



## REPORT FOR ACTION

## York Region Agreements for Water Servicing and Ownership Transfer of the Maple Collector Sanitary Trunk Sewer

**Date:** March 19, 2018  
**To:** Public Works and Infrastructure Committee  
**From:** General Manager, Toronto Water  
**Wards:** All

### SUMMARY

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The City of Toronto (the City) and Regional Municipality of York (York Region) have a mutual interest to negotiate the renewal of the Water Supply Agreement, wherein the City supplies water to York Region. The current Water Supply Agreement was executed in 2005 and expires on May 31, 2025 and York Region has requested that the Water Supply Agreement be renewed to 2040 to secure a long-term water supply for York Region. Since 2005, several economic and environmental factors (e.g., continued aging of water infrastructure) that impact the water pricing model in Schedule "D" of the Water Supply Agreement have changed with respect to meeting the original business objectives. The City is interested in renegotiating and amending the water pricing model in Schedule "D" of the Water Supply Agreement in order to address these changes.

York Region owns the Maple Collector Sanitary Trunk Sewer (the Maple Collector), which is a concrete sanitary trunk sewer that is located in York Region and Toronto. The City and York Region have a mutual interest to negotiate an agreement to transfer ownership of the 2.4 kilometers of the Maple Collector that is located in the geographical boundaries of Toronto (the Toronto Maple Collector) shown in Attachment 1 from York Region to the City. The City is interested in assuming ownership of the Toronto Maple Collector in order to provide wastewater servicing capacity for future development, reduce inflow and infiltration (I&I) to the City's sewer system, and to achieve operational and maintenance efficiencies and cost savings for Toronto Water.

The purpose of this report is to obtain Council authority for the General Manager of Toronto Water to negotiate and, where the terms and conditions are acceptable to the General Manager, to enter into (i) a Water Supply Agreement amending agreement and (ii) a purchase agreement for the Toronto Maple Collector infrastructure.

## RECOMMENDATIONS

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The General Manager, Toronto Water recommends that:

1. City Council authorize the General Manager, Toronto Water, to negotiate and, where appropriate as determined by the General Manager, Toronto Water, enter into and execute on behalf of the City, the renewal of the Water Supply Agreement including without limitation any amendments, extensions or renewals , on terms and conditions set out below and on any other or amended terms and conditions satisfactory to the General Manager, Toronto Water, and in a form satisfactory to the City Solicitor, subject to the following conditions:

- a. one of the purposes for doing so is for the City's own purposes;
- b. the City has a sufficient supply of water to fulfill the obligations of the renewed Water Supply Agreement and meet the City's own water supply requirements, as determined at the sole discretion of the General Manager, Toronto Water;
- c. the expiry date of the renewed Water Supply Agreement shall be May 31, 2040, subject to any further renewal terms and conditions as may be negotiated between the parties;
- d. the water rate and cost calculations set out in the renewed Water Supply Agreement including Schedule "D" shall be acceptable to the General Manager, Toronto Water; and
- e. the terms and conditions of the renewed Water Supply Agreement and any amendments shall be in general conformance, as determined by the General Manager, Toronto Water, with the guiding principles set out in Attachment 3.

2. City Council authorize General Manager, Toronto Water to negotiate and, where appropriate as determined by the General Manager, Toronto Water, enter into and execute on behalf of the City an agreement to transfer ownership of the Toronto Maple Collector to the City in an "as-is, where is" condition and at no cost to the City and on any other or amended terms satisfactory to the General Manager, Toronto Water, and in a form satisfactory to the City Solicitor, subject to the following conditions:

- a. the City acquires the appropriate land rights from the Toronto Region Conservation Authority to permit the use, maintenance, alteration, repair and/or replacement of the Toronto Maple Collector; and
- b. title to the Toronto Maple Collector shall be good and free and clear of any encumbrances.

## FINANCIAL IMPACT

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There are no financial impacts to the City of Toronto from the renewal of the Water Supply Agreement in its current form, which would continue to provide annual revenue from York Region to the City at estimated current levels (\$24.690 million (M) in 2017). By addressing the changing factors that have impacted the water pricing model in Schedule "D" of the Water Supply Agreement, there are potential positive impacts to York Region Agreements for Water Servicing and Ownership Transfer of the Maple Collector Sanitary Trunk Sewer

annual water revenue from York Region to the City, which will be determined during the negotiations with York Region.

The ownership transfer of the Toronto Maple Collector from York Region to the City, at no cost, will have no impact on the approved Toronto Water 2018 Capital Budget and 2019-2027 Capital Plan. However, Toronto Water will need additional funding of \$3.4 M to bring the Toronto Maple Collector back into service and to acquire the land rights from the Toronto Region Conservation Authority. This funding request will be included in Toronto Water's 2019 budget submission.

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

## **DECISION HISTORY**

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At its meeting on July 29 to 31, 1998, City Council adopted Clause No. 1 of Report No. 7 of the Works and Utilities Committee to approve the execution of a 20 year agreement between the City of Toronto and Regional Municipality of York for the supply of water to York Region.

At its meeting on May 17, 18 and 19, 2005, City Council adopted Clause No. 24 of Report No. 5, of the Policy and Finance Committee to approve further amendments 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 by the City.

On September 4, 2007, Executive Committee considered the information only report titled "Water Supply Agreement with Region of York", which provided updated information on water servicing capacity and the Water Supply Agreement with York Region. The report is available at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2007.EX11.1>

At its meeting on November 8 and 9, 2016, City Council adopted recommendations in a staff report titled "Audit of Water Billing and Collection - Phase II: Part 2 - Management of Water Supply Contract for Region of York" and adopted the confidential recommendations contained in the Confidential Attachment 1 to the report (October 13, 2016) from the Auditor General. The decision is available at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.AU7.4>

On April 16, 2017, by way of Delegated Authority Form Tracking No. 2017-095 authorized by City Council on May 11 and 12, 2010 through the adoption of EX43.7, the City approved the execution of a 5 year agreement between the City and York Region to utilize the Toronto Maple Collector for City remediation work on Toronto's West Don Sanitary Trunk Sewer. This agreement provided that the parties would enter into discussions to transfer the Maple Collector from York Region to Toronto.

## COMMENTS

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### Water Supply Agreement with York Region

In 1975, the former Municipality of Metropolitan Toronto entered into a tripartite water supply agreement with the Province of Ontario and the Regional Municipality of York. In 1995, the Water Supply Agreement was amended to increase the maximum supply to 259 million liters per day (ML/d) with the inclusion of cost-sharing of capital works.

In 1998, City Council approved the execution of the Water Supply Agreement between the City and York Region for the supply of water to York Region by the City for a 20 year period and further increased the maximum supply to 440 ML/d.

The current Water Supply Agreement was last amended in 2005 to provide for a maximum water supply of 501 ML/d, projected 530 ML/D by 2031, continued cost-sharing of capital works, and extension of the agreement to 2025. Periodically, both parties have made ongoing agreements on certain issues as per Article 8 of the Water Supply Agreement. The current maximum agreed upon water supply to York Region is 533.9 ML/day in 2031.

The current Water Supply Agreement expires on May 31, 2025. The Water Supply Agreement contains provisions and conditions for amendment and the next window to give notice is June 1, 2019 to May 31, 2020. In discussions between York Region and Toronto Water, York Region staff have stated their interest in securing a long-term water supply for York Region and have requested that the Water Supply Agreement be renewed with an extended expiry date of May 31, 2040. At present, there is sufficient capacity for the City to provide water supply to York Region (to the maximum 533.9 ML/day) to 2040 and for the City to supply its own water needs.

The recovery of the City's operating and capital costs for supplying water to York Region under the Water Supply Agreement are based on the volume of water supplied. The rate paid by York Region for water is determined annually and is calculated based on water pricing model in Schedule "D" of the Water Supply Agreement that includes the following components:

- 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;
- 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;
- Return On Investment (ROI) – a return, based on the depreciated value of existing capital assets not subject to cost sharing; and,
- Replacement Allowance – a reserve contribution which acknowledges a life expectancy of assets.

Since 2005, several economic and environmental factors that impact the water pricing model in Schedule "D" of the Water Supply Agreement have changed with respect to

meeting the original business objectives. These include the continued aging of water infrastructure and changes in consumer water consumption behaviour. Toronto Water's interest in renewing the Water Supply Agreement is to renegotiate and amend the water pricing model in Schedule "D" of the Water Supply Agreement in order to address these changes.

### **Transfer of Ownership of the Toronto Maple Collector**

Prior to 1983, the Toronto Maple Collector conveyed wastewater flows from York Region to the City's West Don Sanitary Trunk Sewer. In 1983, York Region stopped sending wastewater flows to the West Don Sanitary Trunk Sewer via the Toronto Maple Collector, which was bulk headed near Steeles Avenue West at Dufferin Street. The Toronto Maple Collector has remained out of service since 1983. However, the Toronto Maple Collector currently contributes inflow and infiltration (I&I) to the City's sewer system in a range of 5 to 300 L/s based on recent flow monitoring.

The City and York Region entered into an agreement in 2014, which was amended in 2017 and expires in 2022, to permit the City to enter, construct and use the Toronto Maple Collector for the Phase I West Don Sanitary Trunk Sewer emergency relocation works under the G. Ross Lord Reservoir emergency relocation works. These works involve the relocation of a section of the West Don Sanitary Trunk Sewer under the G. Ross Lord Reservoir. The relocation of the West Don Sanitary Trunk Sewer includes the construction of a new sewer, with new connections to the North York Extension and the Toronto Maple Collector, and abandonment of the existing sewer infrastructure under the reservoir (see Attachment 2).

In good faith discussions between York Region and the City, a mutual interest has been identified to negotiate the transfer of ownership of the Toronto Maple Collector, from York Region to the City. York Region staff have advised that they have no plans to utilize the Toronto Maple Collector for future wastewater servicing.

The City has an interest in assuming ownership of the Toronto Maple Collector for the following reasons:

- If the Toronto Maple Collector is not assumed, Toronto Water would have to utilize the North York Extension for routing wastewater flows to the newly relocated West Don Sanitary Trunk Sewer. CCTV inspections completed by Andrews Infrastructure in 2009 determined that the Toronto Maple Collector has operations and maintenance advantages compared to the North York Extension as it is in better physical condition, has more capacity, and is more easily accessible since some maintenance holes for the North York Extension are under watercourses;
- The Toronto Maple Collector provides additional wastewater servicing capacity for future development, which would otherwise require upsizing of existing local sewers within along environmentally sensitive valley land at significantly higher costs;
- By the City assuming ownership and undertaking the lining of the Toronto Maple Collector, there will be a substantial reduction of I&I from the Toronto Maple Collector to the City's sewer system. As mentioned previously, the Toronto Maple Collector currently contributes inflow and infiltration (I&I) to the City's sewer system

in a range of 5 to 300 L/s, which takes up sewer capacity and is treated unnecessarily at wastewater treatment plants.

The Toronto Maple Collector is installed in lands owned by the Toronto and Region Conservation Authority. The City would therefore be required to obtain land rights to use the Toronto Maple Collector. Real Estate Services staff will seek separate authority for the acquisition of these land rights, currently anticipated to be by way of easement, once the Toronto Maple Collector acquisition has been accepted.

### **Next Steps**

Given the mutual interest of the City and York Region to negotiate the renewal and amendments to the current Water Supply Agreement and the agreement to transfer of ownership of the Toronto Maple Collector from York Region to the City, Toronto Water seeks authority from City Council to enter into negotiations with York Region on these matters. If authorized by their respective Councils, Toronto Water and York Region staff expect to commence negotiations in 2018.

Land rights required for the operation of the Toronto Maple Collector will be obtained through separate authority from the relevant land owners once the infrastructure transfer has been accepted.

### **CONTACT**

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### **SIGNATURE**

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Lou Di Gironimo  
General Manager, Toronto Water

### **ATTACHMENTS**

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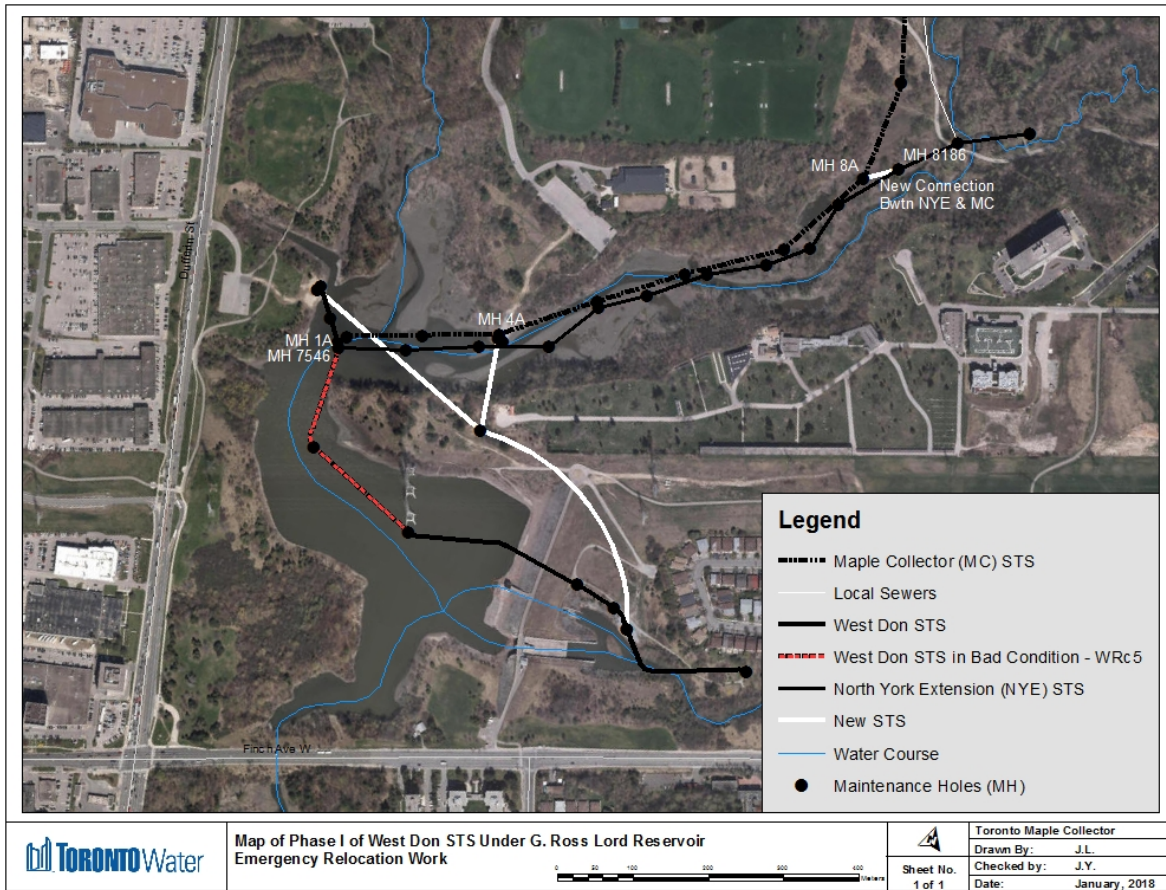
Attachment 1 – Map of the Toronto Maple Collector Sanitary Trunk Sewer  
Attachment 2 – Map of Phase I West Don Sanitary Trunk Sewer Under G. Ross Lord Reservoir Emergency Relocation Work  
Attachment 3 – Guiding Principles of Water Supply Agreement Amendments



# Attachment 1: Map of the Toronto Maple Collector Sanitary Trunk Sewer



# Attachment 2: Map of Phase I West Don Sanitary Trunk Sewer Under G. Ross Lord Reservoir Emergency Relocation Work





## Attachment 3: Guiding Principles of Water Supply Agreement Amendments

### York-Toronto Water Supply Agreement Update and Sanitary Sewer Ownership Transfer to the City of Toronto – Guiding Principles

#### Term of Water Supply Agreement

- *The initial term of the Agreement shall commence on the Effective date of signing and will run until May 31 2040, subject to renewal in accordance with Section Renewal Term; and*
- *The term of the Agreement shall be automatically renewed for successive twenty year periods in perpetuity unless both parties, at any time prior to the date which is three months prior to expiry of the then current Term agree not to renew (the "Notice of Non-Renewal").*

#### Contributions to Asset Management for the Water Supply Agreement

- *The rate calculation schedule will be amended to remove all costs and references to "Return on Investment" and "Replacement Allowance" portions of the rate calculation.*
- *Rate calculation schedule will be amended to include costs associated with Asset Replacement Contributions. The Asset Replacement Contribution will be calculated as follows:*

#### **Asset Replacement Contribution (\$/ML)**

$$= \frac{\text{Replacement Value (\$)} \times \text{Replacement Factor (1/year)}}{\text{Toronto Water Production} \left( \frac{\text{ML}}{\text{year}} \right)}$$

Where:

**Replacement Value** - replacement value as agreed by both parties and updated every five years, at a minimum

**Replacement Factor** – fraction of Replacement Value to be contributed to asset replacement as agreed by both parties

**Toronto Water Produced** –total water produced by Toronto

- *Asset Replacement Contributions (and associated withdrawals) shall be tracked and monitored by financial representatives from Toronto and York and reported to the Toronto/York Water Supply Agreement Committee on an annual basis.*

#### Transfer of Maple Collector Sewer

- *The Region will transfer ownership of the Maple Collector Sewer, South of Steeles Avenue, to the City of Toronto "as is, where is and at no cost"*