



Staff Report

Finance and IT Services

Report To: Council
Meeting Date: September 25, 2017
Report Number: FAF.17.114
Subject: Proposed Affordability Policy – Revisions
Prepared by: Ruth Prince, Director of Finance and IT Services

A. Recommendations

THAT Council receive Staff Report FAF.17.114, entitled “Proposed Affordability Policy – Revisions”, and;

THAT Council adopt the “Affordability Policy for Water and Wastewater Service Extensions” as attached to this report.

B. Overview

This report outlines the revisions made to the proposed Affordability Policy, as suggested by Council at the September 11, 2017 Committee of the Whole Meeting.

C. Background

The proposed Affordability Policy (Attachment 1) for Water and Wastewater Service Extensions has been reviewed by Council and the Public over the past eight months. Staff held two Public Information Sessions throughout June, and on Monday, June 19, 2017, the Town held a Public Meeting to provide the public with the opportunity to review and comment on the proposed Affordability Policy.

A Staff Report was presented to the Committee of the Whole on September 11, 2017 that outlined all of the public comments for Council.

Staff have updated the proposed Affordability Policy with the suggestions from the Committee of the Whole. As well, Staff have updated the Affordability Chart in the proposed Policy with the updated 2016 Census information.

D. Analysis

The Blue Mountains 2016 Census data was released on September 13, 2017. The 2016 Census data for the Median after-tax single household income has decreased slightly from 2011. The example in the Affordability Policy has been changed to reflect the 2011 Census Median after-tax single household income from \$34,004 to the 2016 Median after-tax single household

income amount of \$33,780. This is a decrease of \$224 and therefore moves the 5% from \$1,700 to \$1,690 and the maximum service extension charge from \$21,190 to \$21,060.

E. The Blue Mountains' Strategic Plan

Goal #4: Promote a Culture of Organizational and Operational Excellence
Objective #4: To Be a Financially Responsible Organization

F. Environmental Impacts

Connecting residents to the Town's water and wastewater infrastructure will help conserve groundwater and protect water quality by reducing the number of private wells and septic systems within the municipality. Residents will also avoid future repairs and maintenance costs for private wells and septic systems.

G. Financial Impact

The Affordability Policy provides that if the service extension falls within the 5% to 10% range of the median after-tax single household income, the Town will consider additional funding in order for the project to proceed.

If debt is required for service extensions, the debt that is carried impacts the amount of debt that can be used for other capital projects within the Town.

H. In consultation with

Senior Management Team

I. Attached

1. Revised Draft Affordability Policy for Water and Wastewater Service Extensions

Respectfully Submitted,

Ruth Prince
Director of Finance and IT Services

For more information, please contact:
Ruth Prince
rprince@thebluemountains.ca
519-599-3131 extension 228



Policy and Procedures

POL.COR.17.XX Affordability Policy for Water and Wastewater Service Extensions

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

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

Purpose

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

Application

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

Definitions

“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 contract award date – whichever occurs first.

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

“Median After Tax Single Household Income” 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

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

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 median after tax single 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 after tax 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 to meet the affordability threshold of 5%.

If the annual household cost of extending services is equal to or greater than 10% of the median 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, (2016 on the 2015 median after-tax single household income) the principles outlined above would result in the following measures:

Description	Median After Tax Single Household Income	Share of Median after Tax Single Household Income (%)	Share of Median After Tax Single Household Income (\$/year)	Maximum Service Extension Charge ⁱ
Affordable per service	\$ 33,760	<5%	\$ 1,690	\$ 21,060
Unaffordable per service	\$ 33,760	>10%	\$ 3,380	\$ 42,130

The above chart illustrates the Maximum Service Extension Charge per service extension. If a property is receiving both a water and wastewater service extension, the Maximum Service Extension Charge would be doubled.

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 within 5 years with the installation or significant upgrade to a septic or well 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

N/A

References and Related Policies

Debt Management Policy

Consequences of Non-Compliance

N/A

Review Cycle

This policy will be reviewed once per term of Council.

ⁱ Calculated assuming a 20-year financing with a 5% annual interest rate.