Minutes – Executive Policy Committee – December 8, 2010

Minute No. 66
Report – Standing Policy Committee on Infrastructure Renewal and Public Works – November 16, 2010 adjourned to November 23, 2010

Item No. 2 2011 Water and Sewer Rates

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Infrastructure Renewal and Public Works and submits the following to Council:

1. That effective January 1, 2011, the water rates, based on water used, be increased as follows:

   A. To $1.34 from $1.29 per cubic metre from 0 - 272 cubic metres/quarter (Block 1)
   B. To $1.17 from $1.12 per cubic metre 272.1 – 2,720 cubic metres/quarter (Block 2)
   C. To $1.00 from $0.95 per cubic metre over 2,720 cubic metres/quarter (Block 3)

2. That effective January 1, 2011, the sewer rates, based on water used, be increased to $1.97 from $1.91 per cubic metre, which includes 22 cents per cubic metre for the Environmental Projects Reserve (18 cents in 2010).

3. That a By-Law be enacted to implement these fee changes, as shown on Appendix G of the report from the Winnipeg Public Service dated November 16, 2010.

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

Report – Standing Policy Committee on Infrastructure Renewal and Public Works – November 16, 2010 adjourned to November 23, 2010

DECISION MAKING HISTORY:

Moved by Councillor Vandal,

That the recommendation of the Standing Policy Committee on Infrastructure Renewal and Public Works be concurred in and forwarded to Council.

Carried

STANDING COMMITTEE RECOMMENDATION:

On November 23, 2010, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: 2011 WATER AND SEWER RATES

Critical Path: Standing Policy Committee on Infrastructure Renewal and Public Works - Executive Policy Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
Darlene Capp, C.G.A. Assistant Controller	B. D. MacBride, P. Eng Director of Water and Waste	M Ruta	M Ruta Acting CAO

RECOMMENDATIONS

It is recommended that

1. Effective January 1, 2011 the water rates, based on water used, be increased as follows:

   to $1.34 from $1.29 per cubic metre from 0 - 272 cubic metres/quarter (Block 1)
   to $1.17 from $1.12 per cubic metre 272.1 – 2,720 cubic metres/quarter (Block 2)
   to $1.00 from $0.95 per cubic metre over 2,720 cubic metres/quarter (Block 3)

2. Effective January 1, 2011 the sewer rates, based on water used, be increased to $1.97 from $1.91 per cubic metre, which includes 22 cents per cubic metre for the Environmental Projects Reserve (18 cents in 2010).

3. Council enact a By-Law (draft attached as Appendix G) to implement these fee changes.

REASON FOR THE REPORT

Changes to the Water and Sewer rates require Council approval.

IMPLICATIONS OF THE RECOMMENDATIONS

The increases recommended in this report for the 2011 rates are the same that were forecast for 2011 a year ago in the report for the 2010 rates.

Winnipeggers are embracing good conservation practices. Per capita water consumption is the lowest it's been in decades. Even with a growing population, Winnipeg is using less water every year.

Despite a steadily rising population "peak hour" and "peak day" consumptions are the lowest experienced since the 1960's.

This conservation means we have been able to avoid millions of dollars of infrastructure capital expenditures such as larger water treatment plant and quite likely a second aqueduct.

However, one consequence of lower water use is lower revenues. The cost to maintain the water and sewer systems is mostly fixed and has not changed. Minimal savings may result on chemicals and pumping costs associated with lower volumes. Consequently, water and sewer rates will have to increase to produce the necessary revenue to sustain the system. Although the rates will be higher, this does not generate higher revenue.

The Department is currently undertaking a project to review the existing rate structure. The Cost of Service study will ensure water and sewer rates are aligned with the actual cost of delivering services to each class of customer. The rate study will review alternative rate structures including declining block, inclining block, uniform, seasonal, and winter cost averaging.

Water Rate

Water rates are proposed to increase effective January 1, 2011:

- $1.34 for domestic from 0 - 272 cu. m/quarter (Block 1)
- $1.17 for intermediate from 272.1 – 2,720 cu. m/quarter (Block 2)
- $1.00 for industrial over 2,720 cu. m/quarter (Block 3)

Sewer Rate

For 2011, the Department is proposing that the sewer rate increase from $1.91 to $1.97 per cubic metre. This includes 22 cents per cubic metre for the Environmental Projects Reserve (18 cents in 2010).

The Winnipeg Public Service is working on preliminary design of wastewater upgrades at the North and South End Wastewater Pollution Control Centres.

Two major projects, Biosolids Management and Combined Sewer Overflow Control (CSO) are still in the planning stages creating uncertainty in the budget numbers.

In terms of biosolids management, the 2001 estimate that has been carried up until this report was $62 million. The estimate predated the CEC hearings and the Province's Nutrient Management Regulation that came into effect in 2008. A recent review of the impact of those events plus the ongoing construction inflation has increased the estimated cost to $150 million or higher for some options. The estimate of $150 million has been used in this rate forecast.

The combined sewer overflow mitigation cost of $450 million has not been updated since the hearings in 2003. The City has been expecting the Province to issue an environmental license for CSO mitigation but has not received one at the time of writing this report. The CSO cost projection and financial plan needs to be updated to current costs. This will be revised for next year's report once the specific requirements of the license are known and an engineering estimate is prepared.

Federal/Provincial Funding: $50 million in funding under a federal-provincial infrastructure program is being provided to the City of Winnipeg for wastewater system improvements. The agreement was finalized in 2007 and the funding incorporated into the forecast from 2007-2011.

In the 2007 throne speech, the Province announced funding of $206 million for Wastewater projects. To date no agreement has been signed, beyond the $50 million received under the Canada Strategic Infrastructure Fund (CSIF). For the purposes of this forecast, we have estimated receiving the Provincial funds over four years, 2011 to 2014. While there is the possibility of additional federal contributions, without confirmation, numbers have not been incorporated into the forecast.

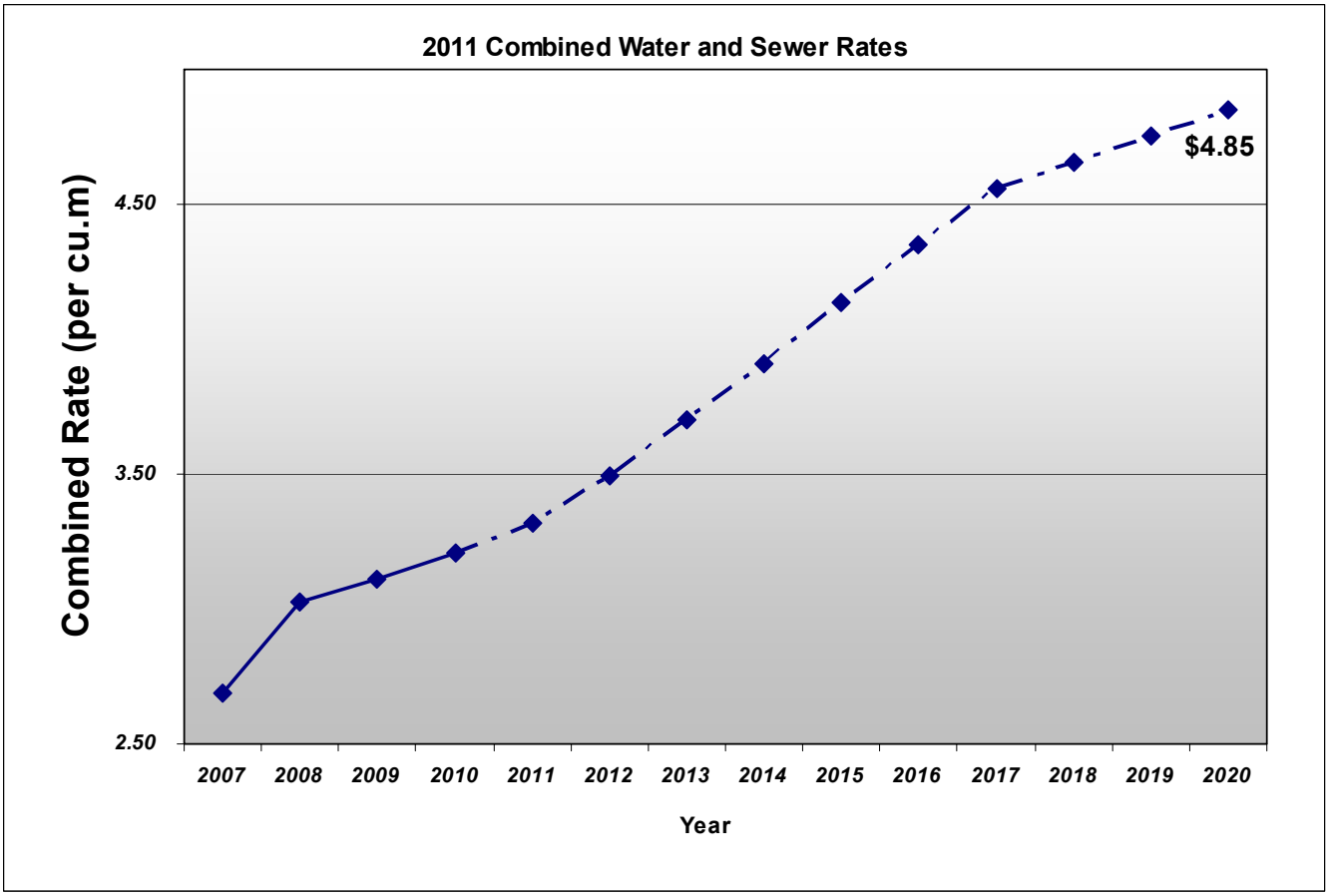
HISTORY

Working Capital

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.

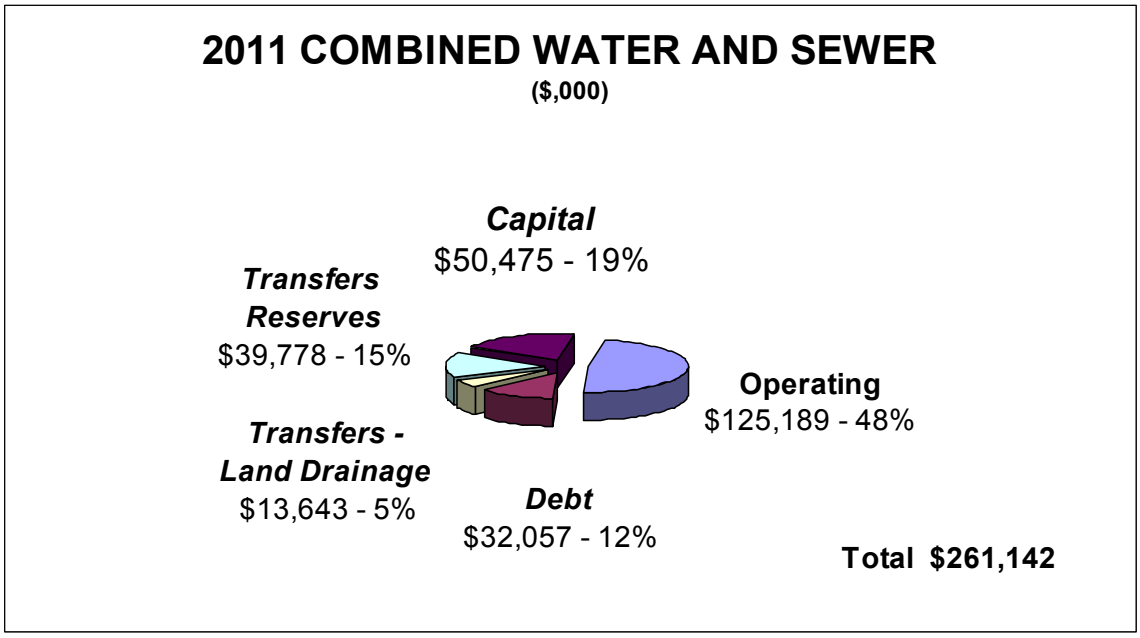
Combined Water and Sewer Rates

The 2011 water and sewer rate model projects an increase to the combined water and sewer rate of 3.2% for 2011. The 10 year plan forecasts rate increases to continue to be higher than inflation for several years. Increases are then forecast to decline to inflationary levels and remain there.



A typical residential customer's annual water and sewer bill will increase by $26.40 to $849.40 in 2011.

For 2011, the following represents the major cost categories contributing to the water and sewer rates. Total costs are forecast at $261 million, including $50 million for cash funded capital projects.



Daily Basic Service Charge

The Daily Basic Service Charge (DBSC) 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 daily basic service charge. This charge is being reviewed as part of the Cost of Service study. No change is recommended for 2011 for the DBSC.

Reserves

Environmental Projects Reserve: The Environmental Projects Reserve will support the wastewater treatment improvement program as directed by Manitoba Conservation. Federal/Provincial funding of $256 million over eight years has been incorporated into the financing plan. In addition, under this rate plan, the Department will require borrowing authority for up to $452 million in order to fully fund the improvements over the next 10 years.

Contributions to the reserve will increase in 2011 from 18 cents to 22 cents per cubic metre an increase of 4.0 cents per cubic metre. The increased contribution to the reserve is part of a plan to reduce the amount of debt funding that is required to complete the wastewater treatment improvement program, therefore reducing the amount of interest and service charges being paid.

Sewer Utility
Environmental Projects and Financing Schedule $000s

Year	Annual Capital	Project Financing					Balance	
	Expenditure	Volume Rate [1]	Fed/Prov	Debt	Retained Earnings	Total	Debt	Reserve
to 2006	44,001	90,944	-	-		90,944	-	46,943
2007	19,430	9,959	8,200	-		18,159	-	45,672
2008	21,789	8,514	3,866	-	3,028	15,408	-	39,291
2009	5,529	9,844	5,195	-		15,039	-	48,801
2010	8,421	12,524	19,704	-		32,228	-	72,608
2011	131,342	13,578	64,035	-	9,536	87,149	-	28,415
2012	131,125	16,181	51,000	14,000	27,658	108,839	14,000	6,130
2013	222,405	18,875	52,000	146,000		216,875	160,000	600
2014	191,405	19,265	52,000	120,000		191,265	280,000	461
2015	155,626	19,184		136,000		155,184	416,000	19
2016	11,684	19,231		-		19,231	416,000	7,566
2017	32,040	19,150		6,000		25,150	422,000	676
2018	32,010	19,134		13,000		32,134	435,000	799
2019	30,724	21,450		9,000		30,450	444,000	525
2020	30,055	21,849		7,681		29,530	442,681	-
2021	27,000	21,094		5,906		27,000	448,587	-
2022	26,034	21,008		5,026		26,034	453,613	-
2023	21,034	21,116		-		21,116	453,613	82
2024	21,000	21,116		-		21,116	453,613	197
2025	21,000	21,223		-		21,223	453,613	420
2026	21,000	21,223		-		21,223	453,613	643
2027	21,000	21,223		-		21,223	453,613	865
2028	21,000	21,330		-		21,330	453,613	1,195
2029	21,000	21,437		-		21,437	453,613	1,632
2030	21,000	21,544		-		21,544	453,613	2,177
Total to 2020	1,067,586	319,683	256,000	451,681	40,222	1,067,586	442,681	-
Total to 2030	1,288,654	531,996	256,000	462,613	40,222	1,290,831	453,613	2,177

[1] Includes Interest
[2] Project forecast inlcudes inflation and contingency

Sewer System Rehabilitation and Watermain Renewal Reserves: Since 2009 the Sewer System Rehabilitation and Watermain Renewal reserves, formerly frontage levy funded, are funded from water and sewer rates. Maintaining the reserves ensures the Department has a consistent funding approach and dedicated resources for infrastructure renewal. A segregated renewal funding approach allows the department to monitor funds, manage contributions and ensure long term funding availability. Based on the Department's asset management strategy and best practices, contributions to the reserves will gradually increase to begin to address the issue of infrastructure deficit. The current annual funding deficit is approximately $6M for watermains and $8M for sewer mains, per year over existing contributions. Reserve spending is approved through the capital budget process.

Transfers to the Land Drainage Program

In 2011, the sewer fund will transfer an estimated $13.6 million to fully support the tax-supported land drainage and flood control program, (total sewer Land Drainage transfers for 2010 $13.4 million).

The Department had received $7.5M in frontage levies for basement flood relief for tax supported Land Drainage annually. In the 2010 approved capital budget, the frontage levy contribution was reduced to $1.1M; and then eliminated in 2011 capital budget forecast while the project was not eliminated. A Land Drainage fee is being studied as part of the Cost of

Service study. A land drainage fee could only be implemented if approved by City Council. In consideration of a possible land drainage fee, the $7.5 million annual requirement has not been included in this rate model projection as presented in Appendix C.

Transfers to Capital Program

The water and sewer funds continue to employ a pay-as-you-go policy for ongoing infrastructure renewal programs. In 2011, the water fund will cash finance an estimated capital program of $13.9 million. The cash financed sewer fund capital program in 2011 is estimated at $36.6 million, not including the Environmental Projects Reserve.

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 continue to gradually decline over the next ten years. Consumption projections are based on a five year trend analysis and incorporate, to mitigate risks, the assumptions found in a 2010 Evaluation of Water Consumption and Future Demand report including population growth offset by increased conservation and efficiencies for water usage. If actual consumption is less than plan, as is the case for 2010, 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. Capital Investment: Capital investment is based upon the Department's early 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.

3. Economic development: The City's economic climate can have significant impact on the 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 large volume users.

4. 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 have required large 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. It is expected that an environmental license will be issued for combined sewer overflow mitigation in the near future.

The funds target to maintain a minimum combined working capital position of 11% of combined water and sewer sales on an annual basis. The purpose of the working capital 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 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 conditions where change is significant, costs are rapidly increasing and consumption is declining, due to increasing costs and continuing conservation programs.

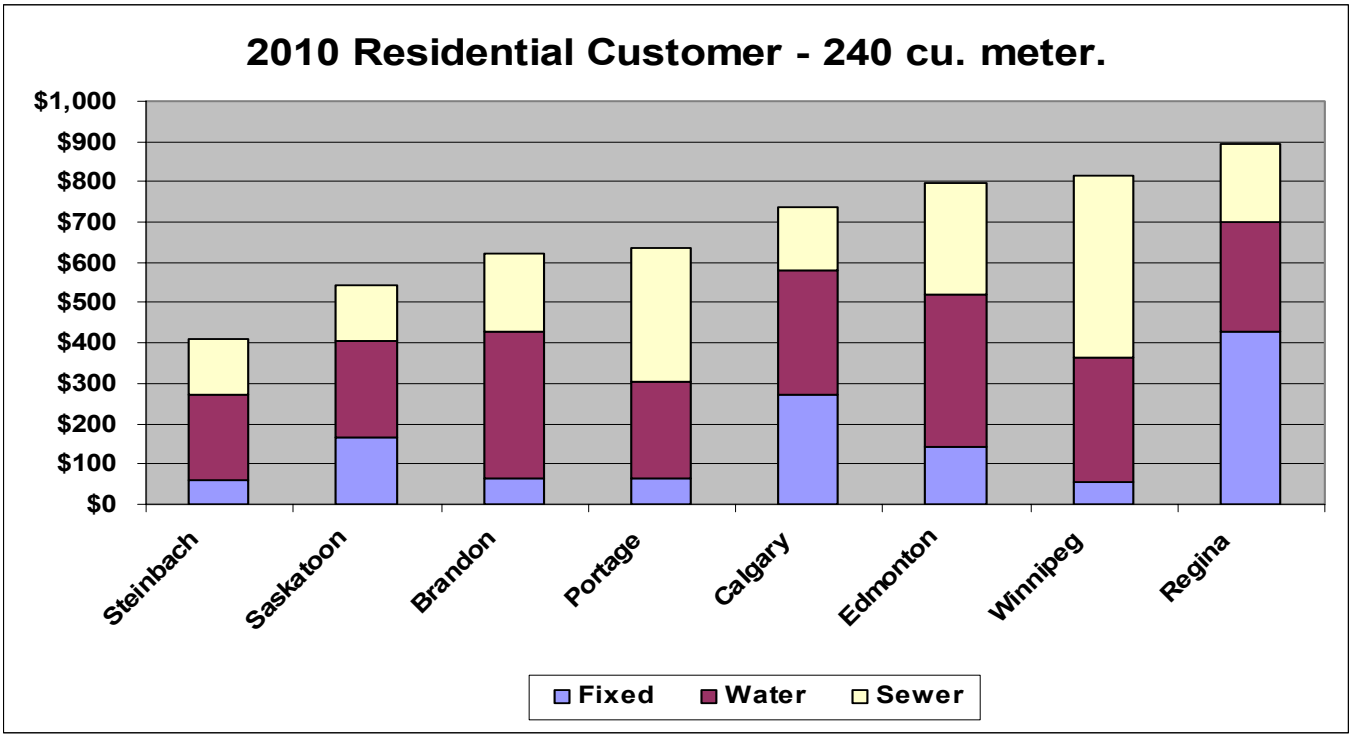
The Water and Sewer Funds adhere to a set of operating principles that can be found in Appendix E. Appendix F illustrates the impact of the rate strategy on various sample customers.

Competitiveness

Winnipeg's combined water and sewer rate remains competitive to other cities of similar size. Rates have increased across cities surveyed. The following tables illustrate costs for residential customers (Block 1 rates, consumption of 240 cubic metres), commercial customers (Block 1 and 2 rates, consumption of 1,600 cubic metres) and large users (Block 1, 2 and 3 rates consumption of 254,500 cubic metres) each in 2010 rates.

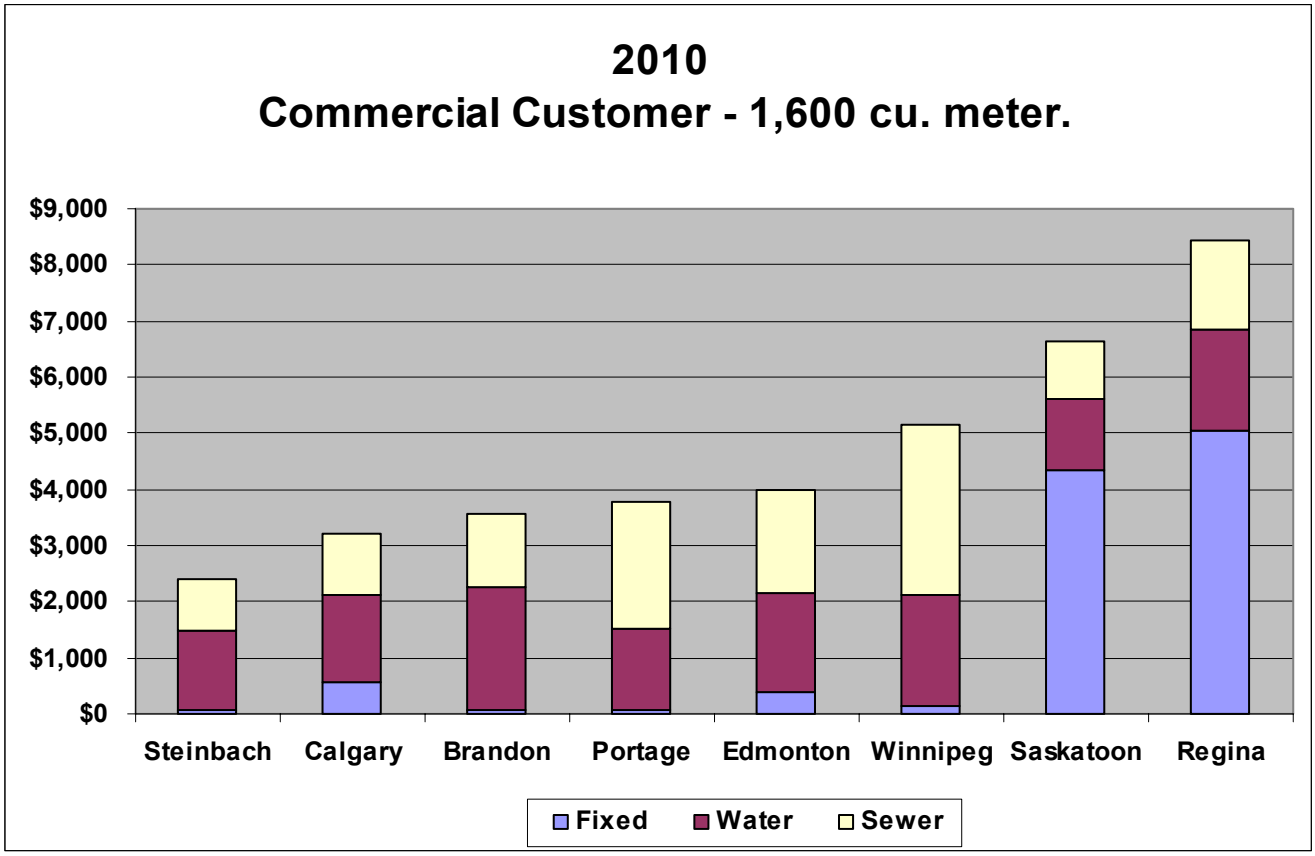
Residential Customers

	Winnipeg	Regina	Saskatoon	Calgary	Edmonton	PLAP	Brandon	Steinbach
Fixed	55.00	427.05	165.36	270.00	141.84	63.60	64.00	61.00
Water	309.60	271.16	240.74	310.81	377.49	239.64	363.93	211.70
Sewer	458.40	197.00	136.58	156.39	276.59	334.86	192.67	137.96
Total 2010	$823.00	$895.21	$542.69	$737.21	$795.91	$638.10	$620.60	$410.66
Total 2009	801.95	821.74	518.65	708.24	761.56	603.89	597.57	403.52
Variance	$ 21.05	$ 73.47	$ 24.04	$ 28.97	$ 34.35	$ 34.20	$ 23.03	$ 7.14
Percent	2.6%	8.9%	4.6%	4.1%	4.5%	5.7%	3.9%	1.8%



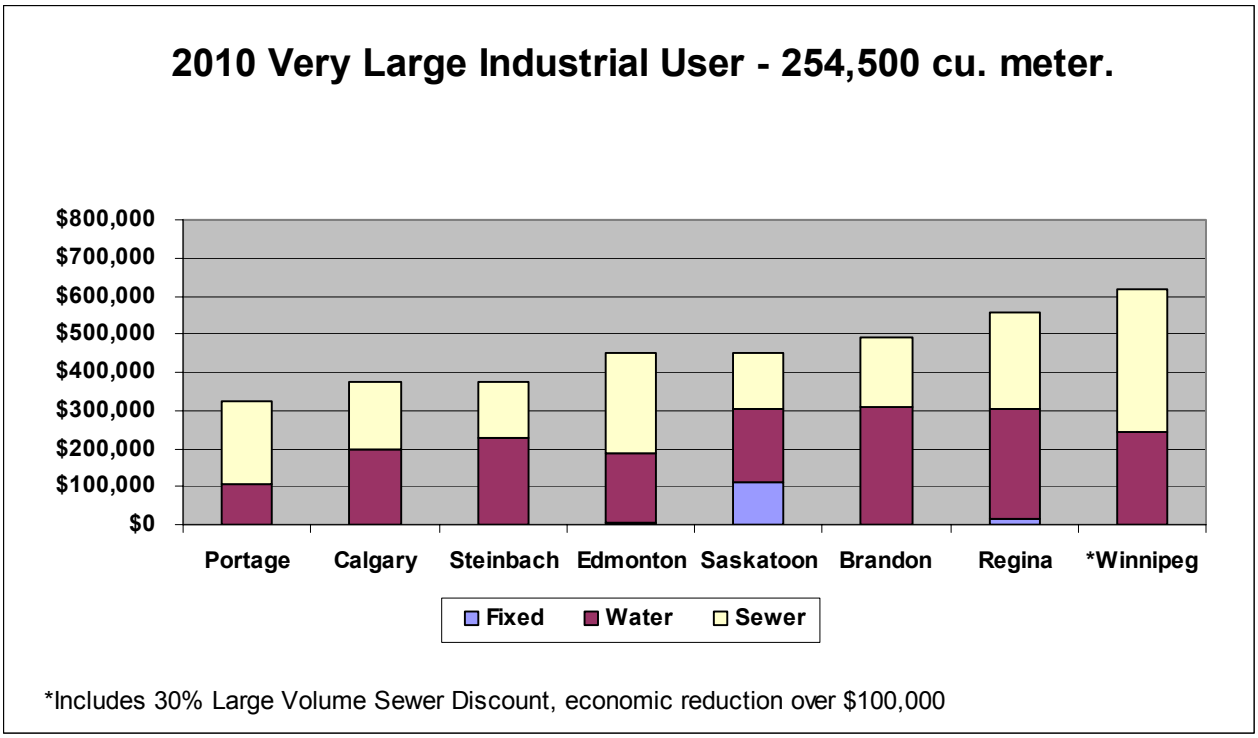
Commercial Customers

	Winnipeg	Regina	Saskatoon	Calgary	Edmonton	PLAP	Brandon	Steinbach
Fixed	127.20	5,047.95	4,324.80	576.84	372.48	63.60	64.00	61.00
Water	1,976.85	1,807.75	1,282.53	1,557.68	1,767.54	1,466.61	2,209.32	1,411.31
Sewer	3,056.00	1,569.57	1,020.99	1,091.15	1,843.90	2,232.41	1,284.45	919.73
Total 2010	$5,160.05	$8,425.27	$6,628.32	$3,225.67	$3,983.92	$3,762.63	$3,557.78	$2,392.04
Total 2009	5,019.30	7,592.97	6,060.56	3,157.39	3,798.78	3,543.12	3,407.20	2,312.76
Variance	$140.75	$832.30	$567.76	$68.28	$185.14	$219.51	$150.58	$79.28
Percent	2.8%	11.0%	9.4%	2.2%	4.9%	6.2%	4.4%	3.4%



Very Large Industrial Users

	Winnipeg	Regina	Saskatoon	Calgary	Edmonton	PLAP	Brandon	Steinbach
Fixed	1,142.80	12,734.85	110,714.88	2,275.32	7,508.16	63.60	64.00	61.00
Water	243,809.56	290,111.18	191,890.83	195,565.84	182,343.67	105,967.46	309,257.03	226,490.31
Sewer	370,266.50	251,887.76	149,921.54	175,110.09	260,517.35	219,537.82	184,308.12	147,600.43
Total 2010	$615,218.86	$554,733.80	$452,527.24	$372,951.25	$450,369.18	$325,568.88	$493,629.15	$374,151.74
Total 2009	596,078.03	510,788.71	409,320.80	358,397.74	430,177.56	292,857.87	456,064.62	361,427.57
Variance	$19,140.83	$43,945.09	$43,206.44	$14,553.51	$20,191.62	$32,711.01	$37,564.53	$12,724.17
Percent	3.2%	8.6%	10.6%	4.1%	4.7%	11.2%	8.2%	3.5%



COMMUNICATION:

The Water and Waste Department will communicate the water and sewer rates to customers as follows:

Strategy	Timeline
Briefing session for Water Billing Representatives	December 2010
Ads in the business section of both daily newspapers	December 2010
Web site updated with new rates	December 2010
Presentation on water and sewer rates at the annual Customer Seminar	January 2011
Message imprinted on each water/sewer bill	January – March 2011

FINANCIAL IMPACT

Financial Impact Statement **Date:** October 12, 2010

Project Name: 2011 WATER AND SEWER RATES

The 2011 rates and financial plans for water and sewer funds are contained in Appendices B and C. These plans are reflected in the current and capital estimates and as such, a financial impact statement has not been prepared.

"original signed by Lucy Szkwarek, C.G.A."
Lucy Szkwarek, C.G.A.
Acting Manager of Finance and Administration

CONSULTATION

In preparing this report there was consultation with:

Internal Consultation With and Concurrence By:
Legal Services Department

SUBMITTED BY

Water and Waste Department
Finance and Administration Division
Prepared by: Darlene Capp CGA
Date: November 16, 2010
File No. 010-08-20-01-00
010-08-20-01-01

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 2003 - 2008
APPENDIX E	Water and Sewer - Principles of Operation
APPENDIX F	Impact of the Water and Sewer recommendations on sample customers January 1st, 2010
APPENDIX G	Water Works System By-law Amendment

Appendix A

History of Water and Sewer Rates
2001 - 2010

History of Water and Sewer Utility Rates

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Water Rates (per cu m)										
Block 1 (< 272 cu.m)	**$0.97**	**$0.97**	**$0.97**	**$0.97**	**$0.97**	**$0.97**	**$1.11**	**$1.22**	**$1.25**	**$1.29**
Block 2 (272 - 2720 cu.m)	**$0.80**	**$0.80**	**$0.80**	**$0.80**	**$0.80**	**$0.80**	**$0.94**	**$1.05**	**$1.08**	**$1.12**
Block 3 (> 2720 cu.m)	**$0.63**	**$0.63**	**$0.63**	**$0.63**	**$0.63**	**$0.63**	**$0.77**	**$0.88**	**$0.91**	**$0.95**
Sewer Rates (per cu m)										
Volume Rate	**$0.96**	**$0.96**	**$0.96**	**$1.10**	**$1.20**	**$1.37**	**$1.57**	**$1.81**	**$1.86**	**$1.91**
Total Water and Sewer Rate (Block 1)	**$1.94**	**$1.94**	**$1.94**	**$2.07**	**$2.17**	**$2.34**	**$2.69**	**$3.03**	**$3.11**	**$3.20**

Appendix B

WATERWORKS SYSTEM FUND
Financial Projection 2011-2020 ($000s)

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Waterworks System	2010 Budget	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue											
Sales Revenue	89,431	88,091	90,344	93,369	96,764	99,971	102,073	104,005	106,147	108,136	110,702
Non Rate Revenue	4,175	3,935	4,179	4,289	3,975	3,433	3,220	3,431	3,652	3,882	4,122
Total Revenue	**93,606**	**92,026**	**94,523**	**97,658**	**100,739**	**103,404**	**105,293**	**107,436**	**109,799**	**112,018**	**114,824**
% Change in Rate Revenue		*-1.5%*	*2.6%*	*3.3%*	*3.6%*	*3.3%*	*2.1%*	*1.9%*	*2.1%*	*1.9%*	*2.4%*
Expenditures											
Operating	62,070	58,912	61,329	62,932	64,265	65,624	67,011	68,425	69,868	71,339	72,840
Fire Hydrant Maintenance Expense	3,708	3,708	3,708	3,708	3,708	3,708	3,708	3,708	3,708	3,708	3,708
Debt Service	17,994	18,259	18,551	18,220	16,690	14,230	12,400	12,585	12,780	12,982	13,195
Transfer to Watermain Renewal Reserve	10,500	13,000	14,000	15,000	16,000	17,000	17,000	17,000	17,000	17,000	17,000
Total Expenditures	**94,272**	**93,879**	**97,588**	**99,860**	**100,663**	**100,562**	**100,119**	**101,718**	**103,356**	**105,029**	**106,743**
Surplus(Deficit) for the year	(666)	(1,853)	(3,065)	(2,202)	77	2,842	5,174	5,718	6,442	6,989	8,081
Opening Working Capital		59,674	44,872	28,479	13,386	6,274	3,224	4,154	4,872	6,314	8,303
Appropriated to Capital		(13,899)	(13,328)	(12,891)	(7,340)	(6,285)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
Other Changes in Working Capital		950	0	0	151	393	756	0	0	0	0
Ending Working Capital		44,872	28,479	13,386	6,274	3,224	4,154	4,872	6,314	8,303	11,384
Working Capital as a % of Sales		**51%**	**32%**	**14%**	**6%**	**3%**	**4%**	**5%**	**6%**	**8%**	**10%**
Water Rate Block 1 ($dollars)	**1.29**	**1.34**	**1.40**	**1.45**	**1.51**	**1.57**	**1.61**	**1.64**	**1.68**	**1.71**	**1.75**
Rate Change Block 1	**2.9%**	**3.9%**	**4.5%**	**3.6%**	**4.1%**	**4.0%**	**2.5%**	**1.9%**	**2.4%**	**1.8%**	**2.3%**
Long-Term Debt Summary											
New debt, Water Treatment Plant											
Debt outstanding, closing year end balance	**167,160**	**161,012**	**154,571**	**148,045**	**142,009**	**136,933**	**132,853**	**128,588**	**124,128**	**119,466**	**114,591**

Appendix C

SEWAGE DISPOSAL SYSTEM FUND
Financial Projection 2011-2020 ($000s)

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Sewage Disposal System	2010 Budget	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue											
Sales Revenue	123,741	113,118	116,175	121,957	131,067	140,816	151,707	162,356	167,251	168,588	171,585
Non Rate Revenue	7,088	7,343	7,872	6,432	4,761	4,848	5,210	5,867	6,832	8,128	9,782
Environmental Projects Reserve	11,993	13,578	16,181	18,875	19,265	19,184	19,156	19,150	19,133	21,849	21,848
Total Revenue	**142,822**	**134,039**	**140,228**	**147,264**	**155,093**	**164,848**	**176,073**	**187,373**	**193,216**	**198,565**	**203,215**
% Change in Rate Revenue		*-6.7%*	*4.5%*	*6.4%*	*6.7%*	*6.4%*	*6.8%*	*6.2%*	*2.7%*	*2.2%*	*1.6%*
Expenditures											
Operating	60,820	62,569	63,749	66,456	72,785	80,340	87,130	92,158	92,392	92,639	92,899
Debt Service	13,683	13,798	14,255	14,453	17,587	25,613	32,232	33,016	34,597	36,705	38,952
Transfer to Environmental Projects Reserve	11,993	13,578	16,181	18,875	19,265	19,184	19,156	19,150	19,134	21,849	21,849
Land Drainage	13,441	13,643	13,711	13,709	13,846	13,985	14,124	14,266	14,408	14,552	14,698
Transfer to Sewer System Rehabilitation Reserve	9,000	13,200	13,900	14,600	15,300	16,100	16,900	16,900	16,900	16,900	16,900
Total Expenditures	**108,937**	**116,788**	**121,796**	**128,093**	**138,783**	**155,222**	**169,542**	**175,490**	**177,431**	**182,645**	**185,298**
Surplus(Deficit) for the year	33,885	17,251	18,432	19,171	16,310	9,626	6,531	11,883	15,785	15,920	17,917
Opening Working Capital		97,956	78,615	61,060	43,922	25,259	11,627	4,928	5,810	10,496	15,209
Appropriated to Capital		(36,576)	(36,000)	(36,000)	(35,000)	(22,800)	(11,000)	(11,000)	(11,000)	(11,000)	(11,000)
Other Changes in Working Capital		(16)	13	(309)	27	(459)	(2,230)	(0)	(99)	(208)	(147)
Ending Working Capital		78,615	61,060	43,922	25,259	11,627	4,928	5,810	10,496	15,209	21,979
Working Capital as a % of Sales		**69%**	**53%**	**36%**	**19%**	**8%**	**3%**	**4%**	**6%**	**9%**	**13%**
Sewer Rate	**$1.91**	**$1.97**	**$2.10**	**$2.24**	**$2.40**	**$2.57**	**$2.75**	**$2.92**	**$2.98**	**$3.04**	**$3.10**
Rate Change	**2.8%**	**3.1%**	**6.6%**	**6.7%**	**7.1%**	**7.1%**	**7.0%**	**6.2%**	**2.1%**	**2.0%**	**2.0%**
Long-Term Debt Summary											
New debt, Environmental Projects	**0**	**0**	**14,000**	**146,000**	**120,000**	**136,000**	**0**	**6,000**	**13,000**	**9,000**	**7,681**
Debt outstanding, closing year end balance	**28,282**	**21,366**	**28,197**	**168,005**	**281,432**	**408,591**	**395,148**	**387,039**	**384,767**	**376,793**	**365,554**

Note: The sewer rates in this report do not include any possible reduction resulting from a potential Land drainage fee currently being studied

Appendix D

WATER CONSUMPTION HISTORICAL SUMMARY - 000s CUBIC METERS
Consumption for volume sales (excludes standpipe)

	2005	2006	2007	2008	2009
B-1 Sales	**04/05**	**05/06**	**06/07**	**07/08**	**08/09**
October	3,401	4,425	4,036	3,875	3,489
November	2,893	3,142	3,156	2,994	2,584
December	3,720	3,805	3,785	3,352	3,366
January	4,045	3,658	3,817	3,785	3,526
February	3,172	2,900	3,009	2,991	2,923
March	3,601	3,481	3,525	3,483	3,310
April	3,674	3,572	3,569	3,724	3,282
May	2,907	2,977	3,066	2,733	2,672
June	3,742	3,543	3,635	3,197	3,382
July	4,011	3,952	3,465	3,623	3,774
August	3,328	3,716	2,984	3,131	3,216
September	3,602	4,363	3,797	4,019	3,751
Total	**42,096**	**43,534**	**41,844**	**40,906**	**39,275**
B-2 Sales	**04/05**	**05/06**	**06/07**	**07/08**	**08/09**
October	1,141	1,737	1,650	1,537	1,452
November	1,496	1,496	1,607	1,644	1,471
December	1,288	1,149	1,114	1,034	1,008
January	1,571	1,395	1,411	1,372	1,354
February	1,645	1,418	1,592	1,658	1,538
March	1,144	1,207	1,059	1,044	1,037
April	1,377	1,271	1,157	1,410	1,138
May	1,420	1,484	1,590	1,399	1,399
June	1,093	1,056	1,100	1,010	1,071
July	1,392	1,447	1,361	1,253	1,377
August	1,727	1,746	1,498	1,621	1,685
September	1,479	1,106	1,139	1,202	1,254
Total	**16,774**	**16,513**	**16,277**	**16,184**	**15,783**
B-3 Sales	**04/05**	**05/06**	**06/07**	**07/08**	**08/09**
October	499	1,824	1,038	993	708
November	1,247	986	1,333	1,061	1,071
December	830	467	930	690	803
January	737	576	1,965	800	750
February	1,326	921	(46)	1,031	915
March	797	976	1,149	578	838
April	737	1,748	386	823	627
May	1,146	(3)	922	968	726
June	847	604	1,891	578	521
July	875	1,109	341	659	763
August	1,631	2,456	1,122	1,231	1,094
September	980	(861)	813	1,019	984
Total	**11,650**	**10,802**	**11,845**	**10,432**	**9,798**
TOTAL B1-B3	**70,521**	**70,850**	**69,966**	**67,522**	**64,857**

Appendix E

WATER AND SEWER UTILITY
PRINCIPLES 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. Infrastructure Renewal: The Watermain Renewal and Sewer System Rehabilitation Reserves were established to provide a consistent approach to financing infrastructure renewal. Maintaining the reserves ensures this approach continues. Reserve contributions by the Utilities are based on an asset management strategy developed by the Utilities and approved through the capital and operating budget processes.

7. Transfers to the General Revenue Fund: The Water and Sewer Utilities transfer funds to the General Revenue Fund in the form of support to the Land Drainage program which funds 100% of the costs of this program.

8. 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

Appendix F

CUSTOMER IMPACT ANALYSIS
Annual Basis

O:\Fa\DCAPP\Rates\Rate Model W&S\2011\2011RTS_02\[2011RTS_02.xls]customer impact calculation

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Residential 5/8" meter											
240 cu.m. Water	1.29	1.34	1.40	1.45	1.51	1.57	1.61	1.64	1.68	1.71	1.75
Sewer	1.91	1.97	2.10	2.24	2.40	2.57	2.75	2.92	2.98	3.04	3.10
Total Volume Rate	**3.20**	**3.31**	**3.50**	**3.69**	**3.91**	**4.14**	**4.36**	**4.56**	**4.66**	**4.75**	**4.85**
Daily Basic Service Charge [(1)]	**13.75**	**13.75**	**13.75**	**13.75**	**13.75**	**13.75**	**13.75**	**13.75**	**13.75**	**13.75**	**13.75**
	$823.00	$849.40	$895.00	$940.60	$993.40	$1,048.60	$1,101.40	$1,149.40	$1,173.40	$1,195.00	$1,219.00
Overall $ Change	21.23	26.40	45.60	45.60	52.80	55.20	52.80	48.00	24.00	21.60	24.00
Overall % Change	2.67%	3.21%	5.37%	5.09%	5.61%	5.56%	5.04%	4.36%	2.09%	1.84%	2.01%
Commercial 2" meter											
1,600 cu.m. Water	1.12	1.17	1.23	1.28	1.34	1.40	1.44	1.47	1.51	1.54	1.58
Sewer	1.91	1.97	2.10	2.24	2.40	2.57	2.75	2.92	2.98	3.04	3.10
Total Volume Rate	**3.03**	**3.14**	**3.33**	**3.52**	**3.74**	**3.97**	**4.19**	**4.39**	**4.49**	**4.58**	**4.68**
Daily Basic Service Charge [(1)]	**31.80**	**31.80**	**31.80**	**31.80**	**31.80**	**31.80**	**31.80**	**31.80**	**31.80**	**31.80**	**31.80**
	$5,160.05	$5,336.16	$5,640.16	$5,944.16	$6,296.16	$6,664.16	$7,016.16	$7,336.16	$7,496.16	$7,640.16	$7,800.16
Large Restaurant 3" meter											
17,700 cu.m. Water	0.95	1.00	1.06	1.11	1.17	1.23	1.27	1.30	1.34	1.37	1.42
Sewer	1.91	1.97	2.10	2.24	2.40	2.57	2.75	2.92	2.98	3.04	3.10
Total Volume Rate	**2.86**	**2.97**	**3.16**	**3.35**	**3.57**	**3.80**	**4.02**	**4.22**	**4.32**	**4.41**	**4.52**
Daily Basic Service Charge [(1)]	**109.45**	**109.45**	**109.45**	**109.45**	**109.45**	**109.45**	**109.45**	**109.45**	**109.45**	**109.45**	**109.45**
	$53,180.28	$55,041.36	$58,404.36	$61,767.36	$65,661.36	$69,732.36	$73,626.36	$77,166.36	$78,936.36	$80,529.36	$82,367.56
Foundry 8" meter											
254,500 cu.m. Water	0.95	1.00	1.06	1.11	1.17	1.23	1.27	1.30	1.34	1.37	1.42
Sewer	1.91	1.97	2.10	2.24	2.40	2.57	2.75	2.92	2.98	3.04	3.10
Total Volume Rate	**2.86**	**2.97**	**3.16**	**3.35**	**3.57**	**3.80**	**4.02**	**4.22**	**4.32**	**4.41**	**4.52**
Daily Basic Service Charge [(1)]	**285.70**	**285.70**	**285.70**	**285.70**	**285.70**	**285.70**	**285.70**	**285.70**	**285.70**	**285.70**	**285.70**
	$731,047.36	$759,042.36	$807,397.36	$855,752.36	$911,742.36	$970,277.36	$1,026,267.36	$1,077,167.36	$1,102,617.36	$1,125,522.36	$1,153,408.56

Appendix G

THE CITY OF WINNIPEG

BY-LAW NO.

A By-law of THE CITY OF WINNIPEG to amend the Water Works By-law

THE CITY OF WINNIPEG, in Council assembled, enacts as follows:

1 Section 1 of Schedule A of the Water Works By-law No. 504/73 is repealed and the following is substituted:

Domestic $1.34 per cubic metre from 0 to 272 cubic metres per quarter

Intermediate $1.17 per cubic metre from 272.1 to 2,720 cubic metres per quarter

Industrial $1.00 per cubic metre over 2,720 cubic metres per quarter

2. This By-law comes into force on January 1, 2011.

DONE AND PASSED, this day of , 2010.

_____
Mayor

_____
City Clerk

Approved as to content:

_____
Director of Water and Waste

Approved as to form:

_____
For City Solicitor/Director of
Legal Services