

**CITY OF GRAND FORKS  
SPECIAL NEWS BULLETIN  
RESIDENTIAL ELECTRICAL RATEPAYERS**

*Date: March 15<sup>th</sup>, 2006*

This *Special Residential Ratepayer Bulletin* describes changes the City has introduced regarding electrical rates, and the changes that Council is contemplating for taxation.

**ELECTRICAL RATES - CUSTOMER CHARGE:**

The Customer Charge was introduced this year and is designed to recover a flat fee from all ratepayers of the electric utility to cover the cost of recurring services. This is generally a standard charge in the electrical business. The customer charge includes: the costs of producing invoices such as stamps, envelopes, paper, computer hardware and software, as well as meters, meter reading and a portion of administration. The total cost associated with these services is \$150,000 a year and there are 15,000 invoices produced a year. The maximum recovery for the customer charge from residential ratepayers for the entire year is \$114,000. The key advantage of using a flat charge is that all of the charges described above remain constant, regardless of the ratepayers consumption. All ratepayers share equally in paying for the services. In designing the monthly charge, the annual charge of \$150,000 was removed from the consumption rate charge. This was to ensure that all ratepayers were not charged twice for the same service.

**ELECTRICAL RATES - NEW CONSUMPTION RATE STRUCTURE:**

In restructuring the rates for all ratepayers, the basic principle was to ensure that the cost of power was recovered. The second principle was to ensure that the City did not purchase power at cost and resell to one class of ratepayer at lower than cost and to another class of ratepayer at higher than cost. With these two principles in mind, as of January 1, 2006, Council has moved the City's commercial rates to be equal to or slightly less than the Fortis BC Commercial rate. The City's residential rates will rise over the next two years so that the end residential rate will be no less than 98% of the Fortis BC rate, at that time, or 2% less than the average rate in the Fortis BC interior customer service area. The residential rates will be moved every six months during this time and future rate changes will be determined by the Fortis BC rate applications, which are governed by the BC Utility Commission.

**RATE INCREASE FROM FORTIS BC AND BC HYDRO:**

Fortis BC wheels wholesale power to the City under Rate Schedule 40. Fortis BC does not have sufficient generation of its own. Fortis BC also buys power from BC Hydro. Whenever the two larger utilities make applications to BC Utilities Commission for rate increases, the rate to the City increases accordingly. The rate increase is a direct flow through to all ratepayers of the City. Effective January 1<sup>st</sup>, 2006, Fortis BC was granted an *interim rate increase of 5.9%*. This interim rate increase is subject to public process through BC Utilities Commission. The City has flowed this increase directly to all ratepayers. BC Hydro has also indicated that a 5% rate increase application will be filed with BC Utilities Commission in 2006. It is expected that this will have an impact on the Fortis BC Rate and subsequently on the City rate. The flow through from BC Hydro is a proportionate increase equal to the purchased power in Fortis BC rate. The BC Hydro proposed increase *is not* included in the present City rate.

**COMPARISON WITH FORTIS BC AND CITY OF GRAND FORKS RATES:**

**Why is the City comparing rates to that of Fortis BC?**

The City has no power generation in the entire city grid. To a large extent, the City's Utility rate is tied to that of Fortis BC. The difference between the City's and to that of Fortis BC rate is the cost of maintaining the poles, wires, transformers, delivery system, administration and capital financing. To this end, the City's overall cost is lower than that of Fortis BC. The City's rate is structured to reflect this principle of maintaining 98% differential or lower depending upon the cost of servicing within the City.

**OPERATING AND FINANCING COST OF ELECTRICAL UTILITY WITHIN THE CITY**

The following table summarizes the cost of operating the City's utility:

Customer Services	\$ 150,000
Poles, Wires, Transformers & Substations	\$ 370,000
System Improvements	\$ 300,000
Power Purchases	<u>\$1,900,000</u>
<b>TOTAL</b>	<b>\$2,720,000</b>

Average Blended Cost per kwh  
7.55¢ per kwh

**ELECTRICAL SURPLUS – Are we charging a higher rate just to have a surplus?**

The City's Electrical service is designed to cover the cost of operating the utility, as well as the cost of purchased power from Fortis BC and BC Hydro and a replacement program for capital and equipment.

The surplus comes from:

1. The difference from budget to actual.
2. Cancellation of some projects that were budgeted.
3. Weather fluctuation resulting in higher consumption and revenue net of power purchases.

The City does not budget for a surplus. We attempt to break even, with a margin for safety, in order to avoid a deficit position in any year. Surplus is returned to all ratepayers.

#### **PROPERTY TAX AND THE REMOVAL OF ELECTRICAL SURPLUS FROM PROPERTY TAX:**

In the past, electrical surplus was returned to all taxpayers as an offset against property assessment. Ratepayers were charged by kwh (kilowatt hour). Taxpayers received credit against property tax converted by rate per \$1000 of assessment (mill rate). Mill rate and kwh are two different units of measure. Not all taxpayers are ratepayers of the Electrical Utility. Inaccurate application of measurement in property tax and electrical surplus transferred electrical surplus more towards the three largest industrial taxpayers that benefited the greatest from the residential and commercial ratepayers. Inequity is corrected by separating property tax and electrical surplus transfer and treating them with same unit of measure mill rate and kwh.

#### **WHAT WAS ELECTRICAL SURPLUS DOING IN PROPERTY TAX:**

Electrical surplus is used to support municipal services. Like any other source of revenue, it reduced property tax rate. When this is removed, the property tax rate increases by the amount of electrical surplus removed. By including electrical surplus in the property tax structure, homeowners were disadvantaged in three ways:

- Homeowners with low assessment by legislation are required to pay \$350 minimum tax if under the age of 65 years and \$100 minimum tax if over the age of 65 years. Electrical surplus provided no benefit to these homeowners.
- Electrical surplus in the property tax structure benefited the Province more than homeowners and the City. In effect, homeowners and the City inadvertently provided money to the Province by not taking full advantage of the unused homeowner grants. In 2006, the Province increased the homeowner grant by \$100 to all eligible homeowners. This increase would be of no benefit to the homeowners with lower assessments, if the City and the homeowners continued with the same tax structure with the electrical surplus netted against the property tax.
- Vacant properties and industrial properties were receiving electrical surplus benefit under the previous tax structure. These property owners are not the Electrical Utility's ratepayers.

Both the City and the homeowner benefit by changing the taxation structure and the manner in which the City handles the electrical surplus transfers. The owner pays the same net tax, if in the lower assessment bracket and those in the middle and higher assessment brackets all gain through the proposed change in the City's tax structure and the increase in the provincial homeowner grant. There are some homeowners who might not benefit from this change and it is recognized that industrial taxpayers are at a disadvantage by this change. The City cannot continue to transfer electrical surplus generated from residential and commercial ratepayers to property owners and the Province of BC, who are not contributing to the electrical utility's surplus.

#### **TAX NOTICE AND TAX RESPONSIBILITY:**

The City is responsible for two property taxes of the total property tax appearing on the property tax notice. Your Council is directly responsible for the municipal category of the tax and is directly and indirectly responsible for the Regional District provided services. Hospital District Tax is transferred to the Interior Health Authority. School tax is transferred to the Provincial Government. Your City acts as the transfer agent for the Province (School Tax), Interior Health (Hospital Tax), Regional District (Regional Shared Service Tax), BC Assessment Authority and Municipal Finance Authority.

#### **PROPOSAL: CHANGE IN TAX STRUCTURE:**

To provide the greatest advantage to the residential and commercial taxpayers in separating the electrical surplus from the property Tax, the City proposes to implement a flat parcel tax for services common to all properties. Services common to all residents are roads and streets. Annual operating cost of \$215,200 associated with roads and streets are as follows: snow plowing and removal, sanding, pothole patching, grading, inspection, traffic signs, crosswalks and line paintings. Two-thirds of the annual cost or \$144,000 is proposed to be converted to a flat tax of \$60 per property, applicable to all parcels with land and building and \$10 per parcel of land without buildings. The examples on the next page outline the impact of this separation on sample residential properties with land and improvements. Tax benefits provided by this proposed change in the City's tax structure might be lost and increase might be noticed on the total tax to be paid as a result of all other taxing jurisdictions. The examples on the next page are based on the information relating to municipal taxes and have left all other taxes of other jurisdictions the same. The examples outline the impact of this separation on sample residential properties with land and improvements.

**YOUR COUNCIL CAN ONLY INSTITUTE A GENERAL POLICY TOWARDS TAX STRUCTURE. THE CITY IS UNABLE TO SET TAX RATES AND POLICIES FOR INDIVIDUAL OWNERS.**

<b>Residential Value \$75,700</b>		<b>2005</b>		<b>2006</b>
School & other taxes total		\$537.00		\$537.00
Municipal Tax	\$346.00		\$316.00	
Electrical Surplus	(63.00)		0	
			Flat Tax \$60.00	
Net Municipal Tax		<u>\$283.00</u>		<u>\$376.00</u>
TOTAL		\$820.00		\$913.00
Home Owner Grant		(470.00)		(570.00)
<b>TOTAL TAX OWING</b>		<b>\$350.00</b>		<b>\$343.00</b>
<b>Minimum Tax</b>		<b>\$350.00</b>		<b>\$350.00</b>
	Electrical Surplus Based on 8,750 kwh used			<u>(\$80.00)</u>
<b>Net Payable</b>		<b>\$350.00</b>		<b>\$270.00</b>

<b>Seniors Effect \$75,700</b>		<b>2005</b>		<b>2006</b>
School & other taxes total		\$537.00		\$537.00
Municipal Tax	\$346.00		\$316.00	
Electrical Surplus	(63.00)		0	
			Flat Tax \$60.00	
Net Municipal Tax		<u>\$283.00</u>		<u>\$376.00</u>
TOTAL		\$820.00		\$913.00
Home Owner Grant		(745.00)		(845.00)
<b>TOTAL TAX OWING</b>		<b>\$75.00</b>		<b>\$68.00</b>
<b>Minimum Tax</b>		<b>\$100.00</b>		<b>\$100.00</b>
	Electrical Surplus Based on 8,750 kwh used			<u>(\$80.00)</u>
<b>Net Payable</b>		<b>\$100.00</b>		<b>\$20.00</b>

<b>Residential Value \$100,000</b>		<b>2005</b>		<b>2006</b>
School & other taxes total		\$709.00		\$709.00
Municipal Tax	\$458.00		\$418.00	
Electrical Surplus	(84.00)		0	
			Flat Tax \$60.00	
Net Municipal Tax		<u>\$374.00</u>		<u>\$478.00</u>
TOTAL		\$1083.00		\$1187.00
Home Owner Grant		(470.00)		(570.00)
<b>TOTAL TAX OWING</b>		<b>\$613.00</b>		<b>\$617.00</b>
	Electrical Surplus Based on 10,000 kwh used			<u>(\$90.00)</u>
<b>Net Payable</b>		<b>\$613.00</b>		<b>\$527.00</b>

<b>Seniors Effect \$100,000</b>		<b>2005</b>		<b>2006</b>
School & other taxes total		\$709.00		\$709.00
Municipal Tax	\$458.00		\$418.00	
Electrical Surplus	(84.00)		0	
			Flat Tax \$60.00	
Net Municipal Tax		<u>\$374.00</u>		<u>\$478.00</u>
TOTAL		\$1083.00		\$1187.00
Home Owner Grant		(745.00)		(845.00)
<b>TOTAL TAX OWING</b>		<b>\$338.00</b>		<b>\$342.00</b>
	Electrical Surplus Based on 10,000 kwh used			<u>(\$90.00)</u>
<b>Net Payable</b>		<b>\$338.00</b>		<b>\$252.00</b>

<b>Residential Value \$125,000</b>		<b>2005</b>		<b>2006</b>
School & other taxes total		\$886.00		\$886.00
Municipal Tax	\$572.00		\$522.00	
Electrical Surplus	(104.00)		0	
			Flat Tax \$60.00	
Net Municipal Tax		<u>\$468.00</u>		<u>\$582.00</u>
TOTAL		\$1354.00		\$1468.00
Home Owner Grant		(470.00)		(570.00)
<b>TOTAL TAX OWING</b>		<b>\$884.00</b>		<b>\$898.00</b>
	Electrical Surplus Based on 12,000 kwh used			<u>(110.00)</u>
<b>Net Payable</b>		<b>\$884.00</b>		<b>\$788.00</b>

<b>Seniors Effect \$125,000</b>		<b>2005</b>		<b>2006</b>
School & other taxes total		\$886.00		\$886.00
Municipal Tax	\$572.00		\$522.00	
Electrical Surplus	(104.00)		0	
			Flat Tax \$60.00	
Net Municipal Tax		<u>\$468.00</u>		<u>\$582.00</u>
TOTAL		\$1354.00		\$1468.00
Home Owner Grant		(745.00)		(845.00)
<b>TOTAL TAX OWING</b>		<b>\$609.00</b>		<b>\$623.00</b>
	Electrical Surplus Based on 12,000 kwh used			<u>(110.00)</u>
<b>Net Payable</b>		<b>\$609.00</b>		<b>\$513.00</b>

**A PUBLIC INFORMATION SESSION HAS BEEN SCHEDULED FOR TUESDAY, MARCH 28  
AT 6:00 P.M. IN THE CITY COUNCIL CHAMBERS TO REVIEW THESE CHANGES**

**City of Grand Forks  
NOTICE OF WATER MAIN FLUSHING**

The Water Utility Department advises residents that we will be flushing water mains throughout the City during the months of April and May. Flushing water mains is done as part of a scheduled preventative maintenance program to remove sediment that gradually deposits in the pipes and helps maintain water quality in our system.

Flushing will take place between the hours of 7:00 am and 3:30 pm. We will be doing the area North of Central Ave. first, starting at Riverside Drive April 3<sup>rd</sup> working our way west and be at Boundary Drive by April 12<sup>th</sup>. We will be doing North of Central from Boundary Drive starting April 18<sup>th</sup> and be at North Fork Rd. by April 28<sup>th</sup>. From May 1<sup>st</sup> south of Central starting at 27<sup>th</sup> Street, we will work our way east and be at Boundary Drive by May 12<sup>th</sup>. From May 15<sup>th</sup> till May 26<sup>th</sup>, we will continue to work our way east on the south side of Central Ave from Boundary Drive and finish in South Ruckle. The last week of May, we will do the areas of Granby Road and Valley Heights. This schedule is a guideline and could possibly change by a week or 10 days.

As we flush your area, you may experience a temporary reduction in water pressure and/or discoloration of the water. These conditions are normal during flushing activities and are only temporary. Please check your drinking, cooking, and laundry water before using. To clear your water lines, simply turn on your cold water tap or outside hose bib and let it run until the water is clear (approx. 15 min.)

The City of Grand Forks regrets any inconvenience the flushing program might cause you. If you have any questions or if you experience any persistent water quality problems as a result of this maintenance program, please call Mike Imrie, Water and Sewer Utilities Coordinator, at 442-4148, ext. 244. Calls after 3:30 or on weekends should be made to the Utilities Department emergency phone number, at 442-3355.

**COMMUNITY CENTRE FOCUS GROUP**

Council wishes to thank the participation of the Focus Group in submitting recommendations for the Community Hall. Very innovative ideas have been presented to Council for consideration. In summary, the Focus Group examined and provided positives and negatives of these sites: land west of Dick Bartlett Park – 72<sup>nd</sup> Avenue & 22<sup>nd</sup> Street; the existing Dick Bartlett Park (playing field), City Park Land, Land behind Courthouse (parking area), land between pool, arena and curling rink, land between skateboard park and pool, Passmore Land and an existing commercial building in the downtown. Council will hear from the Focus Group's sub-groups and others that are proponents of each of the suggested sites. The general public may also voice their views at the meeting, provided the presentation is kept to a 5-minute time limit, to allow everyone to express their views without entering into extended debates. The presentation takes place on March 20, 2006 at 7:00 p.m. and can also be viewed on Sunshine Cable.

**YARD & GARDEN WASTE PICKUP SCHEDULE – SPRING CLEAN UP**

The City has contracted for monthly pick up yard and garden waste. The contract is for 5 years with Alpine Disposal. The cost of pick up of yard and garden waste is \$1.47 per pickup. It is included in the annual garbage charge. The following is the pick up schedule on the monthly basis:

- **Northside of Highway 3 between Riverside & North Fork Rd:** March 20, April 17, May 15, June 12, July 10, August 21, September 18, October 16, November 13
- **Ruckle Addition & Valley Heights:** March 21, April 18, May 16, June 13, July 11, August 22, September 19, October 17, November 14
- **Southside of Highway 3 between Riverside Drive and Spraggett Rd.** March 24, April 21, May 19, June 16, July 14, August 25, September 22, October 20, November 17

**WHAT YOU CAN PUT OUT?**

Grass, leaves and similar garden materials, tree prunings that are 3 inches or less in diameter and three feet long tied in bundles not exceeding the equivalent of a garbage can.

**HOW MUCH AND WHAT TYPE OF CONTAINERS?**

Three cans or bags or bundles. Can be any combination as long as it is a volume equal to three cans per month. Cans to be set out without the lid. If plastic bags are used, they must be clear and you must be able to see what is inside the bag. Waste will be picked up if it is in a regular garbage can (no lid), in a clear plastic bag, (or in the case of tree prunings) bundled. Council is considering other options for yard and garden waste pick up. Until such time as a decision is made on any other option, other than the contract option, please follow the foregoing schedule for garbage and garden waste pick up.

**WHY DOES THE CITY CHARGE WHEN A PROPERTY OWNER DOES NOT HAVE HOUSEHOLD GARBAGE, GARDEN AND OTHER WASTE?**

To have a garbage and waste disposal service, the city must have a land disposal place, equipment and manpower to collect garbage and dispose of these. A taxpayer is charged to have the land for disposal, operating cost of the landfill site, the cost of equipment and manpower. These facilities and equipment are there and the cost is charged to every taxpayer. The cost recovery is done in two ways: property tax and user fees. In the property tax is included in the landfill cost paid by every taxpayer. The disposal site is operated by the Regional District of Kootenay Boundary. The City charges for household collection and disposal by user fees and pays tipping fees for the disposal of garbage. The collection of garden and waste is charged by user fees. There is no tipping fee for this as long as residents comply with the contents in the clear bag and material that can be picked up.