



Report of the Commissioner of Public Works Toronto-York Water Supply Agreement

1. Recommendations

1. Council authorize the Commissioner of Public Works to execute an amendment to the January 1, 2019, consolidated, amended, and restated Toronto-York Water Supply Agreement (“2019 Toronto-York Water Supply Agreement”) based on terms set out in this report, and any other terms and conditions satisfactory to the Commissioner of Public Works, in a form acceptable to the Regional Solicitor.
2. Council delegate authority to the Commissioner of Public Works to negotiate and execute on behalf of York Region any future amendments to the 2019 Toronto-York Water Supply on terms set out in this report, together with such ancillary documents that may be required, on business terms satisfactory to the Commissioner of Public Works and on legal terms satisfactory to the Regional Solicitor and General Counsel.
3. The Regional Clerk forward a copy of this report to the City of Toronto Clerk.

2. Purpose

This report seeks Council approval to amend the January 1, 2019, consolidated, amended, and restated Toronto-York Water Supply Agreement (“2019 Toronto-York Water Supply Agreement”) and Council authority for the Commissioner of Public Works to negotiate, enter into, and execute any future amendments to the 2019 Toronto-York Water Supply Agreement that are consistent with its original intent and as part of each five-year review. This requested approval aligns with the delegated authority granted to the General Manager of Toronto Water for amending the water supply agreement.

Key Points:

- 2019 Toronto-York Water Supply Agreement is a long-term agreement that allows for introduction of new or amended terms during regular five-year reviews

- Staff from both parties propose amendments that would reduce the Asset Replacement Contribution and formalize York Region’s entitlement during power outages, as well as operations, inflation and other administrative updates
- Delegated authority for the Commissioner of Public Works is requested to streamline the amendment process, aligns with Toronto Water’s authority and allows for quicker responses to emerging issues

3. Background

Toronto and York Region have been partners in water supply agreements for 50 years

The original agreement for Toronto to supply water to York Region started in December 1974, with both parties having entered into a series of agreements for the supply of water since that time. To date, the Region has invested more than \$265 million in Toronto’s infrastructure that serves York Region. The ongoing water supply from Toronto is crucial for supporting residents and businesses, as well as future planned growth in the Region.

Water rate structure has three major components

The Region pays Toronto a \$0.44 unit rate per cubic metre for water. This rate is based on three components: \$0.21 (48%) for operating costs, \$0.02 (5%) for hydro surcharge (additional hydro cost to pump water to York Region), and \$0.21 (47%) for the Asset Replacement Contribution.

4. Analysis

Asset Replacement Contribution recalibrated to reflect lessons learned and spending needs over next five years

York Region’s Asset Replacement Contribution over the past five years (2019 to 2023) totaled \$80.3 million while its share of capital renewal activities was determined to be \$49.1 million. As a result, Toronto will return \$31.2 million to York Region, which will be credited to the Water Rate Stabilization Reserve and used to help offset lower development charge collections resulting from recent changes to the *Development Charges Act, 1997*.

Although actual spending was lower than anticipated over the past five years, Toronto was able to complete all necessary renewal activities. At least 97% of Toronto’s assets that supply water to York Region are in fair to very good condition and Regional staff will continue to work with Toronto to ensure shared assets are maintained in optimal condition.

Over the five-year period from 2024 to 2028, the Region’s share of capital renewal activities is expected to total \$72.8 million. To align contributions with these activities, Toronto and Regional staff agreed to reduce the Asset Replacement Contribution through the proposed amendments.

Clarifying York Region’s water supply entitlement during electrical power interruptions

In recent years, York Region has prioritized ensuring an uninterrupted water supply by actively engaging in the study, implementation, and cost-sharing of uninterrupted power supply with Toronto. Diesel generators serve as back-up power sources for Toronto’s essential water infrastructure, maintaining the functionality of treatment facilities and pumping stations during electrical outages and preventing disruptions in water services.

This proactive strategy safeguards York Region’s water supply and enhances the overall resilience and reliability of the Toronto water system. This underscores the importance of intermunicipal cooperation in securing essential infrastructure to withstand and respond to unforeseen challenges.

The proposed amending agreement would include a new schedule to clearly outline York Region’s water supply capacity entitlement during power outages, ensuring the needs of residents and businesses are consistently met, even in emergency situations.

Proposed delegated authority is similar to that of Toronto and aligns with Region’s Delegation of Authority Bylaw

This report requests Council delegate authority to the Commissioner of Public Works to negotiate and execute future amendments to the 2019 Toronto-York Water Supply Agreement. The Commissioner will ensure the business terms are consistent with the principles of the agreement, as amended, and do not impose additional financial obligations on the Region that are not otherwise contained in the agreement. This delegated authority includes the power to execute any necessary ancillary documents to give effect to this delegated authority, terminate the agreement or ancillary documents and amend any ancillary documents.

This approach aligns with the delegated authority granted to the General Manager of Toronto Water for amending the water supply agreement. Delegating similar authority, as done in the City of Toronto, would enhance operational efficiency by streamlining the amendment process, allowing for quicker responses to emerging issues and provide the necessary flexibility to address adjustments and operational changes promptly, ensuring the agreement remains functional.

Amended Agreement aligns with Regional Council’s Vision for strong, caring, safe communities

The recommended amendments to the 2019 Toronto-York Water Supply Agreement will ensure York Region can continue to provide safe water and deliver customer satisfaction, aligning with the 2023 to 2027 Strategic Plan priority to support community well-being as identified under the Vision’s area of focus for healthy communities.

5. Financial Considerations

Reduced Asset Replacement Contribution limits overall financial impact

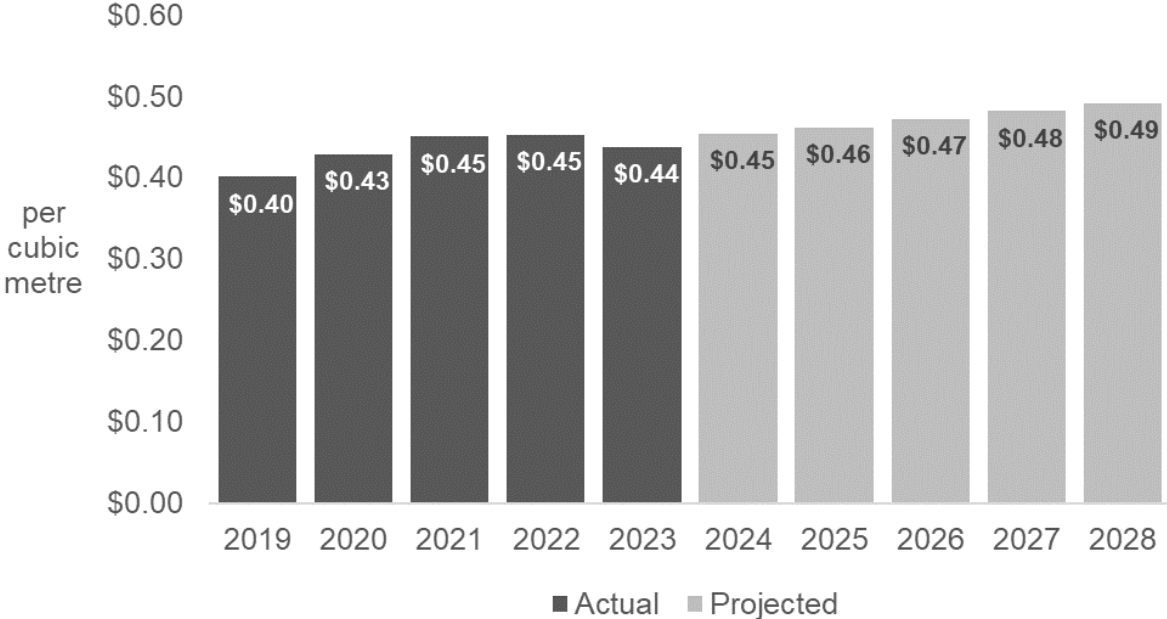
Revenue from the Region’s wholesale water rates is used to pay Toronto for water services. The financial model developed for the September 2021 approved water rate schedule anticipated some increases in purchased water cost. The overall financial impact resulting from proposed amendments is negligible as the reduction in the Asset Replacement Contribution largely offsets cost pressures relating to operations, inflation and other administrative updates. Staff evaluated the impact of the updated rate on York Region’s wholesale water rate and Council approved increases and determined the Region remains on track to maintain full cost recovery for water and wastewater services.

This report does not present current or anticipated financial changes to the Region’s budget or fiscal position.

The rate paid to Toronto for water is expected to increase in line with inflation over the next five years

From 2019 to 2023, as shown in Figure 1, the rate York Region paid Toronto for water increased from \$0.40 to \$0.44 per cubic metre. Based on proposed changes, including the lower Asset Replacement Contribution, the overall rate is projected to increase by \$0.01 annually (or around 2%) over the five-year period from 2024 to 2028.

Figure 1
Rate Paid by York Region to Toronto for Supplied Water



The total volume of water purchased from Toronto annually over this period is expected to be approximately 77 million cubic metres, resulting in an estimated cost of \$35 million in 2024 and \$38 million by 2028, as shown in Table 1 below, with no tax levy impact.

Table 1
Anticipated Operating Expenses

	2024	2025	2026	2027	2028
Gross Expenditures	\$34.9M	\$35.4M	\$36.3M	\$37.1M	\$38.0M

6. Local Impact

Proposed changes will not impact wholesale water rate to local municipalities

Rates charged to local municipalities as part of the approved water rate schedule, covering the period of April 1, 2022, to March 31, 2028, are not expected to change in the future as a result of proposed amendments.

Formalizing York Region’s entitlement during standby power operations will ensure the needs of local municipalities’ residents and businesses continue to be met.

7. Conclusion

Toronto has supplied York Region with safe drinking water for 50 years and, under the amended terms of the 2019 Toronto-York Water Supply Agreement, will continue to be an important partner in supporting existing and future residents and businesses.

The amending agreement would include a reduced Asset Replacement Contribution and clarity on the Region’s entitlement during power outages, among other administrative updates. These amendments enhance the arrangement for Toronto to supply water to York Region and ensure it will be beneficial for both parties going forward.

Providing the Commissioner of Public Works authority to negotiate future amendments will provide additional flexibility and facilitate efficient resolution of issues.

For more information on this report, please contact Michelle Swan, Director, Finance and Performance, at 1-877-464-9675 ext. 73040. Accessible formats or communication supports are available upon request.

Recommended by:



Laura McDowell, P.Eng.
Commissioner of Public Works



Approved for Submission:

Erin Mahoney
Chief Administrative Officer

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