

Town of Lakeshore
Summary of Fixed Costs and Basic Charge
Water and Sewer 2012

Fixed costs are costs which are incurred regardless of the amount of drinking water that is produced or wastewater that is treated. Staff is needed to run the plants and distribution and collection systems whether there is 1 million cubic metres of drinking water to supply or wastewater to treat, or 3 million cubic metres. Samples have to be taken, equipment needs to be checked and tested, pumping stations need to be operated and hydrants need to be flushed. The more users there are, the wider the base across which the fixed costs are spread. If you equate this to running your house, the property taxes, telephone bill and internet charge are the same regardless if there are 2 people living in the house or 5 living in the house. If 5 are contributing to the costs of running the home, it is a lower amount for everyone.

The basic charge is an intended to recover a portion of these fixed costs. The table that follows outlines the actual fixed costs that are being covered by the basic charge. For water, (excluding debt costs), the actual fixed costs are \$48 per user per billing period; for sewer \$39. The actual amount charged is \$36 for water and \$27 for sewer. This means that the Town is collecting \$12 less per billing period for both water and sewer. This difference is made up by the consumption per cubic metre charge. If the consumption is less than the amount estimated when the budgets were prepared, the Town may have a deficit, which will have to be covered by either reserves, increases in the following year or a reduction in service.

If you choose not to use the service, you still have to pay for the ability to use it.

This is very similar to the lease payment you make on your car. If you do not drive it for 2 weeks in a month, you still have to pay the full monthly amount.

	Water	Sewer
Total costs, excluding reserve and capital	5,841,814	4,059,424
Fixed, excluding long term debt	3,604,604	1,892,876
% of Total	62%	47%
# customers	12,460	8,029
Fixed \$ per customer	289	236
Fixed \$ per billing period	48	39
Basic charge per billing period	36	27
\$ difference - shortfall	12	12