

SEWER RATE STRUCTURE

Developing fair and equitable sanitary sewer rates is a complex process. There are no meters to individual households to measure sewer discharge. The total volume of discharge is measured at the lift station and at the sewage treatment plant. An estimate of probable discharge from various types of properties is developed based on total water consumed and metered discharge at the treatment plant. The difference between the two is water usage arising from irrigation and evaporation.

The sewer infrastructure makes up the bulk of the system. The most expensive component is the Treatment Plant and Lift Stations situated strategically to boost the flow where gravity does not provide adequate flow.

The cost of operating the entire sewer system is segregated into three main components. 1. **Sewage Treatment Plant & Sewage Lagoon:** integral to the entire system. Every ratepayer must share into the cost of operating these essential infrastructure components. 2. **Sewer Mains and Lift Stations:** The system which transports raw sewage to the plant.

3. **Capital Component:** The cost to keep the overall system from becoming inadequate to meet the needs of the community.

This is accomplished through a combination of payment of debt charges for past improvements, depreciation charges to acknowledge the reduction in useful life of aging system infrastructure components and transfers to reserves to set aside funds toward replacement or enhancement of system components. Every ratepayer must share into the cost of these essential infrastructure components.

1. **Support System:** This includes administration, records management software & hardware, invoice preparation, mailing and payment processing costs, the costs of handling customer inquiries, collection and interest costs on unpaid rates.

Within each component, specific costs are categorized as either fixed or variable.

2. **Fixed cost:** Regardless of the number of ratepayers in the system, there is no change in the cost structure based on existing plant capacity and the maximum number of ratepayers. An example of fixed cost is the operation of the Treatment Plant and lift stations.

3. **Variable cost:** These costs vary with use and operation. An example would be electrical power to operate lift stations. The

less the plant runs, the lower the use of power.

Based on the foregoing, the rate structure appearing on utility bills is separated into:

(1) Fixed and Capital Charge: made up of debt charge, capital improvements, reserves, the entire system of sewer mains, lift station charges, treatment plant charges, various sewer structures, insurance, permits and certification, operator licencing and training.

(2) Sewer User Charge: This includes power for system operation, maintenance of connections to properties and all other variable operating costs affected by volume.

(3) Customer Charge: Support services provided such as testing of plant, administration, billing, postage, systems hardware, software and licencing, handling inquiries, processing payments and collecting overdue accounts.

The Sewer Utility has its own ratepayers. It is a 'separate company' within the City operations. Property tax does not support sewer system. Based on components of the rate, sewer rates raise the money required to operate the system.

BCUC APPROVED ELECTRICITY RATE INCREASE

Recently British Columbia Utilities Commission (BCUC), the regulator of utilities in British Columbia approved a rate increase for BC Hydro. FortisBC purchases power from BC Hydro and the equivalent rate increase to FortisBC from BC Hydro effective May 1st, 2008 was 0.08%. The City purchases power from FortisBC and a flow through increase of 1% will be effective the next billing cycle commencing in July 2008. For more information on electrical rate increases visit www.bcuc.com/OrderDecision.asp or email: Commission.Secretary@bcuc.com

NATURAL GAS HEATING COST ON THE RISE

Terasen Gas has filed applications with BCUC requesting increases in commodity rates it charges customers for natural gas and propane. If approved by BCUC, the rate increase takes effect on July 1st, 2008. The annual bill is expected to increase by 11% or between \$142 and \$164 per year according to Terasen's consumption averages for a residential customer on a natural gas system. For more information on the rate increase visit www.terasengas.com, or phone 604-592-7682, or email joyce.wagenaar@terasengas.com.

WATER & SEWER LEGISLATIVE REQUIREMENTS

For both water and sewer charges, Section 194 of the Community Charter must be adhered to. This Provincial Legislation requires Council to do the following:

Impose a fee for all or part of the service; exercise authority to regulate, prohibit or impose requirements, base a fee on any factor; establish terms and conditions of payment of fee including, discounts, interest and penalties, provide for refund of the fee and make available to the public, on request, a report respecting how a fee imposed was determined. To this end, Council has a water and sewer bylaw and a staff report is submitted at a public meeting outlining in detail how the rate is determined.

In 2008, each utility is provided with three rate structures: Customer Charge, Fixed and Capital Charge and a User Charge. This separation is designed to provide transparency, accountability, fairness and equity in the entire rate structure. In the future, ratepayers will benefit when increases are applied. In the past, increases used to be based on a percentage of a single amount. In the future increases or decreases will be based on components of the rate.

CITY OF GRAND FORKS

JUNE-JULY 2008

INFORMATION NEWSLETTER

CENTRAL AVENUE PAVING AND IMPROVEMENT PROJECT

City Council successfully lobbied the Province to have Central Avenue paved and improved. The total project is worth \$3.3 million. The Province is providing \$2.8 million that includes up to \$100,000 of the Federal gas tax refund. This is a one time opportunity to improve Central Avenue by providing efficient traffic flow and pedestrian safety with pathways and lighting. Total estimated cost of the Total Project:

\$3,300,000	
Contribution from the City of Grand Forks	\$ 500,000 16.67%
Contributions from the Province of BC & Grant	\$2,800,000 83.33%

City streets intersect with Central Avenue. The City is responsible for intersection improvements and lighting, pedestrian and bicycle pathways. The approved Federal Gas Tax Grant applies to the pedestrian/bicycle pathway from 19th Street to Spraggett Road as "greening" and provides an alternate transportation system. As gas tax funds are paid on an annual basis, the City can apply to use a portion of the annual grant to reduce the projected \$20 property tax per \$100,000 of residential assessment.

The \$500,000 City's share will be borrowed under an Alternate Approval Process (AAP). In the AAP, the sole issue is the borrowing and not the Project. The common misconception by many in an AAP process is to stop the Project. In fact by submitting a Form with 10% of electors' signatures, Council is being asked to make an alternate decision towards the project financing. The cost of borrowing \$500,000 spread over 10 years on a \$100,000 assessed value of residential property is under \$20 annually. The City is required to declare the cost of borrowing \$500,000. This does not mean that a home owner's tax will increase by \$20 annually as a result of this project. The actual charge against the property tax might be zero. The fact is that if a borrowing is involved, the City must declare

the cost and its implications to taxpayers. Borrowing allows the taxpayers the cheapest means of raising and leveraging money today in a lump sum. The cost to pay the borrowed fund is spread in property taxation, home owner grant residual, revenue sharing grants, gas tax refund grant over the life of the project. Since property tax is tied to the property when there are sales and changes in residence and new properties developed, borrowing allows the tax to be spread over these types of changes. If a taxpayer is charged a lump sum for the project, the project benefit is not recoverable from future property owners, developable properties and grants. Lower assessed properties and seniors who own properties and who do not fully utilize home owner grants, are penalized if a lump sum project funding is utilized. Further the gas tax money is paid in installments whereas the project requires upfront commitment. Of the various sources of funding available towards property tax and projects funded by property tax, borrowing in municipal government provides the best advantage to taxpayers. 16.67% of total funds are required today while 83.33% has been secured from other levels of governments. The City still has \$5 million in reserves and future reserve inventories to be realized in cash of \$13.5 million valued in 2007 dollars. These reserves are there to be used for projects that provide a long lasting legacy to the Community. Paving and Improvements of roads are funded from property taxation. In the past, the City did not create reserves through property taxation for funding improvements to roads and streets. It was done on a "pay as you go" method. This method of funding causes sharp increases in property tax. It also places immediate tax burdens on seniors and low income property owners which is not necessary when funds can be leveraged in grants. Pay as you go is not appropriate when the population is aging.

UPCOMING 2008 REGULAR COUNCIL MEETINGS

Monday, June 30th, 2008*
Monday, July 14th, 2008
Monday, August 11th, 2008
Tuesday, Sept 2nd, 2008
Monday, Sept 15th, 2008

All Regular Meetings of Council are held in Council Chamber at City Hall, beginning at 7:00 p.m. Following is a listing of scheduled upcoming Primary Committee Meetings of Council for the City of Grand Forks for 2008.

Primary Committee Meetings are scheduled to follow the Regular Meeting of Council.

Monday, June 30, 2008*
Monday, July 14th, 2008
Monday, August 11th, 2008
Monday, Sept.15th, 2008

PLEASE NOTE: Primary committee meetings have time allotted for the general public to address Council or ask questions about any City activities or plans.

Just arrive at the meeting at 7:00 and you will be allowed to speak.

** Please Note: June 30th, 2008 Meeting Venue will be at the Re-opening of Gyro Park and will commence at 5:00 pm*

(see below)

REDEDICATION OF GYRO PARK OPENING JUNE 30TH, 2008

The rededication of Gyro Park is scheduled for June 30th, 2008 commencing at 5.00pm. A short Council meeting will occur at the Gyro Park. After the meeting, Mayor and Council will rededicate the park as "Gyro Park". Refreshments will be provided. Canada day festivities will occur at the Park on July 1st. Traffic flow from Central Avenue on to 5th Street will be detoured from June 30th and July 1st, 2008. There will be no right or left turns on to 5th Street from Central Avenue. On 5th Street, there will be no through traffic past the Library building for these two days. Parking lots in the vicinity will still be accessible to all vehicular traffic. Everyone is welcome to attend the ceremonies on June 30th and July 1st, 2008.

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We are on the Web!
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CITY OF GRAND FORKS

CITY FINANCES

There have been complaints regarding spending by the City on projects. Funds to pay for Improvement and Revitalization projects **do not** come from annual property taxes. In fact, City finances are organized into different “Companies” or “Funds” with different uses and purposes. The most common funds found in Local Governments across North America are General Operating Fund, General Capital Fund, Water Operating Fund, Water Capital Fund, Sewer Operating Fund & Sewer Capital Fund. In addition, local governments have one or more Reserve Funds with restricted sources and uses of funding. Costs of operations in any Operating Fund must be funded from annual revenues within the same fund: user fees, tolls, sales of services, unconditional operating grants from other governments and property taxes. The City must raise revenues to fund day-to-day services. Residents often demand services “*the expenditure side*” and forget there must be a “*revenue side*” ~ where the money comes from to pay for the service. Improvements to infrastructure (water & sewer systems and transportation system components including streets, roads and sidewalks) should also be funded from annual revenues – small cost projects in the year of construction and higher cost projects distributed over the useful life of the infrastructure upgrade.

Revitalization and enhancement improvements are most frequently funded from conditional Capital grants from other governments enhanced by funds from Reserves and, under special circumstances, long term borrowing, which requires the consent of taxpayers. The City is governed by the British Columbia Community Charter. Program service levels, capital expenditures and sources of funding are outlined in a 5 Year Financial Plan approved by Bylaw each year prior to the setting of property tax rates. All financial decisions, including the reading and approval of any 5 Year Financial Plan Bylaw, must be made by Council in an open public meeting. Municipal financing must abide by two principles: transparency and accountability. Local governments in British Columbia have been provided very narrow sources of revenues to fund municipal services: property tax, building permit fees, business licence fees, user fees and direct fees for services. They have no authority to levy sales taxes, income taxes, fuel taxes, toll charges, liquor taxes or any other form of direct taxation not specifically listed in the Community Charter. An independent Auditor is engaged to audit the City’s records including meeting minutes, Bylaws, policies and all financial records. The Auditor must report to Council and the Public in an open public meeting on the use of City finances and on the City’s compliance with governing Provincial legislation. Failure to comply with

governing legislation is a serious offence and penalties for violation are severe. A copy of the 2007 Annual Report of the City including the Auditor’s Report is available on the City’s website www.city.grandforks.bc.ca. A paper copy may be obtained at City Hall and copies will be available at the City’s Annual General Meeting to be held at Gyro Park on June 30. The Reserves most frequently used by the City to fund revitalization and enhancement improvements are the Land Sales Reserve and the Slag Sales Reserve. The Land Sales Reserve is comprised of the proceeds from sales of City owned lands plus interest earned, less approved expenditures to purchase or improve properties. The Slag Sales Reserve is comprised of revenues generated from the sale of Slag plus interest earned, less approved expenditures. The Slag Sales Reserve Fund is a legacy fund for the Community and it is used to fund projects which will provide long term legacies to improve quality of life and meaningful social and economic community enhancements. Slag funds are not to be used for operating costs. The City also has Reserve Funds created by Bylaw which permit the setting aside of moneys during a series of operating years to fund future asset replacements ~ a form of “lay-away plan”. The decision to set money aside is at the discretion of Council.

PROPERTY TAX PAYMENT AND HOME OWNER GRANT

2008 Property tax notices and Home Owner Grant applications were mailed to owners of properties within City boundaries on June 2. Property owners are reminded that the due date for 2008 property taxes is July 2, 2008. All balances owing after close of business on July 2 will be subject to a 10% penalty, as required by the BC Local Government Act. Individual resident homeowners are eligible for a Provincial Home Owner Grant which will reduce the taxes owing on an owner occupied home but must submit a Home Owner Grant application for each taxation year regardless of whether tax payment arrangements have been made through the City, a bank or mortgage company or any other agency. Be sure to apply for your Home Owner Grant before the due

date of July 2, 2008 to avoid unnecessary penalty charges. Home Owner Grant applications may be made in person at City Hall or on the City’s website www.city.grandforks.bc.ca in the Online Services section. Please be sure to provide all requested information. You must have the folio number of the property tax account and the access code which has been assigned to your account in order to claim the Home Owner Grant or to make a payment on line. Both these numbers appear on the property tax notice mailed to the address on record for the registered owner of the property. Eligible home owners are reminded of the Provincial Property Tax Deferral Program. Information can be obtained from the reception staff at City Hall. In 2007,

CARBON TAX IMPLICATIONS

The Provincial Government introduced a Carbon Tax in the February 19, 2008 Budget. It will apply to virtually all fossil fuels, including gasoline, diesel, natural gas, coal, propane, and home heating fuel, effective July 1, 2008. The Province

will provide mitigation by issuing a one-time \$100 cash payment to residents and by lowering personal and corporate income taxes. Unfortunately, the City is not eligible for any mitigation measures announced and will have to offset increased costs created

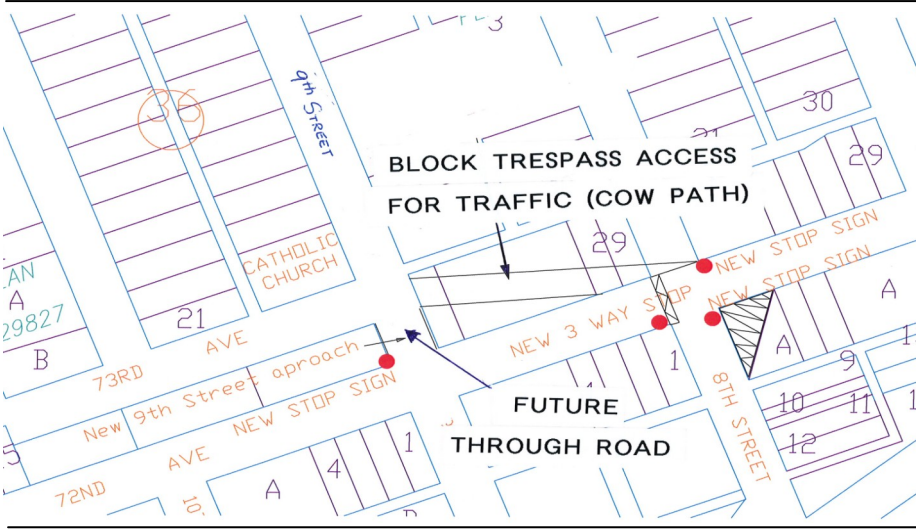
by the Provincial Carbon Tax by flow-through charges to ratepayers on property taxes and user fees. For more information on Carbon Tax go to www.gov.bc.ca.

SAFETY & ROAD REALIGNMENT

There have been a number of “near misses” at the intersection of 8th, 72nd and the non-gazetted diagonal road currently joining the corner of 73rd & 9th (near the Catholic Church) to the corner of 72nd & 8th (commonly known as the “Cowpath”). This diagonal non-gazetted roadway, intersects and encroaches on two residential building lots which are now required for the construction of low-cost housing (see story below). Increased traffic flows along 68th Avenue, Kettle River Drive, 8th Street & 72nd Avenue from

Spraggett Road into downtown and along Boundary & 73rd Avenue using either 11th Street or the non-gazetted roadway to access downtown via 72nd Avenue are creating safety hazards in school and playground zones and pedestrian areas frequented by children and seniors. There have been complaints at public Council meetings and requests for Council to recognize and reduce the risk of serious injury. A 3-way stop installed last year at the intersection of 73rd Avenue & 13th Street near the school bus zone at Perley

School has had limited success. The next steps in the process will be the installation of a 4-way stop at the corner of 5th Street & 72nd Avenue, a 30km play-ground speed zone, crosswalks at the corner of 7th Street & 72nd Avenue, a 3-way stop at the corner of 72nd Avenue & 8th Street, removal of the non-gazetted diagonal road and completion of 9th Street between 73rd Avenue and 72nd Avenue with installation of stop signs on 9th Street at the intersection with 72nd Avenue. (Please see diagram below)



DONATION OF LAND FOR HOUSING TO HABITAT FOR HUMANITY

Continuing with the practice of providing land for low-cost housing within walking distance of schools, downtown services, parks and recreation areas, City Council received and approved an application from Habitat for Humanity for the donation of two City owned residential building lots located on 72nd Avenue between 8th and 9th Streets. Previous Habitat for Humanity projects commencing in 1997 have been completed in the same neighbourhood and have proven highly successful. This project will result in a change in local traffic patterns (see story above). Construction is slated to commence during 2008.

UNSIGHTLY PREMISES

The City has an Unsightly Premises Bylaw. The intention of the bylaw is to ensure property owners keep properties clean and tidy. There is a reasonable standard to be followed. The general guideline for a reasonable standard of upkeep is as follows: No long dry grass that might pose fire hazard. Long grass in itself is not considered unsightly. Scattered dry wood, branches and leaves accumulated that might cause fire otherwise it is not considered unsightly. Not watering lawn is not considered unsightly even if it is dry. Scattered debris all over the yard is considered unsightly. Covering materials with a tarp is not considered unsightly. Too many tarps all over the yard might be considered unsightly. An unlicensed vehicle itself is not considered unsightly if stored on the owners’ property. The owner might be in contravention of the zoning bylaw if too many unlicensed vehicles are on the property. If property owners have concerns regarding the appearance of a neighbours property, the City’s advice is to talk to your neighbor. The City will not play the role of an “enforcer”. Courts have ruled that a local government does not have to enforce its bylaws unless there is a threat to life and safety.

RISK MANAGEMENT ISSUES

Traffic Hazards on City Streets: Property owners are requested to clear any hedge and plants blocking views at street intersections. If a branch or tree is obscuring a stop sign on a City boulevard that the City is required to clear, please call 442 - 4148.

Unlicensed Vehicles On City Boulevards: There are a number of property owners who have left unlicensed vehicles on City boulevards. These vehicles must be removed to private properties. Each offending property owner will get a letter from the City. If vehicles and trailers filled with debris are on a city boulevard, it must be moved. After notification, the City would tow to storage. After second notification, vehicles and trailers will be sent to scrap yard. Fees will apply for release if vehicles and trailers have been removed by the City.

Parking In Timed Zones: Certain City streets have time zone parking. Time zone parking allows city workers to clean up at times when there are no vehicles on the streets. Owners are requested not to park during the posted times. After reminders and continued violation, vehicles will be towed at the owners’ expense. Voluntary compliance is preferred; however, when violations occur and reminders are ignored, removal remains the only option.

House Numbers: For ambulance and fire rescue response, have house numbers clearly visible from the street. If a property is located in a lane, street intersection or in a location where there might be confusion as to the address, property owners are requested to add street name to the house address.