

2022 Adjusted and 2023 Preliminary Prepaid Servicing Rates (Direct and Offsite)

ISSUE

The prepaid service rates were last approved on December 20, 2021. The Land Development Section has reviewed the actual 2021 costs of land developed by the City of Saskatoon (City), as well as the 2022 tenders received and changes in standards, in order to establish the proposed adjustment to the 2022 offsite and direct service rates. This report is seeking City Council approval for the 2022 final adjusted Prepaid Service Rates, and to set the preliminary rates for 2023.

RECOMMENDATION

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

1. That an adjustment be approved to the 2022 Prepaid Service Rates, as submitted under Appendix 1; and
2. That the Preliminary 2023 Rates be set at the 2022 rates and adjusted in late 2023 based on actual 2023 contract costs.

BACKGROUND

The City'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 the Saskatoon Land Department, Corporate Financial Services Division, as well as with members of the Developers' Liaison Committee that utilize these 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 2022 and a large portion of construction has been completed with some carryover roadways contracts. This year's program primarily involved the construction of water and sewer mains, arterial roadways, and primary watermains. Direct service work involved sidewalks and roadways in Kensington, Aspen Ridge, and Brighton neighbourhoods as well as water and sewer construction in Kensington. Tenders were received and a contract awarded for offsite arterial construction including a primary water main along Neault Road. Additionally, an arterial road project is well underway along McOrmond Drive completing the initial two-lane link between College Drive and 8th Street East. 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 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 source for the prepaid service rates. The net overall inflationary pressures for new development have increased markedly in 2022. The main driver for change in prices appears to be related to the price of energy that has continued from last years discussions to even higher levels. Oil and gas prices, including diesel fuel and other petrochemical products such as plastic polyethylene, PVC, as well as concrete piping have perpetuated in increased unit price components. Those component cost increases have been verified across Canada by average Statistics Canada Industry Price Indexes (SCIPI) over the last year. We have noticed these increases throughout the tendering period for both small and large tenders. In previous years it has been reported that earlier posted tenders partially shielded us from the full extent of costs; however, this year the increases were felt early and continued higher through the tendering period with the full extent of the price increase of these components verified by SCIPI. Most contract unit prices on average, as reviewed within tenders, are 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 (see Appendix 1).

Appendix 2 includes details of the various services covered under the direct and offsite rates.

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

agreements, the car allowance rate, and other administrative costs where applicable. For 2022, the changes will be between 2.0% and 2.6%.

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 Division. 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 6.2%.

OTHER IMPLICATIONS

There are no 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. 2022 Adjusted Residential Prepaid Service Rates
2. 2022 Prepaid Service Rate Evaluation

Report Approval

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