

Town of Markham

2005 Water/Wastewater Rates

Finance and Administrative Committee

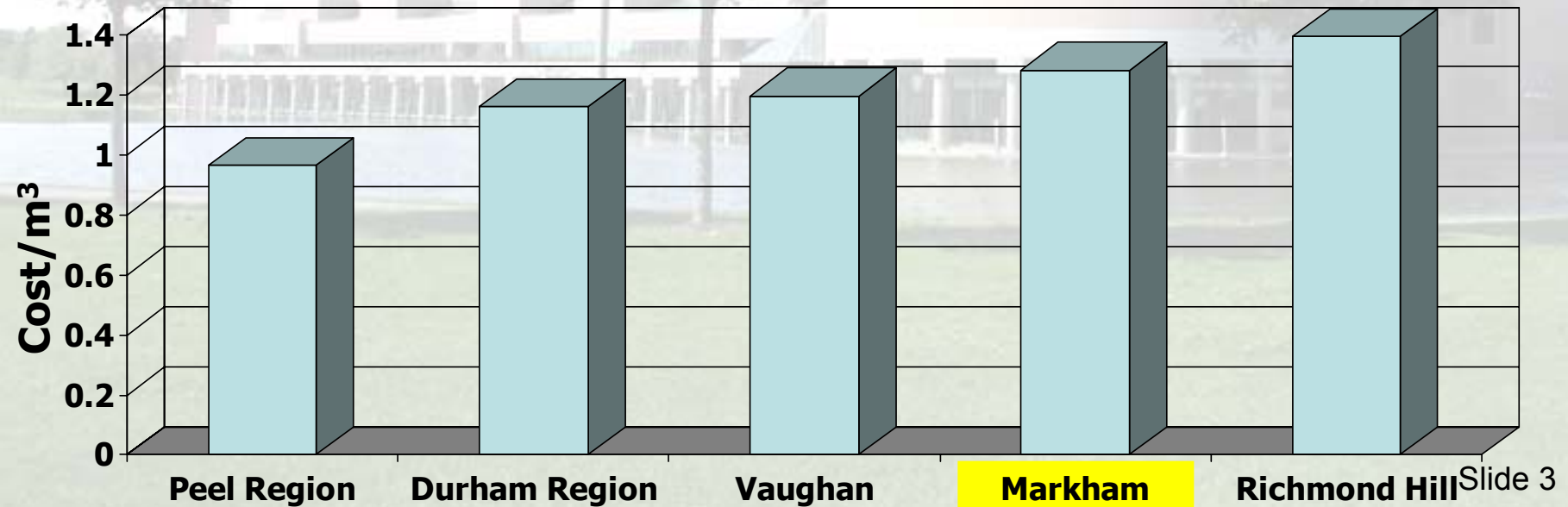
November 8, 2004

2004 Combined Water/Wastewater Rates

- Markham's Retail Rate - \$1.2810/m³
- Region of York's Wholesale Rate - \$0.8740/m³
- The Region of York's charge is 68% of Markham's retail rate. This leaves \$0.41 per m³ for Markham's capital and operating costs.

Comparative Combined Water/Wastewater Rates

- Markham \$1.2810/m³
- Vaughan \$1.195/m³
- Richmond Hill \$1.394/m³
- Peel Region \$0.96455/m³
- Durham Region \$1.16/m³



Council Resolution

- On June 11, 2002, Council passed the following resolution:
“And that all further rate increases by the Region of York be automatically met by the Town of Markham with a percentage equal to that of the Region”
- The Town has increased water rates in accordance with this resolution since 2003.

Region of York

2005 Water/Wastewater Rates

- The Region of York has indicated that the 2005 wholesale water/wastewater (water) rate is proposed to increase by 5%.
- This will be achieved by increasing the rate by approximately 6.7% on April 1 to achieved an annual increase of 5%
(6.7% over 9 months is equal to 5% over 12 months)

Water Rate Pressures

- Markham's 5% rate increase effective January 1, 2004 was utilized to fund additional staff positions and operating costs resulting from Waterworks Dept. Phase 1 Organizational and Staffing Plan approved by Council on April 13, 2004
- Additional annualized costs of the Phase 1 Waterworks Organizational & Staffing plan approved in 2004 must be funded in 2005

Water Rate Pressures Continued

- Reserve balances* are not increasing due to increase in capital and operating costs

2000	\$6,437,738
2001	\$4,417,824
2002	\$3,497,210
2003	\$4,876,699
2004	\$4,300,000
2005	\$3,200,000 (with 5% increase)

*Balances are at year end.

Comparative Reserve Balances

- Town of Richmond Hill - \$19.5 Million (2002)
- City of Vaughan - \$25 Million (2003)
- Most water/wastewater reserves in Ontario are with upper tier municipalities, making comparison's difficult.

2001 Waterworks Reserve Analysis

- On July 9, 2001, the Finance and Administrative Committee received a report from staff indicating that a minimum of \$50 million would be required in the Waterworks Reserve in 2021 to cover escalating capital costs from 2022 to 2027.
- Increasing Waterworks capital costs suggest infrastructure is aging and pressure is growing to ensure adequate funding is available.

Waterworks Capital Expenditures 2000 to 2004

2000	\$3,735,564
2001	\$3,903,833
2002	\$4,629,549
2003	\$2,994,336
2004	\$5,676,200
2005	\$6,301,200 *

New funding required is \$6.3 M. Carry forward of \$400k from prior year

Water Rate Pressures Continued

- Additional costs associated with the 2005 phase of the Organizational & Staffing Plan presented by Waterworks staff and Wood-Sloan Inc. in April 2004 has not been included at this time.
- These costs, roughly estimated to be \$500k annually, are being refined by the Waterworks Dept. and will be addressed during the 2005 Budget discussions.

Water Rate Pressures Continued

- The regulations for Bill 175 are expected to be developed early in 2005, setting out the requirements for future water rate increases, including disclosure of the capital needs, and the plan to recover the capital costs through rates.
- A full review of the Town's Waterworks reserve is expected to take place in 2005, in accordance with the legislation.

Impact of Growth & 5% Increase

(Excluding Phase 2 Organizational & Staffing Plan)

	Growth	Rate Increase	Total Increase
Net Revenue	\$277,341	\$444,377	\$721,718
Additional Committed Expenditures	\$93,000	0	\$93,000
Increased contribution to Reserve	\$184,341	\$444,377	\$628,718

Water Rate Options

- Increase the Town's rate by 5% January 1st, which yields an additional \$444,377 increase in contribution to Water Reserve. Additional costs for the Phase 2 Organizational & Staffing plan will not be funded.
- Increase the Town's rate by more than 5%. Each additional 1% rate increase yields a net revenue of approximately \$395,000.

Recommendation

Increase the Town's Water rate by 6.7% January 1, 2005. This will:

- *Fund 2005 committed annualized cost increases*
- *Increase contributions to reserves by approximately \$628,718 per year*
- *Increase net revenues by an additional \$660,000 (\$395,000 X 1.67), to increase contribution to reserves or fund the 2nd phase of the Waterworks Organizational & Staffing Plan.*
- *Maintain the Town's retail water rate in proportion to the Region's proposed 2005 rate.*

Future Issues – Aging Infrastructure

- The Waterworks Reserve is not increasing to levels targeted in 2001.
- It is anticipated that the analysis required for Bill 175 will indicate a funding shortfall that will have to be addressed through increasing water rates.
- Increasing contributions to reserves in future years to cover the cost of aging infrastructure will be a priority.

Next Steps

- Present a proposed rate increase to the November 30th Public Meeting – Staff recommend a 6.7% increase