

Clause No. 5 in Report No. 8 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on December 19, 2013.

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YORK-PEEL WATER SUPPLY AGREEMENT RENEWAL

Committee of the Whole recommends adoption of the following recommendations contained in the report dated December 2, 2013 from the Commissioner of Environmental Services:

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, which will reduce the 2031 York annual maximum water flow by 14.76 per cent from 388.32 MLD to 331.0 MLD.
2. The Regional Chair and Clerk be authorized to execute the revised water supply agreement with the Region of Peel.
3. The Regional Clerk forward a copy of this report to the Clerk of the Region of Peel.

2. PURPOSE

This report seeks Council authorization to amend the 2001 York-Peel Water Supply Agreement and authorizes the Regional Chair and Clerk to execute the amended agreement.

3. BACKGROUND

York secured 388.32 MLD under current Agreement for capital investment of approximately \$700 million

In 2001, York Region entered into a partnership agreement with the Region of Peel entitled “York-Peel Water Supply Agreement” for the securement of water supply from Peel with staged increases up to 388.32 MLD by 2031.

In late 2005, the Region of Peel began to supply water to York Region. By 2013, supply from Peel represents 20 per cent of the capacity of York Water System which services Aurora, Markham, Newmarket, Richmond Hill, Vaughan, King City and Stouffville.

As part of the Agreement, York Region is required to cost share with Peel on infrastructure projects necessary to meet Peel's growth need, as well as to support water supply to York Region as stipulated in the Agreement. The current estimated cost of the York-Peel capital infrastructure program is approximately \$1.50 billion, with approximately \$700 million funded by York Region.

Potential benefit to York for amending the Agreement's supply capacity

Peel and York staff meet regularly to discuss matters related to the Agreement, including project timing and cost. Amidst discussion of York's share of the cost of Hanlan Feedermain, it was determined that there are mutual benefits to both parties to explore reduction of York's supply capacity in the current Agreement in return for a credit from Peel.

4. ANALYSIS AND OPTIONS

Reduction in water consumption rate provides opportunity to defer capital-in-cost shared projects with Toronto and Peel

York Water System is the largest water system in York Region servicing the southern urban communities of York Region including Aurora, Markham, Newmarket, Richmond Hill, Vaughan, King City and Stouffville. Currently, York Water System has four sources of water supply:

- City of Toronto
- Region of Peel
- Yonge Street Aquifer Groundwater wells
- Stouffville groundwater wells

Subsequent to the execution of the York-Peel Water Supply Agreement in 2001, York Region revised the water supply agreement with the City of Toronto in 2005 to secure additional water supply through cost sharing infrastructure projects with the City of Toronto. Originally, the 2005 Agreement with Toronto planned to complete all the identified projects before 2031 to achieve a targeted water supply capacity of 530.1 MLD from Toronto in 2031.

Since then, consumption rate per capita in York Region, as in Toronto, has been declining. It becomes apparent that previously targeted 2031 supplies from Peel and Toronto are well above the new 2031 demand projection. Staff has successfully negotiated with the City of Toronto to defer capital projects totalling \$140M to avoid

inefficient use of capital funds, particularly in light of the Annual Repayment Limit issues. York Region's targeted supply in 2031 from Toronto has been revised to 509 MLD.

Proposed reduction of Peel supply by 14.76 per cent for a reduction in investment of approximately \$125 million

Staff also explored the same opportunity with the Region of Peel and proposed that the ultimate supply limit of 388.32 MLD in the current Agreement be reduced by 14.76 per cent to 331.0 MLD in return for a cost reduction in York's share of the infrastructure program.

With 509 MLD from Toronto and 331 MLD from Peel, staff estimated there will still be adequate capacity to support the Region's growth to 2036 and beyond. If Toronto's supply is expanded to 530.1 MLD after 2031 as planned, there will be adequate capacity to support growth to 2041 and beyond (*see Attachment 1*). It is also recognized that Peel supply is a preferable candidate for supply reduction. Peel's ultimate supply of 388.32 MLD is equivalent to approximately 40 per cent of the entire York Water System supply in 2031, but is conveyed through a single supply point via one feedermain. This is not ideal with respect to system security and risk management as a break or disruption in a single feedermain would render a 40 per cent loss in supply.

As part of the York-Peel Water Supply Agreement, York is required to make annual contributions (as part of the rate payment) to a Capital Repair and Replacement Reserve Account to fund York's share of major capital repair or replacement of the joint use infrastructure. With the proposed reduction of York's maximum day supply from Peel, York's annual contribution to the Capital Repair and Replacement Reserve Account will be reduced by approximately \$1 million commencing 2014 to approximately \$1.7 million in 2031. It is estimated that the overall cost reduction to York in the joint capital works program is in the order of \$125 million.

In conjunction with Peel staff, York staff derived the following terms for the proposed amendment to the agreement:

- Annual Maximum Day Supply Volume Demands from Peel be reduced by 14.76 per cent for the years 2014 to 2031, with a maximum of 331 MLD in 2031
- A credit to York for payments made to date will be calculated based on the above-noted reduction in supply volumes. No credit will be applicable to payments made on York-only components and credits will be applied to York's current and future obligations
- Cost sharing of joint capital works program by York will be calculated based on the reduced volumes
- York will make no contribution to the new South Hanlan Feedermain, including the constructed section from Lakeview Water Treatment Plant to Lakeshore Road East

- York's share of costs of the new North Hanlan Feedermain will be based on the revised 2031 volume entitlement (331 MLD) as a proportion of the North Hanlan capacity
- Future contribution towards the Capital Repair and Replacement Reserve Account included in the wholesale water rate will be adjusted to reflect the reduced supply volume

Link to Key Council-approved Plans

The proposed amendment of the York-Peel Water Supply Agreement will defer capital expenditure without compromising the Region's ability to service its projected growth. It

aligns with the following 2011 to 2015 Strategic Objectives:

- Continue to prioritize new capital infrastructure projects to support managed growth and optimize community benefit
- Practise sound fiscal management

5. FINANCIAL IMPLICATIONS

Subject to final project cost and account reconciliation, it is estimated that the proposed amendment to the York-Peel Water Supply Agreement will reduce capital expenditure in the order of \$125 million, achieved through a combination of reduction of future project costs and reimbursement from Peel of previously paid expenses. In addition, York's annual contribution to the Capital Repair and Replacement Reserve Account will be reduced by approximately \$1 million commencing in 2014 to approximately \$1.7 million in 2031, and the saving will be reflected in the wholesale water rate charged to York by Peel.

6. LOCAL MUNICIPAL IMPACT

Deferring Peel cost shared projects will allow York Region to direct capital funds to implement more critical infrastructure projects and, in turn, ensure that capacity assignment to local municipalities will not be hindered by funding related constraints.

7. CONCLUSION

It is recommended that Council authorize staff to amend the 2001 York-Peel Water Supply Agreement, and the Regional Chair and Clerk be authorized to execute the amended agreement.

For more information on this report, please contact Daniel Kostopoulos, Director, Capital Planning and Delivery, Environmental Services at (905) 830-4444 Ext. 5070.

Attachment (1)

Projected York Water System Demand and Supply

