
2017 Adjusted, and 2018 Preliminary Prepaid Servicing Rates (Direct and Offsite)

Recommendation

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

1. That an adjustment be approved to the 2017 Prepaid Service Rates, as submitted under Attachment 1; and
2. That the Preliminary 2018 rates be set at the 2017 rates, and adjusted in late 2018 based on actual 2018 contract costs.

Topic and Purpose

This report is to obtain City Council approval for the 2017 final adjusted Prepaid Service Rates, and to set the preliminary rates for 2018.

Report Highlights

1. The Land Development Section of the Transportation & Utilities Department reviews and recommends rates for the installation of services on non-serviced land.
2. Annual rates are based on the previous year's costs, and are then adjusted near the end of the year in order to reflect accurate costs.
3. The 2018 rates will be set on the adjusted 2017 rates and will be similarly adjusted at the end of 2018.
4. The net overall effect for the 2017 year will be an increase of 2.7% for the residential prepaid service rates. Of this change, the net effect that impacts private developers that may utilize City direct rates is also an increase of approximately 2.7%.

Strategic Goal

This report supports the Strategic Goal of Asset and Financial Sustainability as it will assure that the City is recouping the cost of constructing municipal services on new land.

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 prepaid service rates were last approved on November 28, 2016. The Land Development Section has reviewed the actual 2016 costs of land developed by the City, as well as the 2017 tenders received to date and changes in standards, in order to establish the proposed adjustment to 2017 offsite and direct service rates.

The proposed rates were discussed and received by Saskatoon Land, Asset & Financial Management 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.

Report

The City has awarded a majority of the planned tenders for construction of various services in 2017. This year's program will eventually entail awarding tenders for the partial direct servicing of parcels of land within the Aspen Ridge neighbourhood; continued offsite service construction in various areas; as well as servicing within the Marquis Industrial area. Other direct service construction includes road and utility work not completed from previous contracts in the Aspen Ridge and Kensington neighbourhoods. Offsite service tenders will include Arterial Roadways construction within the Aspen Ridge neighbourhood along both McOrmond Drive and Fedoruk Drive.

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. The majority of the tenders have been awarded this year, and the cost analysis of these tenders, including information on construction costs from last year, are the basis for the prepaid service rates. The net overall inflationary pressures for new development have increased slightly in 2017. These pressures have been manifested from an increasing and broadening Provincial Sales Tax (PST) base with limited changes in unit price components. Oil and gas prices including diesel fuel and asphalt, which are major components within the rates, have started to increase as

verified by average Statistics Canada Industry Price Indexes over the last year. Contract unit prices, as reviewed within tenders, are either fairly consistent or slightly higher in many instances from last year's levels after adjusting for the change in the PST. It is assumed that contract prices will stay fairly constant through most of the tendering process until capacity issues result in contract prices exceeding normal pricing patterns. Within the analysis of individual rates, changes have occurred. The effect of these changes will require an adjustment to the prepaid rates (Attachment 1).

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

Water and Sewer Servicing

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

Water and Sewer Mains	5.0%
Water and Sewer Connections	3.0%
Trunk Sewers	2.2%
Primary Water Mains	0.0%
Lift Stations	4.5%

Roadways

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

Grading	0.0%
Buffers	3.1%
Sidewalks and Curbing	0.0%
Paving	2.3%
Arterial Roadways	3.1%
Interchanges	-0.9%
Lanes	0.0%

Utilities

The recommended change to the utility rates is as follows:

Street Lighting	0.0%
Gas Servicing	23.0%
Underground Electrical Servicing	0.0%

Administration

The servicing fees for the administration of the land development program are increased each year in tandem with the changes to the standard collective agreement and the car allowance rate, where applicable. For 2017, no changes will be occurring.

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.

Options to the Recommendation

One option would be to phase in the change in the rates. The Administration does not recommend this method as all costs for the various reserves would not be recouped for the 2017 program.

A second option would be to not change the prepaid rates. The Administration does not recommend this as it would increase pressure on the mill rate; prepaid service rates are expected to reflect the current cost of construction wherever possible; and a higher-than-normal increase would be required for next year's rates.

Public and/or Stakeholder Involvement

Public meetings are not held for the setting of the rates.

Communication Plan

A communications plan to the public is not required. The rates were brought forward and received at a recent Developers' Liaison Committee meeting.

Financial 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 2.7%.

Environmental Implications

There are no environmental implications in changing the prepaid service rates. The process of servicing land has negative greenhouse gas emission implications. The overall environmental impacts of development have not been quantified at this time.

Other Considerations/Implications

There are no policy, privacy or CPTED considerations or implications.

Due Date for Follow-up and/or Project Completion

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

Public Notice

Public Notice, pursuant to Section 3 of Policy C01-021, Public Notice Policy, is not required.

Attachments

1. 2017 Adjusted Residential Prepaid Service Rates
2. 2017 - Prepaid Service Rate Evaluation

Report Approval

Written by: Daryl Schmidt, Land Development Manager
Reviewed by: Shelley Korte, Director of Business Administration
Reviewed by: Celene Anger, Director of Construction & Design
Approved by: Angela Gardiner, Acting General Manager, Transportation & Utilities Department

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