



STAFF REPORT ACTION REQUIRED

Implementation of a Revolving Loan Program to Support the City's Water Efficiency Plan

Date:	October 17, 2007
To:	Public Works and Infrastructure Committee
From:	Lou Di Gironimo, General Manager, Toronto Water
Wards:	All
Reference Number:	P:\2007\Cluster B\TW\pw07039 (AFS # 3130)

SUMMARY

The Water Efficiency Loan Reserve Fund was established in 2006 to provide repayable loans to the City's agencies, boards, commissions, divisions, the Toronto School Boards and the Toronto Community Housing Corporation (TCHC). The purpose of the Fund was for the implementation of water efficiency projects to help achieve targets identified in the City's Water Efficiency Plan. Staff was directed to report back to the Public Works and Infrastructure Committee on the results of the pilot Revolving Loan Program and the feasibility of expanding it to other public sector organizations such as universities, hospitals, non-profits and the private sector where permissible.

In October, 2007 the TCHC submitted a \$2 million proposal to fund the retrofit of 5,000 toilets and other fixtures in their buildings. This is the only proposal received to date and is currently under review.

This report recommends the pilot Revolving Loan Program be extended for one year to accommodate the possible approval of the TCHC proposal. In addition, if the existing Water Efficiency Loan Reserve Fund is exhausted it is recommended that additional funding, in the amount of \$2 million, be provided from the Water Capital Reserve Fund to continue the pilot Revolving Loan Program.

RECOMMENDATIONS

1. The pilot Revolving Loan Program be extended for a period of one year to accommodate the review and possible approval of a \$2 million loan proposal from the TCHC received in early October 2007;

2. Should the existing Water Efficiency Loan Reserve Fund be exhausted, it is recommended the fund be replenished to maintain a \$2 million available balance with funds to be provided from the Water Capital Reserve Fund to continue the pilot Revolving Loan Program and allow for expansion to other public sector organizations;
3. The pilot Revolving Loan Program be expanded to offer loans to other public sector organizations such as universities, hospitals and non-profit organizations on similar terms and conditions as internal agencies, boards and commissions.

FINANCIAL IMPACT

Funding in the amount of \$2 million has been made available from the Water Capital Reserve Fund to set up the Water Efficiency Loan Reserve Fund. Should the existing Water Efficiency Loan Reserve Fund be exhausted, it is recommended that the fund be replenished to maintain a \$2 million available balance. The additional funding to maintain the \$2 million balance would be required from Water Capital Reserve Fund to continue the program for internal clients and expand the pilot Revolving Loan Program to offer loans to other public sector organizations.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

Staff was directed to report back to the Works Committee on the results of the pilot Revolving Loan Program and to report on the feasibility of expanding the Revolving Loan Program to other public sector organizations such as universities, hospitals, non-profits and the private sector where permissible.

The original report authorizing the development of a revolving loan program to support the implementation of the City's Water Efficiency Plan, and reporting back prior to the 2008 Capital Budget Review, can be viewed at:

<http://www.toronto.ca/legdocs/2006/agendas/council/cc060725/pof6rpt/c1042.pdf>

ISSUE BACKGROUND

A large component of the Water Efficiency Program is based on using cash rebates to encourage customers to replace inefficient water using fixtures, processes or equipment with new technology. The rebate is an excellent payback reduction tool and is also an effective way to help implement water efficiency measures. Payback periods, implementation costs, availability of capital and return on investment are all important factors in determining whether to implement water efficiency programs. However, discussions with potential program participants identified that the critical factors for considering water efficient improvements are a short project payback period and access to low or zero cost capital.

COMMENTS

As part of Council adoption of the 2006 report, Toronto Water held meetings with Board members of the TCHC, the Toronto Boards of Education, ABC's and Division Heads including: Facilities and Real Estate's Energy and Waste Management Office; Parks Facilities and Irrigation; Exhibition Place; Toronto Zoo; Toronto District School Board; Toronto Catholic District School Board; and Toronto Community Housing Corporation. The purpose of the meetings was to introduce the pilot Revolving Loan Program, gauge their interest in the program and determine the potential for water efficiency projects. These discussions identified a number of barriers to the implementation of water efficiency projects:

- Limited knowledge of payback potential;
- Concern with having to pay interest on a loan;
- Several divisions do not pay for water resulting in no dollar savings and no payback for capital investment; and
- Limited staffing capacity to focus on new projects such as water efficiency retrofits.

Toronto Community Housing Corporation

On October 4, 2007, TCHC submitted a proposal for funding a toilet retrofit project consisting of 5,000 toilets. The proposal is currently being reviewed by Toronto Water and Finance staff.

Continuation and possible expansion of the program is based on the following factors:

- a) Level of customer participation in the loan program;
- b) Participation rates in existing City of Toronto Water Efficiency programs;
- c) Achieved water savings through implementation of capital projects;
- d) Participant satisfaction with revolving loan program process;
- e) Number of potential projects requiring funding;
- f) Status of existing Toronto Water Reserve Funds; and,
- g) The accommodation of participants' requests that are related to their projects i.e. upgrades and access to City meters to allow for real-time monitoring of savings.

In summary, the results of the staff level discussions with City divisions, agencies, boards, commissions and school boards have indicated some initial interest, however, more time is required to determine whether they will be accessing the fund.

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SIGNATURE

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