



STAFF REPORT ACTION REQUIRED

2015 Water and Wastewater Rates and Service Fees

Date:	January 13, 2015
To:	Budget Committee
From:	Deputy City Manager and Chief Financial Officer General Manager, Toronto Water
Wards:	All Wards
Reference Number:	P:\2015\Internal Services\Cf\Bc15001Cf (AFS #20717)

SUMMARY

This report presents the recommended 2015 water and wastewater consumption rates and service fees arising from concurrent adoption of the recommended 2015 Toronto Water Operating and Capital Budgets.

Council, as part of last year's budget process, directed that the capital plan prepared for the 2015 budget process be premised on 8% water and wastewater consumption rate increases for 2015-2017, in order to reinstate approximately \$1 billion in capital funding lost from a systematic decline in consumption and to fund emerging projects.

Accordingly, this report recommends an 8% water and wastewater consumption rate increase for all metered and flat rate consumers, effective March 13, 2015. In addition, this report recommends inflationary fee increases for certain water and wastewater services, reflecting cost recovery for these services.

RECOMMENDATIONS

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

1. Council consider this report concurrently with the 2015-2024 Toronto Water Capital Plan and the 2015 Toronto Water Operating Budget.
2. Council adopt, effective March 13, 2015:

- a. The combined water and wastewater consumption rates charged to metered consumers as shown below and in Appendix B attached to this report;

Annual Consumption	Paid on or before the due date, \$/m3	Paid after the due date, \$/m3
Block 1 - All consumers, including Industrial consumption of first 6,000 m3 ("Block 1 rate")	3.1945	3.3626
Block 2 - Industrial process – use water consumption over 6,000 m3, representing 30% reduction from the Block 1 Rate ("Block 2 rate")	2.2361	2.3537

- b. An increase of 8% to the water and wastewater consumption rates charged to flat rate consumers, as set out in Appendix B attached to this report;
 - c. The water and wastewater service fees, as set out in Appendix C attached to this report;
 - d. The deletion of the Revenue Services fee of \$25.50 for water certification, Ref. No. 34, Chapter 441– Fees and Charges, Appendix D, Schedule 2, Water Services;
 - e. The water rebate for eligible low-income seniors and low-income disabled persons be set at a rate of \$0.9584 /m3, representing a 30% reduction from the Block 1 rate (paid on or before the due date).
3. Council adopt the following policies with respect to reserve and reserve fund adequacy:
- a. The Water Stabilization Reserve (XQ1003) maintain a maximum balance of \$12.9 million, with any excess amount to be transferred to the Water Capital Reserve Fund (XR6003); and
 - b. The Wastewater Stabilization Reserve (XQ1004) maintain a maximum balance of \$17.1 million, with any excess amount to be transferred to the Wastewater Capital Reserve Fund (XR6004).
4. Council authorize that the necessary amendments be made to Municipal Code Chapter 441 - Fees and Charges, Municipal Code Chapter 849 - Water and Sewage Services and Utility Bill, and Municipal Code Chapter 681- Sewers, and any other necessary Municipal Code Chapters as may be required, to give effect to Recommendations (1), and (2) above.
5. Council grant authority to the City Solicitor to introduce any necessary Bills required to implement these recommendations, subject to any necessary

refinements, including stylistic, format and organization, as may be identified by the City Solicitor, the Deputy City Manager & Chief Financial Officer and General Manager, Toronto Water.

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

Financial Impact

The City of Toronto Water and Wastewater Program (the “Program”) is currently fully funded on a ‘pay-as-you-go’ basis through a combined water and wastewater rate without any reliance on property taxes or borrowing/debenture financing. The property tax supported budget is not impacted by adoption of the recommendations contained in this report.

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 required for Block 1 consumers, and Block 2 industrial process-use consumers.

Given that an 8% rate increase is being recommended for adoption by City Council at its meeting in March 2015, and the 2014 water and wastewater consumption rates remain in effect until amended, the actual annualized water consumption rate increase for 2015 will be 6.5%. As shown in Chart 1 below, the recommended rate increase impact on an average home consuming 280 m³/year, billed at the Block 1 Rate, will be 6.5% or \$54 over the calendar year (from \$828 in 2014 to \$882 in 2015). The impact of the annual 6.5% increase on a commercial consumer at the Block 1 rate and an industrial consumer at the Block 2 rate with annual consumption of 100,000 m³ will be \$19,125 and \$13,732 respectively, the latter reflecting a 30% discount over Block 1 rates for eligible industrial consumers. The rate increase impact on a large industrial consumer of 1,000,000 m³ eligible for the Block 2 rate will be \$134,218.

Impact of Recommended 8% Rate Increase Implemented on March 13, 2015

Type of Property	Typical 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%

The recommended increases to the water and wastewater service fees set out in Appendix C are expected to generate additional revenue of approximately \$634,000 in 2015, which generally is intended to offset the inflationary cost increases associated with delivering these services.

DECISION HISTORY

At its meeting on December 16, 17 and 18, 2013, City Council adopted the water and wastewater consumption rates and service fees to be charged to metered and flat rate consumers for 2014. The 2014 Water and Wastewater Rates and Service Fees report, adopted by Council as amended, can be viewed at:

<http://www.toronto.ca/legdocs/mmis/2013/ex/bgrd/backgroundfile-63895.pdf>

At its meeting on July 8, 9, 10 and 11, 2014, City Council approved the extension and continuation of the 2014 water and wastewater consumption rates and service fees into 2015 until such time that City Council adopts Toronto Water's 2015 Operating and Capital Budgets and any corresponding changes, which may be necessary, to the water and wastewater consumption rates and service fees. The Council decision can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.EX43.19>

Also at its meeting on December 16, 17 and 18, 2013, Toronto City Council adopted, amongst other things, the following recommendations:

9. “City Council request the General Manager, Toronto Water to give consideration in 2015 and future years Toronto Water budgets to limiting Block 2 Customer water rate increases to a 3% rate increase, or a rate tied to the inflation rate, as a mechanism to use water as an economic driver to support business competitiveness in Toronto.”
10. “City Council request the General Manager, Toronto Water in Consultation with the General Manager, Economic Development and Culture to further consult with Industry stakeholders in 2014 as part of the consultation being undertaken under report EX35.11 "Future Options and Public Attitudes for Paying for Water, Wastewater and Stormwater Infrastructure and Services" and report back as part of the 2015 Budget submission on the following:
 - a. consideration of the application of fixed cost component related to billing so as not to unfairly impact large water users.”
14. “City Council amend, for future planning purposes, the draft Capital Plan to reflect a water rate increase of 8% in the years 2015, 2016 and 2017 and that staff report back during the 2015 Budget process on additional financing options.”

The above recommendations can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX36.17>

At its meeting on November 13, 14, 15 and 18, 2013, Toronto City Council directed the General Manager, Toronto Water and the Deputy City Manager and Chief Financial Officer to identify the most appropriate way to generate additional revenue for Toronto Water to fund its substantial infrastructure requirements through the use of one or more of the following options:

1. Water rate increases greater than the rate of inflation once the "9% for 9 years" increases end in 2014; and/or
2. A separate stormwater management charge on the water bill; and/or
3. Debenture financing for large scale, long service period projects, with all debt service costs to be paid from water rate increases.

That Council decision can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX35.11>

ISSUE BACKGROUND

The City adopts annually a by-law to establish its water and wastewater consumption rates and service fees. Adoption of the concurrent recommended Toronto Water 2015 Operating and 2015-2024 Capital Budgets, will necessitate an increase in the 2015 water and wastewater rates as outlined in this report.

The Program also provides water and wastewater services directly to customers for which it charges a fee generally based on cost recovery. This report recommends predominantly inflationary increases to certain water and wastewater service fees, reflecting market conditions and current costs to Toronto Water.

In 2006, City Council adopted a 10 year capital plan (2006-2015) based on 9 years of 9% rate increases to address the backlog of state of good repair projects and rapidly changing priorities related to wet weather flow management. The intention was to bring the water rate increases to the rate of inflation in 2015. However, the systematic decline in water consumption has resulted in a \$1 billion shortfall in capital funding. In order to address this shortfall, during the 2014 budget approval process, City Council adopted a motion to amend the Capital Plan for planning purposes, to reflect 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 Plan.

Also related to this, in November, 2013 City Council directed staff to report on the most appropriate way to generate additional revenue to fund Toronto Water infrastructure requirements. A staff report entitled "Funding Options for Paying for the Toronto Water Capital Program" will be presented to Executive Committee in the spring of 2015, recommending consideration of a new funding structure in 2017, while assuming 8% rate increase in 2015 and 2016.

COMMENTS

Financial Model

The financial model used to forecast water and wastewater rates is premised upon the objective that the Program remains fully self funded and financially stable, with both operating and capital needs being met without excessive year-over-year fluctuations over the long term.

During the 2015 budget review process, staff updated the 10 year Capital Plan that will allow Toronto Water to deliver on key priorities, while also addressing emerging service improvement projects. The recommended capital program includes funding for most of the \$1 billion unfunded projects in the previous year submission. In order to provide the necessary revenue stream for the recommended 2015-2024 Capital Plan in accordance with its project delivery schedule, staff are recommending 8% rate increases in 2015 and 2016, followed by two years of 5% increases in 2017 and 2018 and inflationary increase of 3% in the remaining years of the ten year plan. The recommended rate increases are expected to generate additional revenues of approximately \$1.36 billion over the 10 year planning period (2015-2024) compared to a 3% rate increase over the same period, and which will allow for the reinstatement of key Toronto Water capital projects in planned work.

Recommended Water and Wastewater Service Rate Increases

<u>Year</u>	<u>Rate Increase</u>
2015	8%
2016	8%
2017	5%
2018	5%
2019+	3%

Toronto Water's recommended 2015 Operating and Capital Budgets, and ten-year plans, are considered together with the projected water consumption to generate the water and wastewater rates which will self-finance the Program over the ten-year planning period, including reserve contributions. The current financing model does not rely on any debt issuance.

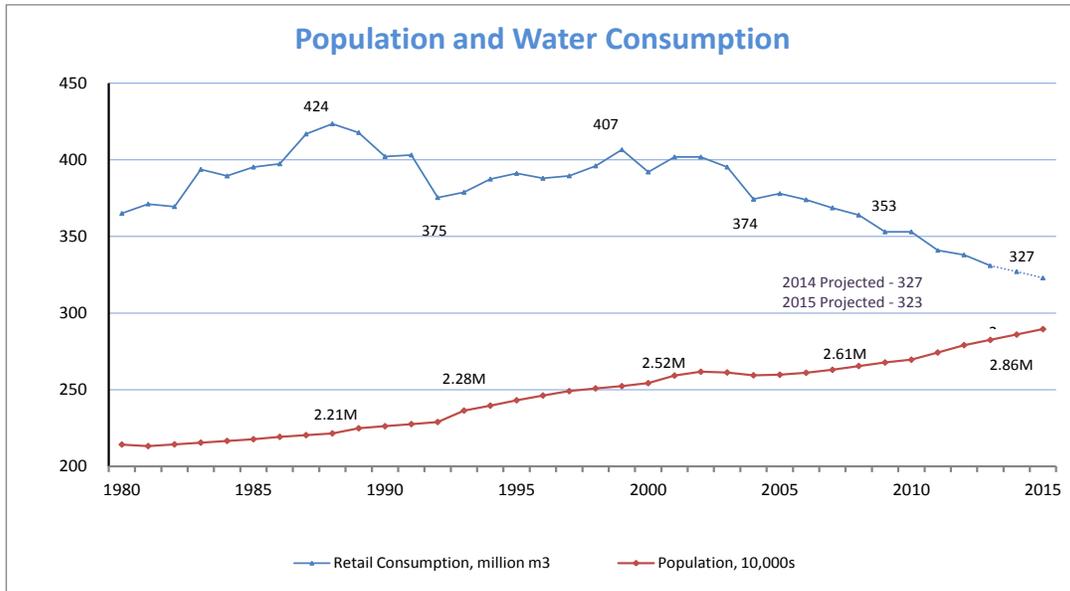
The 2015 financial model also assumes that 85% of the Net Capital budget (after grants, subsidies and other capital contributions) will actually be drawn from Toronto Water's Capital Reserve, based on the current capital completion level experienced by the Program, so as not to overstate actual projected funding requirements.

Water Consumption Forecast

Over the last decade, despite the increase in population, there has been a trend towards reduced consumption, as shown in Chart 2 below. Toronto's water consumption projected to 2014 year-end is estimated at 327 million cubic metres, which represents a substantial drop from 374 million cubic meters in 2005. Although weather conditions can

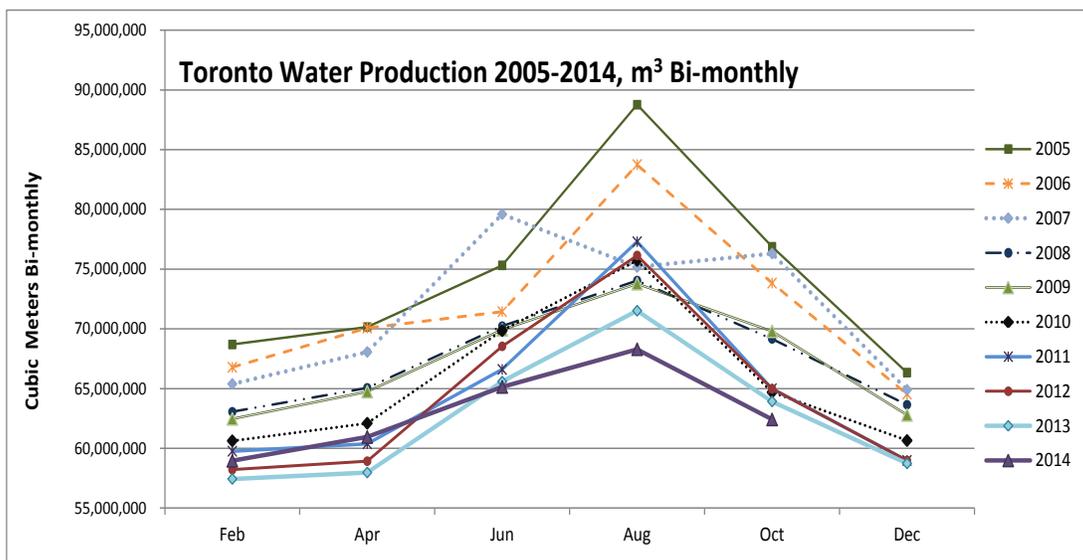
have an effect on consumption, the observed systematic decline in water consumption is predominantly attributed to water efficiency measures and other economic factors.

Chart 2 - Toronto Retail Water Consumption



Analysis confirms that there has been a systematic and permanent reduction in base consumption, demonstrated by consumption in the shoulder seasons from October to April (excluding summer months). Chart 3 shows that over the last 9 years, base water consumption has fallen 14.5%, or 1.62% annually on average. Summer consumption, although more weather dependent, also shows a reduction over the same period of 18.7%, or 2.1% annually.

Chart 3 –Water Production (2005 to 2014)



Staff project 2014 consumption to be 2% lower than 2013 actual consumption, based on the billing data to the end of November 2014. The cool and wet summer of 2014 has resulted in 2.7% lower consumption than in 2013, while the shoulder months of 2014 are indicating about 1% increase over 2013. As can be noted in Chart 3, the higher consumption in Jan – June of 2014 than the previous 2 years suggest the decline in base consumption has leveled off. For the period 2015-2024 the decline in water consumption is expected to be offset by population growth. In addition to the base consumption, the 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.

2015 Operating Budget and 2015 - 2024 Capital Plan

The concurrent Toronto Water 2015 Operating and Capital Budget Analyst Notes provide details on Toronto Water’s proposed 2015 Operating and Capital Budgets. A summary of the 2015 Operating Budget and Forecast, the 2015-2024 Capital Plan, and the resulting rate requirements is presented in Appendix A, attached to this report, together with the sources of capital financing and corresponding reserve balances.

2015 Operating Budget

The 2015 Recommended Operating Budget gross expenditure of \$422.451 million is outlined in detail in the concurrent Toronto Water 2015 Operating Budget Analyst Notes. The 2015 net expenditures inclusive of capital financing to be funded by the water rate is \$1.004 billion. A further \$76.876 million is expected to be generated from the sale of water to the Region of York (\$22.610 million) and user service fees (\$54.266 million), for a total program expenditure and revenue of \$1.081 billion. The recommended capital contribution from operations for 2015 is \$658.221 million.

2015 Recommended Operating Budget

	<u>\$ Millions</u>
Gross Operating Cost	\$422.451
Capital from Current	<u>\$658.221</u>
	\$1,080.672
Other Revenues	<u>(\$76.876)</u>
Net Expenditure to be Financed from Water Rates	\$1,003.796

2015 - 2024 Capital Plan

Toronto Water’s Capital Program continues to be 100% self sustaining, largely through water revenues, with no debenture financing and no impact on the municipal property tax levy. However, declining water consumption and a number of competing infrastructure priorities have placed significant pressure on the long term capital program.

The 2015–2024 Recommended Capital Plan of \$11.040 billion is based on the available funding provided by the current capital financing plan that is based on 8% water rate increases in 2015 and 2016, followed by 5% increases in 2017 and 2018 and inflationary-related water rate increases in 2019 and beyond.

The concurrent Toronto Water 2015 Capital Budget Analyst Notes provide details on Toronto Water’s proposed 2015-2024 Capital Plan.

Toronto Water's Capital Program has a number of emerging pressures, and stormwater management is an area Council has identified as a growing concern and priority. Stormwater management initiatives include Basement Flooding Protection Plan projects that reduce the risk of basement flooding during extreme storm events, and water quality and stream restoration projects to improve the City's environment and protect vulnerable City sewer infrastructure.

The staff report "Funding Options for Paying for the Toronto Water Capital Program" expected to be submitted to Executive Committee in the spring of 2015, highlights the growing needs of the stormwater management capital program, which portion of the total capital program is projected to grow from 17% in 2015 to 38% in 2024.

The report will consider a separate funding structure for stormwater management based on alternative parameters including per lot charges and impervious area. A stormwater charge predicated on the amount of stormwater runoff from a property is a more equitable approach than using revenue from meter-based billing to pay for capital works associated with stormwater management. Removing the cost of stormwater management from the volumetric water rate would reduce the cost to the consumer for the consumption of water and treatment of wastewater.

Staff are reviewing various aspects associated with implementing a stormwater charge, in addition to a reduced volumetric charge component, including:

- a flat rate for residential properties (including detached and semi-detached homes, duplexes, triplexes, townhouses and row houses);
- a different flat rate for condominiums, multi-family residential, and industrial, commercial and institutional properties; and,
- a specific charge for each property one hectare (1ha) or greater based on the amount of runoff they contribute to the City's stormwater management system.

Other issues to be considered for implementing such a plan for a stormwater charge include:

- creating a new detailed rate schedule;
- timelines to create all business and policy considerations;
- the costs of implementing and maintaining the program;
- providing an incentive program for larger properties that manage a portion or all their stormwater runoff onsite; and,

- a program that provides for the mitigation of any substantial increases in water bills that may result from the implementation of a stormwater charge.

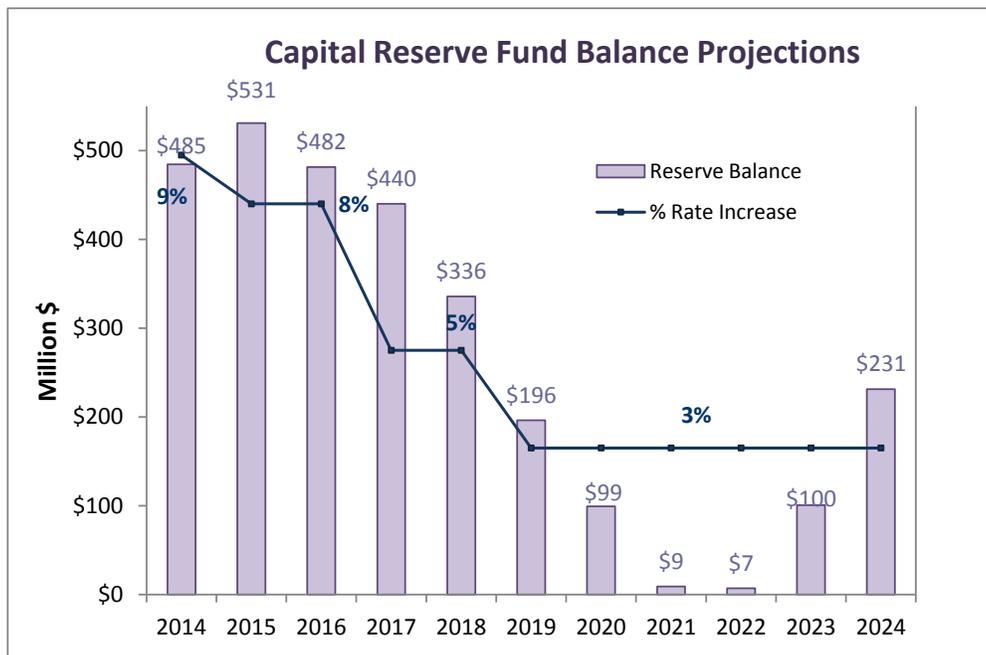
The recommended 2015-2024 Capital Plan is based on the current consumption based water rate funding and all necessary revenues for the Capital Plan are to be generated by the recommended rate increases in this report until such time that Council approves a change to the funding structure.

Capital Reserve Funds

The purpose of the Capital Reserve Funds (Water and Wastewater) is to provide funding for the capital needs of the Program. The rate model is predicated on replenishment through annual funding from the operating budget ("capital-from-current") sufficient to ensure that an adequate balance is maintained in these reserve funds.

Chart 4 below shows the capital reserve fund balance for the period 2014-2024 and the projected annual rate increases outlined in this report. Due to the lower capital spending level in 2012 and 2013 of 63% and 73% respectively, compared to the budgeted spending rate of 85%, and higher than projected revenues, the 2014 Capital Reserve Balance at year end is projected at \$484 million. With the currently recommended rate increases, the Capital Reserve balances are projected at a healthy level above \$300 million over the next 4 years until 2019, after which the reserve is expected to drop to about \$7-9 million in 2021-22. Toronto Water manages and maintains assets valued at \$28 billion and a reserve of \$7 million representing only 0.03% of the infrastructure asset is considered insufficient in case of emergencies and increasing cost of maintaining aging infrastructure.

Chart 4 -Capital Reserve Fund Balance Projection



Rate Stabilization Reserves

The purpose of the Rate Stabilization Reserves (Water and Wastewater) is to provide funding to offset unanticipated operating budget variances, primarily arising from revenue shortfalls due to uncontrollable circumstances that result in water consumption below projected levels. Circumstances giving rise to lower than forecasted consumption can include loss of major water consumers, and unusually wet summers.

At its meeting on December, 2007, Toronto City Council directed that 1% of budgeted water user revenue, be contributed to the Water & Wastewater Stabilization reserves, apportioned as 43% to Water and 57% to Wastewater, until such time that a minimum combined balance of \$30 million be reached between them. During years when revenues exceeded projected amount, the surplus is automatically deposited in the Stabilization Reserve, which has resulted in a combined balance exceeding \$30 million. The recommendation of this report seeks authority for transferring the excess amounts to the Capital Reserves in order to use those additional funds for capital projects. 57% of the combined \$30 million Stabilization Reserve Balance is attributed to Wastewater (\$17.1 million) and 43% (\$12.9 million) to Water.

The rate model is based on the assumption that the combined Stabilization Reserve balance is at \$30 million over the 10 year planning period and any balance above \$30 million is transferred to Capital Reserve.

Industrial Rate Competitiveness

As of December 2014, there were 126 industrial accounts at the Block 2 rate, which receive a 30% discount compared to Block 1 rate.

At its meeting on December 16, 17 and 18, 2013 City Council requested the General Manager, Toronto Water to give consideration in 2015 and future years to limiting Block 2 water rate increases to a 3% rate increase, or a rate tied to the inflation rate, as a mechanism to use water as an economic driver to support business competitiveness in Toronto. Council also requested to give consideration of the application of fixed cost component related to billing for similar reason.

The staff report “Funding Options for Paying for the Toronto Water Capital Program” to be submitted to Executive committee in the spring of 2015, will give consideration to a stormwater charge for possible implementation as early as 2017.

The implementation of a stormwater charge will enhance business competitiveness. The preliminary impact analysis of the potential stormwater charge indicates that properties with large water consumption and relatively small impervious area contribute disproportionately towards the cost of stormwater management, and a stormwater charge based on impervious area rather than consumption will decrease their total water bill. Accordingly, should Council proceed with the proposed stormwater charge, no further rate structure changes are recommended at this time, including the suggestion of a fixed cost component related to billing. Should Council not proceed with the proposed stormwater charge, then a fixed cost component related to billing and/or limiting rate

increase to Block 2 to inflation (e.g. 3%) will be considered in the subsequent budget cycle. If a 3% rate increase is applied to Block 2 rate customers, over the 10 year planning period 2015-2024, the lost revenue would be around \$50 million, compared to that from the rate increases recommended in this report.

Flat-rate Accounts

As of December 2014, there were approximately 1,600 remaining flat-rate accounts compared to 72,000 flat-rate accounts in 2007. Most of these are single-family residential homes, which are expected to have automated water meters installed by the end of 2015. This report recommends a 8% increase to the water and wastewater rates charged to flat-rate consumers, as is the case with metered customers.

The City Water Metering Program including City-wide water meter replacement coupled with the concurrent installation of an automated meter reading technology is at its final stage with almost 90% completion to date, and by the end of 2015 all water accounts are expected to be metered.

Studies have shown that once metered, a typical residential household account billing drops approximately 15% to 20%. This loss in revenue has been taken into consideration in the water rate modeling and revenue forecast.

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

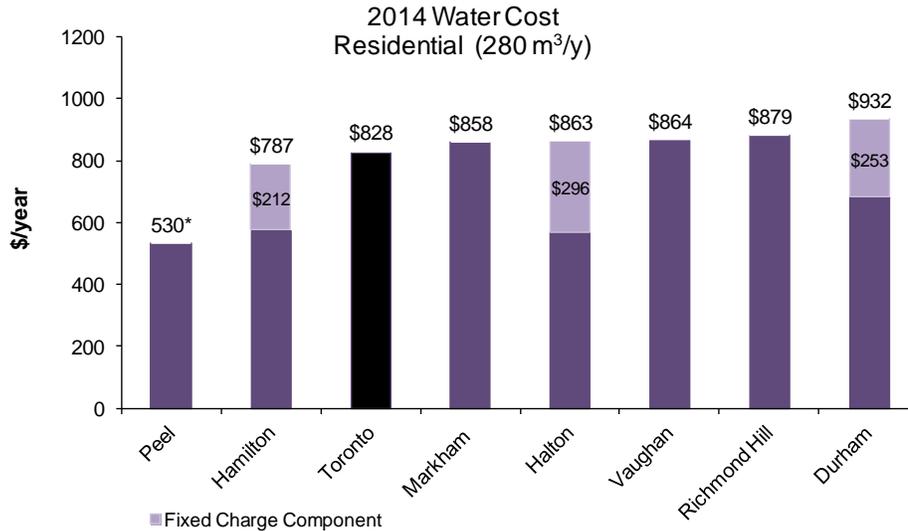
As part of the City's water rate structure, since January 1, 2008, Council has approved a water rebate program for low-income seniors and low-income persons with disabilities who meet the eligibility criteria as prescribed in the Municipal Code, Chapter 849. This rebate is set at the difference between the Block 1 and Block 2 rates, which represents a 30% reduction in their billing (based on the paid on or before due date rate). The rebate is only applicable if the household annual consumption is less than 400 cubic meters, to provide assistance to those most in need.

In 2014, the City processed 4,668 low income water rebate applications for a total rebate amount of \$602,105.

Comparison of Water Rates in GTA Municipalities

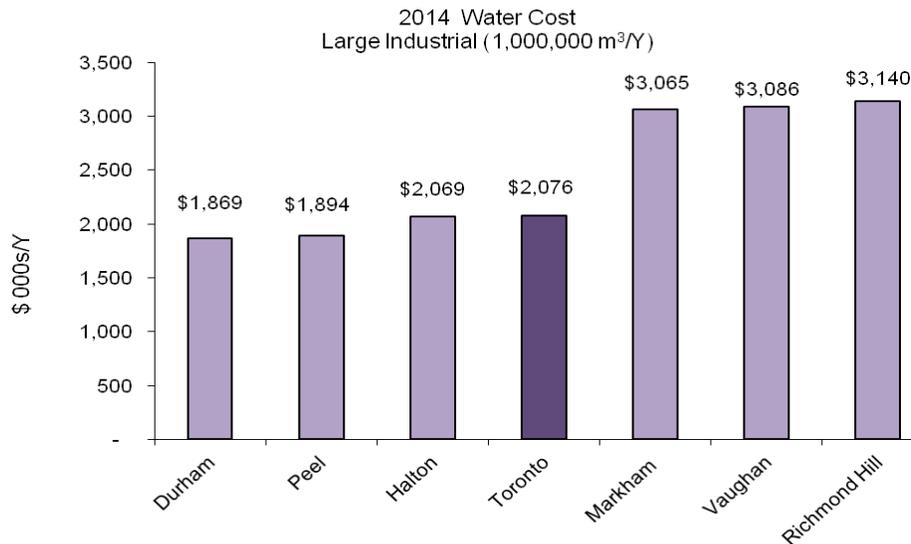
Toronto's 2014 water rate for residential consumers, in comparison to surrounding municipalities, is shown in Chart 5 (2015 rates for surrounding municipalities are not yet available). Toronto is amongst the lowest water cost jurisdictions for residential consumers in southern Ontario, based on the average household consumption of 300 cubic metres. It should be noted that in Peel Region, storm water related projects were still funded from property taxes in 2014, and that the City of Mississauga is implementing a stormwater charge to be added to their water bill in 2016. Chart 6 provides a similar comparison for large industrial users, and shows that Toronto offers a reasonably low water cost amongst GTA municipalities.

Chart 5 – GTA Residential Water Cost



**Note: Peel stormwater funded from property tax*

Chart 6 - GTA Industrial Water Cost



Water and Wastewater Service Fees

As noted earlier, while most of the Program’s revenue is generated through the sale of water, other revenues are also accrued through user fees charged for various specific water and wastewater services. These fees, along with the proposed fee increases, are identified in Appendix C attached to this report.

In order to comply with the City’s full cost recovery policy, it is recommended that certain water and wastewater service fees be increased to recover the cost of services provided. Most fees are recommended to be increased by the applicable rate of inflation

for 2015, except for those that are based on contracts for procured services, and which increase, therefore, reflects the actual contract price. In addition, the flat rate legacy fee, established to recover the cost of unmetered water for flat rate consumers who refuse the installation of automatic water meter, is recommended for an 8% increase consistent with the water consumption rate increase for all water users in 2015.

Recommended Increases to Existing Fees

In 2015, inflationary increases are being recommended to 21 water service fees. Fourteen of those fees, (Reference Numbers: 1, 2, 5, 11, 12, 13, 15, 15.1, 17, 21, 25, 32, 40 and 42 in the attached Appendix C – Schedule 2, Water Service) are recommended to be increased by 3.91%, intended to reflect the market conditions and current costs of labour, energy, utilities and materials involved in providing those services by Toronto Water. In addition, 5 Revenue Services Fees (Ref. No. 33 to 39, in the attached Appendix C – Schedule 2, Water Service) are recommended to be increased by 2% which is the inflationary factor for the Revenue Services Division, mainly reflecting labour cost increase. Returned Cheque fee #38 is a city wide accounting fee set at \$40 for 2015, and the flat rate legacy fee #43 is recommended for an 8% increase as is the water consumption rate increase in 2015. Chart 10 below summarizes the proposed changes, comparing the 2014 fee and the recommended 2015 fee, as well as the rationale for the increase and expected annual revenue change.

Chart 10

Ref. No.	Fee Description	2014 fees	Proposed 2015 fees	Estimated Annual Demand	Estimated Revenue Increase	Rational for Increase
1	Installing 19 mm New Residential Water Service and Meter	\$2,760.00	\$2,848.00	200	\$14,176	3.19% inflationary increase for Toronto Water
2	Installing 25 mm New Residential Water Service and Meter	\$3,180.00	\$3,281.00	1000	\$81,353	3.19% inflationary increase for Toronto Water
5	Disconnection Fee for any residential water service less than or equal to 25 mm	\$450.00	\$464.00	1200	\$13,532	3.19% inflationary increase for Toronto Water
11	Fire hydrant Permit	\$156.00	\$160.90	500	\$1,973	3.19% inflationary increase for Toronto Water
12	Water meter accuracy test ; Meter less than or equal to 50mm - No Chamber - applied if meter does not over-register	\$156.00	\$160.90	260	\$1,026	3.19% inflationary increase for Toronto Water
13	Water turn off fee for demolition; (disconnection of old water service not included)	\$78.00	\$80.40	2000	\$3,866	3.19% inflationary increase for Toronto Water
15	Water Turn-off or Turn-on	\$78.00	\$80.40	7800	\$15,079	3.19% inflationary increase for Toronto Water
15.1	Single Service call Turn-off and Turn-on within 30 min	\$78.00	\$80.40	50	\$97	3.19% inflationary increase for Toronto Water
17	Conduct fire hydrant flow test	\$260.00	\$268.20	300	\$1,981	3.19% inflationary increase for Toronto Water
21	Unregistered water each day order not complied	\$52.00	\$53.60	60	\$77	3.19% inflationary increase for Toronto Water
25	Annual Seasonal Meter Activation Fee : includes replacement, removal of water meter; 1 turn on, 1 turn off	\$200.00	\$206.30	300	\$1,522	3.19% inflationary increase for Toronto Water
32	Reuse of residential water service 19 mm to 25 mm	\$260.00	\$268.00	150	\$967	3.19% inflationary increase for Toronto Water
33	Administrative fee to reflect a change in ownership on an existing utility account	\$35.70	\$36.40			2% inflationary increase for Revenue Services
35	Water Special/Final Reading	\$15.30	\$15.60			2% inflationary increase for Revenue Services
36	Water Consumption Statements	\$40.80	\$41.60			2% inflationary increase for Revenue Services
37	Water Consumption Statements	\$25.50	\$26.00			2% inflationary increase for Revenue Services
38	Returned Cheques	\$35.70	\$40.00			City wide Accounting Services fee
39	Water Collection Field Visit	\$25.50	\$26.00		\$22,000	2% inflationary increase for Revenue Services
40	Administration of MOE Municipal drinking Water Licensing Program	\$2,350.80	\$2,425.80	55	\$3,323	3.19% inflationary increase for Toronto Water
42	Manual water meter reading fee for consumers with water meters refusing installation of a new water meter and associated meter reading equipment	\$80.00	\$82.55	1,700	\$3,492	3.19% inflationary increase for Toronto Water
43	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	\$1,020.00	\$1,101.00	700	\$45,671	8% water rate increase

In addition, there are 9 wastewater service fees that are recommended for inflationary increase of 3.19% in 2015 (Reference Numbers: 4, 5, 6, 15, 16, 17, 18, 19 and 20 in the attached Appendix C– Schedule 3, Wastewater Service). The increases in these fees are intended to reflect the market conditions and current costs to Toronto Water for providing

these services. Chart 11 below summarizes the proposed changes, comparing the 2014 fee and the recommended 2015 fee, as well as the percentage increase and expected annual revenue increase.

Chart 11

Ref. No.	Fee Description	2014 Fees	Proposed 2015 Fees	Estimated Annual Demand	Estimated Revenue Increase	Rational for Increase
4	To install new residential sanitary sewer service connection in road allowance	\$7,455.00	\$7,693.00	800	\$190,400	3.19% inflationary increase for Toronto Water
5	To install new residential storm sewer service connection in road allowance	\$7,455.00	\$7,693.00	15	\$3,570	3.19% inflationary increase for Toronto Water
6	To disconnect residential sanitary sewer service connection in road allowance	\$782.00	\$806.90	800	\$19,920	3.19% inflationary increase for Toronto Water
15	Inspection fee for the reuse of residential City sewer connection up to 150 mm in diameter	\$521.00	\$537.60	150	\$2,490	3.19% inflationary increase for Toronto Water
16	Technical Review by Toronto Water staff - Application to Toronto Water for exemption to permit the construction of a driveway sloped downwards towards a residential building.	\$1,560.00	\$1,610.00	12	\$600	3.19% inflationary increase for Toronto Water
17	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	\$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	7	\$70	3.19% inflationary increase for Toronto Water
18	Technical Review by Toronto Water staff - Application to Toronto Water for request to encroach within a City permanent or temporary easement (related to City water and sewer infrastructure)	\$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	1	\$10	3.19% inflationary increase for Toronto Water
19	Technical Review by Toronto Water staff - Application to Toronto Water for request to release from title a City easement (related to City water and sewer infrastructure)	\$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	1	\$10	3.19% inflationary increase for Toronto Water
20	Initial fee for establishment of new industrial waste surcharge agreement	\$800.00	\$825.50	35 new companies expected	\$1,403	3.19% inflationary increase for Toronto Water

Municipal Code, Chapter 441 fee to be deleted from Water Services Schedule 2

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, effective July, 2008 and the provisions under fee #34 has not been applied since then.

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SIGNATURES

Roberto Rossini
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General Manager, Toronto Water

ATTACHMENTS

Appendix A – Summary of 2015 Operating and Capital Budget and Forecast,
Corresponding Rate Increase and Capital Financing
Appendix B – 2015 Water Rates for Metered and Flat Rate Customers
Appendix C – 2015 Water and Wastewater Service Fees

**Appendix A – Summary of 2015 Operating and Capital budget and 2015-2024 Capital Plan and Operating Forecast,
Corresponding Rate Increases, and Capital Financing, \$ Million**

TORONTO WATER	2014 Budget	2014 Projected	2015 - 2024 Plan									
			2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Gross Operating Budget	403.56	398.64	422.45	435.13	448.18	461.62	475.47	489.74	504.43	519.56	535.15	551.20
Capital from Current Net Expenditure to be Financed by Water Rate	618.45	617.59	658.22	740.21	783.85	829.24	852.87	884.80	910.12	936.19	962.95	999.07
	958.10	940.50	1,003.80	1,097.35	1,151.78	1,208.91	1,244.64	1,289.03	1,327.21	1,366.53	1,406.94	1,457.15
WATER RATE INCREASE	9%	9%	8%	8%	5%	5%	3%	3%	3%	3%	3%	3%
Other Revenues	63.78	75.73	76.88	77.99	80.25	81.96	83.71	85.50	87.34	89.22	91.15	93.13
Total Revenues	1,021.89	1,016.23	1,080.67	1,175.34	1,232.03	1,290.87	1,328.35	1,374.53	1,414.55	1,455.75	1,498.09	1,550.28
CAPITAL FINANCING												
Gross Capital Budget	613.51	613.51	782.40	998.19	1,065.04	1,173.03	1,231.46	1,214.28	1,248.19	1,171.33	1,082.02	1,074.14
Net Capital Budget Capital Reserve Funding Level	555.79	536.73	721.10	928.07	973.45	1,099.87	1,168.87	1,155.69	1,176.79	1,104.09	1,022.97	1,017.62
	85%	87%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%
Net Capital Spending	472.42	466.87	612.93	788.86	827.44	934.89	993.54	982.33	1,000.27	938.48	869.52	864.97
CAPITAL RESERVE CLOSING BALANCE	457.72	484.52	531.01	481.66	439.92	335.82	196.22	99.28	9.04	6.79	100.42	231.22