
CITY OF KELOWNA

MEMORANDUM

Date: December 13, 2005
File No.: 1824-02
To: City Manager
From: Wastewater Manager
Subject: **2006 Sewer Rates**

RECOMMENDATION:

THAT Council approve the proposed Residential and Industrial/Commercial/Institutional (ICI) Sewer rates as shown below:

	<u>(Existing) 2005</u>	<u>(New) 2006</u>
Residential		
- Flat Rate	\$ 14.20 / month	\$ 14.20 / month
Commercial (I/C/I)		
- Metered base rate (per month)	\$ 9.50	\$ 9.50
- All usage (per m ³)	\$ 0.75 / m ³	\$ 0.75 / m ³
Parcel Tax (all serviced parcels)	\$ 50.00 /parcel /year	\$ 40.00 /parcel /year

AND THAT Council direct staff to prepare an amended 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 operation 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 \$50.⁰⁰ per year, per parcel that is capable of being serviced with sewer. The proposed new rates continue to incorporate a reduction of the Parcel Tax component of the Utility billing for the third year, and this is proposed to continue for 4 more years until the Parcel Tax has been eliminated.

The effect of the new rates, on residential customers, is a reduction of \$10 per year. The overall adjustment represents a small decrease in revenue from the rates established for 2005. The costs of operating the Utility will increase in 2006, and additional revenue is required, however this revenue is projected to be obtained through the substantial growth in our customer base. The Utility is expanding through both new development and by the extension of the sewer system into existing neighbourhoods.

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
2005 Rates	\$50. ⁰⁰	\$14. ²⁰ /mo. x 12	\$220. ⁴⁰
2006 Rates	\$40. ⁰⁰	\$14. ²⁰ /mo. x 12	\$210. ⁴⁰

The Parcel Tax change will take effect in 2006.

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

☐ Approved for inclusion:
John Vos
Director of Works & Utilities

WJB/ms

cc: Revenue Manager
Financial Planning & Systems Manager