

His Worship Mayor Bob Pringle
Deputy Mayor Scott Mackey
Councillor Brian Gamble
Councillor Shawn Greig
Councillor Elizabeth Thompson

November 27, 2015

Re: Fiscal Impact for Chatsworth Township due to the Proposed Bumstead Pit

Dear Mayor Pringle and Council,

Please find attached an analysis of the fiscal impact to the Township of Chatsworth due to costs associated with the proposed Bumstead Pit. The analysis shows net costs would equal a 5.37% property tax increase.

This analysis is solid for two reasons:

- costs are only attached to requirements *identified by the proponents' own consultants*, and
- figures are *conservative*.

We are not interested in inflating costs for the sake of argument, nor including extraneous costs.

I ask that the attached be placed in the Public Record and would appreciate acknowledgment of receipt. I look forward to presenting our findings in Council.

Respectfully submitted,

Doug Crocker

cc Will Moore CAO/Clerk Chatsworth
Randy Scherzer Director of Planning & Development Grey County
Scott Taylor, Senior Planner, Grey County

Doug Crocker is Chairman of 18 Asset Management Advisory Committee. He is an Economist (Queen's University, Masters of Arts – Economics) who founded Highstreet Asset Management in 1998 and is the author and co-author of several academic studies in the economic and investment fields. While working for the Ontario Economic Council, publications included The Ontario Economy 1982 – 1995, A Note on Potential GNP and Policies to Stimulate Growth in A Separate Income Tax For Ontario, 'Impact of Federal-Provincial Transfers on Provincial Revenue and Expenditures: A Review' in Ottawa and the Provinces: The Distribution of Money and Power. While working for CIBC (1988 – 1990) he developed policies for the strategic management of interest rate and liquidity risk. Prior to Highstreet he was Managing Director for London Life, responsible for Risk Management, all derivative activity and the Bond Indexation program. He has participated as Board Member for several volunteer NGOs and endowments.

Just the facts

1. Upgrade 2.1 km of Sideroad #60 from Veterans Road South to West Back Line (includes S-bend).

TOTAL COST: \$865,000

ANNUAL COST: \$104,000*

2. Rebuild 1.25 km of Sideroad #60 between West Back Line and Hwy 10 (between bore holes #15 & #7 due to peat layer).

TOTAL COST: \$515,000

ANNUAL COST: \$62,000*

3. Loss of annual property taxes (minimum).

TOTAL COST: \$30,000

ANNUAL COST: \$2,700*

4. Additional annual road maintenance.

TOTAL COST: \$211,000

ANNUAL COST: \$25,400*

5. Loss of property market value.

TOTAL COST: \$14,000,000

Benefit to Township:

TOTAL: \$107,000

ANNUAL: \$9,700

* Total Cost amortized at 5% over 11 years.

Tax increase (if the Bumsteads don't pay)

Fact	Property Tax Change to maintain current fiscal situation
Upgrade 2.1 km of Side Road 60 between Veterans Road South and West Back Line	3.05% Increase
Rebuild 1.25km of Side Road 60 between West Back Line and Hwy 10	1.82% Increase
Loss of annual property taxes (minimum automatic reduction).	0.08% Increase
Additional annual road maintenance	0.70% Increase
Increase royalty fees collected from pit.	0.28% Decrease
Net Effect on Property Tax:	5.37% Increase

The above excludes the impact of the market value decline in home values will have on assessed values.

Just the facts

1. Upgrade 2.1 km of Sideroad #60 from Veterans Road South to West Back Line (includes S-bend).

TOTAL COST: \$865,000

ANNUAL COST: \$104,000

Here's the evidence

- About this 2.1 km of road, Gamsby and Mannerow say "*The current condition is assessed as fair to poor with areas of aggregate 'pop outs' and unraveling.*" (See page 9)
- About the S-bend, Gamsby and Mannerow say the Township "*should consider improving these horizontal curves to meet the design standard when this section of road is re-constructed...*" (See page 10)
- LEA "Studies Related to the Traffic Route Associated with the Proposed Bumstead Pit Peer Review" recommended the following for the S-bend: *Widen the turning curves at the South-East and North-East bends on Sideroad 60 by 2.0 m as per the MTO's guidelines, and correct the super elevation of the northbound lane to 6%.* (See page 13)
- Paradigm uses Transportation Association of Canada (TAC) in their update to the scoped traffic impact study, so we turned to the same source for TAC's *Life Cycle Cost Analysis of Municipal Pavements in Southern and Eastern Ontario*. It says the cost to replace a road with hot mix asphalt is \$412,236 per kilometer: $\$412,236 \times 2.1 = \$865,000$. (See page 18)
- Liability concerns alone, make this a must-do according to *Municipality Liability Crisis: Court Decisions Are Impacting Your Insurance Premiums*. (See page 21)

Please Note:

Most of our evidence is taken from studies conducted by the proponents' own consultants.

Just the facts

2. Rebuild 1.25 km of Sideroad #60 between West Back Line and Hwy 10 (between bore holes #15 & #7 due to peat layer).

TOTAL COST: \$515,000

ANNUAL COST: \$62,000

Here's the evidence

- About this 1.25km of road, GM BluePlan Engineering reports “... a peat layer, of varying thickness and at varying depth is located below the initial granular subgrade... between BH#15 and BH#7, at a depth of about 1.5 metres, or lower. This peat layer may be susceptible to long term settlement and/or displacement, which may result in performance issues at the road surface under current and future traffic loads.” (See page 23)
- GM BluePlan Engineering states “A first alternative is to fully address potential performance issues related to the underlying peat layer by removing the entire layer down to the underlying native...” (See page 23)
- Paradigm uses Transportation Association of Canada (TAC) in their update to the scoped traffic impact study, so we turned to the same source for TAC's *Life Cycle Cost Analysis of Municipal Pavements in Southern and Eastern Ontario*. It says the cost to replace a road with hot mix asphalt is \$412,236 per kilometer; $\$412,236 \times 1.25 = \$515,000$. (See page 18)

Please Note:

Costs will likely be much more due to:

- S-bend requires more than a simple upgrade

- removing the entire layer of peat involves excavation efforts of 3.0m in depth

Just the facts

3. Loss of annual property taxes (minimum).

TOTAL COST:	\$30,000
ANNUAL COST:	\$2,700

Here's the evidence

- MPAC reduces property taxes by 4% on properties abutting a pit, and 2% on properties within a kilometer.
- Ryan Johnson calculated this figure by looking at the MPAC assessed property value for every property that abuts and is within a kilometer of the proposed pit. (This evidence has been previously submitted to the Township)
- Should the 44 properties along the haul route also apply for a property tax reduction, this figure will be significantly higher.

Just the facts

4. Additional annual road maintenance on 4.7 km of Side Road 60 between the pit and Highway 10.

TOTAL COST: \$199,693
ANNUAL COST: \$24,041

Here's the evidence

- Paradigm uses Transportation Association of Canada (TAC) in their update to the scoped traffic impact study, so we turned to the same source for TAC's *Life Cycle Cost Analysis of Municipal Pavements in Southern and Eastern Ontario*. It provides a methodology to calculate the maintenance costs, discounted to today, to maintain a reconstructed Sideroad #60. Here we took the TAC's 25 year figure of 191,192 per kilometer and adjusted it to 11 years with <250 AADT = \$31,129 (31,129 x 4.7km = a total of \$146,305). (See page 17)
- Adjusting the road maintenance costs for the extra truck traffic proposed by the Bumstead pit will increase the annual maintenance costs by 36% to a total for the 11 years of \$199,693. (See page 25)

Amortizing the revised total over 11 years generates an annual cost of \$24,041 or 0.70% increase in property taxes.

Just the facts

5. Loss of property market value.

TOTAL COST: \$14,000,000

Here's the evidence

- Professor Diane Hite conducted a study in 2006 on the impact of gravel pits on house values. (See page 28)
- Professor Diane Hite's model was applied to the Bumstead neighbourhood by economist Douglas Crocker. (See page 31)