

Presentation to EPC July 15, 2009

Council of Women of Winnipeg and the Provincial Council of Women of Manitoba

The Council of Women of Winnipeg and the Provincial Council of Women of Manitoba thank you for the opportunity to make a presentation in opposition to the proposed changes to the way in which water and waste services are delivered to the people of Winnipeg. We understand the pressures on the city that have led to the development of the plan. The city is facing expensive upgrades mandated by the Clean Environment Commission, upgrades that our councils support. We also know that expensive cost overruns have shocked the city into investigating a system that could potentially reduce the city's vulnerability to these costs. We don't see this as a nefarious plot. However, we are opposed to both elements of the plan, both to the formation of a Municipal Corporate Utility and to the subsequent formation of a Strategic Partnership to finance or partially finance, design, build and operate a waste water treatment plant. There is also the issue of the public consultation process, which we would like to address.

The Stand-alone Water and Waste Utility. Do we need it, and are there better alternatives?

Winnipeg's Water and Waste Department works efficiently and effectively. Even the business plan for the proposed Municipal Corporate Utility sings its praises. The department is committed to exceeding customer expectations, to improving the state of the environment, to increasing efficiency, to implementing best practices and to maintaining a high quality working environment for its staff. It has in large part achieved these goals. The general rule of thumb is "if it ain't broke don't fix it." The establishment of a stand-alone water and waste utility would be an expensive fix to problems that could be addressed more directly, and inexpensively, by giving the department the resources it needs to address today's challenges. The loss of this effective department could be something that Winnipeg would come to regret.

The major problem that the utility has faced in the past few years lies at the doorstep of City Council, which raised sewer and water rates on the grounds that expensive upgrades were needed and then proceeded to raid the funds to balance its budget. I am assuming you all recognize this as a mistake. This year you demonstrated that you do not need to put yourself into a pair of handcuffs to keep your fingers off the revenue the department badly needs. A by-law that prohibits council from dipping into the funds would be both simpler and less costly. Better still, Winnipeg could look to the City of Seattle, Washington for an example. Seattle has set up its various departments as "companies", each with its own budget. Seattle's several utilities are models of transparency and accountability. Each utility has an advisory committee made up of informed volunteers. These advisory committees work with the department employees to suggest changes which then come before city council for a vote. These are not toothless committees, and they cost the city practically nothing. Board meetings and advisory committee meetings are open to the public, and in at least one case the public can dial a number to listen in to a meeting as it is in progress. The result is innovative programs that are the envy of many environmentalists. It is not a perfect system, but there are elements that are worth emulating.

Seattle's structure is a stark contrast with what is being proposed in the Municipal Utility Business Plan. Although the claim is made that there would be more transparency with a standalone utility, the opposite is certain to happen. All contracts made by the utility with private strategic partners would be proprietary information and would not be subject to freedom of information requests. Not only is a municipal corporate utility inherently less accountable, but also the plan calls for special measures to ensure that this particular utility would have the least amount of what it calls political interference, something which could also be called public scrutiny. The plan suggests that the utility

would seek to have its capital budget freed of scrutiny by the PUB. It would be answerable directly to City Council for its capital budget, but Council's role would only be to accept or reject, not to have input into the plan. The utility would have a private firm select members for its board. That slate would then be ratified on an all or nothing basis by City Council, just as is the case with the utility's annual budget. The role of City Council is reduced to that of a rubber stamp, unless councillors vote to scuttle the whole thing.

The major aim of the business plan seems to be to get rid of politics, but we should be careful what we wish for. The word politics comes from the Greek word *polis*, which means city. Politics in its root meaning refers to the affairs of the city. Politics is the vehicle through which citizens choose their representatives and influence public affairs by giving direct input into decision making processes. This open meeting of EPC is an example. In our society another word for this process is democracy. The plan reflects suspicion of the democratic processes that should govern a city. Democracy is what would be eliminated by the proposed municipal utility. One public-show-and-tell each year offers no opportunity for citizen input.

Although Bryan Gray said at one open house that the city could still set terms on sales of water to exurbia, as it now does, it is clear from the plan, that such limitations would be regarded as political interference. It is evident that the intent is for the utility to be free, as soon as possible, to sell water and sewer services to the surrounding municipalities. All that seems to matter is the bottom line. No account is taken of what impact the extension of water would have on urban sprawl and possibly the relocation of Winnipeg businesses to lower tax jurisdictions. There is nothing in the plan to suggest that the utility would take into consideration Winnipeg's need for water to meet future growth within its city boundaries. A few decades ago there was talk of an imminent need to twin the aqueduct. Water conservation has postponed that date, but the resource is limited. If we expand delivery of water into exurbia, could water shortages and rationing be the result down the road? This is not even mentioned as one of the risks facing the utility. There may be extension of services which would prove to be profitable, in every sense, but City Council will lose the ability to make sure that there is full cost accounting that takes into account the social and environmental costs. Only public scrutiny can guarantee the triple bottom line: social, environmental and financial.

The plan tells us many ways in which the utility will be more expensive. There is a whole new layer of bureaucracy, board expenses, and costs related to rate hearings before the PUB. The projected savings are attributed to largely unspecified efficiencies and bulk purchases.

#### Strategic Partnership Would it save us money?

Obviously our water and waste department does not have the expertise to design and build a sewage treatment plant on its own. The job needs, at the very least, to be contracted out. The plan proposes a strategic partnership, which appears to be a hybrid form of a P3, one that leaves the assets in the hands of the city. That sounds good, but the savings achieved by strategic partnerships could be illusory. When firms are competing for a bid, it is in their interest to lowball the costs to beat out their competitors. This leaves the city vulnerable to cost overruns, and the city has been stung by many such contracts. By contrast it is in the interest of the strategic partner to highball costs so that it will look good by coming in under budget. The actual cost to the city could well turn out to be the same, although in one case it will appear to be over budget and in the other case under budget. There are no guarantees that P3s will spare the city from cost overruns, as the city has already learned with the Charleswood Bridge.

In addition to the added costs that the utility would incur, there are further costs that would be associated with the formation of a strategic partnership. There would be a third layer of bureaucracy, increased legal costs and a higher rate of borrowing if the partner is to provide some or all of the financing. (At the forum it was suggested that, contrary to the plan, the city might not use private

funding, should it be more costly. If this should be the case it is not explained why the private partner could still own up 49% of the strategic partnership.) Despite all these costs, the plan suggests that the operating costs would be 12% lower due to mostly unspecified efficiencies. The only way I could see for the partnership to achieve this level of savings would be through lower labour costs, which are the major expense of the facility. Although guarantees have been given to employees that their union contracts would be respected, the plan states that 28% of the workforce will be retiring within the next four years. Would the saving come in replacing them with nonunionized workers working directly for the strategic partner? If so, this could cause a significant deterioration in the relationship with the union, with potentially costly consequences. This is speculation, but it is hard to see any alternative way in which such savings could be realized.

#### The Consultation Process Has it been adequate?

Winnipeg is currently in the midst of a long and inclusive consultation with its citizens on Plan Winnipeg. There could be no greater contrast to the way in which this proposal is being presented to the people of Winnipeg. The two public open houses were scheduled before the plan was available to the public, and there was no real dialogue. Until our councils and the Green Action Committee of the Unitarian Church arranged a public meeting, there was no forum in which the public even had a chance to hear a presentation. More than two hundred people attended our meeting. While the project team did answer questions previously submitted by the Councils of Women, they were not authorized to answer any questions posed by the audience, even in written form. The city needs a more inclusive and interactive consultation process. Some of the unanswered questions are appended to our presentation, which has been filed with the clerk. Although the gathering at our forum lacked any real organizational authority, the attendees unanimously passed a motion asking City Council to postpone the vote on this matter until a comparative analysis of all options could be made.

#### Recommendations

We ask that City Council postpone the vote on the two aspects of this proposal. We are aware that the City is facing deadlines for upgrades to its water and sewer services, but it would be far better to ask the province for a short extension than to lock the city into a system that does not best meet the needs of the people of Winnipeg.

We recommend that the city look into Seattle's organization as a possible model for structuring the relationship of the Water and Waste department to City Council and to the people of Winnipeg

We recommend that the city undertake a more thorough and balanced investigation of P3s to determine whether or not they are the best way to achieve economic investment in the city's services and infrastructure and conduct a comparative study of the alternatives.

Presented by Carolyn Garlich, on behalf of the Council of Women of Winnipeg, and the Provincial Council of Women of Manitoba

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