

# Report to Council



**Date:** November 14, 2022  
**To:** Council  
**From:** City Manager  
**Subject:** 2023 Wastewater Rates  
**Department:** Utility Services

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## **Recommendation:**

THAT Council receives for information the report from the Utility Services Manager dated November 14, 2022, regarding wastewater utility rates for 2023;

AND THAT Bylaw No. 12435, being amendment 39 to Sewerage System User Bylaw 3480, be forwarded to Council for reading consideration.

## **Purpose:**

To obtain approval for wastewater utility rates for 2023

## **Background:**

Staff have conducted a review of the City wastewater utility's operations, maintenance, and capital program 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 proposed 2023 budget figures, future capital, and operating expenditures in all areas of the utility.

Wastewater collection and treatment costs to our users are low comparable to most other communities in the Okanagan Valley and across BC. A comparison of 2022 wastewater costs in BC for a typical single-family home is provided as Appendix 1.

## **Discussion:**

Council should be aware of the following notable initiatives that will have some impact on the wastewater utility and utility rates over the coming decade:

### Solids management

Biosolids are a product of our wastewater treatment process, and their management is carefully regulated. The City partners with the City of Vernon to compost biosolids and create safer byproducts for later use. Due to population growth, the biosolids composting facility in Vernon has reached its capacity. The City has recently found an alternative by diverting some excess solids to a compost

facility near Princeton.

Several solutions are now available in the City's biosolids management "portfolio" to safely manage our excess biosolids production needs today and into the future. This portfolio now includes our compost facility, one contracted mine reclamation project, at least one confirmed additional mine reclamation future operation, and our own future digestion facility.

The immediate need for a City-owned biosolids digestion facility at the location of the future wastewater treatment plant is now being re-assessed. We anticipate that this facility will still be needed, but at a date farther into the future than previously expected. The proposed utility rates now assume the deferral of digester development past 2030. Staff will bring to Council a more detailed summary of the business case and rationale in the first half of 2023.

#### Wastewater servicing of Okanagan Indian Band (OKIB) lands

As part of the comprehensive Memorandum of Understanding (MOU) between the City, the OKIB and the District of Lake Country signed on January 25, 2022, the City has committed to providing water and wastewater services to OKIB. This will require significant infrastructure to be built by OKIB before we see significant wastewater servicing flows. Our long-term planning anticipates this growth, which will be user funded.

#### Wastewater disposal of Lake Country effluent

The District of Lake Country currently discharges their treated effluent to ground; a process that is quickly reaching capacity. As part of the MOU, the City will temporarily assist Lake Country by accepting some treated effluent from their treatment process into our wastewater collection system in the Jim Bailey Industrial Area for up to ten years. We anticipate that this temporary arrangement will help with operational efficiency while adding a manageable demand to our collection and treatment processes. This proposed rate amending bylaw includes a rate of \$0.20 per cubic metre for Lake Country's effluent that reflects the temporary nature of our agreement (ten years) and the marginal impact on our operations. The required infrastructure to bring Lake Country effluent to our system is not yet in place but is anticipated to be operable in 2023.

#### Wastewater influent concentration

The success of the City's water conservation activities is resulting in unintended challenges to our current wastewater treatment processes. As less water is used in homes due to more efficient fixtures, we are measuring higher nutrient concentrations in our raw wastewater stream. This results in added treatment needs to meet target levels in our effluent. We see this as an emerging capital budget item in the next 5-7 years that we have not yet defined.

#### Aging system

On average, our wastewater assets are relatively young. However, they are depreciating faster than they are being renewed. Our current renewal rate is roughly 0.5 percent of our asset replacement value. This means our renewal funding is adequate to renew assets every 200 years on average. In the long run, sustainable renewal funding will need to be closer to 1.5 percent of system replacement cost (equal to 67-year average life cycle). The renewal rate in the approved 10-year capital plan has no appreciable renewal funding increases. In addition to increasing capital expenditures for renewal in the future, we can expect operating costs to rise as the average age of our infrastructure increases.

### Impact of inflation

In recent history, energy and construction cost inflation has been higher than the inflation referenced by the Consumer Price Index (CPI). This results in added pressure on rates. Since 2021, we have seen renewal costs increase by up to 20 percent which is reducing infrastructure renewal and will shift us further from sustainable funding if it continues.

The wastewater utility has reserves to address planned infrastructure renewal over the 10-year capital plan horizon. In the short term, reserves can address the shock impact of cost increases allowing time to assess the longer-term renewal costs and adjust the capital plan and rates as necessary.

The proposed 2023 rate increase of four percent keeps the City wastewater utility rate reasonable for Kelowna customers and comparable to other similar sized municipalities in British Columbia. The 2023 rate increase will cost residential homes an addition \$0.91 per month to a total monthly fee of \$23.62. The City's benchmarking efforts which compare our operations with other municipalities across Canada continue to show that Kelowna provides cost-effective tertiary wastewater treatment.

### **Conclusion:**

The wastewater utility continues to provide efficient and cost-effective service for ratepayers. To ensure that the wastewater utility continues to be sustainably self-funded, a general rate increase of four percent is recommended for 2023. Additionally, a specific rate to receive Lake Country wastewater effluent, that does not require the same level of treatment as untreated sewage, should be implemented in the Sewerage System User Bylaw.

### **Internal Circulation:**

Financial Planning  
Revenue Services  
Communications

### **Considerations applicable to this report:**

#### **Financial/Budgetary Considerations:**

The proposed rate adjustment supports the approved ten-year capital plan as well as the proposed 2023 Financial Plan.

#### **Communications Comments:**

A note on the utility bill will inform customers of the adjusted rates.

#### **Considerations not applicable to this report:**

Legal/Statutory Authority:  
Legal/Statutory Procedural Requirements:  
Existing Policy:  
External Agency/Public Comments:

**Submitted by:** K Van Vliet, Utility Services Manager

**Approved for inclusion:** M. Logan, Infrastructure General Manager

Attachment 2 – Wastewater Utility 2023 Rates Presentation

cc: Divisional Director, Corporate Strategic Services  
Acting Division Director, Financial Services