

Staff Report

to

Council

Date:	December 15, 2014		
Department:	Administration		
Subject:	Sewer Rates for the Period 2015 through 2019		

Background

In September of 2004 the City of Langford entered into an Agreement (the 'Sewer Agreement') with West Shore Environmental Services ('WSES') whereby WSES would finance, own, operate, expand and maintain the City's sewer system for an initial term of 21 years (2004 - 2025), with an option to extend the agreement for an additional 21 years.

Within the terms of this Agreement, it is incumbent upon the City to review and establish, from time to time, prevailing sewer rates for properties connected to (and connecting to) the City's sewer system (Article 15.16 of the Agreement states that 'Langford will retain governance over rates').

The purpose of this Report is to seek direction from Council for:

A/ The establishment (update) of 'sewer rates' for the period 2015 – 2019 (5 years), per the terms of the Sewer Agreement,

AND

B/ Policy direction respecting mandatory sewer connections.

Commentary

Re: A/ above: The establishment (update) of sewer rates for the period 2015 - 2019:

Descriptions and rate design guidelines for various 'fee-based' sewer system items which directly support the revenue structure of the Agreement with WSES are stated in Article 15 of the Agreement. The four (4) fee-based sewer system items that are the subject of this Report are as follows:

1/ Physical Connection Fee ('PCF') – this fee is levied when certain properties require an appropriately-sized sewer pipe to connect their property to the sewer main in the road (or SROW); this fee is intended to be set at a rate that ensures all property owners pay the same rate for a given size of sewer connection pipe regardless of the distance from their property line to the sewer main in the road;

2/ Sewer Capital Recovery Fees ('SCRFs') – this fee is levied at the time of connection to the sewer main; these fees are intended to recover the (average) costs of sewer main construction throughout the City';

3/ User Fees – these fees are levied <u>once annually</u> to finance the on-going maintenance of the City's sewer system;

4/ Incremental Storage Improvement Fees (ISIF's) – these one-time fees are levied when a development creates densities in excess of the densities as set out in the OCP in effect at the time of signing the Agreement ; these fees are intended to cover future costs of any infrastructure required for the storage of 'excess' sewage generated by a given 'excessive density' development;

The Sewer Agreement stipulates that WSES shall maintain at all times a 'rolling' 5-year Sewer Capital Plan showing proposed sewer projects, with anticipated costs and forecast revenues, in consultation and in agreement with the City. These forecast revenues are directly supported by the sewer rates for such fee-based items as '1/ through 4/' above. Hence, in order to ensure sewer rates are reasonably sufficient to support the costs associated with the continuing construction - and maintenance - of the sewer system, Council is required from time-to-time to review such costs and, if necessary, adjust (up or down) the sewer rates for these fee-based items.

Staff has undertaken a review of the latest (2004 through 2013) financial statements from WSES and has agreed there is currently a need to adjust the sewer rates (for the above-mentioned 4 items) to reflect increased costs. Recommended Sewer Rate increases for the upcoming 2015 – 2019 period, for the feebased items 1/ through 4/ above are as shown in the following table:

	<u>Sewer Agreement</u> <u>ITEM:</u>	<u>Definition</u>	<u>2014</u>	2015	2016	2017	2018	2019
1	Physical Connection Fees (PCF)*	per inch diameter of pipe	\$1,028*	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
		*increase to \$1500 immediately;						
2	Sewer Capital	per 'R2	\$8,890	\$9,154	\$9,426	\$9,706	\$9,994	\$10,291
	Recover Fees (SCRF)	equivalent' lot						
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3	User Fees	\$ per m3 'water consumption'	\$0.322	\$0.486	\$0.650	\$0.814	\$1.002	\$1.199
4	Incremental Storage	per assessed	\$495	\$495	\$495	\$495	\$495	\$495
	Improvement Fees	SCRF						
	(ISIF)							

Table 1 - Recommended Sewe	r Rates for the	neriod 2015 – 2019
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Re: B/ above: Policy direction regarding 'mandatory' sewer connections:

The City of Langford has a Bylaw in effect (Bylaw 1066) whereby any developed Lot that has a sewer main available for connection must connect within one year of that sewer main being available, with various exceptions (see Bylaw 1066).

In order to promote the enhancement of the environmental health of the City, it is recommended that

1/ all properties that currently have a sewer main available for connection will be required to connect to the sewer system by end-2018; AND

2/ all properties that receive a sewer main which is available for connection after the date of this Report to Council shall be required to connect either by end-2018, or within one year of the sewer main being available for connection – whichever is later.

The rates in Table 1 and the policy regarding mandatory connections have all been discussed with WSES and they have agreed.

Financial Implications

An increase in the current sewer Rates as recommended above will have a positive effect on the net financial health of the City's continuing Sewer Agreement with WSES, significantly improving the probability that the City will continue to be in a position to maintain sewer rates at a level amongst the lowest in the CRD region.

Legal Implications

Article 15 of the Sewer Agreement contains provisions and guidelines for sewer rate changes, together with the authority whereby Council (and only Council; see Article 15.16) may implement any such sewer rate changes.

The recommended Sewer Rate changes as shown in Table 1 above are fully-supported by these provisions.

Options:

Option 1: That Council approve the Rates as recommended in Table 1 above, OR

Option 2: That Council make adjustments to the Rates recommended in Table 1, OR

Option 3: That Council **not approve** any Rate changes at this time,

<u>AND</u>

Option 4:

That Council approve the recommendation above regarding 'mandatory' sewer connections, OR

Option 5:

That Council **approve a revised version of the recommendation above** regarding 'mandatory' sewer connections, OR

Option 6:

That Council not approve the recommendation above regarding 'mandatory' sewer connections.

Respectfully submitted,

Matthew Baldwin, MCIP, RPP Director of Planning

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