

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Finance Committee – November 21, 2024

AUTHOR: Kyle Doyle, Manager, Asset Management
Shane Walkey, Manager, Utility Services

SUBJECT: **SAKINAW RIDGE [395] WASTEWATER FRONTAGE FEES**

RECOMMENDATION(S)

- (1) THAT the report titled Sakinaw Ridge [395] Wastewater Frontage Fees be received for information;**
 - (2) AND THAT Sakinaw Ridge Community Sewage Treatment System Fees and Charges Bylaw No. 714 (Schedule A) be amended to increase Frontage Fees by 2%, resulting in a 2025 Frontage Fee of \$879.42;**
 - (3) AND FURTHER THAT the 2025-2029 Draft Financial Plan be amended accordingly.**
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BACKGROUND

In 2022, a report titled “Sakinaw Ridge [395] Wastewater Capital Plan Update” was received. The report recommended that Sakinaw Ridge wastewater service Frontage Fees increase by 2% for 2023. The Frontage Fees for 2024 were similar to those approved for 2023. At the time, Frontage Fees offset User Fees to cover operational costs. Reflecting the high cost of service for the residents in Sakinaw Ridge, the following SCRD Board resolution was adopted on Dec 9, 2022, and further amended by SCRD Board resolution 369/22 on Dec 15, 2022:

369/22 Recommendation No. 8 Sakinaw Ridge [395] Wastewater Capital Plan Update

THAT the report titled Sakinaw Ridge [395] Wastewater Capital Plan Update be received for information;

AND THAT the Sewage Treatment Facilities Service Unit Bylaw No. 428 (Schedule B) be amended to increase the Frontage Fee for the Sakinaw Wastewater Service by 2%, resulting in a 2024 Frontage Fee of \$862.18;

AND FURTHER THAT the 2023-2027 Draft Financial Plan be amended accordingly.

Frontage Fees for Sakinaw Ridge between 2020 and 2024 have increased from \$418.20 to \$862.18.

The purpose of this report is to provide an update on the Capital Plan for the Sakinaw Ridge Wastewater Service.

DISCUSSION

Sakinaw Ridge wastewater service has 29 participating properties that contribute to capital expenses. The current estimated cost to replace the infrastructure for this wastewater service is approximately \$3,100,000. This service is not fully built out, there are only 13 users for a wastewater system designed to accommodate 29 properties. This has resulted in a scenario where funding operational costs solely through User Fees would result in exorbitant rates for residents. As such a portion of Frontage Fees are currently used to fund operating expenses.

A typical sustainable rate structure leverages investment returns from reserve funds to offset the capital costs to the residents. Increasing the annual revenue in the lead up to infrastructure replacement will mitigate the frontage fee increase necessary to meet future debt servicing obligations.

Historical Rates - Rates and annual increases are as follows:

	2021	2022	2023	2024	*2025
Frontage Fee	\$845.27	\$845.27	\$862.18	\$862.18	\$879.42
Total \$ Increase		\$0.00	\$16.91	\$0.00	\$17.24
Total % Increase		0.00%	2.00%	0.00%	2.00%

**Recommended for 2025*

Options and Analysis

Until there are more developed properties in this service area, a portion of the Frontage Fees will continue to offset high operating costs. There are proposed developments in the service area that may increase future Frontage fee revenue. The User Fee review for this service has indicated that a reduction in the base budget is appropriate for this service. This will result in a smaller portion of Frontage Fee revenue subsidizing operations.

The Table below illustrates the impact that the proposed frontage fee will have on the Capital Reserve.

Fee Summary	Frontage Fee
Current Frontage Fee Rate (2024)	\$862.18
Proposed Increase	\$17.24
2025 Frontage Fee Rate	\$879.42
% Increase	2%
Operating Reserve Summary	Operating Reserve
Opening Uncommitted Balance	\$58,754
Budgeted Transfers to Capital Reserves	\$10,527
Budgeted Transfers from Capital Reserves	\$0
Ending Uncommitted Balance	\$69,281

Organizational and Intergovernmental Implications

Compliance with effluent discharge permit requirements is met by ensuring the infrastructure is in good working order.

The SCRCD is bound by responsibilities established by the Local Government Act:

“purposes of a regional district include... (c) providing for stewardship of the public assets of its community”

Providing for the stewardship of public assets includes planning for and funding the maintenance, repair, and eventual replacement of such assets. Taking steps towards establishing a sustainable funding model for the replacement of capital assets for wastewater services aligns with the purposes of a Regional District.

Financial Implications

Proactively building a Capital Reserve will minimize the impact of future infrastructure costs and mitigate future debt servicing costs.

Timeline for next steps or estimated completion date

Ongoing monitoring of the condition and performance of the treatment system will inform the next steps. Since the initial service review in 2019 the Board has received annual updates of the financial modelling for capital infrastructure at wastewater services. Depending on the option selected above it is possible to extend the time between updates for this service until the operational projects are completed or an emerging development occurs. If approval is received to amend frontage fees, the appropriate bylaw amendments will be drafted and presented to the December 12, 2024, Regular Board Meeting.

Funding opportunities for design and construction of the eventual treatment system replacement will continue to be sought.

Communications Strategy

Staff have worked to establish an online presence for each wastewater service at letstalk.scrd.ca – this will be the primary point of contact for these wastewater participants. This will be communicated on utility billing literature and through typical social media channels.

STRATEGIC PLAN AND RELATED POLICIES

Capital Planning is a pillar of a healthy Asset Management practice and is supported by the SCRCD’s Asset Management policy as well as the Financial Sustainability Policy. Efforts to mitigate foreseeable debt are supported by the SCRCD’s Debt Management Policy.

CONCLUSION

The Sakinaw Ridge Wastewater Service has an infrastructure funding deficit and is facing significant infrastructure costs in the next 20 years. Adjustments to the revenues that contribute to Capital Reserves can mitigate projected debt obligations necessary to replace critical infrastructure. Staff recommend that the 2025 Frontage Fees be increased by 2% from 2024 rates resulting in a 2025 Frontage Fee of \$879.42.

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