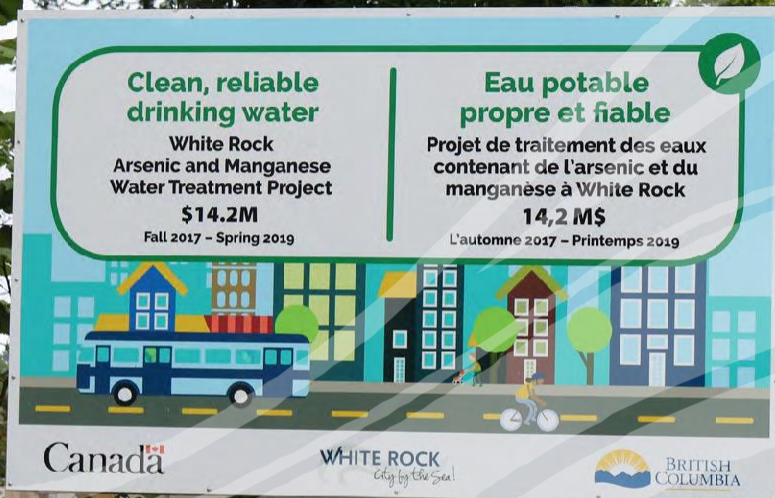
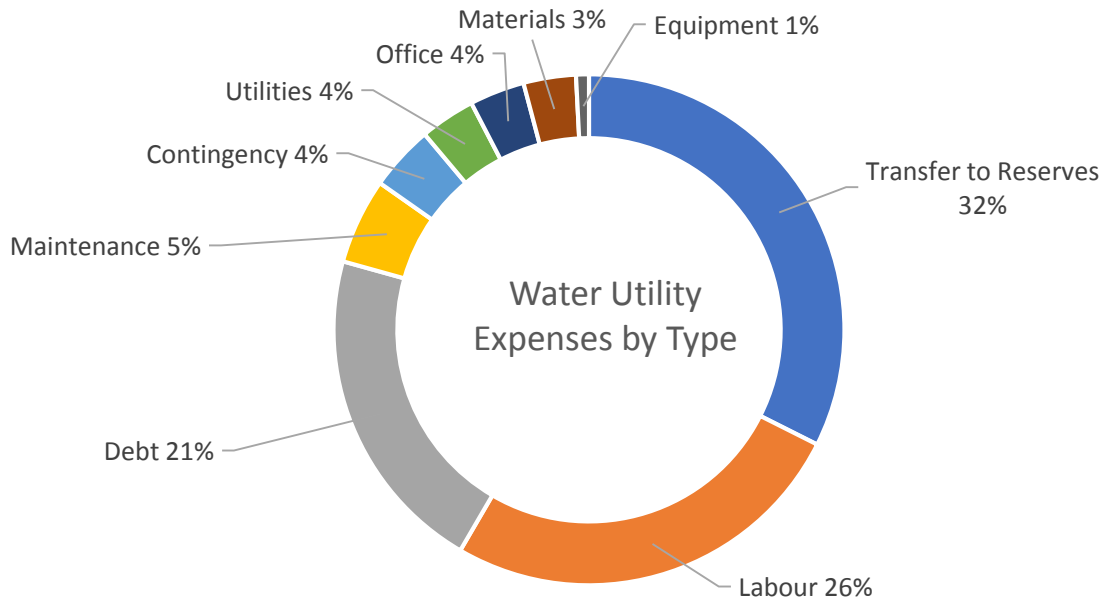


BUDGET SUMMARY

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%
Total	6.5%

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
Total Funding	\$ 6,059,970	\$ 6,279,579	\$ 6,696,700	\$ 6,933,200	\$ 6,873,300	\$ (59,900)	-0.9%

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
Total Operating Expenses	\$ 6,059,970	\$ 6,279,579	\$ 6,696,700	\$ 6,933,200	\$ 6,873,300	\$ (59,900)	-0.9%

Net	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-----	------	------	------	------	------	------

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
Total	\$686	\$731

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 to \$17.0M by 2027.

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
WORKING CAPITAL								
Operating (Accumulated) Surplus	1,248,000	1,248,000	1,248,000	1,248,000	1,248,000	1,248,000	Good	Good
OPERATIONS and Debt (Reserve Acc								
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
CAPITAL (Reserve Accounts)								
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
OVERALL RESERVES	6,019,700	5,028,700	5,877,500	6,373,300	5,898,100	5,776,900		
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.