

Water, Wastewater, Stormwater Rate Structure Review

Background

A Rate Structure Review has been identified as a Term of Council Priority

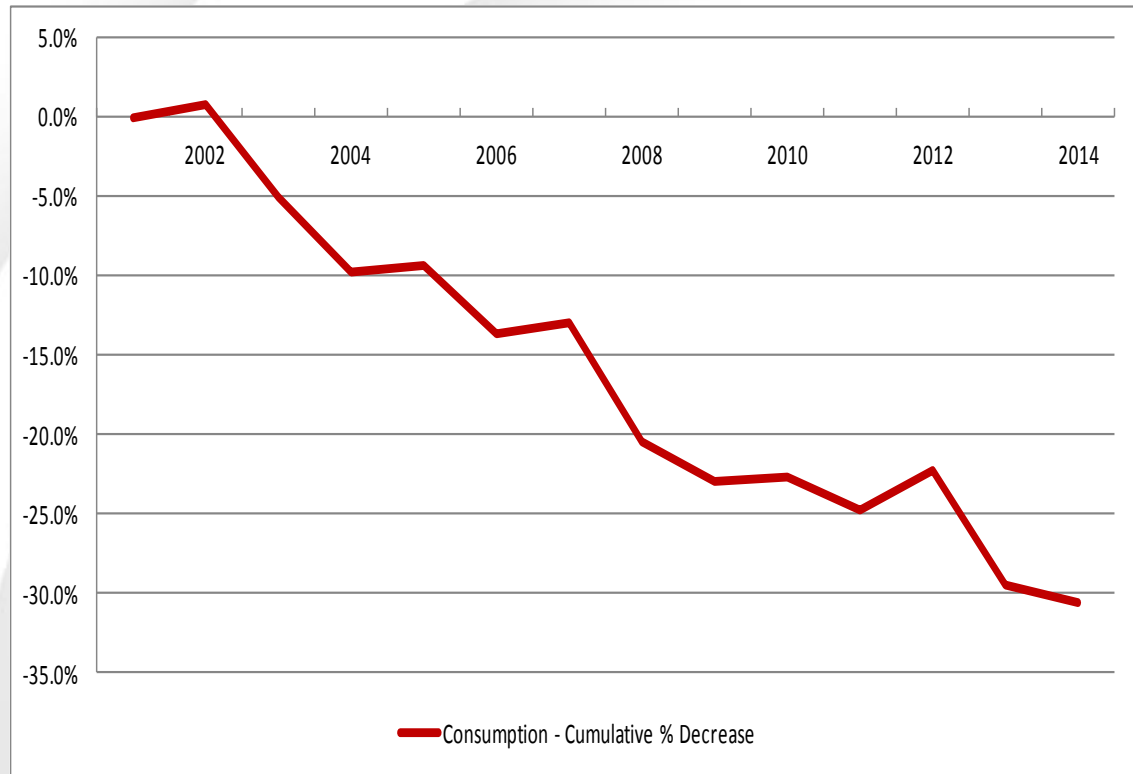
Rate revenues support drinking water and wastewater operations and capital investment in water and sewer infrastructure.

- **Water use charge** –based on metered usage
- **Sewer surcharge (re sanitary & stormwater)** – applied to the water use charge
- **Fire supply charge** – flat fee based on meter size

What has prompted the Review?

- Water consumption has become volatile, less predictable

City of Ottawa
Average Annual
Consumption
(Single Family
Dwelling)



- Service sustainability is at issue, all must pay to continue current service levels

Concerns re the Current Structure

- The current rate structure does not provide predictable revenues and does not fairly allocate the cost of maintaining the system:
 - Volumetric consumption structure for water & wastewater is not aligned to the highly fixed nature of the costs of operations and the renewal of aging infrastructure
 - Over 45,000 properties without water meters do not contribute towards stormwater operations & infrastructure
 - No correlation between stormwater cost pressures (i.e. property runoff) and revenue funding (water usage)

Goal

To establish a new rate structure that achieves **fairness** and **equity** for all customers while also ensuring the system's **financial sustainability**.

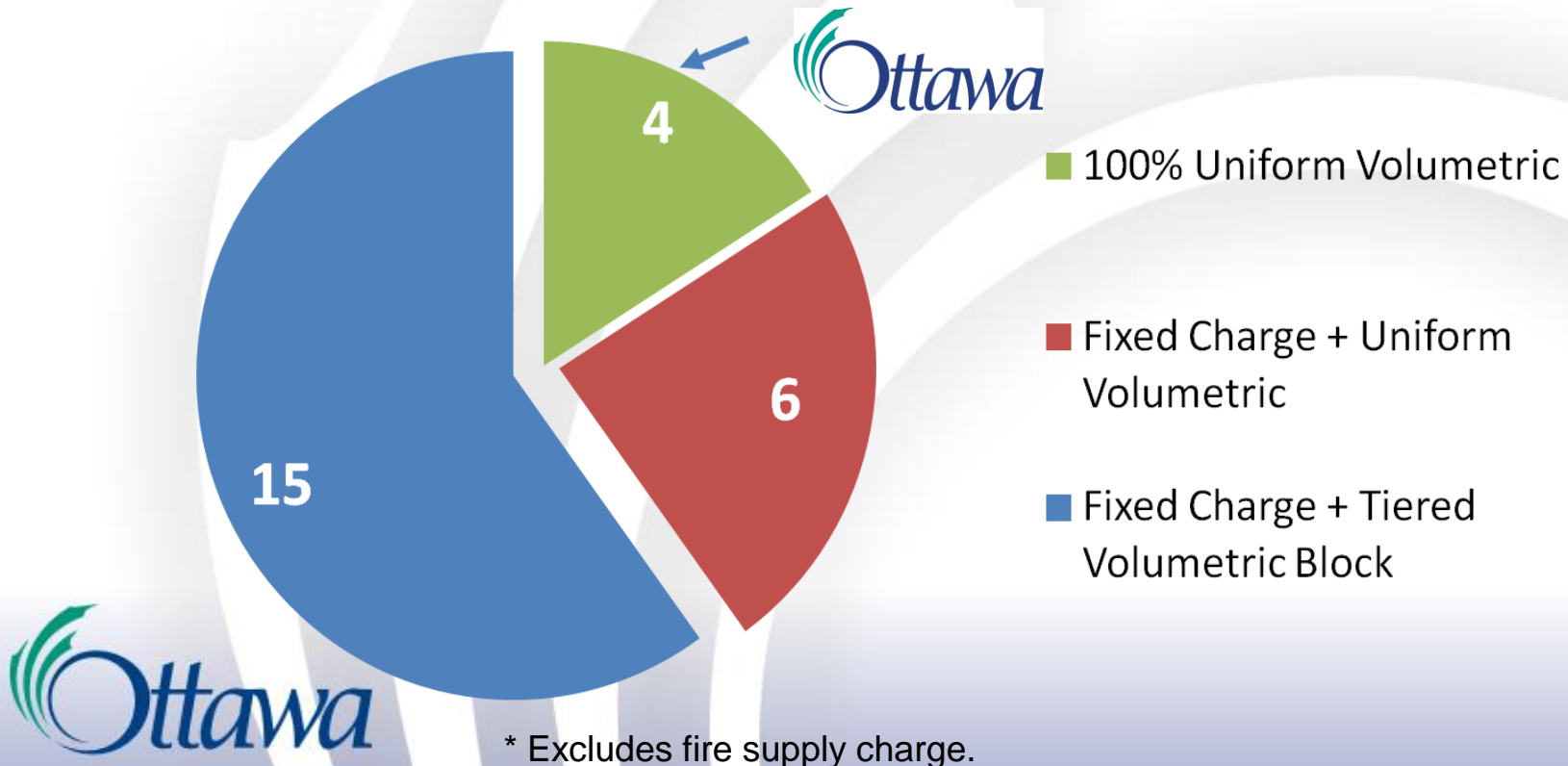
Guiding Principles

Fairness and Equity	Customers should pay or contribute for a service in accordance with the benefit they receive
Financial Sustainability	The full cost of operating water, sewer, and stormwater systems and maintaining the infrastructure in a state of good repair is achieved through a stable user pay approach where practicable
Affordability	The user pay rate structure should ensure that the level of consumption that meets basic needs is affordable to residential customers
Transparency	Should be transparent and follows industry best practices. It should be easy for customers to understand and for the City to maintain.
Preserve Conservation	Should continue to encourage water conservation as well as assist in managing system demand.
Support Economic Development	Should support economic development by being comparable to other rates in the province.

Analysis

- Most municipalities include both a fixed service charge and a volumetric charge for water & wastewater services
- Conforms with CWWA best practice

Review of 25 Larger Ontario Municipalities Water Rate Structures



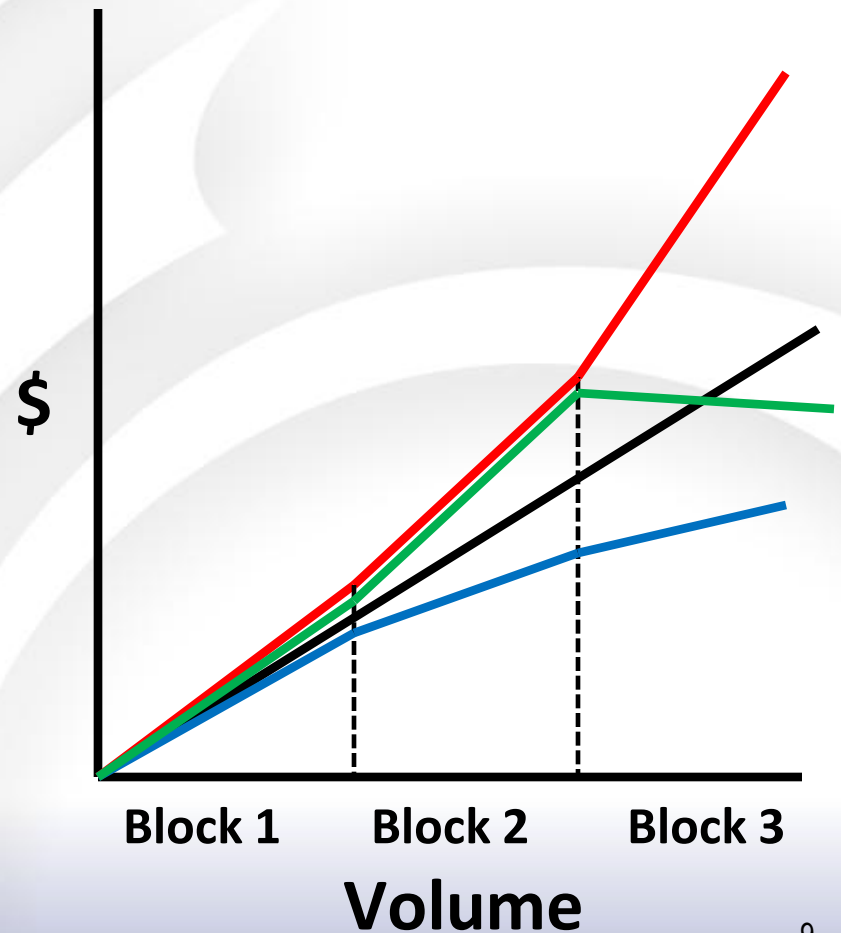
Analysis

- Many Canadian municipalities have or are moving to adopt dedicated fees for funding stormwater services:

Mississauga, Toronto, Victoria, Calgary, Edmonton, Regina, Saskatoon, Halifax, Kitchen-Waterloo, London, Markham & Vaughn

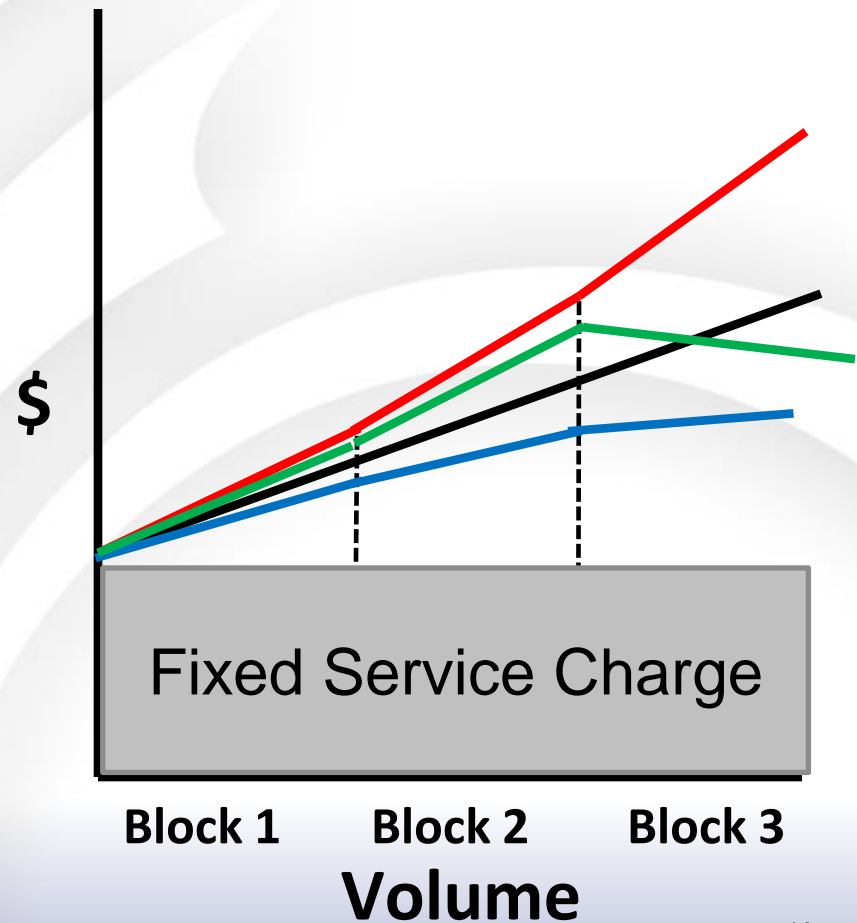
Volumetric only

- Charges are a function of usage
- Revenue entirely dependent on consumption
- Simple to understand and administer
- Utilized by some communities but not prevalent
- Four types:
 - Uniform
 - Increasing block
 - Decreasing block
 - Humpback



Fixed service charge plus volumetric charge

- Combination of a usage-dependent and usage-independent charge
- Fixed service charges typically vary per meter size
- Balances stability with flexibility
- Used by many large utilities in North America
- Four types:
 - Uniform
 - Increasing block
 - Decreasing block
 - Humpback



Schedule and Key Milestones

- **May 2015** – Technical Briefing and information package for Councillors
- **May 2015** - Staff report to Environment Committee and Council confirming direction and guiding principles
- **June to August 2015** – Creation of the new user fee system
- **September – October 2015** – Public Engagement Sessions
- **Q1 2016** – New user fee system presented to Environment Committee and Council for approval
- **2016** – Communications to support the new user fee system
- **2017** – Implementation of new user fee system