

2025 Interim Water and Wastewater Consumption Rates and Service Fees

Date: November 26, 2024

To: Executive Committee

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

Wards: All

SUMMARY

This report recommends the adoption by City Council of 2025 interim water and wastewater consumption rates and service fees as set out in this report. The adoption of these interim rates and fees is requested in advance of the 2025 Tax and Rate Supported Operating and Capital Budgets in order to establish these rates and fees and provide City staff with the necessary authority to implement them effective January 1, 2025. The recommended interim rates are established to meet Toronto Water operating and budget requirements which will be considered through the 2025 Operating and Capital Budget process ("2025 Budget Process"). These rates may be amended by City Council when the 2025 Rate supported Operating and Capital Budgets are adopted, which is expected in the first quarter of 2025.

Accordingly, this report recommends, effective January 1, 2025, an interim 3.75% water and wastewater consumption rate increase and inflationary and cost recovery increases for certain existing water and wastewater service fees, reflecting the cost of providing these services.

This report also recommends the establishment of proposed new fees to recover the City's costs related to the administration and review of applications in respect of pre-authorized wastewater and stormwater infrastructure alterations under the Ministry of the Environment, Conservation and Parks ("MECP") new Consolidated Linear Infrastructure Environmental Compliance Approval application process for municipal wastewater collection and stormwater management systems ("CLI ECAs"). It is further recommended that these new fees be effective on the issue date by the MECP of the CLI ECAs to the City (anticipated later in 2025), and that the City's current TOR Program fees be deleted effective on such date as mutually agreed to by the MECP and the General Manager, Toronto Water as part of the City's transition from the TOR Program to the CLI ECAs.

This report also provides additional information on water consumption, as well as further details on the recommended interim 2025 water and wastewater consumption rates and service fees.

RECOMMENDATIONS

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

1. City Council adopt:

a. Effective January 1, 2025, an interim 3.75% rate increase to the combined water and wastewater consumption rates (paid on or before the due date) charged to metered consumers as shown below and in Appendix A 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")	4.6872	4.9338
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')	3.2809	3.4535

b. Effective January 1, 2025, an interim increase of 3.75% to the water and wastewater consumption rates (paid on or before the due date) charged to flat rate consumers, as set out in Appendix A attached to this report;

c. Effective January 1, 2025, the water and wastewater interim service fees, as set out in Appendix B attached to this report;

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

a. Effective January 1, 2025, the interim water rebate for eligible low-income seniors and low-income disabled persons be set at a rate of \$1.4062 per cubic metre, representing a 30% reduction from the Block 1 rate (paid on or before the due date);

3. With regards to the City's transition from the Ministry of the Environment, Conservation and Parks ("MECP") Transfer of Review Program ("TOR Program") to the MECP's new Consolidated Linear Infrastructure Environmental Compliance Approval application process for municipal wastewater collection and stormwater management systems (collectively, the "CLI ECAs"), City Council:

a. Adopt effective on the Issue Date for CLI ECA Number: 010-W601, being the Consolidated Linear Infrastructure Environmental Compliance Approval ("CLI ECA") for the City's Sanitary Sewage Collection System and for CLI ECA Number: 010-S701, being the CLI ECA for the City's Stormwater Management System, Chapter 441, Fees and Charges, Appendix D, Schedule 3, Wastewater Services be amended to include the proposed new wastewater service fees for the CLI ECAs as set out in Appendix C attached to this report, which shall be adjusted annually for inflation ("CLI ECA Fees").

b. Adopt effective on such date as mutually agreed to by the MECP and the General Manager, Toronto Water, Chapter 441, Fees and Charges, Appendix D, Schedule 3, Wastewater Services be amended to delete in their entirety items 21, 22 and 23, related to the City's fees under the TOR Program, as set out in Appendix B attached to this report.

c. Authorize the General Manager, Toronto Water, to refund any CLI ECA Fee in full, subject to the following conditions:

- (i) an application under the CLI ECA is cancelled or withdrawn by an applicant in writing to the City within five business days of the date of receipt of the application by the City;
- (ii) the fee was paid by the applicant and received by the City; and,
- (iii) a refund request is made by the applicant in writing.

d. Authorize the General Manager, Toronto Water, to negotiate, enter into and execute a mutual termination agreement with the MECP, or such other document(s) as may be required, to terminate the City's participation in the TOR Program and, specifically, to terminate the City's agreement with the Province, as represented by the MECP, dated October 3, 2018, and to address any issues related to the City's transition from the TOR Program to the CLI ECAs, on such terms and conditions as are acceptable to the General Manager, Toronto Water, and in a form acceptable to the City Solicitor.

4. 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, and any other necessary Municipal Code Chapters as may be required, to give effect to City Council's decision; and

5. 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.

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.

This report recommends an interim water and wastewater consumption rate increase of 3.75%, effective January 1, 2025, for Block 1 rate consumers and Block 2 rate industrial process-use consumers in advance of the 2025 Budget Process.

As shown in Chart 1 below, the recommended interim rate increase impact on an average home consuming 230 cubic metres a year, billed at the Block 1 Rate, will be 3.75% or \$39 over the calendar year (from \$1,039 in 2024 to \$1,078 in 2025). The impact of the 3.75% increase on a commercial consumer at the Block 1 rate and an industrial process-use consumer at the Block 2 rate with annual consumption of 100,000 cubic metres will be \$16,940 and \$12,105 respectively, the latter reflecting a 30% discount from the Block 1 rate for eligible industrial process-use consumers. The rate increase impact on a large industrial process-use consumer of 1,000,000 cubic metres eligible for the Block 2 rate will be \$118,755.

Chart 1: Impact of recommended interim water rates effective, January 1, 2025

Type of Property	Consumption	2024 Cost	2025 Projected Cost	2025 Rate Increase Impact	
				m ³ /y	\$/y
Residential	230	\$1,039	\$1,078	\$39	3.75%
Commercial	100,000	\$451,780	\$468,720	\$16,940	3.75%
Industrial	100,000	\$323,017	\$335,122	\$12,105	3.75%
Large Industrial	1,000,000	\$3,169,177	\$3,287,932	\$118,755	3.75%

The proposed interim water and wastewater consumption rate increase of 3.75%, recommended in this report, if approved by City Council, is anticipated to generate approximately \$ 53.35 million in additional revenue for Toronto Water's operational and capital program needs.

The recommended interim increases to certain water and wastewater service fees are set out in Appendix B and are based on projected 2025 inflationary increases for services costs such as costs of labour, energy, utilities and materials involved in providing the related services by Toronto Water, as well as Revenue Services. These

proposed service fee increases are set at 4% and 3.5%, respectively and are in accordance with the City's User Fee Policy.

Further details are provided in appropriate sections of this report discussing the recommended increases to water and wastewater service fees.

The proposed 2025 interim increases to water and wastewater service fees, if approved by City Council, are expected to generate additional revenue of approximately \$2.337 million, which is intended to offset the cost increases associated with delivering these services.

The recommended new fees related to the CLI ECAs will replace the City's current fees under the TOR Program. Any incremental revenue impacts will be reported during the 2026 operating budget process once more information is available.

DECISION HISTORY

At its meeting on December 13, 14 and 15, 2023, City Council adopted, effective January 1, 2024, the interim water and wastewater consumption rates and service fees to be charged to metered and flat rate consumers and set the water rebate for eligible low-income seniors and low-income disable persons. The 2024 Interim Water and Wastewater Rates and Service Fees report, adopted by City Council, can be viewed at: [Item - 2023.EX10.4](#)

At its meeting on February 14, 2024, City Council imposed as final the interim 2024 water and wastewater consumption rates and service fees previously adopted by City Council in EX10.4. at its meeting on December 13, 14 and 15, 2023. The report Budget Implementation Including Property Tax Rates, User Fees and Related Matters report can be viewed at: [Item - 2024.CC15.1.](#)

At its meeting of March 7, 2019, City Council, through its annual budget process, authorized an amendment, effective April 1, 2019, to the surcharge fee calculation formula under the City's Industrial Waste Surcharge Program prescribed by Municipal Code Chapter 681, Sewers (the "Sewers By-law") applicable to all treatable parameters that exceed the Sewers By-law limits, to allow full cost recovery for the related wastewater treatment services provided by the City phased in over a six year period using an annual adjustment factor. The link to the decision can be found at: [Item - 2019.EX2.2](#)

At its meeting on October 1 and 4, 2021, City Council, among other things, authorized and directed the General Manager, Toronto Water, to apply to the MECP, on behalf of the City, for an initial Consolidated Linear Infrastructure Environmental Compliance Approval for each of the City's Municipal Sewage Collection System and the City's Stormwater Management System (previously referred to in this report as the "CLI ECAs"). City Council also directed the General Manager, Toronto Water, to report back

on any steps necessary to phase out the City's TOR Program and the establishment of any new fees related to the administration of the CLI ECAs.

[Item - 2021.IE24.8](#)

COMMENTS

ISSUE BACKGROUND

Since COTA was amended to require the Mayor to prepare a proposed Operating and Capital Budget and to provide the proposed budget to the City Clerk and to each member of City Council no later than February 1, which proposed budget is then considered by City Council in accordance with COTA, the water and wastewater rates and service fees form part of the Mayor's proposed budget and the Council consideration thereof in February. City staff are recommending the adoption of the proposed 2025 interim water and wastewater consumption rates and water and wastewater service fees, effective January 1, 2025, in advance of the 2025 Tax and Rate Supported Operating and Capital Budgets going to City Council in February, in order to allow the new rates and fees to become effective from January 1, 2025.

This is consistent with the practice in 2023 and 2024, following the introduction of the strong mayor powers and the resulting changes to the annual budget process.

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 2024, except for those that are based on contracts for procured services, which recommended increases, therefore, reflect the actual contract price.

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.

The financial model is predicated on replenishment through annual funding from the Toronto Water operating budget ("capital-from-current") sufficient to ensure that an adequate balance is maintained in the capital reserve funds, which provide funding for the capital needs of the Program.

The financial model also provides for additional funding, through the Rate Stabilization Reserve, to offset any unanticipated operating budget variances, that could arise from revenue shortfalls due to uncontrollable circumstances, resulting in water consumption below projected levels.

The financial model assumes that 82% of the net Capital Budget (after grants, subsidies and other capital contributions) will be drawn from Toronto Water's Capital Reserve

during 2025 - 2027 period, followed by 85% in 2028 and forward, based on the anticipated capital completion level for the Program, so as not to overstate actual projected funding requirements.

The interim rate and service fees increases recommended in this report are consistent with the financial model supporting Toronto Water operating and capital requirements to be presented for consideration and approval during the 2025 Budget Process anticipated to commence in January 2025. Consideration during the budget process may result in amendments being made by City Council to the interim rates and service fees.

Water Consumption Forecast

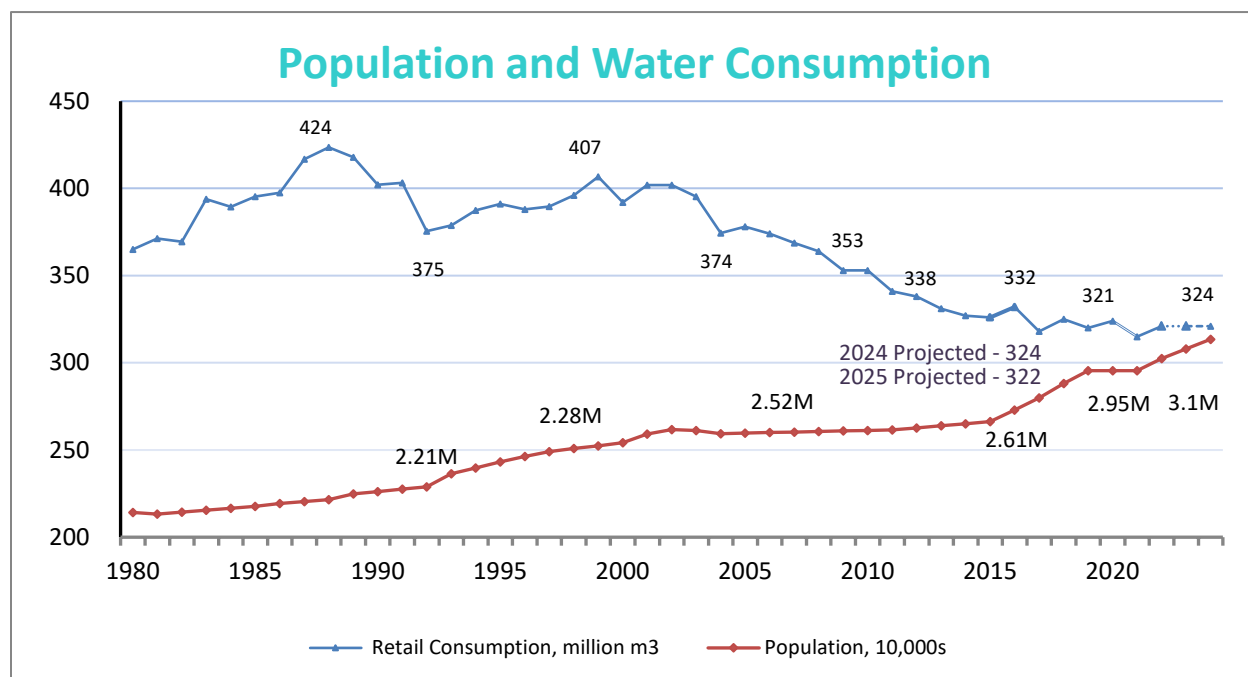
Over the last decade, despite the increase in population, there has been a trend of reduced water consumption, as shown in Chart 2 below. Toronto's water consumption projected to 2024 year-end is estimated at 324 million cubic metres, which represents about a 4% drop from 338 million cubic metres in 2012.

However, substantial fluctuations in water consumption have been observed over the past six years, as shown in Charts 2 and 3. Weather has an impact on consumption, with hot, dry summers often driving consumption up (as seen in 2020 and 2022), whereas cooler, wetter springs and summers can result in reduced consumption (as seen in 2021 and 2023).

In addition, during 2020 and 2021 water consumption was impacted by COVID -19, resulting in lower than usual consumption over the winter months, attributed to closed businesses.

As shown in Chart 3, the water consumption in 2022 was substantially higher than the previous years, attributed to the re-opening of most businesses and relatively dry summer. The winter months of 2023 and 2024 continued the trend of increasing consumption year over year. The summer consumption in 2024 was also higher than the previous two years. The year end consumption projection for 2024 is similar to 2023 actual consumption.

Chart 2: Toronto Retail Water Consumption and Population

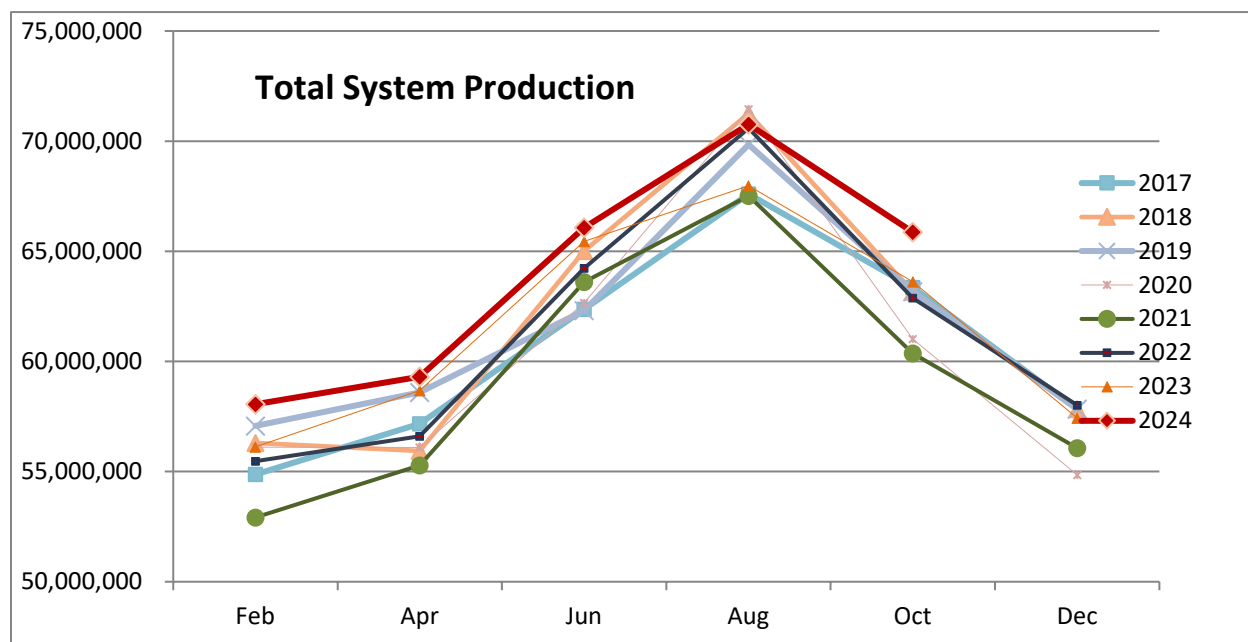


Winter consumption (October to April) is not affected by additional outdoors use typical for the summer, and hence is used to analyse the steady baseline consumption trends in the City.

The data show that over the period 2014-2018, winter water consumption has fallen about 2.6%. The three years prior to 2020, winter consumption suggested a trend toward a stable baseline consumption. This trend has changed in the 2020 and 2021 winter months, when consumption dropped about 3%, attributed to COVID-19 impact and closed businesses. The winter months of January to April in 2022, 2023 and 2024 show a return to a stable pattern of consumption to pre COVID-19 levels.

The projected consumption for 2024 is about 324 million cubic metres, which is close to 2023 consumption. In 2025 and forward, consumption is conservatively projected at 0.5% decrease per year, with the intention to monitor closely consumption trends over the next 12 months and adjust the projections in the next budget cycle as necessary.

Chart 3: Water Production (2017 to 2024)



Industrial Discount Rate

Since January 2008, City Council has adopted a 2 block rate structure, with the second block rate providing a 30% discount for eligible industrial process-use consumers, complying with certain requirements. There were 127 industrial accounts at the discounted Block 2 rate in 2024.

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, planning to convert all flat-rate accounts to metered accounts.

As of October 2024, there were 191 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 fee is recommended to be increased to \$1,448 in 2025 for inflation.

This report recommends an interim 3.75% rate increase to the water and wastewater consumption rates charged to flat-rate consumers, effective January 1, 2025, 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,

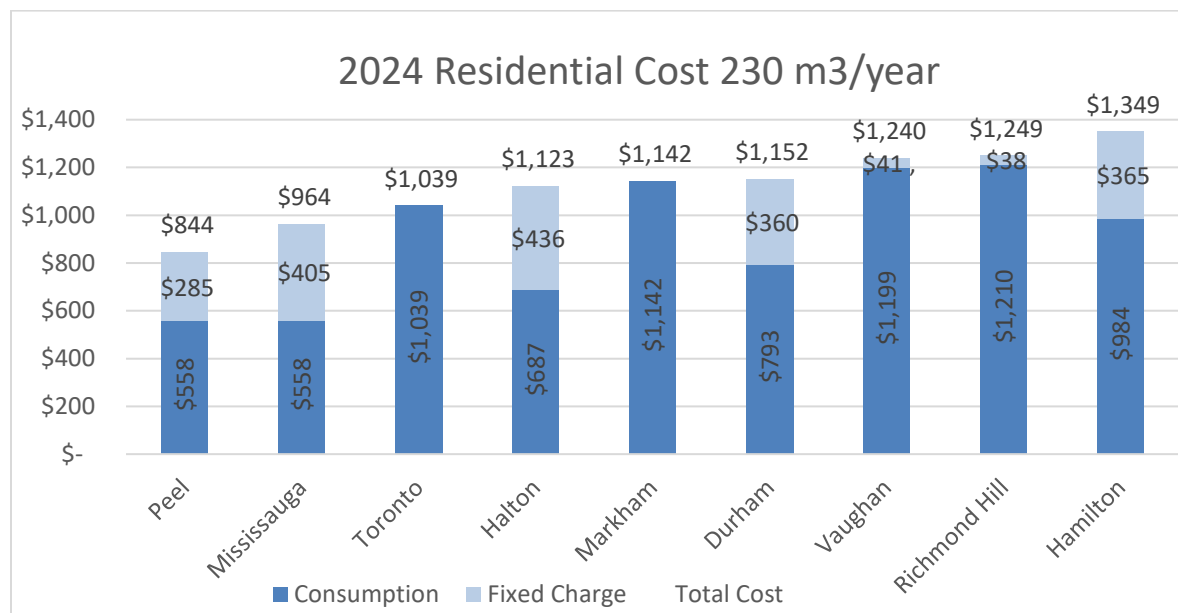
Chapter 849. This rebate is set at the difference between the Block 1 and Block 2 rates, which represents a 30% reduction in the billing (based on the paid on or before due date rate). The rebate is only applicable if the household's annual consumption is less than 400 cubic metres per year, to provide assistance to those most in need.

In 2024, the City processed 8,493 low income water rebate applications for a total rebate amount of \$1,605,827 for the 2023 taxation year. The number of applications approved is consistent with prior year totals.

Comparison of Water Rates in GTHA Municipalities

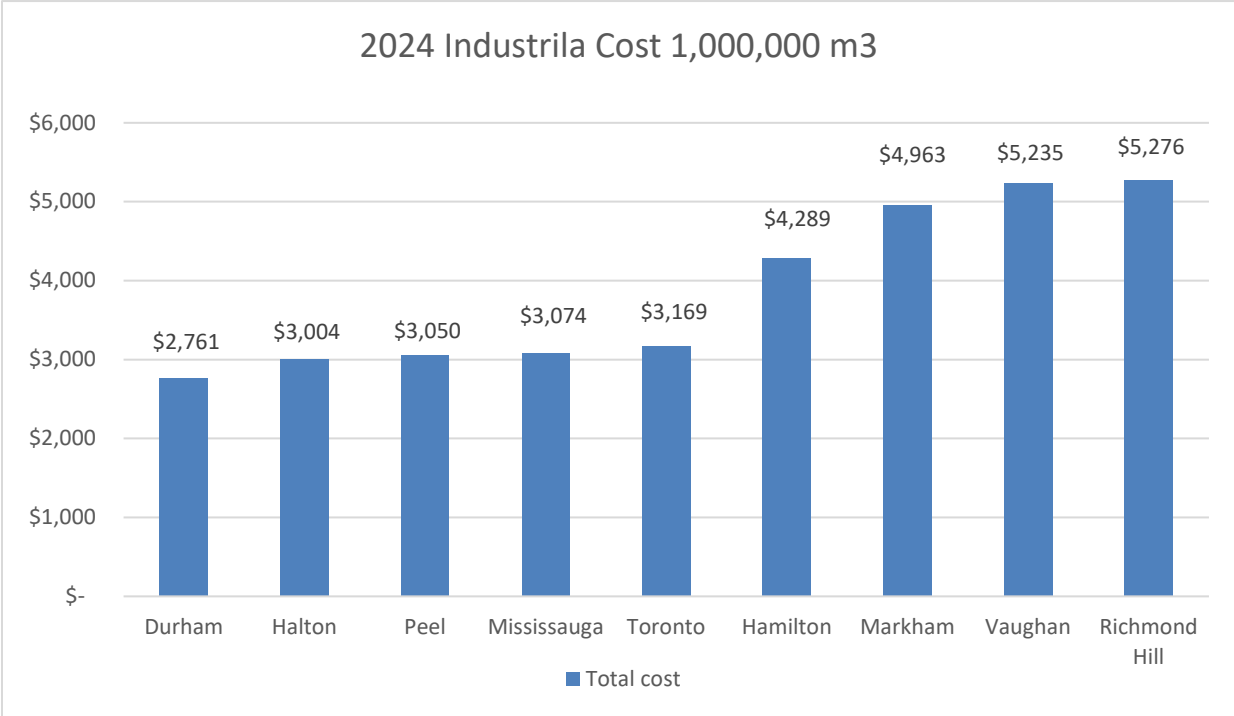
Toronto's 2024 water rate for residential consumers, in comparison to surrounding municipalities, is shown in Chart 4, based on 230 m³/year (2025 rates for surrounding municipalities are not yet available). As the chart shows, the residential water cost in Toronto is in the lower half amongst the surrounding municipalities. It should be noted that in Peel Region, stormwater 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, and the City of Brampton, which stormwater charge was effective June 1, 2020. The Cities of Richmond Hill and Vaughan also have a stormwater charge as a fixed charge on their bill. Chart 5 provides a similar comparison for large industrial users and shows that Toronto offers a reasonably competitive water cost amongst GTHA municipalities.

Chart 4: GTHA 2024 Residential Water Cost



Note: Peel stormwater funded by property taxes except for Mississauga and Brampton

Chart 5: GTHA 2024 Industrial Water Cost



Industrial Waste Surcharge Program

On March 7, 2019, City Council authorized an amendment to the surcharge fee calculation formula under the City's Industrial Waste Surcharge Program, as set out in the Sewers By-Law, to permit full cost recovery for the wastewater treatment services provided by Toronto Water over a six-year phase-in period utilizing an annual adjustment factor beginning on April 1, 2019, as set out in the table below. Each year, during the six-year phase-in period, the adjustment factor changes until the final year of the phase-in period and 100% full cost recovery of all parameters is achieved. In accordance with Council's decision, the industrial waste surcharge formula for the calculation of surcharge fees is now applied to all treatable parameters that exceed the Sewers By-law limits, instead of only the one parameter that exceeds the Sewers By-law limits by the greatest amount.

Table 1: Annual adjustment factor to be applied

Year (April 1- March 31)	Annual adjustment factor to be applied
2019	16%
2020	30%
2021	44%
2022	58%
2023	72%
2024	86%
2025	Full cost recovery 100%

The surcharge fees currently charged for each parameter are as follows.

Biochemical Oxygen Demand (BOD)/Phenolics (4AAP): \$0.64/kg

Total Suspended Solids (TSS): \$0.70/kg

Total Phosphorus (TP): \$2.24/kg

Total Kjeldahl Nitrogen (TKN): \$1.43/kg

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 interim fee increases, are identified in Appendix B attached to this report.

All Block 1 rate related user fees are subject to the recommended interim 3.75% rate increase, effective January 1, 2025.

In compliance with the City's full cost recovery policy, certain water and wastewater service fees are recommended for increase effective January 1, 2025, in order to recover the increased cost of the services provided. Most user fees are recommended to be increased by the 2024 rate of inflation applicable to the specific service provided, which in most cases is different from the consumer price index (CPI). In addition, the increase of fees based on contracts for procured services and products reflects the actual contract price.

This report also recommends that new wastewater service fees be established, as set out in the attached Appendix C - Proposed New CLI ECA Fees, to recover the City's costs related to the administration and review of applications under the CLI ECAs which will replace the TOR Program. It is further recommended that these new fees be effective on the issue date by the MECP of the CLI ECAs to the City (anticipated later in 2025). It is further recommended that the City's current TOR Program fees, being Wastewater Service Fees Reference Numbers 21, 22 and 23 (currently set out in Toronto Municipal Code Chapter 441, Fees and Charges, Appendix D - Schedule 3, Wastewater Services) be deleted effective on such date as mutually agreed to by the MECP and the General Manager, Toronto Water, as part of the City's transition from the TOR Program to the CLI ECAs.

Recommended Interim Increases to Existing Water Service Fees

Eighteen 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 B – 2025 Interim Water Services Fees) are recommended to be increased by 4.0% in 2025, 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, six Revenue Services Fees (Ref. No. 33, 35, 36, 37, 38 and 39 in the attached Appendix B – 2025 Interim Water Services Fees) are recommended to be increased by 3.5% in 2025, reflecting the annual inflationary increase for Revenue Services for 2024. It is to be noted that the actual cost of returned cheques fee (Ref. No. 38) for 2024 was \$44.56, which wasn't updated in the Municipal Code and remained

at \$40 for 2024. The recommended 2025 fee of \$46.12 reflects a 3.5% annual increase while the cumulative increase of 15.3% shown in Chart 6 includes the applicable increases for 2024 and 2025.

Chart 6 below summarizes the proposed changes, comparing the 2024 water services fees and the recommended interim 2025 fees, as well as the percentage increase and the rationale for the increase.

Chart 6: Interim Water Services Fees recommended for increase in 2025

Ref. No.	Fee Description	2024 fee	Proposed Interim 2025 Fee	2025 % Increase	Rationale
1	Installing 19 mm New Residential Water Service and meter	\$5,453.61	\$5,671.75	4.0%	Toronto Water inflation
2	Installing 25 mm New Residential Water Service and Meter	\$6,319.06	\$6,571.85	4.0%	Toronto Water inflation
5	Disconnection Fee for any residential water service less than or equal to 25 mm	\$1,612.37	\$1,676.86	4.0%	Toronto Water inflation
11	Fire hydrant Permit	\$204.28	\$212.45	4.0%	Toronto Water inflation
12	Water meter accuracy test ; Meter less than or equal to 50mm - No Chamber - applied if meter does not over-register	\$204.28	\$212.45	4.0%	Toronto Water inflation
13	Water turn off fee for demolition; (disconnection of old water service not included)	\$102.07	\$106.15	4.0%	Toronto Water inflation
15	Water Turn-off or Turn-on	\$102.07	\$106.15	4.0%	Toronto Water inflation
15.1	Single Service call Turn-off and Turn-on within 30 min	\$102.07	\$106.15	4.0%	Toronto Water inflation

Ref. No.	Fee Description	2024 fee	Proposed Interim 2025 Fee	2025 % Increase	Rationale
17	Conduct fire hydrant flow test	\$340.52	\$354.14	4.0%	Toronto Water inflation
21	Unregistered water each day order not complied	\$68.04	\$70.76	4.0%	Toronto Water inflation
25	Annual Seasonal Meter Activation Fee : includes replacement, removal of water meter; 1 turn on, 1 turn off	\$261.94	\$272.42	4.0%	Toronto Water inflation
32	Reuse of residential water service 19 mm to 25 mm	\$340.25	\$353.86	4.0%	Toronto Water inflation
33	Administrative fee to reflect a change in ownership on an existing utility account	\$48.60	\$50.30	3.5%	Revenue Services inflation
35	Water Special/Final Reading	\$20.82	\$21.55	3.5%	Revenue Services inflation
36	Water Consumption Statements	\$55.57	\$57.51	3.5%	Revenue Services inflation
37	Water Consumption Statements	\$34.73	\$35.95	3.5%	Revenue Services inflation
38	Returned Cheques	\$40.00	\$46.12	15.3%	Revenue Services Cost
39	Water Collection Field Visit	\$34.73	\$35.95	3.5%	Revenue Services inflation
40	Administration of MECP Municipal drinking Water Licensing Program	\$3,080.16	\$3,203.37	4.0%	Toronto Water inflation
41	Fee for lost or damaged automated meter reading transmitter	\$114.99	\$119.59	4.0%	Toronto Water inflation

Ref. No.	Fee Description	2024 fee	Proposed Interim 2025 Fee	2025 % Increase	Rationale
42	Manual water meter reading fee for consumers with water meters refusing installation of a new automatic water meter and associated meter reading equipment	\$104.38	\$108.56	4.0%	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	\$1,392.37	\$1,448.06	4.0%	Toronto Water inflation
44	Processing annual water supply backflow prevention device testing reports	\$63.48	\$66.02	4.0%	Toronto Water inflation
45	Water Service Upgrade Fee - Lead Water Service Replacement Programs (19mm to 25mm upgrade only)	\$620.05	\$644.85	4.0%	Toronto Water inflation

Recommended Interim Increases to Existing Wastewater Services Fees

For 2025, inflationary increases of 4.0% are recommended for 10 wastewater service fees (Reference Numbers: 4, 5, 6, 15, 16, 17, 18, 19, 20 and 24 in the attached Appendix B – Interim 2024 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 recommended for a 3.75% rate increase, effective January 1, 2025.

Chart 7 below summarizes the proposed changes, comparing the 2024 wastewater services fees and the recommended interim 2025 fees, as well as the percentage increase and the rationale for the increase.

Chart 7: Interim Wastewater Services Fees recommended for increase in 2025

Ref. No.	Fee Description	2024 fee	Proposed Interim 2025 fee	2025 % Increase	Rationale
4	To install new residential sanitary sewer service connection in road allowance	\$13,641.33	\$14,186.78	4.0%	Toronto Water inflation
5	To install new residential storm sewer service connection in road allowance	\$13,641.33	\$14,186.78	4.0%	Toronto Water inflation
6	To disconnect residential sanitary sewer service connection in road allowance	\$1,683.50	\$1,750.84	4.0%	Toronto Water inflation
15	Inspection fee for the reuse of residential City sewer connection up to 150 mm in diameter	\$681.93	\$709.21	4.0%	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.	\$2,043.90	\$2,125.66	4.0%	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	\$408.51 minimum fee, additional \$100.77/hour for each hour after 4 hours to a maximum of \$2,043.90 (Plus HST)	\$424.85 minimum fee, additional \$104.80/hour for each hour after 4 hours to a maximum of \$2,125.66 (Plus HST)	4.0%	Toronto Water inflation

Ref. No.	Fee Description	2024 fee	Proposed Interim 2025 fee	2025 % Increase	Rationale
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)	\$408.51 minimum fee, additional \$100.77/hour for each hour after 4 hours to a maximum of \$2,043.90 (Plus HST)	\$424.85 minimum fee, additional \$104.80/hour for each hour after 4 hours to a maximum of \$2,125.66 (Plus HST)	4.0%	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)	\$408.51 minimum fee, additional \$100.77/hour for each hour after 4 hours to a maximum of \$2,043.90 (Plus HST)	\$424.85 minimum fee, additional \$104.80/hour for each hour after 4 hours to a maximum of \$2,125.66 (Plus HST)	4.0%	Toronto Water inflation
20	Initial fee for establishment of new industrial waste surcharge agreement	\$1,048.06	\$1,089.98	4.0%	Toronto Water inflation
24	Record search for Sewers by-law and water supply by-law compliance violation	\$123.98	\$128.94	4.0%	Toronto Water inflation

Proposed New Wastewater Services Fees for CLI ECAs

As previously reported to City Council in 2021, the MECP recently introduced a new approach to the environmental compliance approval application process in Ontario for municipal wastewater collection and stormwater management systems; being the CLI ECAs. These CLI ECAs, once issued to the City by the Province, will streamline the approval process and delegate approval authority to the City from the Province for all pre-authorized wastewater and stormwater infrastructure alterations under the CLI ECAs. This new approvals framework will replace the current environmental compliance approvals framework under the MECP's TOR Program. The City has participated in the MECP's TOR Program since its inception in 1978. Currently, the City participates in the TOR Program under an agreement with the MECP dated October 3, 2018 (the "TOR Agreement").

By way of background, under the authority of the MECP, Toronto Water administers the TOR Program, through the General Manager. Under the TOR Program, the City must ensure that all applications and their supporting documentation for an environmental compliance approval ("ECA") meet all applicable terms and conditions of the TOR

Program including under the TOR Agreement. In Ontario, Section 53 of the OWRA requires municipalities and developers to obtain an ECA to use, operate, establish, alter, extend or replace new or existing sewage works. To expedite the approval process, the TOR Program authorizes the City to review and submit applications for its own municipal works projects. The City may also review and submit applications for sewage works on behalf of other parties whose projects are entirely located within the municipal boundary of the City and there is an agreement with the City pursuant to the Planning Act which provides ownership of the system may be transferred to the City and the works require an ECA. Under the TOR Agreement, the City is responsible for conducting the technical review and evaluation of these applications. It is the responsibility of the City to ensure that any application meets all applicable requirements of the TOR Program.

In accordance with City Council's previous authorization and direction, the General Manager, Toronto Water, applied to the MECP, on behalf of the City, for the CLI ECAs. Since then, Toronto Water staff have been in discussions with the MECP throughout regarding the terms and conditions of the CLI ECAs. As it is now expected that the MECP will issue the CLI ECAs to the City early in 2025, staff is seeking the necessary authority from City Council in this report to establish new fees to recover the City's costs associated with the review and administration of future applications under the CLI ECAs effective on the Issue Date of the CLI ECAs, as that term is defined in the CLI ECAs.

At present, Toronto Water requires 2.5 Full Time Equivalents (FTEs) to administer and review ECA applications under the TOR Program at a total cost of \$410,000 per year. The City's current fees, under the TOR Program, range from \$1,100 to \$2,200, with revenues in 2023 of \$98,300 generated, representing recovery of only 24% of the City's actual costs of the providing these services. This difference is attributable to the fact that while the City may collect a fee for the review and processing of ECA applications, the City's TOR fees were established based on its adoption of the Province's recommended fee structure, depending on the category of application, which has remained unchanged since 1998, with no adjustments for annual inflation or actual administrative costs.

Based on the annual average number of ECA applications submitted to the City in 2018-2023, and the amount of staff time required to review them, staff recommend that the City establish its new CLI ECA related fees in the range of \$4,000 to \$5,600 per application in 2025 (plus an additional \$1,000 when the estimated cost of the proposed works exceeds \$4 million or the total pipe length exceeds 1 km), as shown in Appendix C. It is further recommended that these new fees be adjusted annually for Toronto Water inflation. The recommended fees adhere to the City's User Fee Policy, aiming to recover the full cost of the services provided by the City which benefit CLI ECA applicants. The recommended fees were determined using the same cost recovery criteria as those applied to the City's existing fee for similar water system related application review and processing services under the City's Municipal Drinking Water Licensing Program, administered by Toronto Water since 2010. These fees are also comparable with CLI ECA fees established by other Ontario municipalities. The recommended new CLI ECA related fees are detailed in Appendix C.

Refunds

Given the amount of the proposed new fees in Appendix C, if an application under the CLI ECA is cancelled or withdrawn by an applicant in writing to the City within five business days upon receipt of the application by the City, staff recommend that the applicant be permitted to apply for a refund in writing to the General Manager, Toronto Water, and that the General Manager, Toronto Water, be authorized to refund in full the application fee paid by applicant and received by the City.

Implementation Timeline and Termination of the TOR Program

Toronto Water and the MECP are negotiating final terms and conditions of the City's CLI ECAs. It is anticipated that the CLI ECAs will be finalized and issued by the Province to the City in the first quarter of 2025. Upon the issue date of the CLI ECAs, Toronto Water anticipates that some TOR applications will still be open and active. Toronto Water will continue its discussion with the Province regarding this circumstance, along with the mutual termination of the TOR Agreement, and is seeking from City Council the necessary delegated authority to authorize the General Manager, Toronto Water, to negotiate, enter into and execute a mutual termination of the TOR Agreement with the MECP and to address any issues related to the City's transition from the TOR Program to the CLI ECAs, on such terms and conditions as are acceptable to the General Manager, Toronto Water.

CONTACT

Boriana Varleva, Senior Financial Analyst, Revenue Services, Finance and Treasury;
Tel.: 416-392-4949; E-mail: Boriana.Varleva@toronto.ca

Richard Noehammer, Director, Capital Planning and Implementation, Toronto Water;
Tel.: 416-397-7296; E-mail: Richard.Noehammer@toronto.ca

SIGNATURE

Stephen Conforti
Chief Financial Officer & Treasurer

Lou Di Gironimo
General Manager, Toronto Water

ATTACHMENTS

Appendix A – 2025 Interim Water and Wastewater Consumption Rates

Appendix B – 2025 Interim Water and Wastewater Service Fees

Appendix C – Proposed New CLI ECA-Related Fees