

Request for Decision



To: Regular Meeting
From: **Manager of Operations**
Date: November 27, 2017
Subject: Water Rate Structure for Mock Billing Process
Recommendation: **RESOLVED THAT Council directs staff to proceed with the (flat, fixed or minimum) water rate structure to use in the mock billing process;
AND THAT Council directs staff to implement the water rate mock billing process for (12 or 24) months.**

Background

Council was presented with an introductory water rates presentation at the May 15, 2017 Committee of the Whole. Council directed staff to prepare three rate structure options for a future meeting. Staff continued to gather water meter data over the summer months to generate water use statistics for the community. Feedback from that presentation was incorporated into another presentation at the November 14, 2017 Committee of the Whole. Council saw three different revenue generation scenarios using different rate structures. Council also debated a one verses a two year mock billing period.

Overall, staff heard that Council wants a water rate that considers:

- the right to use water for food gardens
- conservation
- some technical assistance to residents looking to lower their outdoor water consumption
- equity between commercial and residential rate payers
- equity between seasonal and full time residents
- some revenue stability
- sufficient notice for customers to adjust their water use habits
- if using a Minimum rate structure, a low enough water allocation to be equitable to lower than average water users
- sufficient revenue to implement proper asset management

This meeting Council is deciding which rate structure to use in the mock billing process. Table 1 below summarizes how the rate structures reflect differing objectives.

Table 1: Water Rate Options

Revenue Source	Option 1 – Flat Charge	Option 2 Fixed Charge	Option 3 – Minimum Charge
Promotes Conservation	Never	All Year	Mostly in Summer
Equitable to all users	No	Yes	Mostly
Revenue portion from fixed charge	100%	50%	73%

The Fixed and Minimum rate structures redistribute the water system charges based on potential water use / meter size, and on actual consumption as measured by the meters. This means that commercial users will end up paying more into the water utility than they currently do under the Flat rate structure. There is some decrease in the predictability of revenue for the two options with a consumption charge in addition to the annual charge. As Council pointed out, residents are not likely to stop using water altogether and the revenue models already factor in a twenty-five percent reduction in water consumption. This minimizes the risk of losing money while still incentivizing water conservation. The Minimum rate structure may not favour the lowest water consumers if they use less than the minimum monthly allocation. The only way to fully eliminate this potential inequity is with a Fixed rate structure where residents pay for all of the water they use.

Once Council selects a rate structure, staff can generate further distributions and options using that structure. For example, the cost per cubic metre or the portion of fixed annual charge can be adjusted to balance conservation and revenue stability goals. Similarly, the overall revenue target can be adjusted to suit any new asset management information.

Benefits or Impacts

General

This decision will set the water rate structure for the mock billing period.

Strategic Impact



Fiscal Responsibility

We will continue to proactively identify and plan for infrastructure repair and replacement.

Departments will continue to review service and tax rates in annual budget and will ensure consistency with the asset management plan.

Policy/Legislation

The Community Charter Section 194 states that

“(1) A council may, by bylaw, impose a fee payable in respect of

(a) all or part of a service of the municipality”...

“(2)... (b) base the fee on any factor specified in the bylaw and, in addition to the authority under section 12 (1) [*variation authority*], establish different rates or levels of fees in relation to different factors”...

“(4) A municipality must make available to the public, on request, a report respecting how a fee imposed under this section was determined.”

Bylaws 1973-A1 (Water Regulation) and 1958 (Fees and Charges) will be affected by the water rate structure selected.

Recommendation

RESOLVED THAT Council directs staff to proceed with the (flat, fixed or minimum) water rate structure to use in the mock billing process;

AND THAT Council directs staff to implement the water rate mock billing process for (12 or 24) months.

Options

1. RESOLVED THAT Council accepts the recommendation.
2. RESOLVED THAT Council does not accept the recommendation.
3. RESOLVED THAT Council refers the matter back to staff for further information.

Report Approval Details

Document Title:	RFD 2017 - Water Rates November 27.docx
Attachments:	
Final Approval Date:	Nov 17, 2017

This report and all of its attachments were approved and signed as outlined below:

David Reid - Nov 17, 2017 - 8:27 AM

Diane Heinrich - Nov 17, 2017 - 9:33 AM