

**REPORT TO BEDDIS WATER SERVICE COMMITTEE
MEETING OF WEDNESDAY, 21 NOVEMBER 2007**

SUBJECT BEDDIS WATER 2008 OPERATING BUDGET – ADJUSTMENT OF THE 2007 FEE STRUCTURE TO INCREASE REVENUE FOR 2008

PURPOSE

To provide the Beddis Water Service committee (BWSC) with a proposal to raise additional funds to cover increased operating expenditures through amendment of the rates charged for water consumption.

BACKGROUND

Staff have identified the need to increase the 2008 operations budget by approximately \$15,000 in 2008. The increase arises from negotiations with the North Salt Spring Waterworks District (NSSWD) to operate the new dissolved air floatation (DAF) water treatment plant. The actual amount of time to operate the facility is difficult to predict at this time, however NSSWD has advised it will be making available two operators dedicated to operate and maintain the new DAF plants for Beddis water and Fulford water, effectively providing a full time operator dedicated to the two facilities. Some of these start up costs could normally be attributed to the capital project, however committee is aware of the shortage of funding for the overall project hence this is not an option.

The BWSC could consider increasing parcel tax, fixed user fee or variable user fee to raise the additional funds which will need to be resolved in concert with the 2008 budget deliberations.

Increased Revenue Options

The BWSC may raise additional funds for the water service through an increase in the parcel tax or an increase in the user fees and if by fees, there are options to increasing consumption fees or fixed fees or a combination of the two. Some options for raising an additional \$15,000 are detailed in the following table. Consumption for the calculation was based on September 2006 to August 2007 which represents a year with slightly lower summer consumption than previous years.

Option	Proposed Recovery Method	2007 Parcel Tax	2008 Parcel Tax	2007 Fixed User Fee	2008 Fixed User Fee	2007 Consumption Base Rate	2008 Consumption Base Rate
1.	Parcel Tax	\$386	\$500	\$180	\$180	\$7.18 / 1000 gal	\$7.18 / 1,000 gal
2.	Fixed User Fee	\$386	\$386	\$180	\$299	\$7.18 / 1000 gal	\$7.18 / 1,000 gal
3.	Variable Rate	\$386	\$386	\$180	\$180	\$7.18 / 1000 gal	\$9.80 / 1,000 gal
4.	Combination fixed / variable	\$386	\$386	\$180	\$250	\$7.18 / 1000 gal	\$8.80 / 1,000 gal

Discussion

Option 1 results in an increase of \$114 to each parcel in the area. Parcel tax has largely been used to recover debt charges rather than operating. Parcel taxes are often favoured over increased user fees by those customers who already defer their taxes.

Option 2 results in an increase of \$119 per customer. There are fewer customers connected than parcels hence the slight reduction over Option 1.

Option 3 focuses the cost increase on water consumption. Each consumer will be different; however staff have modeled the proposed rate versus the current rate and have identified general trends as follows:

- 83 of 127 of the users will pay \$119 or less
- 32 of 127 of the users will pay \$219 or less
- 12 users will pay more than \$219 - there is a small number of large water users which will pay significantly more than the rest.

Option 4 is a blend of the options 2 and 3, recognizing that while more water consumption equates to more water plant cost, the increase to some larger consumers will be considerably higher under Option 3 than if a portion of the increase is offset by an increase to all users. The option also recognizes that 8% of the users pay less than \$50 in consumption charges towards the system and a further 9% pay less than \$100 in consumption charges. Modeling this option as above suggests the following trend:

- 51 of 127 of the users will pay \$119 or less
- 68 of 127 of the users will pay \$219 or less
- 8 of the users will pay more than \$219 but the maximum users will save considerably over that which they would pay under Option 3, but still pay a significant premium

ALTERNATIVES

BWSC could fund the required \$15,000 through a combined increase in the fixed user fee from \$180 to \$250 with the remainder raised by an increase in the unit rate for water consumption to \$8.80 per 1,000 gallons from \$7.18 per 1,000 gallons.

BWSC could fund the increase though one of the other options shown.

FINANCIAL IMPLICATIONS

The additional \$15,000 represents a significant increase in the recovery from customers of the Beddis water service area. Depending on the option selected for recovery, the rate increase to a typical customer could be \$114 to \$119 if undertaken as a parcel tax or increase in the fixed user fee. If recovery is by one of the two options using the variable rate, some users would be billed less than the \$119 rate and the remainder would be billed more than \$119. Those customers with large consumption could see a significant increase under either Option 3 or 4 with the largest differential under Option 3.

SUMMARY/CONCLUSIONS

Staff have identified the need to increase the 2008 operations budget by approximately \$15,000 in 2008. The increase arises from negotiations with the North Salt Spring Waterworks District to operate the new DAF water treatment plant. The committee may select one of the options presented to recover the increased costs. Each option can be debated as being more appropriate or fair than the next.

RECOMMENDATIONS

That the Beddis Water Service committee:

1. receive this report for information; and
2. provide direction to staff on which, if any, method the committee wishes to employ to raise additional revenue requested to offset expenditures in the 2008 operations budget.



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