



**Policy:** Extension of Municipal Water and Wastewater Services Policy

**Policy Number:** CP-F-1.4 - ES-WW-01.1 (Resolution #28-2023)

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**Revised Date:** February 13, 2023

## PURPOSE:

To establish a policy for outlining methods of extending and connecting to Thames Centre's Municipal Water and Wastewater Services.

## POLICY:

Municipalities throughout Ontario are enabled to undertake works as a Local Improvement and assess costs to the properties that derive benefit from such works including the extension of Municipal Water and Wastewater Services. Under the legislation, a Municipality initially pays the costs associated with the works and then recovers the required funding from the benefitting properties by way of the special levies. The charge that is imposed to property owners is based on the final actual costs of the work.

To establish a policy for outlining methods of extending and connecting to Thames Centre's Municipal Water and Wastewater Services.

### Policy

#### 1. Methods of Connection

Under this policy there are two methods where a property owner can access and ultimately connect to municipal water and wastewater services.

These are:

- i) The extension of these services to existing premises within the urban service area;
- ii) The servicing agreements as provided for under a series of Development Charge policies and by-laws;

These methods are described in detail in the following sub-sections:

- i) **Extension of Municipal Water and Wastewater Services to Existing Premises**  
This process is where the Municipality extends these services to existing premises, or the process where owners of existing premises who wished to have these services extended to their property. Property owners have the right to petition either for or against a proposed work. The premise for

undertaking the extension of municipal water and wastewater services under this policy is that properties extended these services is for the most part pre-existing or established premises. The areas that are eligible for these extensions are non-development in nature.

- ii) Provision of Municipal Water and Wastewater Services to New Development Development Charges servicing agreements provide the alternative method for accessing and connecting to municipal water and wastewater services. This policy is applied for cost recovery purposes in response to development applications for newly created lots and premises, including subdivision agreements and building permits. In the context of this policy, these charges recover net growth-related capital costs for extending municipal water and wastewater services. Virtually all costs associated with supplying new premises with water and wastewater services are recovered through development charges or paid for directly by the developer as part of their servicing agreement with Thames Centre.

## **2. On-going Water and Wastewater System Calculations**

To justify maximizing the project cost recoveries associated with water and wastewater services extensions, it should be noted property taxes are not used to fund any component of the water and wastewater operating or capital costs. Funds required for the capital replacement, repair/maintenance and operation of these systems are derived exclusively from water and wastewater user rates paid by existing connected system users.

Further, past capital infrastructure associated with new development, funded through the imposition of development charges, has not been supported or subsidized by existing ratepayers or property taxes.

## **3. Enabling Legislation**

All possible options for dealing with petitions for the extension of Municipal Water and Wastewater Systems and other municipal services are dealt with under the Municipal Act. In particular, Section 391 of the Municipal Act governs by-laws for special services, including application of new municipal water and wastewater services.

Fees and Charges under section 391 of the *Municipal Act*, are regulated by O.Reg.584/06 and 586/06 which includes the following qualifications:

- Special fees and charges cannot be applied to capital expenses if previously paid for/charged, as in the case of development charges. In other words, the over-recovery for infrastructure is prohibited;
- Fees and charges cannot be imposed for the allocation of water and wastewater plant capacity directly under this section of the Municipal Act, but will be recovered under an alternative methodology (addressed later in this policy);
- Permission for a municipality to impose a charge for capital costs related to sewage or water services on persons who do not receive immediate benefit but will receive benefit at a later point in time; and

- Allows the municipality to initiate a Notice of Intention to pass a charge that is sent to the owners of lots liable for the charge. The Notice of Intention must contain detailed information about the proposed works. For the works to proceed, a minimum of two-thirds of the owners representing at least one half of the lots by value must agree to it. In the event a majority of owners with at least one-half of the value of the lots do not agree to designating the works as a local improvement they have the right, after submitting a Petition to the Municipality (meeting the criteria), to prevent the works from being undertaken for a period of two years.

#### **4. Project Eligibility, Request Initiation and Approvals**

This policy outlines the process to be followed if the Municipality receives a Petition in favour of undertaking the extension of municipal water and wastewater services as a local improvement. A Petition must be signed by at least two thirds of the owners of the lots that represent at least one half of the lots (50%) by value.

##### **4.1 Extension of Services Eligibility**

As previously noted, the extension of municipal water and wastewater services is available to existing, developed properties within the defined urban service areas of the Municipality. The purpose of the process is to provide for the engineering and construction of water and wastewater mains which are undertaken to benefit and improve the quality of life to the ratepayers petitioning the extension of these services in pre-existing communities. It is not intended to be used as a vehicle for facilitating property development. Such service agreements would be achieved through servicing agreements determined under the Development Charges By-Law.

##### **4.2 Initiation by Petition**

For works not initiated by the Municipality, all Petitions requesting the extension of municipal water and wastewater services must be initiated by the ratepayers within the community requesting the service(s). Preliminary information requests from ratepayers regarding the extension of municipal services will be answered by municipal staff, but all requests are to be initiated by members who are considering the extension of the services. To facilitate the process, for the ratepayers, staff, when appropriate to do so, will prepare a high level feasibility review regarding preliminary enquiries for the extension of municipal water and wastewater services that would include:

- Consideration of planning requirements to ensure compliance with the Official Plan,
- Conducting an overview of project technical viability; and,
- Development of a general, high level, estimate of the project cost, including cost apportionment.

In addition, staff may provide some information and advice on the proposed project boundaries. Prior to the extension of municipal water and wastewater

services, the residents in the proposed project boundaries must successfully submit a Petition to the Clerk.

The extension of municipal water and wastewater services may proceed if a Petition in favor of the proposed project is received for at least two-thirds of the property owners representing one half (50%) of the value of the property liable to be specially assessed for the works.

Should the Petition for the work be considered sufficient by the Clerk, staff shall arrange for a public meeting to address a variety of possible questions and issues as well as provide clear instructions on formalities, intent and legal obligations arising from submitting a formal request for the extension of municipal water and/or wastewater services.

#### 4.3 Extension of Services Formal Petition Process

Staff will only consider a request for the extension of municipal water and wastewater services upon receipt of a bona fide Petition. A bona fide Petition includes the signatures of a minimum of two thirds of the property owners representing at least one half (50%) the assessed values of those properties abutting and benefiting from the requested services. Staff will continue to be responsible for validating the sufficiency of the project requests, based on the most recent tax roll as returned by the Municipal Property Assessment Corporation (MPAC), and ultimately for advising residents of the outcome of the Petition. Depending on the status of the Petition (whether or not it meets the statutory requirements), staff will prepare either a formal proposal to proceed further with the processing of the request or advise of its unsuitability for further action.

It should be noted, that at any time prior to project funding being approved as part of the current year Capital Budget, a sufficient Petition for the extension of services as outlined above (one which meets or exceeds the established sufficiency criteria), can be rescinded by the requesting community. This would require individual signatories to the original project request list, having their signatures removed from this list. Should the removal of signatures bring the original request list below the required sufficiency parameters, the Petition would then be considered insufficient and be withdrawn.

#### 4.4 Report Development & Project Prioritization

Further to receipt of a sufficient Petition (as outlined above), the Environmental Services Department undertakes the preparation of a report to Council, coordinating input from the Planning, Community Services, Transportation, Protective Services and Finance Departments regarding project timing and viability. The report covers issues such as community needs, the limits of the proposed work, number of service connections, estimated total project cost, assignable costs, extraordinary project attributes and estimated apportionment of project costs.

Based on the recommendations in the Director's Report, Thames Centre Council decides whether or not the requested service extension will be included in the subsequent year's Capital Budget and Forecast. Historically, a newly added project takes several years to move from the Petition stage to completed construction.

#### 4.5 Project Costing – Recoverable Costs

Currently, the final project costing is not normally known until after the one year maintenance period following project construction. At this point, all valid project costs will be tallied and assigned to all benefiting properties *at an equal rate per metre according to a designated size of lot frontage with increases and reductions for lots greater or less than the designated size*. This ensures that all lots having equal benefit from the project pay the same costs.

Since specific cost recoveries are not stipulated in section 391 of the *Municipal Act* (with the exception of plant infrastructure / capacity provisions) the recovery level will remain comprehensive and include the following items:

- All costs related to the design and construction of the local water and wastewater mains,
- Laterals from the local mains to the property line,
- Costs associated with fire hydrants and the increased sizing of water mains in conformity with municipal fire flow requirements,
- Cost for all intersection work incurred in the course of constructing the extension of service; and,
- Any necessary ancillary property acquisition costs.

Based on the preceding list of recoverable costs, the Municipality would maintain a level of recovery that would also ensure retaining a level of equity with cost recoveries realized under the Development Charges by-law. This ensure that the Municipality's existing (connected) water and wastewater system ratepayers would continue to be excluded from contributing to/or subsidizing system infrastructure cost components which relate exclusively to the benefit of newly connecting properties.

It should also be noted that the recovery of all eligible costs further to the extension of services policy are to be specially assessed to all benefiting properties whether or not they elect to connect to the water/wastewater system at the time of project completion. A decision to not connect to the newly provided system extension will not exempt a property from contributing to overall project costs.

The charge imposed by the Municipality can only recover the owner's share of the total cost and where the owners do not benefit from the works equally the charge must reflect that.

#### 4.6 Special Assessment – Cost Apportionment

With respect to the basis for cost recovery and apportionment, the permissive provisions of section 391 and O.Reg. 584/06 of the *Municipal Act* will be used.

Properties can be designated and assessed in a manner differing from normal assignment of properties. The recovery apportionment for the extension of municipal water and wastewater services initiatives, are in accordance with following protocol:

- That for projects benefiting both residential and non-residential premises, total assessable costs will be allocated based on benefit to properties on a just and equitable basis. The assessed cost would be based on the cost of the requested service *excluding* the cost of laterals. The cost of the laterals would be added to each of the residential and non-residential project cost apportionments, according to the actual cost of providing these laterals to each of the respective component groups.
- That project costs assessable to residential premises are apportioned on a just and equitable basis, taking into account the lateral cost components identified above with residential lots having multiple service connections, assigned additional costs related to the lateral charge and additional plant infrastructure/capacity charges. An example of multiple servicing provided to one lot, would occur if one lot accommodated a pre-existing duplex requesting 2 separate service connections. Given the nature of the eligible communities requesting the extension of these municipal services (pre-existing premises in the urban service area), occurrences of multiple laterals/connections to one lot are exceptionally rare.
- That project costs attributable to non-residential premises benefiting from the project will have costs apportioned between them on an equal rate per metre on a just and equitable basis, with any necessary reductions and increases, taking into account the lateral cost components identified above.
- All properties abutting the project are subject to the special assessment of the project charges whether or not they: i) were signatories to the approved Petition for the extension of these services or ii) elect to connect to these services at the time of project completion.
- With respect to the properties subject to special assessment for the recovery of project costs, non-residential properties include churches, schools, parks and commercial businesses. Farms are to be considered residential.
- A park is considered assessable and chargeable if it can benefit from the project, but acreage-based apportionment charges would be determined on a fair and equitable basis.
- In the case of very exceptional circumstances, where lot configurations vary widely, the Municipality shall assess these properties in a manner differing from the normal assignment of frontages due to their irregular shape. Properties that have flankage on the work with frontage on a previously improved street will not be specifically assessed.

## 5. Exemption from Charges

### 5.1 General Case

Under Section 391 of the *Municipal Act*, and the accompanying regulations of O.Reg. 584/06, there are no stipulated exemptions from contributing to these projects. However, in keeping with the objective of optimizing fairness and equity in the apportionment of project costs, it is believed that the principle of just and equitable benefit should guide the overall application of the charges.

All properties abutting a project are to be assessed and rated, with the exception of right-of-way for utilities and transportation which are non-assessable (as they cannot be developed and benefit from these services) and as such are exempt from charges.

### 5.2 Relief for Hardship Cases

In recognition of legitimate financial distress arising from the apportionment of project costs, a provision for hardship cases is outlined as follows: the Municipality will defer all or part of the recoverable project costs until such time as the property is either sold or a change in ownership takes place by another means. With the owner's concurrence (as a condition of the relief), the charges would be registered on title as a lien against the property. It would be the owner's responsibility to demonstrate to Council's satisfaction the basis of their request. Costs associated with registering the lien against the property will be the responsibility of the property owner and form part of the lien if not paid in advance. Interest, at the rate set for a twenty year debenture, will apply to the deferred project cost and form part of the lien against the property.

## 6. Collection of Fees and Charges

Further to completion of the extension of Municipal Water and Wastewater Services initiatives, a number of benefiting properties may not elect to connect to the respective system(s) at that time, preferring to connect their individual property at a later date.

Costs associated with extending Water and Wastewater Services are generally categorized as either a) relatively inexpensive operating cost recoveries, or b) more substantial capital cost recoveries. The timing for the collection of these fees and charges are determined by Council in keeping with precedent, along with balancing the needs of different interests including those of the Municipality. The following outlines the collection of fees and charges based on voluntary and mandatory connections:

<b>Fees and Charges</b>	<b>Voluntary Connection Fees &amp; Charges</b>	<b>Mandatory Connection Fees &amp; Charges</b>
<b>Assessment Charges</b> <ul style="list-style-type: none"> <li>For the provision of water and/or wastewater mains and corresponding lateral/service connections to the property line.</li> </ul>	<b>Upon Connection</b> <i>Option for Payment Method Letters</i> to be issued within 60 days of final tabulation of construction costs.	<b>One year after substantial completion of construction</b> <i>Option for Payment Method Letters</i> to be issued one year after substantial completion of construction.

Fees and Charges	Voluntary Connection Fees & Charges	Mandatory Connection Fees & Charges
<p><b>Servicing Fees</b></p> <ul style="list-style-type: none"> <li>• Group C Building Permit – service/lateral inspection(s) for water and wastewater as required;</li> <li>• Water Connection and Meter Installation Fee;</li> <li>• Meter Reader Wire Installation Fee;</li> <li>• New Water Account Administration Fee.</li> </ul>	<p><b>Upon Connection</b></p> <p>Fees to be assessed and paid in accordance with the current Fees &amp; Charges By-Law in place at the time of connection.</p>	<p><b>Upon Connection</b></p> <p>Fees to be assessed and paid in accordance with the current Fees &amp; Charges By-Law in place at the time of connection.</p>
<p><b>Servicing Charges</b></p> <ul style="list-style-type: none"> <li>• Plant Infrastructure / Capacity Charges</li> </ul>	<p><b>Upon Connection</b></p> <p><i>Option for Payment Method Letters</i> to be issued within 60 days of final tabulation of the project cost.</p>	<p><b>One year after substantial completion of construction</b></p> <p><i>Option for Payment Method Letters</i> to be issued one year after substantial completion of the project.</p>
<p><b>On-going charges</b></p> <ul style="list-style-type: none"> <li>• For on-going water and/or wastewater provision or servicing.</li> </ul>	<p><b>Upon Connection</b></p> <p>Bi-monthly billing for water and/or wastewater services to be issued.</p>	<p><b>One year after substantial completion of construction</b></p> <p>Bi-monthly billing for water and/or wastewater services to be issued.</p>

The costs outlined above do not include the private responsibility items for all costs incurred on private property from the curb stop (property line) into the premises, for connection to the municipal system(s).

#### 6.1 Option for Payment Method Letters

*Option for Payment Method Letters* shall be issued for Assessment Charges and Servicing Charges within the timeframes identified within section 6.0 Collection of Fees and Charges. *Option for Payment Method Letters* shall include the following:

- The name of the construction project
- The by-law authorizing completion of the construction project
- The total cost of the construction project
- Any grants or special funding applicable to the construction project
- The legal description of the assessed property, property roll number, current owner name



- The total cost assessed to the property
- 5 yr., 10 yr., 15 yr. and 20 yr. annual debenture billing amount
- 5 yr., 10 yr., 15 yr. and 20 yr. interest rates
- The property tax billing year debenture payments will commence

Five options for payment shall be provided to property owners:

<b>OPTION 1:</b>	<b>Lump Sum Payment</b> – for the total cost assessed to the property to be paid within 60 days of the Option for Payment Method Letter date.
<b>OPTION 2:</b>	<b>5 Yr. Debenture Plan</b> – with 50% of the annual debenture payment to be included on the interim property tax bill and 50% of the annual debenture payment to be included on the final tax bill until the debenture is paid in full.
<b>OPTION 3:</b>	<b>10 Yr. Debenture Plan</b> – with 50% of the annual debenture payment to be included on the interim property tax bill and 50% of the annual debenture payment to be included on the final tax bill until the debenture is paid in full.
<b>OPTION 4:</b>	<b>15 Yr. Debenture Plan</b> – with 50% of the annual debenture payment to be included on the interim property tax bill and 50% of the annual debenture payment to be included on the final tax bill until the debenture is paid in full.
<b>OPTION 5:</b>	<b>20 Yr. Debenture Plan</b> – with 50% of the annual debenture payment to be included on the interim property tax bill and 50% of the annual debenture payment to be included on the final tax bill until the debenture is paid in full.

Once the debenture is in place it cannot be paid off in advance or reversed. If a property owner sells their property before the debenture charge is fully paid off, the new property owner assumes responsibility for making the remaining payments. Property owners are encouraged to consider third party financing through financial institutions as they may be able to offer more favourable interest rates and flexible repayment options.

## **7. Extension of Municipal Services Project for Inclusion in the Capital Budget and Forecast**

A portion of Thames Centre's urban areas are serviced with wastewater. As development of trunk sewer infrastructure is extended into the existing community, servicing adjacent streets is made possible. The most common drivers for extending local sewers includes the capital road program or a collection of residents with septic systems all failing at a similar time. For this reason a coordinated approach within the capital budget process is the most effective manner for planning these works.

## **8. Municipal Water and Wastewater Services – List of All Connection-Related Costs**

Staff's communication to property owners for the extension of municipal water and wastewater services should clearly reference all associated costs that would ultimately be payable by any property owner deciding to connect to these services.

The total compendium of costs would include:

- Assessment Charges – for the provision of water and/or wastewater mains and corresponding lateral connections to the property line.
- Servicing Fees:
  - Service lateral inspection(s) for water and wastewater as required – in accordance with the current Fees & Charges – By-Law in place at the time of connection;
  - Water meter deposit (for water services); and
  - Plant infrastructure / capacity charges.
- On-going charges – for on-going water and/or wastewater provision or servicing.
- Private responsibility for all costs incurred on private property from the curb stop (property line) into the premises, for connecting to the municipal service(s).

Providing this complete list of cost liabilities to property owners requesting the extension of municipal services, up front, enhances the transparency of the entire process. Further, it provides them with a clear indication of what the full cost impact of their request for service availability and connection will ultimately be.

## **9. Cost Apportionment Appeal Process**

It will be recalled that under the proposed policy guidelines, project recovery charges are to be apportioned/specially assessed at an equal rate per metre will be assessed against properties benefitting from the work, at a rate unique to each completed project. Based on staff's experience with a per lot (based on an equal rate per metre) for a lot size established by the Municipality, there have been virtually no issues raised at the Courts of Revision challenging the apportionment. (The Court of Revision is made up of Council Members charged with responsibility for adjudicating, exclusively, on disputes arising over the apportionment of project charges, as specifically assessed, on a property-specific basis.)

The municipality will determine a cost on a per metre basis for a designated lot size and adjustments will be made for lots either greater or smaller to ensure that costs are allocated to all benefiting properties on a just and equitable basis.

Throughout the entire extension of municipal services process, staff is regularly in communication with project property owners, regarding process issues, cost estimates and projected construction timelines. Cost estimates, remain one of the key communication components, and as such, the majority of property owners' questions will have dealt with perceived calculation errors and omissions as identified in the many communications and final assessment notices provided to them by staff. Staff would, of course, endeavor to satisfy any ratepayer enquiries so as to limit the possible need for ratepayers to appear as delegations further to completion of these projects.

**10. Policy Implementation**

This Extension of Municipal Water and Wastewater Services policy, is to be implemented immediately upon Council approval and shall apply to all current unbilled and future requests/petitions as well as for those currently being evaluated, but not yet fully reviewed.