



Regional Board Report

Request for Decision

To: Regional Board
From: David Komaike, Director of Engineering Services
Date: December 1, 2022
Subject: RDCO East Sewer Systems Bylaw Fees

Voting Entitlement: *All Directors – Weighted Vote – Majority (LGA s.210)*
Bylaw Adoption – Weighted Vote – 2/3 Majority (LGA s.228)

Purpose: To consider amending the fees for RDCO Central Okanagan East Sewer Systems Bylaw No. 1316 (Sunset Ranch community sewer system).

Executive Summary:

The Regional District of Central Okanagan (RDCO) Central Okanagan East Sewer Systems Bylaw No. 1316, as amended, regulates the fees and charges of the Sunset Ranch community sewer system. The fees were last updated July 1, 2019, with annual 2% adjustments up to and including 2022.

The RDCO sewer fees for a residential connection are composed of a base User fee and an Asset Renewal fee. The User Fees are intended to cover all annual operational costs of the sewer system. The Asset Renewal Fees apply to all lots within the service area and are intended to fund capital reserves that will be utilized on capital projects within the service area.

The recommendation for Board consideration is to amend the East Sewer Systems bylaw and establish fees for both the User and Asset Renewal fees, effective January 2023 through to December 2027.

Recommendation #1: *All Directors – Weighted Vote – Majority (LGA s.210)*

THAT the Regional Board give first, second and third readings to Regional District of Central Okanagan Central Okanagan East Sewer Systems Amendment Bylaw No. 1514, 2022;

Recommendation #2: *Bylaw Adoption – Weighted Vote – 2/3 Majority (LGA s. 228)*

THAT the Regional Board adopt Regional District of Central Okanagan Central Okanagan East Sewer Systems Amendment Bylaw No. 1514, 2022.

Prepared by: Clarke Kruiswyk, Engineering Services Analyst and Travis Kendel, Engineering Services Manager

Approved by:



David Komaike, Director of Engineering Services

Attachment(s): RDCO Central Okanagan East Sewer Systems Amendment Bylaw No. 1514, 2022.
PowerPoint slides

Strategic Plan Alignment:

Priorities: Sustainable Communities,

Values: Resiliency, Good Governance

Background:

The Sunset Ranch sewer system is primarily comprised of piping and is connected to the City of Kelowna sewer trunk system and wastewater treatment plant. As a result, the City of Kelowna charges the Regional District a connection fee and flow-based fees for the commercial connection and simply a connection fee for the residential connections. Overall, the City of Kelowna expenses make up approximately 70% of the Sunset Ranch operating expenses.

The current RDCO sewer fees for a residential connection are composed of a base User fee and an Asset Renewal fee and are consistent with fees charged by the City of Kelowna. As outlined, the User fees are intended to fund the operation of the sewer system based on the fees established in 2019 with annual inflationary adjustments. The operating costs have increased since 2019 and an adjustment is required to bring the revenue in line with the projected operating costs.

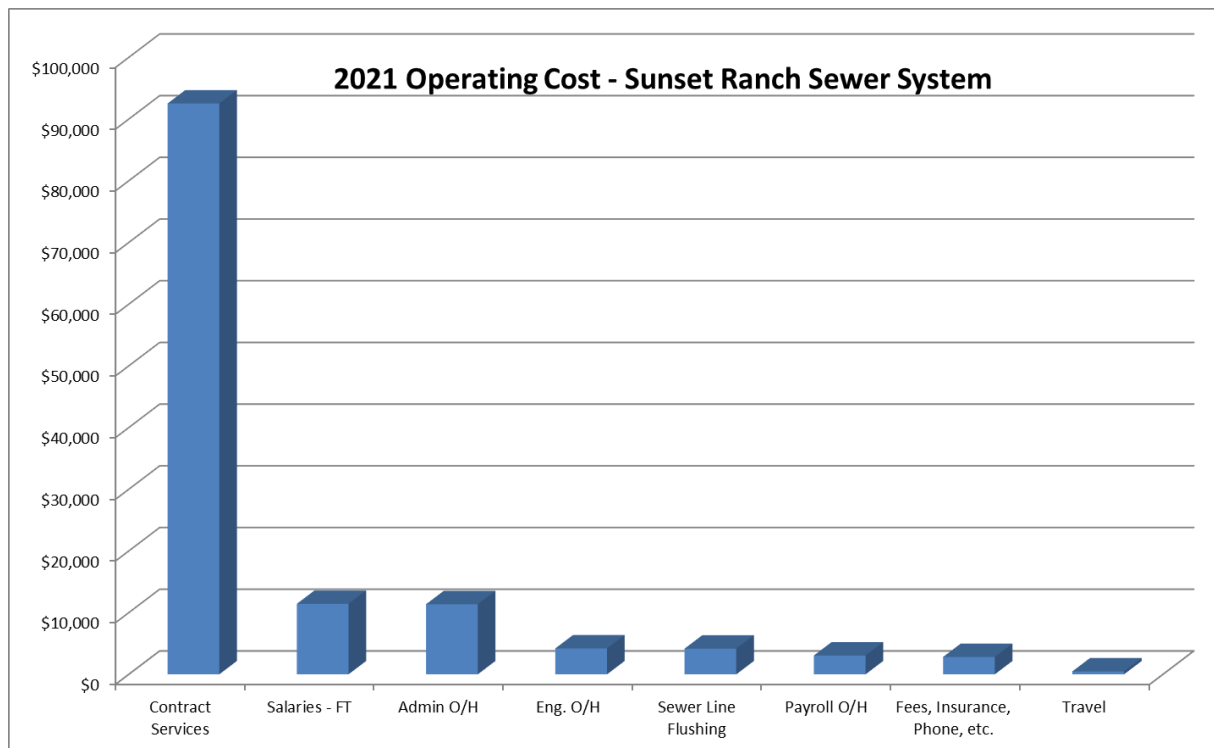
Although the Sunset Ranch sewer system has experienced growth in the number of connections, the major operating cost is a fee per connection charged by the City of Kelowna. As such, there are limited benefits of the additional connections on the User fee per connection that would be expected due to the increased economies of scale.

The analysis suggests that the following rate adjustments to the basic User fees are warranted:

Sewer System	Current Rate (2022)		Calculated Adjustment			
	Quarterly	Annual	Quarterly	Annual	Annual Change	Adjustment
Sunset Ranch - Residential	\$ 100.00	\$ 400.00	\$ 115.00	\$ 460.00	\$ 60.00	15.0%
Sunset Ranch - Commercial	\$ 42.00	\$ 168.00	\$ 48.00	\$ 192.00	\$ 24.00	14.3%

The Sunset Ranch Commercial flow-based fee of \$2.20 / M³ is not proposed to change at this time.

The figure below summarizes the 2021 cost of operating the Sunset Ranch sewer system and highlights that the major cost of operating is Contract Services (i.e., City of Kelowna charges).



The Asset Renewal Fees updated in 2019 were based on the Asset Management Investment Plan (Urban Systems, 2018). The fees were established with an approximate 85% funding ratio and updated annually for an inflationary adjustment (2%).

In 2018, the Sunset Ranch Sewer System had a replacement value of approximately \$4 million with expected average remaining service life of 87%. No major upgrades or replacements are anticipated in the next 15 years; however, reserves are collected over the use of the asset to partially fund the replacement when required. The 2018 plan recommended an \$39,000 annual contribution towards reserves which should be adjusted annually for inflation. In 2021, \$37,000 was collected which has increased slightly primarily attributed to the growth in the number of service area parcels contributing to reserves.

The reserves as of December 31, 2021, were approximately \$260,000.

The fees for the Sunset Ranch sewer system are recommended to change as outlined in the table below. The adjustments are necessary to fund the sewer system’s operation and capital reserve contributions. The table outlines the fees until 2027 which includes annual inflationary adjustments. Throughout the annual budget review process the revenue will be projected to determine if specific fees need to be adjusted in advance of the next rate review. The next major review is planned for 2027.

For illustrative purposes, the Sunset Ranch – Commercial User metered fee is based on the 2021 average metered flow and has been included to show total costs.

Although this review has focused on the User fees of the systems to help cover operating costs, it is anticipated that further adjustments to the Asset Renewal fees may be required when a detailed asset replacement plan is updated. The current Asset Renewal fees are based on 2018 estimated replacement costs adjusted for 2% annual inflation and only partially funded. The 2023 to 2027 Asset Renewal fees

include a proposed 6% annual inflationary adjustment. Due to the increased infrastructure construction costs over and above general inflation and a suggestion to increase the asset replacement funding ratio, increases will likely be proposed at the next review.

It is recommended that the RDCO Central Okanagan East Sewer System Bylaw No. 1316 be updated with the quarterly fees outlined in the table below for 2023 through to 2027.

Service Area	Fee Type	Current Bylaw Jan, 2022	Proposed Bylaw Jan, 2023	Proposed Bylaw Jan, 2024	Proposed Bylaw Jan, 2025	Proposed Bylaw Jan, 2026	Proposed Bylaw Jan, 2027
Sunset Ranch - Residential	User Fee	\$ 100.00	\$ 115.00	\$ 121.00	\$ 126.00	\$ 130.00	\$ 133.00
	Asset Renewal Fee	\$ 29.00	\$ 31.00	\$ 33.00	\$ 35.00	\$ 37.00	\$ 39.00
	Total	\$ 129.00	\$ 146.00	\$ 154.00	\$ 161.00	\$ 167.00	\$ 172.00
	Annual Cost	\$ 516.00	\$ 584.00	\$ 616.00	\$ 644.00	\$ 668.00	\$ 688.00
	Annual Change	N/A	\$ 68.00	\$ 32.00	\$ 28.00	\$ 24.00	\$ 20.00
Sunset Ranch - Commercial	User - Basic	\$ 42.00	\$ 48.00	\$ 50.00	\$ 52.00	\$ 54.00	\$ 55.00
	User - Metered ¹	\$ 864.60	\$ 864.60	\$ 864.60	\$ 864.60	\$ 864.60	\$ 864.60
	Asset Renewal Fee	\$ 29.00	\$ 31.00	\$ 33.00	\$ 35.00	\$ 37.00	\$ 39.00
	Total	\$ 935.60	\$ 943.60	\$ 947.60	\$ 951.60	\$ 955.60	\$ 958.60
	Annual Cost	\$ 3,742.40	\$ 3,774.40	\$ 3,790.40	\$ 3,806.40	\$ 3,822.40	\$ 3,834.40
	Annual Change	N/A	\$ 32.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 12.00

¹ - Based on 2021 annual average metered flow - Fee of \$2.20/M³

Considerations:

Organizational/External:

If the proposed fees are approved, residents will be informed of the detailed fee changes in conjunction with changes to the water fees through:

- A mail notification
- An email for those subscribed to the RDCO e-notification service
- Information as made available on the RDCO website

Residents would receive their first quarter invoices reflecting the new user fees in the Spring of 2023.

Legal/Statutory Authority:

Local Government Act, Imposition of fees and charges, s. 397

Financial:

The sewer system charges are largely dependent on costs established by the City of Kelowna.

Alternate Recommendation:

THAT the Regional Board receive the report from the Director of Engineering Services dated November 24, 2022, regarding the RDCO East Sewer Systems Bylaw Fees, for information.

Approved for agenda



Brian Reardon, CAO