

STAFF REPORT: Financial Services



REPORT TO: Council
MEETING DATE: March 3, 2008
REPORT NO.: FS.08.06
SUBJECT: Establishment of Water and Wastewater Rates Effective March 1, 2008
PREPARED BY: Teresa Oakley, Manager of Revenue

A. Recommendations

THAT Council receive Staff Report #FS.08.06, "Establishment of Water and Wastewater Rates Effective March 1, 2008";

AND THAT Council authorize staff to present the proposed 2008 water and wastewater rates at a Public Information Session on March 5, 2008 with an increase of approximately 14% to the annual water charge (5/8" meter using 180 m3 of water per year) and a decrease of approximately 11% to the annual wastewater charge (5/8" meter using 180 m3 of water per year).

B. Background

2007 Revenues

Water and wastewater charges were set by Council for the period July through December, 2007 on July 9th, 2007. The fixed charge / consumption charge split was changed from 50/50 for January through June to 30/70 for July through December. The 2007 budget was reduced by 5% as a result of the elimination of the contribution to the rate stabilization reserve. The method of billing condominium units was changed so that each condominium is billed a fixed charge reflective of a single family residential unit, and the charges based on water consumption are averaged amongst the units within the complex.

Actual revenues for 2007 show a surplus of user charge revenue for water of around \$64,000 (2 ½ %) and for wastewater of around \$89,000 (4%). Actual expenditures and transfers have not yet been finalized for 2007, so net surplus/deficit has not yet been determined.

	<u>Budget 2007</u>	<u>Actual 2007</u>	<u>Difference</u>	<u>%Chge</u>
Water Charges	\$2,474,000	\$2,538,000	\$ 64,000	+ 2.5%
Wastewater Charges (not including miscellaneous revenues)	\$2,267,000	\$2,356,000	\$ 89,000	+ 3.9%

Summer External Watering

Many utility customers expressed displeasure over the summer months because the wastewater charge was based on water consumption when the water did not enter the wastewater treatment system. An excerpt from a typical letter of response by the Town to those individuals follows:

Approximately \$2,400,000 is required to be raised through user fees in 2007 to pay for the continued high quality of sanitary sewage collection and treatment systems operations. Prior to 2007 each residential-type unit was charged the same flat rate for sewer service for the year, regardless of the amount of treated water used by the household and regardless of the amount of the resulting wastewater that flowed to the sewage treatment plant. With the implementation of residential water metering this year, a much more accurate estimate of each unit's wastewater flow can be made. The applicable sewer rates are calculated based on the actual water meter readings. This results in a more equitable distribution of costs to each unit owner for wastewater service received compared to the service received by their neighbour.

We understand that in your situation, as is the case with many other customers, not all your potable water usage reaches the sanitary sewer system; external water uses obviously do not.

We, at the Town, are committed to water conservation as are most other municipalities. Water conservation is a fundamental element of Community Sustainability and helps us reduce our operating costs. Reducing water levels in the Great Lakes has strengthened our commitment to conservation.

We view assessing sewer costs based on water usage as an incentive to minimize lawn watering activities. The choice is ultimately the consumer's to make.

There are various other reasons why we do not exempt external water usage from the sewage charge.

- We do not have sewage meters to record the volume going to the wastewater treatment system.
- Although it appears easy in theory to measure increases in flows and identify these increases as lawn watering, in reality there are other situations that could account for the fluctuation, such as an increase in the owners' or tenants' use of the unit, or leaks in the plumbing. If the Town automatically adjusted for those increases (and if the computer billing system was able to make those calculations) there would be many times when unwarranted adjustments were made.
- If there was a lower rate charged for sewage service in the summer, then the rate would have to be increased accordingly in the winter months in order to raise the same \$2,400,000 required to operate the system.

Council will be reviewing the water and sewer billing process on a regular basis as more user profile information becomes available over time, and will consider options to this method of billing for sewer service in the future.

Unaccounted for Water

The difference between the volume of water billed to all utility customers (including Town-run facilities) plus water used in water operations plus estimated volume of water lost in identified leaks, and the volume of water produced and purchased for each billing period, fluctuated between 25% and 42% in 2007. Throughout the course of the year staff has worked to correct many situations, such as identifying and fixing substantial leaks, ensuring that remote readouts that were not functioning properly were fixed, locating remote readouts that were previously hidden (by bushes or construction materials, etc), and ensuring that meters are installed and inspected in all units, triggering the proper recording of volume of water used. The 2008 budget includes \$30,000 for water strategy studies and spot repairs, which will include a leak detection component.

The 2007 water and wastewater rates were calculated assuming an unbilled rate of 30% of the treated water. This figure was used to estimate the actual volume of water that would be “billable”.

The proposed 2008 water and wastewater rates assume actual 2007 water usage volumes plus 5% for growth throughout 2008, and consideration of a summer that may not be as hot as 2007. The 2008 rates are not reliant on an estimate of water loss as we now have one year of actual consumption data.

Water Consumption Appeals Process

Council approved an appeals process to adjust consumption volumes on a one-time basis for leaky plumbing that resulted in a higher than usual water and wastewater charges based on consumption.

Staff has processed 30 requests received over the past few months to adjust consumption volumes. This resulted in billing reductions of about \$14,000 for water and \$13,000 for wastewater. There are another 10 requests received recently to be processed.

Proposed 2008 Water and Wastewater Charges

2008 proposed utility rates are based on the following assumptions:

- The fixed charge / consumption charge split (30/70) adopted by Council in July of 2007 is maintained in the 2008 rates calculation.
- The service areas are being considered as one service area for setting user fee rates. The total revenue required to cover the costs of the water treatment plant in Thornbury, the water distribution system in Thornbury and the water distribution system in Craigleith, Camperdown, Clarksburg and Lora Bay (CCCL) is allocated amongst all water customers. Similarly the total revenue required to cover the

costs of the wastewater treatment plants in Thornbury and Craigleith, and the collection systems throughout the service areas is allocated amongst all wastewater customers. This has been the situation since 2006, when user fees were standardized across the Town's service areas.

- 2008 proposed rates take into consideration estimated units of growth during 2008 based on building permit projections and service extension projections – 225 water units, 325 wastewater units. There was a significant increase between the number of units estimated in the first half of 2007 and actual in December, 2007, as meters were identified and added to the system throughout the first year of residential metered water billings.
- User charges cover operating costs and the current users' share of capital repairs, capital replacement and non-growth related upgrades to the existing infrastructure.
- No part of the annual water and wastewater user fee goes towards paying for growth. Development Charges are levied on growth-related development (new construction) to recover the cost of expanding the water and wastewater infrastructure, or to cover the cost of excess capacity that has been provided for that growth.
- Contributions to Asset Replacement Reserve Funds remain the same in 2008 as in 2007, being 25% of the full recovery amount of calculated annual reserve fund contributions for water (\$202,000) and 67% for wastewater (\$580,400)
- The 2007 budget included a transfer of approximately \$230,000 from CCCL Water Reserve Fund to balance the Thornbury Water budget. There is no similar transfer in 2008, so 2008 operations will be fully funded by 2008 user fees. This alone translates into an 8% increase in revenue requirements to fund water expenditures and transfers.
- Any final 2007 year end surplus or deficit will be transferred to or funded from the respective water or wastewater reserves and reserve funds.

Revenue Requirements / # of Units / Proposed Rates

	<u>2007</u>	<u>2008</u>	<u>Diff</u>	<u>%Chge</u>
Water Budget – Req'd Revs	\$2,510,000	\$2,914,000	\$404,000	+ 16%
# of units – used to set rates	4,783	5,717	934	+ 20%
Water consumption billed	1,090,000m ³	1,144,000m ³	54,000	+ 5%
Proposed Annual Water Chge (5/8" meter, 180m³/yr)	\$378	\$433	\$55	+ 14%
Wastewater Budget – Req'd Revs	\$2,267,000	\$2,094,000	\$173,000	- 8%
# of units – used to set rates	3,471	4,426	955	+ 27%
Water consumption billed	827,000m ³	869,000m ³	42,000	+ 5%
Proposed Annual WW Chge (5/8" meter, 180m³/yr)	\$456	\$407	-\$49	- 11%

Consideration: Vacant Lots – Deferred Benefit

The Municipal Act states that a municipality is authorized to impose fees or charges on persons for services or activities provided or done by or on behalf of it. It also states that a fee or charge imposed for capital costs related to services or activities may be imposed on persons not receiving an immediate benefit from the services or activities but who will receive a benefit at some later point in time. There are presently approximately 1,300 vacant lots fronting the water supply and wastewater collection systems. These lots benefit from the ongoing maintenance of the systems as well as any upgrades that are required during the period of time that the vacant lot is not physically connected to the systems – a well-maintained system is available to service their lot when they decide to connect. The vacant lot owner has already purchased plant, line and associated infrastructure capacity through payment of the development charge or development charge equivalent, but currently does not make any contribution to the system until such time as they build on that lot and derive a direct benefit.

2008 contributions to capital projects and to the asset replacement reserve funds amount to approximately 38% of each of the water and wastewater budgets. 38% of the proposed 2008 water supply charge for a 5/8" metered account using 180 m³ water per year would be \$165; for a similar wastewater account it would be \$155. The total charge for a vacant lot would then be \$320 in 2008. These rates would generate another \$214,000 for water and \$202,000 for wastewater. By comparison both the Unconnected Rate (temporary disconnection, unconnected service) and the Minimum Charge (water service shut off for non-payment, temporary removal of water meter) are the same as the Fixed Charge per month, proposed to be \$145 for water and \$135 for wastewater, totalling \$280 for 2008.

We would recommend that if Council directs staff to proceed to charge vacant lot owners a deferred benefit charge, that the charge be the same as the Unconnected Rate, the Minimum Charge, and the Fixed Charge: \$145 for water and \$135 for wastewater.

C. The Blue Mountains' Strategic Plan (Statement(s) identifying how actions further the goals of the Strategic Plan)

Ensuring long-term financial sustainability

D. Budget Impact (cc: Treasury if required)

Proposed rates reflect an increase of approximately 14% to the annual water charge (5/8" meter using 180 m³ of water per year) and a decrease of approximately 11% to the annual wastewater charge (5/8" meter using 180 m³ of water per year).

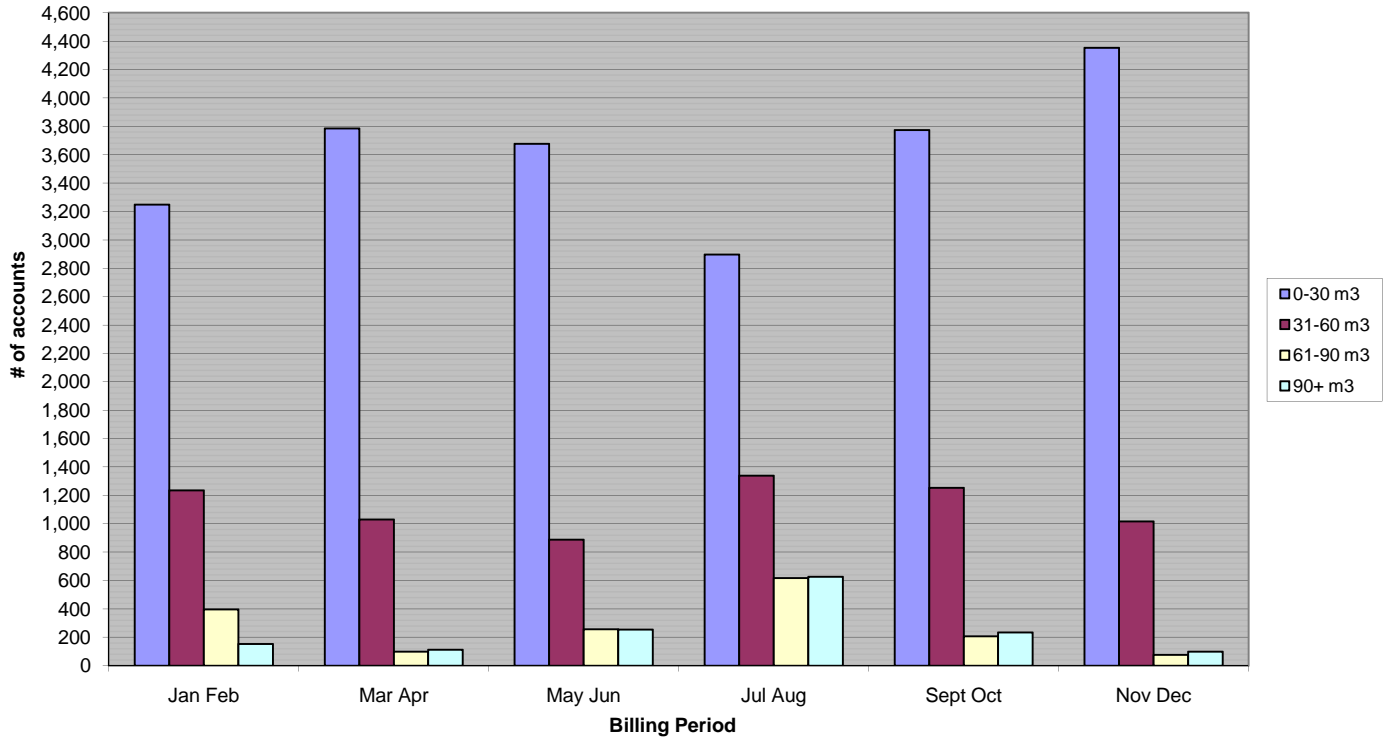
E. Attached (Relevant documentation not personal information about an identifiable person)

- E1 Water Usage - # of Accounts by Billing Period – 2007
Water – Total m³ by Billing Period – 2007
- E2 Wastewater Usage - # of Accounts by Billing Period – 2007
Wastewater – Total m³ by Billing Period – 2007
- E3 Annual Water & Wastewater Bill for Residential Users - 2007/2008
Comparison
- E4 Proposed 2008 Water Supply Rates
- E5 Proposed 2008 Wastewater Treatment Rates
- E6 Annual Water and Wastewater Bill – Comparison to Other Municipalities

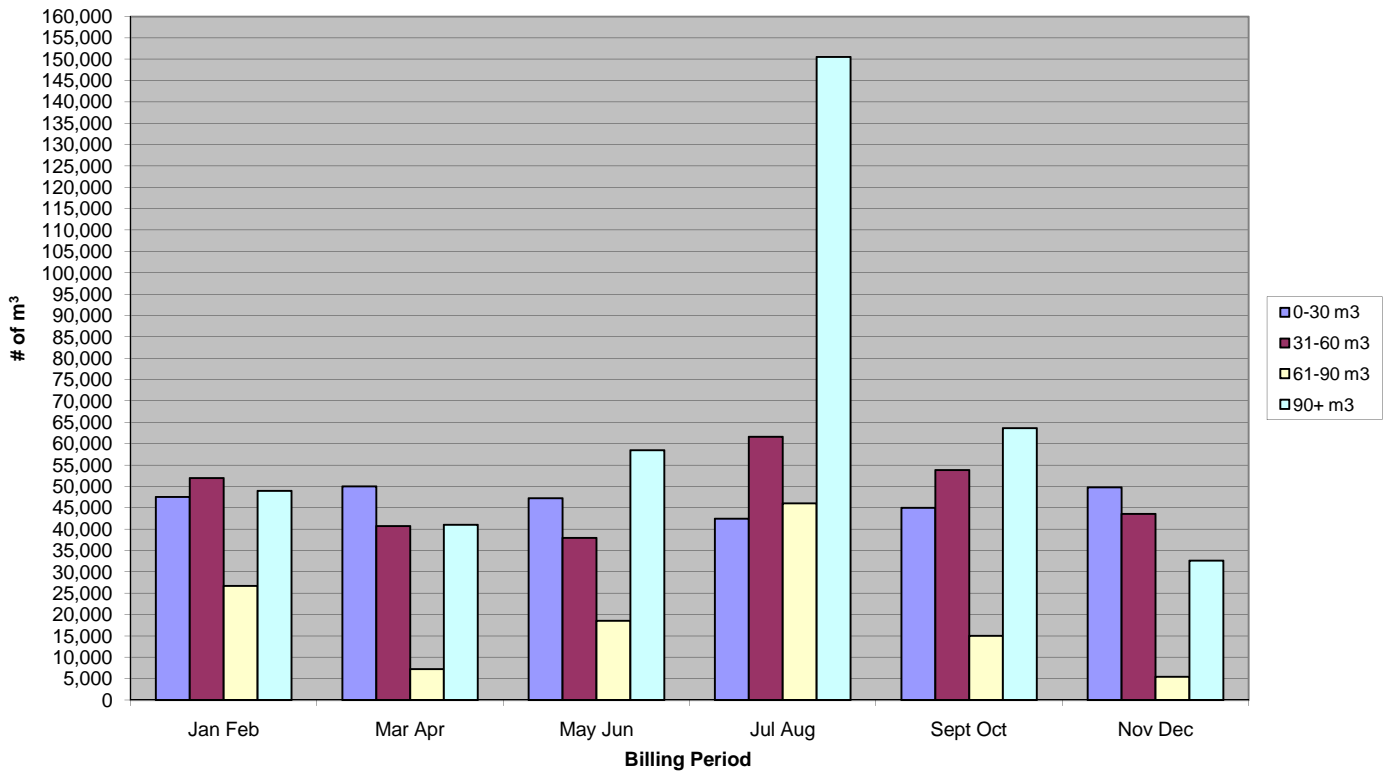
Respectfully submitted,

Teresa Oakley, Manager of Revenue

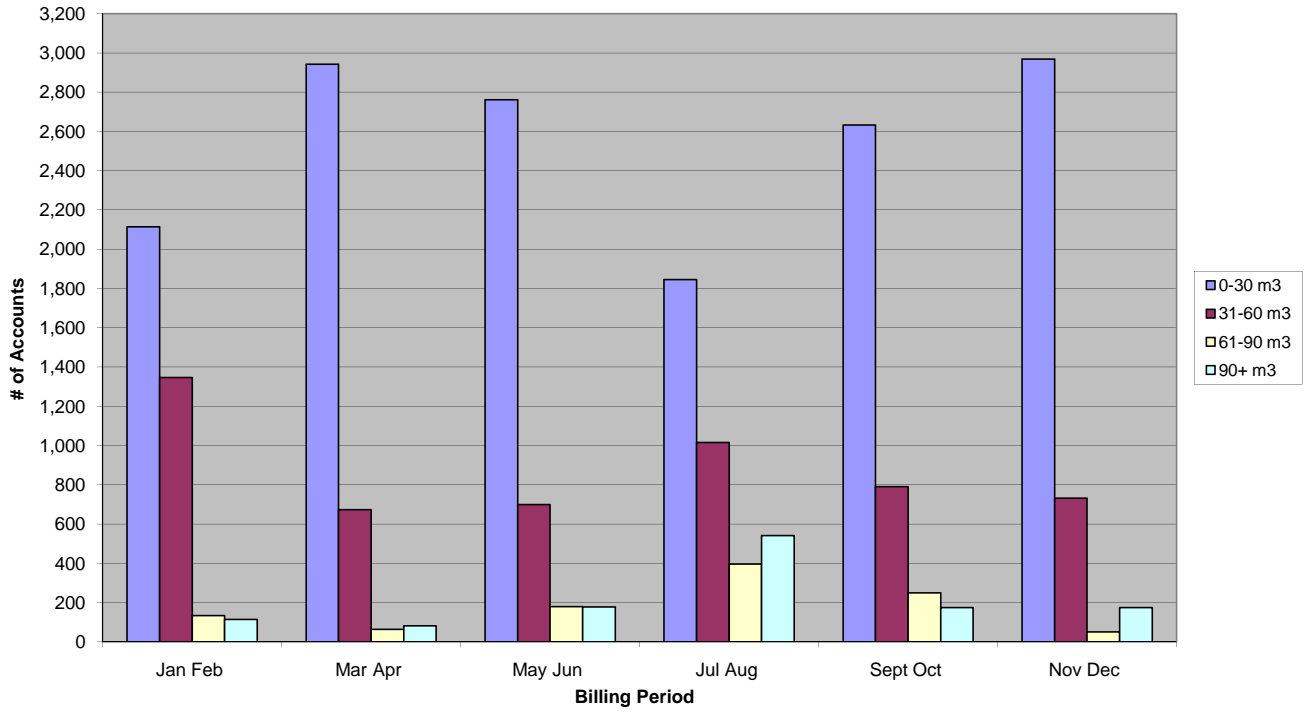
Water Usage - Number of Accounts by Billing Period 2007



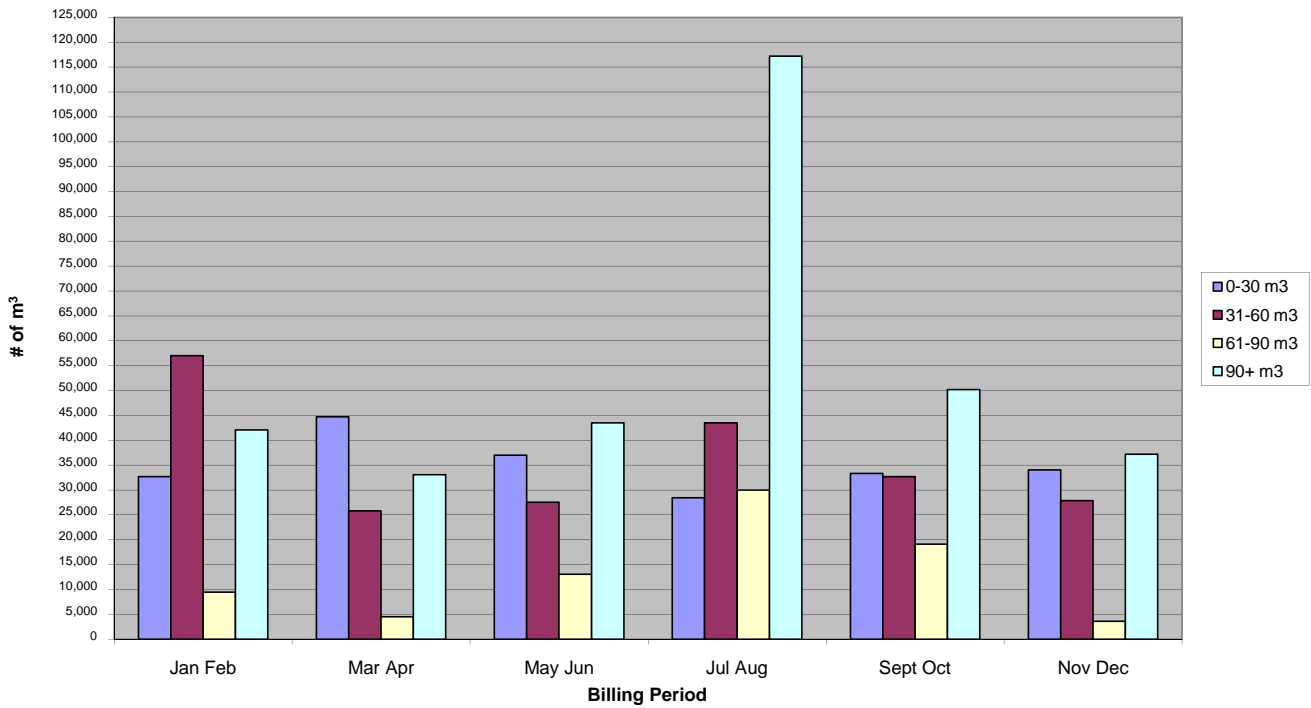
Water - Total m³ by Billing Period 2007



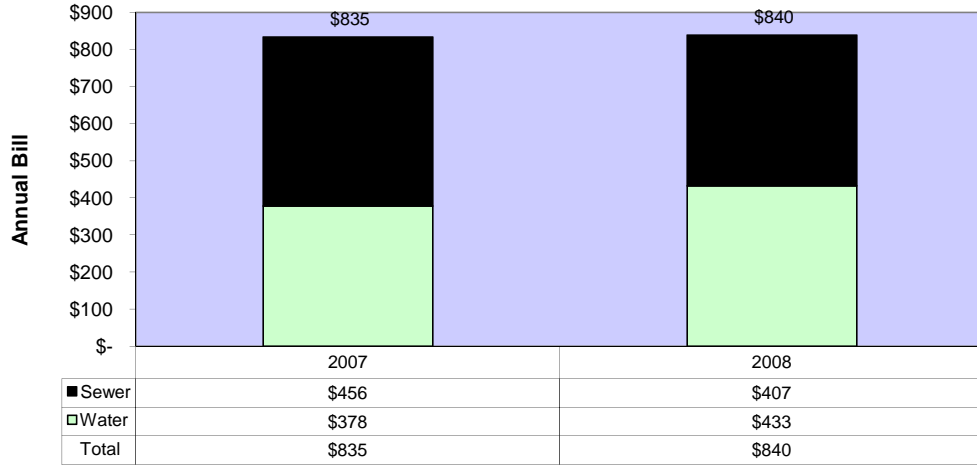
**Wastewater - Number of Accounts by Billing Period
2007**



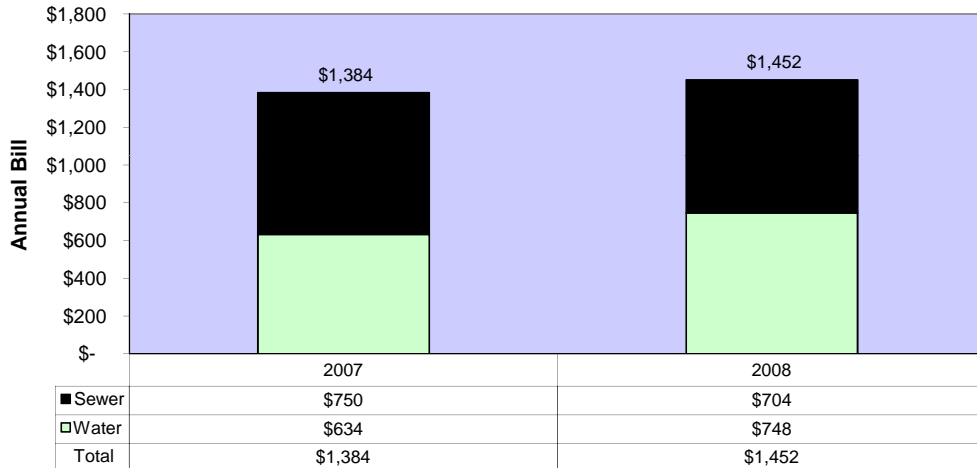
**Wastewater - Total m³ Water by Billing Period
2007**



**Annual Water & Wastewater Bill for Residential Users
Annual Water Use = 180 m³ (5/8" meter)**



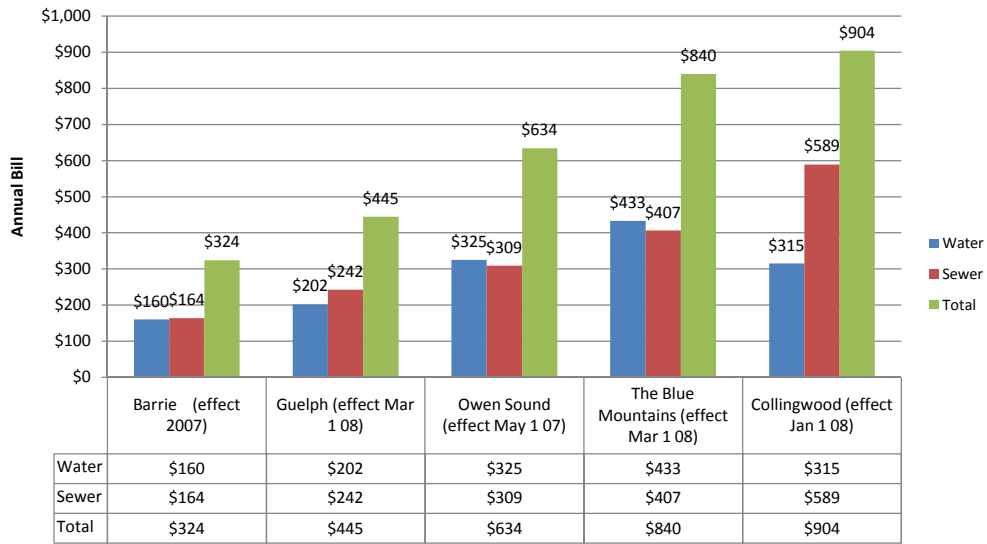
**Annual Water & Wastewater Bill for Residential Users
Annual Water Use = 360 m³ (5/8" meter)**



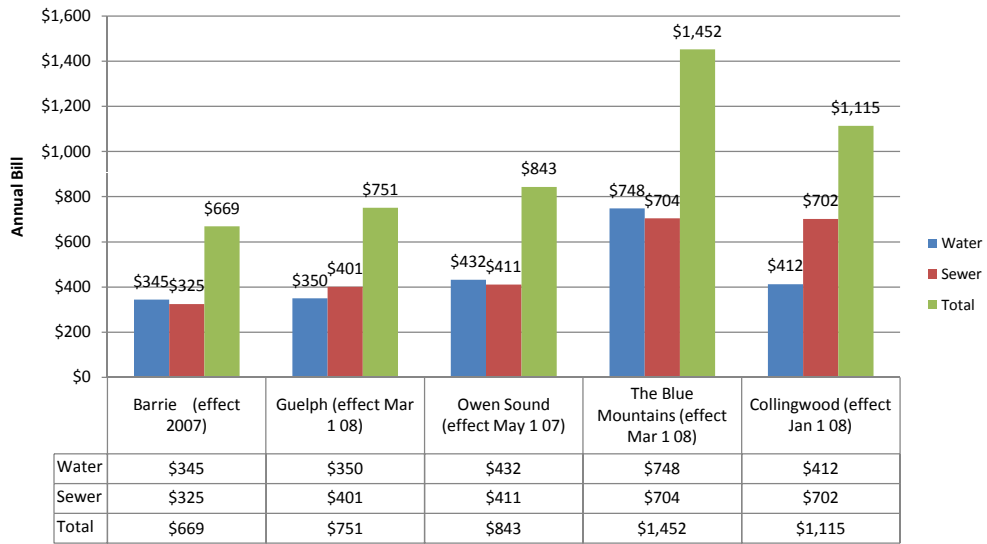
**Annual Water & Wastewater Bill for Residential Users
Annual Water Use = 540 m³ (5/8" meter)**



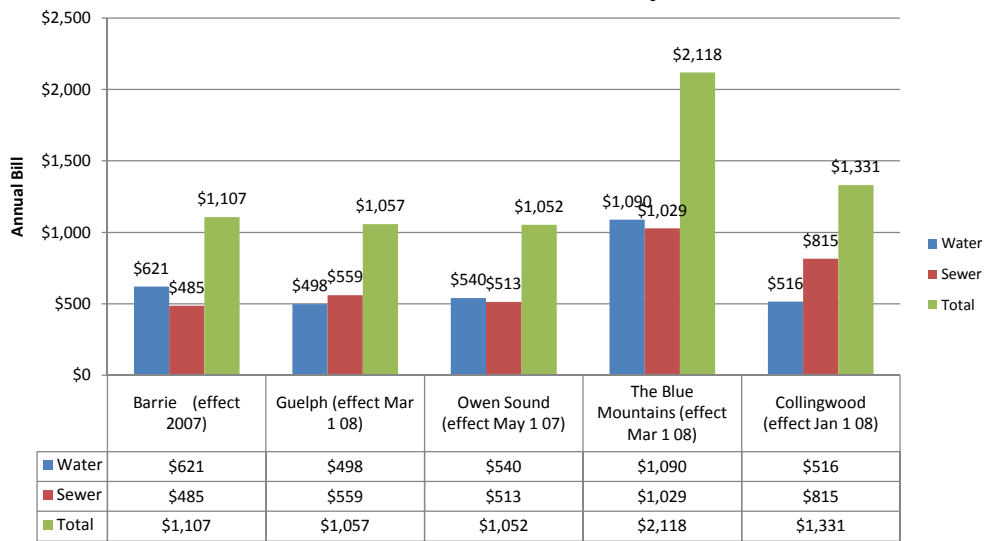
Annual Water and Wastewater Bill 5/8" Meter Users - 180 m³/year



Annual Water and Wastewater Bill 5/8" Meter Users - 360 m³/year



Annual Water and Wastewater Bill 5/8" Meter Users - 540 m³/year



TOWN OF THE BLUE MOUNTAINS

Proposed 2008 Water Supply Rates

SUMMARY OF CALCULATED RATES

Fixed Monthly Rates

Meter Size	Charge Per Month	
	2008	2007
5/8"	\$ 12.11	12.49
3/4"	\$ 13.32	13.74
1"	\$ 16.95	17.49
1 1/2"	\$ 21.80	22.48
2"	\$ 35.12	36.22
3"	\$ 133.22	137.39
4"	\$ 169.55	174.85
6"	\$ 254.32	262.28

Consumption Charges

Bi-Monthly Consumption	Charge Per Cubic Metre	
	2008	2007
w/ upto 30 m3	\$ 1.60	\$ 1.27
31 - 60 m3	\$ 1.75	\$ 1.42
61 - 90 m3	\$ 1.90	\$ 1.57
above 90 m3	\$ 2.05	\$ 1.72

Annual Rates for Residential Users

Annual Consumption	Annual Water Bill	
	2008	2007
180 m ³	\$ 433	\$ 378
360 m ³	\$ 748	\$ 634
540 m ³	\$ 1,090	\$ 917

	Annual Water Bill	
	2008	2007
180 m ³ /year	\$433	\$ 378
Change from current rates	14.43%	
360 m ³ / year	\$748	\$ 634
Change from current rates	17.94%	
540 m ³ / year	\$1,090	\$ 917
Change from current rates	18.86%	

TOWN OF THE BLUE MOUNTAINS

Proposed 2008 Waste Water Treatment Rates

SUMMARY OF CALCULATED RATES

Fixed Monthly Rates

Meter Size	Charge Per Month	
	2008	2007
5/8"	\$ 11.33	\$15.81
3/4"	\$ 12.46	\$17.39
1"	\$ 15.86	\$22.14
1 1/2"	\$ 20.40	\$28.46
2"	\$ 32.86	\$45.85
3"	\$ 124.65	\$173.92
4"	\$ 158.64	\$221.35
6"	\$ 237.96	

Consumption Charges

Bi-Monthly Consumption	Charge Per Cubic Metre	
	2008	2007
w/ upto 30 m3	\$ 1.50	\$1.48
31 - 60 m3	\$ 1.65	\$1.63
61 - 90 m3	\$ 1.80	\$1.78
above 90 m3	\$ 1.95	\$1.93

Annual Rates for Residential Users

Annual Consumption	Annual Waste Water Bill	
	2008	2007
180 m ³	\$ 407	\$ 456
360 m ³	\$ 704	\$ 750
540 m ³	\$ 1,029	\$ 1,070

	Annual Waste Water Bill	
	2008	2007
180 m ³ /year	\$407	\$456
Change from current rates	-10.87%	
360 m ³ / year	\$704	\$750
Change from current rates	-6.06%	
540 m ³ / year	\$1,029	\$1,070