



# COMMITTEE OF THE WHOLE REPORT

**TO:** Chair and Directors

**SUBJECT:** Water Utility Financial Health Update and User Fee Recommendations for 2025-2029

**DESCRIPTION:** Report from Ben Van Nostrand, General Manager, Environmental and Utility Services, dated October 4, 2024. An overview of the financial health of water systems to support a utility rate review and update.

**RECOMMENDATION:** THAT: the Committee of the Whole recommend to the Board of Directors to direct staff to base the 2025-2029 Annual Water User Fees, under the CSR D Waterworks Rates and Regulation Bylaw No. 5819, on Scenario 2 as outlined in this report;

AND THAT: a board report be presented at the November 21, 2024, Regular Board meeting.

## BACKGROUND:

The purpose of this report is to provide Directors with the presentation materials, which will be shared at the Committee of Whole (CoW) meeting on October 16, 2024, to engage in a review of the financial health of CSR D water utility systems, review options for funding asset management and selecting a preferred scenario for updating the 2025-2029 Annual Water User Fees.

At the May 2024 Board meeting staff were empowered to apply to the UBCM Asset Management Planning Grant program in the amount of \$25,000 to be used for engaging a consultant to facilitate better integration of asset management planning into long term financial planning. The CSR D was successful in getting the grant approved and engaged JW Infrastructure Planning Ltd to review the financial health of the CSR D's water utility systems and to provide options, which would incorporate asset management funding, into establishing new Annual Water User Fees for 2025-2029.

John Weninger from JW Infrastructure Planning Ltd. has provided the CoW with a report entitled *CSR D – Water Systems Sustainability Health Check-Up* (see attached). The report focuses on the public safety, environmental protection, economic stability, asset management and system resiliency for each of the CSR D's water systems. Furthermore, a presentation detailing funding scenarios will be shared with the CoW to inform Directors on how different funding levels impact the CSR D's ability to achieve appropriate financial targets, long term sustainability and health of water systems in the CSR D.

## NEXT STEPS:

Staff will be on hand to answer questions and ultimately the information presented will be used by the CoW to select a preferred scenario, which will be used by staff to prepare a Board report for November 2024 Board meeting to amend CSR D Waterworks Rates and Regulation Bylaw No. 5819 and set the 2025-2029 Annual Water User Fees.

The following scenarios are being presented for the Committee's consideration:

Scenario 1 – Status Quo - Maintain existing ratios between parcel taxes and user fees and increase by a maximum of 5% (2025-2029).

Scenario 2 – Adjust parcel taxes to fund debt and capital replacement and increase funding to achieve 75% of funding target in 5 years.

Scenario 3 – Adjust parcel taxes to fund debt and capital replacement and increase funding to achieve 50% of funding target in 5 years.

The funding targets being proposed in these scenarios are described in the previously referenced report *CSRD - Water Systems Sustainability Health Check-Up*.

In Scenarios 2 and 3, parcel taxes will be solely allocated for servicing debt and funding infrastructure renewals and replacements, whereas user fees will be utilized for covering annual operating and maintenance costs. This realignment, occurring over the next five years, aims to enhance transparency for ratepayers and aligns with industry best practices.

Based on the information provided, staff are recommending to the CoW that Scenario 2 be approved for setting the 2025-2029 Annual Water User Fees. The information detailed in Scenario 2 will be used by staff to prepare a Board report which will amend CSRD Waterworks Rates and Regulation Bylaw No. 5819 to set new fees, at the November 21, 2024, regularly scheduled Board meeting.

**Report Approval Details**

|                      |   |
|----------------------|---|
| Document Title:      | 2024-10-16_COW_EUS_Water_Uilities_Financial_Health_Review.docx  |
| Attachments:         | - 2024_CSRD Water Systems Sustainability Check and Funding Review_Presentation.pdf<br>- 2024_CSRD Water Systems Sustainability Health Check Up_Report.pdf |
| Final Approval Date: | Oct 11, 2024  |

This report and all of its attachments were approved and signed as outlined below:



Jodi Pierce



Jennifer Sham



John MacLean