

Policy Respecting Uniform Sewer Charges

General

1. This Policy is entitled “Policy Respecting Uniform Sewer Charges.”
2. The Municipality of the County of Cumberland currently owns and operates 8 wastewater collection systems and seven wastewater treatment systems which are all user pay systems. Whereas the expenditures and revenues for each system are accounted for separately, common costs to operate and maintain these systems are segregated and allocated to each of the systems in proportion to the number of users on each system.
3. The purpose of this Policy is to simplify accounting as well as to create maintenance flexibility by revamping the billing and accounting structure, with the result that all existing central sewer system users will pay the same fee for central sewer services. This County Wide Uniform Sewer Charges structure will be phased in over a period of five years beginning in 2006 and being completed by 2011.
4. The County Wide Uniform Sewer Charges structure will:
 - a. reduce the number of GL accounts from in excess of 120 to approximately 20;
 - b. simplify accounting and auditing of these accounts;
 - c. simplify expenditure allocations;
 - d. improve spending flexibility allowing medium size jobs to be completed within normal operating budgets;
 - e. reduce long-term borrowing costs for small to midsize jobs;
 - f. initially retire approximately \$300,000 in existing debt utilizing existing reserves;
 - g. create maintenance flexibility and efficiency associated with a single larger budget allocation; and
 - h. result in moderate rate increases when an individual system requires upgrades or loses a large sewer user.

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5. The County Wide Uniform Sewer Charges structure is a type of insurance pool whereby the larger the group contributing to the overall expense of a service limits radical fluctuations in fees charged for that service.

Phasing Period

6. As of September 2006 Amherst Marsh, Biggs Drive, Joggins 1980, Maccan, Pugwash, River Hebert East, River Hebert West and Wallace will be incorporated into the County Wide Uniform Sewer Charges structure.
7. The rates set in the 2006/2007 budget for each of these systems will be increased or decreased each year by one-fifth of the overall rate change anticipated until 2011, when all rates will be equal. The target rate is \$295/unit based on 2006 dollars and expenditures. This target rate will be reviewed annually to ensure inflation and other expenditure increases are incorporated in the actual 2011 rate.

Proposed Phased Rate Changes

8. The proposed rate changes shall be as follows:

System	Annual Increase or Decrease %	Annual Increase or Decrease \$	2006 Approved Rate	Based on 2006 dollars and expenditures				
				2007 Projected	2008 Projected	2009 Projected	2010 Projected	2011 Projected
Amherst Marsh	6.5%	\$ 28.28	\$ 435	\$ 407	\$ 378	\$ 350	\$ 322	\$ 295
Biggs Drive	6.5%	\$ 28.28	\$ 435	\$ 407	\$ 378	\$ 350	\$ 322	\$ 295
Joggins	2.6%	\$ 6.76	\$ 260	\$ 267	\$ 274	\$ 280	\$ 287	\$ 295
Maccan	3.5%	\$ 8.75	\$ 250	\$ 259	\$ 268	\$ 276	\$ 285	\$ 295
Pugwash	6.5%	\$ 28.28	\$ 435	\$ 407	\$ 378	\$ 350	\$ 322	\$ 295
River Hebert	1.4%	\$ 3.85	\$ 275	\$ 279	\$ 283	\$ 287	\$ 290	\$ 295
Wallace	1.0%	\$ 2.80	\$ 280	\$ 283	\$ 286	\$ 288	\$ 291	\$ 295

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Revised GL Structure

9. The following accounts will replace the current GL accounts for central sewer systems:

Revenues

Sewer Rates
Recovery - Septage
Recovery - Municipal Bldg
Recovery - Roads
Recovery - Biggs Drive Water
Recovery - Administration
Recovery - Other

Expenditures

Salary Expense
Benefits Expense
Training
Association Fees
Vehicles
Operations, Maintenance & Repairs
Analytical Testing
Communications
Electricity
Debt Payments – Principle
Debt Payments - Interest
Capital Reserve

10. Each existing sewer system will maintain a separate revenue account unit 2011. All GL accounts will be numbered and developed as per current provincial regulations and accounting principals.

11. Annually an operating budget will be prepared for Council's consideration. This budget will have allocations for each of the above accounts which will distribute the annually budgeted expenditures for this Facility.

Reserves

Establishing a Reserve Allocation – Capital Reserve Fund Formula

12. Capital reserve allocations will be established as follows:

1. approximate quantities of major system components (pump stations, manholes, gravity pipe, etc.) will be established;
2. estimated life expectancy and current replacement costs will be established for each component;
3. a 50% capital cost recovery from senior levels of government will be projected for all components with life expectancies of 50 years or greater (treatment plant tankage, buildings, piping, etc.);
4. the standard rate of return on investment will be projected at 1.5% net of inflation;
5. the annual reserve allocation required for future replacement of each component shall be calculated using the Excel © spreadsheet function "Payment" where the Rate =

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1.5% (rate of return on the investment net of inflation); Term = the component's established life expectancy; Present Value = the current component replacement cost net of any projected funding; and

6. the annual reserve allocation for the system will be the sum of the allocations for all components in the system.

This formula will be utilized to initially establish the required increase in the annual reserve allocation when a new system is incorporated into the Uniform Sewer Charge Structure.

Establishing a Reserve Allocation - Existing Sewer Systems

13. The capital reserve annual contribution for the existing sewer systems has been established at \$65 000 (2006 dollars) based on the "Capital Reserve Fund Formula".

Annual Reserve Allocation

14. Upon establishment of the annual capital reserve amount, this allocated amount shall be increased annually, starting the following fiscal year, by Nova Scotia's Annual Average Increase in the Consumer Price Index (NSCPI) as developed by Statistics Canada. When a new system is incorporated into the Uniform Sewer Charge Structure, the calculated reserve allocation, as calculated above, will be added to the existing reserve allocation amount. This increased allocation will also be subject to NSCPI increases each year following incorporation.

Initial Reserve Utilization - Debt Retirement

15. Upon establishment of the Uniform Sewer Charge Structure the existing system capital reserves, operating reserves, general equipment reserve and truck reserve will be combined. This combined reserve will be utilized to retire \$294,000 in debt which is due for renewal in 2006 and the associated outstanding interest charge as well as 2006/2007 budgeted capital expenditures.

Capital Expenditures

16. As central sewer systems owned and operated by the Municipality of Cumberland are incorporated into the Uniform Sewer Charge Structure, each will be entitled to utilize the capital sewer reserve fund to offset the unfunded portions of capital expenditures resulting from major repairs, equipment replacement or system upgrades which are beyond the scope of approved operation and maintenance budgets.

Capital Charges – New Systems

17. In the event that Council receives a petition or for other reason determines the requirement for the installation of a new sewer system or the extension of an existing

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sewer system, the merits and financial estimates of each project will be reviewed on a case by case basis. No portion of the capital construction cost of a new system or an extension of an existing system will be funded by existing system reserves. Any portions of a new system not funded by senior government, County Council or other funding agency shall be charged to the new system's users in the form of an area rate or local improvement charge and shall be in addition to the Uniform Sewer Charges applied to the property upon completion.

Clerk's Annotation For Official Policy Book

Date of Notice to Council Members
of Intent to Consider [7 days minimum]: July 11, 2006

Date of Passage of Current Policy: July 19, 2006

I certify that this POLICY RESPECTING UNIFORM SEWER CHARGES was adopted by
Council as indicated above.

Rennie Bugley
Rennie Bugley, Clerk

August 15, 2006
Date