



Water and Sewer Rates

January 23, 2012

Outline

- Council's priorities for the water rate structure
- Water Conservation Results
- Revenue requirements – How much does it cost to run the water system and how do we pay for it
- Options for the rate structure
- Decision Points

Priorities

- Council's top priorities

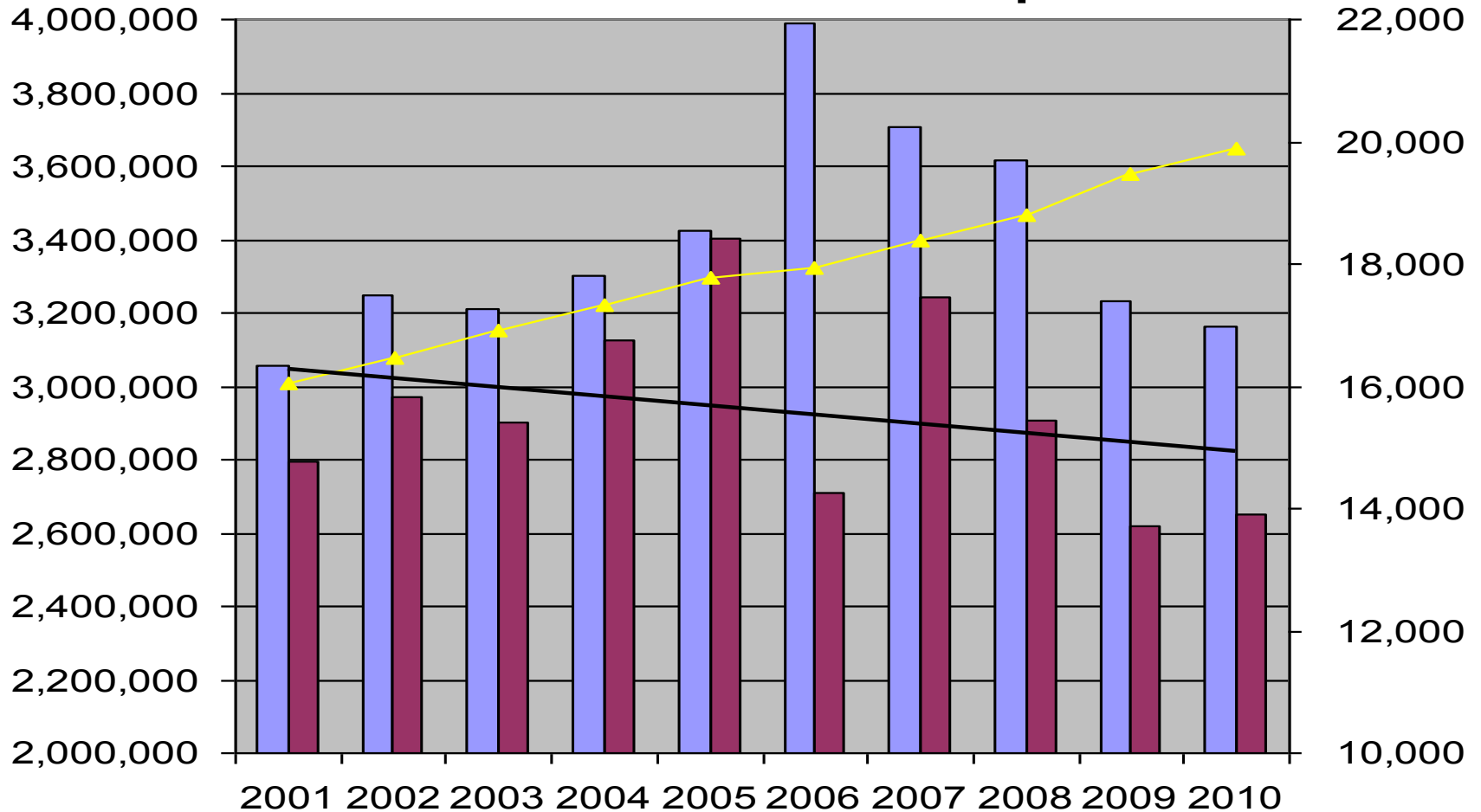
- #1 Priority = Conservation of Water
- #2 Priority = Revenue Sufficiency

Less important objectives included: equity, revenue stability, simplicity, and freedom from controversy

Water Conservation Results



Water/Sewer Volumes vs Population

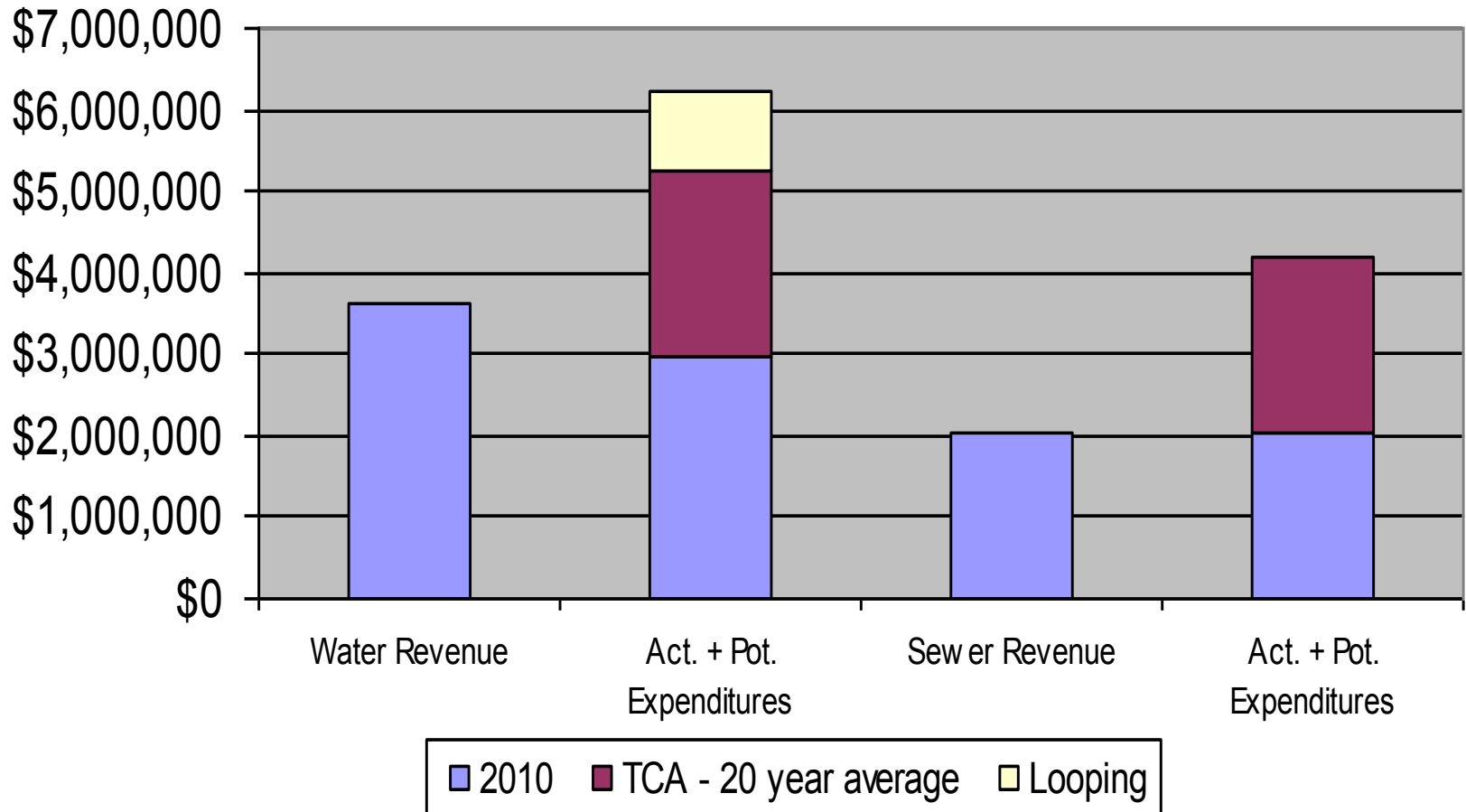


Water (m3) Sewer (m3) Population Linear (Sewer (m3))

Revenue Sufficiency?



2010 W/S Revenue vs Actual+Potential Expenditures



Revenue Must At Least Double To Be Close To Sufficient

- In 2008 the rate was set based on the operating budget requirements, TCA and looping were not part of the rate structure, or future relief sewers

	Water	Sewer
2010 Budget	\$3,200,500	\$2,023,000
TCA -average	\$2,240,000	\$2,150,000
Looping	\$1,000,000	Relief sewers ?
TOTAL	\$6,440,500	\$4,173,000

- Must generate over \$3,000,000 more per year to cover these costs in water and over \$2,000,000 for sewer*

Future Projects – Future Costs

- TCA projected costs over the next 20 years will be over \$80 million
- Projects can be deferred but potential for failures increases. For example: 95 Ave water main prematurely failed - others may last longer than estimated
- Imperative to plan for and be able to fund the replacement of water and sewer mains
- *This is the risk factor that the citizens of FSJ are bearing and it is growing annually*

Conservation and TCA

- Revenue for Tangible Capital Assets is for replacing or maintaining the existing facilities, pumps and pipes
- Conservation is about not having to spend more money on increasing capacity

How Have We Paid For Water/Sewer in the Past?

- Current Water reserves – less than \$5 million
- Current Sewer reserves – less than \$1 million
- Currently water projects have been funded from reserves, this won't last much longer
- Sewer projects have been funded through reserves, long term borrowing (and infrastructure grants when available) – with more projects to come. Loans have to be repaid and current revenues aren't sufficient
- *This is not sustainable*

How Do We Pay For Water/Sewer in the Future?



- FACT – water and sewer rates must increase.
- Without an increase there will not be sufficient revenue in 2012 to fund existing operations and fund future projects.

Current Rates

- Current Rates
 - \$45 quarterly minimum (ensures revenue stability yet encourages conservation), \$0.75 m³ for water over minimum volume, sewer 85% of water (\$0.6375)
 - Rural rate \$2.50/ cubic meter

Full-cost recovery model – revenue requirement

- Utilizing a full cost recovery model that has been accepted by utility commissions in other jurisdictions the following rates (per m³) have been calculated for Fort St. John (frontage taxes and other fees are in addition to this)

	2012	2013	2014	2015	2016
Water	\$1.81	\$1.92	\$2.06	\$2.21	\$2.37
Sewer	\$1.86	\$1.99	\$2.13	\$2.27	\$2.43

- Model shows rates increasing at approx. \$0.15 per m³ per year*

Full-cost recovery model – full cost of water and sewer

- The revenue requirement from this model divided by the water volume produces a rate as follows. This is the cost to produce and distribute a cubic meter of water and collect and treat the sewer – no other fee or frontage taxes required

	2012	2013	2014	2015	2016
Water	\$2.78	\$2.93	\$3.08	\$3.23	\$3.40
Sewer	\$2.08	\$2.20	\$2.34	\$2.49	\$2.65

Other Options & Considerations

- Increase rates steadily over the next 5, 10 or 15 years – moving towards self sufficiency? **Council proposed 10 years**
- Increase billing frequency to monthly bills from quarterly to improve cash flow and address billing issues sooner? **Council agreed**
- Implement non-domestic surcharge at Rural Water Stations (Dawson Creek charges \$2.90 for domestic use plus an additional surcharge of \$1.60 for non-domestic)? **Propose \$2.00 surcharge**
- Staff met with a number of high volume water users to inform them that rates will potentially be increasing in 2012 – recognition that there is a need to increase rates **Discussed rate of \$1.00**

Options

- The following are a number of options that should be considered as a whole
- Recommendations have been included for Council's approval

Rate Increases

- Each \$0.01 rate increase produces approx. \$20,000 each for water and sewer (when sewer is charged at 100% of water)
- To generate \$3,000,000 more revenue the rate would have to increase by \$1.50
- Over ten years that would mean a steady increase of \$0.15 per year
- \$0.15 would generate about \$300,000 yearly
- This is not even considering increases in operating budgets

Addition of Fixed Service Fees

- A service fee of \$1.00 per month generates approx. \$80,000 per year for either water or sewer
- A \$10 per month (\$5 water, \$5 sewer) service fee would generate approx \$400,000 more per year for each utility
- Costs would be spread through every account

Remove Minimum Amount

- Moving to monthly billing makes the minimum volume quite small, if removed completely then if no water is used at all the only cost to the account will be the service fee – conservation incentive
- Minimum charge has caused billing and administration issues in Finance Department
- Minimum currently generates approx \$150,000 per year in revenue – this would no longer be collected – this only affects those using less than the minimum volume all others would see no change in their bill, conversely increasing the minimum amount only affects those being charged the minimum (\$2 increase per quarter would only increase revenue by about \$25,000)

Rural Non-Domestic Surcharge

- Current rate for all rural users (domestic and non-domestic- industrial) is \$2.50 per m³
- Each \$0.01 of non-domestic surcharge would generate approx. \$2,000 more per year
- A \$2.00 surcharge would generate about \$400,000 more per year
- Dawson Creek has had a surcharge for a number of years of \$1.60, in addition to a domestic rate of \$2.90 per m³ – total \$4.50
- Dawson Creek's rural domestic charge will increase to \$3.65 in 2013 (plus non-domestic charge of \$1.60 totaling \$5.25)

Area Comparison

- Chetwynd - \$1.3086 per m³, \$10 minimum
- Dawson Creek
 - 2010 - \$0.69 2011 - \$1.20 2013 - \$1.68
 - Plus meter charges – bi-monthly

Meter size	Water	Sewer	Total
5/8"	\$37.00	\$14.80	\$51.80
3/4"	\$53.00	\$21.20	\$74.20
1"	\$95.00	\$85.20	\$180.20
1.5"	\$213.00	\$85.20	\$298.20
2"	\$379.00	\$151.60	\$530.60

Comparison – New Rates

Residential - Average			
Number of Accounts	6018		
	Yearly	Quarterly	Monthly
Total Volume	1,183,214	295,804	98,601
Average Volume	196.6	49.2	16.4
Current Rates	\$272.82	\$68.21	\$22.74
Revised Rates - \$0.90 W/S	\$353.93	\$88.48	\$29.49
Difference	\$81.11	\$20.28	\$6.76
Revised plus Service Fee	\$473.93	\$118.48	\$39.49
Difference	\$201.11	\$50.28	\$16.76

Comparison – New Rates

Residential - Median			
Number of Accounts	6018		
	Yearly	Quarterly	Monthly
Total Volume	1,183,214	295,804	98,601
Median Volume	162.0	40.5	13.5
Current Rates	\$224.78	\$56.19	\$18.73
Revised Rates - \$0.90 W/S	\$291.60	\$72.90	\$24.30
Difference	\$66.83	\$16.71	\$5.57
Revised plus Service Fee	\$411.60	\$102.90	\$34.30
Difference	\$186.83	\$46.71	\$15.57

Comparison – New Rates

Commercial - Average			
Number of Accounts	673		
	Yearly	Quarterly	Monthly
Total Volume	742,688	185,672	61,891
Average Volume	1,103.5	275.9	92.0
Current Rates	\$1,531.17	\$382.79	\$127.60
Revised Rates - \$0.90 W/S	\$1,986.39	\$496.60	\$165.53
Difference	\$455.21	\$113.80	\$37.93
Revised plus Service Fee	\$2,106.39	\$526.60	\$175.53
Difference	\$575.21	\$143.80	\$47.93

Comparison – New Rates

Commercial - Median			
Number of Accounts	673		
	Yearly	Quarterly	Monthly
Total Volume	742,688	185,672	61,891
Median Volume	110.0	27.5	9.2
Current Rates	\$152.63	\$38.16	\$12.72
Revised Rates - \$0.90 W/S	\$198.00	\$49.50	\$16.50
Difference	\$45.38	\$11.34	\$3.78
Revised plus Service Fee	\$318.00	\$79.50	\$26.50
Difference	\$165.38	\$41.34	\$13.78

Proposed Water Rates

- Increase rate by \$0.15 to \$0.90 per m³
 - Increase revenue by approx. \$300,000 per year
- Remove Minimum charge
 - Reduce revenue by approx. \$150,000
- Implement Fixed Monthly Charge - \$10 (\$5 for Water and \$5 for Sewer)
 - Generate approx. \$400,000 for water and \$400,000 for sewer
- Remove 5% discount for early payment
- Implement Non-Domestic Rural Water Surcharge
 - Generate Approx. \$400,000

Proposed Sewer Rates

- Base Sewer volume on 100% of Water volume, set rate for sewer instead of percentage of water - if rate = water (\$0.90)
 - Increase revenue by approx. \$550,000 per year
- Implement Fixed Monthly Charge - \$10 (\$5 for Water and \$5 for Sewer)
 - Generate approx. \$400,000 for water and \$400,000 for sewer
- Raise rate at Sewer Transfer Station to \$4.50 from \$2.50

Decision Points

- Water Rate = ??? Recommend \$0.90
- Sewer Rate = ??? \$0.90 (based on 100% of water volume)
- Remove minimum – Yes or No Yes
- Monthly Fixed Charge = ??? Water \$5/Sewer \$5
- Implement a non-domestic (industrial) surcharge for Water and Sewer of ??? \$2.00
- Maintain the same rates for Rural Domestic and rural metered rates (Airport Subdivision) in 2012
Yes
- Remove 5% discount for early payment – Yes or No Yes



Thank You

Questions or Comments