CITY OF Langford

where it all happens.

# Frequently Asked Questions: West Shore Environmental Fee Changes

1. **What is the agreement, when was it approved?**
The agreement is a long-term Franchise Agreement between the City of Langford and West Shore Environmental Services (WSES), under which WSES owns, operates, and maintains the sewer system and establishes the fees required to fund the service.

   The original agreement was approved in 2004 for a 21-year term and included an option for either party to renew for one additional 21-year term. That renewal was exercised by WSES in 2025, which means the current agreement expires in 2046.

2. **Why is the City making changes to the contract? Why now?**
The City is making these changes in response to feedback from residents and developers concerned about high upfront and ongoing sewer costs, and to address broader affordability challenges in the community. In 2024, WSES notified the City that it was exercising the renewal clause. With the renewal, the agreement will expire in 2046. As both parties are now focused on the remaining 21-year term, City staff have been working with staff from West Shore Environmental Services (WSES) over the last several years to develop a single financial model for the remaining term of the agreement, with a focus on ensuring User Fees and Sewer Capital Recovery Fees (SCRF) are appropriate in both the short term and long term.

3. **What does this mean for Langford residents?**
These changes mean lower sewer costs, both upfront and ongoing, helping to reduce cost-of-living pressures for residents. The updated approach will also ensure that costs are shared more fairly between current and future generations of users of the system, rather than placing a disproportionate burden on ratepayers over the remaining 21-year term.

4. **Why did the City not renegotiate the contract four years ago? Isn't the system paid for now? Why did the City wait until 2025 to start negotiations?**
It is important to clarify that the sewer system has never been "paid off" at any point to date.

   Discussions with West Shore Environmental Services did not begin in 2025, they date back to approximately 2022 and have been ongoing since then. Sometime in 2022 the deferral account, (not debt, but it keeps getting referred to as debt) shifted from a negative balance to a positive balance. This change in the balance was a key factor to begin negotiations and has included broader contract discussions between the parties. It is very important to point out **that under both the existing agreement, and the proposed amended agreement, the City does not have the authority to unilaterally set sewer rates.** The contract, as originally agreed to in 2004 does not allow for the rates to be adjusted independently and therefore must be negotiated between the City and WSES.

   As a result, the City could not simply renegotiate rates in isolation several years ago. The

t 250.478.7882 2nd Floor, 877 Goldstream Avenue
e hello@langford.ca Langford, BC V9B 2X8

changes to the contract that were required and agreed upon are more comprehensive, and it has taken time to negotiate and reach an agreement on the full set of amendments now being advanced.

The amendments not only include the reduced Sewer Capital Recovery Fees, but also the elimination of the Incremental Storage Improvement Fees and the approximately 20% reduction in sewer user fees.

Several other items have also been agreed to in this comprehensive agreement including but not limited to:

- adjustment to the purchase price to better reflect generational equity,
- a phased in adjustment to the corporate overhead allocated towards the utility by WSES,
- adjustment in favour of the City to the financing structure on which WSES receives their rate of return,
- elimination of the mandatory 4.5km annual sewer installation to better allow the parties to manage the build out of the system in an efficient and effective manner, and;
- various administrative adjustments to clarify and update wording throughout the contract.

5. **What does ‘generational equity’ or a lifecycle-based approach mean in simple terms?**
   Generational equity means that the costs of building and maintaining infrastructure are shared fairly over the useful life of the assets between people using the system today and in the future. Instead of current residents paying the full cost of long-term assets over a short period, some of those costs are spread into the future to reflect how long the infrastructure will actually be used. This creates a more balanced and fairer funding model.

6. **How will this impact residents’ sewer bills and cost of living?**
   These reductions will help lower household utility costs and provide financial relief at a time when many residents are facing increased cost-of-living pressures.

7. **When will Langford residents get the 20 % user rate reduction?**
   Property owners will see approximately a 20% reduction to user fees on their annual sewer bill effective in 2027.

8. **Why will the City now pay approximately $50 million at the end of the contract term when the current contract stipulates a $1 purchase price?**
   Given that WSES is entitled to a reasonable rate of return, the sewer utility must generate adequate revenue to cover all costs (including the value of capital assets) over the course of the 42-year contract. The revenues, including the purchase price at the end of the contract, need to cover these costs. Under the current contract, with the purchase price at $1, the revenues would need to come from the rate payers between 2026 and 2046. Under the proposed contract amendments, with a projected purchase price of approximately $50 million, the rate payers from 2026 to 2046 are not required to pay as much which results in the reduction to the SCRF, ISIF and user fees. This amendment represents proper generational equity aligned with the time frame and value of assets.

9. **What are SCRFs? Who pays them? Why are they being refunded? Who will get refunded?**
SCRF stands for Sewer Capital Recovery Fee, which is charged when a property connects to the sewer system. These fees are primarily paid by developers of new properties within the City. Additionally, as the sewer system is extended within existing neighbourhoods, property owners are responsible for paying this fee to connect to the system. Refunds are being issued for SCRFs paid in 2026 because the contract amendment adjusts the SCRF fee effective January 1, 2026; therefore, developers and property owners who paid SCRFs in 2026 have paid more than the amended fee.

10. **Who is eligible for SCRF refunds and how will they be issued?**
Applicants who paid SCRFs on or after January 1, 2026, will be eligible for partial refunds based on the difference between the previous and updated fee rates. WSES and the City will provide further details on the refund process, including timing and method of payment, once the agreement is finalized.

11. **Will property taxes increase to support these changes? Will taxpayers subsidize the sewer system?**
No. Financial modelling shows that the sewer utility will remain self-funding in both the short term and long term, meaning that revenues generated from user fees and related charges will continue to cover all costs. These changes will not require funding from general property taxes.

12. **Who owns and runs the sewer system?**
The sewer system is owned and operated by West Shore Environmental Services through a Sewer Utility Agreement with the City. This agreement was signed in 2004 for an initial 21-year term. The agreement included a clause that it could be renewed for an additional 21-year term at the discretion of either party. West Shore Environmental Services initiated the second 21-year term. The agreement will expire in 2046.

13. **What happens at the end of the contract?**
Under the current contract, at the end of the term, the City may purchase the sewer assets for $1. A portion of these assets will remain undepreciated, meaning they will still have remaining useful life. At that time, WSES will not have received its reasonable rate of return on the value of these assets. As a result, WSES must either collect the funds to fully pay off these assets by the end of the term in 2046 through SCRFs and User Fees, or collect its rate of return through reduced and reasonable fees paid by ratepayers over the coming 20-plus years, along with a larger purchase price that can be financed by fees beyond 2046.

14. **When will the agreement take effect?**
The proposed changes are currently reflected in a term sheet agreed to by both the City and WSES. Staff are working to finalize the full agreement, which is expected in the coming weeks. Once finalized, the updated fee structure, including SCRF reductions and refund provisions, will be implemented.