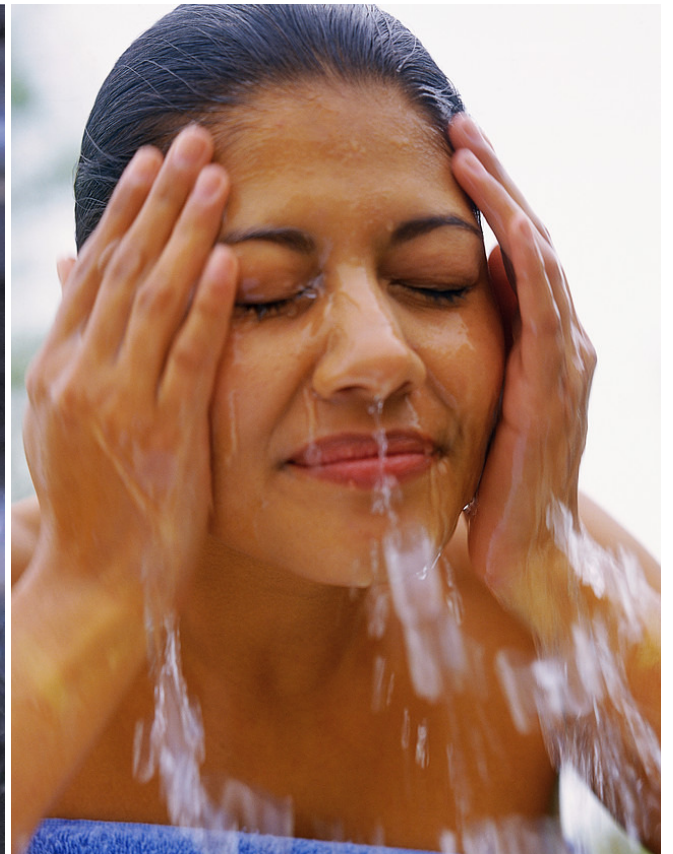
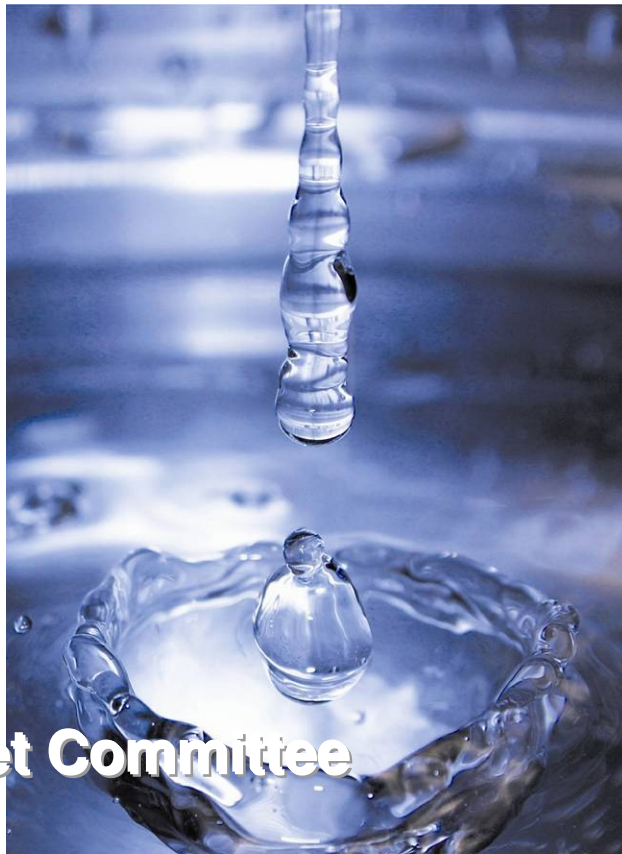
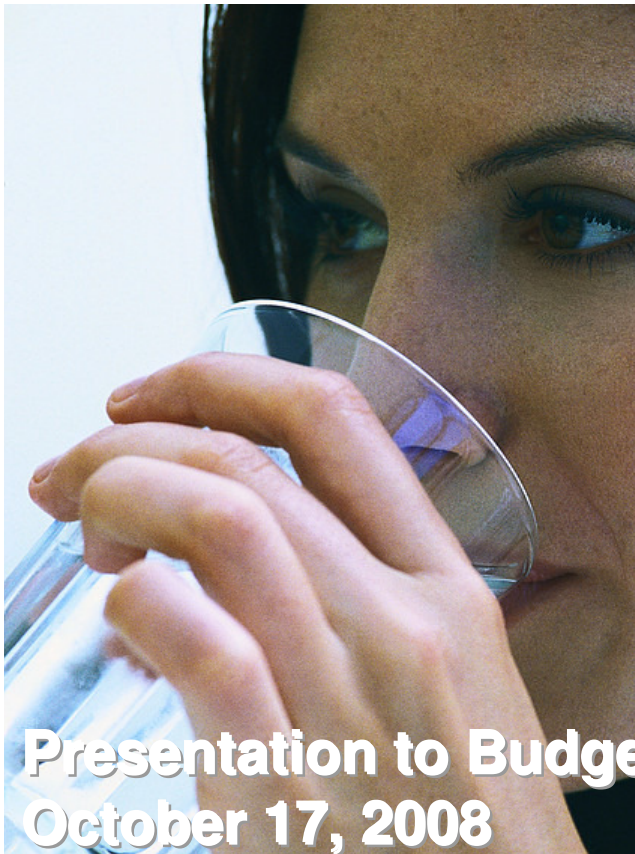


TORONTO

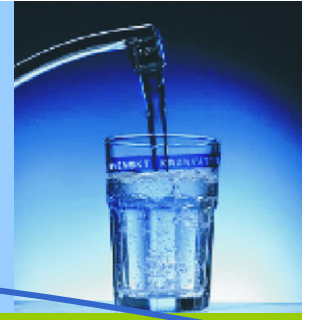
Water



**Presentation to Budget Committee
October 17, 2008**

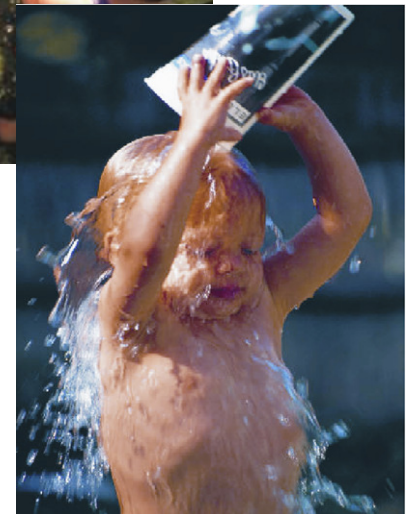
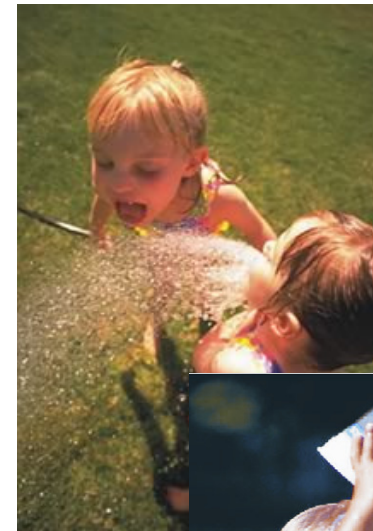
2009-2018 Capital Budget
2009 Operating Budget

Toronto Water



Overview

- Serves 3.1 million residents and businesses in Toronto, and portions of York and Peel
- Over \$26 billion in infrastructure
- Infrastructure renewal and state of good repair supported by multi-year business plan
- Program is 100% rate-supported and no reliance on the property tax base to support Toronto Water services
- Both operating and capital budgets are supported by user fees for water consumption and sewage treatment



Toronto Water 2009 Budget Provides: *Services for Residents and Businesses*

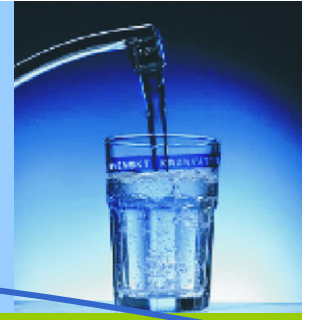


Annual Water & Wastewater Services for 2.6 million residents and businesses in Toronto:

- Treat & supply 493 billion litres of water
- Collect & treat 438 billion litres of wastewater
- Repair 10,000 blocked drains
- Clean over 122,500 catch basins
- Repair approximately 1,500 broken watermains



Toronto Water 2009 Budget Provides: *Water Saving Initiatives*



Water Efficiency Plan

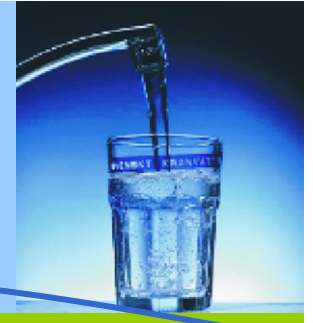
- Over 30,000 rebates for low-flow toilets
- Over 7,000 rebates for high-efficiency washing machines
- Projected to save 55 million litres of water per day by the end of 2009

Water Metering Project

- Installation/replacement of approximately 462,000 water meters including 72,000 flat rate customers and 11,000 institutional, commercial and industrial customers
- Full replacement over next six years will help to improve revenues and reduce future operating costs
- Metered properties typically use less water per capita



Toronto Water 2009 Budget Provides: *Water Quality Initiatives*



Support for the Mayor's Mandate

- Clean, beautify and improve access and stewardship of Toronto's ravines
- Help clean Lake Ontario to make Toronto's beaches more swimmable
 - Disconnect 5,000 downspouts
 - Distribute 500 rainbarrels
 - Reallocation of resources for better outfall and beach monitoring programs



Wet Weather Flow Master Plan

- Combined Sewer Overflow and Storm Sewer Discharge Controls
- Rainwater Harvesting and Green Roof Projects
- Stream Restoration
- Tree Planting
- Source Water Land Acquisition

Toronto Water 2009 Budget Provides *Energy Savings*

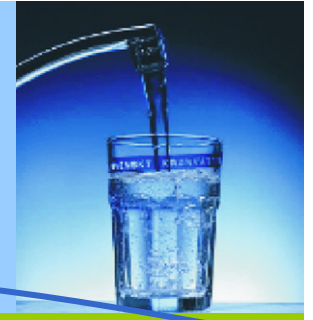


Support for Climate Change Adaptation Initiatives

Energy Efficiency Measures

- Energy reduction target for next five years is 25,000 MWh (5% of 2007 electricity use); electrical demand reduction target is 1.8 MW
- Energy audits being completed at treatment plants and other facilities being initiated
- Process modifications (to consume less energy) are being implemented.
- Identification and quantification of non-process energy use and reduction measures
- Ongoing replacement of older pumps & motors with high efficiency units
- Ongoing implementation of real time energy monitoring and water pumping strategy

Toronto Water 2009 Budget

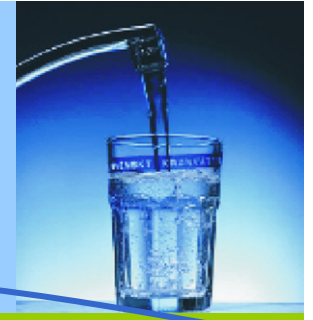


Climate Change Impact on Infrastructure

- Municipal infrastructure and service delivery is being impacted by more frequent extreme storm events
- Two significant storms (May 2000 and August 2005) and a very rainy summer in 2008
- Damage includes: flash floods of creeks, rivers and ravines; overflowing stream banks; watercourse bank erosion; damage to public and private infrastructure and property; and sewer backups



Toronto Water 2009 Budget



Climate Change Impact on Infrastructure

- Unprecedented level of analysis underway in 31 Study Areas to address basement flooding concerns
- Toronto Water has included capital projects that support Council's *Climate Change Adaptation Strategy*
- Policy is to use an adaptive management strategy for chronic basement flooding study areas
- Construction to begin on the first set of projects in 2009



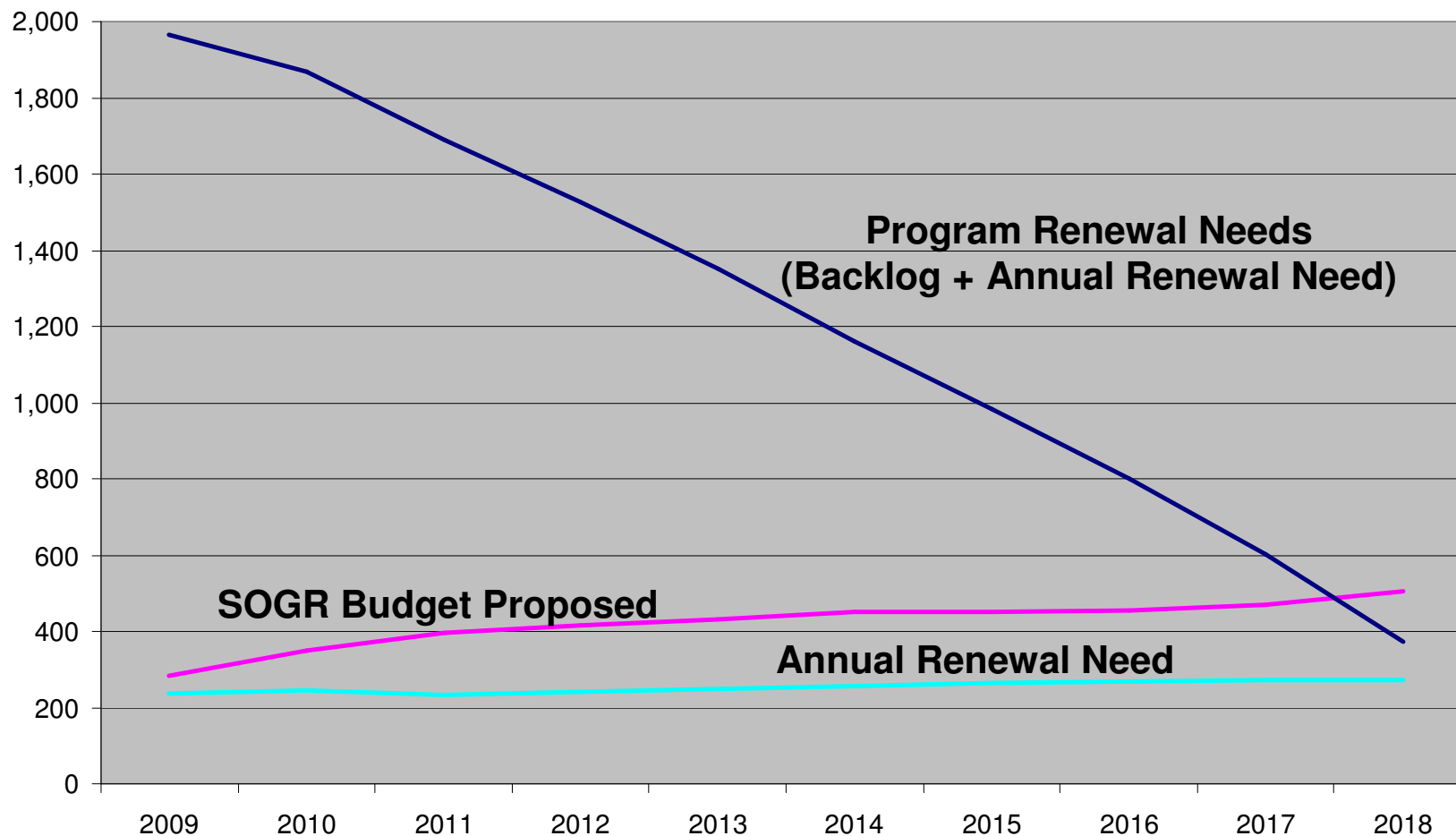


2009 Capital Budget

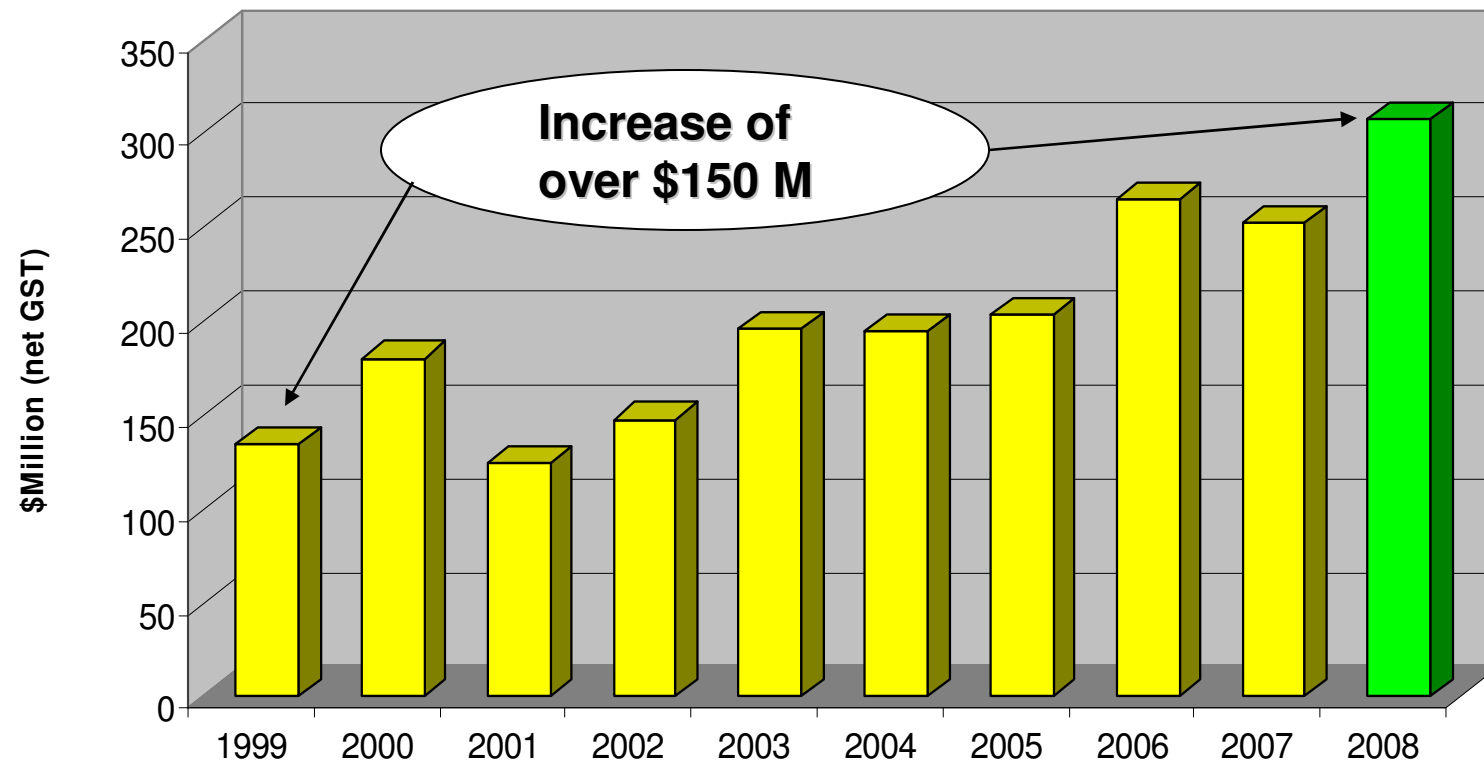
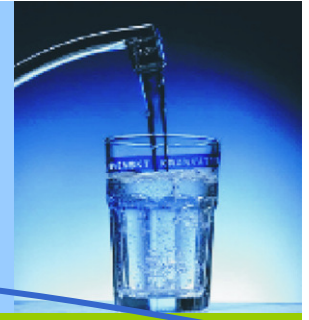
2009-2018

Addressing State of Good Repair

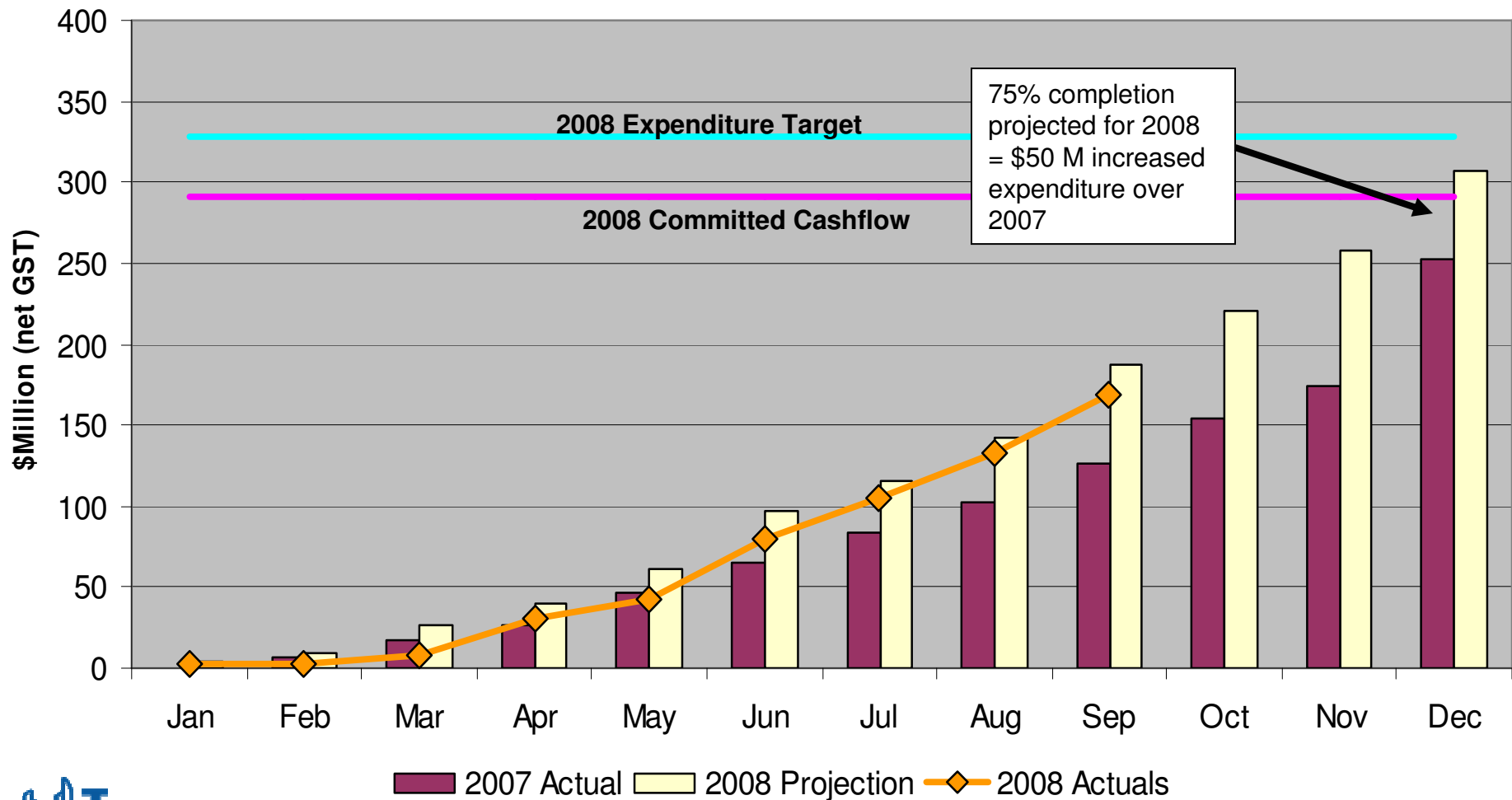
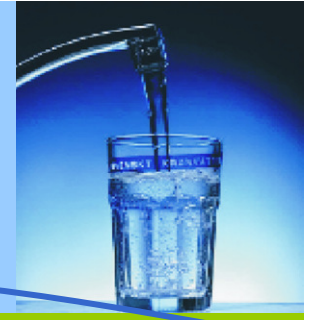
(\$Millions)



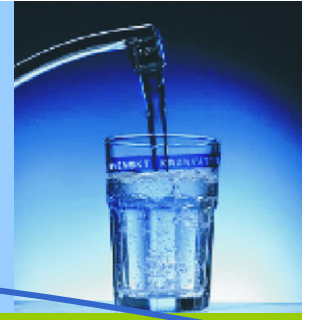
1999-2008 Capital Budget Expenditures (\$Millions)



2008 Capital Expenditure Forecast (\$Millions)



2009 Capital Budget Issues

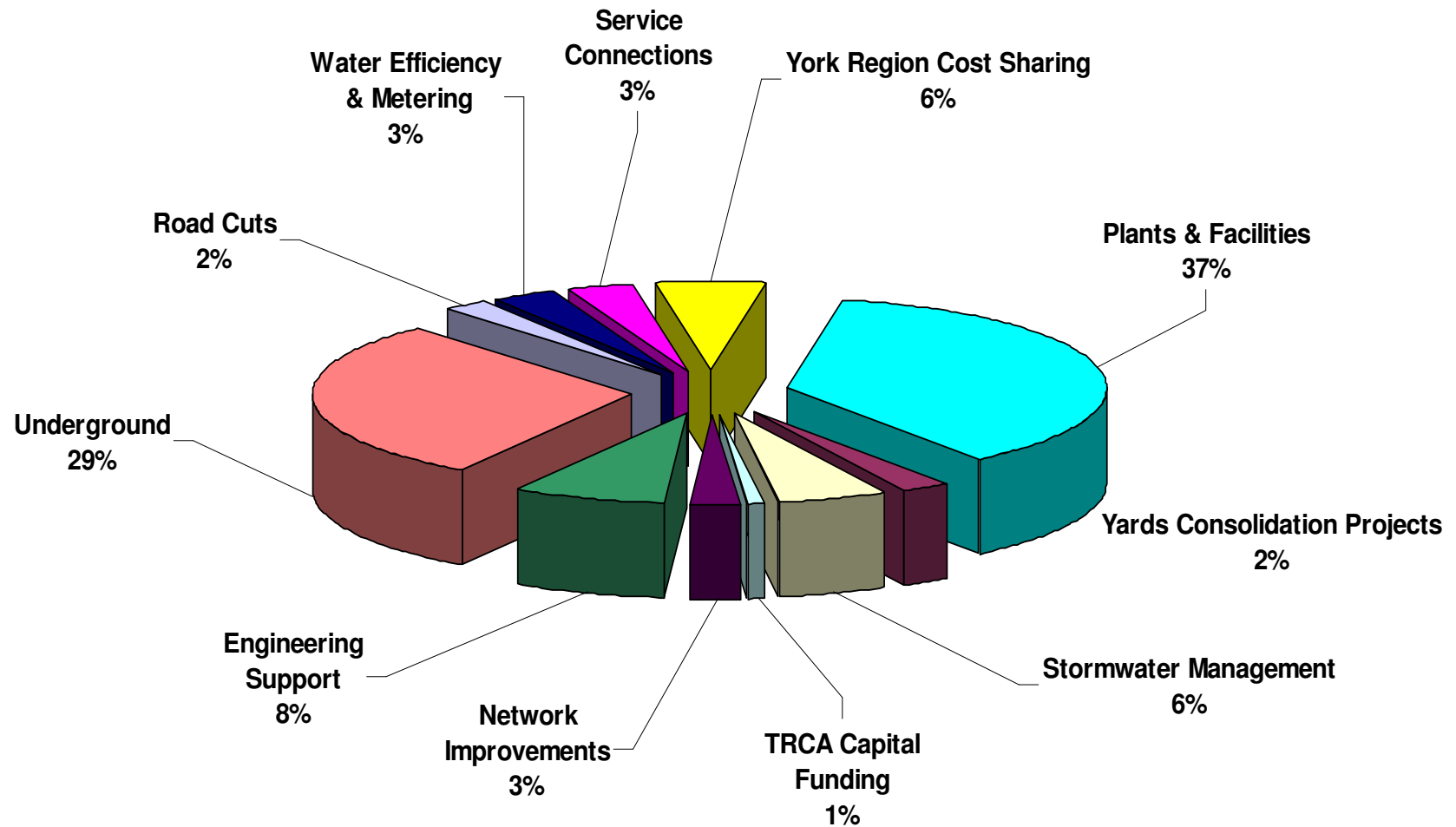
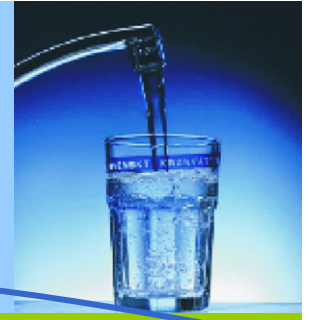


- **Considerable increase in cost of major capital works**
 - Significant increase in unit rates for steel, aggregates, etc.
 - More expensive construction techniques to minimize community impact (e.g. tunnelling)
- **Need to maintain Capital Reserve in event of catastrophic infrastructure failure**

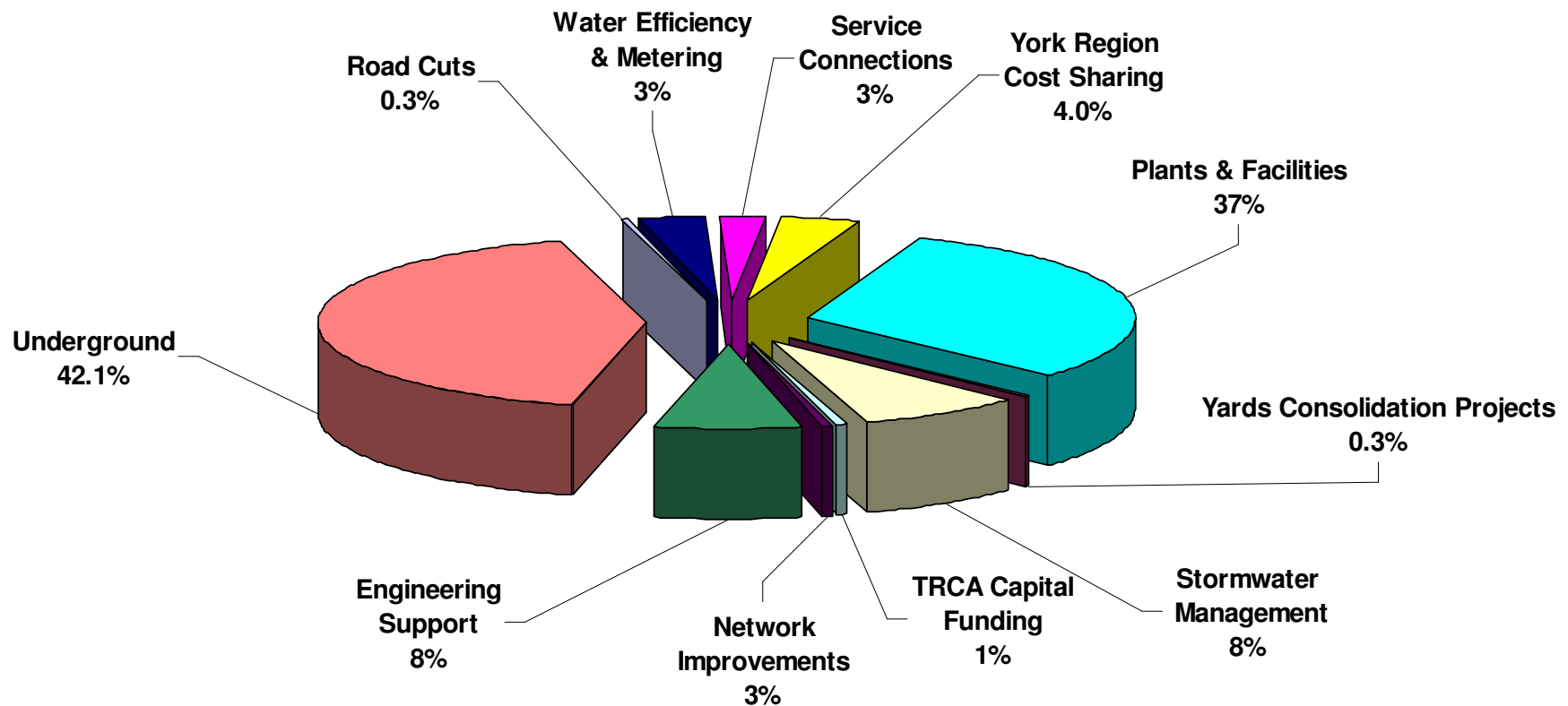
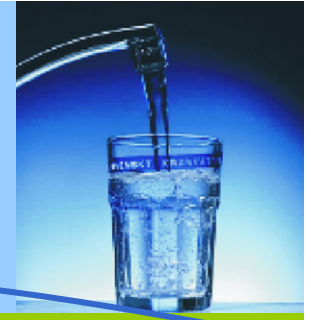


2009

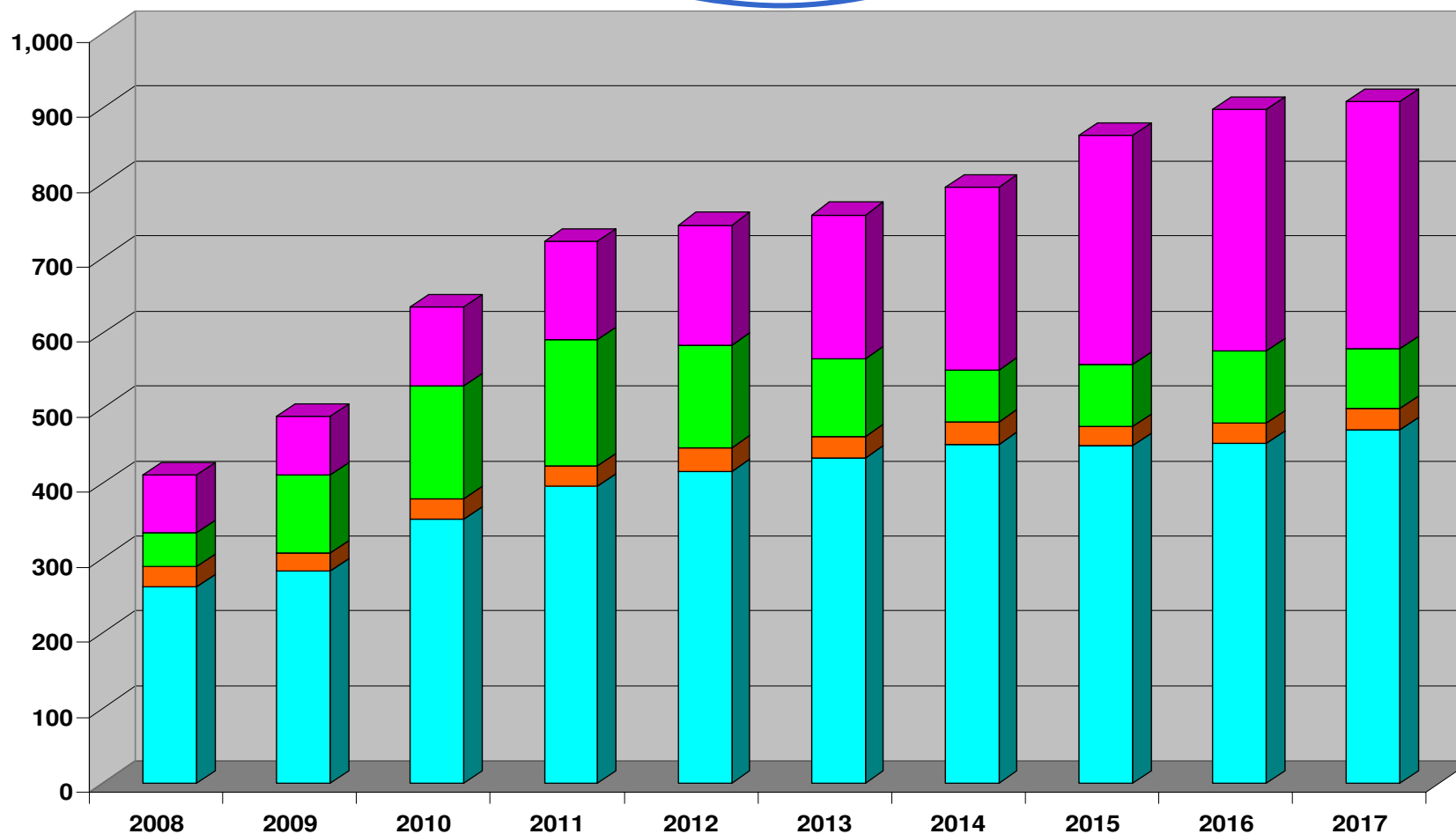
Capital Budget \$488 Million (Gross)



2009-2018 Capital Budget \$7.74 Billion (Gross)



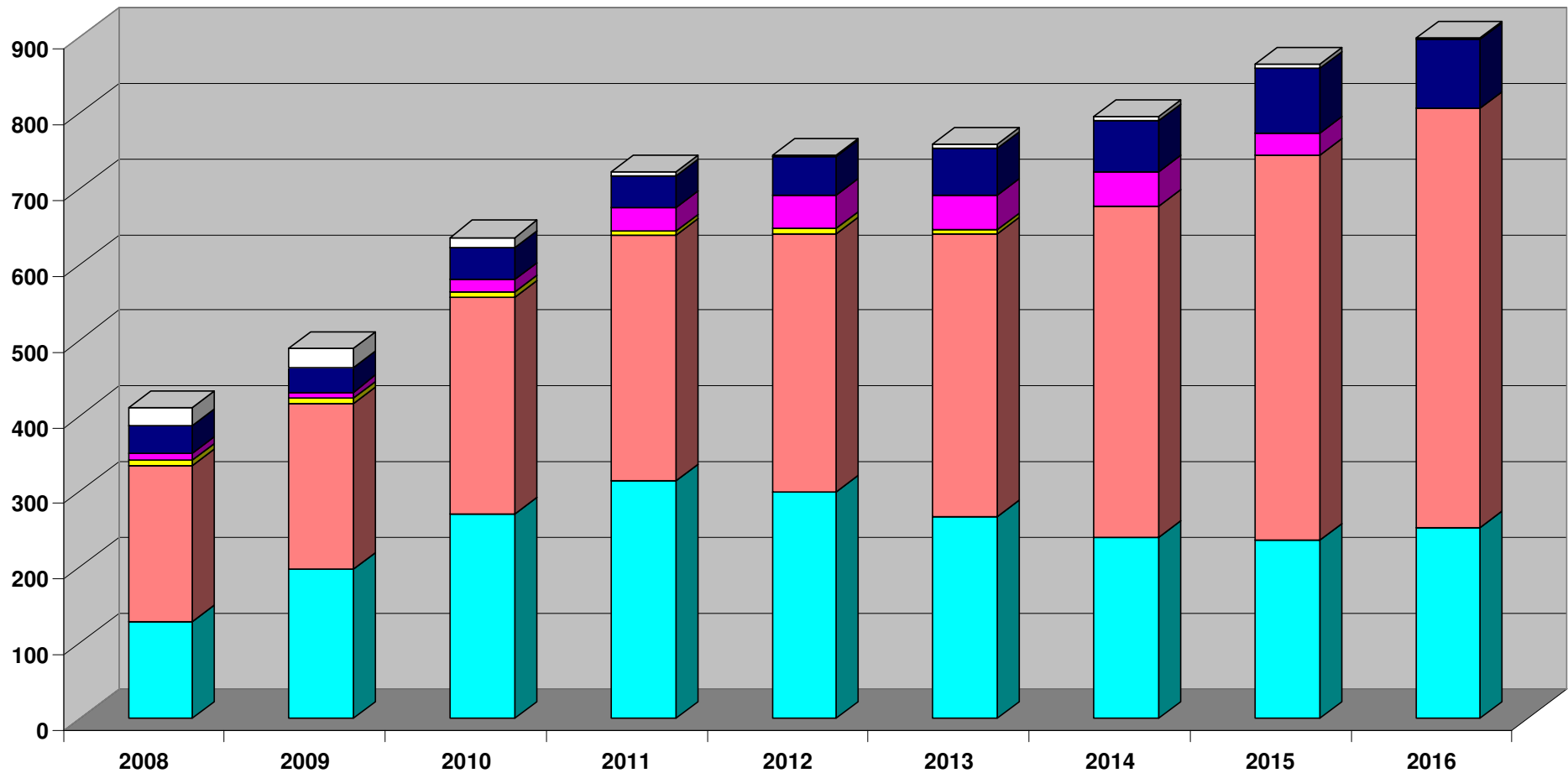
2008-2018 Capital Plan By Category (\$Millions)

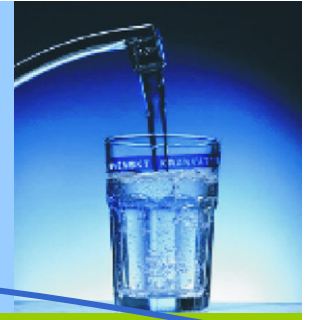


2008-2018

Capital Plan by Asset Class

(\$Millions)





2009 Operating Budget

2008 Toronto Water Budget Variance Review

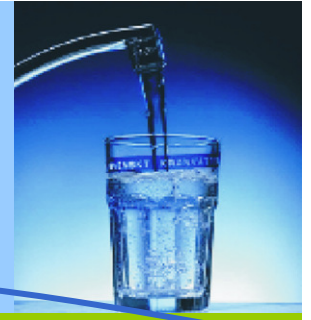


(In \$000s)	2007 Actuals	2008 Approved Budget	2008 Projected Actuals*	2008 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	%
GROSS EXP.	379,338	375,207	358,463	(16,744)	(4.5)
REVENUES	648,221	677,393	648,547	(28,846)	(4.3)
CAP. CONTR.	268,884	302,186	290,084	(12,102)	(4.0)
Approved Positions	1,634.5	1,678.4	1,678.4	0.0	0.0

Note: *Source Toronto Water 2008 Second Quarter Operating Budget Variance Report.

**Water & Wastewater Rate Stabilization Reserve
Balance is at \$34.8 M as at January 1, 2008**

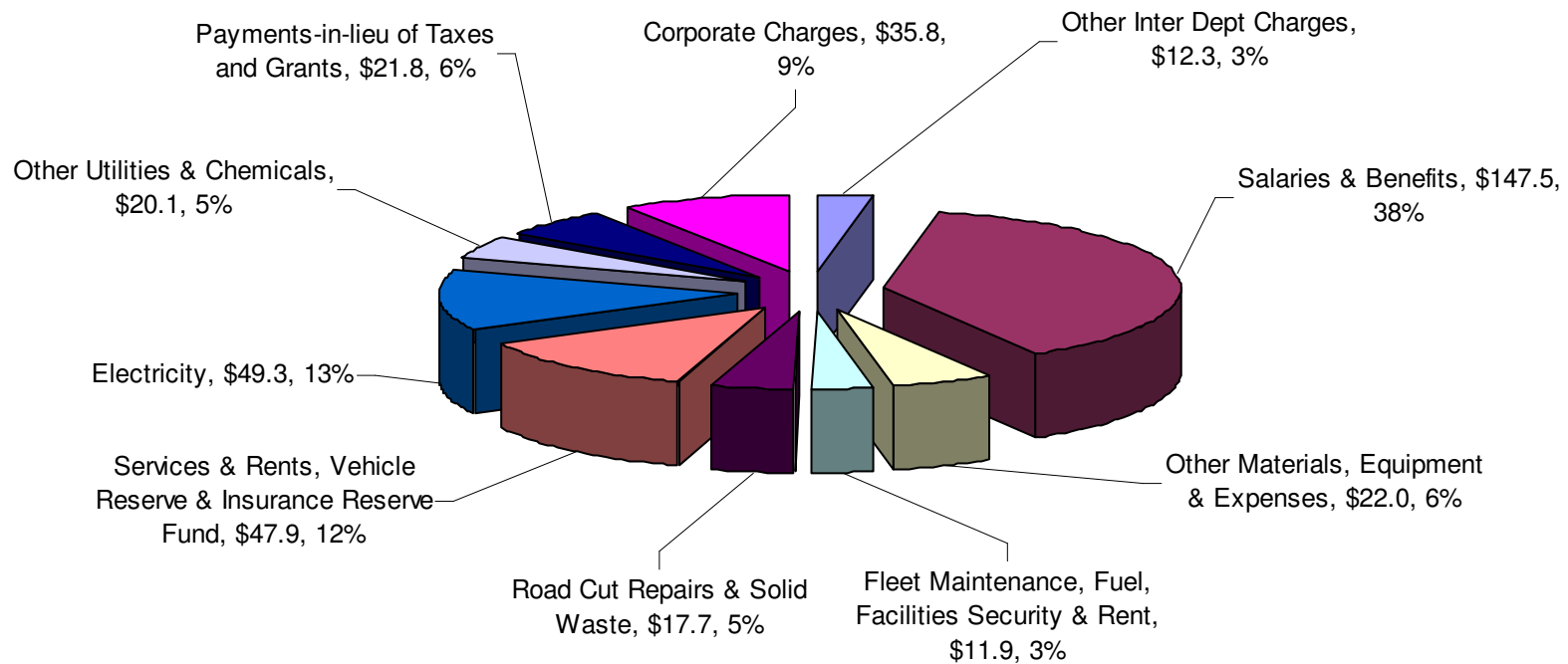
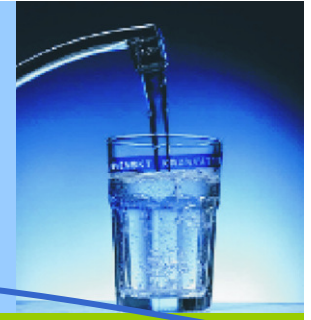
2009 Operating Budget Challenges



- **Managing the continuous increase in costs from internal and external sources:** personnel costs, internal service providers and inflationary pressures on materials and supplies (steel, concrete, fuel, chemicals, chlorine, powdered activated carbon)
- **Managing the impact of increased regulations and legislation:** increased resources are required to maintain legislative compliance
- **New service priorities:** basement flooding remediation, mandatory downspout disconnection, Auditor General review of Toronto Water operations

2009

Operating Cash Flow \$386.3 Million



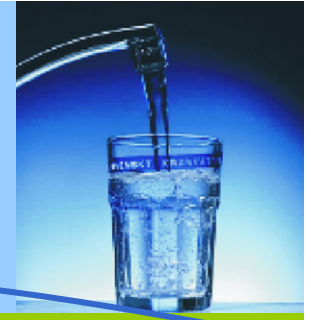
2008 – 2009 Base Budget Comparison



BASE BUDGET COMPARISON (\$000s)				
	2008 Approved Budget	2009 Budget Submission	\$ Increase (Decrease)	% Incr. (Decr.)
Gross Operating Expenditures	375,207.4	375,207.4		0.0%
Base Budget Adjustments		203.4		
Prior Year & Economic Factors		6,867.5		
Sub-total		382,278.3	7,070.9	1.9%
New & Enhanced Services (Business Cases)		4,045.6		
Gross Operating Expenditures		386,323.9	11,116.5	3.0%

Figures do not include capital contribution

2009 Operating Budget Changes



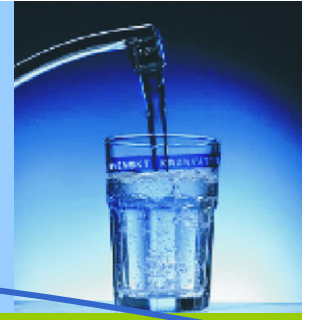
- **Base Budget Adjustments: \$0.203 M**

– Reductions in:	Hydro	(\$4.68 M)
	Contracted Services	(\$4.51 M)
	Transfer/Haul Biosolids	(\$4.51 M)
– Increases in:	Salaries (Arbitrated wages)	\$4.79 M
	Grants/Payment in lieu - taxes	\$1.20 M
	Solid Waste Management	\$3.66 M
	Fleet Services	\$1.76 M
	Facilities/Security/Rent	\$1.22 M
	Tree Planting	\$ 2.00 M

- **Prior Year & Economic Factors: \$6.867 M**

– Inflation (Commodities & Wages)	\$6.46 M
– Prior Year Impacts	\$0.41 M

2009 Operating Budget Changes (cont'd.)



- **New & Enhanced Services: \$4.045 M**

Total Toronto Water and Policy, Planning, Finance & Administration (PPFA) Staff = 58 FTEs

Toronto Water Staff (48 FTEs less 3 FTEs base deletion = 45 FTEs):

- Downspout Disconnection Program/Basement Flooding = 21 FTEs (Council Directed)
- Operational & Regulatory Requirements = 17 FTEs
- Auditor General Response = 10 FTEs

PPFA Staff (Toronto Water funded from Operating Budget):

- Auditor General Response = 13 FTEs

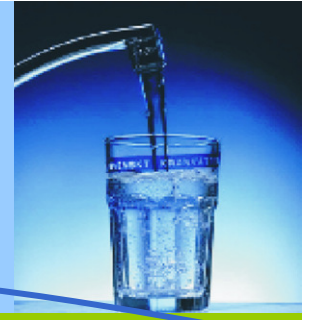
Technical Services (Toronto Water funded from Capital Budget):

- Increased 10-year Capital Plan = 10 FTEs (\$0.6M)



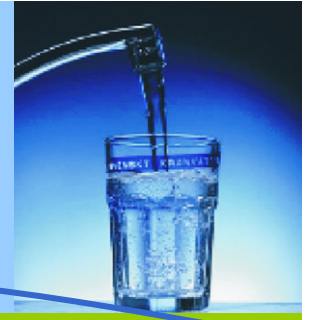
2009 Water Rate

Water Rate Model Factors to Consider



- **Operating cost outlook**
- **Capital plan and spending level expectation**
- **Water consumption forecast**
- **Capital reserve continuity**
- **Phasing-in of Water Rate Restructuring by 2010:** target 30% reduction for Industrial process consumption
- **Other inputs:** sewer and senior rebates, flat conversions, Region of York water supply, development charges, other revenues

Assumptions for 2009



Consumption

- 2008 Forecast: 4% below 2007 actual
- 2009 Forecast: flat-lined to 2008 project actual

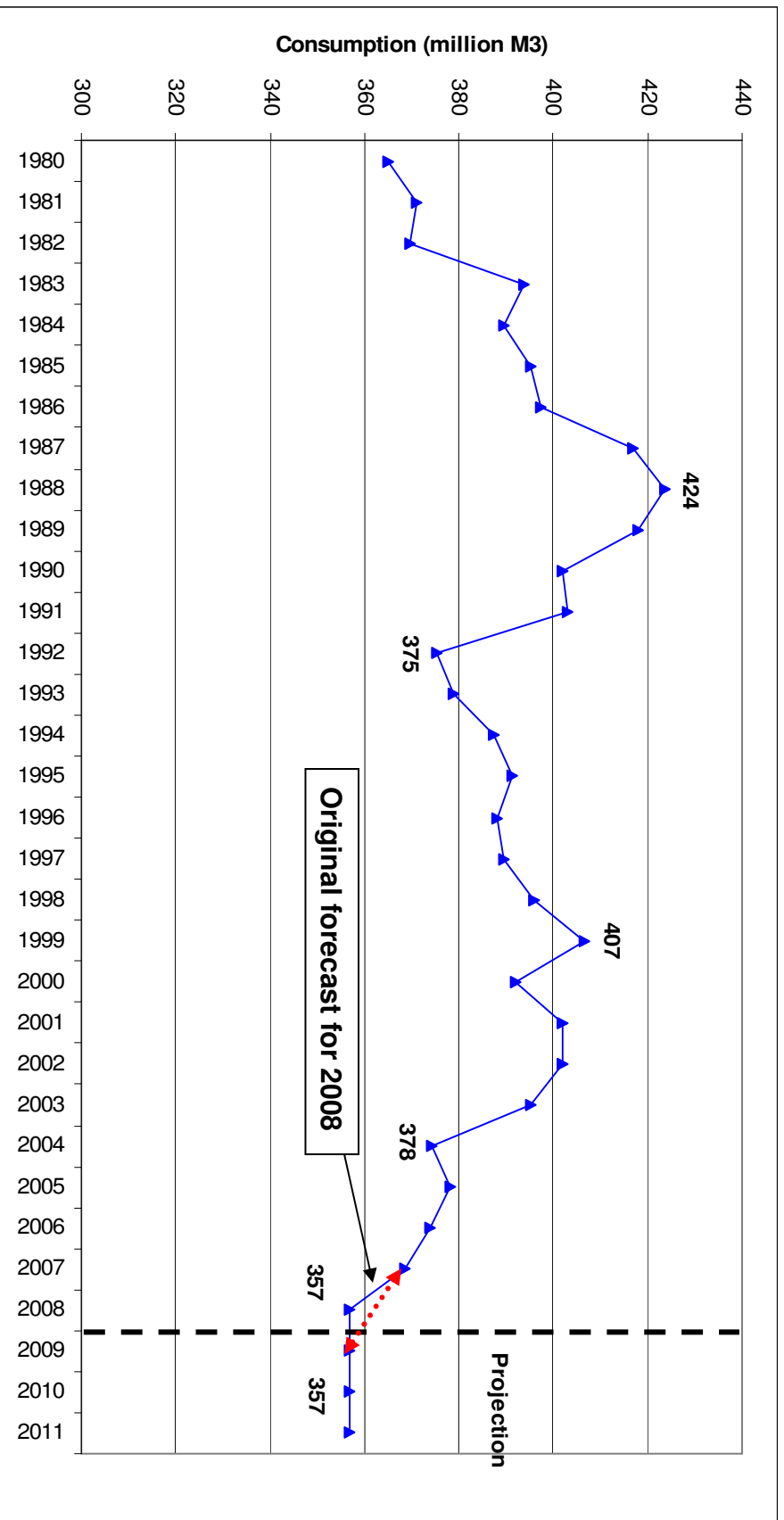
Capital Expenditure Rate Forecast

- 2008: 75%
- 2009: 76%
- 2010: 78%
- 2011: 80%

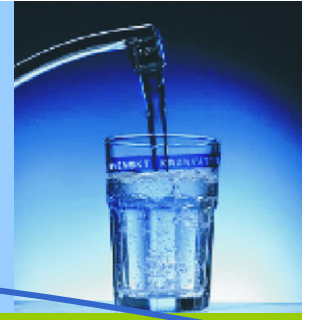
Operating Cost Increases

- 2010 and forward 3% increase

Water Consumption & Forecast

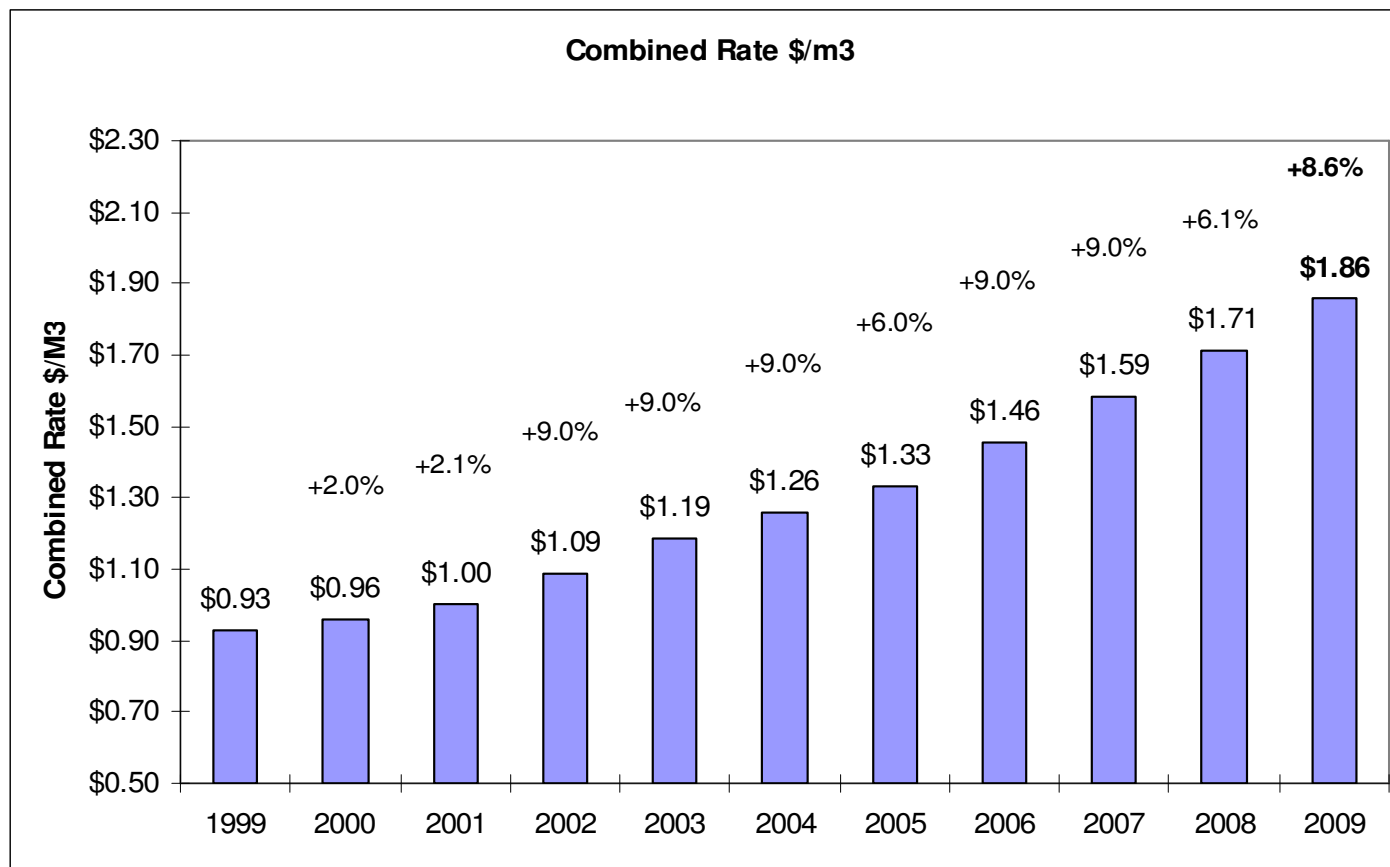


2009 Recommended Rate Increase



- **2008:** implementation of two block rate structure
– 6.1% effective rate increase to effect 9% increase for average homeowner
- **2009:** 9% increase in block 1 rate and 3% increase in block 2 rate: effective rate increase of 8.59%

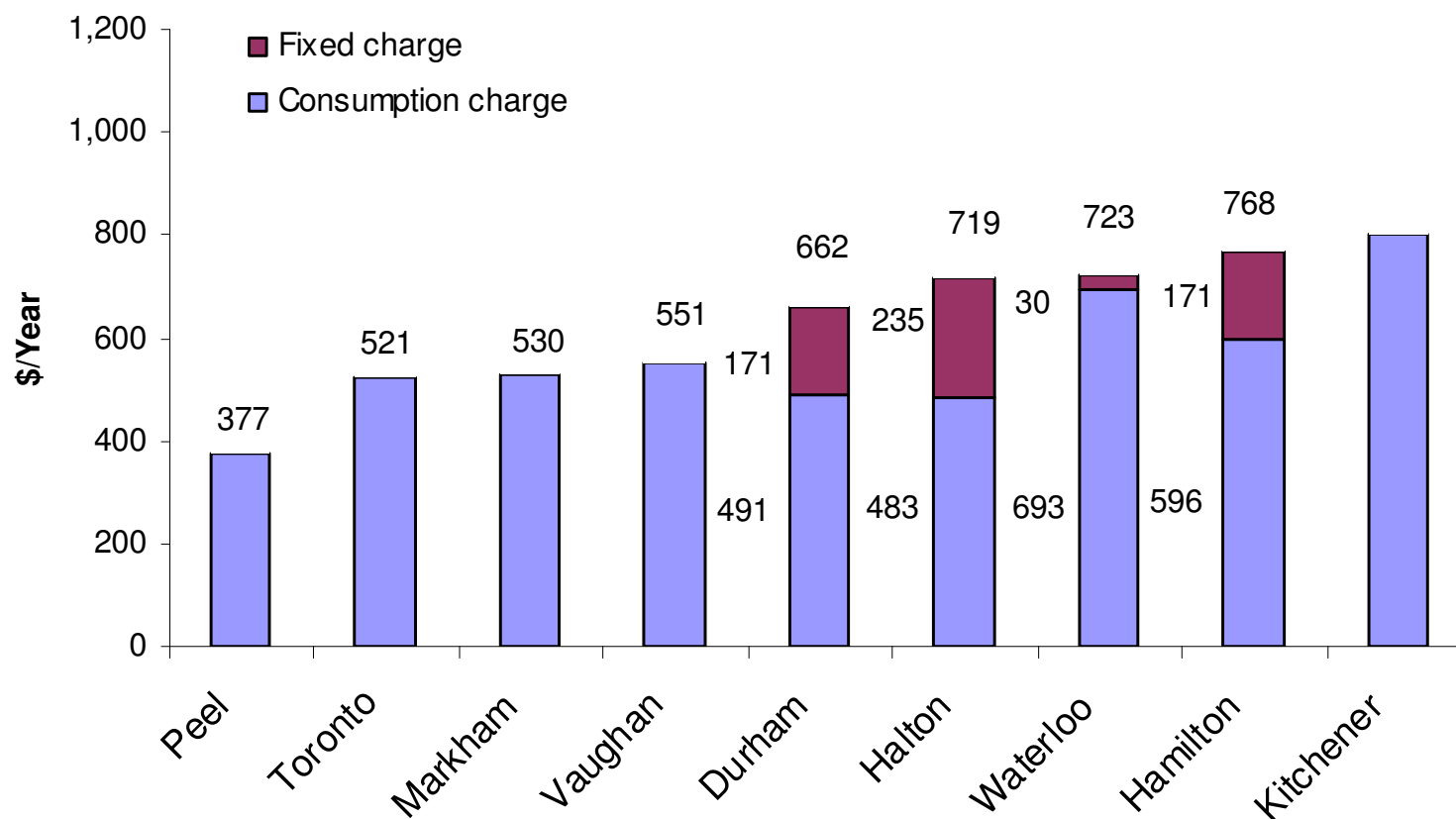
History of Toronto Water Rates



How Does Toronto Compare?

Comparison of Water Cost 2008

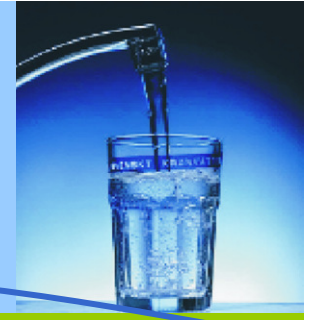
Residential (300 m³/y)



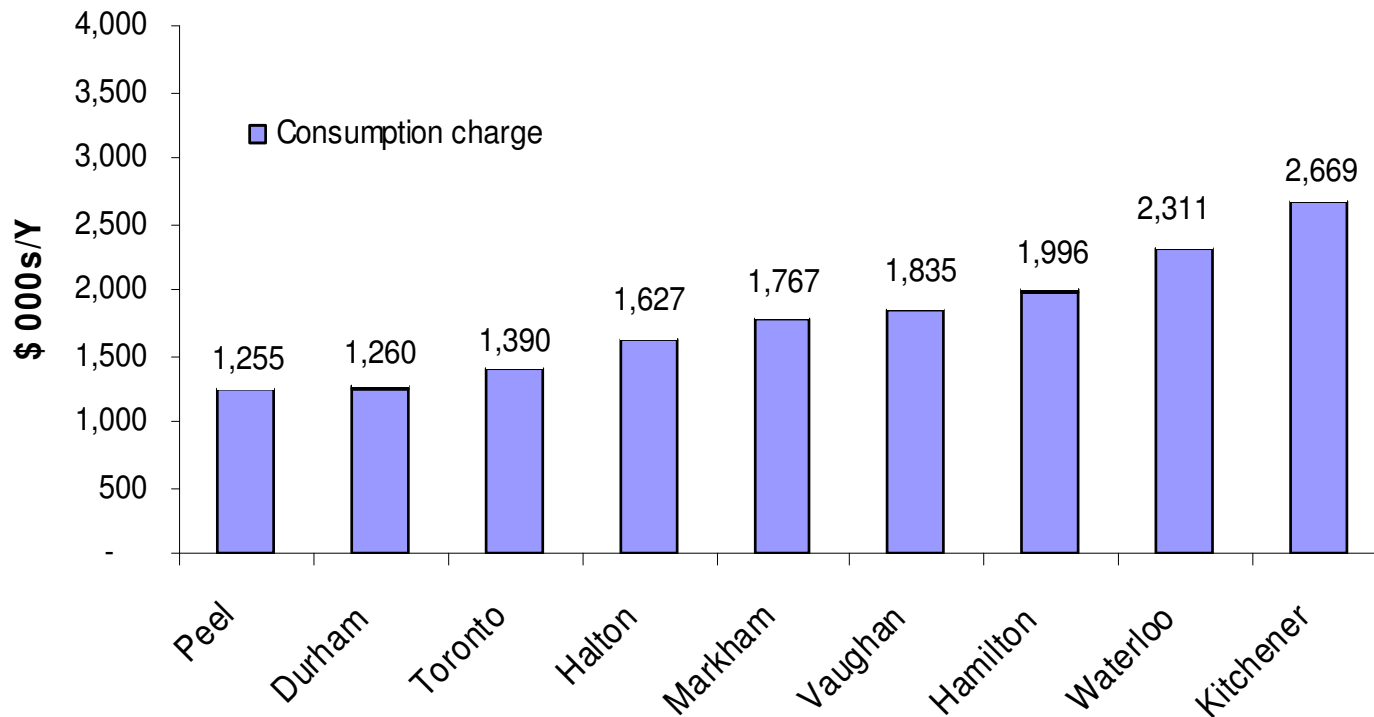
How Does Toronto Compare?

Comparison of Water Cost 2008

Large Industrial (1,000,000 m³/y)

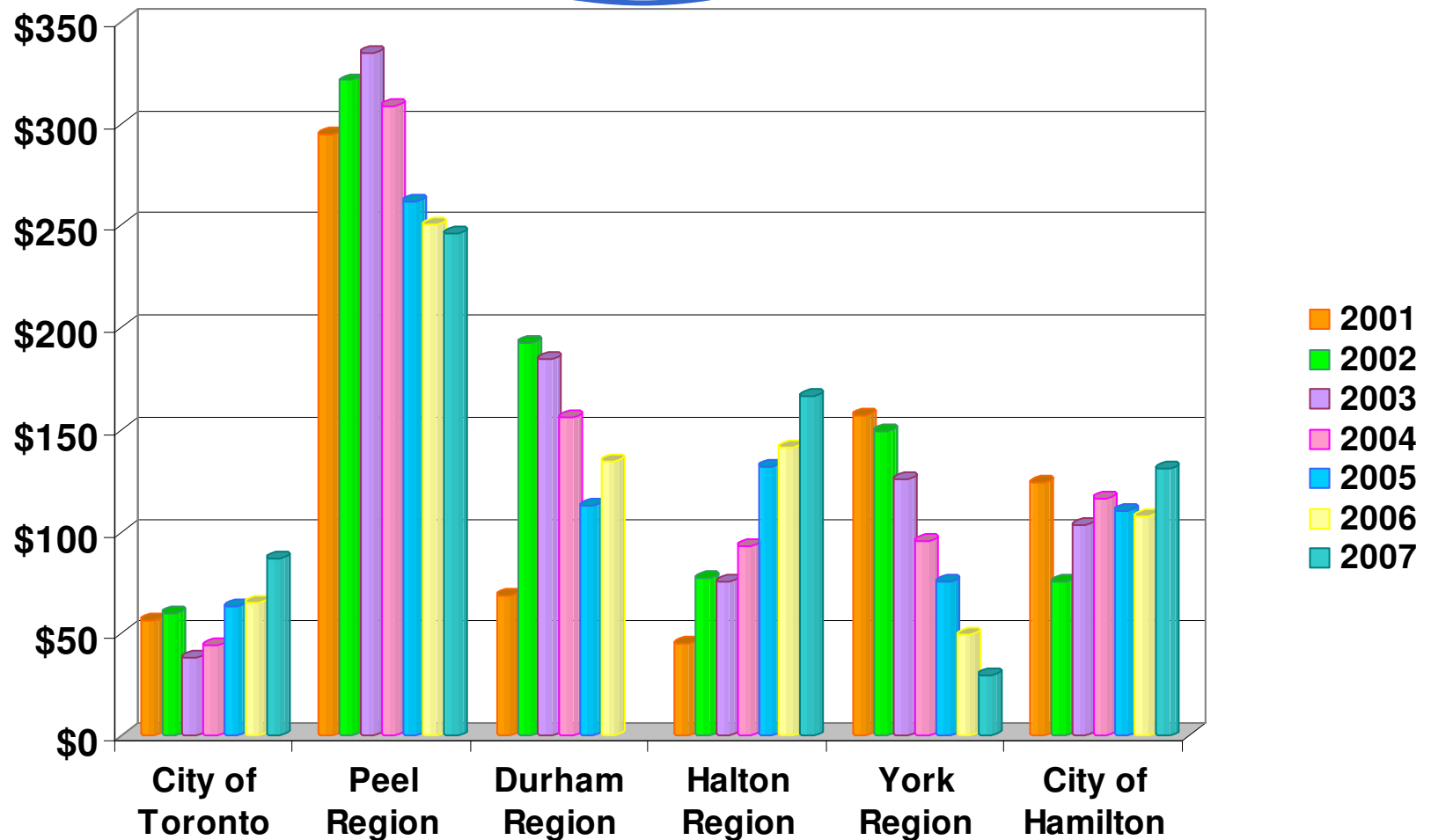
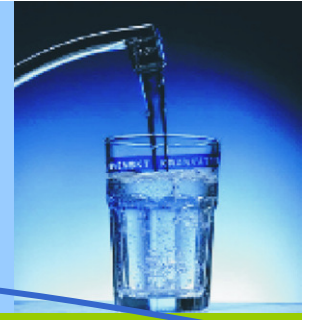


Comparison of Water Cost 2008
Large Industrial (1,000,000 m³/Y)

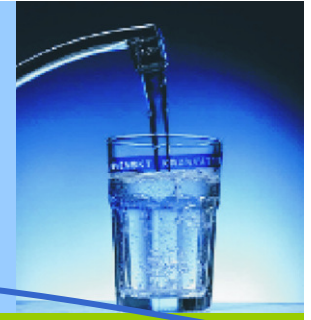


Water & Wastewater Reserve Balances

per Capita Comparison



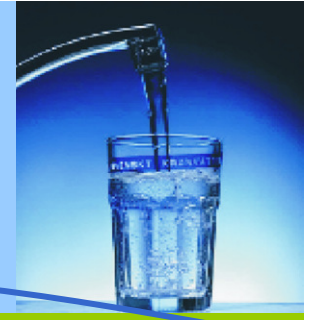
2009 Water Rate Increase Impact



	Consumption	2008 cost	2009 bill	Increase	
	m ³ /y	\$/y	\$/y	\$/y	%
Residential	300	\$521	\$567	\$47	9.00%
Industrial	100,000	\$140,893	\$145,744	\$4,851	3.44%
	1,000,000	\$1,390,183	\$1,432,513	\$42,330	3.04%

Note: Average Residential Household uses 304 cubic metres per year

Projected Water Rate Increases



		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
2009 submission												
Increase - Block 1 and Flat Rate		6.10%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	6.00%	3.00%	3.00%	3.00%
Increase - Block 2		6.10%	3.00%	3.00%	6.81%	9.00%	9.00%	9.00%	6.00%	3.00%	3.00%	3.00%
Effective rate increase			8.59%	8.60%	8.86%	9.00%	9.00%	9.00%	6.00%	3.00%	3.00%	3.00%
Block 1 Rate		1.7352	1.8914	2.0616	2.2471	2.4494	2.6698	2.9101	3.0847	3.1773	3.2726	3.3707
Block 2 Rate		1.3881	1.4297	1.4726	1.5730	1.7146	1.8689	2.0371	2.1593	2.2241	2.2908	2.3595