



## The Corporation of the District of Saanich

# Report

**To:** Mayor and Council

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

**Date:** November 20, 2024

**Subject:** 2025 Sewer Utility Rates - For Approval Sanitary Sewer Amendment Bylaw No. 10098

**File:**

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### RECOMMENDATIONS

That Council give three readings to Sanitary Sewer Amendment Bylaw No. 10098 to establish charges for 2025 as follows:

The Monthly Sewer Charge – \$11.05 for each water service connection.

### PURPOSE

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

### BACKGROUND

The Sewer Utility is maintained by the Engineering Department to collect and dispose of wastewater for the majority of Saanich residents. Effluent is discharged to the regional sewer system operated by the Capital Regional District. This service has over 570 kms of sewer mains, 36 lift stations and close to 30,000 laterals (connections from the sewer main to the property line of the site being serviced) amongst its assets.

The system is financed from sewer user charges that cover the cost of operations, CRD sewer treatment and the infrastructure replacement program. Debt financing supplements the infrastructure replacement program.

In November each year the CRD confirms their preliminary budget requirements and costs for this service. Saanich then prepares the draft utility budget in accordance with the budget guidelines and revenue requirements and the sewer utility rates are calculated accordingly. Due to the number of utility accounts in Saanich, the billing cycle commences the first week of January.

The 2025 rates are brought to Council for approval at this time on a preliminary budget basis. The budget will be finalized in 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 is required.

## DISCUSSION

### 2025 Budget Summary:

Sewer revenue requirements are projected to increase by \$2,864,200 in 2025 from \$30,720,500 to \$33,584,700 to offset operational and capital budget increases.

Over 52% of the increase in expenditure is due to the CRD sewer which has increased by \$1,497,700 over last year. \$776,300 of the increase relates to CRD's Core Area Wastewater Operations and \$721,400 is for the Core Area and Legacy Trunk Sewer Debt.

The District's capital program increased by \$867,900 to \$8,075,700 to account for inflation in construction costs and to reach 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 increase in Saanich's operating cost is primarily due to an increase in non-discretionary labour costs, inflationary increase in materials and hired equipment, full year funding of one new sewer utility engineering planning position approved in the prior year and the addition of \$110,000 a year for five years to set aside Sewer 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
Sewer Revenue	(30,181,000)	(30,720,500)	(33,584,700)	(2,864,200)
Operating Costs	5,468,100	5,929,600	6,428,200	498,600
CRD Services	16,173,000	16,131,100	17,628,800	1,497,700
Debt Charges & Reserve Transfer	1,452,000	1,452,000	1,452,000	-
Net Capital Program	7,155,050	7,207,800	8,075,700	867,900
<b>Total</b>	<b>67,150</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Changes to Flat Rates

Historically, Saanich's sewer utility rates have been updated annually to account for sewer system operating costs by increasing the rate related to consumption. The flat rate portion of sewer billing, which represents a rental charge for the sewer connection has remained unchanged since 2006.

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.

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

The sewer system rate structure is comprised of two charges and one flat fee:

- CRD Consumption Rate – charged to all residential and commercial customers.
- Saanich Consumption Rate – charged to all residential and commercial customers.
- Monthly Sewer Charge – flat fee that does not fluctuate based on consumption.

The CRD and Saanich sewer consumption rates established in 2024 will remain unchanged for 2025.

The District's sewer system has many connection sizes; however, the most common size is 100 millimetre which can accommodate many different users. Since much of the customer base is residential, the District has chosen to charge the same, single flat fee for all connection sizes.

The new monthly flat rate fee is calculated based on the additional revenue required for the 2025 budget. The increase is then allocated to the monthly sewer connection fee to satisfy the new revenue requirement.

<b>Sewer Service Size</b>	<b>2024 Monthly Charge (\$)</b>	<b>2025 Monthly Charge (\$)</b>	<b>Monthly Increase (\$)</b>	<b>Annual Increase (\$)</b>
All sizes	2.58	11.05	8.47	101.64

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 increase. Homeowners would therefore see a monthly increase of \$8.47 or \$101.64 annually.

### **FINANCIAL IMPLICATIONS**

Approving the 2025 rates recommended by staff will provide the District of Saanich with the additional revenue required to support sewer operating and capital budget expenditures for 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 Sewer 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 10098 - Sanitary Sewer Bylaw Amendment  
Engineering Report - October 28th, 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