



City of  
**Peterborough**

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**To:** **Members of the General Committee**

**From:** **Sandra Clancy, Chief Administrative Officer**

**Meeting Date:** **July 11, 2022**

**Subject:** **Water, Wastewater, and Stormwater Service Delivery  
Report CAO22-008**

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## **Purpose**

A report to recommend that the City of Peterborough continues its current role for management of wastewater and storm water assets and provision of wastewater and storm services and begins the process of assuming full operating responsibility and authority for the water assets and service delivery, including the Riverview Park and Zoo.

## **Recommendations**

That Council approve the recommendations outlined in Report CAO22-008, dated July 11, 2022, of the Chief Administrative Officer, as follows:

- a) That the presentation regarding the City assuming full operating responsibility and authority for the water assets and service delivery, including the Riverview Park and Zoo, from John Stephenson, President and CEO, Peterborough Utilities Group, be received for information;
- b) That the proposal from WSP that the City of Peterborough continue its current role for management of wastewater and storm water assets and provision of wastewater and storm services and become directly responsible for the operations and authority for water assets and service delivery, including the Riverview Park and Zoo, be supported in principle;
- c) That staff report back to Council in 2023 upon further investigation regarding financial and non-financial benefits and a Change Management Plan, including public consultation, of the transfer of responsibility and authority for the water assets and service delivery; and

- d) That the Change Management Plan stipulates that no current International Brotherhood of Electrical Workers (IBEW) employees be displaced as a result of the transition in the transfer of water assets and service delivery to the City.

## Budget and Financial Implications

It is estimated by WSP that if the responsibility and authority of the water assets and service delivery is assumed by the City directly, an annual savings of \$2.8 M can be achieved. This estimate will be further defined as part of the next steps.

The City's debt capacity could be affected by the direction Council chooses to proceed related to the delivery of water, wastewater, and stormwater services. The calculation of how much debt the City can issue is established by the province and is based on the municipality's annual own source revenues from sources such as property taxes, user fees and investment income. The province then calculates the amount that is 25% of municipalities annual own-source revenues. Finally, the province subtracts the municipality's annual existing debt service costs and other long-term financial obligations from the 25% figure to arrive at the annual repayment limit. Water and sewer surcharge revenues are part of the City's debt capacity calculation. This would not change under either Scenario B or C from WSP's review of Water, Wastewater, and Storm Water Delivery options as long as the water, sanitary and storm water businesses are operating within the municipality's structure or as a municipal services corporation similar to the Peterborough Utilities Commission (PUC).

It would change however, if the governance structure was changed for water and wastewater away from a municipal services corporation to a government business enterprise (GBE) model similar to the City of Peterborough Holdings Inc. (COPHI) structure. This was the proposed model first introduced by COPHI to the City, although all the details of this model were not able to be examined by WSP. Under a GBE model, both the water and sewer surcharge revenues (estimated for 2022 – \$37.3 million) would be removed from the City's debt capacity calculation and the amount of debt that the City can issue would be reduced. The amount of the reduction would be dependent upon both the term of the debt issued and interest rate at the time of issue, but at a high level is in the range of \$75 - \$125 million. This would reduce the amount of capital work that the City can fund from long-term debentures, as the amount of revenues from water and sewer surcharge is greater than the amount of debt issued and approved for water and wastewater work.

## Background

### History

In September 2000, the **Energy Competition Act – Bill 35** changed the landscape of how an electrical utility was operated and municipalities had to make a decision whether to sell their electric utility or whether to keep it. City Council decided to retain the electric utility as a separate Corporation. Peterborough Distribution Incorporated (PDI) was created for the poles and wires distribution business.

The City also did a review of the Water Utility. A joint City/Peterborough Utilities Commission (PUC) restructuring Committee was established, a consultant was hired and recommendations were made to Council through Report CA00-007 City/PUC Water Utility Review, dated September 25, 2000.

The Water Utility remained a separate corporation, the Peterborough Utilities Commission (PUC), for the following reasons:

- There were synergies between the electric and water utilities as there were shared operations and resources such as training, the billing system and combined purchasing power. Administration costs were also shared with 65% assigned to the electric utility;
- It was assumed that additional labour costs would exceed any efficiencies gained should the City assume the water operation;
- Although some synergies between water and wastewater were identified, it was deemed that the synergies between electric and water were more significant.

With the sale of PDI and the closing of the deal with Hydro One on July 31, 2020, the synergies that once existed between electric and water were largely lost.

In anticipation of the Hydro One deal closing, the City was approached by the President and CEO of the Corporation of Peterborough Holdings Inc (COPHI) with respect to growing the water/wastewater business. To further the analysis that had already taken place, further information was needed from the City with respect to the sanitary sewer business. City staff responded that it would be necessary to review all the available options and provide the information to City Council for their decision making process. City staff, through Report CAO19-011 dated December 2, 2019, made the recommendation that a Steering Committee be created and an RFP be issued for a consultant to do this work. Council approved the Steering Committee but did not approve the hiring of a consultant at that time.

### **Service Delivery Review**

Subsequently, at its meeting of July 26, and 29, 2021, Council did approve moving forward with a consultant for the review. WSP was hired to conduct a review of the governance and organizational delivery for water and wastewater service delivery in the City of Peterborough. The evaluation process is intended to determine the most appropriate and cost-effective way to provide municipal water treatment and distribution and wastewater (including both sanitary and stormwater networks) treatment and collection services.

The scope of the work did not specify that all 3 elements, being water, sanitary sewer and storm water, had to be delivered by one party. As an example, status quo would leave water with the PUC and leave sanitary and storm water management with the City. However, stormwater was included as all definitions of wastewater, through provincial legislation and City policies define wastewater as including both sanitary and storm water. The consultants could have recommended sanitary and storm be separated, however, they recommend keeping the delivery of water and wastewater together under the umbrella of one organization, that being either the City or the PUC/COPHI. This recommendation is based

on their professional review of best management practices and current and future trends related to the oversight and delivery of water and wastewater operations and identification of potential alternative organizational approaches to derive cost savings while maintaining or improving levels of service.

Some further detail on the sanitary sewer and stormwater operations is also helpful.

### **Existing Integration of Sanitary and Stormwater Service Areas**

The City of Peterborough currently manages a separated wastewater collection system. The wastewater collection system consists of both stormwater and sanitary sewer pipes, maintenance holes, catch basins, pumping stations, and stormwater management facilities. While the sanitary and stormwater systems serve distinctly different purposes, the infrastructure, technology and operational staff used to maintain, upgrade and replace this infrastructure is almost identical.

The City currently completes maintenance of the wastewater collection systems with a combination of in-house resources and expertise, and annual capital projects. Maintenance activities include flushing and cleaning sewers, maintenance holes, catch basins, CCTV inspections, relining and repair of sewers and maintenance holes, and other general maintenance activities. Currently, staff in the Environmental Services Division maintain all storm and sanitary pipes less than 375mm in diameter. The City has invested substantial resources over the years both in staff training/licensing and procurement of technology and equipment necessary to conduct this work. City staff have a target of maintaining and inspecting all pipes 375mm and less once every 5-6 years. The sanitary and storm systems are maintained and inspected concurrently during this cycle, using the same staff resources, technology and equipment. This approach ensures minimal disruption to the public from road closures, is financially sensible and helps to ensure up-to-date data is available for both systems should there be a need for capital upgrades.

Similarly, for all sewer systems greater than 375mm, staff in the Infrastructure Management Division organize an annual capital program to ensure maintenance occurs on the same 5-6 year cycle. All contracts issued for maintenance, inspection and rehabilitation include infrastructure for both the sanitary and storm systems and are completed concurrently when practical. This approach results in significant efficiencies, avoiding the need for additional disruption to the public, staff resources tendering and managing separate contractors, and the obvious economy of scale in contract pricing. Rehabilitation and sewer/maintenance hole replacements are also coordinated with annual road resurfacing contracts to ensure, where necessary, sewer work is completed concurrently with road resurfacing.

The City has developed and currently maintains two collection system models, both developed using DHI Mike+ software. These models are used to simulate pipe and channel flow, as well as surface flows and flooding. The models assist staff in the planning, design and analysis of the storm and sanitary systems. Having two collection system models developed using the same software platform and integrated GIS databases will assist in future work to locate and model sources of inflow and infiltration (I&I) in the sanitary system. This integration helps staff identify efficient capital upgrades and rehabilitation strategies to manage I&I, while also providing a tool to manage capacity allocations for future growth and intensification in the City.

Legacy connections from catch basins, downspouts, roof drains, and foundation drains to the sanitary system are an ongoing problem that the City continues to address through capital programs, and public outreach and subsidies. Existing programs are in place to locate and remove these connections on both public and private property. The City currently provides a subsidy to assist residents in disconnecting stormwater flows from the sanitary system, and directing this water to the storm system. This work requires direct knowledge and access to both the sanitary and storm systems.

Funding for the operation and maintenance of the sewage collection system is currently achieved through a combination of the tax levy, development charges, and the wastewater surcharge rate (formerly sewer surcharge).

The wastewater surcharge rate is applied to eligible water charges as billed by the PUC (currently 102.92% of eligible water charge). The wastewater surcharge is a primary source of funding for the wastewater reserve. The wastewater reserve is also funded through an amount identified for stormwater protection; this amount is collected through the general tax levy. The wastewater reserve is used to fund the majority of the Environmental Services Division operating expenses, as well as capital projects for both storm and sanitary. In addition, the wastewater reserve funds a portion of the flood reduction master plan implementation.

Beginning in 2018, the City began an incremental phase in of funding to address the gap between current revenues, and the funding requirements to sustainably manage the storm and sanitary assets. This included adding an additional base amount of \$350k to the wastewater surcharge, as well as collecting \$620k annually from the tax levy related to stormwater protection. The total funding gap was identified as \$3.5 million for sanitary and \$6.2 million for storm, the base amounts applied are part of a ten-year phased in approach to address this funding gap.

It should be emphasized that the wastewater surcharge funds operating and capital expenditures for both storm and sanitary services. Reallocation of the wastewater surcharge in its entirety to fund only sanitary services would result in a substantial operating and capital shortfall for storm services.

### **Recommendations from Recent Review and City Staff Analysis**

At its meeting of June 20, 2022, General Committee received Report CAO22-006 Water, Wastewater and Stormwater Service Delivery Review. The report was received for information on June 20, 2022 and by Council on June 27, 2022.

Report CAO22-006 is attached to this Report as Appendix A.

The final motions approved by Council on June 27, 2022 were as follows:

- a) That the presentation by Kevin Morawski from WSP and Jim Harnum from Municipal Vu Consulting Inc., be received for information.
- b) That Report CAO22-006, dated June 20, 2022, of the Chief Administrative Officer, be received for information.

- c) That the July 11, 2022, staff report include information from the PUC; and,
- d) That extended public consultation be organized.

In response to recommendation c), attached as Appendix B is the letter dated June 23, 2022 from John Stephenson to the PUC Commissioners. City staff also reached out to Mr. Stephenson to ask if there was any other information that could be included and did not receive anything further. This report includes some information to address the concerns expressed and some will be addressed as part of the next steps.

The Service Delivery Review examined the viabilities and effectiveness of water, wastewater and storm service delivery models. The three options examined in detail were:

Status Quo – City would continue to provide ownership and responsibility for wastewater and storm services and PUC would continue to provide ownership and responsibility for water

Model B – City would assume ownership and responsibility for water and continue to provide wastewater and storm services

Model C – PUC would assume ownership and responsibility for wastewater and storm service and continue to provide water services

### **Estimated Annual Operating Expenditures**

The estimated annual costs to manage the services is as follows:

- Model A – Status Quo - \$36.9 million
- Model B – All Water Assets transferred to City of Peterborough - \$34.0 million (estimated annual savings of \$2.8 million)
- Model C – All Wastewater/Storm Assets transferred to the PUC/COPHI - \$35.5 million (estimated annual savings of \$1.3 million)

In both Model B and C, all of the direct labour costs would be included. In other words, the current direct water and wastewater staff would be assumed. The majority of indirect costs were also included. Many indirect costs to be eliminated would be the result of economies of scale, sharing of IT systems and other non-labour costs. There are some indirect labour costs. If Model B or C were implemented, the savings would come to fruition over several years. Staff also recommend that no existing employees lose their jobs. Reductions as a result of labour savings would be through attrition.

### **Non-financial benefits**

Non-financial benefits were also examined. The summarized findings are as follows:

- Economies of scale result in benefits in management of services and reduced overheads and synergies among staff;
- Better coordination across service areas, particularly between roads and water services for capital projects and long-term planning;

- Greater visibility of asset information, ongoing tracking and understanding the state of the assets;
- Transparency of decision making, greater alignment of City Council's responsibility and accountability with the direct ownership of Water assets and direct service delivery

The following discussion explores how combining water assets with sewer and stormwater assets would allow existing synergies between sewer and stormwater to be expanded upon and new synergies explored and identified.

### **Service Enhancement Opportunities from Combining Water with Sanitary and Stormwater**

There are several opportunities to enhance services by integrating the water service with sanitary and stormwater in the areas of the collection/distribution system, treatment facilities, laboratory operations, staff training requirements and supporting data management tool and processes.

The City of Peterborough owns many pieces of specialized equipment for servicing the collection system that PUC does not and when required these will be loaned to PUC to complete their work. When PUC requires this equipment, the City will pull the equipment from a job site to permit the repairs to the water distribution system to proceed. This creates a need for backend processes for invoicing to account for the loan of the equipment and introduces an inefficiency in operations.

Furthermore, better coordination of repairs in the right-of-way can be realized and crew sizes and deployments could be optimized based on the size of the job and requirements with the increased staff complement.

Both the Water Treatment and Wastewater Treatment plants have dedicated Electrical, Mechanical and Operations staff teams. As the work required to operate the respective facilities will not lead to staffing reductions there will still be opportunities to cross-train staff, better coordinate and optimize daily deployments. This can enhance the community's resilience and better protect the City in future pandemics or emergencies that put pressure on staffing resources.

The City owns and operates the Environmental Protection Laboratory (EPL) that supports both the City and PUC operations in addition to providing market services to private and commercial entities. The EPL has extensive drinking water testing expertise and has held a Ministry of Environment, Conservation and Parks (MECP) licence for ten years and has performed work for various drinking water regulations (O. Regs. 170/03, 319/08, 243/07). Integration of services will lead to more efficient sample handling and reductions in administrative requirements for collecting samples and processing lab data in two distinct Lab Management Systems.

The MECP issues licences for various types of operators with the four most commonly held being Wastewater Treatment, Water Treatment, Wastewater Collection and Water Supply & Distribution, and requires annual training as part of maintaining these licences. Presently, the

City and PUC manage these recertifications separately. Through integration of water with sanitary and stormwater, the ability to cross-train staff as noted above and significantly streamlining the training process would be realized.

Water, sanitary and stormwater services use geospatial tools. The City is very up to date with its Esri GIS environment and the water processes could be aligned and integrated into the more up to date environment.

### **Asset Management Considerations**

As the City looks to deliver services to residents in a sustainable way, implementing a robust asset management program is an important element. By integrating water with sanitary and stormwater, an integrated and rigorous asset management practice can help minimize risks, maximize financial returns, optimize access to grants and other funding opportunities and improve governance of reporting compliance in the following ways:

#### **Minimize Risks:**

- Transparency of assets is critical to service delivery and identifying those most likely to fail in the short-medium term through identification through a condition inspection program and plan lifecycle activities accordingly is crucial. This can affect decision making processes and influence which projects are deemed high risk and should be prioritized.
- The City can optimize existing risk mitigation strategies identified in the asset management plan to minimize any financial, environmental, legal, safety, and reputational impacts.
- A complete portfolio of services/assets could help minimize/eliminate gaps in the risk management strategies, enabling a proactive risk management plan to support more efficient responses to service interruptions.

#### **Maximize Financial Returns:**

- Capital/operating budgets and asset management lifecycle activities (such as the coordinating the replacement of a road with underground infrastructure) are aligned across service areas, providing the City opportunities to better plan and manage projects that extend the life of assets and keep overall lifecycle costs at a minimum.

#### **Optimize Access to Grants and Other Funding Opportunities:**

- With the inclusion of water assets under the City's purview, there is potential for increased opportunities to access Federal/Provincial funding to accelerate projects that otherwise wouldn't be completed at the optimal time due to the City's budget constraints.

#### **Governance of Reporting Compliance:**

- Control and transparency of O.Reg 588/17 compliance and the ability to ensure alignment with City of Peterborough Asset Management Policies, Procedures and/or other asset management strategies, ensuring asset management outcomes are consistent.



## **Customer Billing and Enterprise Resource Planning**

- Enterprise resource planning (ERP) software refers to a software package that combines a variety of business functions into one tightly integrated package. Common functions usually found in enterprise resource planning software include core financial tools, such as the General Ledger, Procurement, Human Resources, Customer Service, Asset Management, and Maintenance Management. By combining these functions into one software data and software, processes can be shared across these areas, making more efficient use of resources.

Until the award of the ERP RFP in 2017 and the identification of SAP as the ERP software of record, the City was using an enterprise resource planning software that was implemented in 1997 and until go-live in July 2020, was used to support a number of business processes including General Ledger/Accounting, Purchasing, Accounts Payable, Accounts Receivable, Payroll, Inventory and Human Resources Management. The original implementation was a joint project between the City and the Peterborough Utilities Group of Companies (PUG). The Utilities continue to use the software today.

A next step that Council has directed in the evolution and expansion of the City's investment in technology, is to update the City's property taxation software. Exploring synergies between property tax billings and billing utility invoices would create excellent value for the community.

## **Consultant Recommendations**

It is the recommendation of WSP that the responsibility of the treatment and delivery of water become a direct responsibility of the City of Peterborough, reporting through to the City of Peterborough administration and ultimately to City Council.

While there was no detailed examination of the model originally proposed by COPHI, the following observations were made:

- The benefits of combining water/wastewater for the purpose of expanding water/wastewater operations to other municipalities would be difficult to quantify as it is a very competitive market and there has been no market analysis done

COPHI's proposed model would remove water and sewer surcharge revenues from the City's debt capacity calculation and the amount of debt that the City can issue would be reduced. This would reduce the amount of capital work that the City can fund from long term debentures, as the amount of revenues from water and sewer surcharge is greater than the amount of debt issued and approved for water and wastewater work.

## **Debt Capacity – Annual Repayment Limit (ARL)**

The Annual Repayment Limit (ARL) may be generally summarized as the maximum amount that a municipality can pay each year (without first going to the Local Planning Appeal Tribunal) in principal and interest payments for its long-term debt and other long-term financial commitments. It is commonly referred to as the capacity to take on debt, or debt capacity.

The calculation is established by the province and is based on the municipality's annual own-source revenues from sources such as property taxes, user fees and investment income. The province then calculates the amount that is 25% of municipalities annual own-source revenues. Finally, the province subtracts the municipality's annual existing debt service costs and other long-term financial obligations from the 25% figure to arrive at the ARL.

Both water revenues and sewer surcharge are classified as user fees and for the 2022 budget year, are estimated at \$37.3 million. At 25% this equates to \$9.3 million of revenues that the province deems could be used for principal and interest costs. Using a high-level estimate, the \$9.3 million could support \$75 - \$125 million (or more) of debt issued depending upon the term of debt and interest rate at the time of issue,

Provided the governance structure for water, wastewater and storm moving forward remains either in a municipal, or municipal services corporation structure, debt capacity would not be impacted. However, if the services were moved to a government business enterprise model, similar to how COPHI operates today, the ARL would be reduced. This would reduce the amount of capital work that the City can fund from long term debentures, as the amount of revenues from water and sewer surcharge is greater than the amount of debt issued and approved for water and wastewater work.

## **Human Resources**

With respect to human resources, there are many misconceptions related to how this transition in governance structure will impact current PUC staff. It is important to clarify that the proposed cost savings are not directly related to reducing positions. The cost savings are directly related to operational efficiencies, as outlined above.

It is recognized there are duplicate services and positions between the City and PUC, which contributes to the synergies identified in the report. The purpose of this transition is to improve efficiencies by making use of those synergies. While the report indicates the City has extensive resources, it is anticipated there would be very little job loss; in fact, every effort would be made to maintain current staffing levels between both entities throughout this transition and it is recommended that no current IBEW staff be displaced as a result of the transition in the transfer of water assets and service delivery to the City.

If approved, successor rights require that the City take on the employees and the existing IBEW collective agreement.

## **The Riverview Park and Zoo**

The zoo operates as a department of the PUC, which provides annual base funding through the water rates that allows the zoo to remain free to the public. The numerous exhibits, animals, educational programs and amenities in the park and zoo appeal to all age groups in the City.

Under the recommendations proposed in this report, it would be anticipated that the park and zoo would continue to operate in a very similar way that it does currently, all the while exploring further opportunities for synergies and the sharing of resources and specialized equipment in the City's inventory.

## **Water and Wastewater Services Provided to Neighbouring Municipalities**

Through various contractual agreements, the PUG Services Corp. provides water and sanitary services the Township of Selwyn to operate both the Village of Lakefield and Woodland Acres systems and the City of Peterborough provides water and wastewater services to the Township of Cavan Monaghan in the Village of Millbrook.

Regardless of outcome of this water / wastewater review, a key priority will be to ensure that the services being provided to neighbouring municipalities continue and are not negatively impacted.

## **Confirmation of the Goal for the Service Delivery Review**

The Service Delivery Review is not a criticism about how the water, sanitary or storm water services have been delivered to date, rather it is a review of the organizational and governance structures for the delivery of these services. In particular, because WSP has recommended that the responsibility for water service and assets be assumed by the City, it is critical that citizens and employees of PUC are reminded of the valuable and exceptional service that has been provided and would certainly continue under any of the 3 models as the same IBEW employees would manage the water assets and provide service delivery.

## **Next Steps**

WSP recommended the following next steps:

1. Set up a transition team including City staff from Senior Management, Operational management, Human Resources, Finance, Legal and Communications and PUC staff including Senior Management, Operations, Billing Services, Finance and Human Resources.
2. Develop a Project Charter that includes the values to be followed and overall objectives and responsibilities of the parties. It would clearly define the key stakeholders and each of their responsibilities.
3. Develop a Communications Strategy identifying the key stakeholders and the messages to each group.
4. Develop a Change Management Plan ensuring the objectives and values set up front are being adhered to and accomplished while minimizing disruption.
5. Explore asset considerations including fleet, facilities and equipment that will be required and any stranded assets in PUC.
6. Review the Collective Agreements to ensure commitments are met and issues such as potential successor rights are explored and resolved.
7. Identify and address other legal and administrative issues such as Operating Authority administrative changes under the Municipal Drinking water License, new staff reporting relationships and organizational changes, etc.

As part of the development of a Communications Strategy and a Change Management Plan, extended consultation would be coordinated as directed through Council's motion on June 27, 2022.

## Summary

Staff have considered the WSP recommendations and the concerns expressed around such a change in the organizational and governance structure for the delivery of water, wastewater, and stormwater service delivery. Any change is difficult and the key will be to ensure consultation is done with the public and stakeholders, including staff, confirm the estimated financial and non-financial benefits and have a Change Management Plan and Communications Plan as suggested above.

If the recommendations in this report are approved, in principle, Council will be supporting that the City of Peterborough continue its current role for management of wastewater and storm water assets and provision of wastewater and storm services and become directly responsible for the operations and authority for water assets and service delivery, including the Riverview Park and Zoo. However, the final decision will be made when/if the benefits can be confirmed and a clear implementation plan is identified to minimize any impacts on customers and staff.

Submitted by,

Sandra Clancy  
Chief Administrative Officer  
City of Peterborough

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**Attachments:**

Appendix A - CAO22-006 Water, Wastewater and Stormwater Service Delivery Review

Appendix B – June 23, 2022 Letter re: CAO Report CAO22-006 and accompanying WSP/Municipal VU Report



City of  
**Peterborough**

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**To:** **Members of the General Committee**

**From:** **Sandra Clancy, Chief Administrative Officer**

**Meeting Date:** **June 20, 2022**

**Subject:** **Water, Wastewater, and Stormwater Service Delivery Review  
Report CAO22-006**

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## **Purpose**

A report to provide trends, comparison of municipal structures and detailed review and evaluation from WSP on the City's Water, Wastewater, and Stormwater Service Delivery.

## **Recommendations**

That Council approve the recommendations outlined in Report CAO22-006, dated June 20, 2022, of the Chief Administrative Officer, as follows:

- a) That the presentation by Kevin Morawski from WSP and Jim Harnum from Municipal Vu Consulting Inc. received for information.
- b) That Report CAO22-006, dated June 20, 2022, of the Chief Administrative Officer, be received for information.

## **Budget and Financial Implications**

There are no budget or financial implications as a result of receiving this report. Staff recommendations will be brought forward on July 11, 2022 and the budget and financial implications will be identified at that time.

## Background

### Service Delivery Review

At its meeting of July 26 and 29, 2021 Council approved the following motions regarding the combining of water and wastewater operations:

That staff be directed to report during the November budget meeting (for the 2022 budget) with recommendations on combining water and wastewater operations, that include third party recommendations, and

That the services of the consultant be obtained through a non-standard procurement and be awarded by the Administrative Staff Committee; and

That, if the third party deems the timeline too restrictive, staff report back with an interim report during the November budget meetings, that includes an update and recommended timeline for completion of the review.

In response to the above motions, the City issued RFP 38-21 on September 17, 2021, and invited three prospective proponents to submit proposals to conduct the water, wastewater, and stormwater service delivery review. From that process, the City engaged the services of WSP, an engineering professional services firm. WSP has completed several similar engagements for other municipalities.

The service delivery review included the following:

- An examination of the City's existing water, wastewater, and storm water service delivery models and operations contrasting organizational structure, level of service, financial performance, staffing levels, and operational optimization.
- Identification of best management practices and current and future trends related to the oversight and delivery of water and wastewater operations.
- Identification of potential alternative organizational approaches to derive cost savings while maintaining or improving levels of service.
- Cost benefit analysis of existing model in comparison to alternative models with consideration given to organizational structure, staffing, assets, and financial performance.

### Future of Water and Wastewater Utility Operations (Report CAO19-011)

The above motions approved by Council at its meeting of July 26 and July 29, 2021 were further to an earlier report on the future of water and waste water operations, Report CAO19-011. While the recommendations from Report CAO19-011 were amended by General Committee and Council as outlined below, the report provides important current and historical context and is therefore attached as Appendix A.

The recommendations in the staff report were as follows:

- a) That a 2020 Capital Project be created for \$150,000 funded from a transfer from the Capital Levy Reserve of \$75,000 and a transfer from the Wastewater Reserve Fund of \$75,000;
- b) That a Request for Proposals be issued by the City to hire a consultant to review all the options available to the municipality to operate its water and wastewater operations, including a review of other municipal structures, a community engagement process and a report back to Council; and
- c) That a Steering Committee be formed including the Chair of Finance and Chair of Public Works and representation from City staff to evaluate the Request for Proposals submissions and guide the review.

General Committee, at its meeting of December 2, 2019, approved the following motions regarding the recommendations contained in Report CAO19-011:

That recommendations a) and b) be carried as stated.

That recommendation c) be amended to add the words “and that COPHI staff be involved in a working group that advises the Steering Committee” to the end of the sentence following the word “review”.

That a recommendation d) be added as follows “That a guiding principle for this review be, that our water assets remain publicly owned.”

Council, at its meeting of December 9, 2019, approved the following motions regarding the recommendations contained in Report CAO19-011:

That recommendations a) and b) be deferred to enable COPHI and City staff an opportunity to discuss the scope of a consultant’s work prior to issuing an RFP.

That recommendation d) be amended to add the words “and wastewater” to the sentence “that our water and wastewater assets remain...”.

Therefore, the motions that were approved were to have a Steering Committee which included:

- Chair of Finance
- Chair of Public Works
- Chief Administrative Officer
- Commissioner of Infrastructure and Planning Services
- Commissioner of Corporate and Legislative Services

The Steering Committee met on a few occasions and attempted to move the project forward with some communication and clarification from COPHI on the proposal they had made however, the COVID-19 Pandemic along with not being able to issue an RFP and hire a consultant impeded the progress until the further motion in 2021 came forward.

Report CAO19-011 provided background information on Council's decision through Report CAO-007 of September 25, 2000, to have the Water Utility remain as a separate corporation. It also provided an overview of the governance structure of Peterborough Utilities Group of Companies. The following summary provides key information from the Report on the current governance structure for water:

- The City owns the water utility and retains the PUC format for the water utility which operates the water and zoo operations on a contract basis.
- Council is represented by five Councillors appointed to the PUC.
- The PUC operates as a Municipal Service Board and for the most part, financially independent from the City, but seeks approval for certain transactions (e.g., debt issuance).
- The debt of the PUC falls within the City's debt capacity.
- The City does not receive any dividend from the PUC.
- Council relies upon the PUC to fulfill its regulatory obligations under the **Clean Water Act**, nevertheless, the City remains liable for its regulatory obligations under the **Clean Water Act**.

### **Comparison of Municipal Water, Wastewater, and Stormwater Management Structures**

One element of the work that was completed prior to engaging WSP, was preliminary research by City Staff on how other municipalities manage their water, wastewater, stormwater operations. This included reviewing the operating structures of 29 other municipalities. The details of this research are provided as Appendix B.

The following is a brief summary of staff's findings:

Of the 29 municipalities researched,

- More than 80% are municipally managed and delivered, either at a regional (8 municipalities) or local level (16 municipalities).
- Less than 20% (5 municipalities) have their water, wastewater, and/or stormwater operations outsourced.

Of the 5 municipalities who have outsourced their water, wastewater, and/or stormwater operations,

- 3 have a structure similar to the City of Peterborough with wastewater and stormwater operations provided in-house and water treatment and distribution outsourced.
- 2 provide water and wastewater operations on behalf of the municipality.
- 4 of the 5 have electrical distribution, reinforcing the decision 20 years ago that kept electrical distribution and water together when the electricity in the City of Peterborough was distributed by PDI.



In addition to researching the above mentioned municipalities, staff contacted the Ontario Municipal Water Association (OMWA) regarding whether it maintains statistics on the management structures and service delivery models for water, wastewater, and stormwater operations across the province. Both the City of Peterborough and Peterborough Utilities are members of OMWA, which represents approximately 180 municipal members.

While OMWA indicated that it does not maintain information related to management and operating structures, it did indicate that Peterborough's governance structure is not as common as it once was. OMWA provided the names of 4 municipalities who continue to outsource part or all of their water and wastewater operations: Windsor, Kingston, Cobourg, and Sault Ste. Marie.

### **OMWA's Key Principles for Public Drinking Water Systems**

OMWA's sole purpose, as described on its website, is to be a political organization advocating for municipally owned water systems, for sustainable policies and legislation for drinking water, wastewater and stormwater. OMWA promotes the following principles as the key beliefs for the operation of Ontario's public water drinking systems, which given OMWA's role, can be regarded as best practices:

- Full financial transparency (full-cost accounting, no cross-subsidization).
- Direct public accountability (financial separation, dedicated revenues).
- Capturing natural efficiencies (integration of various public utilities).
- Maintaining public ownership and control of drinking water, a critical and essential municipal service.
- Meaningful public input (before any change in water authority governance).

### **Trends Toward Integration of Water Systems**

Another trend that staff identified while researching other municipalities is that many municipalities have moved to combined water and wastewater master plans, with some municipalities moving toward a "one water" approach. A quick survey showed over 20 municipalities with combined water and wastewater master plans. A listing of those municipalities is included as Appendix C. This trend is likely in response to requirements under the current and past Provincial Policy Statements that water and wastewater infrastructure be planned and provided in a coordinated, efficient, and cost-effective manner.

One water is an integrated approach to water management that focuses on the full water cycle in all its forms (e.g., drinking water, wastewater, rainwater, surface water, and groundwater), rather than segmented planning, management, and delivery of drinking water, wastewater, and stormwater systems. Some of the benefits of a one water or more integrated approach are said to include: increased opportunity for innovation, optimized use of existing infrastructure, reduced need to build new infrastructure, and decreased pressure on natural and financial resources.

## **WSP's Process**

The review by WSP included many meetings, conversations with staff and information requested and provided to WSP by staff. Examples of the process are as follows:

- Initial kick-off meeting with the Steering Committee on January 13, 2022
- Two service delivery workshops:
  - o Workshops with the City on January 26, 2022 and May 10, 2022
  - o Workshop with PUC on February 3, 2022
- Stakeholder Conversation with Selwyn Township on February 9, 2022
- Numerous requests for information from staff and meetings to clarify information and ensure understanding;
- Meeting with the Steering Committee on May 13, 2022
- A joint SWOT (strengths/weaknesses, opportunities and threats) analysis intended to be with the City and PUC staff; however senior staff from the PUC declined to attend; May 26, 2022
- Consultation with Councillors on June 9, 2022 and June 13, 2022

Technical Memo #1 was produced providing understanding of the current:

- o Services and Systems overview
- o Levels of Service
- o Applicable legislation
- o Staffing and Licensing
- o Asset Management Plans
- o Analysis of Financial Operating and Capital Results

Technical Memo #2 was produced providing:

- Service Delivery models being considered:
  - o Model A – Status Quo
  - o Model B – All Water Assets transferred to City of Peterborough
  - o Model B – All Wastewater/Storm Assets transferred to the PUC/COPHI
- Guiding Principles
- SWOT
- Staffing Implications
- Financial Implications

The guiding principles were as follows:

Protection of Public Safety

Protection of Public Interest and Affordability

Protection of the Environment

Accountability and Transparency  
Efficiency and Effectiveness  
Flexibility, Innovation and Change

The Executive Summary of all of the findings is attached to this Report as Appendix D.

### **Next Steps**

The governance and service delivery for water, wastewater and storm water is a fundamental municipal service to the citizens of Peterborough.

Presenting the report in the June cycle of Council will provide additional time for the information to be absorbed. A further staff report will be provided to General Committee on July 11, 2022 with further analysis and specific recommendations.

### **Summary**

In response to the motions approved by Council at its meeting of July 26 and 29, 2021, the City hired WSP to complete a water, wastewater, and stormwater service delivery review for the City. The review was to include an examination and evaluation of the viabilities and effectiveness of water, wastewater, and storm water service delivery models.

Through this Report, the staff analysis on trends and other municipal management structures is provided and the results of the analysis from WSP. The next report in July will provide further recommendations and next steps.

Submitted by,

Sandra Clancy  
Chief Administrative Officer  
City of Peterborough

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**Attachments:**

Appendix A - CAO19-011 Future of Water and Wastewater Utility Operations

Appendix B - Comparison of Municipal Water, Wastewater, and Stormwater Management Structures

Appendix C - Municipalities with Combined Water and Wastewater Master Plans

Appendix D - WSP Water and Wastewater Service Delivery Review Report

## Appendix A – Report CAO22-006



City of  
**Peterborough**

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**To:** Members of General Committee

**From:** Sandra Clancy, Chief Administrative Officer

**Meeting Date:** December 2, 2019

**Subject:** Report CAO19-011  
Future of Water and Wastewater Utility Operations

---

### Purpose

A report to recommend next steps to review the Water and Wastewater utility operations for the City of Peterborough.

### Recommendations

That Council approve the recommendations outlined in Report CAO19-011, dated December 2, 2019, of the Chief Administrative Officer as follows:

- a) That a 2020 Capital Project be created for \$150,000 funded from a transfer from the Capital Levy Reserve of \$75,000 and a transfer from the Wastewater Reserve Fund of \$75,000;
- b) That a Request for Proposals be issued by the City to hire a consultant to review all the options available to the municipality to operate its water and wastewater operations, including a review of other municipal structures, a community engagement process and a report back to Council; and
- c) That a Steering Committee be formed including the Chair of Finance and Chair of Public Works and representation from City staff to evaluate the Request for Proposals submissions and guide the review.

## Budget and Financial Implications

It is estimated that the cost of the review will be \$150,000. It is proposed that one-half of the cost be funded from the Capital Levy Reserve and one-half from the Wastewater Reserve Fund.

## Background

### History

In September 2000, the **Energy Competition Act – Bill 35** changed the landscape of how an electrical utility was operated and municipalities had to make a decision whether to sell their electric utility or whether to keep it. City Council decided to retain the electric utility as a separate Corporation. Peterborough Distribution Incorporated (PDI) was created for the poles and wires distribution business.

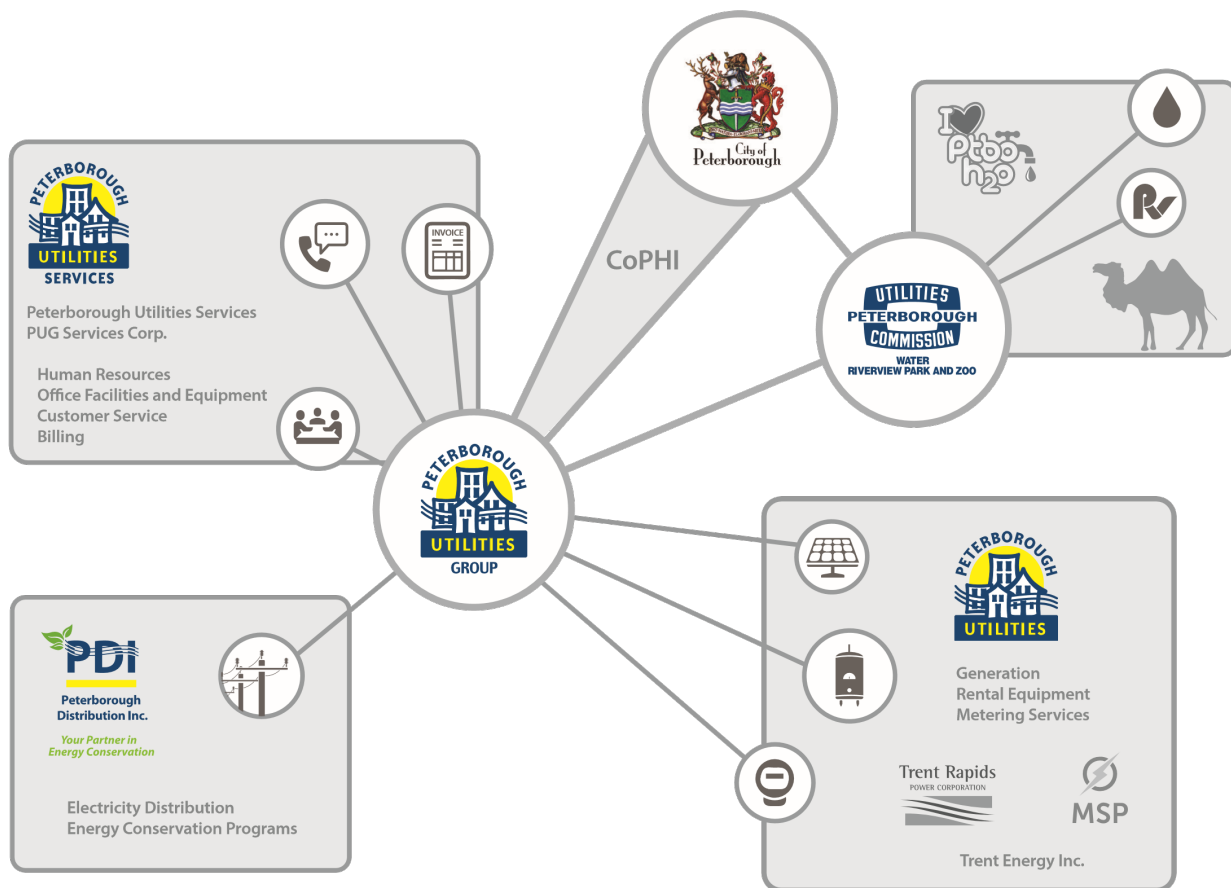
The City also did a review of the Water Utility. A joint City/Peterborough Utilities Commission (PUC) restructuring Committee was established, a consultant was hired and recommendations were made to Council through Report CA00-007 City/PUC Water Utility Review, dated September 25, 2000.

The Water Utility remained a separate corporation, the Peterborough Utilities Commission (PUC), for the following reasons:

- There were synergies between the electric and water utilities as there were shared operations and resources such as training, the billing system and combined purchasing power. Administration costs were also shared with 65% assigned to the electric utility;
- It was assumed that additional labour costs would exceed any efficiencies gained should the City assume the water operation;
- Although some synergies between water and wastewater were identified, it was deemed that the synergies between electric and water were more significant.

### Current Governance Structure for Peterborough Utilities Group of Companies

The chart on the following page shows the current structure of the Peterborough Utilities Group of Companies (PUG).



There is a pending sale of the PDI business to Hydro One. The transaction is currently awaiting approval of the Ontario Energy Board (OEB). None of the other companies are part of the potential sale.

### Current Governance Structure for Water

- The City owns the water utility and retains the PUC format for the water utility which operates the water and zoo operations on a contract basis;
- Council is represented by five Councillors appointed to the PUC;
- The PUC operates for the most part, financially independent from the City, but seeks approval for certain transactions (eg. debt issuance);
- The debt of the PUC falls within the City's debt capacity;
- The City does not receive any dividend from the PUC;
- Council relies upon the PUC to fulfill its regulatory obligations under the **Clean Water Act**, nevertheless, the City remains liable for its regulatory obligations under the **Clean Water Act**.

## **Updated Review**

With the pending sale of PDI to Hydro One, it is a natural time to review the governance structure. When the sale closes and the electric operations are moved to Hydro One, the synergies that were present back in 2000 between the electric and water utility will not exist.

It is recommended that a Request for Proposals (RFP) be issued by the City to hire a consultant to review all the options available to the municipality to operate its water and wastewater operations. A review would include information on:

- Changes in legislation since 2000;
- The current water operations;
- The current wastewater operations;
- The current synergies between water and wastewater;
- Impact on other operations such as stormwater and major road reconstruction;
- Financial considerations, including rate impacts, debt impacts, future operating and capital requirements and ability to fund those requirements;
- The governance structures in other municipalities;
- Potential negative impacts of each option;
- Other impacts to the ratepayers such as customer service;
- Identification of any risks;
- Impact on Asset Management responsibilities; and
- Implications to staffing.

The review would explore all options where the City retains ownership such as, but not limited to, the following and make a recommendation to City Council:

- Status Quo: Water service provided by PUC, Wastewater service provided by the City
- Re-structure the Utility to include Wastewater Service
- Re-structure the City to include Water Service

## **Timing**

The review will take time and upon receiving the recommendations, Council will be faced with making a decision that may have major implications for both the City, the PUC and other companies within the City of Peterborough Holdings Inc. (COPHI). If a reorganization is approved, a plan will need to be developed and implemented to make the changes. This will also take a significant period of time.

For these reasons, it is recommended that the review proceed in early 2020. The consultant should assume that the assets of PDI is being sold to Hydro One.



## **Steering Committee**

It is recommended that a Steering Committee be formed that would include:

- Chair of Finance
- Chair of Public Works
- Chief Administrative Officer
- Commissioner of Infrastructure and Planning Services
- Commissioner of Corporate and Legislative Services

The Steering Committee would evaluate the RFP to be issued, the submissions and work with the consultant as they do their review.

## **COPHI Work Done to Date**

Staff and the Board of COPHI will be very involved in the review and will need to provide some key information required by the consultant. They have also done some preliminary work on the option of moving the Wastewater to the Utility which can be shared with the consultant.

## **Community Engagement**

The review will include community engagement. A re-organization of the water and wastewater operations will impact the water and wastewater ratepayers in terms of the operations, billing, customer service and the decision will have an operational and financial impact on other areas of responsibility for the City. The Steering Committee will include a community engagement plan in the RFP to provide the opportunity for the community to express their opinions.

## **Summary**

It is recommended that a Request for Proposals be issued to hire a consultant to review the Water and Wastewater utility operations for the City of Peterborough.

Submitted by,

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Chief Administrative Officer  
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## Appendix B – Report CAO22-006

### Comparison of Municipal Water, Wastewater, and Stormwater Management Structures

**Table 1.0: In-House Water and Wastewater Operations**

Water, Wastewater, and Stormwater Operations Delivered by Municipalities		
Aurora**	Guelph	Mississauga**
Barrie	Halton Hills**	North Bay
Belleville	Hamilton	Oakville**
Brampton**	Kawartha Lakes	Orillia
Brantford	Kingston	Richmond Hill
Burlington**	London	St. Catharines
Collingwood	Markham**	Thunder Bay
Greater Sudbury	Milton**	Vaughan
** Treatment services provided by regional municipality		

**Table 2.0: Outsourced Water and/or Wastewater Operations**

Municipality	In-House Operations	Outsourced Operations
<b>Chatham-Kent</b>	<b>City/Town:</b> <ul style="list-style-type: none"> <li>Water and wastewater collection and distribution</li> </ul>	<b>Chatham-Kent PUC:</b> <ul style="list-style-type: none"> <li>Water and wastewater treatment</li> </ul>
<b>Cobourg</b>	<b>City/Town:</b> <ul style="list-style-type: none"> <li>Wastewater treatment</li> </ul>	<b>Lakefront Utilities</b> <ul style="list-style-type: none"> <li>Water treatment and distribution</li> <li>Electricity distribution</li> <li>Fibre optic services</li> </ul>
<b>Kingston</b>		<b>Utilities Kingston</b> <ul style="list-style-type: none"> <li>Water and wastewater treatment and distribution</li> <li>Gas and electricity distribution</li> <li>Broadband network</li> </ul>
<b>Sault Ste. Marie</b>	<b>City/Town:</b> <ul style="list-style-type: none"> <li>Wastewater treatment</li> </ul>	<b>Sault Ste. Marie PUC:</b> <ul style="list-style-type: none"> <li>Water treatment and distribution</li> <li>Electricity distribution</li> </ul>
<b>Windsor</b>	<b>City/Town:</b> <ul style="list-style-type: none"> <li>Wastewater Treatment</li> </ul>	<b>Windsor Utilities Commission:</b> <ul style="list-style-type: none"> <li>Regulates water rates and quality</li> </ul> <b>ENWIN Utilities Ltd:</b> <ul style="list-style-type: none"> <li>Contracted by WUC to operate and maintain the WUC owned water system</li> <li>Local electricity distribution</li> </ul>

## **Appendix C – Report CAO22-006**

### **Municipalities with Combined Water and Wastewater Master Plans**

- Brantford
- Carleton Place
- East Gwillimbury
- Greater Sudbury
- Guelph
- Halton
- Hamilton
- Kingston
- Mapleton Township
- Markham
- Newmarket
- Niagara Region
- Oxford County
- Peel Region
- Tecumseh
- Vaughan
- Waterloo
- Whitchurch-Stouffville
- York Region

CITY OF PETERBOROUGH

# PETERBOROUGH WATER & WASTEWATER SERVICE DELIVERY REVIEW

JUNE 14, 2022

FINAL



---

# CONTRIBUTORS

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Name, Designation

June 14, 2022  
Date

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# EXECUTIVE SUMMARY

PUC is a corporation owned by the City of Peterborough, that has overall responsibility for providing drinking water services to the community as well as providing water and wastewater services to the Township of Selwyn. The City of Peterborough has overall responsibility for providing wastewater and storm water services to the community within its geographical boundary.

The City of Peterborough has engaged WSP to conduct a Service Delivery Review (the Review) that examines the viabilities and effectiveness of water, wastewater and storm service delivery models.

The overall purpose of the assignment is to systematically determine the most appropriate, cost-effective, sustainable way to provide municipal water, wastewater, and storm services in the City, while maintaining or improving service levels and without increasing risks.

WSP proceeded to evaluate the two alternate service delivery models to deliver water, wastewater, and storm services for the City of Peterborough. The models were discussed and selected in consultation with the stakeholder group. The models, related assets, responsibilities, and current service levels are provided in this report.

Through consultation workshops, data reviews, and analysis, the two alternate service delivery models were evaluated, in comparison to current state **Model A - Status Quo**. **Model B – City**, which would see the City take over the ownership and responsibility for water as well as continue to provide wastewater and storm services and **Model C – PUC** which would see PUC take over the ownership and responsibility for wastewater and storm service as well as continue to provide water services.

Guiding Principles were developed. The City required these principles to be considered in the review and that whichever model was put forward as a preferred model would, at a minimum, be closely aligned to these Principles.

- a) Protection of Public Safety
- b) Protection of Public Interest and Affordability
- c) Protection of the Environment
- d) Accountability and Transparency
- e) Efficiency and Effectiveness
- f) Flexibility, Innovation and Change

The consulting team undertook a financial modeling exercise to determine the estimated financial impact for the three service delivery models A, B and C. They were evaluated and compared. The financial evaluation considered expected changes in overall annual operating expenditures for each service delivery options.

The summary of the estimated operating expenditures of the three models is listed below in Table 1-1 below.

**Table E-1 Summary of Operating Costs of Financial Models**

<b>Model A – Status Quo</b>	\$36,864,075	Status Quo
<b>Model B – City</b>	\$34,035,184	\$2,828,891 p.a. saving (7.7%)
<b>Model C – PUC</b>	\$35,539,481	\$1,324,594 p.a. saving (3.2%)

The financial estimate favors Model B (transfer of services to the City) ahead of Model C (transfer of services to PUC/COPHI), and both options provide savings compared to Model A (the status quo). The difference in estimated annual savings between Model B and Model C is less than 5%. Cost alone, therefore, does not provide sufficient separation between Model B and Model C to give a clear recommendation.

It is necessary to consider the non-financial aspects to determine the qualitative value for each model in addition to the quantitative estimate for cost savings.

The non-financial benefits also favor Model B over Model C and the main influences for this include:

- Economy of size for the City which is expected to provide several benefits for management of services, reduced overheads, and ability to respond to changing circumstances and peak demand
- Better coordination across multiple service areas within the City, particularly between roads and water services for both construction projects and for better integration on long-term planning
- Greater visibility of asset information, ongoing tracking and understanding of the state of the assets, better financial preparedness for the future, and greater adaptability and resiliency to manage risks, protect the environment, and pursue long-term sustainability for all service deliver.
- Transparency of decision-making, more direct accountability to the community, and flexibility to consider changing community needs as they arise and adapt decision-making process and priorities to achieve the best holistic community outcomes.

In our opinion, **Model B** offers the most advantages and least number of disadvantages and risks to the City and its citizens. It is recommended that Model B be further pursued as the preferred model for management and delivery of water, wastewater, and storm services in the City of Peterborough.

# 1 BACKGROUND

The City of Peterborough has engaged WSP to conduct a Service Delivery Review (the Review) that examines the viabilities and effectiveness of water, wastewater and storm service delivery models. The City and Peterborough Utilities Commission (PUC) have shared roles in the providing water, wastewater and storm services, with PUC currently owning and operating all water assets and the City owning and operating all wastewater and storm assets.

The purpose of this assignment was to review this current operational model in more detail, assessing the people, processes, technology, and expenditures involved in service delivery, and identifying potential opportunities for improvement that would optimize the service delivery model.

The provision of water and wastewater services is viewed in most jurisdictions as a service that is fundamentally tied to the life and wellbeing of the community and is seen quite differently than other utilities such as power, gas and telecommunications. Hence, special consideration of a range of criteria were included in the evaluation for this service.

The key categories of service tasks for both water and wastewater include:

- Billing
- Customer service
- Engineering
- Operation, maintenance, and monitoring,
- Planning,
- Policy/legal, and
- General compliance/conformance tasks

---

## 1.1 COST LOS RISK

Ontario municipalities delivering water and wastewater services are challenged by complex legislation, fiscal constraints, increasing customers/expectations, and aging infrastructure. To address these challenges while maintaining service levels and financial targets, owners and operating authorities strive to balance three intrinsically connected elements: service level, cost, and risk.

Finding an acceptable balance between these elements requires consideration of trade-offs and impacts. For example, by allowing one element to decline or conversely by enhancing another, an organization can be pushed off balance and away from the optimum center point. A municipality may elevate its levels of service beyond what the organization can afford, the cost-of-service provision may be reaching beyond what the community is willing to pay. When the tension between level of service and cost is not

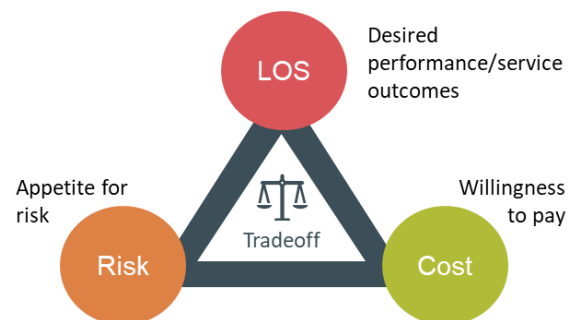


Figure 1-1 Balance of Risk - Level of Service - Cost

balanced, it exposes the organization to greater risks and is not sustainable.

The City of Peterborough is seeking to establish a sustainable balance between service level, cost, and risk. This review provides a foundation for this by defining the current service delivery state, exploring alternate models for water and wastewater service delivery, and identifying cost and operational efficiencies and governance structures that will support an optimal, sustainable balance.

---

## 1.2 OBJECTIVE

The overall purpose of the assignment is to systematically determine the most appropriate, cost-effective, sustainable way to provide municipal water, wastewater, and storm services in the City, while maintaining or improving service levels and without increasing risks.

The goal of the City of Peterborough is to optimize the relationship between service level, cost, and risk, while maintaining safe, reliable, and sustainable services.

---

## 1.3 METHODOLOGY

The methodology for the review began with establishing a stakeholder group to collect data, consult on current practices, and discuss model options for service delivery. The stakeholder group included representation from the City of Peterborough and senior staff from Peterborough Utilities Commission (PUC).

A common industry framework<sup>2</sup>, illustrated in the **Figure 1-2** below, was used to view water and wastewater service provision.



**Figure 1-2 Effective Utility Management Model**

---

<sup>2</sup> <https://www.nacwa.org/docs/default-source/resources---public/eum-primer-final-1-24-17.pdf?sfvrsn=6>

The framework is designed to help water and wastewater utility managers make informed decisions and identify practical, systematic changes to achieve excellence in utility performance in the face of everyday challenges and long-term needs of the utility and the community it serves.

The WSP team carried out the following steps to complete this assignment:

- Phase 1. Consultation / Data Review & Analysis / Interviews / Workshops
- Phase 2. Current state review
- Phase 3. Model definition and evaluations
- Phase 4. Financial modelling of service delivery models
- Phase 5. Final recommendation

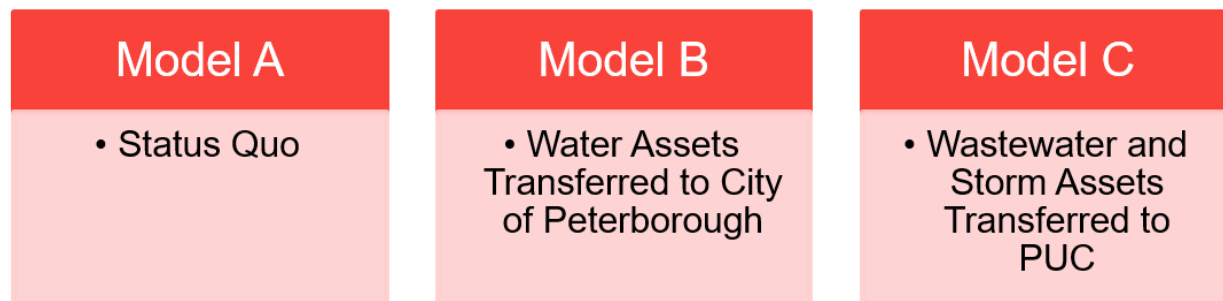
The model evaluations and comparison considered:

- Relevant legislation
- Maintenance of service levels
- Governance and organizational structure
- Planning and sustainability
- Customer relations
- SWOT analysis
- Risks
- Financials – including revenues, expenditures, reserves and capital forecasts

---

## 1.4 MODELS

We expect advantages and economies can be realized from coordination of the City's water and wastewater services under one service provider, whether that service provider is the City or PUC/COPHI. Therefore, two service delivery models were explored and put forward for evaluation to compare to the Status Quo.



**Figure 1-3 Comparator Models**

In discussions with senior staff from PUC, other options were considered that included variations on the two models proposed in Figure 1-3, such as only transferring wastewater treatment to PUC (i.e. not moving storm assets over to PUC); doing a pilot program to assess the efficiencies of merging different services; having PUC be a service provider for wastewater services only; and others that were not specifically defined.

In considering other options, WSP does not recommend separating wastewater treatment from wastewater collection, nor do we recommend separating water treatment from water distribution. Such separation of assets and functions within a service would add unnecessary complexity that will hinder the service providers ability to be effective and efficient in providing the total service, coordinating work, resolving issues, and forward planning. Furthermore, we would expect separation of treatment components from collection and distribution components to increase the overall cost of service and risk of service issues. Storm water services and the processes to operate and maintain these assets are similar in several respects to wastewater assets, therefore we recommend storm and wastewater services are also coordinated under one service provider.

It is none-the-less possible to separately provide storm, wastewater, and water services and to provide treatment services separate to collection and distribution services. We do not recommend this as the best governance model, or the best economic and management model.

WSP and Municipal VU met with PUC senior staff and their consultant Grant Thornton to request PUC put forward their preferred model for review and analysis. The PUC team declined to provide further input into the service delivery models being considered..

The review proceeded therefore with the three options shown in **Figure 1-3**.

---

#### **1.4.1 MODEL A – STATUS QUO**

The current governance model remains unchanged.

- PUC continues to own and operate the water assets and provide drinking water service to the community.
- The City continues to own and operate all wastewater assets and provide wastewater service to the community.
- The City continues to own and operate all storm water assets and provide storm water services to the community.
- Peterborough Utilities Service Inc. continues to provide billing services for water and to the City for wastewater.
- Peterborough Utilities Service Inc. continues to provide Information Technology Services to the PUC and the City.

---

#### **1.4.2 MODEL B – WATER ASSETS TRANSFERRED TO THE CITY**

This model would see all water assets and services transferred to The City.

- PUC would transfer all water assets to The City and the City would now provide drinking water service to the community.
- The City continues to own and operate all wastewater assets and provide wastewater service to the community.
- The City continues to own and operate all storm water assets and provide storm water services to the community.

- Peterborough Utilities Service Inc. would no longer provide billing services to the City for water or wastewater and this service would be absorbed into the City's tax billing group.
  - Peterborough Utilities Service Inc. would no longer provide Information Technology (IT) services to the City, these services would be transferred to the City and the City would provide IT services to PUG
  - Relevant PUC water service and IT staff would be offered the opportunity to transfer to the City
- 

### **1.4.3 MODEL C – WASTEWATER AND STORM ASSETS TRANSFERRED TO PUC**

This model would see all wastewater and storm assets and services transferred to PUC/COPHI.

- The City would transfer all wastewater assets to PUC/COPHI and the PUC/COPHI would now provide wastewater service to the community.
- The City would transfer all storm water assets to PUC/COPHI and the PUC/COPHI would now provide storm water service to the community.
- PUC continues to own and operate all water assets and provide drinking water services to the community.
- Peterborough Utilities Service Inc. continues to provide billing services for water and for wastewater.
- Peterborough Utilities Service Inc. continues to provide Information Technology Services to the PUC and the City.
- Relevant City wastewater and storm service staff would be offered the opportunity to transfer to PUC.

## 2 GUIDING PRINCIPLES

Following discussion with Senior staff from the City of Peterborough, the following Guiding Principles were developed. The City required these principles to be considered in the review and that whichever model was put forward as a preferred model would at a minimum be closely aligned to these Guiding Principles.

- a) Protection of Public Safety
- b) Protection of Public Interest and Affordability
- c) Protection of the Environment
- d) Accountability and Transparency
- e) Efficiency and Effectiveness
- f) Flexibility, Innovation and Change

### **a) Protection of Public Safety**

This principle includes the need to provide high quality drinking water, free from substances that could cause personal harm either in the short or long term. An acceptable standard of aesthetic quality of drinking water must also be provided.

### **b) Protection of Public Interest and Affordability**

Water and wastewater treatment and storm water management are essential services. Access to drinking water and treatment of wastewater is a basic human necessity. Accordingly, this principle requires the affordability of water and wastewater services to be maintained. The preferred model should be able to offer “best value” for services provided.

### **c) Protection of the Environment**

The City of Peterborough needs to be an active stakeholder in managing environmental issues. Appropriate management of the relationship between water treatment, wastewater collection, wastewater treatment, stormwater management, and health of the natural environment is important to the City, and fundamental to the sustainability of current service delivery. This principle requires due consideration of the importance of drinking water quality, protection of raw water sources, effective treatment of water returned to the environment, promotion of water conservation, minimizing adverse impacts on the natural environment and continued focus on local and regional water issues.

### **d) Accountability and Transparency**

This principle requires recognition of a strong public service mandate and the need for clear lines of accountability in the governance structure for delivery of municipal services. Currently the wastewater and storm water services are fully integrated within the City's municipal governance structure. This structure provides for public meetings, published agendas and reports, decisions by publicly elected officials, and opportunity for public involvement. These characteristics maintain a high level of transparency and accountability for wastewater and storm service delivery.

### **e) Efficiency and Effectiveness**

This principle is for efficient and effective operations and management of water, wastewater, and storm services. Key characteristics that support this objective include: an educated, qualified, and motivated workforce; sustainable asset management approaches to infrastructure management, planning, decision-making, and service delivery; appropriate administrative policies and procedures supporting operational needs and required levels of service; clear authority and accountability for service provision; and a focused



political interface for policy direction that provides for the best interests of the community. The preferred service model should manage the water, wastewater, and storm services in a sustainable fashion and promote effective management of shared resources.

**f) Flexibility, Innovation and Change**

This principle requires the preferred service model to include opportunity for innovation, public involvement, apolitical decision-making for operational issues, mechanisms for timely decision-making, and the flexibility to easily adapt to changing circumstances. The preferred governance structure should seek to be both robust and flexible, and it should facilitate development and delivery of long-term, sustainable investment strategies and asset management approaches.

## 3 CURRENT STATE

This section provides an overview of services provided by PUC and the City, and the infrastructure assets used to provide those services.

PUC is a corporation owned by the City of Peterborough, that has overall responsibility for providing drinking water services to the community as well as providing water and wastewater services to the Township of Selwyn. The City of Peterborough has overall responsibility for providing wastewater and storm water services to the community within its geographical boundary.

### 3.1 ASSETS

To provide water services, PUC owns the drinking water systems within its sphere of jurisdiction. PUC provides drinking water to 27,323 customers. The City of Peterborough owns and operates the wastewater systems and the storm water system that provides collection/treatment services to the community.

#### 3.1.1 ASSETS OPERATED AND MAINTAINED BY PUC

**Table 3-1** below outlines all the major asset classes that are owned and operated by PUC to provide drinking water to the community.

**Table 3-1 Water Assets Operated and Maintained by PUC**

Asset Type	Asset Subtype	Inventory	Unit
Water Distribution	Transmission Main (>400mm)	469	km
	Services (incl. T&W?)	27,323	each
	Meters	N/A	each
	Hydrants	2,394	each
	Valves	6,666	each
	Customer Valve (Curb stop)	N/A	each
Water Treatment	Pumping Stations	8	Facilities/Structures
	Storage (Reservoir & Elevated Tank)	5	Facilities/Structures
	Wells (Clearwell)	1	Facilities/Structures
	Water Treatment Facility	1	Facilities/Structures
	Other	N/A	Facilities/Structures
	Vehicles	N/A	Fleet

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### 3.1.2 ASSETS OPERATED AND MAINTAINED BY THE CITY

**Table 3-2** below outlines all the major asset classes that are owned and operated by the City of Peterborough to provide wastewater services to the community.

**Table 3-2 Wastewater Assets Operated and Maintained by the City**

Asset Type	Asset Subtype	Inventory	Unit
Wastewater Collection	Sewer Gravity Main (incl. T&W)	336	km
	Forcemain	12	km
	Sewer Manhole	5,424	each
Wastewater Treatment	Pumping Stations	14	Facilities/Structures
	Wastewater Treatment Plant	1	Facilities/Structures
	Odour Control Facilities	N/A	Facilities/Structures
	Biosolids Centralized Storage Facility	N/A	Facilities/Structures

**Table 3-3** below outlines all the major asset classes that are owned and operated by the City of Peterborough to provide storm services to the community.

**Table 3-3 Storm Assets Operated and Maintained by the City**

Asset Type	Asset Subtype	Inventory	Unit
Stormwater	Storm Sewer Mains	346	km
	Ditches	115	km
	Storm Manholes	7,506	each
	Storm Catch Basins	5,982	each
	Storm Ponds	34	each
	Storm Treatment Facilities	N/A	each
	Oil Grit Separator Unit	31	each
	Foundation Drain Collector	6,774	m

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## 3.2 CORE SERVICES – STATUS QUO

Services are provided through core functions, which vary in responsibility and authority across the systems.

In general, the functions required to provide water and wastewater services to the communities are summarized below, by the responsible provider. We can see from these tables that although there are inherent differences in the service that are provided (water, wastewater, and storm) there are also many similarities in the core functions required to provide those services.

**Table 3-4 Required Functions in Water and Wastewater Treatment Services**

<b>Water Treatment (PUC)</b>	<b>Wastewater Treatment (City)</b>
<b>Billing</b>	<b>Billing</b>
Billing and Payments	Billing Inquiries
Billing Inquiries	Billing Provider Contract Management
<b>Customer Communications</b>	<b>Customer Communications</b>
Customer Outreach & Communication	Customer Outreach & Communication
Customer Service	Customer Service
<b>Engineering</b>	<b>Engineering</b>
Capital Delivery Support	Capital Delivery Support
Development Application Review	Development Application Review
Hydraulic Modelling	Hydraulic Modelling
	Inflow & Infiltration Studies
Process Engineering & Optimization Studies	Process Engineering & Optimization Studies
<b>General</b>	<b>General</b>
DWQMS	Biosolids Land Application
Bylaw Enforcement	Bylaw Enforcement
Capital & Operating Budget	Capital & Operating Budget
Climate Change Adaptation	Climate Change Adaptation
Emergency Management	Emergency Management
	Environmental Compliance Approval Management
Health & Safety Management	Health & Safety Management
Policy and Bylaw Setting	Policy and Bylaw Setting
<b>Planning</b>	<b>Planning</b>
Asset Management	Asset Management
Long-term Budget Forecasting	Long-term Budget Forecasting
Master planning & Class EAs	Master planning & Class EAs
Rate Studies	Rate Studies
Secondary Plan/Functional Servicing Reporting	Secondary Plan / Functional Servicing Reporting
<b>Operation, Maintenance &amp; Monitoring</b>	<b>Operation, Maintenance &amp; Monitoring</b>
Quality Management	Effluent Quality Management
SCADA	SCADA
Water Treatment Operation	Wastewater Treatment Operation

**Table 3-5 Functions - Water Distribution and Wastewater Collection**

<b>Water Distribution (PUC)</b>	<b>Wastewater Collection (City)</b>
<b>Billing</b>	<b>Billing</b>
Billing and Payments	Billing Inquiries
Billing Inquiries	Billing Provider Contract Management
Meter Reads	
Shutoffs	
<b>Customer Communications</b>	<b>Customer Communications</b>
Customer Service	Customer Outreach & Communication
Customer Outreach & Communication	Customer Service
<b>Engineering</b>	<b>Engineering</b>
Capital Delivery Support	Capital Delivery Support
Development Application Review	Collection System Optimization Studies
Hydraulic Modelling	Development Application Review
	Hydraulic Modelling
	Inflow & Infiltration Studies
<b>General</b>	<b>General</b>
Backflow Enforcement	Biosolids Land Application
Bylaw Enforcement	Bylaw Enforcement
Capital & Operating Budget	Capital & Operating Budget
Climate Change Adaptation	Climate Change Adaptation
DWQMS	Emergency Management
Emergency Management	Environmental Compliance Approval Management
Health & Safety Management	Health & Safety Management
Locates	Locates
New Service Inspections	New Service Inspections
Policy and Bylaw Setting	Policy and Bylaw Setting
<b>Planning</b>	<b>Planning</b>
Asset Management	Asset Management
Long-term Budget Forecasting	Long-term Budget Forecasting
Master planning & Class EAs	Master planning & Class EAs
Rate Studies	Rate Studies
Secondary Plan / Functional Servicing Reporting	Secondary Plan / Functional Servicing Reporting
<b>Operation, Maintenance &amp; Monitoring</b>	<b>Operation, Maintenance &amp; Monitoring</b>
Backflow Testing	CCTV Inspection
Operation & Maintenance of Main & Trunk	Operation & Maintenance of Main & Forcemain
Break Repair	Effluent Quality Management
Hydrant Flow Test	Grinder Pump Inspection & Maintenance
Hydrant Flushing	Inspection Support
Hydrant Inspection	Maintenance Hole Inspection
Main break Repair	Septic Tank Inspection
Meter Installation/R&R	Sewer Flushing
Quality Management	SCADA

## 4 COMPARISON OF MODELS

With current state established, WSP proceeded to evaluate the two alternate service delivery models to deliver water, wastewater, and storm services for the City of Peterborough. The models were discussed and selected in consultation with the stakeholder group. The models, related assets, responsibilities, and current service levels are provided in this report.

Through consultation workshops, data reviews, and analysis, the two alternate service delivery models were evaluated, in comparison to current state (Model A - Status Quo).

- Strengths, limitations, external opportunities, and external threats were discussed and defined.
- Organizational Considerations, Financial Considerations were evaluated in detail.
- Risks were explored in the categories of Operational, Governance, Staffing, Compliance, Environmental, Technology, Financial and Reputational.

Using the analysis listed above, a qualitative summary of comparative benefits was developed, and the highlights of that analysis are summarized in the following sections.

### 4.1 MODEL B – CITY OF PETERBOROUGH

This model would see all water assets and services transferred to The City. The City would be the sole provider of Water, Wastewater, and Storm services.

**Table 4-1 Comparative Influences on Costs, Risks, and Governance - City**

Cost, Risks, & Governance	Issues / Influence	Benefit
<b>Management</b>		
Operational efficiencies	<ul style="list-style-type: none"><li>• Combined services under one provider will deliver cost efficiencies</li><li>• At City additional benefit and efficiency can be gained from flexibility to use staff on other tasks when needed</li></ul>	High
Coordination with other services	<ul style="list-style-type: none"><li>• Opportunity for high level of coordination with other City services for construction works i.e., between roads and utilities, as well as for long term planning</li></ul>	High
Supporting services	<ul style="list-style-type: none"><li>• Comprehensive support groups (PW, mechanics, accredited laboratory, HR, legal, etc.). This should generate cost efficiency in overheads and stronger coordination and standardization across the organization</li></ul>	High
Visibility of assets and issues (increased opportunity/options)	<ul style="list-style-type: none"><li>• City will have greater visibility of asset data allowing better informed decisions and risk mitigation across multiple assets/services</li></ul>	High
<b>Financial</b>		
Lower overheads	<ul style="list-style-type: none"><li>• Economy of scale at the City should allow lower overhead costs for combined services</li></ul>	Med
Profit not an incentive	<ul style="list-style-type: none"><li>• City is not required to generate a profit from service delivery, allowing an option for lower fees.</li></ul>	Med

Cost, Risks, & Governance	Issues / Influence	Benefit
Long-term financial stability and sustainability	<ul style="list-style-type: none"> <li>Decisions will focus on long-term sustainable service delivery without adverse influence of profit considerations.</li> </ul>	Med
Sell services to others	<ul style="list-style-type: none"> <li>Although the City's governance model allows for the sale of services to others, this would not be a primary mandate/driver.</li> </ul>	Low
<b>Technology</b>		
Asset Management systems	<ul style="list-style-type: none"> <li>Having a well-developed AM system and asset data for all assets allows               <ul style="list-style-type: none"> <li>greater integration, coordination, and standardization across services.</li> <li>cost efficiencies, reduced risks, and improved service delivery across multiple services</li> <li>improves accountability and transparency compared to status quo where the City has little if any visibility of the state of the assets and rate of deterioration</li> <li>better preparedness for potential future asset issues and greater ability to mitigate cost and service risks</li> </ul> </li> </ul>	High
Asset Management Plans	<ul style="list-style-type: none"> <li>Asset Management Plans (AMP) are required for all utility services (wastewater, storm, and water). It is critical to have access to all the relevant asset data to prepare an AMP and maintain it up to date. AMP's must be comprehensive and cover state of the infrastructure, level of service, performance measures and targets, lifecycle strategies, risk management, demand assessment, long term financial forecasts, continuous improvement, and implementation plans. The AMPs must also align with the City's objectives and O.Reg 588 requirements. If the City was managing all the assets and services, they would be in a better-informed position to develop and maintain up-to-date, compliant, AMP's and reporting. Information would also be readily accessible to the City's decision-makers and for better coordination across services and asset groups.</li> </ul>	Med
Billing systems	<ul style="list-style-type: none"> <li>Although there will be set-up costs for new billing, the City already has the systems and staff for billing and can handle the extra volume for a lower incremental overhead</li> </ul>	Med
<b>Compliance</b>		
Experience and Capability	<ul style="list-style-type: none"> <li>Issues regarding staff experience and capabilities for operations, maintenance, and compliance will be similar for both Model B and Model C. It is unlikely to be a major issue because staff providing the service now will be offered the option to transfer to the new service provider</li> <li>There will be some set-up costs for recording/reporting systems</li> </ul>	Low

Cost, Risks, & Governance	Issues / Influence	Benefit
<b>Staff</b>		
Staffing capacity / utilization	<ul style="list-style-type: none"> <li>The City (because it provides more services) is better positioned to efficiently manage staff capacity and utilization. This can be very important for risk mitigation in emergency events. The City has a greater pool of people who could be temporarily assigned to assist in peak times. Or in slow times, some staff could assist other services</li> </ul>	Med
Attracting staff	<ul style="list-style-type: none"> <li>The City will probably have some labour and wage issues to manage with staff transferring from PUC/COPHI on different agreements and pay rates to City staff</li> </ul>	Low
<b>Governance</b>		
Transparent governance	<ul style="list-style-type: none"> <li>The City has a more transparent governance structure and level of public scrutiny.</li> <li>There are more requirements on the City for financial reporting, robust asset management, long-term financial planning, defensible decision-making, reporting to the public and involvement of the public.</li> <li>This provides a higher level of protection to the community for responsible management of service delivery, and quality of decision-making and future planning</li> </ul>	High
Customer service response and tracking	<ul style="list-style-type: none"> <li>The City has a stronger mandate for accountability to the community.</li> <li>Customer service systems and staff can be expanded to provide for the new service for less overhead cost than the status quo</li> <li>Having all customer requests and issues recorded in one corporate system allows better visibility and coordination across multiple service areas</li> <li>The City could offer in person counter services</li> </ul>	Med
Flexibility / Adaptability / Resiliency	<ul style="list-style-type: none"> <li>The City is vested in the wellbeing and long-term sustainability of the community. Through the elected officials, the City is directly accountable to the community and has the flexibility to adapt to a wide range of issues, circumstances, and changing priorities, as needs arise.</li> <li>The City is committed to resiliency, protection of the environment, quality of life, economic viability, and management of risks including climate change.</li> </ul>	High



## 4.2 MODEL C - PUC

This model would see all wastewater and storm assets and services transferred to PUC/COPHI. PUC/COPHI would become the sole provider of Water, Wastewater, and Storm services.

**Table 4-2 Comparative Influences on Costs, Risks, and Governance – PUC/COPHI**

Cost, Risks, & Governance	Issues / Influence	Benefit
<b>Management</b>		
Operational efficiencies	<ul style="list-style-type: none"> <li>Combined services under one provider will deliver cost efficiencies</li> <li>At PUC some additional benefit and efficiency may be gained from flexibility to use staff on other tasks when needed but this will be less than Model B because of fewer staff and less services than the City</li> </ul>	Med
Coordination with other services	<ul style="list-style-type: none"> <li>Opportunity for coordination between water and wastewater but no change to current low level of coordination with other City services for construction works and long-term planning.</li> </ul>	Low
Supporting services	<ul style="list-style-type: none"> <li>Minor cost efficiencies in overheads for supporting services but less than what would be expected for Model B</li> </ul>	Low
Visibility of assets and issues (increased opportunity/options)	<ul style="list-style-type: none"> <li>City will have less visibility of asset data if service is transferred to PUC/COPHI and less information for decisions and risk mitigation across multiple assets/services</li> </ul>	Low
<b>Financial</b>		
Lower overheads	<ul style="list-style-type: none"> <li>Economy of scale at PUC/COPHI should allow some lower overhead costs for combined services, but savings are not expected to be as much as for Model B</li> </ul>	Med
Profit is an incentive	<ul style="list-style-type: none"> <li>PUC/COPHI is required to generate a profit from service delivery. This would typically drive higher fees than Model B. However, this is balanced trade-off because the profit is a revenue source for the City.</li> </ul>	Med
Long-term financial stability and sustainability	<ul style="list-style-type: none"> <li>PUC/COPHI have strong drivers for short-term planning and profit generation, but less focus on long-term sustainable service delivery and less direct accountability to the community and lower public scrutiny.</li> </ul>	Low
Sell services to others	<ul style="list-style-type: none"> <li>The PUC/COPHI governance model allows the sale of services to others. This would be a stronger driver for PUC/COPHI than for the City in Model B. However, the City and indirectly the community would benefit from any profits generated from these activities.</li> </ul>	High

Cost, Risks, & Governance	Issues / Influence	Benefit
<b>Technology</b>		
Asset Management Systems	<ul style="list-style-type: none"> <li>Even if PUC/COPHI had a well-developed AM system and comprehensive asset data, there would be little benefit to the City or the community unless the City had full access to this information.</li> <li>Currently the City has little or no access to water asset data and would expect in Model C to also lose visibility of wastewater and storm asset data</li> </ul>	Low
Asset Management Plans	<ul style="list-style-type: none"> <li>PUC currently has ownership of all water assets; however, their asset management plan is dated (2014) and only addresses some asset management components of the underground linear assets. This would not be in compliance with O.Reg 588. The City has overall responsibility for compliance but requires input and participation from PUC to comply. If wastewater and storm services are transferred to PUC, provision will be needed for the AMPs, alignment with the City's objectives, and reporting requirements.</li> </ul>	Low
Billing systems	<ul style="list-style-type: none"> <li>Although there will be set-up costs for new billing, the PUC/COPHI already have systems for billing, but it is not clear if existing staff numbers can handle the extra volume or whether additional staff will be required and how that might affect overhead costs</li> </ul>	Low
<b>Compliance</b>		
Experience and Capability	<ul style="list-style-type: none"> <li>Issues regarding staff experience and capabilities for operations, maintenance, and compliance will be similar for both Model B and Model C. It is unlikely to be a major issue because staff providing the service now will be offered the option to transfer to the new service provider</li> <li>There will be some set-up costs for recording/reporting systems</li> </ul>	Low
<b>Staff</b>		
Staffing capacity / utilization	<ul style="list-style-type: none"> <li>PUC/COPHI (because it provides only a few services) is not as well positioned as the City to efficiently manage staff capacity and utilization. This can be very important for risk mitigation in emergency events. PUC/COPHI has a smaller pool of people compared to the City and less able to temporarily assign resources to assist in peak times.</li> </ul>	Low
Attracting staff	<ul style="list-style-type: none"> <li>PUC/COPHI will probably have some labour and wage issues to manage with staff transferring from the City on different agreements and pay rates to PUC/COPHI staff. However, PUC/COPHI generally offers better pay rates so would attract staff more easily than the City, which is a positive benefit. But the higher pay rates would potentially drive higher fees which would be a negative outcome for the community.</li> </ul>	Med

Cost, Risks, & Governance	Issues / Influence	Benefit
<b>Governance</b>		
Transparent governance	<ul style="list-style-type: none"> <li>PUC/COPHI has less direct public scrutiny and fewer requirements for financial reporting, robust asset management, long-term financial planning, defensible decision-making, reporting to the public and involvement of the public.</li> <li>This provides a lower level of protection to the community compared to Model B, for responsible management of service delivery, and quality of decision-making and future planning</li> </ul>	Low
Customer service response and tracking	<ul style="list-style-type: none"> <li>PUC/COPHI cares about customers and has a good customer service response and tracking system. However, there is no connection between this system and the City system that records issues for other service areas. This reduces opportunity for coordination across multiple service areas and having a holistic view of all services to the community and performance tracking</li> </ul>	Med
Flexibility / Adaptability / Resiliency	<ul style="list-style-type: none"> <li>PUC/COPHI is vested in the wellbeing and long-term sustainability of the community. However, public scrutiny and accountability in Model C is less direct than for Model B</li> <li>PUC/COPHI is expected to have as much opportunity for flexibility, innovation, and adaptation to a wide range of issues, circumstances, and changing priorities, as available in Model B. However, it is unclear how much the need for change would be driven by the organization or responding to the needs of the community.</li> <li>The level of organizational commitment to resiliency, protection of the environment, quality of life, economic viability, and management of risks including climate change is not as clearly understood for Model C and may be slightly less than expected in Model B.</li> </ul>	Med

## 5 FINANCIAL COMPARISONS

The estimated financial impact for the three service delivery models A, B and C, were evaluated and compared.

The financial evaluation considered expected changes in overall annual operating expenditures for each service delivery option. Assumptions are noted below<sup>3</sup>, and in each evaluation.

The evaluations include:

- Model A – Status Quo baseline 2022 budgeted expenditures for current state
- Model B - overall estimated operating costs related to the City assuming all Operating Authority responsibilities for water, wastewater, and storm services.
- Model C - overall estimated operating costs related to PUC/COPHI assuming Operating Authority responsibilities for water, wastewater, and storm services.

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### 5.1 MODEL A – STATUS QUO

The overall water, wastewater, and storm services budgets from PUC (including the Riverview Park and Zoo, which is funded from water revenues) and the City of Peterborough are summarized below as the status Quo costs.

**\$36,864,075**

This amount includes all direct and indirect costs associated with delivering the water, wastewater, and storm services. This does not include the annual capital costs incurred to maintain the assets in a state of good repair. This amount serves as a control total for the other service delivery model comparisons.

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### 5.2 MODEL B – WATER ASSETS TRANSFERRED TO THE CITY

Using data supplied by PUC and the City and making the assumptions noted below, the estimated combined operating expenditures for the City to manage the water, wastewater, and storm assets and provide those services to the community is:

**\$34,035,184**

Compared to the Status Quo, this amounts to an annual operating cost savings of \$2,828,891 or approximately 7.7%.

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<sup>3</sup> The financial models were developed based on 2022 budgeted amounts that were supplied by PUC and the City. Estimates are based on consultation, staffing estimates, current state analysis results, and consulting team experience. Specific Model assumptions are noted in each Model evaluation.

### **Assumptions**

- All of the City's direct and indirect costs were included in Model B.
- All of PUC's direct and indirect costs were included in Model B except those costs eliminated below.
- Senior management costs of \$195,000 for the oversight of operations was eliminated as the City currently has a Commissioner of Infrastructure and Planning Services. All other operations management staff such as managers and supervisors were carried forward.
- One half of the \$434,000 related to Customer Service labour or \$217,000 was eliminated as the City has extensive customer service resources. The remaining \$217,000 was carried forward as a conservative estimate of the effort that may be required, however, after further analysis this may also be reduced.
- All of the \$413,000 labour costs for operational support were eliminated as the City has extensive resources for operational support.
- IT costs of \$206,000 related to PUG specific needs was eliminated as these costs will be borne by PUG not the City.
- All costs for meter reading, mailing and billing were carried forward in Model B
- The costs that the City currently incurs to support wastewater and storm services for such things as HR, Purchasing, Finance, etc. is approximately 2.7%. This percentage was applied to the direct costs for the water operations that would be transferred to the City.
- A report that was commissioned by PUC identified an approximate 8% efficiency factor could be achieved if the water and wastewater were merged together. Our team applied a more conservative efficiency factor of 5%.

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## **5.3 MODEL C – WASTEWATER AND STORM ASSETS TRANSFERRED TO PUC/COPHI**

Using data supplied by PUC and the City, and making the assumptions noted below, the estimated combined operating expenditures for PUC to manage the water, wastewater, and storm assets and provide those service to the community is:

**\$ 35,539,481**

Compared to the Status Quo, this amounts to an annual operating cost savings of \$1,324,594 or approximately 3.2%.

### **Assumptions**

- All of PUC's direct and indirect costs were included in Model C.
- All of the City's direct and indirect costs were included in Model C except approximately \$637,000 of support costs that the City incurs to support wastewater and storm services.

- From the limited information supplied by PUC it was estimated that the costs that PUC currently incurs to support water services for such things as HR, Purchasing, Finance, etc. is approximately 11%. It was estimated that if PUC were to take over wastewater and storm services additional support resources would be required, but that they could find additional efficiencies in their support costs going forward. A conservative estimate of 5% was applied to the direct costs for the wastewater and storm water operations that would be transferred to PUC.
- A report that was commissioned by PUC identified an approximate 8% efficiency factor could be achieved if the water and wastewater were merged together. Our team applied a more conservative efficiency factor of 5%.

## 5.4 SUMMARY OF FINANCIALS

The summary of the estimated operating expenditures of the three models is listed below in Table 7-1 Below.

**Table 5-1 Summary of Operating Costs of Financial Models**

<b>Model A – Status Quo</b>	\$36,864,075	Status Quo
<b>Model B – City</b>	\$34,035,184	\$2,828,891 p.a. saving (7.7%)
<b>Model C – PUC</b>	\$35,539,481	\$1,324,594 p.a. saving (3.2%)

# 6 CONCLUSIONS AND RECOMMENDATION

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## 6.1 OBSERVATIONS AND CONCLUSIONS

The financial estimate favors Model B (transfer of services to the City) ahead of Model C (transfer of services to PUC/COPHI), and both options provide savings compared to Model A (the status quo). However, the financial estimate was not a comprehensive analysis based on access to a detailed breakdown of historical cost information and verification of overhead costs for either PUC/COPHI or the City. The evaluation was based on high-level cost information provided by each organization and includes a variety of assumptions as noted in the report.

The difference in estimated annual savings between Model B and Model C is less than 5%. The outcome could change if any of the assumptions change or if more detailed financial information was analyzed and verified. Cost alone, therefore, does not provide sufficient separation between Model B and Model C to give a clear recommendation.

It is necessary to consider the non-financial aspects (as reported in section 4), to determine the qualitative value for each model in addition to the quantitative estimate for cost savings.

The non-financial benefits also favor Model B over Model C and the main influences for this include:

- Economy of size for the City which is expected to provide several benefits for management of services, reduced overheads, and ability to respond to changing circumstances and peak demand
- Better coordination across multiple service areas within the City, particularly between roads and water services for both construction projects and for better integration on long-term planning
- Greater visibility of asset information, ongoing tracking and understanding of the state of the assets, better financial preparedness for the future, and greater adaptability and resiliency to manage risks, protect the environment, and pursue long-term sustainability for all service delivery
- Transparency of decision-making, more direct accountability to the community, and flexibility to consider changing community needs as they arise and adapt decision-making process and priorities to achieve the best holistic community outcomes.

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## 6.2 RECOMMENDATION

In our opinion, **Model B** offers the most advantages and least number of disadvantages and risks to the City and its citizens. It is recommended that Model B be further pursued as the preferred model for management and delivery of water, wastewater, and storm services in the City of Peterborough.

In Model B the City of Peterborough assumes full operating authority and responsibility for the water assets and service delivery and continues the current role for management of wastewater and storm assets and provision of wastewater and storm services.

## 7 NEXT STEPS

If staff and Council adopt WSP's recommendations, the following implementation steps should be planned and considered:

1. **Set up a transition team.** This transition team should include staff from the following areas in the City:
  - Senior Management
  - Operational management staff
  - Human resources staff
  - Finance staff
  - Legal staff or consultation
  - Communications staff

Representation from PUC including Senior Management and support staff as needed from operations, billing services, finance, and human resources.

2. **Develop a Project Charter** that includes the values that are to be followed and the overall objectives and responsibilities of the parties. Clearly define the key stakeholders and each of their responsibilities.
3. **Develop a Communications Strategy** that clearly identifies the key stakeholders and the messaging to each group. This should go down to the tactical level and identify who will be discussing what. Stakeholder should include Council, CAOs, unions, staff, the Public, the MECP, etc.
4. **Develop a Change Management Plan** to ensure that the objectives and values set up front are being adhered to and accomplished while minimizing disruption. A change management plan helps manage the change process, and also ensures control in budget, schedule, scope, communication, and resources. The change management plan will minimize the impact a change can have on the organizations involved, employees, customers, and other important stakeholders.
5. **Explore asset considerations** including fleet, facilities and equipment that will be required, and any stranded assets in PUC that may be transferred or purchased by the City.
6. **Review the Collective Agreements** to ensure commitments are met and issues such as potential successor rights are explored and resolved.
7. **Identify and address other legal and administrative issues** such as Operating Authority administrative changes under the Municipal Drinking Water License, new staff reporting relationships and organization changes, and so on.







## PETERBOROUGH UTILITIES GROUP

1867 Ashburnham Drive, PO Box 4125, Station Main  
Peterborough ON K9J 6Z5

### Appendix B - Report CAO22-008

June 23, 2022

#### Via Email Only

Peterborough Utilities Commission  
Attention: Commissioners  
1867 Ashburnham Drive  
Peterborough, Ontario  
K9J 6Z5

Dear Commissioners:

#### **RE: CAO Report CAO22-006 and Accompanying WSP/Municipal VU Report**

We are writing to you to express our serious concerns with respect to the above reports, both the process leading to them and their contents.

This letter refers to the following entities:

- Peterborough Utilities Commission (PUC) – Operating under the authority of the Municipal Act, the PUC provides water services to the residents of the City of Peterborough. PUC is a **non-profit fully controlled subsidiary of the City of Peterborough** and is governed by the Mayor and four City Councilors on behalf of the City acting as the Commissioners.
- PUG Services Corp. (PUG) is a corporation that as part of the Peterborough Utilities Group is fully owned by the City of Peterborough. The PUG provides professional services to the PUC.

At the outset and over three years ago, we approached the City, and by extension the Commission, with respect to growing the water business to reduce rates, grow new jobs, while doing more for our customers. We started with a request of the City to work collaboratively with the provision of data to gain further understanding and to work collectively to explore the best outcome possible. As you are aware as members of both the Commission and Council, our request for three years has been disregarded, and further miscast with fearmongering of “privatization” or that we hold a limited view of only one alternative. It is important to note that while we were advocating that the wastewater asset be considered for transfer to the utility, we were requesting a collaborative approach to the evaluation of this alternative. There simply was insufficient available data from the City to make a reasoned assessment. This issue still remains.

In response and in disregard to our request, the City stated that they needed to complete an independent report of all alternatives. What we have seen in the process leading to the above noted reports and the contents of these reports, is a contradiction to these stated objectives. The process has been far from independent, and throughout controlled by the City in all aspects of the engagement, and the scope has been unduly narrowed to a choice of only two alternatives.

It is implied by these reports that all the work is done, the alternatives have all been vetted, and independence has been attained. This is not the case.

**More importantly, it is implied that Council must decide on one of the options presented. This is simply not the case.**

The supporting analysis in the reports is suspect and lacks sufficient detail to make any reasoned assessment. It is purposely steered to unsubstantiated "headline cost savings" of comparing these arbitrarily defined alternatives. The qualitative principles of the report have been unilaterally, arbitrarily and narrowly defined. Absent are principles related to customer rates and employees. No wonder then that we find embedded in these recommendations that employee jobs are being lost.

We have followed the discussion at Council June 20, 2022, and after reading the report we are asking several questions that we expected would have been addressed in any review of the report and in exercising reasonable skepticism and inquiry. To date, it is apparent that there is a lack of due inquiry and reasonable evaluation of this report and process.

The utility was not provided an opportunity to read this report or review the underlying data, assumptions and analysis before its release. In the report, the Commission has received questionable evaluations of its compliance, accountability and transparency, which Commissioners and Management should not take lightly. With this background, we feel compelled to take the opportunity now to put on the record the issues with this process and the report's findings. Commissioners should also evaluate the appropriateness of these comments.

Turning to next steps, clearly the evaluation and alternatives are more comprehensive than these two simple choices or the analysis presented. Given the many gaps, we do not think that one can arrive at a reasoned and transparent solution in the compressed timelines in front of us all.

**Ultimately, there are many issues with this process and report, no decision making can be made.**

## KEY OBSERVATIONS

### 1. LOST EMPLOYMENT

Lost employment is unaccounted for in any analysis or highlighted in this report. The report's suggested savings **will result in employment redundancies of approximately 10-12 positions at an estimated annual cost of \$850,000 to \$1.0 million annually.** These cost savings articulated on page 19 of the WSP report are labour reductions and relate to support services, including customer service, human resources, finance and purchasing – both union and non-union/management positions. The report noted that **these positions would be “eliminated”** as the City has “extensive resources” available to absorb these functions.

In addition to the above savings, an additional \$1.8 million in savings is included calculated by an “efficiency factor” to arrive at the total savings of \$2.8 million (page 18). Nowhere does this report speak to the makeup of these costs. However, as approximately two-thirds of the operating expenses are labour related, it can only be assumed that this will result in significant additional job losses.

**Those positions will be laid-off, and/or severed resulting in lost employment. Otherwise, they are NOT cost savings.**

It is important to know that the impact of this report is apparent to our employees. Union employee's representation, **IBEW local 636, fully supports our conclusions regarding the negative outcome to their membership.** IBEW's communication is attached to this letter.

### 2. PHANTOM SYNERGIES

The Commission and Council need to clearly understand that the report's assumed synergies created at the City level (which lacks objective analysis) results in an equal or greater destruction of existing synergies within the PUG. Employees and labour are already shared efficiently. **That has resulted in a utility with lower rate increases than many in the Province and lower annual escalation than the City's own tax increases.**

When you terminate employment of employees, as noted in observation 1 above, you will have further decoupled any remaining positions of the PUG to serve the rest of its business. That will result in additional costs to reset PUG's financial position which will reduce the City's dividend accordingly. The response given by WSP in the Council meeting was that PUG will deal with the employment redundancies. The COPHI Board of Directors has not been consulted or advised that they will be severing or terminating the employment of employees.

Synergy gains on one side = Synergy losses on the other side.

**The only one that loses are employees.**

### 3. INCREMENTAL COSTS ASSOCIATED WITH TRANSFER OF OPERATIONS

The consultant's cost analysis does not take into account the incremental costs of the transition of the organization to the City. Without this accounted for, the report's stated cost savings are overstated. With respect to cost of employees (if they are not severed) and the required investment in IT billing infrastructure, **the analysis is understated by a minimum of approximately \$2.5 million in incremental costs.** This is before we consider transition costs, data transfer costs and ongoing IT overhead costs explained in further detail later in the billing section of this report. If employees are severed, significant additional costs will be incurred at the outset.

### 4. ACCOUNTING BASIS

A significant amount of the identified savings results from the consultant applying an overhead percentage to direct costs. To rely on such an analysis, the accounting standards and categorization of expenses must be consistent across organizations. Based on our financial discussions with the consultant this was never discussed, and there appears to be significant differences that were not considered:

- The capitalization standards of the organizations differ resulting in additional overhead costs capitalized in City vs expensed in PUG
- The classification of expenses between direct vs indirect/administrative was never defined or reviewed. For example, customer service is classified as a shared service in PUG, however it is a direct cost of operating a utility. Additionally, when reviewing the draft technical memo, the City indirect expenditures did not include the lines for "Wastewater Support", "Stormwater Support" or Sanitary Support" which could result in further inconsistencies in comparing the two operations.
- Per the City's 2018 audited financial statements, significant expenditures are recorded as "General Government" and therefore not applied to operating divisions. PUG allocates all expenses directly to the operating companies.
- Additional administrative expenditures are incurred by PUG. Property taxes are a net neutral as they are paid by the PUC to the City, however simply comparing the operating expenses of the two organizations shows higher expenses in PUC as a result.

### 5. COMPLIANCE

The comparative analysis suggests an alleged lack of compliance or accountability. If you as Commissioners accept and believe this premise, then you are admitting your own negligence. Of course, these assertions are unfounded.

The PUC has been treating the drinking water safely on behalf of the City of Peterborough for over 100 years.

## 6. A COMPREHENSIVE ANALYSIS IS NEEDED

This report and its conclusions focus on City and the taxpayer's savings **at the expense of an already efficient utility and the ratepayer.** We have also highlighted it is at the expense of the employees.

As noted in the City staff report there are many different methods in which municipalities structure their water, wastewater and stormwater operations. The status quo has worked well for the City of Peterborough for years, and any review would need to fully analyze all the different options available.

In addition, when comparing among municipalities we must not ignore the experience and expertise within the PUG and COPHI's Board of Directors, that have successfully built a portfolio of assets that currently generate dividends to the City of over \$5 million dollars a year.

### OTHER SPECIFIC OBSERVATIONS

We are struck by several items from the report that are at best misleading and need significant further evaluation, understanding and context.

Before reviewing the issues, it must be again pointed out that this was not an independent process. This process was driven exclusively by City staff, with PUG not invited to participate in the selection of the consultants, discuss the scope or objectives of the process, or comment on the project schedule. In terms of reviewing the information that was to be included in the report, PUG expected to receive two Technical Memos based on the originally stated project deliverables. The first memo, which was incomplete and in draft form, was received by PUG on May 26, 2022, more than two months after its scheduled date. The second technical memo was never received by PUG in any capacity. Lastly, the final report was not provided to PUG ahead of public release. This did not allow for either PUG comment or discussions with staff prior to the release of information that many have already taken as a direct attack on their jobs.

These specific observations are by no means a full review of all issues we have noted in the report but rather is meant to highlight several substantial areas of concern for the Commission.

1. Guiding Principles (page I) – As the report states, these were developed following discussion with Senior staff from the City of Peterborough and did not include any input from the PUG. This aligns with the rest of the engagement or lack thereof, as noted above. These principles are insufficient for a full analysis. For example, they fail to include both customer rates analysis and impact on employees.

In addition, no analysis was directly provided in the report relating to the principles noted and describing how the organizations currently operate. Reviewing the report with these specifically in mind, we note the following:

- a. Protection of Public Safety – PUG/PUC has had no public safety incidents and has a North American recognized and awarded safety management system. Our water quality compliance is best in class.

The Peterborough drinking water system consistently maintains a 100% compliance rating with Ministry Drinking Water Regulations and accreditation to the Drinking Water Quality Management System (DWQMS) under the Safe Drinking Water Act. PUG also maintains full compliance with the requirements of all pertinent legislation that provides governance for Drinking Water Systems. Additionally, PUG provides the Commission and the public with a comprehensive annual drinking water report that summarizes all analytical results as well as our overall performance in providing safe, reliable potable water.

Failure to meet all the applicable legislation can result in potential fines of Commissioners within their Standard of Care responsibilities, erode public confidence in our drinking water system, and could potentially result in the significant illness within the community.

- b. Protection of Public Interest and Affordability – Rate increases have been historically lower than City tax increases. The 2022 increase was 2.29% even after the transfer of the electric business. **Nowhere does the report speak to water/wastewater rates.** In addition, to lower than industry average increases, the PUG suspended the collection of all interest and late charges at the onset of the pandemic in 2020 to assist the community at this unprecedented time.
- c. Protection of the Environment – PUG focuses on clean water supply. We are founding members of the Peterborough Children’s Water Festival which provides education and learning on the issues around safe clean drinking water to students in Peterborough. To date, over 42,000 students have been given the opportunity to discover the importance of safe clean water through this program. In addition, PUG is a municipal leader in green energy electricity generation.
- d. Accountability and Transparency – PUC has open meetings, including the annual budget meeting, that is advertised to the public. PUC has fully audited financial statements, in addition to an annual report that is made available to the public on the PUG website.

All decisions are ultimately made by the Peterborough Utilities Commission, which is made up of 4 City Council members and the Mayor as chair. The report notes that the City has a more transparent structure than the PUC (page 14). This is not factual – **we have never seen a public review of wastewater rates, and again, this report does not speak to rates**. Furthermore, the Technical Memo which we were provided noted that the City staff stated one of the things they are not doing well is “long-term capital planning” and “multi-year budgeting” (draft TM page 12). These self-assessed challenges are nowhere to be found in this report.

As noted in City Staffs report CA022-006, one of the key principles for public drinking water systems is “meaningful public input (before any change in water authority governance)”. **Nowhere throughout this process has public input been sought**. This was not included at any step in the WSP project schedule nor was it mentioned in the report. The timing of the report release and lack of public consultation leads to questions of both accountability and transparency.

- e. Efficiency and Effectiveness – PUG has a highly qualified and motivated workforce, with high job satisfaction and very low turnover. Employee morale, even considering the ongoing pandemic, has remained high. In addition, the reliance on economies of scale to produce savings to the City in Model B, completely ignores the economies of scale that currently exist within PUG. The statement that PUG would simply assume \$206 thousand in additional IT costs (page 19) demonstrates this impact, while at the same time a lack of understanding of the overall organizational structure. This situation is not a savings, but instead simply a shifting of costs between two wholly owned subsidiaries of the City.
- f. Flexibility, Innovation and Change – The PUC operates a fully functional Pilot Plant, which allows us to test out new technologies to maintain compliance with more stringent regulations that focus on cost effective manners to treat drinking water.

### SIGNIFICANT ITEMS TO ADDRESS

There are five significant items noted below contained in the report that need to be addressed:

1. Profit is **not** an incentive (page 12/15) – There is a lot of talk about profit increasing costs throughout the report; but you are comparing PUC vs. the City. **PUC IS NOT FOR PROFIT**.
2. Financial Comparison (Page 18) – Without any additional review or analysis, per the assumptions included in section 5.2, between \$825 thousand - \$1 million support labour costs would be eliminated under this proposal. This equates to the **loss of at least 10-12 full time PUG jobs**, in addition to an **unidentified number of operational positions that would be required to be eliminated** to meet the stated cost savings.



3. Appendix D – Report CAO22-006 section 4.2, page 16 of the report WSP state “The City has overall responsibility for compliance but require input and participation from PUC to comply”. This report reference is entirely misleading and incorrect. The City of Peterborough has not requested PUG to provide any information to date, regarding water asset management plan information, in order for the City of Peterborough to comply with Ontario Regulation 588/17: Asset Management Planning for Municipal Infrastructure. PUG as the operating authority, has prepared and maintained for many years, a legislatively compliant asset management plan, which includes the evaluation of all the water utility assets.
4. Billing systems – PUG currently does all the billing, billing inquiries, and customer service for both water and wastewater, which the report fails to highlight. The City is not prepared for this and it has not been factored into the analysis. The report notes “set-up costs”, but we do not see these factored into the analysis.

To be clear, the City cannot currently bill for water and it is unlikely this would ever be considered within the SAP system, without significant cost. Therefore, any decision to move billing to the City would require the implementation of new software to prepare the bills, in addition to the transfer of historical records. This would undoubtedly be more cost and effort than just “set-up costs” and would require not only upfront software costs, but also configuration costs, integration costs and ongoing maintenance and IT overhead.

5. Finally on page 4 it is stated
  - a. *WSP and Municipal VU met with PUC senior staff and their consultant Grant Thornton to request PUC put forward their preferred model for review and analysis. The PUC team declined to provide further input into the service delivery models being considered..*

In a February 2022 meeting that PUG arranged for WSP, we provided a full review of the report with Grant Thornton, page by page for WSP, for their review and understanding. They had no further questions. Subsequently, we offered on countless occasions opportunity for clarification of any matters, including but not limited to the Grant Thornton report, throughout the duration of WSP’s 6-month engagement. **WSP indicated that they were satisfied**, and any follow up questions were promptly responded to by PUG management.

At the outset of this engagement, and again in our meeting on May 3, 2022, WSP confirmed that the Grant Thornton report (our submission) was out of scope and that they would not consider it. It was only then, and after confirming yet again that all necessary information had been received, that PUG declined to attend a joint workshop. Statements such as PUC “declined to provide further input” (page 4) and “from the limited information supplied by PUC” (page 20) imply that there was insufficient information provided to the consultants. That was not the case.

### SUMMARY

In summary,

1. The oral and written reports to Council are deficient and incomplete and misleading.
2. There has been no independence in this process. Independence was a position publicly conveyed as a requirement in this process. The scope of the engagement has been deliberately constructed to arrive at the pre-determined conclusion.
3. The Commissioners, representing the utility, have not requested or received any information from the PUC outside of this study.
4. Model B will result in PUG/PUC job loss, a negative impact to ratepayers, the community and remove cost synergies in the PUG organization.
5. In light of the above, we do not think that one can arrive at a reasoned and transparent decision at this time.

Yours truly,



John Stephenson  
President and CEO

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Cc: City of Peterborough Councillor Lesley Parnell  
City of Peterborough Councillor Kim Zippel  
City of Peterborough Councillor Henry Clarke  
City of Peterborough Councillor Kemi Akapo  
City of Peterborough Councillor Keith Riel  
City of Peterborough Councillor Andrew Beamer  
Mr. John Kennedy, City of Peterborough City Clerk  
Ms. Sandra Clancy, City of Peterborough CAO  
City of Peterborough Holdings Inc. Board of Directors  
Mr. Mike Hall, Business Representative, Local 636, IBEW



Peterborough Utilities Commission  
1867 Ashburnham Drive,  
Peterborough, Ontario  
K9J 6Z5

June 23th, 2022

Dear Commissioners:

RE: CAO Report CAO22-006 and Accompanying WSP/Municipal VU Report

The International Brotherhood of Electrical Workers (IBEW) is an organization made up of approximately seven hundred fifty thousand men and women just like you – engaged in every type of employment. Their needs and goals are the same as yours; however, they have personal strength and human dignity that come from belonging to a world-respected labour organization which helps its members live better, freer and fuller lives. We uphold the highest standard in professionalism, safety and training.

Our Mission: To promote the cause of social justice; protect the rights of workers and; pursue a higher quality of life for our members and their families.

IBEW local 636 and Peterborough Utilities Group have a long standing, successful labour/management relationship built on trust and transparency.

The IBEW supports jobs and jobs growth. As such, we cannot endorse the above noted report as it clearly does not support that goal. It is important to know that the impact of this report is clearly seen by our membership. Their representation, IBEW local 636, fully supports management's conclusions regarding the detrimental labour impacts, as outlined in their letter to the Peterborough Utilities Commission Commissioners dated June 23, 2022.

Sincerely, Mike Hall Business Representative, Local 636 of the IBEW