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**REPORT TO CEDAR LANE WATER SERVICE COMMISSION
MEETING OF MONDAY, 24 NOVEMBER 2008**

SUBJECT OPTIONS TO AMEND BYLAW NO. 3512, "CEDAR LANE WATER SERVICE AREA FEE AND CHARGE BYLAW NO. 1, 2008"

PURPOSE

To present for the consideration of the Cedar Lane Water Service Commission (CLWSC) a review of options for billing for water system operating costs which could be adopted to amend Bylaw No. 3512.

BACKGROUND

In April of this year, the Cedar Lane Water service commission recommended to the Capital Regional District (CRD) Board adoption of Bylaw No. 3512 which sets out the method by which to recover fees and charges for the water service area. During debate of the 2009 operating budget there were a number of questions and concerns raised respecting the formula and rates charged under the bylaw. CRD staff agreed to host a separate meeting with the commission to review the intent of the bylaw, to clarify charges levied under the bylaw and to review options with the commission to amend the bylaw.

History of Present Fees and Charges Bylaw

In the initial presentation made to the Cedar Lane community, CRD staff indicated the estimated annual cost to operate the water system under the CRD would amount to \$30,600. The information presented at the time of the petition indicated the annual costs could be recovered either directly to each of the 36 customers, at around \$850 per customer per year or assessed to 44 single family equivalents (SFE) which would reduce these costs to a single family dwelling. The bylaw presented to the commission earlier this year adopted the single family equivalent as the means to assess user costs and also provided for recovery of a portion of the fees by measured water consumption, using essentially the same fee structure which had previously been in use in Cedar Lane. With the allowance for water sales considered in the calculation, the fixed fee portion of the formula equated to a charge of \$588 per single family equivalent.

Sharing Operating Costs

Each commission is charged with the task of trying to determine the fairest ways to allocate costs to customers. Options available include water consumption, perhaps the fairest means, fixed user fees, parcel taxes, or a combination of the above. The application of fees to the customer can be calculated based on the presence of a water connection, usually one per parcel, a single family dwelling on the property or an equivalent to a single family dwelling. In the case of Cedar Lane, there are 37 parcels, 38 metered connections and up to 46 single family equivalents depending on what one defines a single family equivalent is.

For purposes of the current bylaw, a SFE is a "self contained room, or suite of rooms containing cooking, sanitary and sleeping facilities, designed for permanent or seasonal human occupancy by one household". This would include, in Cedar Lane, a single family house, a unit in a duplex or a fourplex, a basement suite or a seasonal cottage. These units need not be occupied all the time. Can one have

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their SFE count reduced? An owner could demonstrate the unit is no longer designed nor capable of being used for occupancy. This may mean removal of plumbing and cooking facilities in a basement suite, or severing the water connection permanently to a separated cottage. In both cases the CRD building inspector would need to inspect the works on completion of the task. As the unit would no longer consume water, charges would not be applicable.

Water usage is the second component of most cost recovery mechanisms for water systems. The usage can be billed on a standard unit rate regardless of volume used, or, as is common in many systems including Cedar Lane, on a variable rate basis. For each of its water systems employing the SFE as a means to assess fixed charges, and variable water use, the CRD takes into consideration the number of SFE using water from a single meter. The theory is each SFE, regardless of whether it is a single family house of a fourplex, will have its usage rate calculated in the same manner. The water meter reading for the fourplex is divided by four, before the calculation is performed. Those properties with multiple units, all occupied, will have very similar consumption as a single family house. Those properties with seasonal useage or an unoccupied basement suite, will actually benefit from lower costs as the water usage is averaged over the two SFE's. What if a household has a suite and does not report it? The homeowner may actually pay more for the variable rate than would be paid if the suite was declared again owing to averaging.

In determining the most equitable formula, the commission can consider:

- The demographics. How many single family dwelling units compared to multiple units.
- Whether the overall charges paid by a SFE is relatively the same, regardless of how many are on a property.
- Fairness. A formula with too high a fixed fee, may have costs offset by consumption averaging. A formula with a high variable rate, which does not consider the SFE count penalizes those which are providing homes to multiple families.
- Simplicity. A formula needs to be applied on simple principles to avoid confusion.
- Conservation – often formulae are applied to encourage water conservation.

Water Consumption Data Trends

In review of the water consumption data for this study, certain trends were noted, including:

- Water consumption is not necessarily tied to the number of dwelling units on a property. Although one of the highest users is a multi-family property, other properties also with multiple units do not follow this trend.
- Only the multi-family users tripped the third tier for billing. All users, even in the peak July August billing period managed their water usage. If the commission was seeking to try to reduce consumption further, or recover additional costs for usage from higher usage, it is probably more realistic to reduce the volume of water associated with tier 1 or 2.
- Billing period usage is very consistent for all periods. The July/August period shows an increase but only 27% higher than a typical period.

Options for Cedar Lane

A number of options have been modeled. Options Include:

- | | |
|--|---|
| 1. Present Formula, \$588 per SFE, 46 SFE | tier 1 rate, \$1.35, tier 2, \$1.55, tier 3, \$5.00, tier 4, \$25 |
| 2. Drop fixed fee to \$540, increase variable rate | tier 1 rate, \$1.75, tier 2, \$5.00, tier 3, \$7.00. tier 4, \$25 |

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- 3. Keep fixed fee at \$588, per 38 connections tier 1 rate, \$2.10, tier 2, \$5.50, tier 3, \$10, tier 4, \$25
- 4. Raise fixed fee to \$700, 38 connections tier 1 rate, \$1.35, tier 2, \$1.55, tier 3, \$5.00 tier 4, \$25
- 5. Adjust tier 1 to 25m³ from 35 tier 1 25m³, tier 2, 25 m³, tier 3, 10m³, tier 4, >60

The results are summarized in the following table.

Option	SFE	Fixed Rate	Annual Cost <\$750	Annual Cost <\$1000	Annual Cost <\$1500	Annual Cost >\$1500	Comments
1a	46	\$588	20	11	5	2	Costs per 38 lots
1b	46	\$588					Costs per 46 SFE
2a	46	\$540	20	10	6	2	Costs per 38 lots
2b	46	\$540	33	12	1		Costs per 46 SFE
3	38	\$588	12	21	3	2	Costs only to lots
4	38	\$700	4	31	3		Costs only to Lots
5a	46	\$588	20	11	5	1	Costs per 38 Lots
5b	46	\$588	33	13			Costs per 46 SFE

Summary Comments for Table

Option 1. Is as existing. Option 1a indicates the distribution of users paying costs under the current formula. Multi-family parcel owners pay fees at the higher rate. Option 1b relates those same costs on the basis of each dwelling unit. In this case the highest density of dwelling units pay the target rate of around \$750 or less. Those with higher consumption pay more, up to \$250 more, but all users are grouped within these two groups.

Option 2. As fixed fees are reduced the distribution of costs moves towards more costs to a small group of users, mostly multi family.

Option 3. Changing the rates, but keeping fewer dwelling units to pay skewers the analysis as well.

Option 4. Increasing fixed fees also adjusts the charges to most of the users.

Option 5, is similar to option 1 with a good distribution to each SFE

ALTERNATIVES

- 1. That the Cedar Lane Water Service Commission receive this report for information and indicate whether the commission supports an amendment to Bylaw 3512, "Cedar Lane Water Service Fees and Charges Bylaw No. 1, 2008" and if so to indicate which option to be used to in an amended bylaw.
- 2. That the Cedar Lane Water Service Commission recommend amendments to the fee structure proposed by CRD staff in Bylaw No. 3512, prior to its being forwarded to the CRD Board for adoption.

FINANCIAL IMPLICATIONS

Each option presents a different spread for charges to individual owners. Option 1b and Option 5b show the best distribution characteristics.

SUMMARY/CONCLUSIONS

The CRD Board has adopted a budget for operating the Cedar Lane Water service area for the year 2008. The budget requires collection of user fees to ensure sufficient revenue is generated to operate the facility. Bylaw No. 3512 has been drafted and approved by the commission to levy the necessary fees and charges required for CRD to maintain operation of the service in 2008. The bylaw identifies a rate structure not unlike that which has been in use by the water district for some years, with the addition of a fixed fee to be charged to all dwelling units or equivalent. The commission, at the 2009 budget debate, wished to consider other options to apportion fees. If an alternative formula is accepted, the amendment of the bylaw by the CRD Board will be necessary. Staff have developed a number of options for consideration by the commission.

RECOMMENDATION

That the Cedar Lane Water Service Commission receive this report for information and indicate whether the commission supports an amendment to Bylaw 3512, "Cedar Lane Water Service Fees and Charges Bylaw No. 1, 2008" and if so to indicate which option to be used to in an amended bylaw.



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