

Rossland needs a sustainable water and sewer service

Rossland is committed to providing and maintaining sustainable water/sewer rates. These essential utilities must be self-supporting. Unfortunately, we have never set our rates to properly reflect the true cost of operating the system. The full cost of the service includes not only the day-to-day operations but also considers the future capital requirements of our water and sewage treatment facilities; all the pipes, the water intakes on the creeks, the reservoirs and all the future increases to maintenance and operational costs that are required. Currently, we have to dip into general tax revenue to pay for it. This requires us to borrow or raise taxes when major work needs to be done, thus creating uncertainty for our taxpayers. Since these improvements and upgrades are quite easy to anticipate, it makes sense to plan for them and pay for them over time with fees. This is considered a “Best Practice” in the utility business.

Figure 4-1: Sewer System Value (2014 Replacement Cost)

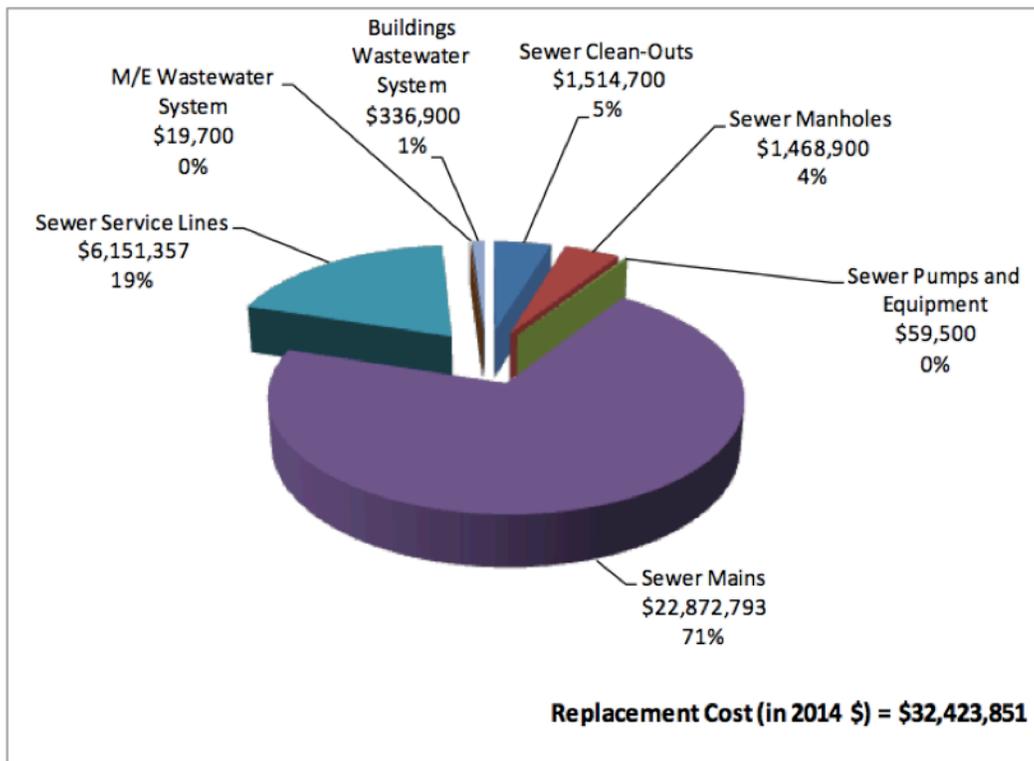
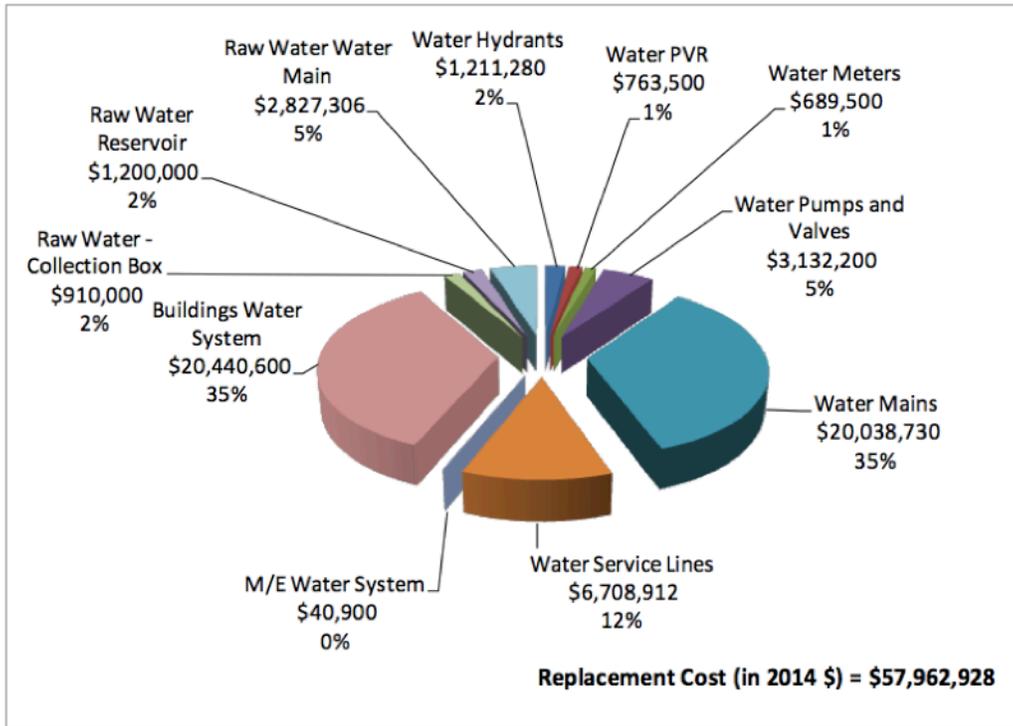


Figure 4-1: Water System Value (2014 Replacement Cost)



The City received a grant to hire an expert water and sewer rate consultant to analyse our system from top to bottom. They created a 25-year plan estimating our current and future operating and infrastructure needs. Next, they outlined a pricing structure that would correct the insufficient pricing of the past and adhere to utility management best practices.

The consultant was directed by Council to use the following guiding principles when designing the rates for both the water and sewer services:

- *Recovery of Annual Costs*- Revenue shall be sufficient to cover annual expenditures.
- *User Pay*- Customer costs shall be based on use or potential for use
- *Fairness and Equity*- Rates shall be as fair and equitable as possible.
- *Affordable Capital Investments*- Capital investments to focus on critical infrastructure and be affordable to customers.
- *Revenue and Stability*- The rate structure shall minimize the occurrence of annual deficits to the extent possible.
- *Billing System*- The rate structure shall be easily accommodated by the existing billing system.
- *Easy to Communicate*- The structure and rates shall be easy, transparent and simple to explain.

We now have the recommendation for a new pricing structure and plan for the new pricing to take effect Jan. 1, 2016.

How will it work?

The new pricing structure will charge customers based on a combination of the “meter size” (the capacity of water available to your property) and the volume you use. The meter size (pipe size) is either ¾” for the majority of residential customers, 1” for many commercial or multi-unit residential buildings, 2”, 3” or larger for about 18 larger buildings, both residential and commercial. The old system was loosely based on the type of property being serviced, either residential or commercial. It was not consistent or fair. Some large water consumers were paying a very low amount for water.

Although water and sewer are charged separately the pricing structure for both is based on water capacity and volume used based on the logic that your outflow is proportional to your inflow.

How will the new Water and Sewer Rates affect rate payers?

For most residential customers, with pipe size ¾”, the 2016 increase will be modest. For approximately 1400 single family homes, 2016 annual fixed rates will increase by \$16 for water and \$74 for sewer – which is less than \$7.00 per month.

For condos and apartments, fixed rates for water and sewer are likely to increase by less than \$20.00 per month.

For Homes with secondary suites the new pricing structure will deliver some good news because it is based only on the pipe size to the home, and there will no longer be a surcharge for secondary suites. These home owners should see a net increase on fixed rates of about \$3.00 per month.

In subsequent years, water rates will increase approximately 11% a year. Sewer rates will also climb, averaging 15% per year for the next eight years, then the increases will drop to around 5% per year until 2036.

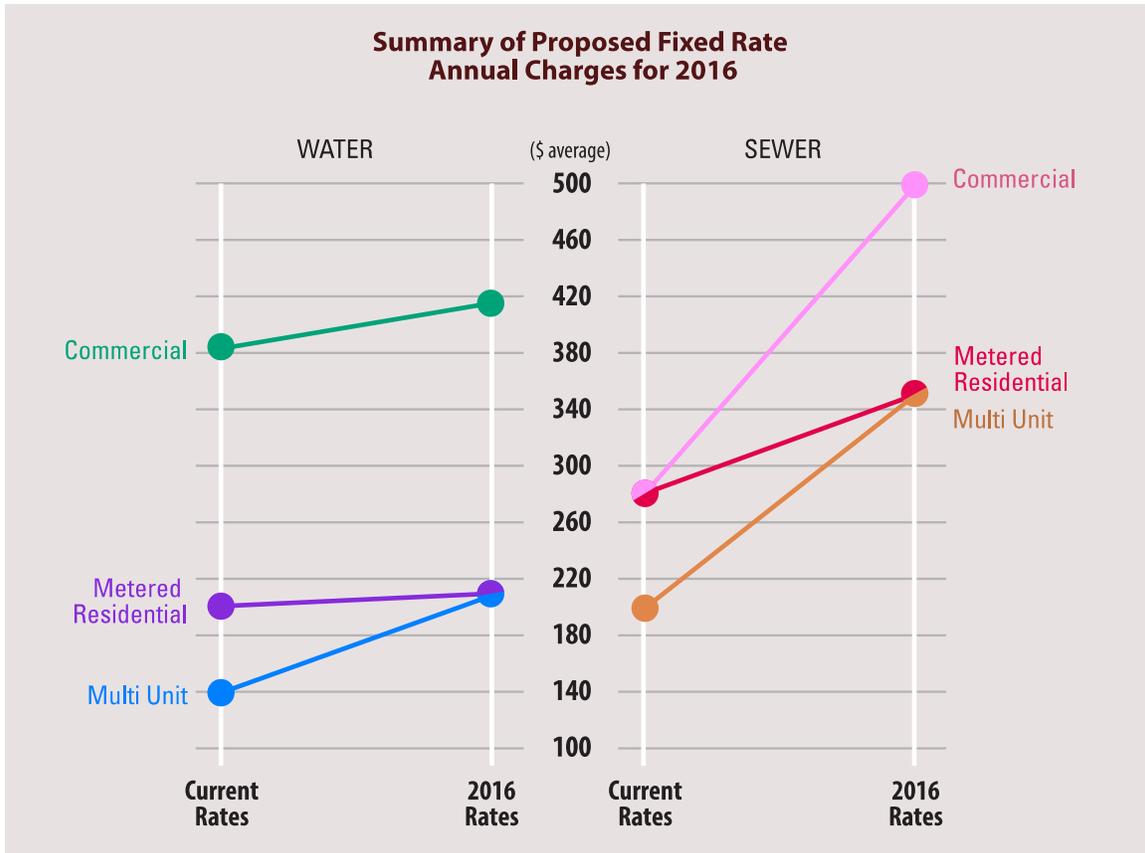
These increases are based on a conservative “worst-case” scenario: the City is completely unsuccessful at getting grants to pay for the infrastructure work, and the work comes in at a high price tag. The City will be working hard to try to make sure that increases along these lines are *not* in fact needed.

If you are still one of the very few customers without a water meter, your fees will increase dramatically in 2016. Water meters have been required for several years and the grace period is past. Unmetered customers will increase from the current flat rate for water of \$201 to \$417. For sewer, the increase is even more dramatic: \$301 to \$607. This will affect about 30 properties. These properties would be well advised to install a meter.

Are there any rate payers who will see larger increases?

There are a number of customers who have been charged unusually low water and sewer rates for decades. These customers will see substantial increases to bring their properties in line with

the true cost of the service they have been receiving. The City will be reaching out to these customers individually to ensure they understand the changes. This will impact about 28, mainly business properties.



Rossland is committed to charging fair and equitable rates for all customers based on an easy to understand structure: You will be charged based on the size of your water pipe because that is the actual capacity of water available to you. You will also be charged on the volume you use. If you use less, this volumetric price will be lower. If you use more, you will pay for it.

Why not have a purely usage based pricing system?

Many people’s initial idea is that it would be best to charge for water 100% based on the actual amount consumed - those who conserve would pay very little, while heavy users would pay a lot. However, our consultant is strongly recommending we have a pricing structure that blends capacity (or pipe size) with volume used. For water utilities the cost of the water is very low but the fixed cost of the infrastructure is very high. If we priced only on volume we would be at risk of not collecting enough to cover our high fixed costs.

Example of typical residential customer for proposed monthly fixed and usage rates

		CURRENT	2016
WATER	Monthly base rate ¹	\$16.75	\$18.10
	Monthly usage ²	\$7.50	\$10.00
	Total Monthly	\$24.25	\$28.10
SEWER	Monthly base rate	\$23.33	\$29.46
	Monthly usage ³	n/a	\$1.70
	Total Monthly	\$23.33	\$31.16
Total Monthly Rates		\$47.58	\$59.26

1. Based on typical residential pipe size
2. Based on residential average usage of 30 cubic meters per month
3. New sewer rates include usage pricing based on water usage

Why now?

This new pricing structure and the associated increases are necessary to fund our water and sewer services for the long term. As responsible stewards of our town, we cannot ignore core infrastructure upgrades and improvements. Our entire system is old and in need of ongoing work. The situation in which we find ourselves is common throughout North America: massive infrastructure investments were made initially but the necessary maintenance and replace programs were never fully funded. This council is committed to acting in the long term interests of current and future Rosslanders.

How can you learn more?

On this website cityofrossland.thoughtexchange.info/water-and-sewer/ you can find: the staff reports with the full consultants' reports and Water and Sewer Bylaws #2600 and #2601.

We are using Thoughtexchange to find the most important questions to be answered. These will be answered at a public meeting on **Thursday, Nov 12, 2015 at the Seniors Center on 1916 First Ave. 7pm**