



Report to: General Committee – Finance & Administrative Date of Meeting: 2013-02-25

SUBJECT: 2013 Water/Wastewater Rate Increase, 2013 Waterworks
Operating Budget and Feedback from Public Meeting
PREPARED BY: Andrea Tang, Manager, Financial Planning

RECOMMENDATION:

That the report dated February 25, 2013 entitled “2013 Water/Wastewater Rate Increase, 2013 Waterworks Operating Budget and Feedback from Public Meeting” be received;

AND THAT the minutes from public meeting held on February 12, 2013 with respect to the 2013 Water/Wastewater rate increase be received (Appendix 1);

AND THAT the 2013 City of Markham’s (“City”) Water/Wastewater rate increase be equivalent to the Region of York’s (“Region”) monetary increase of \$0.1637 per cubic metre (m³) based on Region’s approved increase of 10%;

AND THAT in addition to the Region’s increase, the 2013 Water/Wastewater rate increase includes a surcharge of \$0.0462/m³;

AND THAT effective April 1, 2013, the 2013 Water/Wastewater rate will be \$2.8376/m³, an increase of \$0.2099/m³;

AND THAT Council approve the 2013 Waterworks budget that totals \$89,789,481, (excluding the 2012 surplus/deficit), the principle components of which are detailed in Appendix 2;

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 increase the City of Markham’s Water/Wastewater rate by \$0.2099/m³ from \$2.6277/m³ to \$2.8376/m³ effective April 1st, 2013.

BACKGROUND:

At the February 4, 2013 General Committee, Staff brought forward a report entitled “2013 Proposed Water/Wastewater Rate Increase and 2013 Waterworks Operating Budget” proposing a water & wastewater rate increase of \$0.2099/m³ from \$2.6277/m³ to \$2.8376/m³. In addition, Staff obtained approval to hold a public meeting on February 12, 2013.

At the February 12, 2013 public meeting, a resident inquired about non-revenue water. Staff explained that non-revenue water represents water purchases from the Region that are not recuperated from retail sales. Examples of non-revenue water include flushing of

hydrants, water testing, water sampling, water used for fire protection and water lost due to leakage.

In addition, a question was raised on the amount of additional revenues that will be generated from the 2013 water & wastewater rate increase. Staff responded that additional revenues of approximately \$6,500,000 would be generated based on the 2012 water distribution of 31,000,000m³ and 2013 rate increase of \$0.2099/m³. Staff also added that 78% of the increase would be attributed to Region's wholesale rate increase of 10% on water purchases and wastewater treatment services. The remaining balance will be retained by Markham to reinvest funds for the rehabilitation and maintenance of Waterworks infrastructure, and to update the water and sewer system to meet provincial requirements.

A continuity schedule on the Waterworks reserve was requested, and details are outlined in Appendix 3.

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 Region report dated May 5, 2011 identified a combined rate increase of 10% in the 2013 water (7.7%) 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 \$0.1637/m³ based on Region's approved increase of 10%.

B. Water/Wastewater Infrastructure Surcharge

In addition to the Region's approved increase, the 2013 rate will include a Council approved surcharge of \$0.0462 that comprises of the following:

- The sixth year of the approved 10 year phase-in of the Water/Wastewater Infrastructure Surcharge to address the ongoing replacement & rehabilitation requirements for Waterworks infrastructure;
- Cost increases due to inflation;
- Population growth adjustment

2. 2013 Waterworks Operating Budget

Revenues are used to fund regional purchases, Waterworks operating and capital expenditures. The 2013 Waterworks Operating Budget is \$89,789,481 with a budgeted surplus of \$13,783,654, which will be transferred to the Waterworks reserve at the time of budget approval.

3. Moving to Sustainable Water Rates

The cost of municipal drinking water has increased considerably over the last decade due to increase regulations and requirements. As well, improved water efficient appliances and fixtures have reduced average consumption. Therefore, a sustainable rate structure is essential to address continued emphasis on transparency, accountability and stabilization of water rates over the long term. Staff will report to Council in March 2013 on a proposed new rate structure with a target implementation by October 2013.

FINANCIAL CONSIDERATIONS:

The 2013 Water/Wastewater rate will increase by \$0.2099/m³ from \$2.6277/m³ to \$2.8376/m³. The breakdown of the 2013 rate is outlined below:

TABLE A – Water/Wastewater Rate

	<i>per cubic metre</i>			
	<u>2012 Rate (\$)</u>	<u>2013 Rate (\$)</u>	<u>\$ change</u>	<u>% change</u>
Region of York				
Water	0.7512	0.8087	0.0575	7.7%
Wastewater	0.8848	0.9910	0.1062	12.0%
Wholesale Rate	1.636	1.7997	0.1637	10.0%
City of Markham				
Water	1.1921	1.2496	0.0575	4.8%
Wastewater	1.0108	1.1170	0.1062	10.5%
Retail Rate	2.2029	2.3666	0.1637	7.4%
Surcharge	0.4248	0.4710	0.0462	10.9%
Total Town of Markham Rate	2.6277	2.8376	0.2099	8.0%

Impact to Residents & ICI Customers

Based on an average household water consumption of 288m³ per year, there will be an increase of approximately \$60 to an annual average household bill of approximately \$820.

The impact to the top 10 ICI customers, including a health care provider, manufacturers, and hospitality providers, will range from \$14k to \$29k per year (Region's increase \$11k to \$23k and the City's increase \$3k to \$6k).

HUMAN RESOURCES CONSIDERATIONS

Not applicable.

ALIGNMENT WITH STRATEGIC PRIORITIES:

Not applicable.

BUSINESS UNITS CONSULTED AND AFFECTED:

Not applicable.

RECOMMENDED BY:

21/02/2013

21/02/2013

X 

Joel Lustig
Treasurer

X 

Trinela Cane
Corporate Services Commissioner

Attachments:

[Appendix 1 – Minutes from the February 12, 2013 Public Meeting](#)

[Appendix 2 – 2013 Waterworks Operating Budget](#)

[Appendix 3 – Waterworks Reserve Continuity Schedule](#)