

2022-2027 Water and Wastewater Rates

Presentation to Committee of the Whole

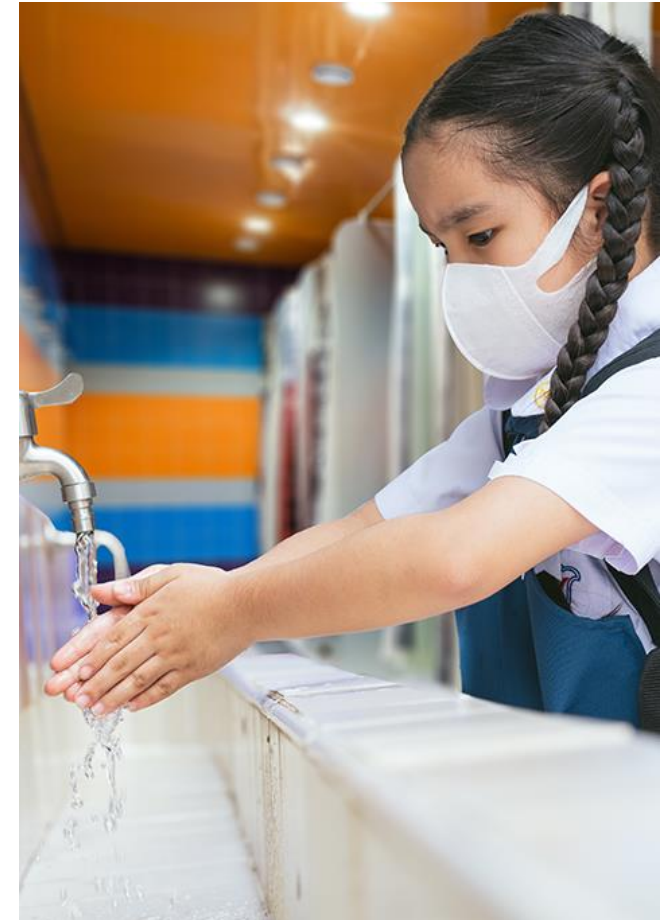
September 9, 2021

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AGENDA

- Background and objectives for the 2021 Water and Wastewater User Rate Study
- Development of full cost recovery rates for 2022-2027
 - Key influences on rates
- Recommendations

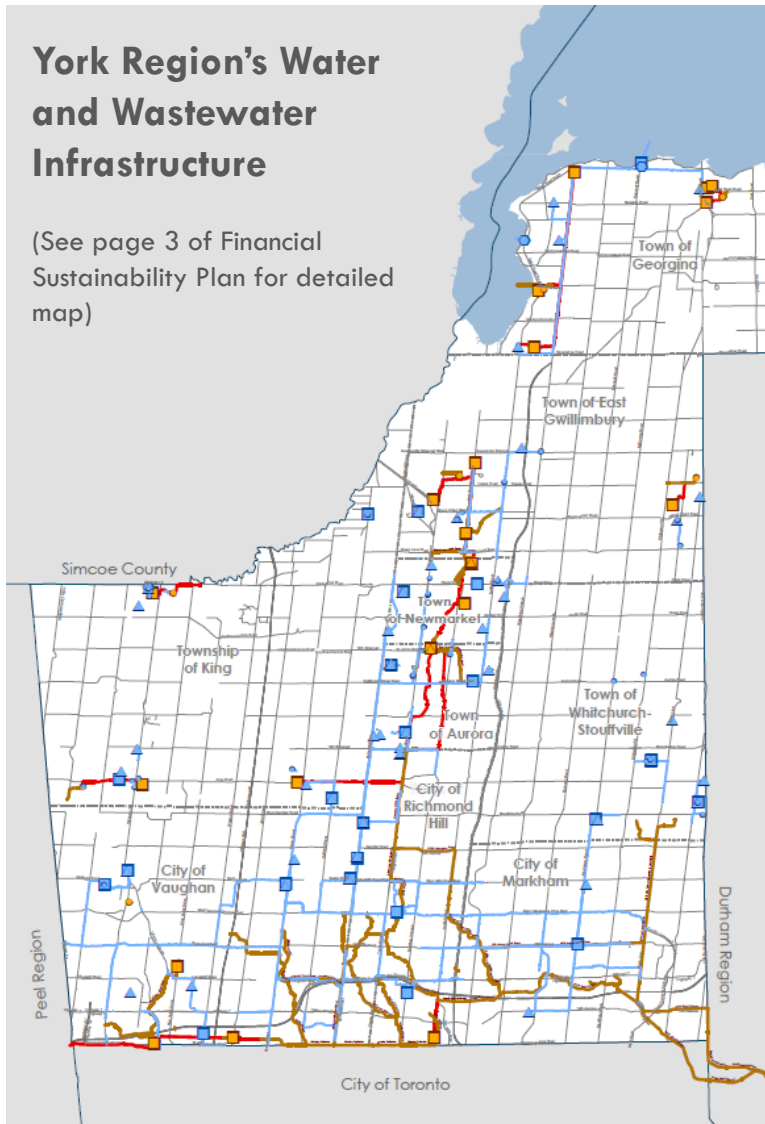


BACKGROUND AND OBJECTIVES

THE REGION MANAGES A LARGE INFRASTRUCTURE NETWORK

York Region's Water and Wastewater Infrastructure

(See page 3 of Financial Sustainability Plan for detailed map)



- The Region supplies water to its local municipalities and collects wastewater from them
- The Region's infrastructure includes:
 - 22 water and 21 wastewater pumping stations
 - 44 elevated water tanks and reservoirs
 - 360km of transmission mains
 - 21 surface-water treatment plants
 - 24 groundwater treatment facilities
 - 2 wastewater equalization tanks
 - 360km of sewer pipes
- The asset base is \$7.7 billion and expected to grow by \$1.6 billion over next 10 years

OBJECTIVES & PRINCIPLES

Realizing Operational Excellence

Provide clean and safe drinking water to over 1.2 million residents and roughly 54,000 businesses

Keep over \$7.7B of capital infrastructure in good condition

Comply with complex Provincial environmental regulations

Effective delivery of water and wastewater services

Ensuring Financial Sustainability

Set rates to achieve and maintain full cost recovery

Build reserves for future capital rehabilitation and replacement

Maintain rate stabilization reserves

KEY DETERMINANTS OF FINANCIAL SUSTAINABILITY

Full Cost Recovery

- Rates cover all service delivery costs including those related to:
 - Day-to-day operations
 - Regulatory compliance
 - Asset rehabilitation and replacement and financing
 - Environmental costs
 - Unforeseen events

Intergenerational Equity

- Asset management costs are spread between current and future users
- Real per capita capital costs funded by user rates are the same now and in the future

2021 RATE STUDY PROCESS

Assessed past performance of financial model

Conducted robust demand forecasting

Reviewed funding policy for capital rehabilitation and replacement projects

Revised rate stabilization reserve policy

Reviewed considerations around affordability

Surveyed public to understand value of water

Engaged local municipalities throughout Study

DEVELOPMENT OF FULL COST RECOVERY RATES

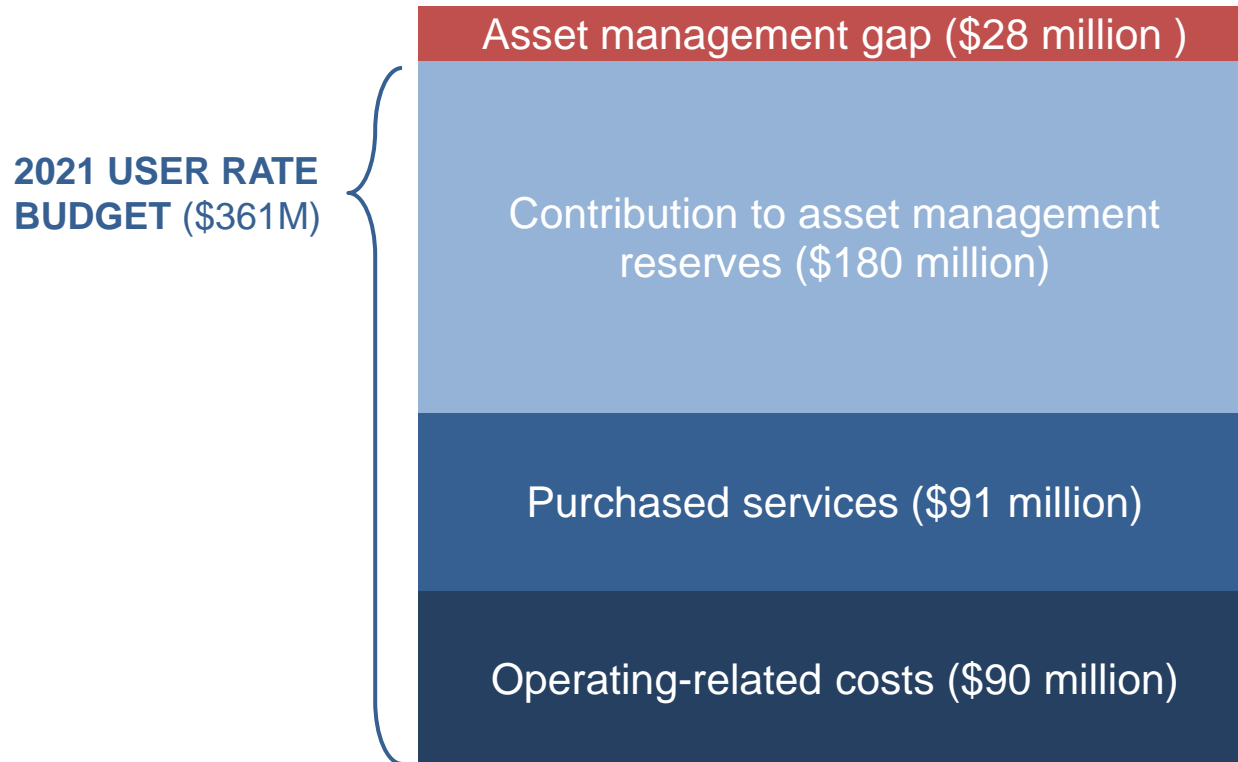
RATES REMAINED AT 2019 LEVELS THROUGH THE PANDEMIC

Combined Wholesale Rates

Year Starting	Approved in 2015		Implemented rates	
	Wholesale rate (per m ³)	Annual % increase	Wholesale rate (per m ³)	Annual % increase
April 1, 2016	\$2.37	9.0%	\$2.37	9.0%
April 1, 2017	\$2.59	9.0%	\$2.59	9.0%
April 1, 2018	\$2.82	9.0%	\$2.82	9.0%
April 1, 2019	\$3.07	9.0%	\$3.07	9.0%
April 1, 2020	\$3.35	9.0%	\$3.07	0.0%
April 1, 2021	\$3.45	2.9%	\$3.07	0.0%

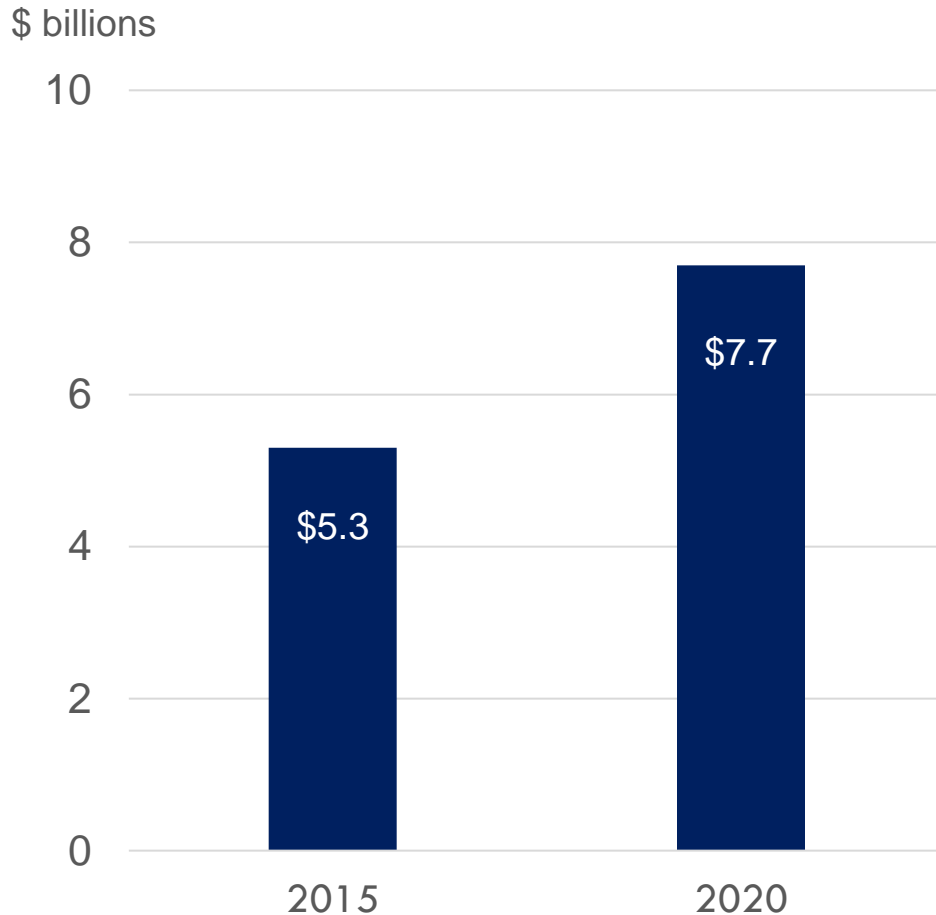
RATE DEFERRALS RESULTED IN A \$28M ASSET MANAGEMENT GAP

Breakdown of 2021 User Rate and Asset Management Gap



THE REGION'S WATER AND WASTEWATER ASSET BASE IS GROWING

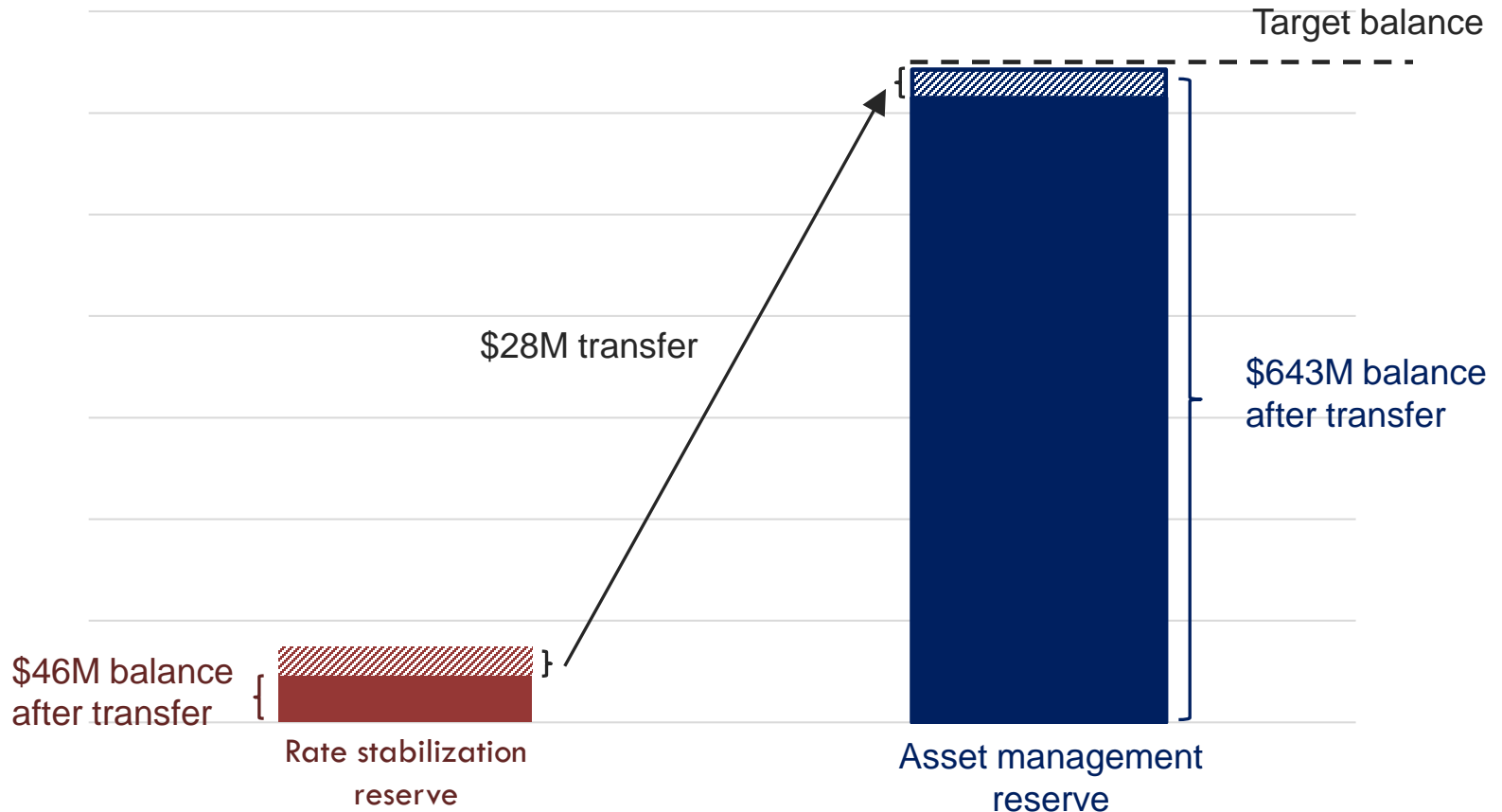
Replacement Value of Water and Wastewater Assets



RECOMMENDATIONS

STABILIZATION RESERVE TRANSFER TO COVER ASSET MANAGEMENT GAP

Recommended Reserve Transfer



Asset management reserves will support \$1.1 billion in spending over the next 10 years

SIX YEARS OF 3.3% RATE INCREASES IS RECOMMENDED

Recommended Increases to the Combined Wholesale Rate

Term of Rate Approval						Rate Outlook
2022	2023	2024	2025	2026	2027	2028
3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	2.9%

Recommended rates would achieve and maintain full cost recovery

RATE INCREASES ARE LOWER THAN OTHER JURISDICTIONS

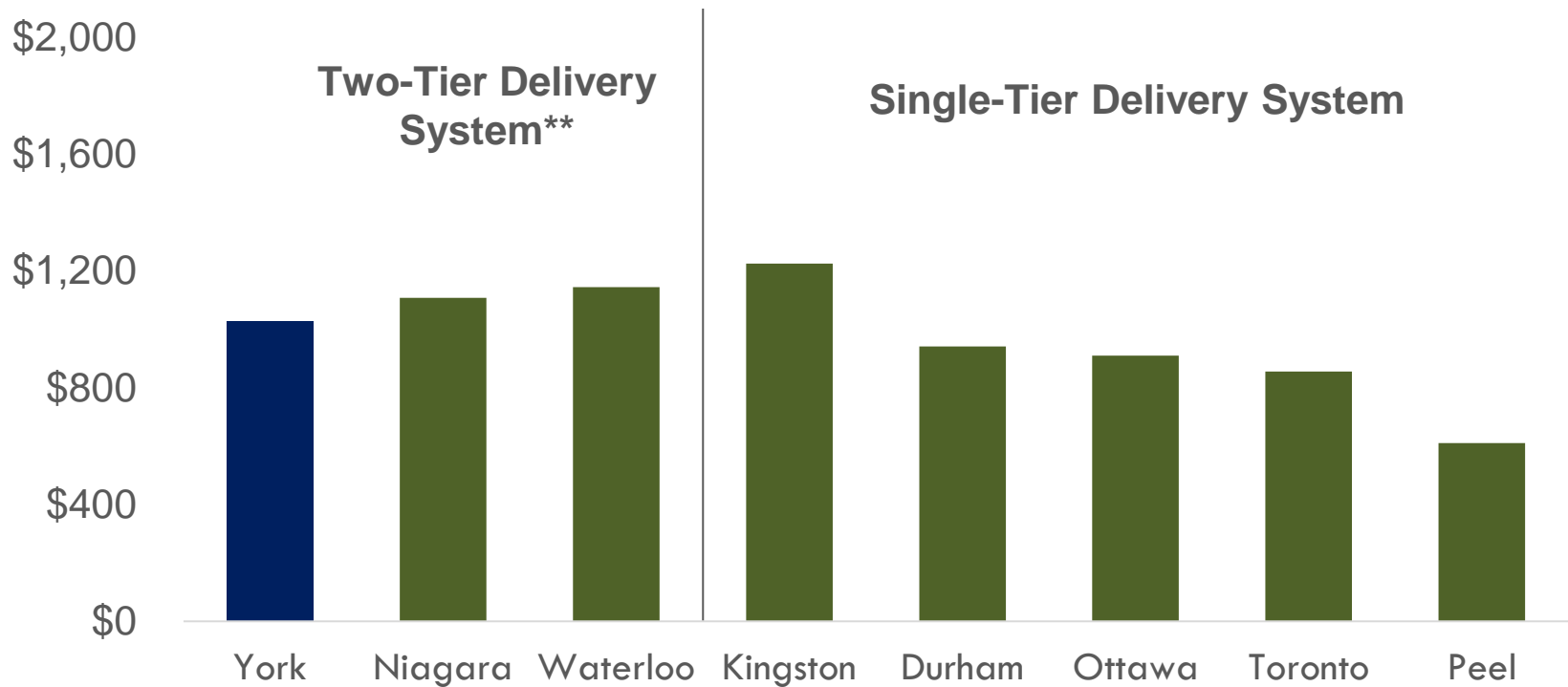
Rate Increases across GTHA Municipalities

	2020 Rate Increase	2021 Rate Increase	Rate Outlook
City of Toronto	3.0%	1.5%	3.0% (“future years”)
Peel Region	7.2%	5.5%	7.6% in 2022 5.7% in 2023
Durham Region	2.3%	0.75%	-
Hamilton	4.11%	4.28%	4.2% (10-year average)
Halton Region	3.3%	2.6%	3.1% to 3.3% (10-year average)
York Region	0%	0%	3.3% for 2022-2027 2.9% afterwards (model output)

Other GTHA municipalities are facing similar pressure on user rates beyond 2021

REGION'S WATER BILLS IN LINE WITH OTHER JURISDICTIONS

Average 2021 water and wastewater bills in large Ontario municipalities*



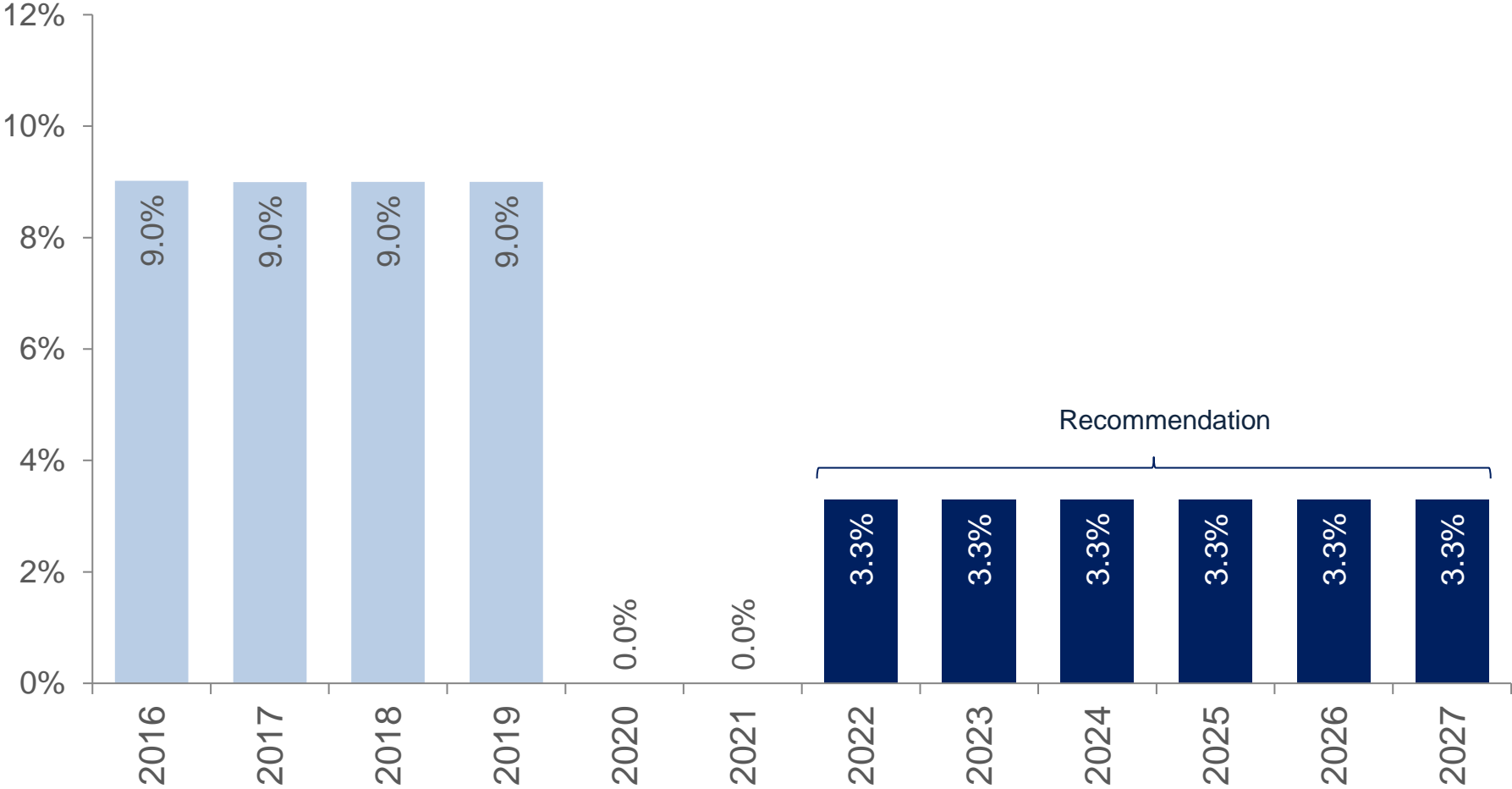
Average water and wastewater bills in York Region are about 0.9% of median household income and are well within standard tests of affordability

* Bills based on published 2021 rates and water consumption of 207 m³ per year

** Weighted average bill across lower-tier municipalities by population

RECOMMENDED RATES REFLECT PROGRESS TOWARD FULL COST RECOVERY

Historic and Recommended User Rate Increases (2016-2027)



RESIDENTS' PERSPECTIVES ON WATER

- The majority (66%) are confident with the safety and reliability of their tap water
- Water was one of the top three core services that residents feel positive about overall quality (82%) along with Paramedic Services (85%) and Police Services (77%)*
- Over half surveyed do not know or are unsure of what they pay for their water, and nearly half feel the price is fair
- Majority of residents are satisfied with all functions of their water utility's performance. The top two areas:
 - Making sure that drinking water-related infrastructure is well maintained (90%)
 - Ensuring a reliable long-term supply of drinking water (89%)



Extensive public communication and education on the value of water and the complexity of our hidden water system continues to connect residents with their water all year long

RECOMMENDATIONS

1. Council approve transfers of \$13.95 million from the water rate stabilization reserve to the water asset management reserve and \$14.29 million from the wastewater rate stabilization reserve to the wastewater asset management reserve, for a total of \$28.24 million, to offset the impact of rate increases that were deferred in 2020 and 2021.
2. Council approve the annual water and wastewater user rates shown below for the period April 1, 2022 to March 31, 2028, equivalent to 3.3% increases each year, to maintain full cost recovery.

Recommended Water and Wastewater Rates

Year Starting	Combined Wholesale Rate (\$/m³)
April 1, 2022	\$3.18
April 1, 2023	\$3.28
April 1, 2024	\$3.39
April 1, 2025	\$3.50
April 1, 2026	\$3.62
April 1, 2027	\$3.74

3. The Regional Clerk circulate this report to Clerks of the local municipalities.