

## SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

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**TO:** Finance Committee – November 21, 2024

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**SUBJECT:** **SECRET COVE [385] WASTEWATER 2025 USER FEE REVIEW**

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### RECOMMENDATIONS

- 1) **THAT the report titled Secret Cove [385] 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 Secret Cove Service Area User Fees to the following for 2025:**  
  
**Secret Cove Residential User Fee: \$900.00**  
**Secret Cove Marina User Fee: \$918.85**  
**Secret Cove Restaurant User Fee: \$1,307.25**
  - 3) **AND FURTHER THAT the 2025-2029 Draft Financial Plan be amended accordingly.**
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### BACKGROUND

The Secret Cove Service Area (Secret Cove) consists of 34 billable users – 32 residential users and two commercial users. The current approved user rate per single family residential dwelling for 2024 is \$829.96. The Secret Cove Marina commercial user rate is \$847.34, and the Secret Cove Restaurant commercial user rate is \$1,205.51.

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 Secret Cove Wastewater Service Area operations, and to recommend 2025 user fee rate increases which align with the funding requirements of the service.

### DISCUSSION

In the Secret Cove 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 (Residential User Fee):

|                   | <b>2021</b>     | <b>2022</b>     | <b>2023</b>     | <b>2024</b>     | <b>*2025</b>    |
|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>User Fee</b>   | <b>\$712.57</b> | <b>\$712.57</b> | <b>\$793.52</b> | <b>\$829.96</b> | <b>\$900.00</b> |
| Total \$ Increase |                 | \$0.00          | \$80.95         | \$36.44         | \$70.04         |
| Total % Increase  |                 | 0.00%           | 11.36%          | 4.59%           | 8.44%           |

*\*Recommended for 2025*

*Options and Analysis*

A thorough analysis of the Secret Cove 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 Secret Cove that are in progress. These projects are funded by existing committed operating reserve and do not impact 2025 user fees.

- Statutory Right of Way                      \$4,000
- 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 Secret Cove are presented. Option 1 is being recommended by staff.

Option 1 - 8.44% rate increase (\$70.04 per year increase)

| <b>Fee Summary</b>                         | <b>User Fee</b>          |
|--|--------------------------|
| Current Rate - Residential (2024)          | \$829.96                 |
| Proposed Increase                          | \$70.04                  |
| <b>2024 User Fee Rate</b>                  | <b>\$900.00</b>          |
| <b>% Increase</b>                          | <b>8.44%</b>             |
|  |                          |
| <b>Operating Reserve Summary</b>           | <b>Operating Reserve</b> |
| Opening Uncommitted Balance                | \$24,698                 |
| Projected 2024 Surplus                     | \$5,000                  |
| Budgeted Transfers to Operating Reserves   | \$0                      |
| Budgeted Transfers from Operating Reserves | (\$10,000)               |
| <b>Ending Uncommitted Balance</b>          | <b>\$19,698</b>          |

*Note: This rate increase also includes a 8.44% increase to the user rates for the Secret Cove Marina and the Secret Cove Restaurant for 2025, \$918.85 and \$1,307.25 respectively.*

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)

| <b>Fee Summary</b>                         | <b>User Fee</b>          |
|--|--------------------------|
| Current Rate - Residential (2024)          | \$829.96                 |
| Proposed Increase                          | \$0.00                   |
| <b>2025 User Fee Rate</b>                  | <b>\$829.96</b>          |
| <b>% Increase</b>                          | <b>0.00%</b>             |
|  |                          |
| <b>Operating Reserve Summary</b>           | <b>Operating Reserve</b> |
| Opening Uncommitted Balance                | \$24,698                 |
| Projected 2024 Surplus                     | \$5,000                  |
| Budgeted Transfers to Operating Reserves   | \$0                      |
| Budgeted Transfers from Operating Reserves | (\$12,823)               |
| <b>Ending Uncommitted Balance</b>          | <b>\$16,875</b>          |

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 operations and maintenance requirements in 2025. This will help reduce the risks associated with operating budget deficits and undesirable drawdowns of operating reserves.

*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 Secret Cove wastewater facility and the establishment of a sustainable funding model for the service area.

The current user fee rates for Secret Cove do 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 rates for residential, and the marina and restaurant at Secret Cove to \$900.00, \$918.85, and \$1,307.25 respectively. This represents an increase of 8.44% from the 2024 user fees for all customer types within the service area.

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