

THE CORPORATION OF THE CITY OF COURTENAY

NOTICE OF COMMITTEE OF THE WHOLE MEETING

DATE: Tuesday, March 29, 2016
PLACE: City Hall Council Chambers
TIME: 4:00 p.m.

AGENDA

1.00 STAFF REPORTS/CORRESPONDENCE

Pg#

1. John Watson – CVEDS 2016 Strategic Plan
- 1 2. Water and Sewer Financial Plans

2.00 RESOLUTIONS OF COUNCIL

1. **In Camera Meeting:**

That notice is hereby given that a Special In-Camera meeting closed to the public will be held March 29, 2016 at the conclusion of the Committee of the Whole Meeting pursuant to the following sub-sections of the *Community Charter*:

- 90(i) the receipt of advice that is subject to solicitor-client privilege, including communications necessary for that purpose.

3.00 ADJOURNMENT



THE CORPORATION OF THE CITY OF COURTENAY

STAFF REPORT

To: Council

File No.: 1705-20 / 1830-05

From: Chief Administrative Officer

Date: March 29, 2016

Subject: 2016–2020 Water Fund Financial Plan and User Fee Revenue

PURPOSE:

The purpose of this report is for Council to consider the 2016–2020 Water Fund Financial Plan and the proposed increase in water user fee revenue for 2016.

POLICY ANALYSIS:

Section 165 of the *Community Charter* requires a municipality to have a five-year financial plan adopted annually. This Water Fund Financial budget plan is a component of the City's annual five-year plan.

EXECUTIVE SUMMARY:

The water system has a regional and a municipal component and each plays a vital role in providing water services to the residents of Courtenay and other participating partners. The 2016 budget process has considered a modified Asset Management Planning process. While a fully implemented asset management plan remains the goal, the development of a mature asset management system that considers all aspects such as condition assessments, life-cycle analysis and risk management, is continuing to evolve and as it develops, staff will be able to rely more heavily upon its guidance in future recommended budgets.

Regional District bulk water purchases are the primary cost driver of this fund. To provide funding for the region's capital works program, the bulk water rate will be increased this year from \$0.64/m³ to \$0.66/m³ and to \$0.68/m³ in 2017. The proposed Water budget consequently entails a user fee increase of 3% for each of 2016, 2017 and 2018. The impact to a single family residence is an increase of \$10.76 per annum.

CAO RECOMMENDATIONS:

That based on the March 29, 2016 staff report "2016–2020 Water Fund Financial Plan and User Fee Revenue" Council approves Option 1 of the 2016-2020 Sewer Fund Financial Plan; and

That staff are directed to present Council an amendment to "City of Courtenay Fees and Charges Bylaw No. 1673, 1992" to incorporate a water fee increase of 3% for each of 2016, 2017 and 2018.

Respectfully submitted,

David Allen, BES, CLGEM, SCLGM
Chief Administrative Officer

BACKGROUND:

Consideration and approval of a five-year financial plan is an annual requirement under the Community Charter, specifically under Section 165. The recommended financial plan covers the period of 2016 through to 2020. Once the budget is reviewed, Staff draft and present the corresponding Tax Rate bylaw for Council consideration. Each bylaw is then adopted in succession, no later than May 15th.

The water utility service is designed to be self-funding with no draws from the general property tax levy. This service is provided to property owners who use the City’s municipal water infrastructure as well as the Comox Valley Regional District infrastructure that transports water from the Comox Lake reservoir to the City’s boundaries, where it is measured and distributed via the City’s municipal water infrastructure.

DISCUSSION:

City of Courtenay 2016–2020 Water Financial Plan

2016 Operating Budget

This plan has been developed as a cooperative effort between all Departments with Asset Management being a significant underlying consideration in the creation of the budget numbers. As this is a transition year for many people, the focus of this budget has been to provide the same level of service wherever possible but to remain within our current capacity. Future water utility rate adjustments for the municipal portion of the system will be supported through the development and implementation of a Water Asset Management Plan, informed by condition assessments, life-cycle analysis and risk management. An overview of the Water Sewer Operating Budget and Total revenues and expenditures is provided as Attachment #1. Total 2016 revenues and expenditures as presented equal \$7,818,400 with contributions to reserves and capital of \$2,444,600.

Cost Drivers

The primary cost drivers in the 2016 budget are Personnel, Purchased Services – Other Governments and cumulative reductions in the remaining areas. See Table 1. The total change between 2015 and 2016 (excluding transfer to Reserves and to the Capital Fund) is \$165,365.

Table 1

WATER FUND				2015	2016	Budget	% of
				Final			Total 2016
				Budget	Budget	Variance	Budget
Expenditures by Economic Segments							
			Personnel	612,248	788,700	176,452	14.68%
			General Services	365,511	353,000	(12,511)	6.57%
			Insurance	11,824	10,500	(1,324)	0.20%
			Internal Allocations	838,151	808,400	(29,751)	15.04%
			Purchased Services - Other Govts	3,055,538	3,163,500	107,962	58.87%
			Goods	323,663	248,700	(74,963)	4.63%
			Transfer payments (rebates)	1,500	1,000	(500)	0.02%
				5,208,435	5,373,800	165,365	100.00%

- Personnel costs have increased from \$612,248 in 2015 to \$788,700 in 2016. A new analysis identified personnel were spending approximately 20% of their time on water operations, so the 2016 budget has been adapted to reflect this percentage allocation. As well, the unionized staff negotiated 2% increase has also been applied. As a result, the proposed 2016 budget has been developed to reflect these operational cost changes.
- Bulk water is purchased from the Regional District and represents the largest cost driver for this financial plan. Effective April 1, 2016, the rate per cubic meter is increasing from \$0.64 to \$0.66 and to \$0.68 in 2017. This rate change increases the expense by \$107,962.
- There are also cost reductions due to efficiencies in other areas (General Services, Insurance, and Goods) that total over \$119,000.

2016 Operating Budget Revenue Sources:

Similar to the Sewer fund, there are two key sources of budgetary revenue for the Water Fund.

1. User Fees – typically used to fund operational costs including bulk purchases, power-gas-telephone charges, chemicals, monitoring, general payroll and maintenance of the service; and,
2. Frontage and Parcel Taxes – typically used to fund capital programs for renewal and upgrades. These are taxes levied on all properties.

The historical, current and projected revenue sources are provided in Attachment #1.

Water Reserves and Surplus Balances:

The projected totals of these are provided in Attachment #2.

2016 Capital Budget

Attachment #3 provides a summary of the Water Capital Budget and Attachment #4 provides details of the proposed projects.

FINANCIAL IMPLICATIONS:

In order to recover the cost of delivering the water utility operating and capital activities, staff recommend that Council increase the User Rates and Fees by 3% for each of 2016, 2017 and 2018 to address increased costs of bulk water and other increases to operating costs as outlined above.

ADMINISTRATIVE IMPLICATIONS:

Following direction from Council, Staff will prepare the user fee amendment bylaw and present it for Council's consideration.

ASSET MANAGEMENT IMPLICATIONS:

Much of the water network in Courtenay was built over generations, some by the City and much more by developers. Some portions have been renewed over the years, yet some still exists and is providing service far longer than anticipated. Detailed Condition Assessment work has begun to evaluate the remaining life-cycle of this diverse network to determine which components can remain in service and renewal of which parts may be deferred. Refined condition and financial information will become available as the Asset Management program matures and when the actual asset condition becomes better understood.

STRATEGIC PRIORITIES REFERENCE:

The budget strives to provide Council with the ability to “Proactively plan and invest in our natural and built environment”, which is an area of control. This budget continues to focus on asset management for sustainable service delivery plus infrastructure renewal as well as sustainable maintenance and operating programs to ensure that financial resources are available for future asset management endeavours.

We proactively plan and invest in our natural and built environment

- Continued focus on asset management for sustainable service delivery
- Focus on infrastructure renewal rather than upgrades
- Continued support for social, economic and environmental sustainability solutions
- ▲ We look for regional infrastructure solutions for shared services to our community

- **Area of Control**
The policy, works and programming matters that fall within Council's jurisdictional authority to act.
- ▲ **Area of Influence**
Matters that fall within shared or agreed jurisdiction between Council and another government or party.
- **Area of Concern**
Matters of interest outside Council's jurisdictional authority to act.

OFFICIAL COMMUNITY PLAN REFERENCE:

Section 6.2 Water Supply

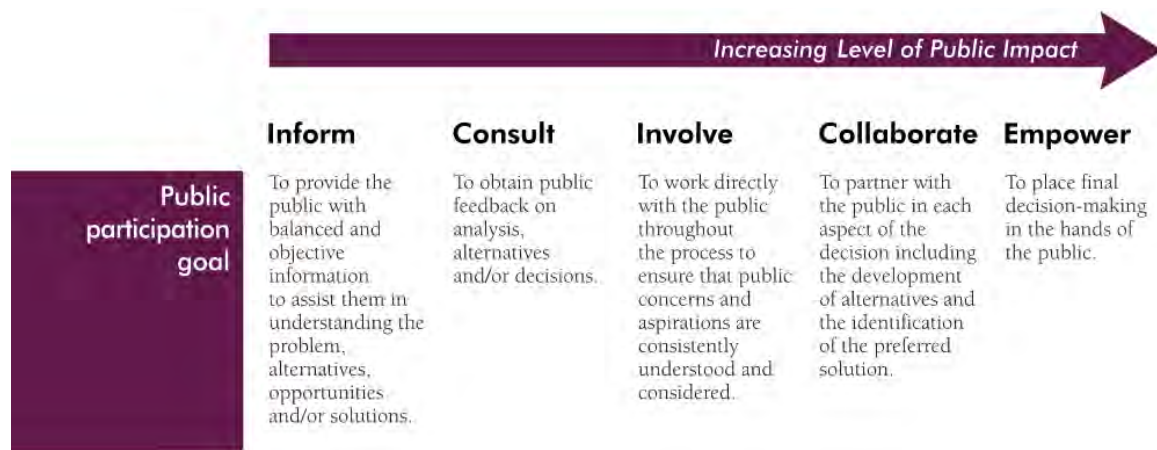
6.2.1 to ensure a high level of water quality is maintained and 6.2.2 to protect the watershed of the Comox Lake and thereby protect the City’s source of water.

REGIONAL GROWTH STRATEGY REFERENCE:

This budget is presented with the intent to protect the quality of water sources (5-B) as well as to promote water conservation and efficiency throughout the Comox Valley (5-A).

CITIZEN/PUBLIC ENGAGEMENT:

The *Community Charter* (sec. 166) requires that a council must undertake a process of public consultation regarding the proposed financial plan before it is adopted. The City will consult with the public based on the IAP2 Spectrum of Public Participation:



OPTIONS:

Option 1: That based on the March 29, 2016 staff report “2016–2020 Water Fund Financial Plan and User Fee Revenue” Council approves Option 1 of the 2016-2020 Sewer Fund Financial Plan; and

That staff are directed to present Council an amendment to “City of Courtenay Fees and Charges Bylaw No. 1673, 1992” to incorporate a water fee increase of 3% for each of 2016, 2017 and 2018. (Recommended)

Option 2: That Council defer the endorsement of the proposed 2016–2020 Water utility financial plan and the proposed increase to the 2016 water user fees for further discussion at a later Council meeting.

Prepared by:



Brian Parschauer, BA, CPA-CMA
Director of Finance

Attachments:

- *Attachment # 1 – Water Operating Budget Overview*
- *Attachment # 2 – Water Reserves and Surpluses*
- *Attachment # 3 – Water Capital Expenditures Summary*
- *Attachment # 4 – Water Capital Expenditures - Detail*

2016 - 2020 FIVE YEAR FINANCIAL PLAN

WATER OPERATING FUND	2015 Final Budget	2015 Actual (unaudited)	2016 Budget	2017 Proposed Budget	2018 Proposed Budget	2019 Proposed Budget	2020 Proposed Budget
REVENUES							
Operating							
Frontage & Parcel Taxes	701,336	705,464	709,100	712,600	716,100	719,600	723,200
Sale of Services	4,742,946	4,739,871	4,975,500	5,153,800	5,338,200	5,529,200	5,726,900
Revenue from Own Sources	109,023	110,685	113,900	117,300	120,700	124,300	128,000
	5,553,305	5,556,020	5,798,500	5,983,700	6,175,000	6,373,100	6,578,100
From Reserves and Surplus							
Total Transfers from Reserves & Surplus	989,242	220,210	2,019,900	43,100	6,500	6,500	6,500
Total Revenues	6,542,547	5,776,230	7,818,400	6,026,800	6,181,500	6,379,600	6,584,600
EXPENDITURES							
Operating							
General Administration	1,269,397	1,377,271	1,474,500	1,333,800	1,340,000	1,338,600	1,330,000
CVRD - Supply	3,055,538	3,037,954	3,163,500	3,194,600	3,323,200	3,356,100	3,389,400
Transmission and Distribution	883,500	725,192	735,800	750,300	765,500	780,500	796,100
Total Operating Expenditures	5,208,435	5,140,417	5,373,800	5,278,700	5,428,700	5,475,200	5,515,500
To Other Funds and Reserves							
Total to Other Funds and Reserves	1,334,112	602,912	2,444,600	748,100	752,800	904,400	1,069,100
Total Expenditures	6,542,547	5,743,329	7,818,400	6,026,800	6,181,500	6,379,600	6,584,600
Net Surplus (deficit)	-	32,901	-	-	-	-	-

Attachment # 2 - Water Reserves and Surpluses

WATER RESERVES AND SURPLUS		2015	2016	2017	2018	2019	2020	
Operating Surpluses	SURPLUS	Dec 31 prior year	2,281,461	2,314,362	444,362	419,862	421,062	570,362
		For Operations	-	(1,870,000)	(24,500)	-	-	-
		Annual Transfers	32,901	-	-	1,200	149,300	310,400
		Projected balance Dec 31	2,314,362	444,362	419,862	421,062	570,362	880,762
	SURPLUS RESERVE FOR FUTURE EXP	Dec 31 prior year	558,810	338,600	177,100	165,000	165,000	2,000
		For Operations	(220,210)	(143,400)	(12,100)	-	-	-
		For Capital Projects	-	(18,100)	-	-	(163,000)	(2,000)
		Appropriated Surplus	-	-	-	-	-	-
		Projected balance Dec 31	338,600	177,100	165,000	165,000	2,000	-
			2,652,962	621,462	584,862	586,062	572,362	880,762
capital reserves	WATER RESERVE	Dec 31 prior year	1,500,061	1,500,061	2,030,761	1,333,861	528,561	158,461
		Transfers to	-	1,700,000	-	-	-	-
		For Capital Projects	-	(1,169,300)	(696,900)	(805,300)	(370,100)	-
		Projected balance Dec 31	1,500,061	2,030,761	1,333,861	528,561	158,461	158,461
	ASSET MANAGEMENT RESERVE	Dec 31 prior year	-	-	300,000	600,000	900,000	400,000
		Transfer to	-	300,000	300,000	300,000	300,000	300,000
		For capital projects	-	-	-	-	(800,000)	(600,000)
		Projected balance Dec 31	-	300,000	600,000	900,000	400,000	100,000
	WATER MACHINERY AND EQUIPMENT	Dec 31 prior year	191,151	191,151	221,151	251,151	281,151	311,151
		Annual Transfer	-	30,000	30,000	30,000	30,000	30,000
	For capital projects	-	-	-	-	-	-	
	Projected balance Dec 31	191,151	221,151	251,151	281,151	311,151	341,151	
	TOTAL CAPITAL RESERVES	1,691,212	2,551,912	2,185,012	1,709,712	869,612	599,612	

Attachment # 3 - Capital Expenditures Summary

WATER CAPITAL FUND	2015 Final Budget	2015 Actual Unaudited	2016 Budget	2017 Proposed Budget	2018 Proposed Budget	2019 Proposed Budget	2020 Proposed Budget
CAPITAL REVENUES							
Other Revenues							
Developer Contributions & Other	-	-	-	-	-	-	-
Development Cost Charges	8,395	4,265	9,300	151,300	188,300	3,100	-
	8,395	4,265	9,300	151,300	188,300	3,100	-
Funding from Operating Fund, Reserves and Surplus							
Water Operating Fund	587,252	405,414	408,900	412,500	416,000	419,500	423,100
Water Surplus	331,810	197,287	18,100	-	-	163,000	2,000
From Operating Revenues	919,062	602,701	427,000	412,500	416,000	582,500	425,100
Community Works (Gas Tax)	500,000	241,157	250,000	1,200,000	1,952,000	1,202,500	1,200,000
Other Reserves	-	-	1,169,300	696,900	805,300	1,170,100	600,000
From Reserves	500,000	241,157	1,419,300	1,896,900	2,757,300	2,372,600	1,800,000
	1,419,062	843,858	1,846,300	2,309,400	3,173,300	2,955,100	2,225,100
Funding from Debt	-	-	-	-	-	-	758,600
	-	-	-	-	-	-	758,600
Transfer from Equity	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Total Funding for Capital	1,427,457	848,123	1,855,600	2,460,700	3,361,600	2,958,200	2,983,700
CAPITAL EXPENDITURES							
DEBT							
Interest - Debenture Debt	27,960	22,368	28,000	28,000	28,000	28,000	28,000
Principal - Debenture Debt	20,149	20,149	20,100	20,100	20,100	20,100	20,100
	48,109	42,517	48,100	48,100	48,100	48,100	48,100
ASSETS							
Engineering Structures - Renewal	934,348	460,925	1,512,500	2,405,000	3,313,500	2,910,100	2,935,600
Engineering Structures - New	445,000	344,681	295,000	7,600	-	-	-
Other Charges	-	-	-	-	-	-	-
	1,379,348	805,606	1,807,500	2,412,600	3,313,500	2,910,100	2,935,600
Total Water Capital Expenditures	1,427,457	848,123	1,855,600	2,460,700	3,361,600	2,958,200	2,983,700

Attachment # 4 - Water Capital Expenditures - Details

2016 - 2020 FIVE YEAR FINANCIAL PLAN	2015 Final Budget	2015 Actual Unaudited	2016 Budget	2017 Proposed Budget	2018 Proposed Budget	2019 Proposed Budget	2020 Proposed Budget
Capital expenditures							
DEBT							
INT - BL 2424 LERWICK WATERMAIN MFA 97	27,960	22,368	28,000	28,000	28,000	28,000	28,000
	27,960	22,368	28,000	28,000	28,000	28,000	28,000
PR - L/T BL 2424 LERWICK RD WATERMAIN MFA #97	20,149	20,149	20,100	20,100	20,100	20,100	20,100
	20,149	20,149	20,100	20,100	20,100	20,100	20,100
TOTAL DEBT	48,109	42,517	48,100	48,100	48,100	48,100	48,100
Infrastructure Renewal							
Water Main Replacement							
old projects	-	454	-	-	-	-	-
WTR 12 - Comox Road Improvementn	15,000	-	-	-	-	-	-
Willemar Ave - 17th to 26th	29,348	17,957	39,000	637,000	793,000	13,000	-
Water - Main Replacement - Piercy (17th to 26th)	25,000	-	-	-	-	176,000	177,000
Water Main Replacement - Menzies & 5th	10,000	785	-	-	-	-	-
Water - Main Replacement - 2nd Street (cliffe to England)	335,719	266,394	4,500	-	-	-	-
Water - Main Replacement - 12th St (Stewart to Urquhart)	146,985	101,882	4,100	-	-	-	-
Water - Main Replacement - England Ave (10th to 12th)	5,000	5,000	-	-	-	98,000	2,000
Water - Main Replacement - 10th St (Willemar to Piercy)	25,000	-	-	-	-	286,000	2,000
Water - Main Replacement - 15th St (West end to Willemar)	15,000	-	-	-	-	115,000	1,600
Water - 1000 M of Main Replacement	327,296	68,453	250,000	-	-	-	-
Projects Identified Through Asset Management Strategy	-	-	-	1,200,000	1,300,000	2,000,000	2,750,000
3rd st - Cliffe to England	-	-	211,200	2,000	-	-	-
Anderton Ave - 5th - 6th	-	-	195,000	13,000	-	-	-
Dingwall Road - Western Road to McLaughlin Dr	-	-	464,100	13,000	-	-	-
Duncan Ave - 4th - 6th	-	-	342,000	13,000	-	-	-
Willemar Ave - 5th - 10th	-	-	-	-	-	215,300	3,000
Old Highway Watermain Replacement	-	-	2,600	527,000	13,000	-	-
5th St - McPhee to Leighton	-	-	-	-	-	-	-
5th St - Fitzgerald to Meziez	-	-	-	-	291,000	2,500	-
Grant Ave - 25th St	-	-	-	-	215,000	1,000	-
10th St E - Hobson to Thorpe	-	-	-	-	64,500	1,000	-

Attachment # 4 - Water Capital Expenditures - Details

2016 - 2020 FIVE YEAR FINANCIAL PLAN	2015 Final Budget	2015 Actual Unaudited	2016 Budget	2017 Proposed Budget	2018 Proposed Budget	2019 Proposed Budget	2020 Proposed Budget
13th St - Willemar to Burgess	-	-	-	-	176,000	1,300	-
Cousins Ave - 20th - Willemar	-	-	-	-	461,000	1,000	-
	934,348	460,925	1,512,500	2,405,000	3,313,500	2,910,100	2,935,600
New Water Infrastructure							
SWWD Changeover	100,000	2,552	-	-	-	-	-
Water Main Installation - Vanier Drive	5,000	4,245	295,000	7,600	-	-	-
Water - South Courtenay water changeover (Royston LSA)	340,000	337,884	-	-	-	-	-
Developer contributed Assets	-	-	-	-	-	-	-
	445,000	344,681	295,000	7,600	-	-	-
	1,379,348	805,606	1,807,500	2,412,600	3,313,500	2,910,100	2,935,600
	1,427,457	848,123	1,855,600	2,460,700	3,361,600	2,958,200	2,983,700



STAFF REPORT

To: Council

File No.: 1705-20 / 1830- 5

From: Chief Administrative Officer

Date: March 29, 2016

Subject: 2016–2020 Sewer Fund Financial Plan and User Fee Revenue

PURPOSE:

The purpose of this report is for Council to consider the draft 2016–2020 Sewer Fund Financial Plan and the proposed increase in sewer user fee revenue for 2016.

POLICY ANALYSIS:

Section 165 of the *Community Charter* requires a municipality to have a five-year financial plan adopted annually. The 2016–2020 Sewer Fund Financial budget plan is a component of the City's annual five-year plan. Key in the Sewer budget is the levying of a user fee to recover the cost of the delivery of a service. This is authorized under Section 194 of the *Community Charter*.

The financial plan for 2016 proposes a 10% user fee increase to fund new capital costs of the regional portion of the sewer system and operating increases to the municipal portion of the sewer system. The 2016 budget process has considered a modified Asset Management Planning process. While a fully implemented asset management plan remains the goal, the development of a mature asset management system that considers all aspects such as condition assessments, life-cycle analysis and risk management, is continuing to evolve and as it develops, staff will be able to rely more heavily upon its guidance in future recommended budgets.

EXECUTIVE SUMMARY:

The sewer service is not funded from general property taxation dollars but via user fees and frontage and parcel taxes established to recover the projected net cost of service delivery for the upcoming year.

The sewer system has a municipal component that collects and conveys the effluent to the regional component where it is treated and disposed. Each component plays a vital role in providing sewer services to the residents of Courtenay and its regional partners. The Regional District has planned significant increases in order to provide funding for future capital works that are required in order to ensure the sustainability, capacity and integrity of their portions of the system's infrastructure.

The proposed Sewer budget recommends a user fee increase of 10% overall. The financial impact to a single family residence is an increase of \$24.36 for 2016 service.

CAO RECOMMENDATIONS:

That based on the March 29, 2016 staff report "2016–2020 Sewer Fund Financial Plan and User Fee Revenue" Council approves the 2016-2020 Sewer Fund Financial Plan and User Fee Revenue and;

That staff are directed to amend the user fee bylaws to incorporate the recommended three-year fee increase of 10% for each of 2016, 2017 and 2018.

Respectfully submitted,



David Allen, BES, CLGEM, SCLGM
Chief Administrative Officer

BACKGROUND:

Consideration and approval of a five-year financial plan is an annual requirement of *Community Charter* Section 165. The recommended financial plan covers the period of 2016 through to 2020. Once the budget is reviewed, Staff draft and present the corresponding Tax Rate bylaw for Council consideration. Each bylaw is then adopted in succession, no later than May 15th.

The sewer utility service is designed to be a self-funding fund that does not rely upon the general property tax levy. This service is provided to property owners who use the City's municipal sewer collection infrastructure as well as the Comox Valley Regional District infrastructure that includes sewer force mains, pumping stations, a wastewater treatment plant and an outfall for treated effluent. The City of Courtenay and the Town of Comox proportionately share the costs associated with the regional infrastructure based on the relative sewer flows to the regional wastewater treatment plant.

The regional sewer system was constructed in the early 1980's and was designed with a 25 year life-cycle. In 2011 a sanitary sewer master plan was completed to identify capital works required to ensure continued viability and sustainability of the core infrastructure. A 10-year capital plan was subsequently developed and approved by members of the Sewer commission in 2012. As a means to provide necessary capital revenues for the CVRD's 10-year capital plan, the participants agreed to increases of 11% in 2015, 10% in 2016, 9% in 2017, 8% in 2018 and in 2019 no increase. The dollar value of these projected increases is provided in Table 1 below on line "Purchased Services – Other Gov'ts".

DISCUSSION:

City of Courtenay 2016 – 2020 Sewer Financial Plan

2016 Operating Budget

This plan has been developed as a cooperative effort between all Departments with Asset Management being a significant underlying consideration in the creation of the budget numbers. As this is a transition year for many people, the focus of this budget has been to provide the same level of service wherever possible but to remain within our current capacity. Future sewer utility rate adjustments for the municipal portion of the system will be supported through the development and implementation of a Sewer Asset Management Plan, informed by condition assessments, life-cycle analysis and risk management. An overview of the Sewer Operating Budget and Total revenues and expenditures is provided as Attachment #1 and \$8,096,900 with contributions to reserves of \$2,738,700 to enable future renewal needs.

Cost Drivers:

In addition to the increased CVRD requisition, the primary cost drivers in this year’s sewer budget are changes to Personnel, General Services, a reduction in the Transfer to Other Funds and a corresponding increase in Transfer to Reserves.

Operating Budget expenditures can be more readily appreciated if presented in its economic segments:

Table 1.

SEWER FUND	2014	2015	2015	2016	2017	2018	2019	2020
	Actual	Final Budget	Actual Unaudited	Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget
Expenditures by Economic Segments								
Personnel	357,085	439,696	341,382	598,800	610,800	623,000	635,400	648,100
General Services	213,133	416,753	201,676	585,400	280,100	285,900	291,500	297,400
Insurance	8,217	7,887	8,181	8,600	8,800	8,900	9,100	9,300
Internal Allocations	586,493	732,723	680,281	627,800	604,100	584,300	556,700	509,000
Purchased Services - Other Govts	2,794,251	3,061,970	3,061,970	3,484,700	3,693,800	3,915,400	4,150,300	4,399,300
Goods	25,068	67,006	18,184	34,300	35,000	35,600	36,300	37,000
Utilities	6,119	13,295	17,826	18,600	19,400	20,000	20,600	21,700
To Other Funds	820,869	1,463,125	416,944	514,300	236,400	1,218,500	1,190,700	678,600
To Reserves	468,241	260,063	569,476	2,224,400	761,100	393,000	363,100	834,700
Total Expenditures	5,279,476	6,462,519	5,315,920	8,096,900	6,249,500	7,084,600	7,253,700	7,435,100

- Personnel costs have increased to \$598,800 in 2016. A new analysis identified personnel were spending approximately 20% of their time on sewer operations, consequently the 2016 budget has been adapted to reflect this percentage allocation. As well, the Engineering and Public Works operations were further reviewed and split into two distinct operations. With the re-organization, another new position was added to the number of staff. For unionized staff, the negotiated 2% increase has also been applied. As a result, the budget for Personnel has increased by \$159,104.
- General Services is increasing primarily as a result of:
 - \$125,000 for the completion of a Sewer Network Master Plan
 - \$135,000 for a review of future Sewer infrastructure designs
- “Purchased Services – Other Governments” is the Comox Valley Regional District annual sewer requisition. It is based on prior year sewer flows and a dollar rate applied to that flow. The 2016 requisition was set at \$3,368,168, a 10 percent increase from last year’s requisition (see **Table 2** below) that was intended to raise funds for regional capital improvements discussed above.

Table 2

Year	CVRD Requisition	Courtenay Requisition	% change
2014	\$ 4,303,482	\$ 2,730,129	
2015	\$ 4,776,865	\$ 3,057,193	12%
2016	\$ 5,254,552	\$ 3,368,168	10%
2017	\$ 5,727,461	\$ 3,671,303	9%
2018	\$ 6,185,658	\$ 3,965,007	8%
2019	\$ 6,185,658	\$ 3,965,007	0%
2020	\$ 6,185,658	\$ 3,965,007	0%

- During the course of 2015, it was found that the CVRD had equipment calibration problems that caused errors in the calculation of the sewer flow apportionments between the City of Courtenay and the Town of Comox. As the CVRD sewer requisition is based on the previous year’s flows, there will be additional increased flows attributed to the City in 2016. See estimates in Table 3 below and in Attachment #1 under “Expenditures CVRD”. Discussions continue between CVRD, Courtenay and Comox staff over the implications of equipment errors.
- The Transfer To Other Funds in Table 1 directs funding to the sewer capital works program. For 2016 the number of capital projects presented for Council’s consideration has been reduced to include projects continuing from the past year and a few high priority renewal and new projects generally intended to avoid risk of in-service failures. The Projected Balance of Sewer Capital Reserves at the end of 2016 is \$3,222,188. The capital program will be refined when the Asset Management program is more fully developed throughout this year.
- The Transfer to Reserves is increasing due to a one-time shift funding efficiencies from operations to the Asset Management Capital renewal reserve. It is estimated that in the next 6-8 year window there will be at least \$8M of capital renewal costs required for the sewer utility and in order to avoid borrowing, staff recommend that reserves be built up to fund this and other future needs.

These are the primary cost drivers for the Sewer Fund Operations.

The CVRD requisition constitutes 68.31% of the City’s operational costs with the remaining 31.69% coming from the City’s increase in Personnel, General Services and Utilities costs (i.e. energy, etc.).

Table 3.

SEWER FUND		2015	2016	Budget	% of overall budget	Breakdown
		Final Budget	Budget	Change from prior year		of 2015 User Fee Bylaw Rate
Expenditures by Economic Segments						246.67
	Personnel	439,696	598,800	159,104	25.71%	63.42
	General Services	416,753	585,400	168,647	27.25%	67.22
	Insurance	7,887	8,600	713	0.12%	0.28
	Internal Allocations	732,723	627,800	(104,923)	-16.95%	(41.82)
	Purchased Services - Other Govts	3,061,970	3,484,700	422,730	68.31%	168.49
	Goods	67,006	34,300	(32,706)	-5.28%	(13.04)
	Utilities	13,295	18,600	5,305	0.86%	2.11
		4,739,331	5,358,200	618,869	100.00%	\$ 246.67

If the 2015 user fee is broken down into the allocation per economic segment, \$168.49 goes to the CVRD and the remaining \$78.18 is allocated to the City’s operations.

2016 Operating Budget Revenue Sources:

There are two key sources of budgetary revenue for the Water and Sewer Funds.

1. User Fees – typically used to fund operational costs, including bulk wastewater processing and disposal. User Fee rates are set by City bylaw; and
2. Frontage and Parcel Taxes – typically used to fund capital programs for renewal and upgrades. These taxes are levied on all properties.

The historical, current and projected revenue sources and expenditures are provided in Attachment #1.

Sewer Reserves and Surplus Balances:

The projected totals of these are provided in Attachment # 2.

2016 Sewer Capital Budget

Attachment #3 provides information regarding the Sewer Capital Budget. A summary is in Table 4 below.

Table 4

CAPITAL EXPENDITURES		
DEBT		
	Interest - Debenture Debt	65,500
	Principal - Debenture Debt	75,200
		140,700
Assets		
	Equipment	133,000
	Engineering Structures - Renew al	243,100
	Engineering Structures - New	220,500
	Other Charges	-
		596,600
	Total Sewer Capital Expenditures	737,300

FINANCIAL IMPLICATIONS:

In order to recover the costs of delivering the sewer operating and capital activities, staff recommend that Council increase the User Rates and Fees by 10% for each of 2016, 2017 and 2018 to address the increase caused by the CVRD capital requisition and other increased operating costs as outlined above.

ADMINISTRATIVE IMPLICATIONS:

Following direction from Council, Staff will prepare the user fees amendment bylaw and return it for Council’s consideration and approval.

ASSET MANAGEMENT IMPLICATIONS:

Much of the sewer network in west Courtenay was built during a three-year period in the early 1960s and is projected to reach its end-of-life in the early 2020s. Detailed Condition Assessment work has begun so as to determine whether the life-cycle can be extended and costs deferred. Continuing contributions to capital reserves is prudent in order to meet this coming need if borrowing is to be avoided. Refined financial information will become available when the actual asset condition becomes better understood.

STRATEGIC PRIORITIES REFERENCE:

The budget strives to provide Council with the ability to “Proactively plan and invest in our natural and built environment”, which is an area of control. This budget continues to focus on asset management for sustainable service delivery plus infrastructure renewal as well as sound maintenance and operating programs to ensure that financial resources are available for future asset management endeavours.

We proactively plan and invest in our natural and built environment

- Continued focus on asset management for sustainable service delivery
- Focus on infrastructure renewal rather than upgrades
- Continued support for social, economic and environmental sustainability solutions
- ▲ We look for regional infrastructure solutions for shared services to our community

- **Area of Control**
The policy, works and programming matters that fall within Council's jurisdictional authority to act.
- ▲ **Area of Influence**
Matters that fall within shared or agreed jurisdiction between Council and another government or party.
- **Area of Concern**
Matters of interest outside Council's jurisdictional authority to act.

OFFICIAL COMMUNITY PLAN REFERENCE:

Section 6.3 Sanitary Sewer Treatment

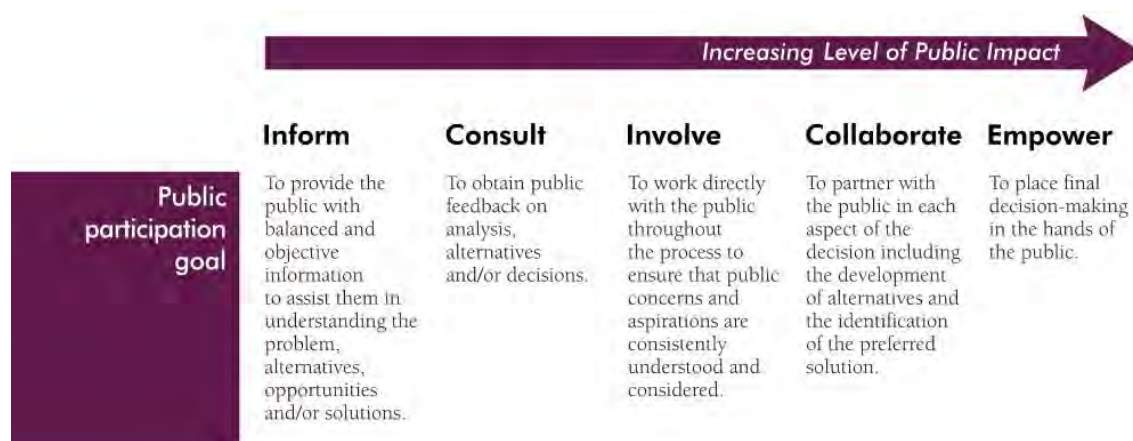
REGIONAL GROWTH STRATEGY REFERENCE:

This budget is presented with the intent of encouraging sewer management approaches and the use of processes and technologies that provide the public with infrastructure that addresses public health needs and concerns and provides equal service to all residents within the municipality and region.

PUBLIC ENGAGEMENT:

The *Community Charter* (sec. 166) requires that a council must undertake a process of public consultation regarding the proposed financial plan before it is adopted. The City will consult with the public based on the IAP2 Spectrum of Public Participation:

http://c.ymcdn.com/sites/www.iap2.org/resource/resmgr/imported/IAP2%20Spectrum_vertical.pdf



OPTIONS:

Option 1: That based on the March 29, 2016 staff report “2016–2020 Sewer Fund Financial Plan and User Fee Revenue” Council approves the 2016-2020 Sewer Fund Financial Plan and User Fee Revenue and;

That staff are directed to amend the user fee bylaws to incorporate the recommended three-year fee increase of 10% for each of 2016, 2017 and 2018. (Recommended)

Option 2: That Council defer approval of the proposed 2016–2020 Sewer utility financial plan and the proposed increase to the 2016 sewer user fees for further discussion at a later Council meeting.

Prepared by:



Brian Parschauer, BA, CPA-CMA
Director of Finance

Attachments:

- Attachment # 1 - Sewer Operating Budget Overview
- Attachment # 2 - Sewer Reserves and Surpluses
- Attachment # 3 – Sewer Capital Expenditures Summary
- Attachment # 4 - Sewer Capital Expenditures Detailed

SEWER OPERATING FUND							
	2015 Final Budget	2015 Actuals (Unaudited)	2016 Budget	2017 Proposed Budget	2018 Proposed Budget	2019 Proposed Budget	2020 Proposed Budget
REVENUES							
Operating							
Frontage & Parcel Taxes	1,920,946	1,941,489	1,946,400	1,956,000	2,249,000	2,258,700	2,268,500
Sale of Services	3,470,209	3,542,132	3,889,300	4,292,400	4,737,600	4,947,100	5,165,700
Revenue from Own Sources	17,725	1,134	1,200	1,100	1,100	1,000	900
Total Operating Revenues	5,408,880	5,484,755	5,836,900	6,249,500	6,987,700	7,206,800	7,435,100
From Reserves and Surplus							
Total Transfers from Reserves & Surplus	1,053,639	16,435	2,260,000	-	96,900	46,900	-
Total Revenues	6,462,519	5,501,190	8,096,900	6,249,500	7,084,600	7,253,700	7,435,100
EXPENDITURES							
Operating							
General Administration	1,069,361	989,467	1,391,800	1,118,000	1,108,400	1,091,300	1,054,100
CVRD	3,061,970	3,061,970	3,484,700	3,693,800	3,915,400	4,150,300	4,399,300
Collection	608,000	278,063	481,700	440,200	449,300	458,300	468,400
Total Operating Expenditures	4,739,331	4,329,500	5,358,200	5,252,000	5,473,100	5,699,900	5,921,800
To Other Funds and Reserves							
Total to Other Funds & Reserves	1,723,188	986,420	2,738,700	997,500	1,611,500	1,553,800	1,513,300
Total Expenditures	6,462,519	5,315,920	8,096,900	6,249,500	7,084,600	7,253,700	7,435,100
Net Surplus (deficit)	-	185,270	-	-	-	-	-

SEWER RESERVES AND SURPLUS		2015	2016	2017	2018	2019	2020
Operating Surpluses	SURPLUS	2,361,873	2,547,143	565,243	913,043	1,002,943	1,113,043
	Dec 31 prior year		(2,000,000)	-	(96,900)	(46,900)	-
	For Operations	185,270	18,100	347,800	186,800	157,000	365,000
	Annual Transfers	2,547,143	565,243	913,043	1,002,943	1,113,043	1,478,043
	Projected balance Dec 31						
Operating Surpluses	SURPLUS RESERVE FOR FUTURE EXP	386,493	814,400	443,900	188,600	87,000	-
	Dec 31 prior year		(260,000)	-	-	-	-
	For Operations	(16,435)	(110,500)	(255,300)	(101,600)	(87,000)	-
	For Capital Projects	444,342					
	Appropriated Surplus	814,400	443,900	188,600	87,000	-	-
	Projected balance Dec 31	3,361,543	1,009,143	1,101,643	1,089,943	1,113,043	1,478,043
	TOTAL ACCUMULATED OPERATING SURPLUS						
Capital Reserves	SEWER RESERVE	420,645	471,948	471,948	421,948	271,948	271,948
	Dec 31 prior year	51,303					
	Transfers to			(50,000)	(150,000)		
	For Capital Projects	471,948	471,948	421,948	271,948	271,948	271,948
	Projected balance Dec 31						
Capital Reserves	ASSET MANAGEMENT RESERVE	-	2,125,000	2,125,000	2,457,100	1,582,100	1,707,100
	Dec 31 prior year		2,125,000	332,100	125,000	125,000	388,700
	Transfer to				(1,000,000)	-	(700,000)
	For capital projects	-	2,125,000	2,457,100	1,582,100	1,707,100	1,395,800
	Projected balance Dec 31						
Capital Reserves	SEWER MACHINERY AND EQUIPMENT	472,717	550,240	625,240	700,240	775,240	850,240
	Dec 31 prior year	77,523	75,000	75,000	75,000	75,000	75,000
	Annual Transfer						
	For capital projects	550,240	625,240	700,240	775,240	850,240	925,240
	Projected balance Dec 31						
	TOTAL CAPITAL RESERVES	1,022,188	3,222,188	3,579,288	2,629,288	2,829,288	2,592,988

Attachment #3 - Capital Expenditures Summary

SEWER CAPITAL FUND		2014	2015	2015	2016	2017	2018	2019	2020
		Actual	Final Budget	Unaudited	Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget
REVENUES									
Funding from Operating Fund, Reserves and Surplus									
Other Revenues		632,654	82,199	-	15,800	226,400	88,200	4,800	-
Sewer Operating Fund		775,864	1,026,632	400,509	514,300	236,400	1,218,500	1,190,700	678,600
Sewer Operating Surplus		-	386,493	16,435	110,500	255,300	101,600	87,000	-
Sewer Capital Surplus		-	30,965	9,258	21,700	-	-	-	-
General Reserve Funds		-	400,000	-	-	50,000	1,150,000	-	700,000
Gas Tax Reserve Fund		-	70,000	-	75,000	246,000	2,900,000	281,300	-
		1,408,518	1,996,289	426,202	737,300	1,014,100	5,458,300	1,563,800	1,378,600
Funding from Debt		-	-	-	-	500,000	4,455,000	-	-
Transfer from Equity		-	-	-	-	500,000	4,455,000	-	-
		6,318	-	-	-	-	-	-	-
		6,318	-	-	-	-	-	-	-
		1,414,836	1,996,289	426,202	737,300	1,514,100	9,913,300	1,563,800	1,378,600
TOTAL FUNDING FOR CAPITAL									
CAPITAL EXPENDITURES									
DEBT									
Interest - Debenture Debt		130,284	143,047	81,122	65,500	65,500	177,200	177,200	177,100
Principal - Debenture Debt		75,242	75,242	75,242	75,200	75,200	339,800	339,800	339,800
		205,526	218,289	156,364	140,700	140,700	517,000	517,000	516,900
Assets									
Equipment		-	450,000	1,435	133,000	-	-	-	-
Engineering Structures - Renewal		108,651	1,107,000	242,297	243,100	401,500	6,733,300	1,046,800	861,700
Engineering Structures - New		905,238	221,000	26,106	220,500	971,900	2,663,000	-	-
Other Charges		195,421	-	-	-	-	-	-	-
		1,209,310	1,778,000	269,838	596,600	1,373,400	9,396,300	1,046,800	861,700
		1,414,836	1,996,289	426,202	737,300	1,514,100	9,913,300	1,563,800	1,378,600
TOTAL SEWER CAPITAL EXPENDITURES									

Attachment # 4 - Capital Expenditures - Details

2016 - 2020 FIVE YEAR FINANCIAL PLAN		2015	2015	2016	2017	2018	2019	2020
EXPENSES		Final Budget	Actual Unaudited	Final Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget
DEBT								
	PR - L/T BL 2305 SEWER EXT	15,714	15,714	15,700	15,700	15,700	15,700	15,700
	PR - L/T BL2353 SEWER EXT 2005	47,304	47,304	47,300	47,300	47,300	47,300	47,300
	PR - L/T BL2423 SEWER EXT 06	12,224	12,224	12,200	12,200	12,200	12,200	12,200
	New Debt					264,600	264,600	264,600
		75,242	75,242	75,200	75,200	339,800	339,800	339,800
	INT - L/T BL2305 SEWER EXT	36,450	18,000	18,000	18,000	18,000	18,000	18,000
	INT BL 2353 SEWER EXTENSION	89,635	46,160	30,500	30,500	30,500	30,500	30,500
	INT - L/T BL2423 SEWER EXT 06	16,962	16,962	17,000	17,000	17,000	17,000	17,000
	New Debt					111,700	111,700	111,600
		143,047	81,122	65,500	65,500	177,200	177,200	177,100
	Total Debt	218,289	156,364	140,700	140,700	517,000	517,000	516,900
CAPITAL ASSETS								
Equipment								
	Sewer - Equipment > \$5000							
	Capital Equipment	50,000	1,435	58,000				
	Scada System Implementation			75,000				
	Sewer flow meters							
	Capital Vehicles	400,000						
		450,000	1,435	133,000				
Engineering Structures - Renewal								
	Prior Year Reconciliation of projects							
	Sewer - Lift Stations - Major Repairs		527					
	Sewer - Old Island Hwy / Comox Road (fronting Lewis		250					
	1st Street @ Morrison Creek - Sewer Repairs	5,000	5,248					
	Sewer - Main Replacement 26th St - Cliffe to Fitzgerald	270,000	9,258	25,000				
	Sewer - 1st Street Up Stream of Lift Station MH 3-501	55,000			10,000			
	Sewer - Replace AC Pressure Force Main on all Lift	75,000			3,500			
	Sewer - 1st Street Lift Station	105,000			210,000			
	Sewer - Anderton Lift Station	105,000			176,000			
	Sewer - Piercy Ave - 17th St to 26th St	25,000						
	Sewer - Willemar Ave - 17th Street to 26th Street	25,000						
	Sewer - 2nd Street - Cliffe to England	253,824	148,784	3,300				
	Sewer - 12th Street - Stewart to Urquhart Ave	126,176	78,230	3,600				
	Sewer - 10th Street - Willemar Ave to Piercy Ave	37,000						
	Sewer - 15th Street - West end to Willemar Ave	25,000						
	Sewer - 3rd Street - Cliffe to England			211,200				
	Sewer - 5th Street - Fitzgerald to Menzies (COMPLETE				2,000			
	Sewer - England Ave - 10th to 12th							
	Sewer - Grant Ave / 25th Street Reconstruction							
	Sewer - 10th Street E - Hobson to Thorpe							
	Sewer - 13th Street - Willemar to Burgess							
	Sewer - Cousins Ave - 20th to Willemar - Street							
	Sewer - Projects identified through Asset Management Strategy							
		1,107,000	242,297	243,100	401,500	6,733,300	1,046,800	861,700
Engineering Structures - New								
	Sewer - South Courtenay Sewer Planning/Capacity P	100,000		40,000	560,000	2,500,000		
	Sewer - Headquarters Road Replacement	21,000	26,106					
	Sewer - Sandpiper Dr Sewer	60,000		15,000	95,000	150,000		
	North Courtenay Sanitary Extension	40,000						
	Sewer Vanier Drive Watermain/Pebermat Road Sewe			137,000	3,600			
	2140 Lake Trail Road Subdivision			7,500				
	Arden Central Trunk - Cumberland to Krebs			21,000	313,300	13,000		
		221,000	26,106	220,500	971,900	2,663,000		
Other Charges								
	Loss on Disposal of Capital Assets							
	Developer Contributed Assets							
	Total Assets	1,778,000	269,838	596,600	1,373,400	9,396,300	1,046,800	861,700
		1,996,289	426,202	737,300	1,514,100	9,913,300	1,563,800	1,378,600

