



City of  
Courtenay

2025 – 2029 Recommendations

# Water and Sewer Rate Review

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October 9, 2024 Council Meeting



# Outline

## Water and Sewer Rate Review Update

- Introduction
- Background
- 2024 Utility Rate Review and Frontage Tax Analysis
- 2025-2029 Utility Rates and Frontage Taxes
- Questions

# Introduction

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The City enlisted InterGroup Ltd. to review the water and sewer utility rates and frontage taxes following the American Water Works Association framework.

The goals of the analysis included:

- Determining utility rate revenue requirements for CVRD charges, operational costs, debt servicing, and current year capital costs not funded by reserves or debt;
- Establishing utility rates at equitable levels based on customer classes; and,
- Determining frontage tax requirements to meet reserve contributions for asset renewal, machinery and equipment, and future capital needs.



# Background

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## Previous Analysis Results

In 2023, InterGroup completed a revenue requirement and rate analysis for the water and sewer utilities. The analysis included determining revenue requirements for capital reserves and operational costs, a cost of service analysis by customer group to ensure equitability, and the resultant rate design.

- Cost of service analysis identified the customer classes that were both overfunding and underfunding their servicing.
- Frontage taxes were funding operational shortfalls.
- Reserve funding was well below the recommended contribution levels identified in the Sustainable Infrastructure Investment Plan (SIIP).

# 2024 Analysis

## Revenue to Cost Coverage (RCC) Ratio

- A RCC ratio over 100% indicates a customer class is paying more than the cost of providing the service.
- A RCC ratio under 100% indicates a customer class is paying less than the cost of providing the service.
- Customer classes in the RCC range of 90-110% are considered to be in the 'range of reasonableness' where rate adjustments are not necessarily required.
- The RCC ratios presented are based on the revenue requirement forecast for 2029.



# 2024 Analysis

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## Revenue to Cost Coverage (RCC) Ratio - Water

Water Customer Class	2029 with Current Rate Distribution	2029 with Proposed 5 Year Increases
Residential	86%	100%
Multi-residential - Unmetered	70%	100%
Multi-residential - Metered	166%	100%
Commercial - Unmetered	104%	100%
Commercial - Metered	134%	100%
Parks Services – Water Usage	33%	100%
Fire Protection Services - Hydrant Maintenance	78%	100%

# 2024 Analysis

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## Revenue to Cost Coverage (RCC) Ratio - Sewer

Sewer Customer Class	2029 with Current Rate Distribution	2029 with Proposed 5 Year Increases
Residential	109%	100%
Commercial	59%	100%
Institutional	132%	110%

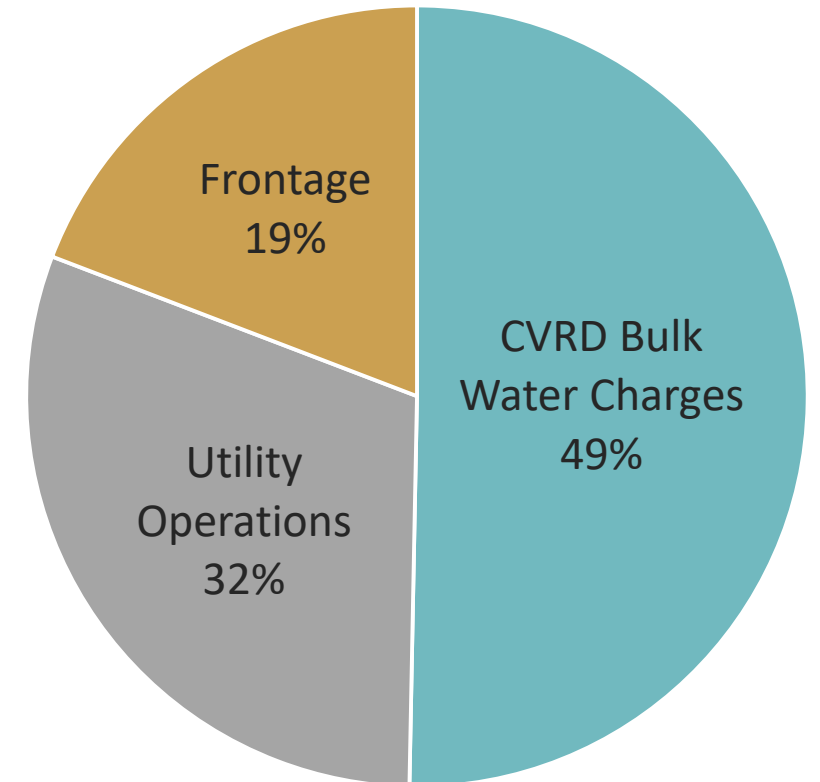
# 2024 Analysis

## CVRD Funding Requirements

- CVRD provides treatment, transmission, conveyance, capital replacement, and the upgrade of regional systems in support of growth requirements.
- The bulk water charges are based on the volumetric consumption of water.
- The sewer requisition is based on a percentage of total flows at the sewer treatment plant.
- Comprises 49% and 42% of the average household utility cost.

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2024 Water Utility Funding Distribution  
Per Average Household





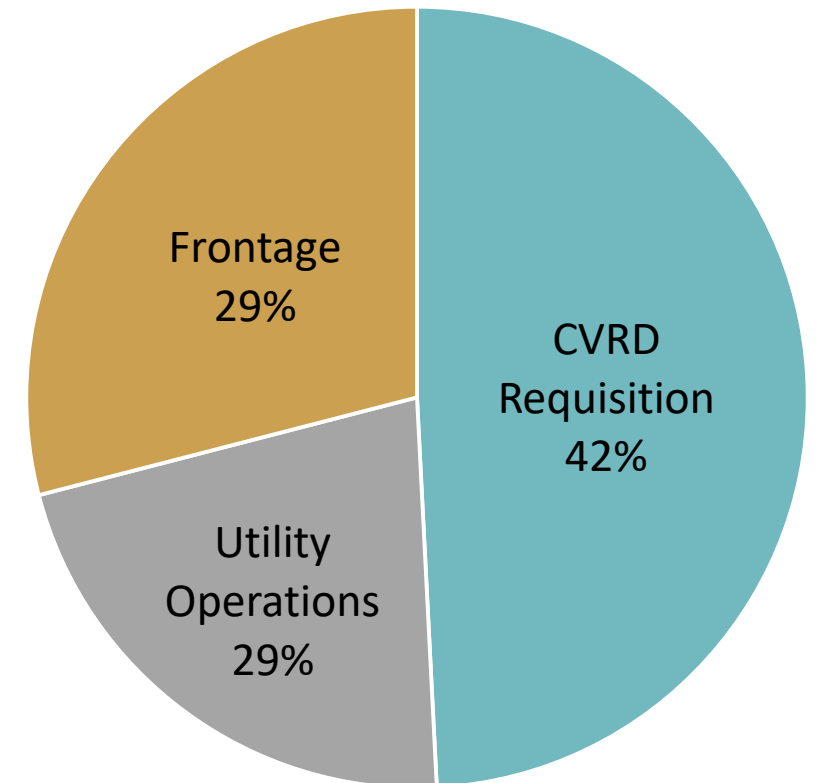
# 2024 Analysis

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## City Funding Requirements

- Utility Rate:
  - Indirect charges - Financial Services, IT, Corporate Services, current year capital not funded by debt/reserves, debt servicing; and,
  - Direct charges - Operations, maintenance and emergent repair of utility appurtenances.
- Frontage Tax:
  - Contributions to reserves; and,
  - Future capital or growth.

2024 Sewer Utility Funding Distribution  
Per Average Household



# 2025-2029 Water Utility Rates and Frontage Taxes

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Water	2024 (Current)	% Increase	2025	% Increase	2026	% Increase	2027	% Increase	2028	% Increase	2029
CVRD Bulk Water Charges	\$341.76		\$386.40		\$411.87		\$461.92		\$510.04		\$535.81
Utility Operations	\$219.22		\$237.97		\$270.57		\$283.98		\$286.59		\$314.99
Household Utility Rate	\$560.98	11% \$63.39	\$624.37	9% \$58.07	\$682.44	9% \$63.47	\$745.90	7% \$50.72	\$796.63	7% \$54.17	\$850.80
Household Frontage Tax	\$133.16	18% \$23.44	\$156.61	18% \$27.64	\$184.24	18% \$32.61	\$216.85	18% \$38.19	\$255.04	18% \$45.13	\$300.17
Average Household Total	\$694.14	13% \$86.84	\$780.98	11% \$85.70	\$866.68	11% \$96.07	\$962.75	9% \$88.92	\$1051.67	9% \$99.30	\$1150.97

# 2025-2029 Sewer Utility Rates and Frontage Taxes

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Sewer	2024 (Current)	% Increase	2025	% Increase	2026	% Increase	2027	% Increase	2028	% Increase	2029
CVRD Requisition	\$258.89		\$281.35		\$301.21		\$325.07		\$369.96		\$378.89
Utility Operations	\$179.75		\$196.33		\$218.98		\$241.42		\$246.95		\$291.92
Household Utility Rate	\$438.64	9% \$39.04	\$477.68	9% \$42.51	\$520.19	9% \$46.30	\$566.49	9% \$50.42	\$616.91	9% \$54.90	\$671.81
Household Frontage Tax	\$179.37	16% \$28.39	\$207.77	0% \$0.00	\$207.77	0% \$0.00	\$207.77	0% \$0.00	\$207.77	0% \$0.00	\$207.77
Average Household Total	\$618.01	11% \$67.43	\$685.45	6% \$42.51	\$727.96	6% \$46.30	\$774.26	7% \$50.42	\$824.68	7% \$54.90	\$879.58

# 2025-2029 Utility Rates and Frontage Taxes

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## Average Household Changes Over Five Years

	Water	Sewer
CVRD Requisition	\$194.05	\$121.00
Utility Operations	\$95.77	\$112.17
Frontage Tax	\$167.01	\$28.39
Total	\$456.83	\$261.57

# Recommendations

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## 2025

- Increase water and sewer utility rates to close the operational revenue shortfall;
- Adjust utility rates by customer class as per the Cost of Service Analysis to ensure equitability;
- Increase internal allocation funding for both Parks Services (water usage) and Fire Protection Services (hydrant maintenance);
- Increase the commercial class sewer utility fees by 23% in 2025; and,
- Increase frontage taxes to fund water and sewer asset management reserves.

# Recommendations

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## Future Analysis

- Undertake analysis for volumetric pricing of sewer utility rates - Institutional, Commercial and Industrial (ICI) properties only.
- Determine budget required to fund completion of water metering program for ICI and multi-residential properties.
- Determine frontage correction for ICI and multi-residential properties based on unit count.
- Determine capital investment costs to create a residential universal metering program (WSAP).



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# Questions?