



Toronto 2015 BUDGET

OPERATING ANALYST NOTES



Toronto Water

2015 OPERATING BUDGET OVERVIEW

Toronto Water delivers water treatment and distribution, and wastewater collection and treatment services on demand to 3.4 million residents and businesses.

2015 Budget Highlights

The total cost to deliver this service to Toronto residents in 2015 is \$422.452 million as shown below.

(In \$000s)	2014 Budget	2015 Budget	Change	
			\$	%
Gross Expenditures	407,716.1	422,451.7	14,735.6	3.6%
Revenue Excluding Sale of Water	42,432.9	54,265.9	11,833.0	27.9%
Net Expenditure	365,283.2	368,185.8	2,902.6	0.8%
Sale of Water/Wastewater Surcharge	958,102.8	1,003,796.8	45,694.0	4.8%
Sale of Water Revenue - Region of York	21,550.7	22,610.0	1,059.3	4.9%
Total Sale of Water Revenue	979,653.6	1,026,406.8	46,753.3	4.8%
Capital Contribution	614,370.4	658,221.1	43,850.7	7.1%

Through operational efficiencies, Toronto Water was able to partially offset initial gross pressure of \$22.129 million to \$2.903 million net, reflecting a 0.8% net increase prior to increased sale of water revenues arising from the recommended 8% water rate increase (the annualized rate increase of 6.5% since rate increase is effective March 12, 2015).

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Fast Facts

- Treatment, transmission, storage, and distribution of over 1 billion litres of potable water daily is delivered to all industrial, commercial, institutional, and household water users in the City of Toronto, amounting to 470,200 connections.
- Over 1.5 billion litres of wastewater is collected and treated per day, from residents and businesses in Toronto and a portion of Peel Region.
- City wide stormwater management in order to protect private property and the environment.

Trends

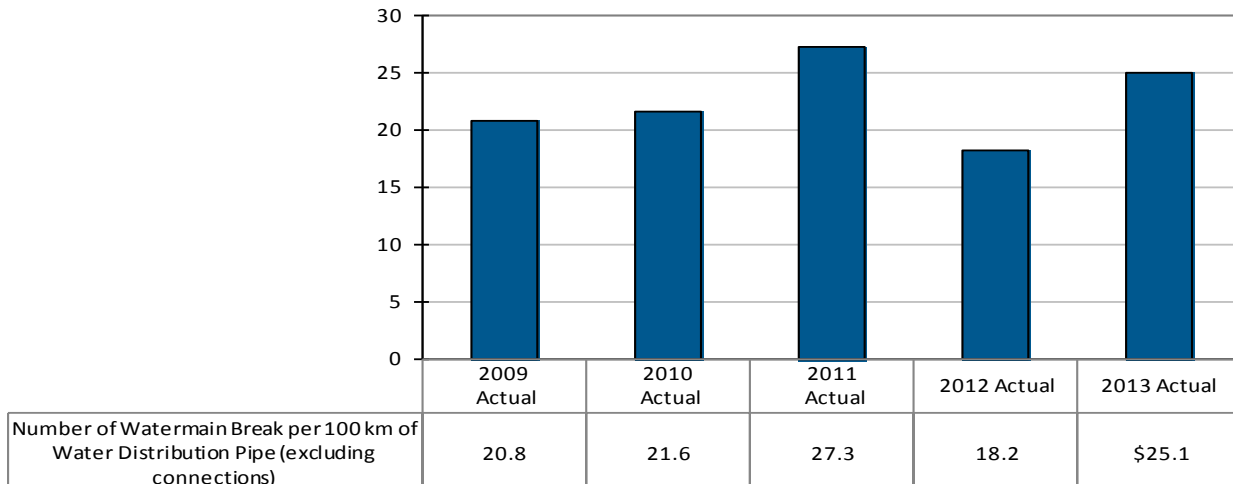
- Base water consumption (October to April) has declined by 1.6% annually on average since 2005. 2014 projected consumption of 327 million cubic meters is significantly lower than the 374 million cubic meters consumed in 2005.
- To address capital infrastructure needs, 2015 rate increases are planned at 8% , effective March 12, 2015 (6.5% on an annualized basis).

Our Service Deliverables for 2015

Toronto Water manages one of the largest water and wastewater systems in North America, providing services 24 hours a day, seven days a week. The 2015 Operating Budget of \$422.452 million gross will ensure delivery of water and wastewater services for 3.4 million residents and business in Toronto by providing:

- Treatment and supply of 493 billion litres of water (includes York Region);
- Collection and treatment of 438 billion litres of wastewater;
- Maintenance and repair of 5,900 km of watermains, 3,900 km of sanitary, 4,900 km of storm sewers, and 1,500 km of combined sewers;
- Replacement of 5,000 sub-standard water services (approximately 3,900 of which are lead); and
- Repair of 1,500 broken watermains.
- Environmental Monitoring and Protection including on-going public consultations and awareness programs.

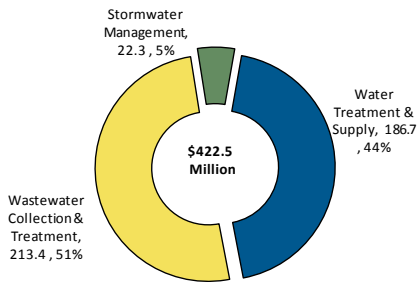
Number of Watermain Break per 100 km of Water Distribution Pipe



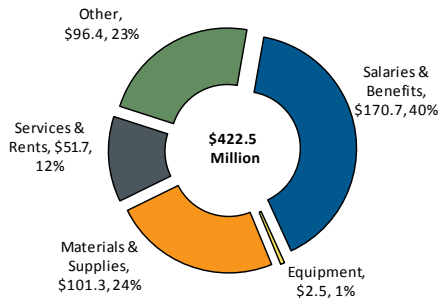
2015 Operating Budget Expenses & Funding

Where the money goes:

2015 Budget by Service
\$422.5 Million

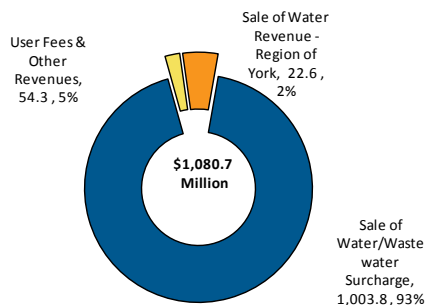


2015 Budget by Expenditure Category



Where the money comes from:

2015 Budget by Funding Source



Our Key Challenges & Priority Actions

- **Declining water consumption** resulting in lower revenues from water rates needed to support capital requirements.
 - ✓ The 2015 Operating Budget is predicated on a water rate increase of 8% effective March 12, 2015.
 - ✓ In addition, a report titled "Stormwater Charge as a Funding Option for Investing in Toronto Water Infrastructure" will be submitted for consideration in early 2015 to aid in developing a financing strategy to support Toronto Water's stormwater management projects.

- **Managing continuously increasing costs** from legislative requirements and compliance with Provincial and Federal regulations, inflationary factors and operating impacts of completed capital projects.
 - ✓ The 2015 Recommended Operating Budget is based on a combination of efficiencies found through ongoing optimization at treatment plants and pumping stations to minimize energy costs, while meeting required legislative standards.

2015 Operating Budget Highlights

- Treatment and supply of 493 billion litres of water and collection and treatment of 438 billion litres of wastewater;
- Maintenance and repair 5,900 km of watermains, 3,900 km of sanitary, 4,900 km of storm sewers, and 1,500 km of combined sewers;
- Repair of 1,500 broken watermains.
- Enhanced emergency preparedness and extreme weather planning.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. City Council approve the 2015 Recommended Operating for Toronto Water of \$422.452 million gross, and \$658.221 million net in capital-from-current contribution, comprised the following services:

<u>Service:</u>	Gross <u>(\$000s)</u>	Net <u>(\$000s)</u>
Water Treatment & Supply	186,712.5	330,608.9
Wastewater Collection & Treatment	213,424.8	346,634.5
Stormwater Management	22,314.4	(19,022)
Total Program Budget	<u>422,451.7</u>	<u>658,221.1</u>

2. City Council approve the 2015 recommended service levels for Toronto Water as outlined on pages 20, 24 and 28 of this report and associated staff complement of 1,754.65 positions;
3. This report be considered concurrently with the 2015 Water and Waste Water Rates and Service Fees Report from the Deputy City Manager and Chief Financial Officer and General Manager of Toronto Water.

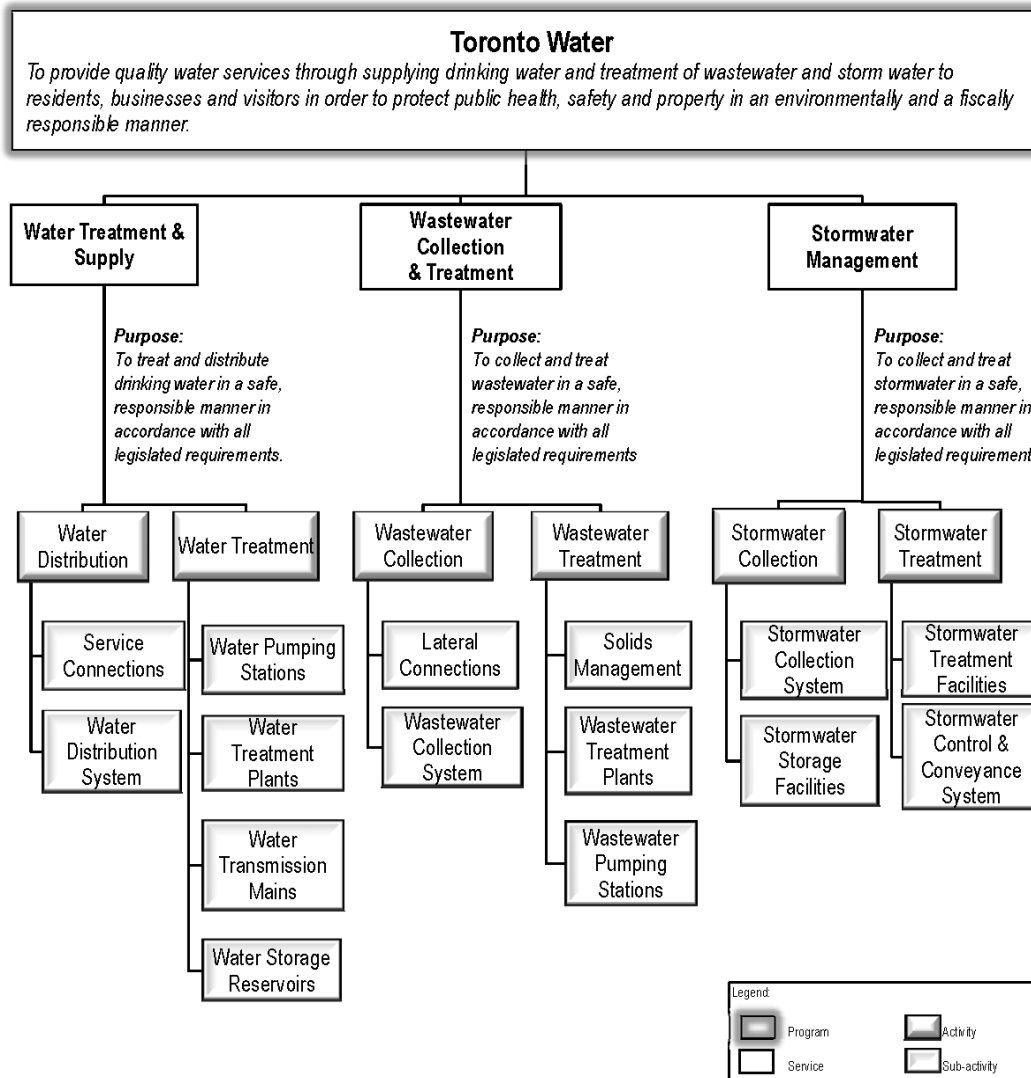


Part I:

2015 – 2017

Service Overview and
Plan

Program Map



Service Customer

Water Treatment & Supply

- Water account holders
- Water consumers

Wastewater Collection & Treatment

- Wastewater account holders
- Wastewater producers
- Public and private landowners

Stormwater Management

- Public and private landowners

2015 Service Deliverables

The 2015 Recommended Operating Budget of \$422.452 million gross will ensure delivery of Water and Wastewater services for 3.2 million residents and business in Toronto by providing:

- Treatment and supply of 493 billion litres of water (including York Region);
- Collection and treatment of 438 billion litres of wastewater;
- Replacement of 5,000 sub-standard water services (approximately 3,900 of which are lead);
- Response to and clearing of 10,000 blocked sewer connections;
- Cleaning of over 122,000 catch basins; and
- Repair of approximately 1,500 broken watermains.
- Environmental Monitoring and Protection including Sewers By-law Compliance and Enforcement, Water Supply By-law Compliance and Enforcement and the Backflow Prevention Program and Pollution Prevention Program.

Table 1
2015 Recommended Operating Budget and Plan by Service

(In \$000s)	2014		2015 Recommended Operating Budget				Incremental Change				2016 and	
	Approved Budget	Projected Actual	2015 Rec'd Base	2015 Rec'd New/Enhanced	2015 Rec'd Budget	2015 Rec'd vs. 2014 Budget Approved Changes		2017 Plan		2016	2017	
						\$	%	\$	%			
By Service	\$	\$	\$	\$	\$	\$	%	\$	%	\$	%	
Water Treatment & Supply												
Gross Expenditures	180,940.4	176,276.4	186,668.9	43.6	186,712.5	5,772.1	3.2%	5,241.9	2.8%	5,656.7	2.9%	
Revenue	489,101.8	487,773.7	517,321.4		517,321.4	28,219.6	5.8%	24.8	0.0%			
Capital Contribution	308,161.4	311,497.3	330,652.6	(43.6)	330,608.9	22,447.5	7.3%	(5,217.1)	(1.6%)	(5,656.7)	(1.7%)	
Wastewater Collection & Treatment												
Gross Expenditures	205,159.2	201,519.9	213,382.9	41.9	213,424.8	8,265.6	4.0%	8,753.3	4.1%	6,141.1	2.8%	
Revenue	530,287.3	525,320.1	560,059.3		560,059.3	29,772.0	5.6%	41.7	0.0%			
Capital Contribution	325,128.1	323,800.2	346,676.4	(41.9)	346,634.5	21,506.4	6.6%	(8,711.6)	(2.5%)	(6,141.1)	(1.8%)	
Stormwater Management												
Gross Expenditures	21,616.5	20,843.7	22,304.6	9.8	22,314.4	697.9	3.2%	909.9	4.1%	516.4	2.3%	
Revenue	2,697.4	3,134.8	3,292.0		3,292.0	594.7	22.0%	27.4	0.8%			
Capital Contribution	(18,919.1)	(17,708.9)	(19,012.6)	(9.8)	(19,022.4)	(103.3)	0.5%	(882.5)	4.6%	(516.4)	2.6%	
Total												
Gross Expenditures	407,716.1	398,640.0	422,356.4	95.3	422,451.7	14,735.6	3.6%	14,905.1	3.5%	12,314.2	2.8%	
Revenue	1,022,086.5	1,016,228.5	1,080,672.7	-	1,080,672.7	58,586.3	5.7%	93.9	0.0%	-		
Total Capital Contribution	614,370.4	617,588.5	658,316.3	(95.3)	658,221.1	43,850.7	7.1%	(14,811.2)	(2.3%)	(12,314.2)	(1.9%)	
Approved Positions	1,751.6	1,556.7	1,753.6	1.0	1,754.6	3.0	0.2%	1,749.6	99.7%	1,748.6	49.9%	

The 2015 Recommended Operating Budget for Toronto Water is \$422.452 million gross and \$1.081 billion in revenue, resulting in a \$658.221 million capital-from-current contribution. It reflects an increase of \$14.736 million or 3.6% over the 2014 Approved Budget gross expenditures of \$407.716 million and an increase of \$43.851 million or 7.1% over the 2014 Approved Capital Contribution Budget of \$614.370 million due to the following:

- Base pressures, which are experienced by all three services consistently, are mostly attributable to inflationary increases in salaries and benefits including progression pay and step increases (\$4.728 million); inflationary increases for materials, supplies and contracted services (\$6.927 million); legislative requirements (\$0.767 million) and completed capital projects (\$0.337 million).
- Additional costs for materials, supplies and contracted services (\$0.910 million) are required to deliver *Wastewater Collection and Treatment* and *Stormwater Management* services. These costs result from legislative and other effluent process control requirements.
- A review of actual costs for *Water Treatment and Supply* and *Wastewater Collection and Treatment* services, resulted in higher water and wastewater productions costs and additional utility cut restoration costs due to higher watermain and sewer break volumes (\$4.337 million).
- These pressures were partially offset by savings from annualized impact of previous year approvals including backflow prevention program revenues (\$0.434 million) and reversal of one-time additional costs for extreme weather related work (\$3.621 million), a line by line review of expenditures based on actual experience (\$0.502 million) and other savings from internal restructuring and optimization (0.650 million), which are applied uniformly across all services.
- In addition, service reduction options totaling \$10.362 million, consisting mostly of various revenue generating initiatives such as additional revenues from private water agreements and expanded industrial waste program (\$2.303 million), recoveries for new connections and other volume and inflationary based increases (\$7.532 million) were used to reduce initial base pressures for 2015.

- The 2015 Recommended Operating Budget includes funding for an Enhanced Emergency Preparedness/ Extreme Weather Planning program (\$0.095 million).
- The 2016 and 2017 Plans for all services reflect the inflationary cost increases for progression pay, step and fringe benefits, anticipated inflationary cost increases for materials and supplies for water treatment plants and contributions to fleet reserve. The 2016 incremental costs will be partially offset by savings realized through implementation of the Automated Meter Reader program.

Approval of the 2015 Recommended Operating Budget will result in an addition of 3 positions, increasing the Program's total staff complement from 1,751.65 positions to 1,754.65 positions, as highlighted in the table below:

Table 2
2015 Recommended Total Staff Complement

Changes	2015 Budget				Plan	
	Water Treatment & Supply	Wastewater Collection & Treatment	Stormwater Management	Total	2016	2017
2014 Opening Complement	777.72	826.62	130.46	1,734.80	1,754.6	1,749.6
In-year Adjustments	6.66	9.39	0.80	16.85		
Adjusted 2014 Staff Complement	784.38	836.01	131.26	1,751.65	1,754.6	1,749.6
Recommended Change in Staff Complement						
Prior Year Impact					1.0	-
Operating impacts of completed capital projects	(7.45)	2.99	0.46	(4.00)	(15.0)	2.0
Capital Project Delivery	1.00	1.80	0.20	3.00		
Base Changes	1.55	1.22	0.23	3.00	9.0	(3.0)
Service Change				-		
New / Enhanced Service Priorities	0.46	0.44	0.10	1.00		
Total	779.94	842.46	132.25	1,754.65	1,749.6	1,748.6
Position Change Over Prior Year	(4.4)	6.4	1.0	3.0	(5.0)	(1.0)
% Change Over Prior Year	(0.57%)	0.77%	0.76%	0.17%	(0.28%)	(0.06%)

- The 2015 Base Budget includes an increase of 16.85 permanent positions, reflecting in-year adjustments, a result of a new agreement with Metrolinx (8.85 positions), activities related to the HR Complement Maintenance data reconciliation activities (4 positions), and transfer of technical staff from the Engineering and Construction Services (4 positions).
- The 2015 recommended staff changes include:
 - Ongoing maintenance of upgraded facilities and processes resulting from previously approved completed capital projects requires the addition of 3 permanent positions.
 - An additional 5 permanent positions are needed to address increased operational legislated requirements for Ontario One Call program (2 positions), increased volume of applications for MOE/Technical Sewer and Water Application Reviews (1 position), and new private water and industrial agreements (2 permanent positions).
 - The addition of new positions was partially offset by deleting 7 vacant positions arising from the business process restructuring/efficiencies resulting from the Automated Water Meter Reader Program project.

- A restructuring of the Capital Works Delivery unit resulted in an increase of 1 permanent position, which was offset by reduction of 1 position achieved through the restructuring of the Operational Support unit, with no change to the overall staff complement.
- 3 new temporary capital positions were added for the delivery of the Work Management System project (2 positions) and the Ashbridges Bay Wastewater Treatment Plant "P" Building project (1 position).
- The enhanced emergency preparedness/extreme weather planning program requires one new permanent position.
- Due to the efficiencies resulting from the Automated Water Meter Reader Program, the Water Treatment and Supply staff complement will decrease by 4.4 positions, while other two services, Wastewater Collection and Treatment and Stormwater Management require addition of 6.4 and 1 position respectively.
- In 2016, Toronto Water will require additional 1 position for each, the Closed Camera TV (CCTV) Inspection Program, and the Transmission Operations Optimisation Program. Another position will be added for the enhanced Emergency Preparedness/ Extreme Weather Planning program. A total of 9 positions is anticipated for the Backflow Prevention Program and Performance Monitoring and Reporting Program. There will be a further reduction of 17 positions due to the implementation of the Automated Meter Reading system, resulting in a net decrease of 5 positions.
- In 2017, an overall decrease of 1 position is anticipated. An additional 2 capital positions for the Ashbridges Bay Wastewater Treatment plant and the linear infrastructure condition assessment capital projects will be offset by reduction of 3 positions that will no longer be required for the Backflow Prevention Program.

Table 3
Key Cost Drivers

(In \$000s)	2015 Recommended Operating Budget			Total Rec'd 2015 Base Budget
	Water Supply and Treatment	WasteWater Collection and Treatment	Stormwater Management	
Gross Expenditure Changes				
Prior Year Impacts				
Annualisations				
Additional Contribution to Fleet Reserve	250.0	225.0	25.0	500.0
Additional Cost for Ontario One Call Program - Legislative Requirements Under Bill 8	483.0	245.3	38.3	766.6
Additional Cost Related to Federal Wastewater Systems Effluent Regulations & Odour Control Requirements		787.7	122.5	910.2
Reversal of One-time Council Approved Adjustment for Extreme Weather Related Work	(2,222.5)	(1,179.8)	(219.2)	(3,621.4)
Backflow Prevention Program - Reporting Fee Revenues	(114.8)	(192.5)	(126.4)	(433.8)
Other Annualisations	(158.8)	75.6	(53.7)	(136.9)
Operating Impacts of Capital				
Operating Impact of Capital - 2015-2024 Capital Plan	47.4	272.5	17.0	336.8
Economic Factors				
Economic Factors - Non-Payroll Expenditures	3,282.5	3,561.1	83.3	6,926.8
COLA and Progression Pay				
Re-earnable, Progression Step & Realignments	577.9	515.2	101.9	1,195.0
COLA & Corporate Employee Benefits	1,567.9	1,694.1	271.1	3,533.1
Other Base Changes				
Increase in Production of Water & Wastewater Costs Based on Review of Actuals	801.2	163.0		964.2
District Operations - Additional Restoration Costs Due to Break Volume Increase	401.4	210.6	38.1	650.0
TRCA Contribution - 2.5% Increase			112.2	112.2
Changes in Interdepartmental Charges	1,369.1	1,074.3	167.3	2,610.6
Reassessment of Payments in Lieu of Taxes	(11.5)	(13.7)		(25.1)
Line by Line Review	(332.6)	(160.2)	(9.0)	(501.8)
Other	(673.7)	69.0	(45.6)	(650.3)
Total Gross Expenditure Changes	5,266.3	7,347.2	522.8	13,136.3
Revenue Changes				
Peel Wastewater Treatment Agreement - Revenue Reduction	32.8			32.8
Total Revenue Changes	32.8			32.8
Net Expenditure Changes	5,299.1	7,347.2	522.8	13,169.1

Key cost drivers and offsetting cost reductions for Toronto Water are shown in the table above. The following describes major base budget changes for 2015:

- The major cost drivers impacting all Toronto Water services include inflationary increase for salaries and benefits (\$4.728 million) and other non-labour costs, mostly energy and utilities (\$4.956 million), materials and supplies (\$0.640 million) and contracted services (\$1.277 million).
- As a result of the Provincial government legislation under Bill 8, funding of \$0.100 million was approved in 2014 for a call system (Ontario One Call) that receives excavator requests for the

location of underground infrastructure within Ontario. The originally estimated incremental funding of \$0.400 million for 2015 was increased to \$0.767 million to reflect historical volumes for 2012 and 2013, as well as forecasted volumes for 2014. In addition, 2 staff positions are required to meet the 48 hour response time as set out by the Ontario One Corporation. These additional costs had impact on all Toronto Water services.

- An increase in interdivisional charges in all services reflects higher utility cut repairs costs, based on higher contract prices received in 2014.
- Each year Toronto Water completes a detailed analysis of the estimated *water production and wastewater* to be treated. The analysis includes a comparison of actual consumption rates to production estimates as well as the year end projections. This analysis is also used to calculate the estimated chemical and energy requirements needed at the various water treatment facilities for the upcoming year. Based on that analysis, Toronto Water estimates that water and wastewater production costs will increase by \$0.964 million in 2015.
- Although a one-time budget adjustment of \$3.621 million to fund extreme weather related watermain and sewer breaks approved in 2014, has been reversed for 2015, Toronto Water continues to experience an increase in watermain and sewer breaks, requiring pro-active infrastructure stress tests. As a result, Toronto Water will incur additional costs in surface restoration. A provision of \$0.650 million has been established for contracted services in all services, since RFQs will be issued for higher volumes of restoration work and materials, such as surface repairs, asphalt and sod.
- The above base budget cost increases were partially offset through a combination of base cost reduction options across all services, which included annualized revenues from backflow prevention reporting fees, savings from the line by line review and other savings resulting from organizational restructuring and business improvement initiatives for a total of \$1.773 million.

In addition, the following service changes for Toronto Water consisting of base expenditures changes and base revenue changes of \$0.634 million are recommended resulting in an increase in capital-from-current contribution of \$10.362 million, as detailed below:

Table 4

2015 Total Recommended Service Change Summary

Description (\$000s)	2015 Recommended Service Changes						Total Rec'd Service Changes			Incremental Change			
	Water Treatment & Supply		Wastewater Collection & Treatment		Stormwater Management		\$	\$	#	2016 Plan		2017 Plan	
	Gross	Capital Contribution	Gross	Capital Contribution	Gross	Capital Contribution	Gross	Capital Contribution	Pos.	Capital Contribution	Pos.	Capital Contribution	Pos.
Base Changes:													
Base Expenditure Changes													
Water Meter Program Savings	(423.3)	423.3	88.3	(88.3)	3.9	(3.9)	(331.1)	331.1	(7.0)		1,340.3	(17.0)	
Environmental Monitoring & Protection Unit - Increase in Revenues	16.9	2,236.0	203.1	115.8	48.4	(48.4)	268.5	2,303.4	2.0				
Increase in Other Revenues	309.8	4,139.7	160.6	2,397.2	29.5	360.4	500.0	6,897.3	0.0				
District Operations - Deletion of Vacancies	(89.9)	89.9	(47.2)	47.2	(8.5)	8.5	(145.6)	145.6	(2.0)				
Absorb impact of CNE requirements through general underspending	(31.8)	31.8	(15.2)	15.2	(3.1)	3.1	(50.0)	50.0	0.0				
Base Expenditure Change	(218.3)	6,920.7	389.8	2,487.0	70.3	319.7	241.8	9,727.3	(7.0)		1,340.3	(17.0)	
Base Revenue Changes													
User Fee Revenue Increase - Inflationary Factor		209.2		406.5		18.7		634.4	0.00				
Base Revenue Change		209.2		406.5		18.7		634.4	0.00				
Sub-Total	(218.3)	7,129.9	389.8	2,893.4	70.3	338.4	241.8	10,361.7	(7.0)		1,340.3	(17.0)	
Total Changes	(218.3)	7,129.9	389.8	2,893.4	70.3	338.4	241.8	10,361.7	(7.0)		1,340.3	(17.0)	

Base Expenditure Changes (\$0.242 million gross, savings of \$9.727 million net)

Water Meter Program Savings

- In 2013, the water meter reading function was transferred from Revenue Services to Toronto Water and integrated with the business operations in the Water Meter Program (WMP) as part of the long term sustainment for the capital investment for automated meters. In 2014, Toronto Water initiated establishment of a permanent Water Meter sustainment team realizing net savings of \$0.331million.
- As Toronto Water continues to transition to the permanent sustainment team, there will be further savings through the deletion of manual water meter readers. In order to staff the sustainment team of 11 positions, and to add a complement of 8 positions required for operations, maintenance and information technology, Toronto Water requires funding of \$1.702 million. The addition of required positions will be offset by the deletion of 26 existing positions (\$2.033 million), resulting in a net deletion of 7 positions and further savings of \$0.331 million in 2015. Incremental saving of \$1.340 million, through deletion of 17 positions, will be realized in 2016.

Environmental Monitoring and Protection Unit – Increase in Revenues

- The environmental Monitoring and Protection Unit within Toronto Water is responsible for private water and sanitary discharge agreements.
- Currently, the Unit does not have a dedicated resource to follow up on many sanitary discharge permits that are expiring and it is losing revenue since discharges are still occurring. To ensure that the development industry is in compliance with the Sewer Use By-law with respect to unauthorized discharges to the City's storm sewer system, the Environmental and Protection Unit requires 2 positions (1 ETT1 and 1 Engineer). These positions will be responsible for the creation and administration of new sanitary discharge agreements as well as permit applications.
- It is anticipated that associated costs will be fully offset by additional revenues from private water and sanitary discharge agreements that continue to increase. Based on the 2014 actual experience, Toronto Water will be in a position to generate net revenue of \$2.303 million in 2015,

after allowing for required resources to process applications and create and administer new agreements.

Other Revenues and Recoveries

- Toronto Water anticipates additional revenues of \$7.397 million in 2015, primarily from the alignment of new service connection fees of \$4.4 million with the work included in its capital program, as well as a volume increase in user fee revenues not previously recognized. It should be noted that these revenues will be used to offset costs of linear infrastructure damage of \$0.500 million with no corresponding recoveries, resulting in a net revenue of \$6.897 million.

District Operations – Deletion of Vacancies

- Based on the review of existing long term vacancies, Toronto Water determined that 2 positions are no longer required and can be deleted for savings of \$0.146 million. These savings can be achieved due to a re-distribution of work/change in geographical areas which resulted in the need for fewer entry level positions.

Absorb Impact of CNE Asset Maintenance Through General Underspending

- Toronto Water will absorb the impact of additional parts, materials and contracted service resulting from operations and maintenance of assets transferred to the City from Exhibition Place in 2014. The sewers and watermains were connected to a wider network, servicing lands beyond Exhibition Place's grounds, but for historic reasons remained under the jurisdiction of the Exhibition Place.

Base Revenue Changes (Revenue of \$0.634 million)

Increase to Existing User Fees

- In accordance with Council's approved User Fee Policy, inflationary factors that reflect service specific cost increases are applied in order to recover the full costs. As a result, the 2015 Operating Budget includes additional revenues of \$0.634 million from user fee rate increases.
- The overall inflationary increase was estimated at 3.19% for water and waste water service fees including labour cost increase, energy, utilities, materials and contracted services. The 3.19% increase has been applied to all fees except for those that are part of individual contracts whereby the increase must reflect the specified contract escalation cost, 5 fees charged by Revenue Services for which an overall factor of 2% applicable to Revenue Services Division was used, the returned cheque fee, and the flat legacy fee, as described below:
- The following increases are effective March 12, 2015.
 - 21 water service fees (Appendix C – Schedule 2, Water Service, Reference Numbers: 1, 2, 5, 11, 12, 13, 15, 15.1, 17, 21, 25, 32, 40 and 42) are increased based on 2.21% inflationary factor and actual contract increases.
 - 9 wastewater service fees (Appendix C – Schedule 3, Wastewater Service, Reference Numbers: 4, 5, 6, 15, 16, 17, 18, 19 and 20) are increased based on 3.19 % inflationary factor and actual contract increases.

- 5 Revenue Services fees (Appendix C – Schedule 2, Water Service, Reference Numbers 33, 35, 36, 37, 39 are increased based on 2% inflationary factor.
- Returned Cheque fee (#38) is a city wide accounting fee set at \$40 in 2015, and the flat rate legacy fee (#43) is increased by the water rate increase in 2015 of 8%.

Discontinued Fees

- It is recommended that Revenue Services Fee (# 34) for water certification be deleted from Chapter 441 – Fees and Charges, Appendix D, Schedule 2, Water Services, since the cost of this service is recovered by the utility clearance certificate fee (# 42) of Chapter 441, Appendix C, Schedule 5, Revenue Services, and the provisions under fee #34 have not been applied in some time.

Proposed changes are summarized in Appendix 7a and 7c of these Analyst Notes and the 2015 Water and Wastewater Rate and Service Fees Report from the Deputy City Manager and Chief Financial Officer and General Manager for Toronto Water. This report also provides a comparison with the existing user fee rates.

Table 5
2015 Total Recommended New & Enhanced Service Priorities Summary

Description (\$000s)	New and Enhanced						Total Rec'd Service Changes			Net Incremental Impact			
	Water Supply and Treatment		WasteWater Collection and Treatment		Stormwater Management		\$'s		Position	2016 Plan		2017 Plan	
	Gross	Capital Contribution	Gross	Capital Contribution	Gross	Capital Contribution	Gross	Net	#	Net	Pos.	Net	Pos.
Enhanced Services Priorities													
Emergency Preparedness/Extreme Weather Planning	43.6	(43.6)	41.9	(41.9)	9.8	(9.8)	95.3	(95.3)	1.0	107.6	1.0		
Sub-Total	43.6	(43.6)	41.9	(41.9)	9.8	(9.8)	95.3	(95.3)	1.0	107.6	1.0		
New Service Priorities													
(a) New Services													
(b) New Fees													
Sub-Total													
Total	43.6	(43.6)	41.9	(41.9)	9.8	(9.8)	95.3	(95.3)	1.0	107.6	1.0		

Recommended Enhanced Service Priorities (\$0.095 million gross & net)

Emergency Preparedness/Extreme Weather Planning

- Toronto Water anticipates an increase in environmental/ health & safety legislative and regulatory requirements resulting in an increased demand for policy analysis to identify emerging environmental legislation, provide feedback to regulatory agencies, and manage operational impacts through project planning.
- The addition of a new Research Assistant 1 position at a cost of \$0.095 million in 2015 will support the current Emergency Preparedness Administrator (EPA) in emergency site planning, business continuity planning, divisional emergency exercise requirements, and development and maintenance of emergency incident/ DWQMS administrative databases. Another position will be required in 2016 at anticipated cost of \$0.108 million.
- The enhanced unit will support a newly evolved Environmental Health & Safety emergency response role (IMS – Coordination/Liaison function) to enhance operational resiliency, reduce risks to community impacts through mitigation planning and emergency response and recovery coordination efforts.

Approval of the 2015 Recommended Budget will result in a 2016 incremental net cost of \$14.811 million and a 2017 incremental net cost of \$12.314 million to maintain the 2014 level of service as discussed in the following section.

Table 6
2016 and 2017 Plan by Program

Description (\$000s)	2016 - Incremental Increase					2017 - Incremental Increase				
	Gross Expense	Revenue	Capital Contribution	% Change	# Positions	Gross Expense	Revenue	Capital Contribution	% Change	# Positions
Known Impacts:										
Progression Pay & Step Increases	615.8		(615.8)	(0.1%)		497.4		(497.4)	(0.1%)	
Annualization	(1,666.4)		1,666.4	0.4%	1.0					
Operating Impact of Capital	441.8		(441.8)	(0.1%)	2.0	(120.9)		120.9	0.0%	2.0
Operating Impact of Capital: AMR	(1,340.3)		1,340.3	0.3%	(17.0)					
Revenue: Backflow Prevention Program		93.9	93.9	0.0%	6.0					(3.0)
Revenue: Water Loss & Leak Detection Program		105.0	105.0	0.0%			120.0	120.0	0.0%	
Sub-Total	(1,949.2)	198.9	2,148.1	0.5%	(8.0)	376.5	120.0	(256.5)	(0.1%)	(1.0)
Anticipated Impacts:										
Economic Factors	10,926.8		(10,926.8)	(2.6%)		11,637.7		(11,637.7)	(2.7%)	
Production of Water & Wastewater	533.0		(533.0)	(0.1%)		533.0		(533.0)	(0.1%)	
Anticipated Transfer of Assets, Service Improvements & Business Support Initiatives	844.3		(844.3)	(0.2%)	3.0	(112.9)		112.9	0.0%	
Interdepartmental Charges Increase	2,000.0		(2,000.0)	(0.5%)						
Anticipated Reversal of Base 2014 Change	2,655.2		(2,655.2)	(0.6%)						
Sub-Total	16,959.3		(16,959.3)	(4.0%)	3.0	12,057.7		(12,057.7)	(2.8%)	
Total Incremental Impact	15,010.1	198.9	(14,811.2)	(3.5%)	(5.0)	12,434.2	120.0	(12,314.2)	(2.8%)	(1.0)

Future year incremental costs are primarily attributable to the following:

Known Impacts

- Step and progression pay increases of \$0.616 million in 2016 and \$0.497 million in 2017.
- Operating impact of completed capital projects of \$0.442 million in 2016, with anticipated savings of \$0.121 million in 2017.
- The incremental impact of above costs will be partially offset by the following:
 - The annualized impact of 2015 service changes consisting mostly of realignment of hydro and utility billing costs with actuals, partially offset by increased contribution to the fleet reserve and annualized impact of the operational support unit restructuring changes and enhanced emergency preparedness/extreme weather planning program for a total net savings of \$1.667 million in 2016.
 - Savings of \$1.340 million from the Automated Meter Reader project in 2016.
 - Additional revenues from the Backflow Prevention and Water Loss & Leak Detection Program of \$0.199 million in 2016 and \$0.120 million in 2017.

Anticipated Impacts

- Inflationary pressures for materials and supplies, contracted services and other costs of \$10.927 million in 2016 and \$11.638 million in 2017.

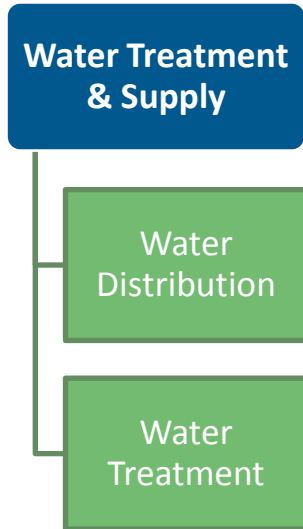
- Additional costs related to anticipated volume adjustments related to the production of water and wastewater of \$0.533 million in each 2016 and 2017.
- Anticipated increase in cost for maintenance of assets transferred from capital projects completed by Metrolinx and Waterfront, as well as future customer service and business support initiatives of \$0.844 million in 2016.
- Additional costs for utility cut restoration, maintenance and hydro of \$4.655 million in 2016.
- Incremental costs in 2017 will be partially offset by savings generated from the planned customer service and business support initiatives of \$0.113 million.
- Approval of the 2015 Recommended Budget will result in the following total incremental net cost to maintain the 2014 service levels for the following services:
 - Water Treatment & Supply: \$5.217 and \$5.657 million in 2016 and 2017 respectively.
 - Wastewater Collection & Treatment: \$8.712 million and \$6.141million in 2016 and 2017 respectively.
 - Storm Water Management: \$5.217 and \$5.657 million in 2016 and 2017 respectively.



Part II:

2015 Recommended
Budget by Service

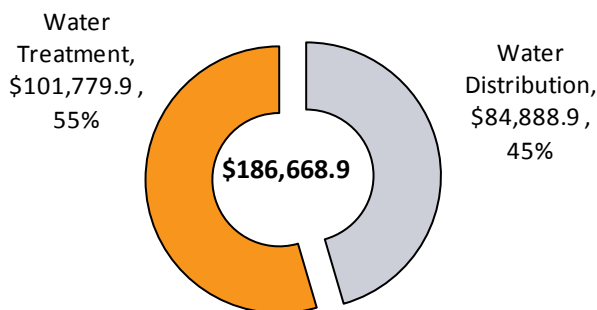
Water Treatment & Supply



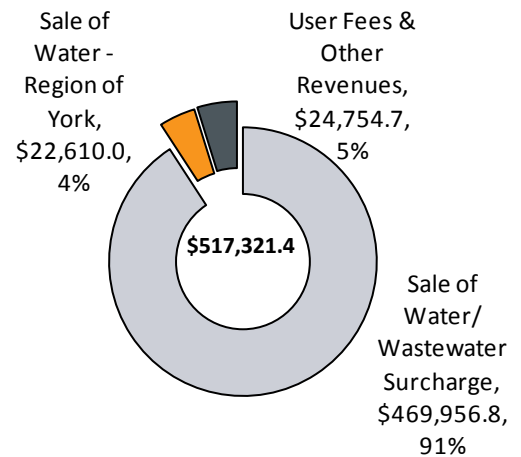
What We Do

- Treat and distribute drinking water in a safe, responsible manner in accordance with all legislated requirements.

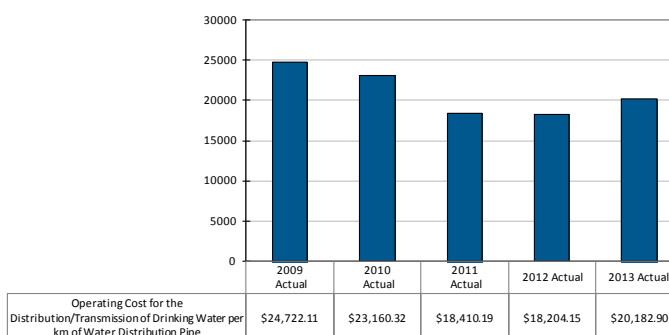
2015 Service Budget by Activity (\$000s)



Service by Funding Source (\$000s)



Operating Cost for the Distribution/Transmission of Drinking Water per km of Water Distribution Pipe



- Operating costs for the Distribution/Transmission of Drinking Water per km of Water Distribution Pipe decreased from \$24,722.11 in 2009 to \$20,182.90 in 2013.

2015 Service Levels Water Treatment & Supply

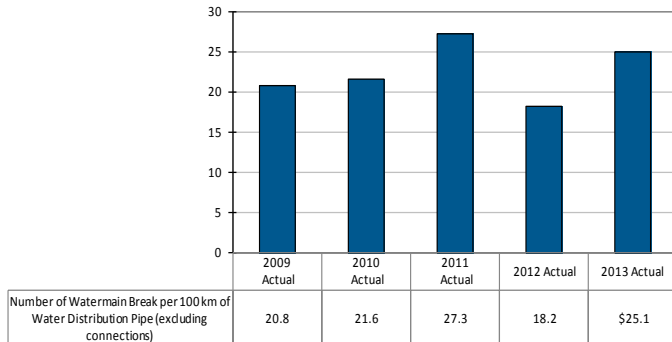
Activity	Sub-Activity/Type	Approved Service Levels			Recommended
		2012	2013	2014	2015
Water Distribution	Service Connections	Meeting the 40 to 100 psi requirement			Meeting the 40 to 100 psi requirement
	Water Distribution System	20.8 mainbreaks per 100 km of pipe			20.8 mainbreaks per 100 km of pipe
Water Treatment	Water Pumping Stations	317 kWh/ML of water pumped	340 kWh/ML of water pumped		340 kWh/ML of water pumped
	Water Treatment Plants	In compliance with all applicable legislation			In compliance with all applicable legislation
	Water Transmission Mains	Meeting velocity and headloss guidelines	Meeting velocity and headloss design guidelines		Meeting velocity and headloss design guidelines
	Water Storage Reservoirs	Consistently maintain 24 hrs of storage capacity	Meeting requirements for emergency storage and fire flows (consistently maintain 24 hours of storage capacity)		Meeting requirements for emergency storage and fire flows (consistently maintain 24 hours of storage capacity)

The 2015 Recommended Service Levels are consistent with the approved 2014 Service Levels.

Service Performance

Water Distribution

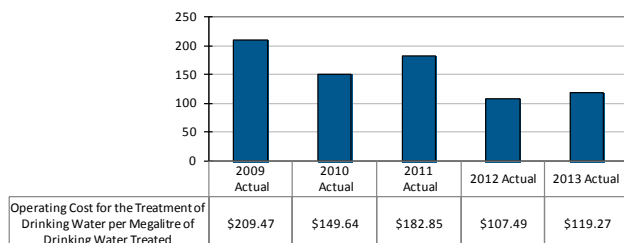
Number of Watermain Break per 100 km of Water Distribution Pipe



- Watermain breaks increased in 2013 as a result of extreme weather events and sudden extreme changes in temperature.
- Total watermain breaks were 1518 in 2013 compared to 1095 in 2012.

Water Treatment

Operating Cost for the Treatment of Drinking Water per Megalitre of Drinking Water Treated



- Cost increased primarily for new corrosion control processes.
- Toronto Water's strategy of corrosion control is an effective long term solution for mitigating the potential health risks of lead in drinking water, while the removal of lead services (both public and private) also continues throughout the distribution system.

Table 7
2015 Recommended Service Budget by Activity

(\$000s)	2015 Recommended Operating Budget								Incremental Change						
	2014	2015 Rec'd		2015 Rec'd		2015 Rec'd		2015 Rec'd		2016 Plan		2017 Plan			
	Approved Budget	Base Budget	Service Changes	Base	Base Budget vs. 2014 Budget	New/Enhanced	Budget	2014 Budget	2014 Budget	\$	%	\$	%		
	\$	\$	\$	\$	\$	%	\$	\$	\$	%	\$	%	\$	%	
GROSS EXP.															
Water Distribution	84,616.7	85,172.6	(283.7)	84,888.9	272.2	0.0	8.8	84,897.7	281.0	0.3%	1,593.9	1.9%	1,529.8	1.8%	
Water Treatment	96,323.7	101,714.5	65.4	101,779.9	5,456.3	5.7%	34.8	101,814.8	5,491.1	5.7%	3,648.1	3.6%	4,126.9	3.9%	
Total Gross Exp.	180,940.4	186,887.1	(218.3)	186,668.9	5,728.5	3.2%	43.6	186,712.5	5,772.1	3.2%	5,241.9	2.8%	5,656.7	2.9%	
REVENUE															
Water Distribution	463,776.3	472,872.5	3,656.1	476,528.6	12,752.3	2.7%		476,528.6	12,752.3	2.7%	12.3	0.0%			
Water Treatment	25,325.5	37,537.2	3,255.6	40,792.8	15,467.3	61.1%		40,792.8	15,467.3	61.1%	12.6	0.0%			
Total Revenues	489,101.8	510,409.8	6,911.7	517,321.4	28,219.6	5.8%		517,321.4	28,219.6	5.8%	24.8	0.0%			
CAPITAL CONTRIBUTION															
Water Distribution	379,159.6	(85,172.6)	3,939.8	391,639.7	12,480.1	3.3%	(8.8)	391,630.9	12,471.4	3.29%	(1,581.6)	(0.4%)	(1,529.8)	(0.4%)	
Water Treatment	(70,998.1)	(101,714.5)	3,190.1	(60,987.1)	10,011.0	(14.1%)	(34.8)	(61,022.0)	9,976.2	(14.05%)	(3,635.5)	6.0%	(4,126.9)	6.4%	
Total Capital Contribution	308,161.4	(186,887.1)	7,129.9	330,652.6	22,491.1	7.3%	(43.6)	330,608.9	22,447.5	7.28%	(5,217.1)	(1.6%)	(5,656.7)	(1.8%)	
Approved Positions	784.4	788.5	(9.0)	779.5	(4.9)	(0.6%)	0.5	779.9	(4.4)	(0.6%)	(12.7)	(1.6%)	(0.8)	(0.1%)	

The 2015 Recommended Operating Budget for Water Treatment and Supply is \$186.712 million gross and \$517.321 million in revenue, resulting in a \$330.609 million budgeted capital-from-current contribution. It reflects an increase of \$5.728 million or 3.2% over the 2014 Approved Budget gross expenditures and an increase of \$22.491 million or 7.3% over the 2014 Approved Capital Contribution budget.

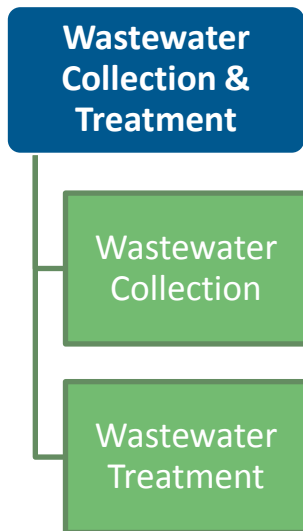
The **Water Treatment & Supply Service** treats and supplies 493 billion liters of safe drinking water to 3.4 million residents and business annually, in a safe, responsible manner in accordance with all legislated requirements. This service is provided through *Water Distribution* and *Water Treatment* activities.

- Base budget pressures in Water Treatment and Supply Service are primarily due to:
 - Inflationary costs for salaries and benefits and progression pay and step increases totaling \$2.146 million. These costs are allocated to each activity based on staffing and salary levels, reflecting the larger staff complement required for *Water Distribution* (506 positions) compared to *Water Treatment* activity (274 positions).
 - Increased utility costs and costs of other materials and supplies totaling \$3.282 million, which are mostly related to higher usage of power and chemicals in *Water Treatment* plants (\$2.964 million).
 - Annualizations and other base changes of \$3.352 million, due to higher costs and increased volumes of utility cut repair work, as well as legislative requirements for Ontario One Call Program related to *Water Distribution Activity*, and increased *Wastewater Treatment* cost.
- To help mitigate the base pressures, the service was able to achieve savings through various cost reduction initiatives including line by line review (\$0.333 million), and annualized revenues from backflow prevention reporting and other fees (\$0.274 million) in both, *water distribution and water treatment* activity, and restructuring of the capital works delivery unit and implementation of automated meter reader program in *water distribution* activity (\$0.939 million).
- In addition, the service used revenue generating strategies that resulted in increased revenues for *water distribution* activity mainly through new service connections (\$3.541 million) and *water treatment* activity from private water agreements (\$2.236 million).

- The 2015 Recommended Operating Budget for the Water Distribution and Supply service includes funding for the emergency preparedness unit enhancement, costs of which are allocated uniformly to all activities and services.
- Overall, the Water Treatment and Supply service generated non-sale of water revenues that not only offset increased costs of this service, but also provided additional \$1.760 million in funding for pressures in other services as shown in table below.

(In \$000s)	2014 Budget	2015 Budget	Change	
Gross Expenditures	180,940.4	186,712.5	5,772.1	3.2%
Revenue Excluding Sale of Water	17,222.3	24,754.7	7,532.4	43.7%
Net Expenditure	163,718.1	161,957.8	(1,760.3)	-1.1%
Sale of Water Revenue	450,328.8	469,956.8	19,627.9	4.4%
Sale of Water Revenue - Region of York	21,550.7	22,610.0	1,059.3	4.9%
Total Sale of Water Revenue	471,879.5	492,566.8	20,687.2	4.4%
Capital Contribution	308,161.4	330,608.9	22,447.5	7.3%

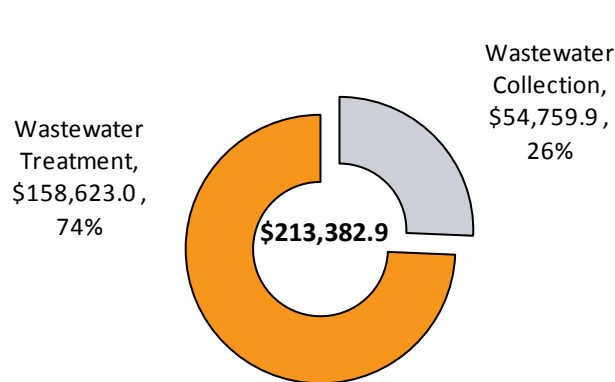
Wastewater Collection & Treatment



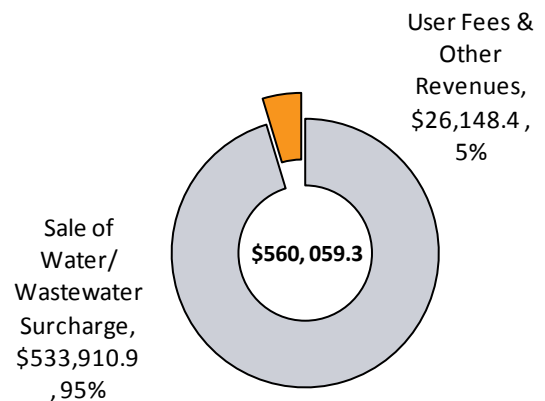
What We Do

- Collect and treat wastewater in a safe, responsible manner in accordance with all legislated requirements.

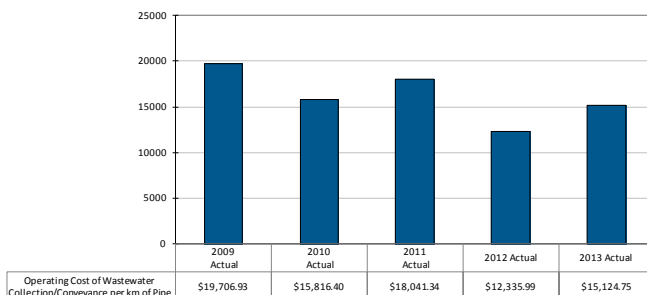
2015 Service Budget by Activity (\$000s)



Service by Funding Source (\$000s)



Operating Cost of Wastewater Collection/Conveyance per km of Pipe



- Cost increased primarily due to higher than expected inflationary increases for energy and chemicals.
- Hydro is a major cost of pumping wastewater to treatment facilities.

2015 Service Levels Wastewater Collection & Treatment

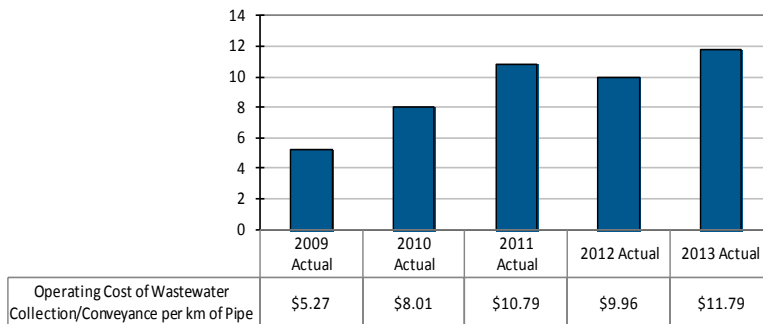
Activity	Sub-Activity/Type	Approved Service Levels			Recommended
		2012	2013	2014	2015
Wastewater Collection	Lateral Connection	Basement flooding being reduced through capital investment			Basement flooding being reduced through capital investment
	Wastewater Collection System	5.27 mainline backups per 100 km of pipe			5.27 mainline backups per 100 km of pipe
Wastewater Treatment	Solids Management	Consistently meeting compliance limits in Nutrient Management Act			Consistently meeting compliance limits in Nutrient Management Act
	Wastewater Treatment Plants	In compliance with all applicable legislation			In compliance with all applicable legislation
	Wastewater Pumping Stations	Meeting legislative compliance			Meeting legislative compliance

The 2015 Recommended Service Levels are consistent with the approved 2014 Service Levels.

Service Performance

Wastewater Collection

Annual Number of Wastewater Main Backups per 100km of Wastewater Main

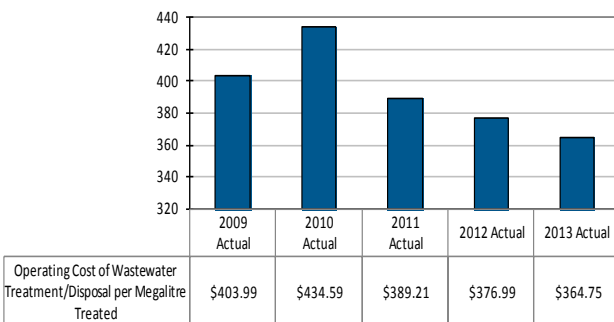


- Annual number of wastewater main backups per 100 km increase from \$5.27 in 2009 to \$11.79 in 2013.

Wastewater Treatment

Operating Cost of Wastewater Treatment/Disposal per Megalitre Treated

Title



- Cost (per mega litre of sewage treated) decreased primarily due to increased stormwater flows resulting from higher than average precipitation.
- Long term costs are expected to increase in line with the increased cost of chemicals, utilities and services.
- In addition, components of the new Federal effluent regulations which will come into effect January 1st, 2015, will generate added cost. The regulation imposes new and stricter guidelines on the quality of treated wastewater discharged to the environment.

Table 8

2015 Recommended Service Budget by Activity

(\$000s)	2014	2015 Recommended Operating Budget							Incremental Change					
	Approved Budget	Base Budget	Rec'd Service Changes	2015 Rec'd Base	Rec'd Base Budget vs. 2014		Rec'd New/Enhanced	2015 Rec'd Budget	2015 Rec'd Budget vs. 2014 Budget		2016 Plan		2017 Plan	
					Budget	% Change			\$	%	\$	%	\$	%
GROSS EXP.														
Wastewater Collection	53,950.7	55,043.6	(283.7)	54,759.9	809.3	0.0	6.0	54,765.9	815.3	1.5%	1,826.3	3.3%	963.0	1.7%
Wastewater Treatment	151,208.5	158,557.5	65.4	158,623.0	7,414.5	4.9%	35.9	158,658.8	7,450.3	4.9%	6,926.9	4.4%	5,178.2	3.1%
Total Gross Exp.	205,159.2	213,601.1	(218.3)	213,382.9	8,223.7	4.0%	41.9	213,424.8	8,265.6	4.0%	8,753.3	4.1%	6,141.1	2.7%
REVENUE														
Wastewater Collection	515,866.6	521,172.9	3,656.1	524,829.0	8,962.4	1.7%		524,829.0	8,962.4	1.7%	27.3	0.0%		
Wastewater Treatment	14,420.6	31,974.7	3,255.6	35,230.2	20,809.6	144.3%		35,230.2	20,809.6	144.3%	14.4	0.0%		
Total Revenues	530,287.3	553,147.6	6,911.7	560,059.3	29,772.0	5.6%		560,059.3	29,772.0	5.6%	41.7	0.0%		
CAPITAL CONTRIBUTION														
Wastewater Collection	461,916.0	(55,043.6)	3,939.8	470,069.1	8,153.1	1.8%	(6.0)	470,063.1	8,147.1	1.8%	(1,799.1)	(0.4%)	(963.0)	(0.2%)
Wastewater Treatment	(136,787.8)	(158,557.5)	3,190.1	(122,292.7)	12,295.1	(9.8%)	(35.9)	(123,428.6)	13,359.3	(9.8%)	(6,912.5)	5.6%	(5,178.2)	4.0%
Total Capital Contribution	325,128.1	(213,601.1)	7,129.9	346,676.4	21,548.3	6.6%	(41.9)	346,634.5	21,506.4	6.6%	(8,711.6)	(2.5%)	(6,141.1)	(1.9%)
Approved Positions	836.0	840.3	1.7	842.0	6.0	0.7%	0.4	842.5	6.4	0.8%	4.7	0.6%	0.3	0.0%

The 2015 Recommended Operating Budget for Wastewater Collection & Treatment is \$213.383 million gross and \$560.059 million in revenue, resulting in a \$346.676 million in a capital-from-current contribution. It reflects an increase of \$8.224 million or 4.0% over the 2014 Approved Budget gross expenditures and an increase of \$21.548 million or 6.6% over the 2014 Approved Budget Capital Contribution.

The **Wastewater Collection & Treatment Service** collects and treats 438 billion liters of wastewater annually, in a safe, responsible manner in accordance with all legislated requirements. This service is provided through *Wastewater Collection* and *Wastewater Treatment* activities.

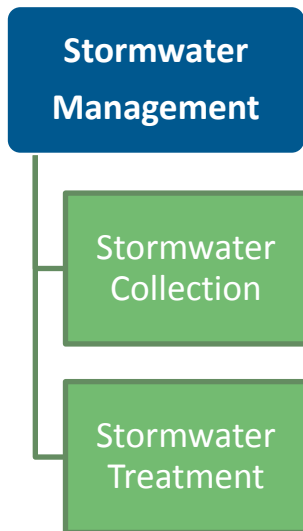
- Base budget pressures in Wastewater Collection and Treatment Service are primarily due to:
 - Inflationary costs for salaries and benefits and progression pay and step increases totaling \$2.209 million. These costs are allocated to each activity based on staffing and salary levels, reflecting the larger staff complement required for *Wastewater Treatment* (524 positions) compared to *Wastewater Collection* activity (317 positions).
 - Increased utility costs and costs of other materials and supplies totaling \$3.561 million, which are predominantly related to higher usage of power and chemicals in *Wastewater Treatment* plants (\$3.352 million).
 - Annualizations and other base changes of \$2.191 million, due to higher costs and increased volumes of utility cut repairs, as well as legislative requirements for Ontario One Call Program related to *Wastewater Collection Activity*, and additional costs for *Wastewater Treatment* activity resulting from the legislative effluent control requirements under the Fisheries Act, increased wastewater treatment costs, and operating requirements due to previously completed wastewater treatment plant upgrades.
- To help mitigate the base pressures, the service was able to achieve savings through various cost reduction initiatives including line by line review (\$0.160 million) and annualized revenues from backflow prevention reporting and other fees (\$0.113 million) in both, *Wastewater Collection and Wastewater Treatment* activity.
- In addition, the service used revenue generating strategies that resulted in increased revenues for *Wastewater Collection* activity mainly through new service connections (\$2.012 million) and

Wastewater Treatment activity from sanitary discharge agreements and other revenues (\$0.890 million).

- The 2015 Recommended Operating Budget for Wastewater Collection and Treatment service includes funding for the enhancement of Toronto Water's emergency preparedness unit, costs of which are allocated uniformly to all activities and services.
- Overall, the *Wastewater Collection and Treatment Service* net expenditure increase, shown in table below, was the highest among services, and was partially offset through additional revenues generated by Water Supply and Treatment service.

(In \$000s)	2014 Budget	2015 Budget	Change	
Gross Expenditures	205,159.2	213,424.8	8,265.6	4.0%
Revenue Excluding Sale of Water	22,422.0	26,148.4	3,726.4	16.6%
Net Expenditure	182,737.2	187,276.3	4,539.2	2.5%
Sale of Water Revenue	507,865.3	533,910.9	26,045.6	5.1%
Sale of Water Revenue - Region of York	-	-	-	-
Total Sale of Water Revenue	507,865.3	533,910.9	26,045.6	5.1%
Capital Contribution	325,128.1	346,634.6	21,506.4	6.6%

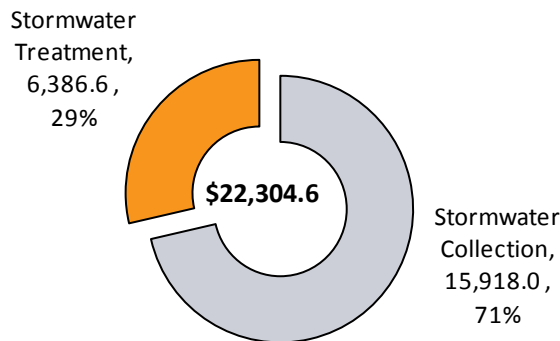
Stormwater Management



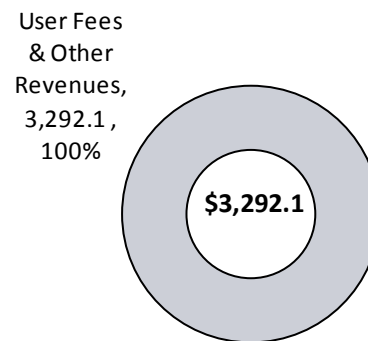
What We Do

- Collect and treat stormwater in a safe, responsible manner in accordance with all legislated requirements.

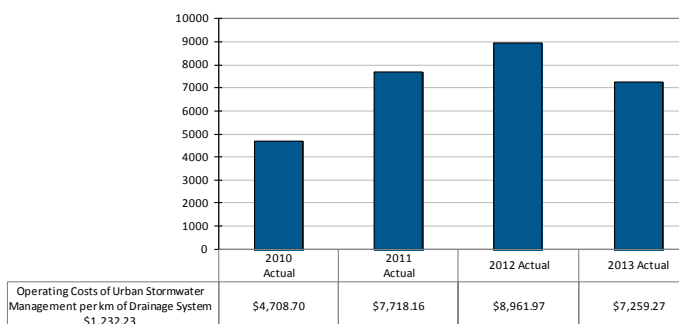
2015 Service Budget by Activity (\$000s)



Service by Funding Source (\$000s)



Operating Costs of Urban Stormwater Management per km of Drainage System



- Toronto Water is incurring additional storm water management costs in response to weather events and basement flooding occurrences.
- Cost incurred include additional preventative maintenance to improve the health of the City's waterways and reducing basement flooding.

2015 Service Levels

Stormwater Management

Activity	Sub-Activity/Type	Approved Service Levels			Recommended
		2012	2013	2014	2015
Stormwater Collection	Stormwater Collection System	Cost of storm pipes maintained is \$1232/km			Cost of storm pipes maintained is \$1232/km
	Stormwater Storage Facilities	Meeting all Certificate of Approval requirements			Meeting all Certificate of Approval requirements
Stormwater Treatment	Stormwater Treatment Facilities	Meeting all Certificate of Approval requirements			Meeting all Certificate of Approval requirements
	Stormwater Conveyance & Control System	Meeting all Certificate of Approval requirements			Meeting all Certificate of Approval requirements

The 2015 Recommended Service Levels are consistent with the approved 2014 Service Levels.

Table 9
2015 Recommended Service Budget by Activity

(\$000s)	2014	2015 Recommended Operating Budget							Incremental Change					
	Approved Budget	Base Budget	Rec'd Service Changes	2015 Rec'd Base	Rec'd Base Budget vs. 2014 Budget	% Change	Rec'd New/Enhanced	2015 Rec'd Budget	2015 Rec'd Budget vs. 2014 Budget		2016 Plan		2017 Plan	
									\$	%	\$	%	\$	%
GROSS EXP.														
Stormwater Collection	15,538.5	15,849.1	68.9	15,918.0	379.5	0.0	5.8	15,923.8	385.3	2.5%	693.8	4.4%	349.1	2.1%
Stormwater Treatment	6,078.0	6,385.3	1.4	6,386.6	308.6	5.1%	4.0	6,390.7	312.6	5.1%	216.1	3.4%	167.3	2.5%
Total Gross Exp.	21,616.5	22,234.4	70.3	22,304.6	688.1	3.2%	9.8	22,314.4	697.9	3.2%	909.9	4.1%	516.4	2.2%
REVENUE														
Stormwater Collection	1,906.2	2,045.2	407.7	2,453.0	546.8	28.7%		2,453.0	546.8	28.7%	24.4	1.0%		
Stormwater Treatment	791.2	838.1	0.9	839.0	47.9	6.1%		839.0	47.9	6.1%	3.0	0.4%		
Total Revenues	2,697.4	2,883.4	408.7	3,292.0	594.7	22.0%		3,292.0	594.7	22.0%	27.4	0.8%		
CAPITAL CONTRIBUTION														
Stormwater Collection	(13,632.3)	(15,849.1)	338.8	(13,465.0)	167.3	(1.2%)	(5.8)	(13,470.8)	161.5	(1.2%)	(669.4)	5.0%	(349.1)	2.5%
Stormwater Treatment	(5,286.9)	(6,385.3)	(0.5)	(5,547.6)	(260.7)	4.9%	(4.0)	(5,551.6)	(264.8)	5.0%	(213.2)	3.8%	(167.3)	2.9%
Total Capital Contribution	(18,919.1)	(22,234.4)	338.4	(19,012.6)	(93.5)	0.5%	(9.8)	(19,022.4)	(103.3)	0.5%	(882.5)	4.6%	(516.4)	2.5%
Approved Positions	131.3	131.9	0.3	132.2	0.9	0.7%	0.1	132.3	1.0	0.8%	2.9	2.2%	(0.5)	(0.3%)

The 2015 Recommended Operating Base Budget for Stormwater Management Service is \$22.305 million gross. It reflects an increase of \$0.688 million or 3.2% over the 2014 Approved Budget gross expenditures. Stormwater Management service does not generate any capital-from-current contribution as its revenues are not sufficient to cover gross expenditures for this service. \$19.013 million in Water Treatment & Supply and Wastewater Collection & Treatment revenues that would otherwise be directed to capital-from-current contributions are required to support the Stormwater Management service operating requirements.

The **Stormwater Management Service** protects private property and the environment from stormwater runoff. This service is provided through *Stormwater Collection* and *Stormwater Treatment* activities.

- Base budget pressures in Wastewater Collection and Treatment Service are primarily due to:
 - Inflationary costs for salaries and benefits and progression pay and step increases totaling \$0.373 million. These costs are allocated to each activity based on staffing and salary levels, reflecting the larger staff complement required for *Stormwater Treatment* (132 positions) compared to *Stormwater Collection* activity (102 positions).
 - Annualizations and other base changes of \$0.150 million, due to higher costs and increased volumes of utility cut repairs, as well as legislative requirements for Ontario One Call Program related and the legislative effluent control requirements under the Fisheries Act related to *Stormwater Collection Activity*, and additional annual contribution of \$0.112 million to the Toronto and Region Conservation Agency (TRCA)'s Operating Budget for *Wastewater Treatment* activity.
- To help mitigate the base pressures, the service was able to achieve savings through various cost reduction initiatives including line by line review (\$0.009 million), and annualized revenues from backflow prevention reporting and other fees (\$0.226 million) in both, *Stormwater Collection* and *Stormwater Treatment* activity.
- In addition, the service was allocated \$0.427 million in revenues generated through various initiatives including inflationary increases of user fees.

- The 2015 Recommended Operating Budget for the Stormwater Management service includes funding to expand Program's emergency preparedness, costs of which are allocated uniformly to all activities and services.
- Overall, the *Stormwater Service* net expenditure increase, shown in table below, was higher than its revenue increase, and was partially offset through revenues generated by the Water Supply and Treatment service.

(In \$000s)	2014 Budget	2015 Budget	Change	
Gross Expenditures	21,616.5	22,314.4	697.9	3.2%
Revenue Excluding Sale of Water	2,697	3,292.1	594.7	22.0%
Net Expenditure	18,919.1	19,022.4	103.2	0.5%
Sale of Water Revenue	-	-	-	-
Sale of Water Revenue - Region of York	-	-	-	-
Total Sale of Water Revenue	-	-	-	-
Capital Contribution	(18,919.1)	(19,022.4)	(103.2)	0.5%



Part III:

Issues for Discussion

Issues for Discussion

Issues Impacting the 2015 Budget

2015 Operating Budget Funding

- Toronto Water is fully self-sustaining and does not rely on the municipal property tax levy for funding or borrowing/debenture financing. Operating and capital investments are funded from revenues generated by water and sewage rates established each year by Council and included in the City’s By-law (Municipal Code, Chapter 849: Water and Sewage Services). Other sources of funding include revenue from the sale of water to York Region; industrial waste surcharges; private water agreements; service charges; and, sundry revenue.
- Based on the recommended 2015 Toronto Water Operating and Capital Budgets, the updated water consumption forecast, and Council's direction that the Capital Plan be predicated on 8% rate increase for capital planning purposes in 2015-2017, a rate increase of 8% for 2015 is recommended for Block 1 domestic-use consumers, and Block 2 industrial process-use consumers.
 - Toronto Water's Capital Program is predicated on planned water rate increases of 8% in 2015 and 2016; 5% in 2017 and 2018; and then decreased to 3% in the following years.
- Given that an 8% rate increase is recommended to be effective March 12, and the 2014 water rates are effective until then, the actual annualized rate increase for 2015 will be 6.5%. Incremental rate revenues from the 2015 Water and Wastewater Rate increase of 6.5% and other sources of funding will generate an additional \$58.586 million (net of projected consumption decline of \$17.043 million in 2015, compared to the 2014 budgeted consumption). The increase in the 2015 Operating Budget gross expenditures of \$14.736 million will decrease the 2015 Capital Contribution by the same amount, resulting in a net incremental revenue of \$43.851 million that will be used to fund Toronto Water’s Capital Budget in 2015.
- The following Charts show the 2015 recommended combined water and wastewater consumption rates and the rate increase impact on average residential, as well as commercial and industrial customers, based on their average consumption

Chart 1 – Water and Wastewater Rate Increase

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")	3.1945	3.3626
Block 2 - Industrial process – use water consumption over 6,000 m ³ , representing 30% reduction from the Block 1 Rate ("Block 2 rate')	2.2361	2.3537

Chart 2 – 2015 Water Rate Impact

Type of Property	Average Consumption	2014 Cost	2015 Projected cost	2015 Rate Increase Impact	
Residential	280	\$828	\$882	\$54	6.5%
Commercial	100,000	\$295,790	\$314,915	\$19,125	6.5%
Industrial	100,000	\$212,374	\$226,106	\$13,732	6.5%
Commercial	1,000,000	\$2,075,824	\$2,210,042	\$134,218	6.5%

- Additional details are available in the accompanying 2015 Water and Wastewater Rates and Service Fees report.

User Fees

In addition to the water and waste water surcharges, Toronto Water receives revenues from various user fees.

- In accordance with Council's approved User Fee Policy inflationary factors that reflect service specific cost increases are applied in order to recover the full costs. As a result, the 2015 Operating Budget includes additional revenues of \$0.634 million, based on inflationary factor of 3.19% for water and wastewater user fees and inflationary factor of 2% applicable to user fees charged by Revenue Services. Increases to the existing user fees are effective March 12, 2015 and they are applied automatically.
- The approval of new user fees will be obtained concurrently with the 2015-2024 Capital Plan and 2015 Operating Budget, based on the recommendations presented in accompanying 2014 Water and Wastewater Rates and Service Fees report, which are also reflected in these Analyst Notes. A breakdown of user fee changes is presented in Appendix 7a.

Future Year Issues

Legislative and Regulatory Compliance and Other Operating Cost Pressures

- One of the main challenges facing Toronto Water in future years will be the management of the continuously increasing costs from both, internal and external sources. Personnel costs and inflationary pressures related to costs for materials and supplies, electricity, chemicals and parts, as well as machinery and services are ongoing, as well as increased requirements and frequent changes in legislation. The later is particularly challenging in terms of planning and allocating appropriate staff resources to maintain legislative compliance.
 - For example, in 2015 alone, salary and non-salary inflationary increases approximate \$11.655 million.
 - As a result of legislative requirements and need to comply with Provincial and Federal regulations Toronto Water's continues to experience increased operating costs. The amount included in the 2015 Recommended Operating Budget of \$0.910 million, accounts for 50% of the estimated additional hydro costs resulting from the most recent federal effluent control

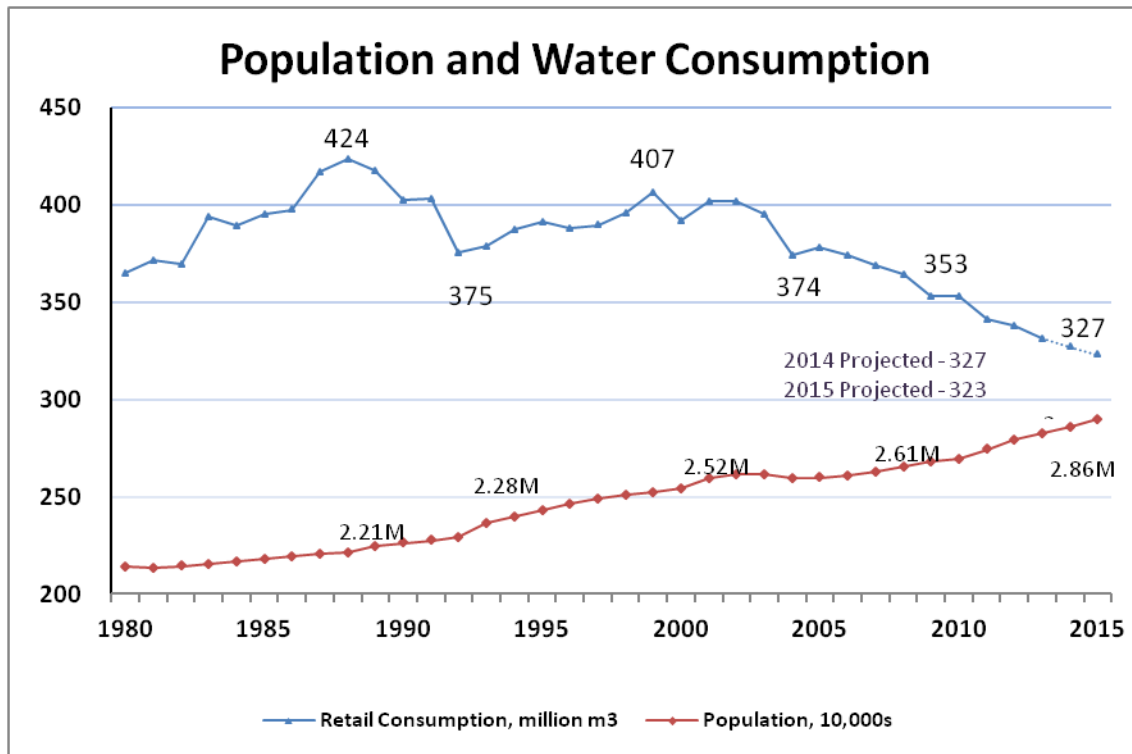
regulations under the Fisheries Act of \$1.820 million. Toronto Water will continue to perform trials and testing to determine the optimal performance, since fluctuations in hydro costs were observed as different trials were conducted in order to stabilize hydro requirements and provide a better estimate in 2015.

- Similarly, costs resulting from the operating impact of completed capital projects for additional parts and contracted services related to Highland Creek Treatment Plant (Waste Thickening), Humber Treatment Plant (Chlorine Facility) and Ashbridges Bay Treatment Plant Upgrades (Odour Control Implementation, D Building Treatment & BioFilter and New Generators) in the amount of \$0.745 million, representing 50% of the total engineering estimates have not been included in the above table. Toronto Water will review these additional costs together with the existing maintenance program and determine whether there is any opportunity for efficiencies such that these amounts can be reduced.
- It is estimated that all services can be delivered in 2015 according to legislative requirements, based on lower costs included in the 2015 Recommended Operating Budget. Toronto Water plans to revisit the initial estimates in 2016, based on the actual consumption in 2015.

Impact of Lower Water Consumption Forecasts on Water and Wastewater Rate Revenues

- Beginning in 2006 Toronto Water implemented a planned multi-year Water and Wastewater annual rate increase of 9% for 9 years, with the final 9% rate increase in the year 2014.
- The annual multi-year rate increase strategy was planned to generate revenues required to fund Toronto Water's operations and its capital program, balancing infrastructure renewal needs for state of good repair with new service improvement projects requiring funding to increase system capacity to keep pace with population growth, while ensuring the delivery of water supply and wastewater treatment within an increasingly stringent regulatory framework.
- Despite the increase in population, the additional revenues to be generated by an annual 9% rate increase have been reduced by the steady decline in water consumption predominantly attributed to water efficiency measures and economic factors as shown in Chart 3 below.

Chart 3 – Toronto Retail Water Consumption



- Over the last 9 years there was a decline in base water consumption of 1.6% annually on average. Summer consumption although more weather dependent, also shows a reduction over the same period of 2.1% annually. Toronto's water consumption projected to 2014 year-end is estimated at 327 million cubic meters which represents a substantial drop from 374 million cubic metres in 2005.
- For 2014, an actual 2% decline (compared to 2013 actuals) is planned and it was assumed that consumption will remain at that level over the 2015-2024 period. Any further decline in water consumption is expected to be offset by population growth.
- In addition to the base consumption, the Rate Model has taken into consideration the impact of implementation of the City's Water Metering Program, which is expected to be completed in 2015. Upon completion of the automated water meter installation across the City, staff will have much more precise consumption data and will be able to provide a more accurate consumption forecast going forward.
- Additional detail on historical and forecasted water consumption and production, as well as its impact on the Toronto Water Capital Reserve is available in the accompanying 2015 Water and Wastewater Rates and Service Fees report.

Capital Program Funding

- While 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), declining water consumption trends have placed significant pressure on the long term capital program as outlined above.

- The previously recommended 2014-2023 Capital Plan of \$9.109 billion was based on a 9% rate increase in 2014, followed by 3% inflationary related rate increase beyond 2014 and had a \$1 billion shortfall resulting from the steady decline in water consumption and revenues over several years. In order to address this shortfall, during the budget approval process in December 2013, City Council adopted a motion to amend the Capital plan for planning purposes, assuming 8% rate increase in 2015-2017, which would allow for the unfunded \$1 billion of capital projects to be included in the 10 year capital program.
- In addition, in November, 2013 City Council directed staff to report on the most appropriate way to generate additional revenue to fund Toronto Water infrastructure requirements.
- The recommended rate increases are expected to generate additional revenues of a \$1.360 billion over the 10 planning period (2015-2024), compared to a 3% rate increase over the same period, which will allow Toronto Water to reinstate key projects in its planned capital work, while remaining 100% - self-sustaining.
- In addition to recommended water rate a staff report titled "Funding Options for Paying for the Toronto Water Capital Program", to be presented in early 2015, is recommending consideration of a new funding structure in 2017, while assuming 8% rate increase in 2015-16.

Issues Referred to the 2015 Operating Budget Process

- During the 2014 Budget process, City Council directed the General Manager, Toronto Water to report back on the results of the Water Loss and Leak Detection Program with an implementation plan, including estimated costs and benefits, in time for consideration with the 2015 Budget process for Toronto Water.
- The Water Loss Reduction and Leak Detection Program is currently in the start-up phase and is proceeding with the recruitment of staff and the procurement of equipment and vehicles. The start-up of the project was delayed as a result of organizational changes within Water Infrastructure Management Unit.
- The anticipated benefits of the project remain to be reduced system leakage resulting in lower production and maintenance costs and improved water transmission which will be achieved by isolating system boundaries so that water destined for consumption is transmitted via the shortest point to point route. Optimization of water transmission also results in less energy consumption through reduced pumping requirements.
- Originally anticipated short-term savings of \$0.105 million and \$0.120 million for 2015 and 2016 respectively, have been deferred to 2016 and 2017. They will be revised once further data is gathered and analyzed.
- It is anticipated that Toronto Water will report back on the Water Loss and Leak Detection Program results in time for consideration with the 2016 Budget process.



Appendices:

Appendix 1

2014 Service Performance

2014 Key Service Accomplishments

In 2015, Toronto Water accomplished the following:

- ✓ The Ministry of Environment (MOE) has completed annual inspections at the City's water treatment facilities and there have been no major non-conformance issues identified.
- ✓ The MOE has completed annual inspections of the City's wastewater treatment facilities and there have been no major non-conformance issues identified.
- ✓ Ongoing optimization at treatment plants and pumping stations to minimize energy costs while meeting required legislative standards.
- ✓ Ongoing education and outreach program with 152 outreach events and an estimated attendance of 5.8 million people
- ✓ Continued implementation of the water conservation projects related to the Industrial Water Rate Program resulted in estimated water savings of 3.7 million m³ per year.
- ✓ Processed 6,500 applications to provide financial subsidy to install flood protection devices, an increase of 30% in participation compared to 2013.
- ✓ Carried out a total of 2,607 water main break and water service repairs/replacements.

2014 Financial Performance

2014 Budget Variance Analysis

(\$000s)	2012 Actuals	2013 Actuals	2014 Approved Budget	2014 Projected Actuals*	2014 Approved Budget vs. Projected Actual Variance	
	\$	\$	\$	\$	\$	%
Gross Expenditures	350,354.5	374,001.9	407,716.1	398,640.0	(9,076.1)	(2.2)
Revenues	911,377.3	975,629.9	1,022,086.5	1,016,228.5	(5,858.0)	(0.6)
Capital Contribution	561,022.8	601,627.9	614,370.4	617,588.5	3,218.2	0.5
Approved Positions	1,365.0	1,534.0	1,751.6	1,556.7	(195.0)	(11.1)

* Based on the 9 Month Quarter Operating Budget Variance Report

2014 Experience

Toronto Water reported net under-spending of \$2.128 million or 3.1% of planned expenditures for the nine-month period ended September 30, 2014. The variance consisted of lower than budgeted gross expenditures of \$5.747 million or 1.0%, and under underachieved revenues of \$7.874 million or 1.2%.

- The under expenditure was mainly due to lower than anticipated spending in salaries and benefits (\$7.307 million) due to vacant positions, lower haulage costs of biosolids at Ashbridges Bay Treatment Plant (\$2.786 million), and favourable pricing and lower usage of corrosion control chemicals (\$1.512 million), partially offset by higher utility costs (\$4.612 million) associated with colder than expected

winter period and fluctuations in hydro use in treatment plants, as well as higher costs of materials and parts attributed to the extreme weather conditions (\$1.246 million).

- Lower than expected revenues (\$15.247 million) were related to a decrease in volume of the sale of water as a result of higher than normal rainfall during summer months, as well as colder temperatures. This unfavourable revenue variance was partially offset by higher than anticipated recoveries for new sewer connections due to higher economic activity (\$6.133 million), insurance loss claims and late payment charges (\$0.900 million), and revenues from the sale of water to the Region of York (\$0.340 million).

Toronto Water is projecting a year-end variance of \$3.218 million compared to the 2014 Approved Net Operating Budget.

- Expenditure savings of \$9.076 million are forecasted, mostly due to savings in salaries and benefits arising from vacant positions (\$10.070 million), lower usage and favourable pricing of chemicals (\$1.0 million), and lower payments in lieu of taxes and other expenses (\$0.569 million). These savings will be partially offset by higher utility costs (\$2.565 million).
- Revenues are forecasted to be \$5.858 million lower than planned, primarily because of lower sale of water (\$17.005 million), which will be partially offset by additional revenue generated from higher number of water and wastewater treatment agreements (\$3.109), additional recoveries from new service connections (\$4.4 million) and other user fees, including an increased volume in turn-off/shut-off services and manual meter reading fees (\$3.639 million).

Impact of 2014 Operating Variance on the 2015 Recommended Budget

- Expenditures have been reduced by \$0.502 million in the 2015 Operating Budget based on a review of actual expense from line by line review.
- A water consumption decline of 2% or \$17.043 million (compared to the 2014 Budget) was taken into account in developing the current and future year consumption projections in the 2015 Water and Wastewater Rate Model.

Appendix 2

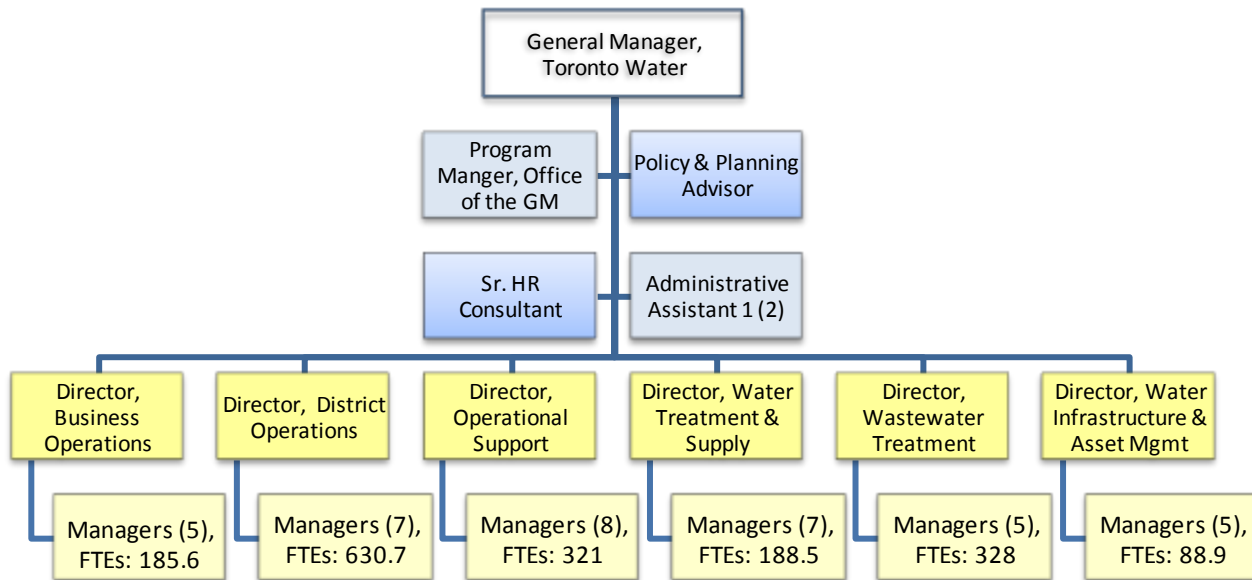
2015 Operating Recommended Budget by Expenditure Category

Program Summary by Expenditure Category

Category of Expense (\$000's)	2012	2013	2014	2014	2015	2015 Change from		Plan	
	Actual	Actual	Budget	Projected	Rec'd	2014 Approved		2016	2017
	\$	\$	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	138,181.5	147,132.6	164,734.7	154,663.2	170,674.4	5,939.7	3.6%	174,777.6	179,592.2
Materials and Supplies	78,187.2	86,247.1	94,631.4	96,196.6	101,269.5	6,638.1	7.0%	109,531.4	115,779.2
Equipment	2,387.9	2,119.8	2,600.0	2,600.0	2,489.9	(110.1)	(4.2%)	2,537.8	2,592.0
Services & Rents	39,483.9	41,339.8	51,981.5	51,838.2	51,664.4	(317.1)	(0.6%)	52,930.3	54,127.9
Contributions to Capital	561,022.9	601,627.9	614,370.4	614,370.4	658,221.1	43,850.7	7.1%	658,221.1	658,221.1
Contributions to Reserve/Res Funds	6,965.4	7,628.8	8,328.8	8,328.8	8,828.8	500.0	6.0%	9,478.8	9,478.8
Other Expenditures	19,707.1	25,544.3	20,271.4	19,844.9	19,958.4	(313.0)	(1.5%)	19,958.4	19,958.4
Interdivisional Charges	65,441.4	63,989.6	65,168.4	65,168.4	67,566.5	2,398.1	3.7%	68,142.5	68,142.5
Total Gross Expenditures	911,377.3	975,629.9	1,022,086.5	1,013,010.3	1,080,672.7	58,586.3	5.7%	1,095,577.9	1,107,892.1
Interdivisional Recoveries	74.5	72.7			25.0	25.0	-	25.0	25.0
Provincial Subsidies									
Federal Subsidies									
Other Subsidies									
User Fees & Donations	36,730.3	43,654.2	35,303.0	44,378.0	39,831.4	4,528.3	12.8%	39,925.3	39,925.3
Transfers from Capital Fund	2,412.1	2,692.7	2,013.0	2,269.3	2,522.5	509.5	25.3%	2,522.5	2,522.5
Contribution from Reserve Funds			195.0	195.0	195.0		0.0%	195.0	195.0
Contribution from Reserve									
Sundry Revenues	872,160.3	929,210.3	984,575.4	969,386.2	1,038,098.9	53,523.4	5.4%	1,038,098.9	1,038,098.9
Total Revenues	911,377.3	975,629.9	1,022,086.5	1,016,228.5	1,080,672.7	58,586.3	5.7%	1,080,766.6	1,080,766.6
Total Net Expenditures				(3,218.1)			n/a	14,811.2	27,125.4
Approved Positions	1,365.0	1,534.0	1,751.6	1,556.7	1,754.6	3.0	0.2%	1,754.6	1,754.6

Appendix 3

2015 Organization Chart



2015 Recommended Complement

Category	Senior Management	Management	Exempt Professional & Clerical	Union	Total
Permanent	1.0	165.0	175.0	1,311.0	1,652.0
Temporary		7.0	2.0	93.7	102.7
Total	1.0	172.0	177.0	1,404.7	1,754.7

Appendix 5

Summary of 2015 Recommended New / Enhanced Service Priorities

Form ID		Citizen Focused Services B Program: Toronto Water	Adjustments				2016 Plan Net Change	2017 Plan Net Change
Category	Priority		Gross Expenditure	Revenue	Net	Approved Positions		

4973 N1: Emergency Preparedness/Extreme Weather Planning

72 0 Description:

Toronto Water anticipates an increase in environmental/ health and safety legislative and regulatory requirements resulting in an increased demand for policy analysis to identify emerging environmental legislation, provide feedback to regulatory agencies, and manage operational impacts through project planning. The addition of a new Research Assistant 1 position at a cost of \$0.095 million in 2015 will support the current Emergency Preparedness Administrator (EPA) in emergency site planning, business continuity planning, divisional emergency exercise requirements, and development and maintenance of emergency incident/ DWQMS administrative databases. Another position will be required in 2016 at anticipated cost of \$0.108 million.

Service Level Impact:

The enhanced unit will support a newly evolved Environmental Health and and Safety emergency response role (IMS – Coordination/Liaison function) to enhance operational resiliency, reduce risks to community impacts through mitigation planning and emergency response and recovery coordination efforts.

Service: Stormwater Management

Total Staff Recommended:	10.0	0.0	10.0	0.1	10.8	0.0
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Service: Wastewater Collection & Treatment

Total Staff Recommended:	41.8	0.0	41.8	0.4	47.3	0.0
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Service: Water Treatment & Supply

Total Staff Recommended:	43.4	0.0	43.4	0.5	49.5	0.0
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Staff Recommended New/Enhanced Services:	95.3	0.0	95.3	1.0	107.5	0.0
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**2015 Operating Budget - Staff Recommended New and Enhanced Services
Summary by Service
(\$000s)**

Form ID		Citizen Focused Services B Program: Toronto Water	Adjustments				2016 Plan Net Change	2017 Plan Net Change
Category	Priority		Gross Expenditure	Revenue	Net	Approved Positions		

Summary:

Staff Recommended New/Enhanced Services:	95.3	0.0	95.3	1.0	107.5	0.0
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Category:

71 - Operating Impact of New Capital Projects 74 - New Services
72 - Enhanced Services-Service Expansion 75 - New Revenues

Appendix 6

Inflows/Outflows to/from Reserves & Reserve Funds

Table 10

Program Specific Reserve / Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2014 \$	Rec'd Withdrawals (-) / Contributions (+)		
			2015 \$	2016 \$	2017 \$
Projected Beginning Balance		292,926.1	292,926.1	951,147.1	1,609,368.2
Water & Waste Water Capital Reserves	XR6003 & XR6004				
<i>Proposed</i>					
<i>Withdrawals (-)</i>					
<i>Contributions (+)</i>			658,221.1	658,221.1	658,221.1
Total Reserve / Reserve Fund Draws / Contributions		292,926.1	951,147.1	1,609,368.2	2,267,589.3
Other Program / Agency Net Withdrawals & Contributions					
Balance at Year-End		292,926.1	951,147.1	1,609,368.2	2,267,589.3

Table 11

Program Specific Reserve / Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of \$	Rec'd Withdrawals (-) / Contributions (+)		
			2015 \$	2016 \$	2017 \$
Projected Beginning Balance		5,225.5	5,225.5	5,030.5	4,835.5
Development Charges - Storm	Water Management				
<i>Proposed</i>					
<i>Withdrawals (-)</i>			(195.0)	(195.0)	(195.0)
<i>Contributions (+)</i>			-	-	-
Total Reserve / Reserve Fund Draws / Contributions		5,225.5	5,030.5	4,835.5	4,640.5
Other Program / Agency Net Withdrawals & Contributions					
Balance at Year-End		5,225.5	5,030.5	4,835.5	4,640.5

Table 12

Corporate Reserve / Reserve Funds

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2014 \$	Rec'd Withdrawals (-) / Contributions (+)		
			2015 \$	2016 \$	2017 \$
Projected Beginning Balance			23,694.3	32,523.0	42,001.8
Vehicle Replacement Reserve	XQ1012	2,330.3	4,654.6	5,304.6	5,304.6
Insurance Reserve Fund	XR1010	21,364.0	4,174.1	4,174.1	4,174.1
Total Reserve / Reserve Fund Draws / Contributions		23,694.3	32,523.0	42,001.8	51,480.5
Other Program / Agency Net Withdrawals & Contributions					
Balance at Year-End		23,694.3	32,523.0	42,001.8	51,480.5

Appendix 7a

Recommended User Fees Adjusted for Inflation and Other

Rate Description	Service	Fee Category	Fee Basis	2014	2015		
				Approved Rate	Inflationary Adjusted Rate	Other Adjustment	Budget Rate
Installing 19 mm New Residential Water Service and Meter	Water Service	Full Cost Recovery	Flat fee per connection	\$2,760.00	\$ 2,848.00		\$2,848.00
Installing 25 mm New Residential Water Service and Meter	Water Service	Full Cost Recovery	Flat fee per connection	\$3,180.00	\$ 3,281.00		\$3,281.00
Disconnection Fee for any residential water service less than or equal to 25 mm	Water Service	Full Cost Recovery	Flat fee per disconnection	\$450.00	\$ 464.00		\$464.00
Fire hydrant Permit	Water Service	Full Cost Recovery	Flat Fee	\$156.00	\$ 160.90		\$160.90
Water meter accuracy test ; Meter less than or equal to 50mm - No Chamber - applied if meter does not over-register	Water Service	Full Cost Recovery	Flat Fee	\$156.00	\$ 160.90		\$160.90
Water turn off fee for demolition; (disconnection of old water service not included)	Water Service	Full Cost Recovery	Flat Fee	\$78.00	\$ 80.40		\$80.40
Water Turn-off or Turn-on	Water Service	Full Cost Recovery	Each Turn-off or Turn-on	\$78.00	\$ 80.40		\$80.40
Single Service call Turn-off and Turn-on within 30 min	Water Service	Full Cost Recovery	Turn-off and Turn-on Service within 30 min	\$78.00	\$ 80.40		\$80.40
Conduct fire hydrant flow test	Water Service	Full Cost Recovery	Per Flow Test	\$260.00	\$ 268.20		\$268.20
Unregistered water each day order not complied	Water Service	Full Cost Recovery	Flat Rate	\$52.00	\$ 53.60		\$53.60
Annual Seasonal Meter Activation Fee : includes replacement, removal of water meter; 1 turn on, 1 turn off	Water Service	Full Cost Recovery	Flat Fee	\$200.00	\$ 206.30		\$206.30
Reuse of residential water service 19 mm to 25 mm	Water Service	Full Cost Recovery	Per Service to be reused	\$260.00	\$ 268.00		\$268.00
Administrative fee to reflect a change in ownership on an existing utility account	Water Service	Full Cost Recovery	Per ownership change	\$35.70	\$ 36.40		\$36.40
Water Special/Final Reading	Water Service	Full Cost Recovery	Per Customer Request	\$15.30	\$ 15.60		\$15.60
Water Consumption Statements	Water Service	Full Cost Recovery	For One Year	\$40.80	\$ 41.60		\$41.60
Water Consumption Statements	Water Service	Full Cost Recovery	For each subsequent year	\$25.50	\$ 26.00		\$26.00
Returned Cheques	Water Service	Full Cost Recovery	Per NSF Cheque	\$35.70	\$ 40.00		\$40.00
Water Collection Field Visit	Water Service	Full Cost Recovery	Per Field Visit	\$25.50	\$ 26.00		\$26.00
Administration of MOE Municipal drinking Water Licensing Program	Water Service	Full Cost Recovery	per application	\$2,350.80	\$ 2,425.80		\$2,425.80
Manual water meter reading fee for consumers with water meters refusing installation of a new water meter and associated meter reading equipment	Revenues - Operational Support	Full Cost Recovery	per visit	\$80.00	\$ 82.55		\$82.55
Flat rate legacy fee, in addition to any existing water and wastewater flat rates charged for residential flat rate consumers who refuse the installation of an automatic water meter and associated meter reading equipment	Revenues - Operational Support	Full Cost Recovery	per account	\$1,020.00	\$ 1,101.00		\$1,101.00

Appendix 7a - Continued

Rate Description	Service	Fee Category	Fee Basis	2014	2015		
				Approved Rate	Inflationary Adjusted Rate	Other Adjustment	Budget Rate
To install new residential sanitary sewer service connection in road allowance	Wastewater Service	Full Cost Recovery	Per Installation	\$7,455.00	\$ 7,693.00		\$7,693.00
To install new residential storm sewer service connection in road allowance	Wastewater Service	Full Cost Recovery	Per Installation	\$7,455.00	\$ 7,693.00		\$7,693.00
To disconnect residential sanitary sewer service connection in road allowance	Wastewater Service	Full Cost Recovery	Per Disconnection	\$782.00	\$ 806.90		\$806.90
Hauled Sewage Discharge Rate	Wastewater Service	Full Cost Recovery	Per cubic meter	\$27.86	\$ 27.86		\$27.86
Inspection fee for the reuse of residential City sewer connection up to 150 mm in diameter	Wastewater Service	Full Cost Recovery	Per service to be reused	\$521.00	\$ 537.60		\$537.60
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.	Wastewater Service	Full Cost Recovery	Per application	\$1,560.00	\$ 1,610.00		\$1,610.00
Technical Review by Toronto Water staff - Application to Toronto Water for new connection or change or alteration to the existing storm connection, sanitary or water supply connection	Wastewater Service	Full Cost Recovery	Per application	\$312 minimum fee; additional \$77/hr for each hour after 4 hrs to a maximum of \$1,560	\$322 minimum fee; additional \$79.4/hour for each hour after 4 hours to a maximum of \$1,610		\$322 minimum fee; additional \$79.4/hour for each hour after 4 hours to a maximum of \$1,610
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)	Wastewater Service	Full Cost Recovery	Per application	\$312 minimum fee; additional \$77/hr for each hour after 4 hrs to a maximum of \$1,560	\$322 minimum fee; additional \$79.4/hour for each hour after 4 hours to a maximum of \$1,610		\$322 minimum fee; additional \$79.4/hour for each hour after 4 hours to a maximum of \$1,610
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)	Wastewater Service	Full Cost Recovery	Per application	\$312 minimum fee; additional \$77/hour for each hour after 4 hours to a maximum fee of \$1,560	\$322 minimum fee; additional \$79.4/hour for each hour after 4 hours to a maximum of \$1,610		\$322 minimum fee; additional \$79.4/hour for each hour after 4 hours to a maximum of \$1,610
Initial fee for establishment of new industrial waste surcharge agreement	Wastewater Service	Full Cost Recovery	Per agreement	\$800.00	\$ 825.50		\$825.50

Appendix 7b

Recommended User Fees Discontinued

Rate Description	Service	Fee Category	Fee Basis	2014 Approved Rate	Reason for Discontinuation
Water Certification Charge	Water Service	Full Cost Recovery	Per Certification	\$25.50	Lack of demand for service/Costs Covered Under Fee #42 (Chapter 441, Appendix C, Schedule 5, Revenue Services)