



WATER AND SEWER SERVICES

provided by the Town of Drayton Valley to residents and businesses include water treatment, distribution of water through transmission lines and a local distribution system, fire protection offered through the local water distribution system, collection and transmission of waste water, and waste water treatment services.

UPCOMING CHANGES TO YOUR WATER AND SEWER RATES

A letter was mailed to our water and sewer customers the week of March 6, 2017 and a Community Information Session was held March 13, 2017 notifying residents and businesses of the upcoming changes to their water and sewer rates.

A utility (full cost) approach to rate setting and structural changes to rates that ensures equity, financial sustainability, is being implemented and

WILL COME INTO EFFECT ON MAY 1, 2017

The utility (full cost) approach will be phased in within 10 years of implementation, thereby creating water and sewer utilities that are self-sustaining and no longer subsidized through property taxes.



FINANCIAL SUSTAINABILITY



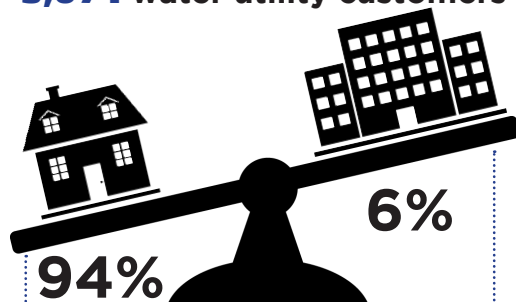
CREATING EQUITY



WHAT WE NEED TO DO

The Town's current water and sewer rate structure, including our current commodity and fixed charges do not collect enough money to fund operations and long-term replacement costs.

There are an estimated **3,074** water utility customers



• **2,886** small line customers (mainly residential) are subsidizing customers serviced by large lines

• **188** large line customers (mainly commercial and institutional) are being subsidized by customers serviced by small lines

Changes to water and sewer rates are necessary to ensure that reserves are accumulated for future asset rehabilitation and reconstruction and to ensure both fairness and equity.

OUTCOMES OF RATE CHANGES

- Changes will **ELIMINATE THE TAX CROSS - SUBSIDIZATION IMMEDIATELY** in Year 1 and gradually achieve full cost requirements by Year 10
- The "average" residential customer in Drayton Valley will see a **DECREASE OF \$0.78** per month on their utility bill
- **FIXED CHARGES ON SEWER RATES WILL BE REMOVED**

WHAT THIS MEANS TO OUR CUSTOMERS

- A capacity charge of \$15.25 per month for small service customers in Year 1, **INCREASING BY \$0.10** in most years.
- Water rates will include a customer **ADMIN/BILLING CHARGE OF \$4.55 MONTHLY**, in Year 1 and increasing by \$0.05 each year.
- As changes will result in financial impacts to our larger service customers, a **PHASED IN APPROACH** is being implemented over the next 10 years. A **70% REBATE PROGRAM** will be provided to our large service water customers within Town boundaries in the first year.



ASSET REHABILITATION AND RECONSTRUCTION

The Town is currently not accumulating reserves for future asset rehabilitation and reconstruction. With assets being at 34% of their useful life on average (66% remaining), changes will allow the Town to meet current cash requirements as well as plan and fund asset replacement needs as they occur in the future.



DEFICIT

The current water rate setting approach is resulting in an approximate deficit of \$1.8 million per year

The current sewer rate setting approach is resulting in a deficit of \$770,000 per year



OPERATIONAL AND INFRASTRUCTURE NEEDS

The existing rate structure will not be sufficient to meet operational and infrastructure needs in the future.

The resultant cross-subsidizations from the general tax base and within our customer base are further exaggerated when observing that a number of large service institutional customers pay no property tax to the Town of Drayton Valley.

A vast majority of customers are paying, in part, to make up the significant revenue shortfall arising from the rate treatment given a small number of large service and institutional customers.