



## **The Corporation of the Town of LaSalle**

**To:** Mayor and Members of Council

**Prepared by:** Dale Langlois, Director of Finance / Treasurer

**Department:** Finance

**Date of Report:** August 17, 2020

**Report Number:** FIN-17-2020

**Subject:** Funding Mechanism for Local Improvements

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### **Recommendation**

That the report of the Director of Finance dated August 17, 2020 (FIN-17-2020) regarding a funding mechanism for local improvements BE RECEIVED; and that projects that are upgrades or enhancements to a localized area of Town be funded by OPTION A – Charge under Part XII of the Municipal Act BE APPROVED; and that administration BE AUTHORIZED to create a by-law and policy to implement PART XII charges under the Municipal Act.

### **Report**

#### **Background**

Over the years, the Town has received many requests by various residents for local improvements. The majority of these requests relate to residents who would like to have ditches replaced with storm sewers and sidewalks installed in front of their property. There have also been a few requests to hookup to the sanitary system or have streetlights installed. The requests related to sidewalk and storm sewers have been for houses that were built prior to 1999. In 1999, Council adopted the Pedestrian and Bicycle Facility Policy Statement and Plan of Action, which states the following:

*Sidewalks on one or both sides of the street, or at other required locations, will be required to be constructed to serve new development and to provide pedestrian access to schools, parks and commercial districts town-wide.*

As a result, since 1999 all developers are required to construct sidewalks and storm sewers in all new developments. The additional costs to construct this infrastructure is passed along to the builders, who ultimately pass along the cost to the home owners.

As a result, homes that have storm sewers and sidewalks are valued higher than similar homes without storm sewers and sidewalks and hence pay higher property taxes. Theoretically, these additional taxes should be built up to eventually replace the additional infrastructure in front of their property once it reaches the end of its useful life.

Some of the more recent local improvement requests that have occurred in the past 5 years include:

- Installation of a sidewalk along Stuart Blvd. This request would require the installation of a storm sewer to replace the existing ditch along the side of the road.
- Installation of a sidewalk along Morton Dr. from Matchette to Front Rd. This request would require the installation of a storm sewer to replace the existing ditch along the side of the road.
- Installation of a sanitary sewer along Huron Church Rd., from Sandwich West Pkwy to 7<sup>th</sup> Conc.
- Installation of sanitary sewer, replacement of ditch with a storm sewer and installation of a sidewalk along Bouffard Rd. from Malden Rd to Disputed Rd.

Currently, there is no funding mechanism in place to address requests for new local area infrastructure improvements as these requests can be quite costly. For example, the cost to replace 1 km of open ditch with a storm sewer is approximately \$1,700,000 and the cost to install 1 km of sidewalk is approximately \$225,000. As many of the incoming requests for sidewalks would also require a storm sewer, the total cost per km of this type of request is approximately \$1,925,000.

#### CURRENT CAPITAL PLAN:

In 2016, Council approved a capital funding strategy to address the growing needs of infrastructure replacement and reduce the infrastructure funding gap. As a result, commencing in 2017, Council committed to increasing the annual operating budget allocation to capital reserves by \$600,000 over the annual inflationary increase each year for a period of 5 years. To date, this has been a great success and has significantly increased the funding for capital replacement projects. Although there is a portion of the 5-year capital plan that is for specifically identified new projects (ie. Vollmer splash pad and playground), the intent of this funding is primarily for the replacement of existing infrastructure and not for new infrastructure. A copy of the most recent Council Approved 5 year capital plan is attached as Appendix A.

The current annual allocation of \$500,000 under the existing 5 year capital plan for pedestrian safety is meant to fund the rehabilitation and replacement of existing sidewalks, trails and streetlights. It is also meant for the construction of new sidewalks

and trails that are in locations that will benefit the entire community (arterial and collector type trails).

The current annual allocation of \$1,000,000 under the existing 5 year capital plan for storm sewer and drainage is for the Town's portion of existing drain maintenance and the rehabilitation and replacement of existing storm sewers. This funding may also be used for new storm sewer pump stations that will benefit a large portion of the Municipality.

It is important to note that an updated 5 year-capital plan will be presented to Council in the fall of 2020.

#### GRANTS:

Over the years, the Town has applied for many grants to fund various local improvement requests, but have unfortunately not been successful in receiving any of these grants. Some examples of these grant applications include:

- 2014 SCF grant funding of \$4,000,000 for replacement and enhancement of infrastructure in the Oliver Farms neighbourhood.
- 2015 SCF grant funding of \$6,000,000 for replacement and enhancement of infrastructure in the Oliver Farms neighbourhood.
- 2017 OCIF Application based funding of \$791,000 for installation of storm sewers and construction of a sidewalk along Morton Drive.

It is important to note that the Town will continue applying for grants related to these types of projects and other projects, but cannot depend on them in funding projections and future capital plans.

#### PART XII OF THE MUNICIPAL ACT:

PART XII of the Municipal Act provides municipalities and local boards powers to impose fees and charges via passage of a by-law. These powers, as presented in s.391 (1), include imposing fees or charges:

- "for services or activities provided or done by or on behalf of it;
- For costs payable by it for services or activities provided or done by or on behalf of any other municipality or any local board; and
- For the use of its property including property under its control."

This section of the Act also allows municipalities to charge for capital costs related to services that benefit existing persons. The eligible services for inclusion under this subsection of the Act have been expanded by the Municipal Statute Law Amendment Act. Moreover, the amendments to the Act have also embraced the broader recognition

for cost inclusion within municipal fees and charges with recognition under s.391(3) that the costs included in a fee or charge may include costs incurred by the municipality or local board related to administration, enforcement and the establishment, acquisition and replacement of capital assets”.

In contrast to cost justification requirements under other legislation, the Municipal Act does not impose explicit requirements for cost justification when establishing fees for municipal services. However, in setting fees and charges for these services, municipalities should have regard for legal precedents and the reasonableness of fees and charges. The statute does not provide for appeal of fees and charges to the OMB; however, fees and charges may be appealed to the courts if municipalities are acting outside of their statutory authority. Furthermore, no public process or mandatory term for fees and charges by-laws are required under the Act. There is, however, a requirement that municipal procedural by-laws provide for transparency with respect to the imposition of fees and charges.

In summary, a PART XII charge under the Municipal act will allow Municipalities to construct local improvement enhancements and charge the benefitting property owners for the entire cost of the project based a weighted average criteria (such as frontage or land value). The property owners will have the ability to pay for their portion of the project upfront or finance it over a period to be determined and have it added to their tax bill each year. Depending on the location of the project, the Town has the ability to pay for a portion of the project if it will benefit residents who are outside of the road or street that the project will be constructed on. If Council decides to proceed with this solution, all of these various details will be identified in a policy for PART XII charges.

#### Funding Options:

- OPTION A: Implement a charge under PART XII of the Municipal Act to benefiting property owners to cover the cost of any requested local improvement. Create a by-law and policy specific to this charge to outline process and other details of the charge calculation.
- OPTION B: Increase property taxes over time to fund the cost of requested local improvements. Various projects will be ranked in order of priority and as funding is built up the projects will be constructed.
- OPTION C: Continue as status quo and continue to apply for grants in order to fund various local improvement requests.

Administration will recommend option A to Council as the benefitting property owners will ultimately be responsible for the total cost of local improvements which will increase the value of their property. Under this option, existing capital funding included in the

Town's capital plan will continue to be used for the replacement and rehabilitation of existing capital infrastructure and non-benefitting landowners will not be required to fund the local improvement project costs.

## Consultations

Town administration consulted Watson and Associates Inc. to ensure that all types of capital improvements mentioned in this report could be funded through a charge under PART XII of the Municipal act.

## Financial Implications

OPTION	Impact on all Town Taxpayers	Impact on benefitting land owners	Timing of Projects
Option A – PART XII Charge	No	Yes	Fastest
Option B – Funded through tax increase	Yes	No	Slow
Option C – Funded through future grants	Municipal portion of grant	No	Slowest

## Prepared By:



Director of Finance/Treasurer

Dale Langlois, CPA, CA

## Link to Strategic Goals

	Enhancing organizational excellence
Yes	Sustain strong public services and infrastructure
Yes	Strengthen the community's engagement with the Town
	Grow and diversify the local economy
Yes	Build on our high-quality of life

## Communications

Yes	Not applicable
	Website
	Social Media
	News Release
	Local Newspaper
	Bids & Tenders
	Notification pursuant to the Planning Act

## Notifications

Name	Address	Email

### Report Approval Details

Document Title:	FIN-17-2020 Funding Mechanism for Local Improvements.docx
Attachments:	- FIN-17-2020 APPENDIX A - Capital Plan 2017-2022.pdf
Final Approval Date:	Aug 19, 2020

This report and all of its attachments were approved and signed as outlined below:



Chief Administrative Officer

Joe Milicia