

Delegations – None noted.

COW RECOMMENDATION

13.7 Mayor's Update

COW RECOMMENDATION

13.8 Other Areas of Responsibility

(A) CAD – 2009 - 11

Subject: Kincardine Shoreline Pipeline Debt (Kincardine Water Treatment Expanded Service Area)

Report

Summary: In order to manage the Kincardine Shoreline Pipeline debt, the following measures are recommended to Council: (Pipeline debt as of August 7, 2009 = \$1,943,533.00)

- A) That all occupied properties, which are not connected to the pipeline, be given notice that by 2015 they must be connected and pay the capital charges.
- B) That all vacant properties fronting the water pipeline be given notice that by 2015 they must pay the capital charges as a future benefiting property.
- C) As of January 1, 2010 all occupied properties fronting the water pipeline will be charged a flat rate monthly water fee which will be attributed to the pipeline debt. (Note: current rate is \$25.00 per month).
- D) That the current pipeline connection fee of \$9,729.46 per property be reduced as of January 1, 2010 to \$7,405.36 per property.
- E) All properties which have paid pipeline connection charges in excess of \$7,405.36 will be eligible for a refund to ensure payment fairness to all properties.
- F) As the Development Charges Project takes place in early 2010, the Kincardine Shoreline Pipeline debt will be considered under "future capacity" to determine the portion of debt that the Development Charges By-law could fund.

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Origin: Kincardine Shoreline Pipeline Construction Program circa 2004

Analysis: In 2004, the Municipality of Kincardine undertook the construction of a shoreline water pipeline project at a net cost of \$5,099,163. Of note the original pipeline connection fee was \$ 6,102.00 per property (which equates to \$ 7,405.36 today with CPI and interest) and \$379.00 per property for the fire charge.

To date, we have had 573 Equivalent Residential Units participate by means of connecting to the water pipeline and paying their capital contributions for connection to the system.

With this optional participation, we have not funded the entire debt including accrued interest, resulting in a sum of \$1,943,533 (August 7, 2009) being stranded as a debt to the Kincardine Water Treatment Plant System.

At the August 7, 2009 Public Works Committee Meeting, staff presented the following water options chart:

Water Revenue Option	Potential Solution	Comment
1. Water Pipeline Premium Reduction (Non Mandatory Version)	Reduce rate from \$9,729.46 to \$7,405.36 **	The reduction may increase connections
2. Reserve Fund Contribution by all users	\$100 per year x 3,745 users = \$374,500. Current debt \$1,943,533. 6 years to retire debt.	Continue program until the deficit is eliminated
3. Water Fronting Charge for all properties on the pipeline	a) \$3,000 lump sum x 409 properties = \$1,227,000. (\$716,533) still unfunded. b) or charge properties \$300.00 per year on an ongoing basis = \$300 x 409 = \$122,700 per year. 15.5 years to retire debt.	The L.S. contribution would encourage connection and the yearly charge would help fund the pipeline debt.
4. Mandatory connection for all pipeline properties	\$7,405.36 x 409 properties = \$3,028,792.24. Note:	Pay off debt and enhance the water reserve fund or reduce cost to ±\$5,000 per property

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	Reserve Fund to be enhanced by residual amount left over.	to retire debt only.
5. Water Capacity Charge	Have all capacity charges allocated to pipeline debt	Note: Development charges to start in September 2009.

Capital Charges Schedule

	<u>Occupied</u>	<u>Vacant</u>
** Original principal	\$5,802.00	\$5,802.00
Contribution to Reserve Fund balance	\$ 300.00	\$ 300.00
CPI to 2008 on \$5,802.00 only	\$ 484.31	\$ 484.31
Int. to date	\$ 819.05	\$ 819.05
Fire Charge		\$ 379.00
CPI to 2008 on Fire Charge		\$ 31.64
	\$7,405.36	\$7,816.00

Note:

- 1/ CPI continues on a go forward basis for the pipeline connection charge.
- 2/ Occupied properties paid the Fire charge in 2005 while the vacant properties are still outstanding.
- 3/ in addition to each pipeline connection fee is the water meter charge of \$100.00 and the Plumbing fee of \$ 74.10. (2009 rates)

All these options are authorized pursuant to the following Sections of the Municipal Act:

Section 11 (1), Sections 391 (1) and (2) and Section 398 (1) and (2).

The Public Works Committee reviewed and discussed these options and passed the following motion which encompassed the selected funding options:

Moved By: *Bev Bryant*
 Seconded By: *Blayne Nicholson*

That the Public Works Committee recommends the following three part solution to resolving the Kincardine pipeline debt issue:

1. *That staff ascertain the amount of the pipeline debt that can be funded from the Development Charges Project.*
2. *That all properties which are not connected to the pipeline be given notice, that by 2015 they must be connected.*

In parallel, starting January 1, 2010 all non-connected properties will be charged a flat rate water fee, which will be attributed to the pipeline debt.

3. *That the pipeline connection fee be reduced to the original fee and properties paying excess will be refunded.*

Carried.

Existing Policy: Rates and Fees By-law #2008-202 as amended

Financial

Considerations: The pipeline debt continues to grow because interest incurred on the unfunded debt is higher than the rate of the optional yearly connections. This is becoming a problem from a cash flow perspective as both the interest and principal must be funded from cash derived from other sources. It continues to use staff time to monitor and causes concern about when and if monies will ever be recouped for expenditures long since paid. Making payment for this project mandatory within a set time frame will allow property owners to plan for their payments and provide the Municipality the necessary cash to fund future projects and to bring closure to this project.

Options:

1. That Council approve the Kincardine Shoreline Pipeline Debt Reduction Plan as presented in Report # CAO – 2009-11 Report Summary.
2. That Council consider an alternative Kincardine Shoreline Pipeline Debt Reduction Plan.
3. That Council not act at this time

Preferred Option: That Council support Option #1. This option to be considered on December 2nd, 2009.

CAO's Comments: In order to resolve the Kincardine Pipeline debt issue, we must combine six actions which have the ability to manage the Kincardine Pipeline debt over the next five year period.

Delegations – None noted.

COW RECOMMENDATION

(B) CAO 2009 – 12
(attachment)

Subject: Financial Management Plan 2010