

Proposed Stakeholder Consultation with Water Users in Furtherance of the City's Economic Competitiveness Strategy

Date: November 12, 2019

To: Budget Committee

From: General Manager, Toronto Water, and General Manager, Economic Development & Culture

Wards: All

SUMMARY

This report is in response to an earlier City Council direction to report to the Budget Committee as part of the 2020 Budget Process. The report seeks City Council authority to undertake consultation with various stakeholders and the public to determine what, if any, water fees and charges, programs or other measure designed to support business retention, economic growth, investment and employment, Toronto Water might recommend to City Council in furtherance of the objectives of the City's economic competitiveness strategy. It is further recommended that the General Manager, Toronto Water, in consultation with the General Manager, Economic Development & Culture, report back on the Infrastructure and Environment Committee on the outcome of the stakeholder consultation once completed.

RECOMMENDATIONS

The General Manager, Toronto Water, and the General Manager, Economic Development & Culture, recommend that:

1. City Council authorize the General Manager, Toronto Water, in consultation with the General Manager, Economic Development & Culture, to undertake stakeholder consultation with water users to determine what, if any, water fees and charges, programs or other measures designed to support business retention, economic growth, investment and employment, Toronto Water might recommend to City Council in furtherance of the objectives of the City's economic competitiveness strategy and that such consultation include, but not be limited to, a consideration of the following:

- a. current support programs offered by Toronto Water for Industrial, Commercial & Institutional ("IC&I") customers;
- b. related municipal best practices in other jurisdictions;
- c. current policies and practices under the Municipal Code Chapter 681, Sewers By-law ("Sewers By-law"), with a view to identifying any potential opportunities for the implementation of further administrative efficiencies; and
- d. possible dedicated stormwater management charge for owners of commercial and retail parking lots to recover the serviceable costs of the collection, transmittal and treatment of stormwater run-off generated by those parking lots.

2. City Council request that the General Manager, Toronto Water, in consultation with the General Manager, Economic Development & Culture, report back to the Infrastructure and Environment Committee on the outcome of the stakeholder consultation once completed.

FINANCIAL IMPACT

The costs associated with the recommended stakeholder consultation program are included in Toronto Water's 2020 Recommended Operating Budget.

There are no other financial impacts resulting from the adoption of the recommendations in this report.

The Chief Financial Officer and Treasurer has been provided the financial impacts associated with this report for review as part of the 2020 budget process.

DECISION HISTORY

At its meeting on March 7, 2019, City Council adopted Item EX2.2. as amended, entitled "2019 Rate Supported Budgets – 2019 Water and Wastewater Consumption Rates and Service Fees" resulting in the adoption of the 2019 Water and Wastewater Consumption Rates and Service Fees effective April 1, 2019. City Council further directed the General Manager, Toronto Water and the General Manager of Economic Development & Culture to report to the Budget Committee for consideration as part of the 2020 Budget Process on how Toronto Water can amend water charges for all services that could be beneficial to manufacturers and large water users and meet other Toronto Water and Economic Development & Culture policy objectives.

The City Council decision can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX2.2>

On May 24, 25 and 26, 2017, City Council considered and received for information Item EX25.6 entitled "Proposed Stormwater Charge – Results of Consultation and Next Steps", containing recommendations from the General Manager of Toronto Water and the Deputy City Manager and Chief Financial Officer to consult with all stakeholders and report back with a review of the water rate structure as it pertained to fixed-cost elements of the City's water, wastewater and storm water programs that would be appropriate to recover through a fixed-rate and/or a fixed-fee, on the water account portion of the utility bill, rather than through the current water rate structure, and additional associated matters related to stormwater management.

City Council's decision can viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX25.6>

COMMENTS

The City recognizes the importance of sustainable economic growth and is committed to making Toronto a place where business thrives. The City values measures that promote and support business retention, economic growth, investment and employment and seeks opportunities to advance these objectives through its policies and programs when possible. The City invites and encourages stakeholder consultation and their informed feedback.

To this end, staff have engaged with some members of the Toronto Industry Network ("TIN"), a group of manufacturers with operations in the City of Toronto. Through this engagement, TIN has advocated for changes it believes will improve the manufacturing competitiveness of TIN's members. Many of the issues raised by TIN align with the recommendations in this report and support the need for a comprehensive outreach to the broader public and other key water user stakeholders, including the development industry and the Toronto Board of Trade.

While the City of Toronto already provides competitive water rates for its business sector and offers several incentive programs for businesses and manufacturers to lower their water utility bill, a review and comparison of water rate models utilized by other municipalities such as the dedicated fixed cost charge model in Halton, Durham, Hamilton and Richmond Hill should be considered among others through the recommended stakeholder consultation process. The pros and cons of alternate water rate models including any benefits to large water users and any associated financial and administrative impacts to other water users and the City would be analysed and brought forward in a staff report.

Through Toronto Water, the City of Toronto provides several progressive water efficiency and conservation programs for the IC&I sectors that are geared to support economic, social and employment objectives, reduce greenhouse gases and reduce energy demand.

For individual businesses and customers within the IC&I sector, investing in water efficiency makes good business sense as reduction in water use can:

- lower operating costs by reducing water purchased from Toronto Water;
- enhance public image by demonstrating commitment to the environment; and
- increase competitiveness by saving money and attracting new loyal customers.

Businesses can initiate a water efficiency program by contacting Toronto Water at savewater@toronto.ca and engage Toronto Water's Business Support team.

To support businesses and customers within the IC&I sectors, Toronto Water offers and promotes the following programs.

Capacity Buyback Program

The Capacity Buyback Program encourages and rewards commercial and institutional organizations by:

- offering a free water audit to help identify ways to reduce water use;
- rewarding participants that implement permanent water-saving measures with a one-time cash rebate of up to 30 cents per litre of water saved per average day; and
- helping participants with reduced water bills.

Industrial Water Rate Program

The City's Industrial Water Rate Program offers a discounted water rate to manufacturers in Toronto to help support economic growth and encourage water conservation (also called the "Block 2" water rate).

This program is open to eligible manufacturers that:

- use more than 5,000 cubic meters of water annually;
- fall within the industrial property tax class;
- use water exclusively for industrial and manufacturing processes;
- are in full compliance with Toronto's Sewers By-law; and
- submit a comprehensive water conservation plan to the satisfaction of the General Manager, Toronto Water.

Sewer Surcharge Rebate Program

Businesses in Toronto may also be eligible for a rebate on water not discharged into the sanitary sewer system (i.e. water evaporated from cooling towers or used to make a product). The rebate is based on the percentage of water not returned to the sanitary sewer system, and is applied to the sewer portion of the water rate.

Additional information regarding eligibility criteria, application requirements and explanatory case studies, in addition to related information regarding online viewing of water use, fees and billing information and Water and Sewer Related Permits and By-laws is available at:

<https://www.toronto.ca/services-payments/water-environment/how-to-use-less-water/water-efficiency-for-business/sewer-surcharge-rebate-program/>

Review of Municipal Best Practices

In undertaking the stakeholder and public consultation proposed in this report, it is important to review and consider support programs offered in other municipalities to build our understanding of municipal best practices that may be applicable to the City of Toronto to support business retention, growth, investment and employment. Some examples of municipal support programs for businesses are summarized below.

London, UK

The Thames Water authority in London, United Kingdom, supports water efficiency programs for businesses through a program that is designed to save water, reduce energy use and therefore save money for participating businesses. To support water efficiency programs, Thames Water offers water saving devices for taps, toilets and showers through a program called "Business Freebies".

New York, USA

New York City's "One Water NYC: 2018 Water Demand Management Plan", that engages in partnerships with mixed-use property owners, large commercial buildings, hotels, restaurants, hospitals and universities to develop to design and undertake water efficiency programs via "Water Challenges".

Seattle, USA

Seattle Public Utilities in Washington, USA, runs a program called "Saving Water Partnership" for businesses with a focus on growing a business through engagement of utility staff to assist businesses undertake comprehensive water conservation programs.

Portland, USA

Through the "Prosper Portland" program in Portland, Oregon, USA, businesses are supported through a commercial green grant program, provision of technical assistance by City staff and a revolving loan and investment fund to support LEED standard building construction. Portland also has a stormwater credit that allows up to 100% reduction if stormwater is contained onsite.

Kitchener-Waterloo, ON

For non-residential property owners Kitchener-Waterloo offers a credit on stormwater bills (up to 45 percent) for: (i) flood reduction or quantity control measures, including roof top storage, parking lot storage, underground storage, stormwater management ponds and green roofs; (ii) pollution controls for suspended solids through bio swales and salt management plans; and (iii) education programs for customers, employees, students and tenants.

Kingston, ON

Utilities Kingston in Kingston, Ontario, provides an incentive program for local businesses that features a financial incentive of \$5 per cubic metre of annual permanent combined water and sewer savings, and reimbursement of up to 20 percent of project costs for upgrades to water fixtures and equipment.

Applications for support of water efficiency programs include institutional toilet replacement projects, retrofits of commercial laundry or kitchen equipment and any project that can demonstrate a permanent reduction in water consumption or sewer discharge. For social housing providers there is a higher cap of 50 percent of qualifying project costs, including a Toilet Replacement Rebate Program to support upgrades to more efficient toilets in commercial and multi-residential properties.

As noted above, TIN has advocated for certain changes in support of its members. Among those, TIN has proposed certain modifications to the City's current policies and practices related to the administration of the Sewers By-law, which it contends will not only improve the competitiveness of Toronto's manufacturing sector, but will also result in a reduction in Toronto Water's administrative and operating costs. For example, TIN has asked Toronto Water to consider a flat administrative fee per water account, a rebate incentive, a charge to treat over-strength discharge, a minimum effluent volume threshold, the self-reporting of effluent testing and an extension of the application period from 1 to 3 years for the City's sewer surcharge rebate program.

City staff believe it is important to consider aspects of TIN's proposals but in the context of the broader stakeholder process recommended in this report. As TIN is one of several important business and industry advocacy bodies, it will be critical to reach out and engage numerous stakeholders through a consultation program to gain the benefit of their input and recommendations for any modifications to the City's Sewers By-law and procedures and the introduction of any new efficiency measures.

A post stakeholder consultation staff report will be prepared on the consultation process, and carry a review of administrative impacts, regulatory considerations and associated financial impacts of recommended efficiency measures that may arise and be brought forward to Committee for consideration.

In addition to proposals that may introduce efficiencies and stream-lining of administrative procedures, TIN advocates for the re-introduction of a feasibility study regarding the establishment of a stormwater charge it believes will provide transparency and accountability regarding Toronto Water's stormwater management program, including allocation of costs.

The City's stormwater management program is currently funded from the water rate. The recommendations in this report, if adopted, would direct staff through the stakeholder consultation process to review the water rate structure as it pertains to identifying fixed-cost elements that would be appropriate to charge as a dedicated stormwater management fee or charge for owners of commercial and retail parking lots who may or may not have an existing water account with the City. Currently, because the cost associated with stormwater management, including collection, transmittal and treatment, is not separate and removed from the water rate this results in the distribution of costs for stormwater run-off from parking lots to be aggregated across all water account customers and does not provide a financial incentive for the owner of a commercial or retail parking lot to reduce their stormwater run-off.

In addition to allocating specific charges for stormwater run-off, some jurisdictions, such as Kitchener-Waterloo and Portland, USA, offer financial credits for the construction of

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green infrastructure (e.g. bio-swales to provide retention and evaporation, and storage tanks to provide for the slow release of stormwater run-off) to provide a direct financial incentive to reduce stormwater run-off and its impacts such as downstream erosion, impacts on water quality and basement flooding.

This report recommends that a stakeholder consultation program be undertaken to, among other things, gain input and feedback on a possible dedicated stormwater management charge for owners of commercial and retail parking lots to recover the serviceable costs of the collection, transmittal and treatment of stormwater run-off generated by those parking lots. That consultation program would also incorporate consideration of the aforementioned financial credit programs of jurisdictions such as Kitchener-Waterloo and Portland, USA.

Stakeholder consultations would consist of public meetings, industry engagement and one-to-one interviews. The consultation program will target a broad audience of businesses, industry associations and commercial and retail parking lot owners.

It is recommended that General Manager of Toronto Water, in consultation with the General Manager of Economic Development & Culture, be authorized to undertake the stakeholder consultation program and to report back to the Infrastructure and Environment Committee on the results.

CONTACT

Lawson Oates, Director, Environment & Administration, Toronto Water, Tel: 416-392-8223, Lawson.Oates@toronto.ca

John Alderdice, Manager, Business Retention and Expansion, Economic Development & Culture, Tel: 416-392-1004, John.Alderdice@toronto.ca

SIGNATURE

Lou Di Gironimo, General Manager, Toronto Water

Michael H. Williams, General Manager, Economic Development & Culture