
Executive Committee

Meeting No.	14 (Special)	Contact	Patsy Morris, Committee Administrator
Meeting Date	Monday, November 12, 2007	Phone	416-392-9151
Start Time	9:30 AM	E-mail	pmorris@toronto.ca
Location	Committee Room 1, City Hall		

Executive Committee		
Mayor David Miller (Chair) Councillor Joe Pantalone (Vice-Chair) Councillor Shelley Carroll Councillor Janet Davis Councillor Glenn De Baeremaeker	Councillor Paula Fletcher Councillor Norm Kelly Councillor Gloria Lindsay Luby Councillor Giorgio Mammoliti	Councillor Pam McConnell Councillor Joe Mihevc Councillor Howard Moscoe Councillor Kyle Rae

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If the Executive Committee wishes to meet in closed session (privately), a motion must be made to do so, and the reason given (City of Toronto Act, 2006).

Declarations of Interest under the Municipal Conflict of Interest Act.

Communications/Reports

EX14.1	ACTION			
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2008-2017 Capital Program Toronto Water Analyst Briefing Notes

(October 24, 2007) Memo from the Budget Committee

Recommendations

The Budget Committee recommended to the Executive Committee that Council approve the following recommendations:

1. the 2008 Recommended Capital Budget for Toronto Water with a total project cost of \$897.874 million and a 2008 cash flow of \$410.000 million and future year commitments of \$1,131.677 million be approved. The 2008 Recommended Capital Budget consists of the following:
 - a. New Cash Flow Funding for:
 - i. 224 new sub-projects with a 2008 total project cost of \$897.874 million that requires cash flow of \$87.458 million in 2008 and a future year commitment of \$213.037 million in 2009; \$196.457 million in 2010; \$190.657 million in 2011; \$214.338 million in 2012; and (\$4.072) million in 2013-2017;
 - ii. 184 previously approved sub-projects with a 2008 cash flow of \$210.561 million and a future year commitment of \$134.234 million in 2009; \$102.073 million in 2010; \$71.224 million in 2011; \$10.669 million in 2012; and, \$3.060 million in 2013-2017;
 - b. 2007 approved cash flow for 151 previously approved sub-projects with carry forward funding from 2007 into 2008 totalling \$111.981 million;
2. operating impacts of \$0.299 million in 2008; \$2.077 million in 2009; and (\$1.300) million in 2010 emanating from the approval of the 2008 Recommended Capital Budget, be approved for inclusion in the 2008 and future year operating budgets;
3. no new debt be issued to finance the 2008 cash flow requirement for the capital program and that the 2008 Recommended Toronto Water Capital Budget be fully funded from service charges; available reserve funds; including development charges; and, other revenues;
4. the 2009-2012 Capital Plan for Toronto Water totalling \$2,610.149 million in project commitments and estimates, comprised of \$578.829 million in 2009; \$631.402 million in 2010; \$690.642 million in 2011; and \$709.276 million in 2012, be approved;

5. the General Manager for Toronto Water, in consultation with the Financial Planning Division, report to Budget Committee on the financial implications arising from new and emerging legislation prior to deliberation of the 2009 Capital Budget;
6. Toronto Water provide the “A-List and “B-List” of capital projects, as set out in the Plan to Improve the Development and Implementation of a Coordinated Multi-Year Joint Transportation Services and Toronto Water Capital Program, to the Budget Committee prior to consideration of the 2008 Recommended Capital Budget by Council;
7. this report be considered concurrently with the 2008 Water and Wastewater Service Rate and Related Matters (October 2007), from the Deputy City Manager and Chief Financial Officer and General Manager for Toronto Water; and
8. the following recommendations contained in the report (October 15, 2007) from the Deputy City Manager and Chief Financial Officer, the Deputy City Manager, Cluster B, and the General Manager, Toronto Water, entitled “Land Acquisition for Source Water Protection” be approved:
 - “1. the Land Acquisition for Source Water Protection Reserve be closed effective January 1, 2008, and Municipal Code Chapter 227 be amended accordingly;
 2. a Capital Project titled “Land Acquisition for Source Water Protection” be included in Toronto Water’s 2008 to 2012 Capital Budget;
 3. the balance of funds in the Land Acquisition for Source Water Protection Reserve as at December 31, 2007, be transferred to the Toronto Water Capital Reserve to fund the Land Acquisition for Source Water Protection Capital Project;
 4. the following criteria be used for the acquisition of land funded from the Capital Account - Land Acquisition for Source Water Protection Project:
 - i. withdrawals from the Capital Account must comply with the criteria defined in Schedule A of this report, and be approved by the General Manager, Toronto Water;
 - ii. the acquisition of land within the City of Toronto shall be a first priority;
 - iii. funding provided to the Toronto and Region Conservation Authority for the acquisition of land outside the City of Toronto, contained within the Etobicoke Creek, Mimico Creek, Humber River, Don River, Highland Creek and Rouge River watersheds; shall not exceed 33 percent of the purchase price; and
 - iv. purchases should be for land whose value has been appraised and that the sale price shall not exceed fair market value;

5. the General Manager, Toronto Water, shall submit an annual report to the Public Works and Infrastructure Committee detailing land acquired through the Land Acquisition for Source Water Protection Project;
6. the Toronto and Region Conservation Authority, in collaboration with its member municipalities, develop a Land Acquisition for Source Water Protection Policy, wherein financial contributions are derived on an equitable basis from member municipalities for land acquired by the Toronto and Region Conservation Authority, within and outside the City of Toronto; and
7. the appropriate City officials be authorized and directed to take the necessary action to give effect thereto and leave be granted for the introduction of any necessary bills in Council to give effect thereto.”

Summary

1. The 2007 Approved Capital Budget of \$410.001 million was 16% or \$65.374 million spent, as at June 30th, 2007. Actual expenditures by year-end are anticipated to be \$287.001 million or 70% of the 2007 Approved Capital Budget, as reported in the 2nd Quarter Capital Variance Report. The projection of 2007 funding to be carried forward into the 2008 Recommended Capital Budget is \$111.981 million.
2. The 2008 Recommended Capital Budget; 2009 to 2012 Plan and 2013 to 2017 Estimates total \$7,207.773 million of which \$3,020.149 million is projected for the Program's 5-Year Capital Plan requiring no debt funding. The 5-Year Capital Plan, including carry forward funding from 2007 into 2008, requires 2008 cashflow of \$410.000 million; \$578.829 million in 2009; \$631.402 million in 2010; \$690.642 million in 2011; and, \$709.276 million in 2012. This represents a cash flow increase of approximately 73% or \$299.276 million from 2008 to 2012.
3. The 2008 Recommended Capital Budget includes: i. previously approved commitments and new/change in scope projects requiring 2008 cash flow of \$298.019 million. This cash flow combined with carry forward funding of \$111.981 million for 2007 projects brings the total 2008 Recommended Capital Budget to \$410.000 million. ii. future year commitments of \$347.271 million in 2009; \$298.530 million in 2010; \$261.881 million in 2011; \$225.007 million in 2012; and (\$1.012) million in 2013-2017. Many of the projects included in the 2008 Recommended Capital Budget require construction duration of several years with cash flow spread out over the period.
4. The 2008 Recommended Capital Budget for prior approved and new/change in scope projects (excluding 2007 carry forward funding) of \$298.019 million is 51% allocated to state of good repair projects at \$151.464 million; 9% to legislative projects at \$27.894 million; 18% to service improvement projects at \$52.608 million; and, 22% to growth related projects at \$66.053 million.
5. The 5-Year Capital Plan will reduce the state of good repair backlog from \$1,062.981 million in 2007 to \$300.616 million in 2012.
6. Approval of the 2008 Recommended Capital Budget will result in incremental

operating impacts of \$0.299 million in 2008; \$2.077 million in 2009; and, (\$1.300) million in 2010.

7. Funding for the 5-Year Capital Plan advances the Wet Weather Flow Master Plan; reduces the state of good repair backlog; continues the City's Water Efficiency Plan; ensures compliance with new Provincial legislation and Ministry of the Environment requirements for drinking water safety and stringent reporting requirements; increases system capacity to keep pace with population growth; and, service improvement projects, such as biosolids treatment and disposal; odour control; automated metering; increases lead water services connection replacement; and, basement flooding protection.

Background Information

2008-2017 Capital Program Toronto Water Analyst Briefing Notes

(<http://www.toronto.ca/legdocs/mmis/2007/ex/bgrd/backgroundfile-8192.pdf>)

Land Acquisition for Source Water Protection

(<http://www.toronto.ca/legdocs/mmis/2007/ex/bgrd/backgroundfile-8193.pdf>)

Toronto Water 2008-2017 Capital Program Analyst Briefing Notes - October 16, 2007

(<http://www.toronto.ca/legdocs/mmis/2007/ex/bgrd/backgroundfile-8194.pdf>)

EX14.2	ACTION			
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2008 Operating Budget Toronto Water Analyst Briefing Notes

(October 24, 2007) Memo from the Budget Committee

Recommendations

The Budget Committee recommended to the Executive Committee that City Council approve the following recommendations:

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;

Services	Gross (\$Thousands)	Net (\$Thousands)
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	<u>60,197,881</u>	<u>0.0</u>
Total Toronto Water	677,393,300	0.0

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 15, 2007) from the Deputy City Manager and Chief Financial Officer, the Deputy City Manager, Cluster B, and the General Manager for Toronto Water.

Summary

1. 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.
2. 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 30th, 2007. The favourable variance is largely attributed to salary savings and unfilled vacancies.
3. 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 30th, 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.
4. 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

	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
(In \$000s)	\$	\$	\$	\$	\$	\$	%	\$	\$
Gross Exp.	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
Revenue	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
Cap. Contr.	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
Approved Positions	1,634.5	1,634.5	1,649.4	29.0	1,678.4	43.9	2.7	0.0	0.0

5. 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.
6. 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.
7. The 2008 Recommended Operating Budget provides funding for key cost drivers which include the following:
 - i. Wage and fringe benefit increases of \$3.629 million representing a cost of living increase of 3.25% effective April 1, 2008.
 - ii. Merit/step and prior year annualizations of approved position changes increases of \$1.555 million.
 - iii. 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.
 - iv. Fleet Services' maintenance and fuel interdivisional charges are forecasted to increase by approximately \$0.801 million.
 - v. 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.

- vi. Facilities and Real Estate Services' interdivisional charges are forecasted to increase by \$0.662 million for maintenance and security at the Toronto Water Centre.

Background Information

2008 Operating Budget Toronto Water Analyst Briefing Notes

(<http://www.toronto.ca/legdocs/mmis/2007/ex/bgrd/backgroundfile-8195.pdf>)

Toronto Water 2008 Operating Budget Analyst Briefing Notes - October 16, 2007

(<http://www.toronto.ca/legdocs/mmis/2007/ex/bgrd/backgroundfile-8196.pdf>)

EX14.3	ACTION			
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2008 Water and Wastewater Service Rate and Related Matters

(October 24, 2007) Memo from the Budget Committee

Recommendations

The Budget Committee recommended to the Executive Committee that City Council approve the following recommendations:

1. this report be considered concurrently with the 2008-2017 Capital Program and the 2008 Operating Budget:
 - i. effective January 1, 2008, the water and wastewater rates charged to metered consumers shall be as shown below and in Appendix A (Schedule 1) attached to this report; and

Annual consumption	Paid on or before the due date \$/m ³	Paid after the due date \$/m ³
Block 1 - All consumers, including Industrial consumption of first 6,000 m ³	\$1.7352	\$1.8265
Block 2 - Industrial tax class, volumes consumed over 6,000 m ³	\$1.3881	\$1.4612

- ii. the water and wastewater rate charged to flat rate consumers be, effective January 1, 2008, increased by 9.0%, to the rates shown in Appendix B (Schedule 2) attached to this report;
2. with respect to assistance for low-income seniors and low-income disabled persons:
 - i. approve the additional administrative, eligibility and process details necessary to

commence implementation of the water rate assistance for low-income seniors and low-income disabled persons program effective January 1, 2008, as outlined in Appendix 'C'; and

- ii. the Deputy City Manager and Chief Financial Officer report back on the resource requirement for processing the water rate assistance for low-income seniors and low-income disabled persons program as part of the 2009 Operating Budget process; and
3. approve the additional administrative, eligibility and process details necessary to commence implementation of the rate restructuring for industrial process water use in 2008, as outlined in Appendix 'D'.

Summary

This report recommends the 2008 water and wastewater service rates arising from concurrent adoption of the 2008 Toronto Water Operating and Capital Budgets.

At its meeting in June 2007, Council approved a new water rate structure for the City of Toronto to commence January 1, 2008. This new rate structure replaces the seven-block water rate structure that was developed to phase-in and harmonize the water rates of the former municipalities as part of the amalgamation to the new City of Toronto. The new rate structure provides for a single domestic-use rate for all users, with a second available block for industrial/manufacturing process-use on the volumes above 6,000 m³, subject to certain conditions. The second block process-use rate is initially to be set at a rate reduction of 20% from the first block domestic-use rate.

Based on the submitted 2008 Toronto Water Operating and Capital Budgets, and updated consumption forecast, the 2008 water and wastewater service block 1 domestic-use rate for all consumers is \$1.7352 per cubic meter, and the block 2 process-use rate for eligible industrial users on their volumes over 6,000 m³/year will be \$1.3881 per cubic meter. For the average home consuming 315 m³/year, the combined impact of the Toronto Water budget request and the water rate restructuring will be an increase of 9.36% or \$47 for 2008 (from \$500 in 2007 to \$547 for 2008), inclusive of both the budgetary requirements and rate restructuring. An eligible industrial consumer who, for example, consumes 100,000 m³/year, will see a reduction in their water bill of 13% or \$21,000 in 2008.

This report also makes recommendations to provide assistance for low-income seniors and low-income disabled persons, and to address other implementation-related matters.

Background Information

2008 Water and Wastewater Service Rate and Related Matters

(<http://www.toronto.ca/legdocs/mmis/2007/ex/bgrd/backgroundfile-8198.pdf>)

2008 Water and Wastewater Service Rate and Related Matters - Report

(<http://www.toronto.ca/legdocs/mmis/2007/ex/bgrd/backgroundfile-8199.pdf>)

2008 Water Rates and Rate Restructuring - Presentation to Budget Committee – Oct. 16, 2007

(<http://www.toronto.ca/legdocs/mmis/2007/ex/bgrd/backgroundfile-8200.pdf>)