

COMMITTEE OF THE WHOLE NOVEMBER 4, 2002

WATER AND WASTEWATER SERVICES STUDY OF POTENTIAL TRANSFER OF RESPONSIBILITY TO THE REGION OF YORK REPORT TO REGIONAL TRANSPORTATION AND WORKS COMMITTEE “REVIEW OF WATER AND WASTEWATER SERVICE DELIVERY MODELS” NOVEMBER 6, 2002

Recommendation

The Commissioner of Engineering and Public Works recommends:

1. That the Council of the Corporation of the City of Vaughan, sitting as Committee of the Whole, advise the Region of York's Transportation and Works Committee that, if a "Review of Water and Wastewater Service Delivery Models" is to be undertaken, it is Vaughan's position that:
 - a) The study be conducted by a Joint Task Force composed of staff appointed by the Region of York and the affected local municipalities;
 - b) The role of the Task Force shall include but not be limited to:
 - The preparation of Terms of Reference for the study;
 - Consultant Selection;
 - Management of the Study Process.
 - c) The Local Municipal Councils also have the opportunity to comment on the contents of the draft study, prior to its finalization; and
 - d) Participation in the Task Force does not bind the municipalities to any course of action that may be identified in the study.
2. This report be forwarded to the Regional Clerk for conveyance to the Transportation and Works Committee, all members of Regional Council and the Commissioner of Transportation and Works before November 6, 2002.
3. This report be forwarded to Council for ratification.

Purpose

The purpose of this report is to provide Vaughan's position to the Region of York's Transportation and Works Committee on the proposal to conduct a study to review water and wastewater service delivery models in the Region of York.

Background - Analysis and Options

a) Current Situation

Currently the delivery of water and wastewater services in the Region of York is done through a multi-tier system involving a number of partners, including the Region of York, the Region of Peel, the City of Toronto and the local municipalities. York Region provides the trunk water and sewer mains in the southern part of the Region (Vaughan, Richmond Hill and Markham). The local municipalities provide the connections from the trunk mains to the customers. In south York Region, water is purchased from external sources such as the City of Toronto and Peel Region and sewage is treated elsewhere (e.g. York-Durham System and Peel Region).

b) Origin of the Report to Regional Transportation and Works Committee
"Review of Water and Wastewater Service Delivery Models" – November 6, 2002

On March 6, 2002 the Region of York's Transportation and Works Committee heard a deputation from Mr. Fraser Nelson, representing the Urban Development Institute, York Chapter. Mr. Nelson presented a briefing paper entitled, "Toward a Single-Tier Water Supply and Delivery System and Sewage System for York Region", which asked Regional Council to give, "serious consideration to adopting a single tier water and sewage system in the Region." On March 28, 2002 Regional Council referred the matter to staff for a report. The report requested by Regional Council is now on the agenda for the Regional Transportation and Works Committee on November 6, 2002. It forms Attachment No. 1 to this report.

c) Content of the Report

The Region's report summarizes the findings of a staff review of the benefits of a change to a single tier water and wastewater service delivery system. In addition it seeks to obtain Council direction to conduct a more thorough review of all available options, in accordance with the recommendations of the Walkerton Inquiry – Part 2.

The report acknowledges that there are advantages and disadvantages to going to a single tier water and wastewater system. Regional Staff are recommending that a more detailed review of alternative delivery models should be undertaken. The review should not be confined to the regionalization of the system, but should also include the other options identified in the Walkerton Inquiry – Part 2 Report.

It is proposed that the study be managed by Regional Staff and would involve a high level review of the alternative models combined with workshops with the area municipalities and other stakeholders to obtain input. The anticipated study time is approximately three months (Reporting March 2003), with a budget of \$30,000.00. The Commissioner of Transportation and Works is making the following recommendations;

1. Regional Staff retain outside consulting services to conduct a review of water and wastewater service delivery options as recommended in the Report of the Walkerton Inquiry – Part 2;
2. The Study be conducted with the involvement of staff of the local Municipalities as outlined in this report;
3. Regional Staff report back to the Transportation and Works Committee and Regional Council by March 2003, with interim study results prior to finalizing the study report.
4. A copy of this report be forwarded by the Regional Clerk to the Clerk of each of the local Municipalities.

Analysis

The study being proposed in the Regional report could be the beginning of what might be a fundamental change in the way services are delivered in the Region of York. This could entail a major transfer of assets, responsibilities and risk between levels of government and/or the development of new service delivery models and institutional relationships.

Staff do not believe it appropriate for this to be solely a Region led study. These services are currently delivered in partnership. The partnership approach should be maintained if alternative models are being examined. For this reason, Regional Staff should not be solely responsible for the results of the study.

Therefore, it is recommended that the Transportation and Works Committee be advised that it is Vaughan's position that this review should be conducted under the direction of a Joint Task Force composed of representatives from the Region and the local municipalities. The Joint Task Force would prepare the terms of reference, select the consultant and manage the study process. In addition, all of the involved municipal councils should have an opportunity to comment on the draft study, prior to its finalization. The results of the review should not be binding on any municipality, but should only be for the purposes of supporting more informed decision-making at both the political and technical levels.

There will be a number of substantial impacts on the City of Vaughan, its residents and businesses if water and wastewater services are regionalized. Council has recognized this potential. On October 1, 2002 it directed that a report be prepared, which would address the feasibility and implications of transferring responsibility for drinking water and wastewater servicing to the Region of York. A multi-departmental team has been formed to prepare the report. It is expected that the report will be submitted to Committee of Whole early in the New Year.

Conclusion

Staff are of the opinion that the review proposed in the report to the Transportation and Works Committee should be conducted jointly with the local municipalities, in order to be consistent with the existing partnership arrangement in service delivery. Should Committee concur, then the recommendations set out above should be adopted.

Attachments

1. Report to the Regional Municipality of York Transportation and Works Committee
"Review of Water and Wastewater Service Delivery Models", November 6, 2002

Report prepared by:

Roy McQuillin, Manager of Corporate Policy, ext. 8211

Respectfully submitted,

Bill Robinson, P. Eng.
Commissioner of Engineering and Public Works

THE REGIONAL MUNICIPALITY OF YORK
Transportation and Works Committee
November 6, 2002
Report of the
Commissioner of Transportation and Works

REVIEW OF WATER AND WASTEWATER SERVICE DELIVERY MODELS

1. RECOMMENDATIONS

It is recommended that:

1. Regional staff retain outside consulting services to conduct a review of water and wastewater service delivery options as recommended in the Report of the Walkerton Inquiry – Part 2.
2. The study be conducted with the involvement of staff of the local Municipalities as outlined in this report.
3. Regional staff report back to the Transportation and Works Committee and Regional Council by March 2003, with interim study results prior to finalizing the study report.
4. A copy of this report be forwarded by the Regional Clerk to the Clerk of each of the local Municipalities.

2. PURPOSE

As directed by the Transportation and Works Committee at its March 6, 2002 meeting, this report summarizes the findings of a staff review of the benefits of a change to single tier water and wastewater service delivery, and seeks Council authority to conduct a more thorough review of all available options, in accordance with the recommendations of the Report of the Walkerton Inquiry – Part 2.

3. BACKGROUND

At the Transportation and Works Committee meeting of March 6, 2002, representatives of the Urban Development Institute (UDI) gave a deputation regarding the benefits of moving to a single tier system for water and wastewater service delivery. A report titled "Towards a Single Tier Water Supply and Delivery System and Sewage System for York Region" was also submitted. Following the deputation, staff was directed to report back to the Transportation and Works Committee on the matter, and was asked to involve local Municipal staff in the review.

4. ANALYSIS AND OPTIONS

This section of the report summarizes the main points of the UDI report, details discussions held with staff of the Area Municipalities and looks at options to move forward.

4.1 UDI Report – “Towards a Single Tier Water Supply and Delivery System and Sewage System for York Region

The March 2002 report by UDI Ontario - York Chapter states clearly that there is no present concern with staffing or management at either the Regional or local level, emphasizing that staff at both levels are working to develop uniform and orderly procedures. The report maintains, however, that the current structure is not appropriate given today's challenges. The benefits of moving to a single tier system are cited in the report as follows:

1. **efficiency and cost effectiveness** in terms of long range planning and development of water systems, ease of operation, communication, billing, and system optimization through, for example, inflow/infiltration reduction and water demand management,
2. greater **flexibility** to expand or modify water systems across local municipal boundaries,
3. **ease of management**, including use of municipal benchmarking (typically not available for two tier systems) and the requirement to establish full cost pricing and asset management plans,
4. more **customer friendly**, easier to understand, and easier to set common standards for the public and for the development community,
5. greater ability to provide **system security** in terms of water quality (coordinated testing locations, flushing and maintenance programs) and emergency response.

The report noted that the Regions of Halton, Peel and Durham, which were formed after York, all have responsibility for water and wastewater at the upper tier level. Only Niagara, Waterloo and York have a two-tier system. These Regions were modelled on the Municipality of Metropolitan Toronto, which has since been amalgamated into a single tier municipality.

The UDI report requested that the matter be referred to staff for a recommendation as to how to proceed.

4.2 Discussion With Area Municipal Staff

Staff of the Region Transportation and Works and Finance Departments arranged a meeting of works and finance representatives of Area Municipalities to discuss the issue of water and wastewater service delivery on April 23, 2002. Representatives of UDI were also in attendance to present their report and answer questions. A summary of major points of discussion is as follows:

- It was agreed that any changes to the existing model should be for reasons of cost efficiencies, improved service, simplification of operation and modernized technology.
- Concerns were expressed by local municipal staff in the following areas:
- Local municipal staff often perform a number of functions across the services (for example, water and hydro billing can be done together; winter road maintenance is sometimes done by waterworks staff), therefore, manpower savings may not necessarily result from going to a single tier model.
- The issue of co-ordinating planning with service will always remain, since detailed land use planning remains at the local level.

- The amount of cost savings that could be achieved with a single tier system was questioned (City of Toronto amalgamation cited as example).
- It was noted that construction inspection for water and wastewater services on local roads is now performed at the local level and the question was raised as to whether a second inspector would be required for a single tier system- one for the road and one for the Regional services.
- Similar to the issue above, two subdivision agreements may be required for new development – one for the local municipality and one for the Region.

At the conclusion of the meeting, it was generally agreed that, if the issue of moving to a single tier system is pursued, all potential delivery models should be examined together with examples of other municipalities. It was also agreed that the decision to change the present system should be driven by water and wastewater effluent quality, customer service and operating efficiencies.

4.3 Report on the Walkerton Inquiry

Recommendation 44 of the Part 2 Report of the Walkerton Inquiry states “municipalities should review the management and operating structure for their water system to ensure that it is capable of providing safe drinking water on a reliable basis.” The report further recommends that this review be mandatory, conducted as part of implementation of a quality management system that includes licensing and accreditation of all water supply providers.

Included in the report is a lengthy discussion of different management models for water supplies. As part of his review of regionalization of water supply systems (Section 10.2.4.2 of the Part 2 report), Justice O’Connor states “On the whole, regionalization generally improves the safety, reliability, and effectiveness of water services, while preserving a measure of direct accountability for participating municipalities.” While Justice O’Connor felt he could not recommend that all municipal water systems be regionalized, he did state a number of reasons for favouring this option as follows:

- Regionalization allows for greater economies of scale in operation.
- Regional government is in a better position to implement common standards of service across the service region.
- Where residents in different parts of the region have different levels of services at different costs, regional representatives are in a better position to decide how new or improved service should be allocated and how costs should be recovered.
- Dividing responsibility for water service may discourage lower tier municipalities from promoting conservation through full cost pricing, because cost savings accrue to the upper tier municipality in the form of deferred capital costs. (This observation could also be extended to include the potential to discourage municipalities from reducing inflow/infiltration to the sewage collection system.)

4.4 Options for Moving Forward

There appear to be advantages and disadvantages to both single and two-tier delivery of water and wastewater services. The Region could do nothing, and make no changes to the existing system, or options for alternative service delivery could be explored. In view of

Review of Water and Wastewater Service Delivery Models

the comments presented in Part 2 of the Walkerton Inquiry, and anticipating that review of service delivery models will be mandated through the regulations that will arise from implementation of the "Safe Drinking Water Act", staff recommend that a more detailed investigation of alternative delivery models be undertaken. The review should include not only regionalization of water and wastewater services, but also the other models described in the Walkerton report, such as a Public Utilities Commission, a municipally owned corporation or Regional government.

The following subsection of this report describes the potential work plan for such a study.

4.1.1 Potential Work Plan

The study objective would be to explore the advantages and disadvantages of different options for ownership and operation of the water and wastewater systems and recommend a model for York Region, based on optimum water/wastewater quality, customer service and operating efficiency. It would consist of a high level review of available models together with workshop(s) to obtain input from municipalities and stakeholders. The study would be managed by Regional staff. Input would be obtained from works, finance and planning representatives of the Region and its Area Municipalities.

It would be necessary to retain the resources of an outside consultant. The consultant would provide facilitation services for workshops with area municipal staff. The selected consultant would also have expertise in the area of alternative water and wastewater service delivery. The main deliverable would be a study report outlining the work performed and recommendations. The total study time would not be expected to be longer than three months.

5. FINANCIAL IMPLICATIONS

The cost of this study would not be expected to exceed \$30,000. This level of expenditure could be accommodated within the overall capital budget for water and wastewater with no adverse impact to the current budget. The study could be funded from the rate supported reserve funds for water and wastewater.

6. LOCAL MUNICIPAL IMPACT

York Region's Area Municipalities and the public will benefit from a comprehensive review of water and wastewater service delivery models with the objectives of optimizing quality, customer service and operational efficiency.

7. CONCLUSION

There are both advantages and disadvantages to the current two-tier water and wastewater service delivery system now in place in the Region. In order to explore potential improvements in service delivery, it is recommended that a review of water and wastewater service delivery models with the objectives of optimizing quality, customer service and operational efficiency be conducted at a cost not to exceed \$30,000. The Senior Management Group has reviewed this report.

Prepared by:

Deborah L. Korolnek, P.Eng.
Director, Water and Wastewater

Recommended by:

Kees Schipper, P.Eng.
Commissioner of Transportation and Works

October 22, 2002
DK/ph

Approved for Submission:

Michael R. Garrett
Chief Administrative Officer