

Lakefront's Water Meter Replacement Proposal

Good evening Mayor Henderson, Deputy Mayor Seguin, Councillors and residents. I am Ken Strauss, a resident of Cobourg and a Director of the Cobourg Taxpayers Association. I appreciate the opportunity to respond to Mr. Paul's recent criticism of our delegation regarding the proposal by Lakefront Utility Services for "Waterworks" to borrow \$2.3M.

The CTA appreciates Mr. Paul taking the time to respond to our comments on his proposal to Council to borrow \$2.3 Million to update Cobourg's water metering system.

The LUSI President and CEO notes several times that the CTA are not "subject matter experts" in the operation of a water works. This is correct. We have never claimed expert knowledge of water works operations. However, the CTA does have extensive expertise in critical thinking, financial analysis, corporate governance and administration, public affairs and engineering together with a keen nose for marketing baffle. These are all skills critical to the successful operation of any corporation including a local utility and water works.

We believe that Council deserves clear answers to the following critical points that were not addressed in Mr. Paul's letter.

1. The CTA asked whether the selection of Neptune's products was the result of a tender. Rather than address the CTA's concern that LUSI obtained the best possible price, his answer simply says that "LUSI follows a strict procurement policy". He does not say what the policy is! We would be surprised to learn of a corporate procurement policy that permits spending over \$2M of public money without the need for tendering. The absence of a clear explanation and justification for a sole-source procurement is never acceptable. Specifically:
 - Was a public tender issued?
 - Where is a copy of the tender available?
 - What companies responded to the tender?
 - Where is the tender evaluation available?
2. The CTA noted that the data in the report's amortisation table is incorrect. Mr. Paul did not mention this error and its significant impact on the financial analysis.
3. Using calibration tables to correct for errors and non-linearity in measuring devices such as flow meters is almost universal in industry. Mr. Paul dismissed the CTA suggestion that calibration tables might obviate the need to replace meters with the comment that the idea was "ridiculous". Is this actually the professional opinion of LUSI's "subject matter experts"?
4. The majority of the financial justification of Mr. Paul's proposal is based on the under-billing of 309 commercial users with older meters. He suggests replacing these meters would recover about \$114K annually. Based on the data in his proposal, 60% of the under-billing is due to only a hundred meters. Why replace all of Cobourg's 4000 meters

- if the majority of the under-billing results from only a few meters? Why was this much lower cost option completely ignored? Why were these meters not replaced years ago?
5. Mr. Paul blames the year-long delay in bringing LUSI's proposal before Council on the time to resolve the William Street Beer over-billing that was the result of replacing their meter with no verification plan. The CTA noted that a detailed plan to ensure the accuracy of new meter installations was required to ensure that the William Street dispute was not repeated. Mr. Paul did not mention this. Why?
 6. A major issue that the CTA raised was the \$800,000 cost of amortizing the \$2.3 million debt and the fact that the discount of \$193,000 would not be a savings. Qualifying for the discount would result in a net additional cost to Cobourg of over \$600,000. Mr. Paul's response at the end of his letter suggests that the solution would be to simply reduce the loan's term from 15 to 6 years. Why was this not part of the original recommendation? Will Water Works have the financial capacity to repay the debt at an accelerated pace?
 7. The proposal's erroneous numbers were repeated by Mr. Paul without correction.

Mr. Paul claims that the CTA's submission and presentation were "riddled with inaccuracies". Throughout his response, he denigrates the CTA for asking reasonable questions. Questions which a corporate Board or, in this instance, Town Council, would be expected to ask as part of its consideration of a \$2.3 Million loan request.

This is not only unfortunate but an unusual way to demonstrate corporate leadership and community values.

The Cobourg Taxpayers Association respectfully suggests that Council defer any further consideration of LUSI's loan request until a revised proposal that fully addresses the critical deficiencies in the original submission is published.