



Lakefront
Utility
Services
Inc.

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January 8th, 2020

The Corporation of the Town of Cobourg
55 King Street West
Cobourg, ON K9A 2M2

Attention: Mr. Brent Larmer, Municipal Clerk

RE: COMMENTS ON CTA SUBMISSION TO COUNCIL

Dear Mr. Larmer,

Attached please find Dereck Paul's comments on the CTA Submission to Council at their January 6th, 2020 meeting, as requested by Deputy Mayor Seguin and Councillor Darling. Would you please ensure that they receive a copy.

Please let me know if you have any questions Brent or require anything further.

Yours truly,

A handwritten signature in blue ink, appearing to read "Susan Spicer", is written over a horizontal line.

Susan Spicer, CHRL (Ret)
Corporate Secretary
Encl 5



The material presented by my staff, in the Committee of the Whole agenda, related to the request to borrow \$2.3M to complete the water meter changeouts in Cobourg, I believe, speaks for itself.

I will attempt to answer questions raised by the CTA regarding their submission and presentation, which are riddled with inaccuracies:

1. Waterworks is not “similar to Northam Industrial Park.” Rather, Waterworks is a self-sustained non-profit, full cost recovery water system;
2. Ontario Clean Water Agency (OCWA) is not a competitor to LUSI when it comes to Cobourg. OCWA makes a profit operating various Municipalities’ water systems, whereas LUSI uses a non-profit model for Cobourg with a cost pass-through system;
3. Yes, the LUSI Board approved a resolution on December 13th, 2018 to request borrowing the funds to complete the water meter project change-out. We started the initiative over three years ago and have been prudent – spending \$425K per year to change out 1,000 meters annually, having completed half of all meters, with 4,000 remaining to be changed. There are a number of reasons the request did not come in front of Council until a year later:
 - a. We would have preferred to continue on the path of 1,000 meters per year and not incur any debt, however, the business analysis indicated we are at a tipping point and it did not make sense to continue paying the same metering and administrative costs to manually read less than half the amount of meters. Cobourg is one of the few Municipalities in the Province that has never borrowed funds for their water system; LUSI is proud of that, as well as the way we manage the system prudently. Having said that, for decades prior to 2011 we underspent on the system and contained rates, which is why we have one of the lowest rates in the Province today, however, if we continue to ignore major issues, our system will be compromised;
 - b. We did not have the resources and manpower to project manage this initiative in 2019 as we were focused on the completion of the Strathy Road Water Tower and several other major projects i.e., the Henry Street watermain/sewer replacement project.
 - c. We did discuss this initiative in early 2019 with the Town’s CAO to bring the request forward but we were advised to hold off while the William Street Beer metering dispute was being handled; that dispute took over nine months to be resolved.
4. The request to borrow funds was discussed at the Annual Meeting with Council in June of 2019 and sent to the Town on November 15th, 2019. With all due respect, this was a considerable length of time prior to the Christmas holidays; there is no intent by LUSI to operate under a cloak of darkness or some sinister plan, as the CTA is insinuating.
5. LUSI explored several alternative sources for the meter change-out program. First of all, both ERTH of Ingersol and Sensus-Xylem have been long-term vendor/partners with Lakefront for the past 20 years, similar to Neptune, and all were investigated as alternatives. Secondly, most of the meters in question are over 30 to 40 years old, with approximately 20% being over 50 years old, and way beyond their useful life. It would actually cost more to repair these meters than to replace – similar to attempting to



- repair a 40-year-old TV, computer or car. Quite frankly, the concept of repairing 30 to 50-year-old meters with 30 to 50-year old spare parts, as suggested by the CTA, is ridiculous, makes no sense whatsoever and is unheard of for residential meters - commercial meters, case by case, perhaps.
6. As for Cobourg's footprint regarding a sustainable future, I take offence to the suggestion that LUSI is not an environmentally conscious corporation. I can safely say that Lakefront has done more for Greenhouse Gas reduction in our community than the CTA is aware or informed about. Neptune does recycle the old meters in every way possible;
 7. Of course, LUSI verified the information from Neptune with regard to the analysis of our internal data, and the view taken that Neptune salesmen tried to 'pull a fast one' on LUSI is absurd and disrespectful. Our relationship with Neptune is built on trust and respect. Before we partner with any company or contractor, LUSI follows a strict procurement policy and selection process. The meters Neptune provide are warranted for 20 years and have a useful life of up to 30 years. The SEER software that the CTA references is specifically for Commercial meters. In fact, Neptune used SEER software to identify and recommend the change-out of our 30+ year old Commercial meters. This only demonstrates the lack of knowledge and ignorance of the issues by the CTA member(s). Our water staff are the experts – with a combined total of over 160+ years of experience. I would trust them to know what they are talking about;
 8. Yes, there will be impact to businesses, including more accurate billing which is a positive for our community. Business will be able to better see and manage their usage patterns at hourly intervals and, in fact, 15-minute intervals compared to monthly. They can better predict their water usage costs, plan, forecast and budget. The potential for an additional \$114K revenue from more accurate water billings, not to mention wastewater as well, is a good thing for the Municipality – not a bad thing! Right now, that is lost revenue. We treated and distributed water that was not billed 100% accurately due to the old meters. It is not our goal to have residential customers subsidizing our businesses.

I want to remind Councillors, the Mayor, Deputy Mayor and the Public again that LUSI operates the Town of Cobourg Waterworks as a non-profit system with pass-through costs. There is no slight of hand happening here or any hidden agenda, as the CTA seems to suggest on every issue when it comes to Lakefront Utilities. We are very proud of our Board and Staff and the work we do running an extremely efficient system. Over the last decade we have cut staffing by approximately 25% being more productive, efficient, and utilizing more automation. We have contained costs at 2011 figures and the water rates are one of the lowest in the area. LUSI started managing the water system for the Town just over 19 years ago, prior to that it was managed by the Public Utilities Commission who allowed the meters to age to this level without replacement. So yes, the accuracy of the meters has gradually declined over decades, and this initiative is the corrective action being taken.

Increases of 9% annually have been driven from the Water Rate Study in order to replenish the under-budgeting and underspending of those prior decades. This is true for a number of jurisdictions such as Toronto, London, Durham, Quinte, Guelph, Niagara Falls, etc.



In closing, I want to say that it seems that the CTA is positioning themselves as subject matter experts when in fact the Town invested and hired actual water experts (as previously mentioned, with over 160+ years of experience) and Councillors should make the determination of whose experience can be trusted. The CTA should allow the experts that were hired, and that have experience in this area, to do their job.

Council therefore has two choices, either to approve the borrowing to complete the initiative, or not approve it. If approved, the benefits include:

- a. \$193,000 immediate savings;
- b. decrease in meter reading costs of approximately \$70,000 annually;
- c. \$114K + compounded annually, accurate additional revenues;
- d. the ability of RF meters to identify leaks and provide early notification to residents and businesses;
- e. the ability to obtain all readings at the same time and bill at the same time which improve efficiencies;
- f. improve cash flows for both waterworks and wastewater;
- g. update and bring our system into the modern era over the next 2-3 decades.

One final consideration—we can look at borrowing the funds on a shorter term – perhaps 6 years, thereby reducing interest costs.

Thank you,

A handwritten signature in black ink, appearing to read "Dereck C. Paul", is written over a circular stamp or seal. The signature is fluid and extends to the left and right of the circle.

Dereck C. Paul
President & CEO