

April 24, 2025

REPORT TO: K. KEHLER, CHIEF ADMINISTRATIVE OFFICER

FROM: J. HOLMES, DIRECTOR OF FINANCE

SUBJECT: 2025 WATER UTILITY RATE INCREASES

PURPOSE: *Adjust water utility user rates and water parcel tax rate*

EXECUTIVE SUMMARY:

Each year, the City must establish the annual water parcel tax and water utility user rates. Typically, the water utility requires at least inflationary rate increases to ensure sustainable funding for forecast operating and capital expenditures. To reflect significant forecasted increases in both current and long-term expenditures, including for the two water joint ventures in which the City participates, a rate increase of 6% in water utility and parcel tax rates was approved by Council during the 2025 - 2029 financial plan process and needs to be incorporated into the water utility rates bylaws. This increase will be approximately \$19 per year for the average user and \$12.25 for the water parcel tax applied to properties not yet connected to the water system.

RECOMMENDATIONS:

1. THAT the report from the Director of Finance dated April 24, 2025, entitled "2025 Water Utility Rate Increases" be received.
2. THAT the amended "City of Parksville Water System Bylaw, 1999, No. 1320" be brought forward for Council's consideration.
3. THAT the amended "City of Parksville Water Parcel Tax Bylaw, 1999, No. 1494" be brought forward for Council's consideration.

BACKGROUND:

The increase for the water utility rates presented to Council at the April 9, 2025, Committee of the Whole financial plan meeting and approved at the April 23, 2025, Council meeting was 6%. This increase follows an increase approved by Council of 5% in both 2023 and 2024. Water Fund costs continue to increase both for operating expenditures, including the City's share of the Arrowsmith Water Service Joint Venture and Englishman River Water Service (ERWS) water treatment plant which is in its sixth year of operations, and costs related to infrastructure asset planning and replacement. These include systematic transfers to reserves, the Water Infrastructure Master Plan received by Council in 2024, the Drinking Water Master Plan underway pursuant to Council's strategic plan, and other asset management initiatives related to water assets.

The City's tiered billing rates for water use include both a fixed charge and a metered usage charge. The fixed charge includes a base infrastructure fee and a treatment plant reserve fee which is used to fund a contribution to the ERWS capital replacement reserve. At this time, the 6% increase has not been applied to the treatment plant reserve fee; however, it will be revisited with reference to the funding of ERWS infrastructure replacement and in the context of alternatives requested by Council for funding of long-term renewal and replacement of the City's water utility capital assets.

OPTIONS:

1. Increase the water utility rates by 6% effective April 1, 2025, as reflected in the draft 2025 - 2029 Water Fund Financial Plan.
2. Provide alternate direction with respect to the water utility rate increases.

ANALYSIS:

The water fund must have sustainable funding levels from utility charges to support the cost of water services. The 6% increase amounts to approximately \$19 per year for an average residential property using 150 cubic meters of water per year and an increase of \$12.25 per year for those that are required to pay the water parcel tax. These changes are expected to increase total revenues for 2025 by approximately \$260,000.

If the rate increase is changed and the water rates are not increased by the recommended percentage, any shortfall may need to come from the Water Utility Fund's accumulated surplus. Although the accumulated surplus remains positive within the five years of the 2025 - 2029 amended financial plan, continuing cost increases are expected which will put pressure on this surplus going forward. Staff would need to perform alternate analysis to determine the impacts of a different rate change amount.

FINANCIAL IMPACT:

Water user fees are billed twice per year for the six-month periods ending March 31 and September 30. In addition to user fees, a parcel tax is charged to those properties that have water infrastructure in place for connection but are not yet connected to the system. These parcel taxes are levied annually as part of the property tax notice. The annual financial impacts to both charges are summarized in the table below:

Rate	Current	Proposed (+6%)	Approx. Increase
Parcel tax - annual	\$203.50	\$215.75	\$12.25
User rates – annual for average user:			
Base Infrastructure Fee	\$180.72	\$191.56	\$10.84
Metered Water (150 m3)	\$139.42	\$147.80	\$8.38
User rates – total	\$320.14	\$339.36	\$19.22

ASSET MANAGEMENT IMPLICATIONS:

Water user fees are used to fund water operations and maintenance activities, as well as renewal of water infrastructure through the Water Fund capital reserves. The increase to user fees helps to offset inflationary increases to labour and materials, with the goal of maintaining the current level of water services for residents.

STRATEGIC PLAN IMPLICATIONS:

Advocacy - Council advocates to higher levels of government to provide funding for infrastructure renewal.

Official Community Plan Review and Update - No perceived impact.

Vibrant and Liveable Downtown - No perceived impact.

Water Use Planning and Management - Water utility rates are an important factor in the consideration of water service planning and management and must reflect not only the current economic environment but also the forecasted costs related to long-term capital renewal, community development and environmental factors.

Community Engagement - No perceived impact.

Investment in Recreation Amenities - No perceived impact.

Respectfully submitted,

Original signed by J. Holmes

J. HOLMES, CPA, CA
Director of Finance

CHIEF ADMINISTRATIVE OFFICER ENDORSEMENT:

Original signed by K. Kehler

K. KEHLER, MPA
Chief Administrative Officer