

CITY OF VAUGHAN

**EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 24, 2011**

Item 1, Report No. 13, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on May 24, 2011.

**1 2011 ADOPTION OF TAX RATES AND THE ISSUANCE OF PROPERTY TAX NOTICES**

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance/City Treasurer and the Director of Financial Services, dated May 16, 2011:

**Recommendation**

The Commissioner of Finance/City Treasurer and the Director of Financial Services, in consultation with the Manager of Property Tax & Assessment recommends:

That a by-law be enacted for the adoption of Municipal, Regional and Education property tax rates and tax ratios, for the levy and collection of property tax levies and to provide for the issuance of tax notices requiring payment of property taxes for the year 2011.

**Contribution to Sustainability**

This is not applicable to this report.

**Economic Impact**

The efficient and timely issuance of the final property tax levy provides a positive economic impact to the City, as it provides the necessary cash flow to meet the City's own needs and its financial obligations to the Region of York and the Province of Ontario for education purposes.

**Communications Plan**

The final property tax notices for residential, farm, managed forest and pipeline will be mailed in late June and in July for commercial, industrial and multi-residential properties. Advertised notices for the final property tax notices will be posted in all local papers in late June, early July and August as well as on the on-line City Page.

**Purpose**

The purpose of this report is to provide the background to a by-law as required under Section 312 of the *Municipal Act 2001, S.O. 2001*, to levy and collect property taxes for the City of Vaughan, the Regional Municipality of York and the Province of Ontario for education purposes. It will also provide the background to the continuing support of the Vaughan Health Campus of Care (VHCC) funding request from 2009.

**Background - Analysis and Options**

2011 is the third year of the new legislated cycle of reassessment every four (4) years with a mandatory phase-in of assessment increases for all property classes. The four-year program, effective January 1, 2009, will be in effect until the 2012 tax year and will utilize assessment values (CVA) based as of January 1, 2008.

The City property tax rates, as attached, are based on the approved levy requirement for the 2011 operating budget.

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The Region of York has approved By-law Nos. 2011-15 and 2011-16 which set region wide tax ratios and uniform tax rates across all municipalities in the Region. In addition to existing policies for property tax capping options for business properties, the Region approved and adopted the new provincial legislation that will allow a property to remain at full Current Value Assessment (CVA) tax once the property achieves full CVA tax. These properties will no longer qualify for the Capping program. These policies remain in effect for the tax year 2011.

The Province of Ontario determines education tax rates and has passed Ontario Regulation 114/11 to prescribe the tax rates for all classes for 2011.

It is expected that residential, farm, managed forest and pipeline (uncapped classes) property tax bills will be mailed in June, due in three monthly installments or through the City's 11 month pre-authorized payment plan.

Due to the ongoing capping protection for the commercial, industrial and multi-residential property classes, these bills will be produced following the residential bills. Staff expect to be mailing the commercial bills in July providing three monthly installments.

The City collects property taxes on behalf of the Region of York and the School Boards, therefore installment due dates are generally set to accommodate the legislated payment dates to these other levying bodies. However, for the convenience of the ratepayers, approximately one month between each installment is given. Due dates are usually the same day of each month except where weekends or holidays interfere.

The City's budgetary requirement is \$141,670,318 levied on \$52.9 billion in assessment. The 2011 levy requirements for Municipal, Regional, and Educational purposes are shown below:

	2011
City of Vaughan	\$141,670,318
Region of York	\$255,078,779
Education-Province of Ontario	<u>\$252,247,040</u>
Total	\$648,996,137

**Tax Ratios**

The Region of York has the authority to change tax ratios to offset re-assessment tax shifts among the property classes. Changing the tax ratios assists in maintaining the relative tax burden among the classes thereby providing greater taxpayer equity. Area Treasurers were consulted and met with Regional staff in regards to the changes to the property tax ratios. Regional Council approved the changes in the property tax ratios for the period 2010 to 2012 on December 17<sup>th</sup>, 2009.

The 2011 property tax ratios are as follows:

PROPERTY CLASS	2011 TAX RATIO
Residential	1.0000
Multi-Residential	1.0000
New Multi-Residential	1.0000
Commercial	1.1431
Industrial	1.3305
Pipelines	0.9190
Farm	0.2500
Managed Forest	0.2500

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The tax rates shown on Attachment A, have been established using the above noted levies, tax ratios and the final assessment roll as returned for 2011.

#### **Vaughan Health Campus of Care Funding Request**

The Government of Ontario requires local communities to support the development of hospitals in their community. Recognizing this, the City of Vaughan approved in principle the provision of a significant financial contribution to Vaughan Health Campus of Care (VHCC). In June of 2009, a grant to VHCC was approved by Council for the purposes of site acquisition and hospital development in Vaughan. Starting in 2009, the property tax increase to fund this grant will be phased-in over a five year period.

For 2011 the third year of the phase-in funding for this grant to VHCC will be collected on the 2011 final property tax bill. The grant does not form part of the City's operations and as such will be shown separately on individual property tax bills.

#### **Relationship to Vaughan Vision 2020**

In consideration of the strategic priorities related to Vaughan Vision 2020, the issuance of the final property tax levy will enhance:

- Service Excellence: Pursue Excellence in Service Delivery
- Management Excellence: Ensure Financial Sustainability

#### **Regional Implications**

The City of Vaughan will be collecting approx. \$255,078,779 in property taxes on behalf of the Region of York.

#### **Conclusion**

A by-law enacted to adopt the Municipal, Regional and Education tax rates and levies for 2011 will permit staff to proceed with the issuance of the final property tax bills.

#### **Attachments**

Attachment 1 – 2011 Property Tax Rates

#### **Report prepared by:**

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(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. 13, of the Finance and Administration Committee, which was adopted, as amended, by the Council of the City of Vaughan on May 24, 2011, as follows:

***By receiving Communication C14 from the Director of Financial Services, dated May 17, 2011.***

**2** WATER & WASTEWATER OPERATING BUDGETS

The Finance and Administration Committee recommends:

- 1) That 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 May 16, 2011, be approved; and
- 2) That the presentation by the Commissioner of Finance/City Treasurer, and Communication C1, presentation material dated May 16, 2011, be received.

**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 106.29¢ to 116.26¢ per cubic meter effective in July 2011 the day after the Water By-law is adopted; and
  - (b) The City's wastewater rate be increased from 112.79¢ to 124.58¢ per cubic meter effective in July 2011 the day after the Wastewater By-law is adopted; and
- 3) That the additional Resource Requests, Attachment 3 be approved; and
- 4) That the Permit Review Fee charged for the review and approval of additions to the City's water distribution system remain at \$1,200 for 2011; and
- 5) That the City further investigate the use of "smart" metering technology for water meter sales and installations, to allow for increased conservation measures and more efficient reading and billing, and report back at a later date with their findings and recommendations; and
- 6) That the recommendation from the Finance and Administration Committee be forwarded to a Special Council meeting on June 14th, 2011 at 7:00 pm for public input; and
- 7) That the appropriate notification be provided in accordance with the City's public notification by-law.

**Contribution to Sustainability**

The 2011 recommended consumptive 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.

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**Economic Impact**

This year 62% of the combined increase in rates is due to Region of York increases for the purchase of potable water and sanitary sewer service. The combined rate increase is 9.94%. The annual residential impact on an average household consumption of 300 cubic meters of water per year is an additional \$65.31 or \$5.44 per month.

The sales of water will generate a net contribution of \$4.0 million to the water reserve and wastewater services will generate \$3.7 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 2011 Water/Wastewater Budget and proposed 2011 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 2011 proposed water rate increase is 9.39% and wastewater rate increase is 10.45%. Both rates incorporate the Region of York increases and the City's operating, maintenance and infrastructure reserve increases. The combined rate increase is 9.94% of which 6.2% (62%) 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 - 2011 WATER AND WASTEWATER PROPOSED CONSUMPTION RATES**

The major source of revenue for water and wastewater operations is consumption rates, totalling \$83.4 million for 2011. The consumption rate revenues net of operating costs and Region of York purchases are transferred to the respective water and wastewater reserves. The net earnings provide for both the delivery of clean potable water, wastewater services and for the future renewal and replacement of the City's underground infrastructure.

The proposed 2011 water and wastewater budgets are attached including the draft 2010 actuals. The 2010 water and wastewater operating and capital activity form part of the City's consolidated Financial Statements.

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The following attachments are included: 2011 Water and Wastewater Budgets including the draft 2010 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 2011 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 (\$41 is the Region of York portion) or 9.94%. The increase in the water and wastewater rates is \$5 per month.

The 2011 budgets include an annual rate increase of 9.39% for water and a 10.45% increase for wastewater for a combined increase of 9.94%.

The net rate increase impact is the result of:

- The Regional increase of 10% for the cost of potable water and the increase of 10% 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.
- Reduction of the cost of the Joint Services agreement.

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

Potable Water & Wastewater	6.17%	York Region
Purchased Services		
Unmetered Water	0.43%	
Maintenance	0.89%	
Administration, Financing & Overheads	(0.06)%	
Joint Services	(0.42)%	
Infrastructure Contribution	2.93%	Reserves
<b>2011 Increase</b>	<b>9.94%</b>	

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 City consumption rates are now moving to full cost recovery and are supported by the 2009 Rate Study.

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The 2011 water and wastewater rate components and cost impacts are as follows:

<b>Rate Components</b>	<b>Water</b>	<b>Wastewater</b>	<b>Combined</b>
Regional Purchased Services	\$0.6973	\$0.7900	\$1.4873
Unmetered Water	0.1022	0.00	0.1022
Maintenance	0.1225	0.1486	0.2711
Other	0.1063	0.0609	0.1672
Lifecycle Contribution - Reserve	0.1343	0.2463	0.3806
<b>Total</b>	<b>\$1.1626</b>	<b>\$1.2458</b>	<b>\$2.4084</b>

<b>Cost Increase Impact</b>	<b>Water</b>	<b>Wastewater</b>	<b>Combined</b>
Region	64%	61%	62%
City	36%	39%	38%

**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 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 have<sup>7</sup>:*

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

Requirements 1 and 2

These two requirements do not apply to the City of Vaughan as these are Regional responsibilities. A certificate of approval for the distribution system, and a permit to take water has not been issued, as the City does not take water, but purchases it from York Region.

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##### Requirements 3 and 5

Requirements three and five (approved operational plan, and an accredited operating authority) were new to the water sector and to the Ministry of the Environment. These two requirements 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 Drinking Water Quality Management Standard has 21 elements which relate to quality management and the risk assessment/risk management of critical control points. The Operational Plan documents the processes and procedures that the Owner and Operating Authority have in place to meet the requirements of the DWQMS. The Operating Authority, in consultation with the Owner, prepared an Operational plan, which outlines how the City is meeting the requirements of the standard. The City of Vaughan successfully completed and submitted the Operational Plan to the Ministry, prior to the January 1, 2009 deadline.

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 (MOE) Drinking Water Quality Management Standard (DWQMS).

The results of the audit showed that no non-conformances were found, 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. 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.

As participants of the full scope accreditation process for the DWQMS, the City of Vaughan was required to submit information for the annual surveillance audit (conducted by the CGSB – the Canadian General Standards Board) by June 7<sup>th</sup>, 2010 to maintain accreditation. The City of Vaughan submitted the documentation, and remains in compliance with this legislation. The City is still fully accredited for both the Vaughan Distribution System and the Kleinburg Distribution System.

##### Requirement 4

Requirement four, an approved Financial Plan, has been developed as part of the Sustainable Sewage and Water Systems Act (SWSSA). 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.



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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 rate study objectives were:

- 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 an Excel based "CAFÉ" model to the City for ongoing long range financial planning

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.

The above rate study now forms the basis for setting the water and wastewater consumption rates so that they move towards full cost recovery as required by the SDWA.

#### **Permit Review Fee**

Prior to the issuance of the City's Municipal Drinking Water Permits and Municipal Drinking Water Licences, applications for the approval to construct a new watermain were sent to the Ministry of the Environment for review and approval. With the issuance of the permits and licences, the City is now the approving authority for construction of new watermains. Plans and applications are processed by the Development/Transportation Engineering, Engineering Services Departments, and the Public works Department to ensure such additions and alterations to the City's infrastructure meet all applicable requirements and legislation. Approvals are signed off by the Director of Public Works.

The Ministry of the Environment charged \$1,200 for their review and approval. To capture the cost of City staff reviewing these applications and drawings, and approving such applications, a similar fee of \$1,200 has been initiated for additions to the system. For 2011, it is recommended that his fee remain at \$1,200 per application.

#### **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.

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.

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The anode protection program for iron watermain, 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.

Until sufficient users are in place to ensure a changeover of water takes place in new development watermain, 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.

#### **“Smart” Water Meters**

A key part of water conservation is making the public aware of the amount of water they use. The City meters its residential and Industrial/Commercial/Institutional (ICI), water users, and bills according to usage. As with the latest generation of “smart” hydro meters, there is a new generation of Water meters available that can provide up to the minute water consumption data readings back to the municipality.

These new meters do not require a person to read them, as they report automatically through a wireless system. They can be set to send back data as frequently as required. This feature is

helpful in identifying things such as internal plumbing leaks and other causes of high water consumption that go unnoticed with the current reading and billing cycle. In some U.S. cities, the program is set to identify above average uses, and alerts the homeowner in case there are internal leaks or other causes that would result in abnormally high water uses. Things like a low volume consistent water usage throughout the night may indicate a leaking toilet, whereas peak high volumes in the late night/early morning may show sprinkler system usage. This type of data is invaluable when concerns are raised by a resident or ICI user about their water bill.

Another feature of this type of meter is that it would allow for more up to date reading comparisons between the overall water consumption and the City’s water purchases. Currently, there is a lag due to the time needed to physically read all of the water meters. With a wireless automated system, data can be sent in a more timely manner. Combined with a district metering system, these newer meters would be of great assistance in identifying potential leaks and/or unauthorized water usage in a specific area. District metering breaks the City down into much smaller areas to track the flow of water into an area, and compares it to metered consumption in that same area. By comparing the main meter reading against the usage reported by the “smart” meters, unmetered water usage can be better identified.

The additional cost for these new meters is approximately \$125 per unit. Given there would be cost implications if all water meters were to be changed to this new technology, it is recommended that staff further review the possibility of using the new “smart” type meters, and report back at a later date with their findings and recommendations.

#### **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. The latest initiatives 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;

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- 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](http://www.york.ca)

#### **2011 Water Budget - Revenue & Expenditure Highlights**

##### **Additional Resource Requests – Water**

For 2011, 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 and City initiatives.

##### **1 FTE Contract Person - see attached ARR**

##### **2011 Water Budget Factors**

The budgeted 2011 water billing revenue includes a 3.0% (2.5% 2010) growth factor for residential, 1.75% (1.55% 2010) commercial growth factor and a 9.39% water rate increase. The consumption volume is conservatively estimated based on expected growth and does not reflect any weather predictions.

The Regional cost of potable water will increase by 10% annually over the period 2009 to 2011, 2012 to 2013 by 5% annually and 2% annually thereafter. Other expenditure increases reflect general inflationary pressures, renegotiated draft joint services costs and the funding requirement to provide a sustainable water system for the future. The proposed water rate is supported by the rate study.

##### **2011 Proposed Water Budget Highlights**

###### Revenues:

The recommended water rate of 116.26 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 full cost recovery water rate has been smoothed over a 10 year period to 2018.

The budgeted water billings in 2011 include a 9.39% rate increase and an increase in residential and commercial growth. The revenues are expected to be \$40.8 million with water purchases from the Region at \$28.7 million, including unmetered water, resulting in a gross margin of \$12.1 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. Interest revenue is expected to exceed 2010 due to higher interest rates.

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##### 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. Main flushing maintains the City's ability to provide potable water thereby meeting Ministry of Environment requirements.

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

The 2011 unmetered water is budgeted at 13% the same level as last year. The unmetered water loss for 2010 is 13.2%, lower than the 16% level experienced in previous years. In part this is the result of a reduced need to flush water mains in new subdivisions. The actual unmetered water over the past number of years range from 9.3% to 16.8% 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%.

##### Expenditures:

2011 budgeted expenditures total \$9.4 million covering maintenance, administration, financing, overhead and other costs which are the same as last year's budget. Maintenance increases of 5.5% due to additional resource requests and increased funding for existing programs are offset by lower overhead allocations down by 10.5% and joint services costs down by 19% based on the draft renegotiated joint services agreement. General administration is up slightly due to two new proposed staff at 6%.

#### **2010 Actual Highlights**

Actual 2010 total water billings of \$37.7 million are over budget by \$1.2 million. Residential billings at \$22.6 million were up slightly by 1% and Commercial at \$14.9 million up by 6.3% compared to budget. The increase is attributable to actual growth exceeding the budgeted growth factor of 2.5% combined with warmer summer months that resulted in an increase in consumption.

It should be noted that the average household consumption has continued to decline over the past four years which may be attributed to conservation efforts combined with weather patterns. Over that period the per household annual consumption decrease from 338m<sup>3</sup> to 295m<sup>3</sup>.

Bulk sales came in slightly over budget and installation service fees slightly under budget.

Actual maintenance expenditures came in at \$5.0 million, under budget by \$0.2 million. Maintenance is generally under budget each year due to additional funding for possible emergency work. Administration came in at \$1.2 million and is slightly under budget due to staff vacancy. Administration overhead was favourable by \$0.2 million due to a lower than budgeted fund transfer. The remaining expenditures came in on budget.

#### **Water Lifecycle Contribution - Reserve**

In 2010 through water operations, the net of all revenues and costs resulted in \$3.9 million (\$3.9M 2009) being transferred to the water reserve.

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The 2011 budgeted transfer from water operations to the water reserve is \$4.0 million. These funds will provide for the future requirements of the water infrastructure. The forecasted Capital drawdown on the reserve in 2011 for water related infrastructure needs is expected to be \$4.0 million.

Committed capital costs represent approved capital projects not yet begun or completed and total \$5.1 million.

The budgeted reserve balance at the end of 2011 is projected to be \$21.2 million (2010 actual 21.2m) 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.

#### **2011 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 2010, there were four applicants. Funding for the continuation of this program has been included in the base 2011 Wastewater Budget.

##### **Additional Resource Requests – Wastewater**

For 2011, 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 and due to a Region of York initiative.

2 FTE Serviceperson 2 - see attached ARR

##### **2011 Wastewater Budget Factors**

The budgeted 2010 wastewater billing revenue includes a 3.0% (2.5% 2010) residential, 1.75% (1.55% 2010) commercial growth factor and a 10.45% wastewater rate increase. The volume of wastewater is not metered. The wastewater consumption volume is based on water sold to the consumer.

The Regional cost of wastewater services will increase by 10% annually for the period of 2009 to 2013 and by 5% annually thereafter. Other expenditure increases reflect general inflationary pressures, renegotiated draft joint services costs and the funding requirement to provide a sustainable water system for the future. The proposed water rate is supported by the rate study.

##### **2011 Proposed Wastewater Budget Highlights**

###### Revenues:

The recommended wastewater rate of 124.58 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 wastewater rate has been smoothed out over a 10 year period.

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### EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 24, 2011

#### Item 2, Finance Report No. 13 – Page 11

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

The budgeted wastewater billings in 2011 include a 10.45% rate increase and an increase in residential and commercial growth. The revenues are expected to reach \$42.6 million with the expected wastewater services from the Region at \$31.7 million leaving a gross margin of \$11.0 million. The 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.

Installation and service fees are budgeted at \$0.2 down by \$0.1 million from last year as these are driven by demand. The 2011 local improvement revenue is budgeted at \$213,200 and is offset by the cost of debentures of \$213,200. Interest revenue is expected to be higher in 2011 due to higher interest rates and higher reserve balance.

#### Expenditures:

2011 budgeted expenditures total \$7.9 million covering maintenance, administration, storm sewer financing, joint services, overhead and other costs which are up by 5.4% over last year's budget. The largest increases year over year are in maintenance and general administration, primarily due to additional funding for existing programs, resource requests and projects previously funded from capital transferred to operating. These increases are offset by renegotiated draft joint service agreement, down by 19%.

#### 2010 Actual Highlights

Actual 2010 total wastewater billings of \$39.0 million are over budget by \$0.8 million. Wastewater revenue is billed based on water consumption. There are no meters since they are impractical in this application. Residential actual billings totalled \$23.4 million, slightly over budget and Commercial and Industrial actual billings totalled \$15.7 million, up by 4.8% compared to budget. Installation revenue came in at \$0.2 million lower than budget. Installation revenues are impacted by demand.

2010 Actual expenditures total \$6.3 million covering maintenance, administration, storm sewer, financing, overhead and other costs, down by 15.8% when compared to budget. Actual maintenance expenditures came in at \$2.8 million, under budget by \$0.5 million. Storm sewer maintenance came in at \$1.5 million under budget by \$0.6 million as a result of less than expected activity. The balance of expenditures came in on budget.

#### **Wastewater Lifecycle Contribution - Reserve**

In 2010 through wastewater operations, the net of all revenues and costs resulted in \$3.9 million (\$3.6m 2009) being transferred to the wastewater reserve fund.

The 2011 budgeted transfer of \$3.7 million from wastewater/storm operations to the reserve is higher at \$0.4 million over last year's budget. The capital drawdown on the reserve in 2011 for wastewater related infrastructure needs is expected to be at \$0.3 million.

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

The budgeted reserve balance at the end of 2011 is projected to be \$23.7 million after committed capital projects, a net increase of \$3.4 million. These funds will provide for the future requirements of the wastewater infrastructure to ensure the City's wastewater system are financially sustainable.

**CITY OF VAUGHAN**

**EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 24, 2011**

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**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 rate study review the City's water, wastewater rates are continuing to move towards full cost recovery. The 2011 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 \$65.00 or \$5.40 per month.

It is therefore recommended that the City's water rate be increased to 116.26 cents per cubic meter and that the wastewater rate be increased to 124.58 cents per cubic meter both effective July 2011.

**Attachments**

- Attachment No. 1: The 2011 Water and Wastewater Budgets including 2010 Draft Water and Wastewater Actual Operating Results
- Attachment No. 2: 2011 Water and Wastewater Municipal Rate Comparison
- Attachment No. 3: Additional Resource Requests & New Complements Summary - Water & Wastewater
- Attachment No. 4: Water, Wastewater & Drainage 2011 Business Plan

**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.)

CITY OF VAUGHAN

**EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 24, 2011**

Item 3, Report No. 13, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on May 24, 2011.

**3** **TEMPORARY BORROWING BY-LAW 2011**

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance/City Treasurer and the Director of Reserves & Investments, dated May 16, 2011:

**Recommendation**

The Commissioner of Finance/City Treasurer and the Director of Reserves & Investments recommend:

That Council enact a Temporary Borrowing By-law for an amount up to \$50,000,000 from the City corporate bank of record.

**Contribution to Sustainability**

Not Applicable

**Economic Impact**

There is no cost to have a temporary borrowing available to the City; however, there would be an economic impact to the extent of interest carrying costs on amounts, if borrowing is required.

**Communications Plan**

Not applicable

**Purpose**

The purpose of this report is to obtain Council approval to allow the City of Vaughan to temporarily borrow funds, if required to do so.

**Background – Analysis and Options**

Section 407(1) of the Municipal Act states:

“At any time during a fiscal year, a municipality may authorize temporary borrowing until the taxes are collected and other revenues are received, of the amount Council considers necessary to meet the current expenditures of the municipality for the year ....”

In the past the City of Vaughan has avoided bank financing for operating purposes. Sound cash management practices supported by fiscal policies have stabilized Vaughan’s financial position. However, as a matter of practice, a temporary borrowing by-law is recommended for unforeseen circumstances.

In the event the City requires bank financing, the City’s borrowing rate is Bank Prime Rate less 0.50%. Currently the Bank Prime Rate is 3.00%.

The amount borrowed at any time should not exceed the provisions set out in Section 407(2) of the Municipal Act:



**CITY OF VAUGHAN**

**EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 24, 2011**

Item 3, Finance Report No. 13 – Page 2

- a) from January 1 to September 30 in the year, 50 percent of the total estimated revenues of the municipality as set out in the budget adopted for the year; and
- b) from October 1 to December 31 in the year, 25 percent of the total estimated revenues of the municipality as set out in the budget adopted for the year.

The temporary borrowing by-law authorizes the City Treasurer from time to time as conditions may warrant, to borrow from the City's corporate bank such sums as may be necessary within the provisions of Section 407(2) of the Municipal Act. The upset amount deemed necessary is estimated not greater than \$50,000,000. The limit permitted by the Municipal Act based on the 2010 adopted budget is \$108,200,000 from January 1, 2011 to September 30, 2011 and \$54,000,000 from October 1, 2011 to December 31, 2011.

**Relationship to Vaughan Vision 2020/Strategic Plan**

This report supports the strategic priorities established by the Vaughan Vision 2020 in particular "Ensure Financial Sustainability".

**Regional Implications**

Not applicable

**Conclusion**

Council authorize the City Treasurer, from time to time as conditions may warrant, to borrow from the Toronto Dominion Bank (City's Corporate Bank) in Vaughan, Ontario such sums as may be deemed necessary within the provision of Section 407(2) of the Municipal Act.

**Attachments**

None

**Report prepared by:**

Ferruccio Castellarin, CGA  
Director of Reserves & Investments  
Ext. 8271

CITY OF VAUGHAN

**EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 24, 2011**

Item 4, Report No. 13, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on May 24, 2011.

**4 VAUGHAN OFFICIAL PLAN BUDGET STATUS**

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance/City Treasurer, the Acting Commissioner of Planning and the Director of Reserves & Investments, dated May 16, 2011:

**Recommendation**

The Commissioner of Finance/City Treasurer, the Acting Commissioner of Planning and the Director of Reserves & Investments recommend:

That the Vaughan Official Plan Budget Status report be received for information.

**Contribution to Sustainability**

Not applicable

**Economic Impact**

The report as written has no economic impact.

**Communications Plan**

Staff will advise the resident when this item is coming to the Finance and Administration Committee.

**Purpose**

The purpose of this report is to confirm for Council that the expenditures to date for the Vaughan Official Plan Budget – Project PL 9003 -07 are within the Council approved budget.

**Background - Analysis and Options**

The following is the status of the Council Approved Budget and Actual Expenditures for the Vaughan Official Plan (VOP) project, as of March 31, 2011 (Attachment #1).

**Budget and Actual Expenditures as of March 31, 2011**

	<b>Actual Expenditures</b>	<b>Budget</b>	<b>Favourable Variance</b>
Consultant	2,824,755.54	2,986,600.00	161,844.46
3% Administration Cost	89,677.55	95,940.00	6,262.45
Miscellaneous Costs	<u>164,496.02</u>	<u>180,000.00</u>	<u>15,503.98</u>
<b>Total</b>	<b><u>3,078,929.11</u></b>	<b><u>3,262,540.00</u></b>	<b><u>183,610.89</u></b>

The VOP project expenditures of \$3,078,929.11 as of March 31, 2011 are within the approved budget of \$3,262,540.

On April 1, 2011, a resident emailed the Mayor and Members of Council, several staff and members of the public, indicating that based on information he had received through a Freedom of Information (FOI) request, he calculated that the total for the VOP project was \$5,213,920.69, or approximately \$2M over budget (Attachment #2).

**CITY OF VAUGHAN**

**EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 24, 2011**

Item 4, Finance Report No. 13 – Page 2

Previous to the April 2011 email, on August 9, 2010, the same resident emailed to staff a number of questions regarding the VOP project (Attachment #3). Staff responded on August 24, 2010, (Attachment #4) confirming that the budget was \$3,262,540 and that the year-to-date expenditures as of July 31, 2010 were \$2,711,947.58, within the approved budget.

In response to the resident’s question as to why the information received indicated a difference between the actual expenditures of \$2,248,117 recorded as of December 29, 2009 on the Budget/Actual Status report, and the total “Detailed Business Transactions” of \$4,449,617.57, staff explained that the Detailed Business Transaction Report contained both budget adjustments and actual expenditures, whereas the Budget/Actual Status report reported actual expenditures and the total approved budget separately.

Staff has done a significant amount of work to analyze and confirm the actual to budget for the VOP project. The resident has raised the concern publicly that the Vaughan Official Plan project is significantly over budget, therefore staff brought this report forward to formally confirm that the VOP expenditures of \$3,078,929.11 as of March 31, 2011 for the VOP project are within the Council approved budget of \$3,262.540.

The Vaughan Official Plan Budget is comprised of three elements:

- Consultant
- 3% Administration Fee
- Miscellaneous

The following chart, under the column “Budget Adjustment – Consultant” illustrates how the budget adjustments totaling \$2,256,000 (A) plus the actual expenditures of \$2,193,618 (B) (Attachment 5) as of November 30, 2009 total \$4,449,617.57 (C). The important point here is that only \$2,193,618 is expenditure, the balance of \$2,256,000 is simply an audit trail record of Council approved adjustments to the budget.

Approval Date	Base Budget - 2007	Budget Adjustment - Consultant	3% Admin. Misc.		Total Budget	Budget Transferred to Other Accounts
2007 Capital Budget	750,000		23,000		773,000	
<b>Approved Budget Increases</b>						
Capital Budget - 2008		1,500,000	45,000		1,545,000	
Capital Budget - 2009		<u>1,038,000</u>	<u>37,000</u>	<u>180,000</u>	1,255,000	
<b>Total Budget Increases</b>		<b>2,538,000</b>	<b>105,000</b>	<b>180,000</b>		
<b>Approved Budget Reallocations</b>						
PL 9010-07		-130,000	-3,900		-133,900	Transportation Master Plan
		-40,000	-1,200		-41,200	Parks & Recreation Master Plan
RE 9508-08		-25,000	-750		-25,750	Heritage & Archaeological Policies
CO-0055-08		-62,000	-1,860		-63,860	Vaughan Tomorrow Initiative
RE-9508-08		<u>-25,000</u>	<u>-750</u>		-25,750	Heritage & Archaeological Policies
<b>Total Budget Decreases</b>		<b>-282,000</b>	<b>-8,460</b>	<b>0</b>		
<b>Net Budget Adjustments</b>	750,000	<b>2,256,000</b>	<b>A</b>	96,540	180,000	<b>3,282,540</b>
<b>PLUS</b>						
November 30th Actual Expenditures - Attch. 5		2,193,618	<b>B</b>			
<b>TOTAL Detailed Business Transactions as of December 2009 (Attch. #4)</b>		<b>4,449,618</b>	<b>C</b>			

## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 24, 2011

#### Item 4, Finance Report No. 13 – Page 3

The additions to the VOP Consultant budget were approved through the 2008 and 2009 Capital Budget processes and were:

- \$1,500,000 – Approved by Council March 4, 2008 – Attachment #6
- \$1,038,000 – Approved by Council April 7, 2009, Attachment #7

Transfers of portions of the VOP project budget, totaling \$282,000, were re-allocations of budget funds to projects related to the Official Plan, but not managed within the Planning Policy department e.g Transportation Master Plan.

The VOP budget was subsequently revised in 2010 to \$3,262,540. The Cultural Heritage Landscape Inventory, originally included in the Official Plan Budget was separated from the Official Plan Budget, and the \$20,000 budget for this work was transferred to the Recreation Department. This resulted in the revised VOP Budget in the amount of \$3,262,540, which is the current budget as of March 31, 2011.

A detailed response to each of the resident's questions is not provided in this report as the majority of questions hinge on an understanding of the two elements (actual expenditure & budget adjustments) totaling \$4,449,618. Staff will provide a copy of this report to the resident.

#### **Relationship to Vaughan Vision 2020/Strategic Plan**

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

#### **Regional Implications**

Not applicable

#### **Conclusion**

The Vaughan Official Plan expenditures of \$3,078,929.11 as of March 31, 2011 are within the approved budget of \$3,262,540.

#### **Attachments**

- Attachment #1 – Vaughan Official Plan Account Status – March 31, 2011
- Attachment #2 – April 1, 2011 email from R. Lorello
- Attachment #3 – August 9, 2010 Letter from R. Lorello
- Attachment #4 – August 24, 2010 response to R. Lorello
- Attachment #5 – Vaughan Official Plan Account Status – November 30, 2009
- Attachment #6 – 2008 Capital Budget – Vaughan Official Plan Project Summary
- Attachment #7 – 2009 Capital Budget – Vaughan Official Plan Project Summary

#### **Report prepared by:**

Barb Cribbett, Commissioner of Finance/City Treasurer, ext. 8475  
Ferruccio Castellarin, Director of Reserves & Investments, ext. 8271

(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.)

CITY OF VAUGHAN

**EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 24, 2011**

Item 5, Report No. 13, of the Finance and Administration Committee, which was adopted, as amended, by the Council of the City of Vaughan on May 24, 2011, as follows:

***By approving:***

***That the word “may” be deleted from Clause 1 of the Finance and Administration Committee recommendation so that it now reads:***

***That staff bring a report to the Committee of the Whole meeting of June 14, 2011, with respect to a review of the Internal Audit Charter with a view of broadening the role of the Internal Auditor function including:***

- ♦ Revising the title to “Auditor General/or City Auditor”;
- ♦ Broadening the scope to include “review and recommendation in operational function and efficiencies”;
- ♦ Clearly outline the independent role of the auditor;
- ♦ Review the compensation package in light of the above; and

***By receiving Communication C13 from Mr. Frank Greco, dated May 23, 2011.***

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**5                                      NEW BUSINESS – REVIEW OF INTERNAL AUDIT CHARTER**

**The Finance and Administration Committee recommends:**

- 1)        That staff may bring a report to the Committee of the Whole meeting of June 14, 2011, with respect to a review of the Internal Audit Charter with a view of broadening the role of the Internal Auditor function including:**
  - ♦ Revising the title to “Auditor General/or City Auditor”;
  - ♦ Broadening the scope to include “review and recommendation in operational function and efficiencies”;
  - ♦ Clearly outline the independent role of the auditor;
  - ♦ Review the compensation package in light of the above; and
  
- 2)        That Communication C2, “The Institute of Internal Auditors Information”, submitted by Regional Councillor Rosati, be received.**

The foregoing matter was brought to the attention of the Committee by Regional Councillor Rosati.

(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.)