

2019 Water and Wastewater Consumption Rates and Service Fees

Date: January 21, 2019

To: Budget Committee

From: Chief Financial Officer and Treasurer
Acting General Manager, Toronto Water

Wards: All

SUMMARY

This report presents the recommended 2019 water and wastewater consumption rates and service fees arising from the concurrent adoption by City Council of the recommended 2019 Toronto Water Operating and Capital Budgets.

In accordance with the City Council 10 year capital plan approved in 2015, this report recommends a 3.98% water and wastewater consumption rate increase, effective April 1, 2019, which is the equivalent of a 3% annualized increase in 2019. In addition, this report recommends inflationary fee increases for certain existing water and wastewater service fees, reflecting cost recovery for these services.

This report also seeks Council authority to proceed with the implementation and monitoring of a proposed two-year bulk water fill station pilot project at Toronto Water's Disco Yard location (Bulk Water Pilot) or alternate Toronto Water location, subject to a report back to the Infrastructure and Environment Committee, and the establishment of a related new bulk water service fee for any metered water dispensed to customers at the bulk water fill station, based on the Block 1 water and wastewater consumption rate (Bulk Water Fee), to offset the costs of the Bulk Water Pilot (additional details in Appendix A).

The recommended 2019 water and wastewater consumption rates, service fees and the Bulk Water Fee will allow the Toronto Water Program to remain fully self-funded and financially stable, with both operating and capital needs being met without excessive year-over-year fluctuations in pricing over the long term.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer and the Acting General Manager, Toronto Water recommend that:

1. City Council consider this report concurrently with the 2019-2028 Toronto Water Capital Plan and the 2019 Toronto Water Operating Budget.

2. City Council adopt:

a. Effective April 1, 2019, the combined water and wastewater consumption rates charged to metered consumers as shown below and in Appendix C 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")	3.9549	4.1630
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")	2.7684	2.9141

b. Effective April 1, 2019, an increase of 3.98% to the water and wastewater consumption rates (paid on or before the due date) charged to flat rate consumers, as set out in Appendix C attached to this report;

c. Effective April 1, 2019, the water and wastewater service fees as set out in Appendix D attached to this report;

3. City Council adopt with respect to assistance for low-income seniors and low-income disabled persons:

a. Effective April 1, 2019, the water rebate for eligible low-income seniors and low-income disabled persons be set at a rate of \$1.1864 /m3, representing a 30% reduction from the Block 1 rate (paid on or before the due date);

4. City Council authorize the implementation and monitoring of a bulk water fill station pilot (Bulk Water Pilot) on the following conditions:

a. Municipal Code Chapter 851 - Water Supply, be amended to authorize the supply, sale and delivery of bulk potable water dispensed from a bulk water station owned and operated by the City for industrial, commercial or institutional purposes only.

b. Effective April 1, 2019, Municipal Code Chapter 441 - Fees and Charges, Appendix D, Schedule 2, Water Services, be amended to include a new fee for the metered water to be dispensed at any bulk water station owned and operated by the City, including under the Bulk Water Pilot, based on the Block 1 water and wastewater consumption rate.

c. The Bulk Water Pilot be undertaken by Toronto Water for a minimum of 2 years at Toronto Water's Disco Yard located at 150 Disco Road (Etobicoke), or alternate Toronto Water facility at the discretion of the General Manager of Toronto Water, and that it be operated seasonally, from approximately April to October, with 24-hour access.

d. The General Manager, Toronto Water be delegated the authority to implement, administer and monitor the Bulk Water Pilot including the authority to develop all related program policies and procedures, to procure all related goods and services necessary to implement and conduct the Bulk Water Pilot and to negotiate, enter into and execute any agreements necessary to give effect to the Bulk Water Pilot on terms and conditions acceptable to the General Manager, Toronto Water, and in a form acceptable to the City Solicitor.

e. The General Manager, Toronto Water report back to the Infrastructure and Environment Committee on the outcome of the Bulk Water Pilot once completed.

5. City 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, Municipal Code Chapter 851 - Water Supply, and Municipal Code Chapter 681- Sewers, and any other necessary Municipal Code Chapters as may be required, to give effect to these Recommendations.

6. City Council authorize the City Solicitor to introduce any necessary Bills required to give effect to Council's decision and authorize the City Solicitor to make any necessary clarifications, refinements, including stylistic, format and organization, minor modifications, technical amendments or by-law amendments as may be identified by the City Solicitor, the Chief Financial Officer and Treasurer and the General Manager, Toronto Water.

7. City Council authorize and direct the appropriate City officials to take the necessary action to give effect to Council's decision 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 2019 Toronto Water Operating and Capital Budgets, the updated water consumption forecast, and Council's direction that the Capital Plan be predicated on a 3% rate increase in 2019 for planning purposes, a rate increase of 3.98%, effective April 1, 2019 is recommended for Block 1 consumers and Block 2 industrial process-use consumers. A 3.98% increase effective April 1, 2019 is a 3% rate increase on an annualised basis and will raise additional \$35.52 million revenue for the Program.

The Toronto Water 2019 Operating and Capital Budget requires a combined water and wastewater expenditure level of \$1.331 billion, which is fully funded from the recommended 2019 water and wastewater consumption rates and service fees.

As shown in Chart 1 below, the recommended rate increase impact on an average home consuming 240 m³/year, billed at the Block 1 Rate, will be 3% or \$27 over the calendar year (from \$913 in 2018 to \$940 in 2019). The impact of the 3% 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 \$11,348 and \$8,113 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 \$79,595.

Chart 1- Impact of Recommended 3.98% Rate Increase effective April 1, 2019

Type of Property	Average Consumption	2018 Cost	2019 Projected Annualized Cost	2019 Rate Increase Impact	
Residential	240	\$913	\$940	\$27	3.0%
Commercial	100,000	\$380,360	\$391,708	\$11,348	3.0%
Industrial	100,000	\$271,937	\$280,049	\$8,113	3.0%
Large Industrial	1,000,000	\$2,668,007	\$2,747,602	\$79,595	3.0%

The recommended increases to certain water and wastewater service fees set out in Appendix C are expected to generate additional revenue of approximately \$87,953 which is intended to offset the cost increases associated with delivering these services.

It is estimated that \$300,000 in capital funds is required for the purchase and installation of the bulk water station required for the Bulk Water Pilot. Required funding is included in the 2019-2028 Recommended Capital Budget and Plan for Toronto Water (CWW034-06, Yards & Facilities). It is expected that capital works will be completed sometime later in 2019, as it will take time for the procurement process and subsequent assembly and installation of the bulk water station itself.

It is further estimated that annual operating costs of approximately \$2,000 will be required to operate and maintain the bulk water fill station. It is anticipated that the Bulk Water Fee will generate, if a City-wide network of bulk water fill stations are constructed, approximately \$400,000 in annual revenues from the sale of bulk water. In addition to offsetting the costs of the Bulk Water Pilot, these revenues will offset the revenue loss currently experienced by Toronto Water due to illegal practices like unauthorized hook-ups to fire hydrants. The 2019 Recommended Operating Budget for Toronto Water includes initial operating costs (\$2,000) and revenues (\$35,000) estimated for 2019, with fully annualized impact in 2020.

DECISION HISTORY

At its meeting on December 5, 2017, City Council adopted the water and wastewater consumption rates and service fees to be charged to meter and flat rate consumers for 2018 and directed that such rates, fees and charges continue in full force and effect until such time as they are amended or repealed by City Council. Accordingly, the 2018 rates will continue until March 31, 2019, or such other time that the 2019 rates take effect. The 2018 Water and Wastewater Rates and Service Fees report, adopted by City Council, can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX29.18>

COMMENTS

ISSUE BACKGROUND

The City annually adopts a by-law to establish its water and wastewater consumption rates and service fees. Adoption of the concurrent recommended Toronto Water 2019 Operating and 2019-2028 Capital Budget will necessitate an increase in the 2019 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 2019, except for those that are based on contracts for procured services, which increase, therefore, reflects the actual contract price.

In addition to the necessary rate and fee increases, this report also recommends the implementation and monitoring of the proposed Bulk Water Pilot and the adoption by City Council of the related Bulk Water Fee.

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 in pricing over the long term.

During the 2019 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 2019-2028 Capital Plan in accordance with its project delivery schedule, staff are recommending a 3% annualized rate increase in 2019, and for the following years of the ten year plan.

Toronto Water's recommended 2019 Operating and Capital Budget, and 10-Year Capital Plan, 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.

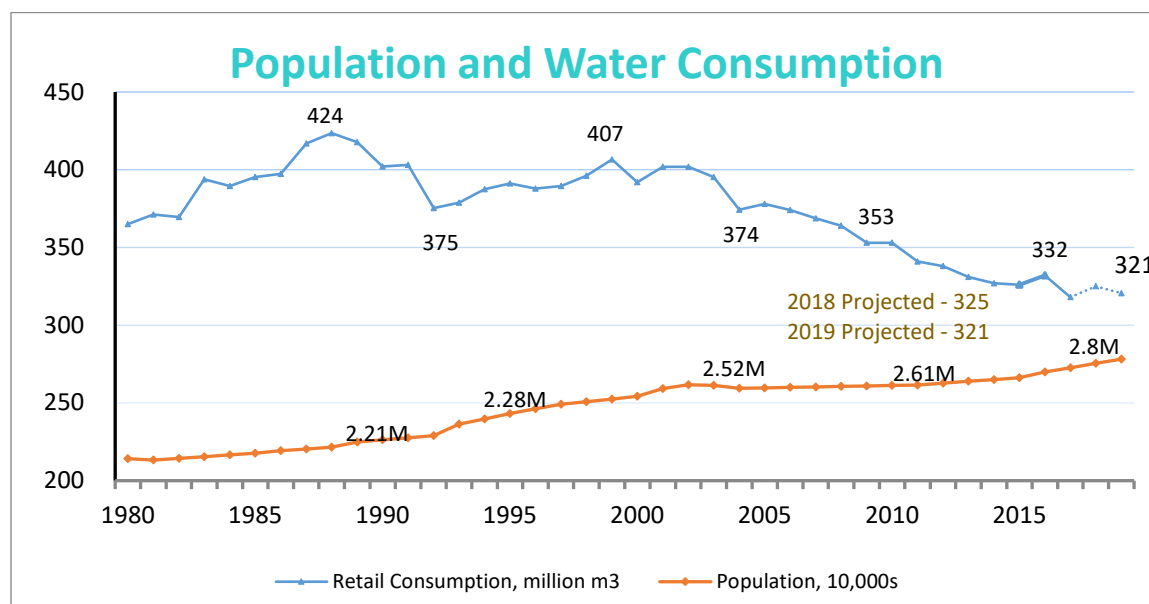
The 2019 financial model also assumes that 85% of the net Capital Budget (after grants, subsidies and other capital contributions) will be drawn from Toronto Water's Capital Reserve, based on the current capital completion level experienced by the Program, so as not to overstate actual projected funding requirements.

Water Consumption Forecast

Over the last decade, despite the increase in population, there has been a trend of reduced consumption, as shown in Chart 2 below. Toronto's water consumption projected to 2018 year-end is estimated at 325 million cubic metres, which represents a substantial drop from 374 million cubic meters in 2005.

However, substantial fluctuations in consumption have been observed over the past three years, as shown in Chart 2 and 3. The City experienced unusually high consumption in 2016, attributed to the hot and dry summer, followed by significantly lower consumption in 2017, attributed to a cool and wet spring and summer.

Chart 2 - Toronto Retail Water Consumption



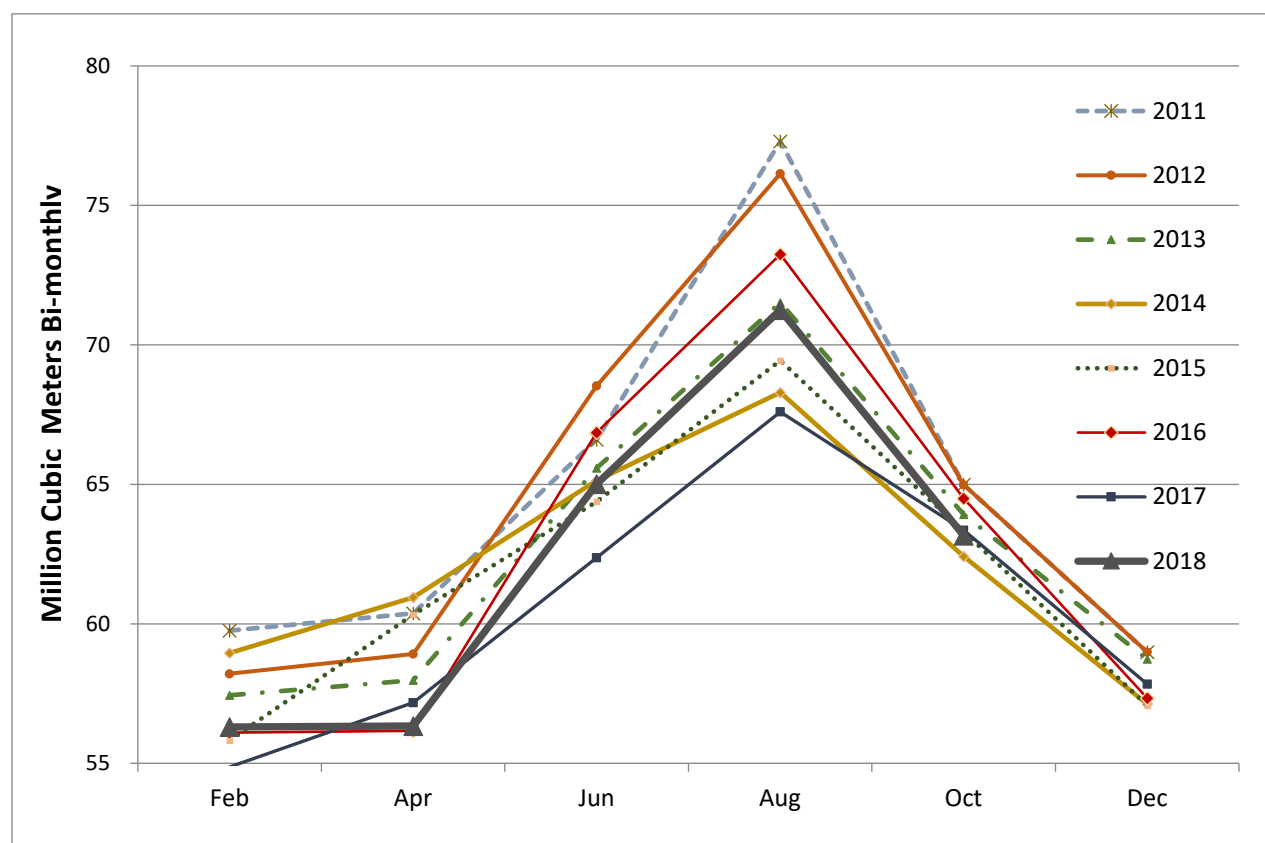
Winter consumption (October to April) is generally not affected by additional outdoor use, typical for the summer, and hence is a better indicator of baseline consumption trends in the City. Analysis of the baseline consumption shows a systematic decline over the long term period. The data in Chart 3 show that over the last 10 years (2008-2017), baseline consumption has fallen over 11%, with an annual average drop of 1.5%. In the last 5 years, however, the average annual drop in baseline consumption is closer to 1%, suggesting a slowing of overall consumption reduction.

Summer consumption is much more weather dependent and much less indicative for planning purposes. It shows an overall reduction of about 10% over the last 10 years, with average annual summer consumption fluctuations of over 10% in each of the last 3 years.

The observed systematic decline in water consumption is predominantly attributed to water efficiency measures and other economic factors.

Chart 3 –Water Production (2008 to 2018)

Toronto Water Production 2008-2018, m3 bi-monthly



Given that 2016 was a year with exceptionally high consumption, and 2017 with a very low consumption, 2018 and 2019 consumption projections are based on 2015 actual consumption. Staff project 2019 total consumption to be 2% lower than 2015 actual consumption (applying a 0.5% decrease per year). Similar to previous years, staff are projecting a 0.5% decline per annum for the 10 year planning period.

2019 Operating Budget and 2019 - 2028 Capital Plan

The concurrent Toronto Water 2019 Operating and Capital Budget Notes provide details on Toronto Water's proposed 2019 Operating and Capital Budgets. A summary of the 2019 Operating Budget and Forecast, the 2019-2028 Capital Plan, and the resulting rate requirements are presented in Appendix B, attached to this report, together with the sources of capital financing and corresponding reserve balances.

2019 Operating Budget

The 2019 Recommended Operating Budget gross expenditure of \$463.868 million is outlined in detail in the concurrent Toronto Water 2019 Budget Notes. The 2019 net expenditures inclusive of capital from current to be funded by the water rate is \$1.228 billion. A further \$103.249 million is expected to be generated from the sale of water to the Region of York (\$26.423 million) and user service fees (\$76.825 million), for a total program expenditure and revenue of \$1.331 billion. The recommended capital contribution from operations for 2019 is \$867.367 million.

2019 Recommended Operating Budget

	\$ Millions
Gross Operating Cost	\$463.868
Capital from Current	\$867.367
	\$1,331.237
Other Revenues	(\$103.249)
Net Expenditure to be Financed from Water Rates	\$1,227.987

2019 - 2028 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 2019–2028 Recommended Capital Plan of \$13.614 billion (including the 2018 carry forward funding) is based on the available funding provided by the current capital financing plan that is based on 3% annualized water consumption rate increases in 2019 and beyond.

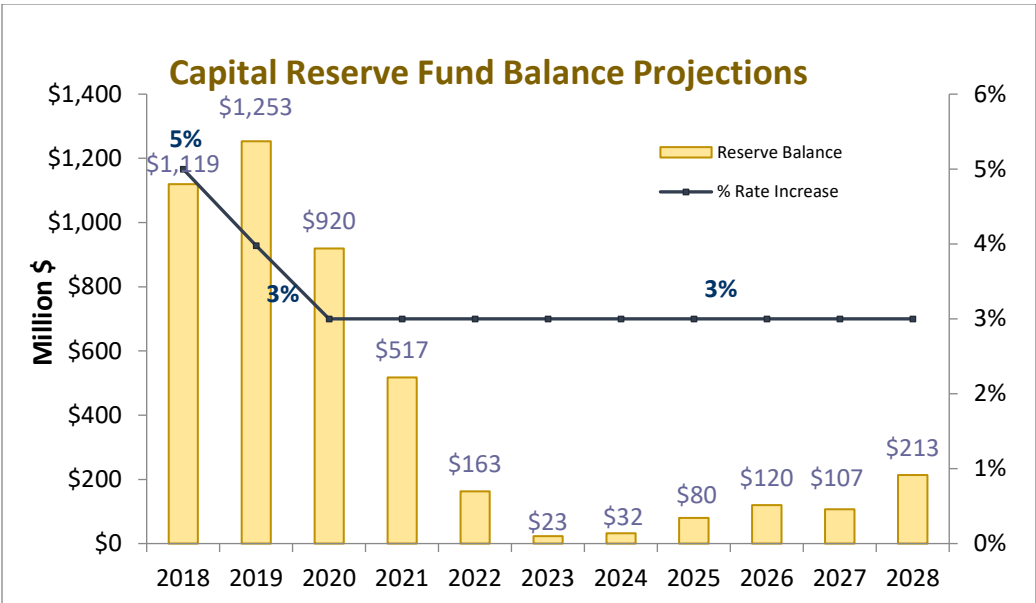
The concurrent Toronto Water 2019 Budget Notes provide details on Toronto Water's proposed 2019-2028 Capital Plan.

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 2018-2028 and the projected annual rate increases outlined in this report. The capital reserve has been replenished to above \$1billion following the last two consecutive years of 5% increases. The reserve decreases significantly after 2020 when the Capital Program expenditures are projected to exceed \$1.5 billion a year, incorporating all priority projects. A targeted minimum balance of \$30 million is maintained for the capital reserve in all years, except for 2023.

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.

Industrial Discount Rate

Since January, 2008, City Council have adopted a 2 block rate structure, with the second block rate providing a 30% discount for eligible industrial process-use consumers, as part of the City's economic competitiveness strategy. As of November 2018, there were 157 industrial customers at the discounted Block 2 rate.

Flat-rate Accounts

In 2010, the City started implementation of a City-wide water meter replacement program coupled with concurrent installation of an automated meter reading technology, with the objective of converting all flat-rate accounts to meter.

As of November 2018, there were approximately 423 remaining flat-rate accounts compared to 72,000 flat-rate accounts in 2007.

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 \$1,208 for 2019.

This report recommends a 3.98% increase to the water and wastewater rates charged to flat-rate consumers, effective April 1, 2019, as is the case with metered customers.

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

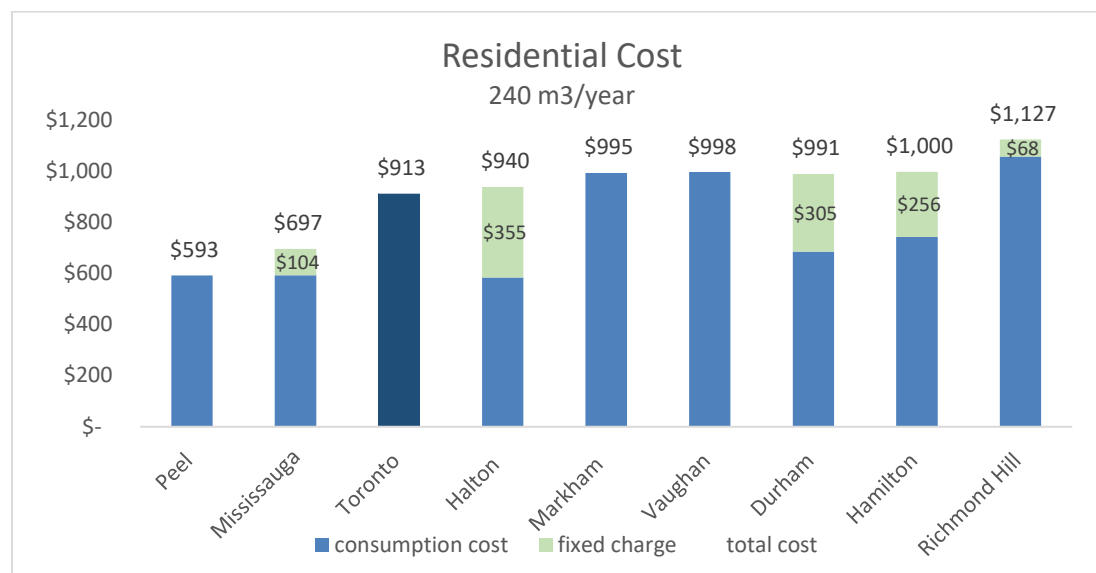
As part of the City's water rate structure, since January 1, 2008, Council has approved a water rebate program for low-income seniors and low-income persons with disabilities who meet the eligibility criteria for tax relief as prescribed in the Municipal Code, Chapter 849. This rebate is set at the difference 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 2018, the City processed 5,533 low income water rebate applications for a total rebate amount of \$944,060.

Comparison of Water Rates in GTA Municipalities

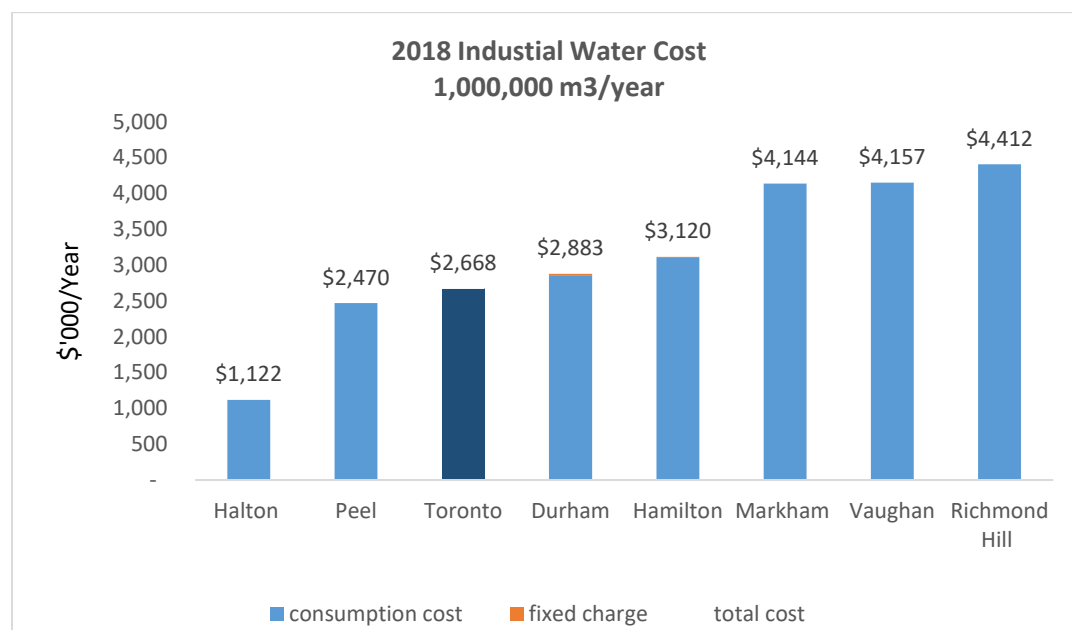
Toronto's 2018 water rate for residential consumers, in comparison to surrounding municipalities, is shown in Chart 5, based on 240 m³/ year (2019 rates for surrounding municipalities are not yet available). As the chart shows, the residential water cost in Toronto is one of the lowest amongst the surrounding municipalities. It should be noted that in Peel Region, storm water related projects are still funded from property taxes, except for the City of Mississauga, which added a stormwater charge to their water bill in January, 2016. Chart 6 provides a similar comparison for large industrial users, and shows that Toronto offers a reasonably competitive water cost amongst GTHA municipalities.

Chart 5 – GTHA Residential Water Cost



Note: Peel stormwater funded by property taxes except for Mississauga's stormwater charge since 2016

Chart 6 - GTHA Industrial Water Cost



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 D attached to this report.

All Block 1 rate related user fees are subject to the recommended 3.98% consumption rate increase, effective April 1, 2019.

In compliance with the City's full cost recovery policy, certain water and wastewater service fees are recommended for increase that will recover the increased cost of the services provided. Most user fees are recommended to be increased by the 2019 rate of inflation applicable to the specific service provided (ranging from 2% to 2.9%), which in most cases is different than the consumer price index (CPI). In addition, the increase of fees based on contracts for procured services and products reflects the actual contract price.

Recommended Increases to Existing Water Fees

Fifteen water service fees (Reference Numbers: 1, 2, 5, 11, 12, 13, 15, 15.1, 17, 21, 25, 32, 40, 41, 42, 43, 44 and 45 in the attached Appendix D – 2019 Water Services Fees) are recommended to be increased by 2.82% in 2019, 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 D – 2019 Water Services Fees) are recommended to be increased by 2.0% which is the inflationary factor for the Revenue Services Division, mainly reflecting labour cost increase.

Chart 7 below summarizes the proposed changes, comparing the 2018 fee and the recommended 2019 fee, as well as the percentage increase and the rationale for the increase.

Chart 7

Ref. No.	Fee Description	2018 fee	Proposed 2019 fee	2019 % Increase	Rationale
1	Installing 19 mm New Residential Water Service and meter	\$4600.00	\$4,729.72	2.82%	Toronto Water inflation
2	Installing 25 mm New Residential Water Service and Meter	\$5,330.00	\$5,480.30	2.82%	Toronto Water inflation
5	Disconnection Fee for any residential water service less than or equal to 25 mm	\$1,360.00	\$1,398.35	2.82%	Toronto Water inflation
9	Metered water provided to construction sites	Block 1 Water rate	Block 1 Water rate	3.98%	Water consumption rate increase
11	Fire hydrant Permit	\$172.31	\$177.16	2.82%	Toronto Water inflation
12	Water meter accuracy test ; Meter less than or equal to 50mm - No Chamber - applied if meter does not over-register	\$172.31	\$177.16	2.82%	Toronto Water inflation

Ref. No.	Fee Description	2018 fee	Proposed 2019 fee	2019 % Increase	Rationale
13	Water turn off fee for demolition; (disconnection of old water service not included)	\$86.10	\$88.52	2.82%	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	3.98%	Water consumption rate increase
15	Water Turn-off or Turn-on	\$86.10	\$88.52	2.82%	Toronto Water inflation
15.1	Single Service call Turn-off and Turn-on within 30 min	\$86.10	\$88.52	2.82%	Toronto Water inflation
17	Conduct fire hydrant flow test	\$287.23	\$295.32	2.82%	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	3.98%	Water consumption rate increase
19	Metered water received at hydrant	Block 1 Water rate	Block 1 Water rate	3.98%	Water consumption rate increase
21	Unregistered water each day order not complied	\$57.40	\$59.01	2.82%	Toronto Water inflation
25	Annual Seasonal Meter Activation Fee : includes replacement, removal of water meter; 1 turn on, 1 turn off	\$220.94	\$227.17	2.82%	Toronto Water inflation
27	Unmetered water - general or use of non-City supplied meter	Block 1 Water rate	Block 1 Water rate	3.98%	Water consumption rate increase
32	Reuse of residential water service 19 mm to 25 mm	\$287.00	\$295.09	2.82%	Toronto Water inflation
33	Administrative fee to reflect a change in ownership on an existing utility account	\$38.42	\$39.19	2.0%	Revenue Services Inflation
35	Water Special/Final Reading	\$16.46	\$16.79	2.0%	Revenue Services Inflation
36	Water Consumption Statements	\$43.92	\$44.80	2.0%	Revenue Services Inflation
37	Water Consumption Statements	\$27.45	\$28.00	2.0%	Revenue Services Inflation
39	Water Collection Field Visit	\$27.45	\$28.00	2.0%	Revenue Services Inflation
40	Administration of MECP Municipal drinking Water Licensing Program	\$2,598.05	\$2,671.31	2.82%	Toronto Water inflation

Ref. No.	Fee Description	2018 fee	Proposed 2019 fee	2019 % Increase	Rationale
41	Fee for lost or damaged automated meter reading transmitter	\$97.00	\$99.73	2.82%	Toronto Water inflation
42	Manual water meter reading fee for consumers with water meters refusing installation of a new automatic water meter and associated meter reading equipment	\$88.05	\$90.53	2.82%	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	\$1,174.45	\$1,207.56	2.82%	Toronto Water inflation
44	Processing annual water supply backflow prevention device testing reports	\$53.54	\$55.05	2.82%	Toronto Water inflation
45	Water Service Upgrade Fee - Lead Water Service Replacement Programs (19mm to 25mm upgrade only)	\$523.00	\$537.74	2.82%	Toronto Water inflation

Recommended Increases to Existing Wastewater Fees

For 2019, inflationary increases of 2.82% are recommended for 10 wastewater service fees. (Reference Numbers: 4, 5, 6, 15, 16, 17, 18, 19, 20 and 24 in the attached Appendix D – 2019 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.

The sewer surcharge on private water is based on the Block 1 water rate and as such is subject to the recommended 3.98% water and wastewater consumption rate increase in April, 2019.

Chart 8 below summarizes the proposed changes, comparing the 2018 fee and the recommended 2019 fee, as well as the percentage increase and the rationale for the increase.

Chart 8

Ref. No.	Fee Description	2018 fee	Proposed 2019 fee	2019 % Increase	Rationale
2	Sewer Surcharge on private water	57% of Block 1 Water Rate	57% of Block 1 Water Rate	3.98%	Water consumption rate increase
4	To install new residential sanitary sewer service connection in road allowance	\$11,506.00	\$11,830.46	2.82%	Toronto Water inflation
5	To install new residential storm sewer service connection in road allowance	\$11,506.00	\$11,830.46	2.82%	Toronto Water inflation
6	To disconnect residential sanitary sewer service connection in road allowance	\$1,420.00	\$1,460.04	2.82%	Toronto Water inflation
15	Inspection fee for the reuse of residential City sewer connection up to 150 mm in diameter	\$575.20	\$591.42	2.82%	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.	\$,1724.00	\$1,772.61	2.82%	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	\$344.58 minimum fee, additional \$85.00/hour for each hour after 4 hours to a maximum of \$1,724.00	\$354.29 minimum fee, additional \$87.39/hour for each hour after 4 hours to a maximum of \$1,772.61	2.82%	Toronto Water inflation
18	Technical Review by Toronto Water staff - Application to Toronto Water for request to encroach within a City permanent or temporary	\$344.58 minimum fee, additional \$85.00/hour for each hour after 4 hours	\$354.29 minimum fee, additional \$87.39/hour for each hour after 4 hours	2.82%	Toronto Water inflation

Ref. No.	Fee Description	2018 fee	Proposed 2019 fee	2019 % Increase	Rationale
	easement (related to City water and sewer infrastructure)	to a maximum of \$1,724.00	to a maximum of \$1,772.61		
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)	\$344.58 minimum fee, additional \$85.00/hour for each hour after 4 hours to a maximum of \$1,724.00	\$354.29 minimum fee, additional \$87.39/hour for each hour after 4 hours to a maximum of \$1,772.61	2.82%	Toronto Water inflation
20	Initial fee for establishment of new industrial waste surcharge agreement	\$884.02	\$908.95	2.82%	Toronto Water inflation
24	Record search for Sewers by-law and water supply by-law compliance violation	\$104.58	\$107.53	2.82%	Toronto Water inflation

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SIGNATURE

Heather Taylor
Chief Financial Officer and Treasurer

William Fernandes
Acting General Manager, Toronto Water

ATTACHMENTS

Appendix A - Recommended Bulk Water Pilot and New Bulk Water Fee
Appendix B – Summary of 2019 Operating and Capital Budget and Forecast,
Corresponding Rate Increase and Capital Financing
Appendix C – 2019 Water and Wastewater Consumption Rates
Appendix D – 2019 Water and Wastewater Service Fees

Appendix A

Recommended Bulk Water Pilot and New Bulk Water Fee

Many neighbouring GTA municipalities provide bulk water fill station services for their business sector customers. Currently, the City does not. When water is purchased from bulk water fill stations outside of the City but used within Toronto's boundaries, those consumers are not paying the City for the treatment of that water when it flows into the City's sanitary sewer infrastructure and wastewater treatments plants, unless they obtain the required sanitary discharge permits or agreements.

Within City boundaries, the City has a total of 41,398 hydrants and water theft from illegal, unmetered connections to those hydrants is a significant concern resulting in the following: lost revenue from unmetered water; damaged hydrants; lost pressure from hydrants for fire suppression and potential threats to the drinking water supply due to the lack of a backflow prevention device associated with the illegal connection.

From a customer service level perspective, the feedback from stakeholder consultations with mobile wash business operators supports the need for bulk water fill stations in the City as there is a significant demand from industry for this service. In addition, by providing bulk water fill services, theft of water from illegal practices will be reduced and lost revenue from illegal hydrant usage, for example, will be recovered.

Chart 9 below summarizes Toronto Water's research and consultation with other municipalities and potential users of the service.

Chart 9

2017 Research/Consultation	Findings
<p>Consulted with surrounding Municipalities/Regions regarding the installation, costs, operations and maintenance of their bulk water fill stations (10 respondents)</p>	<p>Responses included:</p> <ul style="list-style-type: none"> - majority use bulk water fill stations with two using hydrants, note: they indicated hydrants are not working due to water theft, damaged hydrants and increased operational costs in general, number of stations range from 2 to 7 - all reported minimal implementation challenges - installation costs for stations varied from \$35,000 to \$420,000 - payment options are mostly pre-paid cards or fobs, note: handful of respondents are upgrading to online software with online accounts to eliminate cards/fobs and staffing requirements - most stations operate year-round and 24 hours - operational demands (i.e. downloading payment data) and challenges (i.e. repair/replace card reader) are minimal for stations annual revenue varied from \$80,000 to \$250,000 - annual operational costs ranged from \$1,500 to \$27,000 - based on costs provided (installation and yearly revenue and operations), calculations show a full cost recovery, with surplus, and an average return on investment ("ROI") of 3 years

2017 Research/Consultation	Findings
<p>Consulted with potential users on number of units, method of payment, water usage, etc., including: Mobile Wash Working Group Association with members consisting of hydro-vac companies and construction companies (i.e. boring and street flushing)</p>	<p>Feedback included:</p> <ul style="list-style-type: none"> - two-thirds indicated over 10 stations are needed - all indicated an even distribution of stations throughout the City, space for large vehicles and proximity to highways as important location factors - majority would use the station year-round on a 24-hour basis - half would purchase over 3,000 cubic meters of water over a period of a week - three-quarters prefer a mixture of stations and hydrants, note: some indicated that hydrants freeze in the winter and are harder to maintain/track - most want a charge card or access code to serve as the payment method <p>the two top challenges identified are malfunctioning keypads and lack of space</p>

Based on the feedback received from the stakeholder's consultation, this report seeks Council authority to proceed with the implementation and monitoring of the Bulk Water Pilot and the establishment of the related Bulk Water Fee. Delegated authority to the General Manager, Toronto Water, to implement, administer and monitor the Bulk Water Pilot including the authority to develop all related program policies and procedures, to procure all related goods and services necessary to implement and conduct the Bulk Water Pilot and to negotiate, enter into and execute any agreements necessary to give effect to the Bulk Water Pilot is also sought. It is recommended that the General Manager, Toronto Water, report back on the outcome of the Bulk Water Pilot once completed for further direction from City Council.

A bulk water fill station is a means by which the City may supply and dispense water to industrial, commercial and institutional ("IC&I") customers. Currently, as this is not a means by which the City supplies water, if the Bulk Water Pilot is approved by City Council, Municipal Code Chapter 851 - Water Supply, will need to be amended to authorize the supply of water in this manner. In general terms, a bulk water fill station is an engineered system for the purchase and dispensing of metered water to IC&I customers without requiring operator assistance. Toronto Water will prepare the site for

construction of a bulk water fill station and utilize a pre-assembled water dispensing unit that allows customers to purchase water.

It is proposed that the Bulk Water Pilot be located at Toronto Water's Disco Yard (150 Disco Road, Etobicoke) which is an advantageous location due to its proximity to highways, ample space for truck queue or turnaround and it is within an industrial area (thereby not interfering or impacting residents). It is recommended that the Bulk Water Pilot operate seasonally, from approximately April to October, with 24-hour access.

While the bulk water supplied and dispensed from the bulk water fill station will be potable water, given concerns for the potential contamination by users of water during the delivery and transport process, through the user's hose, connections and/or water trucks, it is recommended that the use of the bulk water be restricted to non-potable purposes by IC&I customers.

In order to recover the City's cost for this proposed new service, of metered water purchased and dispensed at the bulk water fill station, a new Bulk Water Fee is recommended as set out below in Chart 10. The purpose of the new fee is to recover the cost of providing water to bulk water fill stations, by applying the water and wastewater Block 1 rate, as described in the chart below.

Chart 10

Fee Description	Proposed New Fee	Fee Basis	Projected Annual Revenue	Rationale
Metered water received at bulk water fill station.	Block 1 water and wastewater consumption rate	Per cubic meter	\$35,000	To recover the City cost for the supply of water at a metered bulk water fill station.

It is recommended that there be a report back to the Infrastructure and Environment Committee on the outcome of the Bulk Water Pilot once completed. That staff report will report out on any direct demand from residents for bulk water sales that may arise during the course of the proposed Bulk Water Pilot.

Appendix B – Summary of 2019 Operating and Capital budget and 2019-2028 Capital Plan and Operating Forecast, Corresponding Rate Increases, and Capital Financing, \$ Million

			2019 - 2028 Plan									
TORONTO WATER	2018 Budget	2018 Projected	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Gross Operating Budget	447.25	431.46	463.87	475.47	487.35	499.54	512.02	524.83	537.95	551.39	565.18	579.31
Capital from Current	842.04	881.68	867.37	901.15	923.18	944.65	967.76	999.61	1,024.05	1,049.07	1,074.72	1,100.99
Net Expenditure to be Financed by Water Rate	1,198.89	1,209.54	1,227.99	1,270.78	1,302.05	1,333.00	1,365.82	1,407.62	1,442.26	1,477.74	1,514.10	1,551.35
WATER RATE INCREASE	5%	5%	4%	3%	3%	3%	4%	3%	3%	3%	3%	3%
Other Revenues	90.39	103.61	103.25	105.83	108.48	111.19	113.97	116.82	119.74	122.73	125.80	128.94
Total Revenues	1,289.29	1,313.15	1,331.24	1,376.61	1,410.53	1,444.18	1,479.79	1,524.44	1,562.00	1,600.47	1,639.90	1,680.30
CAPITAL FINANCING												
Gross Capital Budget	946.57	946.57	960.51	1,590.09	1,703.42	1,616.77	1,391.35	1,250.43	1,231.75	1,264.51	1,357.38	1,248.39
Net Capital Budget	759.25	674.91	734.07	1,231.50	1,320.57	1,294.35	1,101.90	989.09	973.43	1,006.74	1,084.84	992.96
Capital Reserve Funding Level	85%	75%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%
Net Capital Spending	759.25	674.91	734.07	1,231.50	1,320.57	1,294.35	1,101.90	989.09	973.43	1,006.74	1,084.84	992.96
CAPITAL RESERVE CLOSING BALANCE	918.85	1,119.15	1,252.95	919.60	517.44	163.08	23.28	31.93	80.38	119.71	106.66	213.26