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Infrastructure

Report looks at municipal water, sewer financing

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The expansion, rehabilitation and replacement of water and wastewater infrastructure can begin with the simplest of investments: water meters, according to a report released yesterday.

“It seems to be the most obvious one,” says Harry Kitchen, Trent University economics professor and consultant for the Residential and Civil Construction Alliance of Ontario (RCCAO).

“Municipalities keep thinking it will be very expensive but they can amortize that costs over time and it will cost peanuts over the lifetime of the metre.”

Kitchen’s report is the second of two commissioned by RCCAO looking at the current state of water and wastewater infrastructure in the Greater Toronto Area. Both were released yesterday at Toronto City Hall in hopes of “stimulating debate” and increasing investment in Ontario’s aging infrastructure.

As the GTA expands and grows older, finding ways to allocate resources for system-wide infrastructure improvements in water and wastewater will be a key challenge for municipalities, says Kitchen.

“First, there is the challenge of determining the desired or optimal level of water and sewer infrastructure and the way in which it should be financed,” explains Kitchen. “Second, and of more importance, is the challenge of setting correct prices, such as user fees, for the consumption of water.”

A change in political attitudes and fear about “user fees” will be difficult for governments to do but is necessary, says Kitchen.

“Water and sewer systems should be financed on the basis of benefits received, “ says Kitchen. “Those who benefit from the service, pay for it. Through user fees and prices, people pay attention to their use and you can get efficient and optimum use."

GTA municipalities currently use various methods to finance water and sewer infrastructure such as current operating revenues, reserves, borrowing funds, and development charges.

"Borrowing makes considerable sense for financing the rehabilitation of existing water and sewer systems because the benefits from this infrastructure accrue to future users, thus leading to a funding system that is fair, efficient and accountable," states Kitchen.

Greater use of concepts, such as public-private partnerships, could help "alleviate some financing concerns" because it would spread some of the upfront financing burden on to the private sector. Also, this type of partnership encourages a "life-cycle" approach for infrastructure which includes maintenance, asset replacement and asset management costs, explains Kitchen.

"(P3s) offer new sources of capital, freeing government revenues for other purposes," says Kitchen.

An estimate in 1996 pegged the watermain and sewer infrastructure deficit at $55 billion over the next 25 years.

P3s also allow the public sector to draw on private sector expertise to lower costs. When contracts in these partnerships are "properly structured and based on performance measures" better accountability, transparency and value for money spent can result, adds Kitchen.

"Because the private sector operates in a competitive environment, it is almost always more innovative in infrastructure design, construction and facility management when compared with the public sector," adds Kitchen.

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