

CASE STUDY

Municipal Water Consortium

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Building financial resilience: Toronto's long- term strategy for water rate planning

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Key insights

- Strategic rate increases can drive infrastructure renewal.
- Transparency builds public trust.
- Infrastructure investment must outpace decay.
- Conservation and financial sustainability can coexist.
- Clear prioritization of capital projects improves resource allocation.

Background

Toronto Water provides water, wastewater, and stormwater services to residents and businesses through a pay-as-you-go model. This means all operational and capital costs are covered by revenues generated from the utility's rate structure, which includes both fixed charges and metered water consumption, without reliance on borrowing or debt financing.

Following the 1998 amalgamation of the city, water rates were set near the rate of inflation. However, this approach failed to meet the city's growing capital needs. Toronto Water faced a significant and increasing backlog of deferred maintenance as systems continued to age without sufficient funding for renewal.

Challenge

The City of Toronto faced a critical gap in infrastructure renewal. Aging assets, underinvestment, and rising service demands put pressure on the utility to balance short-term operational requirements with long-term capital needs — all while maintaining financial stability and meeting regulatory requirements.

Recognizing the need for a more sustainable funding model, Toronto Water committed to a long-term rate planning initiative to align

financial resources with infrastructure priorities. This shift was driven by the understanding that effective utility management requires balancing asset renewal, financial sustainability, and public accountability.

Capital projects in Toronto Water's 10-Year Capital Plan are prioritized based on health and safety, legislated compliance, state of good repair, service improvements, and growth-related infrastructure needs. Priorities are updated and presented to City Council for review on an annual basis.

The Strategy: 9-for-9 Campaign

In 2006, Toronto launched the 9-for-9 campaign, a bold strategic initiative to increase water rates by nine per cent annually for nine consecutive years. The goal was to close the infrastructure gap to help address aging infrastructure and support the city's expanding capital program.

Key elements of the strategy include:

- Dedicated capital funding generated from rate increases.
- No reliance on debt.
- Capital project prioritization (e.g., health and safety, compliance, state of good repair).
- Sustained investment to outpace infrastructure decay.
- Maintain an effective level of service.

Engagement strategy

A core objective of the 9-for-9 initiative was to gain unanimous Council approval through an effective engagement strategy. In the end, Toronto Water successfully secured sustained budget increases and Council support through



a collaborative, consensus-driven approach anchored by a unified team, transparent execution, and consistent delivery on its commitments.

As part of the campaign, Toronto Water:

- Worked closely with City Council to secure above-inflationary budget increases year after year.
- Delivered capital projects effectively, which reinforced credibility and clearly demonstrated how funds were allocated.
- Maintained a sustainable, pay-as-you-go financial model that helped avoid debt while expanding the capital program.
- Increased transparency to build trust with both Council and the public to show exactly where the money was going.

Maintained long-term Council approval and support, which was attributed to a strong, cohesive team that delivered on commitments, was transparent, and sustained consistent messaging on the benefits. Toronto Water also implemented a comprehensive, nine-year public education campaign to clearly communicate the need for sustained rate increases and the benefits of taking action. Public meetings, presentations, direct engagement with councillors, strategic communications, and consistent messaging helped residents and decision-makers understand the long-term value of the increases. These efforts were central to raising awareness and building support.

To sustain momentum and strengthen trust over the duration of the campaign, Toronto Water provided Council with annual updates showing its progress in improving operational efficiency while expanding the capital program. This helped ensure Council members:

- **Saw evidence of operational efficiency:** Toronto Water regularly reported on efficiency measures, highlighting practical improvements in operations, policies, practices, and water

use. Year over year savings were shown to demonstrate that rate increases were being directed primarily toward infrastructure improvements rather than operational growth.

- **Heard consistent messaging:** Messaging reinforced why the rate strategy was necessary and how it benefited the City and residents. Communications across briefings, reports, and public materials were aligned to avoid mixed signals. Councillors were encouraged to amplify these messages to strengthen support.
- **Understood alignment with broader City priorities:** Efficiency gains and long-term financial planning were tied directly to the City's wider objectives, helping councillors see how the approach fit within the overall municipal strategy.
- **Recognized the temporary nature of above-inflation increases:** Communications emphasized that above-inflation increases were time-limited and intended to establish a strong foundation for future capital investment and service reliability. Framing the narrative around long term stability and resilience, rather than short term cost impacts, helped secure buy in.

Results and impact

The implementation of Toronto Water's 9-for-9 strategy marked a turning point in the City's approach to infrastructure renewal and financial planning. In 2006, the estimated state-of-good-repair backlog far exceeded budget requests. To address this, Toronto Water gradually shifted from an operating heavy budget model to one that prioritized capital investment. Historically, about 60 percent of revenue covered operating costs and 40 percent supported capital needs. As infrastructure pressures grew, the utility deliberately chose to avoid debt and instead introduced steady, predictable rate increases

that generated the revenue needed to expand the capital program.

Over time, this stability and growing of capital reserves created a resilient financial framework that supported targeted investments in high-priority renewal projects. The utility also shifted from reactive repairs to a proactive, long-term capital plan that delivered consistent and strategic reinvestments in infrastructure renewal. This approach proved durable even as water consumption decreased, demonstrating that conservation and financial sustainability can coexist.

The shift was both financial and reputational. By consistently delivering on annual budget commitments and transparently reporting progress, including actual year over year spending, Toronto Water built credibility with both Council and the public.

As of the end of 2025, Toronto Water's state-of-good-repair backlog was estimated to be \$3.314 billion across both linear (watermains and sewers) and facility assets (i.e., water treatment plants, wastewater treatment plants, pumping stations). This represents just 3.6 percent of the system's total replacement value of approximately \$93.255 billion, suggesting that most infrastructure is in good condition, even as older assets still require renewal. The balance between backlog and annual capital funding has improved significantly, with annual investments now exceeding the estimated state of good repair needs and reducing the accumulated backlog.

Municipalities can apply similar principles: establish a clear long term funding vision, adopt incremental and predictable rate adjustments, publicly track and report progress, and prioritize capital renewal to get ahead of infrastructure decline. Consistent follow through builds trust and creates the political space needed to sustain reinvestment. Toronto Water's strategy ultimately enhanced service reliability, improved long-term planning, and strengthened public confidence in its financial stewardship.



Lessons learned

Some key lessons learned from Toronto's experience include:

- Sustained rate increases are essential to address decades of underinvestment and reduce renewal backlogs.
- Debt-free, pay-as-you-go funding models can succeed with careful consumption forecasting and disciplined planning.
- Declining per capita water use must be anticipated and incorporated into long-term revenue planning.
- Clear capital priorities improve transparency and help ensure resources go where they are most needed.

Toronto Water's experience demonstrates how long-term planning, backed by bold policy decisions, can drive meaningful progress and safeguard the resilience of essential public services.