

ANNUAL WATERWORKS INFORMATION **VILLAGE OF ST. LOUIS – August 8, 2016**

WATERWORKS RATE POLICY

This policy was reviewed on August 8, 2016 and updated with new rate plan for the next six years.

Under the waterworks rate policy resolution, the flat rate charge of \$90.00 per quarter for a maximum of 5,000 gallons of water and the per 1000 gallon water rate of \$14.25 for usage above the 5,000 gallon minimum was implemented for 2016, as adopted under the water bylaw dated March 14, 2006 and amended on September 11, 2007 and further amended on August 13, 2009, October 19, 2010 and June 13, 2016, ensuring that waterworks revenues cover waterworks operating costs. Beginning January 1, 2017, Council is planning to raise the per 1000 gallon water rate by 7% and will also increase these overage uses by 7% in each of 2019, 2019 & 2020 and by 4% in each of 2021 and 2022. Beginning January 1, 2017, Council is planning to raise the flat rate charge to \$95.00 per quarter for a maximum of 5,000 gallons of water and by an additional \$5.00 per quarter for each subsequent year 2018 through 2022. At the same time, Council will closely monitor waterworks expenditures. Sewer rates on all accounts were increased by \$5.00 per quarter for all user's accounts beginning January 1, 2014 and these rates will remain in effect through 2016. Sewer rates will increase by \$5.00 per quarter for 2018 - 21 and again by \$5.00 per quarter for 2022.

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 was assessed to all property owners who are serviced by municipal sewer services. An amendment to a 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. Beginning in 2020 after lagoon infrastructure fee is removed from accounts, waterworks infrastructure rates will increase to \$30 per quarter and to \$40 per quarter for 2021 and 2022.

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 \$90.00 flat rate quarterly charge for a maximum of 5,000 gallons and the \$14.25 per 1000 gallon water rate above the 5,000 gallon usage that was established on October 19, 2010 for 2016 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 91% of the operating and debt re-payment costs. There was a new debt created in 2012 for the capital construction costs of a new lagoon and pumping station project that will run for 10 years through 2021. 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 54% of all waterworks expenditures for 2015 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 10,000 gallons per quarter. The estimated quarterly charges include a current quarterly sewer charge of \$60.00 for households and \$105.00 for businesses. It also includes current rates for monthly infrastructure fee, monthly lagoon fees and monthly waste collection fees. These rates will also be slightly adjusted during the duration of this rate plan.

			Estimated	Estimated	Estimated
	Per 1000	Per 1000	Quarterly	Quarterly	Quarterly
Date	Minimum	Above 5,000	Charge	Charge (average	Business
	5,000	minimum	(minimum)	household)	(minimum use)
January 1, 2016	\$18.00/1,000	\$14.25/1,000	\$333	\$404	\$378
January 1, 2017	\$19.00/1,000	\$15.25/1,000	\$343	\$418	\$388
January 1, 2018	\$20.00/1,000	\$16.32/1,000	\$353	\$434	\$398
January 1, 2019	\$21.00/1,000	\$17.46/1,000	\$358	\$444	\$403
January 1, 2020	\$22.00/1,000	\$18.68/1,000	\$256	\$349	\$301
January 1, 2021	\$23.00/1,000	\$19.43/1,000	\$271	\$371	\$316
January 1, 2022	\$24.00/1,000	\$20.21/1,000	\$281	\$385	\$326

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 each 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

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 Waterworks and Sewage Works Regulations*, as regulated by the Water Security Agency 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 the Water Security Agency and *The Waterworks and Sewage Works Regulations* 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 / 2010 Cost	2011 Cost	Sources of Funding
Design and construct Wastewater lift station and lagoon	2011	\$12,800 / \$1,408,355	\$489,567	Reserve funds, Building Canada infrastructure grants and FCM borrowing.
Savings for future Infrastructure needs	Annually	\$35,000 Annually		Lagoon levy and Infrastructure Levy

The current capital investment plan is to re-pay lagoon project financing through 2021 with the proceeds of the Lagoon Infrastructure levy. This re-payment plan allows for the Village to reserve approximately \$22,500 per year of levy (2009 – 2019) for a total of \$225,000 that will be held in reserve for future water and sewer infrastructure capital project upgrades.

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 (2015)

Total 2015 waterworks revenues (as reported in the Financial Statements) (R) - \$255,516

Total 2015 waterworks expenditures (as reported in the Financial Statements) (E)
- \$223,805

Total Debt Payments on Waterworks Infrastructure Loans (D) - \$56,796

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

	<u>\$255,516</u>	=	0.91
	\$280,601		

For 2015, waterworks revenues covered 91 % of the waterworks expenditures, including amortization of capital assets. This shortfall was due to water line main break repairs and some water leakage issues.

RESERVES

Reserves available for waterworks capital infrastructure at July 1, 2016 - \$ 323,370

The following additional information on the waterworks is available at the Municipal Office:

- The August 8, 2016 Waterworks Rate Policy and Capital Investment Strategy
- Capital plans in place and the related sources of funding for the projects.
- 2015 Financial overview of the waterworks
- Waterworks reserve information
- A copy of the 2015 Waterworks Assessment
- 2015 Notice to Consumers regarding quality and sampling information.