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<b>TO:</b>	<b>CHAIR AND MEMBERS CIVIC WORKS COMMITTEE MEETING ON MONDAY, APRIL 28, 2014</b>
<b>FROM:</b>	<b>JOHN BRAAM, P. ENG. MANAGING DIRECTOR, ENVIRONMENTAL AND ENGINEERING SERVICES &amp; CITY ENGINEER</b>
<b>SUBJECT</b>	<b>CHANGES TO THE FLOOD DEDUCTIBLE AT WASTEWATER FACILITIES</b>

<b>RECOMMENDATION</b>
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That, on the recommendation of the Managing Director, Environmental and Engineering Services & City Engineer, the following report **BE RECEIVED** for information.

<b>BACKGROUND</b>
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The City maintains various insurance policies, including coverage for flooding of Wastewater Treatment Facilities. In a recent insurance renewal proposal, the deductible for four locations was increased to 3% of the insured value, or \$500,000, whichever is greater. The resulting deductible values would range from \$500,000 to almost \$9M per facility. The previous policy carried a \$200,000 deductible for each site. To maintain a \$200,000 deductible the City was advised that an additional annual premium of \$1.25M would be required.

Staff, in consultation with Risk Management, has analysed the cost of increased insurance premiums vs. likelihood of a loss, and conclude that the quoted additional insurance premiums are not a valuable investment. In a worst case scenario, the City would have a \$16.7M liability (the amount of the revised deductibles at all four locations) by not electing the coverage provided by the \$1.25M annual premium. While a catastrophic event may only occur once every 50 to 100 years, electing the \$1.25M premium would result in the City incurring the equivalent cost of a catastrophic event approximately once every 13-14 years.

The risk of such a catastrophic event is further reduced after planned flood proofing works at the sites are implemented over the next 10 years. The 20 Year Wastewater Plan allocates \$8M in 2020 for flood proofing measures at the Greenway plant. Improvements for the Adelaide and Vauxhall plants, and the Dingman Creek Pumping Station will be included in the 2015 Capital Budget Forecast submission. Flood proofing will be coordinated with upgrades and optimizations also planned at these sites where possible.

In lieu of incurring the higher deductible annually, there will be continued investment in flood proofing infrastructure that will minimize the flooding risk to the City's Wastewater Treatment facilities while also ensuring sufficient reserve fund balances to protect against a catastrophic loss in the interim. This will avoid the additional annual premium of \$1.25M in perpetuity, balancing risk and affordability for the ratepayer.

<b>PREPARED BY:</b>	<b>RECOMMENDED BY:</b>
<b>JOHN LUCAS, P. ENG. DIRECTOR, WATER AND WASTEWATER &amp; TREATMENT</b>	<b>JOHN BRAAM, P. ENG. MANAGING DIRECTOR, ENVIRONMENTAL &amp; ENGINEERING SERVICES &amp; CITY ENGINEER</b>
<b>REVIEWED &amp; CONCURRED BY:</b>	
<b>JASON WILLS, CIP, CRM MANAGER, RISK MANAGEMENT</b>	