

Water Services Rates and Billing Process

Committee Recommendation

Council Special Committee
Water Billing Review
Town of Woodstock Council Report
04.2023

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Introduction

Water is the single most valuable resource on the planet and the one we can all easily take for granted. Especially in places like our community where it seems like there is an endless availability of water. Though water is provided naturally for free, the process to make water drinkable and deliver it easily to residences and businesses carries a significant material cost. Treating the water so it is healthy for consumption and the infrastructure required to transport the water and manage the wastewater all add up to a true cost of water.

We have largely lived off, and benefited from, the infrastructure that was built and buried in the ground many decades ago. However, as the true cost of supplying water has increased substantially, the fees we charge for water to customers have not matched the increases. Therefore, not enough money has been invested in the maintenance and replacement of the infrastructure. In order to continue to provide high quality water, we must not undervalue it and we need to ensure we are charging enough to ensure its long-term sustainability.

Since there has been notable underinvestment in infrastructure the past decades, this current generation of water customers will deal with a more dramatic increase in water rates over a shorter period. We need to catch up on maintenance of the existing system and be able to expand it to accommodate population growth in our community.

General Proposed Changes to By-Law

Regardless of what billing option is selected, the below outlines a number of recommendations to standard billing practices and fee schedules.

Future Practices

Customers will be offered monthly payment options regardless of the billing cycle determined. There will no longer be a discount offered for payment in full. Low-income households, or seniors on a fixed income, can apply for a discounted rate (eligibility requirements for income assistance will follow standard GNB assessment practices).

In any case, water rates will no longer be reduced as consumption rates increase. The overall goal moving forward is to set water rates for customers to cover the full cost of providing water services. "Water services" include both potable water and wastewater.

General Fee Options

1. E-service will be required and will be free of charge. Customers that opt to remain on regular mailing service for invoices will be charged a fee to cover the costs. Approximately \$5.00 per mailout.
2. Other Standard Fees:
 - a.) Treatment - \$30.00 - \$50.00
 - b.) Start-up and Closing Fees - \$25.00 - \$50.00
 - c.) Shut-off Fee - \$50.00
 - d.) Connection Fees will be billed at true cost, actual estimate required by the Town. A minimum estimate is approximately \$2,500.00 - \$5,000.00 but may be higher based on conditions and work required.
 - e.) Repair Fees will be managed by the Town Public Works department and will be invoiced at true cost . The Town can hire a third party to perform any or all of repair work required. Estimates can be provided by the Town prior to commencement of work.

Options for Consideration

Option 1A – Single Flat Rate (multi-dwelling and Low Consumption Commercial Buildings included)

Background: Residences will no longer require a meter to be installed inside their home. Residences will be billed annually a flat rate fee for water services. Multi-dwelling buildings will be charged a per unit flat rate fee. Businesses that have historically been charged the minimum billing amount per year will be charged a low consumption commercial flat rate fee. (*All other commercial buildings will remain metered)

Pros: Lower administration costs, no equipment/rental fees, more predictable revenue stream.

Cons: Does not promote conservation. Fairness in cost sharing between low consumption residences and high consumption residences will likely have a greater impact on low consumption users and may unfairly impact low-income households and seniors with fixed incomes.

Option 1B – Tiered Flat Rate (Multi-dwellings and Low Consumption Commercial Buildings included)

Background: This is the same as option 1A, except rather than a single flat rate offered to all residential customers, multiple rates will be offered based on historical consumption.

Pros: Lower administration costs, no equipment/rental fees, more predictable revenue stream. This requires more upfront administrative efforts to establish a proper rate for each residence. This would help create a fairer cost for lower consumption residents so they don't pay a substantially higher amount, and as well, have the higher consumers contribute more overall to the full cost of providing water services.

Cons: Does not promote conservation. This concept only works if tiered flat rates are in place as a temporary measure as the historical data can only be used to set the rates one time. Should a house be sold, or built new, etc. there is no data to set or reset a rate. This should be considered temporary for 2-3 years maximum before switching to single flat rate fee or metered rates.

Option 2A – Metered Billing with Smart Reading

Background: New smart meters will be required in all homes and businesses so that meters can be read from outside. For a number of different reasons, safety being one, relying on entry into every home in order to read a meter is no longer feasible. Homeowners would pay a rental fee for the equipment (approximately \$75.00 annually) that would cover the approximately \$1000.00 per unit fee for equipment and installation. The costs for the equipment and installation is approximately \$2 – \$2.5 million upfront that Utility will need to carry. The rental fee at \$75.00 per year would take approximately 15 years to recover the costs and interest on any borrowing. This requires public works 2-3 weeks annually with at minimum 1 truck and 2 drivers to complete the meter readings. This requires an equivalent to a part-time administrative position under utility to manage and monitor billing and other administrative work. The upfront equipment costs are estimated to be \$7,500.00 - \$10,000.00, with additional software costs.

Pros: Promotes conservation. Fairest form of billing as it is based on actual consumption. Better leak detection, sewer could be metered separately if desired.

Cons: More administrative time required. Large upfront equipment costs, including ongoing maintenance and replacement. Challenges labour for public works staff and access to vehicles. Debt and interest on upfront equipment costs. Time to implement, and challenges to acquire equipment and labour for installations.

Option 2B – Metered Billing

Background: No new equipment is required for homes or businesses. For a number of different reasons, safety being one, relying on entry into every home in order to read a meter is no longer feasible. Residences must submit a photo via an online form. The form will required each customer to fill out proper account details. Submissions are not allowed via any other format. Residents that require manual reading to be performed by Public Works can do so for a fee, and can request it by submitting an online form request or via phone. The fee for a public works reading will be \$50.00 annually or per billing period. Manual reading by Public Works will only be allowed during a designated period of time and by appointment. Meter readings will have a submission deadline, any residences that do not submit their meter reading in time will be charged an estimating fee of \$75.00. Estimates will include an overage of water consumption of 25% based on previous billing. Estimates will only be allowed one-time before an actual reading will be required. This option requires an equivalent to a full-time administrative position under utility to manage and monitor billing and other administrative work.

Pros: Promotes conservation. Fairest form of billing as it is based on actual consumption. Better leak detection, sewer could be metered separately if desired. No new upfront costs.

Cons: This method requires a lot of administrative overhead and a one-time administrative correction to reset all residents due to the past year of water billing being estimates only. Ongoing equipment and replacement, maintenance. Challenges with reporting, which will lead to more in house readings by public works, which carries extra costs and other safety risks. Resistance from employees on in house readings.

Rate Recommendations

Water & Sewer Billing and the associated impact on our revenue:

NOTE: The numbers are based on 1,022 Residential water & sewer customers

Flat Rate Options (rates include both water and sewer for a single “water services” fee):

- Single Flat Rate Billing - the total revenue earned on a single flat rate fee of \$650/year would be \$664,300 increasing the revenue over prior year by \$213,665 for administration, infrastructure repair, maintenance, equipment and supplies.
- Tiered Residential Rates:
 - 1,022 customers separated in tiers based historical consumption:
 - Tier 1 - \$550/year flat rate (customers who paid \$450 and below)
 - Tier 2 - \$725/year flat rate (customers who paid between \$451 to \$600)
 - Tier 3 - \$825/year flat rate (customers who paid between \$601 to \$750)
 - Tier 4 - \$925/year flat rate (customers who paid over \$751)
 - Rates for new dwellings, or transfer of ownership, will be billed at Tier 2 - \$725/year flat rate
 - This would result in an annual year over year revenue increase of approximately \$200,000 plus in addition revenue under Utility for residential billing alone.
- Multi-dwellings – Billed a single flat rate of \$350/unit/year
- Low Consumption Commercial – Billed a single flat rate of \$550/year
- Low income and seniors on a fixed low income to be offered a 15% discount once eligibility has been approved.

Metered Rate Option:

- Meter rates for residential (multi-dwellings included):
 - Proposed increase for water from 4.91¢/1,000 imperial gallons to 6.85¢/1,000 imperial gallons and increasing the flat sewer rate from \$224.00 to \$350.00 per year. Based on 5 year averages for all customers in the fall of 2022, this would increase the minimum bill to be \$554.00/ year and the highest bill to be \$1,539.00/year.

Commercial Rates:

Finance recommends the new metered rates for commercial buildings to be the same as the proposed increase for residential rates as suggested above. Should a flat rate fee be selected, commercial buildings that fall under low consumption users would be given the \$650/year single flat rate fee, or would fall under Tier 1 (\$550/year) if a tiered billing system is selected.

Bulk Water Rates:

Finance recommends adjusting the rates for bulk water sales and new rates will be suggested and added during the by-law draft phase. Current rates are \$20 minimum or \$15 per 1000 gallons.

Impact of Status Quo

The overall cost estimates to replace and upgrade aging infrastructure over the next 5-10 years is approximately \$5-10 million dollars in water service infrastructure, equipment, related expenses alone. This estimate does not necessarily include the costs associated with repairing roads, etc. after underground work has been completed.

Regardless of the billing solution that is chosen, we need to raise the rates so that we can ensure we are collecting enough money to invest in infrastructure. The costs of supplies and labour have increased year over year and it continues to put our water services infrastructure at a disadvantage if we don't increase the rates to reflect increased costs.

In June of 2022 the entire Town of Woodstock was out of water for 24 hours, with some residents and businesses out for 36 hours for an unexpected repair. It inconvenienced schools, businesses, and the approximate 1,000+ household residences and apartment complexes that rely on the Town of Woodstock for water. Without investment today and proactive maintenance long-term, we will see incidents like that increase and the quality of the water itself potentially degrade over time. When water quality degrades in communities it contributes to inequitable access to good water. Residents that can afford to purchase supplementary water for drinking or add expensive water treatment equipment to their households will be able to work around water quality issues at their own expense. Residents that cannot afford to spend additional money to improve their water will be stuck with lower quality drinking water. It is important that we strive to make sure quality drinking water remains equitable for all.

With our new expanded Town of Woodstock boundaries that encompasses all 5 Wards, based on initial assessment we have less than 30% of residential homes using the Town of Woodstock water services. That percentage is one of the lowest in the province and certainly the country. When you have a small amount of people paying into an increasingly expensive resource, the costs to residents that use it will be substantially higher than in areas that have more customers to spread out the costs. Our current water rates are some of the cheapest in the province and the proposed rate increases will put us in the average category for what other municipalities of similar size are charging. As we develop and grow and densify the core of our town, there will be more residents paying for water services and contributing to the overall costs. As those numbers increase, hopefully it will help stabilize the cost of water and perhaps even decrease it in the long run. In order to be able to support additional development, we must continue to ensure our infrastructure can handle it.

Overall Recommendation

After careful review of the costs of administering water services, current and future infrastructure cost needs, and necessity to move forward quickly the committee is recommending that we accept a two-prong approach. We are recommending that the town proceeds with option 1B, the tiered flat rate billing option for an immediate and interim solution of 3 years. During this 3-year period the town will study the effects of this solution on overall water consumption and explore solutions, costs, and funding for smart metering. The town will need to determine in 2-3 years whether smart metering is desired, and/or deemed necessary due to substantial increases in water consumption. If it is determined smart metering is desired, a plan will be put in place to transition from flat rate billing to smart metering. If after 2-3 years' time the town determines that the impacts to water conversation were minimal and it is not desired to move to a smart metering program, the town will transition the from a tiered levy billing to a single flat rate.

The committee accepts the rates as outlined herein for the 4-tiered flat rates for residential houses, apartments, and low consumption commercial buildings. Note: it is understood that during the by-law drafting phase additional small adjustments in rates may be suggested by staff. The committee understands that though the numbers are still an average that the 4-tiered system allows for the most equitable distribution of cost increases overall. The committee is requiring that rates should be reviewed annually moving forward to ensure they reflect true costs and they should be adjusted as necessary.

The committee is suggesting that staff provide some better analysis of overall increases that commercial buildings can expect during the by-law drafting phase to ensure the new metered rates are reasonable and comparable to other communities. Consideration should be given as to whether the commercial buildings should switch to smart metering overall. Meters in commercial buildings should be reviewed for age of the meter in place upon first meter reading and any meter that is over 20 years of age should be replaced.