



Calgary Regional Partnership

Review of CRP Governance to Support Regional Water & Wastewater Servicing

Final Report

September 2010

Executive Summary

The Calgary Metropolitan Plan (CMP) identifies the important role regional water and wastewater infrastructure and servicing systems will have in enabling the Calgary Region to achieve the right balance among protecting the regional environment, providing efficient and effective delivery of municipal services, and enhancing regional prosperity. To move forward with regional servicing, consistent with the CMP, it was recognized that a critical first step was the development of a governance structure that supports implementation and allows the Calgary Regional Partnership (CRP) and its members to address a wide array of implementation questions and issues. To this end, the CRP engaged Grant Thornton to assist it in developing a governance structure that will support implementation of regional water and wastewater servicing.

The initial review focused on an evaluation of governance model alternatives currently in use involved:

- Development of key attributes or ideal characteristics (solution requirements) of a governance model for regional servicing,
- Identification and description of a broad continuum of possible governance model alternatives, and
- A structured evaluation of the governance model alternatives against the solution requirements by the CRP Servicing Steering and Staff Committees.

This focused effort resulted in significant progress and the broad set of existing governance model alternatives was narrowed down to the following three models:

- Regional Utility Board / Authority,
- Regional Service Commission, and
- Not-for-Profit (NFP) Corporation.

Further detailed assessment of these preferred alternatives and resulting dialogue brought to light the need to verify with member municipalities their servicing visions, needs and issues to effectively assess the fit with the preferred alternatives.

Based on direction from the Staff Sub-Committee, the following specific steps were undertaken during June and July to further define additional governance model solutions to support implementation of regional servicing in the Calgary Region:

1. Further clarify and define the overarching CRP governance model.
2. Re-confirm the CRP servicing principles and define the scope of accountability / decisions that the Regional Servicing Governance Entity (RSGE) will be held to account. Define within the context of what decisions the RSGE will make, versus CRP, versus other players.
3. Member municipalities to articulate their regional servicing and governance requirements.

4. Identify and assess the degree of alignment between and among the CRP regional servicing and member municipalities. Specifically, identify commonalities and issues between municipalities servicing requirements to better define a governance model solution.
5. Re-evaluate the preferred alternatives and confirm an optimal governance model alternative.
6. Develop implementation plan including timeframes and accountabilities.

The input from the member municipalities provided additional insight into the complex issues and diverse points of view related to regional servicing. Even with these differing points of view there was still a number of commonly held views and requirements, which were clarified and communicated at the July 29th, 2010 Steering Committee Meeting as follows:

- The RSGE **should be** responsible for long-range planning, priority setting and oversight of master plan implementation, and **not responsible** for providing oversight of an operating entity.
- The governance model should (1) be flexible enough to potentially provide for oversight for a broader set of municipal services (e.g. solid waste management, watershed protection, etc.), and (2) have effective integration with other CRP governance entities (e.g. Transit) to avoid divergent implementation.
- The board / oversight committee should have representation from elected officials, municipal experts and objective external experts. This provides for public representation, link back to CRP governance, technical capability, continuity and objectivity.

In re-evaluating the fit of the preferred alternatives identified, it was clear that at this stage in the regional servicing solution development there are a number of unresolved governance issues (e.g. joining / leaving the CRP, effective integration with overarching CRP governance). Thus adopting one of the preferred alternatives may, at this time, be too significant and a less formalized and more flexible governance model be adopted in the short term.

Recommendation

Based on the additional detail and insight gathered during the engagement of the member municipalities it is recommended that the RSGE initially become a more formalized sub-committee of CRP as an interim solution. This will permit CRP to move forward with regional servicing, while providing foundation and time to evaluate a more permanent governance model.

The first step in moving forward with this recommendation is to develop an interim governance solution, specifically a regional servicing governance /committee charter that outlines, at a minimum, the following key aspects or regional servicing governance:

- detailed description of the scope of governance and oversight,
- legal form of the governance body,
- composition and representation on the governance body,
- roles and role descriptions,
- decision making / voting model to be employed,
- dispute resolution mechanism,
- process to join / leave governance body, and
- general governance bylaws.

We recommend the following specific steps be undertaken to further design the regional servicing governance solution:

1. Develop initial draft regional servicing governance / committee charter (Charter) based on input from leading practices, research, case studies and input from a CPR Staff Sub-Committee.
2. Engage member municipalities to gather detailed feedback on the initial draft Charter.
3. Develop draft final Charter based on member municipality feedback and an associated implementation plan for CRP Servicing Steering Committee and Executive Committee consideration and approval.

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Introduction

This report discusses governance for regional servicing in the Calgary Region. It outlines the approach used to reach consensus among the various stakeholders on a preferred governance model to oversee primarily the implementation of water and wastewater servicing and possibly regional utility servicing in the Calgary Region longer term. The report identifies and explores various forms of regional servicing governance currently in use, their relative advantages and disadvantages, and the structure that would be most appropriate given the CRP servicing goals, which was this first stage of the review. The report goes on to describe the approach to the second stage of the review and presents the results of this second stage of assessment.

The detailed operating model and associated components required to guide and manage the delivery of effective regional water and wastewater servicing (i.e. cost, water and technical policies) will be defined once the governance model has been formalized, and is outside the scope of this Report.

This report is organized in the following order:

- Context
- Governance
- Evaluating Existing Governance Model Alternatives
- Defining Governance Model Solution Details
- Recommendation

A supplementary attachment to this report is a collection of relevant case studies of governance models used to oversee water and /or wastewater servicing in other jurisdictions around the world. While no other situation was found to be identical to that of the Calgary region, these case studies are useful in highlighting the advantages and disadvantages of different governance models.

Context

Background

Over the course of human history, cities and communities developed in close proximity to fresh water, typically along river systems. Reliable access to fresh water continues to be a key determinate of growth, prosperity and settlement patterns globally. The Calgary Regional Partnership (CRP) recognises the important of this valuable resource in building sustainable communities, protecting our environment and managing long term growth of the Calgary Region.

The CRP Business Plan and comprehensive Calgary Metropolitan Plan (CMP) both emphasize the importance of regional infrastructure and servicing systems to achieving the right balance among protecting the regional environment, providing efficient and effective delivery of municipal services, and enhancing regional prosperity. The CMP defines regional infrastructure and servicing to include the five major systems:

- Water, wastewater and storm water servicing;
- Transportation and transit system;
- Waste management (organic and solid)
- Economic development; and
- Geographic Information System (GIS).

The CMP identifies the conditions for regional water and wastewater servicing, including Overarching Regional Infrastructure and Servicing Policies (Appendix A) to guide the development of these servicing systems. It also provides a set of principles specific to water and wastewater servicing and identifies the process for developing servicing governance. This includes the need to determine the governance structure that will have ultimate accountability and oversight of water and wastewater servicing within the Calgary Region.

At the same time as member municipalities have been collaborating to develop the CMP, there has been significant effort devoted to drafting the long-range plan for regional water and wastewater infrastructure. This effort includes the Phase 2 - CH2MHILL Water-Wastewater Servicing Reports^{1 2} which recommends infrastructure options (Phase 2: Summary Report June 2009) and governance principles (Phase 2: Governance and Implementation Report September 2009) for regional water and wastewater servicing.

The policies and principles articulated in the CMP as well as information contained the CH2MHILL reports were useful building blocks for the work undertaken to develop a governance structure that will support implementation of regional water and wastewater servicing as summarized in this Report.

¹ Planning & Technical Study on Water & Wastewater Servicing in the Calgary Region – Phase2, Summary Report, CH2MHILL, June 2009

² Planning and Technical Study on Water & Wastewater Servicing in the Calgary Region – Phase 2, Governance & Implementation Report, CH2MHILL, September 2009

CRP Vision & Governance Principles - Alignment

Alignment with the CRP vision and governance principles is an important step in the identification and evaluation of water and wastewater servicing governance model alternatives. The CRP was created to foster collaboration among member municipalities to achieve a sustainable region. Its vision is:

*Working together to live in balance
with a **healthy environment**, in **enriched communities**,
with **sustainable infrastructure** and a **prosperous economy**.*

The CRP, in conjunction with its member municipalities, developed the following set of principles³ to guide the development of governance for the implementation of the CMP. These Governance Principles include:

- 1 Mandatory membership for CRP members and alignment with the CMP;
- 2 The governance structure should be expansive in scope;
- 3 The governance structure should be addressed in a comprehensive manner; and,
- 4 A super majority decision making process should be implemented for a limited number of decisions that cannot be agreed to by consensus but that affect the region as a whole.

The four cornerstones of the CRP vision along with Governance Principles were used in the development of Solution Requirements described later in this Report.

³ Calgary Metropolitan Plan, June 19, 2009, page 15

Governance

Defining Governance

There are dozens of formal definitions of governance. The following definitions are provided to guide the development and assessment of governance models to support regional water and wastewater servicing.

Governance - is the process by which stakeholders articulate their interests, their input is considered, decisions are taken and decision-makers are held accountable. Decisions include: defining end result expectations, prioritizing goals, granting power (assigning responsibility), verifying performance and rendering accountability.

Governance structure - the informal and patterned ways in which different institutions and actors inter-act within particular political and administrative settings to develop policy goals, select among means, cope with uncertainty and controversy, and foster legitimacy and support for policies⁴.

Fundamentally, governance is about ultimate accountability and oversight. The governance entity that will support implementation of water and wastewater servicing in the Calgary Region will be the crucial link in the "chain of command" between CRP members (whether legal, legislated or moral in nature) and the operator(s) or service provider(s). The governance entity does not exist to help staff, but rather to give the ownership the controlling authority or power for accountability. The governance entity does this by:

- representing and speaking for its owners but operating as an undivided unit;
- prescribing organizational ends and prioritising goals;
- articulating “unacceptable” means (not the means themselves);
- enabling decisions using the principle of policies;
- assigning responsibility (usually to executive management); and
- verifying performance through appropriate controls / oversight.

The multi-municipal nature of the CRP regional water and wastewater servicing entity necessitates the scope of the governance models being considered be broader than just oversight and decision making. It must also encompass aspects such as ownership issues (e.g. cost sharing, water license), funding and inter-municipal relationships.

Business Model

A definition of business or operation model is provided, to help demonstrate how it is different than a governance model.

Business model – defines the arrangements for getting things done once [end result] decisions have been made [and goal priorities established]. More specifically, a business model delineates features such as ownership, organizational structure, and the risks and responsibilities for the management of the organization and its improvement⁵.

A business model refers to the arrangements for implementation and operating the regional water and wastewater servicing entity. It defines the “means” to get things done (i.e. to achieve the desired “ends” as defined by the governance entity). The business or operating entity delineates features such as:

- organizational structure;
- risks and responsibilities for the management of the organization;
- how service will be provided; and
- the cost of providing the requested service.

The business model is different than the governance model, and is therefore, outside the scope of this Report.

Good Governance Principles

The research and resulting governance handbook completed by Karen Bakker⁶ on behalf of the Federation of Canadian Municipalities provide an excellent input into defining good governance principles and ultimately, the Solution Requirements for evaluating the governance model alternatives. The handbook outlines the key characteristics of good governance and defines the foundational principles for good governance of water supply.

The seven principles of good governance outlined in Bakker’s handbook are presented below accompanied by an initial identification of the solution requirements.

Governance principles	Initial identification of solution requirements
Accountability	<ul style="list-style-type: none"> • Demonstrating adherence to the principles of the CMP. • Clearly defined roles and responsibilities. • An effective, independent board. • Effective governance of the board.
Responsiveness	<ul style="list-style-type: none"> • Developing a long-term plan to ensure water and sewage system capacity to accommodate future growth. • Timely decision making taking into account Triple Bottom Line (TBL) implications.
Effectiveness and efficiency	<ul style="list-style-type: none"> • Maximizing infrastructure investment. • Effective management of water resources. • Minimize governance and administrative complexity.
Transparency	<ul style="list-style-type: none"> • Transparent disclosure of decisions and results, effective communications to member municipalities.
Participation	<ul style="list-style-type: none"> • Appropriate and effective input from member municipalities and stakeholders. • Soliciting public input as required.
Financial sustainability	<ul style="list-style-type: none"> • Full lifecycle investment needs are the basis for program spending.

⁵ Bakker 2003, 5

⁶ Good Governance in Restructuring Water Supply: A Handbook, Dr. Karen Bakker, 2003

	<ul style="list-style-type: none"> • Optimal access to provincial grants. • Sufficient funding to support watershed protection.
Respect for the rule of law	<ul style="list-style-type: none"> • Adherence to regulations governing provision of water and wastewater services.

The existing CRP policies and principles, CMP policies and servicing principles, CH2MHILL recommended servicing governance principles and those defined by Bakker, collectively provide a robust set of principles from which to develop criteria to evaluate governance model alternatives. Draft solution requirements / evaluation criteria were developed and reviewed with the CRP Servicing Staff Committee (May 11, 2010) to gather feedback and prioritize the criteria into “must-have” and “nice-to-have” categories.

Regional Governance Entity Responsibilities - Governance Scope

The servicing governance principles recommended in the CH2MHILL Report, specify the need for a Regional Servicing Governance Entity (RSGE) that will be responsible for developing and implementing the detailed servicing policies and procedures relating to:

- Eligibility for regional servicing;
- Cost allocation for new infrastructure projects;
- Cost allocation to operate and maintain regional water and wastewater conveyance and treatment infrastructure;
- Grant applications;
- Regional watershed management programs;
- System planning; and
- Regional water license sharing.

As stated in the Phase 2 - CH2MHILL Water-Wastewater Servicing Report, the scope of the Regional Governance Entity will be limited to regional systems. Regional systems are defined as the water, wastewater and storm water infrastructure, including raw water reservoirs, river intakes, water and wastewater treatment plants, water and wastewater trunk mains, and associated pumping stations that will be required to service the compact urban nodes identified in the CMP. The Phase 2 - CH2MHILL Water-Wastewater Servicing Report recognizes that while sub-regional and local systems may be part of the future servicing solution, these systems will likely not be within the initial governance scope of the CRP.

Evaluating Existing Governance Model Alternatives

The following is a summary report of the results from this stage of the review. A more detail description of the approach and the detailed evaluation results are provided in Appendix B.

The initial review approach was to develop the **ideal state of governance** taking into consideration the diverse needs of CRP membership and a draft set of **criterion/solution requirements** to evaluate governance model alternatives. Key sources of information for this work included existing CRP policies and principles, the CMP, CH2MHILL recommended servicing governance principles, as well as, numerous internal and publically available documents pertaining to water, wastewater and transit system governance. The draft evaluation criteria were reviewed and prioritized into “must-have” and “nice-to-have” categories with the CRP Servicing Staff Committee and Project Advisory Committee (May 11, 2010).

A “must-have” criterion is a characteristic that the governance model must have or a goal that a model must be able to achieve. If a governance model did not meet any one of the “must-have” criteria, it was eliminated from further assessment. A “nice-to-have” criterion is a desired characteristic of the governance model. The “nice-to-have” criteria facilitate ranking of the remaining governance models rather than elimination. The nice-to-have requirements were ranked from highest to lowest priority. The criteria used to evaluate the various governance models are summarized in the table below.

“Must-Have” Criteria	“Nice-To-Have” Criteria and Rating	
Enable the implementation of the CMP	Ability to monitor and evaluate performance	H
Align and integrate with the overarching CRP governance model	Access to funding	H
Employ a transparent, accountable and inclusive decision making model	Robust / adaptable	H
Promote Environmental Stewardship & Public Health	Board Expertise	M
Ensure financial sustainability	Ease of maintaining the entity / administrative simplicity.	L

Stakeholder / member municipality participation		
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As a final test, the top ranked governance model alternatives were also assessed to determine if they are acceptable to member municipalities and the Provincial Government.

A continuum of governance model alternatives was developed for consideration and assessment. The continuum takes into consideration the increasing trend toward governance models that allow utilities to distance themselves from the influence of municipal politics and local governments. The CRP Steering and Staff Servicing Committees were brought together in a workshop format (May 27, 2010) to evaluate the identified governance model alternatives against the evaluation criteria (must-have and nice-to-have criteria) and political / stakeholder acceptability. The results of the assessment are summarized in the table below.

Governance Model Alternative	Eliminated Not Meet Must- Have Criteria	Eliminated Low Ranking on Nice to Have Criteria	Preferred Assess Further
1. Cooperative	X		
2. Inter-municipal partnerships		X	
3. Regional Utility Board / Authority			√
4. Joint Powers Authority		X	
5. Regional Service Commission			√
6. Extended municipal services		X	
7. Not-for-profit corporation			√
8. Municipally controlled corporation	X		
9. Crown Corporation	X		
10. Corporatized Utility	X		

The next step in the evaluation process involved completing a more detailed assessment of the remaining three alternatives: Regional Water Board / Authority, Regional Service Commission and Not-for-Profit Corporation. This assessment included evaluation of significant risks, as well as, identification of the benefits and challenges from the perspective of each of the major stakeholders: CRP member municipalities; the CRP and the Provincial Government.

Based on a number of assumptions, the Regional Utility Board / Authority is the leading alternative for the following reasons:

- Ability to tailor the governance scope and structure to meet unique servicing needs of the Calgary region and the diverse needs of the member municipalities.
- Limits Provincial Government interference.
- Potential to integrate into the overall CRP governance more easily than the Regional Services Commission and the NFP Corporation.
- The ability to transition from the Regional Utility Board / Authority to the other governance models (i.e. Regional Service Commission, NFP Corporation) would be easier than the converse.

Although the Regional Utility Board / Authority governance model alternative has been assessed as the likely governance model, regional servicing and governance is very complex and as such, the recommendation is based on a number of assumptions about the overarching CRP governance structure and the servicing visions of member municipalities. This is a preliminary assessment and it is recommended that more due diligence be completed prior to finalizing the governance model.

This stage and resulting dialogue brought to light the need to verify with member municipalities their servicing visions, needs and issues to better assess the fit with the preferred governance model alternatives identified. Thus a secondary and more in-depth identification of governance model solutions was commenced, which is described in the following section.

Defining Governance Model Solution Details

Based on direction from the Staff Sub-Committee, the following specific steps were undertaken during June and July to further define additional governance model solutions to support implementation of regional servicing in the Calgary Region:

1. Further clarify and define the overarching CRP governance model.
2. Re-confirm the CRP servicing principles and define the scope of accountability / decisions that the RSGE will be held to account. Define within the context of what decisions the RSGE will make, versus CRP, versus other players.
3. Member municipalities to articulate their regional servicing requirements.
4. Identify and assess the degree of alignment between and among the CRP regional servicing and member municipalities. Specifically, identify commonalities and issues between municipalities servicing requirements to better define a governance model solution.
5. Re-evaluate the preferred alternatives and confirm an optimal governance model alternative.
6. Develop implementation plan including timeframes and accountabilities.
7. The input from the member municipalities provided additional insight into the complex issues and diverse points of view related to regional servicing. Even with these differing points of view there was still a number of commonly held views and requirements, which were clarified and communicated at the July 29th, 2010 Steering Committee Meeting as follows:
 - The Regional Servicing Governance Entity (RSGE) **should be** responsible for long-range planning, priority setting and oversight of master plan implementation, and **not responsible** for providing oversight of an operating entity. Specifically, the RSGE provides oversight on the following related "regional servicing infrastructure" as follows:
 - who gets servicing in alignment with CMP
 - when servicing is provided
 - direct the advancement of major capital funding proposals for regional infrastructure
 - implementation of the servicing master plan
 - The RSGE would be responsible to develop the following for CRP Executive approval:
 - RSGE governance charter, including decision making framework
 - Regional water and wastewater servicing master plan
 - 10-Year capital investment and staging plan

- The governance model should (1) be flexible enough to potentially provide for oversight for a broader set of municipal services (e.g. solid waste management, watershed protection, etc.), and (2) have effective integration with other CRP governance entities (e.g. Transit) to avoid divergent implementation.
- The board / oversight committee should have representation from elected officials, municipal experts and objective external experts. This provides for public representation, link back to CRP governance, technical capability, continuity and objectivity.

In re-evaluating the fit of the preferred alternatives identified, it was clear that at this stage in the regional servicing solution development not enough definition on specific governance issues (e.g. joining / leaving the CRP, effective integration with overarching CRP governance) had been completed and that adopting one of the preferred alternatives may be too significant of a step in the development of regional servicing and that a less formalized and more flexible governance model be adopted in the short term.

Recommendation

Based on the additional detail and insight gathered during this review it is recommended that the RSGE initially become a more formalized sub-committee of CRP as an interim solution. This will permit CRP to move forward with regional servicing, while providing foundation and time to evaluate a more permanent governance model.

The first step in moving forward with this recommendation is to develop an interim governance solution, specifically a regional servicing governance /committee charter that outlines, at a minimum, the following key aspects of regional servicing governance:

- detailed description of the scope of governance and oversight,
- legal form of the governance body,
- composition and representation on the governance body,
- roles and role descriptions,
- decision making / voting model to be employed,
- dispute resolution mechanism,
- process to join / leave governance body, and
- general governance bylaws.

We recommend the following specific steps be undertaken to further design the regional servicing governance solution:

Define Regional Servicing Governance Model Solution - the proposed approach would be to engage a Staff Sub-Committee to work through the various attributes and specific issues that the governance model must be able to address. This would include reviewing research and potentially interviewing similar regional jurisdictions.

Stakeholder Input on Proposed Governance Model Solution - the Staff Sub-Committee would have input into the development of a draft governance charter that would be reviewed and assessed by each member municipality. The resulting feedback through this engagement would assist in refining the model and defining areas that require Executive Committee decisions.

Reporting & Recommendation – once the charter and associated workplan are complete they would be provided to the Servicing Steering Committee and Executive Committees for approval.

Appendix A – Existing CRP Policies & Principles

The following is taken from the Calgary Metropolitan Plan as it relates to Regional Water & Wastewater Servicing

Overarching Land Use Policies

3.5 Potential Compact Urban Nodes. Municipal Districts have identified a number of specific locations which may, over time, evolve into Compact Urban Nodes. The CMP acknowledges this possibility for these specific locations, including Cochrane Lakes, Langdon, Harmony, the HorseShoe Lands, Aldersyde, and a possible development node along Hwy. 8, west of Calgary. The Plan recognizes the possibility that regional infrastructure might be made available to support their development, subject to satisfying Policy 4.4 and all related policies for Compact Urban Nodes, where they demonstrate their intention and ability to intensify, over time, into Compact Urban Nodes.

3.18 Economic Development Strategy. CRP and member municipalities will develop a Regional Economic Development Strategy to ensure a diversified and globally competitive region that continues to enjoy a high quality of life and is able to attract and retain a viable and adequate regional workforce.

Overarching Regional Infrastructure and Services Policies

4.1 Regional Infrastructure Systems. CRP, in concert with Member Municipalities will identify, map and plan for three major Regional Infrastructure Systems:

- Regional Water, Wastewater and Storm Water
- Regional Transportation and Transit system
- Regional Waste Management (organic and solid)

4.2 Regional Servicing for Regional Land Use Strategies: CRP and member municipalities will support the provision of regional water and wastewater infrastructure and services to existing and new Compact Urban Nodes, corridors and rural employment areas (commercial and industrial areas), as specifically identified in the Calgary Regional Plan, and where aligned with the policies of the Plan.

4.3 Integrated Planning of Land Uses and Infrastructure. CRP and member municipalities will integrate the planning, funding and staging priorities of regional infrastructure systems with the implementation of identified Compact Urban Nodes, corridors and rural employment areas (commercial and industrial areas), Page 13 as specifically identified in the Calgary Regional Plan.

4.4 Staging of Infrastructure System Investments. CRP and member municipalities will support the effective staging of the region's Compact Urban Nodes, corridors and rural employment areas (commercial and industrial areas), as specifically identified in the REGIONAL PLAN, with related infrastructure systems in the short (0-15 year), medium (15-30 year) and long-term (30-75 year) timeframes of the Calgary Regional Plan.

4.5 Local Plans. Member municipalities will ensure that all existing and new Compact Urban Nodes, corridors and rural employment areas (commercial and industrial areas), as specifically identified in the Calgary Regional Plan and requiring regional infrastructure, will develop a plan that addresses all areas of municipal servicing and land use (including water, waste water and transit), demonstrating alignment with the Regional Plan and compatibility with neighboring municipalities. For Compact Urban Nodes, requirements include local plan alignment with this plan, and land use designations put in place for existing areas to intensify in conjunction with the extension of regional utility and transportation infrastructure.

4.6 Infrastructure System Cost. CRP and member municipalities will ensure fairness, accountability and efficiency in how regional infrastructure and services are provided and funded, including recognition of investments to date.

4.7 Infrastructure System Design. CRP and member municipalities will endeavor to design, construct and operate regional systems using the best current environmental and sustainable practices.

4.8 Servicing to Address Existing Environmental Problems. Provision of regional sanitary sewer infrastructure may be provided to address existing environmental problems, such as contaminated water and soils, created by existing development identified in this plan. This policy is not intended to facilitate regional water and sewer servicing to additional infill or similar new low density development in close proximity to these areas.

Policies – Regional Water, Wastewater and Storm Water Systems

4.9 Situationally-appropriate Regional Water / Wastewater Solutions: Regional water / wastewater solutions will be specifically described within the Calgary Regional Plan's "Water, Wastewater and Stormwater System" reports, and may incorporate a mix of Calgary-centered, sub-regional and local servicing approaches for land uses specifically identified in the Regional Plan as being eligible for access to regional infrastructure.

4.10 Water Conservation. Member Municipalities will commit to achieving provincial water management goals and targets as a region.

4.11 Planning for Storm Water Management. CRP and member municipalities will identify locations where stormwater management may impact regional infrastructure systems, develop appropriate policies and approaches to address potential areas of impact and address cumulative effects management considerations.

Need for Additional Servicing Governance Policies

The Calgary Metropolitan Plan (CMP) will require the following to be successfully implemented:

A cost effective way of distributing water resources to all areas of the region that are identified for future compact urban development. This includes existing and new Compact Urban Nodes, corridors and rural employment areas (commercial and industrial areas), as specifically identified in the Calgary Regional Plan. The CMP was developed according to regional sustainability principles. However, in some cases this resulted in the CMP focusing future development in areas that may not currently have adequate water supply infrastructure and/or adequate water license capacity to service this growth.

A framework for the cost-sharing, ownership, expansion, operation and maintenance of the regional servicing infrastructure.

Consistent, fair, and transparent tools to help CRP member municipalities determine whether regional servicing should be extended to proposed developments or whether proposed developments are eligible to receive regional servicing, based on the principles and policies of the CMP. Further, these tools should assist member municipalities in the prioritization and phasing of potential development projects.

Key Principles

The principles stated below are intended to specifically apply to the operations of the Regional Servicing Governance Entity described below.

- 1 Regional Servicing System Governance** – The Regional Water and Wastewater Servicing System will be managed by a Regional Governance Entity (the Entity). The focus of the Entity will be on managing the regional utility. The Entity would ensure alignment with the CMP, deal with CRP servicing guidelines and goals, and other regional water management issues. The Entity will also coordinate access to regional resources in aid of members.
- 2 Sharing of water licenses** – Water license capacity will be shared to support the implementation of the CMP, including the use of long term water supply agreements between existing license holders and communities without licenses.
- 3 Environmental Stewardship** – As a responsible water and wastewater service provider, the CRP recognizes the value of ecological infrastructure to the region. The Entity will be responsible for protection of the watershed, preservation of the quality and quantity of source water, and alignment with the objectives of applicable watershed management plans and the Water for Life Strategy. The Entity will develop and implement a region-wide drinking water safety plan. The Entity will also coordinate funding from CRP members and the Provincial Government, as necessary, to implement environmental stewardship programs.
- 4 System Integration** – The principle components of the regional trunk infrastructure will be planned, designed, constructed, operated and maintained as an integrated system across the region. This includes sub-regional trunk infrastructure systems that service specific areas of the region, whether or not an infrastructure connection is present. Ownership and operation of local infrastructure will be the responsibility of member municipalities.

- 5 **Funding and Cost Allocation** – Capital funding of regional utility infrastructure will be coordinated by the Entity. Regional water suppliers will be compensated for the water supplied according to reimbursement formulas that will be developed and approved by the Entity. Commonly accepted costing procedures, such as those covered by the Public Sector Accounting Board (PSAB) will be considered in the development of the cost allocation formulas.
- 6 **Water Conservation** – The Regional Governance Entity will be responsible for developing and implementing a regional water conservation program. All recipients of regional servicing will be expected to enact the provisions of this program.
- 7 **Consistent Level Of Service** – All customers supplied from the Regional system can expect, as a minimum, the same level of service (LOS) with regard to water availability. This means that water licenses would be shared equally across all areas of the regional system during times of water shortage, to the extent possible. For Level of Service issues related to infrastructure capacity and performance, the Entity will provide Levels of Service as agreed to and funded by the Member Municipalities.
- 8 **Standard Method for Rate Calculations** – Individual municipalities should be encouraged to adopt a standard base calculation-method and format for water and wastewater rates. This rate structure should cover the full cost of water and wastewater servicing, and should include a breakout for levies for regional environmental stewardship and water conservation initiatives. Actual customer rates will be set by member municipalities. Rates will be subject to regulatory review by the Alberta Utilities Commission, for those utilities under their jurisdiction.

Appendix B – Governance Model Evaluation Detailed Approach & Results

Evaluation Approach

A four-step approach was used to develop and assess a broad range of governance model alternatives.

The first step was to define the solution goal or desired end result. The solution goal is a concise description of the ideal end state. Stated another way, is to answer the question: “what does success look like?”

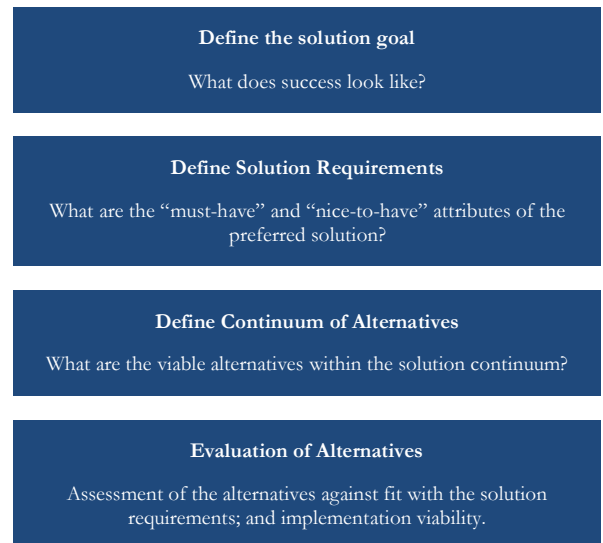
The second step was to define the solution requirements. Solution requirements are goals or desired attributes or ideal characteristics of the governance model. These goals are based on the following set of complementary and defining principles:

- Good governance principles for water supply;
- CRP governance design principles;
- CRP regional servicing principles; and,
- CRP key servicing governance principles.

Once the solution requirements were defined, they were prioritized into “must-have” and “nice-to-have” requirements. The nice-to-have requirements were ranked from highest to lowest priority.

Step three entailed identifying a broad spectrum of governance model alternatives. The continuum of models is based on research conducted by American Waterworks Association Research Foundation (AWWARF), work completed by the CRP Servicing Staff Committee and Grant Thornton’s knowledge base.

In step four, each governance model alternative was assessed against the Solution Requirements beginning with the must-have criteria. Those alternatives that did not satisfy all the must-have criteria were eliminated from further consideration. The remaining governance model alternatives were then evaluated against the nice-to-have criteria, using a numerical ratings and prioritization approach to identify the top two or three alternatives. A more



detailed assessment of the advantages, disadvantages, political and stakeholder acceptability, and implementation viability was completed for the remaining 3 alternatives.

Solution Goal

The governance model is to enable the implementation of regional water / wastewater servicing within the Calgary Region to effectively manage resources (water, financial, infrastructure) for the economic, environmental and social benefit of the region and its communities.

The ultimate solution goal or desired state is the provision of water/wastewater services within the rapidly growing Calgary region, in a sustainable manner that provides optimal social, economic and environmental decisions for the region. Each of these decisions is defined in more detail below.

Social	Economic	Environment
<ul style="list-style-type: none"> • ensuring public health and safety • effective land-use planning • risk mitigation (i.e. professionally managed, regulatory requirements) 	<ul style="list-style-type: none"> • optimal investment in infrastructure • effective allocation of full costs • continued economic development and growth of the region 	<ul style="list-style-type: none"> • optimal use of water license • ability to manage total solids loading on the Bow river • opportunity for common demand management and environmental footprint initiatives to optimize water use • forum for coordinating regional investigation of future ground water supplies

Solution Requirements

Solution requirements are goals or desired attributes or ideal characteristics of the governance model. These goals are based on the following set of complementary and defining principles:

- Good governance principles for water supply;
- CRP governance design principles;
- CRP regional servicing principles; and,
- CRP key servicing governance principles.

Once the solution requirements were defined, they were prioritized into “must-have” and “nice-to-have” requirements.

Must-have criteria

A “must-have” criterion is a characteristic that the governance model must have or a goal that a model must be able to achieve. If a governance model did not meet any one of the “must-have” criteria, it was eliminated from further assessment. Only those solutions that meet the “must have criteria” were considered for further evaluation. The “must-have” criteria include:

Evaluation Criteria	Definition
Enable the implementation of the CMP	<ul style="list-style-type: none"> • Develops and implements policies in support of CMP implementation. Policies, standards and direction enable the effective implementation of the CMP.
Align and integrate with the overarching CRP governance model	<ul style="list-style-type: none"> • Principles, policies and decision making processes are highly aligned and integrated with overall CRP. Utilizes the decision making framework already established by the CRP, as outlined in the CMP (i.e. consensus based with super-majority for truly regional decisions subject to an appeal process). • Supports stratification of decision making (i.e. efficient and effective decision making – significant decision through the overarching CRP approvals, less significant decisions approved the Regional Governance Entity).
Employ a transparent, accountable and inclusive decision making model	<ul style="list-style-type: none"> • Clear accountability for decisions. Transparent decision making process that is open to the public. Provides a framework for effective decisions – timely, inclusive, maximizing Triple Bottom Line (TBL) benefits.
Promote Environmental Stewardship & Public Health	<ul style="list-style-type: none"> • Provides the necessary focus and resources to enable: <ul style="list-style-type: none"> – watershed protection; – environmental stewardship; and – achieving the core mandate of protecting public health, and providing reliable water/wastewater services.
Ensure financial sustainability	<ul style="list-style-type: none"> • Prudent financial management, fiscally responsible, cost effective. • Governed with due care for efficiency, effectiveness and economy. • Minimize expense through access to preferential borrowing rates, tax exemptions and other cost saving measures.
Stakeholder / member municipality participation	<ul style="list-style-type: none"> • Equitable and appropriate participation of stakeholders and member municipalities in the decision making process. Takes into account the needs of the diverse members.

Nice-to-have criteria

A “nice-to-have” criterion is a desired characteristic of the governance model. The “nice-to-have” criteria facilitate ranking of the remaining governance models rather than elimination. The nice-to-have requirements were ranked from highest to lowest priority. The “nice to have criteria” that each of the solutions will be evaluated against are described in the table below. The “nice-to-have criteria” have been prioritized into High (H), Medium (M) and Low (L) importance for purposes of evaluating and ranking the governance model alternatives.

Evaluation Criteria	Definition	Rank
Ability to monitor and evaluate performance	<ul style="list-style-type: none"> Board monitors and assesses performance on an on-going basis, with regular reviews transparent to the public. Reviews will include alignment with the principles and objectives of the CMP. Evaluates entity performance as well as the effectiveness of the governance structure itself towards meeting the desired objectives and recommends changes as required. 	H
Access to funding	<ul style="list-style-type: none"> The solution is eligible for grant funding. Allows for sufficient funding to support watershed protection. Sufficient funding for full life-cycle investment needs. 	H
Robust / adaptable	<ul style="list-style-type: none"> Can effectively evolve as the regional servicing complexity and challenges increase. The ease of moving to a different governance model (i.e. ability to unwind the solution). 	H
Board Expertise	<ul style="list-style-type: none"> Board had the necessary expertise and competency to provide effective direction and oversight on the key servicing governance principles identified in the Phase 2 CH2MHILL – Governance & Implementation report and the CMP and the broad range of issues facing regional servicing. 	M
Ease of maintaining the entity / administrative simplicity.	<ul style="list-style-type: none"> Governance approval and reporting requirements are straightforward. Decision making unhindered and efficient which minimize complexity of governance and administrative processes. 	L

Final Test

The top ranked governance model alternatives were also assessed to determine if they are acceptable to member municipalities and the Provincial Government. This is the final filter / test prior to completing a more in-depth assessment of the remaining alternatives. The “final test” criterion and definition are as follows:

Criterion	Definition
Political/stakeholder acceptability	The governance model alternative is acceptable to the participating municipalities and the Provincial Government.

Governance Model Continuum

The American Water Works Association Research Foundation (AWWARF) funded a research study to identify and analyse solutions and case studies for the provision of regional water supply⁷. This research and associated case studies were used to categorization and describe the range or scope of regional solutions currently in use for governing regional water servicing. They range from straight forward mutual aid agreements in the event of an emergency event, through to physical consolidation of multiple water utilities under the auspices of a single entity. The AWWARF research report outlines six general categories of regional solutions as shown in the following illustration. Within each category the authors also provide a continuum of alternatives.



The AWWARF research, work of the CRP Water and Wastewater Servicing Committee and Grant Thornton’s experience were used to define the continuum of reasonable governance model alternatives for water and wastewater servicing in the Calgary Region. Each governance model is described and assessed in the following two sections of this Report.

⁷ Regional Solutions to Water Supply Provision, American Waterworks Association Research Foundation, 2006.

Governance Model Alternatives

Listed below is the continuum of governance model alternatives that have been developed for consideration and assessment to support implementation of regional water and wastewater servicing. There is an increasing trend toward governance models that allow utilities to distance themselves from the influence of municipal politics and local governments. This opens up the spectrum of governance models for regional servicing that are more arm's length from municipal governments.

- 1 Cooperative
- 2 Inter-municipal partnerships
- 3 Regional Water Board /Authority
- 4 Joint Powers Authority
- 5 Regional Service Commission
- 6 Extended municipal services
- 7 Not-profit corporation
- 8 Municipally controlled corporation
- 9 Crown Corporation
- 10 Corporatized Utility
- 11 Hybrid Model

A detailed description of each model follows. The supporting case studies identified for each model are contained in a separate attachment

Description	Governance	Infrastructure Ownership & Funding	Advantages	Disadvantages	Case Study
1. Cooperative					
<ul style="list-style-type: none"> Owned and democratically controlled by the customers who use its products and services. Linkage between ownership and use. Its purpose is to provide quality goods and services at the lowest cost to the consumer/owners rather than to sell goods and services at the highest price above cost that the consumer is willing to pay. Can be organized “for profit” or “not-for-profit”. 	<ul style="list-style-type: none"> Board, selected by cooperative members. Each member has only one vote in the affairs of the cooperative, regardless of the level of equity invested. 	<ul style="list-style-type: none"> Owned and controlled equally by the people who use its services. 	<ul style="list-style-type: none"> Direct accountability to owners which equal the members. Control is vested and kept in those who use the business. Limited liability of owners. Distributions to members may not be subject to same tax as dividends. Promotes transparency in business transactions. No one member can dominate the decision-making simply because they have made a large investment in the business. In theory, isolates decision from political interference. Customer-oriented focus. Responsive to users’ needs. High degree of user involvement. Provides direct channels for members to voice their opinions. 	<ul style="list-style-type: none"> May deter members who desire control proportional to their investment. May not be viewed as efficient and well run competitors in the open market which may reduce access to funding and public support. Electoral process and financial limitations may hinder the selection of technically competent board members. Diverse membership makes measuring and reaching agreement on “service levels” more challenging than “profit”; can lead to conflict and longer decision making process. Democratic control exercised strictly intellectually, without political influence. Share capital typically earns lower than market ROR; returned only withdrawal. 	<p>Widely used in rural areas</p>

Description	Governance	Infrastructure Ownership & Funding	Advantages	Disadvantages	Case Study
2. Inter-municipal partnerships					
<ul style="list-style-type: none"> Member municipalities enter into an agreement for the provision of regional services, which effectively creates the Partnership. Not a separate legal entity and cannot hold assets or borrow funds. 	<ul style="list-style-type: none"> Oversight committee, appointed elected officials, expert members or a mix. Committee has an advisory role only; municipal councils are ultimately accountable. 	<ul style="list-style-type: none"> Owned and funded by member municipalities based on agreed upon funding and ownership formula. 	<ul style="list-style-type: none"> Relative easy to form, requiring no approval from provincial government Allows for broad representation on the Oversight Committee Access to provincial funding, municipal financing sources and tax shelter 	<ul style="list-style-type: none"> Reliant on participating municipalities for funding (debt financing), would impact debt limits. Ultimate accountability remains with participating municipalities; and the liability. Determining decision making in proportion to “share” of contribution may cause concerns of excess control by a participating municipality. 	
3. Regional Water Board / Authority					
<ul style="list-style-type: none"> Separate legal entities with transfer of assets and debt to water board through legislation. 	<ul style="list-style-type: none"> Board, representation from each participating municipality, through appointment. Voting proportional to water allocation. 	<ul style="list-style-type: none"> Owned and funded by member municipalities on basis of water usage. 	<ul style="list-style-type: none"> Similar to Regional Service Commission model; but without Provincial involvement with governance (i.e. selecting board members / being able to intervene). Decision making power based on proportion of system usage; voting power changes with changes in usage. 	<ul style="list-style-type: none"> No precedent for this model in Alberta; and thus would likely require special legislative changes. 	London, Ontario Metro Vancouver

Description	Governance	Infrastructure Ownership & Funding	Advantages	Disadvantages	Case Study
4. Joint Powers Authority					
<ul style="list-style-type: none"> Permits two or more municipalities to collectively operate municipal services. JPA is distinct from the member municipalities with a separate operating board. 	<ul style="list-style-type: none"> Board, appointed by member municipalities and water suppliers. Board can be given any of the powers inherent in all of the participating agencies. 	<ul style="list-style-type: none"> Owned and funded by individual municipalities and water suppliers (private or public). 	<ul style="list-style-type: none"> Separate entity providing for clear accountability. Separate Board from member municipality Council. JPA can be customized to meet the specific needs, representation, investment and desire scope of activities. Member municipalities will have input and control over direction. Municipal representatives on the Board do not have to be elected officials. 	<ul style="list-style-type: none"> No precedent for this model in Alberta; and thus would likely require special legislative changes. Municipal / public sector benefits of access to funding, low borrowing costs, tax exempt status are unknown. 	<p>Sacramento, California Water Authority</p> <p>Phoenix Wastewater Authority</p>
5. Regional Service Commission					
<ul style="list-style-type: none"> Established by the Municipal Government Act, are corporations authorized to provide services to municipalities. Can provide services within and outside the boundaries of its members. Autonomous from member municipalities. 	<ul style="list-style-type: none"> Board, elected official from each member municipality. Board initially appointed by Minister of Municipal Affairs Board accountable for all financial decisions. 	<ul style="list-style-type: none"> Owned and funded by member municipalities through WSC. 	<ul style="list-style-type: none"> Streamlined process for establishing – 50+ regional service commissions in Alberta Access to provincial grant programs Access to preferred borrowing rates through Alberta Capital Finance Authority. Board will always have representation from member municipalities (elected officials). Separate and autonomous body from member municipalities, with ability to hold assets and borrow funds. Clear accountability for mandate defined in legislation. 	<ul style="list-style-type: none"> Continued oversight by the Province, have the ability to intervene (i.e. appoint directors) Board regulated to be elected officials from each of the member municipalities. 	<p>Alberta Capital Regional Wastewater Commission (ACRWC)</p> <p>Mountain View Regional Water Services Commission</p> <p>Regional Service Commission Overview</p>

Description	Governance	Infrastructure Ownership & Funding	Advantages	Disadvantages	Case Study
6. Extended municipal services (contract service arrangements)					
<ul style="list-style-type: none"> One or more of the existing member municipalities within the region extends their operating jurisdiction to be the regional service provider. Simplest form is a contract for services – O&M, plan, design build. Transfer of assets would require additional complexity. Requires Council approval. 	<ul style="list-style-type: none"> Municipalities continue to be accountable to their Council. Establish an Advisory Committee made up of member municipality representatives to provide input and guide the providing municipality. 	<ul style="list-style-type: none"> Owned by either municipality receiving the service or by the municipality providing the regional services. Funding by the asset owner or through rates. 	<ul style="list-style-type: none"> No governmental approvals to establish delivery of services or governance structure. Minimizes administration and governance complexity. Advisory Committee facilitates input from member municipalities and acts as an oversight role; assist in ensure alignment with CMP. Access to funding, low borrowing rates, and tax exempt status. 	<ul style="list-style-type: none"> Advisory Committee is only advisory only; no decision making authority. Potential for competing priorities for the providing municipality – regional vs. own customers. Providing municipality would be limited in its ability to deliver on environmental stewardship role – watershed protection, conservation targets, etc. 	Cleveland Water
7. Not for profit corporation					
<ul style="list-style-type: none"> Can either be formed as a Not-for-profit under the Alberta Societies Act or Companies Act (Part 9 Corporation). A not-for-profit corporation is an association of one or more shareholders whose corporate governance requires that surplus funds are used to pursue the organization’s stated goals. Structure similar to Controlled Corporation, except the expressed purpose does not have to be for-profit. 	<ul style="list-style-type: none"> Board, selected based on desired competency / representation. Typically not elected officials. 	<ul style="list-style-type: none"> Owned by the NFP and funded by NFP and rates. 	<ul style="list-style-type: none"> Relatively easy to establish, requires Ministerial approval. Permits broad representation on corporation’s board – at the discretion of the municipality. Access to preferred municipal borrowing rates. Income and property tax exempt. Clear accountability for scope of duties as defined in regulations, policies and business plans. Does not have the explicit requirement to be “for-profit” as does a controlled corporation. Less restricted in financial relationship than controlled corporation; can enter into fee-for-service contracts, receive municipal grants, and accept donations. 	<ul style="list-style-type: none"> Does not provide a return on investment for participating parties. One-step further removed from municipal control that controlled corporation. 	Welsh Water

Description	Governance	Infrastructure Ownership & Funding	Advantages	Disadvantages	Case Study
8. Municipally controlled corporation					
<ul style="list-style-type: none"> Autonomous corporation controlled by the one municipality in legislation. Share holder agreements permit inclusion of other municipalities. Established with approval of the Minister of Municipal Affairs. 	<ul style="list-style-type: none"> Board, selected based on desired competency / representation. Typically includes limited number of elected officials. Board accountable for all organized actions, including financial performance. 	<ul style="list-style-type: none"> Owned by one or more municipality and funded through rates and user fees. 	<ul style="list-style-type: none"> Relatively easy to establish, requires Ministerial approval. Permits broad representation on corporation's board – at the discretion of the municipality. Access to preferred municipal borrowing rates. Remain tax exempt if providing water related services to other municipalities. Clear accountability for scope of duties as defined in regulations, policies and business plans. 	<ul style="list-style-type: none"> Must be “for-profit” and must demonstrate financial viability through three year business plan. Controlled by one municipality which could lead to concerns around control and changes to board composition. 	Aquaera Utilities Inc.
9. Crown Corporation					
<ul style="list-style-type: none"> Stand-alone corporation specially created for the purposes of running a utility service at a regional level. Wholly owned provincial organization, structured like private or independent enterprises. Created under a special act drawn up specifically for the utility. 	<ul style="list-style-type: none"> Board of directors is appointed by the province, with the Chair reporting to the provincial minister. Board usually has senior government official representation. 	<ul style="list-style-type: none"> Owned by the crown corporation, with funding through rates / user fees. 	<ul style="list-style-type: none"> Access to preferred borrowing rates through Alberta Capital Finance Authority. Separate entity with clear accountability for legislative mandate. Ability to achieve environmental stewardship responsibilities more easily. 	<ul style="list-style-type: none"> Special process to establish in Alberta, not-common practice. Significant provincial involvement, resulting in potential loss of control for member municipalities. Potential for reduced transparency, accountability and input into decision making. 	SaskWater

Description	Governance	Infrastructure Ownership & Funding	Advantages	Disadvantages	Case Study
10. Corporatized Public / Private Utility					
<ul style="list-style-type: none"> Publicly owned for-profit corporation that operates like a private business or private utility corporation. For corporatized public utility, Council owns shares, and can select directors. 	<ul style="list-style-type: none"> Independent expert board; no elected official representation. Overarching goal is to provide agreed upon rate of return within regulatory requirements. 	<ul style="list-style-type: none"> May own and operate assets, or may operate infrastructure on behalf of an owner (e.g. municipality). Funded by asset owner and rates. 	<ul style="list-style-type: none"> Provides easier access to financing. Commercial discipline; mitigates political interference. Separate entity with clear accountability for contracted or defined mandate. 	<ul style="list-style-type: none"> May not be compatible with social, economic and environmental objectives. Potentially reduced stakeholder input into decision making; may require stakeholder advisory committee. Higher cost alternative; high financing rates, not exempt from income tax. Commercial confidentiality limits access to information by consumers and politicians. 	EPCOR Utilities Holding Inc.
11. Hybrid Model					
<ul style="list-style-type: none"> Mixed model where by Supplier accountability to provide bulk water services to surround Municipalities or Service Commissions. Municipalities or Service Commissions responsible and accountable for regional infrastructure required to transport water to member municipalities. 	<ul style="list-style-type: none"> Supplier and municipalities / service commissions individually governed. Supplier typically some form of corporation (controlled, corporatized, private sector). 	<ul style="list-style-type: none"> Owned and funded by member municipalities individually or through the service commission. 	<ul style="list-style-type: none"> Permits supplier to provide needed expertise within a defined mandate. Municipalities and / or Service Commissions have autonomy over assets, prioritization of servicing needs and provision of services to communities. Access to provincial grants, low borrowing rates and tax exempt status. 	<ul style="list-style-type: none"> Increased complexity with multiple parties involved in regional servicing. Supplier may be challenged to fulfill environmental stewardship role; would be left to municipalities and / or service commissions. 	Alberta Capital Region Water Supply (EPCOR / WSC) Denver Water

Evaluation of Alternatives

The CRP Steering and Staff Servicing Committees were brought together in a workshop format to evaluate the identified governance model alternatives against the Solution Requirements (must-have and nice-to-have criteria). Each person attending the workshop was asked to conduct their own assessment of the governance models. The individual results were then aggregated, presented and discussed in an open large group forum. The purpose of the dialogue was to share perspectives particularly in areas where there were significant differences in scores.

Evaluation against must-have criteria

The first step in evaluating the alternatives was to determine which alternatives met all of the “must-have” criteria. Only alternatives that met all of the must have criteria would then be considered in the next step. The must-have criteria are as follows:

- Enable the implementation of the CMP
- Align and integrate with the overarching CRP governance model
- Employ a transparent, accountable and inclusive decision making model
- Ensure stakeholder / member municipality participation
- Promote Environmental Stewardship & Public Health
- Ensure financially sustainable

For each alternative, workshop participants were asked if that alternative satisfies all of the must-have criteria. The results of the responses are as follows:

Alternative	% of respondents who answered that the alternative met all must-have criteria	Result
11. Cooperative	20%	Eliminated from consideration
12. Inter-municipal partnerships	33%	Qualified for evaluation against nice-to-have criteria
13. Regional Utility Board / Authority	47%	Qualified for evaluation against nice-to-have criteria
14. Joint Powers Authority	67%	Qualified for evaluation against nice-to-have criteria
15. Regional Service Commission	73%	Qualified for evaluation against nice-to-have criteria
16. Extended municipal services	47%	Qualified for evaluation against nice-to-have criteria
17. Not-for-profit corporation	53%	Qualified for evaluation against nice-to-have criteria
18. Municipally controlled corporation	13%	Eliminated from consideration
19. Crown Corporation	7%	Eliminated from consideration
20. Corporatized Utility	13%	Eliminated from consideration

Those alternatives that received less than 25% of voter support (met all of the must-have criteria) were eliminated from further consideration.

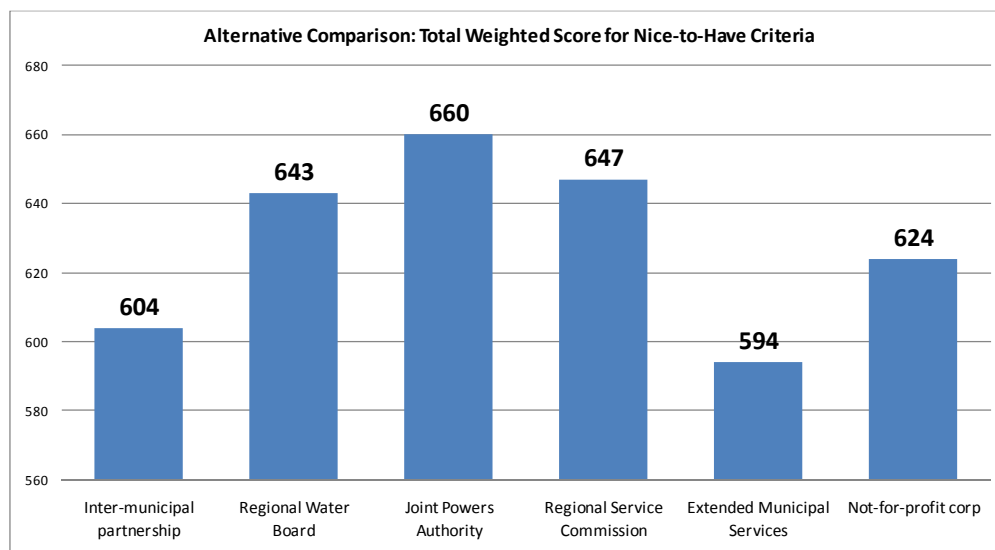
Note: Alternative #11 (hybrid model) was not considered in this exercise as the definition of a hybrid model could result in a multitude of attribute combinations, making evaluation of a “standard hybrid” model confusing.

Evaluation against the nice-to-have criteria

The next step in the evaluation process was to evaluate the remaining alternatives against the nice-to-have criteria. The nice-to-have criteria, along with their priority rankings, are as follows:

- Ability to monitor and evaluate performance - High priority
- Robust / adaptable – High priority
- Access to funding – High priority
- Board expertise – Medium priority
- Ease of maintaining the entity / administrative simplicity – Low priority

Workshop participants were asked to rate each of the alternatives still under consideration against the nice-to-have criteria using a 1 (minimal) to 5 (substantially meets) scoring system. High priority criteria were weighted 3-times the initial point value; the medium priority criterion was weighted 2-times the initial point value; and the low priority criterion was weighted its initial point value. For example, if a participant rated an alternative as 5 on a specific high priority criterion, the alternative would receive 15 points. If a participant rated an alternative as 5 on “Board expertise” which is ranked as a medium priority, the alternative would receive 10 points. If a participant rated an alternative as 5 on “Ease of maintaining the entity / administrative simplicity”, the alternative would receive 5 points. The total point values for the five attributes of each alternative were then summed and compared. The results are as follows:



At this point, it was agreed that the Inter-Municipal Partnership and Extended Municipal Services alternatives would be eliminated from further consideration as they scored significantly lower than the other four remaining alternatives. Workshop participants also agreed to combine the Regional Water Board and Joint Powers Authority alternatives into one because it was felt that these two alternatives were very similar and should not be voted on separately.

Evaluation against political acceptability criteria

The remaining three alternatives - Regional Water Board /Authority, Regional Service Commission, and Not-for-profit Corporation - were then evaluated based on their political acceptability.

To evaluate the three final alternatives - Regional Utility Board / Authority, Regional Service Commission, and Not-for-profit Corporation - participants were asked to answer yes or no to whether they thought each alternative was politically acceptable. The results are as follows:

Alternative	% of respondents who answered yes to the alternative being politically acceptable
Regional Utility Board /Authority	92%
Regional Service Commission	62%
Not-for-profit Corporation	54%

Based on this final criterion, the workshop participants overwhelmingly agreed that the Regional Utility Board would be the most politically acceptable from their municipality’s perspective as it provides the greatest flexibility to develop a solution that is tailored for the Calgary Region’s particular situation.

In-depth stakeholder and risk assessment

The next step in the evaluation process involved completing a more detailed assessment of the remaining three alternatives: Regional Water Board /Authority, Regional Service Commission and Not-for-Profit Corporation.

This assessment included:

- A more in-depth evaluation against the solution goal and requirements to assess how well the alternative achieves the desired outcome.
- Identification of the benefits and challenges from the perspective of each of the major stakeholders: CRP member municipalities; CRP; and, the Provincial Government.
- Identification of significant risks and potential mitigation strategies.

	Assessment against solution goal & requirements	Stakeholder Assessment
Regional Service Commission	<p>Advantages</p> <ul style="list-style-type: none"> • Precedence exists in Alberta. 50+ regional service commissions in Alberta. • The process for establishing is well documented, streamlined. • Clear accountability for managing the servicing solution in the Calgary Region as it will be defined in legislation. • Member municipalities have elected official on the Board which ensures the diverse needs of the region are represented. • Should facilitate the implementation of region wide environmental and social responsibilities – public services, protecting public health, watershed management, conservation, etc. 	<p>Member Municipalities</p> <ul style="list-style-type: none"> • Would take control further away from municipalities. Regional servicing solution would be subject to provincial government oversight. • Establishing a regional utility may be viewed as an expanded mandate beyond the existing servicing principles which may divide the current member municipalities. <p>CRP</p> <ul style="list-style-type: none"> • As the Province has ultimate authority, integration with overarching CRP governance model

	Assessment against solution goal & requirements	Stakeholder Assessment
	<ul style="list-style-type: none"> Mechanism for access to provincial grant programs and preferred borrowing rates through the Alberta Capital Finance Authority. <p>Disadvantages</p> <ul style="list-style-type: none"> Not arm's length from government, both provincial and municipal. Accountable to the provincial government which may reduce the flexibility to align with and integration into the CRP governance model. e.g. The Commission's standard governance mandate may have to be altered to support the stratification of decision making. Continued government oversight and representation may reduce the ability to attract required operational competencies to support this new municipal utility. Board composition and voting as per the RSC legislation is restrictive and may not meet requirements of the desired solution. 	<p>may be challenging.</p> <ul style="list-style-type: none"> The Province would have continued oversight of regional servicing and involvement through board representation, as well as, the ability to intervene. As the overall structure is currently envisioned, the Regional Service Commission would be governed by the CRP. Does CRP want oversight of a Regional Service Commission? <p>Provincial Government</p> <ul style="list-style-type: none"> Assumed to be highly desirable and aligned with direction for regional collaboration for municipal services within Alberta.
Regional Utility Board / Authority	<p>Advantages</p> <ul style="list-style-type: none"> Flexibility for Board representation (i.e. appointed representatives, not necessarily elected official) and voting approach (population, consumption, active etc.) has the potential for a more stable governance function. Autonomous: unrestricted ability to align with and integrate into CRP governance model and tailor solutions for the Calgary Region. Flexibility to permit the entity to evolve as the regional servicing landscape changes. Permits a more formalized decision making body without prescribed Provincial Government involvement or intervention. <p>Disadvantages</p> <ul style="list-style-type: none"> As there is no precedence in Alberta, establishing the governance details (i.e. scope of accountability, representation and decision making scheme) will take some considerable effort versus the Regional Service Commission alternative. As a new type of entity within Alberta, new legislation may be required to establish the entity. 	<p>Member Municipalities</p> <ul style="list-style-type: none"> Provides the flexibility to develop a tailored solution for the Calgary Region taking into consideration the membership's diverse needs. Scope of functions to govern can be designed to achieve an optimal triple bottom line solution. Limits Provincial Government interference as accountability would be to the CRP and the member municipalities. Allows for external expertise as part of the Board. More time consuming to establish as it will require special legislation. <p>CRP</p> <ul style="list-style-type: none"> Has the ability to integrate (nest) within the overall CRP governance model and support stratification of decision making. Will require significant effort and Provincial Government education to move forward. More time consuming to establish as it will require special legislation. <p>Provincial Government</p>

	Assessment against solution goal & requirements	Stakeholder Assessment
		<ul style="list-style-type: none"> Less desirable as it will likely require special legislation.
<p>Not-for-Profit (NFP) Corporation</p> <p>(Society or Companies Act)</p>	<p>Advantages</p> <ul style="list-style-type: none"> Similar to the Regional Utility Board, there is considerable flexibility with regard to the governance details (i.e. representation, voting). Relatively easy to establish (existing legislation) that does require Municipal Affairs approval. Flexible enough to add new members to the Society or Company as regional servicing evolves. If the NFP Corporation is established as a Society, then it could be focused on servicing prioritization and meeting the needs of its constituents, leaving operations of the regional system to a qualified service provider. As a Society the entity could pursue a wider scope of funding possibilities than as a Company. The NFP Corporation could, if established under the Company Act, take on the expanded accountability of regional system servicing and operations. Permits broad representation on the Board. Access to preferred municipal borrowing rates. <p>Disadvantages</p> <ul style="list-style-type: none"> Integration into the CRP governance structure may be problematic. Is the NFP Board accountable to the CRP, the member municipalities or both? Even though a NFP is permitted to budget for and maintain a surplus, those surplus funds must be reinvested back into achieving the mandate and objectives of the entity. Provision of a return on investment or dividend to the investor would not be permitted. 	<p>Member Municipalities</p> <ul style="list-style-type: none"> Provides the flexibility to develop a tailored solution for the Calgary Region taking into consideration the membership’s diverse needs. Scope of functions to govern can be designed to achieve an optimal triple bottom line solution. Limits Provincial Government interference as accountability would be to the CRP and the member municipalities May be concerns about control as there is no requirement for municipal involvement. <p>CRP</p> <ul style="list-style-type: none"> Integration with overarching CRP governance model may be challenging. Does CRP want oversight of a NFP Corporation? <p>Provincial Government</p> <ul style="list-style-type: none"> ?

Risk Assessment

No governance model is “perfect” in its ability to meet all the Solution Requirements to the full extent. Therefore, the primary risk that each of the preferred alternatives faces is the inability of the CRP member municipalities to agree upon a desired model in a timely manner, potentially resulting in the fragmentation of the regional servicing plan into sub-regional and sub-optimal solutions. Critical to the success of any regional servicing alternative will be the timely agreement of a preferred governance model alternative and the commitment to implement. Certainty and forward momentum are required to build confidence around a regional servicing solution as well as to mitigate divergence from the existing regional servicing plan.

The Regional Service Commission though relatively easy to establish, requires Provincial Government involvement, may be difficult to integrate into the overall CRP governance and may include utility operations. All of these could be significant barriers to member municipality acceptance and thus stall momentum.

Both the Regional Utility Board and the NFP Corporation alternatives provide the ability to develop a custom governance structure that has the potential to meet the needs of all the CRP member municipalities. However, a customized approach typically is more difficult to implement than the Regional Service Commission which has precedence here in Alberta. Identifying and working through the details takes time thus raising more items to gain the CRP member municipality agreement and commitment to move forward.

Summary Comments

Based on the assessment completed to date, the preferred governance model alternative is the Regional Utility Board / Authority for the following reasons:

- Ability to tailor the governance scope and structure to meet unique servicing needs of the Calgary region and the diverse needs of the member municipalities.
- Limits Provincial Government interference.
- Potential to integrate into the overall CRP governance more easily than the Regional Services Commission and the NFP Corporation.
- The ability to transition from the Regional Utility Board / Authority to the other governance models (i.e. Regional Service Commission, NFP Corporation) would be easier than the converse.

Even though the Regional Utility Board / Authority governance model alternative has been assessed as the leading governance model, the process though focused and structured is an initial assessment. As regional servicing and governance is very complex, and is analogous to the layers of an onion, a more in-depth assessment of member municipalities visions, needs and issues related to regional servicing governance should be undertaken.

Appendix C – Regional Servicing Governance Member Municipality Interview Guide

Background:

The Calgary Metropolitan Plan (CMP) identifies the important role regional water and wastewater infrastructure and servicing systems will have in enabling the Calgary Region to achieve the right balance among protecting the regional environment, providing efficient and effective delivery of municipal services, and enhancing regional prosperity. To move forward with regional servicing, consistent with the CMP, the Calgary Regional Partnership (CRP) recognized a critical first step was the development of a governance structure that supports implementation and allows the CRP and its members to address a wide array of implementation questions and issues. The CRP engaged Grant Thornton to assist it in developing a governance structure that will support implementation of regional water and wastewater servicing.

The activities undertaken as part of this project and resulting dialogue enhanced the CRP Servicing Steering and Staffing Committees understanding of the complexities of servicing governance in a regional context and the need to confirm assumptions to ensure alignment across the region.

Purpose:

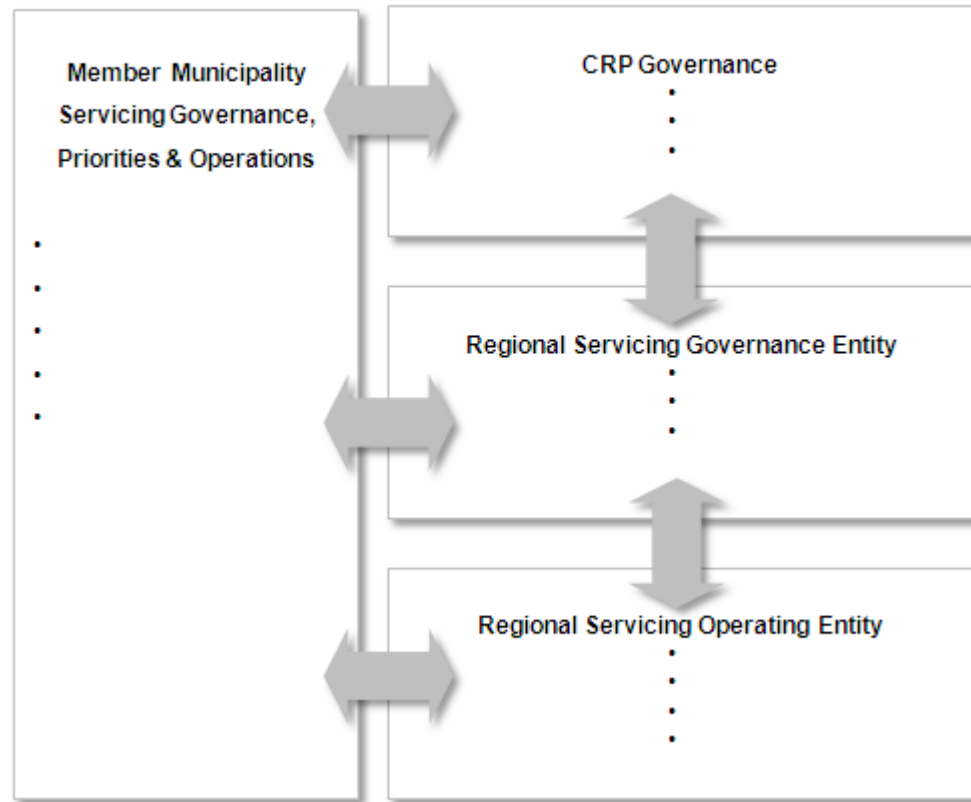
The purpose of this interview guide is to assist the CRP better understand the specific attributes / characteristics of regional water and wastewater servicing that are most important to each member municipality.

Your input will be used to identify where there is commonality and where there are differences among the visions for regional servicing governance of member municipalities. This information will be used to confirm assumptions as well as to identify and prioritize key issues to be resolved prior to selecting the preferred governance model to support regional water and wastewater servicing.

Context:

In providing input into the specific attributes and characteristics of regional water and wastewater servicing governance it is important to put this in context of the larger governance picture and the many participants involved in governing and providing municipal services. As you respond to the questions contained within this interview guide, please also consider what you believe is the core mandate for each of the main participants (as illustrated in the following diagram) and what will be the key interface points between each participant.

Regional Servicing Governance – Many Participants

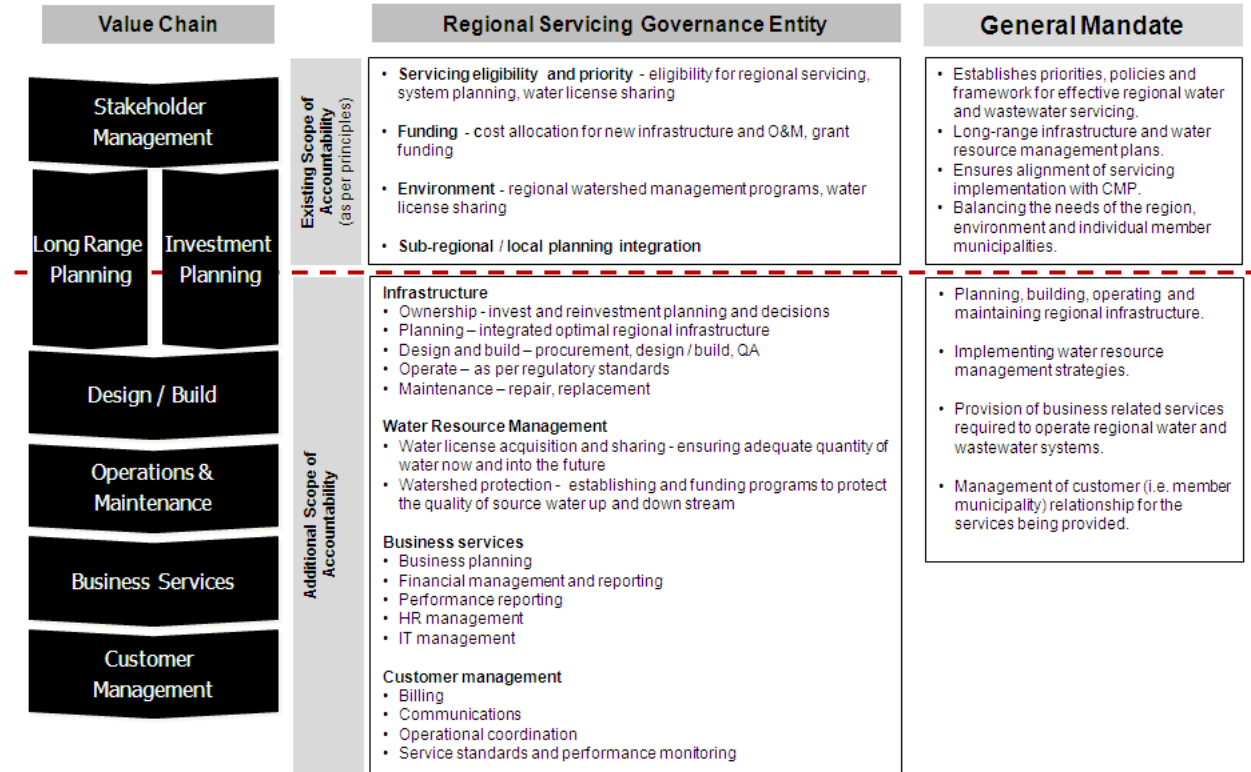


Scope of Regional Servicing Governance Entity (RSGE)

The following diagram outlines the full scope of activities required to govern and deliver water and wastewater services in a regional context.

Regional Governance: The “proposed” scope of accountabilities to be within the mandate of the Regional Servicing Governance Entity (RSGE) is shown above the red dotted line in the accompanying diagram. This proposed set of accountabilities is based on the key governance servicing principles as identified in CH2MHILL’s Phase 2 – Governance and Implementation Report. It is also based on the fundamental premise that governance is about ultimate accountability and oversight. The governance entity that will support implementation of water and wastewater servicing in the Calgary Region will be the crucial link in the "chain of command" between CRP members and the service provider(s). Its purpose is not to manage operations, but rather to give the ownership (members of the CRP) the controlling authority or power for accountability

Regional Operations: Functions and activities located below the red dotted line are required to deliver regional water and wastewater services. These are the arrangements for implementing and operating the regional water and wastewater servicing entity and essentially define and execute the “means” to get things done (i.e. to achieve the desired “ends” as defined by the governance entity).



Questions:

General

- Using the diagrams as a guide, please describe your view of the appropriate scope of accountabilities for the Regional Servicing Governance Entity (RSGE). Possible questions to be answered include:
 - Should the RSGE ultimately decide:
 - Who gets servicing?
 - When (priority) servicing is provided?
 - What price and structure will be employed to pay for the investment?
 - Should the RSGE own the regional infrastructure? Please explain.
 - Should the RSGE operate the regional infrastructure? Please explain.
- For those functions and activities above that the RSGE **would not ultimately be accountable / responsible for**, please indicate how (i.e. business model such as RSGE as being advisory, organization, CRP itself (?) etc.) these responsibilities would be implemented.
- In your view of the regional governance model, should the RSGE have oversight over all regional infrastructure investment (i.e. multi-municipality services including regional, sub-regional and local infrastructure)? Please describe and provide examples for sub-regional, local, County / MDs.
- How will the RSGE ensure that regional servicing decisions (infrastructure and water license) are made in the best long-term interest of the region, versus optimizing a local situation?

Evolution

1. How would new members be incorporated into the governance model?
 - For example, if members of the CRP develop a sub-regional solution with a non-CRP member, does this solution come under the oversight of the RSGE? If so, does the non-CRP member then become subject to the CMP? (NOTE It must be emphasized here that adherence to the CMP is a foundational requirement of the City of Calgary in providing its infrastructure and/or license capacity outside its boundaries)
2. What circumstances would cause a current member to be removed from the CRP and the RSGE?

Board / Committee Composition

1. Please provide your view on the type of representation most appropriate on the RSGE Board / Oversight Committee?
2. For example, how will the Board ensure that it has the necessary expertise and competency to provide effective direction and oversight of the broad range of issues facing regional servicing. Please be specific with respect to number and composition (elected officials, administration, members of the public or independent experts) of the Board members.

Decision Making Stratification

1. Please provide your view on the type of decisions that should be made by the RSGE, and those that should ultimately be decided by the general CRP governance process?

Voting Regime

1. For those decisions that the RSGE is accountable, what voting regime should be employed NOTE: It should be kept in mind that CRP has an ultimate final decision-making structure of the super majority upon there no consensus possible) ?
 - a. Should it be based on population, volume of water used, or equal votes for each member, or some other regime?
 - b. Should all member municipalities be involved in the decision making even those not currently receiving service from regional infrastructure.

Additional Regional Servicing Governance Issues

1. Please identify and describe any additional topics or issues that you believe are important for defining the scope of regional servicing governance.

Glossary

America Waterworks Association Research Foundation (AWWARF): is a member-supported, international, non-for-profit organization that sponsors research to enable water utilities, public health agencies, and other professionals to provide safe and affordable drinking water to consumers.

Business model: A description of the ownership and organizational structure, and allocation of responsibilities and risks for operational management and/or infrastructure maintenance and improvement of a business. In the case of water supply, for example, ownership of assets and management of assets may be allocated to government or private actors. Introducing a new business model entails both organizational and institutional change – which necessarily requires changes in governance.

Calgary Regional Partnership (CRP): includes eighteen municipalities and one first nation in the Calgary area focused on solving regional growth and planning issues through inter-municipal cooperation.

Governance - is the process by which stakeholders articulate their interests, their input is considered, decisions are taken, and decision-makers are held accountable. Decisions include: defining end result expectations, prioritizing goals, granting power (assigning responsibility), verifying performance and rendering accountability.

Governance structure - the informal and patterned ways in which different institutions and actors inter-act within particular political and administrative settings to develop policy goals, select among means, cope with uncertainty and controversy, and foster legitimacy and support for policies⁸.

Management: is the act, art or manner of controlling or conducting affairs, the skilful use of means to accomplish a defined purpose. If governance has to do with what an organization is to do, management deals with how it does it. Management, in our complicated world with all its rules and regulations, requires expertise, experience and highly developed sophisticated skills. It is (or should be) a very professional activity that governors have to ensure is firmly in place to serve the needs and execute the plans of their organization. Just as governors should not try to manage their organizations, so should managers not try to provide them with governance. Managers are accountable to governors.⁹

Operations & Maintenance: for the purposes of this report, operations and maintenance will be limited to those activities required to ensure that regional water and wastewater mains, utilized for transporting to / from municipal boundaries or points of delivery.

⁸ Michael Atkinson

⁹ Sinclair

Regional Governing Entity: will be responsible for developing and implementing the detailed policies and procedures relating to eligibility for regional servicing, cost allocation for new infrastructure projects, cost allocation to operate and maintain water and wastewater conveyance and treatment infrastructure, grant applications, regional watershed management programs, system planning, and regional water license sharing.

Triple Bottom Line (TBL): values and criteria for measuring organizational (and societal) success; economic, environmental and social.

Watershed: A river basin; the total area from which a single river collects surface runoff.

Watershed protection: Preventing the pollution of groundwater and surface water (lakes, rivers, and streams) that serve as sources of drinking water.

Water services includes:

- Treating and distributing drinking water;
- Removing wastewater;
- Ensuring water quality meets specified standards;
- Managing the available supply of water;
- Managing the demand for water;
- Allocating water use;
- Protecting water from contamination;
- Ensuring protection of the environment and natural habitats;
- Reclamation of wetlands;
- Flooding and drainage issues;
- Maintaining infrastructure;
- Public education regarding water use;
- Management and conservation;
- Planning for future water uses; and
- Mitigating possible risks to the water supply.

