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**TO:** Electoral Area Services Committee      **MEETING:** September 9, 2020  
**FROM:** Murray Walters      **FILE:** 5500-22-01  
          Manager- Water Services  
**SUBJECT:** Bylaw 1655.11 – Water User Rates Amendment 2020

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## RECOMMENDATIONS

1. That “Regional District of Nanaimo Water Services Fees & Charges Amendment Bylaw No. 1655.11, 2020” be introduced and read three times.
2. That “Regional District of Nanaimo Water Services Fees & Charges Amendment Bylaw No. 1655.11, 2020” be adopted.

## SUMMARY

The Regional District of Nanaimo (RDN) owns and operates nine community water systems. All nine systems use a common rate structure as set out in the RDN Water Services Fees & Charges Bylaw No. 1655, 2012 (“Bylaw No. 1655”). Each year since its adoption, Bylaw No. 1655 has been amended to allow for year-over-year changes to the costs to operate and maintain RDN drinking water systems. This report brings forward *Regional District of Nanaimo Water Services Fees & Charges Amendment Bylaw No. 1655.11, 2020* (see Attachment 1) proposing a 2% increase in associated water rates to reflect anticipated actual operating and maintenance costs. The proposed changes will be included in the 2021 budget and 2021-2025 financial plan.

## BACKGROUND

At the Regular Board Meeting held February 28, 2012, the Board of Directors introduced, read three times and adopted Regional District of Nanaimo Water Services Fees & Charges Bylaw No. 1655, 2012. That bylaw established common rates for all RDN water service areas, following an ‘inclined block’ rate structure. An ‘inclined block’ rate charges more per unit of water as average daily consumption reaches specified thresholds. This rate structure is designed to use price signals to encourage conservation and to ensure a modest financial impact on the lowest water users – typically single resident, senior households.

Table 1 (below) shows the existing RDN water user rates in place and the proposed changes to those rates. The structure on which the rates are established does not change, only the rates for the various blocks of water use. These rates are adjusted annually to reflect the change in Canada’s Consumer Price Index (CPI) only, and the annual change has been 2% for many years. The five-year financial plan currently accounts for a 2% increase in each year.

**Table 1: Existing and Proposed Water User Rates**

	Minimum Daily Rate	Average Daily Consumption in Cubic Metres					
		Up to 0.7 m <sup>3</sup>	0.71 to 1.4 m <sup>3</sup>	1.41 to 2.1 m <sup>3</sup>	2.11 to 2.8 m <sup>3</sup>	2.81 to 3.5 m <sup>3</sup>	over 3.50 m <sup>3</sup>
2020 Rate	\$0.35	\$1.08	\$1.23	\$1.58	\$1.86	\$2.50	\$3.75
<b>Proposed 2021 Rate (2020 Rate +2%)</b>	<b>\$0.36</b>	<b>\$1.10</b>	<b>\$1.25</b>	<b>\$1.61</b>	<b>\$1.90</b>	<b>\$2.55</b>	<b>\$3.82</b>

User rates do not reflect the total cost of water to RDN residents as there is also a parcel tax payable in all Water Service Areas that reflect the local conditions in each service area. That makes it quite difficult to compare the total cost of water among RDN systems or to that in the neighbouring municipalities and private water systems.

RDN staff are continuing work to develop a long-term capital plan for the nine water service areas within the RDN. This work will result in a detailed asset management plan in 2021, and that information will be used to guide preparation of the short- and long-term financial plans for these utilities. In 2021, further analysis will be done to establish the revenue requirements to support the long-term financial plans, and to ensure that the balance between user rates and parcel taxes is reasonable and sustainable. A renewed Water Conservation Plan for RDN Water Service Areas was adopted by the Board in July 2020. This plan also proposes the RDN consider changes to the 'inclined block' water rate in the future to further support water system sustainability. RDN staff anticipate that future user rate increases, based on the long-term financial plans and sustainability targets, will exceed the CPI.

## **ALTERNATIVES**

1. Introduce, give three readings to, and adopt Bylaw No. 1655.11.
2. Provide alternate direction.

## **FINANCIAL IMPLICATIONS**

If the water user rates are increased as proposed, then the ongoing maintenance, upgrades and improvements under each water system capital plan can proceed as laid out in the revised 2021-2025 Financial Plan.

If the water user rates are not increased as proposed, there will be a reduction in anticipated revenues to support the operation of all RDN water systems resulting in reduced operational activity, regular system maintenance and planned upgrades.

## **STRATEGIC PLAN IMPLICATIONS**

Growth Management - Provide effective regional land use planning and responsible asset management for both physical infrastructure and natural assets.



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August 17, 2020

Reviewed by:

- S De Pol, Director, Water and Wastewater Services
- J. Bradburne, Director of Finance
- R. Alexander, General Manager, Regional and Community Utilities
- P. Carlyle, Chief Administrative Officer

Attachment:

- Regional District of Nanaimo Water Services Fees & Charges Amendment Bylaw No. 1655.11, 2020