



Comments on the Discussion Paper

“Building a Better Tomorrow”

Ministry of Public Infrastructure Renewal

1.0 Acknowledgements

The Water Environment Association of Ontario would like to acknowledge the assistance of the following individuals in preparing this response to the Ministry’s Discussion Paper, *“Building a Better Tomorrow”*.

Mr. George Powell, P.Eng., CH2M Hill Canada Limited
Mr. Bob Pickett, P.Eng., CH2M Hill Canada Limited
Mr. Jim Merritt, Earth Tech Canada Inc.

The Ministry would certainly be better served in the development of future policies and legislation by enlisting the assistance of Ontario’s experienced water and wastewater professionals.

We would also like to acknowledge the contributions made by representatives of the Ontario Water Works Association and the Ontario Municipal Water Association through collaborative discussions on the subject of public infrastructure renewal.

2.0 General Comments

1. Investment in public infrastructure by the Province has declined significantly over the past 15 years. The message of this paper appears to be that this decline will continue. The emphasis of the Paper appears to be on finding ways to encourage others to cover the cost of upgrading, replacing and renewing the basic infrastructure of the Province. There are still areas where the Province should be directly investing in basic public infrastructure.
2. The paper focuses on four areas of infrastructure needs: education, health, transportation and environment. This response to the Discussion Paper addresses the environment and more specifically water supply and wastewater systems. These systems are primarily the responsibility of municipalities. There are clear solutions to this sector of infrastructure and for many municipalities these solutions are in full implementation. The good news is that the Province does not need to spend money on water and wastewater infrastructure. It can prioritize funding in other areas.



3.0 Water and Wastewater Infrastructure

3.1 Background

1. The Walkerton Inquiry Reports set out a comprehensive package of recommendations that established a clear framework for improving the state and safety of drinking water services in Ontario. The government has made a commitment to implement all the recommendations in the reports. Implementation is well underway for many of these recommendations with the Province setting the regulatory requirements and municipalities taking direct action to upgrade their systems and meet these requirements.
2. Water and wastewater infrastructure, in many municipalities, is not on a solid financial base. Along with the Safe Drinking Water Act, the Province introduced the **Sustainable Water and Sewer Systems Act (SWSSA)**. This Act has not been put into force as of yet. Its implementation would address most of the questions raised in the Discussion Paper with respect to water and wastewater systems.
3. The SuperBuild organization commissioned a series of studies directed at understanding water and wastewater services and infrastructure needs. These studies have been completed and made available for public consideration. Although they provide a foundation, SuperBuild was unable to establish a comprehensive assessment of the extent, value and condition of Ontario's water and wastewater infrastructure and assets. Many municipalities were unable to provide the basic information. Although they are aware of their systems at the local service level much of the information cannot be accessed easily. There are significant costs in accessing the basic information and rolling it up into a Provincial information base.
4. In part SWSSA was designed to start this process and establish the basis for determining the full costs of building, operating, maintaining and replacing this infrastructure. The second part of the Act was to establish the means to set rates and revenues at a level sufficient to cover these full costs.
5. Water and wastewater services are fundamentally different from the other infrastructure areas. They are in fact unique in that they have historically been funded through a rates based system. This system is capable of supporting the full cost of building, operating and maintaining the infrastructure. While there is inconsistency in application and a lack of fundamental information, there is also a real potential for the rates system to cover the full costs.



6. Moving forward with implementing the Act will effectively place water and wastewater infrastructure on a firm financial base and allow the Province to focus on the other infrastructure sectors.

3.2 Current Situation

1. The SWSSA requires a set of regulations to be put into effect. The Act itself sets out the framework but details need to be established before municipalities will move forward. Some of the larger municipalities have anticipated this need and are working towards collecting information and developing appropriate systems. However most municipalities are reluctant to go too far until they receive clear direction from the Province. Guidelines for setting water rates on a fair and consistent basis are essential to putting water and wastewater infrastructure and services on a solid self-financing foundation.
2. Jurisdiction, responsibility and interests are split between three key Ministries, Environment, Municipal Affairs and Finance. There is no indication that the government is actively preparing to implement the Act. The Ministry of Public Infrastructure Renewal could take the lead in assisting these Ministries with moving forward with implementation and establishing the roles that each Ministry will play.
3. Over the past few years the province has lost many staff with an in depth knowledge of water and wastewater systems and services. This type of information and knowledge is vital for the preparation of the necessary regulations and supporting guidelines. To enable the preparation of the regulation and supporting guidelines the province must assemble a team of advisors with water and wastewater utility experience in areas such as capital financing, asset management, systems operations and quality control, to work with Ministry staff. It is also recommended that a stakeholder group be established to assist the team and provide input and guidance.

3.3 Financial Need

1. Water and its related services are still one of the least expensive commodities and utilities. In most communities a bathtub full of safe treated water costs less than 10 cents, including delivery.

2. Most communities have been increasing their water rates to reflect the requirements of the new regulations, and also in response to recognition of the need to maintain and improve the infrastructure. For example, the City of Toronto has increased its rates by approximately 9% for each of the past couple of years. Most water departments should be able to cover the full costs of their services and infrastructure.
3. There will be some communities in financial difficulty. For such communities water and wastewater services will be only one of their financial problems. It is recommended that dedicated grants for water service be avoided. Past grant programs have in fact had a negative effect. A portion of the money has gone to larger municipalities without real financial needs. When grants have been available some communities have delayed necessary improvement projects to their infrastructure in the hopes of receiving a Provincial grant. The end result is rewarding communities who fail to maintain their infrastructure. Grants have also tended to keep water and sewer rates artificially low. If a community has financial problems, these problems should be addressed on a community wide basis and avoid grants for specific services.
4. Municipalities in Ontario have tested the market for involving the private sector. The results have been mixed. Contracting out operational services has been successful and this practice is fairly well established. The private sector has also provided most of the design and construction services. Private sector investment, financing and ownership have been less successful. Municipalities have found that the cost of private sector money is significantly higher than their own costs. In addition there has been a lack of understanding of financial and environmental risks and the cost of accepting such risks. Many municipalities want the private sector to assume all the risks and responsibility for delivering various services, although they are not clear on the feasibility or cost of these demands.
5. The discussion paper outlines a number of financing and procurement models. The option of Public/Public Partnerships should be added to this list. Such partnership can gain advantages through economies of scale and collaboration of skills knowledge and support services.
6. For smaller rural communities they could reduce their risks and improve services by consolidating their water and wastewater services. The Ontario Clean Water Agency could play a valuable role here as noted in the Walkerton Inquiry Reports.



4.0 Conclusions and Recommendations

1. Water is under priced, undervalued and over used. In comparison to most other utilities and services, water and wastewater service are one of the smaller monthly household costs (compare to TV cable, internet, cellular and landline telephone services, electricity, gas)
2. Implementation of the Sustainable Water and Sewage Systems Act should be considered a Provincial priority.
3. In developing the regulatory framework the Province should add a team with direct water and wastewater service and utility experience to work directly with Ministry staff to ensure that the regulations are both effective and workable.