

## Budget Committee

<b>Meeting No.</b>	2 (Special)	<b>Contact</b>	Merle MacDonald ,Committee Administrator
<b>Meeting Date</b>	Monday, January 8, 10 and 12, 2007	<b>Phone</b>	416-392-7340
<b>Start Time</b>	9:30 AM	<b>E-mail</b>	mmacdona@toronto.ca
<b>Location</b>	Committee Room No. 1, City Hall		

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*The Decision Document is for preliminary reference purposes only. Please refer to the Committee's Minutes for the official record.*

### *How to Read the Decision Document:*

- *recommendations of the Committee to Executive Committee appear after the item heading and any amendments by the Budget Committee to recommendations appearing in a staff report are italicized;*
- *action taken by the Committee on its own authority does not require Council's approval and is listed in the decision document under the heading "Decision Advice and Other Information" at the end of the item;*
- *Declarations of Interest, if any, appear at the end of an item.*

BU2.1	ACTION			
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### **Election of Vice Chair**

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

### **Committee Recommendations**

The Budget Advisory Committee appointed Councillor Paul Ainslie as Vice Chair of the Committee.

### **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

**Committee Recommendations**

The Budget Committee recommends to the Executive Committee that City Council adopt the following recommendations:

- (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;
    - (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 Five-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.

## **Background Information**

2007-bu2-2

<http://www.toronto.ca/legdocs/mmis/2007/bu/bgrd/backgroundfile-621.pdf>

## **Declared Interests**

Councillor Gord Perks - declared an interest in the 2007-2016 Capital Program for Toronto Water as it relates to the Wet Weather flow Master Plan, WAS906492, Sub-Project 3, in that his spouse works on administering the Blue Flag Program.

## **Decision Advice and Other Information**

The Budget Committee on January 8, 2007, requested Finance and Toronto Water staff to submit a briefing note to the Budget Committee meeting on January 12, 2007 on the following requests for information:

Councillor Pantalone:

Additional information and commitment is required as follows:

- (1) The additional 2006 funding being allocated to implement the Mayor's Climate Change Program (specify amount and for which program);
- (2) explanation as to why there is no increase for tree planting to the \$1 million provided in 2006 even though City Council has adopted the policy of doubling the tree canopy, as a response to a number of needs including Climate Change;
- (3) explanation as to why there is no increase to the \$200,000.00 for grants for Green Roofs, yet the City has a policy to put them in place on City facilities and in the Community as a whole;
- (4) explanation as to why there is no significant funding being provided for Rainwater Harvesting in public and/or private areas (not a single project has been implemented in 2006 and the provision of rain barrels was discontinued a couple of years ago);
- (5) explanation as to why there is no funding for programs to take needlessly asphalted hard surfaces, i.e., some school yards, orphan areas, old front yards, etc.;

Councillor Shiner:

- (6) List of all 2007 to 2011 Electrical Energy Efficiency Co-generation Projects including estimated budgets;
- (7) report on the Basement Flooding Grant Program, including the current (2007) Program if any, uptake on the 2006 Program including the additional funding required to be able to fund each 2005 Storm application funding request at the \$2,000.00 maximum, and any proposed funding for 2007 storms that cause basement floods;
- (8) Pelletization Plant:
  - (a) All costs and cost increases to construct the Plant since the 2003 fire, the source of funding and all costs required to put the Plant back into operation in 2007; and
  - (b) update on any potential or negotiated purchases of the pellets from the Plant and when contracts for disposal of the pellets will be in place;
- (9) update on all outstanding issues with Enwave regarding the Energy Transfer Agreement and the John Street Pumping Station including the issue of emergency power supply;
- (10) all capital budget/infrastructure projects that are not required/included in the York Region Capital Budget Costs; and
- (11) the number of major commercial users we have lost in the last three years, the revenue loss and how many created major waste along with major users;

## Councillor Perks:

- (12) Break out Costs for: Waterfront and Ravine Improvement Projects; Water Efficiency Plan; Water Metering; and Energy Efficiency Measures (Pages 23-24 of the Toronto Water slide presentation).

The Budget Committee on January 12, 2007, requested staff of Toronto Water to provide policy report(s) to the Public Works and Infrastructure Committee on issues related to Wet Weather Flow in 2007 for consideration in the 2008 Water Wastewater Capital and Operating Budgets.

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

(January 4, 2007) report from Financial Planning Division

#### Committee Recommendations

The Budget Committee recommends to the Executive Committee that City Council adopt the following recommendations:

- (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 Deputy City Manager and Chief Financial Officer and the General Manager of Toronto Water report to the Budget Committee on options to minimize the impact on the Parks, Forestry and Recreation budget, including ways to find water conservation and efficiency measures, and with the objective of being revenue neutral for the Corporation;*
- (5) 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
- (6) 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.

### Background Information

2007-bu2-3

<http://www.toronto.ca/legdocs/mmis/2007/bu/bgrd/backgroundfile-622.pdf>

### Decision Advice and Other Information

The Budget Committee directed staff of Toronto Water to provide policy report(s) to the Public Works and Infrastructure Committee on issues related to Wet Weather Flow in 2007 for consideration in the 2008 Water Wastewater Capital and Operating Budgets.

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

## Committee Recommendations

The Budget Committee recommends to the Executive Committee 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 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.

## Background Information

2007-bu2-4

<http://www.toronto.ca/legdocs/mmis/2007/bu/bgrd/backgroundfile-623.pdf>

## Communications

(January 9, 2007) Report from Karey Shinn - BUMain4a

<http://www.toronto.ca/legdocs/mmis/2007/bu/comm/communicationfile-122.pdf>

## Decision Advice and Other Information

Notice of the proposed amendments to the Municipal Code for changes to Water and Sewage Service Rate was given as required by the Municipal Act and was posted on the City's Web Site. The following persons addressed the Budget Committee:

- Paul Scrivener, Toronto Industry Network's Water Group;
- Norm Medeiros, Toronto Industry Network's Water Group;
- Marvin Stemeroff, Toronto Industry Network's Water Group;
- Bruce Davis, Trustee, Toronto and District School Board;
- Mark Halberstadt, Owner and President, Faster Linen Service Limited; and
- Michael Rosenberg.

The Budget Committee on January 8, 2007, requested Finance and Toronto Water staff to submit a briefing note to the Budget Committee meeting on January 12, 2007 on the following request for information:

Councillor Augimeri:

Requested Staff to look at the viability of raising the funding level for land acquisition for source water protection to one-half percent.

The Budget Committee on January 12, 2007, referred the following motions to the Mayor’s Office:

- (1) Councillor Mihevc moved that the Recommendation (3)(i) in the report (January 4, 2007) from the Deputy City Manager and Chief Financial Officer and the General Manager, Toronto Water, be amended by deleting the words “for 2007”, so that the recommendation now reads:
  - “(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;” and
- (2) Councillor Heaps moved that:
  - (1) a Conservation and Environmental Sustainability initiative be included for every City department for all budget years commencing 2008;
  - (2) funds for this initiative be provided from all departmental budgets at a fixed percentage rate of their total annual budget;
  - (3) these departments will include but not be limited to Toronto Water, Economic Development; City Planning, Affordable Housing, Toronto Transit Commission, Solid Waste, Transportation, and Parks, Forestry and Recreation; and
  - (4) funds for the Conservation and Environmental Sustainability initiative be explicitly used to fund activities within City departments including but not be limited to Source Water protection; tree planting; Energy Conservation; soft landscaping; and greenhouse gas reduction and waste reduction programs.

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

**Committee Recommendations**

The Budget Committee recommends that the Executive Committee direct the Budget Committee to implement the following as part of the 2007 Budget Process:

- (i) recommend annual capital and operating budgets that align services with the

Mayor's mandate and Council's policy agenda;

- (ii) ensure the efficient use of resources to deliver service results and outcomes;
- (iii) recommend budgetary strategies to the Executive Committee; and
- (iv) hear public presentations on behalf of the Executive Committee.

## 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.

## Background Information

2007-bu2-5-2

<http://www.toronto.ca/legdocs/mmis/2007/bu/bgrd/backgroundfile-624.pdf>

2007-bu2-5-1

<http://www.toronto.ca/legdocs/mmis/2007/bu/bgrd/backgroundfile-625.pdf>

## Communications

(January 11, 2007) Report from Michael Rosenberg - BUSupplementary2007-bu2-5-3

<http://www.toronto.ca/legdocs/mmis/2007/bu/comm/communicationfile-133.pdf>

## Decision Advice and Other Information

The Budget Committee on January 8, 2007:

- (1) requested the City Manager and the Deputy City Manager and Chief Financial Officer to check the dates for potential conflicts with other Committees and Boards and report appropriate adjustments on January 12, 2007; and
- (3) requested program staff to report back on a revised schedule for the 2008 budget process, including the option of concluding the Water and Wastewater Capital and Operating Budgets and the City Capital Budget by the end of October, and the City Operating Budget by the end of February.

The Budget Committee on January 12, 2007:

- (1) adopted 2007 Budget Meeting Schedule – Revised Appendix 1 appended to the report (January 5, 2007) from the City Manager and Deputy City Manager and Chief Financial Officer, and circulated 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.

Revised Appendix 1  
Schedule of 2007 Budget Process and  
Budget Committee Regular Business Meetings

Date	Committee	Business
<u>Toronto Water Budget</u> January 8 January 10 January 12 January 26 a.m. February 5	Budget Committee Budget Committee Budget Committee Special Executive Committee* City Council	Introduce Toronto Water Budget Toronto Water Budget Hearings Toronto Water Budget Final Toronto Water Budget Toronto Water Budget
<u>Capital Budget</u> February 8 February 9 a.m.  February 14 p.m. February 16 February 23 p.m. February 27 a.m. March 7	Budget Committee Budget Committee  Budget Committee Budget Committee Budget Committee Special Executive Committee* Special City Council*	Introduce Capital Budget Capital Budget Hearings (Councillors/Stakeholder Groups) Capital Budget Hearings General Public) Capital Budget Wrap-up Final Capital Budget Capital Budget Capital Budget
<u>Operating Budget</u> March 19 a.m. March 20 March 21  March 22 March 26 p.m. April 3 April 11 April 19	Budget Committee Budget Committee Budget Committee  Budget Committee Budget Committee Budget Committee Special Executive Committee* Special City Council*	Introduce Operating Budget Operating Budget Hearings (Councillors) Operating Budget Hearings (Stakeholder Groups)  Operating Budget Hearings (General Public) Operating Budget Wrap-up Final Operating Budget Operating Budget Operating Budget

## Budget Committee – January 8, 10 and 12, 2007 Decision Document

<u>Regular Business Meetings</u>		
January 26 p.m.	Budget Committee	
February 23	Budget Committee	
April 13	Budget Committee	
May 11	Budget Committee	
June 13	Budget Committee	
July 10	Budget Committee	
September 20	Budget Committee	
October 16	Budget Committee	
November 13	Budget Committee	
December 5	Budget Committee	

\* Chair/Mayor to call meetings

- (2) referred the communication (January 11, 2007) from Michael Rosenberg related to reserve/reserve funds to Finance staff for an appropriate report to the Budget Committee during the budget process.

### Meeting Sessions

Session Date	Session Type	Start Time	End Time	Public or Closed Session
2007-01-08	Morning	9:30 AM	12:30 PM	Public
2007-01-08	Afternoon	12:35 PM	2:45 PM	Public
2007-01-10	Morning	9:30 AM	11:10 AM	Public
2007-01-12	Morning	9:30 AM	11:30 AM	Public