TO: CHAIR AND MEMBERS
BOARD OF CONTROL
MEETING ON NOVEMBER 16, 2005

FROM: PETER W. STEBLIN, P.Eng.
GENERAL MANAGER OF ENVIRONMENTAL AND ENGINEERING
SERVICES AND CITY ENGINEER

SUBJECT WASTEWATER AND TREATMENT – 2006 BUDGET

RECOMMENDATION

That, on the recommendation of the General Manager of Environmental and Engineering
Services and City Engineer, the following actions be taken with respect to the proposed 2006
Operating and Capital Budgets for Wastewater and Treatment:

a) the 2006 Operating Budget BE APPROVED as submitted;
b) the 2006 Capital Budget BE APPROVED as submitted;
c) the 2007-2015 Capital Forecast BE RECEIVED for information;
d) for 2006 all rates and charges related to the provision of wastewater and treatment services
BE INCREASED by 9.6% with the exception of Private Drain Connection rates; and
e) the attached proposed Schedule of Sewer System Fees and Charges By-law BE
INTRODUCED at the Municipal Council meeting on November 21, 2005.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

1. ETC Report of 2004-10-12, Introduction in Preparation for the Updated Wastewater
and Treatment "20 Year Plan"
2. Board of Control Report of 2004-11-10, Wastewater & Treatment 2005 Program
Budget
3. ETC report of 2005-08-22, Wastewater & Treatment – 20 Year Sewer System Plan

BACKGROUND

Purpose
The purpose of this report and the accompanying 2006 Budget is to provide background
information supporting the recommendations for the approval of the 2006 Wastewater and
Treatment program and rates.

Executive Summary
The proposed Wastewater and Treatment Operating and Capital Budget for 2006 represents
the second budget submission in keeping with the proposed Draft 20 Year Sewer System Plan.

The proposed Operating budget maintains the existing services of Wastewater and Treatment
for a total of $29.3 million. Financial expenses and contributions to capital funding amount to
$22.7 million for a total balanced budget of $52 million.

The proposed 2006 Capital Budget of $51.3 million is supported by a combination of reserve
funds, debt and contributions from non rate supported sources such as Development Charges
and is consistent with the Draft 20 Year Sewer System Plan.
To support this Program a 9.6% rate increase has been proposed. When compared to the 2005 rate the average cost to the homeowner will increase by $34 per year. At the proposed rates the average homeowner will pay annual costs in 2006 of $395 or $1.08 per day. The annual cost for this essential utility compares favourably to the average household's cable or telephone which would normally be viewed as less essential to the individual residents' general health and wellbeing and indeed to the community as a whole.

Discussion

The Administration, with Council approval, has developed a strong Wastewater and Treatment team through the period of 2000 to 2005 which takes seriously its mandate to:

- protect the environment
- invest in our community, and
- undertake responsible long term planning.

Financing Activities:

In 2006, the increase of $2.3M for a total of $9.3M to fund debt servicing costs along with the increase in Capital Levy represents 4.71% of the 9.6% rate increase. This is the most significant factor contributing to the entire budget increase at 60% of the total increased needs. This new debt servicing addresses the costs of capital works that were approved in prior years' budgets and for which debenture issues are now required.

Capital Levy, a concept introduced for Wastewater and Treatment in the 2005 budget, has doubled in this budget to $1.2 million. This is in keeping with generational equity strategies outlined in the Draft 20 Year Sewer System Plan to move toward "Pay as you go" for lifecycle maintenance projects.

In addition, the 2006 through 2009 Budget currently assumes a contribution from the Federal Gas Tax based on the direction of Council at their meeting of October 3, 2005.

2006 Capital Program

The strategies and needs of the Wastewater and Treatment Program have been explored at length in the Draft 20 Year Sewer System Plan. This accompanying capital program is consistent with those strategies and the needs which have been identified through the sewer inspection program and such engineering studies as the Sanitary and Storm Sewerage Master Plans. The following table and Appendix "A" summarize the Program.

<table>
<thead>
<tr>
<th>Category of Project</th>
<th>Total ($000s)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>24,945</td>
<td>49%</td>
</tr>
<tr>
<td>Lifecycle Replacement</td>
<td>13,800</td>
<td>27%</td>
</tr>
<tr>
<td>System Improvement</td>
<td>12,510</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>51,255</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

The 2006 Budget has been prepared to be consistent with the principles proposed in the Draft 20 Year Sewer System Plan. This includes the constraints of the debt servicing ratio, gradually increasing the funding for lifecycle replacement, slowly growing the reserve funds (including the implementation of a Rate Stabilization Reserve) and, in so doing, fulfills the anticipated requirements of the Sustainable Water and Sewer Systems Act. The current Lifecycle Replacement (LCR) budget of $13.8M is significantly less than the $19M average annual works approved in the 2000 to 2004 period. It is recommended that the LCR program be increased by
an average of $1 million to $1.5 million per year over the next 10 years with more substantial increases in the later part of the Plan to address the projected life cycle needs.

2006 Operational Program

The Engineering and Operations Program is proposed to increase $1.34M to $29.30M, representing 2.78% of the proposed increase. The majority of this increase to the operational program is due to escalating energy costs (1.26%) in the operations of Pollution Control Facilities, followed by an increase to personnel costs, purchased services and materials (1.05%) and lastly additional costs as the City continues the move to full cost accounting (0.46%). These uncontrollable increases in such areas as personnel contracts, chemicals and other operating supplies have been partially offset by savings found through general squeezing of the Divisions. Included in the personnel costs is a new position for an industrial electrician in the Pollution Control Operations division to provide maintenance service to an expanding water distribution and wastewater treatment system. The cost of this position is shared equally between Wastewater & Treatment and Water.

Revenues:

This 2006 proposed budget recognizes that reduced consumption appears to be a trend that is not entirely weather-dependent. Consumption estimates have been reduced in the calculation of revenues. This reduction in projected consumption levels is covered by 2.1% of the 9.6% rate increase in order to ensure that adequate funds are available to fund the 2006 program. This produces a net 7.5% increase in revenue over the approved 2005 Budget. A similar adjustment has taken place in the development of the Water Services budget.

Water consumption fluctuates year over year and as 77% of the revenue budgeted for this Program is based on water consumption, this fluctuation can have a significant impact. For the past two years the Wastewater and Treatment Program has reported a deficit at the end of the year due to shortfalls in revenue. This has been attributed to unusually wet summer weather conditions. For 2005, however, this trend of revenue shortfall seems to be continuing, although to a lesser degree, despite more seasonal weather patterns. The 2.1% consumption adjustment helps mitigate the impacts of this apparent trend.

Additionally, the Draft 20 Year Sewer System Plan supports the implementation of a Rate Stabilization Reserve Fund to create a smoothing effect by providing future funding for years of revenue shortfall due to weather conditions.

Conclusions:

The Wastewater and Treatment Program provides an essential service to the residents and businesses within the City of London while protecting the environment and investing in the community. This budget is consistent with the Draft 20 Year Sewer System Plan and moves the City forward to meet the requirements of the Sustainable Water and Sewer Systems Act. As a result of this proposed 9.6% increase, the average homeowner will pay an additional $34 per year for an estimated annual cost of $395 or $1.08 per day.
Acknowledgements:

This report was prepared with the assistance of Sharon Houde, (EESD Administrative Services), and reviewed by Tom Copeland, John Fitzgerald, Charlie Murray, (Wastewater and Treatment) and Dave Ailles and Rick Brown, (Administrative Services).

<table>
<thead>
<tr>
<th>PREPARED BY:</th>
<th>RECOMMENDED BY:</th>
</tr>
</thead>
<tbody>
<tr>
<td>RON STANDISH, P.ENG.</td>
<td>PETER W. STEBLIN, P.Eng.</td>
</tr>
<tr>
<td>DIRECTOR, WASTEWATER &amp; TREATMENT</td>
<td>GENERAL MANAGER OF ENVIRONMENTAL AND ENGINEERING SERVICES AND CITY ENGINEER</td>
</tr>
</tbody>
</table>

CONCURRED-BY:

VIC COTÉ
GENERAL MANAGER OF FINANCE AND CORPORATE SERVICES
Bill No. 2005
By-law No. WM-18

A By-law to establish the Schedule of Sewer System Fees and Charges.

WHEREAS the Council of The Corporation of the City of London passed By-law No. W.1039-288 on June 4, 1984, being a by-law to regulate the charges to property owners who connect their properties to the sewer works of the City of London;

AND WHEREAS the Council of The Corporation of the City of London passed By-law No. WM-2 on November 15, 1993, being a by-law for the regulation of the discharge of wastes into the public sewage works and to provide for sewage service rates;

AND WHEREAS the Council of The Corporation of the City of London passed By-law No. WM-13 on December 18, 2000, being a by-law for imposing a sewer improvement tax;

AND WHEREAS the Council of The Corporation of the City of London passed By-law No. WM-17 on December 20, 2004, being a by-law to establish the schedule of sewer system fees and charges;

AND WHEREAS Ontario Regulation 244/02 under the Municipal Act, 2001 provides that a by-law imposing a fee or charge for the use of a sewage system expires on December 31, 2005;

AND WHEREAS under section 391 of the Municipal Act, 2001, a municipality may pass by-laws imposing fees or charges on any class of persons for services or activities provided or done by or on behalf of it;

AND WHEREAS Ontario Regulation 244/02 under the Municipal Act, 2001 imposes enhanced public notification requirements where fees or charges are imposed for the use of a sewage system, and the City has held a public meeting and provided notice of the public meeting in accordance with that Regulation;

THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. The Schedule of Sewer System Fees and Charges listed on Schedule 1 of this by-law are approved and imposed commencing January 1, 2006 as follows:

   a) The Sanitary Sewer Charge under the Sewer System Charge By-law, listed in Table 1, with 2005 rates continuing in effect until 2006 rates are administratively implemented by London Hydro Utility Services Inc;

   b) The Storm Drainage Charge under the Sewer System Charge By-law, listed in Table 2, with 2005 rates continuing in effect until 2006 rates are administratively implemented by London Hydro Utility Services Inc;

   c) The Sewer Rental Charges under the Sewer Rental By-law, listed in Table 3;

   d) Hauled Liquid Waste Disposal charges under the Waste Discharge By-law, listed in Table 4;

   e) Private Drain Connection repair and replacement charges, under the Drainage By-law, listed in Table 5; and

   f) High Strength Sewage Service Rates, under the Waste Discharge By-law, listed in Table 6.
2. The fees and charges imposed by this by-law are due and payable:

   (a) at the time of the transaction for which the fee or charge is imposed;

   or

   (b) if subsection 2(a) is not applicable, upon the due date specified in any
       invoice issued by the Corporation of the City of London or by London
       Hydro Utilities Services Inc. to any person or party in connection with a
       fee or charge imposed by this by-law.

3. Fees and charges imposed under this by-law on a person constitute a debt of the
person to the City. Fees and charges for the use of a sewage system imposed
under Part XII of the Municipal Act, 2001 have priority lien status. Where there is
statutory authority to do so, the City Treasurer may add fees and charges imposed
by this by-law to the tax roll for the property in the same manner as municipal taxes.

4. The short title of this by-law shall be the “Schedule of Sewer System Fees and
Charges By-law”.

5. This by-law expires on December 31, 2008 unless repealed sooner.

6. This by-law shall come into force and effect on January 1, 2006.

   PASSED in Open Council November 21, 2005.

   Anne Marie DeCicco
   Mayor

   Kevin Bain
   City Clerk

First Reading – November 21, 2005
Second Reading – November 21, 2005
Third Reading – November 21, 2005
## Schedule of Sewer System Fees and Charges

### TABLE 1 – Sewer System Charge – Sanitary Sewer – 2005 Rates to remain in effect until 2006 Rates are Administratively Implemented

<table>
<thead>
<tr>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sewer System Charge (based on water consumption)</td>
<td>2005 Sanitary Sewer Charge ($ per m³)</td>
<td>2006 Sanitary Sewer Charge ($ per m³)</td>
</tr>
<tr>
<td>Line 1 Residential</td>
<td>0.92564</td>
<td>1.08782</td>
</tr>
<tr>
<td>Line 2 Commercial</td>
<td>0.54918</td>
<td>0.60190</td>
</tr>
<tr>
<td>Line 3 Institutional</td>
<td>0.40297</td>
<td>0.44166</td>
</tr>
<tr>
<td>Line 4 Institutional over 600,000 m³</td>
<td>0.33085</td>
<td>0.36261</td>
</tr>
<tr>
<td>Line 5 Industrial</td>
<td>0.36965</td>
<td>0.40514</td>
</tr>
<tr>
<td>Line 6 Industrial over 600,000 and under 1.2 million m³</td>
<td>0.31046</td>
<td>0.34026</td>
</tr>
<tr>
<td>Line 7 Industrial over 1.2 million m³</td>
<td>0.26225</td>
<td>0.28743</td>
</tr>
</tbody>
</table>

### TABLE 2 – Sewer System Charge – Storm Drainage Charge – 2005 Rates to remain in effect until 2006 Rates are Administratively Implemented

<table>
<thead>
<tr>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 3</th>
<th>Column 4</th>
<th>Column 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sewer System Charge (based on water consumption)</td>
<td>2005 Storm Drainage Charge ($/Month)</td>
<td>2006 Storm Drainage Charge ($/Month)</td>
<td>2006 Storm Drainage Charge (Annual $ per hectare)</td>
<td></td>
</tr>
<tr>
<td>Line 1 Residential</td>
<td>7.25</td>
<td>7.95</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Line 2 Commercial</td>
<td>8.75</td>
<td>9.59</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Line 3 Institutional</td>
<td>7.00</td>
<td>7.67</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Line 4 Institutional over 600,000 m³</td>
<td>7.00</td>
<td>7.67</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Line 5 Industrial</td>
<td>778.44</td>
<td>798.37</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Line 6 Industrial over 600,000 and under 1.2 million m³</td>
<td>619.29</td>
<td>678.74</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Line 7 Industrial over 1.2 million m³</td>
<td>619.29</td>
<td>678.74</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### TABLE 3 – Rates Effective on and after January 1, 2006

<table>
<thead>
<tr>
<th>Sewer Rentals</th>
<th>2006 ($ per m frontage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Line 1 Sanitary Main Sewers</td>
<td>115.04</td>
</tr>
<tr>
<td>Line 2 Storm Main Sewers – Single Family</td>
<td>106.52</td>
</tr>
<tr>
<td>Line 3 Storm Main Sewers – Multi Family</td>
<td>213.02</td>
</tr>
</tbody>
</table>

### TABLE 4 – Rates Effective on and after January 1, 2006

<table>
<thead>
<tr>
<th>Hauled Liquid Waste Disposal</th>
<th>2006 ($ per 1,000 litres)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inside Municipal Boundaries</td>
<td>4.82</td>
</tr>
<tr>
<td>Outside Municipal Boundaries</td>
<td>12.06</td>
</tr>
</tbody>
</table>

### TABLE 5 – Rate Effective on and after January 1, 2006

<table>
<thead>
<tr>
<th>Private Drain Connection</th>
<th>2006 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repair or Replacement</td>
<td>5,500.00</td>
</tr>
</tbody>
</table>

### TABLE 6 – Rate Effective on and after January 1, 2006

| High Strength Sewage Service Rate | $0.3034413 per m³ |
Methods of Payment
The fees, charges and penalties imposed by this by-law can be paid as follows:

(a) under Table 1, and Table 2 (lines 1, 2, 3 and 4), to London Hydro by cheque, preauthorized payment or through a financial institution.

(b) under Table 2 (lines 5, 6 and 7), Table 3, Table 4, Table 5, and Table 6, to the City of London by cash, cheque or debit (where available).