

**CORPORATION OF THE CITY OF COURTENAY
COUNCIL MEETING AGENDA**

Date: December 3, 2021
Time: 9:00 a.m.
Location: City Hall Council Chambers

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

SPECIAL COUNCIL MEETING

K'OMOKS FIRST NATION ACKNOWLEDGEMENT

Pages

1. STAFF REPORTS/PRESENTATIONS

1.1. Financial Services

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2. ADJOURNMENT



THE CORPORATION OF THE CITY OF COURTENAY

STAFF REPORT

To: Council
From: Chief Administrative Officer
Subject: 2022 - 2026 Water Fund Financial Plan

File No.: 1705-20/1715-20
Date: December 3, 2021

PURPOSE:

The purpose of this report is for Council to consider the 2022 – 2026 Water Fund Financial Plan and the proposed water user fee increase for 2022.

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 2022 – 2026 Water budget is a component of the annual City of Courtenay five year financial plan. It is proposed to increase the water user fee by 2.0% for 2022 in the 2022 – 2026 Water Fund Financial Plan and leave the frontage rate unchanged.

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. The new water treatment facility was recently commissioned and now provides 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 plans to increase the rate again in 2023. The CVRD bulk water rate is expected to remain at \$0.80 per cubic meter in 2022 and increase to \$0.96 per cubic meter in 2023. This has a significant impact as bulk water purchase from the CVRD is the largest expense in the water fund, currently representing almost 60% of the total operating costs. Any further changes to the CVRD bulk water rate through their financial planning process will be reflected in future City of Courtenay financial plans.

Similar to the CVRD, the City is required to generate revenues sufficient to fulfil its commitment to operate a Class 3 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).

After careful review of the water fund, staff is recommending a 2.0% increase to the water user fee for 2022, which represents an increase of \$10.12 for a single family. Of this increase, about \$3.50 is attributable to the CVRD water purchase, \$22.50 to City water operating expenses, -\$12.00 reduction in transfer to prior year surplus and -\$5.00 reduction in transfer to capital expenses.

CAO RECOMMENDATIONS:

That based on the December 3rd, 2021 staff report “2022 - 2026 Water Fund Financial Plan”, Council approve OPTION 1, and proceed with the proposed 2022 - 2026 Water Fund Financial Plan; and, that water user fees be increased by 2.0% for 2022.

Respectfully submitted,



Geoff Garbutt, M.Pl., MCIP, RPP
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 2022, 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 3 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 2022 - 2026.

The 2022-2026 Water Fund Financial Plan is a collaborative corporate effort following the City's Asset Management Bylaw 2981.

City of Courtenay 2022 – 2026 Water Fund Financial Plan

The proposed 2022-2026 Water Fund Financial Plan is detailed in the following attachments:

Attachment # 1 – Water Operating Fund Budget Overview

Attachment # 2 – Water Capital Fund and Debt Budget Overview

Attachment # 3 – Water Surplus, Reserves and DCC Projections

The water fund financial plan includes for 2022 projected revenues of \$9,400,800 and \$7,785,100 of operating expenses, \$525,000 of amortization, \$29,300 of debt payment, \$584,400 transferred to the capital fund (including \$59,400 carried forward from 2021), \$390,900 transferred to various reserves and a surplus of \$86,100.

Water Operating Fund

Water Operating Expenses

The water operating expense budget is presented by activity in Table 1. The operating costs increase by \$359,000 or 4.8% between 2021 and 2022 budget.

Table 1: Water Operating Expenses 2021 - 2022 Budget

| Activity | Operating Activity | 2021 BUDGET | 2021 YTD Actual as at Nov 3, 2021 (Unaudited) | 2022 BUDGET | Budget increase (decrease) | Variance % |
|---|---|------------------|---|------------------|----------------------------------|---------------|
| Water Admin & Training | | 368,600 | 337,122 | 514,400 | 145,800 | |
| Water Operations | Water Main | 200,000 | 48,757 | 170,800 | (29,200) | |
| | Water Service | 390,300 | 321,096 | 376,100 | (14,200) | |
| | Water Distribution Valve | 47,400 | 49,068 | 91,000 | 43,600 | |
| | Water Hydrant/Blowoff | 194,000 | 155,298 | 201,500 | 7,500 | |
| | Water Meter | 138,300 | 46,825 | 241,700 | 103,400 | |
| | Water Pump Stations | 77,500 | 64,534 | 99,200 | 21,700 | |
| | Quality & Cross Connection Control | 80,000 | 25,840 | 83,100 | 3,100 | |
| | Water Conservation Programs | 167,000 | 34,532 | 71,800 | (95,200) | |
| Water Admin & Operations Total | | 1,663,100 | 1,083,072 | 1,849,600 | 186,500 | |
| CVRD Water Purchase | | 4,433,500 | 3,182,101 | 4,477,900 | 44,400 | |
| Water Fleet | | 56,600 | 42,541 | 58,100 | 1,500 | |
| Water Engineering Services | | 78,000 | 4,203 | 79,000 | 1,000 | |
| Water Work in Progress | | 100,000 | 73,384 | 100,000 | - | |
| Interfund Allocation | | 1,094,900 | 692,313 | 1,220,500 | 125,600 | |
| Water Operating Expenses Total | | 7,426,100 | 5,077,615 | 7,785,100 | 359,000 | 4.8% |

Water Administration and Training

Water Administration and Training includes a portion of the salaries, wages and benefits of the Public Works Services exempt staff and Engineering team. The increase is mainly due to a portion of the Asset Management team remuneration now allocated to the water fund and the CPI and contractual increase on salaries, wages and benefits.

Water Operations

Following the reorganization of the Water Operations activities last year, the 2022 budget has been reallocated between the activities based on 2021 actual and anticipated needs, explaining the variance between most activities. It includes the crew wages and benefits as well as the material and services needed to perform regular operations, preventative and reactive work on the various water infrastructure. The contractual increase is incorporated for wages and benefits.

An additional amount of \$100,000 is included for meter replacement to ensure older or deficient meters are proactively replaced. This additional expense is funded by the Water Utility - Meter Replacement Reserve and should lead to better water consumption readings and likely increased revenues.

The overall decrease in the Water Conservation Programs is mostly due to the combination of the Leak Detection and Repair Program with the Water Smart Initiatives capital project and some consulting work for park irrigation control completed in 2021.

Comox Valley Regional District 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, although it remains difficult to estimate as water consumption depends on many external factors, such as the weather and population growth. The water consumption for 2023-2026 is estimated based on prior year actual consumption and includes a general increase of 1% for annual population growth. The year 2020 was excluded from the average calculation as the water consumption was unusually low, presumably because of the pandemic.

The CVRD has revised the water bulk rate from \$0.83 down to \$0.80 per cubic meter on April 1, 2021 in response to the pandemic. For the 2022 budget, Staff recommends to maintain a similar consumption amount estimated last year for the 2022 water purchase, to cover for any unforeseen increase in consumption or water bulk rate. The CVRD plans to increase the rate to \$0.96 per cubic meter on January 1, 2023. This significant increase has been included for the year 2023 and onwards in the 2022-2026 Water Financial Plan.

Table 2 shows the combined financial impact of a greater consumption and higher rates on actual and estimated water consumption since 2017.

Table 2: Courtenay Water Bulk Purchase 2017-2026

| Courtenay Bulk Water Purchase | Consumption m3 | Consumption % increase | CVRD rate \$ / m3 | Rate % increase | Courtenay Annual Cost | Total % increase |
|-------------------------------|----------------|------------------------|-------------------|-----------------|-----------------------|------------------|
| 2017 Actual | 5,113,154 | | \$0.71 | | \$3,630,339 | |
| 2018 Actual | 4,947,081 | -3.2% | \$0.75 | 5.6% | \$3,710,311 | 2.2% |
| 2019 Actual | 4,989,913 | 0.9% | \$0.80 | 6.7% | \$3,991,931 | 7.6% |
| 2020 Actual | 4,671,511 | -6.4% | \$0.83 | 3.7% | \$3,877,354 | -2.9% |
| 2021 Budget | 5,215,900 | 11.7% | \$0.85 | 2.4% | \$4,433,515 | 14.3% |
| 2021 Estimation | 5,304,545 | 13.6% | \$0.81 | -2.9% | \$4,273,202 | 10.2% |
| 2022 Estimation | 5,395,042 | 3.4% | \$0.83 | -2.4% | \$4,477,885 | 1.0% |
| 2023 Estimation | 5,411,200 | 0.3% | \$0.96 | 15.7% | \$5,194,752 | 16.0% |
| 2024 Estimation | 5,465,300 | 1.0% | \$0.96 | 0.0% | \$5,246,688 | 1.0% |
| 2025 Estimation | 5,520,000 | 1.0% | \$0.96 | 0.0% | \$5,299,200 | 1.0% |
| 2026 Estimation | 5,575,200 | 1.0% | \$0.96 | 0.0% | \$5,352,192 | 1.0% |

Water Fleet

The Water Fleet budget is adjusted every year based on actual and anticipated equipment and vehicle usage.

Water Engineering Services

This section includes \$30,000 carried forward to 2022 to complete the water rates review as recommended in the Water Smart Action Plan presented to Council on October 28, 2019. This review is conducted simultaneously with the sewer rates review.

Internal Allocations

Internal allocations are a percentage of the General Fund and Public Works expenses transferred to the Water Fund. The intent is to transfer a reasonable amount for General Government Services and Public Works administrative expenditures (personnel, utilities, materials, insurance, contracted services and fleet costs) as recognition of the 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 prior year estimate. The allocation percentage is reviewed periodically and will be analyzed before next year's budget. The variance represents the general increase in the General Government Services and Public Works expenses.

Water Revenues

Water User and Frontage Fees

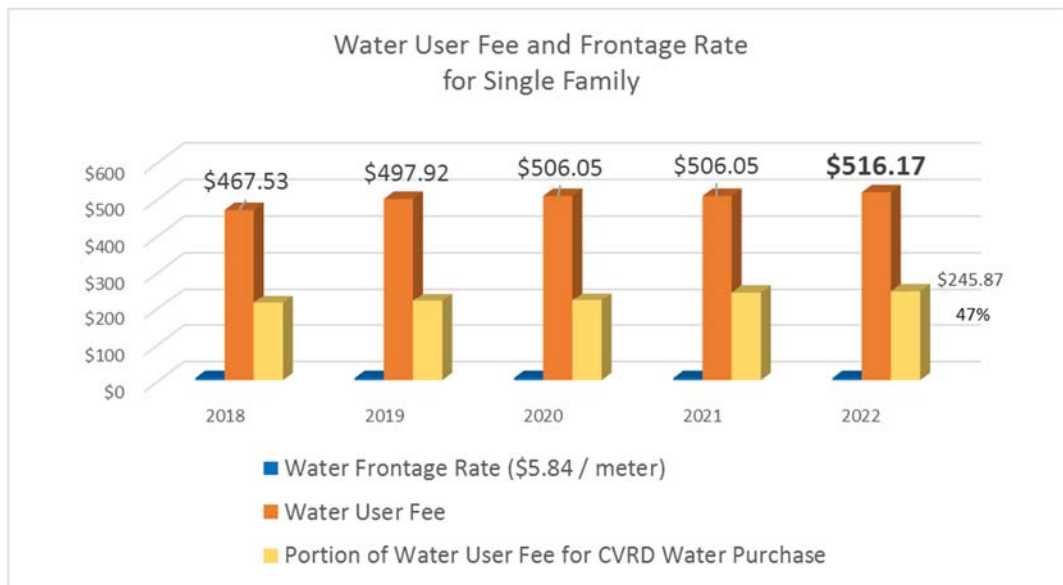
Revenues collected through water user and frontage fees are used to cover the costs of the operating and capital expenditures. Staff recommends maintaining the current frontage rate at \$5.84 per meter, which is expected to generate \$1,218,800 for 2022. Staff proposes to increase the 2022 water user fee by 2.0% with subsequent increases of 2.5% for the following four years. An annual 1% increase is factored into the revenue calculations for population growth. The water user fees are expected to generate \$7,045,800 for 2022.

Once the water master plan is finalized in 2022, the results relative to both future growth and asset end of life or replacement estimations will be combined with all other linear asset class capital demand forecasts to create a draft 20 year capital asset management plan. This information, along with the water rates review planned to be completed in 2022, 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 changes since 2018 in user fees for a single family are detailed in Graph 1. The portion of user fee used to fund the bulk water purchased from the CVRD is illustrated in yellow and corresponds to about \$245.87, or 47% for 2022, leaving about \$270.30 per household to fund City’s other water related expenses.

Graph 1: Water user fees and frontage rate 2018-2022



Other Revenues

The water utility financial plan also includes miscellaneous revenues such as meter and hydrant rentals and park water usage for a total of \$312,700 for 2022.

Water Capital Fund

The projects included in the 2022 Water Capital Budget are presented in Table 3 below. All projects are being carried forward from 2021. The sources of funding and the projects scheduled for the four following years are detailed in Attachment 2.

Table 3: Water Capital Projects – 2022 Proposed Budget

| 2022 Proposed Budget | |
|---|----------------|
| Project description | Total |
| Water Smart Initiatives - District Meter Zone | 350,000 |
| Water - South Courtenay Secondary Transmission | 250,000 |
| Water - Sandwich Area Fireflow Upgrade | 125,000 |
| Water - Highway 19A Loop - Christie Parkway | 50,000 |
| Braidwood Road - Road & Utility - Water Component | 9,400 |
| Grand Total | 784,400 |

Debt Servicing Costs

The Water Capital Fund also includes debt servicing costs. The 2022 budget includes \$9,200 of interest payment and \$20,100 of principal payment for a total debt servicing cost of \$29,300. The projected debt servicing costs for 2022 to 2026 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 4 below. The five year schedule is presented in Attachment 3.

Table 4: Estimated water surplus and reserves balance

| WATER | Estimated | Budget |
|---|-------------------------|-------------------------|
| Surplus, Reserves and DCC Summary | | |
| Estimated Closing Balances | 2021 | 2022 |
| Water Fund Surplus | | |
| Prior Year Surplus (unallocated) | 3,801,100 | 3,887,200 |
| Surplus Reserve for Future Expenditures (Unspent Capital 2021) | 59,400 | - |
| | <u>3,860,500</u> | <u>3,887,200</u> |
| Water Capital Reserves | | |
| Water Reserve | 1,725,700 | 1,555,700 |
| Asset Management Reserve | 1,037,000 | 1,237,000 |
| Water Machinery and Equipment | 311,400 | 341,400 |
| | <u>3,074,100</u> | <u>3,134,100</u> |
| Total Water Surplus and Reserves | <u>6,934,600</u> | <u>7,021,300</u> |
| Total Water DCC Bylaw #2426/2755 | <u>376,400</u> | <u>376,400</u> |

Operating Surplus

The 2022 budget includes an estimated surplus of \$86,100. A significant portion of the prior year surplus is projected to be used in the following years, without reducing the surplus lower than Staff’s recommended minimum equivalent to 2 months of operating expenses, about \$1,3M.

The reserve for future expenditures of \$59,400 represents unspent monies collected in 2021 to fund 2021 capital projects carried forward and to be used in 2022.

Capital Reserves

The Water Utility Reserve is to be used only to fund water efficiency programs and initiatives. Half of the meter rental revenue, \$60,800 for 2022, is transferred to this reserve every year. In 2022, \$100,000 will fund the installation of distribution system zone meters at the CVRD connection points, included under the Water Smart Initiatives capital project. An amount of \$100,000 is also used towards the meter replacement program and \$30,700 is used to fund the water conservation ambassador project, both operating initiatives.

The Asset Management reserve will provide \$100,000 in 2022 to fund the portion of the Water Smart Initiatives related to the City Watermain on private property.

For 2022, a recommended contribution of \$300,000 to the Asset Management reserve and a contribution of \$30,000 to the Water Machinery and Equipment reserve are included and consistent with previous financial plans.

Development Cost Charges (DCC)

No changes are projected to the DCC balance. 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 2.0% is recommended for 2022. This will result in an annual increase of \$10.12 in the single family user rate, of which approximately \$3.20 is attributable to the bulk water purchase from CVRD.

ADMINISTRATIVE IMPLICATIONS:

Subsequent to Council endorsing the recommended increase for the 2022-2026 Water Fund Financial Plan and user fees, staff will prepare the user fee amendment bylaw, and return to Council for adoption. After the user fee amendment bylaw is adopted, staff will update the financial system with the new rates, prior to the 2022 utility billing.

Subsequent to Council endorsing the 2022-2026 Water Fund Financial Plan, 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 60 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.

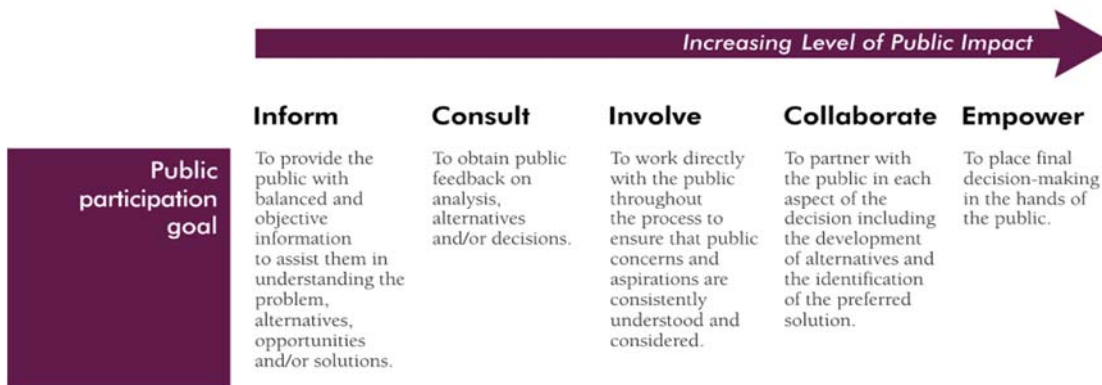
REGIONAL GROWTH STRATEGY REFERENCE:

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 2022-2026 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 2022-2026 Financial Plan Bylaw.

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



OPTIONS:

Option 1:

That Council approve the proposed 2022-2026 Water Fund Financial Plan; and, that the water user fee be increased by 2.0% for 2022. (Recommended)

Option 2:

That Council defer approval of the proposed 2022-2026 Water Fund Financial Plan for further discussion at a later Council meeting.

Prepared by:



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Manager of Financial Planning, Payroll
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Reviewed by:



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Reviewed by:



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Director of Public Works Services

Concurrence by:



Geoff Garbutt, M.Pl., MCIP, RPP
Chief Administrative Officer

Attachments:

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

Water Operating Fund Budget 2022-2026

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Frontage Rate \$/m | \$ 5.84 | \$ 5.84 | \$ 5.84 | \$ 5.84 | \$ 5.84 | \$ 5.84 | \$ 5.84 |
| Water Utility Rate | \$ 506.05 | \$ 506.05 | \$ 516.17 | \$ 529.07 | \$ 542.30 | \$ 555.86 | \$ 569.76 |
| Water Utility Rate Annual Increase \$ | | | \$ 10.12 | \$ 12.90 | \$ 13.23 | \$ 13.56 | \$ 13.90 |
| Water Utility Rate Annual Increase % | | 0.0% | 2.0% | 2.5% | 2.5% | 2.5% | 2.5% |

| | | | | Values | | | | | | | |
|----------------------|----------------------------------|--|---------------------------------------|--------------------|--------------------------------------|--------------------|----------------------------|---------------------|---------------------|---------------------|---------------------|
| Expense Type | Activity2 | Activity | DESC | 2021 | 2021 YTD | 2022 | Variance | 2023 | 2024 | 2025 | 2026 |
| | | | | BUDGET | ACTUAL as at Nov.3, 2021 (Unaudited) | BUDGET | 2022 Budget vs 2021 Budget | BUDGET | BUDGET | BUDGET | BUDGET |
| Revenue | Water Frontage | Water Frontage | WATER FRONTAGE TAX | (1,205,800) | (1,207,384) | (1,218,800) | (13,000) | (1,231,000) | (1,243,300) | (1,255,800) | (1,268,300) |
| | | | WATER PARCEL TAX | (8,400) | (8,389) | (8,400) | - | (8,400) | (8,400) | (8,400) | (8,400) |
| | | | Water Frontage Total | (1,214,200) | (1,215,773) | (1,227,200) | (13,000) | (1,239,400) | (1,251,700) | (1,264,200) | (1,276,700) |
| | Water Utility Fees | Water Utility Fees | FLAT RATE WATER | (4,552,700) | (4,609,866) | (4,742,500) | (189,800) | (4,888,000) | (5,037,800) | (5,192,100) | (5,351,000) |
| | | | METERED WATER | (2,256,400) | (1,954,406) | (2,303,300) | (46,900) | (2,362,700) | (2,423,600) | (2,486,000) | (2,550,100) |
| | | | Water Utility Fees Total | (6,809,100) | (6,564,272) | (7,045,800) | (236,700) | (7,250,700) | (7,461,400) | (7,678,100) | (7,901,100) |
| | Water Other Revenues | | | (302,300) | (271,334) | (312,700) | (10,400) | (318,900) | (326,200) | (332,100) | (338,900) |
| | Transfer from Prior Year Surplus | | | - | - | - | - | (482,200) | (603,000) | (417,900) | (300,100) |
| | Water Work in Progress | | | (100,000) | (40,032) | (100,000) | - | (100,000) | (100,000) | (100,000) | (100,000) |
| | Transfer from Reserve | Transfer from Reserve | RESERVE FOR FUTURE EXPEND. | (307,800) | - | (59,400) | 248,400 | - | - | - | - |
| | | | TRSF FROM WTR EFFICIENCY RESERVE | (27,000) | - | (130,700) | (103,700) | (131,200) | (131,800) | (132,400) | (133,000) |
| | | | Transfer from Reserve Total | (334,800) | - | (190,100) | 144,700 | (131,200) | (131,800) | (132,400) | (133,000) |
| | Equity in Capital Assets | | | (500,000) | - | (525,000) | (25,000) | (525,000) | (525,000) | (525,000) | (525,000) |
| Revenue Total | | | | (9,260,400) | (8,091,411) | (9,400,800) | (140,400) | (10,047,400) | (10,399,100) | (10,449,700) | (10,574,800) |
| Expense | CVRD Water Purchase | | | 4,433,500 | 3,182,101 | 4,477,900 | 44,400 | 5,194,800 | 5,246,700 | 5,299,200 | 5,352,200 |
| | Water Admin - Salaries/Wages | | | 301,300 | 266,951 | 420,300 | 119,000 | 428,700 | 437,300 | 446,000 | 455,000 |
| | Water Administration | | | 25,200 | 52,041 | 50,800 | 25,600 | 52,000 | 52,400 | 53,100 | 53,500 |
| | Water Admin - Training | | | 37,100 | 16,055 | 37,900 | 800 | 38,200 | 38,500 | 38,800 | 39,100 |
| | Water Engineering Services | | | 78,000 | 4,203 | 79,000 | 1,000 | 33,000 | 39,000 | 33,000 | 33,000 |
| | Water Admin - BC One Call | | | 5,000 | 2,076 | 5,400 | 400 | 5,600 | 5,800 | 5,900 | 6,100 |
| | Water Operations | Water Conservation Programs | | 167,000 | 34,532 | 71,800 | (95,200) | 73,100 | 74,200 | 75,600 | 76,700 |
| | | Water Service | | 390,300 | 321,096 | 376,100 | (14,200) | 382,900 | 387,100 | 394,100 | 409,600 |
| | | Water Distribution Valve | | 47,400 | 49,068 | 91,000 | 43,600 | 92,300 | 92,900 | 94,100 | 95,300 |
| | | Water Quality & Cross Connection Control | | 80,000 | 25,840 | 83,100 | 3,100 | 84,700 | 85,900 | 87,500 | 88,700 |
| | | Water Main | | 200,000 | 48,757 | 170,800 | (29,200) | 174,400 | 177,200 | 181,000 | 183,100 |
| | | Water Hydrant/Blowoff | | 194,000 | 155,298 | 201,500 | 7,500 | 205,300 | 208,100 | 212,100 | 215,000 |
| | | Water Meter | | 138,300 | 46,825 | 241,700 | 103,400 | 244,500 | 245,600 | 248,300 | 249,400 |
| | | Water Pump Stations | | 77,500 | 64,534 | 99,200 | 21,700 | 100,900 | 102,100 | 103,900 | 105,000 |
| | | Water Operations Total | | 1,294,500 | 745,950 | 1,335,200 | 40,700 | 1,358,100 | 1,373,100 | 1,396,600 | 1,422,800 |
| | Water Fleet | | | 56,600 | 42,541 | 58,100 | 1,500 | 58,600 | 58,900 | 59,400 | 59,500 |
| | Water Work in Progress | | | 100,000 | 73,384 | 100,000 | - | 100,000 | 100,000 | 100,000 | 100,000 |
| | Interfund Allocation | | | 1,094,900 | 692,313 | 1,220,500 | 125,600 | 1,221,800 | 1,247,300 | 1,276,900 | 1,299,600 |
| | Transfer to Reserve | Transfer to Reserve | CONTINGENCY RESERVE | 251,600 | - | 86,100 | (165,500) | - | - | - | - |
| | | | TRANS TO WATER CAPITAL FUND | 350,000 | - | 525,000 | 175,000 | 565,000 | 614,500 | 550,000 | 550,000 |
| | | | TRANS TO WATER UTILITY RESERVE | 58,700 | - | 60,800 | 2,100 | 62,000 | 63,200 | 64,500 | 65,800 |
| | | | TRANS TO WATER ASSET MGMT RESERVE | 300,000 | 275,000 | 300,000 | - | 300,000 | 300,000 | 300,000 | 300,000 |
| | | | TRANS TO WATER M&E RESERVE | 30,000 | 27,500 | 30,000 | - | 30,000 | 30,000 | 30,000 | 30,000 |
| | | | TRANS TO WATER MFA RESERVE | 100 | - | 100 | - | 100 | 100 | 100 | 100 |
| | | | TRANS TO WATER RESERVE FOR FUTURE EXP | 307,800 | - | 59,400 | (248,400) | - | - | - | - |
| | | | WATER CARBON OFFSETS | 5,500 | - | - | (5,500) | - | - | - | - |
| | | | Transfer to Reserve Total | 1,303,700 | 302,500 | 1,061,400 | (242,300) | 957,100 | 1,007,800 | 944,600 | 945,900 |
| | Debt | | | 30,600 | 27,889 | 29,300 | (1,300) | 74,500 | 267,300 | 271,200 | 283,100 |
| | Amortization | | | 500,000 | - | 525,000 | 25,000 | 525,000 | 525,000 | 525,000 | 525,000 |
| Expense Total | | | | 9,260,400 | 5,408,004 | 9,400,800 | 140,400 | 10,047,400 | 10,399,100 | 10,449,700 | 10,574,800 |
| Grand Total | | | | - | (2,683,407) | - | - | - | - | - | - |

| Values | | | | | | | | | | | | | |
|----------------------|---|---------------|----------------------|-----------------------|--------------------------------------|---------------|----------------------|-----------------------|---------------|-----------|----------------------|-----------------------|---------------|
| Category | Project description | 2021 Forecast | 2022 Proposed Budget | 2022 General Revenues | 2022 Reserve for Future Expenditures | 2022 Reserves | 2023 Proposed Budget | 2023 General Revenues | 2023 Reserves | 2023 Debt | 2024 Proposed Budget | 2024 General Revenues | 2024 Reserves |
| New | City Watermain on private property | 70,000 | | | - | | | | | | | | |
| | Water - South Courtenay Secondary Transmission | 81,500 | 250,000 | 250,000 | | | 3,500,000 | | | 3,500,000 | | | |
| New Total | | 151,500 | 250,000 | 250,000 | | | 3,500,000 | | | 3,500,000 | | | |
| Renewal | Braidwood Road - Road & Utility - Water Component | 21,900 | 9,400 | | 9,400 | | 500,000 | 500,000 | | | | | |
| | Sandpiper / Millard Water Main Upgrade | 630,000 | | | | | | | | | | | |
| | Water - Highway 19A Loop - Christie Parkway | 50,000 | 50,000 | | 50,000 | | | | | | | | |
| | Water - Projects identified through Master Plan | | | | | | | | | | 1,000,000 | 500,000 | 500,000 |
| | Water - Sandwick Area Fireflow Upgrade | 25,000 | 125,000 | 125,000 | | | 500,000 | | 500,000 | | | | |
| | Water Smart Initiatives - District Meter Zone | 75,000 | 350,000 | 150,000 | | 200,000 | 250,000 | 50,000 | 200,000 | | 250,000 | 50,000 | 200,000 |
| | WATER - Cousins Ave - 20th to Willemar | - | - | | | | 15,000 | 15,000 | | | 64,500 | 64,500 | |
| Renewal Total | | 801,900 | 534,400 | 275,000 | 59,400 | 200,000 | 1,265,000 | 565,000 | 700,000 | | 1,314,500 | 614,500 | 700,000 |
| Grand Total | | 953,400 | 784,400 | 525,000 | 59,400 | 200,000 | 4,765,000 | 565,000 | 700,000 | 3,500,000 | 1,314,500 | 614,500 | 700,000 |

| Values | | | | | | | | | |
|----------------------|---|----------------------|-----------------------|---------------|-------------------------|-----------|----------------------|-----------------------|---------------|
| Category | Project description | 2025 Proposed Budget | 2025 General Revenues | 2025 Reserves | 2025 Fed / Prov Funding | 2025 Debt | 2026 Proposed Budget | 2026 General Revenues | 2026 Reserves |
| Renewal | Water - Projects identified through Master Plan | 500,000 | 500,000 | | | | 1,000,000 | 500,000 | 500,000 |
| | Water Smart Initiatives - District Meter Zone | 250,000 | 50,000 | 200,000 | | | 250,000 | 50,000 | 200,000 |
| | WATER - Cousins Ave - 20th to Willemar | 644,800 | | | 344,800 | 300,000 | | | |
| Renewal Total | | 1,394,800 | 550,000 | 200,000 | 344,800 | 300,000 | 1,250,000 | 550,000 | 700,000 |
| Grand Total | | 1,394,800 | 550,000 | 200,000 | 344,800 | 300,000 | 1,250,000 | 550,000 | 700,000 |

Debt Servicing Costs

| Values | | | | | | | |
|-----------------------------|------------------------------------|-------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Project description | 2021 Budget | 2022 Proposed Budget | 2023 Proposed Budget | 2024 Proposed Budget | 2025 Proposed Budget | 2026 Proposed Budget |
| Debt Interest | Existing Debt Interest | 10,500 | 9,200 | 9,200 | 9,200 | 9,200 | 4,600 |
| | New Debt Interest South Courtenay | | | 45,200 | 90,300 | 94,200 | 98,100 |
| Debt Interest Total | | 10,500 | 9,200 | 54,400 | 99,500 | 103,400 | 102,700 |
| Debt Principal | Existing Debt Principal | 20,100 | 20,100 | 20,100 | 20,100 | 20,100 | 20,100 |
| | New Debt Principal South Courtenay | | | | 147,700 | 147,700 | 160,300 |
| Debt Principal Total | | 20,100 | 20,100 | 20,100 | 167,800 | 167,800 | 180,400 |
| Grand Total | | 30,600 | 29,300 | 74,500 | 267,300 | 271,200 | 283,100 |

**City of Courtenay
for the Years 2022 - 2026**

| WATER Surplus, Reserves and DCC Summary | Estimated | Budget | Proposed Budget | | | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Estimated Closing Balances | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Water Fund Surplus | | | | | | |
| Prior Year Surplus (unallocated) | 3,801,100 | 3,887,200 | 3,405,000 | 2,802,000 | 2,384,100 | 2,084,000 |
| Surplus Reserve for Future Expenditures | 59,400 | - | - | - | - | - |
| | <u>3,860,500</u> | <u>3,887,200</u> | <u>3,405,000</u> | <u>2,802,000</u> | <u>2,384,100</u> | <u>2,084,000</u> |
| Water Capital Reserves | | | | | | |
| Water Reserve | 1,725,700 | 1,555,700 | 1,386,500 | 1,217,900 | 1,050,000 | 882,800 |
| Asset Management Reserve | 1,037,000 | 1,237,000 | 937,000 | 637,000 | 837,000 | 537,000 |
| Water Machinery and Equipment | 311,400 | 341,400 | 371,400 | 401,400 | 431,400 | 461,400 |
| | <u>3,074,100</u> | <u>3,134,100</u> | <u>2,694,900</u> | <u>2,256,300</u> | <u>2,318,400</u> | <u>1,881,200</u> |
| Total Water Surplus and Reserves | <u><u>6,934,600</u></u> | <u><u>7,021,300</u></u> | <u><u>6,099,900</u></u> | <u><u>5,058,300</u></u> | <u><u>4,702,500</u></u> | <u><u>3,965,200</u></u> |
| Total Water DCC Bylaw #2426/2755 | <u><u>376,400</u></u> | <u><u>376,400</u></u> | <u><u>376,400</u></u> | <u><u>376,400</u></u> | <u><u>376,400</u></u> | <u><u>376,400</u></u> |

Purpose of Water 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 2021 capital projects unfinished and carried forward to 2022

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: 2022-2026 Sewer Fund Financial Plan

File No.: 1705-20/1715-20

Date: December 3, 2021

PURPOSE:

The purpose of this report is for Council to consider the 2022-2026 Sewer Fund Financial Plan and the proposed sewer user fee increase for 2022.

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 2022-2026 Sewer budget is a component of the annual City of Courtenay five year financial plan. A proposed increase of 7.5% for the 2022 user fee has been incorporated into the 2022-2026 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 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 own 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 7.5% increase for the user fee is recommended for 2022, increasing the rate for single family from \$351.60 to \$377.97. Staff recommends to keep frontage rate constant at \$10.24 per meter. The

annual increase to a single family residence is \$26.37. Of that increase, about \$7.00 is attributable to the CVRD Sewer Requisition, \$6.50 to City other sewer operating expenses and \$12.50 to capital expenses.

CAO RECOMMENDATIONS:

That based on the December 3rd, 2021 staff report “2022-2026 Sewer Fund Financial Plan”, Council approve OPTION 1, and proceed with the proposed 2022-2026 Sewer Fund Financial Plan; and, that sewer user fees be increased by 7.5% for 2022.

Respectfully submitted,



Geoff Garbutt, M.Pl., MCIP, RPP
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 2022, 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. In 2018, the CVRD has embarked on a new Liquid Waste Management Plan (LWMP). This statutory plan is outlining future capital expenditures necessary for the sustainability of the service and will be submitted to the province for review in fall 2021, then shared with the community and submitted for final approval in 2024.

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 30 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 2022-2026 Sewer Fund Financial Plan is a collaborative effort of all the departments following the City's Asset Management Bylaw 2981.

City of Courtenay 2022 – 2026 Sewer Fund Financial Plan

The proposed 2022-2026 Sewer Fund Financial Plan is detailed in the following attachments:

Attachment # 1 – Sewer Operating Fund Budget Overview

Attachment # 2 – Sewer Capital Fund and Debt Budget Overview

Attachment # 3 – Sewer Surplus, Reserves and DCC Projections

The sewer fund financial plan includes for 2022 \$10,287,000 in projected sewer revenues and the following expenditures: \$7,242,300 of operating expenses, \$375,000 of amortization, \$257,700 for debt payments, \$2,036,500 transferred to the capital fund (including \$770,500 carried forward from 2021) and \$375,500 transferred to reserves.

Sewer Operating Fund

Sewer Operating Expenses

The sewer operating expense budget is presented by activity in Table 1. The overall increase in operating costs between 2021 and 2022 budget is \$525,500 or 7.8%, of which \$277,500 (or 53%) is directly related to the projected increase in the CVRD requisition.

Table 1: Sewer Operating Expenses 2021 – 2022 budget

| Activity | Operating Activity | 2021 | | 2022 | Budget increase (decrease) | Variance % |
|---|--|------------------|--|------------------|----------------------------|-------------|
| | | 2021 BUDGET | YTD Actual as at Nov.3, 2021 (Unaudited) | | | |
| Sewer Admin & Training | | 280,500 | 264,100 | 410,300 | 129,800 | |
| Sewer Operations | Sewer Main | 183,800 | 83,425 | 182,900 | (900) | |
| | Sewer Service | 93,100 | 91,418 | 98,600 | 5,500 | |
| | Sewer Manhole/Chamber | 6,300 | 12,409 | 22,300 | 16,000 | |
| | Sewer Valve | 13,100 | - | 13,800 | 700 | |
| | Sewer Forcemain | 13,200 | 648 | 13,900 | 700 | |
| | Sewer Lift Station | 260,700 | 179,206 | 270,600 | 9,900 | |
| | Sewer Inflow & Infiltration | 76,000 | 38,846 | 77,800 | 1,800 | |
| Sewer Admin & Operations Total | | 926,700 | 670,052 | 1,090,200 | 163,500 | |
| CVRD Sewer Requisition | | 4,717,200 | 4,630,120 | 4,994,700 | 277,500 | |
| Sewer Fleet | | 53,200 | 28,284 | 49,700 | (3,500) | |
| Sewer Engineering Services | | 86,500 | 10,132 | 73,000 | (13,500) | |
| Sewer Work in Progress | | 40,000 | 21,565 | 40,000 | - | |
| Interfund Allocation | | 893,200 | 562,954 | 994,700 | 101,500 | |
| Sewer Operating Expenses Total | | 6,716,800 | 5,923,107 | 7,242,300 | 525,500 | 7.8% |

Sewer Administration and Training

This section includes a portion of the salaries, wages and benefits of the Public Works management staff and Engineering team. The increase is due to a portion of the Asset Management team remuneration now allocated to Sewer and also CPI and contractual increase on salaries, wages and benefits.

Sewer Operations

The budget for sewer operations is expected to remain stable for 2022 and is distributed amongst the sewer activities restructured in 2021. It includes the crew wages and benefits as well as the material and services needed to perform regular operations, preventative and reactive work on the sewer infrastructure. Regular contractual increases are also included for crew wages and benefits.

Comox Valley Sewer Service

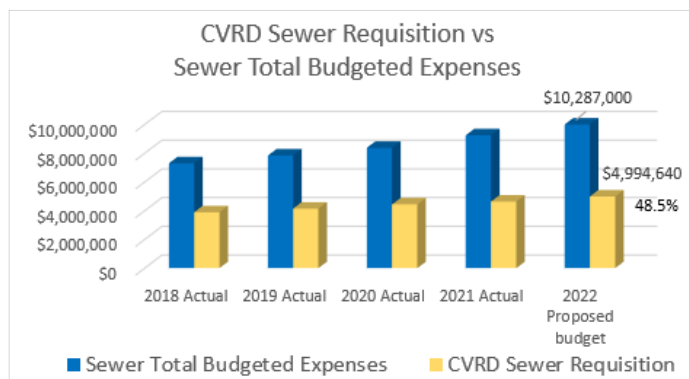
The Comox Valley Regional District 2021-2025 Financial Plan includes a 7.9% increase for the 2022 Regional Sewer Service Requisition, which is the largest expense in the Sewer Operating Fund and accounts for more than half of the 2022 sewer budget increase.

Table 2 presents the increase in Courtenay’s share of the sewer service requisition since 2018 to the proposed budget for 2026, based on the CVRD 2021-2025 Financial Plan.

It should be noted that the 2022-2026 Comox Valley Regional District Financial Plan is not available at the time of this report, therefore future year requisition amounts are subject to change and may impact future user fee estimates.

Table 2: Comox Valley Sewer Service Requisition, Courtenay’s Share 2018 – 2026

| Courtenay share | \$ | % increase |
|----------------------|-------------|------------|
| 2018 Actual | \$3,890,928 | |
| 2019 Actual | \$4,145,491 | 6.5% |
| 2020 Actual | \$4,439,680 | 7.1% |
| 2021 Actual | \$4,630,120 | 4.3% |
| 2022 Proposed budget | \$4,994,640 | 7.9% |
| 2023 Proposed budget | \$5,272,120 | 5.6% |
| 2024 Proposed budget | \$5,757,710 | 9.2% |
| 2025 Proposed budget | \$5,757,710 | 0.0% |
| 2026 Proposed budget | \$5,757,710 | 0.0% |



Sewer Engineering Services

This section includes \$30,000 carried forward from 2021 to complete the sewer rates review as recommended in the Water Smart Action Plan presented to Council on October 28, 2019. This review is conducted simultaneously with the water rates review. Also included is \$18,000 for the warranty work estimated to address the last deficiencies of the sewer capital projects once completed. The reduction of \$15,000 is due to the completion of the sewer master plan in 2021.

Sewer Fleet Charges

The Sewer Fleet Charges budget is adjusted every year based on actual and anticipated equipment and vehicle usage.

Internal Allocations

Internal Allocations is a percentage of the General Fund and Public Works administrative expenses transferred to the Sewer Fund. The intent is to transfer a reasonable amount for General Government Services and Public Works administrative expenditures (personnel, utilities, materials, insurance, contracted services and fleet costs) as recognition of the 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 reviewed periodically and will be analyzed before next year budget. The variance represents the general increase in the General Government Services and Public Works expense budget.

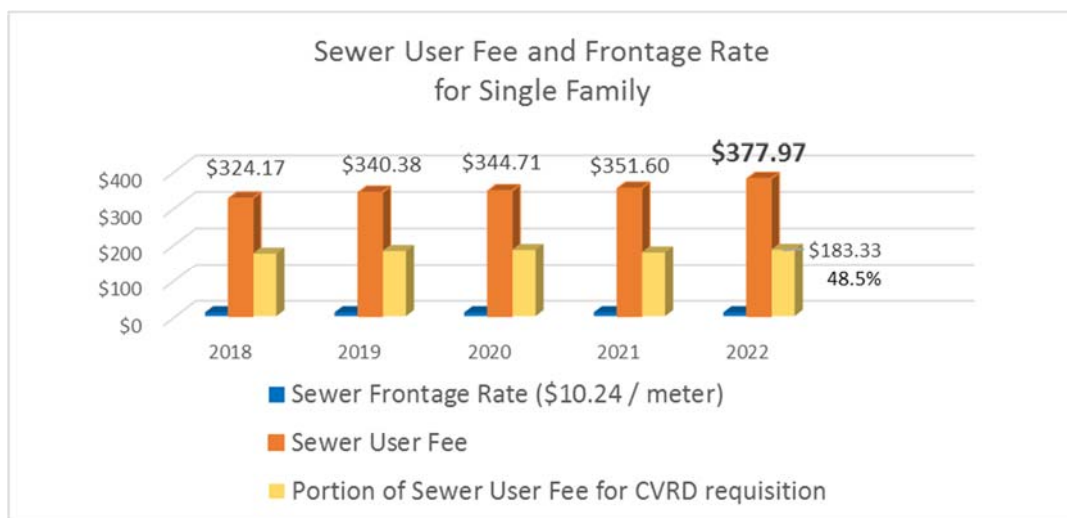
Sewer Revenues

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 rate at \$10.24 per meter, which is expected to generate \$2,094,500 for 2022. An increase of 7.5% of the sewer user fee is proposed for 2022 and 5.5% for the next four years to fund the significant increase anticipated for the CVRD sewer requisition. An annual 1% increase is also factored in the revenue calculations for population growth. The sewer user fees are expected to generate \$6,093,600 for 2022.

Once the sewer master plan is finalized in 2022, the results relative to both future growth and asset end of life or replacement estimations will be combined with all other linear asset class capital demand forecasts to create a draft 20 year capital asset management plan. This information, along with the sewer rates review planned to be completed in 2022, will be the basis for a detailed analysis of the frontage and sewer user fees. Recommendations will then be presented to adjust the sewer revenue requirements in future year financial plans to create a sustainable utility.

The sewer user fees and frontage rates since 2018 are detailed in Graph 2. The portion of user fee used to fund the CVRD requisition is illustrated in yellow and corresponds to about \$183, or 48.5% for 2022, leaving about \$195 per household to fund City’s sewer expenses.

Graph 2: Sewer user fee and frontage rate 2018-2022



Sewer Capital Fund

The projects included in the 2022 Sewer Capital Budget are presented in Table 3 below. All projects are carried forward from 2021. The source of funding and the projects scheduled for the four following years are detailed in Attachment 2.

Table 3: Sewer Capital Projects - 2022 Proposed Budget

| 2022 Proposed Budget | |
|---|------------------|
| Project description | Total |
| Sewer - Mansfield Drive Forcemain | 1,504,000 |
| Sewer - Greenwood Trunk Construction | 1,360,000 |
| Puntledge Sanitary Catchment Replacement | 415,000 |
| Sewer - 1st Street Lift Station Replacement | 332,000 |
| South Courtenay Sewer System | 65,000 |
| Braidwood Road - Road & Utility - Sewer Component | 9,400 |
| Grand Total | 3,685,400 |

Debt Servicing Costs

The Sewer Operating Fund also includes debt servicing costs. For 2022, the interest payment is expected to be \$72,300. A principal payment of \$185,400 on existing debt is also included, for a total debt servicing costs of \$257,700 in 2022. The projected debt servicing costs for 2022 to 2026 are detailed in Attachment 2.

Sewer Surplus and Reserves

Table 4 shows the sewer surplus, reserves and Development Cost Charges (DCC) estimated closing balances for 2021 and 2022. The five year schedule is presented in Attachment 3.

Table 4: Estimated sewer surplus and surplus balance

| SEWER | Estimated | Budget |
|---|------------------|------------------|
| Surplus, Reserves and DCC Summary | 2021 | 2022 |
| Sewer Fund Surplus | | |
| Prior Year Surplus (unallocated) | 1,949,500 | 1,068,600 |
| Surplus Reserve For Future Expenditure (Unspent Capital 2021) | 770,500 | - |
| | 2,720,000 | 1,068,600 |
| Sewer Capital Reserves | | |
| Sewer Reserve | 566,700 | 566,700 |
| Asset Management Reserve | 2,097,900 | 749,000 |
| Sewer Machinery and Equipment | 721,200 | 796,200 |
| | 3,385,800 | 2,111,900 |
| Total Sewer Surplus and Reserves | 6,105,800 | 3,180,500 |
| Sewer Development Cost Charges (DCC) | | |
| Sewer DCC Bylaw #1638/2755 | 3,500 | 3,500 |
| Sewer DCC Bylaw #2426/2755 | 801,400 | 801,400 |
| Total Sewer DCC | 804,900 | 804,900 |

Operating Surplus

The 2022 sewer budget is balanced using a funding for \$880,900 from prior year surplus. Surpluses are projected in 2023, 2025 and 2026. Staff recommends a minimum surplus balance of about 2 months of operating expenses, equivalent to approximately \$1.2M. The projected balance is lower for 2024 and 2025 and use of surplus will be revisited once the masterplan and sewer rates review are completed.

A budget amendment was approved by Council on November 1st, 2021 to reallocate \$711,100 to the Greenwood Trunk Construction project from other approved sewer projects funding. This amount is being carried forward to be used in 2022.

Capital Reserves

The Asset Management reserve will provide \$1,000,000 in 2022 to fund a portion of the Mansfield Drive Forcemain project and \$648,900 to fund the Greenwood Trunk Construction project, as approved in the November 1, 2021 budget amendment.

A contribution of \$300,000 to the Asset Management Reserve and \$75,000 to the Machinery and Equipment Reserve has been included for 2022. The level of contribution to reserves will be revisited once the Sewer Master is completed and approved.

Development Cost Charges (DCC)

No change is anticipated for the DCC in the 2022 budget.

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 sewer utility operating and capital activities, an increase of 7.5% is recommended for 2022. This will result in an annual increase of \$26.37 in the single family user rate, of which approximately \$7.00 is attributable to the CVRD requisition increase.

Debt

The following three major sewer projects are identified in the coming years:

- Mansfield Drive Forcemain at an estimate cost of \$1.5M (construction planned for 2022)
- 1st Street Lift Station Replacement at an estimated cost of \$2.64M (construction projected for 2023)
- Puntledge Sanitary Catchment Replacement at an estimated cost of just under \$4.0M (construction projected for 2024)

Since anticipated revenues, existing reserves, and prior year surplus are not sufficient to cover the anticipated design and construction costs of these major projects, long term borrowing has been considered as the primary source of funding for the 1st Street Lift Station replacement in 2023 and Puntledge Sanitary Catchment Replacement in 2024. 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 borrowing process can take up to 8 months. The City follows *Community Charter* guidelines to determine long term debt capacity, and currently uses approximately

16% of the limit, leaving the City in a good position to consider future opportunities to borrow for any sewer, water or general projects. Staff will continue to investigate potential grant opportunities if available to reduce the need for borrowing.

ADMINISTRATIVE IMPLICATIONS:

Subsequent to Council endorsing the recommended increase for the 2022-2026 Sewer Fund Financial Plan and user fees, staff will prepare the user fee amendment bylaw, and return to Council for adoption. After the user fee amendment bylaw is adopted, staff will update the financial system with the new rates, prior to the 2022 utility billing.

Once finalized, 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 60 hours of staff time.

ASSET MANAGEMENT IMPLICATIONS:

Much of the sewer network in west Courtenay was built during in the early 1960s and is projected to reach its end-of-life in the 2020s. Detailed Condition Assessment (CCTV inspections) work was completed in 2018-2019. This information has allowed the Asset Management group to identify priority projects that align with Council's Strategic Plan and future development and growth. Additionally, the Sewer Master Plan will be finalized early 2022. These will result in a draft 20-year capital asset management 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.

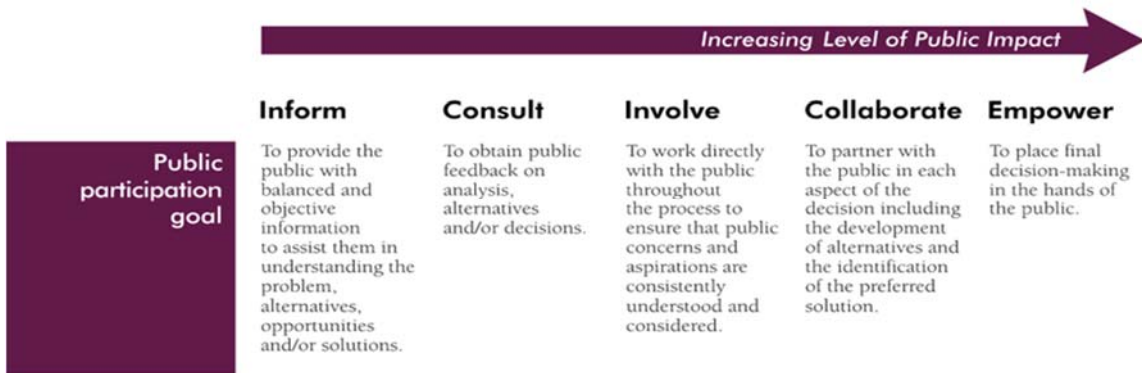
REGIONAL GROWTH STRATEGY REFERENCE:

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 2022-2026 Sewer Fund Financial Plan through 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 2022-2026 Financial Plan Bylaw.

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



OPTIONS:

Option 1:

That Council approve the 2022-2026 Sewer Fund Financial Plan; and, that sewer user fees be increased by 7.5% for 2022. (**Recommended**)

Option 2:

That Council defer approval of the proposed 2022–2026 Sewer Fund Financial Plan for further discussion at a later Council meeting.

Prepared by:

Annie Bérard, CPA, CMA, MBA
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 and Business Performance

Reviewed by:

Jennifer Nelson, CPA, CGA
 Director of Financial Services

Reviewed by:



Kyle Shaw, ASCT, CPWI, CWP, CWWP
Director of Public Works Services

Concurrence by:



Geoff Garbutt, M.Pl., MCIP, RPP
Chief Administrative Officer

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

Sewer Operating Fund Budget 2022-2026

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Frontage Rate \$/m | \$ 10.24 | \$ 10.24 | \$ 10.24 | \$ 10.24 | \$ 10.24 | \$ 10.24 | \$ 10.24 |
| Sewer Utility Rate | \$ 344.71 | \$ 351.60 | \$ 377.97 | \$ 398.76 | \$ 420.69 | \$ 443.83 | \$ 468.24 |
| Sewer Utility Rate Annual Increase \$ | | 2.0% | \$ 26.37 | \$ 20.79 | \$ 21.93 | \$ 23.14 | \$ 24.41 |
| Sewer Utility Rate Annual Increase % | | | 7.5% | 5.5% | 5.5% | 5.5% | 5.5% |

| | | | | Values | | | | | | | |
|----------------------|------------------------------------|-----------------------------|---|--------------------|---|---------------------|-------------------------------------|--------------------|--------------------|--------------------|---------------------|
| Expense Type | Activity2 | Activity | DESC | 2021 BUDGET | 2021 YTD ACTUAL as at Nov.3, 2021 (Unaudited) | 2022 BUDGET | Variance 2022 Budget vs 2021 Budget | 2023 BUDGET | 2024 BUDGET | 2025 BUDGET | 2026 BUDGET |
| Revenue | Sewer Frontage | Sewer Frontage | SEWER FRONTAGE TAX | (2,071,600) | (2,074,501) | (2,094,500) | (22,900) | (2,115,400) | (2,136,600) | (2,157,900) | (2,179,500) |
| | | | SEWER CONNECTION PARCEL TAX | (12,000) | (11,971) | (12,000) | - | (12,000) | (12,000) | (12,000) | (12,000) |
| | Sewer Frontage Total | | | (2,083,600) | (2,086,473) | (2,106,500) | (22,900) | (2,127,400) | (2,148,600) | (2,169,900) | (2,191,500) |
| | Sewer Utility Fees | Sewer Utility Fees | SEWER USER CHARGES - COMMERCIAL | (597,000) | (650,513) | (679,200) | (82,200) | (716,900) | (756,800) | (798,800) | (843,200) |
| | | | SEWER USER CHARGES - INSTITUTIONAL (CVRD) | (306,500) | (305,230) | (318,900) | (12,400) | (336,400) | (354,900) | (374,500) | (395,100) |
| | | | SEWER USER CHARGES - RESIDENTIAL | (4,586,600) | (4,712,027) | (5,095,500) | (508,900) | (5,405,700) | (5,734,500) | (6,083,200) | (6,452,900) |
| | Sewer Utility Fees Total | | | (5,490,100) | (5,667,769) | (6,093,600) | (603,500) | (6,459,000) | (6,846,200) | (7,256,500) | (7,691,200) |
| | Sewer Other Revenues | | | (20,500) | (35,000) | (20,500) | - | (20,500) | (20,500) | (20,500) | (20,500) |
| | Transfer from Prior Year Surplus | | | (404,700) | - | (880,900) | (476,200) | - | (514,600) | - | - |
| | Sewer Work in Progress | | | (40,000) | (13,746) | (40,000) | - | (40,000) | (40,000) | (40,000) | (40,000) |
| | Transfer from Reserve | Transfer from Reserve | RESERVE FOR FUTURE EXP. | (867,300) | - | (770,500) | 96,800 | - | - | - | - |
| | Transfer from Reserve Total | | | (867,300) | - | (770,500) | 96,800 | - | - | - | - |
| | Equity in Capital Assets | | | (350,000) | - | (375,000) | (25,000) | (375,000) | (375,000) | (375,000) | (375,000) |
| Revenue Total | | | | (9,256,200) | (7,802,988) | (10,287,000) | (1,030,800) | (9,021,900) | (9,944,900) | (9,861,900) | (10,318,200) |
| Expense | CVRD Sewer Requisition | | | 4,717,200 | 4,630,120 | 4,994,700 | 277,500 | 5,272,200 | 5,757,800 | 5,757,800 | 5,757,800 |
| | Sewer ADMIN - Salaries/Wages | | | 251,000 | 219,036 | 366,300 | 115,300 | 373,700 | 381,200 | 388,800 | 396,700 |
| | Sewer Administration | | | 18,500 | 35,758 | 33,000 | 14,500 | 34,000 | 34,400 | 34,900 | 35,400 |
| | Sewer ADMIN - Training | | | 11,000 | 9,306 | 11,000 | - | 11,000 | 11,000 | 11,000 | 11,000 |
| | Sewer Engineering Services | | | 86,500 | 10,132 | 73,000 | (13,500) | 30,500 | 38,000 | 47,000 | 28,000 |
| | Sewer Operating | Sewer Main | | 183,800 | 83,057 | 182,900 | (900) | 185,800 | 187,900 | 190,800 | 193,100 |
| | | Sewer Service | | 93,100 | 91,418 | 98,600 | 5,500 | 100,400 | 101,700 | 103,500 | 103,500 |
| | | Sewer Manhole/Chamber | | 6,300 | 12,409 | 22,300 | 16,000 | 22,500 | 22,600 | 22,800 | 22,800 |
| | | Sewer Valve | | 13,100 | - | 13,800 | 700 | 14,000 | 14,200 | 14,400 | 14,400 |
| | | Sewer Forcemain | | 13,200 | 648 | 13,900 | 700 | 14,100 | 14,300 | 14,500 | 14,500 |
| | | Sewer Inflow & Infiltration | | 76,000 | 38,846 | 77,800 | 1,800 | 79,000 | 79,500 | 80,700 | 80,700 |
| | | Sewer Lift Station | | 260,700 | 179,206 | 270,600 | 9,900 | 275,700 | 278,800 | 283,200 | 283,200 |
| | Sewer Operating Total | | | 646,200 | 405,953 | 679,900 | 33,700 | 691,500 | 699,000 | 709,900 | 712,200 |
| | Sewer Fleet | | | 53,200 | 28,284 | 49,700 | (3,500) | 50,100 | 50,300 | 50,700 | 50,700 |
| | Sewer Work in Progress | | | 40,000 | 21,565 | 40,000 | - | 40,000 | 40,000 | 40,000 | 40,000 |
| | Interfund Allocation | | | 893,200 | 562,954 | 994,700 | 101,500 | 995,800 | 1,016,300 | 1,040,200 | 1,058,500 |
| | Transfer to Reserve | Transfer to Reserve | CARBON OFFSETS | 5,500 | - | - | (5,500) | - | - | - | - |
| | | | CONTINGENCY RESERVE | - | - | - | - | 250,600 | - | 376,200 | 226,300 |
| | | | TRANS TO M&E SEWER RESERVE | 75,000 | 68,750 | 75,000 | - | 75,000 | 75,000 | 75,000 | 75,000 |
| | | | TRANS TO M.F.A.RESERVE | 500 | - | 500 | - | 500 | 500 | 500 | 500 |
| | | | TRANS TO RES. FOR FUTURE EXP | 867,300 | - | 770,500 | (96,800) | - | - | - | - |
| | | | TRANSFER TO ASSET MGMT RESERVE | 300,000 | 275,000 | 300,000 | - | 300,000 | 300,000 | 300,000 | 300,000 |
| | | | TRSF TO SEWER CAPITAL FUND | 682,600 | - | 1,266,000 | 583,400 | 232,000 | 700,000 | - | 500,000 |
| | | | TRSF TO SEWER CONNECTION RESERVE | - | 30,000 | - | - | - | - | - | - |
| | Transfer to Reserve Total | | | 1,930,900 | 373,750 | 2,412,000 | 481,100 | 858,100 | 1,075,500 | 751,700 | 1,101,800 |
| | Debt | | | 258,500 | 241,656 | 257,700 | (800) | 290,000 | 466,400 | 654,900 | 751,100 |
| | Amortization | | | 350,000 | - | 375,000 | 25,000 | 375,000 | 375,000 | 375,000 | 375,000 |
| Expense Total | | | | 9,256,200 | 6,538,513 | 10,287,000 | 1,030,800 | 9,021,900 | 9,944,900 | 9,861,900 | 10,318,200 |
| Grand Total | | | | - | (1,264,474) | - | - | - | - | - | - |

| Values | | | | | | | | | | | | | | |
|---|---|------------------|------------------------|----------------|---------------------------------------|-------------------|-------------------------|----------------------|-----------------------|--------------------------------------|------------------|----------------------|-----------------------|------------------|
| Category | Project description | 2021 Forecast | 2021A General Revenues | 2021A Reserves | 2021A Reserve for Future Expenditures | 2021A DCC Reserve | 2021A Gas Tax Fed Grant | 2022 Proposed Budget | 2022 General Revenues | 2022 Reserve for Future Expenditures | 2022 Reserves | 2023 Proposed Budget | 2023 General Revenues | 2023 Debt |
| New | Sewer - Greenwood Trunk Construction | 2,492,500 | 522,500 | 600,000 | 50,000 | 320,000 | 1,000,000 | 1,360,000 | | 711,100 | 648,900 | | | |
| | South Courtenay Sewer System | 65,000 | | | 65,000 | | | 65,000 | 15,000 | 50,000 | | - | | |
| | Sewer Cascara and Klanawa connection to Greenwood | - | | | | | | - | | | | - | | |
| New Total | | 2,557,500 | 522,500 | 600,000 | 115,000 | 320,000 | 1,000,000 | 1,425,000 | 15,000 | 761,100 | 648,900 | - | | |
| Renewal | Sewer - 1st Street Lift Station Replacement | 25,000 | | | 25,000 | | | 332,000 | 332,000 | | | 2,642,000 | 142,000 | 2,500,000 |
| | Sewer - Arden Central Trunk Main | - | | | | | | | | | | 75,000 | 75,000 | |
| | Sewer - Mansfield Drive Forcemain | 50,000 | | | 50,000 | | | 1,504,000 | 504,000 | 1,000,000 | | - | | |
| | Puntledge Sanitary Catchment Replacement | 30,000 | | | 30,000 | | | 415,000 | 415,000 | | | | | |
| | Sewer - Cousins Ave - 20th to Willemar | - | | | | | | | | | | 15,000 | 15,000 | |
| Braidwood Road - Road & Utility - Sewer Component | 21,900 | | | 21,900 | | | 9,400 | | 9,400 | | - | - | | |
| Renewal Total | | 126,900 | | | 126,900 | | | 2,260,400 | 1,251,000 | 9,400 | 1,000,000 | 2,732,000 | 232,000 | 2,500,000 |
| Grand Total | | 2,684,400 | 522,500 | 600,000 | 241,900 | 320,000 | 1,000,000 | 3,685,400 | 1,266,000 | 770,500 | 1,648,900 | 2,732,000 | 232,000 | 2,500,000 |

| Values | | | | | | | | | | | | |
|---|---|----------------------|-----------------------|----------------|------------------|----------------------|----------------|-------------------------|------------------|----------------------|-----------------------|----------------|
| Category | Project description | 2024 Proposed Budget | 2024 General Revenues | 2024 Reserves | 2024 Debt | 2025 Proposed Budget | 2025 Reserves | 2025 Fed / Prov Funding | 2025 Debt | 2026 Proposed Budget | 2026 General Revenues | 2026 Reserves |
| Renewal | Puntledge Sanitary Catchment Replacement | 3,935,500 | 435,500 | 500,000 | 3,000,000 | | | | | | | |
| | Sewer - Arden Central Trunk Main | 200,000 | 200,000 | | | 2,000,000 | 500,000 | 1,500,000 | | | | |
| | Sewer - Cousins Ave - 20th to Willemar | 64,500 | 64,500 | | | 644,800 | | 344,800 | 300,000 | | | |
| | Braidwood Road - Road & Utility - Sewer Component | | | | | | | | | 500,000 | 500,000 | |
| Sewer - Projects identified through Master Plan | | | | | | | | | 600,000 | | 600,000 | |
| Renewal Total | | 4,200,000 | 700,000 | 500,000 | 3,000,000 | 2,644,800 | 500,000 | 344,800 | 1,800,000 | 1,100,000 | 500,000 | 600,000 |
| Grand Total | | 4,200,000 | 700,000 | 500,000 | 3,000,000 | 2,644,800 | 500,000 | 344,800 | 1,800,000 | 1,100,000 | 500,000 | 600,000 |

Debt Servicing Costs

| Values | | | | | | | |
|-----------------------------|-------------------------|----------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Category | Description | 2021 Budget | 2022 Proposed Budget | 2023 Proposed Budget | 2024 Proposed Budget | 2025 Proposed Budget | 2026 Proposed Budget |
| Debt Interest | Existing Debt Interest | 73,100 | 72,300 | 72,300 | 72,300 | 72,300 | 69,400 |
| | New Debt Interest | | | 32,300 | 103,200 | 165,100 | 188,300 |
| Debt Interest Total | | 73,100 | 72,300 | 104,600 | 175,500 | 237,400 | 257,700 |
| Debt Principal | Existing Debt Principal | 185,400 | 185,400 | 185,400 | 185,400 | 185,400 | 185,400 |
| | New Debt Principal | | | | 105,500 | 232,100 | 308,000 |
| Debt Principal Total | | 185,400 | 185,400 | 185,400 | 290,900 | 417,500 | 493,400 |
| Grand Total | | 258,500 | 257,700 | 290,000 | 466,400 | 654,900 | 751,100 |

**City of Courtenay
for the Years 2022 - 2026**

| SEWER Surplus, Reserves and DCC Summary | Estimated Actual 2021 | Budget 2022 | 2023 | Proposed Budget | | |
|--|------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Estimated Closing Balance | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Sewer Fund Surplus | | | | | | |
| Prior Year Surplus (unallocated) | 1,949,500 | 1,068,600 | 1,319,200 | 804,600 | 1,180,800 | 1,407,100 |
| Surplus Reserve For Future Expenditure (Unspent Capital 2021) | 770,500 | - | - | - | - | - |
| | <u>2,720,000</u> | <u>1,068,600</u> | <u>1,319,200</u> | <u>804,600</u> | <u>1,180,800</u> | <u>1,407,100</u> |
| Sewer Capital Reserves | | | | | | |
| Sewer Reserve | 566,700 | 566,700 | 566,700 | 566,700 | 566,700 | 566,700 |
| Asset Management Reserve | 2,097,900 | 749,000 | 1,049,000 | 849,000 | 649,000 | 349,000 |
| Sewer Machinery and Equipment | 721,200 | 796,200 | 871,200 | 946,200 | 1,021,200 | 1,096,200 |
| | <u>3,385,800</u> | <u>2,111,900</u> | <u>2,486,900</u> | <u>2,361,900</u> | <u>2,236,900</u> | <u>2,011,900</u> |
| Total Sewer Surplus and Reserves | <u>6,105,800</u> | <u>3,180,500</u> | <u>3,806,100</u> | <u>3,166,500</u> | <u>3,417,700</u> | <u>3,419,000</u> |
| Sewer Development Cost Charges (DCC) | | | | | | |
| Sewer DCC Bylaw #1638/2755 | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 |
| Sewer DCC Bylaw #2426/2755 | 801,400 | 801,400 | 801,400 | 801,400 | 801,400 | 801,400 |
| Total Sewer DCC | <u>804,900</u> | <u>804,900</u> | <u>804,900</u> | <u>804,900</u> | <u>804,900</u> | <u>804,900</u> |

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 2021 capital projects unfinished and carried forward to 2022

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



STAFF REPORT

To: Council

File No.: 1705-20 / 1830-05

From: Chief Administrative Officer

Date: December 03, 2021

Subject: 2022 - 2026 Municipal Solid Waste, Recyclables, and Yard Waste Budgets

PURPOSE:

The purpose of this report is to consider the 2022 - 2026 operating budget for municipal solid waste (MSW) and proposed increase to solid waste, recyclables, and yard waste user fees.

POLICY ANALYSIS:

Section 194 of the *Community Charter* allows Council to charge a user fee to cover the cost of delivery of a service.

EXECUTIVE SUMMARY:

The costs associated with providing solid waste, recyclables, and yard waste collection are reviewed annually and user fees are established to cover the projected cost to deliver the services in the upcoming year. These services are not funded from general property taxation.

While solid waste collection services are currently being reviewed and discussed with Council, a conservative budget has been prepared for 2022, with no changes to the services currently offered. An independent review of the solid waste cost of service revealed an insufficient funding of the Institutional, Commercial and Industrial (ICI) and multi-residential apartment and condo (non-curbside) services, covered by single residential and multi-residential curbside revenues.

For 2022, a general increase of 5% for residential user fees and 15% for ICI and multi-residential user fees is recommended to ensure the 2022 costs to deliver the service are fully recovered.

CAO RECOMMENDATIONS:

That based on the December 3rd, 2021 staff report "2022 - 2026 Municipal Solid Waste, Recyclables, and Yard Waste Budgets" Council approve OPTION 1 and endorse the proposed increase to the 2022 Solid Waste, Recyclables and Yard Waste user fees for single residential and multi-residential curbside service by 5.0% and Institutional, Commercial and Industrial (ICI) and multi-residential apartment and condo non curbside service by 15%.

Respectfully submitted,

Geoff Garbutt, M.Pl., MCIP, RPP
Chief Administrative Officer

BACKGROUND:

Council sets the solid waste user fee rate schedule by bylaw each year to ensure costs for the provision of solid waste, recyclables and yard waste collection services are fully recovered. These services are not funded from the general property taxation levy.

DISCUSSION:

The City provides weekly curbside pickup of municipal solid waste (MSW) and yard waste and bi-weekly pickup of recyclables for residential properties, and scheduled MSW / cardboard pickup for commercial properties. The user fee charged for this service must cover:

1. The costs of the contractor engaged to provide MSW / recyclables collection and transport services.

The cost of the solid waste and recyclables collection contract increased by 4.0% on November 1, 2021. The current collection service contract comes to term on April 30th, 2022, with a possible 6 month extension, up to October 31st, 2022. City Staff are currently working on a request for proposals to establish a new solid waste collection contract.

Approximately 50% of the user fee covers the collection contract costs.

2. The costs of regional landfill fees for disposal of mixed waste and the regional organics processing facility fees for the disposal of yard waste and organics.

For 2022, it is anticipated that the CVRD will increase the regional landfill tipping fee by \$5.00 to \$145 per tonne, based on the previous year approved Comox Strathcona Waste Management Service financial plan. Any changes to this fee in the upcoming financial planning process will be reflected in future year City of Courtenay financial plans and user fees. The 2022 budget is adjusted to account for the yard waste being sent for processing at the new regional organics processing facility starting Q4-2022 at an estimated cost of \$110 per tonne. This represents an increase as yard waste is currently disposed at no cost. The 2023-2026 solid waste projected budget includes the assumption that 33% of the solid waste tonnage will be diverted to the organics processing facility starting Q3-2023, also at an estimated cost of \$110 per tonne. This represents a reduction in cost, due to the lower tipping fees at the organics facility, however is subject to change depending on the actual volumes received at the facility once it is up and running.

Approximately 40% of the user fee covers tipping expenses in 2022.

3. The internal costs to deliver the service.

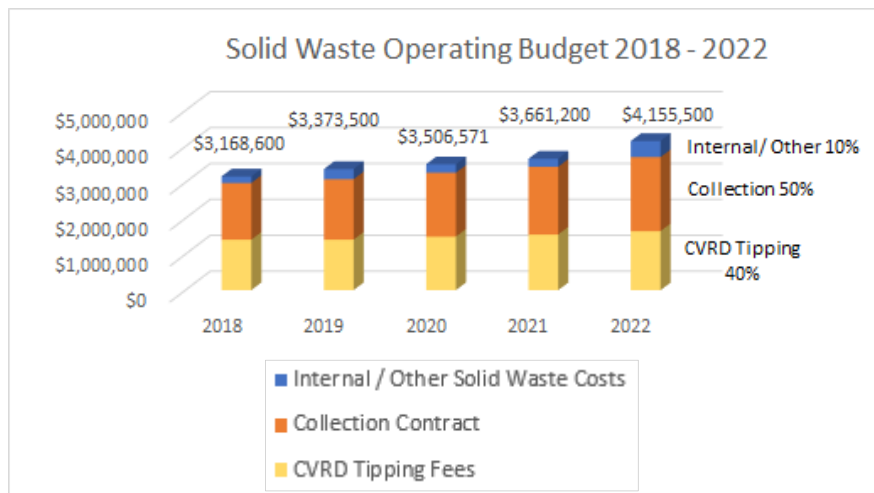
Internal costs recovered include costs related to utility billing and collection, as well as of the administration of the service, and represents about 2% of the overall user fee.

Additional costs for a two year term solid waste coordinator and legal services are included in the 2022 budget to support establishing a new solid waste collection contract and help with upcoming changes to the services and initiation of organic waste collection. Those increases account for about 4% of the total solid waste budget. Following the implementation of the solid waste contract and organics collection as a component of our solid waste service, the term position will be reviewed.

Other solid waste costs also include the City's litter baskets waste collection, done by Public Works Services.

The different components of the Solid Waste Operating Budget since 2018 are illustrated in Graph 1 below.

Graph 1: Solid Waste Operating Budget 2018-2022



RecycleBC - Revenues

In October 2018, the City signed a second five year contract with RecycleBC to provide recycling services to residential units in Courtenay. The City will continue to receive financial incentives through the program which covers the cost of providing the bi-weekly curbside pickup of recyclables to single and multi-family residences.

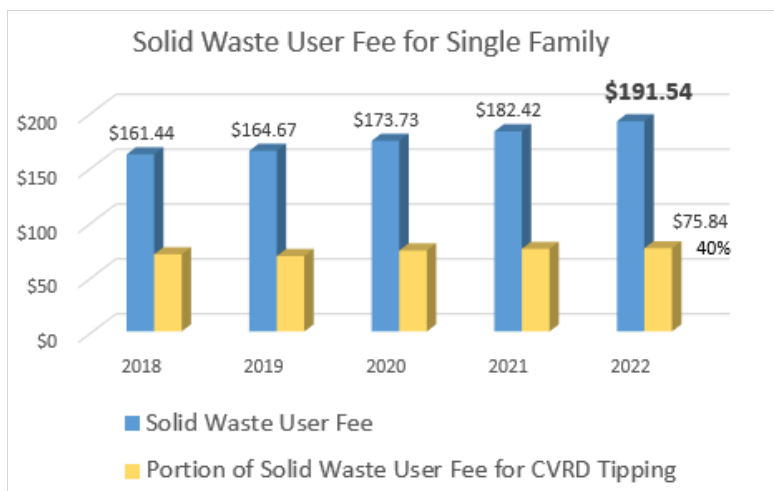
2022 – 2026 Financial Plan:

No changes in service levels were included in this proposed five year financial plan, other than the diversion of the yard waste in Q4-2022 and organic waste in Q3-2023. Any changes to future service levels approved by Council will be incorporated in the next year financial plan.

The solid waste operating budget is projected to increase by about 14% in 2022 due to the annual projected growth, increased contractual and tipping fee costs, the yard waste disposed at the new organics processing facility later in 2022, and the additional support needed in 2022. Assuming no changes to the service levels, other than organics diversion, 2023-2025 are projected to remain fairly stable. It is projected that revenue generated from community growth of 1% and a user fee rate increase of 5.0% for residential and 15% for ICI and multi-residential apartment and condo for 2022, 5.0% for 2023 and 0% for 2024 - 2025 and 2.0% for 2026 will provide sufficient revenues to offset the anticipated operating costs every year.

The change in solid waste user fee since 2018 for a single family dwelling is presented in Graph 2.

Graph 2: Solid Waste User Fee for Single Family



Attachment #1 provides the proposed financial plan for 2022-2026.

FINANCIAL IMPLICATIONS:

In order to provide the same level of service to customers in 2022, a 5.0% user fee rate increase is required for single residential and multi-residential curbside service. The general impact to customers will be:

1. Annual flat levy fee for residential will increase from \$182.42 to 191.54, a difference of \$9.12 per year;
2. Residential multi-family, apartment and strata's (excluding yard waste) will increase from \$160.26 to \$168.27 per unit, a difference of \$8.01 per year;
3. Additional service fee charges for extra yard waste pickup will change from \$21.57 to \$22.65, a difference of \$1.08 per year.

A higher increase of 15% is included for ICI and multi-residential apartment and condo (complexes only) non curbside service, to help offset the deficit identified for this service in the recent independent solid waste cost of service review.

Recognizing the impacts of the ongoing pandemic and the 5th Street Bridge Rehabilitation project on downtown businesses, a 5% increase was considered for DCBIA members' flat levy, representing a change from \$349.10 to \$366.56 to their annual rate, an increase of \$17.46.

The solid waste, yard waste and recycling collection service billing for 2022 will be prorated and adjusted as necessary to account for the eventual discontinuation of the service at any point in 2022.

Attachment #2 identifies all applicable rate changes in comparison to 2021.

ADMINISTRATIVE IMPLICATIONS:

Subsequent to Council endorsing the recommended fee increase for the 2022 solid waste budget, Staff will prepare the user fees amendment bylaw, and return to Council for adoption.

After the user fee amendment bylaw is adopted, Staff will update the utility billing system and Financial Plan documentation to reflect the approved rates for 2022 once the amended bylaw is adopted. This will take approximately 5 hours.

ASSET MANAGEMENT IMPLICATIONS:

Not applicable.

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

- **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 6.5 Solid Waste

Policy: 1

1. The City will pursue steps to reduce solid waste through a variety of approaches including:
 - education, promotion, advertising
 - encouraging recycling
 - encouraging home composting
 - review user fees
 - supporting recycling facilities within major commercial and industrial developments
 - encouraging mandatory garbage collection for the Comox Valley

REGIONAL GROWTH STRATEGY REFERENCE:

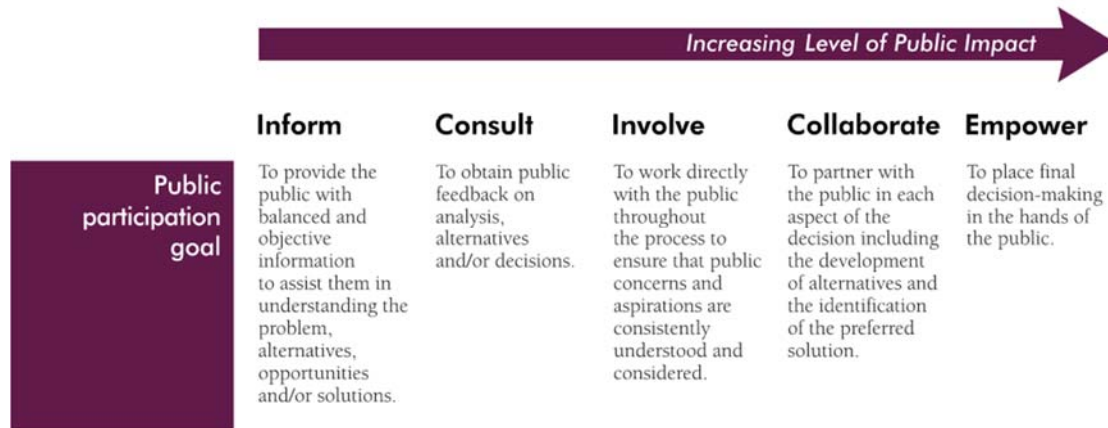
Goal 8: Climate Change:

Objective 8-C: Reduce GHG emissions in the solid waste sector

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 2022-2026 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 2022-2026 Financial Plan Bylaw.

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



OPTIONS:

OPTION 1: That Council endorse the proposed increase to the 2022 Solid Waste, Recyclables and Yard Waste user fees for single residential and multi-residential curbside service by 5.0% and Institutional, Commercial and Industrial (ICI) and multi-residential apartment and condo non curbside service by 15%, as detailed in the Attachment 2.

OPTION 2: That Council defer endorsing the proposed increase to the 2022 Solid Waste, Recyclables and Yard Waste user fees for further discussion at a later Council meeting.

While Option 2 provides time for further discussion, it also impacts the 2022 Budget process schedule.

OPTION 3: That Council leave all Solid Waste, Recycling and Yard Waste user rates unchanged for 2022.

While Option 3 provides reduced user fees to the public, the City is still committed to making payments to our contractor and the Comox Valley Regional District, therefore a deficit would occur that may negatively impact future years' user fees and services provided.

Prepared by:

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

Reviewed by:

Jennifer Nelson, CPA, CGA
Director of Financial Services

Reviewed by:



Kyle Shaw, ASCT, CPWI, CWP, CWWP
Director of Public Works Services

Concurrence by:



Geoff Garbutt, M.Pl., MCIP, RPP
Chief Administrative Officer

Attachments:

- 1: 2022 – 2026 Solid Waste, Recycling and Yard Waste Financial Plan Summary
- 2: 2022 Solid Waste, Recycling and Yard Waste User Fee Collection Rates

Solid Waste Budget 2022-2026

| | | | | | | | | | | | |
|---|-------------|--|-------------|--|-------------|--|-------------|--|-------------|--|-------------|
| | <u>2021</u> | | <u>2022</u> | | <u>2023</u> | | <u>2024</u> | | <u>2025</u> | | <u>2026</u> |
| Solid Waste User Fee - Single Family (curb side) \$ | 182.42 | | \$ 191.54 | | \$ 201.12 | | \$ 201.12 | | \$ 201.12 | | \$ 205.14 |
| Annual Increase \$ | | | \$ 9.12 | | \$ 9.58 | | \$ - | | \$ - | | \$ 4.02 |
| Annual Increase % | | | 5.0% | | 5.0% | | 0.0% | | 0.0% | | 2.0% |
| Institutional, Commercial and Industrial (ICI) and multi-family (non-curb side) Annual Increase % | | | 15.0% | | 5.0% | | 0.0% | | 0.0% | | 2.0% |

| Expense Type | Activity | Description | 2021 BUDGET | 2021 YTD ACTUAL as November 3, 2021 (Unaudited) | 2022 BUDGET | Variance 2022 Budget vs 2021 Budget | 2023 BUDGET | 2024 BUDGET | 2025 BUDGET | 2026 BUDGET |
|---|---|--|------------------|---|------------------|-------------------------------------|------------------|------------------|------------------|------------------|
| Revenue | Revenue from Other Governments & Agencies | MULTI MATERIAL BC RECYCLING REVENUE | 344,100 | 293,215 | 390,200 | 46,100 | 390,200 | 390,200 | 390,200 | 390,200 |
| | | MMBC RESIDENTIAL EDUCATION GRANT | 28,600 | 23,683 | 31,500 | 2,900 | 31,500 | 31,500 | 31,500 | 31,500 |
| | | Revenue from Other Governments & Agencies Total | 372,700 | 316,898 | 421,700 | 49,000 | 421,700 | 421,700 | 421,700 | 421,700 |
| | Revenue from Own Sources | RESIDENTIAL CANS | 1,627,800 | 1,638,914 | 1,744,500 | 116,700 | 1,849,900 | 1,868,300 | 1,886,900 | 1,943,700 |
| | | RES APARTMENT CANS | 108,900 | 107,855 | 115,900 | 7,000 | 122,900 | 124,100 | 125,400 | 129,200 |
| | | COMM/STRATA MIXED BINS | 1,232,900 | 1,267,580 | 1,443,300 | 210,400 | 1,515,500 | 1,515,500 | 1,515,500 | 1,545,800 |
| | | CARDBOARD BINS | 237,800 | 349,316 | 333,500 | 95,700 | 350,200 | 350,200 | 350,200 | 357,200 |
| | | COMMERCIAL CANS | 70,200 | 64,838 | 80,700 | 10,500 | 84,700 | 84,700 | 84,700 | 86,400 |
| | | STICKER SALES | 8,000 | 5,013 | 10,000 | 2,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| | | YARD WASTE - STRATA | 6,100 | 6,493 | 6,400 | 300 | 6,700 | 6,700 | 6,700 | 6,800 |
| | | DCBIA TOTERS | 1,300 | 1,430 | 1,500 | 200 | 1,600 | 1,600 | 1,600 | 1,600 |
| | | Revenue from Own Sources Total | 3,293,000 | 3,441,438 | 3,735,800 | 442,800 | 3,941,500 | 3,961,100 | 3,981,000 | 4,080,700 |
| Revenue Total | | | 3,665,700 | 3,758,336 | 4,157,500 | 491,800 | 4,363,200 | 4,382,800 | 4,402,700 | 4,502,400 |
| Expense | Solid Waste Collection Services | Collection Contract | 1,889,000 | 1,645,600 | 2,059,100 | 170,100 | 2,120,900 | 2,184,600 | 2,250,200 | 2,317,800 |
| | | CVRD Tipping Fee | 1,510,600 | 1,038,658 | 1,645,300 | 134,700 | 1,879,600 | 1,815,500 | 1,856,100 | 1,897,800 |
| | | Advertising (partly funded by MMBC Grant) | 38,600 | 12,894 | 41,500 | 2,900 | 40,600 | 40,600 | 40,600 | 40,600 |
| | | Solid Waste Collection Services Total | 3,438,200 | 2,697,152 | 3,745,900 | 307,700 | 4,041,100 | 4,040,700 | 4,146,900 | 4,256,200 |
| | Solid Waste Other | Additional Support | - | - | 160,000 | 160,000 | 102,000 | - | - | - |
| | | Other Solid Waste Costs | 21,000 | 449 | 26,500 | 5,500 | 7,800 | 8,200 | 8,600 | 9,000 |
| | | City Litter Baskets | 124,600 | 144,593 | 144,200 | 19,600 | 146,700 | 148,300 | 150,800 | 152,400 |
| | | Solid Waste Total | 145,600 | 145,043 | 330,700 | 185,100 | 256,500 | 156,500 | 159,400 | 161,400 |
| | | Administrative Costs | 77,400 | 64,500 | 78,900 | 1,500 | 80,500 | 82,100 | 83,700 | 85,400 |
| Expense Total | | | 3,661,200 | 2,906,695 | 4,155,500 | 494,300 | 4,378,100 | 4,279,300 | 4,390,000 | 4,503,000 |
| Net Solid Waste Budget Surplus / (Deficit) | | | 4,500 | 851,641 | 2,000 | (2,500) | (14,900) | 103,500 | 12,700 | (600) |

| SOLID WASTE, YARD WASTE AND RECYCLING COLLECTION FEES | | | | | 2021 | 2022 | |
|--|--|--|------|-------------------------------------|-------------------------|-----------|-----------|
| | | | | | Approved | Proposed | |
| | | | | | Rates | Rates | Change |
| a) Dwelling Basis Fee (included recycling & yard waste) | | | | | \$ 182.42 | \$ 191.54 | \$ 9.12 |
| Extra Bag Ticket (50 litre) As of March 7 | | | | | \$ 2.75 | \$ 3.00 | \$ 0.25 |
| b) Multifamily, Apt, Strata per unit (no blue box, no recycling) | | | | | \$ 160.26 | \$ 168.27 | \$ 8.01 |
| | a) Recycling Pick Up per unit | | | | \$ - | \$ - | \$ - |
| | b) Yard Waste Pick Up per unit | | | | \$ 21.57 | \$ 22.65 | \$ 1.08 |
| c) Trade Premises - per Pick Up | | | | | \$ - | \$ - | \$ - |
| Cans | 1 Can or Equivalent | | | | \$ 3.17 | \$ 3.33 | \$ 0.16 |
| | Each Extra Can | | | | \$ 3.17 | \$ 3.33 | \$ 0.16 |
| DCBIA - Per Unit Per Year | | | | | \$ 349.10 | \$ 366.56 | \$ 17.46 |
| Containers - Mixed Per Pick Up | | | | | Calculated Rates | | |
| Bins | 2 Yd ³ | Base Rate | | | \$ 18.99 | \$ 21.84 | \$ 2.85 |
| | 3 Yd ³ | 2 yd3 mixed container base rate X | 1.5 | | \$ 28.49 | \$ 32.76 | \$ 4.28 |
| | 6 Yd ³ | 2 yd3 mixed container base rate X | 3 | | \$ 56.97 | \$ 65.52 | \$ 8.55 |
| | 12 Yd ³ | 2 yd3 mixed container base rate X | 6 | | \$ 113.94 | \$ 131.04 | \$ 17.10 |
| | 20 Yd ³ | 2 yd3 mixed container base rate X | 10 | | \$ 189.90 | \$ 218.40 | \$ 28.50 |
| | ***Sizes other than listed above charged at a rate per cubic yard | | | | \$ 9.50 | \$ 10.92 | \$ 1.43 |
| Compactors - Mixed Per Pick Up | | | | | | | |
| Bins | 27 Yd ³ | Base Rate | | | \$ 513.32 | \$ 590.32 | \$ 77.00 |
| | 28 Yd ³ | 27 yd3 compactor Base Rate + | 1 | 2 yd3 mixed bins container rate | \$ 532.31 | \$ 612.16 | \$ 79.85 |
| | 30 Yd ³ | 27 yd3 compactor Base Rate + | 3 | 2 yd3 mixed bins container rate | \$ 570.29 | \$ 655.84 | \$ 85.55 |
| | 35 Yd ³ | 27 yd3 compactor Base Rate + | 8 | 2 yd3 mixed bins container rate | \$ 665.24 | \$ 765.04 | \$ 99.80 |
| | 40 Yd ³ | 27 yd3 compactor Base Rate + | 13 | 2 yd3 mixed bins container rate | \$ 760.19 | \$ 874.24 | \$ 114.05 |
| | ***Sizes other than listed above charged the Applicable Year's 27 cubic yard base rate plus multiple of 2 cubic yard base rate | | | | \$ 18.99 | \$ 21.84 | \$ 2.85 |
| Containers - Cardboard Per Pick Up | | | | | | | |
| Bins | 2 Yd ³ | Base Rate | | | \$ 10.40 | \$ 11.96 | \$ 1.56 |
| | 3 Yd ³ | 2 yd3 containers-cardboard Base rate x | 1.5 | | \$ 15.60 | \$ 17.94 | \$ 2.34 |
| | 6 Yd ³ | 2 yd3 containers-cardboard Base rate x | 3 | | \$ 31.20 | \$ 35.88 | \$ 4.68 |
| | ***Sizes other than listed above charged at a rate per cubic yard | | | | \$ 5.20 | \$ 5.98 | \$ 0.78 |
| Compactors - Cardboard Per Pick Up | | | | | | | |
| Bins | 27 Yd ³ | Base Rate | | | \$ 171.16 | \$ 196.83 | \$ 25.67 |
| | 30 Yd ³ | 2 yd3 mixed container base rate X | 1 | plus Compactors Cardboard base rate | \$ 190.15 | \$ 218.67 | \$ 28.52 |
| | 35 Yd ³ | 2 yd3 mixed container base rate X | 2.67 | plus Compactors Cardboard base rate | \$ 221.86 | \$ 255.14 | \$ 33.28 |
| | 40 Yd ³ | 2 yd3 mixed container base rate X | 4.34 | plus Compactors Cardboard base rate | \$ 253.58 | \$ 291.62 | \$ 38.04 |
| | ***Sizes other than listed above charged the Applicable Year's 27 cubic yard base rate plus multiple of 2 cubic yard base rate | | | | \$ 10.40 | \$ 11.96 | \$ 1.56 |

