



**STAFF REPORT
ACTION REQUIRED**

2007 Water and Wastewater Service Rate and Related Matters

Date:	January 4, 2007
To:	Budget Committee
From:	Joseph P. Pennachetti, Deputy City Manager and Chief Financial Officer Lou Di Gironimo, General Manager, Toronto Water
Wards:	All Wards
Reference Number:	P:\2007\Internal Services\Cf\Bc070003Cf – et (AFS #3423)

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% in the water and wastewater annual revenues for 2007.

RECOMMENDATIONS

The Deputy City Manager & 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% 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% 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); and,
 - (ii) 43% 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); and,
 - (iii) beginning in 2008, the water rate setting process incorporate an annual contribution of 1% 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; and,
 - (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% 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% 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% commencing on March 1st 2007. Rate increases are also projected at 9.0% 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% annualized revenue increase in 2007, the effective rate increase as recommended above is 10.8%. 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.

DECISION HISTORY

At the final meeting of its term on September 25-28, 2006, City Council adopted the staff report “2007 Interim Water and Wastewater Rate” to enact 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 new rates have been approved. The above mentioned report can be viewed at:

<http://www.toronto.ca/legdocs/2006/agendas/council/cc060925/wks6rpt/cl028.pdf>

In December 2005, City Council adopted staff report “2006 Water and Wastewater Rate Increase and Rate Projections for 2007-2015”. Based on the operating and capital budgets for 2006 and projections to 2015, that report recommended a 9% increase on the water and wastewater rate for 2006 and projected 9% rate increases each year thereafter to 2012. The analysis of 2007 operating and capital budget aligns with the projections of that report and confirms the need for sustained 9% increases in Toronto’s water and wastewater rate. The above mentioned report can be viewed at:

<http://www.toronto.ca/legdocs/2005/agendas/council/cc051208/pof12rpt/cl002.pdf>

On September 11, 2006, Works Committee, during consideration of the report from the General Manager - Toronto Water, responding to a Works Committee directive to report on projects projected to have positive year-end variances which could provide cash flow for the Land Acquisition for Source Water Protection Reserve and a Mandatory Downspout Disconnection Program, referred back the report to staff with a request that another report be submitted to the new Public Works and Infrastructure Committee during the 2007 Water and Wastewater Budget approval process on a range of possible water rates that could be approved by Works Committee and City Council; and further that:

- all proposed rates include an allocation of 1 percent of the water rate increase for funding of land acquisition for source water protection of Toronto’s river systems; and,
- the General Manager, Toronto Water consult with the Toronto and Region Conservation Authority as to how this 1 percent allocation can optimize the protection of the sources of Toronto’s river systems.

This latter direction can be viewed at:

<http://www.toronto.ca/legdocs/2006/agendas/committees/wks/wks060911/wksdd.pdf>

ISSUE BACKGROUND

Ontario Regulation 244/02 under the *Municipal Act, 2001*, provides that any by-law respecting water and sewer rates expires on December 31 of the year following the year in which the by-law was passed.

This report is to be considered concurrently with Toronto Water’s 2007 Operating Budget and 2007-2011 Capital Plan. Adoption of the Program’s operating and capital plan will necessitate the water rate increases that are outlined in this report.

COMMENTS

Financial Model:

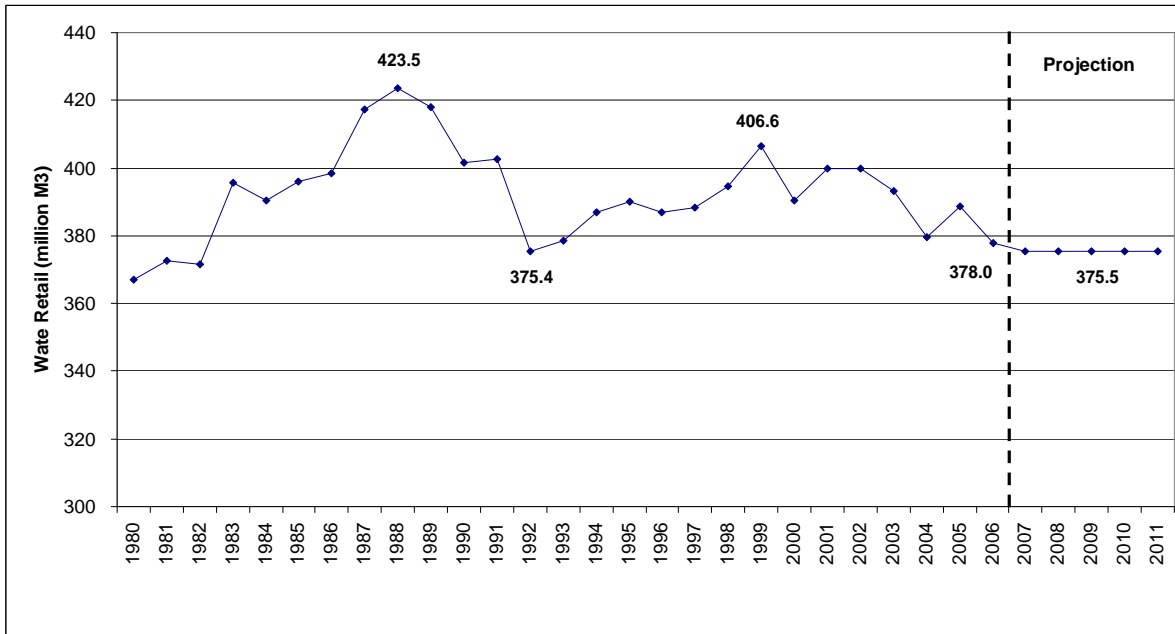
In general terms, the financial model used to forecast water rates and wastewater rates is premised upon the objective that the program remain fully self funding with a high degree of financial stability for both operating and capital needs over the long term, and that any rate changes required should be phased in a planned manner to avoid excessive year-to-year fluctuations.

Inputs from Toronto Water's 5-Year Capital Plan and 2007 Operating Budget, together with operating and capital projections to 2016, are utilized to estimate current and future funding requirements. Net capital expenditures (after grants, subsidies and other revenues) may be financed through capital-from-current, debenture issuance, and by drawing down existing cash reserves. Such capital expenditures are combined with the operating budget requirements to determine the total funding required to be recovered through the rate. This capital and operating funding amount is considered together with projected water consumption to produce an average water and sewer rate which will self-finance the operating and capital expenditures over the ten-year planning period, including reserve contributions. The projected water rate changes can be varied by making adjustments to the operating or capital budgets, and/or the contributions and withdrawals from reserve funds.

Water Consumption Forecast:

Water consumption was forecasted utilizing records dating back to the 1980's. Over the last decade, a trend towards reduced consumption has been observed, as shown in Chart1. The retail consumption projected to 2006 year-end is 378 million cubic metres. This is significantly lower than the peak of 424 million cubic metres experienced in 1988, followed by 407 million cubic metres in 1999. While weather can have a profound effect on annual water consumption (dry summers typically result in higher annual water consumption due to lawn watering), economic cycles can also affect overall consumption. There has been an underlying systematic trend towards lower consumption, partly due to greater promotion and awareness of water efficiency initiatives, the life-cycle replacement of water fixtures with more efficient models, the loss of some major industrial consumers, and consumers' price sensitivity to the cost of water. The forecast utilized in the rate modelling for 2007 and future years is held constant at 375.5 million cubic metres based on the consumption trend and staff judgement.

Chart 1 - Toronto Retail Consumption



2007 Operating Budget and 2007-2011 Capital Plan:

The Toronto Water 2007 Operating Budget requires a combined water and wastewater expenditure level of \$648.221 million (including capital financing charges and reserve contributions). Expenditures are predominantly funded through the sale of water to Toronto consumers with \$603.393 million budgeted to be recovered from the water and wastewater rate. Other user charges for the balance of the revenue requirement include revenues from: (i) the sale of water to the Region of York (\$17.48 million); and (ii) industrial waste surcharge, sewage, and private water agreements, service charges, and sundry revenues (\$27.380 million).

The Toronto Water 2007-2011 Capital Plan recommends a capital funding expenditure level of \$2.4 billion (net), with a capital cash-flow commitment of \$382.598 million for 2007. Year end expenditures for Toronto Water’s 2006 Capital Budget are projected to be 79% of the approved cashflow. After the implementation of organizational changes, resulting in advanced planning and focussing on capital program delivery, Toronto Water anticipates that an 80% spending level of the 2007-2011 Capital Plan is attainable, and accordingly this spending level has been used for rate modelling purposes.

Chart 2 below presents a summary of the 2007 Capital and Operating Budgets, and the resulting rate requirements and reserve balances.

Chart 2 – Summary of 2007- 2011 Capital Plan and Operating Budgets and Corresponding Rate Increase Request

(In \$000s)	2006 Budget	2007 Request	Projection			
			2008	2009	2010	2011
CAPITAL:						
Total Gross Request	394,468	410,001	472,201	543,526	602,300	668,289
Region of York Capital Contribution	(18,372)	(13,608)	(34,721)	(60,846)	(51,661)	(30,167)
Development Charge Recoveries	(12,496)	(13,794)	(12,507)	(13,965)	(17,108)	(27,806)
Net Capital Request	363,600	382,598	424,973	468,716	533,531	610,316
Anticipated Spending Level @80%	290,880	306,079	339,979	374,972	426,825	488,253
Sources of Financing						
Capital-from-Current	236,996	268,883	330,583	381,230	436,891	498,213
Drawdown of Reserves	53,884	37,196	9,396	(6,258)	(10,067)	(9,960)
Total Financing	290,880	306,079	339,979	374,972	426,825	488,253
OPERATING:						
Total Gross Request	367,219	379,338	384,602	393,876	403,329	413,009
Capital-from-Current	243,232	268,883	330,583	381,230	436,891	498,213
Gross Operating Budget	610,451	648,221	715,185	775,107	840,221	911,223
REVENUES:						
Required Annualized Water Rate Increase	9%	9%	9%	9%	9%	9%
Revenue from Water Rates	563,285	603,393	669,282	728,102	792,088	861,935
Other Revenues	47,166	44,827	45,903	47,005	48,133	49,288
Total Operating Revenue	610,451	648,221	715,185	775,107	840,221	911,223
RESERVE FUND:						
Capital Reserve Fund Closing Balance	101,294	66,412	58,304	71,237	82,962	100,346

The 2007 Operating Budget expenditures of \$379.3 million represents an increase of \$12.1 million or 3.3% compared to the 2006 approved budget of \$367.2 million. The key operating cost drivers in 2007 include increased cost of processing and disposal of biosolids, increased demand for natural gas for the startup of the pelletizer process, increased cost for cut repair work, and inflationary increases related to labour and materials/supplies.

The 5-Year Capital Plan addresses the capital requirements of the Program's six sections, which include District Operations, Water Treatment and Supply, Wastewater Treatment, Water Infrastructure Management, Operational Support, and Business Unit Support.

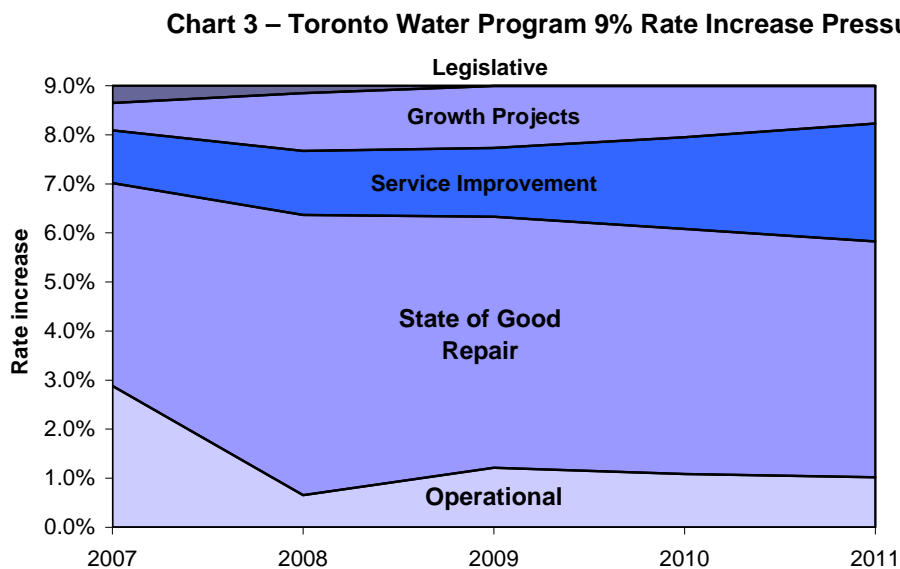
The capital cash flow funding requirement increases significantly over the 5-Year Capital Plan from \$410.0 million in 2007 to \$668.3 million in 2011, which represents a 63% increase over 5 years. Appendix B provides a list of major capital projects being undertaken over the next five years.

The increase in capital is required primarily for the renewal and rehabilitation needs of the aging infrastructure. The program currently has a significant infrastructure and rehabilitation backlog. Over 50% of the water network is at least 50 years old and 8% is 100 years old. Furthermore, 30% of the wastewater network is at least 50 years old and 3% is over 100 years old. State of good repair projects are designed to extend the useful life of the assets, ensure service reliability, and postpone replacement. State of good repair projects represent 65% of the 5-Year Capital Plan funding requirement, and make up approximately 5% of the required 9% rate increase, as shown in Chart 3 below.

Service improvement projects represent 21% of the 5-Year Capital Plan, and require an average 1.6% annually of the rate increase. These projects include biosolids processing, odour control at wastewater treatment facilities, automated metering, implementation of the Wet Weather Flow Master Plan, basement flooding protection, landscaping and plant optimization.

Growth projects account for 1% of the average annual rate increase pressure and represents 12.5% of the 5-Year Capital Plan. These projects are necessary to accommodate the projected population of 3 million by 2031, and include water efficiency initiatives, water loss reduction, and system expansions required to service future customer water needs.

Chart 3 presents a summary of the major reasons for the 9% increases on the water rate: 5% for state of good repair projects; 1.6% for service improvement projects; 1.4% operational and inflationary pressures; 1% for growth projects, and 0.1% for legislative.



Reserves/Reserve Fund Adequacy:

There are six reserves and reserve funds that have been created to support a variety of needs and risks for Toronto Water. These include: Water and Wastewater Vehicle and Equipment Replacement Reserves; Water and Wastewater Rate Stabilization Reserves; and Water and Wastewater Capital Reserve Funds.

Vehicle and Equipment Replacement Reserves:

The purpose of the Vehicle and Equipment Replacement Reserves is to provide funding to purchase or acquire any vehicles or equipment for the Program, and to moderate large fluctuations in the annual cost of replacement of vehicles and equipment. These reserves are essentially zero based in that the annual contribution is matched against the funds required for annual replacement purchases. There are no current issues associated with these reserves.

Capital Reserve Funds:

The purpose of the Capital Reserve Funds is to provide funding for the capital needs of the Program. The rate modelling is predicated on replenishment through capital-from-current sufficient to ensure that an adequate balance is maintained in these reserve funds. At this time, the rate increases are established to ensure that the balance never falls below \$60.0 million. This amount represents an adequate allowance of approximately 10% of the anticipated capital spending level over the forecast period. However, given a replacement value of water and wastewater infrastructure exceeding \$26 Billion, the aging state of these assets and a cursory review of reserve balances among local regional municipalities, these projected reserve balances would appear to be low. Any future decision or legislated requirements that may be prescribed under 'Bill 175' - the Sustainable Water and Sewer Systems Act, may increase the reserves requirements and reduce the amount of funds available for capital expenditures.

Rate Stabilization Reserves:

The purpose of the Rate Stabilization Reserves is to provide funding to offset unanticipated operating budget variances, primarily arising from revenue shortfalls due to uncontrollable circumstances driving water consumption below budgeted levels. Circumstances giving rise to lower than forecasted consumption include loss of major water consumers, and unusually wet summers.

Recommendation 4 of the Policy and Finance Report No. 2 "Adequacy of Water and Wastewater Stabilization Reserves", approved by Council in February, 2002, required that in the year following any reserve transfer, the Deputy City Manager and Chief Financial Officer and the General Manager of Toronto Water report jointly back to Council on the adequacy of the Water and Wastewater Stabilization Reserves, and if appropriate, provide a replenishment plan for those reserves. At that time, the Water and Wastewater Stabilization Reserves had a combined balance of \$33.1 million, which was determined as sufficient funding to stabilize the Water and Wastewater Program in the future years. The above mentioned report can be viewed at: (<http://www.toronto.ca/legdocs/2002/agendas/council/cc020213/pof2rpt/cl010.pdf>)

Between 2001 and 2003, net operating surpluses totalling \$15.1 million were credited to these reserves. However, in 2004 and in 2005, \$36.6 million and \$3.7 million respectively in net

operating budget shortfalls in the Toronto Water Operating Program were funded from the Water and Wastewater Stabilization Reserves. The 2005 year-end balance of these reserves was \$5.8 million.

In 2006, the total revenue shortfall is expected to be \$12 million. At the same time, Toronto Water projected year-end gross expenditures are anticipated to be \$5.8 million below the 2006 Operating Budget, which results in a projected net operating shortfall of \$6.2 million in 2006. Given insufficiency in the Stabilization Reserves, this report recommends that the actual 2006 year-end amount of the net operating shortfall (currently projected to be \$6.2 million) be transferred from the Water and Wastewater Capital Reserve Funds to the Water and Wastewater Rate Stabilization Reserves to fund the 2006 net operating shortfall. The year-end net operating shortfall transfer will be split 57% to the Wastewater Rate Stabilization Reserve and 43% to the Water Rate Stabilization Reserve which is the relative proportion of these respective program budgets.

The above-noted report indicated that approximately \$30 million was required to be set aside as a contingency to stabilize any net operating budget shortfall in Toronto Water Operations. A review of that analysis for this report has confirmed the requirement that the stabilization reserves require a balance of \$30 million. To address the longer-term needs of these reserves, it is recommended that beginning in 2008, the water rate setting process incorporate an annual contribution of 1% of budgeted water user revenue, apportioned as noted above to the Water and Wastewater Stabilization Reserves, until such time that a minimum balance of \$30.0 million is reached.

Land Acquisition for Source Water Protection Reserve:

At its meeting on November 30, December 1 and 2, 2004, City Council authorized the creation of a new reserve account 'Land Acquisition for Source Water Protection Reserve' for the acquisition of land for source water protection. At its meeting of July 19, 20, 21 and 26, 2005, City Council approved a contribution policy for this account that provided for the following:

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

This policy can be viewed at (and reproduced in Appendix C):

<http://www.toronto.ca/legdocs/2005/agendas/council/cc050719/pof7rpt/cl037.pdf>

In approving Toronto Water's 2006 Capital and Operating Budgets, City Council effectively waived the contribution policy regarding the minimum target for the Toronto Water Stabilization Reserve, by directing an additional allocation of \$500,000 to the Reserve. Since its inception, the original \$2 million contribution, and the additional \$500,000 have been used for the acquisition of land, exclusively by the Toronto and Region Conservation authority (TRCA), largely outside of the City of Toronto, leaving no uncommitted balance in the reserve.

On September 11, 2006, Works Committee, during consideration of the report from the General Manager - Toronto Water, responding to a Works Committee directive to report on projects projected to have positive year-end variances which could provide cash flow for the Land Acquisition for Source Water Protection Reserve and a Mandatory Downspout Disconnection Program, referred back the report to staff with a request that another report be submitted to the new Public Works and Infrastructure Committee during the 2007 Water and Wastewater Budget approval process on a range of possible water rates that could be approved by Works Committee and City Council; and further that:

- all proposed rates include an allocation of 1 percent of the water rate increase for funding of land acquisition for source water protection of Toronto's river systems; and,
- the General Manager, Toronto Water consult with the Toronto and Region Conservation Authority as to how this 1 percent allocation can optimize the protection of the sources of Toronto's river systems.

This latter direction can be viewed at:

<http://www.toronto.ca/legdocs/2006/agendas/committees/wks/wks060911/wksdd.pdf>

However, as noted above, the Toronto Water Stabilization Reserve remains well below its target of \$30 million, and any contribution to the Land Acquisition for Source Water Protection Reserve would contravene the Council Approved Policy.

In reference to the request from Works Committee at its meeting of September 11, 2006 to report on an allocation of 1 percent of the water rate increase for funding of land acquisition for source protection of Toronto's river system, it is submitted that given the increase in operating costs and reductions in revenue, this allocation could not be made without significantly impacting Toronto Water's base Capital Program.

It should be recognized that while the acquisition of land through this Reserve, contributes to the protection of the City's source water, Toronto Water's 2007, and 2007 to 2011 Capital Plan already includes approximately \$21 million and \$158 million, respectively, in projects supporting the City's Wet Weather Flow Master Plan, which is directed at improving water quality within area watercourses and the waterfront and is expected to be the foundation of the City's contribution towards the Source Water Protection Plan being developed through the Toronto and Region Conservation Authority, in accordance with the requirements of the Province's Clean Water Act.

A contribution of \$1,508,000 (or 0.25% of the 2007 Toronto Water rate revenue) to the Land Acquisition for Source Water Protection Reserve is proposed and would, again, require waiving the requirements of the contribution policy for this Reserve. A reallocation from the 2007 Wet Weather Flow Master Plan funding is proposed to support this contribution. Given that the contribution policy was waived in 2006 to allow for an additional contribution and would have to be waived again to permit a new contribution in 2007, it is recommended that the Reserve's contribution policy be reassessed, in advance of Toronto Water's 2008 Water Rate setting process.

In addition, recognizing that Source Water Protection Plans being developed through the Toronto and Region Conservation Authority, may include a provision for the future acquisition of land for source water protection purpose, it is recommended that the TRCA in collaboration with its member municipalities, develop a Land Acquisition for Source Protection Policy, wherein financial contributions are derived on an annual basis, from the member municipalities in accordance with the apportionment ratios (based on modified current value assessment) used to calculate the cost sharing of TRCA's annual municipal operating levy.

Public Notice:

The Municipal Act, 2001 requires 21 days public notice prior to any changes of fees and charges related to municipal water services. The New City of Toronto Act, which was proclaimed on January 1, 2007, will supersede the Municipal Act. This will include the authority for the City of Toronto to establish its own public notice period, as may be deemed appropriate by Council.

Given the historic 21 days notice period, the recommended March 1st implementation date for the rate increase, together with the Committee consideration process of this report, provides more than the historic 21 days notice period. Public notice has been posted on the City's Public Notice web site at:

<http://www.toronto.ca/involved/notices.htm>

Flat Rate Accounts:

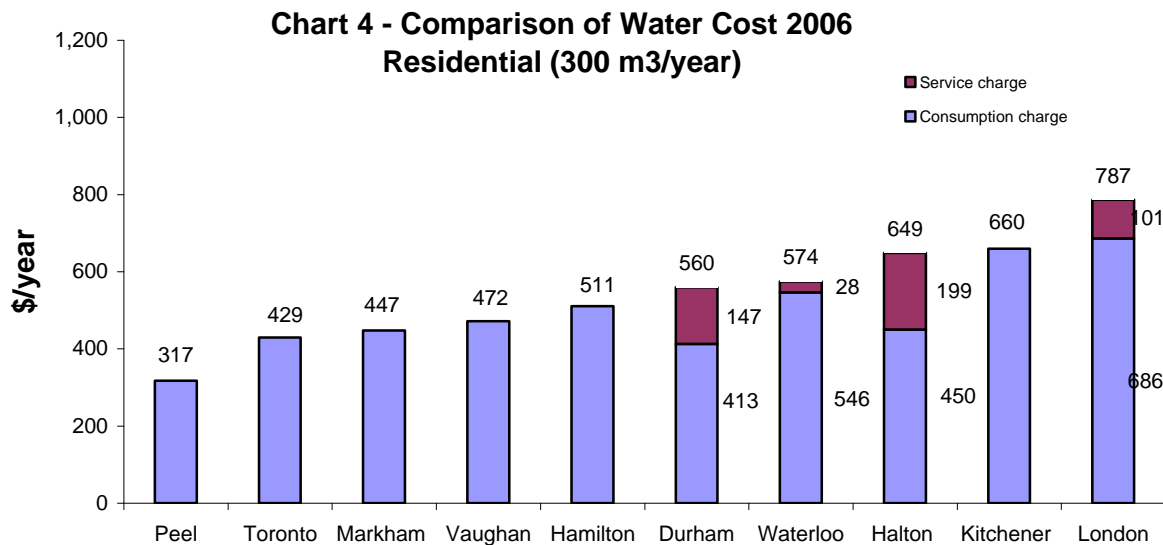
Currently the City of Toronto has approximately 72,000 flat rate accounts, of which 70,500 are in the former City of Toronto and 1,500 are in the former Etobicoke. Most flat rate accounts relate to residential use. The flat rate accounts provided revenue of \$37 million in 2006 (about 7% of the total water user rate revenue). The flat rate consumer is charged based on the number of rooms, and number and type of fixtures in the property. The average flat rate bill in 2006 was \$512 compared to the average residential metered bill of \$429. The flat rate bills are issued twice a year for Toronto (Dec and June) and three times a year for Etobicoke (Jan, May, and Sept).

Given that flat rate accounts are billed on the above dates and the recommended rate increase can only be implemented after approval by Council and following the currently required 21 days public notice, the earliest date for implementation of the rate increase for flat rate accounts is May 1, 2007 for the former municipality of Etobicoke, and July 1, 2007 for the former municipality of Toronto, and which is recommended in this report.

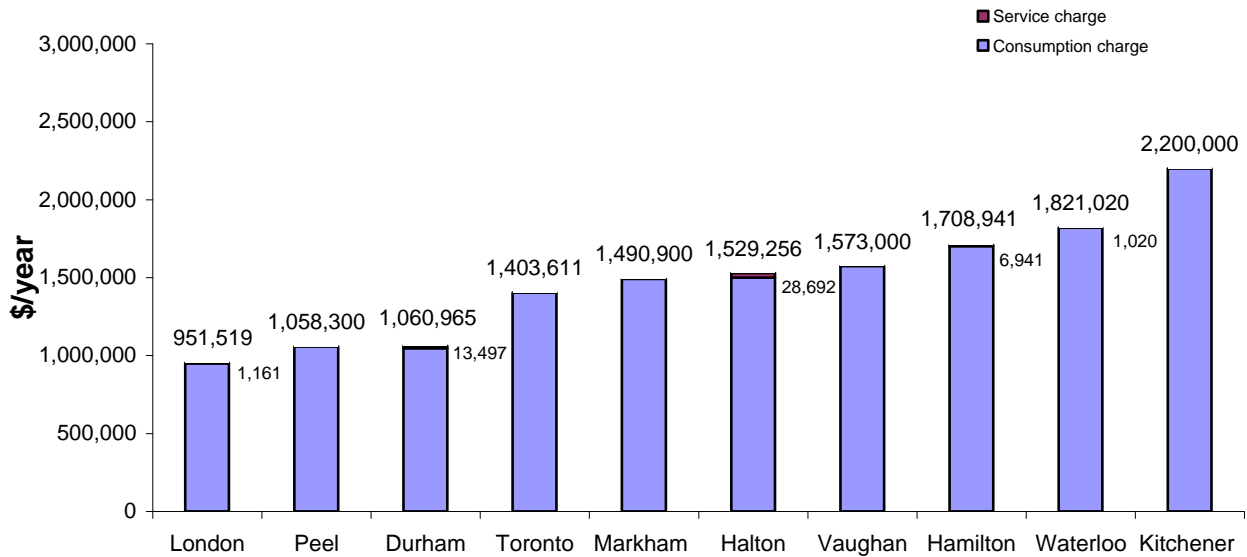
The City is currently in process of installing meters for consumers currently on flat rate accounts in order to provide more accurate and efficient water billing. Council approved a pilot project of 10,000 conversions of flat rate accounts to meters, starting in 2007, along with the installation of automated meter reading technology. The purpose of the pilot project is to evaluate the system's performance. Depending on project's evaluation, including equipment performance, costs incurred, and operating efficiencies achieved, full conversion of flat rate accounts into meters with automated reading will be considered.

Comparison of Water Rates in GTA Municipalities:

The recommended 2007 water and wastewater rate change will result in an average rate of \$1.6123 per cubic metre. A typical homeowner will see an increase in their 2007 water bill of approximately \$40.00 from \$429.00 in 2006 to \$469 in 2007. Toronto's 2006 water rate for residential consumers, in comparison to surrounding municipalities is shown in Chart 4 (2007 rates for surrounding municipalities is not yet available). With the exception of Peel Region, where storm water related projects are funded from property taxes, Toronto is amongst one of the lowest water cost jurisdictions for residential consumers in southern Ontario. Chart 5 provides a similar comparison for large industrial users.



**Chart 5 - Comparison of Water Cost 2006
Large Industrial (1,000,000 m3/year)**



Other Administrative Matters

Minimum Account Charge:

Since 1998, the City has imposed a minimum account charge of \$36.00 per year on Toronto Water Accounts. This charge is imposed as a minimum when an account's water consumption is zero or below the level that would result in a charge of \$36.00. Such circumstances arise with vacant properties, or when homeowners are absent for an extended period of time. Staff have received complaints from consumers as a result of this charge. With respect to vacant homes, the circumstances are generally that the home is undergoing renovations. In most of these cases, the property owner is paying a number of other charges related to water turnon/turnoff's, meter replacement, etc., adding up to more than \$36.00, and question this additional charge. More significant are circumstances wherein the homeowner is absent due to illness, and in many cases of low income. In these cases, the \$36.00 may represent a significant expenditure.

The amount of revenue that the City receives from imposing this charge is minimal, while there are significant administrative costs and inconvenience to the public. Consequently, staff are recommending the elimination of the minimum account charge, effective January 1, 2007. As this is the elimination of a fee, the public notice period need not apply,

NSF Returned Cheque Fee Increase:

The Administration Committee Report 9, which was received for information by City Council on December 14 and 16, 2005, clause 16 (f), recommended that returned cheque fees for accounts receivable be increased from \$25 to \$35, consistent with the fees currently being charged for returned cheques by Tax and Court Services. At present, returned cheque fees for water bill

payments are only \$25. In an effort to harmonize return cheque fees for accounts receivable across the corporation, this report recommends that these fees be increased to \$35 effective March 1, 2007. The implementation of the NSF fee increase is expected to generate only \$12,000 annually in additional revenue; the intent rather is to have a consistent policy in regards to NSF cheques. The above mentioned report can be viewed at:

(<http://www.toronto.ca/legdocs/2005/agendas/council/cc051205/adm9rpt/cl016.pdf>)

Sewer Service Rate Rebate for Consumers that are on Septic Systems:

City Council at its meeting of September 25-27, 2006, by adoption of Clause 30 of Works Committee Report No. 6 headed “Rebates of Sewer Service Surcharge to Consumers that are on Septic Systems” extended the eligibility criteria to so as to make it retroactive to consumers who are not connected to the municipal sewer system but had not previously applied for the rebate of the sewer charge they would be entitled to. There are approximately 400 consumers in total who are on septic systems for the reason that there is no local sewer connection or that it is not feasible to make such a connection. A small number of these property owners had not previously applied, but are now seeking their entitled rebates.

That report also directed the General Manager, Toronto Water and the Deputy City Manager and Chief Financial Officer to report annually, as part of the water rate setting process, to update the sewer rebate rate to reflect the current budget proportion of wastewater services to the combined water and wastewater rate. The 2007 operating budget proportion of wastewater services is 57%, and water services is 43%. Accordingly, it is recommended that the rebate rate for consumers that are on septic systems be set at 57%, effective March 1, 2007.

The above noted report can be viewed at:

<http://www.toronto.ca/legdocs/2006/agendas/council/cc060925/wks6rpt/cl030.pdf>

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SIGNATURE

Joseph P. Pennachetti
Deputy City Manager and Chief Financial Officer

Lou Di Gironimo
General Manager, Toronto Water

Attachment: Appendix A - Schedule 1 & 2
Appendix B
Appendix C

**APPENDIX A
SCHEDULE 1
COMBINED WATER AND SEWER SERVICE RATES
FOR METERED CONSUMERS
EFFECTIVE MARCH 1, 2007**

Consumers who are metered shall pay a combined water rate and sewer service rate based on the volume of water consumed, date of consumption and date of payment of the water rate in relation to the due date, as set out in the following chart:

Volume of water used or fraction thereof, calculated daily	Not paid before the due date	Paid on or before the due date
	\$/m3	\$/m3
For the first 240 m3 of water used per year	1.6569	1.5740
For the next 5,760 m3 of water used per year	1.7126	1.6270
For the next 6,000 m3 of water used per year	1.7267	1.6404
For the next 48,000 m3 of water used per year	1.7097	1.6242
For the next 60,000 m3 of water used per year	1.6969	1.6120
For the next 120,000 m3 of water used per year	1.7111	1.6255
For any volume over 240,000 m3 of water used per year	1.6148	1.5340

APPENDIX A
SCHEDULE 2 – a(i)
LIST OF ANNUAL COMBINED WATER AND SEWER SERVICE RATES FOR FLAT
RATE CONSUMERS IN DWELLING HOUSES AND ROOMING HOUSES IN THE
FORMER CITY OF TORONTO
EFFECTIVE JULY 1, 2007

- A. Dwelling houses: rate:
- (1) \$24.92 per room per annum if not paid before the due date, and \$23.67 per room per annum if paid on or before the due date. Subject to a minimum charge of \$149.95 if not paid before the due date, and \$142.46 per annum if paid on or before the due date.
- B. Rooming houses: rate:
- (1) \$43.70 per room per annum if not paid before the due date, and \$41.52 per room per annum if paid on or before the due date.
- C. The following rates are in addition to the above rates:

		Rate Per Year	
		Not paid before due date	Paid on or before due date
Basins	Each	\$48.14	\$45.73
Baths	Each	\$48.14	\$45.73
Bidets	Each	\$48.14	\$45.73
Saunas connected to water or drains	Each	\$48.14	\$45.73
Shower baths	Not attached to bath tub, each	\$48.14	\$45.73
Sinks	Each	\$48.14	\$45.73
Urinals	Self-acting, each	\$57.21	\$54.35
Water closets	Self-acting, each	\$76.87	\$73.03
Laundry tubs	For pair of tubs (in one fixture)	\$48.14	\$45.73
	For single or additional tub, each	\$28.61	\$27.18
Washing machines	Each	\$48.14	\$45.73

APPENDIX A
SCHEDULE 2 – a(ii)
LIST OF ANNUAL COMBINED WATER AND SEWER SERVICE RATES FOR FLAT
RATE CONSUMERS IN THE FORMER CITY OF TORONTO
EFFECTIVE JULY 1, 2007

- A. Factories, office buildings, stores, garages, warehouses and similar places of business:
- (1) \$76.82 for each flat per annum if not paid before the due date, and \$72.98 for each flat per annum if paid on or before the due date.
- B. Private hospitals, rest homes, schools, fraternity houses, clubs, hotels and similar places:
- (1) \$43.70 per room per annum if not paid before the due date, and \$41.52 per room per annum if paid on or before the due date.
- C. The following rates are in addition to the above rates in this schedule:

		Rate Per Year	
		Not paid before due date	Paid on or before due date
Basins	Each	\$95.61	\$90.83
Baths	Each	\$95.61	\$90.83
Bidets	Each	\$95.61	\$90.83
Saunas connected to water or drains	Each	\$95.61	\$90.83
Shower baths	Not attached to bath tub, each	\$95.61	\$90.83
Sinks	Each	\$95.61	\$90.83
Urinals	Self-acting, each	\$114.28	\$108.57
Water closets	Self-acting, each	\$152.87	\$145.23
Laundry tubs	For pair of tubs (in one fixture)	\$95.61	\$90.83
	For single or additional tub, each	\$48.14	\$45.73
Washing machines	Each	\$95.61	\$90.83

APPENDIX A
SCHEDULE 2 – a(iii)
LIST OF ANNUAL COMBINED WATER AND SEWER SERVICE RATES FOR FLAT
RATE CONSUMERS IN THE FORMER CITY OF TORONTO
EFFECTIVE JULY 1, 2007

The following rates are in addition to the amounts set forth in Schedules 2-a(i) and 2-a(ii):

		Rate Per Year	
		Not paid before due date	Paid on or before due date
Baptistries	Each	\$32.33	\$30.71
Barber shop or beauty parlour	Each	\$95.61	\$90.83
Church buildings used as a place of worship	Each for fixture any such building so used coming within Schedule 2-a(ii)	1/3 of the rates in Schedule 2-a(ii)	
Dental fountains	Each	\$237.12	\$225.26
Commercial dish washers	Each	\$190.47	\$180.95
Drinking fountains	Each	\$95.61	\$90.83
Fountains	For 1.6 millimetre orifice or less, each per season	\$152.87	\$145.23
	All others, each per season	\$608.09	\$577.69
Materials used in buildings or in alterations or repairs to buildings and other construction work	Bricks, per 1,000	\$1.65	\$1.57
	Other masonry, including concrete blocks, tiles and similar materials, on basis of equivalent number of bricks to replace same, per 1,000 bricks	\$1.65	\$1.57
	Plastering per 1,000 square yards	\$57.52	\$54.64
	Concrete, per cubic yard	\$4.01	\$3.81
	Minimum rate for each building or for repairs or alterations, where any of the above material is used	\$19.22	\$18.26

		Rate Per Year	
		Not paid before due date	Paid on or before due date
Photographic washing tanks	Each	\$95.61	\$90.83
Wash racks	Each	\$474.87	\$451.13

**APPENDIX A
SCHEDULE 2 – b(i)
COMBINED WATER AND SEWER SERVICE RATES FOR UNMETERED
CONSUMERS IN THE FORMER CITY OF ETOBICOKE
EFFECTIVE MAY 1, 2007**

- A. Residential and commercial rates, tri-annual billing; flat rate, single family:
 - (1) \$157.03 if not paid before the due date, and \$149.18 if paid on or before the due date.
- B. Hydro substations, tri-annual billing:
 - (1) \$112.96 if not paid before the due date, and \$107.31 if paid on or before the due date.
- C. Building water and sewer service rates; not metered up to three months not refundable:
 - (1) \$334.03 if not paid before the due date, and \$317.33 if paid on or before the due date.

**APPENDIX B
SUMMARY OF TORONTO WATER
2007-2011 CAPITAL PLAN
(000's GROSS)**

	2007	2008	2009	2010	2011
	REQUEST	PROJECTION			
WATER:					
R.C. Harris Water Treatment Plant	12,414	6,168	6,246	5,036	2,946
R.L. Clark Water Treatment Plant	18,653	9,526	3,832	2,824	2,550
F.J. Horgan Water Treatment Plant	7,864	8,057	52,804	51,700	38,650
Island Water Treatment Plant	7,149	4,403	1,443	5,350	7,500
Water Transmission Facilities	17,490	26,089	36,298	40,010	32,027
Trunk Watermains	24,134	54,399	68,785	61,359	25,000
District Watermain Renewal	110,532	131,640	137,687	159,962	181,445
Water Efficiency & Metering	10,310	11,552	13,922	18,681	33,198
Sub-Total Water:	208,546	251,834	321,017	344,922	323,316
WASTEWATER:					
Ashbridges Bay Wastewater Treatment Plant	33,734	59,731	70,315	74,297	107,169
Humber Wastewater Treatment Plant	38,384	35,669	37,856	29,724	33,099
Highland Creek Wastewater Treatment Plant	12,664	22,372	11,730	25,498	26,928
Trunk Sanitary Sewers & Facilities	2,536	492	195	251	5,250
District 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
Operational & Business Support Projects	15,864	9,338	6,397	2,219	2,013
Sub-Total Wastewater:	201,455	220,367	222,509	257,379	344,973
TOTAL:	410,001	472,201	543,526	602,300	668,288

APPENDIX C
LAND ACQUISITION FOR SOURCE WATER PROTECTION RESERVE
PURPOSE, CRITERIA AND CONTRIBUTION AND WITHDRAWAL POLICY
(Excerpt from Clause 37 of Policy and Finance Committee Report 7, adopted by Council
on July 19, 20, 21 and 26, 2005)
(<http://www.toronto.ca/legdocs/2005/agendas/council/cc050719/pof7rpt/cl037.pdf>)

- (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:

- (a) 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.
- (b) 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.

- (c) 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.