

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Finance Committee – November 21, 2024

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

SUBJECT: **SQUARE BAY [387] WASTEWATER 2025 USER FEE REVIEW**

RECOMMENDATIONS

- 1) **THAT the report titled Square Bay [387] 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 decrease the Square Bay Service Area User Fees to \$1,150 for 2025;**
 - 3) **AND THAT the Square Bay Wastewater Treatment Plant [387] base budget be increased by \$6,000, offset by a decrease in allocated wages;**
 - 4) **AND THAT the Union of British Columbia Municipalities (UBCM) be notified to remove the Square Bay Wastewater Treatment Plant Upgrade Project from the Canada Community Building Fund- Community Works Fund (CWF) project list;**
 - 5) **AND THAT \$498 expended to date be returned to UBCM and reallocated to the respective Electoral Area B CWF entitlement, recovered through User Fees;**
 - 6) **AND FURTHER THAT the 2025-2029 Draft Financial Plan be amended accordingly.**
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BACKGROUND

The Square Bay Service Area (Square Bay) consists of 82 billable users. The current user rate per single family residential dwelling for 2024 is \$1,281.02.

The purpose of this report is to discuss the current financial sustainability of the Square Bay Wastewater Service Area operations, and to recommend a 2024 user fee rate which aligns with the funding requirements of the service.

DISCUSSION

In the Square Bay 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	\$636.02	\$786.02	\$1,281.02	\$1,281.02	\$1,150
Total \$ Increase/(Decrease)		\$150.00	\$542.00	\$0.00	(\$131.02)
Total % Increase/(Decrease)		23.58%	68.95%	0.00%	(10.23%)

**Recommended for 2025*

Options and Analysis

A thorough analysis of the Square Bay operating budget was performed in Q4 2024 to determine the financial sustainability of the service area. In 2024 there is an anticipated surplus of approximately \$13,500 due to lower than anticipated technical staff salaries/wages incurred within the Square Bay Wastewater Service Area. This year’s anticipated operating budget surplus is primarily attributed to lower-than-expected expenditures related to salaries/wages. 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.

Over the last five years, operation and maintenance budgeting has been challenging within the Square Bay Wastewater Service Area. In 2018/2019 a new wastewater treatment facility was constructed and commissioned, and operators and senior technical staff have continued to improve their knowledge, training and operational efficiencies with this new treatment system over time. This facility is the only Activated Sludge Blanket wastewater treatment system under the Sunshine Coast Regional District’s (SCRD’s) management, and both technical adjustments and process modifications have been ongoing (and required) since commissioning. Many of these improvements at the operator level have resulted in reductions in operator staff time related to laboratory work and treatment system controls and callouts, in addition to reduced pump out frequencies and other operating and maintenance spending.

Atmospheric river conditions, historically, would cause significant issues with the treatment processes, resulting in effluent quality issues and unscheduled overtime hours and operational expenditures. Several process adjustments to the plant prior to heavy rain events have resulted in reductions in high treatment volume levels and subsequent operator overtime.

Staff have also invested considerable efforts throughout the last several years to investigate, address and remediate infiltration issues at manholes and piping throughout the collection system at Square Bay. By lowering the incidence of infiltration into the system it has reduced operator time and operating expenditures associated with reactionary responses to high infiltration and poor effluent quality events. The above-mentioned efficiencies in staff resourcing have contributed to reductions in salaries/wages spending, most notably in 2023 and 2024, and moving forward is anticipated to continue. As infiltration issues are identified they are repaired, and it is expected that further additional infiltration repairs will be identified in the System Upgrade and Planning Study, and repairs will take place in 2025 utilizing the existing approved \$25,000 funds.

In 2022, the uncommitted operating reserve account balance at Square Bay fell to almost zero, while user rates were simultaneously increased to help rebuild operating reserve balances and meet operating budget requirements. Current operating reserve balances are now at \$31,969 with the anticipated 2024 operating surplus of ~\$13,500 to be added to this amount at year-end. The moderate operating reserve balance would be sufficient to provide the service area with the financial capacity to respond to an emerging operational item.

Therefore, with actioning some operational budget re-alignment, it is recommend that in 2025, the user fee for Square Bay be **reduced by 10.23%** to \$1,150.00. This change will be monitored each year as the implications to the service as well as determine an appropriate operating reserve balance.

There are currently two approved operating projects in Square Bay that are in progress. The System Upgrade and Planning Study will identify collection system upgrades required due to age and will help reduce infiltration and improve wastewater collection. These projects are funded by existing committed operating reserves and do not impact 2025 user fees.

- Infiltration Reduction \$38,412
- System Upgrade and Planning Study \$5,000

In addition to the rate review recommendations identified within this report, staff are recommending an increase to the base operating budget at Square Bay in 2025 to accommodate inflationary increases in contracted services, small machinery, telecommunications, and various other operating expenditure categories. No additional funding is required for this proposed base budget increase, instead a reallocation of budgeted operating funding from salaries/wages (resulting from improvements in operational efficiencies as noted above) is recommended.

In summary, staff are recommending a strategic reallocation of \$6,000 derived from reduced staff time at Square Bay, redirected to cover the increased base budget expenses associated with the rising costs discussed above. This reallocation will ensure that the plant's operational needs are met without requiring additional financial contributions from the constituents. The \$6,000 worth of staff time will be reallocated in the HR plan to Regional Water [370].

Based on the above discussions, the following options and analysis are based on addressing the anticipated operating budget requirements for 2025.

Option 1 – (10.23%) rate decrease (\$131.02) per year decrease)

Fee Summary	User Fee
Current User Fee Rate (2024)	\$1,281.02
Proposed Increase/(Decrease)	(\$131.02)
2025 User Fee Rate	\$1,150.00
% Increase/(Decrease)	(10.53%)
Operating Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$31,969
Projected 2024 Surplus	\$13,500
Budgeted Transfers to Operating Reserves	\$8,165
Budgeted Transfers from Operating Reserves	\$0
Ending Uncommitted Balance	\$53,634

Staff recommend this option for the following reasons:

- This option provides some relief for ratepayers by reducing the annual user fee rate by over ten percent in 2025.
- 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 (2023)	\$1,281.02
Proposed Increase	\$0.00
2025 User Fee Rate	\$1,281.02
% Increase	0.00%
Operating Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$31,969
Projected 2024 Surplus	\$13,500
Budgeted Transfers to Operating Reserves	\$19,433
Budgeted Transfers from Operating Reserves	\$64,902

Staff do NOT recommend this option for the following reasons:

- This option does not provide any relief for ratepayers which can be lowered due to operational efficiencies realized.

System Upgrade planning -CWF Return

In 2021 the Square Bay System Upgrade Planning Study was approved for \$15,000 of which \$7,500 was funded from Community Works Funds. In 2022, the Board elected to defer this project until 2023. This project was subsequently included in the 2023-2027 Financial plan for \$15,000, funded \$10,000 through an Infrastructure Planning Grant, and \$5,000 from Square Bay [387] operating reserves. To date, \$498 has been expended on this project through the use of the Community Works Funds. Given that this work has been determined operational in nature, it does not meet the requirements to be funded from the Community Works Funds. Therefore, the funds must be returned to the overall pool of funds to be allocated by Area B. Staff recommend that these funds be returned in 2025 and absorbed through the 2025 Operational Budget.

Financial Implications

Through addressing anticipated increases in operating budget spending and reallocating staff time expenditures within the Square Bay service area, it will ensure that funding is in place to appropriately support operational and maintenance requirements in 2025. Lowering the annual user fees will reduce the financial burden on ratepayers while meeting operating budget requirements and maintaining adequate operating reserve levels.

Communications Strategy

Information regarding rate changes and funding will be 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 Square Bay wastewater facility and the establishment of a sustainable funding model for the service area.

Staff have performed an annual review and analysis of the current user fee rate, as well as operating budget and operating reserve balances within the Square Bay service area and have determined that the current user fee for Square Bay should be decreased by 10.53% from the current 2024 rate of \$1,281.02 to \$1,150.00 for 2025. This reduction will provide some financial relief to the ratepayers within the service area and is financially sustainable in meeting the annual operating budget requirements and maintaining adequate operating reserve balances.

In addition, staff are recommending a reallocation of operating budgeted expense amounts to accommodate a base budget increase of \$6,000, to be funded by reducing the HR allocation within the Square Bay service area.

Staff recommend that \$498 in Community Works Funds expended in 2021 for the Square Bay System Upgrade Planning Study be returned to UBCM and absorbed through the 2025 Base Operations budget.

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