

DATE OF MEETING DECEMBER 2, 2024

AUTHORED BY 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 2024, No. 7004.22” for first, second and third reading.

Recommendation

That:

1. “Waterworks Rate and Regulation Amendment Bylaw 2024, No. 7004.22” (a bylaw to set the water rates for 2025) pass first reading;
2. “Waterworks Rate and Regulation Amendment Bylaw 2024, No. 7004.22” pass second reading; and,
3. “Waterworks Rate and Regulation Amendment Bylaw 2024, No. 7004.22” pass third reading.

BACKGROUND

The City of Nanaimo maintains a safe and reliable water supply and distribution system that services the growing community. Drinking water is treated to a high level of purification at the Water Treatment Plant and distributed throughout Nanaimo using a gravity designed system.

The water utility is self-sustaining, and the revenues collected fund annual operating expenses and reserve fund contributions to pay for future infrastructure maintenance. Each year, water rates are set to achieve this goal.

DISCUSSION

The City of Nanaimo collects guaranteed revenue to maintain the supply and distribution system and fund asset management (renewal) projects and new infrastructure. Growth is funded through Development Cost Charges. To balance the need for guaranteed revenue and the incentive to conserve water, the rate is designed such that approximately 35% of the revenues are recovered from fixed charges and 65% from the water consumption charge.

Each year the utility rates are set in accordance with the amounts stipulated in the Financial Plan. The rates set by the Waterworks Rate and Regulation Amendment Bylaw are proposed to increase by 5% in 2025, excluding the 19mm meter fixed charge.

The annual cost for an average residential property is anticipated to change as follows:

Water Rates	2024 Annual Cost	Proposed 2025 Annual Cost	% Change	\$ Change
Residential – average single-family dwelling*	\$508	\$533	5%	\$25

*Rounded and based on a three-year average seasonal usage.

19mm Meter Base Rate

Approximately ninety-eight percent (98%) of properties are categorized as single-residential dwelling properties, including duplexes and those with an additional dwelling unit, have a 19mm water meter service size. Under the rate structure these properties pay a fixed charge based on meter size plus a volumetric charge. All other properties are categorized as multi-family dwellings (5+ units) and non-residential properties and pay a separate fixed charge based on meter size plus a volumetric charge. The fixed charge is intended to provide the utility with a reliable revenue stream that will recover a portion of the total utility costs associated with providing service to the property. For equity, the 19mm meter base rate for multi-family and non-residential properties will be excluded from rate increases until such time as it is equivalent to the fixed charge for single-residential dwelling properties.

The following changes to the bylaw are also proposed:

Housekeeping Changes

Staff are also recommending two changes to the bylaw to improve clarity.

- Specifying that the Fireline charge applies to both metered and unmetered lines.
- Added the reference to imperial gallons rather than just gallons for clarity.

Adjustment Fee

Remove Section 34.3 from the Bylaw and incorporate the adjustment fee into the Fees and Charges bylaw. This is to allow for consistency with other administrative fees and to allow for regular review of this fee.

Adjustment Process

Staff are recommending a wording change to section 14 (b) to allow for clarity on how estimated invoices are calculated between readings. |

OPTIONS

1. That

1. "Waterworks Rate and Regulation Amendment Bylaw 2024, No. 7004.22" pass first reading;
2. "Waterworks Rate and Regulation Amendment Bylaw 2024, No. 7004.22" pass second reading; and
3. "Waterworks Rate and Regulation Amendment Bylaw 2024, No. 7004.22" pass third reading.

Advantages:

- The City will meet its revenue targets that include cost recovery and asset management initiatives.

Disadvantages:

- The rates will be required to increase by 5% to achieve cost recovery.
2. That Council provide alternative direction.]

SUMMARY POINTS

- The Water Utility is self-sustaining, meaning it is funded 100% by user fees.
- The 2025 water rates are proposed to increase by 5%, which would have an estimated annual impact of \$25 on a typical residential household (\$508 to \$533 annually)

ATTACHMENTS:

Waterworks Rate and Regulation Amendment Bylaw 2024, No. 7004.22

Submitted by:

Ana Francisco
Assistant Manager, Revenue Services

Concurrence by:

Wendy Fulla
Director, Finance

Laura Mercer
General Manager, Corporate Services