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ANSNORVELDT WATER SUPPLY FUNDING ASSISTANCE UPDATE AND REGIONAL POLICY: FINANCIAL ASSISTANCE TO SMALL MUNICIPAL RESIDENTIAL WATER SYSTEMS

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, August 31, 2004, from the Commissioner of Finance and the Commissioner of Transportation and Works with the following commentary:

The Commissioner of Finance advised Committee that the “status” of the Region’s responsibility regarding the *Safe Drinking Water Act* (see Action Plan attached to the communication from Township of King) is as follows:

“The Province has created an expert panel to develop a strategic water and wastewater infrastructure investment and financing plan. The results of consultation by the panel will be brought forward in late 2004. No further details on the distribution of funds are currently available”.

1. RECOMMENDATIONS

It is recommended that:

1. The temporary loan of \$200,000 authorized by Council regarding the Regional component of water supply works in the Ansnorveldt community be considered a contribution from the Region, and not a loan, if funding is not received under the Canada-Ontario Infrastructure Renewal Program for the water works within the Ansnorveldt community.
2. The proposed policy regarding the Region’s involvement in funding small municipal residential water systems as outlined in this report, be adopted.
3. Staff be authorized to bring forward a special service by-law under Sections 311 and 326 of the *Municipal Act, 2001* to recover the balance of the Regional component of the water supply works from the residents in the Ansnorveldt community.

2. PURPOSE

This report addresses the direction received from Regional Council at its June 10, 2004 meeting for staff to report on issues pertaining to the request from the Township of King to provide a financial contribution towards the cost of water supply improvements in the community of Ansnorveldt.

3. BACKGROUND

The Ansnorveldt community consists of approximately 54 properties, previously serviced by a private water supply and distribution system, constructed by the residents over forty years ago. Due to deficiencies in the system, in October 2000, the Ministry of the Environment (“MOE”) ordered the Region of York to assume ownership and operation of the water supply works in the community of Ansnorveldt, and rectify the supply deficiencies. These works have been completed by the Region, at a cost of \$414,000. Regional Council has directed that these costs be charged back to the Township of King, in order that these costs can be recovered from the residents in the Ansnorveldt community. Under the new Municipal Act, this can be accomplished by the Region adopting and implementing a special service by-law under Sections 311 and 326 of the Act. It should be noted that a Boil Water advisory has been imposed on the community since September 2000. The Region and the Township have been named as defendants in a statement of claim related to the Boil Water advisory.

The Township of King was ordered by the MOE to assume ownership and operation of the Ansnorveldt water distribution system and rectify the deficiencies in the distribution system. The works have recently been tendered, and the cost of these works is estimated at \$521,000. The Township has committed to funding \$200,000 of these works, with the balance to be funded by the Ansnorveldt residents.

The total cost of the works to be recovered from the Ansnorveldt community is estimated at \$13,000 per household, or approximately \$1,700 per year if financed over a 10 year period. In comparison, the average property taxes paid per household in the community is estimated at \$1,850 per year. Based on the above, in December 2003, the Township of King requested the Region to review options to provide assistance in funding the Regional component of the water works. The recommendations adopted by Regional Council at its June 10, 2004 meeting regarding the provision of financial assistance are summarized below.

- The Region provide a temporary loan in the amount of \$200,000 to the Township of King
- Regional staff work with Township staff to determine if other sources of funding are available from the Provincial and Federal Governments
- If other sources of funding are not available, the funds would be in the form of a contribution, and not a loan, and report back to the September 23 Council meeting
- Any contribution of the funds by the Region be conditional on the Township taking all reasonable efforts to obtain the withdrawal of any related law suits against the Region
- Staff provide a report recommending a policy on how the Region could be involved in the future distribution of funds for water supply works required by the Region

The following provides an update of proceedings subsequent to the June 10 Council meeting.

4. ANALYSIS AND OPTIONS

4.1 Provincial and Federal Funding

Regional and Township of King staff have been working together in an effort to identify and secure any funding from the Provincial or Federal governments for the Ansnorveldt water works. Communications received from both levels of governments have indicated that there are currently no grant programs available for this project. Confirmation of this from the Township of King is attached to this report (Attachment 1). The only remaining opportunity for grant funding is under the recently announced Canada-Ontario Municipal Rural Infrastructure Fund. However, the Ministry of Public Infrastructure Renewal has not yet established eligibility criteria or an application process, which may preclude these water system works from being eligible for funding, as the works have commenced and may be completed prior the commencement of the grant program. The Township of King has written to the Ministry of Public Infrastructure Renewal requesting that any eligibility criteria include commenced projects. It is recommended that if the Township is unsuccessful in receiving funding under the Canada-Ontario Municipal Rural Infrastructure Fund for the Ansnorveldt water works, the temporary loan to be provided be considered a contribution, and not a loan.

4.2 Regional Funding of Residential Water Systems

Improvements made to the Regional water system are funded through the Regional water rate. The water system has been under Regional jurisdiction and has been constructed and maintained to Regional standards. The Ansnorveldt water system was constructed and operated by the residents and services approximately 54 properties. The Ministry of the Environment ordered the Region to assume responsibility for the failing private system, and repair the deficiencies. The Region had directed that the costs incurred be recovered from the residents who operated the system. As the costs to be borne by the homeowner would be difficult to manage, the residents through the Township requested some financial assistance from the Region. In recognition that smaller communities may require assistance in funding improvements to older water systems, Regional staff has been requested to develop a policy to assist municipalities and residents in funding any future improvements to small residential systems assumed by the Region.

Through discussion with Regional staff, the following proposed criteria have been developed to assist in the funding of improvements to small residential systems assumed by the Region in the future. The funding to be provided in accordance with this report is consistent with the proposed criteria.

- The water system must service more than 5 and less than 101 permanent residential properties, and not seasonal in nature, and excludes camps or trailer parks. (generally consistent with Provincial legislation definition of a “small municipal residential system”).

- The Region must have received an order from The Ministry of the Environment to assume the operations of the private system, and repair any deficiencies.
- The area municipality must commit to funding a portion of the required works.
- A portion of the cost of the works must be borne by the residents in the community.
- Based on the above, the Region would commit to matching the area municipal contribution towards the required works, up to one-third of the total cost of the required works.
- The Regional contribution would be reduced by the amount of any funding received from senior levels of government for the remediation of the system.

The associated policy to facilitate the above is attached to this report (Attachment 2).

Although it is very difficult to accurately determine the number and size of private systems within the Region, staff believes that the Ansnorveldt system is the largest of this type within the Region. Staff is aware of two other systems in the Township of King, consisting of less than 15 homes each, that have been constructed and operated privately. Based on this knowledge, it is estimated that approximately 10 to 20 private systems similar to Ansnorveldt may exist within the Region.

4.3 Legal Proceedings

The Region was named in a lawsuit by purchasers of a home serviced by the Ansnorveldt Water Supply, alleging negligence and breach of duty of care with respect to the boil water advisory. The lawsuit has now been discontinued and no subsequent claims have been filed.

5. FINANCIAL IMPLICATIONS

The following summarizes the estimated costs associated with the water system improvements:

Township Works (est.)	\$ 521,000
Region Works	<u>\$ 414,000</u>
	\$ 935,000
Township Contribution	<u>\$ (200,000)</u>
Recovery from Homeowner s	<u>\$ 735,000</u>

The total cost to be recovered from the Ansnorveldt community totals approximately \$13,000 per household, or \$1,700 per year if financed over a 10 year period. A Regional contribution of \$200,000 towards the payment of the cost of the works represents a 25% reduction in total amount to be recovered from each household.

The temporary loan is to be provided from the Regional water reserve. Repayment of the temporary loan should be provided to the Region upon receipt of funding from the

Canada-Ontario Municipal Rural Infrastructure Fund by the Township for these works. If the Township is unsuccessful in securing senior government funding, the \$200,000 will not be required to be repaid.

6. LOCAL MUNICIPAL IMPACT

The above-noted capital works have been undertaken by the Region to remediate a deficient private system in the Township. Any assistance in financing a portion of these works could reduce the financial impact of the improvement costs on the Ansnorveldt residents.

7. CONCLUSION

Regional staff was directed to report further to Council regarding the provision of a temporary loan or a contribution to the Township of King for the funding of water supply works in the community of Ansnorveldt. It is recommended that, provided the Township is unsuccessful in securing funding from the Canada-Ontario Municipal Rural Infrastructure Fund, the temporary loan of \$200,000 to be provided by the Region not be required to be repaid by the Township. It is also recommended that the proposed criteria for providing funding to municipalities for small private residential water systems assumed by the Region be endorsed.

The Senior Management Group has reviewed this report.

(A copy of the attachments referred to in this Clause has been forwarded to each Member of Council with the September 9, 2004, Finance and Administration Committee agenda and a copy is on file in the Regional Clerk's office.)