

Water and Wastewater & Treatment 2016 Rates

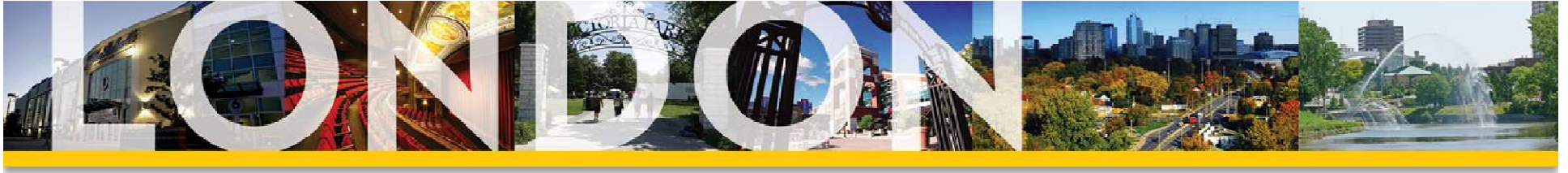


Strategic Priorities & Policy Committee
December 7, 2015



Background

- Rate changes typically approved alongside rate supported budgets during the fall
- Alignment with all 4 year budgets
- Delays in rate increases beyond January 1, 2016 will impact revenues required to support expenditure forecasts by about \$400,000/month

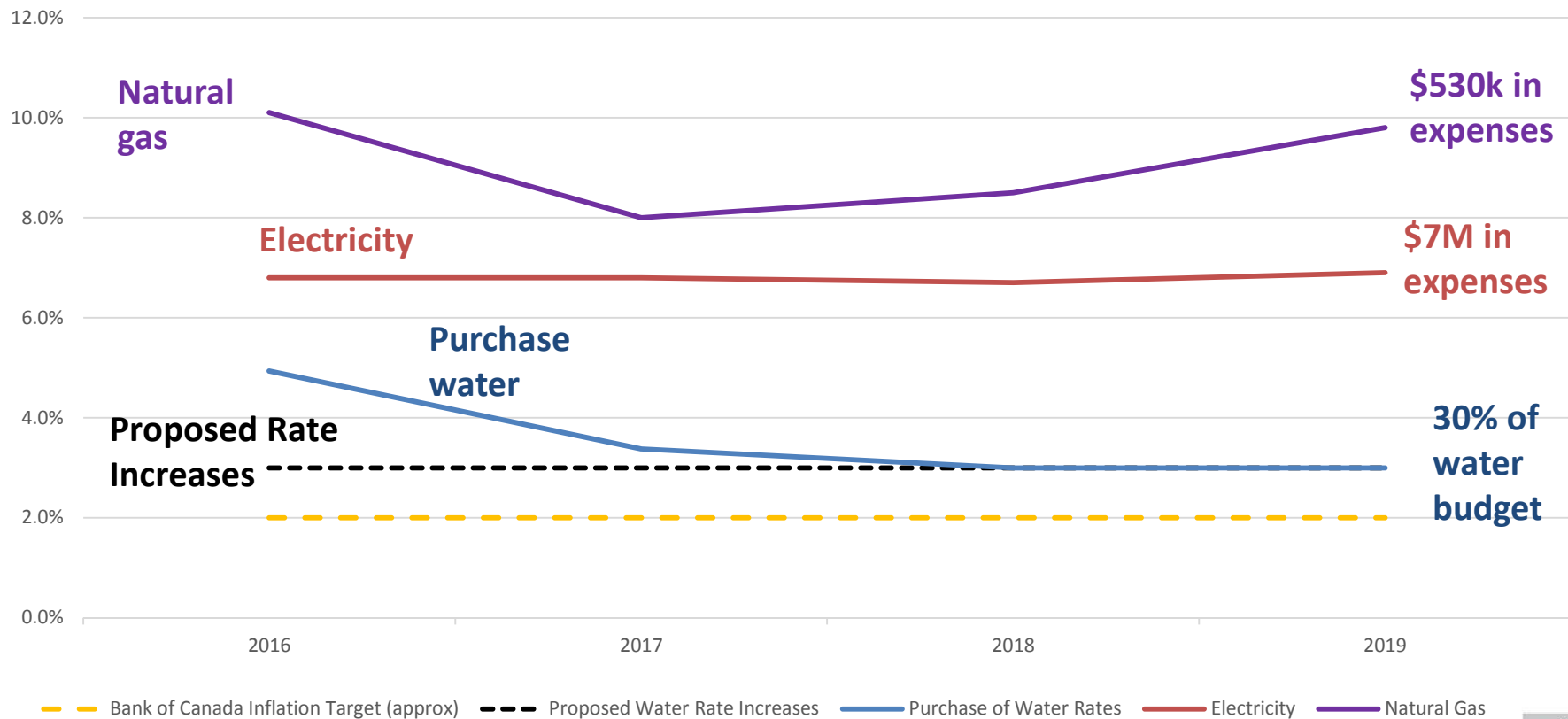




WHAT'S DRIVING THE PROPOSED RATE INCREASES?

Purchase of Water Costs & Energy Prices

Increasing at a rate greater than inflation





WHAT'S DRIVING THE PROPOSED RATE INCREASES?

Infrastructure Needs

Infrastructure gap must be managed to an acceptable level

(as of 2013)	Water	Wastewater	Total
Estimated Asset Replacement Value	\$2.7 billion	\$4.0 billion	\$6.7 billion
Current Estimated Infrastructure Gap	\$1.9 million	\$0	\$1.9 million

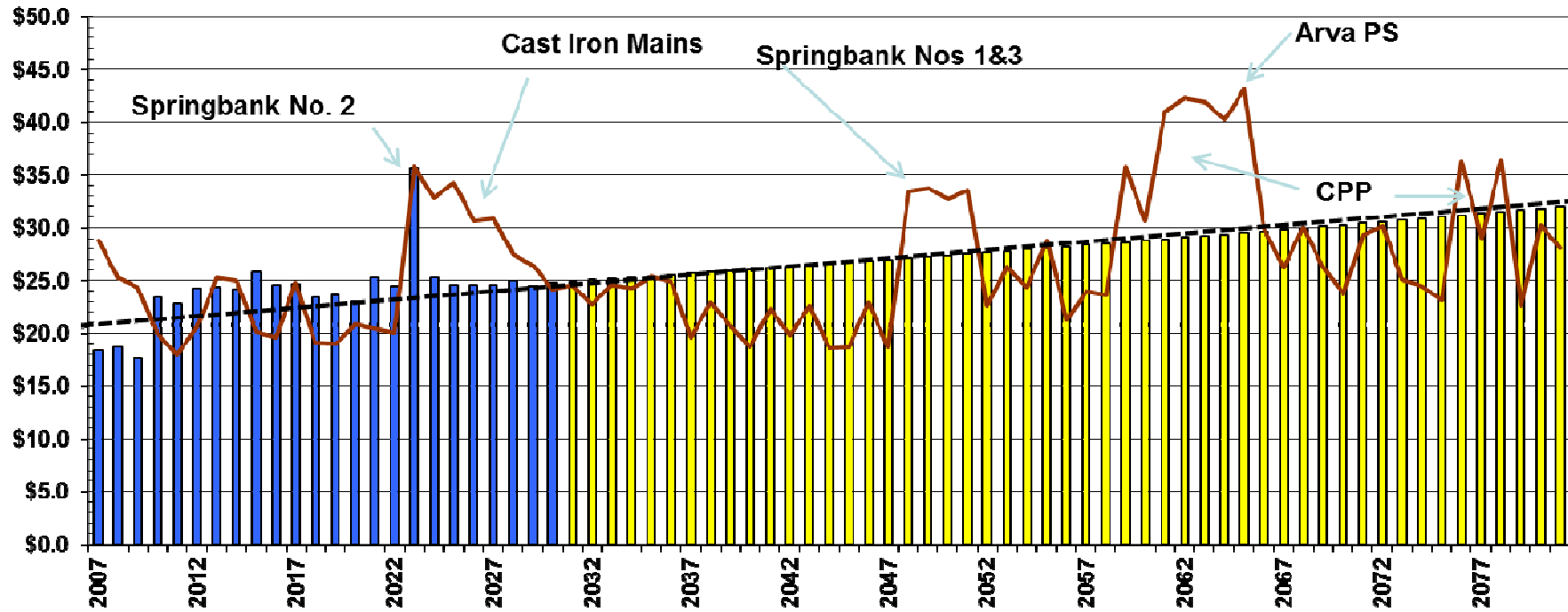


Updated 2016 Water and Wastewater 20 Year Plans manage the current and future infrastructure gap.



Our Full Lifecycle Approach to Managing Infrastructure

(Water Example – 2007 dollars)



■ Capital Costs (millions)

■ Projected Expenditure at 0.5% increase per year

— Projected Replacement and Upgrade Costs

----- Linear (Projected Replacement and Upgrade Cost)

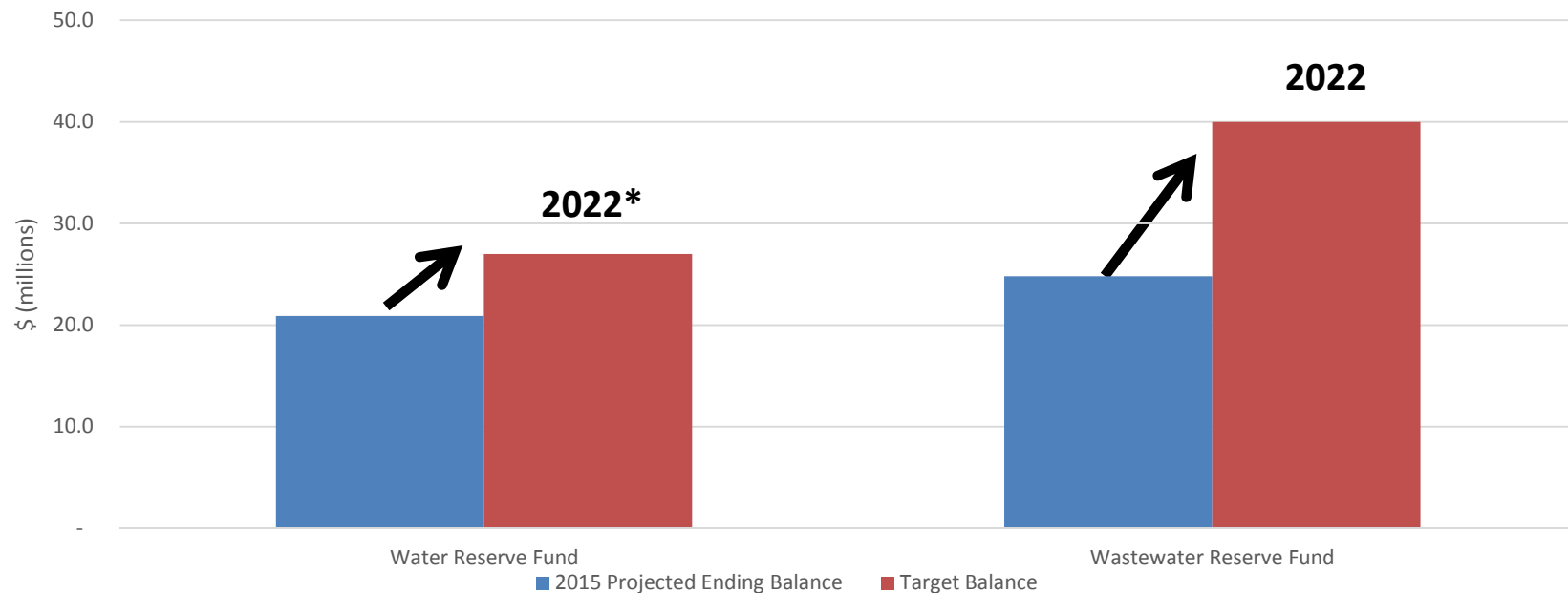





WHAT'S DRIVING THE PROPOSED RATE INCREASES?

Addressing Reserve Funds

To provide flexibility to accommodate future strategic initiatives



 Provide the financial flexibility to accommodate deficits and fund future strategic investments (e.g. London's Downtown Plan, Rapid Transit, Wastewater Optimization Strategy, Pollution Prevention & Control Plan, Regulatory changes etc.)



Road to Financial Sustainability - Water

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
3%	4%	5%	6%	8%	8%	8%	0%	8%	8%	8%	7%	3%

Budget Year	Forecasted Achievement of Inflationary Rate Increases	Additional Information
2010	2015	Original Financial Plan submission
2011	2017	Re-submission of Financial Plan (0% rate increase)
2012	2018	Revised consumption forecast
2013	2018	Consistent with 2012 forecast
2014	2016	New rate structure & technologies
2015	2016	Consistent with 2014 forecast
2016	2016	Financial Sustainability achieved

“where future rate increases are at or near inflationary levels based on a combination of the Consumer Price Index and the Construction Price Index with the appropriate use of debt financing, adequate reserve funds and the appropriate investment in capital”





Road to Financial Sustainability - Wastewater

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
7.4%	11%	9.6%	9%	9%	9%	9%	0%	7%	7%	7%	7%	3%

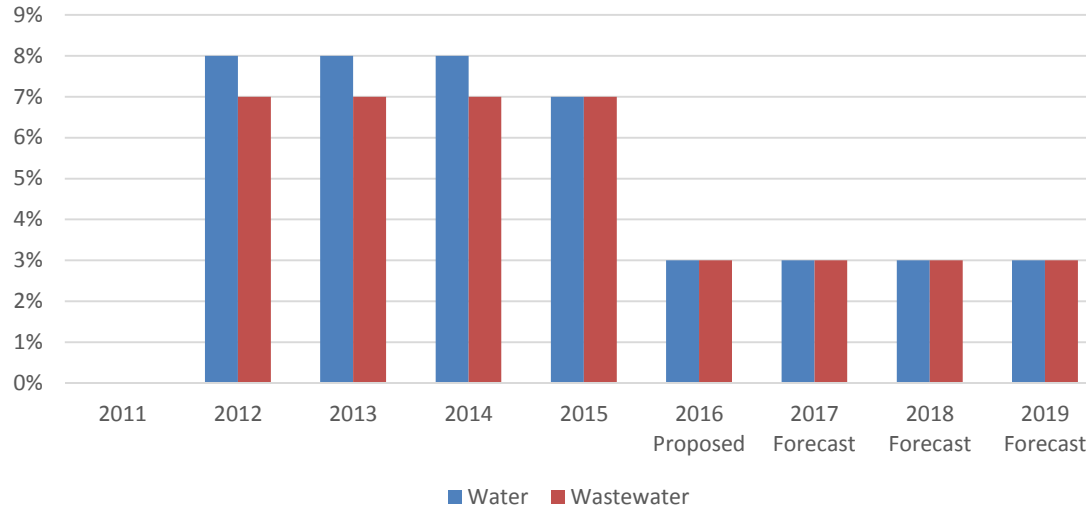
Budget Year	Forecasted Achievement of Inflationary Rate Increases	Additional Information
2010	2013	Original plan to achieve inflationary-level increases
2011	2016	0% rate increase for 2011
2012	2018	Revised consumption forecast
2013	2018	Consistent with 2012 forecast
2014	2016	New rate structure & technologies
2015	2016	Consistent with 2014 forecast
2016	2016	Financial sustainability achieved



Future Rate Forecasts

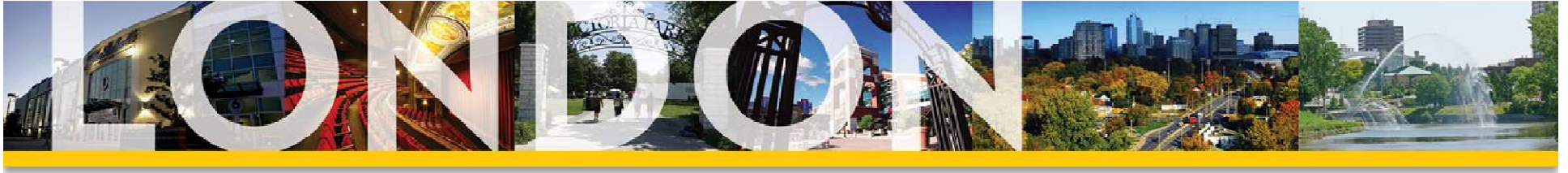
Positioned to achieve inflationary-level rate increases starting in 2016

Past and Projected Future Rate Increases



 **The 3% rate increases proposed for 2016 are consistent with those forecasted in the last budget cycle, with the Water rate increases consistent with its regulatory Financial Plan:**

	2011	2012	2013	2014	2015	2016	2017	2018	2019 and beyond
Forecast in Financial Plan	0%	8%	8%	8%	8%	3%	3%	3%	3%



What are Other Municipalities Doing?

Municipality	2016 Water Rate Increase	2016 Wastewater Rate Increase	Status
Hamilton	4.7%	4.7%	Proposed
Kitchener	7.6%	10.8%	Proposed
Toronto	8%	8%	Proposed
Waterloo	3.75%	5.0%	Proposed
Guelph	4%	4%	Approved
London	3%	3%	Proposed



Impact to the Average Residential Customer

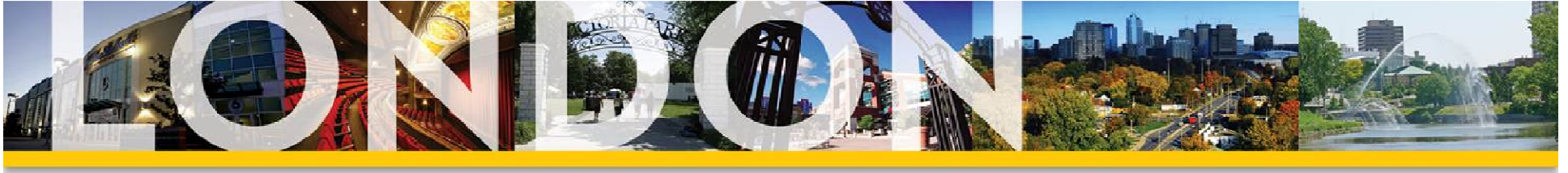
	2015 Budgeted Cost ¹	2015 Forecasted Cost ²	Proposed Increase	2016 Forecasted Cost ²
Water	\$367	\$353	\$10	\$363
Wastewater	\$475	\$462	\$14	\$477
Combined	\$842	\$815	\$24	\$840
Daily Cost	\$2.31	\$2.23	\$0.07	\$2.30

¹ Based on average residential consumption of 171.9 m³ per year

² Based on average residential consumption of 165.4 m³ per year







Summary

- Increase rates now to maintain revenue stream (\$400,000 / month)
- Rates are not based on the next year budget, but on a long term plan with significant cost drivers
- Proposed rates are the same as projected
- Customer costs are competitive