

COMMITTEE OF THE WHOLE – FEBRUARY 3, 2003

FINAL ENGINEERING COST REPORT OF THE KLEINBURG SANITARY LOCAL IMPROVEMENT

(Referred from Council meeting – January 13, 2003)

Recommendation

The Commissioner of Engineering and Public Works, in consultation with the Director of Legal Services and the Director of Reserves and Investments recommends:

That the following report be received for information.

Purpose

To report back to Committee of the Whole pursuant to Council direction regarding the request contained in the written submission from Mr. R. Klein on behalf of the Kleinburg Area Ratepayers Association (KARA) received by Council January 13, 2002.

Background - Analysis and Options

Council, at its meeting of January 13, 2003, adopted the following:

THAT this matter be referred to the Committee of the Whole meeting of February 3, 2003, for staff to provide a report with respect to the request contained in the written submission from Mr. R. Klein, KARA, P.O. Box 202, Kleinburg, L0J 1C0, dated January 13, 2003; and

THAT the confidential memorandum from the Commissioner of Engineering and Public Works, and the Director of Legal Services, dated January 10, 2003, be received.

Item 11, Report No. 1 of the Committee of the Whole dated January 6, 2003 provided the Final Engineering Cost Report for the Kleinburg Sanitary Local Improvement. Deputations by two residents to the January 6 Committee meeting raised questions regarding the increase in costs to residents in 2003 versus the original cost estimates in the November 5, 1990 Engineering Report. Staff subsequently met with Mr. Bob Klein and Mr. Ian Mitchell to review the costs of the local improvement.

The contributing (serviced) area of the Kleinburg Sanitary Local Improvement is the outlined area shown on Attachment 1.

Attachment 2 provides a Table of Project Cost Progression prepared by the Director of Reserves and Investments from the time the project commenced in 1990 until October 2002, when the Final Engineer's Report was prepared. Key milestones are as follows:

- Construction completion in 1994.
- Grant funding of \$476,670 was received from the Regional Municipality of York (RMY) in 1997.
- Grant funding of \$701,478.35 was received from the Ontario Ministry of the Environment (MOE) in 1999.

- In 2000 sanitary sewer services were extended to service several properties on Lester B. Pearson Street and Daleview Court at a cost of \$51,570.

The completion and issuance of the Final Engineer's Report was delayed due to the timing of the grant funding. It would not have been possible to finalize the Engineer's Report until 2000 at the earliest. Completion of the Engineer's Report was further delayed until 2002 as staff anticipated that some new developments might contribute, however this was not realized.

Attachment 3 provides a Summary Table of Estimated and Final Costs. With reference to Attachment 3, please note the following:

- The estimated financing cost in 1990 was based on only one year to complete the project (1 year x 12% interest x estimated construction cost), which was low.
- The completed construction cost of \$1,732,370 was lower than the 1990 estimate due to highly competitive bidding when the project was tendered.
- Grants from the MOE, the RMY and the developer contribution were all a proportion of the actual construction cost, therefore, because the actual construction cost was lower than originally estimated, the grants were correspondingly lower as well.
- Over the 3 years from project completion until the Final Engineer's Report was completed, interest charges accrued and added approximately \$252,052 to the total project cost. Interest rates are adjusted annually and charged at bank prime minus a half percent.

KARA has requested in their January 13, 2003 letter (refer to Attachment 4) "that the City absorb the finance charges for the period 1999 to the present, in that it was technically possible for the billing to the property owners to be charged in 1999". Staff advise that the earliest time that the Engineer's Report could have been brought forward would have been at the end of 1999 or early 2000.

The Director of Reserves and Investments advises that the interest charges for the period 2000 – October 2002 total \$252,052.62 (refer to Attachment 2). Reducing the interest charges to the project would reduce the frontage rate from \$267.34 per metre frontage to \$230.01, and the residential connection charge would be reduced from \$1,332.06 to \$1,121.74 per residence, a reduction of 14 percent. A typical 30 metre (100 foot) wide lot would therefore be charged \$8,022.04 instead of \$9,352.11 (based on a lump sum payment in 2003).

If the City grants KARA's request to reduce the total project cost by \$252,052, (the 2000-2002 finance charges), then the total City share of the project cost would rise from \$517,274.51 to \$697,105.87. Note that of the \$252,052 in interest cost, the City's share was \$72,000 in any event. The project cost reduction of \$252,000 would therefore result in a cost increase of \$180,000 to the City. The City's share of the cost would be paid from the sewer reserve.

Staff also note that while the interest has accrued against this project over the past 8 years:

- Residents were benefiting from sanitary sewer services since 1994 which relieved them from the burden of maintaining aging septic systems and this may have contributed to an increase in property values.
- The final local improvement charges are still much lower than the cost to replace an on-site sewage (septic) system.

Conclusion

This report has been prepared for Council's information pursuant to Council's direction of January 13, 2003.

Attachments

1. Location Map
2. Table of Project Cost Progression
3. Summary Table of Estimated and Final Costs
4. Letter from KARA dated January 13, 2003

Report prepared by:

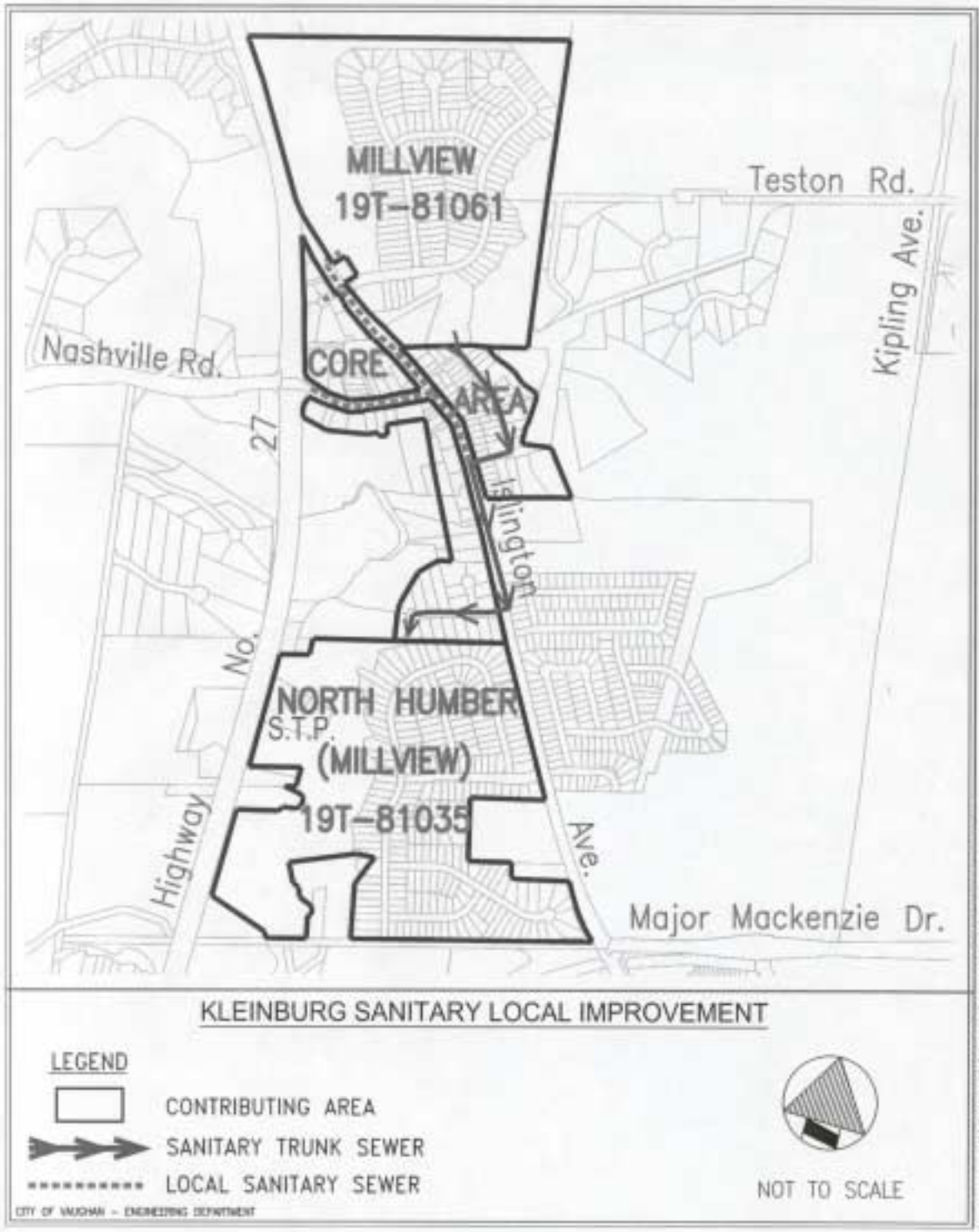
Dan Stevens, P. Eng. – Manager of Engineering/Construction Services, ext. 8257

Respectfully submitted,

Bill Robinson, P. Eng.
Commissioner of Engineering and Public Works

DS:MC

ATTACHMENT No. 1



ATTACHMENT 2

TABLE OF PROJECT COST PROGRESSION
(1990 – 2002)

YEAR	PROJECT COST	GRANTS & DEV. CONT.	FINANCING COST	INTEREST RATE(Prime-0.5%)	CUMULATIVE TOTAL (INCL. FINANCING)
1990	29,629.19		3,555.50	12.00%	33,184.69
1991	1,121,595.83		92,382.44	8.00%	1,247,162.96
1992	165,495.23		77,696.20	5.50%	1,490,354.39
1993	395,106.78		65,991.14	3.50%	1,951,452.32
1994	20,543.72		132,912.53	6.74%	2,104,908.57
1995	----		171,129.07	8.13%	2,276,037.64
1996	----		129,392.74	5.685%	2,405,430.38
1997	----	476,670.03	85,386.22	4.427%	2,014,146.57
1998	----		124,192.28	6.166%	2,138,338.85
1999	----	701,478.35	85,177.09	5.928%	1,522,037.59
2000	51,569.82		105,950.99	6.733%	1,679,558.39
2001	----		92,459.69	5.505%	1,772,018.08
Oct-2002	----	41,696.89	53,641.94	3.6326%	1,783,963.13
TOTALS	1,783,940.57	1,219,845.27	1,219,867.83		1,783,963.13

ATTACHMENT 3

SUMMARY TABLE OF ESTIMATED AND FINAL COSTS

STAGE	1990 ESTIMATE	1999 PROJECT COMPLETION	2002 FINAL ENG. REPORT
Project Cost	2,352,870	1,732,370	1,783,940
MOE/RMY Grants and Developer Contribution	1,948,851	1,219,845	1,219,845
Financing	246,600 *	967,815	1,219,868
TOTAL	654,861	1,480,340	1,783,963

- Estimate of Financing cost in 1990 was low due to the expectation that the project would be completed in only one year and was therefore calculated as 12% of the estimated construction cost.

ATTACHMENT 4

Kleinburg and Area Ratepayers' Association

P.O. Box 202, Kleinburg
Ontario L0J 1C0

January 13, 2003

Mayor and Members of Council,
City of Vaughan,
2141 Major Mackenzie Drive,
Maple, Ontario.

Subject: Sewer charges Village of Kleinburg.

As per Council's instructions a meeting was held with City staff and myself and Ian Mitchel to clarify the details behind the significant increase in the cost of sewers to the residents of Kleinburg living in the Village core and on Pennon Dr. and Daleview Court plus several properties to the north of the core.

The reason for the high finance charges was identified as being a delay by the province in both agreeing to the amount of their portion of the grant and delaying until 1999 before providing the money to the City of Vaughan.

In view of the information provided KARA requests that the City absorb the finance charges for the period 1999 to the present in that it was technically possible for the billing to the property owners to be charged in 1999.

I offered on behalf of KARA to call a meeting of the effected property owners and to explain how the charges were determined for each property. We felt that this would or could reduce the upset of people facing an increase in the cost of sewers from 2 to 3 times what they had been told when they agreed to the local improvement project.

I trust that the City will approve this reasonable request.

Yours truly,



GRKLEIN Director -- KARA