



## STAFF REPORT ACTION REQUIRED

### Land Acquisition for Source Water Protection

<b>Date:</b>	October 15, 2007
<b>To:</b>	Budget Committee
<b>From:</b>	Deputy City Manager and Chief Financial Officer Deputy City Manager, Cluster B General Manager, Toronto Water
<b>Wards:</b>	All Wards
<b>Reference Number:</b>	P:\2007\Internal Services\Cf\bc07042Cf – et (AFS #6150)

#### SUMMARY

---

In 2004, Council authorized the creation of the Land Acquisition for Source Water Protection Reserve, and seeded it with \$2.0 million transferred from the Wastewater Stabilization Reserve. The policy further stated that no additional contribution be made to the Land Acquisition Reserve while the Toronto Water Stabilization Reserve is below its target level of \$30 million. The Stabilization Reserve balance subsequently fell significantly below this level. The contribution policy was waived by Council in the last two consecutive years, and contributions from general water rate revenue were made in the amounts of \$500,000 in 2006 and \$1.5 million in 2007. This report responds to a motion that the policy be reviewed prior to Toronto Water's 2008 rate setting process.

As part of the 2008 water rate setting process, a provision of 1% of Toronto Water revenue has been made to replenish the Water Stabilization Reserve, such that the target balance of \$30 million will be achieved in 2010.

This report recommends closing the Land Acquisition for Source Water Protection Reserve and the associated policies, and that a Capital Project "Land Acquisition for Source Water Protection" be created to fund the acquisition lands associated with source water protection. Capital funding in the amount of \$3 million is provided for in the Toronto Wastewater 2008 Capital Budget Request, together with planned capital provision amounts of \$4.5 million in 2009 and \$6.0 million in 2010, 2011 and 2012.

This report also recommends criteria for land acquisition for source water protection.

## **RECOMMENDATIONS**

---

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

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.

## **FINANCIAL IMPACT**

---

Capital funding in the amount of \$3 million is provided in Toronto Water's 2008 Capital Budget Request, together with projected capital provision amounts of \$4.5 million in 2009 and \$6.0 million in 2010, 2011 and 2012.

## **DECISION HISTORY**

At its meeting on February 5, 2007, City Council adopted the staff report "2007 Water and Waste Water Service Rate and Related Matters", including recommendation 3 (v), which requested a review of the Contribution and Withdrawal Policy for the Land Acquisition for Source Water Protection Reserve prior to Toronto Water's 2008 water rate setting process. A copy of this report can be viewed at:

<http://www.toronto.ca/legdocs/mmis/2007/ex/bgrd/backgroundfile-925.pdf>

## **ISSUE BACKGROUND**

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 is in the attached Appendix A, and the full report can be view at:

<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, largely outside of the City of Toronto, leaving no uncommitted balance in the reserve. In 2007, City Council again waived the contribution policy regarding the minimum target for the Toronto Water Stabilization Reserve, and directed 0.25 % of 2007 revenue from water rates (\$1.5 million) to be reallocated from the Wet Weather Flow Master Plan project to the Land Acquisition for

Source Water Protection Reserve (XQ1403). In 2007, \$142,600 has been used, to date, to acquire land by the Toronto and Region Conservation Authority.

## **COMMENTS**

The condition specified in the existing contribution policy that no contribution be made to the Reserve while the Reserve balance is below \$30 million has been waived in the last two years. Accordingly, staff have reviewed this approach and policy and deemed it no longer appropriate.

The acquisition of land is treated as a capital project in other program areas. Each acquisition will require a report to Council to authorize specific expenditures. Annual budgeted amounts not spent will flow to Toronto Water's Capital Reserve, and such balance is considered as part of the annual water rate setting process. This should lead to a more consistent and transparent approach for the acquisition of land for source water protection. Withdrawals from the Capital Account – Land Acquisition for Source Water Protection, must comply with the criteria defined in Schedule A of this report and be approved by the General Manager, Toronto Water.

While land acquired by the City of Toronto for source water protection, within the City limits, is a first priority, the Toronto and Region Conservation Authority has often had opportunities to acquire land within and outside the City. Unfortunately, because matching funding has not been available for lands purchased, by the Toronto and Region Conservation Authority, within the City of Toronto, the City has provided sole funding for the purchase of these lands. In addition, the City has generally provided up to about 33% of the funding for lands purchased, for source water protection purposes, outside the City. Given the disparity in cost sharing for the funding of these land acquisitions, it is recommended that 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.

Toronto Water's 2008, and 2008 to 2012 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 City's area watercourses and the waterfront, and is also a key 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.

## **CONTACT**

Adir Gupta, Manager, Financial Policy, Corporate Finance  
[agupta@toronto.ca](mailto:agupta@toronto.ca), 416-392-8071

Michael D'Andrea, Director, Water Infrastructure Management, Toronto Water  
[mdandre@toronto.ca](mailto:mdandre@toronto.ca), 416-397-4631

## **SIGNATURE**

---

Joseph P. Pennachetti  
Deputy City Manager and Chief Financial Officer

---

Richard Butts  
Deputy City Manager

---

Lou Di Gironimo  
General Manager, Toronto Water

**Attachment:**  
Schedule A – Criteria for the Purchase of Land for Source Water Protection Purposes

**SCHEDULE A**  
**CRITERIA FOR THE PURCHASE OF LAND FOR SOURCE WATER**  
**PROTECTION PURPOSES**

In order to be eligible for funding from the Capital Account - Land Acquisition for Source Water Protection Project, the 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.