

Money down the drain

By Tony Pearson

The facts of Bancroft's impending financial crisis have been on the table for nearly two years. The town is hemorrhaging money due to its on-going sewer cost deficit. For going on four years, the town has lost between \$400,000 and \$500,000 a year treating its wastewater. The cumulative debt is around \$2 million. If nothing changes, then the town could run out of money next year as a result.

So fix the problem, many would say. Unfortunately, the path to a solution lies through the wallets of Bancroft taxpayers. Step one is to stop running a deficit. The normal way to do that is to raise rates for those on the town's sewer line. However, it would take a lot more than last year's two per cent hike. In 2015, revenue was about half a million dollars. But operating and capital expenses were well over \$1 million. So total payments might have to double; if you're paying \$25 a month now, it might take an increase to \$50 monthly to stop the red ink bleeding.

The irony is that less than half of what's treated in the sewage plant comes for homes and businesses on the system. The source of 60 per cent of the wastewater is at present a huge unknown. At a recent meeting of a wastewater study group, consultant Hugh Monteith stated that very little of it seems to be rainwater or snow melt. Of course, it could be the York River. But there's another possible cause.

The water account hasn't drawn as much attention as sewage, because it's been fiscally healthy. However, it too slipped into an operating deficit last year, a deficit which is expected to grow this year, despite a two per cent rate increase. Again, there's a disconnect between what leaves the water treatment plant, and what makes it into the homes and business that are paying water charges.

As the study group noted, only 40 per cent of the water leaving the plant is registering on customers' water meters, and thus getting billed. Just as with sewage, 60 per cent of the town's water outflow is unaccounted for. The Ontario Clean Water Agency (OCWA), which manages the town's water and wastewater systems, doubts that it's due to leaks in the water lines.

However, if the mystery water isn't being siphoned off by leaks, that suggests it's being siphoned off by people who are taking it and not paying for it. All users are supposed to be metered, but some older users of the system may have been missed. And some applications like heat pumps take large amounts of water.

The financial implications are serious. If half the people getting town water aren't paying for it, then billing such people would bring in enough revenue to drastically reduce the sewer deficit. And since most of the water flowing in to homes and businesses flows out as wastewater, that's more revenue for the beleaguered town treasury, and sewer rates wouldn't have to double.

That still leaves the problem of the growing sewer deficit. Bancroft's longer term debt currently stands at around \$7 million. Add \$2 million plus to that sum for the cumulative sewer shortfall, and you're getting perilously close to \$10 million. This is well above the total revenue the town takes in and higher than recommended by municipal finance models.

If the town wanted to pay down the sewer deficit from local taxes, the ratepayers would have to shell out about five to 10 per cent a year more for 10 years to get rid of it. Yet many residents and councillors contend that Bancroft property taxes are already too high by comparison with other regional municipalities.

You could dip into town reserves to pay. But water and sewer reserves combined only amount to \$100,000, and are probably needed for future repairs and replacements to equipment.

One thing is certain: decisions can't be put off much longer. It's possible that new provincial or federal money will fall from the skies but it's not likely. Any new dollars are probably going only to capital projects. So local action is needed now. And if that means rate increases and tax hikes, Bancroft residents should brace themselves. Apparently, a council meeting in early December will take up these issues.

However, a recent statement by the town that wastewater and water studies are progressing well seems right out of *Pollyanna*, when you consider that after two years, they're still wondering why most of the town's water is disappearing into thin air, while most of its wastewater arrives from no known source. If answers are found like large numbers of water thieves, or old connections that were never cut off then some of the problem will vanish (although that will not solve the deficit that's been built to date).

But if finding out where the water comes and goes is the ultimate answer to the financial problem, then a lot more energy and speed needs to be devoted to the search.