

2023 Adjusted and 2024 Preliminary Prepaid Servicing Rates (Direct and Offsite)

ISSUE

The prepaid service rates were last approved on December 19, 2022. The Land Development Section has reviewed the actual 2022 costs of land developed by the City of Saskatoon (City), as well as the 2023 tenders received and changes in standards, in order to establish the proposed adjustment to the 2023 offsite and direct service rates. This report is seeking City Council approval for the 2023 final adjusted Prepaid Service Rates, and to set the preliminary rates for 2024.

RECOMMENDATION

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

1. That an adjustment be approved to the 2023 Prepaid Service Rates, as submitted under Appendix 1; and
2. That the Preliminary 2024 Rates be set at the 2023 rates and adjusted in late 2024 based on actual 2024 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 2023 and a large portion of construction has been completed with some carryover roadways contracts. This year's program primarily involved the construction of trunk sewers, sanitary sewer forcemain, and lift station. Direct service work involved water and sewer mains in the neighbourhood of Brighton as well as sidewalks and roadways in the Aspen Ridge neighbourhood. Tenders were received and a contract awarded for offsite trunk sewers, a lift station, and sanitary forcemain within the Hampton Village Business Park area. Additionally, an arterial road and primary watermain project is near completion along Neault Road and the commissioning of the initial two-lane link on McOrmond Drive between College Drive and 8th Street East has also been completed. 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. A continuation of net overall inflationary pressures that were reported last year for new development persisted in 2023. The main driver for change in prices appears to be mainly related to the price of energy that has not abated from discussions of the last two years, resulting in even higher prices. Oil and gas prices, including diesel fuel and other petrochemical products such as plastic polyethylene and PVC, as well as concrete piping, have persisted 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. Cost increases were verified throughout the normal construction year. Most contract unit prices on average, as reviewed within tenders, are higher than last year's levels.

On a positive aspect, there has been some softening of price increases late in the construction year noted by SCIPI, which may indicate that prices could be stabilizing for new land development. 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).

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 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 2023, the changes will be between 3.0% and 6.5%.

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 6.0%.

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. 2023 Adjusted Residential Prepaid Service Rates
2. 2023 Prepaid Service Rate Evaluation

Report Approval

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