

DATE OF MEETING DECEMBER 5, 2022

AUTHORED BY JAMIE SLATER, MANAGER, FINANCIAL SERVICES AND SPECIAL PROJECTS

SUBJECT AMENDMENT TO RATES AND CHARGES FOR SANITARY SEWER

## **OVERVIEW**

### **Purpose of Report**

To introduce "Sewer Regulation and Charges Amendment Bylaw 2022, No. 2496.35" for first, second and third reading.

### **Recommendation**

That:

1. "Sewer Regulation and Charge Amendment Bylaw 2022, No. 2496.35" (A bylaw to set the 2023 rates for sanitary sewer) pass first reading;
2. "Sewer Regulation and Charge Amendment Bylaw 2022, No. 2496.35" pass second reading; and,
3. "Sewer Regulation and Charge Amendment Bylaw 202, No. 2496.35" pass third reading.

## **BACKGROUND**

The City of Nanaimo maintains an effective and reliable sanitary sewer system that services residents and businesses in our growing community. The sanitary sewer pipes carry wastewater to the Greater Nanaimo Pollution Control Center (GNPCC) as part of the Regional wastewater treatment system.

The sewer fund is a self-sustaining utility, which means that sewer revenues must be adequate to offset sewer expenses and reserve fund contributions for future infrastructure maintenance. Each year, sewer rates are set to achieve this goal.

As part of the 2023-2027 Financial Planning process, staff introduced a 'Utility Rate Review' for both the water and sanitary sewer utilities and two options were presented to the Finance and Audit Committee on 2022-DEC-01 for consideration.

The first option proposed was a new rate structure design and a rate increase of 4% for sewer charges based on the revenue requirements for infrastructure renewal and for new and upsized mains to support growth (see details on page 2). This new rate structure design also decreases

billing complexity. The second option was to defer rate setting decisions related to the proposed new structure and to only increase the existing sewer charges by 4% which is consistent with increases outlined in the Financial Planning process.

The Finance and Audit Committee selected Option 1 and directed staff to bring forward a bylaw based on the new structure. Details of the new structure are outlined below in the discussion section of the staff report.

The premise behind the rate structure and design have been presented as part of the Utility Rate Review.

## **DISCUSSION**

The rates proposed in the Utility Rate Review were 2022 rates. The sewer rates set by bylaw will increase by 4% in 2023 in order to continue to address funding requirements for the sanitary sewer utility. The 2023 sanitary sewer rate structure is:

### **Residential Properties**

- Base Rate: Daily Rate of \$0.43324 per unit
  - This represents an annual rate of \$158 per unit

### **Non-Residential Properties**

- Base Rate: Daily Rate of \$0.43324 per property
  - This represents an annual rate of \$158 per property
- Volumetric Rate: Single volumetric rate based on metered water consumption at \$0.00364 per imperial gallon

The annual costs for a residential property will change as follows:

| Standard Fee | Current Annual | Proposed Annual | \$ Change | % Change | New Daily Rate |
|--------------|----------------|-----------------|-----------|----------|----------------|
| Residential  | \$152          | \$158           | \$6       | 4%       | \$0.43324      |

## **OPTIONS**

1. That:
  1. "Sewer Regulation and Charge Amendment Bylaw 2022, No. 2496.35" (A bylaw to set the 2023 rates for sanitary sewer) pass first reading;
  2. "Sewer Regulation and Charge Amendment Bylaw 2022, No. 2496.35" pass second reading; and,
  3. "Sewer Regulation and Charge Amendment Bylaw 202, No. 2496.35" pass third reading.

- **Advantages:**
    - The City will meet its revenue targets that include cost recovery and asset management initiatives
    - The new rate design will provide rate structures that will improve user equity, clarity and administrative efficiency
  - **Disadvantages:**
    - Rates will be required to increase by 4%. This additional cost reflects the increased costs of providing sanitary sewer services.
2. Council direction is sought. Should Council wish to provide alternate direction to that provided at the 2022-DEC-01 Finance and Audit Committee meeting, staff would be seeking Council direction and a new bylaw would be drafted for consideration at the 2022-DEC-19 meeting.

#### **SUMMARY POINTS**

- The Sanitary Sewer utility is funded 100% by user fees.
- The 2023 sewer rates are proposed to increase by 4%, which would have a \$6 impact on a typical residential household (\$152 to \$158 annually)
- The 2022 rate structures from the Utility Rate Review will improve user equity, clarity, and administrative efficiency

#### **ATTACHMENTS:**

Sewer Regulation and Charge Amendment Bylaw 2022, No. 2496.35 |

#### **Submitted by:**

Jamie Slater  
Manager, Financial Services & Special  
Projects |

#### **Concurrence by:**

Laura Mercer  
Director, Finance |