

Town of Markham

2007 Proposed Water/Wastewater Rates

Public Meeting

December 12, 2006

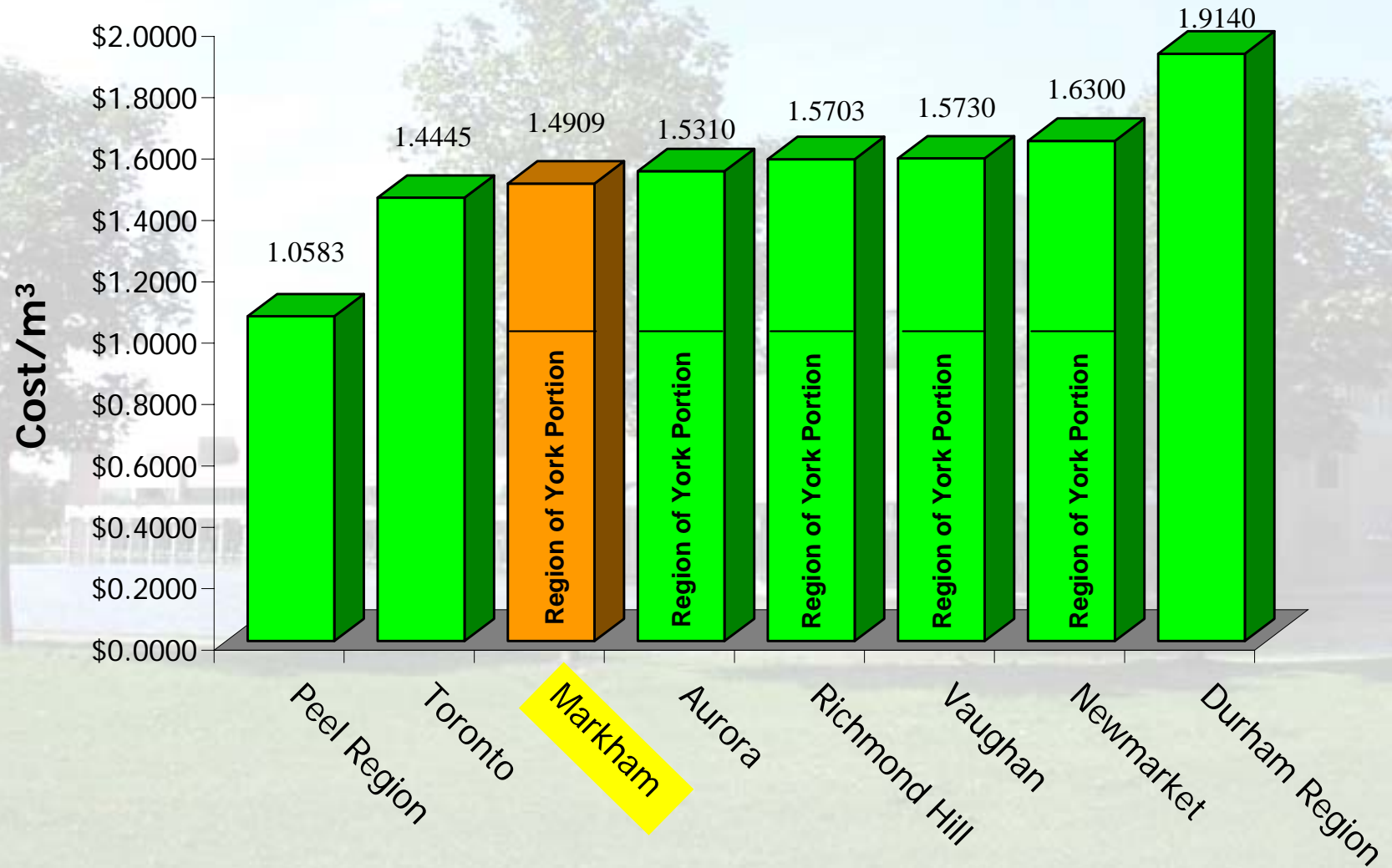
Public Meeting Agenda

- Presentation by Fuwing Wong, Manager of Financial Planning
- Questions from Public
- Questions from Council

2006 Combined Water/Wastewater Rates

- Markham's current Retail Rate - \$1.4909/m³
- Region of York's Wholesale Rate - \$0.9891/m³
- The Region of York's charge is 66.34% of Markham's retail rate. This leaves 33.66% (or \$0.5018) per m³ to fund Markham's capital and operating costs.

Comparative 2006 Water/Wastewater Rates (\$/m³)



- Toronto has various rates, based on consumption. The rate shown here represents an average based upon projected consumption for a residential home.
- Durham Region includes a service charge of \$0.5390/ m³
- York Region's wholesale rate is \$0.9891/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 increase equal to that of the Region"

Region of York

2007 Proposed Water/Wastewater Rates

- The Region of York has indicated that the 2007 wholesale water/wastewater (combined) rate is proposed to increase by 6.23% effective April 1st 2007.
- In accordance with the June 2002 Council resolution (refer previous slide), the Town's proposed 2007 water rate increase is 6.23% to match the Region.

Water Rate Pressures

Markham's 6.23% rate increase effective January 1, 2007 will be utilized to fund:

- higher wholesale water costs from the Region
- cost increases on materials & services such as: water testing, insurance, water meter installation & replacement

Waterworks Capital Expenditures

2000 to 2006

(\$ Millions)

2000	3.74
2001	3.90
2002	4.63
2003	2.99
2004	5.68
2005	6.63
2006	6.56

2007 (Preliminary)

7.06

Pending Council approval in 2007

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 an escalating capital program from 2022 to 2027.
- The projected escalating capital program relates to the large-scale replacement of aging infrastructure between 2022 and 2027.
- The challenge is to ensure adequate funding will be available.

Waterworks Reserve Balances

(\$ Millions)

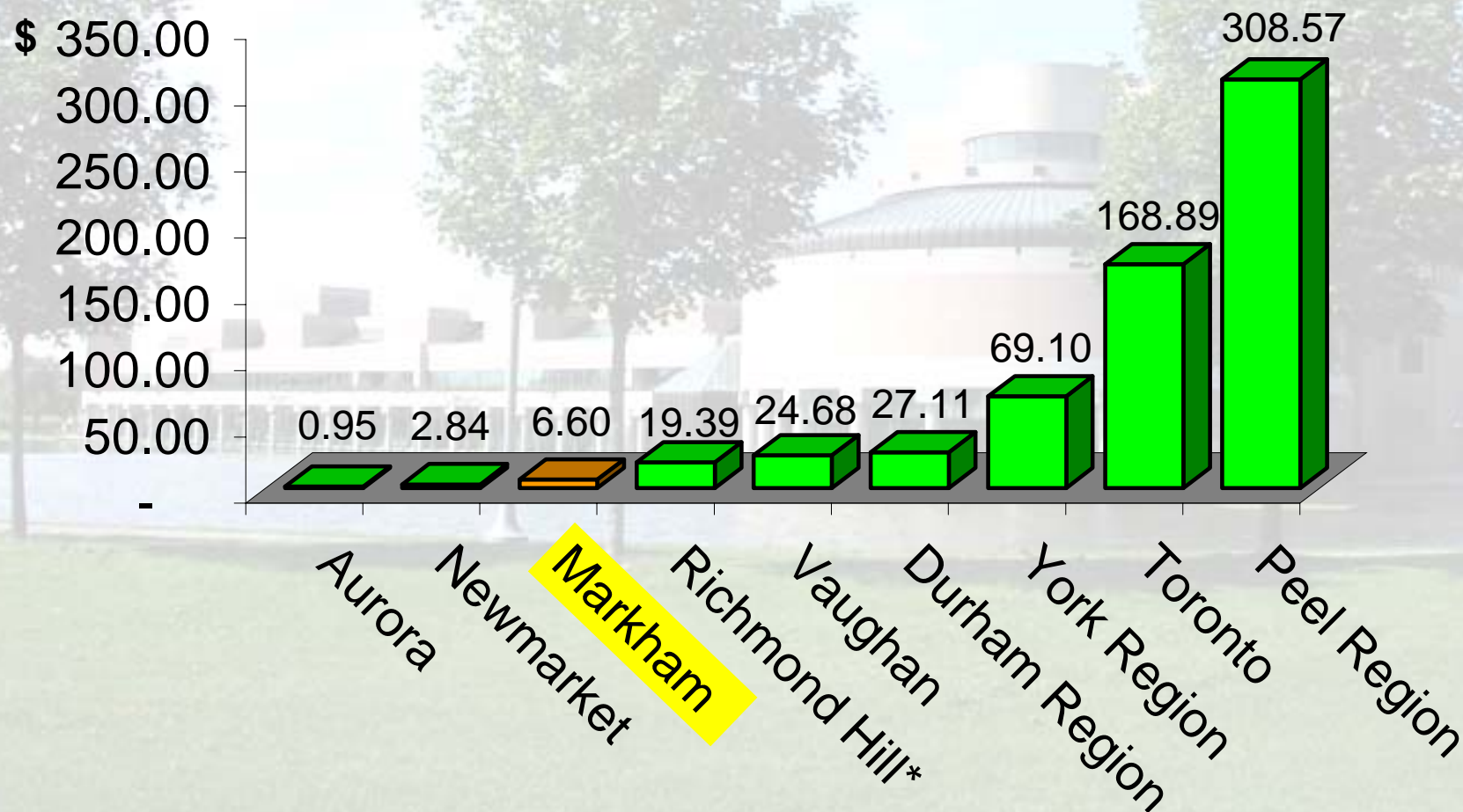
Year-end Reserve balances

2000	6.4	
2001	4.4	
2002	3.5	
2003	4.9	
2004	4.5	
2005	6.6	
2006 (Projection)	6.6	(\$1.3M adjustment for 2006 closed projects to be used to fund 2007 Capital)
2007 (Projection)	6.6*	(With 6.23% increase, Jan. 1, 2007)

*Pending approval of 2007 Capital & Waterworks Operating Budget

2005 Water & Sewer Reserve Balances – Comparison with other Municipalities

(\$ Millions)



* Richmond Hill balance is as of 2004.

Bill 175 - The Sustainable Water & Sewage Systems Act

- Bill 175 deals with water/wastewater service delivery & asset replacement.
- The regulations for Bill 175 are expected to be in place in 2007, 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 2007, in accordance with the legislation.

PSAB Recommendations on Tangible Capital Assets

- The Public Sector Accounting Board recommendations on the accounting and reporting of tangible capital assets by municipalities effective 2009 (with comparable 2008 figures).
- Work required to meet the new PSAB requirements will also be used for inventory, reserve costing & projection purposes under Bill 175 (above)

Future Issues – Aging Infrastructure

- The Waterworks Reserve is not increasing to targeted levels (e.g. \$50M by 2021).
- 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 and/or debt financing.
- Staff will bring a report forward to Council in mid-2007 to quantify the impact of Bill 175.
- In addition to the reporting of tangible capital assets, the new PSAB requirements may change the structure of future municipal budgets

Recommendation

Increase the Town's Water/ Wastewater rate by 6.23% effective January 1, 2007.

This will:

- *Maintain the Town's retail water rate in proportion to the Region's proposed 2007 rate.*
- *Fund 2007 committed annualized cost increases and new programs*

Cost per Cubic Metre

	<i>per cubic metre</i>			
	2006	2007		
	Rate	Proposed Rate	\$ Change	% Change
<i>Region of York</i>				
Water	0.4986	0.5111	0.0125	2.5%
Wastewater	0.4905	0.5396	0.0491	10.0%
	0.9891	1.0507	0.0616	6.23%
<i>Town of Markham</i>				
Water/Wastewater	1.4909	1.5838	0.0929	6.23%

Impact to Average Household & Reserve Balances

	<u>Impact to Avg. Household</u>	<u>Projected 2007 Reserve Bal.</u>
6.23% Water Rate Increase (match Region)	\$33.91/yr	\$6.6M

Each additional 1% over 6.23% = \$5.44/yr for an average household and = \$468K increase to Reserves

7.23% Water Rate Increase	\$39.35/yr	\$7.1M
8.23% Water Rate Increase	\$44.79/yr	\$7.5M
9.23% Water Rate Increase	\$50.23/yr	\$8.0M

Impact to Top 10 Institutional, Commercial, Industrial (ICI) Customers

(based on 2005 annual consumption)

- Impact ranges from \$12K to \$27K per year
- Top 10 List includes manufacturers, a health care provider, and hospitality providers

Next Steps

- Report to be tabled at December 19, 2006 Committee of the Whole
- Report to incorporate all feedback from the Public Meeting
- Report to recommend the water/wastewater rate be increased by 6.23% effective January 1, 2007