STAFF REPORT: ENGINEERING AND PUBLIC WORKS DEPARTMENT

REPORT TO:	**Infrastructure & Recreation Committee**
MEETING DATE:	**January 26, 2010**
REPORT NO.:	**FIS.10.05**
SUBJECT:	**Unconnected Vacant Lots Fronting Municipal Water & Wastewater Services**
PREPARED BY:	**Ruth Prince, Manager of Revenue** **John Caswell, Manager of Water & Wastewater Services/Asst. Director**

A. Recommendation

THAT Council receive Staff Report FIS.10.05 "Unconnected Vacant Lots Fronting Municipal Water and Wastewater Services" for information purposes; and,

THAT Council direct Staff to levy a fee for Unconnected Vacant Lots fronting Municipal Water and Wastewater Services for implementation with the 2011 Water and Wastewater budget.

B. Background

Since 2008, Council and Staff have discussed the opportunity of levying a fee for unconnected lots as an additional source of revenue to assist in maintaining water and wastewater infrastructure. In order to move forward with levying a fee for unconnected vacant lots, Hemson Consulting Ltd was retained to undertake a research analysis for The Blue Mountains.

Hemson conducted a review of water and wastewater rate structures of 17 municipalities in Ontario to see if levying a fee for unconnected vacant lots fronting municipal water and wastewater services is practiced. The review indicated that none of the municipalities sampled currently levy a fee on vacant lots fronting municipal services located within its respective municipal area. Hemson did however find several municipalities in the United States with this practice.

The report provided by Hemson, indicates that it would be a reasonable approach to establish a "vacant lot" water/wastewater charge for the recovery of a proportionate share of the annual infrastructure reserve fund contribution. Currently, a portion of the water and wastewater rates are an annual contribution to a reserve fund for the long-term repair, maintenance and replacement of water/wastewater infrastructure. Since existing water and wastewater infrastructure has been sized to service all fronting lands, it is reasonable that lands/lots not yet connected to the system would contribute to the Asset Replacement Reserves.

The illustration in the Hemson report (Attachment #1, Pages 2 & 3), calculates the annual and monthly amount per connection using the estimated full cost of water and wastewater infrastructure reserve contributions. Hemson's numbers on the estimate full cost of water and wastewater are from the 2006 rates study and are considered to be reasonable.

Currently, The Blue Mountains is not recovering the full replacement cost of water/wastewater infrastructure from the rates. The table below illustrates the annual and monthly amounts a vacant lot would pay based on the estimated full cost to the Water & Wastewater Asset Replacement Reserves as compared to what will be actually contributed to the Asset Replacement Reserves in 2010.

Table #1

	Water	**Wastewater**
Estimated Calculated ***Full*** Cost Annual Water and Wastewater Asset Replacement Reserves	$950,000	$865,000
Total Existing Connections	5,943	4,639
Approximate Existing Vacant Lots	1,304	906
Total Existing Connections + Vacant Lots	**7,247**	**5,545**
Annual Charge per Existing Connection/Vacant Lot	$131.09/yr	$156.00/yr
Monthly Charge per Existing Connection/Vacant Lot	$10.92/mth	$13.00/mth
Total Revenue from Vacant Lots	$170,940	$141,336
2010 Budgeted Contribution to Water and Wastewater Asset Replacement Reserves	$175,592	$500,000
Total Existing Connections	5,943	4,639
Approximate Existing Vacant Lots	1,304	906
Total Existing Connections + Vacant Lots	**7,247**	**5,545**
Annual Charge per Existing Connection/Vacant Lot	$29.54/yr	$107.78/yr
Monthly Charge per Existing Connection/Vacant Lot	$2.46/mth	$8.98/mth
Total Revenue from Vacant Lots	$38,520	$97,650

Staff recommend that a fee should be implemented consistent with what we are currently collecting and that the revenue generated from this rate would be held in the Water and Wastewater Asset Replacement Reserves for the purposes of long-term repair and replacement of water/wastewater infrastructure. The proposed fee is permitted under the *Municipal Act, 2001, S.O. 2001, c.25* authorizing a municipality to pass a By-law to impose fees or charges on persons, (a) for services or activities provided or done by or on behalf of it; (b) for costs payable by it for services or activities provided or done by or on behalf of any other municipality or any local board; and (c) for the use of its property including property under its control.

It is further recommended that due to Council priorities in 2010, the background work will be completed during 2010 to prepare this fee for inclusion in the 2011 Water and Wastewater budget.

In order to accurately determine the lots which would be subject to a "vacant lot" rate, a comparison would need to be made between active connections and those with frontage (vacant lots). A basic list of roll numbers with frontages can be generated from the GIS data and a necessary audit of the data would have to be performed before Staff could proceed with billing this rate. Furthermore, additional work would need to be done by Staff to confirm all of the unconnected vacant lots.

C. The Blue Mountains' Strategic Plan

2. Addressing the Town's municipal infrastructure needs
2.1 Identify existing deficiencies in the current municipal infrastructure

D. Environmental Impacts

None

E. Budget Impact

The "Vacant Lot" water/wastewater charge would generate an estimated additional $38,520 for the Water Asset Replacement Reserve and an estimated additional $97,650 for the Wastewater Asset Replacement Reserve. These numbers are based on the 2010 Budgeted Contribution to the Asset Replacement Reserves and what is currently being charged to existing connections.

F. Attached

1. Hemson Consulting Ltd. - Vacant Lot Fee

Respectfully submitted

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Reg Russwurm
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FIS.10.05
Attachment #1

HEMSON

Consulting Ltd.

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Facsimile (416) 595-7144 Telephone (416) 593-5090
e-mail: hemson@hemson.com

Via email

November 30, 2009

Ms. Ruth Prince
Town of the Blue Mountains
26 Bridge Steet
Thornbury, ON, N0H 2P0

Dear Ms. Prince:

Re: Town of the Blue Mountains Vacant Lot Fee

The Town of the Blue Mountains retained Hemson Consulting Ltd. to undertake a research analysis and provide recommendations in regards to levying a water fee on vacant properties within the Town of the Blue Mountains as part of the Town's overall water rate charges. We are pleased to provide this letter as an overall summary of our research and findings.

The analysis undertaken involved comparing the current water rate structure imposed in seventeen different municipalities within Ontario. The municipalities included in the survey are displayed on Exhibit 1. The research conducted indicates that none of the sampled municipalities currently levies a water fee on vacant properties located within its respective municipal area.

Notwithstanding the research completed, a further analysis was undertaken comparing the current water rate structure imposed in various municipalities in the United States. This analysis provided different results, showing that vacant lot water fees are more commonly used as a municipal revenue source to fund maintenance of water infrastructure. Several municipalities in the United States levy a vacant water fee based on a fixed rate collected monthly, bi-monthly, quarterly or annually.

A review of American Water Works Association's manual of water supply practices entitled "Principles of Water, Rates, Fees and Charges" identifies a type of water charge referred to as availability charge. Availability charge is typically levied against property owners within an existing water service but not connected to the water system. According to the manual, availability charge may be used effectively as a financial tool to allocate cost to non-connected properties within a service benefiting area. The rationale behind such charge is that water systems are designed to service all lands, existing customers and potential development, and that non-connected lots benefit from the availability of the service.

In the context of the Town of the Blue Mountains, a reasonable approach to establishing an "availability" or "vacant lot" water charge would be to set recovery rates for the recovery of a proportionate share of the annual infrastructure reserve fund contribution. When the Town last recalculated water rates, a component of the cost recovery was for an annual contribution to a reserve fund for the long-term repair, maintenance and replacement of water infrastructure. Water infrastructure has been sized to service all lands within the service area and, therefore, it is reasonable and defensible that lands/lots not yet connected to the system contribute to the water infrastructure reserve fund.

The most recent water rate study calculated an annual water infrastructure reserve contribution, based on full life-cycle cost recovery analysis, of approximately $950,000. A share of these costs is being recovered under current rates. However, the annual need is not fully funded. The following is a reasonable and defensible approach to calculating an "availability" water charge to be levied against vacant lots in the water service area:

Calculated Full Cost Annual Water Infrastructure Reserve Contribution:	$950,000
Total Existing Connections:	6,650
Existing Vacant Lots:	1,250
Total Connection + Vacant Lots	7,900
Charge Per Connection/Vacant Lot: ($950,000 / 7,900 Connections/Lots)	$120.25/year $10.02/month

Based on our research and the above calculations, if the Town of the Blue Mountains implements a vacant lot water fee it would be reasonable to set the charge at $10/month/lot. The revenues generated from this rate should be held in the water infrastructure reserve fund for the purpose of long-term repair and replacement of the water infrastructure.

The Town of the Blue Mountains currently has an inventory of approximately 1,250 vacant properties. Based on a monthly rate of $10 levied on these vacant properties, an annual revenue of $150,000 would be generated and contributed to the water infrastructure reserve fund.

Similar to the vacant lot water charge calculated, a wastewater availability charge can be levied against vacant lots in the service area. The wastewater availability charge is applied in addition to the calculated water fee. The most recent wastewater rate study calculated an annual wastewater infrastructure reserve contribution, based on full life-cycle cost recovery analysis, of approximately $865,000. A share of these costs is being recovered under current rates. However, the annual need is not fully funded. The following is a reasonable and defensible approach to calculating an "availability" wastewater charge to be levied against vacant lots in the service area:

Calculated Full Cost Annual Wastewater Infrastructure Reserve Contribution:	$865,000
Total Existing Connections Only Receiving Wastewater Service:	5,320
Existing Vacant Lots:	1,250
Total Connection + Vacant Lots	6,570
Charge Per Connection/Vacant Lot: ($865,000 / 6,570 Connections/Lots)	$131.66/year $10.97/month

Based on the above calculation, if the Town of the Blue Mountains implements a vacant lot wastewater fee it would be reasonable to set the charge at $10.97/month/lot. The revenues generated from this rate should be held in the wastewater infrastructure reserve fund for the purpose of long-term repair and replacement of the wastewater infrastructure.

As previously mentioned, the Town of the Blue Mountains currently has an inventory of approximately 1,250 vacant properties. Based on a monthly rate of $10.97 levied on these vacant properties, an annual revenue of $164,575 would be generated and contributed to the wastewater infrastructure reserve fund.

The Town could levy a vacant lot fee of $20.97/month/lot, generating approximately $314,575 for the purpose of long-term repair and replacement of water and wastewater infrastructure.

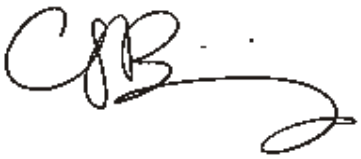
Water Charge (month/lot)	$10.00
Wastewater Charge (month/lot)	$10.97
Total Vacant Lot Charge	$20.97 month/lot

Based on our research, the Town of the Blue Mountains can levy a vacant lot fee as a means of generating revenue to help finance the maintenance, repair and replacement of the water and wastewater system currently supplying the Town. Evidently, this is not a common practice in several Ontario municipalities. However, our research indicates there is sufficient reason to implement a vacant lot fee in the Town if council wishes to do so.

Should you have any questions regarding the information provided, please feel free to contact the undersigned at (416) 593-5090, ext. 20.

Yours very truly,

HEMSON Consulting Ltd.



Craig Binning
Partner

Table 1

The Town of The Blue Mountains

Comparison of Vacant Lot Water Fees

Municipality	**Vacant Lot Water Fee**	**Applicable Fee**
Adjala-Tosorontio	*No*	-
Barrie	*No*	-
Belleville	*No*	-
Chantem-Kent	*No*	-
Cambridge	*No*	-
Essa	*No*	-
Hawksbury	*No*	-
King	*No*	-
Kingston	*No*	-
Midland	*No*	-
Orangeville	*No*	-
Orillia	*No*	-
Penetanguishene	*No*	-
Russell Township	*No*	-
Strathroy-Caradoc	*No*	-
Ingersol	*No*	-
Tiny	*No*	-
The United States of America		
Centreville, Maryland	***Yes***	$27.00/Quarter
Brooktrails Township, California	***Yes***	$30.00/Annually
Gunnison County, Colorado	***Yes***	$38.40/Quarter
Kennedyville, Kent County, Maryland	***Yes***	$90.91/Quarter
Albany, New York	***Yes***	$2.21/ per frontage foot per year