



## The Corporation of the District of Saanich

# Report

**To:** Mayor and Council

**From:** Paul Arslan, Director of Finance

**Date:** November 20, 2024

**Subject:** 2025 Water Utility Rates - For Approval Water Utility Amendment Bylaw No. 10097

**File:**

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### RECOMMENDATIONS

That Council give three readings to Water Utility Amendment Bylaw No. 10097 to establish charges for 2025 as follows:

The monthly charge for each water connection size as follows:

Size (mm)	Monthly Charge \$
12.5	7.65
19	10.24
25	18.98
37	36.60
50	58.44
75	109.23
100	182.15
150	363.19
200	581.65
250	914.80

### PURPOSE

The purpose of this report is to obtain approval for the proposed 2025 water utility monthly charges.

### BACKGROUND

The Water Utility system is comprised of over 550 km of water mains, 30,000 services, 18 pump stations and 4 reservoirs. The system is maintained by the Engineering Department and is financed from water charges on a user pay basis. Bulk water is purchased from the Capital Regional District and then distributed to customers via the municipal distribution system.

Each year in November the CRD establishes a bulk water rate, and Saanich prepares the draft budget in accordance with the budget guidelines and revenue requirements; the water utility rates are calculated accordingly for the coming year. Due to the number of utility accounts in Saanich, the billing cycle commences the first week of January.

The rates for 2025 are brought to Council for approval at this time on a preliminary budget basis. The budget will be finalized by May with the Financial Plan Bylaw. If any significant changes have occurred requiring an adjustment to the preliminary budget, these would be communicated to Council and any recommended adjustments to the utility rates would be considered. It is rare that a mid-year rate adjustment would be required.

## DISCUSSION

### 2025 Budget Summary:

Water revenue requirements are projected to increase by \$2,811,100 in 2025 from \$28,641,200 to \$31,452,300 to offset operational and capital budget increases.

The amount budgeted for water purchase from the CRD increased by \$870,000 to reflect a 6.63% increase in CRD's bulk water rates.

The capital program budget increased by \$906,300 to \$10,522,300 to account for inflation in construction costs and to reach updated sustainable asset replacement funding targets for the District's Infrastructure Replacement Funding Strategy (IRFS) as approved by Council at their January 29<sup>th</sup>, 2024, Council meeting.

The largest increase is to the operating budget as shown in the table below. The majority of the increase is due to the non-discretionary cost of labour and inflationary cost of materials and equipment, full year funding for four new positions approved in the prior year which include the Fire Hydrant Inspector, Utility Engineering Program Manager, Manager of Utility Operations and Engineering Technician IV position, Water Utility's share of Engineering and corporate support and the addition of \$110,000 a year for five years to set aside Water Utility's portion of the debt servicing funding related to the new Saanich Operations Centre facility.

Net Budget By Function	\$ Projected Actual	\$ Budget	\$ Budget	\$ Change
	2024	2024	2025	2025/2024
Water Revenue	(28,063,100)	(28,641,200)	(31,452,300)	(2,811,100)
Operating Costs	7,676,900	7,725,200	8,760,000	1,034,800
Water Purchases	10,803,300	11,300,000	12,170,000	870,000
Net Capital Program	9,646,000	9,616,000	10,522,300	906,300
<b>Total</b>	<b>63,100</b>	<b>-</b>	<b>-</b>	<b>-</b>

Approximately 37% of the annual increase is due to operations, while 32% is for capital with the remaining 31% being related to the CRD bulk water rate increase.

### Changes to Flat Rate

Historically Saanich's water utility rates have been updated annually to account for water system operating costs by increasing the rate related to consumption. The flat rate portion of water billing, which represents a rental charge for the water connection, has remained unchanged since the year 2000. This flat rate varied based on the connection size.

On October 28<sup>th</sup>, 2024, Council approved the following:

*That Council:*

- *Approve apportioning the increased budget requirement for the 2025 Water and Sewer Utility rates to the flat portion of the rate, keeping the consumption rate unchanged; and*
- *Instruct staff to prepare the 2025 Water and Sewer Utility rates and bylaws to reflect this change in approach.*

As indicated in Engineering's report to Council (attached), shifting the rate expense to the flat rate from the consumption rate over time will align the District with most other municipalities. This is the first step in modernizing the utility rates from a 90:10 ratio of consumption to flat rate apportionment, to a more balanced 50:50 split to provide consistent funding for known expenses and in support of achieving overall sustainable funding levels. To do so, staff proposed, and Council agreed that this shift will begin for fiscal year 2025. Gradually increasing flat fees will reduce revenue volatility and enhance staff confidence in projecting revenue needs while balancing the District's financial certainties and the customer's ability to better predict their annual costs increases.

Staff will be presenting Council in the coming year with options for a more modern utility rate structure, including the pace of change and future options for tiered rates and seasonal charges.

#### **Impact to Homeowners for 2025:**

All water consumption rates will remain the same as 2024.

The monthly flat fee charge for water connections will change as follows:

<b>Water Service Size (mm)</b>	<b>2024 Monthly Rate \$</b>	<b>2025 Monthly Rate \$</b>	<b>Increase \$</b>
12.5	2.80	7.65	4.85
19	3.75	10.24	6.49
25	6.95	18.98	12.03
37	13.40	36.60	23.20
50	21.40	58.44	37.04
75	40.00	109.23	69.23
100	66.70	182.15	115.45
150	133.00	363.19	230.19
200	213.00	581.65	368.65
250	335.00	914.80	579.80

The typical service size for residential connections is 12.5 millimetres or 19 millimetres. Of the 30,126 current connections in the District, 13,219 (44%) are 12.5 mm while 14,827 (49%) have a 19 mm service size.

The new monthly connection charge is calculated based on the additional revenue required for the 2025 budget. The increase is allocated equally to all connection types ranging in size from 12.5 to 250 millimetres to satisfy the new revenue requirement. For residential customers with a 12.5 millimetre connection size, there would be a monthly rate increase of \$4.85 (\$58.20 a year)

while customers with a 19 millimetre connection would see a monthly increase of \$6.49 (\$77.88 annually).

<b>Water Service Size</b>	<b>2024 Monthly Charge (\$)</b>	<b>2025 Monthly Charge (\$)</b>	<b>Monthly Increase (\$)</b>	<b>Annual Increase (\$)</b>
12.5 mm	2.80	7.65	4.85	58.20
19 mm	3.75	10.24	6.49	77.88

Assuming 2025 consumption levels remain similar to 2024, the only increase to the utility bill in 2025 would be the result of the connection charge increases.

## **FINANCIAL IMPLICATIONS**

Approving the 2025 rates recommended by staff will provide the District of Saanich with the additional revenue required to support water operating and capital budget expenditures within the 2025 budget.

## **STRATEGIC PLAN IMPLICATIONS**

The information presented in this report directly relates to objectives and initiatives in Council's 2023 – 2027 Strategic Plan, as follows:

Objective 6.2 – We base financial decisions on predictability, consistency, prudence and long-term sustainability.

Initiative 6.2.4 – Modernize the utility rates to promote water conservation, sustain service delivery and provide equity amongst users.

## **CONCLUSION**

As approved by Council staff have prepared 2025 Water rates by apportioning the increase in expenditures to the flat portion of the rate, keeping the consumption rate unchanged.

Prepared by:	Jennifer Lockhart, Senior Manager, Financial Services

Approved by: Paul Arslan, Director of Finance

Attachments:

Bylaw 10097 – Water Utility Bylaw Amendment  
Engineering Report – October 28<sup>th</sup>, 2024, 2025 Water and Sewer Utility Rate Restructuring

**ADMINISTRATOR'S COMMENTS:**

I endorse the recommendation from the Director of Finance.

Brent Reems, Chief Administrative Officer