



Meeting Date: February 6, 2025

Prepared By: Michael Di Lullo, CAO

Submitted by:

Report No: CAO-6-2025

Subject: LAS Review of Governance of Water and Wastewater in Small Communities

Recommendation:

THAT Report CAO-6-2025, re: LAS Review of Governance of Water and Wastewater in Small Communities be received for information.

Purpose:

The purpose of this report is to inform Council about a feasibility study being conducted by LAS – AMO Business Services on the potential for offering a municipal utility model for water and wastewater services in Ontario.

Background:

The Local Authority Services (LAS) is the business service arm of the Association of Municipalities of Ontario (AMO), focused on developing innovative solutions to help municipalities improve efficiency.

This request was driven by ongoing challenges faced by municipalities in managing water and wastewater services, particularly in smaller communities. In response to growing challenges, the LAS Board was asked to study the feasibility of offering a municipal utility model for water and wastewater in Ontario. An expert panel has been assembled and conducted the feasibility study – see Appendix.

The expert panel concluded that offering a joint municipal services corporation (MSC) model was worth further exploration. The panel said the MSC model had the potential to offer greater flexible capital financing options than municipal governments, while ensuring quality services and public ownership.

The LAS Board unanimously accepted all the panel's report recommendations. LAS staff are now creating a municipal staff working group to build a business case for a utility model that will leverage the opportunity for Ontario's municipalities while managing risk and complexity. To ensure full transparency, municipal staff will need their Council to endorse their participation.

Analysis:

After reviewing the LAS findings, municipal staff do not believe that Middlesex Centre would benefit from adopting a municipal services corporation for the operation of its water and wastewater systems. Middlesex Centre has developed a sustainable and effective model for managing these services independently.

Joint Municipal Services Corporation

In Ontario, such a utility could be either a joint municipal services corporation (JMSC) or joint municipal service board (JMSB). The table in Appendix IV of the Report provides a detailed comparison of the two options.

While both are separate legal entities from the municipality or municipalities that set them up, there are key differences:

- a joint municipal services corporation is able to borrow and own assets transferred to it by member municipalities
- a joint municipal service board generally relies on one or more of its member municipalities to borrow on its behalf, and its member municipalities frequently continue to own their assets

Given that Middlesex Centre already owns and operates its water and wastewater assets, a Joint Municipal Services Corporation model would not align with the municipality's current approach to asset management.

Rationale for maintaining an independent system

Middlesex Centre has positioned itself for long-term sustainability through sound financial planning and asset management. Our water and wastewater systems are operated in compliance with all regulatory requirements, and the recent annual reports demonstrate the effectiveness of our oversight and management.

There is no specific information on the smaller communities requesting this governance study, but Middlesex Centre is not considered one of these smaller communities. As a growing municipality, Middlesex Centre has positioned itself to remain sustainable through proper asset management and servicing plans that will ensure that the water and wastewater systems remain sustainable and reliable for the long-term.

Each year, council receives updates – as the owners of the system – and just recently received the annual reports in December showcasing that the water and wastewater systems in Middlesex Centre are operated with all regulatory requirements being fulfilled which shows the professionalism and oversight that we have in place.

The main impetus for this feasibility study is the financial cost to maintain and operate a water and wastewater system. Many small communities do not have the financial resources to operate a water and wastewater system however Middlesex Centre does not have this issue. Many municipalities do not have user rates set for full cost recovery, particularly when asset renewal is considered. Middlesex Centre's approach has been full cost recovery including planning for asset management and renewal as identified in our Asset Management Plan and Long Range Financial Plans.

Next Steps

A key next step for LAS is reaching out to municipalities across Ontario to involve them in shaping a utility model that would truly help to address their concerns. These communities are being asked to come forward by passing a council resolution expressing interest in support of exploring a MSC governance model.

Staff will continue to monitor the progress of LAS's efforts to shape the utility model and will report back to Council should further developments arise. At this time, no action is required from Council.

Financial Implications:

N/A

Strategic Plan:

This matter aligns with following strategic priorities:

- Sustainable Infrastructure and Services

Providing safe and reliable drinking water is one of the key services that Middlesex Centre provides to residents. We are providing this service through professional oversight and management and sound financial planning.

Attachments:

Attachment – Panel Report on Feasibility of a Water and Wastewater Utility Model to be offered by LAS