

2022 Prepaid Service Rate Evaluation

Water and Sewer Servicing

Water and Sewer Mains, Trunk Sewers, Primary Water Mains and Lift Stations

- 1) Water, Sewer Mains and Service Connections – Residential local construction occurred in the Kensington neighbourhood and Marquis Industrial area. The local servicing resulted in an analysis of costs for 2022. Additionally, as in the previous year, Construction and Design canvassed a number of pipe suppliers and contractors to determine the effects of recent price increases that were experienced within the unit prices that were received. The various suppliers noted that polyvinyl chloride piping costs have increased approximately 30-40% from 2021 to 2022. In addition, water and sewer contractor labour costs have seen approximately a 6% change. The current lands that are being developed within the neighbourhoods are producing a positive dense frontage to flankage ratio that serves to offset the increase in costs that are occurring. The water and sewer connection service uses many of the same type of components that are used in the main line contracts. In the last two years, the average prices per connection have risen from \$4,214.25 to \$6,030.00. A rate increase of 36% is recommended for connection costs. A water and sewer direct service rate increase of 6.4% and 9.6% is recommended for residential/commercial and industrial property in 2022.
- 2) Primary Water Mains and Trunk Sewers – Primary water mains include the larger piping systems that serve entire neighbourhoods, typically equal or greater than 400 mm in size. Primary water mains have, in most cases, lagged initial development and may include a variety of components that are not necessarily utilized consistently for each job, such as pumped drain structures or concrete bulkheads. A common component is piping, however, this can also vary between sizes, material type, construction required through pavement structures or undeveloped land. Depending on the size and the length of individual pipes needed in any one contract, different types of piping materials are utilized. In 2022, a 600 mm primary watermain was installed a distance of 750 m on Neault Road. Piping costs were approximately 30.7% higher than a similar contract constructed in 2021. In addition to inflation pressures, a major adjustment to the rate is necessary in consideration of funding scope changes. An additional primary watermain piping system is needed on the west side of the city starting from the Water Treatment Plant and extending to the Blairmore sector identified in Project 1436-8 - Blairmore Primary Watermains. This service will have more than one function and is being cost shared both from the Primary Watermain Reserve as well as the Waterworks Capital Projects Reserve. The cost of the increase as noted last year is being relieved by absorbing the increase over a three-year time period between 2021 to 2023. The Primary Watermain Levy is recommended to be increased by 12.4% for residential/commercial property and 7.4% for industrial zoned lands.

Trunk sewers are essential for all sectors and include ponding and piping systems that can include storm pipes up to 3.0 m in size and sanitary sewers of 1.2 m in diameter constructed 14 m deep. The Transportation and Construction Division has extensive studies and includes large geographic catchment areas to determine the overall City-wide rates. Within the Administration’s studies, sanitary and storm sewer piping comprises 74.7% of the trunk sewer levy cost. The remaining 25.3% of the levy funds storm ponds, where the primary cost is the excavation of large amounts of earth material. Minimum pipe sizes for residential include sanitary trunk sewers being phased in from around 600 mm or greater with a flow rate of at least 68 l/s and storm trunk sewers of 1,350 mm or greater. The 2020 major McOrmond Drive trunk sewer project has been wound down this year with only limited construction. Sanitary trunks, a force main and a storm pond are currently being designed and tendered for work in the Hampton Business Park and along with additional planning for this area and information from Statistics Canada (Stats Cda) for items included for these types of projects used during construction derives the trunk sewer rate. From the results of past information, current cost curves and studies, the trunk sewer rate is recommended to increase by 6.6% in 2022 for residential/commercial zoned property and increase by 12.8% for industrial property.

- 3) Lift Stations – This is a smaller levy that funds the construction of lift stations within specific neighbourhoods that utilize lift station services. The Lift Station Levy is charged only on neighbourhoods that require this service. Adjustments have been made to the commercial/industrial lift station that will be needed in the Hampton Business Park. Currently, there are no other industrial areas that also utilize this levy and, therefore, the integration of the industrial component will be significantly larger in the Hampton Business Park and will be absorbed over two years during 2022 and 2023.

Taken as a whole, the net price change for various services and calculated frontages has resulted in an adjustment for 2022. It is recommended that the general construction rate change for various zoned property by the following percentages:

	<u>Residential/ Commercial</u>	<u>Industrial</u>
Water and Sewer Mains	6.4%	9.6%
Water and Sewer Connections	36.4%	-
Trunk Sewers	6.6%	12.8%
Primary Water Mains	12.4%	7.4%
Lift Stations	6.3%	62.6%

Roadways

Grading, Sidewalks, Paving, Lanes, Buffers, Fencing, Signals and Arterial Roadways

In 2022, the City tendered two direct servicing projects as well as additional arterial roadways. Direct service roadways were in Kensington and Marquis. The arterial

roadways included two lanes of McOrmond Drive that will complete the extension from College Drive to 8th Street East. Neault Road was also tendered that will allow for the initial two lanes from 22nd Street West to just north of a transition point adjacent to 33rd Street West.

Areas of noted significance are as follows:

- 1) Grading and Buffers – This component involves the excavation, transportation and placement of large quantities of dirt to facilitate the overall drainage pattern within a development area. In 2021, it was reported that excavation prices had increased in a range up to \$7.53 per cubic metre, which was again above the prices previously experienced. In 2022, averaging the two main arterial contracts, prices moved into a range of approximately \$9.32 per cubic metre for topsoil stripping and excavation to embankment. On average, embankment costs continued to rise within the contracts, reflecting the increased cost of diesel fuel prices - one of the largest components for earth moving. The grading rate is recommended to change to meet the increasing costs of earth material handling experienced.

The main components within the Buffer Levy are berming, which also utilizes the movement of earth material. As noted previously, excavation costs have been rising along with seeding this year. The net effect will be to change the buffer rate this year.

- 2) Fencing – This levy provides for chain link fencing adjacent to railway lines, external buffer strips and arterial roadways depending on design. The main component is manufactured galvanized metal products. Various fencing suppliers have been contacted and the current cost of these products will require an increase of 5.2%.
- 3) Sidewalk and Curbing – This service is normally tendered as part of the direct service roadway contract. New contracts were established for both direct and offsite services this year. A total of 14,000 m of curbing and sidewalk were scheduled to be constructed. Changes to standards have started to be implemented, which has encompassed wider sidewalks within residential areas. Unit prices have been compared for this category to previous years prices with modest changes noticed. In general, prices have moved higher within a range of 14 to 34% for various components. These different components are included within residential versus multi-family/commercial areas, which are then blended together in arriving at a rate for each classification. As a result, the multi-family/commercial rate, used primarily in suburban areas and on collector roadways, is traditionally 1.7 times greater in cost than the residential rate. Additionally, the amount of frontage is also considered, which may vary depending on the particular development. The residential, commercial, and industrial rates are recommended to undergo a modest rate change in 2022.
- 4) Paving, Lanes, Arterial Roadways and Interchanges – The focus, for purposes of analysis, mainly dealt with the comparison of unit prices that have significantly

changed in this year's contracts. Local servicing contracts in Kensington and Marquis Industrial, as well as the two arterial projects, formed the basis of the changes in cost. Analysis of frontage yield for the projects involved in this year's servicing in determining the cost for these prepaid service categories was also conducted.

It was reported last year that prices, as a whole, for this component have been very steady to rising during the tendering period. In 2022, prices rose immediately and continued throughout the tendering period. All of the projects had a respective number of bidders. Stats Cda year over year comparable component prices from August of 2021 to August of 2022 reported increasing prices for most categories. The trend has been higher when looking at these indexes in comparison to other years. Each year, it has been reported that higher fuel prices are an influence on the overall pricing components involved in land development. This year, the Stats Cda "Energy and Petroleum products (P51)" reported an increase of 48.6%. "Machinery and equipment (P72)" rose 9.1% and non-metallic mineral products such as "Cement (p81)" jumped 11.73%. Labour is also a major component of Land Development, which also increased to a lower degree offsetting some of the other noted impacts. These numbers have transcended into some of the unit prices that are normally utilized for road building activity. Standard 300 mm base material that is used extensively has increased by 34.5% and asphalt has increased over 40%. To mitigate some of these increases, the City has continued to utilize other products that involve geotextiles to reduce the amount of gravel base and subbase within the overall structure, which has allowed a reduction in total costs. Also, as noted previously, the areas where direct services have been installed for 2022 are incurring a much larger frontage to flankage ratio than average for the particular neighbourhoods. This has partially sheltered the City from some of the increases noted this year. Changes to the Paving, Lanes and the Arterial Roadway rate this year is recommended.

The interchange levy is one source of funding for the construction of interchanges where the construction benefits new land development. Within the Administration's study areas, costs have been extrapolated to determine a projected value for nine interchanges identified as requiring funding from the interchange levy. Information from the interchanges constructed at McOrmond Drive and Boychuk Drive was previously analysed and a change in the rate was determined a number of years ago. The City's traffic model is currently being studied further to update the amount of traffic generated from future growth. No change has been implemented for interchanges in 2022.

- 5) Signing and Signals – This rate is used for the erection of signals and street signing within neighbourhoods. This item encompasses extensive labour and utilizes various electronic and metal products which have increased in 2022. The rate is required to increase by 7.4% to cover costs related to material prices and recent labour contracts.

The net effect on the prepaid service rates for this category is as follows:

	<u>Residential/ Commercial</u>	<u>Industrial</u>
Grading	11.8%	11.8%
Buffers	5.6%	8.2%
Fencing	5.2%	5.2%
Sidewalks and Curbing	5.2%	9.2%
Paving	5.8%	5.6%
Arterial Roadways	6.3%	6.3%
Interchanges	0.0%	0.0%
Lanes	5.8%	5.8%
Signing & Signals	7.4%	7.5%

Utilities

Street Lighting, Gas and Underground Electrical

City-developed land includes a prepaid levy for street lighting, gas and underground electrical servicing. Private developers contract directly with the respective crown corporation for telephone and gas servicing.

Street Lighting – A data base exists that includes three decades of street lighting service applications where costs and revenues are tracked. Street lighting service is provided exclusively from Saskatoon Light and Power. Labour costs represent a portion of the street lighting rate. Saskatoon Light and Power conducts servicing in the same administrative manor as other utilities. This entails preparing a fixed quotation for the particular area or phase that is being developed. The changes in the collective agreements have resulted in a small change to the labour component of the rate. In 2021, the City benefited from the previous purchase of steel poles, etc., that limited the increase in costs to 1.2%. In 2022, some of the structural components for street lighting were previously purchased and some are reflecting new prices and, therefore, the City has been sheltered for some of the cost increases. The net change is an increase of the residential rate of 7.6% and commercial rate of 5.3% with the industrial rate being able to break even this year.

Gas Servicing Levy – The Saskatchewan Energy Corporation (SaskEnergy) provides natural gas servicing to all classifications of property. The Gas Servicing Levy is composed of a header allocation charge that is calculated by the utility for each neighbourhood, as well as a gas distribution charge. SaskEnergy absorbs a portion of these costs by applying a capital contribution investment charge of \$1,145 per lot, which has not changed this year. SaskEnergy also charges a lane stubbing cost of \$1,200 per lot. In 2022, the City had a very limited amount of residential gas servicing with only 39 lots for analysis. The recommendation is for the rate to stay the same and not be altered for 2022.

Underground Electrical – New underground electrical service within Saskatoon is almost entirely provided by the Saskatchewan Power Corporation (SaskPower). Both the crown corporation and the City provide a \$1,300 per lot capital contribution in each of their respective franchise areas; however, SaskPower almost exclusively provides residential servicing. In 2018, it was reported that SaskPower had dramatically reduced the cost of servicing by renegotiating servicing agreements with other utilities that share services in the same trench. At that time, the rate was reduced by 64% from a value per lot of \$1,847. The capital contribution from the utility has remained fixed. In 2022, the City has processed an additional 564 lots, which has allowed further scrutiny of applications where a more accurate average type of lot has been experienced, including one-sided servicing and also laned lots. This rate has a tendency to increase in cost quicker than other rates over time due to the total cost increasing and the subsidized portion, such as the capital contribution and the fixed trench agreements from the utilities not changing. The net costs are, therefore, absorbed through the rate.

The Administration’s model indicates that the current rate is recommended to increase to \$1,096 per lot for 2022.

The recommended change to the utility rates is as follows:

	Residential	Commercial	Industrial
Street Lighting	7.6%	5.3%	0.0%
Gas Servicing	0.0%	-	-
Underground Electrical Servicing	13.2%	-	-

Administration

Planning, Municipal Administration, Servicing Agreement Fees, Inspection

The servicing fees for the administration of the land development program are increased each year in tandem with changes to the standard collective agreement, the car allowance rate, and other administrative costs where applicable. For 2022, the change is between 2.0 and 2.4% for these services.

Parks and Recreation Levy, Community Centres

The Parks and Recreation Levy is a significant portion of the total offsite levies and is submitted as a separate report from the Community Services Division. The inclusion within this report is to illustrate completeness of the prepaid service rate schedule.

The levy for community centres has been implemented as a separate charge per residential neighbourhood, calculated on a front metre basis for all saleable property. This levy will also be reported on by the Community Services Division.