

City of Markham

2013 Proposed Water/Wastewater Rates

February 4, 2013

Agenda

- Background
- 2013 Comparative Municipal Water/Wastewater Rates (\$/m³)
- 2012 Water & Wastewater Reserve Study Update
- 2013 City of Markham's (City) Proposed Water/Wastewater Rates
 - 2013 Region of York (Region) Blended Rate Increases
 - Infrastructure Surcharge
- Comparative 2012 & 2013 City's Water/Wastewater Rates
- Impact to Residents and Top 10 Institutional, Commercial and Industrial Customers
- Moving to Sustainable Water Rates
- Next Steps

Background

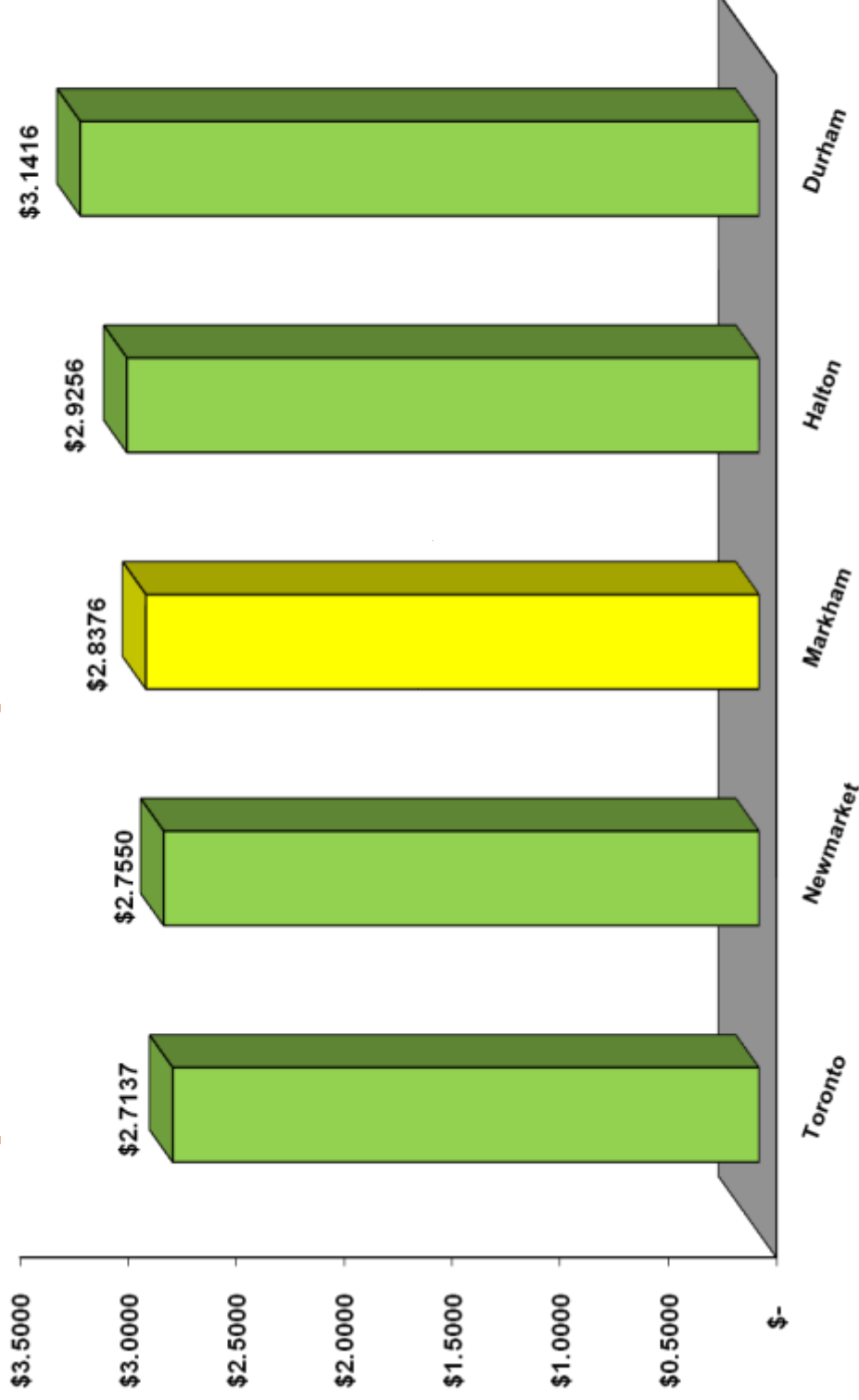
- Markham Waterworks serves:
 - 72,305 residential homes, and;
 - 2,080 Institutional, Commercial and Industrial (ICI) customers
- Markham Waterworks distributed approximately 31,000,000 m³ of water in 2012
- Markham Waterworks is responsible for the maintenance and state of good repair of 1,022km of watermains and 871km 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)

- Region purchases its water from the City of Toronto (60%) and from the Region of Peel (40%)
- Region's Wholesale Rate (RWR) is \$1.6360/m³ and City's current retail rate (CRR) is \$2.6277/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)



*City of Toronto, Town of Newmarket, Region of Halton and Region of Durham have approved the 2013 rates. **City of Vaughan, Town of Richmond Hill and Town of Aurora will approve their rates in February or March.

2012 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

2012 Water & Wastewater Reserve Study Update (continued)

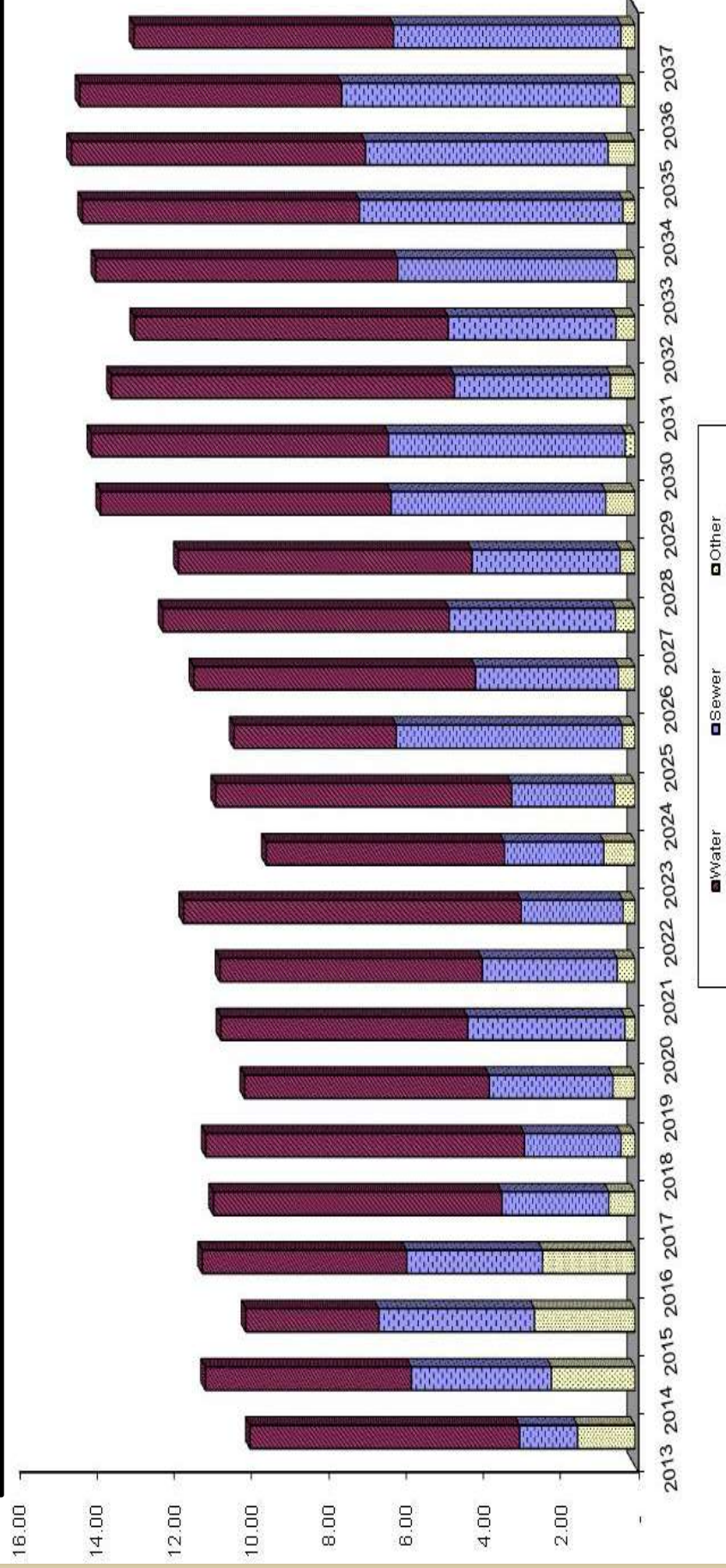
- 2012 reserve study update covered the years 2013 to 2037
- The reserve study incorporates the following:
 - 2011 actual assets
 - 2012 and 2013 budgeted assets
 - 2014 to 2037 forecasted assets
 - 2012 approved operating budget and 2013 proposed operating budget
 - the Region's 2013 approved rate and estimated future rate increases
 - other items such as Council approved infrastructure surcharge, inflation and population growth adjustment
- These items contribute to the development of 2013 water/wastewater rate

2012 Water & Wastewater Reserve Study Update (continued)

25-Year Projected Life Cycle Expenditures – By Component

2013-2037 (in 2012 \$ - in Millions)

Total projected expenditures of \$300M for the next 25 years (Average \$12M/year)



Building Markham's Future Together

Towards a Sustainable Community

2013 Proposed Water/Wastewater Rates

- A. 2013 Region of York (Region) Blended Rate Increase
- B. Infrastructure Surcharge
- C. Inflation and Population Growth

2013 Proposed Water/Wastewater Rates

A. 2013 Region of York Rate Increases

- The Region's report identified the following blended rate increase:
 - **Approved**
 - 10.0% annually 2013 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 2013, eliminate Region's reserve deficits in 2015, and achieve sustainable reserve balances in 2020 and beyond.

2013 Proposed Water/Wastewater Rates (continued)

A. 2013 Region of York 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

2013 Proposed Water/Wastewater Rates (continued)

A. 2013 Region of York 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 Region of Peel. These increases are passed on to the City.

	Region's 2012			Region's 2013
	Wholesale	% Rate	Rate	Wholesale
	Rate/m ³	Increase	Increase/m ³	Rate/m ³
Water	0.7512	7.7%	0.0575	0.8087
Wastewater	0.8848	12.0%	0.1062	0.9910
Total Rate	1.6360	10.0%	0.1637	1.7997

Increase 2013 rate by \$0.1637/m³

2013 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. 2013 is the 6th year of the 10 year phase-in.

# of Year	1	2	3	4	5	6	7	8	9	10
	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
Cummulative 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 2013 rate by \$0.0336/m³

2013 Proposed Water/Wastewater Rates

- Based on:
 - A. Region's 2013 approved rate increase (10.0%)
 - B. City approved infrastructure surcharge
 - C. Inflation and population growth
- The City's proposed 2013 Water/Wastewater rate is:

	\$/m ³
2012 Approved Rate	2.6277
Region's 10% Rate Increase (A)	0.1637
City's Rate Increase (B+C)	0.0462
City's 2013 Proposed Retail Rate	2.8376

**Increase of \$0.2099/m³ or 8.0% compared to the 2012 rate
(2013 proposed rate includes Region's increase of 10.0%)**

2013 Proposed Water/Wastewater Rates

Non-Revenue Water Usage

- 12 month average for non-revenue water:

2007 – 11.2%

2008 – 10.9%

2009 – 10.7%

2010 – 16.1%

2011 – 15.9%

YTD October 2012 – 15.9%

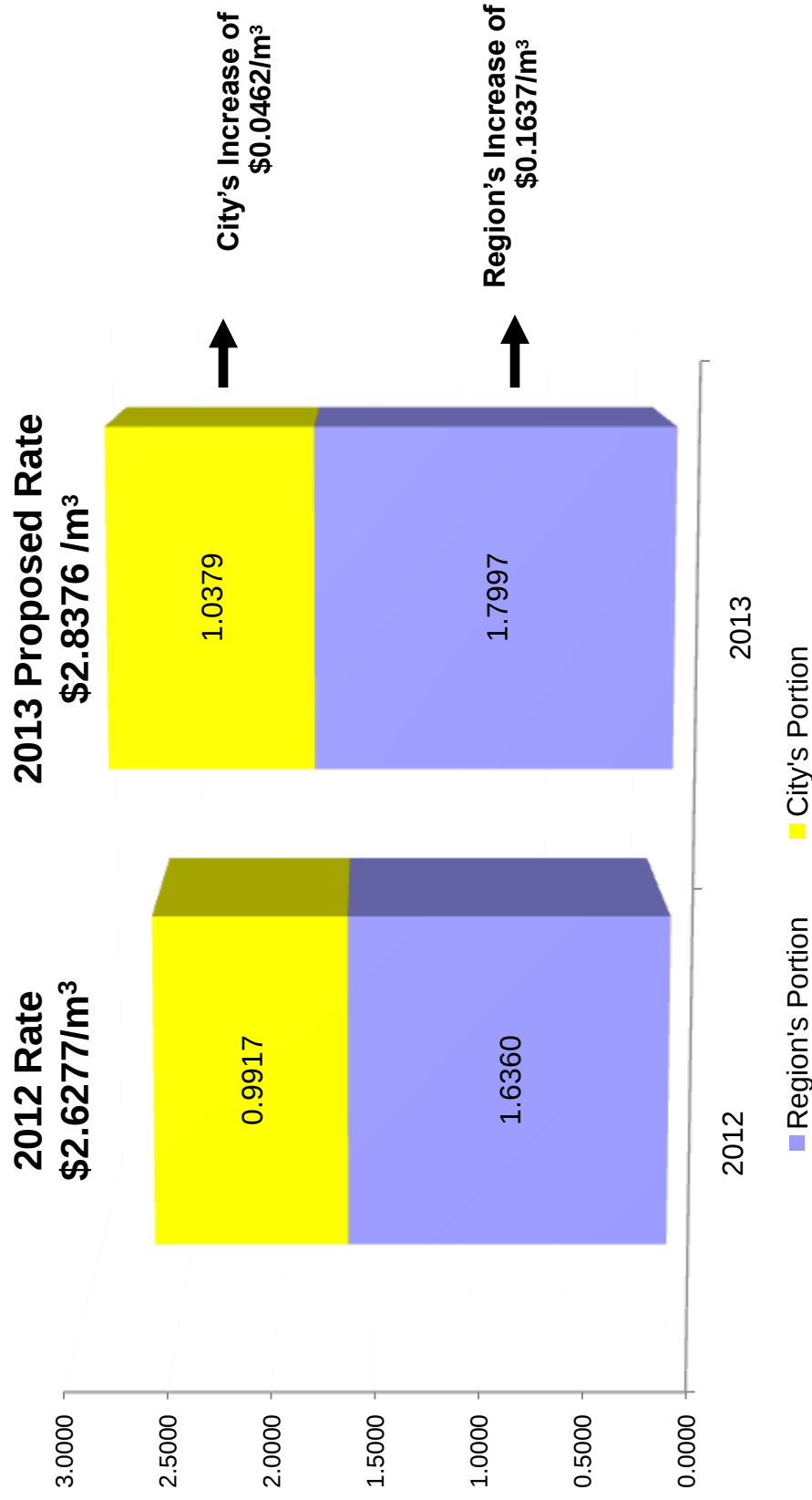
- The non-revenue water in 2012 has fluctuated throughout the year.
- The current non-revenue water is higher in comparison to the historical trends from 2007 to 2009 which was 11.0%. Other municipalities are also facing a similar situation.
- The Region, in collaboration with the municipalities, is undertaking a detailed audit of the billing and metering process to understand the higher billed volume and to determine if corrections are required.

2013 Proposed Water/Wastewater Rates (continued)

Non-Revenue Water Usage

- In July 2012, Staff from throughout York Region met to review the initial results from the consultant that showed an imbalance of non-revenue water among Markham, Vaughan and Richmond Hill.
- Meetings have been held with the City of Vaughan to collaboratively address the issue of increasing non-revenue water. The City and Vaughan have also met with PowerStream to gain a better understanding on the billing process, and to identify improvements to the process. Further opportunities are being investigated.
- The Region is undertaking an audit and it is expected that the results will be available in the first quarter of 2013.
- For budgeting purposes, the 2013 budgeted non-revenue water will remain at 11.0%.

Comparative 2012 & 2013 Proposed City Water/Wastewater Rates (\$/m³)



Proposed Increase of \$0.2099/m³ or 8.0% compared to the 2012 rate

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

Proposed 2013 water/wastewater rate of \$2.8376/m³

Rate increase of \$0.2099/m³

(Region's rate increase of \$0.1637/m³, City's increase \$0.0462/m³)

Impact to Residents:

➤ **increase of \$60 per year**
(based on average household consumption of 288m³ per year)

Markham average 2013 annual water bill \$820

2012 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
- Landline \$540

Impact to the top 10 ICI customers:

➤ **increase ranges from \$14k to \$29k per year**
(Region's increase \$11k to \$23k, Markham's increase \$3k to \$6k)

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

Moving to Sustainable Water Rates

- Cost of municipal drinking water has increased considerably over the last decade due to increase regulations and requirements
- Improved water efficient appliances and fixtures has reduced average consumption
- Need to establish a new rate structure which addresses continued emphasis on transparency and accountability, also stabilization of water rates over the long term

Moving to Sustainable Water Rates (continued)

- Staff will report to Council in March 2013 on a new rate structure:
 - Public input during April/May
 - Report back to Council in June
 - Target implementation of new rate by October of 2013

Next Steps

- Tuesday, February 12, 2013 – Water Rate Public Meeting (Planning Meeting)
- Monday, February 25, 2013 – Report to General Committee on feedback from the Public Meeting
- Tuesday, February 26, 2013 - Council Decision
- April 1, 2013 – Implementation of 2013 Water/Wastewater Rate