

Feasibility of a water and wastewater utility model to be offered by LAS

OSUM Conference

May 1, 2025



Overview



- Many municipalities are concerned about the **financial sustainability** of their water and wastewater systems
- LAS, the business services arm of AMO, established an expert panel to examine the potential for an LAS-sponsored joint municipal utility model
- The Expert Panel recommended a **joint municipal services corporation**
- The LAS Board unanimously accepted the Expert Panel's 20 recommendations
- The next step is for LAS to develop a business case
- LAS will need to work with the province as the business case is developed

Financial Challenges - Water & Wastewater Services



- Aging infrastructure
- Declining water consumption
- Leaks/system losses
- Excessive system capacity
- Climate change adaptation costs
- Development charge regime changes
- Prevalence of small non-economic systems
- Increasing regulatory compliance costs
- New asset management regulations
- Staffing availability

Between 2001 and 2022, 60% of Ontario municipalities have either a declining population (29%) or are growing at less than half the provincial average (31%)

Summary Financial Status of Water and Wastewater Systems Municipalities under 25,000 population, 2022

Revenue less expenses	\$187.1M
Financing activities excluding grants	(4.7M)
Conservatively estimated asset management needs	(220M)
Deficit	(\$37.6M)

Expert Panel recommended a Joint Municipal Services Corporation



Under section 203 of the Municipal Act



Water and wastewater infrastructure would remain **100% publicly-owned**



A water and wastewater utility **sponsored by LAS**



Any municipality could join



Participation would be **voluntary**

LAS is well positioned to offer a joint MSC



- LAS is an experienced provider of a broad range of programs for Ontario municipalities and the broader public sector.
- Extensive experience in creating and operating a joint municipal services board - ONE JIB

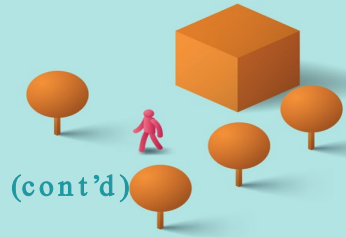
Examples of Current LAS Programs for Municipalities	
Automated Speed Enforcement	Cyber Incident Management
Risk and Claims Management System	Road and Sidewalk Assessment
Canoe Procurement Group	Electronic Permitting
Facility Lighting	Sewer and Waterline Warranty

An MSC would have significant potential benefits



- More:
 - reliable operations and better response to emergencies (a form of insurance)
 - efficient regulatory compliance
 - rational planning, including across watersheds, and better-informed capital investment decisions

An MSC would have significant potential benefits



- And,
 - Rate setting based on full cost pricing where possible (see next slide)
 - Lower costs for some inputs through better procurement and sharing of internal resources
 - Better ability to access capital markets
 - Coordinated debt and reserve management
 - Ability to have water and wastewater debt off municipal books
 - Measured assessment of innovative approaches and ability to scale solutions up/down

Elements of Full Cost Pricing for Water and Wastewater



- Operational and maintenance costs, including water quality and lab testing
- Overhead costs
- Growth-related capital costs, including costs to expand systems and long-term expansion and capacity planning
- Asset management capital costs
- Taxes and regulatory fees (including PILs)
- Financing costs
- Climate adaptation and mitigation costs
- Conservation and demand management costs

Financial feasibility is contingent



- Due to the voluntary nature of this approach financial feasibility will depend upon:
 - The mix of participating municipalities
 - The unique fiscal situation of each municipality
 - The state of their assets
 - The affordability of full cost pricing for ratepayers
 - Participating municipalities' water and wastewater-related reserves and debt
 - Availability of grants from the federal and provincial governments
 - Setup and transition costs
- Financial feasibility may improve over time

Next step is to develop a business case



- *The Municipal Act* requires a business case to establish a joint MSC
- LAS did a public call in January for interested municipalities to participate in the business case development
- 8 municipalities have come forward – 6 from southeastern, 1 from central and 1 from southwestern Ontario
- Initial meeting of the group to occur later this month

Working with the Province



- Ensuring the utility is eligible for grant and loan programs offered by the provincial and federal government
- Providing the utility with access to development charges or similar mechanisms to fund growth
- Making legislative and regulatory changes to deal with existing debt issued for water and wastewater and the transfer of asset management and development charge reserves
- Developing subsidy programs to support needed investments by the joint MSC where full cost pricing is not possible
- Providing comments and insight as the business case is developed

Let's continue the conversation...

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