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**REQUEST FOR FUNDING ASSISTANCE
ANSNORVELDT WATER SUPPLY
TOWNSHIP OF KING**

(Regional Council at its meeting on June 10, 2004, directed the foregoing Report be considered during the Private Session – see June 10, 2004 Regional Council Minute No. 137.)

The Finance and Administration Committee recommends:

- 1. The deputations of Ed Sikkemma, resident; Jack Rupke, Councillor; and Harry Vander Kooij, resident, Township of King, be received;**
- 2. The following report, May 27, 2004, from the Commissioner of Finance and Commissioner of Transportation and Works be received;**
- 3. The Region provide a temporary loan in the amount of \$200,000 to the Township of King, pending the report to Council set out in recommendation 4;**
- 4. Regional staff work with staff of the Township of King to determine if other sources of funding are available from the Provincial and Federal Governments --with the intention that if other sources of funding are not available the funds would be in the form of a contribution, not a loan, out of the Regional Water Reserve Fund -- and report back to Regional Council's meeting of September 23, 2004;**
- 5. Any contribution of these funds by the Region to the Township of King after September 23, 2004 be conditional on the withdrawal of any related law suits against the Region.**

1. RECOMMENDATIONS

It is recommended that:

- 1. The Finance and Administration Committee and Regional Council provide direction regarding a request for partial funding of the cost of water supply improvements undertaken by the Region in the Ansnorveldt community in the Township of King.**

2. PURPOSE

The purpose of this report is to seek direction in response to a request from the Township of King to assist in the funding of water supply improvements required in the Ansnorveldt community.

3. BACKGROUND

The Ansnorveldt community consists of approximately 54 properties located near Dufferin Street north of Highway 9 in the Township of King. These properties have been serviced by a private water supply and distribution system constructed over forty years ago. Due to deficiencies in the system, a Boil Water advisory was issued in September 2000, and is still in effect. It should be noted that the Region and the Township have been named as defendants in a statement of claim related to the Boil Water advisory.

In October 2000, the Ministry of the Environment (“MOE”) ordered the Region of York to assume ownership and operation of the water supply works, and rectify the supply deficiencies. The Township of King was ordered by the MOE to assume ownership and operation of the water distribution system and rectify the deficiencies in the distribution system.

The work required by the Region to remediate the water supply consisted of pumphouse and well improvements, and acquisition of property required for the wellsite. Upon granting approval to commence these works in June 2002, Regional Council directed that the cost of these works be charged back to the Township of King, in order that these costs could be recovered from the residents in the Ansnorveldt community. These works have been completed at a cost of \$414,000. The cost of the Township works identified at that time to rectify the distribution system was estimated at \$280,000. The Township works have been recently tendered. The total cost of the Township works is now estimated at \$521,000.

In June 2002, a public information session was held in Ansnorveldt to detail the remediation requirements to the residents, and their associated costs. The main concern expressed at the session was the affordability of the improvement works. In December 2003, Township of King Council directed municipal staff to meet with Regional staff to pursue options for funding the Regional component of the works.

4. ANALYSIS AND OPTIONS

4.1 Financial Considerations

Information provided by Township of King staff indicates that the property assessment values in the Ansnorveldt community average \$160,000 per property. Property taxes payable in Ansnorveldt average \$1,850 per household. Township staff has advised that

the above-noted assessment values for Ansnorveldt have not been adjusted as a result of the Boil Water advisory.

In June 2002, Regional Council directed that the costs incurred by the Region to remediate the water supply system be charged to the Township, in order that these costs may be recovered from the residents in Ansnorveldt. The Regional component of the capital works totalling \$414,000 translates into a cost of approximately \$7,500 per household. Assuming the Regional costs were transferred to each household in Ansnorveldt, and financed by the homeowner over a ten year period, these costs would add approximately \$975 per year to the homeowner for a ten year period. The same costs financed over a 20 year period amount to \$600 per year for 20 years.

Upon assumption of the water supply and distribution system by the Region and the Township, the community of Ansnorveldt began contributing (at approximately 2,000 cubic metres per month since October, 2001) to the Regional uniform water user rate and capital replacement reserve. Approximately 50% of the Township is currently on the municipal water supply and contributing to the uniform water rate.

The Township of King has indicated that they have agreed to provide \$200,000 towards the total cost of the system, with the balance of the improvement works to be funded by the homeowners in Ansnorveldt.

4.2 Funding Options

Township and Regional staff have discussed a number of funding options to help reduce the financial impact to the Ansnorveldt community. Some of these options are outlined below.

4.2.1 Status Quo

In accordance with the most recent cost estimates, the cost of the Regional and Township works has increased from \$650,000 to \$935,000. Based on the June 2002 direction of Council directing the costs incurred by the Region to be charged back to the Township of King, and the Township of King contributing \$200,000 towards the cost of the system, the total cost to the Ansnorveldt community is estimated at \$13,000 per household, or \$1,700 per year if financed over a 10 year period. With the average annual property taxes paid per household estimated at \$1,850, this water infrastructure charge almost doubles the financial burden on households in the community. If these costs were financed over a 20 year period, the cost per household would total approximately \$1,075 over a 20 year period. Dependent upon the number of households obtaining financing from the Township, this financing would also impact the Township's debt capacity.

4.2.2 Provincial/Federal Grants

The Township and the Region have investigated the potential for the receipt of funding from senior levels of government to assist in financing the costs of the water system improvements. The Township has inquired about and applied for funding from several government initiatives, but have been unsuccessful. With the Township works about to

commence, and the current grant programs not being geared towards projects that have started or been completed, it appears that it is unlikely that the Township will be able to secure any senior level government funding in the near future for the water system works.

4.2.3 Interest-Free Loan

A manner in which to mitigate the financial impact of transferring the Regional water supply costs to the Ansnorveldt residents would be to provide the Township of King with a long term interest-free loan equal to the Regional cost of the works. The Township could then allow the residents within the Ansnorveldt community to contribute to the cost of the works over an extended period, with no financing costs. However, the loan to the Township would reduce its debt capacity, which is already under pressure from other significant capital projects planned in the Township (e.g. King City sewer).

4.2.4 Contribution from the Region

Improvements to the Regional water system are funded from the Regional water rate. In this case, the Region was required to assume a deficient system that was constructed by the community and not constructed to Regional standards. The water supply system in Ansnorveldt is now under Regional jurisdiction and the Ansnorveldt properties have been contributing to the Regional water rate for over three years. The Ansnorveldt residents have also been contributing to the King water user rate despite not having potable water. In recognition of this, the Township has requested that the Region contribute towards the Regional component of the supply system improvements.

5. FINANCIAL IMPLICATIONS

The Regional costs incurred regarding the remediation of the Ansnorveldt water supply system totals \$414,000. Any portion of costs proposed to be funded by the Region would be funded from the Regional water capital replacement reserve.

The following summarizes the costs associated with the water system improvements:

Township Works	\$ 521,000
Region Works	<u>\$ 414,000</u>
	\$ 935,000
Township Contribution	<u>\$ (200,000)</u>
Recovery from Homeowner s	<u>\$ 735,000</u>

The above-noted costs equate to an estimated \$1,075 to \$1,700 cost per household per year, based on financing over a 10 to 20 year period.

6. LOCAL MUNICIPAL IMPACT

The above-noted capital works have been undertaken by the Region to remediate a deficient private system in the Township. Any assistance in financing a portion of these

works could reduce the financial impact of the improvement costs on the Ansnorveldt residents.

7. CONCLUSION

Regional Council directed in June 2002 that the cost of water supply works incurred in the Ansnorveldt community be charged back to the Township, so that these costs could be recovered from the homeowners in the community. The Region of York has been requested by the Township of King to consider providing funding assistance towards the cost of rectifying the water servicing system in the community. Regional and municipal staffs have identified options to mitigate the financial impact of these works on the community, and now seek direction on a preferred alternative.

The Senior Management Group has reviewed this report.