



## **Water and Sewer Utility Bills Questions and Answers June 12, 2007**

### **How are the water and sewer user rates calculated for the period January through June?**

- Charges are levied in two parts. The first is a fixed charge based on meter size, the second is a consumption charge based on water flows
- 50% of the annual budget is recovered through the fixed charge. Both water and sewer costs are apportioned to customers based on the size of the water meter. The larger the meter the higher the fixed rate, as the size of the meter reflects the volume of water the user is able to take, and is considered by the American Water Works Association and the Canadian Water Works Association to be a reasonable estimate of the potential for water use.
- 50% of the annual budget is recovered through the variable consumption charge. Costs are apportioned to customers based on actual water consumption (measured in cubic metres, or m<sup>3</sup>) recorded by water meters. Equivalent sewage generation volume is based on water flows. Those that consume a higher volume of water pay more than those that use a lower volume. Also, as the volume consumed increases, the additional water is billed at a higher rate per cubic metre.
- Many utility customers have commented that the fixed charge is too high. After much initial discussion, and considering the nature of the utility users, Council set the interim fixed charge/consumption charge ratio at 50/50. This apportionment is currently being reviewed by Council, and they are considering reducing the fixed portion to 40%.

### **What are the reasons for the increases to the 2006 and 2007 water and sewer operating budgets?**

- **Changes in provincial legislation have resulted in increases to many operational costs –**
  - Lab costs have increased by 150% (water) and 115% (sewer) – more frequent samples of treated water and treated wastewater are analyzed to ensure that minimum provincial standards are met
  - Training costs have increased to meet the requirement of ongoing annual education for each employee

- More frequent flushing of water lines has resulted in increased labour costs
  - Monitoring the utility systems 24 hours a day involves high cost instrumentation for alarm and communications systems (SCADA)
  - More stringent minimum treatment requirements are in place – regardless of how good the raw water quality is, specified processes must be used to treat the water – this requirement demanded an upgrade to the water treatment plant with the installation of an ultraviolet disinfection system, at a total cost of about \$800,000
- **Consumables are another major area of cost increase** – the price of electricity, chemicals, and fuels has increased considerably over the last two years
  - **Construction costs have increased substantially**, and are currently running at an increase of about 1% per month
  - **The agreement to purchase water from the Public Utilities Commission of the Town of Collingwood** is a “take or pay” agreement. The Town agreed to purchase minimum daily quantities of water at a very favourable rate. An increase to the minimum daily amount of water to be purchased occurs in 2007, resulting in a \$140,000 increase to the budget.
  - **Substantial increases to the user fee share of capital works.** The total 2005, 2006 and 2007 user fee shares of budgeted capital works are shown below:

**Summary:**

	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Water</b>	<b>\$ 94,851</b>	<b>\$725,000</b>	<b>\$894,340</b>
<b>Sewer</b>	<b>\$ 19,627</b>	<b>\$348,000</b>	<b>\$393,940</b>

**Detail:**

<b>Water</b>	<u>2006</u>	<u>2007</u>
Water Treatment Plant – UV Filter Irradiation	\$402,500	\$402,500
SCADA monitoring & communications system	\$ 75,000	\$ 35,000
Water Studies [Rates/Modelling/Strategy/Misc]	\$ 82,500	\$ 87,500
Water Metering	\$ 20,000	\$ 20,000
As Built Drawings	\$ 10,000	\$ 10,000
Arthur Street Watermain Replacement	\$ 70,000	\$ 70,000
Buildings Vehicles and Equipment	<u>\$ 65,000</u>	\$ 90,090
Water Tower Painting Reserve		\$ 15,000
Thornbury Plant GENSET		\$ 15,000
Bulk Water Station		\$ 25,000
Sample Stations		\$ 9,250
Chamber Works		\$ 15,000
Administration Building Share		<u>\$100,000</u>
	<u>\$725,000</u>	<u>\$894,340</u>

<b>Sewer</b>	<b><u>2006</u></b>	<b><u>2007</u></b>
SCADA monitoring & communications system	\$ 35,000	\$ 70,000
Sewer Inflow and Infiltration Study	\$ 50,000	\$ 85,000
Wastewater Study	\$ 7,500	\$ 0
Administration Building Share	\$157,500	\$170,000
Equipment and Vehicles	\$ 63,000	\$ 33,940
As Built Drawings	\$ 10,000	\$ 10,000
Misc Capital Repairs	<u>\$ 25,000</u>	<u>\$ 25,000</u>
	<u>\$348,000</u>	<u>\$393,940</u>

### **Why are Town of Blue Mountain water and sewer rates higher than the rates in many other municipalities?**

- **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 means that we lose economies of scale.
- **Topographical challenges** – 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.
- **Geological challenges** – 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
- **Relatively low service density** – 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 ground water source, because ground water is not subject to the same level of contaminants that surface water is. More contaminants result in higher treatment costs.
- **The Town is leading others in contributing to reserve funds.** The Government of Ontario has a commitment to implement all of Justice O'Connor's Walkerton recommendations. An excerpt from the Ministry of the Environment's May, 2007 draft document, "Toward Financially Sustainable Drinking-Water and Wastewater Systems", reads as follows:

"In his "Part Two Report of the Walkerton Inquiry", Justice Dennis O'Connor highlighted the importance of ensuring that municipalities plan for the long-term financial sustainability of their drinking-water systems to guarantee the safety of their drinking water into the future."

The Town is also committed to the goal of ensuring long-term financial sustainability, as outlined in its Strategic Plan.

### **Why are asset replacement reserve funds needed?**

- The annual budgets include amounts to be transferred to long term asset replacement reserve funds. This money is needed to ensure that there will be money available to repair and replace the existing infrastructure in the future; the contributions are not meant to provide for expansion to accommodate new growth. If there were no reserves available in the future to repair and replace your share of the infrastructure that you have already paid for, the annual rates would have to be increased dramatically at that time to cover the large expenditures.

### **Does any part of the annual user fee go towards growth-related infrastructure?**

- No. Development Charges are levied on growth-related development (new construction) to recover the cost of expanding the water and sewer infrastructure, or covering the cost of excess capacity that has been provided for that growth. For example, when an additional building is constructed, developers contribute that unit's proportional share of the water treatment plant or of the sewage treatment plant, whatever the case may be (as well as contributing to growth-related capital costs for library, fire, police, parks and recreation, public works, and roads and related works).

### **Why does the Town charge \$.90 per cubic metre for water when water is purchased from Collingwood at \$.26 per cubic metre?**

- The agreement to purchase water from the Public Utilities Commission of the Town of Collingwood was signed in 2002 and the agreed upon rate was very reasonable. Our Town can not treat water at this favourable cost. The Blue Mountains also paid a capital contribution of \$740,740.00 to Collingwood at that time, which when amortized over the life of the agreement adds to the cost per cubic metre. Additional infrastructure works were required to extend the water transmission line into our municipality from the Collingwood supply, another cost that increases the price per cubic metre.
- The agreement is a "take or pay" agreement. The Blue Mountains agreed to purchase minimum daily quantities of water at a very favourable rate. An increase to the minimum daily amount of water to be purchased occurs in 2007, resulting in a \$140,000 increase to the budget. If The Blue Mountains does not take the minimum daily amount of water agreed to,

- we must still pay for the agreed-upon total volume, which results in an increase to the cost per cubic metre of the volume we actually do receive.
- This supplementary supply benefits all of the Town of The Blue Mountains serviced with water, and the water purchase cost is included as a line item in the overall operating budget for water.
  - The consumption rate of \$.90 per cubic metre is a product of the January through June utility rate structure (fixed charge/consumption charge split). As 50% of the 2007 budget is recovered through consumption charges, the \$.90 per cubic metre also includes a portion of the following: operating and maintenance costs of the water treatment system; operating and maintenance costs of the water distribution systems of mains, pumping stations and reservoirs; and contributions to capital works as listed previously. Should Council decide to adjust the fixed charge/consumption charge split for the July through December period, the \$.90 per cubic metre consumption rate will change.
  - Collingwood charges their own residential customers \$.51 per cubic metre October to May and \$.76 per cubic metre May to October. Collingwood intends to raise their own water rates by a minimum of 5% per year over the next five years.

**The water source for the Town is the Nottawasaga Bay. Why are there water restrictions if we have so much water?**

- Even though there is a large source of water to supply the Town's customers, the water must first be treated to ensure that the water is safe to drink. There is a maximum volume of water that can be treated in any given day. Water restrictions must be put in place to make sure that our needs do not exceed the ability of the plant to treat the supply. If the peak flow was not controlled by restricting outside watering in the summer, the water treatment plant would have to be expanded in order to supply the demand, at considerable cost to the existing utility customers.

**Will there be any financial relief due to large leaks?**

- Periodically a major leak will go undetected for a length of time having a considerable impact on water and sewer bills. Some municipalities have policies in place to reduce the consumption charge by a set amount after the owners produce an invoice showing that the problem has been fixed. This option is being considered by Council, and would be a one-time offer, as each customer is required to maintain their plumbing leak free to conserve water and avoid additional costs.

**Why did the Town purchase the Golf Course and Gas Station, and are our water and sewer user fees contributing to the purchase?**

- The Town is a provincially-designated Four Seasons Recreational Area. The recreation department has been looking for a suitable location to construct soccer pitches and a maintenance building for parks and

recreation. These lands will become a multi-purpose recreation site - a visioning session is currently underway to determine the best use of the property. None of the funding for recreation purposes comes from sewer or water rates.

- The purchase of the gas station property allows the Town greater flexibility in considering the much needed administration building expansion. The current administration offices have been renovated to the maximum and there is an immediate requirement for more space. Because water and sewer business is a very significant part of the activities in the administration building, it is currently proposed that 50% of the cost of the expansion be funded from water and sewer rates, and that the money be raised over a period of four years. This funding approach is being reviewed as part of the process to finalize water and sewer user fees for 2007.

**Is the Town going to provide additional bill payment options?**

- Yes. The Town has made arrangements to pay bills both online and by telephone banking, by July 1, 2007. This is in addition to paying by cash, cheque, and in person at the TD Canada Trust in Thornbury, and at the Town office.