

# Walkerton Inquiry – Town Hall Meeting September 19, 2001

## Utilities Kingston & City of Kingston Presentation

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### 1. Introduction

Justice O'Connor, ladies and gentlemen, the City of Kingston and Utilities Kingston are pleased to present to you a local perspective of issues related to safe drinking water. I am Kingston's Mayor, Isabel Turner. Our presentation this evening has been coordinated with Utilities Kingston. Our presenters are Bert Meunier, CAO for the City of Kingston; Jim Keech, President of Utilities Kingston; and Kevin Riley, Manager of the Treatment Group at Utilities Kingston. We are joined by several other utility staff and municipal employees within the audience.

Sir, water is the essence of life. Young children, expectant mothers, fathers, mothers, sisters and brothers, all our well being depends on a reliable source of high quality water. We are pleased that Kingston's water system is just that, safe, reliable and dependable. The systems in place in this community provide an optimum quality of water and are operated efficiently in delivery of service to the residents. We would like to stress that Lake Ontario is **Our** water source in Kingston. The province must therefore take responsibility to ensure Lake Ontario remains protected from contamination, for Kingston and others who draw from this source.

We are also aware that Kingston has a large rural community as well. In this respect, the protection of our groundwater aquifers must be coordinated through a provincial agency, whether for individual rural residents or communal wells.

Our utility, is not without challenges. An aging infrastructure, expansion of systems to service growth, financial burdens and changes in regulations are dealt with by being proactive and voluntarily implementing high industry standards before being regulated.

With that said, there are areas where the Province of Ontario and the Ministry of Environment can assist us in our striving for continued excellence. Research, information dissemination, financial assistance are a few examples of areas where Kingston and all Ontarians would benefit. These will be discussed later.

I would now like to introduce Mr. Kevin Riley, C.E.T., Manager of Treatment Group at Utilities Kingston.

## 2. History and Challenges

Before getting in to specific details about the water system, a brief overview of what Utilities Kingston is now and where it originated provides a good perspective.

Utilities Kingston currently manages, operates and finances five utilities for the benefit of the residence of the City of Kingston, water, wastewater, gas, electric and fiber optics, The utility is an Ontario Corporation, whose sole shareholder is the City of Kingston. All assets of the water, wastewater and gas utilities are owned by the municipality. The electrical assets are owned by 1425446 Ontario Limited, whose sole shareholder is also the City of Kingston. The fiber optics business unit of Utilities Kingston is wholly owned by it.

In terms of history, the following are a few brief excerpts from a document prepared for the Kingston Public Utilities Commission in 1967. Frederic F. Thompson of the Royal Military College prepared a study entitled "A Short History of the Public Utilities Commission of the City of Kingston – Ontario 1914-1967 – A general record of achievement".

*The Kingston Waterworks Company was acquired by the city on October 1, 1887. The enterprise was placed under the direction of a Committee of Council referred to as the Water Works Committee. In 1904, when the voters were asked to consider the by-law for purchase of the gas and electric utilities, a referendum was also submitted to decide whether the Water Works Department should remain under a Committee of Council or be placed under the management of a Commission. A Commission was decided upon. This group was the foundation of the system subsequently organized to operate the city's utilities of water, gas, electricity and much later, transportation." [ultimately to include today's activities of waste water and fiber optics].*

*"Records of the private company are elusive, but it can be stated that the city became the owner of a run down water distribution system."... "The increase in the number of customer, and the substantial rise in water*

*consumption between 1887 and 1914, the date of establishment of the PUC, indicate tremendous extensions to the mains in Kingston.”*

*“Until 1909 the city’s water supplies were tested but not treated. It can be assumed that either contamination got suddenly worse, or gradually worse, bringing a hazard to public health which required water treatment. Water treatment also reflected improvements in standards of public health.”... “Kingston, of course, was not alone in this problem”...*

This document further defines what is probably one of the biggest challenges faced by Kingston, and many other early Canadian cities. That is a water treatment plant and distribution infrastructure that over the years has mainly consisted of expansion to service growth. Repair and replacement of the systems has generally been on an as needed basis to keep the systems functioning or to increase main trunks to meet growth needs.

Many of the problems faced by the utility are rooted in history. Much research by others has gone in to the effects of high growth or expansion times in the past, linked to changes in manufacturing processes for infrastructure materials. The high growth periods ultimately result in higher demands for infrastructure improvement. This is being compounded with shorter life expectancies of material installed. For example, pipes installed 120 years ago are thicker walled than those installed 80 years ago and both are starting to experience failures around the same time. The bottom line, financially there are some big hurdles to be met in the next 20 years.

There is the added pressure of maintaining a high level of service and good quality water, while keeping rates competitive. From an operations perspective, maintaining quality is irrespective of competitive rates. However fiscal constraints and individual customer expectations of reasonably priced water can lead to conflicting priorities with sufficient funds to excel in operations. This can be seen where the municipality is ordered by the Ministry of Environment to assume operation of small communal systems, ones that past Provincial planning policies have seen as preferred over individual services. Operations of these may have been by local individuals with small reserve funds being built. In order to meet new policy significant funds must be used to upgrade the small systems. This virtually wipes out any reserve funds, leaving no

money for planned infrastructure renewal. The effect is the larger municipal system bears the up front capital expenditures to upgrade or else the debt for those few consumers in the small area serviced communally becomes unacceptable.

Kingston, however, has been proactive in meeting these challenges before they have become a crisis. A high caliber, cross trained staff, consistently ensure that a reliable supply of water which consistently meets the Ontario Drinking Water Standards is delivered to our customers. In fact, our water quality is better than the minimum. Testing has always been important to meeting our service commitment, some examples,

- a) in the late 1980's testing for radionuclides had been conducted to assure the public of the water's safety,
- b) the change to Ontario Drinking Water Standards from previous guidelines had minimal impact because we were already following the guidelines, and
- c) further our operation is strategically organized.

### 3. Strategic Organization of Utilities Kingston

When considering the organization of five different and somewhat unique utilities within Utilities Kingston mandate, the concept at first may be difficult to grasp. By converging these in functional operations groups Utilities Kingston is able to monopolize on a number of fronts.

The work groups are organized by function. For example the Treatment Group looks after both water and wastewater treatment plants, the Underground Infrastructure Group workers are responsible for all underground works, and consolidated billing systems and customer support provides a single point of contact for customers.

Individual highly skilled workers are cross-trained in their area of work. This ensures sufficient labour, provides sharing of specialty equipment and generates overall economies of scale, as some of the benefits.

The organizational structure of Utilities Kingston provides quality customer service and gives staff unique opportunities to become versatile over a wide range of skills. The team combines:

- a) **fully licensed operators** in the plants and on the streets where they can respond to day to day operational and maintenance activities ensuring the safety of our water supply,
- b) **key managers** who themselves are experienced as licensed operators. The Manager of the Treatment Group and Manager of Underground Infrastructure Group each have multiple licenses in water treatment, water distribution, waste water treatment and waste water collection, which provides them with a knowledge and skill to effectively direct the workers.
- c) **professional engineers** who are licensed ensure that works can be designed, scheduled and financed within current regulations, ever aware of emerging technologies and regulatory changes which may impact the services delivered.

The benefits of this organization are that highly skilled teams and individuals can respond to the challenges of providing reliable service, in light of the age and financial requirements of many parts of the infrastructure. Specifically our operations staff being licensed and functional in a number of disciplines

- enables flexibility in work planning,
- reduced impact when a staff member is away, and
- ability to schedule and plan activities to minimize public impact.

All without compromising the public safety or the environment as may happen with inexperienced individuals operating in unfamiliar environments. So we believe that our organizational structure places Utilities Kingston and the City of Kingston in a strong position to provide these vital services effectively and safely.

But this is only one of the strengths.

#### **4. Financial Sustainability**

Financial sustainability is essential in ensuring the provision of safe, reliable drinking water and proper disposal of waste water. The City of Kingston is ahead of the current trend for cost recovery in the delivery of these essential services. Through user rates and fees, Utilities Kingston provides sufficient capital for operations, maintenance and long term expansion.

The current rate structure, approved by City Council, was developed based upon projections for the consumption based upon historical averages. Rate increases were factored in to recover the capital costs associated with maintenance for major infrastructure projects defined within the 10 Year Capital Plan. Additionally, expansions in order to service growth and development are funded from fees charged to new developments through an “Impost Fund”. The rates charged as “Impost Fees” are based upon the 10 Year Capital Projects related to growth, with some of which the projects factored to longer implementation times as necessary.

This financial sustainability, places Kingston in a sound position to meet the future demands of planned infrastructure renewal. This proactive approach also ensures accountability to the customers and assures rural residents within the municipality that tax funds are not being used to subsidize the user fee based utilities. By being at the forefront, we believe the City of Kingston residents can better appreciate the value of the infrastructure and water.

## 5. Concerns

Some concerns arise out of the implementation of the current water regulation, Ontario Regulation 459/00. As stated earlier, locally much of the regulation was efficiently implemented because activities were already in line with the former Drinking Water Guidelines and good management practices. We were already working towards ensuring public protection, sufficient testing, monitoring and improvements.

The removal of the Ministry of Environment Laboratory services has had long term impacts on operations. Consistent reliable service was formerly provided. This has been replaced with a heavy burden to ensure that the private contract laboratory remains accredited. Should that accreditation be lost, the municipality would be required to obtain qualified laboratory services within days and notify the Ministry of Environment, or face financial penalties or charges. This is coupled with uncertainty about future pricing for services. Obviously this is one area essential in the verification of water quality, which may be better done through an overseeing government agency which can coordinate with water purveyors and Health Unit professionals than through a third party system which is encumbered with additional paper work and reporting.

Short implementation deadlines being imposed within the consolidated Water Plants' Certificates of Approval may result in immediate rate impacts or may affect other vital works in order to comply. A strict deadline of December 2002 for improvements to be completed will have noticeable budgetary and operational impacts. Our operations and programs have been running well and we have seen where there is room for improvements. What will be difficult is implementing current programs in one specific area, water, without benefit of lead time to adjust rates or effectively plan, design and construct works which will serve to improve something that is already meeting all the requirements.

Concerns need also be raised about the looming impact of additional regulation in the water distribution systems and waste water utility, indirectly as a result of this inquiry, or directly as a change in mindset within the Ministry of Environment and Provincial Government. There is work that can and must be done to meet our current planned replacement within these utilities, in order for continued proactive improvements for the environment before such regulatory turmoil here. We do not want to jeopardize those

works in order to comply with an unrealistic timeline in the C of A requirements for the water plants.

Another specific issue raised within the Consolidated Certificates of Approval is the need for source water protection. Where two of the three water systems within the City of Kingston are Lake Ontario, this is a huge problem, as the City of Kingston is merely a small portion of one watershed within the entire drainage basin. When the C of A states that “all necessary provisions are taken to protect the source of water”, this becomes an impossible task. The service area is only a small piece of the area in which controls must be implemented and further certain activities are beyond municipal control, such as the right to farm within municipal and adjacent to municipal boundaries. This requirement is ill defined and is without consideration to reasonableness.

What has been presented is information to assist one to understand that the systems we operate, like many other municipalities, are not ideal, but that the best effort is made to provide high quality service and product to the customers. Acknowledgement must also be made to the fact that there are problems out there. Appreciation of the public concern and interest is taken seriously. The best effort is made to respond and rectify problems when they come to light. This is possible because of the support from council and the service delivery model.

## **6. Alternative Service Delivery Model**

The City of Kingston, as owner of the water and sewer infrastructure, entrusts the management, operation, maintenance, repair and financing to Utilities Kingston for the benefit of the residents of this fair city. Mr. Riley provided a brief peek at the early days of the water utility in Kingston. For well over 80 years, a Public Utility Commission looked after these interests. Today, a private corporation, whose sole shareholder is the City of Kingston, provides these essential services.

Convergence of five utilities under one operation gives Kingston advantages. Highly skilled, cross-trained workers provide flexibility in operations and economies of scale. This model, while not necessarily perfect for every utility operation, has been proven to be the best for Kingston.

Utilities Kingston is efficient in providing the water and sewer services, and in fact all its services. The workers take pride in meeting the needs of the citizens in providing reliable quantities of safe water. Financial independence from the tax base makes public accountability of these rate based and user fee services from other areas of the City of Kingston operations simple. By financing operations in a sustainable manner, the residents can be assured of effective and efficient utilities operations for years to come as the citizens are provided with continued service, which goes above and beyond the minimum when it comes to safe, reliable water.

The work of the Municipality and the Utility is not an easy one. Continuing transfer of responsibility for services without the respective transfer of funding, has stretched the municipal budgets. Local residents have faced significant rate increases already and will resist future increases unless reasonably justified.

The provision of water and waste water services are essential municipal services. As such, we recommend that such essential services be retained under local municipal control, to be managed, operated and maintained to consistent high standards by qualified individuals. We believe that we in Kingston have such a system and trust that this can be continued for years to come through the support of our residents and the provincial government.

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## **7. High Standards and Agency Support**

Kingston believes that high standards and guidelines are essential in the provision of safe drinking water and adequate waste water treatment. Communication of how the municipality is doing in comparison to the standards is important. The quarterly and annual reporting requirements are reasonable in today's information age.

Improvements and advances should be welcomed and accepted by the Ministry of Environment when municipalities move forward to meet the challenges. Kingston will continue to press for innovative and state of the art systems within all its facilities to ensure that the works and this City remain viable for future generations.

Dissemination of information to owners and operators should be supported by a central agency, similar to the former Ontario Water Resources Commission. A "Water Authority" could participate in water research, fund scientific research, communicate findings, advise on contemplated or pending regulatory changes and could become a resource for small, medium and large operators to turn to for assistance. This "Water Authority" could act as a "clearing house" to ensure widespread understanding of recent advancements in support of clean water.

The "clearing house" could likewise provide updates on grant and loan programs and assistance in completing related applications. While we have explained our success in establishing cost effective services which are separate from municipal taxes, there is a need to have fair and equitable access to grant or loan programs by all municipalities. Kingston has a demonstrated Public Private Partnership, our municipality, our utility and our investors who are each and every individual who is a customer of the utility. Fair and equitable grant programs in future should not penalize Kingston for having a system that has been well managed and well operated. Future programs should acknowledge that Kingston has a proven ability to provide high quality service.

## 8. Summary

In summary, the City of Kingston and Utilities Kingston operation and delivery of the essential water utility provide residents with a safe and reliable source of high quality water. In order for this to continue Kingston recommends that:

- Water utilities be recognized as essential municipal services within the Province of Ontario.
- Communal systems ordered under municipal operation be required to be up to current standards or provincially funded to bring them to the standard before coming under municipal control.
- Municipalities be given sufficient opportunity to develop financial plans to meet regulatory changes now and in the future.
- Utilities Kingston service delivery method be considered an acceptable model to the Province of Ontario, should the province opt for directing management systems for the public utilities.
- Continued high standards and guidelines be established by the government and supported through a “Water Authority” who could liaison with owners and operators in advancing knowledge in water treatment and regulations within the province.
- Grant and loan programs be made more equitable in their distribution, recognizing and rewarding excellence, while continuing to support those in need; in particular if legislation is introduced that would require accelerated works or assumption by the municipality, such projects would receive priority funding.