

The Corporation of the City of Kawartha Lakes

Council Report

Report Number EA2018-010

Date: April 24th, 2018

Time: 2:00 p.m.

Place: Council Chambers

Ward Community Identifier: All wards

Subject: Cost Recovery for the Urbanization of Colborne St. W. in Lindsay

Author Name and Title: Adam Found, Manager of Corporate Assets

Recommendation(s):

RESOLVED THAT Report EA2018-010, **Cost Recovery for the Urbanization of Colborne St. W. in Lindsay**, be received;

THAT the City Treasurer transfer \$1,229,585 from the Roads and Related account of the Development Charges Reserve to the Capital Reserve to complete cost recovery for the urbanization of Colborne St. W. in Lindsay, this being the capital work authorized by Town of Lindsay By-Law 97-56; and

THAT Council be presented with a by-law to repeal Town of Lindsay By-Laws 97-56 and 99-11.

Department Head:_____

Financial/Legal/HR/Other:_____

Chief Administrative Officer:_____

Background:

In 1997, the Town of Lindsay enacted By-Law 97-56 to authorize the urbanization of Colborne St. W., from Charles St. to Highway 35, through reconstruction (hereafter, the “capital work”). This road section abutted the Town’s properties to the south and the Arsenault and Kennedy (hereafter, the “developers”) properties, as they were then known, to the south and north, respectively. The capital work was integral to servicing Wilson Fields, a growth-related expansion of the Town’s parkland services, and the developers’ lands which were primed for development. As such, the Town considered the capital work to be completely growth-related and thus fully cost-recoverable from development.

By-Law 97-56 estimated the cost of the capital work to be \$1,074,752. Through By-Law 99-11, this figure was updated to reflect the actual cost of \$785,566.23 upon completion of the capital work. This cost was allocated to the Town and developers by By-Law 99-11 as follows:

1. Town Share: \$406,506.04
2. Arsenault Share: \$34,441.28
3. Kennedy Share: \$344,615.91

According to the recitals of By-Law 97-56, it was the Town’s preference and intention to finance cost recovery with development charges (DCs). However, in 1997 the Province was in the process of amending the Development Charges Act (DCA). Given the uncertainty over whether the legislative changes would impact the DC-eligibility of the capital work, the Town enacted By-Law 97-56 to secure cost recovery from the developers through a capital charge under the authority of the Municipal Act. As indicated by the recitals of By-Law 97-56, this was to be an interim measure if, upon conclusion of the 1997 amendments to the DCA, the capital work could subsequently be incorporated into a Town of Lindsay DC by-law.

Despite the DCA amendments having no impact on the capital work’s DC eligibility, the Town took no action on this matter prior to its dissolution through amalgamation into the City of Kawartha Lakes on January 1st, 2001. After amalgamation, the City carried an account receivable in the amount of \$379,057.19, this being the developers’ portion of the cost of the capital work in 1999 dollars. In 2012, upon consultation with then Department of Engineering and Public Works, the City Treasurer paid this account receivable from the Roads and Related account of the DC Reserve. However, it has come to light recently that this draw on the DC Reserve provides for only partial cost recovery.

This report addresses the need for a further draw on the DC Reserve to complete cost recovery for the capital work.

Rationale:

Watson & Associates Economists Limited (hereafter, “Watson”) has prepared a memo, attached hereto as Appendix B, examining the issues surrounding cost recovery for the capital work. The memo confirms the capital work is 100% DC-recoverable and as such was included in the 2009 DC Study with a cost of \$1,443,000, this being the original cost of \$785,566.23 (in 1999 dollars) indexed for inflation to 2009 dollars (rounded to the nearest thousandth). The intention was to transfer \$1,443,000 from the DC Reserve to the Capital Reserve shortly following enactment of the 2009 DC By-Law, however this did not occur.

Instead, \$379,057.19 was transferred from the DC Reserve to a long outstanding account receivable in 2012, and no further cost recovery transfers or measures have been undertaken to date. This has provided for insufficient cost recovery for the following reasons:

1. Omission of Town’s Share of Cost: As the entire cost of the capital work is DC-recoverable, as reflected in the 2009 DC Study, the 2012 draw from the DC Reserve was incomplete on the basis it excluded the Town’s share of the cost.
2. Omission of Financing Costs: In the event of interim financing of DC-recoverable costs by a source other than the DC Reserve, interest charges, whether explicitly or implicitly incurred, ought to be accounted for. Authorized by the DCA, this is to ensure the DC Reserve compensates the interim financing source for financing costs, including the devaluation of currency over time (i.e. inflation). However, the 2012 draw from the DC Reserve did not account for financing costs.

Correcting for these omissions and accounting for the 2012 draw already made on the DC Reserve, cost recovery completion in 2018 requires a transfer of \$1,229,585 from the DC Reserve to the Capital Reserve, as substantiated in the Watson memo.

Furthermore, whereas the Town’s intention was to utilize DCs where possible and whereas the capital work was included in the 2009 DC Study, By-Laws 97-56 and 99-11, attached hereto as Appendix A, are obsolete and ought to be repealed, as recommended by Watson and the City Solicitor.

Other Alternatives Considered:

The alternative would be for the City to use Town of Lindsay By-Laws 97-56 and 99-11 to impose capital charges on the developers' lands. However, staff recommend against this course of action for the following reasons:

1. It leaves the Town's share of the cost of the capital work unrecovered.
2. It is inconsistent with the local service policy in current and past DC studies. Growth-related road reconstruction is considered DC-eligible on a City-wide basis, as is particularly exemplified by the inclusion of the Colborne St. W. widening project in the 2015 DC Study, the design for which was approved as part of the 2018 Capital Budget.
3. It is against the former Town of Lindsay's intention, as expressed in By-Law 97-56, for costs of the capital work to be financed by DCs to the extent possible.

Financial/Operation Impacts:

Completion of the cost recovery for the capital work forms part of the City's long-term financial plan. All else equal, failing to complete cost recovery will place upward pressure on future tax increases and is likely to delay achievement of long-term financial sustainability.

Relationship of Recommendation(s) To The 2016-2019 Strategic Plan:

N/A

Consultations:

Watson & Associates Economists Limited
City Solicitor
City Treasurer

Attachments:

Appendix A: Town of Lindsay By-Laws 97-56 and 99-11



Town of Lindsay
By-Law 97-56.pdf



Town of Lindsay
By-Law 99-11.pdf

Appendix B: Memo Prepared by Watson & Associates Regarding Cost Recovery
for the Urbanization of Colborne St. W. in Lindsay



Watson Memo on
Colborne St. W..pdf

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