Agenda - Executive Policy Committee - January 21, 2004

Report - Standing Policy Committee on Public Works - April 15, 2003

Item No. 4 Review of Policy on Financial Assistance for Wastewater Sewer Connection Replacement for Business Properties (Sewer Connection Replacement for Businesses)
File WS (Vol. 6)

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On April 23, 2003, the Executive Policy Committee did not concur in the recommendation of the Standing Policy Committee on Public Works and referred the matter to the Chief Administrative Officer for additional information.

STANDING COMMITTEE RECOMMENDATION:

On April 15, 2003, the Standing Policy Committee on Public Works did not concur in the administrative recommendation and recommended to Council:

1. That Sewer By-law No. 7070/97 be amended to provide a financial assistance program for sewer connection rehabilitation for all properties, without applying a deductible fee and said amendment to come into force and effect on January 1, 2004.

2. That the City Solicitor/Manager of Legal Services be requested to prepare the necessary by-law in accordance with the foregoing and submit same directly to Council for approval.

Agenda - Executive Policy Committee – January 21, 2004

Report - Standing Policy Committee on Public Works - April 15, 2003

DECISION MAKING HISTORY:

COUNCIL DECISION:

On October 22, 2003, Council granted the Executive Policy Committee a ninety (90) day extension of in order for the Administration to report back on the matter.

On April 30, 2003, Council was advised that Executive Policy Committee referred the matter to the Chief Administrative Officer for additional information.

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On April 23, 2003, the Executive Policy Committee did not concur in the recommendation of Standing Policy Committee on Public Works and referred the matter to the Chief Administrative Officer for additional information.

STANDING COMMITTEE RECOMMENDATION:

On April 15, 2003, the Standing Policy Committee on Public Works did not concur in the administrative recommendation and recommended to Council:

1. That Sewer By-law No. 7070/97 be amended to provide a financial assistance program for sewer connection rehabilitation for all properties, without applying a deductible fee and said amendment to come into force and effect on January 1, 2004.

2. That the City Solicitor/Manager of Legal Services be requested to prepare the necessary by-law in accordance with the foregoing and submit same directly to Council for approval.

On March 11, 2003, the Standing Policy Committee on Public Works laid consideration of the matter over to the meeting scheduled for April 15, 2003.

On December 10, 2002, the Standing Policy Committee on Public Works directed that the Administration report back to the meeting of the Committee scheduled for March 11, 2003.

Agenda - Executive Policy Committee – January 21, 2004

Report - Standing Policy Committee on Public Works - April 15, 2003

DECISION MAKING HISTORY (Continued):

On November 19, 2002, the Standing Policy Committee on Public Works requested that the Administration review and report back on a policy with respect to businesses who qualify for financial relief when their sewer connection has failed, including the following points:

A. Various options with respect to a fair and equitable charge back system;
B. An analysis of what is undertaken by other Canadian cities.

RE: REVIEW OF POLICY ON FINANCIAL ASSISTANCE FOR WASTEWATER SEWER CONNECTION REPLACEMENT FOR BUSINESS PROPERTIES

FOR SUBMISSION TO: The Standing Policy Committee on Public Works

ORIGINAL REPORT SIGNED BY: Barry D. MacBride, P. Eng., Director
Water and Waste Department

REPORT DATE: March 25, 2003

RECOMMENDATION(S):

That this report be received as information.

REPORT SUMMARY

KEY ISSUES:

Presently, financial assistance for sewer connection repair/replacement is non-uniform, in that Sewer By-law 7070/97 authorizes assistance to owners of single family dwellings and owner occupied duplex units, but excludes all other properties.

Several alternatives are outlined herein, describing financial assistance options for sewer connection repair/replacement for all types of properties.

IMPLICATIONS OF THE RECOMMENDATION(S):

General Implications

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

Comment(s): Implication to business, multi-family residential and rental property owners i.e. financial assistance to business property owners is approved or disapproved.

Policy Implications

	No
X	Yes – Comment(s): If financial assistance to business, multi-family residential and rental property owners is to be provided, Sewer By-law 7070/97 would require a related amendment.

Environmental Implications

X	None
	Yes – Comment(s):

Human Resources Implications

X	No
	Yes – Comment(s):

Financial Implications

	Within approved current and/or capital budget
X	Current and/or capital budget adjustment required

Comment(s): A current budget increase would be required if financial assistance for sewer connection renewal is extended to include all types of properties.

REPORT

REASON FOR THE REPORT:

On November 19, 2002, the Standing Policy Committee on Public Works requested that the Administration review and report back on a policy with respect to businesses who qualify* for financial relief when their sewer connection has failed, including the following points:

a) various options with respect to a fair and equitable charge back system;
b) an analysis of what is undertaken by other Canadian cities.

* In accordance with Sewer By-law 7070/97; business property owners currently are ineligible for financial relief related to sewer connection failure.

HISTORY:

On July 25, 1984 Council passed By-law 3792/84 which amended former Sewer by-law 505/73 to provide financial assistance to owners of single family dwellings or owner occupied duplex units for repair or replacement of sewer connections within the streets' right-of-ways, where the cost of remedial works exceed the sum of $500.00.

On July 24, 1997 Council passed Sewer By-law 7070/97 which states under subsection 13(7) that:

> 13(7) Cost of Installation and Maintenance – The owner of the premises serviced is responsible for the cost of installation and maintenance, including replacement, of every sewer connection from the premises to the common sewer. Upon application to the City, an owner in occupation of a single family dwelling or duplex unit may receive financial assistance from the City for the repair or renewal costs of the sewer connection under the City street, in accordance with the provisions of Schedule "B".

DISCUSSION:

Background

The premise of City of Winnipeg sewer by-laws and policies dating back in excess of 80 years, has been that it is the property owner's responsibility to install and maintain sewer connection piping between all buildings and common (public) sewers. Private ownership of sewer connections from the private building to the common sewer is prevalent in North America although in some instances, the sewer on public property is publicly owned. Although not the subject of this report, in the case of water services private ownership most often ceases at the property line where the turn-off valve (curb stop) is owned by the utility as well as the service in the right of way. Water and sewer are typically different from electric, telephone, cable and gas where the service even on private property is owned by the utility. Those services are typically less expensive to construct because they can be installed in shallow trenches.

With private ownership, the owner, not the City has liability with respect to the cost of asset management including the eventual replacement of services. If the City owned the services, the liability for ongoing maintenance and replacement would be significant. In the case of private sewer connections under the public right of way, the City has voluntarily taken on liability of the cost of repairs subject to a $500 deductible as described below and in Appendix A. To date the City has provided this relief only for owner occupied single family or duplex dwellings. Connections from rental properties, commercial and industrial properties are not included.

Part of the rationale for assigning ownership and responsibility for the sewer service connection to the City's common sewer was that the property owner has control over the material discharged through the sewer connection, which could affect its performance and service life. This responsibility was also consistent with the regulations of the municipalities and cities, which were amalgamated to form the new City of Winnipeg in 1972. The property owner actually owns the piping system in its entirety, even though a portion of it is located within the street right-of-way. The same premise exists with the City of Winnipeg Private Approaches By-law. That is, the property owner owns the concrete pavement approach to their property, even though the structure is located in the street right-of-way. An approach structure, similar to a sewer connection, does not form part of the City's inventory of municipal plant.

Current Assistance Program

The homeowner financial assistance program for repair or renewal of house sewer connections has been maintained by the City since 1984 through its various sewer by-laws. The program is currently in effect under Sewer By-law 7070/97. Subsection 13(7) and Schedule "B" of By-law 7070/97 regulates the property owners' responsibility for sewer connections, including the subject homeowner financial assistance program. Schedule "B" is contained in Appendix A of this report.

In the financial assistance program adopted by Council in July 1984, assistance to owners of single-family dwellings or owner occupied duplex units is provided.

Assistance to business property owners, multiple family residential premises and rental properties is not provided. The program was specifically developed in response to the high number of complaints received about the cost of repairing house sewer connections; especially from elderly homeowners with fixed incomes. There was concern about the financial hardship that non-revenue generating single-family dwelling owners were facing for sewer connection repairs. The owners of other buildings are associated with revenue generating operations, therefore it was considered that these properties should continue to pay for sewer connection maintenance, as was specified in former Sewer By-law 505/73.

In the decision to exclude business properties from the financial assistance program, it was recognized that maintenance requirements for sewer connections can be negatively influenced by the characteristics of the wastewater discharged through the sewer connection, especially for commercial/industrial properties. For example, discharge of a wastewater containing an acid could cause deterioration of the pipe. A build up of grease could lead to decomposition and generation of sulphuric acid again causing deterioration of the pipe.

The rationale for requesting a deductible fee ($500) payable by the homeowner, related to the concept that it should be the property owner's first course of action to have the sewer connection professionally cleaned as required, as opposed to prematurely pursuing excavated repair or renewal of the piping system through the City's financial assistance program. The cleaning typically costs approximately $150.00.

The program's financial assistance was only designed to be available for repairs or renewal of sewer connections within the street rights-of-way, where excavation is required to restore the service. This condition was meant to provide financial assistance to the homeowner (who lives in the dwelling) for the more costly portion of remedial works to a sewer connection, which would normally be in the street as opposed to in private property. Also, the incidence of sewer connection failure seems to be higher within the street right-of-way than on private property, hence the by-law was designed to provide assistance where the need was greatest.

Costs of Current Program

Following are the annual Schedule B expenditures for reimbursement to owners of single-family dwellings and duplex units for their repair or renewal of private sewer connections, over the past five years:

YEAR	NUMBER OF RENEWALS/ REPAIRS	COST
2002	70	$303,300.00
2001	128	$720,666.00
2000	117	$649,284.00

1999	97	$436,902.00
1998	72	$355,265.00

For the year 2003, the projected number of sewer connection renewals/repairs is 105, if the current rate of house sewer connection failures is maintained for the 12 month time period.

Funds to support the program expenditures are provided from the Water and Waste Department's Current Estimates and are funded by the Sewer Utility's rate charges.

What is Done in Other Canadian Cities?

Fourteen other Canadian cities have been contacted about their policies on repair or renewal of sewer connections. The analysis revealed three different types/levels of assistance to property owners for sewer connection rehabilitation, as follows:

1. In Vancouver, Medicine Hat, Edmonton, Calgary, Regina, Brandon, Selkirk, Thunder Bay, Brampton and Mississauga, the city, at its full cost, undertakes the repair or renewal of sewer connections for all types of property within the street right-of-way, with civic forces.

2. In Saskatoon and Ottawa, the city pays the full cost of the repair or renewal of sewer connections for all types of property within the street rights-of-way by contracting the work to private contractors.

3. In Toronto and Portage la Prairie, the city provides assistance to the owners of residential properties for the repair or renewal of sewer connections within the street rights-of-way; but totally excludes business properties from the program.

   The programs in Toronto and Portage la Prairie differ from Winnipeg's program in that the remedial sewer connection works in these cities are carried out by civic forces, without a deductible fee payable by the home owner.

Twelve (12) of the Canadian cities considered in this report undertake remedial sewer connection works for all types of property within the street right-of-ways, at full city cost. Only two (2) other cities exclude assistance to non-single family residential properties, similar to Winnipeg. None of the other Cities contacted, required a deductible to be paid. Winnipeg appears to be unique in this regard. In all fifteen (15) cities studied, sewer connection maintenance on private property, for all types of property remains with the property owner.

<u>Options</u>

All options will leave responsibility for sewer connection maintenance on private property with the property owner, as currently specified in Sewer By-law 7070/97. This is consistent with all Canadian cities referenced previously in this report.

OPTION 1: (Status Quo)

The City of Winnipeg maintains its current financial assistance program for sewer connection rehabilitation under Schedule B of Sewer By-law 7070/97 for single-family dwellings and owner occupied duplex units; which program excludes business and multi-family residential and rental properties.

OPTION 2: (Extend Assistance Program to All Properties with Non-Uniform Deductible)

The City of Winnipeg provides a financial assistance program for sewer connection maintenance for all properties, applying a $500.00 deductible fee for single family dwellings and owner occupied duplex units and a $1,000.00 deductible fee for business properties, multi-family residential and rental properties.

OPTION 3: (Extend Assistance Program to All Properties with Uniform Deductible)

The City of Winnipeg provides a financial assistance program for sewer connection rehabilitation for all properties, with the application of a $500.00 deducible fee payable by all property owners.

OPTION 4: (Extend Assistance Program to All Properties with No Deductible)

The City of Winnipeg provides a financial assistance program for sewer connection rehabilitation for all properties, without applying a deductible fee.

Comparison of Options

It is estimated that annually there would be an additional 35 sewer connection renewals should business, multi-family residential and rental properties be included in the assistance program covered by Schedule “B” of the Sewer By-law. For comparison purposes, an estimated average cost for a sewer connection renewal within the street right-of-way of $8,000.00 has been utilized for business, multi-family residential, and rental properties. Costs for renewal of a typical residential connection within the street right-of-way are $5,000.00. A summary comparison of the options and associated estimated annual costs to the Sewer Utility are shown following. The costs shown in the table do not include costs for Water and Waste Department staff that administer the program. It is not anticipated that additional staffing resources will be necessary to administer the program should it be extended beyond the status quo option.

OPTION	COMMENTS	ESTIMATED ANNUAL COSTS
OPTION 1 –Status Quo	• Perceived inequity between residential and business/multi-family/rental properties will still exist	SFD @ $5,000.00 each $525,500.00
OPTION 2 – Extend Assistance with Non-Standard Deductible – $500.00 – SFD and $1,000.00 - Other	• Provides assistance to business/multi-family/rental properties • City takes on additional liability for services • As deductible level is different, provides distinction between non-revenue generating (residential) and revenue generating properties (business/multi-family/rental) • Properties paying the higher deductible may still perceive inequity	SFD $525,000.00 OTHER $245,000.00 $770,000.00
OPTION 3 – Extend Assistance with Standard $500.00 Deductible	• All properties treated equally • Winnipeg will still be unique in charging a deductible compared to other cities surveyed	SFD $525,000.00 OTHER $262,500.00 $787,500.00
OPTION 4 – Extend Assistance with no Deductible	• All properties treated equally • Most expensive option to City of Winnipeg • Similar to other cities surveyed	SFD $577,500.00 OTHER $280,000.00 $857,500.00
SFD – SINGLE FAMILY AND OWNER OCCUPIED DUPLEX DWELLINGS OTHER – INCLUDES BUSINESS PROPERTIES AND MULTI-FAMILY RESIDENTIAL		

1. Based upon average cost of repairs in 2003 rates.
2. Based upon current experience rate (i.e. no adjustment for aging connections).

Variation to Cited Options For Business Properties

The above options, excluding Option 1, describe financial assistance to all types of business and multi-family properties, irrespective of the size of the building/business operation. There would be no distinction between a large multi-storey apartment building and a smaller 2-story apartment block. Large multi-storey office towers would be considered the same as smaller office buildings. Large shopping malls would be treated the same as smaller retail outlets. In the above options except the status quo, the City would be assuming the liability for all service connections within the street right-of-way regardless of the size.

The estimated annual costs for providing an assistance program to business properties is based on repairing a typical sewer connection of eight (8) inches diameter at an approximate cost of $8,000.00. The sewer connection repair for larger facilities such as multi-story office or apartment buildings or industrial complexes could be substantially more costly than for a typical sewer connection repair, although the incidence of such works would likely be low. A repair to a larger diameter service connection within a wide thoroughfare could cost $20,000 to $50,000. An additional option, which could be considered if the financial assistance program is to be extended to business and other properties, is to limit the program to business properties/operations of moderate to small size.

"Insurance" Option

At the Public Works Committee meeting on November 19, 2002, the possibility of implementing an "insurance" type program to handle sewer connection repair was discussed. This option was therefore given consideration but not pursued further for the following reasons:

- There is some question as to whether the City could conduct such an insurance program under the Insurance Act of Manitoba
- Sewer connection failures are considered an "uninsurable" loss as they relate to age, normal wear, lack of maintenance, etc.
- Insurance coverage is normally reserved for protection against fortuitous losses, that is a loss occurring by a chance event, not predictable deterioration

- A voluntary insurance process would likely only be subscribed to by properties with older services that are at higher risk

Communications

Regardless of the option selected for sewer connection repair, the Water and Waste Department will undertake a communication program, through the use of a water and sewer bill insert, to advise properties owners of their obligations for sewer connection maintenance and repair.

FINANCIAL IMPACT:

The following financial impact statement for this project has been prepared in accordance with the recommendation adopted by Council on December 13, 2000.

Financial Impact Statement **Date:** March 25, 2003

Project Name:

REVIEW OF POLICY ON FINANCIAL ASSISTANCE FOR WASTEWATER SEWER CONNECTION REPLACEMENT FOR BUSINESS PROPERTIES

Note: A financial impact will result if financial assistance were extended to include all types of property beyond those presently covered by Schedule "B" of Sewer By-law 7070/97, which would result in increased operating costs and increased sewer rates for all customers.

Moira L. Geer C.A.
Manager of Finance & Administration

IN PREPARING THIS REPORT THERE WAS CONSULTATION WITH AND CONCURRENCE BY:

1. Risk Management Branch, Corporate Controller's Division/Corporate Finance
2. Legal Services Division, Corporate Services

THIS REPORT SUBMITTED BY:

Department: Water & Waste
Division: Engineering
Prepared by: M.J. Winkler
File No. 020-17-07-07-00

O:\MWINKLER\REPORTS\Review of Policy Financial Assistance for Business Properties.doc

APPENDIX A

Schedule “B” to By-law No. 7070/97 of the City of Winnipeg.

In accordance with Subsection 13(7) of this by-law, the City shall bear that portion of the reasonable costs of repair to or replacement of a sewer connection exceeding the sum of $500.00 as approved by the Sewer Utility and subject to the following:

(1) The City’s financial contribution shall only apply to an owner occupied single-family dwelling or to a duplex unit, one half of which is owner occupied.

(2) The City’s financial contribution shall only apply to repairs that require excavation to the sewer connection that is made within the public street.

(3) No financial contribution shall be made by the City for the purpose of cleaning or other maintenance work which may be required to restore a sewer connection to use after blockage.

(4) To be eligible for financial assistance, an owner shall notify the Sewer Utility prior to excavation of the sewer connection and shall:

  (a) provide, where possible, a maintenance history of the sewer connection with dates and costs to the satisfaction of the Sewer Utility; and

  (b) Undertake, at his/her own expense, an additional attempt to liberate the sewer without excavation, if so requested by the Sewer Utility; and

  (c) provide access, at reasonable times, to the property for inspection.

(5) Payment may be authorized by the Sewer Utility only when:

  (a) the blockage in the sewer connection cannot be liberated satisfactorily by auguring from within the dwelling, or

  (b) there have been at least four occurrences of the need for the cleaning of the sewer connection with a frequency exceeding once in nine months, as evidenced by receipts to be provided.

(6) Where one sewer connection is shared by two or more homes or by a duplex, there will be only one deductible of $500.00 charged, with the cost of the deductible divided equally between the eligible owners. If an owner is not eligible, the owner will be responsible for his/her proportional share of the repair or replacement.