



SUBJECT: 2012 Water, Wastewater, and Stormwater Budget
FROM: I. Simanovskis, Director of Infrastructure and Environmental Services
DATE: February 14, 2012

RECOMMENDATIONS

THAT report IES12-002 be received; and

THAT Council approve the 2012 Water, Wastewater, and Stormwater budgets with a combined net expenditure of \$14,337,418; and

THAT Council approve the 2012 retail water rate of \$1.4669 per cubic meter and the retail wastewater rate of \$1.2349 per cubic meter of water; and

THAT Council approve the 2012 flat rate stormwater charge of \$4.31 per unit per month for residential and condominium properties and \$60.54 per unit per month for metered non-residential commercial/industrial and multi-residential properties; and

THAT the new approved rates become effective for all billings issued by the Town on or after May 1, 2012, and be retroactive for all consumption newly billed on such billings; and

THAT Council approve the 2012 bulk water purchase rate of \$2.7018 per cubic meter dispensed effective May 1, 2012; and

THAT Council approve fees of \$750 per connection for installation of a service connection for either water or wastewater services effective for work performed on or after May 1, 2012; and

THAT Council adopt the necessary by-law to implement the above recommendations effective May 1, 2012

PURPOSE OF THE REPORT

The purpose of this report is to present the budget summary for rate supported programs and set the 2012 rates for fees collected for the water, wastewater and stormwater services for billings issued on or after May 1, 2012. The Presentation made to Council December 12, 2011 can be viewed on the following link:

<http://www.e-aurora.ca/app/wa/mediaEntry?mediaEntryId=59331>

BACKGROUND

Legislative Framework

Legislative environment has been effective in increasing confidence on Ontario's water systems

The services of water supply, wastewater management and stormwater management are greatly regulated by the Province. This regulation has been a part of the industry for a long time. However, as a result of the Walkerton tragedy in 2000, significant changes to legislation occurred resulting in continued improvements to how water supply is delivered. The best practices coming out of the changes to water regulations has been of great benefit to increasing confidence and certainty in the delivery of safe water to the community.

Overseers of water systems are held to a standard of care for public safety

The Safe Drinking Water Act, 2002, focuses on water supply and outlines the expected standard of care for overseers of water supply systems. This Act is the basis of our operations and great effort is placed in ensuring compliance and continual improvement in meeting all the requirements.

Wastewater and Stormwater systems have similar Acts and Regulations

Legislation for wastewater and stormwater are also in place and have similar requirements for these services. Recent legislation for stormwater protection includes the Lake Simcoe Protection Act 2008 for which Aurora is a participating partner within this watershed. The Storm Water Management Plan required to be completed by 2013 is an example of the types of continuous improvement initiative the Province is requiring of its partner Municipalities.

Drinking Water Quality Management System (DWQMS)

The Town is well on its way to completing Water System Licensing Requirements

The DWQMS is the primary process from which the Municipality will achieve the required approvals for operations of the water system from the Ministry of the Environment. This process has been underway across Ontario for several years now and the following summary provides Council with a brief history of the milestones achieved by the Town to date:

- Development of Operational Plan (May 2008- May 2009)
- Council Endorse Operational Plan (June 23, 2009)
- Submit Operational Plan to MOE (Aug 1, 2009 Mandated Deadline)
- MOE Audit of Operational Plan (March 29, 2011)
- MOE Acceptance of Operational Plan (August 30, 2011)
- MOE Issues Operating System License (August 30, 2011)
- Deadline for Submission of Council Endorsed Financial Plan (February 29, 2012)

COMMENTS

Overview of Budget Process

Rate setting developed through several areas of responsibility

The following outlines the steps in developing the water, wastewater and stormwater budget after which the details of the financial implications are presented through the development of the proposed rates for these services:

- Determine annual operating financial needs.
- Review capital replacement plan and assess status of reserve fund profile.
- Determine annual reserve contribution requirements for sustainability.
- Analyse probable water volumetric needs based on Town consumption patterns.
- Determine rates that achieve conservative revenue based on wet summer sales targets.
- Project 4 years out to review stability of rate and incorporate rate stabilization funding from reserves as may be required.

Overview of Budget Pressures

Transfer of Unrelated Charges to Tax Budget

Charges for Parks Department uses identified and transferred to tax budget

Staff Report IES11-032 - Water Audit for Town of Aurora, was prepared for the August 16, 2011 General Committee and outlined detailed information on water uses for internal facilities that are not metered. The cost for these unmetered uses is \$116,000. This amount has now been included as revenue to the water budget from Parks Department.

Costs previously transferred from departmental operations to water budget no longer can be supported

In an effort to accurately accrue expenditures related to the various services provided by the Town, staff identified a total of \$293,000 of expense that no longer relate to the provision of water services but are actually related to tax based services. This expenditure has been reduced in the past three years based on a gradual phase out. However, as full cost accounting is now a legislative requirement for water systems, it is recommended that this expense be transferred to the tax budget where expenses are actually occurring.

Pressures for Sustainability

Infrastructure and sustainability pressures on regional water systems passed down through wholesale rates

The municipal water industry is continuing to move through substantial changes in how services are delivered and how future sustainability is accommodated and planned for. York Region has seen significant costs in its wholesale rates over the past several years that result in a direct impact on the Town's costs. Their current forecast has been revised to continue with high rate increases into the near future to reach sustainable funding. The rate increases will remain at 10% per year until 2015, 8% for 2016, 6% for 2017, 4% for 2018

and 2019 and 3% for 2020. These proposed regional rate increases have a direct impact on retail rates as the regional charges exceed 60% of the total operating costs.

Town water rate pressures as a result of wholesale costs and long term capital requirements

The Town's budget history has demonstrated increased costs in lock step with the Region to maintain current revenue levels. The financial plan as required by the Province must be submitted by February 28, 2012. This plan will be brought to Council in early March and is largely in step with the 2012 budget with the additional accounting requirements stipulated by the Province. The financial plan is required to demonstrate to both the Province and the consumers that the Town has taken the responsibility of infrastructure sustainability seriously.

System Water Loss

Due to the early approval of the 2012 budget, final consumption data is not available to assess water loss. A separate report will be provided to Council once the 2012 water meter data is available. This report will also include an update on the ongoing Regional water loss issues and movement towards a resolution.

Reserve Balances

Water subsidies from reserves to be eliminated over next several years

Other than 2007 when sales met targets, the last decade has resulted in the need to subsidize the program in the range of \$500,000 per year. This subsidy was been significantly reduced in 2012 to \$230,000 and to less than \$100,000 in the following three years.

Deficit Reserve Balance

Reserve balance expected to reach sustainable levels in near term

The reserve balance for the water system is currently in a deficit position of \$700,000 with positive balances returning in 2014/2015. The ten year forecast is a balance of \$2,000,000 based on an annual contribution of \$1,500,000.

The wastewater reserve balance is in a deficit position of \$580,000 and remains in a deficit until 2019. The annual contribution to this reserve is inadequate and is planned to be increased from the current level of \$525,000 to a \$1,500,000 by 2022.

The need to re-establish adequate reserves is a significant pressure on the rates over the next 10 years as the reserves approach sustainability.

2012 Rate Budget

The following tables are based on the financial forecasts presented in the 2012 Proposed Budget that can be found at the following website:

<http://www.e-aurora.ca/app/wa/mediaEntry?mediaEntryId=59258>

2012 Water Budget and Rate Calculation

Table 1A

<i>Rate Component</i>	<i>2011 Rate</i>	<i>2012 Proposed</i>	<i>Change (%)</i>
Wholesale Cost	\$0.6973	\$0.7670	10.0%
Water Loss Allowance	\$0.0982	\$0.1019	3.7%
Net Operating Costs	\$0.6404	\$0.5980	-6.6%
Total Retail Water Rate	\$1.4359	\$1.4669	2.16%

2012 Wastewater Budget and Rate Calculation**Table 1B**

<i>Rate Component</i>	<i>2011 Rate</i>	<i>2012 Proposed</i>	<i>Change (%)</i>
Wholesale Cost	\$0.7900	\$0.8690	10.00%
Water Loss Allowance	\$0.0995	\$0.1380	38.7%
Net Operating Costs	\$0.2332	\$0.2279	-2.2%
Total Retail Wastewater Rate	\$1.1227	\$1.2349	10.00%
2011 Combined Rate			
	\$2.5586	\$2.7018	5.60%

Staff were able to identify savings in the water and wastewater system budgets based on some of the budget opportunities identified in this report. These savings reflect the ongoing improvements being implemented in both front line services as well as tracking and managing delivery of these services.

2012 Miscellaneous ChargesConnection Charges

The current connection charge is \$725 per connection. This charge is proposed to remain unchanged for 2012 and is the fee for approving connections to consumers.

Turning Water On or Off

The current flat fee for turning a water supply off or on at the request of a customer is \$40.00 per event during working hours and \$80.00 per event other than normal working hours. This rate has been in effect since 2008 and is not recommended to increase at this time.

Purchase of Bulk Water

The current rate for purchase of bulk water is \$2.3272 per m³. This is the same rate charged to retail customers for both water and wastewater services combined. The Town incurs wholesale costs for both services based on metered water consumption. The 2012

rate therefore is to increase to the combined charge of \$2.7018 per m³ on May 1, 2012 to correspond to the retail rate changes. Bulk water accounts are billed at the end of each month for water dispensed in that period. Water dispensed on or after May 1 will be charged at the new rate.

2012 Stormwater Charges

Stormwater charges are collected as flat rate fees to residents and commercial accounts

In 1998, Aurora implemented a flat rate charge for stormwater operation and maintenance. The operating costs consist primarily of routine maintenance and periodic capital upgrades to the existing infrastructure. The costs are apportioned between the residential and non-residential accounts based on a fixed formula which are then calculated and charged as a monthly fixed fee per account. A summary of the costs are presented in the table below.

Table 2A

<i>Rate Component</i>	<i>2011 Costs</i>	<i>2012 Proposed</i>	<i>Change (%)</i>
Gross Operating Costs	\$459,173	\$429,543	-6.50%
Reserve Contribution	\$1,000,000	\$1,000,000	0.00%
Fee Stabilization	(\$300,000)	(\$129,543)	-56.80%
Total Recovery	\$1,159,173	\$1,300,000	12.10%

The 2012 rates are proposed to increase as shown in the table below:

Table 2B

<i>Stormwater Flat Rate</i>	<i>2011 Rate</i>	<i>2012 Proposed Rate</i>	<i>Rate Change</i>	<i>Change (%)</i>
Residential/year	\$49.32	\$51.75	\$2.46	4.9%
Residential/month	\$4.11	\$4.31	\$0.20	4.9%
Non-Residential/year	\$692.28	\$726.42	\$34.59	4.9%
Non-Residential/month	\$57.69	\$60.54	\$2.85	4.9%

ALTERNATIVE(S) TO RECOMMENDATIONS

The rates for the various services are established each year based on coming into effect May 1 of the current year and are applied to all consumption, regardless of reading interval, on all billings prepared and issued on or after May 1. Approval of the recommendations in advance of May 1 will allow the revised rates to be charged at the appropriate time to fulfill budget projections.

FINANCIAL IMPLICATIONS

The Water and Wastewater rates are both based on the volume of water purchased by the end users. Total net expenditures to be approved for user rate recovery are shown in the following table:

Table 3A

<i>Component</i>	<i>2011 approved</i>	<i>2012 Proposed</i>	<i>Change</i>	<i>Change (%)</i>
Water	\$6,850,331	\$7,189,631	\$339,300	4.95%
Wastewater	\$5,317,822	\$5,847,787	\$529,965	9.96%
Stormwater	\$1,159,173	\$1,300,000	\$140,827	12.15%
Total	\$13,327,326	\$14,337,418	\$1,010,092	7.58%

The proposed rates will result in an average annual residential consumer charge as outlined in the following table and is based on a baseline consumption of 245 m³/year:

Table 3B

<i>Component</i>	<i>2011 Average Billing</i>	<i>Change</i>	<i>2011 Proposed Average Billing</i>	<i>Change (%)</i>
Water Charge	\$351.80	\$7.59	\$359.39	2.16%
Wastewater Charge	\$275.06	\$27.49	\$302.55	9.99%
Stormwater Charge	\$49.32	\$2.46	\$51.75	4.90%
Total	\$676.18	\$37.54	\$713.69	5.55%

CONCLUSION

The water, wastewater and stormwater programs are all funded through a rate structure based on consumption and full cost recovery. The budget for 2012 results in an overall increase of 5.55 percent for a typical residential customer. All rates are forecast to be in effect May 1, 2012 until April 30, 2013. Billing of these rates is subject to timing of billing cycles with new rates coming into force for the same period for each account. Further clarification of billing cycles and timing can be obtained from the Finance Department.

ATTACHMENTS

None

PRE-SUBMISSION REVIEW

Executive Leadership Team Meeting of January 5, 2012

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