

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JANUARY 24, 2017

Item 1, Report No. 1, of the Finance, Administration and Audit Committee, which was adopted, as amended, by the Council of the City of Vaughan on January 24, 2017, as follows:

By receiving the following Communications:

- C5** *Director of Financial Services/Deputy City Treasurer, dated January 20, 2017;*
C7 *Director of Financial Services/Deputy City Treasurer, Director of Financial Planning and Development Finance and Deputy City Treasurer, dated January 23, 2017; and*
C8 *Deputy City Manager, Public Works, dated January 23, 2017.*

**1 2017 DRAFT WATER, WASTEWATER AND STORMWATER OPERATING BUDGETS
 AND THE 2018 PLAN**

The Finance, Administration and Audit Committee recommends:

- 1) That the recommendation contained in the following report of the City Manager, the Chief Financial Officer & City Treasurer, the Director of Environmental Services and the Director of Financial Services/Deputy Treasurer, dated January 16, 2017, be approved;**
- 2) That staff be requested to prepare a resolution to be forwarded to the Province of Ontario requesting relief and assistance from the high cost of providing Water and Wastewater services for Regional and Local Municipalities across the Province;**
- 3) That the following be approved in accordance with Communication C1 memorandum from the Deputy City Manager, Public Works, the Chief Financial Officer and City Treasurer, the Director of Environmental Services and the Director of Financial Services/Deputy City Treasurer, dated January 16, 2017:**

That the sections in this communication replace the sections in 1.39 and 1.41 of #P and M, respectively of the Water, Wastewater and Stormwater Service Charges (Attachment 3);

- 4) That Communication C2, presentation material, entitled, “*Water/Wastewater/Stormwater 2017 Draft Budget*”, dated January 16, 2017, be received; and**
- 5) That the following deputations be received:**
 - 1. Mr. Gerry O’Connor, Pennycross Court, Woodbridge; and**
 - 2. Ms. Daniela Palma, Golden Orchard Road, Maple.**

Recommendation

The City Manager, the Chief Financial Officer & City Treasurer, the Director of Environmental Services and the Director of Financial Services/Deputy Treasurer recommend:

- 1. That the draft 2017 budget including rate changes for Water and Wastewater reflecting the Regional Rate increase, new Stormwater charges, City operating and City capital requirements be approved as follows:**
 - a) That the City’s water rate be increased from \$1.5815 to \$1.7159 per cubic metre effective after Council approval;**
 - b) That the City’s wastewater rate be decreased from \$2.1426 to \$2.0663 per cubic metre effective after Council approval;**

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- c) That the City's stormwater classification charges be approved;
- d) That the stormwater portion of the wastewater reserve, reconciled as at December 31, 2016, transfer from the Wastewater Reserve to the new Stormwater Reserve be approved;
- e) That the funding source for approved stormwater capital projects be changed from the wastewater reserve to the stormwater reserve;
- f) That the capital projects FL-5531-17, FL-5532-17 and EV-2118-17 in the amount of \$160,680.00, \$43,260.00 and \$154,500.00 respectively, as outlined in Attachment 4 for a total of five new vehicles and a water and wastewater rate study be approved;
- g) That the Additional Resource Request (ARR) as outlined in Attachment 2 be approved;
- h) That the service charges for water, wastewater and stormwater as outlined in Attachment 3 be approved;
- i) That any necessary by-laws be introduced; and
- j) That the water-consumption rate and the wastewater-discharge rate set out in Attachment 3 come into effect on April 1, 2017.

Contribution to Sustainability

In May 2000, the events of E. coli outbreak and water contamination in the Town of Walkerton led to an inquiry under Justice Dennis O'Connor. The recommendations from the inquiry form the basis for the Safe Drinking Water Act. The Safe Drinking Water Act regulates water operator training, licensing of drinking water systems, testing and sampling, audits, financial planning, the use of regulated labs and a drinking water quality management system.

This regulation, coupled with the Ontario Water Resources Act, define and guide the budget for water, wastewater and stormwater.

In 2002, the Sustainable Water and Sewage System Act was introduced, but later repealed in 2010 to be replaced by the Sustainable Water and Waste Water Systems Improvement and Maintenance Act. This act is at first reading. Both of these acts speak to the full cost recovery to operate, maintain and replace drinking water and wastewater systems. It is in the best interest of drinking water owners and municipal administration to strive towards full cost recovery in order to fulfill the spirit of the Walkerton Recommendations and to ensure that water is always safe to drink.

Safe drinking water, effective wastewater collection and stormwater management are cornerstones of a sustainable and healthy community.

The draft 2017 water, wastewater and stormwater budgets, rates and charges provide funds to support the City's water, wastewater and stormwater services by moving towards financial sustainability in accordance with the Safe Drinking Water Act, and the Environmental Protection Act.

Continued infrastructure renewal investment is critical to ensure water, wastewater and stormwater services are sustainable in the future. This objective is supported by continuing to build City reserves.

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Economic Impact

The combined City of Vaughan 2017 rate increase for water and wastewater is \$0.0581 per cubic metre or 1.56% over the 2016 combined water and wastewater rate. As noted in the stormwater rate study the impact of the new stormwater charge is to be revenue neutral in the first year. As a result, in setting the 2017 combined water and wastewater rate, \$0.2977 was subtracted from the wastewater rate in order to offset the financial impact of the new stormwater charge to residents and businesses. The stormwater charge together with the 2017 combined water and wastewater rate equates to an overall increase of 9.55%.

In addition to the water and wastewater rates, the City will implement a new stormwater charge for 2017. The flat charge, based on property classification, is expected to generate \$12.1 million to fund stormwater related programs and services. This charge will help ensure there is a dedicated funding source to protect public property and protect the environment.

In March 2016, Council approved that a separate stormwater charge be applied to properties in the City of Vaughan, starting in 2017, based on stormwater run-off and that a stormwater infrastructure reserve, funded from the stormwater charge, be created to fund stormwater capital projects. Flat stormwater charges by property classifications are outlined below.

| Flat Charge per Property | 2017 Charge* | 2018 Charge* |
|---|---------------------|---------------------|
| Non-Residential (Small) | \$41.28 | \$43.22 |
| Non-Residential (Medium) | \$1,066.21 | \$1,116.45 |
| Non-Residential (Large) | \$16,740.78 | \$17,529.59 |
| | | |
| Agricultural/Vacant | \$694.65 | \$725.50 |
| | | |
| Residential (Low Density) - per unit | \$50.00 | \$52.12 |
| Residential (Medium Density) - per unit | \$30.61 | \$31.78 |
| Residential (High Density) | \$184.00 | \$192.27 |

* Charges based on the Watson's Stormwater Infrastructure Funding Study

Government agencies, places of worship, schools and non-profits are exempt from the stormwater charge

Continued infrastructure renewal investment is critical to ensure water, wastewater and stormwater systems and services are sustainable in the future as this will ensure the provision of safe drinking water. This objective is supported by continuing to build City reserves. The 2017 budgeted rates and charges will generate a combined net contribution of \$21.3 million to reserves thus continuing the City's move towards long-term financial sustainability of the City's water, wastewater and stormwater systems and services.

Communications Plan

The approved water and wastewater rates and stormwater charges will be advertised in accordance with the City's Notice By-law. Staff will provide a list of questions and answers to the Corporate Communications department to assist in responding to the public and the media.

The notice for this report has been advertised using the City's Corporate Communication Strategy.

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Final Opportunity for Community Input

In addition to the meeting of the Finance, Administration and Audit Committee, a Council Meeting will also be held before budget approval to provide the public with a final opportunity to comment on the proposed 2017 Budget and 2018 Plan. This meeting will be held on January 24, 2017 and will be advertised in advance, consistent with the City's public notification by-law.

Post Budget Approval Communication

Leading up to the budget meetings and following approval of the budget, the City will promote the budget process and communicate budget highlights by employing a variety of tactics, including media outreach, website content, social media messages, a blog and eNewsletter posts. The tactics will target various members of the community, including seniors. Staff will provide a list of questions and answers to the Corporate Communications department to assist in responding to the public and the media.

Stormwater Charge Communications Plan

Environmental Services and Corporate Communications have developed a plan for the implementation of the new stormwater charge. Since approval by Council in March 2016, communication through social media educating the public on stormwater has been consistent and pervasive. A website, posters and a video have all been developed and will be promoted increasingly, leading up to the first appearance on the utility bill. Inserts in the utility bill have also been developed and will be included twice prior to the first billing. Education sessions with Councillor offices and Access Vaughan will be conducted as well.

Purpose

The purpose of this report is to provide and present the 2017 Draft Water, Wastewater and Stormwater Operating Budgets, the 2018 Plan and the corresponding draft water and wastewater rates and stormwater charges to the Finance, Administration and Audit Committee for consideration.

Background – Analysis and Options

Regulatory Requirements

Water and wastewater are regulated services and must meet legislated requirements of the Safe Drinking Water Act, the Environmental Protection Act and the Ontario Water Resources Act. The Acts' purposes are to protect human health and the environment through the control and regulation of drinking water systems, drinking water testing, wastewater collection and treatment facilities as well as to ensure financial viability. The Ontario Water Resources Act provides a framework for the establishment, alteration, replacement and in some cases the operating requirements of stormwater infrastructure in order to mitigate the impact of stormwater on the receiving environment. It is incumbent upon Council and to management to ensure that the City meets its obligations under the various Acts.

Financial Sustainability: Always a Key Priority

The objective of the City's financial planning process is to develop a multi-year budget that balances the need to maintain existing services, accommodate growth requirements and undertake corporate initiatives against the City's capacity to fund them. The City's financial management policies and practices are based on best practices to maintain the City's strong financial position.

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Infrastructure Challenge

One element to ensuring the delivery of safe drinking water and protection of the environment is to ensure that funds are available to fix pipes, valves, manholes, booster stations, Stormwater ponds and other infrastructure today and in the future. The 2016 Canadian Infrastructure Report Card highlights the current infrastructure crisis across Canada. Vaughan's Corporate Asset Management team is working with Environmental Services and Financial Services to determine concrete financial needs for infrastructure renewal and replacement in the coming decades. Saving now is key to ensuring that funds are available to ensure the continual supply of safe drinking water.

As the City moves forward, financial sustainability must continue as one of Vaughan's key priorities. Prudent financial planning requires ongoing contributions to water, wastewater and stormwater reserves to fund repair and replacement of infrastructure. The 2017 budget is focused on maintenance of current infrastructure and increasing reserve contributions. This will position the City to be able to continue to build its reserves to meet future infrastructure needs, while ensuring that the Draft 2017 Budget and 2018 Plan would be fully aligned with the priorities and initiatives identified on the Term of Council Service Excellence Strategy Map.

A capital project is also being proposed in the 2017 budget to examine funding models for the water and wastewater rate. This will also include a multi-year financial plan to work towards building infrastructure reserves.

Draft 2017 Budget and 2018 Plan

The City is growing rapidly. We are delivering on the vision of being a City of Choice, improving service delivery, managing growth and delivering services more effectively and efficiently.

The Draft 2017 Budget and 2018 Plan are aligned with the term of council priorities and the service excellence strategic initiatives presented in the Term of Council Service Excellence Strategy Map. On September 30, 2015, Council approved a refreshed strategic plan. This plan continues to provide a focused set of priorities for the corporation to deliver on our mission of citizens first through service excellence. The plan also aligns the City's two-year budget with the priorities and goals of the strategic plan.

Focusing on service excellence means that we will seek out ways to improve how residents and businesses experience our services. The goal is to increase satisfaction with our programs and services while also seeking efficiencies in how services are delivered. This will include identifying opportunities to use technology and apply digital strategies to improve our ability to deliver service excellence cost-effectively.

The Draft 2017 Budget and 2018 Plan outlined in the attached Draft 2017 Budget Book sets out staff's recommended operating allocations to deliver the City's water, wastewater and stormwater services over the next two years, including additional resource requests.

Relationship to Term of Council Service Excellence Strategy Map (2014-2018)

The 2017 water, wastewater and stormwater budget supports the Term of Council Priorities, as identified on the Term of Council Service Excellence Strategy Map, by ensuring that the City:

- invest, renew and manage infrastructure and assets;
- continue to ensure the safety and well-being of citizens; and
- continue to cultivate an environmentally sustainable city.

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Regional Implications

There are no implications however, wholesale purchases from the Region for 2017 represents 77% of the City's combined water and wastewater costs.

Conclusion

The combined draft water and wastewater rate will increase from \$3.7241 to \$3.7822 per cubic metre. This covers a 9% wholesale rate increase from the Region of York. Further, the new rate will ensure the City meets regulatory requirements which include operations, maintenance and reserve contributions for capital projects.

A new stormwater charge will be implemented for 2017 to fund stormwater related programs and services.

The 2017 draft water, wastewater and stormwater budgets will generate funds to support water, wastewater and stormwater services and move towards full cost recovery, thereby meeting the Safe Drinking Water Act, Environmental Protection Act and the Ontario Water Resources Act.

It is therefore recommended that the City's water rate be increased to \$1.7159 per cubic metre and that the wastewater rate be decreased to \$2.0663 per cubic metre both effective April 1, 2017 and new flat stormwater charges be implemented based on property classifications starting from 2017.

Attachments

1. Draft 2017 Budget Book
2. The 2017 Water, Wastewater and Stormwater ARR Requests
3. 2017 Draft Operating Budget Water, Wastewater and Stormwater Service Charges
4. FL-5531-17, FL-5532-17 and EV-2118-17 Capital Project Summary

Report prepared by:

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Sean Skinkle, Finance Manager, Ext. 8486

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)