

Utilities & Environmental Protection Report to
Intergovernmental Affairs Committee
2018 February 15

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IGA2018-0089
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Regional Water, Wastewater and Stormwater Servicing Policy

EXECUTIVE SUMMARY

The City of Calgary (The City) is dedicated to implementing the Government of Alberta's *Water for Life Strategy* through an integrated watershed management approach that ensures reliable and resilient water servicing for Calgary and regional customers. The City provides drinking water and wastewater treatment for nearly one in three Albertans. Working with the Province and regional partners, The City aims to protect the water supply, use water wisely, keep rivers healthy and build resiliency to flooding. The City delivers on this commitment through three lines of service: water treatment and supply, wastewater collection and treatment, and stormwater management.

The City has provided regional water and wastewater services since approximately 1961 and provides these services to ten customers outside Calgary's boundary. Over time, the water licencing landscape has changed. In 2007, the Province closed the South Saskatchewan River Basin to new surface water licences. The Province also informed The City in 2017 that a portion of Calgary's water licences must be transferred to provide water servicing to new regional customers, which is contrary to how water has been provided to regional customers in the past. As a consequence of these new realities, The City needs to carefully consider how it manages its water licences to support Calgary's current and future growth.

The new Calgary Metropolitan Region Board (CMRB) and associated Regional Growth and Servicing Plans will likely result in additional requests for The City to provide water, wastewater and stormwater servicing to new customers in the region. The City's regional servicing policy and previous Council direction require updating to provide guidance until the CMRB establishes new Regional Growth and Servicing Plans. This policy is intended to manage cumulative effects on the watershed, protect The City's water licences, provide clear direction on how to work with development outside The City and how to respond to applications for new and expanded regional servicing. This report presents a water, wastewater and stormwater servicing policy based upon a set of principles for providing services to The City's regional customers.

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Regional Water, Wastewater and Stormwater Servicing Policy

ADMINISTRATION RECOMMENDATIONS:

That the Intergovernmental Affairs Committee recommend that Council:

1. Rescind the *Policy for Utility Extensions Beyond the City's Boundaries - UEP 004* (Attachment 1); and
2. Adopt the proposed *Policy on Regional Water, Wastewater and Stormwater Servicing* (Attachment 2); and
3. Direct Administration to return to Council in Q2 2018 on the 2019 – 2022 Regional Water Allocations;

RECOMMENDATION OF THE INTERGOVERNMENTAL AFFAIRS COMMITTEE, DATED 2018 FEBRUARY 15:

That Council:

1. Rescind the *Policy for Utility Extensions Beyond the City's Boundaries - UEP 004* (Attachment 1);
2. Adopt the **Revised** proposed *Policy on Regional Water, Wastewater and Stormwater Servicing* (Attachment 2); and
3. Direct Administration to return to Council, **through the SPC on Utilities and Corporate Services**, in Q2 2018 on the 2019 – 2022 Regional Water Allocations.

Excerpts of the Minutes of the Regular Meeting of the Intergovernmental Affairs Committee, held on 2018 February 15:

“Moved by: Councillor Demong

That the Intergovernmental Affairs Committee direct Administration, to provide revised wording to the proposed Policy, as discussed at today's meeting, for Council consideration, with this Report.

MOTION CARRIED”

PREVIOUS COUNCIL DIRECTION / POLICY

1992 May 25 (OE92-31), Council approved a Policy for Utility Extensions Beyond The City's Boundaries known as Policy UEP004 (Attachment 1).

2003 May 26 (IGA2003-21), Council approved recommendations that limited requests for services beyond The City's corporate boundaries to those applications formally received from the municipality or jurisdiction in which the developments exists or is proposed to be located.

Regional Water, Wastewater and Stormwater Servicing Policy

2011 March 1 in-camera report (C2011-23), Council directed that prior to Provincial approval of a regional servicing Wholly Owned Subsidiary known as the Calgary Regional Water and Wastewater Corporation (CRWWC), outside city servicing requests would be considered by City Council only for Calgary Regional Partnership (CRP) members and would be in accordance with the existing servicing policy.

2013 February 4 in-camera report (C2013-0126), Council directed Administration to discontinue work on the Calgary Regional Water and Wastewater Corporation (CRWWC) and develop a Water Resource Plan for Council approval, which addressed a long term sustainable approach to sharing Calgary's water licences with the region.

2014 October 27 in-camera report (C2014-0790), Council directed Administration to reserve, in principle, up to 27,200 ML of water from The City of Calgary's Water Licence capacity to provide water services to Airdrie, Strathmore and Chestermere for 20 years in accordance with their new Master Servicing Agreements from 2015 to 2035, subject to confirmation and Council approval every four-year business cycle.

2017 September 11 in-camera (NM2017-40, Attachment 3), Council directed Administration to review The City's existing direction and policy for utility extensions beyond The City's boundaries in light of the evolving nature of regional planning in the Calgary region and develop interim guidance that would enable Council to consider outside City servicing requests on a case by case basis that aligns with the recommendations and key messages of the Urban Municipalities Task Force until such time as the CMRB establishes a servicing plan.

BACKGROUND

The City has been providing water and wastewater services outside of its corporate boundaries since approximately 1961. The City now provides these services to ten customers outside Calgary through servicing agreements. The City's Policy for Utility Extensions Beyond The City's Boundaries (UEP004) is the current key policy statement for the extension of water and sanitary infrastructure to service existing communities and future development beyond The City's boundaries. When the policy was first approved in 1992, it supported the extension of water and/or sanitary service to existing incorporated urban centres, but did not support the extension of water and/or sanitary service to rural residential or rural non-residential except in certain circumstances.

Council has in the past allowed the following exceptions to the 1992 policy:

- For environmental reasons, primarily related to source water drinking protection, the extension of sanitary service to a specific rural residential and non-residential service area along the Highway 8 corridor.
- In principle, the extension of sanitary service to existing public institutional uses that are located in rural areas and outside of priority growth areas.

In 2011, Council directed that prior to Provincial approval of the Calgary Regional Water and Wastewater Corporation (CRWWC), outside city servicing requests would only be considered by Council for CRP members and would be in accordance with the existing policy. In 2013, work on the CRWWC was abandoned.

Regional Water, Wastewater and Stormwater Servicing Policy

In the 2012 June updates to the Calgary Metropolitan Plan (CMP), the City re-affirmed its commitment to provide bulk potable water and wastewater services to members of the CRP to support the growth identified under the auspices of the CMP. Access to these services was to be made available solely through Calgary's potable water and/or wastewater infrastructure where Calgary or its agents were the bulk provider.

In 2014 Council approved in-principle the provision of supplemental water servicing to Okotoks, subject to consultation with the Province. Upon further discussions with the Province, it became clear that Alberta Environment and Parks (AEP) required that Okotoks obtain an appropriate water allocation, either by securing an available licence in the region or by acquiring a portion of Calgary's water licence. The latter option is contrary to how regional water has been provided by The City to other municipalities in the past. The City is of the opinion that The City is currently acting appropriately under the Water Act in how it services regional customers. While The City is committed to being a regional service provider, discussions need to continue with the Province and regional municipalities on determining appropriate mechanisms, policies and options for ensuring there is a sufficient and secure water supply to support regional growth and economic prosperity.

Historically, The City applied and received its water licences to support operations at the Glenmore Water Treatment Plant and Bearspaw Water Treatment Plant. The City's has maintained a strong policy position that its three water licences are to be used to divert raw water for the provision of safe, clean drinking water to its customers, not for other municipal purposes such as wetlands management. The City has invested considerable resources into demand management strategies and programs as part of the 2005 Water Efficiency Plan, and has maintained river withdrawals at 2003 levels. As a result, The City has not had to use its full water licence allocation. Calgary has sufficient license allocation to support growth in Calgary until approximately 2070, based on current information.

The establishment of the CMRB and the creation of mandatory Regional Growth Plans and Servicing Plans will likely result in additional requests for The City to provide water and wastewater services to the region. In advance of these plans being developed, and given AEP's position that Calgary transfer a portion of its water licence to provide regional services, The City needs to establish an updated regional water, wastewater and stormwater servicing policy based on sound principles that protect The City's water licences. This policy is outlined in Attachment 2.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The South Saskatchewan River Basin is closed to new water licences. As a consequence, The City's water licences need to be protected for Calgary's current and future growth. Administration requires direction from Council on how to proceed with discussions with the Province and CMRB related to the City's Water Licences. The City should continue to provide water servicing to existing regional customers as per existing servicing agreements, with increased volumes for 2019 - 2022 subject to Council approval.

Regional Water, Wastewater and Stormwater Servicing Policy

The City's current regional servicing policy and previous Council direction require updating in advance of the CMRB and the establishment of new Regional Growth and Servicing Plans. A new policy on Regional Water, Wastewater and Stormwater Servicing is required to:

- Manage cumulative effects on the watershed, including Calgary's raw water sources while recognizing a strategic approach to available infrastructure capacity and future investments.
- Protect the City's Water Licences.
- Provide Administration direction on how to proactively work with development outside the City which may impact Calgary's source waters and pose environmental risks.
- Provide Administration direction on how to respond to applications for servicing outside the City's boundary.

The City's Policy (UEP004) and interim Council direction do not consider the current CMRB context, which puts The City at risk of providing regional servicing that does not align with The City's strategic direction. The value of clear policy was evident in the MacKenas Estates court case. In 2011 the developer of MacKenas Estates commenced a court action against The City and Rocky View County to compel a connection to The City's wastewater infrastructure servicing the Highway 8 corridor. The Court of Queen's Bench and the Court of Appeal ruled against the developer, as The City refused a connection based on existing policies rooted in fundamental differences in planning principles. This case highlights the importance of The City adhering to a defined regional servicing strategy and formal policy.

Stakeholder Engagement, Research and Communication

Administration continues to have conversations with the Province on The City's Water Licences as well as the proposed mandate of the CMRB.

The Policy on Regional Water, Wastewater and Stormwater Servicing will form the basis on which The City moves forward with the CMRB on Regional Growth Plan and Servicing Plan work.

Strategic Alignment

The recommendations outlined in this report align to the South Saskatchewan Regional Plan. Regional water and wastewater servicing can help advance watershed management through improving the quality of wastewater loadings entering the Bow River and Elbow River, protecting source water, and coordinating water supply and demand.

Regional water and wastewater servicing demonstrates The City's commitment and obligation to being a regional partner. This work aligns to Action Plan (2015 – 2018) Strategic Action H4 – Work with our regional partners and the Government of Alberta on an integrated approach to the watershed.

Regional Water, Wastewater and Stormwater Servicing Policy

Social, Environmental, Economic (External)

Extending service to regional communities supports the Province's *Water for Life* objectives and supports The City's objectives for source watershed protection; however, The City must also ensure that its water licences are protected to support Calgary's future growth.

Financial Capacity

Current and Future Operating Budget:

There are no operating budget impacts for The City associated with this report.

Current and Future Capital Budget:

There are no immediate implications to The City's capital budget associated with this report.

All proposed future regional infrastructure in relation to a service area would be constructed, funded and maintained by the regional customer. Any new or upgraded capital infrastructure within The City required to support regional servicing would have costs fully recovered through the rates determined by cost of service studies and as approved by Council.

Risk Assessment

The implementation of a regional servicing policy will ensure that communication to external stakeholders such as the Province and adjacent municipalities is consistent.

Revising the servicing policy for wastewater servicing requests will reduce legal risks and precedent associated with past and future servicing decisions and legal challenges.

REASONS FOR RECOMMENDATIONS: Administration requires direction on how to respond to applications for servicing outside The City's boundary in the context of the CMRB and AEP's new requirement around transferring water licence. The City's Water Licences need to be protected for Calgary's future growth and Administration requires direction on how to proceed on related discussions with the Province and CMRB.

ATTACHMENTS:

1. Policy for Utility Extensions Beyond the City's Boundaries – UEP 004
2. **REVISED** Proposed Policy on Regional Water, Wastewater and Stormwater Servicing
3. NM2017-40 – Notice of Motion Regarding Elbow Valley West Servicing
4. Regional Servicing Summary
5. Water Licence Allocations