

Category

User Fees and
Regulatory Charges



Geography/ Location

AB, BC, MB, NB,
NS, ON, QC

Municipality Size

All



Tier

Foundation



Constraints

None

Administrative Capacity Required

Low



Fiscal Tool Brief: Water and Wastewater Fees

Water and wastewater fees charge users based on service use to fund safe drinking water, wastewater treatment, and shared utility infrastructure.

Water and wastewater fees are a user-pay system that municipalities use to fund the costs of providing safe drinking water and treating wastewater. Municipalities recover the cost of sourcing, treating, distributing and eventually collecting and treating water through a combination of fixed and variable charges. Typically, properties are metered so that the variable portion of the bill reflects actual water use, while the fixed portion covers shared infrastructure such as treatment plants, pumping stations and fire protection systems. Rate structures vary among municipalities, reflecting both policy choices and the fiscal powers available. Some charge a constant unit rate per cubic meter (volumetric rate), others apply tiered or “increasing block” rates to encourage conservation by targeting high users, and a smaller share still use flat fees.^{1,2} Wastewater charges are commonly linked to the water bill, either as a percentage of water charges or as a parallel volumetric rate.



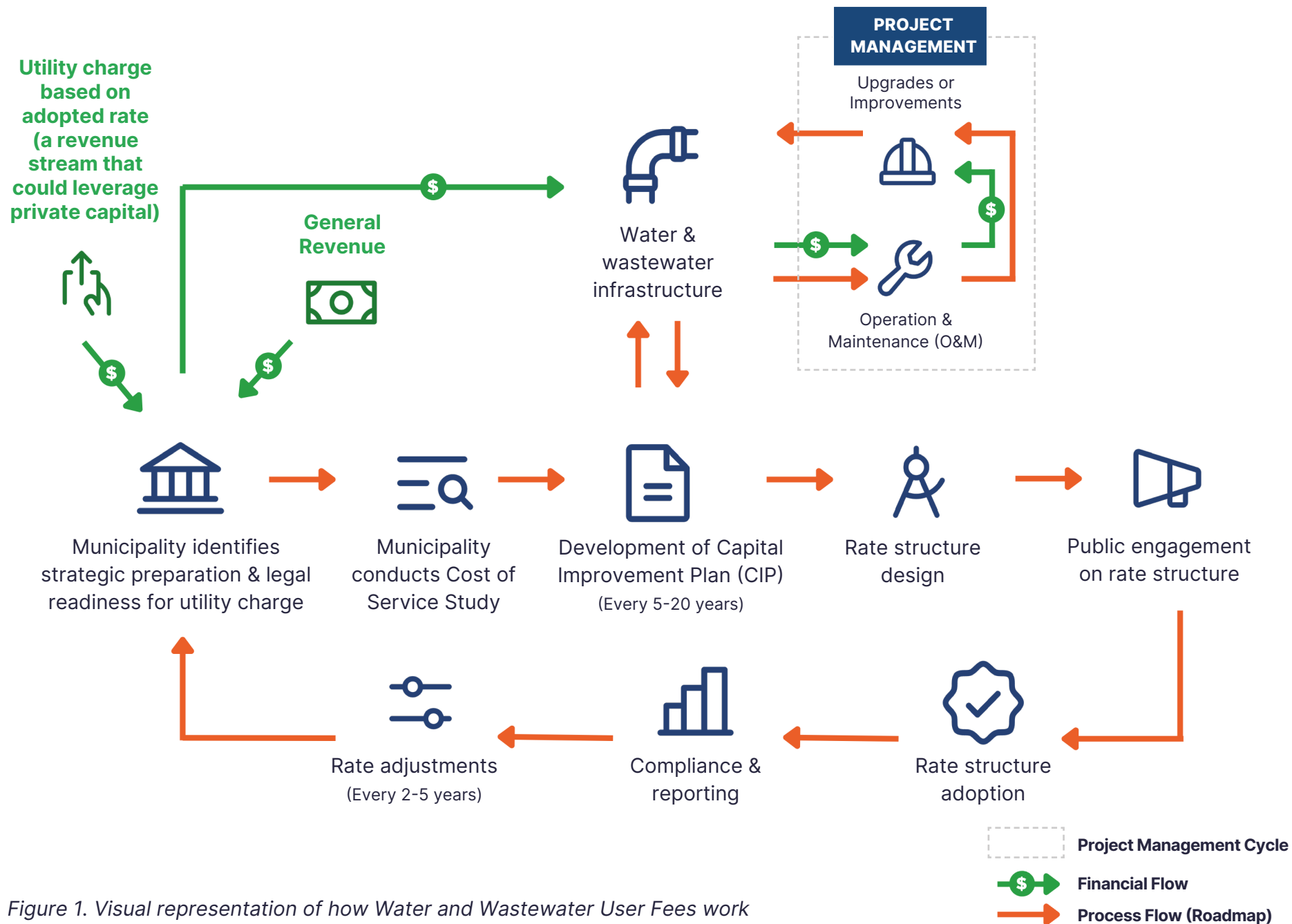


Figure 1. Visual representation of how Water and Wastewater User Fees work

Examples

The majority of municipalities in most provinces have adopted full-cost water and wastewater rate structures to fund the treatment, delivery, and safe return of water while encouraging conservation. [Winnipeg \(MB\)](#) sets municipal water and wastewater rates that residential users pay per cubic metre of water consumed and sewer treated. These fees cover city water supply, collection, and treatment services, and are approved annually as part of the City's utility rates structure.³ [Vaughan \(ON\)](#) sets combined water/wastewater rates per cubic metre and levies a separate annual stormwater charge, with revenues dedicated to water quality monitoring, leak detection, and maintenance of stormwater ponds and erosion controls. [Vancouver \(BC\)](#) applies seasonal metered rates, charging more per cubic metre during the high-demand summer months, together with a meter service charge that scales by pipe size to promote efficient use. These examples show that water and wastewater fee systems vary across provinces and municipalities, with each jurisdiction tailoring rate structures, to its own needs, infrastructure costs, and water conservation goals.

Relevance to Advancing Adaptation

Water and wastewater fees provide a dedicated source of funding for municipalities to maintain and upgrade essential water infrastructure as climate impacts become more frequent. Full-cost pricing and metered, conservation-oriented rate structures help municipalities cope with both heavier rainfall and more frequent droughts by financing infrastructure upgrades.⁴ For example, [Ottawa \(ON\)](#) has designed its four-tier water rate system to generate predictable revenue for long-term infrastructure renewal

while rewarding water conservation. The tiers reset every 30 days: Tier 1 covers the first 6 cubic metres at the lowest rate (\$1.345/m³), with rates increasing through Tier 2, Tier 3, and Tier 4, which applies to consumption above 180 cubic metres per month at \$3.313/m³ (nearly 2.5 times the base rate).⁵ Revenue from these rates are allocated to projects such as upsizing storm sewers and upgrading wastewater treatment capacity to handle the more intense rainstorms and river flooding projected to increase in the region.⁶ By linking higher water use to higher charges and dedicating the proceeds to climate-resilient upgrades, Ottawa and other municipalities can steadily invest in stronger pipelines, expanded treatment plants, and improved stormwater management without relying solely on property taxes. This approach shows how a well-structured fee mechanism can both reduce demand pressures and finance the capital projects needed to adapt to more extreme and unpredictable climate conditions.

Accessibility

User fees for water and wastewater services are universally accessible: every Canadian province's general municipal and utility legislation authorizes fee-setting for water supply and sewage treatment, and virtually all Canadian municipalities operating these services already exercise this authority. This places water and wastewater fees among the most administratively accessible fiscal tools in this catalogue.

The statutory basis is straightforward across jurisdictions. In Ontario, s. 391(1) of the Municipal Act, 2001 provides general fee and charge authority for municipal services,⁷ and the Ontario Water Resources Act supplies the environmental permitting framework

within which wastewater systems operate.⁸ Ontario is distinguished, however, by a financial-planning discipline that functions as a de facto rate-setting standard: s. 30 of the Safe Drinking Water Act, 2002 requires municipal drinking water system owners to prepare “financial plans” as a condition of holding or renewing a municipal drinking water licence,⁹ and Ontario Regulation 453/07 (made under s. 30) specifies the plan requirements.¹⁰ Under s. 2(2)(ii) of the regulation, the financial plans must apply for a period of at least six years; under s. 2(1), they must be approved by council resolution that indicates the drinking water system is financially viable; and under s. 2(4), they must itemize projected revenues (water rates, user charges, other), expenses (amortization, interest, other), and the resulting annual and accumulated surplus or deficit. While the regulation does not itself mandate full cost recovery, the viability requirement combined with the mandatory itemization produces a de facto full-cost-recovery discipline: rates must be set high enough that the plan can honestly represent the system as financially viable over the six-year horizon.

In British Columbia, s. 194 of the Community Charter authorizes fees for services including water and sewer,¹¹ with parallel authority available for regional districts under s. 397 of the Local Government Act.¹² In Alberta, general municipal fee and service-rate authority under the Municipal Government Act supports water and wastewater utility rate-setting.¹³ In Manitoba, The Municipal Act provides equivalent general fee authority. Atlantic provincial legislation (Nova Scotia’s Municipal Government Act¹⁵; New Brunswick’s Local Governance Act,¹⁶ notably s. 10(6)(d)&(e) on bylaw fee and user charge authority) supplies equivalent authority.

The availability of incitative rate structures is not uniform: in Quebec, for example, the tariff must reflect the benefit received, which prevents the adoption of increasing block rates (Loi sur la fiscalité municipale arts. 244.1-244.10).¹⁷ Municipalities in provinces with broader rate-setting authority have more latitude to deploy steeply tiered conservation pricing.¹⁸

Because the authority is universal and well-exercised, the climate-adaptation opportunity lies not in enabling new legal authority but in rate-structure design. Implementation choices (tiered volumetric rates that signal conservation, impervious-surface-based stormwater charges, dedicated climate-adaptation reserve contributions within the rate base, and cross-subsidy protections through low-income rebate programs) determine whether water and wastewater utilities can sustain the capital investments required for climate-resilient systems while maintaining affordability. Ontario’s Regulation 453/07 financial-planning model is particularly valuable as a replicable discipline: its six-year planning horizon, mandatory disclosure of projected revenues and expenses, and council-resolution viability attestation together create a governance structure well-suited to long-term capital planning for climate adaptation, and it is amenable to broader adoption or adaptation by other provinces.

Feasibility

The feasibility of implementing or adjusting water and wastewater fees is generally high because most municipalities in most provinces already have metered billing systems and administrative processes

in place. Shifting to different pricing mechanisms typically requires a council bylaw and a public consultation process rather than major technical upgrades, meaning the transition can be relatively straightforward and easy to implement. In addition, as provincial legislation across Canada generally allows municipalities to recover operating and capital costs for water systems through user fees this provides the necessary legislative foundation. Moreover, since the rate structures can be adjusted incrementally on a periodic basis, municipalities can phase in changes to improve public acceptability. Overall, the combination of existing infrastructure, legal clarity, administrative readiness, and incremental adjustability makes fee-based funding one of the most feasible approaches for financing climate-resilient water infrastructure.

Risk

Water and wastewater fees can carry several important risks that municipalities must manage carefully. Affordability is a primary concern, as higher rates can disproportionately affect low-income households, seniors, or larger families with limited ability to reduce consumption. These equity challenges can be addressed through rate modifications, utility assistance programs, or targeted rebates.^{19,20} For example, Toronto operates a low-income water rebate program providing a 30% reduction on charges for eligible low-income seniors and persons with disabilities whose annual consumption is below 400 cubic meters.²¹ Municipalities considering rate increases to fund climate adaptation should pair them with targeted affordability mechanisms to avoid shifting adaptation costs onto those least able to pay. In addition, political resistance to rate increases can also delay necessary investments, leading to deferred maintenance and increasing

long-term vulnerability to climate impacts such as extreme rainfall or wastewater overflows. There is also administrative risk in small municipalities where limited staff capacity may create challenges with financial modelling or rate-setting updates. Therefore, these risks highlight the need for equitable rate structures, affordability programs, transparent communication about infrastructure needs, and robust long-term financial planning to ensure that user-fees remain equitable and sustainable.

Scalability

The implementation of water and wastewater fees are scalable because municipalities can modify their rate structures (e.g., fixed charges, volumetric rates, or tiered pricing) to ensure full cost recovery and fund or finance long-term resilience projects. The funding mechanism is also scalable across infrastructure types, supporting drinking-water treatment, wastewater treatment, stormwater upgrades, groundwater monitoring, and climate-resilient infrastructure. The predictable revenue stream of regulated utility fees supports borrowing capacity, and many municipalities have unlocked private capital to finance water and wastewater operations at scale. Water utilities can be structured as ring-fenced entities, which can help attract infrastructure investors. Climate adaptation surcharges within the rate base could fund further resilience upgrades, potentially financed by a third-party private capital provider. Over time, municipalities can expand rate structures to incorporate stormwater charges or climate-adaptation surcharges, allowing the system to evolve as needs become more complex. This flexibility makes this mechanism a robust, scalable solution for financing resilient water and wastewater infrastructure.

Evaluation Matrix

Scoring: High = +1 | Medium = 0 | Low = -1

Criterion	Rating	Score	Key Evidence	Assessment
Effectiveness & Performance	High	+1	Dedicated, continuous revenue stream funding infrastructure upgrades and conservation	The tool directly supports adaptation-related infrastructure while also encouraging conservation through pricing signals.
Economic Efficiency	High	+1	Existing metering systems and billing structures often already in place	It is highly efficient because revenue collection is built on established systems with low marginal administrative cost.
Equity & Fairness	Medium	0	Affordability concerns for low-income households identified	The beneficiary-pay model is strong, but affordability concerns remain unless mitigation measures are included.
Political Acceptability	Medium	0	Political resistance to rate increases noted in brief	Water and wastewater fees are generally accepted, though periodic rate increases can trigger resistance and delays.
Feasibility (Admin/Legal)	High	+1	Clear municipal authority and widespread existing systems	The tool is highly feasible because municipalities already have the legal authority, infrastructure, and administrative familiarity to implement it.
Coherence (Portfolio Fit)	High	+1	Integrated with asset management, rate-setting, and utility finance systems	It aligns strongly with long-term asset management, full cost recovery, and broader municipal finance frameworks.

Best Use Context

Water and wastewater fees are most effective as a foundational funding mechanism embedded in normal utility operations. They are especially well suited to municipalities seeking stable, long-term funding for incremental adaptation and infrastructure renewal, even where growth pressures are limited.

Context Factor	Relevance	Notes
Municipal Size	High	Applicable across all sizes; stronger revenue base in larger systems
Administrative Capacity Required	Low	Built on existing billing and utility management systems
Development Pressure	Low	Not dependent on growth; based on ongoing service demand
Climate Risk Targeting	Medium	Supports broad infrastructure adaptation but not highly targeted interventions
Fiscal Flexibility Required	Medium	Requires political willingness to adjust rates over time

Recommended Citation

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<https://icleicanada.org/project/fiscal-tools-catalogue/>

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