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Jim

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AMO OBJECTS TO PROVINCIAL CHARGE FOR WATER AND SEWER ADMINISTRATION AND LABORATORY COSTS

AMO recently wrote to Premier Bob Rae, objecting to a proposal by the Ministry of the Environment to charge municipalities for administrative overhead related to Ministry-operated water and sewage plants, and for municipal use of Ministry laboratory services.

The Ministry of the Environment currently operates a number of sewage and water facilities across the province, primarily in smaller municipalities which do not have the expertise to operate the facilities themselves, but also in some larger municipalities. In return, municipalities pay the Province an amount equal to the cost of financing and operating those facilities.

MOE has recently informed municipalities that the Ministry intends to begin charging municipalities for administrative overhead related to these facilities. This will increase municipal operating costs by 5.7 per cent - an increase of approximately \$5.5 million annually across the province. The Province also intends to charge municipalities for the use of the Ministry's laboratory testing facilities, which is estimated to cost municipalities an additional \$2.5 million per year.

AMO is very concerned about this initiative, for two reasons. First, the way in which that cost is to be determined is suspect. The administrative charge supposedly recovers the Ministry's administrative overhead (i.e. human resources and audit services, purchasing, headquarters financing, etc.). Yet the cost is calculated as a percentage of the facility's operating costs, which may bear little relation to the services for which municipalities are being charged. For example, using the system the Ministry has proposed, a significant increase in hydro-electric rates will also result in a proportional increase in administrative overhead, yet no more work is required. Municipalities are also concerned that the cost of administrative overhead will be determined by the Province but paid by municipalities. In summary, if municipalities are to be charged for administrative overhead, the way in which those charges are levied requires additional study.

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Of equal concern is the financial impact this initiative will have on municipalities, and on the broader provincial-municipal relationship. While AMO does not disagree that, in principle, municipalities should pay the full cost of operating municipal water and sewage facilities, there are a number of other areas where municipalities are being similarly disadvantaged (e.g. rent and other non-subsidized welfare administration costs, non-subsidized costs related to child care, homes for the aged, etc., court security) which the Province is unwilling to address. For example, in 1988, non-subsidized administrative costs were in excess of \$22 million for general welfare assistance alone, and approximately \$40 million for all joint provincial-municipal social and health services. And yet, despite numerous requests by the municipal sector, the Province has refused to deal with these concerns.

How should these issues be handled? AMO and the Province have established the disentanglement process to deal with issues surrounding the appropriate policy, delivery and financing roles of the two levels of government. If disentanglement is to succeed, it is imperative that the Province use that process to deal with these types of issues, and not pass along costs in areas such as sewer and water administration outside of the process simply to generate additional Provincial revenue.

AMO has therefore demanded that the Provincial Government not implement any revenue generating measures which adversely affect municipalities outside of the broader discussion of appropriate roles and financial responsibilities taking place as part of the disentanglement process. The Association will also continue to pressure the Ministry of the Environment to review the proposed method for calculating any such charges.

For more information on this issue, please contact Doug Raven, Director of Policy, at the AMO Offices.