

August 29, 2005

To: Works Committee

From: Brian Denney, Chief Administrative Officer, TRCA

Subject: Amend the 2005 Approved Toronto and Region Conservation Authority (TRCA) Capital Budget to include land acquisition for source water protection and provide TRCA with authority to proceed with acquisitions.
All Wards

Purpose:

To set up capital budget and provide authority to TRCA to use funding from the Land Acquisition For Source Water Protection Reserve to acquire lands to protect the source and quality of Toronto's river systems.

Financial Implications and Impact Statement:

Approval of the recommendations contained in this report will increase the 2005 Approved TRCA Capital Budget by \$2.0 million, fully funded from the Land Acquisition For Source Water Protection Reserve, for acquisitions of properties on the headwaters and in the valley systems of Toronto watersheds.

City funding for acquisitions outside City boundaries will include up to 50% matching funds from other participating municipalities, the province or other sources, which have been estimated to be \$1.5373 million. Further, City funding for acquisitions inside City boundaries which will not include matching funds is estimated at \$0.46million. The total estimated expenditure is \$1.9973 million.

The Chief Financial Officer and Treasurer has reviewed this report and concurs with the financial implications section contained in this report.

Recommendations:

It is recommended that:

- (1) The 2005 Approved TRCA Capital Budget be increased by \$2.0 million, fully funded from the Land Acquisition for Source Water Protection Reserve, to acquire properties on the headwaters and in the valley system of Toronto watershed; and

- (2) TRCA be authorized to proceed to use City of Toronto funds from the Reserve to complete the acquisitions as set out in the confidential list dated August 31, 2005, included as Attachment 2, it being understood that the city's funding commitment shall at no time exceed \$2.0 million; and
- (3) The report be forwarded to the Policy and Finance Committee for approval; and
- (4) TRCA complete the acquisitions as set out in Attachment 2 in a form and manner acceptable to City Officials; and
- (5) the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

Background:

On July 19, 20, 21 and 26, City Council adopted the following recommendations of the Policy and Finance Committee, Report 7, Clause 37, dealing with recommendations from Works Committee which established policies and approval criteria for funding requests for use of the Land Acquisition for Source Water Protection Reserve.

- (1) *Municipal Code, Chapter 227 (Reserves and Reserve Funds) be amended by adding the "Land Acquisition for Source Water Protection Reserve" to Schedule 11 – Water/Wastewater Reserves;*
- (2) *the criteria set out in Attachment 1 to this report be adopted as the required criteria for the Land Acquisition for Source Water Protection Reserve; and*
- (3) *the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto, including the introduction of any necessary bills in Council.*

City Council at its meeting held on November 30, December 1 and 2, 2004, amended and adopted Clause 38 of Policy and Finance Committee Report 9, and recommended that:

- (a) the Chief Financial Officer and Treasurer be directed to create within Schedule 11 (Water/Wastewater Reserves) a new reserve called the 'Land Acquisition for Source Water Protection Reserve', for the purpose of providing funding for the acquisition of land to protect water sources to be controlled by Toronto Water;
- (b) a transfer of \$2 million from the Wastewater Stabilization Reserve, Account No. XQ1004, to the 'Land Acquisition for Source Water Protection Reserve' be approved;
- (c) in accordance with Chapter 227 of the City of Toronto Municipal Code – Article II - Establishment of Reserves and Reserve Funds, the Chief Financial Officer and Treasurer and the Acting Commissioner of Works and Emergency Services be

requested to report to the February 2005 meetings of the Works Committee and the Policy and Finance Committee, respectively, on setting out specific criteria for the Protection Reserve, including a contribution policy and a withdrawal policy; and

- (d) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto, including the introduction of any necessary bills in Council.”

Comments:

Acting on Council direction, the Deputy City Manager and Chief Financial Officer, and the General Manager of Toronto Water, in consultation with Toronto and Region Conservation Authority officials have developed criteria for accessing the “Land Acquisition for Source Water Protection Reserve”.

The protection of Lake Ontario as the source of potable water for the City of Toronto is a high priority of the city. It is recognized that protecting and improving the water quality of the various river systems and watersheds that flow into Lake Ontario through the Toronto region is an important objective in source water protection. Currently, the city is implementing the Council approved Wet Weather Flow Management Master Plan (WWFMMP) to help meet this objective. Another important tool to help meet this objective is the protection of the river systems and watersheds through acquisition of key parcels of land, as they become available. Typical benefits of land acquisition related to source protection are listed below:

Protection of the valley and stream corridor features and functions:

- convey, and provide storage of stormwater and melt water;
- protect important areas for groundwater recharge and discharge;
- allow nutrient and sediment transport (water quality);
- maintain base flow; and
- provide filtering of overland flows.

Protection of Headwater Areas:

- protect important areas for groundwater recharge and discharge;
- enhance water quality;
- maintain base flow; and
- protect headwater/lower order streams.

It is recommended that the rationale for establishing the account and for approving funding requests for the use of the Land Acquisition for Source Water Protection Reserve must satisfy the policies and criteria as identified in **Attachment 1 (Schedule 11)**. This includes at least one of the following criteria:

- (1) Lands, where city staff is of the opinion that they need to be acquired due to their unique environmental characteristics as significant water resources features, such as: flood plains, stream and valley corridors, natural features contiguous to stream and valley corridors, wetlands, critical fish habitat, significant vegetation/forest cover and

hydrological sensitive recharge/discharge areas, identified by the relevant source documents listed in **Attachment 1**.

- (2) Lands, where rehabilitation, regeneration and/or treatment works are planned for source water protection, consistent with the City of Toronto Wet Weather Flow Management Master Plan or other relevant source water protection initiatives.

The Importance of Land Securement in Managing Watersheds at Their Source

The City of Toronto as a participating municipality has always supported the work of TRCA in protecting Toronto region watersheds. Funding projects outside of city boundaries through various cost sharing programs in order to gain benefits in terms of downstream flooding and erosion protection, and water quality improvements have been evident since the conservation authority was created in 1957.

TRCA has had land acquisition projects in place since the 1960's. Over the years, these projects have enjoyed support not only from the city, and its predecessor municipalities, Metro and the former area municipalities, but also the province and at one time, the federal government. Beyond the city boundaries, the Regions of Peel, York and Durham, have all been active in TRCA land securement.

Today, TRCA owns 38,255 acres of land in the Toronto region. Of this amount, about one third is within the City of Toronto, enabling the protection of valley and flood plain lands as well as a significant portion of the Toronto waterfront. Equally important, TRCA owns almost 10,000 acres on the Oak Ridges Moraine which forms the headwaters of Toronto watersheds including the Humber, Don and Rouge.

Headwater areas outside of the city boundaries are important to water management efforts. This recognition is one of the key reasons for widespread interest in protecting physiographic features like the Oak Ridges Moraine. Reforestation of headwater areas has been demonstrated to be an effective water quantity and quality management practice. Long standing practices of planting trees on marginal or public lands in the headwaters has been a foundation of TRCA's water management programs, since Hurricane Hazel.

Since the Walkerton Tragedy in 2000, attention has been paid to the protection of drinking water supplies in the province at their source. The City of Toronto shares concerns with other municipalities along the north shore of Lake Ontario about the quality of lake based water supplies. TRCA recently initiated a drinking water source protection study with funding provided by the Province of Ontario. This study is being undertaken on a watershed basis and will ultimately use a risk assessment approach to identify priority management actions. Review of source water protection plans from other jurisdictions, such as the City of New York, reveal that from a practical and economic perspective, the protection of source water supplies originating upstream of a municipality makes good business sense. Less sediments and nutrients entering the lake helps to improve drinking water plant treatment efficiencies and reduces the risk of contaminated municipal water and helps to instil public confidence in municipal supplies.

In a separate report to the Works Committee entitled Toronto Water 2005 Multi-Year Business Plan, TRCA has identified and documented the need for greater attention to Source Water Protection Program for Toronto Headwater Region Creeks and Rivers. This report demonstrates how TRCA is working with the city to implement the city's Wet Weather Flow Management Master Plan. Land securement in the headwaters of the city's watersheds is critical.

City of Toronto Council has expressed interest in initiating source water protection activities outside its jurisdiction to compliment the directions already underway to implement the Wet Weather Flow Management Master Plan. These activities should seek to reduce peak flows and manage water quality. Land securement is a key aspect of this work.

Proposed Land Acquisition List (Attachment 2 - Confidential)

TRCA staff has prepared a list of properties which would be eligible for funding from the City of Toronto Source Water Protection Reserve. The list is based on the criteria set out in the Council report. The listed properties are within the TRCA master plan for acquisition and meet TRCA criteria to be considered for acquisition.

The list includes properties for which purchase and sale agreements are in hand or where negotiations are at a stage that a purchase and sale agreement is likely. The list is submitted as a confidential report because it includes values for properties which are still being negotiated.

In terms of process, TRCA has submitted the list of properties to City of Toronto Finance and Toronto Water staff. We believe that each property meets the criteria set out as a requirement for funding from the Land Acquisition for Source Water Protection Reserve.

City funding for acquisitions outside city boundaries will include up to 50% matching funds from other participating municipalities, the province or other sources. Within the City of Toronto, because matching funding is difficult to secure, up to 100% city funds may be used.

For all land acquisitions, TRCA will secure independent appraisals to ensure fair market value. The city property staff will have the opportunity to review all purchase and sale agreements and supporting documentation prior to agreements being finalized. At the request of city staff, TRCA and the city will enter into a written agreement that provides that where City of Toronto funds are used to secure property outside the city boundaries, TRCA shall not dispose of such properties without written approval of the city.

TRCA proposes that the list included in **Attachment 2 (Confidential)** only be changed or amended by Council approval. As the list is completed, Council will be advised. Council will decide if additional properties should be included or substituted.

Time is always of the essence in land securement. A willing seller needs the comfort of a signed agreement as soon as possible and public agencies such as TRCA need the security of a signed agreement to enable securement of funding from multiple sources, each of which will have its own approval process. By approving funding of the list of properties, Council will enable

TRCA, working with city officials, to secure purchase and sale agreements in a timely and accountable manner.

Of the list of properties included at Attachment 2, properties A, B and C, which meet the criteria and are outside the city boundary can be completed at a total estimated cost of \$1.5373 million to the city with matching funds from other sources totalling \$3.0247 million. Properties D,E and F within City boundaries which would not be eligible for matching funds can be completed at an estimated cost of \$0.46 million. Total city investment would be estimated at \$1.9973 million.

TRCA will seek to complete the remaining properties as funds become available and acceptable purchase and sale agreements can be achieved. In the event that any of the acquisitions listed above cannot be completed, the available funds would be used for the remaining properties listed.

Conclusions:

The list of properties proposed for acquisition represents priority acquisitions which will protect and enhance city watersheds.

The TRCA objectives, programs and policies are consistent with the WWFMMP, the city's Strategic Plan and Environmental Plan, and provide the necessary ecosystem watershed approach working with and in upstream municipalities to undertake a comprehensive plan of integrated watershed planning and management.

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Chief Administrative Officer

List of Attachments:

Attachment 1 - Criteria for Land Acquisition for Source Water Protection Reserve

Attachment 2 (Confidential) - Property Acquisitions List and Maps A-G

Attachment 1 - Criteria for Land Acquisition for Source Water Protection Reserve

In accordance with Chapter 227 of the City of Toronto Municipal Code - Article II - Establishment of Reserves and Reserve Funds, the specific criteria for the Protection Reserve are detailed below.

Schedule 11 (Land Acquisition for Source Water Protection Reserve):

(1) Location within the Consolidated Reserve Fund Schedule:

Account within Schedule 11 – Land Acquisition for Source Water Protection Reserve.

(2) Statement of Purpose:

This account will be used to provide funding for the acquisition of land to protect water sources.

(3) Service Area or Beneficiary Program:

Toronto Water shall have primary responsibility for the account.

(4) Initial Contribution:

Funding of \$2 million will be transferred from the Wastewater Stabilization Reserve.

(5) Contribution Policy:

- (a) no additional contribution until the original funding of \$2 million is exhausted;
- (b) no additional contribution while the Toronto Water Stabilization Reserve is below its target level; and
- (c) contributions to be approved by City Council during the annual budget review process.

(6) Withdrawal Policy:

Funds may be withdrawn at the request of the service area or beneficiary program for the purposes stated in the Statement of Purpose, subject to a report explicitly presenting a business case for the creation of a capital project for the acquisition of a specific property (properties), and the review by the Deputy City Manager and Chief Financial Officer, based on the following Technical Criteria:

Land Acquisition Criteria for the Source Water Protection Reserve:

In order to be eligible for funding from the “Land Acquisition for Source Water Protection Reserve” a property must meet at least one of the following criteria:

- (1) Lands, where City staff are of the opinion that they should not be developed for intensification purposes due to their unique environmental characteristics as significant water resources features, such as, flood plains, stream and valley corridors, natural features contiguous to stream and valley corridors, wetlands, critical fish habitat, significant vegetation/forest cover, hydrological sensitive recharge / discharge areas, etc., identified by the relevant source documents listed below.
- (2) Lands, where rehabilitation, regeneration and/or treatment works are planned for source water protection, consistent to the City of Toronto Wet Weather Flow Management Master Plan Long Term Preferred Strategy or other relevant source water protection initiatives.

List of Source Documents:

- City of Toronto Wet Weather Flow Management Master Plan;
- City of Toronto Natural Heritage Study;
- TRCA Terrestrial Natural Heritage Strategy;
- Oak Ridges Moraine Conservation Plan Natural and Linkage Areas; and
- Provincial Greenbelt Plan.

- (3) In addition to the above technical criteria, priority will be given to situations where:
 - there is a willing seller;
 - there are matching financial contributions from other sources including but not limited to other municipalities and/or other levels of government;
 - the parcel will supplement other public land holdings in the area; and
 - the nature and immediacy of a threat to the lands.

(7) Review Cycle:

- (a) The need for the account shall be reviewed when the funding is exhausted; or
- (b) the need for the account shall be reviewed once every five years.