



THE CORPORATION OF THE CITY OF COURTENAY

STAFF REPORT

To: Mayor and Council

File No.: 1705-20 / 1830-05

From: Chief Administrative Officer

Date: February 11, 2014

Subject: 2014 – 2018 Sewer Fund Financial Plan and User Fee Revenue

PURPOSE:

The purpose of this report is to consider the 2014-2018 Sewer Fund Financial Plan as well as the proposed increase in sewer user fee revenue for 2014.

POLICY ANALYSIS:

Section 165 of the *Community Charter* requires a municipality to have a five year financial plan. The 2014-2018 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 current year financial plan proposes a 12% user fee increase in 2014 to fund the regional portion of the sewer system, and a 0% increase to fund our municipal portion of the sewer system. While a 0% increase is not felt to be sustainable over time, 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's infrastructure.

As the City operates on a calendar year, it is generally preferred that user rates be set in December so that revised rates can be in effect for the 1st of January. However, as the 2014-2018 regional sewerage financial plan will significantly affect costs in the next five years (with a 12% increase proposed for 2014), staff have postponed detailed sewer budget discussion with Councils until the 2014-2018 regional plan details were available and had been reviewed. This proposed increase for a single family unit is \$24.00 for 2014.

CAO RECOMMENDATIONS:

That based on the February 11, 2014 staff report “2014-2018 Sewer Fund Financial Plan and 2014 User Fee Revenue” Council approve OPTION 1, and proceed with the recommended 2014-2018 Sewer Fund Financial Plan, and that sewer user fee revenue be increased by 12% for 2014; 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,

“original signed”

David Allen
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 presented today provides detail for the 2014 year, as well as projections for the four years following. With Council’s approval, the corresponding rates bylaws will then be drafted and presented to Council for adoption.

The sewer utility service is self funding and is not assisted with funding from the general property taxation levy.

DISCUSSION:

The sewer utility service is provided to property owners utilizing municipal sewer collection infrastructure which is owned and operated by the City, as well as by regional infrastructure comprised of sewer force mains, pumping stations, and a wastewater treatment plant that is owned, operated, and managed by the Comox Valley Regional District. The City of Courtenay and the Town of Comox share proportionately in the costs associated with the regional infrastructure based on their relative sewer flows to the wastewater treatment plant.

Comox Valley Regional Sewerage 2014-2018 Financial Plan

The regional “Comox Valley Sewerage System” was constructed in the early 1980’s and was designed to provide for a 25 year capacity. The system is now over thirty years old, and in 2011 a sanitary sewer master plan was completed which identified the capital works required to ensure continued viability and the sustainability of this core infrastructure.

A prioritized 10 year capital plan for the regional system was comprehensively debated by regional and municipal staff, as well as the members of the Sewer Commission, and was approved in 2012 by the Sewer Commission. This 10 year capital plan is a key driver in the cost of delivering sewer service in both Courtenay and Comox and is reflected in the five year financial plans.

In last year’s 2013-2017 Comox Valley Sewerage System Financial Plan, the Sewer Commission approved annual 12% increases to the municipal requisition. In the proposed 2014-2018 Comox Valley Sewerage System Financial Plan, the proposed sewer requisition for 2014 remains at 12%, as previously forecasted. In subsequent years, the requisition declines by 1% per year. Requisitions increases are anticipated to reduce to normal levels in 2019/2020.

In this year’s regional budget process, the year of actual need for future regional capital works has been reviewed (reflecting lower than previously forecast growth projections), and a phased budget provision for the approved priority projects has been incorporated. This has resulted in a reduction in the both immediate capital funding required in the next five years, a reduction in requisition funds required, and has assisted in reducing the projected debt financing required over the next fifteen years. It is felt by both regional and municipal finance staff that this is more financially sustainable in the long term for the service.

Tables 1 and 2 below detail the regionally budgeted requisitions for the prior year versus the proposed requisitions planned for the current 2014-2018 regional five year financial plan.

TABLE 1 – Prior Year 2013-2017 Comox Valley Sewerage System, Total Courtenay/Comox Requisition

YEAR	TOTAL REQUISITION	% INCREASE IN REQUISITION
2013	\$3,842,000	10%
2014	4,303,482	12%
2015	4,819,796	12%
2016	5,398,073	12%
2017	6,045,882	12%

TABLE 2 – 2014-2018 Comox Valley Sewerage System, proposed requisition and estimate of Courtenay’s percentage share

YEAR	TOTAL REQUISITION	% INCREASE IN REQUISITION	COURTENAY % (BASED ON PROPORTIONAL CTNY/CMX SEWER FLOWS)	COURTENAY REQUISITION
2013	\$3,842,000		63.44%	\$2,437,365
2014	4,303,482	12%	64.93%	2,794,251
2015	4,776,865	11%	65.00% (est)	3,104,962
2016	5,254,552	10%	65.00% (est)	3,415,458
2017	5,727,461	9%	66.00% (est)	3,722,850
2018	6,185,658	8%	66.00% (est)	4,082,534

City of Courtenay 2014-2018 Sewer Financial Plan

The proposed 2014-2018 Sewer Fund Financial Plan is detailed in the attached Schedules:

Schedule 1: Sewer Operating Fund

Schedule 2: Sewer Capital Fund

For the 2014 financial year, an increase of 12% to the user fee revenues is required to ensure that funding for the City's share of regional system costs can be funded. The overall costs of maintaining the City's sewer operations and carrying out the planned municipal sewer capital works has been funded primarily from the 2013 operating surplus. As a result, staff recommend that a 0% increase is required for the City's operations and capital works.

Of note in this financial plan is a new provision of \$50,000 per year, specifically to begin the process of compiling detailed condition assessments of the existing sewer infrastructure. This is key data for the development of a sewer asset management plan, which will assist the City in making informed decisions on future capital infrastructure priorities. As asset management/condition assessment work is eligible work under the Gas Tax Fund, a transfer of funds from the Gas Tax Reserve sufficient to cover the 2014 condition assessment initiative has been provided for in the financial plan.

Of priority in 2014 are the following capital projects:

- Headquarters Road Sewer replacement \$ 900,000
- Extension of sewer into Glacier Road \$ 10,000
- Sewer Line Repair – 1st Street & Morrison Creek \$ 155,000
- 1st Street and Anderton Avenue Lift Stations – design/scope \$ 185,000

FINANCIAL IMPLICATIONS:

To cover the projected 2014 cost of delivering the sewer utility operating and capital activities, a revenue increase of 12% is required. The anticipated increase for a single family unit is \$24.00 for 2014.

ADMINISTRATIVE IMPLICATIONS:

Subsequent to Council endorsing the proposed increase to the 2014-2018 Sewer Utility Financial Plan and user fees, staff will prepare the user fees amendment bylaw, and return it to Council for adoption.

On adoption for the user fee amendment bylaw, staff will update the financial system for the 2014 utility billing.

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 2014-2018 Sewer Fund Financial Plan, and that sewer user fee revenue be increased by 12% for 2014, 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 2014-2018 Sewer Utility Financial Plan and the proposed increase to the 2014 sewer user fees for further discussion at a later Council meeting.

Prepared by:

“original signed”

Tillie Manthey, BA, CPA, CGA
Director, Financial Services/Deputy CAO

Attachments:

- Schedule 1 – Sewer Operating Fund 2014-2018
- Schedule 2 – Sewer Capital Fund 2014-2018