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July 15, 2024

Hon. Kinga Surma  
Minister of Infrastructure  
777 Bay St.  
Room 5E200, 5th Floor  
Toronto, ON M7A 2J3  
[Kinga.Surma@pc.ola.org](mailto:Kinga.Surma@pc.ola.org)

Dear Minister Surma:

**Re: Prince Edward County  
Request under Housing Enabling Water System Fund**

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I represent The Wellington Community Association (WCA), a Ratepayers Association located within Prince Edward County (PEC).

I write today to ask that the Ministry of Infrastructure postpone a decision on funding an application made by PEC seeking funding under the Housing Enabling Water System Fund (HEWSF). PEC has applied for funding under the HEWSF for the purpose of greatly expanding the County's waterworks. PEC's 'plan' is based upon a 'build it, and they will come' approach to development rather than having development pay for development, which is the standard and prudent approach to planning for development. Operating under a 'build it and they will come' approach, the municipality is placing its and its residents' financial stability at risk. Granting funding to PEC through the HEWSF will only encourage the municipality to proceed further down this fiscally irresponsible path.

The waterworks expansion project (water tower, new trunk lines, equalization tank) in this community is predicated on assumptions that are dangerously risky and unprecedented, massively over-scaled based upon the historical growth patterns of this community, and potentially ruinous to the financial viability of the municipal waterworks utility and ratepayers. Put simply, the plan is based upon growth projections that are not reasonable and which, if they do not occur, will result in disastrous financial consequences for the municipality and its residents. Providing grant monies under the HEWSF will encourage the municipality to continue down its dangerous path.

Here are the key issues:

### ***Waterworks Expansion Project***

The waterworks expansion project is currently estimated to cost in excess of \$200 million—roughly \$100 million for the expansion of waterworks facilities in the village of Wellington—plus another \$100 million to build additional water system capacity in Wellington and extend it 20 kilometres via pipeline to the town of Picton. There are currently fewer than 6,000 (5,902 in 2021) waterworks customers on the municipal water system, comprising six geographically dispersed systems. The largest number of customers are in Picton (56 per cent) and Wellington (21 per cent). Despite requests to produce any agreement requiring any developer to pay for any portion of the waterworks expansion, the municipality has not provided such documentation. The municipality has made it clear that its plan is to build the infrastructure through debt financing and hopes that it will collect Development Charges to repay the debt. No plan has been provided to demonstrate how the municipality will repay the massive debt if development does not occur at the unreasonable scale that has been assumed. Further, the municipality has provided no plan as to how it will repay the debt if it simply fails to collect the quantum of development charges that it is assuming because of appeals to the Development Charge By-law or some other unforeseen circumstance.

### ***Six Years of Capacity Exists Now with More Capacity Already Planned***

It is critical to note that engineering reports prepared to advance the waterworks expansion project show that the municipality's current water and wastewater systems are sufficient to serve the existing population and additional capacity in the system. There is capacity for an additional 320 homes, which is, based on historical growth rates, more than six (6) years of capacity.

Furthermore, spending that has already been committed (\$42 million) under this plan waterworks expansion plan will add considerably more capacity to the existing system. According to the same engineering report, augmenting and expanding the current water plant in Wellington may be achieved at a modest cost to release more capacity.

This means there can be many more years of expanding homebuilding and businesses in this community, which my client wholeheartedly supports. Growth can be accommodated without massive spending beyond the \$42 million that has already been committed. Growth can be accommodated without massive debt. The community welcomes new homebuilding and new businesses. It is recognized that such development is necessary to promote vitality and economic prospects.

### ***No Plan to Repay the Debt for the Waterworks Expansion Project***

The waterworks expansion plan, as currently proposed, with its massive municipal debt and lack of a concrete plan to repay the debt, represents too much risk to be borne almost exclusively by existing ratepayers within the municipality.

As noted above, the initial phase of the plan (\$100 million) is Wellington-focused. It relies on, or more accurately, hopes for, a single developer to fund the waterworks expansion project through development charges (DCs), a portion of which is to be paid upfront by way of agreement. Despite requests that the municipality provide evidence that a developer, or any developer, has signed an agreement to 'front-end' any costs or committed to pay DCs of a certain quantum, the municipality has failed to produce such an agreement. The municipality has produced two agreements that it has executed with developers but neither agreement requires any payment by any developer by any date. The agreements essentially require a developer, should it decide to build, to pay a certain sum (approximately \$20 million) after the developer receives approval for its plan of subdivision. What if the developer does not develop? What if the developer gets its land designated and zoned but does not proceed to a plan of subdivision for many years to come? What if the approval of a plan of subdivision is delayed? What if this developer cannot pay the sum promised? Finally, even if the developer obtains its subdivision approval and pays the money, this only accounts for \$20 million. Who is paying the other \$80 million to reimburse the municipality for the money that it spent on the waterworks expansion project?

Representing the WCA, I spoke to the Prince Edward County council in January, recommending deferring plans to tender trunkline construction in Wellington. My review of all the available materials related to the decision revealed that the municipality was incurring front-end costs with the *hope and expectation* that such costs would be recovered at some future date. I enclose herewith a copy of the submissions that I filed with PEC Council for your review and consideration.

It is clear that municipal staff and council are relying on a woefully deficient front-ending agreement with the developer, which staff and council assume will offset the cost and debt burden on existing residents. As noted above, I advised in January that the agreements provided no guarantee of repayment, nor did it compel the developer to proceed.

I advised council that it was irresponsible to proceed with further investment on this basis. Nevertheless, council approved funding for the trunklines in Wellington.

Since then, the municipality has completed an environment assessment (Regional EA) to expand the Wellington water system (intake, treatment and related capacity) and extend a water pipeline to Picton as an additional phase. The cost estimate is approximately

\$100 million more. No Master Servicing Plan has been completed, nor has a method of funding (between residents, developers, non-residential) yet been prepared or presented to residents or ratepayers.

Nevertheless, council directed staff on May 25, 2024, to “begin procurement on the final design of the Water and Wastewater Plants in Wellington”.

A few days prior, the municipality had applied to the HEWSF seeking \$18.3 million to assist in paying for this waterworks expansion project. The terms of this application indicate that pre-construction planning and design work must start no later than September 30, 2024.

This is an impossible timeline given the massive risk to existing ratepayers, the absence of detailed funding plans, and the lack of engagement with the utility ratepayers who must carry this risk. Granting the requested funds to the municipality will only encourage it to continue down its fiscally irresponsible path and will put further public funds at risk for a project that should be paid for by developers when the developers are ready to proceed. It is growth that should pay for growth when growth is occurring.

### ***Unreasonable Assumptions Concerning DCs that will be used to repay debt***

To exacerbate an already perilous situation, the municipality is basing the desire to construct the waterworks expansion project upon growth projections that are unreasonable. Unreasonable growth projections overestimate the amount of DCs that the municipality can expect to recover to repay the debt incurred to expand the waterworks.

One example: In the original Wellington plan (\$100 million), approximately \$30 million is anticipated to come from DCs for non-residential development in the village. To do so would require the development of just under 1 million square feet of non-residential building in Wellington. Over a century, an estimated 100,000 s.f. of non-residential buildings have been accumulated, including three churches, a school, and a grocery store. The notion that this village will expand by six Costcos is absurd. It is made more fanciful by the current DC charge in Wellington is \$34.10 per s.f.—a rate more than ten times that in the rest of the municipality, a multiple of any community in the region, and 36 per cent higher than the city of Kingston. When non-residential development does not transpire, residential ratepayers will fund this \$30 million debt.

A third-party review has also cast considerable doubt upon the non-residential development expectation.

“Even applying the most generous math to commercial growth in Wellington and the greater PEC area, there is no mathematical or commercial reality to support this amount

of footage in the next quarter century and beyond,” wrote Jane Marshall in her brief to Shire Hall last August. Marshall is a Trustee at Riocan REIT, Plaza REIT and BSR REIT.

One more example: population growth.

The Regional EA plan assumes the municipality’s population will double, with nearly all growth occurring in Wellington and Picton. From 2,248 residents currently, Wellington will grow to 14,500, while Picton will grow from 5,796 persons to 32,600.

Yet historical growth patterns show a stubbornly flat population over 130 years—rarely ever has the entire municipality ranged far from 25,000 people—through economic booms and busts. Furthermore, a Watson and Associates study reported last fall that population growth might range from the historical average of near zero (the actual growth rate from 2006 to 2021 was 0.0 per cent) to perhaps 0.6 per cent annually to as much as 1.1 per cent.

Watson’s numbers demonstrate that this municipality has no reasonable basis to assume the population will double within the planning timeline of this infrastructure.

Worse, should historical trends prevail, existing waterworks customers will be left to fund the \$200 million in debt (roughly equating to about \$34,000 per waterworks household).

***Waterworks Expansion Project causes unequal burden and risk to residents.***

Finally, Prince Edward County’s waterworks governance is grossly unrepresentative of the interests of waterworks utility customers. Council has just three members (of 14) who are water utility customers. The remaining 11 maintain their own rural water and septic systems. The interests of the majority of those making these decisions are not aligned with the customers (the sole funders of the utility) who bear the risk. It is unfair and unreasonable that they are tasked to approve massive spending and incur enormous debt on behalf of a system they do not pay for—nor have a direct interest in.

***Conclusion***

An \$18.3 million HEWSF grant does not alter the fundamentally flawed basis upon which this municipality’s waterwork has been proposed and foisted upon residents and ratepayers. Existing waterworks users are exposed to the vast bulk of capital costs (costs intended to support growth) with no assurances that new homebuilding will fund DCs at a pace or volume to offset such burden.

Furthermore, no funding plan or distribution of costs proposal has yet been prepared for the \$100 million cost of the regional expansion plan. Residents and ratepayers—and

council—are being led into spending millions of capital without a plan or a method of paying it back. The Wellington plan is fatally flawed by vastly overestimating the contribution from non-residential development.

Earlier this year, the County appeared to listen to the concerns of the WCA and wider community by commissioning a Request for Proposal (RFP) to conduct a third-party review of the proposed infrastructure program. While several consulting firms picked up the RFP, none submitted. The WCA was troubled by this outcome, but the municipality kept on course and ignored the need for a full third-party review. The WCA contends that had that review taken place I would not be writing to you today.

It is, therefore, premature for the Ministry of Infrastructure to extend grant funding to the municipality at this time. More planning is required. Errors must be corrected. Plans must be scaled to reasonable expectations of new homebuilding growth. Ratepayers must be part of the conversation.

Prince Edward County waterworks customers already pay among the highest rates in Ontario and Canada. In 2024, a family using 200 cubic meters of water annually in Prince Edward County pays approximately \$2,330. The bill will increase to \$2,413 in 2025 and nearly \$2,500 in 2026. Adding more risk and financial liability exposure to existing waterworks utility customers is potentially ruinous. It will discourage new homebuilding and growth.

The WCA urges the Ministry of Infrastructure and the Ministry of Finance to postpone consideration of this municipality's grant application until such a time when municipal plans are spelled out, including direct consultation with waterworks utility customers and reconciled to reasonable and reliable growth estimates.

I conclude by assuring you that the WCA is in no way anti-development; in fact, it has actively encouraged developers to proceed with their projects by offering open house meeting support, working committee advice and general advocacy. The WCA cannot support the quantum of spending made up by the municipality, which disrespects historical growth patterns, geographical location, and a viable financing model. Until there is clarity around the actual need, sizing of the facilities and cost model, we ask that you delay the grant or alternatively to protect the ratepayers, ensure that the entire financing for this mega project is funded in full or reduced in scope.

Ritchie Ketcheson  
Hart &  
Biggart

I trust that, given the above, you will decide that it is not appropriate to provide the grant of \$18.3 million to the municipality now that you have been advised of the fundamental flaws of the project to which the grant would be applied.

Yours truly,

**RITCHIE KETCHESON  
HART & BIGGART LLP**

A handwritten signature in blue ink, appearing to be "R. Andrew Biggart", with a long horizontal line extending to the right.

R. Andrew Biggart  
RAB/sz

Encl.