

**Attachment #2:
Updated Business Case & Cash-Flow Analysis for
Water Meter Replacement and Automated Meter Reading Project**

Table 1: Updated Business Case (based on Current Market Conditions)

	Revised Budget Estimates (net of GST)				Current Capital Budget Approved for the Project	Additional Capital Funding Required
	Cost based Neptune Bid	Inflationary Indexing (for Labour & Materials)	Project Contingency (See Note 1)	Total Revised Capital Budget Estimate		
	(\$000,000)					
Total	191.8	12.0	15.2	219.0	176.5	42.5
Pay-Back Period – Assuming no water rate increases for 2008 & beyond						
Annual Operating Savings				5.0		
Annual Revenue Recoveries				28.0		
Payback Period (in Years)				9 years		
Pay-Back Period – Assuming water rate increases for 2008 & beyond						
Annual Operating Savings				5.0		
Annual Revenue Recoveries				36.5		
Payback Period (in Years)				7 years		

Note 1: Approximately 8% contingency has been built into the capital budget estimates to protect against unforeseen implementation issues.

Table 2: Cashflow Analysis

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
	(\$000,000)						
Projected Capital Expenditures	12.20	59.50	58.20	29.10	30.00	30.00	219.00
Less: Universal Metering Program Funds (see Note 2)	2.60	9.20	9.20				21.00
Less: Incremental Revenue Recoveries (see Note 3)	1.20	11.50	22.00	23.70	25.50	27.30	111.20
Less: Operating Savings (See Note 4)	-	.10	.90	1.80	3.10	5.00	10.90
Sub-total: UMP, Incremental Revenues, Operating Savings	3.80	20.80	32.10	25.50	28.60	32.30	143.10
Net Cash-flow Requirement	8.40	38.70	26.10	3.60	1.40	(2.30)	75.9

Note 2: As approved by Council in 1999, \$21 million has been collected from former Toronto customer between 1999 to November 2002 to fund the conversion of flat rate accounts to metered.

Note 3: As the City's aging water meters are replaced with new meters that accurately register the water consumption, incrementally increases in water revenue will be realized.

Note 4: As the automated reading system is installed across the City, the cost of obtaining metering readings is reduced resulting in operating savings which will culminate to \$5 million annually at the completion of the project.