



SPECIAL COMMITTEE OF THE WHOLE

Friday, December 9, 2022
Held Electronically
and Transmitted via the SCRD Boardroom,
1975 Field Road, Sechelt, B.C.

AGENDA

CALL TO ORDER 9:30 a.m.

AGENDA

1. Adoption of Agenda

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Manager, Financial Planning
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Manager, Financial Planning
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SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – December 9, 2022

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

SUBJECT: REGIONAL WATER SERVICE AREA 2023 RATE BYLAW AMENDMENT

RECOMMENDATION(S)

THAT the report titled Regional Water Service Area 2023 Rate Bylaw Amendment be received for information;

AND THAT the Water Rates and Regulations Bylaw No. 422, Schedule B be amended to increase the Regional Water Service Area User Fees and Metered Usage Fees by 23.64% and Parcel Taxes by 28.4% for an overall rate increase of 25.39%;

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

BACKGROUND

An amendment to Water Rates and Regulations Bylaw No. 422 needs to be adopted prior to January 1, 2023, 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 11,124 parcels and 11,803 billable water users.

The current parcel tax and user rates per single family residential dwelling are \$305.53 and \$526.92, respectively.

The purpose of this report is to recommend 2023 rate increases for the RWSA which align with the current and short-term funding requirements of the service.

DISCUSSION

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

The following capital and operating projects were presented as part of the Pre-Budget meetings held on December 5-7, 2022. Projects proposed to be funded through grants are not included in this overview. Proposals will be brought to Round 1 budget deliberations and have been factored into the rate increases analysis. Any decisions by the Board to not approve any of these projects will result in an increase in Operating Reserves and/or Capital Reserves.

Operating

	Project	Cost (Estimated)
1	Review of SCRD Subdivision Servicing Bylaw No 320	34,000
2	Water rate structure review part 2	51,000
3	November 22 Storm Damage	65,000
4	Chapman Creek water treatment plant chlorine gas decommissioning	65,000
5	Water strategy implementation development action plan	73,950
6	Egmont water treatment facility feasibility study and preliminary development	75,000
7	Chapman siphon removal	100,000
8	Interest portion of loan for Chapman Water Treatment UV Upgrade	44,163
		508,113

Capital

	Project	Cost (Estimated)
1	Chaster well upgrade phase 2	78,500
2	November 22 storm damage	100,000
3	Chapman Creek water treatment plant mechanical equipment upgrades	135,000
4	Egmont water treatment facility - feasibility study and preliminary development	200,000
5	Exposed watermain rehabilitation Chapman intake line	220,000
6	SIGD zone metering	250,000
7	Dam safety upgrades to Chapman and Edwards lakes construction cost increase	322,000
8	Eastbourne groundwater investigation phase 2	447,000
9	Chapman Creek water treatment plant UV upgrade-construction*	202,387
		1,954,887
* This represents 6 months of 5yr loan, total project cost is \$1,905,950		

Included in the operating fees are \$327,875 in interest charges related to the Church Road Well project and the water meter installation project.

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

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

In considering the rates for 2023, it is important to consider the current state of the infrastructure for this water system and its water supply. The infrastructure associated with the water supply and distribution system for this water system is extensive and there is an ongoing need to address performance issues with aging infrastructure and to improve its asset management. Significant financial investments have been made and will continue to be required to address the current water supply situation (see *Future Implications* section below).

Historical Rates

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

	2018	2019	2020	2021	2022
Parcel Tax	257.84	263	276.94	290.79	305.33
User Fee	273.63	287.31	410.85	468.37	526.92
Total	531.47	550.31	687.79	759.16	832.25
Total \$ Increase	\$10.06	\$18.84	\$137.48	\$71.37	\$73.09
Total % Increase	1.93%	3.54%	24.98%	10.38%	9.63%

Historical Budgeted Reserve Activity

Budgeted net withdrawals from the reserve funds for the past 4 years are detailed in the table below:

	2019	2020	2021	2022
Operating	-\$214,729	-\$1,490,049	-\$1,984,796	-\$2,904,796
Capital	-\$1,057,701	-\$1,604,758	-\$5,352,139	-\$5,602,139

Options and Analysis

Four 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 2022-year end surplus/deficit values.

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

In 2022 there were significant draws on both operating and capital reserves. Operating reserves went from \$3.61million to \$644 thousand and capital reserves went from \$9.87 million to \$4.17 million.

Option 1 –50% replenishment of 2022 opening reserve balances **25.39% overall rate increase**
(23.64% increase to user fees, 28.4% increase to parcel taxes)

Fee Summary	User Fee	Parcel Tax	Overall
Current Rate	\$526.92	\$305.33	\$832.25
Proposed Increase	124.57	86.72	211.29
2023 Rate	\$651.49	\$392.05	\$1043.54
% Increase	23.64%	28.40%	25.39%
Reserve Summary	Operating Reserve	Capital Reserve	
Opening Uncommitted Balance	\$644,238	\$4,170,720	
Cancelled Carryforward Projects	135,000		
EMBC Funding (est.to date)	319,000		
Projected 2022 Surplus/(Deficit)	300,000		
Budgeted Transfers to Reserves	851,893	2,418,210	
Budgeted Transfers from Reserves	(443,113)	(1,652,500)	
Ending Uncommitted Balance	\$1,807,017	\$4,936,430	
Total Annual Capital Funding from Parcel Taxes: \$4,566,340			
Parcel Taxes Required to Fund Operations: \$NIL			

Staff recommend this option for the following reasons:

- Allows for a partial replenishment of operating and capital reserves to 50% of their 2022 opening balances. This would allow for some unanticipated in year expenses. Ending operating reserves could support unanticipated operating projects similar to 2021 levels but that would result in no growth to the ending balance. This scenario is seen as the minimum recommended amount taking into account the impact to taxpayers of a rate increase.
- Provides for a strengthened projected Ending Uncommitted Capital Reserve Balance which contributes to the expected significant financial investments associated with the water supply expansion projects under development but given that the budgeted draw on operating reserves was \$2.9 million and capital reserves was \$5.7 million in 2022 this option still leaves a low ending reserve balance.
- The projected Ending Uncommitted Operational Reserve Balance improves the financial capacity to respond to emergency situations and components of the capital investment required in the upcoming years that should only be funded from operating versus capital reserves, including feasibility studies and engineering design.

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

Option 2 – 18.1% overall rate increase (17% increase to user fees, 20% increase to parcel taxes)

Fee Summary	User Fee	Parcel Tax	Overall
Current Rate	\$526.92	\$305.33	\$832.25
Proposed Increase	89.58	61.07	\$50.64
2023 Rate	\$616.50	\$366.40	\$982.89
% Increase	17%	20%	18.1%
Reserve Summary	Operating Reserve	Capital Reserve	
Opening Uncommitted Balance	\$644,238	\$4,170,720	
Cancelled Carryforward Projects	135,000		
EMBC Funding	319,000		
Projected 2022 Surplus/(Deficit)	300,000		
Budgeted Transfers to Reserves	747,027	2,119,432	
Budgeted Transfers from Reserves	(443,113)	(1,652,500)	
Ending Uncommitted Balance	\$1,702,151	\$4,637,652	
Total Annual Capital Funding from Parcel Taxes: \$4,267,562			
Parcel Taxes Required to Fund Operations: \$NIL			

This option is not recommended for the following reasons:

- Although this option allows for a lower overall rate increase (\$150.64), any additional unanticipated expenses would weaken an already low reserve balance further and any emergency or unplanned operating expenses may not have sufficient funding.
- For the capital reserve it does not result in an ending balance that would support the level of capital projects added in 2021 or 2022. This results in a greater deferral of required rate increases for future required capital investments and improved asset management compared to option #1.

Option 3 – Replenish 75% of 2022 opening reserve balances -56.46% overall rate increase (32.5% increase to user fees, 97.8% increase to parcel taxes)

Fee Summary	User Fee	Parcel Tax	Overall
Current Rate	\$526.92	\$305.33	\$832.25
Proposed Increase	171.25	298.63	469.88
2023 Rate	\$698.17	\$603.96	\$1,302.13
% Increase	32.5%	97.81%	56.46%
Reserve Summary	Operating Reserve	Capital Reserve	
Opening Uncommitted Balance	\$644,238	\$4,170,720	
Cancelled Carryforward Projects	135,000		
EMBC Funding	319,000		
Projected 2022 Surplus/(Deficit)	300,000		
Budgeted Transfers to Reserves	1,757,026	4,886,424	
Budgeted Transfers from Reserves	(443,113)	(1,652,500)	
Ending Uncommitted Balance	\$2,712,150	\$7,404,644	
Total Annual Capital Funding from Parcel Taxes: \$7,034,554			
Parcel Taxes Required to Fund Operations: \$NIL			

This option would allow for a further strengthening of the reserve balance to 75% of the level at the beginning of the year, however it is not recommended for the following reasons:

- This option requires a \$259 overall increase to fees over option #1 which puts a larger financial burden on customers of this area

Option 4 – Replenish operating and capital reserves to 2022 opening balances 90.68% overall rate increase (46.34% increase to user fees, 167.21% increase to parcel taxes)

Fee Summary	User Fee	Parcel Tax	Overall
Current Rate	\$526.92	\$305.33	\$832.25
Proposed Increase	244.18	510.54	754.72
2023 Rate	\$771.10	\$815.87	\$1,586.97
% Increase	46.34%	167.21%	90.68%
Reserve Summary	Operating Reserve	Capital Reserve	
Opening Uncommitted Balance	\$644,238	\$4,170,720	
Cancelled Carryforward Projects	135,000		
EMBC Funding	319,000		
Projected 2022 Surplus/(Deficit)	300,000		
Budgeted Transfers to Reserves	2,658,908	7,354,639	
Budgeted Transfers from Reserves	(443,113)	(1,652,500)	
Ending Uncommitted Balance	\$3,614,033	\$9,872,859	
Total Annual Capital Funding from Parcel Taxes: \$9,502,769			
Parcel Taxes Required to Fund Operations: \$NIL			

This option would set rates in accordance with actual budgeted project spending in 2022, however this option is not recommended for the following reasons:

- Reserves are meant to smooth tax impacts to rate payers, a 100% replenishment may be in excess of 2023's needs and does not allow for a smoother replenishment over time to ease the one-time burden on the taxpayer.

Financial Implications

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

	Option 1	Option 2	Option 3	Option 4
Additional User Fee Revenue	\$1,540,482	\$1,107,741	\$2,117,740	\$3,019,622
Additional Parcel Tax Revenue	\$1,00,038	\$711,260	\$3,478,252	\$5,946,467
Total Additional Revenue	\$2,550,520	\$1,819,001	\$5,595,992	\$8,966,089
Net capital funding increase over prior year	\$840,835	\$542,057	\$3,309,049	\$5,777,264

Impact of debt funding in future years:

There is currently a total of \$18,155,950 worth of debt funded projects either approved or proposed. As the debt for these projects is not undertaken until a year after completion, the impact on future parcel taxes is not seen immediately. The following is an incremental increase in parcel taxes that is projected to be required in future years to repay the debt principal amount.

	2023	2024	2025	2026	2027
Impact to Parcel Tax	\$ 17.16	\$ 23.89	\$ 20.73	\$ 6.63	\$ 1.39
% of current rate	5.6%	7.8%	6.8%	2.2%	0.5%

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

	2022	No Change	Option 1 (23.6%)	Option 2 (17%)	Option 3 (32.5%)	Option 4 (46.34%)
User Fee Revenue	6,516,122	6,516,122	8,056,604	7,623,863	8,633,862	9,535,744
Expenses						
Administrative	(963,066)	(1,015,887)	(1,015,887)	(1,015,887)	(1,015,887)	(1,015,887)
Salaries & Wages	(3,690,786)	(3,958,081)	(3,958,081)	(3,958,081)	(3,958,081)	(3,958,081)
Operating Costs	(1,535,955)	(1,902,868)	(1,902,868)	(1,902,868)	(1,902,868)	(1,902,868)
Interest on interm financing	(372,243)	(401,122)	(401,122)	(401,122)	(401,122)	(401,122)
Funding Required from PT	-	360,714	-	-	-	-
Operating Project Costs	(1,596,349)	(398,950)	(398,950)	(398,950)	(398,950)	(398,950)
Carryforward Projects	(1,221,156)					
Net Operating Surplus/(Deficit)	(1,270,034)	(759,664)	780,818	348,077	1,358,076	2,259,958

Capital

	2022	No Change	Option 1 (28.4%)	Option 2 (20%)	Option 3 (97.8%)	Option 4 (167.2%)
Parcel Tax Revenue	3,556,302	3,556,302	4,566,340	4,267,562	7,034,554	9,502,769
Expenses						
Long Term Debenture Debt	(130,233)	(130,233)	(130,233)	(130,233)	(130,233)	(130,233)
Equipment Financing Loans	(143,371)	(479,873)	(479,873)	(479,873)	(479,873)	(479,873)
Base Budget Expenses	(1,508,940)	(1,508,940)	(1,508,940)	(1,508,940)	(1,508,940)	(1,508,940)
Funding of Operations	-	360,714	-	-	-	-
Transfer to Reserves	1,773,758	1,797,970	2,447,294	2,148,516	4,915,508	7,383,723
Capital Project Costs	(2,141,875)	(1,652,500)	(1,652,500)	(1,652,500)	(1,652,500)	(1,652,500)
Carryforward Projects	(5,284,584)					
Net Capital Surplus/(Deficit)	(368,117)	145,470	794,794	496,016	3,263,008	5,731,223

Future Implications

When considering the rates for 2023 there are several future implications to be considered:

- The Water Strategy currently under development will be completed in 2023 and the associated actions plans will list the concrete investment required in the Regional Water System the upcoming five to 10 years to meet strategies confirmed in the Water Strategy document.
- The infrastructure associated with the water supply and distribution system for this water system is extensive and aging and there is an ongoing need to address performance issues with aging infrastructure such as pump stations, valves, water supply and treatment infrastructure.
- Significant financial investments have been made and will continue to be required to address the current water supply situation in 2023 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. From late 2022 onwards, the debt associated with the Church Road Well Field development project will need to be funded. Similar debt-funding will be required from 2023 and onwards for the phase 3 water meters installation project.
- Climate change is resulting in unanticipated consequences for our water supply, including performance issues for our Egmont Water System that could result in the need to undertake major upgrades to the water treatment for that water system. Another consequence of climate change is increased damage to our infrastructure resulting from more intense storms. This includes the incremental cost associated with operating Emergency Operation Centres.
- The Asset Management plans under development for this system will guide the future rates required to adequately operate and maintain the system and replace the infrastructure components in a timely manner. Therefore, staff recognize that it is likely that user fee and parcel tax rates increase sufficiently to grow reserves balances to service future water supply and asset management projects.
- Staff have initiated a review of the rate structure for the water services. The first results of this work will be presented to the Board in 2023 and a different rate structure could be implemented as early as 2025.
- While the SCRD is continuing to apply for grants to reduce the financial burden of the required investments to the Regional Water Service, most of these grants are heavily oversubscribed which impacts the likelihood of us being successful in obtaining grants.

Timeline for next steps or estimated completion date

Once approval is received to amend the user rates and parcel taxes, the Water Rates Bylaw 422, Schedule B will be amended to increase the Regional Water Service Area User Fees and Parcel Taxes and forwarded to the December 15, 2022, 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 2023 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. The first information session on water utility rates will be held on December 13, 2022, virtually in the evening.

STRATEGIC PLAN AND RELATED POLICIES

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

CONCLUSION

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

For 2023, staff recommend a 23.64% increase to user rates and a 28.40% increase to parcel tax rates for an overall rate increase of 25.39%. Given the number of potential projects being undertaken in 2023, this will ensure the allocation of parcel tax revenue to fund operations is not necessary and will increase net capital funding by \$840,835 to \$4,566,340.

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 2023 are considerably lower than at the beginning of 2022 and may not keep pace with required spending.

Pending Board direction, Water Rates and Regulations Bylaw No. 422, Schedule E will be updated and forwarded to the December 15, 2022 Board Meeting for three readings and adoption.

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

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – December 09, 2022

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

SUBJECT: NORTH PENDER HARBOUR WATER SERVICE AREA 2023 RATE BYLAW AMENDMENT

RECOMMENDATIONS

THAT the report titled North Pender Harbour Water Service Area 2023 Rate Bylaw Amendment be received for information;

AND THAT the Water Rates and Regulations Bylaw No. 422, Schedule D be amended to increase the North Pender Harbour Water Service Area User Fees and Metered Usage Fees by 29.1% with a 13% increase to Parcel Taxes for an overall rate increase of 23.88%;

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

BACKGROUND

The North Pender Harbour Water Service Area (NPHWSA) consists of approximately 763 parcels and 577 billable water users. The current parcel tax and user rates per single family residential dwelling are \$341 and \$711.16, respectively.

An amendment to Water Rates and Regulations Bylaw No. 422 is required to be adopted prior to January 1, 2023 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 2023 rate increases for the NPHWSA which align with the 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). 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. The Board's Financial Sustainability Policy has also been amended to reflect this funding alignment.

Over the last several years rate increases have begun to address the imbalance through larger increases to user rates. For 2023, the budgeted operating projects will require a larger user fee increase in order to avoid further deterioration of the capital reserves.

The following capital and operating projects were presented as part of the Pre-Budget meetings held on December 5-7, 2022. Projects proposed to be funded through grants are not included in this overview. Proposals will be brought to Round 1 budget deliberations and have been

factored into the rate increases analysis. Any decisions by the Board to not approve any of these projects will result in an increase in Operating Reserves and/or Capital Reserves.

Operating

	Project	Cost (Estimated)
1	Review of SCRD Subdivision servicing bylaw	2,000
2	Water rate structure review	3,000
3	Water strategy implementation development action plan	4,350
4	Garden Bay treatment plant improvements	200,000
		209,350

Capital

	Project	Cost (Estimated)
1	No current tax funded projects	0

In considering the rates for 2023, it is important to consider the current state of the infrastructure for this water system. Since the system takeover by the SCRD in 2006, substantial efforts have been made to improve the condition of the infrastructure. The current condition of the infrastructure is such that additional effort will be required in primarily the distribution system to bring it up to current day standards and reduce the daily maintenance cost of the service (see *Future Implications* section below).

Historical Rates

Historical rates and annual increases dating back to 5-years are as follows:

	2018	2019	2020	2021	2022
Parcel Tax	320.23	326.63	326.63	326.63	341
User Fee	255.98	277.74	416.61	624.92	711.16
Total	576.21	604.37	743.24	951.55	1052.16
Total \$ Increase	\$20.05	\$28.16	\$138.87	\$208.31	\$100.61
Total % Increase	3.61%	4.89%	22.98%	28.03%	10.57%

Historical net reserve contributions/(withdrawals)

The table below outlines the historical budgeted net contribution/(withdrawals) from reserve accounts.

	2019	2020	2021	2022
Operating	\$ (7,000)	\$ (194,629)	\$ (132,614)	\$ (132,614)
Capital	\$ 46,452	\$ 25,778	\$ 80,424	\$ 80,424

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 2022 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 principal repayments from total annual capital funding. Total annual capital funding is equal to parcel tax revenue less any amount required to fund operations.

Option 1 – **23.88% overall rate increase** (29.1% increase to user fees, 13% increase to parcel taxes)

Fee Summary	User Fee	Parcel Tax	Overall
Current Rate	\$711.16	\$341.00	\$1,052.16
Proposed Increase	206.96	44.33	251.29
2023 Rate	\$918.12	\$385.33	\$1,303.45
% Increase	29.1%	13%	23.88%
Reserve Summary	Operating Reserve	Capital Reserve	
Opening Uncommitted Balance	\$366,110	\$491,087	
Projected 2022 Surplus	-	-	
Budgeted Transfers to Reserves	92,602	246,578	
Budgeted Transfers from Reserves	(209,350)	-	
Ending Uncommitted Balance	\$249,362	\$737,665	
Total Annual Capital Funding from Parcel Taxes: \$301,349			
Parcel Taxes Required to Fund Operations: \$NIL			

Staff recommend this option for the following reasons:

- Restores the operating reserve balance to 50% of what it was at the start of 2022.
- The projected Ending Uncommitted Operational Reserve Balance improves the financial capacity to respond to emergency situations and components of the capital investment required in the upcoming years that should only be funded from operating versus capital reserves, incl feasibility studies and engineering design.
- Provides construction indexed inflation protection to capital reserve balances, protecting their purchasing power. Although less than ideal, this balances the need to restore the operating reserves without too high a tax increase in one year.

The Ending Uncommitted Capital Reserve Balance is growing but, it's still considered low in comparison to the major capital investment required in the upcoming years associated with the water mains and the water treatment system.

Option 2 – 40.33% overall rate increase (57.94% increase to user fees, 3.6% increase to parcel taxes)

Fee Summary	User Fee	Parcel Tax	Overall
Current Rate	\$711.16	\$341.00	\$1,052.16
Proposed Increase	412.02	12.28	424.30
2023 Rate	\$1,123.18	\$353.28	\$1,476.46
% Increase	57.94%	3.6%	40.33%
Reserve Summary	Operating Reserve	Capital Reserve	
Opening Uncommitted Balance	\$366,110	\$491,087	
Projected 2022 Surplus/(Deficit)	-	-	
Budgeted Transfers to Reserves	217,283	221,510	
Budgeted Transfers from Reserves	(209,350)	-	
Ending Uncommitted Balance	\$374,043	\$712,597	
Total Annual Capital Funding from Parcel Taxes: \$276,282			
Parcel Taxes Required to Fund Operations: \$NIL			

This option is not recommended for the following reasons:

- Although this option provides for a 75% replenishment of the operation reserves, the resulting overall 40% tax increase may be too high a burden on area participants in a single year.
- Parcel tax increase would be less than the projected construction inflation rate. It provides \$276,282 in annual capital funding which is 8.3% less than option #1. This results in a greater deferral of required rate increases for future required capital investments and improved asset management compared to option #1.

Option 3 – 13% overall rate increase (13% increase to user fees, 13% increase to parcel taxes)

Fee Summary	User Fee	Parcel Tax	Overall
Current Rate	\$711.16	\$341.00	\$1,052.16
Proposed Increase	92.45	44.33	136.78
2023 Rate	\$803.61	\$385.33	\$1,188.94
% Increase	13%	13%	13%
Reserve Summary	Operating Reserve	Capital Reserve	
Opening Uncommitted Balance	\$366,110	\$491,087	
Projected 2022 Surplus/(Deficit)	-	-	
Budgeted Transfers to Reserves	22,979	246,578	
Budgeted Transfers from Reserves	(209,350)	-	
Ending Uncommitted Balance	\$179,739	\$737,665	
Total Annual Capital Funding from Parcel Taxes: \$301,350			
Parcel Taxes Required to Fund Operations: \$NIL			

This option is not recommended for the following reasons:

- It protects the reserve balances for purchasing power reduction due to inflation but does not provide for future unforeseen operating expenses. It provides \$69,623 less to

operating reserves that option #1 this results in a greater deferral of required rate increases for future operating needs.

- In comparison to option #1, it provides for the same capital reserve balance.

Financial Implications

Increasing user fees 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	\$125,835	\$250,516	\$56,212
Additional Parcel Tax Revenue	\$34,669	\$9,601	\$34,669
Total Additional Revenue	\$160,504	\$260,117	\$90,880
Net Capital Funding Increase	\$46,660	\$21,593	\$46,660

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

	2022	No Change	Option 1 (29%)	Option 2 (58%)	Option 3 (13%)
User Fee Revenue	432,397	432,397	558,232	682,913	488,609
Expenses					
Administrative	(60,046)	(62,735)	(62,735)	(62,735)	(62,735)
Salaries & Wages	(230,915)	(269,858)	(269,858)	(269,858)	(269,858)
Operating Costs	(149,616)	(133,037)	(133,037)	(133,037)	(133,037)
Funding Required from PT	500,623	33,233	-	-	-
Operating Projects	(34,500)	(209,350)	(209,350)	(209,350)	(209,350)
Net Operating Surplus (Deficit)	(42,680)	(242,583)	(116,748)	7,933	(186,371)

Capital

	2022	No Change	Option 1 (13%)	Option 2 (3.6%)	Option 3 (13%)
Parcel Tax Revenue	266,681	266,681	301,350	276,282	301,350
Expenses					
Long Term Debenture Debt	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)
Equipment Financing Loans	(13,770)	(13,772)	(13,772)	(13,772)	(13,772)
Base Budget Expenses	(21,000)	(21,000)	(21,000)	(21,000)	(21,000)
Funding of Operations	(500,623)	(33,233)	-	-	-
Transfer to Reserves	(288,712)	178,676	246,578	221,510	246,578
Capital Project Costs	(85,000)	-			
Net Capital Surplus (Deficit)	(373,712)	178,676	246,578	221,510	246,578

Future Implications

When considering the rates for 2023 there are several future implications to be considered:

- The Water Strategy currently under development will be completed in 2023 and the associated actions plans will list the concrete investment required in the North Pender Harbour Water System the upcoming five to 10 years to meet strategies confirmed in the Water Strategy document.
- The infrastructure associated with the water supply and distribution system for this water system is extensive and aging and there is an ongoing need to address performance issues with aging infrastructure such as pump stations, valves, water supply and treatment infrastructure. The replacement of old or undersized watermain that are not scheduled yet to be replaced would cost about two million dollars.
- Climate change is resulting in unanticipated consequences for our water supply, including performance issues for our North Pender Water System that could result in the need to undertake major upgrades to the Garden Bay water treatment system. Preliminary estimates for those upgrades indicate that these upgrades could cost about \$9,000,000.
- The Asset Management plans under development for this system will guide to the future rates required to adequately operate and maintain the system and replace the infrastructure components in a timely manner. Therefore, staff recognize that it is likely that user fee and parcel tax rates increase sufficiently to grow reserves balances to service future water supply and asset management projects.
- Staff have initiated a review of the rate structure for the water services. The first results of this work will be presented to the Board in 2023 and a different rate structure could be implemented as early as 2025.
- While the SCRD is continuing to apply for grants to reduce the financial burden of the required investments to the North Pender Harbour Water Service, most of these grants are heavily oversubscribed which impacts the likelihood of us being successful in obtaining grants.

Timeline for next steps or estimated completion date

Once approval is received to amend the user rates and parcel taxes, the Water Rates Bylaw 422, Schedule D will be amended to increase the North Pender Harbour Water Service Area User Fees and Parcel Taxes and forwarded to the December 15, 2022 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 2023 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. The first information session on water utility rates will be held on December 13, 2022, virtually in the evening.

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, if no rate increases are established this will once again be the case. To address this imbalance, user fees need to be increased at a rate greater than the increase in operating expenditures.

For 2023, staff recommend a 29.1% increase to user rates and 13% increase to parcel tax rates for an overall rate increase of 23.88%. This will allow for a replenishment of operating reserves to 50% of the 2022 starting balance and provide an inflation protection increase to the capital reserve balance, to protect the purchasing power in future years.

Pending Board direction, Water Rates and Regulations Bylaw No. 422, Schedule D will be updated and forwarded to the December 15, 2022, Board Meeting for three readings and adoption.

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

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – December 09, 2022

AUTHOR: Tina Perreault, General Manager, Corporate Services / Chief Financial Officer
Lana Smith Manager – Financial Planning

SUBJECT: SOUTH PENDER HARBOUR WATER SERVICE AREA 2023 RATE BYLAW AMENDMENT

RECOMMENDATION(S)

THAT the report titled South Pender Harbour Water Service Area 2023 Rate Bylaw Amendment be received for information;

AND THAT the Water Rates and Regulations Bylaw No. 422, Schedule E be amended to increase the South Pender Harbour Water Service Area User Fees and Metered Usage Fees by 13% and 13% to Parcel Taxes in 2023 for an overall rate increase of 13%;

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

BACKGROUND

The South Pender Harbour Water Service Area (SPHWSA) consists of approximately 1,047 parcels and 1024 billable water users. The current parcel tax and user rates per single family residential dwelling are \$382.15 and \$675.18, respectively.

An amendment to Water Rates and Regulations Bylaw No. 422 is required by the January 2023 Board meeting in order to meet the legislated timeline for the annual Parcel Tax Roll Review.

The purpose of this report is to recommend 2023 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).

Annual capital funding is currently budgeted at \$424,503 in 2022.

The following capital and operating projects were presented as part of the Pre-Budget meetings held on December 5-7, 2022. Projects proposed to be funded through grants are not included in this overview. Proposals will be brought to Round 1 budget deliberations and have been factored into the rate increases analysis. The pre-budget proposal for water services overtime was removed and will not be presented at Round 1. Any decisions by the Board to not approve any of these projects will result in an increase Operating Reserves and Capital Reserves.

Operating

	Project	Cost (Estimated)
1	Review of SCRD Subdivision servicing bylaw No 320	4,000
2	Water Rate Structure Review-part 2	6,000
3	Water strategy implementation development action plan	8,700
		18,700

Capital

	Project	Cost (Estimated)
1	No capital projects at this time	
		0

In considering the rates for 2023, 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 (see *Future Implications* section below).

Historical Rates

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

	2018	2019	2020	2021	2022
Parcel Tax	324.38	330.87	347.41	347.41	382.15
User Fee	393.37	415.01	529.14	613.8	675.18
Total	717.75	745.88	876.55	961.21	1057.33
Total \$ Increase	\$20.51	\$28.13	\$130.67	\$84.66	\$96.12
Total % Increase	2.94%	3.92%	17.52%	9.66%	10.00%

Historical net reserve contributions/(withdrawals)

The table below outlines the historical budgeted net contribution/(withdrawals) from reserve accounts for the last four years:

	2019	2020	2021	2022
Operating	-\$188,680	-\$150,073	-\$151,807	-\$151,807
Capital	-\$475,576	-\$77,000	-\$354,210	-\$354,210

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 2022-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 principal repayments from total annual capital funding. Total annual capital funding is equal to parcel tax revenue less any amount required to fund operations.

Option 1 – 13% overall rate increase (13% increase to user fees, 13% increase to parcel taxes)

Fee Summary	User Fee	Parcel Tax	Overall
Current Rate	\$675.18	\$382.15	\$1,057.33
Proposed Increase	87.77	49.68	137.45
2023 Rate	\$762.95	\$431.83	\$1,194.78
% Increase	13.0%	13.0%	13.0%
Reserve Summary	Operating Reserve	Capital Reserve	
Opening Uncommitted Balance	\$698,002	\$430,797	
Projected 2022 Surplus/(Deficit)	75,000	-	
Budgeted Transfers to Reserves	12,282	350,360	
Budgeted Transfers from Reserves	(18,700)	-	
Ending Uncommitted Balance	\$766,584	\$781,157	
Total Annual Capital Funding from Parcel Taxes: \$471,009			
Parcel Taxes Required to Fund Operations: \$NIL			

This option is recommended for the following reasons:

- User fees are able to fund operations without drawing funds from Parcel taxes.
- This option provides for loss of purchasing power due to inflation (the Canada construction inflation Q1 to Q3 average)
- The projected Ending Uncommitted Operational Reserve Balance improves the financial capacity to respond to emergency situations and components of the capital investment required in the upcoming years that should only be funded from operating vs capital reserves, including feasibility studies and engineering design.
- Results in net annual capital funding of \$471,009 which is a \$33,005 increase from 2022.

The Ending Uncommitted Capital Reserve Balance is considered low compared to the required infrastructure improvements required in the upcoming years and will trigger further substantial Parcel Tax increased in the upcoming years.

Option 2 –Restore 2022 opening reserve balances- 20.22% overall rate increase (23.8% increase to user fees, 13.9% increase to parcel taxes)

Fee Summary	User Fee	Parcel Tax	Overall
Current Rate	\$675.18	\$382.15	\$1,057.33
Proposed Increase	160.60	53.21	213.81
2023 Rate	\$835.78	\$435.36	\$1,271.14
% Increase	23.8%	13.9%	20.22%
Reserve Summary	Operating Reserve	Capital Reserve	
Opening Uncommitted Balance	\$698,002	\$430,797	
Projected 2022 Surplus/(Deficit)	75,000	-	
Budgeted Transfers to Reserves	95,699	354,211	
Budgeted Transfers from Reserves	(18,700)	-	
Ending Uncommitted Balance	\$850,001	\$785,008	
Total Annual Capital Funding from Parcel Taxes: \$474,860			
Parcel Taxes Required to Fund Operations: \$NIL			

This option is not recommended for the following reason:

- This option requires a \$76.36 increase over option #1, with a total increase of \$213.81 which puts a larger financial burden on customers of this area.

Option 3 – 12.04% overall rate increase (11.5% increase to user fees, 13% increase to parcel taxes)

Fee Summary	User Fee	Parcel Tax	Overall
Current Rate	\$675.18	\$382.15	\$1,057.33
Proposed Increase	77.65	49.68	127.33
2023 Rate	\$752.83	\$431.83	\$1,184.66
% Increase	11.5%	13%	12.04%
Reserve Summary	Operating Reserve	Capital Reserve	
Opening Uncommitted Balance	\$698,002	\$430,797	
Projected 2022 Surplus	75,000	-	
Budgeted Transfers to Reserves	682	350,360	
Budgeted Transfers from Reserves	(18,700)	-	
Ending Uncommitted Balance	\$754,984	\$781,157	
Total Annual Capital Funding from Parcel Taxes: \$471,009			
Parcel Taxes Required to Fund Operations: \$NIL			

This option is not recommended for the following reasons:

- This is the minimum required operating increase to pay operating expenses but does not allow a budgeted transfer into operating reserves.

Financial Implications

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

	Option 1	Option 2	Option 3
Additional User Fee Revenue	\$100,537	\$183,954	\$88,937
Additional Parcel Tax Revenue	\$54,187	\$58,038	\$54,187
Total Additional Revenue	\$157,724	\$241,992	\$143,124
Net Capital Funding Increase (Decrease)	\$33,005	\$36,856	\$33,005

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

	2022 (Budgeted)	No Change	Option 1 (13%)	Option 2 (20%)	Option 3 (3.4%)
User Fee Revenue	773,365	773,365	873,902	957,319	862,302
Expenses					
Administrative	(99,557)	(104,104)	(104,104)	(104,104)	(104,104)
Salaries & Wages	(389,131)	(454,163)	(454,163)	(454,163)	(454,163)
Operating Costs	(330,135)	(303,353)	(303,353)	(303,353)	(303,353)
Funding Required from PT	45,458	88,255	-	-	-
Operating Project Costs	(41,500)	(18,700)	(18,700)	(18,700)	(18,700)
Net Operating Surplus (Deficit)	(86,958)	(106,955)	(6,418)	76,999	(18,018)

Capital

	2022 (Budgeted)	No Change	Option 1 (13%)	Option 2 (14%)	Option 3 (13%)
Parcel Tax Revenue	438,004	438,004	471,009	474,860	471,009
Expenses					
Long Term Debenture Debt	(74,463)	(73,563)	(73,563)	(73,563)	(73,563)
Equipment Financing Loans	(10,521)	(22,086)	(22,086)	(22,086)	(22,086)
Base Budget Expenses	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
Funding of Operations		(88,255)	-	-	-
Transfer to Reserves	328,020	229,100	350,360	354,211	350,360
Capital Project Costs	(610,000)				
Net Capital Surplus (Deficit)	(281,980)	229,100	350,360	354,211	350,360

Future Implications

When considering the rates for 2023 there are several future implications to be considered:

- The Water Strategy currently under development will be completed in 2023 and the associated actions plans will list the concrete investment required in the South Pender Harbour Water System the upcoming five to 10 years to meet strategies confirmed in the Water Strategy document.
- The infrastructure associated with the water supply and distribution system for this water system is extensive and aging and there is an ongoing need to address performance issues with aging infrastructure such as pump stations, valves, water supply and treatment infrastructure. The replacement of old or undersized watermain that are not scheduled yet to be replaced would cost between 15 and 20 two million dollars.
- The Asset Management plans under development for this system will guide the future rates required to adequately operate and maintain the system and replace the infrastructure components in a timely manner. Therefore, staff recognize that it is likely that user fee and parcel tax rates increase sufficiently to grow reserves balances to service future water supply and asset management projects.
- Staff have initiated a review of the rate structure for the water services. The first results of this work will be presented to the Board in 2023 and a different rate structure could be implemented as early as 2025.
- While the SCRD is continuing to apply for grants to reduce the financial burden of the required investments to the South Pender Harbour Water Service, most of these grants are heavily oversubscribed which impacts the likelihood of us being successful in obtaining grants.

Timeline for next steps or estimated completion date

Once approval is received to amend the user rates and parcel taxes, the Water Rates Bylaw 422, Schedule E will be amended to increase the South Pender Harbour Water Service Area User Fees and Parcel Taxes and forwarded to the December 15, 2022, 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 2023 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. The first information session on water utility rates will be held on December 13, 2022, virtually in the evening.

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 the Financial Sustainability Policy where parcel taxes should not be required to fund operations, user fees need to be increased at a rate greater than the increase in operating expenditures.

For 2023, staff recommend a 13% increase to user rates and 13% increase to parcel tax rates for an overall rate increase of 13%.

Pending Board direction, Water Rates and Regulations Bylaw No. 422, Schedule E will be updated and forwarded to the December 15, 2022, Board Meeting for three readings and adoption.

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

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – December 9, 2022

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

SUBJECT: **GREAVES ROAD [381] WASTEWATER 2023 USER FEE REVIEW**

RECOMMENDATIONS

THAT the report titled Greaves Road [381] Wastewater 2023 User Fee Review be received for information;

AND THAT the Sewage Treatment Facilities Service Unit Bylaw No. 428, (Schedule C) be amended to increase the Greaves Road Service Area User Fees to \$627.81 for 2023;

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

BACKGROUND

The Greaves Road Service Area (Greaves Road) consists of five (5) billable users. The current user rate per single family residential dwelling for 2022 is \$487.81.

An amendment to Sewage Treatment Facilities Service Unit Bylaw No. 428 is required to be adopted prior to January 1, 2023 in order to meet the legislated timelines for adoption of the Financial Plan Bylaw, the Parcel Tax Roll review process, and the associated billing.

At the November 18, 2021 Infrastructure Services Committee, a report was presented to the Board which recommended rate increases for some of the wastewater treatment plant service areas in 2022 and future years, and resulted in the Sunshine Coast Regional District (SCRD) Board adopting the following resolution on November 25, 2021 (in part):

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

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

Service	2022
Greaves	\$487.81

At the February 17, 2022 Community Services Committee, a report was presented to the Board which identified an underfunding due to the disparity between the user fee revenue collected, and the operating budget, within the Greaves Road service area. This resulted in the following resolution on February 24, 2022:

044/22 **Recommendation No. 6** *Greaves Road Community Sewage Treatment Service*
(in part)

AND THAT \$468 of the [381] Greaves Road Operating Reserve be used to fund 2022 operations;

The purpose of this report is to discuss the current financial sustainability of the Greaves Road wastewater service area operations, and to recommend 2023 user fee rate increases which align with the funding requirements of the service.

DISCUSSION

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

Since 2020 the SCRD has been working to improve the operations and maintenance of its wastewater treatment services to improve their performance, expand their useful life and reduce the potential for regulatory non-compliances and associated unintended environmental impacts. The improved operation of these services is possible because of additional staff resources approved by the Board in 2019. Additionally, operational expenditures for contracted services and materials and supplies have increased.

In 2022, user fee revenue was insufficient to fund budgeted operating expenditures and the Board resolved in early 2022 to fund this underfunding, in the short-term, by utilizing existing operating reserves. For 2023, it is recommended that this underfunding be eliminated to ensure financial sustainability of the reserve and fee equity within the service area. A thorough analysis of the Greaves Road operating budget was performed in Q4 2022, and other than the existing underfunding value, there are no additional operational cost pressures anticipated for 2023 that will require additional funding.

When considering the rates for 2023, it is important to consider the current state of the infrastructure for this wastewater system. The current condition of the septic field infrastructure at Greaves Road is such that additional effort will be required to bring it up to current day standards by removing nearby trees and root systems that are infiltrating the distribution lines. A project in the amount of \$5,000 to address the septic system issues was approved as part of the 2022 Budget process. This work is currently in progress and is scheduled to be completed in early 2023.

Historical Rates

Historical rates and annual increases are as follows:

	2020	2021	2022	*2023
User Fee	\$595.84	\$480.60	\$487.81	\$627.81
Total \$ Increase		-\$115.24	\$205.21	\$140.00
Total % Increase		-19.34%	1.50%	28.70%

*Recommended for 2023

Approved Project Details

There is currently one approved project in Greaves Road that is in progress or is scheduled as a carryforward project to be completed in 2023. This project is funded by existing reserve account.

Septic Field Maintenance \$5,000

- The nearby tree root system is infiltrating the distribution pipes. The roots and trees need to be removed.

Options and Analysis

The following options and analysis are based on addressing the current underfunding caused by the disparity between the user fees collected, and the operating budget, the difference of which has historically been funded by reserves. To fund the anticipated 2023 operating budget underfunding, the following options are presented for review:

Option 1 – Underfunding 100% addressed (28.7% rate increase)

Fee Summary	User Fee
Current User Fee Rate (2022)	\$487.81
Proposed Increase	\$140
2023 User Fee Rate	\$627.81
% Increase	28.70%
Operating Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$4,090
Projected 2022 Surplus	\$100
Budgeted Transfers to Operating Reserves	\$0
Budgeted Transfers from Operating Reserves	\$0
Ending Uncommitted Balance	\$4,190

Staff recommend this option for the following reasons:

- Reduces allocation of parcel tax revenue or operating reserves used to fund operations, which aligns with Financial Sustainability Policy.
- The projected Ending Uncommitted Operational Reserve Balance improves the financial capacity to respond to emergency situations and components of the capital investment required in the upcoming years that should only be funded from operating versus capital reserves, including feasibility studies and engineering design.

Option 2 – Underfunding 50% addressed (14.4% rate increase)

Fee Summary	User Fee
Current User Fee Rate (2022)	\$487.81
Proposed Increase	\$70.24
2023 Rate	\$558.05
% Increase	14.4%
Operating Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$4,090
Projected 2022 Surplus	\$100
Budgeted Transfers to/ (from) Operating Reserves	(349)
Budgeted Project Transfers from Operating Reserves	-
Ending Uncommitted Balance	\$ 3,841

Staff do not recommend this option for the following reasons:

- This option is not financially sustainable and perpetuates the underfunding of the operating budget with insufficient user fee revenue. The user fees would need to be increased with a comparable amount in 2024 to fully address the current underfunding situation.
- This option will continue to draw down operating reserves under the set minimum \$5,000 threshold goal.
- The balance of the underfunded amount will need to be funded with additional rate increase(s) in future budget years (i.e. 2024).

Financial Implications

The following table summarizes the net operating impact from each of the options identified above:

	Option #1 (28.7%)	Option #2 (14.4%)
User Fee Revenue	3,139	2,790
Expenses		
Administrative	(392)	(392)
Salaries & Wages	(1,995)	(1,995)
Operating	(752)	(752)
Net Funding (Underfunding)	-	(349)
Operating Projects	-	-
Net Operating Deficit	-	(349)

Timeline for next steps

If approval is received to amend user fees, the appropriate bylaw amendments will be drafted and presented to the December 15, 2022 Special Board Meeting for three readings and adoption.

Communications Strategy

A communication and public participation plan was approved as part of the 2022 budget process to inform service area participants about facility operations and 2023 rates. A Community Information Session was held on October 26, 2022. Information regarding rate changes and funding has been communicated via print advertising, social media, and will be included on utility invoices, and posted on the SCRD website.

STRATEGIC PLAN AND RELATED POLICIES

The basis for the establishment of sustainable rate structures for SCRD services is borne from the guiding policies adopted by the Board. This report aligns with the Board's Strategic focus area of Asset Stewardship and Engagement and Communication. Other related corporate guiding documents are the Financial Sustainability Policy and the Corporate Asset Management Plan.

CONCLUSION

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

The current user fee rate for Greaves Road does not provide sufficient revenue to meet the annual operations and maintenance budget obligations within the service area. It is therefore recommended to increase the user fee for this system to \$627.81 in 2023. This increase represents an increase of 28.7% from the 2022 user fee of \$487.81

Reviewed by:			
Manager		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: Special Committee of the Whole - December 9, 2022

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

SUBJECT: GREAVES ROAD [381] WASTEWATER CAPITAL PLAN UPDATE

RECOMMENDATION(S)

THAT the report titled Greaves Road [381] Wastewater Capital Plan Update be received for information;

AND THAT the Sewage Treatment Facilities Service Unit Bylaw No. 428 (*Schedule B*) be amended to reflect a \$50.00 annual increase in Frontage Fees for Greaves Road, over the next five years, resulting in the following fees: \$450.00 in 2023, \$500.00 in 2024, \$550.00 in 2025, \$600.00 in 2026, and \$650.00 in 2027;

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

BACKGROUND

In [2019](#) a review of Wastewater services was conducted by the Sunshine Coast Regional District (SCRD). This review attempted to identify short and long-term challenges for these services and produced a summary report as well as [individual Asset Management Plans](#) for each of the 15 wastewater services managed by the SCRD.

A key finding of this review was the risk presented by the unsustainable nature of the capital funding for these facilities. The local service area's small user bases are especially vulnerable to debt driven cost increases in the event of a major infrastructure replacement due to the low Capital Reserve balances.

Recommendations to increase the Capital Reserve revenue for Greaves Road were made in [2020](#), [2021](#) and [2022](#) and the Frontage Fee has increased from \$102.00 to \$400.00.

DISCUSSION

Greaves Road wastewater service has six participating properties that contribute to capital expenses. The estimated cost to replace the infrastructure for this wastewater service is approximately \$215,000.

A recent engineering review of the treatment system indicated that, with appropriate maintenance, the existing treatment infrastructure may provide reliable service for the next 10-20 years. An informal collection system exists for this service, meaning that the effluent is conveyed from resident's parcels to the treatment system through underground pipes that have

not been located and are not maintained by SCRD staff. Establishment of a formal collection system is projected to occur in the next 10 years.

Given the current reserve balance of approximately \$3,500 and assuming that the annual Capital Reserve revenue for this service will only increase with consumer inflation (2% annually), debt servicing requirements are projected to exceed the Capital Reserve Revenue by approximately 500% at the time of infrastructure replacement (**see Attachment A**). Operational projects are being undertaken to extend the useful life of the existing infrastructure, which may provide additional time to build Capital Reserves and to seek additional funding sources such as grants.

A typical sustainable rate structure leverages investment returns from reserve funds to offset the capital costs to the residents. As there has not been significant accumulation of capital reserves during the first ~75% of the infrastructure's useful life, the potential for investment returns is hampered. Increasing the annual revenue in the lead up to infrastructure replacement will mitigate the severity of the upcoming frontage fee increase necessary to meet future debt servicing obligations.

Many comments were received across the wastewater engagement sessions regarding fee stability suggesting that a term of cost certainty was desired.

Options and Analysis

The Capital Plan models in Attachment A illustrate proactive vs inflationary increases to Frontage Fees with the major infrastructure occurring at either 10 years and 20 years based on the aforementioned engineering reviews estimated range of remaining life in the treatment system. Figure 1 below compares the 10-year replacement timeline scenario.

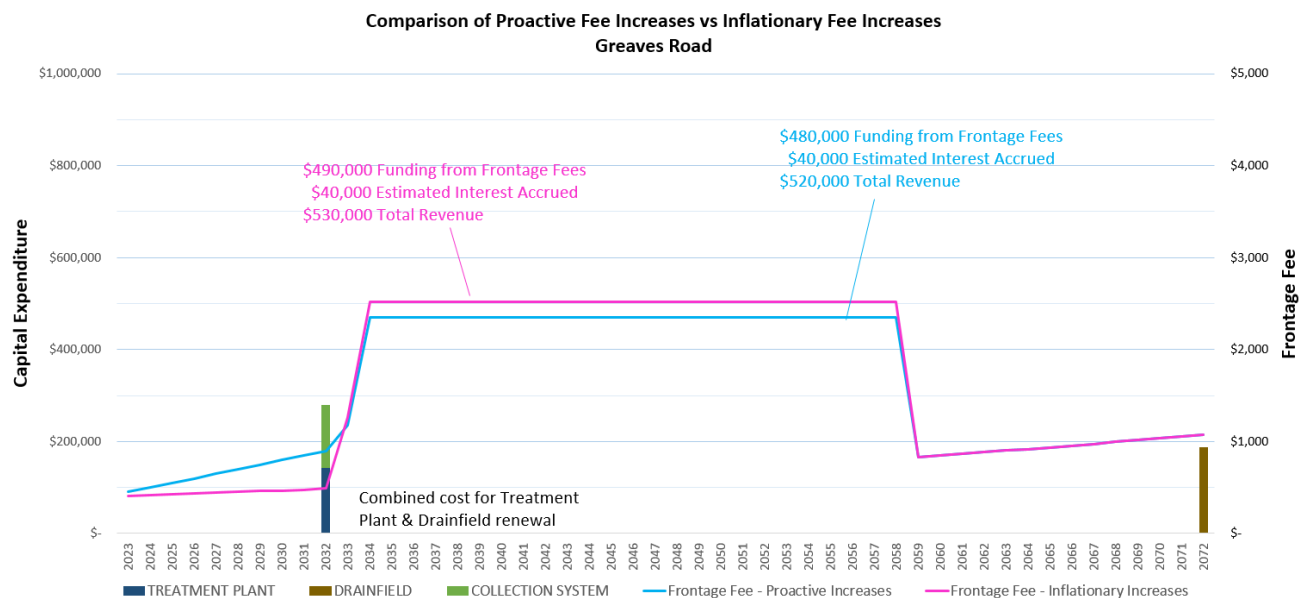


Figure 1: Greaves Road WW Service - Proactive Frontage Fee Increases vs Inflationary Increases

This shows how the amount of interest paid through debt can be decreased and how the increase in frontage fee caused by the debt associated with the new infrastructure can be reduced. Asset Management practices are often a component of grant applications, therefore improved grant eligibility is another benefit of moving towards more sustainable and equitable funding. Any extended service life that can be realized from the existing treatment system will increase the interest earned on the reserves.

Both of the options in Figure 1 assume that an Alternate Approval Process (AAP) will be required prior to the treatment plant replacement in 2032. The AAP would enable borrowing terms beyond five years which will reduce the annual debt obligation.

The models consider \$50 dollar increases annually for 10 years. Appreciating residents' desires for cost certainty and considering the length of the SCRD's Financial Plan, 5-year terms are recommended for funding commitments. Three funding options for Greaves Road Capital Reserves are presented for consideration with different risks and benefits (see Table 1 below):

Table 1: Greaves Road Frontage Fee Options

Greaves Road Wastewater Frontage Fees			
Year	Option 1	Option 2	Option 3
2023	\$408/yr	\$450/yr	\$450/yr
2024	\$416/yr	-	\$500/yr
2025	\$424/yr	-	\$550/yr
2026	\$433/yr	-	\$600/yr
2027	\$442/yr	-	\$650/yr

Option 1	This option represents a five-year commitment to no adjustments to the frontage fees aside from an annual adjustment to match Consumer Inflation (assumed 2%).
<i>Benefits</i>	This provides cost certainty to the residents and satisfies the communities desire to be able to plan for expenses over the short-term.
<i>Drawbacks</i>	This option does not increase the reserve contribution amount significantly and leaves exposure to a significant future rate increase necessary to meet debt obligations associated with infrastructure replacement costs.

Option 2	This option is a single-year increase to frontage fees from \$400/yr to \$450/yr. Greaves Road Frontage Fees will continue to be reviewed and adjusted on an annual basis.
<i>Benefits</i>	This increases the annual capital revenue for this service by 12.5% and will help to build Capital Reserves more rapidly than Option 1.
<i>Drawbacks</i>	This option does provide cost certainty to the residents. This option does not achieve sustainable funding for this service and will either require further increases to the frontage fee or a significant increase to frontage fees to meet debt obligations associated with future infrastructure replacement costs

Recommended	
Option 3	This option represents a five-year commitment towards achieving sustainable funding through five stepped increases of \$50/year.
<i>Benefits</i>	This increases the annual capital revenue for this service by 62.5% by the end of year 5 and will help to build Capital Reserves more rapidly than either other option. This option also mitigates the magnitude of future increase necessary to meet debt obligations associated with the future infrastructure costs. This option likely increases grant eligibility by demonstrating action towards sustainable service delivery.
<i>Drawbacks</i>	This option is the most expensive for residents over the next five years.

Organizational and Intergovernmental Implications

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

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

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

Financial Implications

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

Timeline for next steps or estimated completion date

Completion of recommended operational projects and ongoing monitoring of the condition and performance of the treatment system will inform next steps. Since the initial service review in 2019 the Board has received annual updates of the financial modelling for capital infrastructure

at wastewater services. Depending on the option selected above it is possible to extend the time between updates for this service until the operational projects are completed or an emerging development occurs.

Funding opportunities for design and construction of the eventual treatment system replacement will continue to be sought.

Communications Strategy

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

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

STRATEGIC PLAN AND RELATED POLICIES

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

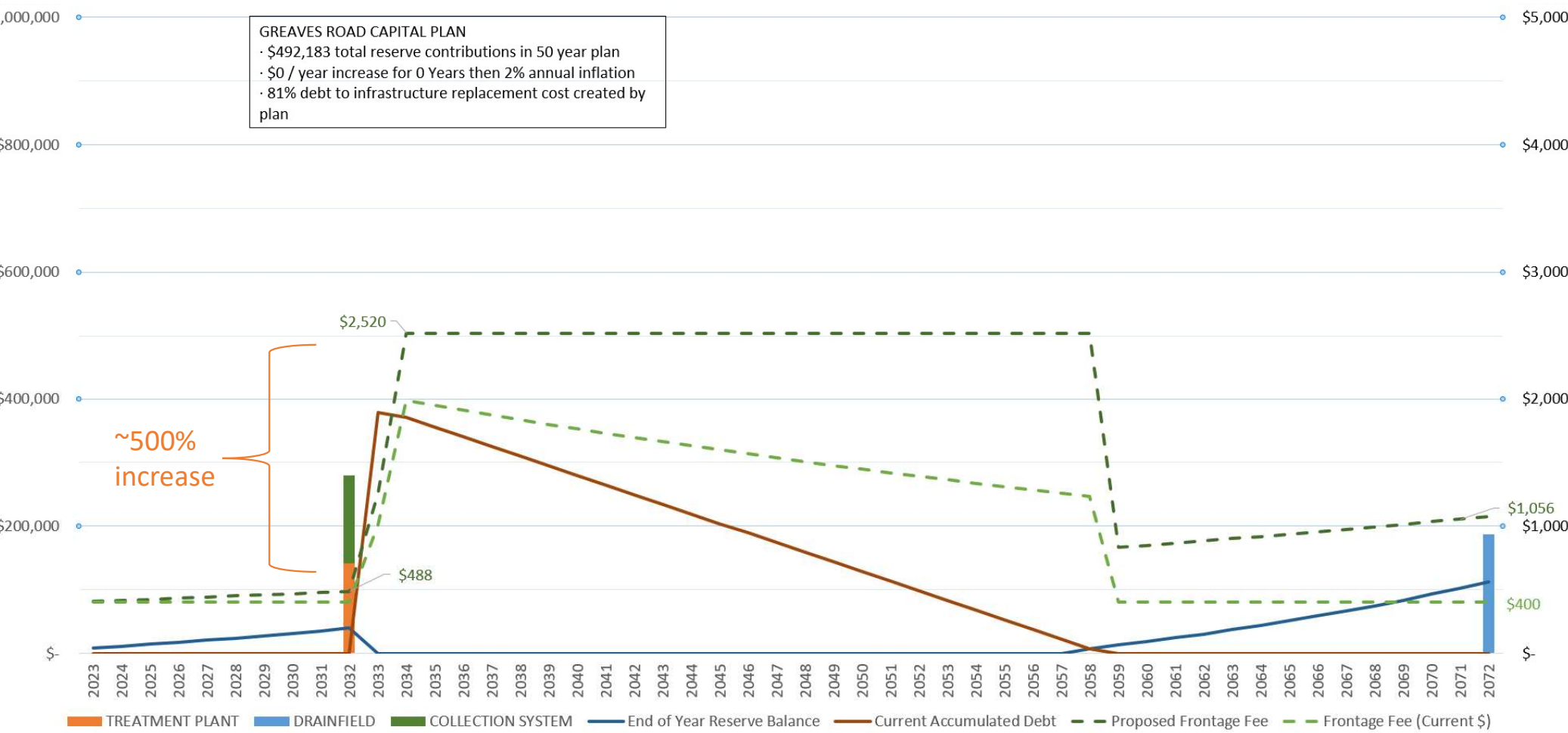
CONCLUSION

The Greaves Road Wastewater Service has an infrastructure funding deficit and is facing significant infrastructure costs in the next 20 years. Adjustments to the revenues that contribute to Capital Reserves can mitigate projected debt obligations necessary to replace critical infrastructure. Staff recommend that the Board implement \$50.00 annual increases over the next five years, resulting in the following Frontage Fees: \$450.00 in 2023, \$500.00 in 2024, \$550.00 in 2025, \$600.00 in 2026, and \$650.00 in 2027.

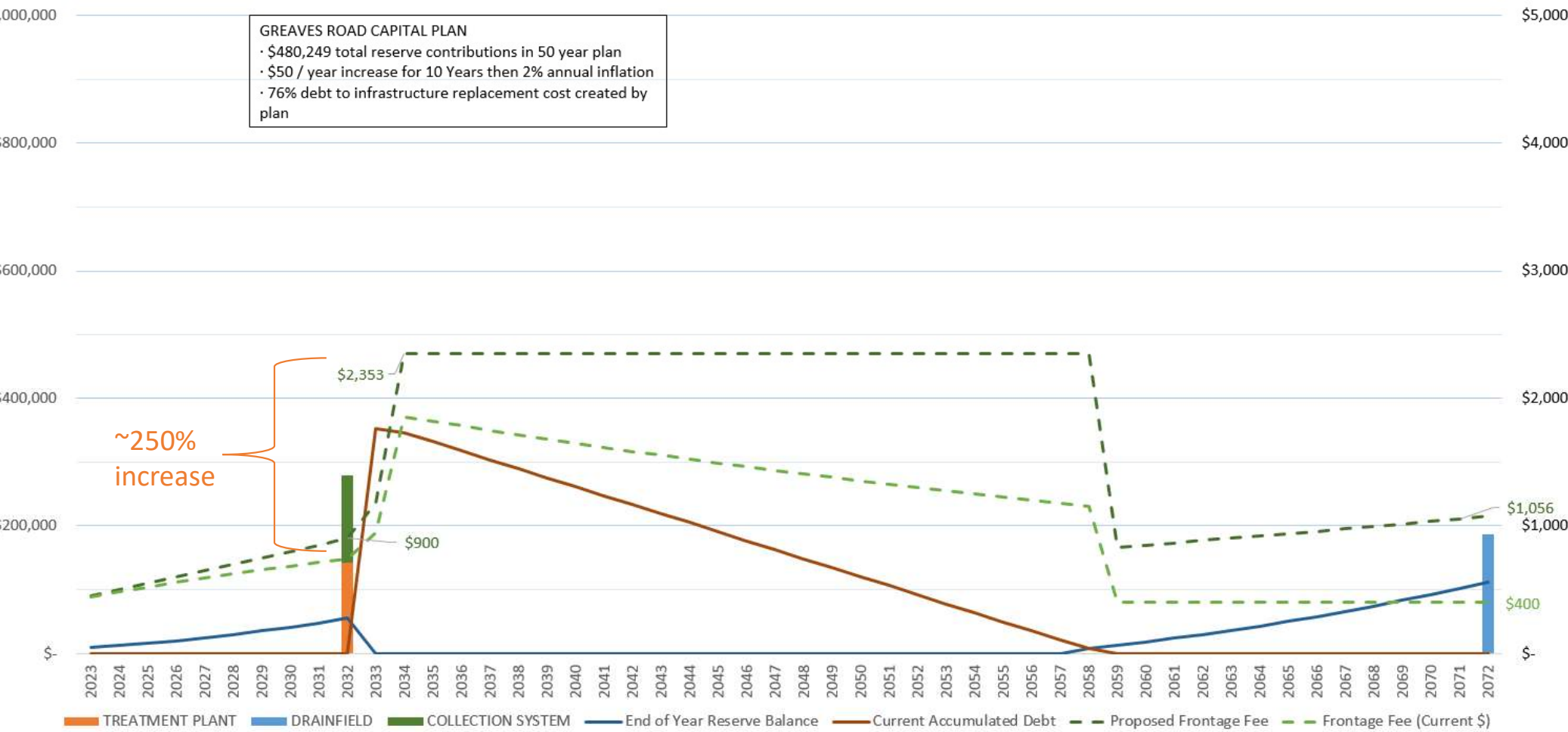
ATTACHMENT A – 50-Year Capital Plans

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

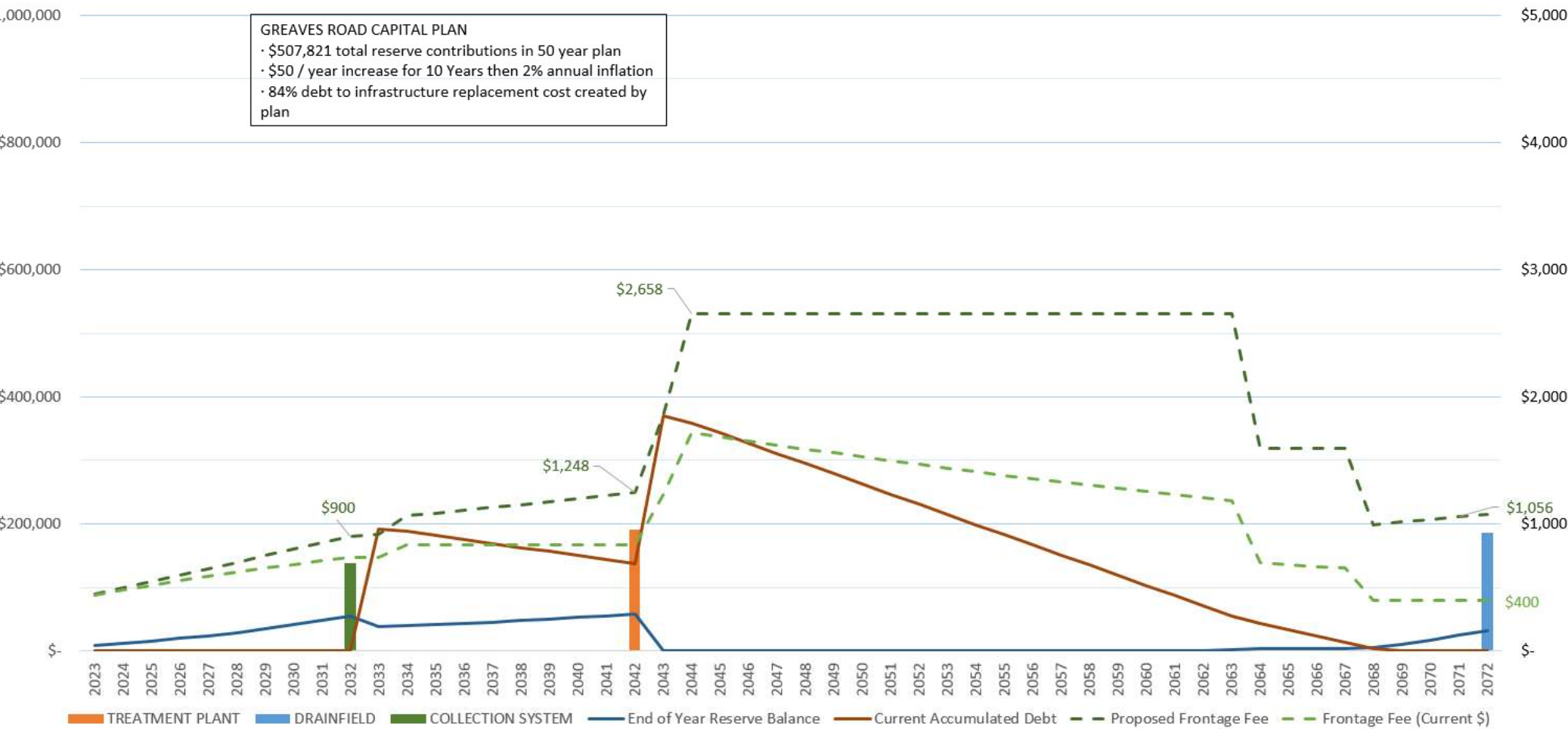
Attachment A – Greaves Road Wastewater Service Capital Plan Inflationary Increases Only



Attachment A – Greaves Road Wastewater Service Capital Plan Proactive Increases



Attachment A – Greaves Road Wastewater Service Capital Plan Proactive Increases (20 year Treatment Plant Life)



SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – December 9, 2022

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

SUBJECT: **WOODCREEK PARK [382] WASTEWATER 2023 USER FEE REVIEW**

RECOMMENDATIONS

THAT the report titled Woodcreek Park [382] Wastewater 2023 User Fee Review be received for information;

AND THAT the Woodcreek Park Sewer User Rates Bylaw No. 430, (*Schedule A*) be amended to increase the Woodcreek Park Service Area User Fee to \$782.45 for 2023;

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

BACKGROUND

The Woodcreek Park Service Area (Woodcreek Park) consists of 73 billable users. The current approved user rate per single family residential dwelling for 2022 is \$658.28.

An amendment to Woodcreek Park Sewer User Rates Bylaw No. 430 is required to be adopted prior to January 1, 2023 in order to meet the legislated timelines for adoption of the Financial Plan Bylaw, the Parcel Tax Roll review process, and the associated billing.

At the November 18, 2021 Infrastructure Services Committee, a report was presented to the Board which recommended rate increases for some of the wastewater treatment plant service areas in 2022 and future years, and resulted in the Sunshine Coast Regional District (SCRD) Board adopting the following resolution on November 25, 2021 (in part):

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

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

Service	2022
Woodcreek	\$658.28

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

Service	2023	2024
Woodcreek	\$678.03	\$698.37

At the February 17, 2022 Community Services Committee, a report was presented to the Board which identified an underfunding due to the disparity between the user fee revenue collected, and the operating budget, within the Woodcreek Park service area. Due to the timing of that report the following resolution on February 24, 2022:

044/22 **Recommendation No. 10** *Woodcreek Park Community Sewage Treatment*
(in part) *Service*

AND THAT \$5,378 of [382] Woodcreek Operating Reserve be used to fund 2022 operations;

The purpose of this report is to discuss the current financial sustainability of the Woodcreek Park wastewater service area operations and to recommend 2023 user fee rate increases which align with the funding requirements of the service.

DISCUSSION

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

Since 2020 the SCRD has been working to improve the operations and maintenance of its wastewater treatment services to improve their performance, expand their useful life, and reduce the potential for regulatory non-compliances and associated unintended environmental impacts. The improved operation of these services is possible because of additional staff resources approved by the Board in 2019. Additionally, operational expenditures for contracted services and materials and supplies have increased.

In 2022, user fee revenue was insufficient to fund budgeted operating expenditures at Woodcreek Park and the Board resolved in early 2022 to fund this underfunding, in the short-term, by utilizing existing operating reserves. For 2023, it is recommended that this underfunding be eliminated to ensure financial sustainability and fee equity within the service area. The Board resolved in November 2021 to increase the user fee for Woodcreek Park by a nominal amount in not only 2022, but in 2023 and 2024 as well (see 'Background'). This report has reassessed the rate requirements for 2023 and has presented a recommended rate increase that incorporates the existing approved amount.

A thorough analysis of the Woodcreek Park operating budget was performed in Q4 2022 to review additional operational cost pressures anticipated for 2023 that will require additional funding. As part of the 2023 budget proposal process, staff have recommended that the base operating budget for Woodcreek Park be increased by the following amount to account for anticipated increases to operations and maintenance spending in 2023:

- Annual increase to Contracted Services base budget (i.e. Pumpouts)
 - \$2,964.60

Historical Rates

Historical rates and annual increases are as follows:

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

**Recommended for 2023*

Approved Project Details

There are currently two approved operating projects in Woodcreek Park that are in progress or are scheduled carryforward projects to be completed in 2023/24. These projects are funded by existing committed reserve accounts and/or grant funds, and do not impact user fees.

Collection System Designs \$19,501 reserves/gas tax

- There are deficiencies to the treatment process, engineer design is required.

Inspection Chamber Repairs \$5,964

- A number of collection system cleanouts were damaged. Work will continue to locate and repair other cleanouts.

Options and Analysis

The following options and analysis are based on addressing the current underfunding caused by the disparity between the user fees collected, and the operating budget, the difference of which has historically been funded by reserves. To fund the anticipated 2023 operating budget underfunding, as well as the proposed increases to the base budget of \$2,964.60, the following options are presented for review:

Option 1 – Underfunding 100% addressed (18.86% rate increase)

Fee Summary	User Fee
Current User Fee Rate (2022)	\$658.28
Proposed Increase	\$124.17
2023 User Fee Rate	\$782.45
% Increase	18.86%
Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$67,302
Projected 2022 Surplus	\$3,000
Budgeted Transfers to Reserves	\$0
Budgeted Transfers from Reserves	(\$0)
Ending Uncommitted Balance	\$70,302

Staff recommend this option for the following reasons:

- Reduces allocation of parcel tax revenue used to fund operations, which aligns with Financial Sustainability Policy.
- The projected Ending Uncommitted Operational Reserve Balance improves the financial capacity to respond to emergency situations and components of the capital investment required in the upcoming years that should only be funded from operating versus capital reserves, including feasibility studies and engineering design.

The major capital upgrades to this system in 2023 and 2024 could result in unanticipated expenditures and cost overruns that cannot be fully funded from the Capital Reserves and might require additional funding from Operational Reserves. The increased projected Ending Uncommitted Operational Reserve Balance would support this.

Option 2 – Underfunding 50% addressed (10.00% rate increase)

Fee Summary	User Fee
Current User Fee Rate (2022)	\$658.28
Proposed Increase	\$65.83
2023 Rate	\$724.11
% Increase	10.00%
Operating Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$67,302
Projected 2022 Surplus	\$3,000
Budgeted Transfers to Operating Reserves	\$0
Budgeted Transfers from Operating Reserves	(4,259)
Ending Uncommitted Balance	\$66,043

Staff do not recommend this option for the following reason:

- This option is not financially sustainable and perpetuates the underfunding of the operating budget with insufficient user fee revenue.
- This option will continue to draw down operating reserves.
- The balance of the underfunded amount will need to be funded with additional rate increase(s) in future budget years (i.e. 2024).

Financial Implications

The following table summarizes the net operating impact from each of the options identified above:

	Option #1 (18.86%)	Option #2 (10.0%)
User Fee Revenue	57,119	52,860
Expenses		
Administrative	(5,140)	(5,140)
Salaries & Wages	(26,718)	(26,718)
Operating	(25,261)	(25,261)
Net Funding (Underfunding)	0	(4,259)
Operating Projects	-	-
Net Operating Deficit	0	(4,259)

Timeline for next steps

If approval is received to amend user fees, the appropriate bylaw amendments will be drafted and presented to the December 15, 2022 Special Board Meeting for three readings and adoption.

Communications Strategy

A communication and public participation plan was approved as part of the 2022 budget process to inform service area participants in 2022 about facility operations and 2023 rates for the Woodcreek Park wastewater treatment facility. A Community Information Session was held on October 19, 2022. Information regarding rate changes and funding has been communicated via print advertising, social media, and will be included on utility invoices, and be posted on the SCRD website.

STRATEGIC PLAN AND RELATED POLICIES

The basis for the establishment of sustainable rate structures for SCRD services is borne from the guiding policies adopted by the Board. This report aligns with the Board's Strategic focus area of Asset Stewardship and Engagement and Communication. Other related corporate guiding documents are the Financial Sustainability Policy and the Corporate Asset Management Plan.

CONCLUSION

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

The current user fee rates approved for 2022 and 2023 for Woodcreek Park do not provide sufficient revenue to meet the annual operations and maintenance budget obligations within the service area. To meet the existing operating budget underfunding requirement, and to address the base budget increase proposed for 2023, staff recommend an increase to the user fee for this system to \$782.45 in 2023. This increase represents an increase of 18.86% from the 2022 user fee of \$658.28.

Reviewed by:			
Manager		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: Special Committee of the Whole - December 9, 2022

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

SUBJECT: WOODCREEK PARK [382] WASTEWATER CAPITAL PLAN UPDATE

RECOMMENDATION(S)

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

AND THAT the Woodcreek Park Sewer User Rates Bylaw No. 430 (*Schedule A*) be amended to reflect a \$50.00 annual increase in Frontage Fees, over the next five years, resulting in the following fees: \$450.00 in 2023, \$500.00 in 2024, \$550.00 in 2025, \$600.00 in 2026, and \$650.00 in 2027;

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

BACKGROUND

In [2019](#) a review of Wastewater services was conducted by the Sunshine Coast Regional District (SCRD). This review attempted to identify short and long-term challenges for these services and produced a summary report as well as [individual Asset Management Plans](#) for each of the 15 wastewater services managed by the SCRD.

A key finding of this review was the risk presented by the unsustainable nature of the capital funding for these facilities. The local service area's small user bases are especially vulnerable to debt driven cost increases in the event of a major infrastructure replacement due to the low Capital Reserve balances.

Recommendations to increase the Capital Reserve revenue for Woodcreek were made in [2020](#), [2021](#) and [2022](#) and the Frontage Fee has increased from \$102.00 to \$400.00.

DISCUSSION

Woodcreek Park wastewater service has 73 participating properties that contribute to capital expenses. The estimated cost to replace the infrastructure for this wastewater service is approximately \$3,500,000.

A grant has been received to complete upgrades to a significant component of the treatment process and collection system components. This grant will help to fund over \$750,000 in necessary capital expenses saving each parcel approximately \$10,000.

Given the current reserve balance of approximately \$30,000, assuming that the current project will be completed on budget, and that the annual Capital Reserve revenue for this service will only increase with consumer inflation, debt servicing requirements are projected to exceed the Capital Reserve revenue by approximately 200% in the next 30 years when significant treatment plant upgrades are anticipated.

A sustainable rate structure leverages investment returns from reserve funds to offset the capital costs to the residents. Increasing the annual revenue in the lead up to infrastructure replacement will mitigate the frontage fee increase necessary to meet future debt servicing obligations.

Many comments were received across the wastewater engagement sessions regarding fee stability suggesting that a term of cost certainty was desired.

Options and Analysis

The Capital Plan models in Attachment A illustrate proactive vs inflationary increases to Frontage Fees with the major infrastructure occurring at the currently projected end of useful life. A comparison of the 50-year fee structure for both proactive and inflationary increases is presented below in Figure 1.

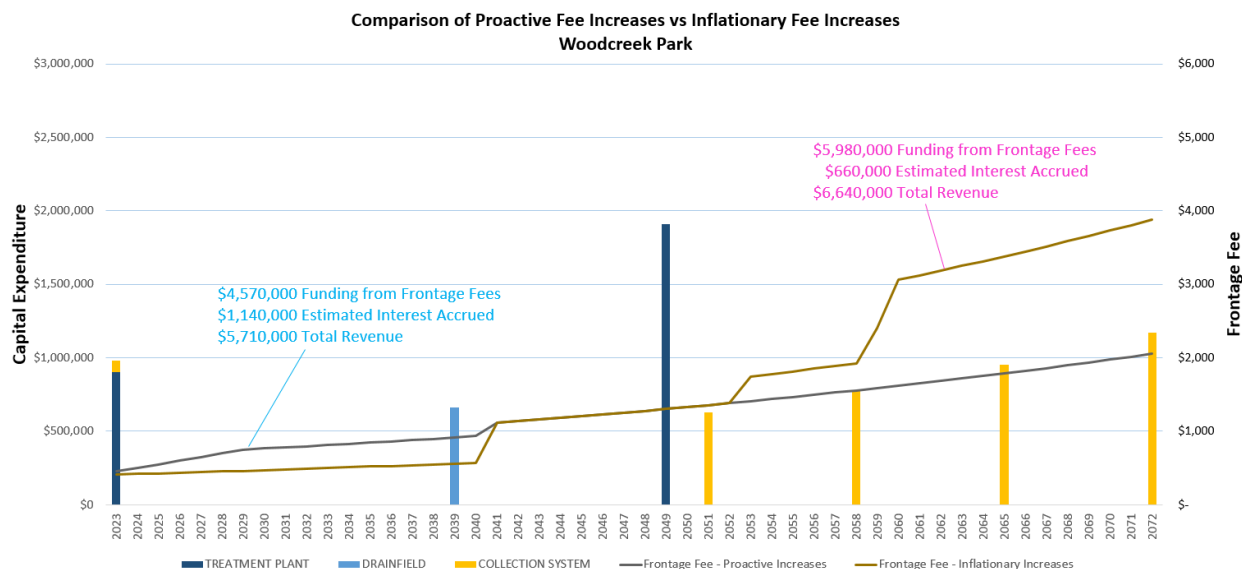


Figure 1: 50-year Comparison Proactive vs Inflationary Increases to Frontage Fees

This illustrates an approximately \$19,000 per parcel savings across the next 50 years through proactively increasing the contributions to capital reserves over seven years. This is achieved largely through interest earned on reserves and by reducing the amount of debt needed to fund the infrastructure which helps to reduce borrowing costs. This approach reduces the projected jump in frontage fees caused by the debt servicing which results in a more financially predictable and sustainable service.

Both options in Figure 1 assume that long-term lending receives electoral approval through an Alternate Approval Process (AAP) prior to the infrastructure replacement. The AAP would enable borrowing terms beyond five years which will reduce the annual debt obligation.

Three funding options for Woodcreek Park Capital Reserves are presented for consideration with different risks and benefits (see Table 1 below for funding breakdown by year 2023-2027):

Table 1: Frontage Fee Options

Woodcreek Park Wastewater Frontage Fees			
Year	Option 1	Option 2	Option 3
2023	\$408/yr	\$450/yr	\$450/yr
2024	\$416/yr	-	\$500/yr
2025	\$424/yr	-	\$550/yr
2026	\$433/yr	-	\$600/yr
2027	\$442/yr	-	\$650/yr

Option 1	This option represents a five-year commitment to no adjustments to the frontage fees aside from an annual adjustment to match Consumer Inflation (assumed 2%).
Benefits	This provides cost certainty to the residents and satisfies the communities desire to be able to plan for expenses over the short-term.
Drawbacks	This option does not increase the reserve contribution amount significantly and leaves exposure to a significant future rate increase necessary to meet debt obligations associated with infrastructure replacement costs.

Option 2	This option is a single-year increase to frontage fees from \$400/yr to \$450/yr. Frontage Fees will continue to be reviewed and adjusted on an annual basis.
Benefits	This increases the annual capital revenue for this service by 12.5% and will help to build Capital Reserves more rapidly than Option 1.
Drawbacks	This option does provide cost certainty to the residents. This option does not achieve sustainable funding for this service and will either require further increases to the frontage fee or a significant increase to frontage fees to meet debt obligations associated with future infrastructure replacement costs

Recommended	
Option 3	This option represents a five-year commitment towards achieving sustainable funding through five stepped increases of \$50/year.
<i>Benefits</i>	This increases the annual capital revenue for this service by 62.5% by the end of year 5 and will help to build Capital Reserves more rapidly than either other option. This option also mitigates the magnitude of future increase necessary to meet debt obligations associated with the future infrastructure costs. This option likely increases grant eligibility by demonstrating action towards sustainable service delivery.
<i>Drawbacks</i>	This option is the most expensive for residents over the next five years.

Organizational and Intergovernmental Implications

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

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

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

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

Financial Implications

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

Timeline for next steps or estimated completion date

Ongoing monitoring of the condition and performance of the treatment system will inform next steps. Since the initial service review in 2019 the Board has received annual updates of the financial modelling for capital infrastructure at wastewater services. Depending on the option selected above it is possible to extend the time between updates for this service until the operational projects are completed or an emerging development occurs.

Funding opportunities for design and construction of the eventual treatment system replacement will continue to be sought.

Communications Strategy

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

STRATEGIC PLAN AND RELATED POLICIES

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

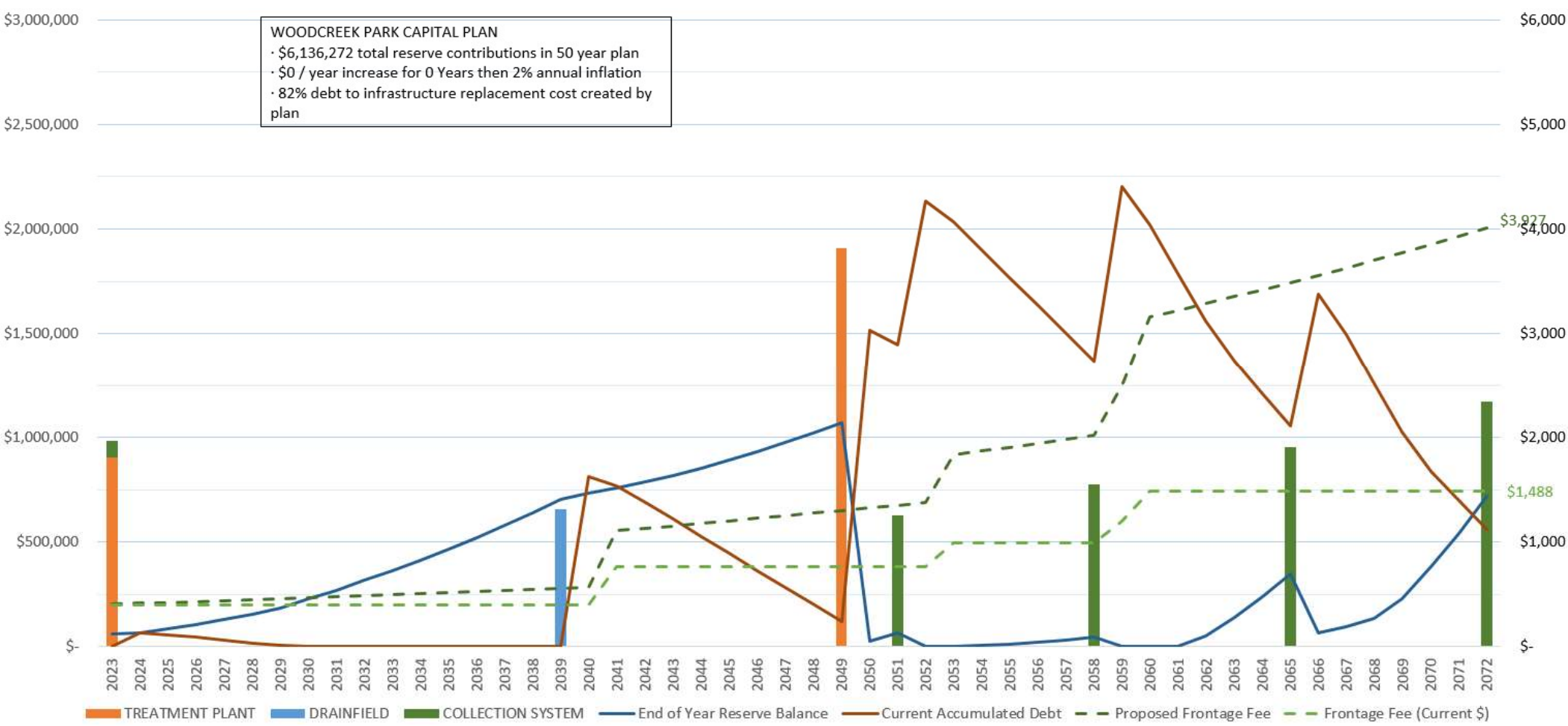
CONCLUSION

The Woodcreek Park Wastewater Service has an infrastructure funding deficit and is facing significant infrastructure costs in the next 20 years. Adjustments to the revenues that contribute to Capital Reserves can mitigate projected debt obligations necessary to replace critical infrastructure. **Staff recommend that the Board implement \$50.00 annual increases over the next five years, resulting in the following Frontage Fees: \$450.00 in 2023, \$500.00 in 2024, \$550.00 in 2025, \$600.00 in 2026, and \$650.00 in 2027.**

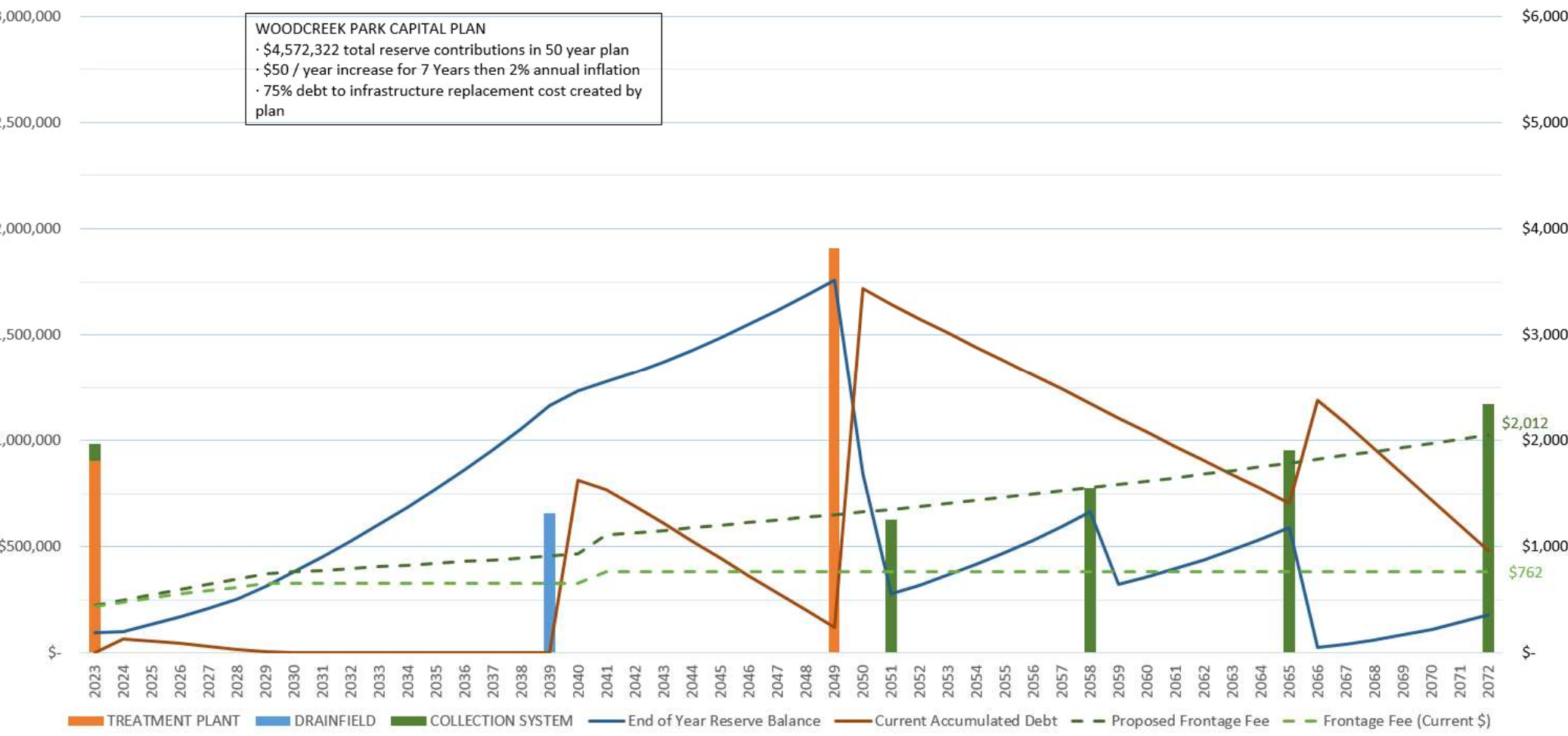
ATTACHMENT A – 50-Year Capital Plans

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

Attachment A – Woodcreek Park Wastewater Service Capital Plan Inflationary Increases Only



Attachment A – Woodcreek Park Wastewater Service Capital Plan Proactive Increases



SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – December 9, 2022

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

SUBJECT: **SUNNYSIDE [383] WASTEWATER 2023 USER FEE REVIEW**

RECOMMENDATIONS

THAT the report titled **Sunnyside [383] Wastewater 2023 User Fee Review** be received for information;

AND THAT Sunshine Coast Regional District Sewage Treatment Facilities Service Unit Bylaw No. 428 (Schedule C) be amended to implement the previously adopted Sunnyside Sewer Service Area User Fee for 2023;

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

BACKGROUND

The Sunnyside Service Area (Sunnyside) consists of eight (8) billable users. The current user rate per single family residential dwelling for 2022 is \$745.

The purpose of this report is to discuss the current financial sustainability of the Sunnyside wastewater service area operations and to review 2023 user fee rate requirements to ensure that they align with the funding requirements of the service.

At the November 18, 2021 Infrastructure Services Committee, a report was presented to the Board which recommended rate increases for some of the wastewater treatment plant service areas in 2022 and future years, and resulted in the Sunshine Coast Regional District (SCRD) Board adopting the following resolution on November 25, 2021 (in part):

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

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

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

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

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

The purpose of this report is to discuss the current financial sustainability of the Sunnyside wastewater service area operations and to review 2023 user fee rate requirements to ensure that they align with the funding requirements of the service.

DISCUSSION

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

Since 2020 the SCRD has been working to improve the operations and maintenance of its wastewater treatment services to improve their performance, expand their useful life and reduce the potential for regulatory non-compliances and associated unintended environmental impacts. The improved operation of these services is possible because of additional staff resources approved by the Board in 2019. Additionally, operational expenditures for contracted services and materials and supplies have increased.

The Board resolved in November 2021 to increase the user fee for Sunnyside by a nominal amount in not only 2022, but in 2023 and 2024 as well. The analysis and figures in this report incorporate the user rate increase already approved for 2023.

A thorough analysis of the Sunnyside operating budget and operating reserve level was performed in Q4 2022 in order to determine the financial sustainability of the service area. Based on this review it has been determined by staff that the existing approved 2023 user fee rate is sufficient to fund the operational costs of this service area in 2023. Current operating reserve levels meet the threshold goal that has been set and there are no requirements at this time to increase user rates. Annual reviews of the user fees and operating budgets will continue to be performed to ensure that this service area remains financially sustainable.

Historical Rates

Historical rates and annual increases are as follows:

	2020	2021	2022	*2023
User Fee	\$691.47	\$734.22	\$745.23	\$767.59
Total \$ Increase		\$42.75	\$11.01	\$22.36
Total % Increase		6.18%	1.50%	3.00%

**Approved 2023 user fee rate increase (see 'Background')*

Approved Project Details

There is currently one approved project in Sunnyside that is in progress. This project is funded by existing reserve accounts:

Statutory Right of Way \$4,000

- Survey and legal work to map and legally register Statutory Right of Way.

2023 Proposed Project Detail

There is one project being proposed as part of the 2023 Budget process. This project is proposed to be funded by uncommitted operating reserves and will have an impact on reserve levels:

Feasibility and Planning Study \$7,500

- Engineering consultant evaluation of the existing treatment and collection system condition and future planning.

Options and Analysis

As discussed, the currently approved 2023 user fee and operating budget for the Sunnyside service area is adequate and therefore staff are recommending no additional rate increase to the user fees for 2023 other than the 3.0% increase that was approved in prior years.

This will result in the following financial overview for the user fees and Operating Reserves.

Fee Summary	User Fee
Current User Fee Rate (2022)	\$745.23
Proposed Increase	\$0.00
2023 Rate	\$767.59
% Increase	3.00%
Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$16,291
Projected 2022 Surplus	\$2,000
Budgeted Transfers to Reserves	\$2,441
Budgeted Transfers from Reserves	(\$7,500)
Ending Uncommitted Balance	\$13,232

Financial Implications

The following table summarizes the net operating impact.

Option #1 (3.00%)	
User Fee Revenue	6,141
Expenses	
Administrative	(385)
Salaries & Wages	(2,195)
Operating	(478)
Net Funding	
(Underfunding)	3,083
Operating Projects	(7,500)
Net Operating Surplus	(4,417)

Timeline for next steps

N/A

Communications Strategy

A communication and public participation plan were approved as part of the 2022 budget process to inform service area participants in 2022 about facility operations and 2023 rates. A Community Information Session was held on October 19, 2022. Any future information regarding rate changes will be communicated via print advertising, social media, and will be included on utility invoices, and posted on the SCRD website.

STRATEGIC PLAN AND RELATED POLICIES

The basis for the establishment of sustainable rate structures for SCRD services is borne from the guiding policies adopted by the Board. This report aligns with the Board's Strategic focus area of Asset Stewardship and Engagement and Communication. Other related corporate guiding documents are the Financial Sustainability Policy and the Corporate Asset Management Plan.

CONCLUSION

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

The approved 2023 user fee rate (see 'Background') for Sunnyside provides sufficient revenues to meet the 2023 annual operations and maintenance budget obligations. Staff are recommending that no additional rate increases/decreases be made for Sunnyside at this time.

Reviewed by:			
Manager		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: Special Committee of the Whole - December 9, 2022

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

SUBJECT: SUNNYSIDE [383] WASTEWATER CAPITAL PLAN UPDATE

RECOMMENDATION(S)

THAT the report titled Sunnyside [383] Wastewater Capital Plan Update be received for information;

AND THAT the Sewage Treatment Facilities Service Unit Bylaw No. 428 (*Schedule B*) be amended to reflect a \$100.00 annual increase in Frontage Fees for Sunnyside, over the next five years, resulting in the following fees: \$402.00 in 2023, \$502.00 in 2024, \$602.00 in 2025, \$702.00 in 2026, and \$802.00 in 2027;

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

BACKGROUND

In [2019](#) a review of Wastewater services was conducted by the Sunshine Coast Regional District (SCRD). This review attempted to identify short and long-term challenges for these services and produced a summary report as well as [individual Asset Management Plans](#) for each of the 15 wastewater services managed by the SCRD.

A key finding of this review was the risk presented by the unsustainable nature of the capital funding for these facilities. The local service area's small user bases are especially vulnerable to debt driven cost increases in the event of a major infrastructure replacement due to the low Capital Reserve balances.

Recommendations to increase the Capital Reserve revenue for Sunnyside were made in [2020](#), [2021](#) and [2022](#) and the Frontage Fee has increased from \$51.00 to \$302.00.

DISCUSSION

Sunnyside wastewater service has 11 participating properties that contribute to capital expenses. The estimated current cost to replace the infrastructure for this wastewater service is approximately \$560,000. This service was constructed in 1977 and the treatment system is approaching the end of its 50-year estimated useful life. An engineering review to determine the remaining serviceable life and provide recommendations and cost estimates for replacement options should be conducted soon.

Given the current reserve balance of approximately \$20,000 and assuming that the annual Capital Reserve revenue for this service will only increase with consumer inflation, debt servicing requirements are projected to exceed the Capital Reserve revenue by approximately 300% within the next five years when significant treatment plant upgrades are anticipated.

A sustainable rate structure typically leverages investment returns from reserve funds to offset the capital costs to the residents. That may not be feasible with the upcoming infrastructure expenditures, however, increasing the annual revenue in the lead up to infrastructure replacement will mitigate the frontage fee increase necessary to meet future debt servicing obligations. Adoption of sustainable funding strategies is also viewed favorably by grantors.

Many comments were received across the wastewater engagement sessions regarding fee stability suggesting that a term of cost certainty was desired.

Options and Analysis

The Capital Plan models in Attachment A illustrate proactive vs inflationary increases to Frontage Fees with the major infrastructure occurring at the currently projected end of useful life. A comparison of the 50-year fee structure for both proactive and inflationary increases for the 2042 treatment plant replacement scenario is presented below in Figure 1.

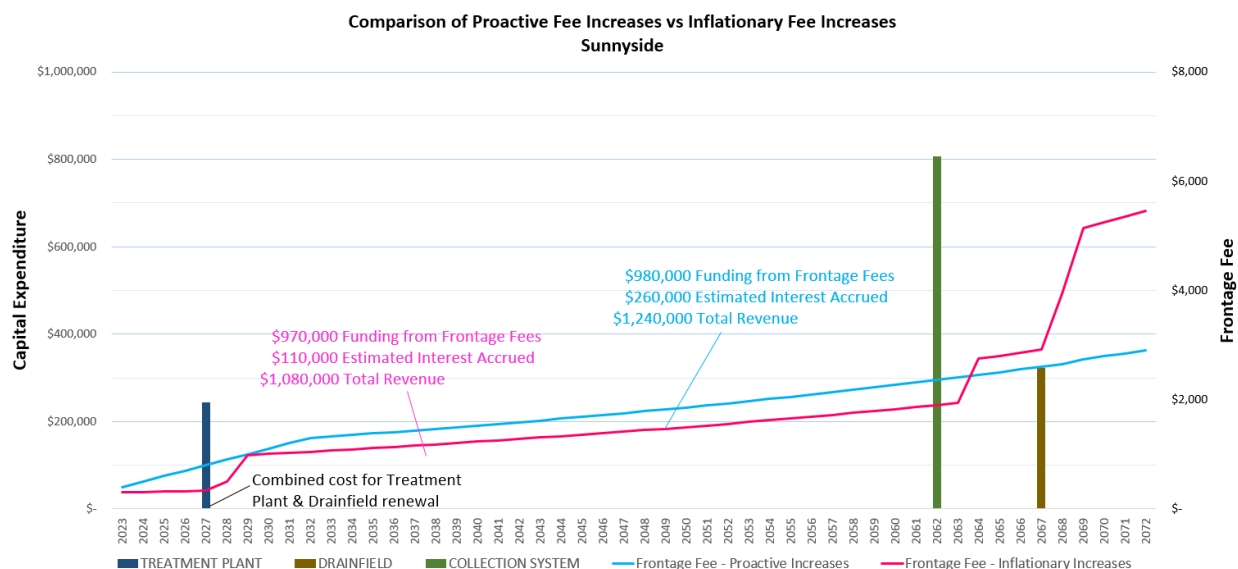


Figure 1: 50-year Comparison Proactive vs Inflationary Increases to Frontage Fees

This illustrates a \$150,000 increase in interest accrual and a reduction of over \$500,000 of debt owed at the end of the 50-years through proactively increasing the contributions to capital reserves over eight years. Reducing the amount of debt needed to fund the infrastructure reduces borrowing costs. This also illustrates how the magnitude of the jump in frontage fees caused by the debt servicing can be eliminated.

Both options in Figure 1 assume that long-term lending receives electoral approval through an Alternate Approval Process (AAP) prior to the treatment plant and drainfield replacements in 2027. The AAP would enable borrowing terms beyond five years which will reduce the annual debt obligation.

Three funding options for Sunnyside Capital Reserves are presented for consideration with different risks and benefits (see Table 1 below for funding breakdown by year 2023-2027):

Table 1: Frontage Fee Options

Sunnyside Wastewater Frontage Fees			
Year	Option 1	Option 2	Option 3
2023	\$308/yr	\$402/yr	\$402/yr
2024	\$314/yr	-	\$502/yr
2025	\$320/yr	-	\$602/yr
2026	\$327/yr	-	\$702/yr
2027	\$333/yr	-	\$802/yr

Option 1	This option represents a five-year commitment to no adjustments to the frontage fees aside from an annual adjustment to match Consumer Inflation (assumed 2%).
<i>Benefits</i>	This provides cost certainty to the residents and satisfies the communities desire to be able to plan for expenses over the short-term.
<i>Drawbacks</i>	This option does not increase the reserve contribution amount significantly and leaves exposure to a significant future rate increase necessary to meet debt obligations associated with infrastructure replacement costs.

Option 2	This option is a single-year increase to frontage fees from \$302/yr to \$402/yr. Sunnyside Frontage Fees will continue to be reviewed and adjusted on an annual basis.
<i>Benefits</i>	This increases the annual capital revenue for this service by 25% and will help to build Capital Reserves more rapidly than Option 1.
<i>Drawbacks</i>	This option does provide cost certainty to the residents. This option does not achieve sustainable funding for this service and will either require further increases to the frontage fee or a significant increase to frontage fees to meet debt obligations associated with future infrastructure replacement costs

Recommended	
Option 3	This option represents a five-year commitment towards achieving sustainable funding through five stepped increases of \$100/year.
<i>Benefits</i>	This increases the annual capital revenue for this service by 265% by the end of year 5 and will help to build Capital Reserves more rapidly than either other option. This option also projects to eliminate the need for future increase necessary to meet debt obligations associated with the future infrastructure costs. This option likely increases grant eligibility by demonstrating action towards sustainable service delivery.
<i>Drawbacks</i>	This option is the most expensive for residents over the next five years.

Organizational and Intergovernmental Implications

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

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

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

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

Financial Implications

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

Timeline for next steps or estimated completion date

Ongoing monitoring of the condition and performance of the treatment system will inform next steps. Since the initial service review in 2019 the Board has received annual updates of the financial modelling for capital infrastructure at wastewater services. Depending on the option selected above it is possible to extend the time between updates for this service until the operational projects are completed or an emerging development occurs.

Funding opportunities for design and construction of the eventual treatment system replacement will continue to be sought.

Communications Strategy

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

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

STRATEGIC PLAN AND RELATED POLICIES

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

CONCLUSION

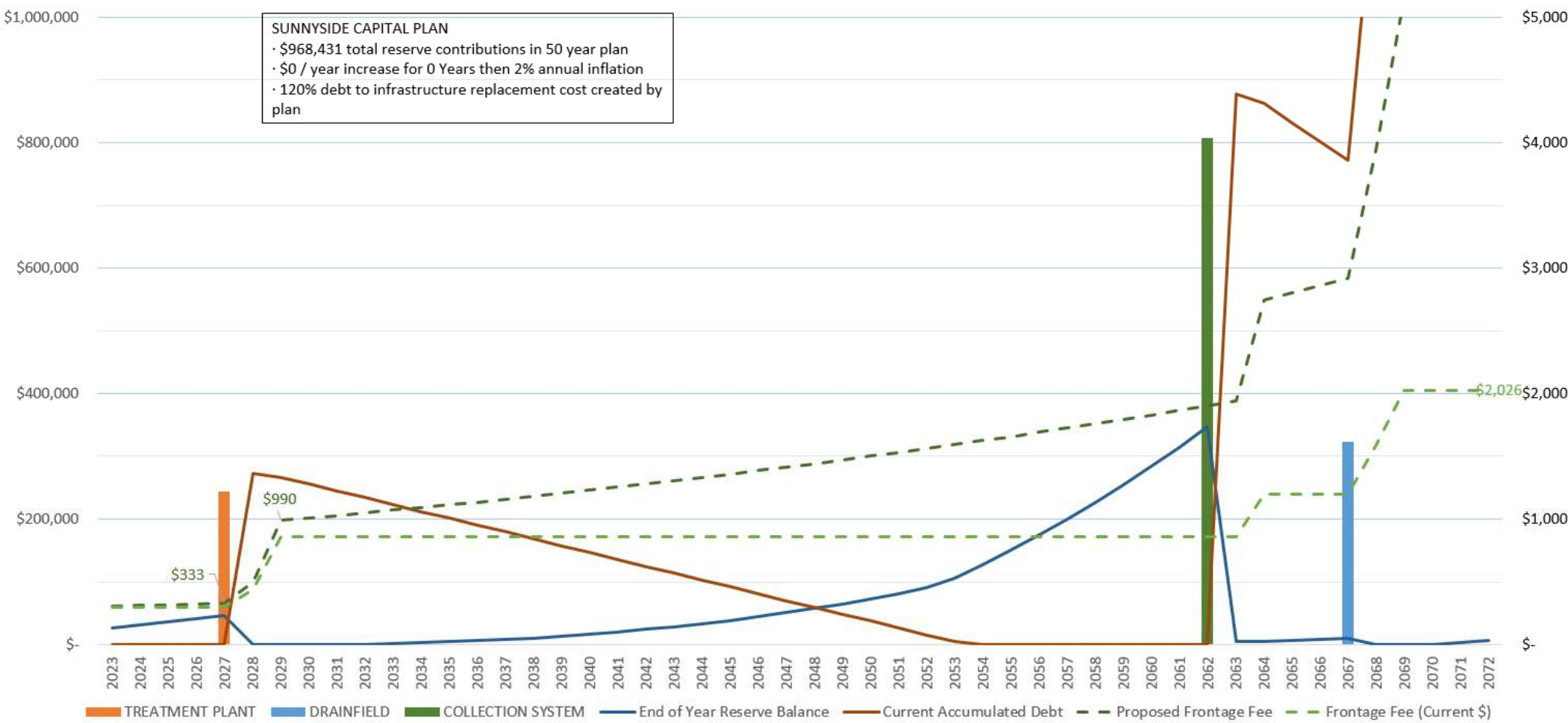
The Sunnyside Wastewater Service has an infrastructure funding deficit and is facing significant infrastructure costs in the next 20 years. Adjustments to the revenues that contribute to Capital Reserves can mitigate projected debt obligations necessary to replace critical infrastructure.

Staff recommend that the Board implement \$100.00 annual increases over the next five years, resulting in the following Frontage Fees: \$402.00 in 2023, \$502.00 in 2024, \$602.00 in 2025, \$702.00 in 2026, and \$802.00 in 2027.

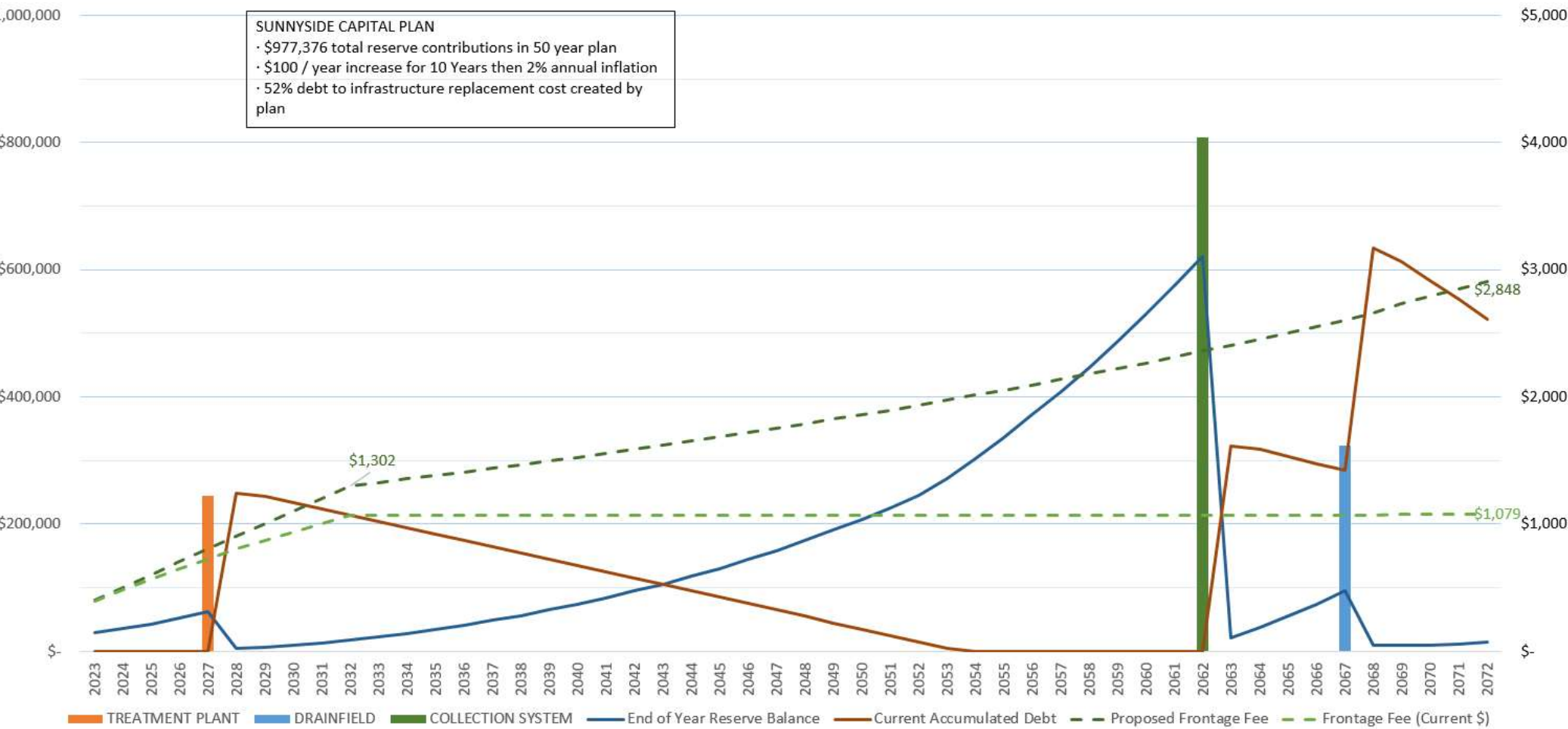
ATTACHMENT A – 50-Year Capital Plans

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

Attachment A – Sunnyside Wastewater Service Capital Plan Inflationary Increases Only



Attachment A – Sunnyside Wastewater Service Capital Plan Proactive Increases



SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – December 9, 2022

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

SUBJECT: **JOLLY ROGER [384] WASTEWATER 2023 USER FEE REVIEW**

RECOMMENDATIONS

THAT the report titled Jolly Roger [384] Wastewater 2023 User Fee Review be received for information;

AND THAT the Sewage Treatment Facilities Service Unit Bylaw No. 428, (Schedule C) be amended to increase the Jolly Roger Service Area User Fees to \$986.54 for 2023;

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

BACKGROUND

The Jolly Roger Service Area (Jolly Roger) consists of 31 billable users. The current approved user rate per single family residential dwelling for 2022 is \$832.54.

An amendment to Sewage Treatment Facilities Service Unit Bylaw No. 428, (Schedule C) is required to be adopted prior to January 1, 2023 in order to meet the legislated timelines for adoption of the Financial Plan Bylaw, the Parcel Tax Roll review process, and the associated billing.

At the November 18, 2021 Infrastructure Services Committee, a report was presented to the Board which recommended rate increases for some of the wastewater treatment plant service areas in 2022 and future years, and resulted in the Sunshine Coast Regional District (SCRD) Board adopting the following resolution on November 25, 2021 (in part):

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

AND THAT that the 2022 User Fee rates for residential properties for the Jolly Roger, Secret Cove, Square Bay and Curran Road wastewater services remain at the 2021 User Fee rates;

At the February 17, 2022, Community Services Committee, a report was presented to the Board which identified an underfunding due to the disparity between the user fee revenue collected, and the operating budget within the Jolly Roger wastewater service area. Due to the timing of that report, the following resolution on February 24, 2022:

044/22 **Recommendation No. 4 Jolly Roger Community Sewage Treatment Service**
(in part)

AND THAT \$2,266 of [384] Jolly Roger Operating Reserve be used to fund 2022 operations;

The purpose of this report is to discuss the current financial sustainability of the Jolly Roger wastewater service area operations and to recommend 2023 user fee rate increases which align with the funding requirements of the service.

DISCUSSION

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

Since 2020 the SCRD has been working to improve the operations and maintenance of its wastewater treatment services to improve their performance, expand their useful life and reduce the potential for regulatory non-compliances and associated unintended environmental impacts. The improved operation of these services is possible because of additional staff resources approved by the Board in 2019. Additionally, operational expenditures for contracted services and materials and supplies have increased.

In 2022, user fee revenue was insufficient to fund budgeted operating expenditures at Jolly Roger and the Board resolved in early 2022 to fund this underfunding, in the short-term, by utilizing existing operating reserves in 2022. For 2023, it is recommended that this underfunding be eliminated to ensure financial sustainability of the reserves and fee equity within the service area.

A thorough analysis of the Jolly Roger operating budget was performed in Q4 2022 to review additional operational cost pressures anticipated for 2023 that will require additional funding.

Historical Rates

Historical rates and annual increases are as follows:

	2020	2021	2022	*2023
User Fee	\$682.19	\$832.54	\$832.54	\$986.54
Total \$ Increase		\$150.35	\$0.00	\$154.00
Total % Increase		22.04%	0.00%	18.50%

*Recommended for 2023

Approved Project Details

There are currently two approved projects in Jolly Roger that are in progress or are scheduled carryforward projects to be completed in 2023. These projects are funded by existing committed reserve accounts and do not impact user fees:

Statutory Right of Way (SROW) \$4,000

- Survey and legal work to map and legally register SROW.

Headworks Replacement \$7,161

- The headworks screens had failed and needed repairs. Pump damage and failure needs to be addressed.

2023 Proposed Project Detail

There are two projects being proposed as part of the 2023 Budget process. These projects are proposed to be funded by uncommitted operating reserves and will have an impact on reserve levels:

Feasibility and Planning Study \$12,500

- Engineering consultant evaluation of the existing treatment and collection system condition and future planning.

Outfall Maintenance (Jolly Roger/Secret Cove) \$11,000

- Replacement of/and additional outfall anchoring.

Options and Analysis

The following options and analyses are based on addressing the current underfunding caused by the disparity between the user fees collected and the operating budget, the difference of which has historically been funded by reserves. To fund the anticipated 2023 operating budget underfunding, the following options are presented for review:

Option 1 – Recommended Operating Reserve level (18.50% rate increase)

Fee Summary	User Fee
Current User Fee Rate (2022)	\$832.54
Proposed Increase	\$154.00
2023 User Fee Rate	\$986.54
% Increase	18.5%
Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$26,042
Projected 2022 Surplus	\$500
Budgeted Transfers to Reserves	\$2,000
Budgeted Transfers from Reserves	(\$23,500)
Ending Uncommitted Balance	\$5,042

Staff recommend this option for the following reasons:

- Reduces allocation of parcel tax revenue used to fund operations, which aligns with the Financial Sustainability Policy.
- The projected Ending Uncommitted Operational Reserve Balance resulting from the approved and proposed projects identified above will result in a limited operating reserve

balance with capacity to respond to emergency situations. It does help work towards increasing the reserve which has been depleted over the past couple of years.

Option 2 – 100% underfunding, \$0 reserve contribution (10.75% rate increase)

Fee Summary	User Fee
Current User Fee Rate (2022)	\$832.54
Proposed Increase	\$89.49
2023 Rate	\$922.03
% Increase	10.75%
Operating Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$26,042
Projected 2022 Surplus	\$500
Budgeted Transfers to Operating Reserves	\$0
Budgeted Transfers from Operating Reserves	(\$23,500)
Ending Uncommitted Balance	\$3,042

Staff do not recommend this option for the following reasons:

- This does not contribute to the operating reserve which is already below a threshold that leaves the service with the ability to respond to emergency situations and components of the capital investment required in the upcoming years that should only be funded from operating versus capital reserves, including feasibility studies and engineering design.
- This option only covers the operational deficit and leaves the service with less no room for any unforeseen expenditures which may arise. This may require the use of the operating reserves to fund a deficit in 2023.

Financial Implications

The following table summarizes the net operating impact from each of the options identified above:

	Option #1 (10.75%)	Option #2 (5.38%)
User Fee Revenue	30,583	28,583
Expenses		
Administrative	(2,466)	(2,466)
Salaries & Wages	(12,430)	(12,430)
Operating	(13,687)	(13,687)
Net Funding (Underfunding)	2,000	(0)
Operating Projects	(23,500)	(23,500)
Net Operating Deficit	(21,500)	(23,500)

Timeline for next steps or estimated completion date

If approval is received to amend user fees, the appropriate bylaw amendments will be drafted and presented to the December 15, 2022 Special Board Meeting for three readings and adoption.

Communications Strategy

A communication and public participation plan were approved as part of the 2022 budget process to inform service area participants about facility operations and 2023 rates. A Community Information Session was held on October 20, 2022. Information regarding rate changes and funding has been communicated via print advertising, social media, and will be included on utility invoices, and posted on the SCRD website.

STRATEGIC PLAN AND RELATED POLICIES

The basis for the establishment of sustainable rate structures for SCRD services is borne from the guiding policies adopted by the Board. This report aligns with the Board's Strategic focus area of Asset Stewardship and Engagement and Communication. Other related corporate guiding documents are the Financial Sustainability Policy and the Corporate Asset Management Plan.

CONCLUSION

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

The current user fee rate for Jolly Roger does not provide sufficient revenue to meet the annual operations and maintenance budget obligations within the service area. In order to meet the existing operating budget underfunding requirement, staff recommend an increase to the user fee for this system to \$986.54 in 2023. This increase represents an increase of 18.5% from the 2022 user fee of \$832.54.

Reviewed by:			
Manager		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: Special Committee of the Whole - December 9, 2022

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

SUBJECT: JOLLY ROGER [384] WASTEWATER CAPITAL PLAN UPDATE

RECOMMENDATION(S)

THAT the report titled Jolly Roger [384] Wastewater Capital Plan Update be received for information;

AND THAT the Sewage Treatment Facilities Service Unit Bylaw No. 428 (*Schedule B*) be amended to reflect a \$50.00 annual increase in Frontage Fees for the Jolly Roger Wastewater Service, over the next five years, resulting in the following fees: \$202.00 in 2023, \$252.00 in 2024, \$302.00 in 2025, \$352.00 in 2026, and \$402.00 in 2027;

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

BACKGROUND

In [2019](#) a review of Wastewater services was conducted by the Sunshine Coast Regional District (SCRD). This review attempted to identify short and long-term challenges for these services and produced a summary report as well as [individual Asset Management Plans](#) for each of the 15 wastewater services managed by the SCRD.

A key finding of this review was the risk presented by the unsustainable nature of the capital funding for these facilities. The local service area's small user bases are especially vulnerable to debt driven cost increases in the event of a major infrastructure replacement due to the low Capital Reserve balances.

Recommendations to increase the Capital Reserve revenue for Jolly Roger were made in [2020](#), [2021](#) and [2022](#) and the Frontage Fee has increased from \$20.40 to \$152.00.

DISCUSSION

Jolly Roger wastewater service has 31 participating properties that contribute to capital expenses. The estimated cost to replace the infrastructure for this wastewater service is approximately \$1,000,000. Further work is needed to refine the estimate as this service was established in 1979 and the treatment plant is nearing the end of its expected useful life. An engineering review/feasibility study should be conducted to confirm the replacement timing of this facility and provide more accurate cost estimates given the unique location the facility was originally constructed.

Jolly Roger shares a portion of an outfall with the nearby Secret Cove Wastewater Service. Projected costs for the shared portion of the outfall are split 50/50. It is anticipated this major infrastructure project will be undertaken within the next 50 years.

Given the current reserve balance of approximately \$40,000 and assuming that the annual Capital Reserve revenue for this service will only increase with consumer inflation, debt servicing requirements are projected to exceed the Capital Reserve revenue by approximately 600% in the next 10 years when significant treatment plant upgrades are anticipated.

A typical sustainable rate structure leverages investment returns from reserve funds to offset the capital costs to the residents. Increasing the annual revenue in the lead up to infrastructure replacement will mitigate the frontage fee increase necessary to meet future debt servicing obligations.

Many comments were received across the wastewater engagement sessions regarding fee stability suggesting that a term of cost certainty was desired.

Options and Analysis

The Capital Plan models in **Attachment A** illustrate proactive vs inflationary increases to Frontage Fees with the major infrastructure occurring at the currently projected end of useful life. A comparison of the 50-year fee structure for both proactive and inflationary increases for the 2029 treatment plant replacement scenario is presented below in Figure 1.

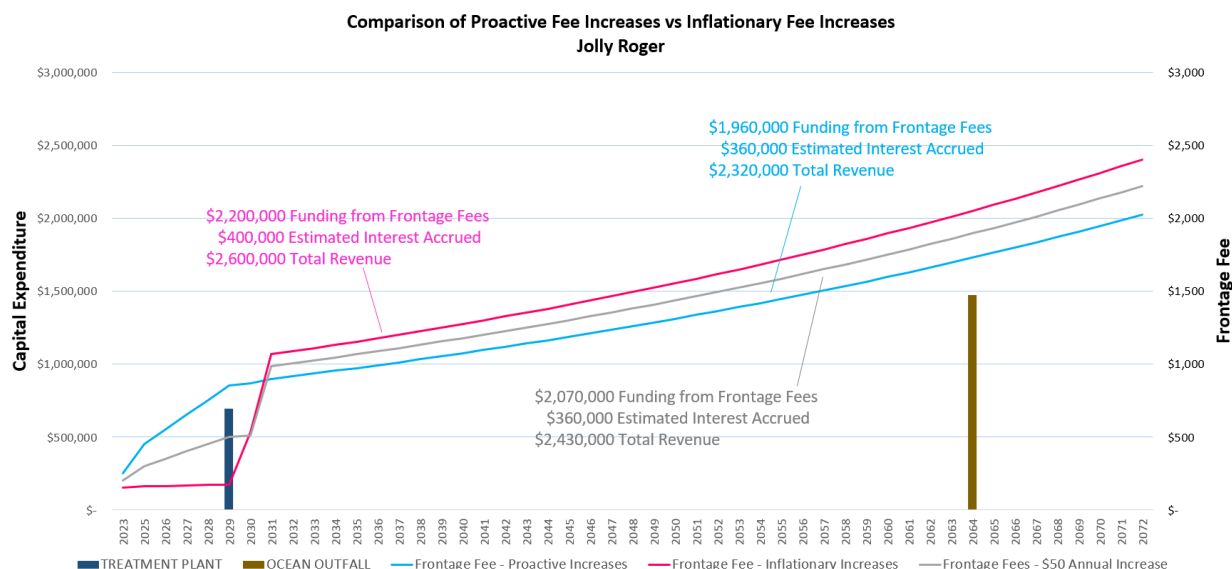


Figure 1: 50-year Comparison Proactive vs Inflationary Increases to Frontage Fees

This illustrates approximately \$7,000 per parcel savings across the next 50 years through proactively increasing the contributions to capital reserves over five years. A less aggressive series of increases is modeled on Figure 1 above projecting that savings of over \$4,000 per parcel can be realized. If it is possible to extend the life of the treatment plant, growing reserve funds will be available to reduce the magnitude of debt servicing required and the subsequent minimum debt obligation. Proactively increasing the frontage fees over five years mitigates the potential of a 600% rate increase required to meet debt servicing. Adopting a proactive funding strategy is also regarded favorably by many granting agencies.

Both of the options in Figure 1 assume that an Alternate Approval Process (AAP) will be required prior to the treatment plant replacement in 2029. The AAP would enable borrowing terms beyond five years which will reduce the annual debt obligation.

Four funding options for Jolly Roger Capital Reserves are presented for consideration with different risks and benefits (see Table 1 below for funding breakdown by year 2023-2027):

Table 1: Frontage Fee Options

Jolly Roger Wastewater Frontage Fees				
Year	Option 1	Option 2	Option 3	Option 4
2023	\$155/yr	\$252/yr	\$202/yr	\$252/yr
2024	\$158/yr		\$252/yr	\$352/yr
2025	\$161/yr		\$302/yr	\$452/yr
2026	\$165/yr		\$352/yr	\$552/yr
2027	\$171/yr		\$402/yr	\$652/yr

Option 1	This option represents a five-year commitment to no adjustments to the frontage fees aside from an annual adjustment to match Consumer Inflation (assumed 2%).
<i>Benefits</i>	This provides cost certainty to the residents and satisfies the communities desire to be able to plan for expenses over the short-term.
<i>Drawbacks</i>	This option does not increase the reserve contribution amount significantly and leaves exposure to a significant future rate increase necessary to meet debt obligations associated with infrastructure replacement costs.

Option 2	This option is a single-year increase to frontage fees from \$152/yr to \$252/yr. Frontage Fees will continue to be reviewed and adjusted on an annual basis.
<i>Benefits</i>	This increases the annual capital revenue for this service by 65% and will help to build Capital Reserves more rapidly than Option 1.
<i>Drawbacks</i>	This option does provide cost certainty to the residents. This option does not achieve sustainable funding for this service and will either require further increases to the frontage fee or a significant increase to frontage fees to meet debt obligations associated with future infrastructure replacement costs

Recommended	
Option 3	This option represents a five-year commitment towards achieving sustainable funding through five stepped increases of \$50/year.
<i>Benefits</i>	This increases the annual capital revenue for this service by 264% by the end of year 5 and will help to build Capital Reserves more rapidly. This option also mitigates the magnitude of future increase necessary to meet debt obligations associated with the future infrastructure costs. This option likely increases grant eligibility by demonstrating action towards sustainable service delivery.
<i>Drawbacks</i>	This option does not project to eliminate a debt-driven increase when the treatment plant is replaced, a nearly 100% increase may be necessary to meet debt obligations.

Option 4	This option represents a five-year commitment towards achieving sustainable funding through five stepped increases of \$100/year.
<i>Benefits</i>	This increases the annual capital revenue for this service by over 400% and will help to build Capital Reserves more rapidly than any other option. This option best mitigates any significant rate increases required to meet debt servicing requirements and provides the greatest overall savings per parcel over 50 years.
<i>Drawbacks</i>	This option is the most expensive option for current residents over the next five years.

Organizational and Intergovernmental Implications

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

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

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

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

Financial Implications

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

Timeline for next steps or estimated completion date

Ongoing monitoring of the condition and performance of the treatment system will inform next steps. Since the initial service review in 2019 the Board has received annual updates of the financial modelling for capital infrastructure at wastewater services. Depending on the option selected above it is possible to extend the time between updates for this service until the operational projects are completed or an emerging development occurs.

Funding opportunities for design and construction of the eventual treatment system replacement will continue to be sought.

Communications Strategy

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

STRATEGIC PLAN AND RELATED POLICIES

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

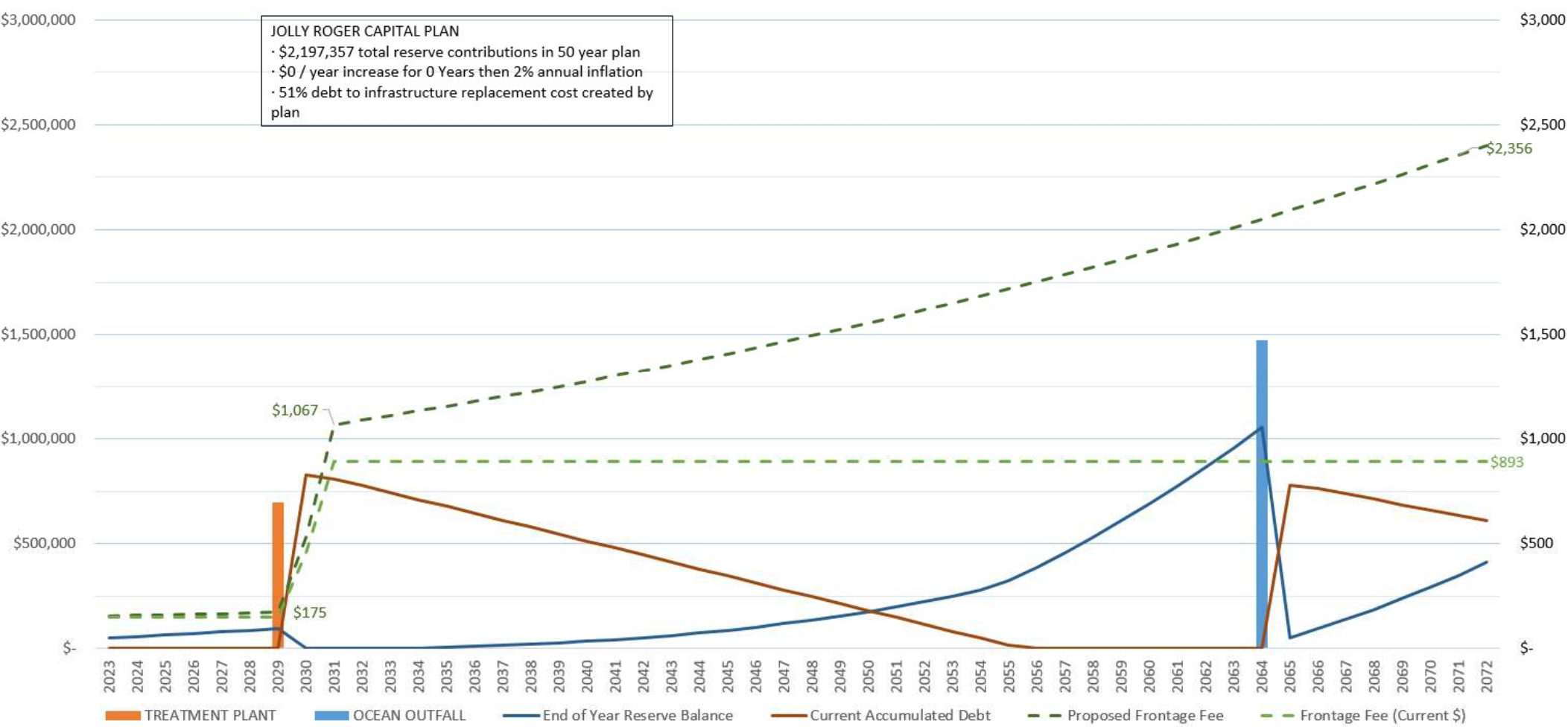
CONCLUSION

The Jolly Roger Wastewater Service has an infrastructure funding deficit and is facing significant infrastructure costs in the next 20 years. Adjustments to the revenues that contribute to Capital Reserves can mitigate projected debt obligations necessary to replace critical infrastructure. **Staff recommend that the Board implement \$50.00 annual increases over the next five years, resulting in the following Frontage Fees: \$202.00 in 2023, \$252.00 in 2024, \$302.00 in 2025, \$352.00 in 2026, and 402.00 in 2027.**

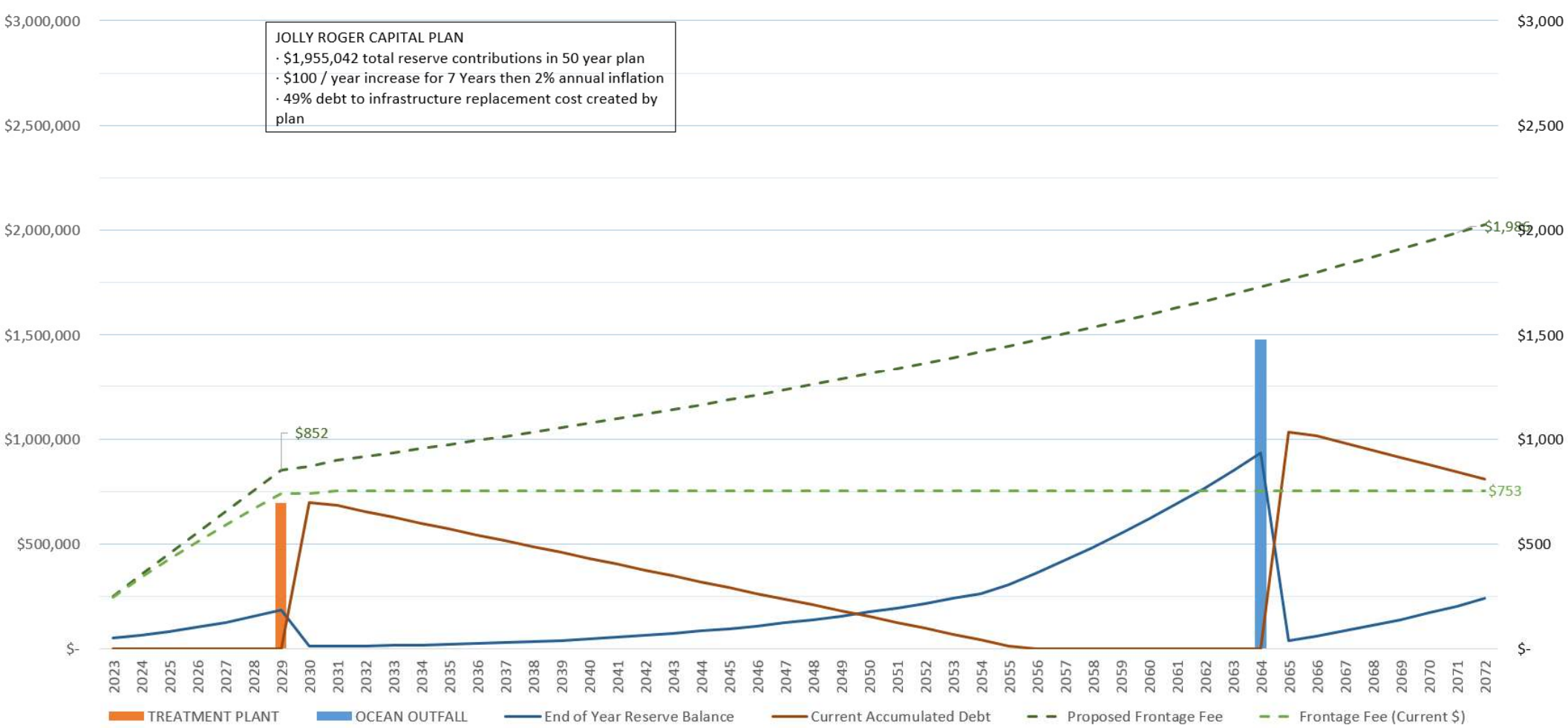
ATTACHMENT A – 50-Year Capital Plans

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

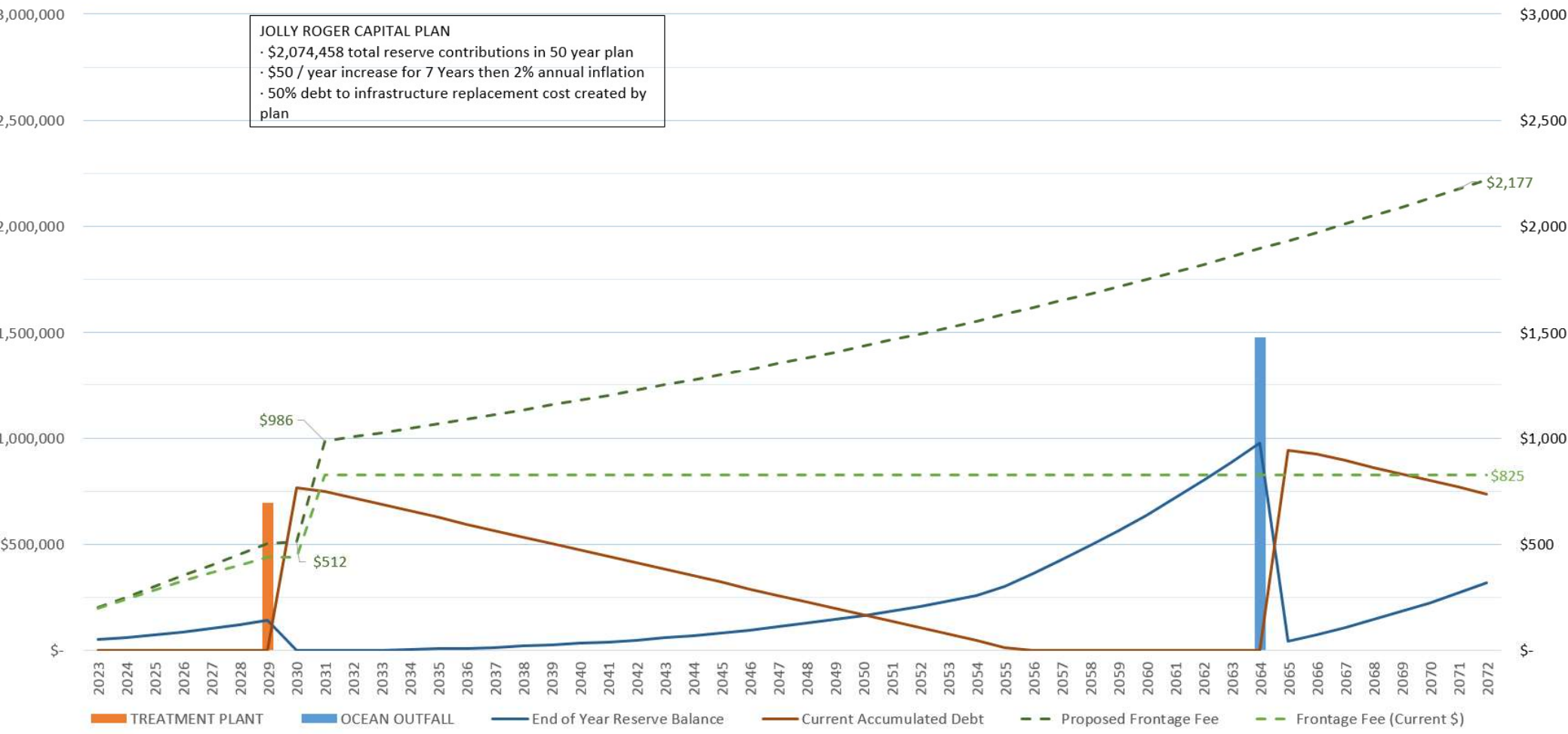
Attachment A – Jolly Roger Wastewater Service Capital Plan Inflationary Increases Only



Attachment A – Jolly Roger Wastewater Service Capital Plan Proactive Increases



Attachment A – Jolly Roger Wastewater Service Capital Plan Proactive Increases – \$50 Annual Increase



SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – December 9, 2022

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

SUBJECT: SECRET COVE [385] WASTEWATER 2023 USER FEE REVIEW

RECOMMENDATIONS

THAT the report titled Secret Cove [385] Wastewater 2023 User Fee Review be received for information;

AND THAT the Sewage Treatment Facilities Service Unit Bylaw No. 428, (Schedule C) be amended to increase the Secret Cove Service Area User Fees to the following for 2023:

- **Secret Cove Residential User Fee: \$793.52**
- **Secret Cove Marina User Fee: \$810.14**
- **Secret Cove Restaurant User Fee: \$1,152.58;**

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

BACKGROUND

The Secret Cove Service Area (Secret Cove) consists of 34 billable users - 32 residential users and two (2) commercial users. The current approved user rate per single family residential dwelling for 2022 is \$712. The Secret Cove Marina commercial user rate is \$727.50 and the Secret Cove Restaurant commercial user rate is \$1,035.

An amendment to Sewage Treatment Facilities Service Unit Bylaw No. 428, (Schedule C) is required to be adopted prior to January 1, 2023 in order to meet the legislated timelines for adoption of the Financial Plan Bylaw, the Parcel Tax Roll review process, and the associated billing.

At the November 18, 2021 Infrastructure Services Committee, a report was presented to the Board which recommended rate increases for some of the wastewater treatment plant service areas in 2022 and future years, and resulted in the SCRD Board adopting the following resolution on November 25, 2021 (in part):

308/21 Recommendation No. 6 Wastewater 2022 User Fee Reviews

AND THAT that the 2022 User Fee rates for residential properties for the Jolly Roger, Secret Cove, Square Bay and Curran Road wastewater services remain at the 2021 User Fee rates;

At the February 17, 2022 Community Services Committee, a report was presented to the Board which identified an underfunding due to the disparity between the user fee revenue collected, and the operating budget, within the Secret Cove wastewater service area. Due to the timing of that report the following resolution on February 24, 2022:

044/22 **Recommendation No. 5 Secret Cove Community Sewage Treatment Service**
(in part)

AND THAT \$680 of the [385] Secret Cove Operating Reserve be used to fund 2022 operations;

The purpose of this report is to discuss the current financial sustainability of the Secret Cove wastewater service area operations and to recommend 2023 user fee rate increases which align with the funding requirements of the service.

DISCUSSION

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

Since 2020 the SCRCD has been working to improve the operations and maintenance of its wastewater treatment services to improve their performance, expand their useful life and reduce the potential for regulatory non-compliances and associated unintended environmental impacts. The improved operation of these services is possible because of additional staff resources approved by the Board in 2019. Additionally, operational expenditures for contracted services and materials and supplies have increased.

In 2022, user fee revenue was insufficient to fund budgeted operating expenditures at Secret Cove and the Board resolved in early 2022 to fund this underfunding, in the short-term, by utilizing existing operating reserves. For 2023, it is recommended that this underfunding be eliminated to ensure financial sustainability and fee equity within the service area.

A thorough analysis of the Secret Cove operating budget was performed in Q4 2022 to review additional operational cost pressures anticipated for 2023 that will require additional funding. As part of the 2023 budget proposal process, staff have recommended that the base operating budget for Secret Cove be increased by the following amounts to account for anticipated increases to operations and maintenance spending in 2023:

- Annual increase to Contracted Services base budget (i.e. Pumpouts)
 - \$1,317.60

Historical Rates

Historical rates and annual increases are as follows:

	2020	2021	2022	*2023
User Fee - Residential	\$616.36	\$712.57	\$712.57	\$789.57
Total \$ Increase		96.21	\$0.00	\$77.00
Total % Increase		15.61%	0.00%	10.8%

*Recommended for 2023

Note: There are two other user rate 'types' within the Secret Cove wastewater service area which are rates levied on the Secret Cove Marina and Secret Cove Restaurant. For simplicity,

only the residential rates have been identified in the table above however the recommendations discussed below will also include proposed increases to the two commercial wastewater user rates by the same percentage.

Approved Project Details

There are currently two approved projects in Secret Cove that are in progress or are scheduled carryforward projects to be completed in 2023. These projects are funded by existing committed reserve accounts and do not impact user fees.

Statutory Right of Way \$4,000

- Survey and legal work to map and legally register Statutory Right of Way.

Headworks Replacement \$6,727

- The headworks screens had failed and needed repairs. Pump damage and failure needs to be addressed.

2023 Proposed Project Detail

There are two projects being proposed as part of the 2023 Budget process for Secret Cove. These projects are proposed to be funded by uncommitted operating reserves and will have an impact on reserve levels:

Feasibility and Planning Study \$12,500

- Engineering consultant evaluation of the existing treatment and collection system condition and future planning.

Outfall Maintenance (Jolly Roger/Secret Cove) \$11,000

- Replacement of/and additional outfall anchoring.

Options and Analysis

The following options and analyses are based on addressing the current underfunding caused by the disparity between the user fees collected, and the operating budget, the difference of which has historically been funded by reserves. To fund the anticipated 2023 operating budget underfunding, as well as the proposed increases to the operating base budget of \$1,317.60, the following options are presented for review:

Option 1 – Underfunding 100% addressed (11.36% rate increase)

Fee Summary	User Fee
Current Rate – Residential (2022)	\$712.57
Proposed Increase	80.95
2023 Rate	\$793.52
*% Increase	11.36%
Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$43,851
Projected 2022 Surplus	(\$5,500)
Budgeted Transfers to Reserves	\$0
Budgeted Transfers from Reserves	(\$23,500)
Ending Uncommitted Balance	\$14,851

Note: This option also includes a 11.36% increase to the user rates for the Secret Cove Marina and the Secret Cove Restaurant.

Staff recommend this option for the following reasons:

- Reduces allocation of parcel tax revenue used to fund operations, which aligns with the Financial Sustainability Policy.
- The projected Ending Uncommitted Operational Reserve Balance improves the financial capacity to respond to emergency situations and components of the capital investment required in the upcoming years that should only be funded from operating versus capital reserves, including feasibility studies and engineering design.

Option 2 – Underfunding 50% addressed (5.65% rate increase)

Fee Summary	User Fee
Current Rate – Residential (2022)	\$712.57
Proposed Increase	\$40.26
2023 Rate	\$752.83
*% Increase	5.65%
Operating Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$43,851
Projected 2022 Surplus	(\$5,500)
Budgeted Transfers to Operating Reserves	\$0
Budgeted Transfers from Operating Reserves	(24,902)
Ending Uncommitted Balance	\$13,449

Note: This option also includes a 5.65% increase to the user rates for the Secret Cove Marina and the Secret Cove Restaurant.

Staff do not recommend this option for the following reasons:

- This option is not financially sustainable and perpetuates the underfunding of the operating budget with insufficient user fee revenue.

- This option will continue to draw down operating reserves.
- The balance of the underfunded amount will need to be funded with additional rate increase(s) in future budget years (i.e. 2024).

Financial Implications

The following table summarizes the net operating impact from each of the options identified above:

	Option #1 (11.36%)	Option #2 (5.65%)
User Fee Revenue	27,356	25,953
Expenses		
Administrative	(2,264)	(2,264)
Salaries & Wages	(12,572)	(12,572)
Operating	(12,519)	(12,519)
Net Funding (Underfunding)	1	(1,402)
Operating Projects	(23,500)	(23,500)
Net Operating Deficit	(23,499)	(24,902)

Timeline for next steps or estimated completion date

If approval is received to amend user fees, the appropriate bylaw amendments will be drafted and presented to the December 15, 2022 Special Board Meeting for three readings and adoption.

Communications Strategy

A communication and public participation plan was approved as part of the 2022 budget process to inform service area participants in 2022 about facility operations and 2023 rates for the Secret Cove wastewater treatment facility. A Community Information Session was held on October 20, 2022. Information regarding rate changes and funding has been communicated via print advertising, social media, and will be included on utility invoices, and be posted on the SCRD website.

STRATEGIC PLAN AND RELATED POLICIES

The basis for the establishment of sustainable rate structures for SCRD services is borne from the guiding policies adopted by the Board. This report aligns with the Board's Strategic focus area of Asset Stewardship and Engagement and Communication. Other related corporate guiding documents are the Financial Sustainability Policy and the Corporate Asset Management Plan.

CONCLUSION

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

The current user rate for Secret Cove does not provide sufficient revenue to meet the annual operations and maintenance budget obligations within the service area. In order to meet the existing operating budget underfunding requirement and to address the proposed increases to the base budget in 2023, staff are recommending an increase to the user fees for residential, and the marina and restaurant at Secret Cove to \$793.52, \$810.14 and \$1,152.58 respectively. This represents an increase of 11.36% from the 2022 user fees for all customer types.

Reviewed by:			
Manager		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: Special Committee of the Whole - December 9, 2022

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

SUBJECT: SECRET COVE [385] WASTEWATER CAPITAL PLAN UPDATE

RECOMMENDATION(S)

THAT the report titled Secret Cove [385] Wastewater Capital Plan Update be received for information;

AND THAT the Sewage Treatment Facilities Service Unit Bylaw No. 428 (*Schedule C*) be amended to reflect a \$100.00 annual increase in Frontage Fees for the Secret Cove Wastewater Service, over the next five years, resulting in the following fees: \$252.00 in 2023, \$352.00 in 2024, \$452.00 in 2025, \$552.00 in 2026, and \$652.00 in 2027;

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

BACKGROUND

In [2019](#) a review of Wastewater services was conducted by the Sunshine Coast Regional District (SCRD). This review attempted to identify short and long-term challenges for these services and produced a summary report as well as [individual Asset Management Plans](#) for each of the 15 wastewater services managed by the SCRD.

A key finding of this review was the risk presented by the unsustainable nature of the capital funding for these facilities. The local service area's small user bases are especially vulnerable to debt driven cost increases in the event of a major infrastructure replacement due to the low Capital Reserve balances.

Recommendations to increase the Capital Reserve revenue for Secret Cove was made in [2020](#), [2021](#) and [2022](#) and the Frontage Fee has increased from \$102.00 to \$152.00.

DISCUSSION

Secret Cove wastewater service has 30 participating properties that contribute to capital expenses. The estimated cost to replace the infrastructure for this wastewater service is approximately \$1,500,000. Further work is needed to refine the estimate as this service was established in 1979 and the treatment plant is nearing the end of its expected useful life. An engineering review/feasibility study should be conducted to confirm the replacement timing of this facility and provide more accurate cost estimates given the unique location the facility was originally constructed.

Secret Cove shares a portion of an outfall with the nearby Jolly Roger Wastewater Service. Projected costs for the shared portion of the outfall are split 50/50. It is anticipated this major infrastructure project will be undertaken within the next 50 years.

Given the current reserve balance of approximately \$12,000 and assuming that the annual Capital Reserve revenue for this service will only increase with consumer inflation, debt servicing requirements are projected to exceed the Capital Reserve revenue by approximately 800% in the next 10 years when significant treatment plant upgrades are anticipated.

A typical sustainable rate structure leverages investment returns from reserve funds to offset the capital costs to the residents. Although this service is projected to need significant infrastructure replacement in the near future, increasing the annual revenue in the lead up to infrastructure replacement will mitigate the frontage fee increase necessary to meet future debt servicing obligations. If the existing infrastructure remains serviceable beyond the expected useful life the Capital Reserve will continue to build and accrue interest.

Many comments were received across the wastewater engagement sessions regarding fee stability suggesting that a term of cost certainty was desired.

Options and Analysis

The Capital Plan models in Attachment A illustrate proactive vs inflationary increases to Frontage Fees with the major infrastructure occurring at the currently projected end of useful life. A comparison of the 50-year fee structure for both proactive and inflationary increases is presented below in Figure 1.

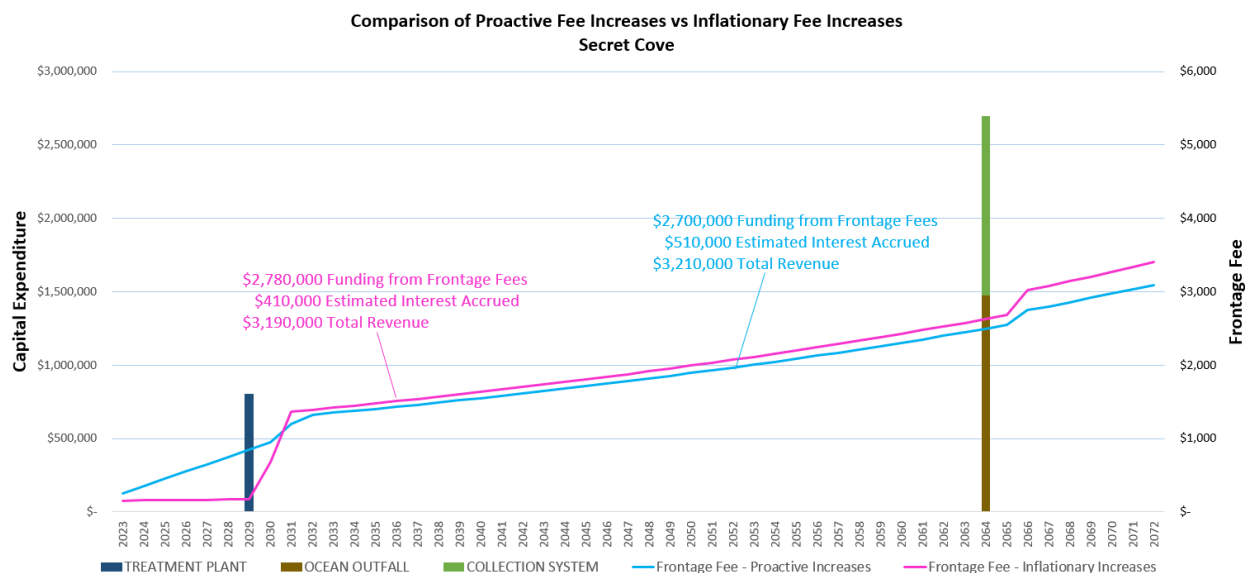


Figure 1: 50-year Comparison Proactive vs Inflationary Increases to Frontage Fees

This illustrates approximately \$2,600 per parcel savings across the next 50 years through proactively increasing the contributions to capital reserves over eight years. If it is possible to extend the life of the current treatment plant, growing reserve funds will be available to reduce the magnitude of debt servicing required. Proactively increasing the frontage fees over 10 years eliminates the potential of an 800% rate increase necessary to fund debt obligations. Adopting a proactive funding strategy is regarded favorably by many granting agencies.

Both options in Figure 1 assume that long-term lending receives electoral approval through an Alternate Approval Process (AAP) prior to future infrastructure replacements. The AAP would enable borrowing terms beyond five years which will reduce the annual debt obligation.

Three funding options for Secret Cove Capital Reserves are presented for consideration with different risks and benefits (see Table 1 below for funding breakdown by year 2023-2027):

Table 1: Frontage Fee Options

Secret Cove Wastewater Frontage Fees			
Year	Option 1	Option 2	Option 3
2023	\$155/yr	\$252/yr	\$252/yr
2024	\$158/yr	-	\$352/yr
2025	\$161/yr	-	\$452/yr
2026	\$165/yr	-	\$552/yr
2027	\$171/yr	-	\$652/yr

Option 1	This option represents a five-year commitment to no adjustments to the frontage fees aside from an annual adjustment to match Consumer Inflation (assumed 2%).
<i>Benefits</i>	This provides cost certainty to the residents and satisfies the communities desire to be able to plan for expenses over the short-term.
<i>Drawbacks</i>	This option does not increase the reserve contribution amount significantly and leaves exposure to a significant future rate increase necessary to meet debt obligations associated with infrastructure replacement costs.

Option 2	This option is a single-year increase to frontage fees from \$152/yr to \$252/yr. Frontage Fees will continue to be reviewed and adjusted on an annual basis.
<i>Benefits</i>	This increases the annual capital revenue for this service by ~65% and will help to build Capital Reserves more rapidly than Option 1.
<i>Drawbacks</i>	This option does provide cost certainty to the residents. This option does not achieve sustainable funding for this service and will either require further increases to the frontage fee or a significant increase to frontage fees to meet debt obligations associated with future infrastructure replacement costs

Recommended	
Option 3	This option represents a five-year commitment towards achieving sustainable funding through five stepped increases of \$100/year.
<i>Benefits</i>	This increases the annual capital revenue for this service by 430% by the end of year 5 and will help to build Capital Reserves more rapidly than either other option. This option also mitigates the magnitude of future increase necessary to meet debt obligations associated with the future infrastructure costs. This option likely increases grant eligibility by demonstrating action towards sustainable service delivery.
<i>Drawbacks</i>	This option is the most expensive for residents over the next five years. This Option aligns with a model that projects to require an additional five years of increase. This option projects in year 9 to require a \$300 annual increase to frontage fees to meet minimum debt obligations.

Organizational and Intergovernmental Implications

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

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

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

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

Financial Implications

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

Timeline for next steps or estimated completion date

Ongoing monitoring of the condition and performance of the treatment system will inform next steps. Since the initial service review in 2019 the Board has received annual updates of the financial modelling for capital infrastructure at wastewater services. Depending on the option selected above it is possible to extend the time between updates for this service until the operational projects are completed or an emerging development occurs.

Funding opportunities for design and construction of the eventual treatment system replacement will continue to be sought.

Communications Strategy

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

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

STRATEGIC PLAN AND RELATED POLICIES

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

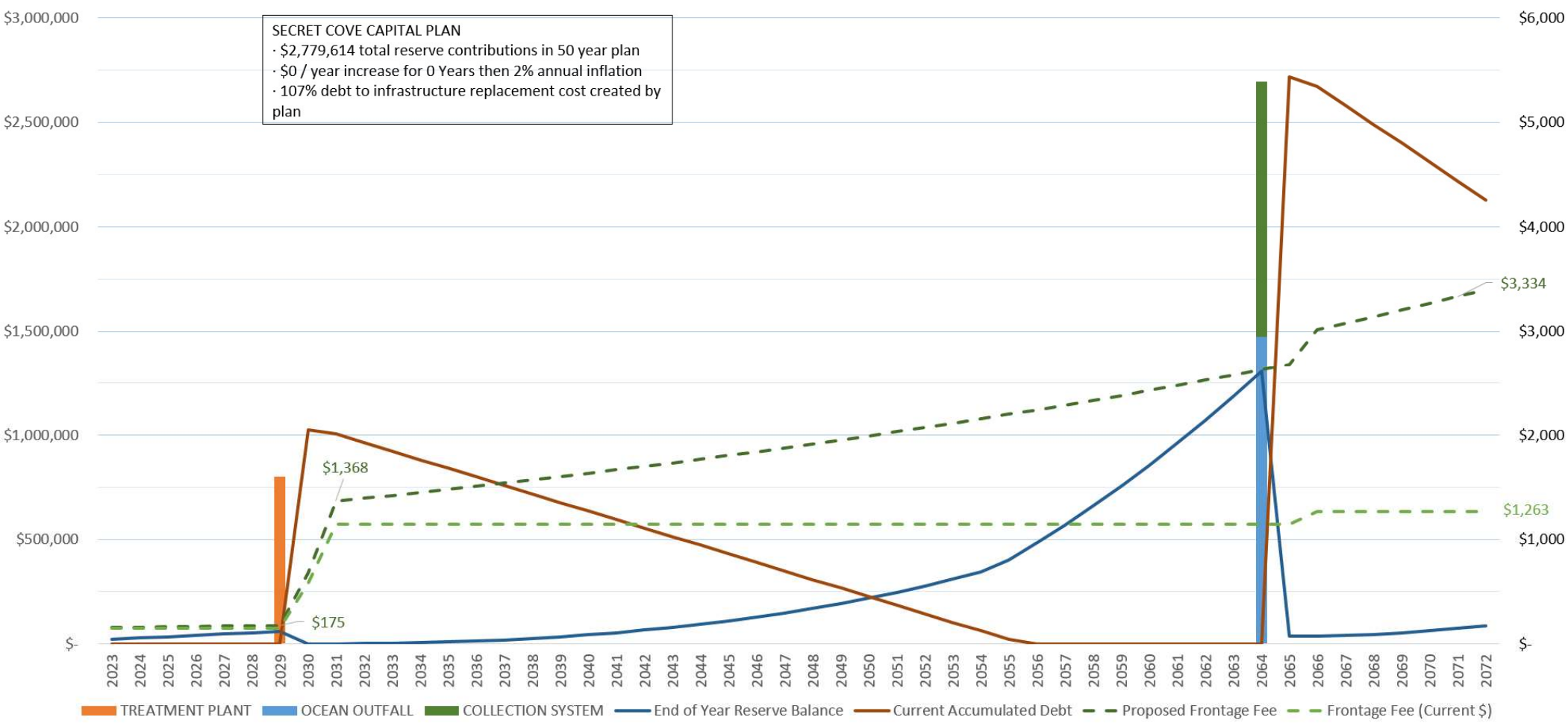
CONCLUSION

The Secret Cove Wastewater Service has an infrastructure funding deficit and is facing significant infrastructure costs in the next 20 years. Adjustments to the revenues that contribute to Capital Reserves can mitigate projected debt obligations necessary to replace critical infrastructure. **Staff recommend that the Board implement \$100.00 annual increases over the next years, resulting in the following Frontage Fees: \$252.00 in 2023, \$352.00 in 2024, \$452.00 in 2025, \$552.00 in 2026, and \$652.00 in 2027.**

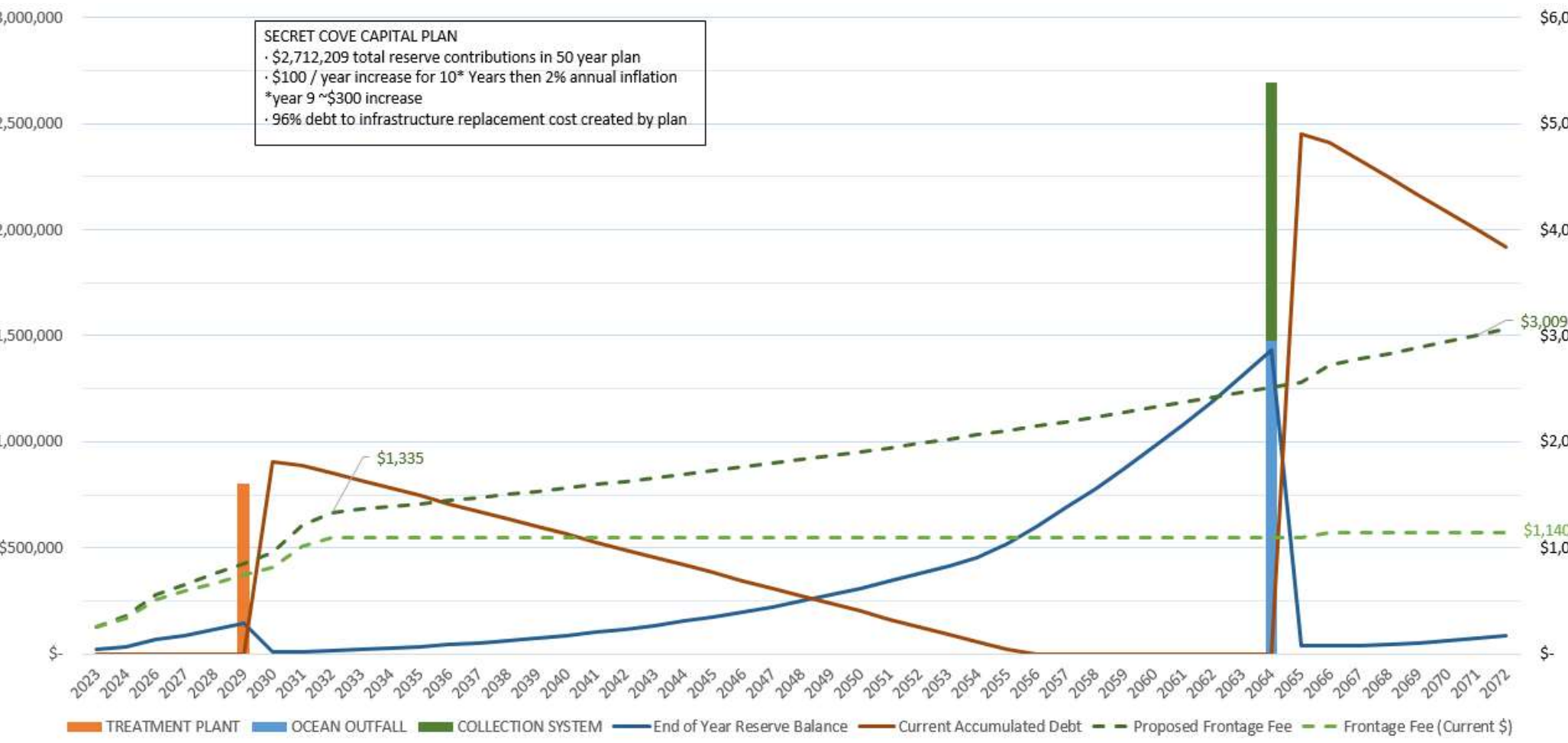
ATTACHMENT A – 50-Year Capital Plans

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

Attachment A – Secret Cove Wastewater Service Capital Plan Inflationary Increases Only



Attachment A – Secret Cove Wastewater Service Capital Plan Proactive Increases



SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – December 9, 2022

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

SUBJECT: **LEE BAY [386] WASTEWATER 2023 USER FEE REVIEW**

RECOMMENDATIONS

THAT the report titled Lee Bay [386] Wastewater 2023 User Fee Review be received for information;

AND THAT the Lee Bay Service Area User Fee for 2023 remain the same as 2022;

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

BACKGROUND

The Lee Bay Service Area (Lee Bay) consists of 117 billable users. The current user rate per single family residential dwelling for 2022 is \$487.67.

An amendment to Sewage Treatment Facilities Service Unit Bylaw No. 428, (Schedule C) is required to be adopted prior to January 1, 2023 in order to meet the legislated timelines for adoption of the Financial Plan Bylaw, the Parcel Tax Roll review process, and the associated billing.

At the November 18, 2021 Infrastructure Services Committee, a report was presented to the Board which recommended rate increases for some of the wastewater treatment plant service areas in 2022 and future years, and resulted in the Sunshine Coast Regional District (SCRD) Board adopting the following resolution on November 25, 2021 (in part):

308/21 **Recommendation No. 6 Wastewater 2022 User Fee Reviews**

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

Service	2022
<i>Lee Bay</i>	<i>\$487.67</i>

The purpose of this report is to discuss the current financial sustainability of the Lee Bay wastewater service area operations and to recommend 2023 user fee rate increases which align with the funding requirements of the service.

DISCUSSION

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

Since 2020 the SCRD has been working to improve the operations and maintenance of its wastewater treatment services to improve their performance, expand their useful life and reduce the potential for regulatory non-compliances and associated unintended environmental impacts. The improved operation of these services is possible because of additional staff resources approved by the Board in 2019. Additionally, operational expenditures for contracted services and materials and supplies have increased.

A thorough analysis of the Lee Bay operating budget was performed in Q4 2022 to review additional operational cost pressures anticipated for 2023 that will require additional funding.

Historical Rates

Historical rates and annual increases are as follows:

	2020	2021	2022	*2023
User Fee	\$412.50	\$480.46	\$487.67	\$487.67
Total \$ Increase		67.96	\$7.21	\$0
Total % Increase		16.48%	1.50%	0%

**Recommended for 2023*

Approved Project Details

There is currently one approved project in Lee Bay that is in progress or is a scheduled carryforward project to be completed in 2023. This project is funded by existing committed reserve accounts and does not impact user fees:

Collection System Repairs \$13,850

- Repairs and maintenance on the collection system.

Options and Analysis

As discussed, the user fee and operating budget for the Lee Bay service area is adequate and therefore staff are recommending no rate increase to the user fees for 2023.

Option 1 – 0.00% rate increase

Fee Summary	User Fee
Current User Fee Rate (2022)	\$487.67
Proposed Increase	\$0.00
2023 Rate	\$487.67
% Increase	0.00%
Operating Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$300,880
Projected 2022 Surplus/(Deficit)	(\$3,500)
Budgeted Transfers to Operating Reserves	\$0
Budgeted Transfers from Operating Reserves	(\$2,028)
Ending Uncommitted Balance	\$295,352

Staff recommend this option for the following reasons:

- Existing user fee revenue adequately funds the required operating budget expenditures.
- Current operating reserve levels meet the minimum reserve threshold.

Financial Implications

The following table summarizes the net operating impact from each of the options identified above:

	Option #1 (3.52%)	Option #2 (0.00%)
User Fee Revenue	59,086	57,057
Expenses		
Administrative	(4,937)	(4,937)
Salaries & Wages	(19,756)	(19,756)
Operating	(34,393)	(34,393)
Net Funding (Underfunding)	0	(2,028)
Operating Projects	-	-
Net Operating Deficit	0	(2,028)

Timeline for next steps or estimated completion date

N/A

Communications Strategy

A communication and public participation plan was approved as part of the 2022 budget process to inform service area participants in 2022 about facility operations and 2023 rates for the Lee Bay wastewater treatment facility. A Community Information Session was held on

October 26, 2022. Information regarding rate changes and funding has been communicated via print advertising, social media, and will be included on utility invoices, and posted on the SCRD website.

STRATEGIC PLAN AND RELATED POLICIES

The basis for the establishment of sustainable rate structures for SCRD services is borne from the guiding policies adopted by the Board. This report aligns with the Board's Strategic focus area of Asset Stewardship and Engagement and Communication. Other related corporate guiding documents are the Financial Sustainability Policy and the Corporate Asset Management Plan.

CONCLUSION

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

The current user fee rates for Lee Bay provides sufficient revenues to meet the 2023 annual operations and maintenance budget obligations. Staff are recommending no increase to the user fees for this service area in 2023.

Reviewed by:			
Manager		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: Special Committee of the Whole - December 9, 2022

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

SUBJECT: LEE BAY [386] WASTEWATER CAPITAL PLAN UPDATE

RECOMMENDATION(S)

THAT the report titled Lee Bay [386] Wastewater Capital Plan Update be received for information;

AND THAT the Sewage Treatment Facilities Service Unit Bylaw No. 428 (*Schedule B*) be amended to reflect a \$50.00 annual increase in Frontage Fees for the Lee Bay Wastewater Service, over the next five years, resulting in the following fees: \$252.00 in 2023, \$302.00 in 2024, \$352.00 in 2025, \$402.00 in 2026, \$452.00 in 2027;

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

BACKGROUND

In 2019 a review of Wastewater services was conducted by the Sunshine Coast Regional District (SCRD). This review attempted to identify short and long-term challenges for these services and produced a summary report as well as individual Asset Management Plans for each of the 15 wastewater services managed by the SCRD.

A key finding of this review was the risk presented by the unsustainable nature of the capital funding for these facilities. The local service area's small user bases are especially vulnerable to debt driven cost increases in the event of a major infrastructure replacement due to the low Capital Reserve balances.

Recommendations to increase the Capital Reserve revenue for Lee Bay was made in 2020, 2021 and 2022 and the Frontage Fee has increased from \$102.00 to \$202.00.

DISCUSSION

Lee Bay wastewater service has 178 participating properties that contribute to capital expenses. The estimated cost to replace the infrastructure for this wastewater service is approximately \$8,200,000.

Given the current reserve balance of approximately \$270,000 and assuming that the annual Capital Reserve revenue for this service will only increase with consumer inflation, debt servicing requirements are projected to exceed the Capital Reserve revenue by approximately 400% in the next 30 years when significant treatment plant upgrades are anticipated.

A sustainable rate structure leverages investment returns from reserve funds to offset the capital costs to the residents. Increasing the annual revenue in the lead up to infrastructure replacement will increase interest returns by more than 100% and will mitigate the frontage fee increase necessary to meet future debt servicing obligations.

Many comments were received across the wastewater engagement sessions regarding fee stability suggesting that a term of cost certainty was desired.

Options and Analysis

The Capital Plan models in Attachment A illustrate proactive vs inflationary increases to Frontage Fees with the major infrastructure occurring at the currently projected end of useful life. A comparison of the 50-year fee structure for both proactive and inflationary increases is presented below in Figure 1.

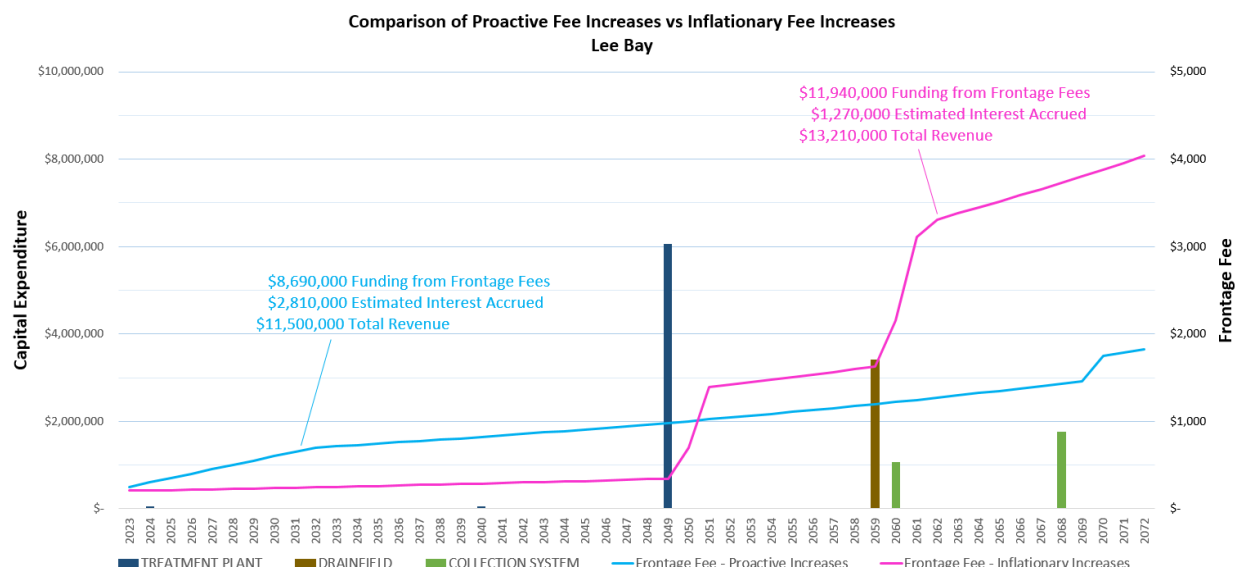


Figure 1: 50-year Comparison Proactive vs Inflationary Increases to Frontage Fees

This illustrates approximately \$18,000 per parcel savings across the next 50 years through proactively increasing the contributions to capital reserves over 10 years. This capital plan considers 10 consecutive years of \$50 dollar increases to the annual Frontage Fee. It is recommended that a five-year term be selected as a funding option to align with residents' desire for cost certainty and the SCRDs five-year financial planning period.

Both of the options in Figure 1 assume that an Alternate Approval Process (AAP) is required prior to the treatment plant replacement in 2049. The AAP would enable borrowing terms beyond five years which will reduce the annual debt obligation.

Three funding options for Lee Bay Capital Reserves are presented for consideration with different risks and benefits (see Table 1 below for funding breakdown by year 2023-2027):

Table 1: Frontage Fee Options

Lee Bay Wastewater Frontage Fees			
Year	Option 1	Option 2	Option 3
2023	\$206/yr	\$252/yr	\$252/yr
2024	\$210/yr	-	\$302/yr
2025	\$214/yr	-	\$352/yr
2026	\$219/yr	-	\$402/yr
2027	\$223/yr	-	\$452/yr

Option 1	This option represents a five-year commitment to no adjustments to the frontage fees aside from an annual adjustment to match Consumer Inflation (assumed 2%).
Benefits	This provides cost certainty to the residents and satisfies the communities desire to be able to plan for expenses over the short-term.
Drawbacks	This option does not increase the reserve contribution amount significantly and leaves exposure to a significant future rate increase necessary to meet debt obligations associated with infrastructure replacement costs.

Option 2	This option is a single-year increase to frontage fees from \$202/yr to \$252/yr. Lee Bay Frontage Fees will continue to be reviewed and adjusted on an annual basis.
Benefits	This increases the annual capital revenue for this service by 25% and will help to build Capital Reserves more rapidly than Option 1.
Drawbacks	This option does provide cost certainty to the residents. This option does not achieve sustainable funding for this service and will either require further increases to the frontage fee or a significant increase to frontage fees to meet debt obligations associated with future infrastructure replacement costs

Recommended	
Option 3	This option represents a five-year commitment towards achieving sustainable funding through five stepped increases of \$50/year.
<i>Benefits</i>	This increases the annual capital revenue for this service by 125% by the end of year 5 and will help to build Capital Reserves more rapidly than either other option. This option also mitigates the magnitude of future increase necessary to meet debt obligations associated with the future infrastructure costs. This option likely increases grant eligibility by demonstrating action towards sustainable service delivery.
<i>Drawbacks</i>	This option is the most expensive for residents over the next five years.

Organizational and Intergovernmental Implications

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

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

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

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

Financial Implications

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

Timeline for next steps or estimated completion date

Ongoing maintenance and monitoring of the condition and performance of the treatment system will inform next steps. Since the initial service review in 2019 the Board has received annual updates of the financial modelling for capital infrastructure at wastewater services. Depending on the option selected above it is possible to extend the time between updates for this service until the operational projects are completed or an emerging development occurs.

Funding opportunities for design and construction of the eventual treatment system replacement will continue to be sought.

Communications Strategy

Staff have worked to establish an online presence for each wastewater service at letstalk.scrd.ca – this will be the primary point of contact for these wastewater participants. This

will be communicated on utility billing literature and through typical social media channels occasionally.

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

STRATEGIC PLAN AND RELATED POLICIES

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

CONCLUSION

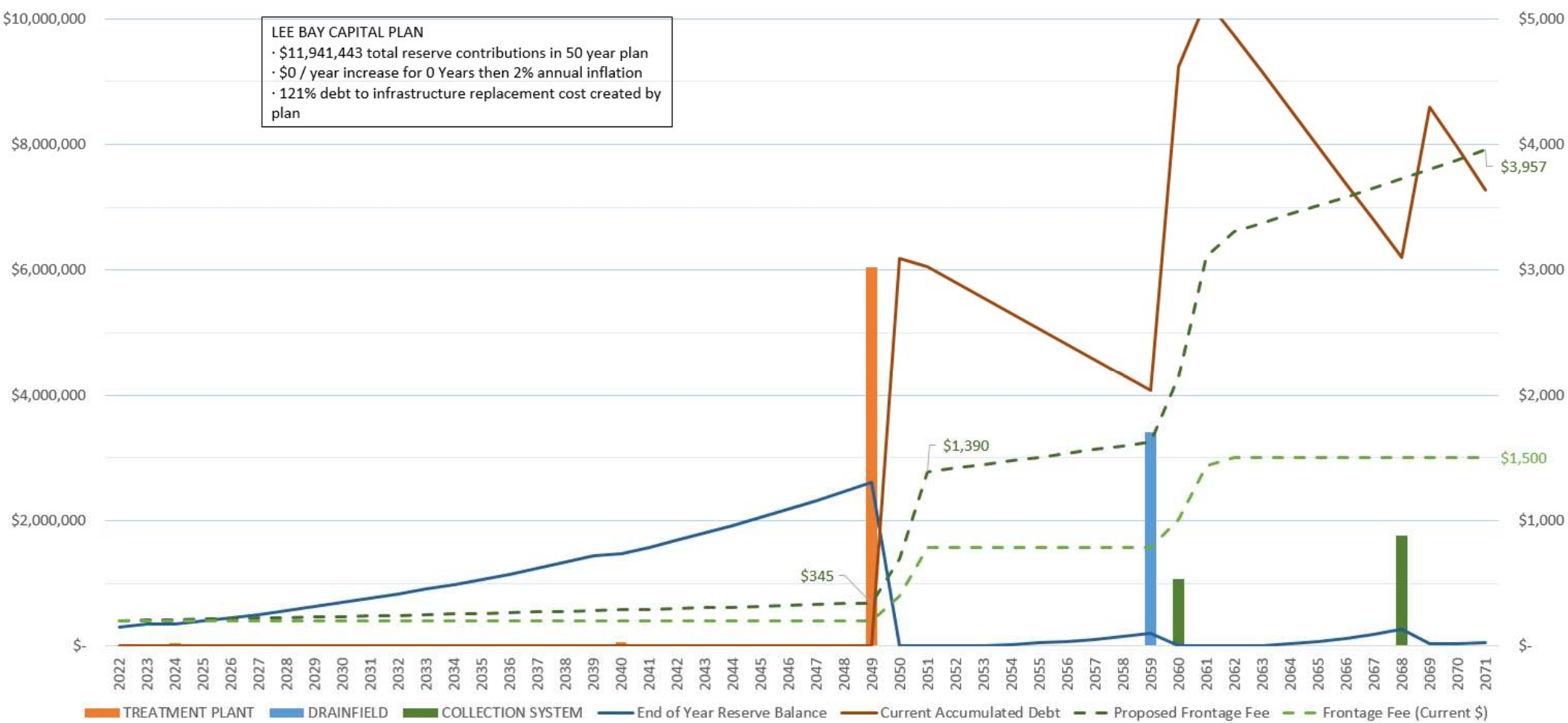
The Lee Bay Wastewater Service has an infrastructure funding deficit and is facing significant infrastructure costs in the next 20 years. Adjustments to the revenues that contribute to Capital Reserves can mitigate projected debt obligations necessary to replace critical infrastructure.

Staff recommend that the Board implement \$50.00 annual increases over the next five years, resulting in the following Frontage Fees: \$252.00 in 2023, \$302.00 in 2024, \$352.00 in 2025, \$402.00 in 2026, \$452.00 in 2027.

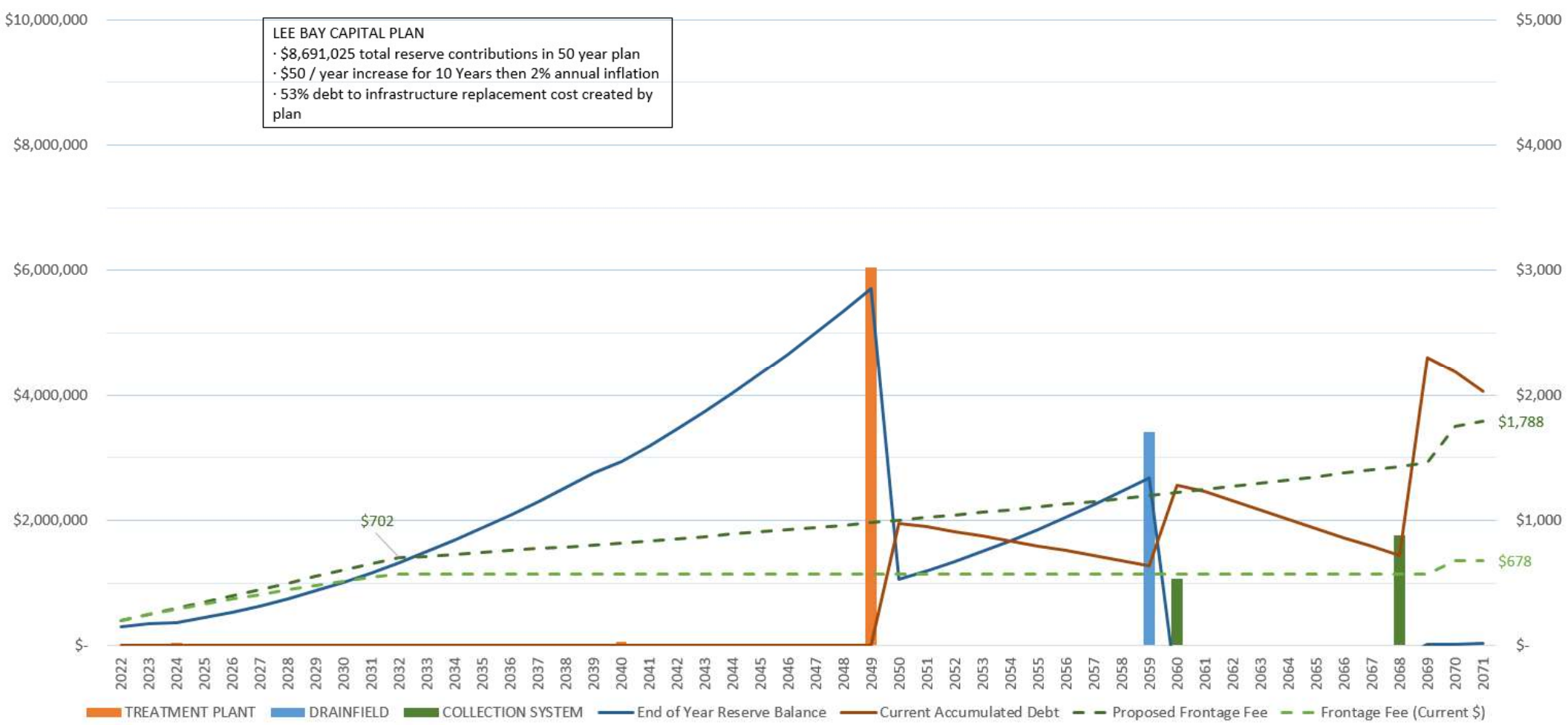
ATTACHMENT A – 50-Year Capital Plans

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

Attachment A – Lee Bay Wastewater Service Capital Plan Inflationary Increases Only



Attachment A – Lee Bay Wastewater Service Capital Plan Proactive Increases



SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – December 9, 2022

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

SUBJECT: **SQUARE BAY [387] WASTEWATER 2023 USER FEE REVIEW**

RECOMMENDATIONS

THAT the report titled Square Bay [387] Wastewater 2023 User Fee Review be received for information;

AND THAT the Sewage Treatment Facilities Service Unit Bylaw No. 428, (Schedule C) be amended to increase the Square Bay Service Area User Fees to \$1,281.02 for 2023;

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

BACKGROUND

The Square Bay Service Area (Square Bay) consists of approximately 85 billable users. The current user rate per single family residential dwelling for 2022 is \$786.02.

An amendment to Sewage Treatment Facilities Service Unit Bylaw No. 428, (Schedule C) is required to be adopted prior to January 1, 2023 in order to meet the legislated timelines for adoption of the Financial Plan Bylaw, the Parcel Tax Roll review process, and the associated billing.

At the November 18, 2021 Infrastructure Services Committee, a report was presented to the Board which recommended rate increases for some of the wastewater treatment plant service areas in 2022 and future years, and resulted in the Sunshine Coast Regional District (SCRD) Board adopting the following resolution on November 25, 2021 (in part):

308/21 Recommendation No. 6 Wastewater 2022 User Fee Reviews

AND THAT that the 2022 User Fee rates for residential properties for the Jolly Roger, Secret Cove, Square Bay and Curran Road wastewater services remain at the 2021 User Fee rates;

At the February 17, 2022 Community Services Committee, a report was presented to the Board which identified an underfunding due to the disparity between the user fee revenue collected, and the operating budget, within the Square Bay service area. Due to the timing of that report, the following resolution on February 24, 2022:

044/22
(in part)

Recommendation No. 3 Square Bay Community Sewage Treatment Service

AND THAT the *Sunshine Coast Regional District Sewage Treatment Facilities Service Unit Bylaw No. 428* be amended to increase the Square Bay Community Sewage Treatment Service Area User Fees by 23.58%;

AND THAT the following projects be deferred and reconsidered as part of the 2023 Budget process:

- Statutory Right of Way
- System Upgrade Planning

AND THAT the 2022 budget for the Infiltration Reduction Phase 2 project be reduced by \$5,000 to \$20,000 and that this funding decision be reconsidered as part of the 2023 Budget process;

The purpose of this report is to discuss the current operational status and financial sustainability of the Square Bay wastewater service area operations and to recommend 2023 user fee rate increases which align with the funding requirements of the service.

DISCUSSION

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

Since 2020 the SCRD has been working to improve the operations and maintenance of its wastewater treatment services to improve their performance, expand their useful life and reduce the potential for regulatory non-compliances and associated unintended environmental impacts. The improved operation of these services is possible because of additional staff resources approved by the Board in 2019. Additionally, operational expenditures for contracted services and materials and supplies have increased.

User fee revenue in 2020, 2021 and 2022 was insufficient to fund budgeted operating expenditures and the Board resolved in early 2022 to partially fund this underfunding with a 23.58% increase to user fees and by utilizing some existing operating reserves to balance the operating budget. Additionally, several projects were also deferred in 2022 due to the unavailability of operating reserves. For 2023, it is recommended that this underfunding be eliminated to ensure financial sustainability and fee equity within the service area. Various options will be presented below that consider the 2023 operating budget, user fee rate increase recommendations and operating reserve amounts.

In considering the options to address the identified underfunding of the 2023 operational expenditures as well as approved/proposed projects and operating reserves, it is important to consider the following:

- Over the last several years substantial efforts have been made to improve the condition of the treatment plant infrastructure at Square Bay. Due to excessive infiltration in early 2022 caused by various storm events, the treatment plant experienced a significant 'upset' in the treatment process resulting in higher than anticipated operating

expenditures (staff labor, pump outs, etc.) to manage and remediate. This has further propagated the disparity between user fee revenue and operating expenditures in 2022.

- The current condition of the collection system infrastructure is such that additional effort will be required to bring it up to current day standards and reduce the daily maintenance costs of the service.
- Any portion of identified projects, underfunding or minimum operating reserve balances not addressed by increasing the user fees in 2023 will be deferred in 2024.
- The target level for operating reserves to fund unexpected operating expenditures for Square Bay is \$5,000.

A thorough analysis of the Square Bay operating budget was performed in Q4 2022 to review additional operational cost pressures (other than the existing underfunding value) anticipated for 2023 that will require additional funding. As part of the 2023 budget proposal process, staff have recommended that the base operating budget for Square Bay be increased by the following amount to account for anticipated increases to operations and maintenance spending in 2023:

- Annual increase to Contracted Services base budget (i.e. Pumpouts)
 - \$3,952.80

Historical Rates

Historical rates and annual increases are as follows:

	2020	2021	2022	*2023
User Fee	\$501.19	\$636.02	\$786.02	\$1,281.02
Total \$ Increase		\$134.83	\$150.00	\$542.00
Total % Increase		26.90%	23.58%	68.95%

Approved Project Details

There are currently several approved projects in Square Bay that have not been completed and were deferred and/or partially deferred and are now being reconsidered as part of the 2023 budget and user fee rate review process.

Statutory Right of Way (SRW) \$4,000 Deferred for reconsideration in 2023

- Collection lines cross private property to allow for correct alignment. Some of the collection lines in Square Bay need an SRW. As this situation has been as it is for years, deferring this project could be considered a low risk to the organization.

System Upgrade Planning \$15,000 (increased from \$7,500) For reconsideration in 2023

- The collection system is in poor condition as noted in the Asset Management Plan. A system review is required for future upgrades to the collection system to reduce infiltration and maintenance. The system review is required before the

SCRD can apply for grants for the identified upgrades. The SCRD will also look to apply for infrastructure planning grants (up to \$10,000 to do this initiative).

Infiltration Reduction Phase 1 and 2 Total \$39,677 Additional \$5,000 for consideration in 2023

- There are high infiltration rates due to aging infrastructure and a collection system that is in poor condition. These funds are used to repair the highest priority section of the collection system. Continuing with this project will address additionally incurred costs due to infiltration such as additional pump outs and staff (over)time.

With the current relatively low level of operating reserves, it should be noted that deferring any of these projects would require a large one-time user fee increase at the time that the Board approves these projects to move forward.

Options and Analysis

The following options and analysis are based on addressing the current underfunding caused by the disparity between the user fees collected, and the operating budget, the difference of which has historically been funded by reserves. In consideration of proposed projects and to fund the anticipated 2023 operating budget underfunding as well as the proposed increases to the base budget of \$3,952.80, the following options are presented for review.

Option 1 – Recommended Reserve Balance with SRW project deferral (62.98% rate increase)

This option would continue to defer Statutory Right of Way project but proceed with System Upgrade Planning and Infiltration Reduction projects. This would increase the 2023 user fee by \$495/user which would fully address the current underfunding and maintain the minimum recommended operating reserve levels in the short-term to fund minor unexpected expenditures.

Fee Summary	User Fee
Current User Fee Rate (2022)	\$786.02
Proposed Increase	\$495.00
2023 User Fee Rate	\$1,281.02
% Increase	62.98%
Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$6,391
Projected 2022 Surplus/(Deficit)	(\$10,000)
Budgeted Transfers to Reserves	\$21,119
Budgeted Transfers from Reserves	(\$12,500)
Ending Uncommitted Balance	5,010

This option will result in:

- Elimination of current operating budget underfunding and reduces allocation of parcel tax revenue used to fund operations, which aligns with the Financial Sustainability Policy.
- Funds the expected \$10,000 deficit in 2022 and ensure that Operating Reserves levels would remain within the set target level for this system which would improve the financial

capacity to respond to emergency situations and components of the capital investment required in the upcoming years that should only be funded from operating versus Capital Reserves, including feasibility studies and engineering design.

- Ability to proceed with the System Upgrade Planning and Infiltration Reduction projects.
- Would permit the funding of non-eligible expenditures for grant submissions.

Staff recommend this option as it proceeds with vital operational projects required to repair or replace capital components of the facility.

Option 2 –Recommended Reserve Balance and no project deferral (68.95% rate increase)

This option would *not* defer the above approved projects. This would increase the 2023 user fee by \$542/user to address all of the projected 2023 underfunding, proposed increase to the operating budget, and fund the deferred project values identified above.

Fee Summary	User Fee
Current User Fee Rate	\$786.02
Proposed Increase	\$542.00
2023 User Fee Rate	\$1,328.02
% Increase	68.95%
Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$6,391
Projected 2022 Surplus/(Deficit)	(\$10,000)
Budgeted Transfers to Reserves	\$25,114
Budgeted Transfers from Reserves	(\$16,500)
Ending Uncommitted Balance	5,005

This option:

- Would have the most significant financial impact on the users of the system in 2023.
- Would not impact the progress of any of the approved projects.
- Would allow operating reserves levels to remain within the set target level for this system which would improve the financial capacity to respond to emergency situations.
- Would ensure the identified projects could move forward and that staff could present options to move forward with repairing or replacing vital capital components. This would reduce the need for high operational costs and may warrant a user fee reduction in the future.
- Would permit the funding of non-eligible expenditures for grant submissions.

Financial Implications

The following table summarizes the net operating impact from each of the options identified above:

	Option #1 (62.98%)	Option #2 (68.95%)
User Fee Revenue	108,887	112,882
Expenses		
Administrative	(8,523)	(8,523)
Salaries & Wages	(46,741)	(46,741)
Operating	(32,504)	(32,504)
Net Funding (Underfunding)	21,119	25,114
Operating Projects	(12,500)	(16,500)
Net Operating Deficit	8,619	8,614

Timeline for next steps or estimated completion date

If Progress approval is received to amend user fees, the appropriate bylaw amendments will be drafted and presented to the December 15, 2022 Special Board Meeting for three readings and adoption.

Communications Strategy

A communication and public participation plan was approved as part of the 2022 budget process to inform service area participants in 2022 about facility operations and 2023 rates for the Square Bay wastewater treatment facility. A Community Information Session was held on October 20, 2022. Information regarding rate changes and funding has been communicated via print advertising, social media, and will be included on utility invoices, and posted on the SCRD website.

Staff has and will continue to actively engage users as to ensure they understand the challenges that lay ahead.

STRATEGIC PLAN AND RELATED POLICIES

The basis for the establishment of sustainable rate structures for SCRD services is borne from the guiding policies adopted by the Board. This report aligns with the Board's strategic focus area of Asset Stewardship and Engagement and Communication. Other related corporate guiding documents are the Financial Sustainability Policy and the Corporate Asset Management Plan.

CONCLUSION

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

The current user fee rate for Square Bay does not provide sufficient revenue to meet the annual operations and maintenance budget obligations outlined in previous reports. In order to meet the existing operating budget underfunding requirement, and to address the proposed base budget increases proposed for 2023, staff are recommending an increase to the user fee for this system by \$495 (62.98%). Under this recommendation, several deferred projects would be able to proceed in 2023. Staff will engage with the service users prior to the rate setting for 2024.

Reviewed by:			
Manager		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: Special Committee of the Whole - December 9, 2022

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

SUBJECT: SQUARE BAY [387] WASTEWATER CAPITAL PLAN UPDATE

RECOMMENDATION(S)

THAT the report titled Square Bay [387] Wastewater Capital Plan Update be received for information;

AND THAT the Sewage Treatment Facilities Service Unit Bylaw No. 428 (*Schedule B*) be amended to reflect a \$50.00 annual increase in Frontage Fees for the Square Bay Wastewater Service, over the next five years, resulting in the following fees: \$267.00 in 2023, \$317.00 in 2024, \$367.00 in 2025, \$417.00 in 2026, \$467.00 in 2027;

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

BACKGROUND

In [2019](#) a review of Wastewater services was conducted by the Sunshine Coast Regional District (SCRD). This review attempted to identify short and long-term challenges for these services and produced a summary report as well [as individual Asset Management](#) Plans for each of the 15 wastewater services managed by the SCRD.

A key finding of this review was the risk presented by the unsustainable nature of the capital funding for these facilities. The local service area's small user bases are especially vulnerable to debt driven cost increases in the event of a major infrastructure replacement due to the low Capital Reserve balances.

Recommendations to increase the Capital Reserve revenue for Square Bay was made in [2020](#), [2021](#) and [2022](#) and the Frontage Fee has increased from \$102.00 to \$217.42. This frontage fee is sufficient to service the debt obligations related to the recent treatment plant but does not contribute to capital reserve funds.

DISCUSSION

Square Bay wastewater service has 93 participating properties that contribute to capital expenses. The estimated cost to replace the infrastructure for this wastewater service is approximately \$4,000,000. Square Bay had a new treatment plant constructed in 2019.

The current Capital Reserve balance is approximately \$47,000 and current Frontage Fee revenue is only sufficient to cover debt servicing. Assuming only inflationary increases to Frontage Fees debt servicing requirements are projected to exceed the Capital Reserve

revenue by approximately 180% in the next 10 years when significant collection system repairs are anticipated. Failing to proactively increase Capital Reserve contributions is projected to result debt obligations exceeding existing revenues by more than 2500% by the end of the 50-year model.

A typical sustainable rate structure leverages investment returns from reserve funds to offset the capital costs to the residents. While there are near-term expenditures required for the collection system for this service an opportunity to accrue interest and offset projected excessive borrowing.

Residents from this wastewater service have been actively engaged and have provided a preferred rate structure for the next five years. As their proposal only covered a portion of the 50-year models presented below it is not presented as a model but is included as an option below. Communication with these residents indicate that the purpose of their proposal is to provide a modest increase over the next five years to allow further refinement of the capital model and hopefully develop more consensus amongst the community members.

Many comments were received across the wastewater engagement sessions regarding fee stability suggesting that a term of cost certainty was desired.

Options and Analysis

The Capital Plan models in **Attachment A** illustrate proactive vs inflationary increases to Frontage Fees with the major infrastructure occurring at the currently projected end of useful life. A comparison of the 50-year fee structure for both proactive and inflationary increases is presented below in Figure 1.

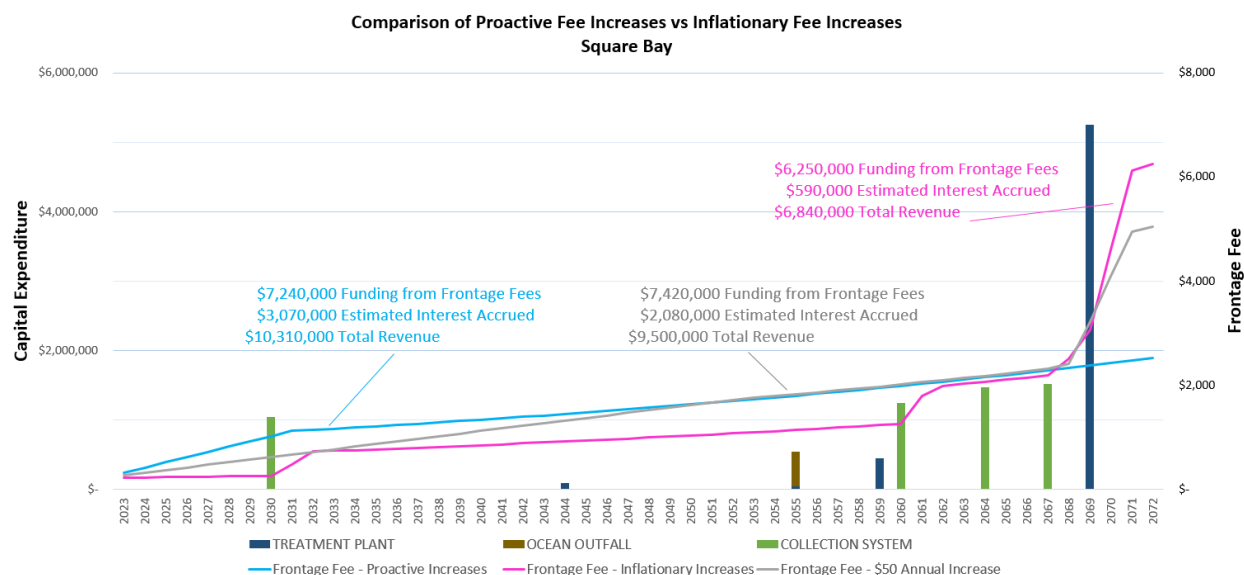


Figure 1: 50-year Comparison Proactive vs Inflationary Increases to Frontage Fees

While following an inflationary increase fee structure may result in the least amount of frontage fees collected across the next 50 years, it projects to result in extreme amounts of debt and excessive Frontage Fees necessary to make payments. This figure illustrates how a short term series of aggressive increase can take advantage of interest accrual and mitigate future debt. It is also shown that nine years of \$100 annual increases mitigates large debt more effectively

than 30 years of \$50 annual increases. The less aggressive approach is projected to result in approximately 70% more debt at the end of the 50 years. Adopting a proactive funding strategy is regarded favorably by many granting agencies.

Both of the options in Figure 1 assume that an Alternate Approval Process (AAP) is required prior to the partial collection system replacement in 2030 and again in 2060 and 2069. The AAP would enable borrowing terms beyond five years which will reduce the annual debt obligation.

Square Bay wastewater service has experienced a marked increase in operational costs due to increasing cost of providing the service as well as infiltration issues that increase operational demands and the costs of repairing the collection system to address the cause of infiltration. Due to the increased operational costs a tempered rate increase may be preferable to reduce the financial burden on service participants.

Five funding options for Square Bay Capital Reserves are presented for consideration with different risks and benefits (see Table 1 below for funding breakdown by year 2023-2027):

Table 1: Frontage Fee Options

Square Bay Wastewater Frontage Fees					
Year	Option 1	Option 2	Option 3	Option 4	Option 5
2023	\$222/yr	\$317/yr	\$317/yr	\$267/yr	\$408/yr
2024	\$226/yr	-	\$417/yr	\$317/yr	\$416/yr
2025	\$231/yr	-	\$517/yr	\$367/yr	\$424/yr
2026	\$235/yr	-	\$617/yr	\$417/yr	\$433/yr
2027	\$240/yr	-	\$717/yr	\$467/yr	\$442/yr

Option 1	This option represents a five-year commitment to no adjustments to the frontage fees aside from an annual adjustment to match Consumer Inflation (assumed 2%).
<i>Benefits</i>	This provides cost certainty to the residents and satisfies the communities desire to be able to plan for expenses over the short-term.
<i>Drawbacks</i>	This option does not increase the reserve contribution amount significantly and leaves exposure to a significant future rate increase necessary to meet debt obligations associated with infrastructure replacement costs.

Option 2	This option is a single-year increase to frontage fees from \$217/yr to \$317/yr. Frontage Fees will continue to be reviewed and adjusted on an annual basis.
<i>Benefits</i>	This increases the annual capital revenue for this service by 46% and will help to build Capital Reserves more rapidly than Option 1.
<i>Drawbacks</i>	This option does provide cost certainty to the residents. This option does not achieve sustainable funding for this service and will either require further increases to the frontage fee or a significant increase to frontage fees to meet debt obligations associated with future infrastructure replacement costs

Option 3	This option represents a five-year commitment towards achieving sustainable funding through five stepped increases of \$100/year.
<i>Benefits</i>	This increases the annual capital revenue for this service by 330% by the end of year 5 and will help to build Capital Reserves more rapidly than either other option. This option aligns with a capital model that mitigates the magnitude of future increase necessary to meet debt obligations associated with the future infrastructure costs. This option likely increases grant eligibility by demonstrating action towards sustainable service delivery. This option allows for a review of the capital plan prior to committing to the final 3 years of increases. Modeling indicates less aggressive approaches to funding struggle to establish sustainable funding.
<i>Drawbacks</i>	This option requires a subsequent 3-years of rate increases beyond the initial 5-year commitment to achieve sustainable funding. This option is the most expensive for residents over the next five years.

Recommended

Option 4	This option represents a five-year commitment towards achieving sustainable funding through five stepped increases of \$50/year.
<i>Benefits</i>	This increases the annual capital revenue for this service by ~215% by the end of year 5 and will help to build Capital Reserves. This option balances the communities desire to avoid committing to rapid rate increases while still aligning with a long-term plan to achieve rate stability. This option also mitigates the magnitude of future increase necessary to meet debt obligations associated with the future infrastructure costs.
<i>Drawbacks</i>	This option requires a subsequent 25-years of rate increases beyond the initial 5-year commitment to achieve sustainable funding. This option is more expensive than rapidly increasing rates to a sustainable level.

Option 5	This option represents the proposal by residents of the wastewater service.
<i>Benefits</i>	This increases the annual capital revenue for this service by ~200% by the end of year 5 and will help to build Capital Reserves more rapidly than Option 1. This option is preferred by residents.
<i>Drawbacks</i>	This option does not align with a 50-year sustainable funding model and future more aggressive rate increases would likely be needed to establish sustainable funding. Delaying rate increases perpetuates the forecasted inequality in the cost of the service for future residents.

Organizational and Intergovernmental Implications

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

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

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

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

Financial Implications

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

Timeline for next steps or estimated completion date

Ongoing monitoring of the condition and performance of the treatment system will inform next steps. Since the initial service review in 2019 the Board has received annual updates of the financial modelling for capital infrastructure at wastewater services. Depending on the option selected above it is possible to extend the time between updates for this service until the operational projects are completed or an emerging development occurs.

As more information on the condition of the collection system becomes available and the extent of work required to mitigate the excessive infiltration observed last winter is determined the capital plan will be updated to reflect the latest understanding.

Communications Strategy

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

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

STRATEGIC PLAN AND RELATED POLICIES

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

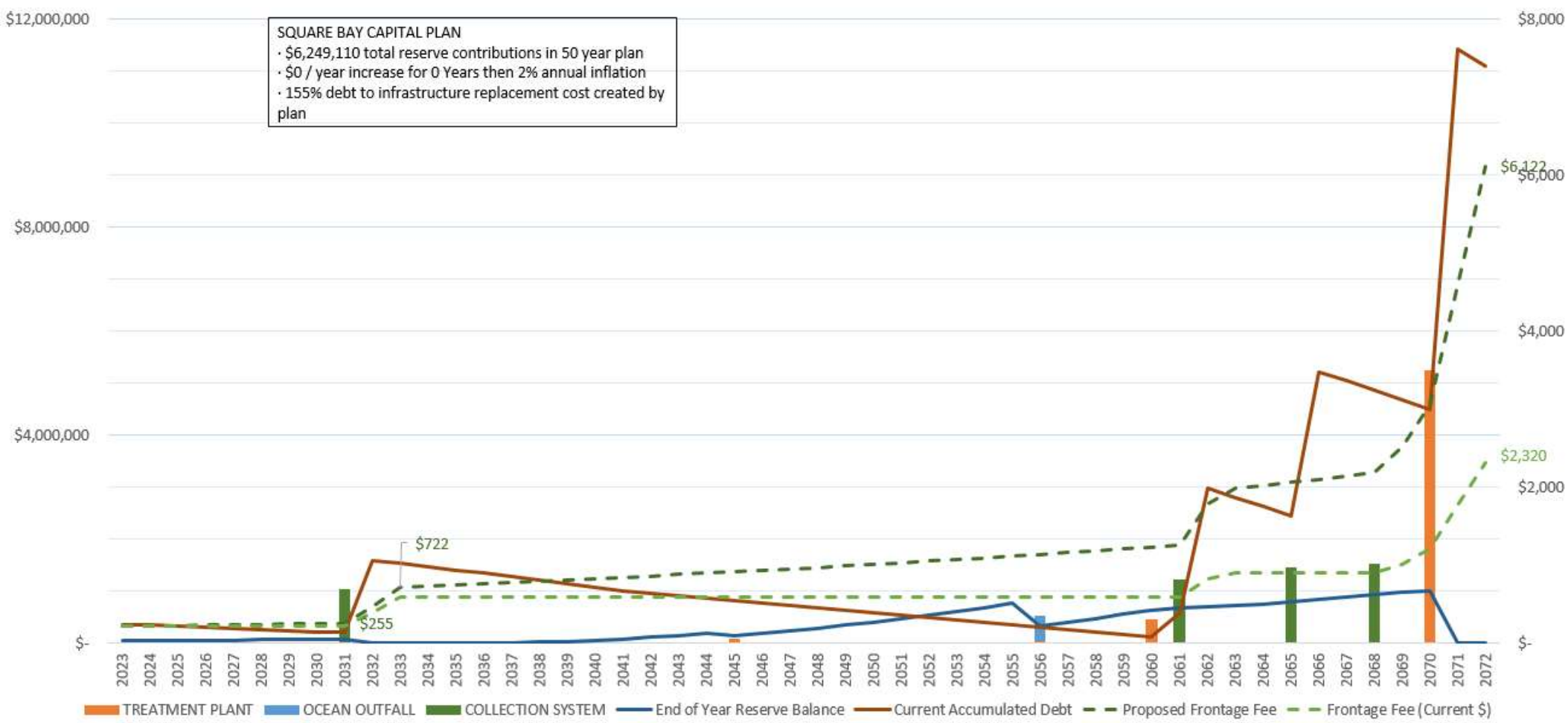
CONCLUSION

The Square Bay Wastewater Service has an infrastructure funding deficit. Adjustments to the revenues that contribute to Capital Reserves can mitigate projected debt obligations necessary to replace critical infrastructure. **Staff recommend that the Board implement \$50.00 annual increases over the next five years, resulting in \$267.00 in 2023, \$317.00 in 2024, \$367.00 in 2025, \$417.00 in 2026, \$467.00 in 2027.**

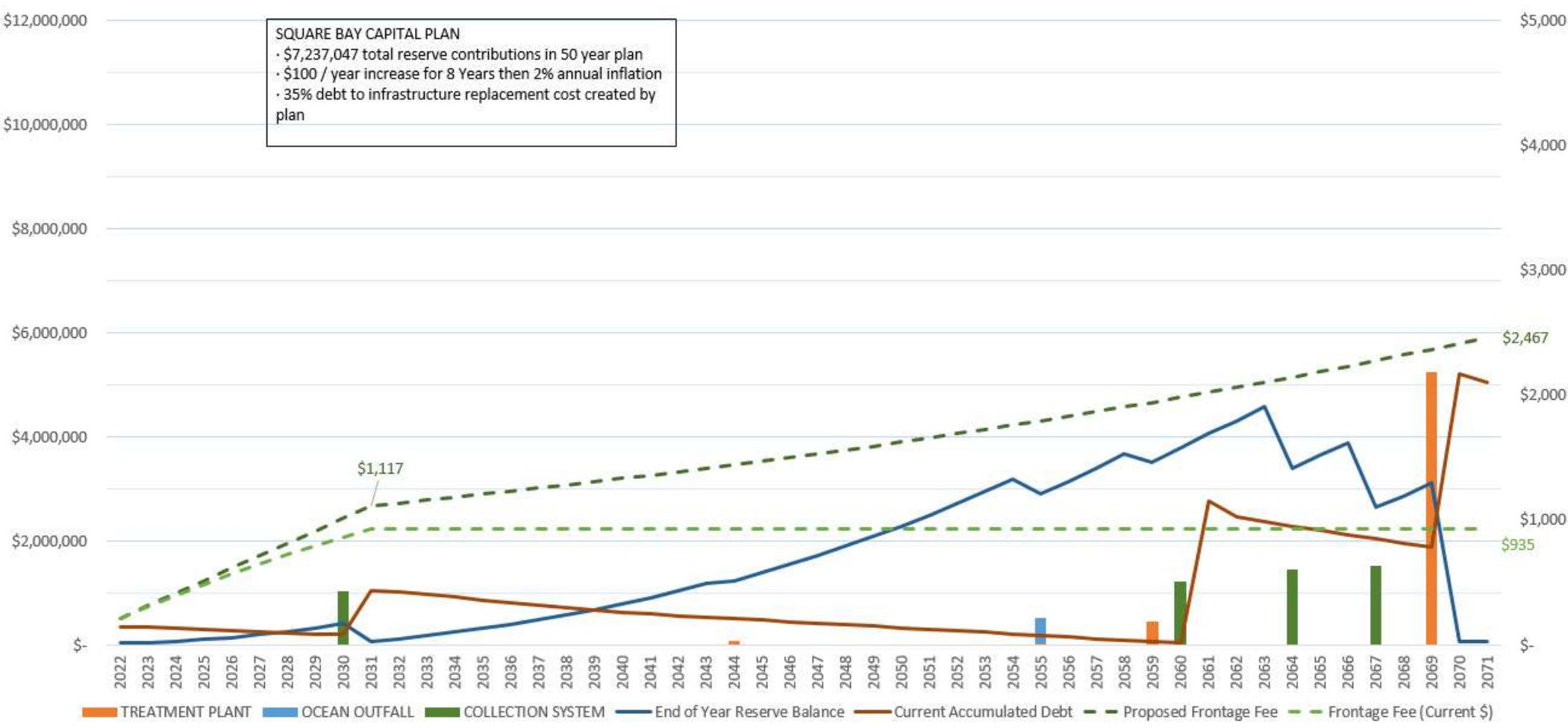
ATTACHMENT A – 50-Year Capital Plans

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

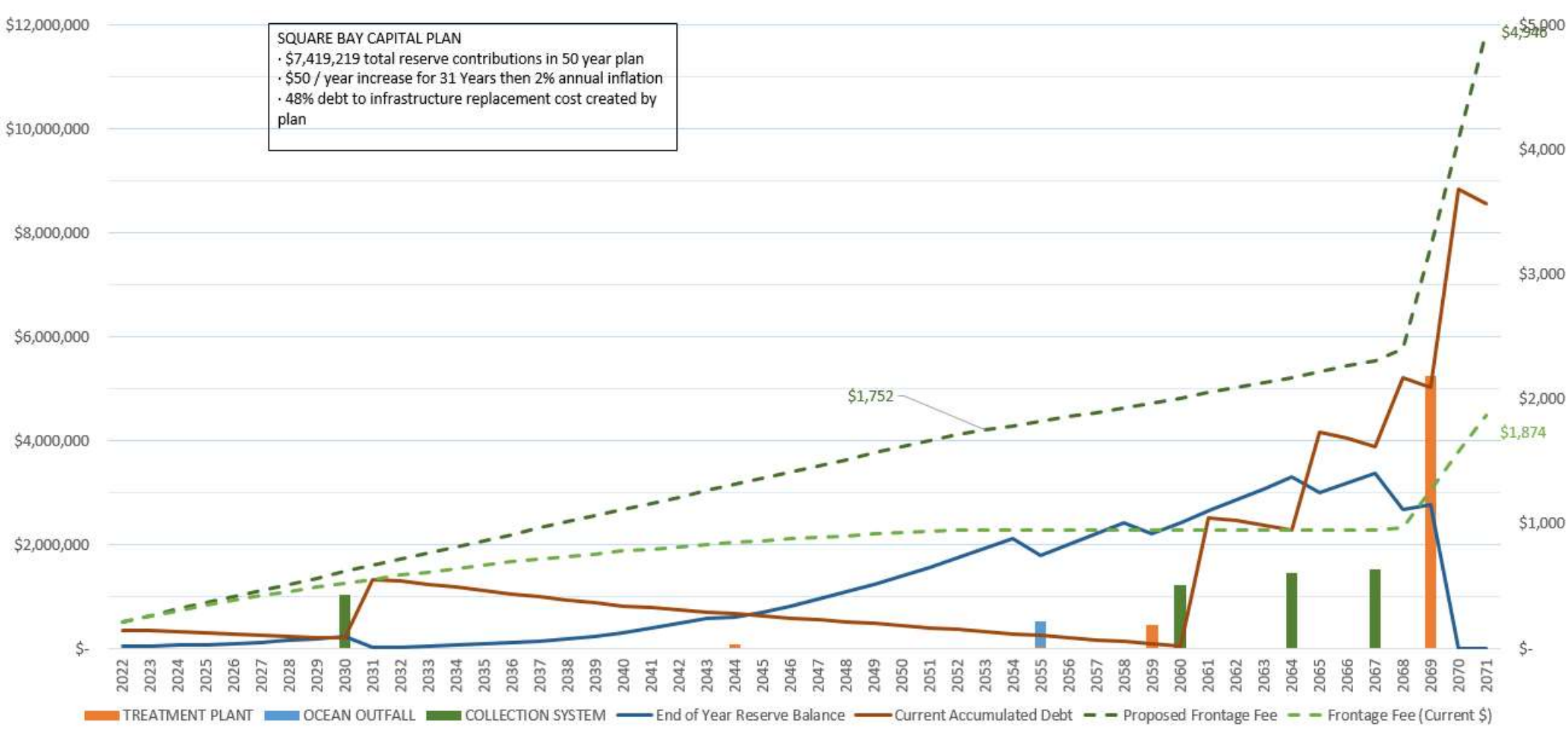
Attachment A – Square Bay Wastewater Service Capital Plan Inflationary Increases Only



Attachment A – Square Bay Wastewater Service Capital Plan Proactive Increases



Attachment A – Square Bay Wastewater Service Capital Plan Proactive Increases – \$50 Dollar / yr



SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – December 9, 2022

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

SUBJECT: **LANGDALE [388] WASTEWATER 2023 USER FEE REVIEW**

RECOMMENDATIONS

THAT the report titled Langdale [388] Wastewater 2023 User Fee Review be received for information;

AND THAT the Sewage Treatment Facilities Service Unit Bylaw No. 428, (Schedule C) be amended to increase the Langdale Service Area User Fees to \$1,427.22 for 2023;

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

BACKGROUND

The Langdale Service Area (Langdale) consists of 40 billable users. The current user rate per single family residential dwelling for 2022 is \$1,126.43.

An amendment to Sewage Treatment Facilities Service Unit Bylaw No. 428, (Schedule C) is required to be adopted prior to January 1, 2023 in order to meet the legislated timelines for adoption of the Financial Plan Bylaw, the Parcel Tax Roll review process, and the associated billing.

At the November 18, 2021 Infrastructure Services Committee, a report was presented to the Board which recommended rate increases for some of the wastewater treatment plant service areas in 2022 and future years, and resulted in the Sunshine Coast Regional District (SCRD) Board adopting the following resolution on November 25, 2021 (in part):

308/21 Recommendation No. 6 Wastewater 2022 User Fee Reviews

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

Service	2022
Langdale	\$1,126.43

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

Service	2023	2024
Langdale	\$1,160.22	\$1,195.03

At the February 17, 2022 Community Services Committee, a report was presented to the Board which identified an underfunding due to the disparity between the user fee revenue collected, and the operating budget, within the Langdale service area. Due to the timing of that report and the, following resolution on February 24, 2022:

044/22 **Recommendation No. 11** *Langdale Community Sewage Treatment Service*
(in part)

AND THAT \$5,987 of the [388] Langdale Operating Reserve be used to fund 2022 operations;

The purpose of this report is to discuss the current financial sustainability of the Langdale wastewater service area operations and to recommend 2023 user fee rate increases which align with the funding requirements of the service.

DISCUSSION

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

Since 2020 the SCRD has been working to improve the operations and maintenance of its wastewater treatment services to improve their performance, expand their useful life and reduce the potential for regulatory non-compliances and associated unintended environmental impacts. The improved operation of these services is possible because of additional staff resources approved by the Board in 2019. Additionally, operational expenditures for contracted services and materials and supplies have increased.

In 2022, user fee revenue was insufficient to fund budgeted operating expenditures at Langdale and the Board resolved in early 2022 to fund this underfunding, in the short-term, by utilizing existing operating reserves in 2022 which have contributed to the depletion of the reserve. For 2023, it is recommended that this underfunding be eliminated to ensure financial sustainability and fee equity within the service area. The Board resolved in November 2021 to increase the user fee for Langdale by a nominal amount in not only 2022, but in 2023 and 2024 as well. This report has reassessed the rate requirements for 2023 and has presented a recommended rate increase for 2023 that incorporates the existing approved amount.

A thorough analysis of the Langdale operating budget was performed in Q4 2022 to review additional operational cost pressures anticipated for 2023 that will require additional funding. As part of the 2023 budget proposal process, staff have recommended that the base operating budget for Langdale be increased by the following amount to account for anticipated increases to operations and maintenance spending in 2023:

- Annual increase to Contracted Services base budget (i.e. Pumpouts)
 - \$3,952.80

Historical Rates

Historical rates and annual increases are as follows:

	2020	2021	2022	*2023
User Fee	\$924.98	\$1,109.78	\$1,126.43	\$1,427.22
Total \$ Increase		184.80	\$214.65	\$267.00
Total % Increase		19.98%	1.50%	23.01%

*Recommended for 2023

Approved Project Details

There are currently two approved projects in Langdale that are in progress or are scheduled carryforward projects to be completed in 2023/24. These projects are funded by existing committed reserve accounts and/or grant funds and do not impact user fees:

Remediation Project \$261,000

- The wastewater plant is in a bypass situation and a permanent solution is required.

Statutory Right of Way (SRW) \$4,000

- Some of the collection system is situated on private land without a legal SRW for access to maintain and repair the infrastructure.

Options and Analysis

The following options and analysis are based on addressing the current underfunding caused by the disparity between the user fees collected, and the operating budget, the difference of which has historically been funded by reserves. This has resulted in the depletion of reserve which limit the ability to fund emerging issues. To fund the anticipated 2023 operating budget underfunding as well as the proposed increases to the base budget of \$3,952.80, the following options are presented for review:

Option 1 – Underfunding 100% addressed (23.01% rate increase)

Fee Summary	User Fee
Current User Fee Rate	\$1,160.22
Proposed Increase	\$267.00
2023 User Fee Rate	\$1,427.22
% Increase	23.01%
Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$679
Projected 2022 Surplus/(Deficit)	(\$0)
Budgeted Transfers to Reserves	\$4,331
Budgeted Transfers from Reserves	(\$)
Ending Uncommitted Balance	\$5,010

Staff recommend this option for the following reasons:

- Eliminates operating budget underfunding and reduces allocation of parcel tax revenue used to fund operations, which aligns with Financial Sustainability Policy.
- The projected Ending Uncommitted Operational Reserve Balance provides for the financial capacity to respond to emergency situations and components of the capital investment required in the upcoming years that should only be funded from operating versus capital reserves, including feasibility studies and engineering design.

Option 2 – 50% Minimum Reserve Balance (17.63% rate increase)

Fee Summary	User Fee
Current Rate	\$1,160.22
Proposed Increase	\$204.50
2023 Rate	\$1,364.72
% Increase	17.63%
Operating Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$679
Projected 2022 Surplus/(Deficit)	\$0
Budgeted Transfers to Operating Reserves	\$1,831
Budgeted Transfers from Operating Reserves	\$0
Ending Uncommitted Balance	\$2,510

Staff do not recommend this option for the following reasons:

- This option results in an operating reserve level whereby the service may not be able to pay for unforeseen expenditures. This would require a further increase in 2024 to recover a deficit.

Financial Implications

The following table summarizes the net operating impact from each of the two options.

	Option #1 (23.01%)	Option #2 (10.0%)
User Fee Revenue	57,089	54,589
Expenses		
Administrative	(4,462)	(4,462)
Salaries & Wages	(22,192)	(22,192)
Operating	(26,104)	(26,104)
Net Funding (Underfunding)	4,331	1,831
Operating Projects	-	-
Net Operating Deficit	4,331	1,831

Timeline for next steps or estimated completion date

If approval is received to amend user fees, the appropriate bylaw amendments will be drafted and presented to the December 15, 2022 Special Board Meeting for three readings and adoption.

Communications Strategy

A communication and public participation plan was approved as part of the 2022 budget process to inform service area participants in 2022 about facility operations and 2023 rates for the Langdale wastewater treatment facility. A Community Information Session was held on October 19, 2022. Information regarding rate changes and funding has been communicated via print advertising, social media, and will be included on utility invoices, and posted on the SCRD website.

STRATEGIC PLAN AND RELATED POLICIES

The basis for the establishment of sustainable rate structures for SCRD services is borne from the guiding policies adopted by the Board. This report aligns with the Board's Strategic focus area of Asset Stewardship and Engagement and Communication. Other related corporate guiding documents are the Financial Sustainability Policy and the Corporate Asset Management Plan.

CONCLUSION

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

The current user fee rates approved for 2022 and 2023 (see 'Background') for Langdale do not provide sufficient revenue to meet the annual operations and maintenance budget obligations within the service area. In order to meet the existing operating budget underfunding requirement and to address the proposed base budget increase for 2023, staff recommend an increase to the user fee for this system to \$1,427.22 in 2023. This increase represents an increase of 26.7% from the 2022 user fee of \$1,126.43 and a 23.01% increase from the 2023 approved rate of \$1,160.22.

Reviewed by:			
Manager		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: Special Committee of the Whole - December 9, 2022

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

SUBJECT: LANGDALE [388] WASTEWATER CAPITAL PLAN UPDATE

RECOMMENDATION(S)

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

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

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

BACKGROUND

In [2019](#) a review of Wastewater services was conducted by the Sunshine Coast Regional District (SCRD). This review attempted to identify short and long-term challenges for these services and produced a summary report as well as [individual Asset Management Plans](#) for each of the 15 wastewater services managed by the SCRD.

A key finding of this review was the risk presented by the unsustainable nature of the capital funding for these facilities. The local service area's small user bases are especially vulnerable to debt driven cost increases in the event of a major infrastructure replacement due to the low Capital Reserve balances.

Recommendations to increase the Capital Reserve revenue for Langdale was made in [2020](#), [2021](#) and [2022](#) and the Frontage Fee has increased from \$102.00 to \$400.00.

DISCUSSION

Langdale wastewater service has 31 participating properties that contribute to capital expenses. The estimated cost to replace the infrastructure for this wastewater service is approximately \$1,800,000. The treatment plant for this service has reached the end of its serviceable life. A recent [engineering review](#) was conducted for this treatment system. Two options to replace the treatment plant have been developed; simply demolish and reconstruct the existing treatment plant -or- connect to the neighbouring wastewater service and arrange a cost sharing agreement. A grant application has been submitted for the replacement of the treatment plant which is projected to be the most affordable option if the grant is received.

Given the negligible current reserve balance and assuming that the annual Capital Reserve revenue for this service will only increase with consumer inflation, debt servicing requirements are projected to exceed the Capital Reserve revenue by approximately 260% in the next 10 years when significant treatment plant upgrades are anticipated. Successful receipt of the grant would reduce this jump.

A typical sustainable rate structure leverages investment returns from reserve funds to offset the capital costs to the residents. Increasing the annual revenue in the lead up to infrastructure replacement will mitigate the frontage fee increase necessary to meet future debt servicing obligations.

Many comments were received across the wastewater engagement sessions regarding fee stability suggesting that a term of cost certainty was desired.

Options and Analysis

The Capital Plan models in Attachment A illustrate proactive and inflationary increases to Frontage Fees for both potential solutions articulated above. The status of the grant application will significantly determine the sustainable level of funding for this system. Assuming there is no grant it is expected that the service will need to increase Capital Reserve revenue to meet future debt obligations. Figure 1 below illustrates the difference between inflationary and proactive increases if no grant is received and a connection to the neighbouring wastewater service is pursued.

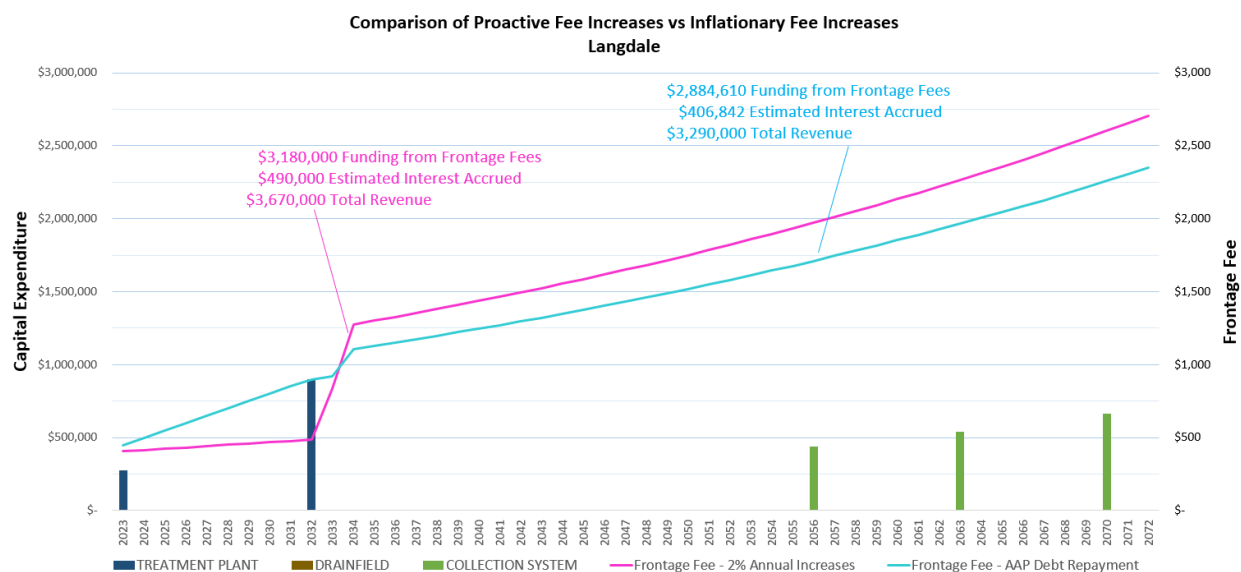


Figure 1: Inflationary vs Proactive Increase 50-year Capital Plan

This shows how large increases in the revenue due to debt obligations can be avoided through proactive increases to the Frontage Fee and how a more consistent predictable fee structure can be established.

Three funding options for Langdale Capital Reserves are presented for consideration with different risks and benefits (see Table 1 below for funding breakdown by year 2023-2027):

Table 1: Frontage Fee Options

Langdale Wastewater Frontage Fees			
Year	Option 1	Option 2	Option 3
2023	\$408/yr	\$450/yr	\$450/yr
2024	\$416/yr	-	\$500/yr
2025	\$424/yr	-	\$550/yr
2026	\$433/yr	-	\$600/yr
2027	\$442/yr	-	\$650/yr

Option 1	This option represents a five-year commitment to no adjustments to the frontage fees aside from an annual adjustment to match Consumer Inflation (assumed 2%).
Benefits	This provides cost certainty to the residents and satisfies the communities desire to be able to plan for expenses over the short-term.
Drawbacks	This option does not increase the reserve contribution amount significantly and leaves exposure to a significant future rate increase necessary to meet debt obligations associated with infrastructure replacement costs.

Recommended

Option 2	This option is a single-year increase to frontage fees from \$400/yr to \$450/yr. Langdale Frontage Fees will continue to be reviewed and adjusted on an annual basis.
Benefits	This increases the annual capital revenue for this service by 12.5% and will help to build Capital Reserves more rapidly than Option 1. This option will enable a review of the capital funding after the grant status is known and the next steps for this service have been better defined.
Drawbacks	This option does provide cost certainty to the residents. This option does not achieve sustainable funding for this service and will either require further increases to the frontage fee or a significant increase to frontage fees to meet debt obligations associated with future infrastructure replacement costs

Option 3	This option represents a five-year commitment towards achieving sustainable funding through five stepped increases of \$50/year.
<i>Benefits</i>	This increases the annual capital revenue for this service by 62.5% by the end of year 5 and will help to build Capital Reserves more rapidly than either other option. This option also mitigates the magnitude of future increase necessary to meet debt obligations associated with the future infrastructure costs. This option likely increases grant eligibility by demonstrating action towards sustainable service delivery.
<i>Drawbacks</i>	This option is the most expensive for residents over the next five years.

Organizational and Intergovernmental Implications

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

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

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

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

Financial Implications

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

Timeline for next steps or estimated completion date

Results of the grant application and ongoing monitoring of the condition and performance of the treatment system will inform next steps. Since the initial service review in 2019 the Board has received annual updates of the financial modelling for capital infrastructure at wastewater services. Depending on the option selected above it is possible to extend the time between updates for this service until the operational projects are completed or an emerging development occurs.

Funding opportunities for design and construction of the eventual treatment system replacement will continue to be sought.

Communications Strategy

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

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

STRATEGIC PLAN AND RELATED POLICIES

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

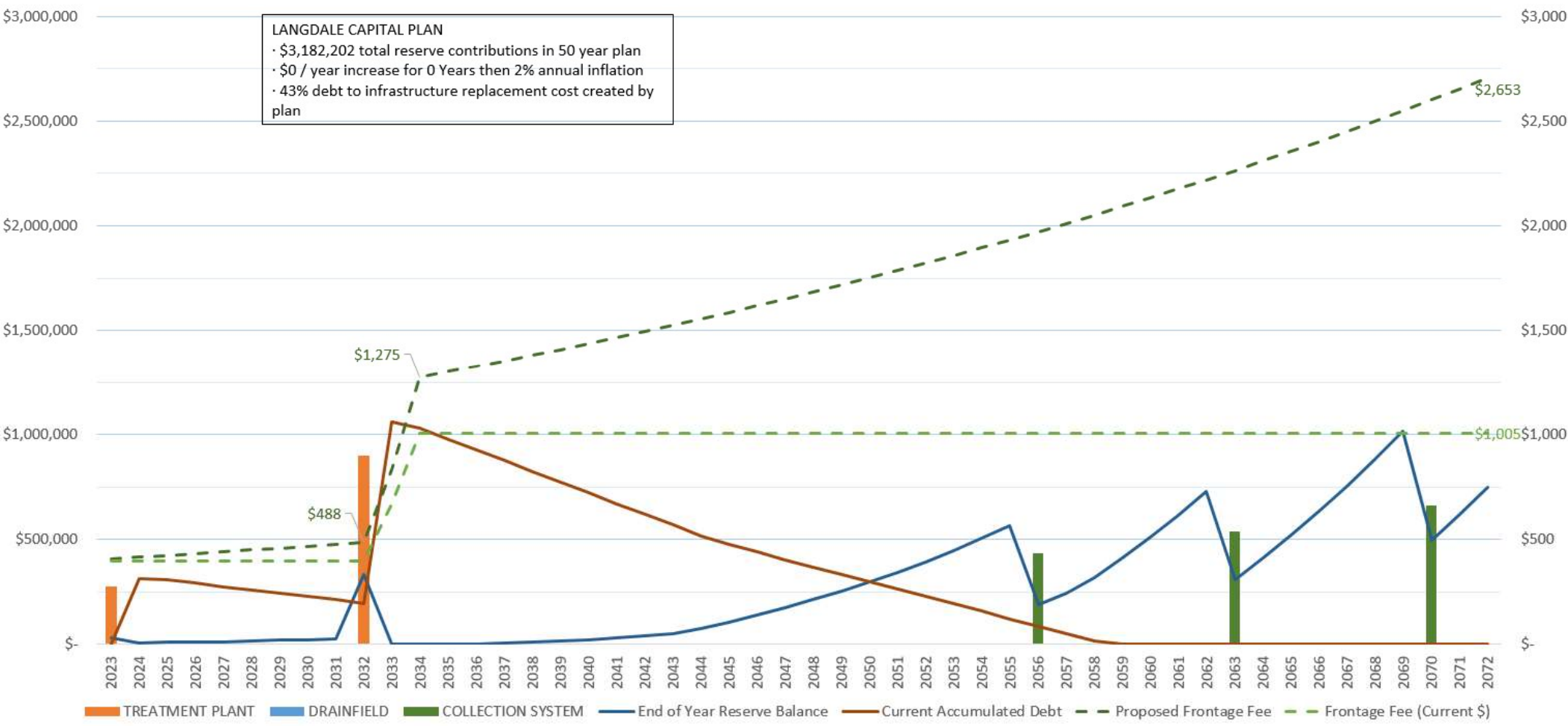
CONCLUSION

The Langdale Wastewater Service has an infrastructure funding deficit and is facing significant infrastructure costs in the next 20 years. Adjustments to the revenues that contribute to Capital Reserves can mitigate projected debt obligations necessary to replace critical infrastructure. **Staff recommend that the Board implement a one-time \$50.00 increase, resulting in a 2023 Frontage Fee of \$450.00, and to be reviewed again prior to the 2024 budget.**

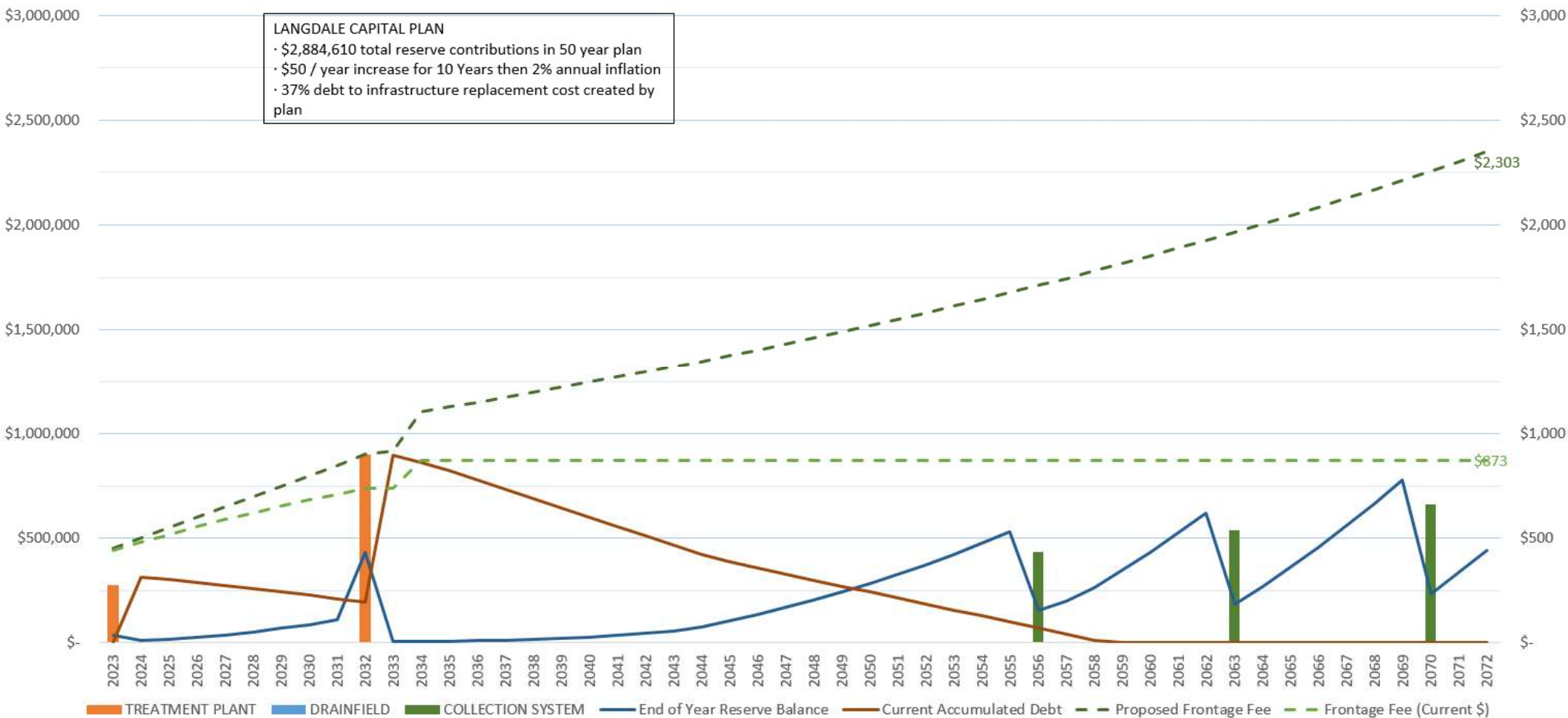
ATTACHMENT A – 50-Year Capital Plans

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

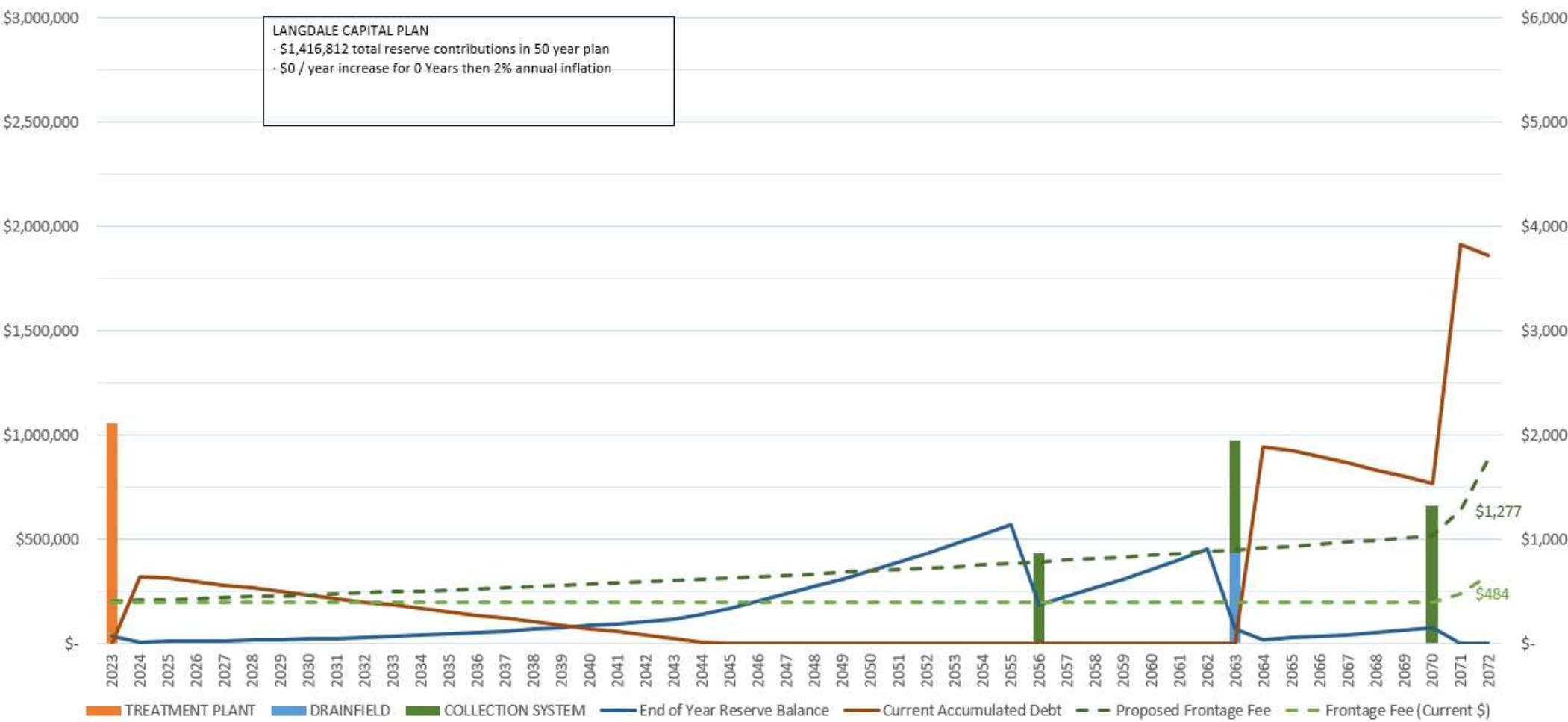
Attachment A – Langdale Wastewater Service Capital Plan Inflationary Increases Only
No Grant



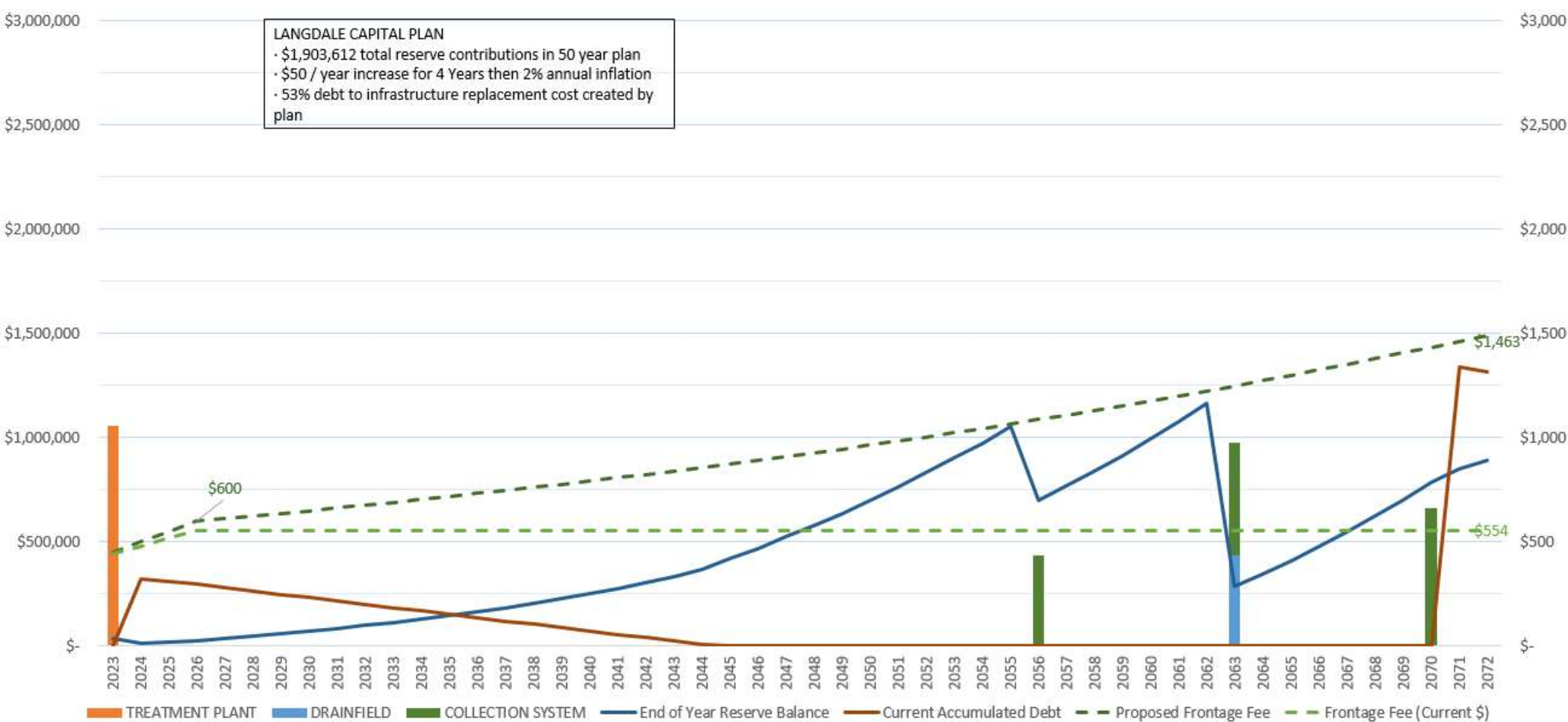
Attachment A – Langdale Wastewater Service Capital Plan Proactive Increases
No Grant



Attachment A – Langdale Wastewater Service Capital Plan Inflationary Increases Only – Successful Grant Scenario



Attachment A – Langdale Wastewater Service Capital Plan Proactive Increases - Successful Grant Scenario



SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – December 9, 2022

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

SUBJECT: CANOE ROAD [389] WASTEWATER 2023 USER FEE REVIEW

RECOMMENDATIONS

THAT the report titled Canoe Road [389] Wastewater 2023 User Fee Review be received for information;

AND THAT the Canoe Road Sewer Service Area User Fee for 2023 remain the same as 2022;

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

BACKGROUND

The Canoe Road Service Area (Canoe Road) consists of six (6) billable users. The current user rates per single family residential dwelling for 2022 is \$985.

At the November 18, 2021 Infrastructure Services Committee, a report was presented to the Board which recommended rate increases for some of the wastewater treatment plant service areas in 2022 and future years, and resulted in the Sunshine Coast Regional District (SCRD) Board adopting the following resolution on November 25, 2021 (in part):

308/21 Recommendation No. 6 Wastewater 2022 User Fee Reviews

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

Service	2022
<i>Canoe</i>	<i>\$985.31</i>

The purpose of this report is to discuss the current financial sustainability of the Canoe Road wastewater service area operations and to review 2023 user fee rate requirements to ensure that they align with the funding requirements of the service.

DISCUSSION

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

Since 2020 the SCRD has been working to improve the operations and maintenance of its wastewater treatment services to improve their performance, expand their useful life and reduce the potential for regulatory non-compliances and associated unintended environmental impacts. The improved operation of these services is possible because of additional staff resources approved by the Board in 2019. Additionally, operational expenditures for contracted services and materials and supplies have increased.

A thorough analysis of the Canoe Road operating budget and operating reserve level was performed in Q4 2022 in order to determine the financial sustainability of the service area. Based on this review it has been determined by staff that the existing user fee rate is sufficient to fund the operational costs of this service area in 2023. Current operating reserve levels meet the threshold goal that has been set and there are no requirements at this time to increase user rates. Annual reviews of the user fees and operating budgets will continue to be performed to ensure that this service area remains financially sustainable.

Historical Rates

Historical rates and annual increases are as follows:

	2020	2021	2022	*2023
User Fee	\$1,076.58	\$970.75	\$985.31	\$985.31
Total \$ Increase		-\$105.83	\$14.56	\$0.00
Total % Increase		-9.83%	1.50%	%0.00

*Recommended for 2023

Options and Analysis

As discussed, the user fee and operating budget for the Canoe Road service area is adequate and therefore staff are recommending no rate increase to the user fees for 2023.

Option 1 – 0.00% rate increase to user fees

Fee Summary	User Fee
Current User Fee Rate (2022)	\$985.31
Proposed Increase	\$0.00
2023 Rate	\$985.31
% Increase	0.00%
Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$7,526
Projected 2022 Surplus	\$2,000
Budgeted Transfers to Reserves	\$1,672
Budgeted Transfers from Reserves	(\$0)
Ending Uncommitted Balance	\$11,198

Staff recommend this option for the following reasons:

- Existing user fee revenue adequately funds the required operating budget expenditures.
- Current operating reserve levels meet the minimum reserve threshold.

Financial Implications

The following table summarizes the net operating impact from of the option identified above.

Option #1 (0.00%)	
User Fee Revenue	5,912
Expenses	
Administrative	(612)
Salaries & Wages	(2,939)
Operating	(689)
Net Funding	
(Underfunding)	1,672
Operating Projects	-
Net Operating Surplus	1,672

Timeline for next steps or estimated completion date

N/A

Communications Strategy

A communication and public participation plan was approved as part of the 2022 budget process to inform service area participants about facility operations and 2023 rates. A Community Information Session was held on October 26, 2022. Any future information regarding rate changes will be communicated via print advertising, social media, and will be included on utility invoices, and posted on the SCRD website.

STRATEGIC PLAN AND RELATED POLICIES

The basis for the establishment of sustainable rate structures for SCRD services is borne from the guiding policies adopted by the Board. This report aligns with the Board's Strategic focus area of Asset Stewardship and Engagement and Communication. Other related corporate guiding documents are the Financial Sustainability Policy and the Corporate Asset Management Plan.

CONCLUSION

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

The current 2022 user fee rate for Canoe Road provides sufficient revenues to meet the 2023 annual operations and maintenance budget obligations. Staff have determined that the annual user fee rate for Canoe Road does not change for 2023.

Reviewed by:			
Manager		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: Special Committee of the Whole - December 9, 2022

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

SUBJECT: CANOE ROAD [389] WASTEWATER CAPITAL PLAN UPDATE

RECOMMENDATION(S)

THAT the report titled Canoe Road [389] Wastewater Capital Plan Update be received for information;

AND THAT the Sewage Treatment Facilities Service Unit Bylaw No. 428 (*Schedule B*) be amended to reflect a \$50.00 annual increase in Frontage Fees for the Canoe Road Wastewater Service, over the next five years, resulting in the following fees: \$474.00 in 2023, \$524.00 in 2024, \$574.00 in 2025, \$624.00 in 2026, and \$674.00 in 2027;

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

BACKGROUND

In [2019](#) a review of Wastewater services was conducted by the Sunshine Coast Regional District (SCRD). This review attempted to identify short and long-term challenges for these services and produced a summary report as well as [individual Asset Management Plans](#) for each of the 15 wastewater services managed by the SCRD.

A key finding of this review was the risk presented by the unsustainable nature of the capital funding for these facilities. The local service area's small user bases are especially vulnerable to debt driven cost increases in the event of a major infrastructure replacement due to the low Capital Reserve balances.

Recommendations to increase the Capital Reserve revenue for Canoe Road were made in [2020](#), [2021](#) and [2022](#) and the Frontage Fee has increased from \$153.00 to \$424.30.

DISCUSSION

Canoe Road wastewater service has 10 participating properties that contribute to capital expenses. The estimated cost today to replace the infrastructure necessary for this wastewater service is approximately \$270,000. A new treatment system was installed in 2019. This service has no formal collection system which presents a potential risk as the underground pipes have not been located and are not maintained by the Regional District currently. This capital plan considers the installation of a collection system that meets design standards and enables proactive maintenance activities within the next 10 years.

Given the current reserve balance of approximately \$3,453 and assuming that the annual Capital Reserve revenue for this service will only increase with consumer inflation, debt servicing requirements are projected to exceed the Capital Reserve revenue by approximately 70% when the collection system is established.

A typical sustainable rate structure leverages investment returns from reserve funds to offset the capital costs to the residents. Canoe Road could benefit by slightly increasing the annual revenue in the lead up to collection system installation. This will mitigate the frontage fee increase necessary to meet debt servicing obligations while allowing for pursuit of alternative funding options.

Many comments were received across the wastewater engagement sessions regarding fee stability suggesting that a term of cost certainty was desired.

Options and Analysis

The Capital Plan models in **Attachment A** illustrate proactive vs inflationary increases to Frontage Fees with the major infrastructure occurring at the currently projected end of useful life. A comparison of the 50-year fee structure for both proactive and inflationary increases is presented below in Figure 1.

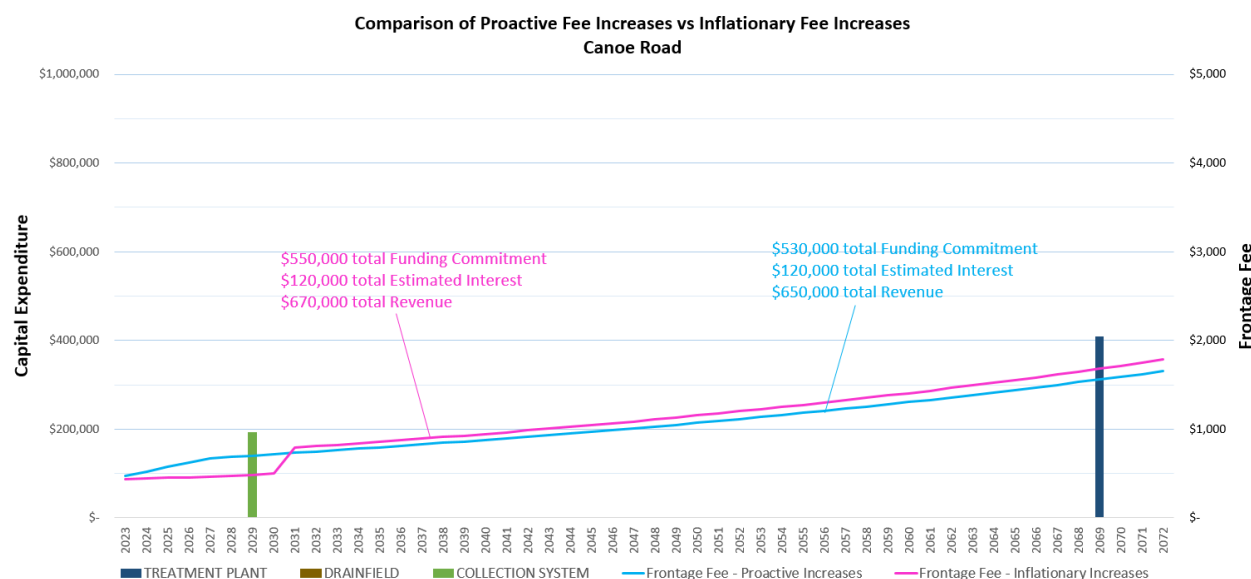


Figure 1: 50-year Comparison Proactive vs Inflationary Increases to Frontage Fees

This illustrates approximately \$2,000 per parcel savings across the next 50 years through proactively increasing the contributions to capital reserves over five years. Proactively increasing the frontage fees over five years eliminates the potential of a large rate increase forced upon residents over one year due to debt servicing obligations. Adopting a proactive funding strategy is regarded favorably by many granting agencies.

Five years of \$50 annual increases to the frontage fees are modeled as the proactive Frontage Fee increases. In response to resident comments regarding cost certainty and in alignment with the 5-year Financial Planning cycle, it is recommended that a five-year term be committed to when selecting a funding option.

Both of the options in Figure 1 assume that an Alternate Approval Process (AAP) is required prior to the collection system installation in 2029. The AAP would enable borrowing terms beyond five years which will reduce the annual debt obligation. Three funding options for Canoe Road Capital Reserves are presented for consideration with different risks and benefits (see Table 1 below for funding breakdown by year 2023-2027):

Table 1: Frontage Fee Options

Canoe Road Wastewater Frontage Fees			
Year	Option 1	Option 2	Option 3
2023	\$424/yr	\$474/yr	\$474/yr
2024	\$433/yr	-	\$524/yr
2025	\$441/yr	-	\$574/yr
2026	\$450/yr	-	\$624/yr
2027	\$459/yr	-	\$674/yr

Option 1	This option represents a five-year commitment to no adjustments to the frontage fees aside from an annual adjustment to match Consumer Inflation (assumed 2%).
<i>Benefits</i>	This provides cost certainty to the residents and satisfies the communities desire to be able to plan for expenses over the short-term.
<i>Drawbacks</i>	This option does not increase the reserve contribution amount significantly and leaves exposure to a significant future rate increase necessary to meet debt obligations associated with infrastructure replacement costs.

Option 2	This option is a single-year increase to frontage fees from \$424/yr to \$474/yr. Canoe Road Frontage Fees will continue to be reviewed and adjusted on an annual basis.
<i>Benefits</i>	This increases the annual capital revenue for this service by ~12% and will help to build Capital Reserves more rapidly than Option 1.
<i>Drawbacks</i>	This option does provide cost certainty to the residents. This option does not achieve sustainable funding for this service and will either require further increases to the frontage fee or a significant increase to frontage fees to meet debt obligations associated with future infrastructure replacement costs

Recommended	
Option 3	This option represents a five-year commitment towards achieving sustainable funding through five stepped increases of \$50/year.
<i>Benefits</i>	This increases the annual capital revenue for this service by ~60% by the end of year 5 and will help to build Capital Reserves more rapidly than either other option. This option also mitigates the magnitude of future increase necessary to meet debt obligations associated with the future infrastructure costs. This option likely increases grant eligibility by demonstrating action towards sustainable service delivery.
<i>Drawbacks</i>	This option is the most expensive for residents over the next five years.

Organizational and Intergovernmental Implications

This wastewater system is registered with Vancouver Coastal Health. Compliance with effluent discharge permit requirements is met by ensuring the infrastructure is in good working order.

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

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

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

Financial Implications

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

Timeline for next steps or estimated completion date

Ongoing monitoring of the condition and performance of the treatment system will inform next steps. Since the initial service review in 2019 the Board has received annual updates of the financial modelling for capital infrastructure at wastewater services. Depending on the option selected above it is possible to extend the time between updates for this service until the operational projects are completed or an emerging development occurs.

Funding opportunities for design and construction of the eventual treatment system replacement will continue to be sought.

Communications Strategy

Staff have worked to establish an online presence for each wastewater service at letstalk.scrd.ca – this will be the primary point of contact for these wastewater participants. This

will be communicated on utility billing literature and through typical social media channels occasionally.

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

STRATEGIC PLAN AND RELATED POLICIES

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

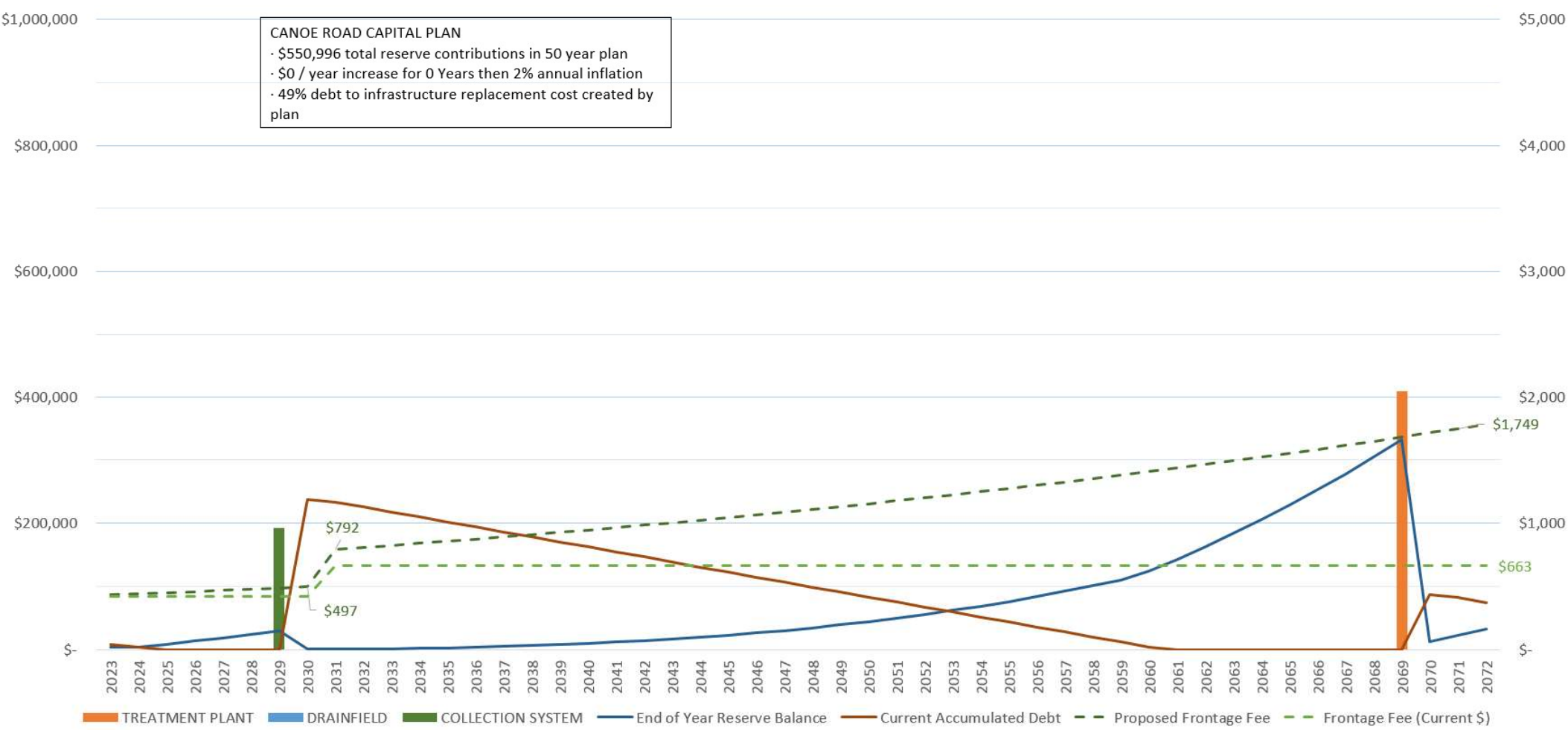
CONCLUSION

The Canoe Road Wastewater Service has an infrastructure funding deficit and is facing significant infrastructure costs in the next 20 years. Adjustments to the revenues that contribute to Capital Reserves can mitigate projected debt obligations necessary to replace critical infrastructure. **Staff recommend that the Board implement \$50.00 annual increases over the next five years, resulting in the following Frontage Fees: \$474.00 in 2023, \$524.00 in 2024, \$574.00 in 2025, \$624.00 in 2026, and \$674.00 in 2027.**

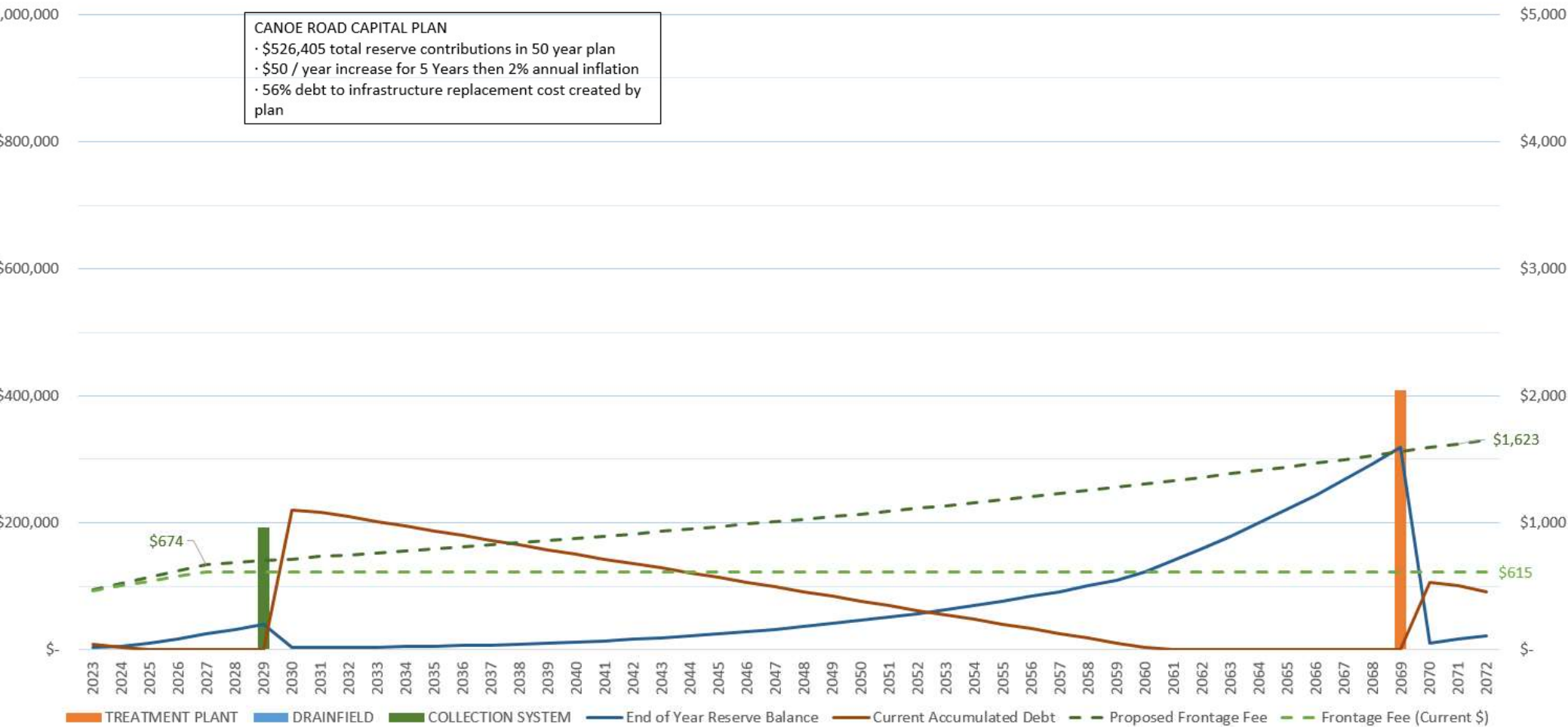
ATTACHMENT A – 50-Year Capital Plans

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

Attachment A – Canoe Road Wastewater Service Capital Plan Inflationary Increases Only



Attachment A – Canoe Road Wastewater Service Capital Plan Proactive Increases



SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – December 9, 2022

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

SUBJECT: **MERRILL CRESCENT [390] WASTEWATER 2023 USER FEE REVIEW**

RECOMMENDATIONS

THAT the report titled Merrill Crescent [390] Wastewater 2023 User Fee Review be received for information;

AND THAT the Merrill Crescent Sewer Service Area User Fee for 2023 remain the same as 2022;

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

BACKGROUND

The Merrill Crescent Service Area (Merrill Crescent) consists of 14 billable users. The current user rate per single family residential dwelling for 2022 is \$1,948.25.

At the November 18, 2021 Infrastructure Services Committee, a report was presented to the Board which recommended rate increases for some of the wastewater treatment plant service areas in 2022 and future years, and resulted in the Sunshine Coast Regional District (SCRD) Board adopting the following resolution on November 25, 2021 (in part):

308/21 Recommendation No. 6 Wastewater 2022 User Fee Reviews

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

Service	2022
<i>Merrill Crescent</i>	<i>\$1,948.25</i>

The purpose of this report is to discuss the current financial sustainability of the Merrill Crescent wastewater service area operations and to review 2023 user fee rate requirements to ensure that they align with the funding requirements of the service.

DISCUSSION

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

Since 2020 the SCRD has been working to improve the operations and maintenance of its wastewater treatment services to improve their performance, expand their useful life and reduce the potential for regulatory non-compliances and associated unintended environmental impacts. The improved operation of these services is possible because of additional staff resources approved by the Board in 2019. Additionally, operational expenditures for contracted services and materials and supplies have increased.

A thorough analysis of the Merrill Crescent operating budget and operating reserve level was performed in Q4 2022 in order to determine the financial sustainability of the service area. Based on this review it has been determined by staff that the existing user fee rate is sufficient to fund the operational costs of this service area in 2023. Current operating reserve levels meet the threshold goal that has been set and there are no requirements at this time to increase user rates. Annual reviews of the user fees and operating budgets will continue to be performed to ensure that this service area remains financially sustainable.

Historical Rates

Historical rates and annual increases are as follows:

	2020	2021	2022	*2023
User Fee	\$1,739.43	\$1,663.25	\$1,948.25	\$1,948.25
Total \$ Increase		-\$76.18	\$285.00	\$0.00
Total % Increase		-4.38%	17.14%	%0.00

**Recommended for 2023*

Options and Analysis

As discussed, the user fee and operating budget for the Merrill Crescent service area is adequate and therefore staff are recommending no rate increase to the user fees for 2023.

Option 1 – 0.00% rate increase to user fees

Fee Summary	User Fee
Current User Fee Rate	\$1,948.25
Proposed Increase	\$0.00
2023 Rate	\$1,948.25
% Increase	0.00%
Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$11,620
Projected 2022 Surplus	\$8,500
Budgeted Transfers to Reserves	\$7,247
Budgeted Transfers from Reserves	(\$0)
Ending Uncommitted Balance	\$27,367

Staff recommend this option for the following reasons:

- Existing user fee revenue adequately funds the required operating budget expenditures.
- Current operating reserve levels exceed the minimum reserve threshold. This will allow for funding options for some of the aging infrastructure if it were to encounter issues and/or need repairs.

Financial Implications

The following table summarizes the net operating impact of the option identified above.

Option #1 (0.00%)	
User Fee Revenue	27,276
Expenses	
Administrative	(2,058)
Salaries & Wages	(9,300)
Operating	(8,671)
Net Funding (Underfunding)	7,247
Operating Projects	-
Net Operating Surplus	7,247

Timeline for next steps or estimated completion date

N/A

Communications Strategy

A communication and public participation plan was approved as part of the 2022 budget process to inform service area participants in 2022 about facility operations and 2023 rates for the Merrill Crescent wastewater treatment facility. A Community Information Session was held on October 26, 2022. Any future information regarding rate changes will be communicated via print advertising, social media, and will be included on utility invoices, and posted on the SCRD website.

STRATEGIC PLAN AND RELATED POLICIES

The basis for the establishment of sustainable rate structures for SCRD services is borne from the guiding policies adopted by the Board. This report aligns with the Board's Strategic focus area of Asset Stewardship and Engagement and Communication. Other related corporate guiding documents are the Financial Sustainability Policy and the Corporate Asset Management Plan.

CONCLUSION

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

The current user fee rate for Merrill Crescent provides sufficient revenues to meet the 2023 annual operations and maintenance budget obligations. Staff are recommending that the annual user fee rate for Merrill Crescent does not change for 2023.

Reviewed by:			
Manager		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: Special Committee of the Whole - December 9, 2022

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

SUBJECT: MERRILL CRESCENT [390] WASTEWATER CAPITAL PLAN UPDATE

RECOMMENDATION(S)

THAT the report titled Merrill Crescent [390] Wastewater Capital Plan Update be received for information;

AND THAT the Sewage Treatment Facilities Service Unit Bylaw No. 428 (*Schedule B*) be amended to reflect a \$50.00 annual increase in Frontage Fees for the Jolly Roger Wastewater Service, over the next five years, resulting in the following fees: \$450.00 in 2023, \$500.00 in 2024, \$550.00 in 2025, \$600.00 in 2026, and \$650.00 in 2027;

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

BACKGROUND

In [2019](#) a review of Wastewater services was conducted by the Sunshine Coast Regional District (SCRD). This review attempted to identify short and long-term challenges for these services and produced a summary report as well as [individual Asset Management Plans](#) for each of the 15 wastewater services managed by the SCRD.

A key finding of this review was the risk presented by the unsustainable nature of the capital funding for these facilities. The local service area's small user bases are especially vulnerable to debt driven cost increases in the event of a major infrastructure replacement due to the low Capital Reserve balances.

Recommendations to increase the Capital Reserve revenue for Merrill Crescent were made in [2020](#), [2021](#) and [2022](#) and the Frontage Fee has increased from \$265.20 to \$400.00.

DISCUSSION

Merrill Crescent wastewater service has 14 participating properties that contribute to capital expenses. The estimated cost to replace the infrastructure for this wastewater service is approximately \$460,000. An engineering assessment for this wastewater system was completed recently and indicated that the treatment system is nearing end of life and could be expected to operate effectively for five to ten more years with the installation of a trash tank to prevent debris from entering the treatment tank and continued maintenance. The drainfield was replaced in 2018 and is functioning well.

Given the depleted Capital Reserve balance and assuming that the annual Capital Reserve revenue for this service will only increase with consumer inflation, debt servicing requirements are projected to exceed the Capital Reserve revenue by approximately 800% over the next 50 years as significant infrastructure upgrades are required.

A typical sustainable rate structure leverages investment returns from reserve funds to offset the capital costs to the residents. Increasing the annual revenue prior to infrastructure replacement will mitigate the frontage fee increase necessary to meet future debt servicing obligations.

Many comments were received across the wastewater engagement sessions regarding fee stability suggesting that a term of cost certainty was desired.

Options and Analysis

The Capital Plan models in Attachment A illustrate proactive vs inflationary increases to Frontage Fees with the major infrastructure occurring at the currently projected end of useful life. A comparison of the 50-year fee structure for both proactive and inflationary increases is presented below in Figure 1.

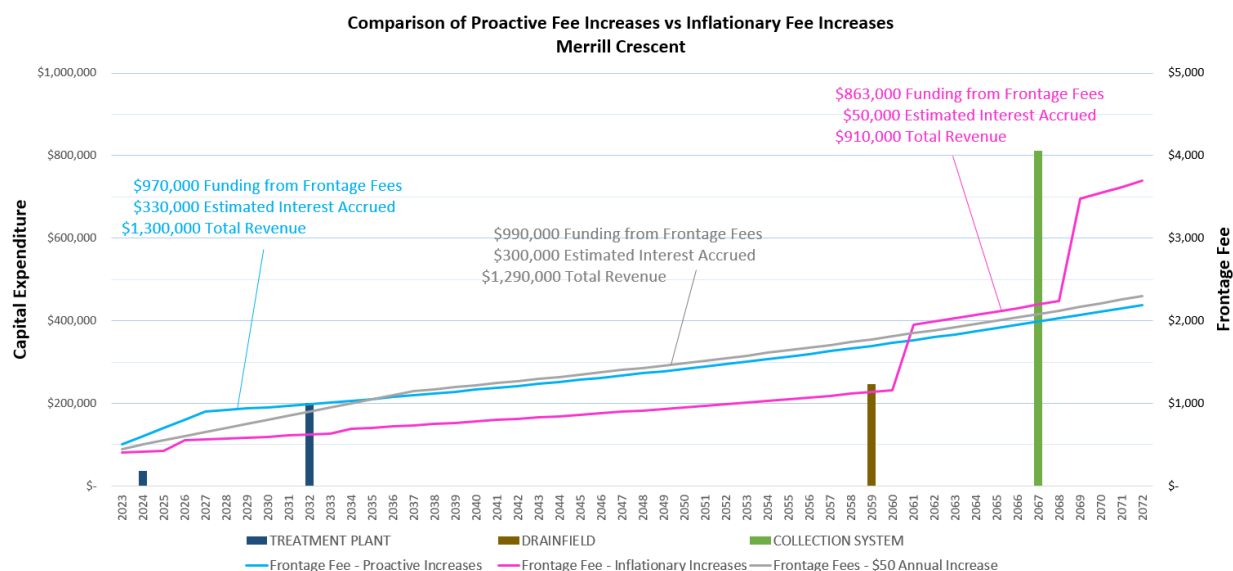


Figure 1: 50-year Comparison Proactive vs Inflationary Increases to Frontage Fees

Both proactive funding models represented in Figure 1 are projected to accumulate approximately \$800,000 **less** debt than the inflationary increase model by the end of the 50th year. Both proactive models require more overall contribution from each parcel across the model timeline, however they mitigate the excessive debt required to fund the infrastructure that we see in the inflationary increase model. If it is possible to extend the life of the treatment plant, growing reserve funds will be available to reduce the magnitude of debt servicing required. Proactively increasing the frontage fees over five years eliminates the potential of a large rate increase related to debt servicing. Adopting a proactive funding strategy is regarded favorably by many granting agencies.

Both options in Figure 1 assume that long-term lending receives electoral approval through an Alternate Approval Process (AAP) prior to the treatment plant replacement in 2032. The AAP would enable borrowing terms beyond five years which will reduce the annual debt obligation.

Four funding options for Merrill Crescent Capital Reserves are presented for consideration with different risks and benefits (see Table 1 below for funding breakdown by year 2023-2027):

Table 1: Frontage Fee Options

Merrill Crescent Wastewater Frontage Fees				
Year	Option 1	Option 2	Option 3	Option 4
2023	\$408/yr	\$500/yr	\$450/yr	\$500/yr
2024	\$416/yr	-	\$500/yr	\$600/yr
2025	\$424/yr	-	\$550/yr	\$700/yr
2026	\$553/yr*	-	\$600/yr	\$800/yr
2027	\$564/yr*	-	\$650/yr	\$900/yr

*Projected to be minimum frontage fee to meet debt servicing obligations

Option 1	This option represents a five-year commitment to no adjustments to the frontage fees aside from an annual adjustment to match Consumer Inflation (assumed 2%).
Benefits	This provides cost certainty to the residents and satisfies the communities desire to be able to plan for expenses over the short-term.
Drawbacks	This option does not increase the reserve contribution amount significantly and leaves exposure to a significant future rate increase necessary to meet debt obligations associated with infrastructure replacement costs.

Option 2	This option is a single-year increase to frontage fees from \$400/yr to \$500/yr. Merrill Crescent Frontage Fees will continue to be reviewed and adjusted on an annual basis.
Benefits	This increases the annual capital revenue for this service by 25% and will help to build Capital Reserves more rapidly than Option 1.
Drawbacks	This option does provide cost certainty to the residents. This option does not achieve sustainable funding for this service and will either require further increases to the frontage fee or a significant increase to frontage fees to meet debt obligations associated with future infrastructure replacement costs

Recommended	
Option 3	This option represents a five-year commitment towards achieving sustainable funding through five stepped increases of \$50/year.
<i>Benefits</i>	This increases the annual capital revenue for this service by 62.5% by the end of year 5 and will help to build Capital Reserves more rapidly. This option also mitigates the magnitude of future increase necessary to meet debt obligations associated with the future infrastructure costs. This option likely increases grant eligibility by demonstrating action towards sustainable service delivery.
<i>Drawbacks</i>	This option projects to require an additional 10 years of increases at the end beyond the 5-years in this option.

Option 4	This option represents a five-year commitment towards achieving sustainable funding through five stepped increases of \$100/year.
<i>Benefits</i>	This increases the annual capital revenue for this service by 225% by the end of year 5 and will help to build Capital Reserves more rapidly than any other option. This option also mitigates the magnitude of future increase necessary to meet debt obligations associated with the future infrastructure costs. This option likely increases grant eligibility by demonstrating action towards sustainable service delivery.
<i>Drawbacks</i>	This option is the most expensive for residents over the next five years.

Organizational and Intergovernmental Implications

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

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

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

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

Financial Implications

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

Timeline for next steps or estimated completion date

Completion of recommended operational projects and ongoing monitoring of the condition and performance of the treatment system will inform next steps. Since the initial service review in 2019 the Board has received annual updates of the financial modelling for capital infrastructure at wastewater services. Depending on the option selected above it is possible to extend the time between updates for this service until the operational projects are completed or an emerging development occurs.

Funding opportunities for design and construction of the eventual treatment system replacement will continue to be sought.

Communications Strategy

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

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

STRATEGIC PLAN AND RELATED POLICIES

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

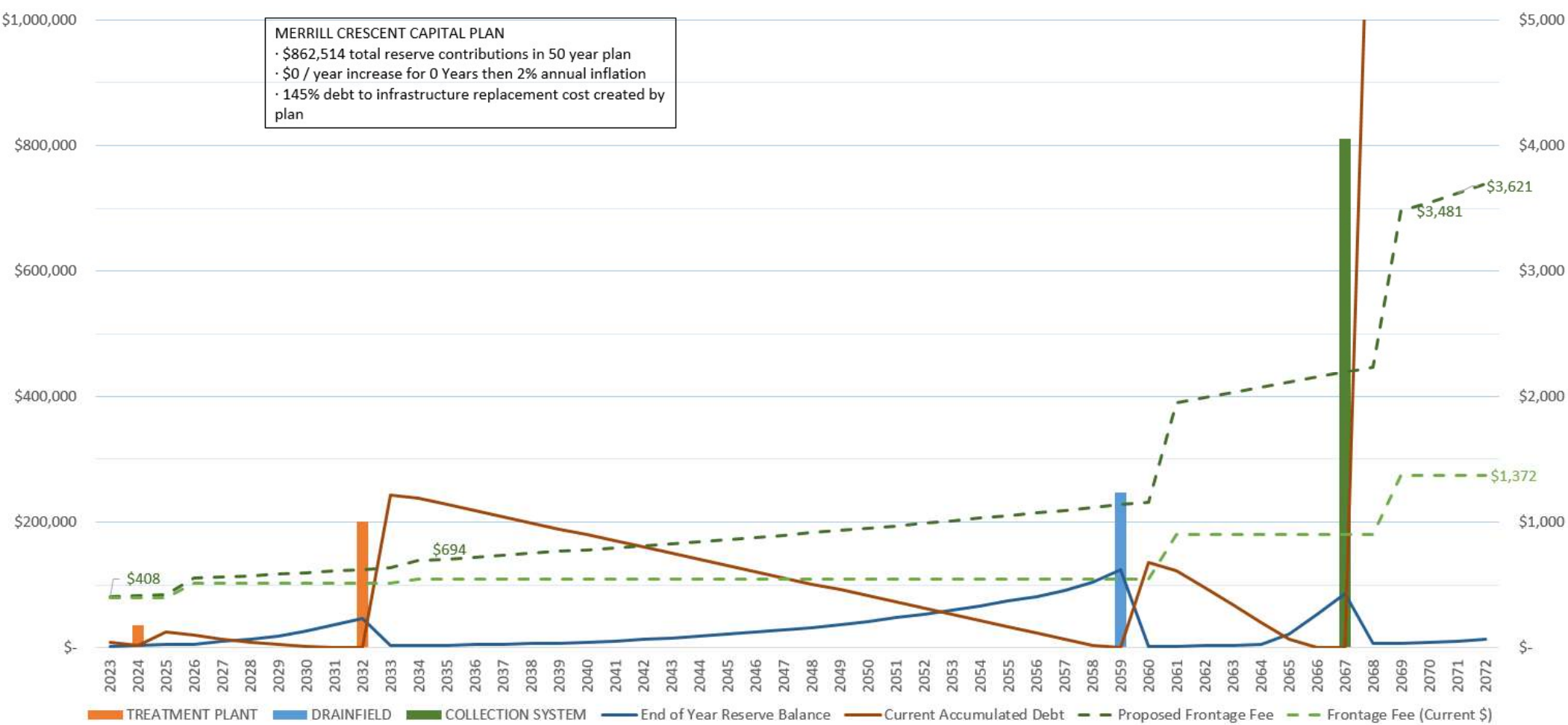
CONCLUSION

The Merrill Crescent Wastewater Service has an infrastructure funding deficit and is facing significant infrastructure costs in the next 20 years. Adjustments to the revenues that contribute to Capital Reserves can mitigate projected debt obligations necessary to replace critical infrastructure. **Staff recommend that the Board implement \$50.00 annual increases over the next five years, resulting in the following Frontage Fees: \$450.00 in 2023, \$500.00 in 2024, \$550.00 in 2025, \$600.00 in 2026, and \$650.00 in 2027.**

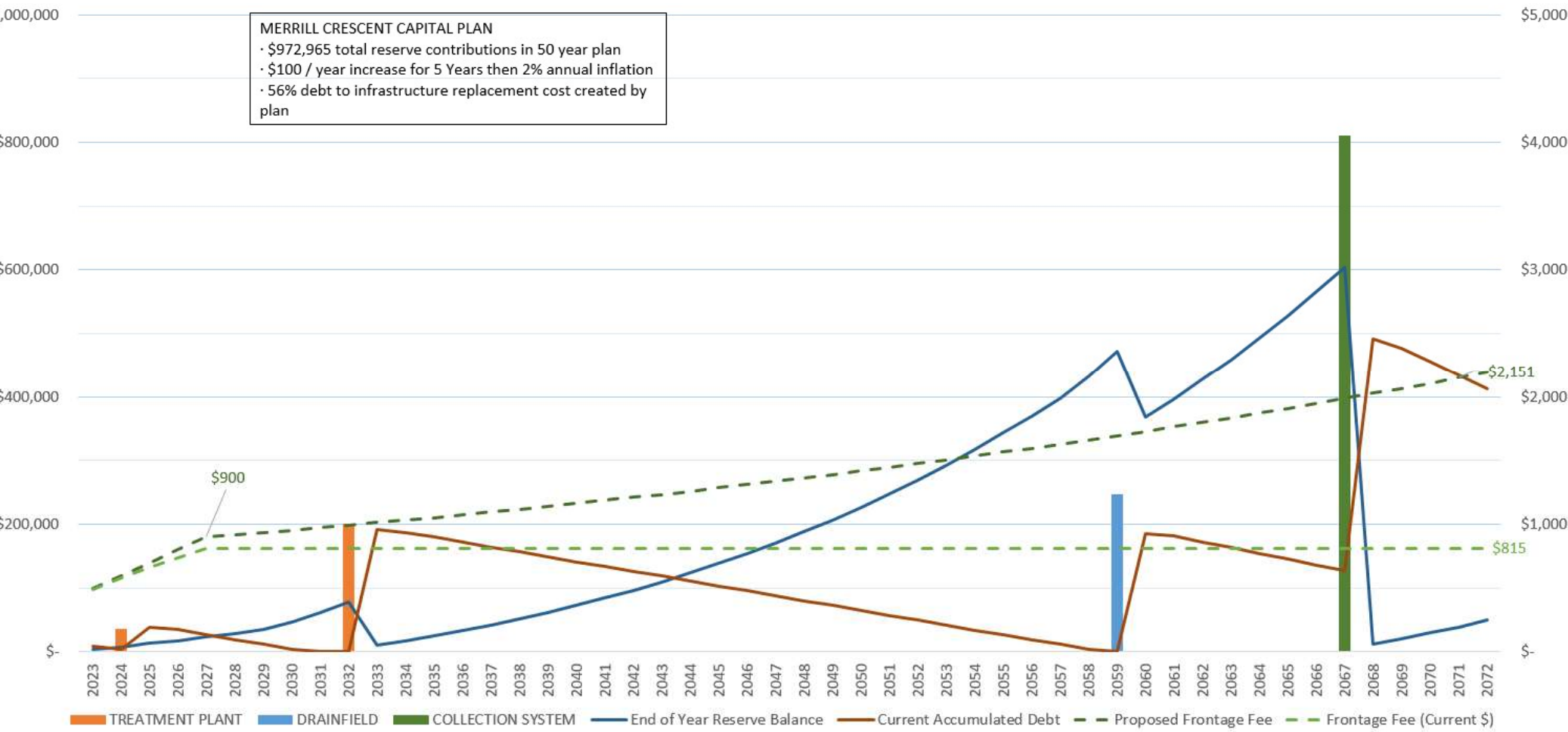
ATTACHMENT A – 50-Year Capital Plans

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

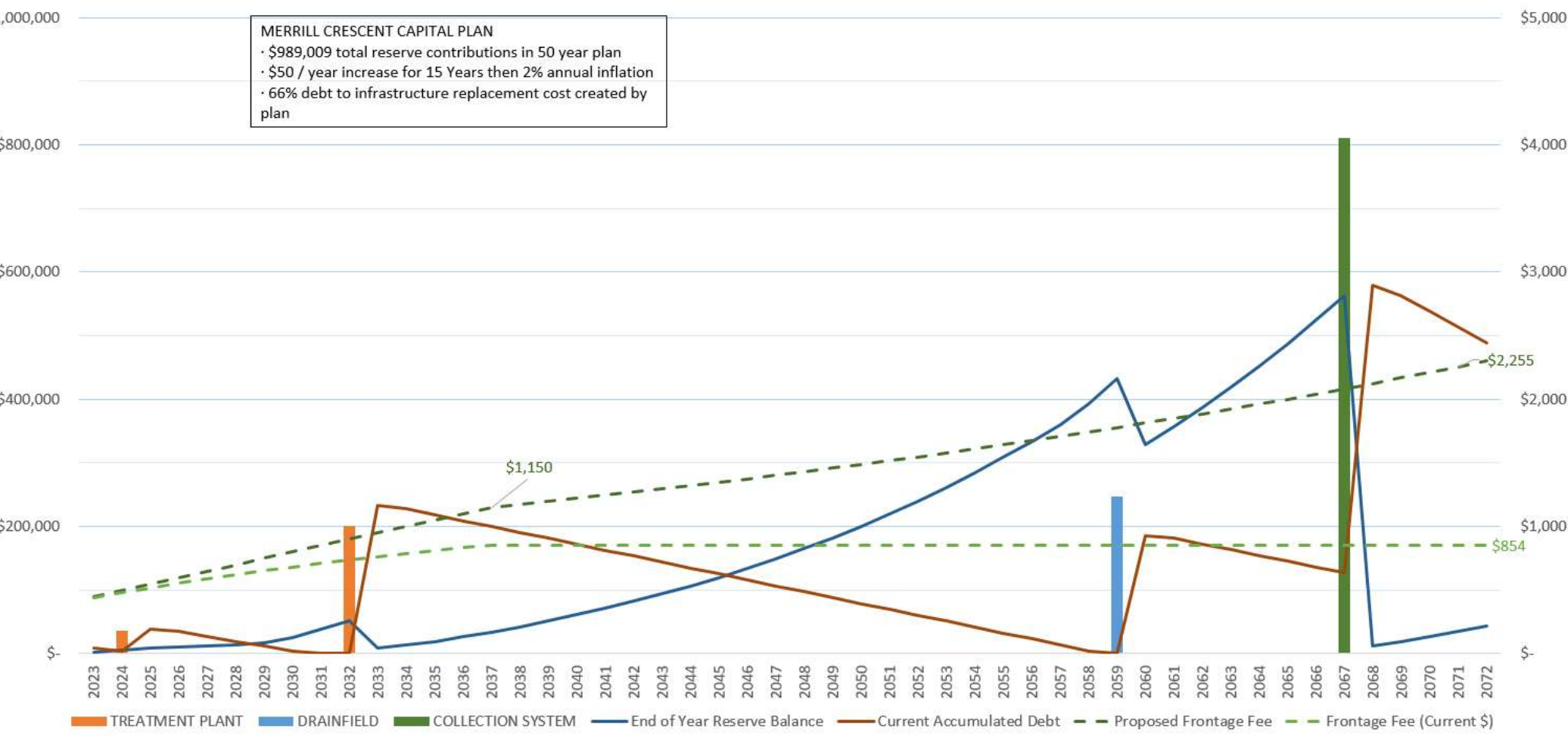
Attachment A – Merrill Crescent Wastewater Service Capital Plan Inflationary Increases Only



Attachment A – Merrill Crescent Wastewater Service Capital Plan Proactive Increases



Attachment A – Merrill Crescent Wastewater Service Capital Plan Proactive Increases – \$50 Dollar / yr



SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – December 9, 2022

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

SUBJECT: CURRAN ROAD [391] WASTEWATER 2023 USER FEE REVIEW

RECOMMENDATIONS

THAT the report titled Curran Road [391] Wastewater 2023 User Fee Review be received for information;

AND THAT the Sewage Treatment Facilities Service Unit Bylaw No. 428, (Schedule C) be amended to increase the Curran Road Service Area User Fees to \$668.38 for 2023;

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

BACKGROUND

The Curran Road Service Area (Curran Road) consists of 59 billable users. The current user rate per single family residential dwelling for 2022 is \$618.70.

An amendment to Sewage Treatment Facilities Service Unit Bylaw No. 428, (Schedule C) is required to be adopted prior to January 1, 2023 in order to meet the legislated timelines for adoption of the Financial Plan Bylaw, the Parcel Tax Roll review process, and the associated billing.

At the November 18, 2021 Infrastructure Services Committee, a report was presented to the Board which recommended rate increases for some of the wastewater treatment plant service areas in 2022 and future years, and resulted in the Sunshine Coast Regional District (SCRD) Board adopting the following resolution on November 25, 2021 (in part):

308/21 Recommendation No. 6 Wastewater 2022 User Fee Reviews

AND THAT that the 2022 User Fee rates for residential properties for the Jolly Roger, Secret Cove, Square Bay and Curran Road wastewater services remain at the 2021 User Fee rates;

The purpose of this report is to discuss the current financial sustainability of the Curran Road wastewater service area operations and to recommend 2023 user fee rate increases which align with the funding requirements of the service.

DISCUSSION

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

Since 2020 the SCRD has been working to improve the operations and maintenance of its wastewater treatment services to improve their performance, expand their useful life and reduce the potential for regulatory non-compliances and associated unintended environmental impacts. The improved operation of these services is possible because of additional staff resources approved by the Board in 2019. Additionally, operational expenditures for contracted services and materials and supplies have increased.

A thorough analysis of the Curran Road operating budget was performed in Q4 2022 to review additional operational cost pressures anticipated for 2023 that will require additional funding. As part of the 2023 budget proposal process, staff have recommended that the base operating budget for Curran Road be increased by the following amounts to account for anticipated increases to operational and materials spending in 2023:

- Annual increase to Contracted Services base budget (i.e. Pumpouts)
 - \$1,976.40

Historical Rates

Historical rates and annual increases are as follows:

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

*Recommended for 2023

Options and Analysis

The following option and analysis is based on addressing the proposed increases to the base budget of \$1,976.40 in 2023, and are presented for review:

Option 1 – 8.03% rate increase to user fees

Fee Summary	User Fee
Current User Fee Rate (2022)	\$618.70
Proposed Increase	\$49.68
2023 User Fee Rate	\$668.38
% Increase	8.03%

Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$69,351
Projected 2022 Surplus/(Deficit)	\$1,000
Budgeted Transfers to Reserves	\$0
Budgeted Transfers from Reserves	(\$0)
Ending Uncommitted Balance	\$70,351

Staff recommend this option for the following reasons:

- Increasing the user fee revenue to account for anticipated increases in the operating budget will avoid underfunding and/or allocation of parcel tax revenue used to fund operations, which aligns with the Financial Sustainability Policy.
- The operating reserve balance is sufficient to fund any current and/or short-term operational repairs that cannot be funded with annual operating base budget funds.

Financial Implications

The following table summarizes the net operating impact from the option identified above:

	Option #1 (8.03%)	Option #2 (4.02%)
User Fee Revenue	39,434	37,971
Expenses		
Administrative	(3,755)	(3,755)
Salaries & Wages	(17,399)	(17,399)
Operating	(18,280)	(18,280)
Net Funding (Underfunding)	(0)	(1,463)
Operating Projects	-	-
Net Operating Deficit	(0)	(1,463)

Timeline for next steps or estimated completion date

If approval is received to amend user fees, the appropriate bylaw amendments will be drafted and presented to the December 15, 2022 Special Board Meeting for three readings and adoption.

Communications Strategy

A communication and public participation plan was approved as part of the 2022 budget process to inform service area participants in 2022 about facility operations and 2023 rates for the Curran Road wastewater treatment facility. A Community Information Session was held on October 20, 2022. Information regarding rate changes and funding has been communicated via print advertising, social media, and will be included on utility invoices, and posted on the SCRD website.

STRATEGIC PLAN AND RELATED POLICIES

The basis for the establishment of sustainable rate structures for SCRD services is borne from the guiding policies adopted by the Board. This report aligns with the Board's Strategic focus area of Asset Stewardship and Engagement and Communication. Other related corporate guiding documents are the Financial Sustainability Policy and the Corporate Asset Management Plan.

CONCLUSION

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

The current user fee rate for Curran Road is not anticipated to provide sufficient revenue to address the proposed base budget increases for 2023. Staff recommend an increase to the user fee for this service area to \$668.38 in 2023. This increase represents an increase of 8.03% from the 2022 user fee of \$618.70.

Reviewed by:			
Manager		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: Special Committee of the Whole - December 9, 2022

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

SUBJECT: CURRAN ROAD [391] WASTEWATER CAPITAL PLAN UPDATE

RECOMMENDATION(S)

THAT the report titled Curran Road [391] Wastewater Capital Plan Update be received for information;

AND THAT the Sewage Treatment Facilities Service Unit Bylaw No. 428 (*Schedule B*) be amended to reflect a \$50.00 annual increase in Frontage Fees for the Curran Road Wastewater Service, over the next five years, resulting in the following fees: \$303.00 in 2023, \$353.00 in 2024, \$403.00 in 2025, \$453.00 in 2026, and \$503.00 in 2027;

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

BACKGROUND

In [2019](#) a review of Wastewater services was conducted by the Sunshine Coast Regional District (SCRD). This review attempted to identify short and long-term challenges for these services and produced a summary report as well as [individual Asset Management Plans](#) for each of the 15 wastewater services managed by the SCRD.

A key finding of this review was the risk presented by the unsustainable nature of the capital funding for these facilities. The local service area's small user bases are especially vulnerable to debt driven cost increases in the event of a major infrastructure replacement due to the low Capital Reserve balances.

Recommendations to increase the Capital Reserve revenue for Curran were made in [2020](#), [2021](#) and [2022](#) and the Frontage Fee has increased from \$153.00 to \$253.00.

DISCUSSION

Curran wastewater service has 70 participating properties that contribute to capital expenses. The estimated current cost to replace the infrastructure for this wastewater service is approximately \$3,000,000. Curran recently had a new treatment plant constructed and the demolition of the previous treatment plant is expected to occur in the near future.

Given the current reserve balance of approximately \$21,000 and assuming that the annual Capital Reserve revenue for this service will only increase with consumer inflation, debt servicing requirements are projected to exceed the Capital Reserve revenue by more than

1000% in 40 years when significant treatment plant upgrades and the replacement of the outfall are anticipated to occur.

A typical sustainable rate structure leverages investment returns from reserve funds to offset the capital costs to the residents. Increasing the annual contribution to the Capital Reserve to a more sustainable level can help to achieve this and mitigate future excessive debt.

Residents from this wastewater service have been actively engaged and have provided a preferred rate structure for the next five years. As their proposal only covered a portion of the 50-year models presented below it is not presented as a model but is included as an option below. Communication with these residents indicate that the purpose of their proposal is to provide a modest increase over the next five years to allow further refinement of the capital model and hopefully develop more consensus amongst the community members.

Many comments were received across the wastewater engagement sessions regarding fee stability suggesting that a term of cost certainty was desired.

Options and Analysis

The Capital Plan models in **Attachment A** illustrate proactive vs inflationary increases to Frontage Fees with the major infrastructure occurring at the currently projected end of useful life. A comparison of the 50-year fee structure for both proactive and inflationary increases presented below in Figure 1.

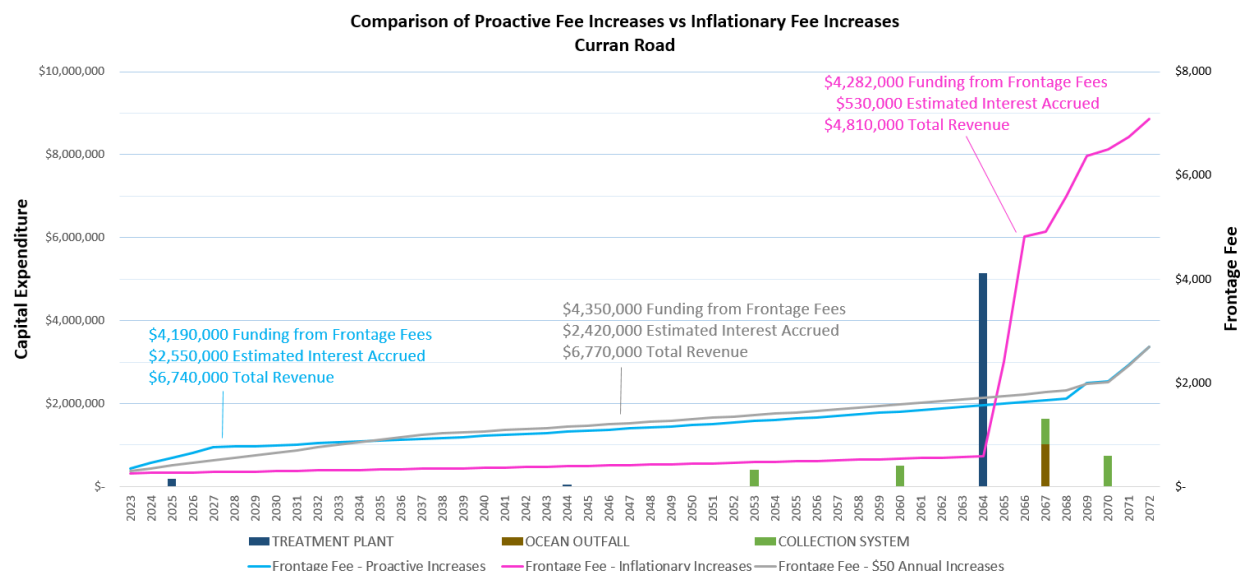


Figure 1: 50-year Comparison Proactive vs Inflationary Increases to Frontage Fees

This illustrates how an approximately 500% increase in interest accrual across the next 50 years can be achieved through proactively increasing the contributions to capital reserves. Proactively increasing the frontage fees can also eliminate the potential of a 1000% rate increase when the treatment plant needs to be replaced. This also shows how five years of \$100 increases achieve a similar result as 15 years of \$50 increases. All three models in Figure 1 show a similar overall amount of contribution from residents, however the proactive increases generate ~40% more overall revenue through interest accumulation.

Both of the options in Figure 1 assume that an Alternate Approval Process (AAP) will be required prior to the treatment plant replacement in 2064. The AAP would enable borrowing terms beyond five years which will reduce the annual debt obligation. Five funding options for Curran Capital Reserves are presented for consideration with different risks and benefits (see Table 1 below for funding breakdown by year 2023-2027):

Table 1: Frontage Fee Options

Curran Wastewater Frontage Fees					
Year	Option 1	Option 2	Option 3	Option 4	Option 5
2023	\$253/yr	\$353/yr	\$303/yr	\$353/yr	\$330/yr
2024	\$258/yr	-	\$353/yr	\$453/yr	\$416/yr
2025	\$263/yr	-	\$403/yr	\$553/yr	\$424/yr
2026	\$274/yr	-	\$453/yr	\$653/yr	\$433/yr
2027	\$279/yr	-	\$553/yr	\$753/yr	\$442/yr

Option 1	This option represents a five-year commitment to no adjustments to the frontage fees aside from an annual adjustment to match Consumer Inflation (assumed 2%).
<i>Benefits</i>	This provides cost certainty to the residents and satisfies the communities desire to be able to plan for expenses over the short-term.
<i>Drawbacks</i>	This option does not increase the reserve contribution amount significantly and leaves exposure to a significant future rate increase necessary to meet debt obligations associated with infrastructure replacement costs.

Option 2	This option is a single-year increase to frontage fees from \$253/yr to \$353/yr. Curran Frontage Fees will continue to be reviewed and adjusted on an annual basis.
<i>Benefits</i>	This increases the annual capital revenue for this service by ~40553/% and will help to build Capital Reserves more rapidly than Option 1.
<i>Drawbacks</i>	This option does provide cost certainty to the residents. This option does not achieve sustainable funding for this service and will either require further increases to the frontage fee or a significant increase to frontage fees to meet debt obligations associated with future infrastructure replacement costs

Recommended	
Option 3	This option represents a five-year commitment towards achieving sustainable funding through five stepped increases of \$50/year.
<i>Benefits</i>	This increases the annual capital revenue for this service by 118% by the end of year 5 and will help to build Capital Reserves. This option balances the communities desire to avoid committing to rapid rate increases while still aligning with a long-term plan to achieve rate stability. This option also mitigates the magnitude of future increase necessary to meet debt obligations associated with the future infrastructure costs.
<i>Drawbacks</i>	This option requires a subsequent 10-years of rate increases beyond the initial 5-year commitment to achieve sustainable funding. This option is more expensive than rapidly increasing rates to a sustainable level.
Option 4	This option represents a five-year commitment towards achieving sustainable funding through five stepped increases of \$100/year.
<i>Benefits</i>	This increases the annual capital revenue for this service by nearly 200% by the end of year 5 and will help to build Capital Reserves the fastest.
<i>Drawbacks</i>	This option is the most expensive for current residents.
Option 5	This option represents the proposal by residents of the wastewater service.
<i>Benefits</i>	This increases the annual capital revenue for this service by 75% by the end of year 5 and will help to build Capital Reserves more rapidly than Option 1. This option is preferred by residents.
<i>Drawbacks</i>	This option does not align with a 50-year sustainable funding model and further rate increases would likely be needed. Delaying rate increases perpetuates the forecasted inequality in the cost of the service for future residents.

Organizational and Intergovernmental Implications

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

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

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

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

Financial Implications

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

Timeline for next steps or estimated completion date

Ongoing monitoring of the condition and performance of the treatment system will inform next steps. Since the initial service review in 2019 the Board has received annual updates of the financial modelling for capital infrastructure at wastewater services. Depending on the option selected above it is possible to extend the time between updates for this service until the operational projects are completed or an emerging development occurs.

Communications Strategy

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

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

STRATEGIC PLAN AND RELATED POLICIES

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

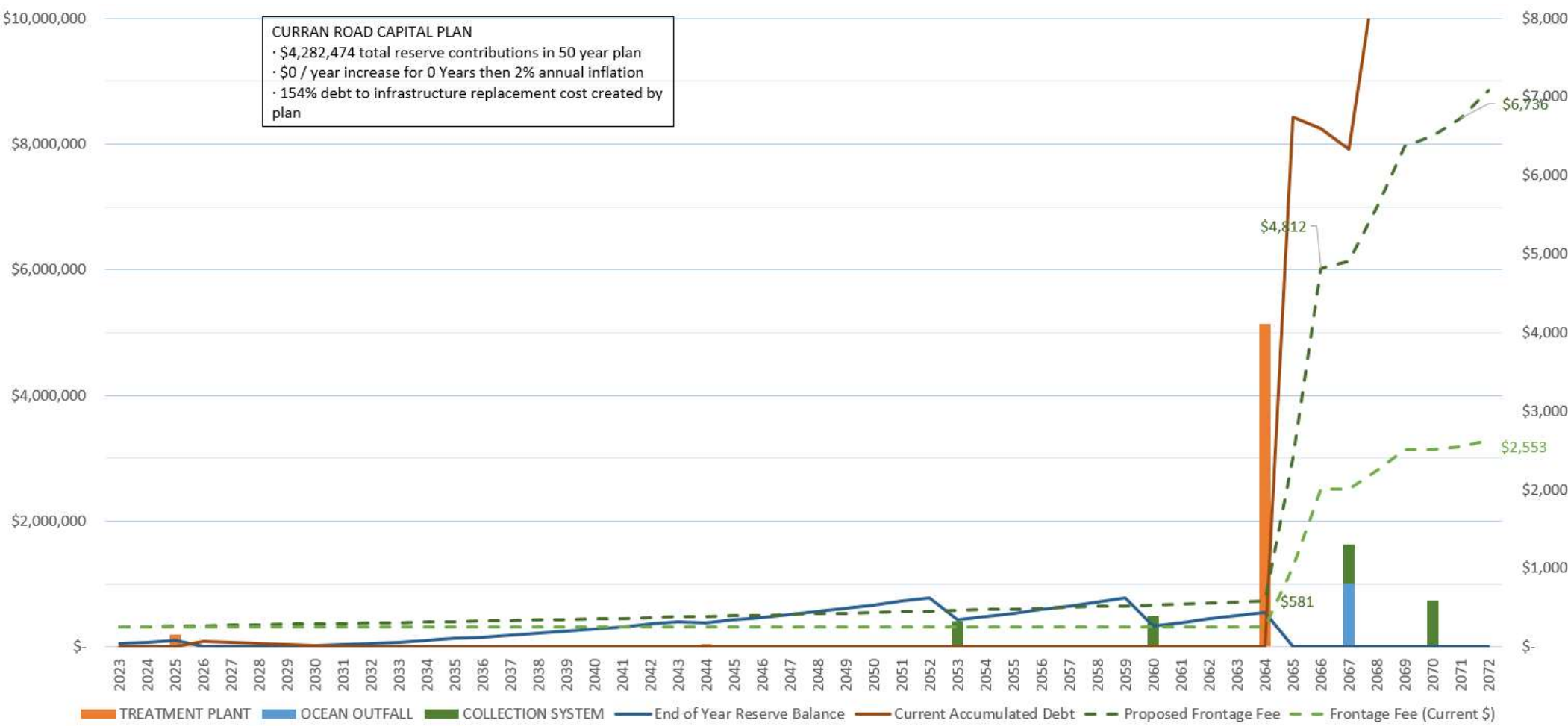
CONCLUSION

The Curran Wastewater Service has an infrastructure funding deficit. Adjustments to the revenues that contribute to Capital Reserves can mitigate projected debt obligations necessary to replace critical infrastructure. **Staff recommend that the Board implement \$50.00 annual increases over the next five years, resulting in the following Frontage Fees: \$303.00 in 2023, \$353.00 in 2024, \$403.00 in 2025, \$453.00 in 2026, and \$503.00 in 2027.**

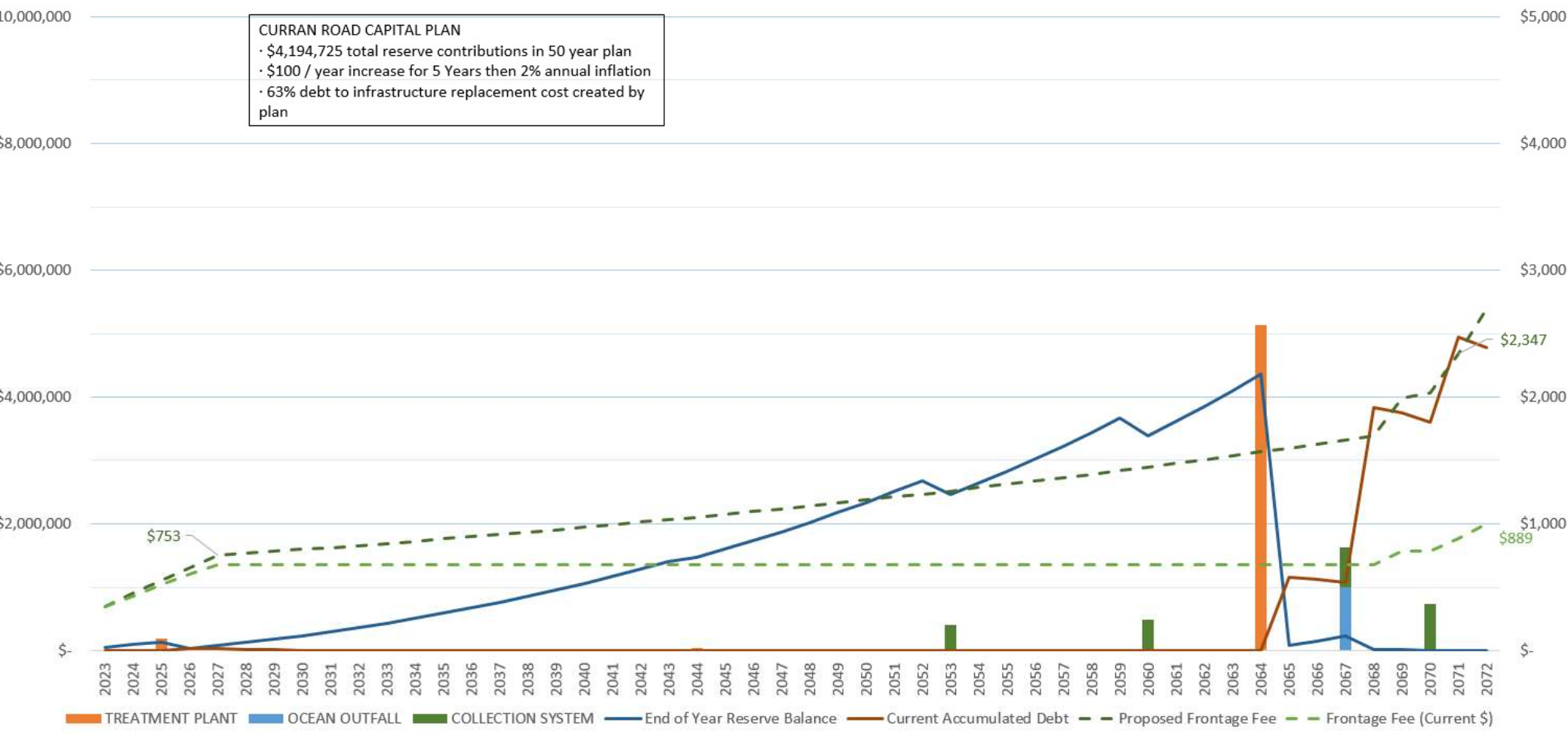
ATTACHMENT A – 50-Year Capital Plans

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

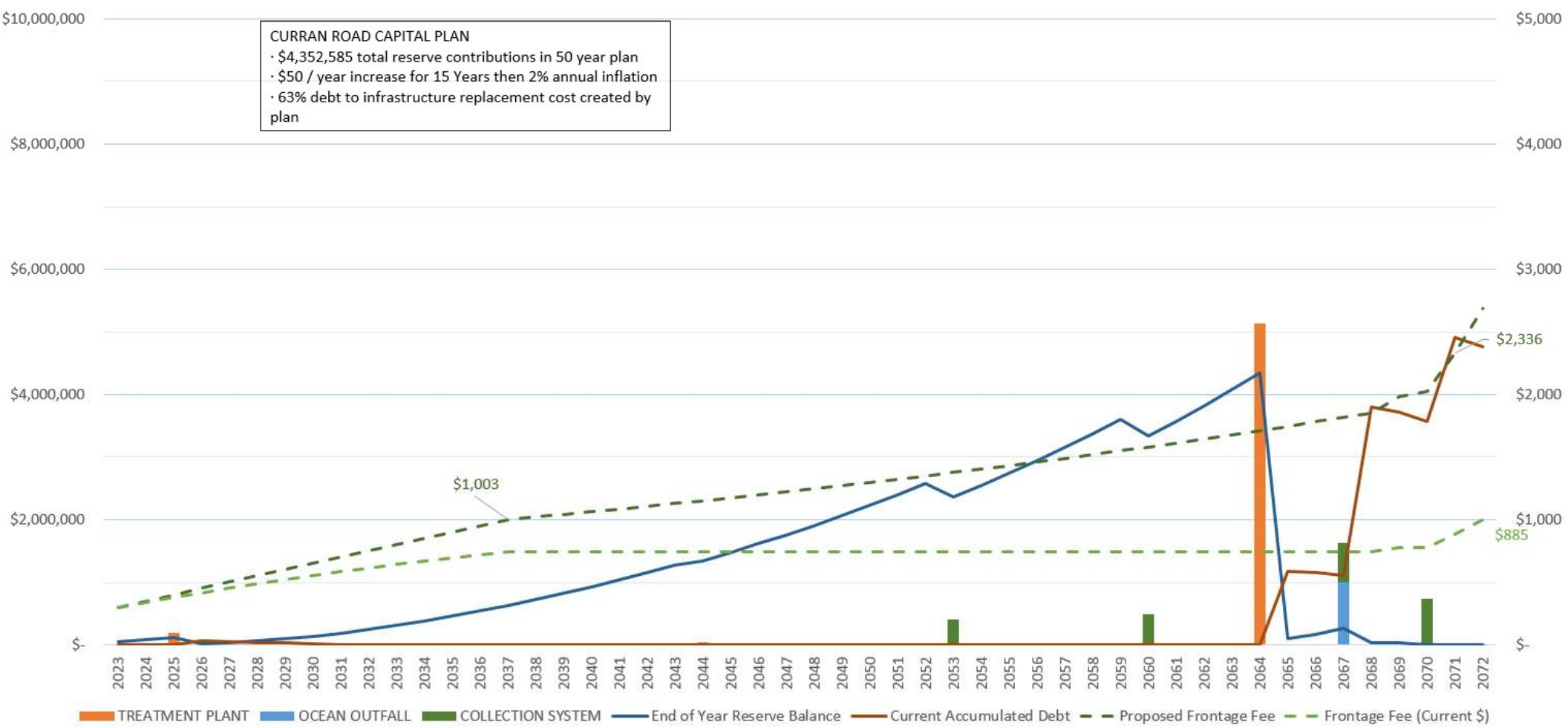
Attachment A – Curran Wastewater Service Capital Plan Inflationary Increases Only



Attachment A – Curran Wastewater Service Capital Plan Proactive Increases



Attachment A – Curran Wastewater Service Capital Plan Proactive Increases - \$50/year



SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – December 9, 2022

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

SUBJECT: ROBERTS CREEK CO-HOUSING [392] WASTEWATER 2023 USER FEE REVIEW

RECOMMENDATIONS

THAT the report titled Roberts Creek Co-housing [392] Wastewater 2023 User Fee Review be received for information;

AND THAT the Sewage Treatment Facilities Service Unit Bylaw No. 428, (*Schedule C*) be amended to increase the Roberts Creek Co-housing Service Area User Fees to \$1,247.10 for 2023;

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

BACKGROUND

The Roberts Creek Co-housing Service Area (Roberts Creek) consists of 31 billable users. The current user rates per single family residential dwelling for 2022 is \$865.67.

An amendment to Sewage Treatment Facilities Service Unit Bylaw No. 428, (*Schedule C*) is required to be adopted prior to January 1, 2023 in order to meet the legislated timelines for adoption of the Financial Plan Bylaw, the Parcel Tax Roll review process, and the associated billing.

At the November 18, 2021 Infrastructure Services Committee, a report was presented to the Board which recommended rate increases for some of the wastewater treatment plant service areas in 2022 and future years, and resulted in the Sunshine Coast Regional District (SCRD) Board adopting the following resolution on November 25, 2021 (in part):

308/21 Recommendation No. 6 Wastewater 2022 User Fee Reviews

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

Service	2022
<i>Roberts Creek</i>	<i>\$865.67</i>

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

Service	2023	2024
<i>Roberts Creek</i>	<i>\$891.64</i>	<i>\$918.39</i>

At the February 17, 2022 Community Services Committee, a report was presented to the Board which identified an underfunding due to the disparity between the user fee revenue collected, and the operating budget, within the Roberts Creek Co-housing service area. Due to the timing of that report, the following resolution was adopted on February 24, 2022:

044/22 **Recommendation No. 9** *Roberts Creek Co-housing Community Sewage*
(in part) *Treatment Service*

AND THAT \$10,943 of the [392] Roberts Creek Co-housing Operating Reserve be used to fund 2022 operations;

DISCUSSION

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

Since 2020 the SCR D has been working to improve the operations and maintenance of its wastewater treatment services to improve their performance, expand their useful life and reduce the potential for regulatory non-compliances and associated unintended environmental impacts. The improved operation of these services is possible because of additional staff resources approved by the Board in 2019. Additionally, operational expenditures for contracted services and materials and supplies have increased.

In 2022, user fee revenue was insufficient to fund budgeted operating expenditures at Roberts Creek and the Board resolved in early 2022 to fund this underfunding, in the short-term, by utilizing existing operating reserves. For 2023, it is recommended that this underfunding be eliminated to ensure financial sustainability and fee equity within the service area. The Board resolved in November 2021 to increase the user fee for Roberts Creek by a nominal amount in not only 2022, but in 2023 and 2024 as well. This report has reassessed the rate requirements for 2023 and has presented a recommended rate increase that incorporates the existing approved amount.

A thorough analysis of the Roberts Creek operating budget was performed in Q4 2022 to review additional operational cost pressures (other than the underfunding) anticipated for 2023 that will require additional funding

Historical Rates

Historical rates and annual increases are as follows:

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

**Recommended for 2023*

Approved Project Details

There is currently one approved project in the Roberts Creek Co-housing service area that is either in progress or is a scheduled carryforward project to be completed in 2023. This project is funded by existing committed reserve accounts and do not impact user fees.

Treatment System and Regulatory Enhancement \$30,000

- Various improvements to the treatment facility, collection system and pump replacement are required. De-registration with the Municipal Wastewater Regulation and registration with Vancouver Coastal Health.

Options and Analysis

The following options and analysis are based on addressing the current underfunding caused by the disparity between the user fees collected, and the operating budget, the difference of which has historically been funded by reserves which have now been depleted. To fund the anticipated 2023 operating budget underfunding, the following options are presented for review:

Option 1 – Underfunding 100% addressed (43% rate increase)

Fee Summary	User Fee
Current User Fee Rate (2023)	\$891.64
Proposed Increase	\$383.43
2023 User Fee Rate	\$1,275.07
% Increase	43.0%
Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$13,132
Projected 2022 Surplus/(Deficit)	(\$2,500)
Budgeted Transfers to Reserves	\$0
Budgeted Transfers from Reserves	(\$0)
Ending Uncommitted Balance	\$10,632

Staff recommend this option for the following reasons:

- Eliminates current operating budget underfunding and reduces allocation of parcel tax revenue used to fund operations, which aligns with the Financial Sustainability Policy.
- The projected Ending Uncommitted Operational Reserve Balance improves the financial capacity to respond to emergency situations and components of the capital investment required in the upcoming years that should only be funded from operating versus capital reserves, including feasibility studies and engineering design.

Option 2 – Underfunding 50% addressed (22.65% rate increase)

Fee Summary	User Fee
Current User Fee Rate (2023)	\$891.64
Proposed Increase	\$202.00
2023 User Fee Rate	\$1,093.64
% Increase	22.65%
Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$13,132
Projected 2022 Surplus/(Deficit)	(\$2,500)
Budgeted Transfers to Reserves	\$0
Budgeted Transfers from Reserves	(5,624)
Ending Uncommitted Balance	\$5,008

Staff do not recommend this option for the following reasons:

- This option is not financially sustainable and perpetuates the underfunding of the operating budget with insufficient user fee revenue.
- This option will continue to draw down operating reserves and may risk depleting them entirely.
- The balance of the underfunded amount will need to be funded with additional rate increase(s) in future budget years (i.e. 2024).

Financial Implications

The following table summarizes the net operating impact from each of the options identified above:

	Option #1 (43%)	Option #2 (22.65%)
User Fee Revenue	39,527	33,903
Expenses		
Administrative	(3,628)	(3,628)
Salaries & Wages	(23,367)	(23,367)
Operating	(12,532)	(12,532)
Net Funding (Underfunding)	-	(5,624)
Operating Projects	-	-
Net Operating Deficit	-	(5,624)

Timeline for next steps or estimated completion date

If approval is received to amend user fees, the appropriate bylaw amendments will be drafted and presented to the December 15, 2022 Special Board Meeting for three readings and adoption.

Communications Strategy

A communication and public participation plan was approved as part of the 2022 budget process to inform service area participants in 2022 about facility operations and 2023 rates for the Roberts Creek Co-Housing wastewater treatment facility. A Community Information Session was held on October 20, 2022. Information regarding rate changes and funding has been communicated via print advertising, social media, and will be included on utility invoices, and be posted on the SCR D website.

STRATEGIC PLAN AND RELATED POLICIES

The basis for the establishment of sustainable rate structures for SCR D services is borne from the guiding policies adopted by the Board. This report aligns with the Board's Strategic focus area of Asset Stewardship and Engagement and Communication. Other related corporate guiding documents are the Financial Sustainability Policy and the Corporate Asset Management Plan.

CONCLUSION

The SCR D is responsible for the operation and maintenance of the Roberts Creek Co-Housing wastewater facility and the establishment of a sustainable funding model for the service area.

The current user fee rates approved for 2022 and 2023 (see 'Background') for Roberts Creek do not provide sufficient revenue to meet the annual operations and maintenance budget obligations within the service area. In order to meet the operating budget underfunding for 2023, staff recommend an increase to the user fee for this system to \$1,275.07. This increase represents an increase of 44.29% from the 2022 user fee of \$865.67 and a 43% increase from the approved 2023 rate of \$891.64.

Reviewed by:			
Manager		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: Special Committee of the Whole – December 9, 2022

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

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

RECOMMENDATION(S)

THAT the report titled Robert's Creek Co-Housing [392] Wastewater Capital Plan Update be received for information;

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

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

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

BACKGROUND

In [2019](#) a review of Wastewater services was conducted by the Sunshine Coast Regional District (SCRD). This review attempted to identify short and long-term challenges for these services and produced a summary report as well as [individual Asset Management](#) Plans for each of the 15 wastewater services managed by the SCRD.

A key finding of this review was the risk presented by the unsustainable nature of the capital funding for these facilities. The local service area's small user bases are especially vulnerable to debt driven cost increases in the event of a major infrastructure replacement due to the low Capital Reserve balances.

Recommendations to increase the Capital Reserve revenue for Robert's Creek Co-Housing was made in [2020](#), [2021](#) and [2022](#) and the Frontage Fee has increased from \$204.00 to \$400.00.

DISCUSSION

Robert's Creek Co-Housing wastewater service has 31 participating properties that contribute to capital expenses. The estimated cost to replace the infrastructure for this wastewater service is approximately \$1,100,000.

Given the reserve balance of less than \$1,000 and assuming that the annual Capital Reserve revenue for this service will only increase with consumer inflation, debt servicing requirements

are projected to exceed the Capital Reserve revenue by approximately 300% in the next 20 years when significant treatment plant upgrades are anticipated.

A typical sustainable rate structure leverages investment returns from reserve funds to offset the capital costs to the residents. Increasing the annual revenue in the lead up to infrastructure replacement can mitigate the frontage fee increases necessary to meet future debt servicing obligations.

Many comments were received across the wastewater engagement sessions regarding fee stability suggesting that a term of cost certainty was desired.

Options and Analysis

The Capital Plan models in **Attachment A** illustrate proactive vs inflationary increases to Frontage Fees with the major infrastructure occurring at the currently projected end of useful life. A comparison of the 50-year fee structure for both proactive and inflationary is presented below in Figure 1.

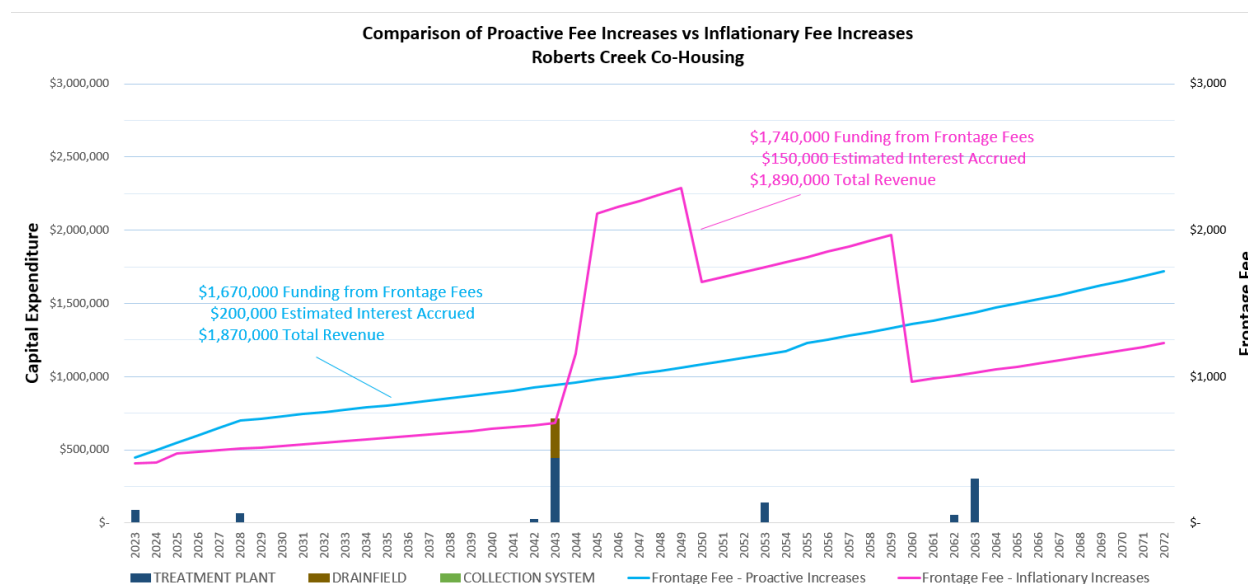


Figure 1: 50-year Comparison Proactive vs Inflationary Increases to Frontage Fees

This illustrates approximately \$2,200 per parcel savings across the next 50 years through proactively increasing the contributions to capital reserves over five years. If it is possible to extend the life of the treatment plant, growing reserve funds will be available to reduce the magnitude of debt servicing required. Proactively increasing the frontage fees by \$50 dollars annually for six years can eliminate the potential of a 300% rate increase as a result of excessive debt servicing. Adopting a proactive funding strategy is regarded favorably by many granting agencies.

Three funding options for Robert's Creek Co-Housing Capital Reserves are presented for consideration with different risks and benefits (see Table 1 below for funding breakdown by year 2023-2027):

Table 1: Frontage Fee Options

Robert's Creek Co-Housing Wastewater Frontage Fees			
Year	Option 1	Option 2	Option 3
2023	\$408/yr	\$450/yr	\$450/yr
2024	\$416/yr	-	\$500/yr
2025	\$477*/yr	-	\$550/yr
2026	\$487/yr	-	\$600/yr
2027	\$496/yr	-	\$650/yr

*frontage fee increased to meet projected annual debt obligation

Option 1	This option represents a five-year commitment to no adjustments to the frontage fees aside from an annual adjustment to match Consumer Inflation (assumed 2%).
Benefits	This provides cost certainty to the residents and satisfies the communities desire to be able to plan for expenses over the short-term.
Drawbacks	This option does not increase the reserve contribution amount significantly and leaves exposure to a significant future rate increase necessary to meet debt obligations associated with infrastructure replacement costs.

Recommended	
Option 2	This option is a single-year increase to frontage fees from \$400/yr to \$450/yr. Robert's Creek Co-Housing Frontage Fees will continue to be reviewed and adjusted on an annual basis.
Benefits	This increases the annual capital revenue for this service by ~12% and will help to build Capital Reserves more rapidly than Option 1.
Drawbacks	This option does provide cost certainty to the residents. This option does not achieve sustainable funding for this service and will either require further increases to the frontage fee or a significant increase to frontage fees to meet debt obligations associated with future infrastructure replacement costs

Option 3	This option represents a five-year commitment towards achieving sustainable funding through five stepped increases of \$50/year.
<i>Benefits</i>	This increases the annual capital revenue for this service by ~60% by the end of year 5 and will help to build Capital Reserves more rapidly than either other option. This option also mitigates the magnitude of future increase necessary to meet debt obligations associated with the future infrastructure costs. This option likely increases grant eligibility by demonstrating action towards sustainable service delivery.
<i>Drawbacks</i>	This option is the most expensive for residents over the next five years.

Organizational and Intergovernmental Implications

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

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

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

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

Financial Implications

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

Timeline for next steps or estimated completion date

Ongoing monitoring of the condition and performance of the treatment system will inform next steps. Since the initial service review in 2019 the Board has received annual updates of the financial modelling for capital infrastructure at wastewater services. Depending on the option selected above it is possible to extend the time between updates for this service until the operational projects are completed or an emerging development occurs.

Funding opportunities for design and construction of the eventual treatment system replacement will continue to be sought.

Communications Strategy

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

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

STRATEGIC PLAN AND RELATED POLICIES

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

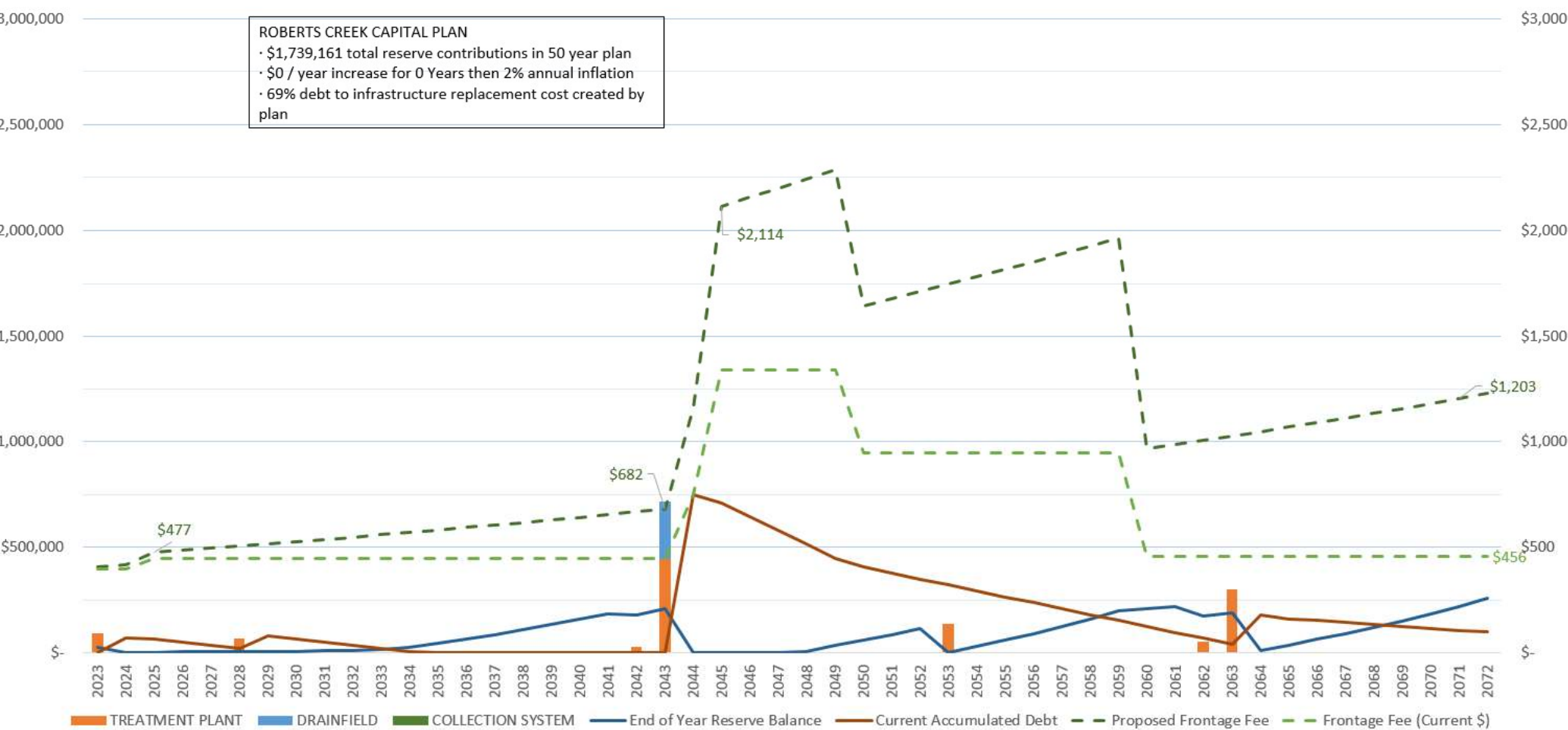
CONCLUSION

The Robert's Creek Co-Housing Wastewater Service has an infrastructure funding deficit and is facing significant infrastructure costs in the next 20 years. Adjustments to the revenues that contribute to Capital Reserves can mitigate projected debt obligations necessary to replace critical infrastructure. **Staff recommend that the Board implement a \$50.00 increase to the 2023 Frontage Fee resulting in the following Frontage Fee: \$450.00 in 2023.**

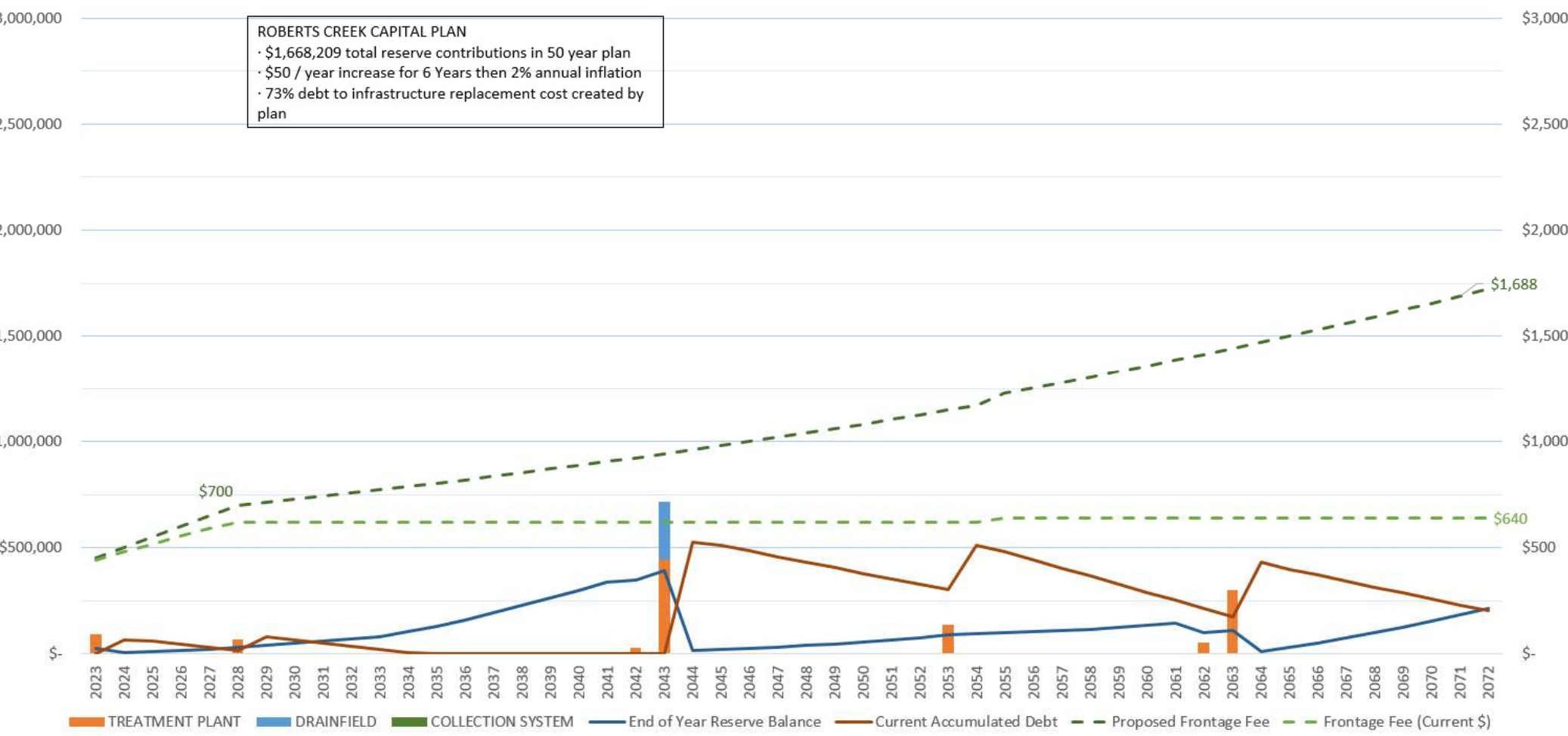
ATTACHMENT A – 50-Year Capital Plans

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

Attachment A – Roberts Creek Co-Housing Wastewater Service Capital Plan Inflationary Increases Only



Attachment A – Roberts Creek Co-Housing Wastewater Service Capital Plan Proactive Increases



SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – December 9, 2022**AUTHOR:** Shane Walkey, Manager, Utility Services
Bobby Rebner, Utility Business Coordinator**SUBJECT:** LILY LAKE [393] WASTEWATER 2023 USER FEE REVIEW

RECOMMENDATIONS

THAT the report titled Lily Lake [393] Wastewater 2023 User Fee Review be received for information;

AND THAT the Sewage Treatment Facilities Service Unit Bylaw No. 428, (Schedule C) be amended to increase the Lily Lake Service Area User Fees to \$992.83 for 2023;

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

BACKGROUND

The Lily Lake Service Area (Lily Lake) consists of 28 billable users. The current user rates per single family residential dwelling for 2022 is \$711.89.

An amendment to Sewage Treatment Facilities Service Unit Bylaw No. 428, (Schedule C) is required to be adopted prior to January 1, 2023 in order to meet the legislated timelines for adoption of the Financial Plan Bylaw, the Parcel Tax Roll review process, and the associated billing.

At the November 18, 2021 Infrastructure Services Committee, a report was presented to the Board which recommended rate increases for some of the wastewater treatment plant service areas in 2022 and future years, and resulted in the Sunshine Coast Regional District (SCRD) Board adopting the following resolution on November 25, 2021 (in part):

308/21 Recommendation No. 6 Wastewater 2022 User Fee Reviews

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

Service	2022
<i>Lily Lake</i>	<i>\$711.89</i>

At the February 17, 2022 Community Services Committee, a report was presented to the Board which identified an underfunding due to the disparity between the user fee revenue collected, and the operating budget within the Lily Lake service area. Due to the timing of that report, the following resolution on February 24, 2022:

044/22 Recommendation No. 7 Lily Lake Community Sewage Treatment Service
(in part)

AND THAT \$7,095 of [391] Lily Lake Operating Reserve be used to fund 2022 operations;

The purpose of this report is to discuss the current financial sustainability of the Lily Lake wastewater service area operations and to recommend 2023 user fee rate increases which align with the funding requirements of the service.

DISCUSSION

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

Since 2020 the SCRD has been working to improve the operations and maintenance of its wastewater treatment services to improve their performance, expand their useful life and reduce the potential for regulatory non-compliances and associated unintended environmental impacts. The improved operation of these services is possible because of additional staff resources approved by the Board in 2019. Additionally, operational expenditures for contracted services and materials and supplies have increased.

In 2022, user fee revenue was insufficient to fund budgeted operating expenditures at Lily Lake and the Board resolved in early 2022 to fund this underfunding, in the short-term, by utilizing existing operating reserves, thus depleting the reserve to a level where it can fund emergent issues. For 2023, it is recommended that this underfunding be eliminated to ensure financial sustainability and fee equity within the service area.

A thorough analysis of the Lily Lake operating budget was performed in Q4 2022 to review additional operational cost pressures anticipated for 2023 that will require additional funding. As part of the 2023 budget proposal process, staff have recommended that the base operating budget for Lily Lake be increased by the following amount to account for anticipated increases to operational and maintenance spending in 2023:

- Annual increase to Contracted Services base budget (i.e. Pumpouts)
 - \$329.40

Historical Rates

Historical rates and annual increases dating back to 5-years are as follows:

	2020	2021	2022	*2023
User Fee	\$641.69	\$701.37	\$711.89	\$992.84
Total \$ Increase		\$59.68	\$10.52	\$280.95
Total % Increase		9.30%	1.50%	39.47%

**Recommended for 2023*

Approved Project Details

There are currently two approved projects in the Lily Lake service area that are either in progress or are scheduled carryforward projects to be completed in 2023. These projects are funded by existing committed reserve accounts and do not impact user fees.

- Statutory Right of Way (SRW) \$4,000
 - Some of the collection system is situated in private land without a legal SRW for access to maintain and repair the infrastructure.

System Repairs and Upgrades \$35,000

- Several repairs and upgrades have been identified to address the current performance issues.

Options and Analysis

The following options and analysis are based on addressing the current underfunding caused by the disparity between the user fees collected, and the operating budget, the difference of which has historically been funded by reserves. To fund the anticipated 2023 operating budget underfunding, as well as the proposed increases to the base budget of \$329.40, the following options are presented for review:

Option 1 – Underfunding 100% addressed (39.47% rate increase)

Fee Summary	User Fee
Current User Fee Rate (2022)	\$711.89
Proposed Increase	\$280.95
2023 User Fee Rate	\$992.84
% Increase	39.47%
Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$22,267
Projected 2022 Surplus/(Deficit)	\$0
Budgeted Transfers to Reserves	\$0
Budgeted Transfers from Reserves	(\$0)
Ending Uncommitted Balance	\$22,267

Staff recommend this option for the following reasons:

- Eliminates current operating budget underfunding and reduces allocation of parcel tax revenue used to fund operations, which aligns with the Financial Sustainability Policy.
- The projected Ending Uncommitted Operational Reserve Balance improves the financial capacity to respond to emergency situations and components of the capital investment required in the upcoming years that should only be funded from operating versus capital reserves, including feasibility studies and engineering design.

Option 2 – Underfunding 50% addressed (19.73% rate increase)

Fee Summary	User Fee
Current User Fee Rate (2022)	\$711.89
Proposed Increase	\$140.46
2023 Rate	\$852.35
% Increase	19.73%
Operating Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$22,267
Projected 2022 Surplus/(Deficit)	\$0
Budgeted Transfers to Operating Reserves	\$0
Budgeted Transfers from Operating Reserves	(3,934)
Ending Uncommitted Balance	\$18,333

Staff do not recommend this option for the following reasons:

- This option is not financially sustainable and perpetuates the underfunding of the operating budget with insufficient user fee revenue.
- This option will continue to draw down operating reserves.
- The balance of the underfunded amount will need to be funded with additional rate increase(s) in future budget years (i.e. 2024).

Financial Implications

The following table summarizes the net operating impact from each of the options identified above:

	Option #1 (39.46%)	Option #2 (19.73%)
User Fee Revenue	27,800	23,866
Expenses		
Administrative	(2,662)	(2,662)
Salaries & Wages	(13,984)	(13,984)
Operating	(11,154)	(11,154)
Net Funding (Underfunding)	-	(3,934)
Operating Projects	-	-
Net Operating Deficit	-	(3,934)

Timeline for next steps or estimated completion date

If approval is received to amend user fees, the appropriate bylaw amendments will be drafted and presented to the December 15, 2022 Special Board Meeting for three readings and adoption.

Communications Strategy

A communication and public participation plan was approved as part of the 2022 budget process to inform service area participants about facility operations and 2023 rates for the Lily Lake wastewater treatment facility. A Community Information Session was held on October 27, 2022. Information regarding rate changes and funding has been communicated via print advertising, social media, will be included on utility invoices, and be posted on the SCRD website.

STRATEGIC PLAN AND RELATED POLICIES

The basis for the establishment of sustainable rate structures for SCRD services is borne from the guiding policies adopted by the Board. This report aligns with the Board's Strategic focus area of Asset Stewardship and Engagement and Communication. Other related corporate guiding documents are the Financial Sustainability Policy and the Corporate Asset Management Plan.

CONCLUSION

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

The current user fee rate for Lily Lake does not provide sufficient revenue to meet the annual operations and maintenance budget obligations outlined in previous reports. In order to meet the existing operating budget underfunding requirement and to address the proposed base budget increase proposed for 2023, staff are recommending an increase to the user fee for this system to \$992.84. This increase represents an increase of 39.47% from the 2022 user fee of \$711.89.

Reviewed by:			
Manager		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: Special Committee of the Whole - December 9, 2022

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

SUBJECT: LILY LAKE [393] WASTEWATER CAPITAL PLAN UPDATE

RECOMMENDATION(S)

THAT the report titled Lily Lake [393] Wastewater Capital Plan Update be received for information;

AND THAT the Sewage Treatment Facilities Service Unit Bylaw No. 428 (*Schedule B*) be amended to reflect a \$50.00 annual increase in Frontage Fees for the Lily Lake Wastewater Service, over the next five years, resulting in the following fees: \$254.00 in 2023, \$304.00 in 2024, \$354.00 in 2025, \$404.00 in 2026, and \$454.00 in 2027;

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

BACKGROUND

In [2019](#) a review of Wastewater services was conducted by the Sunshine Coast Regional District (SCRD). This review attempted to identify short and long-term challenges for these services and produced a summary report as well as [individual Asset Management Plans](#) for each of the 15 wastewater services managed by the SCRD.

A key finding of this review was the risk presented by the unsustainable nature of the capital funding for these facilities. The local service area's small user bases are especially vulnerable to debt driven cost increases in the event of a major infrastructure replacement due to the low Capital Reserve balances.

Recommendations to increase the Capital Reserve revenue for Lily Lake was made in [2020](#), [2021](#) and [2022](#) and the Frontage Fee has not been increased.

DISCUSSION

Lily Lake wastewater service has 28 participating properties that contribute to capital expenses. The estimated cost to replace the infrastructure for this wastewater service is approximately \$1,000,000. During the capital review process the treatment system at Lily Lake was broken down into individual components to more accurately reflect the capital renewal schedule. This has resulted in several smaller components being considered at different return intervals. One consequence of this more accurate modeling is the need to accurately model financing for equipment replacement which has a 5-year maximum borrowing term unless electoral approval is received.

As there is no capital reserve balance for Lily Lake, and assuming that the annual Capital Reserve revenue for this service will only increase with consumer inflation, debt servicing requirements are projected to exceed the Capital Reserve revenue by nearly 400% in the next 5 years when debt obligations from treatment plant equipment upgrades occur.

A typical sustainable rate structure leverages investment returns from reserve funds to offset the capital costs to the residents. While there are several treatment plant equipment upgrades projected in the near term, it is possible to reap benefits from adopting a financial plan that proactively increases the capital reserve revenue. Increasing the annual revenue in the lead up to infrastructure replacement will mitigate the frontage fee increase necessary to meet future debt servicing obligations and is favorably viewed by most grantors as a commitment to sustainable service delivery.

Many comments were received across the wastewater engagement sessions regarding fee stability suggesting that a term of cost certainty was desired.

Options and Analysis

The Capital Plan models in **Attachment A** illustrate proactive vs inflationary increases to Frontage Fees with the major infrastructure occurring at the currently projected end of useful life. A comparison of the 50-year fee structure for both proactive and inflationary increases is presented below in Figure 1.

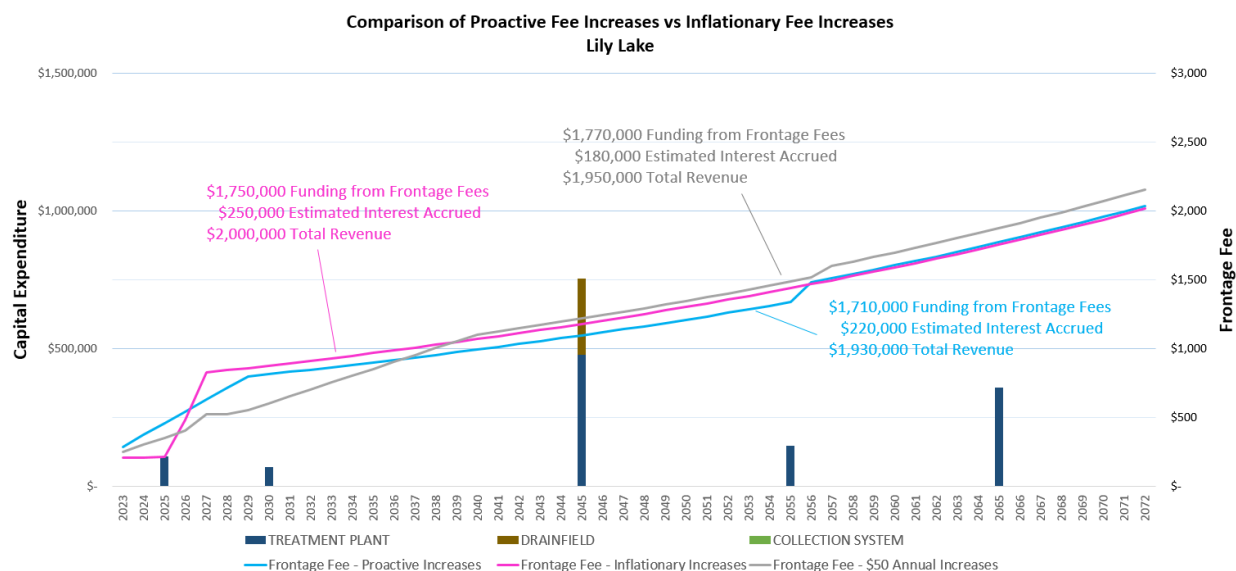


Figure 1: 50-year Comparison Proactive vs Inflationary Increases to Frontage Fees

This illustrates that an approximately \$1,400 per parcel savings across the next 50 years can be realized through proactively increasing the contributions to capital reserves over seven years. Proactively increasing the frontage fees over seven years eliminates the potential of a ~400% rate increase realized by residents. The grey line shows that implementing a \$50 annual increase projects to still require an additional increase to accommodate the debt servicing from the upcoming treatment plant equipment upgrades. This less aggressive approach is more expensive overall and would require rate increases to continue for 18 years. Adopting a proactive funding strategy is regarded favorably by many granting agencies.

Four funding options for Lily Lake Capital Reserves are presented for consideration with different risks and benefits (see Table 1 below for funding breakdown by year 2023-2027):

Table 1: Frontage Fee Options

Lily Lake Wastewater Frontage Fees				
Year	Option 1	Option 2	Option 3	Option 4
2023	\$208/yr	\$289/yr	\$289/yr	\$254/yr
2024	\$212/yr	-	\$374/yr	\$304/yr
2025	\$216/yr	-	\$459/yr	\$354/yr
2026	\$221(\$482*)/yr	-	\$544/yr	\$404/yr
2027	\$226(\$827*)/yr	-	\$629/yr	\$454(\$526*)/yr

* minimum amount necessary to meet projected debt obligations

Option 1	This option represents a five-year commitment to no adjustments to the frontage fees aside from an annual adjustment to match Consumer Inflation (assumed 2%).
Benefits	This provides cost certainty to the residents and satisfies the communities desire to be able to plan for expenses over the short-term.
Drawbacks	This option does not increase the reserve contribution amount significantly and leaves exposure to a significant future rate increase necessary to meet debt obligations associated with infrastructure replacement costs.

Option 2	This option is a single-year \$75 increase to frontage fees from \$204/yr to \$289/yr. Lily Lake Frontage Fees will continue to be reviewed and adjusted on an annual basis.
Benefits	This increases the annual capital revenue for this service by ~41% and will help to build Capital Reserves more rapidly than Option 1.
Drawbacks	This option does provide cost certainty to the residents. This option does not achieve sustainable funding for this service and will either require further increases to the frontage fee or a significant increase to frontage fees to meet debt obligations associated with future infrastructure replacement costs

Option 3	This option represents a five-year commitment towards achieving sustainable funding through five stepped increases of \$85/year.
<i>Benefits</i>	This increases the annual capital revenue for this service by ~310% by the end of year 5 and will help to build Capital Reserves more rapidly than either other option. This option also eliminates future increase necessary to meet debt obligations associated with the future infrastructure costs. This option likely increases grant eligibility by demonstrating action towards sustainable service delivery. This option is the cheapest option across 50 years.
<i>Drawbacks</i>	This option is the most expensive for residents over the next five years.

Recommended	
Option 4	This option represents a five-year commitment towards achieving sustainable funding through five stepped increases of \$50/year.
<i>Benefits</i>	This increases the annual capital revenue for this service by ~257% by the end of year 5 and will help to build Capital Reserves more rapidly. This option also mitigates the magnitude of future increase necessary to meet debt obligations associated with the future infrastructure costs. This option likely increases grant eligibility by demonstrating action towards sustainable service delivery.
<i>Drawbacks</i>	This option still projects to require an additional frontage fee increase in the first five years to service the anticipated debt obligation. This option is the most expensive for the residents across 50-years.

Organizational and Intergovernmental Implications

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

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

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

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

Financial Implications

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

Timeline for next steps or estimated completion date

Ongoing monitoring of the condition and performance of the treatment system will inform next steps. Since the initial service review in 2019 the Board has received annual updates of the financial modelling for capital infrastructure at wastewater services. Depending on the option selected above it is possible to extend the time between updates for this service until the operational projects are completed or an emerging development occurs.

Funding opportunities for design and construction of the eventual treatment system replacement will continue to be sought.

Communications Strategy

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

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

STRATEGIC PLAN AND RELATED POLICIES

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

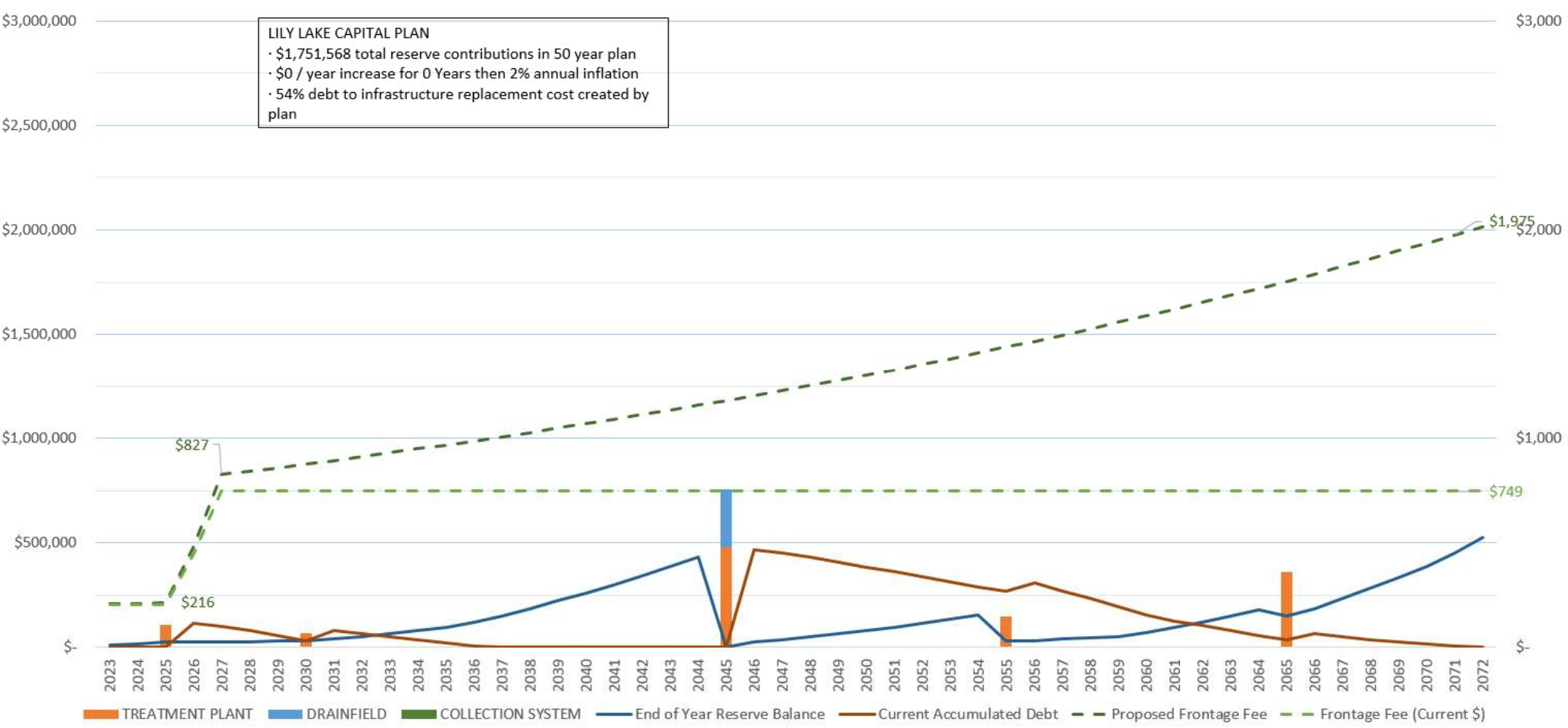
CONCLUSION

The Lily Lake Wastewater Service has an infrastructure funding deficit and is facing significant infrastructure costs in the next 20 years. Adjustments to the revenues that contribute to Capital Reserves can mitigate projected debt obligations necessary to replace critical infrastructure. **Staff recommend that the Board implement \$50.00 annual increases over the next five years, resulting in the following Frontage Fees: \$254.00 in 2023, \$304.00 in 2024, \$354.00 in 2025, \$404.00 in 2026, and \$454.00 in 2027.**

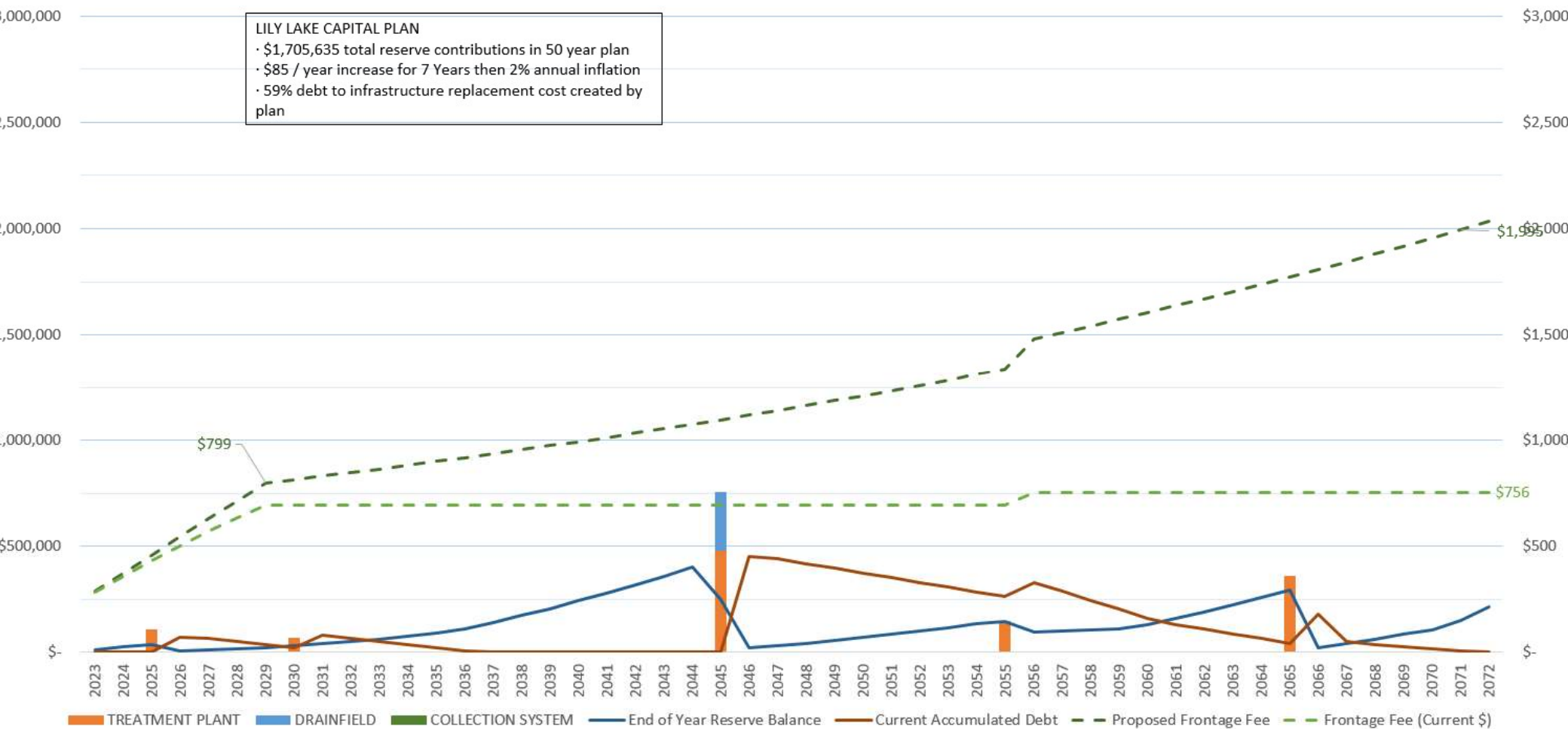
ATTACHMENT A – 50-Year Capital Plans

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

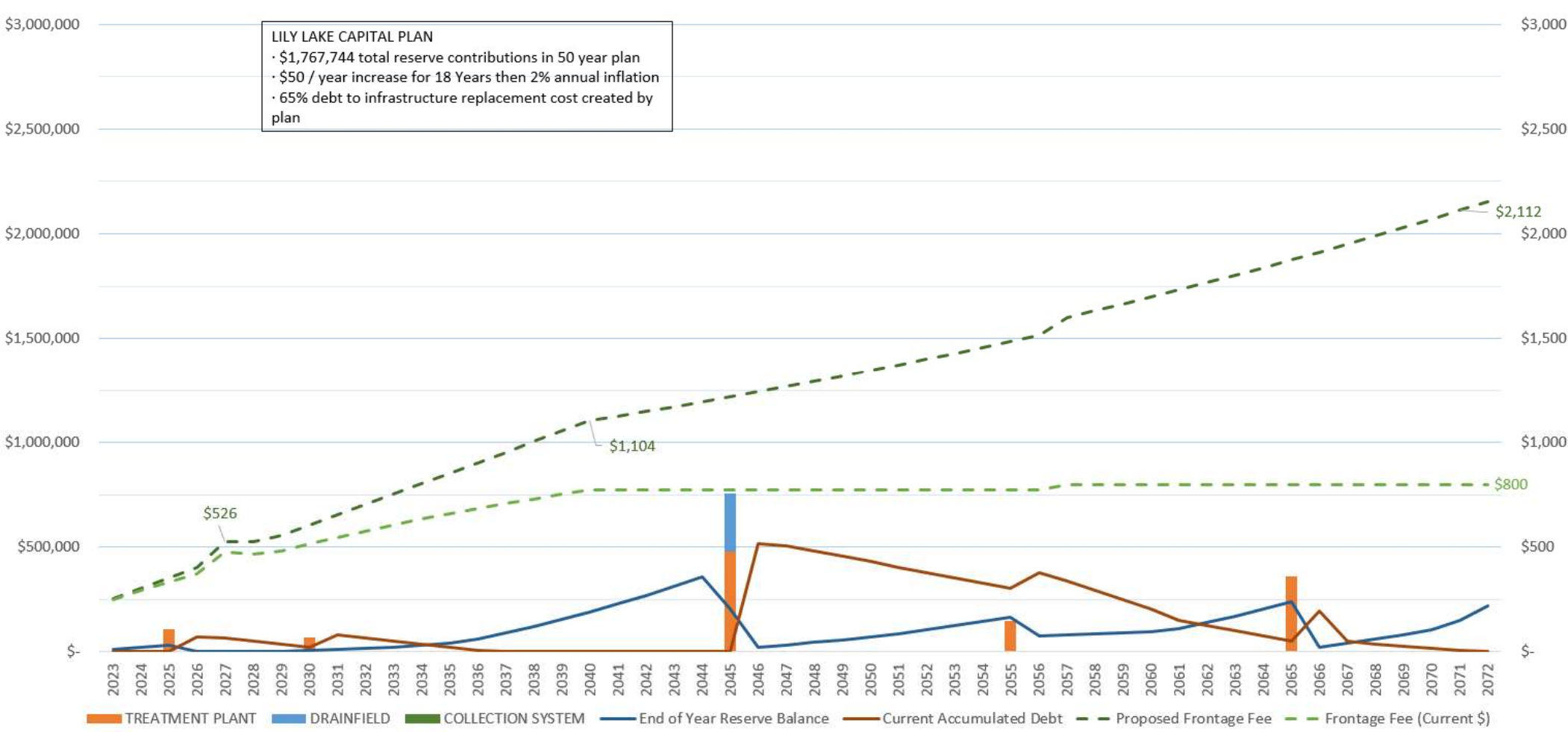
Attachment A – Lily Lake Wastewater Service Capital Plan Inflationary Increases Only



Attachment A – Lily Lake Wastewater Service Capital Plan Proactive Increases



Attachment A – Lily Lake Wastewater Service Capital Plan Proactive Increases – \$50 Dollar / yr



SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – December 9, 2022

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

SUBJECT: **PAINTED BOAT [394] WASTEWATER 2023 USER FEE REVIEW**

RECOMMENDATIONS

THAT the report titled Painted Boat [394] Wastewater 2023 User Fee Review be received for information;

AND THAT the Painted Boat Service Area User Fee for 2023 remain the same as 2022;

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

BACKGROUND

The Painted Boat Service Area (Painted Boat) consists of 34 billable users, including 32 residential units and two (2) commercial user accounts. The current user rate per single family residential dwelling for 2022 is \$586.13. The current user rates for the Painted Boat Spa and Painted Boat Restaurant are \$1,226.78 and \$2,494.46 respectively.

At the November 18, 2021 Infrastructure Services Committee, a report was presented to the Board which recommended rate increases for some of the wastewater treatment plant service areas in 2022 and future years, and resulted in the Sunshine Coast Regional District (SCRD) Board adopting the following resolution on November 25, 2021 (in part):

308/21 Recommendation No. 6 Wastewater 2022 User Fee Reviews

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

Service	2022
<i>Painted Boat</i>	<i>\$586.13</i>

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

Commercial User	2022
<i>Painted Boat Spa</i>	<i>\$1,226.78</i>
<i>Painted Boat Restaurant</i>	<i>\$2,494.46</i>

The purpose of this report is to discuss the current financial sustainability of the Painted Boat wastewater service area operations and to review 2023 user fee rate requirements to ensure that they align with the funding requirements of the service.

DISCUSSION

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

Since 2020 the SCRD has been working to improve the operations and maintenance of its wastewater treatment services to improve their performance, expand their useful life, and reduce the potential for regulatory non-compliances and associated unintended environmental impacts. The improved operation of these services is possible because of additional staff resources approved by the Board in 2019. Additionally, operational expenditures for contracted services and materials and supplies have increased.

A thorough analysis of the Painted Boat operating budget and operating reserve level was performed in Q4 2022 in order to determine the financial sustainability of the service area. Based on this review it has been determined by staff that the existing user fee rates are sufficient to fund the operational costs of this service area in 2023. Current operating reserve levels meet the threshold goal that has been set and there are no requirements at this time to increase user rates. Annual reviews of the user fees and operating budgets will continue to be performed to ensure that this service area remains financially sustainable.

Historical Rates

Historical rates and annual increases are as follows:

	2020	2021	2022	*2023
User Fee	\$537.50	\$577.47	\$586.13	\$586.13
Total \$ Increase		\$39.97	\$8.66	0\$
Total % Increase		7.44%	1.50%	%0.00

*Recommended for 2023

Options and Analysis

As discussed, the user fee and operating budget for the Painted Boat service area is adequate and therefore staff are recommending no rate increase to the user fees for 2023.

Option 1 – 0.00% rate increase to user fees

Fee Summary	User Fee
Current User Fee Rate (2022)	\$586.13
Proposed Increase	\$0.00
2023 Rate	\$586.13
% Increase	0.00%
Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$73,720
Projected 2022 Surplus	\$500
Budgeted Transfers to Reserves	\$1,337
Budgeted Transfers from Reserves	(\$0)
Ending Uncommitted Balance	\$75,557

Staff recommend this option for the following reasons:

- Existing user fee revenue adequately funds the required operating budget expenditures.
- Current operating reserve levels meet the minimum reserve threshold.

Financial Implications

The following table summarizes the net operating impact of the option identified above.

Option #1 (0.00%)	
User Fee Revenue	22,477
Expenses	
Administrative	(2,343)
Salaries & Wages	(10,681)
Operating	(8,116)
Net Funding	
(Underfunding)	1,337
Operating Projects	-
Net Operating Surplus	1,337

Timeline for next steps or estimated completion date

N/A

Communications Strategy

A communication and public participation plan was approved as part of the 2022 budget process to inform service area participants in 2022 about facility operations and 2023 rates for the Painted Boat wastewater treatment facility. A Community Information Session was held on October 27, 2022. Any future information regarding rate changes will be communicated via print advertising, social media, and will be included on utility invoices, and be posted on the SCRD website.

STRATEGIC PLAN AND RELATED POLICIES

The basis for the establishment of sustainable rate structures for SCRD services is borne from the guiding policies adopted by the Board. This report aligns with the Board's Strategic focus area of Asset Stewardship and Engagement and Communication. Other related corporate guiding documents are the Financial Sustainability Policy and the Corporate Asset Management Plan.

CONCLUSION

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

The current user fee rates for Painted Boat provides sufficient revenues to meet the 2023 annual operations and maintenance budget obligations. Staff are recommending that the annual user fee rate for Painted Boat does not change for 2023.

Reviewed by:			
Manager		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: Special Committee of the Whole - December 9, 2022

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

SUBJECT: PAINTED BOAT [394] WASTEWATER CAPITAL PLAN UPDATE

RECOMMENDATION(S)

THAT the report titled Painted Boat [394] Wastewater Capital Plan Update be received for information;

AND THAT the Painted Boat Sewage Treatment Facilities Fees and Charges Bylaw No. 644 (*Schedule A*) be amended to reflect a \$50.00 annual increase in Frontage Fees for the Painted Boat Wastewater Service, over the next five years, resulting in the following fees: \$352.00 in 2023, \$402.00 in 2024, \$452.00 in 2025, \$502.00 in 2026, and \$552.00 in 2027;

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

BACKGROUND

In [2019](#) a review of Wastewater services was conducted by the Sunshine Coast Regional District (SCRD). This review attempted to identify short and long-term challenges for these services and produced a summary report as well as [Individual Asset Management](#) Plans for each of the 15 wastewater services managed by the SCRD.

A key finding of this review was the risk presented by the unsustainable nature of the capital funding for these facilities. The local service area's small user bases are especially vulnerable to debt driven cost increases in the event of a major infrastructure replacement due to the low Capital Reserve balances.

Recommendations to increase the Capital Reserve revenue for Painted Boat was made in [2020](#), [2021](#) and [2022](#) and the Frontage Fee has increased from \$0 to \$302.00.

DISCUSSION

Painted Boat wastewater service has 31 participating properties that contribute to capital expenses. The estimated cost today to replace the infrastructure for this wastewater service is approximately \$700,000. Further work is needed to refine the estimate as the SCRD has not had a detailed cost estimate completed for this facility. Given the current reserve balance of approximately \$5,000 and assuming that the annual Capital Reserve revenue for this service will only increase with consumer inflation, debt servicing requirements are projected to exceed the Capital Reserve revenue by approximately 400% when significant capital projects are required.

A sustainable rate structure leverages investment returns from reserve funds to offset the capital costs to the residents. Increasing the annual revenue in the lead up to infrastructure replacement will mitigate the frontage fee increase necessary to meet future debt servicing obligations.

Many comments were received across the wastewater engagement sessions regarding fee stability suggesting that a term of cost certainty was desired.

Options and Analysis

The Capital Plan models in **Attachment A** illustrate proactive vs inflationary increases to Frontage Fees with the major infrastructure occurring at the currently projected end of useful life. A comparison of the 50-year fee structure for both proactive and inflationary increases is presented below in Figure 1.

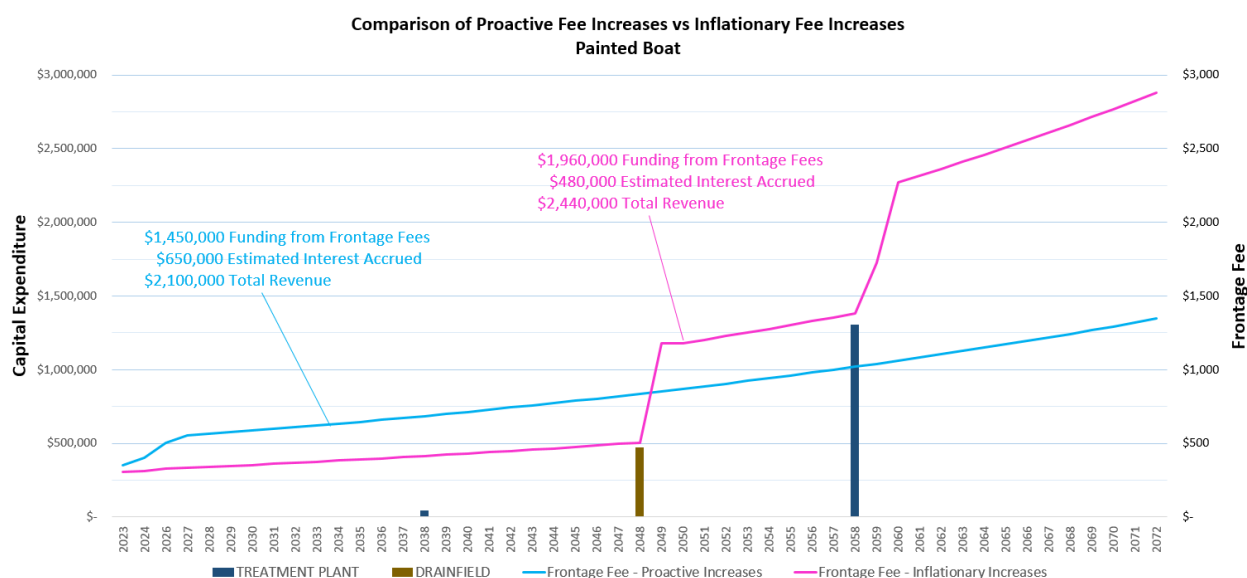


Figure 1: 50-year Comparison Proactive vs Inflationary Increases to Frontage Fees

This illustrates approximately \$15,000 per parcel savings across the next 50 years through proactively increasing the contributions to capital reserves over five years. Proactively increasing the frontage fees over five years eliminates any rate increase forced upon residents due to excessive debt financing and projects to halve the frontage fee required in 50 years. Adopting a proactive funding strategy is regarded favorably by many granting agencies.

In alignment with many residents' desires for cost certainty and with the SCRD's five-year financial planning cycle, it is recommended that a five-year term be committed to when selecting a funding option. The proactive model above requires only five consecutive \$50 dollar increases to the current frontage fee to achieve sustainable funding.

Three funding options for Painted Boat Capital Reserves are presented for consideration with different risks and benefits (see Table 1 below for funding breakdown by year 2023-2027):

Table 1: Frontage Fee Options

Painted Boat Wastewater Frontage Fees			
Year	Option 1	Option 2	Option 3
2023	\$308/yr	\$352/yr	\$352/yr
2024	\$314/yr	-	\$402/yr
2025	\$320/yr	-	\$452/yr
2026	\$327/yr	-	\$502/yr
2027	\$333/yr	-	\$552/yr

Option 1	This option represents a five-year commitment to no adjustments to the frontage fees aside from an annual adjustment to match Consumer Inflation (assumed 2%).
<i>Benefits</i>	This provides cost certainty to the residents and satisfies the communities desire to be able to plan for expenses over the short-term.
<i>Drawbacks</i>	This option does not increase the reserve contribution amount significantly and leaves exposure to a significant future rate increase necessary to meet debt obligations associated with infrastructure replacement costs.

Option 2	This option is a single-year increase to frontage fees from \$302/yr to \$352/yr. Painted Boat Frontage Fees will continue to be reviewed and adjusted on an annual basis.
<i>Benefits</i>	This increases the annual capital revenue for this service by 16% and will help to build Capital Reserves more rapidly than Option 1.
<i>Drawbacks</i>	This option does provide cost certainty to the residents. This option does not achieve sustainable funding for this service and will either require further increases to the frontage fee or a significant increase to frontage fees to meet debt obligations associated with future infrastructure replacement costs

Recommended	
Option 3	This option represents a five-year commitment towards achieving sustainable funding through five stepped increases of \$50/year.
<i>Benefits</i>	This increases the annual capital revenue for this service by 83% by the end of year 5 and will help to build Capital Reserves more rapidly than either other option. This option also mitigates the magnitude of future increase necessary to meet debt obligations associated with the future infrastructure costs. This option likely increases grant eligibility by demonstrating action towards sustainable service delivery.
<i>Drawbacks</i>	This option is the most expensive for residents over the next five years.

Organizational and Intergovernmental Implications

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

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

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

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

Financial Implications

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

Timeline for next steps or estimated completion date

Completion of operational projects and ongoing monitoring of the condition and performance of the treatment system will inform next steps. Since the initial service review in 2019 the Board has received annual updates of the financial modelling for capital infrastructure at wastewater services. Depending on the option selected above it is possible to extend the time between updates for this service until the operational projects are completed or an emerging development occurs.

Communications Strategy

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

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

STRATEGIC PLAN AND RELATED POLICIES

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

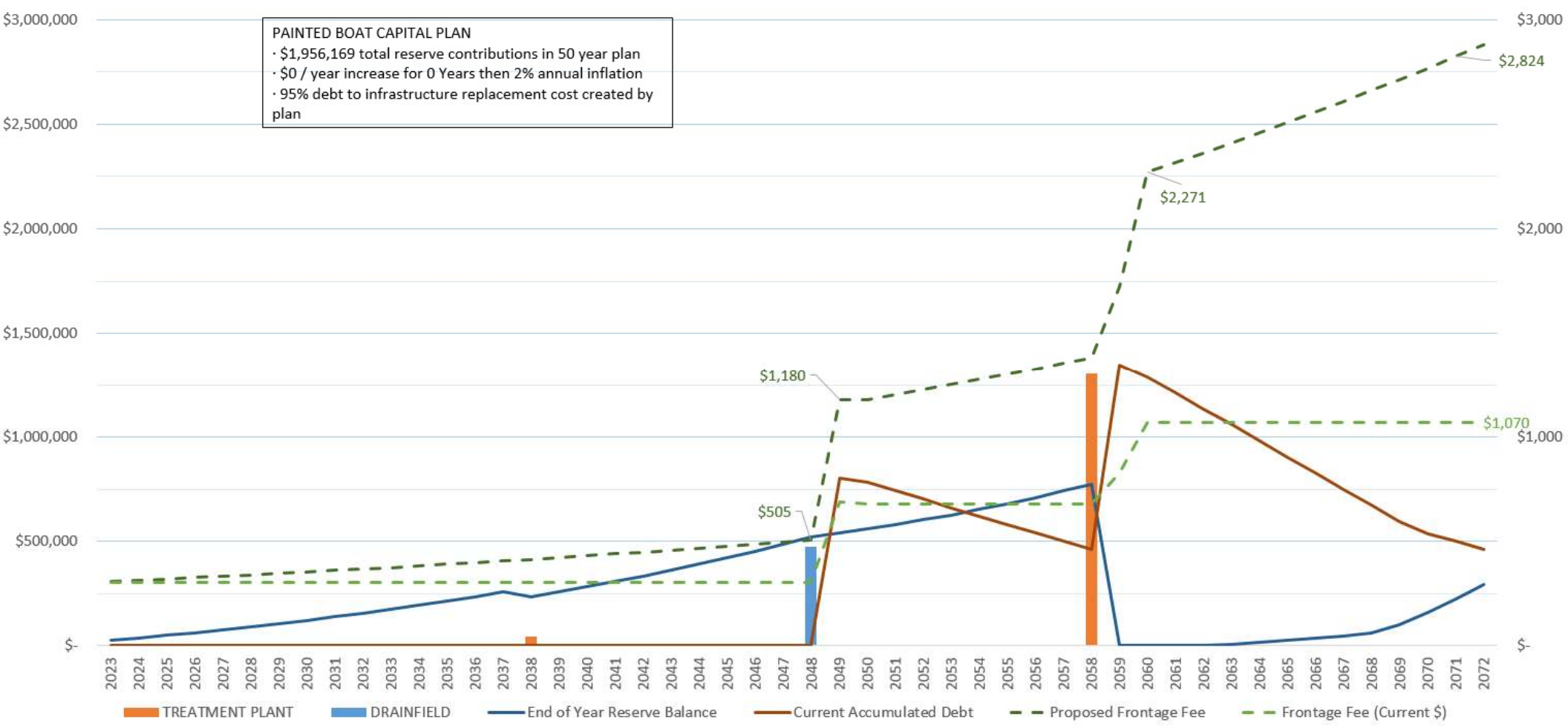
CONCLUSION

The Painted Boat Wastewater Service has an infrastructure funding deficit and is facing significant infrastructure costs in the next 20 years. Adjustments to the revenues that contribute to Capital Reserves can mitigate projected debt obligations necessary to replace critical infrastructure. **Staff recommend that the Board implement \$50.00 annual increases over the next five years, resulting in the following Frontage Fees: \$352.00 in 2023, \$402.00 in 2024, \$452.00 in 2025, \$502.00 in 2026, and \$552.00 in 2027.**

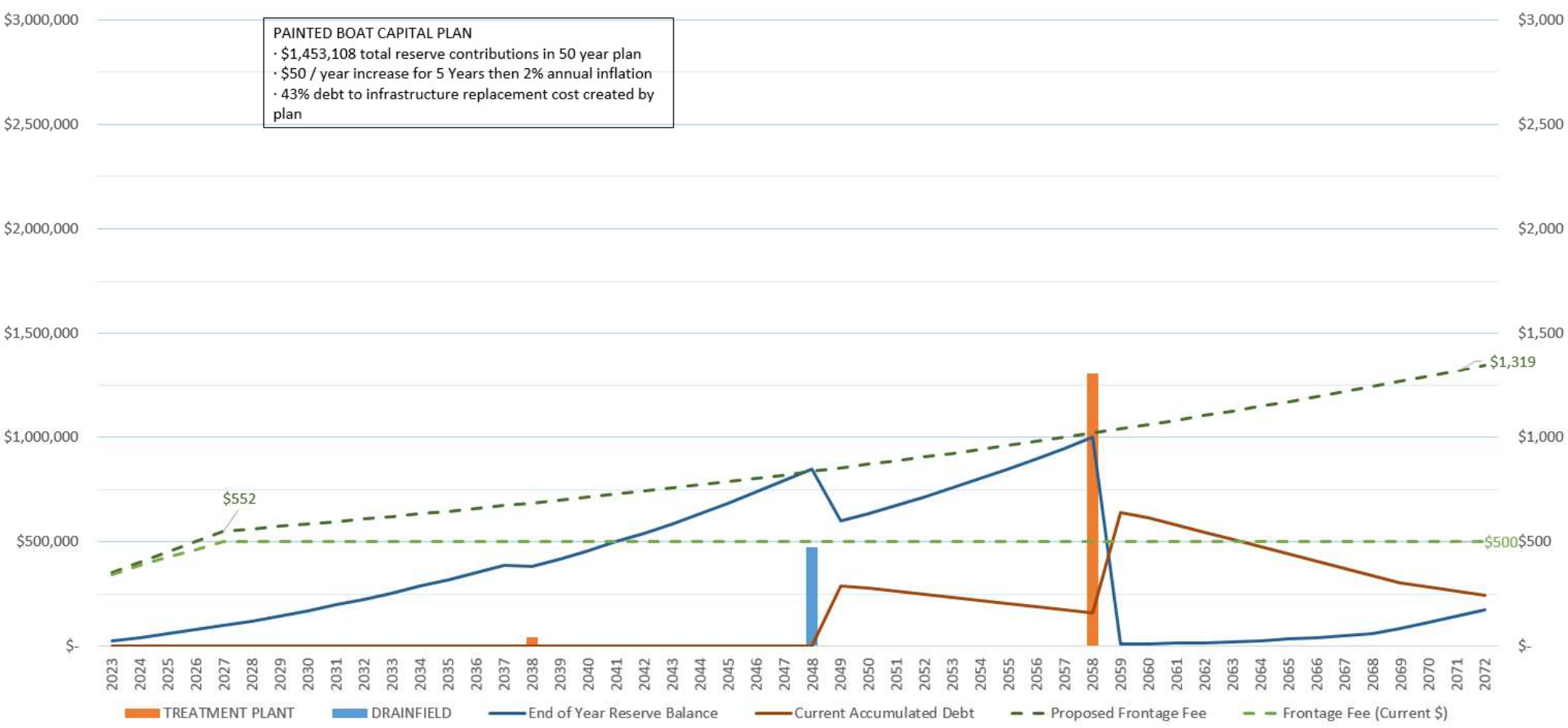
ATTACHMENT A – 50-Year Capital Plans

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

Attachment A – Painted Boat Wastewater Service Capital Plan Inflationary Increases Only



Attachment A – Painted Boat Wastewater Service Capital Plan Proactive Increases



SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Special Committee of the Whole – December 9, 2022

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

SUBJECT: **SAKINAW RIDGE [395] WASTEWATER 2023 USER FEE REVIEW**

RECOMMENDATIONS

THAT the report titled Sakinaw Ridge [395] Wastewater 2023 User Fee Review be received for information;

AND THAT the Sakinaw Ridge Sewer Service Area User Fee for 2023 remain the same as 2022;

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

BACKGROUND

The Sakinaw Ridge Service Area (Sakinaw Ridge) consists of 11 billable users out of the 29 lots located within the service area. The current user rates per single family residential dwelling are \$1,324.

At the November 18, 2021 Infrastructure Services Committee, a report was presented to the Board which recommended rate increases for some of the wastewater treatment plant service areas in 2022 and future years, and resulted in the Sunshine Coast Regional District (SCRD) Board adopting the following resolution on November 25, 2021 (in part):

308/21 Recommendation No. 6 Wastewater 2022 User Fee Reviews

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

Service	2022
<i>Sakinaw Ridge</i>	<i>\$1,323.63</i>

At the February 17, 2022 Community Services Committee, a report was presented to the Board which identified an underfunding due to the disparity between the user fee revenue collected, and the operating budget within the Sakinaw Ridge wastewater service area. Due to the timing of that report, the following resolution on February 24, 2022:

044/22 Recommendation No. 8 Sakinaw Ridge Community Sewage Treatment Service (in part)

AND THAT \$2,224 of the [395] Sakinaw Ridge Operating Reserve be used to fund 2022 operations;

The purpose of this report is to discuss the current financial sustainability of the Sakinaw Ridge wastewater service area operations and to review 2023 user fee rate requirements to ensure that they align with the funding requirements of the service.

DISCUSSION

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

The Sakinaw Ridge wastewater service area is unique in that only 37% (11 out of 29) of the lots are developed and currently have 'users'. Due to the relatively low number of users (and associated user fee revenue), determining an equitable rate setting within the service area has been a challenge and has resulted in utilizing frontage tax revenue to subsidize user fees in order to fund the costs of operations. The intention of this decision is to prevent exorbitant user fee rates in the short-term while the service area is developed and new users are eventually paying into the system. Doing so continues to divert frontage fees revenue away from capital reserves and capital funding which may have future asset management implications and/or require larger frontage fee increases in the future.

Since 2020 the SCRD has been improving the operations and maintenance of its wastewater treatment services to improve their performance, expand their useful life and reduce the potential for regulatory non-compliances and associated unintended environmental impacts. The improved operation of these services is possible because of additional staff resources approved by the Board in 2019. Additionally, operational expenditures for contracted services and materials and supplies have increased.

A thorough analysis of the Sakinaw Ridge operating budget and operating reserve level was performed in Q4 2022 in order to determine the financial sustainability of the service area. Although the funding of this service does not currently align with the Financial Sustainability Policy, as frontage fees are continuing to support the operational costs of managing this service, there are several factors that should be taken into consideration when making rate decisions for 2023. The current user fee at Sakinaw Ridge is already one of the highest wastewater user rates in the region and attempting to fully fund the operations of a modern facility with only eleven (11) users, at this stage in the area's development, is punitive to the property owners who have chosen to develop. Additionally, staff are currently in the process of reviewing a development proposal in the region that would result in a service area expansion. As stated earlier, additional development would result in new users and an increase in associated user fee revenue. Staff recommend to continue to partially subsidize the operational costs of Sakinaw with frontage fees revenue in the short-term and to re-address rates annually. Current operating reserve levels are estimated to conservatively meet an emerging issue.

Historical Rates

Historical rates and annual increases are as follows:

	2020	2021	2022	*2023
User Fee	\$1,205.94	\$1,304.07	\$1,323.63	\$1,323.63
Total \$ Increase		\$98.13	\$19.56	\$0.00
Total % Increase		8.14%	1.50%	%0.00

**Recommended for 2023*

Options and Analysis

Sakinaw Ridge underfunding is due to the disparity between the user fees collected, and the operating budget, the difference of which has historically been funded by both frontage fees revenue and reserves. Given the low number of users, anticipated development in the area, and the projected 2022 operating budget surplus, it is recommended that user fees do not increase in 2023 and are reevaluated during next year's rate review process.

Option 1 – 0.00% rate increase to user fees

Fee Summary	User Fee
Current User Fee Rate	\$1,323.63
Proposed Increase	\$0.00
2023 Rate	\$1,323.63
% Increase	0.00%
Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$22,485
*Projected 2022 Surplus	\$16,500
Budgeted Transfers to Reserves	\$0
Budgeted Transfers from Reserves	(\$0)
Ending Uncommitted Balance	\$22,485

**The 2022 surplus in operations and maintenance spending will result in contributions to capital reserves due to the existing subsidization of user fees with frontage/parcel taxes.*

Staff recommend this option for the following reasons:

- This option continues to subsidize user fees with frontage fees revenue and mitigates substantial user fee increases in 2023. Although this option would not align with Board Policy, it works toward this goal while trying to balance a sustainable fee.
- The projected 2022 operating budget surplus is significant and will result in lower than anticipated underfunding and associated frontage fees subsidization in 2022.
- The impact of proposed service area expansion and associated development may have a significant impact on revenue and rate requirements in future years.
- The operating reserve will continue to meet the minimum service level goals.

Financial Implications

The following table summarizes the net operating impact from of the option identified above.

Option #1 (0.00%)	
User Fee Revenue	14,560
Expenses	
Administrative	(4,523)
Salaries & Wages	(16,946)
Operating	(10,496)
Net Funding (Underfunding)	(17,405)
Operating Projects	-
Net Operating (Deficit)	(17,405)

Note: As discussed above, the 2023 anticipated net operating deficit will be funded by frontage/parcel taxes with any surplus in the operating budget reducing this value.

Timeline for next steps or estimated completion date

Staff will continue to monitor the financial sustainability and rate requirements at Sakinaw Ridge and will present a similar user fee review report annually considering any updates in the service area including, but not limited to: service area expansion, operations, asset management planning, etc.

Communications Strategy

A communication and public participation plan was approved as part of the 2022 budget process to inform service area participants about facility operations and 2023 rates. A Community Information Session was held on October 27, 2022. Any future information regarding rate changes will be communicated via print advertising, social media, and will be included on utility invoices, and be posted on the SCRD website.

STRATEGIC PLAN AND RELATED POLICIES

The basis for the establishment of sustainable rate structures for SCRD services is borne from the guiding policies adopted by the Board. This report aligns with the Board's Strategic focus area of Asset Stewardship and Engagement and Communication. Other related corporate guiding documents are the Financial Sustainability Policy and the Corporate Asset Management Plan.

CONCLUSION

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

Given the low number of users and development in the service area, the current user fee rate for Sakinaw Ridge does not currently provide sufficient revenues to meet the 2023 annual operations and maintenance budget obligations. Staff recommend to continue to partially

subsidize the operational costs of Sakinaw with frontage revenue in the short-term and that the annual user fee rate for Sakinaw Ridge does not change for 2023.

Reviewed by:			
Manager		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: Special Committee of the Whole - December 9, 2022

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

SUBJECT: SAKINAW RIDGE [395] WASTEWATER CAPITAL PLAN UPDATE

RECOMMENDATION(S)

THAT the report titled Sakinaw Ridge [395] Wastewater Capital Plan Update be received for information;

AND THAT Sakinaw Ridge Community Sewage Treatment System Fees and Charges Bylaw No. 714 (*Schedule A*) be amended to increase Frontage Fees by 2%, resulting in a 2023 Frontage Fee of \$862.18;

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

BACKGROUND

In [2019](#) a review of Wastewater services was conducted by the Sunshine Coast Regional District (SCRD). This review attempted to identify short and long-term challenges for these services and produced a summary report as well as [individual Asset Management Plans](#) for each of the 15 wastewater services managed by the SCRD.

A key finding of this review was the risk presented by the unsustainable nature of the capital funding for these facilities. The local service area's small user bases are especially vulnerable to debt driven cost increases in the event of a major infrastructure replacement due to the low Capital Reserve balances.

Recommendations to increase the Capital Reserve revenue for Sakinaw Ridge was made in [2020](#), [2021](#) and [2022](#) and the Frontage Fee has increased from \$418.20 to \$845.27.

DISCUSSION

Sakinaw Ridge wastewater service has 29 participating properties that contribute to capital expenses. The current estimated cost to replace the infrastructure for this wastewater service is approximately \$3,100,000. This service is not fully built out, there are only 8 users for a wastewater system designed to accommodate 29 properties. This has resulted in a scenario where funding operational costs solely through User Fees would result in exorbitant rates for residents. As such Frontage Fees contribute to operating expenses at this time, with no allocation to capital reserve projected from the 2022 revenue from Frontage Fees.

A typical sustainable rate structure leverages investment returns from reserve funds to offset the capital costs to the residents. Increasing the annual revenue in the lead up to infrastructure replacement will mitigate the frontage fee increase necessary to meet future debt servicing obligations.

Many comments were received across the wastewater engagement sessions regarding fee stability suggesting that a term of cost certainty was desired.

Options and Analysis

The Capital Plan models in Attachment A illustrate proactive vs inflationary increases to Frontage Fees with the major infrastructure occurring at the currently projected end of useful life. The Frontage Fee values in Attachment A have been adjusted to reflect that fact that currently all Frontage Fee revenue is currently allocated to subsidize operational expense and these graphs consider increases from the current \$845.27 rate. A comparison of the 50-year fee structure for both proactive increases and the existing funding is presented below in Figure 1.

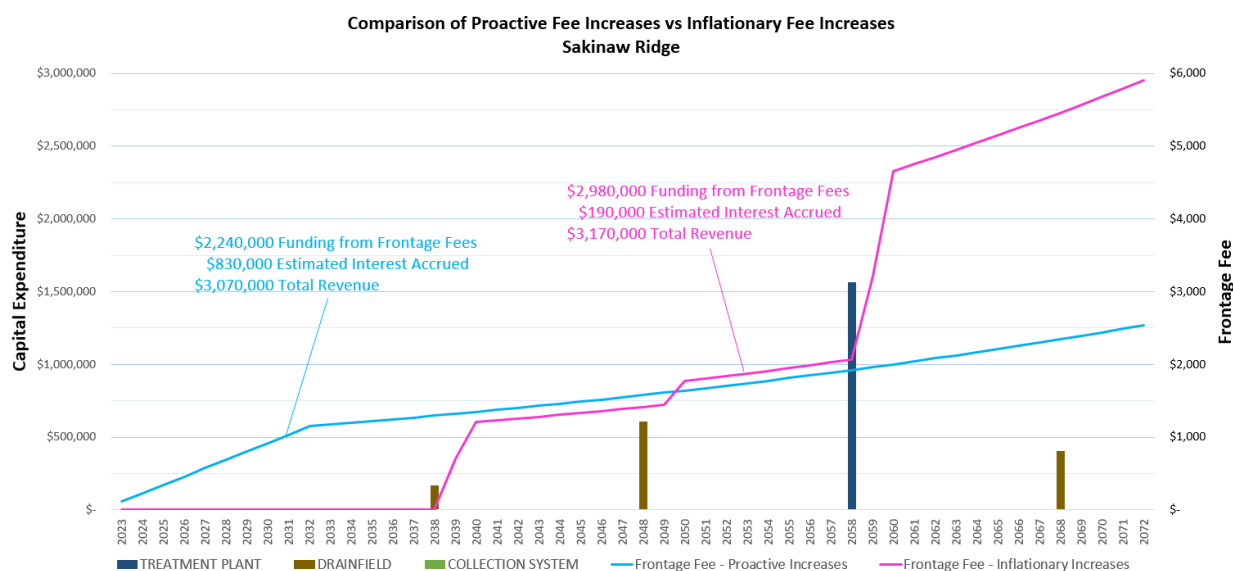


Figure 1: 50-year Comparison Proactive vs Inflationary Increases to Frontage Fees

The 50-year model illustrates a lower overall cost for this service can be achieved through proactive rate increase and that debt servicing costs can be controlled through reserve building and the accumulation of savings interest. However, Sakinaw Ridge Wastewater Service faces challenges in funding its operational costs without either subsidies from Frontage Fee revenue or raising User Fees by ~300%. It is understood that development within the service area or nearby may potentially increase the number of users for the system in the near future. Considering that this service is still less than 1/3 through its estimated useful life for the treatment plant and that this service cost per participant is already the highest among SCRD wastewater services, it is recommended to nominally increase Frontage Fees by 2% at this time.

Organizational and Intergovernmental Implications

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

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

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

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

Financial Implications

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

Timeline for next steps or estimated completion date

Ongoing monitoring of the condition and performance of the treatment system will inform next steps. Since the initial service review in 2019 the Board has received annual updates of the financial modelling for capital infrastructure at wastewater services. Depending on the option selected above it is possible to extend the time between updates for this service until the operational projects are completed or an emerging development occurs.

Funding opportunities for design and construction of the eventual treatment system replacement will continue to be sought.

Communications Strategy

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

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

STRATEGIC PLAN AND RELATED POLICIES

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

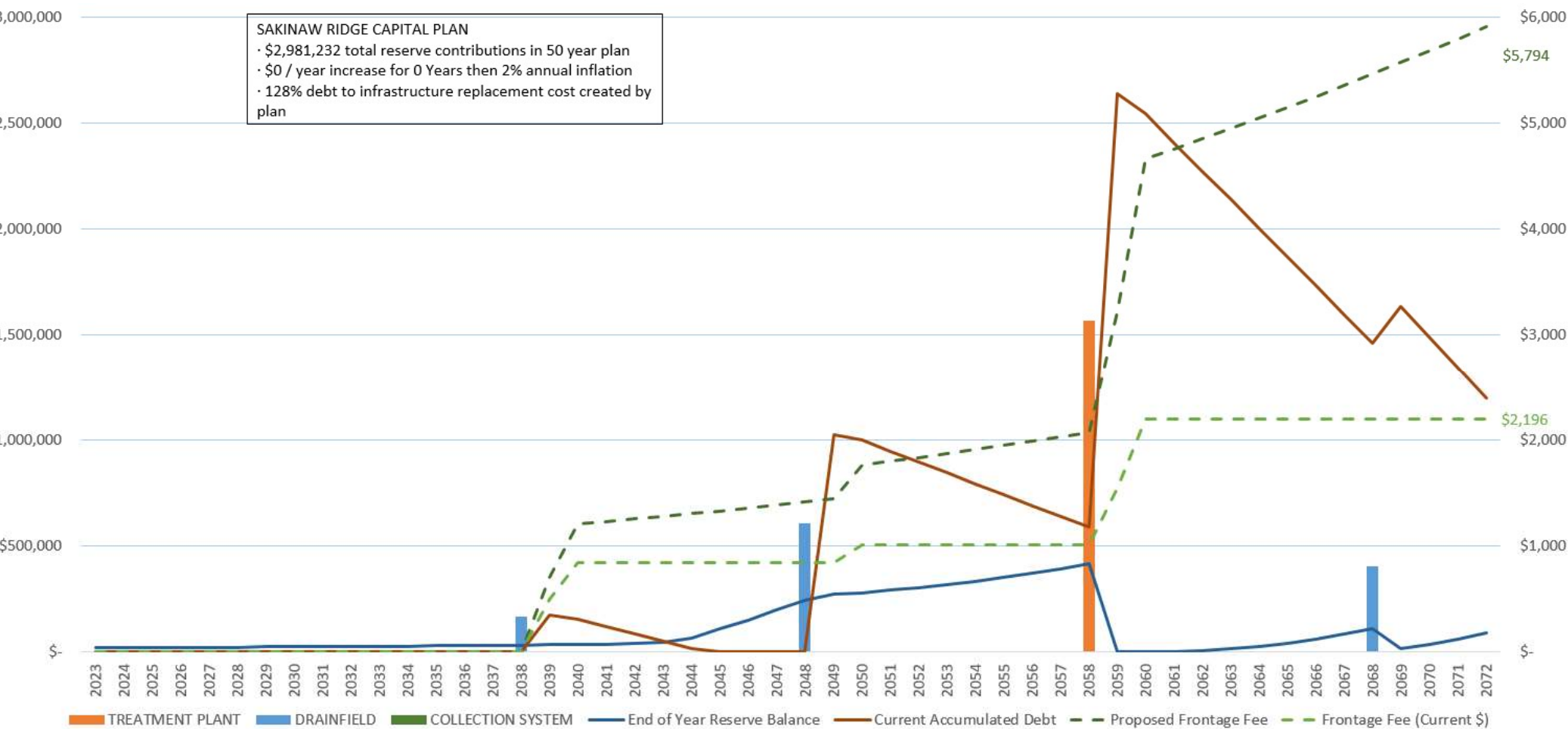
CONCLUSION

The Sakinaw Ridge Wastewater Service has an infrastructure funding deficit and is facing significant infrastructure costs in the next 20 years. Adjustments to the revenues that contribute to Capital Reserves can mitigate projected debt obligations necessary to replace critical infrastructure. **Staff recommend that the 2023 Frontage Fees be increased by 2% from 2022 rates resulting in a 2023 Frontage Fee of \$862.18.**

ATTACHMENT A – 50 -Year Capital Plans

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

Attachment A – Sakinaw Ridge Wastewater Service Capital Plan Inflationary Increases Only



Attachment A – Sakinaw Ridge Wastewater Service Capital Plan Proactive Increases

