



City of Port Moody

Report to Finance Committee

Date: September 30, 2021
Submitted by: Finance and Technology Department – Financial Services Division
Subject: Provisional 2022-2026 Utility Five-Year Financial Plan

Purpose

To present the provisional Five-Year Financial Plan for the Water, Sewer, Drainage, and Solid Waste Utilities, and the proposed rates for the Fees Bylaw for the Finance Committee's consideration.

Recommended Resolution(s)

THAT the provisional 2022-2026 Utility Five-Year Financial Plan be approved with revised Metro Vancouver Charges incorporated once available as recommended in the report dated September 30, 2021 from the Finance and Technology Department – Financial Services Division regarding Provisional 2022-2026 Utility Five-Year Financial Plan;

AND THAT the proposed 2022 fees for the Water, Sewer, and Solid Waste Utilities be included in the 2022 Fees Bylaw with revised Metro Vancouver charges incorporated once available.

Executive Summary

Staff have prepared a provisional 2022-2026 Utilities Five-Year Financial Plan in accordance with the City's 2022 Financial Plan Guidelines for the Committee's consideration. The preliminary plan allows for the same level of service in 2022 as in 2021 and includes no new services for 2022.

The overall proposed utility budgets total \$19,860,000 for 2022. The main drivers of the proposed \$1,013,500 increase for 2022 are Metro Vancouver (MV) charges; labour and benefits; transfers to capital reserves; and operating expenses (vehicles, utility shift, supplies and materials, and contracted services).

The resulting proposed total utility charges for a Single-Family Dwelling (SFD) are as follows:

Total Utility	2021	2022	2023	2024	2025	2026
Water	\$ 475	\$ 489	\$ 519	\$ 560	\$ 609	\$ 636
Sewer	\$ 358	\$ 378	\$ 407	\$ 439	\$ 489	\$ 541
Garbage	\$ 117	\$ 119	\$ 120	\$ 121	\$ 122	\$ 123
Waste Management	\$ 43	\$ 44	\$ 45	\$ 46	\$ 47	\$ 48
Glass	\$ 12	\$ 13	\$ 13	\$ 13	\$ 13	\$ 14
Green Waste	\$ 238	\$ 243	\$ 247	\$ 251	\$ 254	\$ 258
Total	\$ 1,243	\$ 1,286	\$ 1,351	\$ 1,430	\$ 1,534	\$ 1,620
Increase over prior year	\$ 36	\$ 43	\$ 65	\$ 79	\$ 104	\$ 86
Variance %	2.98%	3.46%	5.05%	5.85%	7.27%	5.61%
Total utility charges for a SFD including Drainage are as follows:						
Drainage	\$ 98	\$ 106	\$ 115	\$ 125	\$ 137	\$ 147
Total Including Drainage	\$ 1,341	\$ 1,392	\$ 1,466	\$ 1,555	\$ 1,671	\$ 1,767
Increase Including Drainage	\$ 43	\$ 51	\$ 74	\$ 89	\$ 116	\$ 96
Variance %	3.31%	3.80%	5.32%	6.07%	7.46%	5.75%

Background

The City of Port Moody has three utilities that operate primarily on a 'user pay' basis through the collection of fees from the users. The fourth utility, storm drainage, is a service that is not directly attributed to a particular household and is, therefore, based on assessed value and collected through taxation, rather than through a user fee. The three user-fee based utilities are Water, Sewer, and Solid Waste (which comprises Garbage, Recycling, Green Waste, and Glass collection). Each of these utilities generates enough revenues to offset the expenditures and is financially self-balancing.

Once the provisional Utility budgets and corresponding fees are approved by the Finance Committee, they will be included in the 2022 Fees Bylaw, which will be presented to Council in November 2021. Capital projects for the Utilities will also be presented with the General Fund in November 2021. Final adjustment may be required to balance the funds and ensure capital and operating reserve transfers are completed. The Utility budgets will be incorporated into the City's Five-Year Financial Plan Bylaw.

Discussion

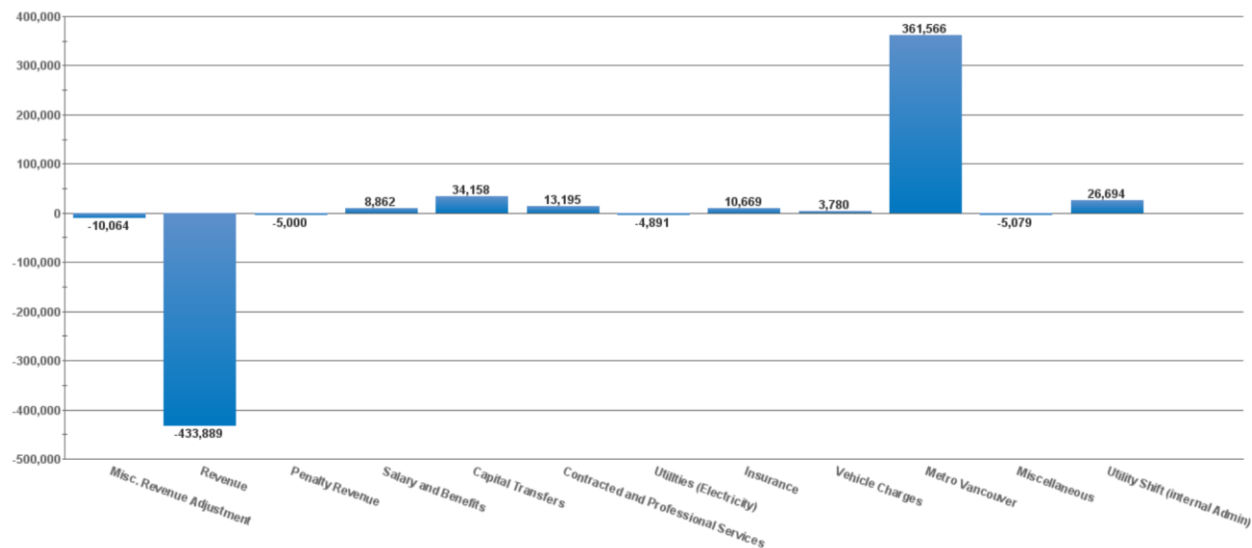
Staff have prepared a provisional 2022-2026 Utilities Financial Plan in accordance with the City's 2022 Financial Plan Guidelines for the Committee's consideration. The provisional plan allows for the same level of service in 2022 as in 2021.

The total proposed increase to the utility budgets in 2022 is \$1,013,500, which is composed of the following main cost drivers. Each of the main drivers below will be addressed in the individual utility section of the report.

2022 Utility Drivers (including Storm Drainage)			
Metro Vancouver	634,800	63%	Metro
Reserve Changes	184,200	18%	City 37%
Salary and Benefits	43,000	4%	
Vehicles and Equipment	73,800	7%	
Internal Administration Charges	45,700	5%	
Contracted Services	20,000	2%	
Supplies and Material	18,700	2%	
Other	8,300	1%	
Revenues	-15,000	-2%	
Total Proposed Increase over 2021	\$1,013,500	100%	

Following is a summary of main cost drivers for each of the four utilities.

Water Utility



Highlights of the 2022 Water Financial Plan (Attachment 1, pg. 4)

The water charge, levied by the Greater Vancouver Water District (GVWD), is estimated to increase by approximately 8.5% or \$362,000 for 2022. MV has not yet provided a preliminary estimate; as such, staff have used estimates based on 2022 through 2025 of their 2021 Five-Year Financial Plan.

Transfers to the Water Capital reserve are increasing by \$34,000, to \$1,442,000. This represents a 2.5% increase over 2021 and will be used to fund capital replacement and renewal projects related to the City's water infrastructure.

The internal administration (utility shift) charged to the Water utility is increasing by \$27,000. This charge is reviewed annually and set at an appropriate level for the internal City resources and services the utility uses.

Salary and wages, including benefits, are increasing by \$8,861 as a result of increases in the cost of employee benefits and projected contractual salary increases.

Contracted and Professional services are increasing by \$13,000 to \$153,000 to better reflect actual prior year expenditures.

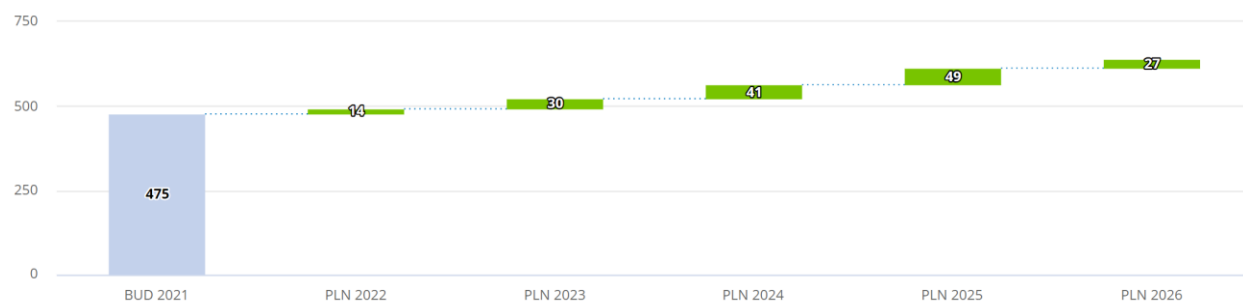
The Water Utility's share of insurance is increasing by \$11,000 to \$74,000 representing a 17% increase over 2021 due to hardening insurance market, particularly around liability insurance.

Vehicle charges are increasing by \$4,000. This represents the Water Utility's share of vehicle resources pooled under the Operations Division. This includes increases related to replacement provision, fuel, maintenance, and garage charges.

Minor changes to additional expense and revenue categories are summarized within the operating expense changes on the utility executive summary (**Attachment 1**, pg. 3).

Proposed Water Rates for the Five-Year Plan (**Attachment 1**, pg. 46)

Water (SFD)	Rate (\$)	Change (\$)	Change (%)
2021	\$ 475	\$ 12	2.59%
2022	\$ 489	\$ 14	2.95%
2023	\$ 519	\$ 30	6.13%
2024	\$ 560	\$ 41	7.90%
2025	\$ 609	\$ 49	8.75%
2026	\$ 636	\$ 27	4.43%



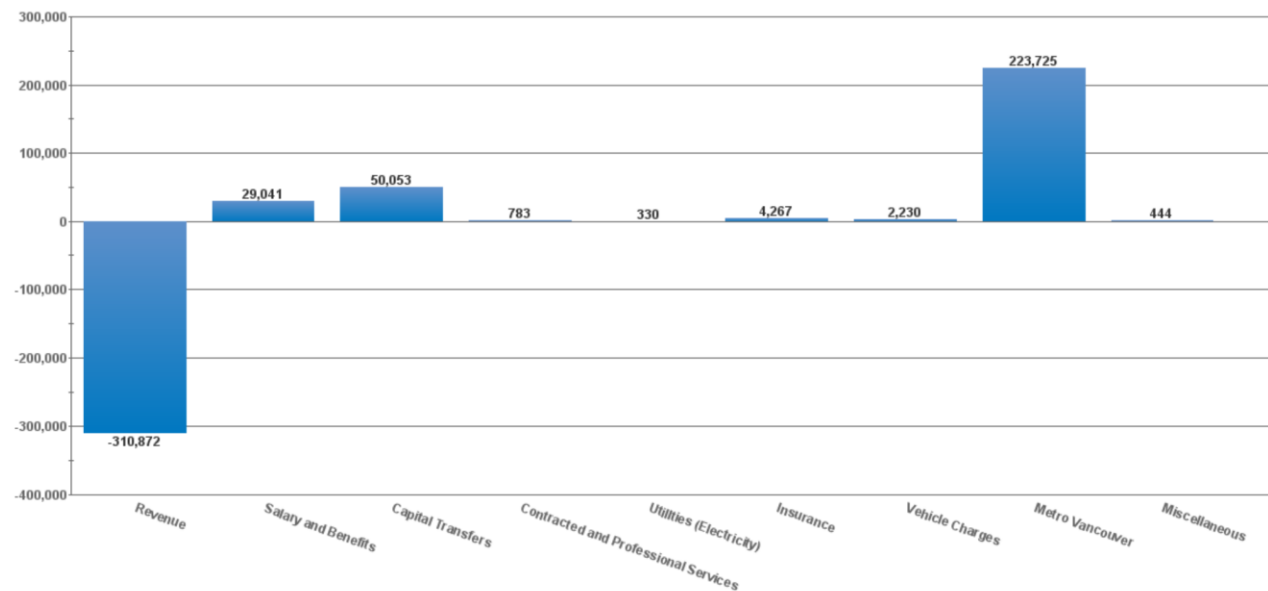
Metered Water Utility Rate

Total metered revenue has remained unchanged at \$1,300,000. For users whose water service is metered, charges are proposed to increase by 2.86% from **\$3.13** per 100ft³ to **\$3.22** to reflect the same increase as the proposed water annual flat fee.

Metro Vancouver

As discussed in the drivers above, MV has not approved their 2022 Five-Year Financial Plan. As a result, the 2022-2025 portion of the 2021 MV financial plan has been used for preliminary budget estimates, along with 2019 and 2020 consumption information. When MV approves their 2022 Financial Plan, staff will incorporate updated MV cost estimates.

Sewer Utility



Highlights of the 2022 Sanitary Sewer Financial Plan (**Attachment 1**, pg. 19)

Metro Vancouver's Greater Vancouver Sewer and Drainage District (GVS&DD) levy is estimated to increase by approximately 9.4% or 224,000 for a total 2022 sewage and drainage levy of \$2,603,000. MV has not yet provided a preliminary estimate; as such, staff have used estimates based on 2022 through 2025 of their 2021 Five Year Financial plan. MV levies the sewer and drainage together as part of the sewer and drainage district. 85% of the total GVS&DD levy is attributed to sewer (discussed above) and 15% to drainage.

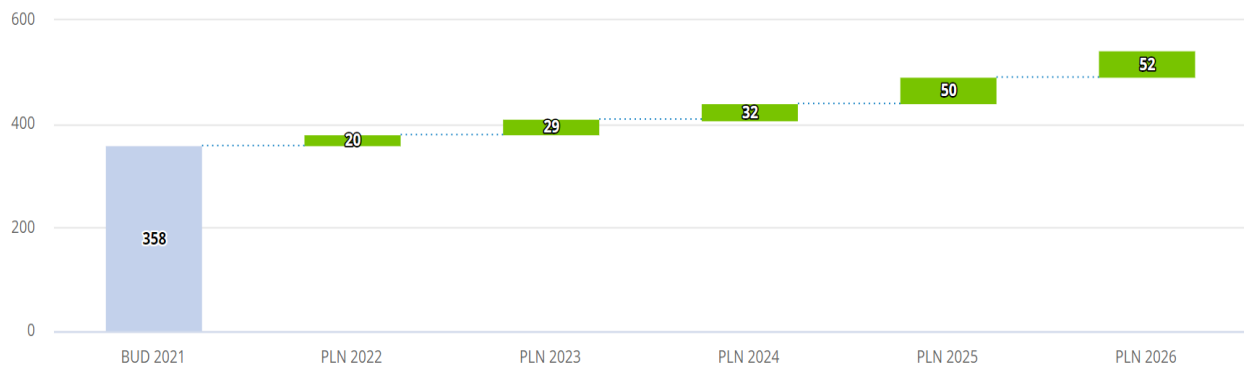
Transfers to the Sewer Capital reserve is increasing by \$49,000, to \$2,078,000. This represents a 2.5% increase over 2021 and will be used to fund capital replacement and renewal projects related to the City's sewer infrastructure.

Salary and wages, including benefits, are increasing by \$29,000 as a result of increases in the cost of employee benefits and projected contractual salary increases.

Several accounts have been adjusted through the 2022 budget process to better reflect future expense estimates. This has occurred throughout accounts and cost centres in the Sewer utility. These changes are summarized as operating expense changes on the utility executive summary and total \$8,000.

Proposed Sewer Rates for the Five-Year Plan (**Attachment 1**, pg. 47)

Sewer (SFD)	Rate (\$)	Change (\$)	Change (%)
2021	\$ 358	\$ 15	4.37%
2022	\$ 378	\$ 20	5.59%
2023	\$ 407	\$ 29	7.67%
2024	\$ 439	\$ 32	7.86%
2025	\$ 489	\$ 50	11.39%
2026	\$ 541	\$ 52	10.63%



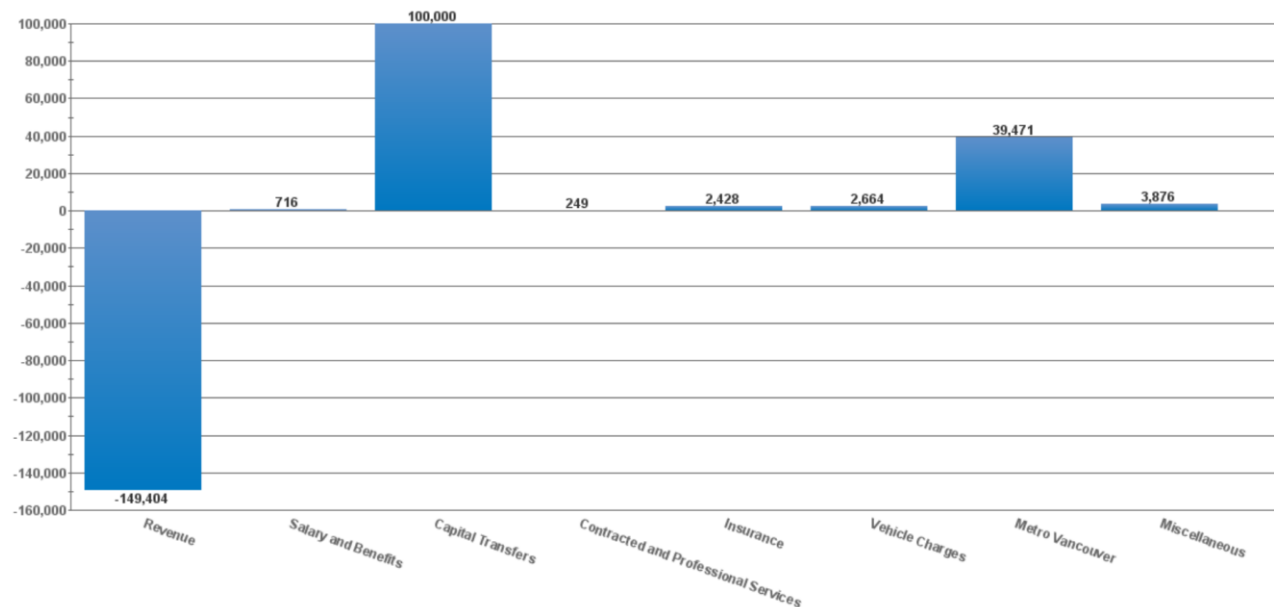
Metered Sewer Utility Rate

For users whose sewage output is metered, volume is based on meter readings. For users whose sewage output is not metered, volume is deemed to be 80% of water consumed each billing period. Charges for sewage volume produced are proposed to increase by 5.29% from **\$2.23** per 100ft³ to **\$2.35** to reflect the same increase as the proposed sewer annual flat fee.

Metro Vancouver

As discussed in the drivers above, MV has not approved their 2022 Five-Year Financial Plan. As a result, 2022-2025 of the 2021 MV financial plan has been used for preliminary budget estimates, along with 2019 and 2020 consumption information. When MV approves their 2022 Financial Plan, staff will incorporate updated MV cost estimates.

Drainage Utility



Highlights of the 2022 Drainage Financial Plan (Attachment 1, pg. 30)

The Drainage reserve saw a significant increase in annual funding beginning in 2020 to balance the reserve and address the shortfall identified in the City's Asset Management Plan, which indicates that an annual investment of approximately \$1,600,000 (based on 2013 figures) is required for storm drainage infrastructure replacement and maintenance.

The significant increase will allow for implementation in future years of the Moody Centre storm drainage improvements as identified in the Moody Centre Stormwater Management Servicing Plan and endorsed by Council on September 17, 2019 ([CW19/136](#)). This will also support anticipated future capital work as City Integrated Stormwater Management Plans for remaining watersheds are completed and as the City continues work towards a natural asset management program.

Transfers to the Drainage Capital reserve are proposed to increase by \$100,000 to \$1,118,000.

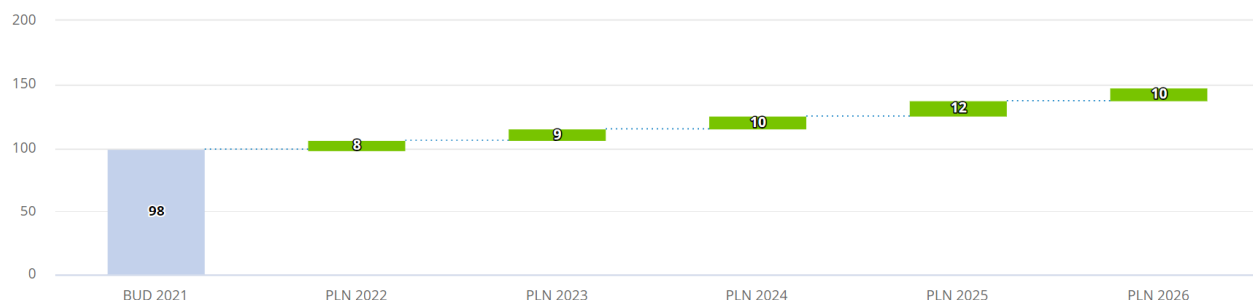
Metro Vancouver's Greater Vancouver Sewer and Drainage District (GVS&DD) levy is estimated to increase by approximately 9.4% or \$39,000 for a total 2022 drainage levy of \$459,000 (MV has not yet provided a preliminary estimate, as such staff have used 2022 of MV's 2021 Five-Year Financial Plan). MV levies the sewer and drainage together as part of the sewer and drainage district. 85% of the total GVS&DD levy is attributed to sewer (discussed above) and 15% to drainage.

Several accounts have been adjusted through the 2022 budget process to better reflect future expense estimates. This has occurred throughout accounts and cost centres in the Sewer utility. These changes are summarized as operating expense changes on the utility executive summary and total \$10,000.

As drainage is funded by taxation, and as we have not received the final assessments from BC Assessment Authority, the exact increase to the average homeowner cannot be determined at this time; however, based on the 2021 average residential assessed value of \$970,000, it is projected that the drainage rates would increase from \$98 (2021) to \$106 in 2022. This represents an \$8 or 7.6% increase.

Proposed Drainage Rates for the Five-Year Plan (**Attachment 1**, pg. 48)

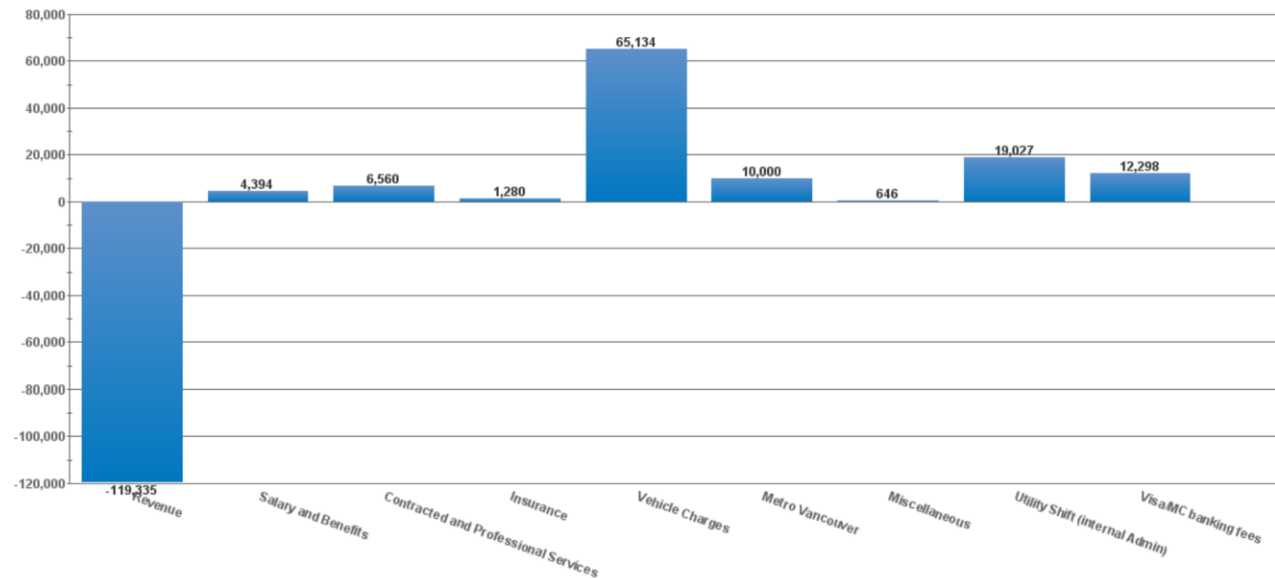
Drainage (avg. SFD)	Rate (\$)	Change (\$)	Change (%)
2021	\$ 98	\$ 7	7.69%
2022	\$ 106	\$ 8	8.16%
2023	\$ 115	\$ 9	8.49%
2024	\$ 125	\$ 10	8.70%
2025	\$ 137	\$ 12	9.60%
2026	\$ 147	\$ 10	7.30%



Metro Vancouver

As discussed in the drivers above, MV has not approved their 2022 Five-Year Financial Plan. As a result, 2022-2025 of the 2021 MV financial plan has been used for preliminary budget estimates. When MV approves their 2022 Financial Plan, staff will incorporate updated MV cost estimates.

Solid Waste Utility



Highlights of the 2022 Solid Waste Financial Plan (Attachment 1, pg. 38)

The Solid Waste Utility is broken up into Garbage, Recycling, Green Waste, and Glass. Each function is self-balancing (revenues/fees equal expenses) and has a separate rate. The City has achieved more stability around the Solid Waste Utility as the challenges in 2019 surrounding the regional processing of organic materials (green waste) has stabilized. Overall, the Solid Waste budget has a modest increase (discussed below), which has resulted in a \$9 increase in Solid Waste fees for 2022.

Vehicle charges are increasing by \$65,000. This includes operating expenses (fuel, insurance, maintenance) and the annual replacement provision. The Solid Waste vehicles are operated four to five days a week, up to ten hours per day. They are operated throughout their collection routes within the City, an area with challenging terrain, as well as on the highway in order to deposit loads of refuse, organic waste, and recycling. Due to their regularly-scheduled use and direct link to residential service levels, it is imperative that they function at full capacity.

The internal administration charged to the Solid Waste utility is being increased in 2022 by \$19,000. This charge is reviewed annually and set at an appropriate level for the resources and services the utility utilizes.

Transfers related to banking fees and credit card processing are increasing by \$12,000.

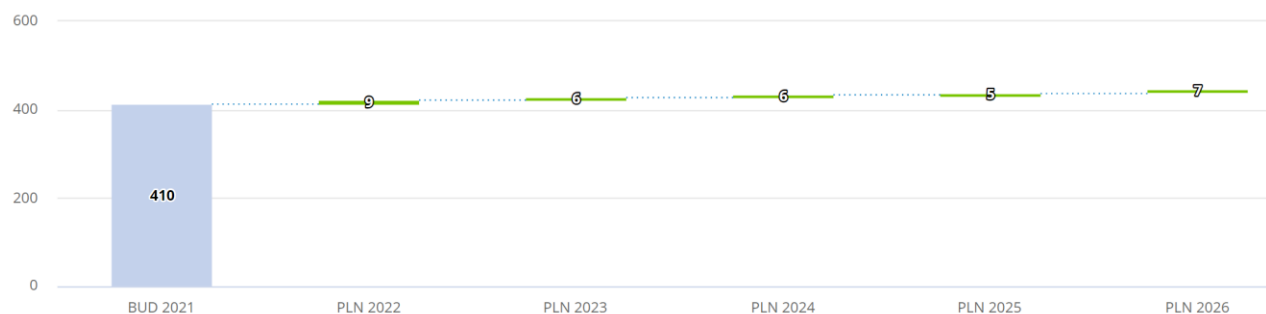
Metro Vancouver charges are increasing by \$10,000 for budgeted expenses for Garbage at the Coquitlam Transfer Station.

Salary and wages are increasing by \$4,000. This is primarily driven by projected increases in the cost of employee benefits and contracted salary increases.

Several accounts have been adjusted through the 2022 budget process to better reflect future expense estimates. This has occurred throughout accounts and cost centres in the Solid Waste utility. These changes are summarized as operating expense changes on the utility executive summary and total \$8,000.

Proposed Solid Waste Rates for the Five-Year Plan (**Attachment 1**, pg. 49-52)

Solid Waste	2021	2022	2023	2024	2025	2026
Garbage	\$ 117	\$ 119	\$ 120	\$ 121	\$ 122	\$ 123
Waste Management	\$ 43	\$ 44	\$ 45	\$ 46	\$ 47	\$ 48
Glass	\$ 12	\$ 13	\$ 13	\$ 13	\$ 13	\$ 14
Green Waste	\$ 238	\$ 243	\$ 247	\$ 251	\$ 254	\$ 258
Total	\$ 410	\$ 419	\$ 425	\$ 431	\$ 436	\$ 443
Increase over prior year	\$ 9	\$ 9	\$ 6	\$ 6	\$ 5	\$ 7
Variance %	2.24%	2.20%	1.43%	1.41%	1.16%	1.61%



Utilities Capital Plan

Capital projects for the Utilities along with utility reserve analysis will be brought forward with the rest of the City in late Fall.

Other Option(s)

Staff could bring for the Committee's consideration reductions to the proposed utilities budgets in order to decrease the estimated utility increase, or increases to the proposed utilities budgets to increase the service levels along with the utility rates.

Financial Implications

As discussed above.

Communications and Civic Engagement Initiatives

Council has undertaken a variety of community engagement initiatives, such as the annual budget consultation, to elicit feedback on desired service levels. Utilities Financial Plan documents will be posted and updated on the City website and the utility rates will be included in the City's Utility Newsletter.

Council Strategic Plan Objectives

The provisional 2022-2026 Utilities Financial Plan aligns with Council's strategic priorities regarding Exceptional Service, Environmental Leadership, and Community Evolution.

Attachment(s)

1. 2022-2026 Utilities Five-Year Financial Plan.

Report Author

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Report Approval Details

Document Title:	Provisional 2022-2026 Utility Five-Year Financial Plan.docx
Attachments:	- Attachment 1 - 2022-2026 Utilities Five Year Financial Plan.pdf
Final Approval Date:	Oct 12, 2021

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

Paul Rockwood, General Manager of Finance and Technology - Oct 7, 2021 - 8:57 AM

Jeff Moi, General Manager of Engineering and Operations - Oct 7, 2021 - 7:09 PM

Dorothy Shermer, Corporate Officer - Oct 8, 2021 - 11:22 AM

Natasha Vander Wal for Rosemary Lodge, Manager of Communications and Engagement - Oct 8, 2021 - 2:58 PM

Tim Savoie, City Manager - Oct 12, 2021 - 10:30 AM