



STAFF REPORT ACTION REQUIRED

2008 Water and Wastewater Service Rate and Related Matters

Date:	October 15, 2007
To:	Budget Committee
From:	Deputy City Manager and Chief Financial Officer Deputy City Manager, Cluster B General Manager, Toronto Water
Wards:	All Wards
Reference Number:	P:\2007\Internal Services\Cf\bc07041Cf – et (AFS #5536)

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.

RECOMMENDATIONS

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

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 \$/m3	Paid after the due date \$/m3
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) 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', be approved; 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. 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', be approved.

FINANCIAL IMPACT

The City of Toronto's policy since 1998 is to fully fund the Water and Wastewater Program through a combined water and wastewater rate on a 'pay-as-you-go' basis without any reliance on borrowing/debenture financing. As of 2008, there will be no outstanding debt related to the Water and Wastewater Program. The property tax budget is not impacted by adoption of the recommendations contained in this report.

The 2008 Toronto Water recommended Operating Budget and the 2008-2012 recommended Capital Plan, as represented in the Analyst Briefing Notes dated October 12, 2007, for Toronto Water will require an increase of 6.1% in revenue from Toronto's water customers in 2008. Toronto Water, having taken into consideration the water rate restructuring previously approved by Council and to take effect January 1, 2008, has adjusted their 2008 operating and capital requests so that the average home consuming 315 m³/year will experience a combined impact of the budget and water rate restructuring totalling 9.36% or \$47 in 2008 (ie. an increase from an annual total of \$500 in 2007 to \$547 in 2008), which is in the range of annual increases previously forecasted and widely publicized. Because the restructuring involves moving from a 7-block rate structure to a single domestic-use rate, individual impacts will vary depending on consumption, and for the majority of households (175 m³/y to 500 m³/y consumption) the impact will be from 8.3% to not more than 10.2% (ie. \$28 to \$67 in 2008).

DECISION HISTORY

Last year's report authorizing the 2007 water and sewer service rates can be viewed at: <http://www.toronto.ca/legdocs/mmis/2007/ex/bgrd/backgroundfile-925.pdf>

At its meeting of June 19, 20 and 22, 2007, City of Toronto Council approved a new water rate structure for the City of Toronto to commence January 1, 2008. The report authorizing this water rate structure can be viewed at: <http://www.toronto.ca/legdocs/mmis/2007/ex/bgrd/backgroundfile-3800.pdf>

This latter report also directed staff to report back, as part of the 2008 Water and Wastewater Program Budget and Rate Setting Process, on any details necessary to commence implementation of this rate structuring in 2008.

ISSUE BACKGROUND

Adoption of the concurrent Toronto Water 2008 Operating Budget and 2008-2012 Capital Plan, together with the water rate restructuring plan, will necessitate the 2008 water and wastewater service rates outlined in this report.

COMMENTS

Financial Model:

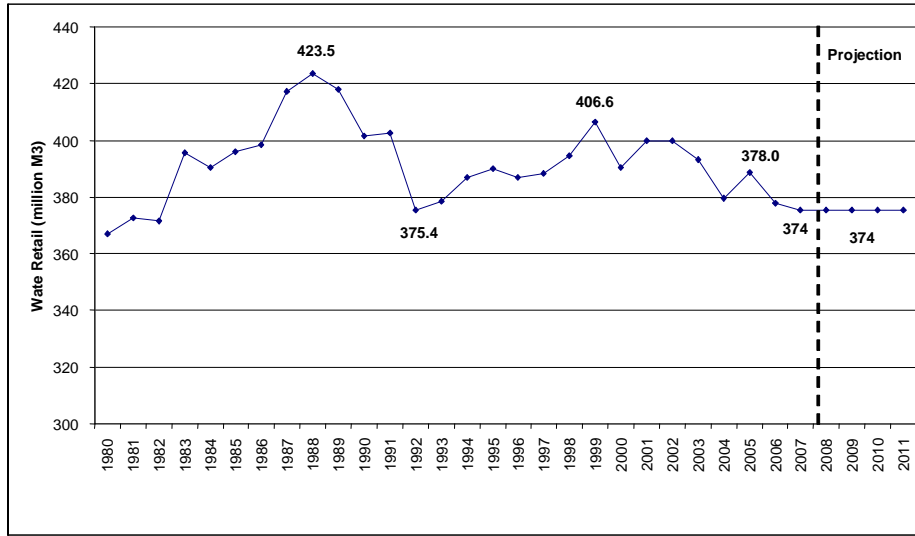
In general terms, the financial model used to forecast water rates and wastewater rates is premised upon the objective that the program remain fully self funding with a high degree of financial stability for both operating and capital needs over the long term, and that any rate changes required should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

Inputs from Toronto Water's 5-Year Capital Plan and 2008 Operating Budget, together with their ten-year operating and capital projections, 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 and anticipated spending levels to estimate the funding required to be recovered through the water and sewer 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, in order to moderate year-over-year impacts.

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 Chart 1. Toronto's consumption projected to 2007 year-end is 374 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 2008 and future years is held constant at 374 million cubic metres based on the consumption trend and staff judgement. The Rate Stabilization Reserve is used to absorb and moderate normal variances from the consumption forecast due to factors such as the effects of weather or lawn watering.

Chart 1 - Toronto Retail Consumption



2008 Operating Budget and 2008-2012 Capital Plan:

The Toronto Water 2008 Operating Budget requires a combined water and wastewater expenditure level of \$677.393 million (including reserve contributions). Expenditures are predominantly funded through the sale of water to Toronto consumers with \$641.292 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 (\$20.252 million); and (ii) industrial waste surcharge, sewage, and private water agreements, service charges, and sundry revenues (\$15.849 million).

The Toronto Water 2008-2012 Capital Plan recommends a capital funding expenditure level of \$2.6 billion (net), with a capital cash-flow commitment of \$378.55 million for 2008. Year end expenditures for Toronto Water’s 2007 Capital Budget are projected to be 75% 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 2008-2012 Capital Plan is attainable, and accordingly this spending level has been used for rate modelling purposes.

Chart 2 below presents a summary of the 2008 Capital and Operating Budgets, and the resulting rate requirements and reserve balances.

Chart 2 – Summary of 2007- 2012 Capital Plan and Operating Budgets and Corresponding Rate Increase Request

TORONTO WATER SUBMISSION	2007 Budget	2008	2009	2010	2011	2012
Gross CAPITAL Budget	410.00	410.00	578.83	631.40	690.64	709.28
Net Capital Budget	382.60	378.55	505.55	529.49	582.91	624.09
Net Capital Spending @ 80%	306.08 (287.0 actual)	302.84	404.44	423.59	466.32	499.27
Gross OPERATING Budget	379.34	375.21	388.87	398.95	408.52	418.33
Capital from Current	267.63	293.82	336.19	390.54	452.84	518.01
Rebates and Stabilization Contribution	<u>1.25</u>	<u>8.36</u>	<u>9.16</u>	<u>6.85</u>	<u>2.81</u>	<u>3.07</u>
Total Operating Budget Request	<u>648.22</u>	<u>677.39</u>	<u>734.22</u>	<u>796.34</u>	<u>864.18</u>	<u>939.40</u>
Other Revenues	(44.83)	(36.10)	(36.73)	(37.73)	(38.63)	(39.56)
Net Expenditure to be financed by water rate	603.39	641.29	697.49	758.61	825.54	899.84
REQUIRED EFFECTIVE ANNUAL WATER RATE INCREASE:	9.0%	6.1%	9.0%	9.0%	9.0%	9.0%
RESERVE closing balance	66.41 (140.3 actual)	137.14	78.88	48.53	42.39	63.37

The 2008 Operating Budget expenditures of \$375.207 million represents a decrease of \$4.13 million or (-1.09%) compared to the 2007 approved budget of \$379.337 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, offset by increased operating costs.

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 net capital cash flow funding requirement increases significantly over the 5-Year Capital Plan from \$302.84 million in 2008 to \$499.27 million in 2012, which represents a 65% increase over 5 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.

Service improvement projects represent 13% of the 5-Year Capital Plan. 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 18% 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.

Legislative projects account for 4% of the 5-Year Capital Plan. These projects address existing and emerging Provincial legislation, which includes Bill 195, Safe Drinking Water Act and Bill 81, Nutrient Management Act. Legislative Projects also include compliance with the Federal government's Environmental Protection Act. Funding for legislative projects is expected to increase in future years as regulations governing water supply and wastewater disposal services continue to become more stringent in the post-Walkerton period.

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 Capital Reserve Funds; and the Water and Wastewater Rate Stabilization Reserves.

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. On a per capita basis, Toronto's capital reserves currently stands at approximately \$50 per capita, or approximately \$100 million. In comparison with surrounding municipalities, this balance is amongst the lowest in per capita reserve balances. Toronto Water's desired target would be to achieve a reserve balance of approximately \$100 per capita, or approximately \$100 million, however, given the current infrastructure renewal pressures, this target cannot be sustained over the 2009-2012 timeframe.

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.

The recommended 2008 rates includes a provision for a contribution of 1% of budgeted water user revenue (\$6.4 million) to replenish the Rate Stabilization Reserve, with additional similar contributions in 2009 and 2010 so that the target balance of \$30.0 million is reached in 2010.

Rate Restructuring:

In June 2007, City Council adopted a new water rate structure to take effect January 1, 2008. The new rate structure provides for a single uniform rate for the domestic consumption of water, and provides for an available lower second block rate for industrial process consumption of water, subject to certain conditions. This new rate structure, which was developed after significant consultation with the City's water customers during 2006-2007, addresses key concerns such as providing an equitable rate for the domestic uses of water and towards positioning the City competitively with regards to its manufacturing sector.

At the time of the development of this new rate structure, staff had estimated the impact of restructuring on the average household at approximately 2.9%, or a one time 'adjustment' of \$13.00 in the year of restructuring. Additional information concerning Council's approval of this new water rate structure can be viewed at: <http://www.toronto.ca/legdocs/mmis/2007/ex/bgrd/backgroundfile-3800.pdf> .

Given 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 has been determined to be \$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, as shown in Chart 3. 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.

Chart 3 - Impact of 2008 Budget and Rate Restructuring

	Consumption m ³	2007		2008				Effective Rate Increase %
		Effective Rate \$/m ³	Average Bill \$/year	Effective Rate \$/m ³	Average Bill \$/year	Increase		
						\$/year	\$/month	
Domestic Use	240	1.5740	\$378	1.7352	\$416	\$39	\$3	10.24%
	315 (Avg. home)	1.5866	\$500	1.7352	\$547	\$47	\$4	9.36%
	500	1.6016	\$801	1.7352	\$868	\$67	\$6	8.34%
	1,000	1.6143	\$1,614	1.7352	\$1,735	\$121	\$10	7.49%
	100,000 (eg. Multi-Res. or large office)	1.6203	\$162,033	1.7352	\$173,520	\$11,487	\$957	7.09%
Process Use	Industrial Block2 (100,000 m ³ /y)	1.6203	\$162,033	1.4089*	\$140,893	-\$21,141	-\$1,762	-13.05%

*blended rate, incl. 6,000m³ @ Block 1 rate

Flat-rate Accounts: Currently, there are approximately 70,000 flat-rate accounts remaining in the City of Toronto. Most of these are single-family residential homes. For 2008, given the effective 9.36% rate increase on the average metered home, this report recommends a similar 9% increase on the water rates imposed on flat-rate accounts.

Assistance for Low-Income Seniors and Low-Income Disabled Persons:

There presently is no water cost relief program in the City's water pricing structure. Rather, in the seven-block structure the first block applicable to the first 240 cubic metres of water consumed is priced about 3% lower than the next block (\$1.5740/m³ vs. 1.6270/m³), with the assumption that this rate provides relief for low consumption users like seniors.

During the consultation process, concerns were expressed with regards to the on-going affordability of water for low-income seniors and low-income disabled persons, particularly in light of the impact of rate restructuring in 2008 and the rate increases forecasted for the next few years. As a result, Council approved a water rate rebate program for low-income seniors and low-income disabled persons who meet the eligibility criteria under the City's existing property tax relief programs for low-income seniors and low-income disabled persons. This rebate is to be set at the lower block 2 rate – the same as for industrial process consumption - which will initially reflect a reduction of 20% from the uniform domestic use rate. The reduction will increase to 30% as future water rate increases are phased-in at one-third of the increases in the first

block rate. A rebate will only be applicable if the household annual consumption is less than 300 m3, to limit eligibility to those most in need.

The City has two tax relief programs for low income seniors and low income disabled persons. The property tax increase cancellation program criteria requires that a low income senior be 65 years of age or older, or a low income disabled person in receipt of specific disability benefits. All applicants that apply for the property tax increase cancellation program must have a combined gross household income that is not greater than \$26,000 or be in receipt of the Guaranteed Income Supplement (GIS) or Souse's Allowance under the Old Age Security Act (Canada). The applicant(s) eligible property must have an assessed value of less than \$454,000. The less stringent property tax increase deferral program criteria requires that at a minimum the applicant be 50 years of age or older and in receipt of a registered pension or pension annuity from a pension plan registered under the Income Tax Act (Canada) or be a low income disabled person in receipt of specific disability benefits. All applicants that apply for the property tax increase deferral program must have a combined gross household income that is not greater than \$40,000. There are no restrictions on eligible property's assessment amount. The effect of being eligible for either program means that the latter less stringent criteria for property tax increase deferral program will apply as the eligibility criteria for the Water rebate program. Unlike the property tax increase deferral program, water rebates are not repaid by the homeowner, and no liens are attached to the property. In addition, the water rebate program does not require an assessment or property tax increase. The 2008 Toronto Water Operating Budget has a provision of \$550,000 in rebates for the estimated take up of 5,000 to 6,000 applicants in 2008. Resources to accommodate this additional demand will be reported on through the 2009 Operating Budget process.

The June 2007 Water Rate Restructuring report also provided for Deputy City Manager and Chief Financial Officer, in consultation with the City Solicitor, to report back, as part of the 2008 Water and Wastewater Program Budget and Rate Setting Process, on any details necessary to commence implementation of this rebate program commencing in 2008. Additional implementation details being recommended in this report include:

- advising that the rebates shall be in the form of a credit applied to the homeowner's water bill, unless a cheque is specifically requested by the applicant;
- advising that if eligibility requirements are met, the credit shall be applied to the homeowner's first water bill of the following year, or if requested, a rebate cheque shall be issued in or around the time the first water bill of the following year would be issued for that account;
- advising that in any year, the rebate or credit rate shall be calculated by the difference in the Block 1 rate and Block 2 rate, such rates being based being on 'paid on or before the due date', applicable for the year or portion thereof in which the rebate is being applied for, and accordingly for 2008, such rebate shall

be at the rate of \$0.34710/m³ (the difference in the Block 2 rate of \$1.3881/m³ and Block 1 rate of \$1.7352/m³ being \$0.3471/m³).

This report also recommends the additional administrative details outlined in Appendix C.

Industrial Process-Use Water Rate – Implementation Matters:

Recognizing that manufacturing and process needs for water is different than domestic needs, and partly for economic competitiveness reasons, Council approved a second lower process-use rate available for properties in the Industrial tax class applicable on their volume of water consumed above 6,000 m³/yr (500 m³/mo), subject to certain conditions. This approach is intended to assist as many industrial and manufacturing employers as possible and not necessarily just high volume users. The 6,000 m³ threshold is intended to reflect that industrial operations generally also have a domestic component (e.g. showers, drinking, washing, etc.) and hence as a matter of principle should pay the same rate on this component of consumption as everyone else.

To be eligible, an industrial process water user must comply with certain additional conditions.

These additional conditions are intended to ensure that the benefit of a lower water rate is only directed to businesses that promote and embrace conservation and environmental stewardship to the extent possible. These conditions include:

- the property or portion thereof must be one in the Industrial Tax Class;
- the customer must be in compliance with the City's sewer-use by-law;
- the customer must install and maintain effluent monitoring equipment if determined that it is required by the General Manager, Toronto Water, which is easily accessible to city staff on a 24 hour basis;
- the customer must submit a comprehensive water conservation plan, to the satisfaction of the General Manager of Toronto Water, by July 1, 2008, which includes:
 - i. a corporate policy committing to water conservation and efficiency;
 - ii. proof, satisfactory to the General Manager, that a water use audit has been undertaken to identify measures to be implemented which will result in more efficient use of water, such as, but not limited to water loss management strategies, water reclamation and recycling strategies, regular meter testing and calibration, implementing best available technologies for process water conservation, providing employee training and implementing best management practices for water conservation procedures within the property;

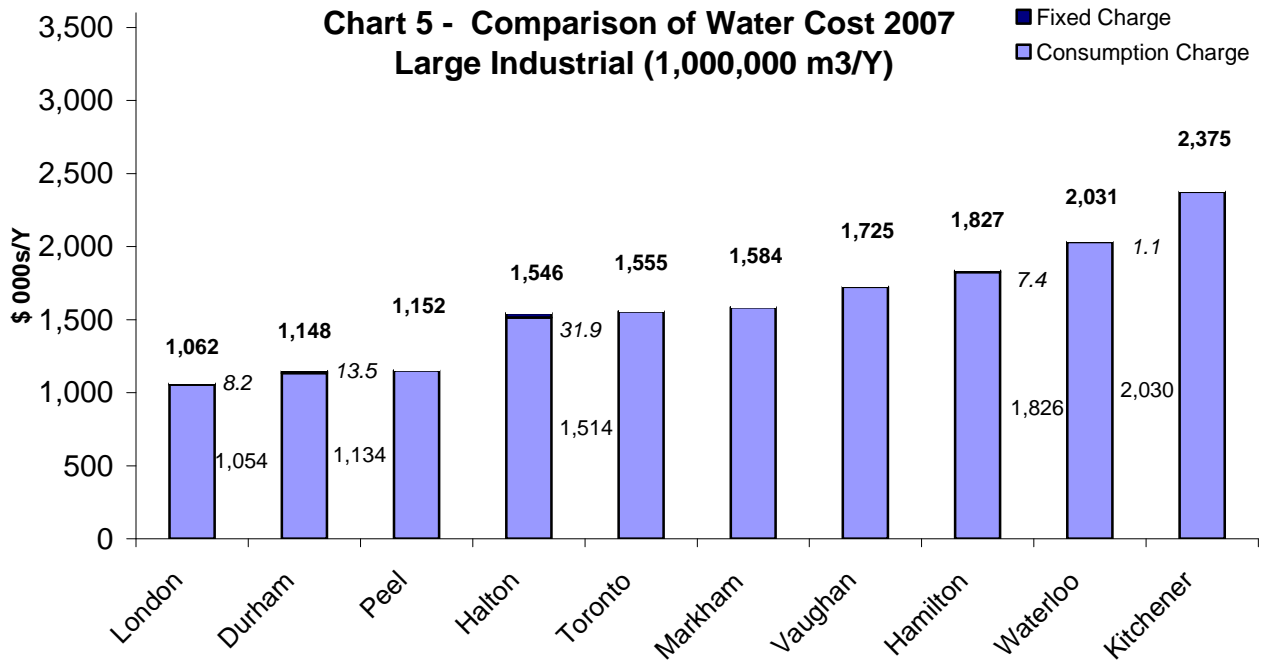
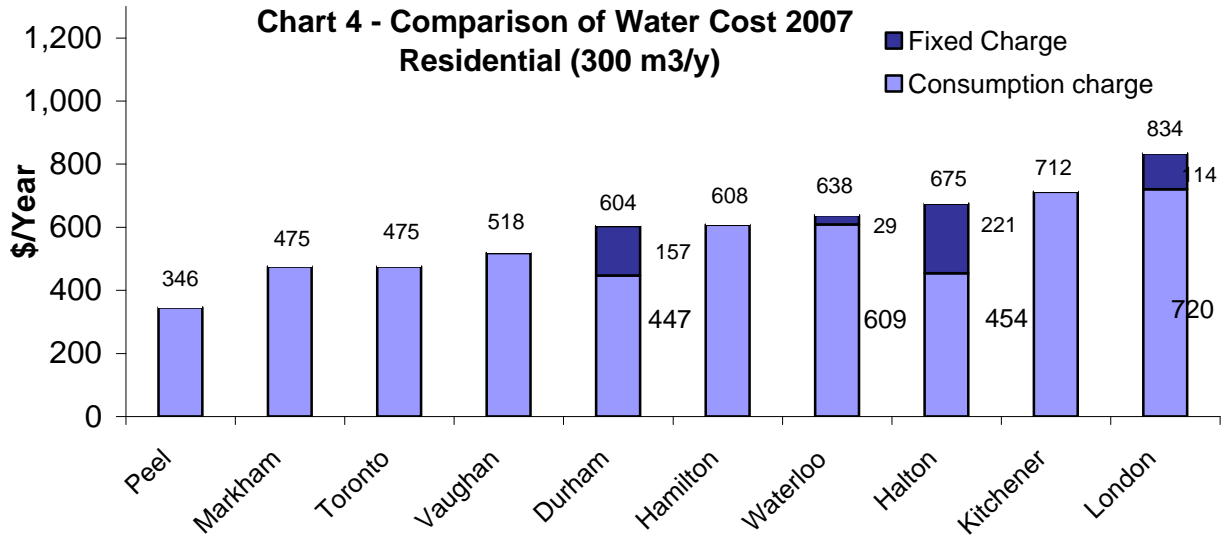
- iii. an implementation timetable of measures identifying the water use audit findings along with target dates and expected water use reductions;
- iv. an evaluation process to track the effectiveness of the company's plan implementation; and
- v. a commitment to submit an submit an annual progress report to the satisfaction of the General Manager of Toronto Water until such time as the General Manager of Toronto Water provides written notification that such annual reports are no longer required.

Within the City of Toronto, there are approximately 4,300 properties, or portions thereof, with an industrial tax classification. Of these, staff have identified approximately 800 properties with water consumption of more than 6,000 m³, which may be eligible for the Block 2 industrial process-use rate. Staff have further estimated that approximately 500 of these properties are single-use industrial properties, which would be eligible for the lower Block 2 rate, subject to meeting the other conditions, effective January 1, 2008. A communication plan is underway and staff are contacting these customers to advise them of the City's new water rate structure, and of the proposed conditions necessary to be followed for continued eligibility beyond July 1, 2008.

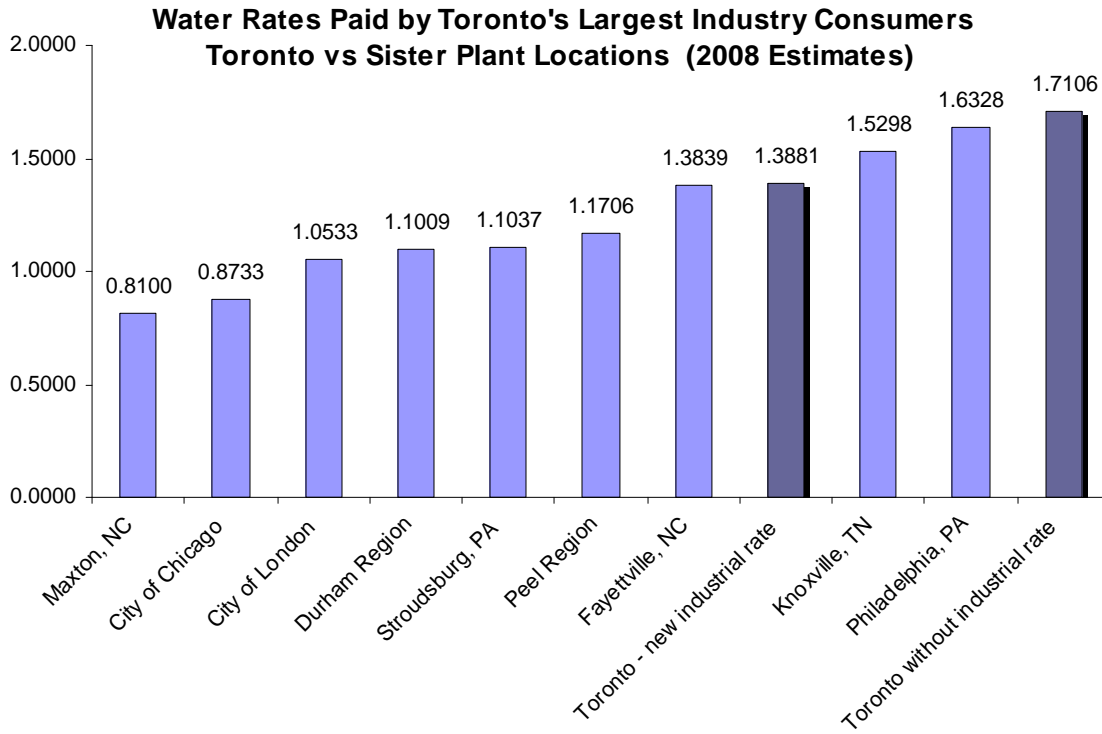
The other approximately 300 properties are mixed-use properties, typically with a commercial component. For example, it could be a commercial condominium with some commercial units and some industrial units, or a warehouse or office attached to an industrial component. Typically, there is one water meter attached to the property. Under the City's adopted policy, any non-industrial components are not eligible for the lower Block 2 rate. As such, the property as a whole will not automatically receive the lower rate starting in January 1, 2008, until such time that they segregate their process use consumption. This report recommends the additional conditions required of mixed-use properties to as outlined in Appendix D.

Comparison of Water Rates in GTA Municipalities:

The recommended rate increase in the water and wastewater rate in 2008, together with the rate restructuring, will result in residential rate of \$1.7352 per cubic metre of water consumed, compared to the average residential 2007 rate of \$1.5866 per cubic metre. A typical homeowner with consumption of 315 m³/year will see an increase in their 2008 water bill of approximately \$47, from \$500 in 2007 to \$547 in 2008. Toronto's 2007 water rate for residential consumers, in comparison to surrounding municipalities is shown in Chart 4 (2008 rates for surrounding municipalities are 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. Additional details are provided in Appendix E.



Also arising from Council’s meeting of June, 2007, was a request of staff to review the rates paid by the ten largest industrial users in their plants located in other municipalities so that they can be compared directly with current City of Toronto charges. Due to confidentiality, proprietary, competitive reasons, staff cannot specifically identify companies, their consumption, and rates paid elsewhere. Staff have permission from the Toronto Industry Network to present the following comparison. The 2008 rates are estimates prepared as part of the stakeholder consultation in 2006.



CONTACT

Len Brittain, Director, Corporate Finance; lbrittai@toronto.ca; 416-392-5380

Giuliana Carbone, Director, Revenue Services; gcarbon@toronto.ca; (416) 392-8065

Michael D'Andrea, Director, Water Infrastructure Management, Toronto Water
mdandre@toronto.ca, 416-397-4631

Adir Gupta, Manager, Financial Policy, Corporate Finance; agupta@toronto.ca,
416-392-8071

Don Saunders, Manager, Financial Planning, Toronto Water; dsaunde@toronto.ca,
416-392-8839

SIGNATURES

Joseph P. Pennachetti
Deputy City Manager and Chief Financial Officer

Richard Butts
Deputy City Manager

Lou Di Gironimo
General Manager, Toronto Water

Attachments:

Appendix A – Water Rates for Metered Customers

Appendix B – Rates for Flat Rate Customers

Appendix C – Additional Eligibility Criteria for Water Rebates for Low-Income Seniors
and Low-Income Disabled Persons

Appendix D – Additional Criteria – Industrial Process Use Rate For Mixed-Use
Properties

Appendix E – Comparison of Water Rates – Toronto and Surrounding Municipalities

APPENDIX A

**SCHEDULE 1
COMBINED WATER AND SEWER SERVICE RATES
FOR METERED CONSUMERS
EFFECTIVE JANUARY 1, 2008**

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:

	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

APPENDIX B

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 JANUARY 1, 2008**

A. Dwelling houses: rate:

- (1) \$27.16 per room per annum if paid after the due date, and \$25.80 per room per annum if paid on or before the due date. Subject to a minimum charge of \$163.45 if paid after the due date, and \$155.28 per annum if paid on or before the due date.

B. Rooming houses: rate:

- (1) \$47.64 per room per annum if paid after the due date, and \$45.26 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	
		Paid after the due date	Paid on or before the due date
Basins	Each	\$ 52.47	\$ 49.85
Baths	Each	\$ 52.47	\$ 49.85
Bidets	Each	\$ 52.47	\$ 49.85
Saunas connected to water or drains	Each	\$ 52.47	\$ 49.85
Shower baths	Not attached to bath tub, each	\$ 52.47	\$ 49.85
Sinks	Each	\$ 52.47	\$ 49.85
Urinals	Self-acting, each	\$ 62.36	\$ 59.24
Water closets	Self-acting, each	\$ 83.79	\$ 79.60
Laundry tubs	For pair of tubs (in one fixture)	\$ 52.47	\$ 49.85
	For single or additional tub, each	\$ 31.19	\$ 29.63
Washing machines	Each	\$ 52.47	\$ 49.85

APPENDIX B

SCHEDULE 2 – a(ii)

**LIST OF ANNUAL COMBINED WATER AND SEWER SERVICE RATES FOR
FLAT RATE CONSUMERS IN THE FORMER CITY OF TORONTO
EFFECTIVE JANUARY 1, 2008**

- A. Factories, office buildings, stores, garages, warehouses and similar places of business:
 - (1) \$83.74 for each flat per annum if paid after the due date, and \$79.55 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) \$47.64 per room per annum if paid after the due date, and \$45.26 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	
		Paid after the due date	Paid on or before the due date
Basins	Each	\$104.21	\$ 99.00
Baths	Each	\$104.21	\$ 99.00
Bidets	Each	\$104.21	\$ 99.00
Saunas connected to water or drains	Each	\$104.21	\$ 99.00
Shower baths	Not attached to bath tub, each	\$104.21	\$ 99.00
Sinks	Each	\$104.21	\$ 99.00
Urinals	Self-acting, each	\$124.57	\$118.34
Water closets	Self-acting, each	\$166.63	\$158.30
Laundry tubs	For pair of tubs (in one fixture)	\$104.21	\$ 99.00
	For single or additional tub, each	\$ 52.47	\$ 49.85
Washing machines	Each	\$104.21	\$ 99.00

APPENDIX B

SCHEDULE 2 – a(iii) LIST OF ANNUAL COMBINED WATER AND SEWER SERVICE RATES FOR FLAT RATE CONSUMERS IN THE FORMER CITY OF TORONTO EFFECTIVE JANUARY 1, 2008

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

		Rate Per Year	
		Paid after the due date	Paid on or before the due date
Baptistries	Each	\$35.24	\$33.47
Barber shop or beauty parlour	Each	\$104.21	\$99.00
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	\$258.45	\$245.53
Commercial dish washers	Each	\$207.62	\$197.24
Drinking fountains	Each	\$104.21	\$99.00
Fountains	For 1.6 millimetre orifice or less, each per season	\$166.63	\$158.30
	All others, each per season	\$662.82	\$629.68
Materials used in buildings or in alterations or repairs to buildings and other construction work	Bricks, per 1,000	\$1.80	\$1.71
	Other masonry, including concrete blocks, tiles and similar materials, on basis of equivalent number of bricks to replace same, per 1,000 bricks	\$1.80	\$1.71
	Plastering per 1,000 square yards	\$62.69	\$59.56
	Concrete, per cubic yard	\$4.37	\$4.15
	Minimum rate for each building or for repairs or alterations, where any of the above material is used	\$20.95	\$19.90
Photographic washing tanks	Each	\$104.21	\$ 99.00
Wash racks	Each	\$517.61	\$491.73

SCHEDULE 2 – b(i)

**COMBINED WATER AND SEWER SERVICE RATES FOR UNMETERED
CONSUMERS IN THE FORMER CITY OF ETOBICOKE
EFFECTIVE JANUARY 1, 2008**

- A. Residential and commercial rates, tri-annual billing; flat rate, single family:
 - (1) \$171.17 if paid after the due date, and \$162.61 if paid on or before the due date.
- B. Hydro substations, tri-annual billing:
 - (1) \$123.13 if paid after the due date, and \$116.97 if paid on or before the due date.
- C. Building water and sewer service rates; not metered up to three months not refundable:
 - (1) \$364.09 if paid after the due date, and \$345.89 if paid on or before the due date.

APPENDIX C

Additional Criteria – Water Rebate Program for Low-Income Seniors and Low-Income Disabled Person

1. Definitions:

HOUSEHOLD INCOME — The combined gross income of all eligible persons occupying the eligible property in respect of which the application for a Water Rebate is made.

ELIGIBLE PROPERTY — Property classified as residential property on the annual assessment roll, or a portion of property classified as residential property.

OWNER — A person assessed as the owner of residential real property, and includes an owner within the meaning of the *Condominium Act*.

ELIGIBLE PERSON — A low-income disabled person or a low-income senior or the spouse of such a person who meets the qualifications set out below.

LOW-INCOME DISABLED PERSON — A person:

- A. Who has owned and occupied the residential real property for one year;
- B. Who is in receipt of one or more of the following:
 - (1) A disability pension under the *Canada Pension Plan Act (Canada)*;
 - (2) Income support under the *Ontario Disability Support Program Act, 1997*;
 - (3) Benefits under the *Workplace Safety and Insurance Act, 1997*;
 - (4) Benefits for the interruption of earnings due to a prescribed illness, injury or quarantine under the *Employment Insurance Act (Canada)*; and
 - (5) Benefits under a contract of individual or group accident, sickness or disability insurance, or any other disability benefits arising from a contract of insurance, which contracts are consistent with the Ontario *Insurance Act* or any similar legislation governing contracts of insurance in another Canadian province; and
- C. Who has a household income of \$40,000 or less.

LOW-INCOME SENIOR — A person:

- A. Who is 65 years of age or older, or in the case of a widowed person receiving the spouse's allowance under the *Old Age Security Act (Canada)* is between the age of 60 and 64, or in the case of a person receiving a pension from a pension plan registered under the *Income Tax Act (Canada)* or a pension annuity resulting from a pension plan registered under the *Income Tax Act (Canada)* is 50 years of age or older;
- B. Who has owned and occupied the residential real property for one year; and
- C. Who has a household income of \$40,000 or less.

2. Eligibility to receive water rebate:

A person is eligible to receive a water rebate if:

- A. The person is an eligible person;
- B. The eligible person occupies the residential real property as his or her personal principal residence;
- C. The eligible person has made an application for the water rebate program in accordance with the provisions of Section 3.
- D. The application for a water rebate is in respect of only the water bill for the year in which the application is made;
- E. The person agrees to notify the City Treasurer of any change in circumstances which would alter his or her status as an eligible person, or the amount of the water rebate to which they are entitled;
- F. The person is an owner who has occupied the residential real property for a period of not less than one year immediately preceding the date of application for relief;
- G. Where title to the eligible property is held by an eligible person and his or her spouse or same sex spouse and no other owner, one of the joint owners must qualify as an eligible person, but where title to the eligible property is held jointly by an eligible person and a person or persons who are not his or her spouse or same sex spouse, all of the joint owners must qualify as an eligible person;
- H. Payment for all taxes payable for all previous years and water charges payable for the current year has been made in full.
- I. to be eligible, the water consumption must be less than 300 cubic metres of water per calendar year;
- J. the property must be metered and the applicant must provide an actual meter reading in or around December 31 or the last quarter of the year, and / or provide access to City staff to obtain an actual reading; or,

- a. if the property is one that is on the flat-rate billing system, the applicant must have made a request to Toronto Water for the installation of a water meter, in which case, the rebate shall be calculated as the product of the percentage reduction in the Block 2 rate over the Block 1 rate times the flat rate bill for accounts paid on or before the due date for the year in which the rebate is being sought, to a maximum rebate of that an eligible metered customer would receive for a consumption of 300 m³;

3. Applications for water rebate program.

Applications for the water rebate program must be in writing on a form prepared by the City Treasurer for this purpose and must be submitted to the City of Toronto on or before August 31 of the year for which the water rebate is sought. An application must include documentation in support thereof in a form satisfactory to the City Treasurer, to establish that the applicant or, in the case of property held jointly in accordance with Section 2 (G), the applicant's spouse is an eligible person, that the residential real property with respect to which the application is made is eligible for such water rebate and to establish the amount of water rebate to which the eligible person is entitled.

4. Credit to water account.

- A the rebate for eligible low-income seniors and low-income disabled persons referred to above shall be in the form of a credit applied to the homeowner's water bill, unless a rebate is otherwise specifically requested by the homeowner;
- B if all eligibility requirements are met, the credit shall be applied to the water account holder's first water bill of the following year, or if requested, a rebate cheque shall be issued in or around the time the first water bill of the following year would be issued for that account;
- C. if an eligible person sells their property during the year, and provided that a final read was forwarded to the City prior to the change in ownership, a rebate cheque for the portion of the year the residential property was owned by the eligible person shall be issued based on the consumption used up to the change of ownership date calculated on a pro-rated basis;
- D. in any year, or eligible portion thereof, the rebate or credit rate shall be calculated by the difference in the Block 1 rate and Block 2 rate, such rates being based on 'paid on or before the due date', applicable for the year or portion thereof in which the rebate is being applied for, and for 2008, such rebate shall be at the rate of \$0.34710/m³.

APPENDIX D
Additional Criteria – Industrial Process Use Rate
For Mixed-Use Properties

In order to qualify for the lower industrial process-use block rate:

1. the property or portion thereof must be in the Industrial Tax Class.
2. the customer must be in compliance with the City's sewer-use by-law.
3. the customer must install and maintain effluent monitoring equipment if determined that it is required by the General Manager, Toronto Water, which is easily accessible to city staff on a 24 hour basis.
4. the customer must submit a comprehensive water conservation plan, to the satisfaction of the General Manager of Toronto Water, by July 1, 2008, which includes:
 - i. a corporate policy committing to water conservation and efficiency;
 - ii. having undertaken a water use audit to identify measures to be implemented which will result in more efficient use of water, such as, but not limited to water loss management strategies, water reclamation and recycling strategies, regular meter testing and calibration, implementing best available technologies for process water conservation, providing employee training and implementing best management practices for water conservation procedures within the property;
 - iii. an implementation timetable of measures identifying the water use audit findings along with target dates and expected water use reductions;
 - iv. an evaluation process to track the effectiveness of the company's plan implementation; and,
 - v. must submit an annual progress report to the satisfaction of the General Manager of Toronto Water until such time as the General Manager of Toronto Water provides written notification that such annual reports are no longer required.
5. the customer must isolate their industrial process water use by installing a separate meter so that they have a separate water account for that industrial use portion of the property, or if not feasible, install a separate meter on the non-industrial uses as a domestic use meter so that the account can be set up as deductive to determine process-use.
6. Toronto water will provide the meter where required.

7. the customer will be responsible to install the meter, at their cost. The customer shall be responsible for ensuring the installing meets all requirements for meter installation in compliance with the City of Toronto Water Supply By-law, as well as compliance with the Ontario Plumbing Code and Ontario Building Code if required, including all plumbing permits and inspections.
8. the effective date for the industrial process-user rate will be the date the new meter is installed.
9. the General Manager, Toronto Water, may at his/her discretion waive conditions 5 through 7, if it is determined that sub-metering is not feasible, and upon entering into an agreement with the customer establishing the proportion of water related to the industrial process use.

APPENDIX E

Comparison of Water Rates – Toronto and Surrounding Municipalities

	2006 Effective Water Rates 300 m3 (incl service charges where applic)	2007 Effective Water Rates 300 m3 (incl service charges where applic)	% Rate Increase 06/07
Peel	1.0583	1.1521	8.9%
Toronto	1.4302	1.5846	10.8%
Markham	1.4909	1.5838	6.2%
Vaughan	1.5730	1.7250	9.7%
Hamilton	1.9180	2.0576	7.3%
Durham	1.8658	2.0128	7.9%
Waterloo	1.9136	2.1268	11.1%
Halton	2.1618	2.2493	4.0%
Kitchener	2.2000	2.3747	7.9%
London	2.6229	2.7800	6.0%

	2006 Effective Water Rates 1,000,000 m3 (incl service charges when applic)	2007 Effective Water Rates 1,000,000 m3 (incl service charges when applic)	% Rate Increase 06/07
London	0.9515	1.0621	11.6%
Peel	1.0583	1.1521	8.9%
Durham	1.0610	1.1474	8.2%
Toronto	1.4036	1.5552	10.8%
Markham	1.4909	1.5838	6.2%
Halton	1.5293	1.5457	1.1%
Vaughan	1.5730	1.7250	9.7%
Hamilton	1.7089	1.8269	6.9%
Waterloo	1.8210	2.0311	11.5%
Kitchener	2.2000	2.3747	7.9%