



REGIONAL DISTRICT OF NORTH OKANAGAN

GREATER VERNON ADVISORY COMMITTEE SPECIAL MEETING

Thursday, November 17, 2011

8:00 am

AGENDA

A. APPROVAL OF AGENDA

1. Agenda – November 17, 2011

RECOMMENDATION 1

That the Agenda of the November 17, 2011 Greater Vernon Advisory Committee Special Meeting be approved as presented.

B. UNFINISHED BUSINESS

1. Domestic Water Rates - Options

- Staff will provide a PowerPoint presentation regarding the various options available for fees and charges.

C. NEW BUSINESS

1. Notice of Motion - Water Rates Policy

Page 1

- Correspondence received November 3, 2011 from Councillor Kiss

A Notice of Motion was submitted by Councillor Kiss at the November 3, 2011 Greater Vernon Advisory Committee meeting as follows:

- Whereas infrastructure financing in the past has been recovered through general (ad-valorem) taxation and since the current method of financing through user rates appears to be a departure from normal practices, be it resolved that infrastructure financing for all projects approved by referendum or alternate approval process, including water infrastructure, be recovered through general taxation.
Be it further resolved that until such time as the current infrastructure improvements are paid for, there would be no replacement reserves be collected for replacement of infrastructure currently being financed.
Be it further resolved that this Committee recommends to the Regional District of North Okanagan Director that these policies be approved.*
- Whereas the objectives of this Committee are to encourage reduction of water consumption and discourage excessive consumption be it resolved that this Committee recommends to the North Okanagan Regional District Board of Directors that "flat" component of the fee structure is reduced to a comfortable level that will contain a reasonable volume of water quota. This model will reward low consumers and discourage excessive consumption.*

D. ADJOURNMENT

THIS PAGE INTENTIONALLY LEFT BLANK

Motion 1.

NOV 03 2011

REGIONAL DISTRICT OF
NORTH OKANAGAN

Preamble

It is the responsibility of duly elected officials to provide clear policies to staff for budget preparations. Currently, these policies appear to be poorly defined and require amendments.

It has been a general practice of local governments in the North Okanagan to finance borrowed funds, approved by referendum or alternate approval process, through *ad-valorem* taxation. Examples are:

Recreation Complex,
Vernon-Coldstream sewer infrastructure (1970's),
Wesbild Centre,
Theatre,
Coldstream Fire Halls and others.

There is no good reason for treating water infrastructure financing differently.

Infrastructure costs should be distinguished from the cost of the commodity being produced and sold to customers. In the case of the ice facility we provide ice time for customers at user rates. The Theatre provides a venue for entertainment to the taxpayers who paid for the infrastructure also at user rates.

In the case of water infrastructure we lump infrastructure financing into water rates blurring the distinction between commodity costs and infrastructure costs. It is time to rectify this problem and hereby I am serving notice of a motion I intend to make at the next GVAC meeting:

"Whereas infrastructure financing in the past has been recovered through general (ad-valorem) taxation and since the current method of financing through user rates appears to be a departure from normal practices, be it resolved that infrastructure financing for all projects approved by referenda or alternate approval process, including water infrastructure, be recovered through general taxation. "

"Be it further resolved that until such time as the current infrastructure improvements are paid for, there would be no replacement reserves be collected for replacement of infrastructure currently being financed."

"Be it further resolved that this Committee recommends to the Regional District of North Okanagan Director that these policies be approved."

Motion 2

Preamble

The current financial model for water rates appears to be extremely unfair to customers with low water consumption. The minimum flat rate of \$66.20 allows a free volume of 10 cubic meters of water quarterly resulting in a cost of \$6.62 per cubic meter. In contrast, a person consuming 1,000 cubic meters pays \$1.27 per cubic meter.

This anomaly contradicts this Committee's stated objectives of giving incentives to customers who reduce water consumption. In fact, this rate structure punishes low users. The argument by the Manager of the utility that high water users subsidize low water users does not stand up for scrutiny. The reason for over-sizing treatment and delivery capacities is the need to satisfy maximum daily demands which is determined by high water users.

In order to set clear objectives for developing fair water rate models I intend to make an additional motion at the next GVAC meeting as follows:

"Whereas the objectives of this Committee are to encourage reduction of water consumption and discourage excessive consumption be it resolved that this Committee recommends to the North Okanagan Regional District Board of Directors that "flat" component of the fee structure is reduced to a comfortable level that will contain a reasonable volume of water quota. This model will reward low consumers and discourage excessive consumption.

Comments are welcome from all Committee members. This was a first approach so constructive criticism is welcome.

An hypothetical model is attached for your purview and comments are solicited. The model incorporates the taxation proposal and it would exceed the Committee's 2010 desire of collecting 50% of revenues from flat fees. This model actually recovers 62% from flat fees if we include the taxes.

Hypothetical scenario to recover water costs

access fee/q	\$25.00
flat fee (20cu m @ \$0.50)/quarter	\$10.00
total flat fee/quarter	\$35.00
flat fee per year	\$140.00
flat fee sum (25,000 customers)	\$3,500,000.00
taxes	\$4,000,000.00
agriculture	\$750,000.00
misc. revenues i.e. hydrants	\$750,000.00
revenue subtotal	\$9,000,000.00
additional funds needed	\$5,500,000.00
six million m ³ at average \$1/m ³	\$6,000,000.00
Total revenue	\$15,000,000.00