



CORPORATE SERVICES COMMISSION
Financial Services

TOWN OF NEWMARKET
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November 6, 2016

CORPORATE SERVICES REPORT – FINANCIAL SERVICES – 2016-46

TO: Mayor Tony Van Bynen and Members of Council

SUBJECT: 2017 Water and Wastewater Rates

ORIGIN: Financial Business Analyst

RECOMMENDATIONS:

- a) **THAT Corporate Services Report-Financial Services – 2016-46 dated November 6, 2016 regarding 2017 Water and Wastewater Rates be received and the following recommendations be adopted:**
- i. **THAT the attached Schedule “A”, being the Town of Newmarket Water and Wastewater Rates, be approved and adopted by Bylaw;**
 - ii. **AND THAT the Water and Wastewater Rates adjustments come into full force and effect as of January 1, 2017;**
 - iii. **AND THAT full implementation of fixed tiered water and wastewater rates be phased in over four years starting in July 2017.**

COMMENTS:

Purpose

The purpose of this report is to propose increases to the Town's water and wastewater rates in 2017.

Budget Impact

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 5.8% or \$60. For an average business consuming 835 cubic meters of water per year, the increase will be 9% or \$295.

Summary

The proposed fee adjustments include an increase in consumption fees of 7.5% for water and 5% for wastewater. It is proposed the fixed fees increase \$1.50 to the basic monthly charge for wastewater and that the utility transition to a tiered fixed rate over 4 years.

Background

Based on the Service Pricing Policy, water and wastewater rates are categorized as Consumer Goods establishing 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 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 six year water & wastewater financial plan approved by Council with Corporate Services – Financial Services report 2015-54.

Over the past year, Newmarket Council has received regular information reports from Financial Services regarding the implementation of a tiered fixed rate structure where customers with larger water meters pay a higher monthly rate.

Analysis and Options

Between 2005 and 2014, residents and businesses in Newmarket have been using 17% less water per year. Despite the reduction in consumption, much of the costs associated with maintaining the water systems – for example water quality testing and water main repairs, remain the same. The Town has two options when there is a loss of revenue: raise the volumetric rate (the amount based on water consumed) or raise the fixed rate.

The Town is moving toward a tiered water rate structure to help ensure fairness when it comes to water rate charges. This tiered water rate structure will go a long way in making water and wastewater more affordable for residences and small businesses in subsequent years.

Customers with large meters should bear a greater portion of the fixed cost because larger meters are more expensive to maintain and replace, and they put greater strain on the water and wastewater infrastructure.

Tiered water rates will be charged based on the following standardized meter equivalency factor set by the American Water Works Association. See Table 1 below:

Table 1: Recommended Tiered Water Rate Equivalency Factor by the American Water Works Association

Water Meter Size	Smaller than 2"	2"	3"	4"
Equivalency Factor	1	8	15	25

According to the 2016 BMA Consulting Municipal Study, low-consumption customers in Newmarket pay among the most for water in York Region while high-level water consumers pay among the least. For comparison across the province, Newmarket residents and small businesses

pay 5% more than the provincial average while large water consumers pay 3.5% more than the provincial average.

It is worth noting that although Newmarket water rates are higher than the provincial average, the water and wastewater reserves are among the healthiest in the province. This demonstrates exceptional financial stewardship.

Cost Drivers

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

- a 9% increase in Regional charges for both the treatment and distribution of water and the collection and treatment of wastewater
- costs related to additional flushing of the water system
- other general cost increases
- conservation measures and weather have resulted in a less constant stream of revenue

Impact of Stormwater Charge

Some stormwater management services are currently funded through the wastewater utility rates. The implementation of the stormwater charge will remove \$227,000 from the annual wastewater funding requirement. This will enable the volumetric rate increase to decrease from 7% to 5% in 2017 for the wastewater utility.

Implementation Timeline

Newmarket Hydro currently handles the Town's water and wastewater billing. The province is mandating changes with respect to electric billing by January 1, 2017. Newmarket Hydro staff time is required to deliver on the electric billing changes. Given that the new tiered rate structure will require significant changes to the billing system as well, Newmarket Hydro can start billing the new tiered rates in July, 2017.

BUSINESS PLAN AND STRATEGIC PLAN LINKAGES

The adoption of the Fees and Charges bylaw 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 Town partnered with the Newmarket Chamber of Commerce to get feedback on the proposed water, wastewater and stormwater changes. The original financial plan phased in the tiered rates over two years. Based on the feedback, staff is recommending phasing in the tiered rates over four years to give businesses more time to adapt.

The Municipal Act stipulates public notice requirements for changes to Water and Wastewater Rates. Advertisement on The Town of Newmarket's web site has been provided for a two-week period in advance of the public meeting. Notice has also been given through advertisement on

the Town Page of the local newspaper in advance of Council's consideration of the fee adjustments. The statutory public meeting is scheduled on November 14, 2016.

HUMAN RESOURCE CONSIDERATIONS

Not applicable to this report.

BUDGET IMPACT

Operating Budget

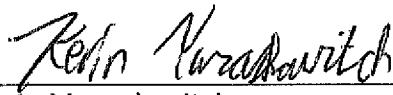
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Capital Budget

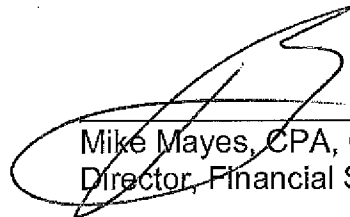
Not Applicable.

CONTACT

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Director, Financial Services/Treasurer



Esther Armchuk, B.A. LL.B.
Commissioner, Corporate Services

MM:KY/ne

Attachments:

- a) Schedule A – Water and Wastewater Rates

TOWN OF NEWMARKET
2017 USER FEES
Schedule A - Water and Wastewater Rates
Effective Date: January 1, 2017

	Current 2016 Rates		Rates as of Jan. 01, 2017		Rates as of July 01, 2017		Change
	per 100 cubic feet	per cubic metre	per 100 cubic feet	per cubic metre	per 100 cubic feet	per cubic metre	%
Combined Utility Rates							
Taxable Properties	\$9.823	\$3.468	\$10.420	\$3.679	\$11.055	\$3.679	6.1%
Water							
Taxable properties	\$4.240	\$1.497	\$4.558	\$1.609	\$4.899	\$1.609	7.5%
Non-taxable properties	\$4.699	\$1.659	\$5.051	\$1.783	\$5.429	\$1.783	7.5%
Flat rate - no meter, monthly	\$58.631		\$62.059		\$62.059		5.8%
Basic charge, monthly	\$14.000		\$14.00		\$14.00		0.0%
2" Meter Monthly Charge	\$14.000		\$14.00		\$28.00		100.0%
3" Meter Monthly Charge	\$14.000		\$14.00		\$52.50		275.0%
4" Meter Monthly Charge	\$14.000		\$14.00		\$87.50		525.0%
Wastewater							
Taxable properties	\$5.583	\$1.971	\$5.862	\$2.070	\$6.156	\$2.070	5.0%
Non-taxable properties	\$6.000	\$2.119	\$6.300	\$2.225	\$6.615	\$2.225	5.0%
Flat rate - no meter, monthly	\$57.328		\$60.680		\$60.680		5.8%
Basic meter charge, monthly	\$14.000		\$15.50		\$15.50		10.7%
2" Meter Monthly Charge	\$14.000		\$15.50		\$31.00		121.4%
3" Meter Monthly Charge	\$14.000		\$15.50		\$58.13		315.2%
4" Meter Monthly Charge	\$14.000		\$15.50		\$96.88		592.0%
Average Bill							
Residential annual average charge 200 m3		\$1,029.60				\$1,089.80	5.8%
ICI annual average charge 835 m3		\$3,231.78				\$3,526.41	9.1%