



REQUEST FOR DECISION

MEETING DATE: September 26, 2022

TITLE: Utility Rate Model Updates

DIVISION: Corporate Services

SUMMARY:

To provide Council with information regarding the proposed utility rates that are recommended from the Utility Fiscal Review work. Updated rates will be included in the 2023-25 Corporate Plan and in the 2023 Fees and Charges Bylaw for Council approval.

PROPOSED MOTION:

A motion is not required.

BACKGROUND / ANALYSIS:

In early 2022, the City of Spruce Grove engaged CORVUS Business Advisors to complete a review of its utility rates for its water, sanitary sewer, stormwater, and solid waste utility services.

The intent of the review was to provide a recommendation to the City for utility rates that would ensure the funding of current operations as well as future infrastructure renewal.

The work involved the creation of detailed utility rate models for water, sanitary sewer, and solid waste, as well as an updating of the stormwater utility rate model.

One-year rate approval

While 10 years of recommended rates are provided, Council will be asked to approve only the first year (2023) rates. Council will have the opportunity each year, with rate reviews and updates, to approve future rate changes.

Separation of water and sanitary sewer rates

The City currently has a combined water and sanitary sewer rate, which is set at \$6.331 per m³ for 2022. To increase transparency and accountability of the separate utilities and align with leading practices, this review has developed separate recommended rates for water and sanitary sewer utilities.

Long-term Debt

In years when the respective utility reserve contains insufficient reserve funds to finance the rehabilitation and/or replacement of assets, debt will be required to finance these capital expenditures.

It should be noted that future utility rates will generate repayment of these debts, including all interest that accrues on the debt.

This debt, and the associated impact on the City's debt limit, will be considered in the draft Long Term Capital Plan that will be brought to Council during this fall's Corporate Planning process.

Solid Waste Utility – status quo

The Solid Waste utility rates are currently \$25.25 for the 120L cart and \$28.50 for the 240L cart. Council is planning to discuss solid waste service levels at the September 26, 2022 Council meeting. The Solid Waste Collection contract will be retendered in spring 2023 and will reflect the service levels that Council directs. As the impacts of that tender will not be known until later spring 2023, it is recommended that the current solid waste utility rates be maintained until the next utility rate update in 2023.

Reserves

The utility rates are set so that each utility is self-sustaining into the future. This fiscal stewardship approach leads to each utility establishing a positive reserve balance to be used to fund the necessary future replacement of assets outside the 10-year time horizon of the rate model.

Proposed Rates:

Utility	2022 rate	Proposed 2023 rate	Proposed Rate Change
Water	\$4.31 per m ³ <i>(restated to separate water and sanitary sewer rates)</i>	\$4.60 per m ³	\$0.29 per m ³
Sanitary sewer	\$2.02 per m ³ <i>(restated to separate water and sanitary sewer rates)</i>	\$2.02 per m ³	NIL
Stormwater			
Small customer (< 1" water service)	\$11.50	\$14.55	\$3.05
Large customer (>= 1" water service)	\$46.00	\$58.20	\$12.20
Solid waste			
120L cart	\$25.25	\$25.25	NIL
240L cart	\$28.50	\$28.50	NIL

Comparative Jurisdictions:

	2022 Rates									2023
	City of Edmonton	Town of Stony Plain	City of Spruce Grove	City of Fort Sask	City of St. Albert	Parkland County	City of Leduc	City of Beaumont	Strathcona County	City of Spruce Grove
RESIDENTIAL WATER										
Consumption Charge (/m3)	\$ 2.24	\$ 3.71	\$ 4.31	\$ 2.95	\$ 1.85	\$ 3.02	\$ 2.62	\$ 2.10	\$ 2.78	\$ 4.60
Fixed Charge	\$ -	\$ -	\$ -	\$ -	\$ 11.75	\$ 23.33	\$ 10.32	\$ -	\$ -	\$ -
Capacity Charge:										
16mm (5/8")	\$ 15.05	\$ -	\$ -	\$ 6.64	\$ -	\$ -	\$ -	\$ 15.25	\$ 5.36	\$ -
19mm/20mm (3/4")	\$ 22.58	\$ -	\$ -	\$ 9.56	\$ -	\$ -	\$ -	\$ 15.25	\$ 6.12	\$ -
25mm (1")	\$ 37.63	\$ -	\$ -	\$ 17.00	\$ -	\$ -	\$ -	\$ 24.27	\$ 7.01	\$ -
37mm/38mm/40mm (1 1/2")	\$ 75.27	\$ -	\$ -	\$ 38.25	\$ -	\$ -	\$ -	\$ 33.77	\$ 11.90	\$ -
50mm (2")	\$ 120.43	\$ -	\$ -	\$ 67.99	\$ -	\$ -	\$ -	\$ 39.02	\$ 15.30	\$ -
80mm (3")	\$ 225.80	\$ -	\$ -	\$ 152.99	\$ -	\$ -	\$ -	\$ 41.91	\$ 35.85	\$ -
100mm (4")	\$ 376.35	\$ -	\$ -	\$ 271.97	\$ -	\$ -	\$ -	\$ 53.51	\$ 55.13	\$ -
150mm (6")	\$ 752.69	\$ -	\$ -	\$ 611.94	\$ -	\$ -	\$ -	\$ -	\$ 96.10	\$ -
200mm (8")	\$ 1,204.30	\$ -	\$ -	\$ 1,087.90	\$ -	\$ -	\$ -	\$ -	\$ 171.10	\$ -
250mm (10")	\$ 1,731.19	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 426.10	\$ -
300mm (12")	\$ 2,541.08	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
RESIDENTIAL SEWER										
Consumption Charge (/m3)	\$ 1.25	\$ 3.06	\$ 2.02	\$ 2.62	\$ 2.08	\$ 1.74	\$ 2.05	\$ 1.85	\$ 1.90	\$ 2.02
Fixed Charge	\$ -	\$ -	\$ -	\$ 5.60	\$ 13.76	\$ 23.76	\$ 8.50	\$ 9.64	\$ 14.88	\$ -
Capacity Charge:										
16mm (5/8")	\$ 10.65	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19mm/20mm (3/4")	\$ 19.18	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
25mm (1")	\$ 29.83	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
37mm/38mm/40mm (1 1/2")	\$ 57.53	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
50mm (2")	\$ 78.84	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
80mm (3")	\$ 162.90	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
100mm (4")	\$ 303.42	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
150mm (6")	\$ 573.93	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
200mm (8")	\$ 915.70	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
250mm (10")	\$ 2,272.48	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
300mm (12")	\$ 2,272.48	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
STORMWATER										
Residential Stormwater	\$ 34.37	\$ 17.85	\$ 11.50	\$ 5.00	\$ 18.00	tax supported	\$ 5.00	\$ 6.48	\$ -	\$ 14.55
RESIDENTIAL SOLID WASTE										
Small Bin Pick-up (120L)	\$ 43.32	\$ 25.84	\$ 25.25	\$ 26.81	\$ 27.47	n/a	\$ 24.53	\$ 25.02	\$ 25.45	\$ 25.25
Large Bin Pick-up (240L)	\$ 48.32	\$ 25.84	\$ 28.50	\$ 26.81	\$ 32.62	n/a	\$ 24.53	\$ 25.02	\$ 25.45	\$ 28.50
	1	2	3	4	5	6	7	8	9	
Average Household Monthly Bill (5/8", 20m3, Large Bin)	\$ 178.14	\$ 179.13	\$ 166.60	\$ 155.45	\$ 154.73	\$ 142.29	\$ 141.75	\$ 135.39	\$ 139.29	\$ 175.45
Forecast 2023 Rate (3% Inflation)	\$ 183.49	\$ 184.51		\$ 160.11	\$ 159.37	\$ 146.56	\$ 146.00	\$ 139.45	\$ 143.47	\$ 175.45

OPTIONS / ALTERNATIVES:

Council can direct Administration to consider utility rates that are different from those that are recommended in the utility rate model reports.

CONSULTATION / ENGAGEMENT:

Finance, Engineering, and Public Works departments worked together to prepare the underlying information on which the utility rate model reporting was based.

IMPLEMENTATION / COMMUNICATION:

The proposed rate changes are intended to be included in the recommended 2023-25 Corporate Plan that Committee of the Whole will consider in November 2022. The rate changes would also be considered in the 2023 Fees and Charges Bylaw and to be approved by Council at the same time that the Corporate Plan is approved.

Approved changes would be messaged to residents on their December utility bills and would be implemented effective the January 2023 utility billing.

IMPACTS:

The estimated monthly impact to an average residential taxpayer, of these proposed rate changes, is based on the assumptions in the chart above (20 m³, small stormwater customer, large waste bin) is \$8.85.

FINANCIAL IMPLICATIONS:

These proposed rate changes support the move to fiscal sustainability, as they result in the utilities being funded equitably (i.e. user pay), transparent, and self-sustaining.