5
YORK REGION PROMOTIONAL WATER BOTTLING INITIATIVE

The Transportation and Works Committee recommends the adoption of the recommendation contained in the following report, June 1, 2004, from the Commissioner of Transportation and Works:

1. RECOMMENDATION

It is recommended that:

1. The Transportation and Works Department make a capital investment of $50,000 for a joint municipal water bottling project for a fifth of a share to purchase bottling equipment to educate the community and to promote the skills of Water and Wastewater Branch staff and the high quality water they produce.

2. PURPOSE

The purpose of this report is to seek approval from Committee and Council for the Water and Wastewater Branch of the Transportation and Works Department to begin an educational and promotional water bottling project to promote the high quality of drinking water that is produced by The Regional Municipality of York.

The bottled water project will be used to:

- Make direct contact with residents in the community to instill confidence that their water is produced by certified professionals.
- Provide a mobile and efficient means of supplying drinking water in the event of an emergency.
- Increase consumer confidence in York municipal tap water.
- Increase awareness about the community's responsibility to protect the watershed.
- Promote the high quality of water produced by our certified operators.
- Educate the community about steps that can be taken to protect our natural resource.

3. BACKGROUND

As part of the OPTimize Works initiative, it has been recommended that Water and Wastewater Branch take immediate action to elevate our profile in the community, educate our community about the importance of protecting the watershed, and raise consumer confidence in municipal tap water. In an effort to develop a strategy for reaching out to the community, Water and Wastewater staff consulted the Communications Branch and the Economic Development Branch for suggestions of how to promote the Water and Wastewater Branch in the community. Many of the suggestions contained within this report are a result of their support.

Communities in York Region have always enjoyed high quality drinking water, but recent drinking water tragedies across North America have started to reduced customer confidence in municipal water. These events have led many consumers to an alternative source for drinking water, bottled water. Using municipally bottled water as an educational and promotional tool is a cost effective way of reaching out to the public while instilling confidence in the way they view their water supply.

In York Region, water is delivered to our community through two tiers of infrastructure. As a result, York Region has no direct contact with residential end users of municipal water. The Regional Municipality of York consistently produces high quality drinking water that is distributed in bulk to the local municipality for delivery to the end user. The promotion of York Water is a way to connect with the community and to leverage increasing consumer taste for bottled water.

Last year, senior water operations staff in the Greater Toronto Area (the City of Toronto and the Regional Municipalities of Durham, Halton, Peel and York) proposed the idea of conducting a pilot to gauge the effectiveness of using bottled tap water as a promotional tool. Each municipality has conducted their own bottled water pilot to gauge the effectiveness of using bottled water as an educational and promotional tool and have discovered that the product is very successful in the community. Currently, each municipality uses different methods to produce their bottled water. At a recent Senior Operations staff meeting, it was proposed that all five municipalities enter into a joint municipal water bottling project. Research into the capital costs of water bottling equipment has indicated that each municipality will have to invest $50,000 towards the educational-promotional project. Presently the City of Toronto and the Regional Municipality of Peel have received approval to proceed with this project.

3.1 York Water

York Region began bottling water in April 2003 as an education-promotional pilot. The water has been distributed at various events throughout the Region. York Water has also been distributed to numerous Departments and Branches within the corporation. At present, York Water is produced by Aqua Crystal Clear, a Markham based company, which takes municipal water and extends its shelf life prior to bottling with treatment by ozonation and reverse osmosis. York Water currently costs Water and Wastewater $14.54 for a case of 24 bottles. Approximately half of this cost is due to the high-cost of producing labels in small quantities.

4. ANALYSIS AND OPTIONS

To help develop our customers as advocates of York Region municipal tap water, staff would like to enter a partnership with the City of Toronto and the Regions of Durham, Halton, and Peel to purchase water bottling equipment that will be used to bottle water to promote our high quality drinking water. Our high quality drinking water will be

distributed and promoted in the community at Region-wide and local municipal events such as the York Children's Water Festival, municipal home shows, eco festivals, Canada Day celebrations, and numerous other community educational events. It is proposed that our municipal water will be bottled as *York Water* and will be produced and bottled by York Region water operators certified by the Ministry of the Environment.

The initial concept for this project is that all five municipalities will jointly purchase water bottle treatment and bottling equipment. The equipment will be made mobile, allowing it to be transported between each municipality, where each municipality will be able to bottle its own drinking water. In York Region, water will be bottled at the newly constructed Georgina Surface Water Treatment Plant.

It is proposed that each municipality equally share the capital cost of the equipment, which will include treatment equipment (ozone, ultraviolet disinfection, membrane filtration and calcium carbonate contactor), a bottling machine and a trailer. The Regional Municipality of Peel has agreed to lead the project during the purchasing stage, and The Regional Municipality of Durham has agreed to develop the operating agreement.

Quality assurance and quality control will be led by the City of Toronto. They will sample and test the water bottles on behalf of all municipal partners. Each municipality may also conduct its own spot testing of the product to ensure the product is maintained at the highest water quality standards.

Each municipality would be responsible for Operations costs of production which will be based on the number of bottles a municipality produces annually. Maintenance costs for the equipment will be recovered through guidelines specified in the operating agreement. It is intended that the responsibility of operations and maintenance be rotated to a different municipal partner every two years. For example, for the first two years, the City of Toronto will be responsible for the operations and maintenance of the bottling equipment, the following two years' responsibility will be passed on to another municipality. Rotation of operations and maintenance will continue in this way so that each partner has responsibility for maintaining the equipment.

5. FINANCIAL IMPLICATIONS

The costs of both treatment and bottling equipment have been investigated. The size and type of equipment required to meet the needs of all the municipalities will cost approximately $250,000. Accordingly, each municipality has agreed to seek approval to contribute a fifth of a share of the capital cost, the amount not to exceed $50,000. In addition, operations and maintenance costs will be recovered through charge-backs based on the quantity of bottled water produced for each partner.

Currently, York Water costs $14.54 per case to produce ($0.61 per bottle). Moving production in-house will allow us to scale production volume according to demand and it

is anticipated that York Water will be produced at a cost of $8.56 per case of 24 bottles ($0.36 per bottle); the end result being a 41% reduction in production costs. The table below summarizes five year production costs comparing a third party supply of York Water versus in-house production and summarizes anticipated cost savings if in-house production is endorsed.

Table 1
Summary of Potential Savings

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Bottle Quantity	15,000	25,000	35,000	40,000	40,000	155,000
Produced by 3rd Party	$9,150	$15,250	$21,350	$24,400	$24,400	$94,550
Produced In-House	$3,294	$5,490	$7,686	$8,784	$8,784	$34,038
Potential Savings	**$5,856**	**$9,760**	**$13,664**	**$15,616**	**$15,616**	**$60,512**

As illustrated in the table above, payback of the $50,000 capital investment will be in year five. Use of the bottling equipment is anticipated to run beyond five years according to educational and promotional objectives determined at that time.

No additional resources will be required for this project. Production will be carried out by existing Operations staff with little impact to their overall workload. A large number of the intended promotional events will take place during the spring and summer months, therefore it is intended that distribution of water bottles will be accomplished with the assistance of summer student positions already accounted for in the Water and Wastewater annual budget.

6. LOCAL MUNICIPAL IMPACT

It is anticipated this project will help further develop the working relationship York Region has with the local municipalities. Discussions with local municipalities are underway to determine what additional educational and promotional opportunities may exist. The $50,000 capital cost can be accommodated within the year 2004 operating budget.

7. CONCLUSION

Staff would like to start an educational and promotional project to develop community responsibility for protecting our drinking water. Through direct contact with the community, this initiative will raise the profile of York Region's high quality drinking water and increase customer confidence in the municipal water supply. This cost effective project is an effective way of proactively building customer trust in the quality of their drinking water produced by our Ministry of the Environment certified water operators.

The Senior Management Group has reviewed this report.