



Report to: General Committee

Date of Meeting: January 26, 2015

SUBJECT: Proposed 2015 Water/Wastewater Rate Increase
PREPARED BY: Andrea Tang, Manager, Financial Planning

RECOMMENDATION:

That the report dated January 26, 2015 entitled “Proposed 2015 Water/Wastewater Rate Increase” be received;

AND THAT Staff be authorized to hold a public meeting on the proposed 2015 water/wastewater rate increase on February 10, 2015 at 6:00p.m. at the Civic Centre in the Council Chamber;

AND THAT the 2015 City of Markham’s (“City”) water/wastewater rate increase be equivalent to the Region of York’s (“Region”) monetary increase of \$0.1980 per cubic metre (m^3) based on Region’s approved increase of 10%;

AND THAT in addition to the Region’s increase, the 2015 water/wastewater rate increase includes a surcharge of \$0.0525/ m^3 ;

AND THAT effective April 1, 2015, the 2015 water/wastewater rate will be \$3.3154/ m^3 , an increase of \$0.2505/ m^3 , equivalent to a 8.2% increase compared to prior year;

AND THAT Staff be authorized and directed to do things necessary to give effect to this resolution.

PURPOSE:

The purpose of the report is to obtain approval to:

1. Hold a public meeting on February 10 at 6:00p.m. at the Civic Centre in the Council Chamber to discuss the 2015 proposed water/wastewater rate increase;
2. Increase the City of Markham’s water/wastewater rate by \$0.2505/ m^3 from \$3.0649/ m^3 to \$3.3154/ m^3 (equivalent to a 8.2% increase) effective April 1st, 2015.

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 \$1.9796/ m^3 and Markham’s current retail rate is \$3.0649/ m^3 . Revenues are used to fund regional purchases (i.e. water and wastewater costs) and Waterworks costs (i.e. operating and capital expenditures).

As in previous years, a public meeting will be held before passing a by-law imposing a water/wastewater fee or charge. The public meeting will be held at the Civic Centre in the Council Chamber on February 10, 2015 at 6:00p.m. to discuss the 2015 proposed water/wastewater rate increase. Notice of the public meeting will be posted on the “City Page” in local newspapers, the City website and the City’s Official Facebook Page.

OPTIONS/DISCUSSIONS:

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. The Region report dated May 5, 2011 identified a combined rate increase of 10% in the 2015 water (7.5%) and wastewater rates (12.0%).

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

- Rehabilitation and replacement of aging infrastructure
- Rehabilitation and replacement of assets built in the future
- Any portion of growth-related infrastructure not eligible to be recovered from Development Charges
- Costs associated with operating water and wastewater services

Based on the Region’s approved increase of 10%, the Region’s wholesale rate will be increased from \$1.9796/m³ to \$2.1776/m³, an increase of \$0.1980/m³.

As per the City’s policy, the City will match the Region’s monetary increase of \$0.1980/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. The City has implemented various initiatives to reduce its NRW.

Based on the Region’s approved increase of 10%, the NRW component will be increased from \$0.2447/m³ to \$0.2692/m³, an increase of \$0.0245/m³ from 2014.

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 from \$0.4003/m³ to \$0.4034/m³, an increase of \$0.0031/m³ from 2014.

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 eighth year of the approved 10 year phase-in of the water/wastewater Infrastructure Surcharge of \$0.0336/m³ offset by cost adjustments of (\$0.0087/m³).

The rate for this component will be increased from \$0.4403/m³ to \$0.4652/m³, an increase of \$0.0249/m³ from 2014.

Below is a summary of the proposed increases by component:

	2014 rate \$/m ³	Increase \$/m ³	2015 Proposed rate \$/m ³
A. Regional Wholesale Rate	1.9796	0.1980	2.1776
B. Non-Revenue Water	0.2447	0.0245	0.2692
C. Operational Expenditure	0.4003	0.0031	0.4034
D. Reserve Contribution	0.4403	0.0249	0.4652
City's 2015 Proposed Retail Rate	3.0649	0.2505	3.3154

FINANCIAL CONSIDERATIONS:

It is proposed that the 2015 proposed water/wastewater rate will increase by \$0.2505/m³ from \$3.0649/m³ to \$3.3154/m³. The breakdown of the proposed 2015 rate is outlined below:

TABLE A – Water/Wastewater Rate

	<i>per cubic metre</i>			
	Proposed			
	<u>2014 Rate (\$)</u>	<u>2015 Rate (\$)</u>	<u>\$ Change</u>	<u>% Change</u>
Region of York				
Water	0.8697	0.9345	0.0648	7.5%
Wastewater	1.1099	1.2431	0.1332	12.0%
Wholesale Rate	1.9796	2.1776	0.1980	10.0%
City of Markham				
Water	1.3106	1.3754	0.0648	4.9%
Wastewater	1.2359	1.3691	0.1332	10.8%
Retail Rate	2.5465	2.7445	0.1980	7.8%
Surcharge	0.5184	0.5709	0.0525	10.1%
Total City of Markham Rate	3.0649	3.3154	0.2505	8.2%

Impact to Residents & ICI Customers

Based on an average household water consumption of 223m³ per year, there will be an increase of approximately \$56 to an average total annual household bill of \$741.

The impact to the top 10 ICI customers, including a health care provider, manufacturers, and hospitality providers, will range from \$17k to \$35k per year (Region's increase \$14k to \$28k and the City's increase \$3k to \$7k).

The proposed 2015 water/wastewater rate excludes the impact of the Flood Control Implementation Program.

HUMAN RESOURCES CONSIDERATIONS

Not applicable.

ALIGNMENT WITH STRATEGIC PRIORITIES:

Not applicable.

BUSINESS UNITS CONSULTED AND AFFECTED:

Not applicable.

RECOMMENDED BY:

1/21/2015

20/01/2015

X 

Peter Loukes
Director, Environmental Services

X 

Joel Lustig
Treasurer

1/21/2015

20/01/2015

X 

Brenda Librecz
Commissioner, Community & Fire Services

X 

Trinela Cane
Commissioner, Corporate Services