

Town of Markham

2012 Proposed Water/Wastewater Rates

General Committee
October 3, 2011

Agenda

- Presentation by Andrea Tang, Manager of Financial Planning
 - Background
 - 2011 Comparative Municipal Water/Wastewater Rates (\$/m³)
 - 2011 Water & Wastewater Reserve Study Update
 - 2012 Town of Markham's Proposed Water/Wastewater Rates
 - 2012 Region of York Approved Water/Wastewater Rate Increase
 - Infrastructure Surcharge
 - Comparative 2011 & 2012 Markham Water/Wastewater Rates
 - Impact to residents and top 10 Institutional, Commercial and Industrial customers
 - Summary and Next Steps
 - General Committee Approval

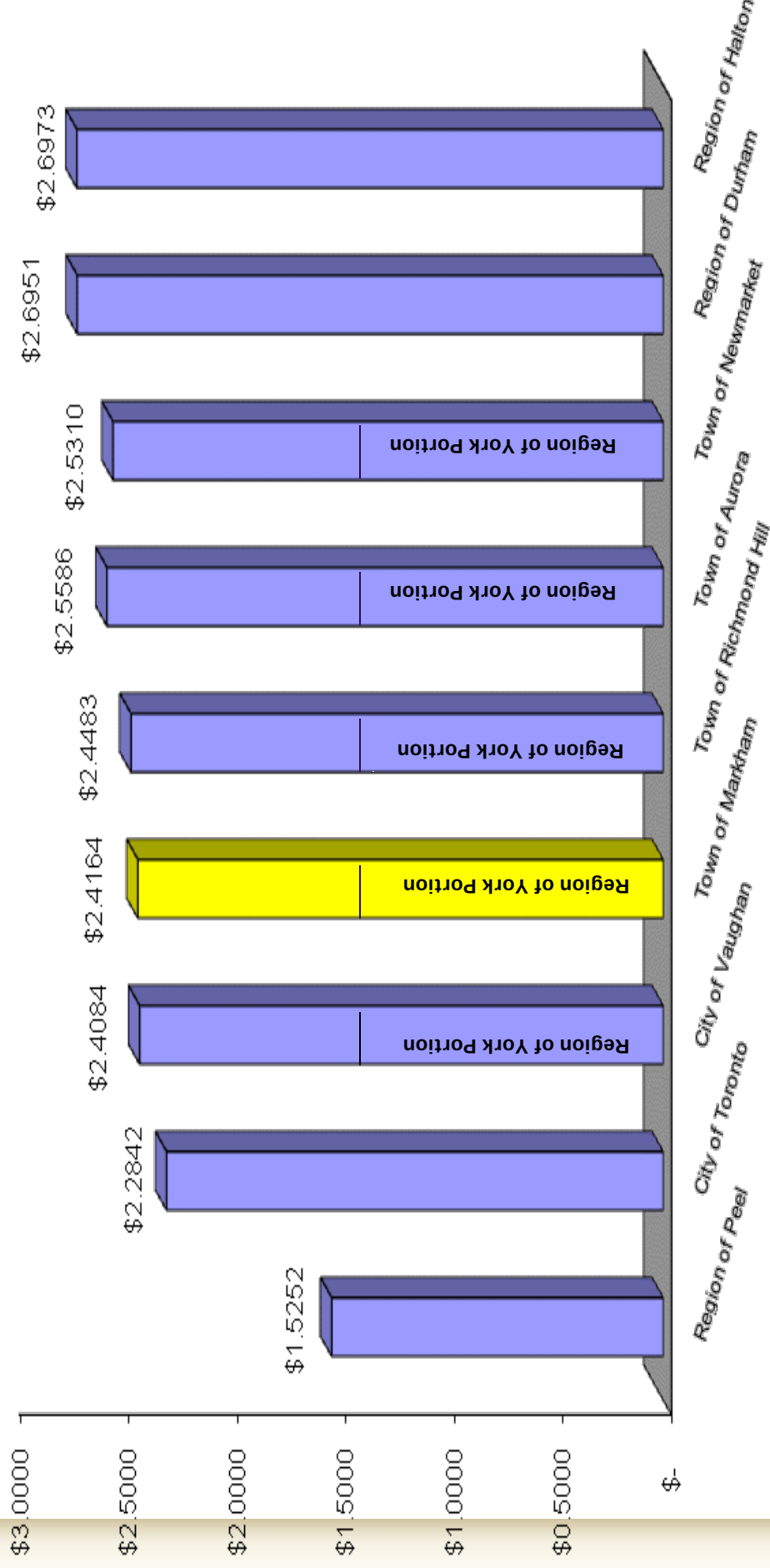
Background

- Markham Waterworks serves:
 - 71,300 Residential homes, and;
 - 2,100 Institutional, Commercial and Industrial (ICI) customers
- Markham Waterworks distributed more than 31,000,000 m³ of water in 2010
- Markham Waterworks is responsible for the maintenance and state of good repair of 994km of watermains and 845km of sanitary sewers
- Markham owns and operates the water and wastewater system, and purchases water supply and wastewater treatment from the Region of York

Background (continued)

- Region of York (Region) purchases its water from the City of Toronto and from the Region of Peel
- Region's Wholesale Rate is \$1.4873/m³ and Markham's current retail rate is \$2.4164/m³
- Markham's current rate model is "Single Block Combined Water and Wastewater Rate", i.e. charges are based only on consumption volume using a constant rate
- Revenues are used to fund:
 - Regional Purchases (i.e. water and wastewater costs)
 - Waterworks Costs (i.e. operating and capital)

2011 Comparative Municipal Water/Wastewater Rates (\$/m³)



- Toronto, Durham Region and Halton Region have various block rates. The rates shown above are based upon projected consumption for a residential home of 288m³ per year.
- Durham Region rate includes a service charge of \$17.21 per month. Halton Region rate includes a service charge of \$21.78 per month.
- York Region's wholesale rate is \$1.4873/m³.

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2011 Water & Wastewater Reserve Study Update

- In 2007, Markham 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 ensure that there is adequate funding in the Waterworks Reserve to sustain future replacement and rehabilitation requirements.

2011 Water & Wastewater Reserve Study Update

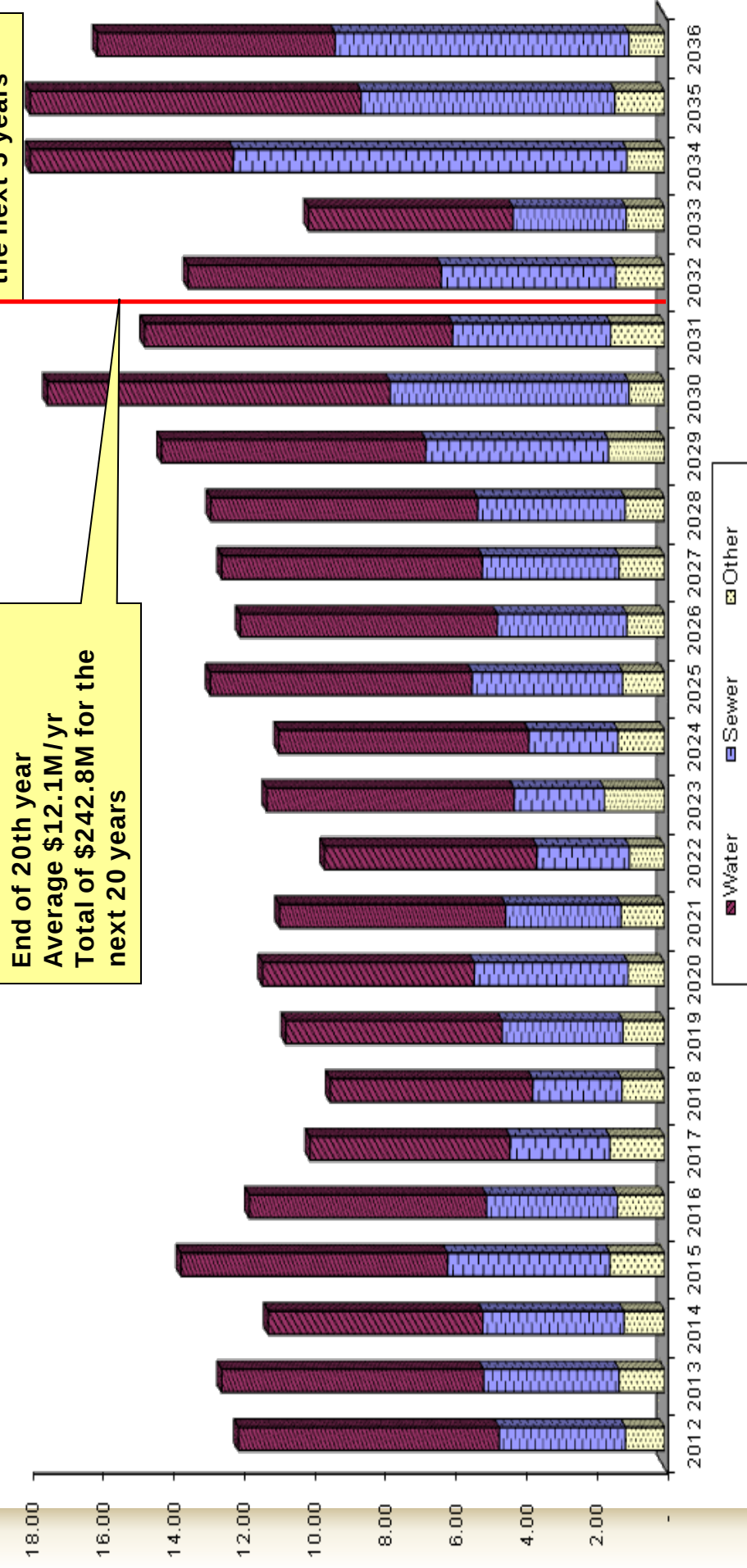
- 2011 Update covers the years 2012 to 2036 (2010 update – 2011 to 2035)
- Includes assets to the end of December 2010 and the asset categories are as follows:

Category	Measurement
Watermains	994 KM
Sanitary Sewers	845 KM
Water Meters	73,000
Hydrants	7,900
Sample Stations	100
Pumping Stations	5
Flushing Stations	4

- Incorporates the approved 2011 and the proposed 2012 Operating & Capital Budgets
- Incorporates the Region's 2012 approved rate and estimated future rate increases
- Incorporates other items such as:
 - Council approved infrastructure surcharge, inflation and population growth adjustment
- These items contribute in the development of 2012 water/wastewater rate

2011 Water & Wastewater Reserve Study Update

25-Year Projected Life Cycle Expenditures – By Component 2012-2036 (in 2011 \$ - in Millions)



2012 Proposed Water/Wastewater Rates

2012 Region of York Approved Water/Wastewater Rates

- The York Region report dated May 5, 2011 identified a 10% increase in the 2012 water and wastewater rates based on a multi year plan effective April 1, 2012
- The increase will support ongoing infrastructure requirements such as:
 - Rehabilitation and replacement of existing assets
 - 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
 - Costs associated with operating water and wastewater services
- Each year the increase identified in the multi year plan is reviewed and confirmed by the Regional Council as part of the budget process
- Region's approved increase of 10% includes the wholesale water rate increases from the City of Toronto and Region of Peel. These increases are passed on to the Town of Markham

2012 Proposed Water/Wastewater Rates

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	Region's 2011		Region's 2012	
	Wholesale Rate	% Rate Increase	Rate Increase	Wholesale Rate
Water	0.6973	7.7%	0.0539	0.7512
Wastewater	0.7900	12.0%	0.0948	0.8848
Total Rate	1.4873	10.0%	0.1487	1.6360

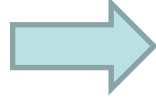
**Impact to the 2012 water rate:
Increase by \$0.1487/m³**

2012 Proposed Water/Wastewater Rates

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

# 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
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



Impact to the 2012 water rate:

Increase by \$0.0336/m³
(5th year of the 10 year phase-in)

2012 Proposed Water/Wastewater Rates

- Based on:
 - Region of York's 2012 Approved Rate Increase
 - Council approved infrastructure surcharge
 - Inflation
 - Population growth adjustment
- The Town's proposed 2012 Water/Wastewater rate is:

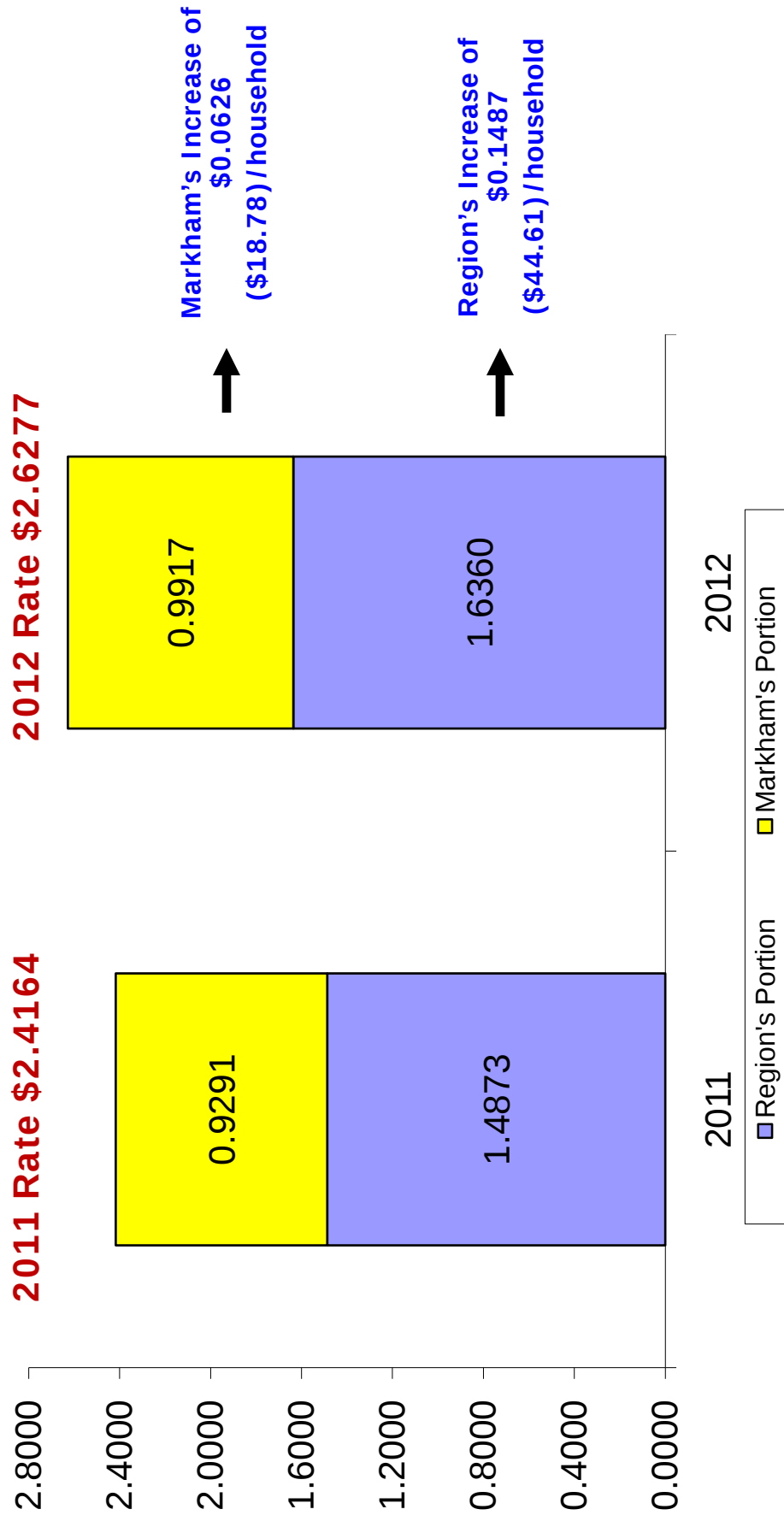
	\$/m³
2011 Approved Rate	2.4164
Region's Rate Increase	0.1487
Surcharge	0.0626
Markham's 2012 Retail Rate	2.6277

Increase of \$0.2113/m³ or 8.7% from the 2011 rate.

Comparative 2011 & 2012 Markham Water/Wastewater Rates (\$/m³)

Impact to Residents - Total Increase of \$0.2113/m³ or \$60.85 increase

(based on average household consumption of 288m³ per year)



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

Total Rate increase of \$0.2113 in 2012

(Region's rate increase of \$0.1487, Markham's increase \$0.0626)



Impact to the top 10 ICI customers ranges from \$11K to \$32K

(Region's increase \$7K to \$19K, Markham's increase \$4K to \$13)

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

Summary and Next Steps

- The Town's proposed 2012 Water/Wastewater rate is \$2.6277/m³ , an increase of \$0.2113/m³ or 8.7% from 2011 rate
- Oct. 25, 2011 – Public Meeting
- Nov. 14, 2011 – Report to General Committee on feedback from the Public Meeting and the 2012 Water/Wastewater rate increase
- Nov. 22, 2011 – Council Approval
- Apr. 1, 2012 – Implementation of New Water Rate

General Committee Approval

- That the proposed 2012 Water/Wastewater Rates Presentation be received
- And that Staff be authorized to present the proposed 2012 Water/Wastewater Rate at the Public Meeting on October 25th, 2011
- And that feedback from the Public Meeting will be brought forward to the General Committee on November 14, 2011