

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 8, 2014

Item 5, Report No. 5, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on April 8, 2014.

5

OTHER MATTERS CONSIDERED BY THE COMMITTEE

5.1 2014 DRAFT WATER AND WASTEWATER/STORM OPERATING BUDGETS AND 2015-2017 PLAN

The following action was taken by the Finance, Administration and Audit Committee:

- 1) The following report of 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 March 31, 2014, was referred to the April 29, 2014 Special Council meeting to facilitate public input, subject to amending Recommendation 3) to read:
 - 3) That any necessary By-laws to give effect to the water and wastewater rates and service fees be brought forward at the April 29, 2014 Special Council meeting; and
- 2) The presentation by the Director of Financial Services and C3, presentation material entitled, "*Water, Wastewater & Storm Sewer 2014 Draft Operating Budgets and 2015-2017 Plan*" dated March 31, 2014, was received.

Recommendation

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 presentation on the Draft 2014 Water and Wastewater/Storm Operating Budgets and the 2015 - 2017 Plan be received; and
- 2) That in lieu of considering this matter at the April 8, 2014 Council meeting, that the Draft 2014 Water and Wastewater/Storm Operating Budgets, the 2015 – 2017 Plan, associated rates and service fees be forwarded to a Special Council meeting in the evening of April 29, 2014 and that any additional deputations be heard at that time; and
- 3) That any necessary By-laws to give effect to the water and wastewater rates and service fees be introduced by a communication at the Special Council meeting.

Contribution to Sustainability

This report is consistent with the priorities previously set out by Council in *Green Directions Vaughan*, the Community Sustainability and Environmental Master Plan:

- Goal 1: To significantly reduce our use of natural resources. Water is a valued resource and efforts continue to be made to reduce its consumption to ensure viability for future generations.
- Goal 5: To be leaders on sustainability issues. Vaughan is committed to providing leadership by implementing sustainable best practices in its own municipal operations.

The Water and Wastewater/Storm Operating Budgets increase awareness of the importance of a sustainable water distribution collection systems and stormwater infrastructure and highlight the importance of continued service delivery and conservation efforts.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 8, 2014

Item 5, Finance Report No. 5 – Page 2

The 2014 draft consumption rates provide funds to support the City's water and wastewater/storm systems by moving towards financial sustainability in accordance with the Safe Drinking Water Act. Safe drinking water, effective wastewater collection and functional storm water management infrastructure are cornerstones of a sustainable community. The water and wastewater/storm budgets support this objective by continuing to effectively manage these assets and to continue to build City reserves.

Economic Impact

For 2014, the City's share of the combined draft water/wastewater rate increase is 2.50% and the Region of York's share for water purchases and wastewater services is 6.35% (or 72%) resulting in a combined rate increase of 8.85%. The annual residential impact on an average household consumption of 300 cubic meters of water per year is an additional \$75.27 or \$6.27 per month.

The sale of water and wastewater services will generate a net contribution of \$11.8 million to their respective reserves providing funds to support and move towards a financially sustainable water and wastewater system as required by the Safe Drinking Water Act (SDWA).

Following is a summary of the combined water and wastewater increase by major components:

	INCREASE SUMMARY BY PERCENT & CENTS PER M³	
Region of York Cost of Water & Wastewater	6.35%	17.99 ¢
City of Vaughan Operating Costs	1.10%	3.14 ¢
City of Vaughan Infrastructure Contribution to Reserves	1.40%	3.96 ¢
TOTAL 2014 INCREASE	8.85%	25.09 ¢

The City's consumption rates continue to be competitive as demonstrated on Attachment No. 3.

Communications Plan

The approved water and wastewater rates 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.

Purpose

To provide and present the 2014 draft water and wastewater/storm operating budgets, the 2015 – 2017 Plan and the corresponding draft consumption rates, service fees update to the Finance Administration and Audit Committee for discussion purposes and provide for a Special Council meeting on April 29, 2014 to receive public input.

Background Analysis and Options

SUMMARY - 2014 WATER AND WASTEWATER DRAFT CONSUMPTION RATES

The major source of revenue for water and wastewater operations are consumption rates, this budgeted revenue stream totals \$109.5 million in 2014 of which \$81.3 million is paid to the

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 8, 2014

Item 5, Finance Report No. 5 – Page 3

Region of York. The net of all revenues, operating costs, other costs and the Region of York purchases are transferred to the City's respective water and wastewater/storm reserves each year. These reserves support future renewal and replacement of the City's underground and above ground infrastructure, but further future funding will be required to support this network estimated at over \$1.5 billion.

The following attachments are included: 2014 Draft Operating Water and Wastewater/Storm Budgets Attachment No. 1, the staffing requests Attachment No. 2, the Municipal Rate Comparison Attachment No. 3, Water, Wastewater & Drainage 2014 Business Plan Attachment No. 4, 2015 – 2017 Plan Attachment No. 5 and Approved 2014 Capital Budget and 2015 – 2017 Capital Plans Attachment No. 6.

Annual Residential Impact

Residential customers with an annual consumption of 300 cubic meters of water per annum will see a combined increase of \$75.27 (\$53.97 is the Region of York portion) or 8.85%. The increase in the water and wastewater rates on a monthly basis is \$6.27.

The 2014 budgets include an annual rate increase of 5.85% for water and an 11.50% increase for wastewater for a combined increase of 8.85%.

The consumption rate increase is the result of:

- Over 70% of the increase is related to the Regional increase of 7.5% for the cost of potable water and an increase of 12% for wastewater services. These increases are based on Regional water and wastewater reserve adequacy study.
- An increase in the reserve contributions for the future renewal of the water and wastewater infrastructure and represents the second largest component of the rate increase.
- The impact of inflationary pressures as it relates to existing operational contracts and agreements.
- The net increases in maintenance, administration, additional staffing resources and other expenditures.

Following is a detailed breakdown of the combined water and wastewater increase and the Region of York and City of Vaughan's relative share of that increase:

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 8, 2014

Item 5, Finance Report No. 5 – Page 4

INCREASE SUMMARY BY PERCENT & CENTS PER M ³		
Region of York Cost of Water & Wastewater	6.35%	17.99 ¢
City of Vaughan Operating Costs:		
Unmetered Water	0.33%	0.94 ¢
Maintenance	0.12%	0.35 ¢
Administration, Financing and Overheads	0.64%	1.83 ¢
Joint Services	0.01%	0.02 ¢
Total City of Vaughan Operating Costs Increase	1.10%	3.14 ¢
City of Vaughan Infrastructure Contribution to Reserves	1.40%	3.96 ¢
TOTAL 2014 INCREASE	8.85%	25.09 ¢

Rate Components

The largest cost component of the consumption rate is the purchase of potable water and wastewater services from the Region as shown below. Water purchases and wastewater purchased services in particular have gone up over the past number of years by approximately 10% annually. Both increases are primarily due to the need to build reserves for future Regional infrastructure requirements supported by rate study.

The City, like the Region, needs to ensure that sufficient reserves will be available for future infrastructure replacement. A significant component of the draft 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 2014 water and wastewater per cubic meter rate components are as follows:

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 8, 2014

Item 5, Finance Report No. 5 – Page 5

	WATER	WASTEWATER	COMBINED	% SHARE
RATE COMPONENTS PER CUBIC METER				
Regional Purchased Services	\$0.8697	\$1.1099	\$1.9796	64%
Unmetered Water	0.1282	0	0.1282	4%
Maintenance	0.1203	0.1425	0.2628	9%
Other*	0.1336	0.0784	0.2120	7%
Lifecycle Contribution - Reserve	0.1557	0.3473	0.5030	16%
TOTAL PER CUBIC METER	\$1.4075	\$1.6781	\$3.0856	100%

* General Admin., Joint Serv., Financing, O/H

Service Fee Update

To update the Water and Wastewater/Storm service fees by-law by including a fee for bulk water sales. The water sold at the City's water filling stations will be priced at the current combined water and wastewater rate per cubic meter.

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)

The Sustainable Water and Sewage Systems Act (SWSSA) requires that an 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 first financial plan was approved by Council on June 11, 2010 and submitted to the Ministry of the Environment on June 18, 2010, and the Ministry of Municipal Affairs and Housing on June 25, 2010. The second financial plan approved by Council on December 10th, 2013, along with the necessary license and permit renewal forms, was submitted to the Ministry of the Environment in January of 2014 with copies being forwarded to the Ministry of Municipal Affairs and Housing. This budget is relatively in line with the 6 year financial plan but adjusted for new information.

Storm Water Infrastructure Priority Projects

A well-maintained storm drainage system is integral to:

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 8, 2014

Item 5, Finance Report No. 5 – Page 6

- Minimizing the risk of flooding on city streets and private properties;
- Enhancing water quality treatment initiatives;
- Supporting monitoring and maintenance practices;
- Meeting current and future regulatory requirements; and,
- Adapting to the demands of climate change.

Work completed to date on the City-Wide Drainage & Stormwater Management Study and Stormwater/Drainage Master Plan has led staff to identify several upcoming priority maintenance and capital projects within the City's stormwater management program. These projects range in size and scale from service level enhancements in the Thornhill area to storm pond cleaning across the City. Similarly, high intensity storm events of recent years in the various areas of the City have shown improvements in how the storm water system is managed and funded.

In keeping with the City's commitment to sound asset management principles, a new study will be initiated to evaluate and update maintenance and replacement cost projections for the City's existing and future stormwater infrastructure. Although there was some research conducted on this issue as part of the 2009 Water and Wastewater Rate Study, this earlier work needs to be updated to better quantify the potential future costs of proactive stormwater management.

As illustrated in separate report on today's agenda, a Stormwater Rate Feasibility Study will begin in 2014 which will provide a comprehensive life cycle costing analysis on existing and future infrastructure requirements. The rate study will also examine different types of rate structures that could be used to provide a sustainable and affordable funding model for the stormwater system. Funds for this initiative were approved through a prior process.

Water Conservation

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

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

Public Works has undertaken a number of initiatives to reduce unmetered water use. Although flushing of watermain 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 in new development areas 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 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.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 8, 2014

Item 5, Finance Report No. 5 – Page 7

Public Works completed the industrial/commercial/institutional (ICI) water meter calibration program in 2012, and a total of 2,951 ICI water meters were inspected/calibrated.

There are 524 water meters that cannot be re-calibrated and have been identified for replacement over the next five years. Accordingly, funds were included in the 2013 Water Budget and additional funds have been included in the 2014 Water Budget to complete this replacement process.

In 2013 Public Works staff also started to gather information from various water meter manufacturers in order to finalize the development of the technical specifications of the 524 meters and scope of work in order to issue a Request For Proposals to perform these large water meter replacements.

Measures are also in place to capture water consumption data from developers who are required to implement a flushing program. Flushing programs ensure that water quality is maintained until sufficient users are in place to ensure a regular changeover of water takes place in watermains. This data is used to charge back the developers for the water they use in this process.

York Region's "Water For Tomorrow" Program

The Water for Tomorrow water conservation programs are designed to provide the tools residents and businesses need to conserve water in the home, in the garden and at work. In 2013 these tools included:

- Rebates for water efficient fixtures such as furnace humidifiers and clothes washers
- Free water audits and incentives for Industrial, Commercial and Institutional (ICI) sector, which include a facility assessment of water use and determining potential savings from equipment and/or process improvements. Rebates are provided based on water savings for businesses which implement these improvements
- Workshops for residents on water efficient landscape practices and techniques.

York Region's Long Term Water Conservation Strategy identifies a suite of program components that enhance the Region's commitment to innovative water conservation programming, water resource protection, etc. These components will be implemented over the period up to 2051. 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 conservation strategy can be viewed on the Region's web site at: www.york.ca. The City has committed to the Strategy, and is pursuing a leak detection program in partnership with the Region.

2014 Water Budget - Revenue & Expenditure Highlights

2014 Water Budget Factors

The consumption volume is conservatively estimated and is developed based on current consumption patterns, annual growth estimates as noted below and does not reflect any weather predictions. The budgeted 2014 water billing revenue includes a 1.0% growth factor for residential, 0.75% commercial growth factor and a draft 5.85% water rate increase.

Expenditures generally reflect changes in operational activity, cost of living increases, inflationary pressures and reflect increases based on existing contracts or agreements.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 8, 2014

Item 5, Finance Report No. 5 – Page 8

Water Rate Plan 2015 to 2017 and Long Term Strategy

In the short term it is expected that the City's water rate will increase in the area of approximately 6% annually. This level of rate increase is necessary to provide for the wholesale cost of water from the Region, the on-going maintenance of the underground infrastructure, other costs and to provide sufficient funds for the future renewal of the water distribution system.

In the long term a City-wide water/wastewater servicing strategy that is in accordance with the Municipal Class Environmental Assessment process has recently been completed. This plan will establish the framework for the provision of a sustainable water/wastewater infrastructure throughout existing and proposed communities to the year 2031.

The City-wide water/wastewater servicing strategy establishes the framework for the provision of sustainable water/wastewater infrastructure needs throughout existing and proposed communities. Programs to optimize efficiencies in existing and expanding systems and other operating expenditures were identified in the Water/Wastewater Master Plan, March 17, 2014. These future cost requirements will be incorporated in the water operating budget as they are rolled out in the future and are beyond the scope for 2015-2017 plan.

2014 Draft Water Budget Highlights

Budgeted Water Revenues & Purchases:

The draft water consumption rate of \$1.4075 per cubic meter as proposed will generate funds to meet annual operational requirements, finance and administration costs, overhead costs and a contribution that will be placed in the water reserve for future infrastructure renewal.

The 2014 budgeted residential and commercial water billings totalling \$50.8 million include a 5.85% rate increase. This includes other revenues mainly from bulk water sales budgeted at \$336K up from the previous year due to increased flushing revenue.

Purchases of potable water from the Region are budgeted at \$36.1 million and this includes an estimate for unmetered water totalling \$4.7 million as outlined further below. These costs include a 7.5% rate increase from the Region which represents 78% of the total water rate increase. The resulting gross margin totals \$14.7 million or 29%.

Installation and service fees are expected to be lower by \$150K due to lower demand. Bank Interest revenue is expected to increase by \$140K due to a higher reserve balance.

Budgeted Unmetered (Non-Revenue) Water Consumption

The 2014 budget for unmetered water is at 13% maintaining the same level as in the past few years. The Non-Revenue Water can be broken down as:

The Non-Revenue Water can be broken down as:

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

A number of initiatives are currently underway by staff to maintain and reduce (where possible) the overall yearly non-revenue consumption. The highest potential for improvement lies within the apparent and real loss components. As noted earlier, the large Industrial/Commercial / Institutional (ICI), meter calibration program has taken place, and funds have been allocated to replace those meters that could not be calibrated.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 8, 2014

Item 5, Finance Report No. 5 – Page 9

To further minimize NRW, the City, in partnership with York Region, will be undertaking a leak detection program. This program will help to further identify potential sources of water loss in the underground infrastructure. Staff are working with York Region and other local area municipalities to further identify and minimize sources of NRW through more detailed analysis of bulk metering and overall analysis of the system as a whole.

Unbilled consumption represents the smallest portion of non-revenue water and relates to items such as fire suppression, main flushing and maintenance, etc. Where possible water/wastewater services are recovered internally for City purposes; such as recreation's swimming pools, City facilities, water features, etc.

The result of the above initiatives and strategies will assist in reducing the City's annual loss due to non-revenue water, which is challenging to justify and will take time to realize noticeable changes.

Budgeted Water Expenditures:

2014 budgeted expenditures total \$10.0 million, slightly lower from last year's budget. Expenditures cover maintenance and installation, administration, financing, overhead, joint service costs and other. The overall decrease in the 2014 budgeted costs of \$247K is primarily in maintenance due to efficiencies and lower planned activity totaling \$526K for some contractor services, offset by increased general administration at \$317K as a result of new complements which have been gapped, full year impact of prior year new hires and other costs such as professional fees and training.

Additional Resource Requests – Water

For 2014, the additional resource requests (ARR) are outlined on Attachment #2. The additional funds are included in the attached water budget and have been gapped and included in general administration. The additional staff complements in Public Works are required to meet growing demands, City initiatives and are fully funded by water consumption rates.

- .50 FTE Water Asset Management Coordinator (Engineering/Public Works) \$29K

A full time Asset Management Coordinator for the Engineering and Public Works Commission is required to perform activities related to asset management of all water & wastewater assets (i.e. sanitary and storm sewers, water mains, pumping stations, etc.) supporting the recommendations outlined in the Corporate Asset Management Strategy. This position will be split between water and wastewater and will report to the Manager of Capital Planning and Infrastructure.

- .29 FTE Corporate Asset Management Manager (Corporate Shared) \$21K

A full time Manager of Corporate Asset Management is necessary for the successful implementation of the Corporate Asset Management Framework and Strategy. This position will lead the Asset Management Office which will consist of 4 Asset management Coordinators within the Community Services, Engineering and Public Works Commissions. A portion of this FTE was previously approved in the City's 2014 budget.

- .60 FTE Treasury Clerk E (Finance) \$37K (.40 FTE Approved in Operating Budget)

This position will assist in identifying potential billing discrepancies on a more timely basis specifically for residential customers and to mitigate back billing

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 8, 2014

Item 5, Finance Report No. 5 – Page 10

issues through quality control/quality audit process. This will assist in maximizing revenue streams and is accomplished by verifying that new accounts are billed against meter installations and building standards records in a timely manner. In order to maximize recoveries this position will assist in the recordkeeping for developer billings process according to the subdivision agreements.

- 1.0 FTE Backflow Prevention Administrator (Public Works) \$47K

This position will facilitate with the development, implementation, monitoring and general administration of the Backflow Prevention Program and shall have an active role in the enforcement of the 'Backflow Prevention Bylaw'. The City delivers safe and clean drinking water (to the end user) through a network of watermains and local distribution systems. Backflow Prevention Program is intended to take a proactive approach towards preventing the contamination of water to the City's water distribution system. This relates to the legislative requirement The Safe Drinking Water Act (SDWA).

Budgeted Water Lifecycle Contribution - Reserve

The 2014 budgeted transfer from water operations to the water reserve is \$5.7 million. These funds will further provide for the future capital requirements of the water infrastructure. To put this in perspective the City's current book value for water infrastructure assets totals \$341.7 million of which \$80.7 million is amortization, theoretically used up. It should be noted that these are historical dollars and therefore does not represent the future replacement cost of existing infrastructure.

The forecasted Capital drawdown on the reserve in 2014 for water related infrastructure needs is expected to be \$4.2 million. Committed capital costs represent approved capital projects not yet begun or completed and total \$6.3 million.

The budgeted reserve balance at the end of 2014 is projected to be \$33.8 million after committed capital projects, approximately 10% of the asset value. These funds will support the future capital requirements of the water infrastructure and help to move the City's drinking water system to a more financially secure and sustainable plan as required under the new Municipal Drinking Water License Program.

2014 Wastewater Budget - Revenue & Expenditure Highlights

2014 Wastewater Budget Factors

The budgeted 2014 wastewater billing revenue includes a 1.0% residential, 0.75% commercial growth factor and an 11.50% wastewater rate increase. The volume of wastewater is not metered and therefore the wastewater consumption volume is based on water assumptions.

Expenditures generally reflect changes in regional requirements, operational activity, cost of living increases, inflationary pressures and reflect increases based on existing contracts or agreements.

Wastewater Plan 2015 - 2017

It is expected that the City's wastewater rate will initially increase approximately 11% and reduce thereafter to approximately 8% as a result of forecasted decreases in Regional wastewater services rate. This level of rate increase is necessary to provide for the wholesale cost of wastewater, on-going maintenance of the underground infrastructure and to provide funding for the future renewal of the wastewater/storm infrastructure system.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 8, 2014

Item 5, Finance Report No. 5 – Page 11

In the long term a City-wide water/wastewater servicing strategy that is in accordance with the Municipal Class Environmental Assessment process has recently been completed. This plan will establish the framework for the provision of a sustainable water/wastewater infrastructure throughout existing and proposed communities to the year 2031.

The City-wide water/wastewater servicing strategy in accordance with the Municipal Class Environmental Assessment process establishes the framework for the provision of sustainable water/wastewater infrastructure needs throughout existing and proposed communities. Programs to optimize efficiencies in existing and expanding systems and other operating expenditures were identified in the Water/Wastewater Master Plan, March 17, 2014. These future cost requirements will be incorporated in the wastewater operating budget as they are rolled out in the future and are beyond the scope for 2015-2017 plan.

2014 Draft Wastewater Budget Highlights

Budgeted Wastewater Revenues and Costs:

The draft wastewater rate of \$1.6781 per cubic meter is based on the draft operating and capital budgets and represents the next step in moving towards full cost recovery as supported by the rate study.

The budgeted residential and commercial wastewater billings in 2014 include an 11.50% rate increase combined with new account activity and revenues are expected to reach \$58.7 million.

The cost for the wastewater disposal service from the Region is budgeted at \$45.2 million and these costs include a 12.0% rate increase from the Region which represents 69% of the total wastewater rate increase. The Region's treatment cost for wastewater is based on potable water purchased by the City. The resulting gross margin totals \$13.5 million or 23%.

Budgeted Other Wastewater Revenues

Installation and service fees have declined from \$16K due to demand. The 2014 local improvement revenue is budgeted at \$234 and is mostly offset by the cost of debentures. Bank interest revenue is expected to increase by \$169K due to a higher reserve balance.

Budgeted Wastewater Expenditures:

2014 budgeted expenditures total \$8.4 million up from last year's budget by \$0.5 million covering maintenance, administration, storm sewer, financing, joint services, overhead and other. Budgeted maintenance at \$3.8 million is up by \$0.2 million primarily due to contractor increases for sewer camera inspections, flushing and main repairs offset by higher new development recoveries.

General administration is up by \$192K primarily due to the full year impact of prior year staffing, new additional resource requests and other minor adjustments in discretionary costs for professional fees, training and permits fees.

Storm sewer maintenance is up by \$75K over last year's budget primarily due to higher contractor services in the area of pond management and drainage.

Additional Resource Requests – Wastewater

For 2014, the additional resource requests (ARR) are outlined on Attachment #2. The additional funds are included in the attached wastewater budget and have been gapped and included in general administration. The additional staff complements in Public Works (PW) are required to meet growing demands, City initiatives and are fully funded by wastewater consumption rates.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 8, 2014

Item 5, Finance Report No. 5 – Page 12

- 1.0 FTE Environmental Program Planner (Public Works – FTE Transfer) \$93K

This FTE is a transfer from PW with new duties realigned to reflect wastewater administrative activities and resulted in an equal savings amount in the City's approved 2014 budget. Reporting to the Supervisor of Public Works Administration this role is responsible for creating, developing and monitoring programs. These programs and reporting will focus on the areas of water loss prevention initiatives, inflow/infiltration initiatives, environmental reporting and performance measurement of these programs.

- 1.0 FTE Sewer Use Compliance & By-Law Coordinator (Public Works) \$47K

The Sewer Use Program/By-law is intended to protect sewer systems, streams, and lakes. The By-law establishes limits on the discharge of substances that may impact the safe operation of sewers, adversely affect public health, property or the environment. This position will be responsible for sampling and monitoring industrial and commercial discharges, investigates Sewer Use complaints, notify parties in violation of the By-law and ensures that all costs are recovered associated with system repairs.

- .29 FTE Corporate Asset Management Manager (Corporate Shared) \$21K

A full time Manager of Corporate Asset Management is necessary for the successful implementation of the Corporate Asset Management Framework and Strategy. This position will lead the Asset Management Office which will consist of 4 Asset management Coordinators within the Community Services, Engineering and Public Works Commissions. A portion of this FTE was previously approved in the City's 2014 budget.

- .50 FTE Wastewater Asset Management Coordinator (Engineering/Public Works) \$29K

A full time Asset Management Coordinator for the Engineering and Public Works Commission is required to perform activities related to asset management of all water & wastewater assets (i.e. sanitary and storm sewers, water mains, pumping stations, etc.) supporting the recommendations outlined in the Corporate Asset Management Strategy. This position will be split between water and wastewater and will report to the Manager of Capital Planning and Infrastructure.

Budgeted Wastewater/Storm Lifecycle Contribution - Reserve

The 2014 budgeted transfer from wastewater operations to the wastewater/storm reserve is \$6.0 million. These funds will provide for the future capital requirements of the wastewater/storm infrastructure. To put this in perspective the City's current book value for wastewater/storm infrastructure assets totals \$1.175 billion of which \$221 million is amortized, theoretically used up. It should be noted that these are historical dollars and therefore does not represent the future replacement cost of existing infrastructure.

The forecasted Capital drawdown on the reserve in 2014 for water related infrastructure needs is expected to be \$0.3 million. Committed capital costs represent approved capital projects not yet begun or completed and total \$2.7 million.

The budgeted reserve balance at the end of 2014 is projected to be \$41.0 million after committed capital projects, approximately 3.5% of the asset value and significantly below the amount amortized. These funds will support future capital requirements of the wastewater/storm

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 8, 2014

Item 5, Finance Report No. 5 – Page 13

infrastructure and move towards a wastewater/storm system that is financially secure and sustainable. Requirements in the immediate future are provided for, but future additional funding will be required to address larger projects anticipated in mid to longer term forecasts.

Relationship to Vaughan Vision 2020

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

Regional Implications

There are no implications however, the Regional increases for 2014 represents 72.0% of the City's combined increase of 8.85%.

Conclusion

The combined draft rate increase at 8.85% consists of the Region of York's share at 6.35% for purchased services (or 72%) and the City's share at 2.5% (or 28%). These rate increases are necessary to ensure that sufficient reserves will be available for future infrastructure replacement.

The 2014 draft water/wastewater/storm budgets will generate funds to support operations and move towards full cost recovery thereby meeting the Safe Drinking Water Act requirements.

Based on the draft rate increase for water and wastewater the impact to the ratepayer that consumes 300 cubic meters per year will be approximately \$75.27 or \$6.27 per month.

It is therefore recommended that the City's water rate be increased to \$1.4075 per cubic meter and that the wastewater rate be increased to \$1.6781 per cubic meter both effective May 2014.

Attachments

Attachment No. 1:	2014 Draft Operating Water and Wastewater/Storm Budgets
Attachment No. 2:	The 2014 Water/Wastewater/Storm ARR Staffing Requests
Attachment No. 3:	2014 Water and Wastewater Municipal Rate Comparison
Attachment No. 4:	Water, Wastewater & Drainage 2014 Business Plan
Attachment No. 5:	2015 – 2017 Plan
Attachment No. 6:	Approved 2014 Capital Budgets and 2015 – 2017 Capital Plans

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.)