

2020 Adjusted, and 2021 Preliminary Prepaid Servicing Rates (Direct and Offsite)

ISSUE

The prepaid service rates were last approved on November 18, 2019. The Land Development Section has reviewed the actual 2019 costs of land developed by the City, as well as the 2020 tenders received and changes in standards, in order to establish the proposed adjustment to 2020 offsite and direct service rates. This report is seeking City Council approval for the 2020 final adjusted Prepaid Service Rates, and to set the preliminary rates for 2021.

RECOMMENDATION

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

1. That an adjustment be approved to the 2020 Prepaid Service Rates, as submitted under Appendix 1; and
2. That the Preliminary 2021 rates be set at the 2020 rates, and adjusted in late 2021 based on actual 2021 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. The City does not allocate general revenues 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 in 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.

CURRENT STATUS

The City has awarded all of the planned tenders for construction of various services in 2020. This year's program involved awarding tenders for a large amount of water and sewer construction. The program included partial direct water and sewer servicing of land within the Aspen Ridge and Brighton neighbourhood in addition to major trunk sewer and primary water mains constructed along McOrmond Drive. Other offsite service works included tendering of arterial road construction along Fedoruk Drive as well as finishing a portion of an arterial road on Taylor Street.

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.

In both 2019 as previously reported, and now in 2020, there has been a marked reduction in many of the inflationary pressures that have been experienced in the past. This should not be viewed as non-inclusion of inflation, but rather an acknowledgement as to where municipal servicing prices are currently as they affect new servicing. Oil and gas prices, including diesel fuel which is a major component of servicing land, decreased through the spring tendering period. Since early summer after tenders had been awarded, however, an increased pricing for these components has been noted as published by average Statistics Canada Industry Price Indexes. Some upward pressure in asphalt mixes and emulsions as well as ready-mix concrete have occurred. 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 last year's levels. Within the analysis of individual rates, changes have occurred. The effect of these changes will require an adjustment to the prepaid rates by zoning area as attached in Appendix 1. Appendix 2 provides details on the Prepaid Service Rate Evaluations

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 2020, the changes will be between 1.5 and 1.8%.

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.

FINANCIAL IMPLICATIONS

The financial impact of increasing the prepaid rates is to reconcile the costs to prepare serviced lots for sale in Saskatoon 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 0.3%.

OTHER IMPLICATIONS

There are no policy, privacy, legal, social, or environmental implications identified.

NEXT STEPS

The rates are submitted annually to City Council for approval and will be reviewed and presented again in one year.

APPENDICES

1. 2020 Adjusted Residential Prepaid Service Rates
2. 2020 Prepaid Service Rate Evaluation

Report Approval

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