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ASSET OWNERSHIP AGREEMENTS WITH LOCAL MUNICIPALITIES

The Environmental Services Committee recommends the adoption of the recommendations contained in the following report dated October 24, 2012, from the Commissioner of Environmental Services.

1. RECOMMENDATIONS

It is recommended that:

1. The Commissioner of Environmental Services be authorized to execute Asset Ownership Agreements with each of the local municipalities.
2. The Commissioner of Environmental Services be authorized to amend the schedule of assets as agreed to with the local municipalities in accordance with the principles detailed in this report.
3. The Regional Clerk circulate this report to the Clerks of the local municipalities.

2. PURPOSE

To seek Council approval to enter into Asset Ownership Agreements for existing water and wastewater assets with each of the local municipalities and to delegate authority to the Commissioner of Environmental Services to execute the agreements and amend the schedule of assets as agreed to with the local municipalities.

3. BACKGROUND

Ownership and responsibility of water and wastewater services are provided through a two-tier system shared between local municipalities and the Region. The Assumption By-Law (1971) and the Municipal Act (2001) articulate services, functions and responsibilities for local municipalities and the Region. While most ownership is clear, certain areas need to be clarified, such as water and wastewater assets that experience a change in function or purpose over time, resulting in a shift of responsibility.

In 2006, the Region consulted with the local municipalities and adopted the Regional Jurisdiction Policy for Water and Wastewater Infrastructure using the Regional Master Plan as a basis for defining ownership based on asset function. The Regional Jurisdiction Policy identifies jurisdiction of assets between the local municipalities and the Region

based on the function of an asset, but does not specifically delineate ownership points, including the transition or connection points between local and Regional assets.

Formalizing asset ownership is key to providing detailed asset information to the Region and local municipalities

While the ownership of the vast majority of local and Regional water and wastewater assets is clear, additional work is now required to specifically delineate the ownership transition points in some areas between local and Regional assets, as well as connection points to private services. For example, criteria under the Jurisdictional Policy specifies that Regional sanitary sewers must “not have private service connections” or “are necessary to service more than one municipality”. Currently, specific points of delineation are clarified when necessary through quarterly meetings with local municipalities and when questions arise on-site. For example, if there is a discharge from a municipal connection to the Region’s sewer, the situation is quickly addressed and the connection is repaired. After the situation is addressed, the specific connection point is reviewed and ownership delineation is clarified by local and Regional staff if necessary.

In line with the Regional Jurisdiction Policy, formalizing asset ownership is a key initiative that provides detailed asset information to the regional/municipal All Pipes database currently under development. Clarification of asset ownership also provides additional necessary data to support Public Sector Accounting Board (PSAB) 3150 reporting requirements by ensuring accurate accounting of assets across the local municipalities and the Region. PSAB 3150 is an accounting regulation that requires municipalities to capitalize tangible assets and depreciate them over the useful life of the asset.

Asset ownership clarification will further enhance risk management efforts

The Region actively assesses monitors and manages risk associated with the York Water System as part of the Drinking Water Quality Management System (DWQMS) and ISO 9001 program. Both management systems require risk assessment processes to be documented to identify potential hazardous events, such as extreme weather situations or equipment failures. Accurate delineation of asset ownership is an integral part of the DWQMS risk assessment process. These initiatives help proactively manage risk in accordance with the Statutory Standard of Care taking effect in January 2013.

Infrastructure owned and operated by the Region and local municipalities is well understood by function. It is important for both the local municipalities and the Region to understand where each jurisdiction’s responsibility specifically begins and ends. Having certainty of the extent and description of ownership is vital for the efficient operation and maintenance of water and wastewater systems. This will also lead to further understanding of the system, capacity analysis, sewer usage and inflow and infiltration to better inform planning and operational activities.

4. ANALYSIS AND OPTIONS

Regional Jurisdiction Policy provides a foundation in guiding staff to identify the function and ownership of Regional Assets

The Assumption Bylaw and Regional Jurisdiction Policy identify functional criteria for Regional water and wastewater infrastructure. Jurisdictional criteria outlined in the policy are intended to provide guidance for identifying Regional infrastructure and application of these criteria are governed by:

- The spheres of jurisdiction set out under Section 11 of the *Municipal Act*, (2001)
- The master planning process typically updated every five years
- A need to reduce fragmentation of the Regional system while not adversely affecting the local municipal water system
- Applied consistently with due consideration to the Regional context of the serviced area and overall servicing scheme as defined by the master plan

Currently, staff determine ownership of existing assets by verifying that it meets the functional criteria for Regional Assets. Ownership of new and proposed assets is determined using the same criteria through the master planning process. Functional criteria identified in the Regional Jurisdiction Policy are:

- Treatment
- Pumping
- Flow equalization
- Metering
- Conveyance
- Interconnectivity (between Regional facilities)

Clear and detailed asset ownership confirmation will positively impact system operation through business improvement

An example of business improvement relates to private connections to Regional assets. Private connections do not fall under the jurisdiction of regional municipalities, however, the Region is currently maintaining some private connections on the Region's water and wastewater infrastructure. Ownership and jurisdictional responsibility should be revised to ensure clarity for system management. Of the approximately 200 known sanitary connections, 36 have been reviewed to date and approximately 17 percent require revisions to update the existing asset inventory in the geographic information systems (GIS) database.

Examples of situations requiring ownership clarification are listed below:

- Find associated maintenance access for a connection to determine ownership from Regional to municipal and/or private connections
- Provide field verification for direction of connection (e.g. where drawings may be out of date, field investigation will confirm actual conditions)
- Re-evaluate asset ownership and delineation once capital projects are complete
- Investigate and confirm direct connections to Regional assets

Asset Ownership Agreements will formally clarify ownership and jurisdictional responsibility, providing clear guidelines for assets, which mitigates risk

Asset Ownership Agreements will include the following key principles between the Region and local municipalities:

- Confirmation of accurate delineation of asset ownership
- Agreement on operational protocols
- Agreement to transfer land, easements and third-party agreements related to asset ownership clarification
- Commitment to update the ownership agreement on a regular basis to include new assets, decommissioning of existing facilities and changes to ownership delineation

The following example helps to illustrate the importance of Asset Ownership Agreements that provide clear delineation points for Regional and municipal ownership. The Regional Jurisdiction Policy indicates that the primary purpose of Regional watermains is to transmit water to the distribution system of a local municipality and that “watermains do not have service connections (to private property), or fire hydrants along their length”. The Asset Ownership Agreement will specifically identify that the local watermain will begin a distance of one meter outside of a Regional watermain chamber.

Asset Ownership Agreements capture all ownership clarifications and document them in a legal agreement. Any future changes will be captured in the updated schedule to the agreement. This process will result in the consistent treatment of all assets, including watermains, pumping stations and water reservoirs.

Asset Ownership Agreements are required to establish clear responsibility between the local municipalities and the Region and are a key input to the All Pipes database, which will provide a centralized access point for municipal staff in the office and in the field.

Regional and local municipal All Pipes database will provide consistent asset ownership information to stakeholders through a centralized resource

The All Pipes database is a single shared geographic information system (GIS) database that will provide a consistent and complete picture of all the water and wastewater assets for use by Regional and local municipal staff. It facilitates automated data sharing across the Region to ensure each municipal partner has access to the same available data. The All Pipes database will be the central repository for asset data, supporting business processes related to capital planning, delivery, asset management and operations. Populating the All Pipes database with the information from the Asset Ownership Agreements will enhance the Region's asset management making asset planning even more efficient and effective.

Delegated Authority to the Commissioner of Environmental Services

As the local municipalities and Region continue to grow, the water and wastewater asset base continues to increase and change at a rapid pace. Asset Ownership Agreement - Schedule of Assets will be updated on a regular basis to include new assets, as well as remove those that are decommissioned. As a result, it is recommended that authority to amend Asset Ownership Agreement - Schedule of Assets be delegated to the Commissioner of Environmental Services. Asset Ownership Agreements do not require amendments to existing By-Laws or policies.

Link to key Council-approved plans

Asset Ownership Agreements are important to ensure that infrastructure is identified and managed proactively to mitigate risk, which aligns with the Region's 2011 to 2015 Strategic Plan objective of continuing to deliver and sustain critical infrastructure.

In addition, formalizing water and wastewater asset ownership also aligns with the following 2011-2015 Corporate Strategic Plan goals:

- Continue to deliver and sustain critical infrastructure – working with local municipalities to improve the maintenance and operation of the system
- Manage the Region's finances prudently – reduce resources used to determine asset ownership and responsibility
- Strengthen organizational capacity – document existing work and provides a clear framework for future development

5. FINANCIAL IMPLICATIONS

There are no immediate financial implications to either the local municipalities or the Region. Clarification of asset ownership may result in added or reduced financial impact based on the specific location of delineation. For example, if ownership of a chamber is identified as the Region's that was previously maintained by the local municipality, the Region would assume the operation and maintenance cost. Future cost savings are expected as a result of reduced asset ownership investigations.

6. LOCAL MUNICIPAL IMPACT

All local municipalities and the Region currently invest resources to determine and field verify ownership and connection of local and Regional water and wastewater assets. The process of determining ownership is based on interpreting all existing information, including Assumption By-Law, the Regional Jurisdiction Policy and the experience of municipal and Regional staff. Asset Ownership Agreements will be drafted in consultation with staff from each of the local municipalities and positive feedback has been received from local municipalities and internal stakeholders regarding the purpose and form of the agreements.

Documenting the outcome through the Asset Ownership Agreements will reduce ownership issues, resulting in reduced risk and improved operating efficiencies.

7. CONCLUSION

It is important for both the local municipalities and the Region to understand where each jurisdiction's responsibility begins and ends. Having certainty of the extent and description of ownership is vital for the efficient operation and maintenance of water and wastewater systems. Asset Ownership Agreements will clarify and track existing asset ownership and set clear guidelines to proactively address future ownership.

Local municipalities and the Region work together to deliver integrated water and wastewater services to residents. Execution of Asset Ownership Agreements, including clarified delineation between local and regional assets is the next progressive step in effectively managing these systems.

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

The Senior Management Group has reviewed this report.