



GENERAL POLICY MANUAL

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Water and Wastewater Policy

PURPOSE

The purpose of this policy is to set out basis is which water and wastewater rates are calculated.

POLICY

The County's goal is to fully recover the water and wastewater costs through water and wastewater rates.

- i. Net water and wastewater costs shall be financed by a fixed charge and a variable consumption rate.
- ii. Each water and wastewater financial system's target contribution to reserve shall be based on the County's asset management plan annual capital requirements.
- iii. Annually based on each water and wastewater financial system's proposed net budget for the year, the County shall establish the rates for water and wastewater for that calendar year.
- iv. The net surplus from each water and wastewater financial system in any year shall be contributed to the system's reserve; any deficiency in each water and wastewater system in any year shall be funded from the respective reserve.
- v. The County-wide variable consumption rate shall be based on the annual Consumer Price Index (CPI) - June.
- vi. Each water and wastewater financial system's fixed charges shall be set at the respective system's revenues requirements based on:
 - a. Expenditure forecast
 - b. Revenue forecast
 - c. Capital Renewal Contribution

DEFINITIONS

For the purposes of this Policy,

Consumption - Volumetric costs vary with the consumption of water over a specified period of time, such as day, month or year, in contrast to the amount of water demanded at any time.

County – means County of Oxford or Oxford County

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Financial System – Shall refer to the water and/or wastewater financial system. There are four water financial systems – Woodstock, Tillsonburg, Ingersoll and Townships, which is a consolidation of the remaining rural water systems. There are eleven wastewater financial systems - Woodstock, Tillsonburg, Ingersoll, Norwich, Tavistock, Plattsville, Thamesford, Drumbo, Mt. Elgin, Embro and Innerkip

Fixed Charge - Fixed costs are costs related directly to the customer's water service connection and billed to the customers on a monthly basis.

Treasurer – means the County's Director of Corporate Services, or designate.

PROCEDURE

1.0 Rate Setting Objective

- i. The objective of setting water and wastewater rates are that those that benefit from infrastructure and use the service it provides pay for it.
- ii. The criteria to meet this objective include:
 - i) **Efficiency:** in consumption is promoted when a consumption fee is applied to provide an incentive to use resources in the most efficient manner.
 - ii) **Accountability:** is most easily achieved when there is a close link between the beneficiaries or consumers of a government service and the payment for that service.
 - iii) **Transparency:** is enhanced when taxpayers have access to information and decision making forums so that the general public is familiar with the way in which user fees are set.
 - iv) **Fairness:** is achieved because those who consume the service pay for it.
 - v) **Ease of Administration:** is achieved when the rate is not confusing to understand and does not require an unnecessary amount of time and effort to administer.

1.1 Review Process

- i. Annually review and update the comprehensive financial model for each financial system. The model is updated for:
 - i) **Expenditure Forecast** based on the draft County water and wastewater budget for each financial system.

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- ii) **Revenue Forecast** based on analysis for historical and current billing stats on consumption and customers and forecast future growth trends.
 - iii) **Capital Renewal Contribution** based on the annual capital requirements set out in the most recent County Approved Asset Management Plan.
- ii. Recommend rates to Council through the County's budget approval process updating the Water Rate By-Law.

1.2 How Rates are Set

- i. The rates have been recommended on the basis of full cost recovery. To achieve financial sustainability, water rates need to generate sufficient and consistent revenues to pay for the past, current and future costs of providing water and wastewater services.
- ii. Full-cost recovery is considers more than the current budget cycle; taking a longer term perspective and past funding shortfalls in setting rates.

1.3 What Rates Cover

- i. Each of the four water financial systems – Woodstock, Tillsonburg, Ingersoll and Townships - is managed as a fiscally independent entity with unique rates, revenues, debts and operating expenses.
- ii. Water rates are set to cover the costs of water distribution, water treatment, source water protection, locates, drinking water quality control, water billing and collection, supervisory control and data acquisition, capital renewal and general overhead.
- iii. Each of the eleven wastewater financial systems – Woodstock, Tillsonburg, Ingersoll, Norwich, Tavistock, Plattsville, Thamesford, Drumbo, Mt. Elgin, Embro and Innerkip - is managed as a fiscally independent entity with unique rates, revenues, debts and operating expenses.
- iv. Wastewater rates are set to cover the costs of wastewater collection, wastewater treatment, wastewater billing and collection, supervisory control and data acquisition, capital renewal and general overhead.

1.4 How Water and Wastewater Rates are Calculated

- i. All customers are currently charged a monthly fixed service charge that increases based on meter size and a volumetric/consumption rate for both water and wastewater.
- ii. Both water and wastewater rates are applied to a customer's water consumption.
- iii. All the systems within the County have the same consumption rate and unique fixed rates.

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1.5 Consumption (Volumetric) Structure

- i. The County establishes three different consumption rates which is applied consistently across all systems:
 - a. Water
 - b. Wastewater – Residential
 - c. Wastewater – Industrial, Commercial and Institutional.
- ii. The consumption rate each year is recommended to increase by the annual CPI (June).
- iii. The rates model is a humpback system with four blocks - 3 increasing blocks with the final block being a declining block.
- iv. The intention is to encourage affordability, conservation and economic development. Water conservation is encouraged by encompassing residential use within increasing block rates while offering large industrial users block rates that decline as use increases.

1.6 Fixed Water and Wastewater Rates

- i. Fixed rate charges are established for each financial system based on the system's annual Revenue Forecast, Expenditure Forecast and Capital Renewal Contribution.
 - a. **Revenue Forecast** is developed for each financial system incorporating:
 - i. Consumption patterns
 - ii. Customer growth
 - iii. Consumption rate increase
 - b. **Expenditure Forecast** is based on each financial system's County approved operating budget requirements.
 - c. **Capital Renewal Contribution** is based on the financial system's Annual Capital Contribution Requirements from the County's most recent Asset Management Plan.
 - i. Annual Capital Contribution requirements increase is recommended to be set at a minimum rate of construction CPI (June) until the target is met.
 - ii. Past debt repayment requirements are included in the capital renewable contribution.
 - iii. Reserve interest revenues contribution are included in the capital renewable contribution.

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1.7 Annual Reporting and Monitoring

- ii. This policy will be reviewed annually at the time rates are being reviewed and calculated to ensure the rate model continues to be relevant and effectively maintains the financial sustainability of the County's water and wastewater financial systems.