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# HALDIMAND COUNTY

## Report FDS-03-2020 Alternative Water Billing Options During Development of Multiple Residential Units



For Consideration by Council in Committee on September 15, 2020

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### OBJECTIVE:

To evaluate and recommend to Council alternative options to the current water billing practices during the development phases for multiple residential units located on a single parcel that have a single metered water service connection.

### RECOMMENDATIONS:

1. THAT Report FDS-03-2020 Alternative Water Billing Options During Development of Multiple Residential Units be received;
2. AND THAT Council approve the alternative billing options for qualifying multiple residential unit developments as outlined in Report FDS-03-2020;
3. AND THAT these alternative billing options be implemented on a go forward basis for qualifying developments;
4. AND THAT staff develop an alternative billing policy for qualifying multiple residential unit developments, based on the parameters outlined in FDS-03-2020.

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**Respectfully submitted:** Mark Merritt, CPA, CA, General Manager of Financial & Data Services

**Approved:** Craig Manley, MCIP, RPP, Chief Administrative Officer

### EXECUTIVE SUMMARY:

The County has been approached by a local developer requesting relief from monthly water billings related to the County's current methodology of billing water service related to multiple residential developments that are serviced by a single potable water source. The proposed development in question is a condominium development with multiple buildings/units serviced by one single water source/meter.

To address this request, Council passed the following motion in late 2019:

*That staff be directed to report back to a future Council in Committee meeting regarding alternative options to the current water billing practices during the development phases for multiple residential units located on a single parcel that have a single metered water service connection.*

Under the County's Water Use by-law and applicable Water and Wastewater Fees and Service Charges by-law, billing for water and wastewater commences immediately once the service connection is made by the developer. In most cases, this occurs before the actual construction of any units proposed by the developer.

To address the developer's concerns and Council's direction, staff have evaluated alternative billing options in these type of development scenarios. Using the principles of: balancing the impacts on developers and existing system users; maintaining some consistency between infill lots and other residential developments; and encouraging these types of developments within the County - staff are proposing the following billing amendments:

- *Eligibility:* Alternative billing only eligible during the development phases for multiple residential units located on a single parcel that have a single metered water service connection;
- *Financial Relief:* Provide relief of 50% of the otherwise required basic charges.
- *Time Frame for Relief:* The recommended period of time for the proposed financial relief is the lesser of:
  - Greater than 50% of the development is initiated, based on issuance of building permits;
  - Maximum of 2 years.

It is recommended this approach be implemented on a go forward basis for all eligible developments once Council approval has been received.

## **BACKGROUND:**

The County has been approached by a local developer requesting relief from monthly water billings related to the County's current methodology of billing water service related to multiple residential developments that are serviced by a single potable water source. The proposed development in question is a condominium development with multiple residential dwellings serviced by one single water source/meter. This particular project is akin to the Example 1 of Attachment 1 to this report.

To address this request, Council passed the following motion in late 2019:

*That staff be directed to report back to a future Council in Committee meeting regarding alternative options to the current water billing practices during the development phases for multiple residential units located on a single parcel that have a single metered water service connection.*

Traditionally this has not been a prevalent type of development in Haldimand and as such, has not been a significant issue in the past. With the increased activity of these types of developments, similar requests have been received by staff for some type of relief on the current water billing methodology.

Under the County's Water Use by-law and applicable Water and Wastewater Fees and Service Charges by-law, billing for water and wastewater commences immediately once the service connection is made by the developer. In most cases, this occurs before the actual construction of any units proposed by the developer. As such, although there is no actual water consumption, the value of the service connection is now conferred to the developer/owner of the lands. The value conferred is both in the form of water servicing allocation as well as the increased land value. The monthly billing would be based on the applicable monthly basic charges related to the potable service/meter size. These basic/fixed charges reflect the fixed costs of the underlying water/wastewater systems, which is primarily capital in nature. As these parcels/properties are now connected to the system, they are receiving the benefits of these capital replacements/costs incurred by the County and must share in these costs relatively with all water/wastewater users. This practice is consistent with industry standards and is utilized predominantly across the Province. This practice was evaluated and approved by Council during the 2013 Water/Wastewater Rate Study. Any deviation from this practice would mean existing water/wastewater users would be subsidizing these developers during the construction phase.

With single residential unit, infill developments, this is typically not a significant cost as the water service is less than 25 mm (1"); the total current monthly billing for water and wastewater combined basic charges is approximately \$45. In addition, these units can typically be constructed in a shorter time

frame and sold to recover these costs. The issue with the proposed development in question is that, to meet the potable servicing demands, the potable servicing needs are a 100 mm (4") service. Currently, the total monthly billing for water and wastewater combined basic charges is approximately \$1,940.

The concern raised by the developer is that they are carrying these costs during the development phase until the units are constructed and sold.

It should be noted that the County has already provided some relief for these types of developments several years ago. These developments typically have fire suppression needs in addition to their potable water needs. As an example, the proposed development actually requires a 150 mm (6") service to meet fire and potable water needs. The County has enacted a policy to provide relief for the portion of the service related to the fire suppression needs. The County's policy allows an engineer to quantify the potable water needs which will form the basis for basic water/wastewater service charges. In this example the monthly charges are based on the 100 mm (4") potable servicing needs as opposed to the 150 mm (6") service. This results in a combined monthly savings of approximately \$1,670.

## ANALYSIS:

To address the developer's concerns and Council's direction, staff have evaluated alternative billing options in these type of development scenarios. A number of examples of these development scenarios are included in Attachment 1. These examples represent the most common / anticipated types of projects in the County. As noted above, there is a benefit conferred to the developer once a water connection is established and as such, they must share in some form of the underlying fixed costs of the water/wastewater systems. In this regard, staff evaluated various monthly billing options that would provide some form of financial relief, while balancing the impact on other users of the system, that under normal circumstances, would benefit from the additional revenues from new development (in the form of lower rates). Using the principles of balancing these impacts and maintaining some consistency between infill lots and other residential developments, while encouraging these types of developments within the County; staff are proposing the following billing amendments:

- *Eligibility:* Alternative billing only eligible during the development phases for multiple residential units located on a single parcel that have a single metered water service connection;
- *Financial Relief:* Provide relief of 50% of the otherwise required basic charges.
- *Time Frame for Relief:* The recommended period of time for the proposed financial relief is the lessor of:
  - Greater than 50% of the development is initiated, based on issuance of building permits;
  - Maximum of 2 years.

The rationale for the recommended alternative billing practices are detailed below:

*Eligibility:* This issue has only recently become a concern for developers as these types of developments have become increasingly popular. The impact on a single residential unit development is not financially significant and can be limited by expediting the actual construction and sale of the property. As the servicing needs for multiple units supplied by a single water meter/service can be much larger, the financial impact of carrying these monthly costs can be substantial depending on how long the actual development takes. Attachment 1 outlines the various types of developments that would qualify and the potential savings during the construction phase.

*Financial Relief:* As noted previously, as there is a benefit conferred to the developer and rate impacts to other system users, some financial charges are still applicable at the time of water connection during the development phase. The minimum monthly charge for any residential development is \$45 for a single unit and given that these developments can take numerous forms and varying number of units,

it was determined that a per unit type of reduction was not feasible. For consistency purposes and to balance the needs of the developers with that of the existing system users, it is recommended that the relief be equivalent to 50% of the otherwise required monthly charges. Given the monthly charges can be substantial depending on the servicing requirements, this can be in excess of \$1,000 per month for certain developments.

*Time Frame for Relief:* Given these developments can vary in number of units, type of development (see various examples at Attachment 1) and number of permits required to complete the development, it is recommended that a consistent approach be utilized as opposed to a set timeframe. By providing relief during the construction phase to the point where greater than 50% of the development has been initiated, based on building permit issuance, will provide the developer with the ability to develop and sell a number units to offset the carrying costs of the monthly water/wastewater charges. As noted there is a potential large monthly savings related to some of these developments and as an incentive to complete the development; it is recommended to limit the relief period to a maximum of 2 years. This will establish a maximum timeframe and ensure the impact to the rates of these developments will occur in a timely manner.

It is recommended this approach be implemented on a go forward basis for all eligible developments once Council approval has been received to avoid refunds of current charges and inconsistent treatment of basic charges application.

## **FINANCIAL/LEGAL IMPLICATIONS:**

Overall, the combined annual 2020 budgeted revenues for water and wastewater from potable water users is approximately \$12.6 million. As such, approximately \$126,000 represents a 1.0% impact on the combined rates. As the recommended alternative billing approach provides relief from monthly basic charges for eligible developments, there is a potential for loss revenues during the year. As noted previously, this relief could be as high as \$1,000 per month for eligible developments. As this relief was not contemplated during the setting of the 2020 rates, the impact on future budgets will have to be evaluated based on anticipated number of eligible developments, the amount of monthly relief and timeframe that the relief will be provided; recognizing that the maximum timeframe is 2 years.

It should be noted that growth, particularly anticipated residential growth, has essentially offset increased operating costs in the water/wastewater systems the past few years, resulting in essentially very little, if any rate increases. As such, if the recommended relief to these types of developments helps support the construction/acceleration of such development, all users of the systems will benefit from lower rates in the future.

## **STAKEHOLDER IMPACTS:**

Not applicable.

## **REPORT IMPACTS:**

Agreement: No

By-law: No

Budget Amendment: No

Policy: No

## **ATTACHMENTS:**

1. Example of Financial Impacts on Various Eligible Developments