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## **Myths and Facts about the City's Business Plan for a Municipal Utility**

**W**ednesday in the City Council Chambers, the Executive Policy Committee (EPC) spent many hours hearing the concerns of Winnipeggers and their representatives regarding the proposal for the formation of a Municipal Utility to take over Winnipeg's water and waste services. While many strong criticisms of the Business Plan were raised, it was also clear that there are still many misconceptions regarding what is contained in the Business Plan for the new Utility.

The goal here is to clarify what the Business Plan actually states versus some claims that were made before the EPC. It should be noted however that the Business Plan is an evolving document and if City Council approves the new Utility, there is no obligation to follow the Plan in its current form. There is also no guarantee the Utility once established will not stray significantly from the Business Plan. The Plan does note however under "Purpose of the Business Plan" that "if council approves the establishment of the Utility, this business plan identifies the transition and implementation plan to get there" (p.14).

### **MYTHS**

**Myth #1:** The Business Plan calls for the privatization of Winnipeg's drinking water. According to the Business Plan, "water treatment and distribution will always remain wholly owned by the city as set out in the City Charter and will be fully controlled by the city of Winnipeg through its 100% owned Utility" (p.35).

**Myth #2:** The Business Plan calls for the sale or transfer of City water treatment infrastructure assets to a private company. The Business Plan states that "all physical assets will always remain fully owned by the City" (p.37). The Plan does call for a private sector partner to "invest equity" (p.38) in a Strategic Partnership, and it is not clear how this equity will be secured.

**Myth #3: The Business Plan calls for the contracting out the jobs of current employees and/or a reduction of wages and benefits.** The Business Plan states that the "the City of Winnipeg's intent is to transition existing department staff to the Utility" (p.32) and that "the transition will be guided by the following principles: Provide employment to all current staff; Respect the rights and privileges of employees granted by existing collective agreements -Any amendments to collective agreements would require mutual agreement; [and] Maintain seniority, salaries and hours of work" (p.33). The plan does note however that "the private sector partner will ... second ... personnel to the strategic partnership to augment Utility staff for the planning, design, procurement and delivery of capital projects and operations during the strategic partnership" (p.37).

#### FACTS

**Fact #1: The Business Plan calls for Public Private Partnership arrangements for the upgrades, expansions and the operations of City wastewater treatment plants.** The Business Plan calls for Public Private Partnership (P3) with a private sector Strategic Partner to deliver "upgrades and expansions and the operations of all three sewage treatment facilities" currently owned and operated directly by the City (p.35).

**Fact #2: The Business Plan calls for private sector financing for upgrades of City wastewater treatment plants.** Page 38 of the Business Plan states that "the private sector partner shall be required to access and provide debt financing in support of specific projects in the capital program" and that "the private sector partner will be required to invest equity and/or substantial performance commitments".

**Fact #3: The projected cost savings of the Municipal Utility in the Business Plan are poorly substantiated and biased.** The projected cost savings of creating the new Utility are based on biased and selective information that overestimate the benefits of creating the Utility. The claimed net savings also include new revenues and savings that can be attained under the current ownership structure as well as the Municipal Utility model, but are presented only as a benefit of moving the new utility model[1]. The Plan only accounts for the new revenue from selling services to neighbouring municipalities and ignores that this could result in the relocation of industry and business

outside of the City's jurisdiction and an erosion of the City's tax base.

**Fact #4: The Business Plan calls for a governance structure that will be less accountable to the public.** While City Council will appoint the Board of Directors, according to the Business Plan the City's Chief Administrative Officer "will review and recommend Board candidates... and present such a recommendation to the EPC. City Council will approve or reject the entire slate of candidates... City Council members will not be eligible to serve as board members" (p.50). Additionally, any contracts with private sector partners would be considered proprietary information and would not be available to the public, even through access to information requests.

**Fact #5: There is a spectrum of options as to how a municipal utility could be governed and operated.** The Business Plan outlines a particular vision for a Municipal Utility, but there are other possible models with greater public oversight and without private companies financing and operating City wastewater services. For example, the Utility could have City Council be the board of directors, and the Utility could maintain full control over operations and finance new infrastructure publicly.

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Given recent events, it appears there is still significant confusion amongst the general public and even some City Councillors as to what the proposal for the new Municipal Utility entails. It is also not clear that the proposed model has an advantage over the existing model[2]. The City would well be advised to delay the formation of the Utility until meaningful public consultation and an impartial public comparator can be conducted. This would allow for a revised business plan to be created and would give Council the information needed to make a decision that is in the best interest of Winnipeggers.

[1]See

<http://www.policyalternatives.ca/reports/2009/07/reportsstudies2264/>

[2] See:

[http://www.policyalternatives.ca/index.cfm?act=news&office\\_ID=3&do=list&call=BB736455&pa=BB736455](http://www.policyalternatives.ca/index.cfm?act=news&office_ID=3&do=list&call=BB736455&pa=BB736455)