
CITY OF KELOWNA

MEMORANDUM

Date: November 9, 2004
File No.: 1824-02

To: City Manager

From: Wastewater Manager

Subject: 2005 Sewer Rates

RECOMMENDATION:

THAT Council approve an increase to Residential and Industrial/Commercial/Institutional (ICI) Sewer rates effective on January 1, 2005 and billings that occur subsequent to that date, as follows:

	<u>(Existing) 2004</u>	<u>(New) 2005</u>
Residential		
- Flat Rate	\$ 13.20 / month	\$ 14.20 / month
Commercial (I/C/I)		
- Metered base rate (per month)	\$ 8.50	\$ 9.50
- All usage (per m ³)	\$ 0.75 / m ³	\$ 0.75 / m ³
Parcel Tax (all serviced parcels)	\$ 60.00 /parcel /year	\$ 50.00 /parcel /year

AND THAT Council direct staff to prepare an amended Sewer System User Bylaw and Sewer Service Parcel Tax 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. The City Financial Services Department has 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 \$60.⁰⁰ per year, per parcel that is capable of being serviced with sewer. The proposed new rates continue to incorporate a shift from the Parcel Tax billing to Utility billing for the second year, and this is proposed to continue for 5 more years until the Parcel Tax has been eliminated.

The effect of the new rates, on residential customers, is \$2.⁰⁰ per year. The adjustment in rates for our Industrial/Commercial/Institutional (I/C/I) customers is also due to the shift of Parcel Tax charges to Utility billing charges. The I/C/I rate increase will be less than Residential Accounts because the increase only affects the base rate and there will be no change to the I/C/I consumption rate. This is intentional to continue our gradual adjustment in the distribution of costs between Residential and I/C/I accounts. The overall adjustment represents a very small increase of revenue from rates for 2005. The costs of operating the Utility will increase in 2005 and additional revenue is required, however this revenue is projected to be obtained through our substantial growth in customers.

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
2004 Rates	\$60. ⁰⁰	\$13. ²⁰ /mo.	\$218. ⁴⁰
2005 Rates	\$50. ⁰⁰	\$14. ²⁰ /mo.	\$220. ⁴⁰

The rates are proposed to be in effect for the sewer use after January 1, 2005 on the Tax notices of the customers who are billed for sewer only, and will appear on the January 16, 2005 sewer bill and subsequent bills for customers receiving a utility bill. We propose to provide our customers with notice of the rate increase, to be printed on our customer sewer bills, prior to the rate coming into effect.

In addition to a rate adjustment, this report identifies a proposed change in the commencement date of Sewer billing. Previously, sewer billing began at the date of "occupancy" of a building, however that term has been problematic. In many cases the building is lived in or used for business prior to all the small construction/plumbing deficiencies being corrected and that has sometimes resulted in owners not paying for sewer use when it would have been appropriate to do so. This only affects new accounts. After meeting with affected staff in different departments it was concluded that the closest point in time to when the building is actually going to be used is when the Owner or Contractor request the final inspection of the building. It is therefore proposed that, effective immediately, Sewer billing commence at the date of "Request for Final Inspection".

W.J. Berry, P.Eng.
Wastewater Manager



Approved for inclusion:
John Vos
Director of Works & Utilities

WJB/wjb

cc: Revenue Manager
Financial Planning & Systems Manager

