
2018 OPERATING BUDGET BRIEFING NOTE

Toronto Water - Stormwater Charge Initiative

Issue / Background:

- Consideration of a separate stormwater management charge was considered by Council at its meeting in November 2013, as an alternative option to fund Toronto Water's substantial water & wastewater infrastructure requirements
- Toronto Water's Capital Plan at the time was funded entirely by 9 consecutive years of 9% water rate increases which was set to end in 2014
- However, despite the '9% for 9' funding strategy, declining water consumption required consideration of a new funding strategy to address a \$1 billion funding gap from reduced revenues
- In March, 2015, Council subsequently approved a new funding strategy of 8% water rate increases for 2015-2016, 5% water rate increases for 2017-2018 and 3% water rate increases thereafter for the remaining years of the ten year plan, which would address the projected funding shortfall and reinstate funding for the previously deferred priority projects
- Nonetheless, in December 2015, Council directed staff to continue consideration and development of a Stormwater Charge ("SWC") Implementation Plan that would consider stormwater management costs being removed from the water rate

Key Points:

Stormwater Charge Funding Model

- The model developed by staff was revenue neutral, redistributing the cost for stormwater management amongst different consumers without raising additional revenues
- Cost redistribution was designed to improve the fairness and transparency of stormwater management funding by using the hard surface areas of properties that better represented the amount of stormwater runoff contribution and cost to the overall system
- The model removed the amount paid by rate payers for stormwater management from the water rate, and proposed a new SWC to be added to the water utility bill for water/wastewater services

Chart 1 illustrates the change in the water utility billing with and without the SWC, showing the revenue neutrality of the changes to the utility bill.

Chart 1 – Revenues with and without Stormwater Charge

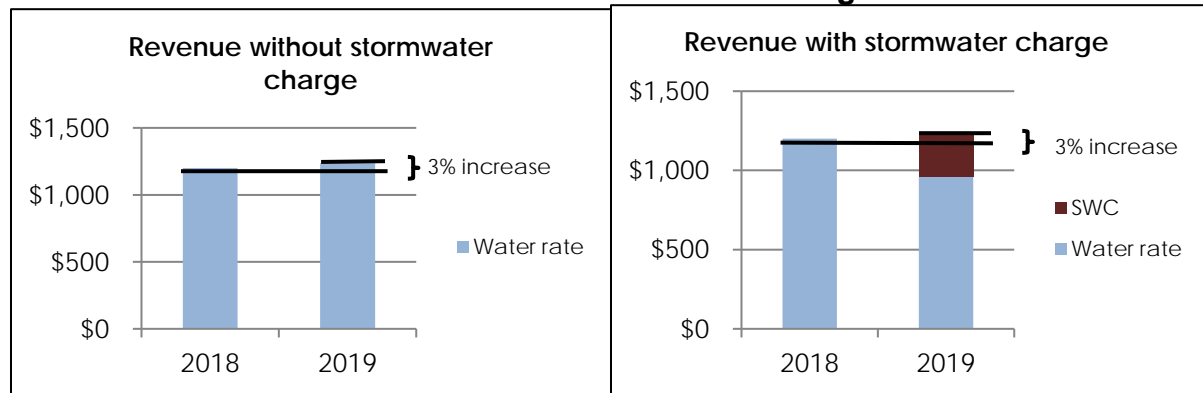


Chart 2 below, shows the shifts that would have occurred with the implementation of the proposed model. Overall, there would have been a \$33 million shift in stormwater management charges from apartment and condo buildings to residential, commercial, industrial and large properties.

Chart 2 – Stormwater Management Funding Allocation

Category	Current	Proposed	Shift (%)	Shift (\$)
Residential	33%	38%	5%	\$14M
Apartment & Condo Buildings	16%	4%	-12%	-33M
Industrial, Commercial & Institutional	15%	16%	1%	\$3M
Large Properties (1 ha or greater)	36	42%	6%	\$16M
Net Change				\$0

The report headed 'Proposed Stormwater Charge - Results of Consultation and Next Steps' was reported to Executive Committee on May 16, 2017. The report was received for information, directing no further action regarding the proposed SWC.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX25.6>

Prepared by: Boriana Varleva, Senior Financial Analyst, Corporate Finance
 Circulated to: Joe Farag, Acting Chief Financial Officer
 Further information: Boriana Varleva, Corporate Finance, 416-392-4949
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