| TITLE: PAYING FOR GROWTH SOUTHWEST WASTEWATER SERVICING BORROWING BY-LAW NO. 7338 | City of BRANDON |
|---|---|
| **MEETING DATE:** January 10, 2023 |  |
| **DIVISION:** Development Services | **ATTACHMENTS:** Attachment A : SW Project Costs |
| **PRESENTERS:** Dean Hammond, General Manager of Corporate Services<br>Tara Pearce, Director of Finance<br>Mark Allard, Director of Engineering Services<br>Ryan Nickel, Director of Planning & Buildings<br>Alexia Stangherlin, Director of Utilities | **APPROVALS:** Ron Bowles, City Manager |

**PURPOSE:**

The "Paying for Growth" session is the second in a series of events aimed to improve understanding of how, where, and when we grow our community. The event will be followed by a public open house for all residents on January 17; and the public hearing on the Southwest Borrowing By-law on January 23.

The "Paying for Growth" session builds on the "Planning for Growth" session by exploring how we pay for the construction of infrastructure to support planned growth in our community over the next 30 years (growth infrastructure).

**GROWTH INFRASTRUCTURE:**

Growth infrastructure located within the boundaries of new neighborhoods, also called on-site infrastructure, is typically payed for and constructed by the developer. Infrastructure within new neighborhoods (e.g. Brookwood, Bellafield) may include local less busy roadways and minor intersections, smaller water/wastewater pipes, local stormwater pipes/ponds, and parks/trails and other local amenities.

Growth infrastructure located outside the boundaries of new neighborhoods, also called off-site infrastructure, is typically paid for and constructed by the City as these projects are typically too large and long term (30+ years) for developers to construct. Infrastructure outside the boundaries of a new neighborhood may include major roadways and intersections, major water and sewer mains, pumping/lift stations, major stormwater drains, and improvements to water and wastewater treatment facilities.

**DEVELOPMENT CHARGES:**

The City adopted a development charges by-law in 2019 to establish a transparent and consistent method of collecting more funds to contribute towards the construction of off-site growth infrastructure. The development charges by-law was adopted to improve upon the previous approach of collecting a small portion of off-site infrastructure funds through negotiated development agreements at the time of subdivision and rezoning.

The development charges by-law is supported by six reserve accounts (water treatment, wastewater treatment, water network, transportation network, drainage network). The water and wastewater treatment and network reserve funds are intended to off-set utility rate increases, and the transportation and drainage reserve funds are intended to off-set tax rate increases. The development charges by-law requires that the funds collected in a specific reserve must be used to construct improvements within that infrastructure type.

As development charges are new, the majority of funding for growth infrastructure will be through borrowing and funded by rate payers in the near term. This is a similar approach to how growth infrastructure has been funded historically within the City. Over time, depending on speed of growth and level of development charges, this trend will change and development charges, dependent on the speed of growth and development charge rates, should begin to off-set rate increases.

**GROWTH COSTS:**

The infrastructure plan for growth includes short, medium, and long term investments that will progressively improve infrastructure to service the growth area as development proceeds. The total infrastructure cost to service the south growth area, including transportation, water, wastewater, and land drainage costs, is $150 million, not including treatment facility upgrades. These costs will be incurred over an approximate 30 year time period as development in the south growth area progresses.

Wastewater improvements, including the lift stations and forcemains, are the initial phases of a larger wastewater plan that will require longer term improvements to the downstream wastewater network and future pre-treatment facility upgrades. The first phase, scheduled for construction in 2023-2024 will enable residential construction and phase two, timing yet to be determined, will enable both commercial development and future residential lots.

**Phase 1: Southwest Wastewater Costs (Attachment A-1)**

- New lift station at 34th Street and Patricia Avenue: $5.9 million
- New gravity main from new lift station to central connection point along 34th Street: $3.3 million
- New forcemain along Patricia Avenue From 34th Street to existing 1st Street Lift Station: $9.2 million
- Upgrades to existing 1st Street Lift Station: $2 million

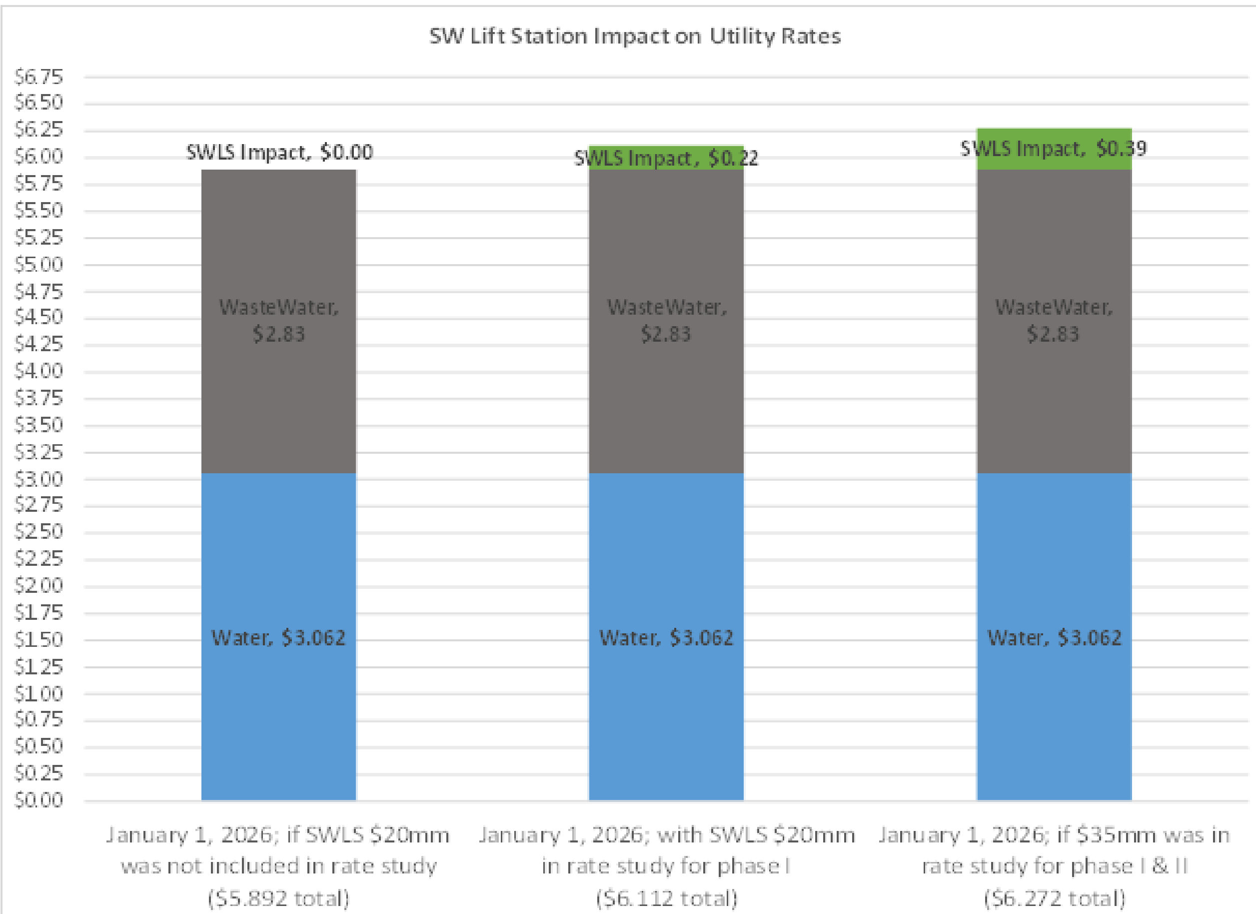
- Total Cost: $20.4 million

**Phase 2: Southwest Wastewater Costs (Attachment A-2)**

- New Lift Station south of wetland and west of 18th Street: $7.9 million
- New forcemain along 18th Street: $1.2 million
- Gravity main: $14.6 million

**FINANCIAL IMPACT**

Water and wastewater utility rates are proposed to increase as part of the ongoing rate review to cover maintenance and upgrades to our existing network and treatment facilities, including the large scale upgrades currently underway at the water treatment facility. The financial impact of the southwest wastewater project on utility rates is as follows:




The impact of the growth component on a household of four that uses 46 cubic meters per quarterly impact would be:

Phase 1: 20 million (currently in rates): $10.31
Phases 1 & 2: 30 million (authorization amount): $15.47

Phases 1 & 2: 35 million (total project cost): $18.04

As noted prior, depending on speed of growth and level of development charges, it is expected future utility rates will see relief in future years due to funds from the development charge program.

**OPTIONS TO MANAGE FINANCIAL RISK**

Financial risks to the City in proceeding with the borrowing by-law include debt servicing, utility rates vs development charge funds, increased costs of construction and borrowing, and market uncertainties (the amount and rate of new development). Options available to Council to manage the financial risks include:

***Option #1: Change the vision for growth:*** Council, through the new City Plan, could adopt a new vision for growth to focus on other growth areas (e.g. north hill, established area).

Implications: The current growth direction was determined by 10+ years of ongoing land use and infrastructure planning, and annexations, as per decisions from Council. Changing the vision at the borrowing stage would significantly impact our ability to grow in areas where owners have purchased and planned land for development as per Council direction. Impacts will likely result in increased housing costs, loss of potential non-residential investment, and a slowdown of our local economy.

***Option #2: Developers pay for gravity connections:*** Developers could be responsible for constructing the gravity portions of the wastewater system as an on-site improvement.

Implications: Developers constructing the gravity mains would result in an estimated savings to the City of 8.8million. Substantially increasing up-front development costs to developers could impact the developer's decision to proceed. Impacts of increasing development/construction costs will likely result in increases to the cost of land and buildings for future purchasers.

***Option #3: Phase Investment:*** Council could phase investment to minimize debt costs

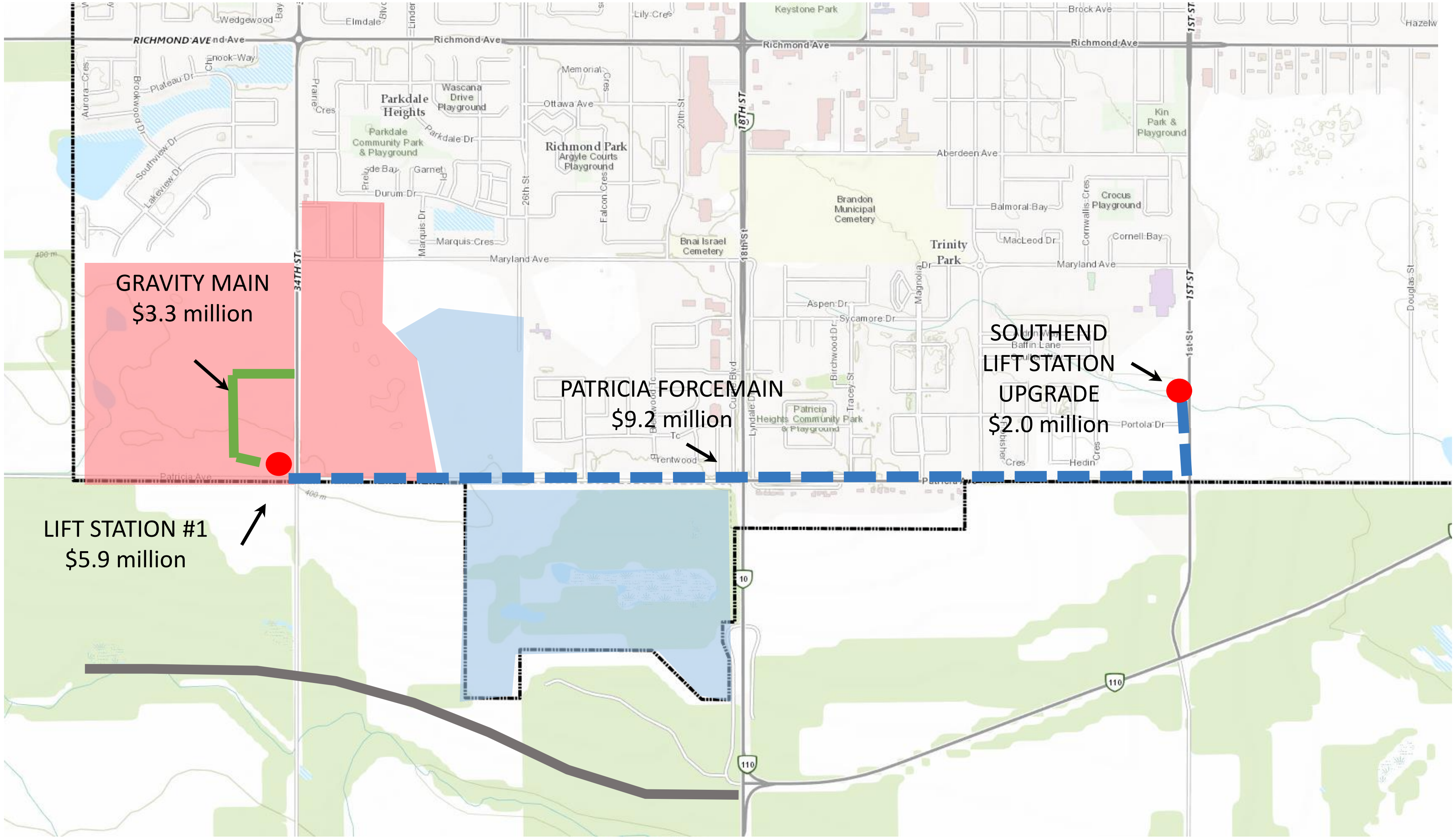
Implications: Phasing investment by delaying construction of the 18th Street lift station and associated forcemain/gravity system improvements would reduce the initial capital cost of the project by 15 million. The city has a shortage of commercial land for the development of large scale regional retail as. Delaying investment to serve the commercial area could result in the loss of opportunities to attract new commercial investment and the associated benefits as set-forth in the economic impact analysis (discussed at planning for growth session).

***Option #4: Increase Development Charge Revenues****:* Council could increase Development Charge rates to help moderate the impact of increased projects costs on future rate payers. This approach could include an overall increase or a targeted increase on the south growth area.

Implications: As there is insufficient funds in the wastewater development charge reserve, the majority of funding for the southwest wastewater project would be through borrowing. Changing of DC rates at this time will not impact the current rate study (rates until 2026), but depending on the adopted rates and speed of growth could off-set future rate study increases. Impacts of increasing development/construction costs will likely result in increases to the cost of land and buildings for future purchasers.

# A-1 SW Wastewater Project Costs

## Phase 1



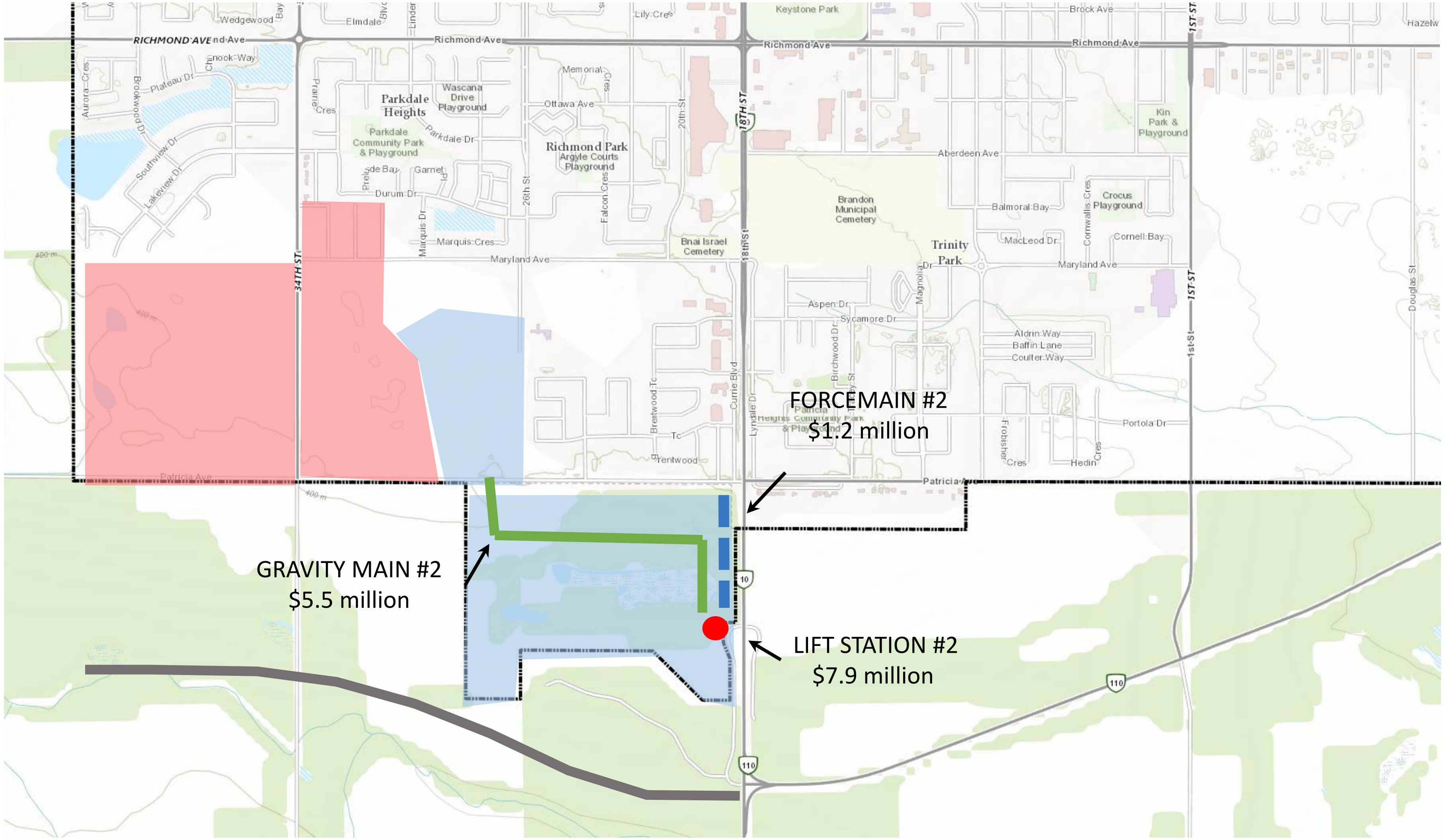

Cost ($ Million)

- LS Upgrade $2.0
- LS New $5.9
- Force main $9.2
- Gravity main $3.3

Total $20.4M

# A-2 SW Wastewater Project Costs

## Phase 2




Cost ($ Million)

- LS $7.9
- Force main $1.2
- Gravity main $5.5

Total $14.6M