

Committee of the Whole (2) Report

DATE: Tuesday, April 13, 2021

WARD(S): ALL

TITLE: ACCIDENTAL WATER LEAK ADJUSTMENT POLICY

FROM:

Michael Coroneos, Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer

Zoran Postic, Deputy City Manager, Public Works

ACTION: DECISION

Purpose

To review and approve a policy to authorize financial adjustments for residents, residential tenant account holders and not-for-profit organizations who have experienced an accidental water leak.

Report Highlights

- Vaughan does not currently have a water leak adjustment policy and does not provide financial help for customers who have experienced a leak.
- A new accidental water leak policy will provide some financial assistance to those who have experienced a failure of plumbing devices.

Recommendation

1. That the Accidental Water Leak Adjustment Policy for residents, residential tenant account holders and not-for-profit customers, as contained in Attachment 1 to this report, be approved.

Background

A “leak” is defined as an unintentional water loss caused by broken and/or malfunctioning plumbing fixtures and/or pipes within a residence or building. A leak occurs when there is a failure of the plumbing system to do what it was designed to do. Water leaks can quickly lead to a large water bill.

The City of Vaughan recognizes that accidental high-water bills can create a hardship to customers. Further, a customer's inability to pay for all consumption as measured by the water meter could lead to penalties and collection charges. Arrangements to spread costs over a longer period can be made by speaking to an Alectra representative but the arrangement does not reduce amounts owing as a result of a water leak.

The Cities of Hamilton and Guelph were identified as two municipalities that currently have water leak adjustment policies. Hamilton has had a policy for close to 20 years and Guelph implemented a policy in 2018. Both cities calculate the adjustment by comparing additional water consumption to average consumption with approved adjustments credited to the customer's Alectra Utilities Inc. (Alectra) account. Vaughan has used Hamilton's and Guelph's policies to develop a new proposed policy.

Previous Reports/Authority

N/A

Analysis and Options

The City of Vaughan's Accidental Water Leak Adjustment policy is intended to provide residential, residential tenant account holders and not-for-profit organizations (the "customer") who utilize City water services, limited financial assistance for the repair of water leaks on private property. Commercial, industrial and income producing residential rental property owners are not eligible under the Policy.

Vaughan will work closely with Alectra to manage the intake of customer inquiries, investigation of leaks, proof of repairs, and application for and approval of water leak adjustments. To qualify for an adjustment, the customer will need to provide proof that the leak was found and repaired. Proof would be by means of an invoice from a plumber of parts needed for the repair. A subsequent meter read will be done once the leaks have been repaired to ensure a return to a regular consumption pattern. The customer will need to complete an application and attach invoices to formally request a water leak adjustment.

Forgiveness is limited to one adjustment per account per premise with a cap of \$5,000 per adjustment. Bill adjustments will only be granted where water usage exceeds 2 times (200%) the average of the similar billing period from the previous year with a maximum adjustment period of 120 calendar days from the last bill date. The bill adjustment amount is equal to half (50%) of the water consumption amount above the average of the similar billing period from the previous year. The following two examples provide an illustration of how the adjustment is calculated.

Example 1

Period	Consumption (m3)	Bill Amount
May 1 - Jun 30 2020	20	\$94.01
May 1 - Jun 30 2021	80	\$376.06

Does 2021 consumption exceed 2020 by 200%? **Yes**

Adjustment calculation

Accidental usage in 2021	\$376.06
Normal average usage from 2020	\$94.01
Amount exceeding normal usage	\$282.04

Adjustment amount
(50% of amount exceeding normal usage) **\$141.02**

Customer will receive a credit of \$141.02 on their water and wastewater account

Example 2

Period	Consumption (m3)	Bill Amount
May 1 - Jun 30 2020	250	\$1,175.18
May 1 - Jun 30 2021	2500	\$11,751.75

Does 2021 consumption exceed 2020 by 200%? **Yes**

Adjustment calculation

Accidental usage in 2021	\$11,751.75
Normal average usage from 2020	\$1,175.18
Amount exceeding normal usage	\$10,576.58

Adjustment amount
(50% of amount exceeding normal usage) **\$5,288.29**
Maximum adjustment **\$5,000.00**

Customer will receive a credit of \$5,000.00 on their water and wastewater account

There are several restrictions associated with the policy and no adjustments will be approved when:

- Usage above the customer's average monthly consumption is due to activities including watering of sod, gardening, filling swimming pools or whirlpools and washing vehicles as this represents water knowingly used by the customer;
- Water loss due to theft, vandalism or construction damage will not be covered under the Policy. Resolving these issues is the responsibility of the customer;
- Claims for leaks in unoccupied and/or vacant premises (for 72 hours or more). For extended absences, customers should consider shutting off the water supply (with the exception where water is used for heating purposes) and draining all the pipes and appliances; and
- Claims associated with a "catch-up" bill following a minimum of 2 consecutively estimated bills.

Financial Impact

Reviewing Hamilton's experience indicates that between the years 2012 and 2017 total average annual adjustments were approximately \$59,000. Hamilton switched from bi-monthly to monthly billing for residential accounts in 2018 meaning that leaks would be identified earlier as meters would be read and billed on a 30-day cycle versus a 60-day cycle. This switch to monthly billing resulted in a decrease in total average adjustments over the 2018 - 2019 period to approximately \$43,000 per year.

As Vaughan has no history associated with water leak adjustments, it is impossible to predict annual adjustment costs. Looking at Hamilton's experience and assuming Vaughan's experience will be somewhat similar implies that adjustments will be in the \$50,000 to \$100,000 range per year.

Approved adjustments would be credited to customer accounts resulting in a decrease in total revenue which will directly impact the water and wastewater reserves. There is no allowance in Vaughan's current rate structure to collect funds specifically for water leak forgiveness. A review of policy guidelines and limits will be conducted after a period of time to gauge the financial impact of financial adjustments.

Broader Regional Impacts/Considerations

N/A

Conclusion

A new accidental water leak policy will provide the authority to adjust customer water and wastewater accounts after leaks have been repaired. Residents will be required to complete a formal application and provide proof of repair in order to qualify for an adjustment.

For more information, please contact:

Michael Coroneos, Deputy City Manager Corporate Services, City Treasurer & Chief Financial Officer

Dean Ferraro, Director of Financial Services and Deputy City Treasurer

Attachment

1. Accidental Water Leak Adjustment Policy, Policy Number 12.C.13.

Prepared by

Sean Skinkle, Finance Manager, Water/Wastewater/Stormwater. Ext 8486.

Approved by



Michael Coroneos
Deputy City Manager
Corporate Services, City Treasurer
& Chief Financial Officer

Reviewed by



Jim Harnum, City Manager



Zoran Postic
Deputy City Manager
Public Works