



INFORMATION ONLY

To: Mayor & Members of Council

Title: City Engineer – 13 Avenue SW Sanitary Sewer Extension Request

Date: September 9, 2024

Background:

The City has received annual requests to include an extension of sanitary sewer main and storm main to service the businesses along 13 Avenue SW (refer to Figure 1 – 13 Avenue SW Main Extensions). The extension of sanitary main and road and drainage upgrades are required for any development in the Urban Containment area and the cost of extending sanitary sewer is cited as constricting development on the light industrial parcels on 13 Avenue SW.

Due to the numerous informal requests and the potential opportunity for grant funding for the project, the City completed a detailed design of the work in late 2017. The total project cost was estimated at \$850,846.10 (this would equate to approximately \$1,370,000.00 inflated to 2025 dollars). The sanitary extension portion of the work was estimated at approximately \$425,000.00 (this would equate to approximately \$685,000.00 inflated to 2025 dollars).

More recent requests have focused on the sanitary main extension and in February of this year, Council directed staff to present a preliminary update report to Council to review the current factors underlying the request and to begin consideration of the options for future budget cycles.

Extensions of mains are generally completed by developers and triggered by the Subdivision and Development Servicing Bylaw; otherwise general taxpayer dollars (from the sewer utility) are being used to subsidize development or business costs. Where services are extended past the subject parcel frontage or are oversized to allow capacity for other parcels, the 'excess or extended' portion of the works can be reimbursed to, or recuperated by the developer either directly by the City, through a Latecomers Agreement or by DCC credits (up to the amount due by the development).

The requests for sanitary extension do not reference a Local Area Service; however, staff note the benefiting businesses could bring forward a petition to Council for a Local Area Service. The Community Charter contains a provision for a Local Area Service (LAS) whereby the City constructs the infrastructure and the benefiting properties pay back the infrastructure over a set amount of time via a tax, which can help to bridge gaps where important infrastructure is determined to be too expensive for one parcel to bear upfront.

Currently the request for the sanitary sewer extension is only coming from one business. There are approximately ten benefiting properties within the urban containment boundary. While staff

recognize there are economic benefits (increased land use) of extending the sanitary sewer, staff are unaware of other underlying factors such as environmental concerns. While Staff recognize the value of the sanitary extension, staff are generally not supportive of funding the initiative based on the following:

- The requestor is requesting the users of the sanitary utility pay to extend the sanitary sewer benefiting their business; this could be construed as the City subsidizing select businesses within the community.
- The sanitary utility requires significant increases to user fees to fund high priority projects such as the Water Pollution Control Centre Stage IV upgrade and foreshore main replacement; minimizing additional expenditures is necessary to minimize the impact to the user fees.
- Staff capacity is stretched with priority projects; this project is not currently within our priority list and will require redirecting resources.
- There is a limit on City borrowing capacity and it is anticipated that priority projects may encompass the majority of that borrowing capacity in the near future.

Staff recommend that Council does not move forward with the construction of the sewer extension funded from the sewer utility. Should the business want to move forward with the sanitary extension there are other options available to potentially recuperate the costs as outlined above.

Legislative authority / plans / reports:

	Official Community Plan		Master Plan
X	Community Charter		Other
	Bylaw/Policy		Corporate Strategic Plan
	Zoning Bylaw		2024-2028 Financial Plan
			Long Term Financial Plan

Financial Considerations:

Should Council elect to fund the project through the Sanitary Sewer Utility, the options available would include an increase to the Sanitary Sewer User Fee or Frontage Parcel Tax. Assuming no other change to the Sanitary Sewer Budget, \$685,000 in additional funding could be derived by:

- 1) Increasing the sanitary user fee by approximately 24.30%:

Annual Rate Residential User		
Existing User Fee	New User Fee	Additional Total Cost
\$385.00	\$478.60	\$93.60

- 2) Increasing the sanitary sewer frontage parcel tax from approximately \$1.98 to \$3.33 per taxable foot:

For a Lot with 60 Feet of Taxable Frontage		
Existing SFP Tax	New SFP Tax	Additional Total Cost
\$118.80	\$199.86	\$81.06

As addressed in the prior year, the current annual allocations to Major Maintenance Reserves are significantly below that estimated for sustainable replacement of assets. Rate increases are necessary to reduce the funding gap for sustainable asset replacements and therefore funding from existing reserves is not recommended.

Alternatives & Implications:

THAT: Council direct staff to add the 13 Avenue SW sanitary extension project in the amount of \$685,000.00 for consideration in the 2025 budget, to be funded from an increase to sanitary sewer user fee.

THAT: Council direct staff to add the 13 Avenue SW sanitary extension project in the amount of \$685,000.00 for consideration in the 2025 budget, to be funded from an increase to the sanitary sewer frontage parcel tax.

Communication:

Prepared by: City Engineer
 Reviewed by: Chief Financial Officer
 Approved by: Chief Administrative Officer

Appendix A – Project Location

