



# Toronto 2016 BUDGET

## OPERATING PROGRAM SUMMARY



## Toronto Water

### 2016 OPERATING BUDGET OVERVIEW

Toronto Water delivers water treatment and distribution, and wastewater collection and treatment services on demand to 3.4 million residents and businesses in Toronto, and portions of York and Peel.

#### 2016 Budget Highlights

The total cost to deliver these services to Toronto residents for 2016 is \$439.489 million as shown below.

(in \$000's)	2015		Change	
	Approved	2016 Budget	\$	%
Gross Expenditures	438,449.6	439,488.8	1,039.3	0.2%
Revenue Excluding Sale of Water	54,728.2	55,034.1	305.9	0.6%
Net Expenditure	383,721.4	384,454.7	733.3	0.2%
Sale of Water/Wastewater Surcharge	1,003,796.8	1,080,266.5	76,469.6	7.6%
Sale of Water Revenue - Region of York	22,610.0	23,178.0	568.0	2.5%
Total Sale of Water Revenue	1,026,406.8	1,103,444.5	77,037.6	7.5%
<b>Capital Contribution</b>	<b>642,685.5</b>	<b>718,989.8</b>	<b>76,304.3</b>	<b>11.9%</b>

Through operational efficiencies, Toronto Water was able to partially offset initial gross pressures of \$16.174 million to \$0.733 million net, reflecting a 0.2% net increase prior to increased sale of water revenues arising from the 8% water rate increase effective January 1, 2016.

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### Fast Facts

- Treatment, transmission, storage, and distribution of over 1 billion litres of potable water daily is delivered to all industrial, commercial, institutional, and household water users in the City of Toronto, amounting to over 470,000 connections.
- Over 1.5 billion litres of wastewater is collected and treated per day, from residents and businesses in Toronto and a portion of Peel Region.
- City wide stormwater management in order to protect private property and the environment.

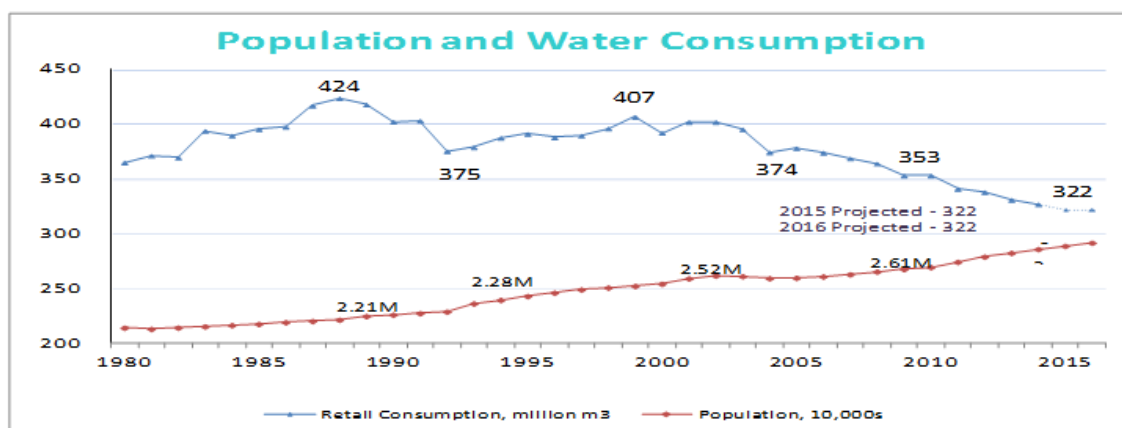
### Trends

- Base water consumption (October to April) has declined by 1.5% annually on average over the last 10 years. 2015 projected consumption of 322 million cubic meters is approximately 13% lower than the 374 million cubic meters consumed in 2005.
- Lower water consumption despite increasing population combined with aging infrastructure has placed particular demand on TW's infrastructure services.
- To address capital infrastructure needs water rates are recommended to increase by 8% with virtually all the increased revenue to fund capital infrastructure that support service delivery.

### Our Service Deliverables for 2016

The 2016 Operating Budget will:

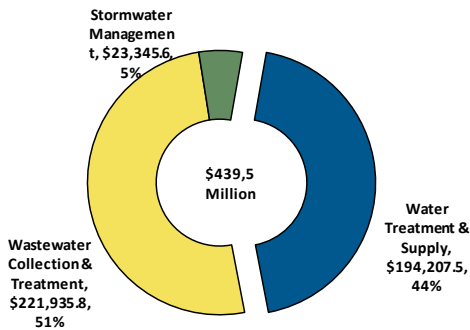
- Ensure delivery of water and wastewater services for 3.4 million residents and business in Toronto. Toronto Water manages one of the largest waste and wastewater systems in North America, providing services 24 hours a day, seven days a week.
- Provide treatment and supply of 437 billion litres of water (includes York Region);
- Continue to collection and treatment of 415 billion litres of wastewater;
- Continue maintenance and repair of 6,000 km of watermain, 4,100 km of sanitary sewers, 5,000 km of storm sewers, and 1,400 km of combined sewers;
- Replace 5,000 sub-standard water services;
- Repair 1,600 broken watermain; and
- Provide Environmental Monitoring and Protection including on-going public consultations and awareness programs.



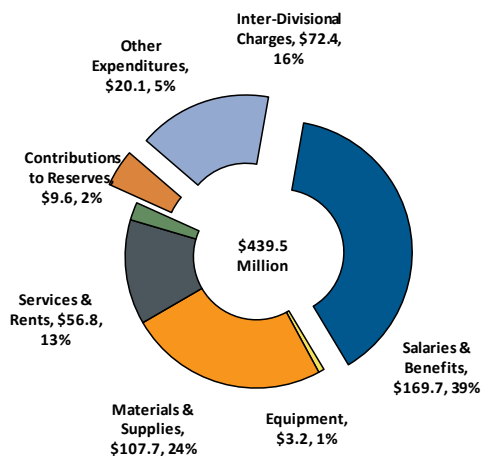
## 2016 Operating Budget Expenses & Funding

### Where the money goes:

#### 2016 Budget by Service

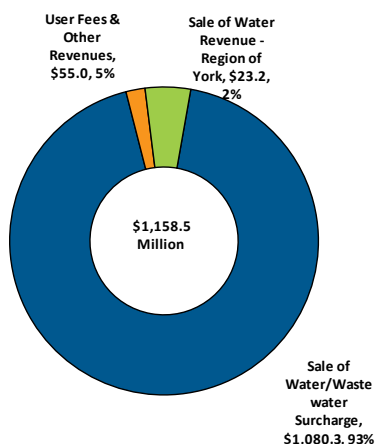


#### 2016 Budget by Expenditure Category



### Where the money comes from:

#### 2016 Budget by Funding Source



## Our Key Issues & Priority Actions

- **Declining water consumption** resulting in lower revenues from water rates needed to support capital requirements.
  - ✓ The 2016 Operating Budget is predicated on a water rate increase of 8% effective January 1, 2016.
  - ✓ In addition, a report entitled "Funding Options for Paying for the Toronto Water Capital Program" was considered and approved concurrently to aid in developing a financing strategy to support Toronto Water's stormwater management projects.
- **Maintaining Stable Operating Costs** from legislative requirements and compliance with Provincial and Federal regulations, inflationary factors and operating impacts of completed capital projects.
  - ✓ A combination of efficiencies found through ongoing optimization at treatment plants and pumping stations to minimize energy costs, while meeting required legislative standards has assisted in offsetting most of the 2016 operating budget pressures.

## 2016 Operating Budget Highlights

The 2016 Operating Budget of \$439.489 million gross will enable Toronto Water to:

- Treat and supply 437 billion litres of water and collect and treat 415 billion litres of wastewater;
- Maintain and repair 6,000 km of watermain, 4,100 km of sanitary sewers, 5,000 km of storm sewers, and 1,400 km of combined sewers;
- Repair 1,600 broken watermain;
- Enhance emergency preparedness and extreme weather planning.

## Council Approved Budget

Council approved the following recommendations:

1. City Council approve the 2016 Operating Budget for Toronto Water of \$439.489 million gross, and \$718.990 million net in capital-from-current contribution for the following services:

	Gross	Net
<u>Service:</u>	<u>(\$000s)</u>	<u>(\$000s)</u>
Water Treatment & Supply:	194,207.5	317,985.8
Wastewater Collection & Treatment:	221,935.8	420,795.2
Stormwater Management:	23,345.6	(19,791.3)
Total Program Budget	<u>439,488.8</u>	<u>718,989.8</u>

2. City Council approve the 2016 service levels for Toronto Water as outlined on pages 16, 19 and 22 of this report, and associated staff complement of 1,756.65 positions.

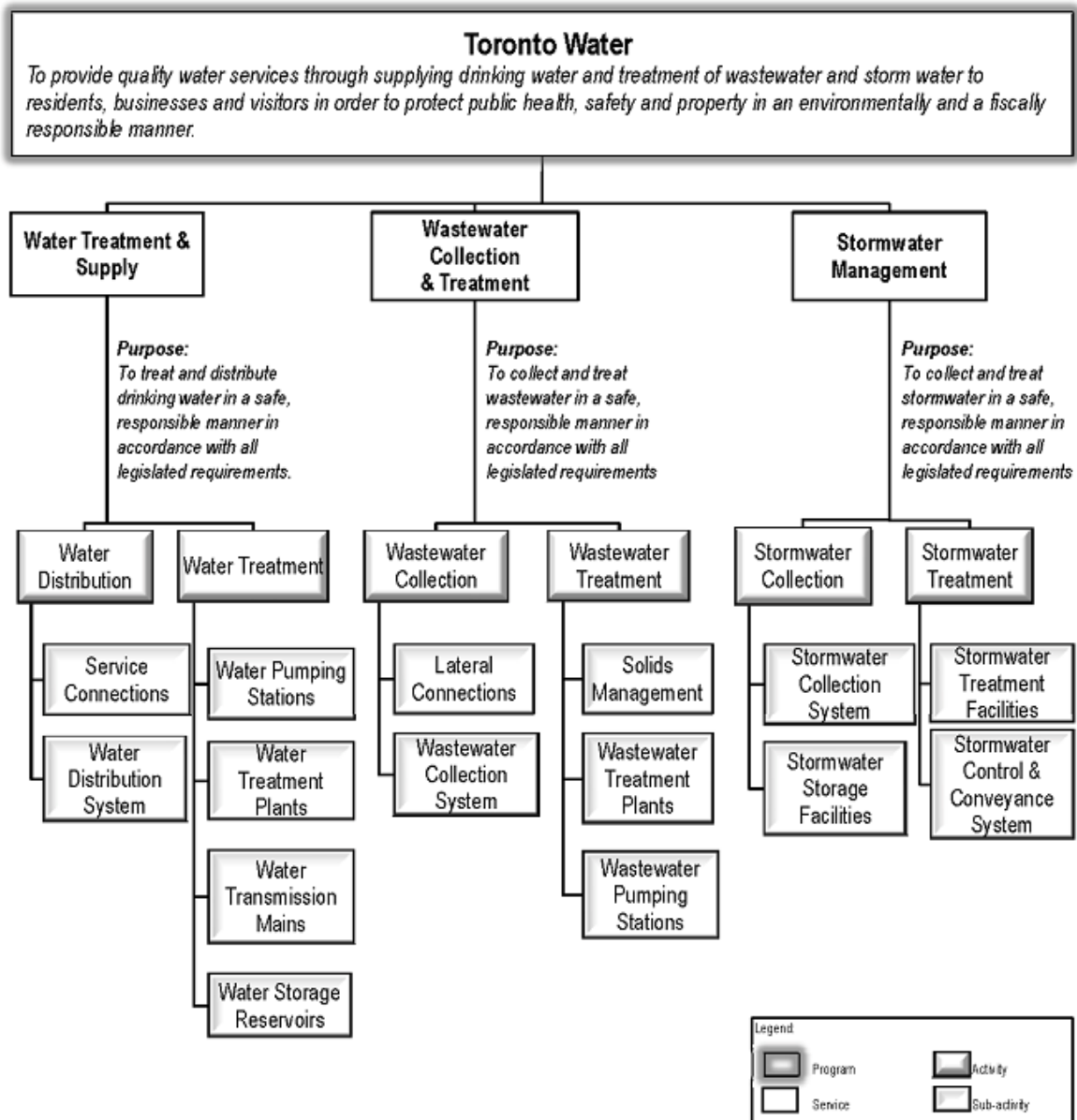


## **Part I:**

2016 – 2018

Service Overview and  
Plan

## Program Map



Service Customer

### Water Treatment & Supply

- Water account holders
- Water consumers

### Wastewater Collection & Treatment

- Wastewater account holders
- Wastewater producers
- Public and private landowners

### Stormwater Management

- Public and private landowners

**Table 1**  
**2016 Operating Budget and Plan by Service**

(In \$000s)	2015		2016 Operating Budget			2016 vs. 2015		Incremental Change 2017 and 2018 Plan			
	Approved Budget	Projected Actual	2016 Base	2016 New/Enhanced	2016 Budget	Budget Approved Changes		2017		2018	
	\$	\$	\$	\$	\$	\$	%	\$	%	\$	%
<b>By Service</b>											
<b>Water Treatment &amp; Supply</b>											
Gross Expenditures	196,737.2	193,187.5	194,207.5		194,207.5	(2,529.7)	(1.3%)	8,070.4	4.2%	6,093.4	3.0%
Revenue	517,407.8	509,161.4	512,193.2		512,193.2	(5,214.6)	(1.0%)				
<b>Capital Contribution</b>	<b>320,670.6</b>	<b>315,973.9</b>	<b>317,985.8</b>	<b>-</b>	<b>317,985.8</b>	<b>2,684.8</b>	<b>0.8%</b>	<b>(8,070.4)</b>	<b>(2.5%)</b>	<b>(6,093.4)</b>	<b>(2.0%)</b>
<b>Wastewater Collection &amp; Treatment</b>											
Gross Expenditures	218,439.9	214,630.8	221,935.8		221,935.8	3,495.9	1.6%	7,722.5	3.5%	5,492.1	2.4%
Revenue	560,245.5	551,294.0	642,731.0		642,731.0	82,485.5	14.7%				
<b>Capital Contribution</b>	<b>341,805.6</b>	<b>336,663.3</b>	<b>420,795.2</b>	<b>-</b>	<b>420,795.2</b>	<b>(78,989.6)</b>	<b>(23.1%)</b>	<b>(7,722.5)</b>	<b>(1.8%)</b>	<b>(5,492.1)</b>	<b>(1.3%)</b>
<b>Stormwater Management</b>											
Gross Expenditures	23,272.5	22,985.5	23,345.6		23,345.6	73.1	0.3%	1,126.8	4.8%	599.1	2.4%
Revenue	3,481.7	3,481.7	3,554.4		3,554.4	72.6	2.1%				
<b>Capital Contribution</b>	<b>(19,790.8)</b>	<b>(19,503.8)</b>	<b>(19,791.3)</b>	<b>-</b>	<b>(19,791.3)</b>	<b>0.5</b>	<b>(0.0%)</b>	<b>(1,126.8)</b>	<b>5.7%</b>	<b>(599.1)</b>	<b>2.9%</b>
<b>Total</b>											
Gross Expenditures	438,449.6	430,803.8	439,488.8	-	439,488.8	1,039.3	0.2%	16,919.8	3.8%	12,184.6	2.7%
Revenue	1,081,135.0	1,063,937.2	1,158,478.6	-	1,158,478.6	77,343.6	7.2%			-	
<b>Total Capital Contribution</b>	<b>642,685.5</b>	<b>633,133.4</b>	<b>718,989.8</b>	<b>-</b>	<b>718,989.8</b>	<b>(76,304.3)</b>	<b>(11.9%)</b>	<b>(16,919.8)</b>	<b>(2.4%)</b>	<b>(12,184.6)</b>	<b>(1.7%)</b>

The 2016 Operating Budget for Toronto Water is \$439.489 million gross and \$1.158 billion in revenue, resulting in a \$718.990 million capital-from-current contribution. It reflects an increase of \$1.039 million or 0.2% over the 2016 Approved Budget gross expenditures of \$438.449 million and an increase of \$77.343 million or 7.2% over the 2015 Approved Capital Contribution Budget of \$642.686 million due to the following:

- Base pressures, which are experienced by all three services consistently, are mostly attributable to inflationary increases for materials, supplies and contracted services (\$6.180 million); and additional interdepartmental service requirements (\$5.270 million).
- Additional costs for materials, supplies and contracted services (\$2.800 million) are required to deliver *Wastewater Collection and Treatment* services. These costs result from legislative and other effluent process control requirements, as well as completed capital projects.
- These pressures were partially offset by savings from annualized impact of previous year approvals including backflow prevention program revenues (\$0.531 million), reversal of one-time additional costs for extreme weather related work (\$6.586 million), review of salaries and benefits (\$0.222 million), and water and waste water productions costs (\$0.286 million) based on actual experience, which are applied uniformly across all services.
- In addition, service reduction options totaling \$7.953 million, consisting mostly of base expenditure changes including savings from Automated Meter Reader project (\$0.313 million), lower cost of chemicals (\$1.020 million), and contracted services (\$4.5 million), were used to reduce initial base pressures for 2016.
- The 2017 and 2018 Plans for all services reflect the inflationary cost increases for progression pay, step and fringe benefits, anticipated inflationary cost increases for materials and supplies for water treatment plants.
- Approval of the 2016 Operating Budget resulted in a deletion of 5 positions, reducing the Program's total staff complement from 1,761.65 positions to 1,756.65 positions.



**Table 2**  
**Key Cost Drivers**

(In \$000s)	2016 Operating Budget						2016 Base Budget	
	Water Treatment & Supply		Wastewater Collection & Treatment		Stormwater Management		Total	
	\$	Position	\$	Position	\$	Position	\$	Position
<b>Gross Expenditure Changes</b>								
<b>Prior Year Impacts</b>								
Additional Contribution to Fleet Reserve	325.0		292.5		32.5		650.0	
Additional Cost Related to Federal Wastewater Systems Effluent Regulations & Odour Control Requirements	12.2		1,015.6		(117.51)		910.2	
Reversal of One-Time Funding for Extreme Weather Related Work	(4,070.9)		(2,129.0)		(386.5)		(6,586.3)	
Water Loss and Leak Detection Program	(84.1)		(17.7)		(3.2)		(105.0)	
Backflow Prevention Program - Reporting Fee Revenues	(24.9)		(41.7)		(27.4)		(93.9)	
Other Annualisations	(70.2)	0.46	(64.6)	0.47	1.8	0.07	(133.0)	1.0
<b>Operating Impacts of Capital</b>								
Operating Impact of Capital - 2015-2025 Capital Plan	76.3		507.0	4.6	74.5	0.4	657.9	5.0
<b>Economic Factors</b>								
Economic Factors - Non-Payroll Expenditures	2,954.1		3,151.3		74.7		6,180.2	
<b>COLA and Progression Pay</b>								
Re-earnables, Progression Pay, Step Increases and Realignments	33.9		(239.2)		(16.7)		(222.0)	
<b>Other Base Changes</b>								
TRCA Contribution - 2.5% Increase					114.96		115.0	
Other Contributions and Transfers (Payments in Lieu of Taxes, Insurance Reserve, Metrolinx Rental Of Easements)	262.6		250.4		8.2		521.3	
Changes in Interdepartmental Charges	2,954.9		1,377.6		287.3		4,619.9	
Co-ordinated Spill Response	52.2		342.4	2.0	91.1		485.8	2.0
New Equipment Maintenance Costs Deferred from Previous Years			745.0				745.0	
Wastewater Meter Replacement to Improve Billing Accuracy			533.0				533.0	
Other Base Changes	331.0	2.9	290.9	3.4	133.9	(1.4)	755.8	5.0
Decrease in Production of Water & Wastewater Costs Based on Review of Actuals	(561.2)		165.4		110.0		(285.8)	
<b>Total Gross Expenditure Changes</b>	<b>2,191.0</b>	<b>2.9</b>	<b>6,179.2</b>	<b>10.5</b>	<b>377.7</b>	<b>(0.9)</b>	<b>8,747.9</b>	<b>13.0</b>
<b>Revenue Changes</b>								
Additional Revenue from Region of York - 2% Increase in Volume	568.0						568.0	
Other Revenues & Recoveries	60.0		1.2				61.2	
<b>Total Revenue Changes</b>	<b>628.0</b>		<b>1.2</b>				<b>629.2</b>	
<b>Net Expenditure Changes</b>	<b>1,563.0</b>		<b>6,178.0</b>		<b>377.7</b>	<b>(0.9)</b>	<b>8,118.7</b>	<b>13.0</b>

Key cost drivers and offsetting cost reductions for Toronto Water are shown in the table above. The following describes major base budget changes for 2016:

- The major cost drivers impacting all Toronto Water services include inflationary non-labour costs, mostly energy and utilities (\$4.059 million), materials, supplies and equipment (\$0.692 million) and contracted services (\$1.428 million).
- An increase in interdivisional charges in all services reflects higher utility cut repairs costs, based on higher contract prices received in 2015.
- As a result of Federal Wastewater Systems there are increased effluent and odour control costs (\$0.910 million) impacting mostly *Wastewater Collection and Treatment* services. Similarly, this service experienced the highest additional maintenance costs as well as need for 4.6 new positions resulting from completed *wastewater treatment facility upgrades* (approximately \$1.785 million).



- The above base budget cost increases were partially offset through a combination of base cost reduction options across all services, which included annualized revenues from backflow prevention reporting fees, savings from the salary and benefit cost review and other savings for a total of \$0.840 million. Additional revenues of \$0.568 million from Region of York will offset some of the base budget pressures in *Water Treatment and Supply services*.
- A one-time budget adjustment of \$14.6 million to fund extreme weather related watermain breaks, leaking and frozen water services approved in 2015, has been only partially reversed for 2016, leaving a provision of \$8.0 million for higher volumes of restoration work and materials anticipated that Toronto Water will continue to experience an increase in watermain and sewer breaks in 2016.

In order to offset the above net pressures, the 2016 service changes for Toronto Water include base expenditure changes of \$6.999 million, base revenue changes of \$0.243 million and service efficiency savings of \$0.711 million, for a total savings of \$7.953 million, as detailed below:

**Table 3**  
**2016 Total Service Change Summary**

Description (\$000s)	2016 Service Changes						Total Service Changes			Incremental Change			
	Water Treatment & Supply		Wastewater Collection & Treatment		Stormwater Management		\$	\$	#	2017 Plan		2018 Plan	
	Gross	Capital Contribution	Gross	Capital Contribution	Gross	Capital Contribution	Gross	Capital Contribution	Pos.	Capital Contribution	Pos.	Capital Contribution	Pos.
<b>Base Changes:</b>													
<b>Base Expenditure Changes</b>													
<i>Operating Impact of Capital - Automated Meter Reader Project (AMR)</i>	(1,179.9)	390.3	74.1	(74.1)	3.3	(3.3)	(1,102.5)	312.9	(17.0)				
<i>Absorb Costs of WSIB/Mod Duties</i>	(342.9)	342.9	(388.5)	388.5	(59.9)	59.9	(791.3)	791.3					
<i>Reduce Contingencies - Lower chemical in Water</i>	(510.0)	510.0					(510.0)	510.0					
<i>Reduce Contingencies - Lower chemical in Wastewater</i>			(510.0)	510.0			(510.0)	510.0					
<i>Reduce Contingencies - Delete Bad Debt Expense/Provision for Doubtful Accounts</i>	(187.5)	187.5	(168.8)	168.8	(18.8)	18.8	(375.0)	375.0					
<i>Reduce Contingencies - Reduce Bio-Solids Contracted Services</i>			(500.0)	500.0			(500.0)	500.0					
<i>Phase funding for District Operations</i>	(2,455.3)	2,455.3	(1,308.5)	1,308.5	(236.2)	236.2	(4,000.0)	4,000.0		(4,000.0)			
<b>Base Expenditure Change</b>	(4,675.6)	3,886.1	(2,801.5)	2,801.5	(311.6)	311.6	(7,788.8)	6,999.2	(17.0)	(4,000.0)			
<b>Base Revenue Changes</b>													
<i>User Fee Revenue Increase - Inflationary Factor</i>		119.8		112.0		11.0		242.9					
<b>Base Revenue Change</b>		119.8		112.0		11.0		242.9					
<b>Sub-Total</b>	(4,675.6)	4,005.9	(2,801.5)	2,913.6	(311.6)	322.6	(7,788.8)	7,242.1	(17.0)	(4,000.0)			
<b>Service Efficiencies</b>													
<i>Absorb Costs of Additional Calendar Day in 2016</i>	(277.6)	277.6	(305.3)	305.3	(49.8)	49.8	(632.8)	632.8					
<i>District Operations - Deletion of Vacancies</i>	(49.3)	49.3	(24.4)	24.4	(4.8)	4.8	(78.5)	78.5	(1.0)				
<b>Sub-Total</b>	(326.9)	326.9	(329.7)	329.7	(54.6)	54.6	(711.3)	711.3	(1.0)				
<b>Total Changes</b>	(5,002.6)	4,332.8	(3,131.2)	3,243.3	(366.2)	377.2	(8,500.1)	7,953.4	(18.0)	(4,000.0)			

### Base Expenditure Changes (Savings of \$7.789 million gross, \$6.999 million net)

#### Water Meter Program Savings

- In 2013, the water meter reading function was transferred from Revenue Services to Toronto Water and integrated with the business operations in the Water Meter Program (WMP) as part of the long term sustainment for the capital investment for automated meters. In 2014, Toronto Water initiated

establishment of a permanent Water Meter sustainment team realizing net savings of \$0.331 million in each 2014 and 2015.

- As Toronto Water continues to transition to the permanent sustainment team, additional complement of 9 positions will be required for operations, maintenance and information technology at costs of \$0.864 million. The addition of required positions will be offset by deletion of 27 positions (at cost of \$1.967 million), 9 of which are capital positions fully funded from capital projects (at cost of \$0.790 million). After accommodating the sustainment team requirements and taking into account loss of revenue from capital recoveries, a further net savings of \$0.313 million will be realized.

#### *Other Base Change Savings*

The 2016 Operating Budget includes savings totaling \$6.686 million arising from various initiatives including:

- A review of chemicals usage at water and wastewater treatment plants enabled Toronto Water to lower costs by \$1.020 million in total. Toronto Water will continue to perform trials and monitor consumption in order to stabilize requirements in future years.
- Additional savings will be achieved by absorbing costs of staff performing modified duties, as well as by deletion of a bad debt allowance across all services for a total of \$1.166 million.
- A planned restructuring of Toronto Water's District Operations will be phased in over a 2 year allowing for a deferral of \$4.0 million costs for contracted services to 2017.
- A review of wastewater treatment processes will allow Toronto Water to reduce costs of contracted services for bio-solids by \$0.500 million.

#### **Base Revenue Changes (Savings of \$0.243 million net)**

##### *Increase to Existing User Fees*

- In accordance with Council's approved User Fee Policy, inflationary factors that reflect service specific cost increases are applied in order to recover the full costs. As a result, the 2016 Operating Budget includes additional revenues of \$0.243 million from user fee rate increases.
- The overall inflationary increase was estimated at 2.41% for water and waste water service fees including labour cost increase, energy, utilities, materials and contracted services. The 2.41% increase has been applied to all fees except for those that are part of individual contracts whereby the increase must reflect the specified contract escalation cost, 5 fees charged by Revenue Services for which an overall factor of 2% applicable to Revenue Services Division was used, the returned cheque fee, and the flat legacy fee, as described below:
  - 11 water service fees (Appendix C – Schedule 2, Water Service, Reference Numbers: 11, 12, 13, 15, 15.1, 17, 21, 25, 32, 40 and 44) are increased based on 2.4% inflationary factor and actual contract increases.
  - 6 wastewater service fees (Appendix C – Schedule 3, Wastewater Service, Reference Numbers: 15, 16, 17, 18, 19 and 20) are increased based on 2.41 % inflationary factor and actual contract increases.

- 5 Revenue Services fees (Appendix C – Schedule 2, Water Service, Reference Numbers 33, 35, 36, 37, 39 are increased based on 2% inflationary factor.
- All changes are summarized in Appendix 7a of this Operating Program Summary and the 2016 Water and Wastewater Consumption Rates and Service Fees Report from the Deputy City Manager & Chief Financial Officer and General Manager for Toronto Water. This report also provides a comparison with the existing user fee rates.

**Service Efficiencies (Savings of \$0.711 million gross and net)***District Operations – Deletion of Vacancies*

- The 2016 Operating Budget for Toronto Water will be reduced by \$0.079 million and 1.0 vacant position within District Operations, due to restructuring that occurred in Toronto Water in 2015. The saving can be attributable to positive management actions/decisions that included a re-distribution of work/change in geographical areas that resulted in the need for fewer entry level positions.

*Absorb Costs of Additional Calendar Day in 2016*

- The 2016 Operating Budget for Toronto Water has been reduced by \$0.633 million to absorb increased one-time incremental costs associated with the additional calendar day in 2016 (Leap Year).

The 2016 Budget for Toronto Water results in a 2017 incremental net cost of \$16.920 million and a 2018 incremental net cost of \$12.187 million to maintain the 2016 service levels, as discussed in the following section:

**Table 5**  
**2017 and 2018 Plan by Program**

Description (\$000s)	2017 - Incremental Increase					2018 - Incremental Increase				
	Gross Expense	Revenue	Capital Contribution	% Change	# Positions	Gross Expense	Revenue	Capital Contribution	% Change	# Positions
<b>Known Impacts:</b>										
Annualisations										
Reversal of On-Time Council Approval for Contract Amendment for Phosphoric Acid Contribution to Equipment & Vehicle Reserve	(357.2)		(357.2)	(0.1%)		(197.5)		197.5	0.0%	
Water Loss & Leak Detectio Program	650.0		(650.0)	(0.1%)						
Operating Impact of Capital (2014-2023 Capital Plan)	(120.0)		120.0	0.0%						
	(20.9)		20.9	0.0%	8.0	1,000.0		(1,000.0)	(0.2%)	2.0
<b>Economic Factors</b>										
Progression Pay & Step Increases	754.4		(754.4)	(0.2%)		556.5		(556.5)	(0.1%)	
<b>Sub-Total</b>	906.3		(906.3)	(0.2%)	8.0	1,359.0		(1,359.0)	(0.3%)	2.0
<b>Anticipated Impacts:</b>										
<b>Other</b>										
Economic Factors	9,235.5		(9,235.5)	(2.1%)		9,579.2		(9,579.2)	(2.1%)	
Anticipated Transfer of Assets	172.7		(172.7)	(0.0%)	2.0					
Interdepartmental Charges Increase	1,143.5		(1,143.5)	(0.3%)		749.2		(749.2)	(0.2%)	
Funding for District Operations - Phased in from 2016	4,000.0		(4,000.0)	(0.9%)						
Anticipated Contributions and Transfers (Payments in Lieu of Taxes, TRCA Contribution)	450.0		(450.0)	(0.1%)		460.4		(460.4)	(0.1%)	
Improvements & Business Support Initiatives	1,011.8		(1,011.8)	(0.2%)	12.0	36.7		(36.7)	(0.0%)	
<b>Sub-Total</b>	16,013.5		(16,013.5)		14.0	10,825.5		(10,825.5)	(2.4%)	
<b>Total Incremental Impact</b>	16,919.8		(16,919.8)		22.0	12,184.6		(12,184.6)	(2.7%)	2.0

Future year incremental costs are primarily attributable to the following:

#### Known Impacts

- Step and progression pay increases of \$0.754million in 2017 and \$0.557million in 2018.
- Operating impact of completed capital projects: anticipated savings of (\$0.021 million) in 2017 and additional costs of \$1.0 million in 2018.
- Increase in contribution to equipment and vehicle reserve of \$0.650 million in 2017.
- The incremental impact of the above costs will be partially offset by savings from the Water Loss and Leak Detection program of \$0.120 million in 2017 and reversal of \$0.357 million in one-time adjustment for phosphoric acid in 2017 and \$0.197 million in 2018.

#### Anticipated Impacts

- Inflationary pressures for materials and supplies, contracted services and other costs of \$9.235 million in 2017 and \$9.579 million in 2018.
- Additional costs related to anticipated increase in interdepartmental service requirements of \$1.143 million in 2017 and \$0.749 million in 2018.

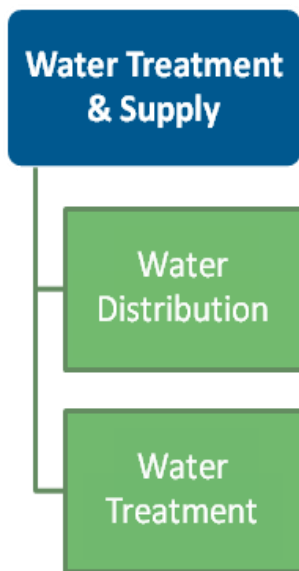
- Anticipated increase in cost for maintenance of assets transferred from capital projects completed by Metrolinx and Waterfront, as well as future customer service and business support initiatives of \$1.184 million in 2017 and \$0.037 million in 2018.
- Additional costs of anticipated contributions and transfers of \$0.450 million and \$0.460 million in 2017 and 2018 respectively.
- Deferred costs of \$4.0 million for District Operations restructuring in 2017.



## **Part II:**

### 2016 Budget by Service

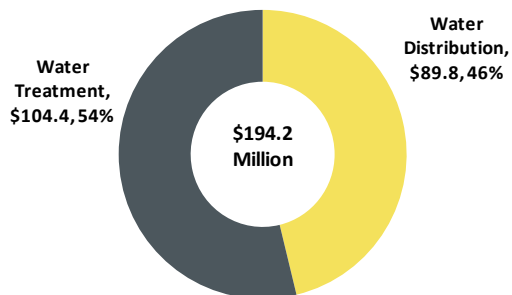
## Water Treatment & Supply



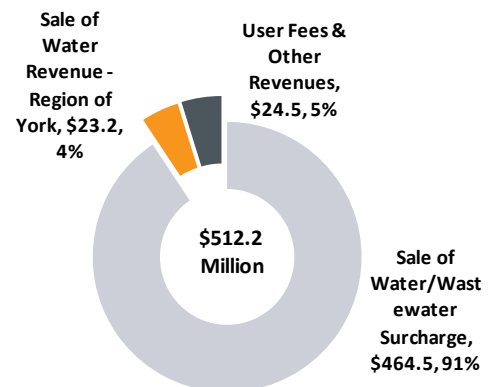
### What We Do

- Treat and distribute drinking water in a safe, responsible manner in accordance with all legislated requirements.

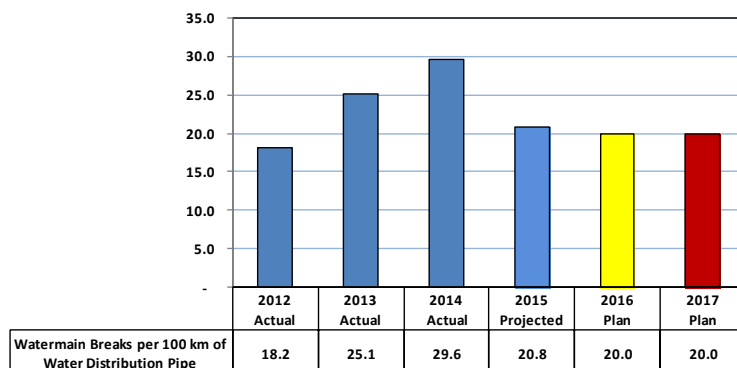
2016 Service Budget by Activity (\$000s)



Service by Funding Source (\$000s)



Watermain Breaks per 100 KM of Water Distribution Pipe



- 2012 -2014 rising trend was impacted by severe cold weather fluctuations and aging watermain
- 2015 target was determined in 2014
- 2016 -2017 plan is to maintain watermain break and repair levels of typical climate years with improved state-of-good repair program



## 2016 Service Levels

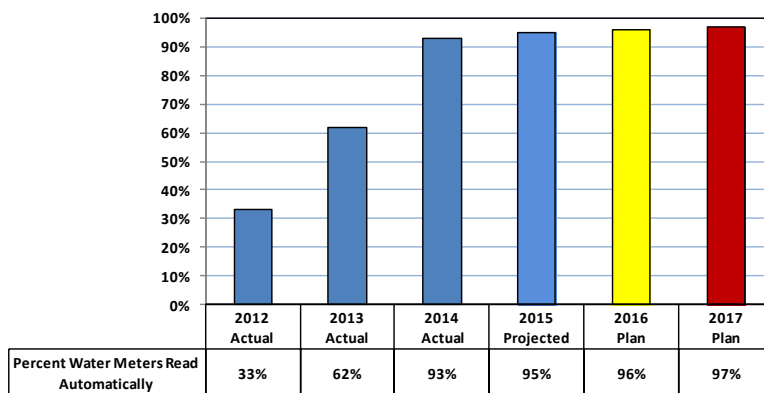
### Water Treatment & Supply

Activity	Sub-Activity/Type	Status	2013			2016
			2013	2014	2015	
Water Distribution	Service Connections	Approved	Meeting the 40 to 100 psi requirement			Meeting the 40 to 100 psi requirement
	Water Distribution System	Approved	20.8 mainbreaks per 100 km of pipe			20.8 mainbreaks per 100 km of pipe
Water Treatment	Water Pumping Stations	Approved	317 kWh/ML of water	340 kWh/ML of water pumped		340 kWh/ML of water pumped
	Water Treatment Plants	Approved	In compliance with applicable legislation			In compliance with applicable legislation
		Approved	Meeting velocity and headloss guidelines	Meeting velocity and headloss design guidelines		Meeting velocity and headloss design guidelines
	Water Transmission Mains					
	Water Storage Reservoirs	Approved	Consistently maintain 24 hrs of storage capacity	Meeting requirements for emergency storage and fire flows (consistently maintain 24 hours of storage capacity)		Meeting requirements for emergency storage and fire flows (consistently maintain 24 hours of storage capacity)

Overall, the 2016 Service Levels are consistent with the approved 2015 Service Levels.

## Service Performance

### Percent Water Meters Read Automatically



- 2012-2014 improving trend due to major increases of automated water meter program installations
- 2015 target to complete installations
- 2016-2017 plan is to continue to complete installations in violation of bylaw

**Table 6**  
**2016 Service Budget by Activity**

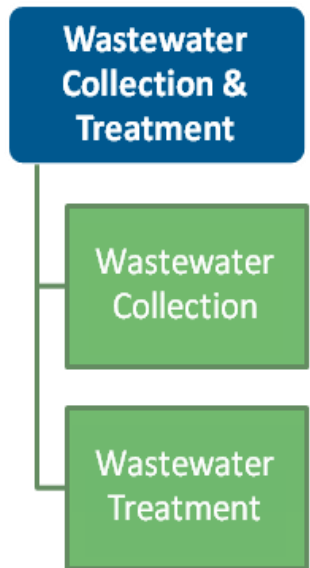
(\$000s)	2015	2016 Operating Budget							Incremental Change					
	Approved Budget	Base Budget	Service Changes	2016 Base	Base Budget vs. 2015 Budget	% Change	New/Enhanced	2016 Budget	2016 Budget vs. 2015 Budget		2017 Plan		2018 Plan	
	\$	\$	\$	\$	\$	%	\$	\$	\$	%	\$	%	\$	%
<b>GROSS EXP.</b>														
Water Distribution	93,936.1	94,115.3	(4,312.8)	89,802.5	(4,133.6)	(4.4%)		89,802.5	(4,133.6)	(4.4%)	2,455.3	2.7%		
Water Treatment	102,801.1	105,094.7	(689.8)	104,404.9	1,603.8	1.6%		104,404.9	1,603.8	1.6%				
<b>Total Gross Exp.</b>	<b>196,737.2</b>	<b>199,210.0</b>	<b>(5,002.6)</b>	<b>194,207.5</b>	<b>(2,529.7)</b>	<b>(1.3%)</b>		<b>194,207.5</b>	<b>(2,529.7)</b>	<b>(1.3%)</b>	<b>2,455.3</b>	<b>1.3%</b>		
<b>REVENUE</b>														
Water Distribution	227,314.1	241,774.7	(729.8)	241,044.9	13,730.9	6.0%		241,044.9	13,730.9	6.0%				
Water Treatment	251,757.1	271,088.3	60.0	271,148.3	19,391.2	7.7%		271,148.3	19,391.2	7.7%				
<b>Total Revenues</b>	<b>479,071.2</b>	<b>512,863.0</b>	<b>(669.7)</b>	<b>512,193.2</b>	<b>33,122.1</b>	<b>6.9%</b>		<b>512,193.2</b>	<b>33,122.1</b>	<b>6.9%</b>				
<b>CAPITAL CONTRIBUTION</b>														
Water Distribution	133,378.0	154,825.4	(3,583.0)	151,242.4	17,864.4	13.4%		151,242.4	(17,864.4)	(13.4%)	(2,455.3)	-1.6%		
Water Treatment	148,956.0	167,493.3	(749.9)	166,743.4	17,787.4	11.9%		166,743.4	(17,787.4)	(11.9%)		0.0%		
<b>Total Capital Contribution</b>	<b>282,334.0</b>	<b>322,318.6</b>	<b>(4,332.8)</b>	<b>317,985.8</b>	<b>35,651.8</b>	<b>12.6%</b>		<b>317,985.8</b>	<b>(35,651.8)</b>	<b>(12.6%)</b>	<b>(2,455.3)</b>	<b>-0.8%</b>		
<b>Approved Positions</b>	<b>781.1</b>	<b>784.1</b>	<b>(17.6)</b>	<b>766.5</b>	<b>(14.6)</b>	<b>(1.9%)</b>		<b>766.5</b>	<b>(14.6)</b>	<b>(1.9%)</b>		0.0%		

The 2016 Operating Budget for Water Treatment and Supply is \$194.207 million gross and \$512.193 million in revenue, resulting in a \$317.986 million budgeted capital-from-current contribution. It reflects a decrease of \$2.530 million or 1.3% over the 2015 Approved Budget gross expenditures and an increase of \$35.652 million or 12.6% over the 2015 Approved Capital Contribution budget.

The **Water Treatment & Supply Service** treats and supplies 437 billion liters of safe drinking water to 3.4 million residents and business annually, in a safe, responsible manner in accordance with all legislated requirements. This service is provided through *Water Distribution* and *Water Treatment* activities.

- Base budget pressures in Water Treatment and Supply Service are primarily due to:
  - Increased utility costs and costs of other materials and supplies totaling \$2.984 million, which are mostly related to higher usage of power and chemicals in *Water Treatment* plants.
  - Annualizations and other base changes of \$ 3.786 million, due to higher costs and increased volumes of utility cut repair work, contribution to fleet reserve and other contributions and transfers, as well as legislative requirements for Ontario One Call Program related to *Water Distribution Activity*, and increased *Wastewater Treatment* cost.
- To help mitigate the base pressures, the service was able to achieve savings through annualized impact of previous approvals including backflow prevention reporting fee revenue (\$0.179 million) and reduction in water production costs based on 2015 actual cost review (\$0.561 million). There are also additional revenues (\$0.628 million), mostly from sale of water to the Region of York.
- In addition, the service used various strategies that resulted in savings of \$3.886 million mainly due lower costs of chemicals and deferral of the District Operations restructuring, as well as operating cost savings from the implementation of AMR project. Base revenue changes from user fees (\$0.120 million) and efficiencies of \$0.327 million) also contributed towards offsetting 2016 base pressures resulting in an overall decrease of operating costs for this service compared to the 2015 approved budget.

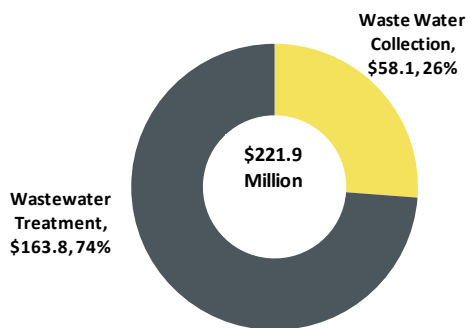
## Wastewater Collection & Treatment



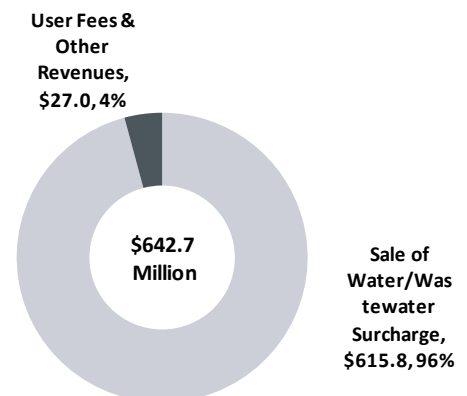
### What We Do

- Collect and treat wastewater in a safe, responsible manner in accordance with all legislated requirements.

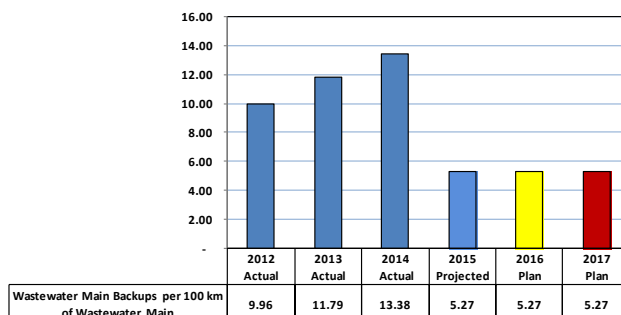
2016 Service Budget by Activity (\$000s)



Service by Funding Source (\$000s)



Wastewater Main Backups per 100 km Wastewater Main



- 2012 -2014 rising trend was impacted by severe storms causing wastewater capacity constraints
- 2015 aggressive target was determined in 2014
- 2016 -2017 plan is to maintain wastewater main backups and repair levels of typical climate years

## 2016 Service Levels

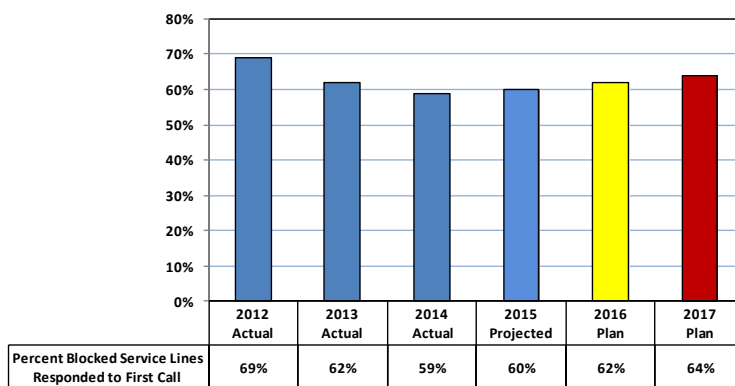
### Wastewater Collection & Treatment

Activity	Sub-Activity/Type	Status	2013	2014	2015	2016
			2013	2014	2015	2016
Wastewater Collection	Lateral Connection	Approved	Basement flooding being reduced through capital investment			Basement flooding being reduced through capital investment
	Wastewater Collection System	Approved	5.27 mainline backups per 100 km of pipe			5.27 mainline backups per 100 km of pipe
Wastewater Treatment	Solids Management	Approved	Consistently meeting compliance limits in Nutrient Management Act			Consistently meeting compliance limits in Nutrient Management Act
	Wastewater Treatment Plants	Approved	In compliance with all applicable legislation			In compliance with all applicable legislation
	Wastewater Pumping Stations	Approved	Meeting legislative compliance			Meeting legislative compliance

Overall, the 2016 Service Levels are consistent with the approved 2015 Service Levels.

## Service Performance

### Percent Blocked Service Lines Responded to First Call



- 2013 -2014 stable trend while tracking blocked sewers first call response
- 2015 target was based on demonstrated performance
- 2016 -2017 plan is to continue improving blocked sewer customer service and first call response

**Table 6**  
**2016 Service Budget by Activity**

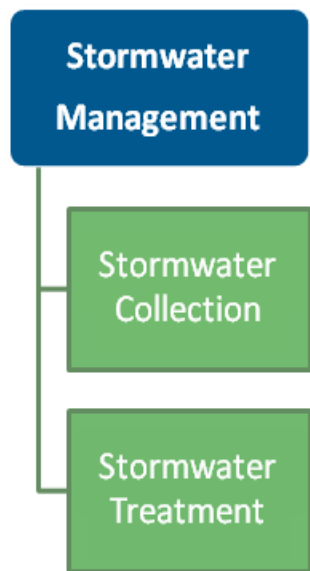
(\$000s)	2015	2016 Operating Budget							2016 Budget vs. 2015 Budget		Incremental Change			
	Approved Budget	Base Budget	Service Changes	2016 Base	Base Budget vs. 2015 Budget	% Change	New/Enhanced	2016 Budget			2017 Plan		2018 Plan	
	\$	\$	\$	\$	\$	%	\$	\$			\$	%	\$	%
<b>GROSS EXP.</b>														
Waste Water Collection	59,694.9	59,855.0	(1,713.6)	58,141.4	(1,553.6)	(2.6%)		58,141.4	(1,553.6)	(2.6%)	1,308.5	2.3%		
Wastewater Treatment	158,745.0	165,212.0	(1,417.6)	163,794.4	5,049.4	3.2%		163,794.4	5,049.4	3.2%				
<b>Total Gross Exp.</b>	<b>218,439.9</b>	<b>225,067.0</b>	<b>(3,131.2)</b>	<b>221,935.8</b>	<b>3,495.9</b>	<b>1.6%</b>		<b>221,935.8</b>	<b>3,495.9</b>	<b>1.6%</b>	<b>1,308.5</b>	<b>0.6%</b>		
<b>REVENUE</b>														
Waste Water Collection	147,124.1	158,005.2	47.1	158,052.3	10,928.2	7.4%		158,052.3	10,928.2	7.4%				
Wastewater Treatment	451,458.0	484,613.8	64.9	484,678.7	33,220.7	7.4%		484,678.7	33,220.7	7.4%				
<b>Total Revenues</b>	<b>598,582.1</b>	<b>642,619.0</b>	<b>112.0</b>	<b>642,731.0</b>	<b>44,148.9</b>	<b>7.4%</b>		<b>642,731.0</b>	<b>44,148.9</b>	<b>7.4%</b>				
<b>CAPITAL CONTRIBUTION</b>														
Waste Water Collection	87,429.2	101,671.7	(1,760.7)	99,910.9	12,481.7	14.3%		99,910.9	(12,481.7)	(14.3%)	(1,308.5)	-1.3%		
Wastewater Treatment	292,713.1	322,366.9	(1,482.5)	320,884.3	28,171.2	9.6%		320,884.3	(28,171.2)	(9.6%)				
<b>Total Capital Contribution</b>	<b>380,142.3</b>	<b>424,038.5</b>	<b>(3,243.3)</b>	<b>420,795.2</b>	<b>40,653.0</b>	<b>10.7%</b>		<b>420,795.2</b>	<b>(40,653.0)</b>	<b>(10.7%)</b>	<b>(1,308.5)</b>	<b>-0.3%</b>		
<b>Approved Positions</b>	<b>847.1</b>	<b>856.3</b>	<b>(0.3)</b>	<b>856.0</b>	<b>8.9</b>	<b>1.0%</b>		<b>856.0</b>	<b>8.9</b>	<b>1.0%</b>		<b>0.0%</b>		

The 2016 Operating Budget for Wastewater Collection & Treatment is \$221.936 million gross and \$642.731 million in revenue, resulting in a \$420.795 million in a capital-from-current contribution. It reflects an increase of \$3.496 million or 1.6% over the 2015 Approved Budget gross expenditures and an increase of \$40.635 million or 10.7% over the 2014 Approved Budget Capital Contribution.

The **Wastewater Collection & Treatment Service** collects and treats 415 billion liters of wastewater annually, in a safe, responsible manner in accordance with all legislated requirements. This service is provided through *Wastewater Collection* and *Wastewater Treatment* activities.

- Base budget pressures in Wastewater Collection & Treatment Service are primarily due to:
  - Increased utility costs and costs of other materials and supplies totaling \$3.151 million, which are mostly related to higher usage of power and chemicals in *Wastewater Treatment* plants.
  - Annualizations and other base changes of \$5.520 million, due to higher costs and increased volumes of utility cut repair work, contribution to fleet reserve and other contributions and transfers, operating impact of previously completed capital projects, as well as legislative requirements resulting from Federal Wastewater Systems Effluent and Odour Control Regulations .
- To help mitigate the base pressures, the service was able to achieve savings through annualized impact of previous approvals including backflow prevention reporting fee revenue (\$0.124 million) and reduction in salary and benefit costs based on 2015 actual cost review (\$0.239 million).
- In addition, the service used various strategies that resulted in savings of \$3.243 million mainly due lower costs of chemicals and deferral of the District Operations restructuring. Base revenue changes from user fees (\$0.112 million) and efficiencies of (\$0.330 million) also contributed towards offsetting 2016 base pressures resulting in an overall increase of operating costs for this service compared to the 2015 approved budget.

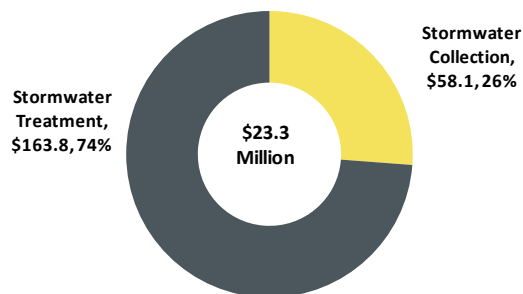
## Stormwater Management



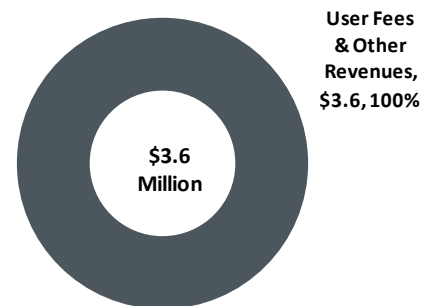
### What We Do

- Collect and treat stormwater in a safe, responsible manner in accordance with all legislated requirements.

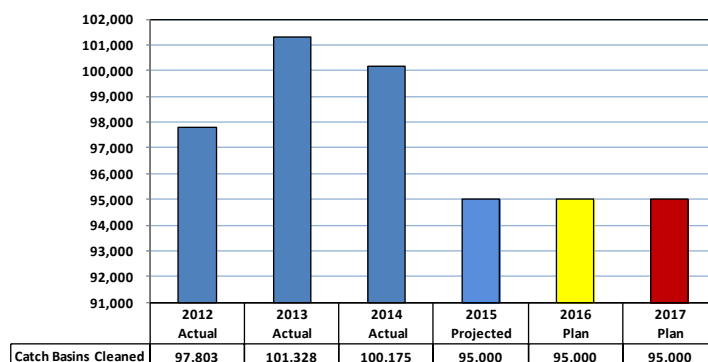
2016 Service Budget by Activity (\$000s)



Service by Funding Source (\$000s)



### Catch Basins Cleaned



- 2012 -2014 stable trend with high effort in cleaning catch basins to improve stormwater collection
- 2015 target is to continue catch basin cleaning while continuing linear system preventative maintenance
- 2016-2017 plan is to maintain linear catch basin cleaning to target levels

## 2016 Service Levels

### Stormwater Management

Activity	Sub-Activity/Type	Status	2013	2014	2015	2016
Stormwater Collection	Stormwater Collection System	Approved	Cost of storm pipes maintained is \$1232/km			Cost of storm pipes maintained is \$1232/km
	Stormwater Storage Facilities	Approved	Meeting all Certificate of Approval requirements			Meeting all Certificate of Approval requirements
Stormwater Treatment	Stormwater Treatment Facilities	Approved	Meeting all Certificate of Approval requirements			Meeting all Certificate of Approval requirements
	Stormwater Conveyance & Control System	Approved	Meeting all Certificate of Approval requirements			Meeting all Certificate of Approval requirements

Overall, the 2016 Service Levels are consistent with the approved 2015 Service Levels.

**Table 6**  
**2016 Service Budget by Activity**

	2015	2016 Operating Budget							2016 Budget vs. 2015 Budget		Incremental Change				
	Approved Budget	Base Budget	Service Changes	Base Budget vs. 2015 Budget		New/Enhanced	2016 Budget	2017 Plan			2018 Plan				
	(\$000s)	\$	\$	\$	2016 Base	vs. 2015 Budget	% Change	\$	\$	\$	%	\$	%	\$	%
GROSS EXP.															
Stormwater Collection	16,844.1	16,968.4	(356.2)	16,612.2	(231.9)	(1.4%)		16,612.2	(231.9)	(1.4%)	236.2	1.4%			
Stormwater Treatment	6,428.4	6,743.5	(10.1)	6,733.4	305.1	4.7%		6,733.4	305.1	4.7%					
Total Gross Exp.	23,272.5	23,711.9	(366.2)	23,345.6	73.1	0.3%		23,345.6	73.1	0.3%	236.2	1.0%			
REVENUE															
Stormwater Collection	2,554.8	2,613.5	11.0	2,624.5	69.7	2.7%		2,624.5	69.7	2.7%					
Stormwater Treatment	926.9	929.9		929.9	3.0	0.3%		929.9	3.0	0.3%					
Total Revenues	3,481.7	3,543.4	11.0	3,554.4	72.6	2.1%		3,554.4	72.6	2.1%					
NET EXP.															
Stormwater Collection	(14,289.3)	(13,620.5)	(367.2)	(13,987.7)	301.6	(2.1%)		(13,987.7)	(301.6)	2.1%	(236.2)	1.7%			
Stormwater Treatment	(5,501.5)	(5,793.5)	(10.1)	(5,803.6)	(302.1)	5.5%		(5,803.6)	302.1	(5.5%)					
Total Net Exp.	(19,790.8)	(19,414.0)	(377.2)	(19,791.3)	(0.5)	0.0%		(19,791.3)	0.5	(0.0%)	(236.2)	1.2%			
Approved Positions	133.4	131.3	(0.1)	131.2	(2.2)	(1.6%)		131.2	(2.2)	(1.6%)		0.0%			

The 2016 Operating Base Budget for Stormwater Management Service is \$23.346 million gross. It reflects an increase of \$0.073million or 0.3% over the 2015 Approved Budget gross expenditures. Stormwater Management service does not generate any capital-from-current contribution as its revenues are not sufficient to cover gross expenditures for this service. \$19.791 million in Water Treatment & Supply and Wastewater Collection & Treatment revenues that would otherwise be directed to capital-from-current contributions are required to support the Stormwater Management service operating requirements.

The **Stormwater Management Service** protects private property and the environment from stormwater runoff. This service is provided through *Stormwater Collection* and *Stormwater Treatment* activities.

- Base budget pressures in Stormwater Management Service are primarily due to:
  - Annualizations and other base changes of \$0.814 million, due to higher costs and increased volumes of utility cut repair work, contribution to fleet reserve and other contributions and transfers such as contribution to the TRCA's soil erosion projects and operating impact of previously completed capital projects.



- To help mitigate the base pressures, the service was able to achieve savings through annualized impact of previous approvals including backflow prevention reporting fee revenue (\$0.027 million) and reduction in salary and benefit costs based on 2015 actual cost review (\$0.017 million).
- In addition, the service benefited from various strategies that resulted in savings of \$0.377 million deferral of the District Operations restructuring. Base revenue changes from user fees (\$0.011 million) and efficiencies of (\$0.055 million) also contributed towards offsetting 2016 base pressures resulting in an overall increase of operating costs for this service compared to the 2015 approved budget.



## **Part III:**

### Issues for Discussion

## Issues for Discussion

### Issues Impacting the 2016 Budget

#### *2016 Operating Budget Funding*

- Toronto Water is fully self-sustaining and does not rely on the municipal property tax levy for service delivery funding or borrowing/debenture financing for capital program. Operating and capital investments are funded from revenues generated by water and sewage rates established each year by Council and included in the City's By-law (Municipal Code, Chapter 849: Water and Sewage Services). Other sources of funding include revenue from the sale of water to York Region; industrial waste surcharges; private water agreements; service charges; and, sundry revenue.
- As part of the 2015 Budget process, City Council endorsed the direction that Toronto Water's budgets prepared for the 2016 budget process be premised on 8% water and wastewater consumption rate increases for 2016, followed by successive 5% increases in 2017 and 2018 in order to reinstate approximately \$1 billion in capital funding lost from a systematic decline in consumption and to fund emerging projects.
- For 2016, Toronto Water's 10 Year Capital Plan has been revised to allow Toronto Water to deliver on key priorities, while also addressing emerging service improvement projects. In accordance with the project delivery schedule, the following rate increases are recommended and incorporated in the 2016 Water and Wastewater Rate Model:
  - 8% in 2016.
  - 5% in 2017 and 2018.
  - 3% from 2019 to 2025.
- The 2016 Water and Wastewater Rate increase of 8% and other sources of funding will generate an additional \$77.344 million in revenues (net of projected consumption decline of \$3.550 million in 2016) compared to the 2015 budgeted consumption. Virtually all but \$1.039 million or 1.3% of that revenue will be dedicated to fund Toronto Water's Capital Budget in 2016.
- In addition to water rate of 8%, a staff report titled "Funding Options for Paying for the Toronto Water Capital Program, was considered and approved concurrently with the 2016 Budget Process.
  - The Funding Options report highlights the growing needs of the stormwater management capital program, which, as a portion of the total capital program, is projected to grow from 18% in 2015 to 40% in 2025.
  - The report recommends the development of an implementation plan to establish a new fee that is dedicated to funding stormwater management projects.
  - This new fee would result in a separate funding structure for stormwater management services based on alternative parameters including per lot charges and impervious area, with a possible implementation as early as 2018.

- It should be underlined that the 2016 Operating Budget is based on the current consumption based water rate funding and all necessary revenues for the Capital Plan are to be generated by the rate increases included in the 2016 Water and Wastewater Rates and Service Report until such time that Council approves a new funding structure.
- The following Charts show the 2016 combined water and wastewater consumption rates and the rate increase impact on average residential, as well as commercial and industrial customers, based on their average consumption

**Chart 1 – Water and Wastewater Rate Increase**

Annual Consumption	Paid on or before the due date, \$/m3	Paid after the due date, \$/m3
Block 1 - All consumers of water, including the first 5,000 cubic metres per year consumed by Industrial users ("Block 1 rate")	3.4500	3.6316
Block 2 - Industrial process – use water consumption over 5,000 cubic metres per year, representing a 30% reduction from the Block 1 Rate ("Block 2 rate")	2.4149	2.5419

**Chart 2 – 2015 Water Rate Impact**

Type of Property	Typical Consumption	2015 Annualized Cost	2016 Projected cost	2016 Rate Increase Impact	
Residential	280	\$894	\$966	\$72	8.0%
Commercial	100,000	\$319,453	\$345,009	\$25,556	8.0%
Industrial	100,000	\$229,364	\$247,714	\$18,349	8.0%
Large Industrial	1,000,000	\$2,241,890	\$2,421,242	\$179,351	8.0%

- Additional details are available in the 2016 Water and Wastewater Consumption Rates and Service Fees report.

#### *User Fees*

In addition to the water and waste water surcharges, Toronto Water receives revenues from various user fees.

- In accordance with Council's approved User Fee Policy, inflationary factors that reflect service specific cost increases are applied in order to recover the full costs. As a result, the 2016 Operating Budget includes additional revenues of \$0.243 million, based on inflationary factor of 2.4% for water and wastewater user fees and inflationary factor of 2% applicable to user fees charged by Revenue Services. Increases to the existing user fees are effective January 1, 2016 and they are applied automatically.

- The new user fees have been approved concurrently with the 2016 Operating Budget, based on the recommendations presented in 2016 Water and Wastewater Consumption Rates and Service Fees report, which are also reflected in this Operating Program Summary. A breakdown of user fee changes is presented in Appendix 7a.

## Future Year Issues

### *Legislative and Regulatory Compliance and Other Operating Cost Pressures*

- One of the main challenges facing Toronto Water in future years will be the management of the continuously increasing costs from both, internal and external sources. Personnel costs and inflationary pressures related to costs for materials and supplies, electricity, chemicals and parts, as well as machinery and services are ongoing, as well as increased requirements and frequent changes in legislation. The latter is particularly challenging in terms of planning and allocating appropriate staff resources to maintain legislative compliance.
  - In 2016 alone, non-salary inflationary increases approximate \$6.180 million.
  - As a result of legislative requirements and the need to comply with Provincial and Federal regulations, Toronto Water continues to experience increased operating costs. The amount included in the 2016 Operating Budget of \$0.910 million, mainly for the estimated additional hydro costs resulting from the most recent federal effluent control regulations under the Fisheries Act of \$1.820 million. Toronto Water will continue to perform trials and testing to determine the optimal performance, since fluctuations in hydro costs were observed as different trials were conducted in order to stabilize hydro requirements in 2016.
  - Similarly, costs resulting from the operating impact of completed capital projects for additional parts and contracted services such as Highland Creek Treatment Plant (Waste Thickening), and Ashbridges Bay Treatment Plant Upgrades ("P" Building, Aeration Tanks and other plant and equipment upgrades) amount to \$0.658 million.
  - Toronto Water continues to review these additional costs together with the existing maintenance program and determine whether there is any opportunity for efficiencies such that these amounts can be reduced.

### *Severe Winter Weather*

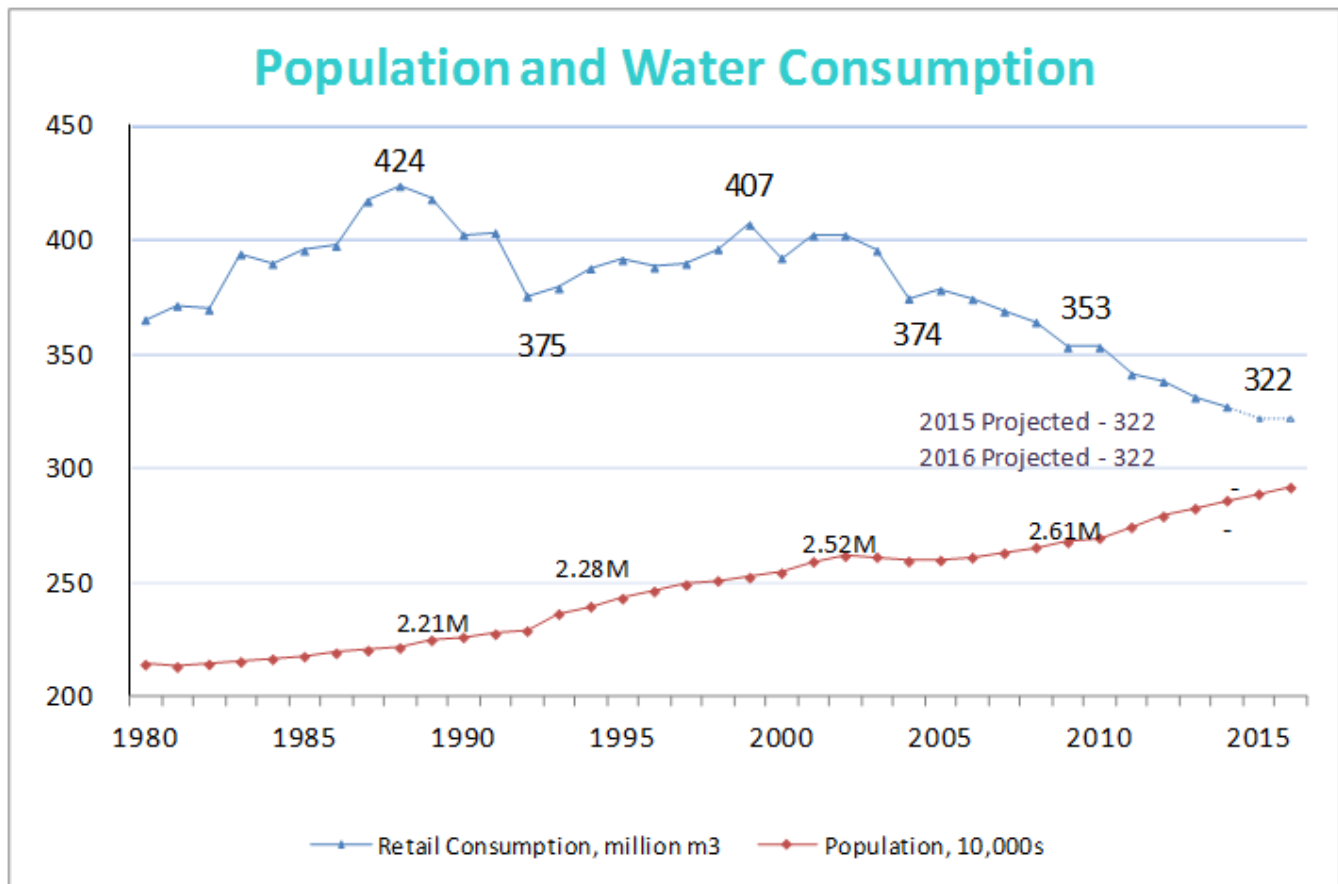
- As a result of extremely cold winter weather, Toronto Water experienced a high level of watermain breaks, leaking water services and frozen water services in 2015 (approximately 2,546 in first quarter of 2015 compared to 1,094 in 2013 and 2,607 in 2014)
- In order to accommodate increased contract service costs incurred for frozen water service response, there was a one-time adjustment to the 2015 Operating Budget of \$14.6 million. Toronto Water estimated that approximately \$8.0 million of those additional costs are required for 2016 to ensure operational resilience and minimize risks to assets during extreme weather events.

### *Impact of Lower Water Consumption Forecasts on Water and Wastewater Rate Revenues*

- Over the last decade, despite the increase in population, there has been a trend towards reduced water consumption as shown in Chart 3 below. Any additional revenues generated by annual rate

increases over that period have been reduced by the steady decline in water consumption predominantly attributed to water efficiency measures and economic factors.

**Chart 3 - Toronto Retail Water Consumption**



- A systematic and permanent decline (October to April) in base water consumption of 1.5% annually on average has been recorded over the last 10 year period. Summer consumption although more weather dependent, also shows a reduction over the same period of 1.8% annually. Toronto's water consumption projected to 2015 year-end is estimated at 322 million cubic meters which represents a substantial drop from 374 million cubic metres in 2005.
- For 2016, it is projected that water consumption will remain at the same level as the 2015 projected actual consumption, and that any further decline is expected to be offset by population growth in that year. For future years (2017-2025), a 0.5% decline in consumption is projected annually.
- Upon completion of the automated water meter installation across the City, staff will have much more precise consumption data and will be able to provide a more accurate consumption forecast going forward.
- Additional detail on historical and forecasted water consumption and production, as well as its impact on the Toronto Water Capital Reserve is available in the 2016 Water and Wastewater Consumption Rates and Service Fees report.

## Issues Referred to the 2016 Operating Budget Process

- At its meeting on February 20, 2015, Budget Committee requested a report on all costs levied locally on manufactures by the City of Toronto and its agencies, including an assessment of how competitive these charges are with respect to other jurisdictions in North America.
- The concurrent report entitled *“Competitiveness – Municipal User Rates Study Findings – Costs and Levies Charged to Manufacturing”* addresses industrial competitiveness in the City, and includes an analysis of the current water cost, as well as impact assessment of alternative pricing for Water Services, provided by Watson and Associates.
  - The competitiveness study results show that although the City of Toronto is in the lower end for cost for large industries and near the average for medium size industries, the small industries seem to be at disadvantage.
  - In order to address the competitiveness issues for small industries, staff recommended the reduced Block 2 rate annual water consumption threshold to be decreased from over 6,000 cubic metres per year (m<sup>3</sup>/year) to over 5,000 m<sup>3</sup>/year to allow for smaller industrial process users to benefit from the reduced rate.
  - The potential impact of such change would be in the range of \$0.190 million revenue reduction in 2016, which has been reflected in the rate model and rates.
- The implementation of a stormwater charge will enhance business competitiveness for large water users. The preliminary impact analysis of the potential stormwater charge, conducted by staff and independently confirmed by Watson and Associates, indicates that properties with large water consumption and relatively small impervious area contribute disproportionately towards the cost of stormwater management, and a stormwater charge based on impervious area rather than consumption will decrease their total water bill.





## Appendices:

## Appendix 1

### 2015 Service Performance

#### 2015 Key Service Accomplishments

- ✓ Experienced unprecedented number of "no water" calls as a result of frozen pipes from January 1 and March 31, 2015 and responded to 1,679 frozen water services compared to 517 in 2014 and 7 in 2013. In addition to frozen services Toronto Water also responded to 950 watermain breaks.
- ✓ Water Meter Program, which began in 2010, in final year of implementation. By the end of 2015, approximately 470,500 or 99% of all customers will be upgraded to the new automated system. Expected annual operating savings is approximately \$5 million.
- ✓ Successfully renewal of the Drinking Water License and Permit, including a rigorous external audit of the City's Drinking Water Quality Management System. Toronto received a perfect score on the audit, which involved a thorough review of the City's documentation and records, interviews with staff and facility tours.
- ✓ Processed 4,300 (year to date), 5,200 (projected year-end total) applications to provide financial subsidy to install flood protection devices.
- ✓ Ongoing education and outreach program with 189 outreach events and an estimated attendance of 4.6 million people.
- ✓ Continued implementation of the water conservation projects related to the Industrial Water Rate Program resulted in estimated water savings of 3.75 million m<sup>3</sup> per year.
- ✓ Repaired 1,409 watermain break and 811 water service lines/curb stops.
- ✓ The Ministry of Environment (MOE) has completed annual inspections at the City's water treatment facilities and there have been no major non-conformance issues identified.
- ✓ The MOE has completed annual inspections of the City's wastewater treatment facilities and there have been no major non-conformance issues identified.
- ✓ Ongoing optimization at treatment plants and pumping stations to minimize energy costs while meeting required legislative standards.

## Appendix 2

### 2016 Operating Budget by Expenditure Category

Category of Expense (\$000's)	2013 Actual	2014 Actual	2015 Budget	2015 Projected Actual *	2016 Budget	2016 Change from 2015 Approved Budget		Plan	
	\$	\$	\$	\$	\$	\$	%	2017	2018
Salaries and Benefits	147,132.6	153,095.8	171,172.4	162,348.1	169,746.3	(1,426.1)	(0.8%)	175,252.6	179,425.1
Materials and Supplies	86,247.1	91,569.2	101,442.5	99,573.8	107,740.5	6,298.0	6.2%	111,718.5	117,392.3
Equipment	2,119.8	2,315.0	2,343.4	2,343.4	3,157.2	813.8	34.7%	3,192.8	3,243.4
Services & Rents	41,339.8	48,900.3	67,120.5	67,169.1	56,770.4	(10,350.1)	(15.4%)	61,906.7	62,964.8
Contributions to Capital	601,627.9	619,814.7	642,685.5	642,685.5	718,989.8	76,304.3	11.9%	718,989.8	718,989.8
Contributions to Reserve/Res Funds	7,628.8	27,227.2	8,828.8	8,828.8	9,645.7	817.0	9.3%	10,295.7	10,295.7
Other Expenditures	25,544.3	5,628.3	19,958.4	19,958.4	20,072.6	114.3	0.6%	20,522.6	20,983.0
Interdivisional Charges	63,989.6	68,868.3	67,583.7	70,583.7	72,356.1	4,772.4	7.1%	73,519.6	74,288.9
<b>Total Gross Expenditures</b>	<b>975,629.9</b>	<b>1,017,418.9</b>	<b>1,081,135.0</b>	<b>1,073,490.8</b>	<b>1,158,478.6</b>	<b>77,343.6</b>	<b>7.2%</b>	<b>1,175,398.4</b>	<b>1,187,582.9</b>
Interdivisional Recoveries	72.7	79.3	25.0	25.0	25.0			25.0	25.0
Provincial Subsidies									
Federal Subsidies									
Other Subsidies									
User Fees & Donations	43,654.2	44,167.5	39,831.4	39,466.5	40,302.3	470.9	1.2%	40,302.3	40,302.3
Transfers from Capital Fund	2,692.7	8,205.6	2,667.1	2,667.1	2,440.9	(226.2)	(8.5%)	2,440.9	2,440.9
Contribution from Reserve/Reserve Funds			195.0	195.0	195.0			195.0	195.0
Sale of Water and Sundry Revenues	929,210.3	964,966.5	1,038,417	1,021,585.0	1,115,515.3	77,098.8	7.4%	1,115,515.3	1,115,515.3
<b>Total Revenues</b>	<b>975,629.9</b>	<b>1,017,418.9</b>	<b>1,081,135.0</b>	<b>1,063,938.7</b>	<b>1,158,478.6</b>	<b>77,343.6</b>	<b>7.2%</b>	<b>1,158,478.6</b>	<b>1,158,478.6</b>
<b>Total Net Expenditures</b>	<b>(0.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>9,552.1</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>16,919.8</b>	<b>29,104.3</b>
<b>Approved Positions</b>	<b>1,534.0</b>		<b>1,761.7</b>	<b>1,598.7</b>	<b>1,756.7</b>	<b>(5.0)</b>	<b>(0.3%)</b>	<b>1,776.7</b>	<b>1,778.7</b>

\* Based on the 9-month Operating Variance Report

For additional information regarding the 2015 Q3 operating variances and year-end projections, please refer to the attached link for the report entitled "Operating Variance Report for the Nine-Month Period Ended September 30, 2015" approved by City Council at its meeting on December 9, 2015.

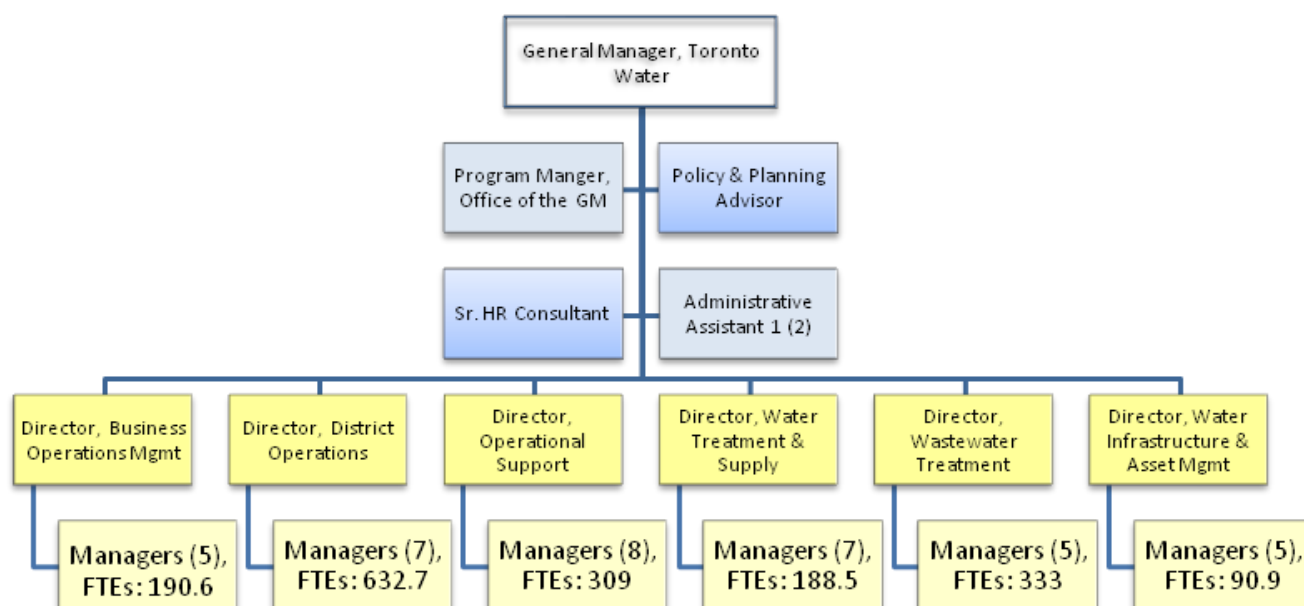
(<http://www.toronto.ca/legdocs/mmis/2015/bu/bgrd/backgroundfile-85376.pdf>)

#### Impact of 2015 Operating Variance on the 2016 Budget

- A water consumption decline of 1.5% projected for 2015 year-end was taken into account in developing the current and future year consumption projections in the 2016 Water and Wastewater Rate Model.

## Appendix 3

### 2016 Organization Chart



### 2016 Complement

Category	Senior Management	Management	Exempt Professional & Clerical	Union	Total
Permanent	1.0	174.0	172.0	1,309.0	1,656.0
Temporary	0.0	5.0	2.0	93.7	100.7
<b>Total</b>	<b>1.0</b>	<b>179.0</b>	<b>174.0</b>	<b>1,402.7</b>	<b>1,756.7</b>

## **Appendix 4**

### **Summary of 2016 Service Changes**

## 2016 Operating Budget - Council Approved Service Changes Summary by Service (\$000's)

Form ID		Citizen Focused Services B	Adjustments				2017 Plan Net Change	2018 Plan Net Change
Category	Priority		Gross Expenditure	Revenue	Net	Approved Positions		
		Program - Toronto Water						
<b>2016 Council Approved Base Budget Before Service Changes:</b>			<b>440,200.1</b>	<b>1,158,478.6</b>	<b>(718,278.5)</b>	<b>1,757.65</b>	<b>16,919.8</b>	<b>12,184.6</b>

7570	B34: District Operations - Deletion of Vacancy
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51	1	<b>Description:</b>
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It is recommended that the 2016 Operating Budget for Toronto Water be reduced by \$0.079 million and 1.0 vacant position within District Operations. This change is achievable without an impact on service levels through a restructuring that occurred in Toronto Water in 2015, designed to better manage the unit's existing workload and be better able to take on new capital projects. This savings can be attributable to positive management actions/decisions that included a re-distribution of work/change in geographical areas that resulted in the need for fewer entry level positions.

### Service Level Impact:

The deletion of this vacant position reflects an achieved efficiency in the Program and will have no impact on the level of service delivered.

### Service: TW-Stormwater Management

Preliminary:	(4.8)	0.0	(4.8)	(0.06)	0.0	(0.0)
BC Recommended Change:	0.0	0.0	0.0	0.00	0.0	0.0
EC Recommended Change:	0.0	0.0	0.0	0.00	0.0	0.0
CC Recommended Change:	0.0	0.0	0.0	0.00	0.0	0.0
Total Council Recommended	(4.8)	0.0	(4.8)	(0.06)	0.0	(0.0)

### Service: TW-Wastewater Collection & Treatment

Preliminary:	(24.4)	0.0	(24.4)	(0.31)	(0.0)	0.0
BC Recommended Change:	0.0	0.0	0.0	0.00	0.0	0.0
EC Recommended Change:	0.0	0.0	0.0	0.00	0.0	0.0
CC Recommended Change:	0.0	0.0	0.0	0.00	0.0	0.0
Total Council Recommended	(24.4)	0.0	(24.4)	(0.31)	(0.0)	0.0

### Service: TW-Water Treatment & Supply

## 2016 Operating Budget - Council Approved Service Changes Summary by Service (\$000's)

Form ID		Citizen Focused Services B	Adjustments				2017 Plan Net Change	2018 Plan Net Change
Category	Priority		Gross Expenditure	Revenue	Net	Approved Positions		
		Program - Toronto Water						
		Preliminary:	(49.3)	0.0	(49.3)	(0.63)	0.0	0.0
		BC Recommended Change:	0.0	0.0	0.0	0.00	0.0	0.0
		EC Recommended Change:	0.0	0.0	0.0	0.00	0.0	0.0
		CC Recommended Change:	0.0	0.0	0.0	0.00	0.0	0.0
		Total Council Recommended	(49.3)	0.0	(49.3)	(0.63)	0.0	0.0
		<b>Preliminary:</b>	<b>(78.5)</b>	<b>0.0</b>	<b>(78.5)</b>	<b>(1.00)</b>	<b>(0.0)</b>	<b>0.0</b>
		<b>Budget Committee Recommended:</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.00</b>	<b>0.0</b>	<b>0.0</b>
		<b>Executive Committee Recommended:</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.00</b>	<b>0.0</b>	<b>0.0</b>
		<b>City Council Approved:</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.00</b>	<b>0.0</b>	<b>0.0</b>
		<b>Total Council Approved Service Changes:</b>	<b>(78.5)</b>	<b>0.0</b>	<b>(78.5)</b>	<b>(1.00)</b>	<b>(0.0)</b>	<b>0.0</b>

7674		B33: Absorption of costs for add'l calendar day						
51	2	<b>Description:</b>						
It is recommended that the 2016 Operating Budget for Toronto Water be reduced by \$0.633 million to absorb increased one-time incremental costs associated with the additional calendar day in 2016 (Leap Year).								
<b>Service Level Impact:</b>								
This recommended reduction will have no impact on the level of service delivered in Toronto Water.								
<b>Service:</b> TW-Stormwater Management								
Preliminary:		(48.9)	0.0	(48.9)	0.00	0.0	0.0	
BC Recommended Change:		0.0	0.0	0.0	0.00	0.0	0.0	
EC Recommended Change:		0.0	0.0	0.0	0.00	0.0	0.0	
CC Recommended Change:		0.0	0.0	0.0	0.00	0.0	0.0	
Total Council Recommended		(48.9)	0.0	(48.9)	0.00	0.0	0.0	
<b>Service:</b> TW-Wastewater Collection & Treatment								



## 2016 Operating Budget - Council Approved Service Changes

### Summary by Service (\$000's)

Form ID		Citizen Focused Services B	Adjustments				2017 Plan Net Change	2018 Plan Net Change
Category	Priority		Gross Expenditure	Revenue	Net	Approved Positions		
		Program - Toronto Water						
		Preliminary:	(306.1)	0.0	(306.1)	0.00	0.0	0.0
		BC Recommended Change:	0.0	0.0	0.0	0.00	0.0	0.0
		EC Recommended Change:	0.0	0.0	0.0	0.00	0.0	0.0
		CC Recommended Change:	0.0	0.0	0.0	0.00	0.0	0.0
		Total Council Recommended	(306.1)	0.0	(306.1)	0.00	0.0	0.0
		<b>Service: TW-Water Treatment &amp; Supply</b>						
		Preliminary:	(277.8)	0.0	(277.8)	0.00	0.0	0.0
		BC Recommended Change:	0.0	0.0	0.0	0.00	0.0	0.0
		EC Recommended Change:	0.0	0.0	0.0	0.00	0.0	0.0
		CC Recommended Change:	0.0	0.0	0.0	0.00	0.0	0.0
		Total Council Recommended	(277.8)	0.0	(277.8)	0.00	0.0	0.0
		<b>Preliminary:</b>	<b>(632.8)</b>	<b>0.0</b>	<b>(632.8)</b>	<b>0.00</b>	<b>0.0</b>	<b>0.0</b>
		<b>Budget Committee Recommended:</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.00</b>	<b>0.0</b>	<b>0.0</b>
		<b>Executive Committee Recommended:</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.00</b>	<b>0.0</b>	<b>0.0</b>
		<b>City Council Approved:</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.00</b>	<b>0.0</b>	<b>0.0</b>
		<b>Total Council Approved Service Changes:</b>	<b>(632.8)</b>	<b>0.0</b>	<b>(632.8)</b>	<b>0.00</b>	<b>0.0</b>	<b>0.0</b>
		<b>Summary:</b>						
		Preliminary:	(711.3)	0.0	(711.3)	(1.00)	(0.0)	0.0
		Budget Committee Recommended:	0.0	0.0	0.0	0.00	0.0	0.0
		Executive Committee Recommended:	0.0	0.0	0.0	0.00	0.0	0.0
		City Council Approved:	0.0	0.0	0.0	0.00	0.0	0.0
		<b>Council Approved Service Changes:</b>	<b>(711.3)</b>	<b>0.0</b>	<b>(711.3)</b>	<b>(1.00)</b>	<b>(0.0)</b>	<b>0.0</b>

## 2016 Operating Budget - Council Approved Service Changes

### Summary by Service (\$000's)

Form ID		Citizen Focused Services B  Program - Toronto Water	Adjustments				2017 Plan Net Change	2018 Plan Net Change
Category	Priority		Gross Expenditure	Revenue	Net	Approved Positions		
Total Council Approved Base Budget:			439,488.8	1,158,478.6	(718,989.8)	1,756.65	16,919.8	12,184.6

## Appendix 6

### Inflows/Outflows to/from Reserves & Reserve Funds

#### Program Specific Reserve / Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2015 *	Withdrawals (-) / Contributions (+)		
			2016	2017	2018
		\$	\$	\$	\$
<b>Projected Beginning Balance</b>		<b>583,381.8</b>	<b>583,381.8</b>	<b>621,451.0</b>	<b>413,059.3</b>
Water & Waste Water Capital Reserves	XR6003 & XR6004				
<i>Proposed Withdrawals (-)</i>			(680,920.6)	(927,381.5)	(923,531.6)
<i>Contributions (+)</i>			718,989.8	718,989.8	718,989.8
<b>Total Reserve / Reserve Fund Draws / Contributions</b>		<b>583,381.8</b>	<b>621,451.0</b>	<b>413,059.3</b>	<b>208,517.5</b>
<b>Other Program / Agency Net Withdrawals &amp; Contributions</b>					
<b>Balance at Year-End</b>		<b>583,381.8</b>	<b>621,451.0</b>	<b>413,059.3</b>	<b>208,517.5</b>

\* Based on 9-month 2015 Reserve Fund Variance Report

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2015 *	Withdrawals (-) / Contributions (+)		
			2016	2017	2018
		\$	\$	\$	\$
<b>Projected Beginning Balance</b>		<b>4,237.1</b>	<b>4,237.1</b>	<b>4,042.1</b>	<b>3,847.1</b>
Development Charges - Storm	XR2404				
<i>Proposed Withdrawals (-)</i>			(195.0)	(195.0)	(195.0)
<i>Contributions (+)</i>			-	-	-
<b>Total Reserve / Reserve Fund Draws / Contributions</b>		<b>4,237.1</b>	<b>4,042.1</b>	<b>3,847.1</b>	<b>3,652.1</b>
<b>Other Program / Agency Net Withdrawals &amp; Contributions</b>					
<b>Balance at Year-End</b>		<b>4,237.1</b>	<b>4,042.1</b>	<b>3,847.1</b>	<b>3,652.1</b>

\* Based on 9-month 2015 Reserve Fund Variance Report

#### Corporate Reserve / Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2015 *	Withdrawals (-) / Contributions (+)		
			2016	2017	2018
		\$	\$	\$	\$
<b>Projected Beginning Balance</b>			<b>46,758.9</b>	<b>56,404.6</b>	<b>66,700.2</b>
Vehicle Replacement Reserve	XQ1012	8,793.9	5,304.6	5,954.6	5,954.6
Insurance Reserve Fund	XR1010	37,965.0	4,341.1	4,341.1	4,341.1
<b>Total Reserve / Reserve Fund Draws / Contributions</b>		<b>46,758.9</b>	<b>56,404.6</b>	<b>66,700.2</b>	<b>76,995.9</b>
<b>Other Program / Agency Net Withdrawals &amp; Contributions</b>					
<b>Balance at Year-End</b>		<b>46,758.9</b>	<b>56,404.6</b>	<b>66,700.2</b>	<b>76,995.9</b>

\* Based on 9-month 2015 Reserve Fund Variance Report

## Appendix 7a

## User Fees Adjusted for Inflation and Other

Rate Description	Service	Fee Category	Fee Basis	2015	2016		
				Approved Rate	Inflationary Adjusted Rate	Other Adjustment	Budget Rate
Installing 19 mm New Residential Water Service and Meter	Water Service	Full Cost Recovery	Flat fee per connection	\$2,848.00	\$ 4,400.00		\$4,400.00
Installing 25 mm New Residential Water Service and Meter	Water Service	Full Cost Recovery	Flat fee per connection	\$3,281.00	\$ 5,100.00		\$5,100.00
New non-Residential water service of any size or Residential Water Service greater than 25 mm	Revenues - District Operations	Full Cost Recovery	Actual cost per connection	Variable	Variable		Variable
Disconnection Fee for any residential water service less than or equal to 25 mm	Water Service	Full Cost Recovery	Flat fee per disconnection	\$464.00	\$ 1,300.00		\$1,300.00
Disconnection of Non-Residential of any size / Residential Water Service greater than 25 mm	Water Service	Full Cost Recovery	Actual cost per disconnection	Variable	Variable		Variable
Metered water provided to construction sites	Water Service	City Policy	Consumption per cubic metre	Block 1 Water Rate	Block 1 Water Rate		Block 1 Water Rate
Fire hydrant Permit	Water Service	Full Cost Recovery	Flat Fee	\$160.90	\$ 164.77		\$164.77
Water meter accuracy test ; Meter less than or equal to 50mm - No Chamber - applied if meter does not over-register	Water Service	Full Cost Recovery	Flat Fee	\$160.90	\$ 164.77		\$164.77
Water turn off fee for demolition; (disconnection of old water service not included)	Water Service	Full Cost Recovery	Flat Fee	\$80.40	\$ 82.33		\$82.33
Cost of water consumption from last water meter reading to the date of disconnection of service	Water Service	Full Cost Recovery	Per cubic metre	Block 1 Water Rate	Block 1 Water Rate		Block 1 Water Rate
Water Turn-off or Turn-on	Water Service	Full Cost Recovery	Each Turn-off or Turn-on	\$80.40	\$ 82.33		\$82.33
Single Service call Turn-off and Turn-on within 30 min	Water Service	Full Cost Recovery	Turn-off and Turn-on Service within 30 min	\$80.40	\$ 82.33		\$82.33
Conduct fire hydrant flow test	Water Service	Full Cost Recovery	Per Flow Test	\$268.20	\$ 274.66		\$274.66
Unmetered water from each unmetered hydrant- less than or equal to 50 cubic metre	Water Service	City Policy	Per 50 cubic metre	50 cubic metre @ Block 1 Water Rate	50 cubic metre @ Block 1 Water Rate		50 cubic metre @ Block 1 Water Rate
Metered water received at hydrant	Water Service	Full Cost Recovery	Per cubic meter of water	Block 1 Water Rate	Block 1 Water Rate		Block 1 Water Rate
Inspection of water at excavation sites in case of dispute	Water Service	Full Cost Recovery	Actual cost per inspection	Variable	Variable		Variable
Unregistered water each day order not complied	Water Service	Full Cost Recovery	Flat Rate	\$53.60	\$ 54.89		\$54.89
Relocate water hydrant	Water Service	Full Cost Recovery	Actual Cost per relocation	Variable	Variable		Variable
Replacement of equipment due to damage or loss	Water Service	Full Cost Recovery	Actual replacement costs	Variable	Variable		Variable
Cost of meter, strainer, connection fittings, hardware and flanges	Water Service	Full Cost Recovery	Actual Cost	Variable	Variable		Variable
Annual Seasonal Meter Activation Fee : includes replacement, removal of water meter; 1 turn on, 1 turn off	Water Service	Full Cost Recovery	Flat Fee	\$206.30	\$ 211.27		\$211.27
Unmetered water - general or use of non-City supplied meter	Water Service	Full Cost Recovery	Estimated consumption per cubic meter	Block 1 Water Rate	Block 1 Water Rate		Block 1 Water Rate
Deposit for estimated cost of service	Water Service	Full Cost Recovery	Actual cost	Variable	Variable		Variable
Relocation of Water Meter	Water Service	Full Cost Recovery	Actual Cost	Variable	Variable		Variable
Removal of obstructions around fire hydrants	Water Service	Full Cost Recovery	Actual Cost	Variable	Variable		Variable

## Appendix 7a-Continued

## User Fees Adjusted for Inflation and Other

Rate Description	Service	Fee Category	Fee Basis	2015	2016		
				Approved Rate	Inflationary Adjusted Rate	Other Adjustment	Budget Rate
Damage to Waterworks	Water Service	Full Cost Recovery	Actual Cost	Variable	Variable		Variable
Reuse of residential water service 19 mm to 25 mm	Water Service	Full Cost Recovery	Per Service to be reused	\$268.00	\$ 274.40		\$274.40
Administrative fee to reflect a change in ownership on an existing utility account	Water Service	Full Cost Recovery	Per ownership change	\$36.40	\$ 37.12		\$37.12
Water Special/Final Reading	Water Service	Full Cost Recovery	Per Customer Request	\$15.60	\$ 15.91		\$15.91
Water Consumption Statements	Water Service	Full Cost Recovery	For One Year	\$41.60	\$ 42.43		\$42.43
Water Consumption Statements	Water Service	Full Cost Recovery	For each subsequent year	\$26.00	\$ 26.52		\$26.52
Returned Cheques	Water Service	Full Cost Recovery	Per NSF Cheque	\$40.00	\$ 40.00		\$40.00
Water Collection Field Visit	Water Service	Full Cost Recovery	Per Field Visit	\$26.00	\$ 26.52		\$26.52
Administration of MOE Municipal drinking Water Licensing Program	Water Service	Full Cost Recovery	per application	\$2,425.80	\$ 2,484.26		\$2,484.26
Fee for lost or damaged automated meter reading transmitter	Revenues -Operational Support	Full Cost Recovery	per each lost or damaged meter reading transmitter	\$75.00	\$ 76.50		\$76.50
Manual water meter reading fee for consumers with water meters refusing installation of a new water meter and associated meter reading equipment	Revenues - Operational Support	Full Cost Recovery	per visit	\$82.55	\$ 84.20		\$84.20
Flat rate legacy fee, in addition to any existing water and wastewater flat rates charged for residential flat rate consumers who refuse the installation of an automatic water meter and associated meter reading equipment	Revenues - Operational Support	Full Cost Recovery	per account	\$1,101.00	\$ 1,123.02		\$1,123.02
Processing annual water supply backflow prevention device testing reports	Water Service	Full Cost Recovery	per report	\$50.00	\$ 51.20		\$51.20

## Appendix 7a- Continued

## User Fees Adjusted for Inflation and Other

Rate Description	Service	Fee Category	Fee Basis	2015	2016	
				Approved Rate	Inflationary Adjusted Rate	Other Adjustment Budget Rate
Industrial Waste Surcharge - Biochemical Oxygen Demand (BOD) or Phenolics (4AAP)	Wastewater Service	City Policy	Per Kilogram	\$0.62	\$0.64 (effective April 1, 2016)	\$0.64 (effective April 1, 2016)
Industrial Waste Surcharge - Total Suspended Solids (TSS)	Wastewater Service	City Policy	Per Kilogram	\$0.60	\$0.70 (effective April 1, 2016)	\$0.70 (effective April 1, 2016)
Industrial Waste Surcharge - Total Phosphorus (TP)	Wastewater Service	City Policy	Per Kilogram	\$1.69	\$2.24 (effective April 1, 2016)	\$2.24 (effective April 1, 2016)
Industrial Waste Surcharge - Total Kjeldahl Nitrogen (TKN)	Wastewater Service	City Policy	Per Kilogram	\$1.18	\$1.43 (effective April 1, 2016)	\$1.43 (effective April 1, 2016)
Sewer Surcharge on private water	Wastewater Service	Full Cost Recovery	Per Cubic Meter	57% of Block 1 Water Rate	57% of Block 1 Water Rate	57% of Block 1 Water Rate
Industrial Waste Surcharge Agreement or Permit where the anticipated total fees for one year or lesser term are \$ 500 or less calculated in accord with Ref. No. 1.1-1.4 & 2 above, as applicable	Wastewater Service	Full Cost Recovery	Fixed Fee with Minimum	Calculated in accord with Ref. No. 1.1-1.4 above, as applicable - \$500.00 minimum	Calculated in accord with Ref. No. 1.1 - 1.4 above, as applicable - \$500.00 minimum	Calculated in accord with Ref. No. 1.1 - 1.4 above, as applicable - \$500.00 minimum
Sanitary Discharge Agreement or Permit where the anticipated total fees for one year or lesser term are \$20,000 or less calculated in accordance with Ref. No. 2 above	Wastewater Service	Full Cost Recovery	Fixed Fee with Minimum	Calculated in accord with Ref. No. 2 above - \$500.00 minimum	Calculated in accord with Ref. No. 2 above - \$500.00 minimum	Calculated in accord with Ref. No. 2 above - \$500.00 minimum
To install new residential sanitary sewer service connection in road allowance	Wastewater Service	Full Cost Recovery	Per Installation	\$7,693.00	\$ 11,000.00	\$11,000.00
To install new residential storm sewer service connection in road allowance	Wastewater Service	Full Cost Recovery	Per Installation	\$7,693.00	\$ 11,000.00	\$11,000.00
To disconnect residential sanitary sewer service connection in road allowance	Wastewater Service	Full Cost Recovery	Per Disconnection	\$806.90	\$ 1,360.00	\$1,360.00
To install new sanitary or storm or combined sewer service for industrial, commercial and institutional applicants	Wastewater Service	Full Cost Recovery	Actual Cost for Installation	Variable	variable	variable
To Disconnect existing sanitary / storm / combined sewer service connection for industrial, commercial and institutional applicants	Wastewater Service	Full Cost Recovery	Per Disconnection - Actual Cost	Variable	variable	variable
Removal of tree root blockage	Wastewater Service	Full Cost Recovery	Based on actual cost	Variable	variable	variable
Investigation and excavation of drain blockage	Wastewater Service	Full Cost Recovery	Based on actual cost	Variable	variable	variable
Spills Clean Up	Wastewater Service	Full Cost Recovery	Cost + Recovery from Discharger	Variable	variable	variable
Install New Sanitary or Storm Main in Street Allowance	Wastewater Service	Full Cost Recovery	Based on actual cost	Variable	variable	variable
Inspection fee for the reuse of residential City sewer connection up to 150 mm in diameter	Wastewater Service	Full Cost Recovery	Per service to be reused	\$537.50	\$ 550.00	\$550.00
Technical Review by Toronto Water staff - Application to Toronto Water for exemption to permit the construction of a driveway sloped downwards towards a residential building.	Wastewater Service	Full Cost Recovery	Per application	\$1,610.00	\$ 1,648.50	\$1,648.50
Technical Review by Toronto Water staff - Application to Toronto Water for new connection or change or alteration to the existing storm connection, sanitary or water supply connection	Wastewater Service	Full Cost Recovery	Per application	\$322 minimum fee; additional \$79.4/hour for each hour after 4 hours to a maximum of \$1,610	\$329.5 minimum fee; additional \$81.3/hour for each hour after 4 hours to a maximum of \$1,648.5	\$329.5 minimum fee; additional \$81.3/hour for each hour after 4 hours to a maximum of \$1,648.5
Technical Review by Toronto Water staff - Application to Toronto Water for request to encroach within a City permanent or temporary easement (related to City water and sewer infrastructure)	Wastewater Service	Full Cost Recovery	Per application	\$322 minimum fee; additional \$79.4/hour for each hour after 4 hours to a maximum of \$1,610	\$329.5 minimum fee; additional \$81.3/hour for each hour after 4 hours to a maximum of \$1,648.5	\$329.5 minimum fee; additional \$81.3/hour for each hour after 4 hours to a maximum of \$1,648.5
Technical Review by Toronto Water staff - Application to Toronto Water for request to release from title a City easement (related to City water and sewer infrastructure)	Wastewater Service	Full Cost Recovery	Per application	\$322 minimum fee; additional \$79.4/hour for each hour after 4 hours to a maximum of \$1,610	\$329.5 minimum fee; additional \$81.3/hour for each hour after 4 hours to a maximum of \$1,648.5	\$329.5 minimum fee; additional \$81.3/hour for each hour after 4 hours to a maximum of \$1,648.5
Initial fee for establishment of new industrial waste surcharge agreement	Wastewater Service	Full Cost Recovery	Per agreement	825.5	\$ 845.30	\$845.30
Record search for Sewers by-law compliance violation	Wastewater Service	Full Cost Recovery	per address	\$50.00	\$ 100.00	\$100.00