

# Report to Council



**Date:** August 22, 2022  
**To:** Council  
**From:** City Manager  
**Subject:** Sewer Connection Area Financing Framework – Stage 3  
**Department:** Utility Services and Financial Planning

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## **Recommendation:**

THAT Council receives for information, the report from Utility Services and Financial Planning dated August 22, 2022, with regard to the Sewer Connection Area Financing Framework – Stage 3;

AND THAT the balance of the Cary Road, Rutland – McKenzie Bench, Rutland North, and Southwest Rutland Sewer Connection Area Reserves, and the MFA Debt Sewer Reserve R816 be transferred to the Septic Removal Specified Area Reserve Fund;

AND THAT the balance of the 2405-DF000 deferred revenue account (related to the Clifton Road North Extension Connection Area), the balance of the North End Industrial Sewer Connection Area Reserve, and \$333,000 from the Septic Removal Specified Area Reserve Fund be transferred to R204 – CWME – Wastewater utility general reserve;

AND FURTHER THAT the Cary Road, Rutland – McKenzie Bench, Rutland North, Southwest Rutland, and North End Industrial Sewer Connection Area Reserves be closed.

## **Purpose:**

To transfer reserve funds from completed sewer connection areas to support the sustainable funding of the City's Sewer Connection Area Program, that supports sewer service to properties currently on private septic systems.

## **Background:**

Throughout 2021 and 2022, 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.

Council adopted all resolutions for Stage 1 and 2 on February 07, 2022, and April 04, 2022, respectively. Stage 3 is the focus of this report.

Stage 3 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 3 is to create, close, transfer, and update financial reserve amounts to align with the new financial framework. The resolutions outlined in this memo will result in a Septic Removal Specified Area Reserve Fund balance of \$5.7M. This reserve was established to hold funding for sewer connection area projects identified in Sewer Connection Area Prioritization Bylaw No. 12343. These funds will be immediately available to leverage future provincial and federal grant opportunities and fund high priority connection area projects. The lack of available funds has historically been the greatest barrier to grant application success.

The majority of surplus funds outlined for transfer in this Report to Council are attributed to a mix of additional development within connection areas, surpluses from grants, and actuarial surpluses on MFA Debt amounts.

The transfers of these surpluses are supported by Council Policy 384 – Financial Reserves, the Community Charter, and recent legal reviews - see Legal/Statutory Authority section below for more details.

#### **Conclusion:**

Adoption of the recommendations in this report would complete Stage 3 of the proposed financial framework and result in funds immediately available for future grant applications. The new financial framework provides residents an affordable opportunity to connect to the City's sanitary system, improves funding conditions for future grant applications, and sets the stage for funding some higher priority works in absence of grants.

**Legal/Statutory Authority:**

As per the Septic Removal Specified Area Reserve Fund Bylaw No. 12316, the reserve is for the City to hold and manage the funds collected for the design and construction of sanitary sewer connection areas. Additionally, the establishment bylaw states that surplus funds from completed Sewer Connection Areas may be credited to this Reserve Fund.

As per 189 (2) of the Community Charter "If the amount to the credit of a reserve fund is greater than required for the purpose for which the fund was established, the council may, by bylaw, transfer all or part of the amount to another reserve fund."

**Existing Policy:**

The resolutions in this report align with Council Policy 384 – Financial Reserves.

**Internal Circulation:**

Community Engagement  
Grants & Special Projects  
Infrastructure Delivery  
Capital Planning & Asset Management  
Planning & Development Services  
Policy & Planning  
Utility Services

**Considerations not applicable to this report:**

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

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**Approved for inclusion:** J. Shaw, Acting Divisional Director, Financial Services

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

**Attachment 1** –Sewer Connection Area Financing Framework – Stage 3 Presentation

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