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Town of Aurora
Memorandum
Finance

Re: Memo-Water and Wastewater Rate Study Update

To: Finance Advisory Committee

From: Sandeep Dhillon, Senior Advisor, Financial Management

Date: May 14, 2024

Recommendation

1. That the memorandum regarding Water and Wastewater Rate study be received; and
2. That the Finance Advisory Committee comments regarding water and wastewater rate study be received and referred to staff for consideration and further action as appropriate.

Background

Presently the Town's water and wastewater rate structure consists of a single variable rate for both water and wastewater. As Town's fixed costs for the delivery of water and wastewater services continue to rise as infrastructure ages, so too does the need to ensure an equitable distribution of this burden across all user rate payers. The Town has engaged DFA Infrastructure International Inc. to undertake a review of the existing water and wastewater rates and recommend a future rate structure. The proposed fixed and two-tier variable rate strategy was presented by DFA Infrastructure on March 26, 2024, in a public consultation meeting.

Analysis

Proposed rate strategy considers the affordability concern raised by residents at the public consultation meeting

Town residents had raised concerns regarding the overall increase in the water bill cost at the special public meeting on March 26, 2024, with the introduction of a proposed two-tier rate structure. The primary objective of the water and wastewater rate study is to promote fairness among different rate payers and fully recover the fixed cost. The

overall Town revenue from water bills for each option will remain same. The new rate structure will help to ensure that the Town's water rate payers equitably share the overall fixed cost burden. For example, currently the water and wastewater services infrastructure cost is fully paid by the active water consuming residents and most of the vacant homes does not pay any water infrastructure cost. With the new rate structure, all the Town's water rate payers will share the fixed cost burden equitably.

A fixed and two-tier variable water and wastewater rate structure is recommended

The recommended structure consists of a base charge which recovers all, or most of the fixed costs, and volumetric charge which recovers all of the variable costs based on volume consumption.

A base charge allows for the more equitable sharing of the fixed cost burden across all potential users. Meaning all residents and businesses will contribute toward the fixed cost recovery whether they consume water or not for a given billing period. Only those who consume water or wastewater services would contribute toward the cost recovery of a service's variable costs through the volumetric charge.

Further, a base charge also allows for greater assurance of fixed cost recovery regardless of the volume of water consumed each year. The amount of water sold each year is variable, the demand is impacted by weather and other factors. Under a single volumetric rate, the Town risks not being unable to fully recover all the fixed costs.

A new water and wastewater rate structure option, including a fixed base charge, is presented for consideration

Based on feedback from the public meeting, a new third option is presented for consideration. This option includes the same fixed charge, which will recover the fixed costs for the Town, and a two-tier volumetric charge which will increase for consumption above 56 cubic metres.

This new option considers the basic water needs of a household and provides water at a lower rate for the first 56 cubic metres. Above this, a higher rate is charged which will encourage water conservation and provide some relief for basic water needs. This method will be on a full cost recovery basis. The revenue collected in all three options remains the same as shown in Table 1.

Table 1
Rate Structure Options

		Water			Wastewater		
		Weighted Average Rate for 2024	2024 Projected Volume	Revenue	Weighted Average rate for 2024	2024 Projected Volume	Revenue
Option 1 (Current)	Variable	\$ 2.49	5,479,711	\$ 13,644,480	\$ 2.96	5,479,711	\$ 16,238,210
Option 2	Fixed	\$ 283		\$ 4,888,585	\$ 240		\$ 4,141,516
	Variable	\$ 1.60	5,479,711	\$ 8,755,895	\$ 2.21	5,479,711	\$ 12,096,694
	Total Revenue			\$13,644,480			\$ 16,238,210
Option 3 (New)	Fixed	\$ 283		\$ 4,888,585	\$ 240		\$ 4,141,516
	Variable - Teir 1 (0-56 m ³)	\$ 0.74	968,259	\$ 716,512	\$ 1.01	968,259	\$ 977,942
	Variable - Teir 2 (57+m ³)	\$ 1.78	4,511,452	\$ 8,039,383	\$ 2.46	4,511,452	\$ 11,118,752
	Total		5,479,711	\$13,644,480		5,479,711	\$ 16,238,210

The three options have varying impacts on the average water bill

The change to including a fixed rate on the water bill will impact customers differently based on their water usage. The burden of infrastructure cost will be shared equitably among all rate payers with the implementation of the fixed and a single or two-tier variable rate.

In Option 3, the fixed with two-tier variable rate, a Town resident with the annual consumption of higher than 298m³ will see a reduction in their overall billing as shown in Table 2. Currently, burden of fixed infrastructure cost lies more on the higher consumption residential and commercial customers. By introducing the fixed rate charge, this burden will be shared equitably among all customers including the vacant homes which currently do not pay for water and wastewater as they have zero consumption.

Table 1
Impact on Customer Base

	Option 1	Option 2	Option 3 (New)
Customer Base	100% Variable	Fixed 30% Variable 70%	Fixed Variable Teir 1 (0-56m ³) Variable Teir 2 (56m ³ +)
Residential family (4) (1" Meter Size) Annual consumption 311m ³	\$ 1,719	\$ 1,705	\$ 1,703
Retired Residential (1" Meter Size) Annual consumption 352m ³	\$ 1,947	\$ 1,862	\$ 1,877
Resident with Pool (1" Meter Size) Annual consumption 964m ³	\$ 5,334	\$ 4,193	\$ 4,479
Resident with Pool & Irrigation (1" Meter Size) Annual consumption 3691m ³	\$ 20,411	\$ 15,544	\$ 17,032
Resident with Sprinkler System (1" Meter Size) Annual consumption 1552m ³	\$ 8,581	\$ 6,427	\$ 6,972
Commercial Water Meter (6" Meter Size) Annual consumption 121,730m ³	\$ 673,169	\$ 472,595	\$ 526,155
Vacant Home (1" Meter Size) Annual consumption 0m ³	\$ -	\$ 522	\$ 522
Residential Water Meter (1" Meter Size) Annual consumption 257m ³	\$ 1,421	\$ 1,500	\$ 1,474

If approved, the new water and wastewater rate structure would become effective in 2025

The Town's May 1, 2024, water, and wastewater rates have already been approved and it will take time to roll out a change in the rate structure, therefore the first opportunity to introduce any new rate structure would be in time for the Town's May 1, 2025 rate update. The Town's May 1, 2024, water, and wastewater rates have already been approved and it will take time to roll out a change in the rate structure, therefore the first opportunity to introduce any new rate structure would be in time for the Town's May 1,

2025 rate update. Table 3 presents a summary of the remaining key milestones in this review.

Table 3
Key Remaining Review Milestones

Date	Milestone / Activity
March 26, 2024	Public Open House (Complete)
May 19, 2024	Finance Advisory Committee Update
September 4, 2024	Committee of the Whole
September 24, 2024	Council possible approval of alternative water & wastewater rate structure
December 12, 2024	Council adoption of 2025 water & wastewater rates
March 25, 2025	May 1, 2025, water & wastewater rate by-law approval

Attachments

Attachment 1: Water and Wastewater Rate Structure Presentation