

Report to Council



Date: January 31, 2017
File: 0245-60
To: City Manager
From: Kevin Van Vliet, Utility Services Manager
Subject: Wastewater Utility Rates 2017-2018

Recommendation:

THAT Council receives, for information, the report of the Utility Services Manager dated January 31, 2017, regarding Wastewater Utility Rates;

AND THAT Council approves a two percent increase per year to Wastewater utility user rates for 2017 and 2018 for the operation, maintenance and capital improvements to the Utility with the first billing cycle of May of each year;

AND THAT the 2017 Financial Plan be amended to reflect the rate increase;

AND THAT Bylaw No. 11352 being amendment No. 32 to the Sewerage System User Bylaw 3480 be forwarded to Council for reading consideration.

Purpose:

To provide Council with information on Wastewater Utility costs to obtain approval for 2017 and 2018 Wastewater rates as well as to suggest administrative adjustments to the Sewerage System User Bylaw.

Background:

The City of Kelowna provides wastewater collection and treatment services to approximately 70 percent of all residents within the City. All wastewater is treated at the state of the art biological nutrient removal wastewater treatment facility on Raymer Avenue before discharge to Okanagan Lake. Biosolids collected in the process are composted jointly with the City of Vernon and sold as "Ogogrow", an unrestricted Class A compost product.

City staff have conducted a review of the Wastewater Utility's operations, maintenance, and capital costs as part of determining financial revenue needs to support a sustainably funded Utility. The Utility is fully self-funded.

The City's Financial Services Department has prepared 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. This method of rate setting allows the balancing of debt and large capital expenditures, with the accumulated surplus, to establish a stable Utility rate structure.

There are a number of factors that will drive rate adjustments slightly higher than inflation over the coming years:

1. Wastewater 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 as the system ages.
2. We can expect operating costs to rise as the average age of our infrastructure increases and as our infrastructure becomes more geographically dispersed.
3. There are significant cost pressures on managing biosolids over the longer term. The Biosolids management budget had a significant increase in 2015 to address the shorter term operating impacts.

The Wastewater utility has been building reserves to address planned infrastructure replacement as well as growth. In order to continue on a sustainably funded path without future large rate increases there is a need for a general two percent rate increase to wastewater user fees for both 2017 and 2018. Future increases may need to be higher depending on the outcome of the current study on how to manage biosolids for the longer term.

The proposed bylaw includes improved wording to more accurately reflect the historic billing process for non-residential ("Commercial") properties. Similar to the Water Utility, Commercial sewer users are charged a base (fixed) fee plus a fee based on the amount of water consumed. The existing bylaw wording on this rate structure needs clarification. This change will not affect what users have been paying.

The Sewer Utility allows for "Sewer Credit Meters" at "Commercial" properties to reflect the fact that some commercial properties may use a lot of water and not return it to the sewer. This could be for irrigation, or perhaps for process. An example could be a water bottling company, where most of the water used goes into product. The City has approximately 425 sewer credit meters in our inventory. The meters are owned, read and replaced using City resources which are not recovered directly by users. The proposed bylaw adds a \$5 per month (\$10 bi-monthly) fee to recover the cost of meter reading, billing administration, verification that the sewer credit meter is being appropriately used, and for replacement of the asset when it reaches the end of its service life.

The proposed rate increase keeps Kelowna's Wastewater Utility rates similar to other municipalities in the Okanagan and significantly lower than municipalities within the lower mainland (See Attachment 1).

Internal Circulation:

Divisional Director, Infrastructure

Divisional Director, Communications and Information Services

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

Communications Comments:

Our Wastewater customers will be notified of the rate changes on their utility bills prior to the increase.

Considerations not applicable to this report:

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

Existing Policy:

Financial/Budgetary Considerations:

Personnel Implications:

External Agency/Public Comments:

Alternate Recommendation:

Submitted by:

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

Approved for inclusion:

A square box containing a handwritten signature in blue ink, which appears to be 'J. Creron'.

J. Creron, Deputy City Manager - Operations

cc:

Revenue Manager,
Utility Planning Manager,
Infrastructure Engineering Manager
Communications Supervisor