

COMMITTEE OF THE WHOLE - APRIL 3, 2006

INDUSTRY REQUEST FOR REDUCTION IN SEWER RATES

Recommendation

The Commissioner of Engineering and Public Works and the Commissioner of Finance and Corporate Services, recommend that:

1. The requests for a reduction in sewer rates received from Apollo Health and Beauty Care and from Rochester Aluminum be received in accordance with By-law 12-74, and;
2. Until the full impact of the Sustainable Water and Sewage Systems Act, 2002, has been determined, a moratorium be placed on granting a reduction in water or wastewater rates to any user of the City's water and sewer systems, including Apollo Health & Beauty Care, and Rochester Aluminum.

Economic Impact

Based on reports provided by the respective companies the reduction in sewer charges would reduce the City's revenue by approximately \$43,000 annually. This doesn't take into account the loss in revenue that would occur if other companies requested similar treatment. In addition, since the City's costs would not change, the user rates would need to be increased to offset the lost revenue.

Purpose

To provide Council with information relating to the requests for a reduction in the wastewater rates for two industrial users, as provided in By-law 12-74, and to make Council aware of the implications of such sewage reduction requests.

Background - Analysis and Options

The City of Vaughan is a diverse community of residential, commercial and institutional uses and enjoys the benefits and services of more than 2,500 industries within its boundaries. Many of these industries are large consumers of municipal water that is used for heating and cooling of equipment and buildings and forms part of the many final products shipped out to consumers.

To achieve efficiencies, many industries are installing recovery devices to recycle as much water as possible used in the heating/cooling processes. Where recovery is not possible, or where water is used as part of the finished product, industry is looking at methods of reducing their water/sewer bill to find cost reductions. This has resulted in industries contacting both the Public Works and the Finance Department, asking for relief from the City's wastewater charges on their municipal water bill.

The City's wastewater rate structure already takes into account that not all water purchased ends up in the City's sewer system. All consumers receive this discount. As such, there is no specific additional "discount program" for individuals or companies. However, Article V, Item 3 of By-law 12-74 regulating the discharge of wastewater states in part, "Council may by terms of an agreement with the owner of the premises concerned allow a reduction in the sewage service rates to be charged to the said owner."

Currently, the Public Works and Finance Departments have two formal requests requesting a further reduction in their specific wastewater rates.

One request is from Apollo Health and Beauty Care, and the other is from Rochester Aluminum. In the case of Apollo Health and Beauty Care, they have indicated that municipal water is being used in the finished product shipped to consumers.

Rochester Aluminum is a smelting operation and indicated that municipal water is used primarily for the cooling of equipment and end products. Both industries have provided Engineers Reports certifying the uses and approximating the amounts of water that is not entering the City's sewage system. Both companies are seeking full relief from the wastewater rate for all the water that is not entering the City's sewer system.

Staff has reviewed the reports provided by both companies, and based on those reports, the financial impact to the City on an annual basis are approximately \$16,335 for Apollo Health and Beauty Care, and approximately \$26,600 for Rochester Aluminum. Based on the Engineers Reports, both could be considered by Council for a reduction in sewage charges accordance with the City's By-law. This estimate does not take into account the financial impact of other businesses that would undoubtedly seek such a similar request.

The Province of Ontario has introduced the Sustainable Water & Sewer Systems Act 2002. Once in place, this Act and accompanying Regulations, will require each regulated entity such as the City of Vaughan, to prepare a full cost recovery plan describing how it intends to pay the full cost of providing water and sewer services. Each regulated entity will be required to set their water and sewer rates to adequately fund all aspects of the systems including operating, financing, renewal, and replacement costs. Notwithstanding that both of the above noted companies have Engineers Reports indicating that a significant amount of water is diverted from the City's sewer system through their various processes, Council is requested to consider the implications any such financial relief will have on the municipality in terms of its future ability to comply with the full cost recovery model outlined in the Sustainable Water and Sewer Systems Act 2002. In addition, much of the infrastructure costs are relatively fixed and not related to volume.

Currently, there are only three industrial customers receiving a rebate on their wastewater rates. Their arrangements have been in place for over 20 years. Council may need to review these agreements in order to ensure that they do not impede the City's ability to meet the requirements of the Act. Until the full implications of the Sustainable Water and Sewer Systems Act and the accompanying Regulations are known, it is recommended that a moratorium be put in place on offering different rates for users of the City's water and sewer systems, including Apollo Health and Beauty, and Rochester Aluminum.

Relationship to Vaughan Vision 2007

This report is consistent with the priorities previously set by Council, and complies with Vaughan Vision 2.1.3 Develop appropriate funding strategies for long-term projects.

Conclusion

As per By-law 12-74, Council, at its discretion, may reduce part, or all, of the wastewater rate charged to Apollo Health and Beauty Care and Rochester Aluminum for water not entering the City's sewer system. The Engineers Reports provided by both companies have identified theoretical quantities being diverted, but in order to accurately determine the amount of water not entering the sewer system, additional meters would have to be installed and flow monitoring must take place to verify these calculations.

Notwithstanding that both companies have submitted Engineer's Reports indicating that a substantial amount of municipal water is not entering the City's sewer system, in consideration of the Sustainable Water & Sewer Systems Act 2002, and Vaughan Vision 2.1.3, it is recommended that a moratorium be placed on granting a reduction in water or wastewater rates to any user of the City's water and sewer systems, including Apollo Health & Beauty Care, and Rochester Aluminum.

Attachments

N/A

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Respectfully submitted,

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