SUBJECT: 1280 Main Street West Water/Wastewater Deferred Payment Arrangement (FCS09012) (City Wide)

RECOMMENDATION:

That the Acting General Manager of Finance and Corporate Services be authorized to enter into a deferred payment arrangement with a 24 month repayment period pertaining to water and wastewater charges for a total amount of $655,122.44 re Horizon Account Number 412302-001, 1280 Main Street West, Hamilton.

Tony Tollis
Acting General Manager
Finance and Corporate Services

EXECUTIVE SUMMARY:

Council approved on August 7, 2008, the Water and Wastewater Deferred Payment Arrangements Policy (refer to report #FCS08067), which requires that all water and/or wastewater deferred payment arrangements exceeding $100,000 be referred to the Audit and Administration Committee for approval.

As such, report #FCS09012 is provided for the recommended authorization of a deferred payment arrangement with a twenty-four (24) month repayment period for Horizon Account Number 412302-001 regarding 1280 Main Street West, Hamilton (McMaster University). McMaster University has several accounts that represent multiple meters located both within buildings and some located in underground chambers that typically have a remote reading device located at a nearby above ground location.
The subject account relates to a 100mm water meter located in a chamber at McMaster University, 1280 Main Street West, Hamilton, that has been estimated for twenty-four (24) consecutive months. The estimates arose from the construction of McMaster University’s new Engineering building that resulted in a lack of access for the meter readers engaged by the City’s water/wastewater billing agent, Horizon Utilities Corporation (HUC). Hence, billings have been made using estimated consumption amounts based on the meter’s previous actual consumption history.

Arrangements have been made for monthly manual reads to be taken by a City Water Meter Technician for the balance of the construction expected to be completed in the Spring of 2009. The resulting backbill, reflecting the underbilled portion, totals 351,154 m$^3$ of water consumption that equates to $655,122.44 in combined water and wastewater backbillings; a significant amount that would represent an undue financial hardship within the customer’s current fiscal year if billed in its’ entirety immediately.

The City’s water and wastewater backbilling practices generally allows for customers who cannot meet their water and wastewater payment obligations to enter into an optional payment arrangement to pay a backbill. The repayment term is typically equivalent, in length, to the backbilling period. The repayment is interest-free and in equal instalments corresponding to the billing cycle.

Report #FCS09012 seeks approval for a deferred payment arrangement for McMaster University (Horizon Account Number 412302-001), whereby, the $655,122.44 combined water and wastewater backbilling will be paid via equal monthly payments incurring no interest charges during the proposed twenty-four (24) month repayment period.

**BACKGROUND:**

Report #FCS09012 is being brought forward in accordance with the Water and Wastewater Deferred Payment Arrangements Policy approved by Council on August 7, 2008 (refer to report #FCS08067).

The Policy requires that all water and/or wastewater deferred payment arrangements exceeding $100,000 be referred to the Audit and Administration Committee for approval.

**ANALYSIS/RATIONALE:**

The City’s water and wastewater backbilling practices, have generally allowed customers who cannot meet their water and wastewater payment obligations to enter into an optional payment arrangement to pay a backbill. The repayment term is typically equivalent, in length, to the backbilling period. The repayment is interest-free and in equal instalments corresponding to the billing cycle.

The recommended deferred payment arrangement for McMaster University (Horizon Account Number 412302-001) allows for the City to recoup water and wastewater revenue resulting from the underbilled water consumption over the next twenty-four (24)
months that is equivalent to the backbilling period. By offering the customer access to a payment arrangement that is typically extended to most water/wastewater customers receiving a backbill, the customer is being treated in a fair and consistent manner. Such payment arrangements generally enhance the City’s probability of collecting revenues related to past underbilled consumption.

**ALTERNATIVES FOR CONSIDERATION:**

The outstanding water and wastewater invoiced amount could be due, in full, per the Water/Wastewater Arrears Policy. In the potential event that the customer is not able to pay the full outstanding bill, the outstanding arrears would be transferred to the property’s tax roll resulting in increased costs for the customer in terms of penalty and interest charges that would be incurred by the customer. As McMaster University is a public institution with an excellent payment history with the City of Hamilton, it is not recommended that the full outstanding water and wastewater underbilled amount be invoiced, in full, with immediate payment requirements.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

Financial: Water and wastewater revenue recovery related to a significant underbilled consumption will be realized in a timely manner.

Staffing: N/A.

Legal: The City's ability to recover water and wastewater revenue is not impaired by entering into a deferred payment arrangement with the customer. In the event a deferred payment instalment becomes delinquent, the outstanding balance would be immediately transferred to the property tax roll. In such circumstances, the fees and charges added to the tax roll will have priority lien status as described under Section 1 of the Municipal Act, 2001.

**POLICIES AFFECTING PROPOSAL:**

Water and Wastewater Deferred Payment Arrangements Policy.

**RELEVANT CONSULTATION:**

Legal Services.
CITY STRATEGIC COMMITMENT:

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced.  ☐ Yes  ☑ No

Environmental Well-Being is enhanced.  ☐ Yes  ☑ No

Economic Well-Being is enhanced.  ☑ Yes  ☐ No

Water and wastewater revenue recovery related to a significant underbilled consumption will be realized in a timely manner.

Does the option you are recommending create value across all three bottom lines?  ☐ Yes  ☑ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants?  ☐ Yes  ☑ No