Water & Wastewater Rate Recommendations

Transportation & Works Committee

November 5, 2008

Current Rate Methodology

- Study conducted by consultants in 2005 to develop long-term model

- Study identified asset replacement needs and identified a funding plan.

- Forecast rate increases of 2.5% per year for water and 10% per year for wastewater over the five year period 2006-2010 (6.4% combined increase)

Current Rate Methodology

- Study recognized that the system required significant up-front capital resulting in large increases in the rate.

- Recommended a smoothing of the rate to buffer the increases over a longer period of time.

- Smoothing of the increases results in deficit financing in early years

Current Rate Methodology

- Deficit in water would have been eliminated by 2011.
- Deficit in wastewater would not be fully self financing within the rate until 2028.
- Systems would borrow from within their reserves or from other Regional reserves to offset deficit requirements.

Current Rate Methodology

- Assumed inflationary adjustments of 2% annually in operating and capital costs.

- Study included a forecasting model which is now used by staff.

Rates Approved 2006 to 2008

- Forecast rates were used for 2006, 2007 and 2008.

- During 2008 budget review, staff indicated that the rates were falling short of funding forecast and would be reviewed in 2008.

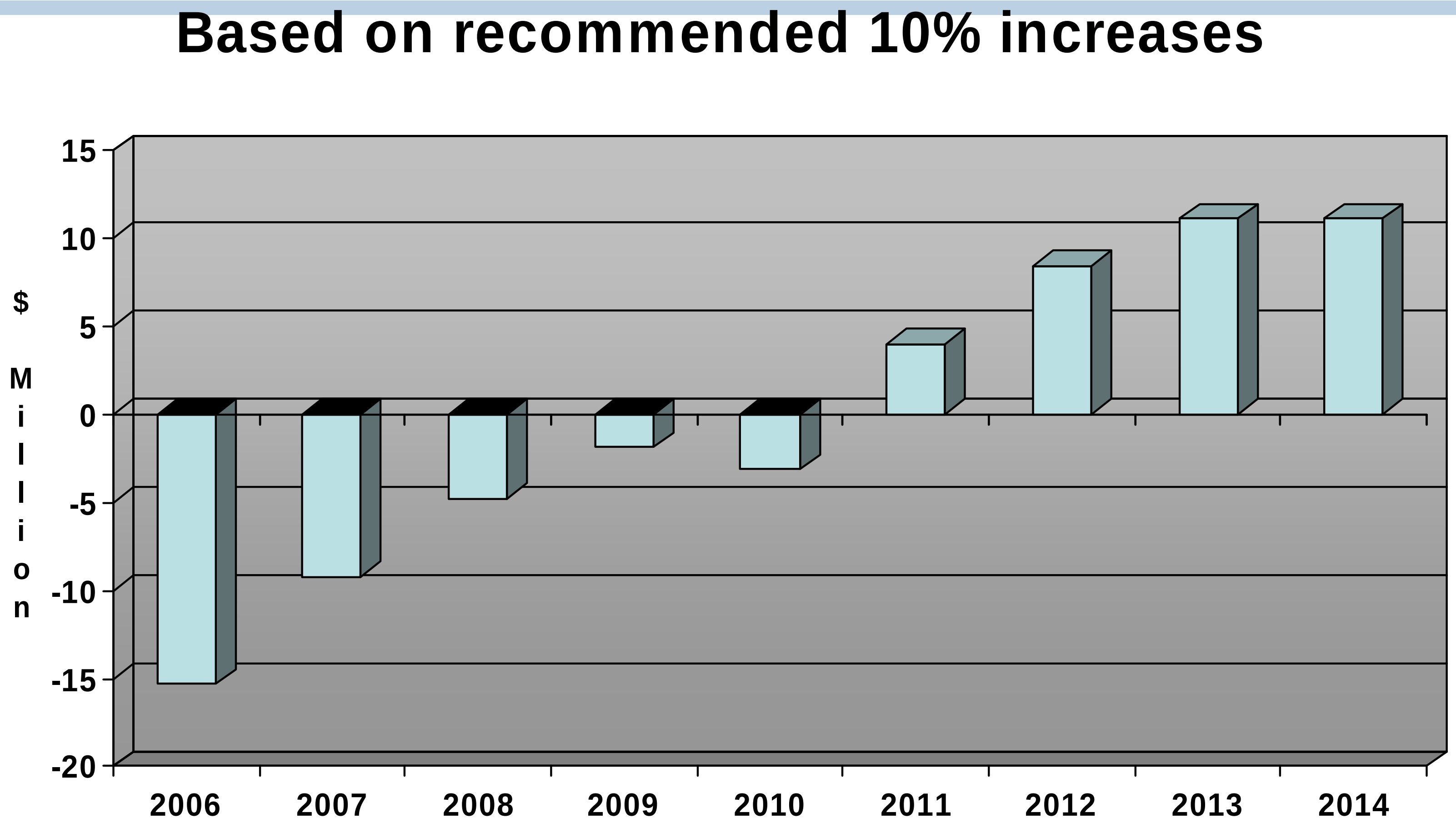
Actual Results versus 2005 Model

- Actual consumption volumes have not reached the forecast volumes resulting in $11 million revenue shortfalls in each system for 2006 - 2008 period.
- Water rates from suppliers have increased by an average of 9.3% since 2005 while regional water rate increased by 2.5% annually.
- Positive impacts related to phase out of Development Charge discount.

Actual Results versus 2005 Model

- Capital forecasts in model assumed inflation of 8.25% from 2006-2009
- Construction price index has increased by 25% and many of our projects have experienced increases beyond that level.
- Rehabilitation/renewal costs in 2009 capital budget exceed 2006 forecast by $21 million in water and $107 million in wastewater over 10 year period.

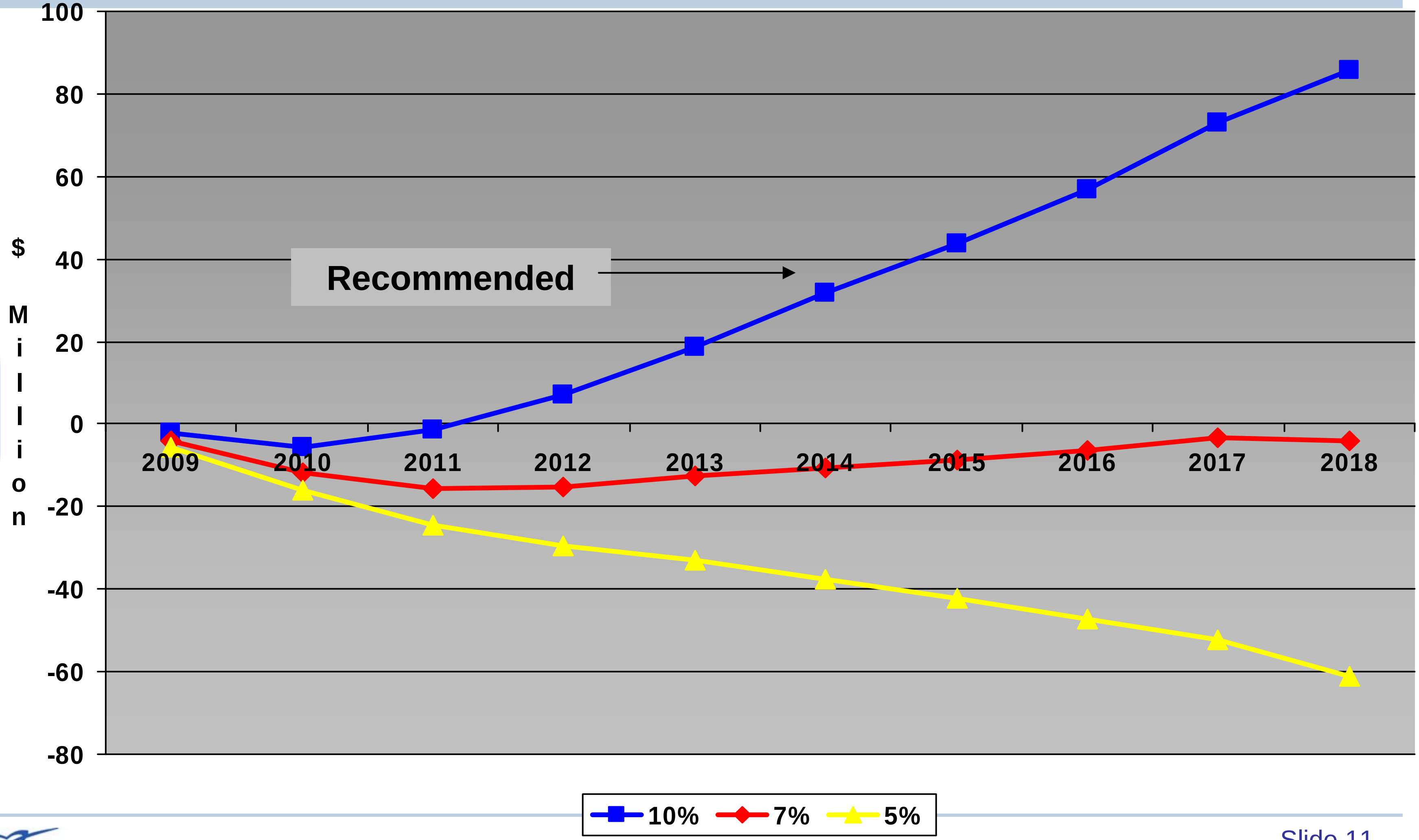
Annual Funding Shortfall -Water



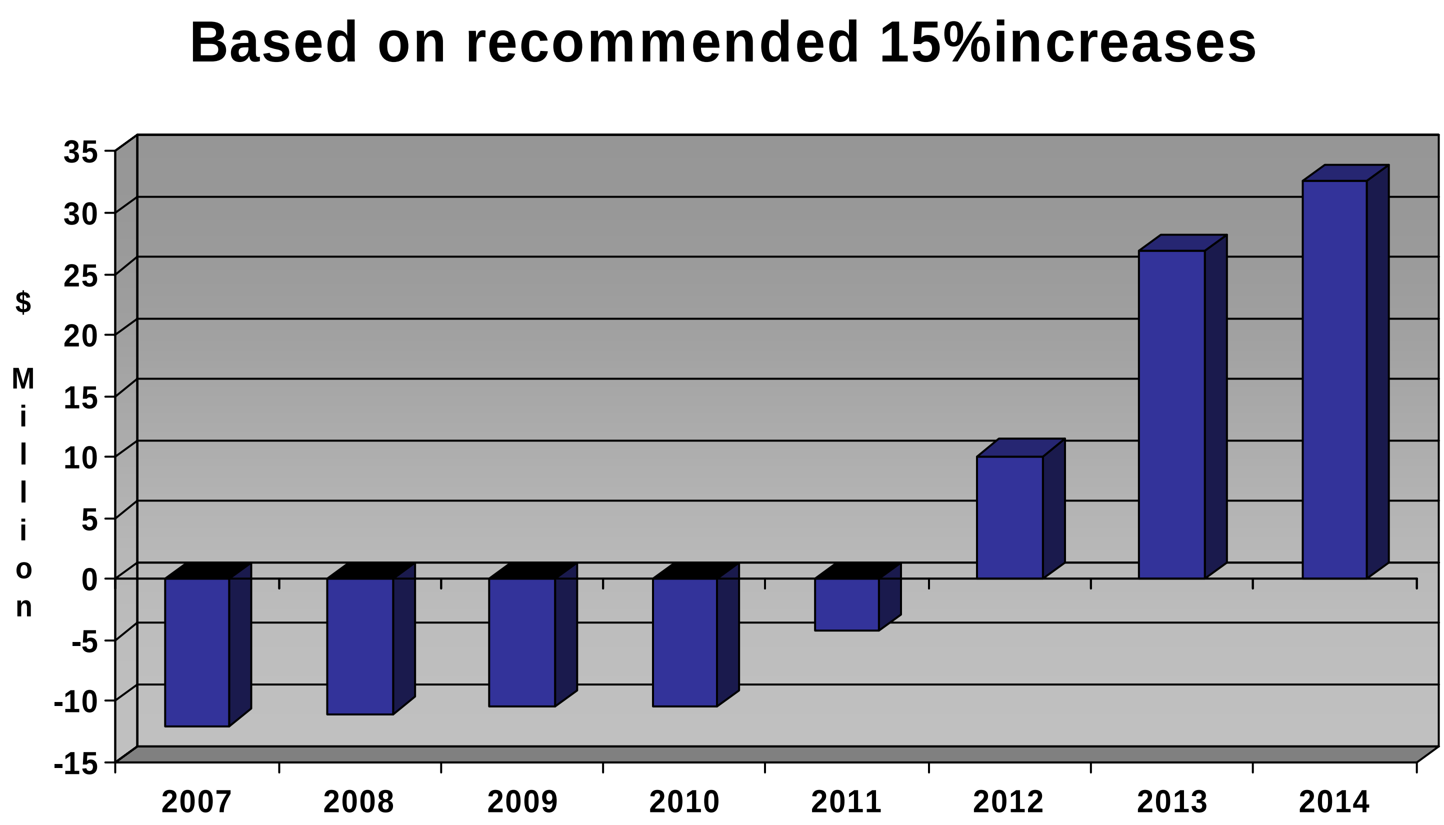
Water Funding Options

	2009 -2011	2012-13	2014-2018
10% Option	10%	5%	2%
7% Option	7%	5%	2%
5% Option	5%	5%	2%

Cumulative Funding Shortfall/Surplus - Water



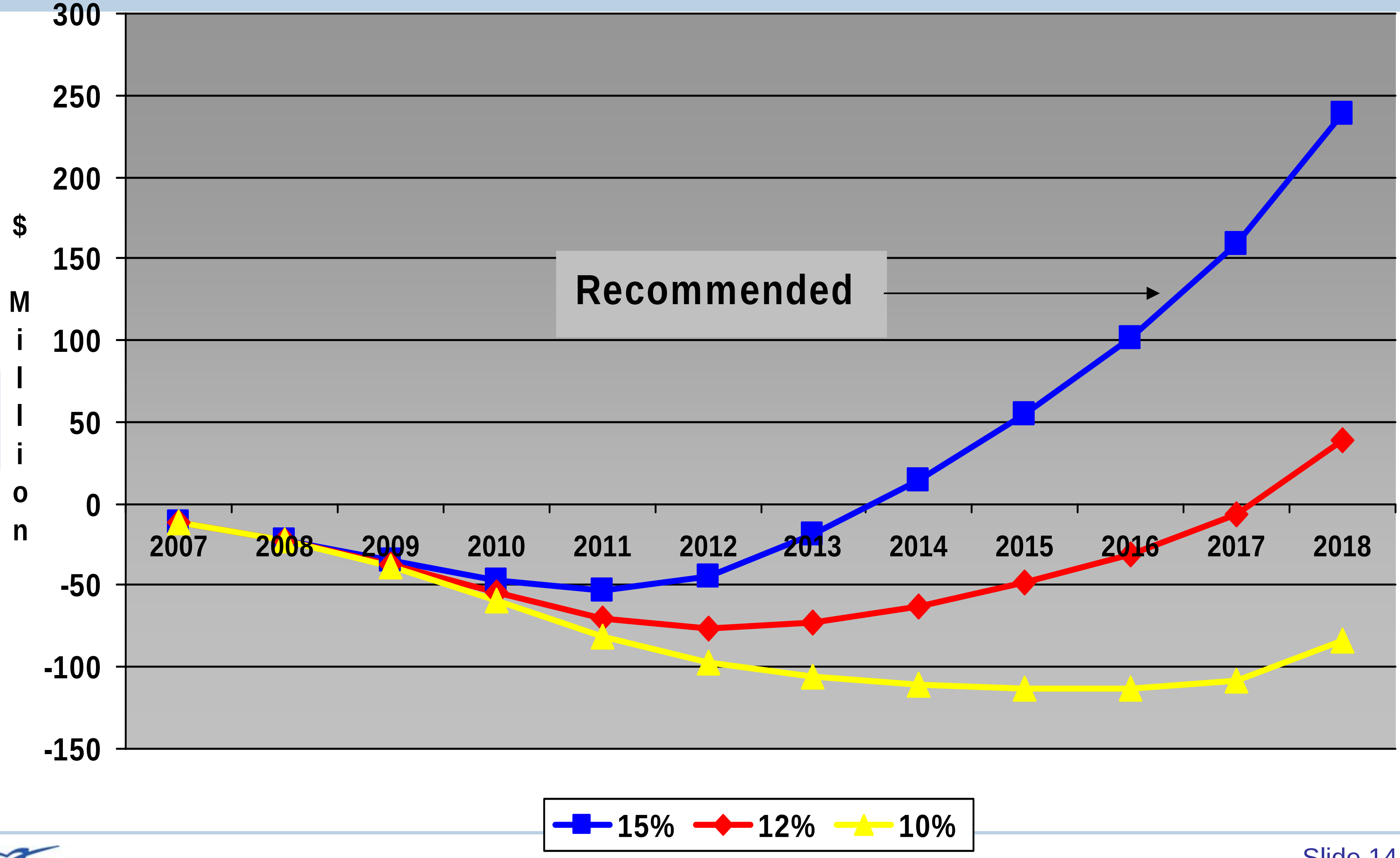
Annual Funding Shortfall - Wastewater



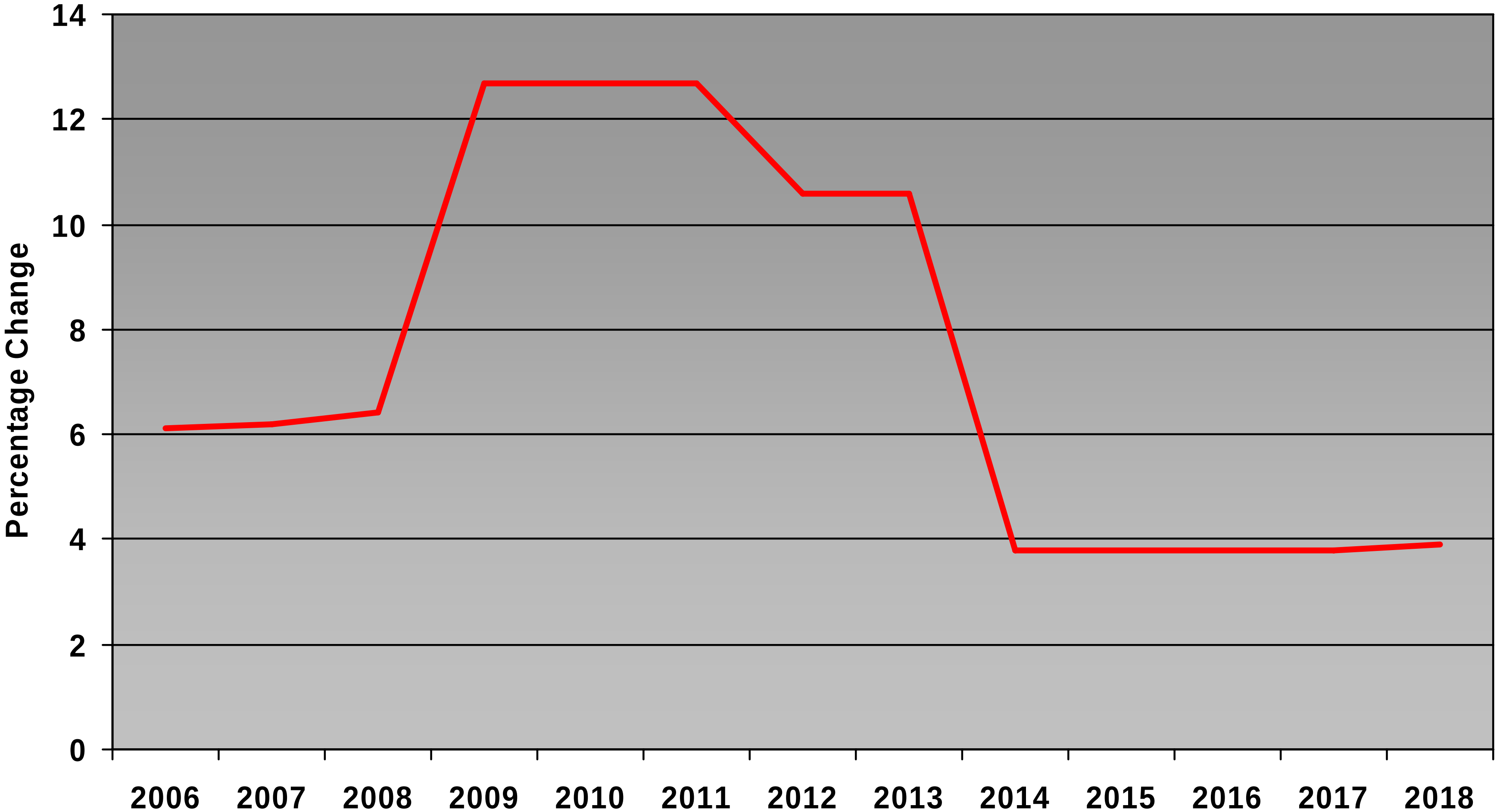
Wastewater Funding Options

	2009 -2013	2013-18
15% Option	15%	5%
12% Option	12%	5%
10% Option	10%	5%

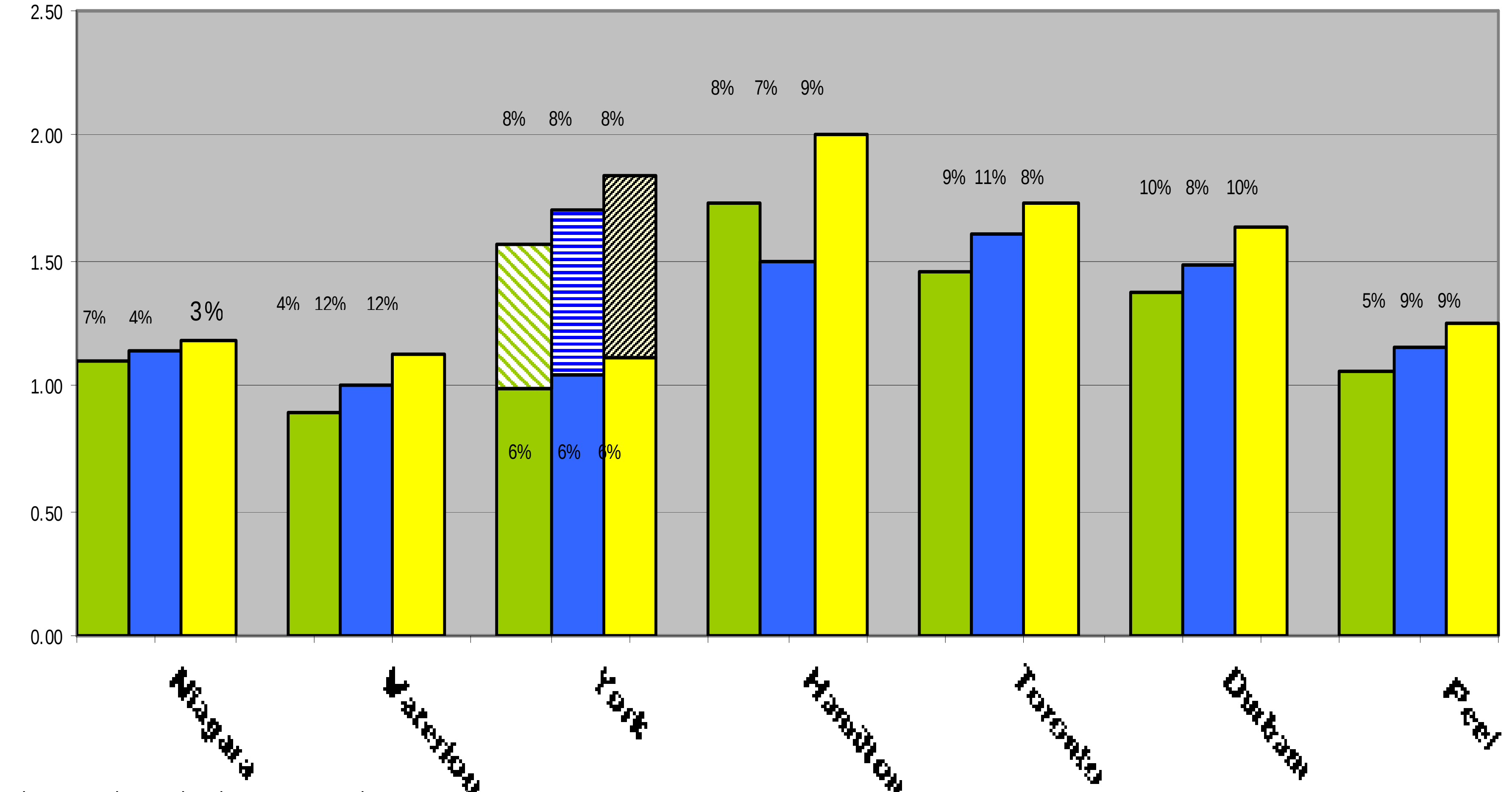
Cumulative Funding Shortfall/Surplus - Wastewater



Annual Percentage Change in Combined Rate as Recommended



Water & Wastewater Municipal Rate Comparison



Niagara and Waterloo data are upper tier rates only.

The additional lower tier rates for York Region are averages, pro-rated by population.

Water and Wastewater Rates

- Proposed Regional 2009 rate (per m^3)
  - $1.2589 ⟶ 12.7% increase

	2008	2009	Annual Increase
Average Cost per household	$357.60	$402.86	$45.26

*** Excludes local municipal average rate of $0.72 per m^3**

York Region

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