I am attaching copies of the current and proposed revised Paving Gravel Roads policy. A study group of City Council members developed the proposed policy. I have highlighted in yellow the differences in the two editions.

The proposed changes concern the costs assessed to property owners in Special Assessment Districts (SADs) established for the purpose of paving gravel roads.

The current policy provides that the City will pay 60% of the paving cost and property owners will pay 40% of the paving cost with a limit of $5,000 for a property owner. The proposed revision is a more complicated arrangement in which property owners are responsible for the first $10,000 if the median property value in the SAD is under $190,000 or less or $15,000 if the median property value is $190,000 or more. It is not known how the figure of $190,000 was derived. What if there are wide ranging values in the SAD?

Further, in the proposed revision the City caps its contribution at $10,000 per lot. If the cost is determined to be more than $20,000 or $25,000 per lot, depending upon the median value of the properties, the property owner must contribute the excess. If even one property owner opposes this, the paving project will be cancelled. The proposed policy definitely places the bulk of the financial burden on the property owner.

What is median value? Is it taxable value, market value or state equalized value (SEV)? Another confusing item is on page 8 of the proposed revision in which the above mentioned $190,000 median value of properties in a SAD is based upon “the <u>*median value*</u> of the homes on the street (<u>*empty lots excluded*</u> from the calculation)”. The next paragraph states, “first $10,000 of expense per buildable lot (<u>*existing and/or potential*</u>) for paving to current minimum standards”. So, are empty lots included or excluded in determining median value?

To illustrate the differences between applying the current and proposed policy to a paving project, Chief Financial Officer Joe Snyder has produced a comparison of how costs would be assessed in a recent paving project, applying the current policy, proposed policy in which median value is less than $190,000 and proposed policy in which the median value is above $190,000.

<u>To use the recent Norton Lawn / Hickory Lawn SAD as an example:</u>
The Total project cost = $1,000,000
Total # of parcels = 70
Total resident share = $350,000 (or 70 parcels * $5,000)
Total City share = $650,000

So for this example (under the existing/old system), the resident share is approx. 35% / City share = 65% due to the $5,000 per parcel resident cap.

Fiscal's concern is that if several more streets come forward requesting their streets be paved, it would be difficult for the City (or Local Street Fund) to come up with the City dollars needed to do so.

As well, the City must pay "up front" the $1m for the construction to the vendor, and then over the course of 15-years (if residents take the maximum amount of time to pay) the City would receive the $350k resident share. This could lead to cash flow issues.

The Norton Lawn / Hickory Lawn are all set, the SAD has already been established and the construction is complete. But, for illustrative purposes only:

<u>Under the proposed new policy, the Norton Lawn / Hickory Lawn project would have looked like this:</u>
The Total project cost = $1,000,000
Total # of parcels = 70
Total resident share = $700,000 (or 70 parcels * $10,000) = Cap at $10k
Total City share = $300,000

Results in a 70/30 Resident/City Split *(if houses value under $190k)*

The Total project cost = $1,000,000
Total # of parcels = 70
Total resident share = $1,000,000 (or 70 parcels * $14,286) = Cap at $15k
Total City share = $0

Results in a 100/0 Resident/City Split *(if houses value over $190k)*

There are several other concerns:

-All special assessment projects ... must be submitted prior to **July 1** for consideration in the subsequent year's budget (page 6)

Joe Snyder recommends moving this date up to **mid-February** to coincide with the City's annual Capital Improvement Plan (CIP). Moving the date up will allow the City to propose the SAD as a CIP project, develop a realistic a project budget, and rate the project for relative importance among other City projects/priorities. As well the City's flow of any "capital" project should flow in this manner, it helps to ensure the orderly implementation of capital projects.

-All contribution limits for both City & property owner shall be adjusted annually based on rate of inflation (page 7).

This would be an on-going maintenance item for Administration/Council, as the contribution amounts (currently $10,000 or $15,000) will need to be updated each year according to the rate of inflation. This also means the policy would have to come before City Council on an annual basis to update the contribution amounts going forward.

-If it is decided to keep the annual change in contribution amount moving forward; would the $190,000 median value be adjusted for inflation as well?