ANNEX F. Summary of recommendations

Recommendation 4.1
The Province should require, under sections 3, 4, 9, 10 and, if necessary, 11 of SWSSA, the creation of business plans for submission to the Ontario Water Board. These plans should be produced by single-tier municipalities not located within the boundaries of a county; by regional municipalities; and by counties, working in cooperation with the lower-tier municipalities and separated single-tier municipalities within their boundaries.

Recommendation 4.2
The geographical basis of a business plan may, if agreed with the relevant jurisdiction(s), extend beyond the boundaries of the county, single-tier municipality or regional municipality, and should contain wherever possible a minimum of 10,000 customers.

Recommendation 4.3
The business plan should be consistent with all requirements of SWSSA and SDWA, with provincial growth management policy, and with municipal official plans; should include a governance, financial and accountability model and a proposed rate structure; and should take into account:

- efficiencies available through technological choice and innovation as well as economies of scale and scope;
- efficient provision of service, including existing or revised contracting possibilities;
- natural economic communities, such as centres which draw commuters from the surrounding area;
- management of septage on a county or multi-county basis; and
- the governance principles in Recommendations 5.1 through 5.5.

Recommendation 4.4
The business plan should be approved by county or regional municipal council and by the council of any included separated city and submitted to the Ontario Water Board by June 30, 2007.

Recommendation 4.5
The Water Board may require deficiencies in a business plan or group of business plans to be made good, without relaxing the time line, before it accepts the business plan(s) and begins detailed analysis.

Recommendation 4.6
The Water Board should no later than June 30, 2008 render a decision on the business plan. Where, despite requests for the repair of deficiencies, an adequate plan has not been submitted, or the Board does not approve the plan that was submitted, the Board may exercise the powers under section 12 of SWSSA.

Recommendation 4.7
Section 54 of the OWRA should be repealed.

Recommendation 4.8
The principal municipality in each cluster in the North should take the lead in developing the business plan, following the process and time frame set out in Recommendations 4.1 through 4.6 and involving municipalities and local services boards, and First Nations communities in the cluster as appropriate.

Recommendation 4.9
The *Municipal Act* should be amended to give all Regional Municipalities exclusive jurisdiction over all elements of the water and wastewater sector.

Recommendation 4.10
The provincial government should provide one-time financial assistance consisting of a uniform per-customer grant for the total customer base covered by each business plan, to be paid when the Water Board accepts the plan.

Recommendation 5.1
The Province should amend O. Reg. 168/03, under the *Municipal Act*, to allow municipalities to form corporations to deliver water and wastewater services and to own or lease the relevant assets, or to deliver a range of municipal services including water and wastewater, and to make it possible for more than one municipality to share in the ownership of such corporations.

Recommendation 5.2
At least two-thirds of the directors of the board of a water service should be drawn from private life, with any remainder consisting of appointments from municipal council.

Recommendation 5.3
A shareholder's declaration between the municipal owner and a corporation delivering water services should set out, at a minimum:

- The powers, selection, and terms of board members;
- Reporting and accountability requirements;
- Standard of care and diligence (and indemnification when acting in good faith);
- The requirement for an annual business plan, annual and quarterly public reporting, and a public annual general meeting;
- Actions requiring shareholder ratification, such as the annual business plan, rates, or a dividend policy;
- The shareholder's residual power of direction; and
- Any other basic matters of operations and policy in which the shareholder is concerned.

Recommendation 5.4
Water services should have responsibility for metering, billing and collecting arrangements, and should maintain separate accounts from those of their municipality; water provided to the municipality should be priced at the same rate that other customers pay; and all other transactions between the parties, such as overhead, should be priced at market value.

Recommendation 5.5
All financial flows between water services and municipalities should be reported publicly.

Recommendation 5.6
The Province should commission and publish basic contract templates for water and wastewater operations ranging from short-term operating contracts to long-term lease and concession arrangements.

Recommendation 6.1
The Province should create a new regulatory body called the Ontario Water Board, reporting to the Legislature through the Minister of the Environment, and grant the powers of the Minister under SWSSA to the Board. The Board should analyze and rule on water service business plans and compliance with quality management certification, and may hold hearings, receive submissions and make decisions regarding, among other things, business plans, issues of service quality, abuse of dominant position, and franchise areas.

Recommendation 6.2
The Ontario Water Board should require water services to provide information annually about their compliance with its regulatory regime and their financial and service performance, and should ensure that this information is made available to the public in a way that allows meaningful comparisons with the goals set by each water service and the performance of a peer group.

Recommendation 6.3
The Water Board should normally require an update of business plans only every five years, on a staggered basis; any proposed material change to the plan before the end of the five-year period should be submitted to the Board for approval.

Recommendation 6.4
The Province should amend the *Safe Drinking Water Act* to include a certification and licensing procedure for wastewater operations on the model of the Drinking Water Quality Management Standard.

► **Recommendation 6.5**
Once a water or wastewater system operator is licensed under SDWA, and operating under a business plan approved by the Water Board, it should no longer be required to obtain a Certificate of Approval for any system addition or change approved by a professional engineer. Section 43 of SDWA and other references to a certificate of compliance for municipal water and wastewater systems should be repealed.

► **Recommendation 6.6**
The Ministry of the Environment should, in consultation with municipalities and water services, create a registry of all non-municipal systems serving between six and 100 users; should identify those that pose the most urgent risks to public health and, working with municipalities and water services, act as quickly as possible to mitigate those risks in the most cost-effective way possible; and should develop a long-term plan to minimize the risks and costs associated with the remaining systems.

► **Recommendation 7.1**
In addition to ordinary commercial borrowing, corporatized water services should have the power to issue revenue bonds.

► **Recommendation 7.2**
After exhausting all other normal means of collection, water services should be able to transfer arrears to the municipality, which would then place the arrears on the property tax roll as a lien on the associated real property that is collectible as taxes. The amount of the lien should include all outstanding bills, accrued interest, and related legal and collection costs.

► **Recommendation 7.3**
Water service business plans should be based on a transition to full-cost recovery of not more than five years from initial submission of the business case to the Water Board.

► **Recommendation 7.4**
The Ontario Water Board should provide guidance to the water sector to ensure consistent application of full-cost recovery regulations and appropriate accounting standards.

► **Recommendation 7.5**
COMRIF and any future grant programs for water or wastewater projects in a sustainable system should be phased out by the start of the 2012 municipal fiscal year. In the meantime, grants should be conditional on the project being in compliance with all relevant legislation and the recommendations of this report, including the recommendations on business planning.

► **Recommendation 7.6**
The focus of any water component of provincial and federal infrastructure programs should be unsustainable systems only; funds should not be limited to capital purposes, and should be routinely available once eligibility criteria are met.

► **Recommendation 7.7**
OSIFA should focus its efforts on infrastructure needs other than water and wastewater infrastructure.

► **Recommendation 7.8**
Where average water and wastewater unit costs in a water service will be more than 2.5 times the provincial average unit cost of production under full-cost recovery, after all possible cost savings, cross-subsidizations and consolidations have been considered, and on the petition of the water service owner, the Water Board should have the power to declare the water service unsustainable and place the relevant assets and liabilities under provincial trusteeship.

► **Recommendation 7.9**
The Province should operate and maintain, under contract, unsustainable water services, absorbing all costs above the 2.5 times average threshold, until it has found a way of reducing costs below that threshold; whereupon it may petition the Ontario Water Board for an unwinding of the trusteeship.

Recommendation 8.1
Metering should be mandatory in all sustainable water systems.

Recommendation 8.2
The water rate may include a constant portion, representing the fixed costs of providing the service, and must include a non-decreasing volumetric charge.

Recommendation 8.3
Volumetric water rates should not discriminate among industrial, commercial, institutional, residential, recreational or municipal classes of customer of a water system.

Recommendation 8.4
Water service business plans should include an assessment of the costs and benefits of using seasonally varying prices to flatten demand.

Recommendation 8.5
A development charge should be used to pay for any increase in capacity that benefits a specific consumer or new group of consumers; where development charges are not available to the water service, business plans must show how expansion will be paid for without burdening existing customers.

Recommendation 8.6
In the case of a major industrial development with benefits to the provincial economy as a whole, the Province may elect to pay some or all of the incremental water and wastewater capital costs.

Recommendation 8.7
Where the cost of a subsidy from the general customer base to an existing group of residential consumers would be less than the social costs of not providing the subsidy, and as long as the subsidy will not make rates unaffordable to general customers, the general customer base may be used to subsidize service to that group.

Recommendation 8.8
Wastewater facilities should be able to charge for septage handling and treatment, with charges set out in the rate structure developed through the business planning process.

Recommendation 9.1
MOE should devote additional resources on a continuing basis to assisting in the timely adaptation of innovative technologies and techniques for use in Ontario's water and wastewater sector.

Recommendation 9.2
The Ministry of the Environment should ensure that training is more readily available in remote locations, through distance learning, "circuit rider" trainers, accreditation of more qualified institutions or organizations, and recognition of accreditation from other provinces having certification standards similar to those of Ontario.

Recommendation 9.3
MOE should work with the Ontario Municipal Water Association (OMWA) and the Ontario Water Works Association (OWWA) to assess the need to increase the number of people available to undertake professional and directorial roles in the Ontario water industry, and to offer training and skills upgrading as necessary.

Recommendation 10.1
The Province should amend the *Capital Investment Plan Act* to delete reference to OCWA; OCWA should be incorporated under the *Ontario Business Corporations Act* and have all the ordinary powers, responsibilities and liabilities of a normal OBCA corporation, with the Province as its sole shareholder; OCWA should cease to be an agent of Ontario, and its employees should cease to be members of the Ontario Public Service.

- **Recommendation 10.2**
  The Province should draft a new Shareholder Declaration setting out the activities, goals and governance of the corporation, which should include the freedom to enter into joint ventures and other arrangements with other sector participants, whether in the public or private sector.

- **Recommendation 10.3**
  The Province should name a board composed of experienced and competent people from the private sector who have full authority to appoint the chief executive and senior officers of OCWA.

- **Recommendation 10.4**
  The new board should draw up a strategic plan aimed at achieving OCWA's full potential in its revitalized form in the context of Ontario's reformed water sector and, if it wishes, in other markets as well.

- **Recommendation 10.5**
  On the basis of its acceptance of the strategic plan, the Province should ensure that OCWA's capital structure is appropriate to the activities it will carry out.

- **Recommendation 10.6**
  The Province should no longer guarantee the obligations of OCWA nor indemnify its actions; OCWA should pay all normal taxes and be able to make independent banking arrangements.

- **Recommendation 10.7**
  Before May 2006, unless a suitable new revenue source for the pipeline appears, the Province should arrange for the wind-up of the New Tecumseth Improvement Society and provincial assumption of its assets and such of its debt as cannot be serviced from reasonable user charges.

- **Recommendation 10.8**
  If the Province assumes the pipeline and its debt, it should then arrange for OCWA or another certified operator to operate the pipeline under a long-term lease or concession arrangement, with the contractor having the power to maximize the revenues of the pipeline so long as the effect is not to increase the price of water to Honda beyond what it would otherwise have been, nor to make water rates for other customers unacceptably high, in the view of the Water Board.

- **Recommendation 10.9**
  Emergency plans required under SDWA should include arrangements with nearby water services for mutual assistance in emergencies.