



STAFF REPORT ACTION REQUIRED

2014 Water and Wastewater Rates and Service Fees

Date:	October 30, 2013
To:	Budget Committee
From:	Deputy City Manager and Chief Financial Officer General Manager, Toronto Water
Wards:	All Wards
Reference Number:	P:\2013\Internal Services\Cf\Bc13024cf (AFS #18624)

SUMMARY

This report presents the recommended 2014 water and wastewater consumption rates and service fees arising from concurrent adoption of the recommended 2014 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, 2014. In addition, this report recommends inflationary fee increases for certain water and wastewater services, reflecting cost recovery for these services, and the introduction of the following new water and wastewater services fees: a minimum fee for sanitary discharge permits; a fee for CCTV inspections; a fee for lost or damaged automated meter reading transmitters; a manual water meter reading fee, an annual flat rate legacy fee for residential flat rate consumers and a fee related to the administration of the water supply backflow prevention program. In addition, this report recommends the transfer of certain services fees to Toronto Water from Engineering and Construction Services, formerly Technical Services, related to routine disclosure record searches for Sewers By-law compliance violations and, also, the Ministry of the Environment Transfer of Review Program.

RECOMMENDATIONS

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

1. This report be considered concurrently with the 2014-2023 Capital Plan and the 2014 Operating Budget, and that:

- a. Effective January 1, 2014, 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")	2.9579	3.1138
Block 2 - Industrial process – use water consumption over 6,000 m ³ , representing 30% reduction from the Block 1 Rate ("Block 2 rate')	2.0705	2.1795

- b. Effective January 1, 2014, the water and wastewater rates charged to flat rate consumers be increased by 9% to the rates shown in Appendix B attached to this report;
- c. Effective January 1, 2014, the water and wastewater service fees, including all fees to be transferred to Toronto Water from Engineering and Construction Services, formerly Technical Services, shall be as shown in Appendix C attached to this report;
- d. Effective January 1, 2014, Chapter 441 – Fees and Charges, Appendix D, Schedule 3, Wastewater Services be amended to include the new service fees for CCTV inspections of sewage works impacted by private construction, based on actual costs, and for sanitary discharge permits, as well as clarification of the existing minimum fees and fee basis for industrial waste surcharge agreements and permits and sanitary discharge agreements, as set out in Appendix D attached to this report.
- e. Effective January 1, 2014, Chapter 441 – Fees and Charges, Appendix D, Schedule 2, Water Services be amended to include a new fee of \$75 for lost or damaged automated meter reading transmitters.
- f. Effective July 1, 2014, Chapter 441 – Fees and Charges, Appendix D, Schedule 2, Water Services be amended to include a new manual water meter reading fee of \$80 per visit for consumers with water meters refusing to allow the installation of a new automatic water meter.
- g. Effective July 1, 2014, Chapter 441– Fees and Charges, Appendix D, Schedule 2, Water Services be amended to include a new flat rate legacy fee of \$1,020 per year, which will be in addition to the existing flat rate fee, for residential flat rate consumers who refuse to allow the installation of an automatic water meter on their property.

- h. Effective September 1, 2014, Chapter 441– Fees and Charges, Appendix D, Schedule 2, Water Services be amended to include a new administrative fee of \$50 for processing annual water supply backflow prevention device testing reports under the City's backflow prevention program.
2. 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 \$0.8874 /m3, effective January 1, 2014, representing a 30% reduction from the Block 1 rate (paid on or before the due date).
3. 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), and (2) above.
4. 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.
5. 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 2014 Toronto Water Operating and Capital Budgets, the updated water consumption forecast, and Council's adopted water rate structure, a rate increase of 9% for 2014 in the paid-on-or-before due date is required for Block 1 domestic-use consumers, and Block 2 industrial process-use consumers, both effective January 1st, 2014.

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 \$73 over the calendar year (from \$814 in 2013 to \$887 in 2014). The impact of the 9% increase on a commercial consumer at Block 1 rate and an industrial consumer at Block 2 rate with

annual consumption of 100,000 m³ will be \$24,420 and \$17,526 respectively, the latter reflecting a 30% discount over Block 1 rates for eligible industrial consumers. The rate increase impact on a large industrial consumer of 1,000,000 m³ on Block 2 rate will be \$171,299.

Even with recent 9% increase in Toronto Water rates, the City still has the third lowest water rates in the GTA area. The proposed 9% increase in rates is expected to raise \$72 million in additional revenue.

Chart 1 – 2014 Water Rate Impact

Type of Property	Average Consumption m3	2013 Cost	Projected 2014 Cost	2014 Rate Increase Impact	
Residential	300	\$814	\$887	\$73	9.0%
Commercial	100,000	\$271,370	\$295,790	\$24,420	9.0%
Industrial	100,000	\$194,848	\$212,374	\$17,526	9.0%
Industrial	1,000,000	\$1,904,525	\$2,075,824	\$171,299	9.0%

The recommended inflationary increases of the water and wastewater service fees set out in Appendix C are expected to generate additional revenue of approximately \$296,000 the new administration fee related to the backflow prevention program is projected to generate \$150,000 and the new fee for lost or damaged meter reading transmitters is expected to generate about \$37,000 in 2014.

In addition, the proposed two new fees for water consumers not allowing access to their property for the automatic meter installation, as outlined in the staff report entitled *'Update on the Water Meter Program'* could potentially result in an estimated increase in revenue of up to \$10 million. The increase in revenue is intended to recover the City's costs in providing manual meter reading services and to recover the potential loss of additional revenue from flat rate consumers who have refused to convert to automatic metered accounts. It is expected these fees will serve as an effective incentive to allow access for the purposes of having a new meter installed as required under Municipal Code, Chapter 851, Water Supply. As a result, Toronto Water has not included these additional fees as part of the 2014 Operating Budget and will report on the actual revenues and corresponding costs as part of the Corporate Variance Reports in 2014.

DECISION HISTORY

Last year's staff report adopted, as amended, by City Council authorizing the 2013 water and wastewater rates and service fees can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX25.9>

The details of the proposed new fee for manual water meter readings and an annual flat rate legacy fee for residential flat rate consumers are outlined in the report from the General Manager, Toronto Water to the Public Works and Infrastructure Committee dated October 4, 2013 and entitled "*Update on the Water Meter Program*" which can be viewed at:

<http://www.toronto.ca/legdocs/mmis/2013/pw/bgrd/backgroundfile-62304.pdf>

The particulars of the proposed minimum fee for sanitary discharge permits including clarification of the existing minimum fees and fee basis for industrial waste surcharge agreements and permits and sanitary discharge agreements are outlined in the report from the Deputy City Manager and Chief Financial Officer and the General Manager, Toronto Water, entitled "*Amendments to the Sewers, Water Supply and Fees By-laws*" which can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.PW26.2>

ISSUE BACKGROUND

The City adopts annually a by-law to establish its water and wastewater rates and service fees. Adoption of the concurrent recommended Toronto Water 2014 Operating and 2014-2023 Capital Budgets, together with the water rate structure plan, will necessitate an increase in the 2014 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. This report also recommends the establishment of the following new water and wastewater services fees: a minimum fee for sanitary discharge permits; a fee for CCTV inspections; a fee for lost or damaged automated meter reading transmitters; a manual water meter reading fee, an annual flat rate legacy fee for residential flat rate consumers and a fee related to the administration of the water supply backflow prevention program. In addition, this report recommends the transfer of certain services fees to Toronto Water from Engineering and Construction Services, formerly Technical Services, related to routine disclosure record searches for Sewers By-law compliance violations and, also, the Ministry of the Environment Transfer of Review Program.

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 2014 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 Program over the ten-year planning period,

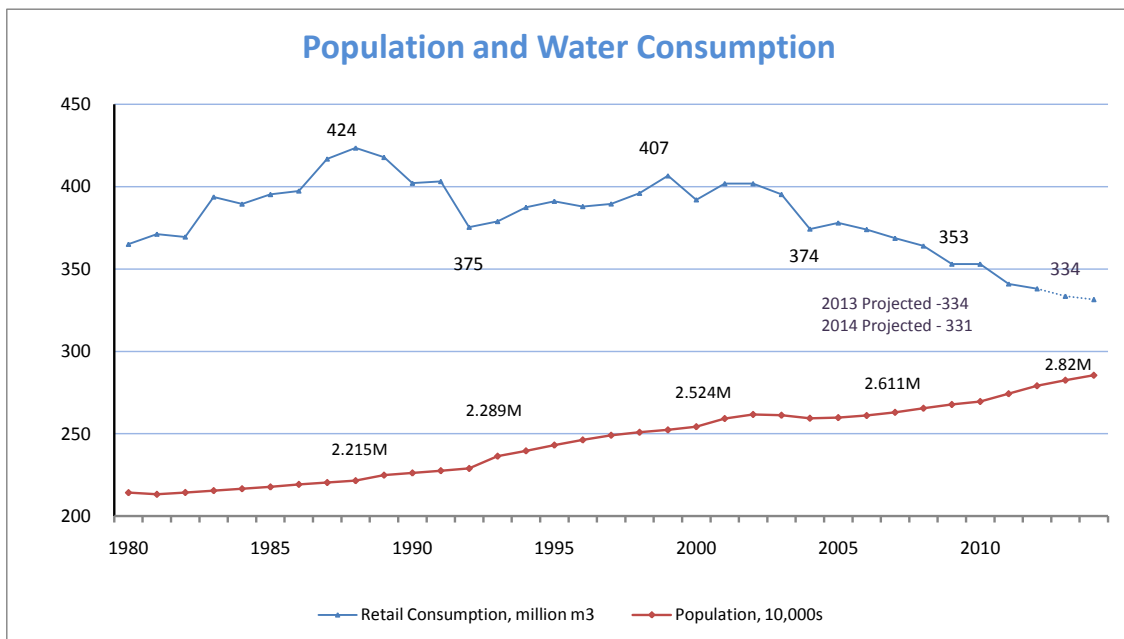
including reserve contributions. The current financing model does not rely on any debt issuance.

The 2014 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

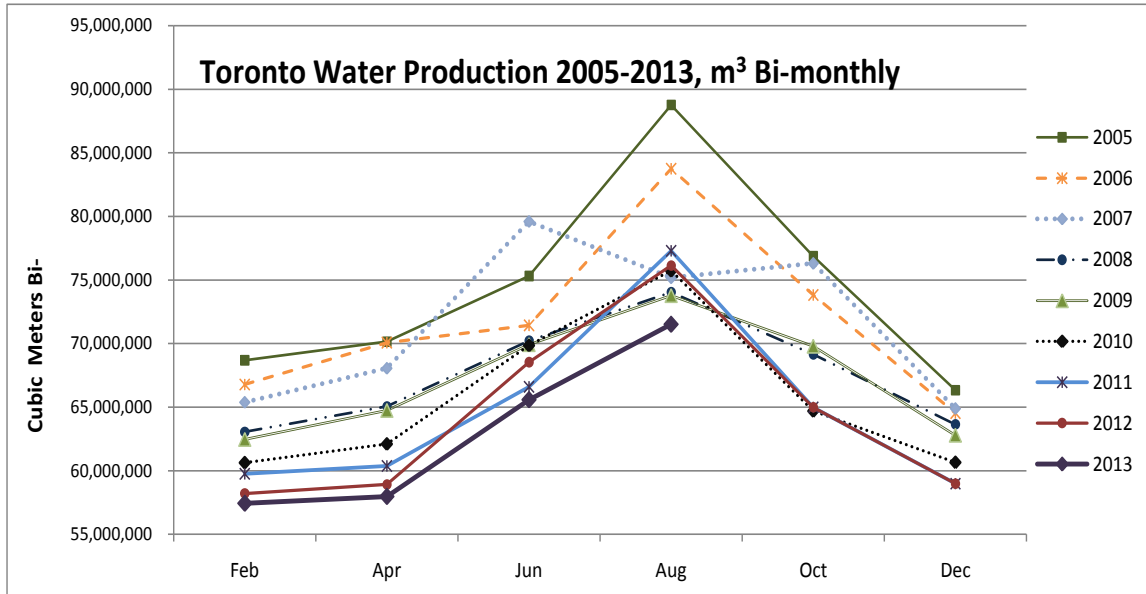
Over the last decade, despite the increase in population, there has been a trend towards reduced consumption, as shown in Chart 2 below. Toronto’s water consumption projected to 2013 year-end is estimated at 334 million cubic metres, which represents a substantial drop from 374 million cubic meters in 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 7 years, base water consumption has fallen 15% or 2.1% annually on average. Summer consumption, although more weather dependent, also shows a reduction over the same period of 11.8% or 1.7% annually.

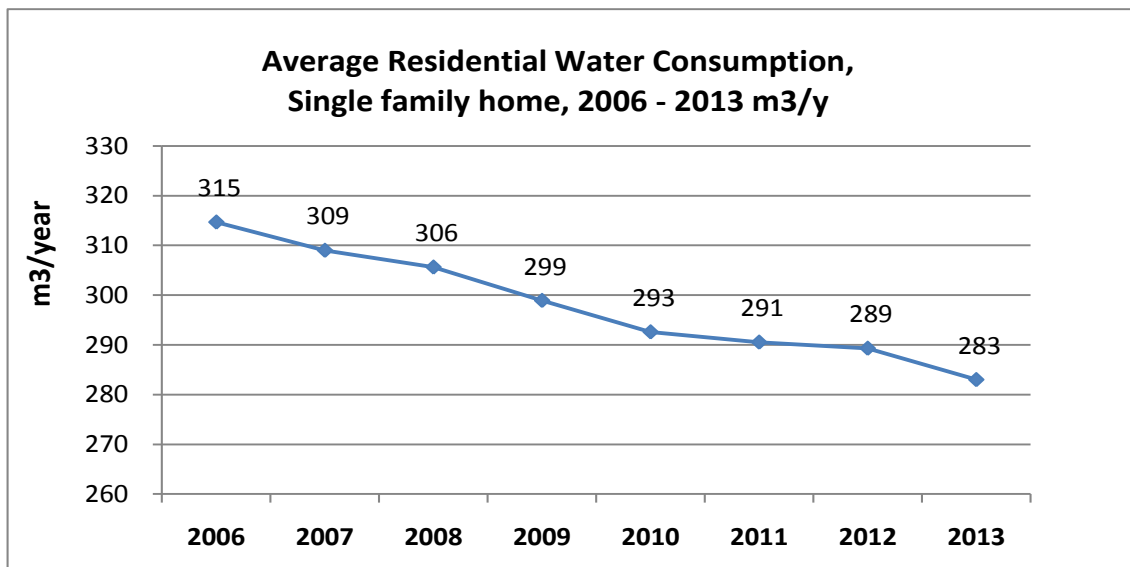
Chart 3 –Water Production (2005 to 2013)



This analysis demonstrates that the 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 by 2025, while currently it is about 200 litres per capita per day.

Chart 4 below shows annual average single family home water consumption has declined by 10% since 2006.

Chart 4 – Average Single Family Home Consumption



Given the foregoing, staff project 2013 consumption to be 1% lower than 2012 actual consumption. Furthermore, for modelling purposes, the forecasted base consumption for the period 2014-2015 is assumed to drop by 1% 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. Upon completion of the automated water meters installation across the City, staff will have much more precise consumption data and be able to provide a more accurate consumption forecast.

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

2014 Operating Budget and 2014 - 2023 Capital Plan

The concurrent Toronto Water 2014 Operating and Capital Budget Analyst Notes provide details on Toronto Water's proposed 2014 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 2014 Operating Budget and Forecast, the 2014-2023 Capital Plan, and the resulting rate requirements is presented in Appendix A together with the sources of capital financing and corresponding reserve balances.

2014 Operating Budget

The 2013 Recommended Operating Budget gross expenditures of \$403.163 million are outlined in detail in the concurrent Toronto Water 2014 Operating Budget Analyst Notes. The 2014 net expenditures inclusive of capital financing to be funded by the water rate is \$958.103 million. A further \$63.782 million is expected to be generated from the sale of water to the Region of York (\$21.551 million) and User Fees (\$42.232 million), for a total program expenditure and revenue of \$1,021 million. The recommended capital contribution from operations for 2014 is \$618.722 million.

2014-2023 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 2014–2023 Recommended Capital Plan of \$9.109 billion is based on the available funding provided by the current capital financing plan assuming 9% water rate increases in 2014, followed by 3% inflationary-related water rate increases beyond 2014.

The concurrent Toronto Water 2014 Capital Budget Analyst Notes provide details on Toronto Water's proposed 2014-2023 Capital Plan. The current capital plan is facing a shortfall of over \$1 billion over the next 10 years, and additional funding needs to be raised in order to maintain current levels of service and to accelerate important projects such as the City's Wet Weather Flow Master Plan and to help prevent future basement flooding.

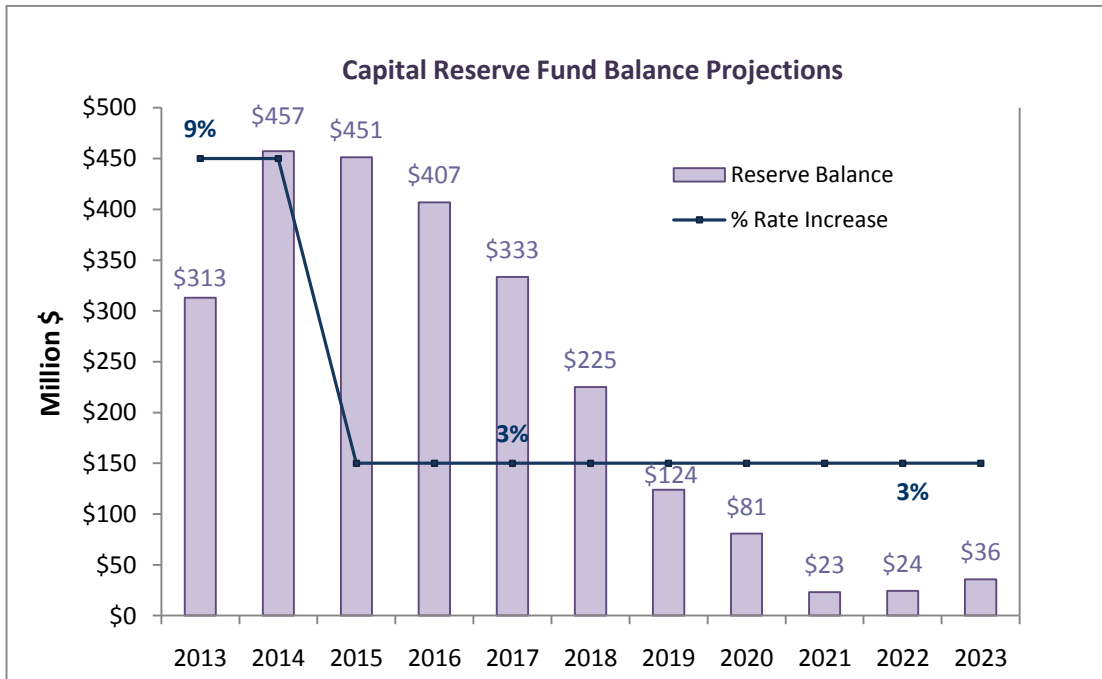
As noted in the recent report to Executive Committee meeting on October 30, 2013 entitled "*Future Options and Public Attitudes for Paying for Water, Wastewater and Stormwater Infrastructure and Services*" there is a need to increase future capital funding for Toronto Water in order to continue with the renewal of drinking water, wastewater, and stormwater infrastructure and to accelerate the implementation of priority projects for managing the impact of severe storm events. The report recommends further detailed studies and stakeholder consultation in 2014 followed by a new financing strategy and implementation plan as part of Toronto Water's 2015 Capital and Operating Budget Submission.

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 5 below shows the capital reserve fund balance for the period 2013-2023 and the projected effective annual rate increases. Due to the lower capital spending level in 2012 and 2013, compared to the budgeted spending rate of 85%, the 2013 Capital Reserve Balance at year end is projected at \$313 million. With the current reduced Capital Plan the Capital Reserve balances are projected at a healthy level above \$300 million over the next 4 years until 2017, after which the reserve is expected to drop to about \$23 million in 2021. Toronto Water manages and maintains assets valued at \$28 billion and a reserve of \$23 million representing only 0.08% of the infrastructure asset is considered insufficient in case of emergencies and increasing cost of maintaining aging infrastructure.

Chart 5 -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 December 2012 the Stabilization Reserve balance was \$77.670 million due to higher than projected water rate revenue in 2012. In accordance with City's policy to maintain the Stabilization Reserve balance at \$30 million, \$47.670 million was transferred to the Capital Reserve in 2013. The rate model is based on a \$30 million Stabilization Reserve balance over the 10 year planning period.

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 2013, there were 102 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 by Council in November 2011, allowing for up to 6 months to resolve certain non-compliance issues under Municipal Code, Chapter 681, Sewers.

Flat-rate Accounts

As of September 2013, there were approximately 7,000 remaining flat-rate accounts compared to 72,000 accounts in 2007. Most of these accounts are expected to have automated water meters installed by the end of 2014. For 2014, 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 2014. 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 the water rate modeling and revenue forecast.

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

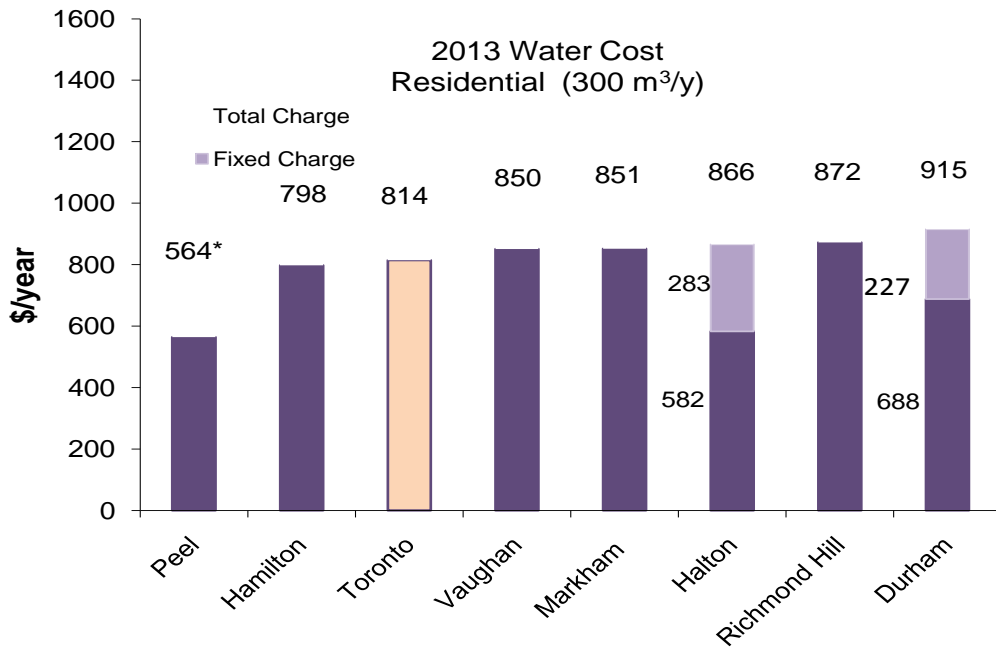
As part of the City's water rate restructuring policy, Council approved a water rate rebate program for low-income seniors and low-income disabled persons who meet the eligibility criteria as prescribed in the Municipal Code, Chapter 849. This rebate is set at the difference between the Block 1 and Block 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 2013 to date, the City has processed 4,489 applications for low income water rebates for the total amount of \$551,500 in such rebates.

Comparison of Water Rates in GTA Municipalities

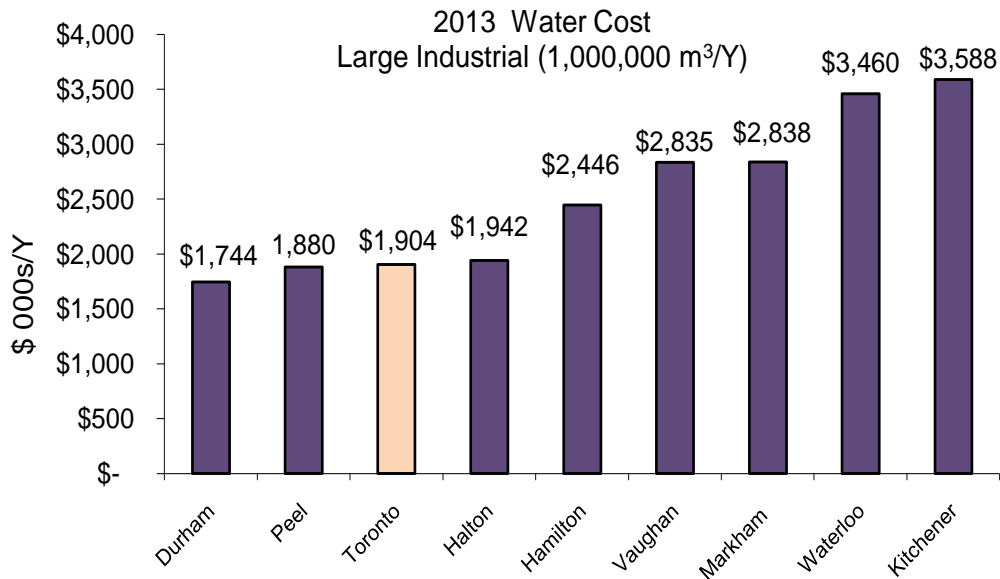
Toronto's 2013 water rate for residential consumers, in comparison to surrounding municipalities, is shown in Chart 6 (2014 rates for surrounding municipalities are not yet available). With the exception of Peel Region, where storm water related projects are funded from property taxes and currently under review, 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 7 provides a similar comparison for large industrial users, and shows that Toronto is amongst the lowest water cost jurisdictions for industrial consumers as well.

Chart 6 – GTA Residential Water Cost



*Note: Peel stormwater funded from property tax

Chart 7 - 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 2014, except for those that are based on contracts for procured services, and which increase, therefore, reflects the actual contract price. The overall inflation factor for Toronto Water 2014 Budget is 2.21% including labour cost increase, energy, utilities, materials and contracted services.

Recommended New Fees

Effective July 1, 2014, two new fees associated with water consumers who do not allow access to their properties for the purpose of installing a new automated water meter and related meter reading equipment under the Water Meter Program are recommended, with more detail on these fees provided in the staff report entitled "Update on the Water Meter Program". The recommended fees are outlined in Chart 8 below with the estimated additional revenue to be generated.

Chart 8

Service	Proposed New Fee	Approx Number per Year	Projected Annual Revenue	Rationale
Manual water meter reading fee for consumers with meters not allowing access to their property to install a new automatic meter	\$80	12,000 accounts – 3 times a year	\$2.9M (\$1.5M in 2014)	<i>To recover the City cost for isolated special visits to manually read water meters of customers not allowing installation of automatic meters</i>
Flat rate legacy fee for residential flat rate consumers not allowing installation of automatic meters on their property	\$1,020	7,000 flat rate accounts	\$7.1M (\$3.5M in 2014)	To recover the potential loss of revenue from flat rate consumers who have not converted to automatic metered accounts. The fee is based on an estimated 95 th percentile of water consumption of recently converted flat rate accounts.

Effective January 1, 2014, a new fee is recommended to recover the cost of lost or damaged automated reading transmitters, as outlined in Chart 9 below.

Chart 9

Service	Proposed New Fee	Approx Number per Year	Projected Annual Revenue	Rationale
Automated Meter Reading	\$75 per each lost or damaged meter reading transmitter	500	\$37,500	To recover the City cost for lost or damaged automated meter reading transmitters, which will need to be replaced in order to obtain a meter reading

Effective Sept 1, 2014, a new fee supporting the cost of administering the City's backflow prevention program is recommended as outlined in Chart 10 below, with estimated revenue of \$150,000 for 2014.

Chart 10

Service	Proposed New Fee	Approx Number per Year	Projected Annual Revenue	Rationale
Administration fee for processing annual water supply backflow prevention device testing reports	\$50 per test report for each premise backflow preventer	11,275 (3,000 in 2014)	\$563,750 (\$150,000 in 2014)	Cost reflects offsetting escalating program costs for administering Backflow Prevention Devices for Premise Isolation on private water systems, as required by Municipal Code, Chapter 851-8-D (3) , Water Supply

Effective January 1, 2014, it is also recommended that a new service fee be established, based on actual cost, for CCTV inspections of sewage works impacted by private construction. This would require a developer or other person undertaking construction services in the vicinity of City sewage works to pay the costs of pre-and post-construction inspections by CCTV camera systems of such sewage works. These inspections will provide a record of the state of the sewage works prior to and after construction activities. In addition, it is further recommended that effective January 1, 2014, a minimum fee for sanitary discharge agreements and permits be implemented. The details of these proposed new fees are outlined in the report entitled, Amendments to the Sewers, Water Supply and Fees By-Laws. For reference purposes, these recommended new fees, along with necessary Municipal Code amendments clarifying the existing minimum fees and fee basis for industrial waste surcharge agreements and permits and sanitary discharge agreements are set out in the attached Appendix D.

Municipal Code, Chapter 441 fees to be transferred from ECS to Toronto Water

Following a restructuring in the City of Toronto, effective February 6th, 2013, the group conducting the review under the Ministry of the Environment Transfer of Review program, was re-assigned from Engineering and Construction Services, formerly Technical Services, to Toronto Water and, as a result, the fees falling under The Ministry of Environment Transfer of Review Program need to be transferred/added to the appropriate Toronto Water Fee Schedule, as follows:

Ref. No. 15 of Chapter 441, Appendix C, Schedule 1, Technical Services, to be transferred to Appendix D, Schedule 3, Ref. No. 21, as per the attached Appendix C.

Ref. No. 16 of Chapter 441, Appendix C, Schedule 1, Technical Services to be transferred to Appendix D, Schedule 2, Ref. No. 40, as per the attached Appendix C.

Ref. No.22 and 23 to be added to Chapter 441, Appendix D, Schedule 3 as per the attached Appendix C.

The fee amounts for these Ministry of Environment Review Program fees are set by the Ministry of Environment.

In addition, the matter of routine disclosure record searches for Sewers By-law compliance violations has been transferred from ESC to Toronto Water and, as such, the following fees needs to be transferred to the appropriate Toronto Water fee schedule as follows:

Ref. No. 13 of Chapter 441, Appendix C, Schedule 1, Technical Services, is to be transferred to Chapter 441, Appendix D, Schedule 3, Wastewater as Ref. No. 24, as per the attached Appendix C.

Recommended Increases to Existing Fees

In 2014, inflationary increases are being recommended to 19 water service fees. 16 of those fees, (Reference Numbers: 1, 2, 5,11, 12, 13, 15, 15.1, 17, 21,25, 32, and 40 in the attached Appendix C – Schedule 2, Water Service) are increased by 2.21% , intended to reflect the market conditions and current costs to Toronto Water for providing these services. In addition, 6 Revenue Services Fee (Ref. No. 33 to 39, in the attached Appendix C – Schedule 2, Water Service) are increased by 2% which is the inflationary factor for the Revenue Services Division. Chart 11 below summarizes the proposed changes, comparing the 2013 fee and the recommended 2014 fee, as well as the rationale for the increase and expected annual revenue change.

Chart11

Ref #	Fee Description	2013 fee	2013 Volume	Proposed 2014 fee	Estimated Annual Demand for 2014	Rationale	2014 Revenue Change
1	Installing 19 mm New Residential Water Service and Meter	\$2,700.00	200	\$2,760.00	200	Increased by 2.21% inflationary factor	\$12,000
2	Installing 25 mm New Residential Water Service and Meter	\$3,111.00	1000	\$3,180.00	1000	Increased by 2.21% inflationary factor	\$69,000
5	Disconnection Fee for any residential water service less than or equal to 25 mm	\$440.00	1,200	\$450.00	1,200	Increased by 2.21% inflationary factor	\$12,000
11	Fire hydrant Permit	\$152.70	200	\$156.00	500	Increased by 2.21% inflationary factor	\$47,460
12	Water meter accuracy test ; Meter less than or equal to 50mm -No Chamber -applied if meter does not over-register	\$152.70	260	\$156.00	260	Increased by 2.21% inflationary factor	\$858
13	Water turn off fee for demolition; (disconnection of old water service not included)	\$76.35	2000	\$78.00	2000	Increased by 2.21% inflationary factor	\$3,300
15	Water Turn-off or Turn-on	\$76.35	7800	\$78.00	7,800	Increased by 2.21% inflationary factor	\$12,870
15.1	Single Service call Turn-off and Turn-on within 30 min	\$76.35	120	\$78.00	50	Increased by 2.21% inflationary factor	-\$5,262
17	Conduct fire hydrant flow test	\$254.50	300	\$260.00	300	Increased by 2.21% inflationary factor	\$1,650
21	Unregistered water each day order not complied	\$50.90		\$52.00		Increased by 2.21% inflationary factor	
25	Annual Seasonal Meter Activation Fee : includes replacement, removal of water meter; 1 turn on, 1 turn off	\$30.54	300	\$200.00	300	Increased to reflect actual cost of work including. turn off in the fall; turn on in spring; disconnecting and/or removing meter in the autumn and then reinstalling/reconnecting the meter in spring.	\$0
32	Reuse of residential water service 19 mm to 25 mm	\$254.50		\$260.00		Increased by 2.21% inflationary factor	
33	Administrative fee to reflect a change in ownership on an existing utility account	\$35.00		\$35.70		Increased by 2% inflationary factor for Revenue Services	
34	Water Certification Charge	\$25.00		\$25.50		Increased by 2% inflationary factor for Revenue Services	
35	Water Special/Final Reading	\$15.00		\$15.30		Increased by 2% inflationary factor for Revenue Services	
36	Water Consumption Statements	\$40.00		\$40.80		Increased by 2% inflationary factor for Revenue Services	
37	Water Consumption Statements	\$25.00		\$25.50		Increased by 2% inflationary factor for Revenue Services	
38	Returned Cheques	\$35.00		\$35.70		Increased by 2% inflationary factor for Revenue Services	
39	Water Collection Field Visit	\$25.00		\$25.50		Increased by 2% inflationary factor for Revenue Services	\$22,000
40	Municipal Drinking Water Licensing Program	\$2,300		\$2,350.80	68	Increased by 2.21% inflationary factor	\$3,454

In addition, there are 8 wastewater service fees that are recommended for inflationary increase of 2.21% in 2014 (Reference Numbers: 4, 5, 6, 15, 16, 17, 18 and 19 in the attached Appendix C– Schedule 3, Wastewater Service). The increases in these fees are intended to reflect the market conditions and current costs to Toronto Water for providing these services. Chart 12 below summarizes the proposed changes, comparing the 2013 fee and the recommended 2014 fee, as well as the rationale for the increase and expected annual revenue change.

Chart 12

Ref	Fee Description	2013 fee	Proposed 2014 fee	2014 Estimated Demand	Rationale	2014 Revenue Change Estimate
4	To install new residential sanitary sewer service connection in road allowance	\$7,293.00	\$7,455.00	800	Increased by 2.21% inflationary factor	\$ 129,600
5	To install new residential storm sewer service connection in road allowance	\$7,293.00	\$7,455.00	15	Increased by 2.21% inflationary factor	\$ 2,430
6	To disconnect residential sanitary sewer service connection in road allowance	\$765.00	\$782.00	800	Increased by 2.21% inflationary factor	\$ 13,600
15	Inspection fee for the reuse of residential City sewer connection up to 150 mm in diameter	\$510.00	\$521.00	150	Increased by 2.21% inflationary factor	\$ 1,650
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.	\$1,527.00	\$1,560.00	12	Increased by 2.21% inflationary factor	\$ (11,820)
17	Technical Review by Toronto Water staff - Application to Toronto Water for new connection or relocation of storm, sanitary or water supply connection	\$305 minimum fee; additional \$75.5/hr for each hour after 4 hrs to a maximum of \$1,527	\$312 minimum fee; additional \$77/hr for each hour after 4 hrs to a maximum of \$1,560	8	Increased by 2.21% inflationary factor	\$ (10,425)
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)	\$305 minimum fee; additional \$75.5/hr for each hour after 4 hrs to a maximum of \$1,527	\$312 minimum fee; additional \$77/hr for each hour after 4 hrs to a maximum of \$1,560	2	Increased by 2.21% inflationary factor	\$ (2,988)
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)	\$305 minimum fee; additional \$75.5/hour for each hour after 4 hours to a maximum fee of \$1,527	\$312 minimum fee; additional \$77/hr for each hour after 4 hrs to a maximum of \$1,560	2	Increased by 2.21% inflationary factor	\$ (1,461)

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ATTACHMENTS

Appendix A – Summary of 2013 Operating and Capital Budget and Forecast,
Corresponding Rate Increase and Capital Financing
Appendix B – 2014 Water Rates for Metered and Flat Rate Customers
Appendix C – 2014 Water and Wastewater Service Fees
Appendix D – 2014 Additional Wastewater Services Fees

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**Appendix A – Summary of 2014 Operating and Capital budget and 2014-2023 Capital Plan and Operating Forecast,
Corresponding Rate Increases, and Capital Financing, \$ Million**

	2013		2014 - 2023 Plan									
	2013 Budget	Projected Actual	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
TORONTO WATER												
Gross Operating Budget	396.09	376.65	403.16	415.26	427.72	440.55	453.76	467.38	481.40	495.84	510.71	526.04
Capital from Current	544.55	572.74	618.72	625.57	650.20	669.66	688.69	708.24	735.07	756.03	777.59	799.79
Net Expenditure to be Financed by Water Rate	874.29	885.90	958.10	975.94	1,010.73	1,040.65	1,071.47	1,103.16	1,142.50	1,176.34	1,211.20	1,247.09
WATER RATE INCREASE	9%	9%	9%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Other Revenues	66.35	63.49	63.78	64.89	67.19	69.55	70.99	72.46	73.97	75.52	77.11	78.74
Total Revenues	940.64	949.39	1,021.89	1,040.83	1,077.92	1,110.20	1,142.46	1,175.62	1,216.47	1,251.87	1,288.31	1,325.82
CAPITAL FINANCING												
Gross Capital Budget	671.55	671.55	613.27	794.35	867.78	929.16	988.85	1,003.28	961.21	1,006.71	965.29	978.76
Net Capital Budget	617.21	636.86	556.55	741.03	812.88	872.37	935.28	949.35	912.36	953.70	909.59	923.39
Capital Reserve Funding Level	85%	71%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%
Net Capital Spending	524.63	450.80	473.06	629.88	690.95	741.51	794.99	806.95	775.51	810.65	773.15	784.89
CAPITAL RESERVE CLOSING BALANCE	121.43	312.92	457.36	451.42	406.76	333.40	225.17	124.03	80.80	23.10	24.26	35.83