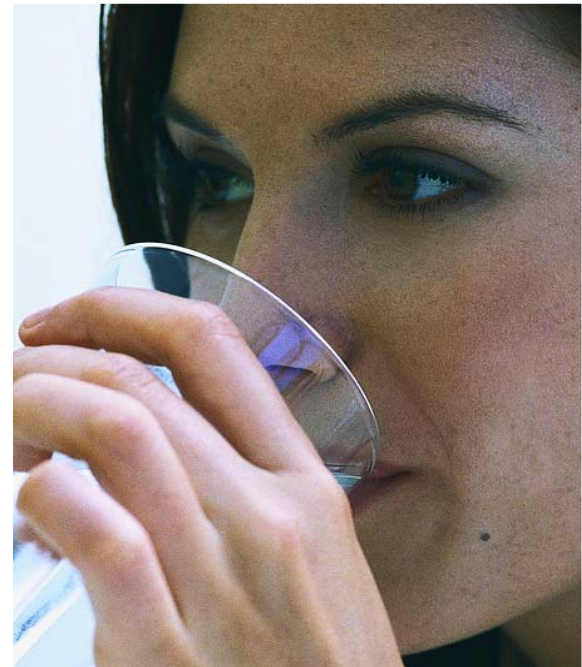


TORONTO

Water



**Presentation to Budget Committee
October 19, 2009**

**2010 Operating Budget
2010-2019 Capital Budget**

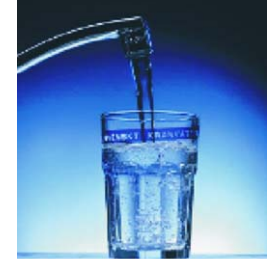


Overview

- Serves 3.1 million residents and businesses in Toronto, and portions of York and Peel
- Over \$26 billion in infrastructure
- Infrastructure renewal and state of good repair supported by multi-year business plan
- Program is 100% rate-supported and no reliance on the property tax base to support Toronto Water services
- Both operating and capital budgets are supported by user fees for water consumption and sewage treatment.



R.C. Harris Water Treatment Plant



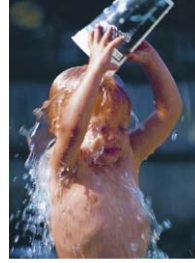
Toronto Water

Mission Statement:

To provide quality water services through supplying drinking water and treatment of wastewater and stormwater to residents, businesses and visitors in order to protect public health, safety and property in an environmentally and a fiscally responsibly manner.

Strategic Directions:

- Address renewal needs of our infrastructure;
- Deliver excellence in environmental stewardship;
- Ensure compliance with legislated requirements and City priorities;
- Implement climate change initiatives;
- Enhance customer service delivery; and
- Achieve ongoing financial vitality and sustainability.



Program Challenges

- **Aging Infrastructure:** requires significant long-term investment and significant increases to capital budgets.
- **Compliance with Provincial Regulations:** causing increases to both operating and capital budgets (Ministry of Environment & Ministry of Labour) including staffing compliments, e.g. Lead Pipe Service Replacement Program.
- **Managing Impact of Growing Capital Program:** increased resources are required to plan and manage infrastructure renewal programs and operate and maintain new equipment & facilities.
- **Climate Change:** support Mayor's goal to reduce greenhouse gas and meet air pollution reduction targets, e.g. flooding issues due to severe storms.
- **Inflationary Pressures:** both the capital and operating budgets are experiencing significant increases in commodity pricing (chemicals, concrete, steel, fuel).





Climate Change and Environmental Initiatives 2003 to present

Improving Lake and River Water Quality

- Seven of 11 beaches in Toronto have been awarded Blue Flag status.
- Found and resolved 464 cross connections since 2006.
- Wet Weather Flow Master Plan Environmental Assessments underway and near completion: Earl Bales; East Highland Creek Stream Restoration; Highland Creek Markham Branch and Watershed Master Plan Study; Bonar Creek; Don Valley Parkway SWM; Eastern Beaches Storm Sewer Outfalls Control; and Coatsworth Cut.



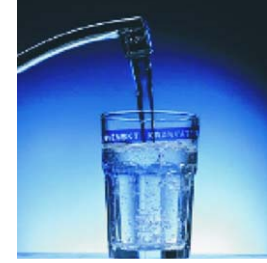
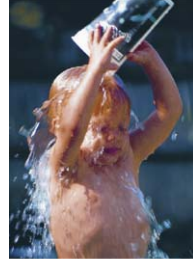
Water Efficiency

- Since Council approved the Water Efficiency Program in 2003 total rebates include:
 - Low-flow toilets: 245,942 (all sectors - up to 2008)
 - High-efficiency washing machines: 39,203 (all sectors - up to 2008)
- Actual savings: 60.5 million litres of water per day at the end of 2008.

Automated Water Meter Program

- Installation/replacement of approximately 462,000 water meters including 72,000 flat rate customers and 11,000 institutional, commercial and industrial customers.





Climate Change and Environmental Initiatives 2003 to present (cont'd.)



Energy Efficiency

- Completion of facility energy audits; replacement of older pumps & motors with high efficiency units; implementation of Real Time Energy Monitoring and Water Pumping Strategy and cogeneration facility.
- Energy reduction target for next five years is 25,000 MWh (5% of 2007 electricity use); electrical demand reduction target is 1.8 MW

Basement Flooding

- Council approved a Basement Flooding Protection Work Plan. Environmental Assessments have been completed in four of the 31 study areas where basement flooding was most severe. Construction for the first of over 200 projects is to begin in November 2009.
- Council approved a higher design standard including storm drainage & sanitary sewer system improvements; sanitary sewer design and sewer upgrades, eg. upsizing; and overland flow control.
- At this time, over \$680 million has been forecasted for basement flooding construction over the next ten years.



Downspout Disconnection

- Council approved a Mandatory Downspout Disconnection program for combined sewer service area to help reduce basement flooding.

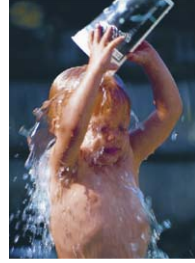


Toronto Water 2010 Budget Provides: *Services for Residents and Businesses*

Annual Water & Wastewater Services for 2.6 million residents and businesses in Toronto:

- Treat & supply 493 billion litres of water
- Collect & treat 438 billion litres of wastewater
- Replace 7,000 lead services
- Repair 10,000 blocked drains
- Clean over 122,500 catch basins
- Repair approximately 1,500 broken watermains

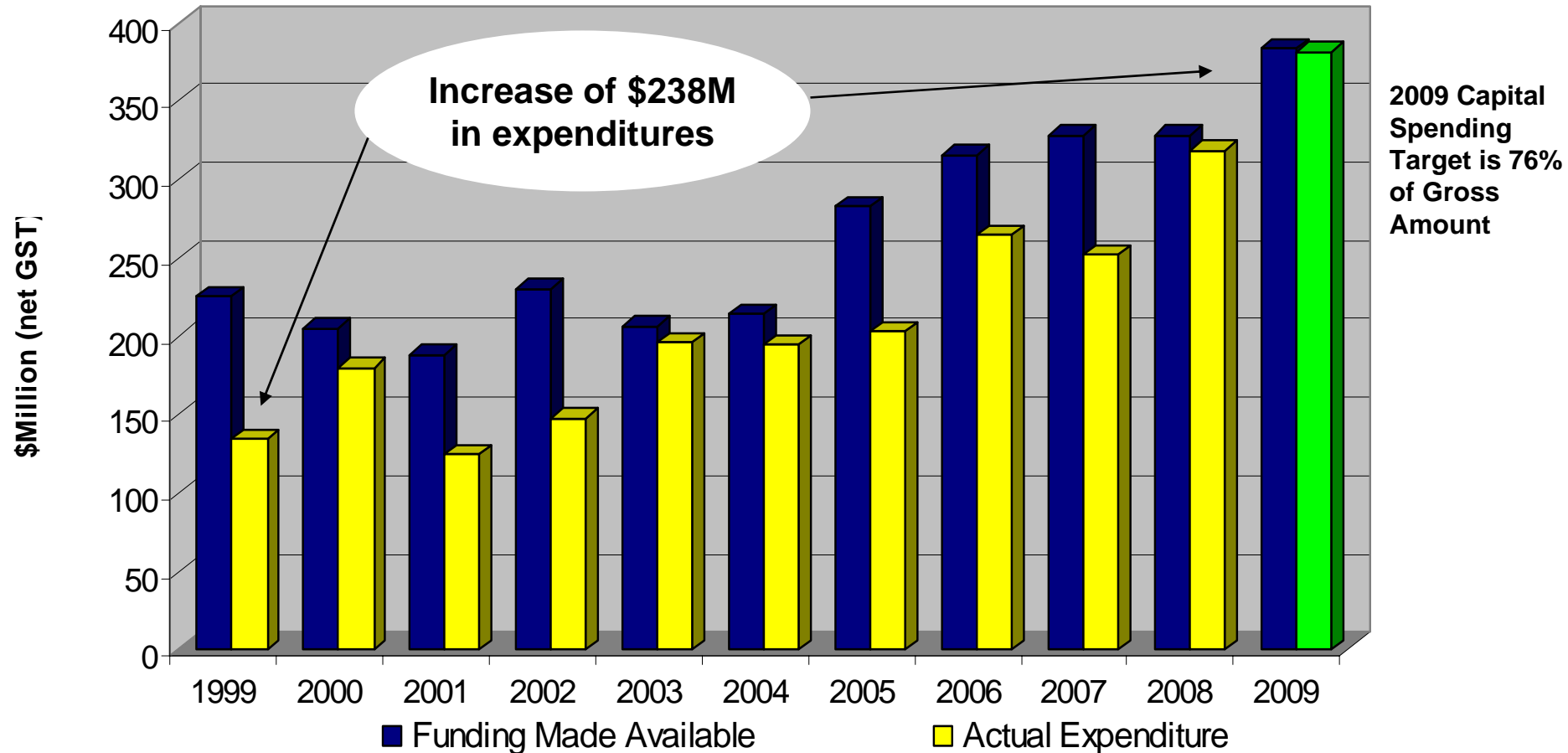


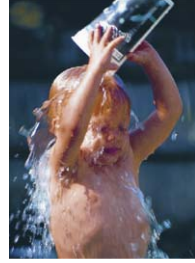


2010 Capital Budget

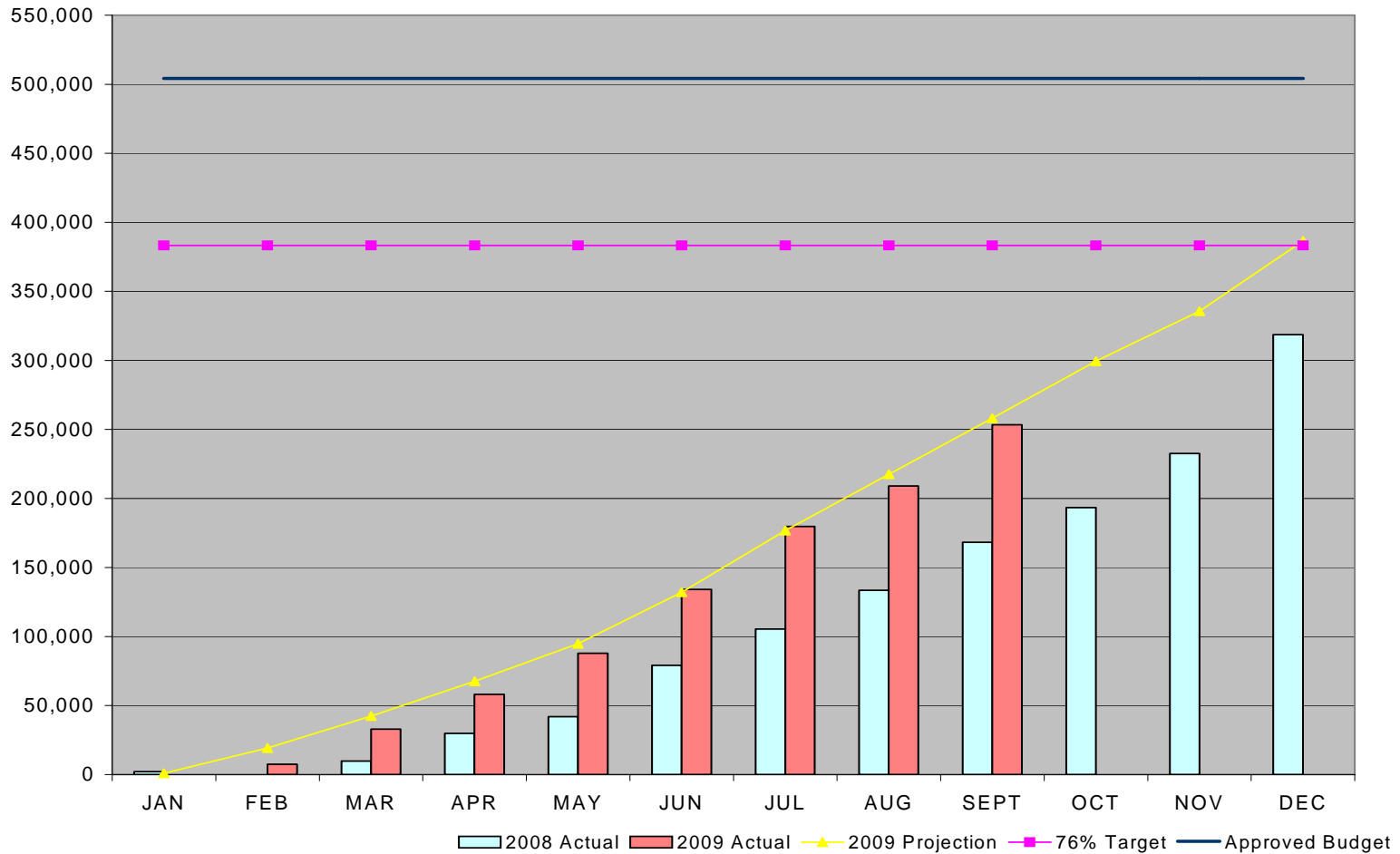


1999-2009 Capital Budget Expenditure Rates (\$millions)





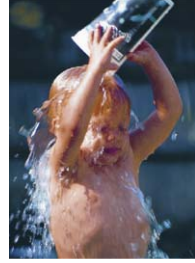
2009 Capital Program Tracking



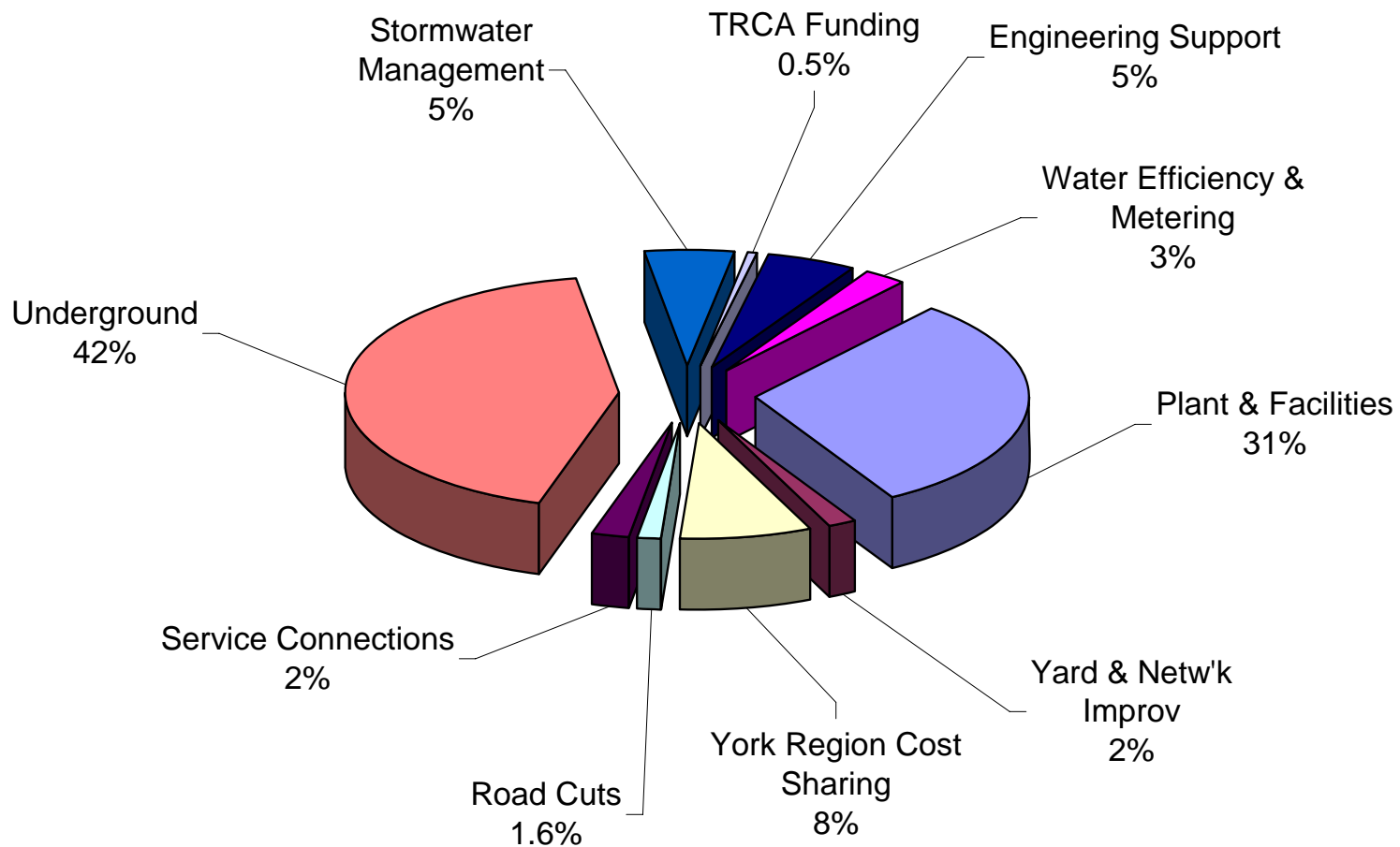


2009 Capital Spending

2009 Budget to Actuals Comparison – Total Gross Expenditures (\$000s)					
2009 Approved	Actuals as of June 30th (2nd Qtr Variance)		Projected Actuals at Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
504,238	189,979	37.7%	385,083	76.4%	119,155



2010 Capital Budget \$720 Million (Gross)



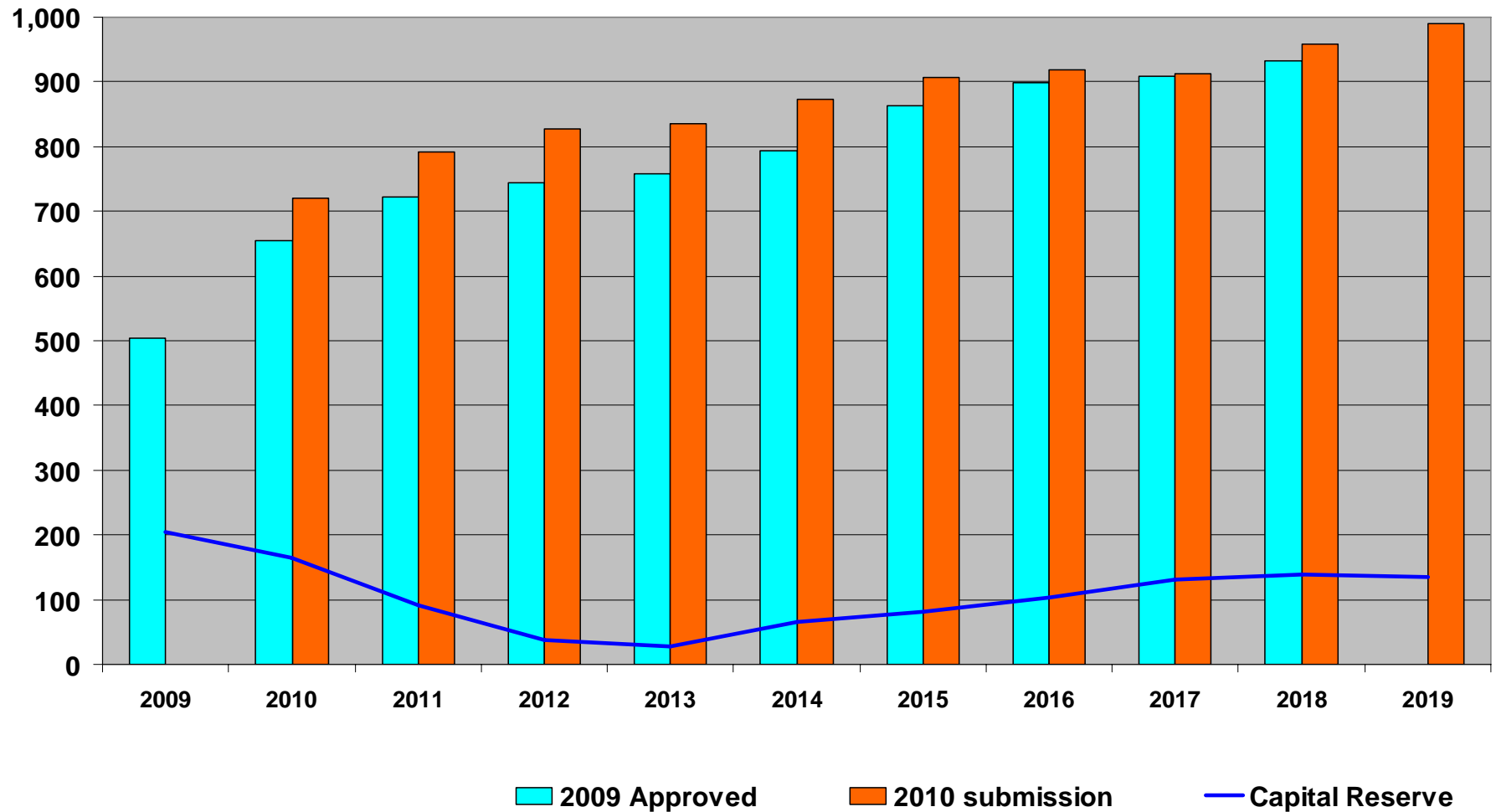


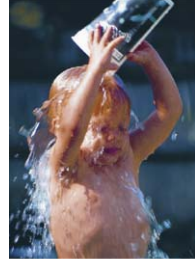
Impact of Capital Investments

- Toronto Water projects a 78% completion rate for the \$720M Capital Budget.
- This equates to a net cash flow requirement of \$562M.
- Using the Federation of Canadian Municipalities Project Impact Calculator, this investment will generate just over 6,000 construction and engineering related jobs for 2010.



10-year Capital Plan (\$millions)





Infrastructure Stimulus Funding \$56.8M

Construction projects valued at \$170.5M

Coxwell Sanitary Trunk Sewer Emergency Repair \$40M

- Critical sanitary trunk that services 750,000 Toronto residents

Basement Flooding Relief \$30M

- Planned construction to be completed by March 2011

Lead Service Replacement Program \$30M

- Planned replacements to be completed by March 2011

Lake Ontario and River Water Quality Improvements \$24.5M

- Coatsworth Cut; Eastern Beaches; and Earl Bales Park Water Quality Improvements

Upgrading trunk watermain infrastructure \$46M

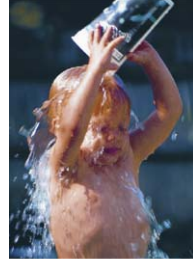
- Spadina-Wellington Trunk watermain Improvements
- Replacement of cast iron watermains



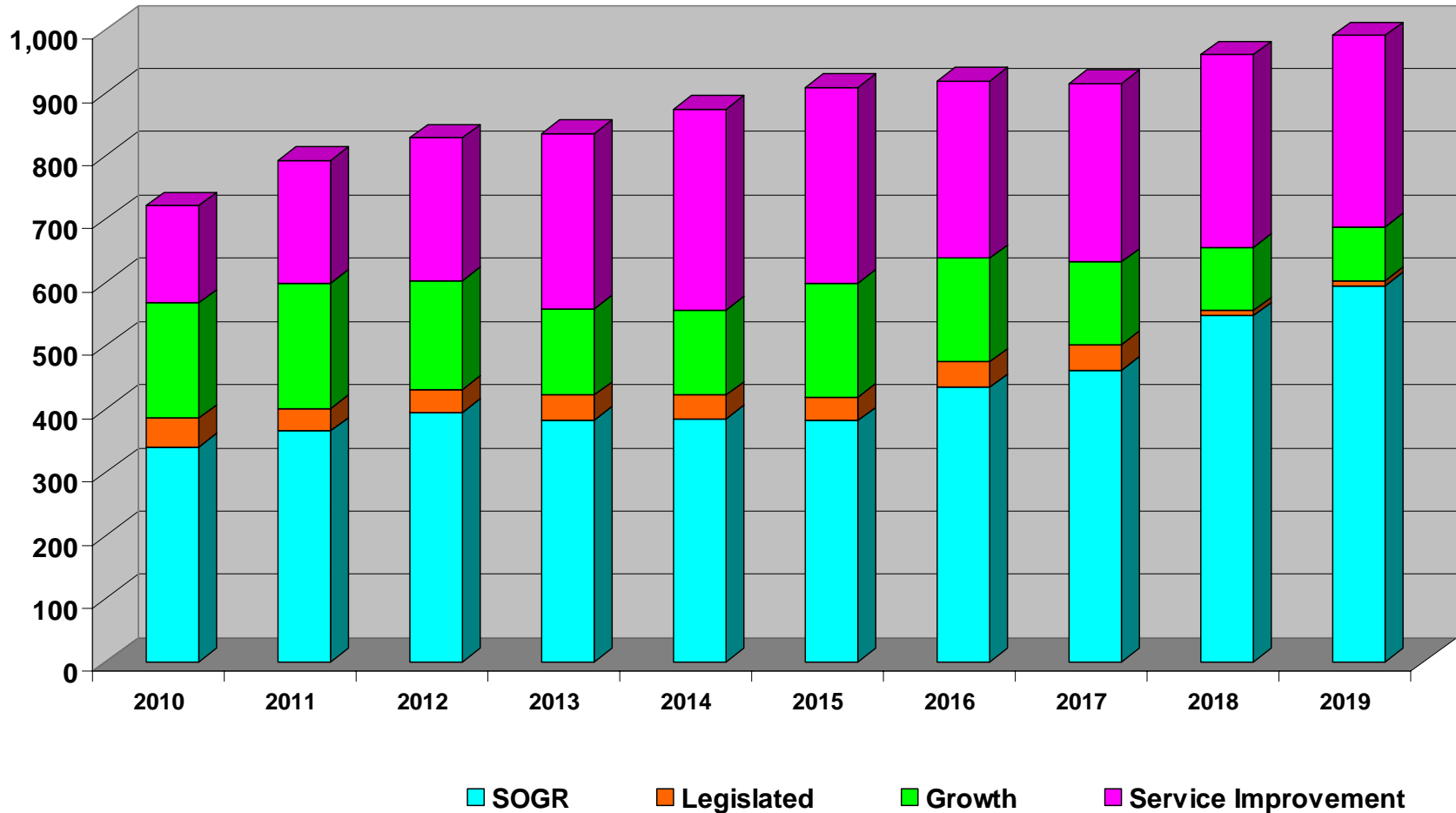


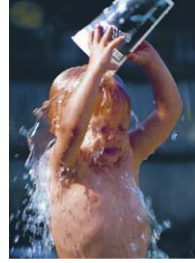
5-Year Plan Changes

	2010-2014 TOTAL	INCREASE		COMMENT
	\$ 000	\$ 000	%	
2009 Submission	3,672,581			
2010 Submission	4,048,452	375,871	10.2%	90% of increases are due to increases in: <ul style="list-style-type: none"> • Basement Flooding • Cost estimates for priority trunk watermains • WWFMP

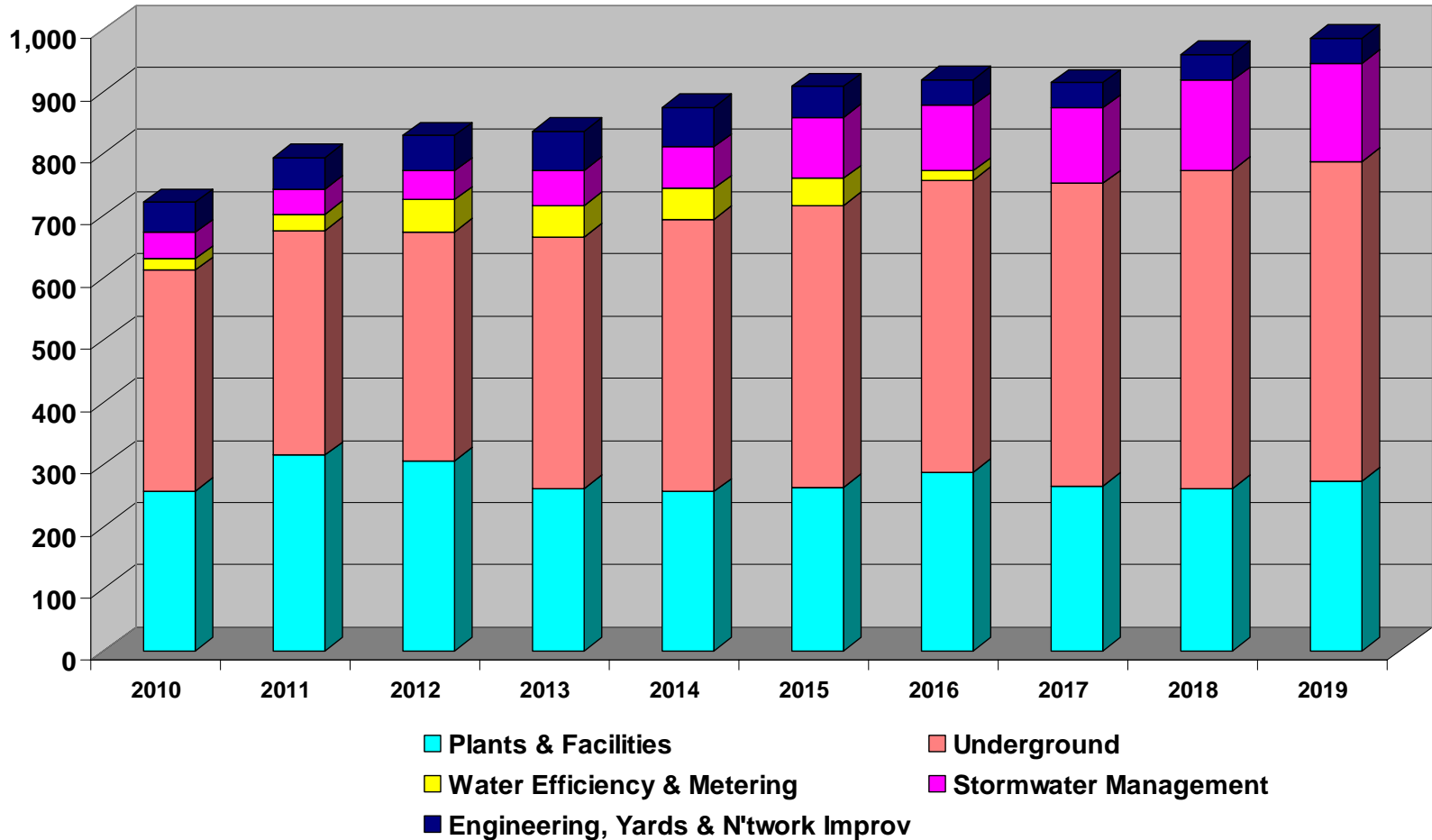


2010-2019 Capital Plan By Category (\$millions)



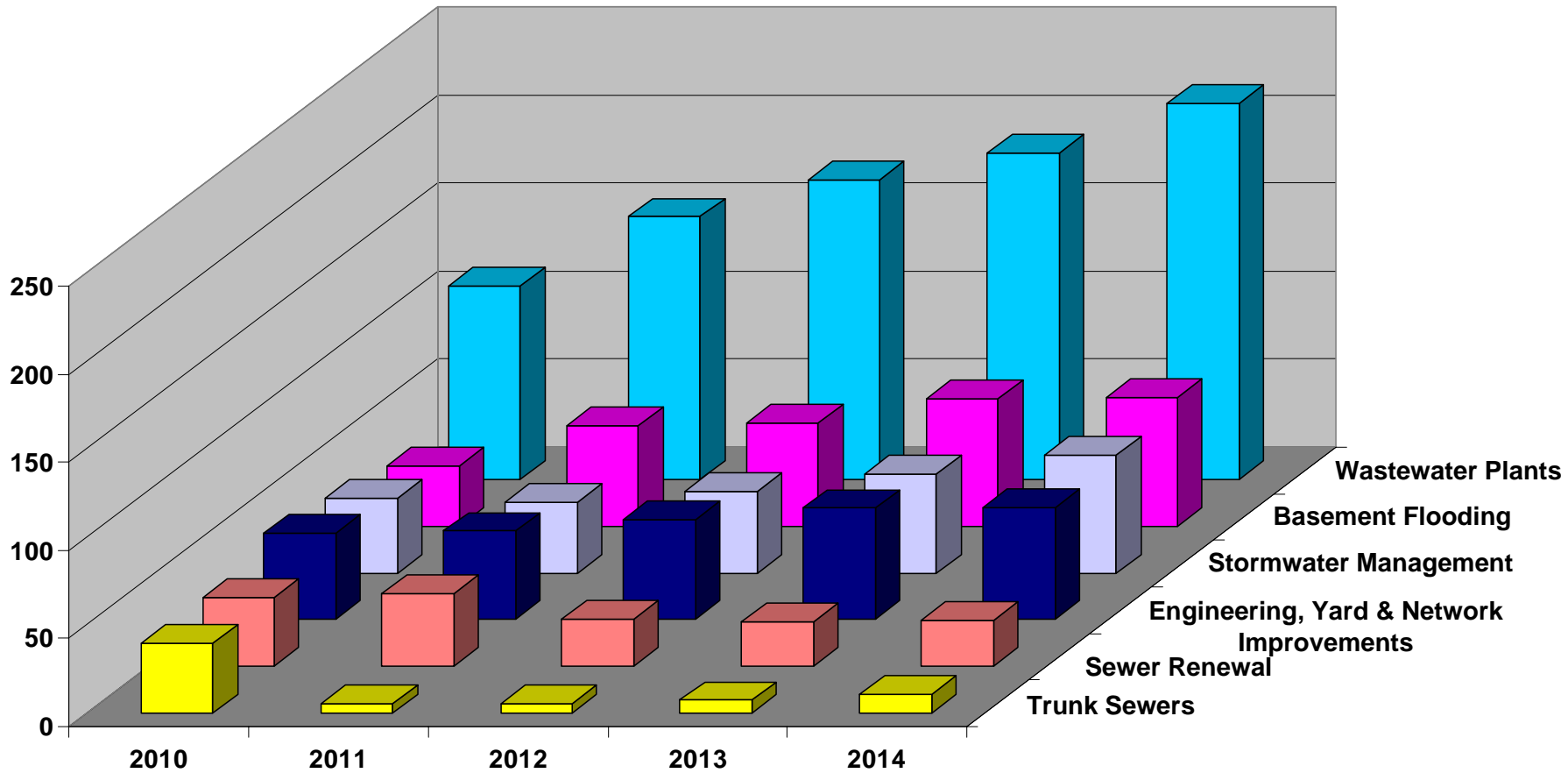


2010-2019 Capital Plan By Asset Class (\$millions)



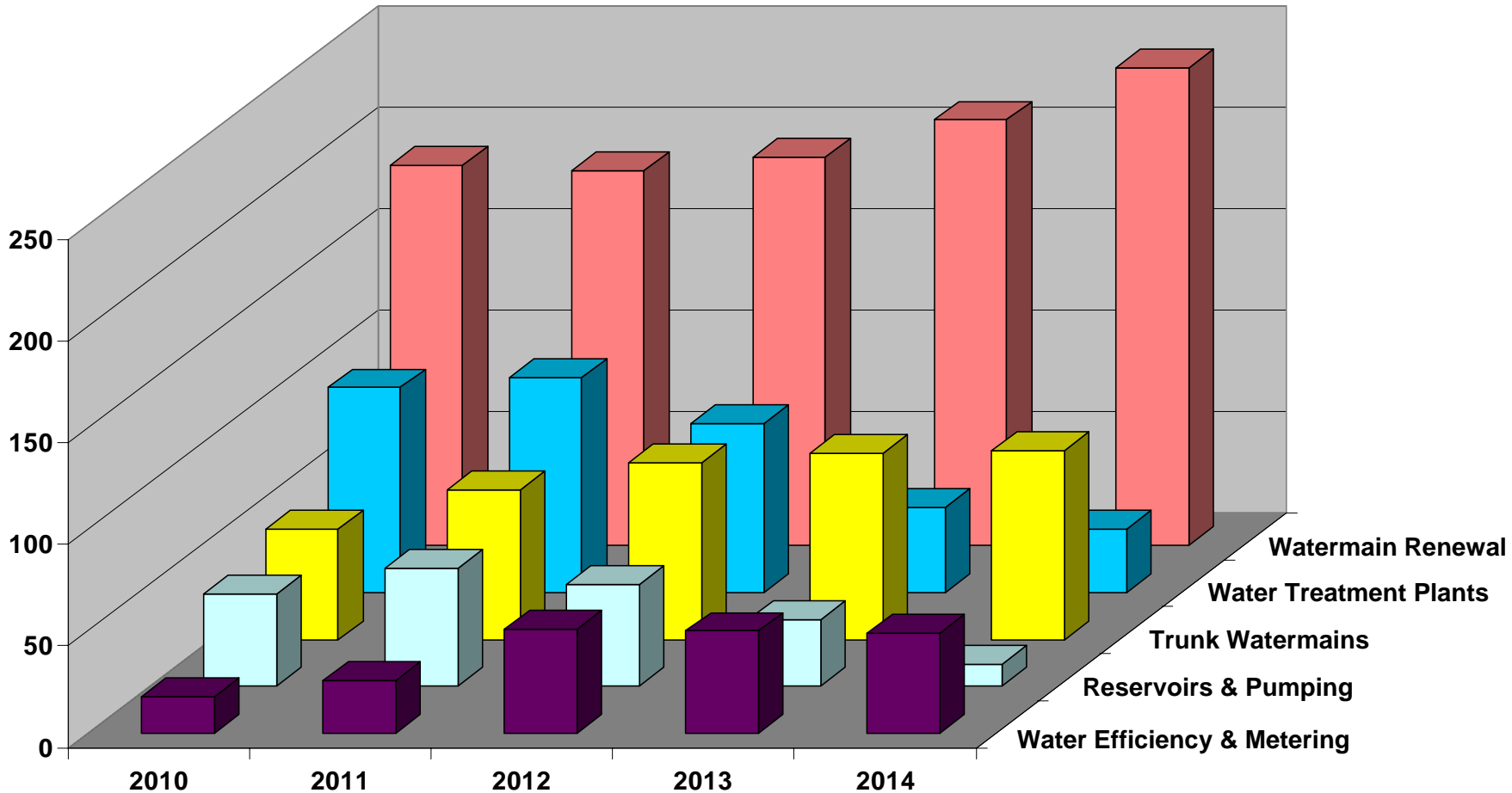


2010-2014 Capital Plan Wastewater Infrastructure (\$millions)



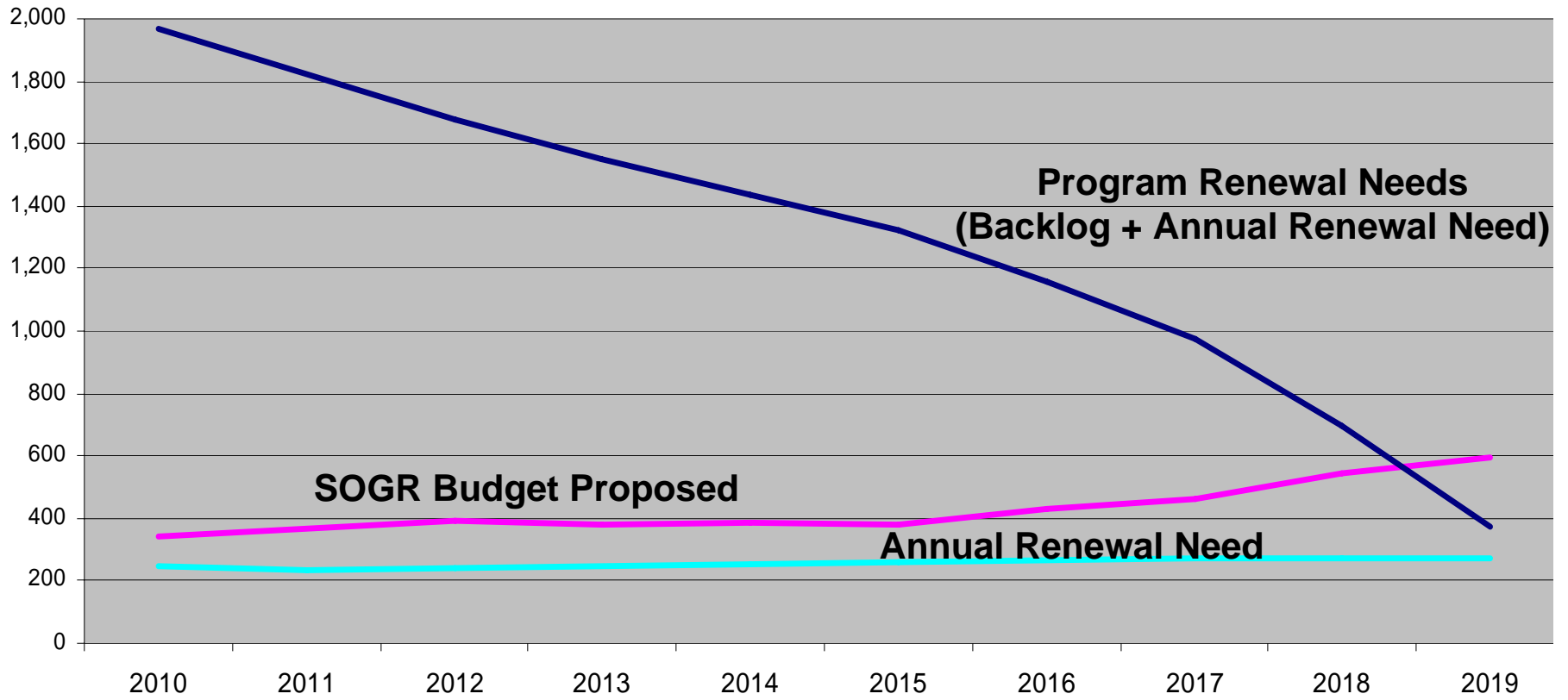


2010-2014 Capital Plan Water Infrastructure (\$millions)





2010-2019 Addressing State of Good Repair (\$millions)



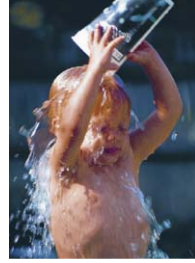


2010 Operating Budget

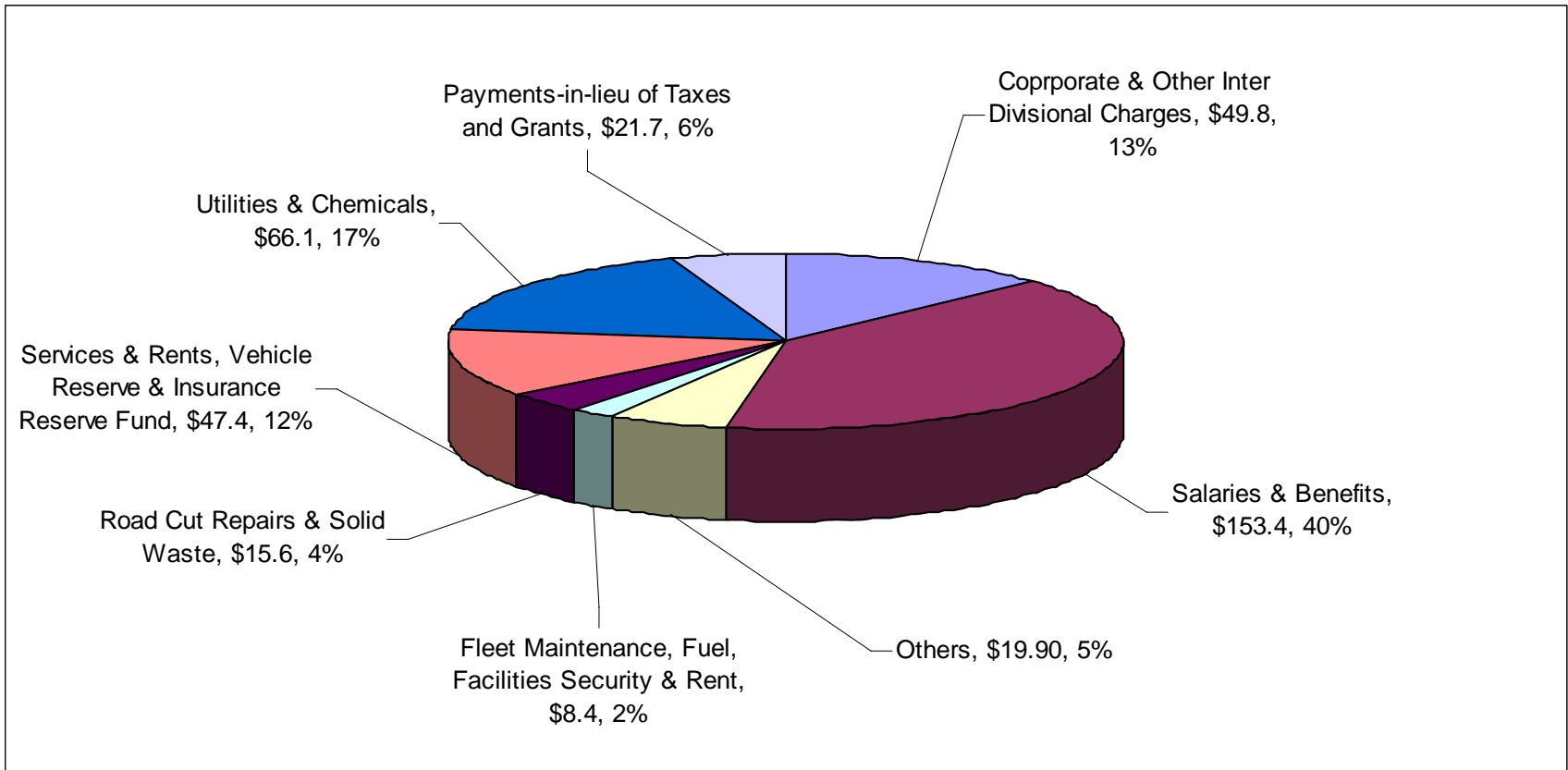


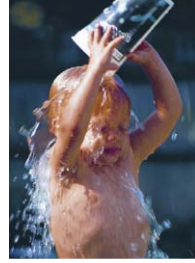
2009 Operating Budget Challenges

- **Managing the continuous increase in costs from internal and external sources:** personnel costs, internal service providers and inflationary pressures on materials and supplies (steel, concrete, fuel, chemicals, chlorine, powdered activated carbon).
- **Managing the impact of increased regulations and legislation:** increased resources are required to maintain legislative compliance.
- **Ongoing service priorities:** basement flooding remediation, lead service replacement program and ensuring efficient and effective response time to customer service demands.



2010 Operating Cash Flow \$384.5 Million





2009 YTD Operating Financial Status (\$millions)

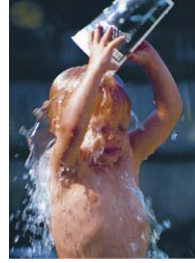
\$s in Millions	<u>As of JUNE 30, 2009</u>			<u>Projection - 2009</u>		
	Actual	Budget	Variance Over/(Under)	Actual	Budget	Variance Over/(Under)
Expenditure	323.5	333.2	(9.7) (2.9%)	682.7	698.7	(16.0) (2.3%)
Revenue	261.1	268.6	(7.5) (2.8%)	684.7	698.7	(14.0) (2.0%)
Net Expenditure	62.4	64.6	(2.2) (3.4%)	(2.0)	0.0	(2.0) 0.0%

Year to date June, 2009 Variance:

- Favourable Variance in expenditures due to lower Utility Costs (particularly, hydro) resulting primarily from reduced production. There is also a favourable variance due to vacancies.
- Unfavourable Variance in Revenues due to timing of metered revenue billings and reduced consumption.

2009 Projected Variance:

- Favourable Variance in expenditures due to lower Utility Costs (particularly hydro) resulting from reduced production & in salaries due to vacancies.
- Unfavourable Variance in revenues due to heavy rainfall in summer reducing consumption.



2009–2010 Base Budget Comparison

BASE BUDGET COMPARISON (\$000s)				
	2009			
	Approved Budget	2010 Budget Submission	\$ Increase (Decrease)	% Incr. (Decr.)
Gross Operating Expenditures	386.3	386.3		
Base Budget & Service				
Change Adjustments		(10.6)		
Prior Year & Economic Factors		8.8		
Gross Operating Expenditures		<u>384.5</u>	<u>(1.8)</u>	<u>-0.5%</u>
Figures do not include capital contribution				



2010 Operating Budget Changes (\$millions)

Base Budget Adjustments

Reductions:

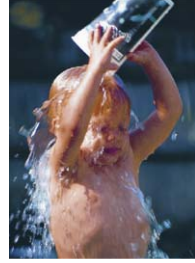
Energy/Utilities	(\$0.701)
Contracted Services	(\$0.811)
Insurance Reserve Fund	(\$0.298)
Debt Charges	(\$0.400)
Fleet Fuel	(\$0.572)
Reduction in Chemical Use	(\$0.639)
Billing/Collection Services	(\$0.687)
Road Repair Cuts transferred to Capital	(\$2.035)
Increase in Gapping	(\$0.164)

Increases:

Fleet Short-Term Rentals	\$0.328
Step & Progression Increases	\$0.786
Contribution-TRCA	\$0.178
Increase in IDC – 311 Division	\$0.406

Prior Year & Economic Factors:

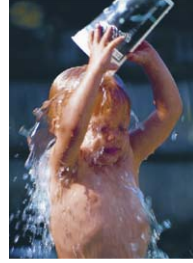
Inflation/Commodity price increases	\$2.033
Cost of Living Adjustments	\$4.000
Prior Year Impacts	\$2.732



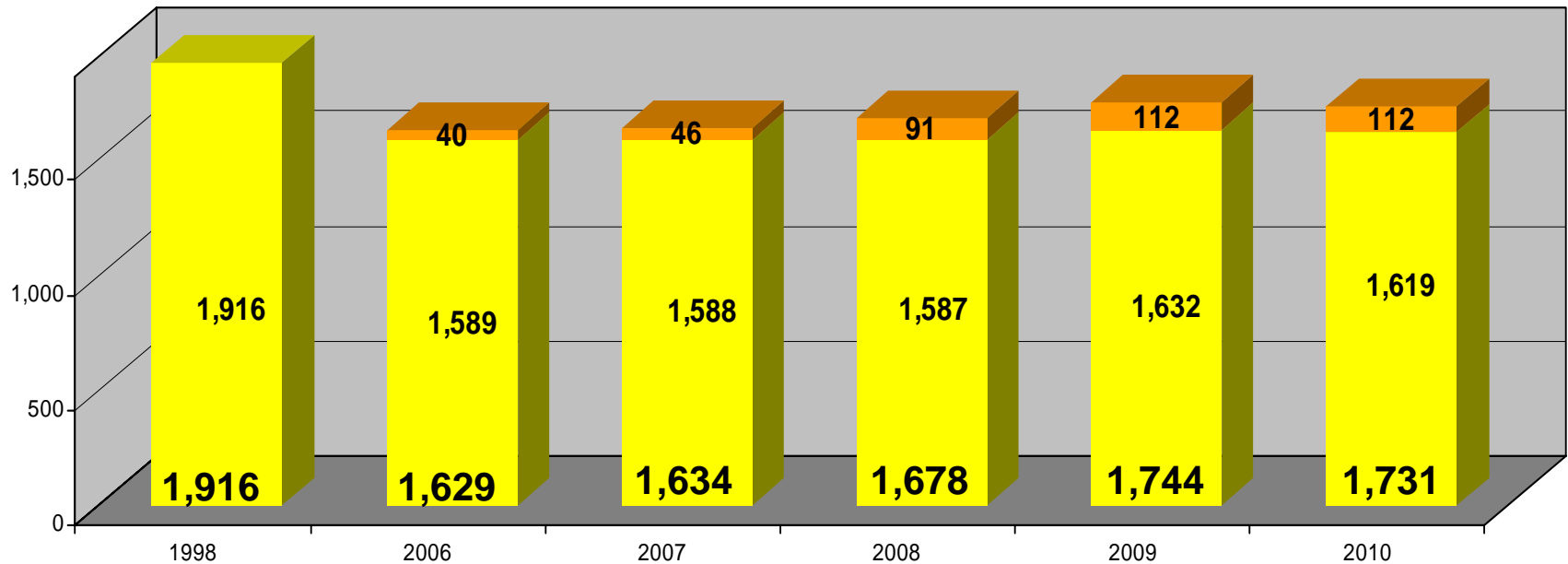
2009 Operating Budget Changes (cont'd.)

Service Adjustments – Efficiency Changes

- Hydro savings (\$3.092M)
 - Lower production and distribution at plants due to conservation (internally and externally)
 - Undertaking operations during off-peak hours
 - Cooler/rainier summer
- Staff reductions (\$1.192M)
 - Consolidation/efficiencies
- Other efficiency changes (\$0.221M)



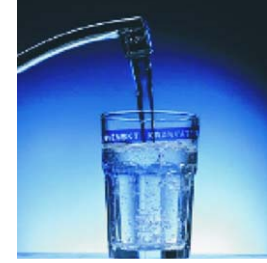
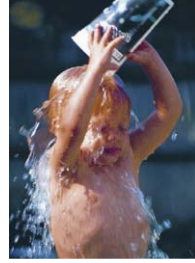
Staffing Trends - Approved Positions 1999-2010



2003 - 04: 40 FTEs (Full Time Equivalent positions) transferred to Toronto Water - 23 FTEs from Transportation (Catch Basin & Road Cut Repairs), 6 FTEs from Technical Services (Water Efficiency Plan), 8 FTEs transferred from Technical Services (Downspout Disconnection) and 3 FTEs from Transportation (Catch Basin & Road Cut Repairs)

2007 - 09: 72 FTEs transferred to Toronto Water - 6 FTEs transferred from Technical Services (TIADS), 40 FTEs transferred from PPFA, 4 transferred from Solid Waste, 1 transferred from HR, 21 FTEs transferred from PPFA Customer Service staff

2010: 13 FTEs reduced per Service Change Review



2010 Water Rate



Assumptions for 2010

Consumption

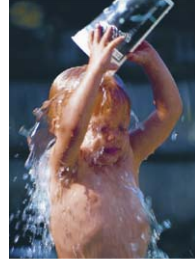
- 2008 Forecast: 2.34% below 2007 actual
- 2009 Forecast: 1% below 2008 actual
- 2010 Forecast: flat-lined to 2008 actual

Capital Expenditure Rate Forecast

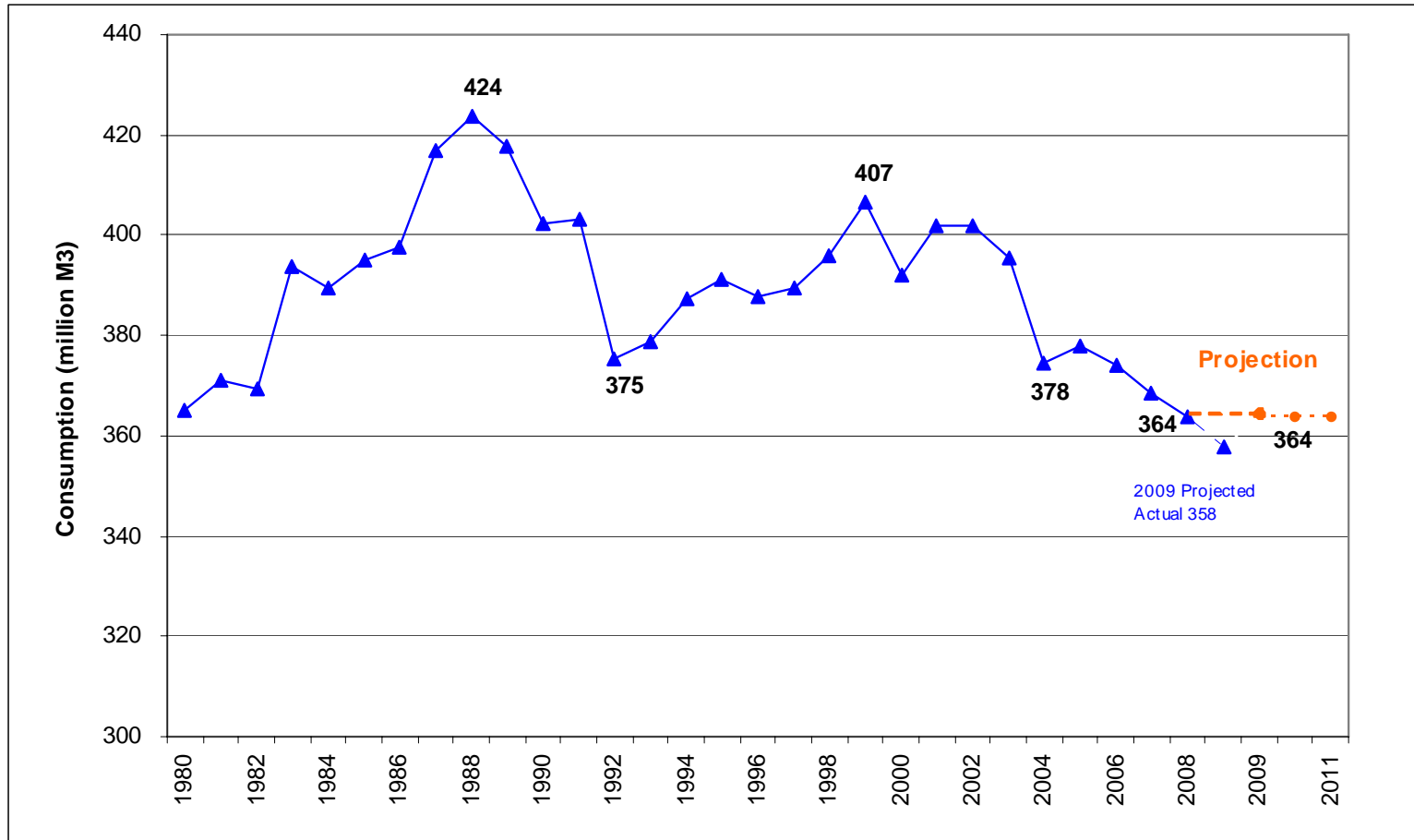
- 2008: 75%
- 2009: 76%
- 2010: 78%
- 2011: 80%

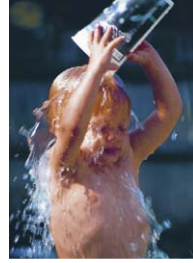
Operating Cost Increases

- 2010 is 0.5% below 2009 budget

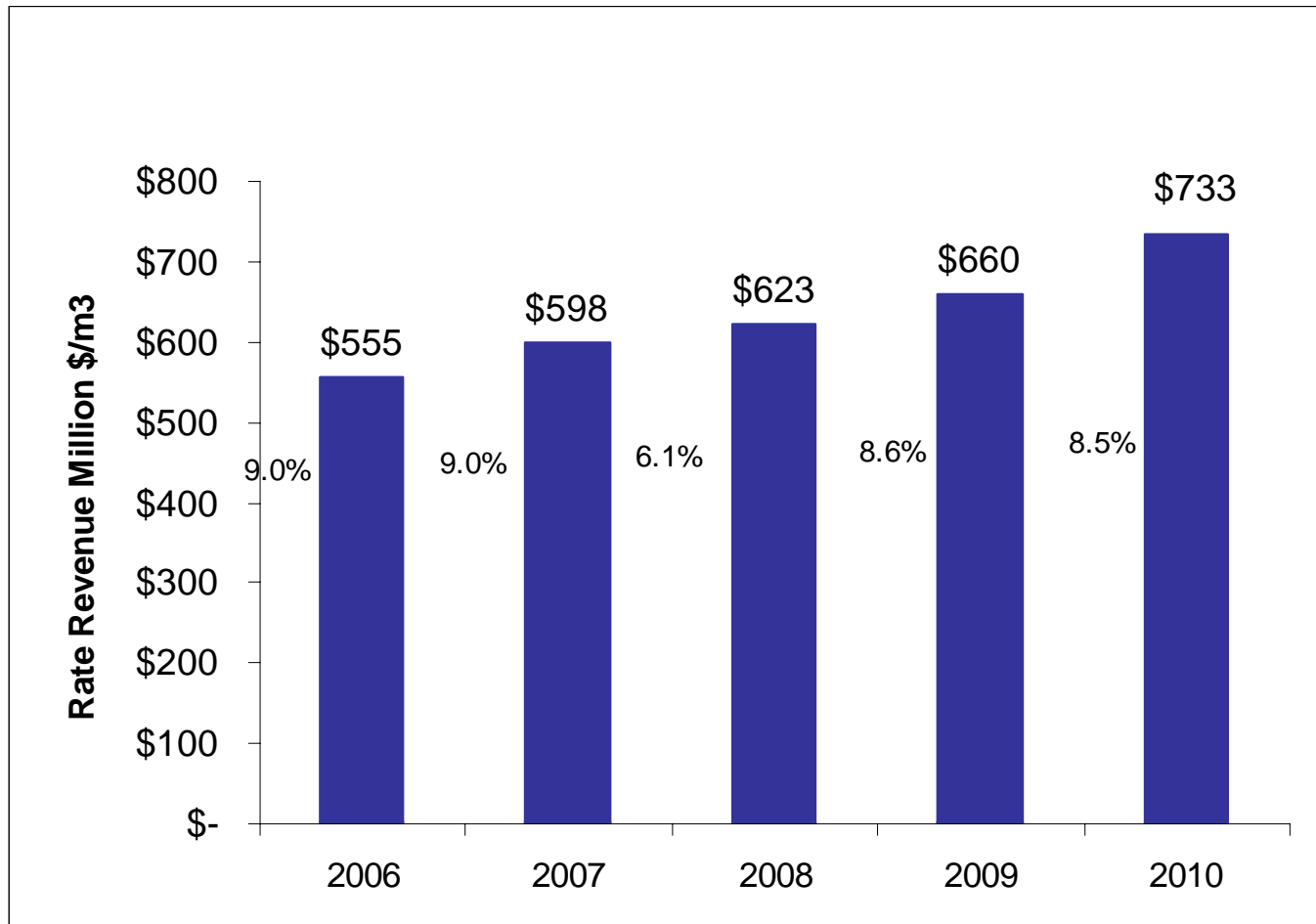


Water Consumption and Forecast





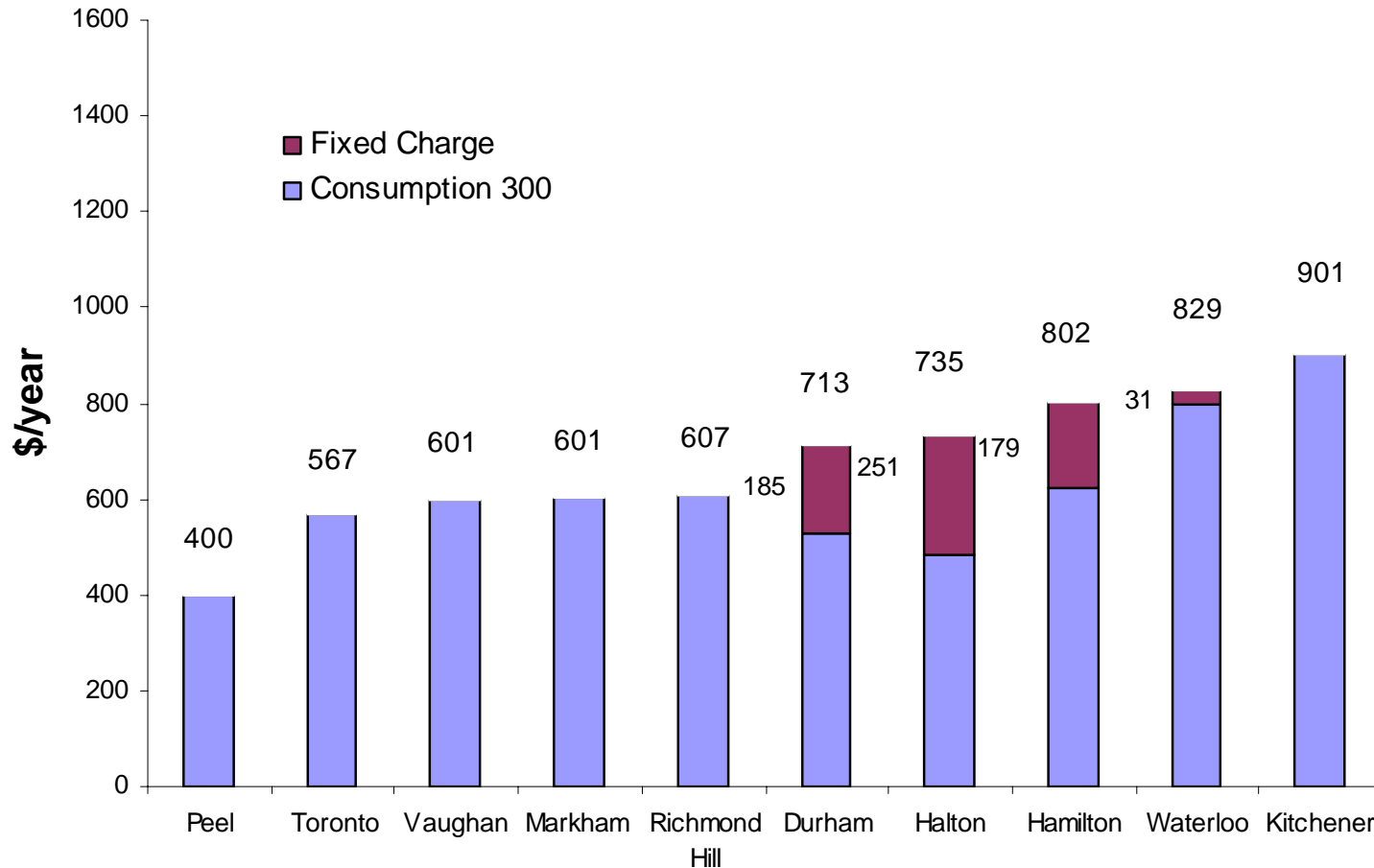
Water Rate Revenue Increase

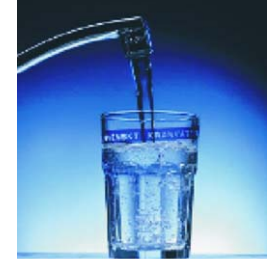




How Does Toronto Compare?

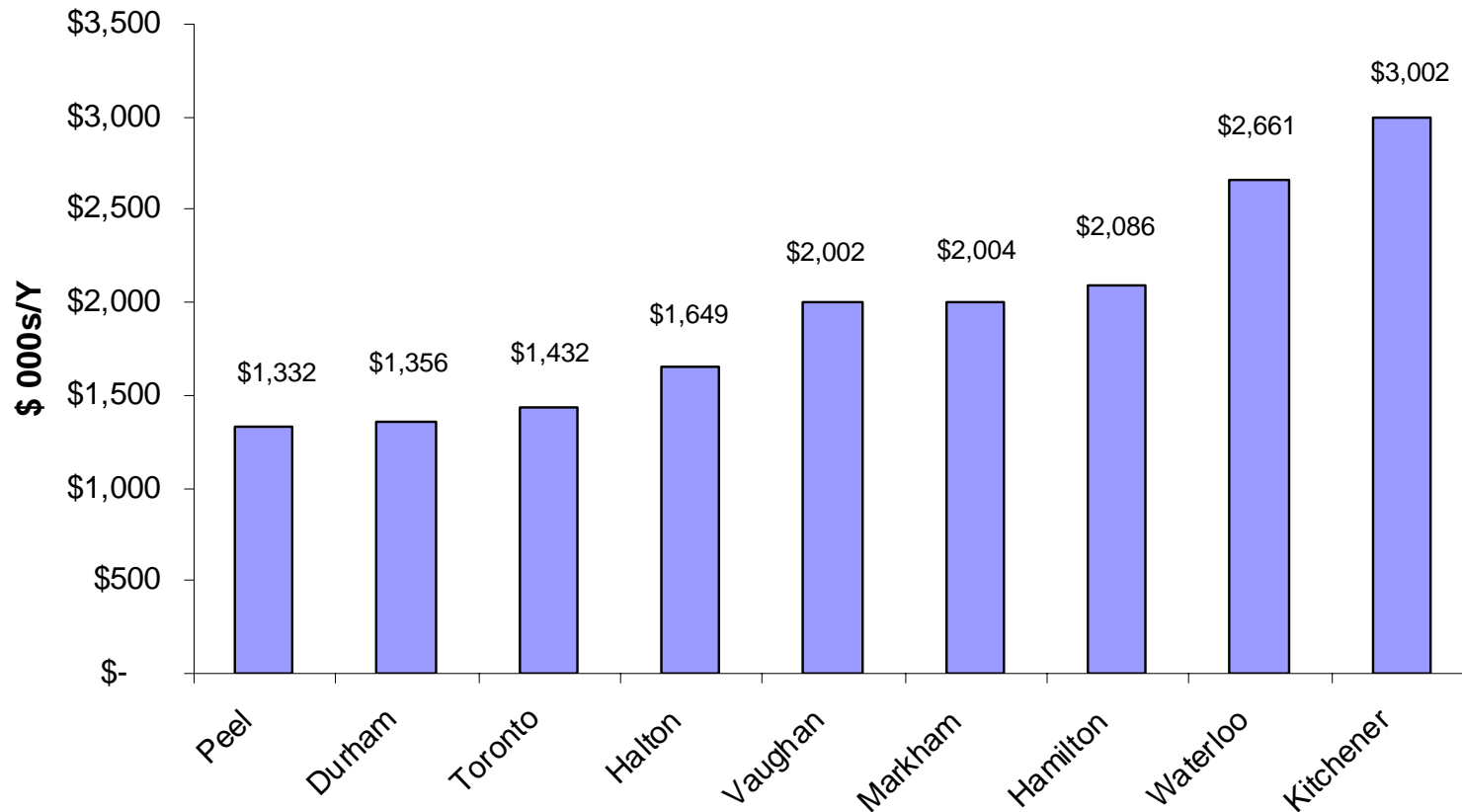
Comparison of Water Cost 2009 Residential (300 m³/y)





How Does Toronto Compare?

Comparison of Water Cost 2009 Large Industrial (1,000,000 m³/y)

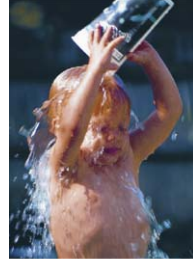




2010 Water Rate Increase Impact

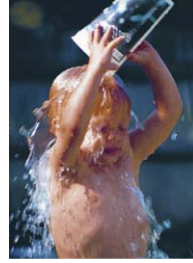
Type of property	Consumption m3/y	2009 cost \$/y	Projected 2010	
			cost \$/y	2010 Impact \$/y %
Residential	300	\$567	\$618	\$51 9.00%
Industrial	100,000	\$145,744	\$150,797	\$5,053 3.47%
	1,000,000	\$1,432,513	\$1,476,169	\$43,656 3.05%

- Daily cost for all residential water, wastewater and stormwater services: only **\$1.69** per day.
- An increase of: **14¢** per household per day.



Projected Water Rate Increase

<u>2010 Projections</u>	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Increase - Block 1 and Flat Rate	9.00%	9.00%	9.00%	9.00%	9.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Increase - Block 2	3.00%	6.81%	9.00%	9.00%	9.00%	3.00%	3.00%	3.00%	3.00%	3.00%
<i>Reduction over Block 1 Rate</i>	<i>28.57%</i>	<i>30.00%</i>	<i>30.00%</i>	<i>30.00%</i>	<i>30.00%</i>	<i>30.00%</i>	<i>30.00%</i>	<i>30.00%</i>	<i>30.00%</i>	<i>30.00%</i>
Rate Revenue \$'000	733,678	807,943	880,154	955,869	1,041,139	1,069,961	1,098,973	1,125,582	1,152,799	1,187,383
<i>Effective Rate Revenue Increase</i>	<i>8.60%</i>	<i>8.86%</i>	<i>9.00%</i>	<i>9.00%</i>	<i>9.00%</i>	<i>3.00%</i>	<i>3.00%</i>	<i>3.00%</i>	<i>3.00%</i>	<i>3.00%</i>
Reserve Closing Balance, \$'000	164,880	91,243	37,758	28,399	64,537	81,427	102,291	131,202	139,250	135,070



Questions

