BudgetTO

2026 Budget Notes
Toronto Water

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Description

Toronto Water manages one of the largest water, wastewater and stormwater systems in North America, 24 hours a day, seven days a week.

Toronto Water's services ensure approximately 4.0 million residents and businesses in Toronto, and portions of York and Peel have access to safe drinking water, safely treated wastewater and stormwater management.

Why We Do It

Drinking water is delivered to people (residents, businesses, visitors and the Industrial, Commercial, Institutional sector in Toronto and York Region) in a safe and reliable manner to protect public health.

Wastewater is collected from people (residents, businesses and the Industrial, Commercial, Institutional sector in Toronto and Peel Region) and treated in a safe and environmentally sustainable way to protect public health.

Stormwater (rain and melted snow) is collected or diverted to help prevent the risk of property flooding, control erosion and improve water quality to protect public health and Toronto's waterways.

The City of Toronto aims to deliver these outcomes equitably, efficiently and with excellent customer service to help improve the lives of Torontonians and work to earn their trust and confidence.

For further information about Toronto Water, please visit: Toronto Water

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What Service We Provide

Water Treatment and Supply

Who We Serve: Water account holders, water consumers.

What We Deliver: Supply +445 billion litres annually of safe potable water. Continuous distribution of potable water through +6,100 kilometers of watermains and City-owned water services.

Resources (gross 2026 operating budget): $223.6 million

Wastewater Collection and Treatment

Who We Serve: Wastewater account holders, wastewater producers, public and private landowners.

What We Deliver: Return to Lake Ontario +400 billion litres annually of treated wastewater. Conveyance of wastewater through +5,600 kilometers of sewers.

Resources (gross 2026 operating budget): $268.0 million

Stormwater Management

Who We Serve: Public and private landowners.

What We Deliver: Continuous conveyance of stormwater (rainwater and melted snow) through +4,900 kilometers of storm sewers.

Resources (gross 2026 operating budget): $50.7 million

Budget at a Glance

2026 OPERATING BUDGET

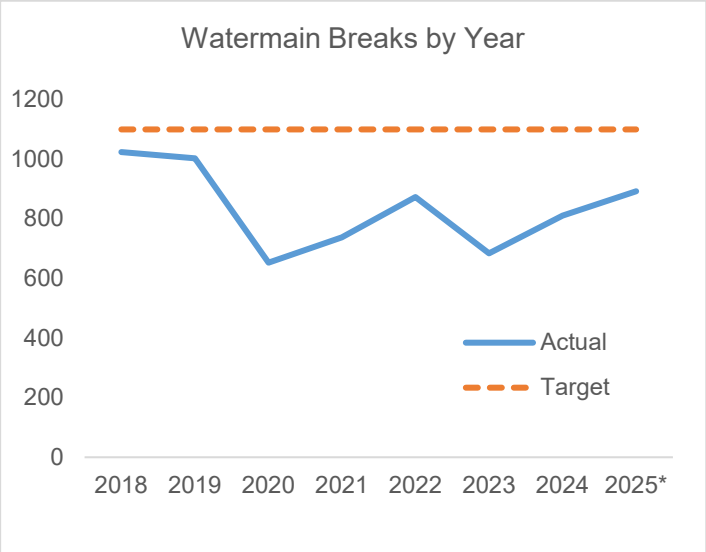
$Billion	2026	2027	2028
Revenues	$1.654	$1.704	$1.757
Gross Expenditures	$0.542	$0.565	$0.591
Capital Contribution	$1.112	$1.139	$1.166
Approved Positions	1,975.3	1,996.3	1,996.3

2026 - 2035 10-YEAR CAPITAL PLAN

$Billion	2026	2027-2035	Total
Gross Expenditures	$1.121	$17.772	$18.893
Debt	$0.000	$ 0.000	$0.000

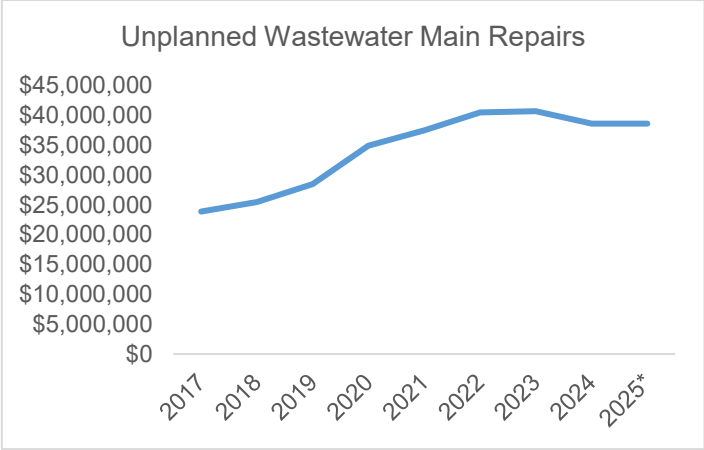
Note: Includes 2025 carry forward funding

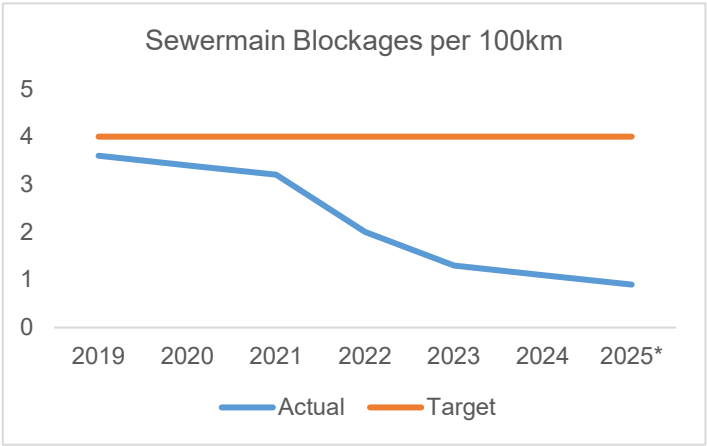
How Well We Are Doing – Behind the Numbers



*Estimated projection to end of year

- Toronto Water has made significant capital investments in water infrastructure replacement and renewal activities (cathodic protection and structural lining) -helping reduce breaks over time. Inclement weather (extreme cold or temperature fluctuations) is the leading cause of watermain breaks followed by excavation activities, corrosive soils and ground settling.
- The 2026-2035 Capital Budget proposes a $2.0 billion investment to maintain the water distribution network in a state of good repair and address forecasted growth. The proposed 2026 annual investment of $141.6 million is a 20.7% decrease over what was proposed in 2025.
- Despite ongoing investment in the water distribution network, Toronto Water is facing increasing cost pressures and delivery challenges. These include limited delivery capacity, complex capital coordination, and congestion-related constraints, which have led to a decline in annual watermain work completed. Accordingly, funding has been scaled back compared to previous years to better reflect current capital delivery and expenditure realities.





- The 2026-2035 Capital Budget proposes a $3.7 billion investment to maintain the wastewater collection network in a state of good repair. The proposed capital investment of $189.0 million in 2026 for replacement and renewal is a 22.1% increase over what was planned for 2025.
- Toronto Water has been increasing capital investments in wastewater infrastructure to mitigate the rise in expenditures associated with emergency wastewater repairs. Deterioration due to age and environmental conditions (such as soil type) are leading causes of wastewater main collapse. Proactive capital investments in the wastewater network decrease costly emergency repairs.
- The City also continues to perform regular preventative maintenance and inspections, as well as leverage technology (CCTV for inspection, smart sensors) to help ensure that the sewer system continues to function as it should.
- Proactive repair and maintenance work is essential to reducing blockages and ensuring the long-term functionality of the sewer system. There has been an encouraging improvement in sewermain blockages in recent years, with breaks per 100km of sewermain trending downwards.
- Toronto Water periodically assesses service levels. In 2026, the key performance indicator (KPI) program will be renewed and modernized following an in-depth review for continued relevance.

*Estimated projection to end of year

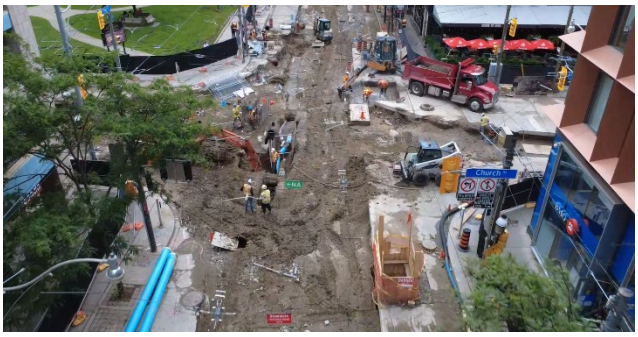
How Well We Are Doing

Service	Measure	2024 Actual	2025 Target	2025 Projection	2026 Target	2027 Target
Outcome Measures						
Water Treatment and Supply	Water Treatment Non-Compliance Events	1	0	0	0	0
Water Treatment and Supply	Target Pressure Limits (Pressure Maintenance)	99.1%	99.5%	99.5%	99.5%	99.5%
Wastewater Collection and Treatment	Pumping Station Outages	0	0	0	0	0
Wastewater Collection and Treatment	Wastewater Treatment Non-Compliance Events	1	0	2	0	0
Stormwater Management	Number Stormwater Ponds Inspected/Maintained	1,720	1,080	1,310	1,080	1,080
Key Service Level Measures						
Water Treatment and Supply	Electrical kWH per ML of Water Pumped	320 kWH per ML	330 kWH per ML	320 kWH per ML	330 kWH per ML	330 kWH per ML
Wastewater Collection and Treatment	Percent Biosolids Beneficially Used (ABTP)	100%	100%	100%	100%	100%
Stormwater Management	Water Course Inlet/Outlet Inspections	4,480	3,000	4,500	3,000	3,000

Service	Measure	2024 Actual	2025 Target	2025 Projection	2026 Target	2027 Target
Other Measures						
Water Treatment and Supply	Watermain Breaks per 100 km of Water Distribution Pipe	10.1	22	13.9	22	22
Water Treatment and Supply	Drinking Water Non-Compliance	1	0	0	0	0
Water Treatment and Supply	Percent Time Operating Within 276 kPA to 793 kPA Requirements	99.1%	99.5%	99.5%	99.5%	99.5%
Wastewater Collection and Treatment	Mainline Backups per 100 km of Pipe	1.1	4	0.9	4	4

EXPERIENCES, CHALLENGES AND PRIORITIES

Our Experience and Success



Resiliency

Toronto Water has several projects and initiatives underway to continue to help address basement flooding, the impacts of wet weather flow, improve water quality and build resiliency in our system.

Basement Flooding Protection Program (BFPP)

- The BFPP program continues to see advancement on key projects but also faces challenges. By the end of 2025, approximately $1.3 billion is projected to have been spent on construction and related activities within the BFPP. In the last 7 years (2019 to the end of 2025), BFPP construction has mitigated basement flooding risks for more than 15,800 benefitting properties.
- Toronto Water completed an exercise in 2025 to review and update the cost estimates for BFPP projects. The result of the update includes an increase of the total program cost from $18 billion to an estimated $22 billion in infrastructure improvements across the city.
- In addition to the BFPP capital program, in November 2025, City Council directed Toronto Water to proceed with expanding and modifying the existing Basement Flooding Protection Subsidy Program (BFPSP). Program changes include introducing a new Home Plumbing Assessment subsidy, increasing the existing subsidy amounts and adding a second backwater valve subsidy for homes with multiple sewer connections, and are expected to be launched in Spring 2026.
- Together, the BFPP and BFPSP improvements will further advance the City's resiliency efforts and reduce the risk of basement flooding.

Supporting Growth

Toronto Water's 10-Year Capital Plan invests $2.5 billion to facilitate future growth. Toronto Water's largest growth project is the Black Creek Sanitary Trunk Sewer (Black Creek STS) Relief System, formerly known as the Keele Relief Trunk Sewer.

- The Black Creek STS project is an extensive and complex project that traverses across a large area in the City. At an estimated cost of more than $1.0 billion, this integrated system of sanitary sewers and wet weather flow control upgrades includes a network of more than 20 kilometres of trunk sewers, flow diversion structures, a combined sewer overflow (CSO) storage tunnel and CSO storage tank and real time control infrastructure. Upgrades will provide a relief to the existing Black Creek STS, improve water quality to Black Creek and provide additional sanitary trunk sewer capacity to support population and employment growth beyond 2041.
- This project will provide capacity for a projected 130,000 additional population and 65,000 jobs in the Downsview area. Phase 1 of the project includes the southern section of the Keele Relief Trunk Sewer, the Jane Relief Sewer, CSO Storage Tunnel, flow diversion structures, and real time monitoring and control systems. Phase 1 construction is planned from 2026 - 2031. It was announced in October 2025 that the federal government would be providing approximately $283 million towards Phase 1 of this project.

Key Challenges and Risks

- **Increasing capital construction costs** - Cost escalations due to global economic uncertainty and volatility continue to impact capital construction costs and what can be delivered in the context of capital work. There is improved predictability in costs for linear infrastructure projects, but unpredictability continues to impact costs of other infrastructure projects, including major projects. Year-over-year increases in tender costs across Toronto Water projects will continue to impact capital affordability, necessitating continued and ongoing prioritization while ensuring adequate capital reserve balances. Cost escalations and tender values will continue to be monitored to ensure projects can be accommodated and pressures can be absorbed in the approved funding envelope.
- **Reduced capacity to deliver on capital commitments** - Significant increases in operational costs and indications there may be reduced capacity to deliver (impacts from inflationary increases above budget, fewer bids, resource, and readiness challenges, etc.). Delivery rates continue to drop year over year, and existing funding envelopes are delivering fewer projects due to these cost escalations. Advancing projects and achieving capital spending rates relies on support from internal city partners and both internal and external capacity. A greater portion of rate increases is needed not only to sustain operations, but to support the future capital work outlined in the 10-year plan (which exceeds spending in the current and recent budgets).
- **Pressure on reserve balances to fund state-of-good-repair program -** 10-year capital plan relies on a 3.75% annual water rate increase critical to maintaining the capital reserves to fund the state-of-good-repair 10-year capital program. Pressure on capital reserves may be exacerbated if capital construction costs continue to escalate. The rate increase is consistent with 2025, however increasing capital costs may mean less work can be completed.
- **Reduced Development Charge (DC) Revenue:** The City's ability to fund growth-related capital projects in the 10-Year Capital Plan is currently at risk due to deferred cash flow impacts from recent legislative changes, worsened by current market conditions and a slowdown in development activity. Staff will need to monitor the availability of DCs and projects may need to be adjusted, which is challenging when considering major multi-year projects with long planning and implementation horizons**.**
- **Unpredictable operating costs** - Cost escalations caused by inflation, supply chain issues, market volatility are resulting in increases in expenditures in multiple areas (commodities, materials, etc.). In 2025, hydro, chemicals and parts and equipment costs continued to be impacted by market volatility and uncertainty. There also continues to be global economic uncertainty impacting costs, including the impact of US tariffs. Significant portion of the operational budget are expenditures highly susceptible to market fluctuations and are critical to service delivery. In-year, unexpected cost increases possible.

Priority Actions

- **Resiliency**: Continue to invest in strengthening resiliency to the impacts of climate change in our infrastructure. Continue making significant investments in stormwater management and water quality, including $2.2 billion for the Basement Flooding Protection Program and $1.7 billion to implement the Don River and Central Waterfront project investment in the Basement Flooding Protection Program increased by $77 million compared to 2025.
- **Supporting Growth and Housing**: Support growth and housing initiatives by investing and prioritizing necessary critical infrastructure. Manage pressure on linear infrastructure in growth areas, and ensure investment aligns with planned growth and development. Toronto Water's 10-Year Capital Plan includes $2.5 billion investment to facilitate future growth.
- **State-of-Good-Repair (SOGR)**: Minimize impacts on this year's planned SOGR projects resulting from cost escalation and constraints on resources and capacity to deliver on capital commitments. Realign planned long-term investment will reduce the SOGR backlog to 1.2% of the total asset value by the end of the 10-Year Plan.
- **Supporting Enhanced Capital Construction Delivery**: Toronto Water will continue to support the Enhancing Capital Construction Delivery initiative to ensure all capital projects can be effectively completed as planned and capital expenditure targets can be reached. The proposed enhancements to the coordination process will help ensure that projects are effectively planned and scheduled, thereby increasing reliability of project delivery.

CITY STAFF PREPARED BUDGET

The City Manager and Chief Financial Officer and Treasurer have prepared the following budget:

1. The 2026 Operating Budget for Toronto Water of $542.361 million gross, $1,654.083 million revenue and $1,111.722 million net for the following services:

Service:	Gross Expenditures ($000s)	Revenues ($000s)	Capital Contribution ($000s)
Water Treatment and Supply	223,638.1	723,565.2	499,927.1
Wastewater Collection and Treatment	268,016.7	919,696.3	651,679.6
Stormwater Management	50,706.2	10,821.3	(39,884.9)
Total Program Budget	**542,361.0**	**1,654,082.8**	**1,111,721.8**

- The 2026 staff complement for Toronto Water of 1,975.3 positions comprised of 133.8 capital positions and 1,841.5 operating positions.

2. The 2026 Capital Budget for Toronto Water with cash flows and future year commitments totaling $10,771.490 million as detailed by project in Appendix 5a.

3. The 2027-2035 Capital Plan for Toronto Water totalling $8,121.432 million in project estimates as detailed by project in Appendix 5b.

4. That all third-party funding included in the 2026 Budget be subject to the execution of an agreement or receipt of funding. If such agreement or funding is not in place by 2026 or forthcoming, the approval to spend must be reassessed by City Council relative to other City-funded priorities and needs in future budget processes.

2026
OPERATING BUDGET

2026 OPERATING BUDGET OVERVIEW

Table 1: 2026 Operating Budget by Service

(In $000s)	2024 Actual	2025 Budget	2025 Projection*	2026 Base Budget	2026 New/ Enhanced	2026 Budget	Change vs. 2025 Budget	
By Service	$	$	$	$	$	$	$	%
Revenues								
Water Treatment & Supply	744,206.0	697,951.7	716,675.8	723,565.2		723,565.2	25,613.6	3.7%
Wastewater Collection & Treatment	791,738.1	888,224.5	906,586.1	919,696.3		919,696.3	31,471.8	3.5%
Stormwater Management	7,220.4	9,571.1	9,364.8	10,821.3		10,821.3	1,250.2	13.1%
Total Revenues	**1,543,164.5**	**1,595,747.3**	**1,632,626.7**	**1,654,082.8**		**1,654,082.8**	**58,335.5**	**3.7%**
Gross Expenditures								
Water Treatment & Supply	212,642.3	212,915.0	212,364.5	223,638.1		223,638.1	10,723.1	5.0%
Wastewater Collection & Treatment	244,675.9	257,047.4	251,846.2	268,016.7		268,016.7	10,969.2	4.3%
Stormwater Management	42,882.9	48,604.2	48,123.0	50,706.2		50,706.2	2,102.0	4.3%
Sub-Total - Total Expenditures	**500,201.1**	**518,566.7**	**512,333.7**	**542,361.0**		**542,361.0**	**23,794.4**	**4.6%**
Capital Contribution	1,028,951.9	1,077,180.6	1,077,180.6	1,111,721.8		1,111,721.8	34,541.2	3.2%
Surplus (2025 Projection)	14,011.5		43,112.4					
Sub-Total - Capital Contribution	**1,042,963.3**	**1,077,180.6**	**1,120,293.0**	**1,111,721.8**		**1,111,721.8**	**34,541.2**	**3.2%**
Total Gross Expenditures	**1,543,164.5**	**1,595,747.3**	**1,632,626.7**	**542,361.0**		**1,654,082.8**	**58,335.5**	**3.7%**
Approved Positions**	**1,921.3**	**1,950.3**	**N/A**	**1,975.3**		**1,975.3**	**25.0**	**1.3%**

*2025 Projection based on 9-Month Variance
**Year-over-year comparison based on approved positions

KEY DRIVERS

Total 2026 Budget expenditures of $542.361 million gross (prior to capital contribution) reflect an increase of $23.794 million in spending above 2025 budget, predominantly arising from:

- Salary and benefits adjustments, including statutory inflationary adjustments for existing positions as Toronto Water continues prioritize recruitment of critical positions required for capital delivery and delivery of other essential programs.
- Inflationary increases for existing contracts, including chemical and utility escalations.
- Operating costs for 25 new positions, primarily arising from the completion of capital projects to operate new facilities and infrastructure, and the delivery of ongoing capital projects.

The above pressures are partially offset by expenditure savings arising from a line-by-line review, other operational efficiency savings, higher revenues from sale of water, and other revenues. The 2026 consumption and forecast is conservatively projected at 0.5% decrease per year, compared to 2025 projected consumption.

The 2026 Operating Budget includes a 3.75% rate increase, effective January 1, 2026. It also reflects a three-year phased-in approach to increase the current 30% discount for Block 2 industrial consumers to 35%, as compared to the Block 1 rate. This reflects the direction provided by City Council at it's December 16-18 meeting: https://secure.toronto.ca/council/agenda-item.do?item=2025.EX28.9.

As illustrated in Table 1 above, approximately $1.112 billion or 67% of Toronto Water's 2026 Operating Budget will go towards the annual capital reserve contribution to fund the 10-Year Capital Plan for Toronto Water, representing a 3.2% increase from the 2025 approved contribution.

The rate increase of 3.75% on an average home consuming 230 cubic metres a year will result in a $40.0 annual increase (from $1,078 in 2025 to $1,118 in 2026). Together, drinking water, wastewater and stormwater services cost the average residential household in Toronto $3.06 per day.

EQUITY IMPACTS OF BUDGET CHANGES

No significant equity impacts: The changes in Toronto Water's 2026 Operating Budget do not have any significant equity impacts.

2026 OPERATING BUDGET KEY COST DRIVERS

The 2026 Operating Budget for Toronto Water of $542.361 million gross (prior to capital contribution) or 4.6% higher than the 2025 Budget. Table 2 below summarizes the key cost drivers for the 2026 Budget.

Table 2: 2026 Key Cost Drivers

(In $000s)	2026				2027 Annualized Impact (Net)
	Revenues	Gross Expenditures	Net	Positions**	
2025 Projection*	**1,632,626.7**	**512,333.7**	**1,120,293.0**	**N/A**	**N/A**
2025 Adjusted Budget	**1,595,747.3**	**518,566.7**	**1,077,180.6**	**1,950.3**	**N/A**
Key Cost Drivers:					
Operating Impacts of Capital					
Operating Impact of Capital		832.8	(832.8)	7.0	(3,956.2)
Direct Delivery of Contract Administration and Construction Management Services				9.0	
Support Growth and Delivery of Capital		(434.9)	434.9	6.0	204.8
Salary & Benefits					
Salaries and Benefits Adjustment		10,166.8	(10,166.8)		(10,944.5)
Non-Salary Inflation					
Economic Factors - Inflation		12,200.4	(12,200.4)		(5,535.7)
Economic Factors - above CPI		2,451.0	(2,451.0)		(706.7)
Revenue Changes					
Sale of water - Rate and Volume Increase	55,399.0		55,399.0		49,285.2
User Fee - Inflationary and Volume Changes	2,499.6		2,499.6		462.0
Other Changes	436.9	5,522.9	(5,086.0)	3.0	(1,021.4)
Sub Total Key Cost Drivers	**58,335.5**	**30,738.9**	**27,596.6**	**25.0**	**27,787.5**
Affordability Measures		**(6,944.6)**	**6,944.6**		**(44.2)**
Total 2026 Base Budget	**1,654,082.8**	**542,361.0**	**1,111,721.8**	**1,975.3**	**27,743.3**
Change from 2025 Budget ($)	**58,335.5**	**23,794.4**	**34,541.2**	**25.0**	**N/A**
Change from 2025 Budget (%)	**3.7%**	**4.6%**	**3.2%**	**1.3%**	**N/A**

*Based on 9-Month Variance
**Year-over-year comparison based on approved positions

Key Drivers:

Operating Impacts of Capital:

- The increase includes seven positions to operate new facilities and infrastructure following the completion of facility renovations and other upgrades, including maintenance and operation of new trunk sewers, shafts/wet weather flow, and new infrastructure expansion and transfer of assets to Toronto Water.
- Additional 15 positions to assess and program capital projects for delivery, including completing growth service studies for areas of the City seeing density, increasing basement flooding projects, and capacity assessments for sewage pumping stations. The additional positions will also support the creation of an in-house capacity to manage and administer construction contracts, resulting in net efficiencies in the capital budget.

Salaries and benefits:

- Salary and benefits adjustments, including statutory inflationary adjustments on existing positions, to maintain essential services such as delivering clean, safe drinking water, treating wastewater, and managing stormwater.
- Salaries and benefits include $1.0 million for 15 new capital positions that will be fully offset by capital funding.

Non-Salary Inflation:

- Materials and Supplies - increases in costs associated with hydro and chemical inflationary increases higher than general Consumer Price Index and inflationary increases on existing materials contracts. This is partially offset by ongoing hydro efficiencies. The 2026 Operating Budget also includes provisions for contingencies and estimates based on fluctuating weather conditions.

- Services and Rents - inflationary increases on existing contracted services. As a result, the 2026 Operating Budget allocates provisions for contingencies based on emergency or unplanned events (e.g., weather-related impacts to services).

Revenue Changes:

- The 2026 Operating Budget includes rate increase of 3.75% on sale of water, user fee inflationary rate increases, anticipated volume for sale of water and other user fee volume adjustments. The 2026 consumption and forecast is conservatively projected at 0.5% decrease per year, compared to 2025 projected consumption.

Other Changes:

- Increase includes inflationary on inter-divisional charges, additional three positions to support work with Development and Growth Services on Development Applications Reviews, specifically with engineering intakes and assessment of infrastructure capacity use.

Contributions to Capital:

- Approximately $1.112 billion or 67% of the 2025 Operating Budget will go towards the capital reserve contribution to fund the 10-Year Capital Plan.

Affordability Measures:

Table 3: Affordability Measures

(In $000s)									
Recommendation	Savings Type	Equity Impact	2026				2027 (Incremental)		
			Revenues	Gross Expenditur	Net Expenditur	Positions	Gross Expenditur	Net Expenditur	Positions
Realignment to Actuals - Line by Line	Line-by-line	No Impact		(2,834.1)	(2,834.1)				
Efficiencies - Water & Wastewater	Efficiency Savings	No Impact		(4,110.5)	(4,110.5)				
Total Affordability Measures				**(6,944.6)**	**(6,944.6)**				

Affordability measures are specific actions taken by Toronto Water that achieve cost reductions without impacting service levels for City Divisions and the public.

Realignment to Actuals (Line by Line):

- A reduction in base expenditures in materials and supplies and other non-salary costs as part of the expenditure line-by-line review contributes to Toronto Water's efforts to manage continuous cost increases from internal and external sources.

Efficiencies – Water and Wastewater:

- Ongoing hydro savings and efficiencies through the implementation of various utility conservation-oriented initiatives.
- Use of technology to improve efficiency in contract administration and estimates, contributing to savings in contracted service cost.

Note:

1. For additional information, please refer to Appendix 2 for details on 2026 Service Changes; Appendix 3 for the 2026 New and Enhanced Service Priorities and Appendix 4a for Operating Program Provincial/Federal Funding Streams by Funding Source, respectively.

2027 and 2028 OUTLOOKS

Table 5: 2027 and 2028 Outlooks

(In $000s)	2026 Budget	2027 Incremental Outlook	2028 Incremental Outlook
Revenues			
Sale of Water		49,285.2	50,856.1
User Fees Inflation		1,922.3	1,974.3
Other Revenue Changes		(1,174.7)	267.8
Total Revenues	**1,654,082.8**	**50,032.8**	**53,098.2**
Gross Expenditures			
Salaries and Benefits Inflationary Impacts		10,944.5	8,663.4
Non-Salary Inflationary Impacts		6,242.4	7,644.6
Operating Impacts of Capital		3,956.2	1,837.7
Other Expenditures		1,146.4	8,026.3
Total Gross Expenditures	**542,361.0**	**22,289.5**	**26,172.0**
Capital Contribution	**1,111,721.8**	**27,743.3**	**26,926.1**
Approved Positions	**1,975.3**	**21.0**	**0.0**

Key Outlook Drivers

The 2027 Outlook, with a capital contribution of $1.139 billion, reflects an anticipated $27.743 million or 2.5% above the 2026 Operating Budget. The 2028 Outlook expects a further increase of $26.926 million or 2.4% above the 2027 Outlook.

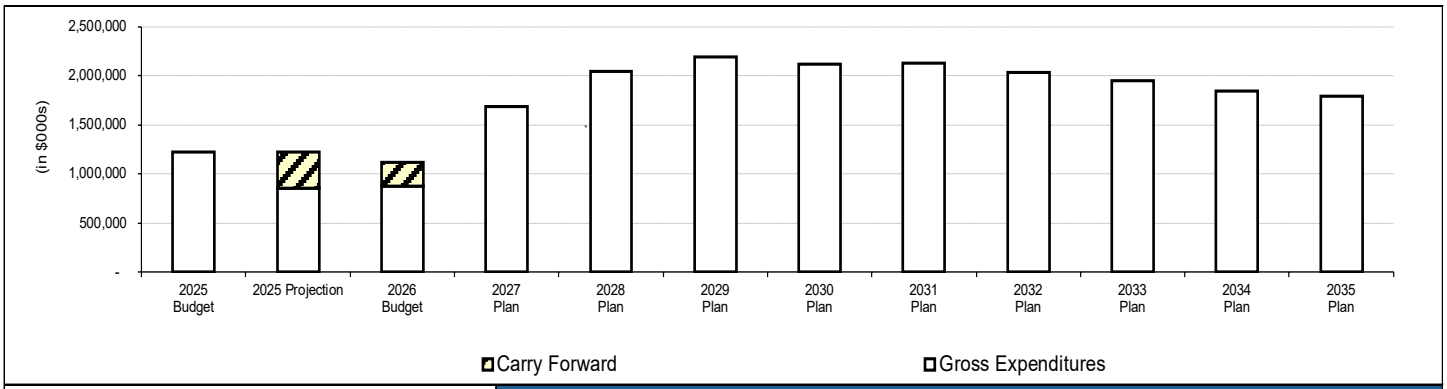
These changes arise from the following:

- Higher revenues primarily from 3.75% water rate increases in both 2027 and 2028, offset by a moderate annual consumption decrease of 0.5%.
- Increase in salary and benefits inflation and annualized impact of 2026 added positions to support operational demands.
- Anticipated inflationary increases for utilities, chemicals, other materials and supplies, and contracted services.
- Increase in contribution to Fleet Replacement Reserve and interdivisional charges based on operational demands.
- Operating impacts of capital projects, including anticipated additional positions; 12 for 2027 and 10 for 2028, primarily required to operate new facilities and infrastructure and deliver capital projects.

2026 – 2035
CAPITAL BUDGET AND PLAN

2026 – 2035 CAPITAL BUDGET AND PLAN OVERVIEW

Chart 1: 10-Year Capital Plan Overview



In $000's	2025 Budget	2025 Projected Actual	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Total 10-year Plan
			2026 Capital Budget and 2027-2035 Capital Plan										
Gross Expenditures by Project Category:													
Health & Safety & Legislated	115,693	70,469	77,461	90,894	130,768	95,917	82,868	56,207	42,895	39,140	35,954	44,169	696,273
SOGR	694,864	528,965	636,061	888,702	1,027,226	1,115,542	984,268	951,632	982,993	1,020,669	853,225	823,699	9,284,017
Service Improvement & Growth	413,655	258,443	407,676	701,541	884,801	978,489	1,047,579	1,122,675	1,009,379	883,996	953,666	922,830	8,912,632
Total by Project Category	**1,224,212**	**857,877**	**1,121,198**	**1,681,137**	**2,042,795**	**2,189,948**	**2,114,715**	**2,130,514**	**2,035,267**	**1,943,805**	**1,842,845**	**1,790,698**	**18,892,922**
Funding:													
Reserves/Reserve Funds	1,141,882	807,414	1,057,169	1,527,353	1,829,941	1,930,382	1,860,481	1,850,515	1,867,116	1,826,834	1,732,596	1,674,100	17,156,487
Development Charges	77,997	48,299	42,951	99,142	144,647	149,984	154,142	174,484	134,250	113,605	106,083	111,714	1,231,002
Other Revenue	1,350	834	2,592	2,492	2,232	7,755	7,574	8,010	13,451	3,366	4,166	4,884	56,522
Federal	2,983	1,330	18,486	52,150	65,975	101,827	92,518	97,505	20,450	-	-	-	448,911
Total Funding	**1,224,212**	**857,877**	**1,121,198**	**1,681,137**	**2,042,795**	**2,189,948**	**2,114,715**	**2,130,514**	**2,035,267**	**1,943,805**	**1,842,845**	**1,790,698**	**18,892,922**

*2025 Projection based on 9 months Variance Report.

Project Updates
($307.695 Million)

The 2026-2035 Capital Budget and Plan reflects the following major changes to existing projects over the nine common years (2026-2034):

- Increased funding of $174.766 million to support the expansion of Sewer Rehabilitation Plan to rehabilitate or replace aging sewer infrastructure and maintain infrastructure in a state of good repair.
- Increased funding of $132.929 million to support continued investment in Water Treatment facilities.

New Projects
($0 Million)

The 2026-2035 Capital Budget and Plan does not include any new programs.

The following new key sub-projects have been incorporated into the 2026-2035 Capital Budget and Plan:

- $311.018 million to support the Toronto Water's response to premature failure of water meter transmission units as well as long term water meter renewal and sustainment, and a new billing system.
- $66.438 million to support the implementation of three new state of good repair initiatives at the Ashbridges Bay and Humber Wastewater Treatment Plants.

Note:

For additional information, please refer to Appendix 4b for Capital Program Provincial/Federal Funding Streams by Projects, Appendix 5 for a more detailed listing of the 2026 and 2027-2035 Capital Budget and Plan by project; Appendix 6 for Capacity to Deliver Review; and Appendix 7 for a Summary of Capital Delivery Constraints, respectively.

2026 – 2035 CAPITAL BUDGET AND PLAN

$18.893 Billion 10-Year Gross Capital Program

				
Plant and Facilities	**Underground Infrastructure**	**Stormwater Management**	**Basement Flooding Protection Program**	**Engineering, Yard and Network Improvements**
$5,280.1M 28%	**$6,733.2M 36%**	**$2,731.1M 14%**	**$2,235.0M 12%**	**$1,913.6M 10%**
Water Filtration Plants; Wastewater Treatment Plants; Pumping Stations; and Storage and Reservoirs ☑	Watermain and Sewer Replacement/ Rehabilitation; Water Service Replacement; and New Connections ☑	Wet Weather Flow Projects (end of pipe, infrastructure erosion protection); Don River and Central Waterfront ☑	Engineering Studies; Implementation Basement Flooding Protection; Subsidy Program ☑	Engineering Support; Business and Technology; Yards and Buildings; Water Efficiency and Metering ☑

☑ - Project supports Climate Resiliency and / or Greenhouse Gas Reduction*

*Information above includes full project / sub-project 2026-2035 Capital Budget and Plan cash flows. Does not break out the climate component costs separately.

Climate Resiliency and Greenhouse Gas Reduction (GHG)

- Toronto Water is continuing to develop it's divisional Greenhouse Gas Mitigation Strategy to help guide its future work. A consultant has been retained to manage the development of the strategy, which is expected to be complete by 2028. Toronto Water also currently has several projects and partnerships that support the City's broader goals under TransformTO and the Resiliency Strategy:
    - **Pelletizer Facility at Ashbridges Bay Treatment Plant (ABTP):** The existing pelletizer facility at Ashbridges Bay Treatment Plant (ABTP) is currently undergoing replacement. The new pelletizer will be able to run on digester gas (biogas) rather than natural gas, resulting in an annual decrease in GHG emissions of 4,700 tCO_2e once commissioned, which is anticipated in 2033. Toronto Water continues with its well-established program for agricultural land application of biosolids and sale of pellets as fertilizer from the ABTP (accounting for about 80% of the wastewater biosolids generated in the City). This circular economy initiative reduces GHG emissions both by carbon sequestration, and by reducing emissions from synthetic fertilizer application.
    - **Ultraviolet (UV) Disinfection at Water Treatment Plants (WTPs):** UV disinfection at the City's WTPs is planned to provide enhanced disinfection of drinking water. Climate change is expected to lead to increased pathogens within Lake Ontario, and therefore this additional barrier to pathogens is recommended for the City's WTPs. Construction of the UV disinfection system at the Island WTP is expected to begin in 2026, followed by the completion of detailed designs for the other WTPs.

- **Humber Wastewater Treatment Plant (HTP) Cogeneration:** Cogeneration is a process where electricity and heat are produced from a fuel source, which otherwise would be wasted - in this case, biogas generated from the treatment of wastewater. Cogeneration engines at the HTP use biogas from anaerobic sludge digesters to produce electricity and heat. In addition to reducing the facility hydro costs and reducing greenhouse gases, the optimized use of the cogeneration engines enhances system resiliency by helping to maintain treatment performance in the event of a power outage. Recent work to streamline the system improved uptime - the amount of time that a system, equipment, or process is operational and functioning as intended - without interruptions or failures. This improvement in uptime and system efficiency could result in tangible savings of up to $600,000 a year from reduced electricity and natural gas use, based on the 2024 cost savings observed.

Capital Expenditures and Prioritization

- In 2025, Toronto Water is forecasting capital expenditures of $857.877 million, or 70.1%, of the 2025 Capital Budget of $1.224 billion.
- Local and global economic circumstances have resulted in high inflation rates along with rising costs for capital projects. The forecasted increases in cost estimates for planned capital projects would have resulted in drawing down Toronto Water's Water and Wastewater Capital Reserve balances to below zero.
- To maintain healthy capital reserves balances in response to rising costs, Toronto Water has undertaken a review and reprioritization of the 10-Year Capital Plan to support high priority infrastructure needs. This review considered project priorities and focused on supporting investment into state of good repair, health and safety/legislated and growth needs. The proposed 3.75% rate increases from 2026 onwards are required to support the on-going cost escalations associated with Toronto Water's capital program and help limit additional future deferrals.
- Additionally, in consideration of forecasted 2025 expenditures and delivery rate, Toronto Water has undertaken a detailed review of project readiness and capacity to deliver realigning project cashflows across the 10-year plan to better align with expected delivery trends to ensure successful delivery of capital expenditure targets. This exercise was done while Toronto Water awaits the broader results and actions arising from the Enhancing Capital Construction and Delivery initiative.
- As a result of the above noted reprioritization exercise, the implementation of several projects has been deferred, with some projects being deferred to start or be completed beyond the 10-year planning horizon.

Basement Flooding Protection Initiatives

- In 2025, Toronto Water completed an exercise to review and update the cost estimates for BFPP projects. The result of the update includes an increase of the total program cost from $18 billion to an estimated $22 billion in infrastructure improvements across the city.
- Toronto Water's 10-Year Capital Plan allocates $1.721 billion from 2026 to 2035 for construction. The remaining projects below the $68,000 cost-per-benefitting-property have not yet been programmed.
- Once all the projects that meet the $68,000 cost-per-benefitting-property threshold are constructed, deferred BFPP projects from completed BFPP studies need to be constructed. These are the projects that exceeded the $68,000 cost-per-benefitting-property threshold.
- The costs for all the BFPP projects that are awaiting construction could rise further when adjusted to reflect market rates and construction costs in the years to come. Cost escalation adjustments can impact program outcomes, with fewer Basement Flooding Projects constructed per year, and challenges forecasting the projects that can be constructed each year within available budget envelopes. This is why Toronto Water is prioritizing a review of this program's capital delivery approach to ensure these projects can be implemented faster and more efficiently as part of the broader Enhancing Capital Construction Delivery initiative. Toronto Water is also initiating a study in 2026 to review the program's project prioritization and summarize the cost and schedule to design and construct all identified solutions. The study will produce an updated project sequence for the program.
- Approximately $98 million has been included in Toronto Water's proposed 2026-2035 Capital Budget and Plan to support the changes and modifications to the existing Basement Flooding Protection Subsidy Program, which will help homeowners take action on their own properties to reduce basement flooding risk. Combined with the work to accelerate BFPP project delivery in alignment with the Enhancing Capital Construction Delivery initiative, these initiatives will continue to help advance stormwater management and resiliency in the City.

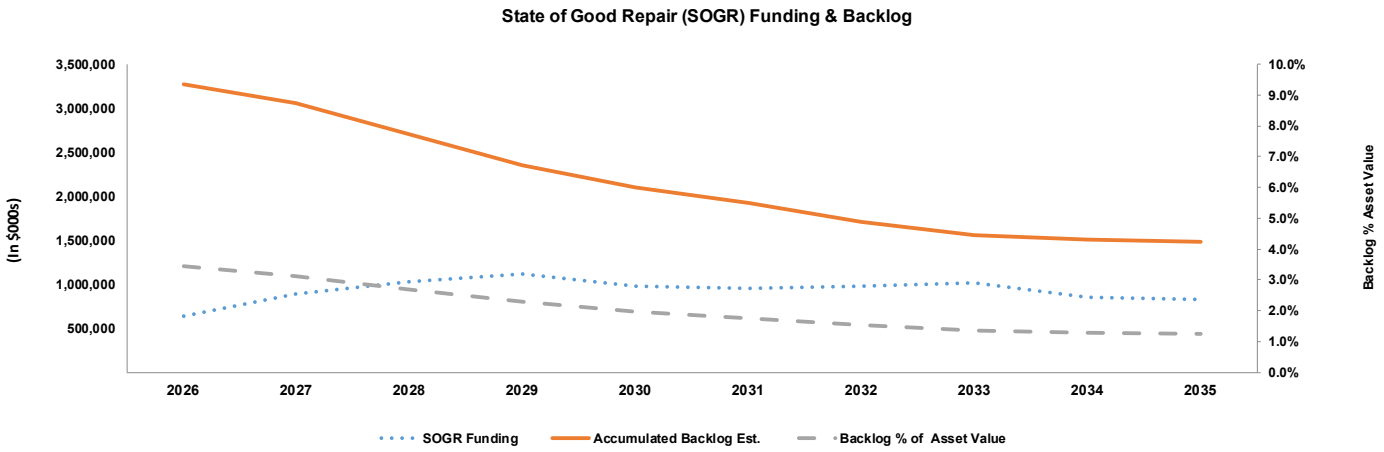
How the Capital Program is Funded

City of Toronto		Provincial Funding	Federal Funding	
$ 18,444.0M 97.6%		**$0.0M 0%**	**$ 448.9M 2.4%**	
Reserve Draws	$ 17,156.5M		Disaster Mitigation and Adaptation Fund	$165.9M
Development Charges	$1,231.0M		Canada Housing Infrastructure Fund	$283.0M
Region of York	$ 56.5M			

STATE OF GOOD REPAIR (SOGR) FUNDING and BACKLOG

The chart below depicts the SOGR funding and accumulated backlog estimates for key asset classes in Toronto Water.

Chart 2: Total SOGR Funding and Backlog



(In $000s)	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
SOGR Funding	534,990	636,059	888,702	1,027,226	1,115,542	984,268	951,632	982,993	1,020,669	853,225	823,699
Accumulated Backlog Est.	3,313,587	3,274,271	3,059,198	2,707,231	2,354,275	2,095,740	1,918,824	1,713,788	1,554,863	1,509,129	1,487,653
Backlog % of Asset Value	3.6%	3.4%	3.1%	2.7%	2.3%	2.0%	1.8%	1.5%	1.4%	1.3%	1.2%
Total Asset Value	93,255,142	95,247,785	97,884,064	100,697,647	103,333,343	106,062,523	108,574,173	111,753,396	114,191,421	116,666,975	119,969,800

- Toronto Water's infrastructure is aging with an accumulated SOGR backlog estimated at $3.314 billion by the end of 2025, which includes both linear (watermains and sewers) and facility/plant infrastructure (water treatment plants, wastewater treatment plants, pumping stations).
- The SOGR backlog is estimated to represent 3.6% of the total replacement value of Toronto Water's assets (approximately $93.255 billion at end of 2025), suggesting that most Toronto Water infrastructure is in good condition.

- The estimated value of the SOGR backlog can fluctuate year over year based on changes in market pricing for different types of capital investments.
- The 2026-2035 Capital Budget and Plan demonstrates Toronto Water's continued focus on investments into maintaining infrastructure in a state of good repair, allocating nearly 50% of Toronto Water's 10 year capital plan, or $9.284 billion over 10 years, to address the renewal needs of Toronto Water's aging infrastructure. This significant investment ensures continued and reliable service to residents, businesses, and visitors, and reduces the SOGR backlog by more than 55% by the end of the 10-year plan. In 2026, more than half of Toronto Water's capital budget will be allocated to addressing SOGR needs.
- Over the past 10 to 15 years, Toronto Water has made significant capital investments in watermain infrastructure replacement and renewal activities (cathodic protection and structural lining). These investments into watermain state of good repair have helped reduce the watermain infrastructure backlog, as well as reduce the frequency of watermain breaks. Based on the 2025 projection, watermain breaks are forecast to fall below Toronto Water's target for a sustained 10 consecutive years.
- As a result of the strong performance of the watermain system, Toronto Water has been increasing the capital investments into sewer infrastructure to address the sewer infrastructure backlog and mitigate the impacts and costs of wastewater main collapses and emergency repairs. Toronto Water undertakes regular preventative maintenance and inspections of the sewer system to help ensure it continues to function as it should and identify priorities for capital investments. As part of the 2026-2035 Capital Budget and Plan, Toronto Water is increasing the investment into state of good repair Local and Trunk Sewer Replacement and Renewal by $249.053 million across the 10-year plan to a total of $2.407 billion. This substantial investment into Sewer Replacement and Renewal is forecast to reduce the sewer infrastructure backlog by more than 50% by the end of the 10-year capital plan.
- In addition to the significant investment into linear infrastructure, the 2026 Capital Budget and 2027-2035 Capital Plan will allocate $3.451 billion into state of good repairs works at Toronto Water's Water and Wastewater facilities. Of this, approximately 85%, or $2.925 billion, is allocated to support state of good repair initiatives planned at Wastewater Treatment Plants. This funding will support a number of large-scale state of good repair projects across these facilities and will reduce the state of good repair backlog at these facilities.
- Should trends of high rates of inflation and increasing costs for capital projects persist, this will continue to put pressure on Toronto Water's Water and Wastewater Capital Reserve balances and may impact the timelines for addressing the SOGR backlog as projects continue to be reprioritized to address funding pressures. Toronto Water will continue to refine these estimates based on planned condition assessments of its asset infrastructure inventory and SOGR backlog analysis including asset values.
- Stormwater management facilities (stormwater ponds and underground storage tanks), as well as watercourse restoration projects to address infrastructure impacts from erosion, are not currently included in the SOGR backlog analysis.

OPERATING IMPACT OF COMPLETED CAPITAL PROJECTS

Approval of the 2026 Capital Budget will impact the 2026 Operating Budget by a total of $0.833 million net as shown in Table 6 below.

Table 6: Net Operating Impact Summary

Projects	2026 Budget		2027 Plan		2028 Plan		2029 Plan		2030 Plan		2026-2030		2026-2035	
	$000s	Positions	$000s	Positions	$000s	Positions	$000s	Positions	$000s	Positions	$000s	Positions	$000s	Positions
Previously Approved														
D Building Phase 2			499.0								499.0		499.0	
Disinfection System Construction			609.7		187.5		96.2		86.4		979.8		1,139.3	
Integrated Pumping Station (IPS) - Construction													2,200.0	
Waste Activated Sludge Upgrade - Construction							1,500.0				1,500.0		1,500.0	
Chemical & Residuals Management Construction			64.1	0.50	2.0						66.1	0.50	66.1	0.50
Standby Power - Phase 2 - ENG	82.0										82.0		232.0	
Standby Power - Phase 2 - Construction	(2.0)										(2.0)		(2.0)	
Source Water Protection - Lake Ontario Collaborative	90.6		44.2		45.5						180.3		180.3	
UV Disinfection - Construction			709.1	0.50	217.0		215.0				1,141.1	0.50	1,141.1	0.50
Black Creek Sts Design & Construction							100.0	1.00	100.0	1.00	200.0	2.00	400.0	4.00
Sewer Asset Planning							6.5				6.5		6.5	
Watercourse - Construction	103.4	2.00	340.8	2.00	252.7	2.00					696.9	6.00	696.9	6.00
Public Education & Promotions	228.5	1.00	70.8		3.0						302.3	1.00	302.3	1.00
Energy Optimization							(100.0)				(100.0)		(100.0)	
Smart Grid And Monitoring			759.8	6.00	386.3	3.00					1,146.1	9.00	1,146.1	9.00
Lab Equipment - 10 Year			100.9	1.00	5.9						106.8	1.00	106.8	1.00
2025-2026 Watermain Replacement	55.6	1.00	62.0		7.1						124.8	1.00	124.8	1.00
Sewer Replacement - 2025-2026 Program	55.6	1.00	62.0		7.1						124.8	1.00	124.8	1.00
Scada Upgrades For WWT					395.7	3.00					395.7	3.00	395.7	3.00
Sub-Total: Previously Approved	**613.7**	**5.0**	**3,322.4**	**10.0**	**1,510.0**	**8.0**	**1,817.7**	**1.0**	**186.4**	**1.0**	**7,450.2**	**25.0**	**10,159.6**	**27.0**
New Projects - Future Years														
Don & Waterfront Trunk/CSO Construction - PHASE 3 - Inner Harbour West Tunnel - CONSTRUCTION							100.0	1.00	100.0	1.00	200.0	2.00	400.0	4.00
Don & Waterfront Trunk/CSO Construction - PHASE 2 - Taylor Massey Creek Tunnel and Connections													200.0	2.00
AMR B & T New Billing System													5,740.0	
Sub-Total: New Projects - Future Years							**100.0**	**1.0**	**100.0**	**1.0**	**200.0**	**2.0**	**6,340.0**	**6.0**
Sub Total (Net)	**613.7**	**5.0**	**3,322.4**	**10.0**	**1,510.0**	**8.0**	**1,917.7**	**2.0**	**286.4**	**2.0**	**7,650.2**	**27.0**	**16,499.6**	**33.0**
Infrasturcture Expansion- Transfer of Assets														
East Bay front Tank, West Donlands Stormwater shaft, Cherry St. Storm Treatment Facility	65.4	1.00	455.5	1.00	192.9	1.00	294.0	2.00	552.0	2.00	1,559.7	7.00	2,330.2	9.00
Port Lands Flood Protection Plan	153.8	1.00	178.3	1.00	134.9	1.00	8.1		8.1		483.1	3.00	507.3	3.00
Sub-Total: Infrasturcture Expansion- Transfer of Assets	**219.1**	**2.0**	**633.8**	**2.0**	**327.7**	**2.0**	**302.1**	**2.0**	**560.1**	**2.0**	**2,042.7**	**10.0**	**2,837.5**	**12.0**
Total (Net)	**832.8**	**7.0**	**3,956.2**	**12.0**	**1,837.7**	**10.0**	**2,219.7**	**4.0**	**846.5**	**4.0**	**9,692.9**	**37.0**	**19,337.1**	**45.0**

Previously Approved Projects

The completion of previously approved capital projects will result in an overall operating impact of $0.833 million for salaries and benefits associated with seven positions to operate new facilities and infrastructure, utilities, and contracted services primarily resulting from the following completed capital projects: Watermain and Sewer Asset Planning, including maintenance and operation of new trunk sewers, shafts/wet weather flow, and new infrastructure expansion; and transfer of assets to Toronto Water, including Port Lands Flood Protection, Cherry St. Storm Treatment Facility, East Bay Front Tank, and West Don Land Stormwater Shaft. The 2026 operating impact of $0.833 million, as shown in Table 6, has been included in the Toronto Water's 2026 Operating Budget.

New Projects and Future Years

- The 10-Year Capital Plan will impact future year Operating Budgets by $19.337 million net over the 2026-2035 period and an increase of 45 positions for planned completion of new equipment and facilities.
- Any future operating impacts will be reviewed each year and be considered as part of future year budget processes.

APPENDICES

Appendix 1

2026 Operating Budget by Category

Category (In $000s)	2024 Actual	2025 Budget	2025 Projection*	2026 Budget	2026 Change from 2025 Budget	
	$	$	$	$	$	%
Sale of Water and Other Revenue	1,468,526.2	1,529,700.4	1,563,779.6	1,586,377.1	56,676.7	3.7%
User Fees	70,360.1	63,296.4	66,584.5	67,111.9	3,815.5	6.0%
Contribution From Reserves/Reserve Funds	1,850.4	2,386.1	1,896.8	195.0	(2,191.1)	(91.8%)
Provincial Funding	2,084.5					
Inter-Divisional Recoveries	343.3	364.3	365.9	398.8	34.5	9.5%
Total Revenues	**1,543,164.5**	**1,595,747.3**	**1,632,626.7**	**1,654,082.8**	**58,335.5**	**3.7%**
Salaries and Benefits	194,727.8	206,206.1	206,694.6	216,867.0	10,660.9	5.2%
Materials & Supplies	116,984.2	128,118.6	125,139.4	135,394.8	7,276.2	5.7%
Equipment	2,183.0	2,357.4	2,051.1	2,405.1	47.7	2.0%
Service and Rent	72,557.4	77,933.9	74,754.4	80,227.2	2,293.3	2.9%
Contribution To Reserves/Reserve Funds	19,595.2	11,421.4	11,421.4	11,872.1	450.6	3.9%
Other Expenditures	24,045.4	20,369.6	19,513.0	19,439.9	(929.7)	(4.6%)
Inter-Divisional Charges	70,108.0	72,159.7	72,759.7	76,155.0	3,995.4	5.5%
Total Gross Expenditures	**500,201.1**	**518,566.7**	**512,333.7**	**542,361.0**	**23,794.4**	**4.6%**
Capital Contribution	1,028,951.9	1,077,180.6	1,077,180.6	1,111,721.8	34,541.2	3.2%
Surplus (2025 Projection)	14,011.5		43,112.4			
Total Capital Contribution	**1,042,963.3**	**1,077,180.6**	**1,120,293.0**	**1,111,721.8**	**34,541.2**	**3.2%**

*Projection based on 9-Month Variance

Appendix 2

Summary of 2026 Service Changes

N/A

Appendix 3

Summary of 2026 New / Enhanced Service Priorities Included in Budget

N/A

Appendix 4a

Operating Program Provincial/Federal Funding Streams by Program

N/A

Appendix 4b

Capital Program Provincial/Federal Funding Streams by Project

Fund Name - Project (in $000s)	2026 Budget	2027-2035 Plan	Total
Federal Funding			
Disaster Mitigation and Adaptation Fund - Midtown	2,588	30,620	33,208
Disaster Mitigation and Adaptation Fund - Fairbanks	8,720	9,508	18,228
Disaster Mitigation and Adaptation Fund - Rockcliffe	778	107,777	108,555
Disaster Mitigation and Adaptation Fund - Lower Simcoe		5,920	5,920
Canada Housing Infrastructure Fund - Black Creek	6,400	276,600	283,000
Sub-Total: Federal Funding	**18,486**	**430,425**	**448,911**
Total Funding	**18,486**	**430,425**	**448,911**

Appendix 5

2026 Capital Budget;
2026 - 2035 Capital Plan Including Carry Forward Funding

Projects (In $000s)		2026 Budget	2027 Plan	2028 Plan	2029 Plan	2030 Plan	2031 Plan	2032 Plan	2033 Plan	2034 Plan	2035 Plan	2026 - 2035 Total	Health & Safety & Legislated	SOGR	Service Improvement and Growth
Ashbridges Bay WWTP - Building Services & Site Dev		-	-	-	-	-	-	-	-	-	1,000	1,000			**1,000**
Ashbridges Bay WWTP - Effluent System		15,417	16,478	34,257	3,465	3,300	677	11	-	-	-	73,605	**64,801**		**8,804**
Ashbridges Bay WWTP - Liquid Treatment & Handling	☑	26,630	74,527	91,437	174,171	176,004	195,759	194,572	228,794	227,397	247,449	1,636,740		**1,199,778**	**436,962**
Ashbridges Bay WWTP - O&M Upgrades		2,316	2,561	2,495	2,569	2,647	2,726	2,808	2,892	2,979	3,069	27,062		**27,062**	
Ashbridges Bay WWTP - Solids & Gas Handling	☑	47,873	31,987	24,790	74,815	38,504	38,256	52,834	43,915	29,431	20,780	403,185		**403,033**	**152**
Ashbridges Bay WWTP Rehab	☑	33,787	45,990	65,686	65,623	81,806	54,593	69,268	72,016	17,160	18,125	524,054	**2,884**	**518,752**	**2,418**
Basement Flooding Relief	☑	139,570	223,713	250,205	272,010	253,564	263,874	243,658	194,533	195,535	198,309	2,234,971			**2,234,971**
Business IT Projects		6,237	7,057	6,778	5,933	4,200	3,000	-	-	-	-	33,205			**33,205**
Business System Infrastructure - PW		18,567	19,980	14,869	8,971	6,930	5,022	4,056	3,836	3,657	3,654	89,542			**89,542**
Dist W/M Rehabilitation		38,919	51,714	62,796	49,448	49,728	46,230	48,232	46,934	46,536	46,523	487,060		**487,060**	
Dist W/M Replacement		85,333	140,720	165,335	130,337	109,763	108,194	106,350	103,550	102,150	102,150	1,153,882		**989,206**	**164,676**
Dist Water Service Repair		30,094	39,367	46,587	35,409	31,069	31,077	31,086	31,095	31,104	31,113	338,001	**326,048**	**11,953**	
District Watermains - New		500	500	500	500	500	500	500	500	500	500	5,000			**5,000**
Don & Waterfront Trunk CSO	☑	21,282	38,003	42,040	95,899	140,715	171,100	216,620	273,950	320,150	336,200	1,655,959			**1,655,959**
Engineering		88,910	101,160	110,070	118,145	103,710	103,600	105,635	107,158	105,335	97,213	1,040,936		**1,040,936**	
Engineering Studies	☑	235	480	325	125	125	70	70	70	70	70	1,640	**275**	**1,060**	**305**
Equipment Replacement & Rehabilitation		24	658	-	-	-	-	-	-	-	-	682		**682**	
FJ Horgan W.T.P. R&R	☑	5,470	4,972	3,743	1,965	865	875	200	200	200	200	18,690	**350**	**12,987**	**5,353**
Harris W.T.P. R&R	☑	6,675	8,373	11,550	14,485	13,962	13,720	13,175	14,775	1,050	1,100	98,865		**85,571**	**13,294**
Highland Creek WWTP - Building Serv & Site Dev		3,710	3,372	10,500	11,600	9,225	75	77	-	-	-	38,559		**38,559**	
Highland Creek WWTP - Odour Control	☑	2,860	2,981	2,466	1,404	15	20	17	-	-	-	9,763	**9,763**		
Highland Creek WWTP - Solids & Gas Handling	☑	21,200	21,030	22,238	20,601	24,689	40,250	3,650	3,940	22,250	40,445	220,293		**6,970**	**213,323**
Highland Creek WWTP Upgrades	☑	14,121	65,404	101,867	111,197	108,553	106,635	105,395	76,815	97,627	65,591	853,205	**17,491**	**119,272**	**716,442**
Horgan Trunk Main Expansion		405	2,506	8,000	-	-	-	-	-	-	-	10,911			**10,911**
Humber WWTP - Liquid Treatment & Handling	☑	2,175	5,910	6,303	12,585	38,960	43,800	41,866	36,469	21,809	37,016	246,893		**246,893**	
Humber WWTP - Odour Control		3,575	2,872	400	12	-	-	300	-	-	300	7,459	**7,459**		
Humber WWTP Upgrades	☑	26,572	61,816	64,066	60,594	46,836	49,869	45,771	40,046	29,411	17,666	442,647	**2,387**	**364,059**	**76,201**
Island W.T.P. R&R	☑	33,580	35,815	48,502	44,349	42,518	18,454	21,785	13,860	1,028	507	260,398	**145,677**	**70,210**	**44,511**
Lawrence Allan Revitalization Plan		2,010	7,706	13,034	11,681	8,906	2,708	117	-	-	-	46,162			**46,162**
Metering & Meter Reading Sys		34,917	44,019	45,952	24,532	42,784	49,304	49,205	49,255	49,310	35,770	425,048			**425,048**
New Service Connections		44,389	44,548	44,671	44,180	44,280	44,384	44,490	44,600	44,979	45,368	445,889			**445,889**
New Sewer Construction		2,097	24,399	66,099	67,501	50,984	43,163	3,228	2,050	1,100	1,000	261,621			**261,621**
North Toronto WTP Upgrades		429	1,169	-	-	-	-	-	-	-	-	1,598	**673**		**925**
Operational Support	☑	5,352	8,493	7,067	8,441	4,657	8,413	9,772	10,422	11,504	15,402	89,523		**11,410**	**78,113**
PW Engineering		6,741	13,371	11,376	9,272	7,085	3,795	4,129	4,206	4,287	4,371	68,633		**35,007**	**33,626**
Regent Park Capital Contribution		849	120	60	-	-	-	-	-	-	-	1,029			**1,029**
RL Clark W.T.P. R&R		2,061	4,855	7,295	5,263	2,962	620	615	600	600	600	25,471		**25,471**	

Appendix 5 (continued)

2026 Capital Budget; 2026 - 2035 Capital Plan Including Carry Forward Funding

Projects (In $000s)		2026 Budget	2027 Plan	2028 Plan	2029 Plan	2030 Plan	2031 Plan	2032 Plan	2033 Plan	2034 Plan	2035 Plan	2026 - 2035 Total	Health & Safety & Legislated	SOGR	Service Improvement and Growth
Sewage Pumping Station Upgrades	☑	12,661	18,342	21,248	21,885	15,600	31,170	16,135	12,465	8,470	8,000	165,976	**118,465**	**42,666**	**4,845**
Sewer Asset Planning		26,342	27,334	30,499	28,695	23,200	22,150	22,150	22,050	22,200	22,100	246,720		**186,988**	**59,732**
Sewer Replacement Program		37,563	46,602	42,175	42,104	45,994	32,771	27,305	37,760	37,750	31,150	381,174		**381,174**	
Sewer System Rehabilitation		99,117	124,523	169,025	148,185	152,185	155,497	157,778	173,146	179,267	185,192	1,543,915		**1,543,730**	**185**
Stream Restoration & Erosion Control	☑	23,500	29,757	49,369	60,960	41,110	19,780	22,980	15,199	11,001	14,314	287,970		**287,970**	
Switch Gear Transformer		8,850	9,500	10,157	4,802	4,300	4,457	6,900	4,400	3,250	125	56,741		**56,741**	
SWM TRCA Funding		5,293	5,385	5,487	5,577	5,672	5,778	5,873	5,972	6,090	6,190	57,317			**57,317**
SWM End Of Pipe Facilities	☑	5	170	375	3,975	5,850	2,000	2,000	-	-	-	14,375			**14,375**
SWM Source Control Program	☑	5	-	-	-	-	-	-	-	-	-	5			**5**
Transmission R&R	☑	33,135	31,547	12,690	34,190	39,080	70,305	50,920	68,927	39,800	35,661	416,255		**412,577**	**3,678**
TRCA Erosion Control	☑	12,372	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	111,372			**111,372**
Trunk Sewer System		52,830	150,363	219,473	237,941	219,392	250,602	199,634	145,160	104,631	65,382	1,645,408		**572,377**	**1,073,031**
Trunk Watermain Expansion		-	1,000	1,000	1,000	2,000	2,000	500	1,050	16,500	16,500	41,550			**41,550**
W&WW Laboratories		1,337	2,599	2,130	2,690	2,744	4,863	7,273	4,637	18,472	14,224	60,969		**4,894**	**56,075**
Water Efficiency Program	☑	948	579	553	560	568	576	585	593	595	595	6,152			**6,152**
Water Sustainability Program	☑	711	113	-	-	-	-	-	-	-	-	824			**824**
Western Beaches Retrofit		5,665	16,822	24,716	17,286	100	-	-	-	-	-	64,589		**64,589**	
Wet Weather Flow MP	☑	8,358	17,502	12,601	11,556	13,110	9,816	9,332	7,079	3,054	1,765	94,173		**17,665**	**76,508**
WT&S Plantwide	☑	17,624	29,373	36,938	70,460	82,964	56,986	75,410	27,886	13,606	7,009	418,256		**16,715**	**401,541**
Total Expenditures (including carry forward from 2025)		**1,121,198**	**1,681,137**	**2,042,795**	**2,189,948**	**2,114,715**	**2,130,514**	**2,035,267**	**1,943,805**	**1,842,845**	**1,790,698**	**18,892,922**	**696,273**	**9,284,017**	**8,912,632**

☑ - Project supports Climate Resiliency and / or Greenhouse Gas (GHG) Reduction*

*Information above includes full project / sub-project 2026-2035 Capital Budget and Plan cash flows. Does not break out the climate component costs separately.

Appendix 5a

2026 Cash Flow and Future Year Commitments Including Carry Forward Funding

Projects (In $000s)	2026 Budget	2027 Plan	2028 Plan	2029 Plan	2030 Plan	2031 Plan	2032 Plan	2033 Plan	2034 Plan	2035 Plan	Total 2026 Cash Flow & FY Commits	Previously Approved	Change in Scope	New w/ Future Year
Ashbridges Bay WWTP - Effluent System	15,417	16,478	34,257	3,465	3,300	677	11				73,605	68,162	5,443	
Ashbridges Bay WWTP - Liquid Treatment & Handling	26,630	74,527	91,437	174,171	176,004	195,759	194,257	228,479	227,247	247,449	1,635,960	1,717,214	(81,254)	
Ashbridges Bay WWTP - O&M Upgrades	2,316	2,561									4,877	4,738	139	
Ashbridges Bay WWTP - Solids & Gas Handling	47,873	31,987	24,790	74,815	38,504	38,256	52,834	43,915	29,431	20,780	403,185	407,660	(4,475)	
Ashbridges Bay WWTP Rehab	33,787	45,740	63,036	62,023	72,056	44,618	60,618	65,466	15,150	16,100	478,594	436,021	42,573	
Basement Flooding Relief	139,570	218,999	231,648	245,529	173,363	159,148	127,500	17,106	34,252	30,284	1,377,399	1,109,241	(61,830)	329,988
Business IT Projects	6,237	7,057	6,778	5,933	4,200	3,000					33,205	11,200	22,005	
Business System Infrastructure - PW	18,567	19,670	14,609	6,937	4,719	1,309	300	200	150	100	66,561	50,189	16,372	
Dist W/M Rehabilitation	38,919	51,472	37,714	13,376	3,600	100	100				145,281	102,555	42,726	
Dist W/M Replacement	85,333	140,720	162,935	49,037	9,063	644					447,732	260,766	(35,112)	222,078
Dist Water Service Repair	30,094	39,367	41,967	12,748	2,700						126,876	103,791	(9,316)	32,401
District Watermains - New	500	500	500								1,500	1,000	500	
Don & Waterfront Trunk CSO	21,282	37,453	36,040	34,199	21,715	14,600	8,070	8,450	8,150	6,450	196,409	184,641	(11,232)	23,000
Engineering	88,910	59,692	66,946	41,293	7,997	5,788	1,738	79	75		272,518	184,836	87,682	
Engineering Studies	235	180	55	55	55						580	565	15	
Equipment Replacement & Rehabilitation	24	658									682	781	(99)	
FJ Horgan W.T.P. R&R	5,470	4,972	3,743	1,965	665	675					17,490	16,211	1,279	
Harris W.T.P. R&R	6,675	8,223	11,550	14,485	13,462	13,220	12,675	14,275	550	600	95,715	25,526	2,195	67,994
Highland Creek Wwtp - Building Serv & Site Dev	3,710	3,372	10,500	11,600	9,225	75	77				38,559	38,556	3	
Highland Creek Wwtp - Odour Control	2,860	2,981	2,466	1,404	15	20	17				9,763	9,045	718	
Highland Creek Wwtp - Solids & Gas Handling	21,200	21,030	22,238	20,601	24,689	40,250	3,650	1,240	2,250	2,445	159,593	146,346	13,247	
Highland Creek Wwtp Upgrades	14,121	65,404	101,867	110,932	104,003	102,858	98,253	73,675	95,067	54,775	820,955	584,969	235,986	
Horgan Trunk Main Expansion	405	2,506	8,000								10,911	7,474	3,437	
Humber WWTP - Liquid Treatment & Handling	2,175	5,910	6,303	5,365	3,909	3,815	3,750	3,296	3,325	1,345	39,193	36,964	2,229	
Humber WWTP - Odour Control	3,575	2,872	400	12			300			300	7,459	7,601	(142)	
Humber WWTP Upgrades	26,572	61,679	62,786	59,114	45,780	37,249	33,001	27,005	20,508	16,785	390,479	354,810	35,669	
Island W.T.P. R&R	33,580	35,815	45,527	41,599	41,323	17,494	17,400	9,680	20		242,438	181,487	60,951	
Lawrence Allan Revitalization Plan	2,010	7,706	13,034	11,681	8,906	2,708	117				46,162	44,739	(7,178)	8,601
Metering & Meter Reading Sys	34,917	44,019	45,952	18,782	19,537	14,161	14,062	14,112	14,167	14,322	234,031	105,624	8,406	120,001
New Service Connections	44,389	44,548	40,256	32,000							161,193	124,558	36,635	
New Sewer Construction	2,097	24,399	66,099	66,501	49,984	42,163	2,178				253,421	219,622	33,799	
North Toronto WTP Upgrades	429	1,169									1,598	2,311	(713)	
Operational Support	5,352	8,493	5,912	7,058	3,267	6,816	7,168	7,811	8,885	12,775	73,537	62,107	11,430	
PW Engineering	6,741	12,821	10,226	7,299	5,012	740	1,000	1,000	1,000	1,000	46,839	37,416	9,423	
Regent Park Capital Contribution	849	120	60								1,029	4,845	(3,816)	
RL Clark W.T.P. R&R	2,061	4,655	7,295	5,263	2,362	20	15				21,671	6,926	3,530	11,215

Appendix 5a (continued)

2026 Cash Flow and Future Year Commitments Including Carry Forward Funding

Projects (In $000s)	2026 Budget	2027 Plan	2028 Plan	2029 Plan	2030 Plan	2031 Plan	2032 Plan	2033 Plan	2034 Plan	2035 Plan	Total 2026 Cash Flow & FY Commits	Previously Approved	Change in Scope	New w/ Future Year
Sewage Pumping Station Upgrades	12,661	18,342	21,248	21,885	15,600	31,170	16,135	12,465	8,470	8,000	165,976	134,528	31,448	
Sewer Asset Planning	26,342	27,284	29,999	27,045	2,050						112,720	105,831	6,889	
Sewer Replacement Program	37,563	46,303	38,879	24,604	23,294	4,021	5	10			174,679	107,450	16,702	50,527
Sewer System Rehabilitation	99,117	121,735	101,447	20,229	18,230	5,098	480				366,336	247,052	80,934	38,350
Stream Restoration & Erosion Control	23,500	25,072	32,145	26,916	14,073	2,794	2,379	1,692	1,571	2,100	132,242	114,286	2,383	15,573
Switch Gear Transformer	8,850	9,500	9,557	3,952	3,600	57					35,516	38,117	(2,601)	
SWM TRCA Funding	5,293										5,293		5,293	
SWM End Of Pipe Facilities	5	170	375	3,975	5,850	1,000	1,000				12,375	10,376	1,999	
SWM Source Control Program	5										5			5
Transmission R&R	33,135	30,197	7,509	3,651	5,422	4,222	3,942	4,008	4,120	3,119	99,325	62,582	10,659	26,084
TRCA Erosion Control	12,372										12,372	698	11,674	
Trunk Sewer System	52,830	148,062	204,494	206,819	183,987	213,523	125,611	61,734	35,788	37,429	1,270,277	1,157,644	112,633	
Trunk Watermain Expansion												110	(110)	
W&WW Laboratories	1,337	2,599	2,130	2,690	2,429	4,228	6,898	4,087	18,042	14,000	58,440	27,965	30,475	
Water Efficiency Program	948	579	553								2,080	1,087	993	
Water Sustainability Program	711	113									824	1,421	(597)	
Western Beaches Retrofit	5,665	16,822	24,716	17,286	100						64,589	64,326	263	
Wet Weather Flow Mp	8,358	16,241	10,956	6,510	3,844	1,141	124				47,174	30,074	17,100	
WT&S Plantwide	17,624	29,373	33,925	60,056	65,000	25,681	40,755	772	621	460	274,267	224,363	49,904	
Total Expenditure (including carry forward)	**1,121,198**	**1,602,147**	**1,794,859**	**1,564,860**	**1,192,894**	**1,039,098**	**836,420**	**600,557**	**528,839**	**490,618**	**10,771,490**	**8,988,407**	**837,266**	**945,817**

Appendix 5b

2027 - 2035 Capital Plan

Projects (In $000s)	2027 Plan	2028 Plan	2029 Plan	2030 Plan	2031 Plan	2032 Plan	2033 Plan	2034 Plan	2035 Plan	2027-2035 Total	Health & Safety & Legislated	SOGR	Service Improvement and Growth
Ashbridges Bay WWTP - Building Services & Site Dev									1,000	1,000			1,000
Ashbridges Bay WWTP - Liquid Treatment & Handling						315	315	150		780		780	
Ashbridges Bay WWTP - O&M Upgrades		2,495	2,569	2,647	2,726	2,808	2,892	2,979	3,069	22,185		22,185	
Ashbridges Bay WWTP Rehab	250	2,650	3,600	9,750	9,975	8,650	6,550	2,010	2,025	45,460		45,460	
Basement Flooding Relief	4,714	18,557	26,481	80,201	104,726	116,158	177,427	161,283	168,025	857,572			857,572
Business System Infrastructure - PW	310	260	2,034	2,211	3,713	3,756	3,636	3,507	3,554	22,981			22,981
Dist W/M Rehabilitation	242	25,082	36,072	46,128	46,130	48,132	46,934	46,536	46,523	341,779		341,779	
Dist W/M Replacement		2,400	81,300	100,700	107,550	106,350	103,550	102,150	102,150	706,150		595,000	111,150
Dist Water Service Repair		4,620	22,661	28,369	31,077	31,086	31,095	31,104	31,113	211,125	211,125		
District Watermains - New			500	500	500	500	500	500	500	3,500			3,500
Don & Waterfront Trunk CSO	550	6,000	61,700	119,000	156,500	208,550	265,500	312,000	329,750	1,459,550			1,459,550
Engineering	41,468	43,124	76,852	95,713	97,812	103,897	107,079	105,260	97,213	768,418		768,418	
Engineering Studies	300	270	70	70	70	70	70	70	70	1,060		1,060	
FJ Horgan W.T.P. R&R				200	200	200	200	200	200	1,200		1,200	
Harris W.T.P. R&R	150			500	500	500	500	500	500	3,150		3,150	
Highland Creek WWTP - Solids & Gas Handling							2,700	20,000	38,000	60,700			60,700
Highland Creek WWTP Upgrades			265	4,550	3,777	7,142	3,140	2,560	10,816	32,250	17,125	15,125	
Humber WWTP - Liquid Treatment & Handling			7,220	35,051	39,985	38,116	33,173	18,484	35,671	207,700		207,700	
Humber WWTP Upgrades	137	1,280	1,480	1,056	12,620	12,770	13,041	8,903	881	52,168		52,168	
Island W.T.P. R&R		2,975	2,750	1,195	960	4,385	4,180	1,008	507	17,960		16,990	970
Metering & Meter Reading Sys			5,750	23,247	35,143	35,143	35,143	35,143	21,448	191,017			191,017
New Service Connections		4,415	12,180	44,280	44,384	44,490	44,600	44,979	45,368	284,696			284,696
New Sewer Construction			1,000	1,000	1,000	1,050	2,050	1,100	1,000	8,200			8,200
Operational Support		1,155	1,383	1,390	1,597	2,604	2,611	2,619	2,627	15,986		5,000	10,986
PW Engineering	550	1,150	1,973	2,073	3,055	3,129	3,206	3,287	3,371	21,794		2,250	19,544
RL Clark W.T.P. R&R	200			600	600	600	600	600	600	3,800		3,800	
Sewer Asset Planning	50	500	1,650	21,150	22,150	22,150	22,050	22,200	22,100	134,000		83,050	50,950
Sewer Replacement Program	299	3,296	17,500	22,700	28,750	27,300	37,750	37,750	31,150	206,495		206,495	
Sewer System Rehabilitation	2,788	67,578	127,956	133,955	150,399	157,298	173,146	179,267	185,192	1,177,579		1,177,579	
Stream Restoration & Erosion Control	4,685	17,224	34,044	27,037	16,986	20,601	13,507	9,430	12,214	155,728		155,728	
Switch Gear Transformer		600	850	700	4,400	6,900	4,400	3,250	125	21,225		21,225	
SWM TRCA Funding	5,385	5,487	5,577	5,672	5,778	5,873	5,972	6,090	6,190	52,024			52,024
SWM End Of Pipe Facilities					1,000	1,000				2,000			2,000
Transmission R&R	1,350	5,181	30,539	33,658	66,083	46,978	64,919	35,680	32,542	316,930		314,695	2,235
TRCA Erosion Control	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	99,000			99,000
Trunk Sewer System	2,301	14,979	31,122	35,405	37,079	74,023	83,426	68,843	27,953	375,131		373,731	1,400
Trunk Watermain Expansion	1,000	1,000	1,000	2,000	2,000	500	1,050	16,500	16,500	41,550			41,550
W&WW Laboratories				315	635	375	550	430	224	2,529		2,529	
Water Efficiency Program			560	568	576	585	593	595	595	4,072			4,072
Wet Weather Flow MP	1,261	1,645	5,046	9,266	8,675	9,208	7,079	3,054	1,765	46,999		6,500	40,499
WT&S Plantwide		3,013	10,404	17,964	31,305	34,655	27,114	12,985	6,549	143,989			143,989
Total Expenditures	**78,990**	**247,936**	**625,088**	**921,821**	**1,091,416**	**1,198,847**	**1,343,248**	**1,314,006**	**1,300,080**	**8,121,432**	**228,250**	**4,423,597**	**3,469,585**

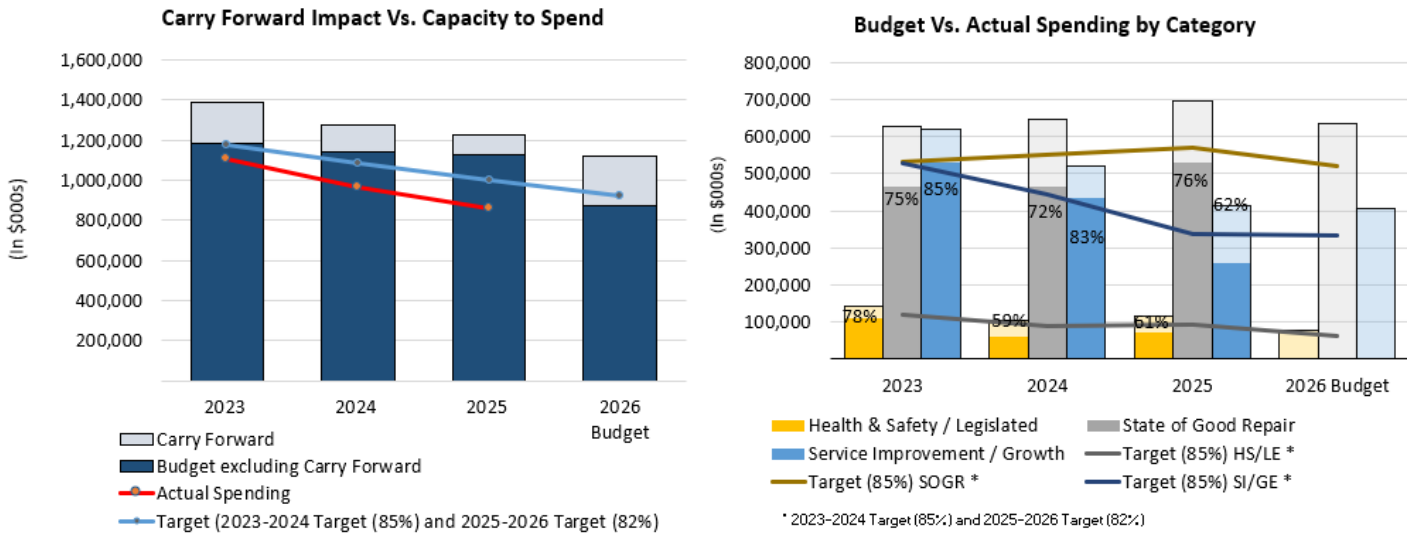
Appendix 6

Capacity to Deliver Review

The 10-Year Capital Plan has been developed with consideration of historical demonstrated ability to spend within any given year of the ten-year capital plan. A review was undertaken to ensure budgets align with Toronto Water's ability to spend and the market's capacity to deliver.

A key component in determining an appropriate level of annual cash flows includes historical capacity to deliver reviews by project categories (Chart 3 below) as well as the level of projected 2025 underspending that will be carried forward into 2026 to complete capital work.

Chart 3 – Capacity to Deliver



Capacity to Deliver Review Impact on the 10-Year Plan

Historical Expenditures

- The 2026-2035 Capital Budget and Plan represents Toronto Water's largest investment in infrastructure renewal totalling $18.893 billion over 10 years. Toronto Water has successfully delivered on its capital commitments for several years, including four consecutive years of capital spending exceeding $1 billion (2020 to 2023). In 2025, Toronto Water is forecasting expenditures of $857.877 million, or 70.1%, of the 2025 Capital Budget.

Capacity to Deliver in 2026 and across 10-Year Plan

- In consideration of forecasted 2025 expenditures and delivery rate, Toronto Water has undertaken a detailed review of project readiness and capacity to deliver, resulting in the realignment of project cashflows across the 10-year plan to better align with expected delivery trends to ensure successful delivery of capital expenditure targets. As a result of this review, the 2026 Capital Budget of $1.121 billion represents a decrease in spending of $103.0 million from the 2025 Capital Budget.
- In recent years, Toronto Water has awarded a series of large-scale multi-year projects. As of November 2025, approximately $2.1 billion is committed for already awarded works and approximately 43% of the 2026 cashflow will support the continued delivery of awarded or ongoing projects.
- The Toronto Water 2026-2035 Capital Budget and Plan reflects a substantial ramp up in capital spending, with expenditures forecast to increase from $1.121 billion in 2026 to more than $2.0 billion in 2028. The rapid growth in Toronto Water's capital plan is supported by a small number of large-scale projects which are expected to be

tendered before the end of 2026. The procurement of the following projects will result in awards of more than $2.0 billion (in addition to Toronto Water's regular annual commitments) effectively doubling the current commitments of $2.1 billion.

- Port Lands Pumping Station and Forcemain
- Island Water Treatment Plant Chemical and Residual Management Phase 2 and UV Disinfection Project
- Ashbridges Bay Polymer Construction project
- Basement Flooding Protection Midtown Tunnel
- Highland Creek Wastewater Treatment Plant Firm Capacity Upgrades
- Black Creek Sanitary Trunk Sewer Construction Phase 1

- These large-scale projects, as well as other works forecasted for award beyond 2026, will support the forecasted growth and ramp up in Toronto Water's Capital Program expenditures from 2026 to 2028.
- Global supply chain issues, market volatility, and staffing constraints for specialized labour have all impacted the ability to deliver on capital commitments. To mitigate these challenges, the 10-Year Capital Plan has been reviewed with a focus on readiness and capacity to deliver, including a consideration of project interdependencies and prerequisites. As a result of these reviews, the cash flow originally identified for 2026 Capital Budget has been reduced by approximately $651.661 million to $1.121 billion (including carry forward funding of $245.235 million) to align with forecasted 2026 delivery. Additional project schedules and cashflows have been revised across the 10-year plan to ensure that annual targets will be realistic and achievable.

Capital Delivery Review

- Toronto Water is reevaluating its approach to tendering for larger infrastructure projects and programs to address inflationary impacts, capacity challenges and readiness to deliver. Working closely with other divisions, agencies, and service areas, as applicable, to identify and prioritize capital works, increase efficiency in capital coordination and delivery while supporting growth and development, and continue to monitor capacity to deliver.
- Additional reviews are on-going with other applicable divisions to assess capital delivery models for existing projects and programs to ensure they are still effective to advance capital delivery.
- In 2024, a new Strategic Capital Coordination Office (SCCO) was established within the office of the Deputy City Manager, Infrastructure Services. The creation of this office will strengthen and expand current coordination activities supporting Toronto Water's five-year capital works program, as well as expanding coordination activities to support the coordination of longer-term projects in the 5 to 10-year plans. These enhancements to the coordination process are critical to ensure that projects are effectively planned and scheduled, thereby increasing reliability of project delivery.
- As noted above, Toronto Water has completed a detailed review of project readiness and capacity to deliver across the 10-year plan, with a focus on realigning project cashflows to better align with current capital delivery trends and timelines. These reviews, and corresponding cashflow adjustments, will ensure that capital expenditure targets consider delivery risks and fluctuations in project spending during project start up and completion phases.
- In addition, on November 12 and 13, City Council adopted recommendations from the Stormwater and Wastewater Contract Management audit that include minimizing project delays through active monitoring, analyzing, and documenting the root causes and trends of delays. Understanding root causes and trends related to delays will further support improvements to capital delivery.

Delivery Assumptions

- 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 and Water, Sanitary and Stormwater Management Development Charge Reserves during 2026 - 2028 period, followed by 85% in 2029 and forward, based on the anticipated capital completion level for the Program, so as not to overstate actual projected funding requirements.
- In addition, staff will seek City Council authority for the General Manager, Toronto Water, in consultation with the Chief Financial Officer and Treasurer, to accelerate necessary cash flows funding included in the 2026-2035 Capital Budget and Plan, as operationally required to enable project delivery and implementation, consistent with direction communicated in the 2026 Mayor's Proposed Budget for Toronto Water through the 2026 Budget process.

Appendix 7

Summary of Capital Delivery Constraints

- Toronto Water has not identified any unmet needs over the 10-year planning horizon.
- Due to financial pressures and increasing capital project costs resulting from local and global economic circumstances, Toronto Water has undertaken a prioritization of works across the 10-year plan, with a focus on allocating funding to address the highest priority infrastructure needs and aligning project cashflows with capacity and readiness to deliver.
- The 2026-2035 Capital Budget and Plan allocates funding to support Toronto Water's emergency response to the premature failure of water meter transmission units across the City of Toronto. Toronto Water continues to assess the strategy for long term sustainment of water meters and water meter transmission units. Subject to Council direction regarding next steps, additional funding may be incorporated into future budget submissions to address this on-going issue.
- Based on proposed annual rate increases of 3.75% and 2026-2035 Capital Budget and Plan, Toronto Water is forecasting that reserve balances will drop to less than 2% of the value of Toronto Water's Capital Investment over the next 10 years. This will provide Toronto Water with limited capacity to respond to fluctuations in market pricing or to address unplanned or emerging infrastructure needs.

Appendix 8

Inflows and Outflows to/from Reserves and Reserve Funds

2026 Operating Budget

Corporate Reserve / Reserve Funds

Reserve Account (in $000s)	Reserve / Reserve Fund Name	Inflow/Outflow/Balance	2026	2027	2028
XQ1012	Vehicle Replacement Reserve	**Opening Balance**	**16,927.6**	**15,288.0**	**4,401.4**
		*Contributions (+)			
		- Contribution	5,789.3	5,789.3	12,789.3
		Total Contributions	**5,789.3**	**5,789.3**	**12,789.3**
		Withdrawals (-)			
		Operating Budget	(7,428.9)	(16,675.9)	(12,505.7)
		Sub-Total Operating Withdrawals	(7,428.9)	(16,675.9)	(12,505.7)
		Capital Budget and Plan			
		Sub-Total Capital Budget and Plan Withdrawals			
		Total Withdrawals	**(7,428.9)**	**(16,675.9)**	**(12,505.7)**
		Closing Balance	**15,288.0**	**4,401.4**	**4,685.0**

Appendix 8, (continued)

Inflows and Outflows to/from Reserves and Reserve Funds

2026 – 2035 Capital Budget and Plan

Program Specific Reserve / Reserve Funds

Reserve Account ($Million)	Reserve / Reserve Fund Name	Inflow/Outflow/Balance	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Total
XR6003 & XR6004	Water & Wastewater Capital Reserves	**Opening Balance**	**1,885.1**	**2,139.2**	**2,045.2**	**1,729.4**	**1,305.0**	**987.1**	**719.5**	**481.8**	**324.0**	**294.1**	
		***Contributions (+)**											
		- From Operations	1,111.7	1,139.5	1,166.4	1,201.3	1,254.0	1,298.9	1,345.4	1,393.4	1,443.1	1,494.5	12,848.2
		Total Contributions	**1,111.7**	**1,139.5**	**1,166.4**	**1,201.3**	**1,254.0**	**1,298.9**	**1,345.4**	**1,393.4**	**1,443.1**	**1,494.5**	**12,848.2**
		***Withdrawals (-)**											
		Operating Budget											
		Other Program/Agency Net Withdrawals	(10.7)	(1.8)	(0.4)	-	(2.0)	(2.0)	(2.0)	(2.4)	(3.4)	(3.3)	(28.1)
		Sub-Total Operating Withdrawals	(10.7)	(1.8)	(0.4)	-	(2.0)	(2.0)	(2.0)	(2.4)	(3.4)	(3.3)	(28.1)
		Capital Budget and Plan											
		- Toronto Water Capital Program	(866.9)	(1,252.4)	(1,500.6)	(1,640.8)	(1,581.4)	(1,572.9)	(1,587.0)	(1,552.8)	(1,472.7)	(1,423.0)	(14,450.6)
		Sub-Total Capital Budget and Plan Withdrawals	(866.9)	(1,252.4)	(1,500.6)	(1,640.8)	(1,581.4)	(1,572.9)	(1,587.0)	(1,552.8)	(1,472.7)	(1,423.0)	
		Total Withdrawals	**(877.6)**	**(1,254.3)**	**(1,501.0)**	**(1,640.8)**	**(1,583.4)**	**(1,574.9)**	**(1,589.0)**	**(1,555.2)**	**(1,476.1)**	**(1,426.3)**	**(14,478.7)**
		Interest Income	20.0	20.8	18.8	15.1	11.4	8.5	6.0	4.0	3.1	3.3	111.0
		Closing Balance	**2,139.2**	**2,045.2**	**1,729.4**	**1,305.0**	**987.1**	**719.5**	**481.8**	**324.0**	**294.1**	**365.5**	

* Based on the most recent estimates

Appendix 9

Glossary

Approved Position: Permanent or temporary positions that support the delivery of City services and service levels in annual budget.

Actuals: An actual financial amount paid (or received) for the delivery of City services (these exclude any commitments to be paid in the future).

Capacity to Deliver: Ability to deliver projects as demonstrated by historic spending patterns and approved contractual obligations.

Capital Budget and Plan: A Capital Budget and Plan is the City's 10-year strategy to acquire/build assets or extend the useful lives of existing assets. The Capital Budget is the first year of approved cash flows and future year's commitments and the remaining nine years include project estimates.

Capital Delivery Constraints: The capital needs that cannot be accommodated within the capital plan that the Division or Agency has the capacity to deliver.

Complement: Positions that support the delivery of City services and service levels as approved by Council.

Efficiencies: Reductions in the cost of delivering a service without a reduction in service level.

New / Enhanced Service Priorities: New and enhanced service changes resulting in an increase in service levels from what was previously approved by Council.

Operating Budget: An Operating Budget is the City's annual plan to provide services to the residents of Toronto; the budget includes all revenues and expenses needed to provide services.

Operating Impact of Completed Capital Projects: The Operating Budget Impact of Capital is the change in operating expenditure and / or revenue, which is projected to occur during the implementation of a capital project and / or when a capital project is completed. These changes should be documented on a Business Case Form in the appropriate category.

Rate Supported Budget: Budget fully funded by user fees such as Solid Waste, Toronto Water and Toronto Parking Authority.

Salary and Benefits Adjustment: General increases related to contractual obligations, such as cost of living, step increases, -pay for performance and progression pay.

State of Good Repair (SOGR): The cost of maintaining assets to ensure that they can support the delivery of City - services and meet service outcomes.

Tax Supported Budget: Budget funded by property taxes.

User Fees: Includes all program-generated fees and rental revenue for the use of its services (such as the TTC fare, ice rental fees and various City permits).