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**REPORT TO HIGHLAND WATER AND SEWER LOCAL SERVICES COMMITTEE AND
FERNWOOD WATER LOCAL SERVICE COMMITTEE
MEETING OF FRIDAY 17 JULY 2009**

SUBJECT PROPOSED AMENDMENTS TO FEE AND CHARGE STRUCTURES

PURPOSE

To provide for information to the Highland Water and Sewer Local Services committee (HWSLSC) and the Fernwood Water Local Service Committee (FWLSC) an interim report on proposed amendments to fee structures for water and sewer service.

BACKGROUND

Although the Fee and Charge Bylaws for the Highland and Fernwood water services are similar, amendments will be required in order for the rate structures to be harmonized in preparation for combining the services for operation and future capital upgrades. The existing service areas will continue to exist for the purpose of repaying loans to complete the current upgrade project, which will be recovered through parcel taxes at different levels for each service depending on the amounts borrowed to complete the work as authorized by referendum last March. However, it is proposed to establish a common fee and charge structure for the two water service areas for recovering operating costs.

The Capital Regional District (CRD) has initiated changes to its utility billing process for the local services, which will begin to take effect January 2010. It is proposed to include the Highland, Fernwood and Maliview services in the initial group to adopt the new billing system. The new system will automate several processes that have been performed manually in the past, reducing chance of error and significantly reducing time and cost. The new billing system will also include enhancements such as bar charts showing water use trends on the utility bill and the inclusion of water and sewer costs on the same invoice.

These changes will require amendments to the fee and charge bylaws for the Highland, Fernwood and Maliview services. The proposed structures are designed to be simpler and easier to understand than existing structures, and will reduce the requirements for judgment calls by staff such as determining the number of dwelling units per account. This aspect of the existing fee structures has been the subject of complaint on several occasions. The proposed structures eliminate such guesswork, emphasizing fairness, simplicity and an increased incentive to conserve water. Residential customers with consistently high water usage will pay significantly more under the proposed structures, and low water users (such as part-time residents) and those with more than one dwelling per connection will typically pay somewhat less.

Proposed Water Rate Structure

Example rate structures for the Highland and Fernwood water services are shown in ATTACHMENT 1 and ATTACHMENT 2, respectively. The graphs show the total cost of water service (taxes and fees) for each customer based on the average of 2007 and 2008 water use under the existing rate structure (blue circles) and the proposed structure (red squares). The parameters for each structure are shown at the top of the page. The impacts of the proposed structures on total revenue and cost per customer are indicated at the right side of the page.

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The proposed changes include reducing the number of rate blocks for residential consumption charges from four to three (the fourth serves no meaningful purpose). Every connection serving a single-family residence or duplex will be subject to one residential fixed annual charge and will be subject to the inclining block (tiered) rates for consumption based on total use per connection (not per dwelling unit).

The parcel taxes shown for the Highland and Fernwood areas are the rates expected to be required in order to service the full borrowing for the upgrade project. Fernwood pays a higher rate as determined in the project cost sharing arrangement approved by the electors. Initially, Fernwood will also need to pay a higher fixed annual charge than Highland unless the services can be merged for operation at the same time that rate changes come into effect. The *Local Government Act* prohibits the sharing of costs between two service areas, so a new combined service area is required to balance costs between the services. The rates shown in the attachments may need to change based on the 2010 budget preparation process. Similar changes will be recommended for the Maliview sewer service, but have not yet been modeled.

ALTERNATIVES

1. That the Highland Water and Sewer Local Services Committee and the Fernwood Water Local Service Committee receive this report for information.
2. That the Highland Water and Sewer Local Services Committee and the Fernwood Water Local Service Committee refer the matter back to staff for more information.

FINANCIAL IMPLICATIONS

The general effect of the proposed changes is that low water users will pay less, high water users will pay significantly more and most service connections serving more than one dwelling will pay significantly less than under the current structure. Significantly increasing the cost of high water use also increases the risk of a revenue shortfall by increasing the proportion of revenue based on water usage, and by significantly increasing the cost of high water usage. This revenue risk can be reduced by increasing the contingency in the operating budget and correspondingly increasing revenue.

SUMMARY

Changes to the fee and charge structures are proposed in order to simplify and standardize billing processes and to enhance transparency, fairness and conservation incentive to customers. Changes are also proposed in order to prepare the Highland and Fernwood services to be merged. A recommendation report will be presented to the committee at or before the 2010 budget review meeting.

RECOMMENDATION

That the Highland Water and Sewer Local Services Committee and the Fernwood Water Local Service Committee receive this report for information.



Colwyn Sunderland, ASCT
Local Services Engineering Coordinator

CS:ls
Attachments: 2

RATE STRUCTURE ANALYSIS

HIGHLAND WATER SYSTEM

July 15, 2009

ATTACHMENT 1

EXISTING

Annual Parcel Tax =	\$ 481.71	x	254	folios
Fixed Charge/SFE =	\$ 175.00	/ year =	\$ 43.75	/ cycle
Cycles per year =	4			
# of SFE =	259			

m^3 =	60.00	m^3 =	\$ 0.50	/ m^3
m^3 =	100.00	m^3 =	\$ 1.00	/ m^3
m^3 =	140.00	m^3 =	\$ 2.00	/ m^3
m^3 =	140.00	m^3 =	\$ 4.00	/ m^3

PROPOSED

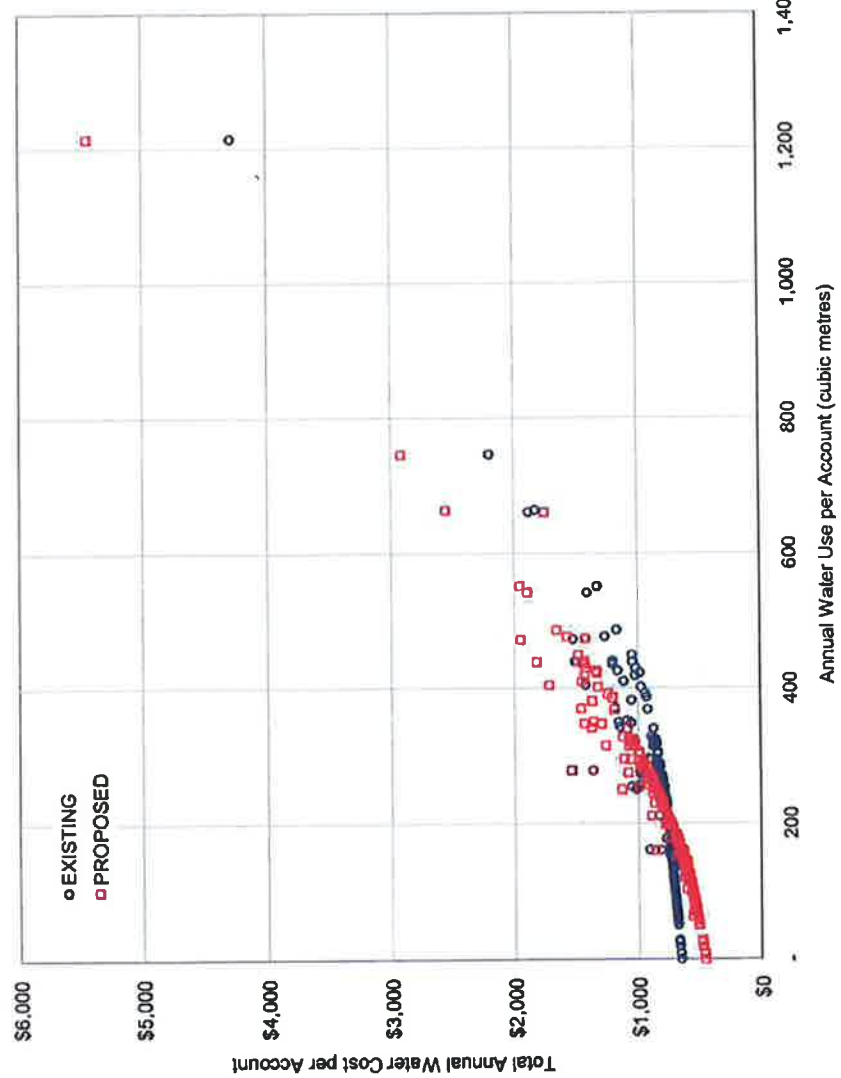
Annual Parcel Tax =	\$ 183.00	x	254	folios
Fixed Charge/conn =	\$ 275.00	/ year =	\$ 68.75	/ cycle
Cycles per year =	4			
# of Connections =	240			

m^3 =	37.50	m^3 =	\$ 1.00	/ m^3
m^3 =	105.00	m^3 =	\$ 2.50	/ m^3
m^3 =	105.00	m^3 =	\$ 5.00	/ m^3
variable charge =		m^3 =	\$ 1.75	/ m^3

Meter Size

<25mm	\$ 275.00	/year
26-30mm	\$ 412.50	/year
31-40mm	\$ 618.75	/year
41-60mm	\$ 928.13	/year
61-90mm	\$ 1,392.19	/year
>90mm	\$ 2,088.28	/year

Total Water Taxes and Fees vs. Water Use per Account - HIGHLAND



	Existing	Proposed	% change
Total revenue	\$ 201,601	\$ 201,906	0.2%
Parcel tax	\$ 116,251	\$ 44,163	-62.0%
Fixed charge	\$ 45,325	\$ 66,000	45.6%
usage charge	\$ 40,024	\$ 91,742	129.2%
Avg/acct	\$ 837.42	\$ 841.40	0.5%
P5	\$ 689.47	\$ 528.20	-23.4%
P10	\$ 695.58	\$ 547.67	-21.3%
P25	\$ 718.07	\$ 584.93	-18.5%
P50 (median)	\$ 745.02	\$ 683.15	-8.3%
P75	\$ 801.48	\$ 868.28	8.3%
P90	\$ 913.41	\$ 1,111.87	21.7%
P95	\$ 1,149.46	\$ 1,387.57	20.7%

NOTES
 Existing formula based on SFE, includes two duplexes, several secondary dwellings, one connection with 4 SFE and one with 6.12 SFE.
 Assume >2SFE accounts are classified as "multi-family residential" or "commercial" buildings and as such are subject to Multi-Family/ICI charges under proposed structure. Assume both have 1" meters.

RATE STRUCTURE ANALYSIS

FERNWOOD WATER SYSTEM

July 15, 2009

ATTACHMENT 2

EXISTING

Annual Parcel Tax =	\$ 300.00	x	78	folios
Fixed Charge/SFE =	\$ 531.27	/ year =	\$ 132.82	/ cycle
Cycles per year =	4			
# of SFE =	80			

m ³ =	\$ 60.00	/ m ³
m ³ =	\$ 100.00	/ m ³
m ³ =	\$ 140.00	/ m ³
m ³ =	\$ 140.00	/ m ³

m ³ =	\$ 0.50	/ m ³
m ³ =	\$ 1.00	/ m ³
m ³ =	\$ 2.00	/ m ³
m ³ =	\$ 4.00	/ m ³

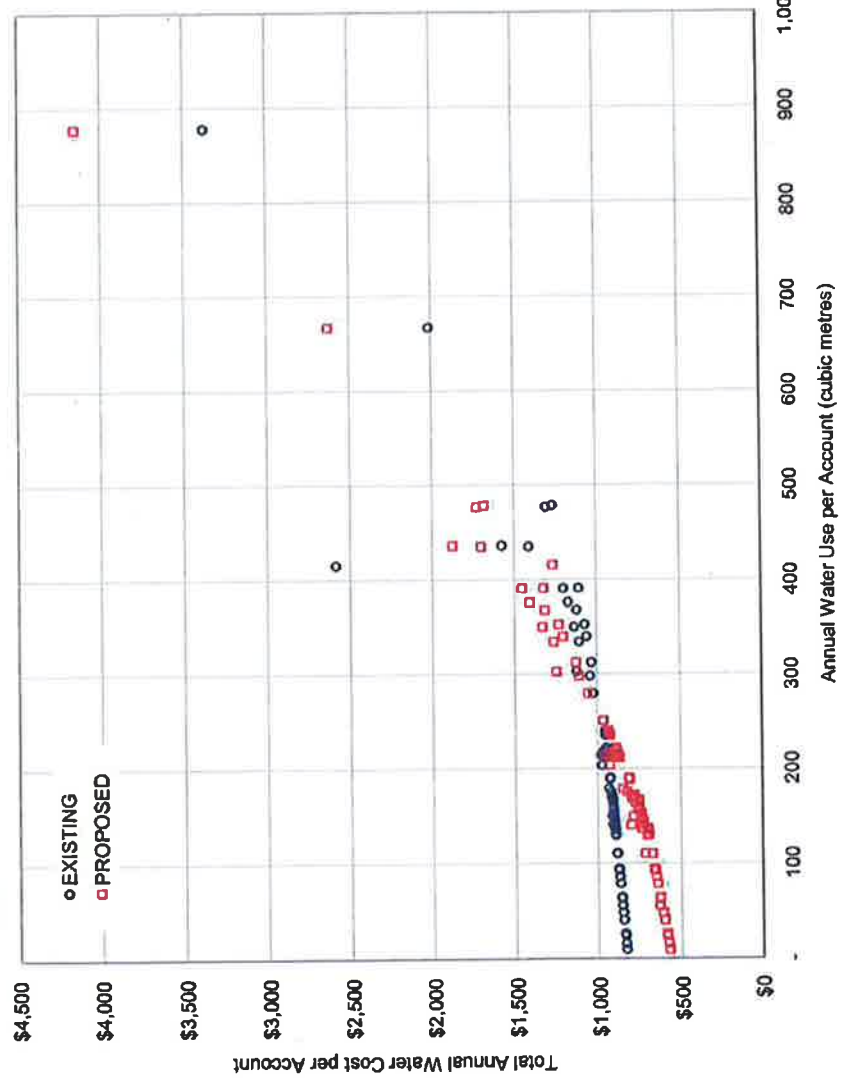
PROPOSED

Annual Parcel Tax =	\$ 288.00	x	78	folios
Fixed Charge/Conn =	\$ 275.00	/ year =	\$ 68.75	/ cycle
Cycles per year =	4			
# of Connections =	73			

m ³ =	\$ 37.50	/ m ³
m ³ =	\$ 105.00	/ m ³
m ³ =	\$ 105.00	/ m ³

m ³ =	\$ 1.00	/ m ³
m ³ =	\$ 2.50	/ m ³
m ³ =	\$ 5.00	/ m ³
m ³ =	\$ 1.75	/ m ³

Total Water Taxes and Fees vs. Water Use per Account - FERNWOOD



variable charge =

Fixed charge based on meter size:

<25mm	\$ 275.00	/year
26-30mm	\$ 343.75	/year
31-40mm	\$ 429.69	/year
41-60mm	\$ 537.11	/year
61-90mm	\$ 671.39	/year
>90mm	\$ 839.23	/year

	Existing	Proposed	% change
Total revenue	\$ 80,821	\$ 71,723	-11.3%
Parcel tax	\$ 22,233	\$ 21,343	-4.0%
Fixed charge	\$ 42,502	\$ 20,075	-52.8%
usage charge	\$ 16,086	\$ 30,304	88.4%
Avg/acct	\$ 1,037.42	\$ 972.17	-6.3%
P5	\$ 848.80	\$ 598.06	-29.5%
P10	\$ 862.85	\$ 628.30	-27.2%
P25	\$ 899.05	\$ 710.02	-21.0%
P50 (median)	\$ 921.43	\$ 806.07	-12.5%
P75	\$ 1,014.95	\$ 1,032.65	1.7%
P90	\$ 1,195.03	\$ 1,385.95	15.0%
P95	\$ 1,470.73	\$ 1,710.20	16.3%

NOTES

Existing formula based on SFE, with several accounts at 2 SFE. Institutional rate calculation based on proportion of overall budget includes school.

Assume school has 2" meter for the purpose of the new structure, and that all other properties are classified as residential (single family or duplex)