

Commission questions Winnipeg's practice of diverting water and waste revenue to pay for other services

By: Aldo Santin

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A Toronto-based think-tank has singled out Winnipeg for having one of the best management practices within its water and waste department for calculating its infrastructure deficit and devising a financial plan to resolve it.

But the Ecofiscal Commission questions whether city council is undermining the effectiveness of the administration by repeatedly skimming money from the department's water and sewer revenues.

Chris Ragan, chairman of the Ecofiscal Commission, said when the group included Winnipeg in its report it wasn't aware that the city council has been taking an annual dividend from the water and sewer bill revenues — eight per cent between 2011 and 2014 and 12 per cent from 2015 — to help cover the cost of building and maintaining roads.

Ragan said provincial legislation across the country prohibits municipalities from doing what Winnipeg has been doing since 2011 with its water and sewer bills.

"Winnipeg is not just the exception in Manitoba — it's the exception," said Ragan, an associate professor of microeconomics and policy at McGill University. "Transparency in policy is a good thing. User fees are way to be very transparent but that means to use the revenue for what they say they are using it for."

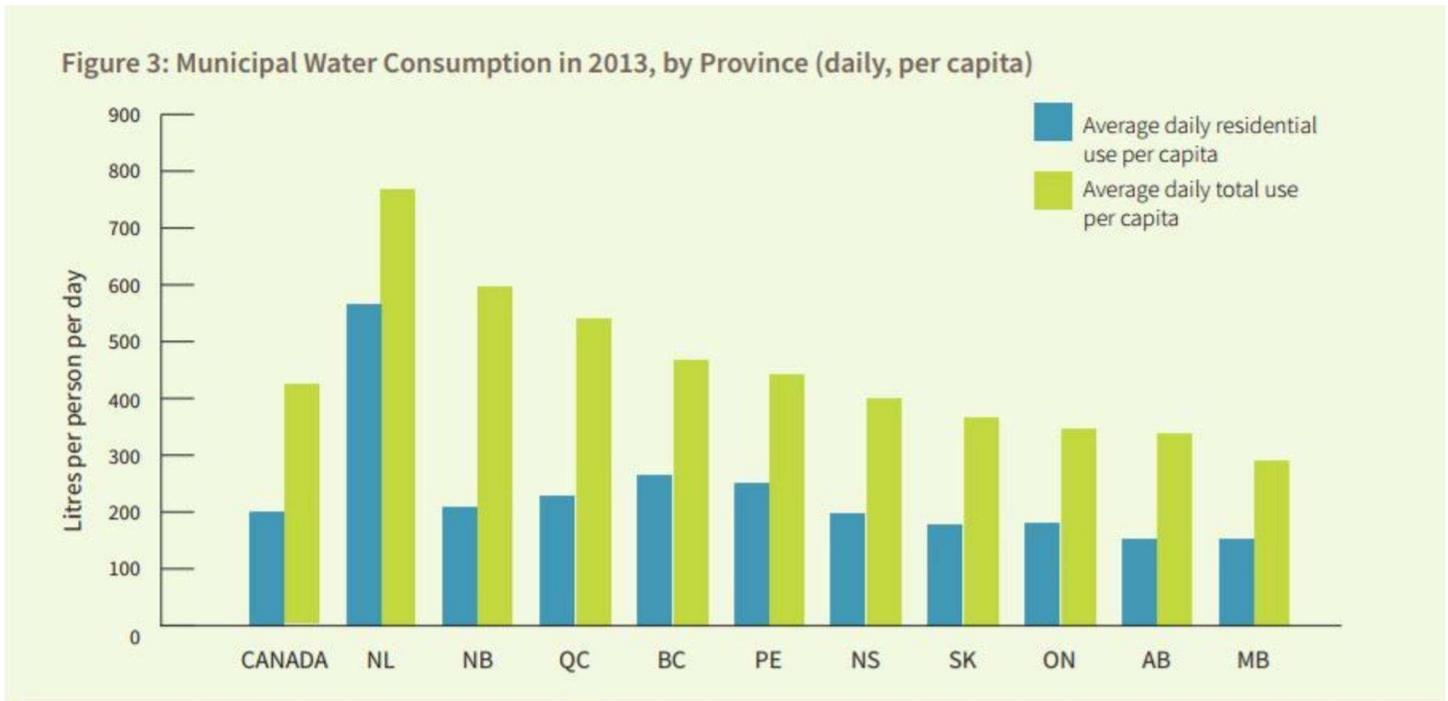
Winnipeggers have to ask what it means if council can take 12 per cent of its quarterly water and sewer bills to pay for roads, he said.

"Can they divert the 12 per cent and say the water infrastructure is perfectly good? If that's true, then I guess they didn't need the fees that high," he said. "But if they're diverting the 12 per cent and at the same time we have an infrastructure gap and we're short of money, maybe diverting that 12 per cent isn't a good idea."

The Ecofiscal Commission issued a report Tuesday titled *Only The Pipes Should Be Hidden*, which encourages municipalities across the country to adopt what it has identified as 10 best practices for managing and operating water and waste utilities. Winnipeg was singled out as an example for having calculated the infrastructure funding gap within the water and waste department and devising a plan to eliminate it.

The commission report identifies three issues most important and under-recognized in Canada when it comes to municipal water: we use a lot of water; most of Canada's municipalities have serious water-system infrastructure deficits; and we're more likely to have water crises if we don't keep up our infrastructure.

The report identifies consumption-based water rates as part of the solution to ensure municipalities are recovering operating costs and making up the system's infrastructure gap.



CANADA'S ECOFISCAL COMMISSION / STATISTICS CANADA

The average daily residential and total per capita consumption of water, by province.

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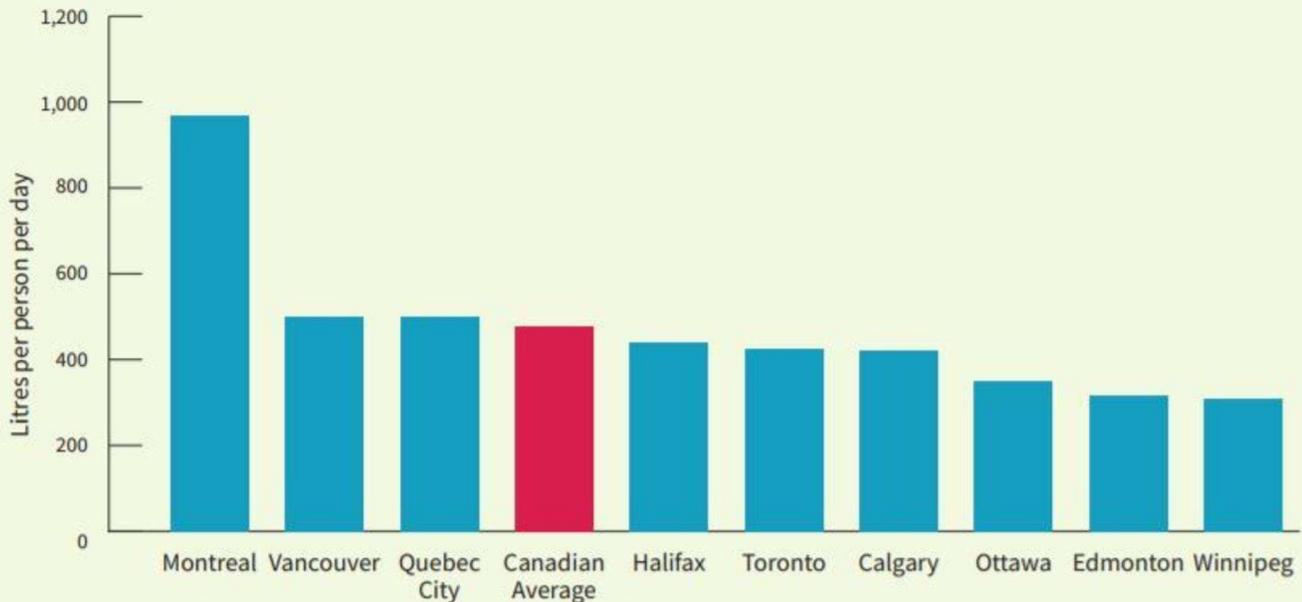
Provincial legislation requires all municipalities in Manitoba to subject their water and sewer rate increases to scrutiny before the Public Utilities Board, which ensures the rates reflect funds needs to cover operating and long-term capital costs — except in Winnipeg, which sets its own rates without scrutiny from the PUB or any other agency.

Since 2011, successive Winnipeg city councils have diverted a total of \$180 million from the revenues collected by the water and waste department from the water and sewer bills to bolster general revenues, often to help build and maintain roads.

Council under former mayor Sam Katz approved an annual eight per cent dividend in 2011 and Mayor Brian Bowman bumped the dividend up to 12 per cent for his first budget in 2015, as a way to maintain his election promise of a cap on property tax increases.

Council approved a three-year rate increase package that saw water and sewer bills increase 9.2 per cent in 2016, 8.9 per cent in 2017, and a further 7.4 per cent in 2018.

Figure 10: Per Capita Water Consumption in Major Canadian Municipalities, 2009



CANADA'S ECOFISCAL COMMISSION / STATISTICS CANADA

Overall water volume (per person, per day) produced by treatment plants in major Canadian cities.

Water and waste officials said the increases are necessary to cover not only operating costs but to cover the financing costs for its significant infrastructure projects.

The department said in 2012 that it had a \$500-million backlog in repairs to water mains and sewer-line upgrades. In addition, the department is projecting a \$1-billion cost for the upgrade to the North End sewage treatment plant and a minimum \$1-billion cost to separate the combined sewer system.

Despite the rate increases, the department has yet to resolve the brown water issue and it recently launched a lawsuit against builders for serious problems discovered at the water treatment plant.

"The water might be good now but if you have an event that turns out to be a crisis, wow, is that ever difficult to deal with," Ragan said. "If we're diverting 12 per cent to build roads and because of that Winnipeg's water infrastructure isn't being maintained, that's the danger."

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Read more by **Aldo Santin**.

WHAT IS THE ECOFISCAL COMMISSION?

The Ecofiscal Commission was formed in 2014 by the country's leading economists, with a five-year mandate to "identify policy options to improve environmental and economic performance in Canada."

Funded by several private Canadian family foundations and Canadian corporations, the commission has focused its research and recommendations on issues it identified as most relevant to Canadian provinces and municipalities, including those affecting air quality, fresh water, greenhouse gas emissions, transportation and road congestion, and environmental disasters.

Its commissioners and advisers represent the gamut of the political spectrum, but appears to be weighted in favour of small- and large-C conservatives, with several who have ties to Canada's banks and former corporate CEOs. Its list of current advisers includes former prime minister Paul Martin, Reform party founder Preston Manning, former B.C. NDP premier Michael Harcourt, former B.C. Liberal premier Gordon Campbell, Jean Charest, former Liberal premier of Quebec and a member of former prime minister Brian Mulroney's PC government, and Peter Robinson, former CEO of the David Suzuki Foundation.

A comprehensive list of the group's commissioners and advisors, along with their biographies, can be found at wfp.to/commission.

FULL ECOFISCAL COMMISSION REPORT

HISTORY

Updated on Tuesday, September 26, 2017 at 9:32 AM CDT: Updated headline

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