

July 7, 2015

To: Finance & Administration Committee

Re: 2013 Boundary Alteration Implementation

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RECOMMENDATION

1. That City Council delegate to Administration the authority to request crown utility service providers to charge and remit to the City of Regina a surcharge on lands absorbed in the 2009 and 2013 Boundary Alterations and all subsequent boundary alterations.
2. That this report be forwarded to the July 27, 2015 meeting of City Council.

CONCLUSION

On December 16, 2013 City Council endorsed the 2013 Boundary Alteration Implementation Plan (Plan), which included preparations and coordinated work plans throughout the City of Regina organization. Since that time, the Plan was implemented across a range of operations and business units. A number of preparations were put into place for the boundary alteration (boundary alteration) effective date of January 1, 2014, while others were sequenced throughout 2014. The Plan included a directive to establish new budgets for 2015 based on expenditures to provide services to the annexed lands.

The exploration of financial impacts of the 2013 boundary alteration and communication from crown utilities led to the identification of a source of revenue to the City to be remitted by the crown utilities, which had not been identified earlier on in the boundary alteration process for both the 2009 and 2013 boundary alterations. This utility surcharge is a revenue source from the lands absorbed through boundary alteration. The application of municipal payments in lieu of taxes on land held for utility services will be provided for both the 2009 boundary alteration and the 2013 boundary alteration. Pre-existing agreements with the crown utility service providers and the City of Regina stipulated that the Crown Corporations shall add to all accounts for the supply of electrical energy and natural gas within the city as the city limits may exist from time to time and pay to the city a surcharge equal to a percentage of those accounts. As the City expands periodically through boundary alteration the number of these accounts will increase and, thus, the utilities will remit for those new accounts. At present, the surcharge payable to the City is 5 per cent of existing accounts within the city.

A process manual for future boundary alterations has been developed for future project managers of boundary alterations to have a comprehensive guide to oversee all considerations, financial, legislative and otherwise, that are required for a successful future boundary alterations and to ensure the city does not miss revenue opportunities such as the crown utility surcharge.

## BACKGROUND

On September 9, 2013, Council approved resolutions for the 2013 municipal boundary alteration, tax mitigation principles and tools for impacted landowners. Administration was directed to pursue a tax loss compensation agreement with the RM, request the adoption of complementary resolutions by the RM and to develop an annexation implementation plan that includes bylaw amendments required to enable the continuation of specific land uses and operational practices in the long-term development areas. Administration was also directed to monitor the impacts of boundary alteration on operations. The September 9, 2013 Report to Council that includes the recommendations noted above is attached as **Appendix 1: Council Report CR13-136**.

During the implementation process, it was revealed that a source of revenue for the City from crown utility service providers was not being remitted to the City. As such, administration is seeking the authority through this report to request crown utility service providers to charge and remit to the City of Regina a surcharge on lands absorbed in the 2009 and 2013 Boundary Alterations and all subsequent boundary alterations. .

In order to prepare the various City branches to deliver service to the newly incorporated lands, the boundary alterations project team developed a process to identify, discuss and document the necessary actions, capital and operational costs, and other related implications and procedures with each work unit affected by boundary alteration. The impact on operations work groups resulting from boundary alterations implementation has been found to be nominal in the undeveloped lands. The impacts of providing services to new, undeveloped areas were not significant in relation to the considerable cost and extensive operations of providing services to fully serviced, built up areas. As such the initial costs are within the range of the cost of doing business as usual. However, as these lands develop additional growth related budgets will be required.

## DISCUSSION

The original budget for the boundary adjustment process was developed through the various operational branches identifying the potential costs that they anticipated in activating and managing the new lands within the City in the fall of 2013.

In evaluating why the actual expenses were about 50% of the projected expenses, a few items became evident. Firstly, the City did not complete all of the work anticipated to be required at the time of boundary adjustment. Once within the City boundary, it was further assessed that culverts need not be cleaned to their original capacity and no consultant was contracted to assist in the implementation, as these items were later considered unnecessary. Additionally, no new aerial photo was taken as updated technology was concurrently being acquired by the City; a more economical alternative. Some work groups were able to track their costs closely in the new areas, while others performed work without recognizing old and new boundaries. In those instances that the costs were not tracked, it was viewed that the cost and time of tracking would be greater than the performance of work. On an overall budgetary basis for the City, the implementation costs were not viewed as being significant on any single branch operation, thus resulting in expenses well below those anticipated.

The boundary adjustment can be viewed as costing the City slightly more than the revenues received through taxation, estimated net revenue from which was \$261, 000. The City recognized that the implementation process would take time and may not result in immediate gains. Operational branches recognize that work should only be completed as required and in relation to City wide priorities. While the actual costs were less than anticipated, one year may be insufficient time to monitor the impacts of the changes in service levels. A three to five year timeframe of monitoring would allow administration to determine the appropriate level of additional services and costs.

The surcharge collected by the crown utilities will be a revenue source for the City, the exact amount of which is difficult to estimate. The number of additional crown utility customers in the newly annexed areas is estimated to be approximately 50. While the agreement that we have with the crowns results in 5% surcharges received by the City, the surcharge is based on the energy consumption of the actual clients, which cannot be estimated. Administration will explore retroactively collecting the fees that would have otherwise been collected since February 2009 and January 2014, respectively; however, that is subject to negotiation with the Crowns.

Impacts of the 2013 Boundary Alteration including Infrastructure the City took responsibility for; services the City extended; one-time expenses; and revenue reductions are outlined in **Appendix 2: Infrastructure & Services List:**

## RECOMMENDATION IMPLICATIONS

### Financial Implications

Costs and revenues of boundary alteration implementation were tracked in 2014 in order to plan for future budgets in support of these lands. In 2014, costs were captured across units of the organization impacted by boundary alteration implementation and the financial impact has been determined to be less than originally anticipated. The costs associated with implementation are included in **Appendix 3: Financials.**

The City anticipated a net financial impact from all of these items to amount to \$552,400 in the first year of implementation, the actual 2014 cost was \$215, 602.

The exploration of financial impacts of the 2013 boundary alteration and communication from crown utilities led to the identification of a source of revenue to the City to be remitted by the crown utilities, which had not been identified earlier on in the boundary alteration process for both the 2009 and 2013 boundary alterations. This utility surcharge is a revenue source from the serviced annexed lands. The application of municipal payments in lieu of taxes on land held for utility services will be provided for both the 2009 boundary alteration and the 2013 boundary alteration.

### Environmental Implications

None with respect to this report.

### Policy and/or Strategic Implications

The City and RM arrived at complementary resolutions for boundary alteration, and resolutions were passed at the November 6, 2013 joint meeting of Councils of the City and RM. On November 27, 2013, the Province approved the City of Regina 2013 Application for Municipal Boundary Alteration. The change in boundary was effective January 1, 2014. The land provides for the growth of the City by accommodating residential and employment growth to a population of approximately 380,000. In addition, complementary regional policies in the City and RM OCPs note the City's growth intentions beyond the boundary alteration area to approximately 500,000 population.

### Other Implications

None with respect to this report.

### Accessibility Implications

None with respect to this report.


### COMMUNICATIONS

None with respect to this report.

### DELEGATED AUTHORITY

Disposition of this report is within the authority of City Council.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Felice Mazzoni'.

Felice Mazzoni,  
Director, Planning

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Diana Hawryluk'.

Diana Hawryluk, Executive Director  
City Planning & Development

Report prepared by:  
Regional Planning