SUBJECT: Water and Wastewater Deferred Payment Arrangements (FCS08067) (City Wide)

RECOMMENDATION:

That all Water and/or Wastewater Deferred Payment Arrangements that exceed $100,000 be referred to the Audit and Administration Committee for approval.

Peter A. Barkwell, Acting General Manager
Finance and Corporate Services

EXECUTIVE SUMMARY:

On occasion, the City of Hamilton, through its’ water and wastewater billing agent Horizon Utilities Corporation (HUC), is requested to approve water and/or wastewater deferred payment requests. Typically, a payment is deferred over a period of 12 billings, which translates into one year for monthly billed accounts and two years for bi-monthly billed accounts, with no associated interest cost to the ratepayer.

The practice between HUC and the City regarding notification for request for deferral was amended, to improve procedures regarding HUC notification and City approval, subsequent to the issue identified in Audit Report 2006-06 – Metered Water Billings and Revenue (CM08011). The issue identified in the Audit Report is identified in the Background section of this report (FCS08067). The practice has been and continues to be that HUC notifies the City of any deferrals that exceed $5,000. Subsequent to report CM08011, HUC requires the approval by the City (General Manager of Finance and Corporate Services or the Director of Budgets and Finance) of any deferral payment arrangement between HUC and the customer when the amount deferred exceeds $50,000. This practice was introduced following the renegotiation of the last Service Level Agreement, which is set to expire on December 31, 2009.
BACKGROUND:

At the May 7, 2008, Audit and Administration Committee Meeting, Committee discussed deferred payment agreements that exceed $100,000. The General Manager of Finance and Corporate Services advised that staff would report back with a recommended threshold, and that they can report back on any deferred payments that exceed that amount, should Committee wish.

Committee requested that staff report back to Committee, at a future meeting, on deferred payment agreements that exceed $100,000.

The above issue arose from *Follow Up of Audit Report 2006-06 - Metered Water Billings and Revenue (CM08011)*. This report identified the following observation by Internal Audit. Customers who cannot meet their payment obligations may enter into a deferred payment arrangement with HUC. However, there is no provision in the Service Agreement for HUC to notify the City when it enters into such an arrangement with the City’s water and wastewater customers. The majority of such deferred payment arrangements are for minor amounts that do not present a concern when compared to the total water and wastewater revenue generated monthly. However, in a recent situation, a deferred payment arrangement was entered into by HUC with a customer that owed the City approximately $500,000. In addition, the customer was known to be in a precarious financial condition. The City’s Senior Policy and Projects Manager (contract administrator) inadvertently learned about the arrangement when inquiring about another matter. Arrangements concerning such sizeable amounts expose the City to the risk of potential losses or write-offs without any input into the original arrangement.

For the purpose of informing Committee, the deferral identified above, was subsequently paid in full, over a period of 6 months.

ANALYSIS/RATIONALE:

Staff reviewed deferrals that transpired over the periods 2005 and 2008. Over this four-year period, approximately 548 deferrals transpired. The following Table identifies the key statistical indicators pertaining to the above deferrals.

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<th>Statistical Indicators of Water/Wastewater Deferrals</th>
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<td>Time period</td>
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<td>Maximum deferral</td>
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<td>Number of deferrals that exceed $100,000</td>
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The recommendation of report FCS08067 “Water and Wastewater Deferred Payment Agreements” is to amend the current practice by requesting Council’s approval through the Audit and Administration Committee for all deferral arrangements that exceed $100,000. The recommended threshold is similar to the financial threshold identified on the Purchasing Policy for Approval Authority. Under this policy, specifically, section 4, the General Managers are authorized to approve procurements of a value up to, but not including $100,000, save and except in an Emergency wherein Section 4.10 shall apply.

The purpose of the deferral arrangement is to provide water and wastewater users, that may require financial flexibility, the potential to make payment on a water and/or wastewater account in a reasonable time period, without placing the user in a position of financial jeopardy. It is recognized that the process of requiring Council approval may at times result in the delay of a response to the user of up to 4 weeks, therefore staff have recommended a balance between a financially material threshold against the ability to respond to the user in a reasonable time period.

**ALTERNATIVES FOR CONSIDERATION:**

N/A

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

N/A

**POLICIES AFFECTING PROPOSAL:**

N/A

**RELEVANT CONSULTATION:**

N/A

**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
Public services and programs are delivered in an equitable manner, coordinated, efficient, effective and easily accessible to all citizens.

Environmental Well-Being is enhanced. ☐ Yes ☑ No
Economic Well-Being is enhanced. ☑ Yes ☐ No

The deferral of water/wastewater billings provides the customer with a degree of financial flexibility, thereby providing the City with a greater level of reassurance that the billing will be paid in whole.

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