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November 30, 2015

## **CORPORATE SERVICES INFORMATION REPORT - FINANCIAL SERVICES-2015-64**

**TO:** Mayor Tony Van Bynen and Members of Council  
Committee of the Whole

**SUBJECT:** Additional Information on 2016 Water Rates

**ORIGIN:** Financial Business Analyst

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***In accordance with the Procedure By-law, any Member of Council may make a request to the Town Clerk that this Information Report be placed on an upcoming Committee of the Whole agenda for discussion.***

### **COMMENTS**

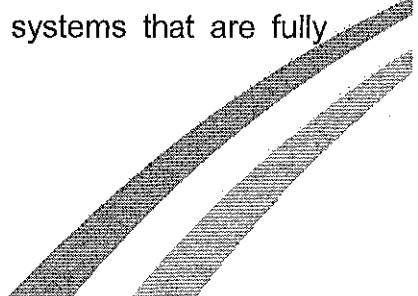
At the Special Committee of the Whole on November 16, 2015, staff was directed to provide an information report outlining drivers for the water and wastewater costs, regional considerations with respect to water and wastewater rate increases and a communication plan for the rate increase.

#### ***Cost Drivers***

The main drivers for the rate increases are:

- A blended 9% increase in Regional charges for the treatment and distribution of water and the collection and treatment of wastewater.
- Conservation measures and weather have resulted in lower per capita consumption by water users. As growth does not offset this decline, the result is lower revenue.
- Building up a rate stabilization reserve to protect from volatile revenue streams.
- Building up the asset replacement funds by increasing the contribution by 8.5% annually.
- Inflation and other general cost increases.

Addressing these drivers ensures that we have water and wastewater systems that are fully compliant with legislation and fully sustainable.



## Regional Considerations

### Rate Comparisons

Municipalities across York Region are facing pressure to increase their water and wastewater rates. A survey of the local tier municipalities was conducted by staff to determine rate increases in the Region for 2016. Four municipalities have projected, proposed or approved rate increases of, or above, 7.8%. The other municipalities set their water rate increase in December or in the new year.

To compare the rate increases across the Region, we can reference the 2015 rate increases. See table 1 and 2 for an illustration.

**Table 1: Annual Water and Wastewater bill for customers who consume 200 cubic meters of water and have a 5/8" meter in 2014 and 2015.**

|                        | 2014         | 2015         | Percent Increase | Dollar Increase |
|------------------------|--------------|--------------|------------------|-----------------|
| Aurora                 | \$666        | \$733        | 10.06%           | \$67            |
| East Gwillimbury       | \$1,098      | \$1,186      | 8.01%            | \$88            |
| Georgina               | \$702        | \$795        | 13.25%           | \$93            |
| King                   | \$813        | \$854        | 5.04%            | \$41            |
| Markham                | \$613        | \$663        | 8.16%            | \$50            |
| Newmarket              | \$914        | \$967        | 5.80%            | \$53            |
| Richmond Hill          | \$628        | \$691        | 10.03%           | \$63            |
| Vaughan                | \$617        | \$678        | 9.89%            | \$61            |
| Whitchurch-Stouffville | \$630        | \$687        | 9.05%            | \$57            |
| <b>Median</b>          | <b>\$666</b> | <b>\$733</b> | <b>9.05%</b>     | <b>\$61</b>     |
| <b>Average</b>         | <b>\$742</b> | <b>\$806</b> | <b>8.81%</b>     | <b>\$64</b>     |

**Table 1: Annual Water and Wastewater bill for customers who consume 10,000 cubic meters of water and have a 2" meter in 2014 and 2015.**

|                        | 2014            | 2015            | Percent Increase | Dollar Increase |
|------------------------|-----------------|-----------------|------------------|-----------------|
| Aurora                 | \$33,302        | \$36,667        | 10.10%           | \$3,365         |
| East Gwillimbury       | \$52,556        | \$54,771        | 4.21%            | \$2,215         |
| Georgina               | \$32,185        | \$36,506        | 13.43%           | \$4,321         |
| King                   | \$37,134        | \$41,955        | 12.98%           | \$4,821         |
| Markham                | \$30,649        | \$33,154        | 8.17%            | \$2,505         |
| Newmarket              | \$29,256        | \$31,866        | 8.92%            | \$2,610         |
| Richmond Hill          | \$31,400        | \$34,692        | 10.48%           | \$3,292         |
| Vaughan                | \$30,856        | \$33,910        | 9.90%            | \$3,054         |
| Whitchurch-Stouffville | \$31,475        | \$34,369        | 9.19%            | \$2,894         |
| <b>Median</b>          | <b>\$31,475</b> | <b>\$34,692</b> | <b>9.90%</b>     | <b>\$3,054</b>  |
| <b>Average</b>         | <b>\$34,313</b> | <b>\$37,543</b> | <b>9.71%</b>     | <b>\$3,231</b>  |

Newmarket's rate increase in 2015 was below the average and median rate as a percentage and in dollar terms for both low consumption level customers and higher level customers.

Newmarket low consumption level customers (e.g. residential customers) are projected to see smaller increases in their bill due to the proposed adoption of a tiered fixed rate brought forward in *Financial Services Report 2015-54*.

All Newmarket customers are expected to see lower increases than others in York Regions due to the relative financial wellbeing of Newmarket's water and wastewater utilities.

### Financial Sustainability Comparisons

The Ministry of the Environment created a guideline that provides principles for achieving sustainability. The guideline defines a sustainable level of revenue that "allows for reliable service that meets or exceeds environmental protection standards, while providing sufficient resources for future rehabilitation and replacement needs."

A key performance indicator for meeting this principle is the capital reserves as a percentage of accumulated amortization. Every year, BMA Consulting conducts a survey of Ontario municipalities for this indicator. The aspirational target for this indicator is 100%. See Table 3 to see how Newmark compares to the survey average and median as of 2014.

**Table 3: Comparison of Capital Reserves as a percentage of accumulated amortization for the Water and Wastewater utilities.**

|                    |                |       |
|--------------------|----------------|-------|
| Water Utility      | Newmarket      | 77.1% |
|                    | Survey Average | 21.6% |
|                    | Survey Median  | 17.3% |
| Wastewater Utility | Newmarket      | 41.2% |
|                    | Survey Average | 35.8% |
|                    | Survey Median  | 17.4% |

Newmarket's rates reflect a higher than average level of sustainability: we are providing now rather than deferring to the future.

### Communication Plan

The Town of Newmarket's Financial Services Department will be working closely with the Communications Department to develop a communications plan for the water rates increase. Some of the communication tools and tactics that will be used include: a hydro bill insert to all households, Town Page advertisements, increased presence on the Town website, Newmarket Now e-newsletter and increased education and awareness through the Town's social media channels.

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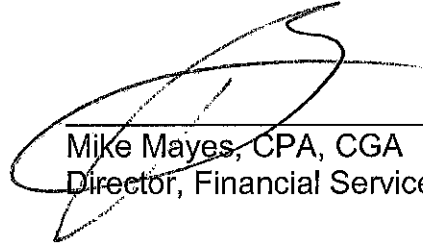
## CONTACT

For more information on this report, contact: Mike Mayes at 905-953-5300, ext. 2102 or via e-mail at [mmayes@newmarket.ca](mailto:mmayes@newmarket.ca)



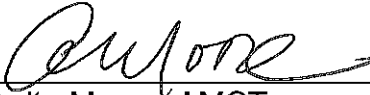
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Anita Moore, AMCT  
Commissioner, Corporate Services

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