



## AGENDA ITEM

### Deferral of Utility Connections for: QE II West Project and the Sylvan Lake Communal Servicing Projects

May 14, 2020

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#### BACKGROUND

At the January 30, 2020 Council meeting, Council passed the following resolution along with approving this servicing project:

***Moved by Mr. Ireland that the County Manager be authorized to enter into agreements with property owners for the payment of water and wastewater deferred services charges in accordance with the following payment plan options: 1) one up-front lump sum payment; 2) annual installments over a five-year period with an interest rate of 6.5% or, 3) annual installments over a ten-year period with an interest rate of 6.5%.***

***Carried Unanimously***

It is anticipated that these connections will be available by January 1, 2021 and that would be the deadline for connection and the payment of connection fees.

As well, unconnected residents in the Sylvan Lake Communal Servicing project area have until October 31, 2020 to complete connections.

Given the current economy and situation with respect to Covid-19, we have received several concerns with respect to these deadlines and the potential hardships and issues facing those affected.

#### ANALYSIS

The Water/Wastewater Reserve funds these projects and any funds collected from connection fees deposit to the reserve to replenish it for future projects.

In the case of the QE II West Project, we did not anticipate any connection fees for 2020. Based on the current off-site levy, serviced lands in this area would generate a return of \$ 1,451,024.36 to the Reserve. We had anticipated that most would have opted for the payment plan so a portion of this receivable would be due in 2021.



In the case of the Sylvan Lake Communal Servicing Project, 47 of 69 lots remain unconnected and are due according to the Bylaw to connect by October of 2020. The 2020 budget anticipated a return of these connection fees of \$358,490 to the Reserve.

The Covid-19 Pandemic has placed both physical and economic constraints on these deadlines. Property owners are having issues finding contractors to do this work and are impacted by the considerable economic impact of this situation.

We have received several requests for deferral of these deadlines and fees from affected ratepayers. Submissions are attached.

A one-year deferral of these projects will have an impact on the repayment of funds to the Water/Wastewater Reserve. Similarly, there will be operational budget impacts as well.

If approved, any deferral will require a change to the Sylvan Lake Communal Servicing Bylaw 1315-19. Section 4.5 states:

*All owners of premises located within the Sylvan Lake Communal Subdivisions from which sewage is generated as of the date of passage of the Bylaw shall connect to the County Wastewater system on or before October 31, 2020.*

## **ALTERNATIVES**

1. Do not defer these payments.
2. Defer connections and payments as follows (Administrative recommendation):
  - a. Sylvan Lake Communal Servicing until October of 2021.
  - b. QE II West until January 1, 2022.
3. Take other action(s) as determined by Council.

## **BUDGET IMPLICATIONS**

### **Operating Budget Impacts**

Deferring the connection deadline for the Sylvan Lake Communal Servicing system as per the Administrative recommendation will not impact the County's 2020 operating budget. However, there will be a reduction of utility revenue in 2021 of approximately \$37,720.



Deferral of the QEII West system also will not impact the County's 2020 operating budget, but it will result in an approximate \$3,200 utility revenue loss in 2021.

Given that both of these utilities are to operate on a cost recovery basis, the revenue reductions should be offset by expenditures and as such the net operating budget impacts will likely be negligible.

### **Capital Budget Impacts**

The capital cost to users of the Sylvan Lake Communal Servicing system is in the form of a flat rate connection fee, which is increased annually by a rate based on prime rate, plus 2.5%. As such, if the connection deadline is extended by one year, property owners would be subject to \$337 in additional connection fees.

The capital cost to owners of developed properties in the QE II West project service area is recovered by the County in the form of a deferred services charge based on the total project cost and serviceable area of each individual property. As per the January 3, 2020 Council resolution, those property owners wishing to finance their connection fees over five or ten years would be subject to a financing fee of 6.5% which represented prime rate at the time, plus 2.5%. Given that the prime rate has decreased significantly since then, it would be appropriate to adjust our financing rate from a flat rate of 6.5% to prime rate, plus 2.5%. As such, annual payments would be based on the prime rate at the time, plus 2.5%. This would also apply to those wishing to defer their payments to January 1, 2021.

## **LEGISLATIVE RESPONSIBILITIES**

Section 3 of the Municipal Government Act (MGA) states the purposes of a municipality are:

- a) to provide good government,
- b) to provide services, facilities or other things that, in the opinion of Council, are necessary or desirable for all or part of the municipality, and
- c) to develop and maintain safe and viable communities.

Section 153(a) states that one of the duties of councillors is "to consider the welfare and interests of the municipality as a whole and to bring to council's attention anything that would promote the welfare and interests of the municipality."



## STRATEGIC PLAN

The following elements of the County's Strategic Plan are relevant to this issue:

Our Vision: "An attractive, balanced and progressive community".

Our Mission: "Building a safe and vibrant community through leadership, innovation and the development of healthy relationships".

Finance Strategic Priority: "To manage the financial assets of the County in order to obtain maximum value".

Finance Strategic Priority Key Action Items:

- 3.1 Explore new sources of revenue
- 3.3 Strategize how to deal with losses in revenue

## PUBLIC PARTICIPATION

All participation initiatives will follow the Levels of Engagement table (at the end of the policy). Not all projects require the same extensive stakeholder consultation, but the appropriate approach should be selected on a project-to-project basis.

As the decision on this project directly affects only a few ratepayers at this time, and the decision is directive in nature; we will inform the affected parties through face to face meetings and inform them at this time as well as address concerns. Consultation prior is not necessary as the affected ratepayers are aware that Lacombe County would be servicing these lands based on deferred services agreements or bylaws that define the conditions of connection.

## RECOMMENDATION

That Council approve the following resolutions:

1. That Lacombe County defer the requirement for property owners within the Sylvan Lake Communal Servicing Project area to connect to this system to October 31, 2021.
2. That the County Manager be authorized to enter into agreements with the owners of developed properties in the QEII West Servicing Project area for the payment of water and wastewater deferred services charges in accordance with the following payment plan options:

Option 1

Plan Commencement Date: Upon date of servicing availability.

Payment Terms:

1. annual installments over a five-year period based on an interest rate of Servus Credit Union prime rate as of November 1 of the year prior to the payment year, plus 2.5% or,
2. annual installments over a ten-year period with an interest rate of Servus Credit Union prime rate as of November 1 of the year prior to the payment year, plus 2.5%.

Option 2

Plan Commencement Date: January 1, 2021

Payment Terms:

1. annual installments over a five-year period based on an interest rate of Servus Credit Union prime rate as of November 1 of the year prior to the payment year, plus 2.5% or,
2. annual installments over a ten-year period with an interest rate of Servus Credit Union prime rate as of November 1 of the year prior to the payment year, plus 2.5%.

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**PREPARED BY: Keith Boras, Director of Community Services**

**REVIEWED BY: Tim Timmons, County Manager**

  
