

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Finance Committee – November 21, 2024

AUTHOR: Shane Walkey, Manager, Utility Services
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SUBJECT: **PAINTED BOAT [394] WASTEWATER 2025 USER FEE REVIEW**

RECOMMENDATIONS

- 1) **THAT the report titled Painted Boat [394] Wastewater 2025 User Fee Review be received for information;**
 - 2) **AND THAT the *Sewage Treatment Facilities Service Unit Bylaw No. 644*, (Schedule A) be amended to increase the Painted Boat Service Area User Fees to the following for 2025:**
Painted Boat Residential User Fee: \$650.00
Painted Boat Spa User Fee: \$1,360.50
Painted Boat Restaurant User Fee: \$2,766.36
 - 3) **AND FURTHER THAT the 2025-2029 Draft Financial Plan be amended accordingly.**
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BACKGROUND

The Painted Boat Service Area (Painted Boat) consists of 33 billable users, including 31 residential units and two commercial user accounts. The current rate per single family dwelling for 2024 is \$586.13. The current user rates for the Painted Boat Spa and Painted Boat Restaurant are \$1,226.78 and \$2,494.46 respectively.

An amendment to *Sewage Treatment Facilities Service Unit Bylaw No. 644*, (Schedule A) is required to be adopted prior to January 1, 2025 in order 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 Painted Boat Wastewater Service Area operations, and to recommend 2025 user fee rate increases which align with the funding requirements of the service.

DISCUSSION

In the Painted Boat 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	\$577.47	\$586.13	\$586.13	\$586.13	\$650.00
Total \$ Increase		\$8.66	\$0.00	\$0.00	\$63.87
Total % Increase		1.50%	0.00%	0.00%	10.90%

**Recommended for 2025*

Note: *There are two other user rate ‘types’ within the Painted Boat Wastewater Service Area which are rates levied on the Painted Boat Spa and Painted Boat Restaurant. For simplicity, only the residential rates have been identified in the table above.*

Options and Analysis

A thorough analysis of the Painted Boat 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.

As part of the 2025 budget proposal process, staff are recommending an increase to the base operating budget for the Painted Boat service area to address increases in spending related to ultraviolet disinfection bulbs and other materials and supplies related to the treatment system.

The following amount has been incorporated into the 2025 user rate requirements and operating reserve analysis outlined in this report.

- Base Budget Increase – Materials and Supplies \$2,000

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

Option 1 - 10.90% rate increase (\$63.87 per year increase)

Fee Summary	User Fee
Current User Fee Rate (2024)	\$586.13
Proposed Increase	\$63.87
2024 User Fee Rate	\$650.00
% Increase	0.00%
Operating Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$78,494
Projected 2024 Surplus/(Deficit)	\$500
Budgeted Transfers to Operating Reserves	\$0
Budgeted Transfers from Operating Reserves	\$0
Ending Uncommitted Balance	\$78,994

Note: This rate increase also includes a 10.90% increase to the user rates for the Painted Boat Spa and the Painted Boat Restaurant for 2025, \$1,360.50 and \$2,766.36 respectively.

Staff recommend this option for the following reasons:

- This option addresses anticipated increases in base operating budget expenditures and continues to support the Sunshine Coast Regional District's (SCRD's) Financial Sustainability Policy by funding operational expenditures with user fee revenue.
- Maintains 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)	\$586.13
Proposed Increase	\$0.00
2024 User Fee Rate	\$586.13
% Increase	0.00%
Operating Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$78,494
Projected 2024 Surplus/(Deficit)	\$500
Budgeted Transfers to Operating Reserves	\$0
Budgeted Transfers from Operating Reserves	(\$2,798)
Ending Uncommitted Balance	\$76,196

Staff do not recommend this option for the following reasons:

- This option does not support the SCR D'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 Painted Boat wastewater facility and the establishment of a sustainable funding model for the service area.

The current user fee rates for Painted Boat 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 spa and restaurant at Painted Boat to \$650.00, \$1,360.50, and \$2,766.36 respectively. This represents an increase of 10.90% 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	