



The Toronto Industry Network

November 13, 2015

EMAILED

Councillor Gary Crawford and
Members of the Budget Committee
10th Floor West, City Hall
100 Queen Street West,
Toronto, Ontario,
M5H 2N2.

Attention: Ms. Jennifer Forkes

Dear Councillor Crawford and Committee Members,

Re: BU13.1 – Rate Supported budgets – Toronto Water and Recommended 2016 Water and Wastewater Rates and Service Fees

The Toronto Industry Network (TIN) is writing you regarding the proposed 8% water rate increase and the proposals for increasing Industrial Surchargeable Parameters costs to industry. The following are our comments:

Block 2 Water Rate Increase

While we recognize the need for the city to replace its aging infrastructure and keep it in good operating condition, TIN indicates its deep concern about the 8% water rate increase for Block 2 users. This adds to a more than 80% rate increase since the inception of the Block 2 rate. As it is very difficult for manufacturers to increase their prices under the current environment most meet the challenge by cutting programs, deferring capital expenditures or eliminating staff. Often this has the effect of weakening a company's ability to compete. We believe there are other ways for Toronto Water to raise money other than simply raising rates.

The years of high water rate increases run counter to the City's desire to promote employment and investment in Toronto. For example, how do large industrial water users participate in the PAYE program when they are forced implement budget cuts because of water rate increases?

The current proposal by Toronto Water is for increases of 8% (2016), 5% (2017) and 5% (2018). For manufacturers, these are well above the rate of inflation. We have recommended debenturing as possible option to help pay for part of Toronto Water's capital cost program. Also, as we suggested during the 2015 budget debate, Block 1 customers could be asked to pay a bit more to help keep jobs in Toronto.

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For example, the proposed Block 2 rate could be decreased by 3% to a 5% increase. This would cause the Block 1 rate to increase by .074% to 8.074% which represents about \$0.98 on top of the projected \$72.00 increase to the average homeowner.

Such a move coupled with the commitment to limit Block 2 water rate increases would send a strong signal of confidence to business and encourage re-investment in our city.

Surchargeable Parameters

Toronto Water has proposed increases to the Industrial Waste Surcharge schedule. It is helpful to compare the proposed rates to those in 2013 which was the last time the rates were reviewed:

	2013	2016	% Total Increase	Annualized Increase
BOD	\$0.62	\$0.64	3%	1.06%
TSS	\$0.60	\$0.70	16%	5.27%
TP	\$1.69	\$2.24	32%	9.85%
TKN	\$1.18	\$1.43	21%	6.62%

The increases for TSS, TP and TKN are well above the rate of inflation when annualized which is a significant cost addition for some companies. Increases should mirror inflation.

There is a proposal by Councillor Layton that would require the city to charge for all parameters instead of the one that exceeds the Municipal Code 681 the most. This would have a serious economic impact on a number of TIN members.

Several hundred companies are under the Industrial Waste Surcharge program and we believe that coupled with an 8% rate increase, charging for all four parameters in the program would be hurtful to these companies. We respectfully request that you reject Councillor Layton's proposal and support the staff recommendation to continue the current practice.

In conclusion, the city government needs to be sensitive to the layered effect of costs (identified in the Watson report) such as electricity (well above inflation), labour, taxation, land use issues, and regulatory compliance. Industry is mobile and has and will continue to seek out lower cost environments. It is insufficient that Toronto's government be satisfied with placing in the middle of the pack but rather it needs to strengthen its position as a good place to live and work.

I thank you for your attention.

Sincerely,



Andrew Judge
President