



Current Policy and Process for Reviewing Requests of Services Outside of City Limits

Project Name: Interim Inter-municipal Servicing Request Policy and Procedures

Date: August 29, 2012

PURPOSE

This document summarizes the current method used by the City of Regina (City) to evaluate servicing requests outside of City limits. Such a background review serves as a starting point of the Interim Inter-municipal Servicing Policy and Procedures Project.

Interim procedures, decision-making framework/criteria, and fee structure will be developed in the next step to standardize approval process for developments beyond City limits and to ensure net benefits to the City.

The interim policies and procedures will then be evaluated and revised when a comprehensive Regional Servicing Study is completed and some form of coordinated regional planning framework becomes available to protect the interests of the City and the region now and into the future.

EXISTING CITY BYLAWS AND POLICIES

- *The Regina Water Bylaw No. 8942* (including amendments to December 19, 2011)
- *The Sewer Service Bylaw No. 5601* (including amendments to October 18, 2010)
- *Policy Regarding Water Connections Outside City Limits, 1991* (City Clerk Box No. 13240; L498993)

AGREEMENTS

The City requires that all customers outside of City limits enter into a standard agreement for water and/or sewer service (i.e. referred to as an *Extra Municipal Water Supply Contract* or

Service Agreement). Each agreement is reviewed by the City Solicitor and executed by the Deputy City Manager, City Operations or City Clerk.

The City makes no guarantee with regards to the quantity, quality, pressure or uninterrupted availability of the water supplied; is not liable for any direct, indirect or consequential damages; and reserves the right to interrupt or permanently terminate service.

The customer agrees to abide by the terms for premises located outside of City limits pursuant to *The Regina Water Bylaw* and *The Sewer Service Bylaw*; acknowledges that the volume and pressure of the water supplied will not support a fire protection system or a fire hydrant; and also assumes the applicable surcharge, and all costs and liability arising from the third-party approvals, easements, engineering services, construction, operation and maintenance of their service connection.

The City currently has two agreements for directly servicing the Rural Municipality of Sherwood No. 159: one for providing water collectively to the Sherwood Industrial Park; and one for fire services. A previous agreement for recreation services has since been terminated at the request of the RM. The key facts of the two active agreements are summarized as follows:

(1) Extra-Municipal Water Supply Agreement

Signing date: December 22, 2010;

Effective date: January 1, 2011;

Expiry date: continue in full force and effect from year to year, subject to termination;

Continuity of supply: (i) the City will use its best efforts to ensure, but does not guarantee, continuity of supply; (ii) the City may interrupt the water supply if there is a water shortage or high demand on the Water System in the City's opinion; and (iii) the City may permanently stop the Water Supply if continuing it creates operational concerns for the City;

Termination: by either party by written notice of termination delivered to the other party, effective not less than six months from the date of notice; OR by the City, effective immediately if (i) any third party gains any interest in or use of the Water Line; or (ii) the customer attempts to assign this Agreement without the City's prior written consent;

Failure to pay: interest shall accrue; after 30 additional days the City shall have the option of suspending the supply of Water and/or terminating this Agreement, provided that 30 days' notice of its intention is provided.

(2) Fire Services Agreement

Signing date: March 5, 2002;

Response to alarms: The Regina Fire Department may respond to Alarms, but reserves the sole direction in deciding to respond;

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Payment: Annual Fee of \$115,000 per year as well as a payment schedule per each Alarm;

Failure to pay: In the event the RM refuses or neglects to remit any payment required within this Agreement, the City may terminate by notice in writing, to be delivered not less than 90 days prior to the effective date of such termination;

Termination: (a) by the City, by notice in writing, not less than one year prior to the effective date of such termination which shall be expressly stated in the notice; or (b) by the RM, by notice in writing to be delivered not less than 90 days prior to the effective date of such termination.

In addition to the above two agreement directly signed with the RM, the City also has 84 active water supply agreements/contracts with individual third party customers in the RM. The service is provided by the City primarily because the RM is not equipped to do so as the RM does not have a comprehensive servicing strategy, thus relying on developers to negotiate servicing with the City directly. As such, the City does currently have some degree of control over land-use in that it can influence development by approving or refusing servicing requests depending on compatibility with the City's development plans.

As for sanitary sewer service, the City has an agreement with Brandt Industrial Ltd. for a connection to our sewage works. However, the City has been accepting a significant amount of hauled liquid waste from the RM. It was roughly estimated that 85% or more of haul to the City's bulk sanitary disposal facility is from the RM. This disposal facility needs to be replaced, and is a financial and operational risk to the City. Currently, the City only charges the haulers a nominal annual fee to dump into our sewage works. If the City was to discontinue this service, the RM would have to build their own facility or find an alternate disposal facility willing to take their waste. The City became aware that the RM is planning to build a sewage Lagoon to service the north industrial developments. The wastewater will be collected by a contained gravity system and then pumped to the lagoon.

The City currently has no stormwater service agreement with customers outside of City limits, but received a few inquires from the developers about draining the stormwater on their developments into our works.

The City has no formal agreements in place with the RM of Sherwood (nor any other rural municipality) to address tax revenue sharing, recreational capital funding compensation models, larger regional servicing partnerships or growth management strategies. In the absence of tax revenue sharing or capital funding compensation, an imbalance exists with the City of Regina residents and businesses paying for the indirect additional capital, operating and maintenance costs for non-residents and outside businesses, such as the costs arising from the expansion of capacity and the acceleration of capital improvement/revitalization projects at the water treatment plant, wastewater treatment plant and major roads. If the users outside of City limits do not contribute to recover the costs resulting from their impacts on the City's infrastructure, these costs would have to be collected from residents and business within the City through increased mill rates, utility rates and development fees.

AUTHORITY

The Deputy City Manager, City Operations executed most of the servicing agreements due to the signing authority pursuant to *The Regina Administration Bylaw*, Schedule E, clause 4(b). Complex cases, such as the water supply contract signed with the RM for collectively providing water to Sherwood Industrial Park, required approvals by City Council. A rejection of the application is considered final, and there is no formal appeal mechanism.

EVALUATION CRITERIA

Currently, consideration of servicing requests outside of City limits is based primarily on the City's current capacity to provide services along with land-use considerations such as compliance with the City's *Official Community Plan* or the *Sherwood-Regina District Development Plan*.

Due to the absence of a comprehensive servicing analysis and regional growth framework, internal decisions have to be made on an ad hoc basis without the larger long-term picture available for consideration. There has been a lack of criteria and tools for staff to determine the full implications of these servicing requests. There is currently no comprehensive, consistent and coordinated internal decision-making framework for assessing and responding to the requests based on an evaluation of short-term and long-term servicing capacity and an assessment of the impacts on other aspects of city infrastructure and assets, such as roadway maintenance and improvements, fire services, recreational facilities and future growth scenarios.

ROLES & RESPONSIBILITIES

The departments/individuals involved in the approval process and their specific roles and responsibilities may vary depending on the complexity and the context of the application. For most of the cases, City Operations, Water and Sewer Services Department intakes the application, reviews the application and design, circulates to other departments when necessary (e.g., Community Planning and Development Division, Construction and Compliance Department), makes recommendations to Deputy City Manager, prepares and forwards the service agreement, and sends out the approval letters to the applicant.

For a less complex case, such as a request to service a single farm residence or small business outside of City limits, the roles and responsibilities are presented in the table below.

Department/Individual	Typical responsibilities
Deputy City Manager	<ul style="list-style-type: none">▪ Execute the agreement
Water and Sewer Services Department, City Operations Division	<ul style="list-style-type: none">▪ Request formal application and information from the applicant▪ Review the application for technical feasibility including circulation to other

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	<p>City departments when necessary</p> <ul style="list-style-type: none"> ▪ Approve or deny the request ▪ Recommend Deputy City Manager, City Operations entering into a service agreement if the request is approved ▪ Prepare and forward the service agreement ▪ Complete and forward Part B of Information Form ▪ Send formal Approval to Proceed along with the executed service agreement ▪ Review and approve the design in principle ▪ Send formal Approval to Construct ▪ Supervise and inspect the construction ▪ Obtain and forward as-built drawings to Construction and Compliance Department for records
Construction and Compliance Department, Community Planning and Development Division	<ul style="list-style-type: none"> ▪ Input as-built information into records
Utility Billing	<ul style="list-style-type: none"> ▪ Open an account for the applicant ▪ Billing
Office of the City Solicitor	<ul style="list-style-type: none"> ▪ Provide legal service in the preparation of the service agreement
Other departments	<ul style="list-style-type: none"> ▪ Provide comments and services when called upon

For a more complex case, such as a request for servicing a large-scale industrial development outside of City limits, the typical roles and responsibilities are shown below.

Department/Individual	Typical responsibilities
Council or Deputy City Manager	<ul style="list-style-type: none"> ▪ Approve or deny the request
City Clerk or Deputy City Manager	<ul style="list-style-type: none"> ▪ Execute the agreement
Water and Sewer Services Department, City	<ul style="list-style-type: none"> ▪ Request formal application and

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Operations Division	<ul style="list-style-type: none">information from the applicant▪ Review the application for technical feasibility including circulation to other City departments▪ Prepare and forward the service agreement▪ Complete and forward Part B of Information Form▪ Send formal Approval to Proceed along with the executed service agreement▪ Send formal Approval to Construct▪ Supervise and inspect the construction
Construction and Compliance Department, Community Planning and Development Division	<ul style="list-style-type: none">▪ Review and approve the design in principle▪ Get and input as-built drawings as records
Utility Billing	<ul style="list-style-type: none">▪ Open an account for the applicant▪ Billing
Office of the City Solicitor	<ul style="list-style-type: none">▪ Provide legal service in the preparation of the service agreement
Other departments	<ul style="list-style-type: none">▪ Provide comments and services when called upon

PROCEDURES

The table below provides the typical process to enter into an *Extra Municipal Water Supply Contract* with the City of Regina:

Step	Who	Activity
1	Applicant	➤ Inquire about water and/or sewer connection to the City
2	Receiving department	➤ Forward the request to City operations, Water and Sewer Services Department
3	City Operations, Water and Sewer	➤ Send an information package to the applicant, which includes:

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	Services Department	<ul style="list-style-type: none"> ▪ an information/data form (to be filled out); ▪ a copy of the standard service agreement; ▪ a standard drawing or detail; and ▪ a request for formal (written) application for service by the applicant
4	Applicant	➤ Completes Part A of the information form and returns it along with a formal application to City Operations, Water and Sewer Engineering
5	City Operations, Water and Sewer Services Department	<ul style="list-style-type: none"> ➤ Review the application for technical feasibility including circulation to other City Departments for review and comments ➤ Request additional information from the applicant if necessary ➤ Forward a memo to the Deputy City Manager, City Operations to recommend entering into a service agreement if the City approves the application ➤ Notify the applicant of the decision
6	City Operations, Water and Sewer Services Department & Office of the City Solicitor	➤ Prepare the service agreement
7	City Operations, Water and Sewer Services Department	<ul style="list-style-type: none"> ➤ Forward the service agreement to the applicant to sign ➤ Return information form with Part B completed
8	Applicant	<ul style="list-style-type: none"> ➤ Obtain all necessary approvals and easements ➤ Return the signed (executed) agreement to the City along with copies of approvals from: <ul style="list-style-type: none"> ▪ Saskatchewan Ministry of Environment (Permit to Construct, Extend or Alter Existing Works); ▪ the Rural Municipality (development permit and/or building permit); and ▪ any other regulatory agency which may have jurisdiction.
9	Deputy City Manager,	➤ Execute the agreement

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	City Operations	
10	City Operations, Water and Sewer Services Department	➤ Forward final Approval to Proceed along with the executed service agreement
11	Applicant	<ul style="list-style-type: none"> ➤ Submit design plan of proposed installation for approval ➤ Submit Part C of the information form completed by the applicant's engineer/contractor
12	City Operations, Water and Sewer Services Department	<ul style="list-style-type: none"> ➤ Approve the design in principle ➤ Send formal Approval to Construct to the applicant in writing
13	Applicant	<ul style="list-style-type: none"> ➤ Provide 48 hours (2 working days) notice to Water and Sewer Services Department of any proposed work requiring the supervision and/or participation of the City that is: <ul style="list-style-type: none"> ▪ excavation of the supply main and hot tapping by the applicant's contractor; and ▪ installation of the water meter and final inspection by the City
14	Applicant	<ul style="list-style-type: none"> ➤ Notify the City upon completion of construction <p>(The City reserves the right to conduct a final inspection of any or all of the construction)</p>
15	Utility Billing	➤ Open an account for the applicant and billing commences
16	Applicant	➤ Submit as-built drawing to City Operations, Water and Sewer Services Department within 30 days of completion or at the time of connection. The as-built will include a plan of the location with all dimensions to property lines, and a detail of the plumbing connections
17	City Operations, Water and Sewer Services Department	➤ Forward the as-built drawings to Construction and Compliance Department for input into records

FEE STRUCTURE

As conditions of providing water and/or sewer services to customers outside of City limits, all costs of construction and connection are to be borne by the customer. The customer is required to construct a water meter vault at the point of connection. The customer is also responsible for all operational aspects and maintenance of the service line.

According to subsection 8(5) of *The Regina Water Bylaw No. 8942*, for premises connected with the water system but located outside of City limits, the regular rates set out for customers within the City plus a surcharge as determined by the City shall apply.

According to subsections 12(1) and 12(2) of *The Sewer Service Bylaw No. 5601*, persons residing outside of City limits may apply to the City for a connection to City's sewer system or for permission to discharge by other means to the City's sewer system, and the person shall pay a sewer service charge at such rates as may be determined by Council.

Historically, the provision of water and sewer service to users outside of City limits have been provided for a nominal connection fee and a 75% surcharge for the services they are receiving. However, it appears that these surcharge rates are based on anything scientific. An extensive search of City records has been unable to locate any documents justifying the surcharges. The 75% water surcharge was documented in the *Policy Regarding Water Connections Outside City Limits*, 1991, but the surcharge rate for sewer service could not be found in any document.

It is unknown at this time whether or not the surcharges would offset the full cost of providing capital improvements or other services such as transportation, fire protection or recreation. For instance, it is estimated that up to 15% of Regina workers commute from outside of City limits, but we have no way to recover the costs of their impact on our road network system.

As indicated in the *2012 Proposed Water and Sewer Utility Budget*, the City currently services 85 water customers (including a collective one for Sherwood Industrial Park) and 38 wastewater customers outside of City limits. For the years 2010 and 2011, the average water consumption rate by customers beyond the City boundary is 1.35 million m³ per year, accounting for 6.52% of the total volume consumed. This results in \$2.9 million of annual revenue averagely, which makes up less than 7.33% of the total water revenue.

As for hauled liquid waste, as set out in section 26 of *The Sewer Service Bylaw No. 5601*, no person shall discharge septic tank wastewater into the sewer system without a permit from the City and paying an annual fee. The annual fee is based on the carrying capacity of the vehicle. Currently, monthly charge per .455 cubic metres of vehicle capacity for acceptance of septic tank wastewater into the City's sewer system is \$2.00 as set out in the Bylaw, which appears very low considering the operational, financial, and environmental risks imposed upon the City.

SURVEY OF POLICIES OF OTHER URBAN MUNICIPALITIES

(1) Policy Research in May, 2012

Given the intensity and nature of servicing requests received by the City in recent months as well as the dissolution of the District Planning Commission, the schedule of the interim regional servicing strategy project is tight in order to protect the interests of the City/region and respond to the applicants awaiting decision in a timely manner. This does not allow time for an extensive study on the policies and practices of other urban municipalities regarding extension of water and/or sewer services beyond the city boundaries. A more comprehensive research looking into the policies and practices of other cities, more importantly the rationale behind them, should be included as an important component of the background report of the Regional Servicing Study in the next phase. The interim policy and procedures developed in this phase can then be re-examined with the considerations of the City's situations as well as the feasibility of applying other cities' successful practices in the City of Regina.

Nevertheless, an initial research into this topic has still been conducted to get a general idea about the current practices in other municipalities. Inquiries were sent to comparable urban municipalities such as Saskatoon, Calgary, Edmonton, Winnipeg, Red Deer, and Leduc. As of the completion of this report, limited feedbacks have been sent back in response to our inquiries.

Actually, cities such as Edmonton and Winnipeg have substantial long-term land supply within the boundaries, so the unplanned development in the fringe areas is not a major concern. The following introduces the current policies and practices of Saskatoon and Calgary acquired from the recent research.

Saskatoon

- Water
 - The City of Saskatoon supplies SaskWater potable drinking water at 8 supply points around the perimeter of the city. SaskWater then re-distributes this water to the surrounding communities, water co-ops & companies, industries, and individuals (approx 28,000 people).
 - Most supply points are connected to primary water mains (>400mm) and all new locations are required to be at primaries.
 - Any new supply points are approved by City Council.
 - The master supply agreement with SaskWater was signed nearly 30 years ago.
 - The agreement was approved by City Council as are all amendments.
 - The master agreement specifies the maximum flow rate available at any one location.
 - Any increases in the maximum flow require approval of City Council.
 - SaskWater is charged 30% or more than the water rate City charges customers within the City.
 - Off-site (development) levies are charged at each location based on the equivalent frontage of low density residential.

- If the City's system is not capable of supplying the amount, SaskWater will be further required to pay for capital upgrades.
- Sanitary sewer
 - Sanitary sewer services is not provided to properties outside of City limits.
- Stormwater
 - Any pre-development flows that pass through the City on the way to the river are accommodated in the City's system.
 - In at least one instance, an agreement was signed with a developer and the RM to guarantee that a certain capacity would be available. In this case the developer was subject to off-site levies.

Calgary:

- Supports the extension of City's water and/or sanitary sewer lines to existing incorporated urban centres contained in the Calgary Regional Plan and urbanization strategy;
- Does not support the extension of water or sanitary sewer lines to service rural residential uses;
- Does not support the extension of City water or sanitary sewer lines to rural non-residential uses, as a general principle. Possible exceptions are uses which must locate in rural areas due to locational requirements or other special characteristics, but they still need to be located near the city. If they are beyond the city's growth corridors, they may be considered for a service extension depending on the scale, location and the specific use;
- Requires Council's approval/endorsement in instances where the request conforms to the policy or one of the exceptions may be considered to apply; and
- Rejects the requests via the Administration in writing when the requests do not meet the policy.

(2) Fee Research in September, 2012

Additional research was undertaken for the extra-municipal servicing fees in other municipalities and the context of those fees. Major Western Canadian cities surrounding the City of Regina, including the Cities of Saskatoon, Winnipeg, Calgary, Edmonton and Red Deer, were the focus of this research. The survey was undertaken through email correspondence, phone conversations and document review. Highlights of the research findings are provided as follows:

- Governance and customers
 - The investigated cities primarily deal with wholesale large volume customers that will then re-sell the service(s) to the end users. These cities' direct customers are utility companies partnered with or owned by the city, service commissions providing services to a number of municipalities through regional co-operation, or neighboring municipalities that have a master servicing agreement with the city. The investigated cities manage very few individual applications as compared to what the City of Regina manages.

- Water and sewer rates
 - Saskatoon is applying a 30% surcharge added to the commercial water rate for inside customers. Saskatoon is reviewing this as the volumetric charge to external users ends up to be close to what is charged to residential customers inside city limits.
 - Winnipeg charges the standard in-City rates to the regional customers, specifically 100% of the block 1 water rate (the highest rate among the three blocks) and/ or 100% of the sewer rate.
 - Calgary, Edmonton and Red Deer are charging regional customers lower rates than in-city customers, as the provincial regulator only allows the cities to charge the exact portions of services (i.e., treatment and supply in the case of water service, and treatment and disposal in the case of wastewater service) provided by a city to its regional customers.
- Capital cost recovery for utility services
 - Saskatoon charges a one-time pre-paid levy based on the maximum permitted flow rate at each connection point around the city boundary.
 - The levy for a connection point is calculated by multiplying the equivalent front metres for a low density residential property with the pre-paid rate per front metre. The equivalent frontage is obtained by multiplying the equivalent number of single family homes (i.e., divide the maximum permitted flow rate with the average household peak demand) with the average width of a residential lot.
 - If SaskWater would like to increase the maximum permitted flow rate at an existing connection point, the levy calculation would be based on the increased amount. Please see the attachment for examples.
 - Winnipeg applies an on-time up front utilities buy-in charge based on the meter size to both existing and new development. The municipal customer would be required to provide property information including the meter size.
 - Calgary is considering charging the regional customers respective utility levies incurred by inside developers. Such levies would only be applied to new development.
 - Edmonton and Red Deer embed additional capital costs arising from service extensions within their rates established for varied customers through the AWWA (American Water Works Association) cost of service methodology. There is thus no one-time levy charged for connection.
- Capital cost recovery for other aspects of infrastructure
 - Saskatoon, Edmonton, Red Deer and Calgary do not charge levies or fees to recoup the impacts of outside growth on the city's other aspects of infrastructure, such as roadways, parks and recreation facilities.
 - Winnipeg requires revenue/tax sharing with the regional municipal customers, which consists of a one-time up front charge (for new development) and on-going annual participation fee (for both existing and new development serviced by the city). The shared revenue would be allocated to the City of Winnipeg regional roads capital budget.

- Overhead costs
 - As Saskatoon signed a master agreement with its only customer (i.e., SaskWater) about 30 years ago, there is no need to establish a fee structure to recoup the overhead costs for reviewing individual applications or processing agreements.
 - Calgary, Winnipeg and Red Deer include the overhead costs associated with service extensions in their rates or capital recovery fees.
 - Edmonton charges a very minor fee to new customers applying to become a part of the regional system.

The fee structures of the investigated cities were established within a regional coordinated planning/servicing framework and/or a revenue sharing model which is currently lacking at the City of Regina. Also, the bulk sales of those cities are different from the retail practices of Regina. Therefore, these cities' fees which are independent of the resale rates set by the wholesale customers are not directly comparable to Regina's fees which were proposed as the final rates to the end users in the absence of a broad regional planning framework.

The policies and practices in other jurisdictions will have significant implications on the long-term regional servicing strategy to be developed in alignment with a broad regional planning approach. The results obtained in this research provide ideas on where the long-term regional servicing strategy could possibly head into. Further research and exploration of options should be included within the scope of the *Regina and Region Water and Wastewater Study*.

Compared to its impacts on the long-term servicing strategy, this research has much less implications on the interim fee structure under development which will serve as a temporary measure to protect the City's interests before a regional planning framework becomes available and the actual costs arising from service extensions are known. The interim fee structure should be proposed based on logic, calculation and current tools.

(3) Research in 1999

It was also found from an extensive search of the City's records that similar research was done by the City Administration in 1999. Most cities offered some level of service beyond city limits at that time, and the type of service offered by each city was dictated by the nature of that city's water system.

Saskatoon, Calgary and Edmonton each had their sources of supply within city limits. They preferred to deal only with large wholesale customers outside of City limits.

Regina and Moose Jaw obtained the water supply from sources far beyond City limits, and therefore it was not hard to supply either individual or wholesale water users from the large water supply pipelines. The City of Winnipeg also had a water source far beyond City limits, but did not offer any services beyond their urban limit.

The Cities of Regina, Moose Jaw and Prince Albert offered comparable levels of service to rural users and charged a comparable surcharge. The Cities of Calgary and Edmonton dealt only with large wholesale users and did not charge a surcharge, although the wholesaler added

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operating and administrative charges to the final cost of the water. The City of Saskatoon charged a 30% surcharge on bulk sales, which was seen to be a development deterrent.

In all cases, the approvals for new connections involved respective city councils. In the cases of Saskatoon, Calgary and Edmonton, there was a desire to control development outside of City limits for reasons of growth management and environmental impact. For the smaller centers investigated, development control was not considered a governing criterion.

The following table and paragraphs provide a summary of the research results conducted in 1999:

	Regina	Saskatoon	Moose Jaw	Prince Albert	Winnipeg	Calgary	Edmonton
Policy in Place	No	Yes	Yes	No	Yes	Yes	No
Rural Connections Permitted	Yes	Yes	Yes	Yes	No	Yes	Yes
Rural Residential	Yes	No	Yes	Yes	No	No	No
Rural Non-Residential	Yes	No	Yes	Yes	No	Yes	Yes
Wholesale	No	Yes	No	No	No	Yes	Yes
Approval by Council	Yes	Yes	Yes	Yes	N/A	Yes	Yes
Surcharge	Yes	Yes	Yes	Yes	N/A	No	No
Surcharge Level	75%	30%	75%	50%	N/A	0	0