



City of
Peterborough

TO: Members of the Ad Hoc Committee to Review Alternate Servicing Mechanisms

FROM: W. H. Jackson, Director of Utility Services

MEETING DATE: November 6, 2012

SUBJECT: Report USDIR12-018
Ad Hoc Committee to Review Alternate Servicing Mechanisms

PURPOSE

A report to introduce the Ad Hoc Committee to Review Alternate Servicing Mechanisms for the servicing of annexed lands.

RECOMMENDATION

That Council approve the recommendation outlined in Report USDIR12-018 dated November 6, 2012, of the Director of Utility Services, as follows:

That Report USDIR12-018 entitled "Ad Hoc Committee to Review Alternate Servicing Mechanisms" be received for information.

BUDGET AND FINANCIAL IMPLICATIONS

There are no budget or financial implications to the adoption of the recommendation of this report.

BACKGROUND

Council, at its meeting of October 1, 2012 in considering Report USEC12-013 (Appendix A) established an Ad Hoc Committee to Review Alternate Servicing Mechanisms as they relate to the annexed lands within the City.

Newspaper notices have been published and information is on the City's web page indicating the Ad Hoc Committee will meet on November 6, 2012 at the Evinrude Centre from 6:00 PM to 8:00 PM.

DISCUSSION

Based on Council's October 1, 2012 discussion/decision, the Ad Hoc Committee will be expected to will discuss the following items:

1. Timing of improvements;
2. Cost sharing of improvements; and
3. Which infrastructure elements should be implemented.

Next Steps

The intention of this Ad Hoc Committee meeting is to hear all delegations and use the information provided by the delegations as input to a further report that staff will produce on this issue.

Submitted by,

W. H. Jackson
Director, Utility Services

Appendix A – Report USDIR12-013

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City of
Peterborough

TO: Members of the Committee of the Whole

FROM: W. H. Jackson, Director of Utility Services

MEETING DATE: September 24, 2012

SUBJECT: Report USDIR12-013
Servicing of Annexed Lands – Ad Hoc Committee to Review
Alternate Servicing Mechanisms

PURPOSE

A Report to provide Council with a proposal for the make-up and operation of an ad hoc committee to review alternate servicing mechanisms for the servicing of annexed lands.

RECOMMENDATIONS

That Council approve the recommendations outlined in Report USDIR12-013 dated September 24, 2012, of the Director of Utility Services, as follows:

- a) That a Servicing of Annexed Lands Ad Hoc Committee be established consisting of all City Council Members;
- b) That November 6, 2012, be established as the date for the Servicing Annexed Lands Ad Hoc Committee meeting to provide City residents an opportunity to present their views on the matter of servicing annexed lands and the meeting be Chaired by Councillor Hall;
- c) That the Ad Hoc Committee Meeting session only include the following items for discussion:
 - a. Cost Sharing of Improvements
 - b. Which Infrastructure Elements will be Installed
 - c. Timing of Improvements

BUDGET AND FINANCIAL IMPLICATIONS

There are no budget or financial implications to the adoption of the recommendations of this report.

BACKGROUND

Council, at its meeting of June 4, 2012 in considering Report USEC12-004 entitled Servicing of Annexed Lands adopted the following:

That Report USEC12-004 be received, and that staff be requested to report on the establishment of an ad hoc committee, comprised of staff and Councillors, whose purpose would be to consult with affected residents and to review and report on alternate servicing mechanisms.

Report USEC12-004 (attached as Schedule 1) provided detailed information on the magnitude of servicing requirements (almost \$84 million) for annexed properties within the City and recommended a program to prioritize and fund the servicing work.

DISCUSSION

Items Considered for Ad Hoc Committee Meeting

Based on the deputations to this matter and Councillor discussion, the following issues were raised:

1. Timing of improvements;
2. Cost sharing of improvements;
3. Which infrastructure elements will be installed;
4. Property tax rate as it relates to available infrastructure; and
5. Who should be involved in the further discussion?

1. Timing

The first three issues are more complex than they might seem. Timing is important from a City budgeting aspect. However, it is equally important for individual household budgeting considering the magnitude of the costs involved and the timing of any need to renew a septic or well system.

2. Cost Sharing

The cost estimates for the various infrastructure elements are the best available at this time. The true market costs will be ascertained via the tendering process.

Nevertheless, with respect to the annexed lands, there are only two taxpayers to fund the required services; the residents in the annexed lands and those residents outside of the annexed lands. Accordingly, less cost assigned to annexed area residents means more cost assigned to non-annexed area residents and vice versa.

3. Infrastructure Elements

It is difficult to separate the various infrastructure elements. Construction efficiencies and cost considerations would dictate installing all of the underground services plus the pavement/curbs at the same time. Accordingly, it would seem that the only elements that could be considered separately would be street lighting and sidewalks and would be installed at a premium if done so at different times.

4. Property Taxes & Assessment

The residential property tax rate is higher in the City of Peterborough than in the outlying townships. The reason for that is there are more services provided by the City that must be paid for than in a rural township. Those services include but are not limited to a higher level of emergency services, community facilities, etc. Costs related to the sanitary sewers and water are not paid from municipal property taxes but are paid from the water charge and sanitary sewer charge charged monthly to a property owner who has those services.

Property owners do not pay taxes based on what services they personally receive or use. Table 1 and Chart 1 from the 2012 Operating Budget shows a break down of what services the average residential property owner is paying for. Chart 2 further details what amount the residential owner pays as it relates to 'Roads and Related Infrastructure' through Capital Levy and Debt Financing.

All City taxpayers pay their share towards costs listed in Table 1 whether they use them or not. As an example, a property owner may never need fire protection or police protection. They may never go to the Library, Arenas or have their garbage collected. They pay their share towards education that is on the municipal tax bill but they may not have children that attend school.

The assessed value of the property is where some consideration is given to the services available to the property. Property taxes are calculated based on the net Municipal Tax Levy Requirements and assessed values. Assessed value is the purview of the Municipal Property Assessment Corporation (MPAC). The services provided to a property are reflected in the Current Value Assessment (CVA) assigned to the property by MPAC. Regardless of the impact, the assessed value of a property did not change as a result of annexation into the City.

In consideration of the above, staff are proposing the issue of increased property tax related to annexation not be an item on for discussion at the ad hoc committee meeting.

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Table 1

What a Residential Taxpayer Pays for Various Municipal Services For the Year 2012 Based on home assessed at \$206,000							
Ref	Service, program, transfers	Net Requirement Before Indirect Revenue	Allocated Indirect Revenue	Net Tax Levy	Residential Municipal Tax rate	Tax Levy	% of Total
C1	C2	C3	C4	C5	C3	C4	C5
1	CITY COUNCIL	661,383	(69,014)	592,369	0.006925%	14.27	0.60%
2							
3	CHIEF ADMINISTRATIVE OFFICER						
4	Office of Chief Administrative Officer	469,039	(48,944)	420,095	0.004911%	10.12	0.40%
5	Fire Services	13,142,744	(1,371,425)	11,771,319	0.137611%	283.48	11.90%
6	Emergency Management	336,933	(36,367)	303,566	0.003549%	7.31	0.30%
7							
8							
9	CORPORATE SERVICES	13,950,716	(1,455,736)	12,494,980	0.146071%	300.91	12.60%
10	Financial and Property Services	3,030,812	(316,261)	2,714,551	0.031734%	65.37	2.70%
11	City Clerk	435,578	(45,452)	390,126	0.004561%	9.40	0.40%
12	Corporate Information Services	1,441,699	(150,439)	1,291,260	0.015095%	31.10	1.30%
13	Human Resources	907,872	(94,735)	813,137	0.009506%	19.58	0.80%
14							
15		5,815,961	(606,887)	5,209,074	0.060896%	125.45	5.30%
16	LEGAL SERVICES						
17	Office of the City Solicitor	714,333	(74,540)	639,793	0.007479%	15.41	0.60%
18	Provincial Offences Act Office	(451,875)	47,152	(404,723)	-0.004731%	(9.75)	-0.40%
19							
20		262,458	(27,387)	235,071	0.002748%	5.66	0.20%
21	UTILITY SERVICES DEPARTMENT						
22	Utility Services Administration	165,268	(17,245)	148,023	0.001730%	3.56	0.10%
23	Engineering, Construction and Infrastructure Planning	1,569,742	(163,800)	1,405,942	0.016436%	33.86	1.40%
24	Public Works	7,073,047	(738,062)	6,334,985	0.074058%	152.56	6.40%
25	Transportation	6,982,061	(728,568)	6,253,493	0.073106%	150.60	6.30%
26	Environmental Protection	61,921	(6,461)	55,460	0.000648%	1.34	0.10%
27	Waste Management	2,869,525	(299,431)	2,570,094	0.030045%	61.89	2.60%
28							
29		18,721,564	(1,953,567)	16,767,997	0.196024%	403.81	17.00%
30	COMMUNITY SERVICES						
31	Community Services Administration	1,293,219	(134,945)	1,158,274	0.013541%	27.89	1.20%
32	Facilities and Special Projects	199,009	(20,766)	178,243	0.002084%	4.29	0.20%
33	Recreation	795,032	(82,960)	712,072	0.008324%	17.15	0.70%
34	Arts, Culture and Heritage	3,556,079	(371,071)	3,185,008	0.037234%	76.70	3.20%
35	Arenas	1,057,272	(110,325)	946,947	0.011070%	22.80	1.00%
36	Social Services	9,712,165	(1,013,450)	8,698,715	0.101691%	209.48	8.80%
37							
38		16,612,776	(1,733,518)	14,879,258	0.173944%	358.32	15.00%
39	PLANNING & DEVELOPMENT SERVICES						
40	Planning and Land Information Administration	1,722,425	(179,732)	1,542,693	0.018035%	37.15	1.60%
41	Housing	4,114,839	(429,377)	3,685,462	0.043084%	88.75	3.70%
42	Peterborough Airport	1,777,762	(185,507)	1,592,255	0.019614%	38.34	1.60%
43	Building Inspection and Protective Services	228,865	(23,882)	204,983	0.002396%	4.94	0.20%
44							
45		7,843,891	(818,498)	7,025,393	0.082129%	169.19	7.10%
46	CAPITAL LEVY, DEBT, & FINANCIAL SUMMARY						
47	Capital Financing Costs	14,957,864	(1,560,830)	13,397,034	0.156616%	322.63	13.50%
48	Property Taxation Costs	2,494,100	(260,256)	2,233,844	0.026114%	53.80	2.30%
49	Other Expenditures	1,517,830	(158,383)	1,359,447	0.015892%	32.74	1.40%
50	Contingency Provision	1,102,397	(115,033)	987,364	0.011543%	23.78	1.00%
51							
52		20,072,191	(2,094,503)	17,977,688	0.210166%	432.94	18.20%
53	TRANSFERS TO ORGANIZATIONS FOR PROVISION OF SERVICES						
54	Police	20,180,372	(2,105,791)	18,074,581	0.211298%	435.27	18.30%
55	Land Ambulance	3,828,918	(399,542)	3,429,376	0.040091%	82.59	3.50%
56	ORCA	621,029	(64,803)	556,226	0.006502%	13.40	0.60%
57	County City Health Unit	1,005,009	(104,871)	900,138	0.010523%	21.68	0.90%
58	GPAEDC	818,385	(85,397)	732,988	0.008569%	17.65	0.70%
59							
60		26,453,713	(2,760,405)	23,693,308	0.276983%	570.59	24.00%
61							
62	Total net expenditures	110,394,653	(11,519,515)	98,875,138	1.155886%	2,381.13	100.00%

Notes

1

"Net Tax Levy" equals gross expenditures less all sources of direct revenues that may apply. For example, Transportation gross expenditures less transportation revenues equals net transportation tax levy shown.

2

"Residential Municipal Tax Rate" shown is expressed as a percentage that when multiplied by CVA and divided by 100 equals the tax levy shown for each service. As example, the tax rate for Council is 0.06925% and the resulting tax levy for house assessed at \$206,000 is \$14.27. (0.06925 X \$206,000 / 100 = \$14.27). Some totals and subtotals may not add exactly due to rounding differences.

3

"Tax Levy" shows what the taxpayer with the shown CVA pays in 2012 for the service. (Some totals and subtotals may not add exactly due to rounding differences).

Chart 1

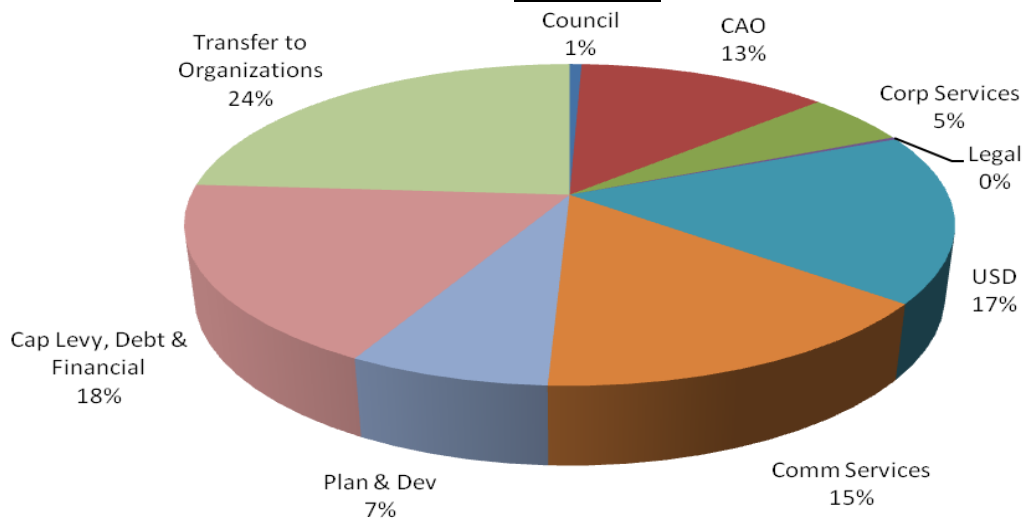
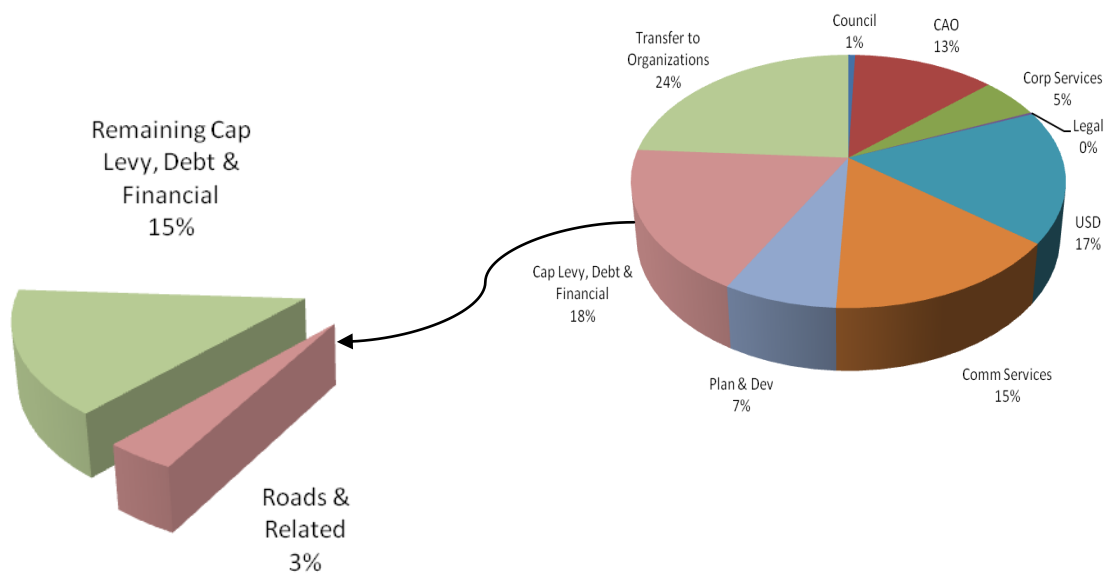


Chart 2



5. Participants on Ad Hoc Committee

Implementation of the services for annexed lands will directly impact all Wards except Ward 3 and, of course, financing these services will impact all taxpayers. Accordingly, all Councillors have a direct stake in this project and should be given the opportunity to participate in the Ad Hoc Committee.

One Meeting for All

The Ad Hoc Committee meeting(s) could be set up individually in each of the Wards or as a single all encompassing meeting. It is believed that time constraints and the “meeting workload” of Councillors would benefit from a single all encompassing meeting.

All City residents should be invited to attend this meeting and make their views known. It would be preferable if citizen presentations could be submitted in writing prior to the meeting to allow the elected officials a chance to review the submissions and compose any questions they may have. The speakers could also be organized by Cluster as outlined in Report USEC12-004 which will make it easier for the Committee and staff to track the input. When speakers sign up, they could tell the Clerk’s office which cluster they are speaking to according to the map attached in Schedule 2.

SUMMARY

In consideration of the foregoing, staff recommend that a single date be established where all elected officials can sit as the Servicing Annexed Areas Ad Hoc Committee. All City residents should be invited to attend this meeting and make their views known.

Discussion should be limited to the specific provision of infrastructure services to residents in the annexed lands including how the costs are to be shared between individual property owners and the City, the timing for implementing these improvements and exactly what infrastructure improvements should be implemented.

Submitted by,

W. H. Jackson
Director, Utility Services

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Attachments:

Schedule 1 - Report USEC12-004 "Servicing of Annexed Lands" dated May 28, 2012

Schedule 2 – Map of Cluster



City of
Peterborough

TO: Members of the Committee of the Whole

FROM: W. H. Jackson, Director of Utility Services

MEETING DATE: May 28, 2012

SUBJECT: Report USEC12-004
Servicing of Annexed Lands

PURPOSE

To provide information on the matter of servicing of annexed properties within the City including recommendations to prioritize and fund the servicing work.

RECOMMENDATIONS

That Council approve the recommendations outlined in Report USEC12-004 dated May 28, 2012, of the Director of Utility Services, as follows:

- a) That the servicing of annexed lands within the City of Peterborough, and the priorities for this servicing, be undertaken as described in Report USEC12-004;
- b) That a 2012 capital project be created with a budget of \$200,000 funded by tax supported debt to undertake detailed design and the preparation of servicing plans as input to the 2013 Capital Budget.

BUDGET AND FINANCIAL IMPLICATIONS

The capital costs (including staffing where required) to undertake the full extent of this program are shown in Table 1 of this report. It is anticipated that the total estimated

\$83,000,000 cost (2011 dollars) will be funded by a combination of tax supported debt and property owner charges over a period of 20 years.

As new areas are serviced, additional operating costs will be incurred and these costs will be included in future operating budgets.

The funding requested for 2012 will allow for staffing and/or consulting requirements as well as the preparation design and preparation of any necessary plans/tenders etc.

BACKGROUND

Council, at its meeting of December 13, 2010 in considering a motion under "Other Business" from the December 6, 2010 Committee of the Whole adopted the following:

That the Director of Utility Services be requested to provide a report on scheduling to provide services to rural subdivisions that have been obtained through annexation.

Further to this motion, Report USEC11-002 was submitted to the January 13, 2011 meeting of the Budget Committee. This report identified all annexed areas to which services could be provided and estimated it would cost approximately \$304,000,000 in total to service these areas. The report also proposed that certain existing un-serviced residential lands in the annexed areas be serviced first at a total estimated cost of \$55,000,000. City Council at its meeting of January 31, 2011 adopted the following:

- a) That report USE11-002 be received for information;*
- b) That staff be requested to report further on the matter of funding the servicing of annexed properties within the city generally following the framework set out in Report USEC11-002; and*
- c) That staff include in the report cited in Recommendation b) the matter of funding storm water, and watercourse infrastructure costs including the operation, maintenance, and implementation of these works.*

Although Council requested the inclusion of an analysis and discussion of the matter of funding storm water and watercourse infrastructure costs to be included in the report on servicing annexed areas, staff believes both subjects are of significant magnitudes that they need to be presented to Council in individual reports. Furthermore, staff is not in a position as yet to report on the matter of storm water funding and accordingly, this present report will only deal with the servicing of annexed properties within the City.

DISCUSSION

To fully explore the servicing of annexed properties, it is important to:

- Understand the infrastructure requirements;
- Develop a priority rating system;
- Review the various funding sources available to the City;
- Determine the most appropriate funding options;
- Provide Council with a suggested process to begin servicing annexed areas.

1. Infrastructure Requirements

Report USEC11-002 (January 13, 2011) provided an estimate of \$55.3 million for the infrastructure requirements to service existing un-serviced residential lands in the annexed areas to be undertaken on a priority basis. A further analysis, however, highlighted the fact that the Cold Springs area had not been included in the original analysis. With this area now included, the total cost to service annexed residential areas has risen to \$83.6 million as shown in the following list.

• Water Service	\$10,000,000
• Sanitary Sewer	\$10,400,000
• Storm Sewer	\$13,300,000
• Street Lights	\$ 3,800,000
• Sidewalks	\$13,700,000
• Curb & Gutters	\$ 3,900,000
• Roadways	<u>\$28,500,000</u>
TOTAL	\$83,600,000

The areas identified as requiring servicing are only those existing residential areas without City water and/or sewer services.

Appendix A is a map of the various annexed areas, or clusters, under consideration in this report.

Table 1 provides a cost breakdown by infrastructure element and Cluster.

Table 1: Cluster Servicing Costs* (\$000's)

Cluster	Sanitary	Watermain	Storm	Curb	Sidewalk	Streetlight	Road	TOTAL
Auburn	300	935	1,100	315	1,125	170	2,260	6,205
Towerhill	1,800	1,760	2,250	645	2,320	980	4,660	14,415
Liftlock	2,740	2,100	3,010	885	3,270	630	6,800	19,435
Jackson	800	860	1,000	295	1,030	0	2,050	6,035
Brealey/ Sherbrooke	850	0	1,050	305	765	0	2,200	5,170
Spillsbury	200	365	240	125	440	0	880	2,250
Cold Springs	2,960	3,170	3,700	1,060	3,805	1,600	7,700	23,995
Simons	750	810	950	270	945	420	1,950	6,095
TOTAL	10,400	10,000	13,300	3,900	13,700	3,800	28,500	83,600

**all numbers expressed in 2011 dollars and include capital and staffing costs as required.*

The above estimates are based on the assumption that servicing would occur for all streets within the cluster at the same general time for obvious cost efficiency. The cost estimates are based on the best information available using, for the most part, the latest tender results for similar works. Nevertheless, given the magnitude of some of the annexed lands infrastructure needs, and depending on when the projects are tendered and that detailed designs still need to be done, it is not unreasonable to expect the cost estimates to vary by $\pm 10\%$. It is also important to realize that the increase in construction costs have risen between 3 and 6% per year over the last 5 \pm years.

The costs quoted are capital costs only including staffing where required and the new infrastructure will require additional annual maintenance necessitating operating cost increases in future budgets.

2 Priority Rating System

Report USCE11-002 (January 13, 2011) identified the provision of water and sanitary services as the top priorities. It also indicated the provision of these services to existing residential properties should take precedence over industrial/commercial and those areas that have still to develop.

The next decision was to establish order, or priority, of servicing the various clusters. To do this analysis, the following group of factors were considered:

- Date of annexation into the City (first come, first serve);
- Existing infrastructure condition/capacity (good sewer condition and spare capacity allow for easier expansion);

- Development benefit (servicing additional lands adjacent to the cluster at the same time is a benefit);
- Existing capital budget (does the City have work planned within area of the Cluster);
- Cost per benefiting property (having existing services nearby is an advantage).

Each cluster was considered relative to the other clusters for each of the above factors. Each factor was rated between 1 and 5.

In addition, the factors were weighted based on how important each was to the situation. A total of ten weight points were assigned among the factors as follows:

- Date of annexation into the City – 1.5
- Existing infrastructure condition/capacity – 3.5
- Development benefit – 0.5
- Existing capital budget – 2.5
- Cost per benefiting property – 2.0

Table 2 provides the scoring summary and priority ranking of the clusters based on the described analysis. Further details of this evaluation are provided in Appendix B.

Table 2: Cluster Priority Ranking

Cluster	Score						Rank
	Date of Annex	Existing Condition/ Capacity	Develop Benefit	Existing Capital Budget	\$/ Property	Total Score	
Brealey/ Sherbrooke	7.5	10.8	1.0	12.5	10.0	41.8	1
Spillsbury	7.5	17.5	0.5	2.5	7.1	35.1	2
Liftlock	4.5	16.9	2.5	3.2	6.9	34.0	3
Jackson	7.5	13.8	0.5	6.2	5.5	33.6	4
Simons	3.0	15.1	1.5	2.5	9.7	31.7	5
Cold Springs	1.5	15.7	2.0	3.7	2.0	24.9	6
Auburn	4.5	4.7	0.5	2.5	8.7	20.9	7
Towerhill	3.0	3.5	1.5	2.6	7.5	18.1	8

3. Proposed Funding

In 2005, in considering Report USEC05-051 dated September 26, 2005, Council dealt with the matter of dismissing the Local Improvement Act as a funding source for the construction of new works under certain circumstances as well as when it was appropriate for the owner to pay for servicing costs.

It had been found that the Local Improvement Act was inadequate for the financing of important municipal undertakings, especially major road reconstruction activities because the City was unable to advance projects in the capital budget, where a portion of the work relied on Local Improvement Charges. Abutting residents simply could not accept that the widening of their street, the addition of curbs and the construction of sidewalks was a local benefit that they were prepared to pay for. Where the Local Improvement share could not be secured, the City was unable to advance the project. Accordingly, a review of the financing policy was undertaken to overcome the impasse.

Ultimately, it was determined that when the construction of municipal works are deemed necessary by staff and recommended to Council as the basis of safety, technical, environmental, drainage and/or maintenance issues for the betterment of the community, they should be financed by the City. When the construction of the work is, however, requested by and only benefits the property owners, there is no valid reason for the City to pay for the services and it is appropriate for the property owners to pay the cost.

Further, in 2009 in considering Report USDIR09-002 dated February 23, 2009, Council considered a very similar exercise on a small scale relating to the servicing of a single home on Briarhill Road. Council decided that the servicing was to be borne 100% by the owner.

Whether servicing clusters or individual lots, these policies as adopted by Council can still be applied.

3.1 Funding Scenario Specific to Servicing Annexed Lands

In considering how to fund the servicing of annexed lands, many funding scenarios are possible. At one extreme is the user pay option where the abutting land owners pay 100% of the costs. At the other extreme is the option where the City pays 100% of the costs. Based on past practices and the aforementioned Council decisions, the following funding scenario was felt to be the most appropriate for purposes of servicing of annexed lands.

a) Roads (including Curbs and Gutter) and Streetlights

The cost of upgrading roads (including curbs and gutter), even though it is being done to provide services to abutting land owners, is a cost that is logically shared among all since the roads are open to all motorists. For example, upgrading an arterial road would logically be shared 80% to the City and 20% to the abutting homeowners because the majority of traffic on arterial roads is non local. For a local street, the split would more properly be 50/50 because a greater percentage of the users are local. Of course, if the road is to be upgraded on the basis of safety, technical, environmental, drainage and/or maintenance issues for the betterment of the community, then the City

could be expected to finance it entirely. This costing split would also hold for streetlights.

b) Sanitary Sewers, Storm Sewers and Water Service

For sanitary sewers, storm sewers and water service, it is appropriate that the benefiting users pay the entire cost because these services are being provided for their sole use. However, even for these services there would be a cost to the City to deal with, for example, frontages across parks, the excessive piping needed to traverse intersections etc. An estimate of the cost split for these services is 20% City versus 80% users.

c) Sidewalks

The matter of infilling sidewalks (constructing sidewalks where none presently exist) was considered by Council on March 25, 2008 in considering Report USTR08-008 entitled Sidewalk Strategic Plan – Phase 1 Sidewalks. Adoption of this strategic plan prioritized construction of “infill” sidewalk sections at the sole cost of the City. Accordingly, with regard to servicing annexed areas, the cost of sidewalks has been considered to be 100% City responsibility.

Based on the above considerations, the split in City versus user costs under this funding scenario would be as shown in Table 3:

Table 3: User Pay Scenario Costs

Cluster	Servicing Costs (\$000's)		Average Cost per Property (\$000's)
	City	User	
Brealey/Sherbrooke	2,885	2,220	30.4
Spillsbury	1,115	1,110	69.4
Liftlock	9,660	9,685	72.8
Jackson	3,120	2,935	86.3
Simons	2,445	3,630	46.5
Cold Springs	12,790	11,150	122.5
Auburn	3,400	2,770	45.4
Towerhill	7,440	6,945	62.6
TOTAL	43,000	40,600	

Table 3 also provides an estimate of the average cost per property within each of the clusters. This cost is calculated by simply dividing the total “user” cost by the number of residential properties within the various clusters with no regard for frontage lengths of individual properties.

3.2 Why This Funding Scenario Recommended

The benefits from the City's perspective to the recommended funding scenario as described in Section 3.1 are:

- Places less of a financial burden on currently planned projects;
- Advances the servicing of annexed lands;
- Comes at a lower expense to the citywide tax base; and
- It is a fair system in that it does not require other tax payers to pay for something they will not directly benefit from.

On the other hand, this funding scenario will require additional administration processes within the City outside of the design, tendering, construction and inspection requirements. For example, calculating the specific charges to individual land owners and tracking the payments received by the City can be time consuming. This can also be complicated as properties change hands through the process.

3.3 How Funding Scenario Will Operate in this Instance

The priority for servicing the various clusters was established in Section 2.

For efficiency, and probably more competitive tender prices, the ideal construction plan would see the servicing of an entire cluster at the same time. Accordingly, prior to beginning the detailed design phase, staff would need to ascertain that there is agreement among the property owners of a particular cluster that they will participate in the servicing program. It may be possible to service sub areas of a particular cluster but more study would be needed to ensure this is both doable and practicable. Also, from a practicality point of view, a large majority of the land owners in the area to be serviced would have to agree to the funding scenario. Anything less than 85% buy-in from the benefiting land owners would, it is felt, place too great a burden on the existing taxpayer. If the servicing plan was rejected by the residents within a particular Cluster in this manner, staff would propose to move on to the next priority Cluster.

Opposite to the above, it may be that certain clusters can garner 100% support to this program. If that happened, it may be appropriate to consider that particular cluster before its turn depending on the buy-in from land owners in the clusters with a higher priority.

Before land owners are questioned on their buy-in to the program, staff would first have to determine on a property by property basis the specific cost to undertake the servicing works. This would involve generating a cost on a linear meter basis and using this with the property frontage to more accurately calculate the per property cost. The average frontage in each Cluster is shown in Table 4 below. Caution is expressed with respect to the accuracy of the values in Table 4 because of the lack of certain data. Nevertheless, residents might want to use the average lot frontage in Table 4 and the average cost per property in Table 3 to calculate a per meter cost in their own Cluster. Using their own frontage, residents could then get a general indication of what their own specific cost might be.

Table 4: Average Lot Frontage for Each Specific Cluster

Cluster	Average Lot Frontage (Meters)
Brealey/Sherbrooke	45
Spillsbury	35
Liftlock	70
Jackson	120
Simons	35
Cold Springs	80
Auburn	35
Towerhill	35

By mutual agreement between the City and property owner, it is possible that payments for the property owner's portion of this program may be made over a number of years (say 10 years) through the tax bill. There would have to be assurances that the amount owed was registered on title and interest would have to be applied to what will essentially be a loan. All of these details would have to be executed prior to the City undertaking any detailed design or construction work.

3.4 Authority for Funding Scenario

Under the Municipal Act, 2001 Ontario Regulations 586/06, the City has the authority to pass a by-law to undertake the work described in this report as a local improvement for the purpose of raising all or any part of the cost of the work by imposing special charges on:

- Lots that abut on the work;
- Lots that do not abut on the work but will be immediately benefited by it; or
- A combination of the lots described above.

Work undertaken this way has a priority lien status.

The definition of work includes water service, sanitary and storm sewers, roads, curbs gutters, sidewalks and streetlights.

Upon implementation of the program described in this report and prior to any actual work in the field, a further report will be submitted to Council to provide all the final details and to adopt/rescind by-laws as necessary.

3.5 Where Will City Funds Come From

Before any servicing of annexed lands happens, Council has to decide that funding this servicing is a priority and where the City's portion of the funds will come from.

As per the 2012 Capital Budget recently approved, over the ten year period 2012 to 2021, approximately \$10 million is slated for infrastructure work in the annexed areas. In addition, about 30% (or \$2 million) of the priority 1 & 2 sidewalk sections proposed to be installed by 2022 are within the annexed areas.

Accordingly, future budgets (up to 2021) are already anticipating spending \$12 million for servicing works in annexed areas. The City, therefore, needs to come up with \$31 million additional funds as its portion of the overall servicing annexed lands project exclusive of funds the City may have to front end as loans to residents who will pay the City back (with interest) over a period of time.

For many years, the required funds to finance the Capital Program have exceeded the available funds. The Budget Committee was successful in increasing the 2012 Capital Budget Levy by \$486,000. Although this increase is helpful, it does not solve the problem because maintaining existing 2012 funding levels will only fund 54% of the projected infrastructure needs for the period 2012 – 2021 as presented in the latest budget.

If any more of the Capital Budget is used for servicing annexed lands, this would add more pressure to the financing of other projects and projects would need to be removed from the existing Capital Budget. To defer or eliminate the projects within the existing capital budget would have significant impacts. For example, current capital dollars are proposed for the City's share of growth related projects supporting new development, rehabilitation of infrastructure that exists, flood reduction projects, the City's Transportation Master Plan, etc. in addition to other Department's capital projects.

Council, at its meeting of April 23, 2012 in considering Report CPFS12-011 titled "Debt Management and Capital Financing Plan" amended the City's Debt Management Policy allowing an increase in the maximum amount of debt the City can issue. Council at the same time directed that the annual draft operating budget include a 5% increase in the capital levy provision.

Both of these provisions will provide greater capital support to programs such as the servicing of annexed lands. It is felt that if a servicing program is to be implemented, a target date of 20 years (\$2 M per year of City funds) for completion would be appropriate.

4 Property Owners Believe City Should Fund

Some of the current property owners in the annexed areas believe the City should fund the servicing from the Sanitary Sewer Reserve Fund (SSRF) and other funds collected from the property taxes they have paid to the City since their properties were annexed. However, the owners of annexed lands have not contributed to the SSRF and the amount contributed by these areas to road infrastructure works is not significant compared to the required servicing costs.

The 2012 combined gross Operating and Capital budgets totalled \$262 million. Of this amount, only \$14 million, or 5%, was spent on infrastructure works. From this, it can be seen that the vast majority of annual taxes pay for the operating costs to deliver all the City services such as Fire Protection, Policing, Community Services, Administration, Planning & Development, Legal and day-to-day maintenance of our existing infrastructure.

Also, it must be remembered that those residents who purchased homes that were already connected to City services paid for that connection through the price of their home. A serviced lot in the City of Peterborough costs in the order of \$4000 per linear meter of frontage. Accordingly, a serviced lot with a 35 meter frontage could cost in the order of \$140,000 with a significant proportion of this cost being attributed to the cost of providing water, storm and sanitary services along with road, sidewalks and street lighting.

5 Timing

The length of the time period selected to service the Clusters will dictate, to a great extent the yearly costs and the longer the program takes to complete the greater the probability that existing wells and septic systems will fail causing the property owners to have to pay to replace then possibly only a few short years before they receive City Services. Appendix A shows the years of annexation for each Cluster or Cluster part. Some unserviced lands have been within the City for more than 100 years with a significant portion of the unserviced lands now having been in the City for over 45 years.

Council may wish to accelerate the servicing of annexed lands but taking everything into consideration; staff believes attempting to service the annexed lands within a 20-year period would be appropriate.

The initial stage of the project would be determining buy-in from the affected landowners. Following that, time would be devoted to detailing the costs involved, determining allocation of the costs and tracking thereof, preparing engineering drawings and tendering the works. Accordingly, it could easily be a year before any services are ready to be tendered and constructed.

6 Staffing

A 20-year time period would still see an additional \$4 million construction program on top of the existing capital budget program. The existing staff within the Engineering & Construction Division is insufficient to manage this work in addition to the "normal" capital budget projects.

All of the cost estimates provided include funds for engineering design and construction inspection. Although a certain portion of the design and inspection will be undertaken by consultants, there will still be the need for additional Engineering Design and Construction Technologist/Inspectors to manage the project consultants both in the

office and in the field and to undertaken design work as appropriate to ensure the efficiency of the program.

7 Discussion

Council has requested Staff to report on the servicing of annexed lands within the City and this report has suggested a reasonable funding scenario, priority establishment, program procedure and program timing to undertake this work. However, it is felt that delay or elimination of existing capital projects to enable the early servicing of annexed areas would not be in the best interests of the City as a whole.

With financial matters of this magnitude, pros and cons exist. The benefits to the proposed funding scenario are to allow currently planned projects to proceed with minimal delay while allowing the servicing of annexed lands to also proceed quicker than might otherwise happen. On the other hand, additional administration processes will be required by the City, and the residents within the annexed lands will not only incur a capital charge but will also begin to receive ongoing sewer and water charges.

The additional administration processes will be imposed on existing staff within the Engineering & Construction Division that is insufficient to manage this work in addition to the "normal" capital budget projects. In this circumstance, rather than outsource the engineering aspect of the work (which still requires management by City staff), it would be appropriate to critically examine the cost/benefit of increasing our in-house staff to save consulting fees.

Implementation of the servicing works described in this report will require a "ramp up" in our internal resources and processes. It may be prudent therefore to start on a smaller scale and grow the project as we gain more experience. This would lend itself to initiating servicing of the priority 1 Brealey/Sherbrooke Cluster. If Council is agreeable to this, staff would then proceed to detail the costs involved and begin the process of canvassing the residents in the Brealey/Sherbrooke Cluster to determine buy-in.

Rural services have a fixed life. It is not uncommon for septic beds to be replaced every 25 years and for private wells to be improved all at considerable expense to the homeowner. Connecting to a municipal system is a long-term benefit and will incur significant cost avoidance over the life of the residence.

SUMMARY

Annexed lands lacking water and sewer services have been identified as the first priority to receive City services. Within these lands, specific areas, or Clusters, were examined and further prioritized using a multi-criteria evaluation approach.

Based on the estimated City's portion of the funds necessary to service the subject lands, an estimated cost per property is provided and staff is suggesting that detailed

design and preparation of servicing plans be undertaken, at least for the number 1 priority Cluster for input to the 2013 Capital Budget.

Submitted by,

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Attachments:

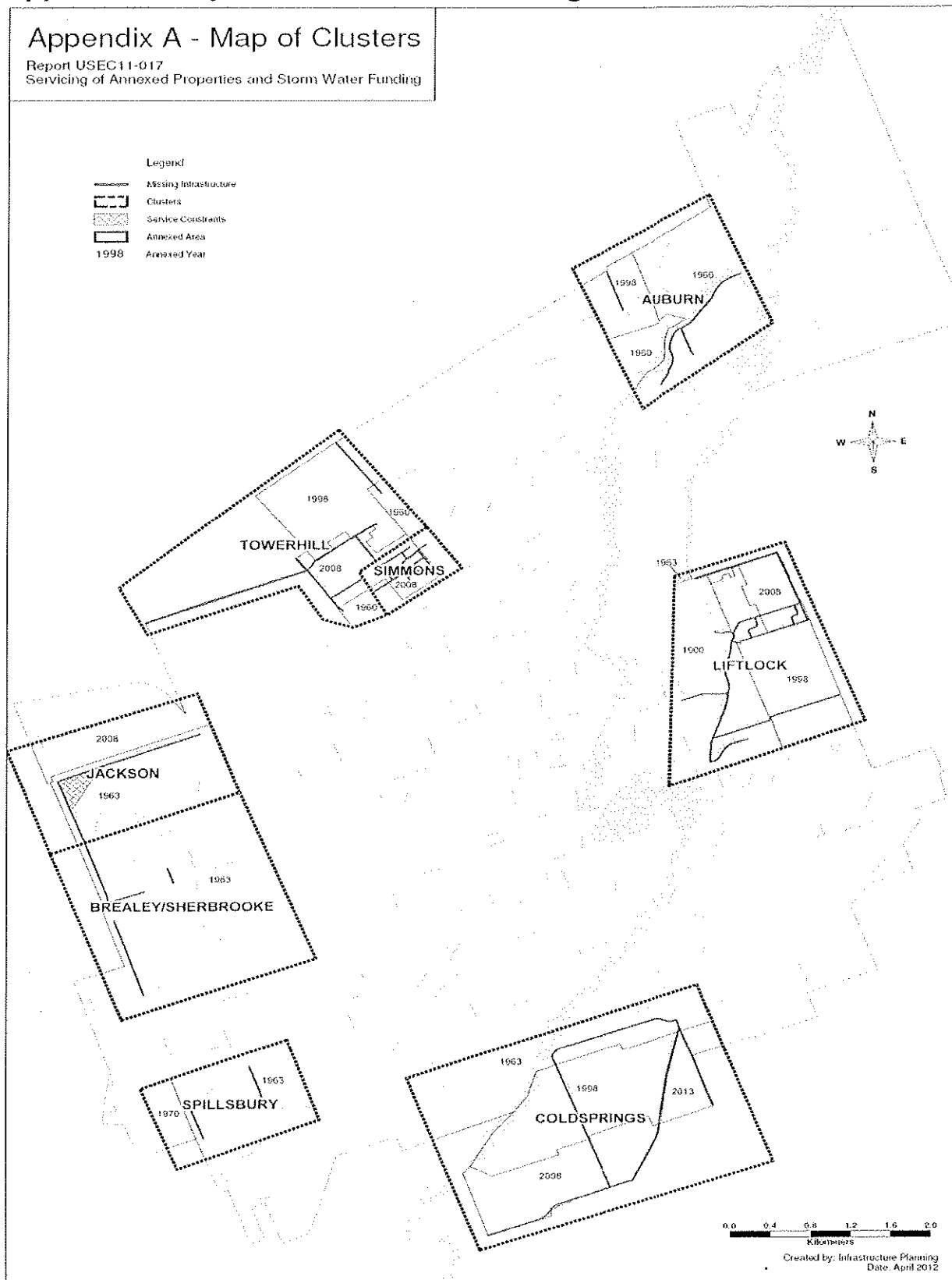
Appendix A – Map of Clusters
Appendix B – Analysis Criteria

Appendix A Report USEC12-004 Servicing of Annexed Lands

Appendix A - Map of Clusters

Report USEC11-017
Servicing of Annexed Properties and Storm Water Funding

- Legend
- Missing Infrastructure
 - Clusters
 - Service Constraints
 - Annexed Area
 - 1998 Annexed Year



APPENDIX B

ANALYSIS CRITERIA

Report USEC11-017 Servicing of Annexed Properties and Storm Water Funding

Rating Scale

The analysis considered the criteria below and provided a rating scale for each. A score of 1 would be least desirable and a score of 5 would have the greatest impact on priority rankings. A value was then assigned to each of the factors as determined by consensus among the following staff: Director of Utility Services, Manager Infrastructure Planning, Manager Design and Construction, Manager Transportation, Senior Project Manager.

Each Cluster was given a rating for each factor between 1 and 5 relative to the other Clusters.

- Date of annexation into the City – Clusters that have been annexed into the City first would receive a score of 5 and areas that have been annexed most recently would receive a score of 1. The areas in between would be prorated accordingly.
- Existing infrastructure condition/capacity – Clusters that have capacity and a good condition rating would be scored with a 5 and those that would require upgrades to the existing sanitary sewer system would be scored a 1.
- Development benefit – Clusters that have the most potential development benefit would be scored 5 and those with the least or no development potential will be a 1. This again would be prorated based on the amount of potential benefit.
- Existing capital budget – Clusters with existing capital dollars forecasted for the area are considered desirable and would be assigned a 5, whereas new dollar investments would be valued 1.
- Cost per benefiting property – Clusters that have the lowest cost per benefiting property are considered a 5 and those that have the least are assigned a 1. This value is also prorated to account for costs in between.

Two other factors were originally considered but were not carried forward through the analysis. The first factor (Proximity to existing infrastructure) was removed because the cost to service each benefiting property will cover this as well.

The second factor (Health Department concerns) was eliminated because we have an indication from the Health Unit that there are no immediate health concerns to report on well and septic systems in the City.

Weighting Criteria

After the initial rating, the Factors were weighted based on importance of the factor (criterion) to the situation. This was completed by distributing 10 points among the criteria. Again, the assignment was done by discussion and consensus. The weighting used in the analysis are shown below.

- Date of annexation into the City – 1.5
- Existing infrastructure condition/capacity – 3.5
- Development benefit – 0.5
- Existing capital budget – 2.5
- Cost per benefiting property – 2.0

Schedule 2 - Map of Clusters

Report USDIR 12-013
Servicing of Annexed Properties

Legend

Missing Infrastructure

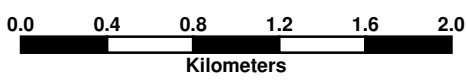
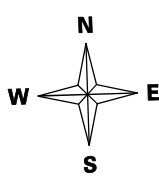
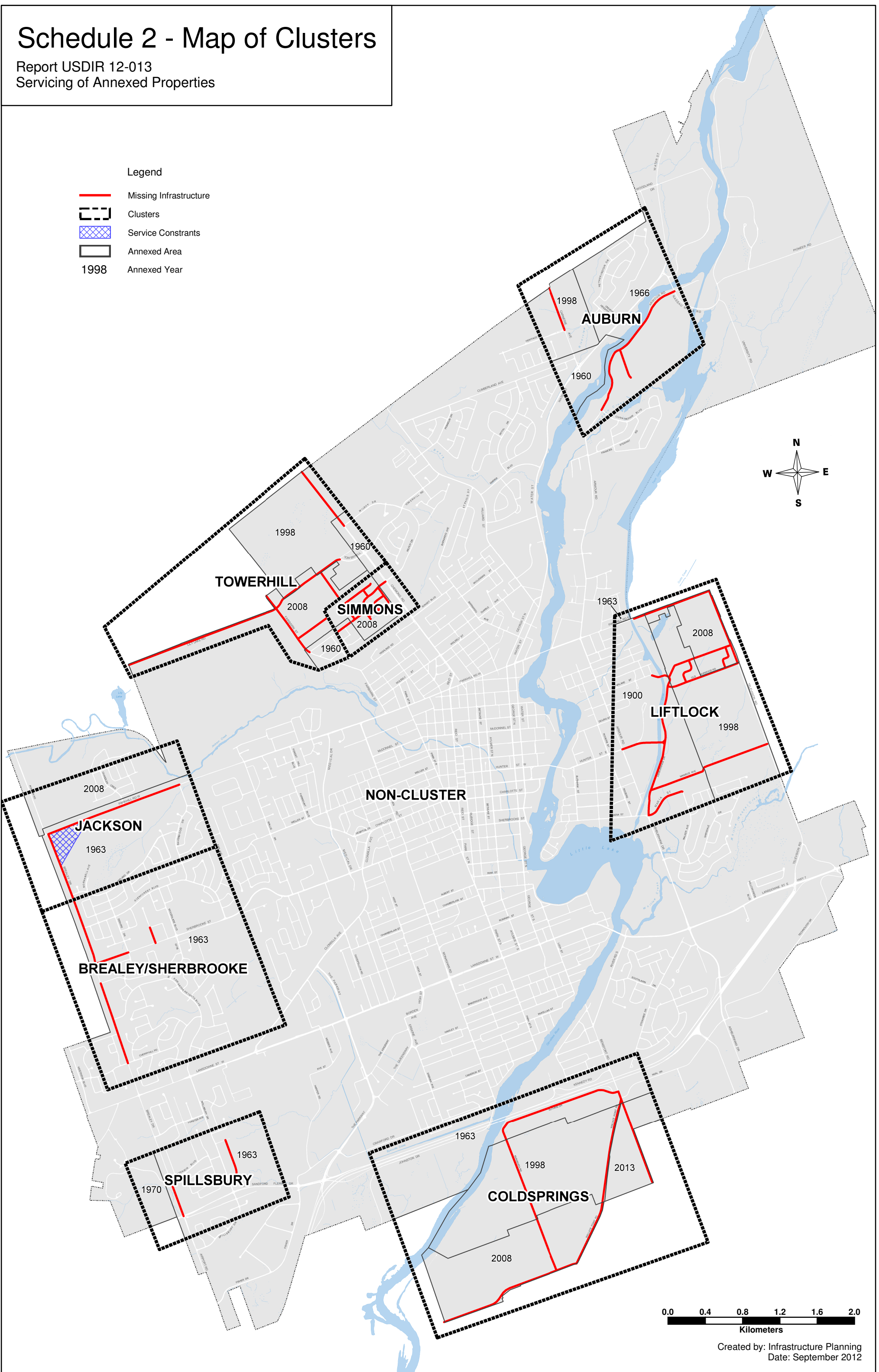
Clusters

Service Constraints

Annexed Area

1998

Annexed Year



Created by: Infrastructure Planning
Date: September 2012