

STAFF REPORT: Financial Services



REPORT TO: Council
MEETING DATE: April 7, 2008
REPORT NO.: FS.08.13
SUBJECT: Proposed 2008 Water and Wastewater Rates – Public Comments and Council Comments

PREPARED BY: Robert Cummings, Director of Finance
Teresa Oakley, Manager of Revenue

A. Recommendations

THAT Council does receive Staff Report FS.08.13 “Proposed 2008 Water and Wastewater Rates – Public Comments and Council Comments” for their consideration in finalizing the 2008 Water Consumption Charges and Sewage System Use Charges.

B. Background

Financial Services presented Report No. FS.08.06, “Establishment of Water and Wastewater Rates Effective March 1, 2008”, to Council on March 3rd. Council authorized staff to present the proposed rates at a Public Information Session on March 5 at the Beaver Valley Community Centre. A Public Meeting was held on March 26.

Public Information Session

Ten members of the public and media attended the Public Information Session. Robert Cummings presented information related to the proposed 2008 rates, reviewing the history of the rate structure change, budget changes, water consumption patterns, proposed rate calculations, impact analysis and comparisons with other municipalities.

Listed here are questions, comments and concerns raised by the public at the session.

- Question regarding the funding of Mountain Drive road reconstruction / waterworks replacement / waterworks construction project and the Carmichael Crescent waterworks / wastewater works replacement projects
 - Response - costs to be recovered through user fees (existing infrastructure replacement)

- Comment that the flat rate charge (no meter installed – newly constructed building) is too low, and that no water meter is installed when construction commences
 - Response - staff will review the rate to ensure that it is sufficient to cover the estimated volume of water used during construction
- Concern that the volume of unaccounted for water ranged from 25% to 42% in 2007
 - Response - \$30,000 has been included in the 2008 capital budget for spot repairs and studies in leak detection to deal with this matter
 - 15% to 20% is “typical” for water loss in municipalities
- Question regarding the funding of the administration building – requesting clarification on the amount of money from utility charges contributing to the proposed administration building
 - Response – there has been no money raised by utility fees in 2007 or 2008 for the administration building
- Request for performance measurement data in comparison to other municipalities – as well as a process to benchmark Town efficiencies for year over year comparisons
 - Response - Town Staff is working towards more timely and relevant performance measurement statistics that would be helpful in comparing Town operations from year to year – care must be taken when comparing municipal measurements to ensure that the utility systems and the physical nature of the municipalities are similar
- Concern that charges for wastewater are based on water consumption and include water used for external purposes such as lawn watering, water that is not treated by the wastewater system
 - Response – the Town realizes that the revenue recovery method is not perfect, but it is one method of allocating costs amongst users, and it encourages water conservation – the Town only recovers as much money as is required to run the utilities
- Suggestion that the Town consider commercial utility rates to assist businesses that compete with neighbouring municipalities for business, such as restaurants, car washes
 - Response – the Town currently views users as one class, with the fixed charge dependant on the size of the water meter, and the consumption based rate consistent for all sizes of meters – with the move to residential water meters, the previous commercial users experienced an overall decrease in user fees relative to other users – Council will consider alternative methods of apportioning costs
- Concern that condominiums are deemed to have a 5/8” meter for fixed charge purposes – request to revisit that matter
 - Response - this approach was implemented to ensure equity between condominiums corporations that installed individual 5/8” meters in each unit and those corporations that installed one larger meter for all condominium units
- Question regarding the status of the Reserve Fund Study (estimated amount of money required to be raised and/or to have in reserve to both maintain and replace existing infrastructure)

- Response – the long term capital forecast project will be completed later this year and will provide better estimates of reserve fund requirements

Public Meeting

Minutes of the Public Meeting have been prepared by the Clerk's Office and circulated to members of Council. Council and/or Staff responses to concerns raised by members of the public are outlined below.

Bryan Atkinson – suggested that the water and wastewater systems be combined so that the utility customers that receive water service only and will see an average increase of 14% in 2008, may derive some benefit from the decreasing wastewater rates in 2008.

Response – the systems are accounted for separately because not all water users receive wastewater service, and therefore should not pay for a service they do not receive. By combining the two user rates there would be users of the wastewater system subsidizing users of the water system that do not receive wastewater service.

Stan Holba

Carol Warren-Whelan

These two members of the public had private account concerns that were subsequently addressed by Town staff through review of their individual account history and further communication with the customers.

Michael Seguin – noting concern with any transfer to administration building requirements or reserves, requesting clarification of capital projects funded by user fees being 31% of the budget

Response – no transfers to reserves for administration building requirements were made in 2007 or budgeted in 2008. Subsequent to the meeting Staff provided Mr. Seguin with the additional information he requested.

Council suggested that staff investigate the merits and impacts of allowing a larger volume of water to be delivered within each of the lower priced tiers for those customers that are serviced by meters larger than 5/8". This approach would recognize that larger volume customers consume the 30m³ (first and lowest tiered rate) in short order compared to the typical utility customer, and the majority of the consumption charge of some bills may be calculated at the highest tiered rate. This approach would also provide incentive for water conservation. Staff will review this option for consideration when setting the 2009 user fees. Preliminary thoughts on the impact of this change would be that there would be a shift of the financial burden from larger meter users to 5/8" meter users, as the same total revenue will still be required. At this stage of the 2008 rates review a change such as this might dictate that the Town provide any amended rates information back to the public for their comments.

Council requested that staff conduct an inquiry of other municipalities to determine if our Town's level of contributions to asset replacement reserve funds plus capital expenditures is consistent with, or is well in excess of, those other municipalities. Staff has made two preliminary inquiries. One response was that their contribution was similar to our Town's, around the 30% mark. The other response was that their contribution is quite light, and they fully recognize that when it becomes mandatory that municipalities adequately provide for future repairs and replacement of their utility's assets on an annual basis, they will see their user rates increase.

Correspondence

1. Blue Mountain Ratepayers Association - John Pineo, Acting President
Letter, Staff Response Letter
2. Vincent Pedulla for the members of The Blue Mountains Plan 915 Community Association
Letter, Staff Response Letter
3. Blue Mountain Village Association on behalf of the stakeholders in the Blue Mountain Resort – Don Braden, President
Letter – comments for Council's consideration and addressed to within this report
4. Bill and Sheila Wilcox
Letter, Staff Response Letter
5. Intrawest Placemaking – Bryan McNicholl, Development Manager
Letter – comments for Council's consideration

Staff Recommendation

That the water and wastewater rates as calculated and presented for review by members of the public be adopted effective March 1, 2008. Further, that staff provide the following supplementary information for Council's review over the coming months to be considered in setting rates for 2009:

- Vacant Lots – Deferred Benefit Charge
 - Provide information from other municipalities that implement this charge, noting the level of rate charged for vacant lots compared to users that derive an immediate benefit
 - Take into consideration comments provided by the public requesting that the charge be levied only on subdivisions that have been assumed by the municipality, etc
 - Calculate the impact on current rates should Council implement this charge
- Consumption Rates – Large Volume Users
 - Review consumption rate options for large volume users to provide incentive for water conservation and tiered consumption volumes more proportional to those users' total consumption

C. The Blue Mountains' Strategic Plan (Statement(s) identifying how actions further the goals of the Strategic Plan)

Ensuring long-term financial sustainability.

D. Budget Impact (cc: Treasury if required)

E. Attached (Relevant documentation not personal information about an identifiable person)

Correspondence as detailed above

Respectfully submitted,

Signature

Signature