

<b>TO:</b>	<b>CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING ON NOVEMBER 25, 2019</b>
<b>FROM:</b>	<b>KELLY SCHERR, P.ENG. MANAGING DIRECTOR, ENVIRONMENTAL &amp; ENGINEERING SERVICES AND CITY ENGINEER AND ANNA LISA BARBON, CPA, CGA MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>
<b>SUBJECT:</b>	<b>2020 WATER AND WASTEWATER RATES</b>

<b>RECOMMENDATION</b>
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That, on the recommendation of the Managing Director, Environmental and Engineering Services & City Engineer, and the Managing Director, Corporate Services & City Treasurer, Chief Financial Officer the following actions be taken with respect to the 2020 Water and Wastewater rates and charges:

- a) the proposed attached by-law (Appendix “A”), “A by-law to amend By-law WM-28 being “A by-law for regulation of wastewater and stormwater drainage systems in the City of London”, as amended by providing for an increase in the rates and charges, **BE INTRODUCED** at the Municipal Council meeting to be held November 26, 2019 to effect rates and charges increases of 2.5 percent effective January 1, 2020; and,
- b) the proposed attached by-law (Appendix “B”), “A by-law to amend By-law W-8 being “ A by-law to provide for the Regulation of Water Supply in the City of London”, as amended by providing for an increase in the rates and charges, **BE INTRODUCED** at the Municipal Council meeting to be held November 26, 2019 to effect rates and charges increases of 2.5 percent effective January 1, 2020.

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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Strategic Priorities and Policy Committee – November 21, 2016 – Water and Wastewater & Treatment Budgets  
<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=28197>

Strategic Priorities and Policy Committee – December 7, 2015 – 2016 Water and Wastewater Rates  
<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=21810>

<b>2019 – 2023 STRATEGIC PLAN</b>
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This report supports the Strategic Plan in the following areas:

- Building a Sustainable City:
  - Infrastructure is built, maintained and operated to meet the long-term needs of our community; and
  - Growth and development is well planned and sustainable over the long term.
- Leading in Public Service:
  - Trusted, open, and accountable in service of our community;
  - Exceptional and valued customer service; and
  - Leader in public service as an employer, a steward of public funds, and an innovator of service.

## BACKGROUND

### Purpose

This report requests the approval of the Municipal Council to implement changes to Water and Wastewater rates and charges effective January 1, 2020.

### Context

2019 is the last year of the 2016-2019 Multi-Year Budget process with the new 2020-2023 Multi-Year Budget to be presented to Council in December 2019 and approved in March 2020. Consistent with the previous multi-year budget, rate changes are recommended in advance of approval of the 2020-2023 Water and Wastewater Budgets. The rate is approved in advance of the conclusion of the budget process in order to ensure the revenue related to the rate increase corresponds with the budget's fiscal year. In the event that Council chooses to make significant changes to the water or wastewater budget during budget deliberations the rate would be re-adjusted in April 2020. The previous financial plan completed in 2015 included 3% annual increases moving forward. Upon more detailed budget analysis, a reduction to a 2.5% annual increase for the next four years has been recommended.

## DISCUSSION

London's rates and forecasts for rates are based on expenditure projections outlined in the upcoming multi-year budget and the 20 year water and wastewater capital plans. Future rate increases are updated each budget cycle (and reviewed annually during each budget update) and are generally consistent with the approved Water Financial Plan that was updated and submitted to the Ministry of Environment and Climate Change in 2015.

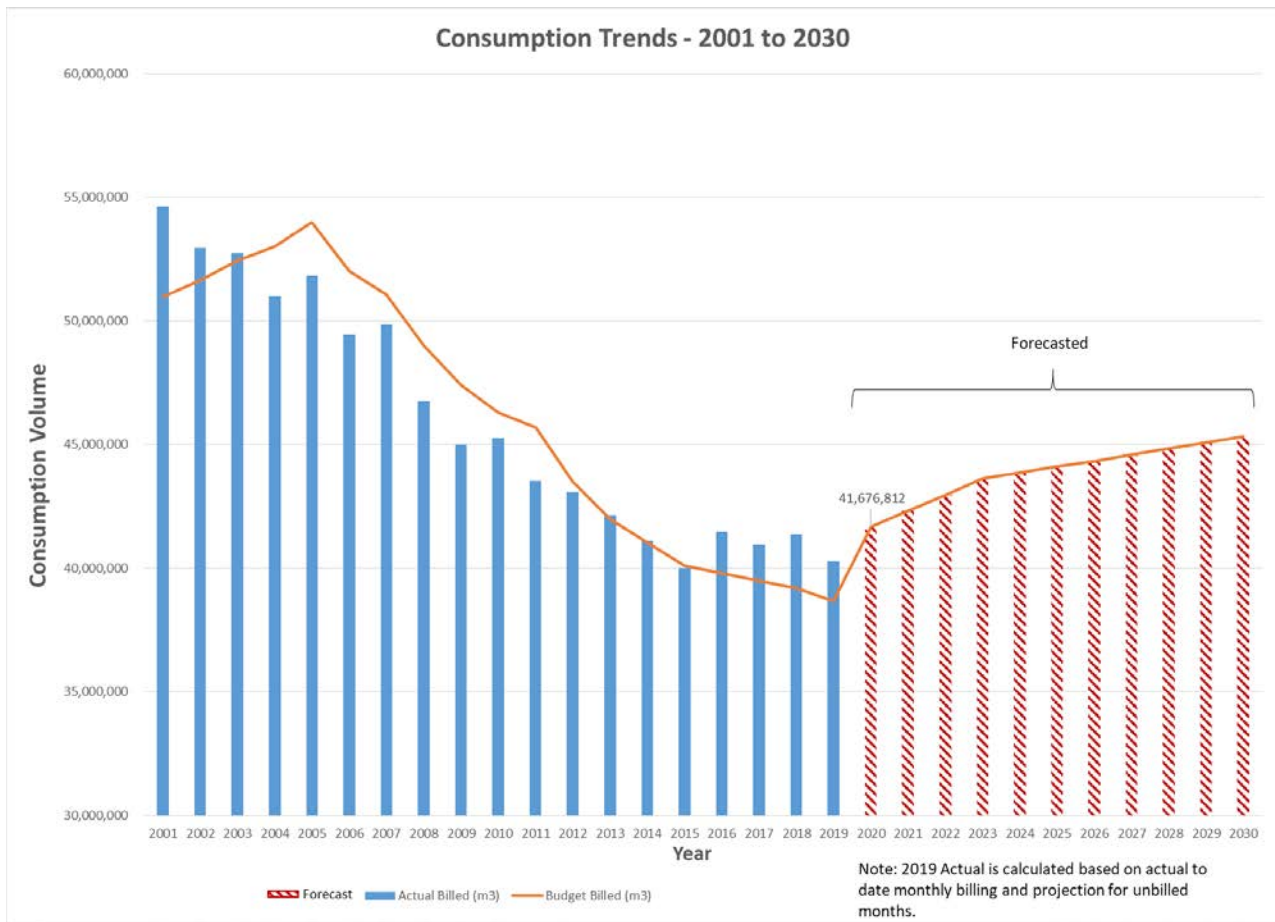
The following table outlines prior year approved rate increases, along with proposed rate increases for the next four year multi-year budget cycle.

Approved Rate Increases					Proposed Rate Increases			
2015	2016	2017	2018	2019	2020	2021	2022	2023
7%	3%	3%	3%	3%	2.5%	2.5%	2.5%	2.5%

The following factors influence the water and wastewater rates.

### Water Consumption

Despite the implementation of a new water and wastewater rate structure in March 2013, which shifted a greater proportion of total revenues to fixed charges, revenues continue to be heavily influenced by water consumption volumes. The consumption has steadily declined since 2002 with consumption beginning to level off over the last four years. The following graph illustrates the declining water consumption trend of recent years and the forecasts to 2030.



Water conservation efforts across the City continue to reduce per capita water consumption. The growth in the number of customers is forecast to overtake the impacts of reduced consumption during this multi-year budget cycle resulting in a net increase in consumption. Another driver of revenue growth over the multi-year budget period is new industrial development consumption, most significantly the opening of the new Maple Leaf Foods plant, which is anticipated to be one of the City’s largest water users within the next 5 year period.

### Purchase of Water Costs

The cost of purchasing water from the Lake Huron and Elgin Area Primary Water Supply Systems is a significant component of the Water budget, comprising approximately 30% of the overall total Water budget. The water financial model includes the most up-to-date rate forecasts from the water boards, including the currently approved 1% and 4% rate increases for 2020 for the Huron and Elgin systems respectively.

### Energy Prices

Although inflation is a significant factor in current and future rate forecasts, price increases in energy commodities – specifically electricity and natural gas – could have a significant impact on future rate forecasts as they are a relatively large component (approximately 18%) of Wastewater operating expenditures, and have historically increased at rates higher than general inflation trends. Energy reduction gains have been made through energy efficiency work at major reservoirs and pumping stations and the imminent installation of the Organic Rankine Cycle engine to recover waste heat at the Greenway Pollution Control Plant. The energy price variability continues to pose a significant financial risk and will continue to be monitored over the next multi-year budget period.

### Infrastructure Gap

The capital needs of the Water and Wastewater & Treatment systems continue to be significant drivers of current and future rate increases. The City of London’s 2019 Corporate Asset Management Plan identified that the value of the City’s water, wastewater, and stormwater systems is \$15.3 billion dollars and represents 76% of the

replacement value of all of the City's assets. The Corporate Asset Management Plan identified the following infrastructure gaps (as of 2019) related to water, stormwater, and wastewater infrastructure:

	Current Gap (\$000's)	Gap in 10 Years (\$000's)
Water	\$4,117	\$0
Sanitary	\$7,178	\$36,280
Stormwater	\$0	\$3,746

The water and wastewater and stormwater portion of the City's overall infrastructure gap is relatively small proportion at 7% of the city's 10 year cumulative infrastructure gap. A further discussion of the Corporate Asset Management Plan's recommendations and the implications on the water and wastewater financial plans will be provided in the multi-year water and wastewater budget document.

### Maintaining Adequate Reserve Fund Balances

It is critical that water and wastewater reserve fund balances are maintained at sufficient levels to support the renewal and enhancement needs of this significant asset base. The 2015 Water Financial Plan set a target of a minimum average reserve fund balance of 1% of the replacement value of these assets to be maintained to provide a funding source for future capital requirements. This would represent a target reserve fund balance of at least \$58 million for Water and \$94 million for Wastewater, noting that current forecasted reserve fund balances are below these targeted amounts. These targets will be reviewed in 2020 as part of the full analysis of the Corporation's capital asset renewal and replacement reserve funds. Maintaining adequate reserve fund balances is important to ensuring the financial flexibility to manage future strategic investments as well.

### Water Financial Plan

Ontario Regulation 453/07 *Financial Plans* under the *Safe Drinking Water Act, 2002* mandates the preparation of a Financial Plan as part of the Municipal Drinking Water License program. This regulation was designed by the Ministry of the Environment in response to Justice Dennis O'Connor's Walkerton Inquiry recommendations. The intent is to ensure that municipalities plan for the long-term financial sustainability of their drinking water systems. The Financial Plan must be updated prior to the renewal of a municipal drinking water license every 5 years. London's Water Financial Plan was last updated in May 2015. The Financial Plan will be updated to include the outcome of the multi-year budget deliberations and is currently targeted to be submitted to the April meeting of the Civic Works Committee.

### Customer Impact

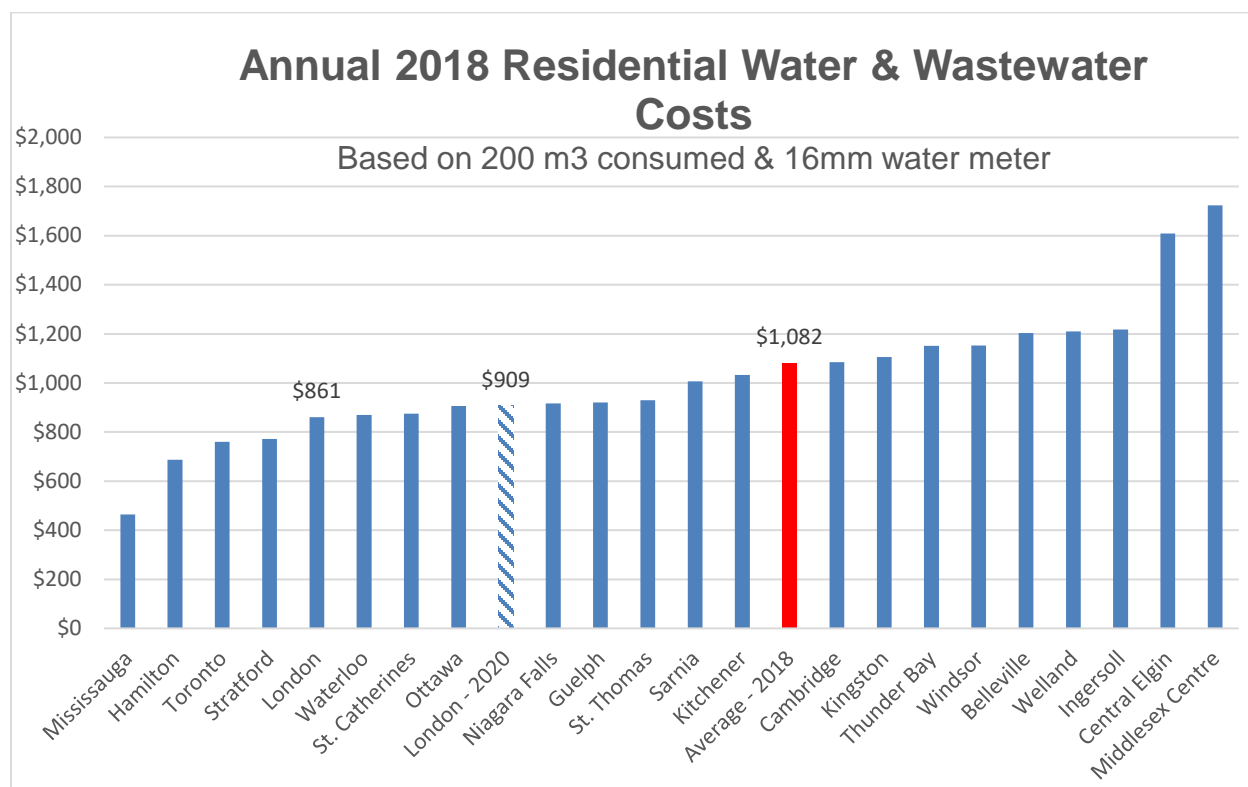
The impact to the average residential customer of a 2.5% increase in both Water and Wastewater rates is summarized below:

	Budgeted Residential Cost at 2019 Rates <sup>(1)</sup>	2020 Increase (2.5%)	Forecast Residential Cost at 2020 Rates
Water	\$486	\$13	\$499
Sanitary	\$404	\$10	\$414
Storm	\$196	\$5	\$201
	\$1,086	\$28	\$1,114

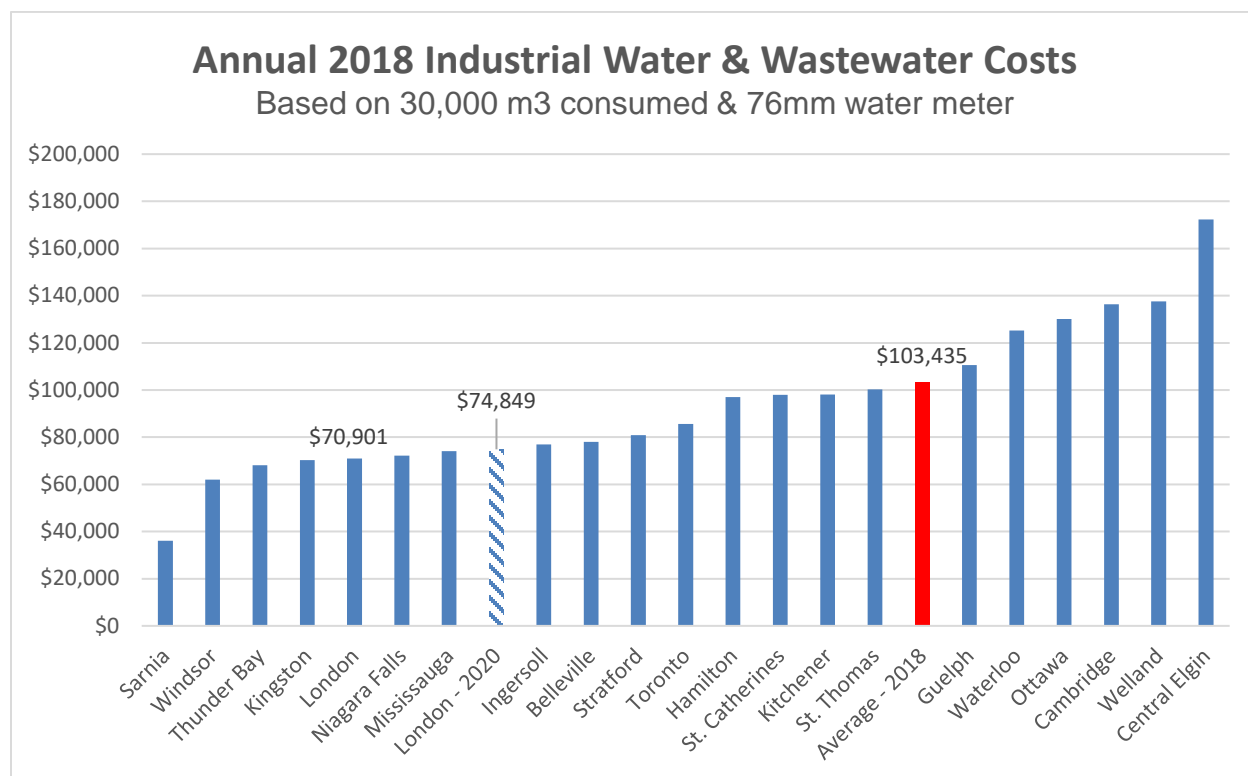
Note 1: The budgeted residential cost is based on an average residential consumption of 200 m<sup>3</sup> (BMA Municipal Study).

Subject to rounding

The following figures show the cost of water, stormwater and sanitary services in comparable municipalities.



Source: 2018 BMA Municipal Study



Source: 2018 BMA Municipal Study

By way of comparison, the preceding charts illustrate London's very competitive water and wastewater rates for both residential and industrial customers relative to other Ontario municipalities. Note that the data for other municipalities reflects 2018 rates, while London's 2018 and proposed 2020 figures are shown for comparison. These figures also exclude stormwater charges, as many municipalities incorporate these charges into their property tax rates.

#### Next Steps

The 2020-2023 Multi-Year Budget will be presented to Council in December 2019 and approved in March 2020. The rate is approved in advance of the conclusion of the budget process in order to ensure the revenue related to the rate increase corresponds with the budget's fiscal year. In the event that Council chooses to make significant

changes to the water or wastewater budget during budget deliberations the rate would be re-adjusted in April 2020.

<b>CONCLUSIONS</b>
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The proposed rate increases are lower than those forecasted during the last budget cycle. The reduced rate increase is related to the comprehensive re-evaluation of the 20 year water and wastewater plan and the new revenue forecast that predicts increased water consumption over the next four years. With the completion of the 2019 Corporate Asset Management Plan, the infrastructure gap remains manageable and is relatively low compared to other corporate asset classes. London’s water and wastewater rates remain extremely competitive with comparable municipalities. The proposed water and wastewater rates provide an excellent value to the citizens of London and a competitive advantage for the City’s industrial, commercial, and institutional customers.

<b>SUBMITTED BY:</b>	<b>RECOMMENDED BY:</b>
<b>SCOTT MATHERS, P. ENG., MPA DIRECTOR, WATER AND WASTEWATER</b>	<b>KELLY SCHERR, P. ENG., FEC MANAGING DIRECTOR, ENVIRONMENTAL &amp; ENGINEERING SERVICES &amp; CITY ENGINEER</b>
<b>RECOMMENDED BY:</b>	
<b>ANNA LISA BARBON, MANAGING DIRECTOR, CORPORATE SERVICES &amp; CITY TREASURER, CHIEF FINANCIAL OFFICER</b>	

November 18, 2019

Attach: Appendix “A” Wastewater Rates and Charges Amendment By-law  
Appendix “B” Water Rates and Charges Amendment By-law

Bill No.  
2019

By-law No. WM-28 - \_\_\_\_\_

A by-law to amend By-law WM-28 being “A by-law for regulation of wastewater and stormwater drainage systems in the City of London”, as amended, by providing for an increase in the rates and charges.

WHEREAS subsection 5(3) of the *Municipal Act, 2001*, S.O. 2001, c.25, as amended, provides that a municipal power shall be exercised by by-law;

AND WHEREAS section 11 of the *Municipal Act, 2001*, provides for a municipality to pass by-laws respecting matters within the sphere of jurisdiction, including Public Utilities, which includes systems to provide for services relating to sewage, which is defined to include wastewater and stormwater and other drainage from land and commercial wastes and industrial wastes that are disposed of in a sewage (wastewater or stormwater) system;

AND WHEREAS subsection 391(1) of the *Municipal Act, 2001* provides that a municipality may impose fees or charges on persons:

- (a) for services and activities provided or done by or on behalf of it;
- (b) for costs payable by it for services and activities provided or done by or on behalf of any other municipality or local board; and
- (c) for the use of its property including property under its control;

AND WHEREAS it is deemed expedient to pass this by-law;

NOW THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. That By-law WM-28 being “A by-law for regulation of wastewater and stormwater drainage systems in the City of London”, as amended, be amended by deleting Schedule “A” – Wastewater and Stormwater Charges in its entirety and by replacing it with a new Schedule “A” – Wastewater and Stormwater Charges attached to this by-law as Schedule “A”.
2. This by-law comes into force and effect on January 1, 2020.

PASSED in Open Council on November 26, 2019.

Ed Holder  
Mayor

Catharine Saunders  
City Clerk

First Reading – November 26, 2019  
Second Reading – November 26, 2019  
Third Reading – November 26, 2019

**SCHEDULE "A"**  
**WASTEWATER AND STORMWATER CHARGES**

This Schedule should be read in conjunction with Wastewater and Stormwater By-law, Drainage By-law and Waste Discharge By-law.

**1. Monthly Wastewater Usage Charges**

A Wastewater Usage Charge shall be based on the amount of Water consumption on a per cubic metre basis for each respective Water Meter at the rates as indicated in the table below. Where a Customer has an approved Flow Monitor, the monthly Wastewater Usage Charge will be based on that volume. The total monthly Wastewater Usage Charge is the sum of usage in all blocks at the rate for each block.

<b>Range within Block (m<sup>3</sup>)</b>	<b>Monthly Water Consumption (m<sup>3</sup>)</b>	<b>January 1, 2020 Rate (\$/m<sup>3</sup>)</b>
0 - 7	First 7	-
8 - 15	Next 8	\$2.0503
16 -25	Next 10	\$2.6361
26 - 35	Next 10	\$2.9290
36 - 250	Next 215	\$1.1128
251 - 7,000	Next 6,750	\$1.0544
7,001 - 50,000	Next 43,000	\$0.9607
50,001+	Over 50,000	\$0.8553

**2. Monthly Wastewater Fixed Charges**

Wastewater Fixed Charges shall be the infrastructure connection charge based on the Meter or Flow Monitor size as shown in the table below.

<b>Meter Size (mm)</b>	<b>January 1, 2020 Monthly Charge (\$)</b>
16	\$13.72
19	\$20.56
25	\$34.27
40	\$68.53
50	\$109.64
76	\$239.84
100	\$411.13
150	\$959.35
200	\$1,644.58
250	\$2,056.30



### 3. Monthly Stormwater Fixed Charges

Stormwater Fixed Charges shall be the infrastructure connection charge as shown in the table below.

<b>Property Type &amp; Size</b>	<b>January 1, 2020 Storm Drainage Charge</b>
Residential, Land area equal to or below 0.40 hectares without storm sewer within 90m of property	\$12.56 <b>(\$/Month)</b>
Land area equal to or below 0.40 hectares	\$16.71 <b>(\$/Month)</b>
Land area above 0.40 hectares	\$139.10 <b>(\$/hectare/Month)</b>

### 4. Miscellaneous Rates and Charges

#### 4.1 Frontage Charge

A Frontage Charge shall be levied as shown in the table below.

<b>Type of Sewer Connection</b>	<b>January 1, 2020 Frontage Charge (\$ per metre of calculated frontage)</b>
Sanitary Sewer	\$255.05
Storm Sewer – Residential	\$236.12
Storm Sewer – All Lands, excluding Residential	\$472.25

#### 4.2 Private Drain Connection (PDC) Charges

<b><i>Services provided by the Engineer – single detached residential, low density residential dwellings</i></b>	Each PDC <b>(\$)</b>
<u>Repair or replace existing PDC – no construction</u> the repair or replacement of an existing private drain connection	\$5000

#### 4.3 Hauled Liquid Waste Disposal

The Hauled Liquid Waste Disposal charge shall be levied based on the volume of waste at the rate shown in the table below.

<b>Type of Waste</b>	<b>January 1, 2020 Rate (\$ per 1,000 litres)</b>
Hauled Liquid Waste, excluding Leachate	\$14.52
Leachate	\$26.75

#### 4.4 High Strength Sewage Service Charge

The High Strength Sewage Service charge shall be levied based on the volume of Wastewater measured by a Meter or Flow Monitor approved by the Engineer at the rate shown in the table below.

<b>Type of Service</b>	<b>January 1, 2020 Rate (\$ per m<sup>3</sup>)</b>
High Strength Sewage Service	\$0.672

Bill No.  
2019

By-law No. W-8-\_\_\_\_\_

A by-law to amend By-law W-8 being “A by-law to provide for the Regulation of Water Supply in the City of London”, as amended, by providing for an increase in the rates and charges.

WHEREAS subsection 5(3) of the *Municipal Act, 2001*, S.O .2001, c.25, as amended, provides that a municipal power shall be exercised by by-law;

AND WHEREAS section 11 of the *Municipal Act, 2001*, provides for a municipality to pass by-laws respecting matters within the sphere of jurisdiction, including Public Utilities which incorporates a system that is used to provide water services for the public;

AND WHEREAS subsection 391(1) of the *Municipal Act, 2001* provides that a municipality may impose fees or charges on persons:

- (a) for services and activities provided or done by or on behalf of it;
- (b) for costs payable by it for services and activities provided or done by or on behalf of any other municipality or any local board; and
- (c) for the use of its property including property under its control;

AND WHEREAS it is deemed expedient to pass this by-law;

NOW THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. That By-law W-8 being “A by-law to provide for the Regulation of Water Supply in the City of London”, as amended, be amended by deleting Schedule “A” – Water Rates and Charges in its entirety and by replacing it with a new Schedule “A” – Water Rates and Charges attached to this by-law as Schedule “A”.
2. This by-law comes into force and effect on January 1, 2020.

PASSED in Open Council on November 26, 2019.

Ed Holder  
Mayor

Catharine Saunders  
City Clerk

First Reading – November 26, 2019  
Second Reading – November 26, 2019  
Third Reading – November 26, 2019

**SCHEDULE "A"**  
**WATER RATES AND CHARGES**

**1. Monthly Water Usage Charges - Water rates**

The Water consumed on all properties in the City shall be charged on a per cubic metre basis for each respective Meter at the rates as indicated in the table below. The total monthly Water Usage Charge is the sum of usage in all blocks at the rate for each block.

<b>Range within Block (m<sup>3</sup>)</b>	<b>Monthly Water Consumption (m<sup>3</sup>)</b>	<b>January 1, 2020 Rate (\$/m<sup>3</sup>)</b>
0 - 7	First 7	-
8 - 15	Next 8	\$2.3069
16 -25	Next 10	\$2.9659
26 - 35	Next 10	\$3.2956
36 - 250	Next 215	\$1.2524
251 - 7,000	Next 6,750	\$1.1864
7,001 - 50,000	Next 43,000	\$1.0811
50,001+	Over 50,000	\$0.9626

**2. Monthly Water Fixed Charges**

Water monthly fixed charges shall be the sum of infrastructure connection charge, fire protection charge and customer assistance charge (as applicable) as noted in the tables below.

**2.1 Infrastructure Connection charge**

All Customers shall be charged an infrastructure connection charge based on the Meter size as shown in the table below.

<b>Meter Size (mm)</b>	<b>January 1, 2020 Monthly Charge (\$)</b>
16	\$16.20
19	\$24.29
25	\$40.49
40	\$80.99
50	\$129.59
76	\$283.43
100	\$485.91
150	\$1,133.80
200	\$1,943.63
250	\$2,429.67

## 2.2 Fire Protection Charge

All Customers shall be charged a fire protection charge as shown in the table below.

Property Classification	January 1, 2020 Monthly Charge (\$)
Residential and Low-density Residential	\$1.66
Institutional, Commercial, Industrial, Medium-density Residential, High Rise under 5.0 hectares	\$11.12
Institutional, Commercial, Industrial, Medium-density Residential, High Rise 5.0 hectares and over	\$55.54

## 2.3 Customer Assistance Charge

All Residential individually metered Customers shall pay the charges as noted in the table below to provide funding for low income crisis support, low income crisis prevention and the customer assistance program.

Property Classification	Monthly Charge (\$)
Residential	0.25

## 3. Miscellaneous Water Rates and Charges

### 3.1 Temporary connection charges for construction

Temporary connection charges shall be charged as shown in the table below.

Building Type	January 1, 2020 Charge (\$)
Single Family	\$59.99
Duplex	\$59.99
Up to 4 Units	\$74.97
5 to 10 Units	\$112.38
11 to 15 Units	\$149.88
16 to 20 Units	\$187.42
21 to 25 Units	\$225.64
26 to 30 Units	\$262.29
31 to 35 Units	\$299.92
36 to 40 Units	\$337.40
41 to 50 Units	\$374.83
Over 50 Units	\$7.60 per unit
Other Buildings	\$15.26 per 93 m <sup>2</sup> of floor space (min charge \$38.12)

### 3.2 Main Tap charges

Main Tap charges shall be charged as shown in the table below.

Type of Main Tap	January 1, 2020 Charge (\$)
Tap size 50 mm or less	\$359.95
Tap size greater than 50 mm	\$719.90
Tapping concrete Mains or tap size of greater than 300 mm	\$2,159.71

### 3.3 Miscellaneous Charges

Miscellaneous charges shall be as noted in the table below.

<b>Service or Activity</b>	<b>January 1, 2020 Charge</b>
Change of occupancy/ Account set-up/ Security deposit	As set by London Hydro
Late payment	As set by London Hydro
NSF cheques	As set by London Hydro
Collection charges	As set by London Hydro
Bulk Water User charges Cost of Water per 1,000 litres	\$3.85
Inspecting Waterworks installations/ disconnections	\$133.25 per hour
Disconnection of Water Service During regular hours After regular hours	\$35.00 \$185.00
Arrears Certificate charges (non-payment/arrears)	As set by and payable to London Hydro
Disconnect and Reconnect Meter at customer request 16 and 19 mm 25 mm and larger	\$133.25 \$266.50
Install Water Meter and Remote Read-Out Unit at customer request 16 and 19 mm 25 mm and larger	\$307.50 Time and material
Repair damaged Water Meter 16 and 19 mm 25 mm and larger	\$235.75 Time and Material
Meter checked for accuracy at customer's request and found to be accurate 16 and 19 mm 25 mm and larger	\$271.63 \$404.88
Builder and Developer Frontage Charges: (based on actual frontage which directly abuts City right-of-way) Residential (maximum 50 metres) Commercial, Institutional and Industrial	\$234.33 per metre \$249.23 per metre
Illegal Hydrant Connection	\$768.75/offence + water Consumption
Temporary Hydrant Connection Hydrant connection/disconnection Hydrant occupancy Water consumption Minimum charge (up to 300 m <sup>3</sup> ) All additional m <sup>3</sup>	\$225.50 \$41.00/week \$999.38 \$3.33/m <sup>3</sup>

Service or Activity	January 1, 2020 Charge
Water Meter Installation Options (by application):	
Radio Device Wired to Outside of House	No Charge
Touch Pad Wired Outside of House	Materials
Meter Pit Installation	Time and Material (\$2,500.00 deposit)
Valve Rod Extensions (by length):	
2 Foot	\$67.62
2 1/2 Foot	\$68.91
3 Foot	\$70.18
3 1/2 Foot	\$71.47
4 Foot	\$72.75
4 1/2 Foot	\$74.05
5 Foot	\$75.33
5 1/2 Foot	\$76.62
6 Foot	\$77.89
6 1/2 Foot	\$79.18
7 Foot	\$80.46
7 1/2 Foot	\$81.75
8 Foot	\$83.04
9 Foot	\$85.60
10 Foot	\$88.17