



Report to: General Committee – Finance & Administrative Date of Meeting: 2013-02-04

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

RECOMMENDATION:

That the report dated February 4, 2013 entitled “Proposed 2013 Water/Wastewater Rate Increase and 2013 Waterworks Operating Budget” be received;

AND THAT Staff be authorized to hold a public meeting on February 12, 2013 at 6:30p.m. on the proposed 2013 water/wastewater rate increase;

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 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 February 12 at 6:30p.m. to discuss the 2013 proposed water/wastewater rate increase;
2. 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:

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 \$1.6360/m³ and Markham's current retail rate is \$2.6277/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 will be held at the Civic Centre in the Council Chamber on February 12, 2013 at 6:30p.m. to discuss the 2013 proposed water/wastewater rate increase. Notice of the public meeting has been 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 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:

It is proposed that the 2013 proposed water/wastewater rate will increase by \$0.2099/m³ from \$2.6277/m³ to \$2.8376/m³. The breakdown of the proposed 2013 rate is outlined below:

TABLE A – Water/Wastewater Rate

		<i>per cubic metre</i>			
		Proposed			
		<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		1.6360	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 City 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 average household bill.

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:

X 

Joel Lustig
Treasurer

X 

Trinela Cane
Commissioner of Corporate Services

Attachments:

Appendix 1 – 2013 Waterworks Operating Budget

CITY OF MARKHAM - 2013 OPERATING BUDGET

Waterworks

<u>Description</u>	<u>2012 Budget</u>	<u>2013 Budget</u>	<u>2013 Bud. vs. 2012 Bud.</u>	
			<u>\$ Incr./ (Decr.)</u>	<u>% Change</u>
<u>Revenue</u>				
BILLINGS	\$80,740,020	\$88,460,821	\$7,720,801	9.6%
USER FEES & SERVICE CHARGES	\$484,600	\$682,160	\$197,560	40.8%
SALES	\$148,000	\$273,000	\$125,000	84.5%
RECOVERIES & CONTRIBUTIONS	\$270,000	\$373,500	\$103,500	38.3%
Total Revenues	\$81,642,620	\$89,789,481	\$8,146,861	10.0%
<u>Expenses</u>				
SALARIES AND BENEFITS	\$6,441,201	\$6,756,944	\$315,743	4.9%
PRINTING & OFFICE SUPPLIES	\$29,092	\$29,092	\$0	0.0%
OPERATING MATERIALS & SUPPLIES	\$128,705	\$128,705	\$0	0.0%
CONSTRUCTION MATERIALS	\$566,650	\$594,566	\$27,916	4.9%
UTILITIES	\$36,742	\$36,742	\$0	0.0%
COMMUNICATIONS	\$75,601	\$100,172	\$24,571	32.5%
TRAVEL EXPENSES	\$49,500	\$49,500	\$0	0.0%
TRAINING	\$56,130	\$56,130	\$0	0.0%
CONTRACTS & SERVICE AGREEMENTS	\$2,868,907	\$2,961,912	\$93,005	3.2%
MAINT. & REPAIR-TIME/MATERIAL	\$345,122	\$345,122	\$0	0.0%
RENTAL/LEASE	\$5,099	\$6,099	\$1,000	19.6%
PROFESSIONAL SERVICES	\$113,034	\$113,034	\$0	0.0%
LICENCES, PERMITS, FEES	\$32,260	\$38,260	\$6,000	18.6%
PROMOTION & ADVERTISING	\$3,000	\$3,000	\$0	0.0%
CONTRACTED MUNICIPAL SERVICES	\$56,772,274	\$62,737,473	\$5,965,199	10.5%
OTHER PURCHASED SERVICES	\$2,003,011	\$2,019,076	\$16,065	0.8%
WRITE-OFFS	\$30,000	\$30,000	\$0	0.0%
Total Expenses	\$69,556,328	\$76,005,827	\$6,449,499	9.3%
Surplus	\$12,086,292	\$13,783,654	\$1,697,362	14.0%
TRANSFERS TO RESERVES	\$12,086,292	\$13,783,654	\$1,697,362	14.0%
Net Expenditures/ (Revenue)	\$0	\$0	\$0	0%