

**CITY OF HAMILTON**

**CORPORATE SERVICES DEPARTMENT**  
*Financial Planning and Policy Division*

<b>TO:</b> Chair and Members Audit, Finance and Administration Committee	<b>WARD(S) AFFECTED:</b> WARD 10
<b>COMMITTEE DATE:</b> December 10, 2012	
<b>SUBJECT/REPORT NO:</b> 400 Glover Road Water/Wastewater Deferred Payment Arrangement (FCS12109) (Ward 10)	
<b>SUBMITTED BY:</b> Roberto Rossini General Manager Finance and Corporate Services	<b>PREPARED BY:</b> John Savoia (905) 546-2424 x. 7298
<b>SIGNATURE:</b>	

**RECOMMENDATION**

That the General Manager of Finance and Corporate Services be authorized to enter into a deferred payment arrangement with a 60 month repayment period pertaining to water and wastewater charges for a total amount of \$193,620.38 re Horizon Account Number 416128-001, 400 Glover Road, Stoney Creek.

**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, Finance and Administration Committee for approval.

As such, report FCS12109 is provided for the recommended authorization of a deferred payment arrangement with a sixty (60) month repayment period for Horizon Account Number 416128-001 regarding 400 Glover Road, Stoney Creek (Nelson Steel). Nelson

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Steel is a division of Samuel, Son & Co., Limited, a company that produces and distributes a wide range of steel products and related services from locations in Canada and the United States including its facility in Stoney Creek.

The subject account relates to a 100mm “compound” water meter located at Nelson Steel, 400 Glover Road, Stoney Creek. A compound meter is designed to accurately measure high and low flow rates and has increasingly been employed to replace traditional style meters for many industrial, commercial and institutional (ICI) customers. Compound meters have two measuring elements (one for low flows and one for high flows) so that two odometer readings are obtained for each billing cycle and commonly referred to as the “high” and “low” sides of the compound meter.

In late 2007, a compound water meter was installed by the City at 400 Glover Road replacing an old traditional style water meter. When meters are installed work orders are issued by City Water to the City’s water/wastewater billing agent, Horizon Utilities Corporation (Horizon) who essentially activate the metering devices within their billing system. It is important the Horizon activates each meter; otherwise the reading of the meter will not be displayed on the electronic handheld reading device employed by the water meter readers. It should be noted that meter readings are generally obtained from remote reading devices such that meter readers do not have the opportunity to view a water meter where they may identify that a meter is a compound meter requiring two meter readings.

The initial work order received by Horizon related to the aforementioned meter replacement did not indicate that the new meter was a compound meter so that only one of the two measuring elements was activated within Horizon’s system. A subsequent work order correctly identifying the compound meter was received by Horizon; however, unfortunately it appears that the revised work order was thought to be a duplicate of the original order. Ultimately the low flow measuring element of the subject meter was not activated within Horizon’s billing system so that the consumption on this meter end has not been read or billed for.

In October of this year, a meter reader reported an actual read that was not in line with the previous reads. In circumstances, where an actual water meter read is much higher or lower than historical readings, Horizon investigates the billing. The investigation revealed that a compound meter installed had been installed at 400 Glover Road.

The resulting catch-up billing, reflecting the unbilled portion, totals approximately 92,000m<sup>3</sup> of water consumption that equates to \$193,620.38 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 billing practices generally allows for customers to request to enter into an optional interest-free payment arrangement to address

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water/wastewater billings. In this case, Nelson Steel has requested to pay the catch-up billing over a five year period. As Nelson Steel was not at fault for the unbilled consumption and quite understanding of the situation in general, staff support the relatively long term payment arrangement.

In light of the discovery of a metering element side of a compound meter not being activated, staff immediately initiated an audit of the approximately 450 compound meters that have been employed within the City's 142,000 water customers. The audit revealed an additional three accounts with compound meters with "missing" billings on a metering element. Only one of the three accounts had a material associated catch-up billing affecting a City owned site (64 Leander Drive, Hamilton with a combined water and wastewater catch-up billing amounting to \$51,938.97) which has been billed with payment arrangements resolved. A new monthly audit report has been put in place to identify any compound meters that are not activated correctly in the future.

There have been a number of significant catch-up or backbilled water/wastewater billings in the past with ICI customers where deferred payment arrangements have been requested by customers, however, there has been one circumstance since 2008 where staff have required Council approval for an arrangement exceeding \$100,000 (refer to Report FCS09012). Deferred interest-free payment arrangements are a reasonable measure to ensure the City recovers water and wastewater revenue without creating undue hardship for customers.

Report FCS12109 seeks approval for a deferred payment arrangement for Nelson Steel (Horizon Account Number 416128-001), whereby, the \$193,620.38 combined water and wastewater backbilling will be paid via equal monthly payments incurring no interest charges during the proposed sixty (60) month repayment period.

***Alternatives for Consideration –Not Applicable***

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS** (for Recommendation(s) only)

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

**Staffing:** None identified.

**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*.

**HISTORICAL BACKGROUND** (Chronology of events)

Report FCS12109 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.

**POLICY IMPLICATIONS**

As the amount proposed for a deferred payment arrangement exceeds \$100,000, the City's Water and Wastewater Deferred Payment Arrangements Policy is applicable.

**RELEVANT CONSULTATION**

N/A

**ANALYSIS / RATIONALE FOR RECOMMENDATION**

(include Performance Measurement/Benchmarking Data, if applicable)

N/A

**ALTERNATIVES FOR CONSIDERATION**

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

None identified.

**CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)**

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability,  
3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development,  
6. Environmental Stewardship, 7. Healthy Community

***Financial Sustainability***

- ◆ Financially Sustainable City by 2020
- ◆ Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost effective manner

**APPENDICES / SCHEDULES**

N/A