

Water Supply Agreement with Region of York

Date:	June 13, 2007
To:	Executive Committee
From:	Lou Di Gironimo, General Manager, Toronto Water
Wards:	All
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SUMMARY

The purpose of this report is to provide the Executive Committee with information pertaining to the City of Toronto's Water Supply Agreement with the Regional Municipality of York. The Water Supply Agreement limits the amount of water supplied to York Region while at the same time ensuring there is sufficient capacity to meet the needs of the City of Toronto.

FINANCIAL IMPACT

There are no financial implications from the adoption of this report. Toronto Water's approved Operating Budget and Capital Budget has provided for the infrastructure requirements and capital cost-sharing contributions from the Region of York. The formula used to determine York Region's water rates continues to ensure full operating cost recovery, a fair return on investment and continued rate and reserve fund stability. The Agreement also has provisions for calculating the capital cost share, on a proportionate use basis, for future expansion to the drinking water system to service both the needs of Toronto and the Region of York.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

In 1975, the former Municipality of Metropolitan Toronto began supplying water on a wholesale basis to the Regional Municipality of York under a tri-partite agreement entered into with the Region of York and the Province of Ontario. Given the 20-year

limitation for contracts under the *Municipal Act*, City of Toronto Council in 1998 approved execution of a 20-year agreement between the City of Toronto and the Regional Municipality of York for the supply of additional water to York Region (Clause No. 1 of Report No. 7 of the Works and Utilities Committee, as adopted by Council on July 29, 30 and 31, 1998).

At its meeting on May 17, 18 and 19, 2005, City Council approved further amendments (Report No. 5, Clause No. 24 of the Policy and Finance Committee) to the Water Supply Agreement between the City of Toronto and the Regional Municipality of York authorizing an increase in maximum day amount supplied to York Region from 440 MLD (million litres per day) to 501 MLD by 2011 and projected 530 MLD by 2031.

ISSUE BACKGROUND

At its meeting on May 28, 2007, Executive Committee requested the General Manager of Toronto Water to report to the June 25, 2007, Executive Committee meeting on the water agreement(s) with York Region.

COMMENTS

In January 2004, Toronto Water completed a high level assessment of projected water demands within the City of Toronto and York Region up to and including the year 2011 and 2031. This Joint Optimization Study (JOS) identified optimal infrastructure requirements to meet the above demands including assessment of options for additional supply from Toronto to York Region.

Future water demands were calculated based on population and employment projections for the City of Toronto as well as York Region. The study considered the effects of the City's Water Efficiency Plan, as well as the previous Water Supply Joint Study that was completed in 1995. In addition, the City and York Region reviewed and considered the impacts of present drinking water system design standards, the Canadian Fire Underwriter's fire flow requirements and the Ministry of the Environment's design guidelines in calculating future water demand requirements.

The Water Supply Agreement between the City of Toronto and York Region authorizes an increase in maximum day amount supplied to York Region from 440 MLD (million litres per day) to 501 MLD by 2011 and projected 530 MLD by 2031. The Agreement is to expire on May 31, 2025.

The rate to be paid by York Region for water is determined annually and is calculated by including a number of components as follows:

- (a) *Operating Costs* – that part of the operating costs of the Toronto System, net of capital funding, debt charges, reserve contributions and additional hydro costs for pumping to York;

- (b) *Operating Surcharge* – an operating premium which takes into account that water consumed in York Region is pumped to a higher elevation than water consumed in Toronto and, therefore, demands greater power input and higher costs;
- (c) *Return-On-Investment (ROI)* – a return, based on the depreciated value of existing capital assets not subject to cost sharing; and
- (d) *Replacement Allowance* – a reserve contribution which acknowledges a life expectancy of assets.

In addition, a premium rate can be charged by the General Manager of Toronto Water if, for whatever reason, York Region has on any calendar day taken water in quantities which exceed the maximum day volume limits as documented in the Agreement and impacts the service delivery of water within the City of Toronto.

At present, there is adequate capacity to supply water to both the City of Toronto and York Region (in predetermined quantities). The supply of water to York Region and the associated cost-sharing of expanded infrastructure provides benefits to both the City and the Region in the recovery of operating costs, reduction in capital costs due to economies of scale, and an increase in security of supply through the construction of larger capacity infrastructure.

Over the coming years, increased demands within both the City and the southern part of York Region will require additional infrastructure and treatment capacity to be constructed to ensure provision of uninterrupted supply of drinking water.

The Agreement with York Region considers the issues of conservation and ensures that they have a pro-active water conservation plan in place in conjunction with a water use by-law that provides them the ability to implement mandatory watering restrictions. It is also noted that York Region signed an agreement with the Region of Peel for the supply of additional drinking water (York-Peel Water Supply Agreement) in February 2002.

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SIGNATURE

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