

Clause 10 in Report No. 13 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on October 19, 2017.

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Amendments to York-Peel Water and Wastewater Agreements

Committee of the Whole recommends adoption of the following recommendations contained in the report dated September 22, 2017 from the Commissioner of Environmental Services:

1. Council authorize an amendment to the 2001 York-Peel Water Supply Agreement based on the terms set out in this report.
2. Council authorize an amendment to the 1998 Woodbridge Area Sewage Servicing Agreement based on the terms set out in this report.
3. The Regional Clerk forward a copy of this report to the Region of Peel.

Report dated September 22, 2017 from the Commissioner of Environmental Services now follows:

1. Recommendations

It is recommended that:

1. Council authorize an amendment to the 2001 York-Peel Water Supply Agreement based on the terms set out in this report
2. Council authorize an amendment to the 1998 Woodbridge Area Sewage Servicing Agreement based on the terms set out in this report
3. The Regional Clerk forward a copy of this report to the Region of Peel.

2. Purpose

This report recommends Council authorize amendments to the 2001 York-Peel Water Supply and 1998 Woodbridge Area Sewage Servicing Agreements

incorporating changes resulting from a review and evaluation of the agreements undertaken by staff from York Region and Peel Region.

3. Background

Portions of the Region's potable water and wastewater services are provided through partnership agreements with Peel Region

The Region entered into partnership agreements with the Region of Peel to provide wastewater servicing and potable water supply in 1998 and 2001, respectively. A summary of the committed capacity and capital investment associated with each of the agreements is provided in Table 1.

Table 1
Summary of York-Peel Partnership Agreements

Agreement	Year	Committed Capacity (million litres per day)	Estimated Capital Investment (\$ million)
Wastewater Servicing	1998	53	70
Water Servicing	2001	331.2 ¹	585

1. The original Water Servicing Agreement was amended in 2013 to reduce the committed water supply of 388.32 MLD to 331.2 MLD

Peel Region supplies approximately 30 per cent of York Region's potable water demand, and the combined lake-based supply from Peel Region and the City of Toronto services communities in the Towns of Aurora, Newmarket, Richmond Hill and Whitchurch-Stouffville, the Cities of Markham and Vaughan, and Township of King.

A working group composed of staff from both Regions reviewed and evaluated the agreements

The agreements do not have a fixed termination date. Each agreement continues in perpetuity, with provisions for periodic review and amendments. At the end of 2015, York Region and Peel Region staff agreed to review and update the agreements.

In early 2016, an agreement review working group, composed of staff from both Regions was formed. The working group included an appropriate mix of subject matter experts (operational, administrative and legal) to ensure comprehensive reviews of both agreements were completed. Operational and administrative principles practiced during the years that the agreements have been in place helped to inform the review and evaluation.

Maintaining partnerships with multiple municipalities allows the Region to be more resilient to system risks

The Region has long term partnership agreements with Peel Region (water and wastewater), Durham Region (wastewater) and City of Toronto (water). Maintaining the Region's partnerships with neighbouring municipalities improves operational flexibility and system resiliency.

4. Analysis and Implications

Amendments recommended in this report are largely administrative in nature

The water and wastewater agreements with the Region of Peel were developed separately at different times (wastewater in 1998, water in 2001). Consequently, the format of the agreements and governance structures differed significantly. Most of the recommended amendments ensure a consistent structure, roles and responsibilities for operation, communication and administration of the agreements. These amendments will provide clarity to staff, reduce the administrative burden on both regions and ensure operational efficiency.

Outside of the administrative amendments, several key items have been addressed to provide additional clarity on roles and responsibilities. These key changes are summarized below.

Fluoridation of water supplied to York Region will continue

The amended water agreement includes provisions to ensure York Region's requirements for fluoridation are maintained. Peel Region will continue fluoridation as per Peel Region Public Health Department required concentrations.

In the event Peel Region ceases the practice of fluoridation in Peel, or York Region requires fluoridation at higher levels than required by Peel Region Public Health Department, Peel Region will provide increased fluoridation as requested by York Region with the costs associated with the increase in fluoridation levels being borne solely by York Region.

Process to address over-strength wastewater has been formalized

The original wastewater agreement acknowledged that Peel Region may sample York Region's wastewater flow at the interconnection point between the York and Peel system. In the event that sampling results indicate an exceedance of Peel

Region's Sewer Use by-law, York Region is required to pay a surcharge amount to Peel to cover the extra cost of treating high strength wastewater. However the method to calculate any such payment was not addressed by the original agreement. The amendments include a clear process and calculation method for the surcharge costs.

Wholesale water and wastewater rates and asset management planning processes have been formalized

Wholesale water and wastewater rates are composed of both fixed costs (e.g. share of capital improvements, contribution to reserves) and variable costs (e.g. share of wastewater system operational costs, share of water system electrical and chemical costs, etc.). Amendments to the agreements have clarified how rates are calculated and formalized the process to ensure consistency of interpretation.

Through the wholesale water and wastewater rate, York Region contributes into a Major Maintenance and Replacement Reserve for both water and wastewater infrastructure. Required annual contributions and each Region's share of the contributions are determined through a comprehensive Capital Component Study that takes place every five years.

In consultation with York Region staff, Peel Region develops a 10-year capital forecast and a 10-year Major Maintenance and Replacement forecast. Peel leads the implementation and delivery of all projects. Proposed Major Maintenance and Replacement projects are funded through withdrawals from the Major Maintenance and Replacement reserve.

Clear responsibilities during emergency conditions and adverse water quality events will help maintain customer service levels

The update of the agreement entitles York Region to 100 MLD from Peel Region under standby power conditions, through the Airport Road Pumping Station. This will reduce the impacts of a widespread power outage and assist in maintaining service to the Region's customers during an emergency event.

Adverse water quality events have the potential to impact the Region's level of service to its customers. The updated water agreement includes a notification requirement, and potential compensation, in the event that metered water at the York-Peel interconnection point does not meet regulatory standards.

5. Financial Considerations

The committed capacity identified in the agreements require a York Region investment of approximately \$585 million for water and \$70 million for wastewater in cost-shared capital. Over 96 per cent of the water and 95 per cent of the wastewater capital investments have been completed to date, with an estimated remaining net capital expenditure of approximately \$26 million required to achieve the committed capacity, identified in the agreements.

In addition, through wholesale user rate payments, York Region has contributed approximately \$59 million into the Water Major Maintenance and Replacement Reserve and approximately \$24 million into the Wastewater Major Maintenance and Replacement Reserve.

The updates to the agreements are largely administrative and provide clarity to financial and operational practices, currently in place. As such, there are no significant financial impacts anticipated due to the amendments to the agreements.

6. Local Municipal Impact

York-Peel Agreements provide capacity to support growth

York Region does not have direct access to Lake Ontario. This partnership with Peel Region provides alternative Lake Ontario-based water and wastewater servicing solutions. Approximately 30 per cent of York Region's water supply is being provided by Peel Region and it is expected that this ratio will continue into 2031, with approximately 10 per cent of York Region's wastewater to be treated in Peel Region.

Peel Region and York Region have planned and designed the shared components of the water and wastewater systems in Peel to accommodate water and wastewater demands for both Regions therefore available capacity to York Region is considered a committed capacity that will not be hindered with Peel's plan for growth.

York-Peel Agreements enables cost efficiency through economy of scale

Peel and York Regions co-shared the cost of capital projects required to support the growth of both municipalities to 2031 and beyond. In addition, the cost of replacement and rehabilitation of the cost-shared assets will be shared. This partnership enables cost efficiency through economy of scale.

7. Conclusion

The water and wastewater servicing agreements between Peel Region and York Region continue to provide long term benefits for both Regions, providing support for growth and committed service. The proposed amendments reflect the changes in legislation and the related administrative practices that have evolved over the past 20 years.

Through a staff review and evaluation of the agreements, recommended amendments (generally administrative in nature) have been made to clarify the obligations and responsibilities of the parties. Staff recommend that Council authorize the amendments to the agreements.

For more information on this report, please contact James Steele, Director, Infrastructure Asset Management at 1-877-464-9675 ext. 73018.

The Senior Management Group has reviewed this report.

September 22, 2017

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