



2013 Operating Budget - Recommended New and Enhanced Services Summary of Administrative Review

| TYPE | PRIORITY | NON-LEVY CITY OPERATIONS Toronto Water | Recommended Adjustments | | | | 2014 Net Incremental Outlook (\$000s) | 2015 Net Incremental Outlook (\$000s) |
|------|----------|---|---|-------------------------------------|---------------------------|------------------------------------|--|--|
| | | | Change in Gross Expenditure (\$000s) | Change in Revenue (\$000s) | Net Change (\$000s) | Change in Approved Positions | | |

| | | | | | | | | |
|----|---|---|-----|-----|-----|-----|-----|-----|
| N6 | 1 | Changes to the City's Industrial Waste Surcharge Program / Additional User Fee Revenue | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
|----|---|---|-----|-----|-----|-----|-----|-----|

(TW-N001)

Service / Activity: MULTIPLE / N/A

Description:

The City of Toronto was one of the first municipalities in Canada to incorporate pollution prevention (P2) planning requirements into its Sewers By-law. The Sewers By-law sets strict limits on the quantity of heavy metals and toxic organic compounds in wastewater discharged to the sanitary and storm sewers and natural watercourses. Some waste streams discharged into the City's sewers from food processing plants can be treated at the City's sewage treatment plants which is accomplished through surcharge agreements. Most companies enter into an industrial waste surcharge agreement to meet the Sewers By-law requirements, as it is generally more cost effective than installing a wastewater treatment system on site.

Companies that have entered into an industrial waste surcharge agreement with the City may exceed sanitary concentration limits for any of the four treatable parameters: biochemical oxygen demand (BOD), phenolics (4AAP), total phosphorus (TP) and total suspended solids (TSS). Total Kjeldahl Nitrogen (TKN) is not currently a treatable parameter. In 2011, the City had industrial waste surcharge agreements with 154 companies and recovered approximately \$8.5 million in costs. The City is not currently recovering its full cost of providing waste water treatment under the industrial waste surcharge program.

A report proposing changes to the City's industrial waste surcharge program including the addition of Total Kjeldahl Nitrogen (TKN) as a treatable parameter, the introduction of new rates for treatable parameters and a new formula for the calculation of fees, was considered by the Public Works and Infrastructure Committee on October 11, 2012.

Implementation of the proposed changes to the City's industrial waste surcharge program as described in that report would result in an estimated increase in revenue of \$3.6 million into Toronto Water's Operating budget comprised of increases of \$0.584 million in 2013; \$0.605 million in 2014; \$0.605 million in 2015; \$0.605 million in 2016; \$0.605 million in 2017; and \$0.605 million in 2018. Incremental implementation costs related to the addition of TKN as a surcharge parameter are minimal and will be accommodated within the exiting operating budget. Anticipated revenue increases, phased in over a six-year period, will provide for a full cost recovery by the end of implementation period, while allowing companies sufficient time to make changes to their internal processes and budget forecast. The average annual increase to companies over this period of time would be approximately 7%.

The Public Works and Infrastructure Committee amended the staff recommendations as it pertains to the calculation of the fees. Instead of charging for all parameters in the waste stream, the PWIC recommends to charge for only the parameter that exceeds the By-law limit the most for partial cost recovery effective 2013. This would provide for incremental revenues estimated at \$0.740 million in 2013. There would be no six-year phase-in period.

The 2013 Recommended Operating Budget reflects the recommendations contained in the original staff report. Any changes resulting from Council's approval of the above report will be included in the 2013 Operated Budget which will be considered concurrently.

Service Level Change:

The recommended changes will provided increased servcie levels by adding the Total Kjeldahl Nitrogen (TKN) to the list of treatable parameters.

Category Legend - Type

- N1 - Enhanced Services - Operating Impact of 2010 Capital
- N2 - Enhanced Services - Service Expansion
- N3 - New Service - Operating Impact of 2010 Capital
- N4 - New Services
- N5 - New Revenues
- N6 - New User Fee Revenue



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| | | ADMIN: Recommended. | 0.0 | 583.9 | (583.9) | 0.0 | (604.8) | (604.8) |
| | | | 0.0 | 583.9 | (583.9) | 0.0 | (604.8) | (604.8) |

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