



THE CORPORATION OF THE CITY OF COURTENAY

STAFF REPORT

To: Council

File No.: 1705-20 / 1830-05

From: Chief Administrative Officer

Date: February 2, 2015

Subject: 2015 – 2019 Sewer Fund Financial Plan and User Fee Revenue

PURPOSE:

The purpose of this report is to consider the 2015-2019 Sewer Fund Financial Plan and the proposed increase in sewer user fee revenue for 2015.

POLICY ANALYSIS:

Section 165 of the *Community Charter* requires a municipality to have a five year financial plan. The 2015-2019 Sewer Fund Financial Plan is a component of the annual City of Courtenay five year financial plan. Section 194 of the *Community Charter* allows Council to charge a user fee to cover the cost of delivery of a service.

The revised current year financial plan proposes an 8.75% user fee increase in 2015 to fund the regional portion of the sewer system, and a 3% increase to fund our municipal portion of the sewer system, both of which combine into an overall recommended user fee increase of 11.75%. Staff advise that future sewer utility rate adjustments for the municipal portion of the system will be supported through the development and implementation of Asset Management Planning, based on condition assessments, life cycle analysis, and risk management.

EXECUTIVE SUMMARY:

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

Both the regional and the local municipal components of the sewerage system are integral in the delivery of the sewer utility service to users. While the planned fee increases in the regional five year plan are significant, these increases provide essential funding for capital works that are required to ensure the sustainability, capacity and integrity of the system infrastructure.

Council first considered the proposed Sewer Operating and Capital Budgets on January 21, 2015, and subsequent to detailed discussion, deferred a final decision to a later Council meeting. The proposed sewer budget has now been amended, and a revised user fee increase of 11.75% is recommended. This is a reduction from the initial proposed increase of 13%. The financial impact of 11.75% results in an annual increase of \$26 for a single family residence.

CAO RECOMMENDATIONS:

That based on the February 2, 2015 staff report “2015-2019 Sewer Fund Financial Plan and 2015 User Fee Revenue” Council approve OPTION 1, and proceed with the recommended 2015-2019 Sewer Fund Financial Plan, and that sewer user fee revenue be increased by 11.75% for 2015; and

That Council direct staff to amend the “City of Courtenay Fees and Charges Bylaw No. 1673, 1992”, to reflect the proposed increase.

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*. Council first considered the 2015-2019 Sewer Fund Financial Plan on January 21, 2015, and subsequent to discussion, adopted the following resolution:

“Moved by Hillian and seconded by Lennox that Council defer the endorsement of the proposed 2015-2019 Sewer Utility Financial Plan and the proposed increase to the 2015 Sewer Utility user fees for further discussion at a later Council meeting”.

DISCUSSION:

Staff have now revised the 2015-2019 Sewer Fund Financial Plan to incorporate two additional design projects (Piercy Avenue Sewer and Willemar Avenue Sewer), a decrease in the budgeted regional sewer requisition to reflect the actual sewer requisition to be imposed by the CVRD, and a corresponding decrease of 1.25% in the initial recommended user fee rate increase for 2015.

The revised increase in sewer user fee revenue is now 11.75% for 2015.

FINANCIAL IMPLICATIONS:

To cover the overall 2015 cost of delivering the sewer utility operating and capital services, an increase of 11.75% is recommended. This will result in an annual increase of \$26.00 in the single family user rate.

ADMINISTRATIVE IMPLICATIONS:

Subsequent to Council endorsing the proposed increase to the 2015-2019 Sewer Utility Financial Plan and user fees, staff will prepare the user fees amendment bylaw for adoption by Council.

On adoption for the user fee amendment bylaw, staff will update the financial system for the 2015 utility billing.

The proposed sewer utility work plan is anticipated to be delivered with existing staff resources in coordination with contracted engineering service providers.

STRATEGIC PLAN REFERENCE:

Value Statement 2: A progressive, diverse and sustainable City

Goal 1: Ensure infrastructure is sustainable

Objective c) Complete an inventory and assessment of City roads, buildings, and utilities, and report on works required.

OFFICIAL COMMUNITY PLAN REFERENCE:

Section 6.3 Sanitary Sewer Treatment

REGIONAL GROWTH STRATEGY REFERENCE:

5-D Sewer – Encourage sewer management approaches and technologies that respond to public health needs and maximize existing infrastructure

CITIZEN/PUBLIC ENGAGEMENT:

The public is notified of the upcoming changes to sewer user fees through regular council meetings, media webcasts, and information posted on the City's website.

OPTIONS:

OPTION 1: That Council approves the 2015-2019 Sewer Fund Financial Plan, and that sewer user fee revenue be increased by 11.75% for 2015, and further that staff are directed to amend the user fee bylaws to incorporate the fee increase.

OPTION 2: That Council defer the endorsement of the proposed 2015-2019 Sewer Utility Financial Plan and the proposed increase to the 2015 sewer user fees for further discussion at a later Council meeting.

Prepared by:

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Director, Financial Services/Deputy CAO

Attachments:

Staff Report to Council, January 21, 2015 – For Reference Only
Schedule 1 – Sewer Operating Fund 2015-2019
Schedule 2 – Sewer Capital Fund 2015-2019