

Memo



Date: February 15, 2010
File: 1824-02
To: City Manager
From: John Vos, General Manager - Community Services
Subject: 2010 Water Rates

Recommendation:

THAT Council receive, for information, the Report dated February 15, 2010 from the General Manager, Community Services with respect to the 2010 Water Rates;

AND THAT Council approve an increase in Water Utility revenue of 8.8% effective April 16, 2010.

AND FURTHER THAT Bylaw No.10292 being Amendment No. 34 to the Water System User Bylaw No. 2173 be forwarded to Council for reading consideration.

Background:

A review was conducted by the Infrastructure Planning, Design and Construction, and Civic Operations Departments on the Water Utility revenues and expenditures, based on our most recent projections. This review considered the timing and expenses of capital improvements such as water treatment and pumping stations upgrades and expansions as well as new trunk mains. Also considered were the expenses of ongoing infrastructure replacement and operation and maintenance. The City Financial Services Department has prepared a pro forma statement of Revenues & Expenditures for the Water Utility that is a 10-year projection, based on the present year's 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.

The Water Utility has been experiencing significant capital cost pressures over the past number of years due to the need to replace aging infrastructure. This has used up most of the Utility's reserves and surpluses and triggered the need for debt financing. In addition to the need to replace aging cast iron water mains and participate when other roads or sanitary sewer projects occur, the most notable expenditure is the current construction of the Cedar Creek Pump Station and UV water treatment at a cost of some \$14.5M. This new pump station replaced three very small and inadequate pump stations as well as provides increased water treatment. Costs are shared between new development and existing customers with existing customers responsible for approximately \$9M of this amount. The replacement of aging infrastructure is expected to maintain financial pressures on the utility. Projects over the next five years include cast iron main replacement projects, Poplar Point chlorine system replacement, and participation in projects such as Bernard Avenue revitalization. Potential future costs not considered in the

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analysis at this time include water filtration if required by IHA, revenue reductions as a result of further water consumption reductions, comprehensive utility asset management funding, and future water meter replacement. Staff is gathering further information on these and other issues prior to presenting them to Council for future consideration.

The results of the financial analysis indicates that the Utility must increase rates over the next five years approximately 50% to cover these capital expenses as well as increasing operating costs. Staff have considered many options in implementing this required revenue increase. The options considered included; a major one time increase and then small increases in years thereafter, a consistent annual increase over 5 years, or variable rate increases per year. Recognizing the current economic situation staff are recommending that for 2010 the rate be increased 8.8% which for the typical residential water user will result in an increase of \$2 per month on an average water bill (currently \$22.65 month). This rate increase continues to place the City water utility as the second lowest of the five water purveyors in the City and well below most municipalities in British Columbia (see Attachment 1). Staff expects to conduct further analysis of water utility revenue needs and will bring forward recommendations prior to 2011.

Water Utility revenues from our customer base come from two types of charges; the monthly user rate and an annual parcel tax. The user rate for all customer classes is based on a combination of a fixed monthly rate plus a variable rate per month based on actual consumption. The annual Parcel Tax makes up the other component of our water charge and is presently \$50.⁰⁰ per year, per parcel that is capable of being serviced with water. The proposed new rates incorporate a continuation of the Parcel Tax component of the Utility billing recognizing the funding needs of the Utility.

The new rates are proposed to be in effect for the first billing cycle in April and will appear first on the April 16th utility bill and subsequent bills for customers receiving a utility bill. Our customers will be provided with notice of the rate change, to be printed on our customer utility bills, prior to the rate coming into effect.

In previous years the Utility has been adjusting rates to reflect true cost of service for the various customer classes as well as promote water consumption reduction as part of the City's water sustainability strategy. The rate increases proposed for 2010 are an across the board rate increase to all classes of customers reflecting the revenue needs of the utility. Staff will have further rate analysis conducted over the course of this year and anticipate bringing back to Council further adjustments for these important components as part of 2011 water rates.

INTERNAL CIRCULATION TO:

Director of Financial Services, Revenue Manager, City Clerk, Director of Design and Construction, Director Infrastructure Planning, Director of Community & Media Relations

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

COMMUNICATIONS CONSIDERATIONS:

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Notification to customers will go out through media advertising and / or utility billing.

Considerations that were not applicable to this report:

PERSONNEL IMPLICATIONS:

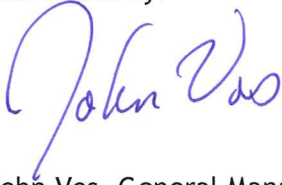
EXISTING POLICY:

TECHNICAL REQUIREMENTS:

EXTERNAL AGENCY/PUBLIC COMMENTS:

ALTERNATE RECOMMENDATION:

Submitted by:



John Vos, General Manager - Community Services

cc: Financial Planning Manager
Revenue Manager

Current Kelowna Water Purveyors Residential Rates Based on 41m³ per month*

Purveyor		Charge Type	Rate \$	Monthly Cost of 41m ³
City of Kelowna Proposed Rates	Metered	Monthly flat rate	6.94	24.65
		First 30 cubic meters	.275/m ³	
		Next 50 cubic meters	.362/m ³	
		Next 45 cubic meters	.548/m ³	
		Consumption in excess of 125 cubic meters	1.097/m ³	
	Parcel Tax	Yearly	50.00	
	Water Quality Charge	Monthly	1.32	
BMID	Parcel Tax	Yearly flat rate	68.00	36.67
	Residential	Monthly flat rate	31.00	
	Residential with Suite	Monthly flat rate	49.50	
GEID	Water Tax Levy	Quarterly flat charge	8.85	34.95
	Residential	Quarterly flat charge	96.00	
SEKID	Annual Water Tax	Yearly flat rate	63.00	38.50
	Residential	Quarterly flat charge	99.78	
	Hall Road Special	Monthly flat charge		48.50
Rutland Waterworks	Annual Water Tax	Grade A parcels	25.50	20.64
	Metered	Per Quarter for the first 68.2 cubic meters	40.08	
		for the next 109.1 cubic meters	.282/m ³	
		for the next 136.4 cubic meters	.315/m ³	
		for every cubic meter thereafter	.420/m ³	
Unmetered	Quarterly flat charge	66.90		

* 41m³ is the City Utility's average monthly residential water usage per single family dwelling

BC Municipalities Water Utility Residential Rates (metered)

Municipality	Charge Type	Rate \$	Monthly Cost of 41m ³
City of Vernon	Quarterly flat rate	29.15	44.16
	Rate per cubic meter	.84	
City of Penticton	Monthly flat rate	17.25	38.16
	Rate per cubic meter	.51	
City of Kamloops	Base rate per year	256.40	43.51
	Rate per cubic meter	.54	
District of Saanich	Monthly charge	3.75	48.15
	Rate per cubic meter	1.083	
Maple Ridge	Base Rate per Quarter	26.80	33.53
	Rate per cubic meter	.60	
City of Richmond	Quarterly meter rent & operating fee	21.50	45.19
	Rate per cubic meter	.9277	
City of Abbotsford	Rate per cubic meter	.94	38.54
City of Surrey	Quarterly charge	20.00	37.12
	Rate per cubic meter	.745	
West Vancouver	Meter Fee (quarterly)	59.89	52.05
	0-60 cubic meters (quarterly)	.67	
	61 – 180 cubic meters (quarterly)	.89	
	Over 180 cubic meters (quarterly)	1.11	