

December 13, 2017

To: Members
Executive Committee

Re: Global Transportation Hub Authority – Municipal Servicing Agreement for Ongoing
Operating Services

RECOMMENDATION

1. That the Executive Director of City Planning & Development be authorized to finalize and approve the terms of a Municipal Servicing Agreement for ongoing operating services between the City of Regina and the Global Transportation Hub Authority.
2. That the City Clerk be authorized to execute the Municipal Servicing Agreement after review and approval by the City Solicitor.
3. That this report be forwarded to the December 18, 2017 meeting of City Council for approval.

CONCLUSION

The Global Transportation Hub Authority (GTHA) has jurisdiction over approximately 420 hectares of developable land that they wish to develop in accordance with *The Global Transportation Hub Authority Act* (GTHA Act).

City of Regina (City) Administration has reached an agreement in principle with the GTHA respecting ongoing operating services, which was a continuation of the capital negotiations and tentative agreement that was approved by City Council on June 26, 2017 (CR17-70).

BACKGROUND

In 2006, the Government of Saskatchewan (Province) approached the City to work collaboratively to create an intermodal facility west of the city to support a relocated Canadian Pacific Intermodal rail facility and a Loblaws warehouse. To support this proposed development, in 2008, the City prepared a concept plan for an area west of the city, which included rationale for a boundary alteration of lands from the Rural Municipality of Sherwood No. 159 (RM) as a future tax revenue generating opportunity for the City. The City added over 600 hectares of land, specifically designated for an intermodal facility from the RM on February 6, 2009 (CR09-21).

The City and Province discussed in good faith, the need to enter into an agreement that would outline how the GTHA would contribute to regional infrastructure projects to support the Global Transportation Hub (GTH). The City and GTHA had discussions about the potential terms of

such an agreement from 2010 to 2013, at which time the Province passed Bill 81 to officially form the GTHA through the GTHA Act.

The GTHA Act specifies that the GTHA has the authority to enter into an agreement with the City to establish each party's responsibilities to provide properties within the GTH lands with public highways (streets), sanitary and storm sewer and water. In addition, the GTHA and the City are to determine an appropriate cost and funding mechanism to purchase these services. The GTHA Act also indicates that any compensation to the City must be on a cost recovery basis.

The City currently has agreements with the GTHA as follows:

- In 2013, a one-time payment in lieu of Municipal Reserve (Parks & Recreation) of \$398,473 was paid.
- On December 31, 2014, the City and GTHA reached a Fire Services Agreement that defines the service level standards and compensation model for the provision of fire protection.
- On September 24, 2015, the City and GTHA reached a Taxation and Assessment Agreement, whereby the City provides assessment and taxation service for the GTHA in exchange for three per cent of the taxation revenue within the GTH.
- On April 12, 2017, the City and GTHA reached a tentative Capital Contribution Agreement contingent on a mutually agreeable operating agreement and approval by City Council and GTHA Board.

DISCUSSION

At the conclusion of the capital negotiations in April of 2017, the City entered into discussions with the GTHA for the provision of ongoing operating services and clarification of each party's responsibility as it relates to these services.

The guiding principles for negotiations, particularly as they relate to water and wastewater services, were to:

- Ensure consistent service delivery to all users within the city limits.
- Maintain a single rate structure to all users within city limits.
- Protect the long-term interests of the City.
- Minimize the risk to the City and the impact of the GTH on our overall system.

These principles needed to be addressed within the context of the GTHA Act, which requires services to be provided on a cost recovery basis and provisions for the GTHA to ensure compliance with City bylaws.

The parties came to an arrangement that defines the services that the GTHA will receive from the City, the services that will be the responsibility of the GTHA and the financial contribution the GTHA will make to the City for costs associated with administering the Agreement and operational impacts to the transportation network, both of which are typically recovered through

property tax. The terms of the operating agreement are subject to City Council and GTHA Board approval. The terms of the agreement were approved by the GTHA Board at meetings held on December 5 and 6, 2017.

The Agreement will include language that causes the termination of the Agreement in the event that the GTHA is dissolved or subject to any change of ownership, whether in whole or in part. The Agreement will expire on December 31, 2040, at which time it may be either considered for renewal or renegotiated based on the pace of development, the actual consumption rates of the City's system capacity and the ongoing need for city services.

An expiration date of 2040 was selected as it aligns with the City's current land use and infrastructure planning horizon. The Agreement with the GTHA for ongoing operating services will address the following areas:

Water, wastewater and utility billing services

The GTHA and their clients currently receive City water, wastewater and utility billing services. These services are provided using the rates and conditions set out in *The Regina Water Bylaw No. 8942* and *The Wastewater and Storm Water Bylaw, 2016* and use water meters issued and owned by the City.

Overall, the City's utility model is designed as a cost recovery system where users pay for the operating, maintenance and recapitalization of all assets with rates established via bylaw to cover these costs. In this model, all users pay a set rate that is based on consumption (water and wastewater) and the size of their property (storm water).

The proposal of the City to the GTHA, to ensure consistent messaging, rates and services to all utility clients within city limits, was to continue to utilize the rates set out in the applicable bylaw.

Drainage

The GTHA will be responsible for managing all the storm water within their footprint, as well as the drainage ditch which begins within their boundaries and extends west into the RM. The City has agreed to remit storm drainage charges collected from their clients on an annual basis with three per cent being retained by the City to cover administrative costs associated with this process.

Ownership of Infrastructure

The GTHA will own all water and wastewater infrastructure within their footprint and will be responsible for maintenance and replacement, including associated costs, of the same. The exception is the Fleming Road pump station and the force main which will continue to be owned and operated by the City. Costs for operating, maintaining and replacing these assets are

recouped through utility rates. The City is retaining ownership of these two assets to align with our principle of minimizing risk to the City and the impact of the GTH on our wastewater system.

Bylaws

As per Section 24(3) of the GTHA Act, any bylaw made pursuant to *The Cities Act* does not apply within the GTHA footprint. This means that any City bylaw does not apply to the GTHA or their clients. To ensure that water and wastewater rates are the same for all system users within City limits, the GTHA has agreed to adopt relevant sections of the applicable City bylaws and have agreed to amend the bylaws whenever the City bylaws are amended.

A similar process is already in place for when the mill rate is established by the City. This arrangement ensures other City users will not be at a rate disadvantage. In addition, the adoption of language contained within City bylaws will help protect the City's wastewater system from substances that may compromise the system or our operating permit requirements. The Agreement with the GTHA will contain the sections of the wastewater bylaw applicable to restricted and prohibited substances as well as acceptable concentrations for surcharge amounts. As per the terms of the Agreement, the City will be conducting regular tests to confirm compliance with the Agreement. Any "violations" will be dealt with as a breach of contract with applicable financial penalties applied to the GTHA by the City. The GTHA will be responsible for enforcing their bylaws and will have the option of commencing enforcement action against their tenant who caused the violation.

Transportation Costs

As the GTHA is their own authority, they do not pay property taxes to the City, which is the primary funding source for operations and maintenance of our transportation infrastructure. In recognition of the impact the GTHA traffic has on the road network, the GTHA has agreed to compensate the City five per cent of their property tax revenue on an annual basis. Based on their 2016 property tax revenue of \$1,891,827, this would equate to a payment of \$94,591.35. It is expected that as the GTHA continues to expand and their property tax base increases, so will the annual transportation compensation to the City.

Administration Fee

To cover the costs associated with administering the forthcoming Agreement, the GTHA has agreed to compensate the City one and a half per cent of their annual property tax revenue. Based on their 2016 tax revenue of \$1,891,827, the annual fee would be \$28,377.41.

The administration fee is intended to cover costs associated with traffic counts, wastewater testing, two-year reviews and general staff time to manage the on-going relationship with the GTHA. While a significant amount of time and money has been spent leading up to and during

these negotiations, the City estimated the costs to administer the Agreement based on a positive working relationship with the GTHA on a go-forward basis. Both parties have agreed to review the administration fee at the first two-year check-in to determine if it is still an accurate reflection of the costs associated with managing the Agreement.

RECOMMENDATION IMPLICATIONS

Financial Implications

The Agreement has been structured at full cost recovery to the City to ensure minimal impact on the City's long-term infrastructure requirements.

Environmental Implications

None with respect to this report.

Policy and/or Strategic Implications

The Agreement proposed is consistent with City policies and regulations outlined in *Design Regina: The Official Community Plan Bylaw No. 2013-48* (OCP).

There are a number of policy statements within the OCP that support the signing of the agreement with the GTHA as the agreement is consistent with the following policies:

- 1.16 - Ensure that growth pays for growth by aligning the City's development fees, property taxes and other charges with the policies and intent of this Plan.
- 1.20 - Apply the benefits model to ensure that costs shared with other municipalities or external agencies are paid for on a proportionate basis.
- 6.14 - Plan and build infrastructure from a long-term perspective and permit servicing only when aligned with the servicing needs for long-term growth.
- 12.5 - Establish and implement mechanisms to expand and diversify the economy, promote attractiveness of Regina and the region as a place to live, invest, do business and visit, by identifying and leveraging opportunities to expand existing industries and identifying and encouraging the development of new economic opportunities.
- 12.6 - Collaborate with community economic development stakeholders across the region to leverage shared economic advantages [...] including but not limited to maximizing potential linkages and leveraging special economic assets such as Innovation Place, the Global Transportation Hub [...] and other specific lands and land uses with high linkage/spinoff potential.

Other Implications

None with respect to this report.

Accessibility Implications

None with respect to this report.

COMMUNICATIONS

The GTHA will receive a copy of the report and notification of City Council's decision.

DELEGATED AUTHORITY

The recommendations contained within this report require City Council approval.



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