



Governance and Priorities Committee Report

For the March 12, 2015 Meeting

To: Governance and Priorities Committee **Date:** February 26, 2015
From: Jas Paul, A/Assistant Director of Underground Utilities and Facilities
Subject: Wastewater Treatment Options – Service and Governance

Executive Summary

City Council authorized staff to proceed with a three-phase business case to explore local wastewater treatment options. Phase 1 identifies legally available options for governance under the existing legislation. The work under Phase 1 is now complete with the attached report entitled "Service and Governance Background Report Wastewater Treatment Options – Phase 1" completed by consultancy firm, Urban Systems.

The attached report identifies legally available options for governance under existing legislation which includes an overview of legislative opportunities and constraints for establishing wastewater treatment services, including with any municipal partners.

The City of Victoria has multiple options to attain a new servicing-structure for local wastewater treatment and re-use. Four options for service-structure include:

1. Status-Quo - Service remains with the Capital Regional District. Regional and municipal wastewater service governance remains consistent with the Core Area Liquid Waste Management Plan, including the proposed program for capital works.
2. Sub-Regional Function – Under a regional framework established via the Capital Regional District, Victoria could develop a local plan for wastewater treatment which would likely include municipal partners.
3. City-Only Service - Victoria could establish an independent wastewater treatment service.
4. Inter-Municipal Service - Victoria could develop a local plan for wastewater treatment which includes municipal partners (but is not delivered through the regional district).

Generally, establishing a wastewater treatment service along with the Capital Regional District, under Option 1 or 2, has advantages but does not increase influence of service. Option 3 – Sub-Regional brings autonomy but is less certain for external support. Option 4 – Inter-Municipal Service is possible but will be more challenging to establish than a sub-regional function. There are trade-offs between the options. The report outlines the context and considerations for Council in making future decisions regarding wastewater treatment services.

The City has engaged Urban Systems for the next phase of the project which will expand on this service and governance report to cover wastewater treatment service delivery, such as treatment technologies, approvals, infrastructure, facilities and costing.

Recommendation:

That Council receives Appendix A, Service and Governance Background Report Wastewater Treatment Options – Phase 1 (February 2015) for information.

Respectfully submitted,



Jas Paul,
Acting Assistant Director
Underground Utilities and Facilities



Katie Hamilton
Director
Citizen Engagement and Strategic Planning

Report accepted and recommended by the City Manager



Date:

Feb. 27/15

REPORT

Service and Governance Background Report

Wastewater Treatment Options – Phase 1

#402 - 645 Fort Street, Victoria, BC V8W 1G2 | T: 250.220.7060

February 2015

File: 3835.0001.01

EXECUTIVE SUMMARY

In Fall 2014, Victoria City Council authorized staff to proceed with a three-phase business case to explore wastewater treatment options. The rationale for exploring service governance options stems from the recent stall in implementation of the Core Area Liquid Waste Management Plan and the message from the public that greater local emphasis was needed on the sewage treatment issue. Phase 1 *identifies legally available options for governance under existing legislation* which includes an overview of legislative opportunities and constraints for establishing wastewater treatment services, including with any municipal partners.

Acts, regulations, statutes, bylaws and other legislation create the governmental legal framework for wastewater services in Victoria. Generally, federal and provincial legislation permits and encourages municipalities to establish services as needed including for local wastewater collection. However, all local governments must secure specific approvals under separate legislation to treat and dispose – or reuse – wastewater. It is up to the City and the region to secure the necessary approvals to meet the federal deadline of 2020 and the provincial deadline of 2018 for secondary treatment. Victoria's next responsibility is to determine which service-structure, for example independently or inter-municipally, best suits its needs and aspirations for wastewater service delivery.

The City has multiple options to attain a new servicing-structure for local wastewater treatment and re-use. Four options for service-structure include:

1. **Status-Quo** - *Regional and municipal wastewater service governance remains consistent with the CALWMP including the proposed program for capital works.*
2. **Sub-Regional Function** – *Under a regional framework established via the Capital Regional District, Victoria develops a local plan for wastewater treatment which would likely include municipal partners.*
3. **City-Only Service** - *Victoria establishes an independent wastewater treatment service.*
4. **Inter-Municipal Service** - *Victoria develops a local plan for wastewater treatment which includes municipal partners (but is not delivered through the regional district).*

Each of these options presents a pathway to establishing the desired wastewater service. In addition to technical criteria, there are other context-specific implications to this decision such as: project schedule, senior government approvals, grants and funding, economies of scale, level of change to service-structure, local service preferences, and local influence over the service. Generally, establishing a wastewater treatment service along with the Capital Regional District, whether fully regional or sub-regional, presents compelling advantages yet does not provide the greatest extent of autonomy and control over service delivery. There are trade-offs between the options. This report provides the context and considerations to wastewater service-structure designed to support Council's pending decision-making process.

Future phases of the overall project will expand on this service and governance report to cover wastewater treatment service delivery, such as treatment technologies, approvals, infrastructure, facilities and costing.

TABLE OF CONTENTS

EXECUTIVE SUMMARY	II
TABLE OF CONTENTS.....	III
1.0 INTRODUCTION AND OBJECTIVES	1
1.1 INTRODUCTION	1
1.2 OBJECTIVES	1
1.3 HISTORY AND CONTEXT	1
2.0 EXISTING GOVERNANCE FRAMEWORK	3
2.1 OVERVIEW	3
2.2 SERVICE-GOVERNANCE SCAN	4
2.2.1 <i>Federal</i>	4
2.2.2 <i>Provincial</i>	4
2.2.3 <i>Regional</i>	6
2.2.4 <i>Local</i>	7
2.2.5 <i>Service-Governance Graphic</i>	8
2.3 SUMMARY AND DISCUSSION	8
2.4 SERVICE GOVERNANCE FRAMEWORK	10
3.0 DECISION PATHWAYS.....	11
3.1 OVERVIEW	11
3.2 WASTEWATER DECISION MAKING: PRIMARY CONSIDERATIONS FOR SERVICE STRUCTURE	12
3.3 DECISION-SUPPORT FRAMEWORK	12
3.4 PRELIMINARY PROCESSES TO ESTABLISH PREFERRED SERVICE ARRANGEMENT	13
4.0 SERVICE GOVERNANCE BEST PRACTICES	15
4.1 SERVICE GOVERNANCE BEST PRACTICES: GENERAL	15
4.1.1 <i>Service Governance Best Practices: General</i>	15
4.1.2 <i>Considerations for Independent Services versus Service Delivery Partnerships</i>	16
4.1.3 <i>Understanding and Mitigating Issues in Service Delivery</i>	16
4.1.4 <i>Service Governance Best Practices: Inter-Municipal Service Partnerships</i>	17
5.0 AREAS TO GATHER COMMUNITY FEEDBACK	18
5.1 INPUT TO INFORM SERVICE-STRUCTURE DECISION	18
5.2 AREAS FOR FURTHER STUDY	19

1.0 INTRODUCTION AND OBJECTIVES

1.1 Introduction

Victoria City Council authorized administration to proceed with a three-phase business case to explore wastewater treatment options. This report relates to Phase 1 which is to *identify legally available options for governance under existing legislation*. The purpose of the service and governance background report is to provide an overview of legislative opportunities and constraints for establishing wastewater treatment services in Victoria, including with any municipal partners.

Phase 2 of the overall project builds on the service and governance report by exploring key factors of wastewater treatment service delivery, such as treatment technologies, approvals, infrastructure, facilities and costing.

1.2 Objectives

The objectives for Phase 1 are to:

- Describe the existing service-structure including responsibilities for the Capital Regional District (CRD) and for the City of Victoria (the City)
- Identify legally available options for a change to wastewater service-structure under existing legislation (e.g. a sub-regional service)
- Compile the necessary best practice research and technical data to inform Council decision-making
- Outline risks and opportunities including a preliminary framework for decisions

This report is organized to provide insight into these objectives.

1.3 History and Context

Wastewater Timeline

The following basic timeline for wastewater services in the Victoria area ultimately presents the challenge to achieve regional consensus over the last 120 years.

- 1894 Construction of the Victoria and area sewer system begins
- 1966 Capital Regional District created
- 1967 CRD trunk sewers and sewage disposal function created (Sooke not included)
- 1986 Central Area Liquid Waste Management Plan (CALWMP) Stage 1
- 1996 Saanich Peninsula LWMP approved
- 2003 Approved CALWMP (emphasis on source control)
- 2003-2014 Nine (9) amendments to the CALWMP

- 2012 Provincial and federal government funding agreement announced
New federal waste water management regulations (secondary treatment required by 2020)
- 2014 Esquimalt rejects zoning for Mcloughlin Point;
Minister of Community, Sport and Cultural Development does not intervene;
CRD-Seatterra on hold

Without a suitable site endorsed by member municipalities, without regional support for the current liquid waste management plan, and without up-to-date input from the residents of Victoria on how to move forward, the City initiated this study to explore its options to address wastewater treatment service governance.

Premise for this Report

Victoria's elected officials represent both the interests of the City and the region as members of the Regional Board. However, the City would like to review wastewater treatment options for itself, based in part on the following expectations:

- Victoria citizens expect to be further engaged with respect to local values, options and solutions for wastewater options.
- Victoria Council respects the need to make informed decisions based on public support, technical evidence, and fiscal responsibility.
- There is a greater need for technical evidence (Victoria specific) regarding centralized and distributed treatment facilities, new treatment technologies for enhanced levels of treatment and resource recovery, legislative and regulatory context, inter-municipal arrangements and funding.
- Stakeholders throughout the region expect the project to be completed in a timely manner.
- The Fall 2014 municipal election has increased political attention on the wastewater treatment issue and caused most communities to internally weigh their options and renew efforts to respond to citizen expectations.
- The Ministers for the Environment and for Community, Sport and Cultural Development have encouraged the region to work together to solve the wastewater issue in terms of the approved CALWMP but has not discouraged sub-regional structure options.
- Lessons learned throughout the making of the CALWMP underscore the need to:
 - incorporate community values and aspirations (social, environmental and economic) at the forefront of selecting levels of service;
 - develop strong partnerships and a governance model which subscribes to a shared vision.
- The CRD has developed a sub-regional treatment options framework that enables member municipalities to explore treatment options, preferably on an inter-municipal basis in both the west and east core areas. Further, the CRD has initiated a study to be led by an independent project manager to evaluate treatment and servicing alternatives. However, this study is currently on hold.

- Western communities have established the Westside Select Committee which reports to the Core Area Liquid Waste Management Committee.

This governance review expands on important decisions for Council and includes suggested areas of input by Victoria citizens in those decisions. The report will review various regulations, authorities, partnerships, funding and decision-making frameworks with the potential for options for comprehensive wastewater management.

2.0 EXISTING GOVERNANCE FRAMEWORK

2.1 Overview

Wastewater governance consists of the actions, decisions and responsibilities by local government(s) to carry out the service. The current regional wastewater service framework is under review as member municipalities identify their preferred service model.

Victoria currently receives wastewater trunk-collection, treatment and disposal services from the CRD. Any consideration to change this service framework needs to recognize the existing governance arrangement(s) and consider the legislative options to establish new wastewater treatment services. Section 2.2 contains a concise scan of the regulations and legislation that applies to the City's options for changing the regional wastewater service model.

Figure 1 illustrates the relationships and role among the City of Victoria, the Capital Regional District and other municipalities in the Core Area.

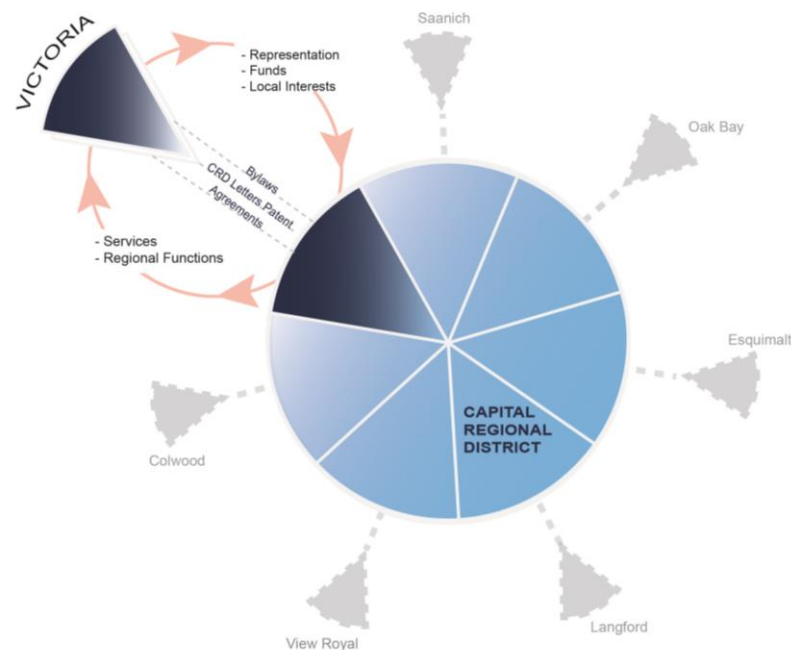


Figure 1: Basic Organizational Structure - Member Municipalities and Capital Regional District

2.2 Service-Governance Scan

2.2.1 Federal

1. Federal Wastewater Systems Effluent Regulation

Background

The *Federal Wastewater Systems Effluent Regulation* (WSER) regulates wastewater treatment, re-use and disposal. Canada's deadline for implementing secondary treatment is December 31, 2020. Federal government funding for treatment projects in the Victoria area are tied to this deadline.

Status

- Many aspects of the federal regulations have been included in the Core Area Liquid Waste Management Plan (2011).
- Access to senior government funding is contingent upon achieving secondary treatment in the timeframe specified in the agreement with the Province.

2.2.2 Provincial

2. Local Government Act

Background

The *Local Government Act* establishes the legal framework for the creation of regional districts and municipalities and enables them to perform their assigned responsibilities and obligations. It contains important local government authorities, especially for regional districts. With the creation of the *Community Charter*, most powers of municipalities were removed from this Act.

Status

- The *Local Government Act* allows regional districts to establish and regulate services and charge fees.
- Municipalities are not able to withdraw from four regional services: regional transit, regional parks, regional solid waste (and recycling) and emergency dispatch for 9-1-1. In addition to the four standard regional services, municipalities are restricted from withdrawing from any other regional service that has been established through an Order In Council of the provincial government, such as regional wastewater treatment in the Core Area of the Capital Regional District. A change to the Order would be required in order to consider withdrawal.
- Service reviews must be conducted before a formal withdrawal notice. There are limitations for conducting formal reviews; however, those conditions would not prevent the City from doing so.

3. Community Charter

Background

The *Community Charter* establishes the legal framework for municipal powers and functions. It provides municipalities the authority and flexibility to address community needs. It grants municipalities

the legal status of natural person (corporate powers), broad powers to provide a service, and regulatory powers.

Status

- The City of Victoria is free to establish any legal service as deemed by Council, based on local needs.

4. Environmental Management Act

Background

The *Environmental Management Act* includes the *Municipal Wastewater Regulation* and also provides the authority for local governments to create liquid waste management plans. When approved by the Minister, the Plan becomes the regulatory framework as an alternate to the standards of the federal and provincial regulations. An *operational certificate* stipulates the requirements of any facilities and environmental monitoring. Borrowing for new works without additional public assent is permitted under an approved liquid waste management plan.

Status

- The CALWMP was first approved by the Minister in 2003. Nine technical amendments and an updated CALWMP (2011) have also been approved by the Minister between 2003-2014.
- The CALWMP (2011) includes many aspects of the provincial and federal regulations albeit the timeline to meet the standards has been extended to suit the local business case for treatment.
- The City of Victoria is expected to comply with the existing measures of the CALWMP unless changed are agreed to by the Minister. The Plan does not currently allow for City-led wastewater treatment.
 - The *Organic Matter Recycling Regulation* regulates the production, quality and land application of compost and biosolids.

5. Municipal Wastewater Regulation

Background

BC's *Municipal Wastewater Regulation (MWR)* regulates wastewater treatment, re-use and disposal for those municipalities that do not operate within an approved LWMP. Local governments that choose to register under the *Municipal Wastewater Regulation* complete a study to outline the measures required and works directly with the Ministry of Environment on a formal application. A completed system is then registered under the regulation. The local government is then expected to demonstrate ongoing compliance each year. Also, the *Regulation* guides the particulars of any LWMP; however, there is flexibility in terms of the timing and overall scope of treatment to suit local conditions. BC's deadline for implementing secondary treatment for all communities is December 31, 2018.

Status

- Re-use or disposal of treated wastewater and its byproducts is granted by the Ministry of Environment under the *Waste Management Act* or the *Municipal Wastewater Regulation*.
 - Registering a new wastewater treatment system under the *Regulation* and may require an environmental assessment under the *BC Environmental Assessment Act*.

2.2.3 Regional

6. CRD Letters Patent

Background

The CRD's Letters Patent and Supplementary Letters Patent create the regional district and authorize its functions (as established through Order in Council of the provincial government). Supplementary letters patent specify its mandate and functions with respect to wastewater. It provides the CRD with authority to establish local plans, construct facilities, provide wastewater services and create sewer bylaws to regulate wastewater in the region.

Status

- Any new service framework proposed in the region must consider whether change is required to letters patent.
- Victoria has four representatives on each of the Regional Board (24 members) and the Core Area Liquid Waste Management Committee (16 members), respectively, as of January 2015.

7. Core Area Sewer Bylaw

Background

The CRD's *Core Area Sewer Bylaw* provides the servicing and fee details for the regional wastewater function. It regulates the quantity and quality of wastewater flows from member municipalities. The Bylaw identifies the CRD as the sole authority to design, construct, operate and/or maintain any regional waste water trunk and treatment facilities. Under the current bylaw, regional Board approval is required for service-structure changes such as to enable member municipalities to increase their role in wastewater services. Dispute resolution processes are provided in the event that a member municipality does not agree with the service or fee structure in place. Similarly, best practices for service reviews are available through the Ministry of Community, Sport and Cultural Development.

Status

- The Bylaw does not permit the City to design, construct, operate or maintain wastewater treatment facilities; to do so would require an amendment to the CRD's letter patent or delegation of powers.

8. Core Area Liquid Waste Management Plan

Background

The CALWMP was approved in 2003 following a 17 year evaluation and consultation process. Since then, nine amendments have been approved including *Operational Certificates* for the McLoughlin Wastewater Treatment Plant and for Dockside Green. Implementation of the CALWMP is the responsibility of Seaterra Program Commission.

Status

- Although approved by the Minister, municipalities throughout the Core Area are reviewing their options for wastewater treatment which may require additional amendments (or even greater change) to the CALWMP.

Status (CALWMP con't)

- Funding agreements with senior government stipulate a non-political governance body to manage, implement and commission the wastewater treatment program via the CALWMP, as delegated by the CRD Board.
- British Columbia's deadline for implementing secondary treatment is December 31, 2018.

2.2.4 Local**9. Victoria Sewer Bylaws***Background*

The City of Victoria receives regional wastewater treatment services from CRD and subsequently provides local sewer services under the authority of the *Community Charter*. In particular, the City has enacted Bylaw No. 14-071 *Sanitary Sewer and Stormwater Utilities Bylaw* which regulates the installation, maintenance and use of the City's sewers; sets charges for individual connections; and regulates the discharge of water and waste into sewers and water courses. Permission to discharge treated wastewater to the receiving environment is granted by the provincial government but currently only permitted to the CRD.

Status

- The bylaw applies to City of Victoria customers for the provision of local wastewater services.

10. Planning and Zoning*Background*

Victoria's Official Community Plan states that the City will support the region's efforts to advance wastewater treatment to protect aquatic environments. The plan also emphasizes that residuals from new treatment processes should be reclaimed and utilized throughout the municipality. Sustainable energy principles may also guide the approach to recover heat and energy. Siting a treatment facility is currently limited to the Clover Point station by means of license of occupancy to CRD.

Status

- Victoria is authorized to undertake the appropriate zoning processes and to make decisions on the location(s) of any wastewater treatment or reclamation facilities.
- Rezoning for a wastewater treatment facility requires public support for the facility and the service.

2.2.5 Service-Governance Graphic

Legislation and regulations provide a broad and interrelated legal framework for establishing services. Figure 2 illustrates the interrelationship of legislation in the framework so as to further consider the level of municipal influence in augmenting wastewater services.

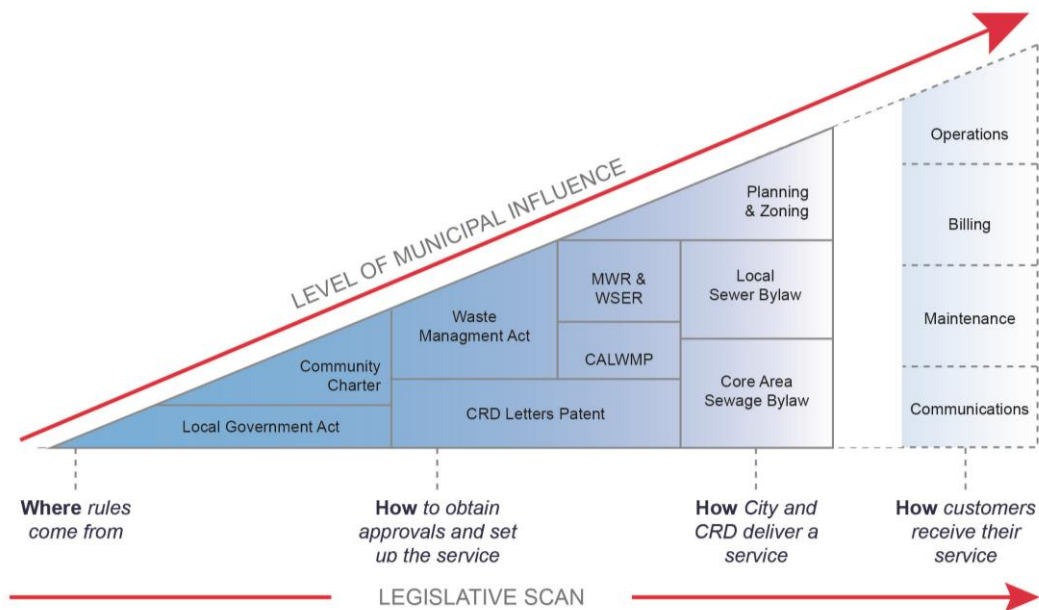


Figure 2: Service-Governance Overview

2.3 Summary and Discussion

The regulatory scan can be framed-up with respect to the issues that should be resolved in order to facilitate a change (if required) to regional wastewater treatment service-governance. These four pathways summarize the issues and considerations for new pathways for service-governance.

1. Path to comply with the 2020 deadline to meet the Federal Wastewater Systems Effluent Regulation.

- Wastewater regulations stipulate the standards for treatment, re-use and disposal. Each wastewater system in BC must annually demonstrate compliance with the applicable regulations.
- All wastewater systems must provide secondary treatment or better by December 31, 2020 (unless an alternative treatment level has been approved by the Minister under a LWMP).
- Resource recovery requires specific approvals for the reuse of regulated materials.
- In BC, local governments have two options to establish their own regulatory framework:
 - an approved Liquid Waste Management Plan
 - Register the system under the *Municipal Wastewater Regulation*
- **Overall Condition:** A change in wastewater treatment service must include an approved regulatory framework and the necessary permits to dispose of or re-use wastewater.

2. Path to secure access to senior government funding.

- In 2012, federal and provincial governments announced funding to support the CALWMP program costs such as to plan, design and construct wastewater infrastructure.
- The total grant amount is reported to be approximately \$501M. The funds are distributed among three categories: Mcloughlin Wastewater Treatment Plant, Conveyance System Upgrades and Biosolids Energy Centre. Approximately 16% of the senior government support is conditional upon the use of public-private partnership (P3) style project delivery.
- At least two conditions apply: any existing or future contribution agreements are conditional upon Treasury Board Approval; any material changes to scope, location and timing of capital projects could trigger a new business case and affect funding amounts including their distribution.
- As part of the funding negotiations with British Columbia, the CRD was required to establish an independent non-political governance body to manage, implement and commission the CALWMP. The CRD formed a Commission (Seaterra) by bylaw in order to meet this requirement.
- **Overall Condition:** A change in wastewater treatment service may affect the regional business case and impact the City's access to senior government funding.

3. Path to establish municipal authority for wastewater treatment services.

- The CRD's supplementary letters patent and regional sewer bylaws outline that the CRD has authority over wastewater treatment facility ownership and operation in the region. Regional bylaws are structured to carry out the CRD's leading role in wastewater services.
- If the City wanted to pursue wastewater treatment separate from the CRD wastewater system, there will need to be changes to regional bylaws and new direction on facility ownership and accountability.
- The City has multiple legislative options to elevate its role and responsibility for wastewater treatment services.
- The Saanich Peninsula Wastewater Commission is an example of a sub-regional function whereby affected municipalities exercise greater control over the service.
- Provincial and federal governments have communicated their preference for a regional service model in part by explicitly tying grant funds to the CRD. Any additional authorities granted to Victoria by senior government must consider regional implications.
- **Overall Condition:** A change in wastewater treatment service may require an update to the CRD's letters patent and bylaws to modify authority and responsibility.

4. Path to establish locally supported levels of service.

- The *Municipal Wastewater Regulation* and *Federal Wastewater Systems Effluent Regulations* stipulate the minimum standards for wastewater treatment. However, citizens may demand a higher level of service (level of treatment) and a local business case may support it.
- The process to complete a LWMP is based on local preferences and capacities for meeting the regulations in a reasonable time period.

- The City may partner with other municipalities and establish wastewater treatment services either in conjunction with, or separate from, the Capital Regional District. Understanding the needs and aspirations of the City's potential municipal partners will shape the levels of service even further. A decision to pursue centralized or distributed facilities is largely a matter of setting local levels of service.
- Rezoning for any wastewater treatment facility requires public support for the facility and the service.
- **Overall Condition:** A change in wastewater treatment service must have support from its citizens and support from any of its (potential) inter-municipal partners.

These four paths summarize critical areas of decision making. Section 2.4 identifies four service-governance options based on the paths identified above with particular emphasis placed on paths 1 through 3, given that path 4 is a future decision.

2.4 Service Governance Framework

The City has multiple options to attain a new servicing structure for local wastewater treatment and re-use. Each of these methods has various consequences. Table 1 re-frames the regulatory scan and project-history into four service scenarios as follows:

1. **Status-Quo:** *Regional and municipal wastewater service governance remains consistent with the CALWMP including the proposed program for capital works.*
 - i. A modified version of the Status-Quo includes the scenario where one or more member municipalities develop their own plan for wastewater treatment service and look to the regional board for approval. The program would be carried out by the CRD.
2. **Sub-Regional Function** – *Under a regional framework established via the Capital Regional District, Victoria develops a local plan for wastewater treatment which would likely include municipal partners.* The City and Regional Board under the authority of the *Local Government Act* following elector assent, establish a sub-regional function which could provide the City greater control of service delivery. An amended CALWMP and sub-regional service establishing bylaw could provide the regulatory framework.
3. **City-Only Service** - *Victoria establishes an independent wastewater treatment service.* The City completes an independent LWMP or registers its system under the MWR and exercises its authority under the *Community Charter* to create and deliver the service. The City would approach the Province and CRD to amend its supplementary letters patent.
4. **Inter-Municipal Service** - *Victoria develops a local plan for wastewater treatment which includes municipal partners.* The City completes a joint-LWMP or registers its system under the MWR then exercises its authority under the *Community Charter* to create and deliver the service. Similar to above, the CRD's letters patent would be revised to reflect the new service governance framework. Early on in the process the City would develop a service agreement with any potential partners. An inter-municipal service of this nature delivered outside of a regional district structure is uncommon.

Table 1: Options for Wastewater Service Governance

Governance Categories	Status – Quo or Hybrid Option “CRD – Seatearra”	Option 1 “Sub-Regional Function”	Option 2 “City Only Municipal Service”	Option 3 “Inter-Municipal Service”
Legislation	<ul style="list-style-type: none"> Environmental Management Act Local Government Act 	<ul style="list-style-type: none"> Environmental Management Act Local Government Act 	<ul style="list-style-type: none"> Environmental Management Act Community Charter 	<ul style="list-style-type: none"> Environmental Management Act Community Charter
Plan	<ul style="list-style-type: none"> CALWMP (Amnd. 9) 	<ul style="list-style-type: none"> CALWMP (Amnd. 10) 	<ul style="list-style-type: none"> New LWMP, CALWMP (Amnd. 10), or Registration under the Regulations 	<ul style="list-style-type: none"> New LWMP, CALWMP (Amnd. 10) or Registration under the Regulations
Governance	<ul style="list-style-type: none"> CALWM Bylaw Regional Board 	<ul style="list-style-type: none"> New Regional Service (Board may delegate to Commission) 	<ul style="list-style-type: none"> Municipal Service 	<ul style="list-style-type: none"> Municipal Service Possible to establish a new entity
Participants	<ul style="list-style-type: none"> CRD (Core Area) 	<ul style="list-style-type: none"> (CRD: Victoria, Oak Bay, Saanich) 	<ul style="list-style-type: none"> Victoria 	<ul style="list-style-type: none"> Victoria and/or Oak Bay and/or Saanich
Service Arrangement	<ul style="list-style-type: none"> CRD Establishment Bylaw 	<ul style="list-style-type: none"> CRD Establishment Bylaw 	<ul style="list-style-type: none"> City Bylaw 	<ul style="list-style-type: none"> Inter-municipal Agreement
Ownership	<ul style="list-style-type: none"> CRD: trunks, major facilities; outfall Victoria: local pipes and minor facilities 	<ul style="list-style-type: none"> CRD: trunks, major facilities; outfall Victoria: local pipes and minor facilities 	<ul style="list-style-type: none"> CRD: TBD Victoria: local lateral and trunk mains; major facilities; outfall(s) 	<ul style="list-style-type: none"> CRD: TBD Victoria: local lateral and trunk mains; major facilities; outfall(s) Partners: local laterals and minor facilities
Operations	<ul style="list-style-type: none"> CRD 	<ul style="list-style-type: none"> CRD 	<ul style="list-style-type: none"> Victoria 	<ul style="list-style-type: none"> Victoria and partners
Grant Funding	<ul style="list-style-type: none"> Available to all Service Participants 	<ul style="list-style-type: none"> Available to all Service Participants 	<ul style="list-style-type: none"> TBD 	<ul style="list-style-type: none"> TBD

3.0 DECISION PATHWAYS

3.1 Overview

Wastewater service structure in the Core Area is under review and each municipality is evaluating existing and potential ways to provide wastewater services. The City of Victoria has multiple options to enhance wastewater services based on local needs, aspirations and best practices for service governance. In other words, to select the preferred wastewater service structure, City Council will weigh citizen feedback as well as governance considerations.

3.2 Wastewater Decision Making: Primary Considerations for Service Structure

Primary governance considerations come from the combination of the regulatory scan, available best practices and the local wastewater context. The deliberations and decisions regarding the preferred service governance option should cover the following considerations:

- **Timing:** (1) feasibility of meeting the 2020 federal deadline and the 2018 provincial deadline for meeting the regulations and (2) meeting citizen expectations for completing the project
- **Local Influence over Service:** ability for Victoria to lead service delivery
- **Grant Funding:** apparent likelihood of accessing senior government funding support for the desired option
- **Economies of Scale:** feasibility of delivering the service at a similar (or better) cost as outlined in the CALWMP
- **Level of Change to Service Structure:** apparent change to the existing service governance structure
- **Senior Government Approval(s):** apparent likelihood of acquiring approval for the desired option

These considerations are expanded upon in Section 3.3 with respect to the four service-governance options.

























3.3 Decision-Support Framework

Table 2 frames the four service-structure options with the six primary considerations (above). Qualitative ratings denote how favorable each of the service options may be with respect to the considerations.

Qualitative Rating

 Limited
  Minor
  Moderate
  Significant
  Maximum

Table 2: Four Service-Structure Options and Considerations

Governance Considerations	Status – Quo or Hybrid Option “CRD – Seaterra”	Option 1 “Sub-Regional Function”	Option 2 “City Only Municipal Service”	Option 3 “Inter-Municipal Service”
Project Timing				
Local Influence over Service				
Grant Funding				
Economies of Scale				
Similarity to Existing Service Structure				
Senior Government Approval(s)				

The summary observations of Table 2 include:

- The status-quo option provides the highest likelihood of funding and meeting the deadline for secondary treatment but does not elevate the local influence over service delivery.
- The sub-regional function appears to provide the most advantages and fewest disadvantages and would require the City to establish and deliver the service in concert with CRD and any other partners in the sub-regional function.
- The City-only municipal service provides the greatest level of autonomy however presents the most risk to approvals and access to funding.
- The inter-municipal service option is similar to the sub-regional function option however there are greater risks to access to funding and meeting the deadline for senior government treatment.

3.4 Preliminary Processes to Establish Preferred Service Arrangement

If selected, each service-structure option would require strategic actions in key areas. A process outline provides a preliminary guide only that must be shaped by the participant(s) at the onset. Overall, dynamic and responsive processes which are based on the needs of each organization (local, regional and senior government) have a higher likelihood of success, over an inflexible, linear process.

1. **Status-Quo:** *Regional and municipal wastewater service governance remains consistent with the CALWMP including the proposed program for capital works.*
 - a) *Formally re-establish the region-wide CALWMP service-structure through the regional Board.*

- b) *Re-confirm the required wastewater regulations in accordance with the Minister.*
- c) *Re-confirm the terms and targets of the funding agreement with senior government.*
- d) *Communicate with residents of the region.*
- e) *Implement the CALWMP.*

Process Duration up to Start of Construction: approx. 6 to 12 months.

2. Sub-Regional Function – *Under a regional framework, Victoria develops a local plan for wastewater treatment which would likely include municipal partners.*

- a) *Propose a motion to the Board via the Core Area Liquid Waste Management Committee that the City and any partners would like to create a sub-regional wastewater function.*
- b) *Develop the terms of reference for a sub-regional Committee to explore the vision, options and terms for the function.*
- c) *Design the service (preliminary) and complete the business case for funding (re-confirm available senior government resources).*
- d) *Establish elector support for the function.*
- e) *Amend the CALWMP to reflect the sub-regional function.*
- f) *Initiate start-up plan and communicate with residents of the region.*
- g) *Implement the service.*

Process Duration up to Start of Construction: approx. 12 months

3. City-Only Service - *Victoria establishes an independent wastewater treatment service.*

- a) *Initiate a formal service review process and characterize the state of regional wastewater service.*
- b) *Provide notice to the Board of formal withdrawal from the service (no less than 8 months after the service review has begun).*
- c) *Seek approval to expand municipal authority to treat, re-use (or dispose) of wastewater in the Capital Region.*
- d) *Confirm approval from the Minister of Environment for municipal-led wastewater treatment and move to amend the CRD's letters patent accordingly.*
- e) *Confirm that the City is no longer obligated to the CALWMP.*
- f) *Assess the merits of pursuing a City-led LWMP over compliance through the MWR and proceed with either plan process.*
- g) *Establish public and Ministry of Environment support for the proposed level of service.*
- h) *Design the delivery model and implement the service.*

Process Duration up to Start of Construction: approx. 24+ months

4. Inter-Municipal Service - *Victoria develops a local plan for wastewater treatment which includes municipal partners.*

- a) *Initiate a formal service review process and characterize the state of regional service.*
- b) *Provide notice to the Board of formal withdrawal from the service (no less than 8 months after the service review has begun).*
- c) *Seek approval to expand municipal authority to treat, re-use (or dispose) of wastewater in the Capital Region.*
- d) *Confirm approval from the Minister of Environment for municipal-led wastewater treatment and move to amend the CRD's letters patent accordingly.*
- e) *Confirm that the City's is no longer obligated to the CALWMP.*
- f) *Develop the terms of reference for an inter-municipal committee to explore the purpose, outcomes, and preliminary terms for a wastewater treatment service.*
- g) *Assess the merits of pursuing a City-led LWMP over compliance through the MWR and proceed with either plan process.*
- h) *Establish public and Ministry of Environment support for the proposed level of service.*
- i) *Design the delivery model and implement the service.*

Process Duration up to Start of Construction: approx. 12 to 24+ months

Council's decision on the preferred service-structure may be supported by the brief process descriptions (above) in conjunction with the primary considerations, needs and aspirations of the region, and public input on the available options.

4.0 SERVICE GOVERNANCE BEST PRACTICES

4.1 Service Governance Best Practices: General

The Ministry of Community, Sport and Cultural Development published four "Best Practice" guides to support local governments in how to establish, enhance and resolve issues surrounding service delivery. Excerpts from the guides have been summarized below to assist in Council deliberations regarding service governance options, including assessment of the current structure, and, options for establishing a wholly new service structure.

4.1.1 Service Governance Best Practices: General

Successful service arrangements have general and complete consensus regarding:

- **Scope of service**
 - Broad scope provides greater flexibility, provides greater ability to re-allocate resources but also requires high trust and distributes decision-making powers equitably
 - Narrow scope provides ability to easily measure benefits against costs and reduces uncertainties and quantifiable risks
- **Level of service** - Definitions and expectations regarding quantities and standards of service

- **Service area** - Covers the geographic area, list of customers and opportunities for expanding the service
- **Lifespan of service** - Includes phasing of the service, allows for a trial period and typically includes the desired term length

4.1.2 Considerations for Independent Services versus Service Delivery Partnerships

Municipalities and regional districts often evaluate the effectiveness of an existing or potential service based on the following considerations:

- **Economies of Scale** - Will there be an appropriate reduction in costs as a result of expanding or contracting the customer base?
- **Benefits Beyond Boundaries** - Are there benefits to the community or the organization by providing the service?
- **Service Levels** - Are the expectations for level of service comparable?
- **Costs** - Are the costs of service allocated effectively? Are fund transfers effective?
- **Nature of the Service** - Is access to the service or quality of service even? Can the benefits of the service be easily measured?
- **Characteristics of Participating Communities** – Is there adequate consideration and commonality to population, urban character, tax base?
- **Service Control** – Are participants satisfied regarding their share of control over design and future direction?
- **Service Delivery Arrangements**
 - One of the member municipalities
 - Regional district
 - New or existing third-party (e.g. corporation owned by local government or not)

4.1.3 Understanding and Mitigating Issues in Service Delivery

Each service establishment is unique and issues must be resolved locally. Notwithstanding, there are common tensions in service delivery that must be addressed, such as:

- | | |
|---|--|
| • Population growth | • Changes in demand for services |
| • Inequality (“Free Riders”) | • Lack of influence over the service |
| • Restrictions to growth and capacity allocations | • Uneven economic performance among participants |
| • Inflexible cost-allocation formula | • Unanticipated cost increases |
| • Dissatisfaction with quality of service | • Inability to exit the service |

Common mitigation techniques include:

- | | |
|----------------------|----------------------------|
| • Guiding principles | • Multi-year service plans |
|----------------------|----------------------------|

- Flexibility
- Entry/exit conditions
- Review and measurement
- Dispute resolution process

4.1.4 Service Governance Best Practices: Inter-Municipal Service Partnerships

In Fall 2014, City staff engaged with representatives of the District of Saanich and the Municipality of Oak Bay to discuss this project and to exchange ideas regarding the terms of study. Essentially, each local government is interested in developing the most appropriate wastewater service for its citizens but each party also acknowledges the possibility of developing a partnership. Four preliminary drivers to evaluate an inter-municipal service model include: mutual interest, existing infrastructure, topography and economies of scale.

Inter-municipal service models are not new and multiple arrangements exist in BC and throughout Canada. Examples from Western Canada include the Abbotsford-Mission Water and Sewer Commission and elsewhere such as regional partnerships in Alberta such as Alberta Central-East Water Corporation. These case studies and many others reveal the need to comprehensively and cooperatively establish the service by considering a suite of best practices as outlined below.

1. **Clear statement of purpose** – *for service governance and partnerships, form follows the function.* The structure and terms become clearer when the purpose plus guiding principles clearly define overlapping self- and mutual- interests.
2. **Explicit aspirations** – *to maximize the contribution of each partner, it must be clear what the partnership will accomplish.* Outline objectives and values for the service so that all other terms in the arrangement can be the means to the end.
3. **Measurement** – *regular and in-depth assessments expose the strengths and weaknesses of the model over time and encourage much needed adaptation as communities evolve.* Establish oversight bodies to gauge the effectiveness of the arrangement with respect to its purpose and aspirations.
4. **Legal framework** – *this formality provides clarity but is not a substitute for meaningful relationships.* At times, explicit issues require legal interpretation so as to enable the partnership to move forward.
5. **Terms that achieve the aspirations** – *terms that directly and clearly connect to the objectives of the partnership maintains focus.* Policies, procedures and practices must be guided by purpose of the partnership. Common terms for effective inter-municipal services are provided below.

Common Terms for Effective Inter-Municipal Services

- **Levels of service** – the expectations for sewer services such as wastewater flows, quality, monitoring, odours, among many others.
- **Ownership** – asset allocations such as infrastructure, investments, fleet and facilities

Common Terms for Effective Inter-Municipal Services	
<ul style="list-style-type: none"> • Accountability – responsibilities and consequences for failing to carry out responsibilities within the agreement 	<ul style="list-style-type: none"> • Operations Responsibilities – responsibilities and expectations in providing services under normal or planned conditions
<ul style="list-style-type: none"> • Emergency Functions – responsibilities and expectations in maintaining or restoring service in unplanned events 	<ul style="list-style-type: none"> • Capacity Allocation - how capacity is allocated and how the parties pay for their share; clear and upfront regarding impact to individual growth and municipal approvals
<ul style="list-style-type: none"> • Risk Management – statement of risk tolerances so as to contain services and responsibilities to a comfortable level 	<ul style="list-style-type: none"> • Organizational Structure – decision making, policies, practices, procedures, responsibilities.
<ul style="list-style-type: none"> • Revenues – how are revenues apportioned, distributed and or used as offsets for costs 	<ul style="list-style-type: none"> • Funding – how rates, levies, penalties and fines cover the cost or investment requirements of the organization
<ul style="list-style-type: none"> • Cost Allocations – breakdown and distribution of costs of service 	<ul style="list-style-type: none"> • Grant Funding Procedure – process for selecting, applying and administering grant funds
<ul style="list-style-type: none"> • Service Review/Withdrawal/Dispute Resolution – processes to review, disestablish, or resolve disputes among the partners with respect to the agreement 	<ul style="list-style-type: none"> • Tenure – the length of the agreement and notice periods required for significant changes
<ul style="list-style-type: none"> • Customer Relations – resolving complaints, communications and exploring new markets for wastewater byproducts 	<ul style="list-style-type: none"> • Expansion and Phasing – process for considering new infrastructure, new markets for wastewater byproducts or adding new partners to the agreement

Facilitated processes which include designed conversations ensure the partners achieve these outcomes in a constructive, complete and positive manner.

5.0 AREAS TO GATHER COMMUNITY FEEDBACK

5.1 Input to Inform Service-Structure Decision

Public input is critical to informing decisions and designing the future wastewater treatment service in Victoria. Future phases of this process will round out the public input that is required to select sites, confirm treatment levels, evaluate cost options and confirm customer preferences. At the service-structure phase it is important to consider public perceptions and aspirations regarding the topics in Section 3.2:

- **Timing** – *What are the public’s expectations for completing the project? Is there capacity or public interest in undertaking a multi-year public process (e.g. LWMP) to design and approve a new service? Is meeting the federal-provincial deadline for treatment a critical milestone to the public? Where should there be immediate progress?*
- **Senior Government Approval(s)**: *What are the public’s expectations for exceeding the federal-provincial regulations? Is there capacity or interest for establishing innovative or custom regulations under an LWMP model?*
- **Grant Funding**: *Is it critical that the City take all measures to secure its share of the previously allocated funds? Are there conditions of the funding that should be revisited?*
- **Economies of Scale**: *How important is it to achieve cost reductions by taking on additional partners to achieve economies of scale? Is there assurance in the assessment of potential economies of scale and other cost containment strategies?*
- **Level of Change to Service Structure**: *What are the public’s expectations for delivering wastewater treatment service in a similar way to the existing service structure? What are their preferences regarding working with other municipalities or the Capital Regional District?*
- **Local influence over service**: *What are the public’s expectations for autonomy and control over wastewater treatment services? Are there any mandatory conditions regarding ‘local influence’ prior to establishing partnerships for service? How would the public prefer to provide ongoing input regarding wastewater treatment services?*

Similar questions to the above will help inform Council on any decisions it will make regarding service-structure and service delivery.

5.2 Areas for Further Study

The process to design and establish the preferred service-structure is dynamic and must be responsive to each party’s interests. Typically, areas of study will evolve as any service-structure process unfolds. These preliminary areas of study will help inform the first few steps of any future processes.

- **Conduct a Formal Service Review**: this process is mandatory in order to consider a withdrawal from service including any changes to municipal authority such as the CRD’s letters patent.
- **Gain a deep appreciation of the aspirations of potential partners**: an important preliminary step is to determine the potential for partnership to avoid costly, challenging integration processes down the road.
- **Define Victoria’s objectives for wastewater service**: a description of the desired outcomes will further inform Council on the preferred pathway and ultimate service-structure.
- **Design the Sub-Regional or Inter-municipal Service-Structure**: a facilitated process with milestones and clear outcomes ensures all parties get started effectively.
- **Study Business Case Particulars**: the final decision on service-structure and delivery should include a complete business case including risks, costs, implications and terms of service delivery.