



City of Port Moody

Report to Finance Committee

Date: October 6, 2021
Submitted by: Finance and Technology Department – Financial Services Division
Subject: Tiered Approach to Water and Sewer Fees II

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 October 6, 2021 from the Finance and Technology Department – Financial Services Division regarding Tiered Approach to Water and Sewer Fees II be received for information.

Background

At the October 5, 2021 Special Council (Committee of the Whole) meeting, staff presented a tiered approach to water and sewer fees in response to the following resolution:

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.

At that meeting, the following resolution was passed:

CW21/106

THAT staff report back with options to reduce water and sewer rates for housing types generally considered to be affordable housing options such as secondary suites and laneway houses, and set rates for churches within a new not-for-profit class that are consistent with comparable benevolent and not-for-profit organizations.

Discussion

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.

Based on the feedback and discussion that took place at the October 5, 2021 Committee of the Whole meeting, a tiered approach to water and sewer rates for housing types generally considered to be affordable housing options (secondary suites and laneway houses), and with new class for Not-For-Profit customers that includes churches, could look like the following:

Scenario 1 – Proposed Water and Sewer Rates (70%)

Proposed 2022 Water Rates	Units	Ratio	2022 Rate	Rate Change
Single-Family	6,015	100%	\$499	\$24
Townhouse	1,621	98%	\$489	\$14
Condo	5,702	98%	\$489	\$14
Secondary Suites	405	70%	\$349	-\$126
Laneway House	7	70%	\$349	-\$126
Office	172	100%	\$499	\$24
Restaurant	18	200%	\$998	-\$23
Service Stations (Garage)	6	200%	\$998	-\$23
Not-For-Profit (non-housing)	15	50%	\$250	-\$6
Unclassified	2	100%	\$499	\$24

Proposed 2022 Sewer Rates	Units	Ratio	2022 Rate	Rate Change
Single-Family	6,006	100%	\$386	\$28
Townhouse	1,621	98%	\$378	\$20
Condo	5,702	98%	\$378	\$20
Secondary Suites	405	70%	\$270	-\$88
Laneway House	7	70%	\$270	-\$88
Office	172	100%	\$386	\$0
Restaurant	18	200%	\$772	\$111
Service Stations (Garage)	6	200%	\$772	\$110
Not-For-Profit (non-housing)	15	50%	\$193	-\$193
Unclassified	2	100%	\$386	\$0

Scenario 2 – Proposed Water and Sewer Rates (60%)

Proposed 2022 Water Rates	Units	Ratio	2022 Rate	Rate Change
Single-Family	6,015	100%	\$500	\$25
Townhouse	1,621	98%	\$490	\$15
Condo	5,702	98%	\$490	\$15
Secondary Suites	405	60%	\$300	-\$175
Laneway House	7	60%	\$300	-\$175
Office	172	100%	\$500	\$25
Restaurant	18	200%	\$1,000	-\$21
Service Stations (Garage)	6	200%	\$1,000	-\$21
Not-For-Profit (non-housing)	15	50%	\$250	-\$5
Unclassified	2	100%	\$500	\$25

Proposed 2022 Sewer Rates	Units	Ratio	2022 Rate	Rate Change
Single-Family	6,006	100%	\$387	\$29
Townhouse	1,621	98%	\$379	\$21
Condo	5,702	98%	\$379	\$21
Secondary Suites	405	60%	\$232	-\$126
Laneway House	7	60%	\$232	-\$126
Office	172	100%	\$387	\$1
Restaurant	18	200%	\$774	\$113
Service Stations (Garage)	6	200%	\$774	\$112
Not-For-Profit (non-housing)	15	50%	\$194	-\$193
Unclassified	2	100%	\$387	\$1

Scenario 3 – Proposed Water and Sewer Rates (50%)

Proposed 2022 Water Rates	Units	Ratio	2022 Rate	Rate Change
Single-Family	6,015	100%	\$502	\$27
Townhouse	1,621	97.5%	\$489	\$14
Condo	5,702	97.5%	\$489	\$14
Secondary Suites	405	50%	\$251	-\$224
Laneway House	7	50%	\$251	-\$224
Office	172	100%	\$502	\$27
Restaurant	18	200%	\$1,004	-\$17
Service Stations (Garage)	6	200%	\$1,004	-\$17
Not-For-Profit (non-housing)	15	50%	\$254	-\$4
Unclassified	2	100%	\$502	\$25

Proposed 2022 Sewer Rates	Units	Ratio	2022 Rate	Rate Change
Single-Family	6,006	100%	\$389	\$31
Townhouse	1,621	97.5%	\$379	\$21
Condo	5,702	97.5%	\$379	\$21
Secondary Suites	405	50%	\$195	-\$164
Laneway House	7	50%	\$195	-\$164
Office	172	100%	\$389	\$3
Restaurant	18	200%	\$778	\$117
Service Stations (Garage)	6	200%	\$778	\$116
Not-For-Profit (non-housing)	15	50%	\$195	-\$192
Unclassified	2	100%	\$389	\$3

Highlights/Rationale

Attachment 1 provides tables and graphs of the various scenarios for comparison.

Scenario 1 reduces the Water and Sewer charge for secondary suites and Laneway houses by 30%. In this scenario, Water and Sewer charge for secondary suites and Laneway houses are 70% of a Single-Family dwelling. As previously discussed, when one housing type pays less, other housing types must pay more to balance the revenues of the utility. In this scenario, the revenue difference is absorbed by Single-Family dwellings resulting in a ratio of 98% for townhouses and condos. A ratio of 98% is consistent with what these housing types would have paid under the historical flat rate cost allocation.

Scenario 2 reduces the Water and Sewer charge for secondary suites and Laneway houses by 40%. In this scenario, Water and Sewer charge for secondary suites and Laneway houses are 60% of a Single-Family dwelling. In this scenario, the revenue difference is absorbed by Single-Family dwellings resulting in a ratio of 98% for townhouses and condos. A ratio of 98% is consistent with what these housing types would have paid under the historical flat rate cost allocation.

Scenario 3 reduces the Water and Sewer charge for secondary suites and Laneway houses by 50%. In this scenario, Water and Sewer charge for secondary suites and Laneway houses are 50% of a Single-Family dwelling. In this scenario, the revenue difference is absorbed by Single-Family dwellings resulting in a ratio of 97.5% for townhouses and condos. A ratio of 97.5% is consistent with what these housing types would have paid under the historical flat rate cost allocation.

In all of the scenarios, a new class for Not-For-Profit has also been included. This class has been set at 50% of a Single-Family dwelling. An estimate of 15 units has been used, which would reflect the current customers with utility accounts who receive permissive tax exemptions. Finance staff would need to develop an application and vetting process to determine future eligibility for this discounted rate.

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 October 6, 2021 from the Finance and Technology Department – Financial Services Division regarding Tiered Approach to Water and Sewer Fees II.

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. This could be done by directing staff to utilize one of the three scenarios identified in the report.

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.

Attachments

1. Summary Rate Tables and Charts.

Report Author

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Report Approval Details

Document Title:	Tiered Approach to Water and Sewer Fees II.docx
Attachments:	- Attachment 1 - Summary Rate Tables and Charts.pdf
Final Approval Date:	Oct 8, 2021

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

Paul Rockwood, General Manager of Finance and Technology - Oct 7, 2021 - 12:20 PM

Dorothy Shermer, Corporate Officer - Oct 7, 2021 - 3:33 PM

Natasha Vander Wal for Rosemary Lodge, Manager of Communications and Engagement - Oct 7, 2021 - 4:20 PM

Tim Savoie, City Manager - Oct 8, 2021 - 1:57 PM