

THE CORPORATION OF THE
CITY OF WHITE ROCK
CORPORATE REPORT



DATE: March 9, 2020

TO: Water Community Advisory Panel

FROM: Colleen Ponzini, Director, Financial Services

SUBJECT: Revised Water Fee Structure and Impacts for Discussion

RECOMMENDATION

THAT the Water Community Advisory Panel (WCAP) receive this report for discussion.

EXECUTIVE SUMMARY

The City's water rates structure, which was inherited when it purchased the Water Utility, has varying rate categories that are tied to the size of the meter used in the connection to a property. The different rate categories also have different assumed water consumption that is billed in the base fee. The current rate structure is not equitable when comparing the percentage of the revenues and the percentage of consumption used. Over the years, the City has tried to determine what modifications were needed to make the rate structure more equitable while serving to incentivize people to conserve water.

A model had been developed in the past and has been updated with 2020 figures for this proposal, that shifts the current water rates categories into one category that would be applied for all accounts. There would be one flat rate fee for the administrative costs to issue a bill and one water consumption rate applied to all consumption.

Prior reports to Council and the Committee had introduced a similar structure as presented in this report which will result in some customers having large changes in their Water Utility bills. The direction was to therefore stage the changes to the new structure over a period of a few years to soften the impact. It is therefore recommended that we incrementally change the rates by 25% each year for three years so that by year four we would have a rate structure that is the same for all. Note that the figures used in this report reflect costs and rates based on 2020 figures.

INTRODUCTION/BACKGROUND

There are numerous approaches to changing the current water rate structure and reasons that support making one change over another. Understanding that the goal is to implement a rate structure that aligns water consumption to water utility costs and promotes water conservation, in a phased approach, the following methodology is presented. This methodology has been discussed in the past and the figures have been updated with 2020 figures.

Proposed Rate Structure and Timeline

- Implement a fixed fee per billing account to cover the administrative costs of billing. In 2020 that would have been \$22 per account. The rest of the revenue would come from the water consumption charge. If this method was used in 2020, the water rate would have been \$6.31 per 100 cubic feet, instead of \$4.10.
- Once the switch to the new consumption-based rate structure is complete (year 4) then each account would be billed the \$22 fee. Note that for multi-family (MF) accounts there is only one meter and therefore only one bill and only one administrative fee.

The following table shows the proposed change in the water rates to get to the proposed flat fee and consumption-based model. Over time, the Water Utility would recover less revenues from the base charge by removing the assumed water consumption that is currently included and would recover more from a consumption based water rate.

Year	Base Charge	Included consumption	Water Rate (using 2020 budget)
1	75% of 2020 base charge	75% of 2020 included consumption	0.0529
2	50% of 2020 base charge	50% of 2020 included consumption	0.0612
3	25% of 2020 base charge	25% of 2020 included consumption	0.0657
4	\$22	0	0.0631

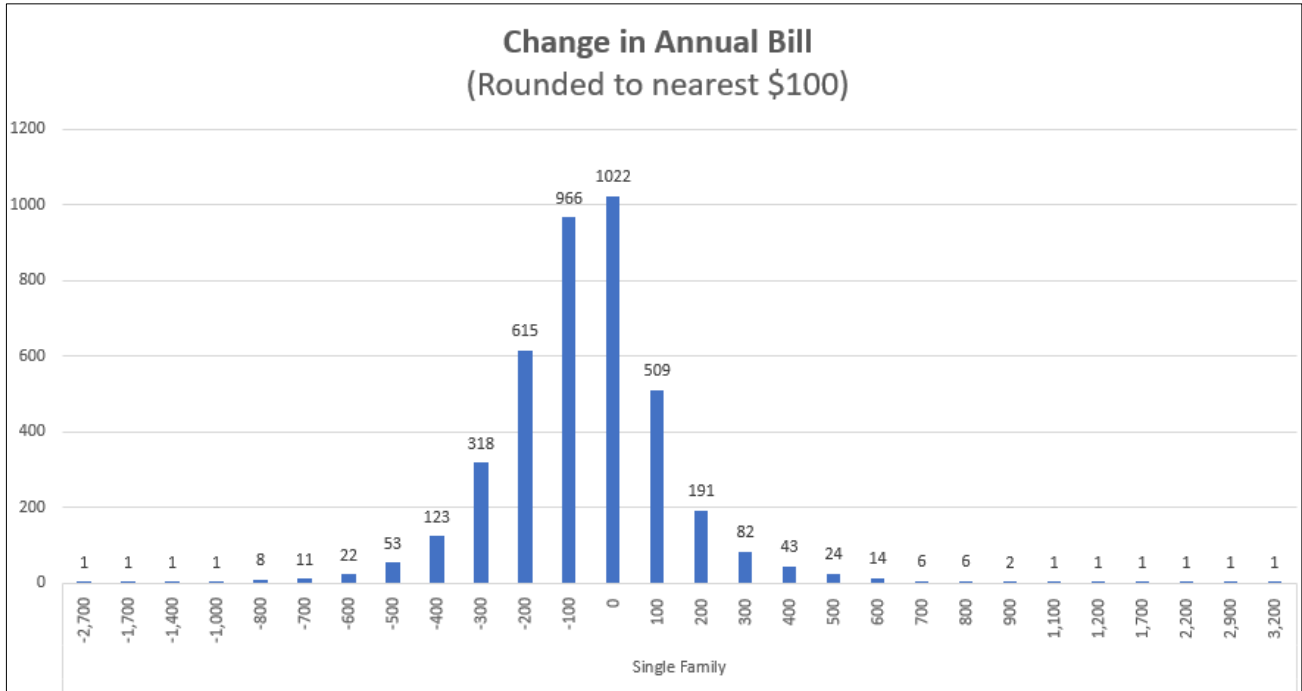
Impact

Once the change is fully rolled out in year 4, the percent of revenue charged per customer group will be more fairly distributed to align with consumption. The following table shows the current and proposed percentages.

Customer Group	Current % of total consumption	Current % of total revenues	Proposed % of total revenues	Proposed % of total consumption revenues
Single-Family	49%	56%	52%	49%
Multi-Family	33%	29%	31%	33%
Commercial	17%	15%	17%	17%

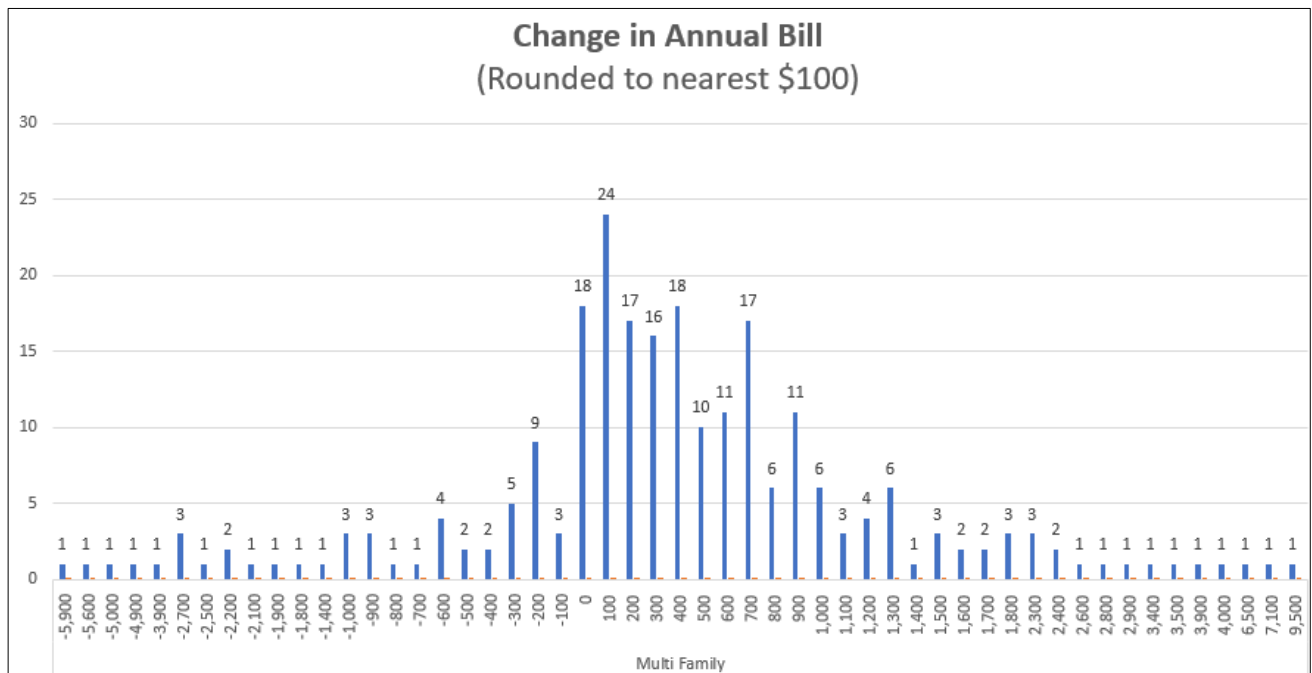
Impact on Single-Family Residences

Of the 4,031 single family (SF) accounts, 25% are projected to remain virtually the same, 24% decrease by approximately \$100, and 13% increase by approximately \$100 annually. A further 13% decrease more than \$100, and 8% increase between \$200 and \$500, while 1% increase more than \$500 (34 accounts).



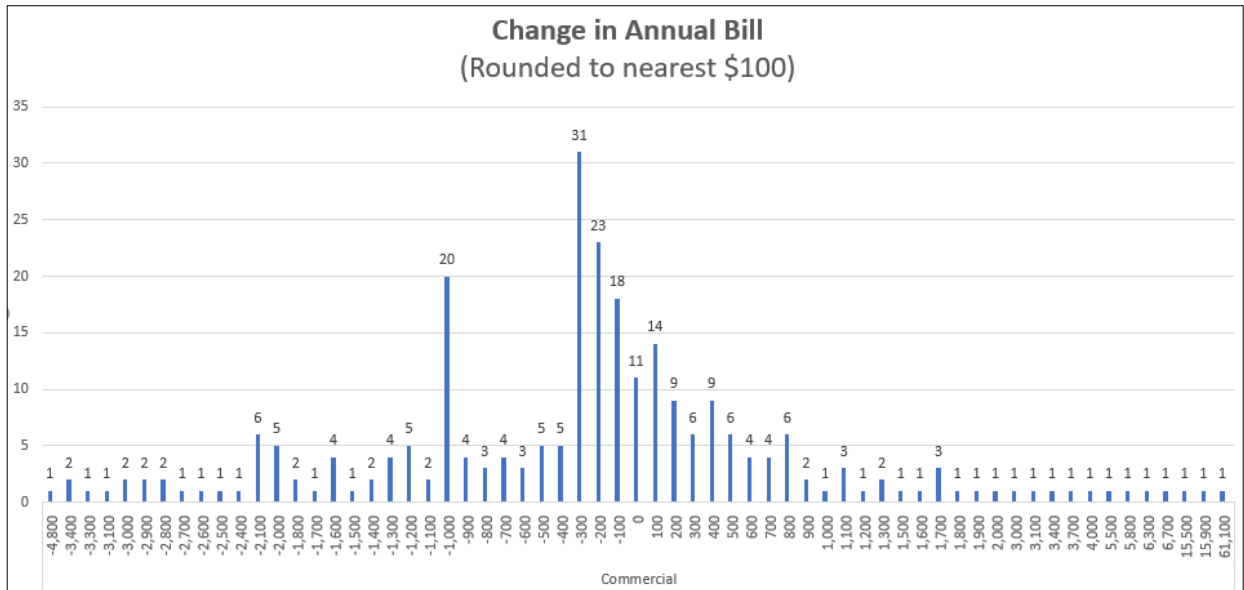
Impact on Multi-Family Residences

Of the 241 MF accounts, 27% remain the same or decrease annually. Thirty-five percent (35%) increase up to \$500 annually. Twenty-one percent (21%) increase between \$600 and \$1,000 annually. A further 16% increase more than \$1,000 annually (39 Accounts).



Impact on Commercial Properties

Of the 262 commercial accounts, 66% remain the same or decrease annually. Seventeen percent (17%) increase up to \$500 annually. Seven percent (7%) increase between \$600 and \$1,000 annually. A further 10% increase more than \$1,000 annually (27 Accounts).



FINANCIAL IMPLICATIONS

The intent of the changes to the water rates structure is to redistribute the costs to operate the Water Utility to customers based on consumption of water with the expectation that the rates would help to incentivize water conservation. The total amount of revenues to be collected by the Water Utility is dependent on the costs to operate it. The rates in and of themselves does not change the total revenues, just the distribution of who pays those revenues. While most accounts are not expected to be impacted by the change in the water rate structure, those accounts that are currently on the outer edge of the rate structure will.

LEGAL IMPLICATIONS

Not applicable.

COMMUNICATION AND COMMUNITY ENGAGEMENT IMPLICATIONS

Communication will need to be carried out in advance of any new rate implementation to inform all customers to allow sufficient time for customers to plan for potential financial impacts.

INTERDEPARTMENTAL INVOLVEMENT/IMPLICATIONS

Not applicable.

CLIMATE CHANGE IMPLICATIONS

Not applicable.

ALIGNMENT WITH STRATEGIC PRIORITIES

One of City Council's strategic priorities is to review the current water rate structure to align the fees with water consumption.

OPTIONS / RISKS / ALTERNATIVES

Not applicable.

CONCLUSION

This report provides the proposed water rates structure for comment from the Water Community Advisory Panel. The model is essentially the same as has been previously recommended and has been updated to reflect 2020 figures. The changes are proposed to be implemented over the next three years so that by year four the rates will have a base administrative fee and water consumption rates will be the same for all customers.

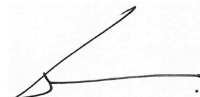
Respectfully submitted,



Colleen Ponzini
Director, Financial Services

Comments from the Chief Administrative Officer

I concur with the recommendation of this corporate report.



Guillermo Ferrero
Chief Administrative Officer