

WASTEWATER PLANNING

UPDATE ON SEWER LEVY RESERVE FUND

The written materials provided at the 2014 Annual Information Meeting included an explanation concerning the “annual wastewater levy” paid by the Summer Village’s ratepayers since 2007. Subsequent to the 2014 AIM, a number of events have occurred and Council wishes to provide further information concerning these events.

First, as a result of the preparation of the Summer Village’s audited financial statements for 2012, 2013 and 2014, the Summer Village’s auditors, MNP LLP, have made some adjustments to the aggregate amount of the “wastewater fund” (now called the “sewer levy reserve fund”). Further details concerning these adjustments are as follows:

- (a) the one-time fee in the amount of \$87,398 paid to the NEPL in February of 2013 in order to allow the Summer Village’s residents to use the Mulhurst Lagoon was deducted from the sewer levy reserve fund because (i) the grants provided by Alberta Municipal Affairs were insufficient to pay this one-time fee, and (ii) the sewer levy reserve fund was established to pay these types of fees and expenses; and
- (b) upon review of the records applicable to the “annual wastewater levies” collected by the Summer Village, the auditors noted that the amount of the levies actually collected by the Summer Village was overstated by \$25,244 in the prior years’ audited financial statements.

The effect of these adjustments was to reduce the aggregate amount of the sewer levy reserve fund from \$192,880 to \$95,802.

Second, despite the desire of Council to characterize the sewer levy reserve fund as a fund being held by the Summer Village in trust for the benefit of its ratepayers, the Summer Village’s auditors have determined that the sewer levy reserve fund does not meet the strict legal requirements of a trust (ie creation of a trust deed, appointment of trustees, designation of beneficiaries, etc.). As a result, the sewer levy reserve fund has been more properly designated as a restricted fund which can be used by the Summer Village for only one purpose - to be used solely to pay costs associated with the wastewater needs of the Summer Village and its ratepayers. However, it is important to note that the sewer levy reserve fund will continue to be notionally allocated

to each of the Summer Village's ratepayers based on the aggregate contributions made by each of them (or their predecessors) since 2007.

Third, several of the Summer Village's ratepayers have suggested that the sewer levy reserve fund should be returned to the ratepayers. Council has considered this suggestion carefully and, given the problems experienced in connection with the construction of the sewer pipeline around the south east shoreline of Pigeon Lake and the fact that the Summer Village's wastewater agreement with NEPL will expire in December of 2016, Council continues to believe that the prudent approach is to retain the sewer levy reserve fund in an interest bearing bank account and to use it to pay wastewater expenses in situations where Council does not have sufficient time to implement a special tax levy. If reasonable terms can be negotiated, Council intends to renew the NEPL wastewater agreement upon its expiration and to secure a long-term agreement that will meet the wastewater needs of the Summer Village and its ratepayers. Although the amount of the "annual wastewater levy" has been reduced from \$200 per lot to the amount per lot required under the NEPL wastewater agreement (\$122.12 in 2014), it is possible that this levy could be increased in the future if your Council is not successful in securing a long-term agreement with NEPL.

Respectfully submitted,

The Council of the Summer Village of Sundance Beach