

The Corporation of the  
CITY OF WHITE ROCK



Finance and Audit Committee  
AGENDA

Monday, January 16, 2023, 5:00 p.m.

City Hall Council Chambers

15322 Buena Vista Avenue, White Rock, BC, V4B 1Y6

**\*Live Streaming/Telecast:** Please note that all Committees, Task Forces, Council Meetings, and Public Hearings held in the Council Chamber are being recorded and broadcasted as well included on the City's website at: [www.whiterockcity.ca](http://www.whiterockcity.ca)  
T. Arthur, Director of Corporate Administration

	Pages
1. CALL TO ORDER Councillor Trevelyan, Chairperson	
2. ADOPTION OF AGENDA  RECOMMENDATION THAT the Finance and Audit Committee adopt the agenda for January 16, 2023 as circulated.	
3. ADOPTION OF MINUTES  RECOMMENDATION THAT the Finance and Audit Committee adopt the minutes of December 5, 2022 as circulated.	3
4. WATER UTILITY 2023 BUDGET AND WATER UTILITY RATES  Corporate report dated January 16, 2023 from the Director of Financial Services titled "Water Utility 2023 Budget and Water Utility Rates".  <u>Note:</u> Bylaw 2453 is on the agenda for consideration under Item 8.1.e of the Regular Council meeting to be held later this evening.  RECOMMENDATION THAT the Finance and Audit Committee:  1. Receive the corporate report from the Director of Financial Services, titled "Water Utility 2023 Budget and Water Utility Rates";	5

2. **Endorse Water Services Bylaw 2015, No. 2117, Amendment No. 12, 2023 No. 2453; and**
3. **Recommend Council give Water Services Bylaw 2015, No. 2117, Amendment No. 12, 2023 No. 2453 first, second and third readings.**

**5. CONCLUSION OF THE JANUARY 16, 2023 FINANCE AND AUDIT COMMITTEE MEETING**



## **Finance and Audit Committee**

### **Minutes**

December 5, 2022, 5:00 p.m.

City Hall Council Chambers

15322 Buena Vista Avenue, White Rock, BC, V4B 1Y6

**PRESENT:** Councillor Lawrence, Chairperson  
Mayor Knight  
Councillor Chesney  
Councillor Cheung  
Councillor Klassen  
Councillor Partridge  
Councillor Trevelyan

**STAFF:** Guillermo Ferrero, Chief Administrative Officer  
Tracey Arthur, Director of Corporate Administration  
Anne Berry, Director of Planning and Development Services  
Candice Gartry, Director of Financial Services  
Kari Laing, Director of Human Resources  
Debbie Johnstone, Deputy Corporate Officer

**PUBLIC:** None

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#### **1. CALL TO ORDER**

Councillor Lawrence, Chairperson

The meeting was called to order at 5:01 p.m.

2. **ADOPTION OF AGENDA**

**Motion Number: 2022-F&A-064** It was MOVED and SECONDED

**THAT the Finance and Audit Committee adopt the agenda for December 5, 2022 as circulated.**

**Motion CARRIED (7 to 0)**

3. **ADOPTION OF MINUTES**

**Motion Number: 2022-F&A-065** It was MOVED and SECONDED

**THAT the Finance and Audit Committee adopt the minutes of the June 27, 2022 meeting as circulated.**

**Motion CARRIED (7 to 0)**

4. **KPMG - AUDIT PLANNING REPORT FOR THE YEAR ENDING DECEMBER 31, 2022**

Kurtis Beaumont and Brandon Ma, of KPMG Enterprise (City Auditors) provided a PowerPoint presentation titled "City of White Rock Audit Planning Report for the year ending December 31, 2022".

5. **CONCLUSION OF THE DECEMBER 5, 2022 FINANCE AND AUDIT COMMITTEE MEETING**

The meeting was concluded at 5:12 p.m.

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Councillor Lawrence, Chairperson



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Tracey Arthur, Director of Corporate Administration

THE CORPORATION OF THE  
**CITY OF WHITE ROCK**  
CORPORATE REPORT



**DATE:** January 16, 2023

**TO:** Finance and Audit Committee

**FROM:** Candice Gartry, Director, Financial Services

**SUBJECT:** Water Utility 2023 Budget and Water Utility Rates

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**RECOMMENDATIONS**

1. THAT the Finance and Audit Committee:
    - (a) Receive the corporate report from the Director of Financial Services, titled "Water Utility 2023 Budget and Water Utility Rates;" and
    - (b) Endorse Water Services Bylaw 2015, No. 2117, Amendment No. 12, 2023 No. 2453
  2. THAT Council give Water Services Bylaw 2015, No. 2117, Amendment No. 12, 2023 No. 2453 first, second and third readings.
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**EXECUTIVE SUMMARY**

Section 194 of the *Community Charter* authorizes Council, by bylaw, to establish municipal fees for services, for the use of municipal property or to exercise the authority to regulate, prohibit or impose requirements.

The city's water user fee rates are established each year through bylaw. The rates are based on the city's Five-Year Financial Plan for the water system which includes forecasted revenues and expenses, asset improvement capital requirements, reserves and debt financing. The bylaw rates are set to ensure that fees charged recover the cost of providing the services.

In 2022, the city implemented the first phase of a new four-phase water rate structure. Once all phases have been implemented, water consumption will be aligned with water utility costs and will promote water conservation. 2023 will be the second phase of the four-phase plan to implement the new rate structure. Once phasing is complete in year four, the city will be charging a smaller fixed fee related to the size of the meter and all water consumed will be charged at the same rate.

For 2023, the annual cost to a single-family residential property (average of 2,107 cubic feet of water annually) is proposed to increase by approximately \$11 per quarter to \$731 annually. For an average consumption multi-family home (average of 934 cubic feet of water annually) the annual cost is proposed to increase by \$8 per quarter to \$278 annually. It should be noted that these are averages and customers' actual bills will vary based on actual water usage. The proposed rates for 2023 would be effective retroactively to January 1, 2023.

### **PREVIOUS COUNCIL DIRECTION**

<b>Motion # &amp; Meeting Date</b>	<b>Motion Details</b>
2021-243 June 28, 2021	<p>THAT Council direct staff to implement a new water use fee rate structure based on Option 2 as outlined in the June 28, 2021 corporate report titled "Water utility User Fee Rate Restructure - 2 Options" (whereby each account would be charged a fixed fee that would be related to the size of the meter. The larger the meter size, the higher the fixed fee which reflects the demands on the system. All water consumption would be charged at the same rate).</p> <p style="text-align: right;"><b>CARRIED</b></p>

### **INTRODUCTION/BACKGROUND**

The City owns, operates and maintains a Water Utility that was purchased in 2015. Infrastructure includes watermain, service connections, fire hydrants, reservoirs, a water treatment plant, and seven water wells. Revenues generated through water user rates fund the operation of the system and the asset improvement program.

The 2023 proposed budget balances \$6.9M of revenues with \$6.9M of costs.

Water user fee revenues are projected to continue increasing by an average of 6.5% annually over the next five years primarily to build capital reserves necessary to address future infrastructure replacement needs and funding for the Utility's asset improvement capital program. Operating costs driven by water treatment filtration expenses and paying for the purchase of the Utility through debt financing will continue to be minimized as much as possible. Billing is carried out quarterly.

#### **Operating Revenues**

Water user fee revenue is projected to be \$6.36M or an increase of 6.5% from 2023.

The 2023 revenue increase is needed for:

Water Operations (\$129,200)	2.2%
Transfer to Asset Improvement Program Reserves (\$258,800)	<u>4.3%</u>
<b>Total</b>	<b><u>6.5%</u></b>

The city is phasing in a new water rate structure that once complete (in 2025) will align water consumption with water utility costs, promote water conservation, and be more comparable to the metered water rate structures of our neighboring municipalities. With the new structure the city will be charging a smaller fixed fee related to the size of the meter and all water consumed will be charged at the same rate.

The previous rate structure had a higher fixed fee which included a certain portion of water consumption (scaled by meter size), when customers did not use the included consumption, they were paying for water they did not consume. The rate structure didn't align with the actual water consumption and the amount being charged to customers. For example, multi-family dwellings were being subsidized by single family dwellings. The new structure will create greater equity amongst the different types of customers as customers will pay all the water they consume once phasing is complete. The phasing out of the included consumption is as follows:

Service Charge	2021		2022		2023		2024		2025	
	Base Charge	Consumption included in the Base Charge	Base Charge	Consumption included in the Base Charge	Base Charge	Consumption included in the Base Charge	Base Charge	Consumption included in the Base Charge	Base Charge	Consumption included in the Base Charge
MULTI FAMILY WATER *	51.30	750	41.00	600	30.80	450	20.50	300	By meter size	N/A
NON RESIDENTIAL WATER 5/8"	115.70	1,500	92.60	1,200	69.40	900	46.30	600	52.40	N/A
NON RESIDENTIAL WATER 1"	289.10	3,900	231.30	3,120	173.50	2,340	115.60	1,560	57.60	N/A
NON RESIDENTIAL WATER 1 1/2"	578.30	7,500	462.60	6,000	347.00	4,500	231.30	3,000	89.10	N/A
NON RESIDENTIAL WATER 2"	925.40	12,000	740.30	9,600	555.20	7,200	370.20	4,800	120.50	N/A
NON RESIDENTIAL WATER 3"	1,735.10	22,500	1,388.10	18,000	1,041.10	13,500	694.00	9,000	277.70	N/A
NON RESIDENTIAL WATER 4"	2,891.90	37,500	2,313.50	30,000	1,735.10	22,500	1,156.80	15,000	366.80	N/A
SINGLE FAMILY WATER 5/8"	143.90	1,500	115.10	1,200	86.30	900	57.60	600	52.40	N/A
SINGLE FAMILY WATER 1"	289.10	3,900	231.30	3,120	173.50	2,340	115.60	1,560	57.60	N/A
SINGLE FAMILY WATER 1 1/2"	578.30	7,500	462.60	6,000	347.00	4,500	231.30	3,000	89.10	N/A
SINGLE FAMILY WATER 2"	925.40	12,000	740.30	9,600	555.20	7,200	370.20	4,800	120.50	N/A
SINGLE FAMILY WATER 6"	5,714.50	75,000	4,571.60	60,000	3,428.70	45,000	2,285.80	30,000	623.60	N/A

\* For multi family the base charge is per unit until phasing is complete, then the base charge will be by meter size like all other customers

Phase two of the rate structure implementation in 2023 will reduce both the base charge by meter size and the consumption included in the base as shown above (60% of the 2021 rates). Any water consumption above what is included in the minimum fee will be charged at \$7.99 per 100 cubic feet.

For 2023, the annual cost to an average consumption single family residential property (2,107 cubic feet annually) is proposed to increase by \$45 from \$686 to \$731 annually. For an average consumption multi-family home (934 cubic feet) the annual cost is proposed to increase by \$31 per unit from \$247 to \$278 annually. The rate increase are in-line with the structure approved by Council. Actual amounts billed will vary depending on actual consumption. Costs to commercial and institutional property owners will also vary by actual consumption. The proposed rates for 2023 would be effective retroactively to January 1, 2023.

### **Operating Expenses**

The Water Utility's main operating expenses relate to staffing, materials and supplies, contract maintenance, interest on long-term debt and transfer to reserves for future infrastructure replacement. Increases in overall operating costs have been kept at a minimum for 2023:

- Engineering administrative costs are forecast to decrease by 8.5% due to a reallocation of Engineering Administrative staff time.
- Corporate support costs have increased 10.0% due to inflation, increased property insurance costs (no change in coverage), and from an increase to the corporate support fee charged to the water fund which is gradually being increased to 100% of actual costs.
- Waterworks costs decreased over last year mainly due to the removal of the contingency in 2022 for the \$471,000 cost of the Bayoxide media replacement at the Treatment plant, which was funded by the operations reserve. This decrease was partially offset by increased supplies, increased wages due to increasing employee benefits, and other cost increases.
- Contingency costs have increased 25.8% to allow funding for potential collective agreement settlements and to allow for additional funding for unexpected cost increases.
- Transfers to the Capital Reserves are forecast to increase by \$258,800, consistent with the long-term plan to increase funding for infrastructure replacement. This is equivalent to 4.3% of the user fee increase.

### **Transfer to Reserves**

Transfers to the asset improvement capital reserve are forecast to increase by \$258,800 (\$296,300 in 2022) to \$1,910,400, consistent with the City's long-term plan to increase funding for infrastructure replacement. This is equivalent to 4.3% (5.3% in 2022) of the 6.5% user fee revenue increase for 2023.

### **Debt**

No new debt is required. The outstanding long-term debt balance was \$21M at the end of 2022. This amount is projected to reduce to \$17M by the end of 2027 as principal payments are made.

Operating Reserves have been established for three functions:

- Working Capital Reserve – providing a foundation for operations
- Water Operating Reserve – providing a buffer for year-over-year water rate fluctuations
- Water Treatment Reserve – smooths out the costs of media replacement at the treatment plant



## **Reserves**

Capital Reserves are established for the replacement of infrastructure with the goal of maintaining balances equivalent to between 5% and 10% of the water asset replacement value. The current asset replacement value is estimated to be \$138M, which would require a reserve balance of between \$6.9 and \$13.8M to be maintained. Capital Reserves are projected to remain between \$5.4M (4%) and \$4.1M (3%). This is well below optimum levels forecast to cover the next five years, and why water rate increases for future infrastructure replacement are required.

## **Asset Improvement Program**

Over the next five years, the Water Utility plans to spend \$14.8M to replace water mains, wells, valves and equipment. This is primarily funded from Water Infrastructure and Equipment Replacement Reserves. Annual spending ranges between \$1.78M and \$3.97M per year.

The capital program is guided by the 2017 Water Master Plan and provides for replacements of end of life city water mains, associated trench restoration, new additions to meet future population growth and the replacement of equipment.

The capital program is primarily funded on a pay as you go basis through reserves which are set aside each year from water sales to the community, supplemented by a small amount of developer contributions and senior government grants as they become available.

The next five years of infrastructure replacement will continue to be focused on water mains coordinated with the replacement of other road, sewer and drain projects and a well replacement.

## **FINANCIAL IMPLICATIONS**

The proposed Water Utility Financial Plan will increase the annual cost of water for single family homeowners by \$45 from \$686 to \$731 per year and for multi residential homeowners by \$31 per unit from \$247 to \$278 unit per year. The proposed rates for 2023 would be effective retroactively to January 1, 2023.

The proposed amounts in this corporate and attached amended bylaw remain in line with the plan previously outlined with Council to increase transfers to reserves for infrastructure replacement by approximately \$300,000 per year and with implement Phase II of the water user fee restructuring plan.

## **LEGAL IMPLICATIONS**

No specific legal implications to note. Bylaw approval required to implement rate increase and authorize budget for 2023.

## **COMMUNICATION AND COMMUNITY ENGAGEMENT IMPLICATIONS**

The background material is available on the municipal website and will be incorporated into the Consolidated Financial Plan document when it presented in spring 2023.

## **ALIGNMENT WITH STRATEGIC PRIORITIES**

The proposed budget is aligned with Council priorities. Specifically: “Implement new billing structure for Water by 31<sup>st</sup> Dec 2024.”

The following alternate options are available for Council’s consideration:

1. Decline to endorse the proposed Water Services Bylaw, 2015, No. 2117, Amendment No. 12, Bylaw, 2022, No. 2453. This would defer and delay implementation of the Council approved water user fee restructuring plan and not provide additional funds for asset improvement, or

2. Endorse Water Services Bylaw, 2015, No. 2117, Amendment No. 12, Bylaw, 2022, No. 2453.

Staff note that moving away from the planned program of increased infrastructure funding (6.5% increase per year) would increase the risk of insufficient funding being available to draw upon in future for necessary maintenance or unexpected expenses.

### **CONCLUSION**

The city's Water Utility rates are established annually through bylaw. The rates are determined through the development of the city's Five-Year Financial Plan, which considers the Utility's projected revenues and expenses, capital requirements, reserves and long-term debt load. For 2023, a water user fee revenue increase of 6.5%, along with the second phase of the water user fee restructuring, will, for the average customer, result in an annual increase of \$45 for single family residential homes and \$31 for multi-family homes.

Operating costs have been minimized for 2023 and most of the proposed increase is to continue the strategy to raise asset improvement funding to gradually reach sustainable levels by approximately \$300,000 per year over time.

Maintaining a gradual increase in asset improvement funding is critically important as the city continues to build funding for infrastructure replacement and develop long term Asset Management Plans.

It is recommended that Water Services Bylaw, 2015, No. 2117, Amendment No. 12, Bylaw, 2022, No. 2453 be given first, second and third readings.

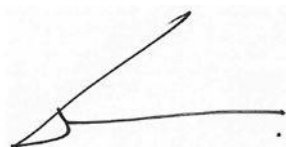
Respectfully submitted,



Candice Gartry  
Director, Financial Services

### **Comments from the Chief Administrative Officer**

I concur with the recommendations of this corporate report.



Guillermo Ferrero  
Chief Administrative Officer

Appendix A: Water Services Bylaw 2015, No. 2117, Amendment No. 12, 2023 No. 2453

Appendix B: Water Fund Draft Financial Plan 2023

**THE CORPORATION OF THE  
CITY OF WHITE ROCK  
BYLAW NO. 2453**



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A Bylaw to amend the Water Services Bylaw, 2015, No. 2117

The CITY COUNCIL of the Corporation of the City of White Rock, in an open meeting assembled, ENACTS as follows:

1. Replace SCHEDULE A, "Water Service User Fees" of Water Services Bylaw, 2015, No. 2117 with a new SCHEDULE A.
2. This Bylaw may be cited for all purposes as the "*Water Services Bylaw 2015, No. 2117, Amendment No. 12, 2023 No. 2453*".

RECEIVED FIRST READING on the \_\_\_\_\_ day of \_\_\_\_\_, 2023

RECEIVED SECOND READING on the \_\_\_\_\_ day of \_\_\_\_\_, 2023

RECEIVED THIRD READING on the \_\_\_\_\_ day of \_\_\_\_\_, 2023

ADOPTED on the \_\_\_\_\_ day of \_\_\_\_\_, 2023

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MAYOR

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DIRECTOR, CORPORATE ADMINISTRATION

## SCHEDULE A WATER SERVICE FEES

### 1. Water Service User Fees

#### Single Family (including duplex, triplex or fourplex dwellings, and bulk water supply)

<b>Single Family Minimum by meter size</b>	<b>Includes consumption up to</b>	<b>Effective Jan 1, 2023 Per Quarter</b>
5/8" meter	900 cubic feet	\$ 86.30
1" meter	2,340 cubic feet	173.50
1 1/2" meter	4,500 cubic feet	347.00
2" meter	7,200 cubic feet	555.20
3" meter	13,500 cubic feet	1,041.10
4" meter	22,500 cubic feet	1,735.10
6" meter	45,000 cubic feet	3,428.70

\* Except for the triplex located at 14968, 14972 & 14976 Beachview Ave. This water service account will be charged the equivalent of three (3) Single Family 5/8" meter rates.

#### Multi Family

<b>Multi Family Minimum</b>	<b>Includes consumption up to</b>	<b>Effective Jan 1, 2023 Per Quarter</b>
Per unit	450 cubic feet per unit	\$ 30.80

#### Non Residential Fees (all other account types)

<b>Non Residential Minimum by meter size</b>	<b>Includes consumption up to</b>	<b>Effective Jan 1, 2023 Per Quarter</b>
5/8" meter	900 cubic feet	\$ 69.40
1" meter	2,340 cubic feet	173.50
1 1/2" meter	4,500 cubic feet	347.00
2" meter	7,200 cubic feet	555.20
3" meter	13,500 cubic feet	1,041.10
4" meter	22,500 cubic feet	1,735.10
6" meter	45,000 cubic feet	3,428.70

#### Excess Consumption Charges (all account types)

Excess consumption above consumption included in minimum, per 100 cubic feet:	\$ 7.99
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## 2. Service Fees for Specified Services Description of Work or Service Amount

Fee	Effective Jan 1, 2023
Application to Confirm Serviceability – Single Family and Duplex	\$ 450
Application to Confirm Serviceability – Multi-Family and Non-Residential	3,488
Application to Confirm Serviceability – Subdivision Development	At Cost
5/8” to 1” meter Connection Fee  NOTES:  * When customers request connections, if fees paid previously are less than what is stated in this bylaw, the difference of the fees collected and the current fee will be required to be paid before installation of the connection.  * If the cost of providing and laying the connection exceeds the fee collected for the service, such additional costs will be invoiced to the property owner.	8,000
All other meter size Connection Fee	At Cost
Application for Temporary Water Service	85
Damage Deposit for Hydrant use	758
Temporary Water Connection to Hydrant or Standpipe per day	56
Unauthorized Use of a Fire Hydrant and/or Standpipe	112
Removal of Unauthorized Water Meter	112
Back-flow Prevention Test Report Filing Fee	37
Testing of Back-flow Prevention Device per device	282
Non-Compliance Backflow Prevention Device	112
Water Meter Testing Fee	163
Special Meter Readings (readings outside of regular quarterly readings)	61
Disconnection	78
Reconnection after disconnection	78
One Day Water On/Off Fee	56
Water Restriction Exemption Permit	56
Restriction of Water Use - Violation	56

## 3. Fees for Other Work and Services

The City will charge the Customer a fee for any work or service provided, for which a fee is not specifically prescribed, at the City's costs of providing such work or service. Such

costs will include repayment of all moneys expended by the City for gross wages and salaries, administrative costs, employee fringe benefits, and materials, as calculated by the City. The costs will also include any expenditure for equipment rentals at rates paid by the City or set by the City for its own equipment, as well as any other costs that may reasonably arise in providing the service. Labour fees for service call outs after regular working hours will be at the City's overtime fees. Temporary water supply will be charged fees on the basis of meter size in accordance with section 1 of this Schedule.

#### **4. Fees for Undetected Leaks**

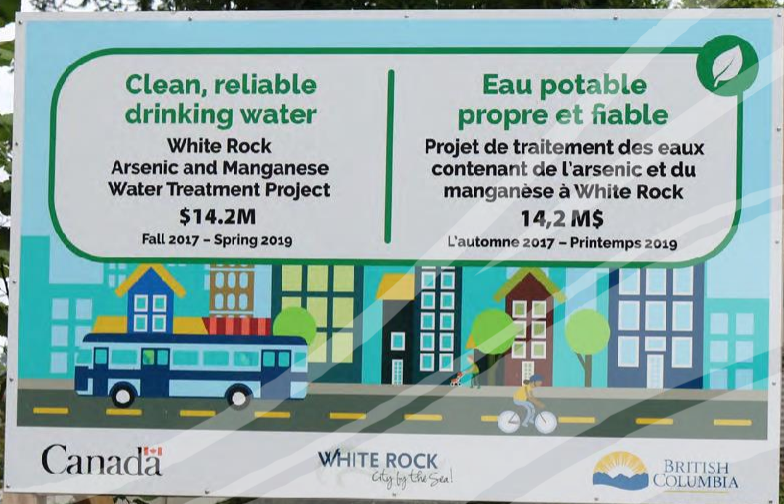
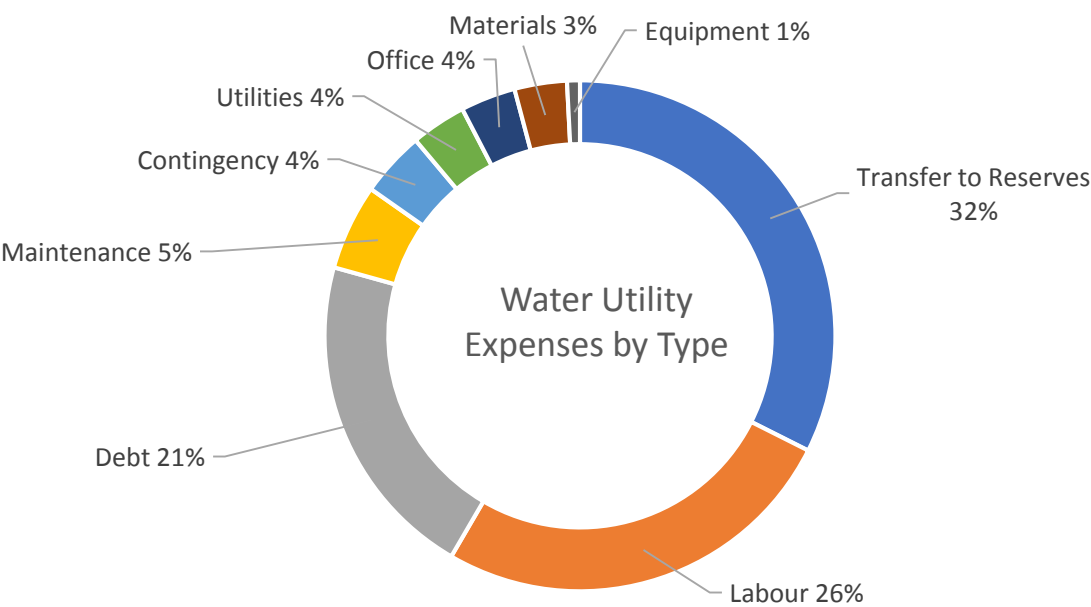
Where an underground leak is discovered in a Customer's waterworks system (and not the City's Waterworks System), and where the Customer could not reasonably have been expected to be aware of such leak, provided that repairs of the Customer's waterworks system have been carried out to the City's satisfaction within seventy-two (72) hours of discovery of the leak, the City will adjust the Customer's Water Bill so that the Customer would be responsible for paying an amount equal to the Customer's average quarterly bill plus 30% of the "leaked water consumption" up to a maximum of three (3) times the Customer's average quarterly bill. The adjustment would be calculated as follows:

- (a) The "average quarterly bill" is calculated as the average of the Customer's last four (4) quarterly bills before the leak occurred.
- (b) The Customer's "average quarterly water consumption" is calculated by taking the average consumption over the previous twelve (12) months before the leak occurred.
- (c) The "leaked water consumption" is calculated as total consumption recorded by the meter during the quarterly billing period less the Customer's "average quarterly water consumption".
- (d) The Customer's bill would be calculated based on the "average quarterly consumption" plus 30% of the "leaked water consumption" up to a maximum of three (3) times the Customer's "average quarterly bill".

If repairs of the Customer's waterworks system have not been carried out to the City's satisfaction within seventy-two (72) hours of discovery of the leak, the City shall be entitled to charge for such water as per the Water Service User Fees described in Section 1 of this Schedule.

# BUDGET SUMMARY

Each year, water rates are established by the City through bylaw, and based on the City’s Five-Year Financial Plan for the water system. This includes forecasted revenues and expenses capital requirements, as well as reserves and debt financing.



Water user fee revenues are projected to increase by an average of 6.5% annually over the next five years, primarily to build capital reserves necessary to address future infrastructure replacement needs. They also fund operating costs driven by water treatment filtration expenses and purchase of the Utility through debt financing.

The 2023 revenue increase is projected to be 6.5% and is needed for:

Water Operations (\$129,200)	2.2%
Transfer to Capital Reserves for Asset Improvement Program (\$258,800)	4.3%
<b>Total</b>	<b>6.5%</b>

### City of White Rock - Water Operating Budget

Funding	2020 Actuals	2021 Actuals	2022 Projected	2022 Budget	2023 Budget	Change \$	Change %
Water User Fees	\$ 5,323,314	\$ 5,913,201	\$ 5,954,900	\$ 5,969,900	\$ 6,357,900	\$ 388,000	6.5% *1
Connection Fees	182,572	157,242	54,000	300,000	280,000	(20,000)	-6.7%
Other Income	140,620	197,894	191,300	181,800	220,400	38,600	21.2% *2
Operating Reserves	413,464	11,242	496,500	481,500	15,000	(466,500)	-96.9% *3
<b>Total Funding</b>	<b>\$ 6,059,970</b>	<b>\$ 6,279,579</b>	<b>\$ 6,696,700</b>	<b>\$ 6,933,200</b>	<b>\$ 6,873,300</b>	<b>\$ (59,900)</b>	<b>-0.9%</b>

### Operating Expenses

Engineering Administration	\$ 409,786	\$ 274,346	\$ 364,700	\$ 443,100	\$ 405,600	\$ (37,500)	-8.5% *4
Corporate Support	608,344	597,868	705,780	713,000	784,100	71,100	10.0% *5
Waterworks	1,246,851	1,461,956	1,766,800	1,857,400	1,421,300	(436,100)	-23.5% *6
Facilities	344,704	324,133	328,820	330,000	312,700	(17,300)	-5.2%
Contingency	-	-	-	225,900	284,100	58,200	25.8% *7
Debt Charges	1,368,858	1,391,016	1,414,000	1,414,000	1,437,500	23,500	1.7%
Transfer to Operating Reserve	511,707	557,728	298,200	298,200	317,600	19,400	6.5%
Transfer to Capital Reserves	1,569,720	1,672,532	1,818,400	1,651,600	1,910,400	258,800	15.7% *8
<b>Total Operating Expenses</b>	<b>\$ 6,059,970</b>	<b>\$ 6,279,579</b>	<b>\$ 6,696,700</b>	<b>\$ 6,933,200</b>	<b>\$ 6,873,300</b>	<b>\$ (59,900)</b>	<b>-0.9%</b>

Net	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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The 2023 proposed budget balances \$6.9 million of revenues with \$6.9 million of costs. A new water user fee rate structure is being phased in over four years to align water consumption with water utility costs and promote water conservation. 2023 is year two of the four-year phase-in plan. Once complete (year four), the City will charge a smaller fixed fee related to the size of the meter, with water consumption billed at the same rate. For the second year of this restructured process the annual cost to a single-family residential property (average 2,107 cubic feet of water) is proposed to increase by 6.5% or from \$686 to \$731 as follows:

	2021	2022
Fixed Charge	\$460	\$345
User fee	226	386
<b>Total</b>	<b>\$686</b>	<b>\$731</b>



For a multi-family home (average 900 cubic feet of water) the proposed increased annual cost would be \$278. The actual amount charged will vary depending on actual consumption.

#### **Operating Revenues:**

1. Water user fee revenues of \$6.36 million is based a water user fee rate increase, reductions in the minimum charge and consumption by meter size using consumption experienced in 2022. This will generate an extra \$388,800 or 6.5% in water user fee revenues.
2. Other income includes actuarial gains on debt, water user fee penalties, and service charges.
3. Operating Reserves decreased due to the removal of a \$471,000 contingency for the Bayoxide media replacement at the treatment plant.

#### **Operating Expenses:**

The Water Utility's main operating expenses relate to staffing, materials and supplies, contract maintenance, long-term debt interest, and transfers to reserves for future infrastructure replacement. Increases in overall operating cost have been kept at a minimum for 2023.

4. Engineering Administrative costs are forecast to decrease by 8.5% due to a reallocation of engineering administrative staff time.
5. Corporate Support costs have increased by 10.0% due to inflation, increased insurance costs, and from an increase to the corporate support fee charged to the water fund which is gradually being increased to 100% of actual costs.
6. Waterworks costs have decreased over last year mainly due to the removal of the \$471,000 contingency for Bayoxide media replacement at the Treatment Plant. This amount has been offset by increases in supplies, increased wages due to increased employee benefit costs, and other various cost increases.
7. Contingency costs have increased to account for funding for potential collective agreement settlements and other unexpected cost increases.
8. Transfer to Capital Reserves are forecast to increase by \$258,800, consistent with the long-term plan to increase funding for infrastructure replacement. This is equivalent to 4.3% of the user fee increase for 2023.

#### **Debt:**

Debt financing costs to fund the purchase of the utility vary slightly from year-to-year from actuarial adjustments. 2022 saw no additional borrowing and repayments will continue to reduce the principal.

**Reserves:**

Operating Reserves have been established for three functions:

- Working Capital Reserve – providing a foundation for operations
- Water Operating Reserve – providing a buffer for year-over-year water rate fluctuations.
- Water Treatment Reserve – smooths out the costs of media replacement at the treatment plant

Capital Reserves are established for the replacement of infrastructure with the goal of maintaining balances equivalent to between 5% and 10% of the water asset replacement value. The current asset replacement value is estimated to be \$138 million, which would require a reserve balance of between \$6.9 and \$13.8 million to be maintained. Capital Reserves are projected to remain between \$5.4 million (4.0%) and \$4.1 million (3.0%). This is well below optimum levels forecast to cover the next five years, and why water rate increases for future infrastructure replacement are required.

## 2022 to 2027 Reserves Scorecard

	Balance 2022	Balance 2023	Balance 2024	Balance 2025	Balance 2026	Balance 2027	Status 2022	Status 2027
<b>WORKING CAPITAL</b>								
Operating (Accumulated) Surplus	1,248,000	1,248,000	1,248,000	1,248,000	1,248,000	1,248,000	Good	Good
<b>OPERATIONS and Debt (Reserve Acc</b>								
Water Operating Reserve	458,600	493,600	543,600	593,600	643,600	693,600	Low	Low
Water Treatment Reserve	235,500	426,500	617,500	310,500	511,500	712,500	Good	Good
Debt Retirement	28,700	28,700	28,700	28,700	28,700	28,700	Good	Good
<b>CAPITAL (Reserve Accounts)</b>								
Vehicles and Equipment Replacement	112,300	152,600	193,700	235,600	278,300	285,900	Low	Low
Water Infrastructure	3,742,600	2,470,200	3,022,300	3,728,500	3,038,300	2,644,600	Low	Low
Development Cost Charges	1,442,000	1,457,100	1,471,700	1,476,400	1,397,700	1,411,600	Good	Good
<b>OVERALL RESERVES</b>	<b>6,019,700</b>	<b>5,028,700</b>	<b>5,877,500</b>	<b>6,373,300</b>	<b>5,898,100</b>	<b>5,776,900</b>		
Capital Reserves Target (5% to 10%)	3.9%	3.0%	3.4%	4.0%	3.4%	3.2%		

### **ASSET IMPROVEMENT PROGRAM – WATER UTILITY**

Over the next five years, the Water Utility plans to spend \$14.8 million to replace water mains, wells, valves, and equipment. This is primarily funded from Water Infrastructure and Equipment Replacement Reserves. Annual spending ranges between \$1.8 million and \$4 million per year.

Guided by the 2017 Water Master Plan, the capital program provides for replacements of end-of-life city water mains, associated trench restoration, and provides for additional work necessary to meet population growth as well as equipment upgrades.

The program also provides for the renewal and replacement of water wells, reservoir components, and treatment facilities, and includes provision for an assessment of the network for system optimization and prioritization of improvements.

The capital program is primarily funded through reserves set aside each year from water sales to the community, supplemented by a small amount of developer contributions.