



City of Port Moody

Report to Finance Committee

Date: October 5, 2020
Submitted by: Finance and Technology Department – Financial Services Division
Subject: Provisional 2021-2025 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 2021-2025 Utility Five-Year Financial Plan be approved with revised Metro Vancouver Charges incorporated once available as recommended in the report dated October 5, 2020 from the Finance and Technology Department – Financial Services Division regarding Provisional 2021-2025 Utility Five-Year Financial Plan;

AND THAT the proposed 2021 fees for the Water, Sewer, and Solid Waste Utilities be included in the 2021 Fees Bylaw with revised Metro Vancouver charges incorporated once available.

Executive Summary

Staff have prepared a provisional 2021-2025 Utilities Five-Year Financial Plan in accordance with the City's 2021 Financial Plan Guidelines for the Committee's consideration. The preliminary plan allows for the same level of service in 2021 as in 2020, and includes no new services for 2021; however, an Operational Maintenance Worker position has been transferred from the Water Utility to the Sewer Utility to better reflect the personnel requirements for each of the utilities.

The overall proposed utility budgets total \$18,600,000 for 2021. The main drivers of the proposed \$680,000 increase for 2021 are Metro Vancouver (MV) charges; labour and benefits; transfers to capital reserves; and operating expenses (vehicles, utility shift, supplies and materials, and contracted services).

Additional changes for 2021 include the necessary adjustments to build the Civil Construction Crew into the base operating budget for Sewer. The previous practice was to fund 90% of the personnel cost for the Civil Construction Crew from annual operating projects funded from all

Water, Sewer, and Drainage capital reserves. This does not have a net operating budget impact in any of the three utilities, and streamlines administrative processes.

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

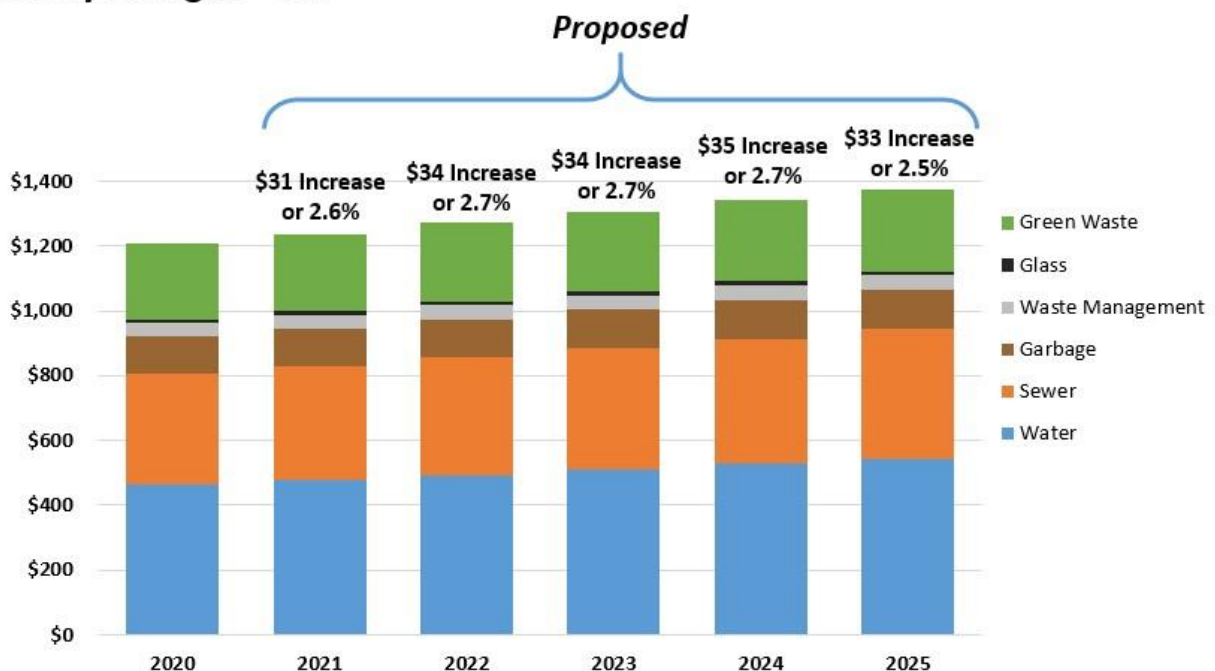
	2020	2021	2022	2023	2024	2025
Water	\$463	\$478	\$494	\$510	\$527	\$543
Sewer	\$343	\$351	\$363	\$376	\$388	\$401
Garbage	\$115	\$117	\$118	\$119	\$120	\$121
Waste Management	\$41	\$42	\$43	\$44	\$45	\$45
Glass	\$12	\$12	\$12	\$12	\$12	\$12
Green Waste	\$233	\$238	\$242	\$245	\$249	\$252
Total	\$1,207	\$1,238	\$1,272	\$1,306	\$1,341	\$1,374
<i>Increase over prior year</i>	\$37	\$31	\$34	\$34	\$35	\$33
<i>Variance %</i>	3.2%	2.6%	2.7%	2.7%	2.7%	2.5%

Total utility charges for a SFD including Drainage are as follows:

Drainage Rate	\$90	\$96	\$103	\$109	\$116	\$122
Total Including Drainage	\$1,297	\$1,334	\$1,375	\$1,415	\$1,457	\$1,496
Increase Including Drainage	\$52	\$37	\$40	\$40	\$42	\$40
<i>Variance %</i>	4.2%	2.9%	3.0%	2.9%	2.9%	2.7%

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

Utility Charges - SFD



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 2021 Fees Bylaw, which will be presented to Council in the fall of 2020. Capital projects for the Utilities will be presented with the General Fund in the fall of 2020. 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 2021-2025 Utilities Financial Plan in accordance with the City's 2021 Financial Plan Guidelines for the Committee's consideration. The provisional plan allows for the same level of service in 2021 as in 2020.

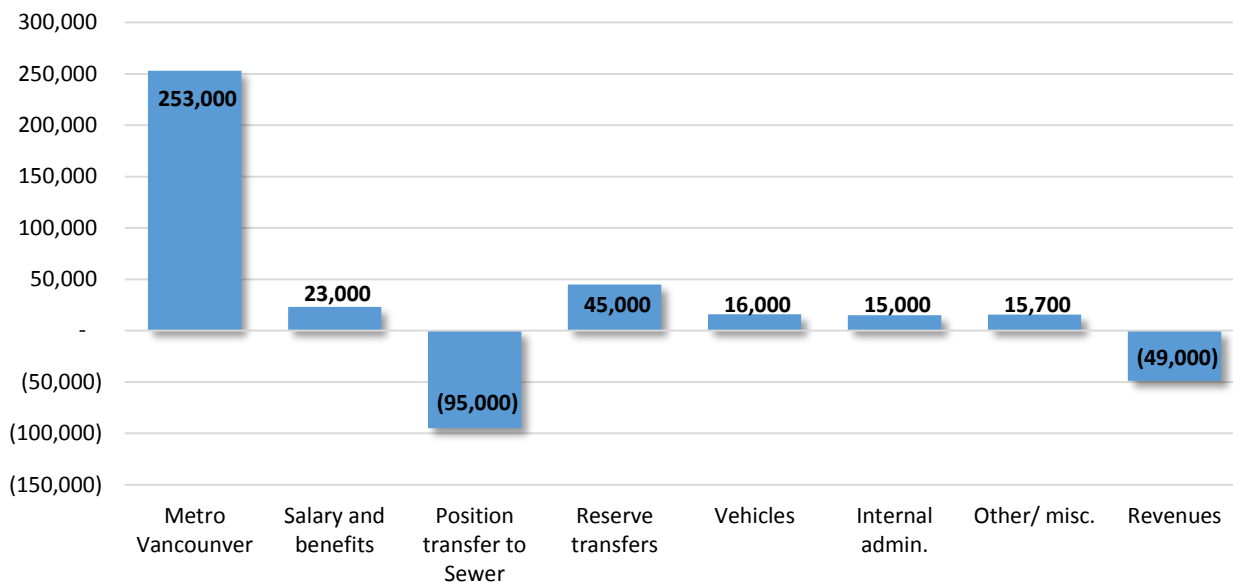
In order to show how Port Moody's proposed 2020 rates compare to neighbouring municipalities, 2020 Single-Family Dwelling utility rates for other municipalities are included as **Attachment 1**.

The total proposed increase to the utility budgets in 2021 is \$669,000 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.

2021 Utility Drivers (including Storm Drainage)			
Metro Vancouver	357,400	53%	Metro
Reserve Changes	195,400	29%	City 47%
Salary and Benefits	72,600	11%	
Vehicles and Equipment	36,100	5%	
Internal Administration Charges	45,600	7%	
Contracted Services	11,900	2%	
Supplies and Material	8,400	1%	
Other	14,200	2%	
Revenues	-61,500	-9%	
Total Proposed Increase over 2020	\$680,100	100%	

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

Water Utility



Highlights of the 2021 Water Financial Plan (Attachment 2, pg. 4)

The water charge, levied by the Greater Vancouver Water District (GVWD), is estimated to increase by approximately 6.2% or \$253,000 for 2021. MV has not yet provided a preliminary estimate; as such, staff have used estimates based on 2021 through 2024 of their 2020 Five-Year Financial Plan, and information from the MV board budget workshops in June 2020.

Salary and wages are decreasing by \$72,000. The decrease is the direct result of a Utility Maintenance Worker (UMW) position being transferred from the Water Utility to the Sewer Utility. This accounts for \$95,000 of the change. An increase of \$23,000 is driven by projected increases in employee benefits and projected contracted salary increases.

Transfers to the Water Capital reserve are increasing by \$38,000, to \$1,574,000. This represents a 2.5% increase over 2020 and will be used to fund capital replacement and renewal projects related to the City's water infrastructure. This is reduced by \$160,000 to \$1,414,000 to allow the City's Civil Construction Crew to be funded from the base operating budget, rather than annual project budgets. Inter-fund transfers are increasing by \$7,000.

Vehicle charges are increasing by \$16,000. 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.

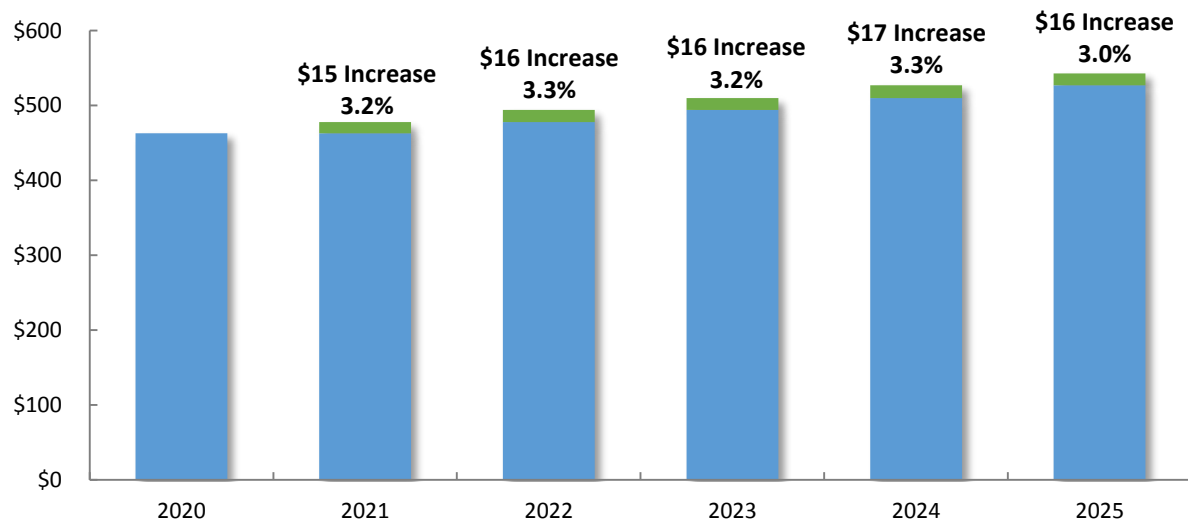
The internal administration (utility shift) charged to the Water utility is increasing by \$15,000. This charge is reviewed annually and set at an appropriate level for the resources and services the utility utilizes.

Additional expenses related to Supplies and Materials (\$6,500), Hydro (\$4,100), Contracted Services (\$4,100), and other accounts (\$1,000) resulted in an increase of \$15,700. These changes are summarized within the operating expense changes on the utility executive summary (**Attachment 2**, pg. 3).

Budgeted revenues have increased by \$49,000. These are related to metered revenues (\$25,000), Secondary Suite revenues (\$17,000), and investment revenue (\$7,000).

Proposed Water Rates for the Five-Year Plan (**Attachment 2**, pg. 54)

Water (SFD)	Rate (\$)	Change (\$)	Change (%)
2020	\$463	-	-
2021	\$478	\$15	3.2%
2022	\$494	\$16	3.3%
2023	\$510	\$16	3.2%
2024	\$527	\$17	3.3%
2025	\$543	\$16	3.0%



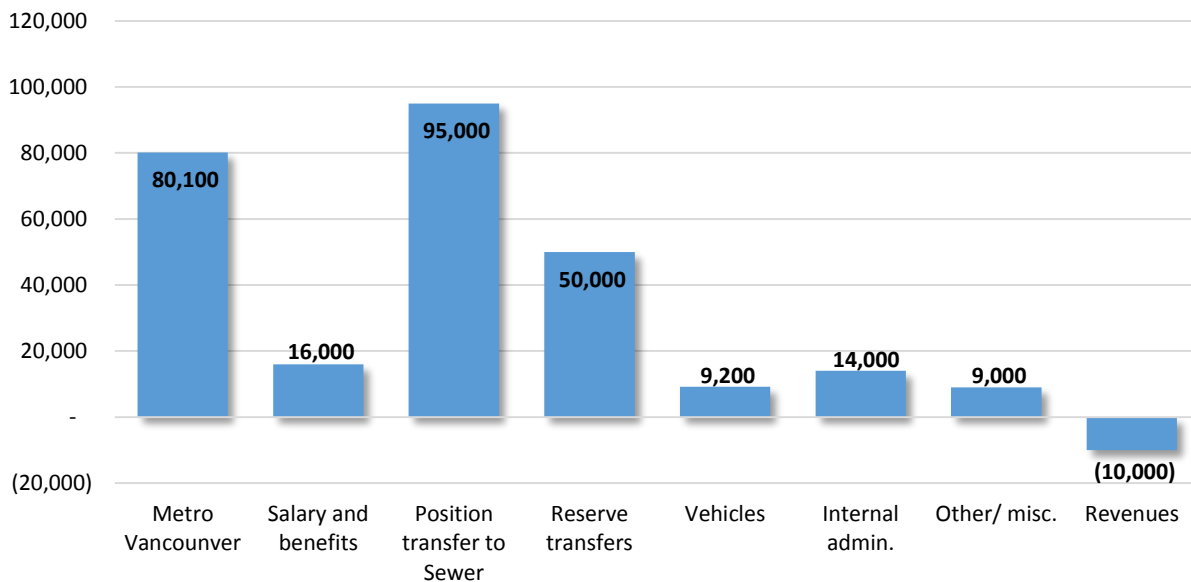
Metered Water Utility Rate

Total metered revenue has increased by \$25,000 to \$1,300,000 to better reflect estimated metered water purchases. For users whose water service is metered, charges are proposed to increase by 3.2% from **\$3.05** per 100ft³ to **\$3.15** 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 2021 Five-Year Financial Plan. As a result, 2021-2024 of the 2020 MV financial plan has been used for preliminary budget estimates, along with 2019 and 2020 consumption information, and information from the June 2020 MV board budget workshop. When MV approves their 2021 Financial Plan, staff will incorporate updated MV cost estimates.

Sewer Utility



Highlights of the 2021 Sanitary Sewer Financial Plan (**Attachment 2**, pg. 22)

Metro Vancouver's Greater Vancouver Sewer and Drainage District (GVS&DD) levy is estimated to increase by approximately 3.5% or \$80,100 for a total 2021 sewage and drainage levy of \$2,373,000. MV has not yet provided a preliminary estimate; as such, staff have used estimates based on 2021 through 2024 of their 2020 Five Year Financial plan, and information from the MV board budget workshops in June 2020. 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.

Vehicle charges are increasing by \$9,200. This represents the Sewer Utility's share of vehicle resources pooled under the Operations Division. This includes increases related to replacement provision, fuel, maintenance, and garage charges.

Salary and wages are increasing by \$111,000. \$16,000 is related to increases in employee benefits and contracted salary increase. \$95,000 is related to the transfer of a Utility Maintenance Worker position from Water to Sewer.

Previously, a large portion of the Sewer Utility's labour is budget through the Capital program, as noted in the executive summary, adjustments have been made to build the Civil Construction Crew into the base operating budget for Sewer. The previous practice was to fund 90% of the personnel cost for the Civil Construction Crew from annual operating projects funded from all Water, Sewer, and Drainage capital reserves. This does not have a net operating budget impact in any of the three utilities, and streamlines administrative processes.

Transfers to the Sewer Capital reserve is increasing by \$48,000, to \$1,949,000. This represents a 2.5% increase over 2020 and will be used to fund capital replacement and renewal projects related to the City's sewer infrastructure. Inter-fund transfers are increasing by \$2,000.

The internal administration (utility Shift) charged to the Sewer Utility is increasing by \$14,000. This charge is reviewed annually across the city and set at an appropriate level for the resources and services the utility used.

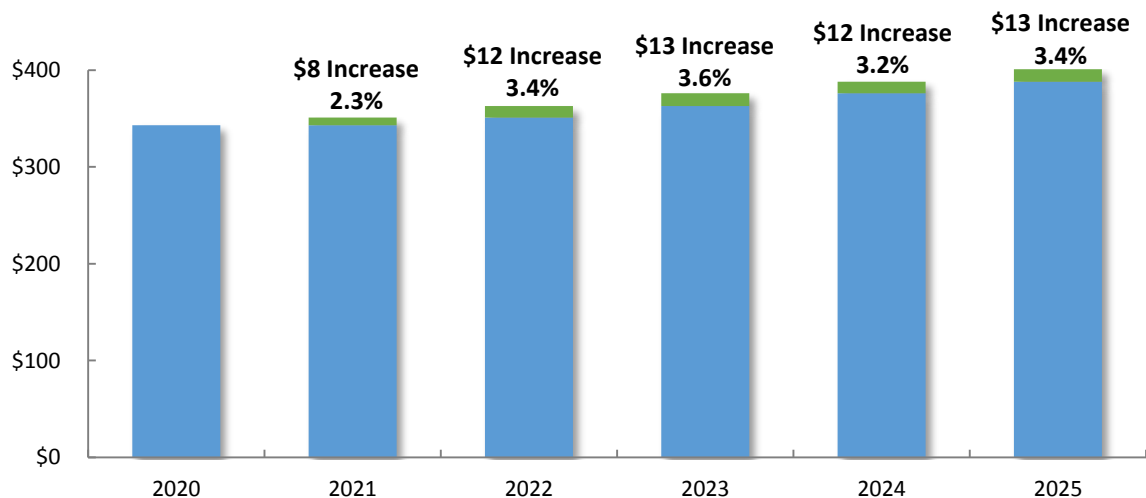
The only new service for 2021 is the Utility Maintenance Worker position described above. Although this will increase the sewer rates in 2021, it is 'net zero' with the Water Utility and does not increase the employee count (FTE).

A number of accounts have been adjusted through the 2021 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 \$9,000.

Budgeted revenues have increased by \$10,000 for metered revenues.

Proposed Sewer Rates for the Five-Year Plan (Attachment 2, pg. 56)

Sewer (SFD)	Rate (\$)	Change (\$)	Change (%)
2020	\$343	-	-
2021	\$351	\$8	2.3%
2022	\$363	\$12	3.4%
2023	\$376	\$13	3.6%
2024	\$388	\$12	3.2%
2025	\$401	\$13	3.4%



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 2.3% from \$2.13 per 100ft³ to \$2.18 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 2021 Five-Year Financial Plan. As a result, 2021-2024 of the 2020 MV financial plan has been used for preliminary budget estimates, along with 2019 and 2020 consumption information, and information from the June 2020 MV board budget workshop. When MV approves their 2021 Financial Plan, staff will incorporate updated MV cost estimates.

Drainage Utility



Highlights of the 2021 Drainage Financial Plan (Attachment 2, pg. 34)

Metro Vancouver's Greater Vancouver Sewer and Drainage District (GVS&DD) levy is estimated to increase by approximately 3.5% or \$14,000 for a total 2021 drainage levy of \$418,200 (MV has not yet provided a preliminary estimate, as such staff have used 2020 of MV's 2020 Five-Year Financial Plan and increased by 3.5% as noted in the June board budget workshop). 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.

Salary and wages are increasing by \$5,000 for benefits and contracted salary increases.

Vehicle charges are increasing by \$2,000. This represents the Drainage Utility's share of vehicle resources pooled under the Operations Division. This includes increases related to replacement provision, fuel, maintenance, and garage charges.

Transfers to the Drainage Capital reserve are proposed to increase by \$100,000. This is offset by \$80,000 for the historical funding for the Civil Construction Crew.

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.

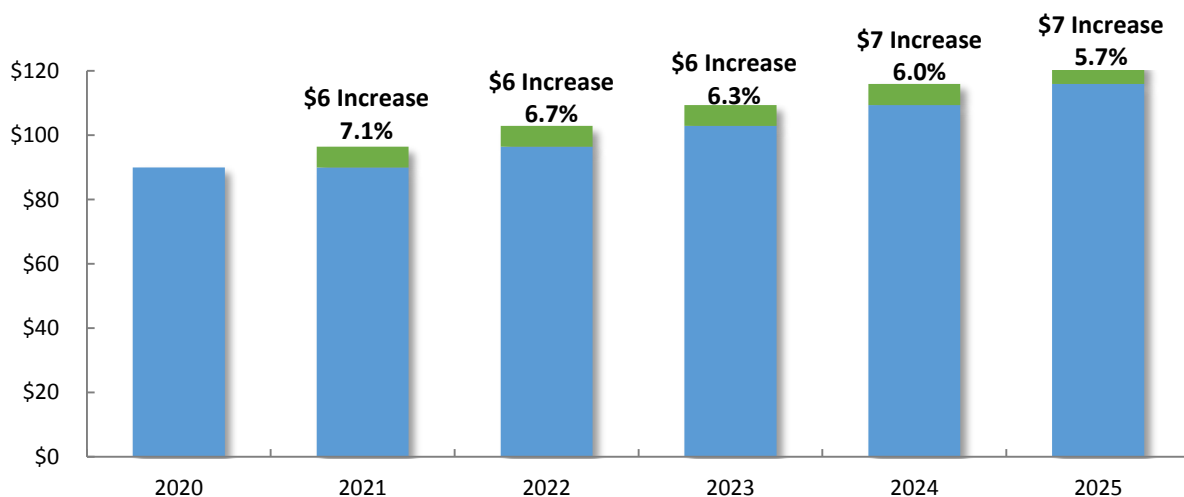
The significant increase will allow for implementation in future years of the Moody Centre storm drainage improvements as identified in the Moody Centre Stormwater Management Servicing Plan and endorsed by Council on September 17, 2019 ([CW19/136](#)). This will also support anticipated future capital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

A number of accounts have been adjusted through the 2021 budget process to better reflect future expense estimates. This has occurred throughout accounts and cost centres in the Drainage utility. These changes are summarized in the executive summary (**Attachment 2**, pg. 34) as miscellaneous revenue changes and operating expense changes and net to zero.

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 2020 average residential assessed value of \$942,000, it is projected that the drainage rates would increase from \$90 (2020) to \$96 in 2021. This represents a \$6 or 7% increase.

Proposed Drainage Rates for the Five-Year Plan (**Attachment 2**, pg. 58)

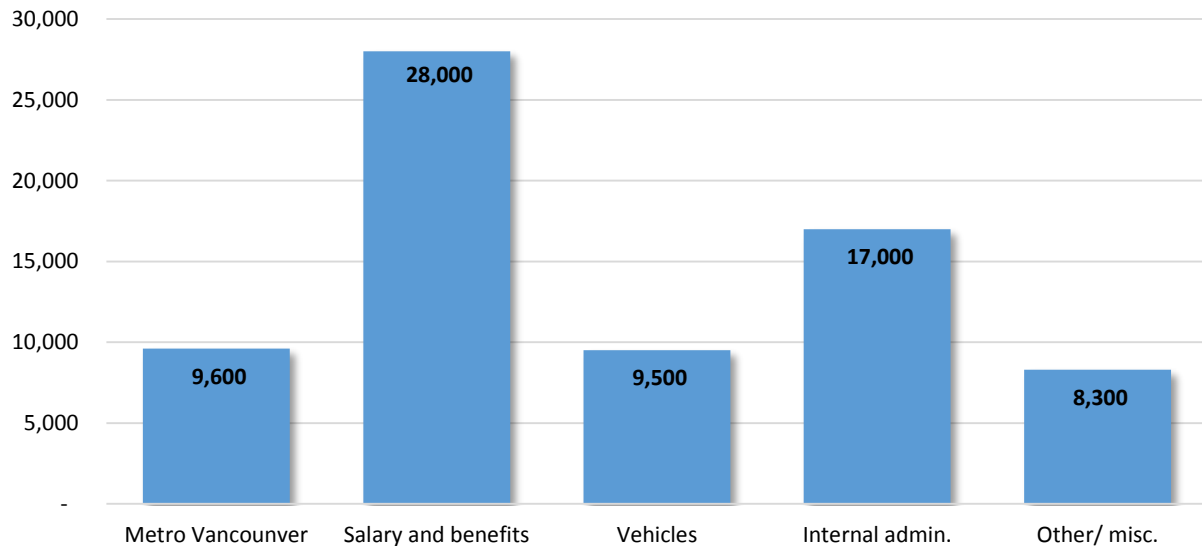
Drainage (avg. SFD)	Rate (\$)	Change (\$)	Change (%)
2020	\$90	-	-
2021	\$96	\$6	7.1%
2022	\$103	\$6	6.7%
2023	\$109	\$6	6.3%
2024	\$116	\$7	6.0%
2025	\$122	\$7	5.7%



Metro Vancouver

As discussed in the drivers above, MV has not approved their 2021 Five-Year Financial Plan. As a result, 2021-2024 of the 2020 MV financial plan has been used for preliminary budget estimates, and information from the June 2020 MV board budget workshop. When MV approves their 2021 Financial Plan, staff will incorporate updated MV cost estimates.

Solid Waste Utility



Highlights of the 2021 Solid Waste Financial Plan (Attachment 2, pg. 44)

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 an \$8 increase in Solid Waste fees for 2021.

Salary and wages are increasing by \$28,000. This is primarily driven by projected increases in employee benefits and contracted salary increases.

Metro Vancouver charges are increasing by \$9,600 for budgeted expenses for Garbage at the Coquitlam Transfer Station.

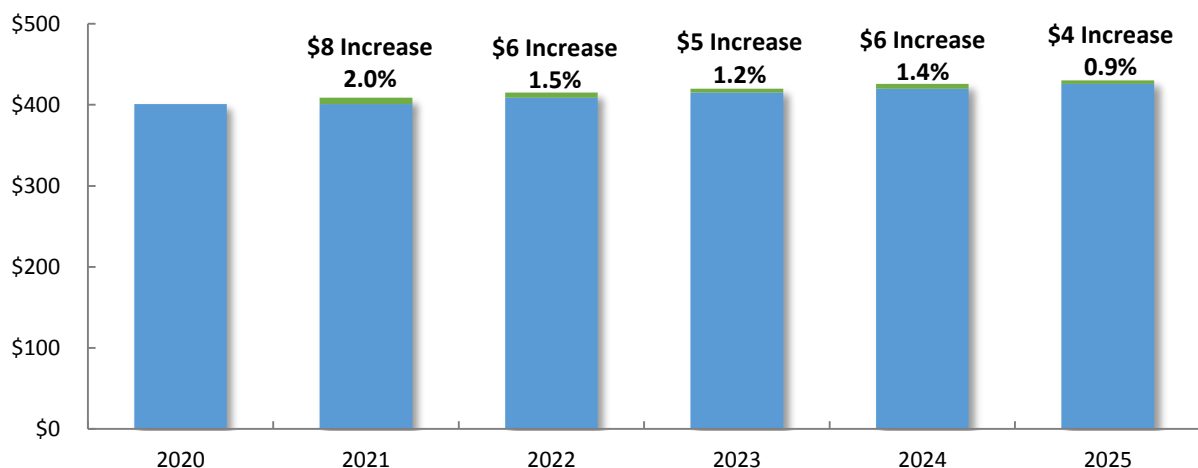
The internal administration charged to the Solid Waste utility is being increased in 2021 by \$17,000. This charge is reviewed annually and set at an appropriate level for the resources and services the utility utilizes.

Vehicle charges are increasing by \$9,500. 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 are function at full capacity.

A number of accounts have been adjusted through the 2021 budget process to better reflect future expense estimates. This has occurred throughout accounts and across cost centres in the Solid Waste utility. These changes are summarized as revenue changes and operating expense on the utility executive summary and net to a savings of \$8,300.

Proposed Solid Waste Rates for the Five-Year Plan (Attachment 2, pg. 59)

	2020	2021	2022	2023	2024	2025
Garbage	\$115	\$117	\$118	\$119	\$120	\$121
Waste Management	\$41	\$42	\$43	\$44	\$45	\$45
Glass	\$12	\$12	\$12	\$12	\$12	\$12
Green Waste	\$233	\$238	\$242	\$245	\$249	\$252
Total	\$401	\$409	\$415	\$420	\$426	\$430
<i>Increase over prior year</i>	<i>-\$5</i>	<i>\$8</i>	<i>\$6</i>	<i>\$5</i>	<i>\$6</i>	<i>\$4</i>
<i>Variance %</i>	<i>-1.20%</i>	<i>2.0%</i>	<i>1.5%</i>	<i>1.2%</i>	<i>1.4%</i>	<i>0.9%</i>



Utilities Capital Plan

Capital projects for the Utilities along with utility reserve analysis will be brought forward with the rest of the City in the 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 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 2021-2025 Utilities Financial Plan aligns with Council's strategic priorities regarding Exceptional Service, Environmental Leadership, and Community Evolution.

Attachment(s)

1. Local Municipalities 2020 SFD Utility Rates.
2. 2021-2025 Utilities Five-Year Financial Plan.

Report Author

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Report Approval Details

Document Title:	Provisional 2021-2025 Utility Five-Year Financial Plan.docx
Attachments:	- Attachment 1 - Local Municipalities 2020 SFD Utility Rates.pdf - Attachment 2 - 2021-2025 Utilities Five Year Financial Plan.pdf
Final Approval Date:	Oct 13, 2020

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

Paul Rockwood, General Manager of Finance and Technology - Oct 9, 2020 - 9:48 AM

Jeff Moi, General Manager of Engineering and Operations - Oct 9, 2020 - 1:58 PM

Tracey Takahashi for Dorothy Shermer, Corporate Officer - Oct 9, 2020 - 3:23 PM

Rosemary Lodge, Manager of Communications and Engagement - Oct 9, 2020 - 4:00 PM

Tim Savoie, City Manager - Oct 13, 2020 - 7:25 AM