TORONTO

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2014 CAPITAL BUDGET BRIEFING NOTE
Scenario's for Increasing the Water Rate and Adding Projects to the 2014-2023 Capital Budget

Issue:
The Budget Committee at its meeting of November 6, 2013 requested that the General Manager of Toronto Water submit a briefing note to the November 12, 2013 Budget Committee meeting on a multi-year water rate increase scenario of 5% and 8% for 2015 and beyond in order to expedite basement flooding and other priority projects.

Background:
Council, at its meeting of December 8, 9 and 12, 2005, approved 9% water rate increases each year starting in 2006 and continuing through 2014 to address the need to renew aging infrastructure. As a result of declining water consumption, accelerated delivery of capital projects in 2009-2011 under the Infrastructure Stimulus Funding program, and widespread basement flooding and watercourse erosion from recurring high intensity storm events, approximately $1 billion in additional funding over the period 2015 through 2023 is required to address unfunded budget pressures.

Key Points:
- Table 1 outlines a number of water rate scenarios for Block 1 and 2 users to increase revenues by more than $1 billion to address Toronto Water's unfunded capital budget pressures.

Table 1: Rate Scenario for Additional Revenue from 2015 to 2023	**2015-2023**
Block 1&2 - 8% over 2 years	$ 1,038,562,970
Block 1&2 - 8% over 3 years	$ 1,472,033,098
Block 1&2 - 5% over 9 years	$ 1,129,149,703
Block 1 - 8% over 2 years, Block 2 - 3%	$ 1,000,700,104
Block 1 - 8% over 3 years, Block 2 - 3%	$ 1,418,471,850
Block 1 - 5% over 9 years, Block 2 - 3%	$ 1,088,412,444

- The last 3 scenarios in Table 1 give consideration to keeping the Block 2 (industrial process users) rate increases at an inflationary level, to continue the economic competitiveness policy of the City and support industrial employment. The financial impact is in the range of $40 - $50 million loss in revenue over the 9 year period compared to same rate increase as Block 1.

- Table 2 lists capital projects that are recommended to be added to the 2014 Capital Budget and 2015-2023 Capital Plan to align with the funding scenarios shown in Table 1. This list takes into consideration the capacity to deliver an expanded capital program both from the perspective of capacity within the industry to construct these projects cost effectively and from an internal perspective to ensure that sufficient time is allocated for the effective coordination and design of the projects.

Table 2: Expanding the Capital Plan ($ 000's)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2023	Post 2023
WATER TREATMENT AND SUPPLY												
STANDBY POWER		500	2,000	5,000	7,000	7,000	10,000	10,000	10,000	10,000	61,500	16,000
WATER TREATMENT AND SUPPLY UPGRADES		2,170	4,555	2,275	950						9,950	
BUSINESS AND TECHNICAL IMPROVEMENTS		1,335	3,380	3,450	3,390	2,992	227	77	171	265	15,287	368
WASTEWATER TREATMENT & STORMWATER MANAGEMENT												
BASEMENT FLOODING EA'S		4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	36,000	
BASEMENT FLOODING ENGINEERING & CONSTRUCTION			5,000	10,000	15,000	40,000	40,000	60,000	60,000	60,000	290,000	675,000
WASTEWATER TREATMENT PLANT - UPGRADES		600	4,600	9,050	9,450	21,100	12,825	3,075			60,700	
WWTP - DIGESTER CLEANING & REPAIRS				100	6,300	6,400	7,625	8,825	8,925	7,525	45,700	20,125
WWF - WATERFRONT LANDFORMS			2,000	10,000	15,000	18,000	15,000	15,000	15,000	0	90,000	0
WWF - DON & CENTRAL WATERFRONT CONSTRUCTION					10,000	20,000	20,000	50,000	50,000	80,000	230,000	785,000
ETOBICOKE WATERFRONT STORMWATER CONTROL						2,000	5,000	10,000	10,000	10,000	37,000	33,200
WWF - STREAM RESTORATION (JULY 8 STORM)		1,500	3,500	5,000	9,000	11,000	11,000	11,000	11,000	3,955	66,955	
TOTAL CAPITAL BUDGET IMPACT	0	10,105	29,035	48,875	80,090	132,492	125,677	171,977	169,096	175,745	943,092	1,529,693
OPERATING IMPACT OF ACCELERATED BASEMENT FLOODING PRG	200	200									400	
TOTAL OPERATING BUDGET IMPACT	200	200	0	0	0	0	0	0	0	0	400	0

- The additional funding for basement flooding program aligns with the "Expansion of the Basement Flooding Protection Program's Priority Study Areas" Report submitted to Budget Committee on November 6, 2013. In order to deliver an expanded program, additional engineering staff are required and an operational impact of two positions for Toronto Water in 2014 and two positions for Engineering Services and Construction in 2015 are shown in Table 2.

- Wet Weather Flow projects to be added or accelerated into the 10 year plan include the Taylor-Massey Creek phase of the Don & Central Waterfront CSO project, construction of Waterfront Landforms at Ashbridges Bay and the Humber River, construction of Etobicoke Waterfront Stormwater Control, and protection of additional trunk sewer crossings exposed during the July 8, 2013 storm including Mimico Creek, Humber Creek and Yellow Creek.

- Recent urgent digester cleaning and repair projects at the wastewater treatment plant have identified a long term state of good repair requirement to clean and repair the digesters on a 10 year cycle to maintain their performance.

- Water Treatment and Supply Upgrades includes the replacement of revenue meters, system automation, scada integration and HVAC upgrades to improve operation of the system.

- Wastewater Treatment Upgrades at Ashbridges Bay treatment plant including the rehabilitation of clarifier bridges and centralized control of operations, and upgrades at the Highland Creek Treatment Plant of the two liquid process trains to facilitate the refurbishment of primary and final clarifiers.

- The implementation of Standby Power at water treatment pumping stations will provide a sustainable water supply over 72 hours in case of a power outage. This project is part of a cost sharing agreement with the Region of York

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