
2021 Adjusted, and 2022 Preliminary Prepaid Servicing Rates (Direct and Offsite)

ISSUE

The prepaid service rates were last approved on December 21, 2020. The Land Development Section has reviewed the actual 2020 costs of land developed by the City, as well as the 2021 tenders received and changes in standards, in order to establish the proposed adjustment to the 2021 offsite and direct service rates. This report is seeking City Council approval for the 2021 final adjusted Prepaid Service Rates, and to set the preliminary rates for 2022.

RECOMMENDATION

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

1. That an adjustment be approved to the 2021 Prepaid Service Rates, as submitted under Appendix 1; and
2. That the Preliminary 2022 Rates be set at the 2021 rates, and adjusted in late 2022 based on actual 2022 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 in this report were discussed and received by Saskatoon Land, Corporate Financial Services Division, as well as representatives of the Private Land Development community (previously referred to as the Developers' Liaison Committee).

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 2021 and the vast majority of construction has been completed. This year's program primarily involved the construction of water and sewer mains, roadways, trunk sewers and primary water mains. Direct service work involved sidewalks and roadways in both Aspen Ridge and the Brighton neighbourhood. Offsite trunk sewer storm pond construction and primary water mains were undertaken in Kensington along with direct service water and sewer projects in Brighton. 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.

DISCUSSION/ANALYSIS

The offsite levies encompass services that are common to the entire neighbourhood or geographical catchment area. The services usually benefit a number of neighbourhoods commonly included within a sector and are a result of studies that include large piping and arterial roadway systems. All of the land development tenders have been issued and the cost analysis of these tenders, including information on construction costs from last year, are the main origins for the prepaid service rates. The net overall inflationary pressures for new development have increased in 2021. The main impetus for changes in prices appears to be related to energy prices. Oil and gas prices including diesel fuel as well as other petrochemical products such as plastic polyethylene, plastic pipe fittings, and unions have manifested in increased unit price components. Those costs have been verified by average Statistics Canada Industry Price Indexes (SCIPI) over the last year. Many of these cost increases began to be noticed at the latter stages of the tendering process and resulted in the City being partially shielded from the full extent of these increased components as noted by SCIPI. Contract unit prices on average, as reviewed within tenders, are somewhat higher than 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 (Appendix 1).

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

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 2021, as in the previous year, 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 Division.

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 3.7% (4.2% for Direct Services and 2.8% for Offsite Services).

NEXT STEPS

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

APPENDICES

1. 2021 Adjusted Residential Prepaid Service Rates
2. 2021 Prepaid Service Rate Evaluation

Report Approval

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