

Water Rates - Need for Rational, Sustainable, and Transparent Rates Brockville & District Chamber of Commerce

Issue:

Municipalities in the Province have a patchwork of water rates that are based on historical formulas that are out of date. These rates often are not based on the current cost structure of their water & wastewater departments and are not transparent to the consumer. Water & wastewater rates, both fixed & variable must not be arbitrary but rather based on actual costs which are explainable to the consumer. Water & waste water rates are not a tax. They are a user fee.

Background:

The issue of a patchwork of rates, and complicated rate structures that are out of date:

Many municipal water rates have a basic service charge with either a flat volumetric or declining rate on top of that. These fixed charges vary widely from a 1" meter in one community at \$3.50 to \$28.77 in another. This variation shows that the basic service charge cannot possibly cover fixed costs in some municipality's systems.

Some municipalities have an additional arbitrary charge for "multiple unit use" over and above what is charged on the meter not related to water service or use.

Some communities (Brockville) have 10 rates for meter sizes ranging from 5/8" to 10", while others have fewer commercial sizes with residential customers paying a flat service charge for up to a 1" meter (Kingston). Where other communities work on a flat rate system not based on meters.

Some municipalities allocate overhead costs to the water and waste water budgets and others do not. All of these inconsistencies make it very difficult to compare water and wastewater costs. These examples show that rates are frequently not rational, nor transparent.

The issue of sustainability of municipal water systems as conservation and other economic trends reduce the volume demand

The BMA Municipal Study 2010 shows many communities have financial sustainability issues both on their operational and capital budgets for their water systems. Twenty communities had a deficit in Water Operations and 27 had deficits in Wastewater out of 57 studied.

In many systems the repair costs far exceed replacement costs. Municipalities with water systems in poor condition must plan for huge expenditures.

Many water systems have dropped below 50% of capacity because of large industrial users shutting down, and more water efficient appliances like low flow toilets. The reduced volumes leave municipalities who are more dependent on volume charges with a rate model that is not reflecting the new reality.

The Water Opportunities and Conservation Act, 2010 (Bill 72) allows the Ministry of Environment to ask municipalities for sustainability plans including asset management, financial, and water conservation plans. The Act also requires more transparency and prescribed information on water bills.

RECOMMENDATIONS:

The Ontario Chamber of Commerce urges the Government of Ontario to:

- 1) Require smaller sized Municipalities to have additional oversight from a policy and public perspective to assist them in better governance of their water systems
- 2) Municipalities, for financial sustainability, reconfigure their water rate model to increase the basic service charge so that it covers a much greater part of the fixed costs of their water system, and rely less on volume charges.
- 3) Ensure that water bills are rational and transparent based solely on a basic service charge and a volume charge, with hidden and arbitrary charges removed for fairness to the vast majority of customers.