



## Staff Report

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**Report To:** Tri-County Water Board  
**From:** Robin Greenall, Chief Administrative Officer  
**Date:** 2025-04-14  
**Subject:** Tri-County Water System – Multi-Faceted Review Toward Long-Term Sustainability

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### **Recommendation:**

That the Tri-County Water Board hereby receives the report from Robin Greenall, CAO West Elgin and Amanda Gubbels, CAO Southwest Middlesex

And endorse the initiation of a strategic review process to evaluate the governance, capacity, and sustainability of the Tri-County Water System;

And direct staff to obtain pricing for a business case study, including a review of Municipal Services Corporation (MSC) options, and include evaluation of board structures that retain municipal representation while incorporating technical expertise, and report back to the Board;

And direct staff to obtain pricing for an overall system capacity and servicing model of the Tri-County Water System, to understand current excess capacity and inform future discussions on potential expansion;

And direct staff to initiate outreach to neighbouring municipalities to review long-term servicing needs for growth, both within existing users and with adjacent municipalities who may be interested in receiving services.

### **Executive Summary**

The Tri-County Waterboard at its January 28, 2025, meeting directed staff to examine governance options for the Tri-County Water System. Discussions have since evolved more broadly to include a wider conversation about the future of the organization and its long-term sustainability. Considering these discussions, the CAOs of West Elgin and Southwest Middlesex have prepared this joint, multi-faceted report for the Board's consideration.

The report presents a high-level overview of several interconnected opportunities and challenges, including system governance, financial capacity, infrastructure investment, and growth. The intention is to provide the Board with a roadmap for a strategic and informed review of how the Tri-County Water System can continue to deliver high-quality water service for the long term.

Delaying a strategic review of the Tri-County Water System could result in missed funding opportunities, escalating infrastructure costs, and reduced long-term sustainability. As other municipal systems evolve to meet modern standards, it is essential that Tri-County proactively plans for its future.

This report does not propose privatization, outsourcing, or immediate structural changes. It recommends responsible due diligence to explore options in a way that maintains municipal ownership and oversight.

Key themes explored in the report include:

- The potential benefits of restructuring governance through a Municipal Services Corporation (MSC);
- The importance of balancing municipal control while improving decision-making through a balanced governance model;
- Ongoing financial pressures, including ongoing underinvestment in infrastructure;
- The opportunity to leverage excess system capacity for regional service expansion;
- The value of collaboration with neighbouring municipalities through exploring shared servicing opportunities.

This report outlines a series of recommended next steps to help the Board assess all aspects of the system's future in an integrated way. The overall goal is to support proactive planning, responsible governance, and sustainable growth.

### **Background:**

Following the initial direction from the Board to examine the governance structure of the Tri-County Water Board, through consultations and discussions, the CAOs of West Elgin and Southwest Middlesex recommend a broader, more strategic approach that evaluates the full Tri-County Water System and its future. This includes, but is not limited to, governance reform. The recommendation arises from a recognition that addressing only the governance model would fall short of resolving long-term operational, financial, and service delivery challenges.

The Tri-County Water Board has expressed ongoing interest in reviewing its governance and operational model, with initial direction in January 2022. In 2024 and 2025, these discussions evolved to include the potential for incorporation as a Municipal Services Corporation (MSC), with a broader emphasis on long-term sustainability.

While the current system structure, as a Joint Municipal Board, has provided stable service delivery, it faces increasing financial and operational pressures, including limited access to funding, underinvestment in infrastructure, and the need to plan for growth. The potential for expanded servicing opportunities must be considered alongside governance and funding reform.

The 2024 Asset Management Plan identifies \$4.6 million in required infrastructure investment over five years, which currently is not fully funded. The system also operates with excess capacity, offering opportunities to share resources and offset costs if growth and servicing strategies and funding can be aligned.

### **Discussion:**

#### **Why is a Multi-Faceted Approach Needed?**

A sustainable future for the Tri-County Water System cannot be achieved through governance change alone. Instead, a coordinated effort across five key areas is recommended:

- **Governance Reform:** Exploring the transition to a Municipal Services Corporation that allows for independent operation, borrowing capacity, and grant eligibility.
- **Board Structure:** Ensuring any new governance model maintains municipal control while integrating skills-based representation to enhance decision-making.
- **System Capacity Modelling:** Assessing plant capacity and constraints to identify growth opportunities. Future expansion may benefit from alternative financing models that reduce upfront costs and increase flexibility.
- **Financial Planning:** Addressing investment strategies for lifecycle renewal and long-term rate stability.
- **Regional Partnerships:** Proactively engage with both members and neighbouring municipalities to assess future service needs and potential collaboration opportunities.

#### **Board Structure Considerations**

One of the key advantages of transitioning the Tri-County Water System to a Municipal Services Corporation (MSC) lies in the financial flexibility it offers. An MSC operates independently from municipal financial statements, meaning any debt it incurs does not count against the Annual Repayment Limit (ARL) of participating municipalities. This structure can unlock additional borrowing capacity for significant capital investments, enable more competitive access to financing, and importantly, allow the entity to apply directly for infrastructure-related grants that are currently inaccessible under the Joint Municipal Service Board model.

While financial advantages are central to this review, governance structure remains an important component. The current Tri-County Water Board is composed solely of elected municipal officials. Understandably, there may be concerns about losing municipal oversight if a new MSC board were made up entirely of skills-based or non-elected members. However, consultation with legal services will confirm if a hybrid board model, blending elected officials with technical experts, is permissible under the Municipal Act. This offers an opportunity to preserve municipal accountability while bringing in external expertise to support strategic and operational decisions.

As part of the next steps, the recommended business case study will:

- Evaluate the risks and benefits of different board composition models;
- Propose a structure that preserves municipal ownership and accountability;
- Explore how to balance good governance, transparency, and operational efficiency.

For additional context and a broader comparison of governance options, an excerpt titled Comparison of Governance Models Summary from the LAS Water and Wastewater Expert Panel Report is attached to this report. It outlines the relative benefits and constraints of Joint Municipal Service Boards versus Municipal Services

### **Next Steps**

1. Obtain pricing for a business case study including MSC options and recommended board governance;
2. Obtain pricing for a full Tri-County Water System capacity and servicing model;
3. Engage both existing members and neighbouring municipalities in service needs conversations;
4. Report back to the Board with detailed findings and recommendations

### **Conclusion:**

A sustainable Tri-County Water System requires more than structural change. Through proactive management, growth planning, and modern governance, the Board can position the system to serve current and future residents reliably and affordably.

This report recommends a multi-faceted approach to assess the system's governance, infrastructure, and growth potential, with the aim of preserving its value as a municipally led public utility for the long term.

We respectfully submit this report for the Board's direction and look forward to advancing this important work collaboratively.

### **Financial Implications:**

The overall financial implications of the recommended actions are currently unknown. However, with approval of the recommendations outlined in this report, staff will begin the necessary work to obtain pricing for each component and present a summary of estimated costs, along with a proposed funding strategy, to the Board for consideration. This process will ensure informed decision-making and appropriate financial planning.

These actions should be viewed as a strategic investment in the long-term sustainability of the Tri-County Water System. The benefits of early planning, potential expansion, and financial flexibility

are significant when balanced against the costs of maintaining the status quo in an environment of rising infrastructure demands.

As future growth opportunities are better defined, the Board may also wish to examine alternative financing models—such as public-private partnerships—for major capital projects exceeding \$20 million. These options, while not being considered at this stage, could be revisited once total investment requirements are better understood.

Respectfully submitted by,

Amanda Gubbels – CAO Southwest Middlesex

Robin Greenall – CAO West Elgin