

STAFF REPORT: Financial & Information Services



REPORT TO: COUNCIL
MEETING DATE: November 23, 2009
REPORT NO.: FIS.09.67
SUBJECT: Camperdown Water and Wastewater Capital Charges By-laws
PREPARED BY: Darcy Chapman, Capital Accountant

A. Recommendations

THAT Council receive Staff Report FIS.09.67 "Camperdown Water and Wastewater Capital Charges By-laws" for information purposes;

AND THAT Council authorize staff to schedule a public meeting to discuss the proposed by-laws at the next regular council meeting of December 14, 2009.

B. Background

At the October 20, 2009 Finance and Administration Committee Meeting, Staff was asked to provide Council with some alternatives to billing local servicing charges. This request came from discussions surrounding the Camperdown Water and Sewer Local Service By-law Public Information Centre and Public Meetings. It was determined by Council that further analysis should be completed to allow for alternatives in collecting the capital costs.

The Finance and Administration Committee requested that staff complete analysis using property assessment as the driver while creating rates based 100% on assessment and 50% assessment and 50% flat rate. Analysis was also completed using other standard types of collections found throughout the Province.

Staff completed the analysis and scheduled a Council training session to educate members regarding the analysis of the varying options including per property costing, pros and cons of each method and other relevant issues and concerns. Below is a chart outlining the methods and findings of the analysis:

Method of Calculation	Pros	Cons
<p>Determined by Assessment Value and broken in to 4 groups</p>	<ul style="list-style-type: none"> • Fair method of assessing properties assuming those with higher assessment have the potential for larger homes • Assessment information allows for easy access to public information for the calculations and comparisons • Assessment considers size, bathrooms and bedrooms in its formula 	<ul style="list-style-type: none"> • Assessment information can be stale-dated as much as 3 years • Strong possibility of missing assessment changes due to new construction, demolition or requests for reconsideration • Establishes a 100% charge for vacant lots with no potential consideration for future uses when built on • Charge established provides for a higher cost to 55% of the properties including all vacant and commercial units than as calculated by unit (range of \$1,208 - \$3,888 for water and \$3,697 - \$11,366 for sewer) • Potential to charge large lots and waterfront properties at a higher rate due to assessment of land not size of house
<p>50% Flat Rate & 50% Determined by Assessment Value and broken into 4 groups</p>	<ul style="list-style-type: none"> • Assessment information allows for easy access to public information for the calculations and comparisons • Allows for a smoothing of rate between lowest and highest assessments • Assessment considers size, bathrooms and bedrooms in formula 	<ul style="list-style-type: none"> • Assessment information can be stale-dated as much as 3 years • Strong possibility of missing assessment changes due to new construction, demolition or requests for reconsideration • Establishes a 100% charge for vacant lots with no potential consideration for future uses when built on • Charge established provides for a higher cost to 55% of the properties including all vacant and commercial units than as calculated by unit (range of \$1,805 - \$2,526 for water and \$5,151 - \$8,986 for sewer) • Potential to charge large lots and waterfront properties at a higher rate due to assessment of land not size of house

Method of Calculation	Pros	Cons
<p>Weighted Assessment using 60%, 80%, 100% and 120% of average property charge</p>	<ul style="list-style-type: none"> • Assessment information allows for easy access to public information for the calculations and comparisons • Allows for a smoothing of rate between lowest and highest assessments • Percentage charge mirrors new Town Wide Development Charges 	<ul style="list-style-type: none"> • Assessment information can be stale-dated as much as 3 years • Strong possibility of missing assessment changes due to new construction, demolition or requests for reconsideration • Establishes a 100% charge for vacant lots with no potential consideration for future uses when built on • Charge established provides for a higher cost to 55% of the properties including all vacant and commercial units than as calculated by unit (range of \$1,442 - \$2,884 for water and \$4,382 - \$8,765 for sewer) • No logical basis for establishing weighting other than to mirror Development Charges • Potential to charge large lots and waterfront properties at a higher rate due to assessment of land not size of house
<p>Building Size (Square footage)</p>	<ul style="list-style-type: none"> • Fair method of assessing properties assuming larger footprint allows for more residents in a single home • Percentage charge mirrors new Town Wide Development Charges 	<ul style="list-style-type: none"> • Building size is not considered public information by MPAC • Without being able to release building sizes it is very hard to validate the charge on each property to the public • No guarantee the MPAC information is correct, especially on older buildings
<p>Number of Bathrooms</p>	<ul style="list-style-type: none"> • Fairest method of assessing properties with more bathrooms assuming potential for more use of system 	<ul style="list-style-type: none"> • Number of washrooms is not considered public information by MPAC • Without being able to release building sizes it is very hard to validate the charge on each property to the public • No guarantee the MPAC information is correct, especially on older buildings

Method of Calculation	Pros	Cons
Lot Frontage	<ul style="list-style-type: none"> • Frontage measurements are readily accessible information • Frontage information is highly accurate information available to the Town with less chance for incorrect data 	<ul style="list-style-type: none"> • Due to the many winding streets and cul-de-sacs in the Town, there is no standard lot frontage • Would penalize larger lots with smaller homes • Would provide an unfair advantage to smaller or pie shaped lots with larger homes
Total Lot Size	<ul style="list-style-type: none"> • Total square feet measurements are readily accessible information • Total square feet measurements are highly accurate information available to the Town with less chance for incorrect data 	<ul style="list-style-type: none"> • Would penalize larger lots with smaller homes • Would provide an unfair advantage to smaller or pie shaped lots with larger homes

Secondary to this request, Council asked staff to complete an analysis surrounding the current repayment terms of the By-laws to bring forward alternate options for financing arrangements.

The original By-law contained a total capital charge of \$2,171 for water services. Based on this capital cost, the By-laws contained a repayment term of 4 years relating to an annual capital cost of \$542.75 or \$135.69 quarterly if added to the tax bill. There is no interest component to this charge as the developers have front-ended the entire cost and the agreement requires the developer group to hold the repayment at 0% interest.

The chart below outlines the annual and quarterly repayments if the length of repayment was changed;

Repayment Length	Annual Repayment	Quarterly Repayment
2 years	\$ 1,085.50	\$ 271.38
3 years	\$ 723.67	\$ 180.92
4 years (original by-law)	\$ 542.75	\$ 135.69
5 years	\$ 434.20	\$ 108.55
6 years	\$ 361.83	\$ 90.46
10 years	\$ 217.10	\$ 54.28

The original By-law contained a total capital charge of \$12,544 for wastewater services. Based on this capital cost, the By-law contained repayment term of 20 years relating to an annual capital cost of \$829.21 or 207.30 quarterly if added to the tax bill (5.5% interest rate). There is no interest component to the local area charge of \$6,546 as the developers have front-ended the entire cost and the agreement requires the developer group to hold the repayment at 0% interest. The plant charge component of \$5,998 has

now been estimated at an annual interest rate of 4.8% (current OSIFA 20 year rate for November 2009).

The chart below outlines the annual and quarterly repayments if the length of repayment is changed:

Repayment Length	Annual Repayment	Quarterly Repayment
10 years	\$ 1,423.84	\$ 355.96
15 years	\$ 1,006.48	\$ 251.62
20 years (original By-law)	\$ 800.47	\$ 200.12
25 years	\$ 678.92	\$ 169.73

In any of the above financing cases, Council could also defer the payment by an additional year starting January 2011. Since the developers have front-ended the costs, the Town would pay the developer group a sum equal to the total owing for the first year of payments. For the water capital charge the Town's payment to the Developer would be approximately \$379,400. For the waste water capital charge the Town's payment to the Developer would be approximately \$51,700. The Town would ultimately recover its early contribution from the last payment of each lot (year five for water and year 21 for sewer). In this scenario the Town would also defer the payment of the Sewer Plant Capital charge for the first year. It should be noted that the Town would incur some carrying costs to finance the late payment of charges under this option.

After completing the analysis and holding a training session with Council, it is evident that there are many different ways to collect the capital charges. Each of the scenarios explained above have positives and negatives where there are potential benefits to some property owners and potential disadvantages to others. Council must weigh these against the Town's standard practice of charging every unit the same uniform rate which, after analyzing all of the potential methods, may be the fairest process of all.

C. The Blue Mountains' Strategic Plan

Providing a strong, well managed municipal government.

D. Environmental Impacts

N/A

E. Budget Impact

As the billing of local improvements are based on actual construction costs and are to be considered as full cost recovery, there is no adverse impact on the current or future budgets.

F. Attached

Respectfully submitted,

Darcy Chapman

For more information, please contact:

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