



Report to: General Committee

Date Report Authored: November 9, 2015

SUBJECT: Proposed 2016 Water/Wastewater Rate Increase
PREPARED BY: Andrea Tang, Manager, Financial Planning

RECOMMENDATION:

- 1) That the report entitled “Proposed 2016 Water/Wastewater Rate Increase” be received; and
- 2) That Staff be authorized to hold a public meeting on December 7, 2015 at 7:00p.m. in the Council Chamber at the Civic Centre to gather resident feedback on the proposed 2016 water/wastewater rate increase of \$0.2597/m³ from \$3.3154/m³ to \$3.5751/m³; and
- 3) That feedback received at the public meeting along with the proposed 2016 water/wastewater rate be tabled for consideration at the December 15th Special General Committee meeting scheduled for 6:00pm; and
- 4) That the recommendation from the Special General Committee meeting be tabled for adoption by Council at the December 15th Council meeting scheduled for 7:00 p.m.; and further
- 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 hold a public meeting on December 7 at 7:00p.m. at the Civic Centre in the Council Chamber to discuss the 2016 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 \$2.1776/m³ and Markham’s current retail rate is \$3.3154/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 the City of Markham’s water/wastewater rate. The public meeting will be held at the Civic Centre in the Council Chamber on December 7, 2015 at 7:00 p.m. to discuss the 2016 proposed water/wastewater rate increase including the following agenda items:

- About Markham's Waterworks Department
- 2015 Comparative Municipal Water/Wastewater Rates (\$/m³)
- Components of the 2016 Water/Wastewater Rate
- Summary of 2016 City's Water/Wastewater Rates
- Impact to Residents and Top 10 Institutional, Commercial and Industrial Customers

Notice of the public meeting will be posted on the "City Page" in local newspapers, the City website and through social media.

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:

Year Starting	Wholesale Rate (\$/m³)	Increase from Prior Year
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/m³ from \$2.1776/m³ to \$2.3736/m³.

As per the City's policy, the City will match the Region's monetary increase of \$0.1960/m³.

B. 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/m³ to \$0.2934/m³, an increase of \$0.0242/m³ from 2015.

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 \$0.0059/m³ from \$0.4034/m³ to \$0.4093/m³ to cover operational increases such as cost of living adjustments, collective 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.

This component includes the ninth 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 \$0.4652/m³ to \$0.4988/m³.

Below is a summary of the proposed increases by component:

	2015 Rate \$/m ³	Increase \$/m ³	% Increase	2016 Proposed Rate \$/m ³
A. Region's Wholesale Rate	2.1776	0.1960	9.0%	2.3736
B. Non-Revenue Water	0.2692	0.0242	9.0%	0.2934
C. Operational Expenditure	0.4034	0.0059	1.5%	0.4093
D. Reserve Contribution	0.4652	0.0336	7.2%	0.4988
City's Retail Rate	3.3154	0.2597	7.8%	3.5751

FINANCIAL CONSIDERATIONS AND TEMPLATE: (external link)

It is proposed that the 2016 water/wastewater rate will increase by \$0.2597/m³ (7.8%) from \$3.3154/m³ to \$3.5751/m³.

Impact to Residents & ICI Customers

Based on an average household water consumption of 217m³ per year, there will be an increase of approximately \$56 to an average total annual household bill of \$676.

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).

HUMAN RESOURCES CONSIDERATIONS

Not applicable

ALIGNMENT WITH STRATEGIC PRIORITIES:

Not applicable

BUSINESS UNITS CONSULTED AND AFFECTED:

Not applicable

RECOMMENDED BY:

17/11/2015

X

Peter Loukes
Director, Environmental Services

11/17/2015

X

Brenda Librecz
Commissioner, Community & Fire Services

17/11/2015

X

Joel Lustig
Treasurer

17/11/2015

X

Trinela Cane
Commissioner, Corporate Services