

**Intermunicipal Servicing Agreements:  
Four Case Studies in Huron County**

**MPA Research Report**

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## Chapter 1

### INTRODUCTION

In order for a municipality to provide services, there are several options available for it to choose from. One alternative may be intergovernmental agreements whereby one or more municipalities provide the service and one or more municipalities purchase it. An intergovernmental service contract is an arrangement between two governmental units in which one pays the other for the delivery of a particular service to the inhabitants in the jurisdiction of the paying government (ACIR c, 1985, p. 1). Such contracts may be formal (written) or informal (unwritten). Another similar contract is a joint service agreement, where an agreement occurs between two or more governments for the joint planning, financing, and delivery of a service to the inhabitants of all jurisdictions participating in the agreement (ACIR c, 1985, p. 2).

These types of agreements are a flexible alternative for municipalities that are either producing or purchasing a service. Furthermore, these agreements can be administered directly by the municipalities or by a mutually appointed agency. Although servicing arrangements have been previously used by municipalities, they are becoming increasingly more innovative. There are several applications of sharing municipal services that can be found in Ontario. A partial listing would show:

landfill sites  
by-law enforcement officers  
water billing  
waterworks  
policing

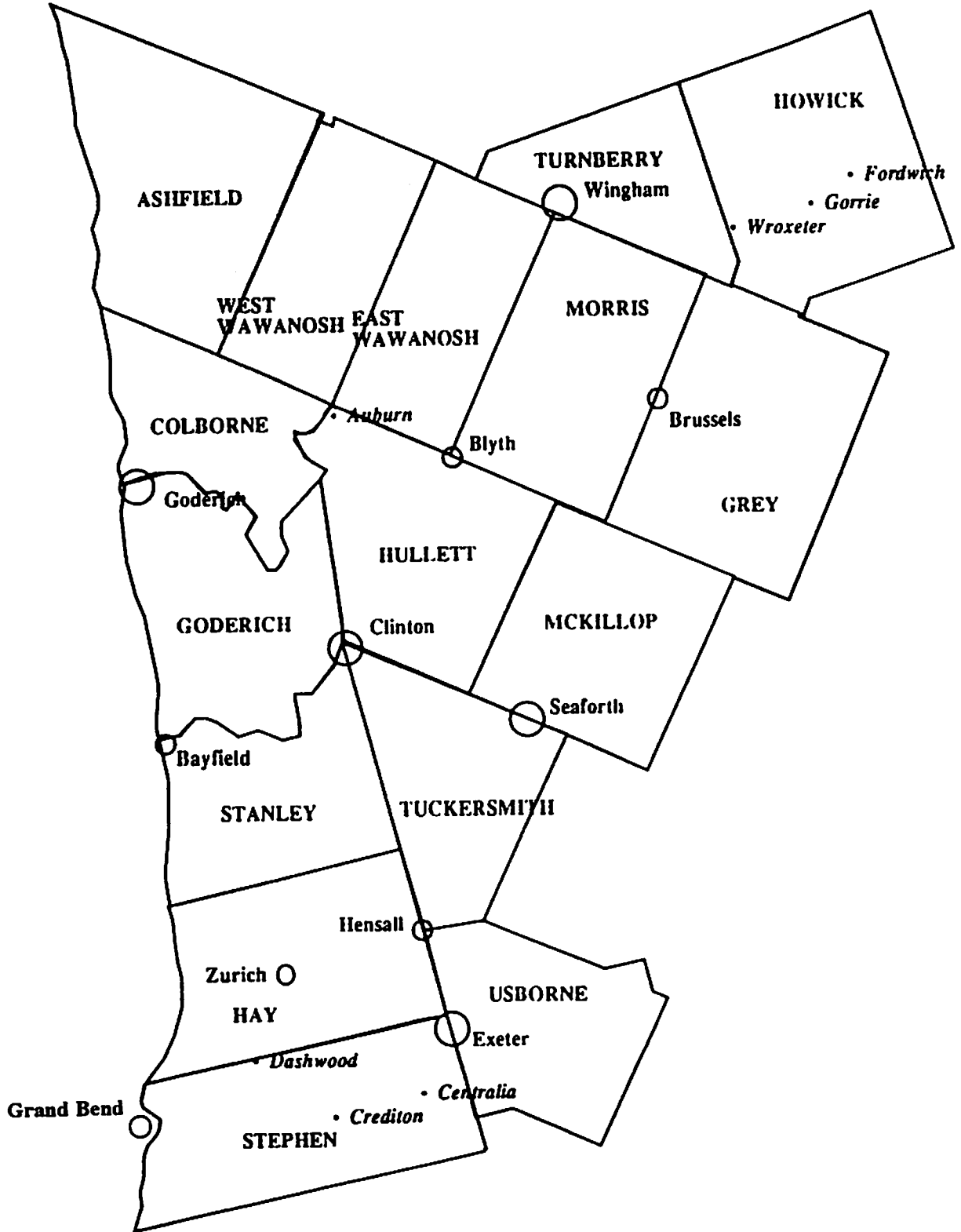
special road equipment  
building inspectors  
dog pounds  
planning staff  
fire protection

(MMAH, 1983, p. 4)

Four case studies will be examined to demonstrate how intergovernmental servicing arrangements for sewage and water services are important and deal effectively with practical problems faced by local governments. The four case studies involve small towns, villages and townships within the County of Huron, which is located in southwestern Ontario. See Map 1.1 for a map of Huron County. Two of the case studies deal with typical servicing agreements. These involve the arrangement of service delivery for the supply of water and the expansion of sewage treatment facilities to service a larger area that crosses political boundaries. The third case study deals with a town that is the producer of water and sewage services which sells its services to a developer in an abutting municipality. The fourth case study looks at a potential joint servicing arrangement for sewage services among three municipalities. This is an innovative approach to deal with sewage treatment facility problems in three municipalities. Together these four case studies will show: 1) how the agreements were initiated; 2) the advantages and disadvantages of agreements; 3) the keys to success; 4) responsibility and accountability issues; and 5) how they are administered.

The administration of the agreements is one of the primary areas I will be focusing upon. Most provincial-municipal relations involve the municipality with some agency of the Ontario government. It is becoming apparent that no one level of government can operate effectively in isolation. The public issues requiring resolution today usually call for the combined efforts of two or more levels of government (Tindal, 1988, p. 105). The general trend over time has been in the direction of increasing provincial supervision and control of local government (Tindal, 1988, p. 108). This has occurred in response to the serious problems and pressures facing local government.

Map 1.1: County of Huron



Two of the service agreements that I will be examining are administered by the Ontario Clean Water Agency (OCWA). The OCWA operates as an independent agency for the purpose of administering such service contracts for municipalities. Essentially, the agreement is between the municipalities and the OCWA. The service contract would outline the OCWA's responsibility as well as the municipality's. The top-rated strategies for innovation tend to be those that allow policy-makers to retain their flexibility and sustain their legitimacy for future decision situations (Clarke, ed., 1989, p. 27). One of the objectives of using the case studies is to demonstrate that local municipalities becoming partners with OCWA provides the administration and council with the most flexibility for any changes in the agreements.

The OCWA is a Crown corporation in business to provide services related to water and wastewater treatment (OCWA c). It currently operates 367 water and wastewater treatment facilities for municipal clients throughout Ontario. Furthermore, the agency offers technical advice and assistance, capital financing and project management services. The agency can assist municipalities in every step of the process. It can manage construction projects and plant upgrades throughout the entire project to ensure the needs of client municipalities are met during the design, tendering and construction phases (OCWA b). Once the plant is constructed, the OCWA can provide a municipality with a full range of operating and maintenance services.

In addition to the operations and maintenance services and project management services, the OCWA actively promotes water conservation. Because it is in the water and wastewater business, it concentrates on improving the efficiency of water treatment, distribution and use (OCWA c). As a result, it helps communities save money by lowering operating costs and reducing capital expenditures for water and wastewater systems.

The OCWA also lends money to municipalities and facilitates private sector investment in municipal water and wastewater projects (OCWA c). The reason it can afford to lend municipalities money results from a revenue base of more than \$200 million and assets totaling more than \$600 million (OCWA b). Moreover, the agency invests directly in new and existing projects in Ontario. Through the use of the Ontario Financing Authority, the OCWA can arrange for loans for a municipality's portion of its capital costs (OCWA a, 1994, p. 2). The agency will also assist the municipality by helping to develop cost-sharing partnerships with the private sector and other sources of money.

When municipalities are embarking on a major water or wastewater project, the OCWA can assist the municipality in every stage including the financing of it. This is important because many municipalities do not have the funds available to finance these types of capital projects. The OCWA becomes a partner with the municipality that has the expertise, experience and funds to aid municipalities. This partnership can be very beneficial to municipalities who do not have the experience or expertise dealing with a large-scale project.

### **Background of the Issue**

In the past, allocations from upper levels of government led to dependence on intergovernmental funds or transfer payments. Therefore, local municipalities were placed in a difficult position because they required large sums of grants/transfers. But now the provincial government is cutting these payments. The result is developing innovative solutions or increased dependence for local municipalities (Clarke, ed., 1989, p. 41). As a result, municipalities are turning to innovative solutions such as intergovernmental agreements.



Some of the wastewater treatment plants are inadequately maintained and these facilities need immediate attention. There has also been a migration of people to the suburbs as well as the countryside. This means an increase in demand for facilities in communities that may or may not have municipal water or sewage treatment plants (ACIR b, 1984, p. 6). These facilities may be too small or overly distant from other plants causing users to rely on facilities that are outworn or otherwise inefficient. Municipalities may have neglected maintaining existing facilities causing them to be inadequate (ACIR b, 1984, p. 8). The physical infrastructure may be inadequate to serve the economic needs of communities, perhaps reducing a municipality's competitiveness for future development. For example, if a sewage treatment plant was at capacity, it may affect the municipality's tax base because no new development would be permitted until the facility was improved. Municipalities may choose to postpone or prevent new construction or repairs of facilities because it may have selected to finance other projects. This only leads to inefficient and outdated facilities (ACIR b, 1984, p. 9).

Many of the treatment facilities are becoming increasingly inadequate. They are aging and deteriorating with some water and sewage systems being over 100 years old. It is estimated that \$10 billion is required to improve the treatment facilities in Canada (Meakin, 1993, p. 11). The reason why this is occurring relates to the fact that Canadians are not paying the true cost of their water. As a result, more realistic pricing is needed. Intergovernmental agreements may help to improve existing facilities or construct new ones. Without municipalities sharing services or the construction of facilities, existing plants will continue to deteriorate. In addition, intergovernmental agreements may also help Canadians pay for the true cost of their water because the water or sewage rates established for residents are based on usage. As a result, residents pay for what they use and the municipality pays an annual fee to account for leakage in the water system. The

sewage rate is based on the consumption of water, so residents are again paying for the true cost of their water and sewage services.

### **Research Plan**

Information gathered in this research project is based on the applicable documents from provincial agencies and municipalities and from interviewing the relevant people associated with the servicing agreements. A total of seven people were interviewed. Most of the clerks of the municipalities were interviewed as well as engineers, a commissioner of works and a manager of a public utilities commission.

The literature review in chapter two looks at the history and purpose of intergovernmental agreements. There are three examples of these agreements examined, demonstrating the diversity and extent of servicing agreements. Furthermore, attention has been given to how agreements are administered as well as the benefits and disadvantages of servicing agreements.

Chapter three examines the research conducted from the four case studies. There is a brief description of each of the four servicing agreements. In addition, the critical factors of the research will be presented by the following headings: 1) initiation of the agreement; 2) accountability and responsibility; 3) benefits of the agreement; 4) keys to success; 5) disadvantages of the agreement; 6) council's involvement in the agreement; and 7) administering the agreement.

In chapter four, the major elements of the research will be discussed. The same headings used in chapter three to present the research will be used again in order to analyze the research findings. In addition, the use of agreements versus the use of a regional

authority will be analyzed. The patterns of cooperation based on the population size of municipalities will also be discussed.

Chapter five, the conclusion, summarizes the main points of the essay.

## *Chapter 2*

# **LITERATURE REVIEW**

### **History of Intergovernmental Agreements**

For many years, local governments have entered into agreements for the provision of services. They can be regarded as an adaptive procedural response to problems because the local government does not have to reorganize its political boundaries. Many of these agreements in the United States date back to the mid-1800's. A government may contract with another government unit for the provision of certain services. For example, a municipality purchases water and sewage treatment from a sanitary district or a township purchases police services from a county (Ruchelman, 1989, p. 5). These agreements have remained popular because a government can obtain a service in which it cannot produce itself or cannot afford.

Governments enter into intergovernmental service arrangements because they facilitate specialization and economies of scale that can result in reduced costs and improved service quality (Ruchelman, 1989, p. 25). Furthermore, they are also politically feasible because the basic structure of the local government system does not have to be changed. The agreements do not restrict freedom of action or local autonomy, do not require voter approval, and can be executed with little notice. Therefore, they are a flexible tool for local politicians and administrators to put into practice (ACIR d, 1974, p. 30).

A joint municipal initiative is the sharing among two or more municipal bodies of the delivery, administration, or financing of a service under municipal jurisdiction. It is an arrangement by a municipality with another council or local government body to carry out the function or service at joint expense and for joint benefit. Depending on its type, a joint service is authorized by the Municipal Act or by other acts governing municipalities (MMAH, 1983, p. 1). Of the 2069 American cities and counties that were surveyed by the Advisory Commission on Intergovernmental Relations in 1985, 52% have service contracts (ACIR, 1985 c, p. 25). This statistic demonstrates how common service agreements are.

### **Purpose of Intergovernmental Agreements**

Intergovernmental agreements can be used to undertake jointly any functions and responsibilities which governments could undertake singly, and contracts can similarly be used to purchase any services or facilities which one government is authorized to undertake or to provide on its own authority (ACIR a, 1967, p. 2). Agreements or contracts which establish administrative agencies are alternatives to other approaches which could be taken. Special districts or agencies, for example, might be established under statutory provisions by resolution of local governments or by referendum among voters in the areas to be served. The agreement or contract approach permits greater flexibility and local adaptation to meet particular problems (ACIR a, 1967, p. 3).

An alternative to standard service delivery that authors Osborne and Gaebler regard as innovative includes public-public partnerships (Osborne, 1992, p. 31). Governments should turn towards steering rather than rowing. This means that the government should be the arranger (steering) rather than the producer (rowing) of the service. It should set policy, deliver funds and evaluate performance (Osborne, 1992, p. 40). When contracting a service to another governmental unit, it can be difficult because writing and monitoring

contracts require so much skill. To contract out appropriately, Osborne and Gaebler suggest creating a position to deal with the administrative details of the contract. This position would be a contract monitor who would possess the skills to administer the contract (Osborne, 1992, p. 87). Another alternative is to contract to an agency that already has the expertise and required experience. This would reduce some of the municipality's work because a new person would not have to be hired and trained to administer the contract.

Although cooperative arrangements vary, the most commonly used method is the intergovernmental contract whereby one jurisdiction is paid to produce the service while another neighbouring jurisdiction retains policy and financial control. The major use of service contracts occurs when a relatively small unit purchases a public good or service from a larger unit. This occurs because the larger unit has lower costs of production and can sell to the smaller unit at a lower price than it would cost the smaller unit to produce the service for itself. At the same time, the smaller unit is able to specify the quantity or quality of the service to be provided, and thus citizen preferences are met more closely than would be the case if the small unit were simply merged with the larger unit (Bish, 1973, p. 59).

The situation would also apply whereby a number of small municipalities without a large tax base share in the expense of establishing a sewage treatment plant or purchase the service from a larger adjacent municipality. Service areas where cooperative agreements are most common include waste disposal, public safety, health care, transportation, public works, recreation, and risk management (Ruchelman, 1989, p. 26).

Intergovernmental agreements are used for the following reasons:

to meet an urgent problem  
 citizens demand for a service agreement  
 most efficient use of staff

(ACIR c, 1985, p. 35)

Joint municipal initiatives can help a municipality to replace an obsolete facility and cut back on operating costs. Service levels can be maintained and the strain can be reduced of providing for users who cross municipal boundaries. There are also opportunities that can be achieved by having a municipal agreement. Price discounts by pooling on purchase requirements and the development of an expert computer staff are only two examples of the opportunities that can be achieved (MMAH, 1983, p. 3).

The tendency to enter into agreements is related directly to population size. Larger units of government appear to have a greater propensity to enter into service agreements than smaller units. Smaller municipalities (less than 10 000 population) usually receive services under agreements with other units comparable in size compared to larger municipalities (greater than 25 000 population) (ACIR d, 1974, p. 35). Local governments most commonly enter into agreements with counties (60%) and other municipalities at 40%. This was part of a survey conducted in the United States in 1973 of approximately 2300 incorporated municipalities with a population greater than 2500 population. Most agreements based on the survey results are for one service rather than a package of services. A package of services may include emergency, library, planning and street maintenance (ACIR d, 1974, p. 35).

There are also patterns of cooperation that emerge where considerable use is made of intergovernmental contracts and agreements. The "horizontal" pattern is based on agreements among similar governments for mutual undertakings. For example, towns and villages may establish joint police forces or agree to share a sanitary landfill operation. A

"vertical" network of agreements develops between larger units such as cities, counties or the province and smaller municipalities. For example, a county will take the initiative in informing local governments of the availability of the services and in facilitating their entering into contracts for the use of them. Similarly, a "vertical" pattern occurs when a central city provides services to surrounding towns, villages and suburbs. The vertical relationship is more common since major jurisdictions have the facilities and the trained personnel which smaller jurisdictions need (ACIR a, 1967, p. 13).

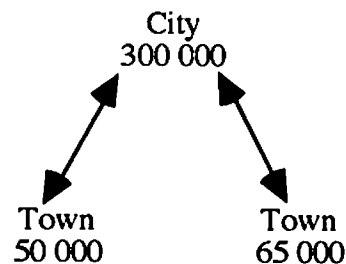
### **Figure 2.1: Horizontal Pattern of Agreements**

Example of a sanitary landfill operation:



### **Figure 2.2: Vertical Pattern of Agreements**

Example of a sanitary landfill operation:





## Examples of Intergovernmental Agreements

The fiscal strategies that U.S. cities are using today reflect how innovative cities have had to become. As municipalities search for alternatives to taxes, user fees were the most popular strategy employed, but approximately 45.6% of U.S. cities surveyed have used joint purchasing agreements (Clarke, ed., 1989, p. 45). This is an indication that Canadian municipalities are probably using similar types of agreements in order to deal with fiscal strain. Most American cities are not cutting back substantially on their functions or work forces; instead, they are looking for cheaper ways or alternative funding to do what they already do. The most popular strategies seem to be the least threatening to established bureaucratic interests and offer tangible benefits to some staff (Clarke, ed., 1989, p. 58). Intergovernmental agreements provide municipalities with a flexible alternative that are not threatening to established bureaucratic interests.

A case study was carried out in the Tyneside/Wearside area of England for the examination of twenty-one local governments that were facing capacity problems of their landfill sites (Pinkus, 1981, p. 161). A steering committee recommended that municipalities share in the cost of constructing refuse treatment plants (Pinkus, 1981, p. 162). This proved to be the most economical arrangement for the governments in this area. Cooperation among the municipalities would generate a savings of ten percent for each local government than if each continued to dispose of refuse individually (Pinkus, 1981, p. 163). When the steering committee was recommending the type of refuse facility, it determined that the more expensive alternative was appropriate, because it would have the least impact on the quality of life for the residents (Pinkus, 1981, p. 188). Therefore, using the quality of life as the main criterion, the steering committee was able to suggest a more economical solution to the local governments, meanwhile, ensure that the quality of life for the residents was not adversely impacted. This one case study demonstrates how

governments can work cooperatively to save money and to provide the best quality of life for the residents. By municipalities sharing the expense of water and sewage treatment, a cost savings is generated and the quality of life for residents living in the immediate area of the facilities is improved.

In Pensacola, USA, its sewage treatment facility was operating at 50% capacity and the cost of maintaining it as well as the original capital expenditure was too expensive for the city to endure (Moore, ed., 1983, p. 171). In order for the city to deal with the operating expenses, it dropped the advanced wastewater treatment facility classification with the environmental protection agency (EPA). As a result, the cost of plant operations was significantly reduced and the capacity could be increased. Meanwhile, the county in which Pensacola is located was facing EPA demands to upgrade its existing treatment plants and build new plants to meet growth demand in certain areas. Both governments agreed to the establishment of an independent, county-wide utility authority to administer the sewage and water systems. The city and county transferred its water and sewage systems to the authority. This helped to alleviate the need for the county to build additional facilities and the city's facility could utilize its additional capacity (Moore, ed., 1983, p. 172).

The most frequently purchased services by a contract in the United States in 1985 included: 1) jail and detention homes; 2) sewage disposal; 3) tax assessing; 4) animal control; and 5) water supply (ACIR c, 1985, p. 27). Joint service agreements were slightly more popular than contracting out the service. The most frequently provided services under joint agreements included: 1) fire and police communications and libraries; 2) sewage disposal; 3) fire prevention and suppression; and 4) jails and detention homes (ACIR c, 1985, p. 30). This provides an example of how common it is to contract out or to develop joint service agreements for sewage disposal and water supply in the United

States. In Canada, these two local government services would probably also rank high as being services that were most frequently contracted out or joint service agreements created.

### **Administering the Agreement**

There are several ways in which municipalities can administer the service agreement. In the case of the city of Peterborough and surrounding municipalities, the authorities involved, created an association that was adopted by a constitution for the cooperation in small-item purchasing. This constitution includes the procedures for purchasing, voting powers and membership (MMAH, 1983, p. 6). A board of directors was also established to oversee the overall policy direction. Administration of each tender is carried out by a designated authority (MMAH, 1983, p. 8).

In another case study cited for the municipal use of a university facility, an advisory board was created to carry out the responsibilities and policies within the agreement. The board appointed representatives from council, the university, Ministry of Culture and Recreation and the community. The duties of the board were specified within the agreement (MMAH, 1983, p. 27).

A municipal recreation committee was established for a number of communities that were sharing a recreation facility. This committee had its members appointed annually with specific powers and duties outlined in the agreement (MMAH, 1983, p. 34).

Special district governments or public authorities are limited-purpose agencies created to perform one or more functions. Common examples include: 1) hospital districts; 2) water and sewer districts; and 3) park and transportation districts (or authorities). One reason for their widespread use is the political unwillingness of

established jurisdictions to assume new functions. Another reason is the need for more specialized administration expertise. In addition, boundary restrictions often mean that government cannot expand to deal adequately with certain needs such as environmental protection or water supply, or cannot achieve economies of scale such as for large scale purchasing or capital projects. (Ruchelman, 1989, p. 39). One disadvantage of a special district, is that it is usually not operated directly by elected officials and are therefore somewhat insulated from public control.

There is an argument presented in the public choice literature that governments should, like industry be more responsive. For example, redundant government structures should be replaced with one central authority (Ostrom, 1988, p. 114). The service producers can be enterprises organized in the following way whereby a special district is established to produce the required service (Ostrom, 1988, p. 115). A public service industry is a system in which multiple firms coordinate their activities with one another to supply similar types of goods or services. A contractual relationship occurs between the collective consumption units (providers or arrangers) and producers, and among producers, rather than between individuals and producers (Ostrom, 1988, p. 128). The coordination of service delivery is a type of relationship in which two or more producers plan and execute service activities together for a single collective consumption unit (Ostrom, 1988, p. 132).

Municipal agencies are in principle non-profit. Therefore, they could conduct their operations in exactly the same manner as private agencies and still have lower costs because the municipality does not pay taxes on the inputs it uses or on its revenues. All private firms in the U.S., including those with contracts, pay approximately 15% of their total revenue in taxes of one form or another (Ostrom, 1988, p. 161). The second advantage is that municipal and contract arrangements share over independent private firms, is

monopoly status within a jurisdiction (Ostrom, 1988, p. 162). When a municipality sets up an agency, it is really establishing its own legal monopoly. Therefore, managers may not be effectively challenged by other firms competing, nor are inefficient managers driven out of the business by other enterprises. Managers may be able to hide the true costs of production from themselves and from city officials. Another disadvantage it is often difficult to eliminate a public agency once it is established compare with a contract with a private firm (Ostrom, 1988, p. 163).

When deciding to change the existing service delivery system and determining how the new service agreement will be administered, there are a number of factors that first must be examined. It has to be calculated if the agreement will reduce the cost of government service without reducing the quality of service. Furthermore, will sharing the services reduce the cost to citizens? The agreement must also achieve the stated service objectives of the program, and improve or maintain the quality of service. The needs and preferences of the citizens or clients being served should also be met. The distributional and equity effects must be addressed to see who is likely to gain and who is likely to lose as the result of a particular alternative, and whether it will contribute to an inequitable or more equitable distribution of services. Feasibility must be examined to determine if the agreement will be easily implemented and the various constraints that may exist in the organizational environment, such as legal barriers, political opposition, bureaucratic resistance, or cumbersome administrative procedures are properly dealt with (Ruchelman, 1989, pp. 40-41).

## Benefits of Intergovernmental Agreements

**Table 2.1: Benefits of Municipal Agreements Between Local Governmental Units**

increased cost savings	increase in quality of service
positive community relations	staff experience
a stronger bargaining position resulted	administration benefits
quality control increased	convenience
avoided duplication	provided management information on decisions
political benefits	better use of facilities
fiscal strain can be reduced	achieve better economies of scale
permit greater administrative flexibility	cope with problems better
provides good examples to other municipalities	increases efficiency

(MMAH, 1983, pp. 12-14, 21, 30, 35, 42, 44, 45; ACIR c, 1985, p. 42; Ruchelman, 1989, p. 4))

The top four benefits that were cited from a survey conducted by the Ministry of Municipal Affairs and Housing in 1983 included: 1) increased cost savings; 2) increase in the quality of service; 3) positive community relations; and 4) staff experience.

By contracting with another governmental unit a government jurisdiction does not have to invest in capital equipment or hire a staff to deliver a service. Contracting with another governmental unit allows a government jurisdiction to contain or reduce start-up costs in initiating a service. Intergovernmental service arrangements save money through mass purchasing of materials and by sharing equipment and facilities costs.

Intergovernmental service arrangements promote efficiency that comes from specialization. Furthermore, they allow different government jurisdictions to cooperate without changing their basic structures or giving up their authority. Intergovernmental arrangements can also eliminate duplication of services (Ruchelman, 1989, pp. 42-43).

Local government contracting with other governments appears to offer significant potential for improving efficiency in the production of municipal services. Three benefits appear to accrue from contracting: contracting forces development of better information on both costs and outputs, contracting permits the purchaser to seek alternative suppliers or produce for itself and it permits producers and political units buying services to be organized with reference to different geographical boundaries (Bish, 1973, p. 99). Therefore, it provides benefits to the citizens and political units.

**Table 2.2: Keys to Success When Developing Municipal Agreements**

strong leadership	capable administration and management
appropriate organization	realistic planning
mutual understanding	competent staff
cost effectiveness	steering committee structure
trust	agreement
teamwork	professional input
streamlined administration process	capable staff
precedent models	good public relations
cost savings are visible	buyer satisfaction
constitution (written document)	tradition of good cooperation
public acceptance	

(MMAH, 1983, p. 14, 22, 31, 37, 45)

### **Disadvantages of Intergovernmental Agreements**

Poorly drafted agreements and inaccurate costing could cause friction between participating jurisdictions. Intergovernmental service arrangements may reduce local autonomy. Governments or agencies may lack interest or political commitment to participate effectively in a cooperative arrangement. Legal obstacles may preclude

interjurisdictional agreements. Local interest groups may oppose interjurisdictional agreements as an attempt to centralize governmental authority, which may lead to public abuse (Ruchelman, 1989, p. 43). The factors that inhibit service contracts and joint agreements include: 1) local autonomy; 2) fear of loss of control; and 3) inequitable apportionment of cost (ACIR c, 1985, p. 39).

As part of a United States survey conducted in 1973, municipal officials that did not enter into agreements were asked why they chose not to participate in intergovernmental agreements. The reasons included: 1) loss of autonomy; 2) loss of control; 3) inequitable apportionment of the cost of the service; and 4) negative public reaction because the service was provided by someone else (ACIR d, 1974, p. 47). Although this survey was carried out several years ago, the reasons for not entering into the agreements would probably remain the same today.



## *Chapter 3*

# **RESEARCH**

### **Background Information on Huron County**

Huron County is located within southwestern Ontario and is bordered in the west by Lake Huron. The county boasts a population of approximately 58 000 spread over a large area. Most of the county is rural and the employment structure is dominated by the agricultural sector. The majority of the growth in employment has been a result of the increase in the community, business and personal services sector primarily located within the towns and villages (Huron County Planning and Development Department, 1991, p. 41). Huron is composed of five towns, five villages and sixteen townships for a total of twenty-six municipalities. The county seat is located in the Town of Goderich which is largest in population and is situated along the shores of Lake Huron.

The case studies that will be examined are mostly located in the southern portion of the county with the exception of the Town of Goderich - Township of Goderich servicing agreement. Three of the case studies pertain to Stephen Township which is the southern most township in the county. Stephen has a large population of approximately 4200 residents (Huron County Planning and Development Department, 1991, p. 4). Several small hamlets are located in Stephen with most of the development occurring in these small settlements, along the lakeshore and ribbon development adjacent to the Town of Exeter. For a township, Stephen is the largest and is larger than some of the towns.

The Village of Grand Bend is located in the County of Lambton, however at one time was situated in the County of Huron. It abuts the Township of Stephen to the north and to the east. As a result of boundary adjustments, the village has been enlarged with a portion annexed from Stephen. This was completed in 1992 because Grand Bend required land for future development.

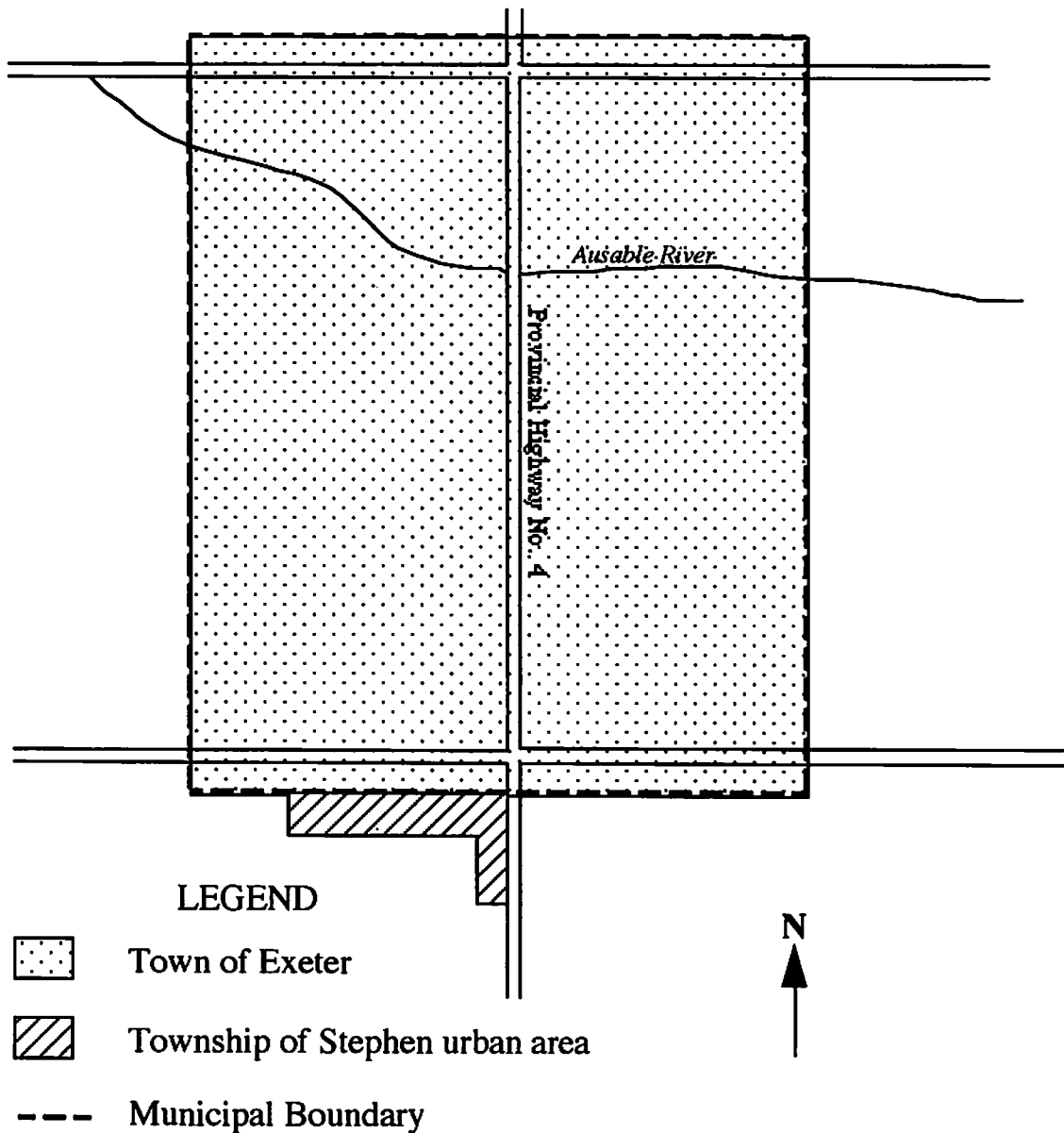
### **Brief Description of the Four Case Study Servicing Agreements**

A brief description of the case study servicing agreements will be presented before the critical factors of the research will be discussed. All of the case studies that are being examined are located in Huron County and Lambton County. As a result, it is easy to make comparisons in a similar political environment.

#### *Servicing Agreement Between the Township of Stephen, Town of Exeter and OCWA*

A three party agreement exists between the Town of Exeter, Township of Stephen and OCWA for water supply. It is a recent agreement enacted by by-law May 2, 1995 (Township of Stephen, 1995, p. 1). The agreement includes to supply a reserve of water to Exeter, only when its wells are at a low point. Before this agreement existed, Exeter relied completely on a well system for their water supply (Roth, 1995). The low point would usually occur during an extensive drought or when the canning industry is at its peak. There was also a side agreement signed to provide a water supply to a number of houses located on Waterloo Street located in Stephen Township but are situated across the street from a subdivision in the Town of Exeter (Brown, 1995). In summary, the OCWA will provide water to Exeter through the Lake Huron Water System located in Stephen Township when the town requires it and to provide water for the houses located in Stephen. See Map 3.1 for an illustration of the area being discussed.

**Map 3.1: Town of Exeter and Surrounding Area**



OCWA will essentially be the owner of the water supply system. It will be OCWA's responsibility to construct the water works and supply water to the participants (Exeter and Stephen). The supply of water will be of a quality equivalent to or better than that outlined in the Ontario Drinking Water Objectives published by the Ministry of Environment and Energy. OCWA will operate and assume ownership of the watermains

located in Stephen and Exeter as well as the booster pumping station located in Stephen. The participants will install water meters so OCWA can record the volume of water used for each municipality (Township of Stephen, 1995, pp. 4-5).

The rate OCWA will charge the participants will be based on water usage. In addition, the municipalities will pay for the cost of leakage based on a calculation by OCWA. For example, the Town of Exeter will pay approximately \$640/year for leakage regardless if it uses the water system or not (Roth, 1995). The town and township will pay OCWA equal blended payments on account of principle and interest for a period of twenty years, the operating costs and a management fee (Township of Stephen, 1995, p. 7). OCWA will determine the interest rates based on usage of the system.

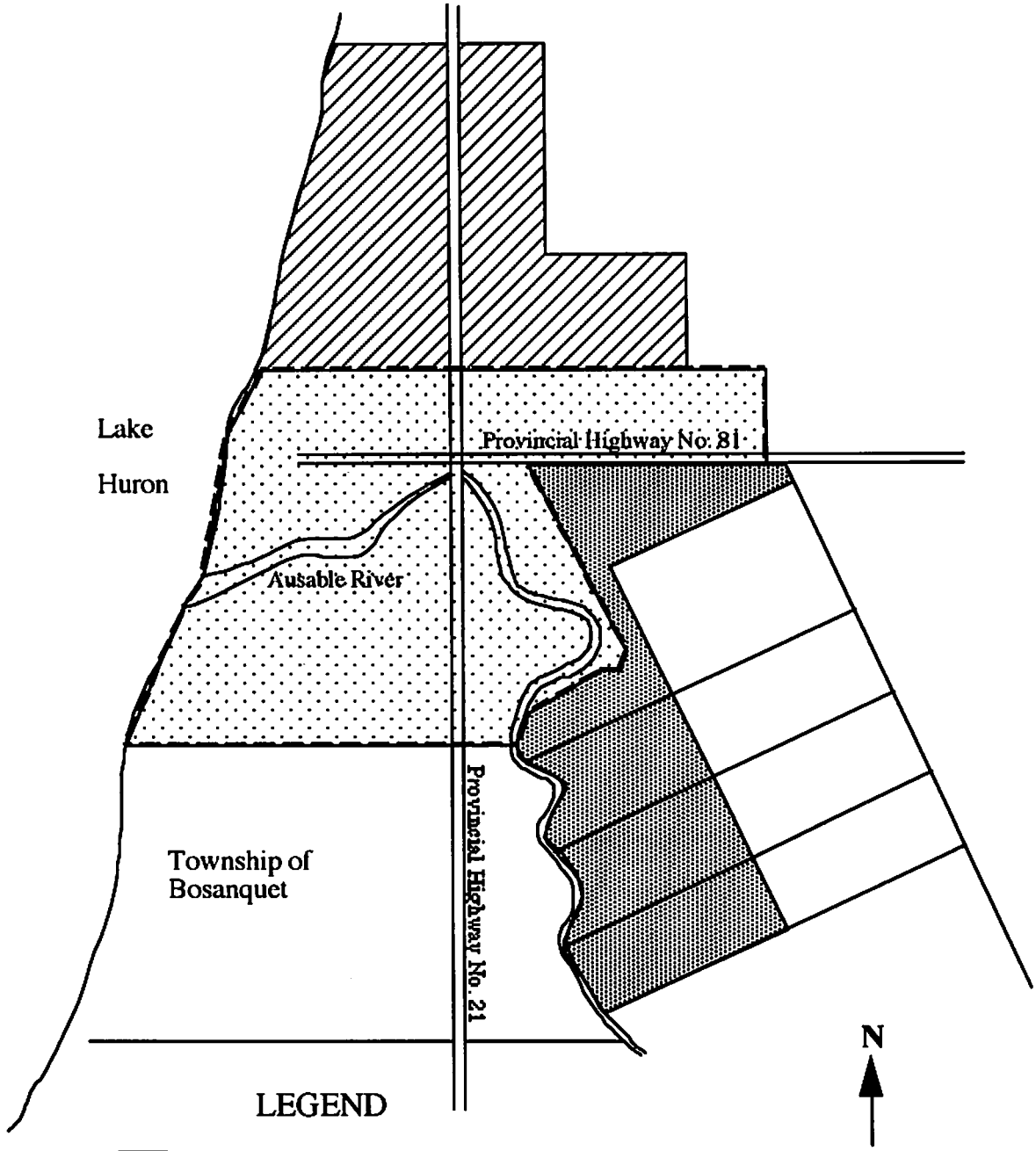
*Servicing Agreement between the Township of Stephen and the Village of Grand Bend*





This is a joint servicing arrangement between the Village of Grand Bend and the Township of Stephen for the village to provide wastewater treatment to Stephen Township. There is no formal written agreement prepared yet, however both parties have agreed in principle (Brown, 1995). The idea behind sharing services came from the Tri-Municipal Liaison Committee that was established to deal with the Village of Grand Bend and the surrounding built-up area located in Stephen and Bosanquet Townships. Bosanquet Township is located to the south of Grand Bend in the County of Lambton. See Map 3.2 for an illustration of the area being discussed. A study was carried out assessing the capacity of the Grand Bend sewage treatment plant. This was a joint venture between the village and two townships to study the possibility of expanding the sewage treatment plant. The firm carrying out the study concluded that it was at capacity and the Ministry of Environment and Energy placed a development freeze on the village (Brown, 1995). However, after the study was completed, someone discovered that it was not at capacity

and it could deal with future development plus additional capacity for the areas surrounding the village (Joad, 1995).

The additional capacity prompted Stephen Township to approach Grand Bend about obtaining some of this capacity for the Oakwood Inn resort, Grand Coves Estates (seniors trailer park), for future use of a commercial area located on highway no. 21 and possibly for the Oakwood subdivision (Brown, 1995). Currently, OCWA owns and operates the sewage system as well as the trunks. Therefore, any servicing agreement would involve OCWA providing a municipal sewage collection system to Stephen Township. The capacity from the treatment plant will be distributed on a first come first serve basis. Presently, Stephen has approached Grand Bend about obtaining some of the additional capacity for the areas described above. Through the Tri-Municipal Liaison Committee it has been a very cooperative effort whereby all municipalities have agreed in principle that additional capacity will go to Stephen and Bosanquet townships (Joad, 1995).

**Map 3.2: The Village of Grand Bend and Surrounding Area**



-  Village of Grand Bend
-  Township of Stephen urban area
-  area of Stephen Township annexed by Grand Bend
-  Municipal Boundary

*Servicing Agreement Between the Town of Goderich and the O. Show Group Inc.*

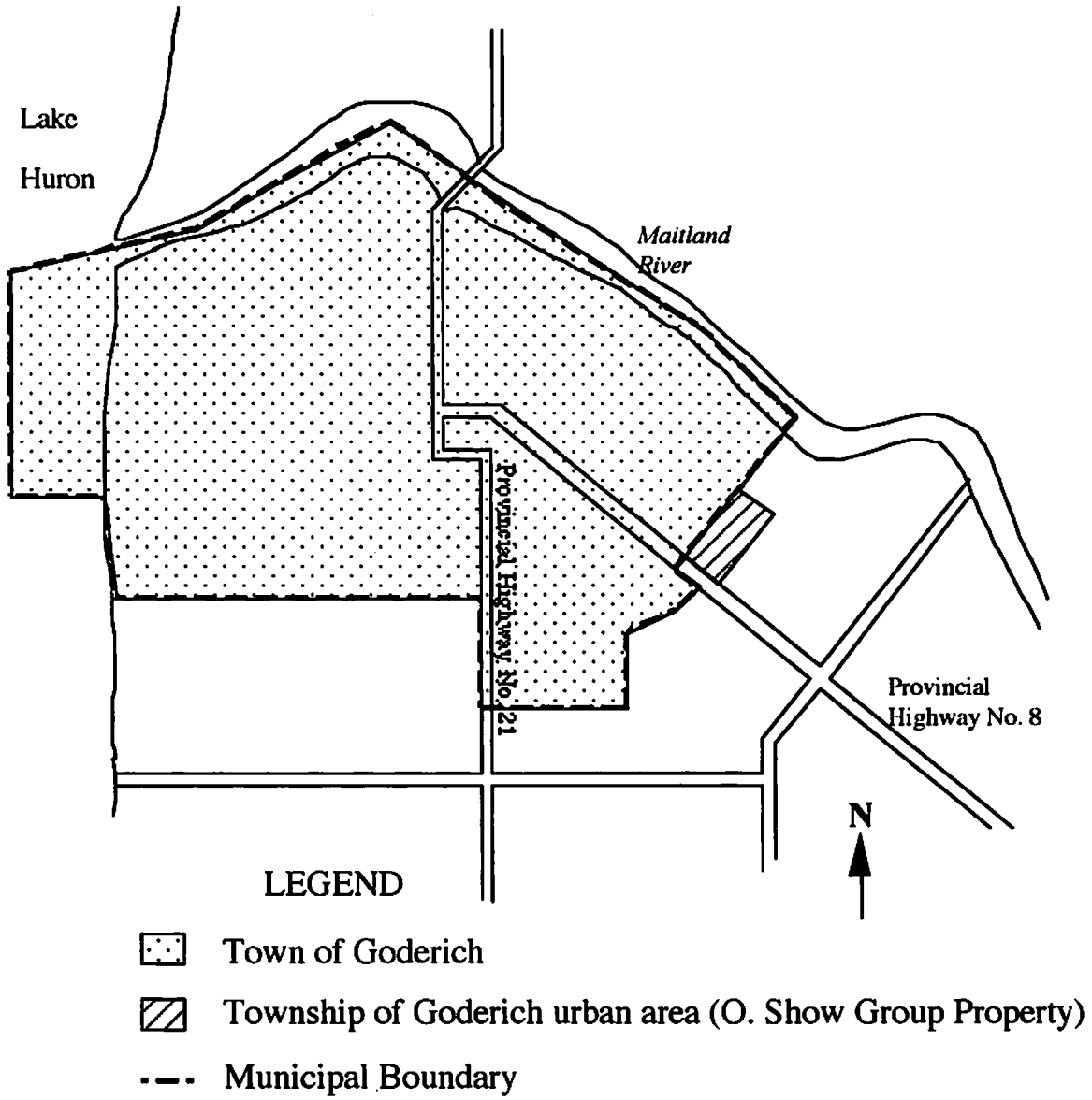
The O. Show Group owns land in the Township of Goderich that abuts the Town of Goderich. The proposed development in the township is a Walmart Store as part of a strip plaza containing other stores. The O. Show Group approached the Town of Goderich for it to provide municipal water and sewage to the development. There was an appropriate amount of land to construct a well and septic system on the property, but the O. Show Group wanted to have full municipal services (Potter, 1995). A policy exists in the Town of Goderich that states that the town will not supply municipal services to any development outside of its boundaries (Hunter, 1995). Therefore, unless an annexation occurred, the town could not service the development. See Map 3.3 for an illustration of the area being discussed.

A negotiating committee was established between the town and O. Show Group. The township refused to be a part of the negotiating committee. The town's lawyers developed a way to go against the town policy by having an agreement that treats the O. Show Group property as if it was part of the town (Hunter, 1995). An agreement was established within a few months of negotiations between the parties. It was enacted on May 16, 1994 by by-law (Town of Goderich, p. 2, 1994). The O. Show Group had to pay for the construction of the municipal water and wastewater pipelines and a booster pump station. Since the town has control of the road access that fronts onto the O. Show Group property, the developer had to pay for the road expansion from two lanes to four lanes. The O. Show Group had to pay township taxes as well as town commercial taxes, plus the use of the water and sewage lines. This fee for water and sewage is based on usage.

The O. Show Group was in a position to sign any agreement and pay any required costs (Hunter, 1995). It was uneconomical for the O. Show group to provide its own servicing system with the size of the development because of the size of the system required, the cost and risk. Therefore, by having municipal services provided by Goderich, the O. Show Group would not have to endure any risk (Potter, 1995). In the event that the O. Show Group does not pay its commercial taxes to the town, the town can shut off the servicing leaving the developer in a vulnerable position. This agreement provided the opportunity for a developer in an adjacent municipality to obtain municipal servicing, but at its expense.



**Map 3.3: Town of Goderich and Surrounding Area**



*Joint Service Agreement for the Town of Exeter, Village of Hensall and the  
Township of Stephen*

An agreement does not exist among the Town of Exeter, Village of Hensall and the Township of Stephen because each municipality must carry out an independent study of their own sewage treatment facility (Hundey, 1995). These studies will determine if the facilities must be improved or expanded. All three studies are being completed in parallel. Currently, the Town of Exeter and Village of Hensall are at capacity (Burns, 1995). The Township of Stephen facility was constructed in the 1950's and needs major changes to meet today's environmental standards. There is a proposal in principle to possibly share one facility among the three municipalities.

B.M. Ross & Associates is the retained engineering consulting firm that is conducting the studies for the municipalities. Each facility must have a Class Environmental Assessment as part of an Environmental Assessment Review (Burns, 1995). These studies have not been completed yet. One of the options from the studies may be a joint servicing arrangement. Presently, there is a willingness on the part of all three municipalities to work cooperatively (Hundey, 1995). Depending on the recommendations in each of the studies once they are completed, the joint servicing arrangement may work. There are economic (short-term and long-term financing and the capital and operating costs), environmental (meeting the Ministry of Environment and Energy's criteria) and political factors to consider before an agreement could be reached.

## Critical Factors in the Research

### *Initiation of the Agreement*

In each of the cases, there were different reasons for initiating a service agreement. However, it could be stated that the purpose for initiating any agreement is that one municipality desires to have a similar type or quality of service as its neighbour. In the case of Grand Bend and Stephen Township, the agreement will come as a result of a recommendation contained in a report on the boundary adjustment process in 1992. The recommendation discussed the possibility of municipalities sharing services. As a result of the annexation, a study was to be undertaken to determine how Grand Bend could expand the existing facility to deal with future development after the boundary adjustment and to provide capacity for Stephen and Bosanquet townships. Stephen was interested in becoming a partner with Grand Bend to study the existing sewage treatment plant located in Grand Bend. A report by an engineering firm concluded the plant was at capacity, when in reality it was not. Stephen immediately requested some of the additional capacity. Grand Bend agreed in principle and there will be an agreement prepared in the near future.

The servicing agreement between Stephen Township and the Town of Exeter was initiated by Exeter, which required a water reserve in the event its wells were at a low point. In 1989, a needs study was conducted by the town. As a result, of the study, it was demonstrated that Exeter required additional storage capacity. It needed a reservoir, a booster pump and a pipeline for increased water pressure. The study concluded that Stephen's pipeline was the most suitable because it was the closest in distance to Exeter and the most economical. Exeter then approached Stephen to provide the town with water from the Lake Huron Water System. Stephen viewed this as an opportunity to provide water to

a number of houses located in the township but were adjacent to the town. This established the purpose of the intergovernmental agreement.

The Town of Goderich and Township of Goderich servicing agreement was actually between the town and the developer of the property located in the township. The O. Show Group approached the town for municipal servicing because it was uneconomical to provide their own services with the size of the proposed development (Potter, 1995). The developer cooperated with the town because it strongly desired to have full municipal services. Without the O. Show Group being so cooperative and willing to pay Town of Goderich commercial taxes as well as township taxes, this agreement would never have taken place. The servicing agreement met an urgent problem for the O. Show Group. The Town of Goderich also saw the benefit, because it would have the developer pay for the cost of widening the highway and have traffic lights installed for safety reasons (Hunter, 1995). In addition, the town sees this plot of land becoming part of Goderich in the future and it does not want to pay for any upgrading from rural servicing to municipal servicing when this occurs (Hunter, 1995).

In the case of the potential joint servicing arrangement for Stephen, Exeter and Hensall, it was the engineering firm that proposed a possible joint venture for the municipalities. B.M. Ross & Associates was carrying out three independent studies of the sewage treatment facilities in each of the municipalities during the same time period. It suggested that a joint servicing arrangement could be one of the options that the three municipalities could possibly choose from once the studies are completed (Burns, 1995). There is a willingness on the part of the three municipalities to work cooperatively together if this becomes a viable option (Hundey, 1995).

### *Accountability and Responsibility*

In the case of Grand Bend and Stephen Township, if a problem occurs, citizens would voice their concerns to the municipality. Then the village or township would communicate the problem to OCWA. This occurs because it is OCWA's responsibility to maintain the system. Diana Joad, Deputy Clerk of Grand Bend stated that she feels the municipality is still accountable because the people usually come to the village first if a breakage occurs (Joad, 1995). In addition, the village would also maintain some of the responsibility to ensure that OCWA repaired the breakage or fixed the problem. Larry Brown, Clerk of the Township of Stephen, agrees with Joad that both OCWA and the municipality are accountable and responsible to the residents (Brown, 1995).

Similarly, in the case of Stephen and Exeter, both OCWA and the municipality are responsible and accountable. However, because the system is owned by OCWA, the agency becomes the main responsible party (Brown, 1995). The municipality still maintains accountability because, if residents complain about the costs of the water rates, it still has to be dealt with. In the end, the municipality is still accountable for what happens.

The servicing agreement between the Town of Goderich and O. Show Group does not have OCWA own, maintain or administer the system. In this case, the Town of Goderich owns, maintains and administers the water and wastewater system. It is accountable and responsible for any problems that occur (Hunter, 1995). However, in this servicing agreement, if a problem occurs on site, the developer is responsible for it. If a problem occurs on the road allowance that fronts onto the developer's property, the town is responsible (Potter, 1995).

Since a servicing agreement for a joint facility among Hensall, Exeter and Stephen does not exist, the accountability and responsibility issues will have to be dealt with before an agreement could be signed. Rick Hundey, Chief Administrative Officer for the Town of Exeter sees the possibility of three arrangements for administering the agreement (Hundey, 1995). Each would have different parties responsible and accountable. For example, if the facility was owned jointly by the municipalities, all three municipalities would be accountable and responsible. If the facility was owned and maintained by Exeter and it sold the wastewater service to Hensall and Stephen, the town would be responsible and all municipalities would be accountable. The last scenario would occur if OCWA owned and maintained the facility. It would be both responsible and accountable to the municipalities, but essentially, the municipalities are as accountable as OCWA. Steve Burns, an engineer with B.M. Ross & Associates, who is carrying out the three studies for the existing facilities added that, if there are budget overruns and operational inefficiencies, the municipality is responsible (Burns, 1995).

### *Benefits of the Agreement*

The future servicing agreement between Stephen and Grand Bend would allow for better cooperation on future development issues around the built-up area of Grand Bend. A more coordinated planning policy will probably arise. Competition for residential development between the two municipalities will be reduced. Both municipalities will have the same services and as a result their taxes will be similar. Therefore, Stephen will no longer be able to attract residential development to the Grand Bend area because its taxes will not be any lower than the village's. In addition, Grand Bend will support the commercial development north of the village as well as the industrial development at the airport all located in the township. A new industrial subdivision located on the airport lands could be serviced in the future. Furthermore, the Oakwood subdivision in Stephen

could also be serviced opening up future expansion possibilities (Brown, 1995). Greater economies of scale could be achieved. Everyone benefits through the cooperative approach of the Tri-Municipal Liaison Committee (Joad, 1995).

In the case between Stephen and Exeter, capacity for future growth will occur with the expansion of the water supply as well as fire protection will be increased with a greater water supply (Roth, 1995). With the water lines being upgraded, it provides Stephen with better capacity on the eastern side of the township. The residents on Waterloo Street and the urban area of Stephen located around Exeter will be served with water. There is also the potential that the well system located at Huron Park in the township will be replaced in the future (Brown, 1995). Since OCWA will own the line and it is the administering body, Stephen township does not have to carry out additional administrative tasks to operate the water system.

The Walmart development located in Goderich Township will receive full municipal services, while the Town of Goderich receives lots of money through additional commercial taxes. Bruce Potter, another engineer with B.M. Ross & Associates, says that it is a waste of resources to construct a separate system when one exists adjacent to the town (Potter, 1995). The lot in Goderich Township can now become part of the Town of Goderich in the future because it is on municipal services. If it was on rural services, the town would be less likely to annex it (Hunter, 1995). This provides the town with future growth potential. Once the development becomes part of Goderich, it would receive a less expensive servicing rate and the extra tax it is currently paying to the township would cease.

There are several benefits that could be obtained if a joint facility was constructed for Hensall, Exeter and Stephen. The biggest benefit would be that greater economies of

scale could be achieved. A better facility could be obtained and the taxpayers would save money because they would be financing one facility divided among three municipalities. The communities would stay distinct municipalities rather than being amalgamated (Hundey, 1995). The arrangement would benefit all parties involved. It would serve existing capacity and would provide future potential growth. Steve Burns stated that, from an impact standpoint, one wastewater discharge facility is better than three because it is less harmful to the environment (Burns, 1995).

### *Keys to Success*

The keys to success for the upcoming Grand Bend and Stephen servicing agreement were the cooperative relationships that exists as a result of the Tri-Municipal Liaison Committee. In addition, there is support from both councils and a willingness to work cooperatively together (Joad, 1995).

A long-standing good relationship exists between Stephen Township and Exeter. The personalities of staff and council were amicable to agreement (Brown, 1995). Both sides would receive benefits, so a win-win situation could take place. Sherman Roth, Manager of the Exeter P.U.C. felt that the leadership presented by Steve Burns and representatives from OCWA and the Ministry of Environment and Energy helped to secure the agreement (Roth, 1995).

The Town of Goderich and O. Show Group agreement received enormous support from Town of Goderich past Mayor Eileen Palmer. Her support and negotiation skills aided in the enactment of the agreement (Hunter, 1995). The negotiations only took two months to complete before an agreement was signed. Therefore, the short time period was one of the keys to success. The leadership performed by the town's lawyers was beneficial



because of the difficult nature of the agreement. The town was going against its policy, so the lawyers' expertise was critical (Hunter, 1995). A major key to success was the willingness on the part of the O. Show Group to sign anything to receive servicing and both Ken Hunter and Bruce Potter emphasized this point (Hunter, 1995; Potter, 1995). The new Township council elected in 1994 has been more involved in the agreement since it was signed. The past council just wanted to collect the taxes. Therefore, a new cooperative relationship between the two councils is developing that could aid in possible future boundary negotiations (Hunter, 1995).

Although an agreement has not been developed for Hensall, Stephen and Exeter, cooperation will be the key to success if the proposed facility does proceed (Hundey, 1995).

#### *Disadvantages of the Agreement*

In the proposed agreement between Stephen and Grand Bend, there will be no disadvantages according to the clerk from Stephen Township (Brown, 1995). However, Diana Joad felt that the public should be allowed to participate at the annual meeting between the users (includes just the municipalities) and OCWA (Joad, 1995). This meeting occurs to determine water rates for the upcoming year.

Sherman Roth noted that there has been no disadvantages with the agreement between Exeter and Stephen (Roth, 1995). Potentially, there could be concerns over cost-sharing within the agreement. There could be some increases in Stephen's costs, but probably very small (Brown, 1995).

Political ramifications may result from the servicing agreement between Goderich and the O. Show Group. This may occur because the Town allowed the development in Goderich Township to proceed and it could potentially hurt the downtown businesses. Goderich Township did not participate on the negotiating committee. The town has no control over the developer if the O. Show Group discontinues paying the commercial taxes. The agreement was totally in the town's favour because it was one-sided. The Township of Goderich lost control because it did not participate in the negotiations (Hunter, 1995). This could affect the situation when boundary negotiations begin because in the development agreement it states that the O. Show Group will not stand in the way of any boundary adjustments (Town of Goderich, 1994, p. 8).

Potential disadvantages for the Hensall, Stephen and Exeter agreement may cause a fear of loss of control by the municipalities with an agreement that shares the costs among three parties (Burns, 1995). The need for a complex agreement may be a disadvantage because there could be items that are not included. If the facility costs more to build, but less to operate, someone would have to justify the long-term benefits to council and the taxpayer. Development costs would likely increase for rural municipalities. This would reduce competition from the urban centres because the taxes would increase in the rural municipalities. The rural municipalities would have to raise their taxes to compensate for an increase in the level of servicing.

### *Councils' Involvement in the Agreement*

Council also has an important role in the agreements because it is the body that enacts it by by-law. In the Grand Bend and Stephen future servicing agreement, sewage issues are presented at the Tri-Municipal Liaison Committee (Joad, 1995). The committee would then pass a resolution regarding the issues. This resolution is presented at the

municipalities council meetings for the elected officials information. There are two council representatives present on the committee, thus providing council with direct input on issues. A committee also exists for the specific issue of the sewage expansion.

The Sewage Liaison Committee also has two council representatives present on it from both municipalities (Joad, 1995). In addition, the municipality's clerks and a representative from OCWA are also members of the committee. This provides the councils' with direct input into some of the decision-making before the issue is presented formally at council. When the agreement has been proposed, there will be requests made at council to proceed to the next stage of development. These committees provide the opportunity for councillors to be directly informed about the servicing agreement.

A similar arrangement also exists for the Stephen and Exeter servicing agreement whereby two council representatives plus the clerk from each municipality sit on a water and sewage liaison committee (Brown, 1995). There are also representatives from the Exeter P.U.C. and OCWA that participate on the committee. Therefore, council would be involved the same way as in the Grand Bend and Stephen Township case study. The agreement would be enacted by by-law therefore requiring councils' support and approval.

A negotiating committee was established to discuss the agreement between the Town of Goderich and the O. Show Group (Hunter, 1995). The town's mayor and the commissioner of works were members on this committee. Therefore, council was informed when the committee reported its progress. Council also approved the agreement by by-law.

The potential servicing agreement among Stephen, Exeter and Hensall would probably be dealt with through a similar committee as discussed in the above case studies

(Hundey, 1995). There is already a steering committee established for the environmental assessments that are occurring for each of the municipalities. Therefore, the councils' are being updated on the committee's discussions. Two members of council are present from each of the municipalities on this committee. Hundey indicated that the councils' would be exploring ways to save the taxpayers money (Hundey, 1995). Council will have to examine the options presented in the engineering reports and decide on the most feasible alternative.

### *Administering the Agreement*

The servicing agreement between Stephen and Exeter and Stephen and Grand Bend is administered by the OCWA. In the case of Stephen and Exeter, OCWA was involved before the process began by paying eighty percent of the cost of the upgrades for the water system required by Stephen Township. OCWA suggested that it administer the agreement for Stephen and Exeter. If Stephen administered the agreement, Exeter would be at the mercy of the township because it would be the supplier and could potentially refuse water to the town (Brown, 1995). Stephen Township had a lot of experience working with OCWA through other servicing ventures. The township has realized that it is so much easier for OCWA to administer the agreement with the costs and difficult accounting involved. By having OCWA administer the agreement for Stephen, it has been very beneficial for the township.

The Town of Exeter has concerns using OCWA because it thought that it had a benefit owning the assets, when in reality it did not (Brown, 1995). Furthermore, Exeter felt that it was losing some control if OCWA was a partner. The reason for the concerns resulted from the fact that Exeter had never been involved with OCWA before. OCWA offered an entire package of services to the municipalities because it was supplying most of

the funding. For example, the package included project management and overseeing the engineering. Exeter and Stephen both took the entire package of services.

The agreement was administered based on the costs, including operating and capital costs. OCWA provided an eighty percent grant, therefore Stephen and Exeter would be subject to pay the remaining costs through an annual fee to OCWA. Exeter would pay OCWA based on a usage fee for water and Stephen would pay a flat fee for the operating costs as well as a small usage fee for water (Brown, 1995). OCWA administers the agreement by allowing Exeter P.U.C. to purchase the water from the agency through Stephen Township waterlines (Roth, 1995).

Brown indicated he is satisfied with using OCWA and the quality of service it provides (Brown, 1995). It was also cost effective for the municipalities to have OCWA administer the agreement. If there are any disputes about the agreement, it is handled through negotiation involving all three parties. Council does not have direct involvement with OCWA, only through the existing committee structure at the municipal level. There are no boards or committees in which elected officials sit on at the provincial level.

A needs study was carried out for the Town of Exeter before it approached Stephen to be connected to the water system. Roth indicated that the Stephen water system was the only reliable source of water available to Exeter. Currently, Exeter's wells are vulnerable to contamination because they are shallow. The needs study revealed that a water supply from the Town of Clinton was not the appropriate quality and the nearby Kirkton pipeline was old and unreliable. In the long-term it was more cost effective to use the Stephen system because Exeter will have an unlimited supply for the future and the other alternatives could not guarantee this.

OCWA was already involved with Stephen and Grand Bend through the Lake Huron Water System that supplies them with water. Therefore, both municipalities are quite familiar with how OCWA operates and have requested its participation when the agreement is being prepared.

The Town of Goderich administers the agreement for water and wastewater treatment through its current system. The Town of Goderich P.U.C. deals with the supplying of water to the town. It is also responsible for the sewage treatment plant and collection system. Therefore an organization already exists that will administer the agreement between the town and the O. Show Group.

The three options available to Exeter, Hensall and Stephen for administering the agreement have already been discussed. They are: using OCWA, having it in-house, or a private agency, corporation or company administer the potential servicing agreement (Hundey, 1995). There are other options that may not have been examined. Exeter P.U.C. already has the people trained with expertise to deal with wastewater treatment. This could be the in-house option if the other two municipalities agreed. Hundey indicated that it may be too costly to use OCWA (Hundey, 1995). These options have not been explored because the engineering reports have not been finalized recommending the most feasible option to the three municipalities.

## *Chapter 4*

# **ANALYSIS**

### **Introduction**

The analysis of the servicing agreements will follow the similar format of the research chapter examining the same topics. Similarly, a portion of the analysis will give attention to other areas of interest mentioned in the literature review. For example, I will analyze if the size of the municipality made any difference to the servicing agreement.

### **Initiation of the Agreement**

The Grand Bend and Stephen Township servicing agreement will come as a result of a boundary adjustment process. It is interesting to note that, although a boundary adjustment occurred for only the vacant lands of Stephen Township, the entire built-up area of the township may have been amalgamated with the village. However, the built-up area surrounding Grand Bend was not. This boundary adjustment was unique because in the Lambton County report, it stated that in Ontario all built-up areas should be within one local government structure (County of Lambton Boundary Application Committee, 1991, p. 6).

In this particular case study, a servicing agreement was used to supplement an extensive boundary adjustment rather than having the entire area amalgamated. To amalgamate the built-up area of Stephen, it would require an overhaul of the County of Huron political structure. In addition, twenty percent of the local township tax base would

be lost (County of Lambton Boundary Application Committee, 1991, p. 8). The amalgamation of the built-up area would hurt Huron County and the school boards with respect to a loss in tax assessment. Instead of that occurring, the annexed lands only accounted for 0.70% of the township's local tax base. There is an argument to only annex vacant agricultural lands so that one municipality is not made significantly richer at the expense of another.

The servicing agreement countered the potential problems of an amalgamation of the Stephen Township built-up area. Therefore, one does not have to re-arrange political boundaries for servicing, it can adequately be handled with a servicing agreement. Although political boundaries were changed, the servicing agreement dealt with the existing built-up area in an abutting township and county.

In the three case studies of Exeter-Stephen, Goderich-O. Show Group and Stephen-Grand Bend, the municipalities desired a new service or to improve the existing situation. This was based on one party approaching another. However, in the case of Hensall, Exeter and Stephen, it was initiated by an outsider. It was an engineering firm that proposed a joint venture among the municipalities. Therefore, the municipalities may not have known that the other municipalities were facing similar problems with their sewage treatment facilities. This indicates a lack of communication among municipalities in south Huron. When the municipalities were informed about the possibility of this servicing option, they were willing to work together. This suggests that a cooperative relationship may result from a joint venture.

In three of the case studies, the O. Show Group, Town of Exeter and Township of Stephen approached an abutting municipality with existing municipal services. The municipalities that possessed the full servicing did not initiate the servicing agreement to be



a provider of services to adjacent municipalities that could potentially use the service. In all of these case studies, the servicing agreements were initiated by a municipality that required the service. Osborne and Gaebler suggested that municipalities should become more innovative. Therefore, they should initiate agreements between themselves and municipalities that could use their services. The innovation from an initiation standpoint came from the engineering firm for a potential agreement among three municipalities and not from the municipalities themselves.

### **Accountability and Responsibility**

When the OCWA administers the agreements, and owns and maintains the water and sewage systems, it is responsible and accountable for any problems. In all four cases, the municipality is still accountable and responsible no matter if an agency is administering the agreement or not. The municipality must be accountable and responsible because it is the government unit that is closest to the public. The provincial agency is taking some of the responsibility and accountability from the local municipality, but the local government must maintain accountability in the eyes of the public. When a problem occurs, such as a breakage in the system, a citizen not understanding or realizing OCWA is the one that is primarily responsible, would turn to the local government for assistance. Furthermore, if the water or sewage rates increased, the local government is the party that must deal directly with the citizens, thus putting the OCWA at arm's length from the public. In a sense, the OCWA is operating quite similarly to a special purpose body whereby it is somewhat isolated from the public.

As a result of the public turning to the local government for assistance or guidance, the local politicians and administrators are in fact responsible and accountable to the public. Therefore, these elected officials must ensure that the OCWA is carrying out its portion of

the servicing agreement properly. The Town of Goderich case study does not have the OCWA administering the agreement, so the town is primarily responsible and accountable for any problems with the servicing extension to the O. Show Group property. However, if servicing problems do occur on the developer's property, it is responsible. As a result, the town has shifted some of the responsibility and liability onto the O. Show Group. Although an agency is not involved, the town carries most of the responsibility and is accountable to the public.

The accountability and responsibility issues of the potential joint venture among Hensall, Exeter and Stephen depends on how the agreement would be administered. As with the other case studies, it can be suggested that probably the three municipalities will bear most of the responsibility and accountability as in the other case studies. Therefore, if an independent agency is used, the municipalities will still retain much of the accountability and responsibility concerning how the servicing agreement will be dealt with. If the municipalities used a private sector company, the same situation as with the OCWA would apply. The only difference would be that another level of government would not be involved.

### **Benefits of the Agreement**

In each of the cases, municipalities wanted to achieve greater economies of scale. This was one of the primary benefits for the potential servicing agreement for the joint venture involving three municipalities. The economies of scale was the main benefit cited in all four case studies. The second main benefit observed, was to improve the existing capacity for future growth. This was especially true for Exeter, Stephen, Grand Bend and Goderich.

Improved cooperation occurred among the municipalities involved in developing the service agreements. This may lead to other intergovernmental agreements for different types of services. A cooperative relationship may be the first step to develop more innovative servicing arrangements. The joint venture among Hensall, Exeter and Stephen is one example where a cooperative relationship already exists. This would be a major hurdle to cross if the relationship did not already exist. In the case of Goderich and the Township of Goderich, a cooperative relationship was not a benefit because the township did not participate in the servicing agreement. The new council elected and clerk hired after the municipal election of 1994 have become increasingly involved in the agreement, but only after it was signed with the previous council in power. The agreement with the new council has improved relations with the Town of Goderich. The other municipalities discussed in the other three case studies have constant contact through various committees in south Huron, so the servicing agreements may have helped to strengthen the existing relationships.

It was a win-win situation for all of the municipalities that are participating in servicing agreements. Each municipality gained something, be it a water supply or sewage facilities. The only agreement that was particularly one-sided was the Town of Goderich and O. Show Group servicing agreement. However, the O. Show Group strongly desired to have servicing provided by the town, so it willingly signed the agreement although the agreement was in Goderich's favour. The agreement still produced a win-win situation because the developer received the services it requested and the town has potentially secured land for its future growth.

The OCWA was a partner in two of the agreements and it helped to reduce the amount of administrative work that would have to be dealt with by the municipalities if the agency was not a participant. This was viewed as a benefit because the municipalities

involved did not have the resources to hire an additional person to administer the agreement. In the case of the Town of Goderich, an organizational structure was already in place, so it was not a burden for the town to administer the agreement and maintain the system.

The municipalities can also remain distinctive municipalities with the use of servicing agreements. Therefore, the threat of amalgamation is reduced for the smaller municipalities. The smaller municipalities can sustain themselves through the use of these agreements. This is a major benefit because, without servicing agreements, annexation or amalgamations may be more commonplace. In addition, boundary adjustments usually cause unneeded confusion and chaos for the community. A servicing agreement does not upset the residents or elected officials because it can deal with a problem through a simple agreement.

The initial servicing agreement may lead to other infrastructure improvements because the servicing agreements worked out well among the municipalities involved. Other service agreements could stem from the existing ones. There are other benefits that may have not been realized yet because the agreements are still quite new. The agreements could help the taxpayer save money by not having to substantially increase taxes to cover the costs of the infrastructure improvements. In addition, improved impact on the natural environment may result because it reduces the need for septic tanks and wells that can pollute the groundwater.

## Keys to Success

The key to success in all of the cases studies discussed, except for the Town of Goderich-Township of Goderich servicing agreement, was the cooperative relationship that already existed among the municipalities. Furthermore, future cooperative relationships may development because the municipalities have worked well together was also considered a key to the success of the servicing agreements.

Staff personalities were also cited as a key to success, because staff of all the municipalities worked well together. Besides staff personalities, their leadership skills, experience and expertise was also considered as important. These characteristics helped to ensure the servicing agreement's success. The support of council for servicing agreements was another key to success of the process.

The short time period in which two of the agreements were initiated, negotiated and approved was also viewed as a key to the agreement's achievement. The people interviewed felt that if the process was lengthened, the servicing agreement may not have occurred or would have become complex and difficult to work with.

These keys to success when developing the municipal agreements are quite similar to the ones listed in Table 2.2 of the literature review. This is an indication that these characteristics are important when a servicing agreement is being negotiated. Although council support was not included in Table 2.2, it should have been listed because the agreements must be approved by council. Therefore, council support is necessary because without it, the servicing agreements could be in jeopardy.

## Disadvantages of the Agreement

The disadvantages involved were either with the process or the agreement itself. In some situations, there were no disadvantages identified with the process or agreement. These were the Stephen-Grand Bend and Stephen-Exeter case studies. This could be a result from the fact that the agreements are still relatively new or have not been approved by council. In the Grand Bend-Stephen case study the reason that no disadvantages have been identified yet, could be that these municipalities have worked together before with the OCWA. Since there have been no problems in the past between the municipalities or with OCWA, there was no reason for any disadvantages to be detected.

In the Grand Bend case study, Diana Joad, stated that there was no public involvement in the process (Joad, 1995). This was the only disadvantage that she identified. This could also be considered as a benefit because involving the public lengthens the process and could make it more complex than necessary. There is no legal requirement to have public participation or consultation as part of a servicing agreement. Public consultation should be used when introducing fee increases so residents are informed before it occurs. In addition, the public should have the purpose for the fee changes explained to them. When a municipality enters into a servicing agreement, costs may increase for it because the municipality is changing from rural servicing to full servicing. These costs may be transferred onto the public through tax increases. However, it may not be a disadvantage if this occurs because of the beneficial long-term impacts on the community. Full servicing would improve the existing situation so future growth can occur and it reduces negative environmental impacts.

Not all of the municipalities were present in the negotiations. In the case study of Goderich and the O. Show Group, the Township of Goderich was not involved in the

negotiations at all. This was due to a political decision made by council to not participate. The township only wanted to receive the commercial taxes from the O. Show Group and was not interested in dealing with the town or developer.

Development costs will probably increase for rural municipalities if they convert to full services. Since they are switching from wells and septic tanks to full municipal servicing, the costs will significantly increase because of the extensive construction necessary for the conversion. Therefore, rural municipalities must now pay for the cost of upgrading their services by increasing taxes for its residents and businesses. The taxes in rural municipalities have been historically lower than urban municipalities with full servicing. As a result, the taxes will increase to offset the costs for full servicing. The taxes paid by residents will reduce the historical disparity of the tax structure between rural and urban municipalities. This will also result in smaller differences in development costs between rural and urban municipalities. Therefore, it may be a disadvantage for rural municipalities to increase their standard of servicing because a less competitive position will result.

Politically, the Town of Goderich may be in a difficult position because of the servicing agreement with the O. Show Group. The town allowed the development in Goderich township to proceed because of the servicing agreement. Essentially, it helped to create the Walmart site and the big box development could hurt the Town of Goderich downtown merchants financially. The town helped a business in an abutting municipality to start, meanwhile possibly reducing the amount of business within the town's political boundaries. Therefore, this will affect the businesses located downtown and it could possibly lead to business closures. The downtown merchants attempted to stop the O. Show Group from developing on their property, but without success.

Another disadvantage of this case study could be the one-sidedness of the Town of Goderich agreement with the O. Show Group. The O. Show Group paid a substantial amount of money in taxes to the town and has accepted any liability with the servicing on its lot. The township is potentially losing a plot of land that generates abundant taxes for it. The Town of Goderich clearly benefits from the agreement, while the O. Show Group is paying lots of money in taxes and the township is in a position to lose territory in the future. However, the O. Show Group signed the agreement and will pay the large sum in taxes to the town and the township did not attempt to stop the agreement from occurring. Therefore, in the future if the township does lose this piece of land to the town, fault lies with the township for not getting involved in the servicing agreement negotiations.

The fear of the loss of control by the councils getting involved in servicing agreements with other municipalities could be a disadvantage. Not allowing the council to have complete control in a project may result in a fear of the loss of control by the municipality's council. Although this was not a disadvantage mentioned in the interviews with the clerks, it could possibly happen if a problem occurs with the agreement. Because council is involved with another municipality in regard to the sharing of services, the loss of autonomy could also result. For example, in the Town of Goderich case study, the new Goderich township council may fear the loss of control in future boundary negotiations with the town because the past council did not participate in the discussions about the servicing agreement.

The complexity of the agreements may lead to items not being included in the servicing agreements. This could result in future problems between municipalities because of unforeseen details that were not included. Rick Hundey mentioned this could be a potential problem if a joint venture occurs among the three municipalities (Hundey, 1995). The complexity of the agreement may be a disadvantage because of the number of parties



involved and the extent to which the details must be clearly written to avoid future problems.

### **Councils' Involvement in the Agreement**

In three of the case studies, councils' involvement was limited. They performed more in their official capacity by approving the agreements by by-law. Furthermore, they were directly involved in the decision-making process by examining the options provided by staff. Committees were established in order to examine the possibility and details of a servicing agreement. Representatives from council were usually present on the committees. These were the only ways in which council was kept informed about the process. There is really a lack of involvement on the part of council members. It is the administrators, engineers, OCWA representatives and lawyers that do the negotiating and drafting of the agreements.

The only exception to this is in the Town of Goderich case study whereby the past mayor played a key role in the negotiations. In this case study, the mayor was present and an active participant on the negotiation committee. Her strong support for the agreements was the main contributing factor that lead her to take on a negotiating role.

There are probably several reasons why council members have not played an active role as the other parties did. It may have resulted from a lack of expertise or experience dealing with service agreements. This may be the reason for having council representatives on the committees so they have some participation in the process. The councillors are at least regularly informed of what is occurring so, if members of the public have questions, they can answer them. In addition, these representatives can keep the rest of council informed about the process.

## Administering the Agreement

Two of the cases studies examined have the OCWA administering the agreement. The Town of Goderich is administering its agreement with the O. Show Group and the other case study has not reached the point of making any decisions regarding the administration of any agreement. All of the agreements are administered based on usage of the system. This is beneficial because the residents would be paying for the true cost of their water or sewage disposal. As a result, more realistic pricing occurs and the municipality can begin to improve its water and sewage infrastructure. The servicing agreement is a practical solution to help solve local servicing problems. Since residents will be paying for their servicing based on usage, the municipality receiving the service does not have to pay for the construction of a facility. The servicing agreement may include some provisions for the receiving municipality to pay for an extension, but compared to constructing an entire facility, this is quite manageable for the municipality. Consequently, the municipality does not have to go into substantial debt to receive servicing from the adjacent municipality.

The use of a partner to help administer the agreement depends on if the municipality has the expertise and experience or not. If a municipality does not possess a staff that can deal with the administration of a servicing agreement, the use of a partner could be beneficial. In the case studies of Grand Bend, Stephen and Exeter, this was the situation and the OCWA was able to help the municipalities administer the agreement. Furthermore, if a municipality has an existing organizational structure that deals with servicing a community, a partner may not be necessary. Although Exeter has the P.U.C. that operates the water and wastewater system, the OCWA was used anyway. This probably resulted from the fact that the OCWA owns and maintains the existing system located in Stephen township. Therefore, it was easier from an administrative point of view that the OCWA

should administer the servicing agreement. In the case study of Goderich, since the extension of the system was only to one property, the existing structure could easily cope with the administration.

The three municipalities of Hensall, Exeter and Stephen may select the OCWA or a private agency or company to administer the potential servicing agreement. Since it would be a complex agreement, a partner may be able to more efficiently and effectively administer the agreement than doing it in-house. Furthermore, if there were any disputes, a partner at arm's length from the municipalities may be able to solve any problems easier than relying on the municipalities to resolve the issues themselves. The OCWA is already heavily involved in south Huron and it may be a natural partner because of this association. The only disadvantage is the fact that a fourth partner would be participating in the servicing agreement. It could get complicated for municipalities dealing with three partners. In addition, the situation could become difficult if one municipality opposed to using the OCWA or a private company to administer the agreement. Since the three municipalities are presently cooperating, these issues may not be raised.

The third option was to administer the agreement in-house. Probably, if it was administered in-house, the Exeter P.U.C would be the responsible body. The structure already exists in Exeter to deal with wastewater treatment. In addition, Exeter would have the most usage from the facility based on its population. Exeter is also centrally located between Stephen and Hensall. Stephen and Hensall may feel a loss of control and autonomy if Exeter owns, maintains and sells the service to these municipalities. As mentioned in the literature review, council and staff members of Stephen and Hensall may be worried if the apportionment of costs are correct. As a result, these municipalities may prefer to have a fourth partner administer the agreement in order to avoid these potential issues.

## **The Use of Servicing Agreements versus a Regional Authority**

The use of servicing agreements reduces the need for another layer of government that could be in the form of a regional authority. One regional authority may attempt to take over certain responsibilities from local governments. But problems may occur relating to how the authority would handle areas that presently have systems deteriorating or rural areas demanding full servicing. A regional authority would have to make a decision. Political pressure would result from the local municipalities demanding that its municipality is dealt with first. In addition, if representatives from the local municipalities were present on a regional committee, they would exert pressure at these meetings. The regional authority would have to deal with the political pressures.

When a servicing agreement is entered into, there is little political pressure. The only pressure that would surface would be from within a municipality's own council. For example, two members of council may not want to enter into a servicing agreement with the abutting municipality. However, when the issue is voted upon, the decision is made whether or not to begin negotiations with the adjacent municipality. Therefore, political pressure between municipalities does not exist.

It could also be argued that a regional authority could operate similar to regional government in Ontario. This would involve another level of government responsible for specific services. Hence, it has to deal with the equity issues among the municipalities such as who gets what service and when. In addition, one has to wonder where the financing of large-scale projects will come from. Will the regional authority demand a portion of the local taxes similar to how conservation authorities operate, or will it also receive much of the funding from provincial and federal levels?

When municipalities are conducting negotiations, the funding of the project is one of the major factors to be discussed. The municipalities may receive partial funding from the upper levels of government and may have to finance the remainder of the project from the general levy. Therefore, by having a regional authority involved, it only complicates how a project will be funded. Furthermore, in the servicing agreement it specifically states which municipality pays. The regional authority would be unnecessary because the service agreement would take care of the financial issues.

One may view the use of servicing agreements as a 'Band-aid' solution, but they do resolve local government servicing problems in a simple and practical manner. A few servicing agreements may be required to maintain or improve the quality or level of servicing for a local municipality. The local municipality would not want to go into debt to finance a water system project itself. The servicing agreement with an adjacent municipality would provide a community with a water supply. In the case study of Exeter, this was clearly the situation. The servicing agreement provided Exeter with the needed water without resulting in a huge expenditure for the construction of new wells. Furthermore, the benefits of a servicing agreement, once the extension is constructed, are experienced immediately.

When a regional authority is involved, any proposal by a local municipality to connect into an adjacent municipalities water system would have to be approved by the authority. This lengthens the process and makes it more complicated than it has to be. The authority would have to deal with the political pressures and balance any ongoing or future projects. Although it would be a practical solution to connect into a neighbouring municipality's water system, the regional authority may not be able to deal with it because of the issues discussed.

An artificial boundary would have to be created for the regional authority. A servicing agreement can deal with municipalities not within the same county. It can cross political boundaries by pretending they do not exist. For example, if a municipality proposed to connect into a sewage treatment system outside of the regional authority's jurisdiction, this would further increase the complexity of a servicing agreement. The case study examined between Stephen and Grand Bend involves two separate counties. This was not considered an issue, but with the regional authority it would be a major problem. Therefore, a servicing agreement can accommodate situations involving two political jurisdictions. The Stephen-Grand Bend case study exemplifies this example because it was a natural extension to serve Stephen township from the existing sewage treatment facility. Consequently, the servicing agreement is a practical solution for municipalities requiring improved servicing and does not have to deal with the boundary issue as would a regional authority.

The creation of an authority would result in increased costs for the body of government that established it. Personnel would have to be hired to operate it and carry out its functions. A committee would have to be established to involve the local municipalities. Meetings would have to occur to keep municipalities informed of what the authority is doing. Once the authority is created, it would be difficult to have it removed. In the economic times of the 1990's, one has to be frugal. The formation of another layer of government would not be a popular choice considering the poor economic state of Ontario. The development of a servicing agreement does not require another layer of government to be created, nor do new personnel have to be hired. People do not have to be hired because of existing structures such as the OCWA and local P.U.C.s. When servicing agreements are being negotiated, committees are usually established, but are only temporary. The committees would be eliminated once the agreement is signed. Therefore, the servicing

agreement can be considered an economical solution for local municipalities to deal with servicing problems.

### **Patterns of Cooperation**

There was an argument presented in the literature review that suggested the tendency to enter into agreement is directly related to population size. Smaller municipalities usually receive services under agreements with other units comparable in size rather than with larger municipalities. For example, Stephen has a population of approximately 4200 and Exeter has a population of approximately 3800 (Huron County Planning and Development Department, 1991, p. 4). These two municipalities have a comparable population and entered into a service agreement. This is the typical horizontal pattern.

Another example of a horizontal pattern is the Stephen township servicing agreement with Grand Bend. Only a small area of Stephen township would be served by the sewage treatment plant, thereby reducing the potential population catered to. The population of Grand Bend is approximately 1750 (County of Lambton Boundary Application Committee, 1991, p. 5). Therefore, both municipalities for comparison purposes would be similar in population size to conform to the horizontal pattern of cooperation. Again, this agreement would be related to population size whereby smaller municipalities comparable in size would enter into a service agreement.

An example of a vertical pattern could occur with the joint venture among Hensall, Exeter and Stephen. Hensall has a population of approximately 1000 (Huron County Planning and Development Department, 1991, p. 4). Stephen would only have a portion of the township serviced by the sewage treatment facility. Exeter, would then represent the

larger municipality that is characteristic of the vertical pattern of cooperation. Hensall and Stephen would be the smaller municipalities possibly purchasing the service from Exeter.

The Goderich and O. Show Group case study exemplifies the vertical pattern of cooperation. The Town of Goderich has a population size of approximately 7500 and the Township of Goderich has a population of about 2300 (Huron County Planning and Development Department, 1991, p. 4). The residents of the township will not be served with water and sewage through this servicing agreement. Only the commercial property will be serviced by the Town of Goderich. Therefore, a small municipality is receiving services from a larger municipality. The town is the provider of the service to the O. Show Group.

The four case studies examined fit into the scenario that the tendency to enter into agreements is related to population size. Two of the case studies received services from a municipality of a comparable size. The two clerks of the municipalities did not observe any disadvantages in the agreements such as a loss of control or autonomy. This could result from the fact that each is similar in population and one cannot significantly dominate the other. The horizontal pattern of entering into servicing agreements may be viewed as more beneficial than a vertical pattern because problems of inequality would not emerge as important factors.

The vertical relationship in the Town of Goderich case suggests that, since the town is larger than the township in population, it has more services to offer to smaller municipalities. This was the situation whereby Goderich exchanged municipal services for taxes. This relationship as noted in the literature review is more common since usually the larger municipalities have the facilities and expertise the smaller municipalities require.



Clearly, this was the exact situation whereby Goderich possesses the facilities and staff to provide water and sewage services to Goderich township.

In the case of Hensall, Stephen and Exeter the vertical relationship will probably occur since Exeter is the largest municipality in the area of the proposed joint venture. Since the three municipalities are working collectively together, the issues of a loss of control and autonomy may not produce friction among the councillors. These issues may be downplayed because of the major benefits that would be gained. Therefore, these four case studies fit into the patterns of cooperation as presented in the literature review.

## *Chapter 5*

### **CONCLUSION**

Servicing agreements provide municipalities with flexibility in order to resolve local servicing problems. The four case studies helped to demonstrate how local servicing problems can be dealt effectively with servicing agreements. Municipalities working cooperatively together with one another were able to obtain the level of servicing each desired. Without the use of servicing agreements, addressing the servicing problems would be much more difficult. In today's poor economic environment, the servicing agreements provide an alternative to municipalities that are faced with the possibility of constructing their own system to deal with the problems. Municipalities can now share services without having to spend enormous sums of money to obtain the equivalent servicing as its neighbours. Furthermore, political boundaries do not have to be adjusted to attempt to resolve current problems.

When servicing agreements are being negotiated, there are a number of factors that can be identified that help to ensure success. Cooperation and strong leadership skills were the two primary characteristics that contributed to the success of the servicing agreements. In addition, council's support of the agreement can also be considered an important factor because without it, the servicing agreement may not have been approved.

The servicing agreements studied were either administered by the OCWA or by the municipality itself. One of the primary reasons for using OCWA was its extensive involvement in south Huron. The water supply system located in Stephen township that is

owned and maintained by OCWA established its presence in the area. Since the municipalities analyzed regularly deal with OCWA, it was a natural choice of who would administer the agreement. In the Goderich case study, the town administered the agreement because of the existing organizational structure. If the OCWA is heavily involved in the municipality, it should be considered as a future partner when exploring the use of servicing agreements. The OCWA specializes in water and wastewater treatment and has the experience and expertise to administer servicing agreements. However, in the event that the municipality does have the structure in place for the purpose of water and wastewater treatment, it should be used. If the municipality does not have the organizational structure or staff to deal with an agreement, it should investigate the possibility of using OCWA.

A municipality that is currently dealing with servicing problems should explore the use of servicing agreements with adjacent municipalities. In all of the case studies examined, the municipalities requiring additional servicing approached abutting municipalities for the sharing of services. An option not considered by staff was if their municipality possessed the servicing capacity a partnership could be developed with a municipality requiring additional servicing capacity. This is the opposite approach taken by staff in the four case studies. A relationship could be developed whereby the fully serviced municipality sells its services to adjacent municipalities requiring an improved level of servicing. It was an engineering firm and not the municipalities that initiated the idea that three municipalities could work together and construct a joint wastewater facility. Municipalities should continue to search out opportunities to reduce costs and improve servicing. This is an innovative approach for government, and the four case studies demonstrated how these servicing agreements in practice are feasible.

The servicing agreements provide a flexible alternative for a municipality to obtain sufficient servicing. The benefits of using service agreements, such as greater economies of scale and improving existing capacity for future growth can be attractive to a municipality. Based on the analysis of the four case studies, the benefits clearly outweigh the disadvantages. Most of the disadvantages identified can be managed, so a municipality fearing the worst should determine if it can work through these problems. Servicing agreements provide municipalities with the opportunity to address servicing problems in a simple and practical manner.

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