

SPECIAL COUNCIL – MAY 7, 2012

Revised 09/05/2012 14:18

COMMUNICATIONS

Distributed May 4, 2012

Item No.

C1 Commissioners of Finance/City Treasurer and Engineering & Public Works, dated May 4, 2012

2

Distributed May 7, 2012

C2 A. Niro, dated May 7, 2012

2

C3 Presentation Material

2

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Please note there may be further Communications.

May 4, 2012

C 1
Special Item No. 2
Council May 7/12

To: Honourable Maurizio Bevilacqua, Mayor
And Members of Council

Re: Communications
Finance & Administration Committee – April 2, 2012
Item #2, Report No. 4 – 2012 Proposed Water & Wastewater Operating Budgets

At the Finance and Administration Committee of April 2, 2012, staff were requested to, “provide a report with respect to revising the budgeting of the Storm Water Management Ponds from a use based formula.”

The following is intended to provide a brief overview of the nature, the issues, and the funding complexities, when addressing the financial sustainability of the City’s storm water management ponds and associated infrastructure.

Storm Water Management Ponds - Components of a Larger, Complex Storm Water Management System

Storm water management (SWM) ponds are created and constructed for the sole purpose of collecting, retaining, and sometimes improving the quality of storm water in urban areas. SWM ponds reduce the risk of flooding during periods of high rainfall, reduce erosion and control sedimentation of small streams in urban environments.

SWM ponds are usually constructed by developers, and assumed and maintained by the City. The City currently has approximately 140 SWM ponds.

SWM ponds should not be considered in isolation, but as components of a complete storm water management system. The storm water management system also includes other infrastructure, such as drainage channels, swales, ditches, catch basins, as well as the underground pipe network. It has been estimated that the tangible capital asset value of the SWM ponds is approximately 33% of the value of the entire SWM System. Therefore, when considering a funding approach for the maintenance and future renewal of a storm water management system, all of the components including ponds should be included.

Alternative Funding Models – Many to Choose From

When evaluating alternative funding models, consideration should be given to all types of property uses and customers; residential, low, medium density residential, office, commercial, institutional, etc. and commercial customers due to usage and property size. A funding model should be reasonable, understandable, adequate and should be consistent with the intent of provincial legislation.

There are a number of possible funding models for a storm water management system, which include:

- a simple usage rate;
- a simple flat rate;
- a flat rate by property type;
- a tiered rate;
- a rate based on the impervious area of each property (proportion of each property which cannot allow for rain water to be absorbed by the soil) or;
- a combination thereof.

Each funding approach brings with it certain challenges, including fairness, rate complexities, customer acceptance, administration, system costs, etc.

Choosing the right funding model for the City is important. Whichever model is adopted, ideally it should be calibrated to allow for the collection of funding required for the future renewal of all storm water management infrastructure, as well as the ongoing repair and rehabilitation of the entire municipal system.

2012 Water & Wastewater Budget Report - A Further Study Required

As indicated in this year's 2012 Water and Wastewater Budget report, the City did undertake a rate study (2009) that reviewed the needs associated with all three systems; water, wastewater and the storm water management. As a result of the 2009 study the City has been moving towards full cost recovery as per the Safe Drinking Water Act and the Sustainable Water and Sewage Act.

The funding model adopted by the 2009 rate study was based on usage or consumption of water for all services, including storm water. The study recommended an interim usage rate for storm water services pending future consideration of a new fee structure.

The Water and Wastewater Budget Report suggests an updated rate study be undertaken imminently. The study would look at the complete storm water management system in terms of asset valuation, expected capital costs, operational costs, annual lifecycle contribution requirement, and a rate structure that achieves full cost recovery over time.

Storm Water Management System Funding Study – Commence in 2013

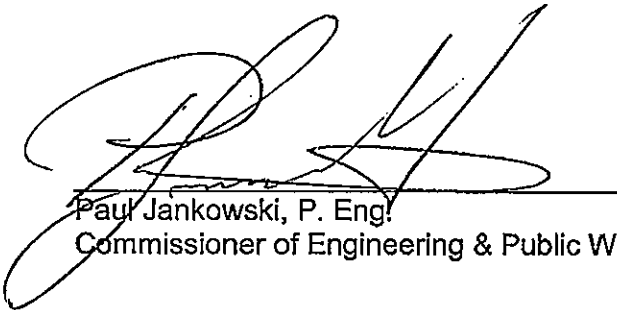
Given the amount of infrastructure investment that is necessary, the different funding models available and financing that may be necessary, staff will include funding for a study in next year's water and wastewater budget process. Funding for the study will come from the current wastewater/storm reserve.

A study will provide for the development of a long term, sustainable and fair fee structure solution for the ongoing repair, rehabilitation and renewal of the City's storm water management system.

Sincerely,



Barbara Cribbett, CMA
Commissioner of Finance/City Treasurer



Paul Jankowski, P. Eng.
Commissioner of Engineering & Public Works

- c: Clayton Harris, City Manager
- Barry Jackson, Director of Financial Services
- Brian Anthony, Director of Public Works
- Andrew Pearce, Director, Development/Transportation Engineering
- Carey Greenidge, Finance Manager, Water & Wastewater

Bonsignore, Connie

Special Council
Item No. 2
c 2
May 7/12

From: antony.niro@timeforchangevaughan.ca
Sent: Monday, May 07, 2012 3:08 PM
To: Iafrate, Marilyn; Bevilacqua, Maurizio; DeFrancesca, Rosanna; Di Biase, Michael; Shefman, Alan; Racco, Sandra; Carella, Tony; Rosati, Gino; Schulte, Deb
Cc: Clerks@vaughan.ca; Caroline Grech; Weekly Newspaper
Subject: Water and Wastewater Tax Increases of 62% and 103% since 2006 Item 2 Council May 7th, 2012

Dear Mayor and Members of Council,

Tax increases on Residents of Vaughan of 62% for water and 103% for wastewater since 2006 is not a good track record. This council alone (when approved today) is responsible for a substantial % of those increases.

Residents of Vaughan try very hard to conserve water and the report even shows residents have reduced their water consumption by 15% since 2006. The report attempts to say that people are trying to conserve just for the sake of conserving. I would suggest that even though residents are trying to conserve, living amongst the largest reserve of fresh water in the world, so the indicator of successful conservation would be to **SAVE MONEY!** It's my opinion, that if residents don't begin to receive some quantifiable result of their conservation efforts those efforts may deminish.

Here, the residents of Vaughan are trying to save money by reducing what they use by 15%, and the City in turns increases their tax rates so they can increase revenues entirely wiping out their conservation efforts. The residents cannot seem to win.

These meetings and approvals should not be a fait accompli. This council should show some leadership and push back at these ever increasing taxes. **Approve a motion directing staff to report back on efforts the City can undertake to reduce water and wastewater taxes.** That may include requesting the Region to take part in the process or the Province or some other agency, but this Council should not throw their hands up and say "oh well, it isn't our fault". The taxpayers of Vaughan will not accept that response, especially when they write out the cheques payable to the City or the Region to pay for their bills. Councillors will always wear that responsibility. It is a matter of political fact.

I am not a water or wastewater expert, I am just a regular citizen saying to its councillors that it is time enough our taxes keep increases and we should push back. I look forward to seeing some action from this Council on this.

Thank you.

- Antony

Antony Niro, P.Eng
Founder Time for Change Vaughan



2012 Draft Water and Wastewater Operating Budget

Special Council Meeting May 7th, 2012

c. 3
Special Council Item No. 2
May 7/12



Vaughan Vision 20 | 20

LOOKING TO OUR FUTURE



Agenda

- Water and Wastewater Fast Facts
- Budget Highlights
- Budget Overview
- Region of York – Water and Wastewater Rate Increases
- Water and Wastewater Rate Increase Breakdown
- 2012 Municipal Comparison
- Water and Wastewater Rate Increase Forecast
- Annual Contribution to Reserves
- City and Region Annual Rate Increases



Water and Wastewater Fast Facts

- ✓ The City owns and operates two distribution systems: Vaughan Water Distribution System and Kleinburg Water Distribution System.
- ✓ In 2011 the Vaughan and Kleinburg systems distributed 36,300,000 m³ of billed water.
- ✓ The City of Vaughan is responsible for the maintenance and repair of:
 - 865 kilometers of water mains
 - 846 kilometers of sanitary sewer mains
 - 827 kilometers storm sewers mains
- ✓ Water and Wastewater billing was in excess of \$83M in 2011 and Contribution to Reserves was \$10.8M.



Water and Wastewater Fast Facts - continued

- ✓ Vaughan purchases its drinking water from the Region of York, who purchases it from the City of Toronto and from the Region of Peel.
- ✓ Average household water consumption has decreased from 338 m³ in 2007 to 287 m³ in 2011 attributable to conservation efforts and weather patterns.
- ✓ Water and Wastewater billing revenues fund water purchases, wastewater services, asset maintenance, administration, overhead, financing, other operating costs and most importantly funding future infrastructure requirements.



Budget Highlights

- ✓ The City's combined water / wastewater draft rate increase is 8.97%.
 - ❖ Region's portion is 6.17%
 - ❖ City's portion is 2.8%

- ✓ Region of York increased their water rate by 7.7% and their wastewater rate by 12.0 % for a combined rate increase of 10.0%.

- ✓ The City's Water and Wastewater effective rate increase – June 2012.

- ✓ The residential impact on an average household consumption of 300 m³ of water per year is an additional \$64.80 or \$5.40 per month.

- ✓ Vaughan is continuing to move towards Full Cost Recovery as demonstrated in the presentation.

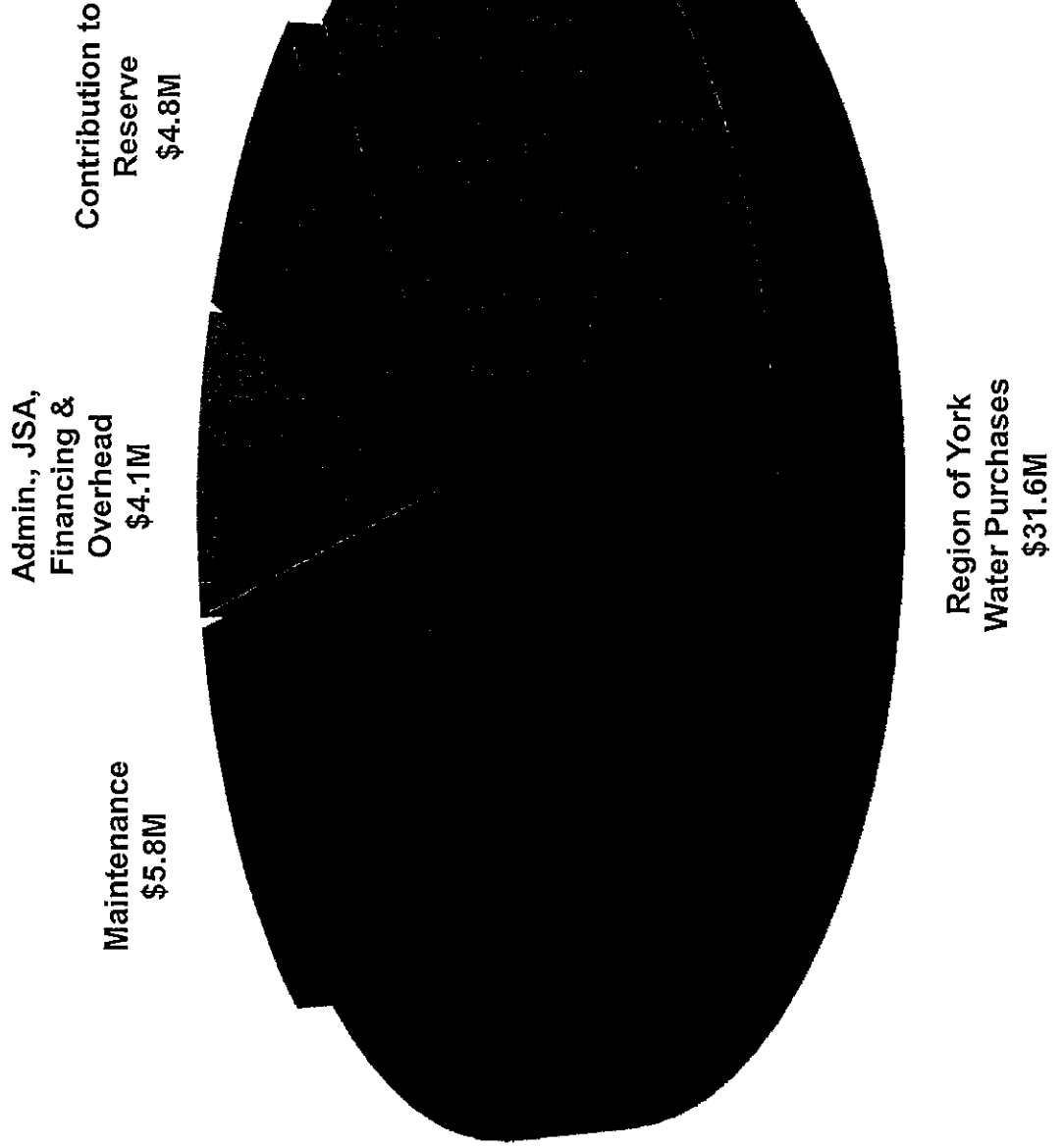


Budget Overview - Water

	Draft 2012 Budget	2011 Budget	Change	
Water Revenues	\$45.0M	\$40.8M	10.3%	Growth / Rate Increase
Water Purchases	31.6	28.7	10.1%	Region of York 7.7% rate increase / growth
Gross Margin	13.4	12.1	10.7%	
Other Revenues	1.3	1.3	-----	
Maintenance	5.8	5.5	5.5%	
Administration, Financing and Overhead	4.1	3.9	4.1%	
Contribution to Reserve	<u>\$4.8M</u>	<u>\$4.0M</u>	<u>20.0%</u>	



2012 Draft Budget - Water Expenses



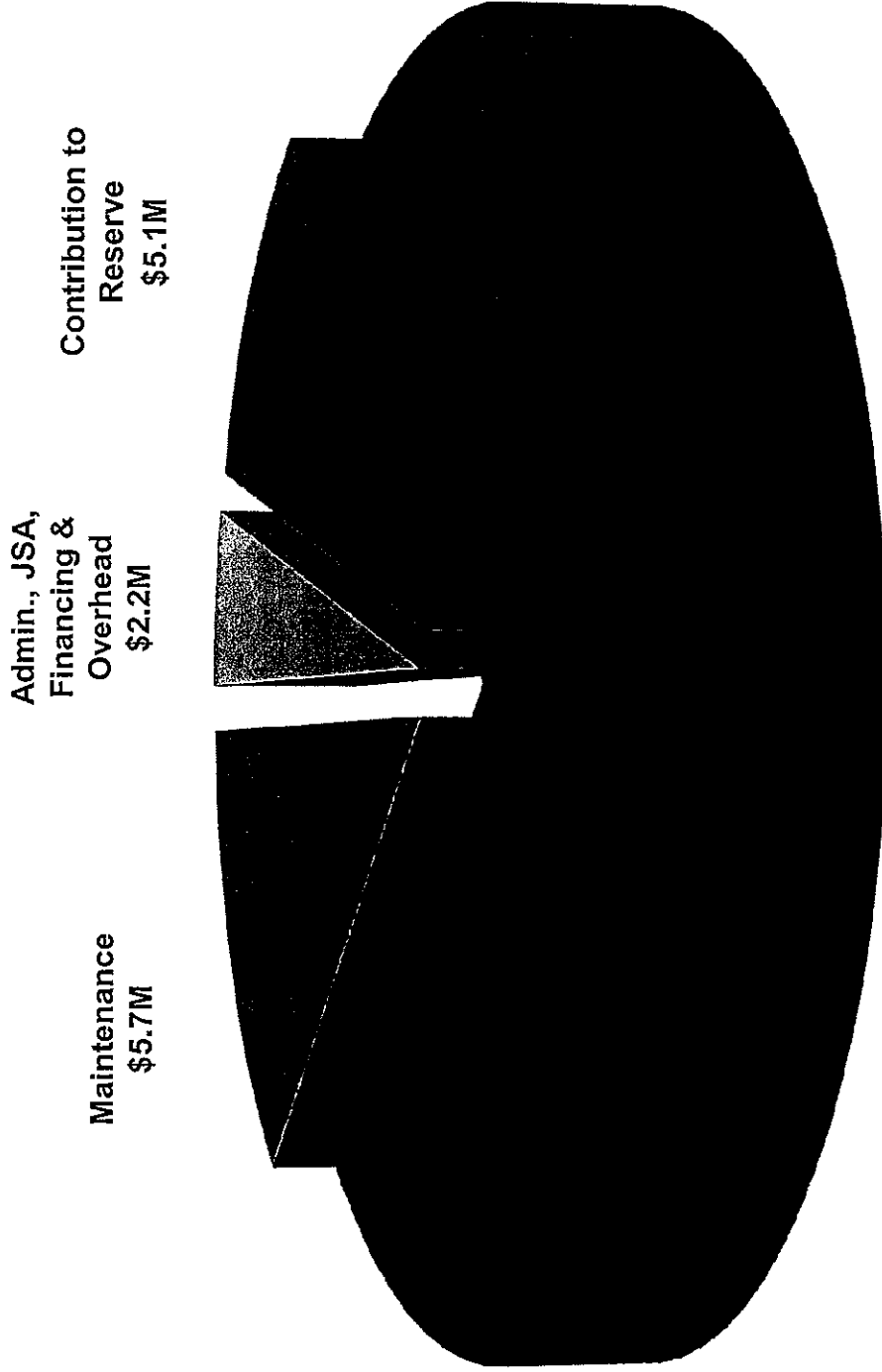


Budget Overview – Wastewater and Storm

	Draft <u>2012 Budget</u>	<u>2011</u> Budget	<u>Change</u>	
Wastewater Revenues	\$48.8M	\$42.6M	14.5%	Growth / Rate Increase
Wastewater Expenses	36.4	31.6	15.2%	Region of York 12.0% rate increase / growth
Gross Margin	12.4	11.0	12.7%	
Other Revenues	0.6	0.7	(14.3)%	
Maintenance	5.7	5.8	(1.7)%	
Administration, Financing and Overhead	2.2	2.2	-----	
Contribution to Reserve	<u>\$5.1M</u>	<u>\$3.7M</u>	<u>37.8%</u>	



2012 Draft Budget - Wastewater and Storm Expenses



Region of York
Wastewater Expenses
\$36.4M



Region of York Water and Wastewater Rate Increases

- ✓ At the Regional Council Meeting of May 5, 2011, the Finance and Administration Committee recommended Council approve:
 - An annual blended rate increase of 10% for water and wastewater user fees for the four year period from April 1, 2012 to March 31, 2016.
- ✓ Factors driving the rate increase include:
 - increased cost of purchased water from Toronto and Peel,
 - need to build reserves for capital asset replacement and rate stabilization and
 - decreased water consumption per capita



Breakdown of the Combined Water and Wastewater Rate Increase

Water and Wastewater Purchased Services from York Region	6.17%	6.17%	69%
Unmetered Water	0.34%		
Maintenance	0.19%		
Administration, Financing and Overheads	0.18%	0.72%	8%
Joint Services	0.01%		
Contribution to Reserves	<u>2.08%</u>	<u>2.08%</u>	<u>23%</u>
2012 Increase	<u>8.97%</u>	<u>8.97%</u>	<u>100%</u>

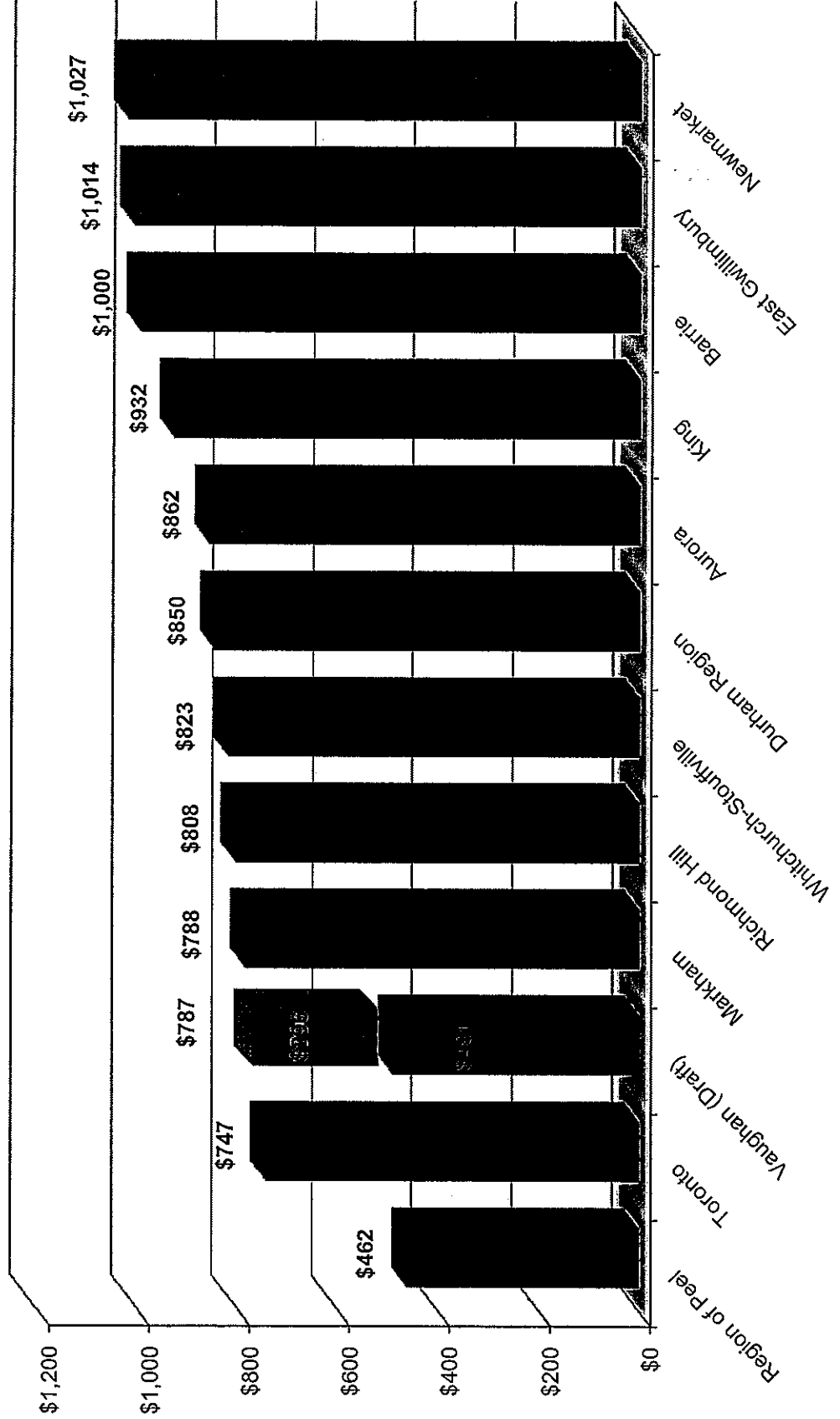


Breakdown of the Water and Wastewater Rate Components

	<u>Water</u>	<u>Wastewater</u>	<u>Combined</u>
<u>Rate Components</u>			
Regional Purchased Services	\$0.7510	\$0.8848	\$1.6358
Unmetered Water	0.1104	-----	0.1104
Maintenance	0.1289	0.1469	0.2758
Other	0.1109	0.0607	0.1716
Contribution to Reserves	<u>0.1428</u>	<u>0.2880</u>	<u>0.4308</u>
Total	<u>\$1.2440</u>	<u>\$1.3804</u>	<u>\$2.6244</u>



2012 Municipal Comparison – Total Water/Wastewater bill based on an average household consumption of 300 m³ per year.



Region's proportion of bill. City's proportion of bill.



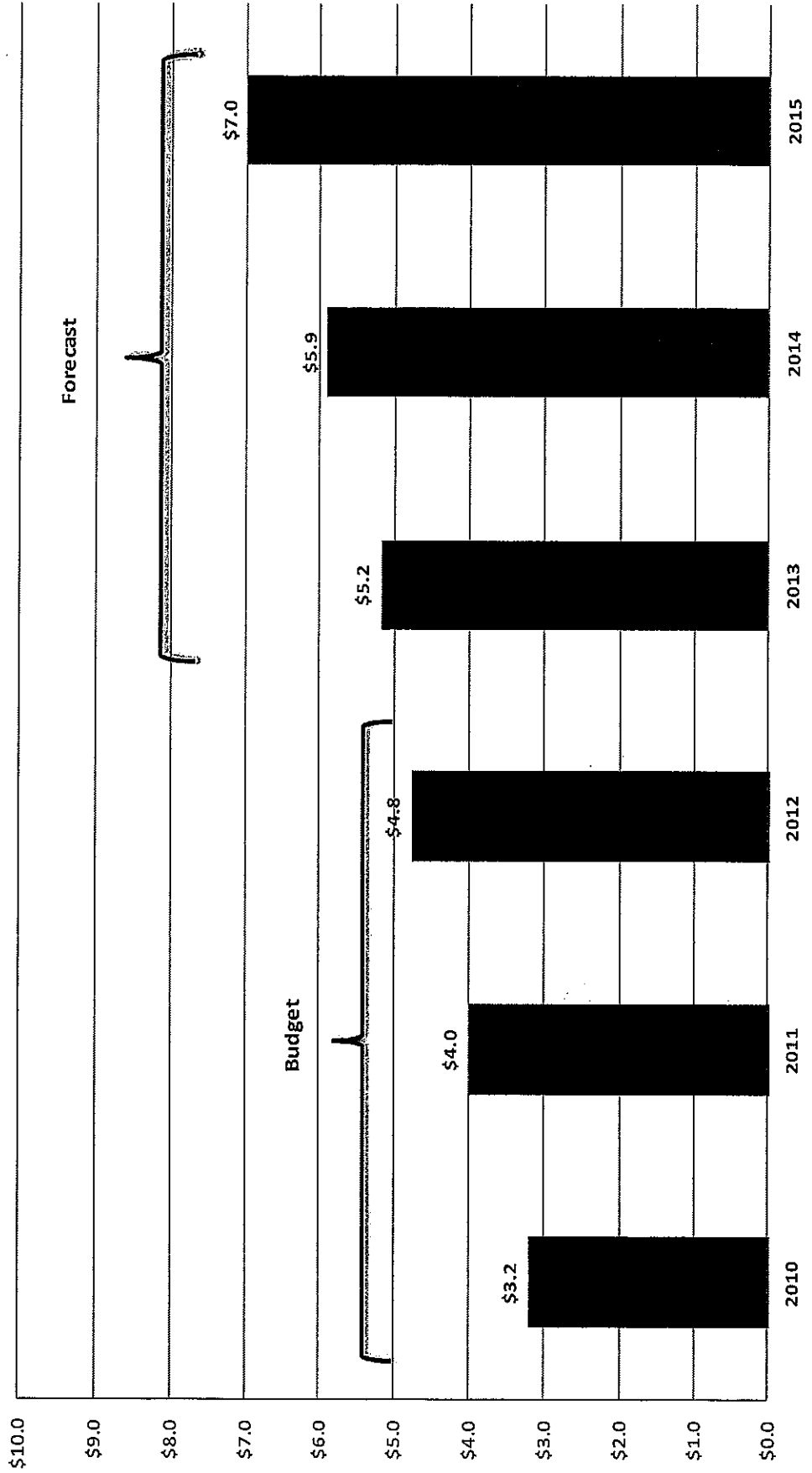
Year-Over-Year Annual Cost for a Household consuming 300 m³

<u>Municipality/Region</u>	<u>2012</u> ⁽¹⁾	<u>2011</u>	YOY <u>Change \$</u>	YOY <u>Change %</u>
Region of Peel	\$462	\$426	\$36	8.34%
Toronto	\$747	\$685	\$62	9.00%
Vaughan	\$787	\$723	\$65	8.97%
Markham	\$788	\$725	\$63	8.74%
Richmond Hill	\$808	\$734	\$73	9.99%
Whitchurch-Stouffville	\$823	\$750	\$74	9.81%
Durham Region	\$850	\$800	\$50	6.29%
Aurora	\$862	\$817	\$45	5.55%
King	\$932	\$860	\$72	8.43%
Barrie	\$1,000	\$929	\$71	7.63%
East Gwillimbury	\$1,014	\$930	\$84	9.03%
Newmarket	\$1,027	\$927	\$100	10.77%

(1) Calculations are based on Municipal and Region approved Water and Wastewater rates.

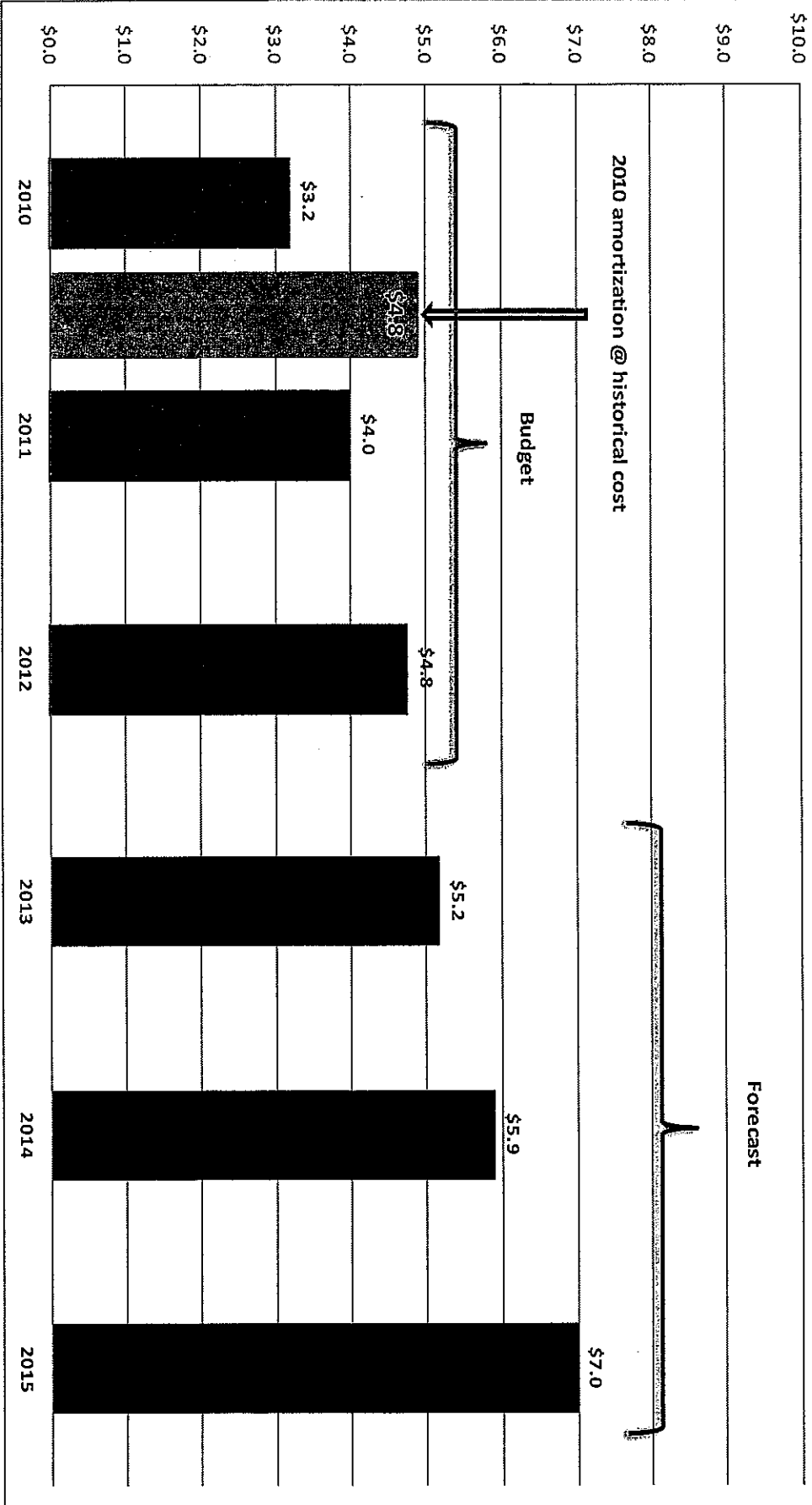


Annual Contribution to Water Reserve (millions)





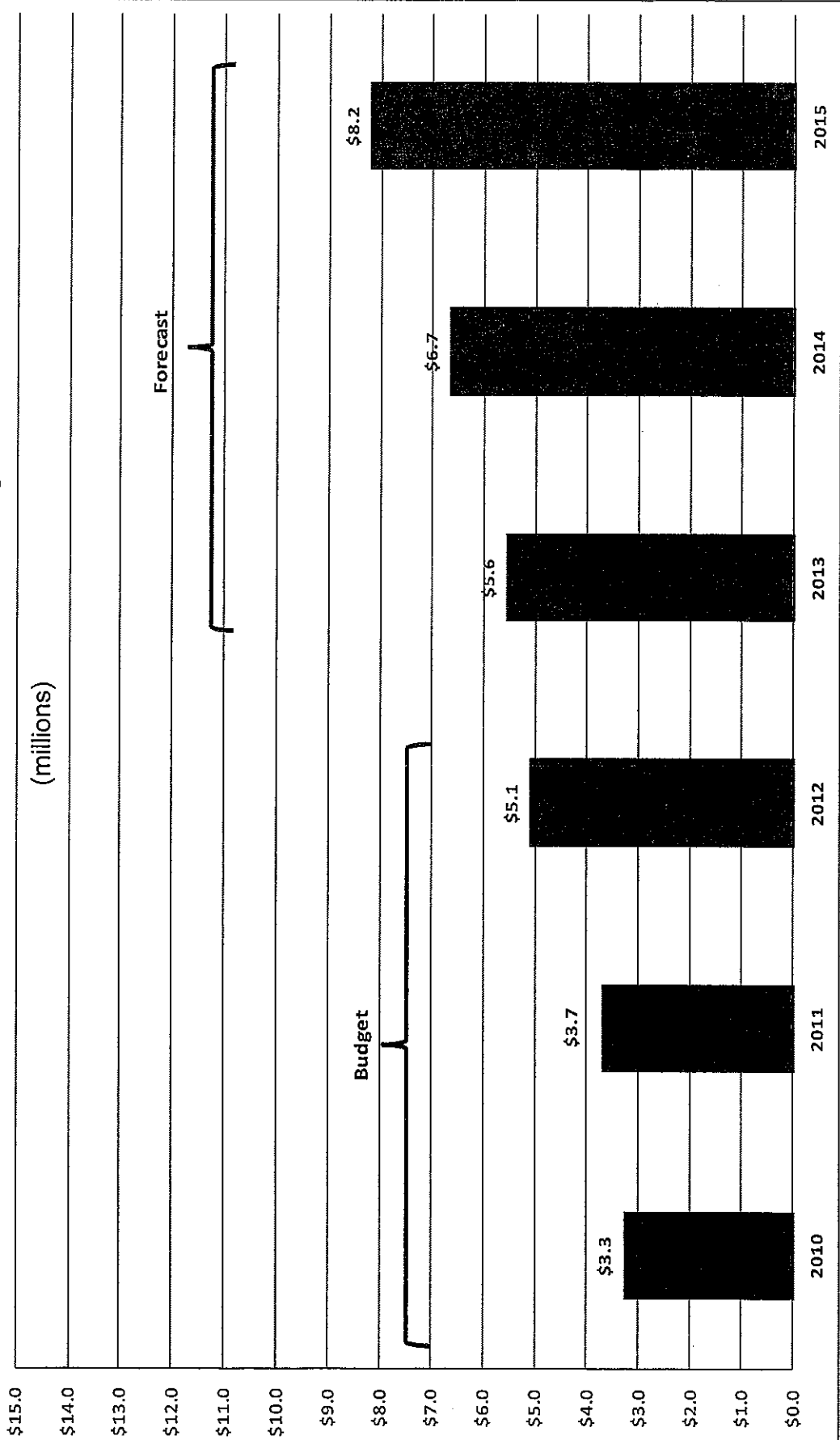
Annual Contribution to Water Reserve (millions)





Annual Contribution to Wastewater / Storm Reserve

(millions)

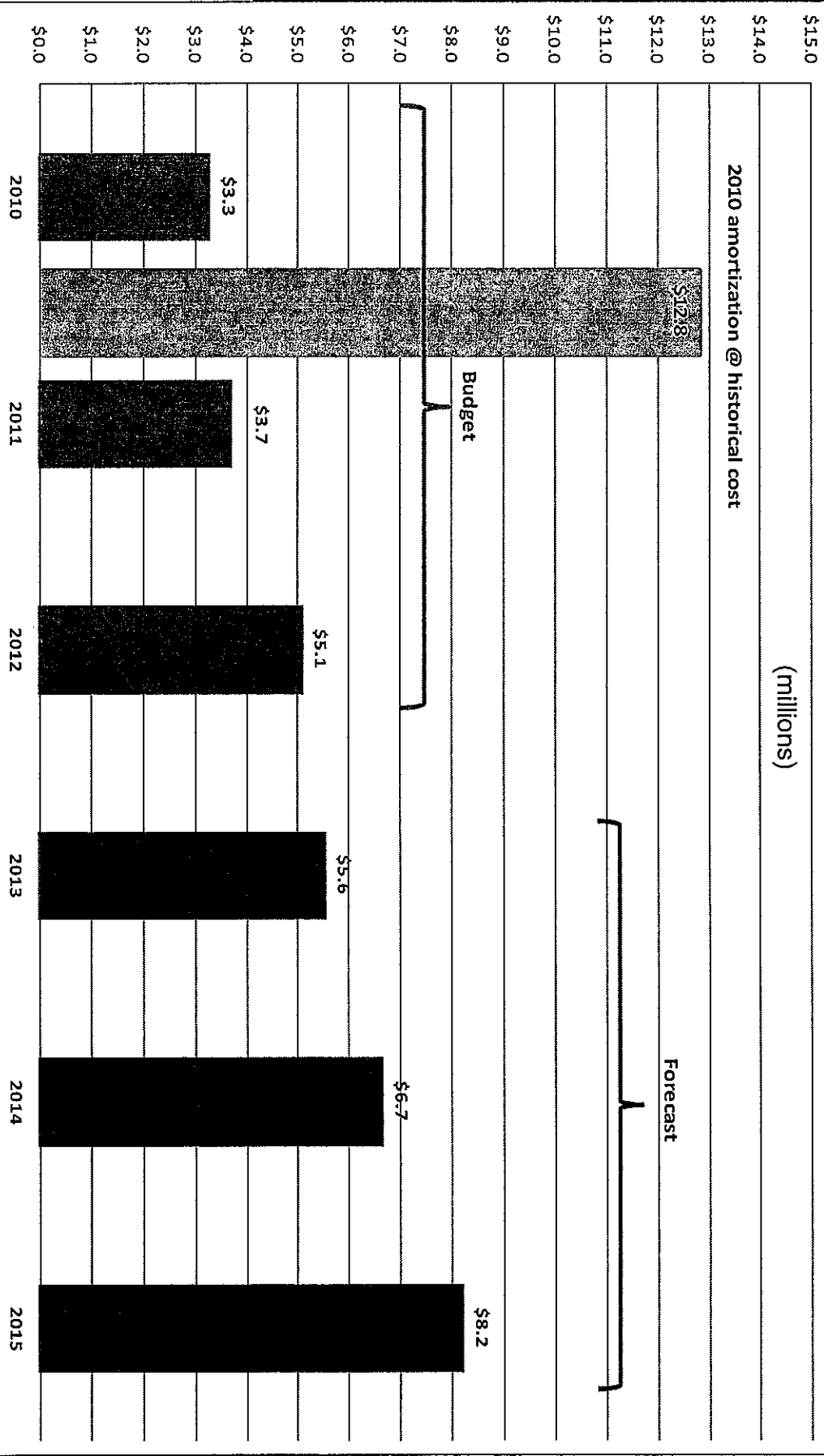




Annual Contribution to Wastewater / Storm Reserve

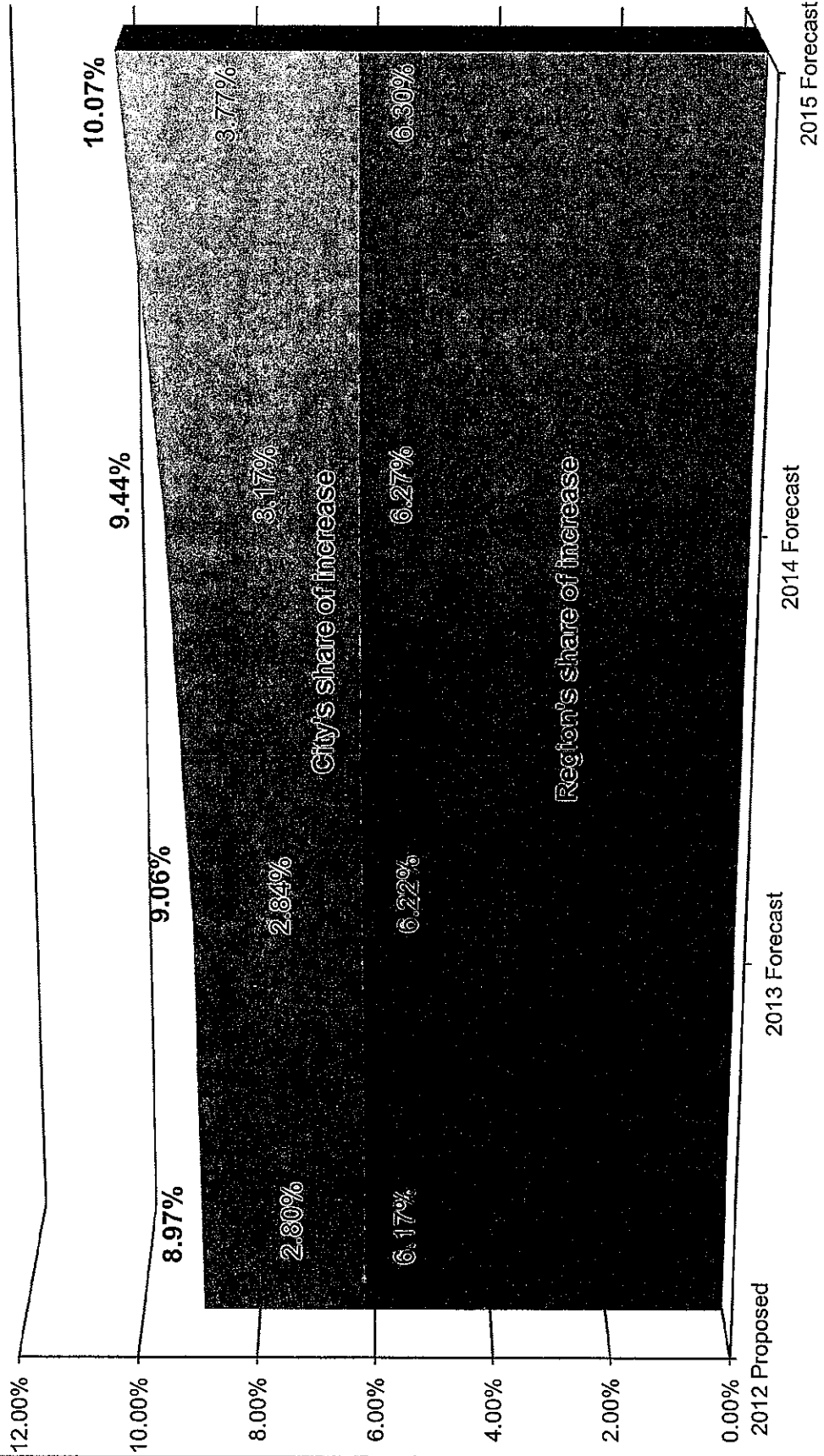
(millions)

2010 amortization @ historical cost





City and Region Annual Forecasted Rate Increases





Discussion

Q & A

Thank You