

DATE OF MEETING DECEMBER 4, 2023

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

ANA FRANCISCO, ASSISTANT MANAGER, REVENUE SERVICES

SUBJECT AMENDMENT TO RATES AND CHARGES FOR WATER

OVERVIEW

Purpose of Report

To introduce “Waterworks Rate and Regulation Amendment Bylaw 2023, No. 7004.21” for first, second and third reading.

Recommendation

That:

1. “Waterworks Rate and Regulation Amendment Bylaw 2023, No. 7004.21” (a bylaw to set the water rates for 2024) pass first reading;
2. “Waterworks Rate and Regulation Amendment Bylaw 2023, No. 7004.21” pass second reading; and,
3. “Waterworks Rate and Regulation Amendment Bylaw 2023, No. 7004.21” 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.

In 2022 the City of Nanaimo underwent a comprehensive Utility Rate Review for the Water and Sanitary Sewer Utilities. The changes were designed to improve user equity, clarity, and administrative efficiency. The new rate was also implemented to ensure cost recovery and a fair and equitable billing system.

DISCUSSION

Since the implementation of the User Rates Review, Staff have seen a positive impact on user rate accounts due to a more fair and equitable rate structure. It has also been identified that there are some areas for improvement that could be made to the rate structure to ensure consistent and fair billing, which will be addressed in this bylaw.

Water metering rate design best practices state that rates must be simple, understandable, acceptable, free from controversy in interpretation, stable and non-discriminatory. The City of Nanaimo needs to collect a certain amount of guaranteed revenue to maintain the supply and distribution system and replace water meters. To balance the need for guaranteed revenue and the incentive to conserve water, the rate is designed such that only approximately 35% of the revenues are recovered from fixed charges and 65% from the water consumption charge.

Each year the utility rates are increased in accordance with the amounts stipulated in the Financial Plan. The rates set by the water bylaw will increase by 6% in 2024 in order to continue to address funding requirements for the water utility.

Single Residential Dwelling

Ninety-eight percent (98%) of the Single-Family Residential properties, including duplexes and those with a suite or additional dwelling unit, have a 19mm Meter Service Size. Under the current rate structure these properties are billed a base rate of \$0.94918/day. This base rate will be increased based on the annual Financial Plan increase for the year (6%).

Multi-Family Residential – Triplex and Fourplex

There was one issue identified during the user rates review implementation. It was noted that that triplex and fourplex accounts were seeing a significant increase in their base rate due to the larger meter sizes required for these properties.

Approximately 67% of these properties have a 19mm or a 25mm Meter Service Size, however, due to recent plumbing and building code standards, these properties are now being supplied with a larger meter size (ranging from 38mm and larger) due to sprinkling requirements.

At the same time, without having corresponding tiered water rate increases, they were also being charged a higher volumetric rate, even though most of these properties are low users of water, with consumption that is similar to a single-family residence.

The proposed updated rate structure for 2024 will address this issue. Staff are recommending that rates for triplexes and fourplexes are moved from the Multi-Family/Commercial billing category to the Residential billing category, and that they are granted a tiered volumetric rate per dwelling unit, to account for the larger number of dwelling units.

This will also provide billing consistency with how triplexes and fourplexes are billed for solid waste. For waste collection charges, anything over four units is no longer considered to be Residential. Changing the water and sewer billings to allow for water and sewer charges up to four dwelling units will provide for consistency across all of the City's user rate billing categories.

2024 Proposed Rate Structure Changes

Single Residential Dwelling (4 or less units)

(water meters up to 25mm Meter Size)

- i. Water Base Rate** (per water meter)
- ii. Plus Tiered Water Consumption** (per Dwelling Unit per meter)

- The fixed cost of providing the service is the same to everyone based on the size of their meter. As there is a small percentage of single residential dwelling properties with a 25mm this allows for a fair change to the rate structure without increasing the base rate for these properties by more than the annual budget increase.
- The tiered consumption system motivates water conservation and but also allows each unit to have access to a full set of billing tiers, which creates a more equitable billing.

Single Residential Dwelling (4 or less units)

(water meters of 38mm Meter Size or larger)

- i. Meter Service Size** (per water meter)
- ii. Plus Tiered Water Consumption** (per Dwelling Unit per meter)

- The fixed cost for these properties is significantly higher than that of properties with a smaller meter.
- This structure allows for these properties to contribute their fair share of fixed costs while still taking advantage of the tiered volumetric rate.
- The tiered consumption system motivates water conservation and but also allows each unit to have access to a full set of billing tiers, which creates a more equitable billing.

Multi-Family Dwelling (5+ units) & Non-Residential

- i. Meter Service Size** (per water meter)
- ii. Plus Volumetric Rate** (per gallon for each gallon consumed)

- No change to the current structure for these properties.

Cost for average residential property

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

Water Rates	Current Annual	Proposed Annual	\$ Change	% Change
Residential – average single-family dwelling*	\$478	\$506	\$28	6%

*Charges are based on a three-year average seasonal usage.

Housekeeping changes:

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

Since the bylaw required an update for water rates, Staff took the opportunity to incorporate these changes:

- Addition of the defined term “Duplex”
- Addition of the defined term “Multi-Family Dwelling Unit”
- Addition of the defined term “Mixed Use”
- Addition of the defined term “Single Residential Dwelling”
- Addition of evaluation for rate structure for mixed use properties
- Addition of emergency water rates to cover any water billed to contractors, similar to Bulk Water
- Removal of MFO reference as this structure no longer exists

OPTIONS

1. That:

1. “Waterworks Rate and Regulation Amendment Bylaw 2023, No. 7004.21” (a bylaw to set the water rates for 2024) pass first reading;
2. “Waterworks Rate and Regulation Amendment Bylaw 2023, No. 7004.21” pass second reading; and,
3. “Waterworks Rate and Regulation Amendment Bylaw 2023, No. 7004.2” 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:**

- The budgeted increase is 6%. This additional cost reflects the increased costs of providing water utility services, and the cost of planning for infrastructure replacement and maintenance.

2. That Council provide alternative direction.

SUMMARY POINTS

- The Water Utility is self-sustaining, meaning it is funded 100% by user fees
- The new rate structure takes into consideration areas for improvement identified in 2023 during the implementation of the Utility Rate Review
- The 2024 water rates are proposed to increase by 6%, which would have a \$28 impact on a typical residential household (\$478 to \$506 annually)

ATTACHMENTS:

Waterworks Rate and Regulation Amendment Bylaw 2023, No. 7004.21 |

Submitted by:

Jamie Slater
Manager, Financial Services & Special Projects

Ana Francisco
Assistant Manager, Revenue Services |

Concurrence by:

Laura Mercer
Director, Finance |