

Budget Committee

Meeting No.	2 (Special)	Contact	Merle MacDonald, Committee Administrator
Meeting Date	Monday, January 8, 2007	Phone	416-392-7340
Start Time	9:30 AM	E-mail	mmacdona@toronto.ca
Location	Committee Room No. 1, City Hall		

Members of the Committee/Community Council, Officials concerned and all others receiving a copy of the Agenda and accompanying material for this meeting are respectfully requested to bring them to such meeting and retain all documentation until the City Council meeting dealing with these matters has concluded. **No additional copies will be available.**

For further information or assistance, please contact or E-mail at mmacdona@toronto.ca. If you require any special assistance, please call 416-392-6662, TTY 416-338-0889. Attendant Care Services can be made available with some advance notice – please call 416-6662, if you require this service.

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Budget Committee		
Councillor Shelley Carroll (Chair) Councillor Paul Ainslie Councillor Maria Augimeri	Councillor A. A. Heaps Councillor Joe Mihevc	Councillor Gord Perks Councillor Kyle Rae

If the Budget Committee wishes to meet in camera (privately) a motion must be made to do so and the reason given (*Municipal Act, 2001*).

Declarations of Interest under the *Municipal Conflict of Interest Act*

Communications/Reports

BU2.1	ACTION			
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Election of Vice Chair

(January 8, 2007) Member Motion from Chair or Member

Summary

Election of Vice Chair

BU2.2	ACTION			
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2007-2016 Capital Program Toronto Water Analyst Briefing Notes

(January 4, 2007) report from Financial Planning Division

Recommendations

It is recommended that:

- (1) the 2007 Recommended Capital Budget for Toronto Water with a total project cost of \$331.350 million and a 2007 cash flow of \$410.001 million and future year commitments of \$497.359 million be approved. The 2007 Recommended Capital Budget consists of the following:
 - (a) New Cash Flow Funding for:
 - (i) 201 new sub-projects with a 2007 total project cost of \$331.350 million that requires cash flow of \$129.726 million in 2007 and a future year commitment of \$73.883 million in 2008; \$40.692 million in 2009; \$42.795 million in 2010; and, \$44.254 million in 2011;
 - (ii) 144 previously approved sub-projects with a 2007 cash flow of \$212.612 million and a future year commitment of \$152.516 million in 2008; \$87.836 million in 2009; \$45.756 million in 2010; and, \$9.627 million in 2011;

Budget Committee – January 8, 2007 Agenda

- (iii) 8 sub-projects from previously approved projects with carry forward funding from 2005 and prior years requiring 2007 cash flow of \$4.038 million and no future year commitments;
- (b) 2006 approved cash flow for 111 previously approved sub-projects with carry forward funding from 2006 into 2007 totalling \$63.625 million;
- (2) operating impacts of \$3.270 million in 2007 and \$0.153 million in 2008 emanating from the approval of the 2007 Recommended Capital Budget, be approved for inclusion in the 2007 and future year operating budgets;
- (3) no new debt be issued to finance the 2007 cash flow requirement for the capital program and that the 2007 Recommended Toronto Water Capital Budget be fully funded from service charges; available reserve funds; including development charges; and other revenues;
- (4) the General Manager for Toronto Water report to the Budget Committee on any financial implications arising from Council's consideration of the Biosolids and Residuals Master Plan to be presented in 2007;
- (5) the General Manager for Toronto Water report to the Budget Committee on the operating impacts stemming from the 5-Year Capital Plan prior to the start of deliberations for the 2008 Capital Budget process;
- (6) the Deputy City Manager for the Parks, Forestry and Recreation Program, in consultation with Toronto Water, identify potential water efficiency strategies regarding its operations and that the General Manager of Parks, Forestry and Recreation report to the Public Works and Infrastructure Committee prior to the start of deliberations for the 2008 Capital Budget process, on the strategies to improve water efficiency and related costs of these initiatives;
- (7) the Deputy City Manager and Chief Financial Officer and Acting Deputy City Manager for Toronto Water, report to the Budget Committee regarding the funding requirements for implementation of the Wet Weather Flow Master Plan and the feasibility of alternative funding mechanisms prior to the start of deliberations for the 2008 Capital Budget process; and,
- (8) this report be considered concurrently with the 2007 Water and Wastewater Service Rate and Related Matters Report (January, 2007), from the Deputy City Manager and Chief Financial Officer and General Manager for Toronto Water.

Summary

Refer to Analyst Briefing Notes.

Links to Background Information

2007-2016 Capital Program Toronto Water Analyst Briefing Notes

(http://www.toronto.ca/legdocs/mmis/2007/bu/bgrd/2007-2016 Capital Program Toronto Water Analyst Briefing Notes_289.pdf)

BU2.3	ACTION			
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2007 Operating Budget Toronto Water Analyst Briefing Notes

(January 4, 2007) report from Financial Planning Division

Recommendations

It is recommended that:

- (1) the 2007 Recommended Operating Budget revenues of \$648.221 million, gross operating expenditures of \$379.338 million and a capital-from-current contribution of \$268.884 million, as funded by the water and wastewater user rates and other recoveries be approved;
- (2) the 2007 Recommended Operating Budget for Toronto Water of \$648.221 million gross and \$0.000 million net, comprised of the following services be approved:

Service:	Gross (\$000's)	Net (\$000's)
Water Supply and Treatment	65,589.577	0.0
Wastewater Treatment	104,462.776	0.0
District Operations	110,588.673	0.0
Water Infrastructure Management	6,672.900	0.0
Capital Financing	269,294.167	0.0
Business Support	12,135.027	0.0
Operations Support	16,393.056	0.0
Program Support	63,085.075	0.0
Total Toronto Water	648,221.250	0.0

- (3) the Deputy City Manager and Chief Financial Officer and the Deputy City Manager for Toronto Water, report to the Budget Committee prior to its deliberation of the 2008 Operating Budget on a plan for phasing in the implementation of collection of water billing from the Parks, Forestry and Recreation Program;
- (4) the General Manager for Toronto Water report to the Public Works and Infrastructure Committee and City Council, with information pertaining to the agreement for the

disposition of the pellets from the Pelletizer including the parties which have agreed to purchase the pellets; the length of the agreement; and, the on-going monthly and yearly cost to operate the facility; and

- (5) this report be considered concurrently with the 2007 Water and Wastewater Service Rate and Related Matters Report (January, 2007), from the Deputy City Manager and Chief Financial Officer and General Manager for Toronto Water.

Summary

Refer to Analyst Briefing Notes.

Links to Background Information

2007 Operating Budget Toronto Water Analyst Briefing Notes

(http://www.toronto.ca/legdocs/mmis/2007/bu/bgrd/2007_Operating_Budget_Toronto_Water_Analyst_Briefing_Notes_290.pdf)

BU2.4	ACTION			Wards: All
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2007 Water and Wastewater Service Rate and Related Matters

(January 4, 2007) report from Deputy City Manager and Chief Financial Officer and the General Manager, Toronto Water

Recommendations

The Deputy City Manager and Chief Financial Officer and the General Manager, Toronto Water recommend that:

- (1) with respect to the water and wastewater service rate,
 - (i) the water rate and wastewater rates charged to metered consumers be increased, effective March 1, 2007, by 9.0 percent on an annualized basis and as shown in Appendix A (Schedule 1) attached to this report;
 - (ii) the water rate and wastewater rate charged to flat rate consumers be set, effective May 1, 2007 for the flat rate accounts in the former City of Etobicoke, and effective July 1, 2007 for the flat rate accounts in the former City of

Toronto, at the rates shown in Appendix A (Schedule 2) attached to this report;

- (2) with respect to reserve and reserve fund adequacy,
 - (i) 57 percent of the actual 2006 year-end net operating budget shortfall be transferred from the Wastewater Capital Reserve Fund (XR6004) to the Wastewater Stabilization Reserve (XQ1004);
 - (ii) 43 percent of the actual 2006 year-end net operating budget shortfall be transferred from the Water Capital Reserve Fund (XR6003) to the Water Stabilization Reserve (XQ1003);
 - (iii) beginning in 2008, the water rate setting process incorporate an annual contribution of 1 percent of budgeted water user revenue, apportioned as above to the Water and Wastewater Stabilization Reserves, until such time that a minimum combined balance of \$30.0 million is reached;
- (3) with respect to funding of land acquisition for source water protection,
 - (i) the land acquisition contribution policy, specifying that no additional contribution be made to the Land Acquisition Reserve while the Toronto Water Stabilization Reserve is below its target level, be waived for 2007;
 - (ii) the withdrawal policy for the Source Water Protection Reserve be amended as follows:

the amount withdrawn from the reserve for the identified Statement of Purpose shall be based on a matching funding arrangement with the Toronto and Region Conservation Authority (TRCA), commensurate with the existing formula used to derive TRCA's annual municipal operating levy;
 - (iii) 0.25 percent of 2007 revenue from Toronto water rates be reallocated from the Wet Weather Flow Master Plan project in 2007 to the Land Acquisition for Source Water Protection Reserve (XQ1403);
 - (iv) the TRCA, in collaboration with its member municipalities, develop a Land Acquisition for Source Water Protection Policy, wherein financial contributions are derived on an annual basis from member municipalities, consistent with the existing formula used to derive TRCA's annual municipal operating levy; and
 - (v) the land acquisition for Source Water Protection Reserve contribution and withdrawal policies be reviewed by the Public Works and Infrastructure Committee in 2007 in advance of the Toronto Water's 2008 Rate setting process.
- (4) with respect to administrative matters,
 - (i) Schedule E to Article II of Chapter 849 of the City of Toronto Municipal Code,

regarding additional water and sewer charges, be amended as follows:

- (a) the returned cheque fee for cheques not honoured by financial institutions for water bill payments be increased from \$25 to \$35 to be consistent with the fees currently charged for returned cheques by Tax and Parking Tags, effective March 1, 2007; and
 - (b) the minimum account charge of \$36.00 per year be eliminated, effective March 1, 2007;
 - (ii) Article I of Section 849-14 of the City of Toronto Municipal Code, concerning consumers who discharge to private septic systems, be amended by updating in sub-section 'F' the applicable rebate rate to be set at 57 percent of the retail combined water and sewer service rate applicable to the consumer, effective March 1, 2007; and
- (5) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto including the introduction of the necessary bills.

Financial Impact

Financial analysis indicates that the 2007 Toronto Water Operating Budget of \$379.338 million, and the 2007-2011 Capital Plan of \$2,420.135 million net (\$382.598 million cash flow in 2007), will require a water and wastewater rate annualized increase of 9.0 percent commencing on March 1, 2007. Rate increases are also projected at 9.0 percent annually through to 2011, in order to fully fund the capital and operating plans of the program in a sustainable manner from operating revenues and capital-from-current contributions, and without the need for debenturing.

Legislation continues to require that the Water Program be fully funded through the water rate. The City of Toronto's policy since 1998 is to also fully fund the Wastewater Program through a combined water and wastewater rate. As such, the property tax budget is not impacted by adoption of the recommendations contained in this report.

Due to the delays in the approval of the 2007 rates and in order to achieve a 9 percent annualized revenue increase in 2007, the effective rate increase as recommended above is 10.8 percent. A typical homeowner with metered service will see an increase in their 2007 annual water bill of approximately \$40.00 from \$429.00 in 2006 to \$469.00 in 2007.

Summary

Legislation prescribes that any by-law respecting water and sewer rates expires on December 31 following the year in which the by-law was passed. At the final meeting of its term in September 2006, City Council enacted a by-law to continue the 2006 water and sewer rates until the new Council adopts the 2007 Toronto Water Operating and Capital Budgets and the resulting new rates have been approved. Toronto Water's 2007 Operating Budget and

2007-2011 Capital Plan are to be considered concurrently with this report. Adoption of the Program's operating and capital budgets as submitted will require an increase of 9 percent in the water and wastewater annual revenues for 2007.

Links to Background Information

2007 Water and Wastewater report

(http://www.toronto.ca/legdocs/mmis/2007/bu/bgrd/2007 Water and Wastewater report_291.pdf)

BU2.5	ACTION			
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2007 Budget Schedule and Process

Summary

Report to follow.

Budget Committee

Meeting No.	2 (Special)	Contact	Merle MacDonald, Committee Administrator
Meeting Date	Monday, January 8, 2007	Phone	416-392-7340
Start Time	9:30 AM	E-mail	mmacdona@toronto.ca
Location	Committee Room No. 1, City Hall		

BU2.5	ACTION			
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2007 Budget Schedule and Process

(January 5, 2007) report from City Manager and the Deputy City Manager and Chief Financial Officer

Recommendations

City Manager and Deputy City Manager and Chief Financial Officer recommend that:

- (1) 2007 Budget Meeting Schedule attached as Appendix 1 and circulate the Schedule to City Agencies, Boards, Commissions and Divisions with a request that, wherever possible, they avoid scheduling meetings that conflict with the prescribed meetings;
- (2) Executive Committee direct the Budget Committee to implement the following as part of the 2007 Budget Process:
 - (i) to recommend annual capital and operating budgets that align services with the Mayor's mandate and Council's policy agenda;
 - (ii) to ensure the efficient use of resources to deliver service results and outcomes;
 - (iii) to recommend budgetary strategies to the Executive Committee; and
 - (iv) to hear public presentations on behalf of the Executive Committee; and
- (3) Budget Committee forward this report to Executive Committee for its consideration.

Summary

The purpose of this report is to submit a revised Schedule of Meetings for the period January 1 to December 31, 2007, that accommodates the 2007 Budget Process and regular business meetings of the Budget Committee and to present a transitional 2007 Budget Process. In addition, the report seeks Council approval of the role of the Budget Committee and, in particular, authorization for the Budget Committee to hear, on behalf of the Executive Committee, public presentations and councillor issues on the 2007 budget. In 2006, Council approved a budget process that incorporates best budget practices, principles and elements promoted by the Government Financial Officers Association. This process recognizes the role of Standing Committees to provide directions and advice to Council on services and service levels, requires Council to provide directions and guidelines up-front, and incorporates public consultation. Because of the municipal election held in November 2006, it was not possible to fully apply the approved budget process to develop the 2007 Operating Budget and 2007 – 2011 Capital Budget and Plan. As a result, this report proposes a transitional budget process with the Mayor's mandate and Council's policy agenda guiding staff and the Budget Committee in developing a balanced budget.

Links to Background Information

2007-bu2-5

(http://www.toronto.ca/legdocs/mmis/2007/bu/bgrd/2007-bu2-5_312.pdf)