

Staff Report for Decision

DATE OF MEETING December 6, 2021

AUTHORED BY BARBARA D. WARDILL, MANAGER, REVENUE SERVICES

SUBJECT AMENDMENT TO BULK WATER RATES FOR SOUTH WEST EXTENSION

OVERVIEW

Purpose of Report

To introduce "South West Bulk Water Rate Amendment Bylaw 2021 No. 7099.10" for first, second and third readings.

Recommendation

That:

1. "South West Bulk Water Rate Amendment Bylaw 2021 No. 7099.10" (To set the 2022 bulk water rates for South West Extension) pass first reading;
2. "South West Bulk Water Rate Amendment Bylaw 2021 No. 7099.10" pass second reading; and,
3. "South West Bulk Water Rate Amendment Bylaw 2021 No. 7099.10" pass third reading.

BACKGROUND

In 2004, the water supply service established under the *Greater Nanaimo Water District Act* was transferred to the City of Nanaimo, making the City responsible for provision of water to the South West Extension Waterworks District. Under the legislation, the City's fees for this cannot exceed the cost of providing services. The fees are reviewed on an annual basis.

DISCUSSION

The total cost to provide water to South West Extension for 2022 is estimated to be \$12,422,024. Based on the 5-year average annual water consumption volume, a rate of \$4.00 per 1,000 gallons is needed to meet full cost recovery, an increase of \$0.70 per 1,000 gallons over the 2021 rate. The rate increase is due to increases in debt, asset management reserve funding and capital project work and increased consumption. The increase will be effective 2022-JAN-01 and will apply to all properties receiving the service.

FINANCIAL CONSIDERATIONS

The projected increase of \$0.70 per 1,000 gallons is required to ensure the City meets full cost recovery of providing water service to South West Extension.

An increase of less than \$0.70 per 1,000 gallons will have a negative impact the City's ability to provide this service, thereby causing a deficit and the need to draw from other City revenue sources.

OPTIONS

1. That "South West Bulk Water Rate Amendment Bylaw 2021 No. 7099.10" (To set the 2022 bulk water rates for South West Extension) pass first reading.
2. That "South West Bulk Water Rate Amendment Bylaw 2021 No. 7099.10" pass second reading.
3. That "South West Bulk Water Rate Amendment Bylaw 2021 No. 7099.10" pass third reading.
 - The advantages of this option: The City will meet its revenue targets, including asset management initiatives.
4. That Council deny first, second and third readings to "South West Bulk Water Rate Amendment Bylaw 2021 No. 7099.10" (To set the 2022 bulk water rates for South West Extension).
 - The disadvantages of this option: The City will not meet its revenue targets and will not recover the costs of service to the South West Extension Waterworks District.

SUMMARY POINTS

- The City's fees for providing water to South West Extension cannot exceed the cost to provide that service, and are reviewed on an annual basis.
- For 2022, a rate of \$4.00 is required to fund the costs of providing the service, an increase of \$0.70 per 1,000 gallons over the 2021 rate.

ATTACHMENTS:

Attachment A: "South West Bulk Water Rate Amendment Bylaw 2021 No. 7099.10"

Submitted by:

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Concurrence by:

Laura Mercer
Director, Finance

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