

Report to Council



Date: April 1, 2019
File: 1880-01
To: City Manager
From: Kevin Van Vliet, Utility Services Manager
Subject: Wastewater Utility Rates 2019

Recommendation:

THAT Council receives for information the report from the Utility Services Manager dated April 1, 2019, regarding wastewater utility rates for 2019;

AND THAT Bylaw No. 11788 being amendment 36 to Sewerage System User Bylaw 3480 be forwarded to Council for reading consideration;

AND FURTHER THAT the 2019 Financial Plan be amended to reflect the increase in wastewater revenues of up to \$327,000 for the 3 percent rate increase that is effective May 6, 2019.

Purpose:

To obtain approval for wastewater utility rates for 2019.

Background:

Staff have conducted a review of the City wastewater utility's operations, maintenance, and capital costs to determine financial revenue needs to support a sustainably funded utility. This analysis includes a pro-forma statement of revenues and expenditures that is a 10-year projection, based on present budget figures, future capital, and operating expenditures in all areas of the utility. The utility is fully self-funded.

There are several factors that drive rate adjustments higher than inflation. This trend will continue for the foreseeable future as we move towards fully funding all wastewater utility costs including asset depreciation. These factors are:

1. Assets are depreciating faster than they are being renewed. Our current renewal rate is adequate given the relatively young age of our assets, but renewal will need to increase in the longer term as the system ages. The current 10-year capital plan increases renewal on a step-wise basis beginning in 2023,

2. We can expect operating costs to rise as the average age of our infrastructure increases,
3. The construction cost inflation rate typically exceeds general consumer inflation.

The wastewater utility has healthy reserves to address planned infrastructure replacement over the 10-year capital planning horizon. However, there is risk of substantial demand on reserves to contribute to the cost of increasing capacity in solids management. The final cost and the breakdown of funding is still being determined. As such staff are recommending setting the wastewater utility rates for one year at a general three percent rate increase for 2019 and returning to Council in early 2020 to set 2020 rates.

The proposed rate increases continue to keep the City wastewater utility rate for single family residential customers in a very competitive position and well below most municipalities in British Columbia (See Attachment 1). The 2019 rate increase will cost residential homes an addition \$0.62 per month to a total monthly fee of \$21.41. The City's benchmarking efforts which compare our operations with other municipalities across Canada continue to show that Kelowna provides some of the most cost effective tertiary wastewater treatment in the country.

Internal Circulation:

Divisional Director, Infrastructure
Financial Planning Manager
Financial Services Supervisor
Revenue Supervisor
Utility Planning Manager
Infrastructure Engineering Manager
Communications Consultant

Financial/Budgetary Considerations:

The 2019 Financial Plan will need to be amended to include up to \$278,900 in revenue for the 3 per cent Wastewater rate increase.

Communications Comments:

Our wastewater customers will be notified of the rate changes on their utility bills and via the City's website.

Considerations not applicable to this report:

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

Existing Policy:

Personnel Implications:

External Agency/Public Comments:

Alternate Recommendation:

Submitted by:

K Van Vliet, P.Eng., Utility Services Manager

Approved for inclusion:



J. Creron, Deputy City Manager

cc:

Revenue Manager,

Utility Planning Manager,

Infrastructure Engineering Manager