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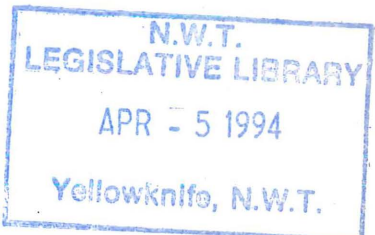
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# **WATER AND SEWAGE SERVICES SUBSIDY POLICY**

## **AMENDMENTS**



## **THREE COMPONENTS**

- 1. Extend the Water and Sewage Services Subsidy Policy to include all Towns and Villages.**

**Eliminate the Trucked Water Delivery Subsidy Program to Towns and Villages.**

- 2. Raise subsidized residential and non-profit rates.**

- 3. Reduction of the subsidy level to commercial user in Hamlets, Charter Communities, Other Designated Communities.**

## **WATER/SEWER SUBSIDY CABINET SUBMISSION**

### **Background**

- **April 1992 NWTAM requested the commercial rate subsidy provisions in Hamlets be extended to tax-based municipalities.**
- **November 1992 - FMB approves Expenditure Reduction Implementation Committee recommendation to phase in commercial subsidy reductions in hamlets, charter communities, settlements.**
- **Third Session (December 2, 1992) - MLA for Nahendeh (Mr. Antoine) presses Minister to extend Water and Sewage Services Subsidy to tax-based municipalities. Cites issue of inequitable treatment compared to hamlets.**
- **January 1993 - Town Council of Inuvik requests Department of Municipal and Community Affairs to enter into a Water and Sewage Services Subsidy Agreement.**
- **Town of Hay River and Village of Fort Simpson continue to request extension of WSSS Policy to them and other tax-based municipalities.**
- **April 1993 commencement of a three year Block Funding Agreement with the City of Yellowknife - removing the City from on-going water delivery subsidy arrangements.**
- **April/June 1993 MACA submitted a "net budgeting" proposal to amend the Water and Sewage Services Subsidy Policy and subsidized rates by Cabinet Submission and companion FMB Submission.**

-- THE PRESENT POLICY --

**Iqaluit and Norman Wells (since April 1991)**

- Water and Sewage Services Subsidy Policy applies
- Subsidized Residential and Non-Profit Rate is \$0.0022/litre (or about 1 cent a gallon)
- Subsidized Commercial Rate for Businesses - \$0.0044/litre ( or 2 cents a gallon) limited to 50 percent of water consumed

**Other Villages and Towns**

- Water and Sewage Services Subsidy Policy has not applied.
- **Water Delivery Subsidy Tax-Based Communities Program**
  - 1) applies only to Fort Smith at present and Yellowknife (through City Block Funding Agreement)
  - 2) Trucked water delivery only  
(not for sewage collection)
  - 3) Residential users pay flat rate of \$5.00 a month for first 4,000 litres and \$5.00 for next 2,000 litres.
- **"Ad hoc" Water Delivery Subsidy**
  - 1) applies to Hay River and Fort Simpson (on-island only)
  - 2) only for trucked water delivery
  - 3) residential users only - they pay \$5.00 per month regardless of water consumption.

## **Hamlets, Charter Communities, Settlements**

- **Subsidized Residential and Non-Profit Rate is \$0.0022/litre.**
- **Subsidized Commercial Rate is \$0.0044/litre (FMB has directed this be limited to apply to only 50 percent of water consumption).**
- **Subsidies for both water delivery and sewage collection/disposal.**

- **Special Service Areas**

- 1) **Subsidy provided under Water and Sewage Services Subsidy Policy.**
- 2) **To residential and non-profit users in selected areas outside designated service areas (Hay River/Enterprise Corridor, Salt Plains Indian Reserve Area).**
- 3) **Subsidy only for trucked water delivery.**
- 4) **Flat subsidized rate of \$15.33 per 1000 gallons (about \$0.0033/litre) - user pays no more than \$15.33/1000 gallons.**

- **Indirect Subsidies**

**Piped Services - Fort Simpson and Inuvik Rates charged to government users cross subsidize rates charged to residential, non-profit and commercial users.**

**COSTS OF GNWT WATER/SEWAGE SUBSIDY PROGRAMS - 1992/93**

**1) Water and Sewage Services Subsidy Policy**

- Hamlets, Charter Communities, Settlements \$5,608,000
- Iqaluit and Norman Wells \$1,155,000
- Special Services Areas \$ 199,000

**2) Water Delivery Rate Subsidy - Tax-Based Communities (Fort Smith, Yellowknife Block Funding) and "Ad hoc" Subsidy (Hay River, Fort Simpson On-island)**

\$ 706,000 \*

**TOTAL \$7,668,000**

**\* Of this, \$206,000 was allocated in 1993/94 to Yellowknife under the City Block Funding Agreement -- no further water/sewage subsidy provisions apply.**

## **Principles**

- 1) **Residents of the Northwest Territories should be entitled to basic water and sewage services to safeguard their health.**
- 2) **Basic water and sewage services should be provided to Northwest Territories residents on an equitable and affordable basis.**
- 3) **Municipal governments should exercise authority and responsibility for the delivery of water and sewage services in their communities.**
- 4) **Water and sewage services should be provided by municipal governments in the most efficient manner possible.**

## HOW THE SUBSIDY WORKS:

- The Water and Sewage Services Subsidy pays the difference between the **ECONOMIC RATE** in each community and the **SUBSIDIZED RATE**.

- **Economic Rate**

Means the blended average cost per litre incurred in a town, village, hamlet, charter community, or designated community in providing trucked and piped water and sewage services to users within its boundary.

- For example, in Fort McPherson:

$$\begin{aligned}\text{Economic Rate} &= \frac{\text{Cost of Piped Service} + \text{Cost of Trucked Service}}{\text{Estimated Total Metered Water Consumption}} \\ &= \frac{\$ 690,898}{25,307,619 \text{ litres}} = \$0.0273/\text{litre}\end{aligned}$$

$$\text{Subsidy} = (\text{Economic Rate} - \text{Subsidized Rate})$$

**Subsidy Paid  
For Residential  
and Non Profit**

$$\text{Users} = \$0.0273 - \$0.0022$$

$$= \$0.0251/\text{litre}$$

$$\text{or } \$25.10/1000 \text{ litres}$$



## **Subsidized Rate**

### **The "Yellowknife Rate"**

- **is used as a guide or proxy for an affordable subsidized rate**
- **means the cost per litre charged for piped water/sewage service to residential customers in the City of Yellowknife.**
- **term is misunderstood:**
  - 1) **Because the rate in the policy is not the actual arate charged per litre for piped water/sewage service to residential users in Yellowknife (it is close, but is not identical).**
  - 2) **It implies that the City of Yellowknife, rather than GNWT, determines the affordable rate in the WSSS Policy (not true).**

## **WATER & SEWAGE SERVICES POLICY AMENDMENTS AND RATE CHANGES**

- Towns and Villages (TV) residential subsidized rate to be \$0.0033/litre as of June 1, 1994. Commercial subsidized rate to be \$0.0044/litre for 50% consumption
- Fort Simpson "Off Island" as Special Service Area for residential users at \$0.0044/litre as of June 1, 1994
- Increase subsidized rate to Hamlets & Designated Communities (HC) residential users as of June 1, 1994 to \$0.0027/litre in Year One. Year Two subsidized rate to be \$0.0033/litre subject to FMB review
- Special Service Area rates to be raised to \$0.0037/litre June 1, 1994 and to \$0.0044/litre on April 1, 1995
- Reduce the subsidized commercial rate in Hamlets and Designated Communities from \$0.0044/litre for 100% of consumption to \$0.0044/litre for the 90% consumption and the remainder at the economic rate as of June 1, 1994. Further reductions subject to FMB review
- Eliminate Trucked Water Delivery Subsidy Program to Tax Based Municipalities

## IMPACT OF SUBSIDY CHANGES TO TYPICAL MONTHLY PAYMENTS BY RESIDENTIAL USERS

LOCATION	Economic Rate cents/l	Residential User (House)			
		Current \$/month	Revised \$/month	Change	
				\$/month	%
<b>HAMLETS, CHARTER COMMUNITIES AND DESIGNATED COMMUNITIES</b>					
Trucked Service with:					
Typical Low Economic Rate	1.50	25.08	31.35	6.27	25%
Typical Average Economic Rate	5.00	25.08	31.35	6.27	25%
Typical High Economic Rate	8.50	25.08	31.35	6.27	25%
<b>CITIES, TOWNS &amp; VILLAGES</b>					
Iqaluit – Trucked	0.95	25.08	37.62	12.54	50%
Iqaluit – Piped	0.95	50.16	75.24	25.08	50%
Norman Wells – Trucked	1.26	25.08	37.62	12.54	50%
Norman Wells – Piped	1.26	50.16	75.24	25.08	50%
<b>SPECIAL AREA</b>					
Trucked		37.62	42.18	4.56	12%

### CONSUMPTION ASSUMPTIONS

Building Type and Service	Water Consumption (litres/month)
– House – Piped	22,800 (190 lpcd X 4 persons X 30 days)
– House – Trucked	11,400 (95 lpcd X 4 persons X 30 days)

**IMPACT ON RESIDENTIAL AND NON PROFIT USERS IN HAMLETS, CHARTER COMMUNITIES, SETTLEMENTS**

	<b>PRESENT RATE \$0.0022/LITRE</b>	<b>%</b>	<b>REVISED RATE \$0.0027/LITRE</b>	<b>%</b>
<b>AMOUNT PAID BY</b>				
<b>GNWT</b>	\$3,194,000	93.7	\$3,140,000	92.1
<b>USER</b>	213,000	6.3	267,000	7.9
<b>TOTAL</b>	3,407,000	100.0	3,407,745	100.0