TORONTO

STAFF REPORT
ACTION REQUIRED

2013 Water and Wastewater Rates and Service Fees

Date:	November 6, 2012
To:	Budget Committee
From:	Acting Deputy City Manager and Chief Financial Officer General Manager, Toronto Water
Wards:	All Wards
Reference Number:	P:\2012\Internal Services\Cf\Bc12028cf (AFS #14769)

SUMMARY

This report presents the recommended 2013 water and wastewater consumption rates and service fees arising from concurrent adoption of the recommended 2013 Toronto Water Operating and Capital Budgets. Consistent with the funding strategy of 9% water rate increases until 2014, adopted by City Council in 2005, it is recommended that the Block 1 and Block 2 rates for all users and flat rate accounts be increased by 9% effective January 1st, 2013. In addition, this report recommends inflationary fee increases for certain water and wastewater services, reflecting cost recovery for these services, and the introduction of two new and four revised sewer related industrial waste surcharge agreement fees.

RECOMMENDATIONS

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

1. This report be considered concurrently with the 2013-2022 Capital Plan and the 2013 Operating Budget, and that:

    a. Effective January 1, 2013, the combined water and wastewater rates charged to metered consumers shall be as shown below and in Appendix B attached to this report;

Annual Consumption	Paid on or before the due date, $/m3	Paid after the due date, $/m3
Block 1 - All consumers, including Industrial consumption of first 6,000 m^3 ("Block 1 rate")	**$ 2.7137**	**$2.8567**
Block 2 - Industrial process – use water consumption over 6,000 m^3, representing 30% reduction from the Block 1 Rate ("Block 2 rate')	**$1.8996**	**$1.9996**

b. The water and wastewater rates charged to flat rate consumers be increased by 9%, effective January 1, 2013, to the rates shown in Appendix B attached to this report;

c. Effective January 1, 2013, the water and wastewater service fees shall be as shown in Appendix C attached to this report;

d. Effective January 1, 2013, the fee basis for water drawn from unmetered hydrants, less than or equal to 50 cubic metre, be changed from "Flat Rate" to "Per 50 cubic metres" and the fee amount be changed from "$100" to "50 m^3 at Block 1 Water Rate" as set out in Appendix C - Schedule 2, Water Services, Ref. No. 18.

2. With respect to the City's industrial waste surcharge program:

a. Municipal Code Chapter 681, Sewers be amended as necessary to include Total Kjeldahl Nitrogen (TKN) as a treatable parameter including adding TKN as a treatable parameter in subsection 681-6B(1) and as a parameter in subsection 681-2C(1)(b) and (c) ;

b. Effective January 1, 2013, a fee of $800 be charged for the establishment of any new industrial waste surcharge agreement, as set out in Appendix C - Schedule 3, Wastewater Services, Ref. No. 20;

c. Effective January1, 2013, the rates for treatable parameters applying to industrial waste surcharge agreements shall be as shown below and in Appendix C - Schedule 3, Wastewater Services, Ref. No. 1.1, 1.2, 1.3 and 1.4 :

Parameter	Rate ($/kg)
Biochemical Oxygen Demand (BOD) or Phenolics (4AAP)	$0.62
Total Suspended Solids (TSS)	$0.60
Total Phosphorus (TP)	$1.69
Total Kjeldahl Nitrogen (TKN)	$1.18

d. Subject to Recommendation 2(e) below, effective January 1, 2013, the Type1 ODF Formula – Unit Cost per Kilogram (see Appendix D, hereafter called the "Type 1 Formula") be used for the calculation of industrial waste surcharge fees in the City's industrial waste surcharge agreements;

e. The following annual adjustment factors be applied to the Type 1 Formula to allow for the gradual transition to full cost recovery over a six-year period in order to allow companies sufficient time to make changes to their internal processes and budget forecasts:

Year	Adjustment Factor	Year	Adjustment Factor
2013	0.75	2016	0.90
2014	0.80	2017	0.95
2015	0.85	2018	1.00

3. With respect to assistance for low-income seniors and low-income disabled persons:

   a. The rebate for eligible low-income seniors and low-income disabled persons be set at a rate of $0.8141 /m3, effective January 1, 2013, representing a 30% reduction from the Block 1 rate (paid on or before the due date).

4. The necessary amendments be made to Municipal Code Chapter 441 - Fees and Charges, Municipal Code Chapter 849 - Water and Sewage Services and Utility Bill, and Municipal Code Chapter 681- Sewers, and any other necessary Municipal Code Chapters as may be required, to give effect to Recommendations (1), (2) and (3) above.

5. Authority be granted to the City Solicitor to introduce any necessary Bills required to implement these recommendations, subject to any necessary refinements, including stylistic, format and organization, as may be identified by the City Solicitor, the Deputy City Manager & Chief Financial Officer and General Manager, Toronto Water.

6. The appropriate City officials be authorized and directed to take the necessary actions to give effect thereto.

Financial Impact

The City of Toronto Water and Wastewater Program (the “Program”) is currently fully funded on a ‘pay-as-you-go’ basis through a combined water and wastewater rate without any reliance on borrowing/debenture financing. The property tax supported budget is not impacted by adoption of the recommendations contained in this report.

Based on the recommended 2013 Toronto Water Operating and Capital Budgets, the updated consumption forecast, and Council's adopted water rate structure, a rate increase

of 9% for 2013 in the paid-on-or-before due date (which represents a 5% discount from the paid-after-due-date rate) is required for Block 1 domestic-use consumers, and Block 2 industrial process-use consumers, both effective January 1st, 2013.

As shown in Chart 1 below, the recommended rate increase impact on an average home consuming 300 m3/year, billed at the Block 1 rate, will be 9% or $67 over the calendar year (from $747 in 2012 to $814 in 2013). The impact of the 9% increase on a commercial customer and an industrial customer at Block 2 rate with annual consumption of 100,000 m^3 will be $22,400 and $16,088 respectively, the latter reflecting a 30% discount over Block 1 rates for eligible industrial consumers. As well the rate increase impact on a large industrial consumer of 1,000,000 m^3 on Block 2 rate will be $157,254.

Chart 1 – 2013 Water Rate Impact

Type of Property	Consumption	2012 Cost	Projected 2013 Cost	2013 Rate Increase Impact	
Residential	300	$747	$814	$67	9.0%
Commercial	100,000	$248,970	$271,370	$22,400	9.0%
Industrial	100,000	$178,760	$194,848	$16,088	9.0%
Industrial	1,000,000	$1,747,271	$1,904,525	$157,254	9.0%

In addition, the recommended inflationary increases of the water and wastewater service fee set out in Appendix C are expected to generate additional revenue of approximately $285 thousand in 2013, as reflected in Toronto Water's 2013 Operating Budget.

In 2011, the City had industrial waste surcharge agreements with 154 companies and recovered approximately $8.5 million in costs. Implementation of the staff recommended changes to the City's industrial waste surcharge program, as set out in the Recommendations section of this report, would result in an estimated annual increase in revenue of $3.6 million (from $8.5 million to $12.1 million) into Toronto Water's Operating Budget phased in over a six-year period achieving full cost recovery by 2018.

If, however, staff's recommendations, as amended by the Public Works and Infrastructure Committee and detailed later in this report, are implemented to modify the Type 1 Formula so that the calculation of surcharge fees be applied only to the highest exceedance parameter, with no phase-in, this would result in an estimated annual increase in revenue of $0.7 million (from $8.5 million to $9.2 million) for 2013 and achieving approximately 76% of full cost recovery estimated at $12.1 million. There would be no further phase-in of surcharge fees and they would not be amended until Council purposefully does so in future.

DECISION HISTORY

Last year's staff report adopted, as amended, by City Council authorizing the 2012 water and wastewater rates and service fees can be viewed at:
http://www.toronto.ca/legdocs/mmis/2011/ex/bgrd/backgroundfile-42352.pdf

City Council at its meeting of October 30 to November 1, 2012 adopted with amendments the report "Toronto Water Capital Program Funding Pressures and Financing Options" which recommended exploring new financing strategies to address Toronto Water's the capital funding deficiencies over the longer term. That report can be viewed at: http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX23.3

As well, the General Manager, Toronto Water was directed in 2011 by City Council to report as part of the annual Capital Budget and Water and Wastewater Rate Report on the progress being made in respect of the Water Efficiency Plan. An update on the effects of water efficiency is presented in this report under the section headed "Water Consumption Forecast".
http://www.toronto.ca/legdocs/mmis/2011/bu/bgrd/backgroundfile-34918.pdf

The details of the proposed new and revised industrial waste surcharge agreement fees are outlined in the report from the General Manager, Toronto Water to the Public Works and Infrastructure Committee dated September 27, 2012 and entitled *"Sewers By-law Administration – Response to Request for Information"*, (the "Sewers By-law Report") which can be viewed at:
http://www.toronto.ca/legdocs/mmis/2012/pw/bgrd/backgroundfile-50495.pdf

ISSUE BACKGROUND

The City must adopt annually a by-law to establish its water and wastewater rates and service fees. Adoption of the concurrent recommended Toronto Water 2013 Operating and 2013-2022 Capital Budgets, together with the water rate structure plan, will necessitate an increase in the 2013 water and wastewater rates outlined in this report.

The Program also provides services directly to customers for which it charges a fee generally based on cost recovery. This report recommends inflationary increases to certain water and wastewater service fees, reflecting market conditions and current costs to Toronto Water; the introduction of one new service fee reflecting costs incurred for the establishment of any new industrial waste surcharge agreement; and updating the industrial waste surcharge fee structure with four revised and one new fee, as recommended by the General Manager, Toronto Water and adopted with amendments by the Public Works and Infrastructure Committee at its meeting on October 11, 2012.

COMMENTS

Financial Model

The financial model used to forecast water and wastewater rates is premised upon the objective that the Program remain fully self funded and financially stable, while both operating and capital needs are met without excessive year-over-year fluctuations over the long term.

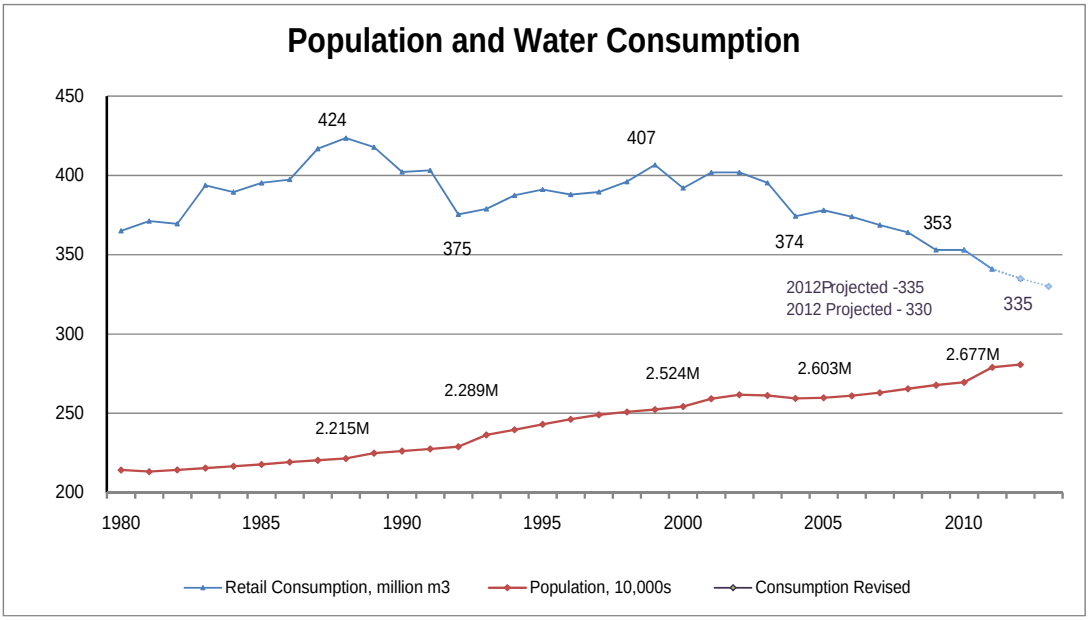
Toronto Water's recommended 2013 Operating and Capital Budgets, and ten-year plans, are considered together with the projected water consumption to generate the water and wastewater rates which will self-finance the Toronto Water program over the ten-year planning period, including reserve contributions. The current financing model does not rely on any debt issuance.

The 2013 model also assumes that 85% of the Net Capital budget (after grants, subsidies and other capital contributions) will actually be drawn from Toronto Water's Capital Reserve, based on the current capital completion level experienced by the program.

Water Consumption Forecast

Over the last decade, despite the increase in population, there has been a trend towards reduced consumption, as shown in Chart 2 below. Toronto's water consumption projected to 2012 year-end is estimated at 335 million cubic metres, which represents a substantial drop from 374 million cubic meters in 2005. Although weather conditions can have an effect on consumption, the observed systemic decline in water consumption is predominantly attributed to water efficiency measures and economic factors.

Chart 2 - Toronto Retail Water Consumption



Analysis confirms that there has been a systematic and permanent reduction in base consumption, demonstrated by consumption in the shoulder seasons from October to April (excluding summer months). Chart 3 shows that over the last 6 years, base water consumption has fallen 13.5% or 2.2% annually on average. Summer consumption, although more weather dependent, also shows a reduction over the same period of 11.7% or 1.7% annually.

Chart 3 – Water Production (2005 to 2012)

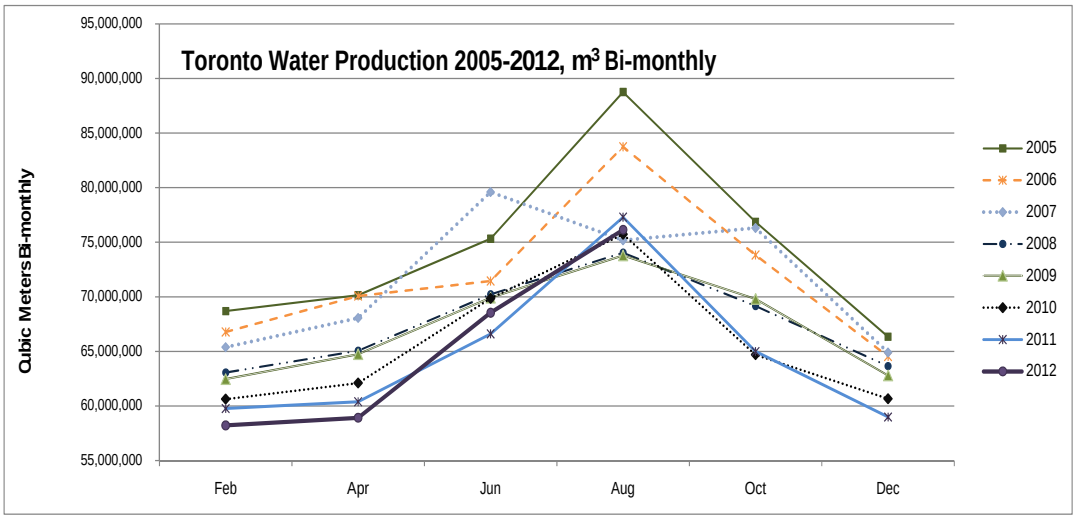
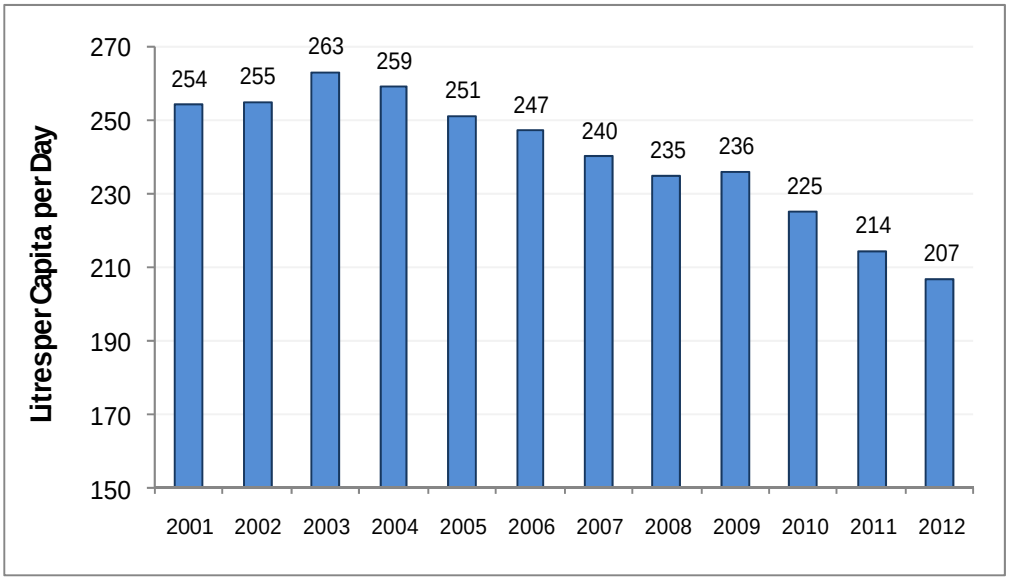


Chart 4 presents the average daily base (October to April) residential per capita consumption. It shows that residential consumption has decreased from a high of 263 litres per capita per day (LCD) in 2003 to an estimated 207 LCD in 2012, representing an estimated 21% decrease in average consumption – or a reduction of 2.4% per year.

Chart 4 - Average Residential Per Capita Base Demand (October to April) 2001 – 2012 (LCD)



This analysis demonstrates that water efficiency awareness continues to play a significant role in water consumption patterns. It is also projected, based on the "natural" rate of fixture and toilet replacement, and the continued market trends towards the manufacturing and sale of more water efficient fixtures and appliances, that Toronto's average per capita consumption could drop to as low as 150 litres per capita per day (LCD) by 2025.

Given the foregoing, staff project 2012 consumption to be 0.7% lower than 2011 actual consumption. Furthermore, for modelling purposes, the forecasted base consumption for the period 2013-2015 is assumed to drop by 1.5% a year, after which the decline is expected to be offset by population growth and to level out. In addition to the base consumption, the model also takes into consideration the impact of implementation of the City's Water Metering Program, which is expected to register higher consumption volumes as older large volume meters are replaced with more accurate ones.

The compounded effect of the reduction in both base consumption and summer consumption is resulting in significant reduction in forecasted revenue for the Program, limiting the available funding for capital priorities.

2013 Operating Budget and 2013-2022 Capital Plan

The concurrent Toronto Water 2013 Operating and Capital Budget Analyst Notes provide details on Toronto Water's proposed 2013 Operating and Capital Budgets, funded predominantly through the sale of water, based on the water and wastewater rate, with some contributions accrued through water and wastewater service fees, the Region of York water sale revenues and Development Charges.

A summary of the 2013 Operating Budget and Forecast, the 2013-2022 Capital Plan, and the resulting rate requirements is presented in Appendix A together with the sources of capital financing and corresponding reserve balances.

2013 Operating Budget

The 2013 Recommended Operating Budget gross expenditures of $394.394 million are outlined in detail in the concurrent Toronto Water 2013 Operating Budget Analyst Notes. The 2013 net expenditures inclusive of capital financing to be funded by the water rate are $874.292 million. A further $66.348 million is expected to be generated from the sale of water to the Region of York ($26.796 million) and User Fees ($39.551 million), for a total program expenditure and revenue of $940.641 million. The recommended capital contribution from operations for 2013 is $544.546 million.

2013-2022 Capital Plan

Toronto Water's Capital Program continues to be 100% self sustaining, largely through water revenues, with no debenture financing and no impact on the municipal property tax levy. However, declining water consumption trends and a number of competing infrastructure priorities has placed significant pressure on the long term capital program.

The 2013–2022 Recommended Capital Plan of $8.316 billion is based on the available funding provided by the current capital financing plan based on 9% water rate increases in 2013 and 2014, followed by 3% inflationary-related water rate increases beyond 2014.

The concurrent Toronto Water 2013 Capital Budget Analyst Notes provide details on Toronto Water's proposed 2013-2022 Capital Plan, which carries forward the estimated $1.1 billion reduction in last year's 10 year capital plan, while balancing competing capital program needs. Also identified were an estimated $540 million of unbudgeted capital project requests. As noted in the recent report "Toronto Water Capital Program Funding Pressures and Financing Options", a new financing strategy is required to address the deferral of projects, which includes basement flooding protection and combined sewer overflow control projects, and the unfunded capital project requests.

Capital Reserve Funds

The purpose of the Capital Reserve Funds (Water and Wastewater) is to provide funding for the capital needs of the Program. The rate model is predicated on replenishment through annual funding from the operating budget ("capital-from-current") sufficient to ensure that an adequate balance is maintained in these reserve funds.

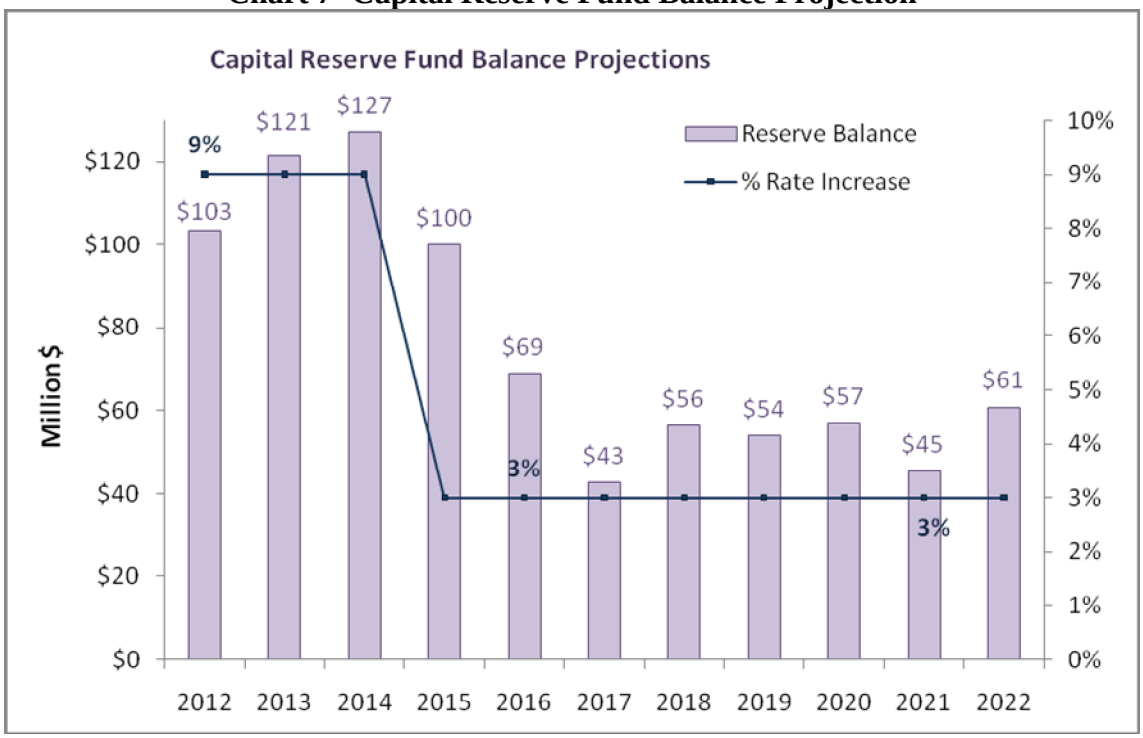
Chart 7 below shows the capital reserve fund balance for the period 2012-2022 and the projected effective annual rate increases. Due to lower than projected water consumption and higher than projected capital completion rates, a draw from the Rate Stabilization Reserve was required to balance the Capital Reserve at the end of 2011.

Correspondingly, the Rate Stabilization Reserve will have to be replenished by $2.7 million in 2012, which is reflected in the rate model.

The 2012 closing Capital Reserve balance is projected at $103 million, which benefited from a lower then forecasted capital draw rate of 74% in 2012, attributed to a slowdown in the delivery of capital projects during labour disruptions preparations and favourable contract tender pricing on various capital projects. As a result of the reduced 10 Year Capital Plan, a reserve balance above $100 million is expected to be maintained during 2013-2015 period. In subsequent years the reserve balance is expected to vary between $40 and $60 million which might be sufficient for funding in the event of an unforeseen circumstance and/or emergencies, but still represent only 0.2% of the water and wastewater infrastructure asset base of $28 billion.

Given the age of the City's water and wastewater infrastructure and the corresponding increased costs associated with the repair and replacement of an aging infrastructure, such as the unexpected failure of the Coxwell Sanitary Trunk Sewer, a healthy Capital Reserve Balance should be in the range of $100 million.

Chart 7 -Capital Reserve Fund Balance Projection



Rate Stabilization Reserves

The purpose of the Rate Stabilization Reserves (Water and Wastewater) is to provide funding to offset unanticipated operating budget variances, primarily arising from revenue shortfalls due to uncontrollable circumstances driving water consumption below projected levels. Circumstances giving rise to lower than forecasted consumption include loss of major water consumers and unusually wet summers.

As of October 2012, the Rate Stabilization Reserves Balance was below the approved target balance of $30 million due to a withdrawal at the end of 2011 to compensate for a higher than projected capital spending level. A contribution of $2,754,219 from within the program will be made the end of 2012 in order to replenish the Rate Stabilization Reserve back to $30 million.

Industrial Rate Competitiveness

As of January 2008, at the beginning of the implementation of the 2 block rate water structure, 349 industrial properties were identified as being eligible for the Block 2 rate. As of October 2012, there were 97 industrial accounts at the Block 2 rate, which is a substantial increase from the 64 accounts in 2011 attributed to the revised eligibility criteria adopted in November 2011, allowing for up to 6 months to resolve certain non-compliance with Chapter 681 of the Municipal Code.

Flat-rate Accounts

As of September 2012, there were approximately 28,560 flat-rate accounts compared to 72,000 accounts in 2007. Most of these are single-family residential homes. For 2013, this report recommends a 9% increase on the water rates imposed on flat-rate accounts, as is the case with metered customers.

Council at its meeting of June 23 and 24, 2008, approved the Automated Meter Reading System, now referred to as the Water Metering Program. The Program includes a systematic, City-wide water meter replacement program coupled with the concurrent installation of an automated meter reading technology over a 6 year period, which began in 2010. The installation of meters to flat-rate account customers is a first priority and is expected to be completed in 2013. However, studies have shown that once metered, a typical residential household account billing drops approximately 15 to 20%. This loss in revenue has been taken into consideration in water rate modeling and revenue forecasts.

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

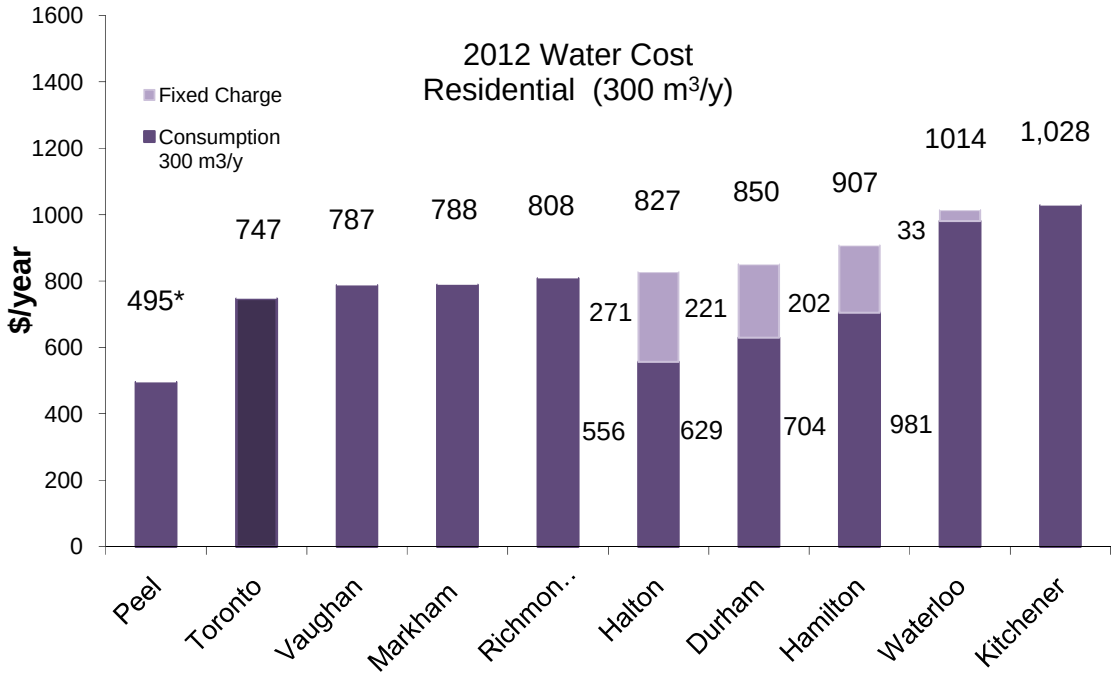
As part of the water rate restructuring policy, Council approved a water rate rebate program for low-income seniors and low-income disabled persons who meet the eligibility criteria as prescribed in the Municipal Code, Chapter 849. This rebate is set at the difference between the Block 1 and Block 2 rates, which represents a 30% reduction in their billing (based on the paid on or before due date rate). The rebate is only applicable if the household annual consumption is less than 400 cubic meters, to provide eligibility to those most in need.

In 2012 to date, the City has approved 3,800 applications for low income water rebates for the total amount of $433,000 in such rebates.

Comparison of Water Rates in GTA Municipalities

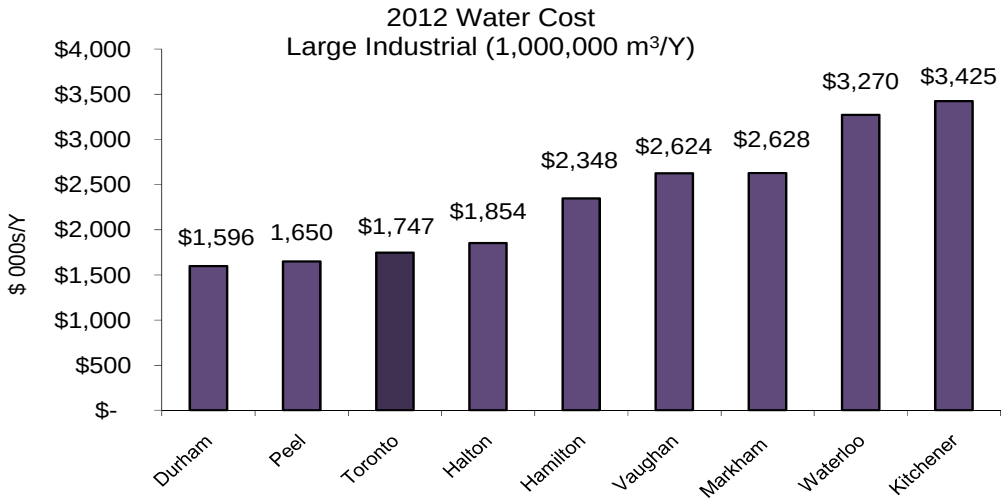
Toronto's 2012 water rate for residential consumers, in comparison to surrounding municipalities, is shown in Chart 9 (2013 rates for surrounding municipalities are not yet available). With the exception of Peel Region, where storm water related projects are funded from property taxes, based on the average household consumption of 300 cubic metres, Toronto is amongst the lowest water cost jurisdictions for residential consumers in southern Ontario. Chart 10 provides a similar comparison for large industrial users, and shows that Toronto is amongst the lowest water cost jurisdictions.

Chart 9 – GTA Residential Water Cost



Note: Peel stormwater funded from property tax

Chart 10 - GTA Industrial Water Cost



Water and Wastewater Service Fees

As noted earlier, while most of the Program's revenue is generated through the sale of water, other revenues are also accrued through user fees charged for various specific water and wastewater services. These fees are summarized in Appendix C.

In order to comply with the full cost recovery policy, it is recommended that certain water and wastewater service fees be increased by the applicable rate of inflation for 2013, except for those that are based on contracts for procured services, and which increase, therefore, reflects the actual contact price. The overall inflation factor for Toronto Water 2013 Budget is 1.8% including labour cost increase, energy, utilities, materials and contracted services.

Changes to the Industrial Waste Surcharge Program

Background

In 2008, the Auditor General noted that the surcharge rate used to calculate the industrial waste surcharge fees in the City's industrial waste surcharge agreements had not changed in over 10 years and recommended that Toronto Water develop a fee policy for industrial waste surcharge agreements based on a cost recovery basis. Also, in 2011, agreement holders through the Toronto Industry Network ("TIN") requested the City to consider adding Total Kjeldahl Nitrogen (TKN) as a new industrial waste surcharge parameter. In response to the Auditor General's recommendation and the request from TIN, Toronto Water retained Stantec Consulting Ltd. ("Stantec") to evaluate the user fee charges under the industrial waste surcharge program and to evaluate the feasibility of adding TKN as an industrial waste surcharge parameter.

As well, at its meeting on April 18, 2012, the City's Public Works and Infrastructure Committee requested the General Manager, Toronto Water, to report back to it, at its meeting on October 11, 2012, with a proposed policy and user fee changes for the City's industrial waste surcharge agreements effective 2013. This was done by the submission of the Sewers By-law Report, referenced in the Decision History section of this report, and addressed below.

The Sewers By-law Report to PWIC

The Sewers By-law Report to the Public Works and Infrastructure Committee details staff's recommendations to the industrial waste surcharge program as recommended in this report and, specifically, sets out the rationale for the recommended addition of TKN as a treatable parameter, the establishment of a new industrial waste surcharge agreement fee, the proposed increases to the rates for applicable treatable parameters, a new formula for the calculation of industrial waste surcharge fees under agreements and a phase in of the formula.

PWIC's Decision

The Public Works and Infrastructure Committee generally adopted certain staff recommendations set out in the Sewers By-Law Report, namely Recommendations 2(a), 2(b), and 2(c), also set out and recommended in this report. It also recommended amendment of Recommendation 2(d) that would establish the formula to be applied in the calculation of industrial waste surcharge fees so that it would apply only to the parameter that exceeds the Municipal Code Chapter 681 limits the most.

Recommendation 2(d) as set out in this report is the original staff recommendation, and not the amended recommendation of the Public Works and Infrastructure Committee. The Public Works and Infrastructure Committee also recommended deletion of Recommendation 2(e), which otherwise provides a six-year phasing in period of the full fees set out in Recommendation 2(c). Recommendation 2(e) as set out in this report is the original staff recommendation, and not the amended recommendation of the Public Works and Infrastructure Committee.

Should Budget Committee and City Council wish to give effect to these Public Works and Infrastructure Committee amendments, Recommendation 2(e) in this report would need to be deleted in its entirety and Recommendation 2(d) would need to be replaced by the following:

> *"2 d. Effective January 1, 2013, Type1 ODF Formula – Unit Cost per Kilogram (see Appendix D, hereafter called the "Type 1 Formula") be used for the calculation of surcharge fees, modified such that the calculation of surcharge fees be applied only to the parameter that exceeds the Municipal Code Chapter 681, Sewers limits the most."*

It should be noted that the Public Works and Infrastructure Committee did request that the Sewers By-law Report be forwarded to the Budget Committee for its meeting on November 7, 2012, to be considered concurrently with the 2013 Water and Wastewater Rates and Service Fees report and Toronto Water's 2013 Operating Budget, along with the appropriate recommendations to amend the Municipal Code

Recommended Inflationary Increases to Existing Fees

Inflationary increases to 12 water service fees in 2013 are being recommended (Reference Numbers: 1, 2, 5, 11, 12, 13, 15, 15.1, 17, 21, 25 and 32 in the attached Appendix C – Schedule 2, Water Service). Chart 12 summarizes the proposed changes, comparing the 2012 fee and the recommended fee for these services in 2013, as well as the rationale for the applied inflationary rate and expected annual revenue increase.

Chart 12 – Water Service Fee Recommended for Increase in 2013

Ref. No	Fee Description	2012 Fee	Proposed 2013 Fee	Estimated Annual Demand	Projected Revenue Increase	Rationale
1	Installing 19 mm New Residential Water Service and Meter	$2,575.00	$2,700.00	200	$25,000	5% increase based on new contracts issued in 2012 for 2013
2	Installing 25 mm New Residential Water Service and Meter	$3,050.00	$3,111.00	1000	$61,000	2% increase based on new contracts issued in 2012 for 2013
5	Disconnection Fee for any residential water service less than or equal to 25 mm	$400.00	$440.00	1,200	$48,000	10% increase based on new contracts issued in 2012 for 2013
11	Fire hydrant Permit	$150.00	$152.70	200	$540	Increased by 1.8% inflationary factor
12	Water meter accuracy test ; Meter less than or equal to 50mm - No Chamber - applied if meter does not over-register	$150.00	$152.70	260	$702	Increased by 1.8% inflationary factor
13	Water turn off fee for demolition; (disconnection of old water service not included)	$75.00	$76.35	2000	$2,700	Increased by 1.8% inflationary factor
15	Water Turn-off or Turn-on	$75.00	$76.35	7,800	$10,530	Increased by 1.8% inflationary factor
15.1	Single Service call Turn-off and Turn-on within 30 min	$75.00	$76.35	50	$67	Increased by 1.8% inflationary factor
17	Conduct fire hydrant flow test	$250.00	$254.50	300	$1,350	Increased by 1.8% inflationary factor
21	Unregistered water each day order not complied	$50.00	$50.90			Increased by 1.8% inflationary factor
25	Annual Seasonal Meter Activation Fee : includes replacement, removal of water meter; 1 turn on, 1 turn off	$30.00	$30.54	300	162	Increased by 1.8% inflationary factor
32	Reuse of residential water service 19 mm to 25 mm	$250.00	$254.50			Increased by 1.8% inflationary factor

In addition, there are eight wastewater service fees that are recommended for inflationary increase in 2013 (Reference Numbers: 4, 5, 6, 15, 16, 17, 18 and 19 in the attached Appendix C – Schedule 3, Wastewater Service). Chart 13 summarizes the proposed changes, comparing the 2012 fee and recommended fee for these services in 2013, as

well as the rationale for the applied inflationary rate increase and expected annual revenue increase.

Chart 13 – Wastewater Service Fee Recommended for Increase in 2013

Ref. No	Fee Description	2012 Fee	Proposed 2013 Fee	Estimated Annual Demand	Projected Revenue Increase	Rationale
4	To install new residential sanitary sewer service connection in road allowance	$7,150	$7,293	800	$114,400	2% increase based on new contracts issued in 2012 for 2013
5	To install new residential storm sewer service connection in road allowance	$7,150	$7,293	15	$2,145	2% increase based on new contracts issued in 2012 for 2013
6	To disconnect residential sanitary sewer service connection in road allowance	$750	$765	800	$12,000	2% increase based on new contracts issued in 2012 for 2013
15	Inspection fee for the reuse of residential City sewer connection up to 150 mm in diameter	$500	$510	150	$1,500	2% increase based on new contracts issued in 2012 for 2013
16	Technical Review by Toronto Water staff - Application to Toronto Water for exemption to permit the construction of a driveway sloped downwards towards a residential building.	$1,500	$1,527	20	$540	Increased by 1.8% inflationary factor
17	Technical Review by Toronto Water staff - Application to Toronto Water for new connection or relocation of storm, sanitary or water supply connection	$300 minimum fee; additional $74/hour for each hour after 4 hours to a maximum fee of $1,500	$305 minimum fee; additional $75.5/hr for each hour after 4 hrs to a mximum of $1,527	15	$405	Increased by 1.8% inflationary factor
18	Technical Review by Toronto Water staff - Application to Toronto Water for request to encroach within a City permanent or temporary easement (related to City water and sewer infrastructure)	$300 minimum fee; additional $74/hour for each hour after 4 hours to a maximum fee of $1,500	$305 minimum fee; additional $75.5/hr for each hour after 4 hrs to a mximum of $1,527	4	$108	Increased by 1.8% inflationary factor
19	Technical Review by Toronto Water staff - Application to Toronto Water for request to release from title a City easement (related to City water and sewer infrastructure)	$300 minimum fee; additional $74/hour for each hour after 4 hours to a maximum fee of $1,500	$305 minimum fee; additional $75.5/hr for each hour after 4 hrs to a mximum of $1,527	3	$81	Increased by 1.8% inflationary factor

Additional Proposed Fee Changes

A change is recommended to the fee for water drawn from unmetered hydrants, to charge for 50 cubic meters of water at the current water rate for water use from an unmetered hydrant instead of on a flat fee basis. The current flat fee of $100 hasn't been updated in the last two years and reflects the water rate of 2010. The recommended change to the fee basis and fee amount as set out in Appendix C - Schedule 2, Water Services, Ref. No. 18, will reflects more accurately the actual cost of providing the service.

	Ref	I. Service	II. Fee Description	III. Fee Basis	Fee	Annual Adj
2012	18	Revenues - District Operations	Unmetered water from each unmetered hydrant- less than or equal to 50 cubic meter	Flat Rate	$100.00	No
2013	18	Revenues - District Operations	Unmetered water from each unmetered hydrant- less than or equal to 50 cubic meter	Per 50 cubic meters	50m3 @ Block 1 Water Rate	No

As a technical amendment, Appendix D, Schedule 2, "Water Services Ref. No.8 – Installation of Water Service – non-residential of any size or residential > or = to 25 mm" is to be deleted since it is the same as Ref. No. 4 of the same Schedule 2.

CONTACT

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SIGNATURES

Giuliana Carbone
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General Manager, Toronto Water

ATTACHMENTS

Appendix A – Summary of 2013 Operating and Capital Budget and Forecast, Corresponding Rate Increase and Capital Financing
Appendix B – 2013 Water Rates for Metered and Flat Rate Customers
Appendix C – 2013 Water and Wastewater Service Fees
Appendix D – Over Strength Discharge Fees (ODFs) Calculation Formula

Appendix A – Summary of 2013 Operating and Capital budget and 2013-2022 Capital Plan and Operating Forecast, Corresponding Rate Increases, and Capital Financing, $ Million

			2013 - 2022 Plan									
TORONTO WATER	**2012 Budget**	**2012 Projected**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Gross Operating Budget	385.96	357.65	396.09	406.23	418.41	430.97	443.89	457.21	470.93	485.06	499.61	514.60
Capital from Current	507.37	516.04	544.55	605.94	611.30	635.38	654.37	672.83	691.77	717.85	738.15	759.04
Net Expenditure to be Financed by Water Rate	893.33	873.69	940.64	1,012.17	1,029.72	1,066.35	1,098.27	1,130.04	1,162.70	1,202.90	1,237.75	1,273.63
WATER RATE INCREASE	**9%**	**9%**	**9%**	**9%**	**3%**	**3%**	**3%**	**3%**	**3%**	**3%**	**3%**	**3%**
Other Revenues	63.56	57.87	66.35	68.78	71.28	73.85	76.48	78.09	79.74	81.43	83.17	84.95
Total Revenues	956.89	931.57	1,006.99	1,080.95	1,101.00	1,140.19	1,174.74	1,208.12	1,242.43	1,284.34	1,320.92	1,358.58
CAPITAL FINANCING												
Gross Capital Budget	607.52	642.89	657.27	742.58	783.32	803.54	826.76	827.14	878.63	917.90	957.00	922.49
Net Capital Budget	558.93	596.65	617.21	703.94	748.88	781.81	798.03	801.05	836.96	858.76	895.44	876.34
Capital Reserve Funding Level	85%	74%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%
Net Capital Spending	475.09	441.70	524.63	598.35	636.55	664.54	678.32	680.89	711.41	729.94	761.12	744.89
CAPITAL RESERVE CLOSING BALANCE	**19.94**	**103.31**	**121.43**	**127.22**	**100.07**	**68.85**	**42.64**	**56.39**	**54.03**	**57.08**	**45.45**	**60.79**