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April 18, 2002

To: Workshop Participants and Other Interested Stakeholders

**Re: Water and Wastewater Utility Study, March 5, 2002
Environmental Groups Workshop**

Thank you for your participation and comments on the information presented at the March 5th Water and Wastewater Utility Study Workshop.

Please find enclosed the meeting notes from that workshop. Included, as an attachment, is an Action Item Report to address the concerns raised at the workshop. Also included are the revised evaluation criteria. We ask that any comments on these criteria, including a ranking of the criteria, be submitted by April 30, 2002. Comments may be submitted by email to utility.study@city.toronto.on.ca or by fax to 416-392-2974.

We have recently meet with Industrial Water Users and held four open houses at Civic Centres across the city. Information relating to these events, as well as the enclosed meeting notes, are posted on our website at www.city.toronto.on.ca/involved/utilitystudy.

In late May, we will be holding a public meeting to present the draft recommendations, to hear comments and address questions on the Water and Wastewater Utility Study. Meeting particulars will be mailed to you in the coming weeks. The final report will be presented to a joint meeting of Policy and Finance and Works Committees on June 11, 2002.

Sincerely,



Debra S. Lary
Senior Corporate Management & Policy Consultant

**Water and Wastewater Utility Study
Environmental Groups Workshop
March 5, 2002
Metro Hall, Room 302
9:00 a.m. – 11:30 a.m.**

Draft Meeting Notes

Attendance

Jason Thorne	River Sides
Sean Meagher	TEA
Elizabeth Brubaker	Environmental Probe
Shelley Petrie	TEA
Brent Patterson	Council of Canadians
Jennifer Ghadiali	Ontario Dental Association
John Cartwright	Water Watch
Teresa Bellefontaine	STLC Forum
Margaret Casey	Don Council, STORM
Tom Brown	Friends of the Don East
Michele Doncaster	Smart Growth
Suzanne Barrett	Waterfront Trust
Sarah Miller	CELA
Christine Elwell	CIELAP
Karen Buck	Citizens for a Safe Environment
Karey Shinn	Safe Sewage Committee
Kevin Mercer	River Sides
Nick DeCarlo	CAW

Staff

Debra Lary	Chief Administrator's Office
Mike Price	General Manager, Water & Wastewater Services
Jason Farthing	Mayor's Office
Tracey Ehl	Public Consultation & Community Outreach
Ann Marie Weselan	Public Consultation & Community Outreach
Nancy Martins	Public Consultation & Community Outreach

Background

At the November 2001 Council meeting the Chief Administrative Officer was directed to study public-sector governance models for water and wastewater, detailing implementation plans for the recommended option. The results of the study will be reported back in June 2002.

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Background

At the November 2001 Council meeting the Chief Administrative Officer was directed to study public-sector governance models for water and wastewater, detailing implementation plans for the recommended option. The results of the study will be reported back in June 2002.

As part of this study, stakeholder consultations are being carried out with various groups including Environmental Groups, Industrial Users, Unions, Water and Wastewater Staff, Councillors and the General Public.

The purpose of this workshop was to inform Environmental Groups about the study, discuss concerns and obtain feedback on the evaluation criteria.

Introduction

Debra Lary, Corporate Management and Policy Consultant, working in the CAO's Strategic & Corporate Policy Division opened the meeting at 9:20 a.m.

Participants were welcomed to the workshop and introductions were made.

Debra Lary presented background information on Water & Wastewater Services and on the status of Water & Wastewater Utility Study.

A summary of the questions asked during the presentation and staff's answers follows:

Questions/Comments	Answers
What debt is Water & Wastewater (W&WW) carrying?	At amalgamation the debt was \$700 million. Prior to amalgamation debt was incurred to build infrastructure, carry out repairs and upgrade Treatment Plants. By 2005 W&WW should be debt free as Council has a "no new debt" policy for W&WW. New projects are funded through water rates and reserves.
What are the current reserves?	The city is consolidating the 6 or 8 reserve funds that add up to approximately \$115-120 million.
Is increased funding for 2002 coming from reserves?	Funds raised through the water rates are put in and pulled out of reserves each year. Any leftovers in reserves are carried over to the following year.
What else does the water rate cover?	The water rate covers all operating expenses for W&WW, including salaries, materials and supplies, and services. W&WW is charged back for services provided by other divisions and departments (Technical Services, Legal, Finance and others). The rate does not fund city departments that do not provide services to W&WW. The city is working to determine the fairness of the level of charge backs.
Is every department paying W&WW	Almost. Parks & Recreation is the only

for their water and services?	one that is not paying. They have not paid for three years and their charges are about 2 million per year.
Can W&WW live without this money (from Parks & Recreation)?	<p>There is a desperate need to re-invest in infrastructure over the next 10 –20 years. Council agreed to increase the water rate by 9% in 2002. If all departments were paying, water rates wouldn't need to go up as much or the money could be re-invested into the infrastructure.</p> <p>A large part of the analysis in this study will be to figure out the current links between W&WW and the rest of the city, and to analyze the costs before we can figure out what to do.</p>
Is there a breakdown of the reserve funds that each city came in with at amalgamation?	Most municipalities had some reserves and some debt. Some had nothing in their reserves or less than a year's capital budget. Metro had the biggest debt, but also the biggest reserve.
What is the rate paid on the debt? Where do we borrow from?	The rate depends on when it was issued. We borrow from the capital markets.
How do payments in lieu work?	Because W&WW is part of the city, it is exempt from paying property taxes on its facilities (treatment plants, reservoirs, etc.) instead, it transfers an equivalent amount each year to the city as "payments in lieu" of property tax. W&WW pays property tax for its facilities located in York Region.
How do costs compare to revenues (in York Region)?	The facilities located in York Region service the City of Toronto. Property taxes paid there are unrelated to revenues earned from the sale of bulk water to that Region. By coincidence they are about equal.
What is the price tag associated with replacing the different parts of the system?	W&WW works with Transportation to replace services when road work is being done. \$11 million for 2002 is dictated by transportation projects. We currently spend \$45 million on pipe replacement. It will take over 100years to replace all the infrastructure.
Why do fibre optic companies have the right to dig up roads at any time?	They are a utility and therefore have the right to be in the road allowance. The

	<p>municipality can control when and how they go in, but not if they go in.</p>
<p>How much will it cost to repair the system?</p>	<p>In the billions of dollars over the next 10-20 years – \$2 billion considering the condition of the infrastructure. The Wet Weather Flow Management Master Plan will cost approximately \$2 billion to implement.</p> <p>By 2004 we will have reduced our annual operating costs by \$50 million as a result of major restructuring programs (Works Best Practices Program and District Service Improvement Program), which will be put back into infrastructure. Also, the 9% water rate increase for 2002 raises revenues by \$38 million each year and the City is looking for additional increases in future years.</p>
<p>Will there be impacts on WWF MMP, Biosolids and Water Efficiency Plans?</p>	<p>There may be some implications as a result of the study, but approved programs would continue.</p>
<p>Will the governance assessment include sensitivity to environmental concerns?</p>	<p>Yes, this is one criterion.</p>
<p>What would developing larger catchments areas do?</p>	<p>Catchment management is used in Europe, where there is a shortage of water. Authorities dictate the use of land, control who takes water out and who puts water in. This would go further than the Conservation Authority's definition of watershed.</p> <p>Action – Mike Price will provide a list of websites with information on catchment management</p>
<p>Is there a provision in Bill 155 that places a cap on taxes and/or water rates?</p>	<p>Bill 155, if and when it is adopted by the legislature, would require all water and wastewater services to report to the Province on the full cost of providing these services and on the plan to recover those costs. The Bill's regulations may specify the maximum amount a W&WW service could increase its charges over a given period of time.</p>

<p>Please inform us when the 8 SuperBuild reports are ready.</p>	<p>Action – we will provide information on the status of these reports on our website www.city.toronto.on.ca/involved/utilitystudy.</p>
<p>To what extent do the terms of SuperBuild drive the decision-making process of the utility study?</p>	<p>None. Some of the research they have commissioned may be of use to us.</p>
<p>Does the “status quo” incorporate the new structure required to implement WWF MMP?</p>	<p>Ability to implement ongoing programs is a requirement of all options.</p>
<p>What is the role of the Water Advocate (Councillor Irene Jones)?</p> <p>Provide Terms of Reference for Water Advocate that were approved by Council.</p>	<p>The city needed someone to speak on behalf of water issues. The role of the advocate is to champion water activities, go to water events when the Chair of Works can't be there and is the front runner in promoting W&WW projects.</p> <p>Action- Terms of Reference for Water Advocate to be attached to these notes.</p>
<p>Water Advocate did not receive reports/information on the study before it went public. Will reports be shared with Councillor Jones prior to going public, as is the standard with other Advocates?</p>	<p>In November Councillor Jones' position was less formal. In the future she will be seeing water related reports.</p> <p>Staff will meet with Councillor Jones on March 6 to brief her on the study and the consultations that are underway.</p>
<p>Would the Municipal Services Board model use in-house services?</p>	<p>Council could determine if MSB would use in-house services or could go outside.</p>
<p>Are there any studies on the effectiveness of municipal boards?</p> <p>What is the cost to set up?</p>	<p>There are regular reviews by the Strategic and Corporate Policy Division of board structures, and their relationship to the city.</p> <p>Can't say for all agencies. Cost needs to be looked at on a case-by-case basis. If you pull out of an interrelationship, are you paying more for services? We don't know at this time. We will be looking at cost structure for each option.</p>
<p>There may be personnel issues, for instance, pay structure and severance in relation to the options</p>	<p>These issues are being evaluated under the cost and price structure criteria, and through an evaluation of the costs of implementation of each option.</p>
<p>There seems to be is a tightening of the relationship between the city and</p>	<p>Strategic and Corporate Policy Division is currently reviewing the relationships of its</p>

its ABC's. Where does the issue stand on having citizens sitting on Boards?	ABC's with the city. Also reviewing how citizen nominations take place.
In the city-owned utility corporation option, what does "stronger business orientation mean"?	It is away from the political process, meetings don't have to be public and it is not bound by the Municipal Freedom of Information and Protection of Privacy Act. Board of Directors does what is best for W&WW.
How are decisions made in this model?	Closed Board of Directors meetings, although the Board could be directed by the city to hold some or all of its meetings in public.
Has industry consultation happened?	Last week there was a meeting with suppliers and consultants. Staff took the opportunity to introduce the W&WW Utility Study. In late March we will meet with major industrial users. There are also ongoing discussions with Ministries, Crown Corporations, unions and city departments.
Will you be reporting back? Are there feedback mechanisms?	Yes, information including meeting notes will be posted on our website and the comment sheet and fact sheet provide information on how you can give your input. The cut off date for submissions on the evaluation criteria is March 19 th , 2002.
The evaluation criteria listed are not criteria. A criterion states a value.	
Will there be a report from Works stating their recommendation?	There will be one report from the CAO going to a joint meeting of Policy and Finance and Works Committees.
Is there a problem statement and objectives? Council needs goals.	The report which recommended this study (approved by Council, November 6, 7 and 8, 2001) outlined the key issues for W&WW.
Can we assume that before the report goes to Policy and Finance and Works Committees it will be signed off by the Commissioner of Works?	CAO and Commissioner of Works are working together on this study.
We want to know what the wants and needs are of those that work in the field.	Staff will be receiving information on the study and have opportunity to provide input.
Concerned that if there is only one report going to a joint committee, no	The report will cover a wide range of issues, as per the evaluation criteria,

one will know what the issues were-governance or water quality issues. And if the recommendation matches the needs of W&WW.	including water quality. The CAO and the Commissioner of Works will both be on hand at the Joint Committee Meeting.
Need a position paper from W&WW/Works. What are the priorities? What is the current position? Need something to respond to. There is no proposal.	
What are W&WW's issues?	W&WW wants to ensure the long term sustainability of its systems. It wants clarity regarding money coming in from water rates and what is spent on W&WW activities. There is a need for clear accountability.
We need all the issues written down in order to make/chose a good system and fix the problems. What is broken from the perspective of the Works department? To assess effectiveness of the different options at addressing those concerns we first need to know what the concerns are.	Will need to speak to Commissioner of Works and Emergency Services and CAO on these matters. We can not provide an answer at this time. Action – Staff to circulate response to these requests.
Do we need a motion for a position paper from W&WW and Works? It should be reasonable to request this without needing a motion.	
Will we be consulted again after the position of the Works Department is known and something more concrete is on the table? We are requesting a second set of consultations that allow the public to review the report prior to going to committee.	Can't say for sure. Action –Staff to provide a response.
Need to make contracting out clearer in relation to each option.	Evaluation will include this. The majority of capital project work is contracted out.
Out of 1600 employees in W&WW, how many are employed in operations?	All except for Infrastructure Asset Management, Water Pollution Control Operational Support and Water Supply Operational Support (approximately 23 staff not directly involved in operations).

Feedback on Evaluation Criteria

In the interest of time, it was agreed that the entire group would remain together rather than breakout into smaller groups for discussion on the evaluation criteria. Staff informed that further comments on the evaluation criteria could be submitted by email, mail, fax or phone (contact information was provided on fact sheets, comment sheet and presentation). Draft evaluation criteria is attached.

Input on the criteria follows:

1. Accountability and Public Transparency

Democratic Control

- British Columbia has a good model: ½ are citizens and ½ are elected officials

Public Transparency

- Model should be under Municipal Freedom of Information and Protection of Privacy Act
- Freedom of Information in non-negotiable.

Accountability

- need to address the inter-relationships between the “new” body and other city groups . Who has policy paramouncy? Where does authority lie? Who can dictate terms to whom?

2. Quality Assurance and Environmental Responsibility

- Concern that governance and quality assurance are separate issues and need criteria under each.
- Liability (disease outbreaks, sewage back-ups, spills)

Safety

- Include access to expertise, skill level of labour

3. Capacity for Innovation and Flexibility

- How will innovation be tested? Where do you want to be innovative?
- A lot of innovation come from the public sector

Decision-making

- Need interdepartmental cooperation to manage land and protect water.
- Awareness of environmental implication, new kind of decision-making.
- Holistic approach to decision-making, coordination.
- Need to be able to cross borders so departments aren't working at odds.

4. Cost and Price Structure

- Need to include efficiency of operations and capital.
- How it can be optimized and which model increases efficiency?
- Life cycle costing
- What is the cost of mechanics for change?

- Missing: affordability, impact on rates, perceived risk to health, insurance costs, corporate costs

- Will each option come with a price tag? (response: cost analysis will look at the differentials)

- Need to look at social costs and avoided costs.

Missing in criteria

- Workplace issues

- Broader public policy interests need to be incorporated into what happens – fleet management, uniforms, fair wages. How are planning and ecological concepts cross-applied (in other city departments)?

- For all models:
 - Competency of legal department in dealing with W&WW issues – needs best of best
 - Mandate that department have the necessary intelligence – concern with city staff, hire staff with management and administration skills, not just engineers. Need broader skills in staff, ie: ecological and advocacy.

Legal/Trade Implications

- International trade and foreign investment consequences – who will do the legal work? Is there the competence in-house?
- Will there be a cost-benefit analysis of the likely investor claims for compensation.
- Likelihood of investor claims is high. Is this liability being factored in?
- Need to look at 144 countries under GATS if this is opened up, not just NAFTA
- If Toronto opens up to foreign service investors, what implications does this have for other cities?
- Will legal opinion be available for peer and public review prior to going to council?

Context

- list of areas where we don't have control – legislation. City sets higher bar. Assess risk, outside factors, provincial legislation.
- Changing nature of City's ABC's must be factored in
- Currently have problems with program timelines and implementation

Overall

- How do you judge the relative advantage of one model over the other? Is it a meaningful advantage – administrative, cost recovery, structural (to meet bill 155)? Is there a threshold to identify?
- For each criterion evaluate if the option improves, keeps the same or makes worse
- Include evaluation matrix on the options based on criteria.
- Need to consider the weight of each criterion.
- Need to see costs associated with all of the items within the context of this study criteria and questions listed – it is difficult. Cost is part of everything. Need to define what you want first.

Questions

- Terms of Reference for W&WW – what is the scope of the work? Work plan objectives? What responsibilities would the entity undertake – operational? Policy development? Reactionary?
- What is the goal? Is the only goal cost? What is the problem? In staff's experience and public's? Do we need to improve quality and accountability? Who initiated this study? What are the objectives for W&WW?
- Why is organizational change necessary to achieve goals?
- Will this group reconvene after receiving the information requested and prior to going back to council? (Response: We will get back to you.)

Action: City to send out updated evaluation criteria taking into consideration the input received.

Action: City to provide this group with the opportunity to rank the relative importance of each criteria once a revised document is circulated.

Attachments

Attachment 1 - Action Item Report

Attachment 2 - Terms of Reference for Water Advocate

Attachment 3 – Revised Evaluation Criteria



**Action Item Report
Water and Wastewater Utility Study
Environmental Groups Workshop
March 5, 2002**

Action Item	Response/Follow-up
Provide a list of websites with information on catchment management.	Mike Price arranged for follow-up phone calls to those requesting further information on catchment management. Catchment management websites: http://www.catchment.com/ http://www.cfb.ie/CM/cm.htm http://www.shannon-fishery-board.ie/catchment/catchment-management.htm http://www.environment.sa.gov.au/epa/water.html http://www.hrwallingford.co.uk/consultancy/catchment management.asp http://www.ec.gc.ca/water/e_main.html
Staff will provide information on the status of the SuperBuild reports on our website and/or by mail.	A link has been made from the Water and Wastewater Utility Study website (www.city.toronto.on.ca/involved/utilitystudy) to the SuperBuild site.
Attach the Terms of Reference for the City of Toronto Water Advocate to these meeting notes.	Terms of Reference for the Water Advocate are attached.
Staff will circulate a response as to whether the following requests are feasible: <ul style="list-style-type: none"> • A position paper from W&WW outlining the problems, priorities and current position. • Need all issues written down in order to make/chose a good system and fix the problems. • What is broken from the perspective of the Works department? To 	Issues were outlined in the November Council report (www.city.toronto.on.ca/involved/utilitystudy .) Work is underway on a comprehensive Situation Analysis as part of the study, and will form part of the report.

<p>assess effectiveness of the different options at addressing those concerns we first need to know what the concerns are.</p>	
<p>Staff will respond to participants' request to be consulted again after the position of the Works Department is known and something more concrete is on the table? Participants requested a second set of consultations that allow the public to review the report prior to going to committee.</p>	<p>A Public Meeting will be held in late May to present and discuss the study outcomes and draft recommendations.</p>
<p>Staff will send out updated evaluation criteria</p>	<p>A revised version of the evaluation criteria is attached.</p>
<p>Staff will provide this group with the opportunity to rank the relative importance of each criterion once a revised document is circulated.</p>	<p>Please send any other comments you may have on the criteria to utilitystudy@city.toronto.on.ca or by fax to 416-392-2974.</p>

Appointment of Water Advocate - Terms of Reference

Moved by: Councillor Disero

Seconded by: Councillor Jones

"WHEREAS the Works Committee, at its meeting of January 22, 2002 recommended to City Council the adoption of the following Resolution:

'Whereas the Works Committee has recognized the importance of a Water Advocate since the beginning of this term of Council; and

Whereas City Council continues to believe in the importance of a Water Advocate for the City of Toronto;

Therefore Be It Resolved That Councillor Irene Jones be officially recognized as the City's Water Advocate;

And Be It Further Resolved That Councillor Jones and the Commissioner of Works and Emergency Services be requested to develop the appropriate Terms of Reference for the position and consider the development of an advisory structure.' [Works Committee Report No. 2, Clause No. 27];

NOW THEREFORE BE IT RESOLVED THAT Councillor Irene Jones be officially recognized as the City's Water Advocate and therefore, as the key representative from Council on water and wastewater related issues, the Water Advocate will assume the following responsibilities, herein defined as the Terms of Reference for the position:

- (1) where there is an interest in water issues, act as the chief political liaison to:
 - (a) government and non-government organizations and agencies (municipal, regional, provincial and federal);
 - (b) Boards and Commissions;
 - (c) Associations and Committees; and
 - (d) visiting dignitaries;
- (2) act as the lead representative from Council on water and wastewater long-range planning initiatives;
- (3) promote water and wastewater public education materials and/or programs to raise public awareness on:
 - (a) water conservation needs and measures;
 - (b) stormwater pollution;
 - (c) waterfront and watercourse water quality; and

- (d) the renewal needs of the City's aging pipe infrastructure;
- (4) act as the official representative of Council at the following:
 - (a) water-related conferences and seminars;
 - (b) ribbon-cutting ceremonies and/or dedications;
 - (c) major staff events; and
 - (d) media events requiring a political spokesperson;
- (5) ensure Council's understanding of water regulations and provincial requirements for water quality and actively lobby the Province for funding for water quality improvements;
- (6) develop a political network and obtain regional support for initiatives such as the Wet Weather Flow Management Master Plan (WWFMMP); and
- (7) champion water/wastewater improvement initiatives."

Disposition: *The Motion was adopted, subject to adding thereto the following new Operative Paragraph:*

"AND BE IT FURTHER RESOLVED THAT the Water Advocate also work with:

- (a) the National Water Policy Options Team of the Federation of Canadian Municipalities; and***
- (b) the International Council for Local Environmental Initiatives (ICLEI)."***

WHAT ARE WE LOOKING FOR?	
Accountability and Public Transparency	
Accountability	Who shall be accountable for health, safety and fiscal responsibility? Who shall be liable?
Democratic control	Is Council the governing body? A Board appointed by Council? Including Councillors? With what other representation?
Access to information	Are meetings of the governing body held in public? Are records published? Does the Municipal Freedom of Information and Public Privacy Act apply?
Opportunity for public involvement	What opportunities exist the public to influence decisions?
Responsiveness to the community	How well can the organization respond to community-driven initiatives?
Quality Assurance and Environmental Responsibility	
High Quality Drinking Water	How is safety assured: What are the motivations? What are the safeguards? Who monitors and how? What rectifying action gets taken? By whom and in what timeframe?
Secure and Ample Supply	How is supply volume assured: What are the motivations? What are the safeguards? Who monitors and how? What rectifying action gets taken? By whom and in what timeframe?
Environmental responsibility	How are environmental and conservation considerations assured: What are the motivations? What are the safeguards? Who monitors and how? What rectifying action gets taken? By whom and in what timeframe?
Energy efficiency	How are energy efficiency and green energy concerns assured? What are the motivations?
Effective and Efficient Operations	
Effective management	Who makes policy, operational and financial decisions? How are they made?
Motivated workforce	How are workplace issues addressed?
Efficient operations	What is the cost structure? Is the current system of internally-provided services and chargebacks continued? What are the tax implications?
Affordable but appropriate water rates	What are the implications of the requirement for full cost pricing and recovery (Bill 155)?
Customer focus	How will the customer service function be fulfilled?
Capacity for adequate, long-term investment in infrastructure	What financing opportunities are available? What is the cost of capital and how will it affect the cost of long-term financing?
Capacity for Innovation and Flexibility	
Receptivity and responsiveness	How receptive is the service to innovation and new technology? How responsive is the decision-making process to new opportunities? How quickly can decisions be made?
Business flexibility	Can the service easily partner with the private sector? With community groups?