



City of Port Moody

Report/Recommendation to Council

Date: September 7, 2021
Submitted by: Finance and Technology Department – Financial Services Division
Subject: Tiered Approach to Water and Sewer Fees

Purpose

To report back to the Finance Committee with options for a tiered approach for annual flat rate water and sewer charges.

Recommended Resolution(s)

THAT the report dated September 7, 2021 from the Finance and Technology Department – Financial Services Division regarding Tiered Approach to Water and Sewer Fees be received for information.

Executive Summary

Staff were directed to report back to Council on a tiered approach to water and sewer fees that includes lower utility rates for secondary suites and an analysis of the associated financial impacts. Staff are proposing a ratio approach to residential water and sewer rates. This would peg rates as a fixed percentage of the annual charge for single-family dwellings (SFD).

The water and sanitary sewer budgets are self balancing, and the revenues from user fees are matched to the expenses to operate the service. Shifts (or reductions to the annual fee) within the various housing types (i.e. SFD, townhouses, condos and apartments, and basement suites or detached accessory dwelling units) will result in offsetting increases to the other housing types.

Changes to the billing structure has been reviewed several times, but no clear preference has been found. While part of the reason to forego any changes is the financial burden any change would have on certain types of single-family dwellings to provide relief for other types, it is also partly because smaller units do not always use less service simply because they are smaller. If any change was implemented, it would be on the assumption that “on average” the use of service is either more or less than other types of housing.

Background

At the November 10, 2020 Regular Council meeting, the following resolution was passed:

RC20/409

THAT staff report back with a tiered approach to water and sewer fees that includes lower utility rates for secondary suites and an analysis of the associated financial impacts.

Prior to this, at the July 25, 2017 Regular Council meeting, staff presented a Utility Rate Review (**Attachment 1**). At that meeting, the follow resolution was passed:

RC17/300

THAT the proposed changes to the Water Utility rates as recommended in the report dated July 6, 2017 from Engineering and Operations Department regarding Water Utility Rates Review be adopted and incorporated into the 2018-2022 budget.

At the October 3, 2017 Finance Committee meeting, staff presented the draft 2018 Utility budgets and rates which included the new tiered rate structure. At that meeting the following resolutions were passed:

FC17/076

Moved and seconded

THAT single-family detached home water rates be capped at \$450 per household;

AND THAT the remaining utility costs be distributed evenly among multi-family households.

FC17/077

THAT the foregoing motion (FC17/076) be referred to an upcoming Committee of the Whole meeting for discussion.

At the October 17, 2017 Special Council meeting (Committee of the Whole), staff presented the 2018-2022 Water Rates. At that meeting, the following resolution was passed:

CW17/126

THAT the water rate structure for 2018 remain the same as that in 2017;

AND THAT staff begin a public consultation process for creating a more equitable water rate structure, including using water metering as a means of achieving equity.

Discussion

Water

In the absence of universal residential metering, a flat user fee is the simplest and fairest way to allocate costs as the amount of usage cannot be determined per household. Traditionally in Port Moody, flat rates have been applied for all residential customers, regardless of housing type.

If Council sought to have tiered approach the annual flat rate residential water rates, staff recommend the use of a ratio approach. Each class of user would be set as a percentage of a Single-Family Dwelling (SFD). Through this approach, Council could set percentages that incentivise actions that are aligned with other Council priorities. This approach should also be applied the annual flat rate Sewer charges.

The 2021 annual residential water rate was \$475. Assuming a 5% increase in the 2022 budget, the tables below illustrate the various rates based on the ratio approach.

Table 1 – No change (100%)

Proposed 2022 Water Rates	Units	Ratio	Rate	Increase
Single-Family	6,015	100%	\$500	\$25
Townhouse	1,533	100%	\$500	\$25
Condo	5,299	100%	\$500	\$25
Secondary Suites	405	100%	\$500	\$25
Laneway House	2	100%	\$500	\$25
Office	182	100%	\$500	\$25
Restaurant	18	215%	\$1,075	\$54
Service Stations (Garage)	6	215%	\$1,075	\$54
Private Club	1	215%	\$1,075	\$54
Church	5	54%	\$268	\$13
Unclassified	2	100%	\$500	\$25

Ratios could be based on the population per unit per Metro Vancouver Regional Population Projection used in the recent DCC Bylaw update (Table 1).

Table 2 – Estimated Population by Housing Type

Land Use	Population per Unit per Metro Vancouver Regional Population Projection
Residential Single-Family (SF) and Duplex	4.6*
Residential Laneway	1.5
Residential Townhouse	2.9
Multi-Residential (up to 6 storeys)	2.0
Multi-Residential – TOD (greater than 6 storeys)	1.9

*4.6 Population per unit is based on 3.1 population per unit for SF plus 1.5 population per unit for secondary suite.

This would result in the rate structure outlined in Table 3.

Table 3 – Option 1 – Proposed rate structure based on Population per Unit data

Proposed 2022 Water Rates	Units	Ratio	Rate	Increase
Single-Family	6,015	100%	\$600	\$125
Townhouse	1,533	94%	\$564	\$89
Condo	5,299	63%	\$378	-\$97
Secondary Suites	405	48%	\$288	-\$187
Laneway House	2	48%	\$288	-\$187
Office	182	100%	\$600	\$125
Restaurant	18	200%	\$1,200	\$179
Service Stations (Garage)	6	200%	\$1,200	\$179
Private Club	1	200%	\$1,200	\$185
Church	5	50%	\$300	\$45
Unclassified	2	100%	\$300	\$125

Any number of possibilities can exist based on the ratio approach, and Table 4 and Table 5 have been provided as a reasonable example; however, Council could direct staff with the exact ratio they would like to see used.

Table 4 – Option 2 (100% / 90% / 80% / 50%)

Proposed 2022 Water Rates	Units	Ratio	Rate	Increase
Single-Family	6,015	100%	\$558	\$83
Townhouse	1,533	90%	\$502	\$27
Condo	5,299	80%	\$446	-\$29
Secondary Suites	405	50%	\$279	-\$196
Laneway House	2	50%	\$279	-\$196
Office	182	100%	\$558	\$83
Restaurant	18	200%	\$1,116	\$95
Service Stations (Garage)	6	200%	\$1,116	\$95
Private Club	1	200%	\$1,116	\$101
Church	5	50%	\$279	\$24
Unclassified	2	100%	\$558	\$83

Table 5 – Option 3 (100% / 85% / 70% / 55%)

Proposed 2022 Water Rates	Units	Ratio	Rate	Increase
Single-Family	6,015	100%	\$586	\$111
Townhouse	1,533	85%	\$498	\$23
Condo	5,299	70%	\$410	-\$65
Secondary Suites	405	55%	\$322	-\$153
Laneway House	2	55%	\$322	-\$153
Office	182	100%	\$586	\$111
Restaurant	18	200%	\$1,172	\$151
Service Stations (Garage)	6	200%	\$1,172	\$151
Private Club	1	200%	\$1,172	\$157
Church	5	50%	\$293	\$38
Unclassified	2	100%	\$586	\$111

As illustrated in the tables, when the ratio difference is smaller (closer to 100%) the increase for the various housing types will be smaller. As the ratio difference between the housing types increases, single-family dwellings will see a greater increase. The Water Utility is a self balancing fund. The required revenues to balance the fund are based on the expenses required to deliver the service. When one revenue source (i.e., Secondary Suites) is reduced, other revenue sources need to be increased to make up the difference.

Regional Context

When the City sets fees and charges, we frequently look at what is done in other municipalities in the region to try and provide a level of equity with our neighbours. Unfortunately, there is a great deal of disparity across Metro Vancouver when it comes to annual Water rates (and Sewer rates) by housing type.

Based on the sample data the City was able to collect for 2021, townhouses ranged from 100% to 39% of single-family dwellings; Condos ranged from 100% to 39% of single-family dwellings; Secondary Suites ranged from 100% to 39% of single-family dwellings; and Laneway houses (Detached Accessory Dwelling Units – DADU), although less common, ranged from 100% to 36% of single-family dwellings.

Table 6 – 2021 Water rates by housing type for neighbouring municipalities.

	Burnaby		Coquitlam		Port Coquitlam	
	Rate	Ratio	Rate	Ratio	Rate	Ratio
Single-family dwelling	\$627	100%	\$591	100%	\$465	100%
Townhouse	\$360	57%	\$355	60%	\$436	94%
Condo	\$360	57%	\$355	60%	\$414	89%
Laneway/DADU	\$314	50%	n/a	n/a	\$465	100%
Secondary Suite	\$314	50%	\$236	40%	\$465	100%

Sewer

Annual sewer rates should follow the same approach as the 2022 water rate structure. The 2021 annual residential water rate was \$358. Assuming a 5% increase in the 2022 budget, the following tables illustrate the various rates based on the ratio approach.

Table 7 – 2022 Sewer Rates – No change (100%)

Proposed 2022 Sewer Rates	Units	Ratio	Rate	Increase
Single-Family	6,006	100%	\$377	\$19
Townhouse	1,533	100%	\$377	\$19
Condo	5,299	100%	\$377	\$19
Secondary Suites	405	100%	\$377	\$19
Laneway House	2	100%	\$377	\$19
Office	182	100%	\$377	\$19
Restaurant	18	215%	\$811	\$150
Service Stations (Garage)	6	215%	\$811	\$149
Private Club	1	215%	\$811	-\$316
Church	5	54%	\$207	-\$182

Unclassified	2	100%	\$377	-\$9
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Table 8 – Option 1 – Proposed rate structure based on Population per Unit data

Proposed 2022 Sewer Rates	Units	Ratio	Rate	Increase
Single-Family	6,006	100%	\$453	\$95
Townhouse	1,533	94%	\$426	\$68
Condo	5,299	63%	\$285	-\$73
Secondary Suites	405	48%	\$217	-\$141
Laneway House	2	48%	\$217	-\$141
Office	182	100%	\$453	\$67
Restaurant	18	200%	\$906	\$245
Service Stations (Garage)	6	200%	\$906	\$244
Private Club	1	200%	\$906	-\$221
Church	5	50%	\$227	-\$160
Unclassified	2	100%	\$453	\$67

Table 9 – Option 2 (100% / 90% / 80% / 50%)

Proposed 2022 Sewer Rates	Units	Ratio	Rate	Increase
Single-Family	6,006	100%	\$421	\$63
Townhouse	1,533	90%	\$379	\$21
Condo	5,299	80%	\$337	-\$21
Secondary Suites	405	50%	\$211	-\$148
Laneway House	2	50%	\$211	-\$148
Office	182	100%	\$421	\$35
Restaurant	18	200%	\$842	\$181
Service Stations (Garage)	6	200%	\$842	\$180
Private Club	1	200%	\$842	-\$285
Church	5	50%	\$211	-\$176
Unclassified	2	100%	\$421	\$35

Table 10 – Option 3 (100% / 85% / 70% / 55%)

Proposed 2022 Sewer Rates	Units	Ratio	Rate	Increase
Single-Family	6,006	100%	\$443	\$85
Townhouse	1,533	85%	\$377	\$19
Condo	5,299	70%	\$310	-\$48
Secondary Suites	405	55%	\$244	-\$114
Laneway House	2	55%	\$244	-\$114
Office	182	100%	\$443	\$57
Restaurant	18	200%	\$886	\$225
Service Stations (Garage)	6	200%	\$886	\$224
Private Club	1	200%	\$886	-\$241
Church	5	50%	\$222	-\$165
Unclassified	2	100%	\$443	\$57

Metering

The most equitable method of allocating costs is through universal metering; however, this requires a significant investment in capital infrastructure (water meters), and ongoing operating expenses to facilitate meter reading, billing, and repairs and replacements. Due to the high initial costs associated with universal metering, to date, there has not been a business case to move forward with universal residential metering within Port Moody. Within Metro Vancouver, the only municipalities which have implemented universal metering of single-family residential properties are Richmond, West Vancouver, and Abbotsford (as of August 2019).

The City currently meters 14% of water consumption in Port Moody, including 134 Industrial, Commercial, and Institutional (ICI) utility customers. The City bills ICI customer accounts quarterly for 152 water meters. Billing for Liquid Waste (sewer) is based on 80% of metered water consumption.

Through the development process, new ICI and multi-family properties are required to install water meters per City of Port Moody Water Specifications to record water consumption. New single-family residential developments and building permits are required to install water meter setters. Meter setters will allow for relatively straightforward installation of water meters with minimal construction impact should the City implement residential water metering in the future.

The 2022 Capital Plan includes a project to develop a comprehensive program for the City's approach to Water Meter infrastructure. This project broadens the scope of the previous 2019 capital project that was deferred until Metro Vancouver finalized its Best Practices Guide to Residential Water Metering in Metro Vancouver. The recommendations from this project will inform future policy decisions around city-wide metering and equitable billing, the accurate measuring of water consumption, asset management, and provide data for conservation purposes.

Other Option(s)

THAT the tiered approach for annual flat rate water and sewer charges be used to determine the 2022 annual flat rate Water and Sewer charges as outlined in the report dated September 7, 2021 from the Finance and Technology Department – Financial Services Division regarding Tiered Approach to Water and Sewer Fees.

If the Committee passes the above recommendation, additional direction will need to be provided regarding the percentage to be used for each housing type in relation to the base rate for a detached single-family residence.

Financial Implications

Changes to the billing structure will alter the annual amount paid based on housing type but will not change the total amount required to balance the utility budgets. The utility budgets are self balancing, and the total revenues collected needs to be balanced with the total cost of operating the system.

Communications and Civic Engagement Initiatives

Information regarding changes to the rate structure would be included in the 2022 Utility budget deliberation and would be highlighted in the 2022 Utility Newsletter that accompanies the utility bills.

Council Strategic Plan Objectives

The recommendations in this report are aligned with the strategic priority of:

- Exceptional Service – Ensure our customers are highly satisfied with the quality of our service – Review customer processes on a regular basis to improve accuracy and efficiency, and encourage feedback; and
- Exceptional Service – Provide the public with transparent and open government, and opportunities to provide input on City issues – Increase access to City information.

Report Author

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Report Approval Details

Document Title:	Tiered Approach to Water and Sewer Fees.docx
Attachments:	
Final Approval Date:	Sep 27, 2021

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

Paul Rockwood, General Manager of Finance and Technology - Sep 23, 2021 - 10:11 AM

Dorothy Shermer, Corporate Officer - Sep 23, 2021 - 11:25 AM

Natasha Vander Wal for Rosemary Lodge, Manager of Communications and Engagement -
Sep 23, 2021 - 5:38 PM

Tim Savoie, City Manager - Sep 27, 2021 - 11:52 AM