

THE CITY OF EDMONTON
SANITARY SERVICING STRATEGY FUND



2005 ANNUAL REPORT

April, 2006

Prepared by:
City of Edmonton
Asset Management and Public Works
Drainage Services

Sanitary Servicing Strategy Fund
Annual Report

MESSAGE FROM THE MANAGEMENT COMMITTEE

This is the seventh annual report of the Sanitary Servicing Strategy Fund (SSSF). Activities in 2005 primarily included revenue collection, detailed design for West Edmonton Sanitary Sewer (WESS) Stages W1 & W12, detailed design and construction for South Edmonton Sanitary Sewer (SESS) Stages SW2 & SW3 and preparation of the concept plan for North Edmonton Sanitary Trunk (NEST) Stages NL2, NL3 & N1 as well as for South Edmonton Sanitary Sewer (SESS) Stages SA1 & SA2. The two committees of the SSSF, namely, the SSSF Management Committee and the SSSF Operational Committee, met six times during the year to monitor construction progress, review the financial status of the Fund, and to consider and approve construction schedules for future projects. Sadly, the meetings were held without the presence of one of our regular members, Wayne Cameron, who passed away in October.

At the end of 2005, the Fund had a closing balance of \$51.9 million with revenues and expenditures for the year of \$16.4 million and \$7.0 million respectively. Due to the continuously strong showing in the single-family & duplex housing and commercial/industrial development markets in 2005, revenues came in ahead of projections by approximately \$2.2 million. On the other hand, expenditures were significantly lower than that projected, by approximately \$20.9 million, due to delay in the start of construction works on SESS Stages SW2 & SW3, WESS Stage W1 and WESS Stage W12. Considering the expected steady revenue and the current positive balance, the SSSF is in a very solid financial position to meet the pressing needs of providing sanitary servicing to the City over the next two years as well as for the longer term future.

Our focus in 2006 will be to construct WESS Stage W1, WESS Stage W12 and SESS Stages SW2 & SW3, embark on the detailed design of NEST Stages NL2, NL3 & N1 and fine-tune the SSSF Financial Model to achieve more accurate revenue projections. We will also initiate a comprehensive re-assessment of all future SSSF projects to ensure that the construction plan will accommodate the latest growth projection for various parts of the City.

Finally, at the eve of my departure as the Chairman of the SSSF Management Committee, I would like to thank all those who have contributed so much to make the Sanitary Servicing Strategy Fund a great success over the last seven years.



John Hodgson, Ph.D., P. Eng.
Chairman, SSSF Management Committee

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1.0 CONSTRUCTION & PLANNING ACTIVITIES IN 2005

South Edmonton Sanitary Sewer (SESS), Stages SA1 & SA2

With the scheduled completion of the southeast leg of the Anthony Henday Drive in late 2007, the demand for serviced land in the Ellerslie East area is expected to increase in the near future. This prompted the need to confirm the schedule and alignment of SESS Stages SA1 & SA2 as soon as possible.

It was determined that there is no advantage to pre-build the TUC crossing portion of SA1 since the risk costs are equal or higher than the potential savings

In addition, pavement construction for the section of the ring road under which SA1 will cross is planned to be started in early 2006. This leaves a very limited window of opportunity to install the section of sewer crossing the TUC using open-cut method. After considering the costs, benefits and risks associated with pre-building the TUC crossing, the consultant determined the risk costs to be equal or higher than potential savings. Hence it was recommended and agreed not to proceed with the pre-building of the TUC crossing.

The alignment and construction timing of SA1 and SA2 were also reviewed taking into consideration the possibility of purchasing the storm side of the existing double barrel sewers once a new storm sewer proposed under the Mill Woods Flood Prevention Program is installed. Since the Mill Woods Flood Prevention Program will not be finalized until the summer of 2006, the completion date for the SA1 & SA2 Concept Plan was postponed to suit.

West Edmonton Sanitary Sewer (WESS), Stage W1

Re-visit of the design concept resulted in a gravity conveyance system for WESS Stage W1

Upon receipt of the significantly higher than budgeted tenders in July 2005 for the construction of the W1 pump station, Drainage Services re-visited the design concept of the WESS system as part of the exercise to identify the most cost-effective method of construction. Value engineering and risk

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assessment workshops were conducted leading to a revised design utilizing a gravity conveyance system instead. At the same time, in order to meet the servicing date for the first phase of land development in Lewis Farms North, use of private contractors together with City forces was deemed to be the most cost effective arrangement to fast track the sewer pipe installation.

One tunnel boring machine was in place and working on SW2 at the end of 2005

South Edmonton Sanitary Sewer (SESS), Stages SW2 - SW5

Working shaft construction at Ellerslie Road and 127 Street started in July 2005. Excavations for the undercut also proceeded upon completion of the working shaft. At the end of 2005, one tunnel boring machine was already in place and working while the other was ready to start at the beginning of 2006.

The interim pump station and forcemain in Windermere will be designed and built by the developer with funding provided by SSSF in order to delay the construction of SW4 & SW5

Since SESS Stages SW4 and SW5 are not expected to be required within the next 10 years based on sanitary sewage storage projections, an interim pump station with a forcemain discharging to the proposed drop structure at the upstream end of Stage SW3 was approved in 2004. This allows the initial phases of development in the Windermere neighbourhood to proceed now while delaying the incurrence of huge expenditures for the construction of SW4 & SW5 to as late a date as possible. In order to minimize the potential conflicts with the developer's contractors who will be building the infrastructures within the subdivision at the same time, it was decided that the responsibility for the design and construction of the interim pump station and the forcemain be given to the developer with funding provided by the Sanitary Servicing Strategy Fund. This idea was discussed with the developer and an implementation process was formulated in September 2005. Approval to proceed with the suggested arrangement was subsequently obtained from the SSSF Management Committee and City Council's Transportation and Public Works Sub-Committee in November.

Constructing a tunnel linking NL1 to the existing Pilot Sound Sanitary Trunk while keeping the existing NL1 pump station is the most cost effective option

North Edmonton Sanitary Trunk (NEST), Stages NL2, NL3 & N1

The Concept Plan for NEST Stages NL2, NL3 & N1 was completed in December 2005. Among the many servicing and staging options considered, the arrangement to construct a tunnel in a single project linking NL1 to the existing Pilot Sound Sanitary Trunk just west of Manning Drive while keeping the existing pump station at the downstream end of NL1 is considered to be the most cost effective option for NEST expansion to service the Belle Rive area and the future 66 Street developments. The recommendation to proceed with the preliminary and detailed design in 2006 was also approved.

Once W12 is completed, it will benefit new development areas at the west end of the City as well as provide relief to the combined sewers in the central part of the City

West Edmonton Sanitary Sewer (WESS), Stage W12

Construction of the working shaft at Dawson Park commenced in October 2005 after all necessary federal and provincial regulatory permits and approvals were secured. Request for approval to purchase a refurbished earth pressure balancing tunnel boring machine for the excavation of the River crossing was submitted to City's Transportation and Public Works Committee before the end of the year.

Shaft and tunnel construction for W12 are currently scheduled for completion by the end of 2008. Once the project is completed, it will benefit the new development areas at the west end of the City as well as provide much needed relief to the existing combined sewers in the central part of the City.



Figure 1(i)

SESS (SW2) - Tunnel Boring Machine in transit



Figure 1(ii)

SESS (SW2) – Tunnelling works in progress



Figure 1(iii)

WESS (W1) – Excavation of Drive Pit



Figure 1(iv)

WESS (W1) – Preparing for Pipe Jacking



Figure 1(v)

WESS (W12) - Shaft Excavation at Dawson Park

2.0 MANAGEMENT AND OPERATIONAL COMMITTEES

The role of the **SSSF Management Committee** is to make decisions regarding revenues and expenditures that best meet the long-range plan of all the stakeholders. The Committee is composed of five members (three from the City and two from the Urban Development Institute):

Chair: Director of Drainage Planning – John Hodgson
Members: Director of Drainage Design and Construction – Siri Fernando
Director of Planning Services – Wayne Cameron / Philip Arendt
Chair of UDI Drainage Committee – Bob Gomes
Chair of UDI Executive Committee – Peter Cavanagh

Wayne Cameron passed away in October and his position was subsequently filled by Philip Arendt.

The Management Committee met six times in 2005, jointly with the SSSF Operational Committee in all occasions. Some of the major accomplishments for the year are listed below:

Some major accomplishments by the Management Committee in 2005 were:

- *Approved revised design of SW2 and SW3*
 - *Approved commencement of concept plan for SA1 & SA2*
 - *Endorsed decision not to proceed with pre-building of TUC crossing for SA1*
 - *Approved revised servicing concept and construction*
- Approved simultaneous construction of SW2 and SW3a and to build SW3b as a shallow river crossing.
 - Approved the recommendation to commence preparation of concept plan for SESS Stages SA1 & SA2.
 - Endorsed the decision not to proceed with the pre-building of the TUC crossing for SESS Stage SA1.
 - Approved the recommendation to proceed with the detailed design of NEST Stages NL2, NL3 and N1 upon completion of the concept plan.

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- arrangement for W1*
 - *Approved recommendation to invest in short term Fixed Income Securities*
 - *Reviewed SSSF governance structure*
 - *Agreed not to increase EA and SSTC rates in 2006*
- Approved the revised servicing concept and construction arrangements for WESS Stage W1.
 - Approved the recommendation to pay for the disposal of sanitary sewage generated from Suder Greens Subdivisions (up to the number of lots already approved by the Subdivision Authority) during the construction of WESS Stage W1.
 - Approved the recommendation to invest three \$10M packages in 1 year, 2 years and 3 years term Fixed Income Securities to generate additional income for the Fund.
 - Agreed to maintain current management structure and continue to hold joint meetings with the Operational Committee for the time being.
 - Agreed not to increase EA and SSTC rates for the year 2006.

The **SSSF Operational Committee** provides recommendations to the Management Committee regarding the timing and capacity requirements for new trunk construction, and flags relevant issues for consideration by the Management Committee. The Committee is composed of 7 members (five from the City and two from UDI):

Chair: Senior Engineer (Sanitary System) – Paul Hoffart
Members: Program Manager (Expansion) – James Tan
Senior Development Engineer – Orest Gowda
Drainage Financial Co-ordinator – Dennis Yakubow
UDI Representative – Ken Sadownyk
UDI Representative – Blaine Usenik
Senior Cost Assessment Engineer - Francis Wu

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The Operational Committee met six times in 2005, all in joint sessions with the SSSF Management Committee.

Major accomplishments for the year included:

Major accomplishments by the Operational Committee in 2005 included recommending the commencement of concept plan for SA1 & SA2 as well as finalizing the design details, schedules and cashflow projections for W1, W12, NL2, NL3, N1, SW2 & SW3

- Continue to review and fine-tune the revenue projections generated by the SSSF Cashflow Model .
- Recommended simultaneous construction of SW2 and SW3a and to build SW3b as a shallow river crossing.
- Recommended the commencement of concept plan preparation for SESS Stages SA1 & SA2.
- Recommended not to proceed with the pre-building of the TUC Crossing for SA1.
- Recommended a gravity conveyance system be adopted for WESS Stage W1.
- Recommended the commencement of detailed design for NEST Stages NL2, NL3 & N1 as soon as the concept plan is completed.

3.0 FIVE YEAR CONSTRUCTION PLAN

The following paragraphs outline the proposed major sanitary trunk construction program for the next five years, as determined by The City of Edmonton Drainage Services. This proposed program is developed to support orderly development throughout the City of Edmonton in a cost effective manner, using latest population and employment projections available to the City. It also strives to meet the important objective of maintaining a positive balance for the Sanitary Servicing Strategy Fund. The locations of the construction projects are shown in Figure 2.

Construction of WESS Stage W1 project will commence in spring 2006

2006 / 2007 – West Edmonton Sanitary Sewer (WESS) – Stage W1

Construction of WESS Stage W1 is scheduled to commence in the spring of 2006 and is expected to last until the end of 2007. In order to fast track the installation of the gravity sewer, the project will be broken up into several contracts, some of which will be handled by private contractors while the rest will be undertaken by City crews. The estimated project cost for the revised design is approximately \$22 million.

Construction of SW2 and SW3 is expected to be substantially completed by mid-2007

2006 / 2007 – South Edmonton Sanitary Sewer (SESS) - Stages SW2 & SW3

Tunneling for both SW2 and SW3 will continue throughout 2006 and 2007. To allow timely construction of the section crossing Whitemud Creek, approval under various applicable federal and provincial regulations will be obtained by mid-2006. It is anticipated that the construction works for Stages SW2 and SW3 will be substantially completed by summer of 2007.

2006 / 2007 – South Edmonton Sanitary Sewer (SESS) – Interim Pump Station & forcemain for Windermere

Construction of the interim pump station and forcemain will start as soon as the Servicing Agreement for the subdivision is signed

Design works for the interim pump station and the forcemain will be completed by the summer of 2006 and construction works are scheduled to follow as soon as the Servicing Agreement for the Windermere NHBD 1 Stage 2 subdivision is signed. Construction works have been awarded by the developer to an experienced contractor under a design-build contract. SSSF will pay the actual costs up to an amount of \$2.683 million as approved by SSSF Management Committee in 2004.

2006 / 2007 – South Edmonton Sanitary Sewer (SESS) - Stage SE2 (Subject to Budget Adjustment approval)

In order to minimize potential construction conflicts, it is proposed that SE2 be built by the developer with funding provided by SSSF

SESS Stage SE2 is proposed within the 91 Street right-of-way south of Ellerslie Road at a depth of about 13 to 14 metres. Since open cut method is intended to be used for the pipe installation for cost reasons, SE2 must be built at the same time as the adjacent section of 91 Street. Based on the developer's schedule, works on the affected section of 91 Street will start some time in 2006. To minimize potential construction conflicts, it is proposed that SE2 be built by the developer as part of his development project with funding provided by SSSF.

Since the construction of SE2 was not included in the 2006 Capital Priorities Plan, a budget adjustment will have to be requested in early 2006. Discussions with the developer to have SE2 constructed as part of his infrastructure construction package will be initiated as soon as approval of the budget adjustment request is received.

2006 / 2008 – West Edmonton Sanitary Sewer (WESS) Stage W12

Tunneling for W12 will start in the summer of 2006

Construction of the river crossing for WESS Stage W12 will commence as soon as the earth pressure balancing tunnel boring machine is set up on site. The latest target is to aim for substantial completion of all shaft and tunneling works (except installation of the real time control) by the end of 2008.

2007 / 2008 – North Edmonton Sanitary Trunk (NEST) Stages NL2, NL3 & N1

The target in-service date for NEST Stages NL2, NL3 and N1 is end of 2008

Following the robust housing market experienced in 2005, it is expected that applications for subdivision of vacant lands in the Schonsee and North Sawle neighbourhoods will proceed in the near future. This will generate a demand for a downstream sanitary connection in the vicinity of 66 Street and 153 Avenue. Consequently, the SSSF Management Committee approved the recommendation to commence detailed design for Stages NL2, NL3 and N1 of NEST as soon as the concept plan is finalized. The tunnel boring machines currently deployed for the SESS Stages SW2 and SW3 project are slated to be used for this project as soon as works are completed there some time in 2007. The target in-service date is end of 2008.

2008 / 2010 – South Edmonton Sanitary Sewer (SESS) - Stage SA1

There is an urgency to provide wet weather storage for the Ellerslie East NHBD 1 subdivisions by 2010

Since the feasibility of using the storm side of the existing double barrel pipe cannot be determined until the Mill Woods Flood Prevention Program is finalized, detailed design for SA1 and SA2 is not likely to start until late 2006. However, there is an urgency to provide wet weather storage for lots in Ellerslie East NHBD 1 by 2010. This means that part of SA1 north of the TUC will need to be completed earlier than the rest. In view of this, a budget has been set aside during the next 5 years to allow the construction of this critical section to go ahead in 2009.

SANITARY SERVICING STRATEGY

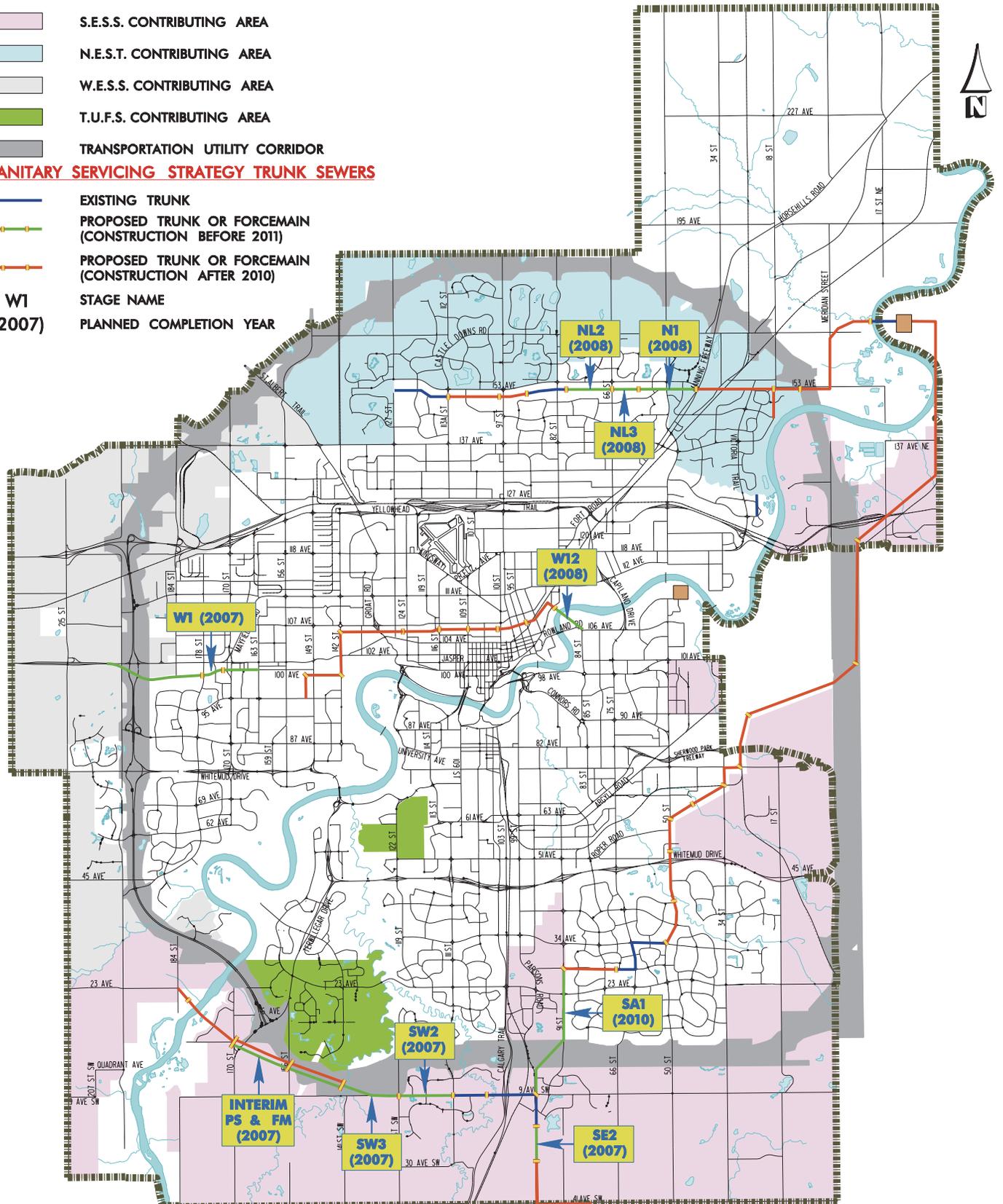
FIVE YEAR FORECAST: 2006 – 2010

LEGEND

- S.E.S.S. CONTRIBUTING AREA
- N.E.S.T. CONTRIBUTING AREA
- W.E.S.S. CONTRIBUTING AREA
- T.U.F.S. CONTRIBUTING AREA
- TRANSPORTATION UTILITY CORRIDOR

SANITARY SERVICING STRATEGY TRUNK SEWERS

- EXISTING TRUNK
 - PROPOSED TRUNK OR FORCEMAIN (CONSTRUCTION BEFORE 2011)
 - PROPOSED TRUNK OR FORCEMAIN (CONSTRUCTION AFTER 2010)
- W1** STAGE NAME
(2007) PLANNED COMPLETION YEAR



NOTE: – ALL PROJECT ALIGNMENTS AND PROJECT TIMING ARE SUBJECT TO REVIEW AND CHANGE
– CONTRIBUTING AREAS ARE APPROXIMATE & ARE SUBJECT TO ADJUSTMENTS

FIGURE 2

4.0 FUND BALANCE

4.1 TWENTY YEAR PROJECTION

The Base Case in the SSSF Cashflow Model was updated in 2005 and again at the beginning of 2006 as part of the Drainage Fiscal Policy Review requested by City Council. The latest figures reflect currently available data on inflation and interest rates as well as the approved construction program. They confirm that the fund balance will stay in the black in the foreseeable future. Figure 3 shows the projected year-end balances up to 2024.

The following general assumptions have been adopted in the latest update of the Base Case:

- a) Population projections were based on the 'Edmonton Population and Employment Forecast Allocation Study (2003-2030)'.
- b) Previously proposed 15% rate increases in 2010, 2015 and 2020 have been shelved for the time being in view of the strong balance sheet.
- c) Annual interest rate will stay within the range of 3% to 4%.
- d) Annual borrowing rate gradually increases from 5.5% to 7%.
- e) Annual inflation rate for construction costs is set at 10% for 2006 gradually dropping to 3% in 2015.

The Management Committee will continue to monitor the fund balance in the future to determine if the previously proposed 15% rate increases in 2010, 2015 and 2020 are required to be re-introduced in order to achieve a positive balance at the end of the Program.

The current Fund balance and long term cash flow projection will be the main factors in any decision to raise the SSTC and EA rates

**Sanitary Servicing Strategy Fund
25 Year Cash Flow Projection (1999 - 2024)**

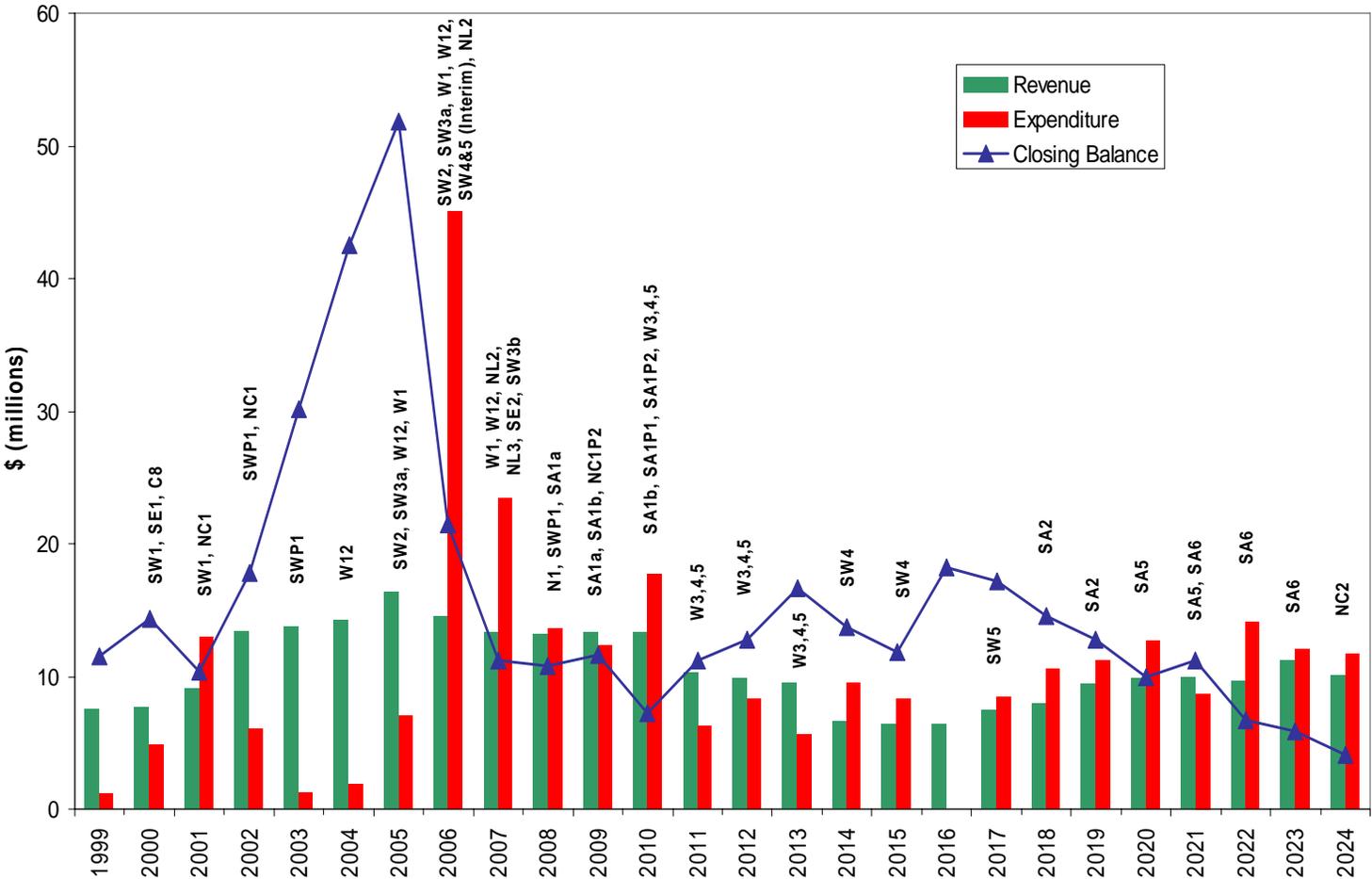


FIGURE 3

4.2 FIVE YEAR PROJECTION

Table 1 shows the Five Year revenues and expenditures projections for the Sanitary Sewer Strategy Fund based on the latest information available.

Receipts

- ♦ **Opening Balance for 2005** – This is the actual SSSF balance as of December 31, 2004.
- ♦ **Receipts and Disbursements for 2005** – These are based on actual 2005 amounts (See Table 2)
- ♦ **Interest Accrual (2005 – 2010)** – The 2005 numbers are based on actual amounts. 2006-2010 amounts are based on an assumed rate of return of 4% for the years 2006 to 2008 and 3.5% for the years 2009 & 2010.
- ♦ **Utility Contribution** – This amount represents contributions from the Sanitary Utility for diversion of sanitary flows from serviced City lands to the new trunk system constructed under the SSSF. These lands are located in Mill Woods and in Castle Downs. The amount is calculated based on an estimate of the Sanitary Sewer Trunk Charge these lands would have to pay. Based on results of the lot counts conducted in 2000, the Sanitary Utility will make these contributions to the SSSF up to 2013.
- ♦ **Sanitary Sewer Trunk Charge** – The SSTC is collected when an application is made for a Development Permit or sanitary service connection. This charge applies to all new and re-developments in the City. The following are the SSTC rates for 2005 and 2006:

<u>Type of development</u>	<u>2005</u>	<u>2006</u>
Single-family/Duplex Residential	\$841/dwelling	\$841/dwelling
Multi-family Residential	\$600/dwelling	\$600/dwelling
Commercial, Industrial, Institutional	\$4,202/ha	\$4,202/ha

The Sanitary Utility is currently providing \$2.6 million per year to the SSSF

The Sanitary Sewer Trunk Charge has increased by 4.75% from 2004 but will remain the same for the year 2006

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Estimated SSTC revenues from 2006 to 2010 are based on the assumption that the number of housing starts in the City will remain at a high level of about 7,800 on the average.

- ♦ **Expansion Assessment (EA)** – The EA is an area-based assessment that is collected at the time of subdivision, development permit application or sanitary service connection application. The EA applies to those areas of the City that did not have an approved Neighborhood Structure Plan (NSP) before January 1, 1998.

The 2005 and 2006 rates for EA are as follows:

<u>Contributing Area</u>	<u>2005</u>	<u>2006</u>
North Edmonton Sanitary Trunk (NEST)	\$12,004/ha	\$12,004/ha
South Edmonton Sanitary Sewer (SESS)	\$12,004/ha	\$12,004/ha
Terwillegar and University Farms (TUFS)	\$12,004/ha	\$12,004/ha
West Edmonton Sanitary Sewer (WESS)	\$15,005/ha	\$15,005/ha

Disbursements

- ♦ **Estimated Construction Costs** – The 2005 amounts are based on actual construction costs incurred. The timing of construction is a critical factor for the fund balance.
- ♦ **Over-expenditure Payback** – The over-expenditure (OE) payback is payable to the City for the construction of two sanitary trunk lines: the N.W. Annexation Area South Sanitary Trunk and the Clareview Interceptor. The City front-ended the construction costs for these two projects. As development occurs within the two sewers' benefiting areas, Expansion Assessment is collected from the developments and are paid back to the City. The projected over-expenditure paybacks are based on anticipated developments within the benefiting areas.

The Expansion Assessment is collected from the contributing areas shown in Figure 2

Over-expenditure Paybacks are payments made to the City for front-ending two sanitary trunks

SANITARY SERVICING STRATEGY FUND - 5 YEAR PROJECTION

	<i>2005 (Actual)</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>
Opening Balance	\$ 42,544,583	\$ 51,877,960	\$ 21,431,335	\$ 11,176,182	\$ 10,735,634	\$ 11,643,758
Interest	1,278,195	1,437,437	639,363	429,643	384,904	324,608
Utility System Contribution	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000
Sanitary Sewer Trunk Charge	7,826,190	5,896,038	5,458,034	5,639,139	5,771,962	5,906,524
Expansion Assessment	4,656,628	4,600,000	4,550,000	4,500,000	4,500,000	4,500,000
Total Receipts	16,361,013	14,533,475	13,247,397	13,168,782	13,256,866	13,331,132
Estimated Construction Costs	7,027,636	44,980,100	23,502,550	13,609,330	12,348,742	17,745,000
Total Disbursements	7,027,636	44,980,100	23,502,550	13,609,330	12,348,742	17,745,000
Closing Balance	\$ 51,877,960	\$ 21,431,335	\$ 11,176,182	\$ 10,735,634	\$ 11,643,758	\$ 7,229,890

Tentative Construction Programme (in nominal dollars)

	<i>Total 2006 - 2010</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>
SW2	11,080,100	11,080,100	-	-	-	-
W12	7,391,000	6,000,000	1,391,000	-	-	-
W1	22,420,000	16,000,000	6,420,000	-	-	-
SW3A	8,000,000	8,000,000	-	-	-	-
SW4&5(Interim)	2,800,000	2,800,000	-	-	-	-
NL2	6,450,000	1,100,000	5,350,000	-	-	-
NL3	5,350,000	-	5,350,000	-	-	-
SE2	2,675,000	-	2,675,000	-	-	-
SW3B	2,316,550	-	2,316,550	-	-	-
N1	12,476,200	-	-	12,476,200	-	-
SWP1	815,490	-	-	815,490	-	-
SA1a	9,640,423	-	-	317,640	9,322,783	-
NC1P2	1,835,049	-	-	-	1,835,049	-
SA1b	10,389,940	-	-	-	1,190,910	9,199,030
SA1P1	1,857,820	-	-	-	-	1,857,820
SA1P2	6,068,877	-	-	-	-	6,068,877
W3,4,5	619,273	-	-	-	-	619,273
Total	\$ 112,185,722	\$ 44,980,100	\$ 23,502,550	\$ 13,609,330	\$ 12,348,742	\$ 17,745,000

TABLE 1

4.3 STATEMENT OF FUND ACTIVITIES AND BALANCE

The Statement of Fund Activities and Balance for 2005 is shown on Table 2. Figure 4 shows each revenue component as a percentage of the total revenues.

REVENUES

Total revenues for 2005 were \$16,361,013, which is a 15% increase over the 2004 total revenues.

Total revenues were up 15% from 2004

SSTC revenues were up by 29% for single-family & duplex developments but was down by 7% for multi-family developments

SSTC collected from commercial, industrial and institutional development was up by 39%

Expansion Assessment revenues were up by 13%.

- ♦ **Sanitary Sewer Trunk Charge (SSTC)** – For 2005, SSTC revenues totaled \$7,826,189, which equates to a 16% increase over the 2004 SSTC revenues. Revenues of \$4,680,096 from single-family and duplex residential developments were the biggest component of the sum received. Based on the \$841 per dwelling rate in 2005, this represents approximately 5,565 combined single-family and duplex housing starts. This is a 23% increase compared to the estimated 4,528 units in 2004.

The next largest component of SSTC revenues came from multi-family developments. The \$2,428,943 collected represents approximately 4,048 units being charged the \$600 per dwelling rate in 2005. Multi-family unit starts have shrunk by 11% compared with that in 2004.

The remaining amount of SSTC revenue (i.e. \$717,150) came from commercial, industrial, and institutional developments, representing approximately 171 hectares of assessed development. This is up significantly by 39% from the 123 hectares assessed in 2004.

- ♦ **Expansion Assessment (EA)** - For 2005, the total EA collected was \$4,656,628, up 13% when compared with 2004. This is much higher than the 3% increase from 2003 to 2004 and echoes the increase in single family / duplex residential developments in 2005.

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- ♦ **Utility Contribution** – Total Utility contribution in 2005 was \$2,600,000.
- ♦ **Interest Earned** – Total interest earned for 2005 was \$1,278,195, up from \$799,699 earned in 2004. This is primarily the result of having a larger amount of fund balance in the account for a longer period during the year as well as the better investment return from Fixed Income Securities.

EXPENDITURES

The largest expenditure item in 2005 was \$3,206,029 for the design and construction of SESS (SW2-SW5). At the same time, \$2,044,831 and \$816,219 were spent on the design and construction of WESS (W12) and the design of WESS (W1) respectively. Other expenses included a total amount of \$861,055 spent on the conceptual designs of various projects.

The total expenditure actually incurred in 2005 was significantly lower than that budgeted due to the delay in the start of construction for SESS (SW2-SW5), WESS (W1) and WESS (W12).

STATEMENT OF FUND ACTIVITIES & BALANCE

*Sanitary Servicing Strategy Fund
For the Period Ending December 31, 2005*

	2004 Actual	2005 Actual	2005 Budget	2005 Variance
REVENUES				
Sanitary sewer trunk charge - single/duplex revenue	\$ 3,635,944	\$ 4,680,096	\$ 3,500,000	\$ 1,180,096
Sanitary sewer trunk charge - multi family revenue	2,617,408	2,428,943	2,500,000	(71,057)
Sanitary sewer trunk charge - commercial/industrial/institutional revenue	492,845	717,150	640,000	77,150
Expansion assessment	4,128,356	4,656,628	3,935,000	721,628
	10,874,552	12,482,817	10,575,000	1,907,817
Utility system contribution	2,600,000	2,600,000	2,600,000	-
Interest earned	799,699	1,278,195	939,000	339,195
<i>Total Revenues</i>	14,274,251	16,361,013	14,114,000	2,247,013
EXPENDITURES				
SESS - SW1	50,127	-	-	-
NEST - NC1	14,361	-	-	-
WESS - W2-W12 Concept Plan	30,557	-	-	-
WESS - W1	318,281	816,219	5,382,000	(4,565,781)
WESS - W12	802,960	2,044,831	9,871,000	(7,826,169)
SESS - SW2-SW5	406,764	3,206,029	10,689,000	(7,482,971)
NEST - Conceptual Design	-	429,716	500,000	(70,284)
SESS - Conceptual Design	-	383,946	1,454,000	(1,070,054)
WESS - Conceptual Design	-	47,393	-	47,393
SSSF Financial Model Update	176,232	-	-	-
Miscellaneous	118,462	99,502	-	99,502
<i>Total Expenditures</i>	1,917,744	7,027,636	27,896,000	(20,868,364)
Excess of Revenues over Expenditures	12,356,507	9,333,377	(13,782,000)	23,115,377
Opening Balance	30,188,075	42,544,583	42,544,583	
<i>Closing Balance</i>	\$ 42,544,582	\$ 51,877,960	\$ 28,762,583	\$ 23,115,377

TABLE 2

SSSF Revenues for 2005 (\$16.36 million)

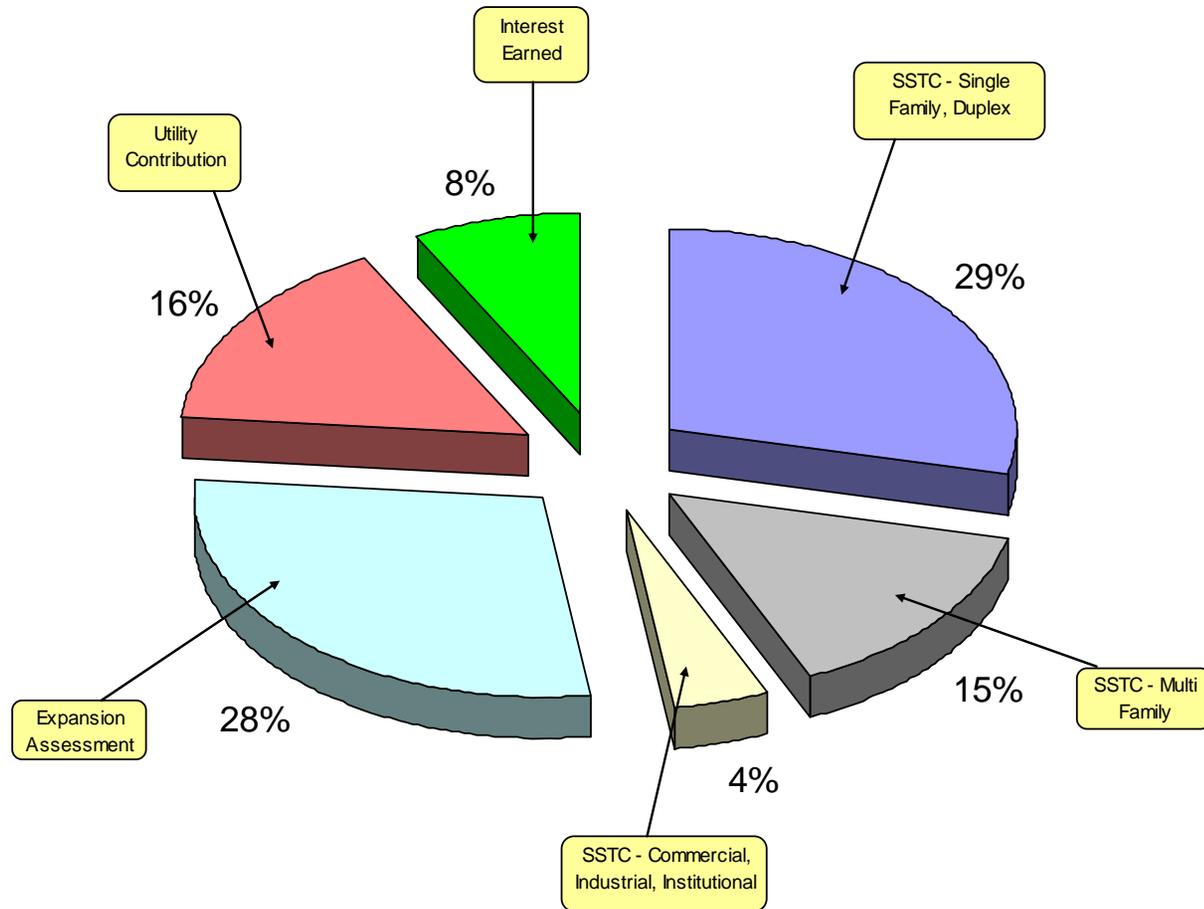


FIGURE 4