



June 8, 2011

NOTICE
SPECIAL COUNCIL MEETING

Take Notice that the Hon. Maurizio Bevilacqua, Mayor, pursuant to Section 6.2 of Council's Procedural By-law 7-2011, has directed that a Special Council meeting be held on Tuesday, June 14, 2011 at +/-7:00 p.m. in the Council Chamber, 2nd Floor, Vaughan City Hall, for the purpose of considering the following:

1. Water & Wastewater Operating Budgets

Jeffrey A. Abrams
City Clerk

ITEM

1. WATER & WASTEWATER OPERATING BUDGETS

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 with respect to the above.

BY-LAWS / FORMAL RESOLUTIONS

BY-LAW NUMBER 96-2011

(Council, May 24, 2011, Item 2, Finance and Administration Committee, Report No. 13)

A By-law to amend City of Vaughan By-Law Number 12-74, as amended with respect to wastewater rates.

BY-LAW NUMBER 97-2011

(Council, May 24, 2011, Item 2, Finance and Administration Committee, Report No. 13)

A By-law to amend City of Vaughan By-Law Number 167-73, as amended with respect to water rates.

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EXTRACT FROM SPECIAL COUNCIL MEETING MINUTES JUNE 14, 2011

126. WATER & WASTEWATER OPERATING BUDGETS

MOVED by Councillor Yeung Racco
seconded by Regional Councillor Schulte

- 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 Communication C1, presentation material submitted by the Commissioner of Finance/City Treasurer, dated June 14, 2011, be received.

CARRIED

Council, at its meeting of May 24, 2011, adopted the following (Item 2, Finance and Administration Committee Report No. 13):

That Communication C14 from the Director of Financial Services, dated May 17, 2011, be received.

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.

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

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

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- 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.

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.

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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.

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:

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

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.

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

Rate Components	Water	Wastewater	Combined
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
Total	\$1.1626	\$1.2458	\$2.4084
Cost Increase Impact	Water	Wastewater	Combined
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.

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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:

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.

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 7th, 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.

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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.

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.

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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 this 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.

The anode protection program for iron watermains, 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 watermains, 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

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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;

- 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

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.

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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.

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.

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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 decreased from 338m³ to 295m³.

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.

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.

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.

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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.

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
- Attachment No. 5: C1, dated May 16, 2011
- Attachment No. 6: C2, dated May 24, 2011

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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.)

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127. **BY-LAWS**

MOVED by Regional Councillor Di Biase
seconded by Councillor Carella

THAT the following by-laws be enacted:

By-Law Number 96-2011 A By-law to amend City of Vaughan By-Law Number 12-74, as amended with respect to wastewater rates. (Council, May 24, 2011, Item 2, Finance and Administration Committee, Report No. 13, Special Council, June 14, 2011)

By-Law Number 97-2011 A By-law to amend City of Vaughan By-Law Number 167-73, as amended with respect to water rates. (Council, May 24, 2011, Item 2, Finance and Administration Committee, Report No. 13, Special Council, June 14, 2011)

CARRIED

CITY OF VAUGHAN

EXTRACT FROM SPECIAL COUNCIL MEETING MINUTES JUNE 14, 2011

128. CONFIRMING BY-LAW

MOVED by Councillor DeFrancesca
seconded by Councillor Iafrate

THAT By-law Number 98-2011, being a by-law to confirm the proceedings of Council at its meeting on June 14, 2011, be enacted.

CARRIED

CITY OF VAUGHAN

EXTRACT FROM SPECIAL COUNCIL MEETING MINUTES JUNE 14, 2011

129. **ADJOURNMENT**

MOVED by Councillor Carella
seconded by Regional Councillor Di Biase

THAT the meeting adjourn at 7:21 p.m.

CARRIED

Hon. Maurizio Bevilacqua, Mayor

Sybil Fernandes, Deputy City Clerk