



# 2020 Water Long Term Financial Plan Update

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# Water Long Term Financial Plan (LTFP)

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## Background:

- Building on the Aquifer Mapping Study, since 2012 we have been working with Econics to develop a sustainable long term financial plan for the Water Fund.

## Challenges:

- Underfunded water system
- Declining reserves
- Rate stabilization requirement as water use per capita declined
- The need to raise awareness of the cost to sustainably operate and maintain a water system

# Water Long Term Financial Plan (LTFP)

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## Progress to date:

- 2012: Extensive review of rate structure, equity among customer categories, asset inventory and funding requirements
- 2013-2018: implemented overall annual rate increases of ~ 10% - 15% per year, supported by regular communication to users
- In 2019: Council continued to support the goals of the LTFP and approved an overall annual rate increase of 5%
- We are no longer in a deficit position, are reducing our reliance on the Gas Tax funding and beginning to build reserves
- Annual use of the WaterWorth program to ensure we continue to be on track

# Water Long Term Financial Plan (LTFP)

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## Goal:

- To achieve a self-sustaining water fund with sufficient reserves to address short and long term operational and capital requirements
- Reserves targets:
  - Operational Reserve with contingency: 30% of annual O&M expenses
  - Rate Stabilization: 10% of sale of annual parcel taxes & user fees
  - Capital Reserve: 3% of Total asset replacement value

# Water LTFP Significant Items

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## O&M Expenses:

- Based on 2020 Preliminary Budget
- Inflation rate increases range from 1%-3% to account for:
  - Cost of Living
  - Population growth
  - Increased operations and maintenance costs as the Town's infrastructure expands
- Zone 3 Aquifer Expansion related changes
  - Phased in reduction of water purchase costs & associated increase to water pumping costs
  - The overall reduction in purchasing SCRD bulk water offset the costs associated with the debt funding for the expansion

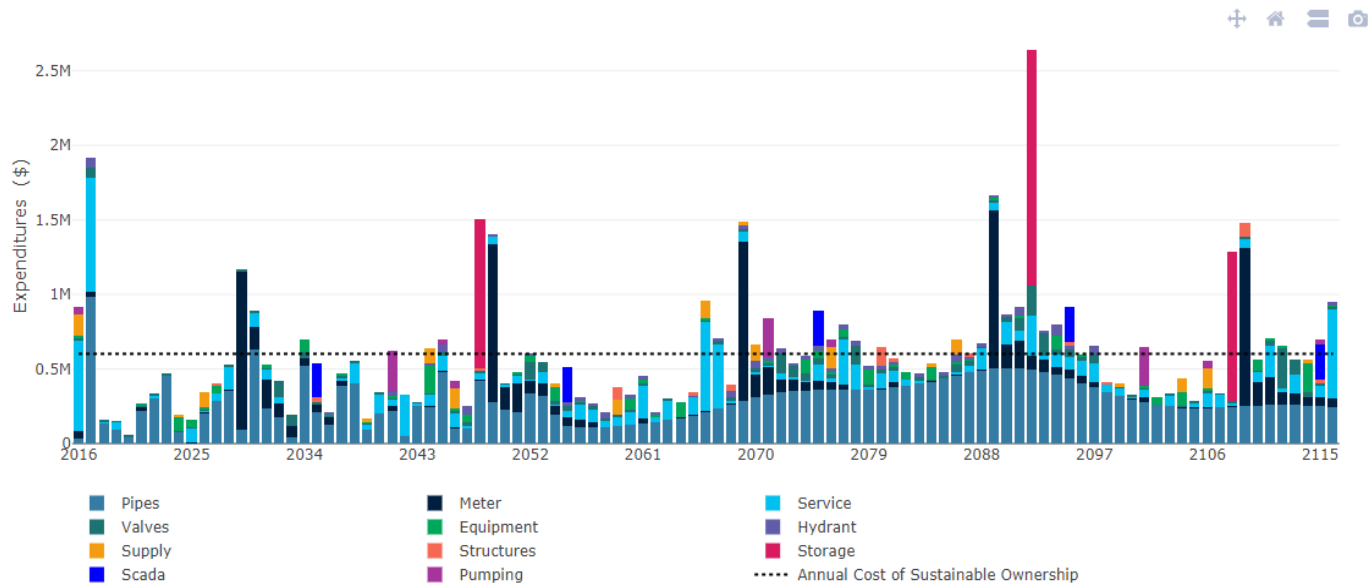
# Water LTFP Significant Items

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## Capital Costs:

- 2020-2024 based on preliminary 2020 Five Year Financial Plan
  - with funding and costs relating to Zone 3 Aquifer Expansion project reflected in 2020.
- 2025 onward, based on Annual Cost for Asset Replacement
  - 100 year average of ~ \$600,000 per year.

# Water Asset Replacement Schedule



# Water LTFP Significant Items cont'd

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## Funding Sources:

- Parcel Tax and User Fees
- Gas Tax funding
  - Reducing reliance on this grant to \$0 by 2021
  - Funds then available for other projects e.g. road rehabilitation
- Development Cost Charges - \$25,000 per year
  - actual amounts received in future will be incorporated into LTFP
- Approved Borrowing – for Zone 3 Aquifer Expansion Project - \$3.3 Million



# Water LTFP Significant Items cont'd

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## Goal:

- To achieve a self-sustaining water fund with sufficient reserves to address short and long term operational and capital requirements

## Proposed Rate Increases:

- Proposed Parcel Tax and User Fee Rate Increases of 5% for 2020
  - 2% cost of living
  - 3% asset replacement/renewal/long term sustainability
- Continue with an overall revenue increase of 5% each year until 2026 (reserve targets met).

# Water Long Term Financial Plan

