

TORONTO

Water



2007 Operating Budget 2007-2016 Capital Budget Submission & Forecast

***Budget Advisory Committee
Presentation***

January 8, 2007

Toronto Water Strategic Direction

- **Multi-Year Toronto Water Business Plan was approved by Council February 1, 2005**
- **The strategic directions for 2007 and beyond are:**
 - Deliver excellence in environmental stewardship
 - Achieve ongoing financial vitality and sustainability
 - Enhance service delivery
 - Address renewal needs of our infrastructure
 - Increase total system capacity to meet population increases
 - Be recognized as an employer of choice in the water services industry

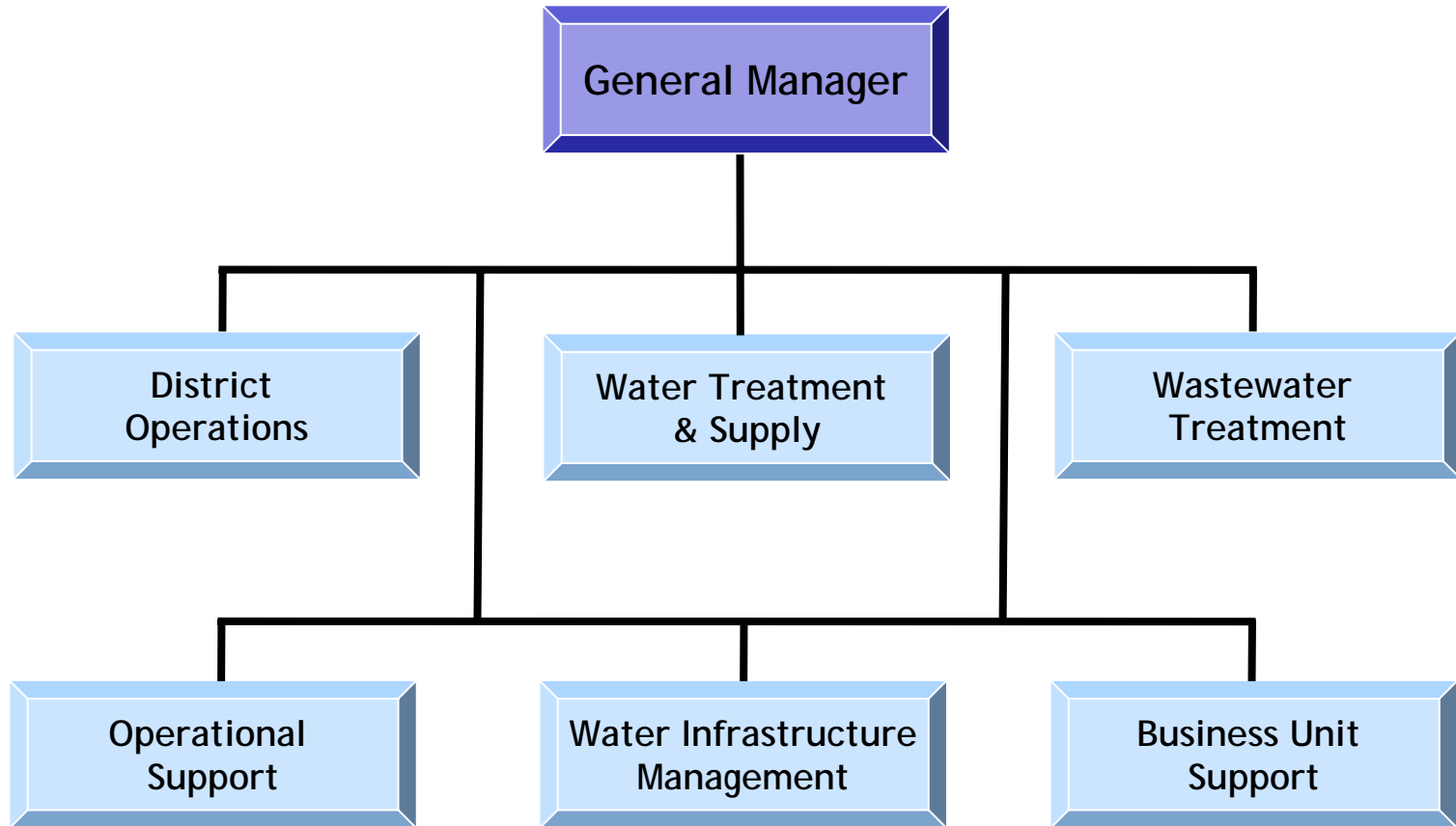
2007 Program Issues

- **Aging infrastructure:** requiring significant long term investment
- **Compliance with Provincial Regulations:** new Safe Drinking Water Act and related MOE regulations (includes legal obligations/liabilities for Council and Staff)
- **Increasing capital investment:** needed to address requirements of recent initiatives (eg. Biosolids Master Plan, Wet Weather Flow Master Plan) and servicing for Future Growth
- **Managing impact of growing capital program:** increased resources are required to plan and manage infrastructure renewal programs and operate and maintain new equipment & facilities
- **Reserve Balance:** lowest per capita balance in GTA

Fiscal Overview

- **There is no reliance on the property tax base to support Toronto Water's services**
- **Both operating and capital budgets are supported from user fees for water consumption and sewage treatment**

Toronto Water Structure



Inventory of Assets

Replacement Value of \$26.6 Billion

WATER - \$8.7 Billion

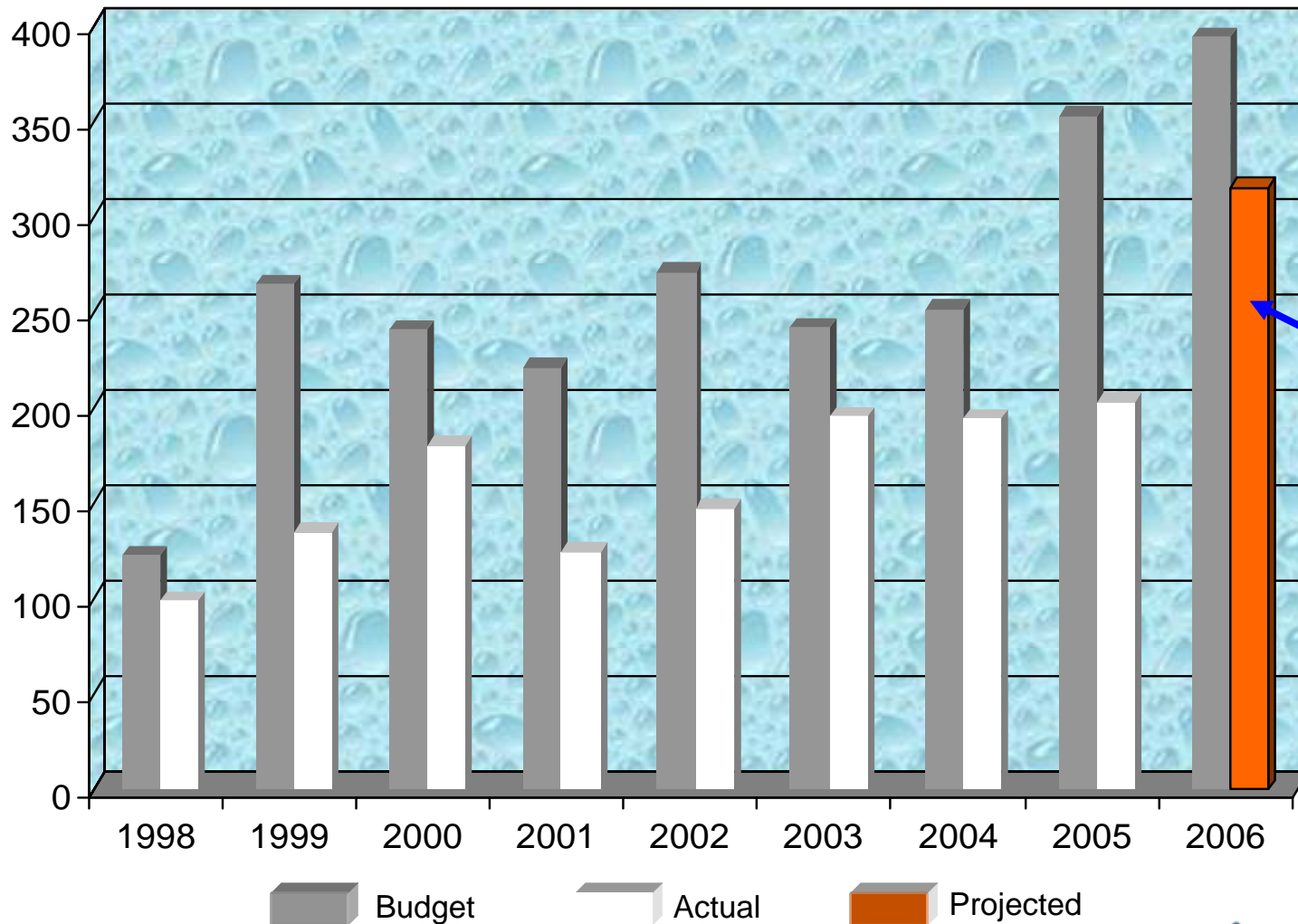
- 4 water filtration plants
- 10 reservoirs and 4 elevated storage tanks
- 5,015km of distribution watermains and 510km of trunk watermains
- 52,900 valves and 40,460 hydrants
- 470,202 water service connections, plus York Region (population served 400,000)
- 18 water pumping stations

WASTEWATER - \$17.9 Billion

- 4 wastewater treatment plants
- 5 storage and detention tanks
- 4,397km of sanitary, 1,301km of combined and 358km of trunk sewer
- 4,305 km of storm sewers and 546km of roadside ditches
- 463,300 sewer service connections
- 82 wastewater pumping stations
- 371km of watercourses, 43 stormwater management ponds
- 2,300 outfalls & 122,500 catchbasins

2007 Capital Budget

1998-2006 Capital Budget vs. Actual Comparison (in \$Millions)



80% completion projected for 2006 equals funding level approved

Achieving an 80% completion rate in 2006

- **Actual expenditure levels as of 1st of December at almost 60%**
- **Large contracts moving ahead of schedule:**
 - McNicoll Watermain
 - 2006 Cashflow = \$26 M /Total Project Budget = \$34 M
 - Residuals management projects at water treatment plants
 - 2006 Cashflow = \$40 M /Total Project Budget = \$94 M
 - Digester rehabilitation at Ashbridges Bay & Humber wastewater plants
 - 2006 Cashflow = \$29 M /Total Project Budget = \$82 M
- **Large number of tenders let early on in linear program**
 - More than 80% of program tendered by June 30
- **Wet Weather Flow Master Plan Implementation begun**
 - Ellis Avenue/Colborne Lodge stormwater ponds under construction
- **Stream restoration projects**
 - Birkdale Ravine
 - Emergency Highland Creek repairs

2007 Capital Budget Issues

- **Constraints**

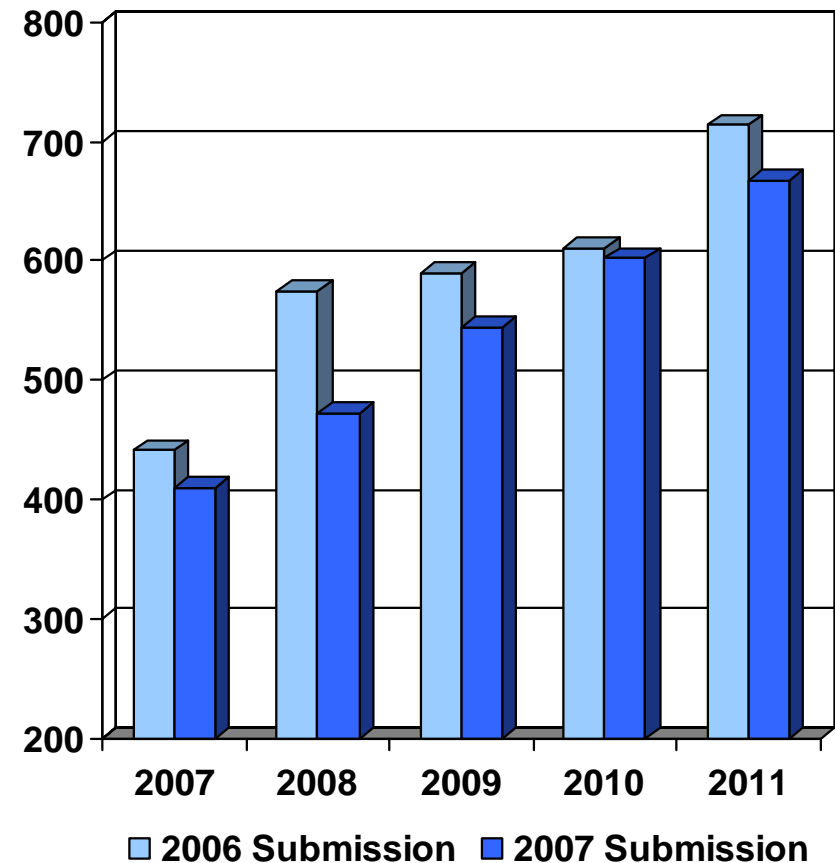
- Assumes 9% rate increase
- Impact of Operating Budget Pressures (\$379 M)
- Reduced Revenue Projections
- Need to maintain Capital Reserve in event of catastrophic infrastructure failure

- **Result**

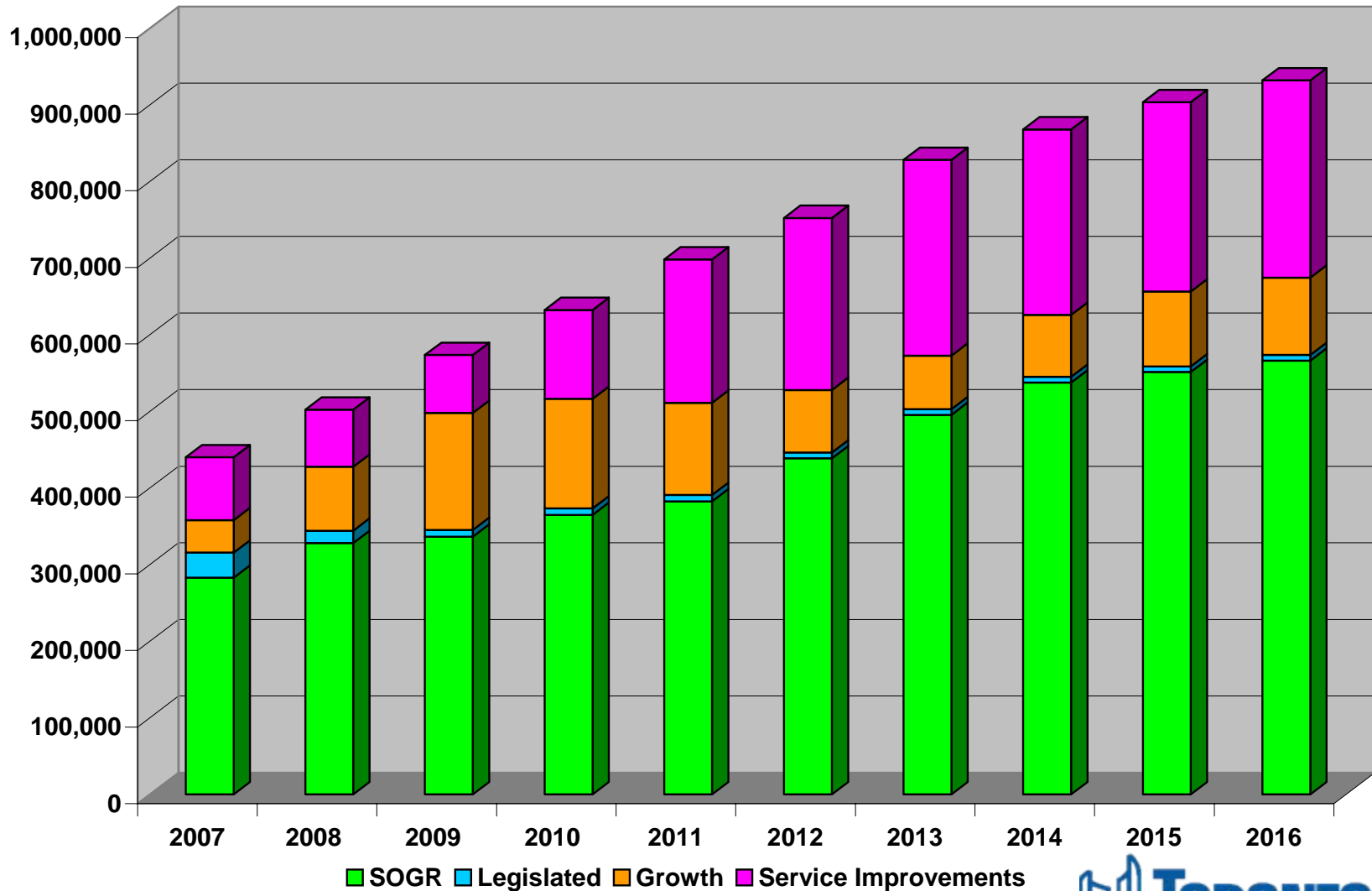
- Decrease in available Contribution-to-Capital

Capital Budget (\$Millions)

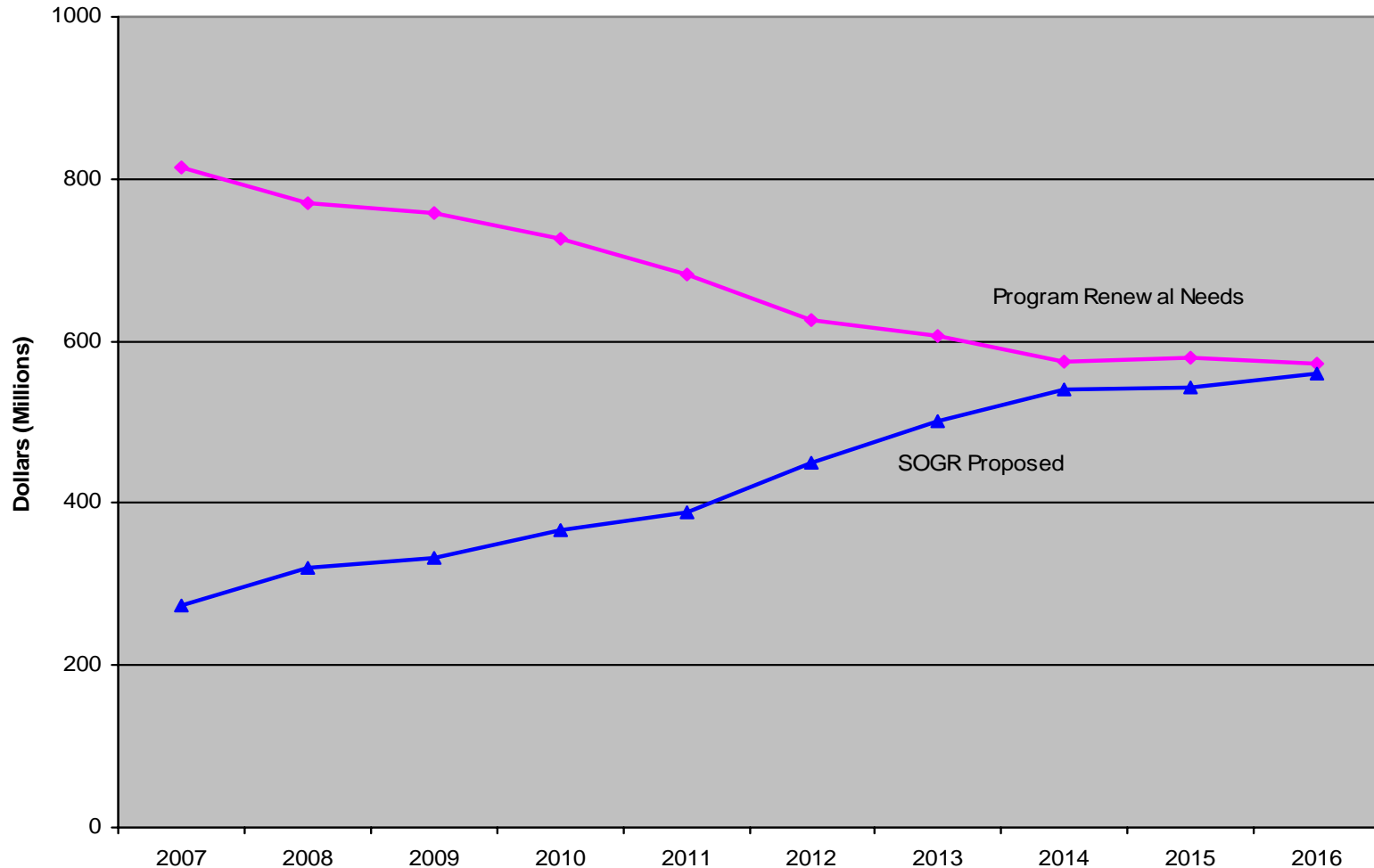
- **2007 recommended budget represents increase of \$16 M over 2006 Approved**
- **2007-2010 forecast decreased \$188 million over 2006 forecast for period 2007-2010**
 - Adjusted for revenue reductions and increased operating costs
 - Defers completion of trunk transmission mains, odour control at ABTP and WWFMP
- **2007 recommended budget slightly below 2006 forecast**



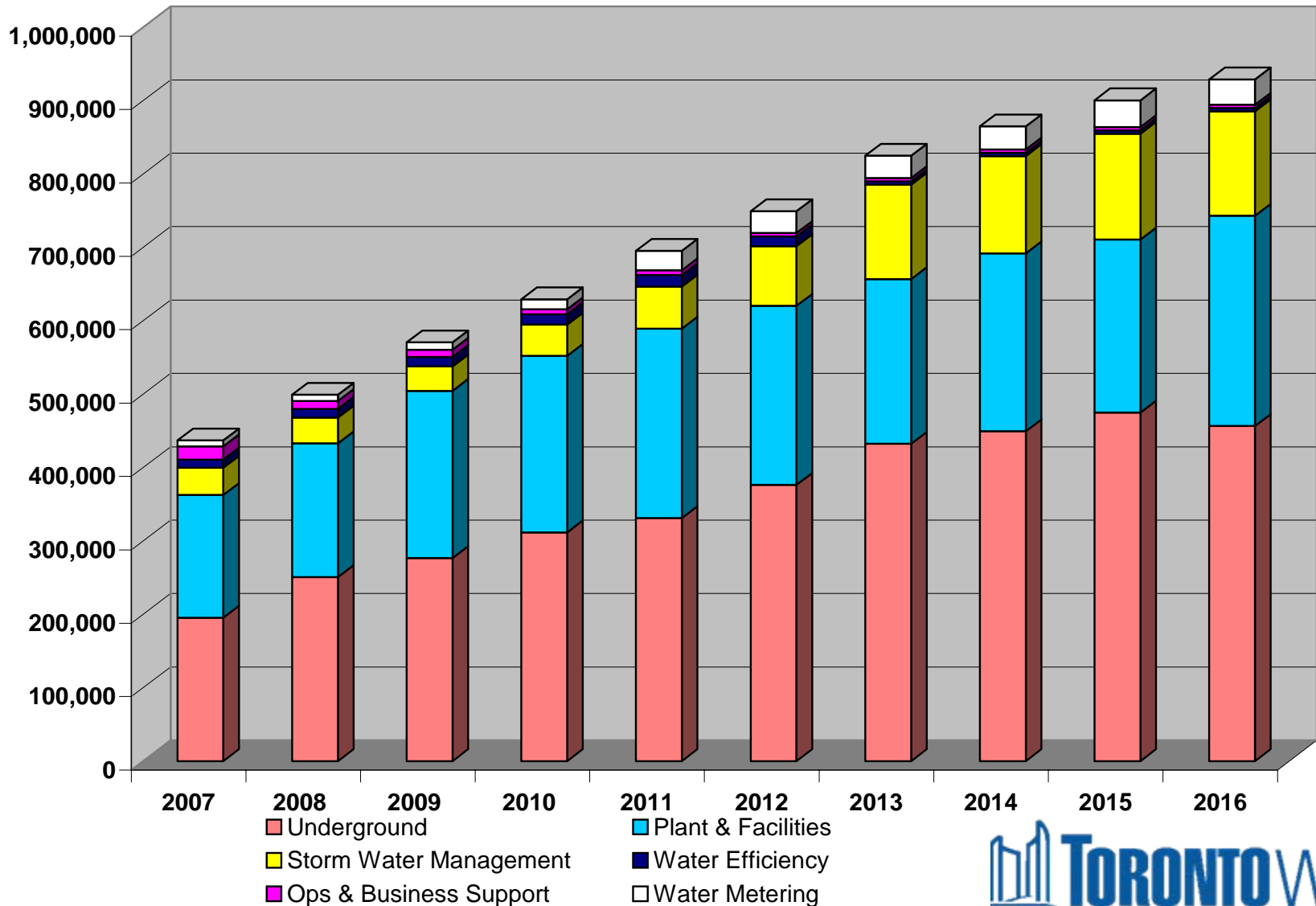
2007-2016 Toronto Water Capital Plan By Category (\$ 000's)



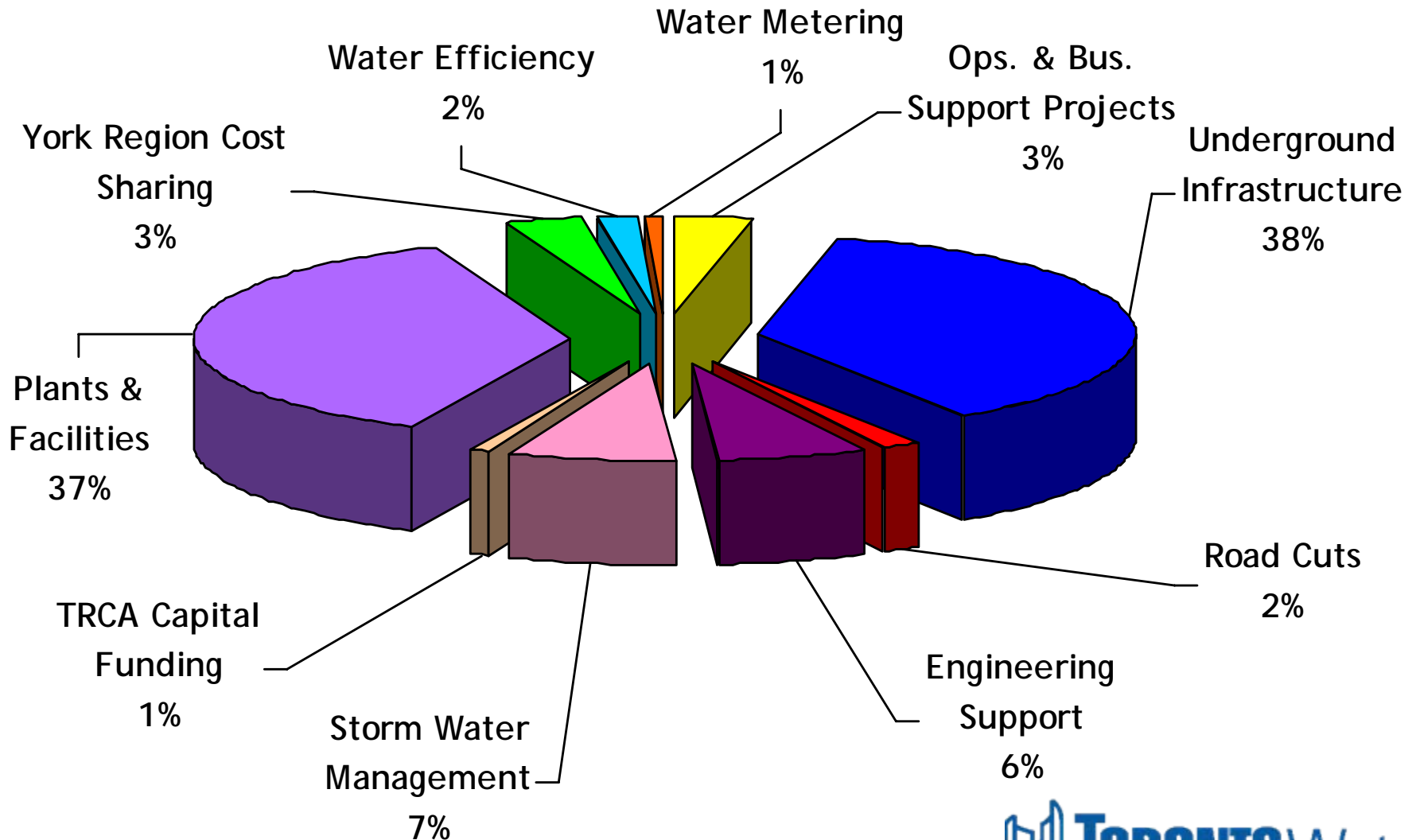
Addressing State of Good Repairs 10 Year Capital Plan



2007-2016 Capital Forecast (By Asset Class - \$ 000's)



2007 Capital Cash Flow \$410 Million

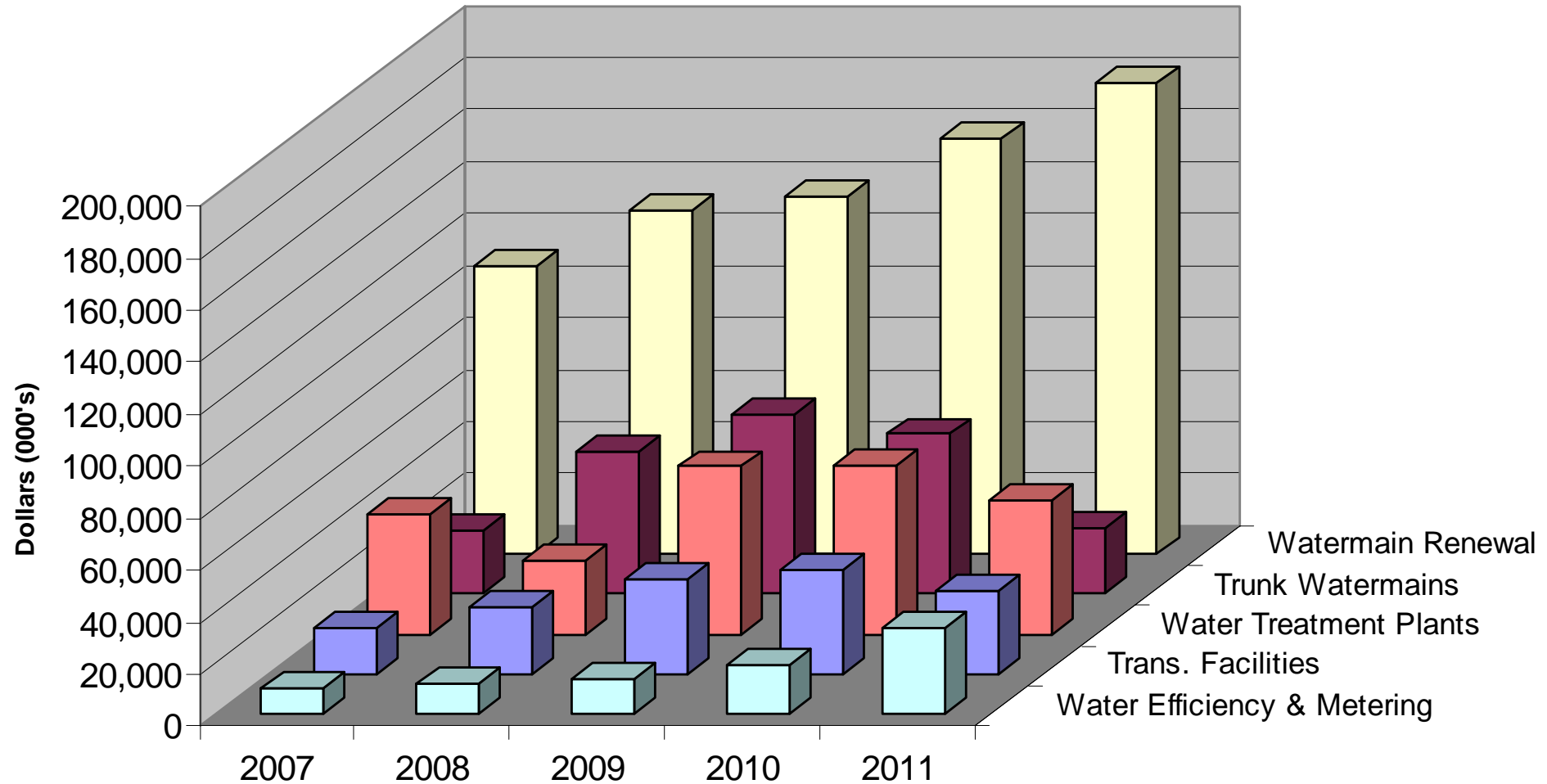


2007-2011 Capital Plan

Water Infrastructure

(000's)	2007	2008	2009	2010	2011
R.C. Harris	12,414	6,168	6,246	5,036	2,946
R.L. Clark WTP	18,653	9,526	3,832	2,824	2,550
F.J. Horgan WTP	7,864	8,057	52,804	51,700	38,650
Island WTP	7,149	4,403	1,443	5,350	7,500
Transmission Facilities	17,490	26,089	36,298	40,010	32,027
Trunk Watermains	24,134	54,399	68,785	61,359	25,000
Watermain Renewal	110,532	131,640	137,687	159,962	181,445
Water Effic. & Metering	10,310	11,552	13,922	18,681	33,198
Sub-Total Water:	208,546	251,834	321,017	344,922	323,316

2007-2011 Capital Plan Water Infrastructure

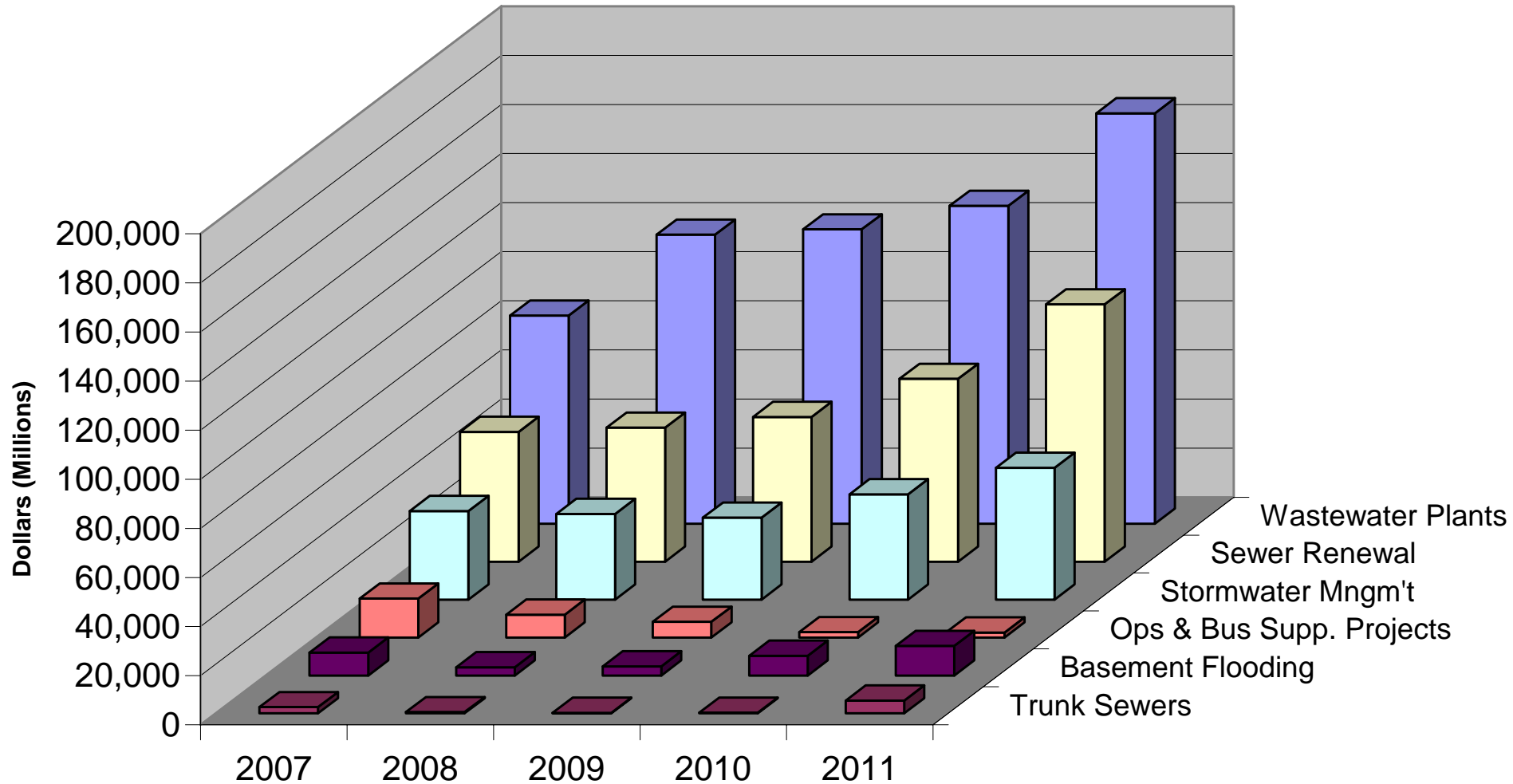


2007-2011 Capital Plan

Wastewater Infrastructure

	2007	2008	2009	2010	2011
Ashbridges Bay WWTP	33,734	59,731	70,315	74,297	107,169
Humber WWTP	38,384	35,669	37,856	29,724	33,099
Highland Creek WWTP	12,664	22,372	11,730	25,498	26,928
Trunk Sewers	2,536	492	195	251	5,250
Sewer Renewal	52,871	54,604	58,964	74,466	104,832
Stormwater Management	36,052	34,861	33,352	42,924	53,682
Basement Flooding	9,350	3,300	3,700	8,000	12,000
Ops & Bus Supp. Projects	15,864	9,338	6,397	2,219	2,013
Sub-Total Wastewater:	201,455	220,367	222,509	257,379	344,973

2007-2011 Capital Plan Wastewater Infrastructure



What are the 2007 Budget Challenges?

- **Increasing unit rate prices**
 - Significant increase in raw materials (e.g. steel, copper)
- **Market conditions**
 - Must continue to tender early to obtain good prices
 - much of 2007 linear program currently in design
 - Competing with GTA municipalities who also have increasing capital infrastructure programs: growth and renewal

Land Acquisition for Source Water Protection Reserve

- **Reserve & contribution policy approved by Council in 2005**
 - initial allocation of \$2 million
 - does not permit additional contributions unless Rate Stabilization Reserve exceeds target of \$30 million (presently at \$5.8 million)
- **Council waived contribution policy requirement in 2006 and added \$0.5 million to the Reserve**
- **\$2.5 million used by TRCA to acquire land, largely outside City limits**
- **2006 Works Committee request**
 - consideration of 1% of Toronto Water rate revenue to be directed as annual contribution to the Reserve (~ \$6 million per annum)

Land Acquisition for Source Water Protection Reserve (con't)

- **City is already committing \$21 million in 2007 and \$158 million over five year program towards Source Water Protection initiatives (WWFMP)**
- **2007 Budget proposes waiving contribution policy again and redirecting \$1.5 million from WWFMP to the Land Acquisition for Source Water Protection Reserve**
- **Review of Land Acquisition for Source Water Protection Reserve Policies is recommended**

2007 Stewardship of the Environment Funding

- **Waterfront and Ravine Improvement Projects (WWFMP: Combined Sewer Overflow and Storm Sewer Discharges) - [\$21 million]**
 - Downspout Disconnection
 - Conveyance Controls
 - End of Pipe
 - Stream Restoration
 - Green Roofs
 - Rainwater Harvesting
- **Water Efficiency Plan [\$7 million]**
 - Toilet Change-outs
 - Washer Replacements
 - Water Audits
 - System Leak Detection
 - Public Education

2007 Stewardship of the Environment Funding (con't)

- **Water Metering [\$4 million]**
 - Universal Metering (Flat Rate Customers)
 - Automated Meter Reading Technology
- **Energy Efficiency Measures [\$ 9 million]**
 - Facility Lighting & Electrical Upgrades
 - Replacement of Pumps & Motors with High Efficiency Units
 - Implementation of Real Time Energy Monitoring
 - Optimization of Drinking Water Transmission System Pumping
 - Wastewater Treatment Process Upgrades

2007 Operating Budget

2007 Operating Budget Challenges

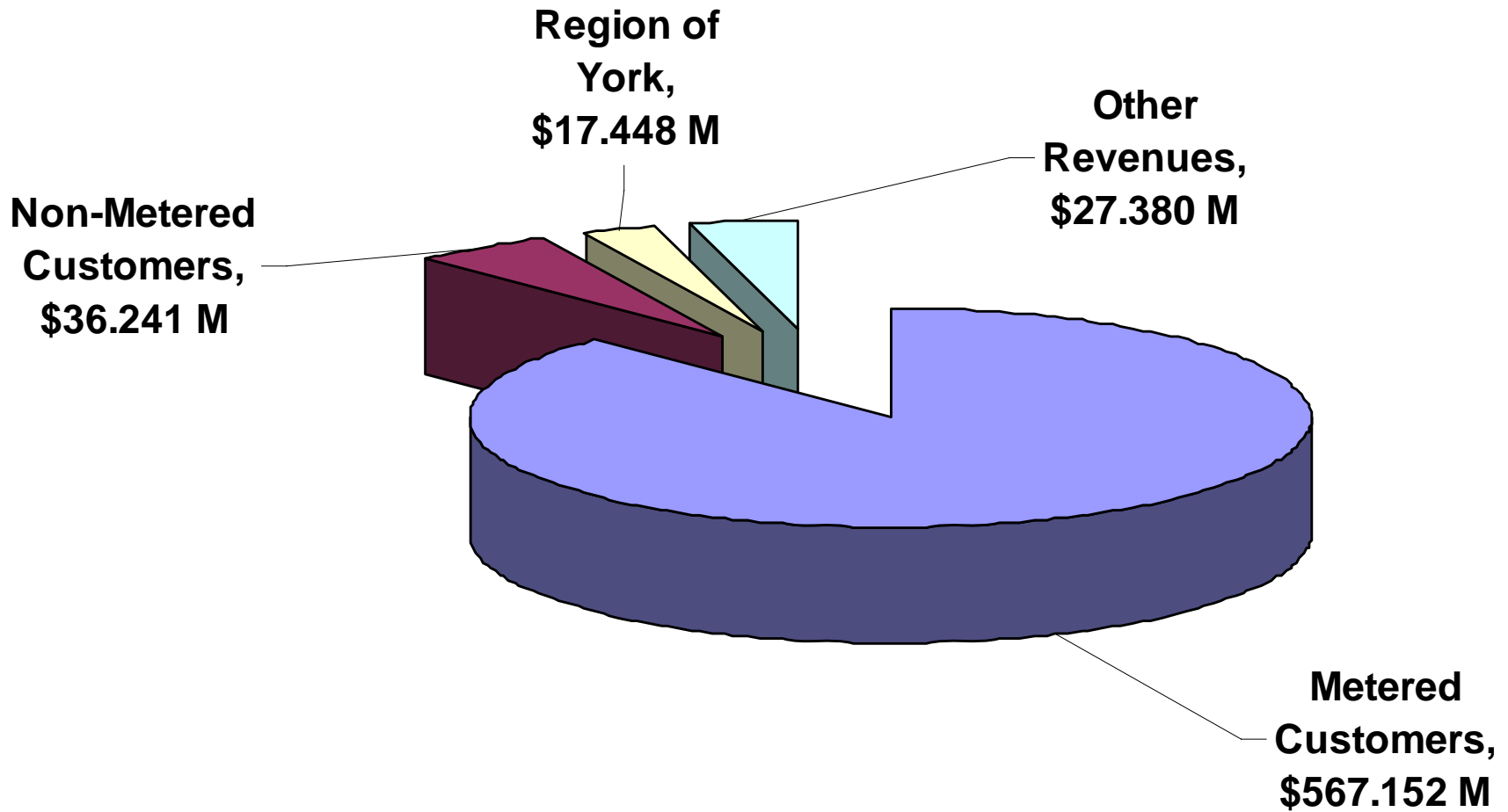
- **Complying with Provincial regulations:** water residual projects, constructor status, quality management system
- **Managing impact of growing capital program:** increased resources are required to plan and manage infrastructure renewal programs; and operate & maintain new equipment & facilities
- **Increasing chemical, energy and labour costs:** significant increase in fixed costs of operating major water and wastewater treatment facilities
- **Increasing biosolids management costs:** due to new service contracts & pelletizer start up

2007 Operating Budget Pressures

- **Increasing commodity and labour costs -**
 - Hydro pricing increase 12.5%
 - Natural gas pricing increase 5.0%
 - Salary & benefits increase 3.25%
 - Contracted Services 10 – 15%
- **Increased Biosolids Management Costs -**
 - New Service Contracts \$7.2M or 35.0%
- **Start up of Pelletizer -**
 - Investment to enhance environmental stewardship
 - Not operational since fire in August 2003

2007 Operating Revenues

\$648.221 Million



2006 – 2007

Base Budget Comparison

BASE BUDGET COMPARISON (\$000s)

	2006			
	Approved Budget	2007 Budget Submission	\$ Increase (Decrease)	% Incr. (Decr.)
Gross Operating Expenditures	367,219.0	379,337.7	12,118.7	3.3%
Reserve Contribution	243,231.7	268,883.6	25,651.9	10.5%
Gross Operating Expenditures	610,450.7	648,221.3	37,770.6	6.2%
Revenues	610,450.7	648,221.3	37,770.6	6.2%
Net	-	-	-	N/A

NOTE: Operating Budget increase of 2.95% before New Service requests.

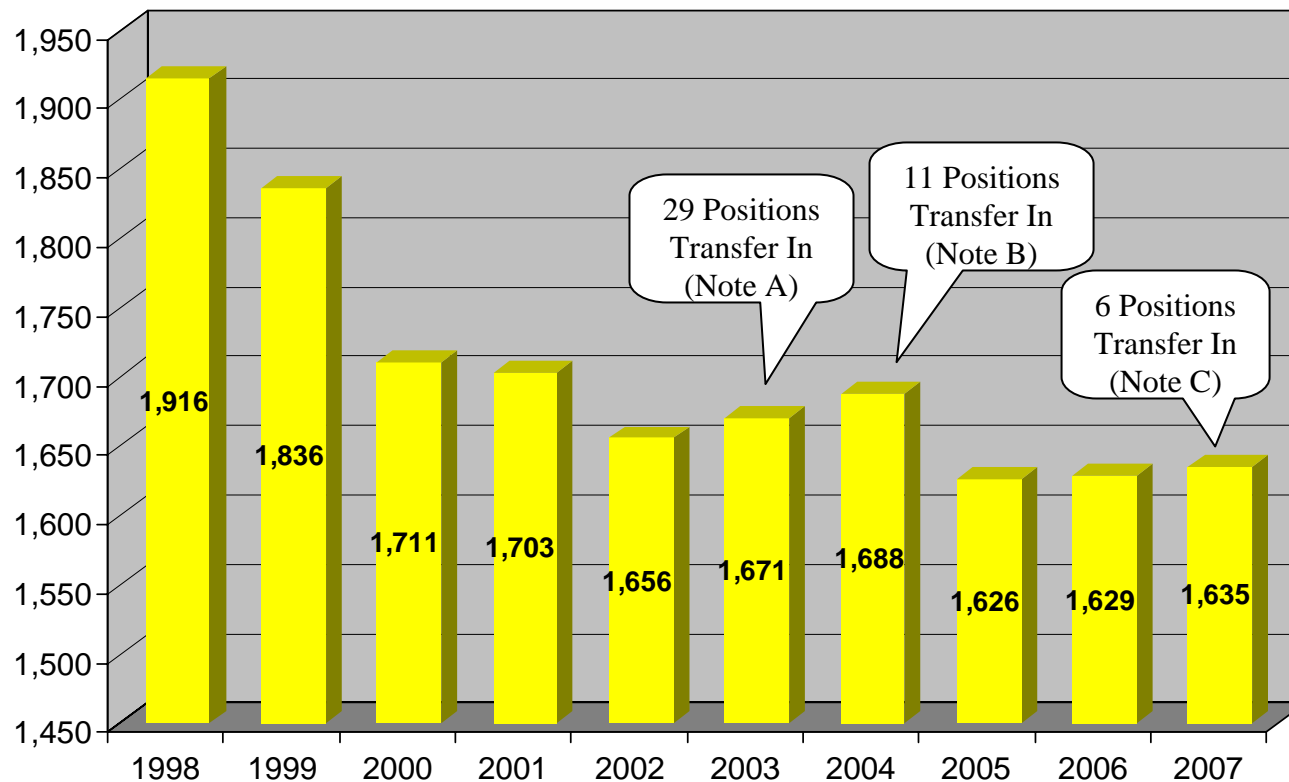
New And Enhanced Service Request

Item #	Service	Gross \$000's	Revenue \$000's	Net \$000's	Positions	Description
1	Interated Beach Management Strategy	200.0	0.0	200.0	0.0	Overall direction of beach management in Toronto
2	Water Treatment & Supply	233.4	0.0	233.4	4.0	Additional staff for Residue Management facilities at Harris & Clark Plants and to provide constructor status supervision as required by OH&S Act.
3	Wastewater Treatment	82.8	0.0	82.8	2.0	Additional Trade staff for preventative maintenance activities.
4	Water Infrastructure Management	519.0	0.0	519.0	8.0	Position transfer from Technical Services and additional resources for Environmental Assessment increase workload.
5	Operational Support	135.9	0.0	135.9	4.0	Support for computerized Hansen Maintenance System.
6	Wastewater Treatment	109.0	0.0	109.0	0.0	Implementation of Warehouse/Stores Project
TOTAL 2007 NEW REQUEST		1,280.0	0.0	1,280.0	18.0	

12 Positions converted from 12 Existing Positions; 6 Positions transferred; No net change Corporately

Staffing Trends

Approved Positions 1998 - 2007



Note A: 23 positions transferred from Transportation (Catch Basin & Road Cut Repairs), 6 positions transferred from Technical Services (Water Efficiency Plan)

Note B: 8 positions transferred from Technical Services (Downspout Disconnection), 3 positions transferred from Transportation (Catch Basin & Road Cut Repairs)

Note C: 6 positions transferred from Technical Services (TIADS)