

Ontario Sewer and Watermain Construction Association



**OSWCA Response to the Ministry of Infrastructure's *Proposed
Municipal Asset Management Planning Regulation***

July 24, 2017



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Submitted via email to: Joshua.McCann@ontario.ca

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Re: OSWCA Response to the Ministry of Infrastructure's Proposed Municipal Asset Management Planning Regulation

On behalf of our members, the Ontario Sewer and Watermain Construction Association (OSWCA) would like to provide the following comments and recommendations through the Ministry of Infrastructure's (MOI) consultations around its *Proposed Municipal Asset Management Planning Regulation*.

General Comment

The OSWCA welcomes the MOI's proposal to move forward with greater regulation and standardization of the municipal asset management planning (AMP) process. The current approach is disjointed and in need of greater provincial direction and oversight to promote greater administrative, cost, and logistical efficiencies, as well as to provide more predictable data on the condition and investment needs of the different infrastructure asset classes at the municipal level. As it is a goal of the MOI to move away from responsive, "want-based" investment in infrastructure and towards evidence-driven, "needs-based" approach to investment, this proposal is a critical step forward towards achieving these goals.

Two-tiered Phase-in

We believe that a phased implementation plan is important to allow municipalities to slowly build towards the new regulatory requirements. We commend the MOI for including a three-phase process; however, we respectfully suggest that an additional layer of phase-in should be considered for small communities with populations under 10,000 (according to the 2016 Canada Census).

For communities that fit under this population threshold, the MOI should consider extending each of the Phase I, II, and III implementation dates back by an additional two years. This would provide these small communities with additional time to accumulate the necessary funding and human resources needed to meet the new requirements,



and would give them more time to move towards a regionalized model for asset management (discussed in more detail below in *Promote Regionalization Option for Small Communities*), if that is determined to be a more workable solution. This two-tiered approach would also allow the small municipalities to learn from the experience of the “tier-one” municipalities (larger than 10,000) and identify efficiencies in the process that may be utilized to keep costs controlled.

Ultimately, it would see the full implementation of this proposed AMP regime across the province by January 1, 2024.

Maintain the “Financial Strategy” and “Addressing Shortfalls” Sections

We believe that the “Financial Strategy” and “Addressing Shortfalls” sections are the most critical components of this regulatory proposal. For years, there has been debate over the different methodologies used to determine the extent of the infrastructure debt and deficit in the province. There has also been intense debate over the assets that the province and municipalities should be prioritizing for investment. These arguments should largely subside as a result of requiring municipalities to complete this financial reporting component in their AMPs. This is important because it will allow the province to collect relatively standardized and reliable data on what assets are in the most need of investment and in which areas of the province.

This is particularly important for rural and remote communities who are often competing against the larger, “squeakier wheels” for the limited provincial infrastructure dollars that are dedicated to municipalities. This component will, instead, allow the province to understand at a glance the depth of need, particularly when coupled with the level of service and lifecycle components of the plan that will help to identify service levels. While the initial move to substantiate the remaining life-cycle costs for all municipal assets will be challenging, over the longer-term it will become a standard reporting practice. After the baseline is set, the process will become much easier to measure and maintain. These are essential components in AMPs moving forward.

Promote Regionalization Option for Small Communities

A very common concern that we have heard in discussing the need for a standardized AMP process across the province, is with the capacity (both human and financial) of small municipalities with populations under 10,000 people to properly meet any additional regulatory requirements. A great many of these small municipalities are facing increasing financial pressures due to deteriorating infrastructure, shrinking user bases, and escalating costs. With more than 80% of the province’s municipalities falling under this population threshold, there needs to be options to help these small municipalities meet new reporting and management requirements. Establishing a model



and mentoring program to encourage these municipalities to move towards a regionalized asset management planning program is one such option that can significantly improve the economies of scale and better assist these municipalities in meeting new requirements.

Regionalization can mean many different things, from the actual amalgamation of infrastructure management of a region, to the consolidation of asset management staff on a regional basis, to something much simpler, such as the cooperative purchasing of consulting assistance. There are numerous examples across the province of existing regionalized structures that can be duplicated, making the general concept and potential barriers for implementation already well known and worked through.

Why Regionalize?

Many research and policy papers have been published detailing the benefits of, and paths to, regionalizing the management of small municipal infrastructure.¹ It is often extolled as the answer to creating more financially sustainable system, when managing a portfolio of infrastructure assets becomes impractical for small municipalities. Larger management systems simply have greater technical, managerial, and financial capacity, and can ensure that existing and future regulations are being met without creating significant financial hardships. As an example, water and wastewater systems with larger operating capacities and serving a larger number of people are in a better position to manage their assets and achieve full cost recovery pricing to manage these assets. Larger systems can more easily self-finance necessary improvements, which will necessitate less provincial subsidization over the long-term.

It would also result in the MOI having fewer AMPs to monitor on an annual basis. With fewer plans to monitor, the province can better focus on compliance and ensuring that the regions/municipalities are properly funding and reporting on their different infrastructure asset classes.

Opportunities to Advance Regionalization

There are many misconceptions about what regionalization entails. Concerns are often raised around how smaller municipalities would “lose control” of the reporting and management of their infrastructure assets. This generally speaks to a lack of knowledge of the different approaches to regionalization that are available.

¹ National Research Council, *Safe Water From Every Tap: Improving Water Service to Small Communities* (1997); the National Council for Public-Private Partnerships, “NCP PP Position on the Water Infrastructure Report,”; the US Environmental Protection Agency, *Much Effort and Resources Needed to Help Small Drinking Water Systems Overcome Challenges* (2006 – among numerous other papers); Rural Community Assistance Partnership, “Affordability and Capability Issues of Small Water and Wastewater Systems: A Case for Regionalization of Small Systems;” among many others.



There is not a one-size-fits-all approach, but rather a menu of options that can be considered by small municipalities to create greater economies of scale in operations, management, or administration. While a full-scale amalgamation is the most ideal and cost-effective approach, there are opportunities to pool resources, administration responsibilities, and staff to improve efficiencies.

Ultimately, municipalities need assistance to help coordinate regionalization efforts. The province needs to consider employing a consultant to identify where regionalized management systems would make the most sense and then work with those identified municipalities in a mentorship role. Additionally, incentive programs or planning grants should be considered that encourage municipalities to study where economies of scale can be found in their current system. For instance, the state of Pennsylvania offers planning grants to municipalities to create comprehensive water supply plans or to conduct feasibility studies for regionalizing water systems with neighboring communities.²

There is a lot of merit in exploring the potential for re-organizing and integrating municipalities as part of this AMP process and to do it on a regional or watershed basis. We believe that it is something that the MOI should seriously consider as part of the roll-out for this regulatory package.

Dedicating Financial Support for Small Municipalities

We believe that dedicated financial assistance for small municipalities is going to be necessary as part of this new regulatory program. Given human resource constraints in most small municipalities, these new obligations will likely require some small municipalities to hire consultants to analyze and report on the state of their infrastructure assets, which many will have difficulty affording. Nevertheless, this is not a reason to shelve this plan, as the ultimate return on investment that this information will bring to the province will far outstrip the annual dedicated funding costs for this measure.

While funding has consistently been made available by province to help municipalities with these plans, more will be needed to help small municipalities properly meet the new reporting requirements. There are many different avenues that the government can consider here, including:

² The Commonwealth of Pennsylvania, *Small Water Systems Assistance Act, 1992*, P.L. 10 (5), <http://www.legis.state.pa.us/WU01/LI/LI/US/PDF/1992/0/0005..PDF>. More detail on this and similar programs can be found through the National Research Council, *Safe Water from Every Tap: Improving Water Service to Small Communities*, (Washington, D.C., National Academy Press, 2002).



- Hiving off a portion of the annual infrastructure budget specifically for Municipal Asset Management Planning assistance and for exploring options for enhancing regional ties on asset management and operation.
- Increasing funding to the Ontario Community Infrastructure Fund and/or the Ontario Municipal Partnership Fund, with the expressed purpose of funding asset management plans.
- Moving any committed but unspent portion of the annual infrastructure budget into the Trillium Trust and allow small municipalities to apply for funding assistance.

Concluding Notes

OSWCA appreciates having the opportunity to provide input into this consultation process. The *Proposed Municipal Asset Management Planning Regulation* makes an important step in the right direction for how municipalities are analyzing, funding, and reporting on the status and condition outlook for their infrastructure assets. Moving this process forward is important to informing the long-term infrastructure investments being made by the province to ensure that funding is being targeted to the assets and geographic areas that demonstrate the greatest need. It will create an environment that will allow for much more strategic and accountable investments can be made.

We appreciate the Ministry's efforts to move this regulation forward, as it is very important for the long-term health of infrastructure in municipalities across the province.

Please do not hesitate to contact Patrick McManus in our office (905-629-7766 ext. 222 or patrick.mcmanus@oswca.org) if you have any questions or need information regarding OSWCA and its membership.

Sincerely,

A handwritten signature in black ink, appearing to read "A. Bauman", written over a light blue circular stamp.

Harry Bauman
President