Report - Standing Policy Committee on Infrastructure Renewal and Public Works – November 13, 2007

Item No. 2 2008 Water and Sewer Utility Rates
File WW-2.3

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On November 14, 2007, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submits the following to Council:

1. That effective January 1, 2008 the water rates, based on water used, be increased as follows:

   to $3.45 from $3.15 per 100 cu. ft. from 0 - 9,600 cu. ft./quarter (Block 1)
   to $2.97 from $2.67 per 100 cu. ft. from 9,601 - 96,000 cu. ft./quarter (Block 2)
   to $2.49 from $2.19 per 100 cu. ft. over 96,001 cu. ft./quarter (Block 3).

2. That effective January 1, 2008 the sewer rates, based on water used, be increased to $5.12 from $4.46 per 100 cubic feet, which includes 31.3 cents per 100 cubic feet for the Environmental Projects Reserve (31.3 cents in 2007).

3. That funding for Watermain Renewals be increased by $3 million per year, effective, January 1, 2008 funded on a pay as you go basis from the water rates.

4. That the additional fees and charges as outlined on Appendix G to the report of the Winnipeg Public Service dated October 15, 2007 be approved effective January 1, 2008.

5. That the City Solicitor/Manager of Legal Services be instructed to prepare the necessary By-laws for submission to Council before December 31, 2007.

6. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

STANDING COMMITTEE RECOMMENDATION:

On November 13, 2007, the Standing Policy Committee on Infrastructure Renewal and Public Works submitted the matter to the Executive Policy Committee and Council without recommendation.

Report - Standing Policy Committee on Infrastructure Renewal and Public Works - November 13, 2007

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On November 14, 2007, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On November 13, 2007, the Standing Policy Committee on Infrastructure Renewal and Public Works submitted the matter to the Executive Policy Committee and Council without recommendation.

Re: 2008 WATER AND SEWER UTILITY RATES

FOR SUBMISSION TO: Standing Policy Committee on Infrastructure Renewal and Public Works

ORIGINAL REPORT SIGNED BY: Barry MacBride, P. Eng.
Director of Water and Waste Department

REPORT DATE: October 15, 2007

RECOMMENDATION(S):

It is recommended that

1. Effective January 1, 2008 the water rates, based on water used, be increased as follows:

   to $3.45 from $3.15 per 100 cu. ft. from 0 - 9,600 cu. ft./quarter (Block 1)
   to $2.97 from $2.67 per 100 cu. ft. from 9,601 - 96,000 cu. ft./quarter (Block 2)
   to $2.49 from $2.19 per 100 cu. ft. over 96,001 cu. ft./quarter (Block 3)

2. Effective January 1, 2008 the sewer rates, based on water used, be increased to $5.12 from $4.46 per 100 cubic feet, which includes 31.3 cents per 100 cubic feet for the Environmental Projects Reserve (31.3 cents in 2007).

3. Funding for Watermain Renewals be increased by $3 million per year, effective, January 1, 2008 funded on a pay as you go basis from the water rates.

4. The additional fees and charges as outlined on Appendix G be approved effective January 1, 2008.

5. The City Solicitor be instructed to prepare the necessary By-Laws for submission to Council before December 31, 2007.

Report Summary

KEY ISSUES:

- The Department is recommending an increase in the water and sewer rates in 2008. A typical residential customer will see an annual increase to the utility bill of $80.64, from $694.24 in 2007 to $774.88 in 2008 (an impact of 11.6%).

- The combined 2008 rate increase (water and sewer) is unchanged from the 2008 projection made in 2007.

- The capital and operating cost projections for the wastewater improvement program remain consistent with 2007 projections. There has been no relief from the cost escalation experienced in 2007, nor any further progress in securing additional funding from the provincial or federal governments beyond the $50 million to be received under the Canada Strategic Infrastructure Fund.

- For comparison, the combined water (Block 1) and sewer rate of $8.57 per 100 cubic feet is the equivalent of $13.76 per 1,000 gallons or $3.02 per 1,000 liters (3.31 liters per penny).

IMPLICATIONS OF THE RECOMMENDATION(S):

General Implications

	None
X	For the organization overall and/or for other departments
X	For the community and/or organizations external to the City of Winnipeg
	Involves a multi-year contract

Comment(s): A typical residential customer will see an annual increase to the utility bill of $80.64, from $694.24 in 2007 to $774.88 in 2008.

Costs for the wastewater program could be higher as detailed cost estimates have not yet been prepared for the SEWPCC or NEWPCC Biological Nutrient Removal, Biosolids, or Combined Sewer Overflow Mitigation programs.

Two new fees are proposed as part of a longer term plan to have full cost of service recovery for all miscellaneous services provided by the Water and Sewer utilities

Policy Implications

X	No
	Yes

Comment(s):

Regulatory Implications

X	None
	Eliminates or reduces regulatory impact
	Proposes regulatory impact

Comment(s):

Environmental Implications

	No
X	Yes

Comment(s): Includes improvement in the City's water and wastewater systems.

Human Resources Implications

X	No
	Yes

Comment(s):

Financial Implications

X	Within approved current and/or capital budget
	Current and/or capital budget adjustment required

Comment(s):

REPORT

REASON:

Changes to the Water and Sewer rates require Council approval in the form of a by-law.

HISTORY:

See Appendix A for the history of Water and Sewer rates for the past ten years.

2005 On November 23, City Council approved an increase in the sewer rate, over-strength wastewater surcharge rates for Biochemical Oxygen Demand (BOD) and Total Suspended Solids (TSS), and additional fees and charges for 2006.

2006 On November 21, Standing Policy Committee on Infrastructure Renewal and Public Works received as information a report detailing the 2006 Update on Wastewater Treatment Systems Improvements – Status and Costs Estimates.

2006 December 6, City Council approved an increase in the water rate and additional fees and charges for 2007. Council recommended the sewer rate increase be laid over.

2007 February 21, City Council approved an increase in the sewer rate effective April 1, 2007.

DISCUSSION:

The Department's recommended increase in the utility rates over the next ten years is to support capital projects and operating costs for new facilities mandated by the

Province of Manitoba under the Environmental Act licenses. The recommended rate increases are unchanged from the 2007 financial model.

Accomplishments

The $300 million water treatment plant is at the 50% stage of construction and will be complete in late 2008 or early 2009. The plant is currently one of the largest construction projects in Manitoba. The final plant will be larger than the MTS Center.



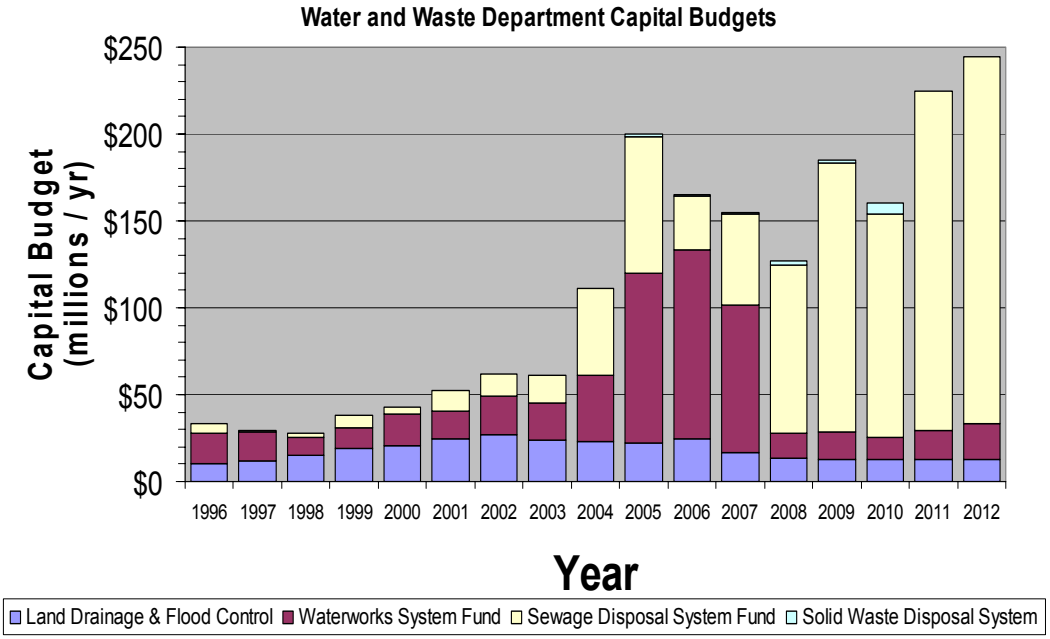
There has been significant progress in the wastewater improvements since the Clean Environment report in 2003.

- Ultraviolet disinfection is complete at the North End Water Pollution Control Center (NEWPCC).
- Phosphorus removal is in place at both the NEWPCC and the West End Water Pollution Control Center (WEWPCC).
- Winnipeg is the first municipality in Manitoba to actually reduce phosphorus loads to Lake Winnipeg.
- Construction is ongoing to reduce ammonia and nitrogen from the NEWPCC centrate and the WEWPCC with completion expected at the end of 2008.

These projects are resulting in increased operating costs for the utilities.

New Facilities

The huge rise in the utilities' capital and operating programs are impacting rates. The Department's capital budget has increased significantly in recent years and will continue into the future, as illustrated by the following chart:



As well, the local construction market has had huge inflationary increases in the past few years. Local industry indicates that the active market that is driving this period of high inflation will continue for at least another five years. This cost escalation is factored into the capital program and the financial projections for both the water and sewer utilities.

However, the Department has not tried to anticipate escalation beyond existing market inflation. In the current climate, even with inflation factored in, cost estimates are subject to change - until tenders are issued and bids awarded the risk of additional cost increases remains high. As well, there are many projects that have not yet commenced so cost estimates are very preliminary.

In response to rising costs, the Department has been monitoring market conditions to determine project delivery methods that will minimize cost impact including examining the feasibility of a private-public partnership as a project model for the South End Water Pollution Control Centre expansion.

Typically the Water and Sewer Utilities maintain a minimum working capital reserve of 11% of the combined Water and Sewer sales. This is to protect the Utilities' financial position, prevent significant rate fluctuations, provide medium-term stability and absorb losses in any given year that may otherwise result from a decline in consumption or major unforeseen expenditures. Because of the volatile construction market and the enormous capital program in the next few years, the rates plan for a higher combined working capital in future years to protect against large cost increases and further cost escalation.

Water Rate

Water rates are proposed to increase effective January 1, 2008.

- $3.45 from $3.15 per 100 cu. ft. from 0 - 9,600 cu. ft./quarter (Block 1)
- $2.97 from $2.67 per 100 cu. ft. from 9,601 - 96,000 cu. ft./quarter (Block 2)
- $2.49 from $2.19 per 100 cu. ft. over 96,001 cu. ft./quarter (Block 3)

Contributions to the Water Treatment Reserve will end December 31, 2007 (40.6 cents in 2007).

The proposed water rate increase is unchanged for 2008. The forecasted water rate for 2009 onward is higher than previous years' projections due to additional funding requirements for the watermain renewal program, as an additional $3 million per year retained earnings funding has been allocated for the watermain renewal budget. Historically watermain renewals have been funded solely by frontage levies. Frontage levies have not increased since 2002 and escalation of construction costs over the last few years has surpassed any additional frontage. This has caused the department to fall behind on the watermain renewal schedule the utility funding is intended to maintain the program funding.

Excessive inflation in some major operating costs such as gas, oil, light, power and chemicals has also increased the total cost of operations from the previous years' rate plan.

Sewer Rate

In 2008, the Department is proposing that the sewer rate increase from $4.46 to $5.12 per 100 cubic feet as projected in 2007. The sewer rate increases for 2008 onward have declined slightly from previous year's projections.

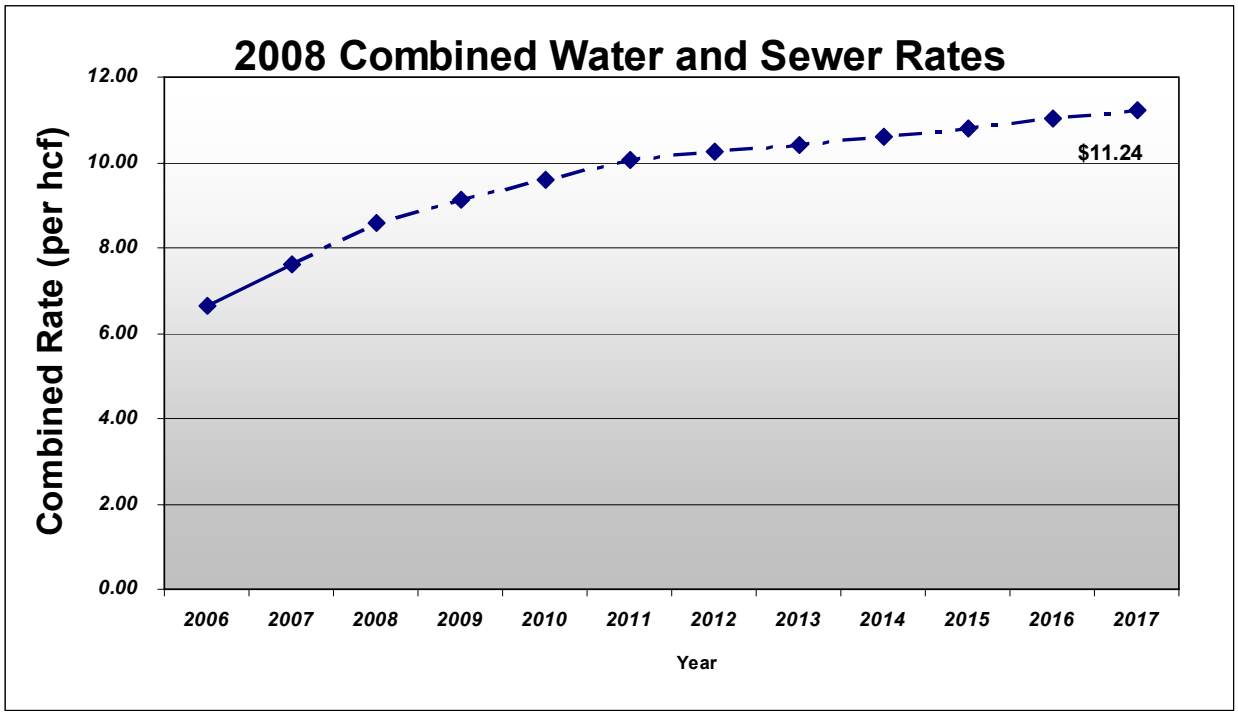
Market volatility continues to make it difficult to anticipate future capital costs. Two major projects, Combined Sewer Overflow Control (CSO) and Biosolids Management are still in the conceptual engineering stages creating uncertainty in the budget numbers. Until costs have been scoped and budgets refined the risk of capital costs escalating remains high.

Federal/Provincial Funding: $50 million in funding under a federal-provincial infrastructure program is expected to be provided to the City of Winnipeg for wastewater system improvements. The Department is anticipating that the agreement will be finalized in 2007 and has included these funds in the sewer utility rate model. This funding will be distributed as eligible costs are incurred, over a 5 year period (2007, 2009 and 2010).

Combined Water and Sewer Rates

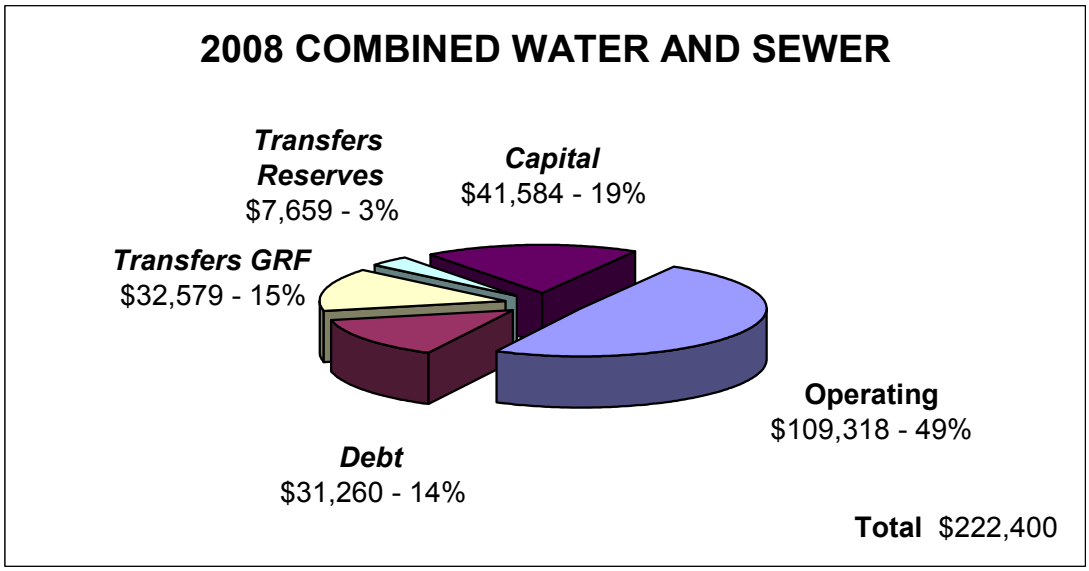
The 2008 water and sewer rate model projects increases to the combined water and sewer rate up to year 2011 at which point it is anticipated that the combined rate will be

subject to only small inflationary increases. The combined rate of $11.24 in year 10 is unchanged from 2007.



The combined water and sewer rate is proposed to increase in 2008, from $7.61 to $8.57 per 100 cubic feet. Individually the water rate increases from $3.15 to $3.45 while the sewer rate increases from $4.46 to $5.12 per 100 cubic feet. The total financial impact on a typical residential customer is an annual increase to the utility bill of $80.64, from $694.24 to $774.88.

For 2008, the following represents the major cost categories contributing to the water and sewer rates. Total costs are forecast at $222 million, including $42 million for cash funded capital projects.



Fixed Quarterly Charge (FQC)

The FQC recovers the cost of meter reading, customer billing, accounts administration, and customer service centre support. Costs associated with the meter installation and maintenance are also recovered from the quarterly charge. No change is recommended for 2008 in FQC.

Reserves

The Department has established reserves to fund and plan for large and complex capital projects.

Water Treatment Plant Reserve: This reserve will fund a portion of the cost of a Water Treatment program. Total cost of the water treatment plant is estimated at $300.1 million. Contributions to the reserve will end December 31, 2007 and depletion of the reserve will correspond with the amended project deadline of 2008. Debt financing requirements remain unchanged at $164 million. The following table summarizes the timing of capital expenditures and financing plans.

Water Treatment Plant Financing Schedule $000s
(actual to year ending December 31, 2005)

Year	Capital Expenditure	Project Funding				Balance	
		Volume Rate [1]	Retained Earnings	Debt	Total	Debt	Reserve
to 2003	4,144	82,092		-	82,092	-	77,948
2004	7,346	14,204		-	14,204	-	84,806
2005	23,936	12,810		-	12,810	-	73,680
2006	61,528	13,065		60,000	73,065	60,000	85,217
2007	100,000	11,127	2,800	50,000	63,927	110,000	-
2008	103,146	-		54,002	54,002	164,002	-
2009	-	-		-	-		-
Total	**300,100**	**133,298**	**2,800**	**164,002**	**300,100**		

[1] Includes Interest

Environmental Projects Reserve: The Environmental Projects Reserve will support the wastewater treatment improvement program as directed by Manitoba Conservation. Federal/Provincial funding of $50 million over five years has been incorporated into the financing plan. In addition, under this rate plan, the Department will require borrowing authority for up to $540.8 million in order to fully fund the improvements over the next 10 years.

Sewer Utility
Environmental Projects and Financing Schedule $000s

Year	Annual Capital Expenditure [2]	Project Financing					Balance	
		Volume Rate [1]	Fed/Prov	Debt	Retained Earnings	Total	Debt	Reserve
to 2005	**27,948**	**80,284**				**80,284**		**52,336**
2006	**17,509**	**10,549**	**-**	**-**	**1,566**	**12,115**	**-**	**45,376**
2007	**46,854**	**8,165**	**18,397**	**-**	**4,841**	**31,403**	**-**	**6,687**
2008	**53,422**	**8,000**	**-**	**-**	**24,029**	**32,029**	**-**	**-**
2009	**59,563**	**11,427**	**17,391**	**11,000**	**9,786**	**49,604**	**11,000**	**-**
2010	**90,674**	**12,230**	**14,212**	**65,000**		**91,442**	**76,000**	**-**
2011	**188,435**	**19,926**		**168,000**		**187,926**	**244,000**	**-**
2012	**149,066**	**21,456**		**128,000**		**149,456**	**372,000**	**-**
2013	**134,500**	**21,433**		**113,000**		**134,433**	**485,000**	**-**
2014	**78,000**	**21,440**		**55,838**		**77,278**	**540,838**	**-**
2015	**13,000**	**21,769**		**-**		**21,769**	**540,838**	**8,769**
2016	**13,050**	**22,079**		**-**		**22,079**	**540,838**	**17,799**
2017	**34,030**	**21,786**		**-**		**21,786**	**540,838**	**5,555**
2018	34,000	22,500		5,945		28,445	**546,783**	**-**
2019	32,100	23,000		9,100		32,100	**555,883**	**-**
2020	30,060	23,500		6,560		30,060	**562,443**	**-**
2021	27,000	24,000		3,000		27,000	**565,443**	**-**
2022	21,150	24,000		-		24,000	**565,443**	**2,850**
2023	21,090	24,500		-		24,500	**565,443**	**6,260**
2024	21,000	24,500		-		24,500	**565,443**	**9,760**
2025	21,200	25,000		-		25,000	**565,443**	**13,560**
2026	21,120	25,000		-		25,000	**565,443**	**17,440**
2027	21,000	25,500		-		25,500	**565,443**	**21,940**
2028	21,250	25,500		-		25,500	**565,443**	**26,190**
2029	21,150	26,000		-		26,000	**565,443**	**31,040**
2030	21,000	26,000		-		26,000	**565,443**	**36,040**
Total to 2017	**906,051**	**280,546**	**50,000**	**540,838**	**40,222**	**911,606**	**540,838**	**17,799**
Total to 2030	**1,219,171**	**599,546**	**50,000**	**565,443**	**40,222**	**1,255,211**	**565,443**	**36,040**

[1] Includes Interest
[2] Future costs are in 2006 dollars plus inflation

Transfers to the General Revenue Fund

In 2008, the water and sewer utilities' transfers to the General Revenue Fund (GRF) are estimated at $32.5 million ($31.3 million for 2007) or 16.4% of volume sales.

Transfers to the GRF include a percent of the utilities' base sales, subsidization of the tax-supported fire hydrant maintenance program and full subsidy for the tax-supported land drainage and flood control program, plus deficit avoidance contributions to general mill-rate programs.

Transfers to Capital Program

The utilities continue to employ a pay-as-you-go policy for ongoing infrastructure renewal programs. In 2008, the water utility will cash finance an estimated capital program of $11.7 million, not including the Water Treatment Plant Reserve. The cash financed sewer capital program in 2008 is estimated at $29.8 million, not including the Environmental Projects Reserve.

Schedule of Fees & Charges (Appendix G)

The sewer and water by-law, Schedules A and B, contain a number of fees and charges which have not been reviewed for several years. In 2005 the Department began a review of these fees and charges, implementing graduated increases toward cost of service recovery. The proposed increases are part of a longer term plan to have full cost of service recovery for all miscellaneous services provided by the Water and Sewer utilities. These fees are listed in Appendix G.

New Fees:
Appendix G also contains two new fees.

- *Backflow Preventer with Lockable Box:* This rental is a service provided to contractors and others who need a temporary water supply, such as a hydrant and don't have their own backflow preventer and are unable rent one from a local supplier. This device is mandatory to prevent the back siphoning of any harmful liquid or substance into the City's water system during the use of the temporary water supply.

The recommended fee:	Per Unit - per week	$175.00
	Per Unit - per month	$500.00

Other Fee Schedule Revisions:

- *Permit Fee – New Water Services:* Description is to be changed to *"new/renewed/repaired"* to more accurately reflect the application of the fee.

- *Sewer Contractor's License & Water Contractor's License*: Sections 21 and 16 of By-Laws 504/73, 7070/97. Fee is to be combined into one *"Contractor's License Sewer & Water".* Contractors must obtain both licenses. It is not an option to purchase one license without the other. It has been determined that there is no value added in issuing two licenses. To simplify the process one license will be issued with the fee identified in both by-laws

- *Meter Test Fee:* To be added to Schedule B of By-Law 504/73. Customers can request testing of their water meter for a fee, which is currently listed in Schedule A of the Sewer by-law. The fee should also be disclosed in Schedule B of the Water by-law. The meter test fee is refunded if the meter does not test within the limits outlined by the American Waterworks Association.

- *Record Search Fees:* To be added to Schedule B of By-Law 504/73. Customers can request a water and sewer records search for a fee, which is currently listed in Schedule A of the Sewer by-law. The fee should also be disclosed in Schedule B of the Water by-law.

- *Multiple Metering License:* The description is to be changed to *"Multiple Metering Permit"*, as only the Water & Waste Department is licensed to install meters.

- *Use of Fire Hydrants – Water Deposit:* Presently a deposit of $25 is required toward water used during a fire hydrant rental. On the final bill the deposit is put toward actual cost of water used. The average cost of water used during a hydrant rental is $665.00. The current deposit is 4% of the average final billing. The Department recommends increasing the deposit to $100 or 15% of the average final bill. The increase will reduce the Department's risk related to collection of these billings.

Financial Projection Risks

The detailed financial projections and rate plans are contained in Appendices B (Water) and C (Sewer). There are several variables that can affect the financial projection and resulting water and sewer rates.

1. Consumption. Consumption is forecast to remain relatively constant over the next ten years. Consumption projections are based on a five year historical average and incorporate the assumptions found in the 2003 Water Treatment Plant Capacity Assessment report including marginal population growth offset by increased conservation and efficiencies for water usage. If actual consumption is less than plan, this could cause a rate increase (conversely, actual consumption greater than plan could effect a rate decrease). See Appendix D for six year history.

2. Frontage levy. Anticipated frontage levy funding of $27 million per annum for the water main renewal and sewer system rehabilitation programs. Any reduction in frontage levy would require an increase in rates to maintain utility infrastructure as per the planned work schedule.

3. Working capital position. The utilities target to maintain a minimum combined working capital position of 11% of the combined water and sewer sales on an annual basis. The purpose of the working capital reserve is to provide medium-term stability and the ability to absorb losses in any given year when consumption falls short of anticipated levels and/or unforeseen emergency funds are required. The working capital reserve is comprised of current assets (cash and accounts receivable) net of current liabilities (current accounts payable), cash or near cash items that can readily absorb unexpected fluctuations. It is prudent to have a larger shock absorber under these conditions, where change is significant, costs are rapidly increasing and consumption sales will remain flat due to increasing utility costs for the customers.

4. Rate structure. The 2008 rate model does not contemplate any major changes to the existing rate structure. The Department will report on a cost-of-service rate model along with the effects of winter cost averaging for summer consumption once the implementation of a new billing system is complete.

5. Capital Investment. Capital investment is based upon the Department's best estimate of improvements that are required. Many items can influence the capital program expenditures, including escalation in market price, the introduction of new technology and availability of consultant and contractor resources. Recent tenders confirm these risks as the latest estimates reflect increasing costs.

6. Economic development. The City's economic climate can have significant impact on the utilities' financial plan. The addition or deletion of a major customer could effect a change in rates due to the consumption and sales revenue associated with the utilities' large volume users.

7. New legislation. Environmental and public health concerns are driving more stringent standards in the water and wastewater industry. The Environment Act Licenses for the three water pollution control centers require huge increases in capital and operating costs. The further introduction of new legislation could cause increased rates through the operating and capital costs associated with compliance.
8. Market Forces. The construction and consulting community are operating at or near capacity.

The Water and Sewer Utilities adhere to a set of operating principles that can be found in Appendix E. Appendix F illustrates the impact of the rate strategy on various sample customers.

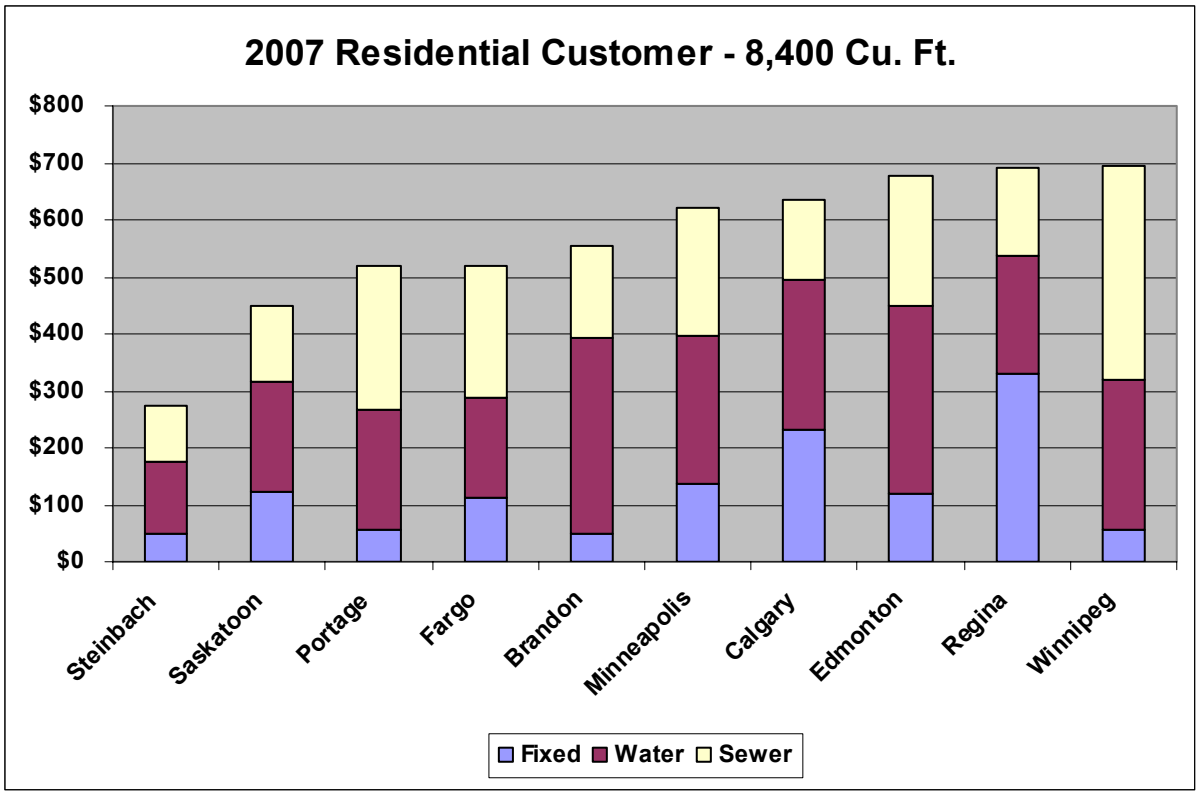
Competitiveness

In 2007 (after the last rate increase) Winnipeg's combined water and sewer rates are high. . While rates have increased across the majority of other cities surveyed, Winnipeg notably has the highest rates for residential customers. The following tables illustrate costs for residential customers (Block 1 rates, consumption of 8,400 cubic feet), commercial customers (Block 1 and 2 rates, consumption of 56,000 cubic feet) and large users (Block 1, 2 and 3 rates, consumption of 8,987,000 cubic feet) each in 2007 rates.

Residential Customers

	Winnipeg	Regina	Saskatoon	Calgary	Edmonton	PLAP	Brandon	Steinbach	Fargo [1]	Minneapolis [1]
Fixed	55.00	328.54	122.40	233.04	120.96	55.52	50.00	50.00	112.97	136.26
Water	264.60	209.32	193.14	261.48	328.70	210.86	342.52	125.05	176.04	260.67
Sewer	374.64	152.14	133.77	142.10	225.83	253.76	161.75	97.84	231.52	224.55
Total 2007	$694.24	$689.99	$449.31	$636.62	$675.49	$520.14	$554.27	$272.89	$520.54	$621.49
Total 2006	611.08	660.47	418.78	603.57	601.66	490.82	554.27	272.89	516.34	588.58
Variance	$83.16	$29.52	$30.53	$33.05	$73.83	$29.32	$ -	$ -	$4.20	$32.91
Percent	13.6%	4.5%	7.3%	5.5%	12.3%	6.0%	0.0%	0.0%	0.8%	5.6%

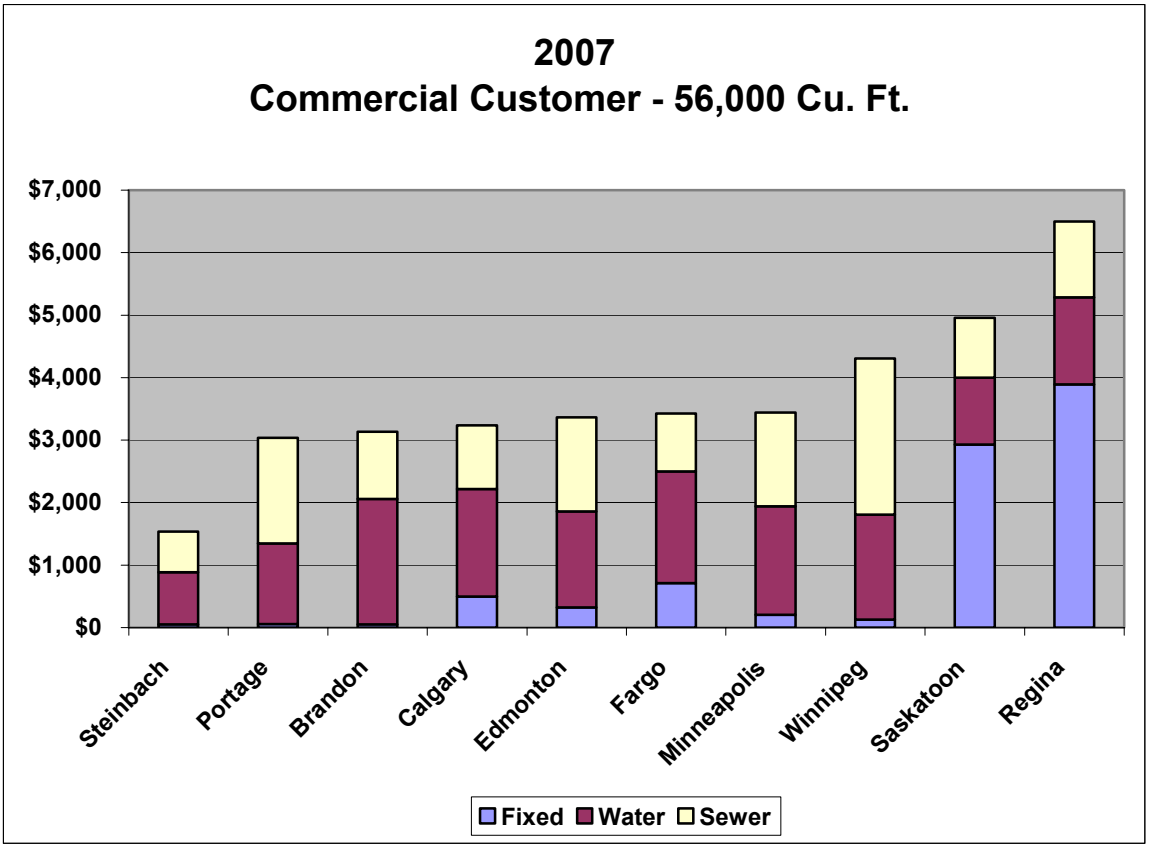
Note: 1) 2006 results shown at 2007 foreign exchange rate



Commercial Customers

	Winnipeg	Regina	Saskatoon	Calgary	Edmonton	PLAP	Brandon	Steinbach	Fargo [1]	Minneapolis [1]
Fixed	127.20	3,891.33	2,928.00	494.16	322.20	55.52	50.00	50.00	711.31	205.16
Water	1,679.52	1,395.45	1,069.47	1,725.52	1,539.15	1,289.65	2,007.46	833.67	1,790.06	1,737.82
Sewer	2,497.60	1,212.14	959.87	1,016.31	1,505.50	1,691.75	1,078.31	652.28	925.08	1,497.00
Total 2007	$4,304.32	$6,498.92	$4,957.34	$3,235.99	$3,366.86	$3,036.92	$3,135.77	$1,535.95	$3,426.45	$3,439.99
Total 2006	3,749.92	6,197.40	4,193.33	3,175.40	3,030.71	2,866.79	3,135.77	1,535.95	3,349.76	3,266.04
Variance	$554.40	$301.52	$764.00	$60.59	$336.15	$170.13	$0.00	$0.00	$76.68	$173.95
Percent	14.8%	4.9%	18.2%	1.9%	11.1%	5.9%	0.0%	0.0%	2.3%	5.3%

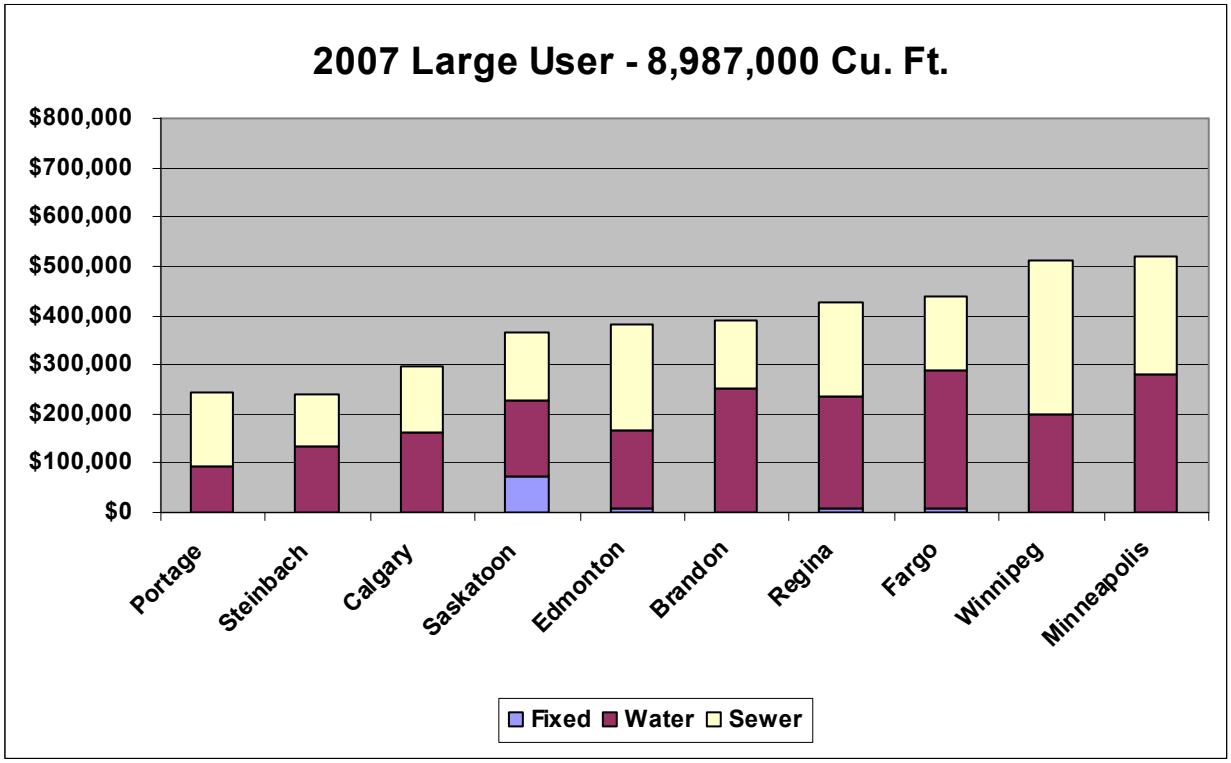
Note: 1) 2006 results shown at 2007 foreign exchange rate


2007
Commercial Customer - 56,000 Cu. Ft.
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
Steinbach
Portage
Brandon
Calgary
Edmonton
Fargo
Minneapolis
Winnipeg
Saskatoon
Regina
Fixed
Water
Sewer

Large Users

Large User	Winnipeg	Regina	Saskatoon	Calgary	Edmonton	PLAP	Brandon	Steinbach	Fargo	Minneapolis
Fixed	1,142.80	9,823.23	74,640.00	1,463.40	6,537.24	55.52	50.00	50.00	9,567.78	379.50
Water	198,842.82	223,945.48	151,225.20	159,644.26	160,861.38	91,902.40	251,721.83	133,788.72	279,503.22	278,889.40
Sewer	310,574.14	194,527.18	139,465.30	137,243.73	212,746.47	153,183.14	136,676.25	104,679.88	148,458.85	240,241.81
Total 2007	$510,559.76	$428,295.89	$365,330.50	$298,351.39	$380,145.10	$245,141.06	$388,448.08	$238,518.59	$437,529.86	$519,510.71
Total 2006	437,495.45	412,656.34	344,447.20	260,183.45	357,298.37	227,159.90	388,448.08	238,518.59	418,039.40	493,270.68
Variance	$73,064.31	$15,639.55	$20,883.30	$38,167.94	$22,846.72	$17,981.15	$0.00	$0.00	$19,490.46	$26,240.03
Percent	16.7%	3.8%	6.1%	14.7%	6.4%	7.9%	0.0%	0.0%	4.7%	5.3%

Note: 1) Includes economic development discount for sewer charges above $100K



COMMUNICATION:

The Water and Waste Department will communicate the water and sewer rate increases to utility customers as follows:

Strategy	Timeline
Briefing session for Customer Service Centre Representatives	First week of December 2007
Ads in the business section of both daily newspapers	December 8 and 9, 2007
Post information on the Web site	First week of December 2007
Presentation on water and sewer rates at the annual Customer Seminar	Early December
Bill insert with water/sewer bills	January – March 2008

The Water and Waste Department will use notices to inform customers affected by the rate increases outlined in Appendix G.

FINANCIAL IMPACT:

The 2008 rates and financial plans for water and sewer and utilities are contained in Appendices B and C. These plans are reflected in the utilities' current and capital estimates and as such, a financial impact statement has not been prepared.

"Original signed by M. L. Geer, C.A."
Moira L. Geer, C.A.
Manager of Finance and Administration

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:
Internal Services, Legal Services Division

External Consultation With:

THIS REPORT SUBMITTED BY:

Water and Waste Department
Finance and Administration Division
Prepared by: Moira Geer, Darlene Capp
Fax. No. 986-3745
File No. 010-07-20-01-00
010-07-20-01-01

APPENDICES:

The following appendices are attached as additional information:

APPENDIX A	Water and Sewer Rates - Ten Year History
APPENDIX B	Waterworks System Fund - Ten year financial projection of revenue, expenditures and working capital based on the recommendations contained in this report
APPENDIX C	Sewage Disposal System Fund - Ten year financial projection of revenue, expenditures and working capital based on the recommendations contained in this report
APPENDIX D	Water Consumption Five Year Historical Summary 2002 - 2006
APPENDIX E	Water and Sewer Utility - Principles of Operation
APPENDIX F	Impact of the Water and Sewer recommendations on sample customers January 1st, 2008
APPENDIX G	Schedule of Fees and Charges

Appendix A

History of Water, Sewer and Solid Waste Utility Rates
1998 - 2007

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Water Rates (per 100 cu ft)										
Block 1 (< 9,600 cu ft)	**$2.32**	**$2.54**	**$2.70**	**$2.75**	**$2.75**	**$2.75**	**$2.75**	**$2.75**	**$2.75**	**$3.15**
Block 2 (9,600 - 96,000 cu ft)	**$1.91**	**$2.10**	**$2.22**	**$2.27**	**$2.27**	**$2.27**	**$2.27**	**$2.27**	**$2.27**	**$2.67**
Block 3 (> 96,000 cu ft)	**$1.50**	**$1.65**	**$1.74**	**$1.79**	**$1.79**	**$1.79**	**$1.79**	**$1.79**	**$1.79**	**$2.19**
Sewer Rates (per 100 cu ft)										
Volume Rate	**$2.83**	**$2.80**	**$2.78**	**$2.73**	**$2.73**	**$2.73**	**$3.11**	**$3.39**	**$3.87**	**$4.46**
Total Water and Sewer Rate (Block 1)	**$5.15**	**$5.34**	**$5.48**	**$5.48**	**$5.48**	**$5.48**	**$5.86**	**$6.14**	**$6.62**	**$7.61**

Appendix B

WATERWORKS SYSTEM FUND
Financial Projection 2008-2017 ($000s)

O:\Fa\Lszkware\Rate Model\2008\[08RTS_01.xls]WATER_REPORT Values

Waterworks System	2007 Budget	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenue											
Sales Revenue	68,939	85,326	90,504	92,900	94,769	96,318	96,506	96,625	96,850	96,960	97,546
Non Rate Revenue	6,911	6,753	6,984	7,241	7,577	7,928	8,072	7,793	7,287	7,109	7,359
Water Treatment Reserve	10,127	0	0	0	0	0	0	0	0	0	0
Total Revenue	**85,977**	**92,079**	**97,488**	**100,141**	**102,346**	**104,246**	**104,578**	**104,418**	**104,137**	**104,069**	**104,905**
Expenditures											
Operating	45,689	52,056	60,767	61,264	62,488	63,738	65,013	66,313	67,639	68,992	70,372
Debt Service	11,993	16,157	18,864	18,877	19,158	19,453	19,125	17,598	15,142	13,317	13,508
Transfer to Water Treatment Reserve	10,127	0	0	0	0	0	0	0	0	0	0
Fire Hydrants	3,708	3,708	3,708	3,745	3,783	3,821	3,859	3,898	3,937	3,976	4,016
Transfer to General Revenue Fund	8,872	8,904	8,904	8,969	9,035	9,101	9,168	9,236	9,304	9,373	9,443
Total Expenditures	**80,389**	**80,825**	**92,243**	**92,855**	**94,464**	**96,113**	**97,165**	**97,045**	**96,022**	**95,658**	**97,339**
Surplus(Deficit) for the year	5,588	11,254	5,245	7,286	7,882	8,133	7,413	7,373	8,114	8,411	7,566
Opening Working Capital		11,738	11,244	7,655	8,947	7,104	6,737	7,150	7,674	9,182	11,349
Appropriated to Capital		(11,748)	(8,840)	(6,040)	(9,725)	(8,500)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)
Other Changes in Working Capital		(0)	7	45	0	0	0	151	393	756	0
Ending Working Capital		11,244	7,655	8,947	7,104	6,737	7,150	7,674	9,182	11,349	11,915
Working Capital as a % of Sales	**0%**	**13%**	**8%**	**10%**	**7%**	**7%**	**7%**	**8%**	**9%**	**12%**	**12%**
Water Rate Block 1 ($dollars)	**3.15**	**3.45**	**3.60**	**3.67**	**3.74**	**3.80**	**3.80**	**3.80**	**3.80**	**3.80**	**3.80**
Rate Change Block 1	**14.5%**	**9.5%**	**4.3%**	**1.9%**	**1.9%**	**1.6%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Long-Term Debt Summary											
New debt, Water Treatment Plant	**50,000**	**54,002**									
Debt outstanding, closing year end balance	**72,401**	**121,184**	**114,064**	**106,774**	**99,187**	**91,292**	**83,294**	**75,768**	**69,183**	**63,574**	**57,817**

Appendix C

SEWAGE DISPOSAL SYSTEM FUND
Financial Projection 2008-2017 ($000s)

O:\Fa\Lszkware\Rate Model\2008\[08RTS_01.xls]SEWAGE_REPORT Values

Sewage Disposal System	2007 Budget	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenue											
Sales Revenue	99,361	117,454	123,795	133,594	135,690	138,243	142,000	146,564	151,817	157,110	163,457
Non Rate Revenue	5,390	7,812	7,950	7,770	8,141	8,666	7,553	6,307	7,160	7,354	7,962
Environmental Projects Reserve	7,722	7,659	11,427	12,230	19,926	21,456	21,433	21,440	21,473	21,477	21,477
Total Revenue	**112,473**	**132,925**	**143,172**	**153,594**	**163,757**	**168,365**	**170,986**	**174,311**	**180,450**	**185,941**	**192,896**
Expenditures											
Operating	53,031	57,262	59,496	59,496	62,686	69,967	73,554	80,323	86,680	88,539	90,625
Debt Service	14,803	15,103	15,961	19,087	25,987	36,703	41,524	41,620	43,351	43,486	44,035
Transfer to Environmental Projects Reserve	7,722	7,659	11,427	12,230	19,926	21,456	21,433	21,440	21,473	21,477	21,477
Land Drainage	12,211	13,462	13,942	13,929	14,068	14,209	14,351	14,495	14,640	14,786	14,934
Transfer to General Revenue Fund	6,478	6,505	6,505	6,565	6,626	6,687	6,749	6,811	6,874	6,938	7,003
Total Expenditures	**94,245**	**99,991**	**107,331**	**111,307**	**129,293**	**149,022**	**157,611**	**164,689**	**173,018**	**175,226**	**178,074**
Surplus(Deficit) for the year	18,228	32,934	35,841	42,287	34,464	19,343	13,375	9,622	7,432	10,715	14,822
Opening Working Capital		(13,320)	(10,325)	(7,778)	7,647	16,283	19,370	16,756	13,946	8,972	6,688
Appropriated to Capital		(29,836)	(32,891)	(24,837)	(27,175)	(13,450)	(13,811)	(13,000)	(13,000)	(13,000)	(14,000)
Other Changes in Working Capital		(103)	(403)	(2,025)	1,347	(2,806)	(2,178)	568	593	1	(0)
Ending Working Capital		(10,325)	(7,778)	7,647	16,283	19,370	16,756	13,946	8,972	6,688	7,510
Working Capital as a % of Sales	**0%**	**-9%**	**-6%**	**6%**	**12%**	**14%**	**12%**	**10%**	**6%**	**4%**	**5%**
Sewer Rate	**$4.46**	**$5.12**	**$5.53**	**$5.94**	**$6.33**	**$6.44**	**$6.61**	**$6.80**	**$7.00**	**$7.22**	**$7.44**
Rate Change	**15.2%**	**14.8%**	**8.0%**	**7.4%**	**6.6%**	**1.7%**	**2.6%**	**2.9%**	**2.9%**	**3.1%**	**3.0%**
Long-Term Debt Summary											
New debt, Environmental Projects	**0**		**11,000**	**65,000**	**168,000**	**128,000**	**113,000**	**55,838**			
Debt outstanding, closing year end balance	**48,902**	**42,075**	**45,929**	**103,929**	**262,565**	**375,182**	**469,854**	**507,505**	**488,219**	**468,723**	**448,601**

Appendix D

WATER CONSUMPTION HISTORICAL SUMMARY - 000s GALLONS

Consumption for volume sales (excludes standpipe)

O:\Fa\Lszkware\Rate Model\2008\[08RTS_01.xls]Consumption Historical

	2002	2003	2004	2005	2006
B-1 Sales	**01/02**	**02/03**	**03/04**	**04/05**	**05/06**
October	965,309	933,722	795,325	748,041	973,440
November	738,590	724,901	619,909	636,342	691,216
December	821,073	817,935	751,683	818,248	836,972
January	876,961	837,821	852,006	889,805	804,628
February	620,700	630,317	651,738	697,814	637,864
March	768,535	759,140	785,707	792,068	765,669
April	803,207	830,781	808,006	808,199	785,771
May	665,609	677,894	632,943	639,414	654,924
June	790,454	858,112	872,663	823,206	779,361
July	960,142	943,887	853,732	882,399	869,352
August	761,990	777,798	725,259	732,120	817,499
September	856,568	869,904	828,967	792,439	959,712
Total	**9,629,138**	**9,662,212**	**9,177,938**	**9,260,095**	**9,576,408**
B-2 Sales	**01/02**	**02/03**	**03/04**	**04/05**	**05/06**
October	443,628	388,686	295,871	251,095	381,990
November	365,758	318,955	331,895	329,023	329,107
December	254,680	280,674	198,561	283,404	252,855
January	342,561	360,932	328,743	345,648	306,923
February	293,732	315,362	313,277	361,954	311,953
March	276,281	230,457	279,872	251,733	265,571
April	308,196	316,622	311,378	302,882	279,681
May	337,517	306,117	324,550	312,426	326,436
June	224,977	258,537	256,964	240,420	232,292
July	365,064	313,258	272,493	306,199	318,292
August	345,719	396,572	364,001	379,852	384,013
September	300,375	322,785	333,051	325,285	243,354
Total	**3,858,488**	**3,808,957**	**3,610,656**	**3,689,921**	**3,632,467**
B-3 Sales	**01/02**	**02/03**	**03/04**	**04/05**	**05/06**
October	382,924	297,954	192,412	109,742	401,201
November	289,609	218,225	324,615	274,234	216,884
December	180,823	167,851	40,529	182,493	102,625
January	193,635	295,438	211,402	162,014	126,743
February	199,970	207,787	252,773	291,618	202,629
March	138,922	100,921	148,316	175,227	214,633
April	235,043	242,005	169,360	162,230	384,492
May	249,468	201,851	312,176	251,989	(625)
June	115,750	131,279	92,735	186,213	132,850
July	341,669	436,628	166,094	192,539	244,020
August	279,939	205,735	360,388	358,768	540,309
September	179,995	225,071	184,180	215,619	(189,501)
Total	**2,787,747**	**2,730,745**	**2,454,980**	**2,562,686**	**2,376,260**
TOTAL B1-B3	**16,275,373**	**16,201,914**	**15,243,574**	**15,512,702**	**15,585,135**

Appendix E

WATER AND SEWER UTILITY
PRINCIPALS OF OPERATION

1. Self-Supporting Utilities. The Utilities do not receive subsidies from the mill rate.

2. Cost of Service Rates. Customers pay water and sewer rates, which represent the operating and capital costs of providing the utility services.

3. Debt Servicing. The Utilities' revenues are sufficient to service the Utilities' long-term debt.

4. Working Capital Reserves - Water and Sewer Utilities. The Water and Sewer Utilities maintain working capital reserves to protect the Utilities' financial position and prevent significant rate fluctuations that may otherwise result from a decline in consumption or major unforeseen expenditures. On an annual basis, the Utilities strive to maintain a minimum combined working capital position of 11% of the combined Water and Sewer sales.

5. Ten Year Financial Plan - Water and Sewer Utilities. Rates in the Water and Sewer Utilities are planned over a ten-year time frame to mitigate the effects of year over year fluctuations and to coincide with the longer term infrastructure development and renewal planning.

6. Transfers to the General Revenue Fund. The Water and Sewer Utilities transfer funds to the General Revenue Fund in the form of:
   - a percentage of sales revenue, net of capital reserves, as a return to the City on ownership of the Utilities
   - additional general provisions to meet the City's financial targets
   - support to the Fire Hydrant which funds 100% of the cost of this program
   - support to the Land Drainage program which funds 100% of the costs of this program. In addition the utility will fund all of the debt servicing costs in the Land Drainage program by the year 2008.

   Capital Reserve Funds. The Utilities establish reserves to fund major capital projects. The pay-as-you-go capital program is more economical than traditional debt financing, which equates to lower rates for our customers. In addition, for specific and cost intensive projects, the Department has developed a strategy whereby a portion of the project is funded through reserves and a portion through debt financing. This strategy facilitates an equitable approach for short and long term funding support.

CUSTOMER IMPACT ANALYSIS
Annual Basis

O:\Fa\Lszkware\Rate Model\2008\[08RTS_01.xls]customer impact calculation

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Residential 5/8" meter											
8,400 cu.ft. Water	3.15	3.45	3.60	3.67	3.74	3.80	3.80	3.80	3.80	3.80	3.80
Sewer	4.46	5.12	5.53	5.94	6.33	6.44	6.61	6.80	7.00	7.22	7.44
Total Volume Rate	**7.61**	**8.57**	**9.13**	**9.61**	**10.07**	**10.24**	**10.41**	**10.60**	**10.80**	**11.02**	**11.24**
FQC	**13.75**	**13.75**	**13.75**	**13.75**	**13.75**	**13.75**	**13.75**	**13.75**	**13.75**	**13.75**	**13.75**
	$694.24	$774.88	$821.92	$862.24	$900.88	$915.16	$929.44	$945.40	$962.20	$980.68	$999.16
Overall $ Change	83.17	80.64	47.04	40.32	38.64	14.28	14.28	15.96	16.80	18.48	18.48
Overall % Change	13.61%	11.62%	6.07%	4.91%	4.48%	1.59%	1.56%	1.72%	1.78%	1.92%	1.88%
Small Restaurant 1" meter											
56,000 cu.ft. Water	2.67	2.97	3.11	3.17	3.24	3.29	3.29	3.29	3.29	3.29	3.29
Sewer	4.46	5.12	5.53	5.94	6.33	6.44	6.61	6.80	7.00	7.22	7.44
Total Volume Rate	**7.13**	**8.09**	**8.64**	**9.11**	**9.57**	**9.73**	**9.89**	**10.08**	**10.29**	**10.50**	**10.73**
FQC	**17.70**	**17.70**	**17.70**	**17.70**	**17.70**	**17.70**	**17.70**	**17.70**	**17.70**	**17.70**	**17.70**
	$4,109.68	$4,785.52	$5,097.36	$5,364.40	$5,622.00	$5,715.44	$5,808.88	$5,915.28	$6,029.04	$6,150.48	$6,275.44
Large Restaurant 3" meter											
626,000 cu.ft. Water	2.19	2.49	2.63	2.68	2.73	2.77	2.77	2.77	2.77	2.77	2.77
Sewer	4.46	5.12	5.53	5.94	6.33	6.44	6.61	6.80	7.00	7.22	7.44
Total Volume Rate	**6.65**	**7.61**	**8.16**	**8.62**	**9.06**	**9.21**	**9.38**	**9.57**	**9.77**	**9.99**	**10.21**
FQC	**109.45**	**109.45**	**109.45**	**109.45**	**109.45**	**109.45**	**109.45**	**109.45**	**109.45**	**109.45**	**109.45**
	$42,573.68	$50,103.92	$53,550.76	$56,472.60	$59,303.80	$60,285.04	$61,314.68	$62,504.08	$63,790.64	$65,133.28	$66,545.04
Foundry 4" meter											
8,987,600 cu.ft. Water	2.19	2.49	2.63	2.68	2.73	2.77	2.77	2.77	2.77	2.77	2.77
Sewer	4.46	5.12	5.53	5.94	6.33	6.44	6.61	6.80	7.00	7.22	7.44
Total Volume Rate	**6.65**	**7.61**	**8.16**	**8.62**	**9.06**	**9.21**	**9.38**	**9.57**	**9.77**	**9.99**	**10.21**
FQC	**139.25**	**139.25**	**139.25**	**139.25**	**139.25**	**139.25**	**139.25**	**139.25**	**139.25**	**139.25**	**139.25**
	$598,739.28	$686,540.88	$735,976.52	$776,361.72	$816,983.96	$830,507.60	$845,751.96	$862,828.40	$880,838.16	$900,576.32	$920,383.60

Description	Proposed 2008	2007 Fee	2006 Fee	Last Increase	Cost of Service	Units	By-Law Authority
WATERWORKS SYSTEM							
Water Sold at Standpipe - per 1,000 gallons	**$9.00**	$8.00	$8.00	**2006**	$9.14		504/73
Non-payment Turn Off/Turn On Fee	***$100.00***	$50.00	$25.00	**2007**	$225.00	per account	504/73
Field Appointment - second and each additional	***$90.00***	$50.00	-	**2007**	$90.00	per appointment	
Backflow Preventer Rental with Lockable Box - per week	***$175.00***	-	-	**New**	$175.00		504/73
Backflow Preventer Rental with Lockable Box - per month	***$500.00***	-	-	**New**	$213.00		504/73
Permit Fee - new/renewed/repaired water services	***$50.00***	$32.00	$32.00	**1998**	$108.00	per inspection	504/73
Multiple Metering Permit	***$80.00***	$40.00	40.00	**1998**	$95.00		504/73
Meters Damaged by Frost: Size (Inches) - 5/8	***$146.00***	$117.00	117.00	**1998**	$146.00	per meter	504/73
Meters Damaged by Frost: Size (Inches) - 3/4	***$184.00***	$117.00	117.00	**1998**	$184.00	per meter	504/73
Meters Damaged by Frost: Size (Inches) - 1 - 2	**Actual meter cost+ $89.00**	Actual meter cost + $68.00	Actual meter cost+ $68.00	**1998**	Actual meter cost+ $89.00	per meter	504/73
Meters Damaged by Frost: Size (Inches) - 3 - 10	**Actual meter cost+ $132.00**	Actual meter cost+ $111.00	Actual meter cost+ $111.00	**1998**	Actual meter cost+ $132.00	per meter	504/73
Use of Fire Hydrants - deposit for use of water, applied to final billing	**$100.00**	$25.00	$25.00	**1998**			504/73
Use of Fire Hydrants Permit - per fire hydrant for first 30 days	**$200.00**	$112.00	$112.00	**1998**	$228.00		504/73
- per fire hydrant for each additional month	**$56.00**	$56.00	$56.00	**1998**	$29.00		504/73
Rental of Meters: Size (Inches) - 5/8 - 3/4	***$50.00***	$20 - $25	$20 - $25	**1992**	$95.00	per month	504/73
Rental of Meters: Size (Inches) - 1 - 2	***$100.00***	$50 - $85	$50 - $85	**1992**	$100.00	per month	504/73
Rental of Meters: Size (Inches) - 3	***$150.00***	$100.00	$100.00	**1992**	$150.00	per month	504/73
Meter Test Fee: Size (Inches) - 5/8 - 3/4	***$79.00***	$50.00	$50.00	**1998**	$79.00	per meter	504/73 & 7070/97

Description	Proposed 2008	2007 Fee	2006 Fee	Last Increase	Cost of Service	Units	By-Law Authority
SEWAGE DISPOSAL SYSTEM							
Record Search Fee							
- environmental record search not including account history	***$80.00***	$75.00	$75.00	**1998**	$80.00	per address	504/73 & 7070/97
- record search account history up to 5 most recent years	***$60.00***	$50.00	$50.00	**2006**	$67.00	per account	504/73 & 7070/97
- record search account history each additional year	***$60.00***	$50.00	$50.00	**2006**	$169.00	per account	504/73 & 7070/97
Wastewater discharge licence	***$100.00***	$75.00	$63.00	**2007**	$125.00	per application	7070/97
Wastewater discharge licence - annual renewal fee	***$70.00***	$50.00	$25.00	**2007**	$70.00	per application	7070/97
Wastewater disposal vehicle licence	***$100.00***	$75.00	$51.00	**2007**	$125.00	per application	7070/97
Wastewater disposal vehicle licence - annual renewal fee	***$70.00***	$50.00	-	**2007**	$70.00	per application	
Overstrength wastewater discharge licence	***$130.00***	$100.00	$63.00	**2007**	$130.00	per application	7070/97
Overstrength wastewater discharge licence - annual renewal	***$70.00***	$50.00	-	**2007**	$70.00	per application	
Private wastewater disposal system permit- single family	***$125.00***	$100.00	$75.00	**2007**	$150.00	per address	7070/97
Private wastewater disposal system permit- Commercial-Holding Tank	***$125.00***	$100.00	$75.00	**2007**	$125.00	per address	7070/97
Land drainage discharge licence	***$125.00***	$100.00	$63.00	**2007**	$225.00	per application	7070/97
Land drainage discharge licence - annual renewal	***$75.00***	$50.00	$25.00	**2007**	$115.00	per application	7070/97
Inspection Permit Sewer Connection or Abandonment of Connection							
- single family residential	**$50.00**	$32.00	$32.00	**1999**	$108.00	per inspection	7070/97
- extra charge for after hours, weekends and holidays	**$167.00**	$94.00	$94.00	**1999**	$167.00	per inspection	7070/97
Contractor's Sewer & Water License - initial year or part thereof	**$300.00**	$125 + $127 = $252	$125 + $127 = $252	**1998**	$303.00		504/73 & 7070/97
Contractor's Sewer & Water License - annual renewal	**$176.00**	$63 + $64 = $127	$63 + $64 = $127	**1998**	$176.00		504/73 & 7070/97