

The Corporation of the  
CITY OF WHITE ROCK



Finance and Audit Committee  
AGENDA

Monday, November 23, 2020, 5:30 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)

The City of White Rock is committed to the health and safety of our community. In keeping with Ministerial Order No. M192 from the Province of British Columbia, City Council meetings will take place without the public in attendance at this time until further notice.

T. Arthur, Director of Corporate Administration

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Pages

1. CALL TO ORDER (Councillor Kristjanson, Chairperson)

1.1. MOTION TO CONDUCT FINANCE AND AUDIT COMMITTEE MEETING  
WITHOUT THE PUBLIC IN ATTENDANCE

**RECOMMENDATION**

WHEREAS COVID-19 has been declared a global pandemic;

WHEREAS the City of White Rock has been able to continue to provide the public access to the meetings through live streaming;

WHEREAS holding public meetings in the City Hall Council Chambers, where all the audio/video equipment has been set up for the live streaming program, would not be possible without breaching physical distancing restrictions due to its size, and holding public meetings at the White Rock Community Centre would cause further financial impact to City Operations due to staffing resources and not enable live streaming;

WHEREAS Ministerial Order No. 192 requires Council carry a motion in order to hold public meetings electronically, without members of the public present in person at the meeting;

THEREFORE BE IT RESOLVED THAT the Finance and Audit Committee (including all members of Council) authorizes the City of White Rock to hold

the November 23, 2020 Finance and Audit Committee meeting to be video streamed and available on the City's website, and without the public present in the Council Chambers via electronic means.

**2. ADOPTION OF AGENDA**

**RECOMMENDATION**

THAT the Finance and Audit Committee adopt the agenda for November 23, 2020 as circulated.

**3. ADOPTION OF MINUTES**

**3.1. July 9, 2020 Finance and Audit Committee Meeting Minutes 3**

**RECOMMENDATION**

THAT the Finance and Audit Committee adopt the minutes of the July 9, 2020 meeting as circulated.

**4. Water Utility 2021 Rates 6**

Corporate report dated November 23, 2020 from Director of Financial Services titled "Water Utility 2021 Rates".

**RECOMMENDATION**

THAT the Finance and Audit Committee endorse the proposed Water Services Bylaw, 2015, No. 2117, Amendment No. 9, Bylaw, 2020, No. 2368 which includes a 6.5% increase for 2021.

**5. CONCLUSION OF THE NOVEMBER 23, 2020 FINANCE AND AUDIT COMMITTEE MEETING**

**PRESENT:** Councillor Kristjanson, Chairperson  
Mayor Walker  
Councillor Chesney  
Councillor Fathers  
Council Johanson  
Councillor Manning  
Councillor Trevelyan

**STAFF:** G. Ferrero, Chief Administrative Officer  
C. Ponzini, Director of Financial Services  
T. Arthur, Director of Corporate Administration  
S. Johnston, Manager of Budget

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1. The Chairperson called the meeting to order at 5:02 p.m.

1.1 2020- F/A-036

**It was MOVED and SECONDED**

WHEREAS COVID-19 has been declared a global pandemic;

WHEREAS the City of White Rock has been able to continue to provide the public access to the meetings through live streaming;

WHEREAS holding public meetings in the City Hall Council Chambers, where all the audio/video equipment has been set up for the live streaming program, would not be possible without breaching physical distancing restrictions due to its size, and holding public meetings at the White Rock Community Centre would cause further financial impact to City Operations due to staffing resources and not enable live streaming;

WHEREAS Ministerial Order No. 192 requires Council carry a motion in order to hold public meetings electronically, without members of the public present in person at the meeting;

THEREFORE BE IT RESOLVED THAT the Finance and Audit Committee (including all members of Council) authorizes the City of White Rock to hold the July 9, 2020 Finance and Audit Committee meeting to be video streamed and available on the City's website, and without the public present in the Council Chambers.

**CARRIED**

**2. AGENDA APPROVAL**

2020-F/A-037

**It was MOVED and SECONDED**

THAT the Finance and Audit Committee adopts the agenda for the meeting scheduled for July 9, 2020 as circulated.

**CARRIED**

**3. ADOPTION OF MINUTES**

a) February 18, 2020

2020-F/A-038

**It was MOVED and SECONDED**

THAT the Finance and Audit Committee adopts the February 18, 2020 meeting minutes as circulated.

**CARRIED**

**4. 2019 FINANCIAL STATEMENTS**

Corporate report dated July 9, 2019 from the Director of Financial Services titled "2019 Financial Statements".

The following discussion points were noted:

- Contracted services and staff salary, how does that compare to previous five (5) years?  
Staff noted this information can be provided
- Capital Assets, appear high (noted as surplus), using the word "surplus" can be confusing  
Staff noted this is an accounting term that must be used in the City's actual statements. In the information presented to Council and within reports a different term may be used
- For contract work has there been cost analysis done for this work?  
Staff noted that much of this cost is for specialized work / work the City is not equipped or staffed to do
- It was confirmed that reserve funds are for a specific purpose  
Council would like to have provided to them the past 5 / 10 years of information of the City's reserves so they may follow the growth and depletion of the reserves
- Community Amenity Contributions were discussed in regard to how they are addressed in the budget
- A more defined breakdown of department and services (staff / consultants) would be helpful
- Council would like to be provided with a list of uncompleted capital projects

2020-F/A-039

**It was MOVED and SECONDED**

THAT the Finance and Audit Committee accepts on behalf of City Council, the 2019 Financial Statements as presented in the July 9, 2020 corporate report from the Director of Financial Services, titled "2019 Financial Statements".

**CARRIED**

5. **AUDIT FINDINGS REPORT FOR THE YEAR ENDED  
DECEMBER 31, 2019**

C. Chiang, Partner - KPMG, and A. Adeleye, Senior Manager - KPMG, introduced the report submitted by KPMG LLP titled “The Corporation of the City of White Rock: Audit Findings Report for the year ended December 31, 2019”.

2020-F/A-040

**It was MOVED and SECONDED**


THAT the Finance and Audit Committee receives the Audit Findings Report submitted by KPMG LLP titled “The Corporation of the City of White Rock: Audit Findings Report for the year ended December 31, 2019”.

**CARRIED**

6. **CONCLUSION OF THE JULY 9, 2020 FINANCE AND AUDIT COMMITTEE  
MEETING**

The Chairperson declared the meeting concluded at 6:01 p.m.

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Councillor Kristjanson, Chairperson

  
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Tracey Arthur, Director of  
Corporate Administration

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



**DATE:** November 23, 2020

**TO:** Finance and Audit Committee

**FROM:** Colleen Ponzini, Director, Financial Services

**SUBJECT:** Water Utility 2021 Rates

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**RECOMMENDATION**

THAT the Finance and Audit Committee endorse the proposed Water Services Bylaw, 2015, No. 2117, Amendment No. 9, Bylaw, 2020, No. 2368, which includes a 6.5% increase for 2021.

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**EXECUTIVE SUMMARY**

The City's Water Utility rates are established annually through bylaw prior to January 1 of the upcoming year. 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 debt load. For 2021, a rate increase of 6.5% is proposed to meet the fiscal requirements of the Water Utility.

The Water Utility Fund is a subset of the City's consolidated 2021 – 2025 Financial Plan, expected to be presented for Council's deliberations between the December to February time frame. The draft 2021 – 2025 Financial Plan for the Water Utility Fund (Appendix A) is detailed in the body of this report. While Council may decide to modify the Water Utility's Financial Plan during future deliberations, staff recommends that the water rate increase proposed in this report be approved for the 2021 fiscal year.

**INTRODUCTION/BACKGROUND**

The City owns, operates and maintains a Water Utility that was purchased in 2015. The Utility's infrastructure includes watermains, service connections, fire hydrants, reservoirs, a water treatment plant, and seven water wells. Engineering & Municipal Operations maintains the infrastructure through the capital and operating programs funded through the Water Utility rates. A summary of the main components of the draft 2021 – 2025 Financial Plan is shown in the following table. Additional information on the main sections follows the table.

	<b>Budget Projections (\$000)</b>				
<b>Water Utility</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>Revenues</b>	<b>6,192</b>	<b>6,565</b>	<b>6,991</b>	<b>7,950</b>	<b>8,228</b>
<b>Operating Expenses</b>	<b>4,598</b>	<b>5,034</b>	<b>4,644</b>	<b>4,791</b>	<b>5,289</b>
<b>Capital</b>	<b>3,267</b>	<b>2,812</b>	<b>1,797</b>	<b>2,755</b>	<b>2,275</b>
<b>Debt Retirement</b>	<b>710</b>	<b>733</b>	<b>756</b>	<b>781</b>	<b>806</b>
<b>Internal Charges</b>	<b>485</b>	<b>495</b>	<b>505</b>	<b>515</b>	<b>525</b>
<b>Reserves</b>	<b>3,754</b>	<b>2,755</b>	<b>3,179</b>	<b>3,470</b>	<b>3,986</b>
<b>Rate Increase</b>	<b>6.5%</b>	<b>6.5%</b>	<b>6.5%</b>	<b>6.5%</b>	<b>6.5%</b>

### **Revenues**

Revenues generated through water user rates are used to operate and maintain the water distribution system. Water user rates are projected to increase by 6.5% annually over the next five years primarily to address increasing operating costs driven by water treatment filtration expenses; paying for the purchase of the Utility through debt financing; funding the Utility's capital program; and to build capital reserves necessary to address future needs. Billing is carried out quarterly and water user rates need to be set, through bylaw, by January 1 for the upcoming year.

### **Operating Expenses**

The Water Utility's main operating expenses relate to staffing, materials and supplies, contract maintenance, interest on long-term debt and asset amortization. The Draft 2021 to 2025 Financial Plan includes small increases in 2021 for staffing and an increase related to filtration materials that must be replaced periodically, scheduled for 2022 and 2025, causing expenses for those years to increase as well.

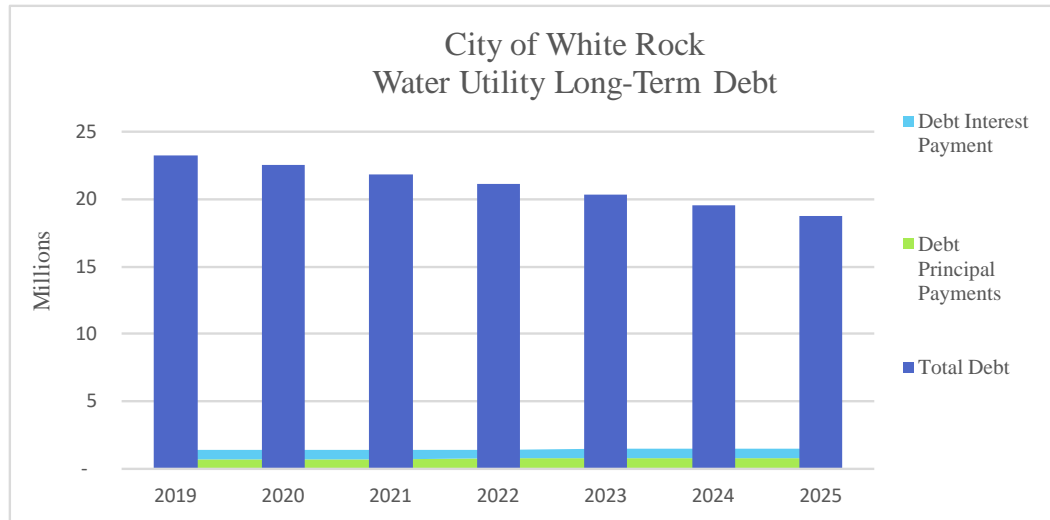
### **Capital**

The Water Utility's capital budget 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 budget also provides for the renewal and replacement of water wells, reservoir components and treatment facilities and includes provision for the assessment of the network for system optimization and prioritization of improvements. The development of the capital program is guided by the City's asset management process and the Water Master Plan which was updated in 2017. Over the next five years, the Water Utility's capital budget is in the range of \$1.8M to \$3.3M annually.

The capital program is primarily funded through reserves although there are projections for Developer Contributions and senior government grants in future years, which the City aims to secure, however, funding from which is unpredictable and unreliable

### **Debt Retirement**

As of December 31, 2019, the City had \$23.3M in long-term debt outstanding that was borrowed for the purposes of purchasing and constructing the Water Utility. Most of the debt was borrowed under 30-year terms. Annual debt servicing costs are in the range of \$1.4M which includes interest and principal repayments. As per the graph below, the outstanding debt is projected to be reduced to \$18.8M by 2025.



### Internal Charges

Internal Charges relate to administrative expenses in supporting the Water Utility Fund and include activities such as billing and collections, communications, information technology and human resources support.

### Reserves

Reserves for the Water Utility are an accumulation of surpluses from current operations to finance future capital and operational requirements with an objective of maintaining reserve balances equivalent to 5% to 10% of the Utility’s asset replacement value. The City’s Water Utility asset replacement value is estimated to be \$125M which would put the projected reserve balances in the range of 2.2% to 3.2% of the asset replacement value.

### Rate Increase

A 2021 rate increase of 6.5% is required to fund increased operating costs, infrastructure upgrades, and to work towards building sustainable Water Utility reserves. The table below shows the expected quarterly and annual impacts of the increase on an average single family and multi family home.

	Average Single Family		Average Multi Family	
	Quarterly	Annually	Quarterly	Annually
<b>Current 2020</b>	\$ 163	\$ 652	\$ 58	\$ 232
<b>Proposed 2021 \$ Increase</b>	\$ 11	\$ 44	\$ 4	\$ 16
<b>Proposed 2021</b>	\$ 174	\$ 696	\$ 62	\$ 248

### FINANCIAL IMPLICATIONS

As detailed in the body of this report.

### LEGAL IMPLICATIONS

Not Applicable.

### COMMUNICATION AND COMMUNITY ENGAGEMENT IMPLICATIONS

The Water Utility Fund rate increase proposed in this report is in line with the City’s current 2020 – 2024 Financial Plan. The 2021 Budget Process of which this Utility is included, will begin in December and carry on into the new year.



**INTERDEPARTMENTAL INVOLVEMENT/IMPLICATIONS**

All departments provided input for the Water Utility Fund’s Draft Financial Plan included as the basis for the rate increase proposed in this report.

**CLIMATE CHANGE IMPLICATIONS**

Not Applicable.

**ALIGNMENT WITH STRATEGIC PRIORITIES**

Not Applicable.

**OPTIONS / RISKS / ALTERNATIVES**

The following alternate option is available for Council’s consideration:

1. Decline to endorse the proposed Water Services Bylaw, 2015, No. 2117, Amendment No. 9, Bylaw, 2020, No. 2368 which includes a 6.5% increase for 2021. This would increase the risk that the Utility will not have sufficient funds available to deal with emergent maintenance issues and will put pressure on raising rates even higher in future years.

**CONCLUSION**

The City’s Water Utility rates are established annually through bylaw prior to January 1 of the upcoming year. 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 2021, a rate increase of 6.5% is proposed to meet the fiscal requirements of the Water Utility.

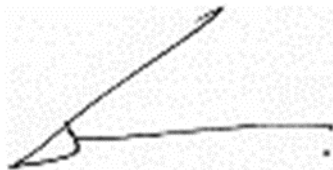
Respectfully submitted,



Colleen Ponzini, CPA, CGA  
Director of Financial Services

**Comments from the Chief Administrative Officer**

I concur with the recommendation of this corporate report.



Guillermo Ferrero  
Chief Administrative Officer

**CORPORATION OF THE CITY OF WHITE ROCK  
WATER FUND BUDGET**

	2020	2020	2021	\$ Chg	Budget Projections			
	Projections	Budget	Budget		2022	2023	2024	2025
<b>REVENUE</b>								
Utility Rates	\$ 5,263,390	\$ 5,258,000	\$ 5,605,500	\$ 347,500	\$ 5,969,900	\$ 6,357,900	\$ 6,771,200	\$ 7,211,300
Utility Service Connection Fees	200,000	350,000	300,000	(50,000)	305,000	310,000	315,000	320,000
Grants from Other Governments	-	-	-	-	-	-	333,300	333,300
Capital Contributions and DCC's	-	110,000	119,900	9,900	100,000	110,000	293,000	100,000
Other Revenue	131,150	137,200	166,900	29,700	189,800	213,400	237,800	262,900
<b>Total Revenues</b>	<b>5,594,540</b>	<b>5,855,200</b>	<b>6,192,300</b>	<b>337,100</b>	<b>6,564,700</b>	<b>6,991,300</b>	<b>7,950,300</b>	<b>8,227,500</b>
<b>EXPENSES</b>								
Operating Expenses	2,228,523	2,589,700	2,743,600	153,900	3,148,400	2,715,200	2,813,800	3,311,400
Interest and Bank Charges	681,300	681,300	681,300	-	681,300	681,300	681,300	681,300
Amortization	1,101,000	1,101,000	1,173,000	72,000	1,204,000	1,247,000	1,296,000	1,296,000
<b>Total Expenses</b>	<b>4,010,823</b>	<b>4,372,000</b>	<b>4,597,900</b>	<b>225,900</b>	<b>5,033,700</b>	<b>4,643,500</b>	<b>4,791,100</b>	<b>5,288,700</b>
<b>INCREASE IN TOTAL EQUITY</b>	<b>1,583,717</b>	<b>1,483,200</b>	<b>1,594,400</b>	<b>111,200</b>	<b>1,531,000</b>	<b>2,347,800</b>	<b>3,159,200</b>	<b>2,938,800</b>
<b>Reconciliation to Financial Equity</b>								
Amortization of Tangible Capital Assets	1,101,000	1,101,000	1,173,000	72,000	1,204,000	1,247,000	1,296,000	1,296,000
Capital Expenses	(1,130,000)	(3,463,000)	(3,267,000)	196,000	(2,812,000)	(1,797,000)	(2,755,000)	(2,275,000)
Debt Retirement	(687,613)	(687,600)	(709,800)	(22,200)	(732,700)	(756,200)	(780,600)	(805,800)
Proceeds on Debt Issuance	7,400	12,300	-	(12,300)	-	-	-	-
Transfer from/(to) Other Funds	(75,400)	(75,400)	(39,800)	35,600	305,800	(112,600)	(112,900)	(113,300)
Internal Charges	(475,000)	(475,000)	(485,000)	(10,000)	(495,000)	(505,000)	(515,000)	(525,000)
<b>CHANGE IN FINANCIAL EQUITY (Reserve)</b>	<b>324,104</b>	<b>(2,104,500)</b>	<b>(1,734,200)</b>	<b>370,300</b>	<b>(998,900)</b>	<b>424,000</b>	<b>291,700</b>	<b>515,700</b>
Financial Equity , beginning of year	5,163,617	5,163,617	5,487,721	324,104	3,753,521	2,754,621	3,178,621	3,470,321
<b>FINANCIAL EQUITY (Reserves), end of year</b>	<b>\$ 5,487,721</b>	<b>\$ 3,059,117</b>	<b>\$ 3,753,521</b>	<b>\$ 694,404</b>	<b>\$ 2,754,621</b>	<b>\$ 3,178,621</b>	<b>\$ 3,470,321</b>	<b>\$ 3,986,021</b>

**WATER FUND CAPITAL BUDGET**

<b>CAPITAL EXPENSES</b>								
Water Infrastructure	\$ 1,130,000	\$ 3,463,000	\$ 3,267,000	\$ (196,000)	\$ 2,812,000	\$ 1,797,000	\$ 2,755,000	\$ 2,275,000
<b>Total Capital Expenses</b>	<b>\$ 1,130,000</b>	<b>\$ 3,463,000</b>	<b>\$ 3,267,000</b>	<b>\$ (196,000)</b>	<b>\$ 2,812,000</b>	<b>\$ 1,797,000</b>	<b>\$ 2,755,000</b>	<b>\$ 2,275,000</b>
<b>FUNDING SOURCES</b>								
Reserve Funds	\$ 1,122,600	\$ 3,340,700	\$ 3,147,100	\$ (193,600)	\$ 2,712,000	\$ 1,687,000	\$ 2,128,700	\$ 1,841,700
Development Cost Charges	-	10,000	10,000	-	-	10,000	93,000	-
Long Term Debt	7,400	12,300	-	(12,300)	-	-	-	-
Grants from Other Governments	-	-	-	-	-	-	333,300	333,300
Contributions	-	100,000	109,900	9,900	100,000	100,000	200,000	100,000
<b>Total Capital Funding</b>	<b>\$ 1,130,000</b>	<b>\$ 3,463,000</b>	<b>\$ 3,267,000</b>	<b>\$ (196,000)</b>	<b>\$ 2,812,000</b>	<b>\$ 1,797,000</b>	<b>\$ 2,755,000</b>	<b>\$ 2,275,000</b>