

# Special Service Proposal No. 1/20

Rural Municipality of St. Andrews

Presented by DJ Sigmundson, Chief Administrative Officer

February 2, 2021

# What is the Special Service Proposal about?

- An annual per-parcel tax for properties to be serviced by the Utility but not yet connected to the Utility
- Proposal calls for \$100 per year, added to the property tax bill
- Proceeds would be applied toward the cost of operating and maintaining the Utility during the phase-in period
- The goal: contribute toward the operation and maintenance of the Utility through an annual per parcel charge to make rates affordable and the Utility financially viable until a suitable majority of users have connected to the Utility

# How did this levy come about?

- First suggested by rate consultant in March
- Council rejected this idea and asked for the rate study to move forward without any levy
- Rate application was sent to the municipal board May 13, 2020
- Community raised concerns regarding the cost of treatment on a cubic meter basis (\$5.91)
- Council listened and pulled back the original application
- Engaged Communication Firm, Blueprint Inc. to undertake public consultation on the project and rates

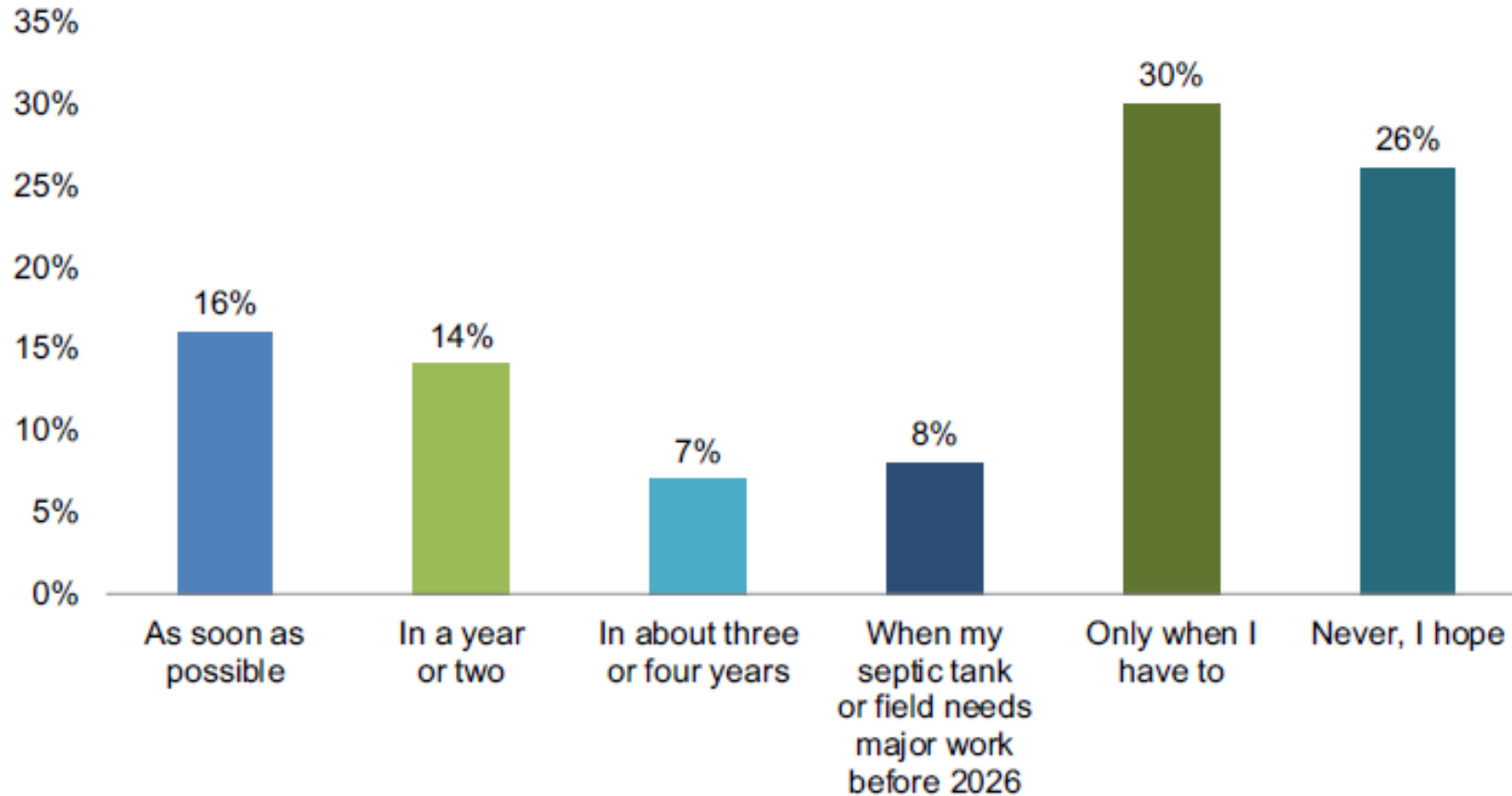
# Local improvement districts and special services areas

- [317\(1\)](#) Municipal Act - A council may by by-law designate as a local improvement district or special services area the area or areas in which the businesses or properties that are expected to benefit from a local improvement or special service are located.
- All properties in the selected service area benefits from the availability of the of an operational municipal wastewater system. Should a properties onsite wastewater system fail, a reasonable alternative to holding tanks is available. Properties outside the service area do not have this alternative available.

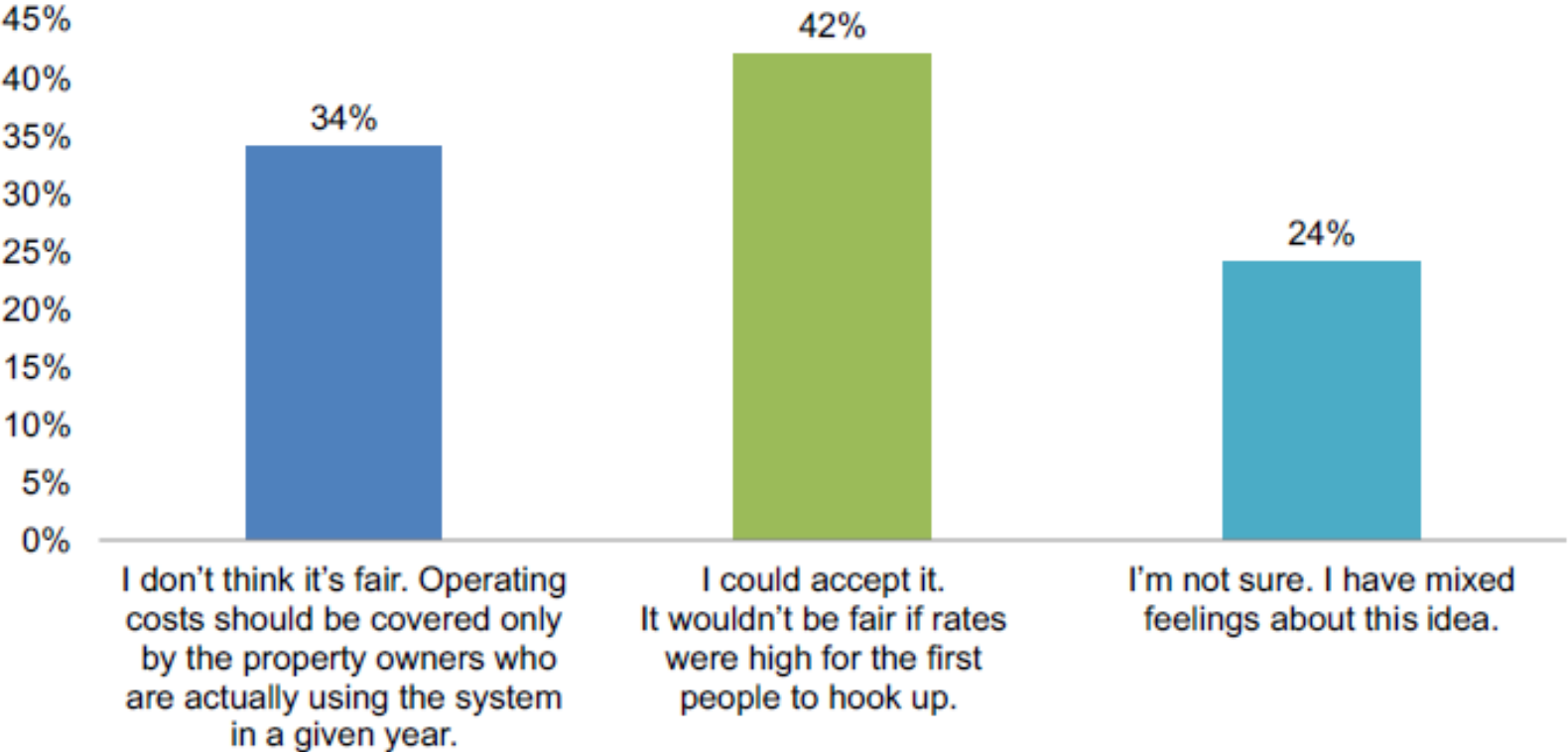
# How did this levy come about?

- As part of the consultation, Probe Research conducted a survey in July 2020
- 655 (30%) residents participated in the survey, 30% is considered a high response rate
- Two key findings contributed to the development of a new rate application

Provincial legislation requires South St. Andrews property owners to hook into the new wastewater system in about five years, by 2026. But property owners can hook up as early as the end of this year, should they choose. Based on what you know, when would you be likely to hook up to the wastewater system?



One idea is to charge a minimum fee to all households in the service area as soon as the system becomes operational, regardless of whether they have hooked up to the system. This temporary fee might be \$100-\$150 per year and would be charged until a household begins using the system. The proceeds would help cover some of the operating costs during the phase-in period so rates can be more affordable for those who hook up sooner. Which one comes closest to your view?



# Rate Development and Special Levy

- Using this information the Rate Consultant developed a new rate application based on the expected connections and the level of acceptance of a special levy to help keep costs affordable in the start up years.
- The new rate application has much less risk of incurring deficits. The original application could have ran deficits if the connections occurred at a lower annual rate
- Any deficits would need to be recovered in future rate applications leading to a risk of greatly increased rates



# What is the benefit of this special levy proposal?

“this would provide utility rates that are relatively stable while also allowing the Utility to break even or run small surpluses annually. Without an annual unconnected property fee, utility rates in the first few years would be dramatically higher and the Utility would run the risk of incurring significant operating deficits.”

Dale Lyle, Rate Consultant

# Total Cost

Service Charge Winnipeg Per property	\$142,230
Service Charge St Andrews Per property	\$21,900
Conveyance Charge Shared Special Levy	\$206,093
Treatment Charge Winnipeg By volume	\$210,975
Total Cost	\$581,198

# Fixed Costs for Conveyance

- These costs are incurred regardless of the number of customers
- Includes operational cost of a system designed for over 2000 homes
- Expected annual fixed costs, plus net amortization and net debt payment is expected to be \$206,092 annually
- On a per property basis this cost is \$114.50 for 1800 properties

# Rate Structure

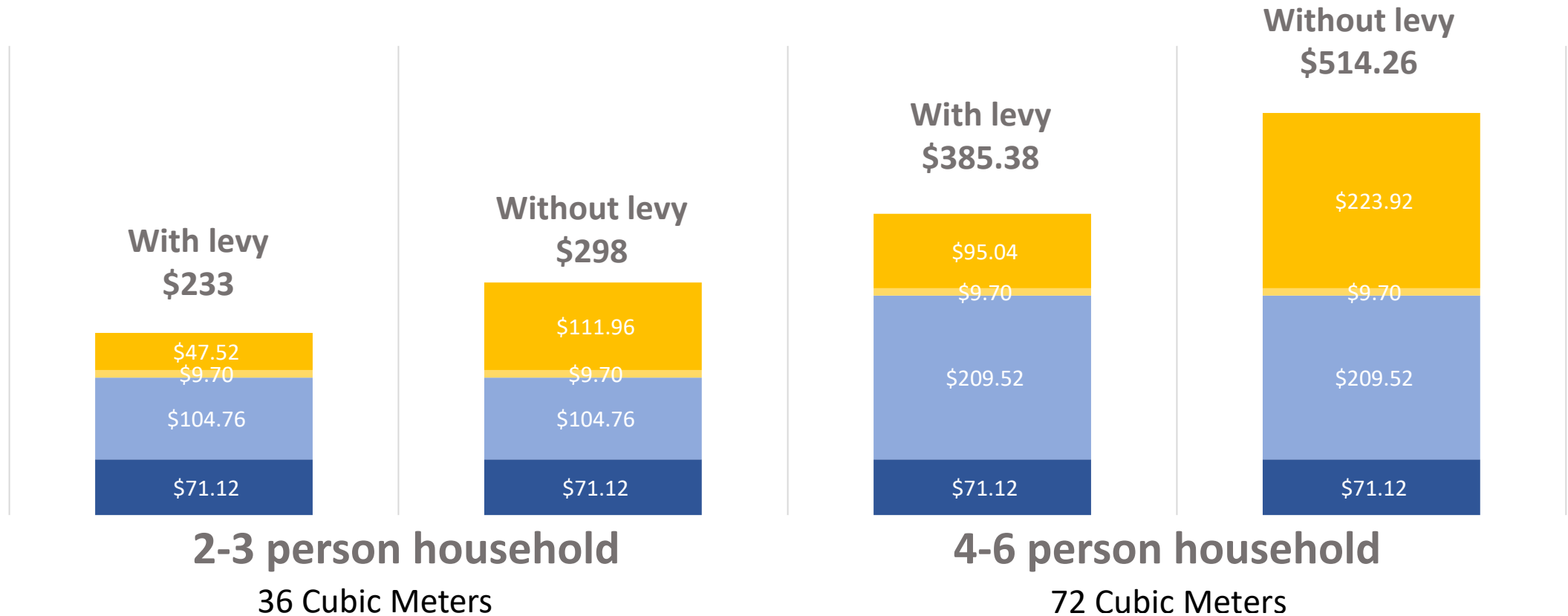
	<b>With Fee</b>	<b>Without Fee</b>
Net Wastewater Revenue	\$ 436,370	\$ 436,370
Annual Fee - non connected properties	\$ (130,000)	
Rate Requirement	\$ 306,370	\$ 436,370
cubic meters	72,500	72,500
Cost per Cubic Meter	\$ 4.23	\$ 6.02

# Shift of Sharing Contribution

	Homes	Avg Annual Cost	Total Contribution
connected	540	\$ 149	\$ 80,400
unconnected	1260	\$ 100	\$ 126,000
			\$ 206,400
connected	800	\$ 133	\$ 106,400
unconnected	1000	\$ 100	\$ 100,000
			\$ 206,400
connected	1200	\$ 122	\$ 146,400
unconnected	600	\$ 100	\$ 60,000
			\$ 206,400

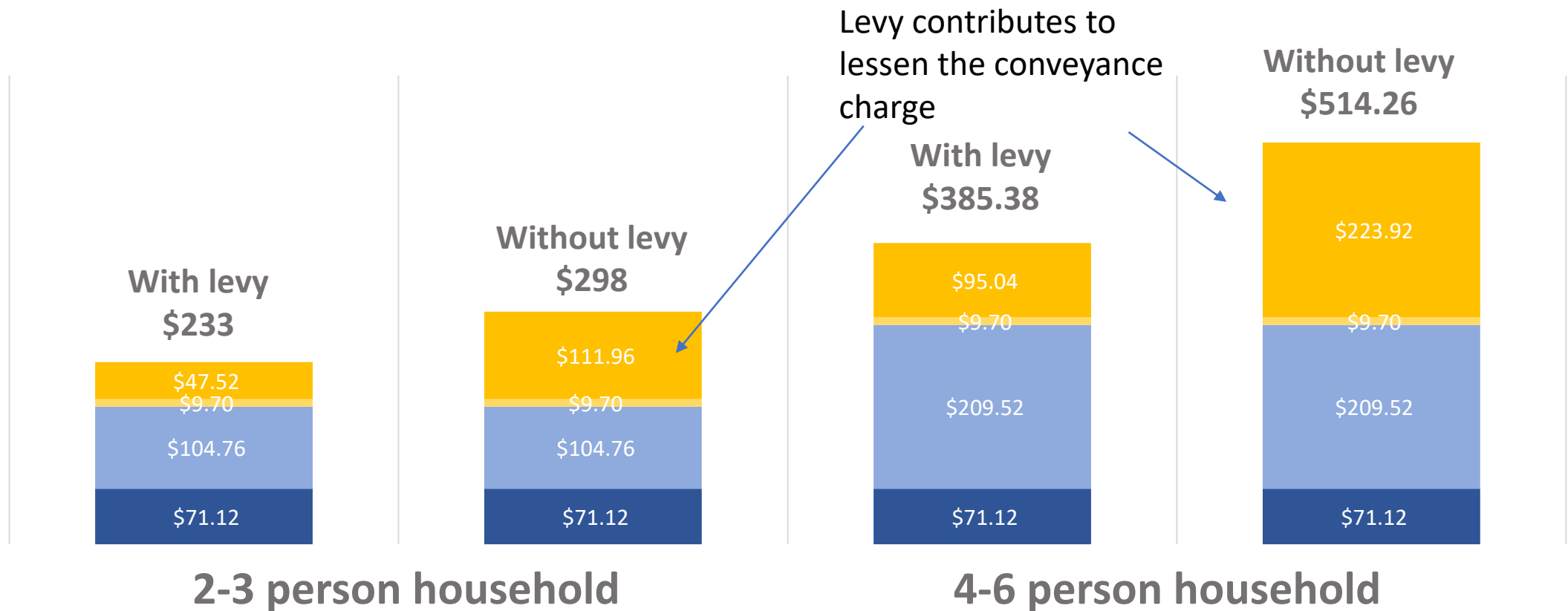
# IMPACT ON AVERAGE QUARTERLY UTILITY BILLS

■ Participation Fees    
 ■ Treatment Charge Winnipeg    
 ■ Service Fee    
 ■ Conveyance Charge



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# Potential Surplus

- Indication is that 540 homes will connect in year one and two
- The remaining (1800-540) 1,260 would contribute the \$100 levy for a total revenue of \$126,000
- The remainder of the fixed costs of \$206,092 would be paid by properties connected (approx. \$148 per home)
- any excess of taxes collected and costs has to be refunded or in effect rolled forward and used only for the benefit of the properties in respect of which the S.S. was imposed The method will be decided at the time at the time the surplus is identified.
- Surplus/Deficits will be reported annually through the Audited Statements



# Rates, Meters and Water Softeners

- The purpose of today's hearing is only the proposed special service levy.
- Recently some have expressed concerns regarding the placement of water meters.
- Information addressing these concerns will soon be posted on the RM website
- The Public Utilities Board will review the previously submitted rate application. The matter of meter placement is best addressed by the board. This is an independent body with access to best practices throughout Manitoba.