

2010 WATER AND SEWER BUDGET

What has changed with the 2010 Water and Sewer Budget?

The rate structure for water and sewer has changed with more emphasis on the fixed water distribution charge. This change has occurred because 88% of the costs to operate a water and sewer system are fixed. The water distribution charge is used to cover the fixed costs of the water system. Examples of fixed costs include maintaining fire hydrants, gate valves and the cost of new capital work. This fixed charge was increased in 2010 to ensure that all of the fixed costs of operating and maintaining the system were covered by this charge. Previously, the variable water consumption charge was used to cover a portion of the fixed costs and all variable costs in the water system.

The water consumption charge covers all variable costs of producing the water and delivering it to your property. The charge has dropped in 2010 as this charge is now responsible for only the variable costs.

The sewer surcharge is charged on your total water bill (water distribution charge plus water consumption charge). The sewer surcharge is used to cover the costs to operate and maintain the City's sanitary sewage system including costs related to new capital work and the sewage treatment plant.

What is the Impact on a Typical Residential Customer?

The following table is a summary of the impact on a typical residential customer consuming 275 cubic meters of water annually compared to 2009. This chart includes both the impacts of the change in rate structure between the fixed and variable components and the changes due to the cost of delivering water and sewer services in 2010.

	2010	2009	% Change	\$ Change Annually	\$ Change Monthly
Water					
Distribution Charge	\$391.44	\$138.60	182.42%	\$252.84	\$21.07
Consumption Charge	\$56.54	\$254.98	-77.83%	(\$198.44)	(\$16.54)
Total Water	\$447.98	\$393.58	13.82%	\$54.40	\$4.53
					\$0.00
Sewer Charge	\$492.77	\$397.52	23.96%	\$95.25	\$7.94
Total Billing	\$940.75	\$791.10	18.92%	\$149.65	\$12.47

The financial impact of the new rates on actual water customers will differ from the above summary based on different levels of water consumption and the various water meter sizes. The shift between the fixed and variable billing rates accounts for 11.63% of the total 18.92% increase.

Why was the funding system changed?

For 2010 the rate structure has been adjusted to better align how both fixed and variable cost are financed. The fixed costs of operating the system will be financed with fixed revenue and the variable costs of operating the system will be financed with variable revenue.

What are the benefits of changing the funding system?

This new rate structure will help the City of Sarnia address several issues such as:

- Past continual funding of prior year water and sewer deficits with current year rate increases
- Reduced consumption patterns for Residential, Commercial and Industrial Customers
- Mismatch of current revenue structure (37% fixed) with actual fixed costs (88%)
- Assist in compliance to Provincial Legislation (Safe Drinking Water Act) prior to the July 2010 deadline
- Allow the City of Sarnia to continue to benefit from senior levels of government funding for capital projects.

The 2010 Water and Sewer budgets will provide funding for the following capital projects

Water and Sewer Capital Projects for 2010

Project Description	Estimated Gross Cost	Subsidies	Reserves/ Reserve Funds	Water Budget	Sewer Budget	Other
East Street Sewer Project & Related Work	8,900,000	5,400,000	1,460,000	1,500,000	540,000	
Wellington St. Reconstruction (Murphy to Finch)	6,300,000	3,900,000	640,000	1,000,000	760,000	
Maria/Norman Sewer Infrastructure Replacement	200,000			100,000		100,000
WPC & Sewer Master Plan	600,000				600,000	
Water Meter Replacement Project	150,000			150,000		
Improvements to the WPC	500,000		300,000		200,000	
Pumping Station Repairs	550,000		300,000		250,000	
	<u>17,200,000</u>	<u>9,300,000</u>	<u>2,700,000</u>	<u>2,750,000</u>	<u>2,350,000</u>	<u>100,000</u>