

1

2010 BUSINESS PLAN AND BUDGET

The Environmental Services Committee recommends:

- 1. Receipt of the presentation by Erin Mahoney, Commissioner of Environmental Services; and**
- 2. Adoption of the recommendations contained in the following report dated October 19, 2009, from the Commissioner of Finance, with the following additional recommendation:**
 - 4. That the Finance and Administration Committee give consideration to allocating the remainder of unallocated funds that have been received by the Region from Provincial surpluses pursuant to the *Investing in Ontario Act*, to solid waste projects.**

1. RECOMMENDATIONS

It is recommended that:

1. The Environmental Services Committee consider and approve the draft 2010 Capital and Operating Business Plans and Budgets for Water Services, Wastewater Services and Solid Waste Management as submitted.
2. The Committee's recommendations be forwarded to the Commissioner of Finance for consolidation into a report to the Finance and Administration Committee meeting on December 3, 2009.
3. Contributions to the Solid Waste Management Reserve Fund be enhanced in future annual budgets where feasible.

2. PURPOSE

The purpose of the report is to provide a summary of the 2010 Capital and Operating Business Plans and Budgets for Water & Wastewater Services and Solid Waste Management for consideration and recommendation to Finance and Administration Committee and adoption by Regional Council on December 16, 2009.

3. BACKGROUND

The consolidated 2010 Capital and Operating Business Plan and Budget was tabled with Regional Council on October 22, 2009. It was received and referred to Standing Committees for their consideration and recommendation.

The Committee's recommendations on the Capital and Operating Business Plans and Budgets will form part of a comprehensive report to Finance and Administration Committee meeting of December 3, 2009. The Finance and Administration Committee's recommendations will then be submitted to Regional Council with final budget approval scheduled for December 16, 2009.

4. ANALYSIS AND OPTIONS

4.1 Capital Business Plan and Budget

The capital budget includes projects for new infrastructure, replacement or rehabilitation in support of growth and development within York Region.

The Total Project Budget Authority concept was implemented this year to add greater clarity regarding multi-year commitments for capital budgets. Spending authority is requested for the following:

- 1) All projects with 2010 budget requirements; and
- 2) Budget requirements beyond 2010 for those projects which require a commitment to expenditures in future years.

Table 1 below lists all budget amounts for which Total Project Budget Authority is being requested for 2010. This table includes a list of departments, their associated 10-year budget requirements and page references to the Capital Business Plan & Budget document.

Table 1
2010 Total Project Budget Authority

Department	Page No.	2010 Budget (\$000s)	2011-2019 Budget (\$000s)
Water Services	146-151	263,690	670,605
Wastewater Services	186-189	410,809	488,605
Solid Waste Management	214-215	22,040	57,300

4.2 Operating Business Plan and Budget

The 2010 Operating Business Plan and Budget includes the cost of providing base service, mandatory or legislated requirements, and those in support of growth and or service enhancements to York Region.

The operating budgets for the noted departments are found in the 2010 Operating Business Plan and Budget document as outlined in Table 2 below.

Table 2
2010 Operating Budget

Department	Page No.	2010 Gross Operating Expenditures (incl. Contribution to Capital) (\$000s)	2010 Net Operating Expenditures (incl. Contribution to Capital) (\$000s)
Water & Wastewater Services ¹	108	\$293,966	\$0
Solid Waste Management ²	138	\$52,984	\$39,160

¹ Water & Wastewater Operating expenditures (including Corporate Allocations) are recovered from User Rates

² excludes Corporate Allocations

Improvement in the market for recyclable materials provides an opportunity to increase contributions to the Solid Waste Management Reserve Fund

In 2008, the market for the sale of recyclable materials experienced a downturn, with York Region's "Basket of Goods" price decreasing from \$147 per tonne (average from January 2008 to September 2008) to a forecasted price of \$43 per tonne for November and December of 2008. Accordingly, the 2009 budget was based on \$43 per metric tonne. Since that time, the market for the sale of recyclables has improved, and the 2010 budget is based on a forecasted price of \$55 per metric tonne. As a result of the improved market prices, a contribution to the Solid Waste Management Reserve Fund of \$1 million is included in the 2010 budget. This will help to fund future capital initiatives that are required for this program.

It is proposed that contributions to the Solid Waste Management Reserve Fund be enhanced in future budget years where feasible, recognizing that any increase in market prices for the sale of recyclable materials as compared to the 2009 budget represents an opportunity to fund such contributions. The feasibility of making an increased reserve contribution in any given year will depend on anticipated market prices, anticipated tonnage to be collected and other circumstances in that particular budget year.

5. FINANCIAL IMPLICATIONS

2010 Total Project Budget Authority for the departments noted in Table 1 necessitates commitment of \$1.9 billion in 2010 and future years. Expenditures not identified for consideration but contained within the ten year capital plan are provided for planning purposes and will be formally approved in subsequent years.

The above noted operating budgets in Table 2 total \$39.2 million or 5.2% of the Region's total 2010 proposed net operating budget.

Improved recyclable material prices provide an opportunity to enhance contributions to the Solid Waste Management Reserve Fund in 2010 and potentially in future budget years. Enhanced contributions to this reserve will help provide funding for solid waste capital projects and mitigate reliance on the tax levy to fund these projects.

6. LOCAL MUNICIPAL IMPACT

The Region provides essential services to the residents and businesses in York Region. The challenge of meeting growing demands for service and improving service delivery is addressed through the Region's business planning process. The review of resource needs and ongoing search for options to address and mitigate budget pressures are important elements in the budget process.

7. CONCLUSION

This report sets out the proposed 2010 Capital and Operating budget for Water & Wastewater Services and Solid Waste Management, as summarized in Tables 1 and 2 above. To facilitate the completion of the budget process, it is recommended that the Committee's recommendations be forwarded to the December 3, 2009 Finance and Administration Committee for consolidation and recommendation to Regional Council on December 16, 2009.

For more information on this report, please contact Kelly Strueby, Director Business Planning and Budgets at Ext. 1611.



2010 Environmental Services Capital & Operating Budget

**Environmental Services
Committee**

**Erin Mahoney
November 11, 2009**

Agenda

- ❑ Environmental Services Overview
- ❑ Water & Wastewater
 - ❑ Overview
 - ❑ Capital & Operating 2010 Budget Review
- ❑ Waste Management
 - ❑ Overview
 - ❑ Capital & Operating 2010 Budget Review
- ❑ Next Steps

Environmental Services Overview



2009 Key Accomplishments

- ❑ 99.8 % compliance score on MOE inspections
- ❑ Highest diversion rate of all WDO large urban Municipalities
- ❑ Positive government review of South East Collector released in October
- ❑ Inflow & Infiltration program launched in partnership with Area Municipalities
- ❑ Region wide rebate program as part of Water for Tomorrow



Supporting Mandated Growth, Providing Quality Services & Maintaining over \$2 Billion in Assets

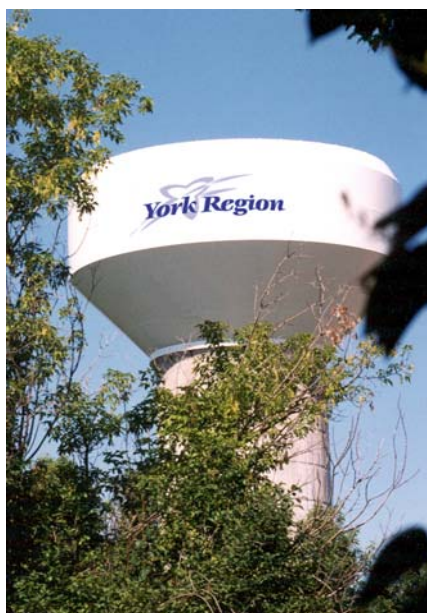
2009 Key Accomplishments (cont'd)

- ❑ \$77.1M of stimulus funding received for 5 projects with total cost of \$115.7M
- ❑ Implemented final phase of internal controls for PSAB 3150 regulation
- ❑ Opened first Community Environmental Centre in Vaughan
- ❑ Advocacy with Province on Source Water Protection, Lake Simcoe Act, Extended Producer Responsibility and Intra-Basin Transfer
- ❑ Managed 56 W&Ww capital projects
- ❑ 12 capital projects commissioned, 16 tendered, 10 EA's completed and 14 new projects initiated



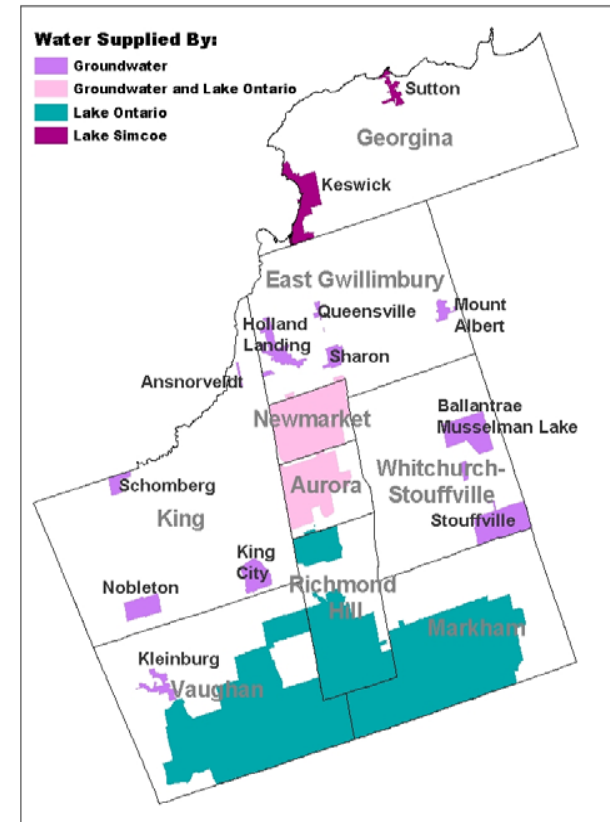
\$395M of capital to be delivered in 2009

Water & Wastewater Overview



Water & Wastewater - Overview

- ❑ Complex water system includes 2 treatment plants, 37 wells, 40 storage facilities and 300 kms of watermain
- ❑ Wastewater system includes the YDSS, 7 WW treatment plants and 270 kms of sewer
- ❑ Inter-Municipal agreements with Toronto, Peel and Durham
- ❑ Enhanced treatment technology to meet new regulatory needs - membranes planned for Lake Simcoe Ww plants



Delivering Sustainable Services for a Growing Region

Water & Wastewater - Key Objectives

- ❑ Provide Clean and Safe Drinking Water
- ❑ Support Population and Employment Growth
- ❑ Proactively Manage Assets
- ❑ Return Good Quality Effluent to the Environment
- ❑ Minimize risk through compliance with DWQMS, Acts and Regulations



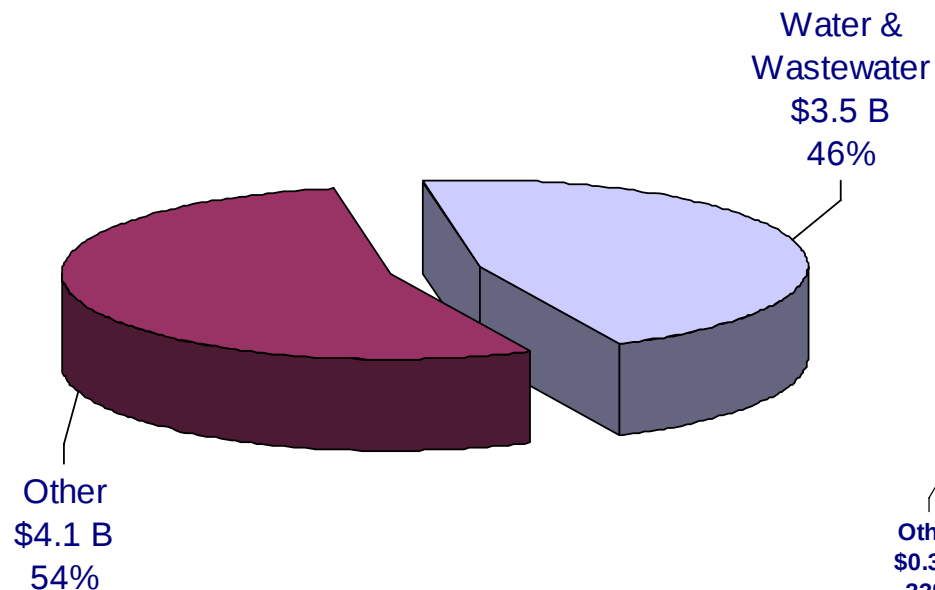
Water and Wastewater Service Delivery Supports Key Elements of Vision 2026

2010 Water & Wastewater Capital Budget

Region's Total Capital Plan

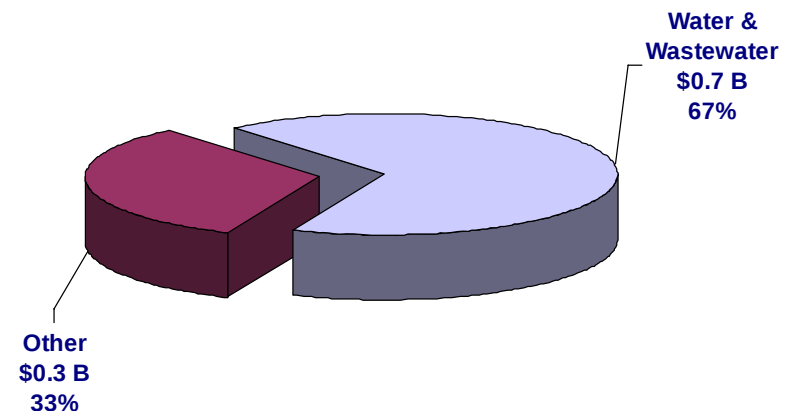
2010 -2019 Plan

\$7.6 B



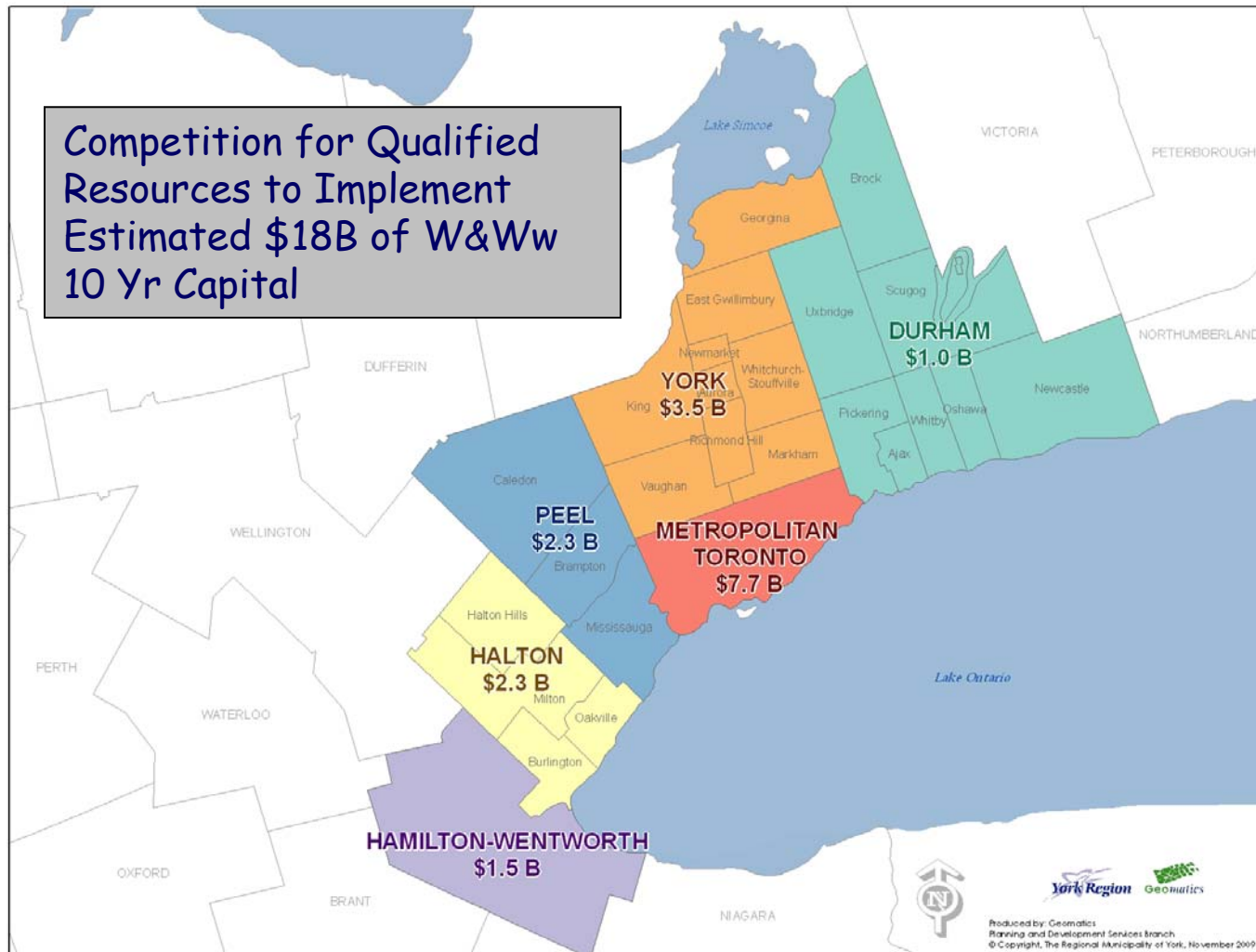
2010 Budget

\$1.0 B

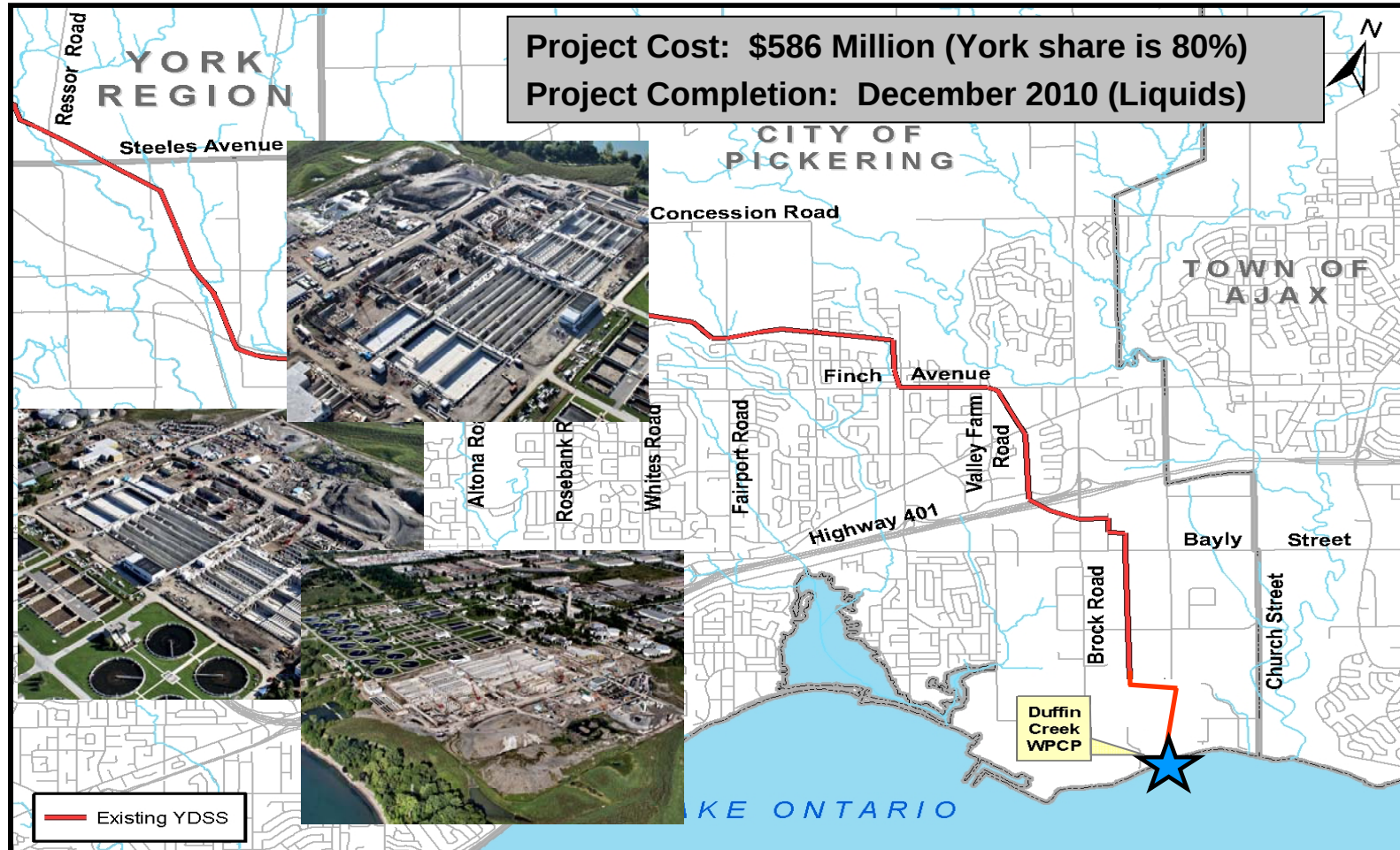


W&Ww 10 Year Capital is 46% of York's Total Plan and 67% of 2010 Plan

10 Year Water & Wastewater Capital Programs in GTAH

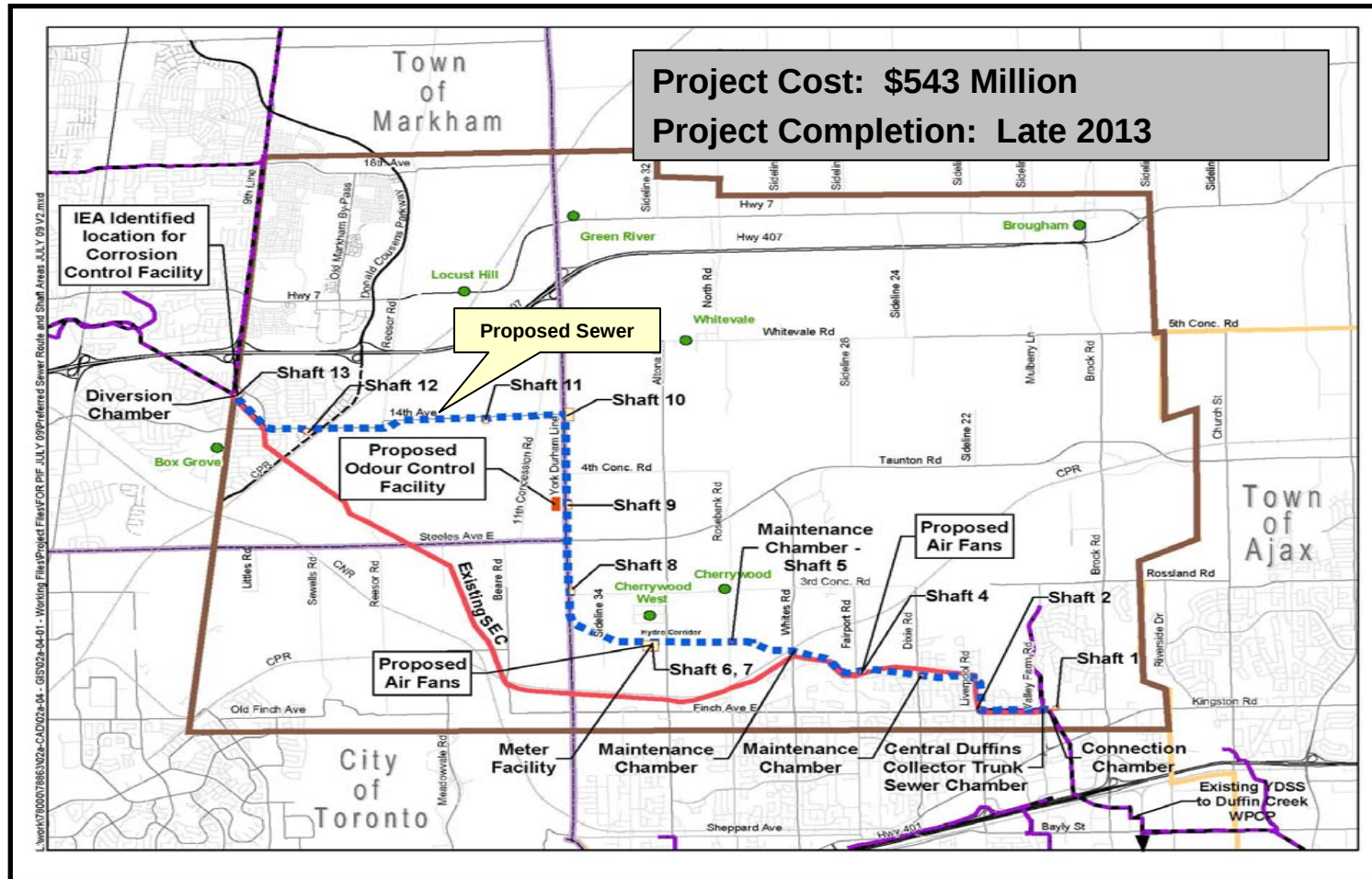


Duffin Creek WPCP Stage 3 Expansion



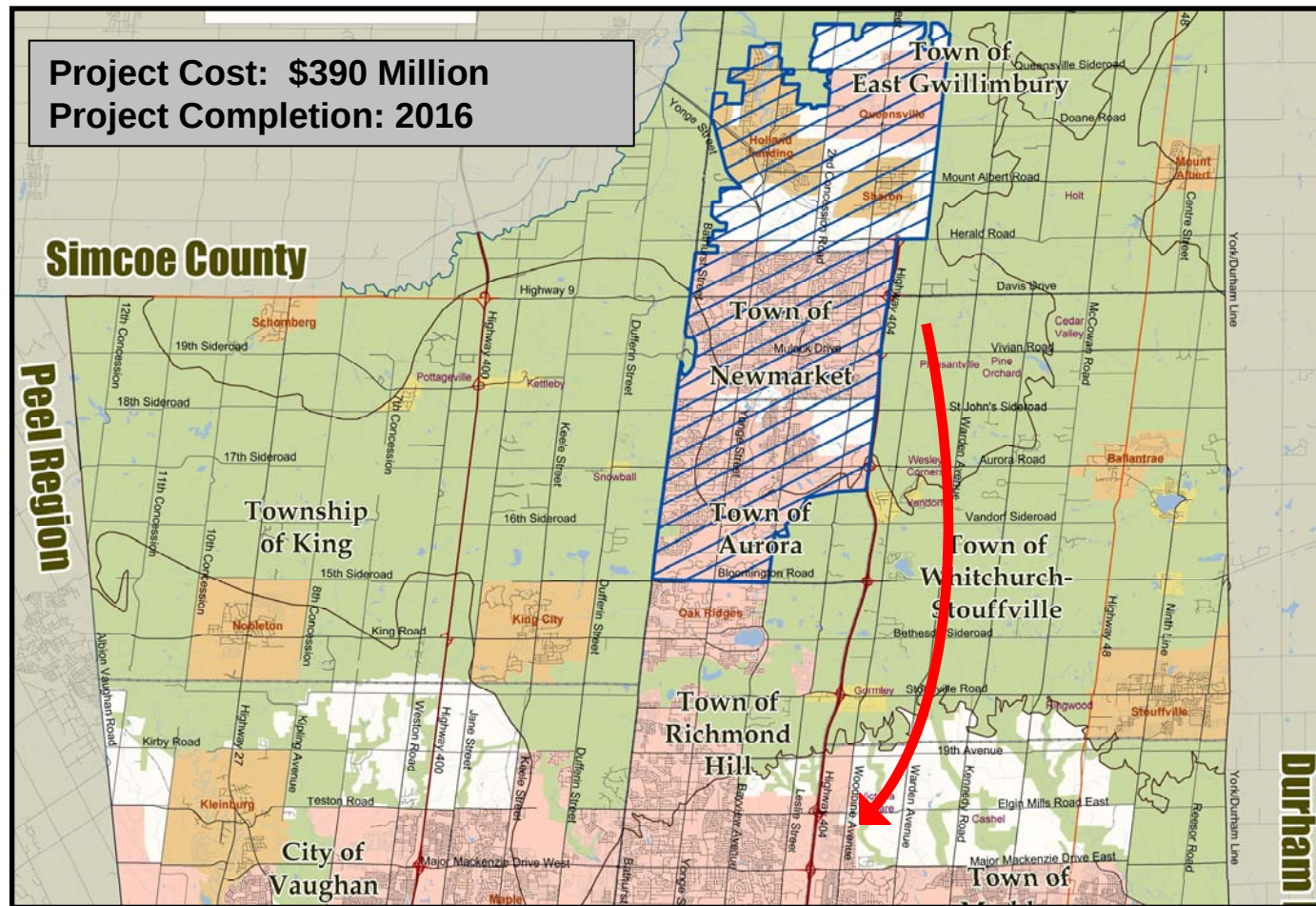
Construction 60% Complete - Solids Contract Award in November 2009

Southeast Collector Trunk Sewer



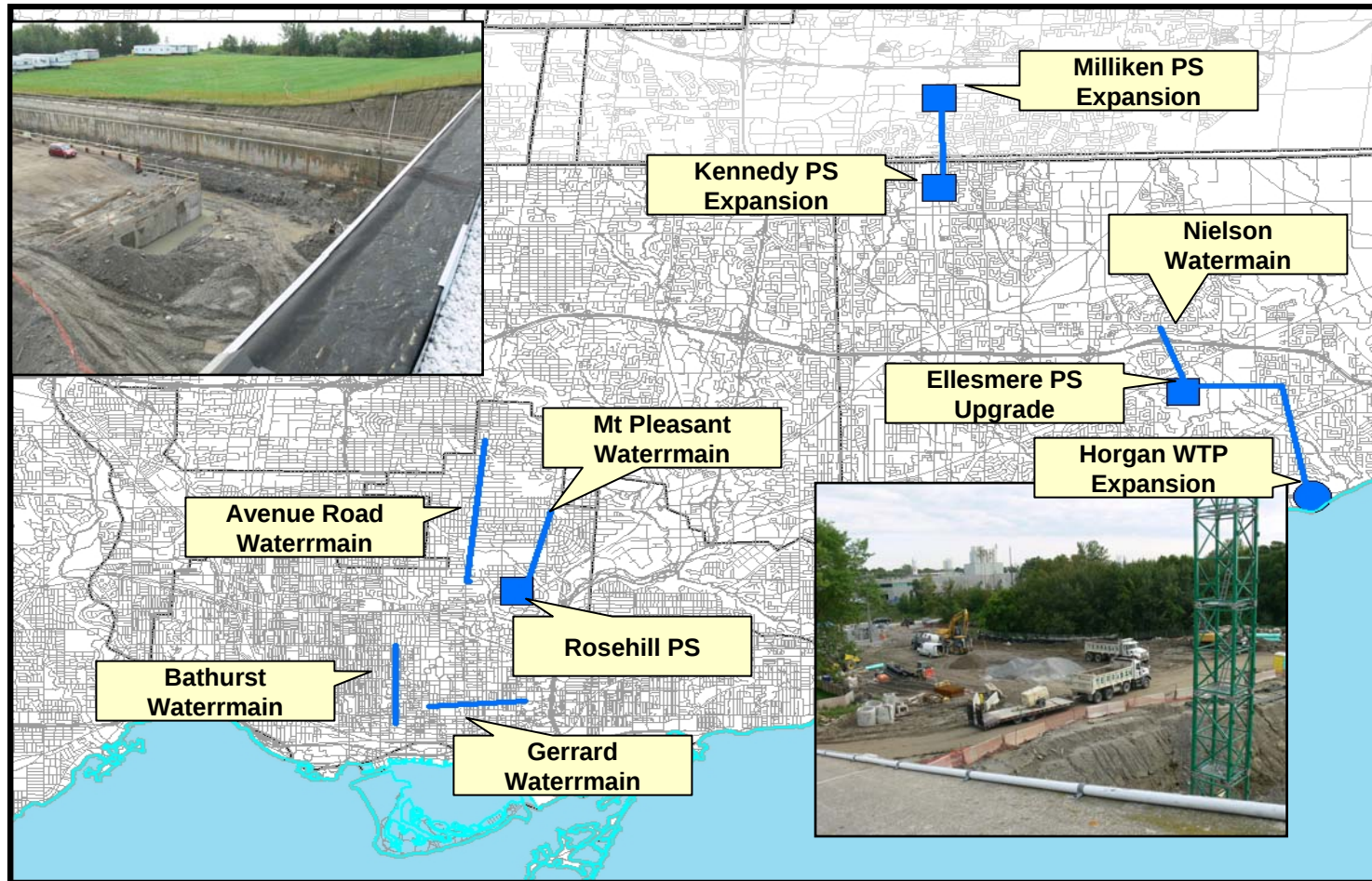
IEA Filed & Positive Government Review Released

Upper York Sewage Solutions



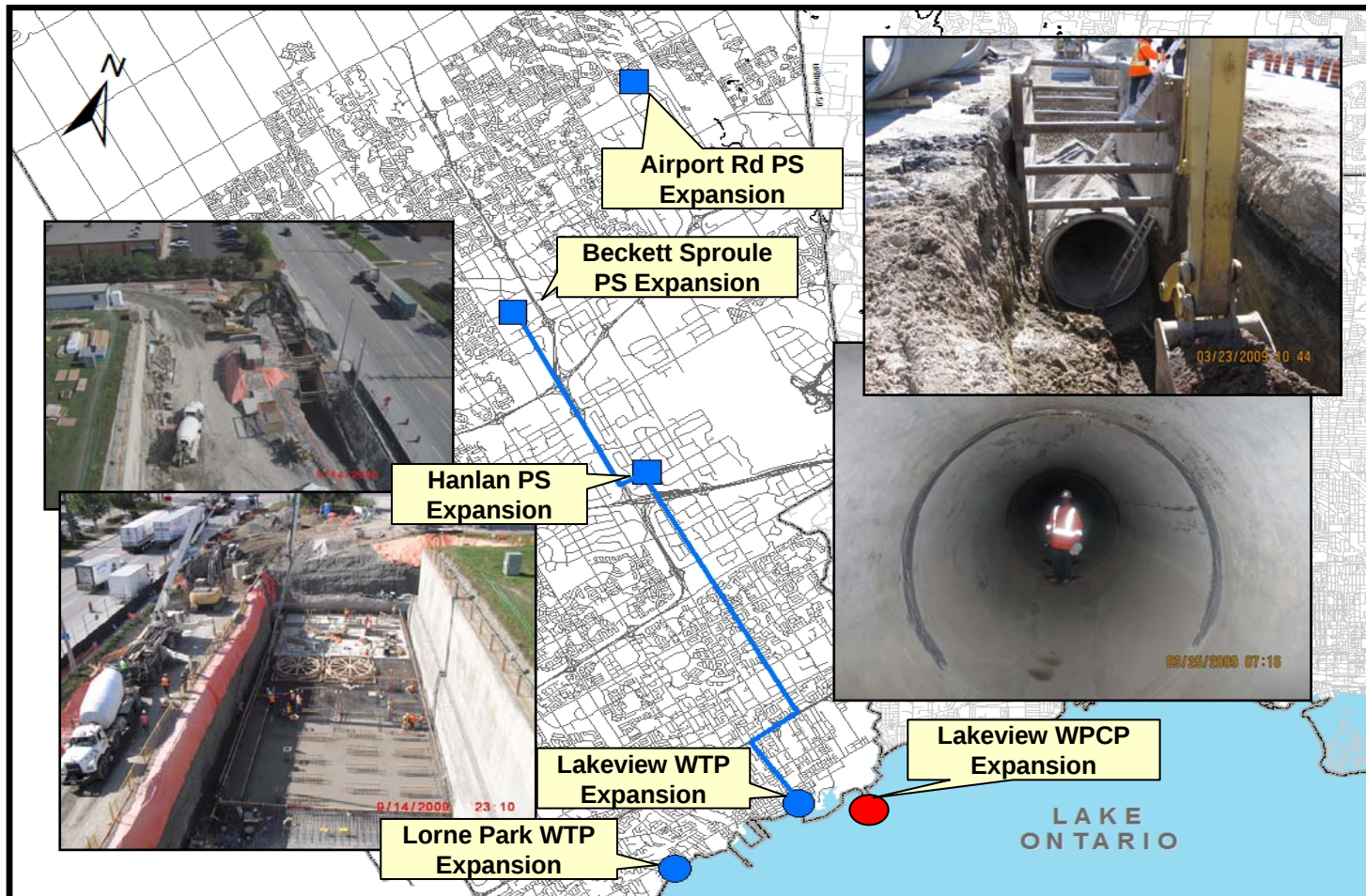
IEA Underway and Terms of Reference to be Filed in November

Toronto Cost Shared Works



\$409.8M 10 Yr Capital Secures Water Supply for 52% of Region to 2031

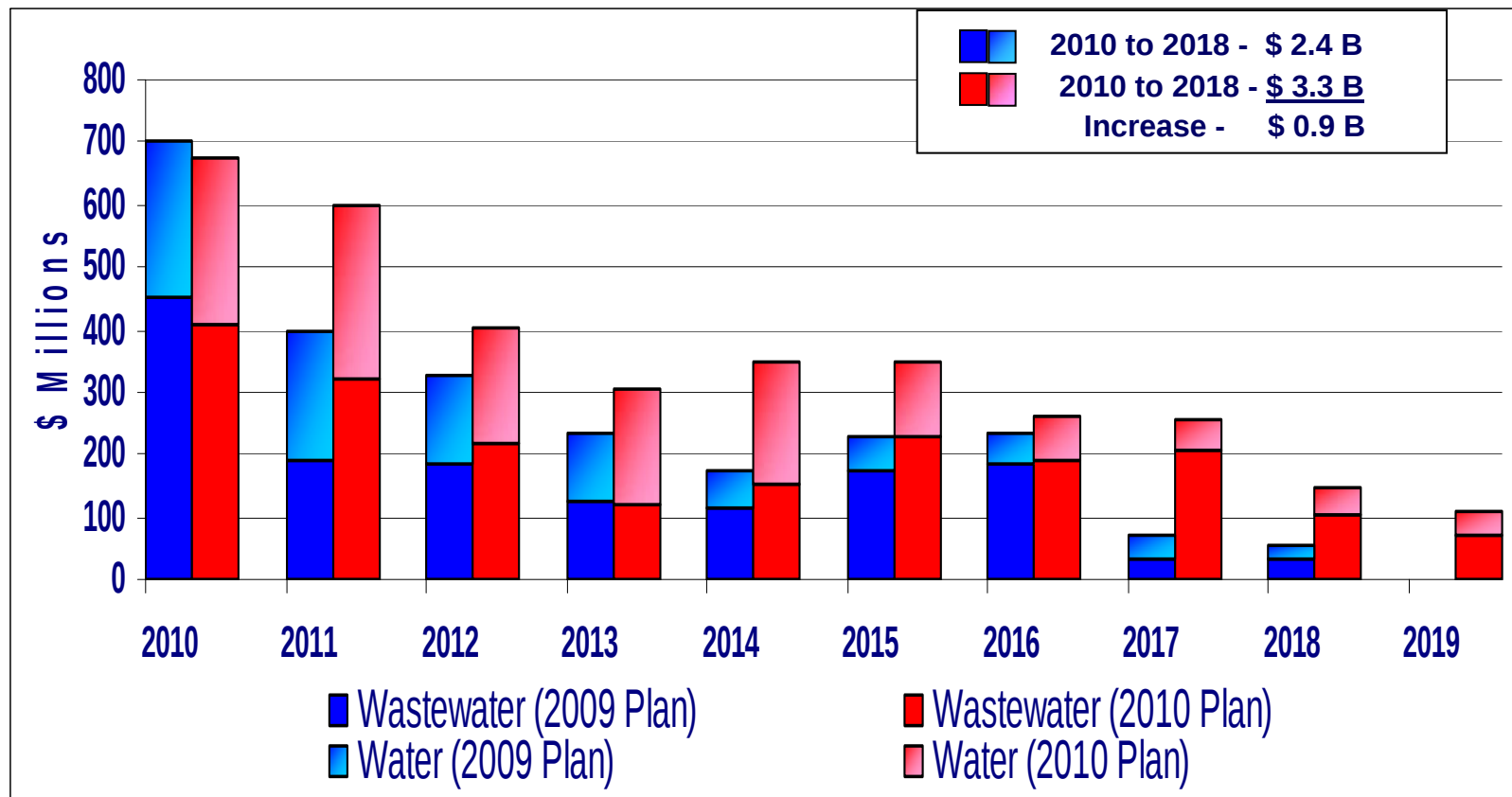
Peel Cost Shared Works



\$420.8M Investment in Water & Wastewater Secures Capacity to 2031

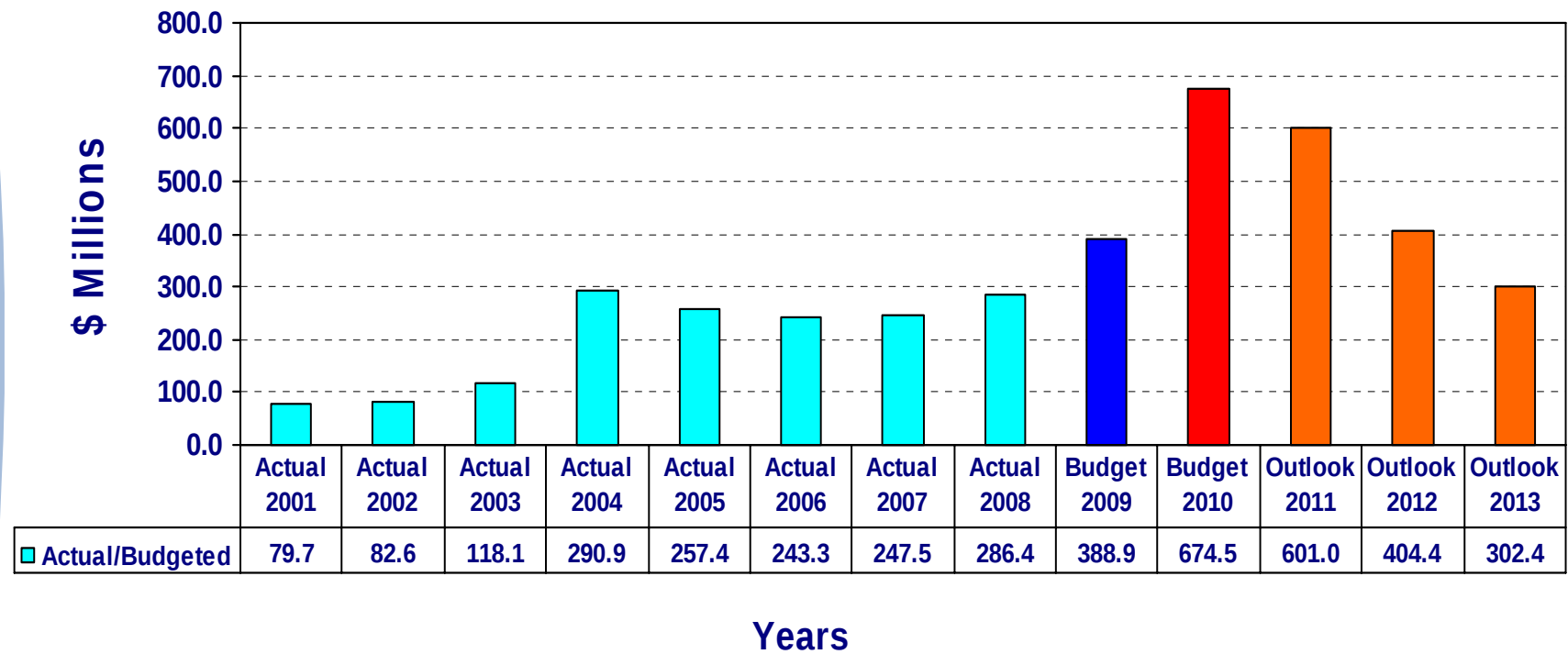
2009 Plan vs 2010 Plan – W&Ww

Gross Costs Comparison (2010 to 2018)



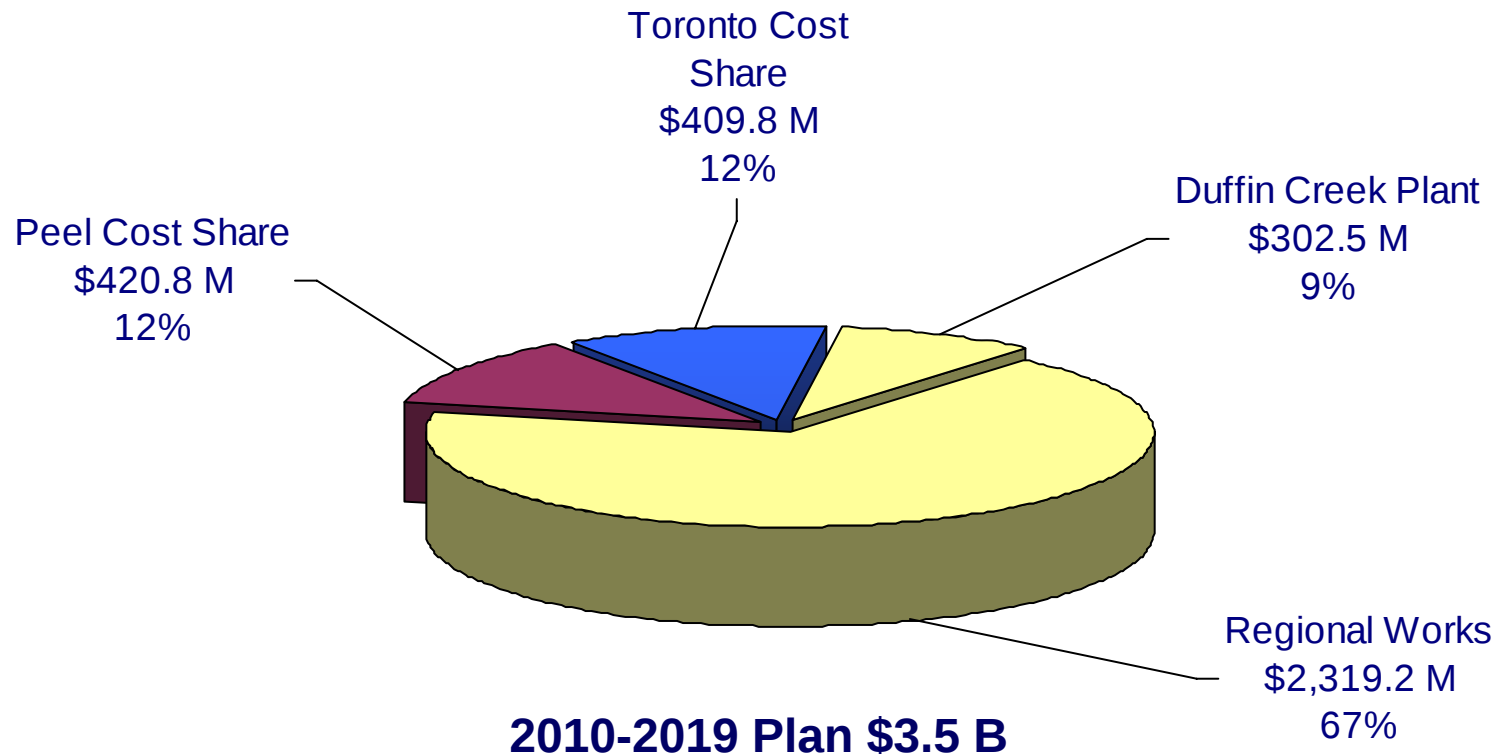
\$0.9B Increase in 10 Yr Plan Identified in Updated Master Plan

Capital Cost History – Water and Wastewater



Over 50 Projects in Construction During 2010 (Triple the Projects from 2009)

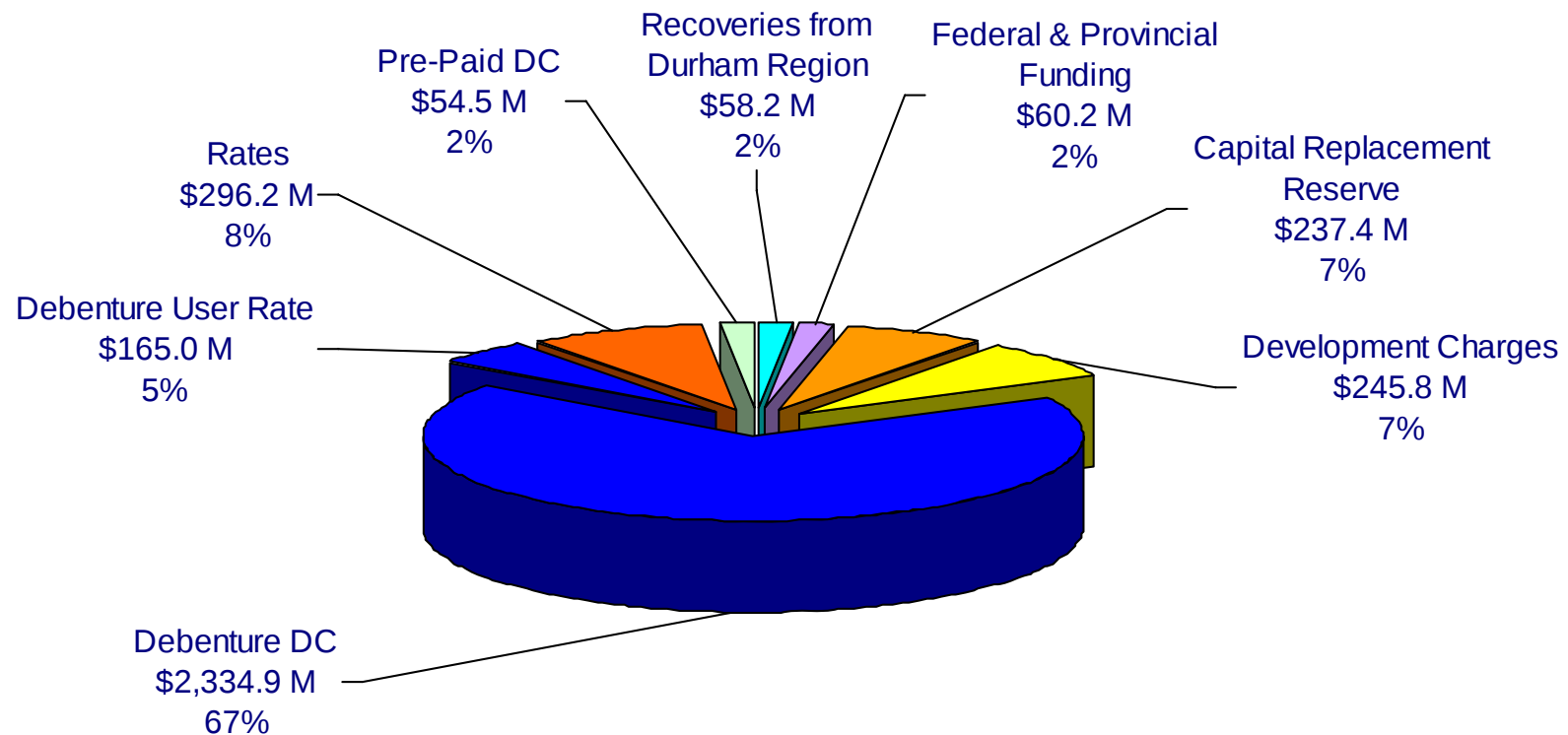
2010-2019 Capital Plan – Water & Wastewater



33% of 10 Year Capital Due to Peel, Toronto Cost Shared Works and Duffin Creek Plant

2010-2019 Capital Plan – Water & Wastewater

Cash Flow Sources

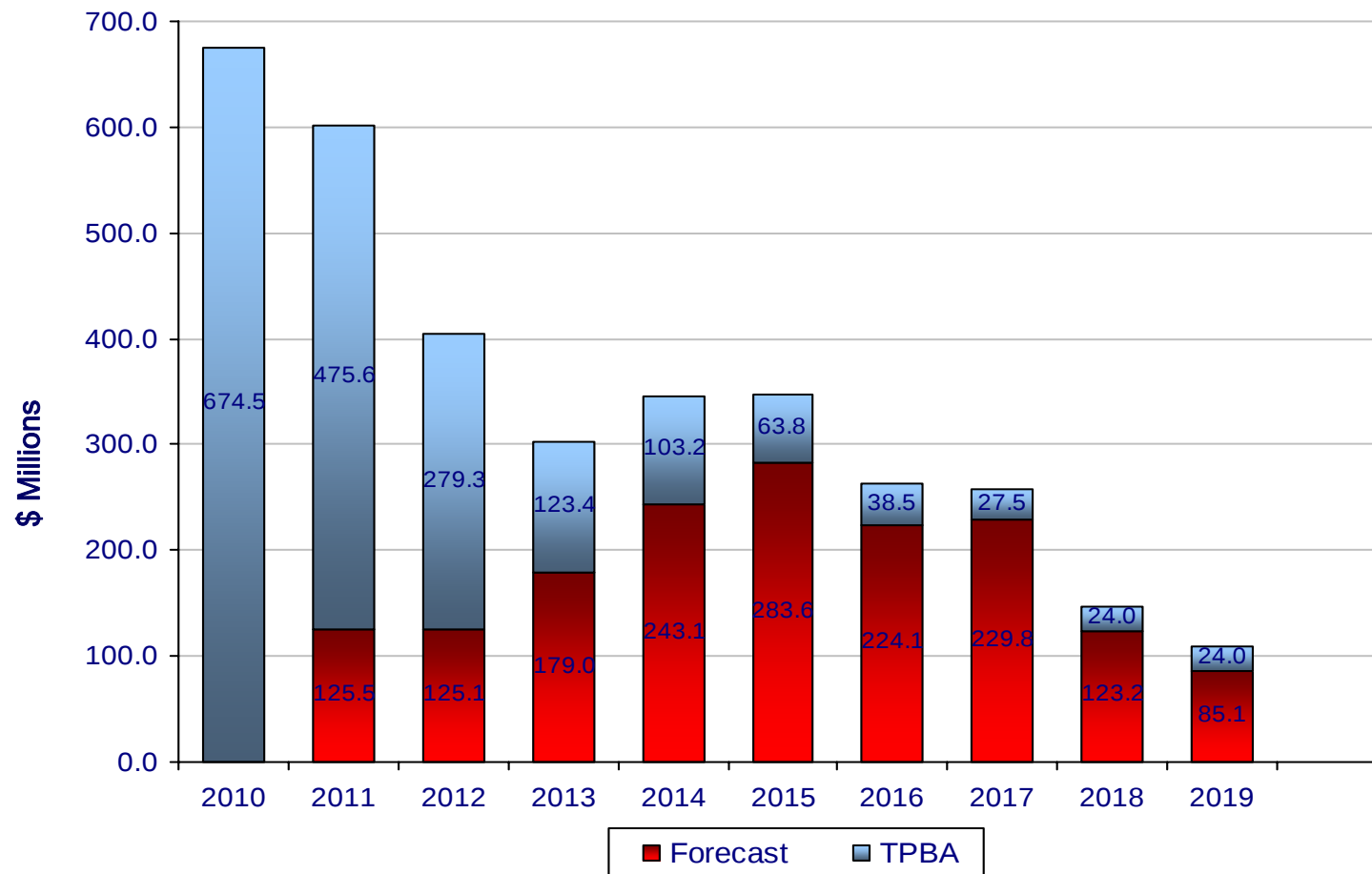


2010-2019 Plan \$3.5 B

76% of 10 Year Cash Flow Sourced from Development Charges

W&Ww - Total Project Budget Authority

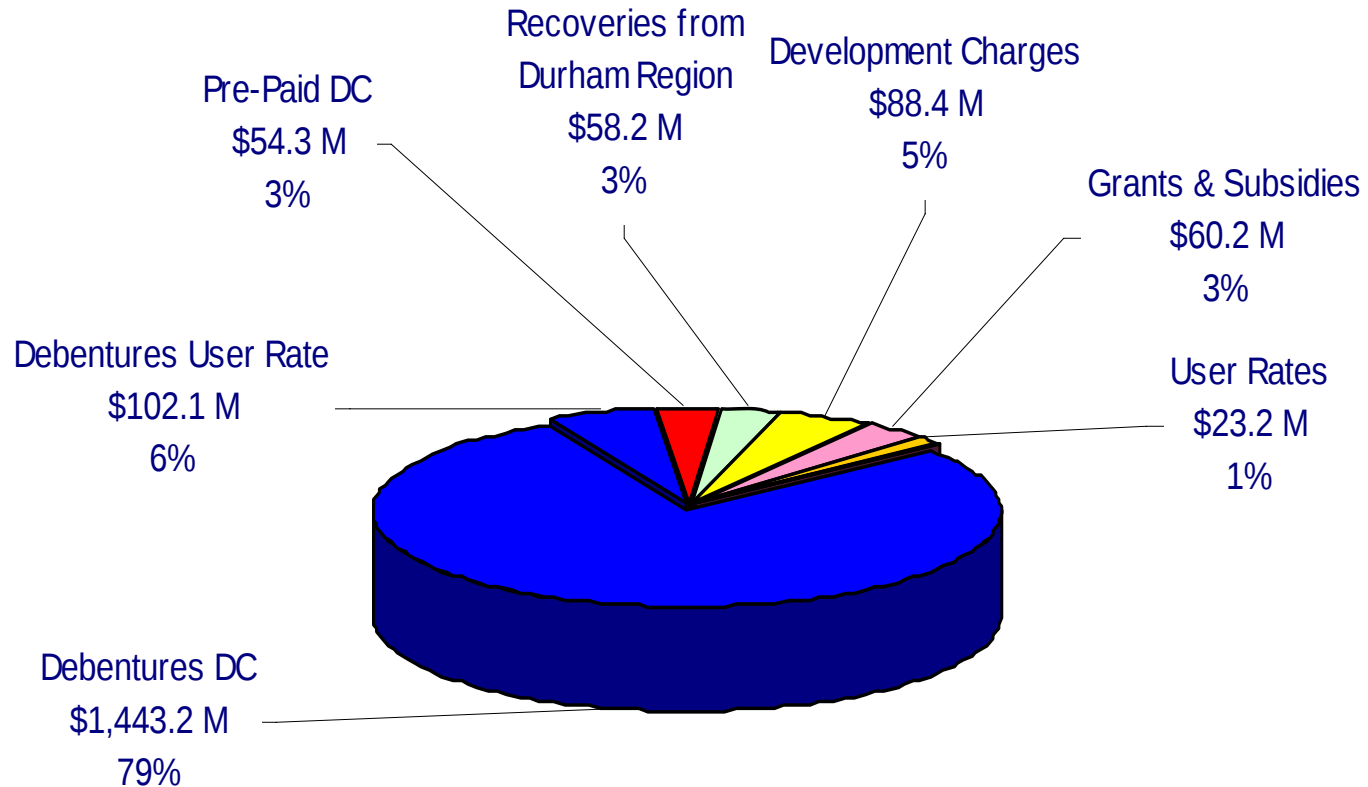
2010 Plan: 2010-2019 Request \$3.5 B



Our Large Complex Capital Projects Require Multi-year Commitment of \$1.8B

2010 W&Ww Capital Financing

Total Project Budget Authority of \$1.8B



85% of Total Project Budget Authority to be Debt Financed

2010 Water & Wastewater Operating Plan & Budget

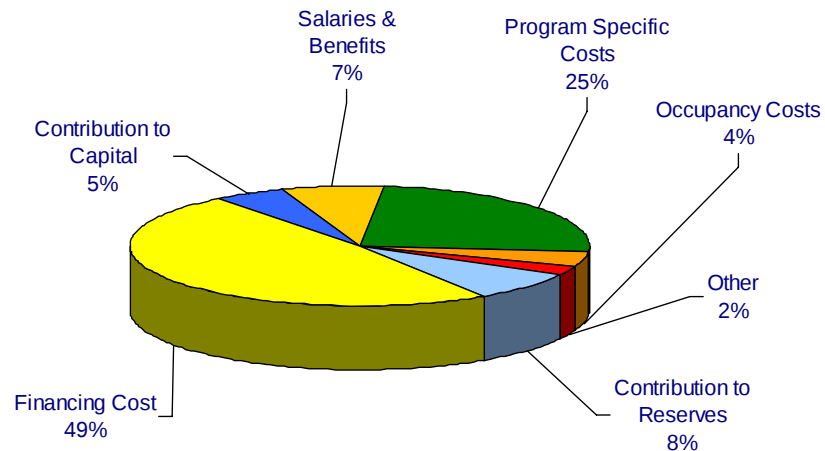
2010 Operating Initiatives - W&Ww

- ❑ Continued operational excellence
- ❑ Regulatory Compliance
- ❑ Increased focus on preventative maintenance and identification of Infrastructure Improvement Projects
- ❑ Production of the State of Infrastructure Report
- ❑ Driving business process improvements based on national benchmarking results

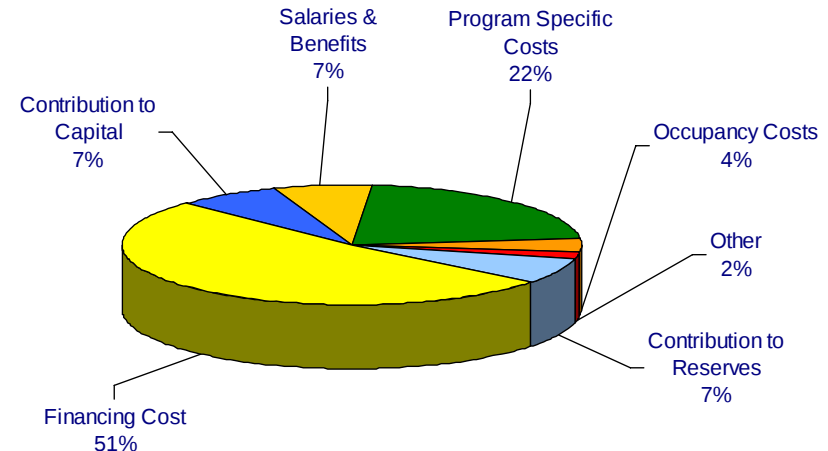
Supporting Mandated Growth, Providing Quality Services & Maintaining
over \$2 Billion in Assets

2009 / 10 Budget Overview - W&Ww Operating

2009
GROSS EXPENDITURES
\$260.7 Million



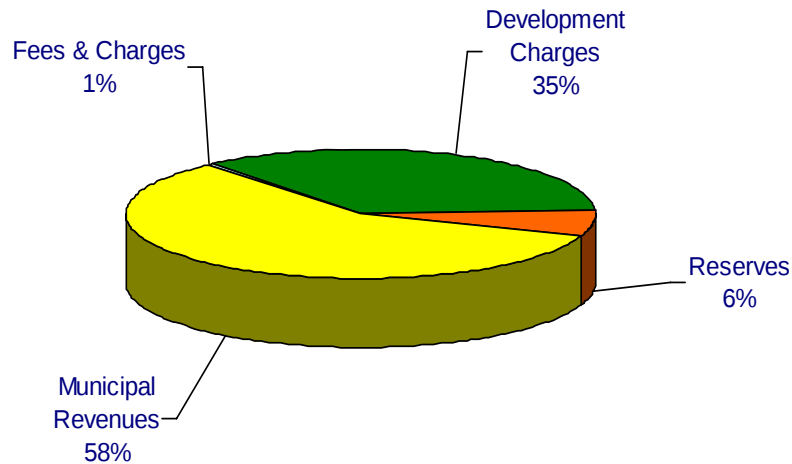
2010
GROSS EXPENDITURES
\$298.9 Million



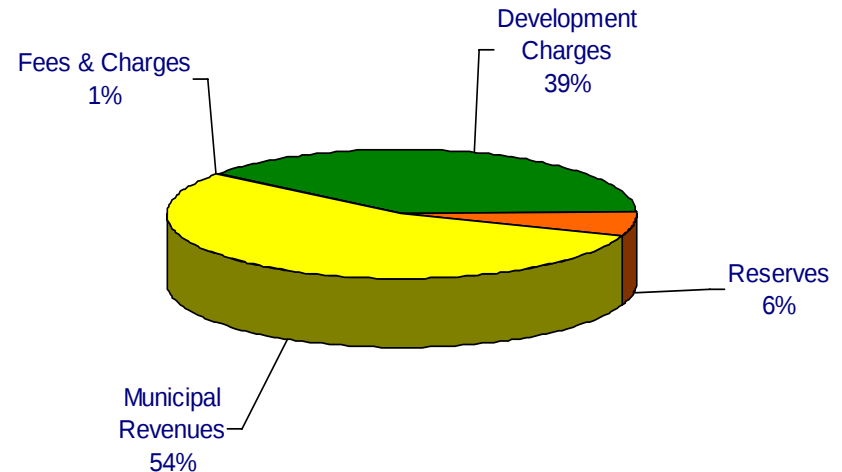
65% of the Operating Expenditures Relate to Infrastructure Capital and Financing Costs

2009 / 10 Budget Overview - W&WW Operating

2009
GROSS REVENUES
\$260.7 Million



2010
GROSS REVENUES
\$298.9 Million



Contribution from Reserves of 6% or \$18.2M in 2010

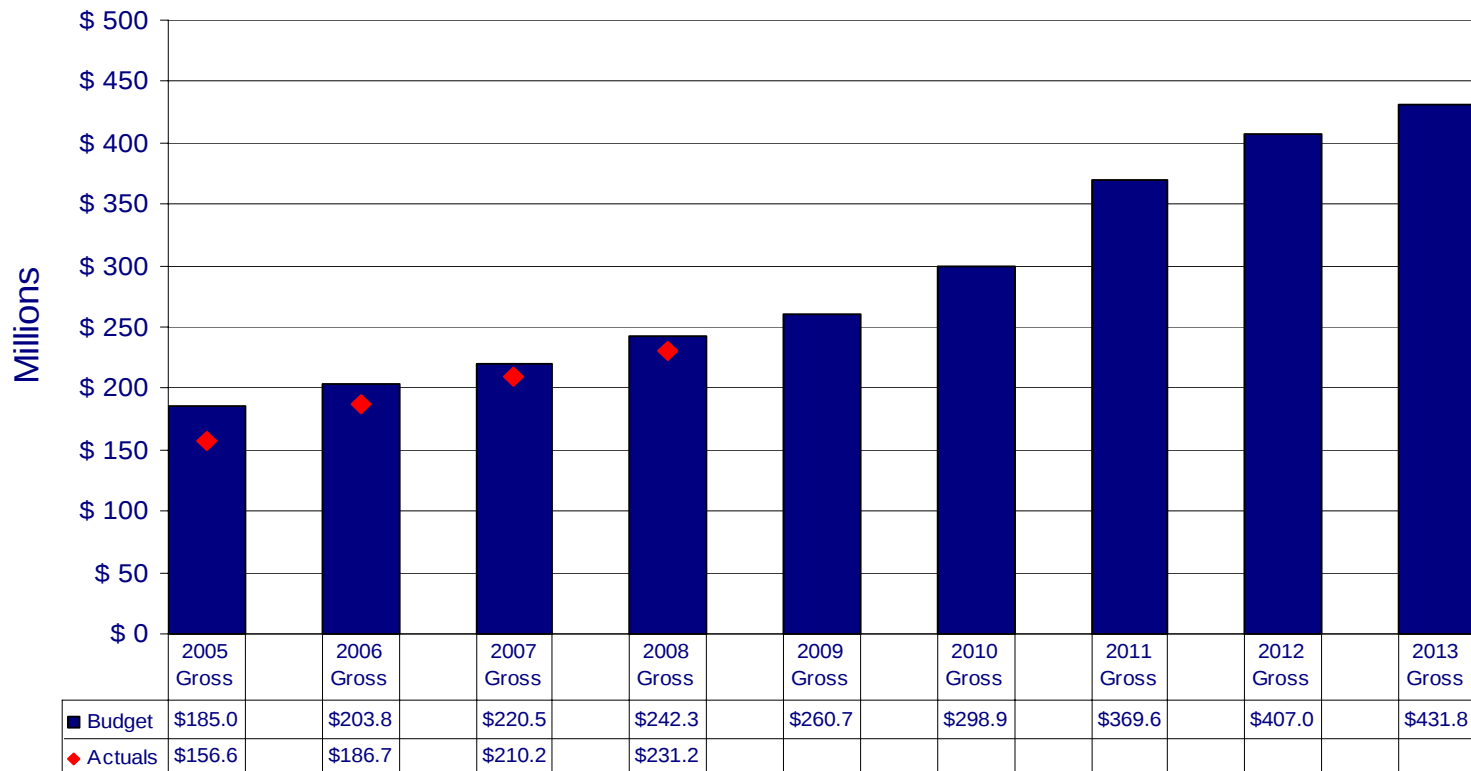
2010 Gross Operating Budget Pressures – W&Ww

	<u>\$ Million</u>	<u>% Inc.</u>
Enhancements		
Growth	\$ 0.9	0.4%
Annualization	\$ 27.1	25.1%
Mandatory/Legislative	\$ 0.6	0.6%
Reductions/Efficiencies	\$ (3.4)	(3.1)%
Base	\$ 3.9	3.6%
Net Operating Budget	\$ 29.1	12.0%

\$26.9M of Annualized Financing Costs Drive Operating Budget Increase

W&WW Operating Budget Trend

Gross/Net Budget and Actual Trend



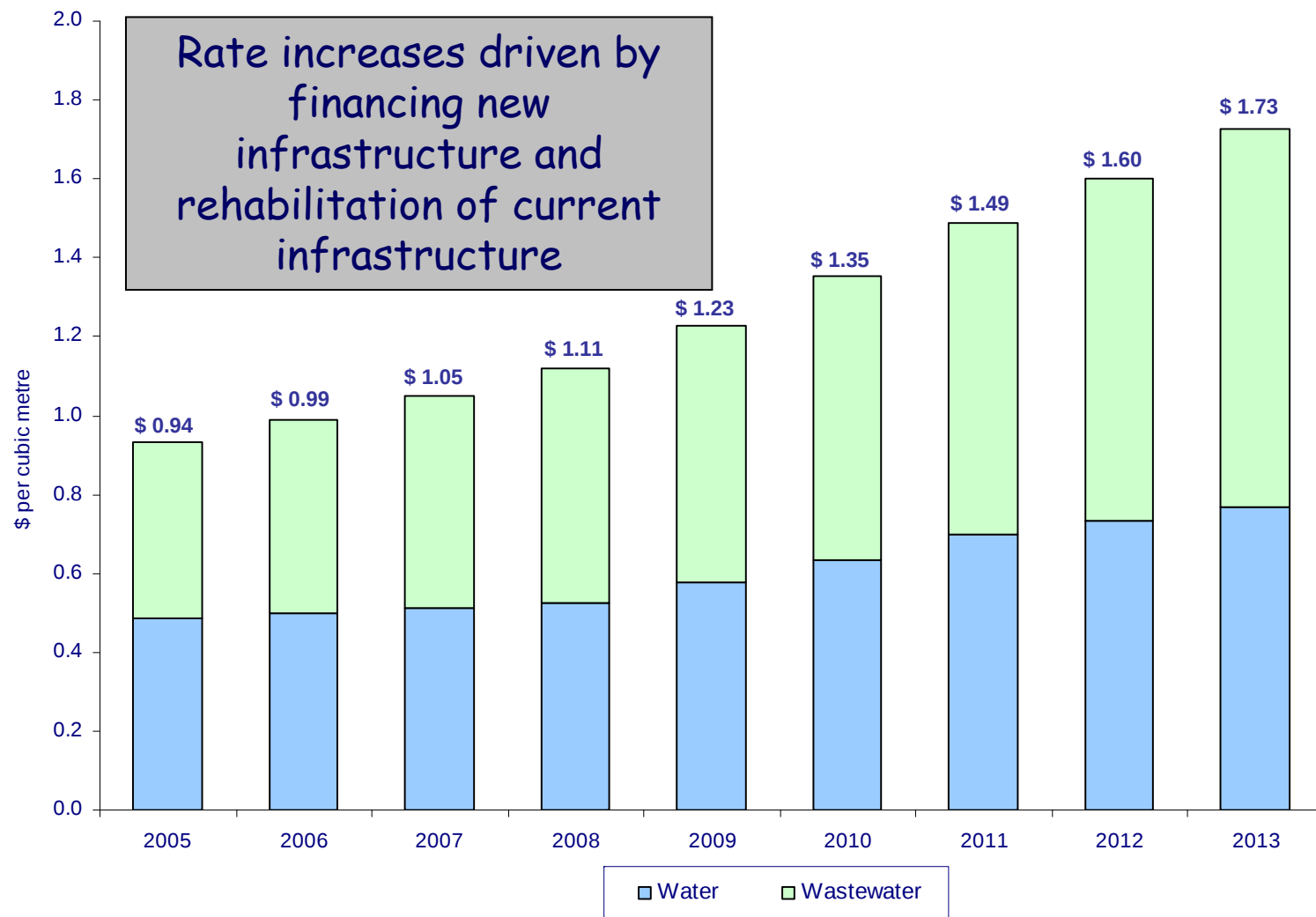
Operating Budget Increase to 2013 Driven by Financing Cost of Capital to Service Growth

2010 Rate Increases

Scenario	Annual Rate Increase	Operating Surplus By	Eliminate Reserve Deficit By
Water 10% Option	- 10% in 2009-11 - 5% in 2012-13 - 2% thereafter	2011	N/A
Wastewater 10% Option	- 10% in 2009-13 - 5% thereafter	2018	2023

Approved by Council in December 2008

Water and Wastewater Rates



2010 W&Ww Staffing Requirements

Position	FTE's	Gross (000's)	Net (000's)
Construction Administrator	4	\$441.7	\$ 0.0
Environmental Specialist	3	\$331.3	\$ 0.0
Infrastructure Engineer	1	\$112.2	\$112.2
Systems Support Specialist	1	\$ 86.7	\$ 86.7
Sr. ENV Reporting Specialist	1	\$ 81.0	\$ 81.0
Graphic Designer (shared with Transit, Roads & SWM)	1	\$ 75.0	\$ 27.0
Total	11	\$ 1,127.9	\$ 306.9

Capital Planning & Delivery – FTE's

- ❑ In-sourcing 7 FTE's to reduce risk on high profile capital projects
- ❑ Cost savings of 30% to 40% per FTE currently covered by overtime and consultants

Infrastructure Resource pressures continue in 2010 and Beyond
Over 50 projects in construction phase during 2010 (14 in 2009)

Strategy and Business Planning – FTE's

Infrastructure Engineer

- Currently only 2 engineers responsible for lifecycle management of over \$2 billion of assets (base grows to over \$3B in short term)

Graphic Designer

- Currently only 1 staff supports growing public communication needs of Transportation and Environmental Services. In-sourcing results in cost savings given workload

Asset Management Confirmed as Corporate Priority to Reduce Lifecycle Costs

Operations, Maintenance & Monitoring / Environmental Promotion & Protection - FTE

Support Systems Specialist

- Required to support PCS/SCADA as significant capital projects are completed
- Ensures data quality for compliance and regulatory reporting

Senior Environmental Reporting Specialist

- Regulations (Clean Water Act, Lake Simcoe Act and Intra-Basin Transfer) greatly increased demand for specialized reporting
- Most cost effective to in source due to recurring activities

Automation optimizes labour requirements for increasing capital

Return on Investment – Water & Wastewater

- ❑ Proactively Manage Assets
- ❑ Return Good Quality Effluent to the Environment
- ❑ Minimize risk through compliance with DWQMS, Acts and Regulations
- ❑ 10 Yr Capital Plan delivers critical wastewater projects and secures water supply from Toronto & Peel to 2031

Supporting Mandated Growth, Providing Quality Services & Maintaining over \$2 Billion in Assets

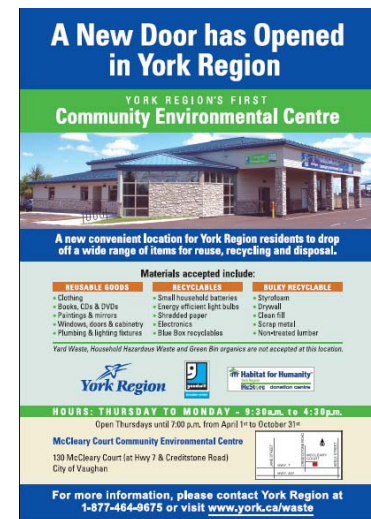
2010 Water & Wastewater Capital & Operating Budget Q&A

Waste Management Overview



Recent Achievements

- ❑ First Community Environmental Center
- ❑ Recycling Council of Ontario Awards – 3 Gold Awards
 - ❑ Communications – “Recycle More. Recycle Better.”
 - ❑ Unique Program – “McCleary Court CEC”
 - ❑ Waste Reduction Week – “2008 Reuse Event Participation”
- ❑ Glass clean up system operational at MRF
- ❑ Ongoing advocacy on waste regulatory issues including Extended Producer Responsibility
- ❑ Environmental Assessment Durham/York EFW project submitted to MOE
- ❑ Joint Waste Diversion Strategy update

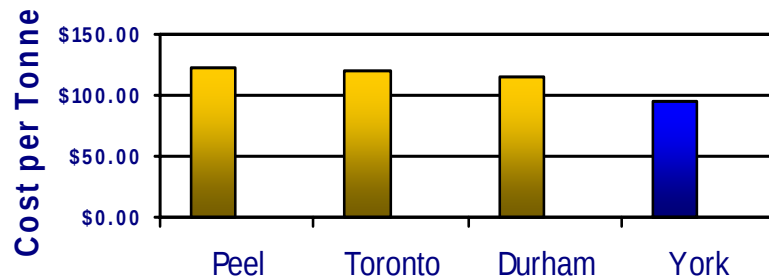


2008 Estimated WDO Diversion Rate of 53% puts York Region in Top Performing Municipalities across Ontario

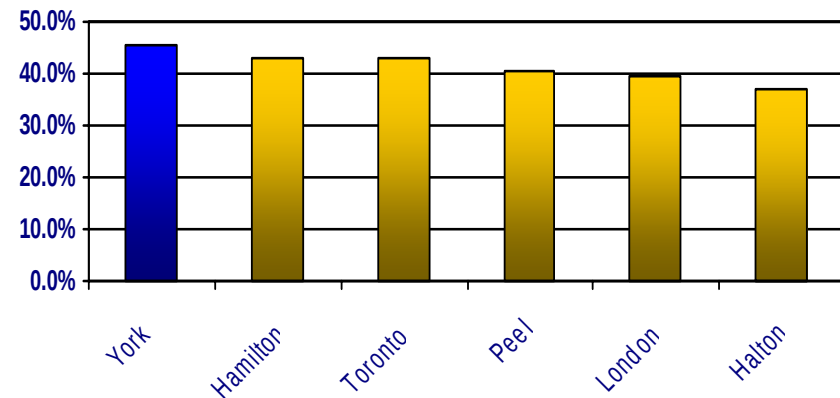
Benchmarks with other Municipalities

Solid Waste Operating

**Operating Cost for Solid Waste
Disposal per Tonne \$95
(OMBI 2008)**



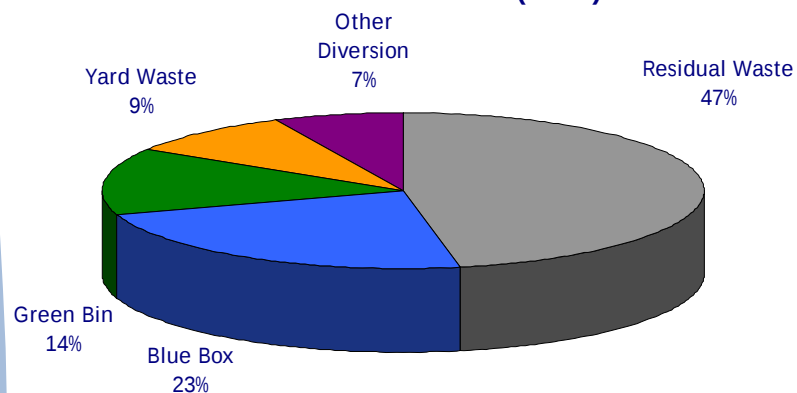
**Percentage of Solid Waste Diverted
45.7 % - Residential
(WDO 2007 Large Urban)**



**Highest diversion rate of all WDO large urban Municipalities and
lowest cost disposal service provider in the GTA**

WDO Diversion Rates

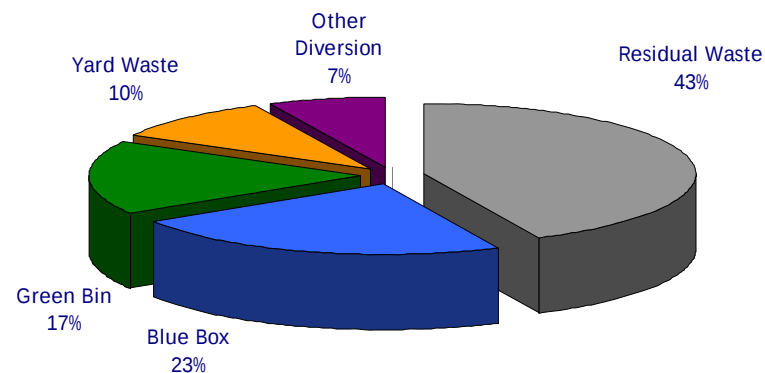
UNVERIFIED WDO DIVERSION (2008) 53%



WDO Diversion Rate

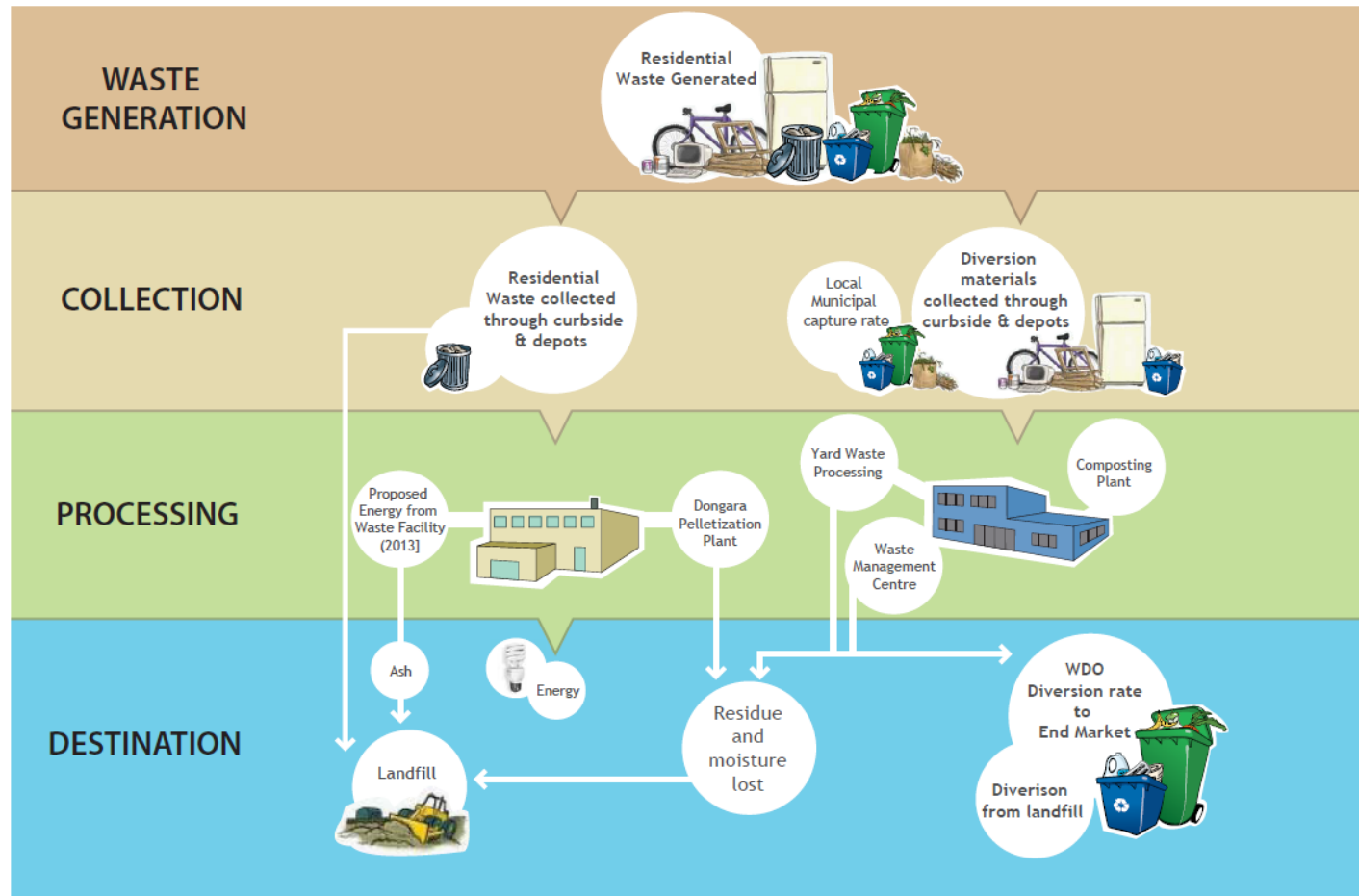
2004	25%
2007	46%
2008	53%
2009	57% Forecast
2010	60% Target

FORECAST WDO DIVERSION (2009) 57%



On track for delivery of 60% WDO diversion by 2010

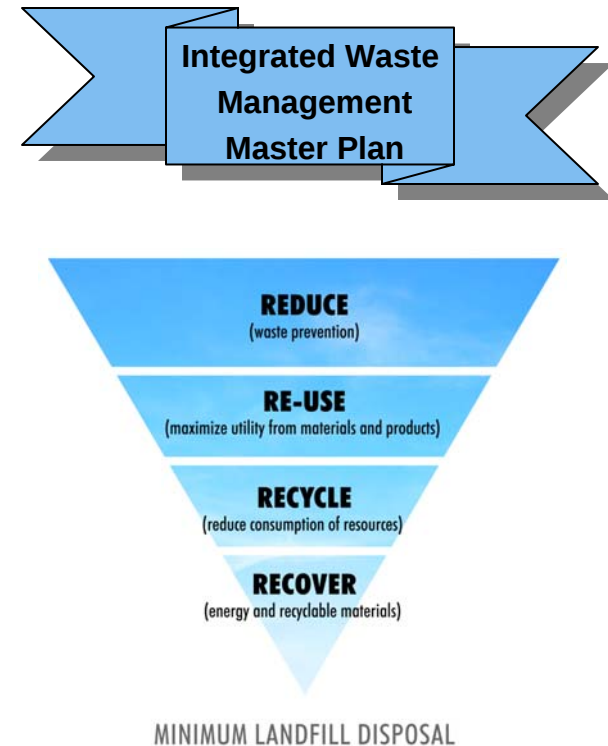
Waste Management Program Objectives



Our Diverse, Resilient Waste Management System Delivered in Partnership with Our Area Municipalities

2010 Priorities – Driving Increased Diversion

- ❑ Durham York EFW
- ❑ Finalize long term Source Separated Organics management plan including joint SSO Facility with Dufferin County
- ❑ Increase blue box processing capacity
- ❑ Expand promotion of Regional waste diversion services
- ❑ Bring Dongara to Contract Capacity



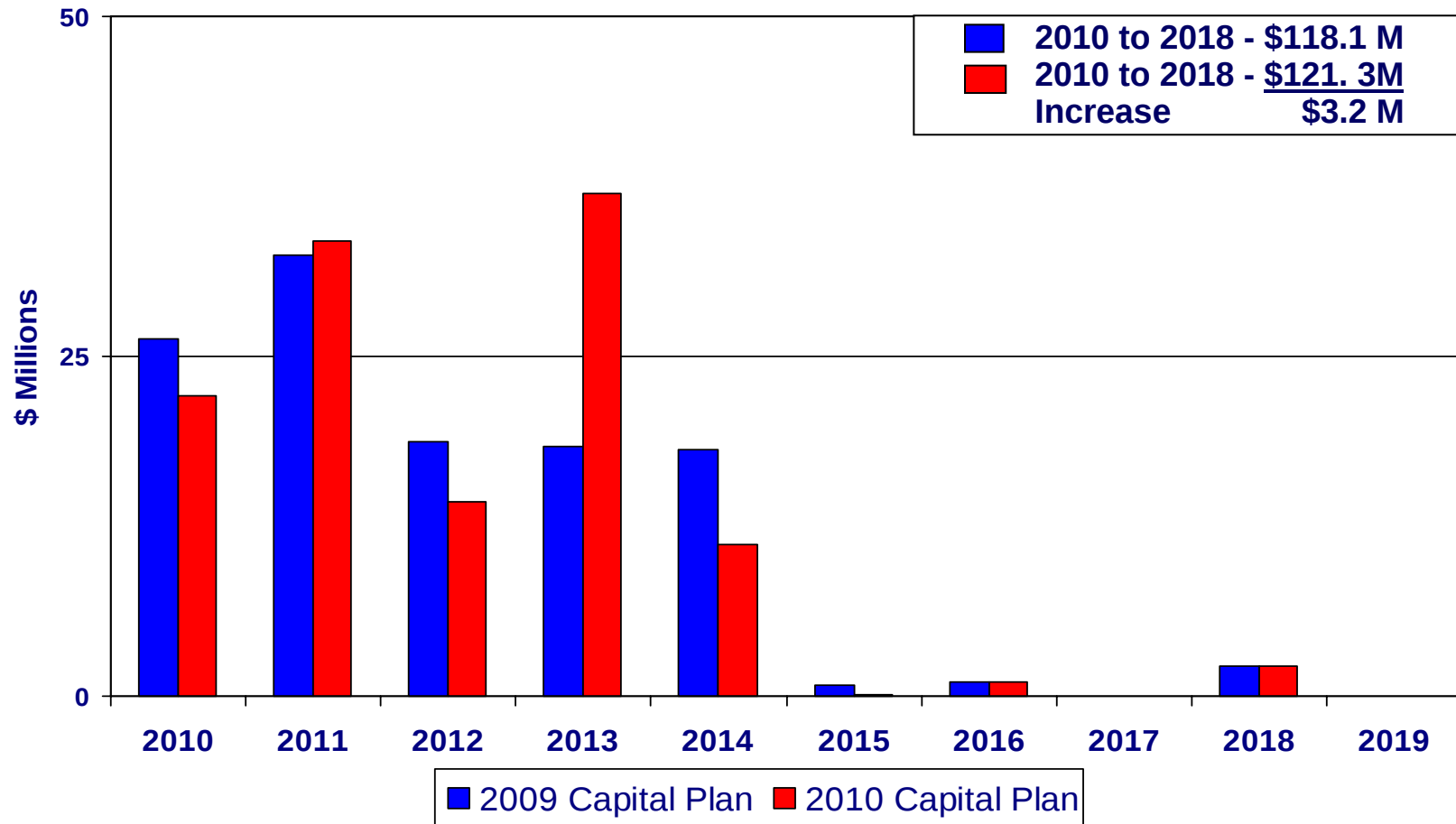
Vital to Focus on Diversified Long-term Waste Management Solutions

2010 Waste Management Capital Budget



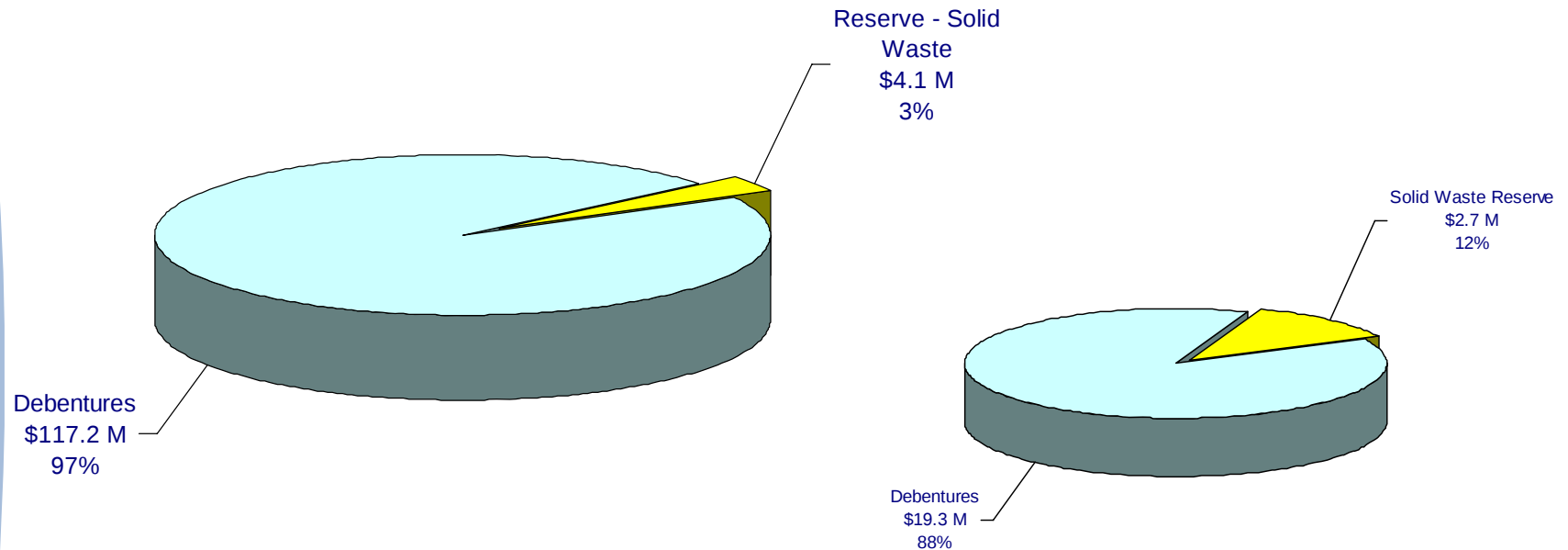
2009 Plan vs 2010 Plan – Waste Management

Gross Costs Comparison (2010 to 2018)



2010 10 Year Capital Budget Waste Management

Cash Flow Sources

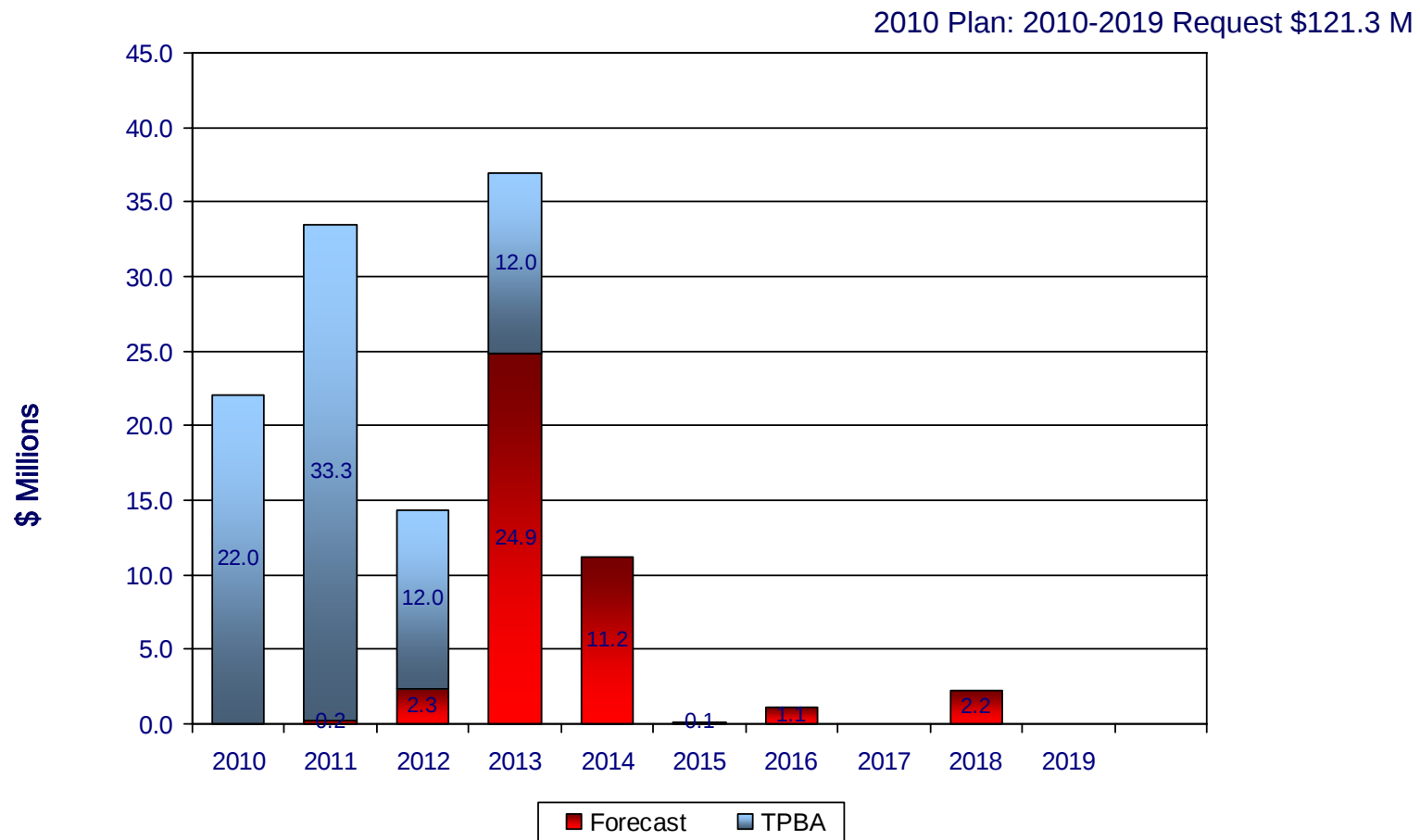


2010 - 2019 Plan \$121.3 M

2010 Budget \$22.0 M

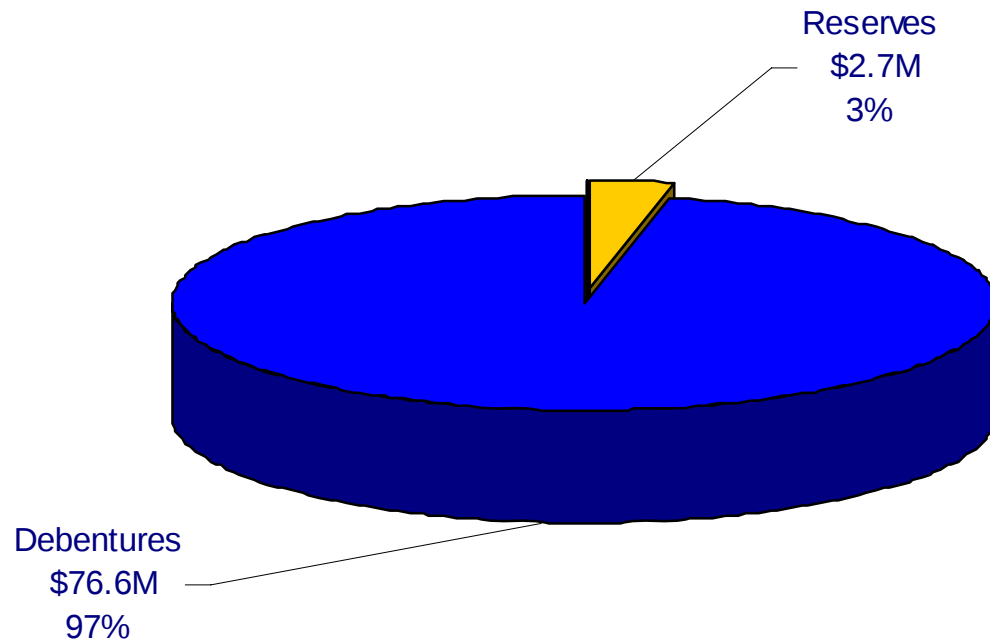
97% of the 10 Yr Capital funded by Debentures recovered from Tax Levy

Waste Management 2010 – Total Project Budget Authority



Total Project Budget Authority driven by EFW and SSO Projects

2010 Capital Financing Total Project Budget Authority



Solid Waste Management \$79.3 Million

2010 Solid Waste Management Operating Budget



Proposed 2010 Net Expenditure Increase

	<u>\$ Million</u>	<u>% Inc.</u>
Enhancements	\$ 0.1	0.2%
Growth	\$ 1.1	2.8%
Annualization	\$ 0.8	2.1%
Mandatory/Legislative	\$ 0.0	0.0%
Reductions/Efficiencies	\$ (1.7)	(4.4)%
Base	\$ (1.3)	(3.3)%
Net Operating Budget	\$ (1.0)	(2.6)%

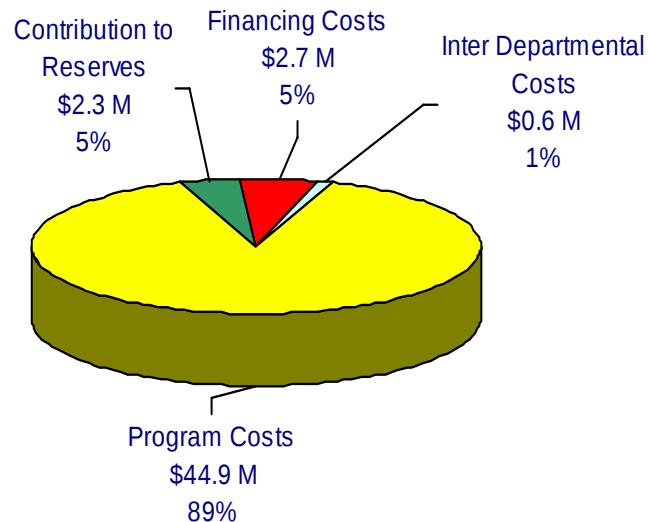
\$1.0M decrease recommended contribution to Waste Management Reserve

2009 / 10 Budget Overview - SWM Operating

2009

GROSS EXPENDITURES

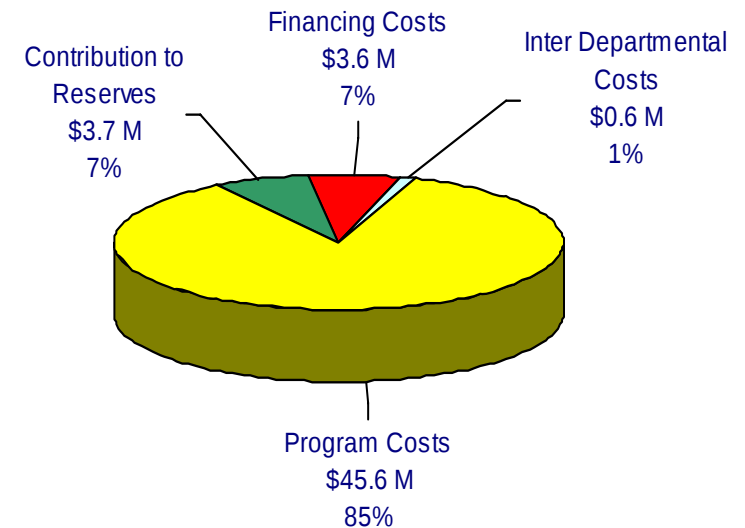
\$50.5 Million



2010

GROSS EXPENDITURES

\$53.5 Million



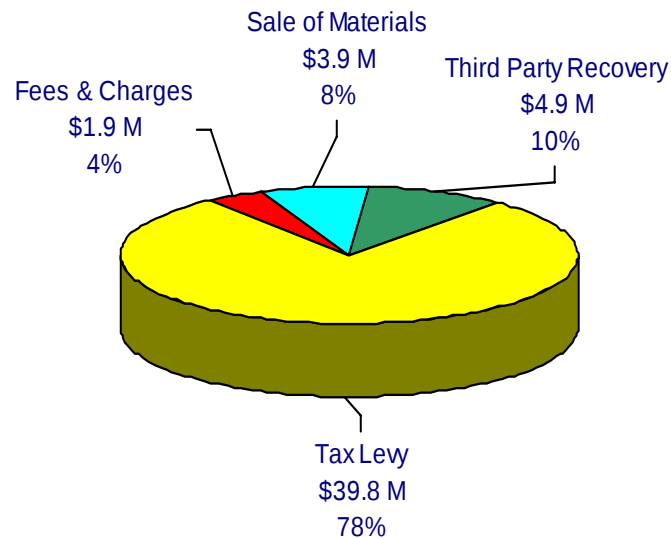
2010 Contracted services are 79% of gross expenditures

2009 / 10 Budget Overview – SWM Operating

2009

GROSS REVENUES

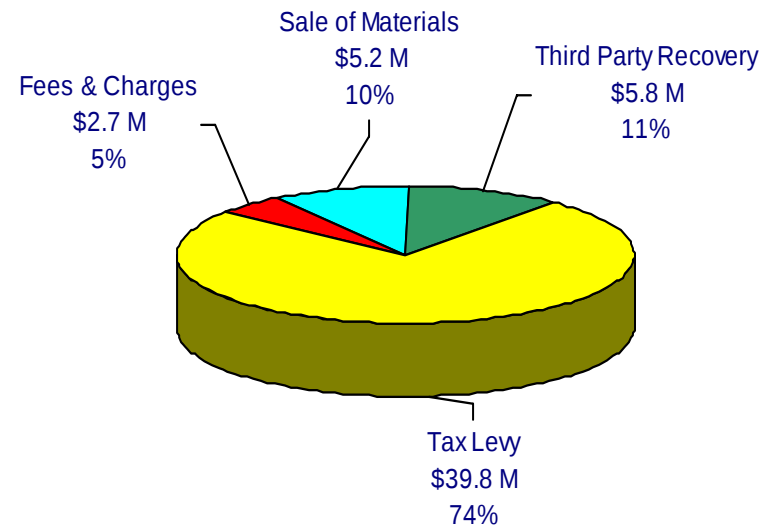
\$50.5 Million



2010

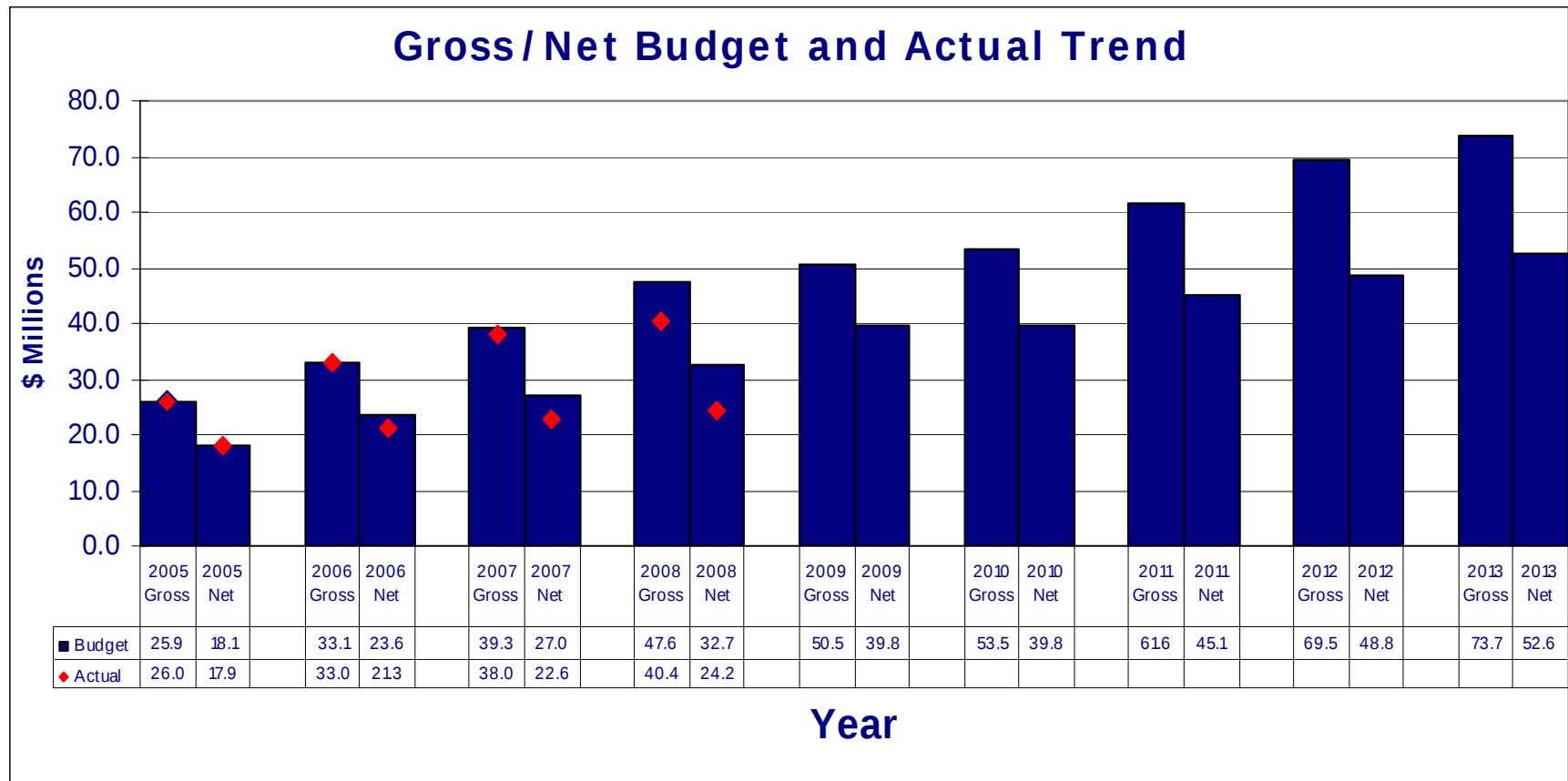
GROSS REVENUES

\$53.5 Million



No Tax Levy Increase for 2010

Waste Management Operating Budget Trend



2010 cost drivers are 3% growth and blue box commodity market recovery

2010 Waste Management Program Costs

Cost Per Tonne Summary

	2010 Budget*		
	MT	Total	\$/MT
Residual Waste **	124,927	\$ 14,054,717	\$ 113
Blue Box **	96,973	\$ 7,414,288	\$ 76
Yard Waste	31,439	\$ 2,030,741	\$ 65
Asian Long-horned Beetle	5,499	\$ 463,419	\$ 84
Household Hazardous Waste/Electronics	2,612	\$ 1,213,952	\$ 465
Source Separated Organics	90,475	\$ 14,141,802	\$ 156
CEC'S / Transfer Stations	<u>21,109</u>	<u>\$ 2,662,778</u>	<u>\$ 126</u>
Total	<u>373,034</u>	<u>\$ 41,981,697</u>	<u>\$ 113</u>

* excluding fees & charges, debt payments and charge back to Roads

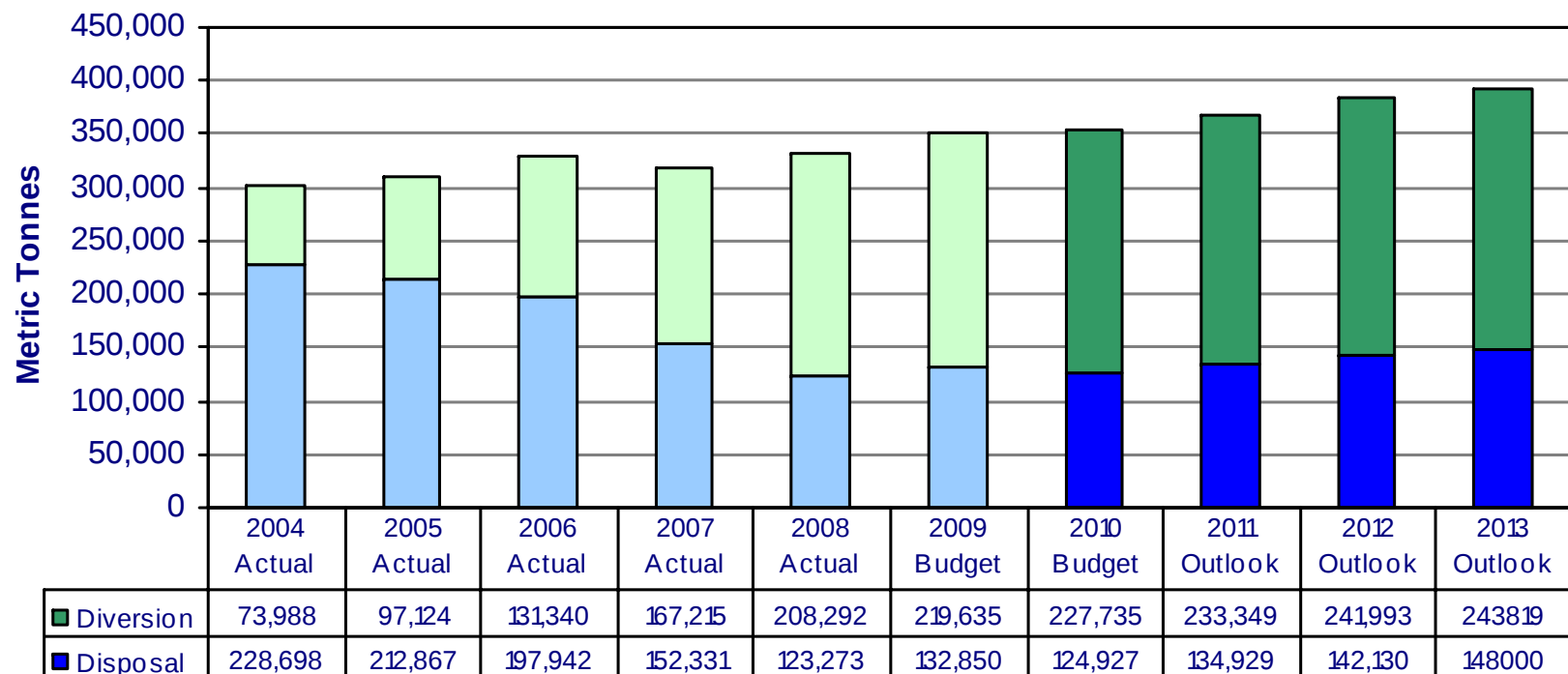
** with Residue

5 cents of each tax dollar goes to Waste Management

2010 Key Performance Indicators

Waste Management Operating

Total Tonnes of Solid Waste Managed

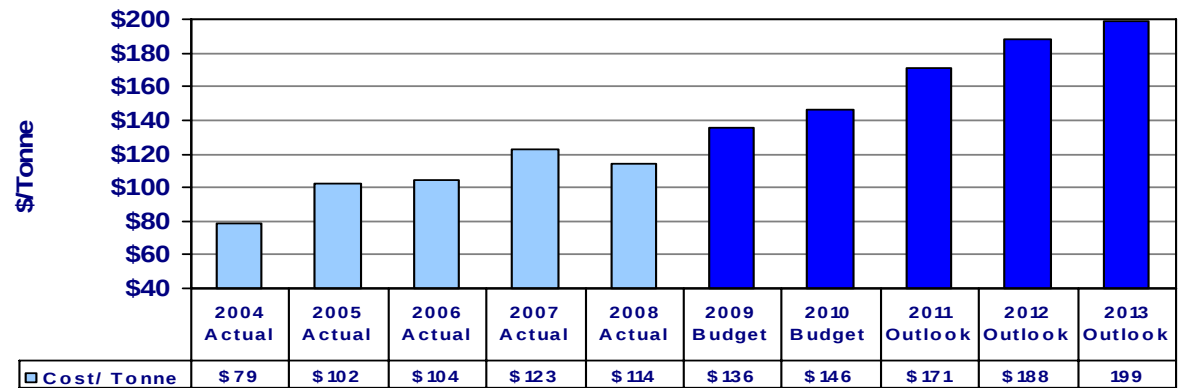


Future Tonnage increase driven by population growth and CEC's

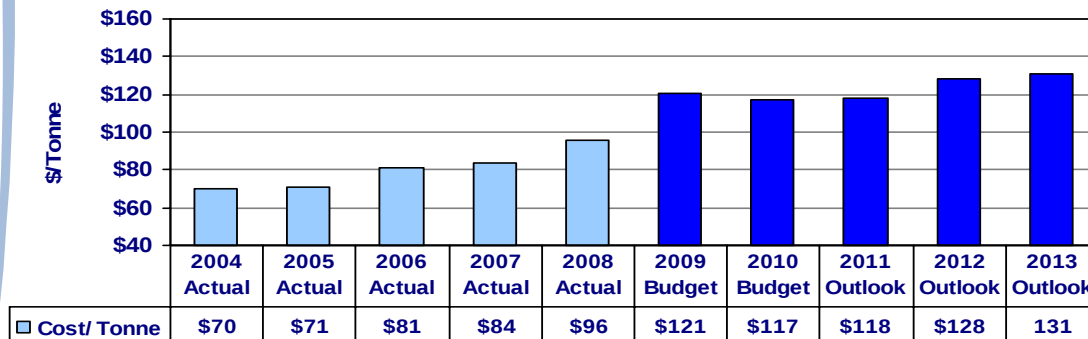
2010 Key Performance Indicators

Waste Management

Diversion Cost per Tonne



Disposal Cost per Tonne



Outlook Years include increase due to debenture financing on capital

Staffing Requirements

Position	FTE's	Gross (000's)	Net (000's)
Intermediate Accounting Clerk	1	\$63.0	\$63.0
Capital Project Coordinator	1	\$88.3	\$88.3
Waste Audit Officer	1	\$88.3	\$88.3
Total	3	\$239.6	\$239.6

Additional Staff Supporting Growth with Zero Tax Levy Impact

Return on Investment – Waste Management

Summary of Deliverables

- ❑ Planning and design of Community Environmental Centre (CEC) in Richmond Hill – funding from Infrastructure Stimulus Fund
- ❑ Equipment Upgrades at the Waste Management Facility – funding from Infrastructure Stimulus Fund
- ❑ Retrofit of Georgina Transfer Station to improve its functionality as a public drop-off center
- ❑ Energy from Waste Facility – design and development
- ❑ Source Separated Organics Facility – long term management plan
- ❑ Solid Waste Master Plan development

Environmental Services – Keys to Success in 2010

1. Diversifying our long-term waste management program
 - *Energy from Waste initiative*
 - *Composting facility initiative with Dufferin County*
2. Certainty in capital delivery
 - *South East Collector Individual Environmental Assessment submission to MOE*
 - *Upper York Sewage Solutions Individual Environmental Assessment*
 - *Cost shared capital projects with Peel, Toronto and Durham*
 - *Stimulus funding for projects valued at \$118.65 million*
3. Sustainable water and wastewater servicing
 - *Intra-Basin transfer*
 - *Source Water Protection*
 - *Lake Simcoe Servicing*
 - *Inflow & Infiltration Reduction and Water for Tomorrow*

Continued Focus on Capital Delivery is Key to Success

Environmental Services – Return on Investment

- ❑ Highest diversion rate of all WDO large urban Municipalities
- ❑ Positive government review of South East Collector released in October
- ❑ Support Population and Employment Growth
- ❑ Proactively Manage Assets
- ❑ Return Good Quality Effluent to the Environment
- ❑ Minimize risk through compliance with DWQMS, Acts and Regulations

Supporting Mandated Growth, Providing Quality Services &
Maintaining over \$2 Billion in Assets

Next Steps

1. Recommend the 2010 Capital & Operating Budget presentation be received
2. Forward recommendations pertaining to these budgets to Finance & Administration Committee on December 3, 2009

2010 Waste Management Capital & Operating Budget Q&A