
CITY OF KELOWNA

MEMORANDUM

Date: April 27, 2009
File No.: 1824-02
To: City Manager
From: Director, Design & Construction Services
Subject: 2009 Sewer Rates

RECOMMENDATION:

THAT Council receive the Report dated April 27, 2009 from the Director of Design & Construction Services;

AND THAT Bylaw No. 10147 being Amendment No. 28 to Sewerage System User bylaw No. 3480 be forwarded to Council for reading consideration;

AND FURTHER THAT Bylaw No. 10195 being Amendment No. 6 to Sewer Service Parcel Tax Bylaw No. 8924 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 \$20.⁰⁰ 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 sixth year, and this is proposed to continue for 1 more year until the Parcel Tax has been eliminated.

The effect of the new rates on residential customers, based on the fact that the rate will be effective mid-year, is a slight decrease of \$3.40 in the year. The overall adjustment generally represents a hold-the-line position in revenue from the rates established in 2008. The costs of operating the Utility



will increase for 2009, and additional revenue is required, however much of this revenue is projected to be obtained through the growth in our customer base. The Utility has expanded through both new development and by the extension of the sewer system into existing neighbourhoods.

The new rates are proposed to be in effect for the first billing cycle in July and will appear on the July 16th sewer bill and subsequent bills for customers receiving a utility bill. For those customers who are billed for sewer only on their Tax notices, the annual rate will be pro-rated to be effective from June 16, 2009 and thereafter. Our customers will be provided with notice of the rate change, to be printed on our customer sewer bills, prior to the rate coming into effect. The Parcel Tax reduction from \$20/parcel to \$10/parcel will take effect for the entire year 2009.

	<u>(Existing) 2008</u>	<u>(New) 2009</u>
Residential		
- Flat Rate	\$ 15.85 / month	\$ 16.95 / month
Commercial (I/C/I)		
- Metered base rate (per month)	\$ 9.50	\$ 9.50 (unchanged)
- All usage (per m ³)	\$ 0.78 / m ³	\$ 0.78 / m ³ (unchanged)
Parcel Tax (all serviced parcels)	\$ 20.00 /parcel /year	\$ 10.00 /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
2008 Rates	\$20. ⁰⁰ +	\$15. ⁸⁵ /mo. x 12 =	\$210. ²⁰
2009 Rates	\$10. ⁰⁰ +	\$15. ⁸⁵ /mo. x 6 + \$16. ⁹⁵ /mo. x 6 =	\$206. ⁸⁰

INTERNAL CIRCULATION TO:

Director of Financial Services, Revenue Manager, City Clerks office

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:

EXISTING POLICY:

TECHNICAL REQUIREMENTS:

EXTERNAL AGENCY/PUBLIC COMMENTS:

ALTERNATE RECOMMENDATION:

Submitted by:



W.J. Berry, P.Eng. Director, Design & Construction Services

Approved for Inclusion:



J. Vos, P.Eng. General Manager, Community Services

cc: *Financial Planning Manager*
Revenue Manager

