TORONTO

REPORT FOR ACTION

2027 Tax and Rate Supported Interim Operating Spending Authorities and 2027 Interim Rates and Fees for Solid Waste Management Services and Water and Wastewater Consumption

Date: November 17, 2026
To: Executive Committee
From: Chief Financial Officer and Treasurer, General Manager, Toronto Water and General Manager, Solid Waste Management Services
Wards: All

SUMMARY

This report recommends the adoption of interim operating spending authorities, as well as interim rate and fee increases for Toronto Water and Solid Waste Management Services, effective January 1, 2027, pending City Council's consideration of the 2027 Tax and Rate Supported Operating and Capital Budgets. These interim measures will ensure the continuity of City operations, maintain current service levels, meet existing contractual commitments, and provide sufficient funding to support ongoing operating requirements until the 2027 Budgets are adopted in February 2027.

The recommended interim operating spending authorities for all the tax- and rate-supported City Divisions and Agencies total $5.711 billion, representing 35% of the 2026 Gross Budget for the City Operations and 35% of the 2026 Net Budget for City Agencies. No funding for new or enhanced services is included within the interim authorities.

To support the City's rate-supported programs during the interim period, this report also recommends:

- An interim 3.75% increase to Toronto Water's Block 1 and flat-rate water and wastewater consumption rates and a 1.25% increase to the Block 2 industrial rate, together with inflationary and cost recovery adjustments to certain existing water and wastewater service fees to reflect the cost of delivering these services.

- An interim 3.75% increase to Solid Waste Management Services rates and fees across all customer groups.

The recommended interim rates and fees may be amended by City Council through the 2027 Budget process.

This report also provides additional information on water consumption, as well as further details on the recommended interim 2027 water and wastewater consumption rates and service fees.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer, the General Manager, Toronto Water and the General Manager, Solid Waste Management Services recommend that:

1. City Council adopt the 2027 Tax and Rate Supported Interim Operating Spending Authorities totalling $5.711 billion as detailed by City Division and Agency in Appendix 1 attached.

2. City Council adopt:

a. Effective January 1, 2027, an interim 3.75% rate increase to the combined water and wastewater consumption rates (paid on or before the due date) charged to Block 1 metered consumers; and an interim 1.25% rate increase to the combined water and wastewater consumption rates (paid on or before the due date) charged to Block 2 metered consumers as shown below and in Appendix 2 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")	5.0452	5.3107
Block 2 - Industrial process – use water consumption over 5,000 cubic metres per year, representing a 33.3% reduction from the Block 1 Rate ("Block 2 rate")	3.3634	3.5404

b. Effective January 1, 2027, 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 2 attached to this report;

c. Effective January 1, 2027, the water and wastewater interim service fees, as set out in Appendix 3 attached to this report;

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

a. Effective January 1, 2027, the interim water rebate for eligible low-income seniors and low-income disabled persons be set at a rate of $1.5136 per cubic metre, representing a 30% reduction from the Block 1 rate (paid on or before the due date);

4. City Council request the General Manager, Toronto Water, to report back to Executive Committee in 2027 with recommendations for water and wastewater service user fee changes reflecting full cost recovery.

5. City Council adopt, effective January 1, 2027, the interim Solid Waste Management Services Rates and Fees as summarized by customer group in Appendix 7 and detailed in Solid Waste Management Services Municipal Code Chapter 441 – Fees and Charges in Appendix 8.

6. City Council authorize that the necessary amendments be made to the Municipal Code Chapter 441 – Fees and Charges, and any other necessary Municipal Code Chapters as may be required to give effect to City Council's decision.

7. 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, the General Manager Toronto Water and the General Manager Solid Waste Management Services.

8. City Council direct that all the interim rates, fees and charges set out in Appendix 2, 3, and 7 to this report, adopted by Council in the Recommendations above, continue in full force and effect until such time as they are amended or repealed by City Council.

FINANCIAL IMPACT

Interim Operating Spending Authorities

The proposed 2027 Tax and Rate Supported Interim Operating Spending Authorities total $5.7 billion, representing approximately 35% of the 2026 gross budget for City Operations and 35% of the 2026 net budget for City Agencies. Funding requirements for each City Division and Agency are detailed in Appendix 1. Table 1 below outlines the impact at service area level:

Table 1: 2027 Tax and Rate Supported Interim Operating Spending Authorities

Service Areas ($ Million)	2027 Interim Spending Authorities
Community and Emergency Services	865
Community Development and Social Services	1,227
Infrastructure Services	228
Development and Growth Services	342
Corporate Services	233
Finance and Treasury Services	40
City Manager	99
Other City Programs	77
Accountability Offices	6
Total City Operation	**3,117**
Agencies	1,241
Corporate Accounts	630
Rate Supported	723
TOTAL	**5,711**

Toronto Water

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, effective January 1, 2027, an interim increase to water and wastewater consumption rates of 3.75% for Block 1 consumers and 1.25% for Block 2 industrial process-use consumers, in advance of the 2027 Budget Process.

In December 2025, City Council implemented a phased approach to increasing the discount for Block 2 industrial consumers from 30% to 35% relative to the Block 1 rate. Under this approach, one-third of the Block 1 rate increase is applied annually to Block 2 consumers starting in 2026 until the target 35% discount is achieved (2025.EX28.9).

As shown in Table 2, the recommended interim rate increase of 3.75% would have an impact of $42 per year for the average home consuming 230 cubic metres a year billed at the Block 1 Rate (from $1,118 in 2026 to $1,160 in 2027). The net impact of the 3.75% increase on a commercial consumer at the Block 1 rate with an annual consumption of 100,000 cubic metres would be $18,230. The same level of consumption for eligible industrial process-use consumers, charged at the Block 2 rate, would be a $4,854 net impact, reflecting a 1.25% increase and a 33.3% discount applied to the Block 2 rate.

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 $42,204.

Table 2: Impact of recommended interim water rates effective January 1, 2027

Type of Property	**Consumption**	**2026 Cost**	**2027 Projected Cost**	**2027 Rate Increase Impact**	
	m^3/y	$/y	$/y	$/y	%
Residential	230	$1,118	$1,160	$42	3.75%
Commercial	100,000	$486,290	$504,520	$18,230	3.75%
Industrial	100,000	$339,895	$344,749	$4,854	1.43%
Large Industrial	1,000,000	$3,329,605	$3,371,809	$42,204	1.27%

Subject to City Council approval, the proposed interim water and wastewater consumption rate increases of 3.75% for Block 1 and 1.25% for Block 2 are expected to generate approximately $56.5 million in additional revenue in 2027 to support Toronto Water's operating and capital program needs.

Toronto Water also provides water and wastewater services directly to customers for which it charges a fee generally based on cost recovery. The recommended interim increases to certain water and wastewater service fees are set out in Appendix 5 and are based on projected 2027 inflationary increases for services costs such as costs of labour, energy, utilities and materials involved in providing the related services by Toronto Water and Revenue Services. These proposed service fee increases are set at 3.94% and are in accordance with the City's User Fee Policy.

The proposed 2027 interim increases to water and wastewater service fees, if approved by City Council, are expected to generate additional revenue of approximately $2.5 million, which is intended to offset the cost increases associated with delivering these services.

Solid Waste Management Services

The proposed 2027 interim rate increase of 3.75%, if approved by City Council, is anticipated to generate approximately $14.7 million in additional revenue for Solid Waste Management Services (SWMS) to support operations and current and future capital projects as well as waste reduction and diversion initiatives.

While the impact of the proposed 3.75% rate increase will vary by customer depending on property type and bin size, for a residential property with a medium-size bin, the 3.75% rate increase will reflect added costs of $14.50 for the year.

In addition to changes to the annual Utility Fees noted in this report, the costs of assuming the Street Litter Bin Program upon expiry of the current Astral Media Street Furniture Agreement on August 31, 2027, will be included in the 2027 budget submission for SWMS. City Council will consider the program's operational plan at its December 8-9, 2026, meeting, and a funding strategy will be identified and submitted for consideration as part of the 2027 Budget process.

Council's consideration of the 2027 Budget may result in amendments to the interim rates, fees, and spending authorities recommended in this report.

DECISION HISTORY

The City of Toronto Act, 2006 requires that the City annually adopt a budget including estimates of all sums required during the year for the purpose of continuing its business. The City's Financial Control By-Law specifies that the Council must adopt an interim operating budget prior to the 1st day of January of the year in which the operating budget will be adopted.

At its meeting on February 10, 2026, City Council adopted as final the interim 2026 water and wastewater consumption rates and service fees and also approved the Solid Waste Management Services interim rates and fees effective January 1, 2026. Further details are provided in the Budget Implementation Including Property Tax Rates, User Fees and Related Matters report, available at Item 2026.CC38.1.

COMMENTS

2027 Interim Spending Authorities

The Interim Spending Authorities grant funding to maintain ongoing, existing operations and do not include funds for any new or enhanced services. The Interim Spending Authorities are approximately thirty-five (35) percent of the 2026 annual gross expenditure budget for City Operations and Corporate Expenditures overall and approximately thirty-five (35) percent of the annual net budget for Agencies, including year-to-date in-year adjustments at the time of this report and adjusted for seasonality.

Many Agencies are only partially funded by the City, as they are able to cover a portion of their expenditures through other revenue sources.

2027 Interim Rates and Fees for Water and Wastewater Consumption and Solid Waste Management Services

Issues Background

Following amendments to the City of Toronto Act, 2006, the Mayor is required to present the City's annual Operating and Capital Budgets to City Council no later than February 1.

To ensure that updated rates and fees are in effect on January 1, 2027, staff are recommending the adoption of proposed 2027 interim water and wastewater consumption rates, water and wastewater service fees, as well as interim SWMS rates and service fees, in advance of Council's consideration of the 2027 Tax and Rate Supported Operating and Capital Budgets in February 2027.

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

Toronto Water

Financial Model

The financial model used to forecast water and wastewater rates, as well as service fees, 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 water rates and other revenues within the Toronto Water operating budget at levels sufficient to ensure that adequate capital reserve balances are maintained to support 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, such as water consumption below projected levels.

The financial model assumes that 85% of the net Capital Budget (after grants, subsidies and other capital contributions) will be drawn from Toronto Water's Capital Reserve during the 10-year planning period, starting in 2027, based on their anticipated capital spending and delivery levels, so as not to overstate projected funding requirements.

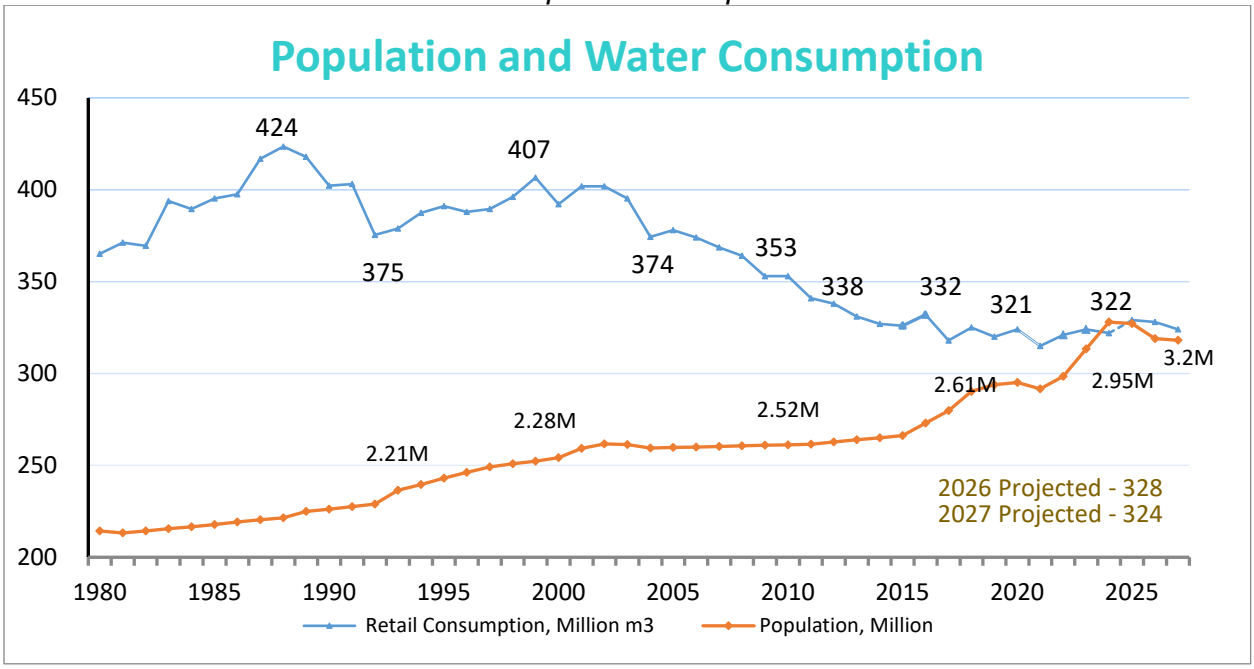
Water Consumption Forecast

Over the past decade, despite population growth through 2024, Toronto has experienced an overall decline in water consumption. At the same time, significant year-to-year fluctuations in consumption have been observed over the last 7 years, as illustrated in Charts 1 and 2.

Weather conditions have a notable impact on water usage, with hot, dry summers typically increasing consumption, as seen in 2020, 2022, 2024, and 2025. Conversely, cooler and wetter spring and summer seasons can lead to lower consumption levels, as observed in 2021 and 2023.

Water consumption in 2020 and 2021 was also affected by the COVID-19 pandemic, resulting in lower-than-normal winter consumption due primarily to business closures and reduced commercial activity. As shown in Chart 3, water consumption in 2022 increased significantly compared to previous years, reflecting the reopening of businesses and relatively dry summer conditions.

Chart 1: Toronto Billed Water Consumption and Population



Winter consumption, measured from October to April, is generally unaffected by outdoor water use that typically occurs during the summer months. As a result, it provides a reliable indicator of underlying baseline consumption trends within the City. Winter consumption increased in 2023 and 2024; however, this trend moderated in 2025 and 2026, with consumption remaining relatively flat and slightly lower than the previous two years.

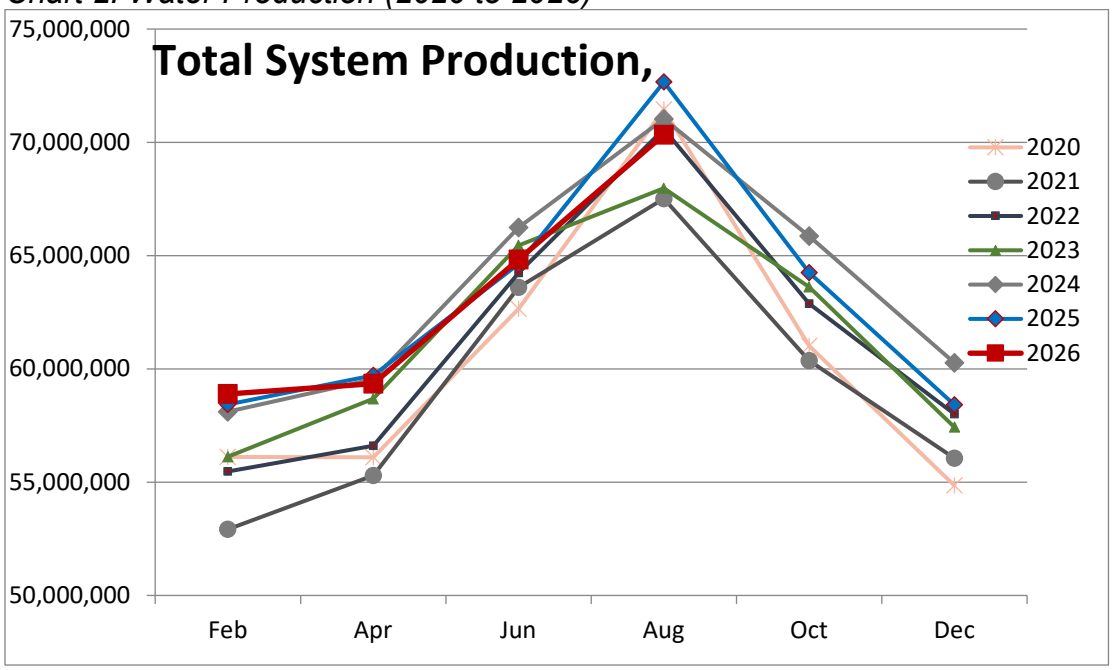
While the above analysis is based on gross water production data, actual billed consumption has been affected by the premature failure of water meter transmission units (MTUs) (2025.IE21.2). Although summer consumption in 2026 was lower than in

the preceding two years, the year-end consumption projection of 328 million cubic metres reflects higher than usual billed consumption recorded earlier in the year.

The predictability of water consumption and corresponding water revenue will continue to present challenges until the city-wide replacement of MTUs is fully implemented and completed.

Based on the current data and analysis, water consumption is conservatively projected to decline by 0.25% annually over the 10-year planning period. These projections will be closely monitored and updated, as necessary, during future budget cycles.

Chart 2: Water Production (2020 to 2026)



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.

In December 2025, City Council adopted a phased approach to increasing the discount for Block 2 industrial consumers from 30% to 35% relative to the Block 1 rate. Under this approach, one-third of the Block 1 rate increase will be applied annually to Block 2 consumers starting in 2026 until the target 35% discount is achieved (2025.EX28.9).

There were 126 industrial accounts at the discounted (31.7%) Block 2 rate in 2026.

Flat-rate Accounts

In 2010, the City started implementation of a citywide 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 2026, there were 166 remaining flat-rate accounts compared to 72,000 flat-rate accounts in 2007.

The accounts that have refused the installation of an automated water meter have been subject to a flat-rate legacy fee since July 2014, which is recommended to be increased by 3.75% to $1,562 in 2027, consistent with the 3.75% increase for 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 a 30% reduction from the Block 1 rate (based on the paid on or before the due date rate). The rebate is only applicable if the household's annual consumption is less than 400 cubic metres per year.

As of October 2026, the City processed 8,182 low-income water rebate applications, representing a total rebate amount of approximately $2.0 million for the 2025 taxation year.

For further information, comparison of water rates in GTHA Municipalities is detailed in Appendix 6.

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 5 attached to this report.

All Block 1 rate-related user fees are subject to the recommended interim 3.75% rate increase, effective January 1, 2027.

In compliance with the City’s full cost recovery policy, certain water and wastewater service fees are recommended for increase effective January 1, 2027, in order to recover the increased cost of the services provided. Most user fees are recommended to be increased by the 2027 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.

Certain water and wastewater service fees are currently being reviewed to ensure that fees for services and products provided on a cost-recovery basis accurately reflect current service delivery and contract prices, in accordance with the City’s user fee full cost recovery policy. Toronto Water will report to the Executive Committee in 2027 with any recommended fee adjustments resulting from this review, in advance of the 2028 budget process.

Recommended Interim Increases to Existing Water Service Fees

Twenty four (24) water service fees (Reference Numbers:1, 2, 5, 11, 12, 13, 15, 15.1, 17, 21, 25, 32, 33, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44 and 45 in the attached Appendix 3 – 2027 Interim Water Services Fees) are recommended to be increased by 3.94% in 2027, intended to reflect the market conditions and current costs of labour, energy, utilities and materials involved in providing those services by Toronto Water.

Appendix 4 summarizes the proposed changes, comparing the 2026 water services fees and the recommended interim 2027 fees, as well as the percentage increase and the rationale for the increase.

Recommended Interim Increases to Existing Wastewater Services Fees

For 2027, inflationary increases of 3.94% are recommended for 17 wastewater service fees (Reference Numbers: 4, 5, 6, 15, 16, 17, 18, 19, 20, 24 and 27-33 in the attached Appendix 3 – Interim 2027 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 also recommended for a 3.75% rate increase, effective January 1, 2027.

Appendix 5 summarizes the proposed changes, comparing the 2026 wastewater services fees and the recommended interim 2027 fees, as well as the percentage increase and the rationale for the increase.

Solid Waste Management Services

Solid Waste Management Services is a utility-funded program that recovers program costs from a combination of user fees, rates and other charges.

This report recommends an interim 3.75% increase in SWMS rates and fees (shown in Table 3 below by customer grouping), effective January 1, 2027. The recommended increase will allow SWMS to maintain current service levels and address current capital needs.

Table 3: Interim Solid Waste Management Services Rates and Fees effective January 1, 2027

Customer Group	Interim Rate/Fee Increase	Comments
Multi-Residential	3.75%	Maintain service levels and fund Capital Program
Single Family and Residential Units Above Commercial (RUAC)	3.75%	Maintain service levels and fund Capital Program
Bag Tags, Bin Purchase	3.75%	Maintain service levels and fund Capital Program
Commercial, Divisions, Agencies and Corp., Schools	3.75%	Maintain service levels and fund Capital Program

In addition to supporting current operating and capital needs, the interim 3.75% rate increase is recommended to maintain the contribution to the Waste Management Reserve fund and a zero-percent state-of-good-repair backlog, and to finance future capital investments including the development of increased organics processing capacity, long-term residual waste (garbage) disposal options, and the Dufferin Waste Facility Site Improvement project.

SWMS will continue to assess projected annual rates and future increases on an annual basis to ensure that service levels and funding for the 10-year Capital Budget and Plan are able to be sustained.

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ATTACHMENTS

Appendix 1 - 2027 Interim Operating Spending Authorities
Appendix 2 - 2027 Interim Water and Wastewater Consumption Rates
Appendix 3 - 2027 Interim Water and Wastewater Fees
Appendix 4 - Interim Water Service Fees recommended for increase in 2027
Appendix 5 - Interim Wastewater Service Fees recommended for increase in 2027
Appendix 6 - Comparison of Water Rates in GTHA Municipalities
Appendix 7 - Recommended 2027 Interim Solid Waste Management Services Rates and Fees by Customer Group
Appendix 8 - Solid Waste Management Services, Municipal Code Chapter 441, Fees, and Charges