

A TORONTO STAR INTELLIGENCE UNIT PUBLICATION • FEBRUARY 11, 2011 • VOL 2, NO. 3

The logo features the letters 'QP' in a blue, stylized font where the 'Q' and 'P' are connected. To the right of 'QP', the word 'BRIEFING' is written in a large, bold, orange, sans-serif font.**Paying for the real cost of water**

Municipalities across Ontario are increasing water rates but, in many cases, not by enough to cover the real costs, experts and municipal officials say.

The increased charges – nothing in London, 1.94 per cent in St. Thomas, 9 per cent in Toronto and 10 per cent in Guelph – vary widely, as do plans for addressing the issue.

“(There’s) a little game going on – municipalities trying to keep increases below 10 per cent to not be in the double digits,” said **Joe Accardi**, executive director of the Ontario Sewer and Watermain Construction Association. “Municipalities are barely covering the costs of providing service.”

But several municipalities believe they are in better shape than that.

“(In 2010) our Finance Plan recommended a 10 per cent increase annually for four years moving us towards full cost recovery,” said Guelph Mayor **Karen Farbridge**.

Waterloo Water Services Director **Denise McGoldrick** said that “in the short-term, rates meet our needs, but are not necessarily reflective of life cycle infrastructure costs. We anticipate seeing increased needs in 25 years as the infrastructure ages.”

Jim Keech, head of Utilities Kingston, said: “In four years we will be close to cost recovery and at the end of six years we’ll be close to reaching the real costs of water. Our corporate model is different: similarities within four utilities (gas, electricity, water and power) allow us to be more efficient. City council is conscious of what will happen if we don’t reinvest – our system will continue to degrade or there will be massive expenditures down the road.”

“We have, and follow, a policy of charging full cost,” said Oakville Mayor **Rob Burton**. “Our policy does permit use of eligible gas tax and development charge funds for capital, and we make such use of those funds. I don’t believe people can handle any more rapid a rate of change in pricing.”

Toronto Water General Manager **Lou Di Gironimo** noted that “council asked for a 9 per cent increase every year for nine years, starting in 2006. By 2014, we will be investing enough money to reduce our infrastructure deficit and complete some new projects. Toronto’s current water infrastructure deficit is \$1.7 billion, down from \$1.85 in 2009. We’ve reversed an increasing trend, having turned the corner in 2009. “

Accardi of the OSWCA says it’s still a very good bargain for Toronto ratepayers. “The average four-person household in Toronto uses 1000 litres of water a day for less than \$2 – drinking water, wastewater, storm water needs, and operating and capital programs. (Compare that to a case of bottled water (12 litres), which costs more than double one day’s water rate.”

Meanwhile, London is bucking the trend on water charges. “The new Council asked for a zero per cent increase this year as it deemed taxpayers needed a holiday from increases,” said a city official. “In past years, there had been 8-9 per cent increases, and we were in a few years

of being financially sustainable. One year (with no increase) puts us back 3-4 years, and we'll likely delay capital projects, which gets us a little farther behind, so we'll have to play catch up and ratepayers will pay even more down the road. Water is similar to electricity – if we neglect the system, we'll have to spend more. We ought to spend money when it ought to be spent.”

Barry Steinberg, President of the Consulting Engineers of Ontario, understands that councils will not want to hit their constituents all at once with the requirement, adding that “what is important is that the real costs are determined and plans are put into place to get them there. It is also important for municipalities to communicate with ratepayers now, so that they understand why this is so important. The communications plan is as important as the revenue and investment plans.

“It’s an invisible infrastructure most people don’t think about,” Steinberg said. “Everything designed has a life span and, if not maintained, it reaches its end of life faster. This represents not only a loss of water, it impacts ground and roads, and energy used to treat water and pump it around the province. If we don’t (meet) the real costs, there will be water shortages, (more) damage to streets and higher demands on energy we don’t use.”

Steinberg said his group recommends that “investment proportional to \$40 billion over 15 years should be allotted for water conservation, treatment and re-use. As well, it supports full metering of consumer water use, which would result in payment of the full cost of services consumed.”

“Greater than 35 per cent of water pumped into Ontario homes and businesses leaks through aging pumps,” Accardi said.

Despite the province’s efforts, legislation still has no teeth. The Sustainable Water and Sewer Systems Act (2002) states that municipalities should charge the real costs to include capital and capital replacement costs, but regulations were never enacted, said **Harry Dahme** of Gowlings Toronto.

“The Liberals’ Safe Drinking Water Act covers many of the provisions under SWSSA, including requiring municipalities to outline financial sustainability plans, but does not put financial obligations on them,” said **Grahame Rivers**, Press Secretary, Minister of the Environment.

“The Water Opportunities Act (2010) received Royal Assent last November, and we are working on its regulations.”