

TOWN OF KYLE – WATER AND SEWER RATES INCREASE NOTICE EFFECTIVE JANUARY 1, 2017

In August of each year the annual report on Waterworks is to be completed and provided to consumers and to the minister. It is a statement of the municipality's revenues, expenditures and debt payments for the previous calendar year based on the annual audited financial statement. This report is converted to a statement expressed as a ratio (municipality's revenues divided by the municipality's expenditures plus the debt payments). This ratio gives a quick snapshot of the profit or deficit position the municipality's utility department is in. In 2015, the ratio was .84 which converted to an approximate deficit of \$58,000.

Since September, 2016 we have been tracking the expenses, looking for efficiencies and trying to forecast what the 2016 Utility department profit or deficit will be. We are anticipating a ratio of .76 for 2016 or an estimated deficit of \$93,792 which is the principal loan payment on the water utility debenture for 2017. The revenues in 2016 were lower than budgeted and this can be attributed to the high rainfall, so therefore less water usage. The expenses included in the budget are also for sewer main line clean out, sewer property line clean outs and all repairs to water lines. This deficit does not set aside any funds for the Utility reserve.

The base rate for water and sewer was increased in July 2011 from \$39.00 per month to \$48.00 which it is today.

The Town's portion of the Sask Landing Regional Water Pipeline Utility debenture payments amounts to \$215,156 per year. The first payment was in 2014. This payment needs to be recovered by revenues from the Utility department or if there is a short fall then from the property tax mill rate.

In September, 2016 we were given notice that effective January 1, 2017, the Sask Landing Regional Water Pipeline Utility (SLRWPU) would be charging a new flat fee to the Town of Kyle of \$35.00 per month for 250 water meters. (We currently invoice between 240 – 250 water meters per month). This charge is broken down as \$10.00 for mainline loan refinancing and \$25 for fixed operating costs of the water treatment plants. This will be added to the monthly water utility bill.

The Town of Kyle has recently passed a bylaw to increase the water and sewer rates to a monthly minimum charge of \$60.00 (\$50 water + \$10 sewer) up from \$48 (\$40 water + \$8 sewer), and a rate of \$26/1000 gallons over the minimum of 2500 gallons. This bylaw also includes the \$35.00 per month flat fee from SLRWPU.

So the new minimum monthly water bill will be \$95.00 per month. ($\$60 + \$35 = \95)

It is the expectation from The Municipal Board that the Utility Department be a "self-sustaining utility". The goal is to have a Utility Surplus after operating expenses and debt repayment. This will allow the municipality to set aside reserves for future utility capital projects. This current increase will only meet our 2017 operating expenses.

This bylaw and utility rate increase must be approved by The Municipal Board before it can be implemented in January 2017.

If you have any questions or concerns the council and a representative from SLRWPU will be available to answer them on Tuesday, January 17, 2017 at the Kyle Legion Hall at 7:00 pm.

Listed below are the schedules from the 2015 annual audited financial statement.

The 2016 estimated and 2017 budget figures are available upon request.

2. Long-Term Debt

- a) The debt limit of the town in 2015 was \$1,096,174. The debt limit for a municipality is the total amount of the municipality's own source revenues for the preceding year (the *Municipalities Act* section 161(1)).
- b) The town has two debenture issues outstanding, both of which were used to loan funds to the Saskatchewan Landing Regional Water Pipeline Utility to assist in the cost of construction of the pipeline. Bylaw No. 07-2013 has a principal balance of \$2,583,638, with interest at 4.4%, requiring annual payments of \$210,781 in years 2016 through 2033. Bylaw No. 09-2013 has a principal balance of \$156,250, with interest at 2.7%, requiring annual payments of \$4,375 of interest in years 2016 and 2017 and a final payment of \$160,625 in 2018. These debenture issues were approved by the Local Government Committee of the Saskatchewan Municipal Board on October 7, 2013.

Future principal and interest payments are as follows:

Year	Principal	Interest	Current Year Total	Prior Year Total
2016	97,101	118,055	215,156	215,155
2017	101,373	113,783	215,156	-
2018	262,083	109,322	371,405	-
2019	110,490	100,291	210,781	-
2020	115,352	95,429	210,781	-
Thereafter	2,053,489	686,659	2,740,148	-
Balance	2,739,888	1,223,539	3,963,427	215,155

- c) As noted above, the proceeds of the debenture issues were loaned to the Saskatchewan Landing Regional Water Pipeline Utility to be used for part of the cost of construction of the pipeline utility. This amount is repayable to the Town of Kyle in the same amounts and years as the future debenture payments listed above.

Town of Kyle Schedule of Operating and Capital Revenue by Function As at December 31, 2015				Schedule 2 - 4
	2015 Budget	2015	2014	
UTILITY SERVICES				
Operating				
Other Segmented Revenue				
Fees and Charges				
- Water		199,118	195,748	202,499
- Sewer		38,500	40,360	38,876
- Other (Specify)				
Total Fees and Charges		237,618	236,108	241,375
- Tangible capital asset sales - gain (loss)				251,220
- Other (Specify)				
Total Other Segmented Revenue		237,618	236,108	492,595
Conditional Grants				
- Student Employment				
- Other (Specify)				
Total Conditional Grants		-	-	-
Total Operating		237,618	236,108	492,595
Capital				
Conditional Grants				
- Federal Gas Tax				
- Sask Water Corp.		24,778	24,821	24,778
- Provincial Disaster Assistance				
- Other (R.M. re: SLRWP)		61,073	60,243	61,073
Total Capital		85,851	85,064	85,851
Total Utility Services		323,469	321,172	578,446

Town of Kyle
Total Expenses by Function
As at December 31, 2015

Schedule 3 - 3

	2015 Budget	2015	2014
UTILITY SERVICES			
Wages and benefits	79,395	19,162	65,910
Professional/Contractual services	39,568	18,905	21,182
Utilities	80,700	113,920	91,211
Maintenance, materials and supplies	10,350	12,028	20,553
Grants and contributions - operating			
- capital	215,155	215,155	215,156
Amortization		16,950	16,720
Interest		122,147	126,067
Allowance for uncollectibles			
Other	6,200	153	1,160
Total Utility Services	431,368	518,420	557,959

* Note: 2015 Expenses for annual financial review (\$518,420 less capital grant \$215,155 less amortization \$16,950) = \$286,315

$$\frac{\text{Revenue (R) } \$321,172}{(\text{Expenditures (E) } \$286,315 + \text{Debt payment (D) } \$93,009)} = .84$$