

Communal Drinking Water and Wastewater System Municipal Consent Requirements

AMO'S SUBMISSION TO THE MINISTRY OF MUNICIPAL AFFAIRS AND HOUSING

ERO 026-0302
June 3, 2026

About AMO

The Association of Municipalities of Ontario (AMO) is a non-profit, non-partisan association that represents the interests of all 444 municipal governments across Ontario. AMO addresses common challenges facing our members and provides meaningful advice to the provincial and federal governments on practical solutions on a wide range of issues that directly impact local governments and the citizens they serve. The development of private communal water and wastewater systems can have significant and ongoing consequences for municipal fiscal health, long-term land-use planning, and capital asset management plans.

Recommendations for a Clear, Consistent, and Fiscally Sustainable Regulatory Framework

AMO and Ontario municipalities share the province's objective of supporting housing development and economic growth. As we noted in our [response](#) to Bill 17, communal water and wastewater systems can play an important role in enabling development, particularly in low-density rural communities where municipal servicing may not be immediately feasible.

We support the province's intention to establish a standardized regulatory framework for communal systems. However, to be successful, the framework must not undermine municipal fiscal health and the integrity of Official and capital plans. The following recommendations support these outcomes by advancing clear regulations and governance requirements.

Recommendation 1: Establish Clear Definitions

The term "communal systems" encompasses several fundamentally different models. These systems can vary in ownership structure (private, condominium, municipal), purpose (interim vs. permanent servicing), governance model, and technical complexity.

To support consistent implementation and decision-making, we recommend that the province clearly define the types of systems subject to the framework, and offer guidance on how requirements should be interpreted and applied.

Recommendation 2: Standardize to Prevent Regulatory Arbitrage

Municipalities have consistently raised concerns about a regulatory framework that favours communal systems over municipal systems, for example, through lower standards, reduced compliance obligations, or weaker oversight. This could create incentives for regulatory arbitrage, and undermine the long-term financial and operational sustainability of communal systems. AMO therefore encourages the province to adopt a regulatory framework that maintains a level playing field between communal and municipal water and wastewater systems. In particular, private and municipal systems need to be held to the same standards, such as those for water quality, design, maintenance, or governance.

Recommendation 3: Align Land-Use and Asset Management Plans

Communal system development has direct implications for municipal Official Plans, capital plans, and asset management planning. Where these systems are approved without consideration of broader municipal land-use planning and capital asset plan objectives, they can undermine orderly and fiscally sustainable growth patterns. AMO encourages the province to ensure that any approvals framework aligns the development of communal systems with long-term settlement patterns, servicing strategies, and infrastructure capacity.

Recommendation 4: Clarify Provincial and Municipal Roles

AMO welcomes the province's intent to act as a financial backstop in the event of system failure. Under current arrangements, municipalities often bear significant financial risk despite having limited capacity to absorb unexpected liabilities.

To provide certainty, the regulatory framework should clearly define the roles and responsibilities of municipalities and the province in the event of system failure. If municipalities are expected to act as a first line of defence and the province as a funder of last resort, AMO recommends stronger upfront requirements on system proponents.

Developers and operators should be required to have fully funded lifecycle asset and financial management plans, provide annually audited financial statements, and undertake ongoing asset management reporting. This would support the long-term operational and fiscal sustainability of communal systems and minimize future fiscal impacts on taxpayers¹.

Municipalities would also benefit from a "one window" model for provincial oversight of communal water and wastewater systems. The current division of responsibilities between the Ministry of Municipal Affairs and Housing and the Ministry of the

¹ Municipal assumption of these systems can pose significant costs to ratepayers and taxpayers. They typically require physical upgrades to bring them up to higher municipal standards established by the province. When the Region of Waterloo assumed ownership and operations of the Petersburg Communal System, regulatory compliance costs to upgrade the existing system to municipal standards were \$358,370 for 62 homes or \$5,788 per household. York Region's upgrade of the Ansnorveldt water system cost the 54 benefiting households an estimated \$735,000 or \$13,611 per household.

Environment, Conservation and Parks requires municipalities to navigate multiple regulatory frameworks and approval processes. This creates administrative complexity and inefficiencies that could be mitigated through a more coordinated, single-entry approach.

Finally, clarification is needed regarding approval authority in a two-tier municipal system. While lower-tier municipalities are responsible for planning approvals, regional governments retain operational responsibility and subject-matter expertise for water and wastewater systems. A clear delineation of roles will help avoid ambiguity and support more effective decision-making.

Conclusion

Communal water and wastewater systems can contribute to housing development when used appropriately. Their success, however, will depend on a regulatory framework that is clear, consistent, and aligned with municipal planning and financial realities.

By establishing clear definitions, maintaining consistent standards, aligning with municipal plans, and clarifying roles and responsibilities, the province can create a framework that supports both housing growth and long-term sustainability. AMO appreciates the opportunity to comment on this proposal at the legislative stage and looks forward to continued collaboration with the province as the regulations are developed.