

STAFF REPORT: Financial Services



REPORT TO: Council
MEETING DATE: February 9, 2009
REPORT NO.: FS.09.06
SUBJECT: Establishment of Water and Wastewater Rates Effective January 1, 2009
PREPARED BY: Ruth Prince, Manager of Revenue

A. Recommendations

THAT Council receive Staff Report FS.09.06, "Establishment of Water and Wastewater Rates Effective January 1, 2009" for information purposes;

B. Background

At the January 15, 2009 budget meeting, Council directed staff to proceed to a Public Information Session that proposes that the budget estimates of \$2,945,576 for the water system are funded by an \$8.10/month increase (66%) to the fixed rate that includes 5m³ / month and 1% increase in consumption rate; and,

THAT the budget estimates of \$2,181,817 for the wastewater system are funded by a \$7.50/month increase (66%) to the fixed rate that includes 5 m³ / month and no change in usage rates.

The date for the Public Information Session is scheduled for February 21, 2009, with the Public Meeting scheduled on March 2nd and the By-law to impose the fees passed on March 9, 2009.

Rationale for Rate Model

The current rate structure includes a fixed monthly service charge and a tiered volumetric charge based on consumption for both water and wastewater. While a high allocation to volume promotes water efficiency, there are costs that exist regardless of volume consumed and therefore should be paid for across the entire customer base.

By including the 5 m³ in the fixed charge and charging on consumption when the minimum volume is exceeded, utility revenues are protected and an equitable allocation of costs is shared among all users.

Challenges of Water/Wastewater in The Blue Mountains

The most frequently asked question is why are The Blue Mountains' water and wastewater rates higher than the rates in many other municipalities? The following identifies some of the challenges of water and wastewater in The Blue Mountains:

- Long, thin and stretched out water distribution and sewage collection systems require more pumping stations, pressure zones due to significant elevation changes, reservoirs and appurtenances. More kilometres of pipe per unit mean that we lose economies of scale.
- There are significant ground elevation changes throughout the system. For water purposes, every 20 metres of vertical rise results in a new pressure zone (new system) which leads to higher operating and maintenance costs. For sanitary sewer purposes, more kilometres of pipe per unit results in the need for more pumping stations.
- Much of the system is installed in rock, which increases the capital costs significantly, and also forces more pumping stations to be installed which leads to higher operational costs.
- Larger residential lots and more open space results in more kilometres of pipe per unit which leads to higher operational costs.
- Surface water sources (for us, Nottawasaga Bay) cost more per litre to treat than a groundwater source, because groundwater is not subject to the same level of contaminants that surface water is. More contaminants result in higher treatment costs.

Public Comments

Notices of the proposed rate changes were distributed with the utility bills that were mailed on January 20th. Approximately 5 calls and 4 letters have been received from utility customers concerned about the 2009 proposed water and wastewater rates.

Copies of written correspondence received from customers are attached to this report.

2008 Revenues

2008 year-end projections show an unfavourable water variance of approximately \$280,000 and no significant variance to budget for wastewater. The final 2008 results have not yet been determined.

Consumption

The 2009 water consumption and sanitary sewage flows are projected to decrease by about 3% and 2.7% respectively in 2009 from 2008 budget levels. The 2009 water consumption and sanitary sewer flows take into account the following:

- A continuing reduction is assumed, influenced by water meters and efficient plumbing fixtures and possible changes in consumption patterns.
- Forecasts consumption at the midpoint between a wet and a dry summer

Rate Stabilization Reserves

The water and wastewater systems are dependent on the revenues generated from the water and wastewater rates. The 2009 budget includes a contribution to a Rate Stabilization Reserve, with \$58,052 being generated through the water rates and \$267,214 being generated through wastewater rates. Reserves will be used to equalize the fluctuation in the annual rate and the surplus/deficit. The 2008 budget did not include any contributions to rate stabilization reserves.

Water Consumption Appeals Process

Council approved an appeal process to adjust consumption volumes on a one-time basis for leaky plumbing that resulted in a higher than usual water and wastewater charges based on consumption.

Staff processed 28 requests in 2008. This resulted in billing reductions of \$22,132 for water and \$12,882 for wastewater.

C. The Blue Mountains' Strategic Plan

Ensuring long-term financial sustainability

D. Environmental Impacts

Supporting Environmentally sound decisions

E. Budget Impact

Proposed rates reflect an increase of 1% to the water consumption rate and no change to the wastewater consumption rate. 5 m³ per month will be included in the fixed rate for water and wastewater and a consumption rate will be charged once the 5m³ per month is exceeded.

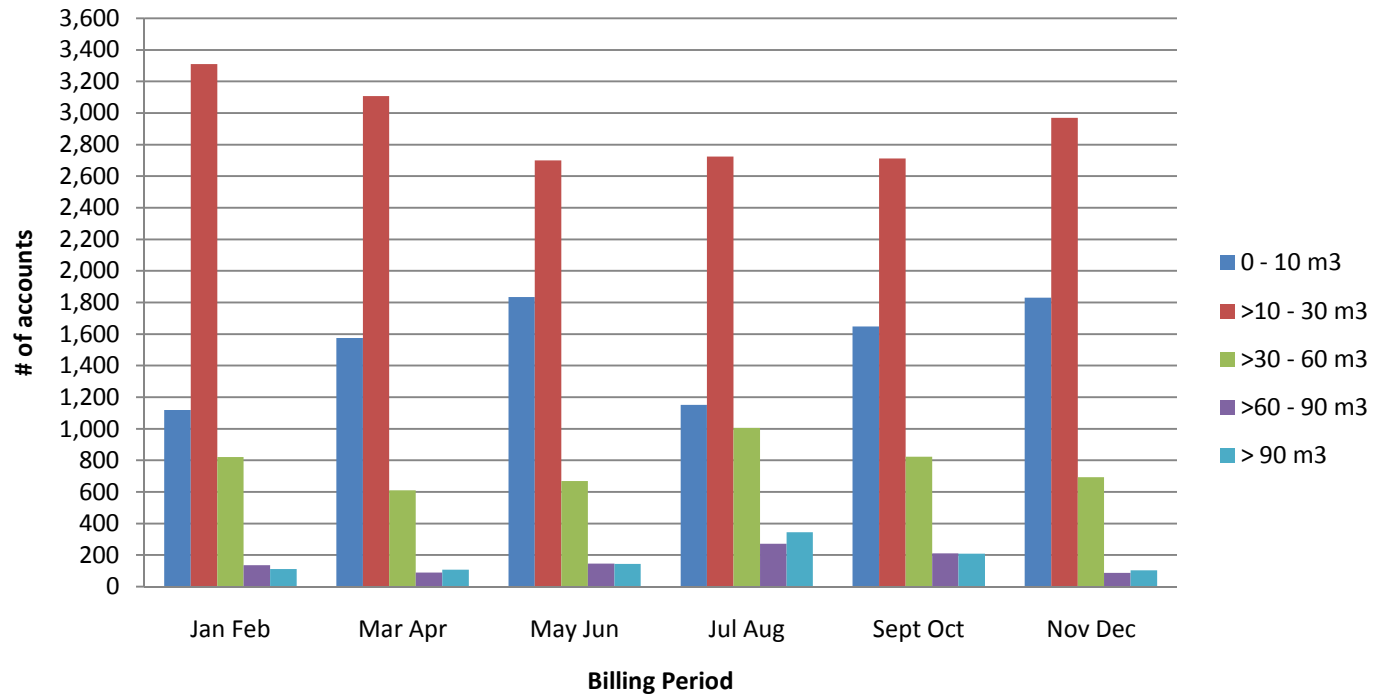
F. Attached

- F1. Water Usage - # of Accounts by Billing Period – 2008
Water – Total m³ by Billing Period - 2008
- F2. Wastewater Usage - # of Accounts by Billing Period – 2008
Wastewater – Total m³ by Billing Period - 2008
- F3. Annual Water and Wastewater Bill – Comparison to Other Municipalities
- F4. Annual Water and Wastewater Bill for Residential Users 2008/2009
- F5. Concerned Customer Correspondence

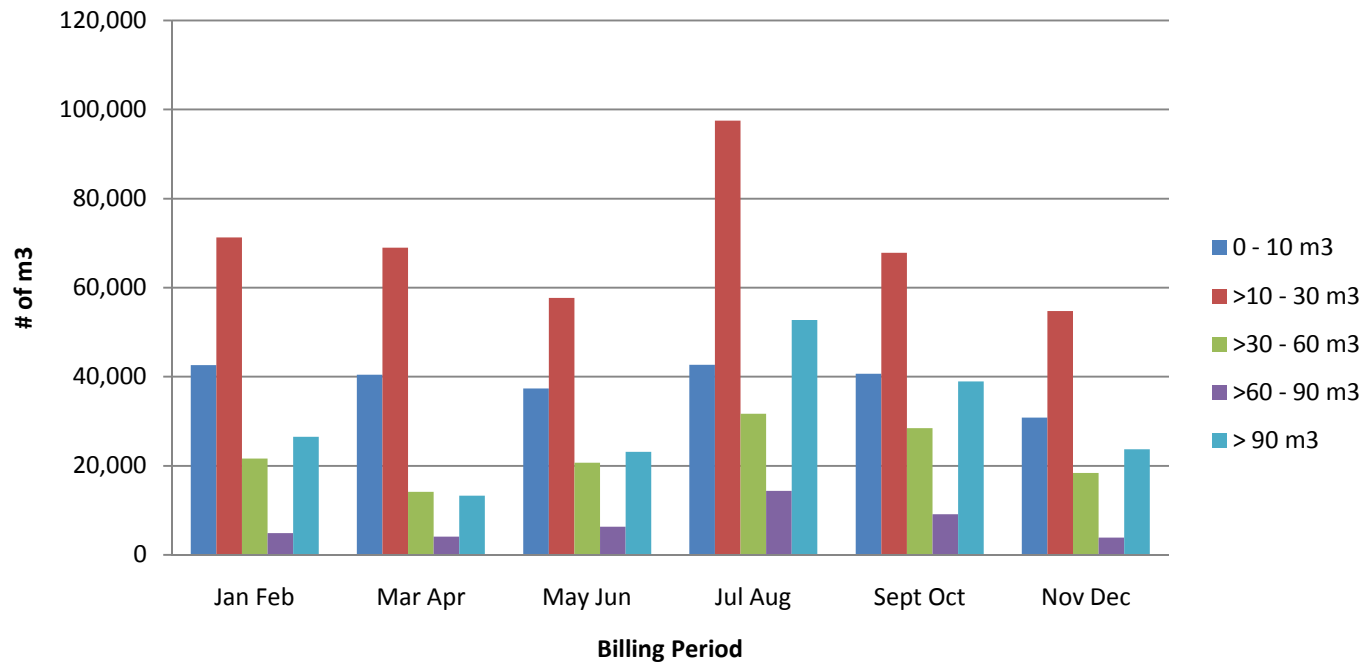
Respectfully submitted,

Ruth Prince, Manager of Revenue

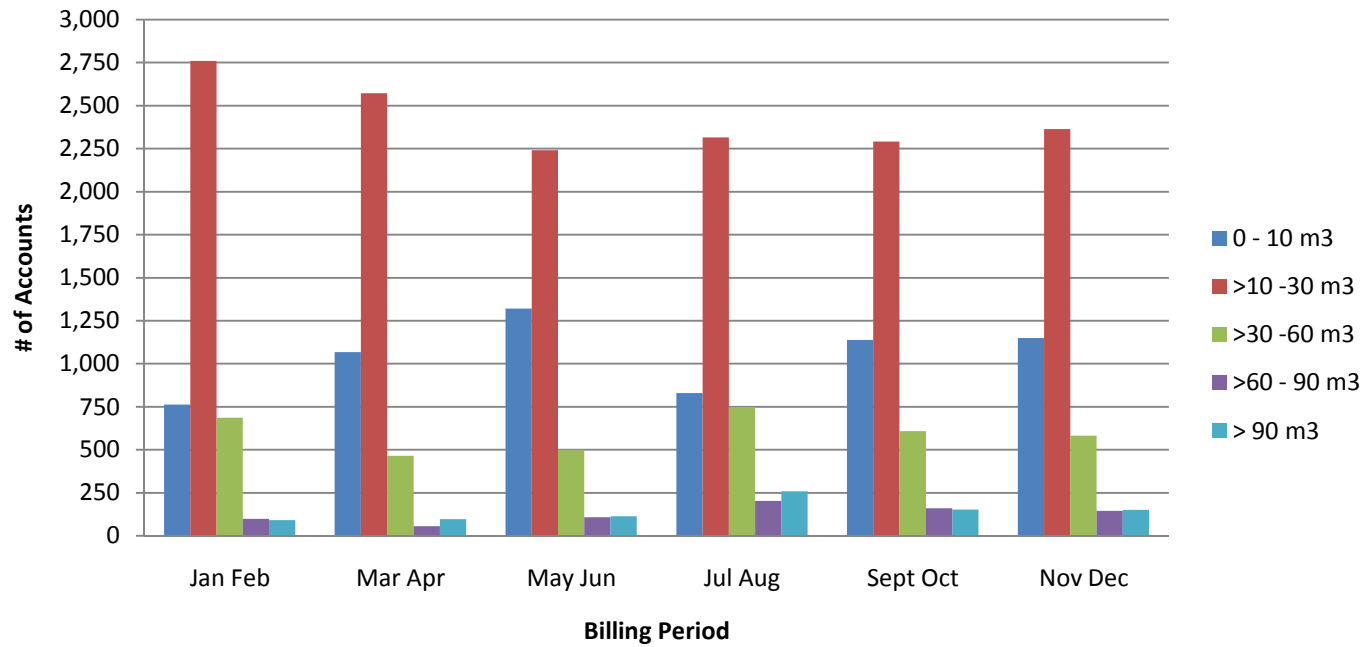
WATER
Number of Accounts by Billing Period
2008



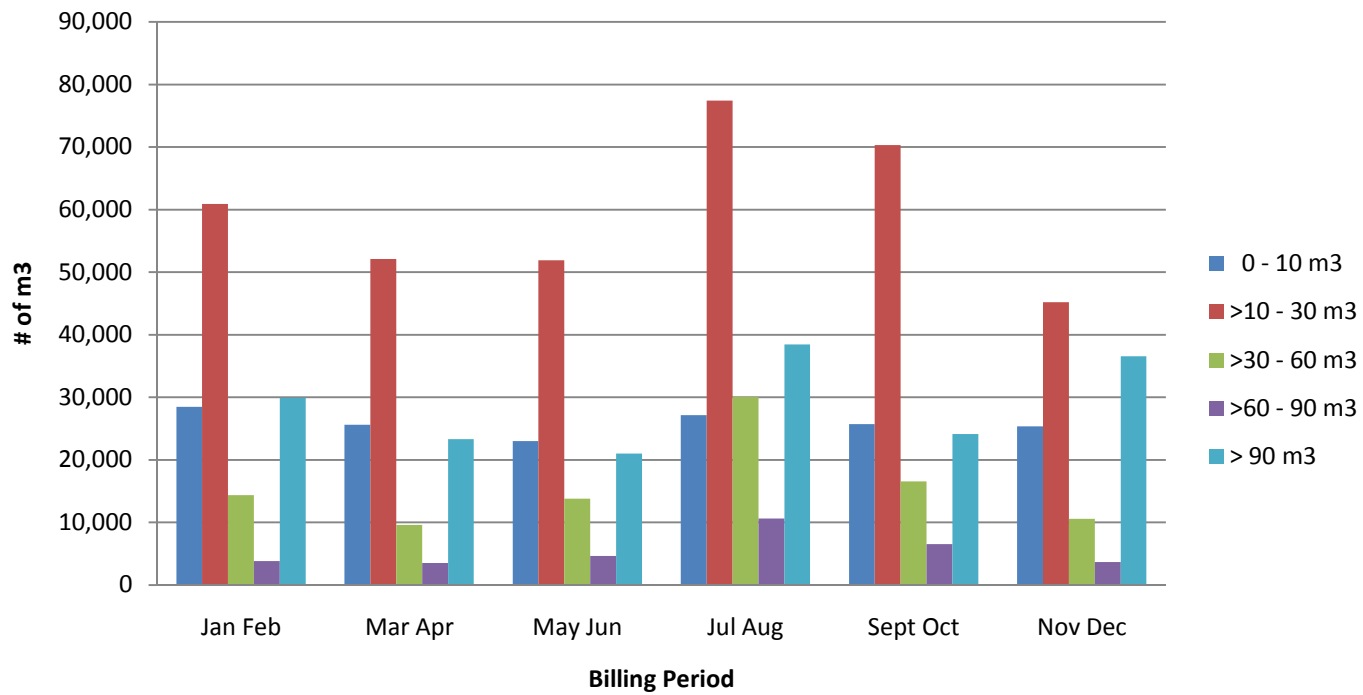
WATER
Total m³ by Billing Period
2008



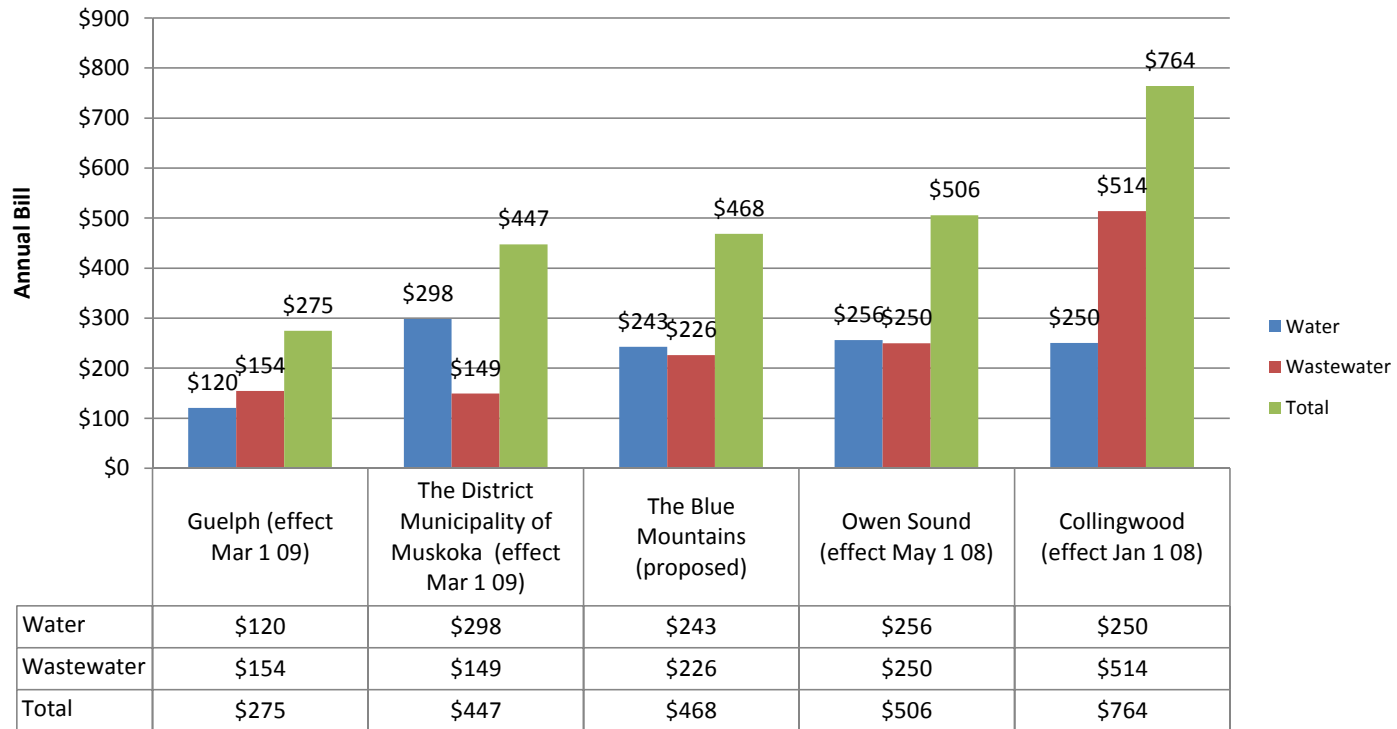
WASTEWATER Number of Accounts by Billing Period 2008



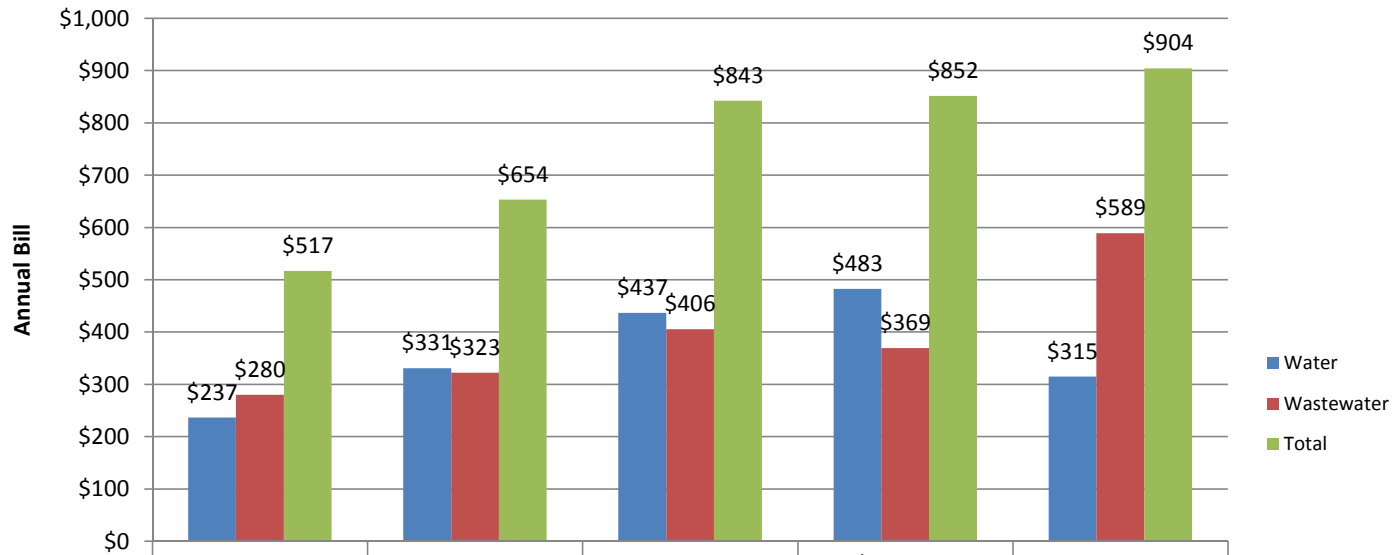
WASTEWATER Total m³ by Billing Period 2008



Annual Water and Wastewater Bill 5/8" Meter Users - 60 m³/year

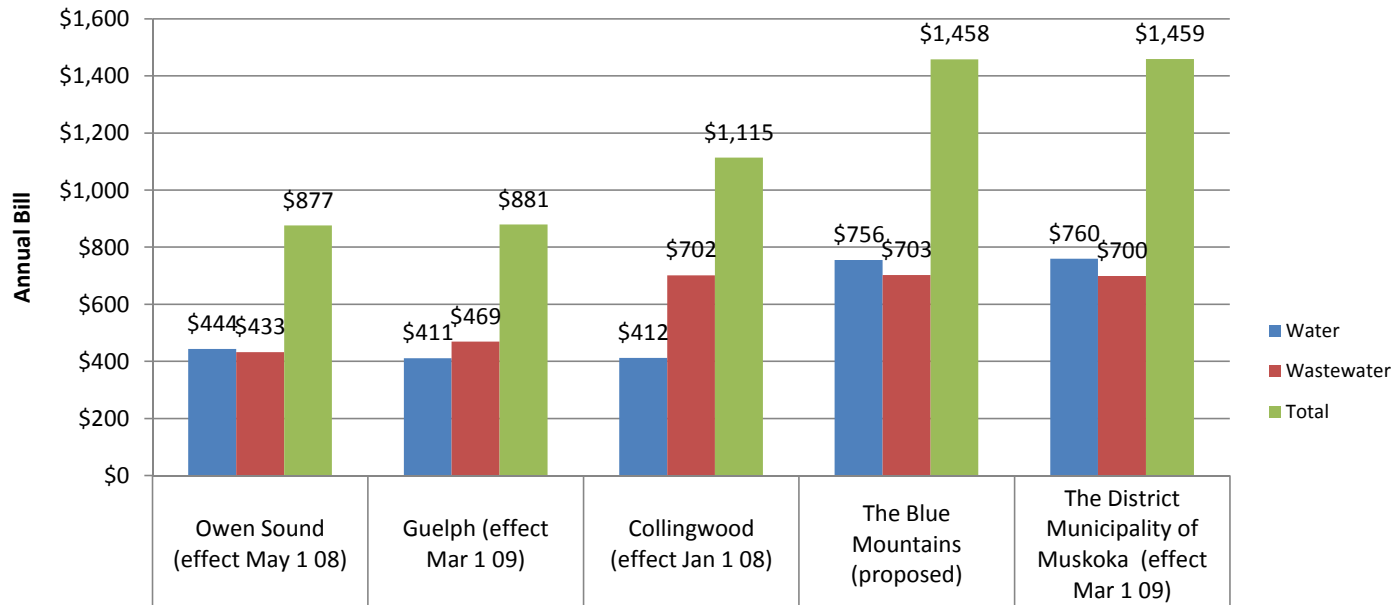


Annual Water and Wastewater Bill 5/8" Meter Users - 180 m³/year



	Guelph (effect Mar 1 09)	Owen Sound (effect May 1 08)	The Blue Mountains (proposed)	The District Municipality of Muskoka (effect Mar 1 09)	Collingwood (effect Jan 1 08)
Water	\$237	\$331	\$437	\$483	\$315
Wastewater	\$280	\$323	\$406	\$369	\$589
Total	\$517	\$654	\$843	\$852	\$904

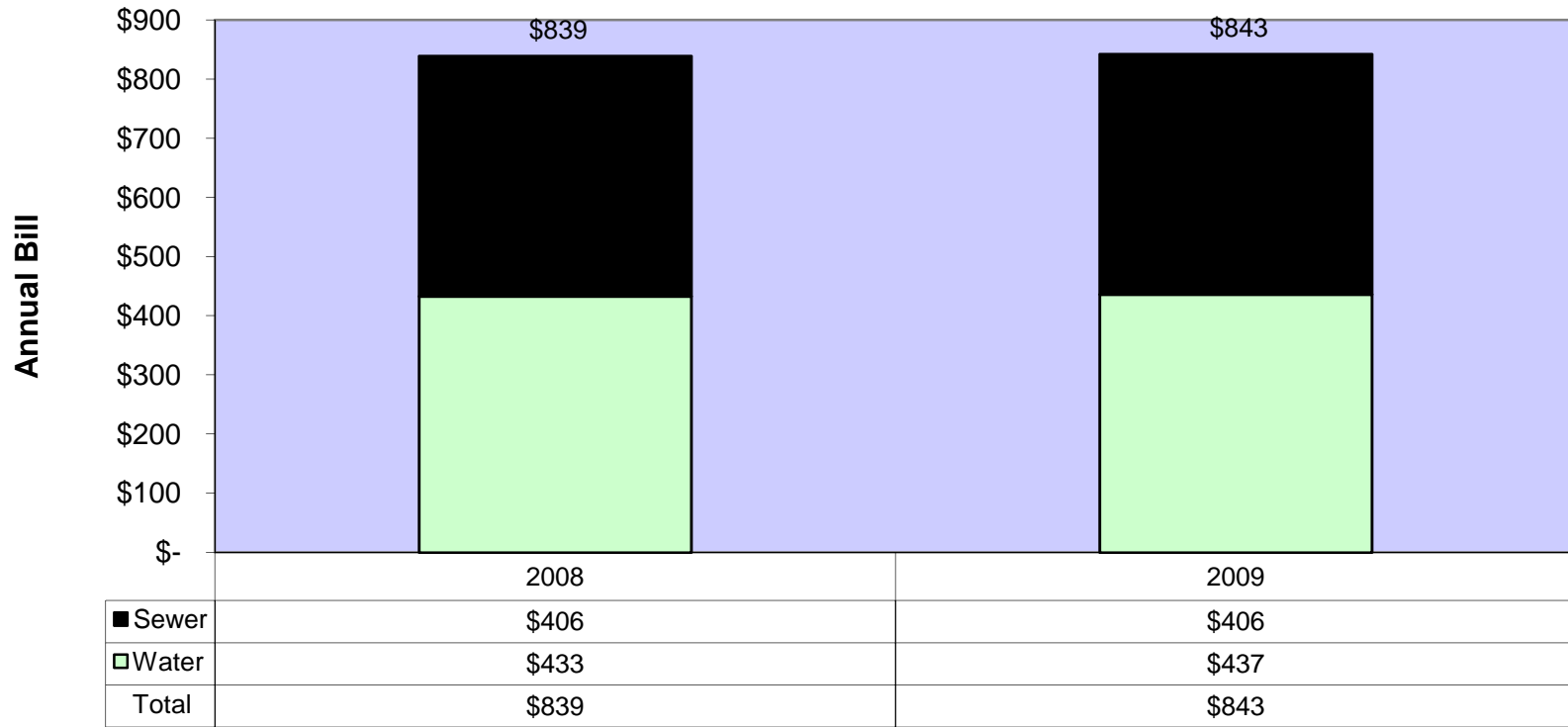
Annual Water and Wastewater Bill 5/8" Meter Users - 360 m³/year



	Owen Sound (effect May 1 08)	Guelph (effect Mar 1 09)	Collingwood (effect Jan 1 08)	The Blue Mountains (proposed)	The District Municipality of Muskoka (effect Mar 1 09)
Water	\$444	\$411	\$412	\$756	\$760
Wastewater	\$433	\$469	\$702	\$703	\$700
Total	\$877	\$881	\$1,115	\$1,458	\$1,459

Annual Water & Sewer Bill for Residential Users

Annual Water Use = 180 m³ (5/8" meter)



Paula Shannon

From: Paula Shannon
Sent: Sunday, February 01, 2009 12:08 PM
To: 'DIANE HANOSKI'
Subject: RE: water increases

Thank you for your comments. I have forwarded your e-mail to the Manager of Revenue and the Council for their consideration.

Paula Shannon

-----Original Message-----

From: DIANE HANOSKI (diane.hanoski@mgjcs.com)
Sent: Friday, January 30, 2009 5:46 PM
To: Paula Shannon
Subject: water increases

Attention: Town of The Blue Mountains = Council

The increase in the fixed water rates and waster water rates is not what the public should be receiving. Currently the water is higher priced than in other areas, Going green, means too us less water to lower the consumptions. There is not shortage of water and consumers should not be charged for the Council spending on other venues. Maybe look at having less staff, I feel to many people are working in the Municipal Offices, when they are not needed. Reduce cost in your salary, hours of operation, man/woman power.

You are proposing a very large increase which in this economy would not be fair to residents on limited incomes. These incomes have been lowered because of the market situation, which effects investment incomes.

Diane Hanoski

519 599 3171

diane.hanoski@mgjcs.com

Ruth Prince

From: Paula Shannon
Sent: February-01-09 12:09 PM
To: Ruth Prince
Subject: FW: FW:Proposed water rates

Paula
-----Original Message-----

From: Scott Ingram [mailto:scott@town.thebluemountains.on.ca]
Sent: Saturday, January 31, 2009 9:47 PM
To: Paula Shannon
Subject: Re: FW:Proposed water rates

Hi Ms. Paula:

It took me a while to figure out what the difference was, but now I understand. The rates are not from cubic metre 1, they are marginal rates sort of like income tax rates. So I was calculating 12 cubic metres based on \$1.62 x 12, when it's really like the first 10 cubic metres are free. I reread the proposed rate sheet again and that is still not apparent in the sheet. I would suggest stating that assumption somewhere, or showing an example calculation.

I appreciate you doing this recalculation for me. The \$14 increase isn't that big of a deal, and increasing the fixed costs isn't as big a deal as I thought it was since that increase includes some water with it.

Regards,
Scott

On Tue, Jan 27, 2009 at 2:10 PM, Paula Shannon <pshannon@thebluemountains.ca> wrote:
Good Afternoon Mr. Scott:

I have recalculated your 2008 bills using the proposed 2009 rates. According to my calculations your bills would only increase by \$14.09 under the new rate structure. I have attached a copy of my calculations for your information. The fixed charge (bi-monthly) includes 10 cubic metres of water/sewer. Consumption rates are charged once your bi-monthly usage is more than 10 cubic metres.

Please call if you have any question

Paula Shannon
519-599-3131 ext 223

-----Original Message-----

From: tscanner@town.thebluemountains.on.ca [mailto:tscanner@town.thebluemountains.on.ca]
Sent: Tuesday, January 27, 2009 2:28 PM
To: Paula Shannon
Subject:

KM-3050
[00:c0:ee:1b:68:25]

Paula Shannon

From: Scott Ingram [mailto:scott@ingram.com]
Sent: Tuesday, January 27, 2009 11:41 AM
To: Paula Shannon
Subject: proposed water rates

Hello Paula,

Further to the brief conversation we just had, I am passing along my thoughts on the proposed water rates.

- 1) I find it crazy that the rate structure changes so drastically every year. Please find something that works and stick to it.
- 2) I'm not at all pleased with a near-30% increase in my bill. I favour more of a smaller fixed rate and a larger usage rate. As a Chartered Accountant, and one who has done his share of budgeting and analysis, this method of costing makes the most sense to me. It is the people that use more resources that are taxing the system the most, so they should be charged the most.

I am a 5/8" user with a low drain on the system at 110 cubic metres consumption for 2008 (average of 9 a month). I have recalculated my 2008 bills under the 2009 rates and my total goes up just under 30% with the proposed plan (from \$621 to 802). I'm not using 30% more water and I doubt the town's costs have increased 30% so I think this increase is very unfair. The weird thing is I see it comes all from fixed costs. I've notice that the fixed charge for water increases by \$8.10 a month for everybody, which seems like an inequitable way to do things when you consider the increase is 68% for the smallest meter size yet only 3% for the largest user size. There was a reason you set the fixed and consumption rates on a tiered system, yet you are doing a flat rate increase across the board with no regard to the tiers. This ties back to my first complaint, where your methodology is changing every year. The same holds true for the water consumption charges where you've just increased the charge by 2 cents in each tier (while reducing the under 10 tier to 0).

So my input is to stop shifting back and forth between fixed and variable costs. I say that variable is more reflective of who is really draining the system, and it is the only way to incent people to use less water, so use a rate plan that is lower on fixed and higher on variable. And once you've established good tiers, the fairest way to do increases is by a % across the board - not a flat increase for everybody that is very impactful on the little people and inconsequential for the big users.

Feel free to write back if you'd like to further discuss.

Thanks and regards,
Scott Ingram

Ruth Prince

From: Paula Shannon
Sent: January-30-09 4:47 PM
To: 'F SMITH'
Cc: Ruth Prince
Subject: RE: Proposed Utility Rates

Good Afternoon:

Thank your for your comments. I have forwarded your e-mail to our Manage of Revenue and Council.

Paula Shannon

-----Original Message-----

From: F SMITH [redacted]
Sent: Friday, January 30, 2009 3:56 PM
To: Paula Shannon
Subject: Proposed Utility Rates

Dear Ms Shannon

Re Smith Residence 24 Russell Street West

I talked to you the other day regarding the utility rates with the complaint that I find the proposed fixed rates excessive particularly since we are primarily week end residents.

I contacted the Town last year as well since I felt that the new consumption charges on the new metering were also high, when combined with the sewer charges, costing approximately \$3.00 to fill up a bathtub.

I hope that these rates are being diligently reviewed in view of the operating costs involved and are not including costs of new services throughout the Town which should be included in the cost of any new development.

When the new water and sewer mains where installed on Russell Street the home owners had to pay for some of the costs so I hope that the same rules apply now.

I don't normally complain but these charges for water and sewage do seem unduly high.

Ian Smith

1456 Royal Oaks Road
Mississauga On
L5H 3R7

Town of the Blue Mountains
Box 310
26 Bridge St.
Thornbury On
N0H 2P0

Dear Sir

I have just paid my two month December 30, 2008 water/sewage bill (\$53.08) for 128 St Moritz Cresc in Craigleith and was absolutely appalled to learn that the new rates in effect January 1 2009 will increase the charges that I pay to the Town for this period for water and sewage to \$78.08. This is an annual increase of 47% (\$150.00). I consider this increase extremely unfair. Not only is it an unreasonable increase in rates but it violates the principle you introduced with the installation of water meters that water users should pay for their water consumption. What a waste of money for the Town to install water meters in every household only to set an arbitrary charge and to charge the small users of water a disproportionate portion of the overall costs. It is quite unethical.

I do hope that the Council will reconsider these proposed new rates.

Yours truly

John S. King P.Eng

cc. Mr. Michael Seguin President
Blue Mountain Ratepayers Association
Box 405
Collingwood On
L9Y 3Z7