



# Policy and Procedures

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## POL.COR.17.XX DRAFT Affordability Policy

**Policy Type:** Corporate Policy (Approved by Council)  
**Date Approved:** Month 00, 2017  
**Department:** Finance and IT Services  
**Staff Report:** FAF.17.XX  
**By-Law No.:** N/A

### Policy Statement

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Municipal Servicing capacity will ultimately be made available for all existing development within the applicable Service Areas.

### Purpose

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The purpose of this policy is to establish affordability criteria for Water and Wastewater Service extensions.

### Application

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This policy applies to staff with respect to the determination of the affordability of water and wastewater service extensions.

### Definitions

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“Benefitting Properties” means separately assessed property connected to or fronting on the water or wastewater system.

“Deferral of Payment” means payment of the cost of the service extension is deferred until the property is sold or ten years following the issuance of the construction tender date – whichever occurs first.

“Deferred Payment” means a lump sum payment of the cost of service extension and includes financing.

“Recent” means within the calendar year, 5 years preceding the issuance of the construction tender date.

“Median After Tax Household Income Single Household” means the after tax income of a single household which refers to total income from all sources minus federal, provincial and territorial income taxes paid as published by Stats Canada using the most current Census Data for The Blue Mountains.

## **Background**

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The Blue Mountains has been extending servicing infrastructure into un-serviced areas in an effort to provide municipal water and wastewater services to all Service Areas.

The cost of municipal servicing can be extensive and the Town seeks to recover the majority of costs from benefitting property owners. Each project needs to be assessed on a case by case basis and the viability and value of a project is determined by considering the necessary works, available funding sources, and the end cost to the benefitting property owners.

Affordability should be viewed from different perspectives, including affordability for the Town and the benefitting property owners of the proposed works.

This policy is structured to be an approach that can be applied to each specific project where the measure of affordability could vary from one project to another.

## **Policy Framework**

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### **General**

Water and wastewater capital costs for service extensions will include all necessary work to restore the road to its pre-existing condition and will be recovered from the benefitting property owners.

A full range of funding and financing tools will be reviewed for each water and wastewater service extension including but not limited to government grants, user fees, reserves, long term debt financing, taxation and benefitting property owner contributions.

All Capital Charges imposed will have priority lien status.

All benefitting owners on each project will contribute equally on an equivalent unit basis.

All benefitting property owners on each project will also contribute towards Treatment Plant and related infrastructure costs as well as project costs at a rate equal to equivalent current Development Charges.

In the event that effected properties are sold, the balance of the remaining capital cost levy shall be paid to the Town as part of the sale closing process.

### **Town's Fiscal Position:**

The Town has financial constraints and multiple demands on limited fiscal capacity, therefore for each service extension the following will be considered:

- The cost of the water and/or wastewater extension will not exceed the appropriate limits of Town debt to fund the works.
- Every effort will be made to secure any available government funding where possible and practicable.
- Legal limitations for all options will be considered.
- Consider full range of funding tools, including strategic use of user-fees and reserve funds.
- Consider fairness and equity to not only benefitting property owners but the broader Town wide tax/rate payer.
- Decisions and implementation process are transparent and equitable.

### **Benefitting Properties**

- Analysis will be given to the full financial impact of the extension of service.
- Benefitting owners will be given multiple payment options.

### **Measures and Ranges of Affordability**

The current census data will be used to determine the after-tax household income to determine the affordability measure for the purpose of this policy as each benefitting property owner will be required to pay for the cost of servicing extensions with available after tax income.

The median household income will be used in the analysis to measure affordability as well as the after-tax income of a single person household in an effort to remain conservative in the determination of a general affordability threshold.

Using the most recent Census Data, the following measures of affordability will be used:

- If the annual household cost of extending a service is equal to, or less than 5% of the median after-tax single household income, the project would be considered affordable.
- If the annual household cost of a extending service is greater than 5% but less than 10% of the median after tax single household income, the project would require additional analysis to determine affordability, including:
  - Consideration of local support of servicing extension.
  - Consideration of other factors, for example health and safety that may impact the necessity of the works.
  - Consideration of additional financial support from the Town in order for the project to proceed.

If the annual household cost of extending services is equal to or greater than 10% of the after tax single household income, the project would be deemed unaffordable for both the Town and the benefitting property owners.

For example, using the most recent Census Data, (2011 on the 2010 median single household income) the principles outlined above would result in the following measures:

Description	Single Household Income	Share of Household Income (%)	Share of Household Income (\$/year)	Maximum Service Extension Charge <sup>i</sup>
Affordable per service	\$ 34,004	<5%	\$ 1,700	\$ 21,190
Unaffordable per service	\$ 34,004	>10%	\$ 3,400	\$ 42,375

### Payment Options

The Town will allow the following payment options when water and wastewater services are extended:

- 100% of the costs paid upfront.
- Costs financed and paid over a defined period (10, 15, 20 years) with equal annual payments, including the recovery of financing costs.
- Deferral of Payment
  - Deferral of payment with the installation of a recent septic or well will be allowed for a maximum of ten years. Deferral payment will include financing costs
  - Lump sum payment will be required if the property sells (consistent with other payment options)
  - After ten years, the deferral payment can be paid over the remaining defined period of the by-law.

### Exclusions

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N/A

### References and Related Policies

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Debt Management Policy

### Consequences of Non-Compliance

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N/A

### Review Cycle

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This policy will be reviewed once per term of Council.

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<sup>i</sup> Calculated assuming a 20-year financing with a 5% annual interest rate