
CITY OF KELOWNA

MEMORANDUM

Date: November 13, 2002
File No.: 1824-02
To: City Manager
From: Wastewater Manager
Subject: **2003 Sewer Rates**

RECOMMENDATION:

THAT Council approve an increase to both Residential and Sewer Strength surcharge rates effective on January 1, 2003 and billings that occur subsequent to that date, as follows:

	<u>2002</u>	<u>New 2003</u>
Residential	\$ 11.90 / month	\$ 12.35 / month
- Flat Rate		
Commercial (I/C/I)		
- Minimum charge	\$ 8.00 / month	Unchanged
- All usage (per m ³)	\$ 0.75 / m ³	Unchanged
Sewer Strength Surcharge Rates		
- BioChemical Oxygen Demand	\$ 0.375 / kg	\$ 0.40 / kg
- Total Suspended Solids	\$ 0.375 / kg	\$ 0.40 / kg
- Fats, Oil and Grease	\$ 0.161 / kg	\$ 0.175 / kg
- Volume	\$ 0.750 / m ³	\$ 0.750 / m ³

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 our most recent projections. 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.

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. For example, in 2002, the Utility is expected to incur expenses of approximately \$10.2 Million, with offsetting revenues of approximately \$8.65 Million. The deficit was financed by drawing from the accumulated surplus that had been built up to accommodate the large expenditures. Therefore, Sewer rates can be 'blended' to avoid large rate fluctuations from year to year as large expenditures are made.

To: City Manager
Re: 2003 Sewer Rates

- 2 -

November 13, 2002

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 \$70.⁰⁰ 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.

The effect of the new rates, on residential customers, is \$5.⁴⁰ per year. The overall adjustment represents an increase of revenues of approximately 1.35 percent. There will be no increase in rates for our I/C/I (Industrial/Commercial/ Institutional) customers that discharge standard strength sewage.

The Sewage surcharge amounts are being corrected to account for several years in the 90's when the surcharge was not increased in conjunction with the general Utility rate increase, and the charge per loading is not representative of the original bylaw amount. The surcharge loading rate increase will only affect customers with higher than normal sewage strength, of which there are very few.

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
2002 Rates	\$70. ⁰⁰	\$11. ⁹⁰ /mo.	\$212. ⁸⁰
2003 Rates	\$70. ⁰⁰	\$12. ³⁵ /mo.	\$218. ²⁰

The rates are proposed to be in effect for the sewer use after January 1, 2003 on the Tax notices of the customers who are billed for sewer only, and will appear on the January 16, 2003 sewer bill and subsequent bills for customers receiving a utility bill. We propose to provide our customers with a one-month notice of the rate increase, to be printed on our customer sewer bills, prior to the rate coming into effect.

W.J. Berry, P. Eng
Wastewater Manager

John Vos
Director of Works & Utilities

WJB/ms

cc: Revenue Manager
Financial Planning & Systems Manager