

## **Water and Wastewater Utility Corporation – Feasibility Study Expert Panel Terms of Reference**

### **Background:**

There has been considerable focus over the last two years on how Ontario is going to build 1.5 million homes to accommodate the unprecedented growth the province is experiencing. The conversation has included ideas on how to lower the cost of new development to achieve an equally important goal of affordable housing. One idea contemplated is that by moving water and wastewater services into a utility model – there could be a reduction in the development charges municipalities charge for new construction and potential to achieve efficiencies by aggregating small water systems into a larger network. This could also reduce the cost of capital for constructing water and wastewater infrastructure as smaller municipalities cannot currently access capital at the same price point as larger municipalities.

As an organization, LAS was created by AMO in 1992 as a not-for-profit organization under the laws of Canada and it aims to work with Ontario municipalities, as well as organizations from the broader public sector, to help realize lower costs, higher revenues, and enhanced staff capacity, through co-operative procurement efforts. The discussion about aggregating into a utility model water and wastewater services aligns closely with the LAS mandate.

At the February 9, 2024 meeting of the LAS Board the following motion was passed:  
“That the Board direct staff to bring a feasibility study, by the end of 2024, to the LAS Board that evaluates the potential for LAS to create a municipal utility corporation for water/wastewater.”

### **Objective:**

LAS is in the business of creating financially sustainable programs and services that are beneficial to the municipal sector. As a not-for-profit, there are no direct taxpayer dollars that can be used to prop up financially unsustainable offerings. Further, the LAS Board sees value in LAS leading a sector-led solution with potential opportunity for scalability – to achieve economies of scale while keeping water and wastewater public assets. It is in this context the LAS Board has directed staff to conduct a feasibility study of whether LAS could provide a water and wastewater utility model to municipalities.

### **Resources:**

LAS, in partnership with AMO Policy, will supply the research and data analytics necessary to inform the work of the expert panel. This includes writing the feasibility study.

The expert panel will have skills or knowledge in the areas of:

- Running municipal water and wastewater systems
- Municipal capital budgeting and financing
- Legal
- Economics
- Utility regulation

**Deliverables:**

A feasibility study to inform the LAS Board on the financial sustainability of creating one or more utility for water and wastewater for its consideration by Fall 2024.

**Responsibilities:**

The expert panel will guide research on the key questions to be answered and provide input and advice on the LAS' drafting of the feasibility study.

**Scope of the Feasibility Study:**

The expert panel would inform feasibility of creating one or more water and wastewater utility using the joint municipal services corporation provision with the *Municipal Act* for water and wastewater including consideration of governance, investments required and already planned, the financing and pricing related to Ontario's water and wastewater systems and whether the utility would need to operate in a regulated environment.

Specifically, the feasibility study will seek to answer the following key questions:

1. What is the current state of water and wastewater assets in Ontario?
2. What are the financial challenges facing water and wastewater services?
3. What are the pros and cons of a utility model?
4. How would a water and wastewater utility system be structured (i.e., geography, voluntary participation, inter-operability of systems, impact of trade agreement requirements, etc.)?
5. What legislative, regulatory and governance measures would be needed for LAS to offer a water and wastewater utility model to municipalities?
6. Would an economic regulator be needed?
7. How would utility financing work (i.e., development charges, debt, rates, government grants, cross-subsidization etc.)?
8. What would the key impacts of a utility model be?
9. What practical considerations would be involved in implementing a utility model (i.e., how could the utility model be rolled out)?
10. Is the LAS water and wastewater utility offering financially feasible?