

**THE CORPORATION OF THE CITY OF COURTENAY**

**NOTICE OF SPECIAL COUNCIL MEETING**

*We respectfully acknowledge that the land on which we gather is the  
unceded traditional territory of the K'ómoks First Nation*

**DATE:** Wednesday, December 11, 2019

**PLACE:** City Hall Council Chambers

**TIME:** 4:00 p.m.

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**AGENDA**

**1.00 K'OMOKS FIRST NATION ACKNOWLEDGEMENT**

**2.00 STAFF REPORTS/PRESENTATIONS**

- 1 1. 2020 - 2024 Water Fund Financial Plan and Presentation
- 13 2. 2020 - 2024 Sewer Fund Financial Plan and Presentation

**3.00 ADJOURNMENT**



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John Ward, CMC  
Corporate Officer

**Posted December 9<sup>th</sup>, 2019**





## STAFF REPORT

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**To:** Council  
**From:** Chief Administrative Officer  
**Subject:** 2020 – 2024 Water Fund Financial Plan

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**File No.:** 1705-20/1715-20  
**Date:** December 11, 2019

### PURPOSE:

The purpose of this report is for Council to consider the 2020–2024 Water Fund Financial Plan and the proposed water user fee increase for 2020.

### POLICY ANALYSIS:

Section 165 of the *Community Charter* requires a municipality to have a five year financial plan adopted annually and Section 194 permits the levying of a fee to recover the cost for the delivery of a service.

The 2020–2024 Water budget funds the City's water service and is a component of the annual City of Courtenay five year financial plan. A proposed increase of 1.63% of the 2020 water user fee has been incorporated into the 2020 – 2024 Water Fund Financial Plan.

### EXECUTIVE SUMMARY:

The five year water fund financial plan is prepared annually and user fees are established to cover the projected cost of service delivery for the upcoming year. Funded entirely from water user fees and frontage fees, the water service is not funded from general property taxation.

The water utility has a regional and a municipal component and each plays a vital role in providing water services to the residents of Courtenay. The Comox Valley Regional District (CVRD) has planned capital upgrades and expansion of their water infrastructure. This includes a new water treatment facility, in order to provide a continuous supply of high quality potable water to the growing Comox Valley population. To fund these major capital improvements, the CVRD through the Water Committee has been increasing the bulk water rate for a few years and will increase the rate for another couple years, according to its last year financial plan. For 2020, the CVRD bulk water rate is expected to increase from \$0.80 to \$0.83 per cubic meter, and to \$0.85 in 2021. This has a significant impact as bulk water purchase from the CVRD is the largest expense in the water fund, currently representing 58% of the total operating costs.

Similar to the CVRD, the City is required to generate revenues sufficient to fulfil its commitment to operate a Class IV water distribution system that provides safe drinking water to the residents. Water service expenses in this proposed financial plan also incorporate higher CVRD bulk water rates and sufficient staffing to complete the various maintenance programs required to comply with statutory water permit

requirements set by the Province of BC through the Island Health Authority, formerly called the Vancouver Island Health Authority (VIHA).

The recommended 2020 financial plan incorporates a 1.63% user fee increase, which represents an annual cost increase of \$8.13 for a single family residence.

**CAO RECOMMENDATIONS:**

That based on the December 11<sup>th</sup>, 2019 staff report “2020 – 2024 Water Fund Financial Plan”, Council approve OPTION 1, and proceed with the proposed 2020 – 2024 Water Fund Financial Plan; and, that water user fee revenue be increased by 1.63% for 2020.

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*. The recommended financial plan for the water fund provides detail for 2020, as well as projections for the four following years.

The water utility service is self-funding and receives no funding from the City’s general property taxation levy.

**DISCUSSION:**

The supply of water to Courtenay consumers is a combined effort involving the CVRD who supplies and transmits treated source water from Comox Lake to the City’s boundary where it is then distributed to property owners through the City’s water distribution system. The City purchases bulk water from the CVRD and operates and maintains a Class IV water distribution system. The City must comply with Island Health permit requirements and standards set out in the Drinking Water Protection Act. To provide this service to the public, the City annually prepares a five year financial plan to meet the legislative requirements of Section 165 of the *Community Charter*. This financial plan covers the period of 2020 - 2024.

The 2020-2024 Water Fund Financial Plan is a collaborative corporate effort following the City’s Asset Management Bylaw and the CAO Asset Management Working Group Directive.

## City of Courtenay 2020 – 2024 Water Financial Plan

The proposed 2020-2024 Water Fund Financial Plan is detailed in the following attachments:

- Attachment 1: Water Operating Fund Overview
- Attachment 2: Water Capital Fund Overview
- Attachment 3: Water Surplus, Reserves and DCC

The water fund financial plan includes projected revenues of \$8,939,700 for 2020 and \$7,624,700 of operating expenses, \$400,000 of amortization, \$30,600 of debt payment, a \$309,600 transfer to the capital fund, \$393,100 transfer to various reserves and a surplus of \$181,700.

### Water Operating Fund

#### *Water Operating Expenses*

The water operating expenses are presented by activity in Table 1. The overall increase in operating costs between 2019 and 2020 budget is \$684,500 or 10%.

Table 1: Water Operating Expenses 2019 - 2020 Budget

Activity	Values			
	2019 BUDGET	Unaudited 2019 Actual Year-to date Nov28.19	2020 BUDGET	Variance 2020 Budget 2019 Budget
CVRD Water Purchase	4,275,800	3,090,031	<b>4,436,400</b>	160,600
Water Administration	313,900	241,783	<b>385,900</b>	72,000
Water Training	36,700	32,093	<b>36,900</b>	200
Water Engineering Services	53,500	31,034	<b>78,000</b>	24,500
Water Condition Assessments	25,500	22,400	<b>200,000</b>	174,500
Water Transmission and Distribution	709,600	846,268	<b>845,600</b>	136,000
Water Booster Stations	17,800	16,867	<b>68,300</b>	50,500
Water Hydrant Maintenance	197,200	89,299	<b>191,900</b>	(5,300)
Water Meter Replacement	106,100	91,235	<b>103,900</b>	(2,200)
Water Meter Reading	10,800	16,154	<b>11,000</b>	200
Water Conservation Programs	25,000	21,932	<b>60,000</b>	35,000
Water Water Enforcement	26,000	17,458	<b>26,600</b>	600
Water Fleet	(27,700)	(40,560)	<b>(52,700)</b>	(25,000)
Water Work in Progress	100,400	147,871	<b>100,000</b>	(400)
Interfund Allocation	1,069,600	836,403	<b>1,132,900</b>	63,300
<b>Grand Total</b>	<b>6,940,200</b>	<b>5,460,267</b>	<b>7,624,700</b>	<b>684,500</b>

#### *Comox Valley Bulk Water Purchase*

The purchase of potable water from the CVRD is the largest cost driver in the water operating fund, which represents 58% of the total operating expenses. The City reviews and adjusts the estimated consumption

every year. The 2020 estimate is based on a total increase of 1.4%: 1.0% for annual population growth, 0.9% for historical demand increase and 0.5% decrease to account for various water efficiency initiatives.

CVRD is increasing the water rates in 2020 and 2021 in order to fund regional capital projects. The rate is expected to raise from \$0.80 in 2019 to \$0.83 per cubic meter for 2020 and to \$0.85 for 2021.

The combined financial impact of a greater consumption and higher rates is estimated to be 5.2% for 2020 as demonstrated in Table 2.

Table 2: Courtenay Water Bulk Purchase 2016-2024

Courtenay Bulk Water Purchase	consumption m3	consumption % increase	CVRD rate \$ / m3	rate % increase	Courtenay Annual Cost	cost % increase
2016 Actual	4,971,328		\$0.66		\$3,292,153	
2017 Actual	5,369,875	8.0%	\$0.71	7.2%	\$3,812,611	15.8%
2018 Actual	4,947,081	-7.9%	\$0.75	5.6%	\$3,710,311	-2.7%
2019 Estimation *	5,271,157	6.6%	\$0.80	6.7%	\$4,216,926	13.7%
2020 Estimation *	5,345,000	1.4%	\$0.83	3.7%	\$4,436,350	5.2%
2021 Estimation *	5,419,800	1.4%	\$0.85	2.4%	\$4,606,830	3.8%
2022 Estimation *	5,495,700	1.4%	\$0.85	0.0%	\$4,671,345	1.4%
2023 Estimation *	5,572,600	1.4%	\$0.85	0.0%	\$4,736,710	1.4%
2024 Estimation *	5,650,600	1.4%	\$0.85	0.0%	\$4,803,010	1.4%

#### *Water Administration*

Water Administration includes wages and benefits for staff working in water utility operations, and a portion of the salaries, wages and benefits of exempt staff. The increase is mostly due to a change in the allocation of the Engineering team expenses no longer transferred to capital projects.

#### *Water Engineering Services*

An additional \$45,000 is included in 2020 to complete a water rates review as recommended in the Water Smart Action Plan presented to Council on October 28, 2019. This review will be conducted simultaneously with the sewer rates review. This increase is partially offset by a reduction of \$20,000 for the water master plan undertaken in 2018-2019 and nearing completion.

#### *Water Condition Assessments*

Another recommendation from the Water Smart Action Plan is the development of a Leak Detection and Repair Program. \$200,000 is included in 2020 and \$100,000 in 2021 and 2022 for this initiative.

#### *Water Transmission and Distribution*

Water Transmission and Distribution budget reflects the increase due to higher statutory water permit requirements such as the weekly testing, unidirectional flushing, cross-connection control and industrial, commercial and institutional metering (ICI) programs.

#### *Water Booster Stations*

A one-time \$50,000 is included in 2020 for minor upgrades to (SCADA) and operating maintenance required at the Dingwall Well, to be maintained by the City in 2020 as a result of the completion of the Sandwick Water System changeover.

*Water Conservation Programs*

An additional \$50,000 is included in 2020 to conduct a study to prioritize the location of the zone meters to isolate the City’s distribution system from the Regional transmission system. This is a requirement of the City’s Cross Connection Control program as per Island Health operating permit conditions.

A reduction of \$20,000 is attributable to the onetime expense in 2019 for the Water Smart Action Plan.

*Water Fleet*

A reduction of \$25,000 is included for the water fleet maintenance expenses and allocation based on prior year usage. This is a result of operational efficiencies and fleet preventative maintenance programs.

*Internal Allocations*

Internal allocations is a percentage of the General Fund, Public Works and fleet expenses transferred to the Water Fund. The intent is to transfer a reasonable amount for General Government and Public Works expenditures (personnel, utilities, materials, insurance, contracted services and fleet costs) as recognition of the administrative costs necessary to provide the service.

The water allocation is set at 14.5% of the General Government Services and 19% of the Public Works Administrative expenses based on a prior year estimate. The allocation percentage is usually reviewed every couple years and will be analyzed again before the 2021 budget. The variance represents the general increase in the General Government and Public Works expenses.

*Water Revenues*

Revenues collected through water user and frontage fees are used to cover the costs of the operating and capital expenditures. Staff recommend maintaining the current frontage fee at \$5.84 per meter, which is expected to generate \$1,178,100 for 2020. An increase of 1.63% to the water user fee is proposed for 2020 with subsequent increases of 2.0% for the following four years. The water user fees are expected to generate \$6,814,900 for 2020.

Once the water master plan is finalized in 2020, it will result in a draft 20 year capital plan. This information along with the water rates review planned for 2020 will be the basis for a detailed analysis of the frontage and water user fees. Recommendations will then be presented to adjust the water revenue requirements in future year financial plans to create a sustainable utility.

The change in the user fees since 2017 is detailed in Table 3.

Table 3: Water user and frontage fees 2017-2020

Annual	Water User Fee			Water Frontage Fee		
	One-time	Change	Change %	per meter	Change	Change %
2017	\$425.03	\$55.44	15.00%	\$4.68	\$0.94	25.1%
2018	\$467.53	\$42.50	10.00%	\$5.84	\$1.16	24.8%
2019	\$497.92	\$30.39	6.50%	\$5.84	\$0.00	0.0%
2020	\$506.05	\$8.13	1.63%	\$5.84	\$0.00	0.0%

The water utility financial plan also includes miscellaneous revenues such as meter and hydrant rentals and the park water user fees for a total of \$397,100 for 2020.

## Water Capital Fund

The projects included in the 2020 Water Capital Budget are presented in Table 4 below. The source of funding and the projects scheduled for the four following years are detailed in Attachment 2.

Table 4: Water Capital Projects – 2020 budget

2020 Proposed Budget		
Category	Project description	Total
New	City Watermain on private property	70,000
	Water - South Courtenay Secondary Transmission	83,600
	Water - City Cross Connection Control Program - Transmission/Distribution Metering	250,000
	Water - Sandwick Area Fireflow Analysis	25,000
<b>New Total</b>		<b>428,600</b>
Renewal	Braidwood Rd - Road & Utility - Water Component	31,000
	Water - Hwy 19A Loop - Christie Parkway	100,000
<b>Renewal Total</b>		<b>131,000</b>
<b>Grand Total</b>		<b>559,600</b>

### Debt Servicing Costs

The Water Capital Fund also includes debt servicing costs. The 2020 budget includes \$10,500 of interest payment and \$20,100 of principal payment for a total debt servicing cost of \$30,600. The projected debt servicing costs for 2021 to 2024 are included in the Attachment 2.

### Water Surplus and Reserves

The estimated closing balances for water surplus, reserves and Development Cost Charges (DCC) are presented in Table 5 below. The five year schedule is presented in Attachment 3.

Table 5: Estimated water surplus and reserves balance

WATER Surplus, Reserves and DCC Summary	Estimated	Budget
	Actual	
Estimated Closing Balances	2019	2020
<b>Water Fund Surplus</b>		
Prior Year Surplus (unallocated)	1,525,200	1,706,900
Surplus Reserve for Future Expenditures (Unspent Capital 2019)	114,600	-
	<u>1,639,800</u>	<u>1,706,900</u>
<b>Water Capital Reserves</b>		
Water Reserve	1,660,400	1,441,300
Asset Management Reserve	358,100	658,100
Water Machinery and Equipment	186,100	216,100
	<u>2,204,600</u>	<u>2,315,500</u>
<b>Total Water Surplus and Reserves</b>	<b><u>3,844,400</u></b>	<b><u>4,022,400</u></b>
<b>Total Water DCC Bylaw #2426/2755</b>	<b><u>375,900</u></b>	<b><u>375,900</u></b>



### *Operating Surplus*

The 2020 budget includes an estimated surplus of \$181,700, which is then used in the proposed 2021 budget. A significant portion of the prior year surplus is also used in the following years, mainly to fund the capital projects.

The reserve for future expenditures of \$114,600 represents unspent monies collected in 2019 to fund 2019 capital projects carried forward and to be used in 2020.

### *Capital Reserves*

The Water Utility Reserve is to be used only to fund water efficiency programs and initiatives. In 2020, \$250,000 will fund the installation of distribution system zone meters at the CVRD connection points.

For 2020, a recommended contribution of \$300,000 to the Asset Management reserve is included. This is more than the \$200,000 contribution approved for 2019 as the amount was lowered due to the funding required for the Sandwich conversion capital project.

A contribution of \$30,000 to the Water Machinery and Equipment reserve is also included, which is consistent with prior financial plans.

### *Development Cost Charges (DCC)*

DCC are presented as deferred revenues in the financial statements and are not included with the reserves.

## **FINANCIAL IMPLICATIONS:**

To cover the overall cost to deliver the water utility operating and capital activities, an increase of 1.63% is recommended for 2020. This will result in an annual increase of \$8.13 in the single family user rate.

## **ADMINISTRATIVE IMPLICATIONS:**

The 2019 Water Rates bylaw was adopted on March 18, 2019. This involved the calculation of a blended rate for 2019, which was a pro rata of 2018 bylaw rate effective until March 18, 2019 and 2019 bylaw rate effective as of March 19, 2019. The 1.63% proposed water rate increase for 2020 maintains the current bylaw rate, therefore an amendment to user fee bylaw is not required for 2020.

Subsequent to Council endorsing the recommended increase for the 2020-2024 Water Fund Financial Plan and user fees, the water budget will be incorporated as part of the statutory component of the five year financial plan. Compilation of this financial plan will take a minimum of 50 hours of staff time.

## **ASSET MANAGEMENT IMPLICATIONS:**

The Asset Management Working Group collects and analyses information provided by condition and risk assessments of the City's water infrastructure, water model calibration, and life-cycle analysis to determine the useful life of water assets. Preventative maintenance programs such as uni-directional flushing have

extended the useful life of the infrastructure and future years capital costs have been deferred. The financial plan includes the renewal projects prioritized by the Asset Management Working Group.

#### STRATEGIC PRIORITIES REFERENCE:

##### We focus on organizational and governance excellence

- Communicate appropriately with our community in all decisions we make
- Responsibly provide services at levels which the people we serve are willing to pay

##### We proactively plan and invest in our natural and built environment

- Focus on asset management for sustainable service delivery
- ▲ Look for regional infrastructure solutions for shared services

- **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 that are 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,

6.2.2 to protect the watershed of the Comox Lake and thereby protect the City's source of water.

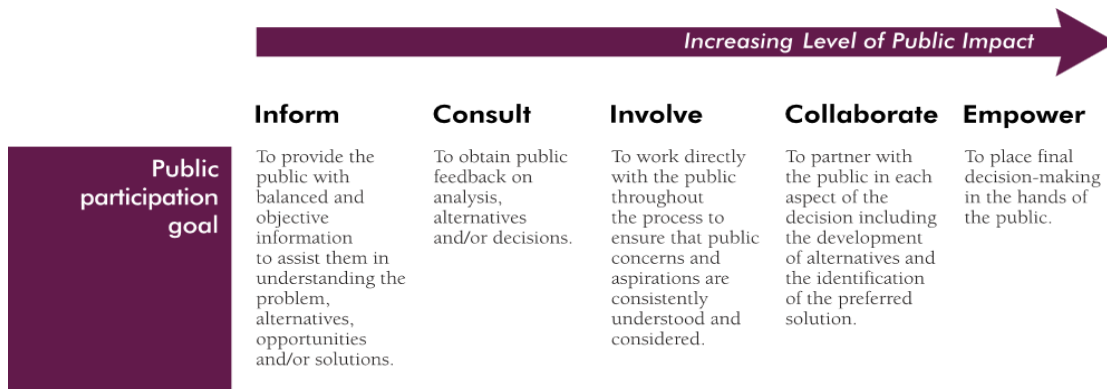
#### REGIONAL GROWTH STRATEGY REFERENCE:

This budget is presented with the intent of encouraging water 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. It 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 “**inform**” the public about the 2020-2024 Water Fund Financial Plan through special council meetings, media webcasts, and information posted on the City's website. In addition, the City will “**consult**” the public prior to final adoption of the 2020-2024 Financial Plan Bylaw.

[http://c.ymcdn.com/sites/www.iap2.org/resource/resmgr/imported/IAP2%20Spectrum\\_vertical.pdf](http://c.ymcdn.com/sites/www.iap2.org/resource/resmgr/imported/IAP2%20Spectrum_vertical.pdf)



**OPTIONS:**

Option 1:

That Council approve the 2020 -2024 Water Fund Financial Plan; and, that water user fee revenue be increased by 1.63% for 2020. (Recommended)

Option 2:

That Council defer approval of the proposed 2020 -2024 Water Fund Financial Plan for further discussion at a later Council meeting.

Prepared by:

Annie Bérard, CPA, CMA, MBA  
Manager of Financial Planning, Payroll  
and Business Performance

Concurrence:

Jennifer Nelson, CPA, CGA  
Director of Financial Services

*Attachments:*

- Attachment # 1 – Water Operating Budget Overview
- Attachment # 2 – Water Capital Budget Overview
- Attachment # 3 – Water Surplus, Reserves and DCC

**Water Operating Fund Budget 2020-2024**

Frontage rate \$/m	\$	5.84	\$	5.84	\$	5.84	\$	5.84	\$	5.84	\$	5.84
Water Utility Rate - Single Family Unit		497.92	\$	506.05		516.17		526.49		537.02		547.76
Proposed Increase %				1.63%		2.00%		2.00%		2.00%		2.00%

Expense Type	Activity	DESC	2019 BUDGET	2020 BUDGET	2021 BUDGET	2022 BUDGET	2023 BUDGET	2024 BUDGET
Revenue	Water Frontage	WATER FRONTAGE TAX	(1,166,700)	<b>(1,178,100)</b>	(1,189,900)	(1,201,800)	(1,213,800)	(1,225,900)
		WATER PARCEL TAX	(8,400)	<b>(8,400)</b>	(8,400)	(8,400)	(8,400)	(8,400)
	<b>Water Frontage Total</b>		<b>(1,175,100)</b>	<b>(1,186,500)</b>	<b>(1,198,300)</b>	<b>(1,210,200)</b>	<b>(1,222,200)</b>	<b>(1,234,300)</b>
	Water Utility Fees	METERED WATER	(2,271,200)	<b>(2,266,700)</b>	(2,313,800)	(2,361,900)	(2,410,900)	(2,461,000)
		FLAT RATE WATER	(4,300,600)	<b>(4,548,200)</b>	(4,665,400)	(4,785,600)	(4,908,600)	(5,034,700)
	<b>Water Utility Fees Total</b>		<b>(6,571,800)</b>	<b>(6,814,900)</b>	<b>(6,979,200)</b>	<b>(7,147,500)</b>	<b>(7,319,500)</b>	<b>(7,495,700)</b>
	Water Other Revenues		(92,100)	<b>(119,400)</b>	(121,500)	(123,900)	(126,100)	(128,700)
	Water Work in Progress		(100,000)	<b>(100,000)</b>	(100,000)	(100,000)	(100,000)	(100,000)
	Misc. Revenue		(100)	<b>(100)</b>	(100)	(100)	(100)	(100)
	Interfund Allocation		(174,000)	<b>(177,600)</b>	(181,000)	(184,600)	(188,400)	(192,200)
	Transfer from Reserve	RESERVE FOR FUTURE EXPEND.	(456,700)	<b>(114,600)</b>	-	-	-	-
		TRSF FROM WTR EFFICIENCY RESERVE	(17,500)	<b>(26,600)</b>	(27,000)	(27,600)	(28,100)	(28,100)
	<b>Transfer from Reserve Total</b>		<b>(474,200)</b>	<b>(141,200)</b>	<b>(27,000)</b>	<b>(27,600)</b>	<b>(28,100)</b>	<b>(28,100)</b>
	Equity in Capital Assets		(300,000)	<b>(400,000)</b>	(400,000)	(400,000)	(400,000)	(400,000)
	Transfer from Prior Year Surplus	PRIOR YEARS SURPLUS	(221,900)	-	(332,700)	(10,600)	(298,500)	(15,900)
<b>Transfer from Prior Year Surplus Total</b>		<b>(221,900)</b>	<b>-</b>	<b>(332,700)</b>	<b>(10,600)</b>	<b>(298,500)</b>	<b>(15,900)</b>	
<b>Revenue Total</b>		<b>(9,109,200)</b>	<b>(8,939,700)</b>	<b>(9,339,800)</b>	<b>(9,204,500)</b>	<b>(9,682,900)</b>	<b>(9,595,000)</b>	
Expense	CVRD Water Purchase		4,275,800	<b>4,436,400</b>	4,606,800	4,671,300	4,736,700	4,803,000
	Water Administration		313,900	<b>385,900</b>	393,600	401,500	409,400	417,500
	Water Engineering Services		53,500	<b>78,000</b>	78,000	33,000	78,000	33,000
	Water Training		36,700	<b>36,900</b>	37,100	37,400	37,700	37,700
	Water Booster Stations		17,800	<b>68,300</b>	23,600	24,000	24,300	24,300
	Water Condition Assessments		25,500	<b>200,000</b>	100,000	100,000	25,500	25,500
	Water Hydrant Maintenance		197,200	<b>191,900</b>	194,000	196,200	198,400	198,400
	Water Meter Reading		10,800	<b>11,000</b>	11,200	11,400	11,600	11,600
	Water Meter Replacement		106,100	<b>103,900</b>	104,500	104,900	105,500	105,500
	Water Transmission and Distribution		709,600	<b>845,600</b>	856,500	867,600	879,000	879,000
	Water Conservation Programs		25,000	<b>60,000</b>	10,000	10,000	10,000	10,000
	Water Water Enforcement		26,000	<b>26,600</b>	27,000	27,600	28,100	28,100
	Water Fleet		(27,700)	<b>(52,700)</b>	(52,500)	(52,200)	(51,800)	(51,800)
	Water Work in Progress		100,400	<b>100,000</b>	100,000	100,000	100,000	100,000
	Interfund Allocation		1,069,600	<b>1,132,900</b>	1,135,100	1,162,700	1,169,700	1,191,300
	Transfer to Reserve	TRANS. TO WATER UTILITY RESERVE	40,400	<b>57,500</b>	58,700	59,800	61,100	62,200
		Transfer to Asset Management Reserve WTR	200,000	<b>300,000</b>	300,000	300,000	300,000	300,000
		TRANS TO M&E WATER RES	30,000	<b>30,000</b>	30,000	30,000	30,000	30,000
		TRANS TO M.F.A.RESERVE	100	<b>100</b>	100	100	100	100
		TRANS TO RES. FOR FUTURE EXP	456,700	<b>114,600</b>	-	-	-	-
		TRANS TO WATER CAPITAL FUND (excl. debt cost	1,099,500	<b>195,000</b>	890,000	640,000	890,000	750,000
		CONTINGENCY RESERVE	-	<b>181,700</b>	-	-	-	-
		Water Operating - Carbon Offsets	5,500	<b>5,500</b>	5,500	5,500	5,500	5,500
	<b>Transfer to Reserve Total</b>		<b>1,832,200</b>	<b>884,400</b>	<b>1,284,300</b>	<b>1,035,400</b>	<b>1,286,700</b>	<b>1,147,800</b>
	Debt		36,800	<b>30,600</b>	30,600	73,700	234,100	234,100
	Amortization		300,000	<b>400,000</b>	400,000	400,000	400,000	400,000
	<b>Expense Total</b>		<b>9,109,200</b>	<b>8,939,700</b>	<b>9,339,800</b>	<b>9,204,500</b>	<b>9,682,900</b>	<b>9,595,000</b>

Fund	Water
Department	(All)
Area	(Multiple Items)
Total Funding	(All)

		Values						
Category	Project description	2020 Proposed Budget	2020 Water Revenues	2020 Reserve for Future Expenditures	2020 Water Reserves	2021 Proposed Budget	2021 Water Revenues	2021 Water Reserves
<b>New</b>	City Watermain on private property	70,000	70,000			140,000	140,000	
	Water - South Courtenay Secondary Transmission	83,600		83,600		250,000	250,000	
	Water - City Cross Connection Control Program - Transmission/Distribution Metering	250,000			250,000	100,000		100,000
	Water - Sandwich Area Fireflow Analysis	25,000	25,000			500,000	500,000	
<b>New Total</b>		<b>428,600</b>	<b>95,000</b>	<b>83,600</b>	<b>250,000</b>	<b>990,000</b>	<b>890,000</b>	<b>100,000</b>
<b>Renewal</b>	Braidwood Road - Road & Utility - Water Component	31,000		31,000				
	Sandpiper / Millard upgrade					500,000		500,000
	Water - Highway 19A Loop - Christie Parkway	100,000	100,000					
<b>Renewal Total</b>		<b>131,000</b>	<b>100,000</b>	<b>31,000</b>		<b>500,000</b>		<b>500,000</b>
<b>Grand Total</b>		<b>559,600</b>	<b>195,000</b>	<b>114,600</b>	<b>250,000</b>	<b>1,490,000</b>	<b>890,000</b>	<b>600,000</b>

		Values								
Category	Project description	2022 Proposed Budget	2022 Water Revenues	2022 Debt	2023 Proposed Budget	2023 Water Revenues	2023 Water Reserves	2024 Proposed Budget	2024 Water Revenues	2024 Water Reserves
<b>New</b>	City Watermain on private property	140,000	140,000		140,000	140,000		140,000	140,000	
	Water - South Courtenay Secondary Transmission	3,500,000	500,000	3,000,000						
<b>New Total</b>		<b>3,640,000</b>	<b>640,000</b>	<b>3,000,000</b>	<b>140,000</b>	<b>140,000</b>		<b>140,000</b>	<b>140,000</b>	
<b>Renewal</b>	Water - Projects identified through Master Plan				500,000	250,000	250,000	860,000	610,000	250,000
	Braidwood Road - Road & Utility - Water Component				500,000	500,000				
<b>Renewal Total</b>					<b>1,000,000</b>	<b>750,000</b>	<b>250,000</b>	<b>860,000</b>	<b>610,000</b>	<b>250,000</b>
<b>Grand Total</b>		<b>3,640,000</b>	<b>640,000</b>	<b>3,000,000</b>	<b>1,140,000</b>	<b>890,000</b>	<b>250,000</b>	<b>1,000,000</b>	<b>750,000</b>	<b>250,000</b>

		Values				
Category	Project description	2020 Proposed Budget	2021 Proposed Budget	2022 Proposed Budget	2023 Proposed Budget	2024 Proposed Budget
<b>Debt Interest</b>	Existing Debt Interest	10,500	10,500	10,500	10,500	10,500
	New Debt Interest South Courtenay			43,100	86,100	86,100
<b>Debt Interest Total</b>		<b>10,500</b>	<b>10,500</b>	<b>53,600</b>	<b>96,600</b>	<b>96,600</b>
<b>Debt Principal</b>	Existing Debt Principal	20,100	20,100	20,100	20,100	20,100
	New Debt Principal South Courtenay				117,400	117,400
<b>Debt Principal Total</b>		<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>137,500</b>	<b>137,500</b>
<b>Grand Total</b>		<b>30,600</b>	<b>30,600</b>	<b>73,700</b>	<b>234,100</b>	<b>234,100</b>

WATER Surplus, Reserves and DCC Summary	Estimated	Budget	Proposed Budget			
	Actual		2021	2022	2023	2024
Estimated Closing Balances	2019	2020				
<b>Water Fund Surplus</b>						
Prior Year Surplus (unallocated)	1,525,200	1,706,900	1,374,200	1,363,600	1,065,100	1,049,200
Surplus Reserve for Future Expenditures	114,600	-	-	-	-	-
	1,639,800	1,706,900	1,374,200	1,363,600	1,065,100	1,049,200
<b>Water Capital Reserves</b>						
Water Reserve	1,660,400	1,441,300	1,373,000	1,405,200	1,438,200	1,472,300
Asset Management Reserve	358,100	658,100	458,100	758,100	808,100	858,100
Water Machinery and Equipment	186,100	216,100	246,100	276,100	306,100	336,100
	2,204,600	2,315,500	2,077,200	2,439,400	2,552,400	2,666,500
<b>Total Water Surplus and Reserves</b>	<b>3,844,400</b>	<b>4,022,400</b>	<b>3,451,400</b>	<b>3,803,000</b>	<b>3,617,500</b>	<b>3,715,700</b>
<b>Total Water DCC Bylaw #2426/2755</b>	<b>375,900</b>	<b>375,900</b>	<b>375,900</b>	<b>375,900</b>	<b>375,900</b>	<b>375,900</b>

Purpose of Water Reserves

**Prior Year Surplus** : accumulated excess of revenues over expenses from prior years which has not been set aside for

**Reserve for Future Expenditure** : revenues collected for 2019 capital projects unfinished and carried forward to 2020

**Water Utility Reserve** , Bylaw #2885: established to promote operational improvements to the City's water distribution system and / or promote and implement programs that encourage residents to use water more efficiently

**Asset Management Reserve** , Bylaw #2818: established to acquire tangible capital assets relating to the water fund or for refurbishing, renewing or replacing existing tangible capital assets for those assets within the water fund

**Water Machinery and Equipment** , Bylaw #2269: established to fund replacement of depreciated or obsolete machinery and equipment in the water fund

**Water DCC**, Bylaw #2426/2755: to be used for approved water projects



THE CORPORATION OF THE CITY OF COURTENAY

## STAFF REPORT

**To:** Council  
**From:** Chief Administrative Officer  
**Subject:** 2020–2024 Sewer Fund Financial Plan

**File No.:** 1705-20/1715-20  
**Date:** December 11, 2019

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### PURPOSE:

The purpose of this report is for Council to consider the 2020–2024 Sewer Fund Financial Plan and the proposed sewer user fee increase for 2020.

### POLICY ANALYSIS:

Section 165 of the *Community Charter* requires a municipality to have a five year financial plan adopted annually and Section 194 permits the levying of a fee to recover the cost for the delivery of a service.

The 2020–2024 Sewer budget is a component of the annual City of Courtenay five year financial plan. A proposed increase of 1.27% for the 2020 user fee has been incorporated into the 2020 – 2024 Sewer Fund Financial Plan with no change to the frontage rate.

### EXECUTIVE SUMMARY:

The five year sewer fund financial plan is prepared annually and user fees are established to cover the projected cost of service delivery for the upcoming year. Funded entirely from sewer user fees and frontage fees, the sewer service receives no funding from general property taxation.

The City of Courtenay owns and operates a Class 3 Sewer collection system that collects and conveys effluent within the City to the Regional Courtenay Lift Station and from there it is pumped via force-mains to the sewage treatment plant. The Courtenay Lift Station and the Sewage Treatment Plant are part of the Comox Valley Regional Sewer Service, which is administered by the Comox Valley Regional District (CVRD).

Each component plays a vital role in providing sewer services to the residents of Courtenay and its regional partners. The CVRD, through the Sewage Commission has planned capital conveyance upgrades and treatment plant expansion in order to provide funding to ensure the sustainability, capacity and integrity of their portion of the system infrastructure. The CVRD annually requisitions the City for the cost of the City's share of the regional sewer service.

The City must also provide funding for its investment in the City's sewer collection service capital and operational needs. The cost of sewer service delivery is funded through a combination of user fees and frontage and parcel taxes. A 1.27% increase for the user fee is recommended for 2020, increasing the

rate from \$340.38 to \$344.71 and frontage fee remaining constant at \$10.24 per meter. The annual increase to a single family residence is \$4.33.

**CAO RECOMMENDATIONS:**

That based on the December 11, 2019 staff report “2020–2024 Sewer Fund Financial Plan”, Council approve OPTION 1, and proceed with the proposed 2020-2024 Sewer Fund Financial Plan; and, that sewer user fee revenue be increased by 1.27% for 2020.

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*. The recommended financial plan for the sewer fund provides detail for 2020, as well as projections for the four years following.

The sewer utility service is self-funding and receives no funding from the general property taxation levy.

**DISCUSSION:**

The sanitary sewer utility service provided to City property owners is a combination of the City and Comox Valley Regional Sewer Service infrastructure. Administered by the CVRD, the regional sewer service infrastructure includes sewer pumping stations, sewer force mains (including the force main on Comox Road) and a wastewater treatment plant with an outfall for treated effluent. It was constructed in the early 1980's and designed with a 25 year life-cycle. As a result of the 2011 CVRD sanitary sewer master plan, a 10-year capital plan was developed and approved by members of the CVRD Sewer commission in 2012. However, at the Service Participants request in 2018, the CVRD has embarked on a Liquid Waste Management Plan (LWMP). This Statutory Plan will outline future capital expenditures necessary for the sustainability of the Service. This Plan is expected to be completed in the spring of 2020.

City infrastructure includes lift stations, sewer trunk mains, a collection system and sewer connections within the boundaries of the municipality. This infrastructure varies in age depending on its location within the City. Infrastructure on the west side of the City varies from relatively new to over 60 years, whereas infrastructure on the east side of the river is generally newer and less than 25 years old.

The largest cost component of this financial plan is the cost of the regional sewer service shared



proportionately between the service participants, the City of Courtenay, the Town of Comox and HMCS Quadra based on their respective sewer flows.

The 2020-2024 Sewer Fund Financial Plan is a collaborative effort of all the departments following the City's Asset Management Bylaw and the CAO Asset Management Working Group Directive.

### City of Courtenay 2020 – 2024 Sewer Fund Financial Plan

The proposed 2020-2024 Sewer Fund Financial Plan is detailed in the following attachments:

Attachment 1: Sewer Operating Fund Overview

Attachment 2: Sewer Capital Fund Overview

Attachment 3: Sewer Surplus, Reserves and DCC

The sewer fund financial plan includes for 2020 \$8,379,400 in projected sewer revenues and the following expenditures: \$6,447,400 operating expenses, \$250,000 amortization, \$176,600 debt payment, \$917,500 transfer to the capital fund, \$381,000 transfer to reserves and a surplus of \$206,900.

#### Sewer Operating Fund

##### *Sewer Operating Expenses*

The sewer operating expenses are presented by activities in Table 1. The overall increase in operating costs between 2019 and 2020 budget is \$481,000 or 8.1%.

Table 1: Sewer Operating Expenses 2019 – 2020 budget

Activity	Values			
	2019 BUDGET	Unaudited 2019 Actual Year-to-date Nov28.19	2020 BUDGET	Variance 2020 Budget 2019 Budget
CVRD Sewer Requisition	4,124,400	4,145,491	<b>4,494,200</b>	369,800
Sewer Administration	268,600	191,072	<b>315,500</b>	46,900
Sewer Engineering Servic	48,500	8,501	<b>73,000</b>	24,500
Sewer Training	11,000	15,659	<b>11,000</b>	-
Sewer Operations	372,400	328,971	<b>352,100</b>	(20,300)
Sewer Lift Station Mainten	210,300	194,696	<b>217,200</b>	6,900
Sewer Inflow & Infiltration	46,500	49,513	<b>46,500</b>	-
Sewer Fleet	9,900	(28,147)	<b>41,700</b>	31,800
Sewer Work in Progress	47,800	38,997	<b>40,000</b>	(7,800)
Interfund Allocation	827,000	626,277	<b>856,200</b>	29,200
<b>Grand Total</b>	<b>5,966,400</b>	<b>5,571,031</b>	<b>6,447,400</b>	<b>481,000</b>

#### *Comox Valley Sewer Service*

The Comox Valley Regional District 2019-2023 Financial Plan included a 6% increase for the Regional Sewer Service Requisition for the 2020 proposed budget. As the CVRD 2020-2024 Financial Plan is not

finalized at the moment, staff recommends to include a contingency of \$100,000 for 2020 as the proportion of the sewer flows for Courtenay has increased in 2019, which could impact the City's share of the requisition.

The sewer service requisition is the largest expense in the Sewer Operating Fund and represents 70% of the total expenses. Table 2 presents the increase in Courtenay's share of the sewer service requisition since 2018 to the proposed budget for 2024.

Table 2: Comox Valley Sewer Service Requisition, Courtenay's Share 2018 – 2024

Comox Valley Sewer Service Requisition Courtenay share	\$	% increase
2018 Actual	3,890,928	6.0%
2019 Actual	4,145,491	6.5%
2020 Estimation	4,494,200	8.4%
2021 Proposed budget	4,494,200	0.0%
2022 Proposed budget	4,949,300	10.1%
2023 Proposed budget	4,949,300	0.0%
2024 Proposed budget	4,949,300	0.0%

#### *Sewer Administration*

Sewer Administration costs include wages and benefits for staff working in sewer utility operations, and a portion of the salaries, wages and benefits of Public Works management staff and Engineering team. The increase is mostly due to a change in the allocation of the Engineering team expenses no longer transferred to capital projects.

#### *Sewer Engineering Services*

An additional \$45,000 is included in 2020 to complete a sewer rates review. This review will be conducted simultaneously with the water rates review as recommended in the Water Smart Action Plan presented to Council on October 28, 2019. This increase is partially offset by a reduction of \$20,000 for the sewer master plan undertaken in 2018 and nearing completion.

#### *Sewer Operations*

The sewer operations are expected to remain stable for 2020. A reduction of \$40,000 is included for the smoke testing program already included in the Sewer Inflow & Infiltration budget. An increase of \$5,000 is also required for SCADA data collection and \$15,000 for an increase in vehicle and equipment hourly usage to support sewer operations.

#### *Sewer Fleet*

An increase of \$31,800 is included for the sewer fleet maintenance expenses and allocation based on prior year usage.

#### *Internal Allocations*

Internal allocations is a percentage of the General Fund, Public Works and fleet expenses transferred to the Sewer Fund. The intent is to transfer a reasonable amount for General Government and Public

Works expenditures (personnel, utilities, materials, insurance, contracted services and fleet costs) as recognition of the administrative costs necessary to provide the service.

The sewer allocation is set to 11.5% of the General Government Services and to 17% of the Public Works Administrative expenses based on prior year estimate. The allocation percentage is usually reviewed every couple years and will be analyzed again before the 2021 budget. The variance represents the general increase in the General Government and Public Works expenses.

***Sewer Revenues***

Revenues collected through sewer user and frontage fees are used to cover the costs of the operating and capital expenditures. Staff recommend maintaining the current frontage fee at \$10.24 per meter, which is expected to generate \$2,224,800 for 2020. An increase of 1.27% of the sewer user fee is proposed for 2020 and 2.5% for the next four years to fund the service. The sewer user fees are expected to generate \$5,260,800 for 2020.

Once the sewer master plan is finalized in early 2020, it will result in a draft 20 year capital plan, which will also support the sewer rate review planned for 2020. Once these two pieces of information are available, frontage and sewer user fees will be further analyzed and recommendations will be presented to adjust the sewer revenue requirements in future year financial plans.

The change in the user fees since 2017 is detailed in Table 3.

Table 3: Sewer user and frontage fees 2017-2020

Annual	Sewer User Fee			Sewer Frontage Fee	
	One-time	Change	Change %	per meter	Change
2017	\$294.70	\$26.79	10.00%	\$10.24	\$ -
2018	\$324.17	\$29.47	10.00%	\$10.24	\$ -
2019	\$340.38	\$16.21	5.00%	\$10.24	\$ -
2020	\$344.71	\$4.33	1.27%	\$10.24	\$ -

***Sewer Capital Fund***

The projects included in the 2020 Sewer Capital Budget are presented in Table 4 below. The source of funding and the projects scheduled for the four following years are detailed in Attachment 2.

Table 4: Sewer Capital Projects - 2020 budget

Category	Project description	2020 Proposed Budget
New	Sewer - Greenwood Trunk Construction	4,100,000
	Sewer System Options Analysis	200,000
<b>New Total</b>		<b>4,300,000</b>
Renewal	Comox Road, Lewis Park, River Crossing Sanitary Main Replacement	194,900
	Sewer - 1st Street Lift Station Replacement	341,100
	Braidwood Road - Road & Utility - Sewer Component	31,500
	Sewer - Mansfield Drive Forcemain	50,000
	Veterans Memorial Parkway Sewer Sleeve	50,000
<b>Renewal Total</b>		<b>667,500</b>
<b>Grand Total</b>		<b>4,967,500</b>

*Debt Servicing Costs*

The Sewer Operating Fund also includes the debt servicing costs. For 2020, the interest payment is expected to be \$101,400, of which \$43,100 relates to the new borrowing for the Greenwood Trunk Connection project. A principal payment of \$75,200 on existing debt is also included for a total debt servicing costs for 2020 of \$176,600. The projected debt servicing costs for 2021 to 2024 are detailed in Attachment 2.

*Sewer Surplus and Reserves*

Table 5 shows the sewer surplus, reserves and Development Cost Charges (DCC) estimated closing balances for 2019 and 2020. The five year schedule is presented in Attachment 3.

Table 5: Estimated sewer surplus and surplus balance

SEWER	Unaudited Actual	Budget
<b>Surplus, Reserves and DCC Summary</b>		
Estimated Closing Balance	2019	2020
<b>Sewer Fund Surplus</b>		
Prior Year Surplus (unallocated)	1,273,500	1,480,400
Surplus Reserve For Future Expenditure (Unspent Capital 2019)	567,500	-
	1,841,000	1,480,400
<b>Sewer Capital Reserves</b>		
Sewer Reserve	514,000	514,000
Asset Management Reserve	1,920,200	1,620,200
Sewer Machinery and Equipment	486,800	561,800
	2,921,000	2,696,000
<b>Total Sewer Surplus and Reserves</b>	<b>4,762,000</b>	<b>4,176,400</b>
<b>Sewer Development Cost Charges (DCC)</b>		
Sewer DCC Bylaw #1638/2755	34,300	34,300
Sewer DCC Bylaw #2426/2755	876,900	426,900
<b>Total Sewer DCC</b>	<b>911,200</b>	<b>461,200</b>

### *Operating Surplus*

The 2020 sewer budget is expected to generate a surplus of \$206,900, which is then used in the proposed 2021 budget. A large portion of the prior year surplus is also used in the following years, mainly to fund the capital projects.

The estimated reserve for future expenditures of \$567,500 represents unspent monies collected in 2019 to fund 2019 capital projects carried forward and to be used in 2020.

### *Capital Reserves*

The Asset Management reserve will provide \$600,000 in 2020 to fund a portion of the Greenwood Trunk Connection project.

A contribution of \$300,000 to the Asset Management Reserve and \$75,000 to the Machinery and Equipment Reserve has been included for 2020 and is consistent with previous financial plans.

### *Development Cost Charges (DCC)*

DCC are presented as deferred revenues in the financial statements and are not included with the reserves.

DCC monies will be used towards the Greenwood Trunk Connection project in 2020 in the amount of \$450,000.

### **FINANCIAL IMPLICATIONS:**

To cover the overall cost to deliver the sewer utility operating and capital activities, an increase of 1.27% is recommended for 2020. This will result in an annual increase of \$4.33 in the single family user rate.

### *Debt*

Three major projects are identified in the 2020 and 2021 proposed budget:

- Greenwood Trunk Connection at an estimate of \$4.1M;
- Replacement of 1st Street lift station at an estimate of \$2.3M;
- Comox Road, Lewis Park, River Crossing sanitary main replacement at an estimate of \$1.4M.

Since anticipated revenues, existing reserves, and prior year surplus are not sufficient to cover the anticipated construction costs, long term borrowing is considered as the primary source of funding for the Greenwood Trunk Connection project in 2020 and 1<sup>st</sup> Street lift station replacement project in 2021. In order to obtain long term financing, the City must follow a lengthy statutory process that includes adoption of a municipal loan authorization bylaw, approval by the Ministry of Community Services, elector approval, and inclusion in our regional district security issuing bylaw. The entire process can take up to 8 months.

The borrowing process is underway for the \$3.0 M required for the Greenwood Trunk Connection project in 2020. Staff anticipate starting the borrowing process for the 1<sup>st</sup> Street lift station in the summer of 2020 to secure funding for 2021.

**ADMINISTRATIVE IMPLICATIONS:**

The 2019 Sewer Rates bylaw was adopted on March 18, 2019. This involved the calculation of a blended rate for 2019, which was a pro rata of 2018 bylaw rate effective until March 18, 2019 and 2019 bylaw rate effective as of March 19, 2019. The 1.27% proposed sewer rate increase for 2020 maintains the current bylaw rate for 2020, therefore an amendment to user fee bylaw is not required for 2020.

Subsequent to Council endorsing the recommended increase for the 2020-2024 Sewer Fund Financial Plan and user fees, the sewer budget will be incorporated as part of the statutory component of the five year financial plan. Compilation of this financial plan will take a minimum of 50 hours of staff time.

**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 (CCTV inspections) work was completed in 2018-2019. This information has allowed the City's Asset Management Plan to identify priority Projects that align with Council's Strategic Plan and future development and growth. Additionally, the Sewer Master Plan will be finalized by early 2020. Together, these will result in a draft 20-year capital sewer plan.

**STRATEGIC PRIORITIES REFERENCE:****We focus on organizational and governance excellence**

- Communicate appropriately with our community in all decisions we make
- Responsibly provide services at levels which the people we serve are willing to pay

**We proactively plan and invest in our natural and built environment**

- Focus on asset management for sustainable service delivery
- ▲ Look for regional infrastructure solutions for shared services

● **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 that are outside Council's jurisdictional authority to act

**OFFICIAL COMMUNITY PLAN REFERENCE:**

Section 6.3 Sanitary Sewer Treatment to follow policies to reduce infiltration, consider downstream capacity of existing sewer mains, and to provide an effluent network that is limited to areas within the City's municipal boundaries.

**REGIONAL GROWTH STRATEGY REFERENCE:**

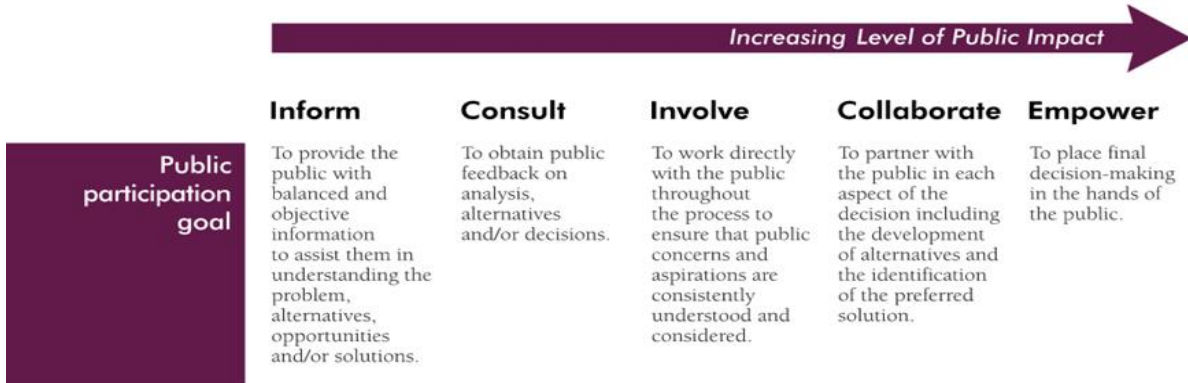
This budget is presented with the intent of encouraging sewer management approaches and the use of processes and technologies that provide the public with infrastructure that addresses public health

needs and concerns and provides equal service to all residents within the municipality and region (per Comox Valley Regional Growth Strategy Bylaw No. 120, 2010, Part 3.2.5, Objective 5-D Page 56).

**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 “**inform**” the public about the 2020-2024 Sewer Fund Financial Plan through special council meetings, media webcasts, and information posted on the City’s website. In addition, the City will “**consult**” the public prior to final adoption of the 2020-2024 Financial Plan Bylaw.

[http://c.ymcdn.com/sites/www.iap2.org/resource/resmgr/imported/IAP2%20Spectrum\\_vertical.pdf](http://c.ymcdn.com/sites/www.iap2.org/resource/resmgr/imported/IAP2%20Spectrum_vertical.pdf)



**OPTIONS:**

**Option 1:**

That Council approve the 2020-2024 Sewer Fund Financial Plan; and, that sewer user fee revenue be increased by 1.27% for 2020. (**Recommended**)

**Option 2:**

That Council defer approval of the proposed 2020–2024 Sewer Fund Financial Plan for further discussion at a later Council meeting.

Prepared by:

Annie Bérard, CPA, CMA, MBA

Manager of Financial Planning, Payroll and Business Performance

Concurrence:

Jennifer Nelson, CPA, CGA

Director of Financial Services

*Attachments:*

- Attachment # 1 – Sewer Operating Fund Overview
- Attachment # 2 – Sewer Capital Fund Overview
- Attachment # 3 – Sewer Surplus, Reserves and DCC



**Sewer Operating Fund Budget 2020-2024**

Frontage rate \$/m	\$	10.24	\$	10.24	\$	10.24	\$	10.24	\$	10.24	\$	10.24
Sewer Utility Rate - Single Family Unit	\$	340.38	\$	344.71	\$	353.33	\$	362.16	\$	371.21	\$	380.49
Proposed Increase %				1.27%		2.50%		2.50%		2.50%		2.50%

Expense Type	Activity	DESC	2019 BUDGET	2020 BUDGET	2021 BUDGET	2022 BUDGET	2023 BUDGET	2024 BUDGET
Revenue	Sewer Frontage	SEWER FRONTAGE TAX	(1,987,400)	<b>(2,224,800)</b>	(2,247,100)	(2,269,500)	(2,292,200)	(2,315,100)
		SEWER CONNECTION PARCEL TAX	(24,000)	<b>(15,800)</b>	(13,100)	(9,700)	(9,700)	(9,700)
	<b>Sewer Frontage Total</b>		<b>(2,011,400)</b>	<b>(2,240,600)</b>	<b>(2,260,200)</b>	<b>(2,279,200)</b>	<b>(2,301,900)</b>	<b>(2,324,800)</b>
	Sewer Utility Fees	SEWER USER CHARGES - COMMERCIAL	(631,300)	<b>(623,200)</b>	(639,100)	(655,400)	(672,200)	(689,400)
		SEWER USER CHARGES - RESIDENTIAL	(4,142,800)	<b>(4,337,100)</b>	(4,472,100)	(4,611,000)	(4,754,100)	(4,901,500)
		SEWER USER CHARGES - INSTITUTIONAL (CVRD)	(249,500)	<b>(300,500)</b>	(308,000)	(315,700)	(323,600)	(331,700)
	<b>Sewer Utility Fees Total</b>		<b>(5,023,600)</b>	<b>(5,260,800)</b>	<b>(5,419,200)</b>	<b>(5,582,100)</b>	<b>(5,749,900)</b>	<b>(5,922,600)</b>
	Sewer Other Revenues		(20,000)	<b>(20,000)</b>	(20,000)	(20,000)	(20,000)	(20,000)
	Misc. Revenue		(600)	<b>(500)</b>	(500)	(500)	(500)	(500)
	Interest Revenues		(200)	-	-	-	-	-
	Sewer Work in Progress		(50,000)	<b>(40,000)</b>	(40,000)	(40,000)	(40,000)	(40,000)
	Transfer from Reserve		(611,700)	<b>(567,500)</b>	-	-	-	-
	Transfer from Prior Year Surplus		-	-	(295,000)	(260,400)	(168,000)	(353,000)
	Equity in Capital Assets		(125,000)	<b>(250,000)</b>	(250,000)	(250,000)	(250,000)	(250,000)
	<b>Revenue Total</b>		<b>(7,842,500)</b>	<b>(8,379,400)</b>	<b>(8,284,900)</b>	<b>(8,432,200)</b>	<b>(8,530,300)</b>	<b>(8,910,900)</b>
Expense	CVRD Sewer Requisition		4,124,400	<b>4,494,200</b>	4,494,200	4,949,300	4,949,300	4,949,300
	Sewer Administration		268,600	<b>315,500</b>	321,700	328,000	334,300	340,600
	Sewer Training		11,000	<b>11,000</b>	11,000	11,000	11,000	11,000
	Sewer Engineering Services		48,500	<b>73,000</b>	28,000	28,000	28,000	28,000
	Sewer Operations		372,400	<b>352,100</b>	355,200	358,400	361,700	361,700
	Sewer Lift Station Maintenance		210,300	<b>217,200</b>	220,500	223,800	227,200	227,200
	Sewer Inflow & Infiltration		46,500	<b>46,500</b>	46,500	46,500	46,500	46,500
	Sewer Fleet		9,900	<b>41,700</b>	42,100	42,200	42,500	42,500
	Sewer Work in Progress		47,800	<b>40,000</b>	40,000	40,000	40,000	40,000
	Interfund Allocation		827,000	<b>856,200</b>	858,600	880,900	887,000	904,300
	Transfer to Reserve	TRANSFER TO ASSET MGMT RESERVE	300,000	<b>300,000</b>	300,000	300,000	300,000	300,000
		TRANS TO M&E SEWER RESERVE	75,000	<b>75,000</b>	75,000	75,000	75,000	75,000
		TRANS TO M.F.A.RESERVE	600	<b>500</b>	500	500	500	500
		TRANS TO RES. FOR FUTURE EXP	611,700	<b>567,500</b>	-	-	-	-
		TRSF TO SEWER CAPITAL FUND	613,700	<b>350,000</b>	900,000	450,000	500,000	750,000
		CONTINGENCY RESERVE	12,800	<b>206,900</b>	-	-	-	-
		CARBON OFFSETS	5,500	<b>5,500</b>	5,500	5,500	5,500	5,500
	<b>Transfer to Reserve Total</b>		<b>1,619,300</b>	<b>1,505,400</b>	<b>1,281,000</b>	<b>831,000</b>	<b>881,000</b>	<b>1,131,000</b>
	Debt		131,800	<b>176,600</b>	336,100	443,100	471,800	578,800
	<b>Debt Total</b>		<b>131,800</b>	<b>176,600</b>	<b>336,100</b>	<b>443,100</b>	<b>471,800</b>	<b>578,800</b>
	Amortization		125,000	<b>250,000</b>	250,000	250,000	250,000	250,000
	<b>Expense Total</b>		<b>7,842,500</b>	<b>8,379,400</b>	<b>8,284,900</b>	<b>8,432,200</b>	<b>8,530,300</b>	<b>8,910,900</b>

Fund	Sewer
Department	(All)
Area	(Multiple Items)
Total Funding	(All)

Category	Project description	2020 Proposed Budget	2020 Sewer Revenues	2020 Sewer Reserves	2020 Reserve for Future Expenditures	2020 DCC Reserve	2020 Debt	2021 Proposed Budget	2021 Sewer Revenues	2021 Sewer Reserves	2021 Debt
<b>New</b>	Sewer - Greenwood Trunk Construction	4,100,000	50,000	600,000		450,000	3,000,000				
	Sewer System Options Analysis	200,000	200,000								
<b>New Total</b>		<b>4,300,000</b>	<b>250,000</b>	<b>600,000</b>		<b>450,000</b>	<b>3,000,000</b>				
<b>Renewal</b>	Comox Road, Lewis Park, River Crossing Sanitary Main Replacement	194,900			194,900			1,400,000	100,000	1,300,000	
	Sewer - 1st Street Lift Station Replacement	341,100			341,100			2,300,000	300,000		2,000,000
	Braidwood Road - Road & Utility - Sewer Component	31,500			31,500						
	Sewer - Mansfield Drive Forcemain	50,000	50,000					750,000	500,000	250,000	
	Veterans Memorial Parkway Sewer Sleeve	50,000	50,000								
<b>Renewal Total</b>		<b>667,500</b>	<b>100,000</b>		<b>567,500</b>			<b>4,450,000</b>	<b>900,000</b>	<b>1,550,000</b>	<b>2,000,000</b>
<b>Grand Total</b>		<b>4,967,500</b>	<b>350,000</b>	<b>600,000</b>	<b>567,500</b>	<b>450,000</b>	<b>3,000,000</b>	<b>4,450,000</b>	<b>900,000</b>	<b>1,550,000</b>	<b>2,000,000</b>

Category	Project description	Values								
		2022 Proposed Budget	2022 Sewer Revenues	2022 Sewer Reserves	2023 Proposed Budget	2023 Sewer Revenues	2023 Debt	2024 Proposed Budget	2024 Sewer Revenues	2024 Sewer Reserves
<b>Renewal</b>	Sewer - Projects identified through Master Plan	500,000	250,000	250,000				1,000,000	750,000	250,000
	Braidwood Road - Road & Utility - Sewer Component				500,000	500,000				
	Sewer - Arden Central Trunk Main	200,000	200,000		2,000,000		2,000,000			
<b>Renewal Total</b>		<b>700,000</b>	<b>450,000</b>	<b>250,000</b>	<b>2,500,000</b>	<b>500,000</b>	<b>2,000,000</b>	<b>1,000,000</b>	<b>750,000</b>	<b>250,000</b>
<b>Grand Total</b>		<b>700,000</b>	<b>450,000</b>	<b>250,000</b>	<b>2,500,000</b>	<b>500,000</b>	<b>2,000,000</b>	<b>1,000,000</b>	<b>750,000</b>	<b>250,000</b>

Category	Project description	Values				
		2020 Proposed Budget	2021 Proposed Budget	2022 Proposed Budget	2023 Proposed Budget	2024 Proposed Budget
<b>Debt Interest</b>	Existing Debt Interest	58,300	58,300	58,300	58,300	58,300
	New Debt Interest Greenwood	43,100	86,100	86,100	86,100	86,100
	New Debt Interest 1 St Lift Station		28,700	57,400	57,400	57,400
	New Debt Interest Arden				28,700	57,400
<b>Debt Interest Total</b>		<b>101,400</b>	<b>173,100</b>	<b>201,800</b>	<b>230,500</b>	<b>259,200</b>
<b>Debt Principal</b>	Existing Debt Principal	75,200	75,200	75,200	75,200	75,200
	New Debt Principal Greenwood		87,800	87,800	87,800	87,800
	New Debt Principal 1 St Lift Station			78,300	78,300	78,300
	New Debt Principal Arden					78,300
<b>Debt Principal Total</b>		<b>75,200</b>	<b>163,000</b>	<b>241,300</b>	<b>241,300</b>	<b>319,600</b>
<b>Grand Total</b>		<b>176,600</b>	<b>336,100</b>	<b>443,100</b>	<b>471,800</b>	<b>578,800</b>

SEWER Surplus, Reserves and DCC Summary	Estimated	Budget	Proposed Budget			
	Actual 2019	2020	2021	2022	2023	2024
Estimated Closing Balance						
<b>Sewer Fund Surplus</b>						
Prior Year Surplus (unallocated)	1,273,500	1,480,400	1,185,400	925,000	757,000	404,000
Surplus Reserve For Future Expenditure	567,500	-	-	-	-	-
	<u>1,841,000</u>	<u>1,480,400</u>	<u>1,185,400</u>	<u>925,000</u>	<u>757,000</u>	<u>404,000</u>
<b>Sewer Capital Reserves</b>						
Sewer Reserve	514,000	514,000	514,000	514,000	514,000	514,000
Asset Management Reserve	1,920,200	1,620,200	370,200	420,200	720,200	770,200
Sewer Machinery and Equipment	486,800	561,800	636,800	711,800	786,800	861,800
	<u>2,921,000</u>	<u>2,696,000</u>	<u>1,521,000</u>	<u>1,646,000</u>	<u>2,021,000</u>	<u>2,146,000</u>
<b>Total Sewer Surplus and Reserves</b>	<b><u>4,762,000</u></b>	<b><u>4,176,400</u></b>	<b><u>2,706,400</u></b>	<b><u>2,571,000</u></b>	<b><u>2,778,000</u></b>	<b><u>2,550,000</u></b>
<b>Sewer Development Cost Charges (DCC)</b>						
Sewer DCC Bylaw #1638/2755	34,300	34,300	34,300	34,300	34,300	34,300
Sewer DCC Bylaw #2426/2755	876,900	426,900	426,900	426,900	426,900	426,900
<b>Total Sewer DCC</b>	<b><u>911,200</u></b>	<b><u>461,200</u></b>	<b><u>461,200</u></b>	<b><u>461,200</u></b>	<b><u>461,200</u></b>	<b><u>461,200</u></b>

Purpose of Sewer Reserves

**Prior Year Surplus** : accumulated excess of revenues over expenses from prior years which has not been set aside for specific purposes

**Reserve for Future Expenditure** : revenues collected for 2019 capital projects unfinished and carried forward to 2020

**Sewer Reserve** , Bylaw #1382: established for funding capital expenditures or debt related to sewer utility only

**Asset Management Reserve** , Bylaw #2819: established to acquire tangible capital assets relating to the sewer fund or for refurbishing, renewing or replacing existing tangible capital assets for those assets within the sewer fund

**Sewer Machinery and Equipment** , Bylaw #1976: established to fund replacement of depreciated or obsolete machinery and equipment in the sewer fund

**Sewer DCC 'North East Zone'** , Bylaw #1638/2755: to be used for approved sewer projects

**Sewer DCC**, Bylaw #2426/2755: to be used for approved sewer projects

