

March 2017

## LETTER TO OUR WATER AND SEWER CUSTOMERS

The 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. The current water and sewer utility rate structure does not ensure ongoing financial viability and is not equitable to all users. As such, to ensure equity and long-term financial sustainability of the water and sewer utility, a new rate structure has been developed which will come into effect on May 1, 2017.

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. The result of this is that water and sewer operations are currently being subsidized by all municipal taxpayers through property taxes. Our current approach also has a structural inequity where small line customers, mainly residential, are subsidizing customers serviced by larger lines. The cross-subsidization 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. Simply put, the vast majority of customers are paying, in part, to make up the significant revenue shortfall arising from the rate treatment given to a small number of large service and institutional customers.

The current rate setting approach is resulting in an annual deficit and does not allow the Town to accumulate reserves for future asset reconstruction and replacement. 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.

Understanding that changes will result in financial impacts to our larger service customers, a phased in approach is being implemented. In addition, a rebate program on fixed charges will also be provided to large service customers over this period of implementation.

**A Community Information Session will be held on March 13<sup>th</sup>, 2017, at 5:00 p.m. at the MacKenzie Conference Centre.** Representatives from CORVUS Business Advisors, who advised the Town on go forward water and sewer rate setting models, will be in attendance, along with members of Town Council and Administration. We hope you will attend this information session to learn more about these rate changes, how this approach is responsive to the long-term sustainability of our critical assets, and to answer any questions you may have.

Town of Drayton Valley