

THE CORPORATION OF THE
CITY OF WHITE ROCK
CORPORATE REPORT



DATE: May 18, 2021

TO: Water Community Advisory Panel

FROM: Colleen Ponzini, Director, Financial Services

SUBJECT: Water fee structure based on meter sizing

RECOMMENDATION

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

EXECUTIVE SUMMARY

At the March 9, 2021 meeting of the WCAP resolved to have Council direct staff to have another option for water rates that would include charging a fixed fee by meter size and a consumption fee for water used. The model would have a fixed fee that would increase by meter size to approximate the impact on the system by the different kinds of customers which would reduce reliance on consumption-based revenues. Staff were directed by Council to help create this other rate structure as an option for Council consideration.

This model requires two pieces of information: 1) the scale for charging the fixed fee and 2) the amount to be charged as the fixed fee. The scale was created through a review of the rates of other municipalities with similar rate structures (Surrey, Richmond, West Vancouver, Chilliwack, Maple Ridge, and Vancouver). Based on the review, the scale was determined to be an average of the rates imposed by these municipalities. The model was then created with the total amount to be charged as the fixed fee set to thirty (30%) of total annual water user fee revenues. However, when comparing the fixed fee that was needed to generate this amount of revenue, the City's fees ended up being double the average of the comparative municipalities' rates. In order to bring the fixed fee rates more in line with the comparative municipalities, the model was changed to have the fixed fee set to recover fifteen (15%) of total annual water user fee revenues.

PREVIOUS COUNCIL DIRECTION

| Motion # & Meeting Date | Motion Details |
|------------------------------------|---|
| April 12, 2021 | THAT Council direct staff to continue to work on finalizing a water rate structure with alternatives with the Panel and report back to Council. |

INTRODUCTION/BACKGROUND

The water rate structure based on meter sizing resulted in the following fixed fees per meter size (using 2020 figures):

| Meter Size | White Rock Fixed Fee | Comparative municipalities' average |
|------------|----------------------|-------------------------------------|
| 5/8 inch | 38.30 | 36.70 |
| 1 inch | 42.10 | 37.74 |
| 1 1/2 inch | 65.10 | 60.28 |
| 2 inch | 88.10 | 87.38 |
| 3 inch | 203.00 | 203.47 |
| 4 inch | 268.10 | 275.26 |
| 6 inch | 455.80 | 453.68 |

If this method was used in 2020, the water consumption rate would have been \$5.80 per 100 cubic feet, instead of \$4.10.

Proposed Rate Structure and Timeline

The following table shows the proposed change in the water rates between years one and three to get to the proposed water rate structure based on meter sizing as outlined above. Over time, the Water Utility would recover less water user fee revenues from the current 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 | 80% of 2020 base charge | 80% of 2020 included consumption | 0.0501 |
| 2 | 60% of 2020 base charge | 60% of 2020 included consumption | 0.0583 |
| 3 | 40% of 2020 base charge | 40% of 2020 included consumption | 0.0633 |
| 4 | As above | 0 | 0.0580 |

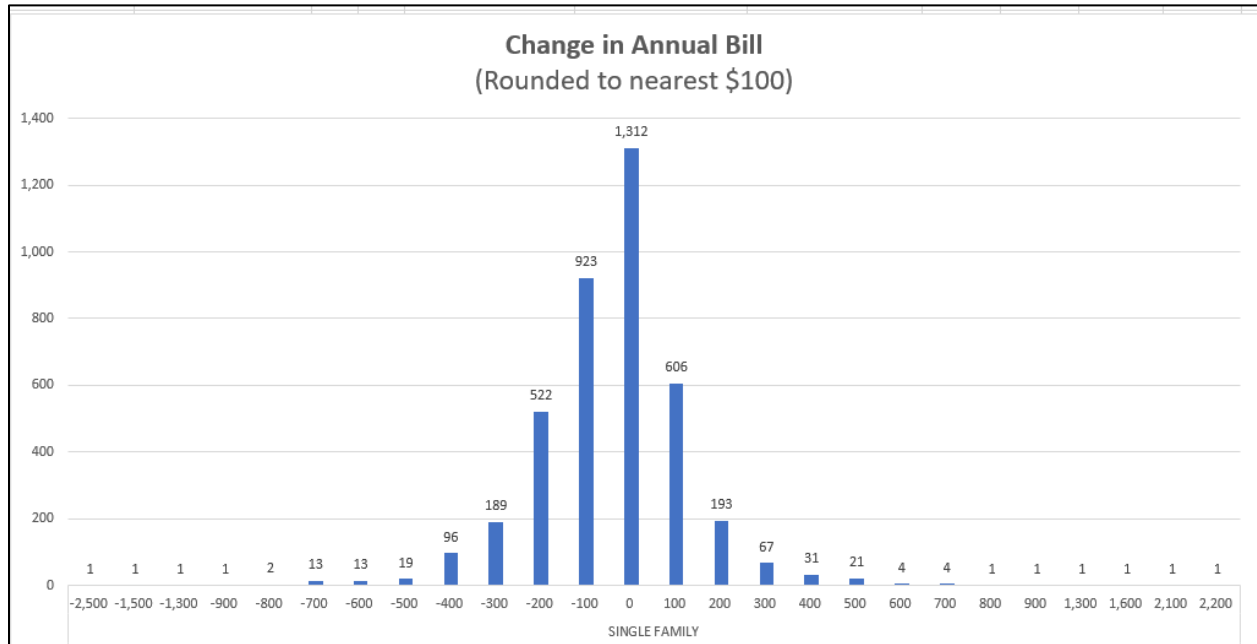
Impact

Once the change is fully rolled out in year 4, the percent of revenue charged per customer group shifts compared to the current fee structure. Under this water rate structure based on meter sizing the distribution of revenues would change, with 5% more total water user fee revenues coming from single-family homes. The shift is due to the change in the fixed fee as most of the City's water utility accounts are within the single-family home customer group (4,031 of 4,536). 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% | 54% | 49% |
| Multi-Family | 33% | 29% | 30% | 33% |
| Commercial | 17% | 15% | 16% | 17% |

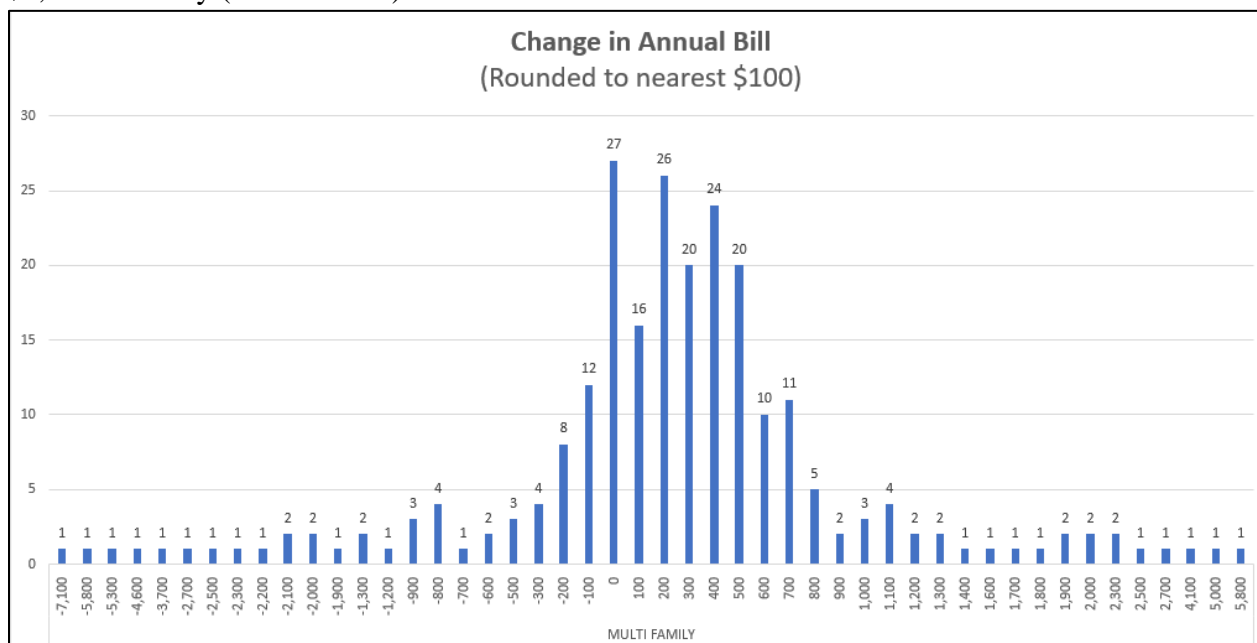
Impact on Single-Family Residences

Of the 4,031 single family (SF) accounts, thirty-three percent (33%) are projected to remain virtually the same, twenty-three percent (23%) decrease by approximately \$100, and fifteen percent (15%) increase by approximately \$100 annually. A further twenty-one percent (21%) decrease more than \$100, and eight percent (8%) increase between \$200 and \$500, while less than one percent (1%) increase more than \$500 (14 accounts).



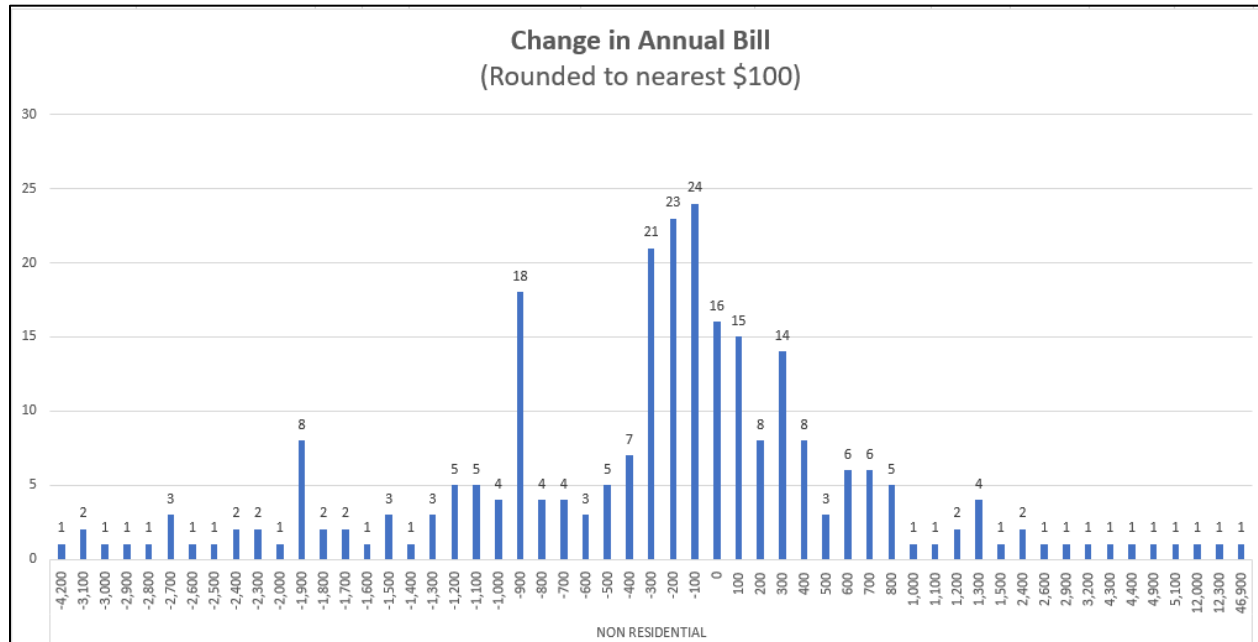
Impact on Multi-Family Residences

Of the 241 multi-family (MF) accounts, thirty-four percent (34%) remain the same or decrease annually. Forty-four percent (44%) increase up to \$500 annually. Thirteen percent (13%) increase between \$600 and \$1,000 annually. A further ten percent (10%) increase more than \$1,000 annually (23 Accounts).



Impact on Commercial Properties

Of the 262 commercial accounts, sixty-seven (67%) remain the same or decrease annually. Eighteen percent (18%) increase up to \$500 annually. Seven percent (7%) increase between \$600 and \$1,000 annually. A further 8% increase more than \$1,000 annually (20 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 rates in and of themselves does not change the total water user fee 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 information on an alternate water rate structure by meter size as requested by the WCAP on March 9, 2021.

Respectfully submitted,



Colleen Ponzini
Director of Financial Services

Appendix A: March 9, 2021 WCAP report titled "Revised Water Fee Structure and Impacts for Discussion"