

2019 Adjusted, and 2020 Preliminary Prepaid Servicing Rates (Direct and Offsite)

ISSUE

The prepaid service rates were last approved on November 19, 2018. The Land Development Section has reviewed the actual 2018 costs of land developed by the City, as well as the 2019 tenders received to date and changes in standards, in order to establish the proposed adjustment to 2019 offsite and direct service rates. This report is seeking City Council approval for the 2019 final adjusted Prepaid Service Rates, and to set the preliminary rates for 2020.

RECOMMENDATION

That the Standing Policy Committee on Planning, Development and Community Services recommend to City Council:

1. That an adjustment be approved to the 2019 Prepaid Service Rates, as submitted under Appendix 1; and
2. That the Preliminary 2020 rates be set at the 2019 rates, and adjusted in late 2020 based on actual 2020 contract costs.

BACKGROUND

The City of Saskatoon's financial source of revenue for the construction of infrastructure in new areas within the city is the prepaid service rates. The prepaid service rates were established on the premise that new development should pay the cost of the services provided. City Council has resolved that general revenues are not to be used to fund the services covered by these rates.

The prepaid rates are divided into two major servicing categories: direct services, which benefit the frontage of new property; and offsite services, which benefit the neighbourhood or catchment area as a whole.

The Administration has prepared the rates with the understanding that shortfalls may be absorbed in the following year's process. The risk in this method is the possibility of a following year where limited construction is forecasted but shortfalls are evident. To mitigate this potential problem, the Administration attempts to wait for a considerable cross section of tenders to be awarded in order to arrive at a reasonable overall prepaid service rate.

The proposed rates provided within this report were discussed and received by Saskatoon Land, Corporate Financial Services Department, as well as with the Developers' Liaison Committee. The Developers' Liaison Committee meets a number of times per year and is informed of various topics including possible changes to the prepaid service rates.

If City Council continues the policy, whereby, new development funds the entire cost of servicing new development, the proposed rate increases are required to meet projected and actual expenditures. The present rates do not reflect the cost of interest or carrying costs which are funded from the prepaid services reserves.

CURRENT STATUS

The City has awarded many of the planned tenders for construction of various services in 2019. This year's program will eventually involve awarding tenders for the partial direct servicing of land within the Aspen Ridge and Brighton neighbourhood, in addition to continued offsite service construction in various areas. Other direct service construction includes road and utility work not completed from previous contracts in the Aspen Ridge neighbourhood. Offsite service tenders will include arterial roadways along Wanuskewin Road, McOrmond Drive and Taylor Street; primary water mains and trunks sewers in Aspen Ridge; and a huge trunk sewer and primary water main construction project within the Holmwood Sector.

DISCUSSION/ANALYSIS

The offsite levies comprise services that are common to the entire neighbourhood or geographical catchment area. These services usually benefit a number of neighbourhoods and are derived from studies that encompass very large piping and roadway systems. Many of the tenders have been awarded this year, and the cost analysis of these tenders, including information on construction costs from last year as well as forecasts of upcoming tenders, are the basis for the prepaid service rates. The net overall inflationary pressures for new development have dramatically stabilized in 2019 and the provincial Sales Tax (PST) has been fully integrated into all current tenders. Oil and gas prices, including diesel fuel which is a major component of servicing land, had started to increase in 2018 but have now stabilized and/or decreased. Some slight upward pressure in asphalt mixes and emulsions as well as ready-mix concrete is still present, as verified by average Statistics Canada Industry Price Indexes. Plastic polyethylene, plastic pipe fittings and unions have shown a very flat change in prices over the last year. Contract unit prices on average, as reviewed within tenders, are very similar in comparison to 2018's levels. It is assumed that contract prices will stay fairly constant through most of the remaining tendering process in 2019 even though capacity within the industry is slowly decreasing. Within the analysis of individual rates, changes have occurred. The effect of these changes will require an adjustment to the prepaid rates (Appendix 1).

The information provided below is a brief breakdown of the various services covered under the direct and offsite rates (see Appendix 2 for complete details).

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Water and Sewer Servicing

It is recommended that the general construction rate change by the following percentages, with similar changes noted within Appendix 2 for other zoning classifications:

Water and Sewer Mains	0.9%
Water and Sewer Connections	0.0%
Trunk Sewers	1.4%
Primary Water Mains	0.4%
Lift Stations	0.0%

Roadways

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

Grading	0.0%
Buffers	0.0%
Fencing	0.0%
Sidewalks and Curbing	0.0%
Paving	1.7%
Arterial Roadways	1.8%
Interchanges	0.0%
Lanes	47.3%*

*Paving of lanes has become a standard and a change in the structure of the lanes over the years has also been instituted over time. The consensus is that lanes should be exclusively funded from prepaid service reserves and therefore the total cost is now reflected within the rate.

Utilities

The recommended change to the utility rates is as follows:

Street Lighting	-17.6%*
Gas Servicing	0.0%
Underground Electrical Servicing	7.7%**

*In 2019, it was decided that the delivery of street light bases and conduit could be more efficiently constructed during the roadway phase. This approach was approved at the Developers' Liaison Committee meeting during this last winter and has been implemented where applicable in 2019. SL&P is involved in all of the electrical aspects of wiring and connecting the street lighting system to the electrical grid. As a result of these measures, the street lighting charge has been reduced by \$17.20 per front metre for 2019.

**Represents a final adjustment for the applications received following City Council approval of the rates in November 2018.

Administration

The servicing fees for the administration of the land development program are increased each year in tandem with possible changes to the standard collective agreement and the car allowance rate, where applicable. For 2019, the changes will be between 0.7 and 1.2%.

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 Department. 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 Department.

IMPLICATIONS

The financial impact of increasing the prepaid rates is to ensure the costs to prepare serviced lots for sale in Saskatoon is in equilibrium with the revenue generated from the sale of these lots. The overall prepaid service rates for the recovery of costs for residential property will change by 0.8%.

There are no legal, social or environment implications identified.

NEXT STEPS

The rates are approved by City Council each year and will be reviewed and presented again in one year.

APPENDICES

1. 2019 Adjusted Residential Prepaid Service Rates
2. 2019 Prepaid Service Rate Evaluation

Report Approval

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