

# Report to Council



**Date:** March 21, 2022  
**To:** Council  
**From:** City Manager  
**Subject:** Sewer Connection Charge Bylaw No. 11540 - Rescind and Replace  
**Department:** Utility Services

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## **Recommendation:**

THAT Council receives for information, the report from Utility Services dated March 21, 2022, with regard to the Sewer Connection Area Financing Framework – Stage 2;

AND THAT Bylaw No. 12343, being the Sewer Connection Area Prioritization Bylaw, be forwarded for reading consideration.

## **Purpose:**

To rescind and replace Sewer Connection Charge Bylaw No. 11540 with Sewer Connection Prioritization Bylaw No. 12343.

## **Background:**

Throughout 2021, staff have been working to modernize the financial framework for the City's Sanitary Sewer Connection Area (SSCA) Program. To support the proposed framework, three stages of bylaw/policy amendments and development were identified:

1. **Stage 1:** Amend Sewerage System User Bylaw No. 3480 to permit an increased sewer development charge in select areas of the City where public sewers have been constructed as part of the SSCA program, and establish the Septic Removal Specified Area Reserve Fund.
2. **Stage 2:** Rescind and replace Sewer Connection Charge Bylaw No. 11540 to update connection area maps, cost estimates, prioritization list, and establish a formalized approach to coordinating with development.
3. **Stage 3:** Creation, closing, and updates to financial reserves necessary for future collection and management of funds collected for design and construction of sanitary sewer connection areas.

On February 07, 2022, Council adopted all resolutions to fully adopt Stage 1.

Stage 2 follows the guiding principles established during Stage 1:

1. **FAIR** - Fees collected under the authority of the revised bylaw must be fair.

2. **EFFICIENT** - Providing the greatest opportunity for sewer service connections and decommissioning of private, on-site sewage systems.
3. **FLEXIBLE** - Provide flexibility to accelerate sanitary sewer installation when coordination with development or capital works is possible.
4. **OPPORTUNISTIC** – Prioritize applications for senior government grants for projects where reserves exist. Ensure that customers capitalize on development opportunities, but not rely on it.
5. **EQUITABLE** - Once all public infrastructure within a connection area is completed, the benefits of surplus reserve funds, if any, resulting from grants, City/Developer contributions, and/or City/developer-built works must be applied to help initiate work in other connection areas. This addresses some issues regarding grant prioritization or opportunities that defer work to other areas.

**Discussion:**

The core component of Stage 2 is to rescind the existing *Sewer Connection Charge Bylaw No. 11540* and replace it with a proposed *Sewer Connection Area Prioritization Bylaw No. 12343*. The original purpose of the existing Sewer Connection Charge Bylaw No. 11540 was:

*"to impose a charge in respect of the installation by the City, or its agent for that purpose, of sewer trunk mains, sewer collector mains, and sewer service lines, to permit the owners of real property in the area to which the bylaw applies to connect to and use the sewage collection and treatment service of the City."*

With the new framework in place, Bylaw 11540 is no longer required. Any charges are now levied through the recently amended *Sewerage System User Bylaw No. 3480* (from Stage 1).

The purpose of the replacement *Sewer Connection Area Prioritization Bylaw No. 12343* will be as follows:

*"This bylaw is in place to provide both procedure and acceleration toward eliminating septic systems and improving water quality in Okanagan Lake and other water resources within the City of Kelowna limits, and establishes a prioritized sequencing of funding, design, and construction of sewer connection area projects."*

The major changes of the replacement bylaw can be broken into three components:

1. **Prioritization sequencing:** A key component is the establishment of a prioritization-based sequencing for design and construction of sewer connection areas. The framework is flexible to account for grant opportunities, unanticipated development, and other economic factors. The multi-criteria prioritization framework considers the following for each sewer connection area:
  - Availability of fiscal reserves to leverage grants
  - Number of lots to connect
  - Average age of septic fields
  - Environmental and health impacts of existing septic fields
  - Development potential
  - Cost per connection

- Availability, eligibility and quantum of grants
- Recovery of funds

The prioritization results must be reviewed and revised as connection area projects are completed (either City-led or developer-led). The remaining areas will be re-prioritized. In circumstances where project components are installed that allow for larger connection areas to be further split into sub-areas, this change will be completed via a bylaw amendment. For example, the Hall Road connection area requires a crossing of Mission Creek. If this crossing were constructed, the Hall Road connection area could be subdivided into multiple sub-areas.

Attachment 2 to this report outlines the prioritization metrics considered for each sewer connection area.

2. **New sewer connection area boundaries:** The boundaries of existing sewer connection areas have been redrawn to further split larger areas (e.g., Okaview No. 28) into smaller, more discrete projects, allowing them to be more conducive to grant and project delivery success. The smaller sub-areas maintain their original number along with the new sub area number (for example, the Belcarra No. 28.5 connection sub-area is a unique project within the Okaview No. 28 connection area). This numbering convention is important as it maintains legacy information with respect to connection area reserve access, should there be any funds available in that reserve. Each sewer connection area is identified in Schedule 2 of the new bylaw.
3. **Terms and limitations on use of reserve funds:** The replacement bylaw was developed not only to clarify access to the recently established *Septic Removal Specified Area Reserve Fund*, but also to ensure that reserve funds are used on a priority basis and directed to high-impact connection areas. The relevant clauses will maintain the sustainability and solvency of the *Septic Removal Specified Area Reserve Fund* in instances where a private party may wish to forward the timing of a project in advance of its prioritization-based sequence. The bylaw relies on the concepts of excess and extended services (507) and latecomers (508) already established in the *Local Government Act*.

The proposed bylaw supports the financial framework by directing reserve funds to high impact projects while simultaneously maintaining flexibility for the City to apply for grant opportunities. The division of connection areas into smaller sub-areas provides some opportunity to further divide sub-areas in the future as priority components are completed. The prioritization framework provides a formal approach for better cost-benefit discussions and prioritization updating in the future. The process also provides the City flexibility to apply for lower value grant opportunities that meet niche program requirements, as they arise.

#### **Conclusion:**

The current SSCA program is no longer meeting community needs and expectations. A new program is required if the City is to achieve real progress towards removing septic systems and improving environmental performance. The new financial framework is fair, simple, flexible, financially sustainable, provides residents an affordable opportunity to connect to the City's sanitary system, and improves funding conditions for future grant applications. Adoption of the recommendations in this Report to Council would establish Stage 2 of the proposed framework and result in the creation of the

*Sewer Connection Area Prioritization Bylaw No. 12343.* Council will be asked to adopt Stage 3 recommendations in future reports in 2022.

This bylaw does not require a change to City budgets.

**Legal/Statutory Authority:**

Section 507 of the *Local Government Act* – Requirements for excess and extended services by developers to service all lots in a sewer connection area.

Section 508 of the *Local Government Act* – Latecomer charges as cost recovery mechanism for developers when excess and extended services are required in a low-priority sewer connection area.

**Internal Circulation:**

Community Engagement  
Development Engineering  
Financial Planning  
Infrastructure Delivery  
Planning & Development Services  
Long Range Policy Planning  
Utility Services  
Wastewater Operations

**Considerations not applicable to this report:**

Alternate Recommendation  
Communications Comments  
Existing Policy  
External Agency/Public Comments  
Financial/Budgetary Considerations  
Personnel Implications

**Submitted by:** R. MacLean, Utility Planning Manager

**Approved for inclusion:** M. Logan, General Manager, Infrastructure

Attachment 1 – Sewer Connection Area Prioritization Bylaw Presentation

Attachment 2 – Sewer Connection Area Prioritization Metrics

cc: Divisional Director, Financial Services  
Divisional Director, Planning & Development Services  
City Clerk