

WATER RATES CALCULATION METHODOLOGY

Issue

Council direction is required regarding a potential change to the water and wastewater utility rate structure.

Motion Proposed by Administration

That changes to the utility rate structure including an increase in Tier 3 water rates to a 3X multiplier and replacement of the summer wastewater discount with a year round 0.9 multiplier, be included in the 2025 Fees, Rates and Charges Bylaw for Council's consideration.

Report, Analysis and Financial Implications

The Municipal Development Plan and Environmental Master Plan direct Okotoks to enhance water conservation strategies, develop a strong peak water demand reduction program, and achieve a 20% reduction in outdoor daily peak water usage.

Earlier in 2024 Council approved a new Water Bylaw and Updated Water Shortage Response Plan to improve resilience, advance conservation objectives and to improve drought preparedness. At that time, the Governance and Priorities Committee resolved, "That the potential financial scenario impacts of changing the methodology of calculating summer discount rates and increasing Tier 3 rates to a 3X multiplier as discussed at January 15, 2024 Governance and Priorities Meeting be brought back to Council for consideration by September 30, 2024."

The financial impacts of these potential rate changes, as well as ratepayer consumption patterns and 2024 regional rate comparisons are overviewed in the attached presentation.

The 2024 rate comparison shows that Okotoks has the lowest regional combined water and wastewater bill for users up to the 50th percentile of community water usage (excluding communities that do not treat wastewater to a tertiary standard, such as lagoon systems). At the 75th percentile of usage water/wastewater bills are slightly lower for a ratepayer within the City of Calgary.

Okotoks has traditionally derived the bulk of its water and wastewater utility revenue through variable versus fixed charges. This has helped keep fees low for lower consumers in alignment with Council's conservation and affordability objectives.

Currently Tier 3 water rates are approximately double Tier 1 water rates. If Council supports an increase in Tier 3 rates, administration proposes using additional Tier 3 fees to offset anticipated 2025 variable water rate increases. This means that 75% of Okotokian ratepayers would realize a marginal benefit in selecting this option. The top 5% of water users could expect to see a 13-32% bill increase if their usage patterns do not improve.

Not all water that leaves the water distribution network returns to the wastewater collection network. Most communities only meter water and have different approaches to account for the difference in wastewater return flow. Historically, throughout summer billing periods, Okotoks has billed wastewater using the winter average of water usage (the summer discount). The City of Calgary bills wastewater usage at 0.9 times water usage, year-round.

The option to eliminate the summer discount to apply a year-round multiplier for wastewater billing is expected to provide a moderate bill reduction to most of the community. This change will primarily affect users with high seasonal variation (ex. Snowbirds with very green lawns), who, under the current system would pay zero variable charges. Conversely, it would provide a ~10% wastewater bill reduction to ratepayers who have no seasonal variation in usage.

Both of these recommendations are expected to add further financial incentives to conserve water during summer periods, when environmental and system challenges are greatest.

Strategic Plan Goals

<input type="checkbox"/>	Responsibly Managed Growth	<input checked="" type="checkbox"/>	Demonstrated Environmental Leadership
<input type="checkbox"/>	Strong Local Economy	<input type="checkbox"/>	Enhanced Culture & Community Health
<input type="checkbox"/>	Organizational Excellence		

Equity/Diversity/Inclusivity Impacts and Strategy

n/a

Environmental Impacts

n/a

Governing Policies/Bylaws/Legislation or Agreements

Municipal Development Plan
 Environmental Master Plan
 Bylaw 09-24 Fees Rates and Charges Revised

Community Engagement Strategy

n/a

Alternatives for Consideration

Rates and analysis to continue with the current approach have also been included for Council's consideration.

CAO Comments

As affordability continues to be one of the key issues facing Okotokians, and long term financial sustainability is the key driver for the Town of Okotoks, these recommendations attempt to align both of these objectives with the Town's overall water reduction goals.

Attachment(s)

1. Utility Water Rate Considerations

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