

Agenda

Elgin Area Primary Water Supply System Joint Board of Management

The 2nd Meeting of the Elgin Area Primary Water Supply System Joint Board of Management
March 5, 2020, 11:00 AM
Committee Room #5

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1. Call to Order	
2. Adoption of Minutes	
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6. Confidential

6.1 Security of Property

A matter pertaining to the security of the property of the municipality or local board.

7. Upcoming Meeting Dates

June 4, 2020

October 8, 2020

December 3, 2020

8. Adjournment

Elgin Area Primary Water Supply System Report

The 1st Meeting of the Elgin Area Primary Water Supply System Joint Board of Management
December 5, 2019

Attendance: Meeting held on Thursday, December 5, 2019 at the London City Hall, commencing at 11:00 AM.

PRESENT: M. van Holst (Chair), P. Barbour, D. Crevits, S. Hillier, R. Monteith and E. Pelozza, L. Stevenson and J. Bunn (Secretary)

ALSO PRESENT: S. Flannagan (OCWA), D. Gibson, G. Henderson (OCWA), A. Henry, E. McLeod (RWS), L. McVittie (RWS), C. Murchland (OCWA), D. Rodrigues (OCWA), K. Scherr, B. Tully (OCWA), J. Walker (RWS)

1. Call to Order

1.1 Disclosures of Pecuniary Interest

That it BE NOTED that no pecuniary interests were disclosed.

2. Adoption of Minutes

2.1 Minutes of the 4th Meeting held on Thursday, October 3, 2019

HILLIER AND PELOZA

That the minutes of the 4th meeting of the Elgin Area Primary Water Supply System Joint Board of Management, from the meeting held on October 3, 2019, **BE NOTED AND FILED. CARRIED**

3. Consent Items

3.1 Quarterly Compliance Report (3rd Quarter 2019: July - September)

BARBOUR AND CREVITS

That, on the recommendation of the Chief Administrative Officer, the report dated December 5, 2019, with respect to the general, regulatory and contractual obligations of the Elgin Area Primary Water Supply System, for July to September 2019, **BE RECEIVED. CARRIED**

Motion Passed

3.2 Environmental Management System and Quality Management System

BARBOUR AND CREVITS

That, on the recommendation of the Chief Administrative Officer, the report dated December 5, 2019, with respect to the Environmental Management System and Quality Management System for the Elgin Area Primary Water Supply System, **BE RECEIVED. CARRIED**

Motion Passed

3.3 Quarterly Operating Financial Status Report - 3rd Quarter 2019

BARBOUR AND CREVITS

That, on the recommendation of the Chief Administrative Officer, the report dated December 5, 2019, with respect to the Quarterly Operating Financial Status of the Elgin Area Water Supply System, **BE RECEIVED. CARRIED**

Motion Passed

4. Items for Discussion

4.1 Computerized Maintenance Management System Replacement

HILLIER AND CREVITS

That, on the recommendation of the Chief Administrative Officer, the following actions be taken with respect to the Elgin Area Primary Water Supply System Computerized Maintenance Management System (CMMS) Replacement Project:

- a) the unsolicited proposal from the Ontario Clean Water Agency, contingent on the concurrent acceptance by the Lake Huron Water Supply System Board of Management, to replace the existing obsolete Computerized Maintenance Management System, **BE ACCEPTED** by the Elgin Area Primary Water Supply System Board of Management; it being noted that this award is a Single Source Authorization using the City of London's purchasing policy as a guide;
- b) the creation of a capital project to replace the existing Computerized Maintenance Management System, with an approved budget of \$120,000, **BE AUTHORIZED** by the Board; it being noted that

the Asset Replacement Reserve Fund will be utilized for the source of funding; and,

c) the report dated December 5, 2019, with respect to this matter,
BE RECEIVED. CARRIED

Motion Passed

4.2 Elgin-Middlesex Pump Station Ownership Reconciliation

BARBOUR AND HILLIER

That, on the recommendation of the Chief Administrative Officer, the report dated December 5, 2019, with respect to the ownership of the common pump station building and related building services at the Elgin Terminal Reservoir site, **BE RECEIVED. CARRIED**

Motion Passed

5. Deferred Matters/Additional Business

None.

6. Confidential

6.1 (ADDED) Position, Plan, Procedure, Criteria or Instruction for Negotiation Purposes

CREVITS AND BARBOUR

That the Elgin Area Primary Water Supply System Joint Board of Management convene, In Closed Session, for the purpose of considering the following:

6.1 Position, Plan, Procedure, Criteria or Instruction for Negotiation Purposes

A matter pertaining to a position, plan, procedure, criteria or instruction for negotiation purposes with respect to potential negotiations related to First Nations water supply.

Motion Passed

The Elgin Area Primary Water Supply System Joint Board of Management convene, In Closed Session, from 11:16 AM to 11:32 AM.

7. Next Meeting Date

March 5, 2020

8. Adjournment

The meeting adjourned at 11:33 AM.

To: Chair and Members
Elgin Area Primary Water Supply System Board of Management

From: Kelly Scherr, P.Eng., MBA, FEC
Chief Administrative Officer

Subject: Quarterly Compliance Report (4th Quarter 2019: October - December)

RECOMMENDATION

That the Quarterly Compliance report with respect to the general, regulatory and contractual obligations of the Elgin Area Primary Water Supply System **BE RECEIVED** for the information of the Board of Management; it being noted that there were no Adverse Water Quality Incidents reported in the 4th quarter of 2019.

EXECUTIVE SUMMARY

Since the previous report to the Board, there were no new or proposed regulatory changes that have the potential to significantly impact the Elgin Area Primary Water Supply System (EAPWSS).

The Water Quality Quarterly Report for the period of October 1 – December 31, 2019 was posted on the water system’s website at <https://huroneelginwater.ca/wp-content/uploads/2020/01/2019-Q4-Elgin-Final.pdf>.

There were no Adverse Water Quality Incidents (AWQI) reported by the operating authority or adverse laboratory results reported by the third-party accredited laboratory during this quarter.

BACKGROUND

Pursuant to Board of Management resolution, this Compliance Report is prepared on a quarterly basis to report on general, regulatory and contractual compliance issues relating to the regional water system. For clarity, the content of this report is presented in two basic areas, namely regulatory and contractual, and does not intend to portray an order of importance or sensitivity nor a complete list of all applicable regulatory and contractual obligations.

REGULATORY ISSUES

Recent Regulatory Changes: At the time of drafting this report, there were no new regulatory changes for this reporting period which may have a significant impact on the EAPWSS.

New Environmental Bill of Rights (EBR) Registry Postings: At the time of drafting this report, there were no postings on the EBR that may have a significant impact on the EAPWSS.

Quarterly Water Quality Reports: The Water Quality Quarterly Report for the period of October 1 – December 31, 2019 was completed by the operating authority, and is posted on the Water Systems' website at <https://huronelginwater.ca/wp-content/uploads/2020/01/2019-Q4-Elgin-Final.pdf>.

Note: In order to better comply with the *Accessibility for Ontarians with Disabilities Act, 2005*, the detailed tables of water quality test results which were previously appended to this Report have been removed. The full list and test results of drinking water quality parameters is posted on the water system's website and available in print at the Board's Administration Office in London upon request. In addition, the detailed water quality information is also published within the water system's Annual Report required by O.Reg. 170/03 under the *Safe Drinking Water Act*.

Adverse Water Quality Incidents (AWQI): There were no AWQI reported by the operating authority or adverse laboratory results reported by the third-party accredited laboratory during this quarter.

Compliance Inspections: There was one compliance inspection conducted during the reporting period. The Ministry of the Environment, Conservation and Parks (MECP) conducted a physical inspection of the EAPWSS on November 13, 2019. When the final inspection report is received from the MECP it will be the subject of a future report to the Board.



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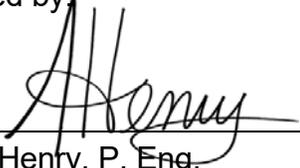
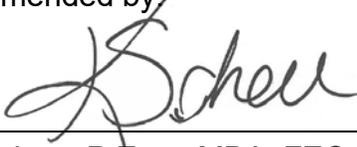
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CONTRACTUAL ISSUES

ARTICLE 3, "Operation and Maintenance of the Facilities – General":

Board staff informally meets with OCWA on a monthly basis to discuss operations and maintenance related issues, and formally on a quarterly basis to review contractual performance. The 2019 fourth quarter Contract Report was received from OCWA on January 30, 2020 and was scheduled to be discussed at the quarterly administration meeting between Board staff and OCWA on February 13, 2020. Copies of the monthly Operations and Maintenance Reports, or quarterly Contract Reports are available at the Board's Administration Office in London upon request.

This report was written by Erin McLeod, Quality Assurance and Compliance Manager.

Submitted by:  Andrew Henry, P. Eng. Director, Regional Water Supply	Recommended by:  Kelly Scherr, P.Eng., MBA, FEC Chief Administrative Officer
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To: Chair and Members
Elgin Area Primary Water Supply System Board of Management

From: Kelly Scherr, P.Eng., MBA, FEC
Chief Administrative Officer

Subject: Environmental Management System and Quality Management System

RECOMMENDATION

That the following report with respect to the Environmental Management System and Quality Management System for the Elgin Area Primary Water Supply System **BE RECEIVED** for information.

BACKGROUND

Environmental Management System (EMS)

The Elgin Area Primary Water Supply System (EAPWSS) has an Environmental Management System (EMS) which has been registered to the ISO 14001 standard since 2003. The EAPWSS underwent a three-year registration audit in October 2017 and was recommended for registration to the ISO 14001:2015 standard for a three-year period (ending in 2020).

The continued utilization and registration of the EMS to the ISO 14001 standard is a requirement of the Service Agreement with Ontario Clean Water Agency (OCWA), the contracted Operating Authority for the EAPWSS.

Quality Management System (QMS)

In 2006, the Drinking Water Quality Management Standard (DWQMS) was integrated with the existing EMS and the combined EMS/QMS is maintained by the contracted Operating Authority. The *Safe Drinking Water Act* (SDWA) and the water system's Municipal Drinking Water Licence (MDWL) require that an accredited Operating Authority be in operational charge of the drinking water system. In order to become accredited, the Operating Authority must utilize and maintain an Operational Plan that meets the requirements of the DWQMS and must undergo an external accreditation audit.

OCWA received full scope DWQMS re-accreditation in October 2019 and is currently accredited for the three-year period ending in 2022.



DISCUSSION

Management Review

The documented EMS/QMS and its performance requires Management Review by Top Management a minimum of once every calendar year to ensure that the management team of the Board and the Operating Authority stay informed of environmental and quality related issues. Items discussed at the Management Review meetings include, but are not limited to, water quality test results, environmental and quality performance, legislative changes, identified non-conformances, corrective and preventive actions, staff suggestions, changing circumstances and business strategies, and resource requirements. Corrective and preventive actions include not only those to address non-conformance issues and opportunities for improvement identified as part of internal and external audits, but also non-compliance issues identified by the Ministry of the Environment, Conservation and Parks (MECP), suggestions from staff, and opportunities for improvement identified during the Management Review process.

In order to carry out more effective Management Review meetings, the Board's administration has opted to conduct shorter meetings at more frequent intervals. Although each required Management Review input may not be covered at every meeting, over the course of the year all required inputs are reviewed at least once. Management Review meetings are held in a combined format for both the EAPWSS and the Lake Huron Primary Water Supply System (LHPWSS).

A Management Review meeting was held on January 28, 2020. The meeting minutes are attached to this report as Appendix A for the information of the Board.

Internal Audits

Pursuant to the international ISO 14001 EMS standard and the provincial DWQMS standard, periodic "internal" audits are performed by the Board's administration to ensure continued compliance with legislated, contractual, and other requirements, as well as conformance with the ISO 14001 EMS standard and DWQMS standard. Internal audits also ensure that the ongoing operation of the EAPWSS conforms to the EMS and QMS as implemented. As required by the standards, internal audits are performed a minimum of once every calendar year.

There were no internal audits conducted during this reporting period.

External Audits

Annual surveillance audits (third-party external audits) are conducted for both the EMS and QMS, with a recertification audit taking place every third year. The external registrar for both the EMS and QMS is currently SAI Global. External audits review all aspects of the EMS or QMS, including the internal audits, subsequent management reviews, and corrective action processes.

There were no external audits conducted during this reporting period.

Corrective and Preventive Actions

For the EMS/QMS to be effective on an on-going basis, an organization must have a systematic method for identifying actual and potential non-conformities, making corrections and taking corrective and preventive actions, preferably preventing problems before they occur. The Internal Audit process and Management Review are the two main drivers for identifying potential problems and opportunities for improvement for the EAPWSS and implementing corrective actions. Preventive actions may originate from identified opportunities for improvement as part of an audit, but also staff suggestions and discussions with management.

It is important to note that action items should not be construed as **compliance failures**, but rather an action to be undertaken which will improve the EAPWSS’s overall performance.

Action items are the result of the “PLAN-DO-CHECK-ACT” continual improvement process. The identification of action items is a critical component of continual improvement and an essential element of management systems. The identification of action items should be seen as a positive element, as this drives continual improvement.

A key concept of PLAN-DO-CHECK-ACT is that it does not require nor expect 100% conformance but promotes an environment of continual improvement by identifying shortfalls, implementing corrective and preventive measures, and setting objectives and targets for improvement. Figure 1 outlines the general process.

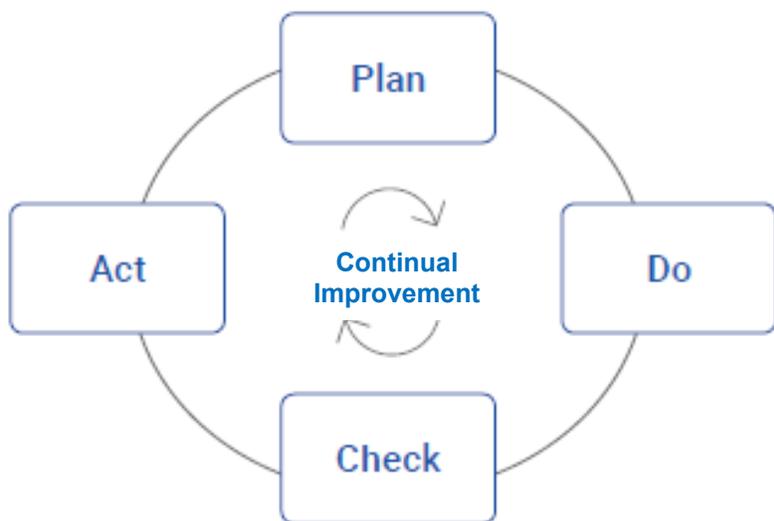


Figure 1: Plan-Do-Check-Act improvement process



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Since the last report to the Board, the following summarizes new action items that have been added to the EMS/QMS action item tracking system:

- Three (3) new action items were added as a result of the September 16, 2019 QMS Systems Audit (Stage 1) External Audit.
- Five (5) new action items were added as a result of the October 16-17, 2019 EMS Surveillance External Audit.
- Eight (8) new action items were added as a result of the October 17-18, 2019 QMS Re-accreditation External Audit.
- Two (2) new action items were added as part of the Management of Change process.
- Three (3) new proactive action items were added as a result of the January 28, 2020 Management Review meeting.

N.B.: The above EMS/QMS external audits for EAPWSS were completed concurrently. There are common clauses and elements found in both management systems. Hence, many of the identified Opportunities For Improvement (OFIs) and subsequent action items are duplicated between the EMS and QMS external audit reports and reported twice in the water system's tracking database.

As of February 7, 2020, there are currently 20 open action items in the system. Action items are prioritized and addressed using a risk-based approach, and deadlines established given reasonable timeframes and resources that are available. Board staff are pleased with the performance of the corrective and preventive action process and have no concerns with the number of open action items.

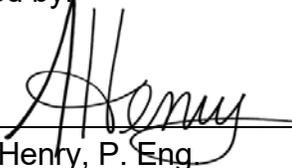
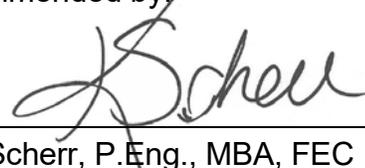
All outstanding action items in the system are driven by continual improvement. All open action items are currently either proactive or relate to opportunities for improvement. None of the open action items relate to regulatory issues (i.e. non-compliances), management system non-conformances, or water quality issues.



CONCLUSION

The Internal Audits and frequent Management Review meetings continue to effectively identify system deficiencies. The EMS/QMS for the EAPWSS continues to be suitable, adequate and effective. Activities by OCWA continue to address the need for change, and the management systems are being revised and refined as required.

This report was prepared by Erin McLeod, Quality Assurance & Compliance Manager with the assistance of Arlene Tanashi, Compliance Coordinator.

Submitted by:  Andrew Henry, P. Eng. Director, Regional Water Supply	Recommended by:  Kelly Scherr, P.Eng., MBA, FEC Chief Administrative Officer
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Attachments:

Appendix A – Management Review Meeting Minutes (January 28, 2020)

APPENDIX A: MANAGEMENT REVIEW MEETING MINUTES (JANUARY 28, 2020)

Lake Huron & Elgin Area Primary Water Supply Systems EMS/QMS Management Review	
Date	January 28, 2020
Time	11:00 am – 2:30 pm
Location	Regional Water Supply Boardroom
Attendees	Andrew Henry (RWS), Erin McLeod (RWS), Blair Tully (OCWA), Denny Rodrigues (OCWA), Simon Flanagan (OCWA), Greg Henderson (OCWA), Arlene Tanashi (RWS)
Regrets	
C.C.	

N.B.: Management Review meetings are held in a combined format for both the Lake Huron Primary Water Supply System (LHPWSS) and the Elgin Area Primary Water Supply System (EAPWSS).

-----Meeting Notes-----

1. Review and approval of previous meeting minutes – September 10, 2019

Revision 1 of the minutes are posted to SharePoint. The minutes were approved. No changes required.

2. EAPWSS QMS (Systems Audit Stage 1) External Audit (September 16, 2019)

The purpose of the external audit by SAI Global was to verify EAPWSS conformance with the Ontario Drinking Water Quality Management Standard (DWQMS V2) prior to proceeding with the on-site reaccreditation (Stage 2) external audit. A summary of the audit findings was circulated. Zero (0) non-conformances (NC) and three (3) Opportunities for Improvement (OFIs) were noted. Discussion ensued and the approved action items and deadlines will be incorporated into the Elgin corrective actions tracking spreadsheet.

3. LHPWSS QMS (Systems Audit Stage 1) External Audit (September 17, 2019)

The purpose of the external audit by SAI Global was to verify LHPWSS conformance with the Ontario Drinking Water Quality Management Standard (DWQMS V2) prior to proceeding with the on-site reaccreditation (Stage 2) external audit. A summary of the audit findings was circulated. Zero (0) non-conformances (NC) and two (2) Opportunities for Improvement (OFIs) were noted. Discussion ensued and the

approved action items and deadlines will be incorporated into the Huron corrective actions tracking spreadsheet.

4. EAPWSS QMS Re-Accreditation External Audit (October 17-18, 2019)

The purpose of the on-site (Stage 2) external audit by SAI Global was to verify EAPWSS conformance with the Ontario Drinking Water Quality Management Standard (DWQMS V2) for the purpose of accreditation. A summary of the audit findings was circulated. Zero (0) non-conformances (NC) and eight (8) Opportunities for Improvement (OFIs) were noted. Discussion ensued and the approved action items and deadlines will be incorporated into the Elgin corrective actions tracking spreadsheet.

5. LHPWSS QMS Re-Accreditation External Audit (November 21-22, 2019)

The purpose of the on-site (Stage 2) external audit by SAI Global was to verify LHPWSS conformance with the Ontario Drinking Water Quality Management Standard (DWQMS V2) for the purpose of accreditation. A summary of the audit findings was circulated. Zero (0) non-conformances (NC) and six (6) Opportunities for Improvement (OFIs) were noted. Discussion ensued and the approved action items and deadlines will be incorporated into the Huron corrective actions tracking spreadsheet.

6. EAPWSS EMS ISO 14001 Surveillance External Audit (October 16-17, 2019)

The purpose of the surveillance external audit by SAI Global was to verify EAPWSS conformance with the ISO 14001 standard. A summary of the audit findings was circulated. Zero (0) non-conformances and five (5) Opportunities for Improvement (OFIs) were noted. Discussion ensued and the approved action items and deadlines will be incorporated into the Elgin corrective actions tracking spreadsheet.

7. LHPWSS EMS ISO 14001 Surveillance External Audit (November 20-21, 2019)

The purpose of the surveillance external audit by SAI Global was to verify LHPWSS conformance with the ISO 14001 standard. A summary of the audit findings was circulated. Zero (0) non-conformances and four (4) Opportunities for Improvement (OFIs) were noted. Discussion ensued and the approved action items and deadlines will be incorporated into the Huron corrective actions tracking spreadsheet.

N.B.: The above EMS/QMS external audits for both LHPWSS and EAPWSS (Agenda Items 2-7) were completed concurrently. There are common clauses and elements in both management systems. Hence, many of the OFIs are duplicated for each water system.

8. Best Management Practices (LH & EA)

The continual improvement requirement of the Ontario DWQMS is that there be a review and consideration of the applicable best management practices, including any published by the Ministry of the Environment, Conservation and Parks (MECP) available on www.ontario.ca/drinkingwater.

As of today, there are zero (0) best management practices published on the MECP website. Going forward, review and consideration of best management practices will be documented in the management review minutes annually. As noted in the administrative procedures, there are a number of ways to identify best management practices. During discussion today, it was mentioned that the quarterly Safety, Process and Compliance (SPC) Managers meeting held by OCWA has an agenda item titled “Share BMPs”. There are new advisory groups being created by OCWA.

9. Compliance Obligations Update (LH & EA)

Title	Haloacetic Acid Reporting Requirements Effective January 1, 2020
Source	Ministry of the Environment, Conservation and Parks (MECP)
Date Posted/ Notice Received	December 13, 2019 (Email)
Comments Due	N/A
Summary	The Ontario Drinking Water Standard for Haloacetic Acids (HAAs) came into effect January 1, 2020. The standard is 0.08 mg/L (80 µg/L) and is expressed as a running annual average (RAA). O.Reg.170/03 requires the owner/operator of municipal residential drinking water systems to take samples quarterly and have them tested for HAAs. Samples must be taken from a location that is likely to have an elevated potential for the formation of HAAs. If an owner/operator calculates the RAA for HAAs on or after January 1, 2020 and the result of the calculation exceeds the standard, the result must be reported as an Adverse Water Quality Incident.
Notes	Action Item (LH & EA): Insert a comment in WaterTrax to indicate that the set alarm level for HAAs will indicate to staff to look at the running annual average (RAA) to ensure compliance. Erin McLeod. Deadline: March 31, 2020.

Title	<u>Guidelines for drinking-water quality (GDWQ)</u>
Source	World Health Organization (WHO)
Date Posted/ Notice Received	December 12, 2019 (Email)



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Comments Due	January 12, 2020 (closed)
Summary	“WHO is preparing a number of background documents for selected chemical hazards in drinking-water. These will inform the development of the second addendum to the fourth edition of the WHO’s Guidelines for Drinking-water Quality (GDWQ). Revised background documents are ready for review for the cyanotoxins anatoxin-a, cylindrospermopsin and saxitoxin.”
Notes	

Title	Minister’s Annual Report on Drinking Water 2019
Source	MECP
Date Posted/ Notice Received	December 20, 2019 (Email)
Comments Due	N/A
Summary	“The Minister’s Annual Report on Drinking Water 2019 showcases the work Ontario is doing to protect our drinking water and water resources.”
Notes	

Title	2018-2019 Chief Drinking Water Inspector Annual Report
Source	MECP
Date Posted/ Notice Received	December 20, 2019 (Email)
Comments Due	N/A
Summary	“The Chief Drinking Water Inspector’s Annual Report provides an overview of the ministry’s progress during 2018-19 and includes in-depth information on the performance of Ontario’s drinking water systems and licensed and eligible laboratories.”
Notes	

Title	Changing the Mandate of the Resource Productivity and Recovery Authority
Source	MECP (EBR Posting)
Date Posted/ Notice Received	October 28, 2019
Comments Due	November 27, 2019 (closed)
Summary	MECP proposed to change the mandate of the Resource Productivity and Recovery Authority (the Authority) to include digital reporting services through its registry for a wider range of waste and resource recovery programs. The Authority currently oversees resource recovery and waste reduction programs, including a waste reporting registry for



	<p>Ontario. Changes would allow the Authority to take on digital reporting services for a wider range of programs, as needed. At this time, the ministry is proposing to transition the reporting service for Ontario’s Hazardous Waste program. By moving towards a modern digital service, this would eliminate the administrative burden of processing paper documents for the hazardous waste program.</p> <p>Decision Posting – December 19, 2019: The government has now passed legislation that will change the mandate of the Authority to include digital reporting services through its registry for a wider range of waste and resource recovery programs, such as the Hazardous Waste program.</p>
Notes	

Title	Boron in drinking water: Guideline technical document for public consultation
Source	Health Canada
Date Posted/ Notice Received	January 10, 2020 (Email)
Comments Due	March 13, 2020
Summary	<p>The existing guideline technical document on boron, last updated in 1991, recommends a maximum acceptable concentration (MAC) of 5 mg/L (5000 µg/L).</p> <p>An updated MAC of 2 mg/L (2000 µg/L) is proposed for total boron in drinking water based on treatment achievability.</p>
Notes	<p>In Ontario, the current MAC for boron is 5.0 mg/L.</p> <p>Data from WaterTrax:</p> <p>EAPWSS Data – 2015–2019 (10 samples): Average = 0.0207 mg/L Max. = 0.0264 mg/L</p> <p>LHPWSS Data – 2015-2019 (5 samples) Average = 0.0184 mg/L Max. = 0.035 mg/L</p>

Title	Technical Guidelines for the Environmental Emergency Regulations, 2019
Source	Environment and Climate Change Canada



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Date Posted/ Notice Received	November 21, 2019
Comments Due	N/A
Summary	<p>The new Environmental Emergency (E2) Regulations, 2019 came into force on August 24, 2019.</p> <p>The new guidelines are designed to help understand the requirements of these regulations and how to comply with them. They include information about:</p> <ul style="list-style-type: none"> • who the regulations apply to; • calculating on-site substance quantities and container capacity; • benefits of E2 planning; • who is required to prepare an E2 plan; • how to prepare an E2 plan and what to include; • notification requirements; • how chemical substances are evaluated for environmental emergency hazards; • failure to comply with the regulations.
Notes	

10. Staff Suggestions (LH & EA)

EAPWSS – An Operator suggested a change in the sampling program outlined in Schedule B of the Service Agreement, given the monitoring being done for the Residuals Management Facility (RMF). This will avoid sampling duplication between the filter backwash water and RMF influent.

Action Item (LH & EA): Review and analyze Residuals Management Facility (RMF) sampling programs at both water treatment plants. Review Schedule B of the Service Agreements and make recommendations for updates. Complete a Contract Change Management Form (CMF) to ensure the details are captured for future contract negotiations.

Deadline: June 30, 2020. Denny Rodrigues and Erin McLeod.

EAPWSS: OCWA mentioned that during the design phase of the high lift pump project, based on staff suggestion there was a design change made to where the water for the mechanical seals was being directed; the water will be returned to the pump well instead of to drain, which reduces process water loss.

LHPWSS: The maintenance foreperson suggested that the RMF pump lobes be replaced with those of a different material. Also, the housing of the pumps was custom

made with an additional groove. Both these measures should prolong pump life, reduce maintenance costs (i.e. less time) and reduce energy consumption.

11. Lake Erie Harmful Algal Bloom – Seasonal Assessment 2019

National Oceanic and Atmospheric Administration (NOAA) published their Seasonal Assessment Bulletin on October 31, 2019. The full bulletin is available online at: [Lake Erie Harmful Algal Bloom Bulletin](#). In summary, 2019 was a relatively severe bloom year being more severe than 2018 and somewhat less than 2017. The severity captures the amount of bloom biomass. The beginning of August was the peak. Winds kept the bloom down in September and October.

It is important to note that the size of the algal bloom does not correlate with bloom toxicity. It was noted that the NOAA bulletins focus on the western basin of Lake Erie and may not be representative of any blooms being experienced near the Water Treatment Plant.

12. Deviations from Critical Control Point Limits and Response Actions 2019 (LH & EA)

Handouts Provided: WaterTrax Alert Action Reports were generated for each drinking water system from January 1, 2019 to December 31, 2019. This provided a summary of all WaterTrax alerts received in 2019.

LHPWSS: Total of 19 alerts received. The alerts were reviewed. Discussion ensued. No changes are required to the alert settings at this time. Operators have continued to provide detailed comments to the alerts to explain deviations.

EAPWSS: Total of 81 alerts received. This represents a decrease from last year. The details of the alerts were reviewed. Discussion ensued. Operators have continued to provide detailed comments to the alerts to explain deviations.

Action Item (EA): Eliminate alerts in WaterTrax for chemical dosages in treated water. Erin McLeod. Deadline: March 31, 2020

13. Communications from Interested Parties (LH & EA)

The following communications were received on January 17, 2020 from the Ministry of the Environment Conservation and Parks (MECP):

- a) EAPWSS – Changes to sampling for the MECP Great Lakes Intake Program; all sampling has been suspended until further instructions to resume sampling.

- b) LHPWSS – Changes to sampling for the MECP Great Lakes Intake Program; only phytoplankton samples were suspended; other samples for water chemistry to continue.

OCWA indicated that the sampling procedures have been updated to reflect this change, and the changes were communicated to staff by email.

14. Results from Board Meetings (LH & EA)

October 3, 2019

Elgin Board Meeting

Quarterly Compliance Report: The report was received for information.

EMS/QMS Report: The report was received for information. In the June 17, 2019 EMS/QMS meeting minutes, under “Adequacy of Resources”, the Board expressed concern about a statement that staff resources continue to be strained due to the need to support capital and operations projects. It was explained to the Board that health and safety of staff is of utmost priority, therefore some capital projects are delayed in order to accommodate other projects, until resources are available.

Huron Board Meeting

Quarterly Compliance Report: The report was received for information.

EMS/QMS Report: The report was received for information. The Board asked for some specific examples of action items that are open in the system.

December 5, 2019

Elgin Board Meeting

Quarterly Compliance Report: The report was received for information.

EMS/QMS Report: The report was received for information.

Huron Board Meeting

Quarterly Compliance Report: The report was received for information.

EMS/QMS Report: The report was received for information.

15. Status of Action Items (LH & EA)

Action item summaries were provided.

LHPWSS: Eight (8) incomplete of which six (6) are overdue.

EAPWSS: Five (5) incomplete of which four (4) are overdue.

As of January 21, 2020, both systems have an overall action item completion of 99% (includes all action items 2012-2019). This is the best % completion seen to date for the number of open action items. All outstanding action items in the system are driven by continual improvement and are either proactive or relate to opportunities for improvement. None of the open action items relate to regulatory issues, management system non-conformances, or water quality issues.

16. Upcoming Audit Schedule (LH & EA)

There will be recruitment for a new Compliance Coordinator (due to a staff retirement). It is anticipated that the position will be filled spring 2020. Staff suggests that a combined EMS/QMS internal audit be performed by a consultant in June 2020. This would provide enough time to onboard the new staff member.

17. Management of Change Review Meeting January 24, 2020 (EA)

One Management of Change checklist was completed for the new EAPWSS Municipal Drinking Water Licence (dated November 26, 2019, Issue #6).

As documented on the completed checklist, a summary of action items was provided. The action items will be added to the tracking spreadsheet.

18. Trends in Non-Conformities and Corrective Actions (LH)

Three recent incidents have occurred at the LHPWSS Water Treatment Plant, each resulting in a notification to the Spills Action Centre (SAC) and/or the local Ministry of the Environment, Conservation and Parks (MECP) office. Corrective action forms were completed for each incident to review the root cause, and appropriate corrective/preventive action items.

Corrective Action Forms were completed for:

- a) LHPWSS Powdered Activated Carbon (PAC) spill/release (September 9, 2019)
- b) LHPWSS PAC tank overflow (September 19, 2019)
- c) LHPWSS Adverse Water Quality Incident (AWQI) (August 6, 2019); this is Part 2 of the corrective action form.

The corrective action items will be added to the tracking spreadsheet.

19. New Business

Blair Tully reported that the implementation of the new Computerized Maintenance Management System (CMMS) "Maximo" is in progress. Before the transfer of current information takes place, there is a "data cleanse" to consider additions, modifications etc. to the current information. Work order generation of EMS/QMS requirements will continue to be included in the new CMMS.

Next Meeting: To Be Determined

To: Chair and Members
Elgin Area Primary Water Supply System Board of Management

From: Kelly Scherr, P.Eng., MBA, FEC
Chief Administrative Officer

Subject: Quarterly Operating Financial Status Report – 4th Quarter 2019

RECOMMENDATION

That this report regarding the Quarterly Operating Financial Status of the Elgin Area Water Supply System **BE RECEIVED** by the Board of Management for information.

BACKGROUND

At the request of the Board of Management, a Financial Status Report is provided on a quarterly basis for information. The financial status provides a high-level overview of incurred expenditures and revenues on a cash-flow basis and is compared to the approved operating budget of the water supply system. All expenditures and revenues provided in this Financial Status Report are unaudited and may include accrued and/or unaccrued expenses of a previous or future fiscal year.

A high-level summary of incurred expenses and revenues for the water supply system is attached to this report as Appendix A for the third quarter 2019 (July 1 to September 30) as well as a comparative accumulation from January 1 to September 30 (Year to date).

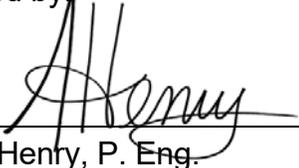
The reported expenditures and revenues may be subject to adjustments prior to year-end and the creation of the audited financial statements.

DISCUSSION

or the information and reference of the Board, the following highlights of the attached summary provides a brief explanation of notable deviations from the approved budget and/or clarifications of the financial summary:

- Contracted Operating Services in the summary report reflects the total direct operating costs of the contracted operation of the water treatment and transmission system, as well as related contracted services. The total accumulated operating costs for 2019 (unaudited) is slightly higher than the same period in 2018 and is reflective of contractual increases in service agreements with the operating authority and other contracted services.

- Contracted Administrative Services in the summary report reflects the fees paid to the City of London.
- Electricity expenditures include the purchase of energy and related service charges for the water system.
- Salaries, wages and benefits expenditures include all direct labour costs for administrative staff including benefits. Variations over the same period in 2018 are attributed to annual salary adjustments and filling of a vacancy in late 2018.
- Administration and Other Expenses relates to various overhead operating expenses, including subscriptions and memberships, office supplies and property taxes. While the reported expenditures will be adjusted as part of the year-end process, accounting for 2020 pre-payments, the majority of the cost over budget is due to the significant changes in the property tax as a result of the previous construction of the RMF
- Vehicles and Equipment expenditures include costs associated with vehicles, computers and office equipment for administrative staff.
- Purchased Services and Professional Fees largely relates to allowances for ad hoc professional consulting and legal services, office lease, telephone charges, network and SCADA maintenance, printing services, and pipeline locate costs.
- Debt Principle and Interest payments occur twice per year; in the first and third quarter.
- Contributions to the Reserve Funds occur at the end of the fiscal year, where the actual contributions are the total remaining revenue in excess of expenditures. Accordingly, the exact amount of the contribution is currently not posted but should be in the order of \$2.5 million.

Submitted by: 	Recommended by: 
Andrew Henry, P. Eng. Director, Regional Water Supply	Kelly Scherr, P.Eng., MBA, FEC Chief Administrative Officer

Attachments: Operating Financial Status Summary – 4th Quarter 2019

Quarterly Financial Summary Report
Elgin Area Water Supply system
4th Quarter 2019 (October 1 to December 31)
(\$,000's)

	Approved 2019 Budget	Q4-2019	2019 Year to Date	Year To Date Variance	2018 Year To Date
Total Revenue	12,534	2,945	11,808	726	12,433
<u>Expenditures:</u>					
Contracted Operating Services	3,847	1,462	4,151	(304)	4,037
Contracted Administrative Services	213	53	213	0	208
Electricity	1,250	282	1,105	145	1,102
Salaries, Wages, Benefits	681	179	646	35	590
Administration and Other Expenditures	214	59	334	(120)	314
Vehicles and Equipment	35	7	28	7	37
Purchased Services & Professional Fees	366	31	276	90	225
Debt Principle Payments	2,193	0	2,178	15	3,052
Interest on Long-Term Debt	332	3	354	(22)	417
Contributions to Reserve Funds	3,404	0	0	3,404	0
Total Expenditures	12,535	2,076	9,285	3,250	9,982

To: Chair and Members
Elgin Area Primary Water Supply System Board of Management

From: Kelly Scherr, P.Eng., MBA, FEC
Chief Administrative Officer

Subject: Capital Status Report

RECOMMENDATION

That the following actions be taken with regard to Elgin Area Primary Water Supply System capital projects:

- a) That this report regarding the status capital projects **BE RECEIVED** for information;
- b) That projects EA4126 Filter Room HVAC Modifications, EA4145 Fluoride System Assessment, EA4174 Lighting Motion Sensors (RMF), and EA4182 LLP#3 Repair **BE CLOSED**, with the surplus funds in the approximate amount of \$34,793 released to the Board's Reserve Fund;
- c) That project EA2180 Elgin Terminal Reservoir Emergency Repairs **BE CLOSED**, with additional funds in the approximate amount of \$73,645 be drawn from the Emergency Reserve Fund; and,
- d) That project EA4133 Coagulation Optimization Study **BE CLOSED**, with additional funds in the approximate amount of \$9 be drawn from the Asset Replacement Reserve Fund.

DISCUSSION

The Capital Project Status Report, attached to this report as Appendix A for the Board's information, provides a brief overview of the status of current capital projects for the Elgin Area Primary Water Supply System. This report is provided for the general information of the Board.

The status report is divided into four categories of projects, namely:

1. **Ongoing Projects:** This section provides a summary list of all projects which are funded by the Board through the Capital Budget and which are currently in-progress. Board funded projects are typically for the replacement or upgrade of existing assets, the construction of new assets, or engineering studies and assessments, as approved by the Board.

Under the terms of the Service Agreement with the contracted operating authority, the Board is also required to pay for some maintenance/repair projects. The benchmark used in the operating contract is that if the value of the material and any contracted labour is over \$30,000, the project is considered Capital Maintenance and the contracted operating authority would fund the first \$30,000, with the balance funded by the Board. Accordingly, the Board maintains an annual “fund” within the Board’s capital budget to pay for these projects as they arise.

2. **Completed Projects - Release Surplus to Reserve Funds:** This section provides a summary list of all projects which are presently completed, but do not require additional funds from that budgeted. Should the Board approve the closure of the listed projects, it is the recommendation of staff to release the surplus funds, if any, to the Reserve Fund.

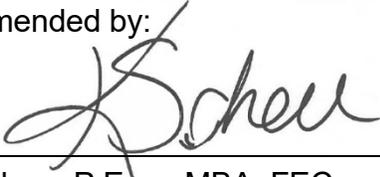
Completed Projects – Reduce Authorized Debt: In the case where the project is funded through the issuance of a debenture, should the Board approve the closure of the listed project it is the recommendation of staff to reduce the previously authorized but unissued debt for the project(s).

3. **Completed Projects - Additional Funding Required:** This section provides a summary list of all projects which are presently completed, but require additional funds from that originally approved. Should the Board approve the closure of the listed projects, it is the recommendation of staff to provide the required additional funding from the Board’s Reserve Fund.

PROJECT STATUS NOTE

EA4023 Residuals Management Facility

This project was partially funded through the Building Canada Fund and the Huron-Elgin-London Project Clean Water initiative (HELP Clean Water), with the Board's portion of the funding provided through the use of debt. Upon substantial completion of the project in 2018, a debenture was issued as approved by the Board for the amount expended at that time. With the project completed with little additional funding required, the remaining portion of the Board's expenses will be funded through the Capital Reserve Fund. While this may put a short-term strain on the current balance of the Capital Reserve Fund, this strategy affords the water system much more long-term flexibility with the lower debt-to-revenue ratio and debt servicing costs.

Submitted by:  _____ Andrew Henry, P. Eng. Director, Regional Water Supply	Recommended by:  _____ Kelly Scherr, P.Eng., MBA, FEC Chief Administrative Officer
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Attachments: Capital Project Status Summary

APPENDIX A: CAPITAL PROJECT STATUS SUMMARY

A.1 Ongoing Capital Projects

PROJECT No.	PROJECT	APPROVED BUDGET	EXPENDED TO DATE *	STATUS
EA2019-19	Master Water Plan	\$135,000	\$58,315	Project ongoing
EA2170	Computerized Maintenance Management System	\$120,000	\$0	Project initiated
EA2172	Terminal Reservoir Isolation Valve Replacement	\$90,000	\$0	Project initiated
EA3010	IT Asset Replacement Program	\$430,500	\$0	Project initiated
EA3011	Plant Interior Door Replacement	\$20,000	\$0	Project initiated
EA3012	Interior LED Lighting Upgrades	\$50,000	\$0	Project initiated
EA3013	Plant Reservoir Drain Repairs	\$100,000	\$0	Project to be initiated
EA3014	LLP 2&3 Replacement Study	\$50,000	\$0	Project initiated
EA3015	Sodium Hydroxide Pump Replacement	\$25,000	\$0	Project to be initiated
EA3016	Safety Showers Replacement	\$25,000	\$0	Project to be initiated
EA3017	Exterior WTP Building Seals	\$20,000	\$0	Project to be initiated
EA3018	Cyber Intrusion Detection System	\$10,000	\$0	Project initiated
EA3019	UV Replacement Study	\$50,000	\$0	Project to be initiated
EA3020	Roof Replacement	\$175,000	\$0	Project to be initiated
EA3023	EMS Asset Management Plan	\$50,000	\$0	Project initiated
EA4022	Security Upgrades	\$350,000	\$61,843	Project ongoing
EA4023	Residue Management Facility	\$30,200,000	\$27,652,818	Project complete. Awaiting final invoice
EA4039	Record Drawings & Documents	\$255,000	\$174,045	Ongoing annual project
EA4055	Pipeline Condition Assessment	\$800,000	\$0	Project initiated



Elgin Area

Primary Water Supply System

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PROJECT NO.	PROJECT	APPROVED BUDGET	EXPENDED TO DATE *	STATUS
EA4073	Plant Instrumentation	\$531,608	\$497,568	Ongoing annual project
EA4085	IT Upgrades	\$754,000	\$576,372	Project ongoing
EA4095	WTP Interior Renovations	\$581,500	\$332,541	Ongoing multi-year project
EA4107	Concrete Crack Injection	\$120,000	\$48,460	Project ongoing
EA4114-19	Annual Maintenance (2019)	\$55,000	\$41,321	Annual program
EA4114-20	Annual Maintenance (2020)	\$100,000	\$0	Annual program
EA4128	High Lift Switchgear	\$1,450,000	\$1,459,659	Project complete. Awaiting final invoice
EA4129	Server Room Fire Suppression	\$30,000	\$0	Project on hold
EA4132	Alum Storage Tanks	\$615,000	\$58,489	Project ongoing
EA4136	Service Water Piping Replacement	\$50,000	\$24,953	Ongoing multi-year project
EA4137	Low Lift Service Water Connection	\$50,000	\$35,578	Ongoing multi-year project
EA4144	Fluoride System Renewal	\$30,000	\$20,626	Project ongoing
EA4147	Generator Multilin Relay	\$75,000	\$0	Project to be initiated
EA4149	Low Lift HVAC	\$250,000	\$253,268	Project ongoing
EA4152	PLC Replacements	\$40,000	\$0	Project to be initiated
EA4153	Filter Backwash Upgrades	\$200,000	\$24,327	Project ongoing
EA4156	High Lift Pump Replacement	\$4,851,000	\$1,571,969	Project ongoing
EA4160	Non-Revenue Meter Replacement Program	\$275,000	\$127,273	Project complete. Awaiting final invoice
EA4161	Evaluate Pre-Treatment Hydraulics	\$50,000	\$0	Project to be initiated
EA4162	Crop Yield Monitoring – 2013 Pipeline Twinning	\$661,000	\$49,884	Ongoing multi-year project
EA4169	Sluice Gate Repairs	\$50,000	\$14,307	Project ongoing
EA4170	750mm Pipeline Decommissioning	\$500,000	\$453,308	Project completed. Awaiting final invoice
EA4171	Backwash Drain Valve Actuator Replacement	\$25,000	\$0	Project initiated
EA4173	Hydro-Utility Pole Replacement	\$30,000	\$0	Project initiated



Elgin Area
Primary Water Supply System

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PROJECT NO.	PROJECT	APPROVED BUDGET	EXPENDED TO DATE *	STATUS
EA4175	Pilot – Unchlorinated Filtration	\$25,000	\$0	Project to be initiated
EA4176	Plant Drain Chlorine Sample Line	\$80,000	\$42,129	Project ongoing
EA4177	Railings and Guarding	\$125,000	\$42,845	Ongoing multi-year project
EA4178	UVT Analyzer	\$90,000	\$76,042	Project completed. Awaiting final invoice
EA4179	Window/Glazing Replacement	\$120,000	\$59,694	Ongoing multi-year project
EA4180	Filter Capacity Evaluation	\$37,000	\$0	Project to be initiated
TOTAL		\$44,806,608	\$33,757,634	

A.2(a) Completed Projects – Release Surplus to Reserve Funds (\$34,793)

PROJECT NO.	PROJECT	APPROVED BUDGET	EXPENDED TO DATE *	STATUS
EA4126	Filter Room HVAC Modifications	\$75,000	\$73,459	Project completed
EA4145	Fluoride System Assessment	\$25,000	\$0	Project cancelled
EA4174	Lighting Motion Sensors (RMF)	\$25,000	\$22,233	Project completed
EA4182	LLP #3 Repair	\$45,000	39,515	Project completed
TOTAL		\$170,000	\$135,207	

A.2(b) Completed Projects – Reduce Authorized Debt

PROJECT NO.	PROJECT	APPROVED BUDGET	EXPENDED TO DATE *	STATUS
TOTAL		\$ 0	\$ 0	



Elgin Area
Primary Water Supply System

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A.3 Completed Projects – Additional Funding Required (\$73,654)

PROJECT NO.	PROJECT	APPROVED BUDGET	EXPENDED TO DATE *	STATUS
EA2180	Elgin Terminal Reservoir Emergency Repairs	\$250,000	\$323,645	Project completed
EA4133	Coagulation Optimization Study	\$25,000	\$25,009	Project completed
TOTAL		\$275,000	\$348,654	

Notes:

* Expended as of 18 February 2020

To: Chair and Members
Elgin Area Primary Water Supply System Board of Management

From: Kelly Scherr, P.Eng., MBA, FEC
Chief Administrative Officer

Subject: Municipal Act – Board Structure

RECOMMENDATION

That the Board of Management for the Elgin Area Water Supply System **RECEIVE** this report for information.

PREVIOUS AND RELATED REPORTS

October 4, 2018 Municipal Act – Board Structure
December 1, 2018 Board Structure – Municipal Act
December 10, 2016 (Concurrent Meeting) Corporate Options for the Primary Water Supply Systems

EXECUTIVE SUMMARY

A second information workshop (workshop #2) is scheduled for 9:00am on March 18, 2020 at the Best Western Lamplighter Inn, jointly hosted by the Lake Huron and Elgin Area water supply systems. The workshop is not open to the public, and invitations to register for the workshop have been sent to the benefiting municipalities.

The workshop will present the outline of a municipal agreement that may be used to establish a Municipal Services Corporation or Municipal Services Board under the Municipal Act and largely focus on the legal implications related to risks/liabilities, as well as potential consequential financial implications to the municipalities.

BACKGROUND

The ownership of the Elgin Area Primary Water Supply System was transferred from the Province of Ontario and the Board of Management established in 2000 in accordance with the Transfer Order issued by the Minister of the Environment under the *Municipal Water and Sewage Systems Transfer Act, 1997*. Because of the ambiguity of the *Municipal Water and Sewage Systems Transfer Act* and the subsequent Order, the legal status of the Board requires further clarification with specific regard to the *Municipal Act* and in relation to the collective powers of the benefiting municipalities of the water system.

Information Workshops (workshop #1) was held with the benefiting municipalities on June 22, 2018 and June 29, 2018. The workshop was intended to provide preliminary information on the legal status of the Board and regional water system, including:

- Background information related to the Municipal Water & Sewage Systems Transfer Act, the Transfer Orders creating the Board of Management, an overview of the current organization, administration and operation of the regional water systems, and the current ambiguity of the legal status of the Board.
- An overview of the options under the Municipal Act (local board/Municipal Services Board versus Municipal Services Corporation), the legal relationship between the Board and its benefiting municipalities, reporting relationships, and applicable law (including the Municipal Freedom of Information and Protection of Privacy Act, and the Safe Drinking Water Act)
- An overview of the current financial status and fiscal relationship with the benefiting municipalities, and potential financial implications with the Municipal Act options.

A summary of the discussions held at workshop #1 is provided in Appendix A attached to this report for the Board’s information and Reference.

DISCUSSION

Although progress on the deliberations related to establishing the Board under the Municipal Act were temporarily put on hold as a result of the municipal elections, the preparation of additional information and recommendations for the consideration of the municipalities continued in mid-2019.

Stakeholder Information Workshop #2

A second information workshop (workshop #2) is scheduled for 9:00am on March 18, 2020 at the Best Western Lamplighter in and invitations have been sent to the benefiting municipalities. While attendance at the workshop is open to both staff and elected officials of the benefiting municipalities of the regional water system, the content of the workshop will largely focus on the proposed Municipal Agreement and legal implications related to risks/liabilities, as well as potential consequential financial implications to the municipalities. Accordingly, we are encouraging senior municipal administration to attend where possible.

It is important to note that the decision whether to pursue and establish the Board under the Municipal Act, either as a Municipal Services Board or a Municipal Services Corporation, is entirely at the discretion of each Municipal Council and not the water Board. Should one Municipal Council choose to not approve the agreement that would establish the Board as a Municipal Services Board or Municipal Services Corporation, the issue cannot proceed further, and the Board would continue to operate in legal ambiguity.

Municipal Services Board versus Municipal Services Corporation

At its core, and notwithstanding the current legal ambiguity, the existing Board of Management effectively functions as a Municipal Services Board. While the existing structure can be easily replicated as a Municipal Services Board (MSB), the MSB would not have the ability to hold its own debt separate from the benefiting municipalities and would not have the ability to own real assets (property and easements). Accordingly, ongoing debt liabilities and the registration of real property would need to be held jointly by each of the benefiting municipalities. If and as additional municipalities join the regional water system in future, these liabilities and registrations will need to be updated accordingly.

As a Municipal Services Board, the benefiting municipalities would retain risks and liabilities for the activities of the MSB, including but not limited to the Standard of Care provisions (Article 19) of the Safe Drinking Water Act as well as joint and several liability in common law.

In contrast, a Municipal Services Corporation (MSC) operates independently from the benefiting municipalities and in accordance with the strict framework and guidelines established by the municipalities at the time of incorporation through the Shareholder Declaration (municipal agreement). The corporate body would be subject to the Business Corporations Act and the Municipal Act, and could retain all debt, liabilities, risks and real property without negatively impacting each of the benefiting municipalities.

Reporting and Accountability

The municipal agreement entered into by the benefiting municipalities would specify reporting requirements to municipalities, either individually or collectively. This may include quarterly, semi-annual or annual reports on the business activities and financial status of the Municipal Services Board or Municipal Services Corporation.

At present, periodic reports are provided to the Board of Management related to the governance and administration of the regional water system. As the agendas are made public, with the exception of confidential items in accordance with Section 239 of the Municipal Act, each of the benefiting municipalities and interested stakeholders are afforded opportunities to be informed through the agenda reporting process.

In addition, annual reports are provided to the Board and benefiting municipalities in accordance with the Safe Drinking Water Act and its Regulations. Regardless of the creation of either the Municipal Services Board or Municipal Services Corporation, these annual report must continue and be provided to all benefiting municipalities and stakeholders in accordance with the Safe Drinking Water Act.

Board of Directors

The Board of Directors for either a Municipal Services Board or Municipal Services Corporation can be appointed in any fashion as determined by the benefiting municipalities, including exactly as they are now.

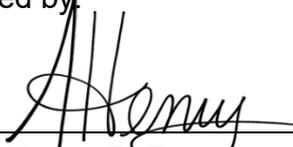
Currently, each municipality (or subset group of municipalities) are entitled to appoint a Member(s) to the Board in accordance with the Transfer Order and subsequent By-law. Although appointed Members to the Board can be any person deemed appropriate by the respective Municipal Council, traditionally the municipalities have chosen to appoint elected officials.

Alternatively, there are other appointment processes and Board composition that may be considered. For example, the benefiting municipalities may choose to establish the Board of Directors as a skills-based board, in that a process is established by the municipalities collectively where appointed members are selected from a pool of applicants based on the skills and abilities that they offer. Applicants may hold degrees and expertise in the areas of accounting and corporate finance, utility governance and operation, engineering, risk management, or information technology. A governance structure can be established based on a mix of skills and abilities that would beneficially guide the governance of the Municipal Services Board or Municipal Services Corporation.

Scope of Service

The municipal agreement that establishes the Municipal Services Board or Municipal Services Corporation would specifically determine the scope of service that the entity can undertake. At present, the Board is effectively limited to the treatment and wholesale supply of municipal drinking water to its benefiting municipalities. There is currently no explicit approval or consent that would allow the regional water system to undertake any other municipal service.

One or more municipality may, at their sole discretion, extend the scope of service that can be undertaken by the Municipal Services Board or Municipal Services Corporation. For example, one or more municipalities can require the new entity to administer, manage and operate the local water distribution system on the municipality’s behalf.

Submitted by: 	Recommended by: 
Andrew Henry, P. Eng. Director, Regional Water Supply	Kelly Scherr, P.Eng., MBA, FEC Chief Administrative Officer

Attachments: Appendix A – Stakeholder Information Session (June 22 and June 29, 2018)

APPENDIX A: STAKEHOLDER INFORMATION SESSION (JUNE 22 AND JUNE 29, 2018)

Municipal Services Boards, Municipal Services Corporations, and the Lake Huron/Elgin Area Water Supply Systems

PRESENTATIONS:

The Origins of the Regional Water Systems, and the Transition to the Boards of Management

Andrew Henry, Director of Regional Water, Lake Huron & Elgin Area Water Systems

Mr. Henry provided details on the origin of regional water systems and the transition to the current boards of management. He explained that originally the province constructed, owned and operated regional water and wastewater systems through the Ontario Water Resource Commission, and then subsequently through the Ministry of the Environment and the Ontario Clean Water Agency. The province transferred ownership of water and wastewater assets throughout the province to the municipalities under the *Water & Sewage Systems Transfer Act, 1997* (the “MWSTA”). The MWSTA established a system whereby water and wastewater systems that benefitted multiple municipalities were transferred and governed by boards of management (the “Water Boards”).

MWSTA Transfer Orders

In 1998 a MWSTA Transfer Order (the “1998 Transfer Order”) created separate provisional Water Boards for both the Huron water system and the Elgin water system. The debt associated with the water system was transferred from the province and refinanced, and the City of London was appointed as Trustee.

In 2000 the province issues a final transfer order for each of the Huron and Elgin Systems (the “2000 Transfer Orders”). The 2000 Transfer Orders completed the transfer of real property associated with the systems to the City of London as trustee. As a trustee, London holds registration of property in its name for the benefit of the municipalities that the regional water systems’ services. London is also mandated to provide administrative services to the Huron and Elgin Water Boards.

The 2000 Transfer Orders established the management structure for the Water Boards including the roles, responsibilities and obligations of Board members with the overarching obligation to act in the best interests of regional water system. The Water Boards have the authority to act by by-law, issue policies, approve budgets, and enter into contracts, and maintain bank accounts.

Problem Statement

The authorities given to Water Boards through transfer orders under the MWSTA imply that they are “bodies-corporate”, but their legal status is slightly ambiguous. A body-corporate is defined

as “an organization such as a company or government entity that is considered to have its own legal rights and responsibilities similar to a natural person”. Examples of “Body-Corporates” include: private corporations, public corporations, (M.A.) Local Board, Limited Liability Partnerships, etc.

Municipalities of the Huron-Elgin water systems need to deal with this issue of unclear legal identity because the implications are widespread. For example, legal status determines the Water Boards’ ability to hold debt, have bank accounts, have employees etc. The *Municipal Act, 2001* provides several legal structures for possible future governance structures of the water system.

Overview of Legal Options under the Municipal Act, 2001

Paula Lombardi, Partner and Solicitor, Siskinds LLP

Ms. Lombardi explained that the *Municipal Act, 2001* (the “Act”) provides municipalities with three options concerning the future governance structure of water systems: 1) Local Board / Municipal Services Board, 2) a Municipal Services Corporation, or 3) “do nothing”.

1) Local Boards

The definition of a Local Board in section 1 of the Act includes a municipal service board, transportation commission, public library board, board of health, police services board, and planning board. Generally a Local Board can refer to any board, commission, committee, body or local authority established or exercising any power under any provincial legislation with respect to the affairs of one or more municipality (excluding a school board and conservation authority).

Municipal Authority with respect to Local Boards are governed by s.216 of the Act, which grants Municipalities power to deal with various boards defined broadly. Municipal councils can make changes to Local Boards (s.216(5)), may pay remuneration of members, officers, and employees of Local Board (s. 283).

Local Boards are now subject to mandatory codes of conduct, and as of January 1, 2018 they can conduct electronic meetings and closed door meetings. Closed door meetings are limited to statutory exemptions to protect information received from a province or crown agency, competitive positions, contractual or other negotiations, trade secrets or information of monetary value, and information relied in in negotiations.

Local Boards still look after best interest of municipality, but their first priority is to the mandate of the Local Board.

There are additional regulatory requirements of Local Boards, including the fact that they are governed by the *Municipal Freedom of Information and Protection of Privacy Act* (“MFIPPA”),

and the *Planning Act* requires that comments decisions of Local Boards that affect a planning matter shall be consistent with and conform to provincial plans and policies (ss. 3(5) and (6)).

2) Municipal Service Corporations

Since 2007, with the passage of Bill 68, the Act has allowed the creation of Municipal Services Corporations (“MSCs”). An MSC is wholly owned by a municipality. It may be brought into existence only after the municipality has done a case study, but once established it cannot easily be dissolved by council.

In general an MSC is more nimble and more flexible than a Local Board, and while it is tied to the municipality its sits outside of the immediate authority of council. An MSC is tantamount to a delegation of authority by the municipality, but as soon as it is formed there is limited oversight by the council.

Power of MSCs

MSCs have powers to do things Local Boards cannot do, such as leverage real assets. This is in part because an MSC, unlike a Local Board, is a real corporation and the articles of incorporation dictate what it can do. MSC’s may be structured under the *Ontario Business Corporations Act* (“OBCA”), however, all shares of MSC must be owned by municipalities. While private entities cannot own any shares in a MSC, the MSC can enter into public / private partnerships.

There are some differences between MSCs and regular corporations. For example, MSCs are subject to MFIPPA (like Local Boards) and are deemed under the Act to be the same as a Local Boards for the purposes of certain regulatory oversight regimes (i.e. conflict of interest and privacy).

Directors of MSCs

A Shareholder Declaration determines governance structure of an MSC, and Directors are appointed by municipal council. An MSC always has a representative of municipal council on the board, but the remainder of the board depends on the Shareholder Declaration. Often the Shareholder Declaration will require that Directors have expertise in the area of the intended purpose of the MSC. This is distinct from Local Boards where the decision about whether directors should have a particular expertise depends on the political cycle and the decision of council.

Directors’ decisions must be in the best interests of the MSC (similar to the duty of a member of a Local Board to act in best interest of the Board). This includes any municipal representative. His or her first duty is to the MSC.

Liability

Because an MSC is a separate legal entity from the municipality, any liability associated with the operation of its service remains with the MSC and not the municipality. For example, the duty of

care to provide safe drinking water under the *Safe Drinking Water Act* would create liability for an MSC that owned and operated the municipal drinking water system, not the municipality. Whereas, if the drinking water system is operated by a Local Board, the liability stays with the municipality.

Water System Finances

Anna Lisa Barbon, Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, City of London.

Accounting

Lake Huron and Elgin prepare their own financial statements on an annual basis. Generally, the works, properties and all assets, liabilities and rights of the water system are transferred jointly to the member municipalities.

Debt Issuance

As the administering municipality, London issues the debt on behalf of the Huron and Elgin Water Boards. London has had a AAA credit rating for 42 years. As a result London receives a very good interest rate that the Water Boards have been able to take advantage of.

“Pros” to Water Systems Holding Their Own Debt:

- financial flexibility (control over timing, structure, terms and conditions of debenture issuances)
- potential additional debt capacity for benefiting municipalities

“Cons” to Water Systems Holding Their Own Debt:

- potential for lower credit rating (additional borrowing costs)
- administrative effort and cost (obtaining a credit rating, fiscal agents, clearing and depository requirements)
- limited debt capacity for Huron and Elgin

OPEN DISCUSSION: COMMENTS, QUESTIONS AND CONCERNS OF STAKEHOLDERS

Comments

There was a general request for a summary of the pros and cons of three options discussed, and a recognition that municipalities will not be able to make a decision right away. The earliest possible time to make a decision is likely January 2019 with the remainder of 2018 being used to ensure that the municipalities have the information necessary to advise councils of their options.

Attendees were also reminded that the Water Boards as they exist today have no authority over this discussion, but it is a decision for municipal councils. Ultimately, all 15 municipalities will

have to come to an agreement based on what's best for entire region. That said, no provincial approval is required for the municipalities' decision.

Questions

Q: If Council appoints someone to the board, is there a mechanism for removing them?

- Yes, in an MSC a shareholder declaration can provide such a mechanism. The shareholder declaration could tie representation to an election cycle, establish criteria for alternative appointment, etc.
- Under the current Water Board system, they serve at the pleasure of the municipality

Q: If a person sits on board and a decision comes and they don't want to decide until they go back to council and get feedback, can we do that?

- No, you don't have an obligation to take it back to council, you're duty is to the water system, we're voting anyways and continuing to operate as a board.

Q: Can you have an alternate member or a substitute?

- Yes, under either system.

Q: If the agenda is public information, can I discuss the agenda with council prior to going to the board, or can I not discuss with council at all?

- Today, the Water Boards are run as local boards and the agendas are public with exception of confidential items. So board member can sit down with staff or fellow council members and discuss.
- Remember an MSC is a separate corporation with its own board and makes its own decision and regularly reports back to council, so shouldn't be seeking advice from council (outside of periodic update to council) – council has no say once MSC formed.

Q: If you go to MSC structure, who represents rate payers, tax payers, customers?

- It depends on the Stakeholder Declaration. It can be specific about what the Board has to take into consideration, and this could be tied to guidance documents that are reviewed annually, for example.

Q: With so many municipalities as members, how is the public interest determined in guidance document because the needs are different across municipalities?

- If you think about the overall interest in the day-to-day operations of a water system, decision of the MSC Board can be expected to be based on the benefit to public at large regardless of specific municipalities. However, if there are different needs by municipality, the Stakeholder Declaration can say that annually as part of annual business plan, you can create key identifiers for the goals and plans for each municipality and figure that out.

Q: With MSC and skills-based members, is that a paid position? Compensation from municipality?

- Currently, remuneration (if any) is provided by the municipality
- In the future, you can write it into Stakeholder Declaration. It could be could be nothing or could be *per diem* and expenses, whatever is written in.

Q: The voting system does not work the same in Huron vs Elgin, so how would it work going forward with an MSC?

- Votes are proportion to the approximate benefit to each municipality, with the exception that London held to only 60% of votes on the Huron system. This structure could remain the same in an MSC, or it could change. In an MSC, the Stakeholder Declaration is the governing/controlling document and it would spell out the voting mechanism.

Q: Under the current system, we consolidate the debt, I assume we can't count the proportion of the revenue?

- Yes, it's recognized, but it's a part of your broader financial situation and with debt it could free up the debt limit for individual municipalities. If we're a government business enterprise, you take debt component away. Either way it's relative.

Q: Under MSC, do we still have administration from municipality?

- It depends, but likely not. You could structure it as two separate corporations (Elgin and Huron), and hypothetically you could have one contracted to the other, or you could create joint administration. At this stage the thinking remains very preliminary and high level.

Q: Is one of the options a complete merger of the Elgin Water Board and Huron Water Board into a single corporation?

- At this point, we are not proposing that. This is entirely up the municipalities, but we are proceeding under assumption that they would stay separate. If you want us to look at merging into one single corporation we can. It is possible but we are not proposing it at this point.

Q: In order for structure of the Board to comply with requirements of the Municipal Act, is the re-structuring a necessity or is it just a recommendation?

- Under the changes, we are not actually sure if we are a body corporate at law. It's implied, but we are not sure. For example, the City of London as bare trustee is currently signing extra agreements so they are reassured that contracts will be followed and bills paid back.
- For example, the Boards buy electricity every year and we don't know if we can legally do that.
- We are choosing to act and behave as a local board, but we don't know for sure that we are.

- The Boards are at a stage in your operations that you have to do something to make the legal structure clear and to do all the things you're doing – now that the Boards are more sophisticated in our operation and management, it's time for us to evolve and we need to make the determination of whether we're a MSB or MSC.

Q: Have we spoken to the Ministry about this issue and asked them to clarify what we are?

- Yes, and their response was it's your problem now, figure it out.
- The changes in 2010 to the *Municipal Act* allow us to fix it ourselves and it's in the best interest of the municipalities to work together to fix it because then we can make sure we get what we want.

Q: For similar boards in Ontario, what are they doing?

- There are two others, besides ours:
 - The Lambton Area Board is years behind us
 - The Union (Chatham) Board is looking at same thing we are
- Since 2002, there have been several instances in Ontario where municipalities are creating MSBs, but more often it's a MSC (Innisfil, Chatham etc.) because these opportunities now exist.

Q: Do you have comparative costs of the 2 options?

- We could give potential costs. What municipalities see now is the unit rate at which we sell municipalities water, pays for admin costs, electricity, engineering, to reserve funds etc.
- If we go MSC route, the actual changes are that board's decision.
- If stays as MSB, they make the decisions of how it changes in the future.
- Boards would have to be accredited for their credit-worthiness, could be AAA, but likely go down to AA and that could increase costs over time.
- Operating costs would likely not change unless the administration changed dramatically under the new structure.
- If we went to a one corporation system, may still choose to run it as 2 separate water systems with different rates charged for Huron versus Elgin.
- We could also have a holding corporation with 2 subsidiaries under it, one for each system, and each system could have its own boards and shareholder declaration.

Q: Are we having this discussion so we can remove the debt from our individual municipalities and have more room before we hit the ceiling? Is that the main driver?

- We see the main issues as: Are these entities body corporates at law and what does that mean?
- The biggest issue with respect to debt is the whole financial sustainability of the water systems themselves. They could trigger even greater impact on the municipalities over

the long term if debts of the water systems go up and it begins to affect the ability to do future capital projects.

- But the risk depends on how much debt each municipality is carrying currently and is different for each. So that's why you need to go back and look at your own – could have a higher impact if you're already close to your debt capacity, or may not want to arbitrarily increase debt anyways because can impact on your interest rates in the long run.
- The financial plan of the water systems is good place to start. It shows you debt-equity ratios etc.

Q: Do we know if the debt we have currently is transferable over to a new MSC?

- We think that it is, but we would look at how that's done once we move forward, different ways to transfer it all over.
- An MSC could purchase all the debts and assets of the entities and re-finance etc. accordingly
- Once transferred to a MSC, depending on how the MSC is structured, it will be evaluated on its own.
- if you make it the same (MSB), you'd need to look at how it will impact your credit rating with future financial plans, taking on debt, capital projects etc.
- But consolidation could occur under either option.

Q: Are there any major substantive differences on the personnel side if going with one option over the other?

- This entirely depends on the structure that's adopted, operationally likely wouldn't change much, but how you administer it would depend on what the entity is.
- Currently we contract out a lot of administration services that may change depending on how we structure it.

Q: As new board members come onto the Water Boards, they will have to be brought up to speed, how will that work over the next year?

- Water Boards themselves have no authority over this process, entirely up the municipalities, only responsibility is to inform the board about progress.
- For the next 6 months, mostly administration working on this issue, informing councils and Andrew informing the Boards

Q: The goal in terms of how to better manage risk and liability under standards of care, members etc. wasn't included in your presentation, so can you include how the risks and liabilities etc. will be better managed under each option?

- Yes, you will get that before the next session.
- We talked about it a little bit, but we can provide an FAQ on how it's being managed now and how it could be changed under a different structure. For example, the application of

safe drinking water act, how it applies to boards and back to municipalities is something we looked at.

CLOSING REMARKS AND NEXT STEPS:

- Preliminary recommendation in session in late fall after balloting exercise happening in October.
- Then gather feedback.
- By spring, have a recommendation for municipalities to consider based on everyone’s opinions, concerns etc. and maybe even a draft stakeholders’ declaration.
- This is not a short process. It will likely take more than a year.

<p>To: Chair and Members Elgin Area Primary Water Supply System Board of Management</p> <p>From: Kelly Scherr, P.Eng., MBA, FEC Chief Administrative Officer</p> <p>Subject: EA2172 Terminal Reservoir Isolation Valve Replacement</p>

RECOMMENDATION

That this report related to project EA2172 Terminal Reservoir Isolation Valve Replacement **BE RECEIVED** for information by the Board of Management for the Elgin Area Water Supply System.

PREVIOUS AND RELATED REPORTS

- October 3, 2019 Capital Status Report
- October 6, 2016 2017 Capital and Operating Budgets

BACKGROUND

EA4131 – Cell 1 Isolation Valve was previously approved by the Board as part of the 2017 capital budget to undertake repairs to an outlet valve from cell #1 of the terminal reservoir located northeast of St. Thomas. The valve is located at a junction between the transmission pipeline at the inlet to cell #1 of the terminal reservoir, and the discharge header to the St. Thomas Secondary Water System. This valve is critical to the safe operation of the regional water system’s daily operation, as well as bypass operations in the event of an emergency.

The valve and components were initially purchased at a cost of approximately \$15,000, but work was delayed due to the challenges posed in undertaking the repair without significantly impacting the benefiting municipalities and the emergency repairs to the reservoir.

On October 3, 2020, the project was inadvertently closed due to the length of inactivity on the project. The isolation valve is now showing signs of accelerated leakage, and the repairs must proceed as expeditiously as possible.

DISCUSSION

Subsequent to the initial purchase of the valve components, a detailed work plan has been developed by the contracted operating authority, the Ontario Clean Water Agency (OCWA), to undertake the repairs.

Because of the criticality of this valve and the accelerated rate of failure, Board staff authorized the creation of EA2172 under the emergency provisions of the Boards Procurement By-law in order to complete the necessary repairs to the valve. The estimated cost to complete the repairs is \$90,000 as the installation is complex, requiring significant modifications to the chamber and connections at the location in order to minimize the impacts to the regional water system and its benefiting municipalities.

The Asset Replacement Reserve Fund was utilized as the source of funding for the project and will be used to complete the repairs.

Anticipated Operating and Service Impacts

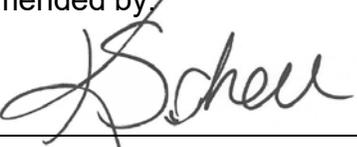
The use of the emergency bypass through the Elgin-Middlesex Pump Station and back-feed from the City of London and the Lake Huron water system was recently tested in various configurations and will be used to provide water to Elgin County. All distribution reservoirs and towers will be filled prior to the start of the repairs to ensure minimal impact on the municipalities in the region.

OCWA anticipates that the valve replacement will take approximately eighteen hours to complete. Preparatory work has been undertaken by OCWA, with the final repair to be completed within the next month, weather permitting.

CONCLUSION

Project EA2172 Terminal Reservoir Isolation Valve Replacement was authorized by Board staff in accordance with the emergency provisions of the Board’s Procurement By-law. As required by the provisions, this report is provided to the Board.

This report was written by John Walker, Operations Manager.

Submitted by: 	Recommended by: 
Andrew Henry, P. Eng. Director, Regional Water Supply	Kelly Scherr, P.Eng., MBA, FEC Chief Administrative Officer

To:	Chair and Members Elgin Area Primary Water Supply System Board of Management
From:	Kelly Scherr, P.Eng., MBA, FEC Chief Administrative Officer
Subject:	Residuals Management Facility

RECOMMENDATION

That the Board of Management **RECEIVE** this report for information regarding the status of the Elgin Residuals Management Facility project at the Elgin Area Water Treatment Plant.

PREVIOUS AND RELATED REPORTS

- December 10, 2009 HELP Clean Water – Principles for Surplus Distribution
- June 11, 2009 Residue Management Facility Class EA and Preliminary Design
- March 12, 2009 Residue Management Facility
- October 7, 2010 Residue Management Facility Class EA and Preliminary Design Status Update
- August 4, 2011 Residual Management Facility Class EA and Preliminary Design Finalized
- December 5, 2013 Project EA4023 - Residuals Management Facility Construction Award
- January 22, 2015 Project EA4023 - Residuals Management Facility – Status Update
- October 1, 2015 Project EA4023 - Residuals Management Facility – Status Update
- June 2, 2016 Water Treatment Plant Storage Building Design-Build Award & Residuals Management Facility Status Update
- March 9, 2017 Residuals Management Facility and Water Treatment Storage Building – Status Update

BACKGROUND

When the Elgin Area water treatment plant was originally constructed in the mid 1960's by the Province of Ontario (via the Ontario Water Resources Commission), provision of a residuals management facility to treat the waste by-products from the treatment process was not incorporated into the facility. At that time, it was typical practice to discharge the waste from sedimentation basins and the filter backwash processes of conventional water treatment plants to the source water. With increased concern over environmental impacts, pollution, and general due diligence, new environmental standards and regulations are now in place to prevent such practices from occurring with newly constructed water treatment facilities.

The need to install a residuals management facility to address the treatment of waste by-product materials created during the water treatment (sedimentation) and filtration (filter backwash) processes is essential in order to meet current legislated requirements for discharges to receiving water bodies. The lack of residuals management in concert with the practice of allowing waste by-product materials to be discharged directly back to the lake, made the Elgin Area water treatment plant non-compliant with existing environmental regulations. In order to show due diligence in regard to meeting regulatory requirements when the ownership of this facility was transferred from the Province of Ontario to the current Board of Management in late 2000, the residuals management facility was originally planned for 2010 (engineering) and 2011 (construction).

The Board accepted the tender of Hayman Construction in December 2013 and construction of the Residuals Management Facility (RMF) commenced in early 2014. Hayman completed construction in the end of 2016 and was granted Substantial Completion on December 16, 2016. The facility was commissioned and has been operational since January 9, 2017. The two-year warranty associated with the RMF commenced upon substantial completion and therefore expired on December 16, 2018.

DISCUSSION

A 2.5% performance warranty security was included in the construction contract to ensure that the contractor addressed issues that occurred within the commissioning and warranty period. In early 2019 several issues primarily related to sludge mixing pumps and tank coatings remained unresolved and therefore only a portion of the warranty holdback was released to the contractor. Several rounds of discussions and detailed investigations into the issues surrounding the mixing pumps and tank coatings with the contractor continued through the spring and summer of 2019. Ultimately, a decision was reached that led to the contractor repairing the tank coatings in the fall of 2019 after which the appropriate portion of the warranty holdback was released in October 2019.

It is customary with projects as large and operationally intensive as the RMF, that operational challenges occur early in the operating life of a facility that were not envisioned during the design or construction stages of the project. To overcome these challenges several enhancements to the facility were initiated by the contracted operating authority in 2019 to ensure efficient facility operations moving forward. These modifications are expected to be completed by the fall of 2020.

The basis for the approach underlying our management systems are founded on the concept of Plan-Do-Check-Act. The Plan-Do-Check-Act model provides an iterative process used by organizations to achieve continual improvement. This concept is a cycle for implementing change, which leads to repeated incremental improvements in the process it is being applied to.

One of the key purposes of a management system is to act as a preventive tool. Actions that support continual improvement are determined by the organization to enhance its

performance. Given the size and complexity of this project, a value engineering/lessons learned workshop was held on January 21, 2020 with Board staff, contracted operations, the engineering design team and the general contractor. The purpose of the workshop was to evaluate the project delivery as a whole, and to document suggested actions for improvement in carrying out future projects.

The consensus from the workshop was that the project was a success however the project team developed a list of recommendations that should be considered as part of future capital projects that include but are not limited to the following:

1. Include maintenance considerations when consulting with the Ministry of Environment, Conservation and Parks (MECP) during the design process to ensure that the drinking water license will allow for discharge to the lake under certain conditions. To meet the conditions of the license contracted operations drain the sedimentation tanks slowly into the RMF over several days. It may be beneficial to investigate amending the license with the MECP to be able to discharge to the lake without penalties during an emergency or during certain periods of the year where discharge of sludge to the lake does not affect the water quality of the receiving body.
2. During construction the contract administrator should continue to be diligent in the timeliness of shop drawing review and issuing documentation (including meeting minutes) as this can have an impact on the speed of construction and sets the tone for the job. If shop drawings take longer than 2 weeks to review, the industry may inadvertently act like the job is not as much of a priority and construction will slow down.
3. Consider ways to improve operational assumption of capital projects. It was suggested that an alliance between contractor, consulting engineer and contracted operations be an allowance in the construction contract such that the facility is operating by all three parties for a period before formal operational hand-off.
4. Place a greater emphasis on *Safety By Design* such that additional safety concerns are included as part of the design and construction, and not after the owner has assumed operations.
5. Include an energy optimization plan in the pre-design phase to identify energy efficiency opportunities as part of the design.



PROJECT FINANCIAL STATUS

The following is a summary of expenditures to date and projected expenditures to project closure:

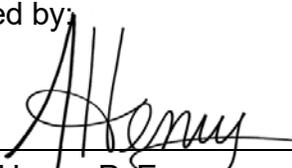
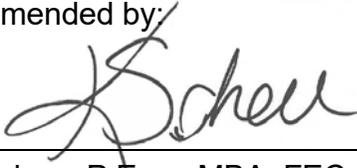
Expenditures to date	
Engineering	\$ 4,035,379
Construction	\$23,659,330
Projected Expenditures¹	
Engineering	\$ 17,279
Construction	\$ 203,669
Total Expenditures	\$27,915,657
Approved Budget	\$30,200,000
Projected Surplus from Budget (unutilized debt)	\$ 2,284,343

¹Expenditure approved and work underway

CONCLUSION

With the Residuals Management Facility in operation, the waste by-products from water treatment processes are now treated making the Elgin water treatment plant compliant with current legislated requirements for discharges to receiving water bodies.

Information for this report was provided by Billy Haklander, Environmental Services Engineer.

Submitted by: 	Recommended by: 
Andrew Henry, P. Eng. Director, Regional Water Supply	Kelly Scherr, P.Eng., MBA, FEC Chief Administrative Officer

To: Chair and Members
Elgin Area Primary Water Supply System Board of Management

From: Kelly Scherr, P.Eng., MBA, FEC
Chief Administrative Officer

Subject: Performance Incentive – Operations & Maintenance Agreement

RECOMMENDATION

On the recommendation of the Chief Administrative Officer, the Board of Management for the Elgin Area Water Supply System take the following actions with regard to the Incentive Payment pursuant to Article 7.2(b) of the Operations & Maintenance Agreement with the Ontario Clean Water Agency:

- a) That the Board approve in principle the payment of a portion of the Incentive Payment to a charitable organization as directed by OCWA on behalf of its retained employees at the Board's facilities; and,
- b) Direct staff to seek the legal opinion from the Board's solicitor on the applicability of the payment, and provide guidance as appropriate.

BACKGROUND

The Operations and Maintenance Agreement with the contracted operating authority, the Ontario Clean Water Agency (OCWA), was entered into in 2012 following a public procurement process. The agreement with OCWA was for an initial five-year term and was extended for an additional five-year term in 2017 in accordance with the terms and conditions of the original agreement.

The Operations & Maintenance Agreement requires that the contracted operator must operate, maintain, and repair the facilities at all times and in accordance with Ontario Acts and Regulation. In addition, the agreement stipulates additional minimum contractual requirements which must be adhered to, as well as benchmarks for superior performance.

A portion of the Service Fee paid to the contracted operator is set aside such that if the contractor fails to meet the contractual performance or regulatory requirements, penalties may be assessed, and part of the Service Fee is reduced. In addition, if certain performance objectives aren't met, the Service Fee may be additionally reduced in accordance with the terms and conditions of the Agreement.

Additionally, if specified plans and/or reports are not provided within the timeframe stipulated in the agreement, specified amount(s) may be withheld until such time as the plan or report is produced.

The premise of the agreement is largely based on incenting superior performance while retaining the ability to assess penalties and/or withhold payment during events where inferior performance occurs.

Article 7.2(b) sets aside \$30,000 of the Service Fee as an incentive related to the retention of employees. The previous contract between 2002 and 2012 with a different contracted operator was challenged in its performance due to a near constant change in staffing, and the loss of operational knowledge became a significant risk. In preparation for the current contract period, the Board authorized a portion of the Service Fee to be set aside to incent performance related to staff retention.

DISCUSSION

The purpose of Article 7.2(b) of the Service Agreement with the contracted operating authority was to incent the retention of specified operational staff that were deemed critical, where reasonably practical. It is important to note that the operational staff are employees of the contracted operator, and the Board has no ability to direct payment or any benefit to their retained staff.

In this regard, the intent of the clause was that the payment would be made to the contracted operator and in return, that company would utilize those funds to incent their staff in turn.

As OCWA is a Crown Corporation of the province of Ontario, and its employees are members of a collective bargaining unit governed by a Collective Agreement, OCWA has indicated a significant difficulty in utilizing the funds for its intended purpose without contravening employment agreements.

In 2017, OCWA proposed that the payments be made directly to their retained staff at the facilities, however staff were advised by the Board's our solicitor that we should avoid direct payments to the contracted operator's employees as we run the risk of being designated an "employer" or "related employer" under various provincial and federal Acts. Notwithstanding, we believe that the principle of those employees which are directly attributable to the success of achieving the incented objectives should benefit from the incentive payment.

Further discussions with OCWA resulted in a request that a portion of the incentive payment under 7.2(b) of the agreement be made to a charitable organization of the retained employees' collective choosing and on their behalf. This directed payment would only be applicable should the contracted operator meet the terms and conditions of the incentive payment.

In principle, Board staff are not opposed to the recommendation of the directed payment of a portion of the Incentive Payment payable under 7.2(b) of the Operations & Maintenance Agreement; however if applied it is recommended that the Board follow some basic guiding principles, including:

- Board staff must verify on an annual basis that the Incentive Payment is due and payable, and is not subject to any reductions or penalties;
- OCWA, on behalf of their employees that were retained at the Board's facilities, direct the Board to make payment of a specified amount of the Incentive Payment to a recognized charitable organization; and,
- Where OCWA fails to provide the direction on behalf of its employees (as noted above), or if directed otherwise by the Board's solicitor, payment would be made in full to the contracted operator in accordance with article 7.2(b) of the Operations & Maintenance Agreement.

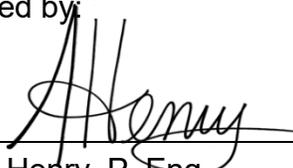
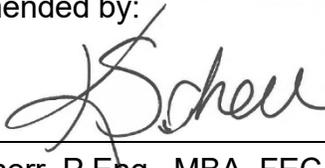
Should the Board choose to accept the request from OCWA, in principle, Board staff further recommend that the advice of a solicitor be obtained to ensure that the payment will not contravene any provincial or federal Acts or Regulations, and provide advice on any further principles and processes that may be applied on an annual basis.

Anticipated Operating and Service Impacts

There is no anticipated impacts to the operation of the Board's facilities or to the Operations & Maintenance Agreement. On an annual basis, Board staff continue to verify and validate the applicable payment of incentives under the Operations & Maintenance Agreement, as well as the application of deductions and penalties. The directed payment of a portion of the Incentive Payment payable under 7.2(b) of the agreement with the Ontario Clean Water Agency would continue to satisfy the terms of the agreement with OCWA, while having the added benefit of the retained OCWA employees having the collective benefit of contributing to the communities which we service and the public at large.

CONCLUSION

The payment of the employee retention incentive as a portion of the Service Fee was intended to incent the retention of critical operating employees of the contracted operator and ensure the retention of knowledge in the Board’s system and facilities. While payment directly to the OCWA’s employees is not possible, OCWA has requested on behalf of its employees the consideration of being able to direct a portion of the incentive payment to a charitable organization when the incentive payment is due and payable.

Submitted by:  Andrew Henry, P. Eng. Director, Regional Water Supply	Recommended by:  Kelly Scherr, P.Eng., MBA, FEC Chief Administrative Officer
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