Agenda - Executive Policy Committee - February 15, 2012

Report - Standing Policy Committee on Infrastructure Renewal and Public Works – January 31, 2012

Item No. 1 Local Improvement Rates for Water Mains and Wastewater Sewers

STANDING COMMITTEE RECOMMENDATION:

On January 31, 2012, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and submits the following to Council:

1. That amendments to the Local Improvements Regulation By-law No. 98/72 (Appendix A) be enacted that will implement a new approach to local improvement funding for water mains and wastewater sewers in which the benefiting property owners will pay the actual cost of all the projects of that type in the City to a maximum per frontage foot as set out in the By-law.

2. That the following maximum rates for local improvements for water mains and wastewater sewers completed in 2012, 2013 and 2014 be approved:

   Water mains - from the current rate of $80.00 for each lineal foot of frontage to:

   2012 $88.00 for each lineal foot of frontage
   2013 $93.00 for each lineal foot of frontage
   2014 $97.00 for each lineal foot of frontage

   Wastewater sewers - from the current rate of $100.00 for each lineal foot of frontage to:

   2012 $110.00 for each lineal foot of frontage
   2013 $116.00 for each lineal foot of frontage
   2014 $122.00 for each lineal foot of frontage

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Agenda - Executive Policy Committee - February 15, 2012

Report - Standing Policy Committee on Infrastructure Renewal and Public Works – January 31, 2012

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On January 31, 2012, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: **Local Improvement Rates for Water Mains and Wastewater Sewers**

Critical Path: **Standing Policy Committee on Infrastructure Renewal and Public Works - Executive Policy Committee - Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
L. Szkwarek, C.G.A. Acting Manager of Finance and Administration	D. P. Sacher, P. Eng. Director, Water and Waste Department	M. Ruta	D. Joshi, COO

RECOMMENDATIONS

1. That Council approve amendments to the Local Improvements Regulation By-law (draft amending By-law attached) that will implement a new approach to local improvement funding for water mains and wastewater sewers in which the benefiting property owners will pay the actual cost of all the projects of that type in the City to a maximum per frontage foot as set out in the By-law.

2. That Council approve the following maximum rates for local improvements for water mains and wastewater sewers completed in 2012, 2013 and 2014:

   Water mains - from the current rate of $80.00 for each lineal foot of frontage to:

   2012 $88.00 for each lineal foot of frontage
   2013 $93.00 for each lineal foot of frontage
   2014 $97.00 for each lineal foot of frontage

   Wastewater sewers - from the current rate of $100.00 for each lineal foot of frontage to:

   2012 $110.00 for each lineal foot of frontage
   2013 $116.00 for each lineal foot of frontage
   2014 $122.00 for each lineal foot of frontage

3. That the proper officers of the City do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

Amendments to by-laws require Council approval.

IMPLICATIONS OF THE RECOMMENDATIONS

- In response to the City Auditor's Report concerning local improvements (see discussion under "History"), this Report recommends a new approach to funding local improvements in which owners of properties benefiting from water main and wastewater sewer local improvements pay the actual costs of all the local improvements of that type in the City, to a maximum established in the By-law for the year in which the local improvement project is approved.

- By setting out a maximum rate that owners of benefiting properties will pay, this approach provides certainty to property owners. They will never pay more than the maximum as set out in the by-law and, depending on the actual costs of that type of local improvements constructed that year, may pay somewhat less.

- At the same time, this approach addresses the Auditor's concern that the owners of benefiting properties have, in the past, sometimes paid less than the actual costs of the local improvement, with the result that the water and sewer ratepayers of Winnipeg have paid the difference. It does so by projecting inflationary increases in the costs of constructing water mains and wastewater sewers for the maximum rate over the next three years to minimize the risks to water and sewer ratepayers.

- To ensure that the rates in the By-law accurately reflect inflation in the construction of water mains and wastewater sewers, the Water and Waste Department will review them annually. Where adjustments are required, amendments to rate set out in the By-law will be proposed.

	Current Rate (per frontage foot)	**Recommended Rate**		
	2011	**2012**	**2013**	**2014**
Water Mains	$80.00	$88.00	$93.00	$97.00
Wastewater Sewers	$100.00	$110.00	$116.00	$122.00

- The increases proposed for 2012-2014 reflect actual cost of construction and administration for projects to the end of 2010 adjusted for anticipated construction inflation. The current rate was developed in 2007. Actual costs have increased approximately 2% per year for the last 5 years. Forecasted future construction inflation for Winnipeg is 4 to 5%.

- The following factors were considered in determining changes to the maximum rates:
  - inflation and construction cost index,
  - material and labour costs,
  - pipe sizes and soil conditions,
  - location and complexity.
- Availability of resources and anticipated industry growth may further affect rates as the City's local improvement projects compete with other projects in the province.

- The amendments to the By-law will remove the traditional references to square footage as an alternative to frontage feet for attributing the costs of water and wastewater local improvements. There are several reasons for this:

    - It would be difficult, if not impossible, to apply the formula proposed in this report (ie. dividing the actual costs of all local improvements of a particular type between all benefitting properties) if some properties are assessed on the basis of frontage feet and others are assessed on the basis of square footage.
    - It does not appear that square footage has ever been used as a means of attributing the costs of a local improvement. (It has been used on occasion in the distinct context of a Local Improvement District.)
    - Section 2.3 of the By-law provides that the preferred method of attributing costs of local improvements is by frontage.

HISTORY

Local improvements are a way for property owners to share the construction costs of obtaining a new City service. Residents are required to pay for them because they directly benefit their property. When an area has already been developed these costs are included in the sale price of the house. They can include underground installations (e.g., water mains, wastewater sewers, land drainage sewers) and surface work (e.g., lane pavement, lighting, sidewalks, boulevards). The City pays for the local improvement cost up front, and then recovers the costs from the benefiting property owners.

It is not legally possible to impose the actual costs for a single project on the properties benefitting from that particular project. Subsection 412(2) of The City of Winnipeg Charter requires that local improvement rates must be applied uniformly throughout the City. Therefore, the City-wide local improvement rate imposed for water mains is legally required to apply to all of the water mains completed in the City in the applicable year and the City-wide local improvement rate imposed for wastewater sewers is legally required to apply for all of the wastewater sewers completed in the City in the applicable year.

The last rate change to local improvement rates for water mains and wastewater sewers was in 2007.

The construction industry has continued to experience growth over the last several years and a rate increase is necessary to keep pace with construction costs. According to the Canadian Construction Association, construction growth in Manitoba is expected to continue.

Costs per frontage foot will vary with each project. Variances reflect actual cost of construction, inflationary cost increases and take into consideration the complexity of the projects.

The Local Improvement Audit was completed by the City auditor July 2010 and presented to Council on March 23, 2011. Among other things this report raised concerns that rates for Water and Waste local improvement projects did not always reflect the proportionate share of actual costs affecting benefiting properties. Owners of benefiting properties could pay more than actual costs or owners could pay less than actual costs resulting in the costs being subsidized by water and sewer rate payers.

FINANCIAL IMPACT

Financial Impact Statement **Date:** December 12, 2011

Project Name:

LOCAL IMPROVEMENT RATES FOR WATERMAINS AND WASTEWATER SEWERS

COMMENTS:

There is no financial impact associated with this report. In the case of developer payback projects, the developer has historically absorbed the difference between actual cost and amounts collected for local improvements. In the case of resident initiated projects, the City absorbs the difference between actual cost and amounts collected for local improvements.

"Original signed by L. Szkwarek, C.G.A."
Lucy Szkwarek, C.G.A.
Acting Manager of Finance & Administration

CONSULTATION

In preparing this report there was consultation with:

City Auditor
Local Improvement Branch, Water and Waste Department
Assessment and Taxation Department
Legal Services Department

SUBMITTED BY

Water and Waste Department
Finance and Administration Division
Prepared by: Angela Wiebe, Darlene Capp
Date: January 16, 2012
Fax. No. 986-3745
File No. 010-07-20-06-01

Appendix:

Appendix A Local Improvement By-law Amendment

Appendix A

THE CITY OF WINNIPEG

BY-LAW NO.

A By-law of THE CITY OF WINNIPEG to amend the Local Improvement Regulation By-law

THE CITY OF WINNIPEG, in Council assembled, enacts as follows:

Local Improvement Regulation By-law amended

1 The Local Improvement Regulation By-law No. 98/72 is amended by this By-law.

Section 4.1 replaced

2 Section 4.1 is replaced with the following:

4.1 ***WASTEWATER SEWERS***

(1) When a wastewater sewer has been constructed as a local improvement, local improvement taxes shall be imposed on all parcels of land fronting on the street or streets in which the wastewater sewer was constructed or which are otherwise served by the wastewater sewer, as determined by this By-law, including parcels of land served by the wastewater sewer on their flankage only.

(2) The local improvement taxes referred to in subsection (1) imposed on a parcel of land shall be calculated by multiplying the rate determined in accordance with subsections (3) and (4) against the number of feet of frontage, as determined in accordance with this By-law, of each parcel of land referred to in subsection (1), taking into account any allowances provided by this By-law or variations imposed pursuant to section 13.

(3) Subject to subsection (4), the rate for calculating the local improvement taxes imposed under subsection (1) shall be determined by dividing the actual costs of constructing all wastewater sewers completed in that calendar year by the total number of feet of frontage, as determined in accordance with this By-law, of all parcels of land referred to in subsection (1), taking into account any allowances provided by this By-law or variations imposed pursuant to section 13.

(4) Notwithstanding subsection (3), the rate referred to in subsections (2) and (3) shall not exceed the rate set out in Column A of Table 1, set out below, for the year set out in Column B in which notice was given under section 409 of The City of Winnipeg Charter with respect to construction of the wastewater sewer as a local improvement.

TABLE 1

Column A ***Maximum rate (multiplied by frontage feet)***	***Column B*** ***Year in which project was authorized***
$110.00	*2012*
$116.00	*2013*
$122.00	*2014*

(5) The City of Winnipeg is responsible for any costs in respect of the construction of a wastewater sewer that exceeds the local improvement taxes imposed under this section.

(6) Where land is connected to an existing wastewater sewer, and where local improvement taxes have never been paid for that land in respect of a wastewater sewer, the owner of the land must pay to the City a sum equivalent to the local improvement taxes that would have been imposed on the land under this By-law if notice have been given in respect of the construction of the wastewater sewer as a local improvement in the year in which the land was connected with the wastewater sewer.

Section 5 replaced

3 Section 5 is replaced with the following:

5 WATERMAINS

(1) When a watermain has been constructed as a local improvement, local improvement taxes shall be imposed on all parcels of land fronting on the street or streets in which the watermain was constructed or which are otherwise served by the watermain, as determined by this By-law, including parcels of land served by the watermain on their flankage only.

(2) The local improvement taxes referred to in subsection (1) imposed on a parcel of land shall be calculated by multiplying the rate determined in accordance with subsections (3) and (4) against the number of feet of frontage, as determined in accordance with this By-law, of each parcel of land referred to in subsection (1), taking into account any allowances provided by this By-law or variations imposed pursuant to section 13.

(3) Subject to subsection (4), the rate for calculating the local improvement taxes imposed under subsection (1) shall be determined by dividing the actual costs of constructing all watermains completed in that calendar year by the total number of feet of frontage, as determined in accordance with this By-law, of all parcels of land referred to in subsection (1), taking into account any allowances provided by this By-law or variations imposed pursuant to section 13.

(4) Notwithstanding subsection (3), the rate referred to in subsections (2) and (3) shall not exceed the rate set out in Column A of Table 1, set out below, for the year set out in Column B in which notice was given under section 409 of The City

of Winnipeg Charter with respect to construction of the watermain as a local improvement.

TABLE 1

Column A Maximum rate (multiplied by frontage feet)	***Column B Year in which project was authorized***
$88.00	*2012*
$93.00	*2013*
$97.00	*2014*

(5) The City of Winnipeg is responsible for any costs in respect of the construction of a watermain that exceeds the local improvement taxes imposed under this section.

(6) Where land is connected to an existing watermain, and where local improvement taxes have never been paid for that land in respect of a watermain, the owner of the land must pay to the City a sum equivalent to the local improvement taxes that would have been imposed on the land under this By-law if notice have been given in respect of the construction of the watermain as a local improvement in the year in which the land was connected with the watermain.

DONE AND PASSED, this day of , 2012.

_____
Mayor

_____
City Clerk

Approved as to content:

_____
Director of Water and Waste

Approved as to form:

_____
For Director of Legal Services/City Solicitor