



**CITY OF VAUGHAN
SPECIAL COUNCIL MINUTES
MAY 7, 2012**

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CITY OF VAUGHAN
SPECIAL COUNCIL MEETING

MONDAY, MAY 7, 2012

MINUTES

7:00 P.M.

Council convened in the Municipal Council Chamber in Vaughan, Ontario, at 7:02 p.m.

The following members were present:

Hon. Maurizio Bevilacqua, Mayor
Regional Councillor Gino Rosati
Regional Councillor Michael Di Biase
Regional Councillor Deb Schulte
Councillor Tony Carella
Councillor Rosanna DeFrancesca
Councillor Marilyn Iafrate
Councillor Sandra Yeung Racco

63. CONFIRMATION OF AGENDA

MOVED by Regional Councillor Di Biase
seconded by Regional Councillor Schulte

THAT the agenda be confirmed.

CARRIED

64. DISCLOSURE OF INTEREST

There was no disclosure of interest by any member.

65. COMMUNICATIONS

MOVED by Councillor Carella
seconded by Councillor Iafrate

THAT Communications C1 and C2 be received and referred to their respective items on the agenda.

CARRIED

66. IMPACT OF BUDGETING FOR AMORTIZATION AND POST-EMPLOYMENT EXPENSES

MOVED by Regional Councillor Di Biase
seconded by Councillor Iafrate

That the recommendation contained in the following report of the Commissioner of Finance/City Treasurer and Director of Budgeting and Financial Planning, dated April 30, 2012, be approved:

CARRIED

The Finance and Administration Committee, at its meeting of April 30, 2012, recommended the following (Item 2, Report No. 5):

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance/City Treasurer and Director of Budgeting and Financial Planning, dated April 30, 2012.

Report of the Commissioner of Finance/City Treasurer and Director of Budgeting and Financial Planning, dated April 30, 2012

Recommendation

The Commissioner of Finance/City Treasurer and Director of Budgeting and Financial Planning recommend:

- 1) That the following update on the impact of budgeting for amortization and post-employment expenses be received for information purposes;
- 2) That subject to amendments by the Finance and Administration Committee, the report be forwarded to the Special Council meeting of May 7, 2012 for consideration and adoption.

Economic Impact

This report discusses estimated amortization expenses and post-employment benefit expenses that are excluded from the 2012 Operating Budget and the 2012 Water and Wastewater Budget. Ontario Regulation 284/09 of the Municipal Act allows a municipality to exclude amortization expenses, post-employment benefit expenses and solid waste landfill closure and post-closure expenses from the annual budget estimates as long as Council is advised in a report of the excluded expenses. A decision to fund these future-oriented expenses will impact tax rates and user fees.

Communications Plan

The impact of amortization expenses and post-employment benefit expenses are disclosed on the City of Vaughan annual consolidated financial statements, as required under the new Public Sector Accounting Board (PSAB) standards.

Purpose

To provide Council with a report discussing the impact of excluding amortization expenses and post-employment benefit expenses in the 2012 Operating Budget and the 2012 Water and Wastewater Budget, as per Ontario Regulation 284/09.

Background - Analysis and Options

The Province of Ontario enacted regulation 284/09 of the Municipal Act allowing for certain expenses to be excluded from municipal budgets but with a required reporting disclosure.

As of 2009, all municipalities including the City of Vaughan must prepare their Financial Statements under the new Public Sector Accounting Board Standards (PSAB), which require the reporting of the historical cost of the municipality's capital assets, the accumulated amortization and the annual amortization expense on the annual financial statements. Amortization (or depreciation) expense reflects the cost of using an asset over the useful life of the asset. Historically, the City of Vaughan (and other municipalities in Ontario) was not required to budget for amortization expense based on historical costs in annual budgets, but had budgeted for contributions to reserves and capital expenses based on analysis of short-term and long-term replacement cost, and affordability to the taxpayer. As a result of the City's policies, the City has accumulated reserves per capita that are higher than average, relative to other Ontario municipalities.

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Ontario Regulation 284/09 – “Budget Matters – Expenses” states that municipalities may exclude from annual budgets all or a portion of expenses for amortization, post-employment benefit expenses and solid waste landfill closure and post-closure expenses, however, the regulation does require a municipality to prepare a report about the excluded expenses and adopt the report by resolution. . This report must contain the following:

1. An estimate of the change in the accumulated surplus of the municipality at the end of the year resulting from the exclusion of any of the expenses listed.
2. An analysis of the estimated impact of the exclusion of any of the expenses listed on the future tangible capital asset funding requirements of the municipality.

The City of Vaughan has developed its 2012 Operating Budget and its 2012 Water and Wastewater budget excluding full amortization and post employment benefits. Solid waste landfill closure and post closure expenses are not applicable to Vaughan’s current operations.

Prior year annual amortization expenses can be theoretically compared to current annual budgeted renewal contributions and annual debt financing. One challenge with this comparison is amortization is based on historical cost equally allocated over the estimated life of asset, whereas renewal contributions and debt financing are more aligned with forecasted replacement costs, future capital spending requirements, asset condition assessments, available grant programs, etc.

The post employment benefits are certain health, dental and life insurance benefits that will be paid by the City on behalf of its retired employees. The projected benefit obligation and the annual expense required to fully fund the obligation for active employees and retirees is recognized and reflected in the City’s annual financial statements, but is not fully funded through the City’s 2012 Operating Budget or the 2012 Water and Wastewater Budget.

The City of Vaughan’s 2012 Operating Budget and Water/Waste Water Budget have been prepared as follows:

1. The 2012 Operating Budget includes asset renewal reserve contributions of \$6.2 million and debenture payments, primarily for road renewal, in the amount of \$12.4m. It does not include a full tangible capital asset amortization expense, estimated at \$43.6 million for 2011.
2. The 2012 Water and Wastewater Budget includes reserve contributions of \$10 million for capital asset replacement. It does not include a full tangible capital asset amortization expense, estimated at \$17.9 million for 2011.
3. The 2012 Operating & Water/Water Water Budgets include a post employment benefit expenses totalling of \$1.0 million, which is only a portion of the 2012 annual post employment amortized benefit costs, estimated at \$8.9 million.
4. The City of Vaughan is not subject to solid waste landfill closure and post-closure expenses.

Estimate of the Change in Accumulated Surplus

The difference between estimated amortization expense and budgeted funding is illustrated in the chart below:

Funding vs. Amortization <i>(In Millions)</i>	Annual Budget Funding	Prior Year Amortization	Gap
Asset Renewal			
City Operations	18.6	43.6	25.0
Water/Waste Water	10.0	17.9	7.9
Subtotal Assets	28.6	61.5	32.9
Post Employment Benefits	1.0	8.9	7.9
Combined	29.6	70.4	40.8

As illustrated, the accumulated surplus of the municipality at the end of 2012 would be reduced by approximately \$41 million, if the City budgeted for full amortization expenses and the full cost of post employment expenses.

This reporting requirement has recently been introduced by the Province for all municipalities. However, for the past number of years and prior to any Provincial requirement, Vaughan has been assessing these impacts and developing strategies that have led to the City's strong financial position.

Estimate of Impact of Excluding Amortization and Post Employment Expense

The City of Vaughan recognised the importance of long-range financial planning and an infrastructure funding strategy as far back as 1994, resulting in a substantial increase in both non-discretionary and discretionary reserves. It has been recognized and reported to Council that there is a funding gap between the funds that will be available for infrastructure replacement based on current funding levels and future funds that will be required.

The City of Vaughan has been proactively creating an inventory of assets, assessing their useful life, replacement costs and modelling alternative funding strategies. To begin to address the forecasted capital asset funding shortfall, the City has already implemented several initiatives. For example, policies which limit the use of cash accumulated in reserve funds, and policies regarding the transfer of annual operating surpluses, which has strengthened the City's discretionary reserve balances. In addition, Council recently approved a new "Infrastructure Renewal Policy" which is founded on the below principles:

1. When new infrastructure capital projects are approved, an annual contribution based on lifecycle replacement principals is added to the operating budget for replacement purposes.
2. That an inflationary adjustment be added annually to existing contributions based on historical costs to ensure contributions keep pace with future values.

Currently underway is the City's Financial Master Plan, which includes the phasing-in of multi-year budgets and analysis of future renewal requirements. City staff continue to work on the infrastructure replacement challenge and plan to bring forward more discussion and policies on this topic later this year, as part of the Financial Master Plan report and document. The development of infrastructure funding policies on a go forward basis for municipal infrastructure will ensure the funding for their eventual replacement is secure, safeguarding the foundation of our community and municipal services.

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.

Regional Implications

Not applicable

Conclusion

This report provides the information necessary to provide disclosure under Ontario regulation 284/09 that requires municipalities to report to Council when certain expenses are excluded from the budget and the impact on the overall accumulated surplus of such transactions.

Attachments

N/A

Report prepared by

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Manager of Capital and Asset Management
Ext. 8984

67. 2012 PROPOSED WATER & WASTEWATER OPERATING BUDGET

MOVED by Councillor Iafrate
seconded by Regional Councillor Di Biase

That the following be approved:

- 1) That the consumption rates for Water and Wastewater in Schedule "A" of By-Law 12-74 and 167-73 be amended to reflect the Regional rate increase, City operating and City capital requirements, Attachment 1; and
 - (a) The City's water rate be increased from 116.26¢ to 124.40¢ per cubic meter effective in June 2012 the day after the Water By-law is adopted; and
 - (b) The City's wastewater rate be increased from 124.58¢ to 138.04¢ per cubic meter effective in June 2012 the day after the Wastewater By-law is adopted;
- 2) That the Additional Resource Requests in Attachment 3 be approved, subject to the deletion of the request titled "Storm Pond District Name Sign Installations";
- 3) That the presentation by the Commissioner of Finance/City Treasurer, and Communication C3, presentation material, be received;
- 4) That the following Communications be received:
 - C1. Commissioner of Finance/City Treasurer and the Commissioner of Engineering and Public Works, dated May 4, 2012; and
 - C2. Mr. Antony Niro, dated May 7, 2012; and
- 5) That the report of the City Manager, the Commissioner of Finance/City Treasurer, the Commissioner of Engineering and Public Works, the Director of Public Works and the Director of Financial Services, dated April 2, 2012, be received.

CARRIED

Council, at its meeting of April 17, 2012, adopted the following (Item 2, Finance and Administration Committee Report No. 4):

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The Finance and Administration Committee recommends:

- 1) That clauses 1, 2, 4 and 5 of the recommendation contained in the following report of the City Manager, the Commissioner of Finance/City Treasurer, the Commissioner of Engineering and Public Works, the Director of Public Works and the Director of Financial Services, dated April 2, 2012, be approved, subject adding the word “draft” in clause 2, and replacing the word “proposed” with “draft” in clause 4, so that it now reads:
 - “2) That the draft consumption rates for Water and Wastewater in Schedule “A” of By-Law 12-74 and 167-73 be amended to reflect the Regional rate increase, City operating and City capital requirements, Attachment 1; and
 - (a) The City’s water rate be increased from 116.26¢ to 124.40¢ per cubic meter effective in June 2012 the day after the Water By-law is adopted; and
 - (b) The City’s wastewater rate be increased from 124.58¢ to 138.04¢ per cubic meter effective in June 2012 the day after the Wastewater By-law is adopted; and
 - 4) That the draft 2012 Water & Wastewater Operating Budgets and corresponding rate increases be forwarded to a Special Council meeting;”
- 2) That the additional Resource Requests, Attachment 3, be revised in accordance with the storm water management pond signage discussion;
- 3) That staff provide a report with respect to revising the budgeting of the Storm Water Management Ponds from a use based formula; and
- 4) That the presentation by the Commissioner of Finance/City Treasurer, and Communication C1, presentation material, dated April 2, 2012, be received.

Report of the City Manager, the Commissioner of Finance/City Treasurer, the Commissioner of Engineering and Public Works, the Director of Public Works and the Director of Financial Services, dated April 2, 2012

Recommendation

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

- 1) That the following report be received; and
- 2) That the consumption rates for Water and Wastewater in Schedule “A” of By-Law 12-74 and 167-73 be amended to reflect the Regional rate increase, City operating and City capital requirements, Attachment 1; and
 - (a) The City’s water rate be increased from 116.26¢ to 124.40¢ per cubic meter effective in June 2012 the day after the Water By-law is adopted; and
 - (b) The City’s wastewater rate be increased from 124.58¢ to 138.04¢ per cubic meter effective in June 2012 the day after the Wastewater By-law is adopted; and
- 3) That the additional Resource Requests, Attachment 3 be approved; and
- 4) That the proposed 2012 Water & Wastewater Operating Budgets and corresponding rate increases be forwarded to a Special Council meeting; and

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- 5) That the City Clerk be directed to schedule an evening Special Council Meeting to receive public deputations and to consider for final approval the 2012 Proposed Water & Wastewater Budgets and corresponding rate increases.

Contribution to Sustainability

The 2012 recommended consumption rates will continue to provide sufficient funds to maintain the City’s water and wastewater system in the future in accordance with the Safe Drinking Water Act.

Economic Impact

For 2012 the City’s share of the proposed water/wastewater rate increase is 2.80% and the Region of York’s share for purchased services is 6.17% resulting in a combined rate increase of 8.97%. The annual residential impact on an average household consumption of 300 cubic meters of water per year is an additional \$64.80 or \$5.40 per month.

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%		
Joint Services	0.01%		
Infrastructure Contribution to Reserves	2.08%		
2012 Increase	<u>8.97%</u>	<u>8.97%</u>	100%

The sales of water will generate a net contribution of \$4.8 million to the water reserve and wastewater services will generate \$5.1 million to the wastewater reserve thereby providing the necessary funds to maintain a financially sustainable water and wastewater systems for the future as required by the Safe Drinking Water Act (SDWA).

The proposed consumption rates for water and wastewater are supported by the rate study conducted by Watson and Associates in 2009.

Communications Plan

The approved Water & Wastewater rates will be advertised per City policy in the local newspapers and the City’s web site. Staff are also developing with the Corporate Communications department a list of questions and answers to respond to the public and media. The City of Vaughan 2012 Water/Wastewater Budget and proposed 2012 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 proposed consumption rates.

The 2012 proposed water rate increase is 7.0% and wastewater rate increase is 10.8%. Both rates incorporate the Region of York increases and the City’s operating, maintenance and infrastructure

reserve increases. The combined rate increase is 8.97% of which 6.2% (69%) is attributable to Region of York.

The proposed consumption rates are based on the 2009 rate study report that supports the move towards full cost recovery as required by the Safe Drinking Water Act.

The City's consumption rates are still very competitive as demonstrated on Attachment No. 2.

Background Analysis and Options

SUMMARY - 2012 WATER AND WASTEWATER PROPOSED CONSUMPTION RATES

The major source of revenue for water and wastewater operations is consumption rates, totalling \$93.9 million for 2012 of which \$68.1 million is paid to the Region of York. The consumption rate revenues net of operating costs and Region of York purchases are transferred to the City's respective water and wastewater reserves. The net earnings provide for the future renewal and replacement of the City's underground infrastructure.

The proposed 2012 water and wastewater budgets are attached including the draft 2011 actuals. The 2011 water and wastewater operating and capital financial results form part of the City's consolidated Financial Statements.

The following attachments are included: 2012 Proposed Water and Wastewater Budgets including the draft 2011 Actuals Attachment No. 1, the Municipal Rate Comparison Attachment No. 2, Additional Resource Requests & New Complements Summary - Water & Wastewater Attachment No. 3, Water, Wastewater & Drainage 2012 Business Plan, Attachment No. 4.

Annual Residential Impact

The average residential customer with a consumption of 300 cubic meters of water per annum will see a combined increase of \$65 (\$45 is the Region of York portion) or 8.97%. The increase in the water and wastewater rates on a monthly basis is \$5.40.

The 2012 budgets include an annual rate increase of 7.0% for water and a 10.8% increase for wastewater for a combined increase of 8.97%.

The net rate increase impact is the result of:

- The Regional increase of 7.7% for the cost of potable water and an increase of 12% for wastewater services. This increase is based on Regional water and wastewater reserve adequacy study.
- The impact of inflationary pressures.
- The net increases in maintenance, administration, additional staffing resources and other expenditures.
- The required increase in the contribution to the water and wastewater reserves.

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Following is a breakdown of the combined water and wastewater increase:

Water and Wastewater Purchased Services from York Region	6.17%	6.17%	69%
Unmetered Water	0.34%	} .72%	8%
Maintenance	0.19%		
Administration, Financing and Overheads	0.18%		
Joint Services	0.01%		
Infrastructure Contribution to Reserves	2.08%	2.08%	23%
2012 Increase	8.97%	8.97%	100%

Rate Components

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 approximately 10% annually. 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 City consumption rates are moving to full cost recovery and are supported by the 2009 Rate Study.

The 2012 water and wastewater rate components are as follows:

	Water	Wastewater	Combined
Regional Purchased Services	\$0.7510	\$0.8848	\$1.6358
Unmetered Water	0.1104	0.00	0.1104
Maintenance	0.1289	0.1469	0.2758
Other	0.1109	0.0607	0.1716
Lifecycle Contribution - Reserve	0.1428	0.2880	0.4308
Total	\$1.2440	\$1.3804	\$2.6244

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.

Drinking Water Quality Management Standard (DWQMS)

Fourteen of the recommendations Mr. Justice Dennis O'Connor made, in the final report of the Walkerton Commission of Inquiry, relate to the development of the new approvals framework for municipal residential drinking water systems. The new program, the Municipal Drinking Water License Program, is based on Recommendation No. 71 of the Walkerton Commission of Inquiry Part Two Report: As part of obtaining a Drinking Water Licence for the system(s), there is a requirement to have a Financial Plan in place. The Sustainable Sewage and Water Systems Act (SWSSA) requires that the approved financial plan must apply for 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

The City's financial plan was approved by Council on June 11, 2010, submitted to the Ministry of the Environment on June 18, 2010, and submitted to the Ministry of Municipal Affairs and Housing on June 25, 2010.

2009 Water Rate Study

The City undertook an RFP process for consulting services and a contract was awarded to Watson and Associates who partnered with an engineering firm AECOM. Watson and AECOM undertook a full review of water, wastewater and storm services that would result in recommendations that would over time move consumption rates to a full cost recovery level.

The rate study determined asset replacement costs, replacement timelines, growth levels, consumption levels, revenue projections, operational cost projections, etc for the period 2008 to 2033, a 25 year forecast period.

The study revealed that the City's underground infrastructure is relatively new therefore significant rehabilitation or replacement will not be required in the near future. In addition, based on the water and wastewater reserve levels the City is well positioned to phase in any rate increase over time to reach full cost recovery required by the Safe Drinking Water Act.

In the near future, the City will have to undertake a new study so that the various components such as consumption levels, growth and infrastructure requirements can be updated. A newer study will provide current information to better determine the appropriate full cost recovery rate required to maintain a sustainable water and wastewater system.

Water Conservation

Water conservation is an important issue for the future growth and development of York Region. As part of the Ministry of the Environment's approval to York Region for the twinning of the South-East Collector Trunk Sewer, and the inter-basin water transfer, the Region, and all of its area municipalities, must implement a water conservation program, along with a sewage inflow/infiltration program. Combined, these two strategies must show a 10% reduction in peak flows to the treatment facility.

Recent work undertaken by York Region and the local municipalities has shown that the average household's consumption of water has been steadily decreasing over the past few years. This is no doubt in part due to more public awareness about water conservation, as well as changes in plumbing fixtures and home appliances. Low flush toilets, low flow shower heads, and high efficiency washing machines are just a few examples of where changes in design have allowed for significantly less water to be used per household.

Public Works has undertaken a number of initiatives to reduce unmetered water use. Although flushing of watermains is required to ensure water quality is maintained in areas with low

consumption, the water sampling protocol in place allows for better identification of when this needs to occur.

The banding of hydrants has reduced unauthorized water taking, and encourages water haulers to source water from one of the City's four water filling stations.

The anode protection program for iron water mains, initiated in 2005 and still underway today, continues to perform very well, yielding a 50% decrease in the number of water main breaks in the water distribution system.

In the fall of 2010, Public Works initiated an industrial/commercial/institutional (ICI) water meter calibration program. The goals of this project are to:

- ensure that the large ICI water meters are registering within the AWWA approved limits;
- ensure that the large ICI water meters are not being by-passed;
- determine the amount of water that has not been captured for billing purposes, as a result of large ICI water meters that may not be registering within the AWWA limits.

There are a total of 2,951 ICI water meters. At the end of 2011, a total of 1,358 water meters had been inspected. Water meters that can be re-calibrated to meet AWWA limits are done so at the time of the inspection. Water meters that cannot be re-calibrated are identified for replacement. As part of the 2012 Water Operating Budget, funds have been budgeted to start replacing those meters that cannot be repaired.

Based on preliminary results from the 1,358 meters that have been tested, staff indicate this initiative is expected to reduce the amount of unmetered water by approximately 1.6 percent annually.

Developers are required to implement a flushing program to ensure that water quality is maintained in accordance with all applicable legislation. Measures have been put in place to capture this data and charge developers for the water they use in this process, until sufficient users are in place to ensure a changeover of water takes place in new development water mains,

York Region's "Water For Tomorrow" Program

The "Water for Tomorrow" program continues to provide programs and initiatives to reduce the consumption and loss of drinking water, initiatives undertaken to date include:

- rebates for purchasing and installing a water efficient toilet;
- rebates for purchasing and installing a water efficient furnace humidifier;
- rebates for purchasing water efficient clothes washers;
- rain barrels sales to York Region residents at a cost that is well below market rates;
- 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; and,
- rebates and incentives for commercial operations aimed at commercial kitchens, laundromats, and large volume industrial users.

The Region of York has released its long term water strategy that outlines the 40 year strategy that will put in place sustainable measures to ensure water conservation is implemented across the Region. The City has recently committed to the strategy, and in the near future, additional programs will be put forward by staff for consideration as part of the budget process. The Region's water conservations strategy can be seen on the Region's web site at: www.york.ca

2012 Water Budget / Actual - Revenue & Expenditure Highlights

2012 Water Budget Factors

The consumption volume is conservatively estimated and is developed based on current consumption patterns, annual growth estimates noted below and does not reflect any weather predictions. The budgeted 2012 water billing revenue includes a 2.0% (3.0% 2011) growth factor for residential, 1.00% (1.75% 2011) commercial growth factor and an 8.97% water rate increase.

Over the past few years (2009 to 2011) the Regional cost of potable water has increased by 10% annually, however for the period from 2012 to 2015 the increases in the cost of potable water will be less coming in at 7.7%, 7.6%, 7.5% and 7.4% respectively.

Expenditures generally reflect gapped new staffing requirements, cost of living increases and inflationary pressures.

Water Rate Forecast

Over the next three years it is expected that the City's water rate will increase in the range of approximately 7% to 9%. This level of rate increase is necessary to provide for the forecasted Region of York increases for the on-going maintenance of the underground infrastructure and to provide funds for the future renewal of the water distribution system. The water consumption rate will be developed in conjunction with the 2009 consumption rate study.

2012 Proposed Water Budget Highlights

Revenues:

The recommended water rate of 124.40 cents per cubic meter is based on the proposed operating and capital budgets and represents the next step in achieving full cost recovery as supported by the rate study.

The budgeted residential and commercial water billings in 2012 include a 7.00% rate increase combined with lower than average new account activity forecasted. The revenues are expected to be \$45.0 million with water purchases from the Region at \$31.6 million, including unmetered water, resulting in a gross margin of \$13.4 million.

Other revenue for bulk water sales is budgeted at \$250K up slightly from previous years as 2011 sales experienced a slight increase over budget. Installation activity is expected to be slightly lower than last year's budget at \$976K. Interest revenue is expected to exceed 2011 due to slightly higher interest rates and a higher reserve level balance.

Unmetered (Non-Revenue) Water Consumption

The 2012 unmetered water is budgeted at 13% the same level as last year. The unmetered water loss for 2011 is 12.7%.

The City undertook a Water Audit that was completed in 2011 by Fabian Papa & Partners Inc. in accordance with the International Water Association (IWA) and American Water Works Association (AWWA) methodology. For the City's billing year 2010, the audit identified the City's non-revenue water (NRW) consumption to be 13.7% of the total bulk volume supplied to the City. NRW 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.

The NRW can be broken down as:

- Apparent Losses – Customer meter degradation
- Real Losses – Leakage on mains, service connections
- Unbilled Consumption – Fire suppression, irrigation of sports fields

Water/wastewater services are recovered internally for City purposes; such as recreation's swimming pools, City buildings and facilities.

As indicated previously, a number of initiatives are currently underway by staff to maintain and reduce (where possible) the overall yearly non-revenue consumption. The highest potential for improvement lies within the apparent and real loss components.

Expenditures:

2012 budgeted expenditures total \$9.9 million covering maintenance, administration, financing, overhead and other costs which are up \$0.5 million from last year's budget. Maintenance increases are primarily due to additional resource requests and increased funding for existing programs. General administration is up due to new hires and cost of living increases.

Additional Resource Requests – Water

For 2012, the additional resource requests (ARR) are outlined on Attachment # 3. The additional funds are included in the attached water and wastewater budgets and have been gapped. The additional staff complements in Public Works are required to meet growing demands, City initiatives and are fully funded by water consumption rates.

- .31 FTE Clerk Typist Position
Existing PT to FT position to handle water and sewer related queries, meter sales and processing service connection payments will promote better service levels
- .31 FTE Technical Clerk Position
Existing PT to FT position to prepare water and wastewater contracts which will improve preparation and turnaround time for Purchasing to manage tenders more efficiently
- 1.0 FTE Water Resources Analyst (Develop/Transport Engineering Services)
Management and implementation of the City's Storm Water Management Retrofit program, rate/implementation study and monitoring public awareness programs. Fundamental in implementing corporate sustainability objectives identified by the City's Growth Management Strategy 2031 and Green Directions Vaughan
- 1.40 FTE Project Managers (Engineering Services)
To facilitate in the delivery of watermain and sewer design and construction for the capital program. Significant increases are anticipated in the watermain replacement and rehabilitation program as 115km of metallic watermain pipe reaches the end of its service life. As a result, design work load will increase in order that these assets are maintained at acceptable service levels

Maple Pressure District 8 Pump Station Decommissioning

An environmental assessment study was completed in 2011 for the purpose of decommissioning the

City's existing Maple Pressure District 8 Pump Station. The decommissioning of this facility will result in overall system efficiencies within the service area, reduced energy consumption and realize an annual operating and maintenance cost savings.

The capital costs associated with the detailed design and associated system connection to York Region's Keele Street transmission watermain have been approved as part of the 2012 Capital Budget with funding from the Water Reserve. It is anticipated the construction costs to decommission the pump station will be budgeted for as part of the 2013 Capital Budget process.

2011 Actual Water Highlights

Actual 2011 total water billings of \$40.5 million came in on budget. Residential billings at \$24.4 million were down slightly by 2.6% and Commercial at \$16.1 million up by 3.7% compared to budget.

It should be noted that the average household water consumption has continued to decline over the past five years due to both conservation efforts and weather patterns. Over the five year period annual consumption per household has decreased from 338m³ to 287m³. Bulk sales came in slightly over budget and installation service fees slightly under budget.

A \$1.0M credit adjustment from 2006-2010 was booked from the Region of York for incorrect water reads and programming errors that were identified.

Actual maintenance expenditures came in at \$4.8 million, under budget by \$0.7 million. Maintenance is primarily under budget as a result of fewer customer service requests and emergency contracted activity than anticipated. Administration came in at \$1.2 million and is slightly under budget due to staff vacancies. The remaining expenditures came in on budget.

Water Lifecycle Contribution - Reserve

In 2011 through water operations, the net of all revenues and costs resulted in \$6.1 million (\$3.9M 2010) being transferred to the water reserve.

The 2012 budgeted transfer from water operations to the water reserve is \$4.8 million. These funds will provide for the future requirements of the water infrastructure. The forecasted Capital drawdown on the reserve in 2012 for water related infrastructure needs is expected to be \$3.8 million.

Committed capital costs represent approved capital projects not yet begun or completed and total \$6.9 million.

The budgeted reserve balance at the end of 2012 is projected to be \$24.7 million (2011 actual \$23.7m) after committed capital projects. 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.

2012 Wastewater Budget / Actual - Revenue & Expenditure Highlights

2012 Wastewater Budget Factors

The budgeted 2012 wastewater billing revenue includes a 2.0% (3.0% 2011) residential, 1.0% (1.75% 2011) commercial growth factor and a 10.8% wastewater rate increase. The volume of wastewater is not metered. The wastewater consumption volume is based on water sold to the consumer.

Over the past few years (2009 to 2011) the Regional cost of wastewater services has increased by 10% annually, however for the period 2012 to 2015 the cost of these services will increase to 12%.

Expenditures generally reflect gapped new staffing requirements, cost of living increases and inflationary pressures.

Wastewater Rate Forecast

Over the next three years it is expected that the City's wastewater rate will increase in the range of approximately 9% to 11%. This level of rate increase is necessary to provide for the forecasted Region of York increases for the on-going maintenance of the underground infrastructure and to provide funds for the future renewal of the wastewater/storm infrastructure system. The wastewater rate will be developed in conjunction with the 2009 consumption rate study.

2012 Proposed Wastewater Budget Highlights

Revenues:

The recommended wastewater rate of 138.04 cents per cubic meter is based on the proposed operating and capital budgets and represents the next step in achieving full cost recovery as supported by the rate study.

The budgeted residential and commercial wastewater billings in 2012 include a 10.8% rate increase combined with lower than average new account activity forecasted and growth. The revenues are expected to reach \$48.9 million with the expected wastewater services from the Region at \$36.4 million leaving a gross margin of \$12.4 million. The cost of wastewater disposal service from the Region includes a 12.0% increase. The Region's treatment cost for wastewater is based on potable water purchased by the City.

Installation and service fees are expected to be lower at 100K down from \$225K, these are driven by demand. The 2012 local improvement revenue is budgeted at \$213,200 and is offset by the cost of debentures of \$213,200. Interest revenue is expected to exceed 2011 due to slightly higher interest rates and a higher reserve level balance.

Expenditures:

2012 budgeted expenditures total \$8.0 million covering maintenance, administration, storm sewer, financing, joint services, overhead and other costs and are in line compared to last year's budget at \$7.9 million.

Additional Resource Requests – Wastewater

For 2012, the additional resource requests (ARR) are outlined on Attachment # 3. The funds are included in the attached wastewater budget and have been gapped. These resource requests are for additional complements in Public Works to meet growing demands.

- .60 FTE Project Managers (Engineering Services)

To facilitate in the delivery of watermain and sewer design and construction for the capital program. Significant increases are anticipated in the watermain replacement and rehabilitation program as 115km of metallic watermain pipe reaches the end of its service life. As a result, design work load will increase in order that these assets are maintained at acceptable service levels

- .66 FTE Storm Pond District Name Sign Installations

Two seasonal labourers to install signs at all City owned storm water management ponds on public lands.

2011 Actual Wastewater Highlights

Actual 2011 total wastewater billings of \$42.8 million are slightly over budget by \$0.2 million. Wastewater revenue is billed based on water consumption. There are no meters since they are impractical in this application. Residential actual billings totalled \$25.5 million, under by \$0.8 million budget and Commercial and Industrial actual billings totalled \$17.3 million, up by \$1.0 million

compared to budget. Installation revenue came in below budget at \$98K. Installation revenues are impacted by demand.

2011 Actual expenditures total \$6.7 million covering maintenance, administration, storm sewer, financing, overhead and other costs, down by 15.1% when compared to budget. Actual maintenance expenditures came in at \$3.2 million, under budget by \$0.5 million as a result of less than anticipated activity. Storm sewer maintenance came in at \$1.4 million under budget by \$0.7 million as a result of less than expected activity. The balance of expenditures came in on budget.

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 allows for a maximum subsidy of \$750 per property. Initially, sufficient funding was budgeted to provide 150 approvals at the maximum subsidy. In 2010, there were three applications approved, and in 2011, there were five applications approved. Based on the historical take-up of this program, the budget allocation has been reduced to provide for a total of ten subsidies at the maximum amount of \$750

Wastewater Lifecycle Contribution - Reserve

The 2012 budgeted transfer of \$5.1 million from wastewater/storm operations to the reserve is higher at \$1.4 million over last year's budget. The capital drawdown on the reserve in 2012 for is expected to be at \$22K.

In 2011 through wastewater operations, the net of all revenues and costs resulted in \$4.8 million (\$3.9m 2010) being transferred to the wastewater reserve fund.

Committed capital costs represent projects not yet begun or completed and totals \$1.2 million.

The budgeted reserve balance at the end of 2012 is projected to be \$29.4 million after committed capital projects. These funds will provide for the future requirements of the wastewater infrastructure to ensure the City's wastewater system are financially sustainable as required by the SDWA.

Relationship to Vaughan Vision 2020

Establishes the budget and resources required to maintain service levels and undertake Council priorities in this area. Promote community safety, health and wellness, managing corporate assets and ensure financial sustainability.

Regional Implications

No Implications

Conclusion

Based on the rate study review the City's water, wastewater rates are continuing to move towards full cost recovery. The 2012 draft water/wastewater budgets will generate sufficient funds to maintain a financially sustainable reserve for the future thereby meeting the SDWA requirements.

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 \$64.80 or \$5.40 per month.

It is therefore recommended that the City's water rate be increased to 124.04 cents per cubic meter and that the wastewater rate be increased to 138.04 cents per cubic meter both effective June 2012.

SPECIAL COUNCIL MEETING MINUTES – MAY 7, 2012

Attachments

- Attachment No. 1: The 2012 Proposed Water and Wastewater Budgets including 2011 Draft Water and Wastewater Actual Operating Results
Attachment No. 2: 2012 Water and Wastewater Municipal Rate Comparison
Attachment No. 3: Additional Resource Requests & New Complements Summary - Water & Wastewater
Attachment No. 4: Water, Wastewater & Drainage 2012 Business Plan

Report prepared by:

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

Carey Greenidge, CMA
Finance Manager
Ext. 8486

(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.)

68. BY-LAWS

MOVED by Regional Councillor Di Biase
seconded by Regional Councillor Rosati

THAT the following by-laws be enacted:

- By-Law Number 58-2012 A By-Law To Amend City Of Vaughan By-Law Number 167-73, As Amended With Respect To Water Rates. (Council, April 17, 2012, Item 2, Finance And Administration Committee Report No. 4)
- By-Law Number 59-2012 A By-Law To Amend City Of Vaughan By-Law Number 12-74, As Amended With Respect To Wastewater Rates. (Council, April 17, 2012, Item 2, Finance and Administration Committee Report No. 4)

CARRIED

69. CONFIRMING BY-LAW

MOVED by Councillor Racco
seconded by Regional Councillor Schulte

THAT By-law Number 60-2012, being a by-law to confirm the proceedings of Council at its meeting on May 7, 2012, be enacted.

CARRIED

70. ADJOURNMENT

MOVED by Councillor Carella
seconded by Councillor DeFrancesca

THAT the meeting adjourn at 7:33 p.m.

CARRIED

Hon. Maurizio Bevilacqua, Mayor

Jeffrey A. Abrams, City Clerk