Agenda - Executive Policy Committee - September 21, 2006

Report - Standing Policy Committee on Infrastructure Renewal and Public Works - September 12, 2006

Item No. 1 Consolidation of Wastewater Sewer and Combined Sewer Renewal Reserves into a Sewer System Rehabilitation Reserve
File WS-5

STANDING COMMITTEE RECOMMENDATION:

On September 12, 2006, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the administrative recommendation and submits the following to Council:

1. That the Wastewater and Combined Sewer Renewal Reserves be consolidated into the Sewer System Rehabilitation Reserve effective October 1, 2006.

2. That the Reserve be managed by the Director of Water and Waste.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

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DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On September 12, 2006, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the administrative recommendations and submitted the matter to the Executive Policy Committee and Council.

RE: CONSOLIDATION OF WASTEWATER SEWER AND COMBINED SEWER RENEWAL RESERVES INTO A SEWER SYSTEM REHABILITATION RESERVE

FOR SUBMISSION TO: Standing Policy Committee on Infrastructure Renewal and Public Works

ORIGINAL REPORT SIGNED BY: Director of Water and Waste Department

REPORT DATE: July 18, 2006

RECOMMENDATION:

1. Effective October 1, 2006, Consolidate the Wastewater and Combined Sewer Renewal reserves into one Sewer System Rehabilitation Reserve.

2. That the reserve be managed by the Director of the Water and Waste Department.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Report Summary

Key Issues:

- Council authority is required to amend the purpose or conditions applicable to any City Reserve

- There is no longer a requirement or an advantage to segregating funding for sewer renewal into two reserves, Combined Sewer Renewal and Wastewater Sewer Renewal

- Consolidating the reserves will provide for ease of administration and increased efficiency of financial management

- In accordance with the City of Winnipeg Charter, Section 289(4), the reserve funds will continue to be used only for the purpose for which they were raised.

Implications of the Recommendation(s):

General Implications

(X) None
( ) For the organization overall and/or for other departments
( ) For the community and/or organizations external to the City
( ) Involves a multi-year contract

Comment(s):

Policy Implications

(X) No
( ) Yes
Comment(s):

Regulatory Implications

(X) None
( ) Eliminates or reduces regulatory impact
( ) Proposes regulatory impact

Comment(s):

Environmental Implications

(X) No
( ) Yes
Comment(s):

Human Resources Implications

(X) No
( ) Yes

Comment(s):

Financial Implications

(X) Within approved current and/or capital budget

( ) Current and/or capital budget adjustment required

Comment(s):

Report

REASON FOR THE REPORT:

Council authority is required to amend the purpose or conditions applicable to any City Reserve.

HISTORY:

On May 27, 1992, City Council authorized the establishment of a Wastewater Sewer Renewal Reserve for the renewal and rehabilitation of wastewater sewers, with funding to be provided from the frontage levy identified for this purpose in Frontage Levy By-law 549/73, now 7958/2002. The purpose of the Reserve was to provide a consistent approach to financing infrastructure renewal and to renew and rehabilitate wastewater sewers (as defined by the Sewer Utility By-law 5058/88).

On May 27, 1992, City Council authorized the establishment of a Combined Sewer Renewal Reserve for the renewal and rehabilitation of combined sewers, with funding to be provided from the frontage levy identified for this purpose in Frontage Levy By-law 549/73, now 7958/2002. The purpose of the Reserve was to provide a consistent approach to financing infrastructure renewal and rehabilitate combined sewers (as defined by the Sewer Utility By-law 5058/88).

On January 30, 2002 the Frontage Levy By-law purpose was amended – …*may be used for the repair and replacement of (a) water and sewer mains; and streets and sidewalks in residential areas.*

On February 21, 2006 Council approved the 2006 Capital Estimates in which the Combined Sewer and Wastewater Sewer Renewal capital programs will be funded by Federal Gas Tax Funds, from 2006 to 2009, the duration of the agreement between the Government of Canada, the Province of Manitoba and the City of Winnipeg. During this period, the Infrastructure Levy will be used for the repair and rehabilitation of streets and sidewalks in residential areas.

DISCUSSION:

For the purposes of renewal, combined and wastewater sewers are to be defined by the Sewer By-Law 7070/97 which repealed 5058/88. By-law 7070/97 defines combined sewer as *"any sewer which is intended by design to carry both wastewater and land drainage"* and wastewater sewer as *"a sewer that carries wastewater".*

Prior to the Frontage Levies being established, funding came from two different sources, wastewater sewers were funded through the Sewage Disposal System Current

Estimates, while combined sewer renewals were funded through mill rate supported debentures in the Capital Budget.

In May 1992 renewal for both types of sewer systems began being funded through the renewal reserves, via frontage levies. There is only one sewer main frontage levy rate for all residents and it does not distinguish between Combined and Wastewater sewer systems.

The combined sewers were built starting in the late 1800's and separate wastewater sewer installation began in 1960. Historically more renewal funding has been directed to the combined sewer system because of its age and also because of size of the pipes - combined sewers are usually larger in diameter than a typical separate wastewater sewer due to the joint function of carrying land drainage and wastewater. In 2005 $1.32 million was budgeted for wastewater sewer projects, while $17.58 million was budgeted for combined sewer projects.

The annual frontage levy funding is allocated between the two reserves based upon the authority of the fund manager, the Director of Water and Waste and as approved by Council in the annual capital budget process – these budget estimates are established in the prior year and are based on anticipated upcoming renewal projects.

In the late 1990's the Water and Waste Department initiated a comprehensive cleaning, flushing, and closed circuit TV inspection program, of all combined sewer areas – the first round of inspection of all combined sewer areas is to be finished in 2006. This program has been very successful in establishing program budgets and enabling the department to prevent catastrophic failure through identification of areas that require immediate repair. It has targeted other areas for future renewal and at the program's conclusion a regular monitoring and inspection program will be implemented.

In 2005 inspection of the separate wastewater sewer areas began. The Department has learned that some areas of the separate system are more deteriorated than expected (based upon their age) and some sections of pipe require immediate repair. Early results from the cleaning and inspection program of the separate sewers indicate that more funding needs to be allocated to this area.

The Province of Manitoba, through issuance of Environment Act Licenses, requires the Department to develop a "Sewer Management Plan" - a coordinated renewal plan for the entire City wide Sewer System as a whole.

One Sewer System Rehabilitation Reserve would give the City more flexibility to target areas in the greatest need of repair, as identified by the inspection program and invest in prevention of catastrophic system failures. It would also facilitate the development of a coordinated renewal plan with authority to direct funds where most needed.

With contributions to each reserve based on budget estimates, in any given budget year, there are occasions where the renewal need in one reserve is greater than the

budget estimate, while the other reserve may have a budget surplus. This can result in delays in the renewal program, while the necessary administrative approval is obtained to fund the shortfall. Any surplus or shortfall in either segregated reserve is temporary and due primarily to timing. Combining the two reserves would eliminate surpluses and shortfalls, allow for more efficient use of funding, and eliminate disruption of the renewal program.

FINANCIAL IMPACT:

There is no financial impact associated with the recommendations in this report.

Moira Geer, CA
Manager of Finance & Administration

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:

City of Winnipeg, Legal Services, City Clerks and Corporate Finance

External Consultation With:

THIS REPORT SUBMITTED BY:

Department: Water and Waste Department
Division: Finance and Administration Division
Prepared by: Darlene Capp and Moira Geer
File No.