
Report of the Commissioner of Public Works
Administration of Water and Wastewater Billing Credits

1. Recommendations

1. Commissioner of Public Works be authorized to approve billing credits for water and wastewater service charges in accordance with principles outlined in this report.
2. Regional Clerk circulate this report to Clerks of local municipalities.

2. Purpose

This report seeks authority for the Commissioner of Public Works to approve water and wastewater billing credits related to abnormal water losses within local municipal infrastructure under exceptional circumstances. A formal billing credits protocol, established in accordance with the principles outlined in this report, would ensure municipalities and the Region have a framework for collaboratively resolving billing differences, in alignment with recommendations from [Audit Services Branch Report to Audit Committee on January 26, 2023](#).

Key Points:

- Billing credits protocol would ensure fair and equitable allocation of risk related to abnormal water losses and support prudent fiscal planning
- Key principles related to billing credits, including need to enhance billing framework to address abnormal water losses, supported by local municipal staff
- No significant user rate pressure anticipated, and annual billing credits are expected to represent less than 1% of total water and wastewater user rate revenues
- Availability of billing credits supports collaborative resolution of common billing differences in alignment with recommendations from Audit Services

- Language to support enabling the protocol is included in annual update to Water and Wastewater Service Rate Bylaws, also on this Council agenda

3. Background

York Region and local municipalities are partners in an integrated service delivery model for water and wastewater

Under the *Municipal Act, 2001*, the Region and its local municipal partners operate their respective water systems within an integrated service delivery model. The Region is responsible for water production, treatment, and bulk distribution to local municipalities that, in turn, distribute water to residents and businesses and bill them for services. Although the Region and local municipalities have defined responsibilities, delivering high-quality water requires an integrated approach. The Region's water system is highly interconnected, with water flowing through precise and regularly verified meters at 36 locations across local municipal boundaries. Through close collaboration, the Region and local municipalities optimize their respective systems, including maintaining their assets in a good state of repair, to provide the highest water quality from source to tap. This high degree of interconnection can make it difficult to distinguish each party's influence over operational system conditions, including water losses.

York Region Audit Services Branch identified need to formalize processes to manage and resolve billing differences between Region and local municipalities

Audit Services Branch Report to Audit Committee on January 26, 2023, included a Public Works – Environmental Services, Water Services Billing Audit Report. The Audit Report recommended formalizing processes to manage and resolve billing differences. Regional and local municipal staff have been working collaboratively for the last two years to document and reach consensus on integrated service delivery needs, billing matters, and alternative resolution opportunities. A key finding was that the Region's water and wastewater billing framework could be enhanced to provide Region staff with the flexibility needed to fairly compensate local municipalities for abnormal water losses within the interconnected system under exceptional circumstances.

4. Analysis

York Region bills local municipalities for water and wastewater services in direct proportion to usage with limited flexibility for issuing credits

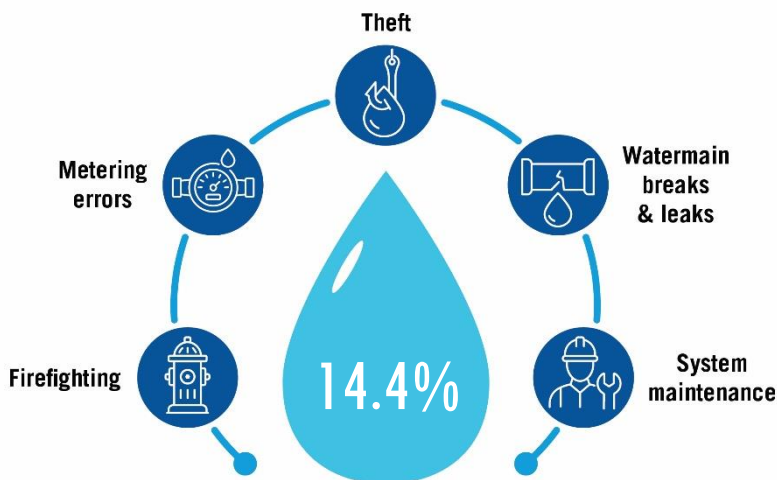
Per the [2022-2027 Water and Wastewater Rates Report](#), York Region recovers the full cost of providing water and wastewater services to local municipalities in proportion to the volume of water supplied to each municipality. [Bylaw No. 2025-17](#) establishes a uniform water service rate charged against all volumes of water supplied. [Bylaw No. 2025-18](#) establishes a uniform wastewater service rate also charged against all volumes of water supplied, except for the Township of King, which is charged based on the volume of wastewater collected. This bylaw

incorporates reductions to the volume of water used in the calculation for certain communities to correct for areas where no sanitary service is provided. No other volume reductions or billing credits are explicitly authorized.

Cost of typical water loss is recovered through existing water and wastewater rate structures

As a normal part of operating a water system, a portion of water supplied and billed to local municipalities by the Region does not reach retail customers. This water loss within distribution infrastructure results from leaks, watermain breaks, maintenance activities, and watermain flushing, among other things (see Figure 1). An average of 14.4% of water supplied to local municipalities is lost and does not generate revenues. This is consistent with industry benchmarks, which range widely from 7% to 40% with an average of 21% for large municipalities.

Figure 1
Typical Sources of Water Loss



Water loss is factored into both Regional and local municipal rate structures to minimize financial impacts. Routine sources, such as system maintenance and watermain breaks, are typically resolved quickly and adequately addressed through the rate structure. The Region and local municipalities work collaboratively to analyze and reduce water losses throughout the interconnected systems. This includes ongoing joint studies, data sharing, and technology enhancements that enable more rapid identification of and response to water loss events.

Unexpected losses in local water systems can create financial pressure for system owners leading to billing differences

Municipalities may occasionally face major increases to water loss due to factors like extensive flushing to restore water quality or prolonged, hard-to-detect leaks. These atypical events can significantly exceed historical trends and are not captured in standard rate models. Because municipalities are billed on total water volumes but can only recover costs for water delivered to residents, these events can create budgetary pressure and result in billing differences between partners.

Council authority requested to administer fair and equitable billing credits to local municipalities faced with abnormal water losses

The Region and local municipalities share responsibility for providing high quality water to end users. To provide targeted relief for municipalities impacted by documented, exceptionally high rates of water loss that exceed normal operating conditions, Council authority is sought to issue water billing credits in relation to volumes of water supplied to each local municipality. This type of credit is not currently addressed in the bylaws. If approved, the risk of abnormally high water loss would be shared by the Region and local municipalities.

Credits would provide targeted relief for municipalities facing documented, abnormal water losses that exceed normal operating conditions, including unusually high flushing requirements to restore water quality within the interconnected systems.

The protocol would enable the Region to support local municipalities by lessening financial shock of unusual water loss events in a timely, efficient, and collaborative manner.

Credits would be assessed equitably on case-by-case basis in accordance with clear principles

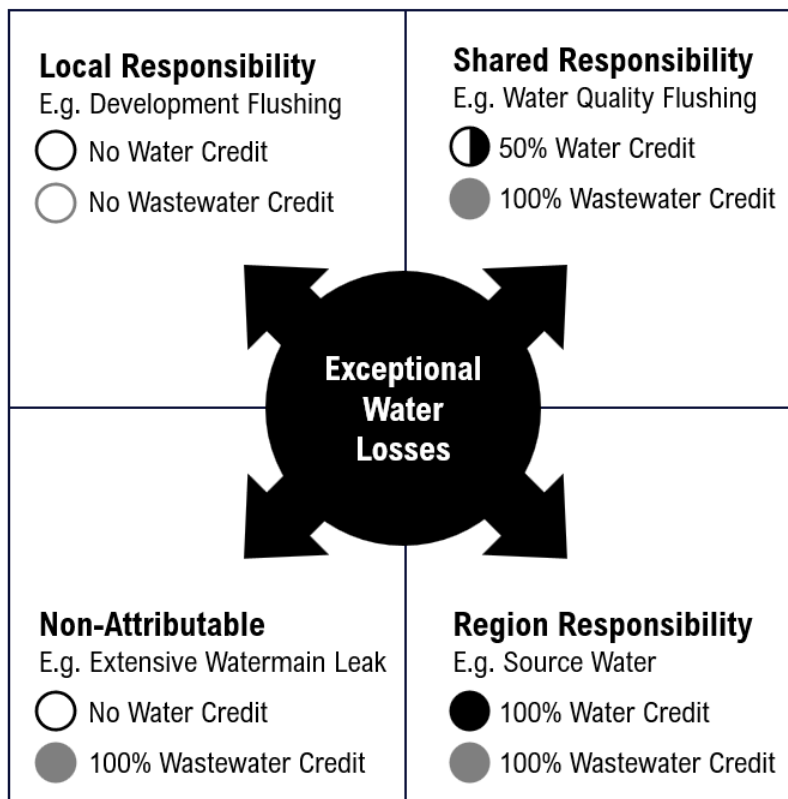
Billing credits for abnormal water losses would follow a structured protocol, developed in consultation with local municipalities, to ensure fairness, transparency, and consistency. The following guiding principles would inform the billing credit protocol:

- Credits to be applied consistently across all municipalities, using clear and objective criteria, thresholds, and conditions to ensure no municipality is unfairly advantaged or disadvantaged
- Credits relate solely to the portion of water losses within the local municipality's infrastructure that are abnormal compared to historical trends and other local municipalities
- Municipalities remain responsible for the full cost of routine water losses
- Credits apply only to losses above a minimum threshold to avoid administratively burdensome minor variances

- Credits must be supported by verifiable data and are subject to audit
- Credit calculation is informed by the level of care and control each party has over the claimed water losses (as outlined in Figure 2)
- Credits should not diminish incentives to invest in asset renewal or operational improvements. Credits are contingent on good faith collaboration between the partners to optimize the interconnected systems and minimize water losses through appropriate operational and asset management practices

Figure 2

Credit Assessment Depends on Care and Control Over Claimed Water Losses



Credits described in Figure 2 are general guidelines to be considered on a case-by-case basis. Routine water losses, such as system maintenance or typical leakage levels, would not be basis for a credit. Credits for exceptional water losses, which are markedly above historical volumes, are informed by the level of control exerted by each party over losses. This may result in full, partial, or no credit applied against water and wastewater charges, in alignment with the established principles and processes.

This approach would permit the Region to respond to local municipality needs equitably and consistently, while promoting long-term fiscal sustainability of this credit protocol. Region staff

would monitor implementation of the billing credit protocol, and the Commissioner of Public Works may adjust credit criteria, thresholds, and conditions to ensure equitable application while minimizing financial impacts.

Annual billing credits are expected to represent less than 1% of total water and wastewater user rate revenues

Since 2010, York Region has issued approximately \$11.8 million in billing credits related to elevated water losses caused by extenuating circumstances. Annual credits have ranged from \$0 to \$3.5 million, averaging \$706,000 per year. This represents a maximum annual credit of less than 1% of total water and wastewater user rate revenues in 2024. The risk of elevated losses is managed through collaboration between the Region and municipalities to monitor flows within the interconnected systems and make best efforts to rapidly resolve water loss events.

The formalized billing credit protocol would ensure consistency and fairness by including clearly defined credit triggers and volume thresholds, reviewed annually to balance financial sustainability with fairness to municipalities. This shared approach promotes joint accountability and supports cost-efficiency for ratepayers.

Credit protocol supports good government area of focus under Vision

A formalized billing credits protocol supports the good government area of focus under Vision and the objective of delivering fiscally responsible services under the 2023-2027 Strategic Plan by giving staff the tools and flexibility needed to negotiate fair and equitable credits and avert prolonged billing differences.

5. Financial Considerations

This report identifies potential financial implications beyond the current budget year, including resources that may be requested through subsequent reports or future budget processes.

Water and wastewater expenditures are funded from user rates and have no tax levy impact. Any operating variances are addressed through contributions to or draws from water and wastewater stabilization reserves.

Sufficient funds are available in the rate stabilization reserves to manage short-term impacts of the proposed billing credit protocol. Over the long term, no significant rate pressure is anticipated. Any future financial implications, in the form of rate pressure resulting from overall evolution of water system network events and how extraneous water loss may occur across municipalities and the Region, would be addressed in the next Water and Wastewater Rate Study, scheduled for 2027, or in later studies.

6. Local Impact

Local municipal staff support formalized billing credits protocol to reduce financial pressures and drive greater cost certainty

High levels of unanticipated water loss create challenges for both local municipalities and the Region. A coordinated approach supported by inter-municipal cooperation and a formal credit protocol can help manage budget pressures and support cost-effective service delivery. Region staff have been working with all local municipalities to gain a better understanding of integrated service delivery needs, billing matters, and alternative resolution opportunities through several rounds of consultation over the past two years. Principles for credit protocol were developed together to alleviate future billing differences.

7. Conclusion

York Region and local municipalities operate an integrated water system and work collaboratively to provide the best quality water to residents at the lowest price. Authorizing the Commissioner of Public Works to administer billing credits for abnormal water losses would help provide a shared approach to issues and costs facing local water systems, while supporting effective fiscal planning for the Region. The proposed credit protocol is part of a formalized resolution process that was developed in collaboration with the local municipalities. It also supports resolution of the Corporate Audit finding.

Language to support enabling the billing credit protocol is included in the annual update to Water and Wastewater Service Rate Bylaws, also on this Council agenda.

For more information on this report, please contact Wendy Kemp, Director of Infrastructure Asset Management at 1-877-464-9675 ext. 75141. Accessible formats or communication supports are available upon request.

Recommended by:



Mike Rabeau, P.Eng.

General Manager, Capital Infrastructure Services



Laura McDowell, P.Eng.

Commissioner of Public Works



Approved for Submission:

Erin Mahoney

Chief Administrative Officer

February 17, 2026

17094893