



Report to: General Committee

Meeting Date: January 21, 2019

SUBJECT: 2019 Water/Wastewater Rate
PREPARED BY: Andrea Tang, Senior Manager, Financial Planning
Veronica Siu, Senior Business Analyst

RECOMMENDATION:

- 1) That the report entitled “2019 Water/Wastewater Rate” be received; and
- 2) That Staff be authorized to hold a public meeting on February 5, 2019 at 6:00 p.m. in the Council Chamber at the Civic Centre to gather resident feedback on the proposed 2019 water/wastewater rate increase of \$0.3238/m³ from \$4.1442/m³ to \$4.4680/m³; and
- 3) That feedback received at the public meeting along with the proposed 2019 water/wastewater rate be put forward for consideration by Council at the February 26th Council meeting; and further
- 4) That Staff be authorized and directed to do all things necessary to give effect to this resolution.

PURPOSE:

The purpose of the report is to present the 2019 water/wastewater rates and to obtain approval to hold a public meeting on February 5, 2019 at 6:00 p.m. at the Civic Centre in the Council Chamber to discuss the 2019 proposed water/wastewater rate increase.

BACKGROUND:

Markham owns and operates the water distribution and wastewater collection systems, and purchases water supply and wastewater treatment from the Region. The Region purchases water from the City of Toronto and Region of Peel. The Region’s current wholesale rate is \$2.8205/m³ and Markham’s current rate is \$4.1442/m³. Revenues are used to fund Regional purchases (i.e. water and wastewater costs), Waterworks day-to-day operations and capital expenditures.

It is Markham’s practice to hold a public meeting before passing an amendment to the Fee By-law for a water/wastewater rate change. The public meeting will be held at the Civic Centre in the Council Chamber on February 5, 2019 at 6:00 p.m. to discuss the 2019 proposed water/wastewater rate increase including the following agenda items:

- About Markham’s Waterworks Department
- Markham Water/Wastewater System
- Markham’s Historical Water/Wastewater Rate
- 2018 Comparative Municipal Water/Wastewater Rates (\$/m³)
- Components of the 2019 Water/Wastewater Rate

- Summary of 2019 City's Water/Wastewater Rate
- Impact to Residents and Top 10 Institutional, Commercial and Industrial Customers
- Reserve Balance

Notice of the public meeting will be posted on the "City Page" in local newspapers, the City website, electronic information boards in City facilities and through social media. Councillors will receive copies of the notice to send to residents.

Feedback received at the public meeting along with the proposed 2019 water/wastewater rate will be put forward for consideration by Council at the February 26th Council meeting.

OPTIONS/ DISCUSSION:

1. Water/Wastewater Rate

Markham's water/wastewater rate is comprised of the following 4 components:

- Regional wholesale rate
- Non-revenue water
- Operational expenditure
- Reserve contribution

A. Region's Increase

The Region provides water supply and wastewater treatment to the nine municipalities within the Region. On October 15, 2015, the Region approved annual rate increases for water and wastewater user rates effective April 1, 2016 through April 1, 2021 as shown below:

Year Starting	Wholesale Rate (\$/m³)	Increase from Prior Year
April 1, 2016	2.3741	9.0%
April 1, 2017	2.5876	9.0%
April 1, 2018	2.8205	9.0%
April 1, 2019	3.0743	9.0%
April 1, 2020	3.3510	9.0%
April 1, 2021	3.4468	2.9%

The Region's increase will support the following ongoing requirements including:

- Build adequate reserves for future asset rehabilitation and replacement
- Maintain existing assets
- Cover day to day operations
- Eliminate the need to issue rate-supported debt; and
- Achieve full cost recovery pricing in 2021.

Based on the Region's approved increase of 9% for 2019, the Region's wholesale rate will increase by \$0.2538/m³ from \$2.8205/m³ to \$3.0743/m³.

As per the City's policy, the City will match the Region's monetary increase of \$0.2538/m³.

B. Non-revenue water

For every 1,000 litres of water that Markham buys from YR, it is budgeted to sell only 890 litres. This unsold water is known as Non Revenue Water (NRW). The most frequent occurrences of non-revenue water are through system leakage and watermain breaks, metering inaccuracies, system flushing to maintain water quality and other uses such as fire fighting and unauthorized uses.

Based on the Region's approved increase of 9%, the NRW component will be increased from \$0.3486/m³ to \$0.3800/m³, an increase of \$0.0314/m³ from 2018.

C. Operational Expenditure

The Operational Expenditure component is required in order to fund the operations and maintenance of the water and wastewater systems.

The rate for this component will be increased by \$0.0195/m³ from \$0.4255/m³ to \$0.4450/m³ to cover operational increases such as cost of living adjustments, collective bargaining agreements and contract escalations.

D. Reserve Contribution

The Reserve Contribution component addresses the ongoing replacement and rehabilitation requirements for Waterworks infrastructure and other Waterworks related capital assets.

The rate for this component will be increased by \$0.0191/m³ from \$0.5496/m³ to \$0.5687/m³.

Below is a summary of the proposed increases by component:

	2018 Rate \$/m ³	Increase \$/m ³	% Increase	2019 Proposed Rate \$/m ³
A. Region's Wholesale Rate	2.8205	0.2538	9.0%	3.0743
B. Non-Revenue Water	0.3486	0.0314	9.0%	0.3800
C. Operating Expenditures	0.4255	0.0195	4.6%	0.4450
D. Reserve Contribution	0.5496	0.0191	3.5%	0.5687
City's Water/Wastewater Rate	4.1442	0.3238	7.8%	4.4680

FINANCIAL CONSIDERATIONS AND TEMPLATE: (external link)

It is proposed that the 2019 water/wastewater rate will increase by \$0.3238/m³ (7.8%) from \$4.1442/m³ to \$4.4680/m³.

Impact to Residents & ICI Customers

Based on an average household water consumption of 218 m³ per year, there will be an increase of approximately \$71 to an average total annual household bill.

2018: \$4.1442 x 218 m³ = \$903 (A)

2019: \$4.4680 x 218 m³ = \$974 (B)

Increase in 2019 \$ 71 (C = B - A)

The impact to the top 10 ICI customers, including a health care provider, manufacturers, and hospitality providers, will range from \$24k to \$40k per year.

HUMAN RESOURCES CONSIDERATIONS

Not applicable

ALIGNMENT WITH STRATEGIC PRIORITIES:

Not applicable

BUSINESS UNITS CONSULTED AND AFFECTED:

Not applicable

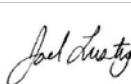
RECOMMENDED BY:

2019-01-15

X 

Phoebe Fu
Director, Environmental Services
Signed by: cxa

2019-01-15

X 

Joel Lustig
Treasurer
Signed by: cxa

2019-01-15

X 

Brenda Librecz
Commissioner, Community & Fire Services
Signed by: cxa

2019-01-15

X 

Trinela Cane
Commissioner, Corporate Services
Signed by: cxa