



City of Moose Jaw

COMMUNICATION # EC-2019-0141

TITLE: Options for the Introduction of an Infrastructure Levy

TO: Executive Committee

FROM: Department of Financial Services

DATE: August 7, 2019

PUBLIC: PUBLIC DOCUMENT

RECOMMENDATION

THAT City Council approve an Infrastructure Levy of \$100.00 per taxable property per year or \$ 8.33 per month for all property classes except for the multi-unit residential property class which will have an Infrastructure Levy of \$100.00 on each unit of the multi-unit residential property per year or \$ 8.33 per month; and

THAT the Infrastructure Levy extends to each mobile home in mobile home parks through an agreement with mobile park owners; and further

THAT the Infrastructure Levy be held in a separate Capital Fund and only utilized to fund transportation related infrastructure rehabilitation including road rehabilitation related to the Cast Iron Watermain Program.

TOPIC AND PURPOSE

The purpose of this report is to provide several options related to a potential Infrastructure Levy.

BACKGROUND

The City of Moose Jaw has had ongoing discussions for several years in respect to the potential of implementing an Infrastructure Levy. The City of Moose Jaw, like all other municipalities in Canada, faces inadequate funding for infrastructure rehabilitation. In Moose Jaw the creation of new infrastructure has been the focus since its establishment, but the City is now into the latter stages of the life cycle of a large portion of its infrastructure including water lines, sewer lines, landfill, roadways, sidewalks, bridges and structures.

Current levels of funding are not adequate to repair and rehabilitate much of Moose Jaw's municipal infrastructure. Federal and Provincial Governments have proven to be unreliable sources of funding for infrastructure rehabilitation. Federal and Provincial grant funding tends to come in spurts around Provincial and Federal elections. The exception to this sporadic funding has been the Federal Gas Tax funding which has proven to be a stable source of infrastructure funding.

In 2017, City Council at a regular meeting held on April 24, 2017, considered a report on watermain funding and passed the following motion in respect to Watermain Funding and more specifically transitioning the Hospital Levy into an Infrastructure Levy.

"THAT the 2016 Cast Iron Watermain Budget not be carried over to 2017; and

THAT the 2.25% allocation of Municipal Taxation in 2017 be reduced to 1.65% and be directed on an ongoing basis to the Cast Iron Watermain Replacement Program; and further

THAT the source of funding for the remainder of the annual \$5,850,000 (to be inflation adjusted annually) come from the transition of the Hospital Levy into an Infrastructure Levy to be levied on water utility customers based upon meter size starting in 2019."

During 2019 Budget deliberations, Council received a further report on a potential Infrastructure Levy utilizing the Water Utility as a basis for the levy. In response to that report, City Council passed the following motion:

"THAT Administration provide a report to Council with options for the introduction of an Infrastructure Levy in advance of the 2020 Budget process."

DISCUSSION

The first step in reviewing the need for an Infrastructure Levy is to analyse the need for this type of funding. In reviewing the 2019 to 2023 Capital Plans, it is clear that both the General Capital Reserve and the Waterworks Utility portions of the Capital Budget are in need of significant additional infrastructure funding. See attachment #1 General Capital Reserve Budget and attachment #2 Waterworks Capital Budget/Financial Model.

The previous funding models developed in terms of an Infrastructure Levy anticipated a levy of approximately \$100 per property per year or \$ 8.33 per month which will generate approximately \$1,600,000 annually for infrastructure renewal.

Recent announcements of a doubling of the Gas Tax funding in 2019 and the Federal ICIP program will provide a benefit in 2020/21 primarily to the Waterworks Utility. It is hoped that this funding may lessen or eliminate the need for further borrowing by the utility. However, given the sporadic nature of Federal/Provincial funding, there is still the need for an Infrastructure Levy.

The General Capital Reserve has a \$17.6 million dollar deficit over five years which originates primarily in the Transportation area of this budget.

In reviewing other Cities in Saskatchewan, there are two forms of Infrastructure Levy in place. The first is a base tax applied to the various property classes. The table below summarizes some of the communities with this type of levy.

Comparison of Base Tax Infrastructure Levies Saskatchewan Cities			
	Type	Residential	Commercial
Humboldt	Roadway Rehabilitation	65	70 to 1750
	Infrastructure Tax	130	135 to 3375
Matensville	Wastewater Levy	75	75
	Recreation Levy	100	100
North Battleford	Underground and Asphalt Levy	\$4.36 a front foot	\$4.36 a front foot
	Recreation Facilities	187.46	1.41 mills
Prince Albert	Roadways Levy	189	500 to 14,500
	Infrastructure Tax	60	125 to 4,700
Yorkton	Recreation Levy	100	100

The second type of Infrastructure Levy is one specific to a utility in which the utility levies a monthly or volume--based levy on users to help support the infrastructure renewal of that utility. The table below summarizes some communities with this type of levy.

Comparison of Utility based Infrastructure Levies Saskatchewan Cities			
	Type	Residential	Commercial
Estevan	Drainage Levy	21.05 bi monthly	21.05 bi monthly
	Water Infrastructure	20.00 bi monthly	20.00 bi monthly
Humboldt	Storm Infrastructure Fee	NA	NA
Melville	Infrastructure Levy	23.12 monthly	23.12 monthly
North Battleford	Water Undergrounds	10.67 to 864.27	10.67 to 864.27
	based on meter size per month		
	Sewer Undergrounds	13.30 to 1370.52	13.30 to 1370.52
Prince Albert	based on meter size per month		
	Water Capital Works	25.00 to 350.00	25.00 to 350.00
	based on meter size per month		
	Sewer Capital Works	22.00 to 308.00	22.00 to 308.00
Saskatoon	based on meter size per month		
	Infrastructure Consumption Charge	3.169 per 100 Cu.ft	2.631 per 100 Cu.ft

In reviewing options for implementing a levy, City Administration would recommend to City Council to adopt a levy based upon a base tax as it has the flexibility to be utilized for a wide range of infrastructure needs. A utility-based levy on the other hand is more restrictive and generally just utilized for that utility's capital needs. By going with a broad-based Infrastructure Levy, it will be possible for Council to direct it to the area most in need of funding.

City Administration would also recommend a flat \$100 levy (Base Tax) or \$ 8.33 per month for all property classes. The treatment of commercial properties the same as residential will help lessen the property tax gap that exists between commercial and residential properties. Also, all citizens utilize the transportation infrastructure so a flat rate for all reflects this usage.

An alternative to a levy is simply to increase municipal taxation and utility rates to generate the additional monies needed to fund the City's infrastructure needs. Those increases would be:

- Municipal Tax increase of approximately 5.5% would generate \$1,600,000 for infrastructure renewal.
- Water Utility rate increase of approximately 16%.

In reviewing all the options, City Administration would recommend that City Council adopt a base tax of \$100 per taxable property levied or \$ 8.33 per month on the same basis as the previous Hospital Levy. This will generate approximately \$1,600,000 annually which City Administration would recommend be directed to the Transportation section of the General Capital Reserve portion of the Capital Budget; and that the funds be directed to fund Transportation related infrastructure rehabilitation including road rehabilitation related to the Cast Iron Watermain Program. By including Cast Iron Watermain road repair it will allow for some of the funding to be used to alleviate funding issues in the Waterworks Utility.

OPTIONS TO RECOMMENDATION

1. City Council refer this report to City Council budget deliberations.
2. City Council recommend an alternative amount for the levy.
3. City Council implement a Utility based levy.
4. City Council increase taxation or water rates to generate the required funding.

PUBLIC AND/OR STAKEHOLDER INVOLVEMENT

This is a public communication as have been the previous communications on this matter. Citizens or groups are invited to make their viewpoints known to City Council.

COMMUNICATION PLAN

Once Council has made a decision on the type of levy to pursue, it will come back before Council to be approved either as part of the Mill Rate Bylaw or Utility Bylaw. This will allow the public another opportunity to express their views on the matter at that time.

STRATEGIC PLAN

The ability to fund strategic initiatives such as infrastructure renewal is necessary for rehabilitation of these assets to move forward.

BYLAW OR POLICY IMPLICATIONS

Decisions made in respect to a levy will ultimately come back to Council in bylaw form for approval.

FINANCIAL IMPLICATIONS

The suggested implementation of an Infrastructure Levy in 2020 would generate approximately \$1,600,000 annually which would go towards Transportation related infrastructure renewal.

PRESENTATION

VERBAL: The Director of Financial Services will be in attendance to present an overview of the report.

ATTACHMENTS

1. 2019 to 2023 General Capital Reserve Budget.
2. 2019 to 2023 Waterworks Utility Budget and Financial Model.
3. December 4, 2018 report from the Financial Services Department re: Utility rate Review.

REPORT APPROVAL

Written by: Brian Acker, B.Comm., CPA, CMA, Director of Financial Services
Reviewed by: Tracy Wittke, Assistant City Clerk
Approved by: Jim Puffalt, City Manager
Approved by: Fraser Tolmie, Mayor

Mayor's Comments:

The hospital levy had a start and end date to coincide with the construction of the new hospital. If an infrastructure levy is introduced which was part of the 2016 Cast Iron Referendum, then there should also be a start and end date to coincide with designated projects.

To be completed by the Clerk's Department only.

Presented to Regular Council or Executive Committee on _____.

No. _____ Resolution No. _____

Report Approval Details

Document Title:	Options for the Introduction of an Infrastructure Levy - EC-2019-0141.docx
Attachments:	- ATTACHMENT 1 - 2019 to 2023 General Capital Reserve Budget.pdf - ATTACHMENT 2 - 2019 to 2023 Waterworks Utility Budget and Financial Model.docx - ATTACHMENT 3 - December 4 2018 report from the Financial Services Department re Utility Rate Review.pdf
Final Approval Date:	Aug 15, 2019

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



Tracy Wittke - Aug 12, 2019 - 2:59 PM



Jim Puffalt - Aug 14, 2019 - 7:17 AM



Fraser Tolmie - Aug 15, 2019 - 12:26 PM