



Report to: General Committee

Date of Meeting: November 18, 2013

SUBJECT: Proposed 2014 Water/Wastewater Rate Increase and
2014 Waterworks Operating Budget

PREPARED BY: Andrea Tang, Manager, Financial Planning

RECOMMENDATION:

That the report dated November 18, 2013 entitled “Proposed 2014 Water/Wastewater Rate Increase and 2014 Waterworks Operating Budget” be received;

AND THAT Staff be authorized to hold a public meeting on the proposed 2014 water/wastewater rate increase on November 26, 2013 at 6:00p.m. at the Civic Centre in the Council Chamber;

AND THAT the 2014 City of Markham’s (“City”) water/wastewater rate increase be equivalent to the Region of York’s (“Region”) monetary increase of \$0.1799 per cubic metre (m³) based on the Region’s approved increase of 10%;

AND THAT in addition to the Region’s increase, the 2014 water/wastewater rate increase include a surcharge of \$0.0474/m³;

AND THAT effective April 1, 2014, the 2014 water/wastewater rate will be \$3.0649/m³, an increase of \$0.2273/m³, equivalent to a 8.0% increase compared to prior year;

AND THAT Council approve the 2014 Waterworks budget that totals \$96,505,681, (excluding the 2013 surplus/deficit), the principal components of which are detailed in Appendix 1;

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 November 26 at 6:00p.m. at the Civic Centre in the Council Chamber to discuss the 2014 proposed water/wastewater rate increase;
2. Increase the City of Markham’s water/wastewater rate by \$0.2273/m³ from \$2.8376/m³ to \$3.0649/m³ (equivalent to a 8.0% increase) effective April 1st, 2014.

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 \$1.7997/m³ and Markham's current retail rate is \$2.8376/m³. 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 to discuss the 2014 proposed water/wastewater rate increase will be held in the Council Chamber at the Civic Centre on November 26, 2013 at 6:00p.m.. 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****A. Region's Increase**

The Region provides water supply and wastewater treatment to the nine municipalities within the Region. The Regional report dated May 5, 2011 identified a combined rate increase of 10% in the 2014 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
- 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

As per the City's policy, the City will match the Region's monetary increase of \$0.1799/m³ based on Region's approved increase of 10%.

B. Water/Wastewater Infrastructure Surcharge

In addition to the Region's approved increase, the 2014 rate will include a Council approved surcharge of \$0.0474/m³, comprised of the following:

- The seventh year of the approved 10 year phase-in of the water/wastewater Infrastructure Surcharge to address the ongoing replacement and rehabilitation requirements for Waterworks infrastructure;
- Cost increases due to inflation;
- Population growth adjustment

2. 2014 Waterworks Operating Budget

Revenues are used to fund regional purchases, Waterworks operating and capital expenditures. The 2014 Waterworks Operating Budget is \$96,505,681 with a budgeted surplus of \$13,814,710, which will be transferred to the Waterworks reserve at the time of budget approval.

FINANCIAL CONSIDERATIONS:

It is proposed that the 2014 proposed water/wastewater rate will increase by \$0.2273/m³ from \$2.8376/m³ to \$3.0649/m³. The breakdown of the proposed 2014 rate is outlined below:

TABLE A – Water/Wastewater Rate

	<i>per cubic metre</i>			
	<u>2013 Rate (\$)</u>	<u>2014 Rate (\$)</u>	<u>\$ Change</u>	<u>% Change</u>
Region of York				
Water	0.8087	0.8697	0.0610	7.5%
Wastewater	0.9910	1.1099	0.1189	12.0%
Wholesale Rate	1.7997	1.9796	0.1799	10.0%
City of Markham				
Water	1.2496	1.3106	0.0610	4.9%
Wastewater	1.1170	1.2359	0.1189	10.6%
Retail Rate	2.3666	2.5465	0.1799	7.6%
Surcharge	0.4710	0.5184	0.0474	10.1%
Total City of Markham Rate	2.8376	3.0649	0.2273	8.0%

Impact to Residents and ICI Customers

Based on an average household water consumption of 273m³ per year and the 2014 proposed water/wastewater rate increase of \$0.2273/m³, there will be an increase of approximately \$62 for a total annual average household bill of \$840. By comparison, the annual average Markham household expenditure for electricity is \$1,500, voice and data family plan is \$1,350, high speed internet is \$675 and telephone landline is \$540.

The impact to the top 10 ICI customers, including a health care provider, manufacturers, and hospitality providers, will range from \$15k to \$32k per year (Region's increase \$12k to \$25k and the City's increase \$3k to \$7k).

The proposed 2014 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:

14/11/2013

X 

Joel Lustig
Treasurer

15/11/2013

X 

Trinela Cane
Commissioner, Corporate Services

Attachments:

Appendix 1 – 2014 Waterworks Operating Budget

CITY OF MARKHAM - 2014 OPERATING BUDGET

Waterworks

<u>Description</u>	<u>2013 Budget</u>	<u>2014 Budget</u>	<u>2014 Bud. vs. 2013 Bud.</u>	
			<u>\$ Incr./ (Decr.)</u>	<u>% Change</u>
<u>Revenue</u>				
BILLINGS	\$88,460,821	\$95,207,091	\$6,746,270	7.6%
USER FEES & SERVICE CHARGES	\$682,160	\$627,260	(\$54,900)	-8.0%
SALES	\$273,000	\$298,830	\$25,830	9.5%
RECOVERIES & CONTRIBUTIONS	\$373,500	\$372,500	(\$1,000)	-0.3%
Total Revenues	\$89,789,481	\$96,505,681	\$6,716,200	7.5%
<u>Expenses</u>				
SALARIES AND BENEFITS	\$6,756,944	\$6,795,771	\$38,827	0.6%
PRINTING & OFFICE SUPPLIES	\$29,092	\$33,292	\$4,200	14.4%
OPERATING MATERIALS & SUPPLIES	\$128,705	\$126,705	(\$2,000)	-1.6%
CONSTRUCTION MATERIALS	\$594,566	\$667,612	\$73,046	12.3%
UTILITIES	\$36,742	\$36,742	\$0	0.0%
COMMUNICATIONS	\$100,172	\$104,481	\$4,309	4.3%
TRAVEL EXPENSES	\$49,500	\$47,000	(\$2,500)	-5.1%
TRAINING	\$56,130	\$56,250	\$120	0.2%
CONTRACTS & SERVICE AGREEMENTS	\$2,961,912	\$3,042,370	\$80,458	2.7%
MAINT. & REPAIR-TIME/MATERIAL	\$345,122	\$355,456	\$10,334	3.0%
RENTAL/LEASE	\$6,099	\$6,000	(\$99)	-1.6%
PROFESSIONAL SERVICES	\$113,034	\$113,000	(\$34)	0.0%
LICENCES, PERMITS, FEES	\$38,260	\$54,800	\$16,540	43.2%
PROMOTION & ADVERTISING	\$3,000	\$3,000	\$0	0.0%
CONTRACTED MUNICIPAL SERVICES	\$62,737,473	\$68,942,622	\$6,205,149	9.9%
OTHER PURCHASED SERVICES	\$2,019,076	\$2,280,620	\$261,544	13.0%
WRITE-OFFS	\$30,000	\$25,000	(\$5,000)	-16.7%
Total Expenses	\$76,005,827	\$82,690,721	\$6,684,894	8.8%
Surplus	\$13,783,654	\$13,814,710	\$31,306	0.2%
TRANSFERS TO RESERVES	\$13,783,654	\$13,814,710	\$31,306	0.2%
Net Expenditures/ (Revenue)	\$0	\$0	\$0	0%