



Policy #UT-001

Policy Title: 2021 WATERWORKS RATE & CAPITAL INVESTMENT STRATEGY POLICY

Policy Objective	This policy is an annual requirement of <i>The Municipalities Act Regulations</i> whereby the Town must submit to the Minister of Government Relations and to the ratepayers, a policy regarding the water, sewer, and infrastructure rates, a utility capital investment strategy, and financial information by September 1 of each year.
Authority	Resolution #163/2018 Amended #164/2021 Amended #182/2019 Amended #159/2022 Amended #157/2020
Supporting Bylaw	Bylaw #409/20
Related Policy	n/a

Legislative Authority:

The Municipalities Act Regulations

Information to be provided to the consumers and to the minister

55(1) On or before September 1 of each year, every council must provide the following information to its consumers respecting the municipality’s municipal waterworks:

- (a) A statement of the municipality’s revenues, expenditures, and debt payments for the previous calendar year;
- (b) A comparison of the municipality’s revenues to the municipality’s expenditures and debt payments, expressed as a ratio in accordance with the following formula:

$$\frac{R}{(E + D)}$$

where:

- R is the municipality’s revenues;
- E is the municipality’s expenditures; and
- D is the municipality’s debt payments;

- (c) Any explanation of the ratio mentioned in clause (b) that the municipality considers necessary.

Waterworks Rates & Fees – As per Bylaw #409/20

- Bylaw #409/20 adopted by resolution on September 23, 2020.
- Bylaw #409/20 approved by the Local Government Committee of the Saskatchewan Municipal Board on October 13, 2020.
- Under the waterworks rate policy resolution, the following schedule from Bylaw #409/20 set the water rates as follows:

**SCHEDULE "A" to Bylaw #409/20
Water Rates**

- 1. Effective January 1, 2021**
Water rates per three (3) month period:

0 to 10,000 gallons	\$102.00
10,001 gallons or more	\$10.00 per 1,000 gallons

- 2. Effective January 1, 2022**
Water rates per three (3) month period:

0 to 10,000 gallons	\$105.00
10,001 gallons or more	\$10.00 per 1,000 gallons

- 3. Effective January 1, 2023**
Water rates per three (3) month period:

0 to 10,000 gallons	\$108.00
10,001 gallons or more	\$10.00 per 1,000 gallons

- 4. Effective January 1, 2024**
Water rates per three (3) month period:

0 to 10,000 gallons	\$111.00
10,001 gallons or more	\$10.00 per 1,000 gallons

- 5. Bulk Water Rates at 408 Gastle Street**
\$4.00 per 100 gallons

**SCHEDULE "B" to Bylaw #409/20
Sewer Rates**

- 1. Effective January 1, 2021**
Sewer rates per three (3) month period:

Apartments, multiple housing	\$39.00 per unit
Hotel	\$78.00
Last Mountain Pioneer Home	\$156.00
Laundromat	\$78.00
Residences	\$39.00
School	\$156.00
All others	\$39.00

**SCHEDULE "C" to Bylaw #409/20
Infrastructure Rates**

- 1. Effective January 1, 2021**
Infrastructure rates per three (3) month period:

Apartments, multiple housing	\$45.00 per unit
Hotel	\$90.00
Last Mountain Pioneer Home	\$180.00
Laundromat	\$90.00
Residences	\$45.00
School	\$180.00
All others	\$45.00

Since the original waterworks policy was implemented on October 12, 2011, the current Council is to review the policy on an annual basis to ensure that waterworks revenues covered waterworks expenditures. This current waterworks policy is to reflect that Council is working to maintain a self-sustaining waterworks operation, whereby the users pay for the costs of the service. Council wants the waterworks operation to not compete with other key municipal financial demands under the municipal general revenue fund. By ensuring that waterworks rates are successfully covering all expenditures, the Town can maintain safe, quality drinking water for the residents without the need to sacrifice other funding areas of the municipality. The rates will also influence consumer demand, which will aid with water conservation within the municipality.

With the annual increases, the water rate has increased 4.00% per year since original the implementation of the policy in October of 2011. The proposed minimum quarterly rate will continue to increase 4.00% per year for the next four years to accommodate rising costs of water treatment plant maintenance and to ensure that enough capital funds are available for the planned projects. This waterworks increase comes at the recommendation from the *2020 Waterworks System Assessment* completed by Spring Creek Consulting Ltd.

In July of 2013, Council implemented an infrastructure rate that has remained unchanged for the last eight (8) years. This infrastructure rate was started to put away reserve funds for future infrastructure expenditures. Going forward over the next four years, the infrastructure fee will remain unchanged and will continue to be levied for the purpose of capital reserves.

At January 1, 2020, the minimum water rate increased to \$99.00 per 10,000 gallons, which is the base rate for three (3) months. If over 10,001 gallons, \$5.00 per 1,000 gallons is applied. Beginning January 1, 2021, the overage charge increased from \$5.00 to \$10.00 per 1,000 gallons. The overage charge has not been changed since January 14, 2004. The overage increase better reflected the cost of the water being used by today's standards. The chart below lists the planned increases in the upcoming years:

Date	Minimum Quarterly Rate	Overage Charge
January 1, 2021	\$102.00	\$10.00 per 1,000 gallons
January 1, 2022	\$105.00	\$10.00 per 1,000 gallons
January 1, 2023	\$108.00	\$10.00 per 1,000 gallons
January 1, 2024	\$111.00	\$10.00 per 1,000 gallons

Currently, the minimum water rate generates enough waterworks revenues to cover the waterworks operating costs, with 0% of the operating costs being covered by monies from the general funds. Waterworks operating costs, or expenditures, includes waterworks' staff salaries, benefits, and training, power, telephone, fuel, heat, alarm system, internet, insurance, chemicals, repairs, maintenance, supplies, etc.

The chart below lists the revenue and expenditures from the past seven (7) years for our utility service, as outlined in Schedule 4 of our audited financial statements:

Year	Revenue	Expenditure	Difference
2015	\$347,757	\$267,636	+\$80,121
2016	\$398,206	\$163,099	+\$235,107
2017	\$2,978,350	\$247,940	+\$2,730,410
2018	\$396,457	\$325,741	+\$70,716
2019	\$448,962	\$490,840	-\$43,840
2020	\$428,892	\$564,441	-\$135,549
2021	\$476,292	\$383,474	+\$92,818

Any surplus gained from the revenues over the expenditures is put into infrastructure reserves set out for water treatment plant upgrades and general infrastructure upgrades.

In 2021, the Town saw a utility surplus as there was more revenue due to the increase in water coverage rates, more money was allocated to utility from capital grants, there were less emergency infrastructure repairs completed, and less money was allocated to utility wages.

Waterworks Capital Investment Strategy

The objective of the waterworks capital investment strategy is to address anticipated waterworks infrastructure maintenance. Immediate drinking water infrastructure problems and future infrastructure replacement objectives are needed to be done in a timely fashion so as to ensure the municipal waterworks provides safe drinking water to residents and businesses. The capital investment strategy uses the recommendations outlined in the *2020 Waterworks System Assessment* which is required by Water Security Agency, as well as the Town’s newly created *Asset Management Plan* for infrastructure planning.

As noted above, in July of 2013, Council implemented an infrastructure levy that was a uniform amount applied to all residences and businesses for the express purpose of building up funds in capital reserves. As well, Council has been continually increasing the water rates to help add more funds annually into the reserves, but keeping in mind the rising costs of the water treatment plant operations.

Capital plans have been established to address the waterworks infrastructure deficiencies and replacements as identified and prioritized in the *2020 Waterworks System Assessment* to ensure safe drinking water for the community. The current and future waterworks capital plans and planned sources of funding are as follows:

Project	Planned Year of Completion	2021 Cost	Future Cost*	Source of Funding
East Half of 300 Block Chapin Street Water Main Replacement	2021	\$74,000		General Expenditure
Remote Water Meter Reading System	2021-2024		\$100,000 (\$25,000 per year)	General Expenditure
CPR Well & Bender Well Decommissioning	2023		\$30,000	General Expenditure
100 Block Blackstock Street Water Main Replacement	2023		\$125,000	General Expenditure or Reserves & Grants
Development of Larger Back-Up Well	2024		\$60,000	Reserves & Grants

As the Town makes more and more improvements to the water and sewer infrastructure system, less and less reserve money is needed for purchases. However, long-term planning for the infrastructure system still requires a lot of reserve funds. As well, if the Town is successful at receiving grant money from provincial and federal sources, this would drastically change the timeline as to when certain projects could be completed.

Annual Financial Overview

Total 2021 waterworks revenues (as reported in the Financial Statement) - **\$476,292**

Total 2021 waterworks expenditures (as reported in the Financial Statement, which includes interest paid on waterworks infrastructure loans) - **\$383,474**

Total debt payments on waterworks infrastructure loans - **\$28,502**

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

$$\frac{\mathbf{(\$476,292)}}{\mathbf{(\$383,474) + (\$28,502)}} = 1.15$$

Amount of 2021 waterworks revenues transferred out of the utility, specifying where the revenues were transferred - **\$0 were transferred into the Water and Sewer Infrastructure Reserve**

Amount of 2021 supplementary funding required to cover expenditures, specifying the source of the supplementary funding from the general revenue fund - **\$0 were transferred from the Water and Sewer Infrastructure Reserve**

Reserves

Reserves available for waterworks capital infrastructure - **\$622,677**

Attachments

- *2020 Waterworks System Assessment* under Section 32 of *The Waterworks and Sewage Works Regulations*.