

January 26, 2011

To: Executive Committee

From: Budget Committee

Subject: Rate Supported Budgets – Toronto Water – 2011 Operating and Capital Budgets;
2011 Water and Wastewater Rates

Recommendations:

The Budget Committee recommends to the Executive Committee that:

Toronto Water – Operating Budget

1. City Council approve the 2011 Recommended Operating Budget for Toronto Water of \$390.022 million gross and \$430.976 million in capital-from-current contribution, as funded by the water and wastewater user rates and other recoveries, comprised of the following services:

<u>Service:</u>	<u>Gross</u> <u>(\$000s)</u>	<u>Net</u> <u>(\$000s)</u>
Water Supply & Treatment	66,324.2	0.0
Wastewater Treatment	105,435.9	0.0
District Operations	92,069.5	0.0
Water Infrastructure Management	9,875.7	0.0
Business Operations Management	20,586.8	0.0
Operational Support	35,717.4	0.0
Program Support	60,012.0	0.0
Capital-from-Current Contribution	430,976.3	0.0
Total Program Budget	820,997.8	0.0

2. City Council approve a moratorium on the Voluntary Downspout Disconnection Program for 2011.

3. City Council request the Public Works and Infrastructure Committee to consider a Voluntary Downspout Disconnection Program in 2012.
4. City Council approve a moratorium on the Drain Grant Program for 2011.
5. City Council request the Public Works and Infrastructure Committee to consider a Drain Grant Program in 2012.

Toronto Water – Capital Budget

6. City Council approve the 2011 Recommended Capital Budget for Toronto Water with a total project cost of \$494.093 million, and 2011 cash flow of \$653.591 million and future year commitments of \$2.581 billion comprised of the following:
 - a. New Cash Flow Funding for:
 - i. 224 new/change in scope sub-projects with a 2011 total project cost of \$494.093 million that requires cash flow/cash flow adjustments of (\$104.428 million) in 2011 and a future year commitment of (\$56.613 million) in 2012; \$97.417 million in 2013; \$90.481 million in 2014; \$222.297 million in 2015; \$79.649 million in 2016; \$52.958 million in 2017; \$34.534 million in 2018; \$22.870 million in 2019 and \$54.928 million in 2020;
 - ii. 208 previously approved sub-projects with a 2011 cash flow of \$664.104 million and a future year commitment of \$632.949 million in 2012; \$476.757 million in 2013; \$413.179 million in 2014; \$183.988 million in 2015; \$101.074 million in 2016; \$72.783 million in 2017; \$55.065 million in 2018 and \$46.837 million in 2019;
 - b. 2010 approved cash flow for 29 previously approved sub-projects with carry forward funding from 2010 into 2011 totalling \$93.915 million.
7. City Council approve the 2012-2020 Recommended Capital Plan for Toronto Water totalling \$5.488 billion in project estimates, comprised of \$147.125 million in 2012; \$225.430 million in 2013; \$342.104 million in 2014; \$510.573 million in 2015; \$742.106 million in 2016; \$816.426 million in 2017; \$864.648 million in 2018; \$907.710 million in 2019; and, \$931.480 million in 2020.
8. City Council consider operating impacts of \$0.095 million in 2012; \$0.288 million in 2013; \$0.588 million in 2014; \$0.453 million in 2015; \$0.257 million in 2016; 0.159 million in 2017; \$0.111 million in 2018 and \$0.171 million in 2019 emanating from the approval of the 2011 Recommended Capital Budget for inclusion in the 2012 and future year operating budgets.
9. City Council approve 11.0 temporary positions from 2011 to 2017 required for the delivery of the Water Metering Program capital project.
10. Land Acquisition for Source Water Protection funding also be available for Erosion Control projects, located within the City of Toronto limits.

11. **Toronto Water continue to review HST impacts on a project by project basis and apply required adjustments to the capital program through the 2012 Capital Budget Submission and transfer any savings identified in 2011 back to the Water and Wastewater Capital Reserve.**

2011 Water and Wastewater Rates

12. **The report (January 5, 2011) from the Deputy City Manager and Chief Financial Officer and the General Manager, Toronto Water, entitled "2011 Water and Wastewater Rates", be considered concurrently with the 2011-2020 Capital Plan and the 2011 Operating Budget, and that:**

- a. **Effective March 1, 2011, the combined water and wastewater rates charged to metered consumers shall be as shown below and in Appendix A 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 m³	\$2.2842	\$2.4045
Block 2 - Industrial tax class, volumes consumed over 6,000 m³, representing 30% reduction from the Block 1 Rate	\$1.5989	\$1.6831

- b. **The water and wastewater rates charged to flat rate consumers be increased by 10.8%, effective March 1, 2011, to the rates shown in Appendix A attached to the report (January 5, 2011) from the Deputy City Manager and Chief Financial Officer and the General Manager, Toronto Water;**
 - c. **Effective March 1, 2011, the water and wastewater service fees shall be as shown in Appendix B attached to the report (January 5, 2011) from the Deputy City Manager and Chief Financial Officer and the General Manager, Toronto Water; and**
 - d. **Effective March 1, 2011, an administrative fee be charged to reflect a change in ownership on an existing utility account, with the fee to be set at \$35.00 per ownership change per utility account, as set out in Appendix B - Water Services, Ref. No. 33.**
13. **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 \$0.6853 /m3, effective March 1, 2011, representing a 30% reduction from the Block 1 Rate.**

14. The necessary amendments be made to Municipal Code Chapter 441, Fees and Charges, and Municipal Code Chapter 849, Water and Sewage Services and Utility Bill, and any other necessary Municipal Code Chapters as may be required, to give effect to Recommendations (1) and (2) in the report (January 5, 2011) from the Deputy City Manager and Chief Financial Officer and the General Manager, Toronto Water.
15. 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 and Chief Financial Officer and the General Manager, Toronto Water.
16. The appropriate City officials be authorized and directed to take the necessary actions to give effect thereto

Lead in Drinking Water Mitigation Strategy

17. The Water Service Replacement Program be modified as proposed in the report (January 5, 2011) from the General Manager, Toronto Water, entitled "Lead in Drinking Water Mitigation Strategy", to target the replacement of 5,000 substandard water service connections per year, through planned infrastructure renewal programs, emergency responses and priority replacements.
18. Emergency replacement of the City-owned section of the water service will be provided in cases where:
 - a. the water service is broken; or
 - b. if the water service cannot deliver the minimum flow of seven litres per minute measured at the first entry point to the house for single-family, duplex or triplex residential properties; and where
 - c. the seven litre per minute criterion does not apply to non-residential properties (including mixed use of residential and non-residential properties) where the owners of these properties must apply and pay for an upgraded new service if the existing service does not meet its minimum flow requirements.
19. Priority replacements of the City-owned section of lead water service connections, shall be capped at 1,500 replacements per year, and will only be undertaken in cases where:
 - a. the City owned section is lead; and
 - b. the property owner replaces the privately-owned section of the lead service connection prior to, or at the same time, the City owned section is replaced.

20. **The City-owned sections of substandard water service connections will be replaced with:**
 - a. **a 19 mm copper service, in accordance with the City's current standard, when the existing City section of the service connection is 19 mm in diameter or smaller, at no cost to the property owner; or**
 - b. **the same size connection in cases where the existing City section of the service connection is greater than 19 mm, at no cost to the property owner;**
 - c. **a larger diameter copper service, as may be requested by the property owner, subject to charges, paid for by the property owner, Effective March 1, 2011, of:**
 - i. **a \$500 flat fee for 25 mm services; or**
 - ii. **the actual replacement cost plus 15% administration fee for services greater than 25 mm.**
21. **Drinking water quality testing for lead continue to be provided at no cost to the property owner.**
22. **The existing Faucet Filter Rebate Program be expanded to provide:**
 - a. **one free NSF-053 certified faucet mounted lead removal filter per year to the property owner, until the Corrosion Control Plan takes effect, and where:**
 - i. **there is a child under six (6) years old and/or a pregnant woman living in the home; and**
 - ii. **the home is a single family, duplex or triplex building; and**
 - iii. **the annual household income is less than \$50,000; and**
 - b. **a one-time free NSF-053 certified faucet mounted lead removal filter to the property owner along with a door-hanger immediately following the replacement of City-owned section of the water service.**
23. **Pending approval of the Corrosion Control Plan submitted by Toronto Water to the Ontario Ministry of the Environment, Toronto Water undertake to complete the necessary studies to finalize the design of works/measures in accordance with the schedule and requirements prescribed by the Ontario Ministry of the Environment.**
24. **A Public Education and Communication Program supporting the City's new Lead in Drinking Water Mitigation Strategy be developed to include:**
 - a. **a public communication strategy to provide information to residents regarding the City's strategy to address lead concerns in drinking water;**
 - b. **a user-friendly website that will provide residents up-to-date information about the City's comprehensive strategy featuring content provided by and approved by Toronto Water and Toronto Public Health; and**

- c. a public notification protocol for all water service replacement construction projects, which includes the use of advance notification letters and post-replacement public education material to allow residents sufficient time to plan and prepare for possible replacement of the privately-owned portion of the lead water service, as well as advise them of the necessary post-replacement actions they must take to further reduce their exposure to lead from drinking water.
25. The necessary amendments be made to Municipal Code Chapter 441, Fees and Charges, and Municipal Code Chapter 849, Water and Sewage Services and Utility Bill, and any other necessary Municipal Code Chapters as may be required, to give effect to Recommendation 10 above.
 26. 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 and Chief Financial Officer and the General Manager, Toronto Water.
 27. The appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

Water Efficiency Plan Update - 2011

Report (January 11, 2011) from the General Manager, Toronto Water, entitled "Water Efficiency Plan Update – 2011"

28. Effective March 1, 2011:
 - a. All existing financial incentive programs provided for the change-out of toilets, urinals and clothes washers through the City's Water Efficiency Plan be terminated.
 - b. The "Summer Water Saver Program" be terminated.
 - c. Toronto Water continue to offer the "Capacity Buy-Back Program" to the business community to help achieve water efficiencies. Efficiencies achieved are to be reported annually through Toronto Water's Capital Budget submission.
 - d. Toronto Water continue, through the Capacity Buy-Back Program, to seek out opportunities with other Utilities to cost-share, where possible, the implementation of water efficiency measures and fixtures.
 - e. Toronto Water implement a City-Wide Water Loss Reduction and Leak Detection Program, beginning in 2011.
 - f. The General Manager, Toronto Water, report through the annual Capital Budget and Water and Wastewater Rate Report submissions on progress made in reducing water consumption and water losses within its water transmission and distribution system.

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

Background:

The Budget Committee on January 10, 12, 24 and 25, 2011, considered:

- a. the recommendations in the Operating Analyst Notes for Toronto Water;
- b. the report (January 5, 2011) from the Deputy City Manager and Chief Financial Officer and the General Manager, Toronto Water, entitled "2011 Water and Wastewater Rates";
- c. the report (January 5, 2011) from the General Manager, Toronto Water, entitled "Lead in the Drinking Water Mitigation Strategy";
- d. the report (January 11, 2011) from the General Manager, Toronto Water, entitled "Water Efficiency Plan Update – 2011";
- e. the recommendations in the Capital Analyst Notes for Toronto Water; and
- f. the letter (June 14, 2010) from the City Clerk, referring the following recommendation of the Public Works and Infrastructure Committee to the Budget Committee for consideration as a new project during the 2011 Property Tax and Rate Capital Budget process:

"City Council approve the completion of the Scarborough Waterfront Trail [Option C in the report (March 31, 2010) from the General Manager, Toronto Water] with an additional \$2 million for fisheries habitat improvements and authorize the General Manager, Toronto Water, to make the necessary provisions in the 2011 Capital Budget to expedite the implementation of the Scarborough Waterfront Trail, funded at a rate of \$7 million/year."

The Budget Committee on January 10, 2011, received a presentation from the General Manager, Toronto Water, entitled "2011 Recommended Operating Budget and the 2011-2020 Capital Plan".

The following Members of Council addressed the Budget Committee on January 10, 2011:

- Councillor Carroll
- Councillor Colle
- Councillor Davis
- Councillor De Baeremaeker
- Councillor Fletcher
- Councillor McMahon
- Councillor Perks

The following Members of Council addressed the Budget Committee on January 24, 2011:

- Councillor Davis
- Councillor De Baeremaeker
- Councillor Layton
- Councillor Mihevc
- Councillor Perks

- Councillor Vaughan

The Budget Committee received the following Briefing Notes from Toronto Water:

- "Elimination of Voluntary Downspout Disconnection Program" (BN#2); and
- "Elimination of Drain Grant Program" (BN #6).

The Budget Committee received the following Confidential Briefing Notes from Legal Services:

- "Elimination of Voluntary Downspout Disconnection Program"; and
- "Elimination of Drain Grant Program";

and that these Briefing Notes remain confidential.

for City Clerk

Merle MacDonald/jsc

G:\SEC\Legislative Docs\2011\Standing\Budget\Letters\2011-01-24\BU8.2a.doc

Background Information

2011 Water and Wastewater Rates

<http://www.toronto.ca/legdocs/mmis/2011/bu/bgrd/backgroundfile-35085.pdf>

Appendix A - Toronto Municipal Code Fees and Charges - Appendix D - Schedule 1, Water and Wastewater Consumption Rates

<http://www.toronto.ca/legdocs/mmis/2011/bu/bgrd/backgroundfile-35086.pdf>

(January 5, 2011) Appendix B - Toronto Municipal Code Fees and Charge - Appendix D - Schedule 2, Water Services

<http://www.toronto.ca/legdocs/mmis/2011/bu/bgrd/backgroundfile-35087.pdf>

(January 5, 2011) Appendix C - Summary of 2011 Operating and Capital Budget and 2011 - 2020 Capital Plan and Operating Forecast, Corresponding Rate Increase, and Capital Financing \$Million

<http://www.toronto.ca/legdocs/mmis/2011/bu/bgrd/backgroundfile-35088.pdf>

(January 10, 2011) Presentation - City of Toronto Water - 2011 Recommended Operating Budget & 2011 - 2020 Capital Plan

<http://www.toronto.ca/legdocs/mmis/2011/bu/bgrd/backgroundfile-35084.pdf>

Lead in Drinking Water Mitigation Strategy

<http://www.toronto.ca/legdocs/mmis/2011/bu/bgrd/backgroundfile-35094.pdf>

Water Efficiency Plan Update - 2011

<http://www.toronto.ca/legdocs/mmis/2011/bu/bgrd/backgroundfile-35095.pdf>

Council Letter re PW33.4 - Biosolids Master Plan Update - Highland Creek Treatment Plant

<http://www.toronto.ca/legdocs/mmis/2011/bu/bgrd/backgroundfile-35126.pdf>

Attachment re PW33.4 Biosolids Master Plan Update – Highland Creek Treatment Plant

<http://www.toronto.ca/legdocs/mmis/2011/bu/bgrd/backgroundfile-35127.htm>