



Report to: General Committee

Meeting Date: November 28, 2016

SUBJECT: 2017 Water/Wastewater Rate Increase
PREPARED BY: Andrea Tang, Senior Manager, Financial Planning
Veronica Siu, Senior Business Analyst

RECOMMENDATION:

- 1) That the report entitled “2017 Water/Wastewater Rate Increase” be received; and
- 2) That the 2017 City of Markham’s (“City”) water/wastewater rate increase be equivalent to the Region of York’s (“Region”) monetary increase of \$0.2135 per cubic metre (m³) based on Region’s approved increase of 9%; and
- 3) That in addition to the Region’s increase, the 2017 water/wastewater rate increase includes a surcharge of \$0.0669/m³; and
- 4) That effective April 1, 2017, the water/wastewater rate will be \$3.8555/m³, an increase of \$0.2804/m³, equivalent to a 7.8% increase compared to prior year; and
- 5) 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 obtain approval to increase the City of Markham’s Water/Wastewater rate to \$3.8555/m³, an increase of \$0.2804/m³ or 7.8% effective April 1, 2017.

BACKGROUND:

At the November 1, 2016 Council Meeting, Staff brought forward a report entitled “Proposed 2017 Water/Wastewater Rate Increase” recommending approval to hold a public meeting on November 14, 2016 to propose a water & wastewater rate increase of \$0.2804/m³ from \$3.5751/m³ to \$3.8555/m³. The public meeting was held on November 14, 2016 from 6:00pm to 6:30pm to present the proposed 2017 water and wastewater rate increase. There were no deputations at the public meeting.

OPTIONS/ DISCUSSION:**1. Water/Wastewater Rate**

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

- A. Regional wholesale rate
- B. Operations
 - B1. Non-revenue water
 - B2. Operational expenditure
- C. 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:

- 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
- Achieve full cost recovery pricing in 2021

Based on the Region's approved increase of 9% for 2017, the Region's wholesale rate will be increased by \$0.2135/m³ from \$2.3741/m³ to \$2.5876/m³.

As per the City's policy, the City will match the Region's monetary increase of \$0.2135/m³.

B. Operations

Operations consist of two components, non-revenue water and operating expenditures.

B1. Non-revenue water

The Non-Revenue Water (NRW) is water that is "lost" before it reaches the customer. The most frequent occurrences of lost 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 \$0.2934/m³ to \$0.3198/m³, an increase of \$0.0264/m³ from 2016.

B2. 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 \$0.0069/m³ from \$0.4086/m³ to \$0.4155/m³ to cover operational increases such as cost of living adjustments, collective bargaining agreements and contract escalations.

C. Reserve Contribution

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

This component includes the final year of the approved 10 year phase-in of the water/wastewater Infrastructure Surcharge of \$0.0336/m³.

The rate for this component will be increased by \$0.0336/m³ from \$0.4990/m³ to \$0.5326/m³.

Below is a summary of the proposed increases by component:

	2016 Rate \$/m ³	Increase \$/m ³	% Increase	2017 Proposed Rate \$/m ³
A. Region's Wholesale Rate	2.3741	0.2135	9.0%	2.5876
B1. Operations: Non-Revenue Water	0.2934	0.0264	9.0%	0.3198
B2. Operations: Operating Expenditures	0.4086	0.0069	1.7%	0.4155
C. Reserve Contribution	0.4990	0.0336	6.7%	0.5326
City's Retail Rate	3.5751	0.2804	7.8%	3.8555

FINANCIAL CONSIDERATIONS AND TEMPLATE: (external link)

It is proposed that the 2017 water/wastewater rate will increase by \$0.2804/m³ (7.8%) from \$3.5751/m³ to \$3.8555/m³.

Impact to Residents & ICI Customers

Based on an average household water consumption of 217m³ per year, there will be an increase of approximately \$60 to an average total annual household bill.

2016: \$3.5751 x 217 m³ = \$776

2017: \$3.8555 x 217 m³ = \$836

Increase in 2017 \$60

However, taking into account the average household consumption is projected to decline from 217 m³ to 209 m³, the impact to the average household is adjusted to \$30.

2016: $\$3.5751 \times 217 \text{ m}^3 = \776

2017: $\$3.8555 \times 209 \text{ m}^3 = \806

Increase in 2017 \$30

The impact to the top 10 ICI customers, including manufacturers, and hospitality providers, will range from \$22k to \$32k per year (Region's increase \$19k to \$27k and the City's increase \$3k to \$5k).

HUMAN RESOURCES CONSIDERATIONS

Not applicable

ALIGNMENT WITH STRATEGIC PRIORITIES:

Not applicable

BUSINESS UNITS CONSULTED AND AFFECTED:

Not applicable

RECOMMENDED BY:

21/11/2016

11/21/2016

X 

Claudia Marsales
Environmental Services Lead

X 

Joel Lustig
Treasurer

21/11/2016

X 

Brenda Librecz
Commissioner, Community & Fire Services

X 

Trinela Cane
Commissioner, Corporate Services