	68,000	68,000	33,000	-	-
Garbage collection contract	452,498	380,498	277,539	289,503	301,824
Food waste collection contract	-	216,151	439,854	460,754	483,298
Food waste processing contract	-	39,900	80,520	82,620	85,200
Other operating expenses*	14,130	18,726	35,340	35,340	35,340
Total budgeted operating expenses	\$900,528	\$1,031,214	\$1,195,307	\$1,209,730	\$1,254,502
\$ Increase over prior year		\$130,686	\$164,093	\$14,423	\$44,772
% increase over prior year		14.5%	15.9%	1.2%	3.7%

**Includes communications, software licensing, materials and supplies, bank fees etc.*

Required Revenue

Budgeted revenue for 2020 totaled \$1,032,526. Actual revenue to date totalling \$1,037,665 with the difference attributable to growth in the customer base.

Based on current user rates, number of users and anticipated user growth, fee revenue for 2021 is estimated at \$1,060,000 inclusive of penalties (\$13,000) and extra tag sales (\$7,000).

Using this value as a base, the resulting revenue requirement in each of the next three years is summarized in the table below:

Year	Revenue Required to Balance Budget
2021	\$135,307
2022	149,730
2023	194,502

Three Year Refuse Collection User Fee Plan

Given the relative cost certainty that exists within this service over the next three years, staff are proposing a three year rate plan be enacted. This will reduce administrative time over the next two years by eliminating the detailed annual fee review, report preparation and accompanying Bylaw amendment.

Any material deviations from the proposed rate plan can always be addressed through a subsequent bylaw amendment to either increase or decrease future rates. Rates and expenses will be reviewed annually.

Staff recommend utilizing reserves in 2021 to mitigate the rate increase that would be needed to fund the revenue requirement and then setting future rates such that a reserve balance equivalent to 5% of annual revenue is maintained.

The following increases and resulting impact on the estimated reserve balances are detailed in the table below:

Refuse Collection 3 Year Rate Plan				
Rate Plan	2021	2022	2023	
Proposed rate increase	9.0%	5.0%	3.5%	
Budgeted operating expense increase	15.9%	1.2%	3.7%	
 \$ Increase in revenue	\$ 95,400	\$ 57,770	\$ 42,461	
\$ Increase in expenses	\$ 164,093	\$ 14,423	\$ 44,772	
Budget Plan	2021	2022	2023	
Total revenue	\$(1,155,400)	\$(1,213,170)	\$(1,255,631)	
Total expenses	1,195,307	1,209,730	1,254,502	
Transfer to/(from) reserves	(39,907)	3,440	1,129	
Budget surplus/(deficit)	\$ -	\$ -	\$ -	
Operating Reserve Plan	2021	2022	2023	
Opening balance	\$ 97,705	\$ 57,798	\$ 61,238	
Transfers to/(from)	(39,907)	3,440	1,129	
Closing balance	\$ 57,798	\$ 61,238	\$ 62,367	
Closing balance as a % of revenue	5.0%	5.0%	5.0%	

The closing reserve balance as a percentage of revenue serves as a measure of the ability to mitigate future rate increases. For instance, should a 10% rate increase be required in 2024, the estimated reserve balance at the end of 2023 could be fully utilized to defer half of that increase to the following year.

It should be noted that these reserve balances are estimates and will fluctuate based on actual operating surpluses or deficits. As noted, material deviations from the plan (large surplus or deficit) may necessitate an interim review and possible amendment to increase or decrease future rates.

Barring that, a full fee review will be conducted in advance of the 2024 budget. This will encompass the final two years of the current service contracts which are set to expire in 2025. Should reserves have built up to higher than anticipated levels at the end of 2023, consideration will be given at that time to utilizing those reserves to mitigate or stabilize future rate increases.

Staff recommend proceeding with a 9.0% user rate increase for 2021, a 5.0% increase in 2022 and a 3.5% increase in 2023. These proposed increases along with historical rates over the past four years are detailed in the table below:

Annual Collection Fee	2017	2018	2019	2020	2021*	2022*	2023*
Single Family Residential Dwelling Unit	\$145.45	\$146.90	\$154.25	\$175.85	\$191.68	\$201.26	\$208.30
\$ Increase over Prior Year	\$1.44	\$1.45	\$7.35	\$21.60	\$15.83	\$9.58	\$7.04
% Increase over Prior Year	1.0%	1.0%	5.0%	14.0%	9.0%	5.0%	3.5%
Mobile Home in Mobile Home Park	\$122.62	\$123.85	\$130.04	\$148.25	\$161.59	\$169.67	\$175.61
\$ Increase over Prior Year	\$1.21	\$1.23	\$6.19	\$18.21	\$13.34	\$8.08	\$5.94
% Increase over Prior Year	1.0%	1.0%	5.0%	14.0%	9.0%	5.0%	3.5%

Timeline for next steps

The Bylaw will be forwarded to the December 10, 2020 Board meeting for three readings and adoption.

Communications Strategy

The increase to these user fees will be communicated as part of a comprehensive communication effort regarding the 2021 Utility rates. This will include advertisement in news papers, a mail-out to all service participants, virtual information sessions and thru the SCRD social media and website, budget documentation as well as additional information included with the utility bill when distributed.

Additional communication and engagement is ongoing as part of the implementation of food waste collection.

STRATEGIC PLAN AND RELATED POLICIES

Consistent with Section 4.22 of the Financial Sustainability Policy:

4.2.2. Policy: Fees and charges will be reviewed annually and adjusted where appropriate. Reviews will include an analysis of the Regional District's costs of providing the service, as well as a comparison to other similar local governments.

CONCLUSION

Weekly curbside collection of food waste began on October 6, 2020. At the same time, curbside garbage collection changed from weekly to every-other-week.

As a result of these service level changes, operating expenses are anticipated to increase by 15.7% in 2021, 1.2% in 2022 and 3.7% in 2023. Increases in 2021 and 2022 are mitigated by the discontinuation of the coupon program.

Given the relative cost certainty that exists within this service over the next three years, staff are proposing a three year rate plan be enacted with recommended rate increases of 9.0% in 2021, 5.0% in 2022 and 3.5% in 2023 utilizing operating reserves in 2021 to mitigate the rate increase that would otherwise be needed to fund the revenue requirement.

Reviewed by:			
Manager	X – R. Cooper	CFO/Finance	X - T. Perreault
GM	X – R. Rosenboom	Legislative	X – S. Reid
CAO	X - D. McKinley	Other	

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Corporate and Administrative Services Committee - November 26, 2020

AUTHOR: Remko Rosenboom, General Manager, Infrastructure Services

SUBJECT: BUDGET UPDATE IMPLEMENTATION OF SHÍSHÁLH NATION FOUNDATION AGREEMENT

RECOMMENDATION(S)

THAT the report titled Budget Update Implementation of shíshálh Nation Foundation Agreement be received;

AND THAT the budget for the project Implementation of *shíshálh* Nation Foundation Agreement be increased by \$15,000 to \$40,000 to be funded from the Regional Water Service [370] Operating Reserves;

AND THAT the 2020-2024 Financial Plan be amended accordingly;

AND FURTHER THAT this recommendation is forwarded to the regular Board meeting of November 26, 2020.

BACKGROUND

At the September 19, 2019 Infrastructure Services Committee meeting staff from the Ministry of Indigenous Relations and Reconsolidation (MIRR) provided a status update on the land transfer component of the implementation of the *shíshálh* Nation Foundation Agreement. More details were provided on the legal mechanisms considered to protect Sunshine Coast Regional District (SCRD) interests and on the targeted timelines for the steps leading up to the actual land transfer of the first parcels of land between the Province and the *shíshálh* Nation.

At the October 24, 2020 meeting the Board adopted the following recommendation.

266/19 **Recommendation No. 7** *Budget Request for Implementation of shíshálh Nation Foundation Agreement*

THAT the report titled Budget request for Implementation of shíshálh Nation Foundation Agreement be received;

AND THAT \$25,000 be allocated for the project Implementation of shíshálh Nation Foundation Agreement to be funded from the Regional Water Service [370] Operating Reserves;

AND FURTHER THAT the 2019-2023 Financial Plan be amended accordingly.

The purpose of this report is to request an additional budget for external professional services to support the SCRD in this process.

DISCUSSION

Staff are working collaboratively with staff from the MIRR and the *shíshálh* Nation to develop the agreements required to protect the SCRD interests on the land parcels to be transferred from the Province to the Nation. The first parcels are targeted to be transferred late Q4 2020 while the work on the remainder one is scheduled to start early 2021. Additional legal advice is required to ensure SCRD interest are adequately considered in these land transfers.

Staff are therefore seeking an additional \$15,000 budget for ongoing external professional services to support the implementation of *shíshálh* Nation Foundation Agreement. It is recommended this be funded from the operating reserves of function [370] Regional Water Service.

Timeline for next steps or estimated completion date

Updates on the implementation of the *shíshálh* Nation Foundation Agreement will be provided at future committee meetings.

STRATEGIC PLAN AND RELATED POLICIES

This project supports the Strategy to Enhance First Nations Relations and Reconciliation.

CONCLUSION

Staff are working in a collaborative manner with staff from MIRR and the *shíshálh* Nation to develop and execute the agreements required to protect the SCRD interests on the land parcels to be transferred from the Province to the Nation.

Staff are therefore seeking a \$15,000 budget increase for the project Implementation of *shíshálh* Nation Foundation Agreement for additional external professional services to support the implementation of *shíshálh* Nation Foundation Agreement.

Reviewed by:			
Manager		CFO/Finance	X - T. Perreault
GM		Legislative	X – S. Reid
CAO	X – D. McKinley	Other	