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Oxford County Council
c/o Chloe Senior, Clerk
County of Oxford
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Woodstock, ON N4S 7Y3

Via e-mail - csenior@oxfordcounty.ca

Re: County of Oxford Water and Wastewater Delivery Review Study

At the virtual Council meeting held on Thursday, May 5, 2022 the following resolution was passed:

"That Woodstock Council receive the report regarding the County of Oxford Water and Wastewater Delivery Review Study as information;

And further that City Council hereby notifies County Council that it opposes Models A and C and the Status Quo Plus model;

And further that City Council endorses the Model B service delivery model and requests County Staff to work with City Staff to report back to both Councils with a joint report outlining the next steps, timelines, and costs to put Model B into place."

A copy of the Council report is included for reference.

Yours Truly,

Amelia Humphries, City Clerk

Item B - 2
Engineering Department
May 5, 2022

To: **David Creery, Chief Administrative Officer**

From: **Dan Locke, Director of Public Works**

Harold de Haan, City Engineer

Doug Ellis, Deputy City Engineer

Re: **County of Oxford Water and Wastewater Delivery Review Study**

AIM:

To provide City Council comments on the County of Oxford Water and Wastewater Service Delivery Review.

BACKGROUND

The County of Oxford and lower tier municipalities completed a Joint Service Delivery Review in 2020. At that time, the recommendations for water, wastewater were (see Oxford Joint Service Delivery Review - CAO Update, May 25, 2020):

- Develop Capital plan for optimization for wastewater treatment plants. County to ensure that studies are regularly undertaken to ensure optimization of treatment facilities.
- Remain with the status quo for billing of water and wastewater
- Development of procedure changes to water system that ongoing discussions between local municipalities and the County occur to ensure proper communication on the needs and requirement of the water systems.
- A committee of CAOs meet with County Public Works to discuss and develop improvements to forecasting, system expansion and interim financing for growth required services.

Despite there being no recommendation from the Watson report to make changes to or continue investigating water/wastewater service delivery options, County staff recommended in March 2021 that Intake 2 of the Ontario Modernization Fund be used to restudy this issue. Funding for this study was approved by the Province and the County commenced work in October 2021 by awarding work to GM Blueplan for the Water/Wastewater service delivery review. Over the course of the following five months there have been several meetings with the consultant and County of Oxford, City of Woodstock and Town of Tillsonburg staff. A draft final report was presented to the CAOs and staff on March 7, 2022.

Since it was originally built, the water and sanitary systems were owned and operated by the City of Woodstock. The City contracted out maintenance of the water system through the PUC which was a wholly owned subsidiary. In 1975 ownership of the water and sanitary sewer system was transferred to the County of Oxford however operation and maintenance of the

systems did not change. In 2000 with the dissolution of the PUC, water distribution staff from the PUC were transferred over to be direct employees of the City of Woodstock. City Staff thoroughly know both systems and have decades of experience dealing with these systems. The City has never failed or had any adverse comments from the annual review. They have met, or exceeded, all necessary requirements. Staff takes pride in its operations of the systems and level of service that they provide.

COMMENT

Staff have reviewed the report provided by the County and provide the following comments:

There are many areas that this report simply has missed the mark on or in Staff's opinion is not accurate. Staff have grouped their comments in the following key areas:

- Overview
- Financial/ Staffing Impact,
- Ease of Implementation,
- Impact to the LOS,
- Status Quo with Improvements
- Summary

Overview

The report ignores or minimizes aspects such as customer service, history and knowledge of the system and efficiencies of one municipality's staff overlooking all aspects of infrastructure within the road allowance and the demonstrated safety and performance of City Staff. City of Woodstock staff is responsive to customer complaints and issues (usually responding within a day to complaints) or issues with the water distribution or sanitary collection system. City staff has been involved in all aspects of the water and sanitary sewer system within the City for decades and knows the system intimately. City Staff, both from an engineering and maintenance/operation point of view, deal with all public infrastructure within the road allowances. There are efficiencies having one municipality dealing with the water and sanitary systems while at the same time also being responsible for the storm sewer and roads and sidewalks.

City staff are fully knowledgeable on the city water and wastewater system. They know the trouble areas and the areas that need special attention. This is knowledge that may be lost if operation is transferred from the City to the County. Even regarding engineering, County staff quite often will contact City Staff with questions regarding the systems.

The report ignores the efficiencies of the City looking at all infrastructure together when considering capital works projects. There are cost and engineering advantages to addressing and investigating roads, storm, sanitary and water all at the same time. Having one agency to deal with these items instead of two also creates efficiencies and streamlines processes. It is the underground infrastructure that dictates when a road needs to be reconstructed. Taking water and sanitary out of consideration will have a large impact on the five-year capital roads plan and a detrimental impact on water and sanitary sewer rehabilitation program. Not coordinating capital replacement or repair work will end up increasing the capital costs for

watermain and sanitary sewer work. These efficiencies and increases in cost is not accounted for in the report.

The report inaccurately or doesn't fully explain certain items. For instance, there is criticisms of city costs regarding backflows and valves. However, this issue would have been addressed years ago if the county had passed the necessary bylaw. Model B assumes that the city would continue the status quo if it were to take over the system. There is no justification to assume that just because the County has refused to address this issue, that the City would continue to. In fact, the City would implement the necessary bylaw to have a fully supported backflow prevention program including the required bylaw to support the enforcement of the program.

The Level of Service or Performance chart below shows that the city doesn't meet the goal of flushing 20% of sewers but neglects to include the flushing of sewers that is done for CCTV work. There is no reason not to include this flushing. The city has completed CCTV on all of the sanitary sewer system in the last 10 years and is currently working on its second pass. The CCTV work provides for an accurate assessment of pipe condition. This same chart shows the City not meeting the financial metrics. The City meets the metrics however they are currently not in an electronic form that the County would prefer and County staff will not review the paper files. It is noteworthy that the County only recently introduced the request to have certain metrics documented in this manner. The City will be proceeding to move to the electronic work management system this year. This chart also shows that the City has not completed flow tests on 20% of the hydrants. The County first introduced this requirement last year and City staff met it in 2021. Data showing that City staff had completed this work was submitted to the county. However, the report only looks at 2020 data not even taking into account the improvements that were made in 2021. These were given to the Consultant and should have been highlighted as an area that has been addressed so as not to mislead the reader.

Commitment	Target Indicator (annual)	Current Performance (2020)		
		Oxford	Tillsonburg	Woodstock
Safe	Zero Ministry non-compliances, orders			
	Zero DWQMS external non-conformances			
	Zero precautionary boil water advisories			
	Zero adverse water quality incidents			
Reliable	100% of critical valves cycled			
	25% of non-critical valves cycled			Plus
	Hydrants regularly flushed (number of flushes)			
	20% of all hydrants flow tested[4]	Plus		
	7% of sewers inspected with CCTV			
	20% of sewers flushed (not including flushing for CCTV)		Plus	
	20% of maintenance holes inspected	Plus		Plus
Sustainable	Financial metrics – to be discussed in Section 3.3	-	-	-

Financial/ Staffing Impacts

Transferring maintenance of the water and wastewater system to the County of Oxford would result in the elimination of a minimum of 9 union and 1 management position on city staff. Reduction of the staff complement to this extent will adversely affect the city's ability to respond to emergencies such as large snow events. For example, currently the city uses water department staff to assist in snow plowing when regular Public Works employees reach their limit of allowable drive time.

Having three separate operating systems (County, Woodstock, Tillsonburg) is also an advantage since it provides redundancy if anything (strike, sickness, etc..) were to prevent one operating system from supplying operators to maintain the systems. Also, the issue of absorbing city staff into the county staff complement has never been fully addressed. The report seems to assume direct transfer of employees however doesn't discuss how Unionized staff can be incorporated into a non-Unionized environment. This issue was brought up at the very first meeting however never resolved. There will be significant severance costs for the City of Woodstock for the termination of the water department staff which have not been considered in this report. There is also the lost revenue and sunk cost of city owned equipment and supplies.

City staff find it hard to believe that county staff can operate and maintain the water and wastewater systems more efficiently than city staff. Currently the County of Oxford Engineering services is operating with a staff compliment of 1FTE per 1,690 residents (outside of Woodstock and Tillsonburg). And this ignores the FTEs from the Transportation and Water/Wastewater departments. Compare this with City staff (which includes transportation and water/wastewater) that has a complement of 1 FTE for every 4,270 residents. If the entire county works department of 145 FTE is compared to the city's Engineering and Public Works departments of FTEs (without mechanics or garbage collectors since the county contracts out these services) the county has an FTE for every 420 residents compared to the city having an employee for every 839 residents. The county is not more efficient now. How can they hope to be if they take over even more work?

The County report indicates that the city would have to add two additional staff if Model B were to be implemented. One Bylaw officer and one DWQMS Administrator. This is incorrect since the City Council has already approved additional staff in the Engineering and Bylaw Departments. The functions of these two roles will be absorbed into existing roles.

City staff have comments on some of the numbers and metrics presented in the report. The numbers do not recognize the fact that City Staff provides some services and materials to the county at no charge. City staff provides leak detection and flushing services and others to the county when requested. The city does not invoice the county for these services since water and wastewater costs are reimbursed by the county. However, these costs show up on the city's system even though the work is on non-city systems. County Staff also quite often obtain their materials from the City yard. The cost of this material shows up on the city's budget and not the County's. The report states that with one purchaser of materials there will be a 5% savings from bulk purchasing however with the county obtaining some material from the city, the city would already realize this savings. Model A also seems to ignore the cost of transfer of assets such as vehicles to the county. Instead, they discuss renting equipment. Rental of equipment would not address the need for the equipment in case of emergency.

It is noted that insurance and internal charges include engineering costs for the city but not for the county. The Engineering department at the city provides GIS and record keeping services for the water and sanitary sewer system as well as locating services, review of subdivision and other proposed development plans and other miscellaneous tasks involving the water distribution and wastewater collection system. The County's costs do not appear to include their engineering or public works staff costs.

The metric of comparing dollars spent on maintenance per kilometer of watermain or sanitary sewer is misleading when comparing rural systems to urban systems. Urban systems have many more services, hydrants, valves, manholes and laterals per kilometer than an urban system does. Since maintenance is usually on the fixtures such as services, and valves, etc., the $/km for an urban system is higher than rural or small system. City Staff asked that Ingersoll be separated from the county's numbers to provide an urban-to-urban comparison and that a better metric such as $/cu. meter of water however this request was not followed through. The ages of the system also impact the cost of maintenance. The Woodstock system is over 120 years old whereas some of the systems that the county maintains are less than 20 years old. There are water systems in the county that do not have fire protection. Again, comparing costs from unequal systems is misleading and inaccurate.

A large misinterpretation is the presented metric of $/service. This metric is total water and wastewater cost combined per customer. However not all county customers have both water and sanitary sewer service. This means that the cost is only for one service whereas every property in Woodstock has both water and sanitary, so the cost is for both services.

In the last rate study, the county showed a 2020 operating cost for the Woodstock water system of $4.938M while the City of Woodstock budget was $1.805M. Treatment costs are almost twice as much as distribution costs and are most of the water system budget. If cost savings are the goal, perhaps the performance of treatment should be reviewed.

Staff questions the accuracy of some of the numbers presented. The number of residences that the county is billing is different than the number of services that the city of Woodstock has in the GIS system which is again different than the number that Stats Canada just reported for its 2021 census. This is a small example. More concerning is that the County is using 6.72 water operators where the 2020 Service Delivery Report reported 12 staff members. The loss of almost half of the labour in the county's water department greatly impacts the numbers and supposed efficiencies presented.

Water and sanitary rates, Development Charges and reserves, were not in the original scope for the project, and are not part of service delivery however are discussed anyway. How these rates are calculated, collected and spent is solely at the discretion of the county. The city has no control over these issues. City staff also note that growth projects noted to be drawing down the reserves should be Development Charge funded, not reserve funded. City of Woodstock water rates are lower than everyone else and one of the lowest in the province which shows how efficient we are in maintaining the system. The chart from the last rate study indicates that the 2020 reserves for Woodstock water and wastewater would be just over $9 million. The chart from the current rate study indicates that the actual 2020 Woodstock water and wastewater reserves are over $31 million. This is significantly higher than projected in the last rate study. Yet this report, states that the Development Charge reserve will be depleted in 10 years. There is also the issue of collapsing all of the county's reserve funds into one pot. This would in effect mean that the money that the city of Woodstock residents have been paying for these past years could/would go to fund capital projects in other water and wastewater systems. The reason that these funds were set up separately was so that the

residents who used the system would finance their continued operation. These same residents would take advantage of the efficiencies or inefficiencies of their own system and not be responsible for other systems.

The chart below would have you believe that there is 1 million dollars of savings for the Model A option over the Status Quo baseline. Model A represents the option of having the County assume responsibility for operation and maintenance of the wastewater collection and water distribution system in Woodstock and Tillsonburg. However, Model A doesn't have all of the numbers taken into consideration, no appreciation of the above-mentioned staffing displacements and the required compensation, nor the loss of knowledge transfer and the increase training costs or the increase risk and potential increased costs. This also doesn't take into account the increased cost associated with a disjointed Capital project program whereby the overall drivers for capital project changes and will be more costly to the taxpayers. Currently road and underground needs are looked at holistically so that construction projects are chosen to best allocate funds to address these aspects in the most cost effect way possible. Removing sanitary and watermain from the equation will result in roads being reconstructed that don't need sanitary or watermain work or doing sanitary or watermain work under roads where the surface does not need to be reconstructed. Both end up increasing the cost to the taxpayer.

Costing Models

Status Quo (baseline)	$	5,673,185
Model A	$	4,666,059
Model B	$	6,161,004
Model C	$	6,524,163
Status Quo - Plus	$	5,702,035

Reviewing the report found on the county agenda, staff found some differences from the "final" report that they were given to review. The most glaring difference was the inclusion of a Table in Appendix B (see below) showing a cost break down of the different options and status quo model. This table was not included in the final report that city staff, as part of the project team, had been supplied to review. There are several issues with this Table:

- The total costs shown for the Status Quo system do not match the approved budget amounts for 2020. The City of Woodstock 2020 revenue budget showed a cost to the county of $1,634,360 for water and $619,850 for wastewater. However, this table claims that the costs are $1,680,590 and $837,585 respectively. This is a difference of approximately $264,000.
- The current Salaries and Benefits for the status quo total $2,687,245. The total wages and benefits for Model A is $2,788,927. This is an increase of over $100k.

- In addition to the above, the table shows no wage cost for the county to operate and maintain the wastewater system under Model A. The wage cost under the status quo is $233,778. Staff doubts if it is possible for the county to take on more work and manage to eliminate their wage cost at the same time.
- Model A claims to be able save 5% on bulk purchasing. This results in $84,959 of savings. The county and lower tier municipalities collaborate with bulk purchasing in many other arenas. This bulk purchasing saving could easily be applied to the existing status quo or Model B also.
- In addition to the mysterious elimination of wages and benefits for county wastewater costs, the table also shows the “Other” costs dropping to zero. All the lower tier “Other” costs also drop to zero and the “Other” Oxford water cost is reduced. It is unclear what these “other” costs incorporate or how they can all be reduced so drastically under Model A.
- Staff questions the accuracy of Model A showing the “Internal Charges & Insurance” being eliminated on the Woodstock and Tillsonburg area costs with no additional costs to Oxford. With Woodstock and Tillsonburg no longer performing the work, there will be the need for additional staff and equipment and fleet at the county. Renting of equipment does not eliminate the cost of the equipment.
- The Table shows Model B having over $372k increase in salaries and benefits for the City of Woodstock. City staff are not sure how many FTEs this is supposed to represent, however since the city already provides maintenance and engineering services on the water and sanitary system and already has a Bylaw department, little to no additional staff are expected to be added.
- Model B also shows an increase in cost for the city of almost $114k “Other” costs. It is assumed that this is for water and billing services. The report says that this would be managed solely by the city however this is incorrect. Supply and treatment will still be under the responsibility of the county therefore the county will still have costs to recoup from the water rates. There is already a system in place for the billing and collection water and sewer usage so there would be no reason to change this system. The cost for this system would not increase it would just get divided between the city and county.
- The costing for Model B does not seem to account for any revenue from the city charging other lower tier municipalities that are connected to the city’s water and sanitary system such as Embro, Innerkip and parts of SWOX and Norwich.

Based on the above, the supposed savings of $1,007,125 with Model A quickly decreases down to a fraction of the original amount. This does not include the questionable cost savings of the drastically reduced total “Other” and “Internal Charges & insurance” costs. City Staff were unable to determine what these costs include or how they can be reduced. Appendix A states that “Other includes overhead for corporate & engineering, and Oxford work in Tillsonburg and Woodstock” for Status Quo and “Other includes overhead for equipment and general” for Model A. Staff wonders where the cost of corporate and engineering are in Model A? Staff also wonders what work Oxford County does in Woodstock on the water distribution system or wastewater collection systems.

Appendix B

Financial Breakdown of Model A, Model B and Status Quo Plus by Cost Category

Woodstock Water	Status Quo	Model A	Model B	Status Quo Plus
Salaries & Benefits	$1,060,530	$0	$1,432,972	$908,088
Materials & Supplies	$195,200	$185,440	$195,200	$185,440
Purchased Service	$61,800	$58,710	$61,800	$55,620
Internal Charges & Insurance	$286,260	$0	$172,390	$286,260
Other	$76,800	$0	$190,670	$76,800
Total	**$1,680,590**	**$244,150**	**$2,053,032**	**$1,512,208**
Woodstock Wastewater	**Status Quo**	**Model A**	**Model B**	**Status Quo Plus**
Salaries & Benefits	$229,590	$0	$229,590	$331,218
Materials & Supplies	$48,650	$46,218	$85,000	$46,218
Purchased Service	$322,735	$306,598	$286,385	$290,461
Internal Charges & Insurance	$171,310	$0	$135,030	$171,310
Other	$65,300	$0	$101,580	$65,300
Total	**$837,585**	**$352,816**	**$837,585**	**$904,507**
Tillsonburg Water	**Status Quo**	**Model A**	**Model B**	**Status Quo Plus**
Salaries & Benefits	$463,100	$0	$886,356	$463,100
Materials & Supplies	$199,400	$189,430	$199,400	$189,430
Purchased Service	$76,500	$72,675	$76,500	$68,850
Internal Charges & Insurance	$134,200	$0	$134,200	$134,200
Other	$16,800	$0	$16,800	$16,800
Total	**$890,000**	**$262,105**	**$1,313,256**	**$872,380**
Tillsonburg Wastewater	**Status Quo**	**Model A**	**Model B**	**Status Quo Plus**
Salaries & Benefits	$144,000	$0	$144,000	$347,256
Materials & Supplies	$63,700	$60,515	$63,700	$60,515
Purchased Service	$75,000	$71,250	$75,000	$67,500
Internal Charges & Insurance	$137,800	$0	$137,800	$137,800
Other	$2,600	$0	$2,600	$2,600
Total	**$423,100**	**$131,765**	**$423,100**	**$615,671**

Oxford Water	Status Quo	Model A	Model B	Status Quo Plus
Salaries & Benefits	$556,247	$2,788,927	$556,247	$556,247
Materials & Supplies	$388,300	$368,885	$388,300	$368,885
Purchased Service	$17,200	$16,340	$17,200	$15,480
Internal Charges & Insurance	$77,087	$77,087	$77,087	$77,087
Other	$153,265	$145,100	$0	$153,265
Total	**$1,192,099**	**$3,396,339.00**	**$1,038,834.00**	**$1,170,964.00**
Oxford Wastewater	**Status Quo**	**Model A**	**Model B**	**Status Quo Plus**
Salaries & Benefits	$233,778	$0	$123,778	$233,778
Materials & Supplies	$31,300	$29,735	$31,300	$29,735
Purchased Service	$219,400	$208,430	$219,400	$197,460
Internal Charges & Insurance	$40,720	$40,720	$40,720	$40,720
Other	$124,613	$0	$0	$124,613
Total	**$649,811**	**$278,885.00**	**$415,198.00**	**$626,306.00**

The report states that there will be onetime costs to transfer ownership of the existing sanitary and water systems to the City of Woodstock. Apparently, these costs are estimated to be $575,000 to $825,000. Considering that city staff for all intents and purposes already act as if the system is the City's, it is doubtful that there would be much of an implementation plan necessary. In regard to reserve and wholesale rates, this information should already be available since it should be making up the existing rates that come out of the last rate study. The city already has staff dedicated to asset management and the city supplies the base data for the sewer and water data to the county that makes up part of their AMP so it is doubtful that additional funds would be needed for this transfer either. The city originally transferred the

water and sanitary systems over to the county in 1975 for no cost. The assets should be able to be transferred back with little to no cost.

Ease of Implementation

In the comparison of the pros and cons of the different models, many of the cons for going to the Model B scenario (Model B is the option to transfer operational authority for wastewater collection and water distribution to the City of Woodstock and Town of Tillsonburg) are items that the city already performs or is in the process of implementing. Tasks such as budgeting, or GIS are already being performed by city staff and are the foundation of the county's work in these areas. Status quo + option only has a cost increase (if you believe the numbers) of $29,000 but includes two more FTEs so in actuality is a decrease in cost.

It should be noted that the scatter graph used to illustrate the Ease of Implementation and Benefits shows the Status Quo Plus model only ranking in the middle of the graph and the Model A option ranking the most favourable option. First off, the items 5-11 in the graph should not be part of this graph as they are not options but components of all of the options. Secondly, how can the status quo be harder to implement than doing what we are doing now plus improvements? The Model A option has to deal with the transferring or dismantling of staffing areas within the two Urban Municipalities (Tillsonburg and Woodstock) and most certainly that will have financial implications that have not been included in the ranking. This speaks to the questionable results of the consultant's report and should be taken into consideration when making any decisions for the future of the water and wastewater systems. Further, this is clearly a biased chart showing Model A, being at opposite ends of the chart from Models B and C. Status Quo Plus option (which was never fully explored) being shown in the middle is a very misleading representation of the information in City staff's opinion. Interestingly the current status quo with improvement is not charted.

1	Model A
2	Model B
3	Model C
4	Status Quo Plus
5	User Pay Backflow
6	Standard Service Levels
7	Joint Procurement
8	Collapsing W and WW Reserves
9	Capital Coordination in the ROW
10	Inflow & Infiltration Studies
11	Cost Recovery

The breakdown of scoring shown in Appendix C was not included in the final version provided to staff for review but only included in the report provided to county council. The scoring seems completely subjective with little to no justifications. Staff finds it difficult to believe that it would be harder to implement improvements on a system that is already in place versus transferring to a whole new system. Regarding benefits, Model A is shown to have a cost

saving advantage over the Status Quo. As discussed above, Staff disagrees with the suggested cost savings analysis and as a result, disagrees with Model A having an advantage over the status quo.

For Model B the report states that there will be issues in coordinating with the county on items such as development review, planning and capital planning. The city already performs much of this work on behalf of the county and coordinates with the county on other items. Because of this, there should be no issues with the city taking over the water distribution or sanitary collection systems. City staff do not understand the stated issue with the rates if the city were to take the assets. The current rates should already reflect the costs to supply and treat water and sewage. These costs were included in the rates study and there is no reason why the rates should be the same between Tillsonburg and Woodstock or any other separate water or sanitary system.

Impacts to the LOS

Another issue is the level of service that is provided. The County wants Tillsonburg and Woodstock to provide basic level of service just meeting the required regulations and industry standards and only pay for that minimum LOS. Woodstock staff have traditionally exceeded these levels to provide a well-maintained system and minimize risk. Staff wonders what the impacts would be to existing service levels and ultimately the impact on the residents if maintenance was moved to the county? An example of this is valve turning. The standard is to turn critical valves once a year and non-critical valves once every five years. City staff turns critical valves once a year but all other valves every 16 to 18 months. Staff opinion is that this additional effort prevents valves getting stuck in position requiring replacement. It is cheaper to turn a valve than replace it. Stuck or inoperable valves also result in bigger areas having to be isolated in case of a watermain break which delays repair time and allows time for more damage to occur and more residents to be impacted by the watermain break. The RFP that was originally sent out for this project asked to look at improving levels of service however the city already provides a higher level of service.

City taxpayers and water/sewer user fee ratepayers will experience a significant decrease in level of service under Model A. A homeowner experiencing a sewer backup in their basement will have to wait for the County to rent a vactor truck to clear the main sewer line and vactor truck rentals come from London. This means a homeowner with a problem in the middle of the night will need to wait for many more hours for a service response with the recommended Model A. Currently, City Staff respond immediately with the equipment needed to resolve the problem. This is only one example of many service needs that will go unmet if the county assumes operational responsibility.

The recommended Model A option proposes to lower the standard level of service that the city's residents currently experience which is contrary to the stated objective. The report mentions that the Levels of Service should be consistent throughout the county however this is not true or even possible.

Status Quo with Improvements

The report does not investigate the model of continuing with the status quo with improvements. The report talks about a "Status Quo Plus" option however this option lowers the LOS for city residents and caps the cost of coverage that the County will pay the City to operate the

County's system. The County would normalize the cost of maintenance by using its performance metrics which is for water and sewer systems that have little in common with the Woodstock systems. This is hardly an improvement as this would shift cost to the City taxpayer when the cost should be on water/sewer user.

Instead, City Staff feels that the option of thoroughly investigating the existing system but with improvements should have been investigated. This model builds on the already established practices and procedures in place in all three municipalities. Recognizing that some improvements can be made on all sides, these improvements would be addressed through negotiation of new and improved service agreements. There is a brief cost comparison presented for a "Status Quo Plus" model however no detail is provided or was discussed of what the "plus" would or would not include. The status quo model with improvements should have been properly investigated since it would appear to offer none of the cons of Model A or B and all or most of the advantages of both.

Maximized efficiencies can be found by both the city and county working together in partnership to provide the best service for the residents of Woodstock. For instance, providing City staff real time access to SCADA data will enable staff to track flow rates and possibly notice issues in the system before they impact residents. Or the creation of a Backflow Bylaw to allow City Staff to recoup costs associated with these items.

Model B (Transfer Operational Authority for Water Distribution and Wastewater Collection)

The report acknowledges that this model works in other municipalities in Ontario. It is acknowledged in the report that one of the advantages of Model B is the "strength of the model stems from the local municipality owning and operating the local infrastructure at service levels and rates based on direct and local community preferences". This means that the City would determine what Levels of Service are appropriate for its residents. The report also states that budgeting, asset management and capital delivery are streamlined with this Model B. These efficiencies do not show up in the report's cost analysis though.

The report states that the disadvantage of this model is that it requires coordination with the county on items such as development review, planning, SCADA system info, capital planning and bylaws. We are not sure why this comment is made considering that city staff already do and coordinate with county staff on development review, planning and capital planning. Regarding SCADA, it should not be an issue to find a way to provide the city with access to real time data from the SCADA system. The City being able to pass bylaws regarding water and sanitary systems will be an advantage since the city has been waiting over 10 years for the county to pass a bylaw to address backflow preventors and the cost recover connected with them.

The report seems to indicate that Model B would result in different water rates amongst the different municipalities within Oxford County. This is not a problem but an advantage. There is no reason why the rate should be the same throughout the county considering that each system has its own efficiencies and/or costs that are unique to it. The report also states that wholesale costs will need to be determined. These costs should already be known and outlined in the current rate study.

Since a portion of the DWQMS is already written specifically for the City of Woodstock, it will only require minor revisions and maintenance if Model B were to be adopted which City staff could handle.

Summary

In summary it should be noted that the issue of service delivery has been studied a few times in the last few decades and each time the conclusion is to remain with the status quo system. City Staff acknowledge that improvements and efficiencies can and must be made as the industries change and the city continues to grow. City Staff have been working to implement some of these changes such as the implementation of a work order management software package to make maintenance records tracking digital, putting information at the operator finger tips in the field and simply easier to use. City staff take pride and have a sense of ownership in the engineering and operation of the water and wastewater systems.

Staff feels that this can best be done by returning to the original state in which the City owned as well as operated the water distribution and sanitary collection systems. City staff already perform the majority of work involved in the engineering and operation of these systems. Ownership of the systems would put the city in charge of its own destiny instead of being controlled by the county and outside interests. City Staff has the knowledge and experience with the systems and having ownership will eliminate the duplicated bureaucracy currently experienced.

The efforts made in the service delivery reviews has been substantial and taxing on City staff to address questions on operations and engineering not understood by County management. Making improvements or at least starting discussions on how to improve service delivery between all parties would have been a better expenditure of time. City Staff believe that we provide a cost-effective service for the water distribution and the wastewater collection services and believe that ownership of the systems is the best way to continue to provide the high level of service of these highly critical systems. The residents of the City of Woodstock deserve the best solution possible which is to move to the Model B option and let the City service its residents in the manner that it deems best.

RECOMMENDATION

Council receives the report as information

And further that City Council hereby notifies County Council that it opposes Models A and C and the Status Quo Plus model;

And further that City Council endorses the Model B service delivery model and requests County Staff to work with City staff to report back to both Councils with a joint report outlining the next steps, timelines and costs to put Model B into place.

Authored by: Dan Locke, C.E.T.. Director of Public Works

Authored by: Doug Ellis, P.Eng., Deputy City Engineer

Authored by: *Harold de Haan, P.Eng., City Engineer*

Approved by: David Creery, P.Eng., MBA, Chief Administrative Officer

Water Distribution and Wastewater Collection Service Delivery Review

Supplemental Staff Presentation Summary

May 5th, 2022

Service Delivery Review Objective

- Determine the most appropriate and cost-effective way to provide municipal water distribution and wastewater collection services, while optimizing service levels.

- It is Staff's opinion that the unstated objective was to develop a report to justify the County to assume operational authority of the W/WW systems in Tillsonburg and Woodstock.

Four Service Delivery Options Considered:

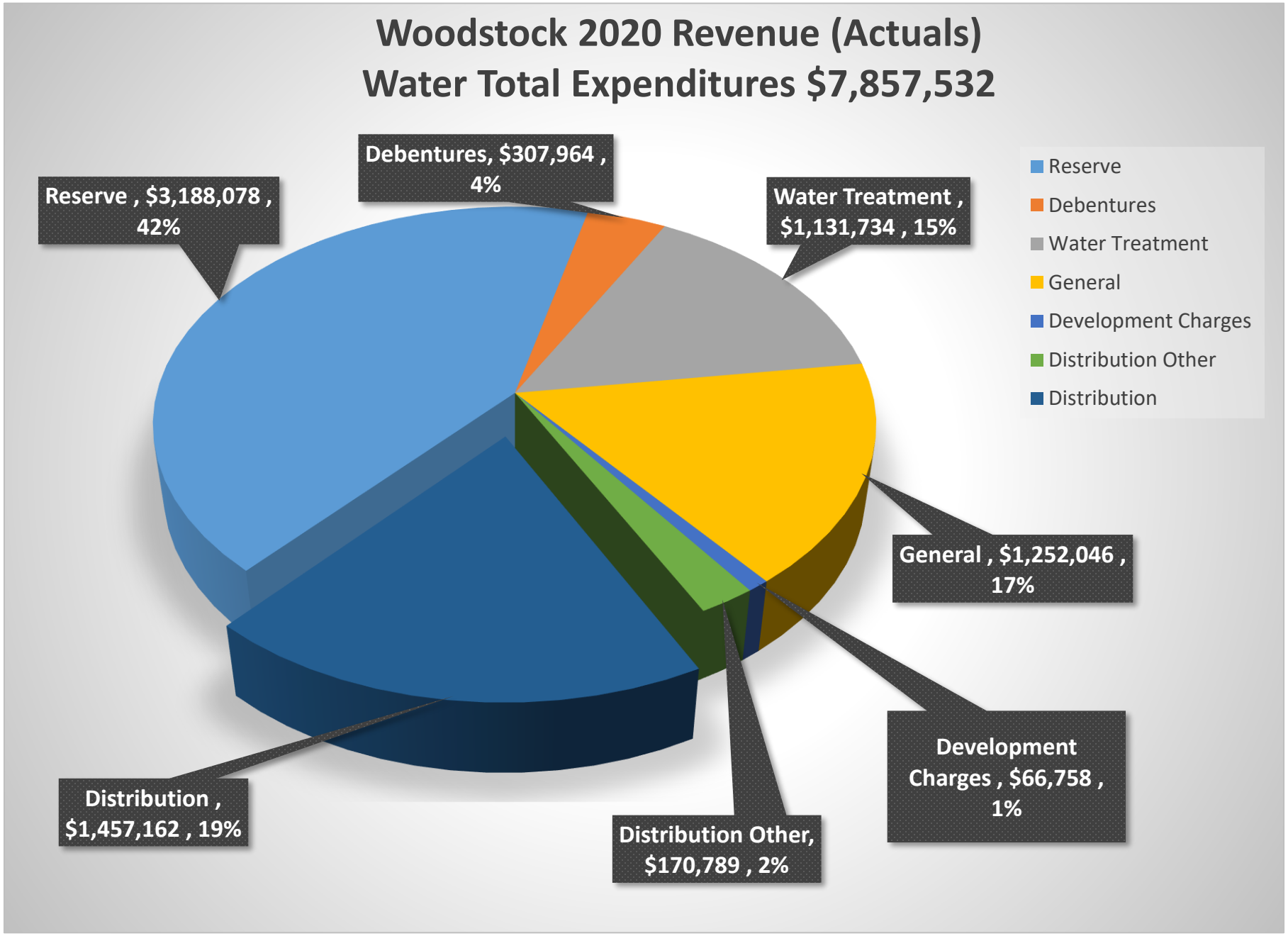
- **Status Quo Plus** – The “plus” is not true improvements to the system but rather capping of costs and levels of service
- **Model A** - Transfer operations and maintenance of water distribution and wastewater collection to the County,
- **Model B** - Maintain service delivery with the City and transfer operational authority to the City.
- **Model C** - Transfer to external agency/contractor.

Study Recommendation:

Model A - Transfer operations and maintenance of water distribution and wastewater collection to the County

Presentation Objective

- To highlight the assumptions and the potential impacts on the cost estimates provided in the study and service impacts,
- To analyze the factors forming the basis of the recommended option,
- To recommend an alternative option.



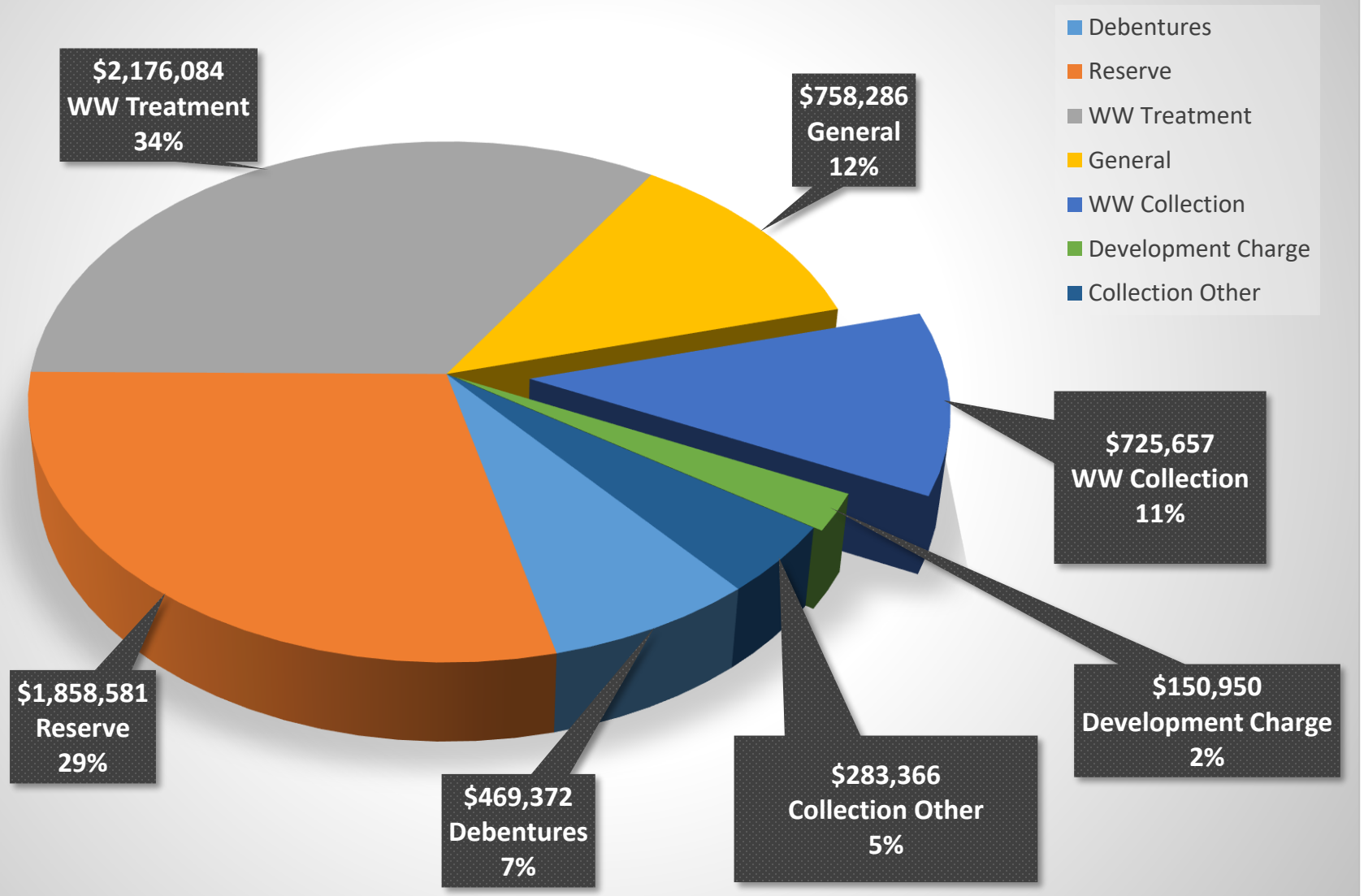
Woodstock Water Distribution Cost is $1,457,162 or 19% of system cost.

Study did not seek to find efficiencies in any of the other 81% of system cost.

City overhead charge on it's 19% of system cost is $101,014 or 7%

County overhead charge on it's 81% of system cost is $695,173 or 19%

Woodstock Wastewater System Total Expenditures (Actuals)
$6,564,779



Woodstock system cost is $725,657 or 11% of system cost

Study did not seek to find any efficiencies in the remaining 89% of system cost.

City overhead on its 11% of system cost is $28,957 or 4%

County overhead on its 89% of system cost is $983,704 or 20%

Overhead Comparison City vs County

County Overhead (Interdepartmental Charges) on the Woodstock water and wastewater systems

$1,687,877

City Overhead on Woodstock Water Distribution and Wastewater Collection Systems

$129,971

Model Summary Per Consultant Report

Costing Models

Status Quo (baseline)	$	5,673,185
Model A	$	4,666,059
Model B	$	6,161,004
Model C	$	6,524,163
Status Quo - Plus	$	5,702,035

Status Quo – Woodstock and Tillsonburg continue to operate water distribution and wastewater collection, County operates water supply and wastewater treatment
Model A – County operates all systems
Model B – County transfers operational authority for water distribution and wastewater collection to Woodstock and Tillsonburg
Model C- contract to third party
Status Quo Plus – Specific improvements to current operational model

Model A – The Oxford Model

	2020 Costs
Status Quo (baseline)	$5,673,185
Model A – Estimated Costs	$4,666,059
Estimated Savings	$1,007,126

Model A - The Oxford Model

Salaries and Benefits

Description	Status Quo	Model A	Difference
Woodstock Water	$1,060,530	$0	$1,060,530
Woodstock Wastewater	$229,590	$0	$229,590
Tillsonburg Water:	$463,100	$0	$463,100
Tillsonburg Wastewater	$144,000	$0	$144,000
Oxford Water	$556,247	$2,788,927	($2,232,680)
Oxford Wastewater	$233,778	$0	$233,778
Total	**$2,687,245**	**$2,788,927**	**($101,682)**

Salaries and Benefits are $101,682 **higher** under the recommended Model A compared with the Status Quo

There is $0 allocated for wastewater collection salaries and benefits under Model A. This means that there is no maintenance of the sanitary sewer system.

Employment Standards Act severance costs for Woodstock Staff alone is estimated at $400,000. Consultant ignored this cost in the assessment.

Model A - The Oxford Model

Material and Supplies

Description	Status Quo	Model A	Difference
Woodstock Water	$195,200	$185,440	$9,760
Woodstock Wastewater	$48,650	$46,218	$2,432
Tillsonburg Water	$199,400	$189,430	$9,970
Tillsonburg Wastewater	$63,700	$60,515	$3,185
Oxford Water	$388,300	$368,885	$19,415
Oxford Wastewater	$31,300	$29,735	$1565
Total	**$926,550**	**$880,223**	**$46,327**

An arbitrary 5% savings is attributed to Model A under some assumption that bulk purchasing will realize savings.

Hypothetical savings of $46,327 is available under the status quo model and Model B also.

Model A - The Oxford Model

Purchased Services

Description	Status Quo	Model A	Difference
Woodstock Water	$61,800	$58,710	$3090
Woodstock Wastewater	$322,735	$306,598	$16,137
Tillsonburg Water	$76,500	$72,675	$3,825
Tillsonburg Wastewater	$75,000	$71,250	$3,750
Oxford Water	$17,200	$16,340	$860
Oxford Wastewater	$219,400	$208,430	$10,970
Total	**$772,635**	**$734,003**	**$38,632**

An arbitrary 5% savings is attributed to Model A under some assumption that bulk purchasing will realize savings.

Hypothetical savings of $38,632 is available under the status quo and Model B models too.

Model A - The Oxford Model

Internal Charges & Insurance

Description	Status Quo	Model A	Difference
Woodstock Water	$286,260	$0	$286,260
Woodstock Wastewater	$171,310	$0	$171,310
Tillsonburg Water	$134,200	$0	$134,200
Tillsonburg Wastewater	$137,800	$0	$137,800
Oxford Water	$77,087	$77,087	$0
Oxford Wastewater	$40,720	$40,720	$0
Total	**$847,377**	**$117,807**	**$729,570**

Internal charges relates to the cost of fleet and equipment

Savings of $729,570 reported in this category.

County proposes to rent vehicles and equipment to operate Woodstock and Tillsonburg systems.

County carries no cost to own or rent equipment to maintain systems in Woodstock or Tillsonburg.

Model A – The Oxford Model

Internal Charges & Insurance

Study recommends fleet and equipment rental to maintain Woodstock and Tillsonburg systems yet includes no cost for this. Woodstock equipment includes: 1 Vac Truck, 1 Backhoe, Pickups, 1 Valve turning machine, 1 trench box, 2 sewer cameras, 1 set of specialized water service repair tools,

Equipment list

- Vac Truck $500K
- Backhoe $300K
- Pick ups $250K
- Valve turning Machine $30K
- Trench Box $ 20K
- Sewer cameras $50K
- specialized water service repair tools $30K

Customer Service

Service delays due to not having equipment, On call staff or in house locator readily available to respond

City immediate response vs County bringing in Contractor to provide the service.

Model A – The Oxford Model

Internal Charges & Insurance

City owns the equipment to maintain the water distribution and wastewater collection systems. Study ignores stranded equipment costs of over $200k/ year at the City that would become unfunded operating. This cost will be transferred to the City Levy and is a lost efficiency and a duplication of cost for the taxpayer/ratepayer.

Model A - The Oxford Model

Other

Description	Status Quo	Model A	Difference
Woodstock Water	$76,800	$0	$76,800
Woodstock Wastewater	$65,300	$0	$65,300
Tillsonburg Water	$16,800	$0	$16,800
Tillsonburg Wastewater	$2,600	$0	$2,600
Oxford Water	$153,265	$145,100	$8165
Oxford Wastewater	$124,613	$0	$124,613
Total	$439,378	$145,100	$294,278

Other includes support services such as GIS (geographic information system), locates for underground infrastructure, etc.

These costs do not disappear because the County is doing the work.

Oxford wastewater costs disappear?

Model A - The Oxford Model

Summary

Salary and Benefits:	Model A is $101,682 higher costs Missing Wastewater County salary and benefits of $233,778 Ignores severance costs of up to $400,000
Material and Supplies:	Hypothetical savings of $46,327 which is also available under Status Quo and Model B options
Purchased Services:	Hypothetical savings of $38,632 which is also available under Status Quo and Model B options County fails to report its purchased services costs
Internal Charges:	County eliminates all internal charges for Woodstock and Tillsonburg systems and neglects to include any increase cost to its own system for these cuts $729,570
Other:	County eliminates all lower tier cost for water and wastewater and also reduces its own water costs $169,665 Missing Wasterwater County Other Costs $124,613

Model B - Transfer Operations

Model B contemplates the transfer of operational authority to Woodstock (and Tillsonburg) for water distribution and wastewater collection (treatment, supply remain with County).

Consultants estimated costs to operate under this model compared with status quo:

	Status Quo	Model B	Difference
Woodstock Water	$1,680,590	$2,053,032	$372,442
Woodstock Wastewater	$837,585	$837,585	$0
Oxford Water	$1,192,099	$1,038,834	-$153,265
Oxford Wastewater	$649,811	$415,198	-$234,613
		Total Savings	$15,436

Model B – Transfer Operations

City Staff estimated costs of Model B for Woodstock are $150k

Model B can be implemented with a simple change in the Municipal Act by moving wastewater collection and water distribution to a “non-exclusive” sphere. This is the case for many other Municipalities.

Consultant report does not take into consideration County cost reductions resulting from Interdepartmental Charges (OH attracts 19-20% burden on any cost in County budget).

County Interdepartmental Charges for Woodstock systems is $1,678,877.
So 19-20% of the approximate $2.5 million (Existing Water/Wastewater costs)of cost for Woodstock system is $475,000.

This cost will shift to other county services.

Model A vs Model B One Time Costs

One Time Costs for Transition as Estimated by Consultants

Model A – The Oxford Model	Model B – Woodstock & Tillsonburg Operate respective systems
Transition Plan $50,000	Transition Plan $100,000-$150,000
	Asset Transfer Study $200,000- $300,000
	Legal Costs $100,000-$200,000
	Rate Study $100,000
	Revised Asset Management Plan $75,000
	Software and SCADA $5000
Total: $50,000	Total: $580,000 - $830,000

Model A vs Model B One Time Costs

One Time Costs to implement Model B is estimated to be a fraction of these estimated costs. Certainly, less than the $600k of stranded equipment and severance costs related to switching to Model A

Asset transfer study, legal costs, rate study and asset management plan study are either not required or easily amended with the County's current studies.

We independently operate these systems now and have done so for decades.

Model A vs Model B Summary

Model A – The Oxford Model		Model B – Transfer Operational Authority	
Customer Service	↓	Customer Service	↔
System Maintenance	↓	System Maintenance	↑
System Knowledge	↓	System Knowledge	↔
Efficiencies (i.e. equipment and staffing)	Lost	Efficiencies	Maintained
System Maintenance Cost	↑	System Maintenance Cost	↔
Capital Costs (infrastructure renewal)	↑	Capital Cost	↔
Operational Redundancy	Lost	Operational Redundancy	Maintained

Status Quo Plus & Status Quo with Improvements

Advantage of Status Quo systems:

- Already in place; no transfer costs or processes necessary
- Takes advantage of many of the pros of the other systems without the cons
- No loss of equipment, personnel, historic skills or knowledge
- Can take advantage of bulk purchasing
- Maintains high level of service expected by residents
- No confusion for residents having to deal with two municipalities
- No one time costs

Disadvantages of Status Quo systems:

- Still involves two levels of government; co-ordination and overlapping responsibilities
- Separate AMPs mean infrastructure network is not looked at holistically
- Doesn't allow Woodstock to control its own future

Status Quo Plus vs. Status Quo with improvements:

- The county's definition of "Plus" is to cap the reimbursement to the City for a County defined lower LOS

Final Staff Recommendation

- **Staff recommendation is to Adopt Model B**
  - Already performing the majority of the functions – minimal changes
    - Transfer of operating Authority (Formalized through the change to the Municipal Act)
    - Transfer of responsibility of DWQMS and Bylaw to City to be added to existing roles
    - Contract changes to the Billing Contractor from County to City
    - Can still partake in Bulk purchase as is the current practice where possible for additional saving
  - Transition costs less than Model A; operating costs equal or less than Model A (corrected) and Status Quo; therefore less impact on the rate payer
  - Takes advantage of the Status Quo system already in place
  - No reduced LOS to city residents and less confusion for residents

Closing Staff Comments

- This process was unnecessary considering this issue had been studied in 2020
- The W/WW report is biased and incomplete
  - Subjectivity of the Scatter graph which is used to illustrate the options misleading
  - Costs presented are inconsistently applied (e.g. bulk purchasing)
  - The metrics presented in the report are misleading (e.g. $/customer)
  - Incorrect assumptions made (e.g. backflow valve bylaw)
- City OH is less than County therefore City is more efficient
- This presentation is just a quick overview of some of the issues with this process. These and more issues are described in the Staff report

Closing Staff Comments

- You heard from the Consultant that " Everyone agreed that the status quo needed work and was broken". I want to be clear that I never agreed to this, nor did I hear any Woodstock Staff agree to this. I did say that like anything there is room for improvements but that the Water Distribution System has always scored very well on the Ministry (MECP) and DWQMS Audits. It is most definitely not "broken".
- The 1 million dollars in savings in staff's opinion is not a real number and in fact is missing key pieces that certainly increase the annual costs and associated lower LOS to the Customer. This is believed to be intentionally misleading.
- Status Quo with improvements and Status Quo Plus was never fully looked at. After repeated requests to do so. It was always "out of scope". No willingness to work towards a truly unbiased set of outcomes.
- Status Quo Plus should also be taken with a great deal of caution as this will lead to reduced LOS and a system that will eventually show the symptoms due to reduced LOS. AS an example: increased failure of hydrants and valves not operating when needed.

Closing Staff Comments

- The comment by Mr. Simpson, Oxford County Director of Public Works, that all parties agreed with the direction/content of the scope of the RFP is correct. However, the execution of the work was directed in a path that Woodstock staff do not agree had any merit to go, and in fact created additional biased outcomes that are not reflective of a collaborative jointly run project. The inability of the Consultant to take the information given to them from Woodstock staff and incorporate it in their report shows this. One example of this is when Staff told them that the Bylaw Officer and the DWQMS role would be incorporated into existing staff role and would have no financial impact to Model B. The consultant dispelled this and told us that based on their experience we were simply wrong.