

Schedule B

Of

MINUTES OF THE FIVE HUNDRED AND FIFTEENTH (515TH) MEETING OF THE COUNCIL OF THE TOWN OF ROSE VALLEY, BEING THE SECOND MEETING OF THE COUNCIL OF THE TOWN OF ROSE VALLEY FOR THE YEAR 2018, WHICH WAS HELD IN THE ROSE VALLEY TOWN OFFICE (217 CENTRE STREET), ON FEBRUARY 15, 2018 AT 7: 00 P.M.

The Waterworks Rate Policy 2018 -2020

The Council of the Town of Rose Valley, in the Province of Saskatchewan, enacts as follows:

A resolution of the Town of Rose Valley to establish a Written Policy regarding the setting of rates to be charged for the use and consumption of water in compliance with *The Municipalities Regulations* (Part VII, Sections 50 to 55)

Description of Waterworks Rates and Fees charged by the Municipality:

1. Water rates for the years 2018 to 2020 are adopted
 - a. For the first quarter of the year 2018 and until Bylaw 2/2018 comes into force: Pursuant to Bylaw Number 5/2015 (in effect on April 1, 2016 with approval of the Saskatchewan Municipal Board, Local Government Committee) the rate for water service shall be a flat rate of \$105.00 per month and the residential sewer rate shall be \$28.00 per month. Combined residential rate is \$133 per month.
 - b. Pursuant to Bylaw 2 / 2018 for the remainder of the year 2018 the rate for water service shall be a flat rate of \$109.00 per month and the residential sewer rate shall be \$29.00 per month. Combined residential rate shall be \$138 per month.
 - c. For the year 2019: Pursuant to Bylaw 2/ 2018 the rate for water service shall be a flat rate of \$113.00 per month and the residential sewer rate shall be \$30.00 per month. Combined residential rate shall be \$143 per month.
 - d. For the year 2020: Pursuant to Bylaw 2/ 2018 the rate for water service shall be a flat rate of \$117.00 per month and the residential sewer rate shall be \$31.00 per month. Combined residential rate shall be \$148 per month.
 - e. Commercial and institutional users pay a higher sewer rate per the Bylaw in force to reflect greater use of both water and sewer services.
2. Water is not metered, therefore the user has unrestricted use of water with the exception that water restrictions may be imposed on watering of lawns, gardens, trees and shrubs by resolution in Council. The purpose of such restrictions is to ensure that there is enough water available for fire protection and to keep water treatment and distribution at reasonable levels. Public notice shall be provided regarding such restrictions.
3. Water and Sewer rates are increased beginning in 2018 with Council instituting an overall \$5 per month increase for residential users in each of the years 2018, 2019, 2020. The rate increase is necessary due to increasing costs as explained below. Commercial and institutional are levied proportionate rate increases.
4. Council will annually review the waterworks policy in order to work towards waterworks revenues that continue to cover waterworks operating costs and provide funds to pay for needed waterworks system repair and replacement. Council's intention is to provide safe, potable water which is affordable through a utility which is sustainable. As Council looks for the most economical and effective means to build this sustainable utility public consultation will be encouraged. Public notice of necessary rate increases will be given as soon as possible.

Description of How Waterworks Rates and Fees are Determined

- 1) The monthly flat rate was chosen as a rate which would meet the municipal requirements for provision of the water and sewer utility. In Council's view primary concerns are
 - i) The provision of safe drinking water which meets the standards for drinking water set by regulation from federal and provincial legislation;
 - ii) The provision of water which is as affordable; and
 - iii) The provision of a service which is sustainable i.e. able to continue to provide safe, drinkable water for the future.

To meet the challenge of maintaining and operating the system Council has implemented a 3 year plan for increasing rates to meet increasing operating costs and contribute a small portion to the utility reserve.

- 2) In setting the rates Council considered a number of factors as follows:
- i) **The continuing requirement to meet debt repayment obligations on the major capital investment in the reservoir project and reverse osmosis potable water treatment system.** In 2009 the Town of Rose Valley brought an underground reservoir, which replaced the Tower, on line. In 2010 the Water Treatment system was upgraded to a Reverse Osmosis membrane treatment system and the 20 year old primary well was also replaced. In 2012 the sewage pumping station was upgraded to handle increased demand due to the new RO system and in face of demands placed by increasingly wet spring and summer seasons. Annual debt repayment for this infrastructure is \$114,735.
 - ii) **Utility operating deficits occurred in 2016 and 2017 despite planned use of reserves and the 2016 rate increase.** As of January 1, 2016 the utility had an accumulated surplus (reserve) of \$63,832 held for the purpose of repairs to the system and to cover operating deficits. In 2016 planned use of the reserve for RO membrane replacement (\$24,674) and an unexpected operating deficit of \$5950 reduced this reserve. In 2017 planned use of \$10,000 for a hydrant replacement and an unexpected deficit of \$13,249 further depleted the utility reserve to a balance of \$17,094 at December 31, 2017.
 - iii) **Declining number of services. Rates are set by dividing the total system costs for operating and debt payments between system users. The number of vacant residences (which generally have water shut off) and abandoned residences have risen over the past two years leading to declining revenue.**
 - iv) **Rising operating costs continue to be a factor in water rates.** Operating costs include waterworks and administration staff salaries, benefits and training; power, telephone, heat; fuel, insurance, chemicals, repairs, maintenance, supplies and Watershed levies. **Notably chemical (water and sewer) costs, line failures and RO system repair costs have contributed to 2016 and 2017 operating deficits in the utility.** Unfortunately the RO system is now 7 years old and component chemical pumps require replacement. Rose Valley's raw well water is very high in minerals and as the RO system ages we have also found that the first in line membranes must be replaced annually to maintain water quality. In 2018 power rates are slated to increase and power is a major cost for the system. When direct estimates are not available 2018 -2020 budgets incorporate a 2% inflation factor to estimate increasing operating costs.
 - v) **Increasing costs of replacing components of the legacy distribution line system (installed in 1962) contribute to increasing system costs. This factor has had a major impact creating operating deficits in 2016 and 2017.** For example in 2017 two hydrants required replacement – an increased cost of approximately \$10,000 from normal budgeted replacement of one hydrant. Budgets continue to take into account the costs of deep frost cycles over the past years which have resulted in a large number of line failures and required line replacement or repair.
 - vi) **Council took into consideration that senior governments are strongly encouraging municipalities to move toward making water utilities self-financing, that is having users pay for the cost of the service.** In the past the municipality used general funds to supplement water revenues as needed. Municipalities are now being strongly discouraged from using general revenue funding to provide water services.
- 3) Future rate increases will be based on ongoing evaluation of operating costs and the requirements of maintaining the new facilities and repairing and replacing the waterworks aging infrastructure in a cost effective manner.

Description of Objectives of the Waterworks Rate Policy

- 4) The primary objective of the waterworks policy is to work towards waterworks that
 - i) provide safe, drinkable and affordable water; and
 - ii) are self-financing where the users pay for the cost of the service.
- 5) To accomplish this objective waterworks rates will be increased as needed over time to meet increasing operating costs. Considering that the rate required to meet the annual payments on current debentures (which were taken out to pay for the reservoir and water treatment projects) brings water rates to a level where affordability becomes an issue, Council will build waterworks reserves very gradually in order to cover future infrastructure maintenance and replacement costs. Council will determine the most cost effective and efficient manner to meet any further system deficiencies identified in the 2010 Waterworks Assessment required by *The Water Regulations, 2002*.
- 6) Self-financing waterworks shall reduce pressure on property taxes as funding for waterworks operating and capital expenditures are no longer drawn from the general revenue fund. Future mill rates will reflect this.