



State of Israel
State Comptroller and Ombudsman
Annual Report 70A | 2020

Mei Avivim 2010

Aspects of the Mei Avivim Corporation's Activities

Abstract

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Background

Mei Avivim 2010 Ltd. (the corporation) is responsible for providing water and sewage services to the residents of the city of Tel Aviv-Jaffa. The company was established by the Tel Aviv-Jaffa municipality in January 2010 and it is fully owned and held by the municipality. In January 2010, the Director of Corporations granted Mei Avivim a license to operate a corporation under the Water and Sewage Corporations Law.

Key figures

47.5
million cubic meters

amount of water supplied by the corporation in 2018 to Tel Aviv's 450,000 residents commitments

NIS 0.08 million

the corporation's loss in 2018 (before tax on revenues) compared to its loss of NIS 6 million in 2017^[1]

NIS 43 million

the gap between actual operating expenses and operating expenses according to operating norms^[2] set for the corporation in 2017

2.8%

the rate of the corporation's collection depreciation^[3] in 2018

8.5%

the rate of water depreciation of the corporation^[4] in 2018

10.5%

the percentage of water the corporation supplied in 2018 from independent sources

[1] Losses include tax on revenues in 2018 of NIS 6.6 million and in 2017 of NIS 8.8 million.

[2] Operating norms concern the following components of water fee: the water network component, the sewage network component, the collection component, and administrative expenses.

[3] Collection depreciation is the difference between total charges for the company's expenditure to provide water services to its customers and the total actually collected from those charges.

[4] Water depreciation is the difference between the amount of water the corporation purchases or produces and the amount of water it supplies to all its customers. This report relates to water engineering depreciation, in accordance with the Water and Sewage Corporations Regulations (setting conditions for licenses with regard to engineering standards) 2017.



89.5%

the percentage of water acquired from the Mekorot Water Company Ltd.

NIS 69.2 million

investments made by the corporation in 2018, i.e. ~16% of its revenues
Investments by the corporation in 2014-2017 ranged from 16.2% to 20.7% of its revenues.

NIS 42.2 million


the cost of collection for the corporation in 2017 (excluding expenditure on doubtful debts), around^[5] 6% of revenues

52





the number of corporation employees (out of 182) borrowed from the Tel Aviv-Jaffa municipality in 2018
That year, wage expenses for these employees were 43% of the corporation's wage expenses.

[5] The figure is based on the corporation's financial reports and includes additional collection costs.

Scope

 From August 2018 to February 2019, the State Comptroller's Office examined aspects of the operations of the Mei Avivim corporation. Supplemental examinations were conducted at the Water Authority and the Tel Aviv District Health Bureau.

Key Findings

-  **Failure to comply with operating norms:** Gaps were found in all components of operating norms set by the Water Authority for the corporation in 2017 and in actual costs. That year, the gap between operating norms and actual costs was NIS 43 million.
-  **Failure to comply with collection depreciation and water depreciation norms:** The corporation did not comply with the collection depreciation rate recognized and set in the regulations (1.5%). In 2018, collection depreciation was almost double that rate. The corporation also failed to comply with the rate of "general, recognized water depreciation" it had been given, i.e. 6.68%. In 2018, water depreciation was 8.5%.
-  **Decline in the volume of water production from independent sources:** In 2012, the corporation had ten active wells; in 2017 and 2018, it had just six and seven active wells respectively.
-  **Flaws in the management of the corporation's contracts and their control and supervision:** The audit found cases in which the corporation did not prepare ahead of time to publish tenders and therefore extended existing contracts because it had no valid option in hand. Cases were also found in which the corporation did not monitor the rate of expenditures for its contracts and did not examine this matter.





Reducing collection depreciation: In 2014-2018, the corporation managed to reduce the rate of collection depreciation from 5% in 2014 to 2.8% in 2018.


Reducing water depreciation: In 2014-2018, the corporation managed to reduce the rate of water depreciation from 8.8% in 2014 to 8.5% in 2018.

Water quality: We did not find deficiencies in the quality of water provided by the corporation.

Key recommendations

 It behooves the Water Authority, as the regulating body, and the corporation to periodically examine the congruence between normal water depreciation and actual water depreciation and formulate implementable recommendations on this matter.

 The Water Authority must periodically examine the method of calculating operating costs in all corporations. The said examination is necessary to make the water sector more efficient and to meet the goals set by the Water Corporations Law, which include professional and efficient business management of the water and sewage systems. With regard to the corporation, it must work to comply with operating norms.

 In view of the contribution of well rehabilitation and optimization in increasing the natural water supply on the coastal aquifer, and in view of the low cost of producing natural water compared to the cost of purchasing desalinated water, the corporation's board of directors must examine the possibility of implementing a plan prepared by the corporation to rehabilitate and optimize wells.

The corporation must monitor the expenditure rate for its contracts. Strengthening control mechanisms and systematic, regular monitoring will enable the corporation to optimize management and improve its efficiency, meet planning objectives, monitor resource and budget utilization, and examine its performance.

Summary

In order that water fees reflect the costs required to efficiently ensure a supply water at an optimum level of service, quality, and reliability, and at a reasonable price, it is necessary to ensure that there is congruence between norms and actual operating costs. Such congruence will increase the monetary sources available to the corporation for increasing its investment in infrastructure. Regarding independent production from drilling, this increases the water supply, prevents pollution, maintains the ability to produce water from natural sources, and reduces the need to purchase desalinated water. The corporation, together with the Water Authority, must work to bring into use wells that will allow independent production from drilling.

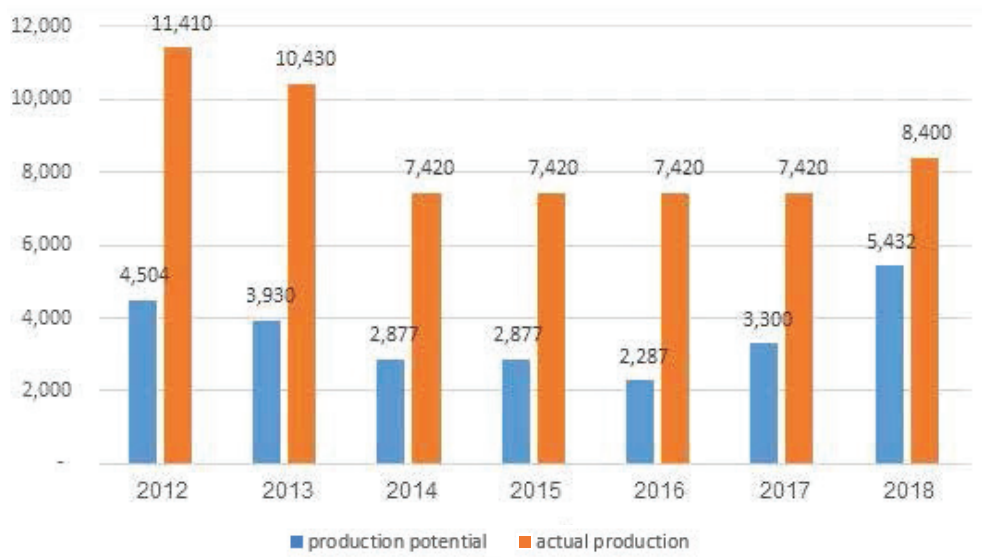
Mei Avivim, Tel Aviv-Jaffa, water line



Description of image:

The image shows a section of the Mei Avivim water pipeline.

Mei Avivim Corporation potential production compared to actual production, 2012-2018 (in thousands of cubic meters)



According to data from the corporation processed by the State Comptroller

