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2009 WATER AND WASTEWATER RATE SUPPORTED BUDGET

(Regional Council at its meeting on November 20, 2008 adopted this report with a request that staff provide a follow-up report within the next six months with additional information on the rates charged by Peel and Toronto and the benefits to York Region in partnering with Peel and Toronto.)

The Transportation and Works Committee recommends that:

- 1. The presentation by Lloyd Russell, Commissioner, Finance, be received;**
- 2. The recommendations contained in the following report, October 20, 2008, from the Chief Administrative Officer and the Commissioner of Finance, be adopted, subject to the following additional recommendation:**
 - 4. Environmental Services staff investigate and report back to the Transportation and Works Committee on the issue of capping wells and capitalizing on groundwater to service communities, and the feasibility of the re-use of grey water.**

1. RECOMMENDATIONS

It is recommended that:

1. The draft 2009 Water and Wastewater Rate Business Plan and Budget, as tabled with Regional Council October 23, 2008, be considered and recommended for approval;
2. The 2009 water and waste water rates effective April 1, 2009 of 57.63 and 68.26 cents per cubic metre respectively be recommended for approval, representing a combined rate increase of 12.7% compared to the 2008 rates;
3. The Committee's recommendations pertaining to this budget be forwarded to the Commissioner of Finance and Treasurer for consolidation into a report to the Finance and Administration Committee meeting of December 4, 2008.

2. PURPOSE

The purpose of the report is to request consideration and recommendation for approval of the 2009 Water and Wastewater Rate Business Plan and Budget, including the water and waste water user rates, by the Transportation and Works Committee.

3. BACKGROUND

The 2009 Water and Wastewater Rate Business Plan and Budget was tabled with Regional Council on October 23, 2008 along with the 2009 Capital Business Plans and Budget. It was received and referred to Standing Committees for their consideration and recommendation.

The operating budget for Water and Wastewater is being tabled in advance of the rest of the Region's operating budget in order to facilitate timely approval of 2009 water and wastewater rates. The Region is a wholesale provider of water and waste water service to area municipalities. As such, earlier approval of these rates is required by York Region's area municipalities to assist in their budget development and rate setting for water and waste water for end users.

4. ANALYSIS AND OPTIONS

2009 Proposed Water and Waste Water Gross Operating Expenditure Budget is \$260.7 million

The 2009 Operating Business Plan and Budget includes requirements to the base budget, mandatory or legislated amounts, and those in support of growth and or service enhancement to York Region

The operating budget for Water and Wastewater is found in the 2009 Rate Business Plan & Budget document.

The proposed 2009 Water and Wastewater gross operating expenditure budget is \$260,568,000 and will be recovered from user rates with no impact on tax levy.

The cost of providing water and waste water services is increasing

Since 2006, the Region's water and waste water rates have increased annually by 2.5% and 10% respectively. These increases were based on the Water and Wastewater User Rate and Reserve Fund Adequacy Review conducted by Hemson Consulting.

Since the original study was completed, several of the fundamental factors have changed, and in the summer of 2008, an internal update to that study was conducted. For example, the anticipated cost of water and waste water capital infrastructure over the 25 year

planning horizon has escalated and is higher than estimated in 2005. While development charges cover the growth-related costs of water and waste water, the non-growth component of capital infrastructure is funded by user rates.

Furthermore, the cost of purchased water, which is a significant component of the operating budget, has increased. For example, in 2009, the cost of water purchased from Toronto and Peel is anticipated to increase by 10.6% and 9.0% respectively.

Annual fluctuations in rate requirements are “smoothed” through the use of the rate stabilization reserve. The proposed 2009 rate increase will help to eliminate dependency on the rate stabilization reserve and move to earlier full cost recovery.

As a result of this review, the proposed 2009 water and waste water rates are 57.63 and 68.26 cents per cubic metre respectively (effective April 1, 2009), representing a combined rate increase of 12.7%. For 2010-2013, an average annual combined rate increase of 11.8% is indicated and will be brought forward in the annual budget process.

5. FINANCIAL IMPLICATIONS

The water and waste water gross operating expenditure budget of \$261 million will be funded from user rates and accordingly has no impact on the 2009 tax levy budget.

The proposed 2009 water and waste water rates are 57.63 and 68.26 cents per cubic metre respectively. On a combined basis, this represents an increase of 12.7% from the 2008 rates. These rates will be effective April 1, 2009.

6. LOCAL MUNICIPAL IMPACT

The Region is a wholesaler of water and waste water services to area municipalities. The water and waste water operating and rate budgets are being considered in advance of the rest of the Region’s operating budget to assist area municipalities in their budget process.

7. CONCLUSION

This report sets out the proposed 2009 operating budget for Water and Wastewater. To facilitate the completion of the budget process, it is recommended that the Committee's recommendations be forwarded to Finance and Administration on December 4, 2008. A separate report requiring Finance and Administrations approval of the Water and Wastewater rates will also be tabled on December 4, 2008.

For more information on this report, please contact Kelly Strueby, Director of Business Planning and Budgets at (905) 830-4444 ext 1611.

The Senior Management Group has reviewed this report.