

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 4, 2010

Item 1, Report No. 2, of the Budget Committee, which was adopted, as amended, by the Council of the City of Vaughan on May 4, 2010, as follows:

By receiving the memorandum from the Commissioner of Community Services, dated April 26, 2010.

**1 PROPOSED AMENDMENT TO 2010 CAPITAL BUDGET RESPECTING PLAYGROUND
REPLACEMENT PROGRAM – WARD 2
(Referred Item)**

The Budget Committee recommends approval of the recommendation contained in the following report of Councillor Carella, dated March 23, 2010:

Committee of the Whole, at its meeting of March 23, 2010, recommended the following (Item 32, Report No. 12):

The Committee of the Whole recommends approval of the recommendation contained in the following report of Councillor Carella, dated March 23, 2010:

Report of Councillor Carella, dated March 23, 2010

Recommendation

Councillor Tony Carella recommends:

1. That the matter of
 - a) replacing junior playground equipment with senior playground equipment at Michael Fitzgerald Parkette; and
 - b) not replacing playground equipment at Old Firehall Parkette in 2010 be referred to the Budget Committee meeting on April 14, 2010;
2. That staff be directed to provide notice of an amendment to the 2010 Capital Budget in respect of recommendations the Budget Committee may make to change the 2010 Capital Budget as a result of its consideration of this matter.

Contribution to Sustainability

The sustainability of our parks and parkettes depends on the timely replacement of playground equipment when appropriate

Economic Impact

The replacement of junior equipment with senior equipment at Michael Fitzgerald Parkette will make use of funds already approved in the 2010 Capital Budget.

Communication Plan

Not applicable

Purpose

The purpose of this report is to facilitate the giving of timely public notice of a potential change in the 2010 Capital Budget.

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Background – Analysis and Options

The 2010 Capital Budget includes funds for the replacement of playground equipment at Old Firehall Parkette in Ward 2. It is proposed that the funds allocated for the replacement of equipment at Old Firehall Parkette be utilized instead for the replacement of equipment at Michael Fitzgerald Parkette, and that the Budget Committee be requested to give this proposal due consideration.

Amendments to the Capital Budget require the giving of public notice and so this report recommends that the placing of such notice be authorized so that when Council considers the recommendations of the Budget Committee on May 4, 2010, it will have the authority to implement such changes. Should the Budget Committee not make recommendations to amend the Capital Budget when it meets on April 14, 2010, then no notice will need to be placed.

Regional Implications

Nil

Relationship to Vaughan Vision 2020

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Conclusion

An administrative correction is required to identify the playground at Michael Fitzgerald Parkette as the Ward 2 site for 2010 under the established Playground Replacement and Safety Surfacing program.

Attachment

Extract from 2010 Capital Budget: Project Summary for Playground Replacement & Safety Surfacing (Project # PK-6131-10)

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

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Item 2, Report No. 2, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on May 4, 2010.

2 **PEDESTRIAN LINKAGES IN WEST WOODBRIDGE**
FEASIBILITY STUDY
WARD 2

The Budget Committee recommends approval of the recommendation contained in the following report of the Commissioner of Engineering and Public Works, dated April 14, 2010:

Recommendation

The Commissioner of Engineering and Public Works recommends:

That the City investigate the feasibility of constructing a sidewalk along Highway 27, at a time when the Region of York or CP Rail plan to reconstruct the CP Rail bridge crossing Highway 27.

Contribution to Sustainability

The purpose of the study is to investigate the feasibility of improving pedestrian linkages in the subject area and reducing the need for vehicle use. Each of the proposed options will have its own associated impact on the environment.

Economic Impact

The report as written has no economic impact. However, should Budget Committee choose one of the options approved by CP Rail, the underpass option would cost approximately \$7 million, and the overpass option approximately \$2.5 million plus land acquisition costs.

Communications Plan

Not applicable at this time.

Purpose

To report to the Budget Committee on the feasibility of the construction of a pedestrian link(s) between Royalpark Way and Martin Grove Road.

Background - Analysis and Options

At its meeting on October 13, 2009, (Item 5, Report No. 42 of the Committee of the Whole), Council directed:

“That appropriate staff be directed to conduct a feasibility study with respect to the construction of pedestrian link(s) between Royalpark Avenue and Martin Grove Road.

That such direction, once given be referred to the Budget Committee for confirmation as part of the 2010 budget cycle.”

Engineering Services staff conducted a feasibility study, investigating the different options available for improving pedestrian access from Royalpark Way to Martin Grove Road. The need for investigating possible pedestrian links arose from the lack of a sidewalk on Highway 27, which cannot be constructed, as there is insufficient width within the roadway under the CP Rail bridge. Engineering Services staff confirmed with CP Rail and the Region of York that there are no plans

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to reconstruct the bridge in the foreseeable future. Staff also inquired about a cost-sharing agreement with CP Rail, should the City request that the bridge be reconstructed to facilitate the construction of a sidewalk beneath it. CP Rail advised that their portion of the cost-sharing would be dependent on the assessed condition of the bridge, and the incremental value that would be gained from its reconstruction. Since CP Rail has no plans to carry out any significant capital works on the bridge in the near future, their contribution to the cost-sharing would be minimal. As a result, staff continued to investigate other options for the construction of pedestrian linkages.

Option 1 – At-grade Pedestrian Crossing

At-grade pedestrian crossings are designated places where only pedestrians (i.e. not vehicles) are permitted to cross railroad tracks. Although such crossings exist, they usually occur on rural area hiking trails, and on railway tracks with low speed or low train traffic. Engineering Services staff proposed the possibility of constructing an at-grade pedestrian crossing along Royalpark Way, however, CP Rail confirmed that such a crossing would not be permitted in this area.

Option 2 – Establishing a New Road / Pedestrian Crossing

The option of extending one of the existing roads to cross the CP Rail tracks, was also considered, providing a new vehicle and pedestrian crossing. One example would be extending the west leg of Panorama Court across the CP Rail tracks at a level crossing, and intersecting with Castlepoint Drive (See Attachment No. 1). This would be a relatively low-cost option, although there would be significant disadvantages such as potential increases in traffic infiltration and increased noise. A new track-level crossing would likely result in trains sounding their whistles whenever they approached. The crossing would also have warning bells, and the new gap in the noise fence would make the noises of the train more intrusive than they are now. Staff contacted CP Rail to evaluate the feasibility of this option. CP Rail stated that they would deny such an application on the basis that vehicular crossings are in close proximity at Langstaff Road. As the primary driver for this roadway extension would be to facilitate pedestrian access, CP Rail would recommend a pedestrian overpass or underpass.

Option 3 – Construct a Pedestrian Underpass

Engineering Services staff were able to obtain a similar feasibility study recently conducted by an engineering consultant for the Town of Milton, which considered the options for a pedestrian underpass or overpass across CP Rail tracks. The study's findings are applicable to this situation, and were used in the evaluation analysis of the underpass and overpass options.

Pedestrian underpasses have the advantage of having minimal visual impact to the surrounding area, but tend to have high construction and maintenance costs. The Town of Milton's Feasibility Study estimated the construction cost of tunneling under the CP Rail line at over \$7 million. Underpasses in low traffic areas tend to have security concerns and associated maintenance costs for drainage pumps, graffiti removal, litter removal, etc. There may also be a perception by pedestrians that underground tunnels are not safe, that may result in some pedestrians avoiding them, despite the presence of lighting and security cameras.

Option 4 – Construct a Pedestrian Overpass

Pedestrian overpasses are preferred by CP Rail. They have the advantage of requiring fewer security measures and less maintenance, however, there are several issues to consider. Since CP Rail requires that the pedestrian bridge be elevated 7.0 metres above the railway, the structure would be very large, and would have a significant visual impact in this residential area. The "footprint" of the bridge would also be significant, and would require the purchase of property. Aside from the bridge crossing itself, the structure would require steps and accessibility ramps on both sides of the tracks. Property may be available if the structure can occupy a portion of

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McClure Meadows Park on the south side of the track. The City would need to purchase or expropriate property from several homeowners on Royalpark Way before the overpass could be built. Adjacent homeowners may lose privacy with pedestrians having an elevated view of their backyards. The cost of a pedestrian overpass would be approximately \$2.5 million, which does not include land acquisition costs.

Both the underpass and overpass options would require an Environmental Assessment in order to comply with the Environmental Assessment Act. The study would need to be carried out by a qualified consultant, and would consider all options, their costs, and the impacts to the local community and environment. Public Consultation would also play a vital role in selecting the preferred alternative. Once a preferred alternative is selected, a more accurate estimate of the cost could be determined.

A preferred alternative was not submitted to the Budget Committee for the 2010 Capital Budget as the feasibility study and comments from CP Rail could not be gathered in time for the submission.

Relationship to Vaughan Vision 2020/Strategic Plan

This project is consistent with Vaughan Vision 2020, particularly the values of “Fairness”, “Inclusivity” and “Transparency”.

This report is consistent with the priorities previously set by Council.

Regional Implications

Not Applicable.

Conclusion

CP Rail has advised that they will not approve any new at grade crossing of their tracks and that a pedestrian overpass would be their preferred option.

As shown on the attached map, there is currently a pedestrian crossing of the railway on Langstaff Road. If a pedestrian overpass was to be constructed somewhere on Royalpark Way, it would serve a limited number of homes which would be expected to generate a small number of pedestrians. The City does not currently have a source of funding for the significant expenditure required to construct either a pedestrian over or underpass.

It is recommended that the City investigate the feasibility of constructing a sidewalk along Highway 27, at a time when the Region of York or CP Rail plan to reconstruct the bridge.

Attachments

1. Location Map

Report prepared by:

Colin Cassar, C.E.T., Senior Engineering Assistant, ext. 3112
Tom Ungar, P. Eng., CHRP, Design Engineer, ext 3110

CC:mc

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

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Communications department a list of questions and answers to respond to the public and media. The City of Vaughan 2010 Water/Wastewater Budget and proposed 2010 rates were prepared in alignment with mandated provincial legislation for a financial plan for water systems, and guidelines for financially sustainable drinking water and wastewater systems as well as to ensure the highest quality of water in the City of Vaughan.

Purpose

To adopt the water and wastewater operating budgets and the corresponding consumption rates.

The annual water rate increase is 8.45% and wastewater rate increase is 10.36% incorporating Region of York increases, City operating, maintenance and infrastructure increases. The combined rate increase is 9.43% of which 6.1% (65%) is attributable to Region of York rate increases. The consumption rates are supported by the current rate study and continue the rate phase-in to full cost recovery. However the consumption rates are still very competitive as demonstrated on Attachment No. 2.

Background Analysis and Options

SUMMARY - 2010 WATER AND WASTEWATER PROPOSED CONSUMPTION RATES

The major source of revenue for water and wastewater operations is consumption rates, totalling \$75.0 million for 2010. The consumption rate revenues net of operating costs and Region of York purchases are transferred to the respective water and wastewater reserves. These funds provide for the delivery of clean potable water and wastewater services that includes on going infrastructure maintenance, administration, financing, overhead costs and contribution to reserve funds for the future rehabilitation of the City's underground infrastructure.

The proposed 2010 water and wastewater budgets are attached including the unaudited 2009 actuals. The water and wastewater operating and capital actual expenditure activity form part of the City's consolidated Financial Statements.

The following attachments are included: 2010 water and wastewater budgets including the unaudited 2009 Actuals Attachment No. 1, the Municipal Rate Comparison Attachment No. 2, the Resource Request - Water Attachment No. 3, Water, Wastewater & Drainage 2010 Business Plan, Attachment No. 4.

Annual Residential Impact

The residential customer with a consumption of 300 cubic meters of water per annum will see an increase of \$57 (\$37 is the Region of York portion) or 9.43%. The combined increase for water and wastewater represents a \$4.75 per month increase.

The 2010 budgets include an annual rate increase of 8.45% for water and a 10.36% increase for wastewater for a combined increase of 9.43%.

The rate increase impact is the result of:

- The Regional increase of 10% for the cost of potable water and the increase in wastewater services at 10.0%. This increase is based on Regional water and wastewater reserve adequacy study.
- The increase in the contribution to the wastewater reserve.
- The reduction in the contribution to the water reserve.
- Offsetting the impact of inflationary pressures.
- The increases in administration, financing and other expenditures.
- The reduction in maintenance costs.

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2010 COMBINED RATE INCREASE

Potable Water & Wastewater Purchased Services	6.1%	York Region
Unmetered Water	1.2%	
Maintenance	-.2%	
Administration, Financing & Overheads	1.2%	
Joint Services	.1%	
Infrastructure Contribution	1.0%	
2010 Increase	9.4%	

Rate Components - Increase

The largest cost component of the consumption rate is the purchase of potable water and wastewater services from the Region as shown below. Water purchases and wastewater purchased services in particular have gone up over the past number of years by 10%. Both increases are primarily due to the need to build reserves for future Regional infrastructure requirements.

The City, like the Region, needs to ensure that sufficient reserves will be available for future infrastructure replacement. A significant component of the proposed consumption rates is "Contribution to Reserves". These are the funds that are transferred to the reserves each year for the future water & wastewater infrastructure replacement. The consumption rates are now supported by the study and are continuing to move in the direction of full cost recovery.

The 2010 water and wastewater rate components and cost impacts are as follows:

Rate Components	Water	Wastewater	Combined
Regional Purchased Services	63.4 ¢	71.8 ¢	135.2 ¢
Unmetered Water	9.3	0	9.3
Maintenance	11.6	13.6	25.2
Other	11.5	6.3	17.8
Contribution to Reserves	10.5	21.1	31.6
Total	106.3 ¢	112.8 ¢	219.1 ¢

Cost increase impact

	Water	Wastewater	Combined
Region	70%	62%	65%
City	30%	38%	35%

The Safe Drinking Water Act (SDWA) – Licencing Requirements

The Safe Drinking Water Act (SDWA) is comprehensive in its legislative requirements and was enacted to place all legislation and regulations relating to the treatment and distribution of drinking water into one Act. The SDWA expands on existing policy and practices and introduces new regulations to protect drinking water. It includes certification of drinking water system operators and analysts and puts in place certain financial reporting requirements and the need for municipalities to develop financially sustainable water treatment and distribution systems.

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Drinking Water Quality Management Standard (DWQMS)

Fourteen of the recommendations in the final report of the Walkerton Inquiry relate to the development of the new approvals framework for municipal residential drinking water systems. The new program, the Municipal Drinking Water Licence Program, is based on Recommendation No. 71 of the Walkerton Inquiry Part Two Report, which states:

The Ministry of the Environment should require the owners of municipal water systems to obtain an owner's licence for the operation of their waterworks. In order to obtain a licence, an owner should have⁷:

1. a certificate of approval for the facility;
2. a permit to take water;
3. approved operational plans;
4. an approved financial plan; and
5. an accredited operating authority

The first two elements, the City of Vaughan does not require a certificate of approval for the distribution system, and a permit to take water has not been issued since the City does not take water, but purchases it from York Region. The City of Vaughan received its Drinking Water Works Permits and Municipal Drinking Water Licences on July 27, 2009, which are a modified version of the existing Certificate of Approval framework.

Elements three and five (approved operational plan, and an accredited operating authority) are new to the water sector and to the Ministry of the Environment (MOE). These two elements are directly related to the Walkerton Inquiry Report's recommendation that Owners and Operating Authorities move towards the concepts of the quality management approach into their operation and management of the drinking water system.

The DWQMS has 21 elements which relate to quality management and the risk assessment/risk management of critical control points. The Operating Authority, in consultation with the Owner, prepared an Operational plan, which outlines how the City is meeting the requirements of the standard. As required by Ontario Regulation 188/07, the City of Vaughan has successfully completed and submitted the Operational Plan which was mandated under schedule 1, for January 1, 2009. As previously discussed, the Operational Plan documents the processes and procedures that the Owner and Operating Authority have in place to meet the requirements of the DWQMS.

On June 11 & 12, 2009 an on-site verification audit was conducted by Canadian General Standards Board to determine whether the drinking water Quality Management System (QMS) conforms to the requirements of the Ontario Ministry of the Environment's Drinking Water Quality Management Standard (DWQMS). The results of the audit found no non-conformances, and outlined seven opportunities for improvement. A Full Scope – Entire accreditation certificate was formally issued to the Corporation of the City of Vaughan on July 7, 2009.

Financial Plans

Lastly, element four, approved financial plans must apply to a period of at least six years and include details of the drinking water system's proposed or projected;

- Financial Position
- Financial Operations
- Gross Cash Receipts & Gross Cash Payments

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The financial plans must be approved by Council and forwarded to the Ministry of Environment and Ministry of Municipal Affairs and Housing no later than July 1, 2010. This report will be presented to Council for approval in the next two months.

Conservation

Water conservation is becoming a more prevalent topic, and plays an important role in the future growth and development of York Region. The Region of York's Water for Tomorrow program continues to provide programs and initiatives to reduce the consumption and loss of drinking water. The latest initiatives include:

- a water efficient toilet rebate program where single family home owners in York Region purchasing an eligible water efficient toilet on or after May 1st can receive a \$75 rebate for a maximum five toilets per location;
- rain barrels for sale to York Region residents at a cost that is well below market rates; and,
- water efficient landscape visits and industrial/commercial water audits to encourage water consumers to conserve water use and assists in reducing energy consumption and their carbon footprint.

The Water for Tomorrow program undertaken by the Region of York continues to provide programs and initiatives to reduce the consumption and loss of drinking water. The latest initiatives is a water efficient toilet rebate program where single family home owners in York Region purchasing an eligible water efficient toilet on or after May 1st can receive a \$75 rebate for a maximum five toilets per location. In addition, the program continues to offer water efficient landscape visits and industrial/commercial water audits to encourage water consumers to conserve water use and assists in reducing energy consumption and their carbon footprint.

Public Works continues to refine its flushing programs to reduce water flushed from the system to ensure water quality. The banding of hydrants has reduced theft and encourages water haulers to source water from one of the City's four water filling stations. The anode protection program initiated in 2005 to reduce corrosion in iron water mains continues to perform very well yielding a 50% decrease in the number of water main breaks in the water distribution system.

2010 Water Budget - Revenue & Expenditure Highlights

Additional Resource Requests – Water

For 2010, two additional resource requests have been submitted, Attachment #3 and the funds are included in the Water budget. These resource requests are for two additional complements to assist in both Finance and Public Works to meet growing demands due to regulatory requirements and to ensure continuous network analysis of the City's water distribution systems.

2010 Water Budget Factors

The budgeted 2010 water billing revenue includes a 2.5% (2.0% 2009) residential, 1.55% (1.25% 2009) commercial growth factor and an 8.45% water rate increase. The consumption volume is conservatively estimated based on growth only and does not reflect any weather predictions.

Increases in expenditures include the Regional cost of potable water at 10%, inflationary increases related to wages, purchased goods and services, increases in operational service areas and the rate study as it pertains to the appropriate funding contribution level for the reserve.

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2010 Proposed Water Budget Highlights

Revenues:

The recommended water rate of 106.29 cents per cubic meter is based on the proposed operating and capital budgets and future infrastructure replacements. The water rate has been smoothed over a 10 year period thereby lessening the year over year fluctuations that would otherwise occur due to the infrastructure replacement timelines. Based on the required estimated capital asset replacement value over the 10 year period the full recovery water rate is 158 cents.

The budgeted water billings in 2010 include an 8.45% rate increase and an increase in residential and commercial growth. The revenues are expected to be \$36.6 million with water purchases from the Region at \$25.3 million, including unmetered water, resulting in a gross margin of \$11.3 million. Other revenue for bulk water sales remains constant year over year at \$0.2 million. Installation activity is expected to be similar to last year's budgeted level at \$1.1 million.

Unmetered Water Consumption:

Unmetered water usage takes place through: fire suppression and fire training, irrigating sports fields, main flushing and maintenance, street sweeping, water main breaks and service leaks, testing and flushing water mains in new developments due to Provincial water regulations, water used by builders in the construction of new homes, etc.

Unmetered water is recovered through the City's development agreements and is also billed and recovered internally for City purposes; such as recreation's swimming pools, and consumption in the many building's and facilities throughout the City.

The 2010 unmetered water is budgeted at 13% up 2% from last year. The unmetered water loss for 2009 is 16.8% substantially higher than we have experienced in previous years. In part this is the result of continued need to flush water mains in new subdivisions. Flushing maintains the City's ability to provide potable water thereby meeting Ministry of Environment requirements. Some of the cost is recovered from fees in the subdivision agreements which have recently been increased. The potential loss due to the York-Peel feeder water main on Rutherford Road has not yet been determined. The leak from this Regional main was discovered in September of 2009. York Region staff have been requested by the City to provide an estimate in terms of the volume of water that would have been lost through this leak, as this water would have passed through the boundary meter and charged to the City. Public Works staff are following up with the Region on this matter, but as of this point in time, no numbers are available.

The actual unmetered water over the past number of years ranges from 9.3% to 14.0% reflecting the growth of the City. The National Drinking Water Clearinghouse in the USA has indicated that water unaccounted for in the 10 - 12% range is considered normal, while the National Research Council of Canada reported that the range is anywhere from 20 - 30%.

Unmetered Water Resolution

At the June 5th, 2008 meeting of the Finance and Administration Regional Committee a recommendation was put forward that staff negotiate a resolution to the water billing issue between the City of Vaughan and the Region. In December 2009 this matter was resolved.

Expenditures:

2010 budgeted expenditures total \$9.4 million covering maintenance, administration, financing, overhead and other costs up by 3.9% over last year's budget. The largest component is the overhead allocation revised under the Watson cost driver model supporting the revenue fund transfer. This increase is offset by a slight reduction in maintenance activity budgeted at \$5.3 million down by 3.0% due to lower meter installations. Administration is budgeted at \$1.3 million up by 12.2% due to two new complements over last year's budget. The balance of the costs are similar to last year's budgeted levels.

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2009 Actual Highlights

Actual 2009 total water billings of \$33.3 million are under budget significantly by \$2.2 million. Budgeted consumption levels reflected average weather patterns over a two year period which incorporated a wet and dry season to predict more reliable consumption levels. Actual billing consumption was not realized as weather significantly influenced consumption. Water demand was much lower than anticipated despite how rainfall in 2009 during the summer months was 29.3% lower than 2008 for same period.

Residential billings at \$20.4 million were down by 4.3% and Commercial at \$12.6 million down by 9.6% compared to budget. Average household consumption has declined over the past three years which may be attributed to conservation efforts combined with weather patterns. Bulk sales and installation service fees came in on budget. The largest component of other revenue is due to the York Region water loss settlement.

Actual maintenance expenditures came in at \$4.5 million, under budget by \$0.9 million. Maintenance is generally under budget each year due to additional funding for possible emergency work. However, 2009 actual maintenance costs have increased over 2008 by 18.4% thus reducing the favourable variance normally experienced. Administration came in at \$0.9 million and is slightly under budget due to gapping as staff approved last year were hired later than expected. The remaining expenditures came in close to budget.

Water Lifecycle Contribution

In 2009 through water operations, the net of all revenues and costs resulted in \$3.9 million (\$4.6M 2008) being transferred to the water reserve. The transfer is down by \$0.7 million due to lower than expected water consumption and increased maintenance costs. The 2010 budgeted transfer from water operations to the water reserve is \$3.1 million. These funds will provide for the future requirements of the water infrastructure. The forecasted Capital drawdown of the reserve in 2010 for water related infrastructure needs is expected to be \$2.6 million.

Committed capital costs represent approved capital projects not yet begun or completed and total \$6.7 million, these projects will be completed over the next couple of years.

The budgeted reserve balance at the end of 2010 is projected to be \$17.9 million (2009 actual \$17.3m) after committed capital projects a net increase of \$0.6 million. These funds will provide for the future requirements of the water infrastructure to ensure the City's drinking water systems are financially sustainable as required under the new Municipal Drinking Water Licence Program.

2010 Wastewater Budget - Revenue & Expenditure Highlights

Back-water Valve Installation Subsidy Program Update

On May 5, 2009, Council approved the Back-water Valve Installation Subsidy program. The necessary by-law has been enacted, and the program has been advertised to the public. The subsidy is based on having an annual maximum funding cap of \$112,500, to be funded from the Wastewater Reserve. Based on a maximum subsidy of \$750 per property, the City can approve 150 applications per year, if all received the maximum subsidy. In 2009, there were two applicants. Funding for the continuation of this program has been included in the base 2010 Wastewater Budget.

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2010 Wastewater Budget Factors

The budgeted 2010 wastewater billing revenue includes a 2.5 % (2.0% 2009) residential, 1.55% (1.25% 2009) commercial growth factor and a 10.4% wastewater rate increase. The volume of wastewater is not metered. The consumption volume is based on water sold to the consumer.

Cost increases include the rate increase in the Regional cost of wastewater services at 10%, increases to City's operational, administration, other costs and the infrastructure contribution to the reserve that is required to fund future capital needs now based on the rate study.

2010 Proposed Wastewater Budget Highlights

Revenues:

The recommended wastewater rate of 112.8 cents is based on the proposed operating and capital budgets and represents a move in the direction of full cost recovery as supported by the rate study.

The wastewater rate has been smoothed out over a 10 year period thereby lessening the year over year fluctuations that would otherwise occur due to the varying water infrastructure replacement timelines. Based on the required estimated capital asset replacement value over the 10 year period the full cost recovery wastewater rate is 153 cents and sewer services 55 cents.

Staff will be looking at various rate options outlined in the Watson study to more effectively fund storm sewer services.

The budgeted wastewater billings in 2010 include a 10.4% rate increase and an increase in residential commercial growth. The revenues are expected to reach \$38.3 million with the expected wastewater services from the Region at \$28.1 million leaving a gross margin of \$10.2 million. The above cost of wastewater disposal service from the Region includes a 10.0% increase. The Region's treatment cost for wastewater is based on potable water purchased by the City. Other revenues budgeted at \$0.3 million are similar to last year's level. The 2010 local improvement revenue is budgeted at \$213,200 and is offset by the cost of debentures of \$213,200. Installation and service fees are budgeted at \$0.3 million up by \$0.1 million from last year's budget.

Expenditures:

2010 Budgeted expenditures total \$7.5 million covering maintenance, administration, storm sewer financing, joint services, overhead and other costs are up slightly by 2.0% over last year's budget. The largest increase year over year is the overhead allocation, revised under the Watson cost driver model to support the revenue fund transfer. This increase is offset by a slight reduction in storm sewer maintenance activity budgeted at \$2.1 million down by 6.7%. Administration is budgeted at \$0.4 million up by 6.0% due to slight increases in training & development and professional fees.

2009 Actual Highlights

Actual 2009 total wastewater billings of \$33.3 million are under budget significantly by \$2.4 million. Wastewater revenue is based on water consumption therefore is under budget. This was unexpected given the rainfall activity in 2009 compared to 2008 (29.3% lower) during the summer months. Possible conservation measures may be a factor in lower than anticipated consumption levels. Residential actual billing totalled \$20.3 million, down by 5.7% and Commercial and Industrial actual billings totalled \$13.0 million down by 8.2% when compared to budget. Other revenues at \$1.3 million are higher than expected due to installation revenue coming in at \$0.2 million higher due to increased activity and a large component represents the York Region water dispute settlement.

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2009 Actual expenditures total \$6.3 million covering maintenance, administration, storm sewer, financing, overhead and other costs, down by 14.7% when compared to budget. Actual maintenance expenditures came in at \$2.9 million under budget by \$0.2 million. Storm sewer maintenance came in at \$1.4 million under budget by 35.6% as a result of less than expected activity. The balance of expenditures came in on budget.

Wastewater Lifecycle Contribution

In 2009 through wastewater operations, the net of all revenues and costs resulted in \$3.6 million (\$3.1m 2008) being transferred to the wastewater reserve fund.

The 2010 budgeted transfer of \$3.2 million from wastewater/storm operations to the reserve is higher at \$0.4 million over last year's budget. The capital drawdown of the reserve in 2010 for wastewater related infrastructure needs is expected to be low this year at \$0.3 million.

Committed capital costs represent projects not yet begun or completed and totals \$1.5 million, these projects will be completed over the next couple of years.

The budgeted reserve balance at the end of 2010 is projected to be \$19.5 million after committed capital projects, a net increase of \$3.0 million. These funds will provide for the future requirements of the wastewater infrastructure.

Relationship to Vaughan Vision 2020

Establishes the budget and resources required to maintain service levels and undertake Council priorities in this area.

Regional Implications

No Implications

Conclusion

Based on the current rate study review the City's water, wastewater rates are moving towards full cost recovery. This approach will maintain a financially sustainable reserve for the future. Based on the proposed rate increase for water and a rate increase for wastewater the impact to the ratepayer that consumes 300 cubic meters per year will be approximately \$57.00 or \$4.75 per month.

It is therefore recommended that the City's water rate be increased to 106.29 cents per cubic meter and that the wastewater rate be increased to 112.79 cents per cubic meter both effective June 2010.

Attachments

- Attachment No. 1: The 2010 Water and Wastewater Budgets including 2009 unaudited Water and Wastewater Actuals
- Attachment No. 2: 2010 Water and Wastewater Municipal Rate Comparison
- Attachment No. 3: Resource Requests - Water
- Attachment No. 4: Water, Wastewater & Drainage 2010 Business Plan

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 4, 2010

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Report prepared by:

Barry E. Jackson, CGA
Director of Financial Services
Ext. 8272

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)