



Regional Board Report

TO: Regional Board

FROM: David Komaïke
Director of Engineering Services

DATE: April 8, 2021

SUBJECT: Utility Rate Update – Septage Disposal

Voting Entitlement: All Directors – Unweighted Corporate Vote – Simple Majority – LGA 208.1
All Directors - Weighted Corporate Vote – LGA 209/LGA 214 2/3 Majority

Purpose: To report on factors influencing septage treatment expenses at the Regional Septage Facility, repeal Bylaw No. 358 and present an updated regulation bylaw, and propose a utility rate adjustment to ensure full user-pay is maintained.

Executive Summary:

The Regional Septage Facility is a largely indistinct part of the District of Lake Country's Wastewater Treatment Plant. Biosolids generated from wastewater treatment operations at this location are disposed of at Regional Compost Facility operated by the City of Kelowna. In 2021, the Regional Compost Facility's biosolids processing fees increased from \$90/mT to \$110/mT and will increase to \$125/mT in 2022.

The last rate septage update occurred in 2015, and at the time included a base fee of \$47.27 per cubic meter of septage. To maintain full application of the "user pay" principle, it is recommended to increase this septage rate to \$52.00 per cubic meter of septage. Regional District Septic Tank Effluent and Regulation Bylaw No. 358 has been rewritten to replace the original 1980s era bylaw with a modern equivalent.

The recommended rate change will result in an increased expense to septic system users of between \$9.46 and \$18.92 every three years, based on typical volumes and clean out frequencies.

The RDCO has initiated a review with the District of Lake Country (DLC) to explore alternative biosolids treatment options to minimize the need for another rate adjustment in the near term. This is of particular importance with the City of Kelowna's biosolids processing fees set to increase again in 2022. Any savings that can be found will be passed along to facility users, and future rate recommendations will continue to be aligned with the user-pay model.

The RDCO and DLC will be reviewing the operating agreement for the Septage Facility in 2021, after the 20-year agreement reached its expiration in 2020. Following the successful initiation of a new agreement for Septage Treatment with the District of Lake Country, changes to rates and rate structures may be required.

RECOMMENDATION:

THAT the Regional Board receive for information the Utility Rate Update – Septage Disposal Report.

RECOMMENDATION #2:

THAT Regional District of Central Okanagan Septic Tank Effluent and Regulation Bylaw No. 1479, 2021 be given first, second, and third readings and adopted.

Respectfully Submitted:

Approved for Board's Consideration



David Komaike, P. Eng.
Director of Engineering



Marilyn Rilko, Deputy CAO

Prepared by: Clarke Kruiswyk

Implications of Recommendation:

Strategic Plan:	Sustainability
Financial:	Full cost recovery
Environmental:	Environmental protection

Background:

The Regional District's Regional Septage Facility is a largely indistinct part of the District of Lake Country's wastewater treatment plant. Much of the equipment and personnel are shared between the Regional Septage Facility and the District of Lake Country wastewater treatment functions.

The Regional District and the District of Lake Country operate the facility through a collaborative agreement with the District of Lake Country overseeing the operation and management of the facility. The Regional District receives all tipping fee revenue from septic haulers and pays a portion of the capital expenditures, specific operational expenditures (e.g., biosolids processing fees), and operating fees to the District of Lake Country.

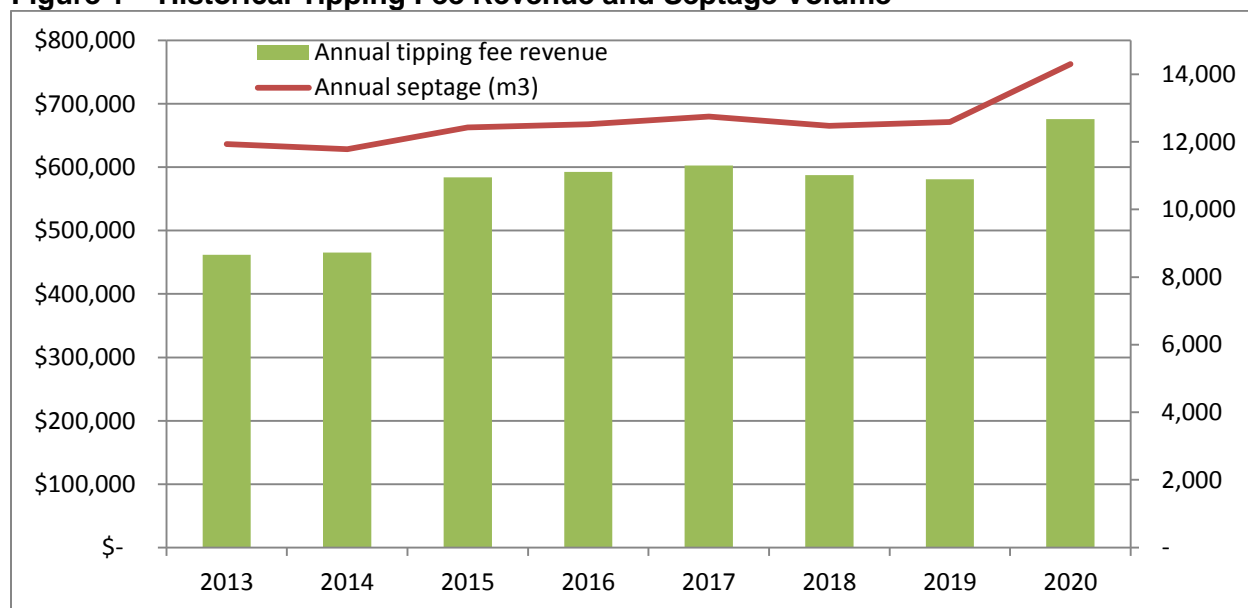
The Regional District of Central Okanagan and the District of Lake Country will be reviewing the operating agreement for the Septage Facility in 2021, after the 20-year agreement reached its expiration in 2020. Following the successful initiation of a new agreement for Septage Treatment with the District of Lake Country, further changes to rates and rate structures may be required.

The septage disposal tipping fees have been unchanged since 2015. The last fee change brought the service to a full user-pay model. Over the years, the tipping fees have been able to cover operating costs and build reserves without annual tipping fee inflation adjustments. As it has been a number of years since the last fee change and in conjunction with significant incoming increases to operating costs, a 10% fee increase from \$47.27 /m³ to \$52.00/m³ is proposed to align tipping fee revenues with service expenses.

The biosolids produced at the facility are hauled and processed at the Regional Compost Facility operated by the City of Kelowna. The processing costs account for a major component of the operating costs, second only to the cost of the District of Lake Country to operate the septage facility. The City of Kelowna biosolids processing fees have increased from \$90/mT to \$110/mT in 2021 and will increase to \$125/mT in 2022. These increases, in addition to other operating cost inflation, are the main driver of the proposed fee changes. To ensure best value for facility users now and into the future, alternate biosolids processing sites are being investigated in conjunction with the District of Lake Country.

Figure 1 below highlights the increase in revenue in 2015 from the previous septage tipping fee adjustment in comparison to the relatively consistent quantity of septage processed at the facility. Please note that although the annual cubic meters of septage processed at the Regional Septage Facility has been relatively consistent for over the past 10 years at approximately 12,500 m³/year, the 2020 quantity increased 14% to 14,305 m³. The higher septage quantity processed in 2020 is not anticipated to continue in the long term.

Figure 1 – Historical Tipping Fee Revenue and Septage Volume



Funding the Regional Septage Facility with full-user pay rates in 2021 is projected to require a septage disposal tipping fee of \$52.00/m³. This is based on historical septage volumes of approximately 12,500 m³ and an operating budget, including administration of engineering overhead, of approximately \$600,000 in addition to contributions to capital projects and reserves.

Septic system users generally clean out their septic tanks every three years and typically pump out between 2 – 4 m³ of septage. Therefore, an increase from \$47.27/m³ to \$52.00/m³ will result in an increase to septic system users of between \$9.46 and \$18.92 every three years or between \$3.15 and \$6.31 on an annualized basis.

A comparison of local government septage disposal tipping fees is provided in the table below; however, note that not all fees are based on a full user-pay model:

Local Government	Septage Tipping Fee
Regional District of North Okanagan	\$34.00/m ³
Regional District of North Okanagan - outside area	\$125.00/m ³
Penticton	\$36.00/m ³
Summerland	\$35.00/tonne
Thompson-Nicola Regional District	\$60.00/m ³
Columbia Shuswap Regional District (Revelstoke only)	\$45.00/tonne
Capital Regional District	\$85.80/m ³
Regional District of Nanaimo	\$57.19/m ³
Regional District of Central Okanagan (proposed)	\$52.00/m³

The previous tipping fee change in 2015 to bring the service to full user-pay had little to no impact on the quantity of septage received at the facility (see table 1) suggesting that the magnitude of the proposed fee change will not create a significant financial incentive for illegal septage disposal or promoting out of region hauling.

In conjunction with the proposed tipping fee change, the Regional District Septic Tank Effluent and Regulation Bylaw No. 358 has been rewritten, as recommended, to replace the original 1980s era bylaw with a modern equivalent.

Should the Board choose not to support the primary recommendation, the following alternative recommendation is provided for consideration; however, this may result in the depletion of the established reserves.

Alternative Recommendation:

That the Regional Board maintain the existing Regional Septage Facility tipping fees until the terms of a new operating agreement with the District of Lake Country is finalized.

Attachments:

- Bylaw 1479 – Septic Tank Effluent and Regulation Bylaw