

TO:	CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING OF AUGUST 27, 2012
FROM:	MARTIN HAYWARD, MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER AND JOHN BRAAM MANAGING DIRECTOR, ENGINEERING AND CITY ENGINEER
SUBJECT:	MASTER SERVICING AND 2014 DEVELOPMENT CHARGE STUDIES CONSULTANT APPOINTMENT

RECOMMENDATION

That, on the recommendation of the City Treasurer & Chief Financial Officer and Acting Executive Director Planning, Environmental and Engineering Services & City Engineer, the following actions **BE TAKEN** with respect to the award of master servicing and 2014 development charge studies:

- a) AECOM **BE APPOINTED** Consulting Engineers for the Water and Wastewater Servicing Master Plan Update and 2014 Development Charge Study for the amount of \$328,043.50 (including \$103,458.50 for provisional items and contingency) excluding HST, in accordance with Section 15, Clause 15.2 (d) of the Procurement of Goods and Services Policy;
- b) Delcan Corporation **BE APPOINTED** Consulting Engineers for the Stormwater Servicing Master Plan Update and 2014 Development Charge Study for the amount of \$364,247.00 (including \$99,877.00 for provisional items and contingency) excluding HST, in accordance with Section 15, Clause 15.2 (d) of the Procurement of Goods and Services Policy;
- c) AECOM **BE APPOINTED** Consulting Engineers for the 2014 Transportation Development Charge Study for the amount of \$223,074.90 (including \$63,915.90 for provisional items and contingency) excluding HST, it being noted that this engagement is a single source purchase consistent with sections 14.4(d) and (e) of the Procurement of Goods and Services Policy;
- d) the financing for the project **BE APPROVED** in accordance with the "Sources of Financing Report" attached hereto as Appendix "A";
- e) the approvals given herein **BE CONDITIONAL** upon the Corporation entering into a formal contract with the consultant for the work;
- f) the Mayor and City Clerk **BE AUTHORIZED** to execute any contract or other documents, if required, to give effect to these recommendations; and
- g) that it **BE NOTED** that the consulting fees for the projects identified in (a, b, and c), above, are based upon the Fee Guideline for Professional Engineering Services, 2012, recommended by the Ontario Society of Professional Engineers.

PREVIOUS REPORTS

- Strategic Priorities and Policy Committee - April 30, 2012 (Initiation Report 2014 Development Charges Background Study and DC By-Law Update) <http://sire.london.ca/agdocs.aspx?doctype=agenda&itemid=9774>
- Finance and Administrative Services Committee - July 16, 2012 (Appointment of 2014 Development Charges Study Advisor) <http://sire.london.ca/agdocs.aspx?doctype=agenda&itemid=12487>

BACKGROUND

Municipalities in Ontario use legislation that allows them to recover growth related costs through development charges (DC's). The DC legislation in Ontario requires that municipal development charge by-laws be reviewed every five years at a minimum. As a requirement of the legislation and Development Charge Background Study must be completed that provides the details related to the calculation of the development charge rate. The servicing master plans provide the technical details required to complete the Background Study. The servicing studies provide the following details critical to the development charge calculation:

- The servicing infrastructure (water, wastewater, stormwater, and transportation) required to service the anticipated growth in the 20 year growth period;
- Estimate costs related to the infrastructure projects with the associated allocation of the cost to non-growth sources (City capital budget) and growth sources (residential, institutional, commercial, and industrial development);
- Estimated long term capital and operating costs for capital infrastructure required for each service.

The master planning studies are informed by the City's Official Plan, Growth Projections, Vacant Land Inventory, and Growth Management Implementation Strategy. This report provides staff's recommendation regarding the appointment of the consulting firms to complete the various master servicing studies.

DISCUSSION

The provincial government regulates the setting of development charge rates through the *Development Charges Act, 1997 (DCA)*. That legislation prescribes how development charges are to be calculated and applied.

Development charges are a critical source of revenue used to finance growth and the main instrument used to implement the City's Official Plan policy objective that "growth pays for growth". The 2009 DC study reported approximately \$1.7B in capital costs expected to service growth over the twenty (20) year time horizon of the 2009 study. The "hard services" that include roads, water, wastewater and stormwater servicing make up 91% (\$1.5B) of the current development charge fee.

Background Study

DC rates are essentially a function of two forecasts:

1. The forecasted growth over a selected growth horizon;
2. The projected cost of infrastructure and facilities required to serve the forecasted growth.

The background study must be comprehensive (include all growth costs that the City intends to fund through development charges). It must also produce an accurate estimate of the expected future capital costs to serve growth. The Development Charges Act provides for a process that

includes a public meeting on the background study and proposed by-law prior to Council's adoption of the by-law. The by-law may be appealed to the Ontario Municipal Board.

The master servicing plans provide a substantial amount of the technical detail required for the Background Study and provides the list of project and the estimated costs resulting from growth (the DC calculation numerator). The City's entire growth financing strategy is contingent on the approval of an accurate list of required infrastructure projects that recover the cost of growth. Figure 1 below provides a graphic representation of key elements of this project and the current components are highlighted.

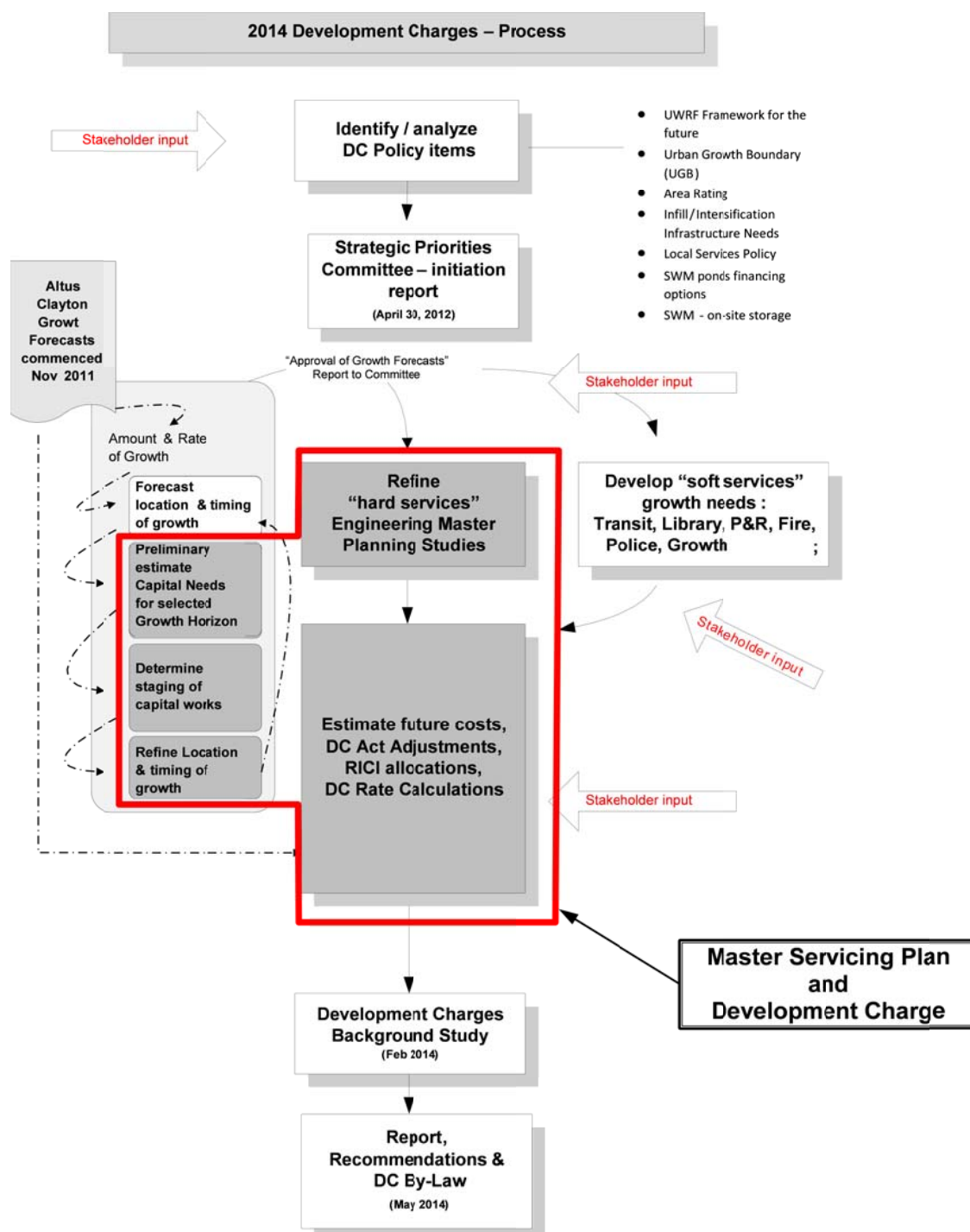


Figure 1: Development Charges Process Diagram.

Importance of the Master Servicing Studies

The master servicing studies are critical to the planning of future of development in the City of London. The master servicing studies provide the servicing needs, costs, and timing for major and minor infrastructure construction projects over the upcoming 20-year period. The project information in these studies feed into the City's capital work budget, Development Charge Background study, and Growth Management Implementation Strategy (GMIS) process. The previous master servicing studies outlined over \$1.5 billion dollars in infrastructure work over the twenty-year study period.

The master servicing studies also provide a breakdown of the growth related (Development Charge Cost) and non-growth related (City's Cost) for each infrastructure construction project. The non-growth costs are the costs associated with providing servicing capacity for the existing built out City while the growth related costs provide servicing capacity for new developments. Providing accurate and defensible growth/non-growth splits are paramount to the completion of the master servicing studies. In addition, the servicing studies provide a breakdown of the growth costs attributable to residential, institutional, commercial and industrial development. These calculations allow the city to calculate rates that apply to various land use designation and ensures that costs are allocated appropriately. These cost allocation calculations are by nature complex and need to be defensible to both stakeholders (the development community and taxpayers) and the Ontario Municipal Board (OMB). The master servicing studies include a robust process for developing capital cost estimates and allocations to ensure that they can be successfully defended at the OMB.

In addition to the information related to specific infrastructure projects, a substantial amount of policy work is also required as part of the master servicing studies. The servicing studies provide policy that has a large impact on the costs borne by individual developers versus the costs borne by the development charge funds. An example of a key policy issue includes development of the "Local Service" definition. The Development Charges Act requires municipalities to define which costs will be borne by the development charge fund versus the cost that will be borne directly by the developer while developing their site. The definition of "local service" has direct impacts on the magnitude of the development charge and to the costs the developer is required to incur to develop their site. Unclear or indefensible calculations and policies can lead to difficulty in implementing the servicing plan and make it extremely difficult to interpret whether a developer's claim is appropriate. For these reasons, it is extremely important that the big picture policies and the detailed project specific calculations outlined in the master servicing studies are accurate, complete and coherent.

Timetable

The target for completion of the master servicing studies is April, 2013. This date allows for minimal slippage in the timetable. The DC process concludes with a public meeting to review the DC Background Study and proposed DC by-law early in 2014. The existing by-law expires in August, 2014. A graphic timeline for the project is also included in Appendix B.

Consultant Selection - Water and Wastewater Servicing Master Plan Update and 2014 Development Charge Study

In accordance with Section 15, Clause 15.2 (e) of the Procurement of Goods and Services Policy, an invitation for proposals invited from various firms was issued for the servicing master plans.

The "Water and Wastewater Servicing Master Plan Update and 2014 Development Charge Study" which includes both a water and wastewater master planning component was issued as a single assignment. The water and wastewater master plans were combined as a single consultant appointment in order to ensure the coordination between these highly interrelated systems.

Three (3) consulting firms were invited and two (2) proposals were received on August 3, 2012. A review by a team made up of Development Finance, Wastewater Engineering, and Water Engineering staff selected the successful consultant based on criteria outlined in the Request for Proposal document which included factors such as project understanding, experience with similar projects, and quality assurance.

Based on the evaluation the proposal submitted Aecom was found to offer the City the highest value for the project. Aecom, formerly Earth Tech, has completed master servicing and development charge studies for other major Ontario cities including the City of Guelph, Region of Waterloo, City of Windsor, and City of Hamilton. In addition, AECOM staff also completed both the 2004 and 2009 City of London water and wastewater studies.

Consultant Selection – Stormwater Servicing Master Plan Update and 2014 Development Charge Study

In accordance with Section 15, Clause 15.2 (e) of the Procurement of Goods and Services Policy, an invitation for proposals invited from various firms was issued for the servicing master plans.

Four (4) consulting firms were invited and two (2) proposals were received on August 3, 2012. A review by a team made up of Development Finance and Stormwater Management Unit staff selected the successful consultant based on criteria outlined in the request for proposal document which included factors such as project understanding, experience with similar projects, and quality assurance.

Based on the evaluation the proposal submitted by Delcan Corporation was found to offer the City the highest value for the project. Delcan Corporation has a significant knowledge of the City of London's stormwater management system having been assigned many major stormwater studies including the Dingman Subwatershed Study Update, Mud Creek Subwatershed Study Update, and the Stoney Creek Undeveloped Lands Environmental Assessment.

Single Source Selection - Transportation 2014 Development Charge Study

The Transportation Master Plan has been underway since 2009 and was accepted by Council June 26th, 2012. One of the recommendations of the report required the road improvements outlined in the plan be used as a basis for updating Development Charge calculations and schedules. The consultant for the Transportation Master Plan was AECOM. With the bulk of the work completed as part of the master planning study AECOM is in the best position to complete the development charges calculations related to the projects approved by Council.

In order to ensure that the development charge calculations are compatible with the findings of the Transportation Master plan and due to the Aecom's familiarity and special knowledge related to the previously completed work it is staff's recommendation that Transportation 2014 Development Charge Study be single sourced to Aecom.

Provisional Items

Each of the master plan study requests for proposals incorporated requests for provisional services. The provisional items may be necessary, pending future decisions on development charge policy items previously requested for review by Council. These items include:

- Developing information related to the calculation of area specific development charges; and
- Developing information that would allow for a limited number of options as to the order and direction for growth.





The estimated cost of these items was provided separately in the consulting proposals, and charges will only be incurred pending decisions related to the underlying policy or determination of the need for further work in the subject areas.

Stakeholder input

The various proposals all incorporate stakeholder input opportunities intended to promote understanding of the approach used to develop the capital growth program, and to provide opportunity for reflection and review of significant amounts of information developed through the master servicing plan process

Conclusion

With the approval of the master servicing and development charge studies City Staff will be on track for providing a development charge update for the August 2014 deadline. The selected consultant teams have shown a high level of expertise in their servicing discipline and a track record of quality development charge related work. It is staff's opinion that the selected consultant team will deliver master servicing and development charges studies that result in accurate, complete and defensible development charge rates. The objective of growing the City with a sustainable financial plan will be advanced by the completion of the recommended studies.

PREPARED & SUBMITTED BY:	CONCURRED:
	
SCOTT MATHERS, P.ENG., MPA MANAGER, DEVELOPMENT FINANCE	PETER CHRISTIAANS, C.A. DIRECTOR OF DEVELOPMENT FINANCE
RECOMMENDED BY:	RECOMMENDED BY:
	
JOHN BRAAM, P.ENG. MANAGING DIRECTOR, ENGINEERING AND CITY ENGINEER	MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER

- c.c. John Fleming, City Planner & Director of Land Use Planning
- George Kotsifas, Director of Building Controls
- Greg Barrett, Manager, Land Use Planning Policy
- Tom Copeland, Division Manager, Wastewater and Treatment
- Roland Welker, Division Manager, Water Engineering
- John Lucas, Division Manager, Transportation Engineering
- Jennie Ramsay, Division Manager, Engineering Review
- Berta Krichker, Manager of Storm Water
- J. Barber, City Solicitor
- Huron Water Supply Board
- Elgin Area Water Supply Board
- Peter White, London Economic Development Corporation
- DC Stakeholder Committee
- John Freeman, , Purchasing & Supply

Chair and Members
Strategic Priorities and Policy Committee

August 17, 2012
(Appoint Consulting Engineers)

RE: Master Servicing and 2014 Development Charge Studies
New Capital Project ES1012 - Development Charges Background Study- Wastewater
Capital Project ES2450 - Stormwater Management Master Plan
Capital Project EW3312 - Water Distribution System Master Plan
Capital Project TS1034 - Development Charges Background Study - Roads for Years 2014-18
AECOM - \$328,043.50 (excluding H.S.T.)
Delcan Corporation - \$364,247.00 (excluding H.S.T.)
AECOM - \$223,074.90 (excluding H.S.T.)

FINANCE DEPARTMENT REPORT ON THE SOURCES OF FINANCING:

Finance Department confirms that the cost of this project can not be accommodated within the financing available for it in the Capital Works Budget and that, subject to the adoption of the recommendations of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, and Managing Director, Engineering and City Engineer, the detailed source of financing for this project is:

	Approved Budget	Additional Funding Requirement	Revised Budget	Committed to Date	This Submission	Balance for Future Work
ESTIMATED EXPENDITURES						
ES1012-Development Charges Background Study-Wastewater						
Engineering	\$0	\$185,466	\$185,466		\$185,466	\$0
ES2450-Stormwater Mngmnt Master Plan						
Engineering	450,000	29,867	479,867	109,209	370,658	0
EW3312-Water Distribution System Master Plan						
Engineering	148,351		148,351		148,351	0
City Related Expenses	6,649		6,649	4,845		1,804
	155,000	0	155,000	4,845	148,351	1,804
TS1034-Development Chrgs Background Study - Roads for Years 2014-18						
Engineering	150,000	77,001	227,001		227,001	0
NET ESTIMATED EXPENDITURES	\$755,000	\$292,334	\$1,047,334	\$114,054	\$931,476	\$1,804

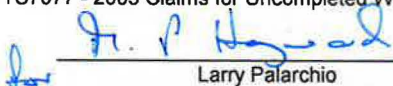
SOURCE OF FINANCING:

ES1012-Development Charges Background Study-Wastewater						
Drawdown from Sewage Works Reserve Fund 2)	\$0	\$26,753	\$26,753		\$26,753	\$0
Tsf from ES2464-12 - 2012 Separation & CSO Program						
Additional Drawdown from City Services - Corporate Services Reserve Fund (Development Charges) 3&4)	0	158,713	158,713		158,713	0
	0	185,466	185,466	0	185,466	0
ES2450-Stormwater Mngmnt Master Plan						
Drawdown from Sewage Works Reserve Fund	49,800		49,800	12,086	37,714	0
Capital Sewer Rates - Tsf from ES2428 - 2010 Erosion Remediation in Open Space 5)		1,067	1,067		1,067	0
Drawdown from City Services - Corporate Services Reserve Fund (Development Charges) 3)	400,200		400,200	97,123	303,077	0
Additional Drawdown from City Services - Corporate Services Reserve Fund (Development Charges) 3&4)		28,800	28,800		28,800	0
	450,000	29,867	479,867	109,209	370,658	0
EW3312-Water Distribution System Master Plan						
Drawdown from Capital Water Reserve Fund	38,700		38,700	1,210	37,040	450
Drawdown from City Services - Corporate Services Reserve Fund (Development Charges) 3)	116,300		116,300	3,635	111,311	1,354
	155,000	0	155,000	4,845	148,351	1,804
TS1034-Development Chrgs Background Study - Roads for Years 2014-18						
Capital Levy	21,600		21,600		21,600	0
Capital Levy-Tsf from TS7077 2005 Claims for Uncompleted Works 6)		11,088	11,088		11,088	0
Drawdown from City Services - Corporate Services Reserve Fund (Development Charges) 3)	128,400		128,400		128,400	0
Additional Drawdown from City Services - Corporate Services Reserve Fund (Development Charges) 3&4)		65,913	65,913		65,913	0
	150,000	77,001	227,001	0	227,001	0
TOTAL FINANCING	\$755,000	\$292,334	\$1,047,334	\$114,054	\$931,476	\$1,804

1) **Financial Note:**

	ES1012	ES2450	EW3312	TS1034	TOTAL
Contract Price	\$182,258	\$364,247	\$145,785	\$223,075	\$915,365
Add: HST @13%	23,694	47,352	18,952	29,000	118,998
Total Contract Price Including Taxes	205,952	411,599	164,737	252,075	1,034,363
Less: HST Rebate	20,486	40,941	16,386	25,074	102,887
Net Contract Price	\$185,466	\$370,658	\$148,351	\$227,001	\$931,476

- The additional \$26,753 drawdown from the Sewage Works Reserve Fund can be accommodated by a transfer from ES2464-12 - 2012 Separation & CSO Program.
- Development Charges have been utilized in accordance with the underlying legislation and the Development Charges Background Studies completed in 2009.
- The additional drawdown total of \$253,426 (ES1012 - \$158,713 / ES2450 - \$28,800 / TS1034 - \$65,913) is available from the City Services - Corporate Services Reserve Fund (Development Charges).
- The additional \$1,067 drawdown from Capital Sewer Rates can be accommodated by a transfer from ES2428 -2010 Erosion Remediation in Open Spaces.
- The additional \$11,088 drawdown from Capital Levy can be accommodated by a transfer from TS7077 - 2005 Claims for Uncompleted Works.


 Larry Palarchio
 Director of Financial Planning & Policy

Appendix B

2014 DC Background Study – Timeline

