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## **2004 BUDGET BRIEFING NOTE:**

### **Eligibility Criteria for Water/Wastewater Funding Initiatives**

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#### **Issue:**

Water/Wastewater currently funds various water-related projects included in other City capital programs, such as the TRCA and Parks & Recreation. Funds have historically been allocated through an annual ad hoc meeting between departments. Although this process has been successful, the process can be improved and expedited through the application of specific criterion, which would objectively identify water-reserve eligible projects.

#### **Background:**

At its meeting on January 28, 2002, the Budget Advisory Committee requested the Chief Administrator Officer (CAO) and Commissioner of Works & Emergency Services, to report on “alternative funding sources for 2003 and future years which may or may not be limited to the possibility of drawing necessary funding from water/wastewater reserves or a reserve fund created from water/wastewater revenues and specifically allocated to the TRCA levy.”

In addition, the CAO requested the Commissioner of Works & Emergency Services to investigate and confirm that no duplication of service existed between Water/Wastewater, TRCA and Parks & Recreation. The CAO also requested the Commissioner of Works & Emergency Services to develop a set of criterion by which water reserve funds would be appropriately allocated towards other City projects/initiatives.

#### **Key Points:**

- Water/Wastewater has contributed towards the TRCA Capital Program since 1999. Specifically, Water/Wastewater contributed \$1.230 million in 1999; \$0.895 million in 2000; \$1.875 million in 2001; \$2.253 million in 2002; and \$2.445 million in 2003.
- For 2004, Water/Wastewater Services will contribute \$2.946 in water-reserve funds towards the 2004 TRCA Capital Program.
- The allocation of these funds was agreed to after a series of meetings in which Water/Wastewater, TRCA and Financial Planning staff reviewed and discussed each water-reserve subproject proposed within each Capital Program.

- Water/Wastewater made a one-time contribution of \$0.088 million towards the TRCA Operating Budget as a means to balance the budget within the 2003 fiscal year.
- Parks & Recreation received \$0.240 million, \$0.250 million and \$0.250 million in 2002, 2003 and 2004, respectively, towards erosion control capital projects.
- It is expected that the 2005 Water/Wastewater contribution towards the TRCA Capital Program will be maintained at the 2004 level, subject to increases based on inflation and/or increases in the water rate.

**Conclusion:**

Of primary focus is that a comprehensive set of criteria be developed prior to the 2005 budget process. The establishment and subsequent reporting to Works Committee of such criteria is an essential mechanism to minimize a potential duplication of service. Once a clear set of criteria has been established, the Chief Financial Officer/Treasurer will have the ability to develop long-term, sustainable financing plans (for all financing sources including water reserve, tax levy, etc.), for relevant operating initiatives and capital projects. Such criterion will not only benefit the TRCA, but will also benefit those ABCDs that also rely on water reserve-fund contributions, such as Parks & Recreation.

**Date: February 17, 2004**