

## 2023 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 – Construction of residential local servicing occurred in the Brighton neighbourhood area with the addition of 206 lots. The local servicing resulted in an analysis of costs for 2023. Additionally, as in the previous two years, the Construction and Design Department canvassed a number of pipe suppliers and contractors to determine the effects of recent price increases that were experienced within the unit prices that the City of Saskatoon (City) received. The various suppliers noted that polyvinyl chloride piping costs have increased approximately 7 to 11% from 2022 to 2023 for pipe sizes ranging from 200 mm to 1,050 mm in size, which is an improvement from the cost increases noted from the year before. The City has been fortunate that the current lands 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. The increase in the cost of water and sewer connections have moderated considerably with prices rising from \$6,030.00 to \$6,178.75, or 2.5%. A water and sewer direct service rate increase of 7.3% is recommended for residential/commercial and industrial property in 2023.
  
- 2) Primary Water Mains and Trunk Sewers – Primary water mains include the larger piping systems that serve entire neighbourhoods, typically equal to 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, that can also vary in size, material type, construction required through pavement structures, or undeveloped land. Depending on the size and length of individual pipes needed in any one contract, different types of piping materials are utilized. In 2022 a 600 mm primary watermain project was started based on a distance of 750 m on Neault Road. Piping costs for the sizes normally utilized in primary watermain construction have shown an increase from 8 to 11% based on sizes ranging from 600 mm to 1,050 mm. As reported over the last two years, in addition to inflation pressures, a major adjustment to the rate is necessary, considering 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 No. 1436-8 – Blairmore Primary Watermains. This service will have more than one function and is being cost shared both from the Primary Watermain Reserve and the Waterworks Capital Projects Reserve. The cost of the increase, as previously noted, is being relieved by absorbing the increase over a three-year time period from 2021 to 2023. The primary watermain levy is recommended to be increased by 12.2% for residential/commercial property and 9.6% for industrial zoned lands.

Trunk sewers are essential for all sectors and have 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 from 600 mm or greater with a flow rate of at least 68 l/s and storm trunk sewers of 1,350 mm or greater. Sanitary trunks and a force main have been tendered and are currently being constructed within the Hampton Village Business Park and along with additional information from Statistics Canada 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 4.2% in 2023 for residential/commercial zoned property and increase by 6.1% for industrial property.

- 3) Lift Stations – This levy 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 and in 2023 a lift station contract was awarded for a new lift station. The new lift station will service the Airport Industrial area, which includes the Hampton Village Business Park, Aero Green, and Airport lands. The depth, inflation pressures and consequently the cost of this lift station are substantial and resulted in a report to City Council earlier this year for a doubling of required funding. Adjustments have been made to the residential/commercial and industrial lift station levy that will partially fund the requirement for this service. The industrial lift station component has been calculated based on an extrapolation of costs for an average sized lift station with a normal amount of chargeable frontage within a typical catchment area. Additional costs beyond this level will be absorbed directly by the developers that utilize this service through an existing special levy that will also be adjusted and assessed within individual servicing agreements. Currently, there are no other industrial areas that also utilize this levy and, therefore, the integration of the industrial component will be significant. The cost will be absorbed over three years from 2023 to 2025. The residential/commercial lift station levy will also be partially affected by this adjustment to account for commercial lands that will be within this catchment area. The net affect has been calculated as follows:

	<b>2023 Rate</b>	<b>%</b>	<b>2024 Rate</b>	<b>%</b>	<b>2025 Rate</b>	<b>%</b>
<b>Residential/Commercial</b>	\$118.00	10.6%	\$129.40	10%	\$140.80	9%
<b>Industrial</b>	\$236.00	44.7%	\$308.80	31%	\$381.60	24%
<b>HVBP Special Levy</b>	\$408.50	61.0%	\$563.20	38%	\$717.90	27%

Taken as a whole, the net price change for various services and calculated frontages has resulted in an adjustment for 2023. 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	7.3%	7.4%
Water and Sewer Connections	2.5%	-
Trunk Sewers	4.2%	6.1%
Primary Water Mains	12.2%	9.6%
Lift Stations	10.6%	44.7%

### **Roadways**

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

In 2023, the City tendered two direct servicing projects and continued construction on arterial roadways. Direct service roadways were constructed in the Aspen Ridge neighbourhood where 216 lots are being developed, including ten parcels of land, as well as in the Marquis Industrial area that will see an additional 12 parcels. Arterial projects included two existing contracts that have been constructed over a two-year period. The arterial roadways included two lanes of McOrmond Drive that will complete the extension from College Drive to 8<sup>th</sup> Street East. Neault Road was also constructed to allow for the initial two lanes from 22<sup>nd</sup> Street West to just north of a transition point adjacent to 33<sup>rd</sup> 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. Excavation prices have continued to increase in lockstep with diesel prices that are a main component of moving earth. Excavation to embankment reached a high level of \$17.40 per cubic metre in 2023, which is again above the prices previously experienced. The grading rate is recommended to change to meet the increasing costs of earth material handling.

The main component within the buffer levy is 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 appears to have stabilized and, therefore, no change will be made to this rate.
- 3) Sidewalk and Curbing – This service is normally tendered as part of the direct service roadway contract. New contracts were established for direct services this year. A substantial total of 5,825 m of curbing and sidewalk were tendered for construction. Changes to standards have started to be implemented that have

encompassed wider sidewalks within residential areas, including the placement of base material beneath the structure. Unit prices have been compared for this category to previous years' prices with most components increasing from 12.8% to 25% higher than the previous year. 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 1.24 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 2023.

- 4) Paving, Lanes, Arterial Roadways and Interchanges – The focus for purposes of analysis dealt mainly with the comparison of unit prices that have changed in this year's contracts. Local servicing contracts in Aspen Ridge and Marquis Industrial, as well as the arterial roadway projects on McOrmond Drive and Neault Road 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.

As in the past, unit prices as a whole for this component have been rising. All of the projects had a respective number of bidders. Statistics Canada year over year comparable component prices from January of 2022 to January 2023 reported higher prices for most categories. Examples include machinery and equipment up 7.3%, cement up 13.5%, and energy and petroleum prices up 19.8%. The trend is higher than last year but at a decreasing rate, which may be promising. These numbers have transcended into some of the unit prices that are normally utilized for road building activity. Standard 300 mm base material the City uses extensively has increased by 30% and asphalt has increased from a low of -7% to a high of 20%. 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 reduced total costs. As in 2022, note that the frontage to flankage ratio in direct service areas where services have been installed are incurring a 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. Within arterial roadway projects, included are various items where safety is a concern that involve transition lanes when projects begin as two-lane roadways before being modified into the ultimate four-lane configuration.

Lanes are a function of unit cost as well as configuration, resulting in changes within the rate. For this component, 810 m of lanes were tendered in 2023. Unit prices were substantially higher, including asphalt up 55%, 300 mm base material up 58%, and centre drains noting an increase of 34%. In addition, the layout of the lanes where they were located within this portion of Aspen Ridge did not result in as high a level of frontage as observed in other areas.

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. This component will require a small adjustment to coincide with costs as well as catchment areas. The City’s traffic model is currently being studied further to update the amount of traffic generated from future growth.

- 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. The main increase in 2023 was for labour and materials. The rate is required to increase by 6.4% to cover costs related to material prices and recent labour contracts.
- 6) **Warranty** – The City charges a warranty levy that funds the warranty reserve for both City and private development. The reserve funds defects in labour and material from three to five years after the issuance of a Final Acceptance Certificate. The program corrects defects such as sidewalk cracking, heaving, asphalt settlements, curb box replacements, sidewalk crack filling, and manhole groating. Reconstructed sidewalks are the major overall issue and unit prices for this component is spurring a recommended increase in the rate.

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

	<u>Residential/Commercial</u>	<u>Industrial</u>
Grading	10.8%	10.8%
Buffers	7.8%	7.1%
Fencing	0.0%	0.0%
Sidewalks and Curbing	5.2%	7.7%
Paving	3.9%	5.0%
Arterial Roadways	7.7%	7.7%
Interchanges	2.4%	2.4%
Lanes	21.4%	21.4%
Signing and Signals	6.4%	6.4%
Warranty	5.3%	5.3%

**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 by Saskatoon Light and Power. Labour costs represent a portion

of the street lighting rate. Saskatoon Light and Power conducts servicing in the same administrative manner as other utilities. This entails preparing a fixed quotation for the particular area or phase that is being developed. Changes in the collective agreements can result in a change to the labour component and material price fluctuation used in construction can have an effect on the rate. The City has benefitted to some degree from structural components for street lighting that were previously purchased a few years ago. The net change is an increase of the residential and commercial rate of 3.8% with the industrial rate being able to break even this year as well as last 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 that has not changed this year.

SaskEnergy also charges a lane stubbing cost of \$1,200 per lot. In 2023, the City had a substantial number of residential gas servicing with 386 lots available for analysis. The recommendation is for the rate to rise by 6.1% this year after staying the same and not being 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, 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 2023, an additional 247 lots have been processed, which has allowed scrutiny of further applications where a more accurate average type of lot has been created, including one-sided servicing and 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 \$1,220.00 per lot for 2023.

The recommended change to the utility rates is as follows:

	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>
Street Lighting	3.8%	3.8%	0.0%
Gas Servicing	6.1%	-	-
Underground Electrical Servicing	11.3%	-	-

## **Administration**

### **Planning, Municipal Administration, Servicing Agreement Fees, and Inspection**

The servicing fees for 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 2023, the information gathered to date indicate the change is between 3.0% and 6.4% 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.