SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Finance Committee – November 21, 2024

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SUBJECT: SUNNYSIDE [383] WASTEWATER 2025 USER FEE REVIEW

RECOMMENDATIONS

1) THAT the report titled Sunnyside [383] Wastewater 2025 User Fee Review be received for information;

- AND THAT the Sewage Treatment Facilities Service Unit Bylaw No. 428, (Schedule C) be amended to increase the Sunnyside Service Area User Fees to \$850 for 2025;
- 3) AND FURTHER THAT the 2025-2029 Draft Financial Plan be amended accordingly.

BACKGROUND

The Sunnyside Service Area (Sunnyside) consists of eight billable users. The current user rate per single family residential dwelling for 2024 is \$790.62.

The purpose of this report is to discuss the current financial sustainability of the Sunnyside Wastewater Service Area operations, and to recommend a 2025 user fee rate decision which aligns with the funding requirements of the service.

DISCUSSION

In the Sunnyside Wastewater Service Area, user fees are intended to fund operational expenditures (ongoing costs of running the service) and frontage fees are intended to fund capital expenditures (acquiring or maintaining fixed assets). The Board's Financial Sustainability Policy reflects this funding alignment.

Historical Rates - rates and annual increases are as follows:

	2021	2022	2023	2024	*2025
User Fee	\$734.22	\$745.23	\$767.59	\$790.62	\$850
Total \$ Increase		\$11.01	\$22.36	\$23.03	\$59.38
Total % Increase		1.50%	3.00%	3.00%	7.51%

^{*}Recommended for 2025

A thorough analysis of the Sunnyside operating budget was performed in Q4 2024, and the service area is currently operating within existing operating budget allowances for the year and is projecting a small surplus for 2024. This year's anticipated operating budget surplus is primarily attributed to lower-than-expected expenditures related to salaries/wages, as well as other operations and maintenance expenses. Annual operating spending variances are common and although a surplus is projected for 2024, future year surpluses or deficits are uncertain. Staff perform a detailed review of operating revenue/expenditures annually and any requirements to adjust rates (i.e., increases or decreases) will be presented, as required, in future years.

Current operating reserve levels have been drawn down significantly over the last several years within the Sunnyside Wastewater Service Area, leaving an uncommitted operating reserve balance of only \$324. To increase reserves, staff are recommending an increase in user fees for 2025.

There are two approved projects in Sunnyside that are currently in progress, primarily related to Statutory Right of Way matters and planning studies. These projects are funded through existing operating reserve accounts and do not directly impact user rates for 2025.

Statutory Right of Way (various) \$19,525Feasibility and Planning Study \$7,500

Options and Analysis

Based on the anticipated needs for the operating budget requirements for 2025 and the need to replenish and build operating reserves within the service area, the following analysis and rate options for Sunnyside are presented. Option 1 is being recommended by staff.

Option 1 - 7.51% rate increase (\$59.38 per year increase)

Fee Summary	User Fee	
Current User Fee Rate (2024)	\$790.62	
Proposed Increase	\$59.38	
2025 User Fee Rate	\$850.00	
% Increase	7.51%	
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Operating Reserve Summary	Operating Reserve	
Opening Uncommitted Balance	\$324	
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Opening Uncommitted Balance	\$324	
Opening Uncommitted Balance Projected 2024 Surplus/(Deficit)	\$324 \$100	

Staff recommend this option for the following reasons:

 This option addresses anticipated increases in operating budget expenditures and helps establish appropriate operating reserve levels, which improves the financial capacity to respond to variances in operating budget spending, emergency situations, and/or other operating related one-time projects.

Option 2 - 0.00% rate increase (\$0.00 per year increase)

Fee Summary	User Fee
Current User Fee Rate (2024)	\$790.62
Proposed Increase	\$0.00
2025 User Fee Rate	\$790.62
% Increase	0.00%
Operating Reserve Summary	Operating Reserve
Operating Reserve Summary Opening Uncommitted Balance	Operating Reserve \$324
Opening Uncommitted Balance	\$324
Opening Uncommitted Balance Projected 2024 Surplus/(Deficit)	\$324 \$100

Staff do not recommend this option for the following reasons:

• This option does not contribute as much towards the service area's operating reserve account and results in a lesser capacity for the service area to respond to unanticipated variances within the operating budget compared to Option 1.

Financial Implications

This rate increase will help bring the operating reserve to a more desirable level to respond to unforeseen operating expenditures. Detailed review(s) of operating revenue/expenditures are performed annually, and future rate increases may be required to remain financially sustainable.

Communications Strategy

Information regarding rates and funding has been communicated via print advertising, social media, and will be included on utility invoices and posted on the SCRD website within the 'Let's Talk' pages.

STRATEGIC PLAN AND RELATED POLICIES

The rates presented are consistent with the Board's Financial Sustainability policy.

CONCLUSION

The SCRD is responsible for the operation and maintenance of the Sunnyside wastewater system and the establishment of a sustainable funding model for the service area.

The current user fee rate for Sunnyside does not provide sufficient revenue to meet or maintain a desired operating reserve balance within the service area. It is therefore recommended to increase the user fee for this system to \$850.00 in 2025. This increase represents an increase of \$59.38 (7.51%) from the 2024 user fee of \$790.62.

Reviewed by:			
Manager		Finance	X - A. Taylor
GM	X – R. Rosenboom	Legislative	
CAO / CFO	X - T. Perreault	Other	