
CITY OF KELOWNA

MEMORANDUM

Date: November 19, 2003
File No.: 5340-09-28A
To: City Manager
From: Wastewater Manager
Subject: **Okaview Sewer Specified Area No. 28A – Special provisions**

RECOMMENDATION:

THAT Council accept the report dated November 19, 2003 from the Wastewater Manager and direct staff to allow a 2-year time period for the participants of Okaview Sewer Specified Area project to connect to the new sewer system, in accordance with the terms specified within this report, if the project proceeds to construction.

BACKGROUND:

When City Council considered the options available to expand the proposed Okaview Sewer Spec area project at the November 17th Council meeting, staff was requested to consider options allowing special provisions for the affected homeowners.

One of the options considered was to extend the time period allowed for Property Owners to connect to the new sewer system. Bylaw 6618-90, Paragraph 1.3.1 requires property owners in a Specified Area to connect after a sewer service connection has been installed. The standard practice of the Works & Utilities Dept. has been to allow homeowners 1 year to make their on-site connection after they have been notified that the sewer main is functional.

With the announcement of the Federal/Provincial Infrastructure Grant, the Okaview sewer project has become a conventional sewer project with the exception that Property Owners are being asked if they wish to proceed several years earlier than originally proposed. The reason for this is to assist the neighbourhood by providing sewer service for the homes burned by the Okanagan Mountain Park fire, rather than letting the owners re-build their septic disposal systems. Because of this, staff feel that it would be appropriate to allow the participants in the Spec Area to have 2 years to connect to the sewer service that will be installed if this project is successful. This deferral would allow the owners without an immediate need, substantially more time to plan for their service connection and save up for the expense of extending their sewer service line from their home to the connection point. At this time, we anticipate that with the extension of connection time, Owners will have until approximately the summer of 2006 to have their property connected to the sewer system.

There are certain circumstances however that we feel it would not be appropriate for the City to allow an extension of the connection date, as follows:

- All newly constructed homes must be connected to the sewer system.
- The Owner(s) of any existing home or building that has been determined to have septic system problems, shall be advised that the 2-year connection time frame has been rescinded and be given 60 days notice to connect to the sewer system.

In addition to considering the deferral of the connection requirement, staff investigated options related to financial incentives. One of the items considered was deferral of the Cash Commutation (lump-sum payment) Date. The Cash Commutation date allows the City to fix a point in time where we know how many owners chose to pay in a lump sum so that we can borrow the balance of the project costs and calculate the annual payment for the Spec Area participants. If we defer the commutation date, we cannot set the annual payment and the resulting carrying costs will increase and raise the Spec Area charge. In addition, there is the risk that interest rates will change (rise) before the long-term debt is incurred and such an increase in rates will cause the annual Spec Area charge to increase. A further disadvantage is that with a longer period of time between project initiation and when the notice for payment is sent out increases the chances that properties will be sold in that period and the new owners could miss the fact that a large debt is attributed to the property.

It is consistent with past practise for all Specified Areas that receive grants through any of the Provincial or Federal/Provincial initiatives, that the City is eligible to apply to the Okanagan Basin Water Board for annual funding. The existing OBWB funding formula allows the Wastewater Utility to receive 18% of the total annual debt servicing costs of the Specified Area. These funds are used to reduce the subsidy required from the existing Utility customers for downstream trunk mains and treatment plant capital costs required to service each Specified Area. The downstream costs are approximately \$2,700 per unit, offset to a small degree by the \$300 fee charged at the time of connection. With all factors considered, we recommend that the OBWB grant be applied in the same manner as it has been in all the previous Spec Area projects.

The announcement of the Federal/Provincial Grant has expedited this sewer project to allow the City to assist as many property owners as we can while attempting to keep the costs reasonable. Already, property owners from other areas of the City have called and come in to City Hall wanting to know if they can obtain sewer service for the same terms as we are now able to offer in Okaview. It appears likely that in future Spec Area projects many Owners will demand similar financial incentives to any offered for the Okaview Spec Area. Except for the unfortunate circumstances that caused this and the advancement of the timing, the project is close to a conventional Sewer Spec Area initiative, with the costs being less expensive than any other Spec Area project that we have initiated in the last few years. After some consideration, we believe that we need to continue to do our utmost to help the Okaview owners while remaining fair and consistent to residents in other areas of the City. The deferral of the time requirement for owners to connect to the new sewer may remove any immediate pressures from the affected homeowners and allow them to defray the expense of their own on-site connection work until 2006.

W.J. Berry, P.Eng.
Wastewater Manager

John Vos
Director of Works & Utilities

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