



PURPOSE

The purpose of this report is to provide Council with an update and information on the new development connection fees, adopted January 1, 2017.

BACKGROUND

Service connection fees provide funding to install water, sanitary sewer and stormwater connections on the city street, between the mains and the building plumbing systems, and are required for all new developments.

Water connection fees, which also encompass water services for the Township of Esquimalt, are identified in Waterworks Bylaw No. 07-030. The waterworks connection fees are based on a 'user pay' model and are intended to be revenue neutral at the end of each fiscal year. The last revision to these fees was made in January 2017.

Sanitary sewer and stormwater connection fees are identified in Sanitary Sewer and Stormwater Utilities Bylaw No. 14-071. The sewer and stormwater connection fees are based on a user pay model and are intended to be revenue neutral at the end of each fiscal year. The last revision to these fees was made in January 2017.

Connection fees are identified as either a 'fixed fee' or 'at cost' amount as identified in the applicable bylaw. While the philosophy of cost-neutral, user pay fees remains central to the rate design, fixed fee rates have been applied to the most common and least variable connections, in order to provide cost certainty to the property owner/developer, as per Council's direction in July 2016.

Calculation of fixed fee values are determined by reviewing a representative sample of recent installations and determining the average cost to complete. Most of the smaller size, standard connections have typically been based on fixed fee charges. Following adoption of new bylaws, the connection fees as outlined in Table 1 were effective January 1, 2017.

Table 1 Connection Fee Structure

Size of Connection or Meter	Fee
18 mm	\$6,300
25 mm	\$6,500
Cap water service, 12mm to 25mm	at cost
Temporary connection	\$400
Service pipe installations on Arterial Roads or within the Downtown Area	at cost
100 mm sanitary and storm service	\$8,800
2 -100 mm sanitary and storm service in same trench	\$11,800
Dye Tests	\$200
Rock removal	at cost
Removal of contaminated soil	at cost
Costs associated with working in vicinity of archaeological site	at cost

'At cost' charges are normally applied to the larger sized, complex connections which represent the most risk to the City. For services installed 'at cost', staff will review the details of the proposal and prepare a cost estimate. The applicant is then required to pay the estimated cost before work starts. At the conclusion of the work, if the actual cost of the work is less the estimated cost, the City is required to refund the difference. Alternatively, if the actual cost exceeds the estimated cost then the applicant is required to pay the difference to the City. Work that is completed 'at cost', is also monitored by staff during construction and appropriate allocation of costs occurs for unforeseen conditions.

After receiving the staff report "New Development Connection Fees Review" at the Committee of the Whole Meeting on July 14, 2016, the following resolution was passed:

"that Council direct staff to amend the Waterworks Bylaw 07-030, and the Sanitary Sewer and Stormwater Utilities Bylaw 14-071 to update fees as per Table 2 (option 2 Hybrid New Fee Structure) attached to the report dated July 8, 2016 and report back in 6 months"

When Council approved the current fee schedule, they expressed several concerns, specifically:

- Overall cost implications,
- Impact on affordable housing,
- Potential of hardship to future applicants, especially home owners, and
- Concerns about the City crew costs.

Also, Council requested that staff report on the:

- Difference between new fees and actual costs, and
- Number of people who decide to not to proceed with house renovations because of the service update costs

ISSUES & ANALYSIS

Based on the most recent cost analysis review, it was found that the fixed fee service connection changes are generally recovering expenditures. The analysis included review of 35 completed service connections with the following results:

Connection Type	Number of Connections	Revenue	Expenses	Variance
Sanitary/Storm Drain	14	\$156,000	\$157,200	(\$1,200)
Water	21	\$136,100	\$130,600	\$5,500

The cost analysis is based on all the connections that have been constructed since the new rates were effective. While the water connections are currently showing greater revenue than expenses, it should be noted that this is a small sample size and it is projected that over the course of the year the variance will be reduced or cost neutral.

Staff have also been tracking customer service inquiries and any feedback on costs of the service. The nature of the inquiries is detailed below.

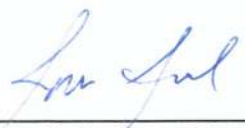
Number of Inquiries	Nature of Inquiry
78	Service location placement and size
44	Service requirements related to building permits, development, subdivision and rezoning applications
14	Connection to storm drain
9	Cost of the service installation. Out of these one connection did not proceed.
7	Schedule of completion for services already booked
6	Information about garden suites servicing requirements

The majority of inquiries have been related to development requirements. A limited number of inquiries were related to the cost of the service installation and only one service request was cancelled, reportedly due to cost.


CONCLUSIONS

The connection fee schedule that has been in effect since January 1, 2017 is recovering cost for water, sanitary sewer and stormwater service installations. Staff do not recommend any changes to the fees amounts or the rate design. Service connections charges and feedback will continue to be monitored by staff to ensure cost recovery and adjust to changes in market conditions.


Respectfully submitted,

for. 

 Nina Sutic-Bata, P.Eng.
 Manager, Underground Utilities



 Fraser Work
 Director, Engineering and Public Works



 Jas Paul
 Assistant Director Engineering & Public Works

Report accepted and recommended by the City Manager:



Date: Sept. 27, 2018