

WATER AND WASTEWATER RATE STUDY – PRESENTATION

Recommendation

The City Manager, the Deputy City Manager/Commissioner of Finance & Corporate Services, the Commissioner of Engineering and Public Works, the Director of Public Works and the Director of Financial Services recommend:

That the following report and presentation on the rate study by Watson and Associates be received.

Economic Impact

There is no economic impact to this report

Communications Plan

Not Applicable

Purpose

To receive a presentation and update from Watson and Associates on the water and wastewater rate study.

Background - Analysis and Options

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.

To address the above legislative requirements the City undertook a full cost review of the water and sewer operations and infrastructure life cycle requirements. A RFP process to hire a consultant was conducted. The review of the current and future operating and capital infrastructure needs would be over a 25 year period. The infrastructure replacement timeframes and costs were to be determined and from this data full cost consumption rates could be developed. Also required was the development of funding options and rate strategies that would provide options to move to full cost recovery.

Rate Study Objectives

Through the RFP process a contract was awarded to Watson and Associates who partnered with the engineering firm AECOM.

The rate study objectives:

- 1) A full cost review of water, wastewater and storm services
- 2) Identify current and future water, wastewater, storm sewer capital needs over the assets lifecycle
- 3) Identify cost recovery options for both capital and operational needs
- 4) An analysis of lifecycle reserve fund requirements to provide financial sustainability
- 5) Recommend user rates to recover full costs for water, wastewater and storm services

- 6) Provide the Capital Asset Financial Evaluator (“CAFÉ”) model to the City for ongoing long range financial planning

This past year the consultants have collaborated with staff from Engineering, Public Works and Finance to develop the underground piping infrastructure capital/rehabilitation data and the financial operating components necessary to populate the rate modelling software.

The Study Process

AECOM began the study with a review of the City’s linear and vertical infrastructure inventory for suitability and completeness of data. After the review the underground piping systems for water, wastewater and storm sewer were broken out by groups based on unit replacement costs, type of material, age, diameter, system length, estimated service life etc. From this data the estimated timeline for capital replacement or major rehabilitation was determined over a 100 year period. This data was used to populate the “CAFÉ” modelling software. This modelling software allows a statistical approach to the annual projection of current and long term replacement costs also called lifecycle costs.

The next step in the study was the development of the rates by Watson and Associates that would be at a full cost recovery level. This was accomplished by incorporating the above capital replacement cost data with the estimated operating data into the model. The aforementioned operating cost data included growth estimates, consumption estimates, revenue projections, regional water and wastewater service cost estimates, system maintenance costs, overheads and administration costs, etc. The data population of the model is now complete and the appropriate rates necessary to provide sufficient funds to meet the operating and lifecycle costs over the review period can be determined.

The study was also to include recommendations in the use of various rate options including flat rates and rate smoothing techniques so as provide a more effective and affordable rate structure.

The City will retain the licensing rights without charge to the “CAFÉ” modelling software. Staff will then be able to maintain and update the model as the City grows and capital needs change over time thereby continuing to provide updated rates. In addition the modelling software will provide the opportunity to look at other rate methodologies and options for use in the future.

Water and Wastewater Budgets

In order to meet the requirements for a sustainable water and wastewater distribution system, the City has undertaken a review of its water and wastewater infrastructure, operating costs, and lifecycle costs. Although not yet complete, sufficient data has been obtained to assist in the setting of the 2009 rates. Through the findings generated from this review, and the ongoing use of the CAFÉ model, the City will be able to ensure that sufficient funds are generated through the user rates to meet this legislative requirement.

Relationship to Vaughan Vision 2020/Strategic Plan

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

Regional Implications

There are no implications

Conclusion

To receive the presentation and update from Watson and Associates on the City’s consumption rate study.

Attachments

None

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Respectfully submitted,

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