

‘Pipe dream’: fixing water and sewer infrastructure with corporations

Momentum is building behind the idea of taking responsibility for building and operating local drinking water and sewage systems out of the hands of Ontario municipalities and placing it with independent organizations known as municipal service corporations (MSC).

In its February 2022 [final report](#), the Ontario Housing Affordability Task Force recommended the province “work with municipalities to develop and implement” a model that would see MSCs take on the costs of water and wastewater management instead of municipalities, which rely mostly on development charges and property taxes to cover water and sewer costs.

The benefit of the MSC model, the task force said, is that the corporation could take on debt to pay for expanding water and sewer systems to accommodate new housing development, and pay it off via usage charges to ratepayers.

“Notwithstanding the burden development charges place on the price of new housing, most municipalities report that development charges are still not enough to fully cover the costs of building new infrastructure and retrofitting existing infrastructure in neighbourhoods that are intensifying,” the task force wrote.

The Town of Innisfil already has an MSC, [Innservices](#), which assumed control of its local water and sewer system in 2016.

On Thursday, the Ontario Real Estate Association (OREA) released [an analysis](#) of the province’s efforts to boost the housing supply in Ontario and called on the province to get to work on the MSC utility model the task force called for.

“No progress” has been made on the MSC recommendation and 12 others from the task force report in the past two years, per OREA.

“When we're building new hydro grids or natural gas lines in the province, it's done through a utility model ... But for water and wastewater, we make [developers] pay the upfront costs,” noted OREA president **Tim Hudak** during a Queen’s Park press conference.

“That is the biggest impact on the price of a home, right out of the gate. That can be \$50,000 added to the price tag.”

Testing in Peel

OREA’s report suggested Queen’s Park should use its ongoing review of Peel Region to “test this new model of utility structure” — something the province is already moving on.

Last week, Municipal Affairs Minister **Paul Calandra** sent [a letter](#) to the transition board formerly tasked with overseeing the dissolution of Peel Region and instructed it to shift its focus to reforming municipal services to promote the construction of more homes.

Calandra directed the board to look into the possibility of creating a “municipal services corporation or services board” for the region while maintaining “public ownership and control” of infrastructure.

Covering the costs of Peel Region’s water and sewer system has been a long-standing sore point between the cities of Mississauga and Brampton, and was a major question when the province was planning to dissolve the region.

The task force suggested MSCs could cut down on the amount of “complicated and time-consuming ‘who pays?’ questions” between municipalities with regional water systems, as well as make it much faster to build needed infrastructure to accommodate new housing development.

Disruption for disruption's sake won't solve water woes: ex-public servant

However, **Janice Baker**, a former chief administrative officer for both Peel Region and the City of Mississauga, thinks the expectation that MSCs will fix the challenges around building water infrastructure and bring down the price of new homes “is a pipe dream.”

“I'm not seeing where there are going to be either great advances in terms of speed and timing, or great savings in terms of cost,” Baker told *Queen's Park Today*.

“If we are doing all of all this disruption and paying upfront for these changes to make pennies on the back end, I don't see where the cost-benefit is.”

The former civil servant noted municipalities already take on debt to pay for infrastructure and recoup costs via development fees and taxes — an approach the PC government's reforms to development charges has made more difficult, she noted.

Bringing in an MSC to run the water and sewers would be a “change of governance model” unlikely to result in any significant improvements beyond work already being done by municipal departments and councils, Baker added.

“I can guarantee that any MSC you create ... [Brampton Mayor] **Patrick Brown**, the new mayor of Mississauga and a bunch of city councillors will all want to be on the board,” she said. “You can bring in some knowledgeable subject matter experts, but all of those folks are also deeply involved in the industry and work with municipal staff anyway.”

Proponents are also overlooking the costs of making the switch, including staff disruptions, setup costs and legal issues.

“What is the outcome that everyone is looking for that can't be in the current structure? Why disrupt something that, in my opinion, works extremely well?” Baker wondered. “It's an infrastructure corporation anyway.”

The Building Industry and Land Development Association (BILD) also supports creating an MSC utility in Peel, saying in a submission to the transition board that an MSC is a “realistic choice” that can reduce cities’ reliance on development charges and could even provide dividends.

But BILD noted that “the province would need to amend legislation” to allow an MSC to directly collect development charges.