



HORSESHOE VALLEY PROPERTY OWNERS ASSOCIATION

Helping to make Horseshoe Valley an even better place to live

March 22, 2016

Dear Mr. Mayor and Members of Council,

I am writing to you as President of the Horseshoe Valley Property Owners Association (HVPOA). The HVPOA is advocating on behalf of residents billed by the township for wastewater in the Landscapes, Horseshoe Valley Lands, Horseshoe Ridge Homes and High Vista condos who have serious concerns regarding revenues, expenses, and rates.

I want to congratulate Council and Township staff for the work you have done on behalf of these residents in an effort to ensure that Skyline Utilities is being fair and transparent. The residents support the full recovery of operational and maintenance (O&M) costs associated with the provision of an efficiently managed wastewater utility. They also understand that the adoption of a rate structure is a function of a variety of administrative, operational, demographic, and financial factors that together make up the cost of efficiently delivering the service or utility.

Their concerns regarding revenues, expenses and rates result from extensive research, garnered from data collected from the Township, Skyline Utilities, American Water Canada, Tetra Tech recommendations, analysis of one year of actual residents' water bills, and various Ontario wastewater studies that examine and publish the structure of rates that ensure equitable and fair treatment of the various classes of users.

The research highlights that a single flat rate charged to both business/commercial class users and residential class users based on ensuring a secure revenue stream, and across unmetered and metered water users, unfairly penalizes residential class users of the utility. A flat rate is typically used by municipalities who have not installed meters, which is not the case for the subject residents. Additionally, a "one size fits all" flat rate approach is not the most environmentally responsible approach when one considers the wastewater generated by hotel and resort guests (who are not vested in the community), spa businesses, resort swimming pools, commercial laundries, and restaurant operations.

The research revealed:

- A disconcerting number of financial discrepancies in the information presented by Skyline to property owners on October 14, 2015 and contained in written answers to questions from Skyline on two occasions. These discrepancies contain differing shortfalls, stated Skyline revenues that differ from township stated revenues for the same period and unsubstantiated annual service budget increases. These discrepancies are detailed in Appendix A and are of particular concern given the township uses this data to establish rates for residential users.
- Municipalities with metered water typically charge for wastewater at a constant rate based on consumption and user class. Most municipalities have more than one user class, including a residential user rate class. In our situation, a flat rate is charged for all users in the roll numbers serviced by the wastewater plant, which creates an unfair playing field for



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the subject residential users. The subject residents' share of the O&M costs for 2015 is approximately 18%, however, this group represents, at the very most, 12% of flow to the treatment plant. It should be noted that some municipalities bill 85% of the metered water usage as outgoing wastewater to account for lawn watering, hot tubs, private pools, and other non-wastewater uses.

By using readily available prior years' actual (metered) water consumption for residential class users, while assuming every cubic metre of water consumed goes to wastewater (highly conservative), we can easily determine the percentage of overall wastewater attributed to residential class users as well as the percentage of O&M cost attributable to this user class. Since Carriage Ridge and Hills Resorts are both metered for total water consumption, the same methodology can apply to determine their percentage of O&M cost and the balance that is attributable to Skyline.

We request the township change wastewater billing by establishing full cost recovery rate classes that reflect a business/commercial rate class and a residential rate class. The 2016 rate for residential class should be based on the actual quarterly water consumption per residential user as per the actual metered water bills. This wastewater rate would be simple to implement for the township for all water metered users, as the process already exists for water consumption. Such a rate will encourage conservation, while supporting the township's environmental goals. The status quo flat rate billing system would not be considered environmentally friendly.

With respect to High Vista residents who are not metered, we request they be charged a flat rate for a single family residential unit. The Town of Wasaga Beach in Simcoe County is a good template for this approach, whereby when the township determined a meter could not be installed for any reason, a flat water and sewer rate is charged based on current rates applied against the average level of metered residential household consumption.

We also request the wastewater rates be reported on the Oro-Medonte website annually in the same fashion as the water consumption rates.

It would be appreciated if consideration of this request could be fast tracked given the approaching timelines. We appreciate your commitment to this proposal as outlined in the Township Official Plan and Strategic Plan as it relates to fairness and the establishment of water conservation measures.

Yours sincerely,

Trish Campbell

President, Horseshoe Valley Property Owners Association



APPENDIX A

Financial Discrepancies

- A) In Skyline's original presentation on October 14, 2015 there were two different deficits reported for 2015 as detailed in the Skyline – Budget Assumptions presentation page as reproduced and highlighted in yellow below:

Recovery of Operation Shortfall – 2 Years – Bullet 3

1. Deficit January – June 2015: \$60,233¹
2. Estimated Deficit June – December 2015: \$60,233²
3. 2015 Total: \$120,466 plus HST equals **\$136,127**

Recovery of Operation Shortfall – 2 Years – Bullet 2

4. Total Amount Raised in 2015 : \$540,849³ (incl. HST)
5. 2015 Budget Estimate: \$737,875⁴ (incl. HST)
6. 2015 Deficit (line 4 minus line 5): **\$197,026** (incl. HST)

SOURCE: SKYLINE NOV 2016 PRESENTATION

Recovery of Operating Shortfall – 2 Years

• This new charge is to recapture over a 2-Year Period Deficits incurred in 2014 and 2015 in a total amount of \$168,561

• The Annual Operating Cost Item under By-law 2014-012 raised a total amount of \$540,849³ (incl. HST) for 2015 while the 2015 Budget Estimate is \$737,875⁴ (incl. HST)

• Deficit August – December 2014: \$48,095; Deficit January – June 2015: \$60,233¹; and, Estimated Deficit June – December 2015: \$60,233²

In Skyline's response to our question regarding the two different deficits, Skyline reiterated the deficit as detailed in bullet 3. In order to balance the two bullet's deficits, and in consideration that the amount raised is determined by bylaw 2014-012, the only possible solution is that Skyline's 2015 Budget estimate was overstated by \$60,899.

- B) According to the response to our question #6 to the township on January 8, 2016, the township billed a total of \$319,122.70⁵ for sewage treatment in 2014 for 598 units. Skyline reported that they received only \$225,359⁶ in 2014 from the township, a difference of \$93,764. This discrepancy between billing and Skyline's receipts would more than offset Skyline's deficit in August to December 2014 of \$48,095 (\$54,347 incl. HST). Can the township explain why there was a difference in billing and the amount sent to Skyline in 2014 and detail what the difference of \$93,764 was used for?



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SOURCE DOCUMENT: TOWNSHIP RESPONSES TO OUR QUESTIONS (OUR QUESTION IN BLACK FONT, SKYLINE RESPONSE IN RED FONT)

6. Skyline says 2015 revenue is too low by \$197, 016. How much did the Township bill under the new rates in 2014? In 2015? For how many units?

2014- \$319,122.70⁵ for 598 units

2015- \$595,824.46 for 602 units.

SOURCE DOCUMENT:SKYLINE RESPONSES TO OUR QUESTIONS (OUR QUESTION IN BLACK FONT, SKYLINE RESPONSE IN RED FONT)

3. The revenue in 2014 has been calculated to be \$608,871 (see below) yet the reported Skyline revenue was \$463,519 (Previous response to our question #10 in our first set of questions). According to the township they billed \$319,122 in 2014 for 598 units and Skyline would have billed \$289,748 (\$69.92 times 7 months times 592 units as 6 homes were unoccupied in the first half of 2014). Why is there a discrepancy between the reported Skyline revenue and this calculated revenue?

The operation and billing of the WWTP changed as of 01 August 2014:
August-December 2014

Receipts from Township (\$199,433+HST) \$225,359⁶

Operating Costs (\$247,528+HST) \$279,706

Operating Loss August-December 2014 (\$ 48,095+HST) \$ 54,347

- C) In 2014 each resident was charged \$1,023 for sewage treatment, as detailed below. At 592 units/users (598 discounted by 6 top reflect unoccupied homes for part of 2014) the total revenues amount to \$605,616 yet Skyline reported only \$463,519⁷, a difference of \$142,097. Skyline did not respond to this discrepancy.

Skyline Sewage Payments: \$69.92 times 7 months equals \$489.44

Township Billing

Q3: \$202.12

Q4: \$331.53

Total Resident charges: \$1,023.09

SOURCE DOCUMENT: SKYLINE RESPONSES TO OUR QUESTIONS (OUR QUESTION IN BLACK FONT, SKYLINE RESPONSE IN RED FONT)

10. What are the actual revenues and expenditures for 2014 for AWS and Skyline related to provision of sewage treatment?

The actual AWS-costs for 2014 were \$441,907 and the actual total costs \$569,292 - with total revenues for 2014 of \$463,519⁷.



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- D) Can the township explain why the Horseshoe Valley Waste Water Treatment Plan Municipal Capital Facility By-law agreement resulted in an increase of \$125,538 (from \$69,937 to \$195,475) in the “Skyline Utility Services Budget” between 2014 and 2015? This increase excludes any American Water Operation/Management costs. Skyline’s response was not forthcoming and referred to the change in operation and billing as of August 1 2014 as the reason for the large increase.

	2014	2015
Skyline Costs	\$569,292	\$737,875
AWS Costs (incl HST)	\$499,355	\$542,400
Skyline Utility Costs	\$69,937	\$195,475