

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Finance Committee – November 21, 2024

AUTHOR: Shane Walkey, Manager, Utility Services
Bobby Rebner, Utility Business Coordinator

SUBJECT: **JOLLY ROGER [384] WASTEWATER 2025 USER FEE REVIEW**

RECOMMENDATIONS

- 1) **THAT** the report titled Jolly Roger [384] Wastewater 2025 User Fee Review be received for information;
 - 2) **AND THAT** the *Sewage Treatment Facilities Service Unit Bylaw No. 428, (Schedule C)* be amended to increase the Jolly Roger Service Area User Fees to \$1,050 for 2025;
 - 3) **AND FURTHER THAT** the 2025-2029 Draft Financial Plan be amended accordingly.
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BACKGROUND

The Jolly Roger Service Area (Jolly Roger) consists of 31 billable users. The current user rate per single family residential dwelling for 2024 is \$986.54.

An amendment to Sewage Treatment Facilities Service Unit Bylaw No. 428, (Schedule C) is required to be adopted prior to January 1, 2025, to meet the legislated timelines for adoption of the Financial Plan Bylaw, the Parcel Tax Roll review process, and the associated billing.

The purpose of this report is to discuss the current financial sustainability of the Jolly Roger wastewater service area operations, and to recommend a 2025 user fee rate increase that aligns with the funding requirements of the service.

DISCUSSION

In the Jolly Roger 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	\$832.54	\$832.54	\$986.54	\$986.54	\$1,050
Total \$ Increase		\$0.00	\$154.00	\$0.00	\$63.46
Total % Increase		0.00%	18.50%	0.00%	6.43%

**Recommended for 2025*

Options and Analysis

A thorough analysis of the Jolly Roger operating budget was performed in Q4 2024, and the service area is operating within existing operating budget allowances for the year. This year’s anticipated operating budget surplus is primarily attributed to lower-than-expected expenditures related to salaries/wages as well as other operating 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.

Due to increases in support services, as well as inflationary increases in other spending, there is a budgeted deficit within the operating budget anticipated in 2025.

There are currently three approved operating projects in Jolly Roger that are in progress. These projects are funded by existing committed reserve accounts and do not impact 2025 user fees.

- Statutory Right of Way \$1,649
- Outfall Maintenance – Phase 1 \$11,000
- Feasibility and Planning Study \$12,500

As part of the 2025 budget proposal process, staff are recommending a second phase of marine outfall maintenance to the shared Jolly Roger/Secret Cove outfall. The following amount has been incorporated into the 2025 user rate requirements and operating reserve analysis outlined in this report.

- Outfall Maintenance – Phase 2 \$10,000

Based on the anticipated needs for the operating budget requirements for 2025 (i.e., salaries and wages, support services, etc.), and considering existing operating reserve balances, the following recommended rate options for Jolly Roger are presented. Option 1 is being recommended by staff.

Option 1 - 6.43% rate increase (\$63.46 per year increase)

Fee Summary	User Fee
Current User Fee Rate (2024)	\$986.54
Proposed Increase	\$63.46
2025 User Fee Rate	\$1,050
% Increase	6.43%
Operating Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$23,396
Projected 2024 Surplus	\$10,000
Budgeted Transfers to Operating Reserves	\$0
Budgeted Transfers from Operating Reserves	(\$10,000)
Ending Uncommitted Balance	\$23,396

Staff recommend this option for the following reasons:

- This option addresses anticipated increases in operating budget expenditures and continues to support the Sunshine Coast Regional District's (SCRD's) Financial Sustainability Policy by funding operational expenditures 100% with user fee revenue.
- Maintains appropriate operating reserve levels, which improves the financial capacity to respond to emergency situations, feasibility studies 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)	\$986.54
Proposed Increase	\$0.00
2025 User Fee Rate	\$986.54
% Increase	0.00%
Operating Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$23,396
Projected 2024 Surplus	\$10,000
Budgeted Transfers to Operating Reserves	\$0
Budgeted Transfers from Operating Reserves	(\$11,951)
Ending Uncommitted Balance	\$21,445

Staff do not recommend this option for the following reasons:

- This option does not support the SCRD's Financial Sustainability Policy of balancing the funding of operational expenditures with user fee revenue and results in underfunding the operating budget, resulting in a budgeted deficit.

- This option would result in an annual budgeted drawdown of the operating reserve, decreasing the capacity to fund unanticipated variances within the operating budget in the future.

Financial Implications

By addressing anticipated increases in operating budget spending proactively, it will ensure that funding is in place to support operational and maintenance requirements in 2025. This will help reduce the risks associated with operating budget deficits and undesirable drawdowns of operating reserves.

Timeline for next steps

If approval is received to amend user fees, the appropriate bylaw amendments will be drafted and presented to the December 12, 2024, Regular Board Meeting for three readings and adoption. The updated user fees will be reflected in the 2025 fiscal calendar year.

Communications Strategy

Information regarding rate changes 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 Jolly Roger wastewater facility and the establishment of a sustainable funding model for the service area.

The current user fee rate for Jolly Roger does not provide sufficient revenue to meet the annual operations and maintenance budget obligations within the service area anticipated for 2025. It is therefore recommended to increase the user fee for this system to \$1,050 in 2025. This increase represents an increase of \$63.46 (6.43%) from the 2024 user fee of \$986.54.

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