

**ANNUAL WATERWORKS INFORMATION – VILLAGE OF ST.
LOUIS – August 17, 2010**

WATERWORKS RATE POLICY

On June 13, 2006, Council passed a resolution on a waterworks rate policy.

This policy was reviewed on June 11, 2007 and some changes in policy were required at that time, as outlined below.

This policy was reviewed on August 12, 2008 and no changes to rates were required at that time.

This policy was further reviewed on May 12, 2009 and updated with the addition of a lagoon infrastructure fee for a 10 year period beginning September 16, 2009 and running until September 15, 2019.

This policy was further reviewed on August 17, 2010 and updated with new rate plan for the next six years.

Under the waterworks rate policy resolution, the flat rate charge of \$85.00 per quarter for a maximum of 5,000 gallons of water and the per 1000 gallon water rate of \$12.16 for usage above the 5,000 gallon minimum will continue for 2010 and 2011, as adopted under the water bylaw dated March 14, 2006 and amended on September 11, 2007 and further amended on August 13, 2009, ensuring that waterworks revenues cover waterworks operating costs. Beginning January 1, 2012, Council is planning to raise the per 1000 gallon water rate by 4 % for 2012 and by 4% per 1000 gallon also in 2014, 2015 and 2016. At the same time, Council will closely monitor waterworks expenditures. Also, beginning in January of 2013, Council is planning to raise the flat rate charged per quarter for a maximum of \$5,000 gallons of water to \$90.00 per quarter. Sewer rates on all accounts will remain as currently in place for 2010 until January 1, 2014 at which time they will be increased by \$5.00 per quarter for all users accounts.

At the end of 2007, Council adjusted the waterworks policy and implemented a waterworks infrastructure charge of \$5.00 per month on all accounts. In 2009 a major lagoon construction project was begun and a newly created monthly lagoon infrastructure fee has been assessed to all property owners who are serviced by municipal sewer services. An amendment to Bylaw adopted on March 14, 2006 was passed on August 13, 2009 setting the rates for this lagoon infrastructure fee. The fee will run for 10 years, through 2019 concurrent with financing payments for the project.

By planning the waterworks rate increases ahead of time, residents and businesses will be able to properly prepare for and adjust to the increases. .

The \$85.00 flat rate quarterly charge for a maximum of 5,000 gallons and the \$12.16 per 1000 gallon water rate above the 5,000 gallon usage that was established on September 11, 2007 for 2010 was chosen to be an acceptable rate for residents and businesses at that

time. The flat rate and per 1000 gallon rate currently generates enough waterworks revenues to cover the waterworks operating costs. The current rate covered 95% of the operating and debt re-payment costs, with the other 5% of the operating and debt repayment costs being covered by funding from the New Deal Gas Tax Program. This debt that the New Deal Gas Tax Program was funding has been repaid in full in 2010 and will not be an allocated annual expense going forward. Waterworks operating costs, or expenditures, include waterworks' staff salaries, benefits and training, power, telephone, fuel, heat, insurance, chemicals, repairs, maintenance, supplies, etc and the major cost of purchasing the treated water from Sask Water. The Sask Water costs alone account for 65% of all waterworks expenditures and these rates escalate at an average rate of 4% per year. Some municipalities use an 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. This waterworks rate policy should allow the Village to reserve some funding annually to help offset future waterworks infrastructure needs.

Below provides the planned flat rate for 5,000 gallon rate and the per 1000 gallon water rate increases over the next six years. To demonstrate the impact on residents and businesses, below are estimated quarterly charges that reflect the rate increases, which are based on the minimum usage requirements of 5,000 gallons per quarter and on an average household consumption of approximately 11,500 gallons per quarter. The estimated quarterly charges include a quarterly sewer charge of \$55.00 / \$60.00 for households and \$100.00 / \$105.00 for businesses. It also includes the \$5.00 monthly infrastructure fee and the monthly lagoon fees of \$42.50, as well as waste collection fees of \$8.00 per month.

			Estimated	Estimated	Estimated
	Per 1000	Per 1000	Quarterly	Quarterly	Quarterly
Date	gallon rate	gallon rate	Charge	Charge (average	Charge
	Minimum	Above 5,000	(minimum)	household)	Business
	5,000	minimum			(minimum use)
January 1, 2010	\$17.00/1,000	\$12.16/1,000	\$307	\$386	\$358
January 1, 2011	\$17.00/1,000	\$12.16/1,000	\$307	\$386	\$358
January 1, 2012	\$17.00/1,000	\$12.66/1,000	\$307	\$389	\$358
January 1, 2013	\$18.00/1,000	\$12.66/1,000	\$312	\$394	\$363
January 1, 2014	\$18.00/1,000	\$13.16/1,000	\$317	\$402	\$368
January 1, 2015	\$18.00/1,000	\$13.66/1,000	\$317	\$405	\$368
January 1, 2016	\$18.00/1,000	\$14.25/1,000	\$317	\$409	\$368

The objective of the waterworks rate policy is to work towards waterworks that are self-financing, where the users pay for the cost of the service. To accomplish this, waterworks rates need to increase over time in relation to expenses, so that the revenues cover operating costs, to the extent possible. At the end of the fourth year of the planned rate increases, Council will review its waterworks policy to determine if revenues are covering costs. At that time, Council will also need to consider increasing rates to build

the waterworks reserves in order to cover future infrastructure maintenance and replacement costs.

This waterworks 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 can provide safe drinking water. Also, rates that cover costs will influence consumer demand and water conservation, and self-financing waterworks will reduce pressures on property taxes. Reduced funding for the waterworks from the general revenue fund could have a direct effect on future mill rates.

WATERWORKS CAPITAL INVESTMENT STRATEGY

On June 13, 2006, Council passed a resolution on a waterworks capital investment strategy.

This strategy was reviewed and revised on June 11, 2007.

This strategy was reviewed and revised on August 12, 2008.

This strategy was reviewed and revised again on May 12, 2009.

This strategy was reviewed and revised again on August 17, 2010.

The objective of the waterworks capital investment strategy is to address anticipated waterworks infrastructure maintenance, the immediate drinking water infrastructure problems and future infrastructure replacements in a timely manner so as to ensure the municipal waterworks provides safe drinking water and wastewater collection and treatment for residents and businesses. The strategy uses *The Water Regulations, 2002* as regulated by Saskatchewan Environment for infrastructure planning.

To cover the costs of future waterworks infrastructure maintenance and replacements, Council will likely need to undertake in the future a combination of increasing water and sewer rates to build waterworks reserves, once the water rates cover waterworks operating costs and long-term borrowing.

This capital investment strategy will ensure that safe drinking water and sewage collection and treatment can be provided to the residents and businesses in the community in the present and future.

Capital plans have been established to address the waterworks infrastructure deficiencies and replacements as identified and prioritized with input from Saskatchewan Environment and *The Water Regulations, 2002* to ensure safe drinking water and wastewater collection and treatment. The current waterworks capital plans and planned sources of funding are as follows.

Project	Planned Year of Completion	2009 Cost	Future Cost*	Sources of Funding
Design and construct Wastewater lift station and lagoon	2011 (approximate depending on SE regulations)	\$12,800	\$2,237,300	Reserve funds, Building Canada infrastructure grants and FCM borrowing.

*Assuming a 3% rate of inflation per year.

For future waterworks capital plans, projects will be prioritized based on what is needed to ensure safe drinking water and wastewater collection and treatment.

ANNUAL FINANCIAL OVERVIEW (2009)

Total 2009 waterworks revenues (as reported in the Financial Statements) (R) - \$186,497

Total 2009 waterworks expenditures (as reported in the Financial Statements) (includes interest paid on waterworks infrastructure loans) (E) - \$141,088

Total debt payments on waterworks infrastructure loans (D) - \$33,368

Lagoon Capital reserves (to cover future financing) (D) - \$22,617

Comparison of waterworks revenues to expenditures plus debt payments, expressed as a ratio

$$\frac{\$186,497}{\$197,073} = 0.95$$

For 2009, waterworks revenues covered 95 percent of the waterworks expenditures.

RESERVES

Reserves available for waterworks capital infrastructure at June 1, 2009 - \$ 79,891