

Water & Wastewater Municipal Services Corporations

Ontario Small Urban Municipalities

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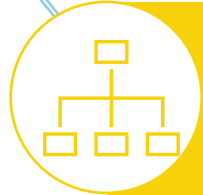


Context

- Ontario municipalities are planning for over \$250 billion in capital expenditures over the next 10 years to support historic growth while replacing and renewing aging assets.
- At the same time, provincial and federal government attitudes towards traditional funding tools like Development Charges are shifting.
- Small and medium-sized municipalities face particular challenges when it comes to funding infrastructure to support growth, including:
 - Challenges in accessing federal and provincial government grants/programs
 - Less access to and comfort with debt-financing
 - Overall sustainability issues in the context of smaller tax and user bases
 - Workforce challenges in attracting and retaining the right expertise
- Municipal Services Corporations can provide significant benefits, particularly for communities who want to increase borrowing capacity or work across municipal boundaries and realize financing and operating benefits from economies of scale.
- But Municipal Services Corporations are not a silver bullet – they come with significant risks and trade-offs and don't make sense in all contexts.
- As municipalities and the province explore ways to fund growth, it will be critical to work in partnership to make the best long-term decisions for residents, communities and the economy.

Water & Wastewater Delivery in Ontario

Accounts for close to 40% of municipal infrastructure.



Regions

Regional municipalities take on the responsibility of planning for infrastructure including water and wastewater.

Many have economies of scale to help support delivery across lower-tier municipalities and enable cross-subsidization to support affordability and sustainability of infrastructure.

Over 1,100 water and wastewater systems in Ontario.



Single Tier, Counties & Lower Tiers

Mostly direct delivery by a single municipality

Diverse delivery models grounded in the importance of public ownership.



Joint Board of Management

Connected groups of municipalities governed by boards with representatives from member municipalities. Debt held by individual municipalities.

Water & wastewater MSCs are not common but have been used in some small to medium-sized municipalities, including:

- Frontenac County
- Oro-Medonte
- Innisfil
- Union Water – Leamington, Kingsville, Essex and Lakeshore

Municipal Services Corporations Benefits & Risks

A water & wastewater MSC could help smaller municipalities, but the trade-offs need to be weighed:

	Benefits	Strategic Risks
Governance	<ul style="list-style-type: none"> • Governance dedicated to delivery • “Professionalize” boards • Municipal shareholder control (public) 	<ul style="list-style-type: none"> • Potential for misalignment • Council still accountable - takes trust building and time • Building & sustaining buy-in among groups of municipalities
Funding & Finance	<ul style="list-style-type: none"> • Relieve Annual Repayment Limits (ARL)* • Still have access to mix of funding 	<ul style="list-style-type: none"> • Does not necessarily reduce funding pressures • ARL trade-off – may not be able to borrow as much • Access to debt (less favourable terms, guaranteeing) • “Equity” – complexity of transferring debt / dividends
Planning & Delivery	<ul style="list-style-type: none"> • Pooled risk & expertise • Long term (improve efficiency) • Different models to experiment 	<ul style="list-style-type: none"> • Long-term – time to establish & reach maturity • Complexity & coordinated planning • Roles

Water & wastewater MSC is only one alternative – other alternatives to address problems may exist, for example seeking higher ARLs to support financing needs or joint municipal services boards or agreements for delivery partnering.

An MSC offers a framework that does not require provincial change and could have some advantages over joint municipal service boards such as the ability for the financial management (assets and liabilities) to be removed from municipalities.

*The maximum amount that a municipality can pay in principal and interest payments in the year for new long-term debt (and in annual payments for other financial commitments) without first obtaining approval from the Ontario Municipal Board. The limit is 25% of own-source revenues (property taxes, user fees, investment income)

Next Steps

1. Local Authority Service (LAS) – water utility feasibility study by end-of-the-year
2. AMO Policy - potential resources for municipalities later in the year (e.g., MSC risk & benefit tables, mini case studies, etc.)

Interested to hear from you! To share perspectives, contact:

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