

**CITY OF NORTH BATTLEFORD
2015 BUDGET
ACCELERATED CAPITAL PROGRAM – UNDERGROUND PIPE & ASPHALT REPLACEMENT
FRQUENTLY ASKED QUESTIONS**

Why an accelerated underground pipe and asphalt replacement program?

The City has been replacing approximately 0.5 Kilometers of underground water and sewer pipes since the 1980's. However, even with this great program, in 2014 there are still 17 kilometers of those pipes that are in excess of 60 years old and have to be replaced. In 2024, at the current rate of .5 kilometers replacement and the aging of the remaining pipes there will be 40 kilometers of pipes that need to be replaced. We will never catch up at the rate of replacing 0.5 kilometers per year.

Why doesn't the Provincial or Federal Governments Help?

They do provide some assistance but the recently announced Canada Builds Program will only provide a fraction of the costs required and the federal and provincial share of infrastructure works has decreased substantially from a high of 69.2% since 1961 with the municipalities having to pick up the difference.

Why don't we just continue with replacing the 0.5 kilometers per year?

Sooner or later with the age of the pipe we will be spending substantial resources on just repairing the pipes to ensure that we can provide water. As well, we can't replace streets without fixing the pipes underneath as repairing the breaks really wastes the money spent on new asphalt. Therefore, money is spent on just repairing the problem not fixing the problem.

I thought my property taxes or utility rates paid for this program?

The cost of replacing the pipes have been financed by utility rates. The cost of the asphalt as a result of replacing the pipes has also been financed by the utility rates regardless of its condition. Where just asphalt needs to be replaced this has been financed by the Local Improvement Program. This is a program where a property owner is billed for the work directly in front of their property and a portion is financed by City through property taxes.

Why don't we just keep doing that?

If we wish to accelerate the program under the existing system utility rates as a whole would have to go up substantially. We have found that as we increase rates, there is a corresponding decrease in consumption. There is just not enough revenue through the rates to finance the work.

Projections indicate that a per water meter capital levy that is not tied to consumption will generate enough revenue to be able to accelerate the replacement program.

The Utility Meter Capital Charge will not be implemented in 2015.

What about increasing property taxes to pay for this?

Increasing Property taxes to pay for this means that business pays a disproportionate share of the cost to replace underground pipes and streets compared to the number of kilometers of underground pipes and streets in front of business properties.

What about using the local improvement program?

The cost to replace sewer, water and asphalt on the average residential 500 foot city block with twenty (20) fifty foot (50) lots costs approximately \$450,000 or \$ 22,500 per lot - 2014 prices.

If we were to use the local improvement program to fund the entire replacement, pipes and asphalt, every property owner in the City will eventually face that bill of \$ 22,500 with \$ 7,500 being just the cost of the asphalt. Every property owner would have the choice to pay that up front or finance over 10 years on their property taxes:

\$ 22,500/10 years = \$ 2,250 per year and \$ 187 per month plus interest for complete rebuild
\$ 7,500/10 years = \$ 1,500 per year and \$ 125 per month plus interest for asphalt only

That's a lot of money but I would rather just pay for 10 years not for as long as I own my property?

That's what the prices are now and we are concerned that the replacement is rapidly becoming unaffordable. Prices over the past 10 years have increased over 100% and could do the same over the next 10 to 20 years. While there is no guarantee that costs will increase it is rare that costs go down. That could mean a property owner with a 50' lot would face a bill of \$ 45,200 for the complete package or \$15,000 for just asphalt replacement in a short 10 to 20 years.

\$ 45,000/10 years = \$ 4,500 per year and \$ 375 per month plus interest for complete rebuild
\$ 15,000/10 years = \$ 1,500 per year and \$ 125 per month plus interest for asphalt only

Again, we are concerned that the replacement is rapidly becoming unaffordable and we need to find a new way to finance these costs and generally spread those payments over a longer term and a larger base.

That is the reason behind the **Underground Pipes & Asphalt Replacement Special Tax**. Rather than face large bills in the future through a local improvement process, an annual rate per front foot that dedicated solely to resolving this problem is believed to be much more manageable for people.

Have you established the rate for 2015?

The 1st year of the program we are establishing a rate of \$ 3 per front foot for every property in the City. On the same 50' lot mentioned above the **2015 Underground Pipes & Asphalt Replacement Special Tax will be \$ 150 per year or \$ 12.50 per month.**

Will the rate increase?

Yes it will go up and we will spend the next year developing a long term capital program. We want to use the Special Tax, the utility rates, any grants that we might be able to obtain and borrowing to help minimize the impact upon taxpayers.

Why is it called the Special Tax not just an increase in property taxes?

It is called the Special Tax as that is a way under the Cities Act to be able to charge every property in the City. It is an increase in the costs that property owners and utility users pay to the City.

I just bought a new house, why should I pay a special tax?

While it is believed that your underground pipes will be good for the long term, the lifespan of the asphalt is only 20 years and at some point in time you too will be facing a large bill of an estimated \$ 15,000 in 2024.

You would have to own your property for a long time to pay \$ 15,000 being the estimated cost of asphalt replacement in 2024.

As well, the pipes that supply water to your neighborhood and drain sewer from your neighborhood are part of the original pipe network in the City and if they are not maintained your service is a risk.

That’s a lot of numbers how do the various financing options compare?

The Special Tax has the least impact:

Type of Tax	Monthly	Annual	10 years
Special Tax	\$ 12.50	\$ 150	\$ 1,500
Local Improvement Undergrounds Pipes and Asphalt *	\$ 187.00	\$ 2,250	\$ 22,500
Local Improvement Asphalt Only	\$ 62.50	\$ 750	\$ 7,500
Future Local Improvement Undergrounds Pipes and Asphalt	\$ 375.00	\$ 4,500	\$ 45,000
Future Local Improvement Costs Asphalt Only *	\$ 125.00	\$ 1,500	\$ 15,000

Potential Future Costs *

Is there other examples of sharing costs for something that you may not use until sometime in the future?

School taxes paid through property taxes are a good example where the costs are spread throughout every property regardless if you have children in school or not. The premise is that someone paid for you to go to school and someone will pay for your kids or grandkids to go to school.

I am currently paying a local improvement are you charging me twice?

No, any property owner that is currently paying a local improvement will not be charged the special tax until their local improvement payments are completed.

Why doesn't the City just cut costs to fund this program?

That is not possible without reducing or eliminating services such as policing, community safety, fire and rescue, arenas, pools, street lights, libraries, galleries, entertainment facilities, snow removal, grass cutting, parks the list of services provided is very extensive

In essence we would have to cut everything that we do and everything that makes us a community. That would also negatively impact our ability to grow or attract new business and residents.

Why wasn't something done sooner?

The City showed great foresight in establishing the replacement program in the 80's and continuing with that program all these years. That has allowed us to be within striking distance of fixing this problem.

The Community built the CUplex, why didn't you use that money for this problem?

The Community was able through the CUplex Project to replace or build new facilities at a fraction of the cost that it would have otherwise as the Community was able to access Federal and Provincial Government Grants and donations from business and individuals.

The Grants at that time were very restricted as to what it could be used for and not available for underground pipes or asphalt. As well, it is unlikely that business and people would have donated to the pipe and asphalt replacement.

Why this approach?

Using the Special Tax we are able to spread the cost of infrastructure replacement over the whole community and set an affordable standard for infrastructure maintenance and replacement for all neighbourhoods.

How is this approach more cost effective?

It allows us to commit our resources to developing a larger scope of work; will allow us to apply for Provincial and Federal funding programs with certainty that the work will proceed when funding is available.

It removes the funding uncertainty associated with Local Improvements and allows us to concentrate our time and resources on fixing the problem and not on cumbersome approval processes.

What are the tangible and intangible benefits of this program?

- Pipes and asphalt replaced and ensuring that every street gets replaced over time
- Reduced street maintenance costs
- Reduced water break costs
- Enhances the appearance of the City
- Increases pride in the community
- Helps to decrease crime issues
- Increases values of homes and business

What do you plan to do with the funds raised in 2015?

The funds raised will be used to completely rebuild 100th Street from 14th Avenue to 20th Avenue!

What will you do if there is any funds not spent?

Any funds not spent will be placed in the Special Tax Savings Account for 2016 projects.