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REVIEW OF THE WATER AND WASTEWATER SERVICE DELIVERY SYSTEM

The Transportation and Works Committee recommends the adoption of the recommendations contained in the following report, February 16, 2005, from the Commissioner of Transportation and Works:

1. RECOMMENDATIONS

It is recommended that:

1. Regional staff continue to work with staff of the constituent municipalities to explore the following opportunities for enhancement of the current water and wastewater service delivery system:
 - Coordination of asset management practices to support emerging *Sustainable Water and Sewage Systems Act* requirements.
 - Development of formal Service Level Agreements amongst the municipalities and the Region for operation and ownership for significant portions of the overall system.
 - Standardization of the calculation method for rate structures.
2. Staff report back to the Transportation and Works Committee regarding these items as appropriate.
3. Copies of this report and the final report by Deloitte and Touche be distributed to each municipality by the Regional Clerk.

2. PURPOSE

The purpose of this report is to present the outcome of the water and wastewater service delivery review authorized by Regional Council on November 21, 2002, through Clause 3 of Report No. 10 of the Transportation and Works Committee and make recommendations for follow-up work.

3. BACKGROUND

In November 2002, Regional Council directed staff to conduct a study of water and wastewater delivery models. A draft terms of reference was prepared and circulated. The Region received a diverse set of comments from its municipalities and in May and July of 2004, meetings were held with municipal representatives from public works and finance departments to discuss the direction of the terms of reference. Participants identified a

two-phased approach to the study would be required. This report is intended to summarize the outcomes and recommendation of Phase 1. Phase 1 was intended to be a detailed review of the existing system, identifying strengths, weaknesses, opportunities and threats and making recommendations for improvement. Phase 2 was intended as a separate exercise to explore, in more detail, potential alternate service delivery options. Phase 2 will only proceed on the acceptance of Regional Council and implementation of Phase 1's recommendations, if there is a desire to pursue alternative models of water and wastewater service delivery systems.

4. ANALYSIS AND OPTIONS

The consulting team engaged to undertake Phase 1 (Deloitte & Touche) conducted a high-level review of the current state of the Region's water and wastewater service delivery system. They summarized the current regulatory framework affecting the water and wastewater industry as well as analyzed other service delivery options currently in place elsewhere in Ontario. Furthermore, in working sessions, an analysis of other service delivery models was undertaken to identify a potential change in direction for York to pursue to improve the current situation.

4.1 Purpose of Water and Wastewater Service Delivery Review

The purpose of the first phase of this review was to evaluate the present water and wastewater service delivery system in York Region. The overall objective of this study was to look for efficiencies, process improvements and opportunities for optimization of the current service delivery system. Other objectives within the project are described below. The primary focus was on water and wastewater service delivery, but the review addressed issues from source to tap to return.

4.1.1 Clarification of Governance Issues

The goal of this discussion area was centered on determining whether the current "multi-tier" service delivery system is appropriate in light of emerging legislation and regulations and identify areas to optimize the governance structure for water and wastewater service delivery to ensure appropriate accountability and areas of responsibility.

4.1.2 Identification of Strengths and Weaknesses of Current Model

It was necessary to understand the salient issues associated with the current service delivery model from both a positive and negative perspective.

4.1.3 Analysis of Alternative Service Delivery Models

One area of focus was the identification of opportunities to enhance partnerships and other process improvements between municipalities. Additionally, alternative management and operating structures for water and wastewater service delivery in the Region were assessed to identify possible enhancement opportunities to the current service delivery system.

4.1.4 Identification of Simplification / Modification Steps to Enhance Existing Process

The group worked together to recommend a direction for improving water and wastewater service delivery in the Region by determining whether the existing system can be optimized and improved and identifying whether there exists a need to review and select alternative governance models for further study.

4.2 Current Regulatory Framework

4.2.1 The Sustainable Water and Sewage Systems Act

The *Sustainable Water and Sewage Systems Act, 2002*, received Royal Assent on December 13, 2002. At the current time, regulations for this act have yet to be developed, however the act's intentions are clear in that the act is intended to ensure that water and wastewater systems generate sufficient revenue to recover fully all their long-term operating and capital costs. The Act requires system owners to undertake a full accounting of the costs associated with delivering the services and to submit them to the Provincial Government for approval. The Act is also intended to ensure that the age and condition of assets and associated infrastructure investment needs are fully understood; to ensure long-term planning and lifecycle asset management practices; and to ensure that all revenues collected for water and wastewater purposes are used for water and wastewater expenditures.

4.2.2 Safe Water Drinking Act

The *Safe Water Drinking Act, 2002*, received Royal Assent on December 13, 2002. The Act expands on existing policy and practice and introduces new features to protect drinking water in Ontario. The Act's purpose is to protect human health through the control and regulation of drinking water systems and drinking water testing. The Act also provides legislative authority to implement 50 of the 93 recommendations made in Justice Dennis O'Connor's Part Two Report. Much of the act came into effect on June 1, 2003.

4.3 Overview of Existing Multi-Tier Service Delivery Model

The consulting team reviewed York Region's multi-tier service delivery model along the following dimensions:

- Treatment and Delivery of Potable Water.
- Testing of Potable Water.
- Collection and Treatment of Wastewater.
- Consumption and Conservation Measures.
- Fire Service.
- Plumbing Standards.
- Tracking of Unaccounted for Water and Infiltration.
- Ancillary Functions.
- Implications to Land-Use Planning, Subdivision Approval and Inspection.

The analysis was conducted by way of interviews with staff of each of the nine constituent municipalities and was validated in working sessions with municipal representatives.

4.3.1 Strengths/Weaknesses/Opportunities/Threats (SWOT) Analysis

In two working sessions, the consulting team led the workshop participants through a SWOT analysis in order to validate the strengths, weaknesses, opportunities and threats facing the current service delivery system in York Region. The following is intended to provide a summary of this analysis. Full details and commentary can be found in Deloitte & Touche's Final Report dated May 17, 2004. The executive summary of the report is attached to this report as *Attachment 1*.

Strengths:

- Customer Service.
- Water Quality.
- Coordination.
- Administrative Efficiency.

Weaknesses:

- Communication Lags.
- Inadequate Use of Potential Economies of Scale.
- Future Planning.
- Staffing Requirements.
- Local Training Capacity.

Opportunities:

- Standardize Training.
- MOE Representation.
- Continue Capitalizing on Economies of Scale.
- Transparency of Communication.
- Alignment of Responsibility/Accountability.

Threats:

- Future Regulations.
- Future Planning.
- Water Supply.
- Financial Resources.
- Staffing Requirements.

4.3.2 Stakeholder (Customer) Analysis

As part of the research phase of this project, the consulting team coordinated a limited public consultation process by which a questionnaire was distributed by staff of the local municipalities to retail customers in order to gain residential and commercial water and/or wastewater service customers' perspective on the water and wastewater service delivery system. Common themes which emerged from the responses received were as follows:

- Generally high level of satisfaction on most services provided to them.
- Need to enhance customer understanding of what services are provided by their local municipality and by the Region.
- Quantity of potable water is, at times, insufficient because of occasional seasonal water use restrictions.

4.4 Comparative Review of Service Delivery Options

The consulting team reviewed and held workshop discussions identifying the pros and cons of the following service delivery options:

- Shared Responsibility (Status Quo).
- Local Responsibility (Local Run Model).
- Region Responsibility (Region Run Model).
- Hybrid Models (Larger municipalities assume responsibility for own systems; smaller municipalities remain status quo).

The working session allowed staff of the municipalities to review and discuss the above four models and to identify the pros and cons of each model. The workshop participants were asked to evaluate each model on the following characteristics:

- Liability.
- Response to Current/Emerging Regulations.
- Operating/Capital Efficiencies.
- Customer Service.
- Population Growth.
- Municipal Restructuring.
- Economic Development.
- Disaster Recovery Response.

Each model was assessed as to the above characteristics as to whether the model would be “unattractive”, “satisfactory” or “attractive” from York Region’s and each constituent municipality’s perspective. It was not possible to reach a consensus to identify the ‘optimal’ model but it was generally agreed that the current (Shared Responsibility) model was adequate. Generally, workshop participants agreed that a movement towards a different model was not desirable at this time, but rather they preferred to pursue enhancements to the current situation in York Region and that the way the current service delivery model was being executed could benefit from several improvements.

4.5 Summary of Recommended Actions

The following recommendations were agreed on by local and Regional staff to enhance the current service delivery model:

- Coordination of asset management practices to support emerging *Sustainable Water and Sewage Systems Act* requirements.
- Development of formal Service Level Agreements amongst the municipalities and the Region for operation and ownership for significant portions of the overall system.
- Standardization of rate structures. All municipalities adopt the same rate calculation methodology (for example, increasing block rates to encourage water use efficiency).

These recommendations can be implemented through the Waterworks Liaison Committee, a group comprised of regional and municipal staff representatives to address issues of common interest in Water and Wastewater servicing.

5. FINANCIAL IMPLICATIONS

There are no financial implications associated with this report.

6. LOCAL MUNICIPAL IMPACT

Retail customer service will be improved at no cost to municipalities through implementation of the recommendations of this report.

7. CONCLUSION

Several opportunities exist for enhancement of the existing water and wastewater delivery model. These should be implemented by staff through the Waterworks Liaison Committee already established in 2000. Once the full impact and timeline of the emerging regulatory framework is clear, York Region should then revisit the overall governance framework and ensure that the water and wastewater service delivery system continues to provide best value to customers while ensuring the system is optimized for quality and efficient to handle current and projected demand.

The Senior Management Group has reviewed this report.