

SEWER UTILITY RATES REVIEW

February 23, 2026



Sidney



Agenda

- Why are we doing this review?
- Water – a success story!
- What is our current challenge?
- What is the proposed change?
- How will the proposed change impact customers?
- What will the proposed change achieve?
- Questions

Why?

To develop *rates* and a *rate structure* to ensure **financial sustainability**, as we continue to operate a sewer utility for protecting public health and environmental safety.

- **Sufficiency** – Are we collecting enough revenues?
- **Stability** – Are the revenues more certain (relative to costs)?



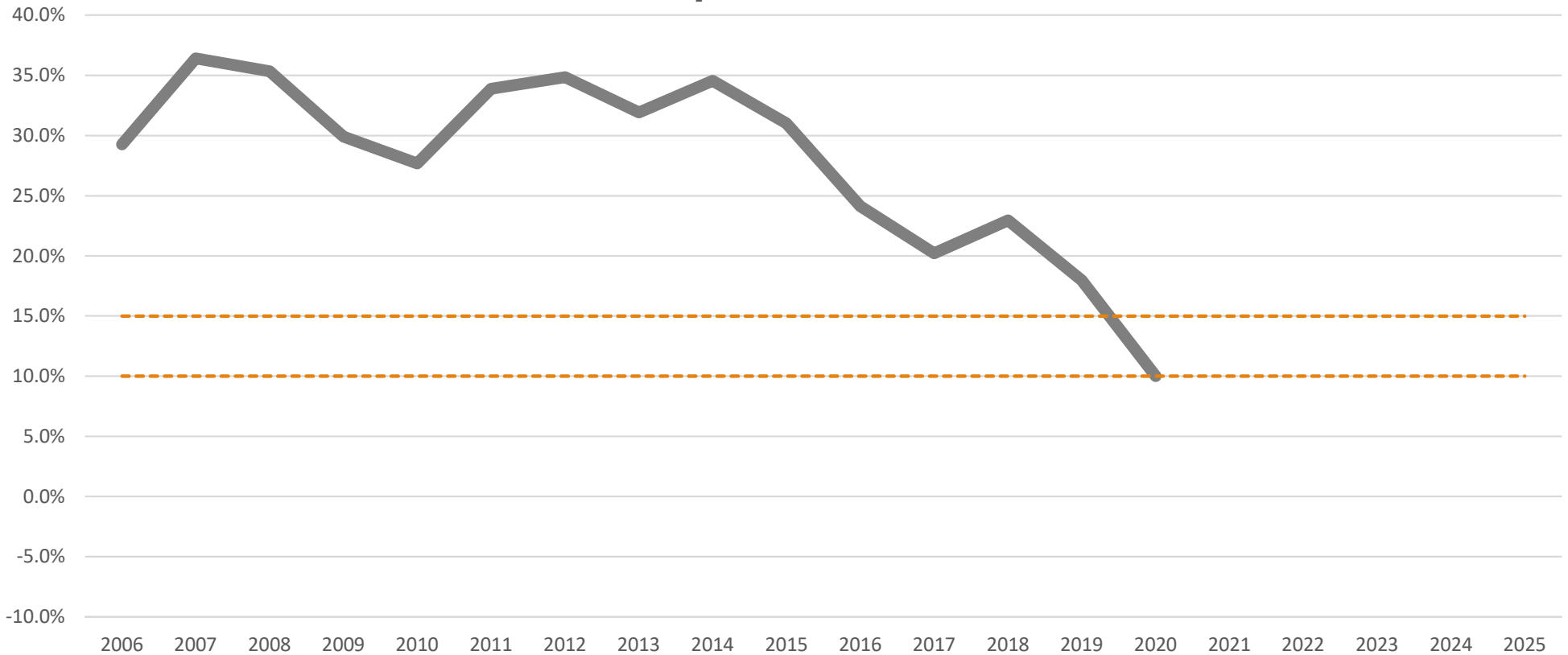
What happened with the Water Utility?

SUFFICIENCY & STABILITY!

Outcome of Water Rates Review

Are we collecting enough revenues?

Accumulated Surplus Balance As % Of Revenue

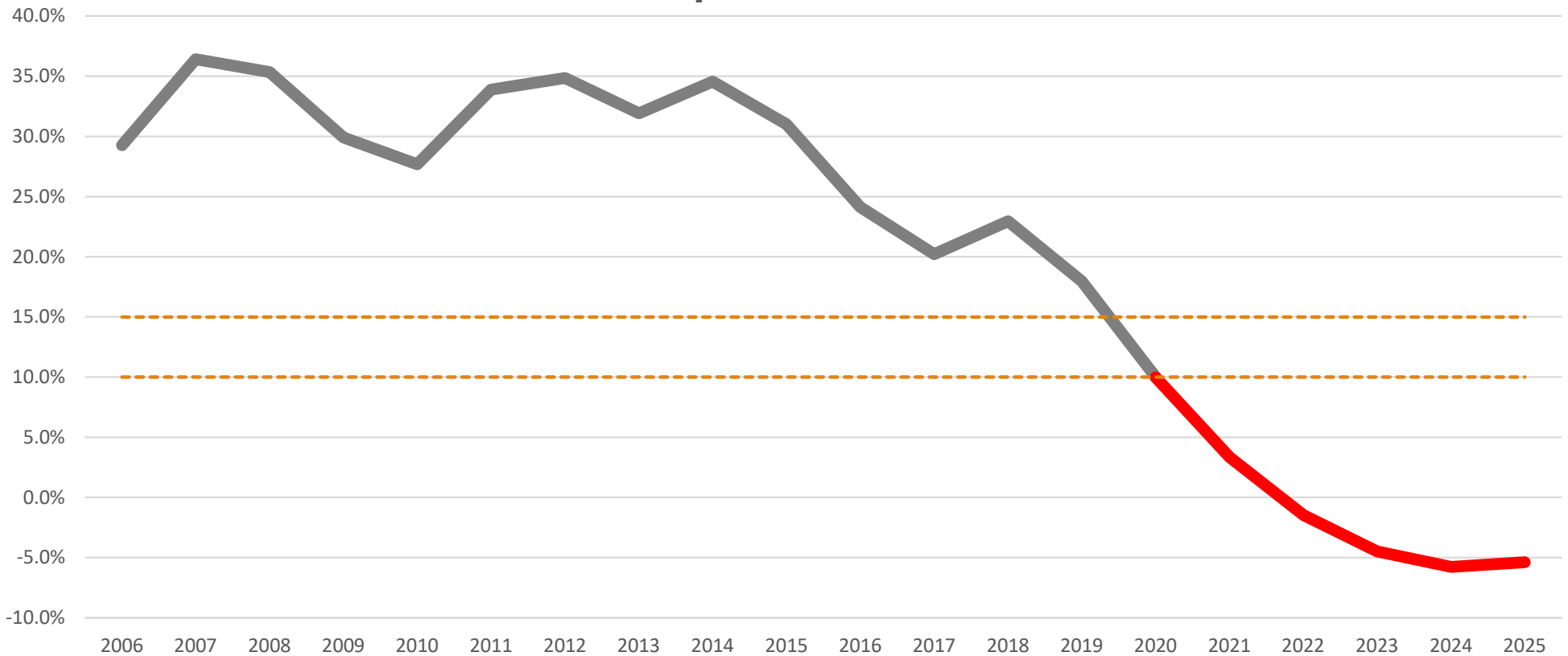


Original trajectory vs today's reality

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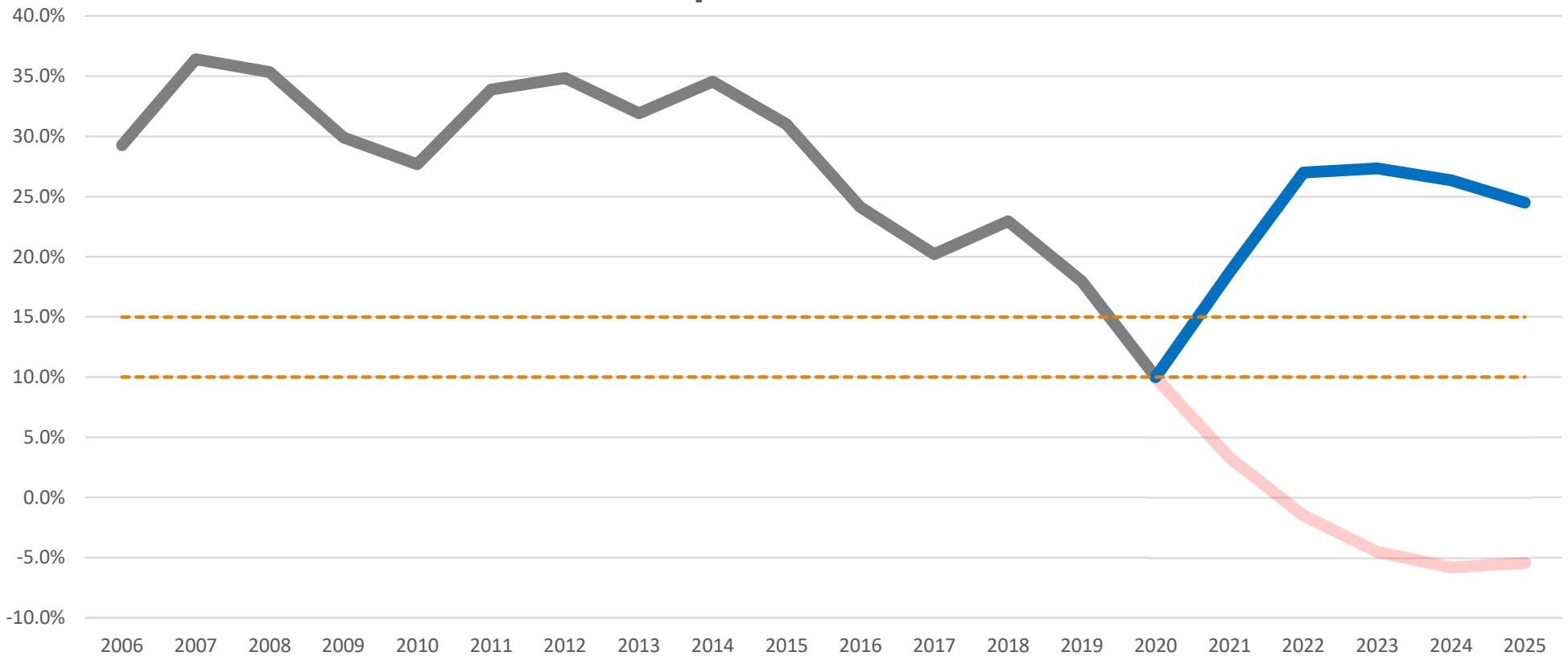


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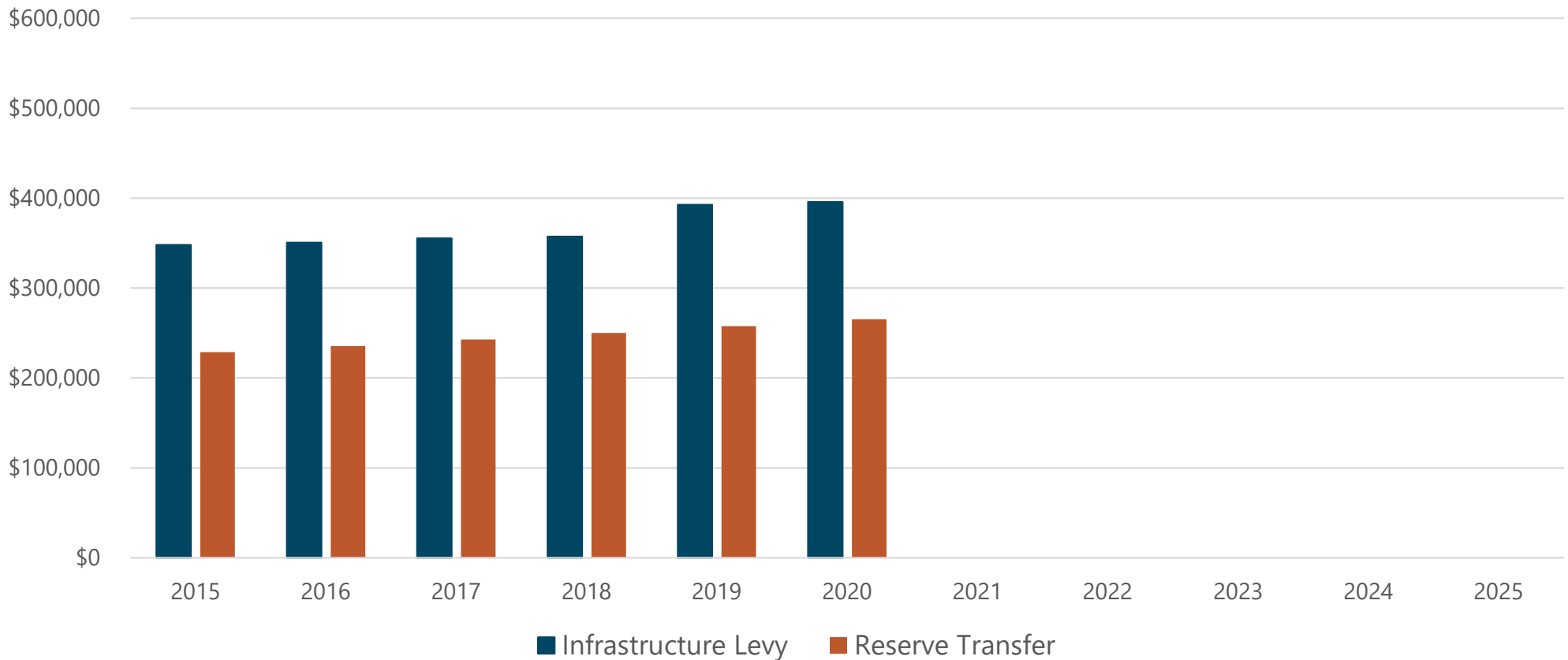


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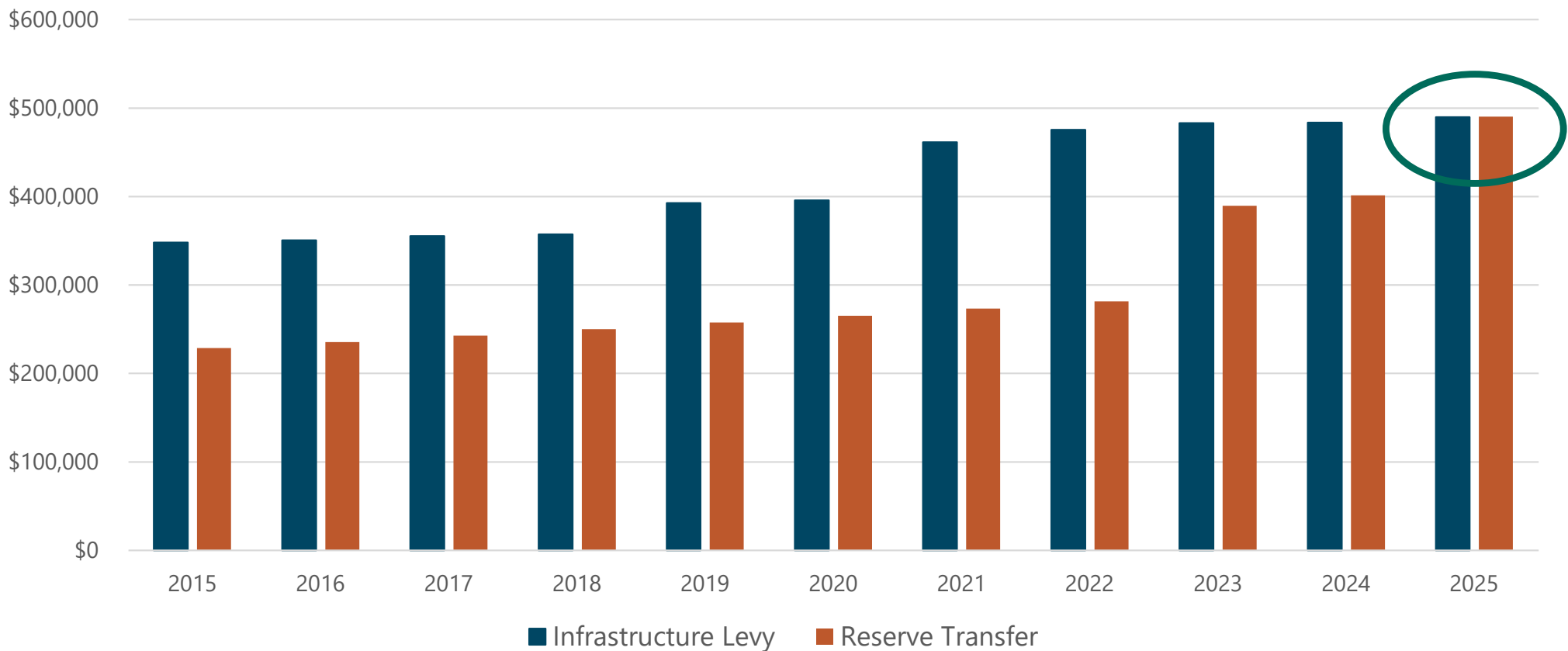
Infrastructure Levy vs Reserve Transfer



Outcome of Water Rates Review

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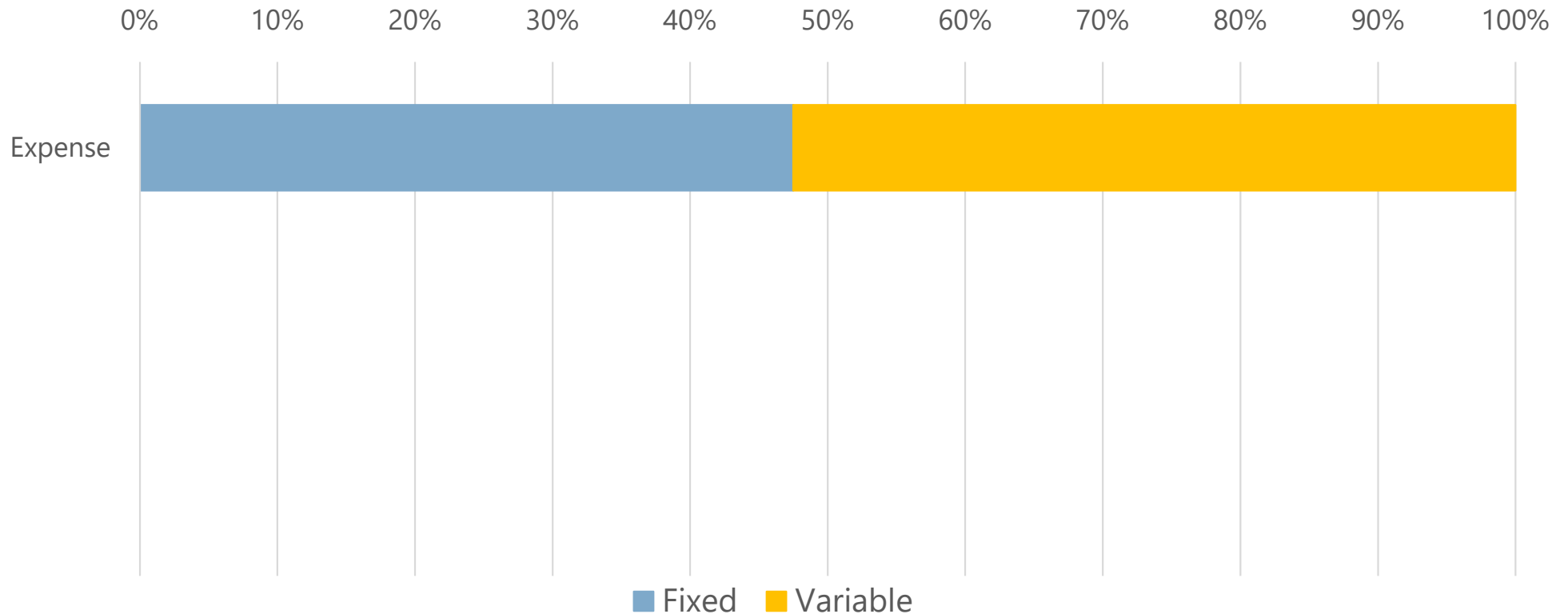
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Outcome of Water Rates Review

Are the revenues stable?

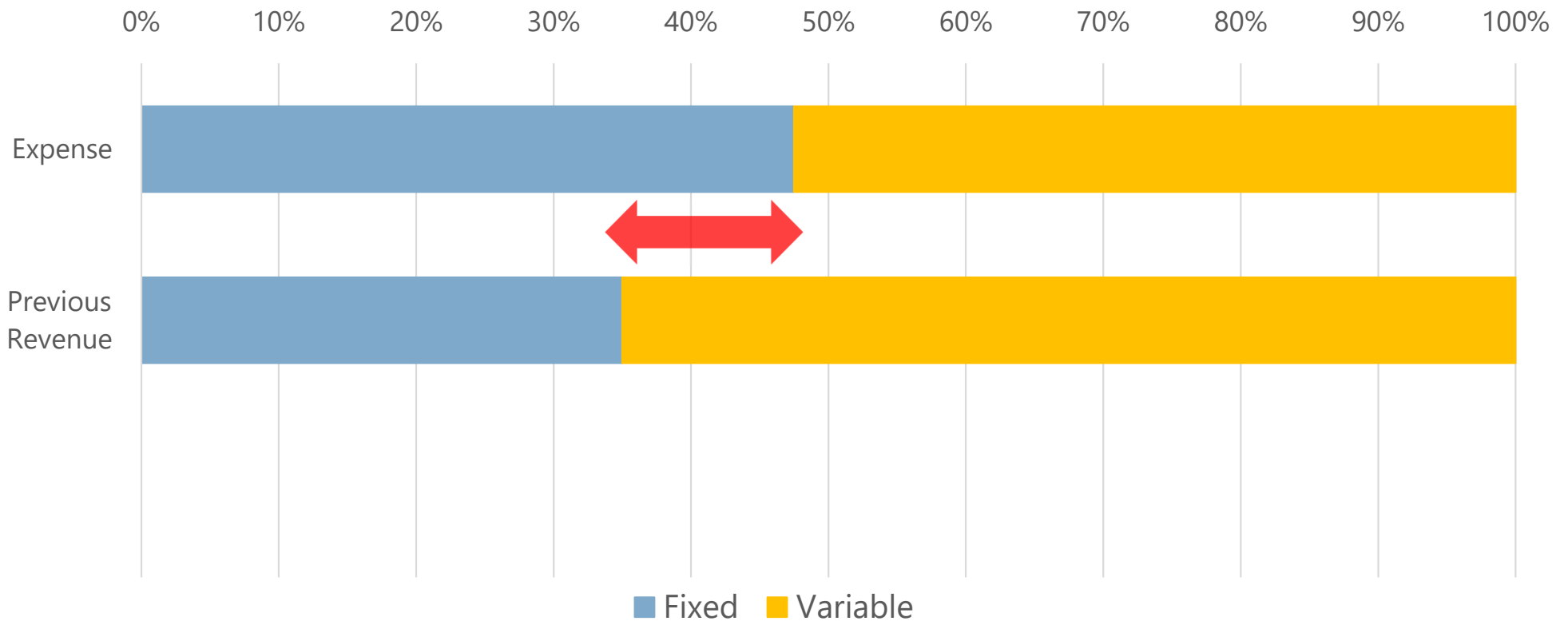
% Of Fixed vs Variable Expenses & Revenue



Outcome of Water Rates Review

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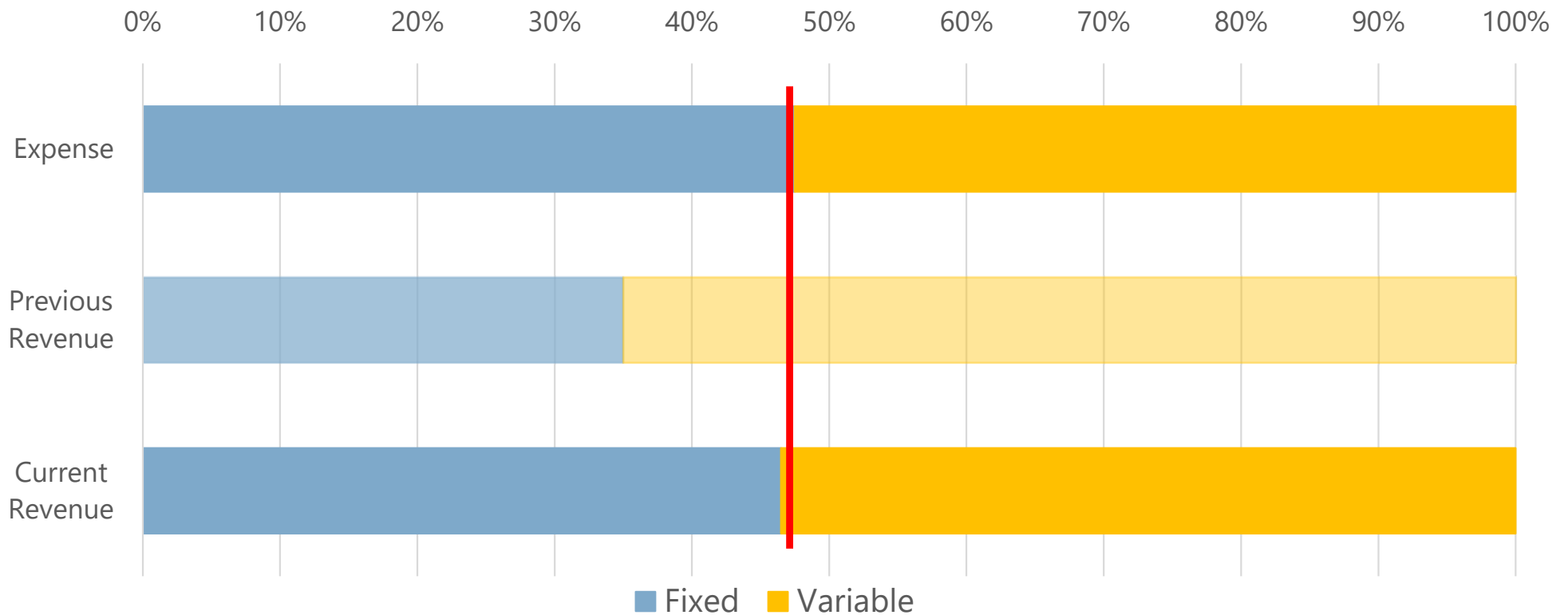
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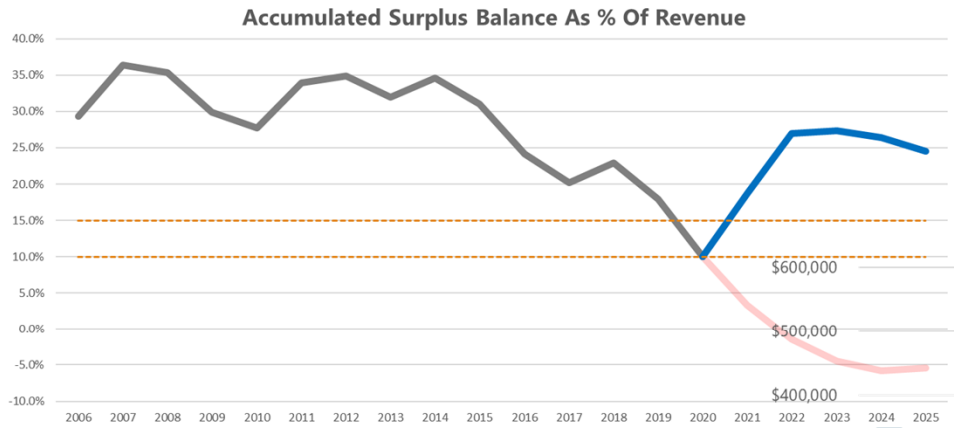
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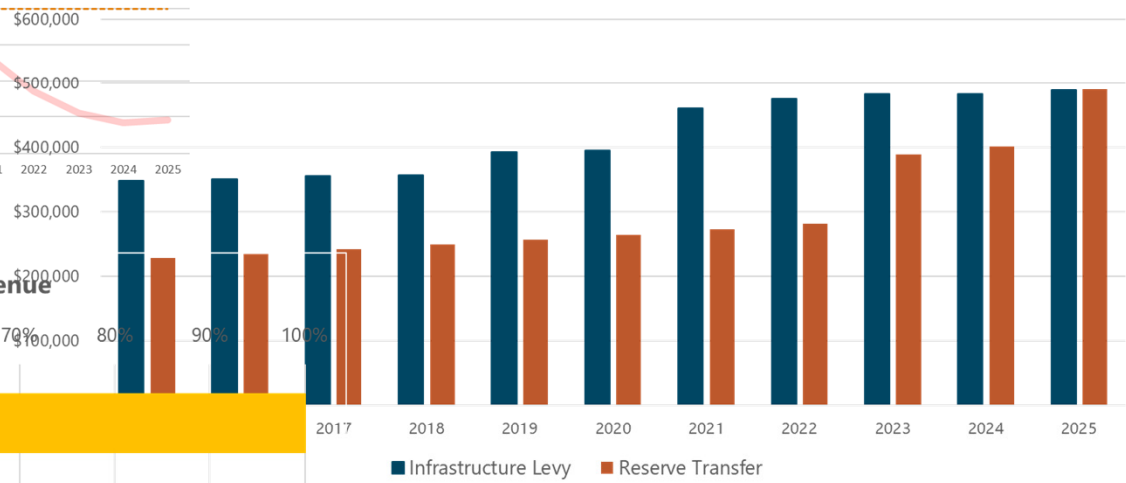
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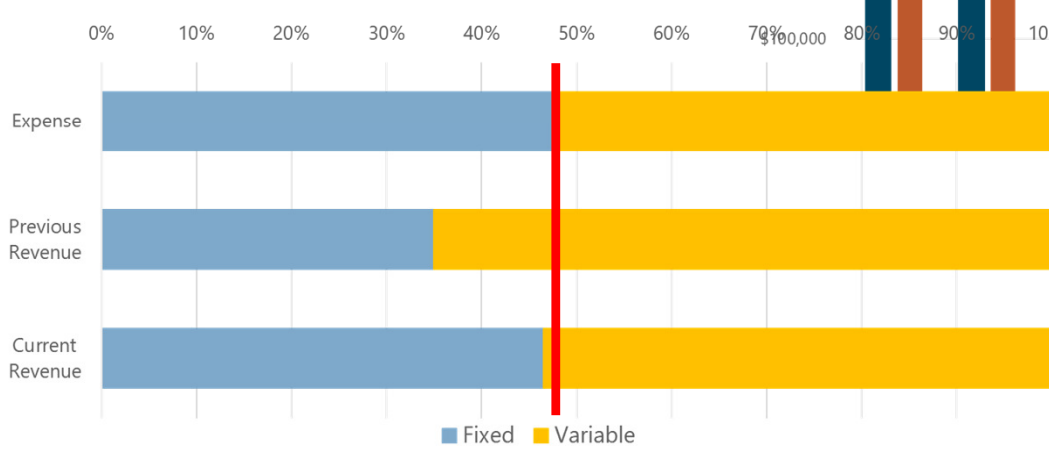
Water – a success story!



Infrastructure Levy vs Reserve Transfer



% Of Fixed vs Variable Expenses & Revenue





Back to the Sewer Utility

RATE DESIGN THAT
ENSURES
FINANCIAL
SUSTAINABILITY
BY ACHIEVING
REVENUE
SUFFICIENCY
AND *STABILITY*.

Primary Objective

Two Basic “Benefits”

Wastewater
Treatment



**Variable
Component**

Collection
System
Availability



**Fixed
Component**

Current (2025) Rates

Infrastructure Levy (Annual Tax Notice)

- \$65 for strata properties (approx. 4,000 properties)
- \$130 for non strata properties (approx. 2,500 properties)

User Fees (Quarterly Utility Bill)

- \$25 minimum charge per account
- \$10.70 per 1,000 gallons of flow¹

¹ Sewer discharge is not measured directly; water consumption is used as a proxy with an adjustment for estimated outdoor use in summer.

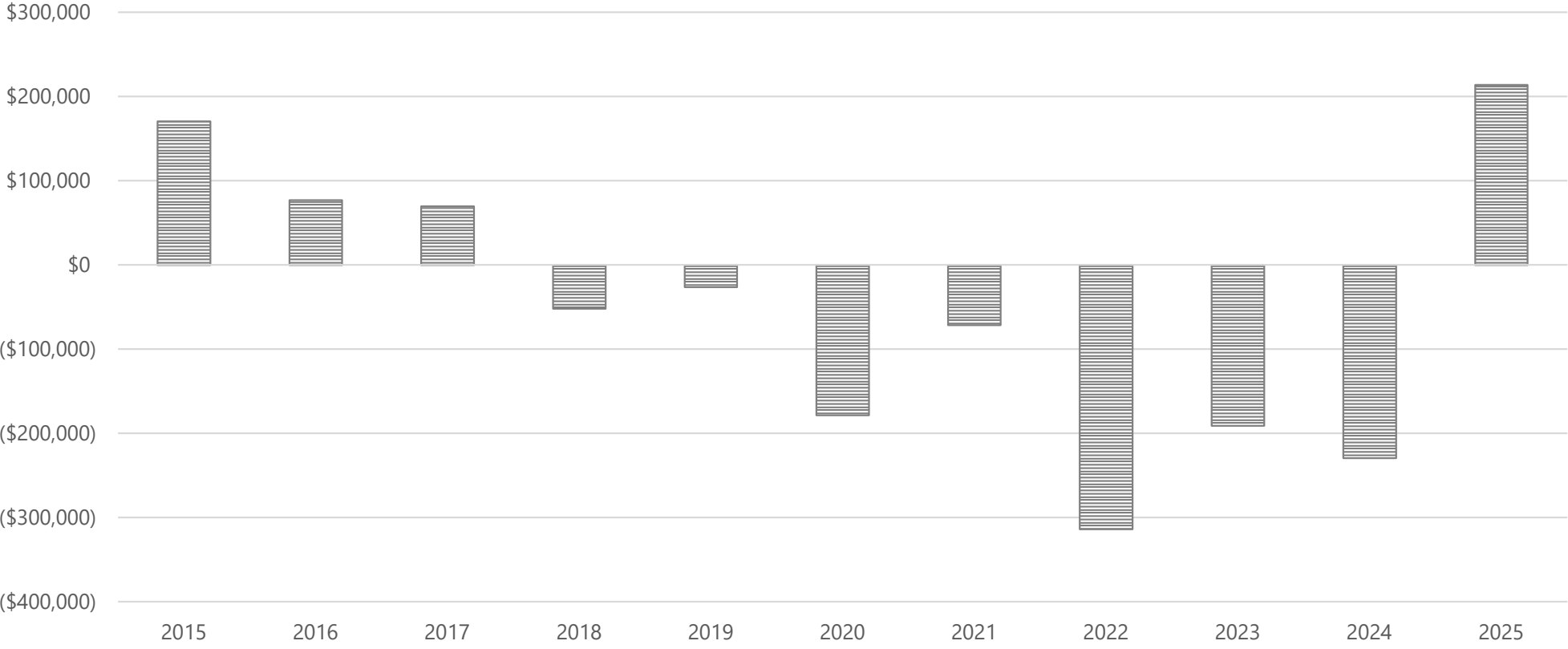
What is our current challenge?

SUFFICIENCY & STABILITY



Sufficiency - Are we collecting enough revenue?

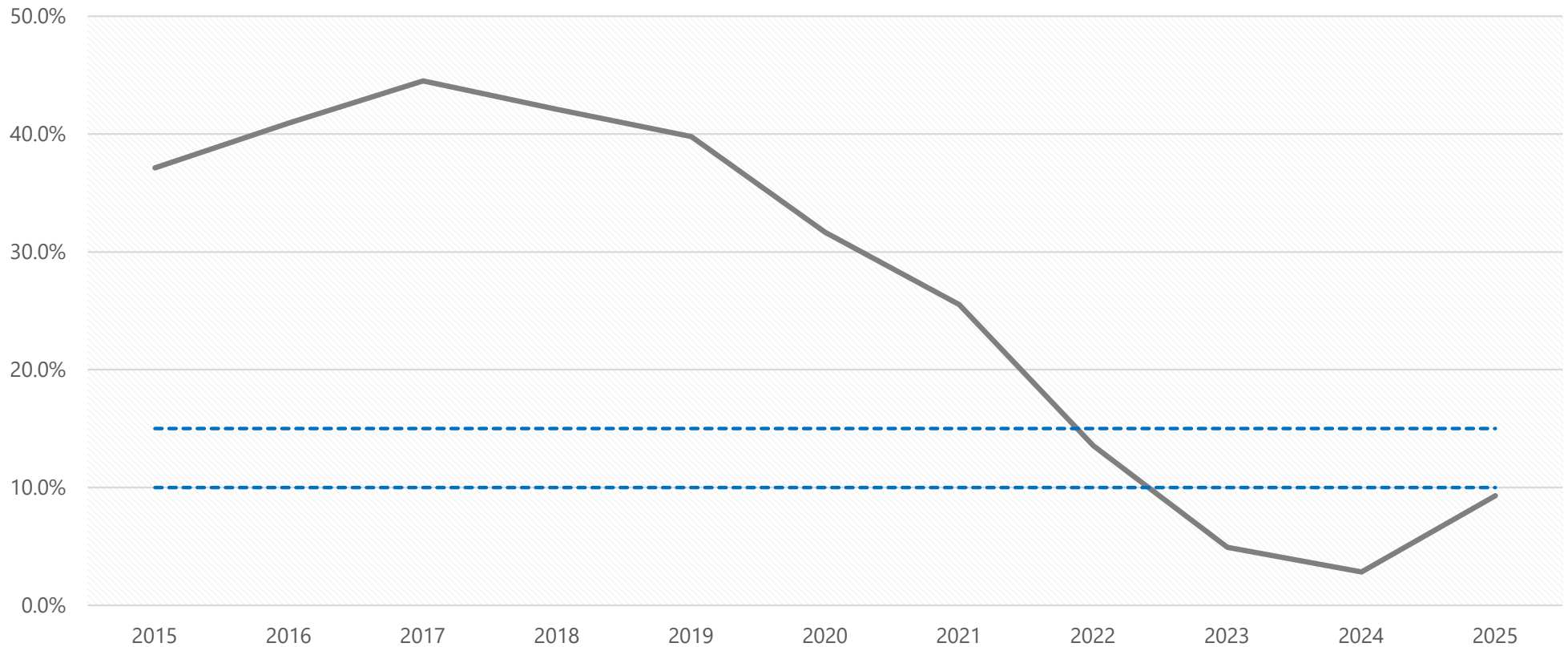
Annual Surplus / Deficit



2025 based on current projections; results are not yet final.

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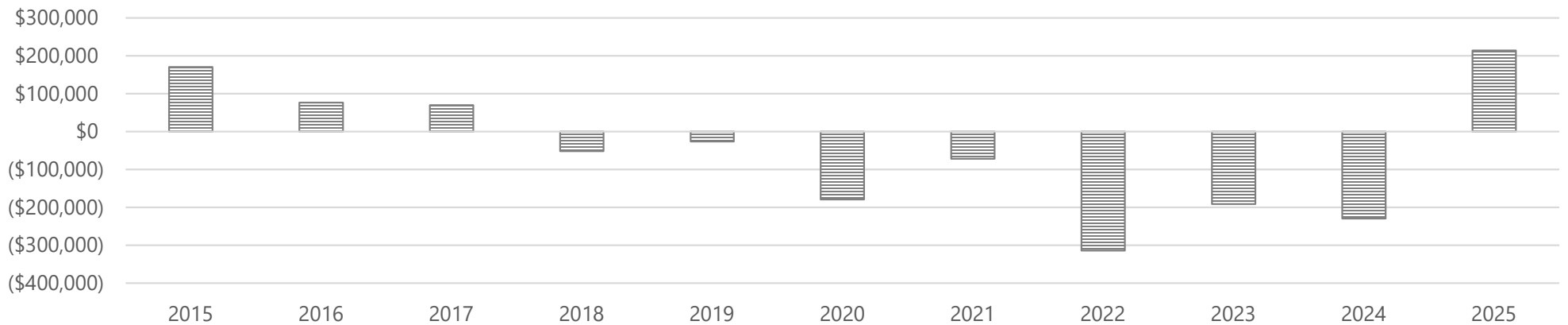
Accumulated Surplus Balance as % of Revenue



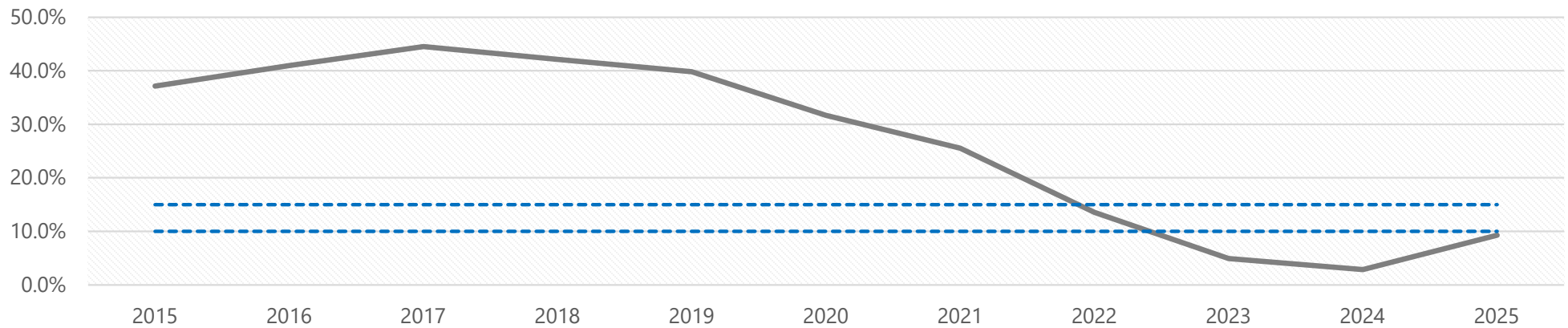
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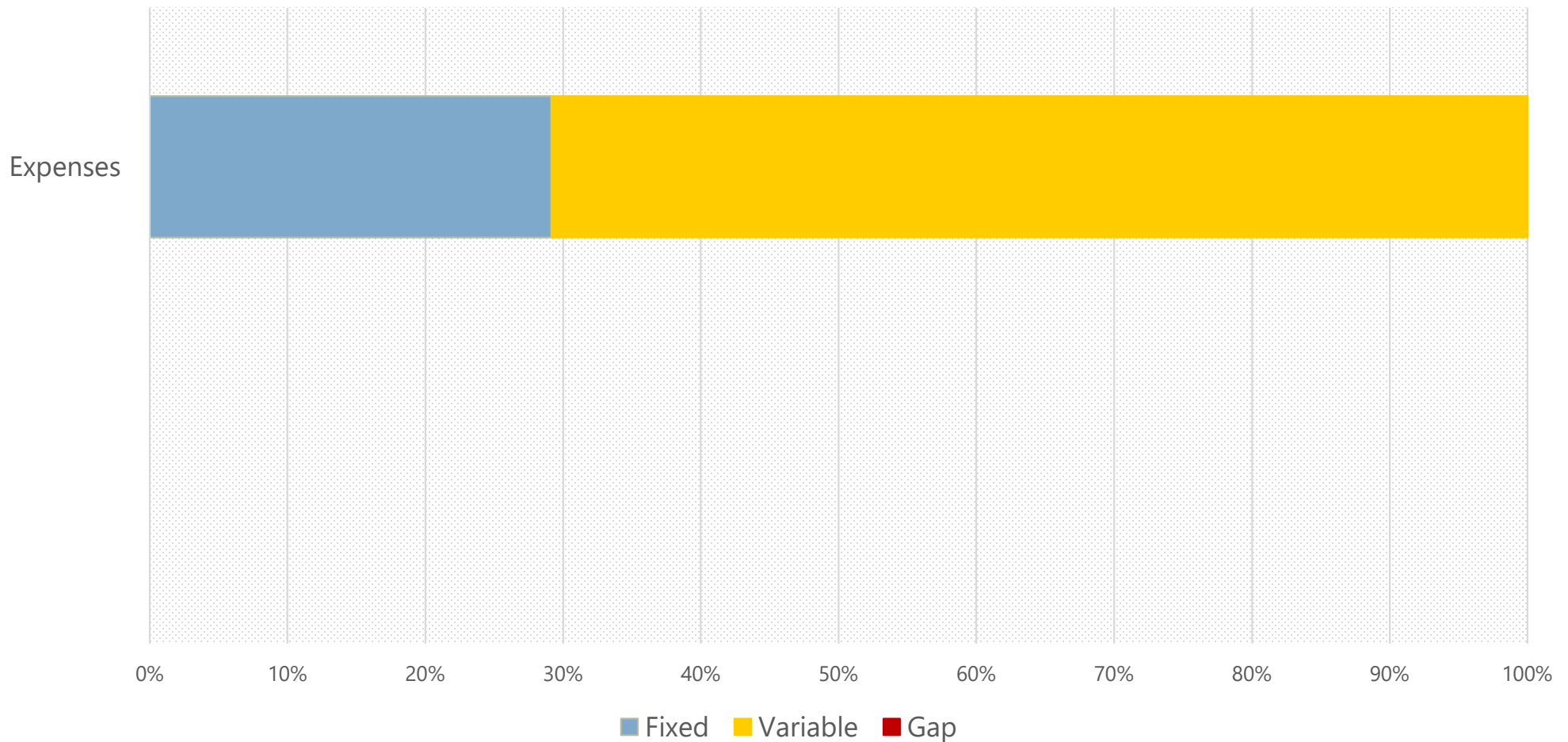
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Infrastructure Levy vs Reserve Transfer



Stability – Is the revenue certain?

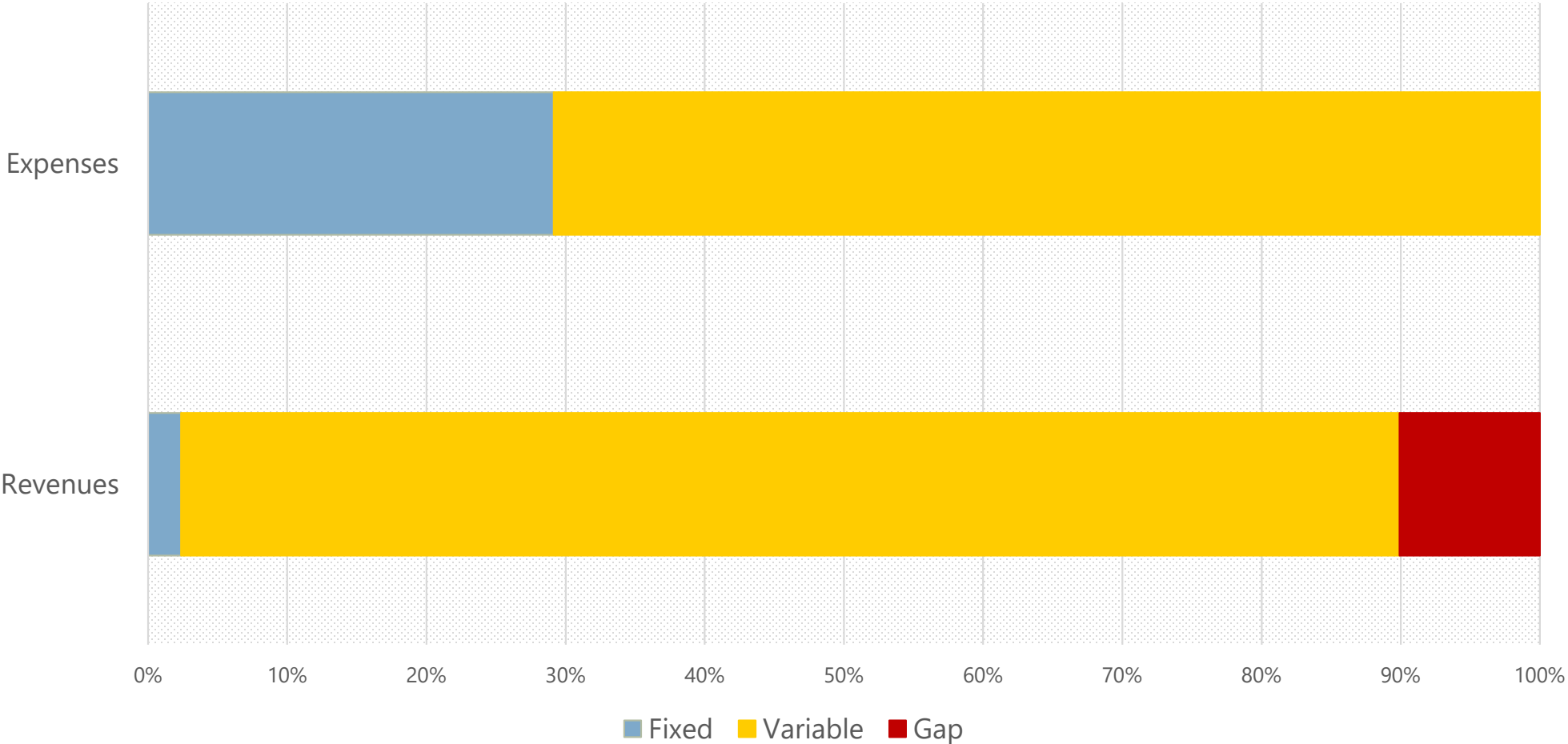
% of Fixed vs Variable - Expenses & Revenues



Gap = The Infrastructure Levy that is funding Sewer Operations.

Stability – Is the revenue certain?

% of Fixed vs Variable - Expenses & Revenues



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What is the solution?

No Perfect Rate

Rate design is a function of diverse and sometimes competing objectives; no one rate structure meets all objectives equally. (AWWA Rate Setting Manual)

Practical and effective outcome means:

- Minimize the magnitude of change to customers
- Fair and equitable > all users should pay for the cost of service they receive
- Reasonably easy to understand, explain and administer

Proposed Changes

Infrastructure Levy

1. Harmonize strata & non-strata rates – everyone benefits equally from system availability
2. Increase transfer to Reserves & reduce subsidy of O&M

User Fee

1. Fixed Charge per Unit
2. Variable Charge based on volume

This mirrors the Water Utility's rate design.

Proposed Rate Design

Rate Component	Proposed 2026	Actual 2025
Infrastructure Levy per Folio	\$100 / year	\$65 or \$130 / year
Minimum Charge per Account	n/a	\$25 / quarter
Fixed Charge per Unit	\$10 / quarter	n/a
Variable Charge per 1,000 Gallons	\$9.89	\$10.70

How will the proposed
change impact
customers?

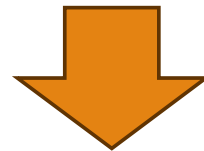
Customer Impact



A User Fee increase is necessary in 2026 to keep pace with rising costs.



If the rate structure remains the same, the 2026 volumetric charge would increase to **\$11.15** per 1,000 gallons (\$10.70 in 2025).



Does Not Improve Stability

Customer Impact

	Proposed Rate Design ¹	Existing Rate Design ²
% of Customers Experiencing an Increase	74%	100%
% of Customers Experiencing a Decrease	26%	0%

¹ Fixed Charge of \$10 per unit per quarter. Variable Charge of \$9.89 per 1,000 gallons.

² User Fee of \$11.15 per 1,000 gallons with a minimum charge of \$25 per account per quarter.

Customer Impact

	Proposed Rate Design ¹	Existing Rate Design ²
% of Customers Experiencing an Increase	74%	100%
% of Customers Experiencing a Decrease	26%	0%
Average Annual Increase per Unit	\$3.68	\$15.40
Median Annual Increase per Unit	\$11.79	\$11.70
Maximum Annual Increase per Unit	\$36.05	\$1,217.63 ³

¹ Fixed Charge of \$10 per unit per quarter. Variable Charge of \$9.89 per 1,000 gallons.

² User Fee of \$11.15 per 1,000 gallons with a minimum charge of \$25 per account per quarter.

³ Although this data point is an outlier, several customers would experience an increase in the \$300 to \$400 range, and hundreds would experience an increase higher than \$36.05

What will the proposed change achieve?

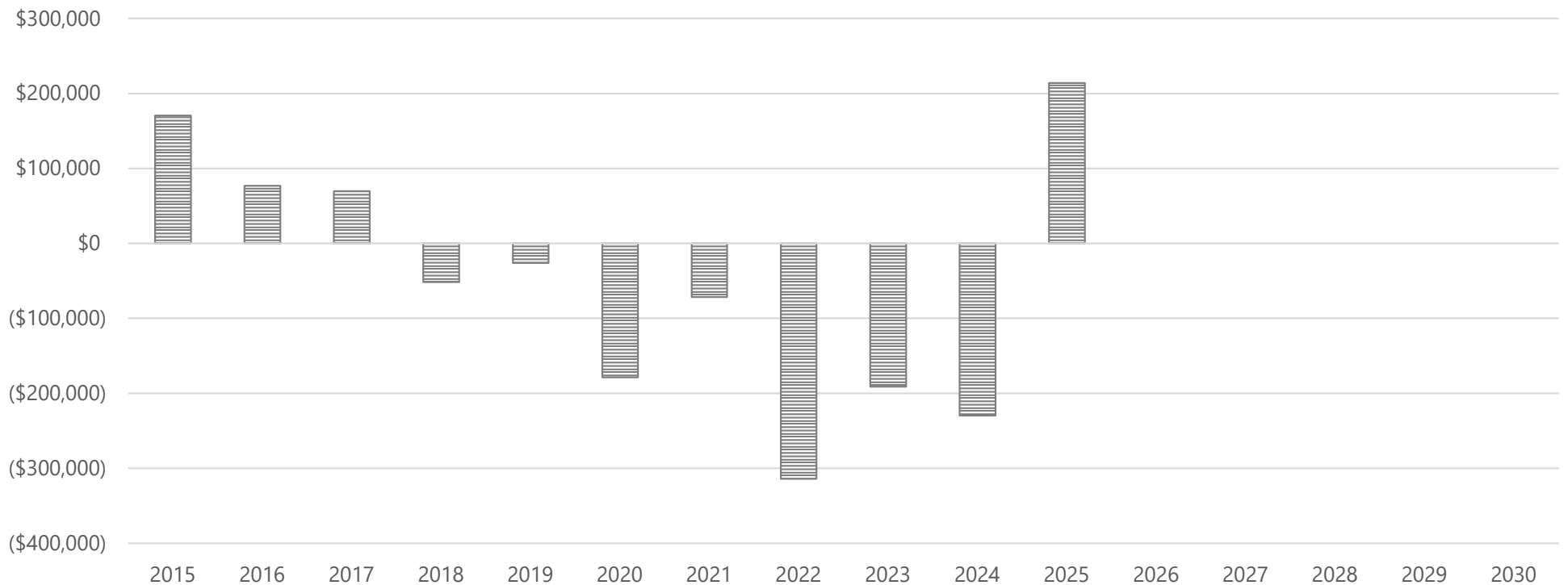
SUFFICIENCY & STABILITY



Financial Sustainability

Revenue Sufficiency

Annual Surplus / Deficit

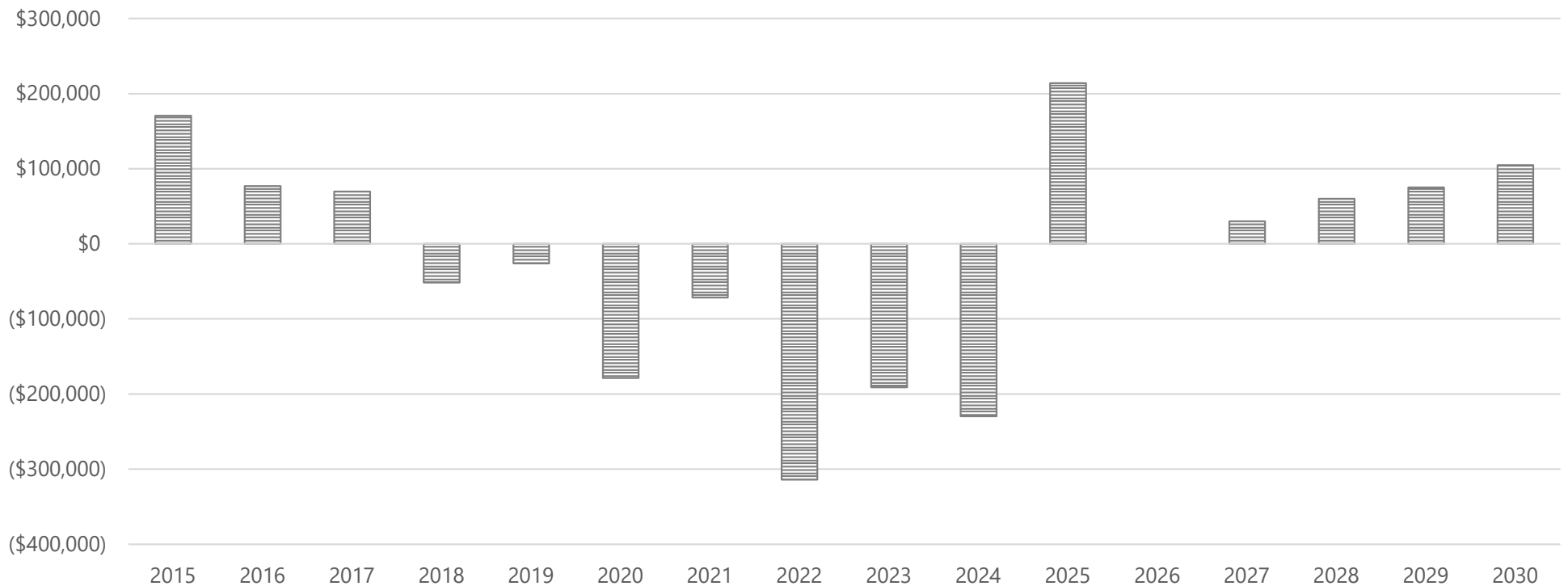


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2026-2030 based on draft Financial Plan

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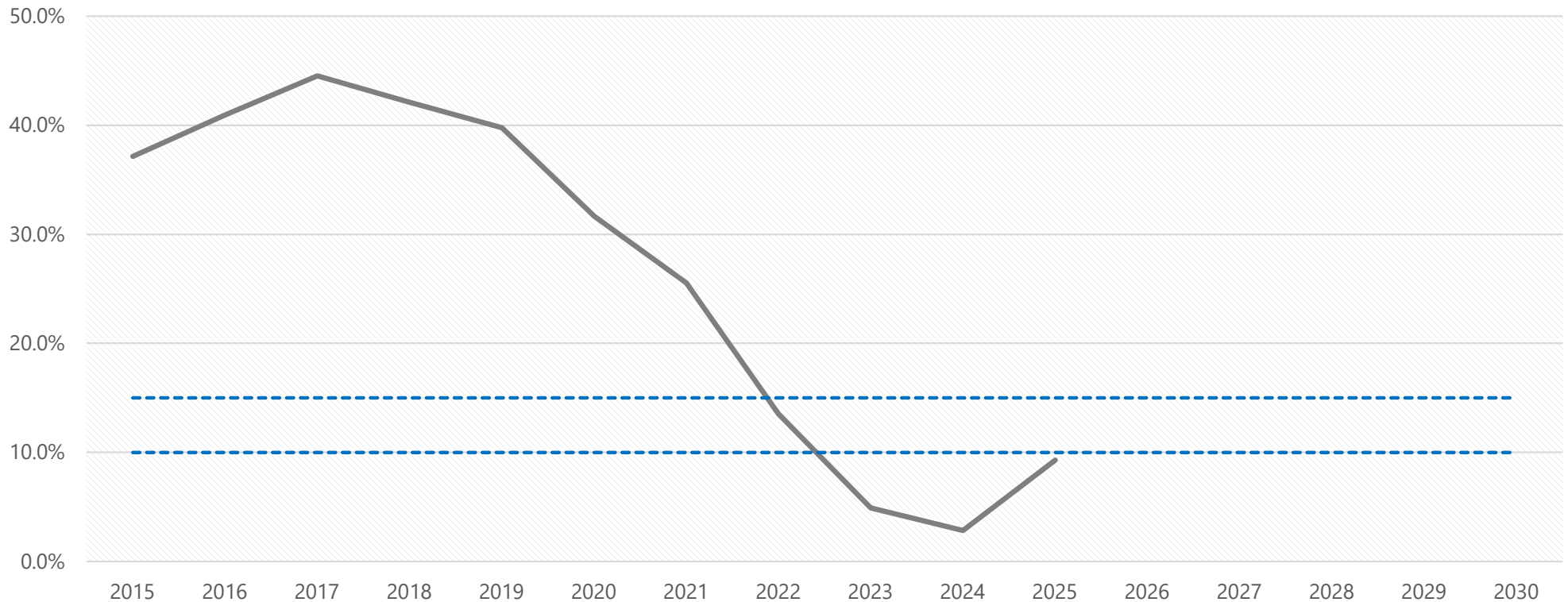


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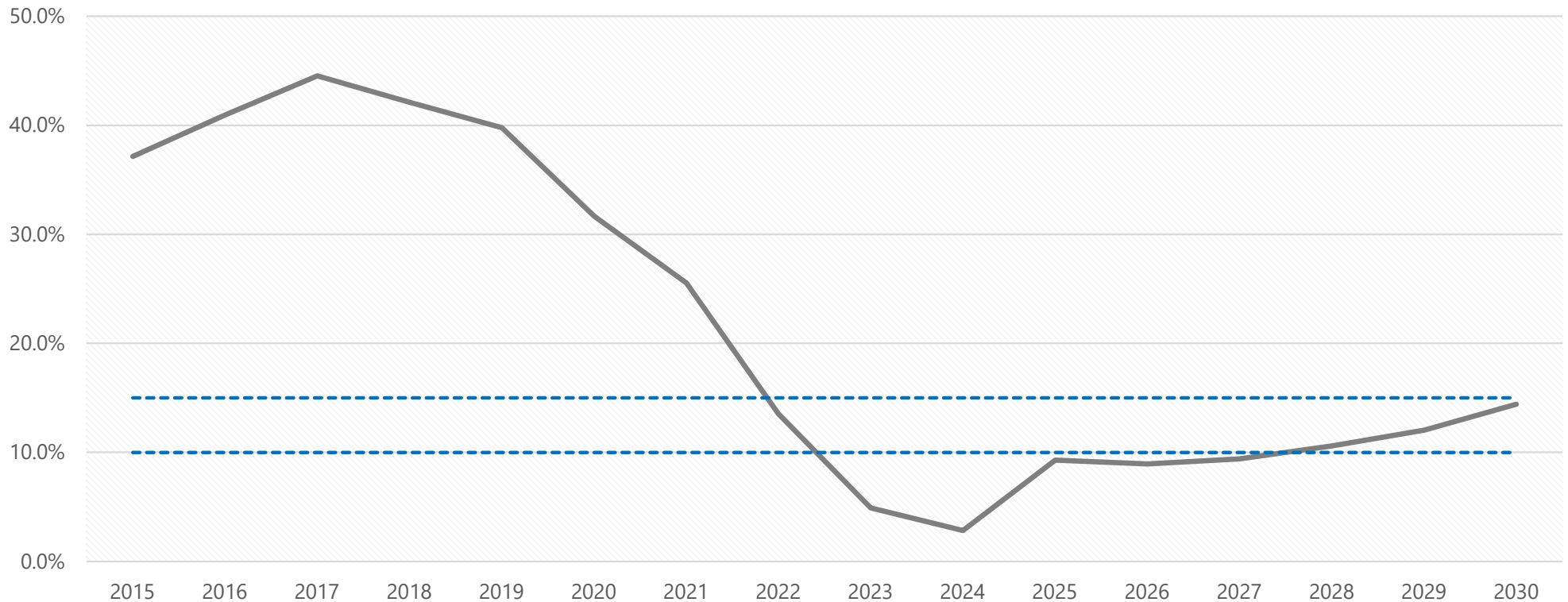


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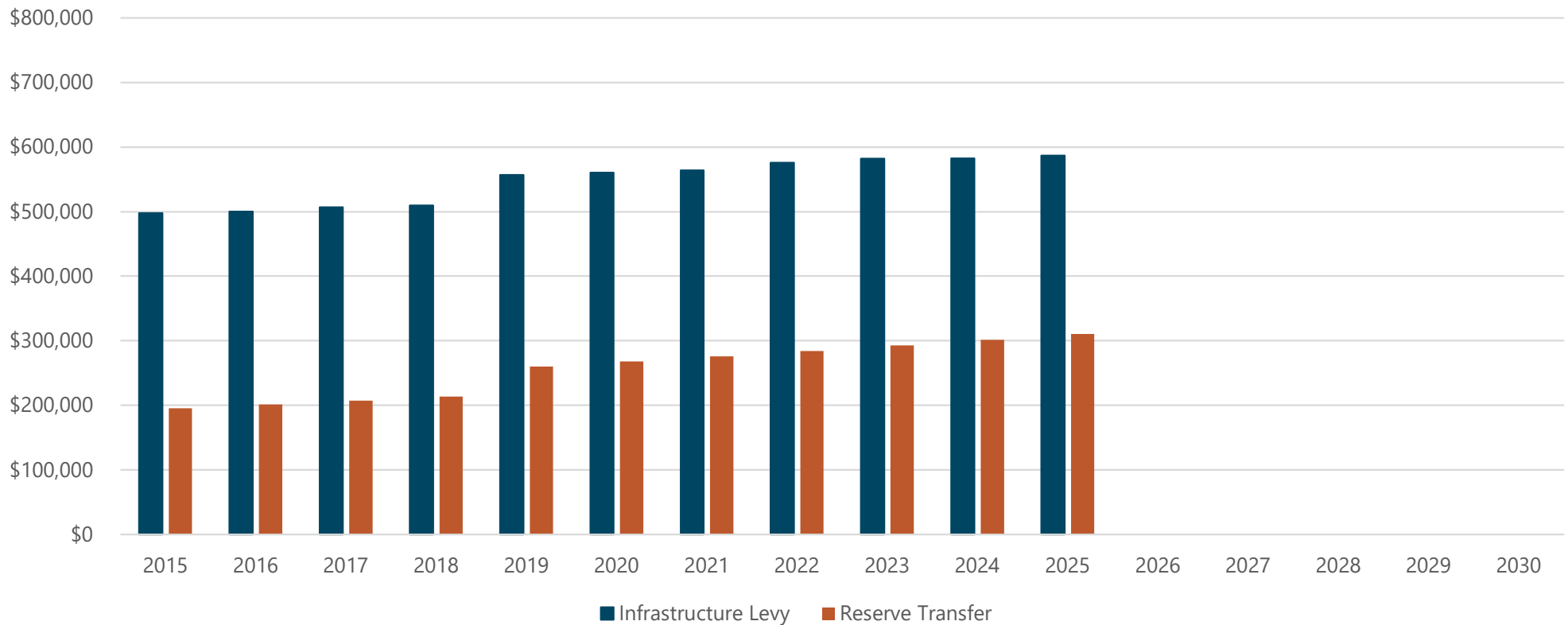


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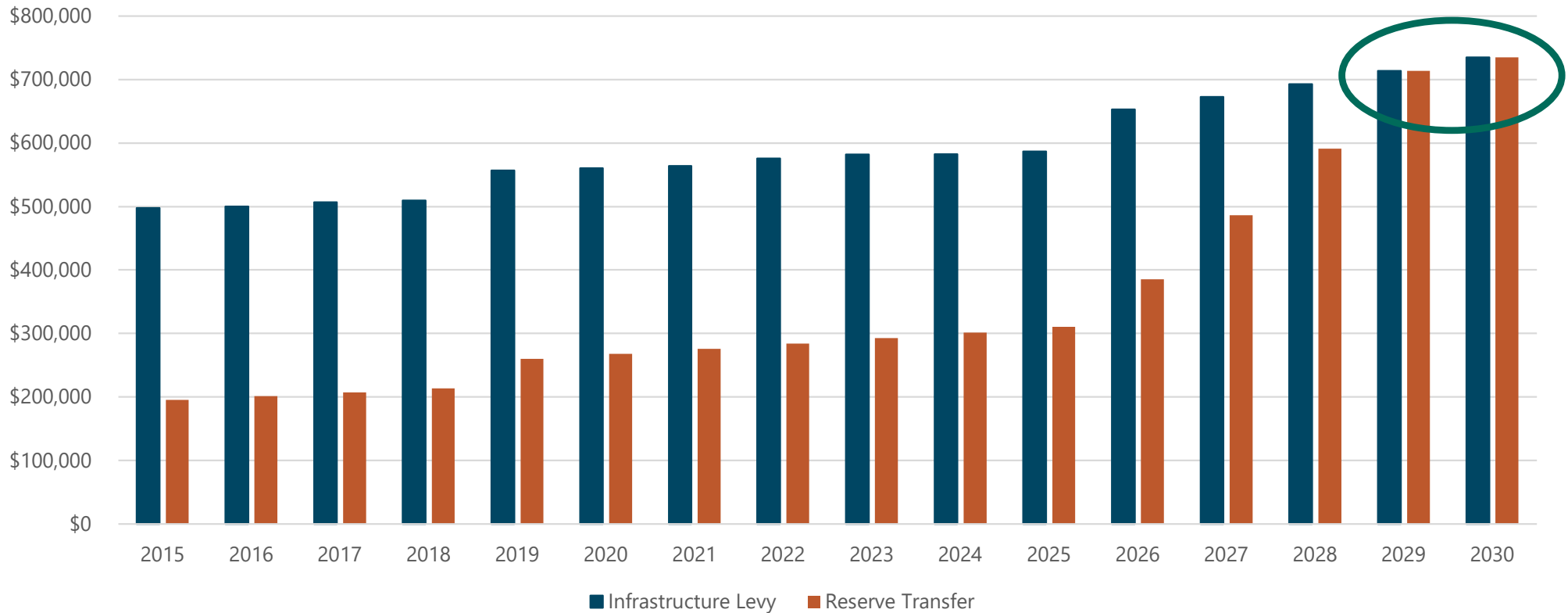


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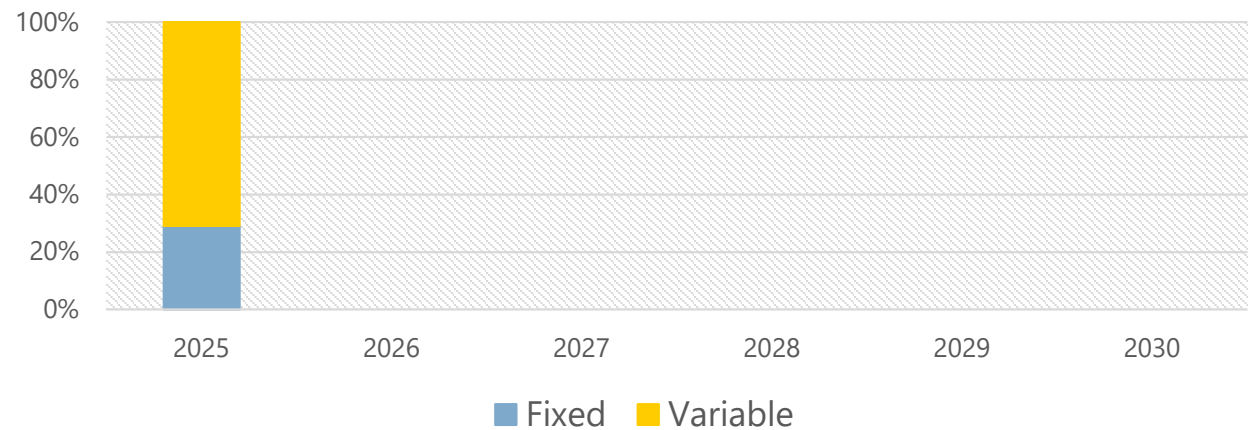


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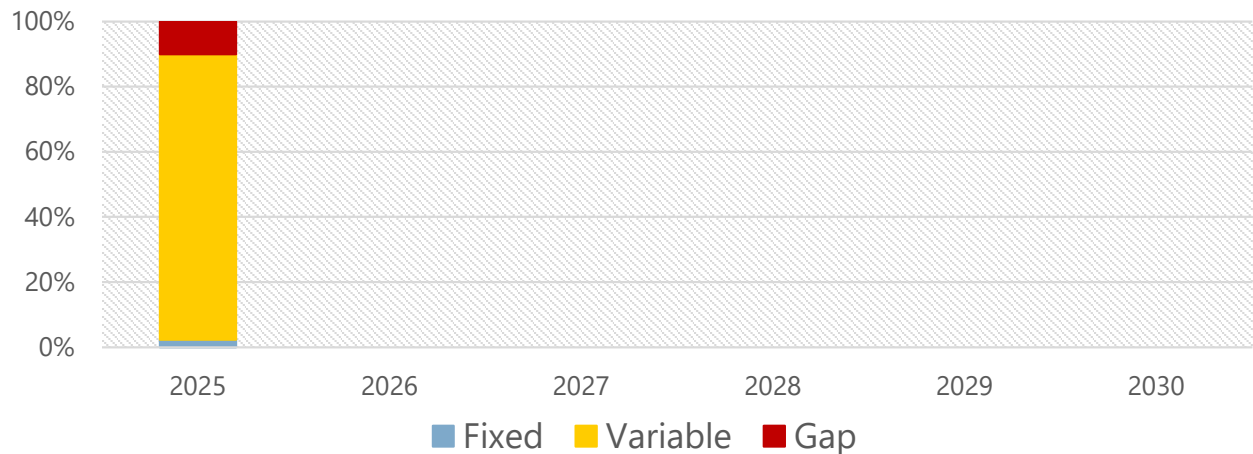
Financial Sustainability

Revenue
Stability

Operating Cost Structure



User Fee Revenue Structure

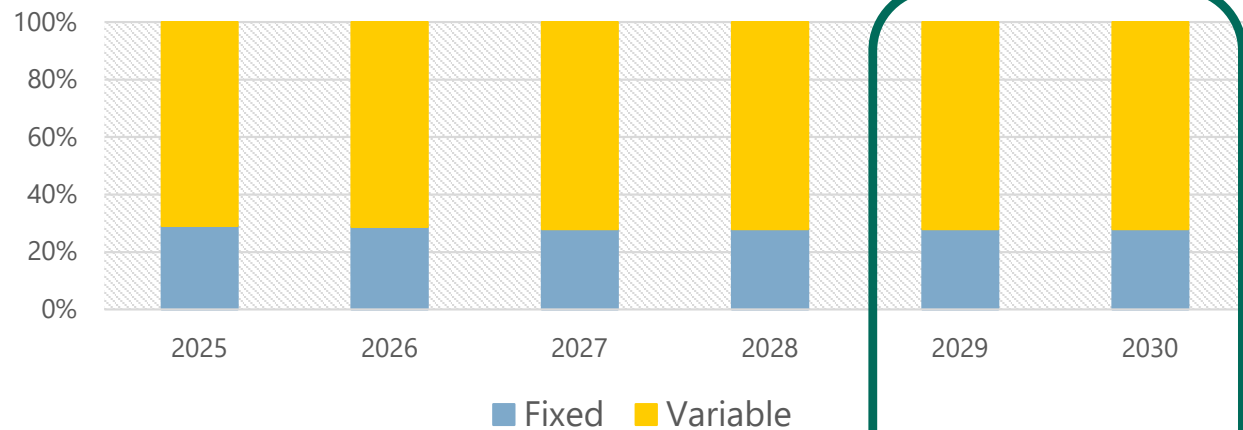


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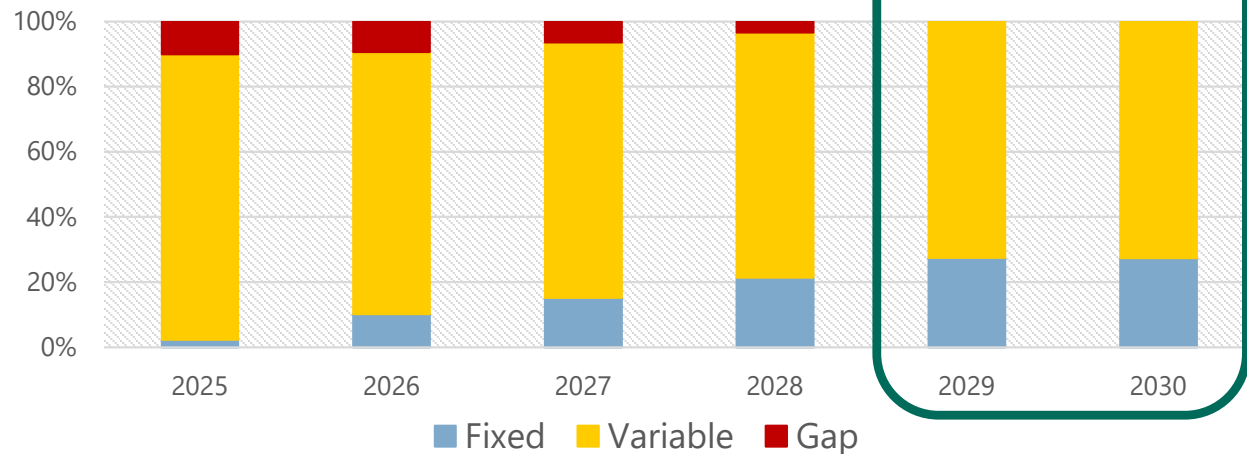
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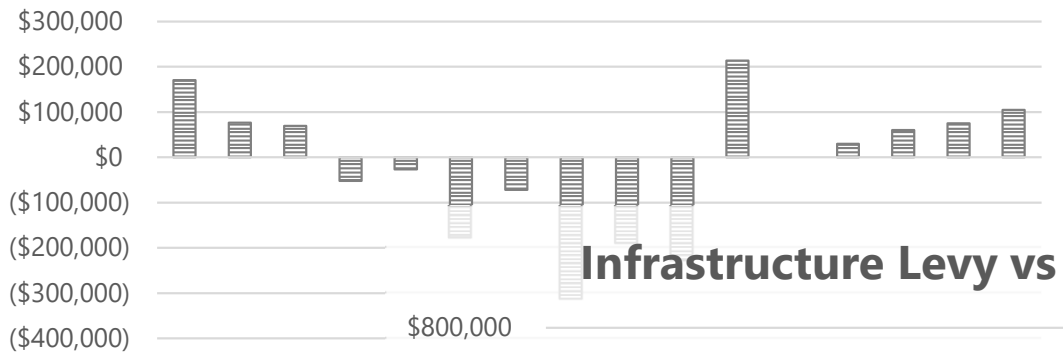
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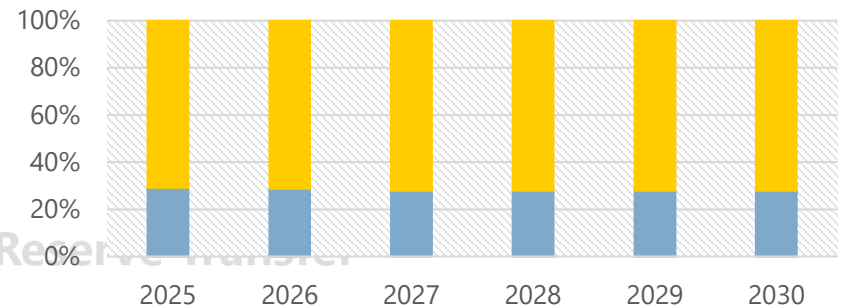
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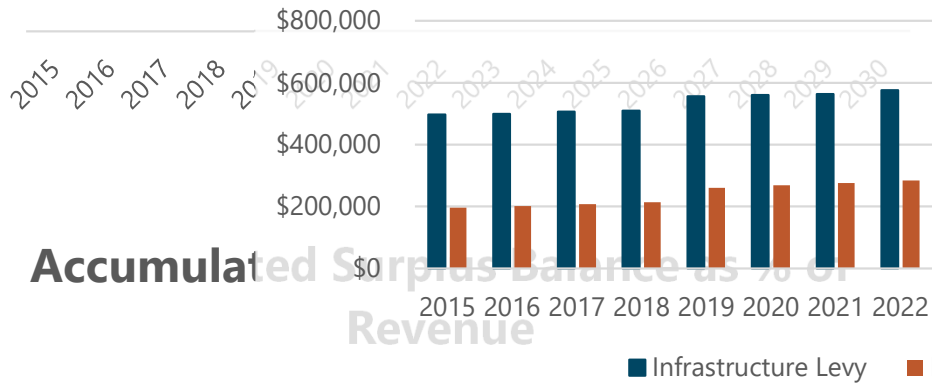
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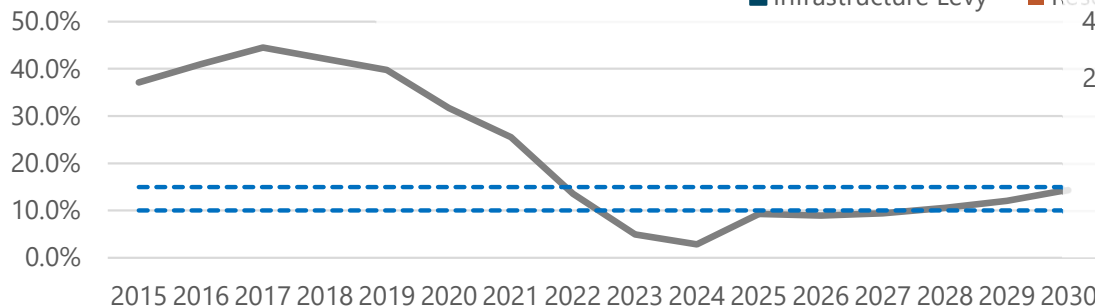
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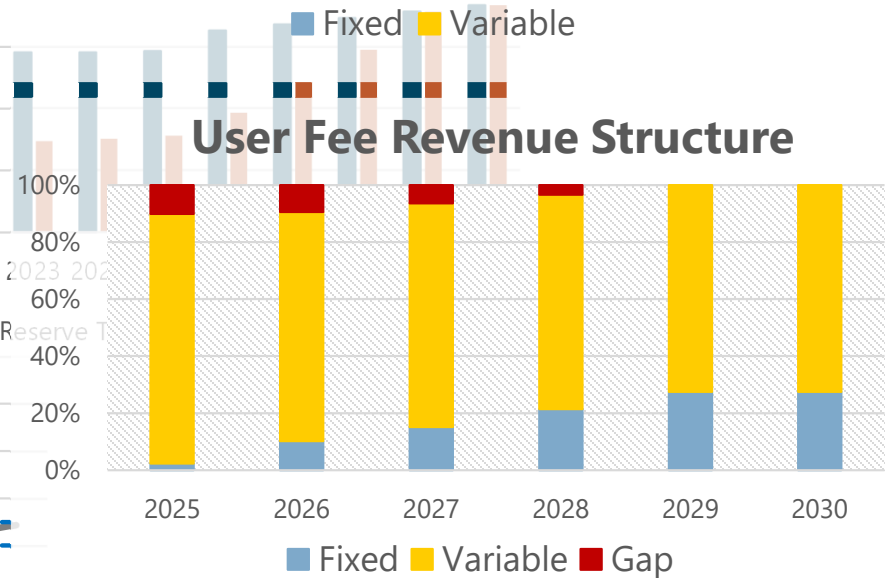
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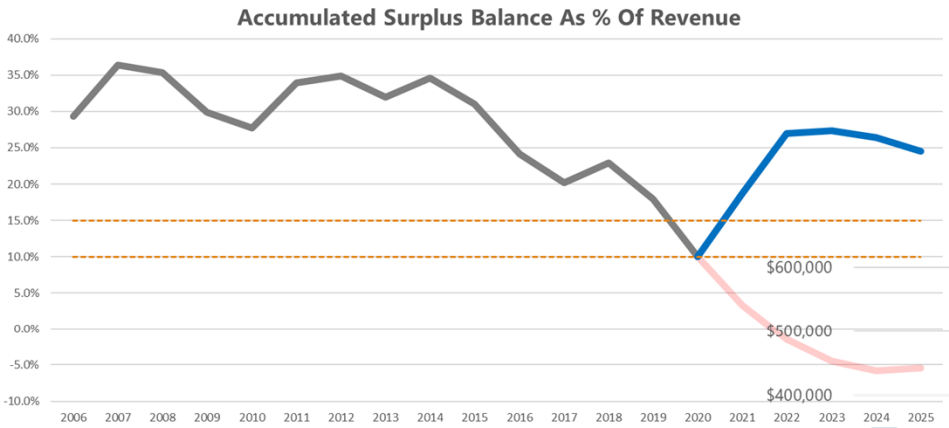
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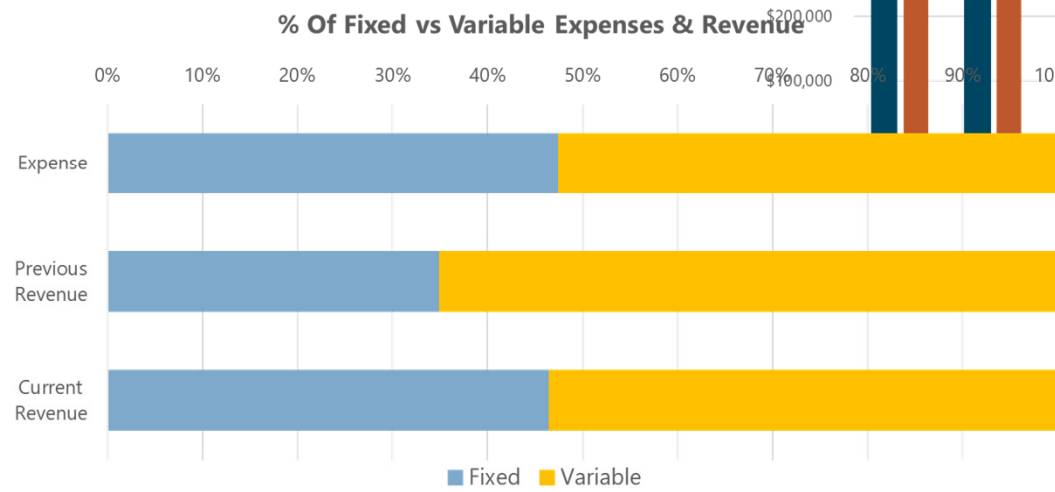
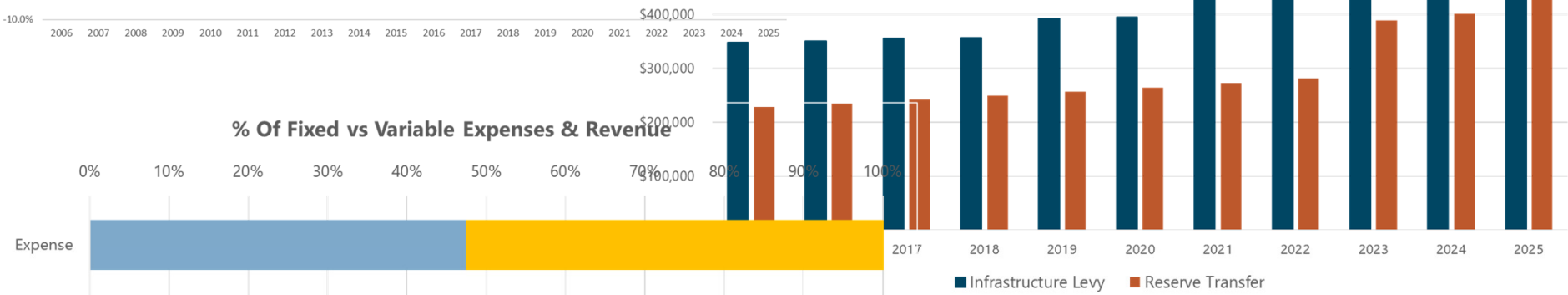
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Primary Objective

Water – a success story!

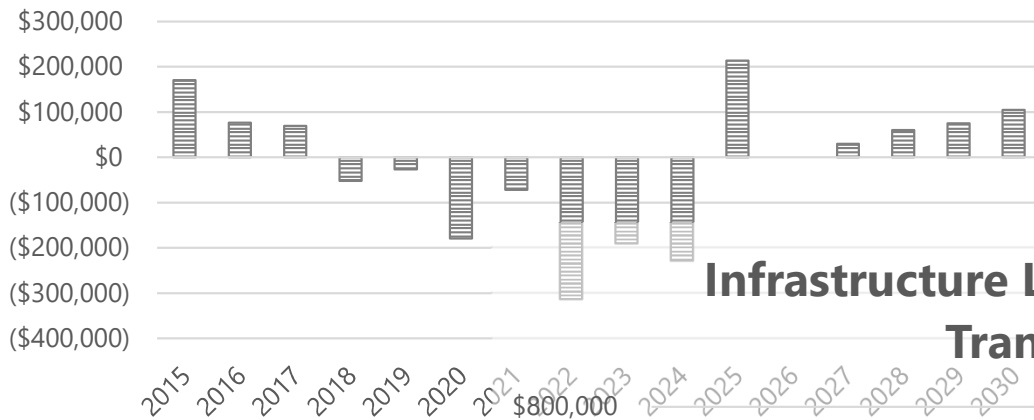


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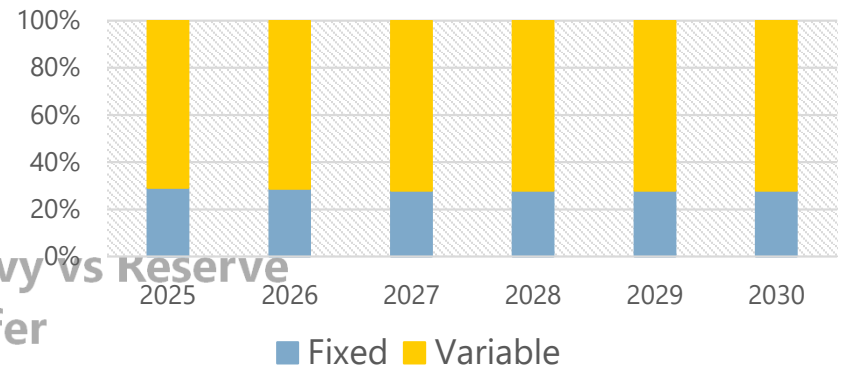


Sewer – another success story is the goal

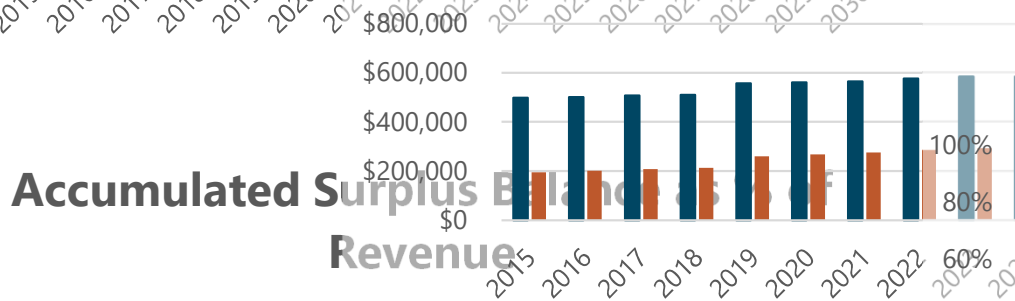
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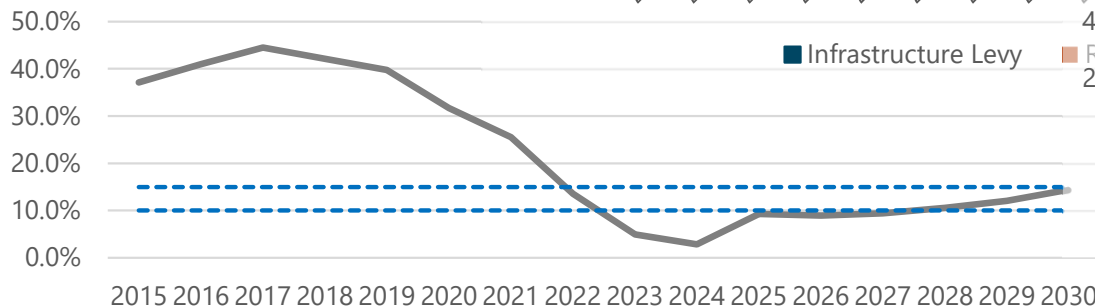
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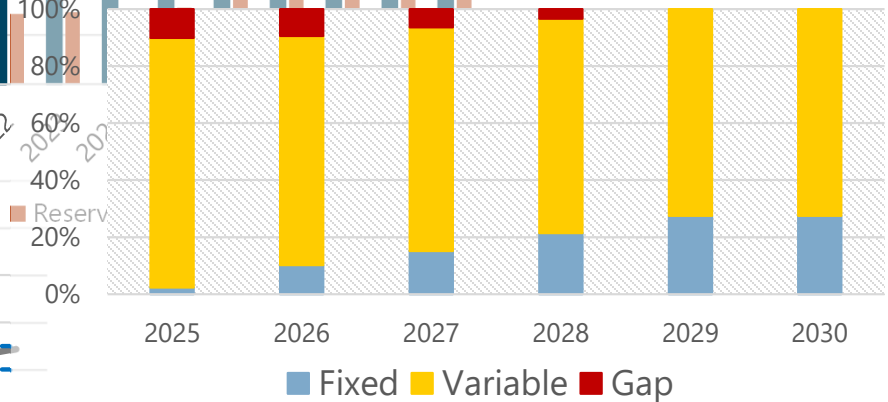
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User Fee Revenue Structure



Sewer – another success story is the goal

- Sewer is more complex than water
 - i. Flow is cannot be measured directly – water consumption as proxy
 - ii. Correlation between current period cost and current period volume is less strong
- If approved, monitor performance closely
 - Update Council through regular quarterly and annual financial reports



Questions
