



## STAFF REPORT ACTION REQUIRED

### 2017 Water and Wastewater Consumption Rates and Service Fees

<b>Date:</b>	November 3, 2016
<b>To:</b>	Budget Committee Executive Committee
<b>From:</b>	Deputy City Manager & Chief Financial Officer General Manager, Toronto Water
<b>Wards:</b>	All Wards
<b>Reference Number:</b>	P:\2016\Internal Services\Fp\Bc16024Fp (AFS #23866)

#### SUMMARY

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This report presents the recommended 2017 water and wastewater consumption rates and service fees arising from concurrent adoption of the recommended 2017 Toronto Water Operating and Capital Budgets.

Council, as part of 2015 budget approval process, endorsed that the 10 year capital plan be premised on 8% water and wastewater consumption rate increases in 2015 and 2016 followed by successive 5% increases in 2017 and 2018, 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 a 5% water and wastewater consumption rate increase for all metered and flat rate consumers, effective January 1, 2017. In addition, this report recommends inflationary fee increases for certain water and wastewater services, as well as increases reflecting the actual cost for those services based on procurement contracts.

#### RECOMMENDATIONS

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

1. Council consider this report concurrently with the 2017-2026 Toronto Water Capital Plan and the 2017 Toronto Water Operating Budget.

2. Council adopt:
- a. Effective January 1, 2017, 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 of water, including the first 5,000 cubic metres per year consumed by Industrial users ("Block 1 rate")	3.6225	3.8131
Block 2 - Industrial process – use water consumption over 5,000 cubic metres per year, representing a 30% reduction from the Block 1 Rate ("Block 2 rate")	2.5356	2.6690

- b. Effective January 1, 2017, an increase of 5% to the water and wastewater consumption rates charged to flat rate consumers, as set out in Appendix B attached to this report;
- c. Effective January 1, 2017, the water and wastewater service fees, as set out in Appendix C attached to this report;
- d. Effective May 1, 2017, water service fees Ref. No. 1, 2 and 5, and wastewater service fee Ref. No. 4, 5 and 6, as shown below and in Appendix C attached to this report. Until May 1, 2017, the current fees will remain in effect;

Ref. No.	Fee Description	Fee Basis	Proposed 2017 fee
<b>Water Services</b>			
1	Installing 19 mm New Residential Water Service and meter	Flat fee per connection	\$4,505.00
2	Installing 25 mm New Residential Water Service and Meter	Flat fee per connection	\$5,220.00
5	Disconnection Fee for any residential water service less than or equal to 25 mm	Flat fee per disconnection	\$1,330.00
<b>Wastewater Services</b>			
4	To install new residential sanitary sewer service connection in road allowance	Per Installation	\$11,265.00
5	To install new residential storm sewer service connection in road allowance	Per Installation	\$11,265.00
6	To disconnect residential sanitary sewer service connection in road allowance	Per Disconnection	\$1,390.00

- e. Effective January 1, 2017, the water rebate for eligible low-income seniors and low-income disabled persons be set at a rate of \$1.0867 /m<sup>3</sup>, representing a 30% reduction from the Block 1 rate (paid on or before the due date).
3. 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 these Recommendations.
4. 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.

## **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 2017 Toronto Water Operating and Capital Budgets, the updated water consumption forecast, and Council's direction that the Capital Plan be predicated on 5% rate increase in 2017 for planning purposes, a rate increase of 5% for 2017 is recommended for Block 1 consumers, and Block 2 industrial process-use consumers. A 5% increase in 2017 will raise additional \$55 million revenue for the Toronto Water Program.

As shown in Chart 1 below, the recommended rate increase impact on an average home consuming 265 m<sup>3</sup>/year, billed at the Block 1 Rate, will be 5% or \$46 over the calendar year (from \$914 in 2016 to \$960 in 2017). The impact of the 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 m<sup>3</sup> will be \$17,250 and \$12,386 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 m<sup>3</sup> eligible for the Block 2 rate will be \$121,062.

**Chart 1- Impact of Recommended 5% Rate Increase Implemented January 1, 2017**

Type of Property	Average Consumption m3/Y	2016 Cost	2017 Projected	2017 Rate Increase Impact	
<b>Residential</b>	265	\$914	\$960	\$46	5.0%
<b>Commercial</b>	100,000	\$345,009	\$362,260	\$17,250	5.0%
<b>Industrial</b>	100,000	\$247,714	\$260,099	\$12,386	5.0%
<b>Large Industrial</b>	1,000,000	\$2,421,242	\$2,542,304	\$121,062	5.0%

The recommended increases to certain water and wastewater service fees set out in Appendix C are expected to generate additional revenue of approximately \$360,276 which is intended to offset the cost increases associated with delivering these services.

## **DECISION HISTORY**

At its meeting on December 9 and 10, 2015, City Council adopted the water and wastewater consumption rates and service fees to be charged to metered and flat rate consumers for 2016. The 2016 Water and Wastewater Rates and Service Fees report, adopted by Council, can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX10.23>

At its meeting on December 9 and 10, 2015, City Council also authorized the General Manager, Toronto Water, and the Deputy City Manager and Chief Financial Officer to develop and formulate a stormwater management funding model premised on the establishment of a dedicated stormwater charge; thereby, removing stormwater management costs from the water rate. Council decision, regarding staff report '*Funding Options for Paying for Toronto Water's Stormwater Management Capital Program*' adopted by Council, can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX10.26>

## **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 2017 Operating and 2017-2026 Capital Budgets, will necessitate an increase in the 2017 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. Most water and wastewater service fees are recommended to be increased by the applicable rate of inflation for 2017, except for those that are based on contracts for procured services, and which increase, therefore, reflects the actual contract price.

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 2015 budget approval process, City Council adopted a motion to amend the Capital Plan for planning purposes, to reflect an 8% rate increase in 2015-2016, followed by 5% increase in 2017-2018, in order to allow for the unfunded \$1 billion of capital projects to be included in the 10 year Capital Plan. With these increases the Operating and Capital Plans are on track.

Following City Council direction to develop and formulate a stormwater management funding model, City staff have undertaken a detailed analysis of the gross site area and impervious area of all properties across the City in 2016 in order to develop a model which will distribute the cost of the stormwater management program based on impervious and total site area, rather than consumption as the current model does. Given the scope of the initiative, the possible implementation of a stormwater charge and new rate structure, is projected, if approved by Council, for January 1, 2019, and the currently recommended water and wastewater rates are established according to the existing consumption based structure.

## **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 2017 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. In order to provide the necessary revenue stream for the recommended 2017-2026 Capital Plan in accordance with its project delivery schedule, staff are recommending 5% rate increases in 2017, followed by another 5% rate increases in 2018 and inflationary rate increase of 3% in the remaining years of the ten year plan.

#### **Recommended Water and Wastewater Service Rate Increases**

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

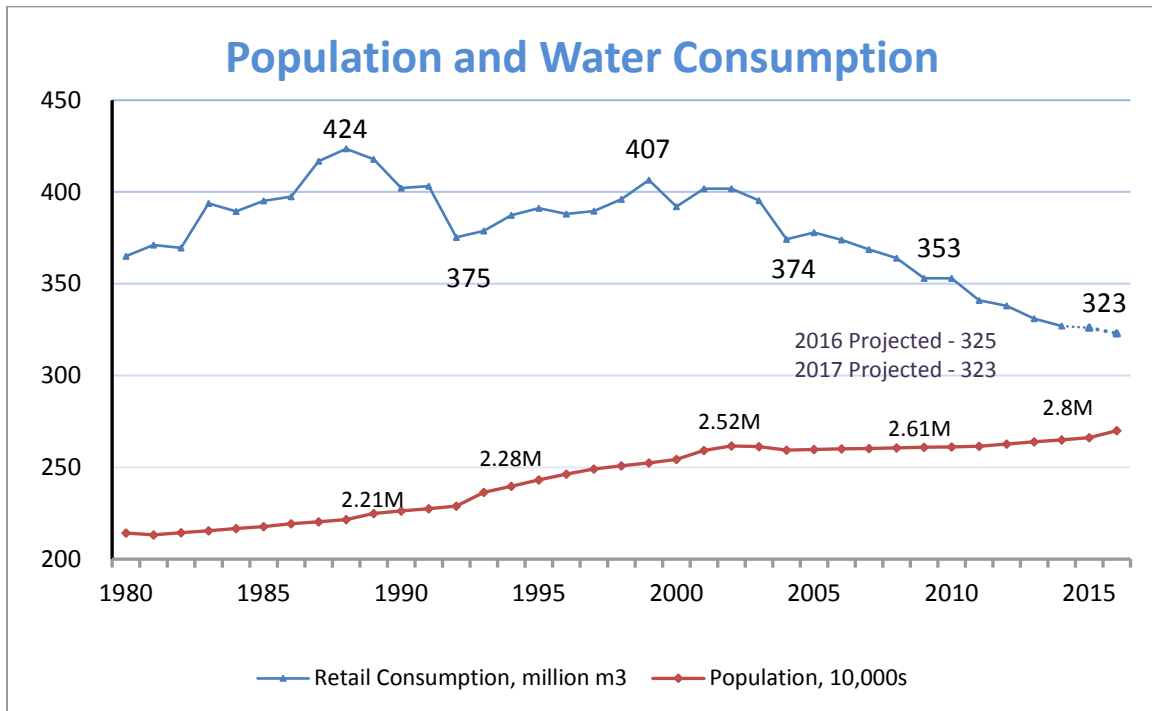
Toronto Water’s recommended 2017 Operating and Capital Budgets, and ten-year plans, are considered together with the projected water consumption to generate the water and wastewater rates which will self-finance the Program over the ten-year planning period, including reserve contributions. The current financing model does not rely on any debt issuance.

The 2017 financial model also assumes that 85% of the net Capital Budget (after grants, subsidies and other capital contributions) will 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 2016 year-end is estimated at 325 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.

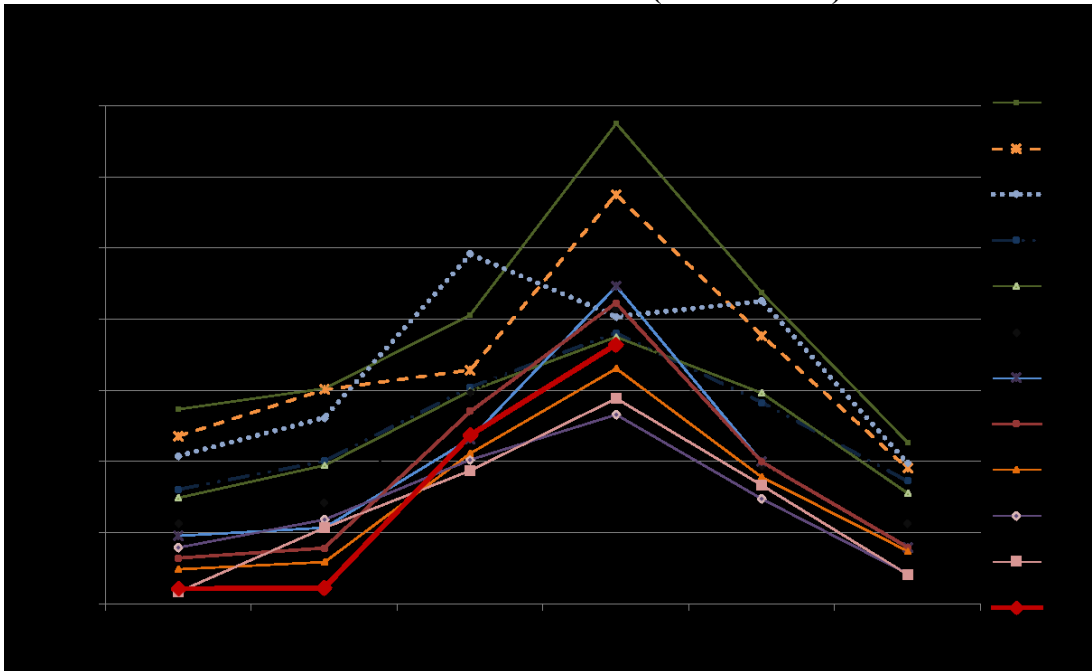
**Chart 2 - Toronto Retail Water Consumption**



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 10 full years (2006-2015), base water consumption has fallen over 17%, or 1.73% annually on average.

Summer consumption, although more weather dependent, also shows a reduction over the same period of over 19%, or 1.9% annually.

**Chart 3 –Water Production (2005 to 2016)**



In 2016 the summer consumption was 5.0% higher than in 2015, being the highest consumption increase in the summer months over the last 10 years, which is associated with the hot and dry summer. The base consumption, during the first 4 months was 3.3% lower than 2015, and staff project 2016 total consumption to be 0.5% lower than 2015 actual consumption, based on the billing data to the end of August 2016. The high summer consumption contributed for higher 2016 projected (0.5% drop) then budgeted (1.5% drop) consumption.

The 3.3% decline in consumption in the first 4 months of 2016 compared to the same period of the previous year, suggest a continuous decline in base consumption, which is expected to be partially offset by population growth. In addition, the average residential annual consumption obtained in September, 2016 was 265 m3/year compared to 280 m3/y in the previous years. Similar to previous years staff are projecting a 0.5% decline per annum for the 10 year planning period.

### **2017 Operating Budget and 2017 - 2026 Capital Plan**

The concurrent Toronto Water 2017 Operating and Capital Budget Notes provide details on Toronto Water’s proposed 2017 Operating and Capital Budgets. A summary of the 2017 Operating Budget and Forecast, the 2017-2026 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.

## 2017 Operating Budget

The 2017 Recommended Operating Budget gross expenditure of \$443.206 million is outlined in detail in the concurrent Toronto Water 2017 Operating Budget Notes. The 2017 net expenditures inclusive of capital financing to be funded by the water rate is \$1.146 billion. A further \$85.677 million is expected to be generated from the sale of water to the Region of York (\$22.312 million) and user service fees (\$63.365 million), for a total program expenditure and revenue of \$1.232 billion. The recommended capital contribution from operations for 2017 is \$788.722 million.

### 2017 Recommended Operating Budget

	<u>\$ Millions</u>
Gross Operating Cost	\$443.206
Capital from Current	<u>\$788.722</u>
	\$1,231.928
Other Revenues	<u>(\$85.677)</u>
<b>Net Expenditure to be Financed from Water Rates</b>	<b>\$1,146.251</b>

## 2017 - 2026 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 2017–2026 Recommended Capital Plan of \$12.210 billion is based on the available funding provided by the current capital financing plan that is based on 5% water consumption rate increases in 2017 and 2018 and predominantly inflationary-related water rate increases in 2019 and beyond.

The concurrent Toronto Water 2017 Capital Budget Notes provide details on Toronto Water's proposed 2017-2026 Capital Plan.

The recommended 2017-2026 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 City Council approves a new funding structure.

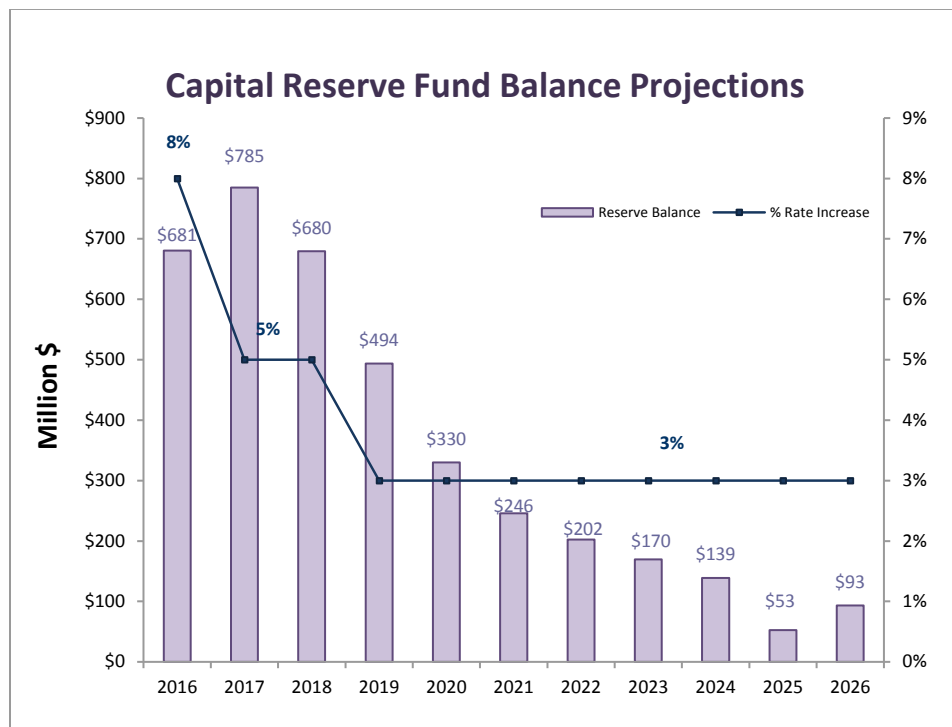
## Capital Reserve Funds

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 Toronto Water 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 2016-2026 and the projected annual rate increases outlined in this report. The capital reserve is being replenished to above \$600 million following the two consecutive years of 8% increases. The reserve decreases significantly after 2018 when the Capital Program is projected at above \$1.2 billion a year, incorporating all priority projects. The Capital reserve is expected to drop to about \$53 million towards the end of the 10 year planning period. Toronto Water manages and maintains assets valued at \$28 billion and a reserve of \$52 million representing only 0.18% of the infrastructure asset is considered low 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. Any excess amounts are transferred to the Capital Reserves in order to use those additional funds for capital projects.

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.

### **Storm Water Management Funding Update**

In the beginning of 2016, staff performed a detailed geographic analysis of the City's properties and their impervious area and developed a tiered stormwater charge (SWC) structure designed to fund the stormwater management program based on surface area rather than consumption.

On October 24, 2016, staff held a stakeholder consultation meeting on the SWC with representatives from the industrial, commercial, institutional, multi-family residential and environmental non-governmental organization (ENGO) sectors. The invitation to the meeting was also extended to all Councillors. In early 2017, staff will be conducting wider public consultation with residents and invitations will be sent to Councillors as well. Feedback from these meetings will be included in the report and implementation plan to be presented to Council in spring of 2017. If approved, the plan would be executed in 2017 and 2018, and the stormwater charge would come into effect in 2019.

### **Industrial Rate Competitiveness**

As of October 2016, there were 146 industrial accounts at the Block 2 rate, which receive a 30% discount compared to the Block 1 rate.

The possible implementation of a stormwater charge, under consideration, will enhance business competitiveness for large water users. The impact analysis of the potential stormwater charge, conducted by staff 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 and improve fairness.

### **Flat-rate Accounts**

As of October 2016, there were approximately 686 remaining flat-rate accounts compared to 72,000 flat-rate accounts in 2007. This report recommends a 5% increase to the water and wastewater rates charged to flat-rate consumers, as is the case with metered customers.

The City's Water Meter Program which includes City-wide water meter replacement coupled with the concurrent installation of an automated meter reading technology is now 99% complete. The remaining flat-rate accounts represent less than 1% of the total number of accounts. The accounts that have refused the installation of an automated water meter have been subject to a flat rate legacy fee since July, 2014, which is recommended to be increased to \$1,150 for 2017.

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

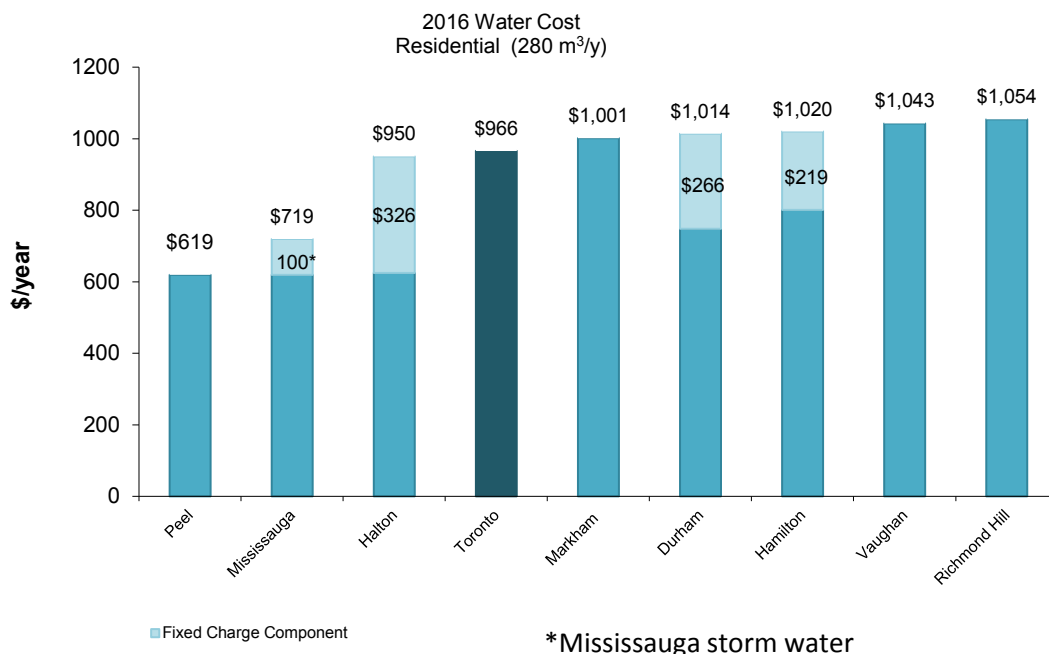
As part of the City's water rate structure, since January 1, 2008, Council has approved a water rebate program for low-income seniors and low-income persons with disabilities who meet the eligibility criteria as prescribed in the Municipal Code, Chapter 849. This rebate is set at the difference between 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 per year, to provide assistance to those most in need.

In 2016, the City processed 5,130 low income water rebate applications for a total rebate amount of \$790,565.

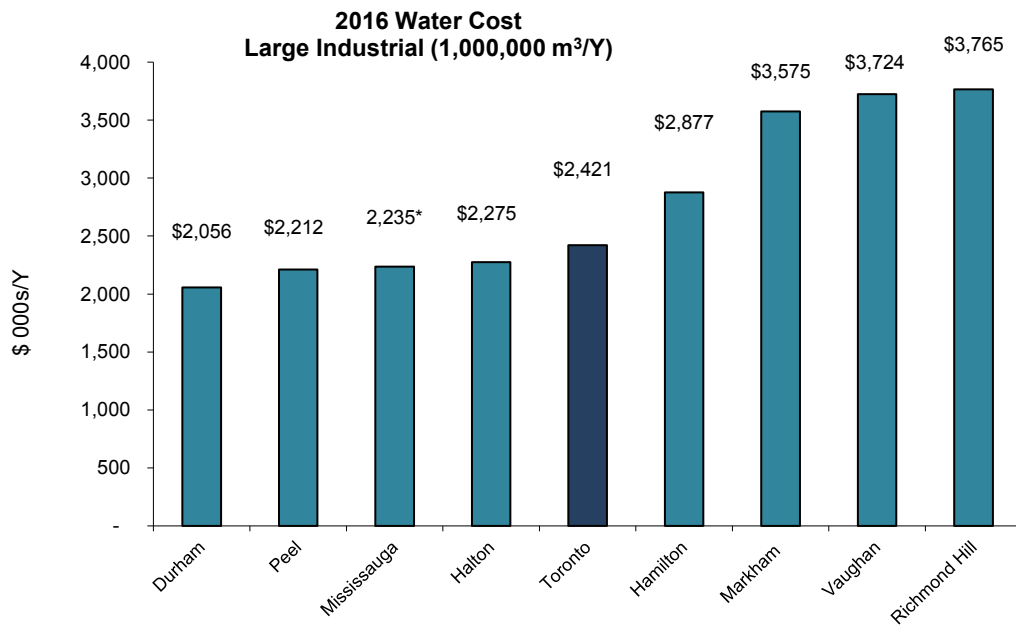
## Comparison of Water Rates in GTA Municipalities

Toronto's 2016 water rate for residential consumers, in comparison to surrounding municipalities, is shown in Chart 5 (2017 rates for surrounding municipalities are not yet available). Toronto is amongst the lowest water cost jurisdictions for residential consumers in southern Ontario, based on average household consumption of 280 cubic metres. It should be noted that in Peel Region, storm water related projects were still funded from property taxes in 2016, except for the City of Mississauga which added a stormwater charge (\$100) to their water bill in January, 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**



**Chart 6 - GTA Industrial Water Cost**



\*Including \$23K stormwater charge

### **Water and Wastewater Services 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. In addition to the fees that are based on Block 1 water rate, recommended for 5% increase in 2017, most user fees are recommended to be increased by the applicable rate of inflation for 2017, except for those based on contracts for procured services and products, and which increase, therefore, reflects the actual contract price.

### **Recommended Increases to Existing Water Fees**

In 2017, inflationary increases are being recommended to 22 water service fees. Seventeen of those fees, (Reference Numbers: 1, 2, 5, 11, 12, 13, 15, 15.1, 17, 21, 25, 32, 40, 42, 43, 44 and 45) in the attached Appendix C – 2017 Water Services Fees are recommended to be increased by 2.43%, 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, 35, 36, 37 and 39) in the attached Appendix C – 2017 Water Services Fees are recommended to be

increased by 1.5% which is the inflationary factor for the Revenue Services Division, mainly reflecting labour cost increase.

Water service connection and disconnection fees, Ref. No.: 1, 2 and 5 are subject to a new tender to be effective May 1<sup>st</sup>, 2017 and are expected to increase by the rate of inflation for Toronto Water of 2.43%.

The fee for lost or damaged automated meter reading transmitter, Ref. No. 41 is recommended for increase based on actual vendor cost and \$US exchange rate.

All Block 1 rate related user fees are subject to the recommended 5% consumption rate increase.

Chart 10 below summarizes the proposed changes, comparing the 2016 fee and the recommended 2017 fee, as well as the percentage increase and the rationale for the increase.

**Chart10**

Ref. No.	Fee Description	2016 fee	Proposed 2017 fee	2017 % Increase	Rationale
1	Installing 19 mm New Residential Water Service and meter	\$4,400.00	\$4,505.00	2.43%	Assumed Inflation factor of 2.43% to be <b>effective May 1, 2017</b> when new tenders will be in place.
2	Installing 25 mm New Residential Water Service and Meter	\$5,100.00	\$5,220.00	2.43%	Assumed Inflation factor of 2.43% to be <b>effective May 1, 2017</b> when new tenders will be in place.
5	Disconnection Fee for any residential water service less than or equal to 25 mm	\$1,300.00	\$1,330.00	2.43%	Assumed Inflation factor of 2.43% to be <b>effective May 1, 2017</b> when new tenders will be in place.
9	Metered water provided to construction sites	Block 1 Water Rate	Block 1 Water rate	5.00%	Water consumption rate increase
11	Fire hydrant Permit	\$164.77	\$168.77	2.43%	Toronto Water inflation
12	Water meter accuracy test ; Meter less than or equal to 50mm - No Chamber - applied if meter does not over-register	\$164.77	\$168.77	2.43%	Toronto Water inflation

Ref. No.	Fee Description	2016 fee	Proposed 2017 fee	2017 % Increase	Rationale
13	Water turn off fee for demolition; (disconnection of old water service not included)	\$82.33	\$84.33	2.43%	Toronto Water inflation
14	Cost of water consumption from last water meter reading to the date of disconnection of service	Block 1 Water Rate	Block 1 Water rate	5.00%	Water consumption rate increase
15	Water Turn-off or Turn-on	\$82.33	\$84.33	2.43%	Toronto Water inflation
15.1	Single Service call Turn-off and Turn-on within 30 min	\$82.33	\$84.33	2.43%	Toronto Water inflation
17	Conduct fire hydrant flow test	\$274.66	\$281.33	2.43%	Toronto Water inflation
18	Unmetered water from each unmetered hydrant- less than or equal to 50 cubic metre	50 cubic metre @ Block 1 Water Rate	50 cubic metre @ Block 1 Water rate	5.00%	Water consumption rate increase
19	Metered water received at hydrant	Block 1 Water Rate	Block 1 Water rate	5.00%	Water consumption rate increase
21	Unregistered water each day order not complied	\$54.89	\$56.22	2.43%	Toronto Water inflation
25	Annual Seasonal Meter Activation Fee : includes replacement, removal of water meter; 1 turn on, 1 turn off	\$211.27	\$216.40	2.43%	Toronto Water inflation
27	Unmetered water - general or use of non-City supplied meter	Block 1 Water Rate	Block 1 Water rate	5.00%	Water consumption rate increase
32	Reuse of residential water service 19 mm to 25 mm	\$274.40	\$281.06	2.43%	Toronto Water inflation
33	Administrative fee to reflect a change in ownership on an existing utility account	\$37.12	\$37.67	1.50%	Revenue Services Inflation

<b>Ref. No.</b>	<b>Fee Description</b>	<b>2016 fee</b>	<b>Proposed 2017 fee</b>	<b>2017 % Increase</b>	<b>Rationale</b>
35	Water Special/Final Reading	\$15.91	\$16.14	1.50%	Revenue Services Inflation
36	Water Consumption Statements	\$42.43	\$43.06	1.50%	Revenue Services Inflation
37	Water Consumption Statements	\$26.52	\$26.91	1.50%	Revenue Services Inflation
39	Water Collection Field Visit	\$26.52	\$26.91	1.50%	Revenue Services Inflation
40	Administration of MOECC Municipal drinking Water Licensing Program	\$2,484.26	\$2,544.62	2.43%	Toronto Water inflation
41	Fee for lost or damaged automated meter reading transmitter	\$76.50	\$95.00	24.18%	Actual cost based on increased manufacture cost and \$US exchange rate
42	Manual water meter reading fee for consumers with water meters refusing installation of a new automatic water meter and associated meter reading equipment	\$84.20	\$86.24	2.43%	Toronto Water inflation
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	\$1,123.02	\$1,150.30	2.43%	Toronto Water inflation
44	Processing annual water supply backflow prevention device testing reports	\$51.20	\$52.44	2.43%	Toronto Water inflation
45	Water Service Upgrade Fee - Lead Water Service Replacement Programs (19mm to 25mm upgrade only)	\$500.00	\$512.15	2.43%	Toronto Water inflation

**Recommended Increases to Existing Wastewater Fees**

In 2017, inflationary increases of 2.43% are recommended for 10 wastewater service fees. (Reference Numbers: 4, 5, 6, 15, 16, 17, 18, 19, 20 and 24) in the attached Appendix C – 2017 Wastewater Services Fees intended to reflect the market conditions and current costs of labour, energy, utilities and materials involved in providing those services by Toronto Water.

Residential sewer service connection and disconnection fees with Ref. Nos: 4, 5 and 6 in Chart 11 below, are subject to a new tender to be effective May 1<sup>st</sup>, 2017 and are expected to increase by the rate of inflation for Toronto Water of 2.43%.

The sewer surcharge on private water is based on Block1 water rate and as such subject to the recommended 5% water and wastewater consumption rate increase in 2017.

Chart 11 below summarizes the proposed changes, comparing the 2016 fee and the recommended 2017 fee, as well as the percentage increase and the rationale for the increase.

***Chart11***

<b>Ref. No.</b>	<b>Fee Description</b>	<b>2016 fee</b>	<b>Proposed 2017 fee</b>	<b>2017 % Increase</b>	<b>Rationale</b>
2	Sewer Surcharge on private water	57% of Block 1 Water Rate	57% of Block 1 Water Rate	5.00%	Water consumption rate increase
4	To install new residential sanitary sewer service connection in road allowance	\$11,000.00	\$11,265.00	2.43%	Assumed Inflationary factor of 2.43% to be <b>effective May 1, 2017</b> when new tenders will be in place.
5	To install new residential storm sewer service connection in road allowance	\$11,000.00	\$11,265.00	2.43%	Assumed Inflationary factor of 2.43% to be <b>effective May 1, 2017</b> when new tenders will be in place.
6	To disconnect residential sanitary sewer service connection in road allowance	\$1,360.00	\$1,390.00	2.43%	Assumed Inflationary factor of 2.43% to be <b>effective May 1, 2017</b> when new tenders will be in place.



<b>Ref. No.</b>	<b>Fee Description</b>	<b>2016 fee</b>	<b>Proposed 2017 fee</b>	<b>2017 % Increase</b>	<b>Rationale</b>
15	Inspection fee for the reuse of residential City sewer connection up to 150 mm in diameter	\$550.00	\$563.37	2.43%	Toronto Water inflation
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.	\$1,648.50	\$1,688.55	2.43%	Toronto Water inflation
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	\$329.5 minimum fee; additional \$81.3/hour for each hour after 4 hours to a maximum of \$1,648.5	\$337.5 minimum fee, additional \$83.27/hour for each hour after 4 hours to a maximum of \$1,688.55	2.43%	Toronto Water inflation
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)	\$329.5 minimum fee; additional \$81.3/hour for each hour after 4 hours to a maximum of \$1,648.5	\$337.5 minimum fee, additional \$83.27/hour for each hour after 4 hours to a maximum of \$1,688.55	2.43%	Toronto Water inflation
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)	\$329.5 minimum fee; additional \$81.3/hour for each hour after 4 hours to a	\$337.5 minimum fee, additional \$83.27/hour for each hour after 4 hours to a	2.43%	Toronto Water inflation

Ref. No.	Fee Description	2016 fee	Proposed 2017 fee	2017 % Increase	Rationale
		maximum of \$1,648.5	maximum of \$1,688.55		
20	Initial fee for establishment of new industrial waste surcharge agreement	\$845.30	\$865.84	2.43%	Toronto Water inflation
24	Record search for Sewers by-law compliance violation	\$100.00	\$102.43	2.43%	Toronto Water inflation

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## SIGNATURES

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Roberto Rossini  
 Deputy City Manager &  
 Chief Financial Officer

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Lou Di Gironimo  
 General Manager, Toronto Water

## ATTACHMENTS

Appendix A – Summary of 2017 Operating and Capital Budget and Forecast, Corresponding Rate Increase and Capital Financing  
 Appendix B – 2017 Water and Wastewater Consumption Rates  
 Appendix C – 2017 Water and Wastewater Service Fees

**Appendix A – Summary of 2017 Operating and Capital budget and 2017-2026 Capital Plan and Operating Forecast,  
Corresponding Rate Increases, and Capital Financing, \$ Million**

	2017 - 2026 Plan											
<b>TORONTO WATER</b>	<b>2016 Budget</b>	<b>2016 Actual</b>	<b>2017</b>	<b>2018</b>	<b>2019*</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023*</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Gross Operating Budget	441.19	427.16	443.21	454.29	465.64	477.28	489.22	501.45	513.98	526.83	540.00	553.50
Capital from Current	717.29	756.28	788.72	830.56	850.72	878.73	900.07	921.94	944.33	975.43	999.14	1,023.43
Net Expenditure to be Financed by Water Rate	1,080.27	1,099.21	1,146.25	1,197.03	1,226.35	1,263.75	1,294.72	1,326.45	1,358.95	1,400.42	1,434.76	1,469.93
<b>WATER RATE INCREASE</b>	<b>8%</b>	<b>8%</b>	<b>5%</b>	<b>5%</b>	<b>4%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>4%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>
Other Revenues	78.21	84.22	85.68	87.82	90.01	92.26	94.57	96.94	99.36	101.84	104.39	107.00
Total Revenues	1,158.48	1,183.44	1,231.93	1,284.85	1,316.36	1,356.02	1,389.29	1,423.38	1,458.31	1,502.26	1,539.14	1,576.93
<b>CAPITAL FINANCING</b>												
Gross Capital Budget	851.65	679.05	859.14	1,187.15	1,311.88	1,310.27	1,223.80	1,203.85	1,230.79	1,277.58	1,369.78	1,235.49
Net Capital Budget	757.61	598.51	797.84	1,099.93	1,220.88	1,228.40	1,159.15	1,136.68	1,150.19	1,183.97	1,274.22	1,156.45
Capital Reserve Funding Level	85%	76%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%
Net Capital Spending	643.97	576.16	678.16	934.94	1,037.74	1,044.14	985.28	966.18	977.66	1,006.37	1,083.09	982.98
<b>CAPITAL RESERVE CLOSING BALANCE</b>	<b>539.05</b>	<b>680.88</b>	<b>784.74</b>	<b>679.82</b>	<b>493.78</b>	<b>330.02</b>	<b>245.97</b>	<b>202.32</b>	<b>169.73</b>	<b>139.02</b>	<b>52.73</b>	<b>93.48</b>