

**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> CITY WIDE
<b>COMMITTEE DATE:</b> September 8, 2011	
<b>SUBJECT/REPORT NO:</b> Amended Water Leak Adjustment Policy (FCS11071) (City Wide)	
<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 the amended Water Leak Adjustment Policy, attached as Appendix “A” to Report FCS11071, be approved.

**EXECUTIVE SUMMARY**

The City’s current Water Leak Adjustment Policy (Policy) provides limited financial relief under certain conditions and circumstances to address customers’ abnormally high water and wastewater bills associated with plumbing failures.

The Policy as it is currently structured, was approved in 2007 (refer to Report FCS07101); supports water conservation and recognizes the value of conservation as a potential tool in the effort to eliminate plumbing failures. For example, customers if made aware of potential leaks (with accompanying leak detection information) as part of an active notification process, may realize financial savings through the elimination of lost water. Water conservation was enhanced with the adoption of a “High Water Read”

notification program in 2007 to notify customers soon after an incident of high water consumption is detected and to provide leak detection information. This notification is intended to assist consumers to repair any leaks that may cause a high water read thus minimizing the impact on future billings. The intent is to notify customers when their water usage has increased relative to their normal usage, in the hope that these efforts will avoid the need for application for Leak Adjustment.

As Table 1 of FCS11071 reflects, there have been an increased number of adjustment requests and associated costs since the Policy in its current form has existed. The increased costs of this Policy raise sustainability concerns and suggest the related effort and associated financial resources may be better directed at education and preventative actions.

TABLE 1

**Water Leak Adjustment Policy Cost Summary**

	Number of Claims	Total Cost	Min Relief \$	Max Relief \$	Total Avg Cost/Claim
2008	194	\$ 90,259	\$ 4	\$ 3,529	\$ 404
2009	218	\$ 80,067	\$ 4	\$ 5,000	\$ 372
2010	328	\$ 143,569	\$ 4	\$ 5,000	\$ 416

Table 2 of FCS11071 outlines a number of proposed amendments to the Policy with further details available in the Analysis/Rationale for Recommendation section of this report.

TABLE 2

	<b>Current Water Leak Adjustment Policy</b>	<b>Amended Water Leak Adjustment Policy</b>
Minimum Consumption Increase For Adjustment	> 2x average consumption	> 2x average consumption
Bill Adjustment Amount	100% adjustment over and above 2x avg consumption	50% above average consumption responsibility
Limit on period of adjustment	120 days	120 days
Customer Eligibility	Residential & Commercial/Industrial/Institutional	Residential, Not-for-Profits/Institutional

Cap on financial adjustment	Residential – None  Commercial/ Industrial/Institutional \$5,000	Residential – None  Not-for-Profits/Institutional \$5,000
Limit on accessibility	Once every 12 consecutive months	Once every 12 consecutive months
Maximum Adjustments Per Account	None	2 adjustments in any 10 year period

The amended Policy takes a more proactive position with respect to the objectives of informing and educating customers regarding high water use and leak detection (refer to Table 3 of report FCS11071).

TABLE 3

	<b>Current Water Leak Adjustment Policy</b>	<b>Amended Water Leak Adjustment Policy</b>
Awareness	Verbal and written – high variance of 175%	Verbal and written – high variance of 150% (Nov – Apr) & 175% (May – Oct)
Customer Contact	Horizon Utilities	Horizon Utilities
Multiple notifications	Every event	Every event
Education	Leak detection & conservation tips	Leak detection & conservation tips

With respect to education, both the City and HUC actively promote water leak detection and water conservation.

The “High Water Read” notification program allows HUC to notify customers soon after an incident of high water consumption (ie. high variance > 175%) is detected and to provide leak detection information. This program has HUC issuing a letter that is separate from the customer’s billing informing of the increased water consumption and that the customer may have a leak that needs to be repaired. Accompanying the letter is a leak detection brochure provided by Water/Wastewater Customer Service and Community Outreach (WWCSCO). In 2010, nearly 5,800 notification letters were issued by HUC. Electronic versions of this brochure are available on the websites of both the City and HUC.

The City's WWCSO section further supports customer education with print advertisements (24 in 2010) and radio spots (180 in 2010) that highlight general water conservation tips and specific actions to prevent and/or identify water leaks.

It is anticipated that the amended Policy as per Appendix "A" to Report FCS11071 will promote the efficient utilization of a valuable resource provided by the City and enhance the commitment to achieving a sustainable water and wastewater system attained by sustainable, fair and equitable pricing.

*Alternatives for Consideration – Not Applicable.*

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

**Financial:** It is expected that the amended Water Leak Adjustment Policy will yield sufficient cost savings to offset the expected costs to enhance the "High Water Read" notification program.

**Staffing:** No anticipated impact.

**Legal:** None.

**HISTORICAL BACKGROUND** (Chronology of events)

The City's Water Leak Adjustment Policy (Policy), in effect since November 2007, provides limited financial relief to address customers' abnormally high water and wastewater bills associated with plumbing failures.

The Policy includes the enhancement and promotion of a "High Water Read" notification program. This program allows the City's water and wastewater billing agent, Horizon Utilities Corporation (HUC) to contact customers soon after an incident of high water usage is detected.

The Policy recognizes the value of educating the public not only on the need to identify a potential plumbing problem in a timely manner, but also provides the ability to disseminate general water conservation information, and/or direct the customer to information that will assist the customer to make more informed decisions with respect to water consumption/conservation.

The amended Policy as per Appendix "A" to Report FCS11071 enhances the measures to assist consumers to repair any leaks that may cause the high water read thus minimizing the impact on future billings. The intent is to notify customers when their

water usage has increased relative to their normal usage, in the hope that these efforts will avoid the need for application for Leak Adjustment.

The objective of the Policy is water conservation promotion as of the many options available for conserving water; leak detection is a logical first step.

### **POLICY IMPLICATIONS**

The Water Leak Adjustment Policy will be amended as per Appendix “A” to Report FCS11071.”

### **RELEVANT CONSULTATION**

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

Horizon Utilities Corporation (HUC) has been consulted and advised of potential implementation requirements that may arise from the adoption of this report’s recommendations and HUC has indicated they can support the City with these initiatives.

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

(include Performance Measurement/Benchmarking Data, if applicable)

The current Water Leak Adjustment Policy (Policy) requires that the customer assume responsibility for water usage up to 2 times (200%) of the average bill of the affected property as calculated using the prior 12 month period providing the following conditions are met:

1. that proof is provided that the plumbing problem has been fixed
2. that it is verified through subsequent bills that consumption has returned to normal levels

As part of the process in developing potential changes to the current Policy, staff conducted a literature review. The review found that while similar policies are common in the United States and the United Kingdom, they are quite rare in Canada revealing only two other municipalities (Kenora and Victoria) who offer similar financial assistance in these circumstances. Based on this review, the recommended policy changes recognize the strengths/value of the following:

- revising the adjustment amount or credit to equal 50% of the water consumption exceeding the average bill of the affected property as calculated using the prior 12 month period. Many comparator programs require customers to share the cost of the excess water loss recognizing that the City does not have responsibility to maintain customer owned water piping and water related fixtures and appliances;
- industrial and commercial enterprises to no longer be eligible under the Policy. Most comparator leak adjustment programs only allow for residential applicants as for-profit industrial/commercial customers are able to claim their utility expenses against income.
- limit the number of leak adjustments per account to two (2) allowances in any ten-year period. Many comparator programs provide for a one-time only, once in a life-time adjustment or one adjustment per ten-year period recognizing that customers once they have experienced a water leak are generally much better equipped to detect future water leaks more quickly thereby preventing water loss and high bills.
- excluding adjustments where a dwelling is unoccupied and/or vacant beyond 72 hours. Customers have the responsibility to arrange for a competent person to enter their dwelling regularly to monitor the dwelling's condition for example, to ensure that heating has been maintained. For extended absences, customers should consider shutting off the water supply (except where water is used for heating) and draining all the pipes and appliances.
- excluding adjustments where high water usage is identified from a "catch-up" billing following a minimum of 2 consecutively estimated billings. Actual meter readings are necessary for bills to reflect actual higher water usage to trigger leak awareness that will drive the associated leak detection and subsequent leak repairs. Customers are advised on their water bill if the billing is based on an estimated read. Furthermore, the water meter readers leave a meter read request door hanger for the customer to call in and/or return the read card with an actual consumption read from their water meter. Additionally, the City and HUC undertake a number of actions to address the issue of consecutively estimated accounts that ultimately requires the timely response and cooperation of the customer to ensure ongoing actual meter readings may take place. There have been several instances, where customers have not provided timely response and/or have refused access to the property to allow for maintenance to metering equipment to eliminate the estimated readings. The associated delay in obtaining an actual reading, occasionally results in unbilled consumption once an actual read is eventually obtained.

- advance water conservation with the “High Water Read” notification program enhancements to notify customers soon after an incident of high water consumption is detected and to provide leak detection information

**ALTERNATIVES FOR CONSIDERATION:**

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

**Discontinue existing Policy** – eliminating the current policy of providing any financial assistance for those metered water and wastewater customers who experience high bills caused by unintentional water leaks that they repair in a reasonable timeframe would be consistent with nearly all Canadian municipalities. However, the City has recognized the financial hardships posed from high bills resulting from water leaks as defined, by providing some form of leak adjustment policies since 1997. With the transition to universal water metering there have been more claims submitted over the last few years. Given the goals of water conservation and the demonstrated needs to be able to address abnormal high water and wastewater bills caused by water leaks, this option is not recommended.

**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**

Appendix “A” to Report FCS11071 – City of Hamilton Water Leak Adjustment Policy

**POLICY TITLE: City of Hamilton Water Leak Adjustment Policy**

POSITION RESPONSIBLE FOR TASK: Senior Policy Advisor, Financial Planning and Policy

POLICY NO: PP-0005

LAST REVISION DATE: 12/12/2007

EFFECTIVE DATE: 09/14/2011

MANAGER REVIEWED: Mike Zegarac

TO BE REVIEWED: 09/1/2016

MAINTENANCE RESPONSIBILITY: Financial Planning and Policy Section

**I GENERAL**

The City of Hamilton's Water Leak Adjustment Policy ("Policy") 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. The Policy affords an opportunity for customers to request adjustments to water and wastewater use charges where such leak has been repaired by completing the *Water Leak Adjustment Request Form*.

**II BACKGROUND**

The City's Water Leak Adjustment Policy (Policy), in effect since November 2007, provides limited financial relief to customers to address abnormally high water and wastewater bills associated with plumbing failures.

The Policy allows for staff to address those instances when an eligible metered water customer receives an abnormally high bill as a result of a plumbing failure. Though the customer is responsible to repair leaks on service plumbing, it was recognized that a high water/wastewater bill resulting from an unintentional water leak can present financial hardship to a customer.

The Policy provides the opportunity to educate the consumer about the impact of water leaks while ensuring the financial impact of the increased water consumption is partially mitigated.

**III POLICY**

PURPOSE

To provide an opportunity for customers to request adjustments to water and

wastewater use charges where a Leak has been repaired in the water system on the customer's side of the water meter in a reasonable timeframe.

## DEFINITIONS

**Horizon:** Horizon Utilities Corporation.

**Leak:** 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.

**Not-for-profit:** Not-for-profit corporations are incorporated under the Ontario *Corporations Act* as organizations that carry on activities without the purpose of gain for its members and any profits to the corporation.

**Unoccupied:** An unoccupied dwelling and/or building is a dwelling and/or building in which occupants are absent from the property for a time period of seventy-two (72) hours or more, due to such matters as vacations or prolonged illness.

**Vacant:** Regardless of the presence of furnishings, a vacant dwelling and/or building means the occupants have moved out with no intent to return. A newly constructed dwelling and/or building is also considered to be vacant after it is completed and before the occupants move in. A dwelling and/or building is also vacant when the occupants move out and before any new occupant moves in.

## REQUIREMENTS

- An adjustment may occur only after all leaks have been repaired and verified with an actual water meter read by the City's agent, currently Horizon Utilities Corporation. Obtaining an actual meter reading may be necessary, within a minimum of two weeks, to verify whether Leaks have been repaired and usage has returned to normal.
- Reasonable efforts (including hiring a plumber) to locate the Leak and initiate repairs must be taken by or on behalf of the customer within 120 calendar days after of the initial notification of increased water usage provided to the customer by Horizon. Notification may include, but is not limited to: water billing with higher than historical average consumption, a written notice delivered to the owner or occupant or a courtesy phone call. Exceptions may be considered for extraordinary circumstances.
- The customer must complete in full the *Water Leak Adjustment Request Form* and provide documentation of repairs made prior to being approved for an adjustment within 120 calendar days after the date of final repair(s).
- There is no extension of the due date or the time for paying water and/or

wastewater bills because of a pending adjustment request. Customers are advised to pay the entire amount due with the normal payment period or enter into payment arrangements for the excessive amount in order to remain in good standing on all current billings. Reimbursements will only occur when an adjustment request is granted.

### WATER/WASTEWATER BILLING ADJUSTMENT

Leak adjustments are discretionary and will only be granted as follows:

- Each metered service shall only be allowed one adjustment during a 12 consecutive month period following a prior water/wastewater billing adjustment with the number of leak adjustments per account limited to 2 allowances in any ten-year period.
- Adjustments will only be for a maximum adjustment period of 240 calendar days (120 calendar days prior and 120 calendar days after the initial notification of the increased water usage provided to the customer by Horizon).
- Water usage MUST EXCEED 2 TIMES (200%) the AVERAGE of the similar period from the previous year. If no history is available, meter readings will be obtained to project normal usage. If projection is not possible, actual consumption of similar customers will be used to determine normal usage for the adjustment calculation.
- Adjustments will be based on 50% of the water consumption amount exceeding the AVERAGE of the similar period from the previous year.
- Adjustments for not-for-profits and institutional customers will be capped at \$5,000 (maximum combined water and wastewater adjustment). There is no adjustment cap for residential customers.
- No adjustments will be granted where:
  - a) usage above the customer's average monthly consumption is due to seasonal usage such as watering of sod, gardening, filling swimming pools or whirlpools, washing vehicles, etc. as this describes water services knowingly used by the customer;
  - b) water loss is due to theft, vandalism or construction damage as the responsibility to resolve these issues lies with the customer;
  - c) Leak was caused by a third party from whom the customer is able to recover their costs;
  - d) dwelling and/or building is Unoccupied and/or Vacant for 72 hours or more.

Customers have the responsibility to arrange for a competent person to enter their dwelling regularly to monitor the dwelling's condition eg. ensure that heating has been maintained. For extended absences, customers should consider shutting off the water supply (except where water is used for heating) and draining all the pipes and appliances;

- e) where high water usage is identified from a “catch-up” billing following a minimum of 2 consecutively estimated billings. Actual meter readings are necessary for bills to reflect actual higher water usage to trigger the associated leak detection and subsequent any leak repairs. Customers are advised on their water bill if the billing is based on an estimated read. Furthermore, the water meter readers leave a meter read request door hanger for the customer to call in and/or return the read card, with an actual consumption read from their water meter. Additionally, the City and HUC undertake a number of actions to address the issue of consecutively estimated accounts that ultimately requires the timely response and cooperation of the customer to ensure ongoing actual meter readings may take place. Customers need to provide timely response and/or access to the property to allow for maintenance to metering equipment to eliminate estimated readings. The associated delay in obtaining an actual reading, occasionally results in unbilled consumption once an actual read is eventually obtained.

**The following example illustrates how the adjustment is calculated based on rates in effect as of January 27, 2011:**

For this example, the normal monthly average water consumption is 30 cubic metres per month.

	Water Consumption	Dollar Amount
1 Water Bill	350 c.m.	\$ 394.10
2 Wastewater Bill *		394.10
Total water and wastewater bill		<u>\$ 788.20</u>
3 Prior 12 month average	30 c.m.	\$ 33.78
4 Consumption eligible for adjustment [ 1 - 3 ]	320 c.m.	\$ 360.32
Leak adjustment 50% allowance [4 * 50%]		\$ 180.16
Wastewater adjustment *		180.16
Total water and wastewater bill adjustment		<u>\$ 360.32</u>
* Wastewater surcharge = 100% of water consumption		