

City of Markham

2014 Proposed Water/Wastewater Rates

November 18, 2013



Agenda

- Background
- 2013 Comparative Municipal Water/Wastewater Rates (\$/m³)
- 2013 Water/Wastewater Reserve Study Update
- 2014 City of Markham's (City) Proposed Water/Wastewater Rates
 - 2014 Region of York (Region) Blended Rate Increases
 - Infrastructure Surcharge
- Comparative 2013 and 2014 City's Water/Wastewater Rates
- Impact to Residents and Top 10 Institutional, Commercial and Industrial Customers
- 2013 Waterworks Work Plan
- Next Steps

Background

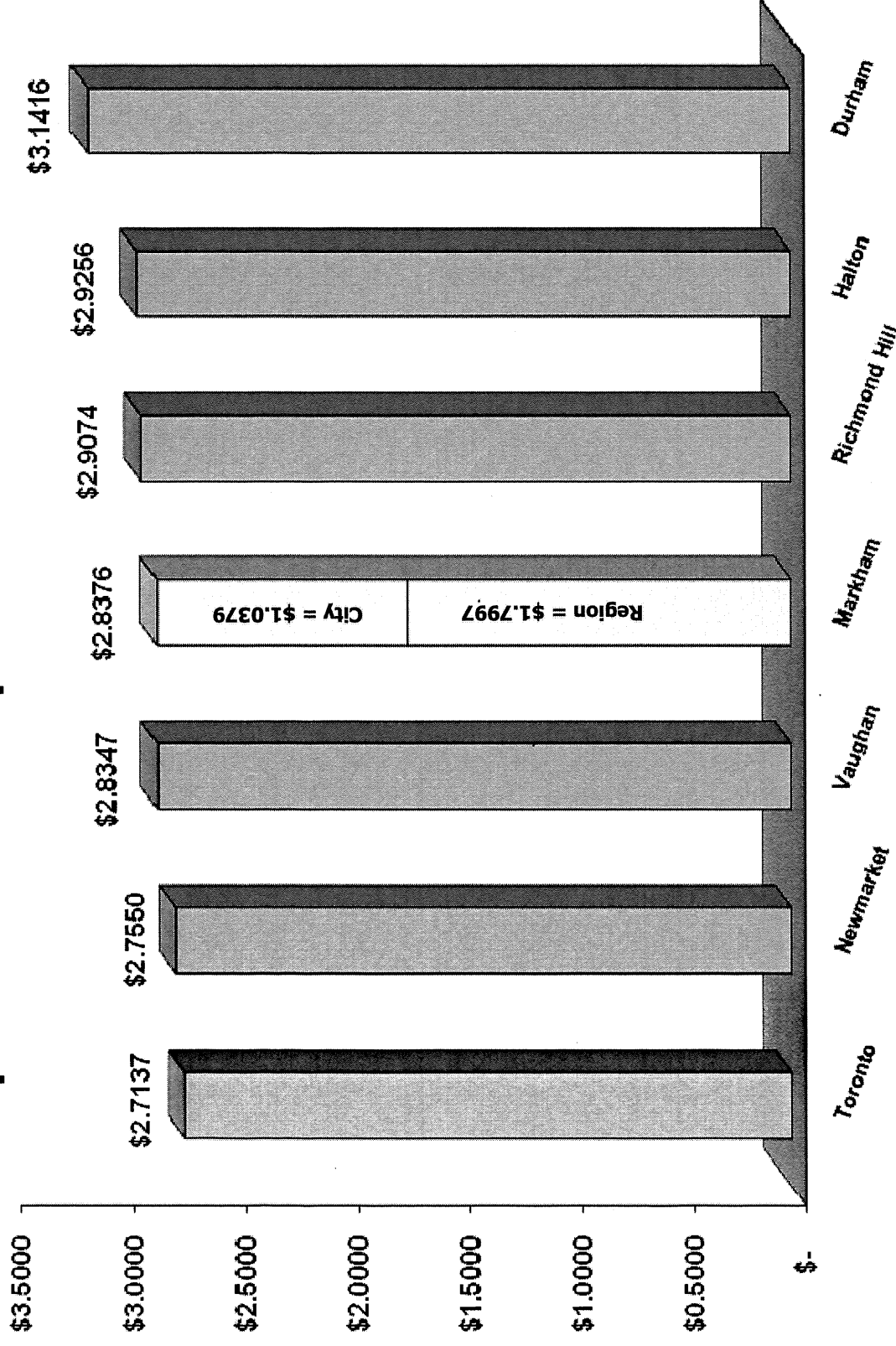
- Markham Waterworks serves approximately:
 - 75,000 residential homes, and;
 - 2,000 Institutional, Commercial and Industrial (ICI) customers
- Markham Waterworks distributed approximately 31,000,000 m³ of water in 2012
- Markham Waterworks is responsible for the maintenance and state of good repair of 1,031km of watermains and 876km of sanitary sewers
- Markham owns and operates the water and wastewater system, and purchases water supply and wastewater treatment from the Region
- Markham owned assets at the end of 2012 and the major asset categories are as follows:

Category	Measurement
Watermains	1,031 KM
Sanitary Sewers	876 KM
Water Meters	76,105
Hydrants	8,260

Background (continued)

- The Region purchases its water from the City of Toronto (60%) and from the Region of Peel (40%)
- The Region's Wholesale Rate is \$1.7997/m³ and City's current retail rate is \$2.8376/m³
- Revenues are used to fund:
 - Regional Purchases (i.e., water and wastewater costs)
 - Waterworks Costs (i.e., operating and capital)

2013 Comparative Municipal Water/Wastewater Rates (\$/m³)



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2013 Water/Wastewater Reserve Study Update

- In 2007, the City implemented the Water/Wastewater Reserve Study with the purpose of addressing the ongoing replacement and rehabilitation requirements for Waterworks infrastructure and other Waterworks related capital assets, such as Fleet, Facilities and ITS infrastructure, over their useful lives.
- The Reserve Study is updated annually to:
 - establish the water and wastewater rate
 - ensure that there is adequate funding in the Waterworks Reserve to sustain future replacement and rehabilitation requirements

2013 Water/Wastewater Reserve Study Update (continued)

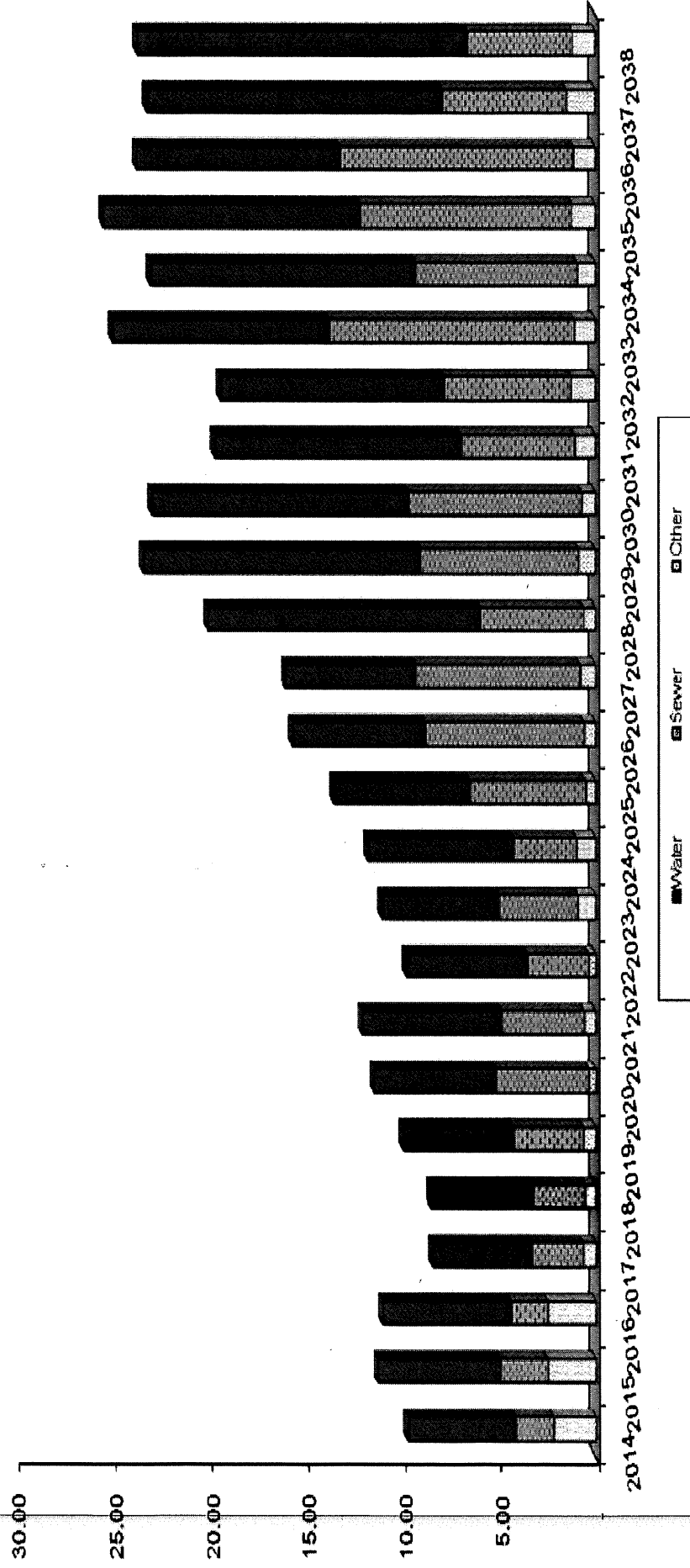
- 2013 reserve study update covered the years 2014 to 2038
- The reserve study incorporates the following:
 - 2012 actual assets
 - 2013 budgeted assets
 - 2014 to 2038 forecasted replacements
 - 2013 approved operating budget and 2014 proposed operating budget
 - Region's 2014 approved rate and estimated future rate increases
 - other items such as Council approved infrastructure surcharge, inflation and population growth adjustment
- These items contribute to the development of 2014 water/wastewater rate

2013 Water/Wastewater Reserve Study Update (continued)

25-Year Projected Life Cycle Expenditures – By Component

2014-2038 (in 2013 \$ - in Millions)

Total projected expenditures of \$410M for the next 25 years (Average \$16M/year)



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2014 Proposed Water/Wastewater Rates

- A. 2014 Region of York (Region) Blended Rate Increase
- B. Infrastructure Surcharge
- C. Inflation and Population Growth

2014 Proposed Water/Wastewater Rates

A. 2014 Region of York Blended Rate Increases

➤ The Region's report identified the following blended rate increase:

➤ **Approved**

- 10.0% annually 2012 to 2015

➤ **Forecast**

- 8.0% in 2016
- 6.0% in 2017
- 4.0% in 2018 and 2019
- 3.0% in 2020

The Region states that the above rate increase will result in a wastewater operating surplus in 2014, eliminate Region's reserve deficits in 2015, and achieve sustainable reserve balances in 2020 and beyond.

2014 Proposed Water/Wastewater Rates (continued)

A. 2014 Region of York Blended Rate Increases

- The Region's increase will support ongoing requirements such as:
 - Rehabilitation and replacement of aging infrastructure
 - Rehabilitation and replacement of assets built in the future
 - Funding the non-growth component of new infrastructures (i.e. upgrades)
 - Any portion of growth-related infrastructure not eligible to be recovered from development charges
 - Increased regulation/legislation
 - Costs associated with operating water and wastewater services
 - Market trend changes
- Each year the increase identified in the multi year plan is reviewed and confirmed by the Regional Council as part of the budget process

2014 Proposed Water/Wastewater Rates (continued)

A. 2014 Region of York Blended Rate Increases

- Region's approved water and wastewater blended rate increase of 10.0%, includes the wholesale water rate increases from the City of Toronto and the Region of Peel. These increases are passed on to the City.

	Region's 2013		Region's 2014	
	Wholesale Rate/m ³	% Rate Increase	Rate Increase/m ³	Wholesale Rate/m ³
Water	0.8087	7.5%	0.0610	0.8697
Wastewater	0.9910	12.0%	0.1189	1.1099
Total Rate	1.7997	10.0%	0.1799	1.9796

Increase 2014 rate by \$0.1799/m³

2014 Proposed Water/Wastewater Rates

B. Infrastructure Surcharge

- On November 26, 2007, Council approved a Water & Wastewater Infrastructure Surcharge of \$0.4137/m³ to be phased-in over 10 years effective January 1, 2008. 2014 is the 7th year of the 10 year phase-in.

# of Years	1	2	3	4	5	6	7	8	9	10
Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Annual Phase-in (\$/m ³)	0.0827	0.0621	0.0336	0.0336	0.0336	0.0336	0.0336	0.0336	0.0336	0.0336
Cumulative Phase-in (\$/m ³)	0.0827	0.1448	0.1784	0.2120	0.2456	0.2793	0.3129	0.3465	0.3801	0.4137

Increase 2014 rate by \$0.0336/m³

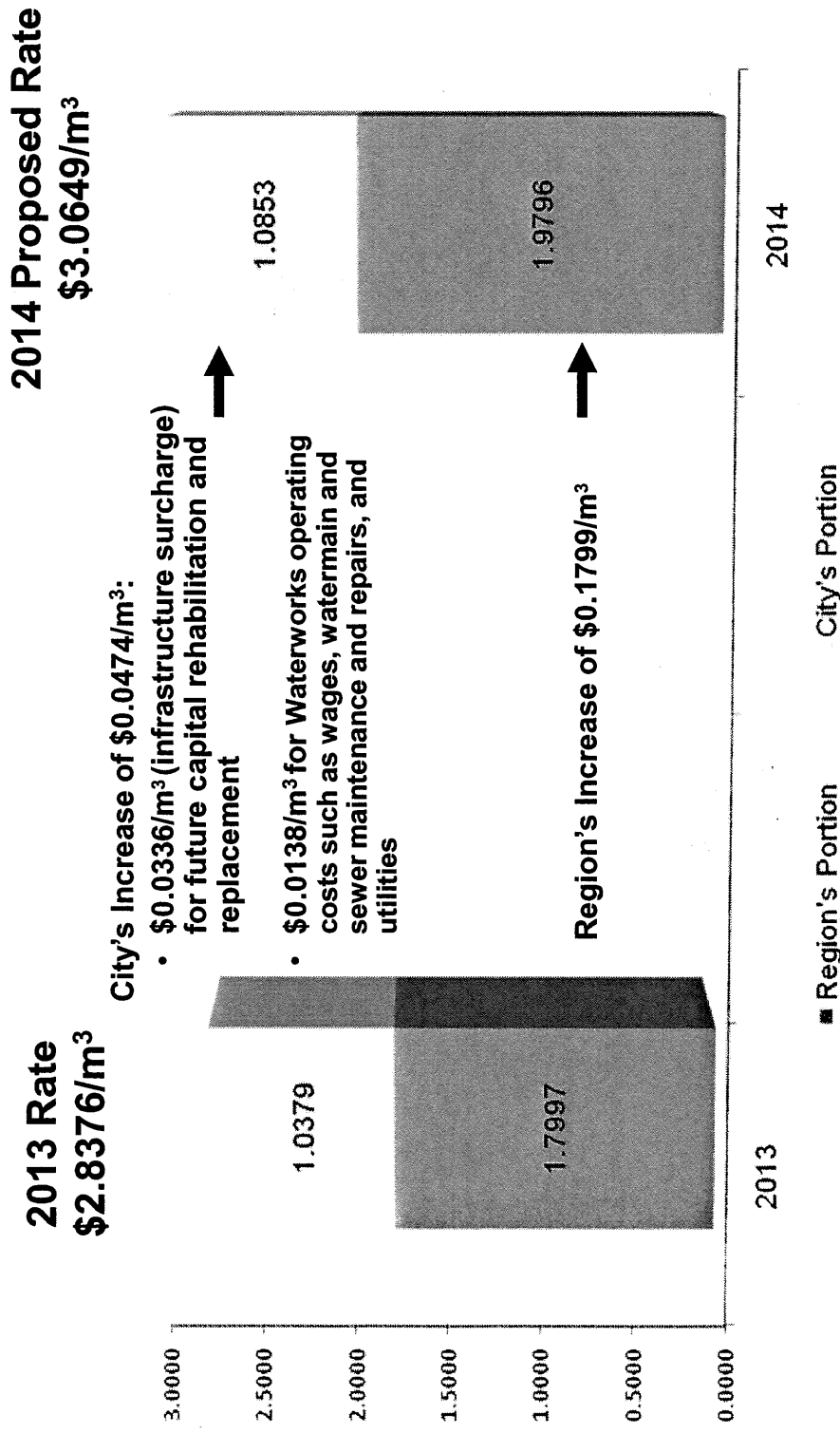
2014 Proposed Water/Wastewater Rates

- Based on:
 - A. Region's 2014 approved rate increase (10.0%)
 - B. City approved infrastructure surcharge
 - C. Inflation and population growth
- The City's proposed 2014 Water/Wastewater rate is:

	\$/m ³
2013 Approved Rate	2.8376
Region's 10% Rate Increase (A)	0.1799
City's Rate Increase (B+C)	0.0474
City's 2014 Proposed Retail Rate	3.0649

**Increase of \$0.2273/m³ or 8.0% compared to the 2013 rate
(2014 proposed rate includes Region's increase of 10.0%)**

Comparative 2013 and 2014 Proposed City Water/Wastewater Rates (\$/m³)



Proposed Increase of \$0.2273/m³ or 8.0% compared to the 2013 rate

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

Proposed 2014 water/wastewater rate of \$3.0649/m³

Rate increase of \$0.2273/m³

(Region's rate increase of \$0.1799/m³, City's increase \$0.0474/m³)

Impact to Residents:

➤ **increase of \$62/year or \$5/month**
(based on average household consumption of 273m³ per year)

Markham average 2014 annual water bill \$840

2013 average household spends annually based on the rates from local service providers:

- Electricity \$1,500
- Voice and data family plan \$1,350
- High speed internet express \$675
- Land line \$540

Impact to the top 10 ICI customers:

➤ **increase ranges from \$15k to \$32k per year**
(Region's increase \$12k to \$25k, Markham's increase \$3k to \$7k)

(Top 10 list includes manufacturers, a health care provider, and hospitality providers)

2013 Waterworks Work Plan

Non-Revenue Water Reduction

- Began a leak detection program focusing on cast iron watermain
- Purchased in-house detection equipment and trained staff for investigating localized spots
- Implemented metering of construction water
- Investigated locations for Bulk Water Stations

2013 Waterworks Work Plan

Sanitary Sewer Flood Risk Mitigation

- Began work on the multi-year program to disconnect roof downspouts from the sanitary sewer
- Began to raise and/or seal all sanitary manholes mapped in flood prone areas
- Completed modeling of system to identify areas for rehabilitation or flow diversion

2013 Waterworks Work Plan

Water Conservation

- Conducted focus groups and surveys with residents on attitudes of tap water and water use
 - Proposed revisions to water bill layout
 - Feedback on consumption, comparables, and targets
 - Probed opinions on conservation and rate structure
- Revamped website to provide residents with more information on conservation and other topics
- Working with PowerStream on providing more detailed reporting of individual water use

Next Steps

- Tuesday, November 26, 2013 – Water Rate Public Meeting (6:00pm at the Council Chamber)
- Monday, December 2, 2013 – Report to General Committee on feedback from the Public Meeting
- Tuesday, December 10, 2013 – Council Decision on 2014 Water/Wastewater Rate
- April 1, 2014 – Implementation of 2014 Water/Wastewater Rate