



Financing, Pricing & Demand Management: Waste Not, Want Not

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Wastewater Regulations

- A financial challenge for some cities
- An infrastructure management incentive
- One way to address both...



Financial challenge – up-front costs

- Federal and provincial grants
 - Financial sector meltdown & crash → public deficits
- Public-Private Partnerships (P3, PPP)
 - Early hopes: panacea?
 - Higher borrowing costs, shareholder ROI, other costs
 - Transparency, accountability issues
 - Ultimately, the user / taxpayer pays
 - Hamel, “P3s and Municipalities” (FCM 2007).
 - Experience: no free lunch

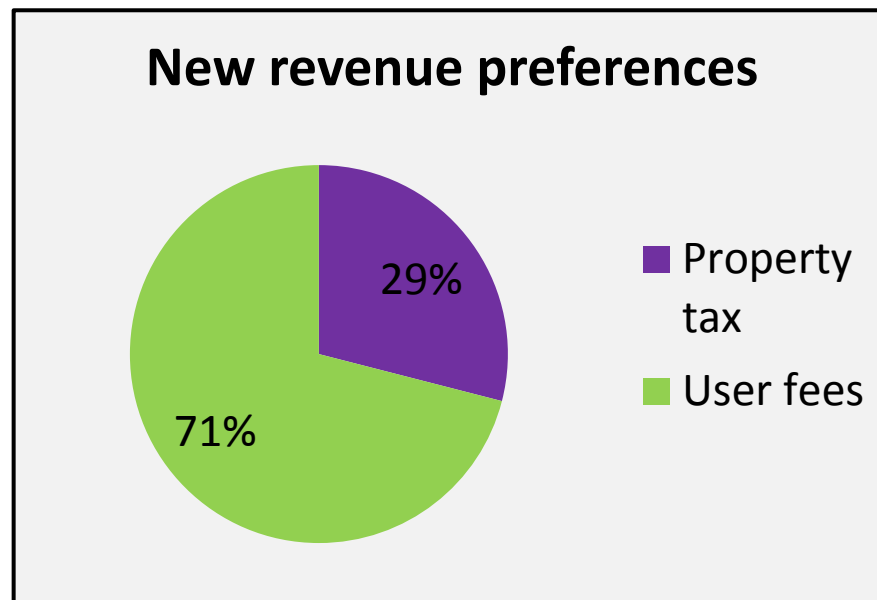
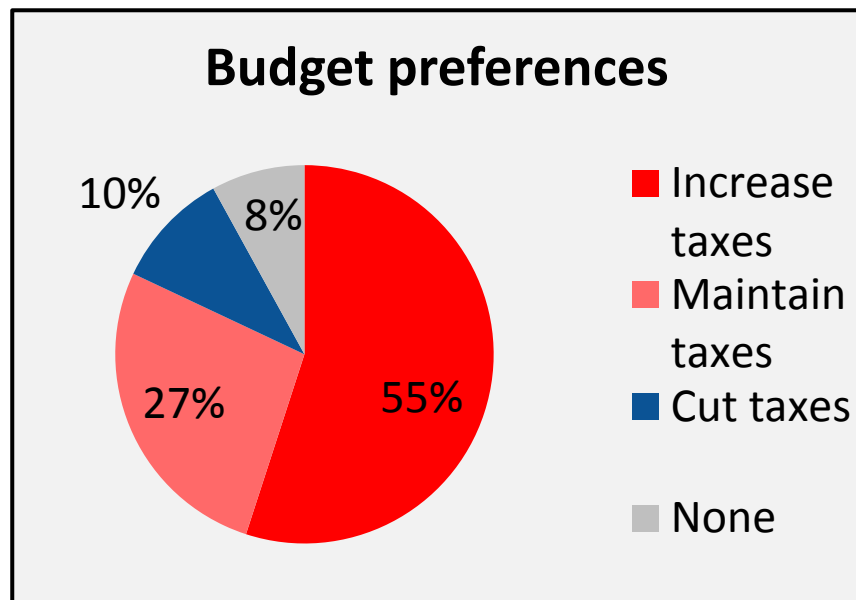


Financial challenge – up-front costs

- What's left?
- Normal financing, i.e. borrowing
 - Pay down debt over life of asset – gradual
 - Revenues and spending: connected
 - Same order of government – accountability

Financial challenge – paying down debt

- Default? Property taxes
 - Calgary poll (IPSOS 2010)





Environmental Pricing Reform

- Environmental problems – local, global
 - Nobody wants them; no ‘bad guys’
- Current set of incentives creates them
 - Change the incentives
 - “Tax bads, not goods” (EPR)
 - Taxes / user fees can create another revenue stream
- Outcomes – benefits:
 - environment, economy, jobs, diversify revenue, etc.



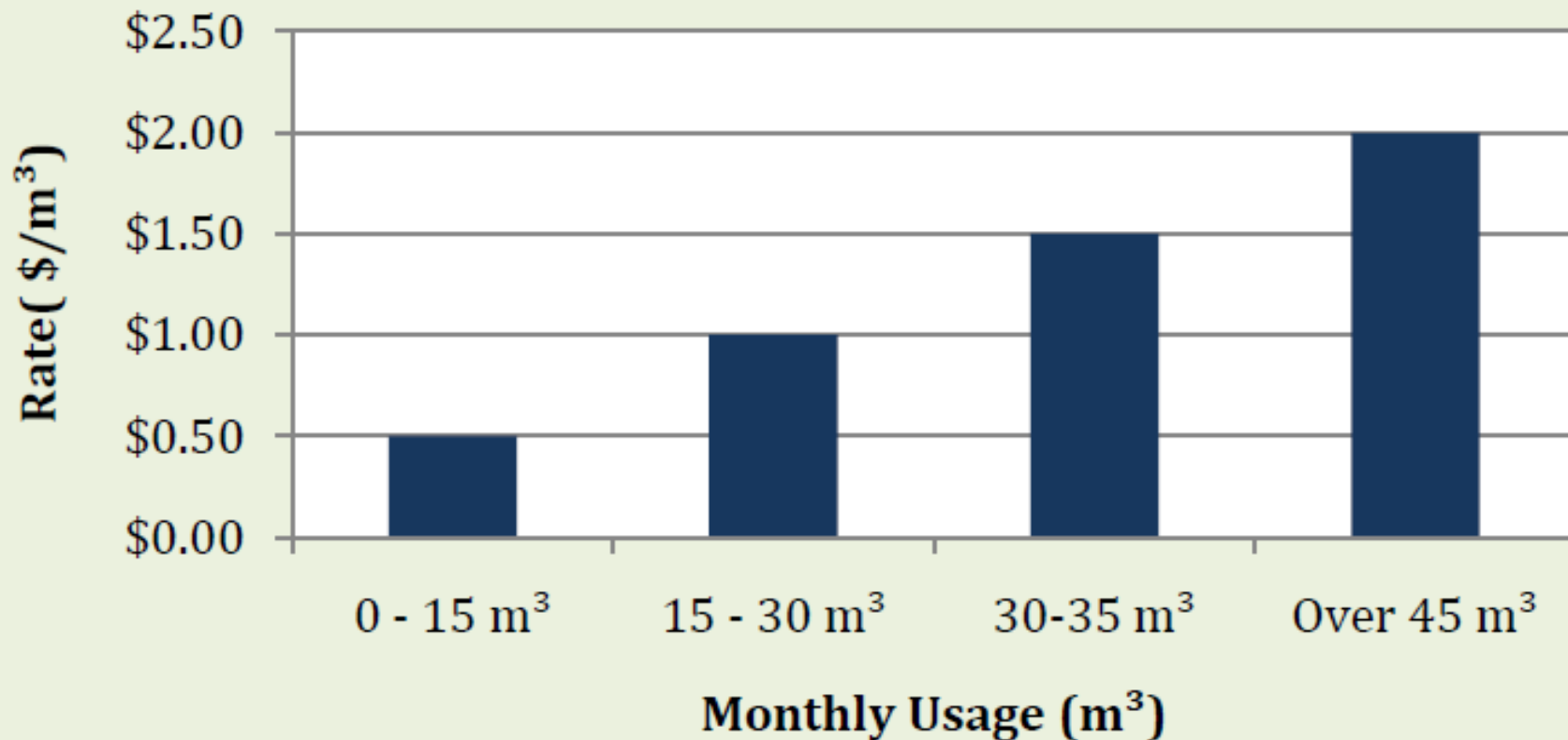


Pricing for wastewater

- Sewer discharge volume, substances
 - Large users – can monitor discharges
- Stormwater (Kitchener, up next)
- Water supply – proxy for sewage
 - Simple, and all users are covered
 - Change rates to encourage conservation
 - Reduces sewer demand and costs



City of Barrie Progressive Water Rates





Overcoming challenges:

- Challenges to adoption of new policies
- Can arise from...
 1. Equity and fairness concerns
 2. Vested interest opposition
 3. Fiscal impact on municipality
 4. Political
 5. Others



Equity and Fairness Concerns

- Lifeline rate
- Progressive block billing
- Rebate for high occupancy homes
- Rebate for lower income homes





Vested interest opposition

- Incentive to sell more water if...
 - Utility is set up as for-profit corporation
 - Management pay based on size of operation
- Ensure right incentives in place
 - Utility: conservation mandate from regulator / owner
 - Management: bonuses for conservation



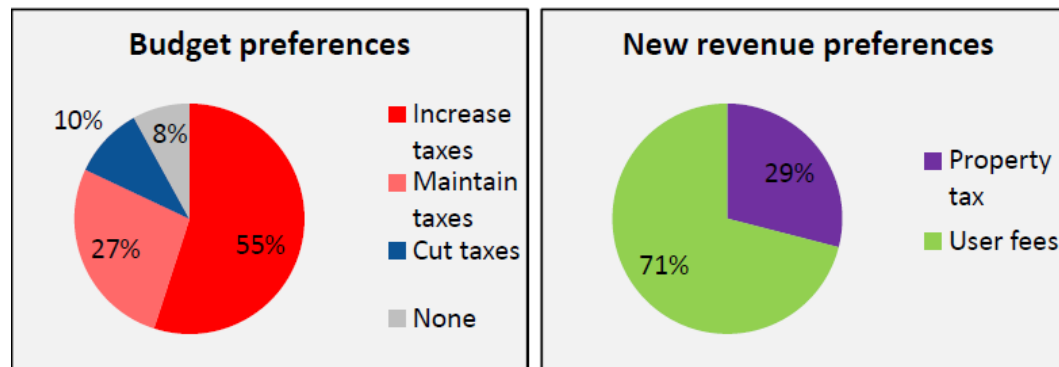
Fiscal impact on municipality

- Positive on revenues:
 - Additional revenues
 - Diversified revenues
- Positive on spending:
 - Demand management
 - Defer, reduce or eliminate infrastructure costs



Political

Remember Calgary (& Edmonton) polling



- OK with revenue increases
- User fees, not property taxes



Summary

- Wastewater regs a challenge, opportunity
- Traditional sources of \$ may not work
- Consider restructuring rates – progressive
- Overcome challenges – smart policy design



References

- P. Hamel, “Public-Private Partnerships (P3s) and Municipalities: Beyond Principles, a Brief Overview of Practices” (FCM 2007)
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