

Analyst Briefing Notes

Budget Committee

(January 8, 2007)

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Executive Summary

Table 1: 2007 Recommended Budget

(In \$000s)	2006		2007 Recommended Operating Budget			Change 2007 Recommended from 2006 Budget		FY Incremental Outlook	
	2006 Appvd. Budget	2006 Projected Actual	2007 Recommended Base	2007 New /Enhanced	2007 Recommended Op. Bud.			2008	2009
	\$	\$	\$	\$	\$			\$	\$
GROSS EXP.	367,219.0	361,376.0	378,057.7	1,280.0	379,337.7	12,118.7	3.3	22,808.2	22,065.9
REVENUE	610,450.7	598,371.8	648,221.3	0.0	648,221.3	37,770.6	6.2	66,964.0	59,922.0
CAP. CONTR.	243,231.7	236,995.8	270,163.6	1,280.0	268,883.6	25,651.8	10.5	44,155.8	37,856.1
Approved Positions	1,628.5	1,628.5	1,616.5	18.0	1,634.5	6.0	0.4	0.0	0.0
TARGET			NA		NA				
\$ Over / (Under) Program Target			NA		NA				
% Over / (Under) Program Target			NA		NA				

- All operating revenues received by Toronto Water are generated from user fees charged for water consumption and sewage treatment. There is no reliance on the municipal property tax base to support Toronto Water’s services. To fund the operating requirements and capital contribution, an annualized water rate increase of 9% has been incorporated in the 2007 Recommended Operating Budget.
- Based on the 3rd Quarter Operating Budget Variance Report, Toronto Water is projecting a year-end shortfall of \$12.079 million in service revenues. The projected decline in water sales revenue is attributed to lower consumption primarily during the summer months.
- The projected year-end gross expenditures are anticipated to be \$5.843 million or 1.6% below the 2006 Approved Operating Budget of \$367.219 million, as of September 30th, 2006. The favourable variance results primarily from unfilled vacancies and lower than planned salary charges for support services.
- The 2007 Recommended Operating Budget revenues of \$648.221 million represents an increase of \$37.771 million or 6.2% compared to the 2006 Approved Operating Budget of \$610.451 million.
- The 2007 Recommended Operating Budget gross expenditures, including new/enhanced service priorities of \$1.280 million, total \$379.338 million. This represents a \$12.119 million or 3.3% increase over the 2006 Approved Operating Budget of \$367.219 million.

- The 2007 Recommended Operating Budget is consistent with the strategic initiatives outlined in the Toronto Water Multi-Year Business Plan and provides funding for base budget pressures and service priorities which include the following:
 - Inflationary increases that amount to \$5.012 million for labour and \$11.443 million for contracted materials/supplies.
 - Haulage of biosolids material costs is forecasted to increase as a result of the Carlton Farms Landfill Site not being able to accept biosolids as of August 1, 2006. Alternative sites had to be secured and the cost impact for 2007 will be approximately \$7.200 million.
 - Increased costs of \$2.893 million for cut repair work managed by Transportation Services. The increase in cut repair work results from the accelerated capital program which is primarily driven by state of good repair projects.
 - The pelletizer process is expected to be operational by mid 2007 increasing the consumption of natural gas by \$1.882 million.
 - Contributions of \$268.884 million to water and wastewater capital reserves to fund the 2007 capital program.
 - Priorities outlined in the Mayor's Mandate, such as:
 - Implementation of a Ravine Improvement Team that will Clean, Beautify, and Improve Access and Stewardship to Toronto's Ravines.
 - Help to Clean Up Lake Ontario to Make Toronto's Beaches More Swimmable.
 - Develop a Comprehensive Climate Change Plan to Cut Greenhouse Gas Emissions to Help Combat Global Warming.
 - Toronto and Region Conservation Authority 2007 Operating Budget funding of \$3.766 million to advance activities that support source water protection.
 - Recommended new/enhanced service priorities of \$1.280 million, which primarily address current service level gaps for improving efficiency; service delivery; and, effectiveness of Toronto Water's operations. These include the Integrated Beach Management Strategy; additional staffing for water and wastewater facilities; operational support; and, implementation of the Warehouse/Stores Rationalization Project.
- Funding for the 2007 Recommended Operating Budget will be partially off-set by the reallocation of Technical Services charges for the engineering, design and development of the capital program from the operating budget to capital budget (\$11.876 million); increase in corporate gapping for salaries and benefits (\$3.504 million); and, operational efficiencies (\$3.283 million).
- The balance of the 2007 Recommended Operating Budget increase will be funded from the annualized 2007 Recommended Water and Wastewater Rate increase of 9%. It must be noted that in order to achieve a 9% annualized revenue increase in 2007; the effective rate increase as recommended above is approximately 10.8% due to delays in the billing date for fiscal 2007.
- The net incremental contribution of \$44.156 million in 2008 and \$37.856 million in 2009 of the 2007 Recommended Operating Budget result primarily from increased revenues to fund the capital program, through a proposed annualized water and wastewater rate increase of 9%.

- This report is to be considered concurrently with the 2007 Water and Wastewater Service Rate and Related Matters Report (January, 2007), from the Deputy City Manager and Chief Financial Officer and General Manager for Toronto Water.

Recommendations

It is recommended that:

1. the 2007 Recommended Operating Budget revenues of \$648.221 million, gross operating expenditures of \$379.338 million and a capital-from-current contribution of \$268.884 million, as funded by the water and wastewater user rates and other recoveries be approved;
2. the 2007 Recommended Operating Budget for Toronto Water of \$648.221 million gross and \$0.000 million net, comprised of the following services be approved:

Service:	Gross (\$000's)	Net (\$000's)
Water Supply & Treatment	65,589.577	0.0
Wastewater Treatment	104,462.776	0.0
District Operations	110,588.673	0.0
Water Infrastructure Management	6,672.900	0.0
Capital Financing	269,294.167	0.0
Business Support	12,135.027	0.0
Operational Support	16,393.056	0.0
Program Support	63,085.075	0.0
Total Toronto Water	648,221.250	0.0

3. the Deputy City Manager and Chief Financial Officer and the Deputy City Manager for Toronto Water, report to the Budget Committee prior to its deliberation of the 2008 Operating Budget on a plan for phasing in the implementation of collection of water billing from the Parks, Forestry and Recreation Program;
4. the General Manager for Toronto Water report to the Public Works and Infrastructure Committee and City Council, with information pertaining to the agreement for the disposition of the pellets from the Pelletizer including the parties which have agreed to purchase the pellets; the length of the agreement; and, the on-going monthly and yearly cost to operate the facility; and,
5. this report be considered concurrently with the 2007 Water and Wastewater Service Rate and Related Matters Report (January, 2007), from the Deputy City Manager and Chief Financial Officer and General Manager for Toronto Water.

Section A: 2006 Budget Variance Analysis

Table 2: 2006 Budget Variance Review

(In \$000s)	2005 Actuals	2006 Approved Budget	2006 Projected Actuals*	2006 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	% Unspent
REVENUES	576,755.7	610,450.7	598,371.8	(12,078.9)	(2.0)
OPERATING EXP.	346,496.6	367,219.0	361,376.0	(5,843.0)	(1.6)
CAP. CONTR.	230,259.1	243,231.7	236,995.8	(6,235.9)	(2.6)
Approved Positions	1,625.5	1,628.5	1,628.5	0.0	0.0

Source: *Projected Actuals Based on the Third Quarter Operating Budget Variance Report.

2006 Experience

Toronto Water does not have a direct impact on the municipal property tax levy. The 2006 Approved Operating Budget is financed through the 2006 water and wastewater rate increase of 9% and other service charges.

Toronto Water has reported that year-end water sales revenue will not be achieved and is forecasted to be approximately \$12.079 million or 2% below the 2006 Approved Operating Budget of \$610.451 million, as outlined in the 3rd Quarter Operating Budget Variance Report. The projected decline in water sales revenue is attributed to lower consumption primarily during the summer months.

The 2006 year-end gross expenditure projection for Toronto Water is \$5.843 million or 1.6% below the 2006 Approved Operating Budget of \$367.219 million. The favourable variance primarily results from unfilled vacancies and lower than planned salary charges for support services.

Toronto Water is forecasting a year-end decline in the contribution to capital of \$6.236 million or 2.6% compared to the 2006 Approved Operating Budget of \$243.312 million. The decline, as noted above, is attributed to lower than budgeted revenues which are partially off-set by the projected reduction in gross expenditures. The forecasted deficit to the contribution to capital account will be managed through the transfer of funds from the Water and Wastewater Capital Reserve Funds to the Water and Wastewater Rate Stabilization Reserves.

Impact of 2006 Operating Variance on 2007 Recommended Budget

For 2006, managing the projected revenue shortfall within the base budget will be achieved through the 2007 water and wastewater rate setting process. It is currently estimated, that a 1% increase in the water and wastewater rate will produce a revenue increase of approximately \$5.100 million.

Section B: 2007 Recommended Base Budget

Table 3: 2007 Recommended Base Budget

(In \$000s)	2006 Appvd. Budget	2007 Recommended Base	Change 2007 Recommended Base v. 2006 Appvd. Budget		FY Incremental Outlook	
					2008	2009
	\$	\$	\$	%	\$	\$
GROSS EXP.	367,219.0	378,057.7	10,838.7	3.0	22,284.6	22,065.9
REVENUE	610,450.7	648,221.3	37,770.6	6.2	66,964.0	59,922.0
CAP. CONTR.	243,231.7	270,163.6	26,931.8	11.1	44,679.4	37,856.1
Approved Positions	1,628.5	1,616.5	(12.0)	(0.7)		
NET TARGET		NA			NA	NA
\$ Over / (Under) Program Target		NA			NA	NA
% Over / (Under) Program Target		NA			NA	NA

2007 Recommended Base Budget

The 2007 Recommended Base Budget revenues of \$648.221 million reflects a \$37.771 million or 6.2% increase compared to the 2006 Approved Operating Budget of \$610.451 million. The revenues will be generated from the following:

- Recoveries from the sale of water to Toronto customers are budgeted at \$603.393 million.
- Additional revenue from industrial waste surcharges; sewage; private water agreements; service charges; sundry revenue; and, interest earnings is forecasted at \$27.428 million.
- Sale of water to the Region of York is estimated at \$17.400 million.

2007 Recommended Key Cost Drivers

The 2007 Recommended Base Budget gross expenditures, excluding new/enhanced service priorities, of \$378.058 million represents an increase of \$10.839 million or 3.0% compared to the 2006 Approved Operating Budget of \$367.219 million.

A summary of the key cost drivers include the following:

- Inflationary increases that amount to \$5.012 million for labour and \$11.443 million for contracted materials/supplies.
- Other budget changes include the following:
 - Haulage of biosolids material costs is forecasted to increase as a result of the Carlton Farms Landfill Site not being able to accept biosolids as of August 1, 2006. Alternative sites had to be secured and the cost impact for 2007 will be approximately \$7.200 million.
 - Increased costs of \$2.893 million for cut repair work managed by Transportation Services. The increase in cut repair work results from the accelerated capital program, which is primarily driven by state of good repair projects.
 - The pelletizer process is expected to be operational by mid 2007 increasing the consumption of natural gas by \$1.882 million.
 - New/enhanced service priorities of \$1.280 million. These include the Integrated Beach Management Strategy; additional staffing for water and wastewater facilities; operational support; and, implementation of the Warehouse/Stores Rationalization Project.

The costs noted above will be partially off-set by the reallocation of Technical Services charges for the engineering, design and development of the capital program from the operating budget to capital budget (\$11.876 million); increase in corporate gapping for salaries and benefits (\$3.504 million); and, operational efficiencies (\$3.283 million).

The balance of the Base Budget increase will be funded from the annualized 2007 Recommended Water and Wastewater Rate increase of 9%.

2008 and 2009 Outlook: Net Incremental Impact

The net favourable incremental contribution of \$44.679 million in 2008 and \$37.856 million in 2009 of the 2007 Recommended Base Budget result primarily from increased revenues through the proposed annualized water and wastewater rate increase of 9%. The above contributions are based on the same service level as recommended in 2007 and have accounted for inflationary increases for labour and contracted materials/supplies.

**Table 4: Summary of Recommended Base Budget Changes
From 2006 Approved Budget**

(In \$000s)	Summary of 2007 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Capital Contr.	2008	2009
		\$	\$	\$	\$	\$
2006 Council Approved Operating Budget	1,628.5	363,874.6	610,450.7	246,576.1	0.0	0.0
In-year approvals and technical adjustments		3,344.4		(3,344.4)		
Corporate adjustments						
2006 Approved Operating Budget	1,628.5	367,219.0	610,450.7	243,231.7	0.0	0.0
Prior year impacts		114.5		(114.5)	733.2	763.3
Zero base items		(50.8)		50.8		
Economic factors		16,454.7		(16,454.7)	20,907.0	21,304.3
Adjusted Base Budget	1,628.5	383,737.4	610,450.7	226,713.3	21,640.2	22,067.6
Other base changes	(12.0)	(5,679.7)		5,679.7	644.4	(1.7)
Base revenue changes						
Recommended Base Adjustments:						
Base changes						
Service efficiencies						
Revenue adjustments			37,770.6	37,770.6	66,964.0	59,922.0
Minor service impact						
Major service impact						
Total Recommended Base Adjustments	0.0	0.0	37,770.6	37,770.6	66,964.0	59,922.0
2007 Recommended Base Budget	1,616.5	378,057.7	648,221.3	270,163.6	44,679.4	37,856.1
2007 Program Operating Target	N/A	N/A	N/A	NA	NA	NA
% Over (Under) Program Target				NA	NA	NA
% Over (Under) 2006 Appvd. Budget				11.1%	NA	NA

Section C: 2007 Base Budget Issues**Key Issues/Recommendations****2007 Recommended Operating Budget**

The Program is self-sustaining and does not impact the municipal property tax levy.

The 2007 Recommended Operating Budget, including new/enhanced service priorities, of \$379.338 million represents an increase of \$12.119 million or 3.3% compared to the 2006 Approved Operating Budget of \$367.219 million. A large proportion of the increase is attributed to the following:

- Inflationary increases that amount to \$5.012 million for labour and \$11.443 million for contracted materials/supplies.
- Budget changes include the following:
 - Haulage of biosolids material costs is forecasted to increase as a result of the Carlton Farms Landfill Site not being able to accept biosolids as of August 1, 2006. Alternative sites had to be secured and the cost impact for 2007 will be approximately \$7.200 million.
 - Increased costs of \$2.893 million for cut repair work managed by Transportation Services. The increase in cut repair work results from the accelerated capital program which is primarily driven by state of good repair projects.
 - The pelletizer process is expected to be operational by mid 2007 increasing the consumption of natural gas by \$1.882 million.
 - New/enhanced service priorities of \$1.280 million. These include the Integrated Beach Management Strategy; additional staffing for water and wastewater facilities; operational support; and, implementation of the Warehouse/Stores Rationalization Project.

The costs noted above will be partially off-set by the reallocation of Technical Services charges for the engineering, design and development of the capital program from the operating budget to capital budget (\$11.876 million); increase in corporate gapping for salaries and benefits (\$3.504 million); and, operational efficiencies (\$3.283 million).

The balance of the 2007 Recommended Operating Budget increase will be funded from the annualized 2007 Recommended Water and Wastewater Rate increase of 9%.

3-Year Operating Budget Overview

Gross expenditures for the Toronto Water 2006 Approved Operating Budget; 2007 Recommended Operating Budget; and, 2008/2009 Outlooks are provided in the table below. The 2008 Outlook is forecasting an increase of \$17.383 million or 4.73% compared to the 2006 Approved Operating Budget. Toronto Water is projecting gross expenditures of \$393.876 million for the 2009 Outlook, representing a growth of \$26.657 million or 7.26% compared to 2006.

The increase in gross expenditures for the 2008/2009 Outlooks are reflective of the strategic initiatives outlined in the Toronto Water Multi-Year Business Plan which include: addressing the renewal needs of aging and deteriorating infrastructure; increased capacity for water and wastewater facilities to meet population growth; environmental stewardship; compliance with new and emerging Provincial legislation for drinking water. The 2008/2009 Outlooks also include funding which advance priorities set out in the Mayor's Mandate. These are discussed in detail below.

(In \$ Millions)	2006 Approved Budget	2007 Recommended Budget	2008 Outlook	2009 Outlook
Operating Expenditures	367.219	379.338	384.602	393.876
\$ Change Year-Over-Year		12.119	5.265	9.274
% Change Year-Over-Year		3.30%	1.39%	2.41%
\$ Change From 2006		12.119	17.383	26.657
% Change From 2006		3.30%	4.73%	7.26%

*Note: 2007 Recommended Operating Budget includes new/enhanced service priorities.

The Toronto Water Multi-Year Business Plan includes the allocation of significant resources in capital works to achieve the Program's existing; new; and, emerging demands. To achieve the strategic direction outlined in the Toronto Water Multi-Year Business Plan will require significant capital investment which in turn will increase operating expenditures from upgrading infrastructure and responding to the increased regulatory environment the Provincial Government has mandated since the Walkerton tragedy. The strategic direction of the Plan is summarized below.

- The accelerated capital investment needed to address the system's significant infrastructure deficit for state of good repair projects.
- Additional capacity required to service a projected population of 3 million people by 2031.
- Stewardship of the Environment:
 - Development of the Wet Weather Flow Master Plan to improve water quality in watercourse and the waterfront.
 - Compliance with new Provincial legislation and Ministry of the Environment requirements for drinking water safety (Safe Drinking Act and Nutrient Management Act) and stringent new provincial reporting requirements, including the pending full cost recovery for water and wastewater services (Sustainable Water and Sewage Systems Act).
 - Multi-phased odour control projects at 3 wastewater treatment facilities.
- Numerous continuous improvement programs are underway or planned to review best practices; technological upgrades; management; and, operation of the City's watermain and sewer infrastructure, such as the facilities and equipment management initiative.

Service Levels, Delivery, or Gaps Issues

Service level issues are addressed in the recommended new/enhanced service priorities. The service level gaps include concerns for improving efficiency; service delivery; and, effectiveness of Toronto Water's operations.

2007 Recommended Toronto Water and Wastewater Rate Increase

The 2007 Recommended Operating Budget is based on an annualized water and wastewater rate increases of 9%. Rate increases of 9% are also projected annually through to 2011, in order to fully fund the capital and operating plans of the Program in a sustainable manner from operating revenues and capital-from-current contributions and without the need for debenturing.

Please refer to the 2007 Water and Wastewater Service Rate and Related Matters Report (January, 2007), from the Deputy City Manager and Chief Financial Officer and General Manager for Toronto Water, for a detailed discussion of the methodology used to determine the annualized 9% water and wastewater rate increase and future year projections.

It must be noted that in order to achieve a 9% annualized revenue increase in 2007; the effective rate increase as recommended above is approximately 10.8% due to delays in the billing date for fiscal 2007.

Operating Budget Funding for the Toronto and Region Conservation Authority

The 2007 Recommended Operating Budget provides \$3.766 million to partially fund the Toronto and Region Conservation Authority's 2007 Recommended Operating Budget. The funding will be used to advance activities that support source water protection. This aligns with the policy governing the funding of the Authority's budgets approved by Council in September of 2006.

Mayor's Mandate

The 2007 Recommended Operating Budget directly addresses the following priorities outlined in the Mayor's Mandate:

- ***Implementation of a Ravine Improvement Team that will Clean, Beautify, and Improve Access and Stewardship to Toronto's Ravines:***

Toronto Water has dedicated staff for cleaning, beautifying and improving access to Toronto's ravines in the 2007 Recommended Operating Budget.

- ***Help to Clean Up Lake Ontario to Make Toronto's Beaches More Swimmable:***

Toronto Water has lead responsibility for improving beach water quality and has been implementing measures to improve near shore conditions, such as detention tanks; stormwater ponds; wetlands; and, sewershed environmental assessments.

The City currently operates 10 swimming beaches in waterfront parks. Five of the beaches consistently have good to excellent water quality, with 4 certified under the international Blue Flag Program. The remaining 5 beaches have generally poor water quality.

The 2007 Recommended Operating Budget includes \$0.200 million in funding for the Integrated Beach Management Strategy. The Strategy will provide overall direction for beach management in Toronto. Direction to be provided includes: siting of swimming beaches; definition of recreational opportunities to be supported; responses to ongoing maintenance challenges, including additional measures to improve beach water quality; and, adjustments to the Blue Flag Program. The Study will be led by the Parks, Forestry and Recreation Program. Council has requested staff to report of the project in 2007.

- ***Develop a Comprehensive Climate Change Plan to Cut Greenhouse Gas Emissions to Help Combat Global Warming:***

Recognizing that power generating facilities are a key contributor to greenhouse gases, in advance of the development of a formal plan, Toronto Water has already initiated several projects to reduce its energy demand. The 2007 Recommended Operating Budget includes funds to carry-out the following energy efficiency measures and/or studies: optimization of blower operation at wastewater treatment plants; optimization of HVAC in various facilities; and, review of new and renewable technologies for future capital expenditures.

Issues Referred to the 2007 Operating Budget Process

There are no issues referred to the 2007 operating budget process.

Outstanding Issues from 2006 and Prior Years

Outstanding issues from 2006 and prior years include the following:

- the Deputy City Manager and Chief Financial Officer and the Deputy City Manager for Toronto Water, report to the Budget Committee prior to its deliberation of the 2008 Operating Budget on a plan for phasing in the implementation of collection of water billing from the Parks, Forestry and Recreation Program; and,
- the General Manager for Toronto Water report to the Public Works and Infrastructure Committee and City Council, with information pertaining to the agreement for the disposition of the pellets from the Pelletizer including the parties which have agreed to purchase the pellets; the length of the agreement; and, the on-going monthly and yearly cost to operate the facility.

Section D: 2007 Recommended Service Priorities

Table 5: Summary of 2007 New / Enhanced Service Priorities (In \$000s)

Description	Total 2007		2007 Not		2007 Recommended		Rec. New Positions	Net Incremental	
	Gross Exp.	Net Exp.	Gross Exp.	Net Exp.	Gross Exp.	Net Exp.		2008	2009
	\$	\$	\$	\$	\$	\$		#	\$
Enhanced Service Priorities Recommended									
a) Council Approved									
None									
b) Program Initiatives									
Wastewater Services									
Additional Staff for Operational Support	135.9	135.9	0.0	0.0	135.9	135.9	4.0	135.9	
Additional Staff for Water Infrastructure Management	201.6	201.6	0.0	0.0	201.6	201.6	3.0		
Additional Staff for Wastewater Treatment	82.8	82.8	0.0	0.0	82.8	82.8	2.0	82.8	
Implementation of the Warehouse/Stores Rationalization Pro	109.0	109.0	0.0	0.0	109.0	109.0			
Water Services									
Additional Staff for Water Infrastructure Management	317.3	317.3	0.0	0.0	317.3	317.3	5.0	118.5	
Additional Staff for Water Filtration Plants	233.4	233.4	0.0	0.0	233.4	233.4	4.0	186.4	
Sub-Total New/Enhanced Service Priorities Recommended	1,080.0	1,080.0	0.0	0.0	1,080.0	1,080.0	18.0	523.6	0.0
New Service Priorities Recommended									
a) Council Approved									
Wastewater Services									
Integrated Beach Management Strategy	200.0	200.0	0.0	0.0	200.0	200.0			
b) Program Initiatives									
None									
Sub-Total New Program Initiatives	200.0	200.0	0.0	0.0	200.0	200.0	0.0	0.0	0.0
Total New / Enhanced	1,280.0	1,280.0	0.0	0.0	1,280.0	1,280.0	18.0	523.6	0.0

Key Issues and Recommendations

Enhanced Service Priorities Recommended – Program Initiatives:

In response to the service level gaps, there are six enhanced service priorities included in the 2007 Recommended Operating Budget for Toronto Water. The increase of 18 positions for enhanced service priorities is partially offset by the reduction of 12 positions included in the 2007 Recommended Base Budget. The net impact will be the addition of 6 new positions to the Program. It should be noted that 6 of the new positions represent the transfer of staff from Technical Services. Change in the complement is aligned with the strategic direction outlined in the Toronto Water Multi-Year Business Plan, which include improving efficiency; service delivery; and, effectiveness of Toronto Water's operations. Enhanced service priorities recommended specifically address service level gaps at water filtration plants; water infrastructure management; wastewater treatment plants; operational support; and, wastewater infrastructure management.

Water Services

Additional Staff for Water Filtration Plants:

This enhanced service priority includes the increase of 4 positions to the permanent complement at a cost of \$0.233 million for 7 months, effective June 1, 2007. The annualized cost in 2008 will be \$0.186 million.

The addition of 2 Industrial Millwright positions is required for the Harris and Clark Filtration Plants to support the expected increase in maintenance activities as a result of commissioning the new residue management facility.

The increase of 2 Supervisor Constructor Compliance positions is required to support construction activities at various water facilities. These are required under the Occupational, Health and Safety Act.

Additional Staff for Water Infrastructure Management:

This enhanced service priority includes the increase of 5 positions to the permanent complement at a cost of \$0.317 million for 9 months, effective April 1, 2007. The annualized cost in 2008 will be \$0.119 million.

This initiative includes the transfer of 3 Engineering Technologist Technician 1 positions from Technical Services to Toronto Water to maintain the watermain and sewer asset geo-database. The Deputy City Manager responsible for Toronto Water reached an agreement with the Executive of Local 79 to transfer these positions. This initiative also includes the addition of 2 Engineering positions to undertake environmental assessment projects to advance the implementation schedule for the Wet Weather Flow Master Plan.

Wastewater Services**Additional Staff for Wastewater Treatment:**

This enhanced service priority includes the increase of 2 positions to the permanent complement at a cost of \$0.083 million for 6 months, effective July 1, 2007. The annualized cost in 2008 will be \$0.083 million.

The additional of 2 Industrial Millwright positions is required to reduce the backlog of maintenance activities at the Abridges Bay Treatment Plant.

Additional Staff for Operational Support:

This enhanced service priority includes the increase of 4 positions to the permanent complement at a cost of \$0.136 million for 6 months, effective July 1, 2007. The annualized cost in 2008 will be \$0.136 million.

The addition of 3 Engineering Technologist Technician 1 positions will support the standardization of information input to the computerized maintenance system. The increase of 1 Coordinator for Contract Administration to support the capital projects group will allow for the acceleration of the capital budget.

This initiative will lessen current delays in trade staff using computerized maintenance systems and senior management unable to plan continuous improvements.

Additional Staff for Wastewater Infrastructure Management:

This enhanced service priority includes the increase of 3 positions to the permanent complement at a cost of \$0.202 million for 12 months, effective January 1, 2007.

This initiative includes the transfer of 3 Engineering Technologist Technician 1 positions from Technical Services to Toronto Water to maintain the watermain and sewer asset geo-database. The Deputy City Manager responsible for Toronto Water reached an agreement with the Executive of Local 79 to transfer these positions.

Implementation of the Warehouse/Stores Rationalization Project:

This enhanced service priority includes funding of \$0.109 million, effective January 1, 2007, for Implementation of the Warehouse/Stores Rationalization Project. The costs of the project will be partially off-set corporately through better inventory management. This initiative includes funding for an additional 1.5 positions. The additional positions will be included in the 2007 complement for the Purchasing and Materials Management Division.

Each of the 4 divisions involved in this Project (Toronto Water, Emergency Medical Services, Fire Services, and Parks, Forestry and Recreation) operates their own warehouse/stores operations. There is currently no corporate-wide materials management strategy or set of best practices in use across these divisions. The Purchasing and Materials Management Division will be responsible for implementing and managing the Project.

New Service Priorities Recommended – Council Approved:

Council directed the undertaking of the Integrated Beach Management Strategy (Clause 22, Report 3 of Policy & Finance, adopted April 25-27, 2006), and later requested that it be tabled with the Executive Committee in 2007 (Clause 12, Report 7 of Policy & Finance), adopted September 25-27, 2006.

The 2007 Recommended Operating Budget includes one-time funding in the amount of \$0.200 million for the Strategy. The Strategy will be undertaken by a cross-program team that will include Toronto Water, Parks, Forestry and Recreation and Waterfront Secretariat. Resources within these programs have been aligned to address this priority.

The Strategy will provide overall direction for beach management in Toronto. Direction to be provided includes: siting of swimming beaches; definition of recreational opportunities to be supported; responses to ongoing maintenance challenges, including additional measures to improve beach water quality; and, adjustments to the Blue Flag Program.

Community members will have greater clarity as to what they can expect from Toronto's beaches in the future: what recreational uses, maintenance levels and water quality initiatives will be supported for different beach types and locations across the City.

Appendix B

Summary of 2007 Recommended New / Enhanced Service Priorities