



Hamilton

**CITY OF HAMILTON**

**CORPORATE SERVICES DEPARTMENT**  
**Financial Planning and Policy Division**

<b>TO:</b> Chair and Members Audit, Finance and Administration Committee	<b>WARD(S) AFFECTED:</b> WARD 5
<b>COMMITTEE DATE:</b> October 4, 2012	
<b>SUBJECT/REPORT NO:</b> Wentworth Condominium Corporation #38 Water/Wastewater Billing Issue (Outstanding Business List Item) (FCS12056) (Ward 5)	
<b>SUBMITTED BY:</b> Roberto Rossini General Manager Finance and Corporate Services	<b>PREPARED BY:</b> John Savoia (905) 546-2424, ext. 7298
<b>SIGNATURE:</b>	

**RECOMMENDATION**

That staff be directed to offer Wentworth Condominium Corporation #38 a Two (2) year interest-free payment arrangement in response of the water/wastewater billing issue experienced by Wentworth Condominium Corporation (WCC) #38 in August 2011.

**EXECUTIVE SUMMARY**

Committee received a delegation request from Ms. Dianne Gordon, representative from Wilson Blanchard Management Inc., property manager for 11 Harrisford Street, Hamilton (122 unit condominium – WCC #38) to appear before the Audit, Finance and Administration (AFA) Committee at its meeting held on June 11, 2012.

**SUBJECT: Wentworth Condominium Corporation #38 Water/Wastewater Billing Issue  
(Outstanding Business List Item) (FCS12056) (Ward 5) - Page 2 of 10**

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The presentation provided by Ms. Gordon was received by Committee with the water billing matter:

*Referred to staff for a report to AF&A, with the intent that staff come forward with a reasonable compromise with regard to this issue.*

The subject property has two water meters with a separate Horizon account for each meter. Each meter is a compound meter which can accurately measure high and low flow rates. Compound meters have two measuring elements (one for low flows and one for high flows) so that two odometer readings are obtained for each billing cycle and commonly referred to as the “high” and “low” sides of the compound meter. In the case of 11 Harrisford Street nearly all the property’s water consumption is typically measured on the low side with the high side generally registering very little consumption.

In August 2011, a much higher than normal water reading was obtained on one of the subject property’s water meters (Horizon Account # 410719-001 – refer to Table 1 below for reading details). The high water consumption resulted from a significant leak/break experienced in the summer of 2011 on the private portion of the property’s water service line. The additional water consumption amounted to 25,321m<sup>3</sup> equating to \$48,935.93 in combined water/wastewater charges. For comparison purposes, the subject account typically reflects water consumption over a 2 month billing period of approximately 2,000 - 4,000m<sup>3</sup> amounting to combined water/wastewater billings of roughly of \$6,000 - \$8,000.

TABLE 1 – Meter Readings HUC Account 410719-001

Meter Reading Date/Type	April 27, 2011 Actual (m <sup>3</sup> )	June 29, 2011 Estimated (m <sup>3</sup> )	Aug 26, 2011 Actual (m <sup>3</sup> )	Oct 27, 2011 Actual (m <sup>3</sup> )
“High” End	3,700	3,750	25,530	25,580
“Low” End	52,705	56,628	60,169	63,289
Consumption (m <sup>3</sup> )	2,377	3,973	25,321	3,170
Water/Wastewater Billing (\$)	\$3,086	\$4,883	\$48,935	\$4,453

As noted in Table 1 above, the June 2011 meter reading was estimated; in this case, as a result of a meter reader data entry error. With any manual meter reading system, estimated readings will occur for a variety of reasons such as the remote reading device not being operational, human error (as was the case with 11 Harrisford’s June 2011 meter reading), lack of access to the remote reading device (touchpad) typically caused by a locked gate or the presence of an aggressive dog. Estimated readings are used to render a water/wastewater billing and typically, the consumption estimate is based on the prior historical average usage for the account reflecting a similar period of time of year. Horizon exercises due diligence in the usual practice of water meter reading and as such, estimated readings generally occur in less than 5% of total meter readings.

**SUBJECT: Wentworth Condominium Corporation #38 Water/Wastewater Billing Issue  
(Outstanding Business List Item) (FCS12056) (Ward 5) - Page 3 of 10**

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In the case of 11 Harrisford, the high water bill was related to higher consumption as reflected by an August 2011 meter reading which reflected a very large leak had occurred over a short period of time. The increased water consumption was almost entirely registered on the “high” side of the meter which by design would only measure water consumption beyond a certain water flow rate which in this case is approximately 60 gallons/minute.

Public Works has provided the specifications for the 6” compound meter in place that indicates that the meter’s maximum flow rate is 704m<sup>3</sup>/hour which could allow the nearly 22,000m<sup>3</sup> that was registered on the high side to flow through the meter in as little as 31 hours. So even at a fraction of the meter’s maximum flow rate there is a strong likelihood that the water usage had occurred at a high flow rate after the June billing which suggests that had an actual meter taken place in June 2011, the meter reading would not have reflected increased usage of water at that time.

Most often property owners identify and repair service line leaks prior to a water billing reflecting increased water usage. With 11 Harrisford, the property manager has indicated that the water leakage was identified in early August 2011 by the sound of rushing water running into a catch basin. The subsequent leak investigation completed by the property owner revealed that there was a line break on the private portion of the domestic water service line that had resulted in significant water loss. The connection was repaired on August 10, 2011 by a contractor hired by the property owner. Shortly thereafter on August 26, 2011, an actual water meter reading took place that identified the high water use and so it should be noted that the high water usage billing itself did not occur until after the leak had been detected and addressed by the property owner.

The property manager had contacted Horizon following the high billing seeking a billing adjustment regarding the leakage issue and was advised by Horizon that service line leaks are not covered by the City’s Water Leak Adjustment Policy – further details on this policy are available under the Policy Implications Section of this report.

In November 2011, the property manager did request a deferred payment arrangement regarding the high billing so that the \$48,935.93 was deferred interest free over 2 billing periods (December 2011 and February 2012) in accordance with the City’s Water and Wastewater Deferred Payment Policy – details of this policy may be found under the Policy Implications Section of this report. As a result, the subject account is fully paid and in good standing.

The recommendation to FCS12056 reflects the fact that the City’s Water Leak Adjustment Policy (WLAP) in effect since 2007 does not provide financial assistance for any water leaks in the water service pipe. A “water service pipe” is defined as the pipe on the private property which conveys potable water from a City watermain to the inside of the building on the property.

Literature reviews conducted in the past have found that similar water leak bill adjustment polices while common in the United States and the United Kingdom are quite rare in Canada. Additionally, such similar policies typically exclude exterior leaks recognizing that exterior leaks are often the most difficult to detect and generally speaking require ongoing inspection of infrastructure to identify leaks requiring repair.

However, the City does provide financial accommodation for water/wastewater billings situations beyond the WLAP by offering interest-free payment arrangements under the City's Water and Wastewater Deferred Payment Policy (WWDPP – refer to Policy Implications section of this report for specific policy details). This Policy allows under extraordinary circumstances, repayment terms to extend beyond 2 years with approval by the City.

As previously noted, WCC#38 has paid the \$48,935.93 water/wastewater billing on an interest free basis over 2 billing periods (December 2011 and February 2012). It could be arranged to return these funds to the condominium corporation and enter into a longer term interest free repayment plan. Such a revised payment schedule could relieve to some extent the burden of recouping the billed amount from the condominium unit holders over a short period of time as is the current situation.

#### Significant Service Line Leak Situations under WLAP

Since the WLAP came into effect in late 2007, City staff have on occasion become aware of a number of situations where customers experienced water service line leaks with significant water consumption resulting in significantly higher than normal water/wastewater billings:

- March 2008 - Industrial customer experienced a line break on the private portion of their water service line amounting to a combined water/wastewater billing of \$45,000 paid in full in one instalment. The customer inquired about a possible billing adjustment related to the service line leak and was advised that the service line leaks were not eligible under the WLAP.
- October 2009 – City owned Confederation Park operated by the Hamilton Conservation Authority (HCA) experienced a line break on the private portion of their water service line amounting to a combined water/wastewater billing of \$58,000. HCA requested that the high water billings be adjusted and were advised that the City does not adjust billings for service line leaks under the WLAP.
- October 2011 – Condominium complex with two water meters/accounts experienced a line break on the private portion of their water service line amounting to a combined water/wastewater billing of \$127,000. Customer accepted responsibility of billings and requested a 2 year interest free payment arrangement which was approved by City Finance staff.

In addition to the recommendation in Report FCS12056, staff have identified options found under the *Alternatives for Consideration* section of this report.

***Alternatives for Consideration – See Page 7 for details***

**Alternative 1 – Allow a one-time exemption to qualify 11 Harrisford under the WLAP**

Should Committee allow the service line leak to be an eligible water leak under the WLAP, the account would become eligible for a one-time adjustment. The WLAP does include a maximum or cap on financial adjustment of \$5,000 which then would be applicable in this case should the service line leak be deemed as eligible.

**Alternative 2 – Alternative 1 plus Amend WLAP to allow service line leaks to be eligible**

As per Alternative 2, allow 11 Harrisford to be eligible under the WLAP and amend the WLAP on a go-forward basis to allow service line leaks to be considered eligible. It is assumed that other conditions and limitation of the WLAP would remain in place under this alternative including that the WLAP provides for only a one-time only adjustment and the maximum financial adjustment be maintained at \$5,000. As an additional change, Council could consider raising the \$5,000 maximum amount.

**Alternative 3 – 50% Credit Adjustment of \$48,935.93 Billing**

The property manager has indicated the corporation is seeking a 50% credit adjustment to the \$48,935.93 combined water/wastewater billing that resulted from the service line break. The request is based on the possibility that the estimated June 2011 reading may have reflected increased usage that could have led to identifying/repairing the line break prior to August 10, 2011 and thereby, reducing the water loss and associated billing amount.

The City's water meter readings are conducted manually on a best efforts basis with most customers on a bi-monthly read cycle. It should be noted that the City's water/wastewater position on estimated billings (which is common for most utilities) is to hold customers responsible for unbilled consumption identified upon an actual meter reading that occurs following one or more estimated readings. Customers are advised on their billings if a billing has been rendered based on an estimated or an actual reading.

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)**

**Financial:**

The Recommendation would have little financial impact.

**Staffing:**

No impact.

**Legal:**

None identified.

**HISTORICAL BACKGROUND** (Chronology of events)

Committee received a delegation request from Ms. Dianne Gordon, representative from Wilson Blanchard Management Inc., property manager for 11 Harrisford Street, Hamilton (122 unit condominium – WCC #38) to appear before the Audit, Finance and Administration (AFA) Committee at its meeting held on June 11, 2012.

The presentation provided by Ms. Gordon was received by Committee with the water billing matter:

*Referred to staff for a report to AF&A, with the intent that staff come forward with a reasonable compromise with regard to this issue.*

Staff have further reviewed this billing situation and through this report seek Committee's direction on how to proceed with this billing issue with further details on the various options found under the *Alternatives for Consideration* section of this report.

**POLICY IMPLICATIONS**

**City of Hamilton Water Leak Adjustment Policy (WLAP)** - provides residential, not-for-profits and institutional customers who utilize City water services financial assistance in regard to the repair of water leaks on private property, *excluding any water leaks in the water service pipe*. A "water service pipe" is defined as the pipe on the private property which conveys potable water from a City watermain to the inside of the building on the property.

As explicitly noted, the WLAP does not cover water leaks experienced on the service line and by extension, any exterior private infrastructure that is supplied directly by the same line for example, private fire hydrants. The WLAP exclusion of all exterior leaks has been in effect since November 2007. The predecessor "Plumbing Relief Program" had relatively fewer restrictions and did cover exterior leaks which resulted in some very significant write-offs under that program.

In developing the WLAP, staff conducted a literature review that found that similar water leak bill adjustment policies while common in the United States and the United Kingdom were quite rare in Canada. Additionally, such similar policies typically exclude exterior leaks recognizing that exterior leaks are often the most difficult to detect and generally

speaking require ongoing inspection of infrastructure to identify leaks requiring repair. Typically, water service line leaks are found by the loss of water pressure, the presence of a sink hole, etc so that as was the case with 11 Harrisford Street the leaking condition is identified not by a high water billing but through other means. The WLAP when approved in 2007 does not cover any exterior water leaks including leaks on the water service line.

**City of Hamilton Water and Wastewater Deferred Payment Policy (WWDPP)** - The City offers customers an optional payment arrangement when customers experience difficulties in addressing a water/wastewater billing as may occur with significant water leaks, catch-up billings or other similar back-billings. If requested by the Customer, the repayment term is typically equivalent, in length, to the back-billing period where applicable. The repayments are interest free and in equal instalments corresponding to the normal billing cycle. However, delinquency in payment of such instalments will be subject to the usual late payment charges.

The WWDPP requires HUC to notify the City of all arrangements of \$5,000 and up; City approval is required for arrangements that exceed \$50,000 with Council approval also required for arrangements that exceed \$100,000. For extraordinary circumstances, repayment terms beyond 2 years may be available if approved by the City.

#### **RELEVANT CONSULTATION**

Public Works – Environment and Sustainable Infrastructure Division has been consulted and supports the objectives and recommendations of this report.

#### **ANALYSIS / RATIONALE FOR RECOMMENDATION**

(include Performance Measurement/Benchmarking Data, if applicable)

The Audit, Finance and Administration Committee's mandate includes providing recommendations to Council on matters relating to City water/wastewater billing matters. As such, Committee may choose to recommend that a matter be resolved in a manner that an existing Council approved policy currently does not allow.

The subject billing matter with 11 Harrisford is a situation whereby the service line leak experienced at the property is clearly not eligible under the City Water Leak Adjustment Policy, however, Committee may recommend to Council an alternative resolution to the matter as outlined in the *Alternatives for Consideration* section of this report.

**ALTERNATIVES FOR CONSIDERATION**

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

**Alternative 1 – Allow a one-time exemption to qualify 11 Harrisford under the WLAP**

Should Committee allow the service line leak to be an eligible water leak under the WLAP, the account would become eligible for a one-time adjustment. The WLAP does include a maximum or cap on financial adjustment of \$5,000 which then would be applicable in this case should the service line leak be deemed as eligible. Allowing a one-time exemption would set a precedent for the WLAP and may lead to future delegations with like circumstances seeking similar accommodation under the WLAP. Alternative 1 would result in a \$5,000 write-off in Rate revenues.

**Alternative 2 – Alternative 1 plus Amend WLAP to allow service line leaks to be eligible**

As per Alternative 1, allow 11 Harrisford to be eligible under the WLAP and amend the WLAP on a go-forward basis to allow service line leaks to be considered eligible. It is assumed that other conditions and limitation of the WLAP would remain in place under this alternative including that the WLAP provides for only a one-time only adjustment and the maximum financial adjustment be maintained at \$5,000. Additionally, Council could consider raising the current \$5,000 maximum financial adjustment amount allowed under the WLAP. Alternative 2 would result in an immediate minimum \$5,000 write-off in Rate revenues and it is unknown the extent of the financial impact an amendment to allow service line leaks on a go-forward may present, although experience prior to 2007 would suggest that the annual WLAP write-off of revenues could increase substantially depending upon any change in the maximum adjustment amount.

Table 2 below clearly shows the financial impact of service line leaks being eligible as the total write-off amounts were significantly higher in the pre-2008 era when the predecessor “Plumbing Relief Program” had relatively fewer restrictions and did cover exterior leaks which resulted in some very significant write-offs under that program.



TABLE 2

### Water Leak Adjustment Program Cost Summary

	Number of Claims	Total Cost	Min Relief \$	Max Relief \$	Total Avg Cost/Claim
2002	75	\$ 68,700	\$ 68	\$ 9,400	\$ 920
2003	139	\$ 141,600	\$ 20	\$ 36,300	\$ 1,020
2004	257	\$ 260,800	\$ 20	\$ 58,000	\$ 1,010
2005	332	\$ 192,900	\$ 10	\$ 7,800	\$ 580
2006	179	\$ 162,400	\$ 14	\$ 84,000	\$ 910
2007	206	\$ 170,094	\$ 8	\$ 36,732	\$ 826
2008	194	\$ 90,259	\$ 4	\$ 3,529	\$ 404
2009	218	\$ 80,067	\$ 4	\$ 5,000	\$ 372
2010	155	\$ 65,916	\$ 4	\$ 2,670	\$ 213
2011	405	\$ 137,862	\$ 4	\$ 5,000	\$ 376
<b>Since 2002</b>	<b>2160</b>	<b>\$ 1,370,598</b>			

Amending the WLAP to allow service line leaks to be considered eligible would raise concerns of financial sustainability particularly if the \$5,000 maximum financial adjustment restriction was not maintained. It should be noted that the WLAP was amended in October 2011 by Council in large part to address increased revenue write-offs being experienced under the WLAP.

#### **Alternative 3 – 50% Credit Adjustment of \$48,935.93 Billing**

The property manager has indicated the corporation is seeking a 50% credit adjustment to the \$48,935.93 combined water/wastewater billing that resulted from the service line break. The request is based on the possibility that the estimated June 2011 reading may have reflected increased usage that could have led to identifying/repairing the line break prior to August 10, 2011 and thereby, reducing the water loss and associated billing amount. Alternative 3 would result in an immediate write-off of approximately \$24,500 in Rate Revenues. This option if chosen may set a precedent for potential future delegations requesting adjustments for billings related to catch-up billings that result from obtaining an actual meter reading following one or more estimated readings. Based on the Horizon Utilities Water and Wastewater 2011 Service Activity Report, estimated readings accounted for approximately 51,000 estimated billings of the nearly 920,000 water/wastewater billings issued by HUC in 2011 (for details refer to Report FCS11103).

The City's water meter readings are conducted manually on a best efforts basis with most customers on a bi-monthly read cycle. It should be noted that the City's water/wastewater

position on estimated billings (which is common for most utilities) is to hold customers responsible for unbilled consumption identified upon an actual meter reading that occurs following one or more estimated readings. Customers are advised on their billings if a billing has been rendered based on an estimated or an actual reading.

**CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)**

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

***Financial Sustainability***

- ◆ Financially Sustainable City by 2020
- ◆ Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost effective manner

***Environmental Stewardship***

- ◆ Natural resources are protected and enhanced

**APPENDICES / SCHEDULES**

Not applicable.