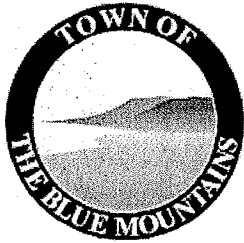


**STAFF REPORT:      Engineering and Public Works; Financial Services**



**REPORT TO:**            Engineering and Public Works Committee  
**MEETING DATE:**      August 12<sup>th</sup>, 2008  
**REPORT NO.:**          FS.08.35  
**SUBJECT:**              Water & Wastewater Service Extensions - Lake Drive  
**PREPARED BY:**        John Caswell, Manager of Environment Services  
                                  Elizabeth Thompson, Deputy Treasurer

**A. Recommendations**

THAT Council receive Staff Report FS.08.35 "Water & Wastewater Service Extensions – Lake Drive", and

THAT Council authorize in principle the recovery of costs related to a portion of the Lake Drive & 10<sup>th</sup> Line works from benefiting property owners on an equivalent unit basis, and with payment options, as follows:

Total Capital Charge	<u>Water</u>	<u>Wastewater</u>
<b>Lake Drive</b> benefiting properties		
Capital Construction (new works)	\$ 9,435	\$12,602
Sewage Grinder Pump		\$ 3,500
Capital Charge (existing works)		
By-Law 2005-27	\$ 3,483	\$ 6,368
By-Law 2005-29	<u>\$ 3,815</u>	<u>\$ 2,984</u>
TOTAL	\$16,733	\$25,454

**Financing -**

**Lake Drive** benefiting properties – water and wastewater  
 Total Charge \$42,187 - If financed

	<u>Water</u>	<u>Wastewater</u>	Pay't per Unit per year if Financed
20 Years	\$ 979	\$1,532	\$2,511
25 Years	\$ 816	\$1,285	\$2,101

AND THAT payment options to be offered to the property owners include:

- (a) full payment up front; or
- (b) payment over time based on a 25 year term and at 0.0% for the Lora Bay Corporation portion of the financing and at approximately 6.5% interest per annum for the Town portion of the financing; payments over time are to be added to the tax bill; the balance owing on the loan may be repaid at any time, including interest to that date, with no penalty applied; at the time a property is sold, the balance of the loan becomes due and payable;

FURTHER THAT Council authorize staff to hold a public information session with affected Lake Drive property owners regarding the project status and repayment options to recover costs related to the extension of the municipal water and sewer systems, based on current estimates.

## **B. Background**

### Rationale for Project

The proposed project to provide Lake Drive with water and sanitary sewer services will proceed pursuant to the Lora Bay Minutes of Settlement. This area is recognized as a full service area under the Town's Official Plan. Some residents have previously requested installation of potable water service. At the 2008 Public Budget meeting, some of the residents of Lake Drive requested Council amend the Proposed Budget to include Lake Drive servicing.

### Funding

The proposed Lake Drive water distribution extension and sanitary sewer service project is estimated to cost approximately \$1,366,022 plus grinding pumps at \$133,000 and engineering at \$85,513. Estimating approximately two thirds of the water and sewer servicing that benefits the property owners will be financed by the developer (The Lora Bay Corporation) with no financing interest to be charged (agreement in principle). The Town must provide interim financing of the balance.

In the case of grinder pumps the bylaw is carrying a price the Town can secure. The cost will ultimately be borne by the owners. The proposal will allow these pumps to be debt financed through the program. The **estimated** water servicing costs (excluding lateral services to property lines) is \$358,513 and the estimated wastewater costs including grinder pumps is \$611,863 with the road and drainage estimate being \$520,105, plus the deferred benefiting properties of 94,053, making the total cost of the project with engineering 1,584,535. The Town has budgeted a total of \$230,000 from taxation over five years for the Road portion and \$606,000 for the service extensions. The Road portion is over budget by \$290,105. Staff is recommending this continue to be funded through taxation, financed over five years, increasing the budget by \$76,000 per year. It is unlikely this will be moving forward in 2008 and can be revisited during the 2009 budget process.

Project Status

In 2005 preliminary engineering was undertaken by Hatch Mott Macdonald to determine water and sewer installation and road reconstruction cost estimates for Lake Drive residents as well as The Town of The Blue Mountains. The cost estimates received were prohibitive. In 2006 and early 2007 revisions were made to the preliminary engineering, essentially to eliminate the largest part of the road and storm works and a cost analysis was completed in this report which determines affected property owners costs. The Town retained a consultant to complete the final design and revise the costs. Subject to a public meeting on Saturday, August 23<sup>rd</sup>, 2008 and after receiving public comments this report will be presented to The Town of The Blue Mountains Council for consideration to proceed with tendering the project.

Cost of Project

Pre-tender estimated project costs are as follows:

Construction (including road reinstatement)		
Road	\$ 498,727	
Water	\$ 359,365	
Sewer	\$ 640,863	\$1,498,955
Engineering & Site Supervision		\$ 85,513
Deferred Benefiting Properties		\$ -94,053
TOTAL		\$1,490,415

**These pre-tender costs are estimates only.** Tender results will be compared to these pre-tender estimates prior to making a recommendation to award the tender.

Individual sewage grinder pumps will be required for individual properties in addition to the construction of the works. It is estimated that the pumps will cost approximately \$3,500 each and are included in the above costs.

Cost estimates were considered in 2005 for total road reconstruction including widening the road, putting in full granular, addressing storm water concerns and installing gabion baskets for erosion control where required. The previous proposal also included a turning circle at the end of the road to facilitate garbage pickup. The costs at that time, approximately \$68,000 per unit, were considered prohibitive and limiting; unacceptable to both the residents and the municipality. Further discussion resulted in providing a minimum six metre road platform and to address minor stormwater issues.

Capital Charges, Funding, Financing and Payment Options

The capital charges per unit for watermain extensions that have been calculated for the existing units will be indexed (increased) in conjunction with an amendment to By-Law No. 2005-29 (Service Area - Lora Bay Development

Charges) based on tender results or actual project costs. The existing units would be subject to the amended charges in effect at the time waterworks rates and sewer rates are imposed by By-law.

The number of existing and future development units that benefit from the works was estimated in the Development Charges Background Study, March 2005. These numbers will be reviewed and if necessary amended, in any re-calculation of the charges per unit.

Charges that are financed by The Lora Bay Corporation are based on a repayment term of 20 years and an interest rate of 0% per annum.

Charges that are financed by the Town are based on a repayment term of 20 years and 25 years respectively at an estimated interest rate of 6.5% per annum. This interest rate may change before a by-law is passed to authorize the payment of charges over time; a change in interest rate will result in a recalculation of the annual payment amounts.

Charges, including development charges equivalent rates and local service contribution rates, are as follows.

Total Capital Charge	<u>Water</u>	<u>Wastewater</u>
<b>Lake Drive</b> benefiting properties		
Capital Construction (new works)	\$ 9,435	\$12,602
Sewage Grinder Pump		\$ 3,500
Capital Charge (existing works)		
By-Law 2005-27	\$ 3,483	\$ 6,368
By-Law 2005-29	<u>\$ 3,815</u>	<u>\$ 2,984</u>
TOTAL	\$16,733	\$25,454

**Financing -**

**Lake Drive** benefiting properties – water and wastewater

Total Charge \$42,187 - If financed

	<u>Water</u>	<u>Wastewater</u>	Pay't per Unit per year if Financed
20 Years	\$ 979	\$1,532	\$2,511
25 Years	\$ 816	\$1,285	\$2,101

NOTE: all properties require an individual sewage grinder pump at an estimated cost of \$3,500 each. Each property is responsible for its own servicing costs from their property line.

The Town will offer payment options to the property owners. It is estimated that the rate of interest to be charged on those components of the works financed by the Town will be in the area of 6.5% per annum. This is an estimated rate only, and may change by the time that the interest rate is set by by-law for the long term loan. The rate of interest to be charged on those components of the works financed by The Lora Bay Corporation will be 0% per annum.

Those property owners that choose to pay over time may pay off the balance owing at any time, including interest to that date, with no penalty applied; at the time a property is sold, the balance of the loan will become due and payable.

It should be noted that this project will not meet council's affordability criteria of approximately \$1,500 per year.

### Communications

October 20, 2001, February 16, 2002, March 23, 2002 - The Town of The Blue Mountains held Public Open House sessions pursuant to the Comprehensive Environmental Study Report for Lora Bay, Clarksburg, Thornbury and Camperdown Service Areas. It was explained that the study was being conducted to determine the water supply and sanitary sewage conveyance/treatment requirements for both existing, unserved development and future development areas.

December 27, 2003 - Lake Drive Property Owners Association representative Jim Miller wrote to the new Council about issues relating to the Lora Bay golf and residential development and municipal services. The association's primary concern related to the proposed development was safety of their drinking water. Mr. Miller stated that it was imperative that municipal water services be provided to all Lake Drive properties. He further requested consideration for keeping the roadway upgrades to an absolute minimum and preserving the rural/country lane atmosphere.

September 11, 2004 - a public information meeting was held to discuss proposed water and sewer servicing and road upgrades on Lake Drive and receive input from property owners.

May 28, 2005 - a public information meeting was held to provide information on the proposed construction of water and sewer servicing on Lake Drive and to provide a general overview of the project. Eugene Chajka of American Water Services summarized the previous public information meeting and the different servicing options presented: leave road as is (not supportable); upgrade to municipal standards (not welcome); and upgrade to a minimum level, alignment sensitive to existing area. The watermain is proposed to be a 6" main, together with fire protection and looping. The sanitary sewer is the largest challenge - two options were presented at the May meeting. Neither total cost estimates nor cost estimates per unit were presented at the meeting.

August 23, 2008 – proposed public information meeting

Communications plans will follow the same process as other services extensions projects in the Town. Staff will hold a public information session with affected Lake Drive property owners regarding the project status and repayment options to recover costs related to the extension of the municipal water and sewer systems. Subsequent to written communications and a public information session with the property owners, Council will review, revise where necessary, and consider approval of these final recommendations.

**C. Budget Impact** (cc: Treasury if required)

Approximately two thirds of the water and sewer servicing that benefits the property owners will be financed by the developer (The Lora Bay Corporation) with no financing interest to be charged (agreement in principle). The Town must provide interim financing of the balance.

The **estimated** water servicing costs (excluding lateral services to property lines) is \$358,513 and the estimated wastewater costs including grinder pumps is \$611,863 with the road estimate being \$520,105, plus the 56 deferred benefiting properties of \$94,053, making the total cost of the project with engineering \$1,584,535. The Town has budgeted a total of \$230,000 from taxation for the Road portion and \$606,000 for the service extensions. The Road portion is over budget by \$290,105. Staff is recommending this be funded through taxation, financed over five years, increasing the budget by \$76,000 per year.

1. The estimated cost of the water and sanitary sewer extensions project is \$1,584,535. Maximum financing required by the Town, if all property owners chose to repay the debt over time, is \$468,391. The addition of the resulting annual debt repayment will not cause the Town to exceed the annual repayment limit as determined by Ontario Regulation 403/02.

2. The proposed funding of this project will have additional impact on the property tax rate as the estimated costs for the Road portion being funded from taxation is over the 2008 budget by \$290,105.

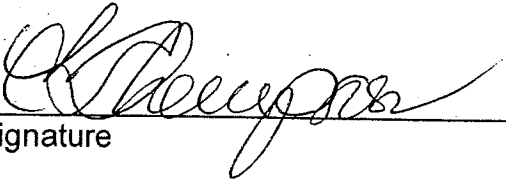
**D. Environmental Impact**


Elimination of septic systems will improve the ecosystem and groundwater quality. Residents will avoid future repairs and maintenance costs for private wells and septic systems. Upon connection to the municipal services the well servicing this property would require decommissioning and the septic tank would either require removal or filling with concrete or gravel.

**E. Attached** (Relevant documentation not personal information about an identifiable person)

1. Public Information Session Notice
2. Public Information - Capital charges schedule
3. Map of Lake Drive Service Area
4. Policy Statement - Guidelines for Municipal Sewer & Water Extension Projects (January 2006)

Respectfully submitted,

  
Signature

  
Signature

**Lake Drive**

Water transmission  
Sanitary sewer servicing  
Road reinstatement

**July 31st, 2008**

**Estimated Expenditures**

Site Works	\$	126,000
Roadworks	\$	265,388
Storm Water Drainage	\$	21,500
Sanitary Sewers	\$	424,130
Watermains - required for "looping", funded from Development Charges	\$	204,049
Watermains - local benefit only	\$	85,021
Relocate Hydro/Utilities	\$	50,000
Provisional Items - does not include paving	\$	65,750
Contingency (10%)	\$	124,184
Grinder Pump estimates	\$	133,000
Sub Total Cost of Works estimate	\$	1,499,022
Engineering (tender)	\$	85,513
<b>Total estimated expenditures</b>	<b>\$</b>	<b>1,584,535</b>
(Total estimated expenditures per unit)	\$	41,698

**Estimated Revenues**

Contribution from Town - Development Charge Fund (water main loop)		
Contribution from Town - Road & Drainage funded from Taxation	\$	520,105
Deferred Benefit to Cameron St and Pheasant Run	\$	94,053

**Total estimated revenues**

(Total estimated revenues per unit)	<b>\$</b>	<b>614,158</b>
	\$	16,162

**Estimated expenditures less estimated revenues**

(Total estimated expenditures less estimated revenues per unit)	<b>\$</b>	<b>970,377</b>
	\$	25,536

**Total number of units**

	<b>\$</b>	<b>38</b>
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Total net contract cost per unit	\$	25,536
Capital charge per unit - existing water infrastructure WTP & related	\$	3,483
Capital charge per unit - water infrastructure Lora Bay - reserv, distr	\$	3,815
Capital charge per unit - existing sewer infrastructure STP & related	\$	6,368
Capital charge per unit - sanitary sewer infrastructure Lora Bay	\$	2,984

**Total Capital Cost per unit (water + sanitary sewer)**

	<b>\$</b>	<b>42,186</b>
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**Note: All properties require a sewage grinder pump at an additional estimated cost of \$3,500**

		Total Repaid	Total Int Paid	Int as a % of Princ	
Impact on Benefiting Owner	\$	42,186	42,186	0	0.0%
Impact on Benefiting Owner per year - Town financed for					
5 years at - a portion being interest free, a portion @ 6.5% per annum	\$	8,838 per year	44,188	2,001	4.7%
10 years at - a portion being interest free, a portion @ 6.5% per annum	\$	4,604 per year	46,038	3,852	9.1%
15 years at - a portion being interest free, a portion @ 6.5% per annum	\$	3,203 per year	48,050	5,864	13.9%
20 years at - a portion being interest free, a portion @ 6.5% per annum	\$	2,511 per year	50,216	8,030	19.0%
25 years at - a portion being interest free, a portion @ 6.5% per annum	\$	2,101 per year	52,525	10,339	24.5%

Less Max Lora Bay financing (est)

1,228,739 Construction and Lora Bay Infrastructure Costs

Max Town financing required

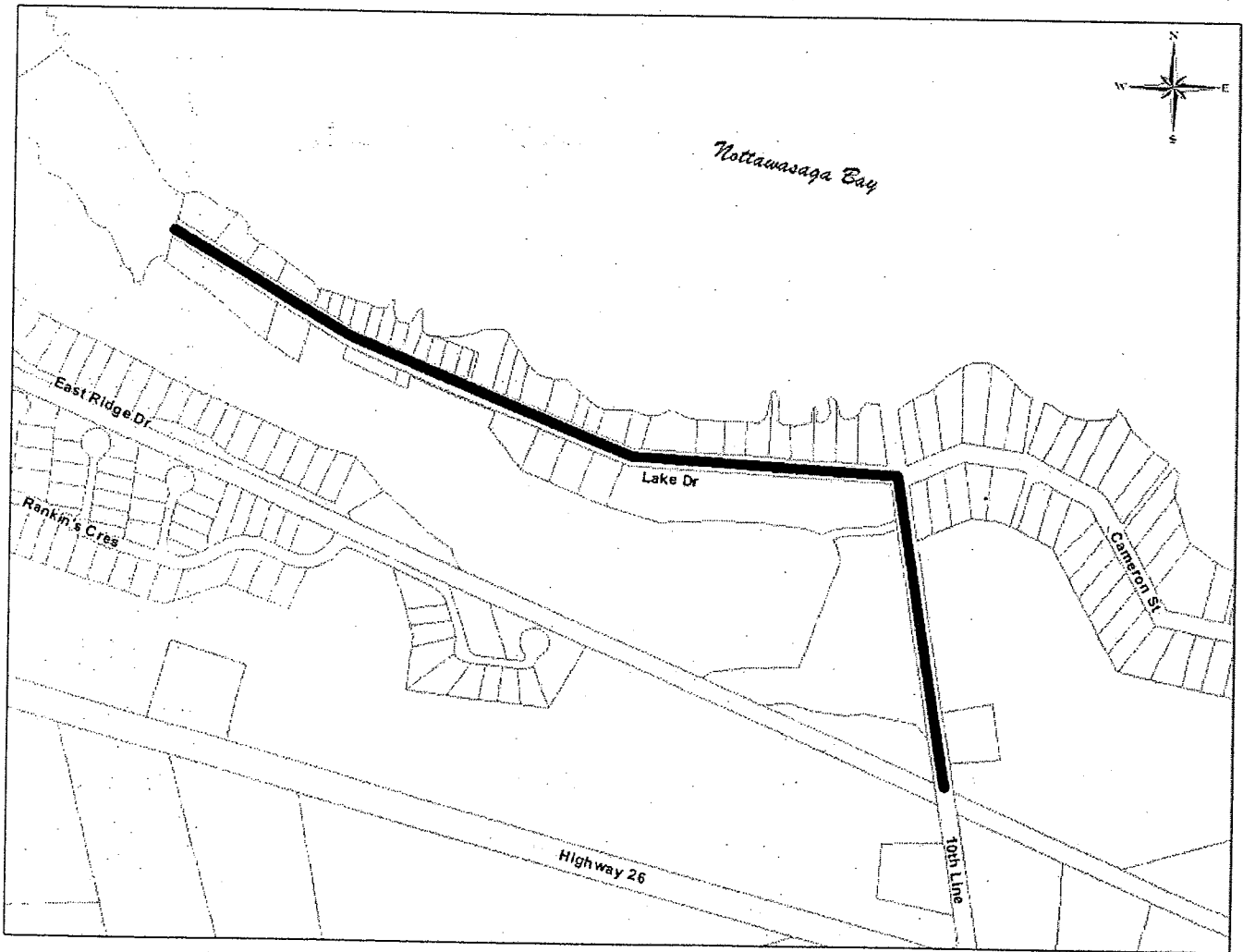
374,338 Existing Infrastructure Charges

Town financing - Deferred Benefit to Cameron St and Pheasant Run

94,053 Portion of 10th Line Construction Costs for 56 Units

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# Lake Drive Water and Wastewater Extension



**Policy Statements**  
**Guidelines for Municipal Sewer & Water Extension Projects**  
**January 19, 2006**

The Town's Official Plan provides "that municipal servicing capacity will ultimately be made available for all existing development within the applicable Service Districts". "Municipal water and sewage services are to be provided by centralized treatment plant facilities with an extensive service line infrastructure designed to service existing development".

The following Policy Statements shall be considered when reviewing sewer and water extensions.

**GENERAL:**

- Council will establish a priority list, which will be reviewed from time to time, establishing the order that various areas may be serviced.
- Sewer & Water budgets will include all necessary work to restore the road to its pre-existing condition.
- Required road costs may include road and drainage improvements over and above pre-construction conditions.

**STANDARDS:**

- All infrastructure will be constructed to approved Town Engineering Standards
- Any special technical factors which affect the costs will be identified and considered in the analysis.

**FINANCING / FUNDING:**

- All projects should be deemed to be affordable for both the Town and the property owners.
- The combination of all Town wide capital projects will not cause the Town to exceed an appropriate debt level (i.e. – 80% of its debt limit).
- Projects will proceed into detailed design only after a review of the costs, funding and financing options by Council
- A full range of funding and financing tools will be reviewed for each project including combinations of government grants, user fees, property owner payments, reserves, long term debt financing, developer funding/financing, taxation, etc.

- If there are provincial/federal grants benefiting a project, then Town reserve funds will not be used to further reduce the costs to benefiting property owners, unless necessary to meet the affordability criteria.
- All Capital Charges imposed are to have priority lien status, if possible.
- All benefiting property owners on each project will contribute equally to the cost on an equivalent unit basis.
- For non-residential uses, the Town's "Basis for Equivalent Units" should be reviewed and updated.
- All benefiting property owners on each project will also contribute towards plants and related infrastructure costs as well as project costs.
- Any previous contributions by benefiting property owners will be identified and considered in the analysis.
- The financing options should encourage benefiting owners to maximize their payments early in the payment schedule.
- Benefiting owners will be given payment options. At least one option will allow the property owner to pay not more than an affordable threshold amount annually based on current costs (i.e., approximately \$1,500) over an extended term.
- In the event that effected properties are sold, the balance of the remaining assessment shall be paid to the Town as part of the sale closing process.

#### **COMMUNICATIONS:**

- All affected property owners will be consulted prior to establishing any specific charges.