



Report to: General Committee

Date Report Authored: December 8, 2015

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**SUBJECT:** Feedback from Public Meeting and 2016 Water/Wastewater Rate Increase  
**PREPARED BY:** Andrea Tang, Manager, Financial Planning

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**RECOMMENDATION:**

- 1) That the report entitled “Feedback from Public Meeting and 2016 Water/Wastewater Rate Increase” be received; and
- 2) That the 2016 City of Markham’s (“City”) water/wastewater rate increase be equivalent to the Region of York’s (“Region”) monetary increase of \$0.1960 per cubic metre ( $\text{m}^3$ ) based on Region’s approved increase of 9%; and
- 3) That in addition to the Region’s increase, the 2016 water/wastewater rate increase includes a surcharge of \$0.0637/ $\text{m}^3$ ; and
- 4) That effective April 1, 2016, the water/wastewater rate will be \$3.5751/ $\text{m}^3$ , an increase of \$0.2597/ $\text{m}^3$ , equivalent to a 7.8% increase compared to prior year; and
- 5) That this report be brought forward to Council on Tuesday, December 15, 2015 for approval; and
- 6) 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 \$3.5751/ $\text{m}^3$ , an increase of \$0.2597/ $\text{m}^3$  or 7.8% effective April 1, 2016.

**BACKGROUND:**

At the November 23, 2015 General Committee, Staff brought forward a report entitled “Proposed 2016 Water/Wastewater Rate Increase” recommending approval to hold a public meeting on December 7, 2015 to propose a water & wastewater rate increase of \$0.2597/ $\text{m}^3$  from \$3.3154/ $\text{m}^3$  to \$3.5751/ $\text{m}^3$ .

At the December 7, 2015 public meeting, a resident inquired about the City’s strategy to reduce non-revenue water. Non-revenue water represents water purchases from the Region that are not recuperated from retail sales. Examples of non-revenue water include flushing of hydrants, water testing, water sampling, water used for fire protection and water lost due to leakage. Staff indicated that the goal is to reduce the non-revenue water from 11% to 10% by 2025. A report will be presented to General Committee in 2016 that will identify strategies to reduce non-revenue water.

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

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

- A. Regional wholesale rate
- B. Non-revenue water
- C. Operational expenditure
- D. 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:

<b>Year Starting</b>	<b>Wholesale Rate (\$/m<sup>3</sup>)</b>	<b>Increase from Prior Year</b>
April 1, 2016	2.3736	9.0%
April 1, 2017	2.5872	9.0%
April 1, 2018	2.8201	9.0%
April 1, 2019	3.0739	9.0%
April 1, 2020	3.3505	9.0%
April 1, 2021	3.4477	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
- Achieve full cost recovery pricing in 2021

Based on the Region's approved increase of 9% for 2016, the Region's wholesale rate will be increased by \$0.1960/m<sup>3</sup> from \$2.1776/m<sup>3</sup> to \$2.3736/m<sup>3</sup>.

As per the City's policy, the City will match the Region's monetary increase of \$0.1960/m<sup>3</sup>.

**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 \$0.2692/m<sup>3</sup> to \$0.2934/m<sup>3</sup>, an increase of \$0.0242/m<sup>3</sup> from 2015.

### ***B2. Operating Expenditures***

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 \$0.0059/m<sup>3</sup> from \$0.4034/m<sup>3</sup> to \$0.4093/m<sup>3</sup> to cover operational increases such as cost of living adjustments, collective 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 ninth year of the approved 10 year phase-in of the water/wastewater Infrastructure Surcharge of \$0.0336/m<sup>3</sup>.

The rate for this component will be increased by \$0.0336/m<sup>3</sup> from \$0.4652/m<sup>3</sup> to \$0.4988/m<sup>3</sup>.

Below is a summary of the proposed increases by component:

	2015 Rate \$/m <sup>3</sup>	Increase \$/m <sup>3</sup>	% Increase	2016 Proposed Rate \$/m <sup>3</sup>
A. Region's Wholesale Rate	2.1776	0.1960	9.0%	2.3736
B1. Operations: Non-Revenue Water	0.2692	0.0242	9.0%	0.2934
B2. Operations: Operating Expenditures	0.4034	0.0059	1.5%	0.4093
C. Reserve Contribution	0.4652	0.0336	7.2%	0.4988
City's Retail Rate	<b>3.3154</b>	<b>0.2597</b>	<b>7.8%</b>	<b>3.5751</b>

### **FINANCIAL CONSIDERATIONS AND TEMPLATE: (external link)**

It is recommended that the 2016 water/wastewater rate will increase by \$0.2597/m<sup>3</sup> (7.8%) from \$3.3154/m<sup>3</sup> to \$3.5751/m<sup>3</sup>.

### **Impact to Residents & ICI Customers**

Based on an average household water consumption of 217m<sup>3</sup> per year, there will be an increase of approximately \$56 to an average total annual household bill of \$776.

The impact to the top 10 ICI customers, including a health care provider, manufacturers, and hospitality providers, will range from \$18k to \$36k per year (Region's increase \$15k to \$31k and the City's increase \$3k to \$6k).

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**HUMAN RESOURCES CONSIDERATIONS**

Not applicable

**ALIGNMENT WITH STRATEGIC PRIORITIES:**

Not applicable

**BUSINESS UNITS CONSULTED AND AFFECTED:**

Not applicable

**RECOMMENDED BY:**

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Peter Loukes  
Director, Environmental Services

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Brenda Librecz  
Commissioner, Community & Fire Services

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Joel Lustig  
Treasurer

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Trinela Cane  
Commissioner, Corporate Services