

CITY OF HAMILTON

CORPORATE SERVICES DEPARTMENT
Financial Planning and Policy Division

TO: Chair and Members Audit, Finance and Administration Committee	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: June 22, 2011	
SUBJECT/REPORT NO: City of Hamilton/The Regional Municipality of Halton Supply of Water Agreement (FCS11035) (City Wide)	
SUBMITTED BY: Roberto Rossini General Manager Finance and Corporate Services	PREPARED BY: John Savoia (905) 546-2424 Ext. 7298
SIGNATURE:	

RECOMMENDATION:

- (a) That Council approve an agreement between The Regional Municipality of Halton (“Halton”) and the City of Hamilton (“Hamilton”) for the continued supply of potable water to the City of Burlington (“Burlington”) on the following terms and conditions:
- (i) for a period of 10 years, from the date of execution of the agreement, with a potential renewal of 10 years upon the same terms and conditions;
 - (ii) at a rate of 1.5 times the water rate otherwise imposed by the City of Hamilton, from time to time, during the term of the agreement;
 - (iii) of a volume not to exceed 1,000,000 litres per day and a flow rate of not greater than 5,500 litres/minute;

- (iv) for the three existing water supplies plus future water supplies where requested by Halton and agreed to by Hamilton in accordance with criteria set out in the agreement.

- (b) That the Mayor and City Clerk be authorized and directed to execute, on behalf of the City of Hamilton, all necessary documentation to implement subsection (a), all with content acceptable to the General Manager of Finance and Corporate Services and General Manager of Public Works, and in a form satisfactory to the City Solicitor.

EXECUTIVE SUMMARY

The purpose of this report is to seek approval from Council to enter into a new agreement with The Regional Municipality of Halton (“Halton”) for the continued supply of water to the western boundary of the City of Burlington.

The City of Hamilton currently supplies water to The Regional Municipality of Halton at three separate delivery points which benefit the communities of Bridgeview, North Aldershot and Snake Road (refer to the attached diagrams in Appendix “A” to this report FCS11035).

It is important for both Hamilton and Halton that the terms and conditions of each water supply arrangement be identified in a written agreement, administered and billed in a consistent manner. It is also in the interests of both Hamilton and Halton to provide assurances around the supply and delivery of water to Halton and to ensure that Hamilton ratepayers will not be adversely affected by this arrangement.

It is proposed that the new written agreement build on the provisions contained in the agreement previously entered into for the City of Hamilton’s water supply to the Bridgeview Community.

In 1998, the former Regional Municipality of Hamilton-Wentworth (“Hamilton-Wentworth”) entered into an agreement (“Bridgeview Agreement”) with Halton for the supply of water on an ongoing basis.

The terms of the Bridgeview Agreement included:

- That Halton paid for the construction of a pipeline and related infrastructure for water transmission from Hamilton and ownership of these assets was transferred to Hamilton-Wentworth (now the City of Hamilton) upon completion in 1995;

- That Halton agree to pay for all water delivered at one and one-half (1.5) times the rate that Hamilton-Wentworth/Hamilton charges for the supply of water to its consumers.

The Agreement was for a 10 year term expiring on October 31, 2005, and the two parties have continued to act as though it has remained in effect since its expiry.

It is proposed that the new agreement will contain, at a minimum, the following terms and conditions:

- Halton agrees to pay for all water delivered at one and one-half (1.5) times the rate that Hamilton charges, from time to time, for the supply of water to its consumers;
- the term of the agreement will be 10 years from the date of execution of the agreement, with a potential renewal of 10 years upon the same terms and conditions;
- the water supply will be of a volume not to exceed 1,000,000 litres per day and a flow rate of not greater than 5,500 litres/minute;
- the agreement will address the three existing water supplies plus future water supplies where requested by Halton and agreed to by the City of Hamilton staff in accordance with the criteria set out in the agreement;
- any future capital investments associated with future water supplies would be coordinated by the municipality where the work resides and paid for by Halton. The City of Hamilton will become the owner of any pipelines and related infrastructure located within the City, including the water meter, and will be responsible for the required maintenance;
- provisions with respect to interruptions of supply and impacts on water pressure;
- such other content acceptable to the General Manager of Finance and Corporate Service and General Manager of Public Works.

Alternatives for Consideration – Not Applicable.

FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)

Financial: Given Hamilton's favourable position of water treatment capacity and water supply, the continued supply of water to Halton and Haldimand County provides revenue that, in part, off-sets rate revenue pressures that have been experienced in recent years from declining consumption across all water consumer sectors. In 2010, the water supply to Halton reached nearly 82,000 m³ equating to over \$140,000 in water revenues.

The fees to be imposed for the water supply will be based upon the fees and charges approved by City Council from time to time. Such fees and charges are currently reflected in the City's Water and Wastewater Fees and Charges By-law.

Staffing: No impact.

Legal: By entering into a new water supply agreement with Halton, the City of Hamilton will commit to continuing to provide water to Halton, subject to the various terms and conditions contained within the new agreement.

HISTORICAL BACKGROUND (Chronology of events)

The City of Hamilton currently supplies water to The Regional Municipality of Halton at three separate delivery points which benefit the communities of Bridgeview, North Aldershot and Snake Road (refer to attached diagrams in Appendix A to this report FCS11035).

In the case of North Aldershot, originally the water supply was from Burlington to Waterdown but as of April 2010, the North Aldershot community has been sourced primarily by the City of Hamilton. The Snake Road water supply connection is thought to have been installed in the early 1970's although no documentation regarding this connection has been identified.

With respect to the Bridgeview Community, the need for a secure supply of water was determined by The Regional Municipality of Halton in the early 1990's. In order to provide this supply, Halton entered into negotiations with the former Regional Municipality of Hamilton-Wentworth to construct a pipeline through a portion of Hamilton-Wentworth to a delivery point located at the border between the two regions.

In 1998, Hamilton-Wentworth entered into an Agreement with Halton for the supply of water for an initial ten year term expiring October 31, 2005. The two parties have continued to act as though it has remained in effect since its expiry.

The terms of the Agreement included:

- That Halton paid for the construction of a pipeline and related infrastructure for water transmission from Hamilton and ownership of these assets was transferred to Hamilton-Wentworth (now the City of Hamilton) upon completion in 1995;
- That Halton agree to pay for all water delivered at one and one-half (1.5) times the rate that Hamilton-Wentworth/Hamilton charges for the supply of water to its consumers.

Given that the City of Hamilton currently has water treatment capacity beyond its own requirements and with Lake Ontario being its water source, the City of Hamilton is in a position to provide Halton with a secure supply of clean, safe water without negatively impacting Hamilton water customers. It should be noted that, since 1994, the City of Hamilton provides a supply of water to The Regional Municipality of Haldimand-Norfolk (now Haldimand County) of over 1.4 million m³ of water amounting to over \$2.2 million in annual water revenues. The City of Hamilton's ability to provide a supply of water to neighbouring communities by utilizing existing infrastructure provides revenues that, in part, off-set revenue pressures that have been experienced in recent years from declining consumption across all water consumer sectors.

With increased water supply volumes and the expectation for Halton to require this continued supply for the foreseeable future, it is desirable for both parties to enter into a new water sale agreement. City of Hamilton staff have been working closely with Halton staff to develop a new water supply agreement which builds upon the provisions contained in the original water supply agreement for the Bridgeview community.

POLICY IMPLICATIONS

Not Applicable.

RELEVANT CONSULTATION

City Manager's Office – Legal Services Division has coordinated the use of outside legal counsel to provide advice and guidance in developing the new water supply agreement.

Corporate Services Department – Treasury Services, Risk Management Section, has provided input into the development of the new agreement.

Public Works Department – Environment and Sustainable Infrastructure Division has been consulted and supports the recommendation of entering into a new water supply agreement with Halton.

The Regional Municipality of Halton – the new water supply agreement has been developed in a collaborative fashion between the two parties.

ANALYSIS / RATIONALE FOR RECOMMENDATION

(include Performance Measurement/Benchmarking Data, if applicable)

A review of water volumes supplied to Halton indicates that, prior to this year, annual volumes ranged from 20,000 to 30,000 m³ of water with annual revenues ranging from \$20,000 to \$45,000. With the supply of water to the North Aldershot community, as of April, 2010, water volumes supplied to Halton in 2010 reached nearly 82,000 m³ equating to over \$140,000 in water revenues. On an annualized basis, the water volumes may reach 100,000 m³ which, at 2011 water rates, would exceed \$175,000 in annual water revenues.

ALTERNATIVES FOR CONSIDERATION:

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

N/A.

CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

Financial Sustainability

- ◆ Financially Sustainable City by 2020
- ◆ Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost effective manner

Intergovernmental Relationships

- ◆ Maintain effective relationships with other public agencies

Healthy Community

- ◆ Adequate access to food, water, shelter and income, safety, work, recreation and support for all (Human Services)

APPENDICES / SCHEDULES

Appendix "A" to Report FCS11035 (Maps of Water Delivery Points).

