

BU14.1.6

briefing note



Date: November 24, 2015

To: Budget Committee Members

From: Heather Marshall, Campaigners Director

Re: BU14.1 2016 Rate Supported Budgets - Toronto Water and Recommended
2016 Water and Wastewater Rates and Service Fees

Recommendation:

1. In order to recover \$1.6 Million in lost revenues each year, adopt the following motion:

That City Council direct that, effective January 1, 2016, City Council approve that the industrial waste surcharge program formula for the calculation of surcharge fees be applied to all treatable parameters that exceed the sewers by-law limits, instead of only the one parameter that exceeds the sewer by-law limits by the greatest amount, allowing full cost recovery for the wastewater services provided by the City, such surcharge to be phased in over a six year period to mitigate impacts to existing companies.

Background:

At Budget Sub-Committee on November 13, 2015 Councillor Layton put forward a motion (above) that, if approved at City Council, would recover at least \$1.6 Million per year in lost revenue to Toronto Water through a full cost recovery plan for the Industrial Waste Surcharge Program.

The Auditor General and Toronto Water's General Manager both agree that it is imperative to operate on a cost recovery basis (see note 1 on reverse). The Industrial Waste Surcharge Program is the only service provided by Toronto Water's Business Operations Management unit that does not achieve full cost recovery (see note 2 on reverse). As a result, residential and business water ratepayers are subsidizing at least \$1.6 Million in wastewater treatment costs that should be borne by Toronto Water's industrial and commercial customers.

While TEA supports existing Toronto Water financial subsidies for industrial water users that implement water conservation and pollution prevention initiatives (Block 2 Water Rate), we do not support undercharging industrial customers' wastewater treatment costs at the expense of other ratepayers, especially the 14,000 businesses that do not break our environmental laws. Polluters should pay their fair share of water treatment costs to protect Lake Ontario.

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Note 1

- 2008 The Auditor General's Report on Protecting Water Quality and Preventing Pollution recommended that: "The General Manager, Toronto Water, develop a fee policy for all surcharge agreements that reflects the cost of sampling and testing and that all companies subject to surcharge agreements be billed on a cost recovery basis."
http://www.toronto.ca/audit/2008/city_sewers_appendix_june2008.pdf (pp. 22)
- 2012 Stantec consultants did an extensive review of wastewater surcharges to assist Toronto Water in adjusting the rates for full cost recovery. Stantec Final Report, "Over Strength Surcharge Review for Toronto Water, City of Toronto", June 2012. Background information provided at Public Works and Infrastructure (Item PW18.1).
<http://www.toronto.ca/legdocs/mmis/2012/pw/bgrd/backgroundfile-50669.pdf>
- 2012 Toronto Water wrote a 2013 Budget Briefing Note, "Changes to Industrial Waste Surcharge Program" on November 6, 2012 (Item BU30.1). After consultation with industry Toronto Water recommended the Type 1 formula to calculate wastewater surcharges on a full cost recovery basis; "rates [which] are in line with the other Ontario municipalities using the Type 1 formula: York Region, City of Hamilton, City of Ottawa and Durham Region" (pp. 1).
<http://www.toronto.ca/legdocs/mmis/2012/bu/bgrd/backgroundfile-51869.pdf>
- 2012 Public Works and Infrastructure Committee (Item PW18.1) amended the Toronto Water staff recommendation such that the Industrial Waste Surcharge Program would not achieve full cost recovery using the Type 1 formula: "the new formula for the calculation of surcharge fees be applied only to the parameter that exceeds the by-law limits the most; and the proposed annual adjustment factors to allow for a gradual transition to full cost recovery over a six-year period not be applied to the new formula".
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.PW18.1>

Note 2

- 2015 Toronto Water's Business Operations Management unit generates revenue on a Full Cost Recovery basis for all wastewater services outlined in Appendix D - Schedule 3, Wastewater Services except for the Industrial Waste Surcharge Program, which is considered a 'City Policy' (pp. 4-6).
<http://www.toronto.ca/legdocs/mmis/2015/bu/bgrd/backgroundfile-74695.pdf>