



Town of Newmarket  
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## **2019 Water and Wastewater Rates Staff Report**

Report Number: 2018-79

Department(s): Financial Services

Author(s): Senior Financial Analyst

Meeting Date: December 10, 2018

### **Recommendations**

1. That the report entitled 2019 Water and Wastewater Rates dated December 10, 2018 be received; and,
2. That the attached Schedule "A" being the Town of Newmarket Water and Wastewater Rates, be approved and adopted by by-law; and,
3. That the Water and Wastewater Rates adjustments come into full force and effect as of January 1, 2019.

### **Executive Summary**

See below.

### **Purpose**

The purpose of this report is to propose adjustments to the Town's Water and Wastewater rates in 2019.

### **Background**

Based on the Service Pricing Policy, water and wastewater rates are categorized as Consumer Goods. The categorization establishes a cost recovery target level of 100% to recover the full cost of providing the service by the municipality. In addition, the Sustainable Water and Sewage System Act, 2002 (SWSSA) requires that both water and wastewater systems are financially self-sustaining.

The ability of a municipality to establish water and wastewater rates is prescribed under the Municipal Act. The proposed water and wastewater rate increases are in line with the Town's 2017 Six Year Water and Wastewater Financial Plan approved by Council in Corporate Services – Financial Services Report 2017-26.

### **Tiered Water Rates**

The Town entered the first phase of implementing the new tiered water rate structure in 2017. The tiered rate structure means that those with larger water meters pay a larger monthly fee. The rate structure helps ensure fairness when it comes to water and wastewater rate charges. The tiered rates are being phased in over 4 years.

The tiered rate structure being phased in will help make water and wastewater more affordable for residences and small businesses in the coming years.

The Town is implementing the new rate structure to be completed by 2020 to give businesses time to adapt. Since implementing the rate structure, there has been a minor uptake from businesses reducing their meter size. Reducing the meter size results in businesses paying a lower monthly fixed rate while saving the Town maintenance costs of a larger meter.

### **Cost Drivers**

The water and wastewater utilities are subject to many cost drivers. The main drivers for the increases are:

- A 9% increase in Regional charges for the treatment and distribution of water and the collection and treatment of wastewater;
- An 10.7% increase to the Town's annual Asset Replacement Fund contribution amount for long-term financial sustainability;
- Conservation measures and weather have resulted in a less constant stream of revenue;
- Costs related to additional flushing of the water system;
- Inflationary pressures.

The result of these cost drivers are reflected in the attached rate change for 2019.

The Smart Meter replacement project will help the Town better measure water consumption. This planned replacement is expected to commence in 2021.

### **Discussion**

The proposed fee adjustments include an increase in consumption fees of 8.0% for water and 2.5% for wastewater. It is proposed that the water monthly fixed fee increases by \$1.19 for the basic monthly charge. It is also recommended that the utility continue to transition to a tiered fixed rate to be completed by 2020.

## Conclusion

### Impact of Water and Wastewater Rate Changes in 2019

|                                                   | Annual Consumption    | 2018 Average Bill | 2019 Average Bill | Change |
|---------------------------------------------------|-----------------------|-------------------|-------------------|--------|
| 2" Residential and Non-Residential Customer       | 200 m <sup>3</sup>    | \$1,157           | \$1,216           | 5.1%   |
| 2" Industrial, Institutional, Commercial Customer | 4,600 m <sup>3</sup>  | \$19,290          | \$21,076          | 9.3%   |
| 3" Industrial, Institutional, Commercial Customer | 6,900 m <sup>3</sup>  | \$29,514          | \$32,526          | 10.2%  |
| 4" Industrial, Institutional, Commercial Customer | 22,000 m <sup>3</sup> | \$89,699          | \$96,767          | 7.9%   |

### Business Plan and Strategic Plan Linkages

The adoption of the Fees and Charges by-law to implement adjustments to Water and Wastewater Rates is in alignment with the key focus area, Well-equipped & managed of the Community Strategic Plan.

### Consultation

The Municipal Act stipulates public notice requirements for changes to Water and Wastewater Rates. Advertisement on the Town of Newmarket's website and the Town Page of the local newspaper in advance of Council's consideration of the fee adjustments has been arranged.

### Human Resource Considerations

Not applicable to this report.

### Budget Impact

Operating Budget: There is no impact on the tax base. The proposed fee adjustments include increases to both consumption fees and changes to the monthly fixed charge for water and wastewater. For an average resident consuming 200 cubic meters of water per year, the increase will be 5.1% or \$59. Average increases for non-residential properties range from 7.9% to 10.2%, depending on meter size.

## **Attachments**

Schedule A – Water and Wastewater Rates

## **Approval**

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Senior Financial Analyst

Mike Mayes, CPA, CGA, DPA  
Director, Financial Services/Treasurer

## **Contact**

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