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## CITY OF KELOWNA

# MEMORANDUM

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**Date:** November 27, 2001  
**File No.:** 1824-02  
**To:** City Manager  
**From:** Wastewater Manager  
**Subject:** 2002 Sewer Rates

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### **RECOMMENDATION:**

THAT Council approve an increase to Residential Sewer rates effective **January 1, 2002**, as follows :

	<u>Existing 2001</u>	<u>New 2002</u>
Residential - Flat Rate	\$11.50 / month	\$ 11.90 / month

AND THAT Council direct staff to prepare an amended Sewer Regulation Bylaw for approval.

### **BACKGROUND**

A financial review was conducted on the Sewer Utility revenues and expenditures based on the projections we calculated in June of 2001. This review considered the timing and expenses of Capital improvements such as Treatment Facility expansions as well as new mains. Also considered were the expenses of ongoing infrastructure replacement, the management of our Bio-Solids program, treatment plant, lift station and pipe network operation & maintenance. The proposed rate increase is intended to provide adequate funds to operate and maintain the Wastewater Utility in 2002.

As a result of the transfer of the City's Utility billing function to B.C. Gas, all our flat-rate Residential customers that are exclusively Sewer customers (i.e. customers with City sewer service but Water & Electrical service supplied by others) will be billed for their sewer in 2002 on their Tax Notice rather than a mailed-out monthly or quarterly billing. This change will make it much more complicated to change Sewer rates mid-year and therefore the rate changes for Sewer will now be made at year-end, and come into effect on January 1<sup>st</sup> of the next year.

### **Financial Details**

The City Financial Services Department prepared a pro forma statement of Revenues & Expenditures for the Sewer Utility, that is a 10-year projection, based on the present year Budget figures and 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 Utility surplus, to establish a stable Utility rate structure.

Sewer Utility revenues from our customer base come from two types of charges; the monthly user rate and an annual parcel tax. The user rate is a flat rate per month for our residential

customers. A minimum charge coupled with a volumetric usage charge is applied to Commercial (Industrial/Commercial/Institutional) customers. The annual Parcel Tax makes up the other component of our sewer charge and is presently \$70.<sup>00</sup> per year, per parcel that is capable of being serviced with sewer. We propose to keep the Parcel Tax component of the charges at the same rate.

There is no change in Sewer charges for our Industrial/Commercial/Institutional customers proposed at this time for 2002. The effect of the new rates, on our residential customers, is \$4.80 per year. The overall adjustment represents an increase of Utility revenues of approximately 1.32 percent.

The following table illustrates the effect of the proposed rate adjustment for this year on residential customers:

	Annual Parcel Tax	Monthly User Rate	Total Annual Sewer Charges
2001 Rates	\$70. <sup>00</sup>	\$11. <sup>50</sup> /mo.	\$208. <sup>00</sup>
2002 Rates	\$70. <sup>00</sup>	\$11. <sup>90</sup> /mo.	\$212. <sup>80</sup>

The rates are proposed to be in effect for sewer use on or after January 1<sup>st</sup>, 2002. Customers will be advised of the rate increase prior to the rate coming into effect.

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W.J. Berry, P. Eng  
Wastewater Manager

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John Vos  
Director of Works & Utilities

WJB

cc: Revenue Manager  
Financial Planning & Systems Manager