
CITY OF KELOWNA

MEMORANDUM

Date: December 10, 2007
File No.: 1824-02
To: City Manager
From: Wastewater Manager
Subject: **2008 Sewer Rates**

RECOMMENDATION:

THAT Council receive the report of the Wastewater Manager dated December 10, 2007 and direct staff to prepare the amending bylaw to the City of Kelowna Sewerage System User Bylaw No. 3480 to reflect the proposed Residential and Industrial/Commercial/Institutional (ICI) Sewer rates as outlined in the Report;

AND THAT the amending Bylaw be forwarded to Council for reading consideration;

AND THAT Council direct staff to prepare the applicable amending bylaw to the City of Kelowna Sewer Service Parcel Tax Bylaw No. 8924;

AND FURTHER THAT the amending bylaw be forwarded to Council for reading consideration.

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 trunk 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 Industrial/Commercial/Institutional (ICI) customers. The annual Parcel Tax makes up the other component of our sewer charge and is presently \$30.⁰⁰ 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 fifth year, and this is proposed to continue for 2 more years until the Parcel Tax has been eliminated.

The effect of the new rates, on residential customers, is an increase of \$1.40 per year. The overall adjustment represents a small increase in revenue from the rates established for 2007. The costs of operating the Utility will increase in 2008, and additional revenue is required, however much of 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.

	<u>(Existing) 2007</u>	<u>(New) 2008</u>
Residential		
- Flat Rate	\$ 14.90 / month	\$ 15.85 / month
Commercial (I/C/I)		
- Metered base rate (per month)	\$ 9.50	\$ 9.50
- All usage (per m ³)	\$ 0.75 / m ³	\$ 0.78 / m ³
Parcel Tax (all serviced parcels)	\$ 30.00 /parcel /year	\$ 20.00 /parcel /year

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

	Annual Parcel Tax	MONTHLY User Rate	Total Annual Sewer Charges
2007 Rates	\$30. ⁰⁰	\$14. ⁹⁰ /mo. x 12	\$208. ⁸⁰
2008 Rates	\$20. ⁰⁰	\$15. ⁸⁵ /mo. x 12	\$210. ²⁰

The volumetric rate (cost per cubic meter of internal water use) for our Industrial, Commercial & Institutional (ICI) customers has remained unchanged since 2000. The rate has been \$0.75/m³ and is proposed to be increased to \$0.78/m³ in 2008. The base rate of \$9.50 will remain unchanged and the volumetric rate increase will result in a variable increase between less than 1% for some customers and up to a 4% increase for those generating a lot of sewer flow.

The Parcel Tax reduction from \$30/parcel to \$20/parcel will take effect in 2008.

INTERNAL CIRCULATION TO:

Financial Planning Manager, City Clerks office
Revenue Manager

LEGAL/STATUTORY AUTHORITY:

Provincial Legislation

LEGAL/STATUTORY PROCEDURAL REQUIREMENTS:

Bylaw amendments.

FINANCIAL/BUDGETARY CONSIDERATIONS:

The recommended rates are consistent with the 10-year Utility Financial Plan

Considerations that were not applicable to this report:

PERSONNEL IMPLICATIONS: N/A

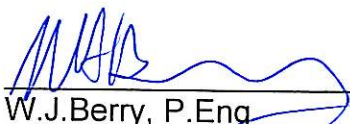
EXISTING POLICY: N/A

TECHNICAL REQUIREMENTS: N/A

EXTERNAL AGENCY/PUBLIC COMMENTS: N/A

ALTERNATE RECOMMENDATION: N/A

Submitted by:


W.J. Berry, P.Eng
Wastewater Manager

Approved for inclusion:



J. Vos, P.Eng. Director of Works & Utilities