

2009 Water & Wastewater Reserve Study Update

General Committee
June 15, 2009

Agenda

- Background
- Reserve Study Update Process
- Reserve Study Assumptions
- Replacement/Rehabilitation Expenditures (2010-2034)
- Reserve Shortfall due to change in assumptions
- Projected Reserve Balance with Additional Surcharge
- Financial Implications
- Next Steps

Background

- A resolution was passed by Council in June 2002 stating “And that all further rate increases by Region of York be automatically met by the Town of Markham with a percentage equal to that of the Region”
- On November 25, 2008 Council passed a resolution to revise the 2009 Water/Wastewater rate increase to reflect the matching of the Region’s monetary increase (based on Region’s % increase) rather than adhering to the policy of matching to the Region’s percentage increase
- As a result, the second year phase-in of the Water/Wastewater Infrastructure Surcharge was increased
- In addition, staff was requested to investigate and report back to Council the viability of implementing the 2010 rate increase effective April 2010 similar to that of the Region

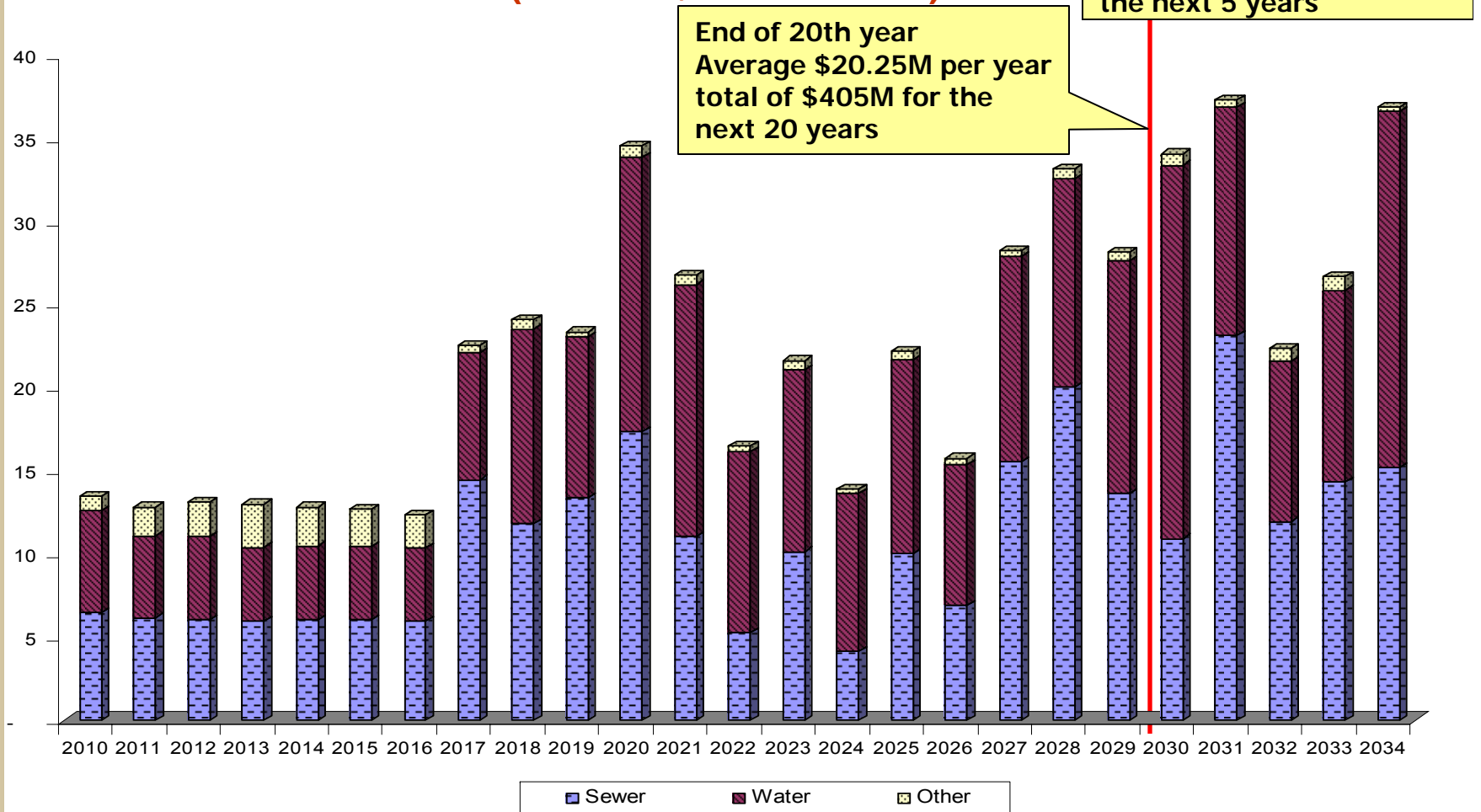
Reserve Study Update Process

- The 2009 update covers the next 25 years from 2010 to 2034
- Includes assets to the end of 2008
- Incorporates the 2009 approved Operating and Capital Budgets
- Incorporates changes in methodology to match the Region's monetary increase vs. Region's % increase
- Incorporates Town's rate increase effective April vs. January to coincide with the Region

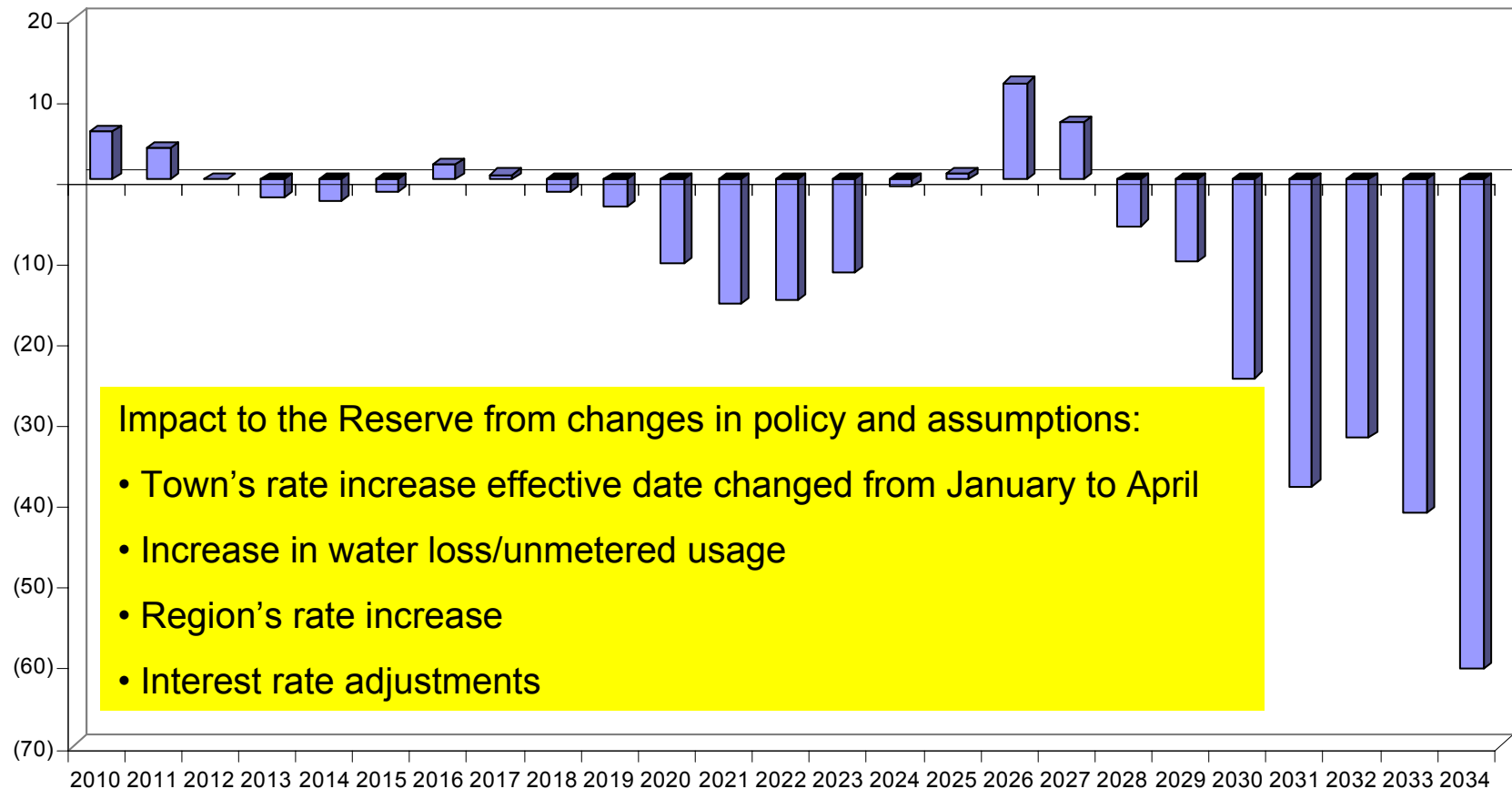
Reserve Study Assumptions

- Incorporates changes in assumptions:
 - A. Water Loss/unmetered usage assumption increases from 7.5% to 10%
 - B. Region's Water/Wastewater rate increase adjusted from
 - o 2008 Reserve Study - 3% per year to
 - o 2009 Reserve Study (as per York Region's report December 18th, 2008)
 - 10% in 2010 & 2011
 - 8% in 2012 & 2013
 - 4% starting in 2014 & onwards
 - C. Interest rate adjusted from
 - o 2008 Reserve Study - 4%
 - o 2009 Reserve Study - 1.5% in 2010, 2.5% in 2011, 3.5% in 2012 and 4% starting in 2013 & onwards

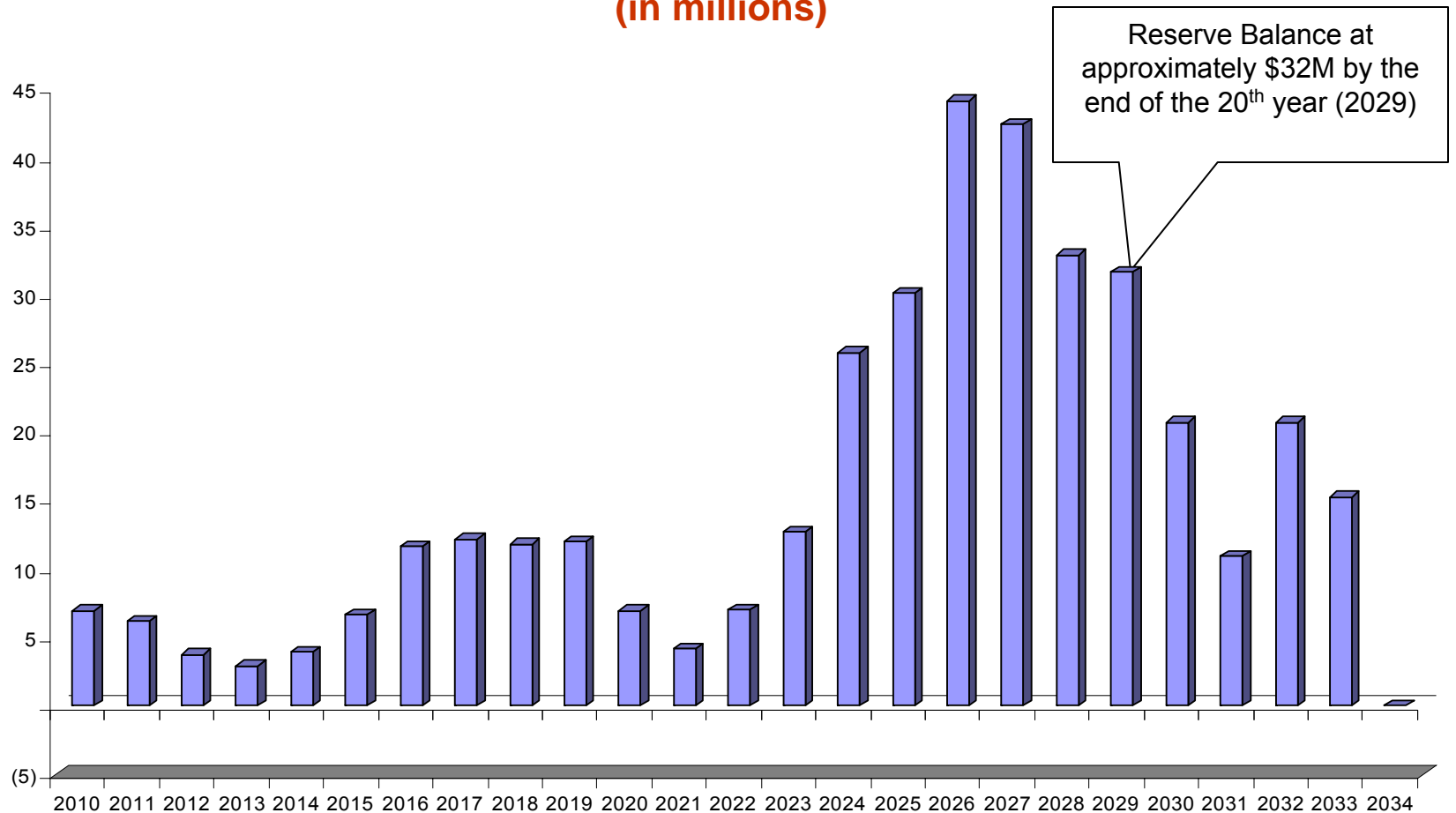
Replacement/Rehabilitation Expenditures 2010-2034 (in 2009 \$ - in millions)



Reserve Shortfall Due to Change in Assumptions (in millions)



Projected Reserve Balance with Additional Surcharge (in millions)



Financial Implications

- Based on
 - Region's projected rate increase
 - Previously Council approved infrastructure surcharge
 - Assumption changes
- The Town's Water/Wastewater rate for the next 3 years is estimated as follows:

\$ / m ³	2009	2010	2011	2012
Previous Year's approved / estimated rate	1.7671	2.0042	2.2130	2.4011
Region's monetary rate increase	0.1117	0.1229	0.1352	0.1139
Infrastructure Surcharge increase	0.0621	0.0336	0.0336	0.0336
Methodology Adjustment	0.0633	0.0121	0.0193	0.0199
Proposed additional surcharge		0.0401	-	-
Approved/Projected Rate	2.0042	2.2130	2.4011	2.5684

- Projected rate increase in 2010 is 10.4% and the impact to an average household will be an increase of approximately \$71.40
- Projected rate increase over the next 3 years will be in the range of 7% to 10%
- 2011 & beyond additional surcharge will be determined on an annual basis

Next Steps

- The 2010 replacement/rehabilitation requirements as identified in the Reserve Study will establish the basis for the 2010 capital submissions contingent on condition assessment
- Jun. – DF review of the 2010 proposed capital budget
- Sept. – CCC review of the 2010 proposed capital budget
- Oct. – Report to General Committee on the proposed 2010 Water/Wastewater rate increase
- Oct. – Meeting with the Mayor and Budget Chief
- Oct. to Feb. 2010 – Budget Sub-Committee review of the 2010 budget