Agenda - Executive Policy Committee - November 14, 2007

Report – Standing Policy Committee on Infrastructure Renewal and Public Works – November 6, 2007

Item No. 1 Change Criteria for Sewer Rebate Adjustment Program
File WS-5

STANDING COMMITTEE RECOMMENDATION:

On November 6, 2007, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service, as amended, and submits the following to Council:

1. That effective January 1, 2008, the criteria for Sewer Rebate Adjustment Program (SRA) be changed as follows:

   A. That the minimum level of consumption be changed from 2,500 kilolitres of total influent to 1,000 kilolitres of applied volume. Applied volume is (based on metered consumption) the calculated volume of water that would be exempt from sewer charges.

   B. That all customers on this program pay sewer charges up to the minimum level. The adjustment on the sewer charges would be applied on the consumption in excess of this amount. This translates into a base sewer charge of $1,575.00 (at 2007 rates) for customers who qualify for the program.

   C. That the Water and Waste Department provide the meters (except wastewater meters) and the Automatic Meter Reading (AMR) devices for these meters as required for the program. The installation and any necessary plumbing changes required would still be the responsibility of the customer. The cost of maintaining the meters would be recovered through the fixed quarterly charge which would now apply to these accounts.

   D. That the criterion that states 'the adjustment applied for is in excess of ten per cent of the total influent volume of water consumed each year at each location' be removed. Any customer who meets the 1,000 kilolitres minimum of applied volume could apply for the program.

   E. That the fee 'Annual charge per metering device' which is currently $25.00 plus GST be eliminated.

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F. That the application fee ($200.00 plus GST) and the annual fee ($145.00 plus GST) remain in place. However if a customer's application is accepted, the application fee would be credited back to their account. Likewise, if a Company qualifies for a rebate in a particular year, the annual fee would be credited back to their account for that year.

2. That a customer communication plan be put in place in Fall 2007, to notify customers that criteria and administration of the Sewer Rebate Adjustment program will be changed, effective the beginning of 2008.

3. That the Director of Water and Waste be delegated the authority to adjust accounts of customers for 2007 where the provisions of the existing by-law would have caused wasting of water.

4. That the City Solicitor/Manager of Legal Services be instructed to prepare the necessary by-laws for submission to Council at the November 21, 2007 meeting.

5. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Report – Standing Policy Committee on Infrastructure Renewal and Public Works – November 6, 2007

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On November 6, 2007, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service, with the following amendment, namely:

- Recommendation 4
  Delete the words "October 24, 2007" and replace with the words "November 21, 2007",

and submitted the matter to the Executive Policy Committee and Council.

Further on November 6, 2007, the Standing Policy Committee on Infrastructure Renewal and Public Works received, from the Director of Water and Waste, a chart entitled Adjustment of Sewer Charges in support of the Change Criteria for Sewer Rebate Adjustment Program

RE: CHANGE CRITERIA FOR SEWER REBATE ADJUSTMENT PROGRAM

FOR SUBMISSION TO: THE STANDING POLICY COMMITTEE ON INFRASTRUCTURE RENEWAL AND PUBLIC WORKS

ORIGINAL REPORT SIGNED BY: Barry D. MacBride, P. Eng
Director of Water and Waste Department

REPORT DATE: September 21, 2007

RECOMMENDATIONS:

1. That effective January 1, 2008, the criteria for sewer rebate adjustment (SRA) program be changed as follows:
   - Change the minimum level of consumption from 2,500KL of total influent to 1,000KL of applied volume. Applied volume is (based on metered consumption) the calculated volume of water that would be exempt from sewer charges.
   - All customers on this program would pay sewer charges up to the minimum level. The adjustment on the sewer charges would be applied on the consumption in excess of this amount. This translates into a base sewer charge of $1,575 (at 2007 rates) for customers who qualify for the program.
   - The Department would provide the meters (except wastewater meters) and the AMR devices for these meters as required for the program. The installation and any necessary plumbing changes required would still be the responsibility of the customer. The cost of maintaining the meters would be recovered through the fixed quarterly charge which would now apply to these accounts.
   - Remove the criterion that states '*the adjustment applied for is in excess of ten per cent of the total influent volume of water consumed each year at each location'.* Any customer who meets the 1,000KL minimum of applied volume could apply for the program.
   - Eliminate the fee '*Annual charge per metering device'* which is currently $25.00 plus GST.
   - The application fee ($200 plus GST) and the annual fee ($145 plus GST) would remain in place. However if a customer's application is accepted, the application fee would be credited back to their account. Likewise, if a Company qualifies for a rebate in a particular year, the annual fee would be credited back to their account for that year.

2. That a customer communication plan be put in place in Fall, 2007, to notify customers that criteria and administration of the Sewer Rebate Adjustment program will be changed, effective the beginning of 2008.

3. That the Director of Water and Waste be delegated authority to adjust accounts of customers for 2007 where the provisions of the existing by-law would have caused wasting of water.

4. That the City Solicitor be instructed to prepare the necessary by-laws for submission to Council at the October 24, 2007 meeting.

REPORT SUMMARY

KEY ISSUES:

- The current criteria for the SRA program encourages waste of water and excludes large and/or industrial customers who do not meet the 10% criteria.

IMPLICATIONS OF THE RECOMMENDATION:

General Implications

	None
	For the organization overall and/or for other departments
X	For the community and/or organizations external to the City of Winnipeg
	Involves a multi-year contract

Comment(s):

Policy Implications

X	No
	Yes – Comment(s):

Regulatory Implications

X	None
	Eliminates or reduces regulatory impact
	Proposes regulatory impact

Comment(s):

Environmental Implications

X	None
	Yes – Comment(s):

Human Resources Implications

X	No
	Yes – Comment(s):

Financial Implications

X	Within approved current and/or capital budget
	Current and/or capital budget adjustment required

Comment(s):

REPORT

REASON FOR THE REPORT:

Council approval is required to amend the Sewer By-law.

HISTORY:

On July 24, 1997, Council approved Sewer By-law No. 7070/97, which includes Section 42 Adjustment of Sewer Charges, as per the following:

42. Adjustment of Sewer Charges
Where the Sewer Utility or where any occupant or owner considers the sewer rate allotment based on consumption under Section 32 inequitable, the Sewer Utility may adjust the charges. The Sewer Utility may permit or require installation of an effluent meter(s) to establish charges. The requirements governing the adjustment of sewer charges are as follows:

- *(1) the applicant for the adjustment pays on demand, in advance, the annual fee as shown in Schedule A for the purpose of recovering the cost to the City for administration, field investigation, and meter inspection;*
- *(2) the total influent volume of water used by the owner or occupant at each location or plant is in excess of 2,500 kilolitres;*
- *(3) the adjustment applied for is in excess of ten per cent of the total influent volume of water consumed each year at each location;*
- *(4) any meter required by the Sewer Utility, to determine the adjustment, is provided by the owner or occupant at his/her cost, and is kept in good operating condition to the satisfaction of the Sewer Utility, and the installation is approved by the Sewer Utility. When a privately owned meter is not registering or is not in proper working order for a period exceeding four (4) months, the sewer adjustment will be discontinued. When a sewer adjustment has been discontinued, reinstatement will occur when: the Sewer Utility has been notified in writing that the privately owned meter has been repaired, and the installation has been inspected and approved by the Sewer Utility. Reinstatement will be retroactive to the date of the written notification of the repair;*
- *(5) (a) water consumed is not discharged into the wastewater system of the City or land drainage works or into a body of water; or (b) the effluent from the property, before being discharged into a body of water, or into land drainage works, is sufficiently treated to the requirements of the Sewer Utility and licensed under Part 10 of this By-law;*
- *(6) no adjustment shall be made where the wastewater system is available fronting the property and where the premises is not connected to the*

sewer, where in the opinion of the Sewer Utility, wastewater from the premise should be directed to the sewer;

(7) where any owner or occupant is granted an adjustment under this Section, such adjustment shall be effective from the billing period after which such owner or occupant made application to the Sewer Utility for such adjustment; and

(8) where any owner or occupant is granted an adjustment under this Section and subsequently becomes ineligible by reason of not meeting any one of the requirements of this Section, the adjustment shall forthwith be discontinued and the Sewer Utility may recover any adjustment made in the current year.

In addition, Schedule "A" includes the following:

10.	*Sewer Adjustment Fee – Section 42*		
	(i)	*Initial Application Fee*	*$200.00 + GST*
	(ii)	*Annual renewal and inspection fee*	*$145.00 + GST*
	(iii)	*Annual charge per metering device*	*$25.00 + GST*
		Amended 208/2005; 247/2006	

DISCUSSION:

- The goal of Section 42 of the Sewer By-law is to acknowledge that many large, industrial customers incorporate water into their product or evaporate significant volumes of water so that not all the water they consume is discharged to the City's wastewater system.

- The section is not designed to handle residential irrigation situations. Residential irrigation is to be addressed through winter cost averaging which the Department hopes to look at building into its rate structure in the next few years. (The Department does, however, accept applications for the SRA program from commercial companies who, through irrigation, meet the minimum criteria for the program.)

- There are 2 components to the current criteria – the customer must use a minimum of 2,500KL of water and a minimum of 10% of the total consumption must be diverted from the sewer. If a customer meets these minimum criteria, they are eligible for a rebate amounting to the total sewer costs that can be demonstrated are not entering the wastewater system.

Problems with Current Criteria

- The current criteria, encourages and rewards waste of water by setting the eligibility threshold at 2,500KL and then granting a rebate on sewer charges paid on all water consumed. For example, if a driving range customer would normally

consume 1,800KL of water in irrigation and would not qualify for the SRA program, their water and sewer bill would be approximately $4,844. However, if they wasted water to reach 2,500KL of usage, they would qualify for the SRA program and their total water and sewer charges would be $2,670.

- Section 42.3 specifies that at least 10% of the total influent at each location must be used towards the adjustment. This section excludes customers who use less than 10% towards their product or in their cooling tower for example, but are still paying sewer charges on a significant amount of water that is in fact, not entering the treatment facilities. The 10% threshold eliminates companies from qualifying for the SRA program. For example, a large food processing plant that consumes 250,000KL of water annually but uses only 10,000KL in their product (i.e. it does not get discharged to the sewer system) would not qualify for the SRA under the current criteria of 10% even though they would save $15,750 in sewer charges.

Competitiveness with Other Cities

The Department undertook a review of the Sewer By-laws of other municipalities to assess the City's competitiveness regarding exemption from paying sewer charges. Seven cities were surveyed: Calgary, Edmonton, Vancouver, Toronto, Halifax, Ottawa, and Saskatoon.

Overall, there is a wide variety of programs across Canada. Some by-laws deal with the issue on very general terms or not at all, while others list very specific criteria that must be met. In some cases, this section in their by-laws is impacted by other sections that deal directly with irrigation exemptions for commercial and, in some municipalities, residential customers. There is no consistent standard in the industry.

RECOMMENDATIONS:

Factoring in the limitations in the current by-law for exemption from sewer charges and practices in other municipalities, the Department recommends the following criteria:

1. Change the minimum level of consumption from 2,500KL of total influent to 1,000 KL of applied volume. Applied volume is the calculated volume of water that would be exempt from sewer charges. The criteria would no longer be how much water is used in total but rather would be the amount not going to the sewer system.

2. Change the process so that every customer on the program pays sewer charges up to this minimum level. The adjustment on the sewer charges would be on consumption in excess of this amount. This translates into a base sewer charge of $1,575 (at 2007 rates) for customers who qualify for the program. This amount recognizes that residential customers cannot qualify for the program and covers the cost of administering the program.

3. Remove the criterion that states '*the adjustment applied for is in excess of ten per cent of the total influent volume of water consumed each year at each location'. A*ny customer who meets the 1,000KL minimum of applied volume could apply for the program.

The Department would provide the meters (except wastewater meters) and the AMR devices for these meters as required for the program. The installation and any necessary plumbing changes required would still be the responsibility of the customer. The cost of maintaining the meters would be recovered through the fixed quarterly charge which would apply to these accounts.

In addition we would eliminate the annual fee for each additional metering device which is currently $25 plus GST.

The initial application for the program would be required at the beginning of the calendar year, along with payment of the initial application fee ($200 plus GST). This fee covers the administrative costs of reviewing the application, reviewing engineering drawings, and performing on site inspections where needed, determining required meter and plumbing changes, etc. It also helps ensure the Department receives only serious applications for the program. However, if the application is accepted, the initial application fee paid would be credited back to their account.

The application would be reviewed by Customer Accounts Branch of the Finance and Administration Division to determine eligibility.

At the end of the year, the Department would review the customer's consumption and apply any resulting credit to their water account to be applied against future bills. Only customers whose history clearly demonstrates they would absolutely meet the minimum criteria would get the credit applied on a quarterly basis through the year.

On an ongoing basis, as long as the annual fee ($145 plus GST) continues to be paid at the beginning of each year, the Department will review the customer's account at the end of year and apply the resulting credit, if any, to their account. Payment of the annual fee does not guarantee a rebate. It covers the Department's cost of inspecting the metering equipment and determining the amount of rebate each year. However, if the Company qualified for a rebate in a particular year, the annual fee paid for that year would be reimbursed through a credit back to their account.

The customer can elect out of the program if they feel they will not meet the minimum applied volume threshold of 1,000KL in the future and do not want to continue paying the annual fee. The only other way a customer would be removed from the program would be if they did not meet the Department's metering requirements regarding installation, or if there were other problems with their account that, in the Department's opinion, warranted removal.

Only non residential customers would be eligible for this program. The intent of the program is to provide large commercial and industrial customers with a rebate on the measurable amount of water that does not enter the wastewater system.

The SRA program is not intended to address irrigation situations. With no comparable irrigation program to offer residential customers, it would not be fair to build this program to handle all commercial irrigation situations. These concerns will be addressed through a winter cost averaging project the Department hopes to undertake over the next few years. Currently, if a commercial site uses enough water on irrigation to meet the requirements of the SRA program the Department does accept their application. We would continue this practice under the new criteria until irrigation is addressed separately in the By-law.

Advantages of these changes:

- Increases the number of companies that qualify for the program.

- Changes in how the program would be administered put the onus on the customer to determine whether it would be worth it for them to apply and or remove themselves from the program.

- Applying the adjustment once per year, instead of on an ongoing basis for each billing period. This would greatly reduce the amount of manual effort from the Department to maintain this program and allow resources to be utilized elsewhere.

- Applying the adjustment at the end of the year instead of on an ongoing basis as is done now would eliminate the situation where a customer received the rebate all year and at year end it was determined did not meet the minimum criteria and is put in the unfortunate situation of having to owe the sewer charges back to the Department. As stated above, only customers whose consumption history clearly demonstrates they would absolutely meet the minimum criteria would get the credit applied on an ongoing basis through the year.

Impact on Customers

In 2005 there were 157 customers who received a sewer rebate. In 2006/2007 66 of those adjustments were cancelled because the customers did not meet the current criteria. The majority of these customers did not meet the 10% requirement in the existing by-law. Under the recommended criteria, based on their 2006 consumption, 26 of the 66 customers would again qualify for a reduction in sewer charges. 5 customers who currently qualify for the program would not qualify under the new criteria because although they currently use 2,500KL of total influent, they do not have 1,000KL of applied volume. Their rebates in 2006 were between $750 and $1,300 each.

In summary:

	Estimated Number of Eligible Customers	Estimated Total Sewer Adjustment (at 2007 rates)
Under current criteria	89	$1,852,320
Under proposed criteria	110	$1,815,433
Increase (Decrease)	21	($36,887)

Some specific examples of the impact of the change on customers are as follows ($'s shown are at 2006 rates):

	Influent	Applied Volume	Current Criteria ($ Adjustment)	Proposed Criteria ($ Adjustment)
Large Bottling Facility (Water used in product)	190,000	130,000	$204,750	$203,175
Food Processing (Water used in product)	35,000	15,000	$23,625	$22,050
Large Office Tower (Cooling Tower)	46,000	10,000	$15,750	$14,175
Mid Sized Cooling Tower Application	24,000	6,000	$9,450	$7,875
Large Apartment Bldg (Cooling Tower)	58,000	4,000	Does not meet 10% criteria	$4,725
Large Hotel (Cooling Tower)	49,000	2,800	Does not meet 10% criteria	$2,835
Hospital (Cooling Tower)	100,000	4,500	Does not meet 10% criteria	$5,512
Cemetery (Irrigation)	2,000	2,000	Does not meet 2,500KL minimum	$1,575
Small Business Cooling Tower	8,920	1,271	$2,002	$427
Small Cooling Tower	3,002	580	$913	Does not meet 1,000KL minimum

The customers most impacted by the change in the criteria are those who barely meet the minimums set out in the current by-law. The current program costs all customers the same dollar amount ($1,575), regardless of the size of their rebate. For those with smaller rebates the minimum cost results in a larger percentage decrease in their rebate compared with the larger companies who far exceed the minimums. However, the new criteria are fair because everyone's rebate is reduced by the same amount and there is no incentive to waste water.

Summary of the impact on customers' rebates (based on 2006 rates):

% Change in Rebate Amount	Number of Customers
Increased (qualify under new criteria)	26
Decreased:	
0-10%	27
11-20%	13
21-30%	16
31-40%	10
41-50%	6
51-60%	1
61-70%	7
70-100%	9 *
Total	115

*includes 5 customers who would not qualify under new criteria

Cost to the Department

The change in the cost of the program to the Department is as follows (in 2007 rates):

	Existing Criteria	Proposed Criteria	Change
Total rebates granted (i)	$1,852,320	$1,815,433	($36,887)
Cost of supplying meters and AMR devices (ii)	-	$110,000	$110,000
Lost revenue from discontinuing meter fee		$5,000	$5,000
Total	$1,852,320	$1,930,433	$78,113

(i) estimated based on 2006 consumption at 2007 rates
(ii) estimated at $1,000 per eligible customer

Communication

The Department would contact all customers who were eliminated from the current SRA program who, based on their current consumption patterns, would qualify for the program under the new criteria to inform them about the changes to the By-law and encourage them to apply for the new program. Existing customers also would need to be informed about the changes to how the program will be administered.

FINANCIAL IMPACT:

The following financial impact statement for this project has been prepared in accordance with the recommendation adopted by Council on December 13, 2000.

Financial Impact Statement

Date: August 24, 2007

Project Name:

First Year of Program **2008**

CHANGE CRITERIA FOR THE SEWER REBATE ADJUSTMENT PROGRAM

	2008	2009	2010	2011	2012
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 67,570	$ 61,215	$ 60,241	$ 59,245	$ 58,230
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 67,570	$ 61,215	$ 60,241	$ 59,245	$ 58,230
Less: Existing Budget Amounts	67,570	61,215	60,241	59,245	58,230
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: The direct cost is the net increase the SRA program will cost the Department under the new criteria as compared with the old criteria. It assumes a constant customer base, consistent consumption patterns and rate increases of 15% in 2008 and 2009 with a 2% increase thereafter.

"Original signed by Moira L. Geer"
Moira L. Geer C.A.
Manager of Finance & Administration

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:
Legal Services Division, Internal Services Department

External Consultation With:
N/A

THIS REPORT SUBMITTED BY:

Department: Water and Waste Department
Division: Finance and Administration Division
Prepared by: Laurie Fisher, Jason Enns
File No. 010-07-20-01-00

Draft By-law Attached

FILE WW-2.3 (Vol. 14)

THE CITY OF WINNIPEG

BY-LAW NO. /2007

A By-law of The City of Winnipeg to provide for adjustment of sewer charges under the Sewer By-law No. 7070/97.

THE CITY OF WINNIPEG, in Council assembled, enacts as follows:

1. By-law No. 7070/97 is amended by this by-law.

2. By-law No. 7070/97 is hereby amended by adding to Section 2 – Definitions, the following:

"**"applied volume"** means the calculated amount of water not discharged to the wastewater system as determined by metering."

3. By-law No. 7070/97 is hereby amended by deleting Section 42 thereof and substituting the following:

"**42. Adjustment of Sewer Charges**

(1) Where the *Sewer Utility* or where any occupant or *owner* considers the sewer rate allotment based on consumption under Section 32 inequitable, the *Sewer Utility* may adjust the charges. The requirements governing the adjustment of sewer charges are as follows:

(a) the applicant for the adjustment pays an application and annual renewal fee as shown in Schedule "A", which fees shall be credited to the account of the applicant upon approval;

(b) the total *applied volume* of water used by the *owner* or occupant at each location or plant is in excess of 1,000 kilolitres;

(c) the adjustment applied for is in excess of 1,000 kilolitres of *applied volume* of water consumed each year at each location.

(d) if required by the *Sewer Utility* a private meter, other than any water meter installed and maintained by the *Sewer Utility*, will be provided and maintained by the *owner* at his or her cost;

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(e) water consumed is not discharged into the *wastewater system* of the *City* or *land drainage works* or into a *body of water*;

(f) the effluent from the property, before being discharged into a *body of water*, or into *land drainage works*, is sufficiently treated to the requirements of the *Sewer Utility* and licensed under Part 10 of this By-law.

(2) Sewer charges will apply to the first 1,000 kilolitres of applied volume at each location;

(3) When a private meter is not registering or is not in proper working order for a period exceeding four (4) months, the sewer adjustment will be discontinued.

(4) When a sewer adjustment has been discontinued, as a result of a non working meter, reinstatement will occur when the *Sewer Utility* has been notified in writing that the privately owned meter has been repaired, and the installation has been inspected and approved by the *Sewer Utility*.

(5) No adjustment shall be made where the *wastewater system* is available fronting the property and where the *premises* is not connected to the *sewer*.

(6) Where any *owner* or occupant has applied for an adjustment under this Section and subsequently becomes ineligible by reason of not meeting any one of the requirements of this Section, the adjustment may not be granted and the application not renewed.

(7) The sewer adjustment credit will be calculated annually and will be applied directly to the owner's or occupant's sewer services account."

4. By-law No. 7070/97 is hereby amended by deleting Clause 10(iii) of Schedule "A" thereof.

5. This By-law shall be deemed to have come into force as of January 1, 2008.

DONE AND PASSED in Council assembled this day of , 2007.

Mayor

City Clerk

DRAFT

Approved:

Director, Water and Waste Department

Certified as to form:

for City Solicitor/Manager of Legal Service

DRAFT