

TOWN OF GRAVELBOURG

Date: August 9, 2011

WATERWORKS RATE POLICY – Resolution # 197/11

On August 08, 2011, Council passed a resolution establishing a new waterworks rate policy – replacing the waterworks policy established in 2010.

In view of our now completed Water Supply Agreement with its supplier, Council deemed it necessary to increase consumption rates charged to users effective June 16, 2011 from the previous rate of \$.09734/cubic foot (\$.0156/gallon) established through previous bylaw to a rate of \$.1224/cubic foot (\$.0196/gallon) through new bylaw . Where sanitary sewer connection is integral to waterworks supply, and a required capital expansion of its capacity is being constructed, monthly rental rates charged are being adjusted to reflect the capital cost of this expansion over a period of 15 years . As a result - basic sanitary sewer charges have initially increased from of \$17.75/month to \$ 19.75/month and are combined with water rates to provide revenues sufficient to meet annual costs and future capital needs of providing these combined utilities.

Under the waterworks rate policy resolution, the per cubic foot water rate will be increased over the coming years as necessary to meet our costs for its supply and distribution and continue to work towards waterworks revenues that cover future waterworks operating and capital works costs

Beginning December 16, 2011, Council is planning to increase the per cubic foot water rates as set out in the below schedule. A significant portion of this planned increase is attributable to contracted cost of supply increases over this period. At the same time, Council will closely monitor waterworks distribution and sanitary sewer expenditures.

Expansion of a 3rd cell to our sewage lagoon will have an impact on current sanitary sewer rental rates and will reflect capital cost recovery associated with its construction over a period of 15 years.

At the end of the fifth year, Council will again review the waterworks policy to work towards waterworks revenues that cover waterworks operating costs and consider the need for a waterworks infrastructure charge. It will, at the same time review sanitary sewer operating costs and consider whether charges are sufficient to meet anticipated operating and infrastructure needs.

By planning the waterworks rate increases ahead of time, residents and businesses will be able to prepare for and adjust to the increased costs to the utilities. Bylaws will be passed each year for the water rate changes as well as any additional charges required to maintain our sanitary sewer system. These annual bylaws are anticipated to closely align with the rate schedules set out below.

Where the Utility is providing significant capital contribution to the construction of a new Water Treatment Plant in addition to a 50% borrowed capital contribution to the construction of the new Town Shop – water rates to our end users may require adjustments to the proposed schedule to ensure sufficient revenues to meet those capital costs.

Waterworks operating costs or expenditures, include waterworks' staff salaries, benefits and training; power; telephone; fuel; heat; insurance; chemicals; repairs; maintenance; supplies; etc. Capital costs include portions of capital required for equipment and buildings, hydrant and water main valves and piping replacement and pumping systems from treatment plant to our storage structures and throughout the community in addition to the capital contributions toward the Water Treatment Plant.

These proposed water/sewer rates set a small portion toward our future infrastructure needs – and are driven by Council to ensure safe, quality water to its users. Some municipalities use a separate infrastructure charge to collect revenue that is put into reserves so that they are able to address waterworks infrastructure problems that arise and replace aging waterworks infrastructure as required. Council will review the possible benefits of such a surcharge in this community as it relates to anticipated future operational costs.

Below provides the projected per cubic foot water rate increase per year over the next five years as well as projected Sewer Rental Rates to demonstrate the impact on residents and businesses, based upon an average household consuming 550 cubic feet (3425 gallons) per monthly billing cycle. Additionally, minimum monthly water rates of 320 cubic feet are provided. Projected Sewer rates are based upon annual operating costs and 15 year capital recovery costs:

5 Year Projected Water Rates

Date	Per Cubic Foot Rate	Avg. Monthly Chge.	Min. Monthly Chge.
June 16, 2011(current)	\$0.1224 (\$0.0196/gal)	\$67.32	\$39.15
December 16, 2011	\$0.1744 (\$0.0280/gal)	\$95.92	\$55.81
December 16, 2012	\$0.1799 (\$0.0289/gal)	\$98.95	\$57.57
December 16, 2013	\$0.1855 (\$0.0298/gal)	\$102.03	\$59.36
December 16, 2014	\$0.1914 (\$0.0307/gal)	\$105.27	\$61.25
December 16, 2015	\$0.1974 (\$0.0317/gal)	\$108.57	\$63.17

5 year Anticipated Sewer Rental Rates (Single User)

Date	Monthly Rental Rate	Single User Rate	Total
June 16, 2011 (current)	\$18.75	\$1.00	\$19.75
December 16, 2011	\$20.75	\$1.00	\$21.75
December 16, 2012	\$21.62	\$1.00	\$22.62
December 16, 2013	\$21.62	\$1.00	\$22.62
December 16, 2014	\$21.62	\$1.00	\$22.62
December 16, 2015	\$21.62	\$1.00	\$22.62

The objective of the waterworks rate policy is to attempt to sustain waterworks and sewer operations that are self-financing, where the users pay for the full cost of the service. To accomplish this, waterworks rates need to increase over time so that the revenues cover operating costs, to the extent possible. The projected water rates provided include our costs per cubic foot to our supplier under our new agreement with them and additional amounts for operations relating to its distribution to the end user. Sewer Rental rates provided are intended to include cost of service delivery and capital recovery costs over an appropriate period of time.

This waterworks and sewer rate policy will work towards financially independent waterworks that do not have to compete with other key municipal financial demands under the municipal general revenue fund. This will ensure our waterworks and waste treatment can provide safe drinking water and cleaner discharge to the Wood River. Also, rates that cover costs will

influence consumer demand and water conservation practices, and self-financing waterworks will reduce pressures on property taxes.

WATERWORKS CAPITAL INVESTMENT STRATEGY

On August 8, 2011, Council also adopted a capital investment strategy as part of its overall waterworks rate policy.

The objective of the waterworks and wastewater capital investment strategy is to address anticipated waterworks distribution infrastructure maintenance, the imminent capital contribution to the Water Treatment Plant future infrastructure replacements in a timely fashion so as to ensure the municipal waterworks and wastewater systems provide safe drinking water to its residents and businesses and that wastewater is managed responsibly for users further down river. The strategy uses the 2010 waterworks system assessment that was required by Saskatchewan Environment for infrastructure planning, and input from Saskatchewan Environment, SaskWater and AECOM engineering with respect to waste water treatment.

To cover the costs of future waterworks infrastructure maintenance and replacements that may be necessary Council anticipates the need to undertake a future combination of water/sewer rate increases and surcharge amounts to cover any possible borrowing needed and to re-establish reserve amounts to offset future costs associated with this utility delivery.

This capital investment strategy will ensure that safe drinking water can be provided to the residents and businesses in the community well into the future.

Capital plans have been established to address the waterworks infrastructure deficiencies and replacements as identified and prioritized in the 2010 waterworks assessment to ensure safe drinking water. The current waterworks and wastewater capital plans and planned sources of funding are as follows:

Project	Planned Year of Completion	2011 Cost	Future Cost*	Source of Funding
Water Treatment Plant Capital Upgrades	2012	\$6.5 million		ISF/MRIF and Capital Borrowing where appropriate
½ New Shop Construction	2010	\$168,730		Reserves/LTDebt/General Revenue/MEEP
Replacement of 4 Hydrants/year	underway in 2015 to be completed by 2026	\$32,000/yr	\$36,000/yr	Infrastructure charge fund – year to year
replace Tower Pressure System	2020	\$10,000	\$15,000	reserves
Construction of 3 rd Lagoon evaporative pond.	underway in 2011 to be completed by Spring2012	\$485,000		MILP Borrowing, private contribution , New Deal Funding.

Where infrastructure rates are implemented in 2016, Hydrants and Tower would be replaced as reserve amounts allowed .

Where significant capital upgrades are required to meet new Water Quality regulations, the Town has received support funding through ISF in an amount of \$3 million and an MRIF amount of \$500,000 for the project as a portion of our capital contribution to the SaskWater project. Additional capital amounts will ultimately be recovered through higher water rates to the end user.

ANNUAL FINANCIAL OVERVIEW (of the previous calendar year)

Total 2010 waterworks/sanitary sewer revenues were \$500,311.

Total 2010 waterworks/sanitary sewer expenditures were \$520,309 inclusive of administrative costs.

Total debt payments on waterworks infrastructure loans was \$10,505.

Comparison of waterworks revenues to expenditures, expressed as a ratio

of $\frac{\$500,311}{\$520,309 + \$10,505} = .9425$

For 2010, waterworks/sewer revenues covered .9425 percent of the waterworks/wastewater expenditures.

Amount of 2010 waterworks/wastewater revenues transferred out of the utility - **zero**.

Amount of 2010 supplementary funding required to cover expenditures inclusive of Long Term Debt Liability - **\$30,503**

RESERVES

2010 Reserves available for waterworks capital infrastructure - \$111,900 (inclusive of Utility and Lagoon reserves) and an additional \$138,139 held for Water Treatment Plant upgrades through ISF Funding

ATTACHMENTS

- 2010 WaterWorks Assessment is available for inspection upon request

The Town currently has agreement with SaskWater Corporation for the supply of treated water from its treatment plant located in Gravelbourg and available for inspection upon request.