2
TERMS OF REFERENCE FOR A WATER AND WASTEWATER SERVICE DELIVERY AND COSTING ANALYSIS

(Regional Council at its meeting on January 26, 2012, received this clause.)

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report dated January 5, 2012, from the Commissioner of Finance and Commissioner of Environmental Services, subject to recommendation 1 being amended to read as follows:

1. **Local municipal Councils be requested to indicate through resolutions by *Friday, March 30, 2012* whether they wish to participate in the project, and if they choose to participate, agree to commit local municipal staff time to engage in project committee meetings and assist with extensive data collection and review efforts.**

1. RECOMMENDATIONS

It is recommended that:

1. Local municipal Councils be requested to indicate through resolutions by March 1, 2012 whether they wish to participate in the project, and if they choose to participate, agree to commit local municipal staff time to engage in project committee meetings and assist with extensive data collection and review efforts.

2. Subject to receiving confirmation from a sufficient number of municipalities, staff proceed with a Request for Proposals for a Service Delivery and Costing Analysis of Water and Wastewater services across York Region.

3. Given the scope and complexity of conducting a Service Delivery and Costing Analysis as presented in this report, Council extend the deadline for completion of this project from September 2012 to June 2013 to provide sufficient analysis and allow for adequate consultation with local municipal staff.

4. Council approve an increase to the 2012 budget in the amount of up to $800,000 for conducting the analysis, which will be funded from the water and wastewater reserve.

2. PURPOSE

The purpose of this report is to provide Council with an overview of the proposed Terms of Reference for a service delivery and costing analysis to fully assess the benefits, risks and financial outcomes associated with moving water and wastewater services to one-tier service delivery.

3. BACKGROUND

At the May 2011 Finance and Administration Committee meeting, staff were directed to review the feasibility of moving toward a single-tier model for delivery of water and wastewater services in York Region. Staff brought back an information report in October 2011, at which time Council directed staff to conduct a detailed service delivery analysis, in consultation with the nine local municipalities, to fully assess the benefits, risks and financial outcomes associated with moving to single-tier service integration. The direction included a completion date of September 2012 and Terms of Reference was requested in January 2012. A high-level summary of the Terms of Reference is presented in this report and the draft Terms of Reference is presented as *Attachment 1*.

4. ANALYSIS AND OPTIONS

Staff directed to develop a Terms of Reference for a Service Delivery and Costing Analysis to analyze practicality of single-tier governance

At the October 2011 Finance and Administration Committee meeting, staff provided a report on the legislative framework and current local municipal practices, including a summary of water and wastewater rates for each local municipality. The information report assessed current legislation governing municipal water and wastewater service delivery structures and provided a high-level overview of current water and wastewater practices and service delivery costs.

Comprehensive scope detailed in project Terms of Reference

Council requested staff proceed with a detailed follow-up study to conduct a Service Delivery and Costing Analysis by having a third-party analyze the feasibility of a one-tier governance model for water and wastewater services in York Region. Consequently, a workshop with local municipal staff was conducted on December 2, 2011 to collaboratively develop a draft Terms of Reference to focus on:

- A review of the state of existing practices for delivery of water and wastewater services in York Region, including services delivered by the nine local municipalities

- A review and inventory of best practices related to delivering services under single-tier, hybrid (some municipalities electing to fully integrate service delivery) and two-tier delivery models

- A review of opportunities and challenges with moving to an alternative service delivery model, including single-tier, hybrid models and alternative operating models (partial integration of service delivery, such as uploading or downloading of specific responsibilities)

- An estimate of service migration steps and costs for any service area proposed to move to single-tier service delivery

- Documentation of potential issues that may be encountered if moving to one-tier or other proposed service delivery model by local municipalities and by York Region

- A review of the feasibility of designing and operating under area specific service level agreements based on current practices. The consultant will assume area specific service level agreements could be developed and negotiated between York Region and local municipalities on behalf of residents and businesses.

- Identify opportunities to introduce best practices, reduce costs, increase efficiency and improve service delivery in the next five years (i.e. identify improvements to the existing service delivery model that could be implemented to create efficiencies and cost savings without amalgamating services into a single-tier)

Local municipal feedback pertaining to the Service Delivery Review gathered at the December 2, 2011 workshop is summarized later in this report under Local Municipal Impact.

Project committee is proposed to be established to move the study forward and provide a systematic process for collaboration

To proceed with the Service Delivery and Costing Analysis, it is recommended a task group be established with York Region and local municipal staff to provide input and guide the overall direction of the project. The consultant selected to complete the project will require expertise in multiple disciplines including engineering, finance, organizational behaviour and design, change management, environmental and municipal law, and policy development.

Service Delivery Analysis is proposed to focus on benefits, impacts and costs of moving to a one-tier model

In collaboration with local municipal staff, the project will examine operational and business processes, technology, resources and costs under the existing service delivery model and assess anticipated costs/benefits should the same services be delivered under a

one-tier model. The assessment will identify opportunities for continuous improvement, best management practices or shared services that could be introduced, the potential outcomes of these improvements and the expected cost and time to introduce these practices. The analysis will also consider service delivery areas that have the potential to be consolidated for cost savings, enhanced risk management and ease of delivery.
The project will deliver a Strength/ Weaknesses/ Opportunities/ Threats (SWOT) analysis to identify potential barriers to implementation for both a one-tier model and other proposed models for service delivery improvements.

Assumptions will be reviewed by local municipal staff and the project committee where data is not available

There will be a large data collection component to the project. Where data is insufficient or not available, it will be necessary, based on relevant experience, industry standards and benchmarks, to estimate data inputs to complete an adequate analysis across all local municipalities. Best efforts will be made with each local municipality to gather required information (including maintaining a detailed record of requests for information) prior to making any estimates or assumptions. All estimates and assumptions will be reviewed with the affected local municipality and the project committee prior to inclusion in the report.

Following input from local municipal stakeholders, findings from the analysis will be organized under seven categories

After completing consultation with the nine local municipalities, findings from the study are recommended to be organized under the following seven categories:

1. **Customer Service:** customer expectations, service levels, water quality, customer satisfaction, reliability, emergency response
2. **Finances and Assets:** rates, reserves, development charges, tax levy, billing, collection services, investments, asset expenditure, valuation
3. **Operating Practices:** operating costs, resources, budgets, technology, regulatory impacts
4. **Supporting Services:** indirect costs, inter-functional transfers, shared overhead, staff, equipment, direct overhead
5. **Planning and Design:** capital plans, system modeling (growth/operational), master plans, development planning and approvals, combined system efficiencies (e.g. integration with local municipal Roads capital programs)
6. **Two-Tier Service Delivery Relationships:** typical interfaces, efforts to maintain, time and cost impacts of initiatives (e.g. inflow and infiltration reduction, water conservation)
7. **Legal Implications:** legislative requirements, regulatory compliance, liabilities, insurance costs, existing contracts/agreements

Service costing analysis will benchmark costs of delivering water and wastewater services

The service costing analysis will benchmark and compare costs of delivering water and wastewater services amongst the nine local municipalities in York Region and will compare aggregate Regional costs for service delivery with other organizations. The review will focus on the following:

- A detailed review of the costs associated with water and wastewater service delivery under the existing delivery model considering anticipated short and long-term costs and potential savings that could be realized by moving to a one-tier model or alternative model. This step will include a review of existing background reports, data gathering exercises, one-on-one meetings, and workshop sessions. It will require intensive effort to liaise with all ten municipal partners.

- Local municipal and Regional water and wastewater rates will be broken down under the following components for comparison:
    - Operating costs (i.e. treatment, distribution, etc.)
    - Ancillary support service costs
    - Reserve contributions
    - Debt repayment
    - Capital replacement costs
    - Regulatory compliance requirements

- An analysis of costs for water and wastewater service delivery for municipalities and privately run utilities in North America of similar characteristics (size, climate, geography, access to water source, etc.) using the same breakdown as above will be completed to identify where and why rates may be higher or lower. Comparison municipalities should include Region of Waterloo, City of London, Niagara Region and other municipalities without direct access to prominent lake or river water sources.

Project complexity and consultation requirements with local municipalities necessitates project timeline be extended to June 2013

The procurement process to solicit, evaluate and select a consultant is expected to take approximately 12 weeks. Should Council approve proceeding with the project, it is expected that the consultant will be retained and commence with work on the project in June 2012. The complexity of scope detailed in the Terms of Reference, coupled with data gathering efforts and a significant amount of consultation required with local municipalities, staff estimate more time will be required to adequately complete the analysis. The proposed process for collecting local data is to examine findings from past reports, survey the local municipalities to determine which are interested in providing data, and then collect available data while working with local municipal staff to obtain less readily available information. The logistics of conducting meaningful consultation with local municipal staff along with the complexity of gathering and analyzing data will require an extension beyond September 2012. Table 1 outlines the proposed project timeline.

Table 1
Timeline for Completion of Service Delivery and Costing Analysis

Deliverable	Tasks	Completion Date
Prequalification of Consultants	• Create RFPQ to prequalify consultants • Post and Evaluate RFPQ	March 2012
Procurement of Services	• Initiate local municipal task group • Finalize and post RFP • Evaluate RFP submissions and select preferred respondent • Report to Council on procurement • Award contract	June 2012
Finalize Consultation and Data Gathering	• Consultation with each local municipality • Monthly task group meetings • Extensive data gathering • Environmental scans	December 2012
Complete Analysis	• Group verify data • Compare and contrast approaches • Complete analysis	March 2013
Peer Review	• Conduct third-party review of draft • Complete local municipal review	April 2013
Report to Council	• Report to Committee and Council	June 2013

Link to Key Council–approved Plans

Conducting a Service Delivery and Costing Analysis to assess the benefits, risks and financial outcomes associated with moving water and wastewater services to one-tier service delivery aligns with the Region's strategic priority to partner with all levels of government to facilitate the delivery of environmentally-sustainable infrastructure. Conducting a detailed analysis of this nature will assist Council with assessing the state and efficiency of the current operating model and will form a basis for future decision making.

5. FINANCIAL IMPLICATIONS

Conducting an adequate review of service impacts and opportunities could cost in the range of $800,000

It is difficult to anticipate the budget that will be required to complete a review of service impacts and opportunities for the proposed Terms of Reference. Factors influencing the budget include a short project schedule driving premium rates, the range of expertise required, driving the need for multiple firms to work together, and potential difficulties of collecting consistent data from the nine local municipalities and York Region. It is expected that the Service Delivery and Costing Analysis project could require a budget of up to $800,000. There are no funds included in the 2012 Water and Wastewater operating budget to cover the costs of the detailed review; therefore it is recommended Council authorize an increase to the 2012 budget in the amount of up to $800,000 for conducting the analysis. As 2012 user rates for water and wastewater were previously approved by Council in May 2011, it is recommended that the proposed increase in the budget be funded from the water and wastewater reserve.

Significant municipal staff time will be required to support data collection efforts

The project will require extensive engagement from local municipal and York Region staff. The Terms of Reference will request the consultant identify local municipal and Regional staff required to participate in the project (i.e. Commissioner of Public Works, Senior Operators, Treasurers, etc.). In addition, the successful consultant will be asked to provide an estimate of hours of involvement for each specific staff position required to engage in the project. The successful consultant will also be asked to identify contingency plans should staff from local municipalities not be available due to competing priorities.

6. LOCAL MUNICIPAL IMPACT

Senior local municipal staff were consulted on draft Terms of Reference

As an initial step in developing the Terms of Reference for a Service Delivery and Costing Analysis, the Region hosted a workshop on December 2, 2011 with local municipal Treasurers and Public Works Commissioners and Directors. The purpose of the workshop was to engage with stakeholders and solicit input from local municipalities to shape the scope of work for a draft Terms of Reference. The workshop was an interactive session that engaged attendees in activities that identified opportunities and concerns regarding current service delivery and how a service delivery review could best assess the state of two-tier service delivery in York Region.

York Region also presented an update on the project at a meeting of York Region municipal Chief Administrative Officers on December 9, 2011. The purpose was to inform CAOs of progress to date, outline Council's direction and obtain their feedback on the project and draft Terms of Reference.

Feedback from local municipal staff indicates project has very mixed support to proceed in 2012

Participants at the workshop held on December 2, 2011 were provided an opportunity to identify local municipal impacts of proceeding with a Water and Wastewater Service Delivery and Costing Analysis. The following summarizes feedback from local municipal staff at the workshop:

- 2012 work plans and resource commitments have already been established. Local municipal Councils may need to provide direction to staff to adequately resource this further analysis in 2012

- As the project proceeds, municipalities would like all issues, impacts and benefits to be categorized and have critical success factors and local municipal impacts determined. Success factors should include, but not be limited to, better customer service, neutral or lowered costs, tangible baseline measures for current service delivery levels and anticipated transitional costs should service delivery change.

- The scope of the study should not solely focus on a single-tier region-wide outcome. It should be expanded to contemplate hybrid models or partial transfer of responsibilities between local municipalities and the Region.

- Recognizing the impact on resources, local municipal staff recommended a phased approach to the project. For example, Phase 1 could include a preliminary study on key aspects affecting the cost and effectiveness of service delivery and suggest next steps for subsequent review areas for possible integration.

Feedback from a meeting held with local Chief Administrative Officers conveyed similar comments. They indicated 2012 work plans have not anticipated this project and given other pressing priorities, allocating local staff resources may be challenging. Local Chief Administrative Officers requested an opportunity to obtain their respective Council's input on the project, which could assist with committing necessary resources to complete the proposed service delivery analysis.

Significant consultation with local municipal staff will be required to accurately analyze changes to the current service delivery model

Decisions made by Council as a result of the proposed analysis could have a significant impact on local municipal operations, staffing and finances. A high-degree of collaboration is necessary to facilitate any change to the existing service delivery model and will require significant consultation with local municipal staff in 2012-2013 to accurately analyze impacts associated with any recommended changes to the current service delivery model.

***Municipal Act*, 2001 requires a "triple-majority" to ratify any proposed change in responsibilities**

The legislative framework that governs the transfer of water and wastewater services from the local municipalities to the Region is explicitly set out under section 189 of the *Municipal Act*, 2001. There are specific procedural requirements, known as a "triple majority", that need to be followed. Subsection 189(2) provides that the Region may only assume a local service if the following three conditions are met:

1. A majority of all votes on Regional Council are cast in its favour (i.e., not just a majority in attendance at the meeting); and
2. A majority (i.e., at least five) local councils have consented by resolution; and
3. The total number of electors in the consenting municipalities forms a majority of the eligible Regional electorate.

The detailed level of study set out in the draft Terms of Reference should proceed with the support of a sufficient number of local municipalities to meet the "triple majority" test

To provide a reasonable expectation that, upon completion of the study, recommended changes can be acted upon, it is advisable that local municipal Councils be asked to support the study and commit the necessary staff resourcing to its completion. Given the commitment of Regional and local staff time and the additional estimated costs of up to $800,000, it is recommended that the project only proceed in this detailed manner with the consent of a sufficient number of local municipalities to meet the "triple majority" requirements.

7. CONCLUSION

In response to Council's direction, staff, together with its local municipal partners, have collaborated on developing a Terms of Reference for conducting a Service Delivery and Costing Analysis to assess the benefits, risks and financial outcomes associated with moving water and wastewater services to one-tier service delivery.

It is recommended Council approve the Terms of Reference as presented in this report and an increase to the 2012 budget in the amount of $800,000. It is also recommended Council extend the deadline for completion of the project from September 2012 to June 2013 to provide adequate time to complete a fair and transparent procurement process and allow for meaningful engagement and feedback from local municipal service delivery partners.

For more information on this report, please contact Lucas Cugalj, Director, Strategy and Business Planning at Ext. 5041 or Kelly Strueby, Director, Business Planning and Budgets at Ext. 1611.

The Senior Management Group has reviewed this report.

(The one attachment referred to in this clause is attached to this report.)

1. DRAFT TERMS OF REFERENCE

1.1 Background and Objectives

1.1.1 Background

The Regional Municipality of York (York Region) is committed to providing cost efficient water and wastewater services to its residents and businesses. At the May 2011 Finance and Administration Committee meeting, staff were directed to investigate the benefits and feasibility of moving toward a single-tier model for delivery of water and wastewater services within York Region. Staff reported back in October 2011 with a high-level overview of past studies and general information on one-tier service models. Following the October report, Regional Council requested a comprehensive analysis to fully assess the benefits, risks and financial outcomes associated with moving to single-tier service integration. An analysis of the current two-tier delivery model is required in order to assess the practicality and desirability of a single-tier delivery model in York Region.

York Region has developed these Terms of Reference (TOR) to assist in the preparation of a Request for Proposals (RFP) to review existing service delivery for Water and Wastewater services in York Region and assess any financial benefits that could arise from modifying the existing service delivery model.

1.1.2 Objectives

The objectives of the project are to conduct a service delivery and costing analysis of moving toward alternative delivery models for the provision of water and wastewater services in York Region, along with a third party review of the feasibility of different approaches. The analysis will be open to any of the following combinations:

- Improvements to the existing two-tier delivery model
- Amalgamation of one or more municipal systems into a single-tier delivery model
- Amalgamation of one or more services into a single-tier delivery model
- Full amalgamation into a single-tier delivery model

The project will be defined under two main objectives, a Service Delivery Review and a Service Costing Review. The specific objectives of each are as follows:

<u>Service Delivery Review</u>

- A review of the state of existing practices for delivery of water and wastewater services in York Region, including services delivered at the Regional level and by the nine local municipalities
- A review and inventory of best practices related to delivering services under single tier, hybrid (some municipalities electing to fully integrate service delivery) and two-tier delivery models

- A review of opportunities and challenges with moving to an alternative service delivery model, including single tier, hybrid models and alternative operating models (partial integration of service delivery, such as uploading or downloading of specific responsibilities)
- For any service area proposed to move to single-tier service delivery, an estimate of service migration steps and costs
- Detailed documentation of potential issues that may be encountered if moving to one-tier service delivery by local municipalities and by York Region
- A review of the feasibility of designing and operating under area specific service level agreements based on current practices. The Consultant will assume area specific service level agreements could be developed and negotiated between York Region and local municipalities.
- Recognizing the current state for each municipality, identify opportunities to introduce best practices, reduce costs, increase efficiency and improve service delivery in the next five years (i.e. identify improvements to the existing service delivery model that could be implemented to create efficiencies and cost savings without amalgamating services into a single-tier).

<u>Service Costing Review</u>

- A detailed review of costs associated with water and wastewater service delivery under the existing delivery model considering anticipated short and long-term costs and potential savings (if any) that could be realized by moving to a single-tier model or alternative model.
    - This step will include a review of existing background reports, data gathering exercises, one-on-one meetings, and workshop sessions. It will require intensive effort to liaise with all ten municipal partners.
- A review and comparison of current water and wastewater rates should be completed to determine the impact of operating costs, ancillary support service costs, reserve contributions, capital replacement costs and regulatory compliance requirements on local municipal and Regional rates.
- A service delivery cost comparison to other similar organizations (municipalities, utilities, private companies) in the Greater Toronto Area (GTA), Ontario and across North America.
- An analysis of costs (following the same breakdown as above) for municipalities and privately run utilities in North America of similar characteristics to York Region (size, climate, geography, limited direct access to water supply, etc.) to identify where and why they may have higher or lower costs. Comparison municipalities should include, but not be limited to Region of Waterloo, City of London, Niagara Region and other interior municipalities without prominent lake or river water sources. Identify any lessons learned or beneficial practices that may have application in York Region.

1.2 Scope of Work

1.2.1 Project Services

York Region is seeking a Consultant to provide a Service Delivery and Costing Review of water and wastewater service delivery. This review will assist Regional Council to develop a clear understanding of any potential benefits or risks with alternative service delivery models and identify opportunities to improve service delivery in the near future.

The consulting services and deliverables to be provided by the Consultant are as outlined in the subsequent sections of the Terms of Reference.

1.2.2 Project Works

Project Works shall include the following activities:

1. A review of all studies, literature and reports pertaining to changing or amalgamating water and wastewater services in York Region to leverage findings, recommendations and work done in the last 15 years
2. Workshops to confirm the methodology and all data points for data collection with a defined Project Committee (stakeholders from York Region and local municipalities).
3. To minimize staff time from all municipalities that will participate, the Consultant will conduct an initial interview with each municipality to define:
    - Specific opportunities, challenges, issues and concerns municipalities are having with delivery of services
    - Assess each municipality's ability to support the project (resources and information)
    - Tangible and intangible differences based on each municipality's demographic (i.e. rural/urban, culture, industry, etc.)
4. Service Delivery Review (defined below)
5. Service Costing Review (defined below)
6. Workshops with the Project Committee to review findings and develop recommendations from the analysis

1.2.2.1 Service Delivery Review

In collaboration with local municipal staff, the project will examine business processes, technology, resources and costs under the existing service delivery model and assess anticipated costs/benefits should the same services be delivered under a single-tier model. The assessment will:

- Identify opportunities for continuous improvement, best management practices or shared services that could be introduced, the potential outcomes of these improvements and the expected cost and time to introduce these practices
- Identify service delivery areas that have the potential to be consolidated for cost savings, enhanced risk management or ease of delivery (for example, if there was an opportunity to improve delivery of this service, some aspects of operations and maintenance could be combined under one service provider alone, while leaving other water business units separate under the existing two-tier model)
- Develop a Strength/ Weaknesses/ Opportunities/ Threats (SWOT) analysis and identify potential barriers to implementation for both a single-tier model and other alternative models for service delivery improvements
- Address change management requirements and acknowledge that there will be a normal resistance to change that will be addressed under all improvement recommendations/suggestions

- Include an overview of direct, indirect, tangible and intangible impacts, as well as potential benefits

Findings from the analysis will be organized under the following seven categories:

1. **Customer Service:** customer expectations, service levels, water quality, customer satisfaction, reliability, emergency response
2. **Finances and Assets:** rates, reserves, development charges, tax levy, billing, collection services, investments, asset expenditure, valuation
3. **Operating Practices:** operating costs, resources, budgets, technology, regulatory impacts
4. **Supporting Services:** indirect costs, inter-functional transfers, shared overhead, staff, equipment, direct overhead
5. **Planning and Design:** capital plans, system modeling (growth/operational), master plans, development planning and approvals, combined system efficiencies (e.g. integration with local municipal roads capital programs)
6. **Two-Tier Service Delivery Relationships:** typical interfaces, efforts to maintain, time and cost impacts of initiatives (e.g. inflow and infiltration reduction, water conservation)
7. **Legal Implications:** legislative requirements, regulatory compliance, liabilities, insurance costs, existing contracts/agreements

The submission must identify how the deliverables under each category will be presented in a final report, i.e. table, matrices, charts, etc. **The evaluation team for this proposal expects to see examples of how the data will be presented in each category in your proposal submission**.

The scope of work for each category will include the items listed below.

1.2.2.1.1 Customer Service

- Existing service levels for each municipality and any identified customer expectations, either prescribed or implied. Identify opportunities to improve the customers' (residents and businesses) understanding of the services they are receiving from all organizations. Customer service and/or community outreach programs shall be included in the service level review.
- Variations in service levels may require harmonization under an alternative service delivery model, which would likely be at the highest service level currently in place. Identification of the impacts of raising or potentially lowering service levels in different municipalities from a customer service perspective.
- Investigate if there would be clearer accountability under an alternative service delivery model and if this would lead to better information and more streamlined decision-making.
- Explore the relationship between customers and government under the present two-tier framework and an alternative service delivery model. Identify the following:
    - Impacts of an alternative service delivery model on citizens, businesses and the development community with regard to access to politicians, Council and decision makers with respect to water and wastewater services.

  - Impacts on accountability for the delivery of water and wastewater services.
  - Impacts on business-to-municipal interactions for development and growth.
  - How alternative service delivery models impact information and message consistency to the customers (i.e. website, intelligent voice recognition (IVR), media advisories, etc.) and therefore affects perceived and actual service delivery.
  - Issues and benefits related to attraction of residents and businesses to York Region and local municipalities
- Identify the impacts with respect to local and Regional responsiveness to emergencies, customer complaints, water quality, etc. should a single-tier model be implemented. For example, response to customer inquiries is currently working well through local municipalities, identify if this would be impacted under an alternative model.
- Investigate if there would be a reduction in risk through single accountability, relocation of yards/emergency stations, etc.
- Identify and compare water quality and wastewater requirements and standards in place for York Region versus local municipalities and the implications to water quality under the existing two-tier relationship and what improvements could be realized under an alternative service delivery model.
- Analyze the pattern and location of complaints and quality issues across York Region and the local municipalities. Investigate how localized issues or patterns could be affected under an alternative service delivery model.

1.2.2.1.2 Finances and Assets

- Existing financial situation will be assessed for each local municipality and York Region individually and under an alternative service delivery model, including assets, liabilities, debt, revenues (rate, levy, fees and charges, recoveries), reserves (reinvestment/capital, rate stabilization, development charges, others), investments and expenditures. The analysis will identify:
  - Benefits and potential impacts of the local municipality having or not having control of these items
  - Impacts on the ability to finance capital projects particularly for smaller municipalities
  - A better environment to consider the impacts of rate structures versus initiatives (i.e. conservation programs) under an alternative service delivery model.
  - Implications on existing agreements, such as area development charges/credits, best efforts provisions and front ending agreements
- Variations in rates may require harmonization under an alternative service delivery model. Identify the financial impacts of amalgamating and the impacts of raising or lowering rates in different local municipalities. Analysis should identify:
  - How the rate is structured (fixed operating, water production, health of reserves, infrastructure condition and rate of reinvestment, contributions, stabilization, etc.)
  - If costs are to be transferred, such as from rate to levy, to offset chargeback or cost sharing, identify impact to relevant stakeholders

- Identify existing reserve and reserve funds, debt, revenue and capital needs of each municipality currently and provide a comparison to needs in an alternative service delivery model
    - The opportunities, challenges and impacts of area specific rates to align actual cost of delivering both water and wastewater services
    - The impacts to residents of harmonizing payment methodologies/channels (e.g. centralized billing), changing account numbers, rebates and low income/seniors programs, etc.
- Revenue and expenditure analysis will provide a historical 3-5 year Statement of Operations and Accumulated Surpluses with detailed expense information. In addition, forecast income statements for the next 6 years based on current models and potential alternative service delivery models.
- The Review will include an overview and analysis of the billing and collection service models (i.e. internal or out-sourced) currently in use and potential for alternative approaches, as well as associated costs or potential savings
- Identify and compare the existing 10 year capital expenditure plan (for York Region and local municipalities) and potential alternative service delivery plan allocated against the following:
    - Risk – per cent addressing safety and risk mitigation; system reinforcement
    - Compliance - per cent addressing regulatory and legislated requirements
    - Growth - per cent addressing increased capacity due to new development or population growth
    - Sustainability - per cent addressing sustaining existing infrastructure
    - Enhancement - per cent addressing system improvements or additions and community improvement projects
- Identify the Capital Investment Outlook (for York Region and each local municipality) and the impacts on these under an alternative service delivery model for the following:
    - Short, medium and long-term capital requirements. Identify capital works as approved (budgeted), pending approval (forecasted) or unapproved (tangible capital asset reinvestments).
    - Note any significant deviation in approaches used by stakeholders in development of valuation of assets, remaining useful life and funding gap information, an overview of how Public Sector Accounting Board (PSAB) standards been employed, such as capitalization thresholds or useful lives. Note potential impact of these deviations in the Review.
    - Outline projected future costs and nature of costs for required capital investment (i.e. sustainable reinvestment, risk mitigation, growth planning and growth capital investment requirements, compliance, partnerships between municipalities, other).
- Provide a consolidations impact assessment using Financial Information Returns (FIRs), Ontario Municipal Benchmarking Initiative (OMBI), PSAB reports (short, mid and longer term).

- Provide an assessment of how FIRs, OMBIs and PSAB reporting would change for each of the 10 municipalities under an alternative service delivery model.
- Identify what systems are in place for billing, data collection and metering in the local municipalities and the Region. Investigate the efficiency and confidence in these systems and what operational and cost impacts would be realized if these systems were implemented under an alternative service delivery model.
- Identify what asset expenditures could be eliminated, transferred or would be left unchanged by consolidating service to an alternative service delivery model. Outline economies of scale or alternatively the potential for increased costs due to enhanced capital reinvestment.
- Identify asset management impacts of managing a single-tier or hybrid system, such as varying requirements due to geography/topography, condition assessment practices, varying or changing of maintenance/rehabilitation standards and activities, etc.

1.2.2.1.3 Operating Practices (Operations and Maintenance)

- Identify direct and indirect operating costs, including charge backs, for delivery of services under the current model (York and each local municipality). This analysis will include a full accounting of staff time allocated to directly providing water and wastewater services, including number of staff, per cent of time applied to providing water and wastewater services, a list of wage bands for typical staff required for the delivery of water and wastewater services (operators, water quality analysts, supervisors, managers, support service roles, etc.).
- Inventory and evaluate current practices, standard operating procedures, etc. within each local municipality and measure the differential from current performance to best practices. For example, practices and impacts for conducting routine water distribution system preventive maintenance or stranded services will be comparatively evaluated.
- Investigate sharing of resources between other local departments (roads, storm, etc.) that will be impacted by an alternative service delivery model and how this would impact local municipal workload management and multi-tasking on other core municipal activities.
- Identify resource impacts, better roles and responsibilities, potential to eliminate duplication and/or requirements to supplement in order to achieve a higher level of service. The analysis will include:
    - An overview of resources (internal staff and contracted services) as well as specialty equipment and operations yards
    - Emergency works performed by internal staff with municipal equipment, contracted out or combination thereof
    - Known out-sourced activities and existing internal union contracts, obligations and limitations shall be identified
- The consultant will investigate the ideal scale (size of organization or population served) for delivering sustainable water and wastewater services. This will consider the potential transfer of one or all services to a single organization.

- Analyze the state of succession planning (recruitment and retention staffing impacts as well as consideration of training requirements, licensing, vacation relief and seasonal demands) under the existing two-tier delivery model and how this could be or impacted under an alternative service delivery model. Investigate if and how the amalgamation of systems would impact Operator Licensing requirements as a result of higher facility ratings.
- Identify the possibility of loss or impact to local knowledge of each system. What knowledge transfer issues exist and how can they be addressed under the present two-tier model and under an alternative service delivery model.
- Perform operating budget reviews with consideration for operational and business management efficiencies and/or innovations and potential outcomes, i.e. right-of-way coordination, conservation, alternative service delivery such as contracting out, etc.
- Identify potential regulatory impacts (orders or outstanding compliance issues) and outstanding claims, e.g. lead service replacements, compliance with statutes and other legal requirements, etc. under the existing service model. Identify how an alternative service delivery model could impact meeting these requirements, particularly since all municipalities are under the same regulations.
- Identify technology status and approach including system control, computer models, supervisory control and data acquisition (SCADA), operation and operational logistics, such as maintenance programs and work order controls, process optimization, etc.
- Variations in wage scales would require harmonization under an amalgamated model. Investigate what approach would be taken to select appropriate wage scales across an alternative service delivery model and the impacts of raising or potentially lowering wage scales in different local municipalities.
- The analysis will include a review of labour relations and local union contracts, including how they manage collective bargaining, labour laws, etc.
- Assess non-revenue water (real and apparent losses value) and the cost recovery options, including fire protection cost allocation, recovery from levy and rates, and/or other options or opportunities for consideration.

1.2.2.1.4 Supporting Services

- For costs not directly attributed to water and wastewater such as human resources, fleet, technology, facilities, and administration and assuming no change in level of service for those activities, identify what costs would be anticipated to remain unchanged within each of the municipalities and the Region. Outline where these costs could potentially be recovered (i.e. moved to the levy), an approximation of the costs, and where economies of scale could be realized.
    - Examples would include consideration of inter-functional transfers, shared overhead, staff and equipment, as well as chargebacks which include financial, legal and information technology and collection (recourse/budget). The financial impact to the general levy or other shall be identified in the Review.

    - Identify what recent, committed or planned investments have been made in supporting services and the impacts, benefits, efficiencies and throw away costs that could result if a change in the service delivery model was initiated.
- Identify supporting services that are shared across the local municipalities (e.g. customer call centres) that support multiple departments. Identify what services could be removed based on a change of service delivery and will need to be replaced including any impacts, costs, benefits, etc.
- Identify technology implications of amalgamating multiple systems and data into an alternative service delivery model, such as billing, metering, work management, SCADA, address data, etc.
- Identify what supporting services may lose contact with customers that are maintained through water and wastewater services, such as collection of development charge revenues while collecting local building permits, advertising for local municipalities via the water and sewer bills mailed to customers, interaction with emergency response programs.
- Identify what water and wastewater costs could be eliminated, transferred or would be left unchanged by consolidating supporting services to an alternative service delivery model. Outline economies of scale or alternatively, the potential for increased costs due to administrative, technical, social and legal considerations.

1.2.2.1.5 Planning and Design

- Review current processes in place and identify the opportunities, benefits and implications of an alternate service delivery model on:
    - The planning and approval of development in each local municipality and how these processes integrate between other local municipalities and York Region's planning processes. Identify the impacts to local municipalities if planning and design responsibilities were to be uploaded for water and wastewater services.
    - The engineering approval process and the construction, inspection and commissioning of municipal services and roads in new development.
    - Sharing and management of asset information (maintenance, condition, lifespan, etc.) and concurrent decision making processes.
    - The impact on development and how an integrated service delivery model could impact the ability to fund growth, from a financial perspective.
    - The impacts on planning and scheduling of water and wastewater infrastructure delivery and what improvements could be realized, such as the possible impacts on coordination with local improvement programs (i.e. road replacement).
- Identify efficiencies or issues under an alternative service delivery model, such as relocation of staffing from local offices. Investigate the need for local processes (i.e. local Chief Building Official sign-offs, local road program coordination, etc.) and how this would impact or complicate a single-tier or hybrid model.

- Identify York Region and local municipal processes that would be affected by moving to a single-tier or hybrid delivery model, such as responsibilities of the Risk Management Official for Source Water Protection.
- Identify issues impacting growth across the Region (including Places to Grow legislation, Source Water Protection) and how an alternative service delivery model could support sustainable growth.
- Identify what economies or diseconomies of scale can be achieved by amalgamating some of the current separate water and wastewater systems into combined systems. Identify any issues/improvements that could be achieved by the amalgamation of these systems, such as system redundancy.

1.2.2.1.6 Two-tier Service Delivery Relationships

- Identify the typical relationships and interfaces in York Region's current model in relation to local municipalities and the specific strengths and weaknesses of the existing business relationships between York Region and local municipalities. Identify aspects of the existing relationships that could be improved through an alternative service delivery model, such as jurisdictional issues over assets and operations.
- Identify the typical efforts required in maintaining standards and processes between two-tier governments that are currently required and how these efforts could be eliminated or re-focused to achieve improved service delivery or reduced costs.
- Evaluate the impact on York Region and local municipal staff time and respective implementation costs for current partnership initiatives, such as water conservation and inflow and infiltration reduction. Identify if there is an economy or diseconomy of scale that emerges in a one-tier model.
- Investigate if an alternative service delivery model will improve control over common initiatives and help ensure these initiatives support all local customer needs and add more strategic value to existing interactions.
- Investigate if an alternative service delivery model will increase the need for interaction with other services that remain under the local provider model, such as Fire, Roads, Building and Finance Departments.
- Identify incentives to optimize service delivery (i.e. are local municipalities more driven to minimize water loss and perform proactive audits) under the existing or an alternative service delivery model. How does the existing system create competition between service providers and what impacts does this have on efficiency and service delivery costs.

1.2.2.1.7 Legal and Liability Implications

- In light of all applicable Ontario legislation governing water and wastewater services, the consultant shall provide advice on liabilities should a change in operating structure occur (either single-tier or hybrid model). This should include multiple processes for compliance reporting at local and Regional levels.

- The consultant shall provide an analysis of the existing situation and possible impacts under a single-tier model for the following:
    - Liability insurance costs for the delivery of water and wastewater services
    - Insurance costs for water and wastewater linear and facility assets
    - Legal practices and solutions tailored to local solutions and processes for dealing with law suits
    - Bylaw enforcement in general, such as water restriction enforcement, sewer use and backflow prevention
    - Standard of care (effective January 2013) and implications on elected officials
    - Watershed boundaries
    - Essential services designations
    - Source Water Protection
- The consultant will conduct an impact analysis of new or forthcoming regulations under an alternative service delivery model (e.g. waste water infrastructure impacts from source water protection regulation)

1.2.2.2 Service Costing Review

The Service Costing Analysis will benchmark and compare the costs of delivering water and wastewater services amongst the nine local municipalities and York Region and will compare aggregate Regional costs for service delivery with other similar organizations. The review will focus on the following:

- A detailed review of the costs associated with water and wastewater service delivery under the existing delivery model, considering anticipated short and long-term costs and potential savings that could be realized by moving to a single-tier model or alternative model. This step will include a review of existing background reports, data gathering exercises, one-on-one meetings, and workshop sessions. It will require intensive effort to liaise with all ten municipal partners.
- Local municipal and Regional water and wastewater rates will be broken down under the following components for comparison:
    - Operating costs (i.e. treatment, distribution, etc.).
    - Ancillary support service costs.
    - Reserve contributions.
    - Debt repayment.
    - Capital replacement costs.
    - Regulatory compliance requirements.
- For municipalities and privately run utilities in North America of similar characteristics (size, climate, geography, access to water source, etc.) an analysis of costs for water and wastewater service delivery will be completed following the same breakdown as above to identify where and why they may have higher or lower costs. Comparison municipalities should include, but not be limited to, Region of Waterloo, City of London, Niagara Region and other interior municipalities without prominent lake or river water sources.

The Service Delivery and Costing Review shall give consideration to the principles and concepts from existing documentation and studies, including:

- Making Choices, Building Strong Communities, A Guide to Service Delivery Review for Municipal Councillors and Senior Staff, March 2010".
- A Guide to Service Delivery Review for Municipal Managers, August 2004.
- WATERTIGHT: The case for change in Ontario's Water and Wastewater Sector.
- As well as similar single-tier delivery structures and past amalgamations or attempts at amalgamations of upper and lower-tier water and wastewater systems.

The above assessment shall not limit nor exclude any other relevant and pertinent details necessary for the analysis. The above list is intended as a guide only.

1.2.3 Data Collection

The project will require involvement from local municipal and York Region staff. The submission must identify staff from local municipalities and York Region required to participate in the project (i.e. Commissioner of Public Works, Senior Operator, Treasurer, etc.). Each submission will provide an estimate of hours of involvement for each proposed staff member. Proponents will also be asked to identify contingency plans should staff from local municipalities not be available due to competing priorities.

There will be a large data collection component to the project. Sources of information will include:

- Council Reports
- Safe Drinking Water Act Financial Plans (including any available Sewage Financial Plans)
- Financial Information Returns (FIR's)
- Ontario Municipal Benchmarking Initiative (OMBI) metrics and reports
- Municipal Performance Measurement Program (MPMP) metrics and reports
- PSAB reports and any additional information that may be available or provided

Where data is insufficient or not available, it will be necessary, based on relevant experience, industry standards and benchmarks, to estimate data inputs to complete an adequate analysis across all local municipalities. Best efforts will be made with each local municipality to gather required information (including maintaining a detailed record of requests for information) prior to making any estimates or assumptions. All estimates and assumptions will be reviewed with the affected local municipality and Region prior to inclusion in the report.

1.2.4 Project Management

A Project Committee will be established with York Region and local municipal staff to provide input, stakeholder perspectives and guide the overall direction of the project. It is expected that the successful Consultant may be a single firm or group of firms, as this project will require expertise in multiple disciplines, including engineering, finance, municipal organizations, change management, law, municipal policies, etc. The successful Consultant will be expected to provide a project management team to work with the Project Committee throughout the project.

The dedicated project management team is required to initiate, plan, monitor and control the overall work plan for this Project. The project management team will include a dedicated Project Manager and appropriate specialists. The following activities and tasks will supplement the deliverables outlined in this RFP and are provided to form a Terms of Reference for specific and/or additional Regional requirements associated with this Project. The scope of work shall include the following minimum requirements.

- Prepare (at start of Project) and maintain a detailed overall MS Project Schedule for the Project that will be updated monthly and submitted with all invoices for work completed.
- Immediately subsequent to the kick-off meeting, the Consultant will update the preliminary schedule to include comments provided by the Region and any deviations and details not captured in the preliminary schedule.
- A Quality Management Plan including quality objectives, quality planning, quality assurance and quality control processes for all parts of the Project.
- A Communications Management Plan for the generation, collection, dissemination, storage and disposition of information. Services shall include communications planning, information distribution, performance reporting, and management of stakeholder issues and requirements. Plans shall include the on-going maintenance of “Issue Logs”, “Communication Logs” and “Performance Logs”.
- A Risk Management plan, including processes for risk identification, qualitative risk analysis, quantitative risk analysis, risk response planning and risk monitoring and control. This plan shall include the on-going maintenance of a risk register to facilitate appropriate risk management processes.
- A Data Capture Plan, including data requirements, requirements from staff from local municipalities and York Region (estimate of hours), contingency plans, etc.
- Status reports are to be submitted electronically monthly to the Region’s Project Manager indicating progress of the work, updated MS Project schedule, detailed list of tasks, budget, resources assigned, approvals, changes and new issues.
- The Consultant may not change principal staff members assigned to the project as outlined in the proposal without the prior written consent of York Region.
- Attend workshops and meetings during execution of the project as required to deal with issues and update status of the work.
- Attend monthly status update meetings during the life of the project.
- Prepare and distribute agenda and minutes for all meetings and workshops electronically to the Project Manager within 5 business days.
- Timely communication and interaction with the Project Committee to deliver project on schedule. Establish and maintain formal contact with all stakeholders. Maintain a record of direct contact with all stakeholders and track communication, responses and comments.
- Complete Region’s standard “Consultant Fee Tracking Form(s)”. This form (see appendix X) is to be updated and submitted with every Consultant invoice. Consultant Fee Tracking Form(s) must specify the Region’s Purchase Order (P.O.) number and account code for billing purposes.

1.3 Schedule

It is anticipated that the project will commence in June 2012. The successful Consultant will provide the Region's Project Committee with a detailed project schedule showing all phasing with activities and sub-activities with critical milestones. The allocated estimated cost/budget to each activity group will be shown on the schedule sheet.

York Region intends to complete the project by the end of April, 2013. It is expected that the proposal submission will comment on the viability of meeting this schedule based on the scope of services outlined in this document. If not viable, each submission will identify what reduced scope of services could be completed by the end of April, 2013 that meets the intent and objectives listed above.

The successful Consultant will be required to prepare and submit a detailed project schedule in Microsoft Project format, which outlines a detailed work plan and indicates project milestones and deliverables. This project schedule must be updated and resubmitted monthly or more frequently as deemed necessary by the Region. The proposed project schedule must be structured in conjunction with the following key milestones:

Task	Target Completion Date
Contract award	2012/06/01
Project initiation meeting	2012/06/06
Review of all studies, literature and reports	2012/06/30
Initial municipal interviews	2012/07/31
Data Collection	2012/12/01
Service Delivery Analysis – draft findings	2013/01/22
Service Costing Analysis – draft findings	2013/01/22
Findings Workshops	2013/02/06
Draft Report	2013/03/04
Final Report	2013/04/01
Presentation of Report	2013/06/06

1.4 Quality Assurance / Quality Control of Services

The Consultant is fully responsible for the Quality Assurance and Quality Control (QA/QC) of all Services. The Consultant shall have a process in place and shall possess the expertise necessary to ensure the preparation of quality deliverables to meet requirements of the Contract.

The Region requires that Consultant/sub-consultant staff directly involved in completing work products (either draft or final) submit their work for the purposes of QA/QC review. The QA/QC checks for all specialties including the work of sub-consultants must be conducted by staff within a Consultant/sub-consultant firm which has not been directly involved with that component of the work. A senior level staff member (Auditor) within a Consultant/sub-consultant firm will be responsible to oversee the process of verification, to resolve all quality issues, to ensure that all requirements related to the Services have been adhered to and to provide timely QA/QC Reports to the Region's Project Manager. During the assignment at the dates stipulated by the Region and upon completion, the Auditor shall certify that the QA/QC process has been duly executed.

In the event that services do not meet the contract requirements, the Consultant must:

- Determine the cause, extent and impact of the identified deficiency
- Develop a proposed remediation plan
- Submit to the Region a description of preventative measures to be undertaken to prevent a re-occurrence of the event, and
- Fully document these occurrences and resulting actions, as described above

During this assignment, the Consultant's quality control auditor must submit quality control status reports to York Region Project Manager. Quality control status reports are subject to acceptance by York Region Project Manager who may request clarification(s) or additional information as deemed necessary.

1.4.1 Quality Control Status Report

The quality control status reports must be submitted with each invoice. Invoices which are submitted without an acceptable quality control status report will be considered incomplete and will not be processed for payment.

The quality control status report must, as a minimum, document the following:

- Project technical review checks completed this period
- Significant findings of the checks completed this period
- Areas of non-conformance
- Actions taken to correct areas of non-conformance

1.5 Deliverables

It is not the intent of this RFP to dictate the exact structure of the deliverables, as York Region recognizes that firms have varying approaches to present these types of results. The expectation is that the final deliverables will clearly identify an analysis of the current environment and future opportunities and challenges associated with making changes to the delivery structure of water and wastewater services in York Region as described throughout this RFP. It is expected that the final documents will clearly and comprehensively outline the following:

Service Delivery Review

Service Delivery Analysis

- A detailed description of the current business processes, technologies, resources and costs under the existing service delivery model, under the seven categories described in the previous section.
- Provide a Strength/ Weaknesses/ Opportunities/ Threats (SWOT) analysis for each municipality that defines specific opportunities, challenges, issues and concerns municipalities are having with delivery of services.
- A detailed description of benefits/impacts (long-term potential outcomes of these improvements and the expected costs to introduce these practices) on these business processes, technologies, resources and costs that could be encountered moving to alternative delivery models

Immediate Opportunities

- Identify immediate short-term opportunities (quick wins) and the proposed desired state to be achieved (including benefits and impacts) by introducing continuous improvement, best management practices or shared services to the existing service delivery model.
- Identify change management requirements for all recommendations acknowledging that there will be resistance to change that should be addressed under all improvement opportunities.
- For all immediate opportunities, identify detailed scope, schedule and anticipated cost.

Implementation Recommendations

- Detailed implementation recommendations to introduce continuous improvement, best management practices or alternative service delivery models. For all implementation recommendations, identify detailed scope, schedule and anticipated cost (short and long-term implementation costs, transitional costs, etc.).
- For each implementation recommendation, identify the potential barriers to implementation.
- If further in-depth review and analysis is required, provide justification and identify detailed scope, costs and schedules.