

More discussion needed on stranded debt for lakeshore water pipeline

By Liz Dadson

Earth Day (April 22) seemed like a good time to discuss clean drinking water, but it didn't do much for Kincardine council in coming up with a solution for the stranded debt on the lakeshore water pipeline.

The meeting was more of a debate on who was to blame for the \$1.7-million fiasco, than any attempt at finding a way to fix the problem.

Public works manager Jim O'Rourke explained the history of the pipeline which stretches back to April, 2000, before the Walkerton contaminated water tragedy in May of that year.

At that time, Kincardine had four municipal water systems along Bruce County Road 23 (B-line) which were of concern. Once the Walkerton saga ended and provincial regulations hit, the cost to run those separate systems was huge so a solution to those and several private systems along the lakeshore was considered.

O'Rourke said about 125 homes were served by the four municipal systems, while another 100 were on private systems.

After extensive debate and discussion, council agreed to run the pipeline along the lakeshore all the way to Inverhuron Provincial Park, and connect it to the Ward 1 water treatment plant which would provide a safe and secure drinking water source.

All current municipal water users were forced to hook up, but the rest of the properties along the pipeline route were not, said O'Rourke. A formula was put in place to make it more attractive for people to hook up to the pipeline early on, but only 11 landowners did. Thus, the

Kincardine council

To Comment on this article [Click Here](#)

Haight asked if the municipality should be collecting that fee at the time of the subdivision registration rather than waiting until building permits are issued. That would help pay off the debt for the pipeline, she said.

"I find it hard to believe that we have had only 11 people hook up since that first year," said councillor Ron Hewitt. "I'd like staff to check that figure. There are two major subdivisions there, with a total of 38 lots."

Treasurer Brenda French said there are a number of properties in the older subdivisions that hooked up but are paying the cost over time.

Councillor Randy Roppel argued that the developer should be paying the connection fees for servicing, not the taxpayers. "We should change the policy so the developer pays his own way. This huge debt can't go on; we've been carrying it now for seven or eight years. Give me a break. It's not acceptable."

Councillor Kenneth Craig agreed, saying the benefit of water from the pipeline exists as soon as the lot is created, so that's when the connection fee should be paid - at the time the plan of subdivision is registered.

Councillor Guy Anderson said he would like to see some more figures, such as how many lots remain to be built on in the area where the pipeline runs through; and how many original landowners did not hook up. While he is leery of switching gears and making the connections mandatory, council may have to in order to clear this debt. He also requested some legal information, regarding a change in policy for subdivision agreements.

stranded debt exists, he said.

The initial connection fee was \$5,802 but increased each year by a premium plus the Consumer Price Index (CPI). If a property owner were to connect in 2010, the cost would be \$9,685.75; in 2011, \$9,879.47; and in 2012, \$13,436.08. In many cases, landowners are opting to dig a new well because it's cheaper, said O'Rourke.

Chief administrative officer John deRosenroll presented four options for eradicating the debt:

- **1.** By the end of 2015, all properties with a dwelling must be connected to the pipeline and fund their associated capital charge of \$7,034.93 and future interest charge. By the end of 2015, all lots which remain vacant will be assessed a capital charge of \$7,034.93 and future interest charge. The pipeline capital charge will be benchmarked as of Dec. 31, 2009 - capital charge is \$5,802, plus interest of \$1,232.97 which equals \$7,034.97. A refund will be made to the 11 properties that connected between 2005 and the present, to ensure financial parity.
- **2.** Fund the stranded debt of \$1,675,148.41 by others: Kincardine Water Treatment Plant Service Area current customers or raise funds from a tax rate solution.
- **3.** Status quo - leave connections and capital charges on an optional basis; current capital charge of \$9,685.75 (2010 charge); the long-term financial sustainability of this option is of concern.
- **4.** Leave the stranded debt issue discussion to early 2011 to allow for the Inverhuron Environmental Assessment (EA) to reach its conclusion. This will allow full public input into the EA and, most importantly, allow council to review its concluding position prior to making decisions about the stranded debt issue.

Also, noted deRosenroll, those hooking up to the pipeline will have to pay a fire capital charge of \$379, contribution to reserve of \$300, and water meter supply

French said there are 259 lots that could hook up to the pipeline but have not. They have paid the fire charge but have not connected, she said.

Mayor Larry Kraemer said he recalled that the fee was going to be about \$3,500 per landowner along the pipeline route but then the project escalated by about \$2 million which included upgrades to the municipal systems in the four subdivisions along the B-line.

"The premium (to encourage property owners to hook up) is not working," said Haight, "which is why we're here tonight."

Hewitt said the proposed 800-unit development on the old Hartwick Farm would provide about \$2.2-million in connection fees which would clear the debt.

Roppel argued that there should be no mandatory hook-up to the pipeline now because Kincardine was not forced to build a pipeline, it just had to fix up the four municipal water systems along the B-line.

Anderson said making it voluntary hook-up was a mistake council made at the time but it was council's decision.

"It was not the desire of the people to force their neighbours to pay for the pipeline," said Kraemer.

"Listen, we can't change the past," said Haight. "It's water under the bridge, so to speak. We have this debt because we have a system without enough users. We have to assess future growth, what people should pay, and how to eliminate the debt. But what we have to realize is this was a safety issue - providing access to a safe, potable water supply."

"We don't learn from our mistakes," said councillor Gordon Campbell. As he began to refer to staff members, the mayor called a point of order and refused to let Campbell finish speaking.

After throwing out a few suggestions, council finally

of \$103, plus have the meter installed at their own expense.

Staff recommended either Option 1 or Option 4 as a potential solution.

Deputy mayor Laura Haight asked about lot creation in the subdivisions along the lakeshore.

Chief building official Michele Barr said the developer doesn't pay the connection fee; it's paid when the property owner comes in for a building permit. She said the costs are all laid out in the subdivision agreement so homeowners are aware of the connection fee.



agreed it needs more information and further discussion.

The issue will come forward at a future corporate services committee meeting.