

DATE OF MEETING DECEMBER 5, 2022

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

SUBJECT AMENDMENT TO RATES AND CHARGES FOR WATER

OVERVIEW

Purpose of Report

To introduce "Waterworks Rate and Regulation Amendment Bylaw 2022, No. 7004.18" for first, second, and third reading.

Recommendation

That:

1. "Waterworks Rate and Regulation Amendment Bylaw 2022, No. 7004.18" (A bylaw to set the water rates for 2023) pass first reading;
2. "Waterworks Rate and Regulation Amendment Bylaw 2022, No. 7004.18" pass second reading; and,
3. "Waterworks Rate and Regulation Amendment Bylaw 2022, No. 7004.18" pass third reading.

BACKGROUND

The City of Nanaimo maintains an effective and reliable water supply and distribution system that services residents and businesses in our growing community. Water supply is treated to a high level of purification at the Water Treatment Plant and then distributed throughout Nanaimo using a gravity designed system.

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

As part of the 2023-2027 Financial Planning process, staff have 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 December 1, 2022 for consideration.

The first option proposed was a new rate structure design and a rate increase of 5% for water 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 water charges by 5% 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 and in the discussion section of the staff report.

The new rate design will provide rate structures that will improve user equity, clarity, and administrative efficiency. 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 water rates set by bylaw will increase by 5% in 2023 in order to continue to address funding requirements for the water utility. The 2023 Water Rate Structure is:

Single Family Residential and Multi-Family Residential 2 Unit Properties

- Base Rate: Daily Rate of \$0.94918
 - This represents an annual rate of \$346.45
- Volumetric Rate: a 4-block increasing volumetric rate

Multi-Family Residential 3+ Units and Non-Residential Properties

- Base Rate: Daily Rate varies based on meter connection size
- Volumetric Rate: Single volumetric rate on metered water consumption at \$0.00788 per imperial gallon

The annual costs for an average residential property will change as follows:

Water Rates	Current Annual	Proposed Annual	\$ Change	% Change*
Residential – average single family dwelling	\$457	\$487	\$30	6.4%

* Charges are based on the average seasonal usage. The 2023 rate increase is 5% however the typical home will see a 6.4% increase in their annual billing based on the new rate structure. Going forward the increase for a typical home will match the rate increase.

Housekeeping changes:

During the year, there were some housekeeping changes to the water bylaw that were noted for revision.

Since the bylaw required an update for water rates, Staff took the opportunity to incorporate these changes and have updated the following items in the bylaw:

- Addition of the defined term “Contractor” with reference to fees and charges for temporary use permits of fire hydrants for construction purposes
- Clarified that the daily rate for temporary use permits are charged at \$25 per calendar day
- Update Section 37 to provide more detailed guidance on the split of charges for shared water meters

OPTIONS

1. That:

1. "Waterworks Rate and Regulation Amendment Bylaw 2022, No. 7004.18" (A bylaw to set the water rates for 2023) pass first reading;
2. "Waterworks Rate and Regulation Amendment Bylaw 2022, No. 7004.18" pass second reading; and,
3. "Waterworks Rate and Regulation Amendment Bylaw 2022, No. 7004.18" 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 5%. This additional cost reflects the increased costs of providing water utility services, and the cost of planning for infrastructure maintenance and replacement.

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 Water Utility is funded 100% by user fees.
- The new rate structures from the Utility Rate Review will improve user equity, clarity, and administrative efficiency
- The 2023 water rates are proposed to increase by 5%, which would have a \$30 impact on a typical residential household (\$457 to \$487 annually)

ATTACHMENTS:

Waterworks Rate and Regulation Amendment Bylaw 2022, No. 7004.18

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