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2014 OPERATING BUDGET BRIEFING NOTE

Sewer Surcharge Rebate Program

Issue:

The Budget Committee at its meeting on November 12, 2013 requested the General Manager, Toronto Water, and the Director, Business Operations Management, Toronto Water, to provide a Briefing Note to the December 5, 2013 Executive Committee meeting on "best strategies for the implementation of a policy such that rebates to the surcharge on water rates for sewage services can be applied to water used and/or applied outdoors by non-profit cemetery operations that have no buildings or other structures that require sewage services."

Background:

In 2009, a by-law to amend Chapter 849 of the Municipal Code dealing with the rebate on a portion of the surcharge on water rates for sewage services was enacted. The report can be found at: <http://www.toronto.ca/legdocs/mmis/2009/pw/bgrd/backgroundfile-18619.pdf>

The purpose of the by-law amendment is to better reflect Council priorities for encouraging water conservation and working with companies/commercial operations that consume water within their manufacturing production and do not discharge it back to the sanitary sewer system for treatment. Council's rationale was that a rebate program for water used or applied outdoors would not be in keeping with the strategy to reduce the amount of water consumed during peak demand (of which irrigation purposes is a significant amount during the summer).

In 2009, eligibility criteria for sewage rebates were revised to include water consumption processes which are limited to the on-site consumption of water:

- a) as a product ingredient;
- b) in cooling processes; and
- c) not otherwise released onto the consumers land or indirectly to the sanitary or combined sewer system.

The Sewer Surcharge Rebate Program provides rebates of approximately \$6M annually.

Impacts of expanding eligibility to cemeteries (non profit or otherwise):

There are over 50 cemeteries in Toronto. Based on the water bill of an organization that recently disputed the above mentioned clauses the approximate rebate to an average sized cemetery would be \$4,000 annually. This presents a potential additional negative financial impact to Toronto Water of \$200,000 in annual rebates.

Allowing exemptions from the restriction on rebates pertaining to outdoor water use runs counter to the primary purpose of the by-law provisions and would therefore require amendment of the existing by-law.

Impacts of expanding eligibility to all properties that use, consume or release water outdoors, whether for irrigation purposes or otherwise:

Expansion of eligibility for rebates to the surcharge on water rates for sewage services for water used, consumed or released outdoors, whether for irrigation purposes or otherwise would have significant financial impacts.

- a) Potentially 57% of the total water rate would be rebated for many consumers such as: golf courses, nurseries, agricultural facilities and cemeteries.
- b) Consumers with similar uses comprising smaller portions of their overall consumption would also be eligible for a rebate such as: schools, hospitals and essentially any water customer that irrigates.

Regardless of whether the operation is for-profit or non-profit, expanding the eligibility for rebates would run counter to the goals of encouraging water conservation and working with companies/commercial operations that consume water within their manufacturing production and therefore off-set discharge and treatment requirements. A detailed review of the potential financial impacts would be required before expansion of eligibility is considered.

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