

2018 - 2022 Water & Sewer Budget Highlights



CITY OF
COURTENAY

PRESENTED BY

CITY STAFF

February 05, 2018 Council Meeting

2018 Water and Sewer Budgets: Background

- **May 2017 – Council approves utility rates for water and sewer**
- **Proposed 2018 Sewer and Water budgets based on approved rates**
- **Significant recent growth and development**
- **Based on City’s Asset Management Policy focused on Sustainable Service Delivery**

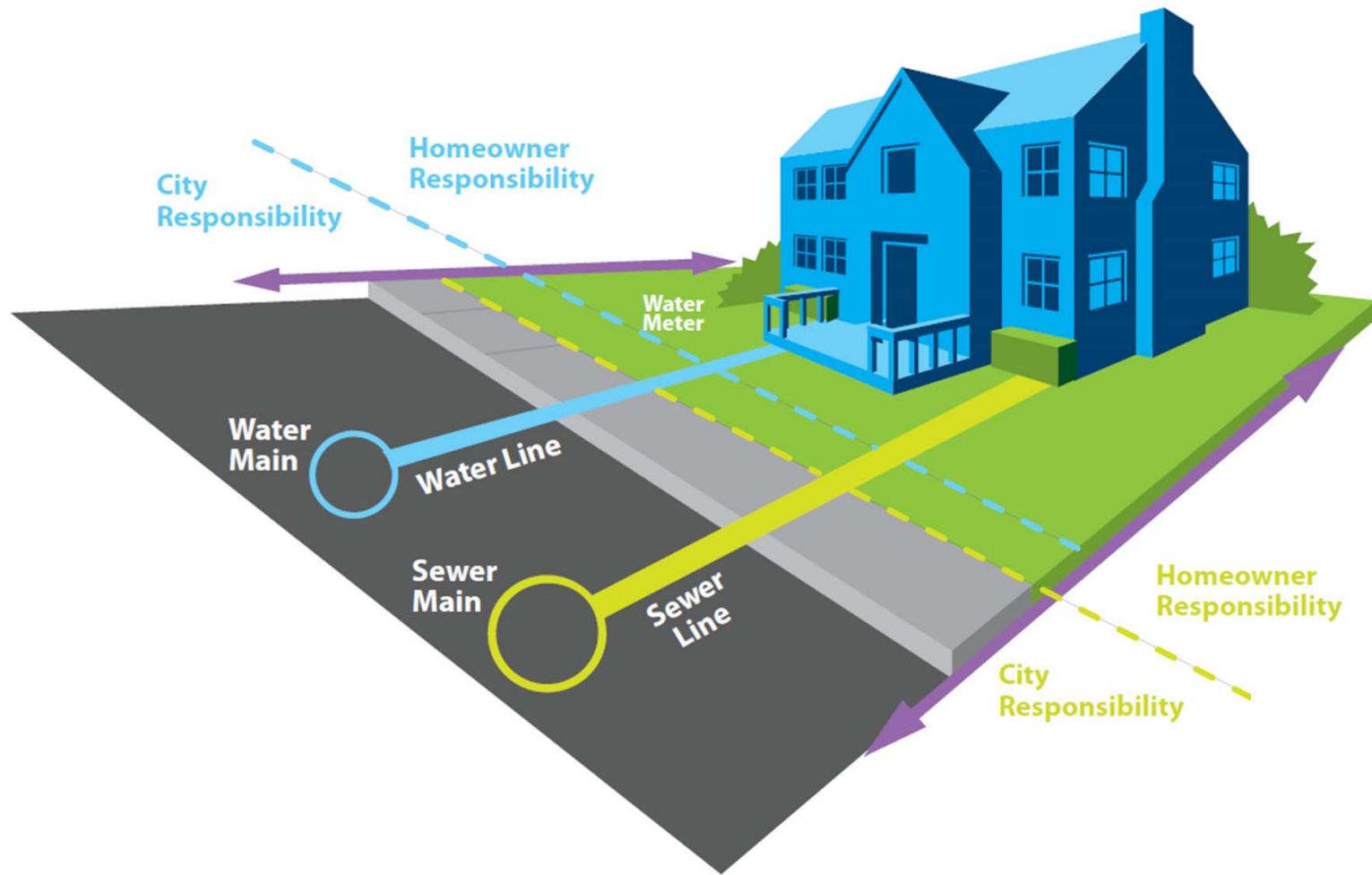


2018 Water and Sewer Budgets: Key Considerations

1. Condition Assessments, risk of in service failures, life cycle analysis and timelines for renewal of significant long term assets
2. Risk = Operational; Technical; Financial; Legal; Social and Environmental factors (likelihood & consequence of failure)
3. No new debt in 2018
4. Final Council approval will be reflected in City's 2018 – 2022 Financial Plan

2018 Water and Sewer Budgets: Operating & Capital

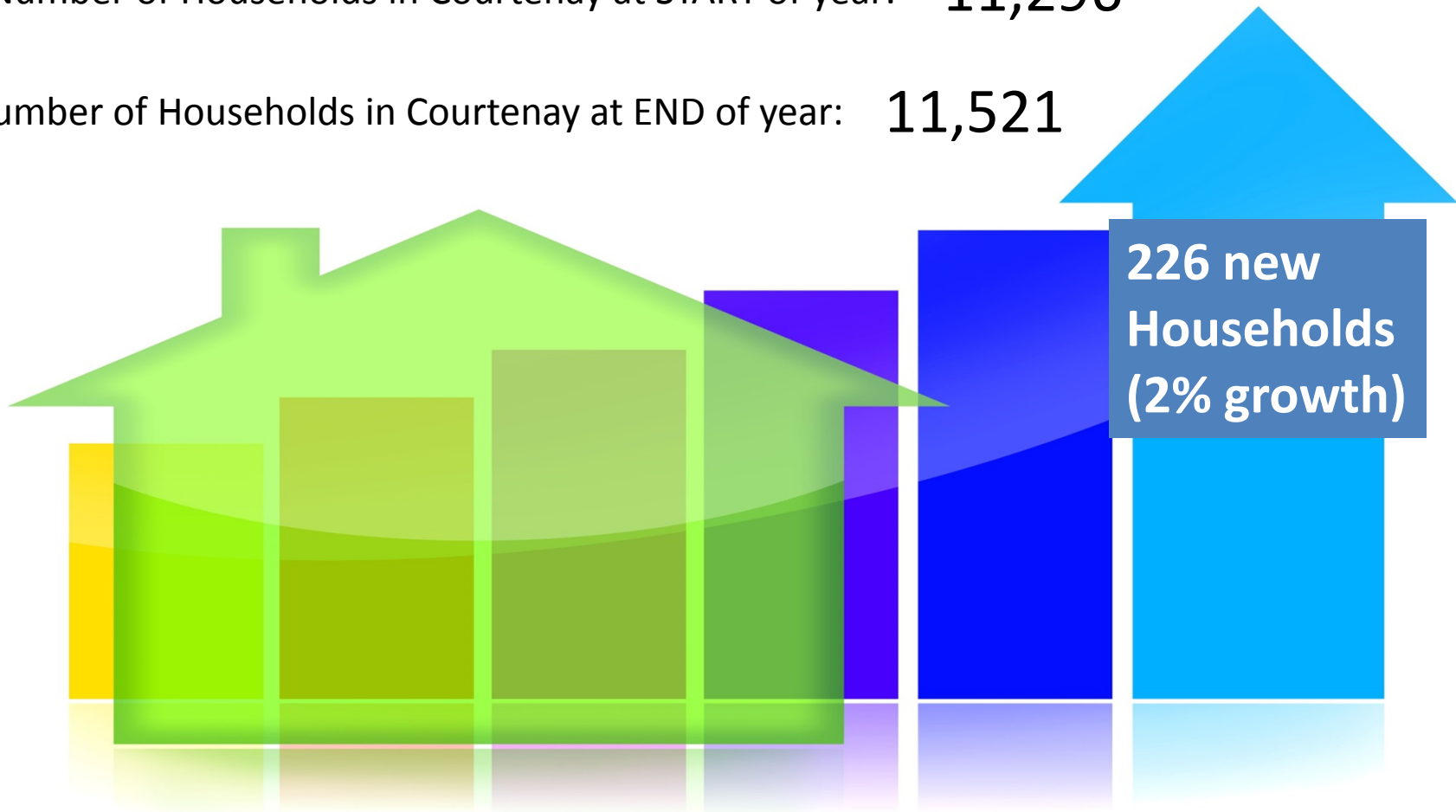
5. Focus on ability to undertake long term financial planning
6. Operating budgets address increased permit and regulatory requirements
7. Capital budgets emphasize:
 - ✓ completing projects
 - ✓ avoiding in-service failures
 - ✓ maximizing contributions to Reserves



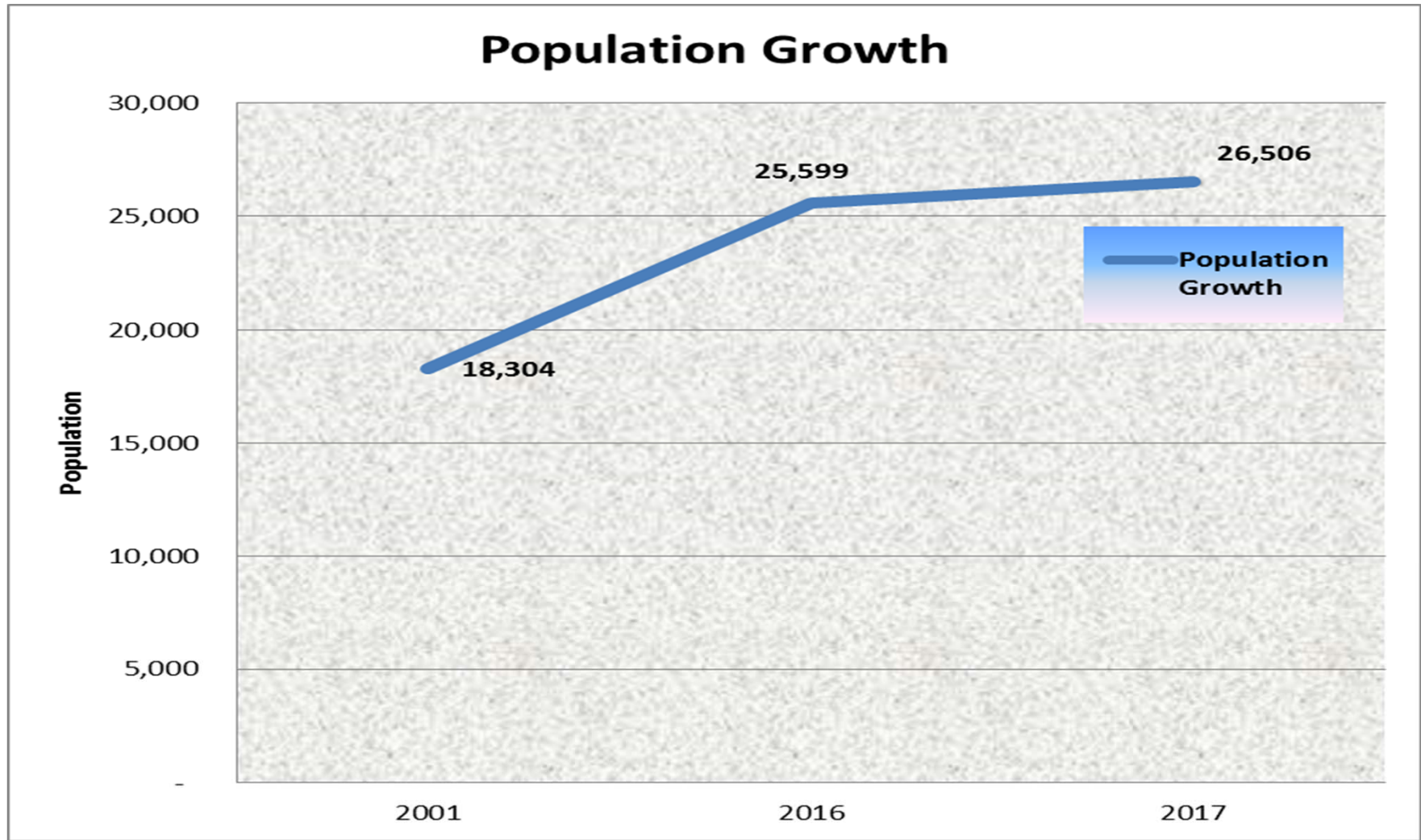
Water and Sewer Quick facts

Number of Households in Courtenay at START of year: **11,296**

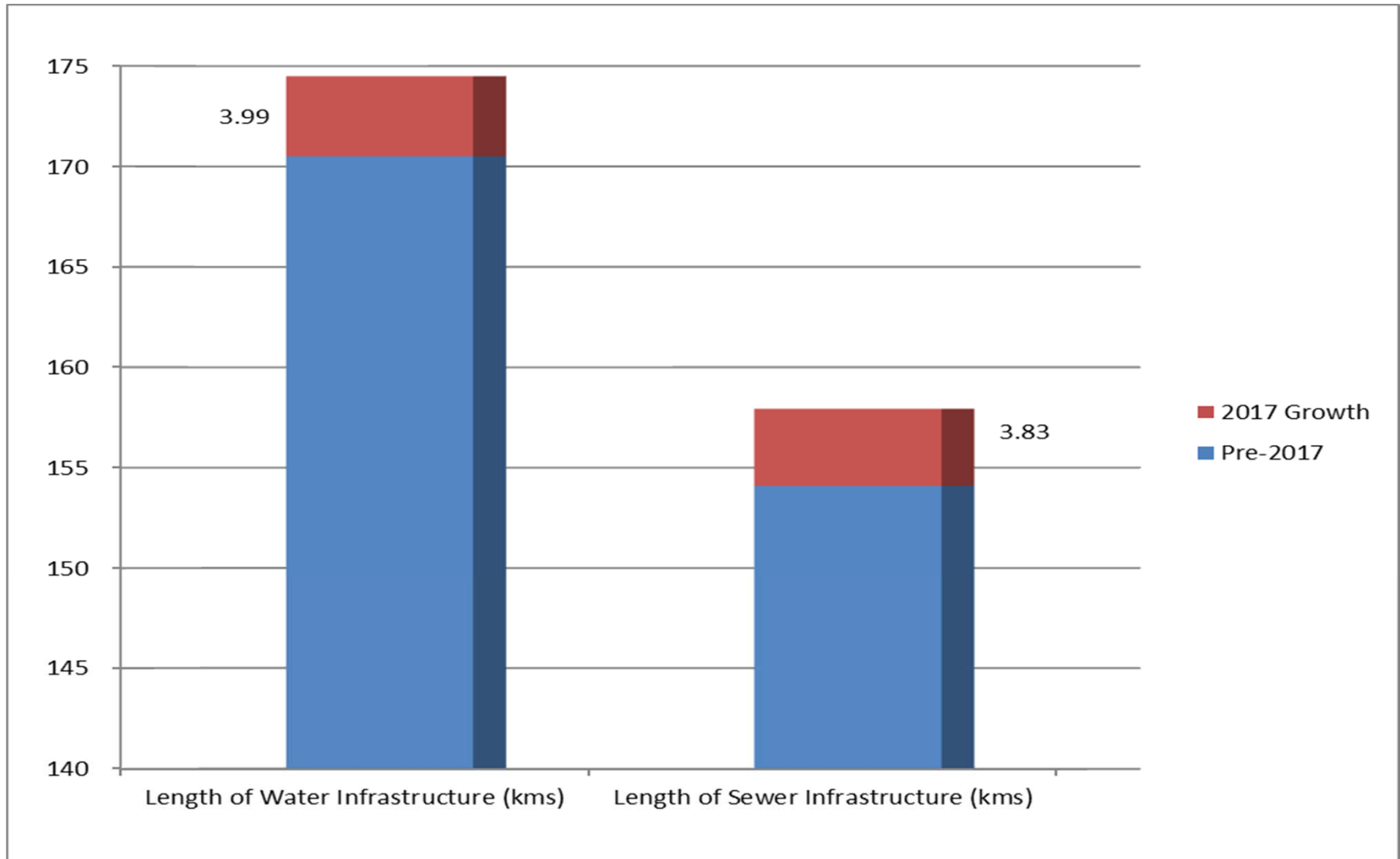
Number of Households in Courtenay at END of year: **11,521**



Water and Sewer Quick facts



Water and Sewer Quick facts



City of Courtenay Subdivision Lots Registered by Year




Completed 2017

- Crown Isle – Norfolk	14 Lots
- 721 Grant Subdivision	2 Lots
- Crown Isle – 3232 Majestic Drive	2 Lots
- Hampton Gate Phase 2	25 Lots
- Gould Partition	2 Lots
- Buckstone Phase 2	43 Lots
- 2935 Lupton Partition	2 Lots

Applications In Process

- 2140 Lake Trail Road	2 Lots - Close to final registration
- Copperfield Ph 5	19 Lots - Close to final registration
- Arden Road – The Streams Ph 1	15 Lots - Close to final registration
- River’s Edge Ph 4	20 Lots - Close to final registration
- Austyn Heights	26 Lots - Close to final registration
- Christie Parkway	5 Lots
- Arden Road – The Streams Ph 2	11 Lots
- 1590 Cliffe Ave – Best Western	2 Lots
- Crown Isle The Rise Phase 3	69 Lots
- Crown Isle North Commercial Lot	2 Lots
- Crown Isle – Crown Isle Drive	67 Lots
- Crown Isle – Estates Lots	17 Lots
- Buckstone Ph 3A	45 Lots
- Buckstone Ph 3B	61 Lots
- Arden Road – The Streams Ph 3	11 Lots
- 3300 Mission Rd (Northridge)	34 Lots
- 1175 Cliffe (Fluid)	2 Lots
- 2946 Suffield Rd	2 Lots
- 1290 10 th St East	2 Lots

A photograph of a construction site showing a long trench filled with large, grey concrete pipes. The pipes are laid out in a line, and the trench walls are made of reddish-brown soil. In the background, there are stacks of more pipes and some construction equipment. An orange semi-transparent box is overlaid on the right side of the image, containing the text "2018 - 2022 Sewer Budget".

2018 – 2022 Sewer Budget

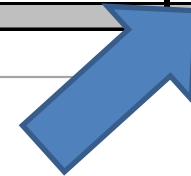
2018 – 2022 Sewer Budget - Operations

Sewer Operating Fund	Budget	Budget	Financial Plan			
	2017	2018	2019	2020	2021	2022
Revenues						
Operating						
Frontage & Parcel Taxes	\$ 1,955,300	\$ 1,973,500	\$ 2,266,600	\$ 2,268,200	\$ 2,275,300	\$ 2,285,200
Sale of Services	4,282,100	4,767,900	5,027,200	5,299,300	5,582,200	5,880,200
Revenue from Own Sources	1,100	50,900	50,800	50,700	50,700	50,700
	6,238,500	6,792,300	7,344,600	7,618,200	7,908,200	8,216,100
Reserves & Surplus						
Future Expenditure Reserve	183,300	307,600	-	-	-	-
Gas Tax Fund	-	75,000	-	-	-	-
	183,300	382,600	-	-	-	-
Equity in Capital Assets	125,000	125,000	125,000	125,000	125,000	125,000
	125,000	125,000	125,000	125,000	125,000	125,000
Total Revenues	\$ 6,546,800	\$ 7,299,900	\$ 7,469,600	\$ 7,743,200	\$ 8,033,200	\$ 8,341,100

2018 Sewer Fund Revenue Streams

Annual	User Fees		Frontage	
	One-time	Change	per meter	Change
2014	\$ 217.94		\$ 10.24	
2015	\$ 243.55	\$ 25.61	\$ 10.24	\$ -
2016	\$ 267.91	\$ 24.36	\$ 10.24	\$ -
2017	\$ 294.70	\$ 26.79	\$ 10.24	\$ -
2018	\$ 324.17	\$ 29.47	\$ 10.24	\$ -

	2018	2019	2020	2021	2022
	Operating	Operating	Operating	Operating	Operating
Sewer Budgeted Revenues					
<i>User Fees - related % inc.</i>	10%	5%	5%	5%	5%
User Fee Revenue Sub-Totals	4,893,800	5,078,000	5,350,000	5,632,900	5,930,900
Sewer Budgeted Expenditures					
Operating Expenditure Sub-Totals	5,546,200	5,698,000	5,979,700	6,272,700	6,589,700
Sub-Total Revenues minus Expenses	(652,400)	(620,000)	(629,700)	(639,800)	(658,800)



2018 - 2022 SF – Operating Expenditures

Sewer Operating Fund	Budget	Budget	Financial Plan			
	2017	2018	2019	2020	2021	2022
Expenses						
Operating						
General Administration	1,123,000	1,118,800	1,026,000	1,049,100	1,068,500	1,096,000
CVRD	3,670,700	3,890,900	4,124,400	4,371,800	4,634,200	4,912,200
Collection	479,800	531,000	542,100	553,300	564,500	576,000
	5,273,500	5,540,700	5,692,500	5,974,200	6,267,200	6,584,200
Amortization	125,000	125,000	125,000	125,000	125,000	125,000
Total Expenses	5,398,500	5,665,700	5,817,500	6,099,200	6,392,200	6,709,200
Transfers to Other Funds						
Sewer Capital Fund	437,700	1,249,400	1,341,500	1,341,500	1,341,500	1,341,500
Transfers to Reserves						
Asset Management Reserve	300,000	300,000	200,000	200,000	200,000	200,000
Machinery/Equip Reserve	75,000	75,000	75,000	75,000	75,000	75,000
MFA Reserve Fund	700	700	600	500	500	500
Carbon Offsets Reserve	5,500	5,500	5,500	5,500	5,500	5,500
Total Transfers	381,200	381,200	281,100	281,000	281,000	281,000
Total Transfers	1,148,300	1,630,600	1,622,600	1,622,500	1,622,500	1,622,500
Total Expenses	\$ 6,546,800	\$ 7,296,300	\$ 7,440,100	\$ 7,721,700	\$ 8,014,700	\$ 8,331,700
Surplus (Deficit)	-	3,600	29,500	21,500	18,500	9,400

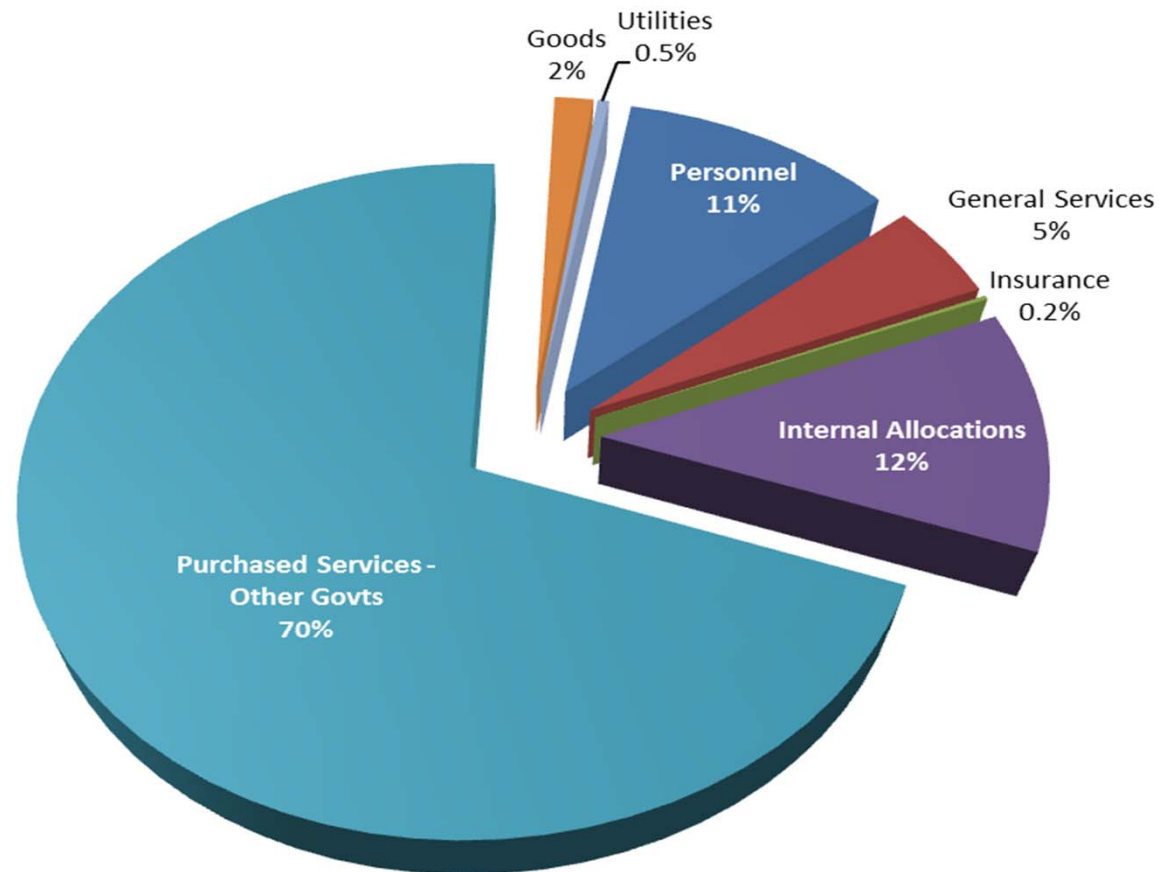


2018 Sewer Fund Expenditure Changes - by Segments

Sewer Operating	2017 Final Budget	2018 Final Budget	Dollar Change 2017-18 Budget	% of Total 2018 Budget	Breakdown of 2018 User Fee Bylaw Rate
Expenditures by Economic Segments					
Personnel	503,600	615,900	112,300	11.1%	\$ 36.03
General Services	211,400	262,300	50,900	4.7%	\$ 15.35
Insurance	9,900	10,700	800	0.2%	\$ 0.63
Internal Allocations	789,500	648,300	(141,200)	11.7%	\$ 37.93
Purchased Services - Other Govts	3,670,700	3,890,900	220,200	70.2%	\$ 227.65
Goods	63,700	87,100	23,400	1.6%	\$ 5.10
Utilities	24,700	25,500	800	0.5%	\$ 1.49
Sub-Totals	5,273,500	5,540,700	267,200	100.0%	\$ 324.17



2018 SF Expenditure - by Segments



Sewer Fund Capital Expenditures

Project description	2018 Final Budget
Greenwood Trunk Connection	90,000
Braidwood Affordable Housing - Sewer Servicing	10,000
Hudson Trunk Main Connection	255,000
20 St & Riverside Lane - Trunk Main Realignment	215,000
	570,000
Sewer - Projects identified through Asset Management Strategy	
Comox Rd, Lewis Park, River Crossing - Sanitary Main Replacement	112,500
1 St Lift Station Replacement	220,000
Riverside Sanitary Trunk - 8 St to 19 St - Trunk Main Upgrade	267,500
Braidwood Rd - Road & Utility Reconstruction - Sanitary	43,500
	643,500
Scada System Implementation	585,000
	585,000
	1,798,500

Plus: 2018 LT Debt
Payment \$130,100



Total Capital = \$1,928,600



Sewer Fund Capital Funding Sources

Transfer from Operations	\$ 941,800
Affordable Housing Reserve	\$ 10,000
Sewer Asset Management Reserve	\$ 100,000
Gas Tax	\$ 502,400
DCC Reserve	\$66,800
Reserve for Future Expenditures	<u>\$307,600</u>
Total 2018 Capital Funding	<u>\$1,928,600</u>



2018 – 2022 Sewer Fund Capital Overview

SEWER CAPITAL FUND	2018 Final Budget	2019 Proposed Budget	2020 Proposed Budget	2021 Proposed Budget	2022 Proposed Budget
REVENUES					
Funding from Operating Fund, Reserves and Surplus					
Other Revenues	66,800	-	-	-	-
Sewer Operating Fund	941,800	1,341,500	1,341,500	1,341,500	1,341,500
Sewer Operating Surplus (RFE)	307,600	-	-	-	-
Sewer Reserve Funds	100,000	2,000,000	250,000	250,000	250,000
Gas Tax Reserve Fund	502,400	-	-	-	-
Affordable Housing Reserve	10,000	-	-	-	-
	1,928,600	3,341,500	1,591,500	1,591,500	1,591,500
Funding from Debt	-	2,500,000	-	-	-
Total Funding for Capital	1,928,600	5,841,500	1,591,500	1,591,500	1,591,500
CAPITAL EXPENDITURES					
DEBT					
Interest - Debenture Debt	54,900	131,900	131,900	131,900	131,900
Principal - Debenture Debt	75,200	209,600	209,600	209,600	209,600
	130,100	341,500	341,500	341,500	341,500
ASSETS					
Equipment - Scada	585,000	-	-	-	-
Engineering Structures - Renewal	643,500	4,500,000	1,250,000	1,250,000	1,250,000
Engineering Structures - New	570,000	1,000,000	-	-	-
	1,798,500	5,500,000	1,250,000	1,250,000	1,250,000
Total Sewer Capital Expenditures	1,928,600	5,841,500	1,591,500	1,591,500	1,591,500



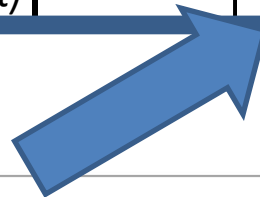
2018 Sewer Fund Reserves and Surplus

Sewer Reserves and Surplus	Estimated balance	
	Dec.31, 2017	Dec.31, 2018
Operating Surplus		
Surplus	601,600	767,500
Surplus Reserve for Future Expenditures	469,900	-
Total	1,071,500	767,500
Capital Reserves		
Sewer Reserve	476,100	476,100
Asset Management	2,425,000	2,625,000
Sewer Machinery and Equipment	702,600	777,600
Total	3,603,700	3,878,700
Total Surplus and Reserves	4,675,200	4,646,200
DCC		
Sewer DCC Bylaw #1638/2755 'northeast zone'	33,600	33,600
Sewer DCC Bylaw #2426/2755	467,400	400,600
Total Sewer DCC	501,000	434,200



Sewer Fund Operating Vs Capital Analysis

	2018		2019		2020	
	Operating	Capital	Operating	Capital	Operating	Capital
Sewer Budgeted Revenues						
Frontage Fee Revenues Sub-Total		2,960,300		6,766,600		2,518,200
<i>User Fees - related % inc.</i>	10%		5%		5%	
User Fee Revenue Sub-Totals	4,893,800		5,078,000		5,350,000	
Sewer Budgeted Expenditures						
Operating Expenditure Sub-Totals	5,546,200	2,304,300	5,698,000	6,117,100	5,979,700	1,867,000
<i>Sub-Total Revenues minus Expenses</i>	(652,400)	656,000	(620,000)	649,500	(629,700)	651,200
Surplus/(Deficit)		3,600		29,500		21,500



Sewer Fund Operating Vs Capital cont'd

	2021		2022	
	Operating	Capital	Operating	Capital
<i>Sewer Budgeted Revenues</i>				
Frontage Fee Revenues Sub-Total		2,525,300		2,535,200
<i>User Fees - related % inc.</i>	5%		5%	
User Fee Revenue Sub-Totals	5,632,900		5,930,900	
<i>Sewer Budgeted Expenditures</i>				
Operating Expenditure Sub-Totals	6,272,700	1,867,000	6,589,700	1,867,000
<i>Sub-Total Revenues minus Expenses</i>	(639,800)	658,300	(658,800)	668,200
<i>Surplus/(Deficit)</i>		18,500		9,400

Questions?



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Financial Services

2018 - 2022 Sewer and Water Budget Highlights

2018 Water Budget



Water Expenditures (2018 – 2022)

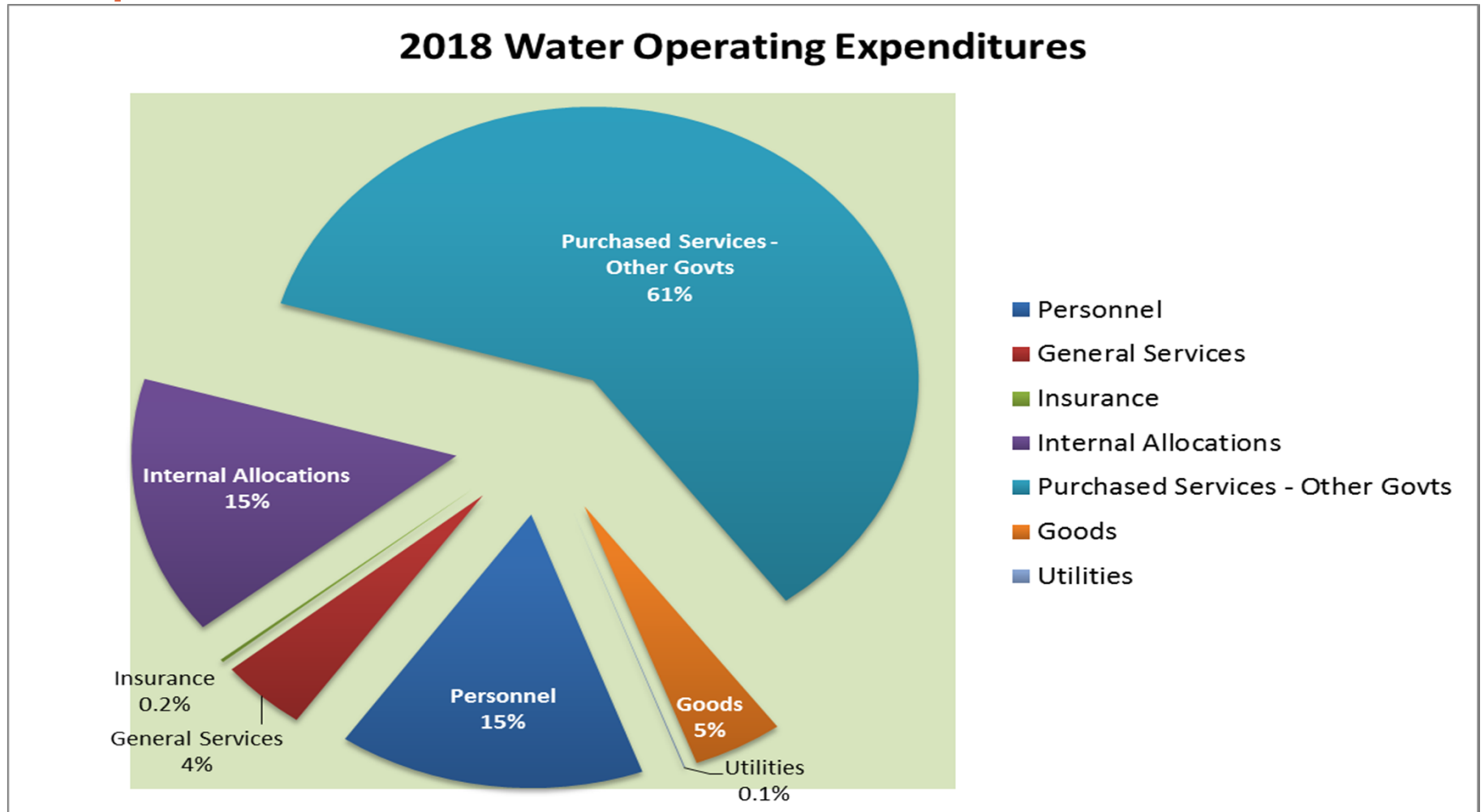
WATER OPERATING FUND	2017	2018	2019	2020	2021	2022
	Final Budget	Final Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget
EXPENDITURES						
Operating						
General Administration	1,453,400	1,627,300	1,512,000	1,545,400	1,618,800	1,613,500
CVRD - Supply	3,598,400	4,022,600	4,495,300	4,889,600	5,251,500	5,509,900
Transmission and Distribution	2,536,600	1,014,900	1,033,600	1,052,900	1,072,000	1,092,300
Total Before Amortization	6,300,000	6,664,800	7,040,900	7,487,900	7,942,300	8,215,700
Amortization	300,000	300,000	300,000	300,000	300,000	300,000
Total Operating Expenses	6,605,400	6,964,800	7,340,900	7,787,900	8,242,300	8,515,700
Transfer to Other Funds						
Other Funds						
Total Other Funds	80,600	994,800	1,530,600	1,780,600	2,030,600	2,030,600
Reserves						
Total to Reserves	369,800	173,300	77,000	328,000	429,000	379,900
Total to Other Funds and Reserves	488,300	1,168,100	1,607,600	2,108,600	2,459,600	2,410,500
Total Expenditures	7,093,700	8,132,900	8,948,500	9,896,500	10,701,900	10,926,200
Net Surplus (deficit)	-	14,200	29,800	16,100	26,500	18,700

2017 Water Budget by Segments

WATER FUND	2017 Final Budget	2018 Budget	2017-2018 Budget Variance	% of Total 2018 Budget	Breakdown of Current User Fee
Expenditures by Economic Segments					
Personnel	679,800	1,017,200	337,400	15.3%	\$ 71.36
General Services	673,700	289,400	(384,300)	4.3%	\$ 20.30
Insurance	10,700	12,000	1,300	0.2%	\$ 0.84
Internal Allocations	1,072,500	1,020,200	(52,300)	15.3%	\$ 71.57
Purchased Services - Other Govts	3,598,400	4,022,600	424,200	60.4%	\$ 282.18
Goods	265,300	299,300	34,000	4.5%	\$ 21.00
Transfer payments (rebates)	1,000	-	(1,000)	0.0%	\$ -
Utilities	4,000	4,100	100	0.1%	\$ 0.29
Sub-Total Operating costs	6,305,400	6,664,800	359,400	100.0%	\$ 467.53



2018 Water Budget - by Segments – Graphical Representation



Water Fund User Fee Options:

	User Fees		Frontage	
	One-time	Change	Per metre	Change
2014	\$ 348.38		\$ 3.74	
2015	\$ 358.83	\$ 10.45	\$ 3.74	\$ -
2016	\$ 369.59	\$ 10.76	\$ 3.74	\$ -
2017	\$ 425.03	\$ 55.44	\$ 4.68	\$ 0.94
2018	\$ 467.53	\$ 42.50	\$ 5.84	\$ 1.16

**Budget
impact of
User Fee
increases**

	2018	2019	2020	2021	2022
	Operating	Operating	Operating	Operating	Operating
Water Revenue					
User Fees	10%	10%	7.5%	4%	2%
User Fee & Gas Tax Revenue Sub-Totals	6,651,900	7,200,300	7,751,700	8,085,700	8,278,600
Total Revenues					
Water Expenditures					
Expenditure Sub-Totals	6,670,300	7,046,400	7,493,400	7,947,800	8,221,200
Surplus/(Deficit)	(18,400)	153,900	258,300	137,900	57,400

WATER OPERATING FUND	2017	2018	2019	2020	2021	2022
	Final	Final	Proposed	Proposed	Proposed	Proposed
	Budget	Budget	Budget	Budget	Budget	Budget
REVENUES						
Operating						
Frontage & Parcel Taxes	902,700	1,159,900	1,462,200	1,844,800	2,326,300	2,349,500
Sale of Services	5,743,000	6,409,100	7,058,800	7,607,000	7,938,000	8,127,900
Revenue from Own Sources	124,500	132,800	141,500	144,700	147,700	150,700
	6,770,200	7,701,800	8,662,500	9,596,500	10,412,000	10,628,100
From Reserves						
Future Expenditure	-	19,800	-	-	-	-
Water Efficiency	23,500	15,500	15,800	16,100	16,400	16,800
Gas Tax	-	110,000	-	-	-	-
	23,500	145,300	15,800	16,100	16,400	16,800
Total Transfers from Reserves & Surplus	23,500	145,300	15,800	16,100	16,400	16,800
Equity in Capital Assets	300,000	300,000	300,000	300,000	300,000	300,000
Total Revenues	7,093,700	8,147,100	8,978,300	9,912,600	10,728,400	10,944,900



Water Fund Capital Expenditures

Project description	Values
	2018 Final Budget
Water - Projects Identified Through Asset Management Strategy	
Sandwick Conversion	1,549,900
Willemar Ave -17 St to 21 St - Watermain Replacement	1,025,000
Braidwood Rd - Road & Utility Reconstruction - Water	43,500
Braidwood Affordable Housing - Water Servicing	12,000
Buckstone Water Booster Pump Station - Improvements	250,000
Comox Rd Fire Chamber Removal	125,000
Old Island Hwy & 5 St - Water Valve Replacement	75,000
Lerwick Rd - Valve Replacement	75,000
	3,155,400

Plus: 2018 LT Debt
Payment \$30,600



Total Capital = \$3,186,000



2018 WF - Capital Funding Sources



Transfer from Operations	\$975,000
Reserve for Future Expenditures	\$19,800
CVRD Contribution	\$244,900
DCC Contributions	\$159,300
Gas Tax Reserves	\$500,000
Affordable Housing Reserve	\$12,000
Miscellaneous Water Reserves	<u>\$1,275,000</u>
Total Capital Sources	<u>\$3,186,000</u>



2018 - 2022 FIVE YEAR FINANCIAL PLAN

WATER CAPITAL FUND	2017 Final Budget	2018 Final Budget	2019 Proposed Budget	2020 Proposed Budget	2021 Proposed Budget	2022 Proposed Budget
CAPITAL REVENUES						
Other Revenues						
Developer Contributions & External Funding	567,000	244,900	-	-	-	-
	567,000	404,200	-	-	-	-
Funding from Operating Fund, Reserves and Surplus						
Water Operating Fund	80,600	975,000	1,530,600	1,780,600	2,030,600	2,030,600
Water Surplus	-	19,800	-	-	-	-
From Operating Revenues	80,600	994,800	1,530,600	1,780,600	2,030,600	2,030,600
Community Works (Gas Tax)	2,100,000	500,000	-	-	-	-
Other Reserves	1,319,000	1,275,000	-	-	-	-
Affordable Housing Reserve		12,000				
From Reserves	3,419,000	1,787,000	-	-	-	-
	3,499,600	2,781,800	1,530,600	1,780,600	2,030,600	2,030,600
Total Funding for Capital	4,066,600	3,186,000	1,530,600	1,780,600	2,030,600	2,030,600
CAPITAL EXPENDITURES						
DEBT						
Interest - Debenture Debt	0,500	10,500	10,500	10,500	10,500	10,500
Principal - Debenture Debt	20,100	20,100	20,100	20,100	20,100	20,100
	30,600	30,600	30,600	30,600	30,600	30,600
ASSETS						
Engineering Structures - Renewal						
Renewal	2,110,000	1,593,500	1,500,000	1,750,000	2,000,000	2,000,000
Engineering Structures - New	1,886,000					
New	1,886,000	1,561,900	-	-	-	-
Total Assets	4,036,000	3,155,400	1,500,000	1,750,000	2,000,000	2,000,000
Total Water Capital Expenditures	4,066,600	3,186,000	1,530,600	1,780,600	2,030,600	2,030,600



Water Fund Surpluses and Reserves

	Estimated balance	
	Dec.31, 2017	Dec.31, 2018
Operating Surplus		
Surplus	677,000	692,000
Surplus Reserve for Future Expenditures	20,000	-
Total	697,000	692,000
Capital Reserves		
Water Reserve	1,416,000	1,454,000
Asset Management	1,388,000	213,000
Water Machinery and Equipment	283,000	313,000
Total	3,087,000	1,980,000
Total Surplus and Reserves	3,784,000	2,672,000
Water DCC Bylaw #2426/2755	530,000	371,000



Water Fund Analysis (2018 – 2020):

	2018		2019		2020	
	Operating	Capital	Operating	Capital	Operating	Capital
Water Revenue						
Frontage-Parcel-External Sources						
Frontage Fee Revenues Sub-Total		3,386,400	-	1,478,000	-	1,860,900
User Fees	10%		10%		7.5%	
User Fee & Gas Tax Revenue Sub-Total	6,651,900		7,200,300		7,751,700	
Water Expenditures						
Expenditure Sub-Total	6,670,300	3,353,800	7,046,400	1,602,100	7,493,400	2,103,100
Surplus/(Deficit)	(18,400)	32,600	153,900	(124,100)	258,300	(242,200)
Surplus-Reserves/(Deficits)		14,200		29,800		16,100



Water Fund Analysis 2021 – 2022:

	2021		2022	
	Operating	Capital	Operating	Capital
Water Revenue				
Frontage-Parcel-External Sources				
Frontage Fee Revenues Sub-Total	-	2,342,700	-	2,366,300
User Fees	4%		2%	
User Fee & Gas Tax Revenue Sub-Totals	8,085,700		8,278,600	
Water Expenditures				
Expenditure Sub-Totals	7,947,800	2,454,100	8,221,200	2,405,000
Surplus/(Deficit)	137,900	(111,400)	57,400	(38,700)
Surplus-Reserves/(Deficits)		26,500		18,700



Questions?



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Financial Services

2018 - 2022 Sewer and Water Budget Highlights