

# Analyst Briefing Notes

## Budget Committee

(October 16, 2007)

### 2008 OPERATING BUDGET

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**Executive Summary**

- All operating revenues received by Toronto Water are generated from user fees charged for water consumption and sewage treatment. There is no reliance on the property tax base to support Toronto Water’s services.
- The 2007 gross expenditures for Toronto Water are \$15.631 million or 4.1% below the 2007 Approved Operating Budget of \$379.338 million, as at June 30<sup>th</sup>, 2007. The favourable variance is largely attributed to salary savings and unfilled vacancies.
- Toronto Water is reporting that year-end water sales revenue and sewer surcharges will not be achieved and is approximately \$16.200 million or 2.7% below the 2007 Approved Operating Budget of \$595.279 million, as at June 30<sup>th</sup>, 2007. The projected decline in water sales revenue is attributed to lower consumption throughout the entire year. This decline will be partially offset by an increase in water sales to York Region of \$1.782 million and other revenues of \$0.518 million by year-end. The total revenue shortfall is estimated at \$13.900 million or 2.1% compared to the 2007 Approved Operating Budget of \$648.221 million by year-end.
- Toronto Water is forecasting a year-end increase in the contribution to capital of \$1.732 million or 0.6% compared to the 2007 Approved Operating Budget of \$268.884 million. The increase, as noted above, is primarily attributed to lower than budgeted salaries and unfilled vacancies.

**Table 1: 2008 Recommended Budget**

(In \$000s)	2007		2008 Recomm'd Operating Budget			Change - 2008 Recommended Operating Budget v. 2007 Appvd. Budget		FY Incremental Outlook	
	2007 Appvd. Budget	2007 Projected Actual	2008 Recomm'd Base	2008 Rec. New/Enhanced	2008 Rec. Budget	\$	%	2009	2010
	\$	\$	\$	\$	\$			\$	\$
<b>GROSS EXP.</b>	379,337.7	363,706.3	373,032.1	2,175.2	375,207.3	(4,130.4)	(1.1)	12,421.0	10,074.3
<b>REVENUE</b>	648,221.3	634,321.6	677,103.3	290.0	677,393.3	29,172.0	4.5	56,826.1	62,122.2
<b>CAP. CONTR.</b>	268,883.6	270,615.3	304,071.2	(1,885.2)	302,186.0	33,302.4	12.4	44,405.1	52,047.9
<b>Approved Positions</b>	1,634.5	1,634.5	1,649.4	29.0	1,678.4	43.9	2.7	0.0	0.0

- The 2008 Recommended Operating Budget contribution to capital of \$302.186 million is comprised of base expenditure funding of \$373.032 million and new/enhanced service priorities of \$2.175 million gross and revenues of \$677.393 million. This represents a \$33.302 million or 12% increase over the 2007 Approved Operating Budget contribution to capital of \$268.884 million.
- Toronto Water’s 2008 Recommended Operating Budget includes the deletion of 26.1 positions, the addition of 25 new positions and the transfer of 45 positions from other City Programs.

- The 2008 Recommended Operating Budget provides funding for key cost drivers which include the following:
  - Wage and fringe benefit increases of \$3.629 million representing a cost of living increase of 3.25% effective April 1, 2008.
  - Merit/step and prior year annualizations of approved position changes increases of \$1.555 million.
  - Materials and supplies are budgeted to increase by \$3.872 million. Commodity markets are forecasting strong inflationary growth in 2008 and beyond for many of the materials consumed by the Program, such as chemicals.
  - Fleet Services' maintenance and fuel interdivisional charges are forecasted to increase by approximately \$0.801 million.
  - Hydro usage at the Humber Wastewater Treatment Plant is expected to increase by 23% or \$2.284 million. The 2 newly installed cogeneration units at the Plant require funding as they will not be fully operational by year-end.
  - Facilities and Real Estate Services' interdivisional charges are forecasted to increase by \$0.662 million for maintenance and security at the Toronto Water Centre.
  
- The cost drivers noted above will be off-set by the following:
  - \$13.391 million reduction from the transfer of water and wastewater new service connection charges to the Program's 2008 Capital Budget.
  - \$2.075 million decline in hydro usage at water treatment plants from the forecasted 1.8% decrease in water production. The forecasted decline in water production reflects future demand stemming from the Water Efficiency Plan and consumer price sensitivity to the increase in water and wastewater charges in recent years.
  
- Service level efficiencies:
  - \$1.633 million in savings from the deletion of 23.1 vacant positions, which includes 21 permanent positions and 2.1 temporary/seasonal positions. Reduction in the approved complement is from numerous continuous improvement programs undertaken by Toronto Water.
  - \$0.269 million in savings from the deletion of 3 vacant chemist positions from the consolidation of water and wastewater laboratory services.
  
- The 2008 Recommended Operating Budget includes funding to advance the following strategic priorities:
  - Management of numerous capital projects for the Climate Change, Clean Air and Sustainable Energy Action Plan.
  - Implementation of an improvement team that will clean, beautify, and improve access and stewardship of Toronto's ravines. This initiative will be administered by the Parks, Forestry and Recreation Program.
  - Various monitoring programs, such as outflow; backflow prevention; and, beaches to help clean up Lake Ontario to make Toronto's beaches more swimmable.
  - Wet Weather Flow Master Plan to improve water quality in watercourses and the waterfront.

## Recommendations

The City Manager and Chief Financial Officer recommended that:

1. the 2008 Recommended Operating Budget revenues of \$677.393 million, gross operating expenditures of \$375.207 million and a capital-from-current contribution of \$302.186 million, as funded by the water and wastewater user rates and other recoveries be approved;
2. the 2008 Recommended Operating Budget for Toronto Water of \$677.393 million gross and \$0.0 million net, comprised of the following services be approved:

<b>Services:</b>	<b>Gross (\$Thousands)</b>	<b>Net (\$Thousands)</b>
Water Supply & Treatment	67,524,728	0.0
Wastewater Treatment	109,709,246	0.0
District Operations	99,209,491	0.0
Water Infrastructure Management	6,778,403	0.0
Capital-from-Current Contribution	302,185,859	0.0
Business Support	13,064,484	0.0
Operational Support	18,723,208	0.0
Program Support	60,197,881	0.0
<b>Total Toronto Water</b>	<b>677,393,300</b>	<b>0.0</b>

3. Toronto Water finalize interdivisional charges from City Programs with signed service level agreements prior to Council's consideration of the 2008 Recommended Operating Budget; and,
4. this report be considered concurrently with the 2008 Water and Wastewater Service Rate and Related Matters Report (October 2007) from the Deputy City Manager and Chief Financial Officer and General Manager for Toronto Water.

## Section A: 2007 Budget Variance Analysis

### Table 2: 2007 Budget Variance Review

(In \$000s)	2006 Actuals	2007 Approved Budget	2007 Projected Actuals*	2007 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	%
<b>GROSS EXP.</b>	350,144.9	379,337.7	363,706.3	(15,631.4)	(4.1)
<b>REVENUES</b>	599,788.8	648,221.3	634,321.6	(13,899.7)	(2.1)
<b>CAP. CONTR.</b>	249,643.9	268,883.6	270,615.3	1,731.7	0.6
<b>Approved Positions</b>	1,628.5	1,634.5	1,634.5	0.0	0.0

Note: \*Source Toronto Water 2007 Second Quarter Operating Budget Variance Report.

### 2007 Experience

Toronto Water does not have a direct impact on the municipal property tax levy. The 2007 Approved Operating Budget is financed from water and wastewater rates and other service charges.

The 2007 gross expenditure projection for Toronto Water is \$15.631 million or 4.1% below the 2007 Approved Operating Budget of \$379.338 million, as at June 30<sup>th</sup>, 2007. The favourable variance is largely attributed to salary savings and unfilled vacancies in District Operations.

Toronto Water is reporting that year-end water sales revenue and sewer surcharges will not be achieved and is approximately \$16.200 million or 2.7% below the 2007 Approved Operating Budget of \$595.279 million, as at June 30<sup>th</sup>, 2007. The projected decline in water sales revenue is attributed to lower consumption throughout the entire year. This decline will be partially offset by an increase in water sales to York Region of \$1.782 million and other revenues of \$0.518 million. The total revenue shortfall is estimated at \$13.900 million or 2.1% compared to the 2007 Approved Operating Budget of \$648.221 million by year-end, as reported in the 2<sup>nd</sup> Quarter Operating Budget Variance Report.

Toronto Water is forecasting a year-end increase in the contribution to capital of \$1.732 million or 0.6% compared to the 2007 Approved Operating Budget of \$268.884 million. The increase, as noted above, is primarily attributed to lower than budgeted salaries and unfilled vacancies. The forecasted surplus in the contribution to capital account will be transferred to the Water and Wastewater Rate Stabilization Reserves at year-end. The contribution to capital account is used to fund Toronto Water's capital works program.

**Impact of 2007 Operating Variance on the 2008 Recommended Budget**

A large proportion of Toronto Water's favourable variance in 2007 gross expenditures of \$15.631 million will be maintained in the 2008 Recommended Operating Budget. However, the 2007 variance will be lowered by the deletion of 26.1 vacant positions, with an estimated cost reduction of \$1.902 million gross and net in 2008. In addition, the reorganization of District Operations currently in progress may have a substantial impact on the number of unfilled vacancies. It is currently anticipated that the reorganization and final assessment of personnel requirements for District Operations will be completed by mid-2008.

The projected revenue short-fall for lower than planned water sales and sewer surcharges of \$16.200 million or 2.7% compared to the 2007 Approved Operating Budget will be managed within the 2008 Recommended Base Budget through the water and wastewater rate setting process. Water production for 2008 has been adjusted downward by 1.8% to reflect lower future demand resulting from the Water Efficiency Plan and consumer sensitivity to the increase in water and wastewater charges in recent years.

## Section B: 2008 Operating Budget Overview

### 3-Year Operating Plan Overview

Over the next 3 years, funding for the Operating Plan will advance the strategic direction and service priorities outlined in Toronto Water's Multi-Year Business Plan, as noted below.

- **Stewardship of the Environment:**
  - Continued implementation of the Wet Weather Flow Master Plan to improve water quality in watercourses and the waterfront.
  - Compliance with new Provincial legislation and Ministry of the Environment requirements for drinking water safety (Safe Drinking Act and Nutrient Management Act) and stringent new provincial reporting requirements, including the pending full cost recovery for water and wastewater services (Sustainable Water and Sewage Systems Act).
  - Multi-phased odour control projects at 3 wastewater treatment facilities.
- **State of Good Repair:** Accelerated capital investment is needed to address the system's significant infrastructure deficit for state of good repair projects.
- **Increasing System Capacity:** Additional water supply and wastewater disposal will be required to service a projected population of 3 million people by 2031.
- **Continuous Improvements in Service Delivery:** Numerous continuous improvement programs are underway, such as the District Service Improvement Program and the plan to improve the development and implementation of a coordinated multi-year joint Transportation Services and Toronto Water capital program.

Gross expenditures for Toronto's Water 2007 Approved Operating Budget; 2008 Operating Budget; and, 2009/2010 Outlooks are provided in the table below. The 2008 Operating Budget is forecasting an increase of \$9.260 million or 2.4% compared to the 2007 Approved Operating Budget of \$379.338 million. This increase in gross expenditures, which includes a reduction for the transfer of water and wastewater new service connection charges to the Program's 2008 Capital Budget, compares favorably to the Conference Board of Canada's general inflation rate of 2.3% for Toronto.

Toronto Water is projecting gross expenditures of \$401.974 million for 2009, representing a growth of \$13.376 million or 3.4% compared to 2008. The increase from 2009 for 2010 is estimated at \$10.074 million or 2.5%. The increase in gross expenditures for the 3-Year Operating Plan aligns with the strategic initiatives described in the Toronto Water Multi-Year Business Plan, as noted above.

(In Millions)	2007 Approved Budget	2008 Recommended Budget	2009 Outlook	2010 Outlook
Gross Exp.	379.338	388.598	401.974	412.048
Change Year-Over-Year Increase \$		9.260	13.376	10.074
Change Year-Over-Year Increase %		2.4%	3.4%	2.5%
Change from 2007 \$		9.260	22.636	32.710
Change from 2007 %		2.4%	6.0%	8.6%

Note: 2008 Recommended Operating Budget includes new/enhanced service level priorities. For comparison purposes, the 2008 Recommended Operating Budget and 2009/2010 Outlook includes \$13.391 million reallocated to the 2008 Capital Budget for water and wastewater new connection charges.

## Service Delivery – Challenges and Issues

Service challenges and issues are outlined in Section D regarding recommended new/enhanced service priorities. The service level issues address concerns for enhancing efficiency; delivery; and, the effectiveness of water supply and wastewater disposal services outlined in the Multi-Year Business Plan. In addition, several of the new/enhanced service priorities respond to new and emerging Provincial legislative requirements.

## Strategic Priorities

The 2008 Recommended Operating Budget advances the following strategic priorities outlined in the Mayor's Mandate and Council's policy agenda:

- ***Climate Change, Clean Air and Sustainable Energy Action Plan:***

The 2008 Recommended Operating Budget includes funding to administer numerous capital projects for the Climate Change, Clean Air and Sustainable Energy Action Plan.

- ***Help to Clean Up Lake Ontario to Make Toronto's Beaches More Swimmable:***

The 2008 Recommended Operating Budget includes funding for various monitoring programs, such as outflow; backflow prevention; and, beaches to help clean up Lake Ontario to make Toronto's beaches more swimmable. In addition, financial support is also provided for continued implementation of the Wet Weather Flow Master Plan to improve water quality in watercourses and the waterfront.

- ***Implementation of a Ravine Improvement Team that will Clean, Beautify, and Improve Access and Stewardship to Toronto's Ravines:***

Toronto Water has dedicated funding of \$0.233 million for cleaning, beautifying and improving access to Toronto's ravines in the 2008 Recommended Operating Budget. The ravine and watercourse improvement initiative will be managed by the Parks, Forestry and Recreation Program.

## Section C: 2008 Recommended Base Budget

Table 3: 2008 Recommended Base Budget

(In \$000s)	2007 Appvd. Budget	2008 Recommended Base	Change		FY Incremental Outlook	
			2008 Recommended Base v. 2007 Appvd. Budget		2009	2010
	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	379,337.7	373,032.1	(6,305.6)	(1.7)	12,124.1	10,074.3
<b>REVENUE</b>	648,221.3	677,103.3	28,882.0	4.5	56,826.1	62,122.2
<b>CAP. CONTR.</b>	268,883.6	304,071.2	35,187.6	13.1	44,702.0	52,047.9
<b>Approved Positions</b>	1,634.5	1,649.4	14.9	0.9	0.0	0.0

**2008 Recommended Base Budget**

**Gross Expenditures:** The 2008 Recommended Base Budget gross expenditures of \$373.032 million, reflects a decrease of \$6.306 million or 1.7% compared to the 2007 Approved Operating Budget of \$379.338 million. The decrease in gross expenditures reflects the transfer of water and wastewater new service connection charges of \$13.391 million to the Program's 2008 Capital Budget.

**Revenues:** The 2008 Recommended Base Budget revenues of \$677.103 million are \$28.882 million or 4.5% higher than the 2007 Approved Operating Budget of \$648.221 million. Revenues will be recovered from the following:

- Water sales and wastewater surcharges in Toronto, budgeted at \$641.292 million.
- Revenue from industrial waste surcharges; private water agreements; service charges; sundry revenue, forecasted at \$15.559 million.
- Sale of water to York Region, estimated at \$20.252 million.

**Contribution to Capital:** The 2008 Recommended Base Budget contribution to capital of \$304.071 million represents an increase of \$35.188 million or 13.1% compared to the 2007 Approved Operating Budget of \$268.884 million. The increase, as noted above, is primarily attributed to a reduction in gross expenditures and increase in revenue from the water and wastewater rate. The contribution to capital is used to fund Toronto Water's capital works program.

**2008 Key Cost Drivers**

The 2008 Recommended Base Budget provides funding for key cost drivers which include the following:

- The 2008 Recommended Operating Budget provides funding for key cost drivers which include the following:
  - Wage and fringe benefit increases of \$3.629 million representing a cost of living increase of 3.25% effective April 1, 2008.
  - Merit/step and prior year annualizations of approved position changes increases of \$1.555 million.
  - Materials and supplies are budgeted to increase by \$3.872 million. Commodity markets are forecasting strong inflationary growth in 2008 and beyond for many of the materials consumed by the Program, such as chemicals.
  - Fleet Services' maintenance and fuel interdivisional charges are forecasted to increase by approximately \$0.801 million.
  - Hydro usage at the Humber Wastewater Treatment Plant is expected to increase by 23% or \$2.284 million. The 2 newly installed cogeneration units at the Plant require funding as they will not be fully operational by year-end.
  - Facilities and Real Estate Services' interdivisional charges are forecasted to increase by \$0.662 million for maintenance and security at the Toronto Water Centre.

The cost drivers noted above will be off-set by the following:

- \$13.391 million reduction from the transfer of water and wastewater new service connection charges to the Program's 2008 Capital Budget. The budget transfer aligns with other capital works and provides coordinated management of the infrastructure.
- \$2.075 million decline in hydro usage at water treatment plants from the forecasted 1.8% decrease in water production. The forecasted decline in water production reflects future demand stemming from the Water Efficiency Plan and consumer price sensitivity to the increase in water and wastewater charges in recent years.
- \$0.204 million reduction in cellular communication charges to reflect current vendor agreements.
- Service level efficiencies:
  - \$1.633 million in savings from the deletion of 23.1 vacant positions, which includes 21 permanent positions and 2.1 temporary/seasonal positions. Reduction in the approved complement is from numerous continuous improvement programs undertaken by Toronto Water.
  - \$0.269 million in savings from the deletion of 3 vacant chemist positions from the consolidation of water and wastewater laboratory services.

**2009 and 2010 Outlook: Net Incremental Impact**

The 2009 and 2010 Outlook maintains the projected 2008 level of service while managing the cost of living allowance (COLA) and merit/step increments. Funding is also included for the operating impact of capital.

## Section D: 2008 Recommended Service Priorities

Table 4: Summary of 2008 New / Enhanced Service Priorities (In \$000s)

Description	2008 Recommended		Rec. New Positions	Net Incremental Impact	
	Gross Exp.	Net Exp.		2009	2010
	\$	\$	#	\$	\$
<b>(a) Enhanced Service Priorities - Council Approved</b>					
Staff for Operational Support Program Monitoring	116	116	2.0		
<b>(b) Enhanced Service Priorities - Program Initiated</b>					
<b>Water Supply Services:</b>					
Staff for Water Filtration Plants	178	178	3.0	84	
Staff for Confined Space Entry - Legislative Requirement	635	635	8.0		
Staff for Business Unit Support - Research	58	58	1.0		
<b>Wastewater Disposal Services:</b>					
Staff for Wastewater Treatment Plants	131	131	2.0	28	
Staff for Transmission Operations Optimization	160	160	2.0	76	
Staff for Drain Grant Program	37	37	1.0		
Staff for Optimization Maintenance System	285	285	3.0		
Staff for Process Control System	230	230	3.0	109	
Staff Transfer from Solid Waste Management Services	290		4.0		
Radio Communication System	55	55			
<b>Sub-Total Enhanced Service Priorities</b>	<b>2,175</b>	<b>1,885</b>	<b>29.0</b>	<b>297</b>	<b>0</b>
<b>(a) New Service Priorities - Council Approved</b>					
<b>(b) New Service Priorities - Program Initiated</b>					
<b>Sub-Total New Service Priorities</b>					
<b>Total Enhanced/New Service Priorities</b>	<b>2,175</b>	<b>1,885</b>	<b>29.0</b>	<b>297</b>	<b>0</b>

**2008 Recommended New/Enhanced Service Priorities**

There are 11 new/enhanced service level priorities recommended for 2008. The priorities are primarily for enhancing efficiency; delivery; and, effectiveness of Toronto Water's operations. In addition, several of the priorities respond to new legislative requirements. A summary of the new/enhanced service level priorities, at a cost of \$2.175 million gross and \$1.885 million net for 2008 and an incremental impact of \$0.297 million gross and net for 2009 are summarized below.

Changes to the complement include 25 new positions and the transfer of 4 positions from Solid Waste Management Services.

**2008 Recommended Enhanced Service Priorities - Council Approved****Additional Staff for Operational Support – Program Monitoring**

This enhanced service level priority increases the permanent complement by 2 positions. The cost of \$0.116 million gross and net and will be fully annualized in 2008.

The 2 positions, which include 1 Supervisor and 1 Support Assistant for data entry, will fulfill Council's approved requirements for the Outflow Monitoring Program; Beaches/Lake Monitoring; and, Backflow Prevention Program.

**2008 Recommended Enhanced Service Priorities – Program Initiated****Additional Staff for Wastewater Treatment**

This enhanced service level priority increases the permanent complement by 2 positions at a cost of \$0.131 million gross and net for 10 months, effective March 1, 2008. The incremental cost in 2009 will be \$0.028 million.

The addition of 1 Industrial Millwright position is required at the Ashbridges Bay Wastewater Treatment Plant. This position will reduce the backlog of maintenance work and the possibility of equipment failures at the Treatment Plant.

This initiative also includes 1 Contract Services Coordinator to manage contracts for the haulage of biosolids and pellets by private companies and ensure compliance with the Ontario Ministry of the Environment's Nutrient Management Act.

**Additional Staff for District Operations - Transmission Operations Optimization**

This enhanced service level priority includes the increase of 2 positions at a cost of \$0.160 million gross and net for 7 months, effective June 1, 2008. The incremental cost in 2009 will be \$0.076 million.

This initiative requires 1 Complex Systems Supervisor and 1 Electrical Instrumentation Specialist to address the technical and electronic process requirements for the automation of sewage pumping

stations. The maintenance of computerized systems will facilitate various continuous improvement programs for wastewater services.

**Additional Staff for Business Unit Support – Drain Grant Program**

This enhanced service level priority provides funding for an additional temporary/seasonal data entry position at an annualized cost of \$0.037 million gross in 2008. Toronto Water will assess the need for this position as part of the 2009 Operating Budget process.

The temporary/seasonal position will respond to the backlog of citizen enquires regarding the funding criteria and approval process for the Drain Grant Program. The position will also provide assistance to the Business Unit Support Division.

**Additional Staff for Operational Support - Optimization Maintenance System**

This enhanced service level priority requires an increase of 3 positions to the permanent complement with a fully annualized cost of \$0.285 million gross and net in 2008.

The 3 positions, which include 2 Program Maintenance Supervisors and 1 Engineering Technologist Technician, will improve standards and procedures for the optimized maintenance system. Currently, the system is under-serviced resulting in potential liability concerns for water quality.

**Additional Staff for Operational Support – Process Control System**

This enhanced service level priority provides funding for 3 permanent positions at a cost of \$0.230 million gross and net for 8 months, effective May 1, 2008. The incremental cost in 2009 will be \$0.109 million.

The 3 positions, which include 1 Project Manager and 2 Process Control System Specialists, are required for the Operational Support Capital Works Section to review designs and manage quality control/assurance in wastewater treatment plants.

**Additional Staff for Operational Support – Staff Transfer from Solid Waste Management Services**

This enhanced service level priority includes the transfer of 4 positions from Solid Waste Management Services at a cost of \$0.290 million gross and \$0.0 million net. The costs will be fully annualized in 2008 and recovered from Solid Waste Management Services' Capital Budget from the landfill perpetual care capital project.

This recommended enhanced service priority transfers 2 Chemists and 2 Chemist Assistants from Solid Waste Management Services and continues the restructuring of Toronto Water's laboratory operations.

**Radio Communication System – Operating Budget Impact**

This enhanced service level priority provides funding to support implementation of an internal radio communications system for Toronto Water. The operating costs associated with the system of \$0.055 million gross and net is fully annualized in 2008.

Operating costs cover the annual licencing fee to Toronto Hydro and 3 replacement units annually. The current system is unreliable during emergency situations.

### **Additional Staff for Water Filtration Plants**

This enhanced service level priority provides funding for 3 Industrial Millwright permanent positions at a cost of \$0.178 million gross and net for 7 months, effective June 1, 2008. The incremental costs in 2009 will be \$0.084 million.

The 3 positions are required to support the increase in maintenance activities resulting from the commissioning of mechanical and chemical systems at the R.C. Harris Water Treatment Plant and Island Filtration Plant. Approval of the 3 Industrial Millwrights will lower the current backlog of outstanding work orders.

### **Additional Staff for Confined Space Entry**

This enhanced service level priority provides funding for 8 staff for confined space entry at a cost of \$0.635 million gross and net that is fully annualized in 2008.

The increase in 8 positions to the permanent complement results from Legal Service's review of the Ministry of Labour regulations which requires a 3 person crew for confined space entry work.

### **Additional Staff for Business Unit Support - Research**

This enhanced service priority provides funding for the increase of 1 Research Analyst position at a cost of \$0.058 million gross and net that is fully annualized in 2008.

This position will support the planning and managing of information technology strategic activities for water supply services.

## **Issues for Discussion**

### **2008 Recommended Operating Budget vs. Guideline**

The City did not set a guideline for the Toronto Water 2008 Recommended Operating Budget. The Program is self-sustaining and does not impact the municipal property tax levy. Operating and capital investments are funded through water and sewage rates established each year by Council and included in the City's By-law (Municipal Code, Chapter 849: Water and Sewage Services). Other sources of funding include revenue from the sale of water to York Region; industrial waste surcharges; private water agreements; service charges; and sundry revenue.

Please refer to the 2008 Water and Wastewater Service Rate and Related Matters Report (October 2007) from the Deputy City Manager and Chief Financial Officer and General Manager for Toronto Water.

### **Operating Budget Funding for the Toronto and Region Conservation Authority**

The 2008 Recommended Operating Budget provides \$3.892 million to partially fund the Toronto and Region Conservation Authority's 2008 Operating Budget. Funding will advance activities that support source water protection. This aligns with the policy governing the funding of the Authority's Operating Budget approved by Council in September 2006.

### **Solid Waste Management Services**

In 2008, a shared billing and collection system will be implemented for solid waste management services; water sales; and, sewer surcharges. The Toronto Water 2008 Recommended Operating Budget has not incorporated potential savings through economies of scale gained from shared administrative and support services; collection; accounting and financial reporting; payment processing; and, customer services. Solid Waste Management Services is currently assessing the implementation schedule and requirements for the shared billing system.

### **Interdivisional Charges**

Several of the interdivisional charges from City Programs included in the 2008 Recommended Operating Budget have not been finalized, it is therefore recommended that:

Toronto Water finalize interdivisional charges from City Programs with signed service level agreements prior to Council's consideration of the 2008 Recommended Operating Budget.

**Section E: Outstanding Issues****Issues Referred to the 2008 Operating Budget**

There are no issues referred to the 2008 Operating Budget process for Toronto Water.

**Outstanding Issues from 2007 and Prior Years**

Toronto Water is currently working with the Toronto Zoo and the Parks, Forestry and Recreation Program concerning the evaluation of various water efficiency strategies and potential for phasing in the implementation for collection of water billing. A status report from Toronto Water; Toronto Zoo; and, the Parks, Forestry and Recreation Program will be forwarded to the Public Works and Infrastructure Committee in January 2008.

## Appendix 1

**Summary of Recommended Base Budget Changes  
From 2007 Approved Budget**

(In \$000s)	Summary of 2008 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2009	2010
		\$	\$	\$	\$	\$
<b>2007 Council Approved Operating Budget</b>	<b>1,634.5</b>	<b>379,337.7</b>	<b>648,221.3</b>	<b>268,883.6</b>	<b>0.0</b>	<b>0.0</b>
In-year approvals and technical adjustments Corporate adjustments						
<b>2007 Approved Operating Budget</b>	<b>1,634.5</b>	<b>379,337.7</b>	<b>648,221.3</b>	<b>268,883.6</b>	<b>0.0</b>	<b>0.0</b>
Prior year impacts		1,854.3		(1,854.3)	3,722.1	186.1
Zero base items		(92.8)		92.8		
Economic factors		7,501.0		(7,501.0)	8,978.8	9,888.2
<b>Adjusted Base Budget</b>	<b>1,634.5</b>	<b>388,600.3</b>	<b>648,221.3</b>	<b>259,621.0</b>	<b>12,700.9</b>	<b>10,074.3</b>
Other base changes	41.0	(13,666.4)		13,666.4	(576.8)	
Base revenue changes			28,882.0	28,882.0	56,826.1	62,122.2
<b>2008 Base Budget</b>	<b>1,675.5</b>	<b>374,933.9</b>	<b>677,103.3</b>	<b>302,169.4</b>	<b>44,702.0</b>	<b>52,047.9</b>
Recommended Service Level Adjustments:						
Service efficiencies	(26.1)	(1,901.8)		1,901.8		
Revenue adjustments						
Minor service impact						
Major service impact						
<b>Total Recommended Base Adjustments</b>	<b>(26.1)</b>	<b>(1,901.8)</b>	<b>0.0</b>	<b>1,901.8</b>	<b>0.0</b>	<b>0.0</b>
<b>2008 Recommended Base Budget</b>	<b>1,649.4</b>	<b>373,032.1</b>	<b>677,103.3</b>	<b>304,071.2</b>	<b>44,702.0</b>	<b>52,047.9</b>

**Appendix 2**  
**Summary of Service Level Adjustments**



**Appendix 3**

**Summary of 2008 Recommended New / Enhanced Service Priorities**















## Appendix 4

## Inflows / Outflows to / from Reserves &amp; Reserve Funds

## Water Services

Name of Reserves/ Reserve Funds	Res/Res Fund Cost Centre	Res/Res Fund Cost Element	Operating Cost Centre	Operating Cost Element	2006 Actuals	2007 Approved Budget	2007 Proj. Actual	2008 Request	Authorization for Level of Contributions
Vehicle & Equip. Reserve	XQ1012	9515	PW4605	6020 6021	1,588.6	1,588.6	1,588.6	1,588.6	
Insurance Reserve Fund	n/a	9515	PW4030	6030					
Capital	Various	9515	PW6003	6030	126,371.2	134,832.8	136,455.6	152,550.4	
<b>TOTALS</b>					<b>127,959.8</b>	<b>136,421.3</b>	<b>138,044.2</b>	<b>154,139.0</b>	

## Wastewater Services

Name of Reserves/ Reserve Funds	Res/Res Fund Cost Centre	Res/Res Fund Cost Element	Operating Cost Centre	Operating Cost Element	2006 Actuals	2007 Approved Budget	2007 Proj. Actual	2008 Request	Authorization for Level of Contributions
Vehicle & Equip. Reserve	XQ1012	9515	WW4030	6020 6021	2,526.2	2,526.2	2,526.2	2,526.2	
Insurance Reserve Fund	n/a	9515	WW4030	6030 6031	3,947.5	4,199.1	4,199.1	4,199.1	
Capital	Various	9515	WW6002	6030	116,860.5	134,050.8	134,159.7	149,635.5	
<b>TOTALS</b>					<b>123,334.1</b>	<b>140,776.1</b>	<b>140,884.9</b>	<b>156,360.8</b>	