



**Mike Mayes, Director
Financial Services/Treasurer**

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November 19, 2015

CORPORATE SERVICES REPORT - FINANCIAL SERVICES-2015-53

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

SUBJECT: 2016 Fees and Charges – Water and Wastewater

ORIGIN: Director, Financial Services/Treasurer

RECOMMENDATIONS

THAT Corporate Services Report - Financial Services – 2015-53 dated November 19, 2015 regarding 2016 Fees and Charges – Water and Wastewater be received and the following recommendations be adopted:

- 1. THAT the attached Schedule “A”, being the Town of Newmarket Water and Wastewater Rates, be approved and adopted by by-law;**
- 2. AND THAT the Water and Wastewater Rate adjustments come into full force and effect as of January 1, 2016;**
- 3. AND THAT staff be directed to report back to Council for the implementation of the phase-in of the tiered fixed rate structure.**

COMMENTS

Purpose:

This report is to propose the 2016 water and waste water rates and to propose a tiered fixed rate structure based on a rate review.

Budget Impact:

There is no impact on the tax base. The proposed fee adjustments would result in an overall increase of 6.5% or \$63 for the average resident consuming 200 cubic metres of water per year. For the average industrial, commercial and institutional customer consuming 835 cubic meters of water per year, the increase will be 8.9% or \$263.02.

Summary:

The proposed fee adjustments include an increase in the volumetric rate of 19% for wastewater, no increase to the volumetric rate for water, and no increase to fixed monthly charge.

BACKGROUND

Regulations and Financial Plans

Based on the Town of Newmarket's Service Pricing Policy, water and wastewater rates are categorized as Consumer Goods, which has an established cost recovery target level of 100% to recover the full cost of providing the service by the municipality. The ability of a municipality to establish water and wastewater rates is prescribed under the Municipal Act. In addition, the Sustainable Water and Sewage System Act, 2002 (SWSSA) requires that both water and wastewater systems are self-sustaining.

Main 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 less 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.

Financial Services Report 2014-54 proposes the new 6 Year Water Financial Plan and 6 Year Wastewater Financial Plan. The rate increase recommendations are based on the proposed plans.

ANALYSIS AND OPTIONS

Fixed Rate

Financial Services Report 2015-54 recommends adopting a tiered fixed rate. A phase-in program is recommended to facilitate the transition to a tiered fixed rate. It is recommended that the tiers be introduced in mid-year with half of the tiered rate increase occurring at that time and the full tiered rate coming into effect in January 2017. It is recommended to not increase the base fixed rate for 2016. See table 1 below for illustration:

Table 1: Recommended monthly fixed rate phase-in program.

Volumetric Rate	Jan-16	Jul-16	Jan-17
Base Fixed Rate	\$28	\$28	\$30.75
2" Fixed Rate	\$28	\$112	\$246.00
3" Fixed Rate	\$28	\$210	\$461.25
4" Fixed Rate	\$28	\$350	\$768.75

Volumetric Rate

The wastewater service has been historically under-funded. Equally, York Region is increasing its wholesale wastewater rate by 14%. In order for the service to be properly funded going forward, the new *6 Year Wastewater Financial Plan* recommends a volumetric rate increase of 19%.

York Region is increasing its wholesale water rate by 2.5%. The water service is not experiencing the same upward pressure. Consequently, the *6 Year Water Financial Plan* recommends no increase to the volumetric water rate in 2016.

The recommended blended volumetric increase for 2016 is 10%.

BUSINESS PLAN AND STRATEGIC PLAN LINKAGES

This report links to Newmarket's key strategic directions in being Well Managed through fiscal responsibility.

CONSULTATION

The Municipal Act stipulates public notice requirements for changes to water and wastewater rates. Advertisement on the Town of Newmarket's website has been provided for a three-week period in advance of the public meeting (Council on November 30). In addition, notice has been given through advertisement on the Town Page of the local newspaper in advance of Council's consideration of the fee adjustments. These fees and charges are being presented as part of the Committee of the Whole meeting scheduled for November 16, 2015.

HUMAN RESOURCE CONSIDERATIONS

Not applicable to this report.

BUDGET IMPACT

Operating Budget

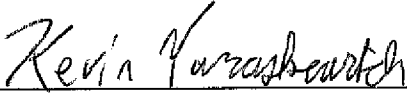
The proposed fee adjustments include increases to the consumption fees for water and wastewater. For an average resident consuming 200 cubic metres of water per year, the increase will be 6.5% or \$63. For the average industrial, commercial and institutional customer consuming 835 cubic meters of water per year, the increase will be 8.9% or \$263.02. There is no impact on the tax base.

Capital Budget

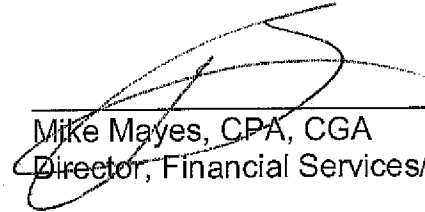
The proposed rates will ensure that we continue to move infrastructure funding, via the Asset Replacement Fund, to a sustainable level.

CONTACT

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



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Director, Financial Services/Treasurer



Anita Moore, AMCT
Commissioner, Corporate Services

MM/ne
Attachment:

- a) 2016 Water & Wastewater Rates (1 pg.)

TOWN OF NEWMARKET

2016 USER FEES

Schedule A - Water and Wastewater Rates

Effective Date: January 1, 2016

	Current 2015 Rates		2016 Rates		Change %
	per 100 cubic feet	per cubic metre	per 100 cubic feet	per cubic metre	
Combined Utility Rates					
Taxable Properties	\$8.932	\$3.153	\$9.823	\$3.468	10.0%
Water					
Taxable properties	\$4.240	\$1.497	\$4.240	\$1.497	0.0%
Non-taxable properties	\$4.699	\$1.659	\$4.699	\$1.659	0.0%
Flat rate - no meter, monthly	\$55.043		\$58.631		6.5%
Basic charge, monthly	\$14.000		\$14.000		0.0%
Wastewater					
Taxable properties	\$4.692	\$1.656	\$5.583	\$1.971	19.0%
Non-taxable properties	\$5.042	\$1.781	\$6.000	\$2.119	19.0%
Flat rate - no meter, monthly	\$53.820		\$57.328		6.5%
Basic charge, monthly	\$14.000		\$14.000		0.0%
Average Bill					
Residential annual average charge	200m ³	\$966.60		\$1,029.60	6.5%
ICI annual average charge	835m ³	\$2,968.76		\$3,231.78	8.9%