



**Subject:** County of Oxford Water & Wastewater Service Delivery Review – Staff Comments

**Report Number:** OPD 22-16

Department: Operations and Development Department

Submitted by: Carlos Reyes, Director of Operations and Development

Meeting Type: Council Meeting

Meeting Date: Monday, May 9, 2022

## **RECOMMENDATION**

THAT report OPD 22-16 County of Oxford Water & Wastewater Service Delivery Review – Staff Comments be received as information and sent to Oxford County Council.

## **BACKGROUND**

### **Current Water Distribution, Sewage Collection and Engineering Agreement:**

The Town of Tillsonburg has been operating the water distribution and wastewater collection systems in Tillsonburg through service contracts on behalf of the County of Oxford for many years.

In the latest agreement dated September 10, 2012 (Town By-law 3647), the Town is responsible for the provision of customer service activities, routine maintenance, capital construction works, equipment and parts inventory, office space, maintenance of records and the provision of reports. If necessary, financial remuneration will be amended to reflect changes in the Service Provider duties.

Specific Town tasks include the following areas of duty:

- Emergency Response and Technical Customer Service
- Water Distribution System Operation
- Wastewater Collection System Operation
- Capital Construction Works
- Development Services

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- Special Programs
- Equipment and Parts Inventory
- Recording and Reporting Maintenance Activities

This Contract shall continue in effect and will automatically be renewed for successive one-year periods unless either party provides six-months' notice for the termination of the agreement.

Under this agreement, the Town needs to submit a draft budget every year including operating expenses and proposed capital works, to the County for approval.

As part of the Engineering Agreement, the Town provides the following services to the County:

- Retain professional staff to complete engineering services for design, tendering, supervision, and construction of approved capital construction works (water and wastewater). Preliminary engineering for capital projects are to be approved and paid in the year the engineering is incurred;
- Prepare proposals including detailed cost estimates and submit same to the County for approval for construction of service to accommodate growth for planned extensions included in approved capital programs;
- Prepare proposals including detailed cost estimates and submit same to the County for approval for construction to accommodate growth by the alteration of existing infrastructure by upsizing of existing infrastructure, infrastructure retrofitting and/or replacement;
- Prepare proposals including detailed cost estimates and submit same to the County for approval for construction of infrastructure replacements (i.e. sewer replacements, maintenance hole rebuilds, lateral replacements, watermains, services, hydrant and valve replacement);
- The Town's administrative costs for water and wastewater capital works shall be billed along with the actual construction costs. The administrative costs may be billed as a percentage of the construction cost (10%).

In addition to the water distribution, sewage collection and engineering agreement, the Town also entered into a new agreement with the County (Bylaw 2020-123) on December 14, 2020 for the provision of water and wastewater billing services. This five-year contract term (Jan. 1, 2021 to Dec. 31, 2025) will automatically be renewed for successive one (1) year periods unless either party provides the other party with no less than one hundred and eighty (180) days written notice prior to the end of the initial term or applicable renewal period. The services to be provided by the Town under this agreement include:

- Hosting, Licensing, Support & Disaster Recovery of the Customer Information System (CIS), Web Presentment Solution, Document Management Solution, and Water Access web tool;
- Billing of Metered and Flat Rate Water and Wastewater on a monthly basis as per County approved rates;

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- Collection for active and finalized accounts in accordance with the County’s “Receivable Management” policy as reviewed and understood by the Town;
- Prepare and issue all relevant service orders to the County or its designate for processing;
- Maintenance of water meter information in the CIS system;
- Call center services for billing;
- Providing monthly statistic reports to the County;
- Providing access to water website which will provide: consumption data, high usage complaints, and billing & payment history;
- Providing quarterly statistics of water consumption for wastewater use to the County By-Law Enforcement Officer;
- Providing water statistics to support reporting requirements under Ontario Regulation 450/07, Ontario Water Resources Act. Such report to be issued before February 28<sup>th</sup> of each calendar year;
- Warehousing of Water Meters and the associated radio read equipment for the Tillsonburg area;
- Providing electronic files for meter reading at least 2 business days in advance of the schedule meter reading schedule in a format specified for meter reader;
- Providing monthly accounts receivable aging report by account;
- Project Management, inclusive of Regular conference calls with the County and Quarterly meetings to review service quality.

**Third-party Service Delivery Review completed by the County of Oxford:**

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The County of Oxford is an upper tier local government that has exclusive municipal authority and overall responsibility for providing drinking water and wastewater services to the established communities within its geographical boundary. Currently, the County owns, operates and maintains all aspects to their municipal water and wastewater systems with the exception of water distribution and wastewater collection services which are being performed by Woodstock and Tillsonburg (within their urban centres) through service contracts on behalf of Oxford County.

Oxford engaged GM BluePlan in 2021 to conduct a Service Delivery Review that examines the effectiveness of existing water distribution and wastewater collection service delivery models. The purpose of the review was to assess the people, processes, technology, and expenditures to identify potential opportunities for improvement that would optimize service delivery and modernize the operations.

GM BluePlan, along with Municipal Vu, conducted four key service delivery workshops in October and November 2021 and reviewed the Water Distribution and Wastewater Collection performed by three Operating Authorities: County of Oxford (Oxford), Town of Tillsonburg (Tillsonburg), and City of Woodstock (Woodstock).

*As part of the study several alternate models and assumptions were considered (*

Table 1 below), and these models were explored and compared based on a variety of criteria:

*Table 1. Summary of overall annual water distribution and wastewater collection operating expenditures for each model. (Source: Oxford Water/Wastewater Service Delivery Review - Final Report. Prepared by GM BluePlan)*

*Summary of Overall Annual WD and WWC Opex for Each Model*

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

Model A – Oxford is Operating Authority of All Systems:

Oxford assumes full responsibility as the Operating Authority for the operation and management of its water distribution and wastewater collection systems in Tillsonburg and Woodstock. Model A involves Oxford assuming all Operating Authority responsibilities, hence ceasing the contractual agreement and transferring all water & wastewater responsibilities currently contracted to the Town of Tillsonburg and the City of Woodstock, to the County of Oxford.

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Based on Oxford's current level of operators per km of pipe, it is estimated 23 operators in total would be required for all systems - 17 Water Distribution (WD) operators and 6 Wastewater Collection (WWC) operators. Of the 17 WD operators, it is estimated that 10 would be allocated to the north and 7 allocated to the south. For the WWC operators, 3.5 operators would be attributed to the north and 2.5 to the south.

*Assumptions:*

Staffing estimates based on Oxford Vision Organizational Chart provided, and current staff are fully utilized in current responsibilities.

- Oxford's Vision Organizational Chart assumes a reduction of 2 frontline operator staff and addition of one foreperson. It is recommended that no staff reductions be carried out, and rather consider promotion of one operator to foreperson.
- Current budgeted expenditures for Materials, Purchased Services, Contracted Services from Woodstock and Tillsonburg transferred to Oxford, assumes values are comparable.
- Current Oxford overhead expenditures are carried.
- Includes 5% efficiency on Materials and Purchased Services due to bundling, which has been confirmed by Oxford staff. It is assumed that Oxford would utilize the Oxford Road Patrol Yard in Woodstock for material storage, along with the Ingersoll Distribution Yard.
- New equipment required for staff will be rented. Fleet/equipment required for additional staff has been estimated as an annualized operating total of \$145,000, based on rentals for the short term, which is included in the operating total.

One-time capital costs for transition are estimated at \$50,000 to cover an Operating Authority Transition Implementation Plan.

This transition, however, would not be without some challenges. Oxford staff are less familiar with the Tillsonburg and Woodstock underground linear infrastructure and customers than the current operating authorities, which would require time to learn the details of the systems.

Model B - Local Ownership & Operation of Distribution/Collection Systems:

Tillsonburg and Woodstock assume ownership of assets and full Owner and Operating Authority responsibilities for the water distribution and wastewater collection services.

GM BluePlan did not include the process for transferring the assets and related legal implications as part of the calculations for this model. A detailed assessment of the

larger financial implications such as asset valuation, reserve transfers and the cost of borrowing, would be required for further evaluation or implementation of this model.

This model brings opportunities for existing Woodstock or Tillsonburg staff to take on some of the additional technical, support and ownership responsibilities identified. According to the consultant, one-time capital costs for transition were estimated at \$575,000 to \$825,000, and may include the following initiatives:

- \$100,000 - \$150,000 - Transition Implementation Plan
- \$200,000 - \$300,000 – Asset Transfer Study - Asset Valuation / Reserve / Debt
- \$100,000 - \$200,000 Legal Costs
- \$100,000 - Initial Wholesale / Retail Rate Study
- \$75,000 – Revised Asset Management Plan
- Meter Reading Software (Itron Temetra)

Cost of transferred assets and associated cost of borrowing to cover one-time capital or to cover transferred assets was not included.

With this model, the local municipalities will have the authority to set and manage the billing rates for customers directly based on budgeting and capital forecasting within their full authorities.

#### Model C - Contract to External Operating Agency:

Oxford to contract out all water & sewer service management and operations to an external operating agency, such as Ontario Clean Water Agency or a contractor.

Within the model, the scope of the assets to be operated by an external agency would include all distribution and collection linear and vertical assets for all local municipalities. Feeder mains and water/wastewater treatment facilities would not be included. Model C would see all of assets continue to be owned by Oxford. No asset transfer of ownership would be required.

Of the three models, Model C has the greatest impact on staffing across all municipalities, since all Operating Authority responsibilities for all distribution and collection systems would be carried out by an external agency. Current frontline and supervisory positions for distribution and collection would likely be eliminated.

One-time capital costs for transition were not calculated for this model. Also, the efficiency savings assumptions applied to the County operating model were oddly not provided to this model.

**Status Quo - Plus:**

Based on scope restrictions, this model was not evaluated through earlier sections of this report, but financial comparisons were included. The model involves no changes to the current service delivery method but assumes some efficiency improvements are implemented based on service levels and desired synergies.

**Assumptions:**

- Procurement of materials and purchased services are bundled for all three municipalities.
- Customer service efficiencies through amalgamation of first response calls, are not estimated but may also be an option for consideration.
- Transition to formal Computerized Maintenance Management System (CMMS) by Tillsonburg and Woodstock which can afford effective integration to County's Cartegraph® and GIS systems.
- Consistent application of County's Fees & Charges Schedule By-law

**DISCUSSION**

The Council for the Town of Tillsonburg passed the following resolution at their meeting on March 28<sup>th</sup>, 2022:

**Resolution # 2022-115**

Moved By: Councillor Gilvesy

Seconded By: Councillor Parker

THAT the presentation from Oxford County regarding Joint Water & Wastewater Service Delivery Review Overview be received as information;

AND THAT staff be directed to prepare a report for Council to be brought back no later than the first meeting in May recognizing the time sensitivity of this issue with regards to the following;

- Financial cost to the Town if Option A gets adopted by County Council which should include severances and job losses
- If Option A as recommended in this presentation is adopted by County Council, how would it affect the local water and waste water rates?
- Staff recommendations on preferred option outlining pros and cons of options including status quo
- If Option A is adopted by County Council, how will local service levels be affected?

**Current staffing needs for Tillsonburg:**

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Tillsonburg Staff operates 155km of watermains, 633 hydrants, 7261 metered services, 118km of sewer gravity and 1515 sewer maintenance holes. Table 2 below provides a comparison with Woodstock and Oxford's systems.

These services are operated by the following staff:

- Water/Wastewater Supervisor – Overall Responsible Operator (ORO), Level 4 for Water, Level 3 for Wastewater
- 4.5 Operators – One operator temporarily assigned as lead hand is ORO back-up (4.0 Operators in 2020 with 0.5 Operator added in 2021)
- After hours staff availability is ensured through the maintenance of an on-call schedule. An on-call ORO is also available to oversee and authorize duties as required.

*Table 2. County of Oxford's Water and Wastewater System*

<b>Services (2020 data)</b>	<b>Tillsonburg</b>	<b>Woodstock</b>	<b>Oxford</b>
Watermains (Km)	155	275	305
Hydrants	663	1,328	1,055
Metered Services	7,261	16,192	12,159
Sewer Gravity Main (Km)	118	246	244
Sewer Maintenance hole	1,515	3,914	2,622

Tillsonburg considers its level of customer service to be a well-documented and effective system. The Town uses MESH as a work order management system to document customer calls, attach corresponding documentation or photos, and run reports. Staff records are documented in Excel. Tillsonburg enforces water use by-laws, and monitors its consumer's water consumption.

All customer calls go directly to Tillsonburg and Woodstock for those respective systems.

Tillsonburg Customer Relations Notes:

- Photos and reports are filed, MESH is used.
- Service standards are not currently formalized. General response is within two days.
- Customer communication includes pamphlets and Town website.
- Formerly a booth at Turtle Fest.
- Covid has constrained Public Information Centres (PICs) and outreach.



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Tillsonburg also provides critical information to support the Drinking Water Quality Management Standard (DWQMS) Operational Plan at Oxford.

The Third-party Service Delivery Review completed by GM BluePlan demonstrated that the Town of Tillsonburg has the highest rate of services per operator as indicated in the Table 3 below.

*Table 3. Current Comparable Metrics for Water/Wastewater Operators*

<b>Comparable Metrics for Operators</b>	<b>Tillsonburg</b>	<b>Woodstock</b>	<b>Oxford</b>
# Operators	4.0	11.5	9.0
# Kilometers per operator	68	45	61
# Locates/year per operator	1,116	733	377
# customer requests/year per operator	237	89	176
# Meter Installation/year per operator	85	33	40
# Hydrants per operator	166	115	117
# Metered services per operator	1,815	1,408	1,351
# Sewer maintenance holes per operator	379	340	291

From this table, on average each operator in Tillsonburg:

- Operates approximately 68kms of watermain and sewer gravity main combined. This is higher than both Oxford and Woodstock.
- Conducts 1116 locates. This is higher than both Oxford and Woodstock. This is also reflective of Tillsonburg's large growth (2022 census).
- Responds to 237 customer requests. This is higher than both Oxford and Woodstock.
- Installs 85 water meters every year. This is higher than both Oxford and Woodstock.
- Operates 1815 metered services. This is higher than both Oxford and Woodstock.
- Maintains 379 sewer maintenance holes. This is higher than both Oxford and Woodstock.

In addition to these challenges, Tillsonburg is experiencing significant growth. Released earlier this year, the census numbers show Tillsonburg has had a population growth of 17.3 per cent since 2016. According to the new census data, Tillsonburg now has a population of 18,615. Aligning with this increase in population growth, Tillsonburg showed the largest increase of dwelling spaces at 16.4 per cent.

Based on our current state and future growth projections, our water and wastewater staffing which includes Overall Responsible Operator staffing is insufficient to maintain the service levels or to implement the best practices recommended by the County. It is

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estimated that an additional 2 operator FTEs are required, in addition to the 0.5 FTE operator added in 2021.

Table 4 below includes the new comparable metrics for operators if the County of Oxford approves the 2 additional FTEs for Tillsonburg.

*Table 4. Comparable Metrics for Operators Including Additional FTEs for Tillsonburg.*

<b>Comparable Metrics for Operators</b>	<b>Tillsonburg</b>	<b>Woodstock</b>	<b>Oxford</b>
# Operators	6.0	11.5	9.0
# Kilometers per operator	46	45	61
# Locates/year per operator	744	733	377
# customer requests/year per operator	158	89	176
# Meter Installation/year per operator	57	33	40
# Hydrants per operator	111	115	117
# Metered services per operator	1210	1408	1351
# Sewer maintenance holes per operator	253	340	291

As indicated in the current water distribution, sewage collection and engineering, the Town needs to submit a draft budget every year including proposed capital works, to the County for approval.

Last year, the Town requested approval for two additional full-time operators (FTEs) to the County's Public Works department in order to successfully perform the duties included in the agreement and provide residents with a reasonable level of service. However, this request was denied by County's Public Works department.

It is very important that the County approves these additional FTE requests.

### **Comments to the County of Oxford Water and Wastewater Service Delivery Review Report:**

Staff has reviewed the final reports submitted by GM BluePlan for the Oxford Water/Wastewater Service Delivery Review and offers the following comments:

#### 1. Model A - Recommended Organization Chart:

The report's recommended chart of staffing complement indicates three (3) supervisors (Treatment, Distribution and Collection) and two (2) Forepersons (north and south) to cover the entire County if amalgamated as recommended.

There is no evidence that the system in its entirety can be adequately managed with these minimal resources. Location services (1- north and 1- south) is also not enough as Tillsonburg has demonstrated the need for a locator specifically for Tillsonburg alone.

## 2. Model A - Customer Service

The report includes the following statement from the consultant:

*“In terms of the customer experience, Model A offers similar customer service as the other models, and would streamline customer service approach, documentation and response across all of the Area Municipalities...”*

In our opinion, Customer Service would be significantly compromised as the County response times have proven to be considerably higher than Tillsonburg’s response times. Responding to customer enquiries, complaints, and requests locally in Tillsonburg is very important for good customer service practices.

## 3. Model A – Financial Assumptions

In our opinion, the consultant did not include all the personnel required in the County’s Vision Org Chart. As an example, two water/wastewater supervisors are not enough to cover the County’s geography and systems. Ultimately, the County will require additional staff which will impact their anticipated cost saving projections.

The report includes the following statements from the consultant:

*“Model A is the only model that offered annual savings, rather than estimated increases in costs...”*

*“In Model A, the annual operational savings for overall WD and WWC are estimated at approximately \$1 million, in comparison to the current expenditures in status quo...”*

*“Adopting Model A will allow Oxford to reduce operating expenditures by approximately \$1 Million annually, which could be directed to these reserves without raising rates for customers...”*

In our opinion, these statements are subjective in nature as the financial analysis included in the report is not sufficient to validate these calculations. As an example, the consultant limited their analysis to indicate that salaries and benefits for Oxford County under model A will be \$2,788,927. A comprehensive financial analysis including a detailed breakdown of each activity/item is required as this was not delivered or included in their final report.

For example, the County’s costs do not appear to include their engineering, public works staff costs and subsequent overheads.

## 4. Tillsonburg Vision Org Chart

The report includes the following statement from the consultant:

*“Under Model B, these activities would require a triplication of many of these efforts, would require additional resources, and would eliminate the economies of scale that will be found in Model A...”*

The consultant requested the Town’s vision org chart based on the assumptions for model B. This information was provided to the consultant, however, they added positions as it did not fit with their specific vision org chart. This **assumption** negatively impacted the financial **assumptions** for this model.

The consultant also indicated that Tillsonburg was severely understaffed. Tillsonburg staff has requested additional staff for 2020 as well as 2021 budget discussions. This request was only approved in 2020 by allowing a 0.5 FTE but not approved in 2021 when the Town requested 2 FTEs.

#### 5. Tillsonburg Operating costs

The report stated that operating costs in Tillsonburg are significantly higher as the Town contracts much of its major tasks. The reason of this increase of operating costs is in part, due to our understaffed situation. This issue was specifically communicated to County’s staff during budget deliberations; however, the County’s Public Works Staff denied this request for additional personnel.

The technical Memo 1B – Current State Financial assessment completed by GM BluePlan indicates that the total annual revenue for the Tillsonburg Water system is \$3,599,460 while the expenditures for the Water Distribution system is only \$872,673, with the balance for reserves and the Tillsonburg Water Treatment system. This report also shows that the total annual revenue for the Tillsonburg Wastewater system is \$3,892,042 while the expenditures for the wastewater collection system is \$414,280, with the balance for reserves and the Tillsonburg Wastewater Treatment system. Staff recommends that a comprehensive analysis of the total revenues versus expenditures be completed by the County for each system in order to definitively find efficiencies, savings and responsible management of the water/wastewater assets.

#### 6. System Comparison - Financial Details

The excessive financial differences between Oxford and Tillsonburg can be partly attributed to the smaller systems (and system class) under the County’s ownership as well as a demonstrated difference in customer service, system level requirements (i.e. fire hydrants) and number of service connections and meters per km of pipe (density of system).

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 significantly more services, hydrants, valves, maintenance holes and laterals per kilometer than a rural system does. Since maintenance is usually on the fixtures such as services, and valves, etc., the \$/km for an urban system is higher than those of rural or small systems.

## 7. Water Distribution and Wastewater Collection systems - Differences

The report includes the following statement from the consultant:

*“Model A allows for service levels to be optimized, consistent across all Area Municipalities, and based on the best practice standard operating parameters and processes...”*

It is very important to differentiate the water distribution and wastewater collection systems the County currently owns in order to compare apples-to-apples and determine a level of service in accordance to the user needs (i.e rural vs urban, complex vs small distribution/collection systems).

Drinking water systems and wastewater facilities are classified according to their relative operational complexity, based on a scale of Class 1 to 4 (with “1” being the simplest and “4” the most complex). Operator certificates and licences are leveled in the same way. The certification and training requirements for each class of certificate and licence are directly related to the classification of the system or facility they work in.

Table 5 below shows the Water Distribution Class by operating authority for the systems within the County.

*Table 5. Water Distribution System Class (2020 data)*

<b>Operating Authority</b>	<b># Systems</b>	<b>System Class</b>	<b>Total # of Services</b>
Tillsonburg	1	3	6,190
Woodstock	1	3	13,831
Oxford - Large System	2	3	2,207
Oxford - Large System	8	2	3,254
Oxford - Large System	2	1	5,226
Oxford - Small Systems	3	-	124

## 8. Model B - Financial Model Assumptions

The two additional FTE’s should be taken out from this model as they were requested and subsequently denied. This calculation should have been part of the status quo. In addition to this, Town staff provided the following comments to the consultant:

- DWQMS and other administration tasks can be incorporated in existing staff;
- Billing administration is already being performed largely within Tillsonburg and the remainder can easily be incorporated into Tillsonburg’s existing billing systems;
- By-law administration and enforcement can be completed in-house.

The consultant indicated in their report that the process of transferring the assets and related legal implications was not included as part of the calculations and that a detailed assessment of the larger financial implications would be required for further evaluation

or implementation of this model. In our opinion, it is difficult to choose or recommend a model when this analysis was not completed for this model. It seems that the only model truly considered in their report was model A.

9. Ease of Implementation and Benefits Chart

The report from GM BluePlan includes the following:

*“As identified in the scatterplot graph, Model A is identified as the option with the greatest ease of implementation and benefits, with substantive annual operational cost savings...”*

It is hard to understand how a full transition to Oxford Ownership (Model A) will be easier to implement than Status Quo +.

Items 5-11 should be removed entirely as this was not part of the project scope or analysis.

Figure 7 Ease of Implementation and Benefits for Various Models and Best Practices

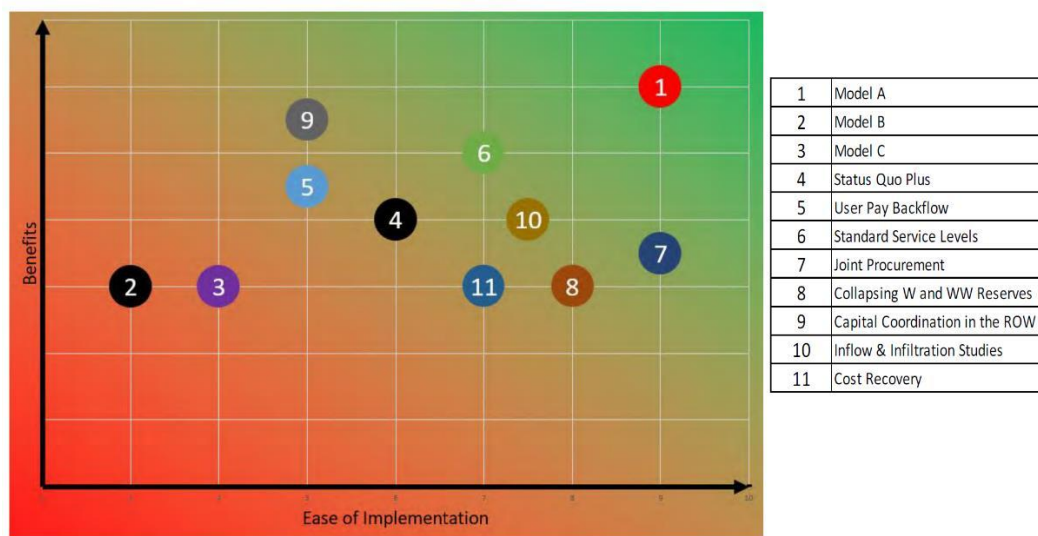


Figure 1. Easy of Implementation and Benefits for Various Models and Best Practices. (Source: Oxford Water/Wastewater Service Delivery Review - Final Report. Prepared by GM BluePlan)

10. Status Quo + Model

The report does not investigate the model of continuing with the status quo with improvements. 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 a new and improved service agreements for both Tillsonburg and Woodstock. 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 include. This model 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.

### 11. Water/Wastewater Rates

Water and sanitary rates were not in the original scope for the project, however, GM BluePlan opted to discuss the water and sanitary rates regardless. How these rates are calculated, collected and spent is solely at the discretion of the County. The Town has no control over these issues.

### 12. Model D – Transferring the Tillsonburg’s Water Treatment, Water Distribution, Wastewater Treatment and Wastewater Collection to the Town of Tillsonburg.

During preparation of the RFP for this study, Town staff requested that this option be included as part of the study. County’s Public Works staff decided **not** to include this option.

*“One of the local municipalities expressed an interest in also acquiring treatment assets along with distribution and collection, but this request was not received from both local municipalities. In discussions with Oxford, several key challenges with a decentralized treatment model exist, and continued minimization of public health risks is paramount... For these reasons, the transfer of Water and Wastewater Treatment assets and responsibilities to the local municipalities was not carried forward or modelled...”*

In our opinion, this is not fair to the communities using these systems. This study was possible because of a grant provided by the Province of Ontario in order to find efficiencies, savings and modernize the services municipalities provide to their residents. Investigating this option is very important in order to adequately provide a comprehensive holistic view and consideration of all potential options.

### Summary

- Financial cost to the Town if Option A gets adopted by County Council which should include severances and job losses.
  - Answer: The estimated financial costs to the Town if Model A gets adopted by County Council is Approx. \$500,700 (Gross loss of revenue) with a potential of an additional \$300,000 if the engineering, billing and customer service agreement is terminated under this option (refer to Financial Impact/Funding Source section and Table 8 below). It is our



assumption that any severances and job losses will be responsibility of the County of Oxford.

- If Option A is adopted by County Council, how will local service levels be affected?
  - Answer: In our opinion, Customer Service would be significantly compromised as the County response times have proven to be considerably higher than Tillsonburg’s response times. Tillsonburg considers its level of customer service to be a well-documented and effective system. Responding to customer enquiries, complaints, and requests locally in Tillsonburg is very important for good customer service practices.
  
- If Option A as recommended in this presentation is adopted by County Council, how would it affect the local water and waste water rates?
  - Answer: The water and wastewater rates are calculated on a full/lifecycle cost basis including financing of operations, capital and reserves. Water and wastewater rates are set to cover operating costs as well as future capital investment that ensures the systems run safely, efficiently and sustainably into the future.

In theory, Model A as presented in the GM BluePlan report will allow Oxford to reduce operating expenditures which could be directed to each reserves without raising rates for customers, however, how these rates are calculated, collected and spent is solely at the discretion of the County.

- Staff recommendations on preferred option outlining pros and cons of options including status quo.
  - Answer: Staff recommends that “**Status Quo Plus**” model gets adopted by County council.

*Table 6. Service Delivery Models - Pros and Cons*

<b>Model</b>	<b>Pros</b>	<b>Cons</b>
Status Quo	Easiest to Implement	Staffing is insufficient to maintain service levels and to implement best practices for both systems.
Model A	System is owned and operated by one Operating Authority.	Potential decrease of customer service. Negative impact on Town's budget.



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Model B	Tillsonburg will have the authority to set and manage the billing rates for customers directly based on budgeting and capital forecasting within their full authorities. In addition, Tillsonburg will have full control of the level of service for the water distribution and wastewater collection system.	Additional work and investigation required to plan and implement this service delivery model.
Model C	Difficult to ascertain at this stage, without knowing the terms and conditions of such a contract.	Customer service and operations provided by external operating agency. Greatest impact on staffing and Town budget.
Status Quo - Plus	Sufficient staff to operate our systems in a responsible and effective way.	Tillsonburg has no authority to set and manage the billing rates for our customers. Tillsonburg has no control on the level of service for both systems.

**CONSULTATION**

The following staff and resources have been consulted in preparing this report:

- Manager of Public Works
- Water/Wastewater Supervisor
- Director of Finance/Treasurer
- Chief Administrative Officer

**FINANCIAL IMPACT/FUNDING SOURCE**

Financial implications for the Town if Model A is approved and implemented by County Council:

*“Model A requires Oxford to take on all of the Operating Authority responsibilities that were previously assigned to Woodstock and Tillsonburg. Additional operators may have opportunities to transition from Woodstock and Tillsonburg, if those with water and wastewater responsibilities in those systems cannot be re-assigned. Surplus supervisory and management staff in Tillsonburg and Woodstock are not required for this model” – Statement from GM BluePlan’s report*

In this scenario:

- All water/wastewater operators and the supervisor will be transferred to the County – No financial implications. It is our assumption that any severances and job losses will be responsibility of the County of Oxford.

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- 70% of Manager of Public Works salary paid by the County – Approximate \$110,000 including benefits
- Town fleet – Approximate annual revenue of \$100,000 for fleet services (Including fuel, maintenance, repairs, vehicle rentals, etc).
- Customer Service Centre (CSC) lease – Approximate annual revenue of \$86,700
- In addition to the water/wastewater operators, the 2022 operating budget includes an overhead of \$204,000 to account for a portion of the salaries of the following staff:

*Table 7. Overhead included in the Water Distribution and Sewage Collection Agreement*

<b>Position</b>	<b>Water Overhead</b>	<b>Sewer Overhead</b>
Inventory Clerk	10.0%	0.0%
Director of Operations & Development	2.5%	2.5%
Operations Administrator	2.0%	2.0%
Manager of Engineering	20.0%	20.0%
Operations Technologist	15.0%	15.0%
Civil Designer	15.0%	15.0%
Operations Technologist	15.0%	15.0%
AM Supervisor	15.0%	15.0%

As previously mentioned in the Background section, the Town also entered into an agreement with the County for water/wastewater customer service and billing. In this agreement, the Town receives approx. \$200,000/year to account for overhead related to the provision of water/wastewater billing, customer service and Firecomm services. At this point, it is unknown if this agreement will be impacted under this scenario, as the Town is not aware as to whether customer service and billing services would remain at the Town or centralized at the County.

In addition, the Town also bills the County 10% of the annual water and wastewater capital costs to recover the administrative tasks completed by the Town for water and wastewater capital projects including design, tendering, contract administration, construction supervision, etc. This represents a revenue of approximately \$100,000 every year. At this point, it is unknown if this agreement will be impacted under this scenario. It is also unknown if any of the insurance premiums for Water and Wastewater of \$120,700 currently recovered from the County will still be payable by the Town.

*Table 8. Financial Impact Summary*

<b>Total Financial Impact \$</b>	
<b>Costs Currently in Town's budget, Paid by the County</b>	
Manager of Public Works (70% Recovery)	\$110,000
Fleet Services Costs	\$100,000
Engineering Overhead	\$204,000
Rent (Customer Service Centre)	\$86,700

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<b>Gross Loss of Revenue</b>	<b>\$500,700</b>
<b>Unknown</b>	
Customer Service & Billing Overhead	\$200,000
Administrative Charge on Capital Projects	\$100,000
<b>Potential Loss of Revenue</b>	<b>\$300,000</b>

Collapsing Water and Wastewater Reserves:

Oxford currently has numerous reserves set up to address future capital expenditures. There are currently 11 reserves set up for wastewater (one for each local municipality) and 4 reserves set up for water (one each for Tillsonburg, Woodstock and Ingersoll and a fourth for the remainder of the local systems).

GM BluePlan also recommended that the County consider collapsing these reserves into one water reserve and one wastewater reserve which would offer more flexibility to the County to allocate funds to the required capital project and smoothing out the peaks and valleys somewhat.

Staff recommends that this option is not considered/approved by County Council as this may negatively impact the current rate system. In our opinion, Tillsonburg residents should have their own water and wastewater reserves for their systems.

**CORPORATE GOALS**

How does this report support the corporate goals identified in the Community Strategic Plan?

- Lifestyle and amenities
- Customer service, communication and engagement
- Business attraction, retention and expansion
- Community growth
- Connectivity and transportation
- Not Applicable

Does this report relate to a specific strategic direction or project identified in the Community Strategic Plan? Please indicate section number and/or any priority projects identified in the plan.

**Goal** – The Town of Tillsonburg will strive for excellence and accountability in government, providing effective and efficient services, information, and opportunities to shape municipal initiatives.

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**Strategic Direction** – Explore opportunities for service efficiencies in partnership with adjacent municipalities.

**Priority Project** – Short Term – Municipal service review

**ATTACHMENTS:**

- Oxford Water/Wastewater Service Delivery Review - Technical Memo 1: Current State. Prepared by GM BluePlan Engineering. Dated March 16, 2022
- Oxford Water/Wastewater Service Delivery Review - Technical Memo 1B: Current State Financial. Prepared by GM BluePlan Engineering. Dated March 16, 2022
- Oxford Water/Wastewater Service Delivery Review - Technical Memo 2: Model Review. Prepared by GM BluePlan Engineering. Dated March 16, 2022
- Oxford Water/Wastewater Service Delivery Review - Final Report. Prepared by GM BluePlan Engineering. Dated March 16, 2022