



**TOWN OF AURORA  
GENERAL COMMITTEE REPORT No. IES13-009**

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**SUBJECT:** *Water, Wastewater and Stormwater Budget*  
**FROM:** *I. Simanovskis, Director of Infrastructure & Environmental Services*  
**DATE:** *March 19, 2013*

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**RECOMMENDATIONS**

*THAT report IES13-009 be received; and*

*THAT Council approve the 2013 Water, Wastewater, and Stormwater budgets with a combined net expenditure of \$15,784,143; and*

*THAT Council approve the 2013 retail water rate of \$1.6088 per cubic meter and the retail wastewater rate of \$1.3719 per cubic meter of water; and*

*THAT Council approve the 2013 flat rate stormwater charge of \$4.36 per unit per month for residential and condominium properties and \$61.53 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, 2013, and be retroactive for all consumption newly billed on such billings; and*

*THAT Council approve the 2013 bulk water purchase rate of \$2.9807 per cubic meter dispensed effective May 1, 2013; and*

*THAT Council adopt the necessary by-law to implement the above recommendations effective May 1, 2013.*

**PURPOSE OF THE REPORT**

The purpose of this report is to present the budget summary for rate supported programs and set the 2013 rates for fees collected for the water, wastewater and stormwater services for billings issued on or after May 1, 2013.

## **BACKGROUND**

### **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 initiatives the Province is requiring of its partner Municipalities.

### **Safe Drinking Water Act Requires that Council Assume Responsibility for Standard of Care of Water System**

One of the many important recommendations that came out of the Walkerton Inquiry was that as "the safety of drinking water is essential for public health, those who discharge the oversight responsibilities of the municipality should be held to a statutory standard of care". Members of a Municipal Council have an important role to play in ensuring that their community has access to safe, high quality drinking water and they are legally obliged to do so.

Section 19 of the Safe Drinking Water Act expressly extends legal responsibility to people with decision-making authority over municipal drinking water systems. Anyone to whom the duty of care applies is required to exercise the level of care, diligence and skill that a reasonably prudent person would be expected to exercise in a similar situation. They must also act honestly, competently and with integrity, with a view to ensuring the protection and safety of users of the municipal drinking water system.

The Safe Drinking Water Act does recognize that those persons exercising decision making and oversight roles may need to rely on experts and accordingly, allows any person subject to the duty of care to rely in good faith on a report of an engineer, lawyer, accountant or other persons whose professional qualifications lend credibility to the report.

This report and related presentation material is provided to Council will relevant information to assist Council in its decision making role.

## **COMMENTS**

### **Overview of Budget Pressures**

#### *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 as they reach sustainable funding levels. 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 approach 65% of the total Town 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 was submitted February 28, 2012. 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. Costs pressures related to sustainability include:

- Reduced reliance on Reserves to supplement the operating budget
- Continued reserve contributions to support the long term, capital replacement program.

#### **Program efficiencies and service delivery reviews continue to improve budget process**

There have been a number of efficiencies introduced into the rate program budget process aimed at creating better accountability and improved service delivery and budget forecasts.

#### Increased Accuracy in Water Demand Forecast:

Changes in the methodology of forecasting water and wastewater wholesale and retail volumes have closed the gap in potential underfunding. The 2012 consumption actuals have virtually matched forecast volumes. This has a beneficial effect on the budget as more accurate revenues result in minimal subsidy requirements or potentially surplus funds that further preserve reserve balances.

#### Reductions in Unbilled and Unaccounted for Water:

There is always a portion of water consumed for operational needs, testing and that is lost in the system. Minimizing this quantity reduces operating costs and increases revenues. Improvements have been made in how water loss is tracked and systems, such as flushing meters, have been introduced to more accurately track known unbilled uses. In addition, Finance is proceeding with a metering accuracy study which will be provided at a future date.

#### Reduction in Cost Transfers to Rate Program:

Council approved a reduction of \$293,000 in the rate program in 2012 to the account for those costs in the appropriate centres. This accounting change further supports full cost accounting in ensuring that only rate program related costs are being applied to the community and is in support of the Water Financial Plan.

#### Transfer of Annually Funded Capital Programs to Operating Budget:

Maintenance and repair work performed every year was previously approved through an annual budget request. These were often separate capital projects from water and wastewater system upgrades performed on road reconstruction projects. The combined impact of these capital projects was substantial on the reserve balances and contributed to significant reductions in the reserve balances. Transfers from capital to operating budgets for the water and the wastewater annual maintenance was completed for 2013 and is now fully funded through the annual operating budget. Although these costs must still be recovered through the rates, there is less of an impact on the reserve accounts and adjustments in future reserve requirements have been made to reflect this efficiency.

#### Reduced Reliance on Reserves to offset Revenue Shortfall in Operating:

The three rate supported programs are nearing full cost recovery as budgeted reliance on reserves is being reduced. Reserve reliance is expected to cease by 2015 and is being phased out at a controlled pace to manage rate increases. This is a key objective in

reaching funding sustainability.

System Water Loss

Due to the early approval of the 2013 budget, final consumption data is not available to assess water loss. A separate report will be provided to Council once the 2013 water meter data is available. This report will also include an update on the ongoing Regional water loss issues and movement towards a resolution.

**2013 Rate Budget**

The following tables are based on the financial forecasts presented in the 2013 Proposed Budget that can be found at the following website:

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

**2013 Water Budget and Rate Calculation**

**Table 1A**

<i>Rate Component</i>	<i>2012 Rate</i>	<i>2013 Proposed</i>	<i>Change (%)</i>
Wholesale Cost	\$0.7670	\$0.8437	10.0%
Operating Costs	\$0.6999	\$0.7651	9.3%
<b>Total Retail Water Rate</b>	<b>\$1.4669</b>	<b>\$1.6088</b>	<b>9.7%</b>

**2013 Wastewater Budget and Rate Calculation**

**Table 1B**

<i>Rate Component</i>	<i>2012 Rate</i>	<i>2013 Proposed</i>	<i>Change (%)</i>
Wholesale Cost	\$0.8690	\$0.9559	10.00%
Operating Costs	\$0.3659	\$0.4160	13.7%
<b>Total Retail Wastewater Rate</b>	<b>\$1.2349</b>	<b>\$1.3719</b>	<b>11.1%</b>
<b>2011 Combined Rate</b>			
	<b>\$2.7018</b>	<b>\$2.9807</b>	<b>10.3%</b>

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. However, continued reduction of reserve reliance is driving the Town’s 2013 rate increase as continued reduction of this reliance

is achieved by a combination of cost reductions and increases to revenue.

**2012 Miscellaneous Charges**

Purchase of Bulk Water

The current rate for purchase of bulk water is \$2.7018 per m<sup>3</sup>. 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 2013 rate therefore is to increase to the combined charge of \$2.9807 per m<sup>3</sup> on May 1, 2013 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.

**2013 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>2012 Costs</i>	<i>2013 Proposed</i>	<i>Change (%)</i>
Gross Operating Costs	\$429,543	\$372,831	-13.2%
Reserve Contribution	\$1,000,000	\$1,000,000	0.00%
Rate Stabilization	(\$129,543)	(\$59,831)	53.8%
<b>Total Recovery</b>	<b>\$1,300,000</b>	<b>\$1,313,000</b>	<b>1.0%</b>

The 2013 rates are proposed to increase as shown in the table below:

**Table 2B**

<i>Stormwater Flat Rate</i>	<i>2012 Rate</i>	<i>2013 Proposed Rate</i>	<i>Rate Change</i>	<i>Change (%)</i>
Residential/year	\$51.75	\$52.35	\$0.60	1.2%
Residential/month	\$4.31	\$4.36	\$0.05	1.2%
Non-Residential/year	\$726.42	\$738.33	\$11.91	1.6%
Non-Residential/month	\$60.54	\$61.53	\$0.99	1.6%

**LINK TO STRATEGIC PLAN**

*Strategic Plan Goal of Supporting an Exceptional Quality of Life for All*

**Objective 2: Invest in Sustainable Infrastructure**

Both legislation and fiscal management lead to creating sustainable water, wastewater and stormwater infrastructure. Providing the appropriate rates ensures that sufficient revenues are generated to create financial sustainability and maintain the assets accordingly.

**ALTERNATIVE(S) TO THE 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>2012 approved</i>	<i>2013 Proposed</i>	<i>Change</i>	<i>Change (%)</i>
Water	\$7,189,631	\$7,824,088	\$634,457	8.8%
Wastewater	\$5,847,787	\$6,647,055	\$799,268	13.7%
Stormwater	\$1,300,000	\$1,313,000	\$13,000	1.0%
<b>Total</b>	<b>\$14,337,418</b>	<b>\$15,784,143</b>	<b>\$1,446,725</b>	<b>10.0%</b>

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 m<sup>3</sup>/year:

**Table 3B**

<i>Component</i>	<i>2012 Average Billing</i>	<i>Change</i>	<i>2013 Proposed Average Billing</i>	<i>Change (%)</i>
Water Charge	\$359.39	\$34.77	\$394.16	9.7%
Wastewater Charge	\$302.55	\$33.57	\$336.12	11.1%
Stormwater Charge	\$51.75	\$0.60	\$52.35	1.2%
<b>Total</b>	<b>\$713.69</b>	<b>\$68.94</b>	<b>\$782.63</b>	<b>9.7%</b>

## CONCLUSIONS

The water, wastewater and stormwater programs are all funded through a rate structure based on consumption and full cost recovery. The budget for 2013 results in an overall increase of 9.7 percent for a typical residential customer. All rates are forecast to be in effect May 1, 2013 until April 30, 2014. 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.

## PREVIOUS REPORTS

Report No. IES12-002 - 2012 Water, Wastewater and Stormwater Budget

## ATTACHMENTS

N/A



**PRE-SUBMISSION REVIEW**

Executive Leadership Team Meeting, March 6, 2013

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