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TO: Kristen Van Alphen, Manager of Legislative Services
Mike Crone, Director of Public Works and Engineering

FROM: Dana Goetz, Engineering Technologist

SUBJECT: RESIDENTIAL SERVICES INSTALLATION FEES UPDATE

Engineering Services is recommending Public Works Schedule 'K' of the Fees and Charges By-law be revised to increase the amount collected for residential services installations performed by the Public Works Division in order to more closely reflect the current costs of performing this service.

Background:

In January 2012, a report to the Operations Committee recommended that the existing rates for residential municipal utility service lateral installation to the lot line remain at the levels set in a previous (2006) report.

The present service lateral installation fees are:

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| • Water service only (single trench) | \$3,449.00 |
| • Wastewater service only (single trench) | \$6,989.00 |
| • Storm water service only (single trench) | \$4,939.00 |
| • Water and wastewater services (single trench) | \$8,006.00 |
| • Water, wastewater & storm services (single trench) | \$9,248.00 |

Due to significant increases in labour and materials costs since 2012, these collected fees are no longer sufficient to recoup the cost of providing these services.

Analysis:

The January 9, 2012 report to the Operations Advisory Committee explained the reasons for the City providing this service as opposed to allowing developers to utilize private contractors. The main reasons are:

- Integrity of the City infrastructure
- Legal and insurance implications related to private contractors working in the City road allowance without permits for the installation of individual residential services
- Unauthorised and unqualified persons operating and modifying the City's water system

This policy does not include servicing for multi-residential, commercial, institutional and industrial developments as works and services being completed can be controlled and secured effectively with developers and private contractors under Special Services Applications, Servicing Agreements and Subdivision Agreements.

The fees for installing each of the residential service laterals (water, wastewater, storm water or combinations thereof) were set at a flat rate that reflected the average cost of providing the service. They were based on the actual costs at the time. The purpose of levying a fixed charge is to provide cost predictability for developers, contractors and future home owners.

Since 2019, the City has installed the water and wastewater service combination to three residential lots and charged \$8,006 for each of these combinations. This has been the most common installation type over the years. There were no other types of installations installed during this period and this servicing type will be the basis of the recommendations in this report.

The total charges levied (cost recovered) were \$24,018 over the 2019-2021 period. The actual costs incurred for the services installation was \$56,155 or an average of \$18,718 per water-wastewater service installation. A cursory conclusion might be that costs have increased by 134% but the costs ranged from \$10,440 for one water-wastewater servicing in 2019 (30% over the existing charge) to \$45,715 for two installations completed at the same time in 2021 (186% over the existing charge). The costs reflect a range of servicing installation conditions and variables that include the location of the lot serviced in the City, service lateral length, soil conditions and reinstatement costs. For example, at the lower end of costs, the work site would be in close proximity to the Public Works centre, the road would have very low traffic volume, the mains would be on the same side of the road, there would be no concrete sidewalk, curb and gutter to replace and the soils would be sandy, dry and easy to excavate.

Given that the data set is small and biased by the two more costly installations in 2021 and based on a review of the installations completed in 2021, it is suggested that the average actual cost for this type of installation is likely closer to \$16,000 and certainly more than \$8,006, or an increase of approximately 100%. As a reference, if the charges had been incrementally increased annually with an average 2.0% per annum construction price index adjustment since 2012 (10 years), the last time the charges

were reviewed and did not have to be increased, fees would have increased by 22% over this time period.

It is apparent that these costs have increased but it cannot be determined at this time whether this significant increase in cost will be sustained and is due to normal inflationary factors or if the unusual increase is due to COVID circumstances, as the data set is too small.

Therefore, to close the gap between fees collected and actual costs, Engineering Services is recommending a 25% increase to all of the residential service installation charges for 2022 to be followed by a reassessment of the rates for 2023, or later, after additional data can be collected in 2022 or later based on pending or future installations, with the goal being to achieve a revenue neutral status for the provision of this service. The proposed rate structure for 2022 is:

• Water service only (single trench)	\$ 4,311.00
• Wastewater service only (single trench)	\$ 8,736.00
• Storm water service only (single trench)	\$ 6,174.00
• Water and wastewater services (single trench)	\$10,008.00
• Water, wastewater & storm services (single trench)	\$11,560.00