



Regular Council Meeting

To:	Mayor and Council
Date:	March 6, 2017
From:	Yvette Hurley, CAO
Report Number:	CAO 2017-02
Subject:	Provincial Facilitation - Memorandum of Understanding for the Benefit of Securing Employment Lands for the Region

Recommendations:

- 1) That Report CAO 2017-02 and the Memorandum of Understanding (MOU) dated December 7, 2016, be received for information;
- 2) That a Public Meeting be held pursuant to Section 173(3) of the **Municipal Act, 2001**, in order to receive public comments on the MOU and the Draft Restructuring Proposal: and
- 3) That in preparation for the Public Meeting, staff be directed to prepare a Draft Restructuring Proposal as required under the **Municipal Act, 2001**, and secure a venue within the North Monaghan Ward.

Overview

This report outlines the terms of a Memorandum of Understanding (MOU) between the City of Peterborough, the Township of Cavan Monaghan and the County of Peterborough developed under the guidance of the Provincial Land and Development Facilitator in order to secure employment lands, capable of being serviced, for the benefit of the Region.

For several years the City of Peterborough and the Township of Cavan Monaghan have engaged in restructuring discussions of inter-municipal interest. Over the past 3 years in particular the discussions have focused on the need and opportunity to secure employment lands, capable of being serviced, for the benefit of the Region. The negotiating teams included staff from the City, County and Township.

Provincial Land and Development Facilitator

The restructuring discussions between the City and Township involved possible boundary adjustments. The primary intent was to investigate options to secure serviced employment lands for the benefit of the Region. On March 12, 2015 the Minister of Municipal Affairs and Housing, Ted McMeekin formally appointed the Provincial Land and Development Facilitator to assist the parties to develop a local restructuring proposal that would benefit all parties (**Attachment A**). Discussions were deferred in 2015 until 2016 when the Township sought clarification and support from the Minister of Municipal Affairs, Bill Mauro letter dated September 2016 (**Attachment B**). The County of Peterborough was invited by Township and City to participate in the negotiations recognizing that a successful restructuring proposal would also require the approval of the County Council.

Pursuant to the Terms of Reference prepared by the Office of the Provincial Land and Development Facilitator, each party appointed a negotiating team comprised of municipal staff and/or authorized agents. While the negotiating teams had the authority to develop the foundations of an agreement, the process requires that the Councils of the City, Township and County endorse the negotiated settlement, hold a public meeting, and approve a formal Restructuring Proposal pursuant to the **Municipal Act, 2001**.

Under certain guiding parameters, the parties established a general framework for economic progress between July and September of 2016. The framework validated that an agreement for inter-municipal cooperation was achievable and formal negotiations took place between October and December of 2016. During this time period, the negotiating teams discussed multiple options. These options, including a joint industrial park, cross border services and phasing options were reviewed and discussed before reaching a mutually agreed upon MOU.

On December 7, 2016 the negotiations reached a successful conclusion with the execution of a Memorandum of Understanding (**Attachment C**). The MOU is founded on the following principles:

- a) The negotiating teams agreed that there is a shortage of serviced Employment Lands in the Region and that the City of Peterborough requires an Employment Land solution to meet its “Places to Grow” employment targets. The Township and County seek to be part of a solution to the Employment Land issue, in the interests of regional economic growth;
- b) The negotiating teams agreed that the inclusion of Residential Lands in a potential boundary adjustment is integral to the resolution of the Employment Land shortage;

- c) The negotiating teams acknowledge that the Peterborough Airport has been the focus of significant investment by the City of Peterborough in the last decade and therefore has been a long-standing restructuring interest of the City;
- d) The negotiating teams agreed that the Employment Lands, Residential Lands and Airport Lands which have been identified in the negotiations presently make a significant financial contribution to the economic health of the Township and County;
- e) The negotiating teams agreed that long term economic incentives, commensurate with the economic loss to both the Township and County resulting from a boundary adjustment, is a reasonable expectation; and
- f) The negotiating teams agreed that certainty should be a hallmark of the negotiation and that a guaranteed annual revenue stream over the next 25 years will allow the Township and County to fiscally plan for a future with an adjusted municipal boundary. The City agrees to initiate no further boundary adjustments involving Cavan Monaghan until at least 2041.

Highlights of the Memorandum of Understanding

The MOU proposes an adjustment to the North Monaghan Ward adjacent to the western boundary of the City including a long-term plan for employment lands allocation, the Peterborough Airport, and the natural extension of Residential Lands that can be readily serviced from the City, with an anticipated effective date of January 1, 2018 (**Attachment E**).

The land in question represents 4,140 acres of land involving 336 properties in the North Monaghan Ward. Residents within the area represent 6% of the total homes in Cavan Monaghan Township housing a population of roughly 510 people. The Township taxes generated from this area is presented in (**Attachment D**) totaling \$608,000. This figure is based on the 2016 taxation levy of \$6.298 million, which represents almost 10% of the Township's annual taxation revenue.

The MOU recommends a guaranteed annual payment in quarterly installments to the Township and County for 25 years commencing on the anticipated effective date of January 1, 2018. The Township's compensation totals \$2.5M per year. The County of Peterborough annual compensation is \$475,000.

For all taxpayers within the annexed area the MOU supports a transition period for any tax increases that may be experienced under the City tax structure. The City will cap the tax increase that may be experienced at 10% per year until the full rate is achieved in year 10.

The Township's financial compensation package of \$2.5M per year replaces the existing municipal tax revenues lost due to annexation plus the loss from future taxation opportunities. The compensation returns the investment made by the Township in road assets that will be transferred to the City over 25 years at an agreed depreciated value. The Township will benefit from the development of the Employment Lands through a sharing of the anticipated tax revenues. Similarly, the Township will financially benefit from new development within the annexed Residential Lands through an annual Annexation Payment. Finally, the Township's financial compensation package includes an annual incentive payment that recognizes a timely resolution of the Boundary Adjustment.

The Township will receive compensation for the loss of 13.8 kilometers of road. The value of these assets (not including bridges, culverts) is approximately \$500,000/km.

The County's compensation package of \$475,000 per year recognizes the full value of taxation lost for 25 years as well as an agreed depreciated value of transferred assets (7.8 kilometers of County roads and Lockies Bridge).

In addition to the annual financial compensation for 25 years, the MOU provides 2 servicing allocations for the Township and County to grow their taxation base. One of the two servicing allocations is for Employment Lands recognizing approximately 90 acres west of Elmdale Road including Sysco Foods. Given the importance of securing the future of existing employers, the allocation is viewed to be in the regional interest and thus is released at no cost as development comes forward. The Township and/or users will bear the capital cost for service extensions within the Township as well as pay user fees on par with City users. The detail will be outlined in the Restructuring Proposal and implemented in the Legal Agreements.

A second servicing allocation provides the Township with a capacity equivalent to 500 single detached residential units and can be deployed in a location of the Township's choosing. The Township and/or developer will pay for development charges based on the water and wastewater charges within the prevailing City/PUSI Development Charges. In addition, the Township and/or users will bear the capital cost for service extensions within the Township as well as pay consumption fees on par with City users. The detail will be outlined in the Restructuring Proposal and implemented in the Legal Agreements.

In both of these servicing scenarios, it is acknowledged that these areas will foster new assessment growth for both the Township and County.

All parties agreed to develop a joint media release and communication strategy for the restructuring proposal.

In not all circumstances would the expected development pattern within the lands to be annexed bring municipal services to the new municipal boundary. In order to ease the financial burden on the Township and to take full advantage of the servicing allocations

the MOU commits the City to contribute \$8M towards the servicing extensions to the future municipal boundary. The details of this financial commitment and previously noted allocations will be detailed in the Legal Agreements.

Next Steps and Implementation

Should Council support moving this boundary adjustment forward, the following actions are required to be carried out in accordance with Section 173 of **The Municipal Act, 2001**:

1. The Holding of a Public Meeting

The Municipal Act, 2001, Section 173(3), states that the council of a municipality, before it votes on whether to support or oppose a restructuring proposal, must consult with the public by giving notice of and by holding at least 1 public meeting. Comments from the public may be considered and therefore additional direction may be required.

2. The Preparation of a Restructuring Proposal

While the MOU captures the essential terms of the interests between the City and the Township and the County, the MOU is not in a form that qualifies as a Restructuring Proposal suitable for submission to the Minister of Municipal Affairs pursuant to Section 173 (1) of **The Municipal Act, 2001**. Once prepared the Restructuring Proposal will be presented to each of the three Councils, and each Council will be required to pass a by-law indicating formal evidence of their support for the Restructuring Proposal. The Restructuring proposal will confirm the new municipal boundaries.

3. The Preparation of Legal Agreements to Give Effect to the MOU

The MOU contains many long-term financial commitments between the City, Township and County that are unlikely to be articulated in any detail in a Restructuring Proposal. Matters of compensation are not matters of Provincial interest to the same extent an adjustment to a municipal boundary is. Therefore, legal agreement(s) must be prepared to capture the commitments of the MOU including any implementation details that will give clarity to the interpretation of the MOU. The agreements would come into full force and effect with the Minister's approval of the Restructuring Proposal.

4. First Nations Consultation

Municipalities are expected to consult with Aboriginal peoples on the restructuring proposal. The consultation will include written notification of the proposal and an offer to present the proposal to their respective Councils.

5. Council Approval

Following the preparation of the Restructuring Proposal and the Legal Agreements to implement the MOU, and the holding of the requisite public meeting, a meeting of each council must be held to pass by-laws supporting the Restructuring Proposal and all agreements. It is recommended that the Council meeting be held after the public meeting in May 2017 so that the formal submission of the Restructuring Proposal to the Province can be made by the end of May. This timeline gives the Province six to seven months to review the proposal and approve it by the proposed implementation date of January 1, 2018.

Summary

The signing of the MOU represents a significant step in the relationship between the Township of Cavan Monaghan and the City of Peterborough. The MOU envisions a long term solution for the shortage of serviced employment lands within the Region. In return, the MOU envisions a compensation package for the Township and County that provides long term financial certainty commensurate with the impacts of a significant boundary adjustment.

Highlights

- Boundary adjustment involving 4,140 acres.
- Annual financial payment of \$2.5 million to the Township for 25 years (\$62.5 million total).
- Annual financial payment of \$475,000 to the County of Peterborough (\$11.875 million total).
- Approximately 1,267 acres have environmental constraints.
- Servicing allocation intended for Sysco and additional employment lands in this general area of the Township.
- Equivalent capacity for 500 servicing units to provide/allow for new assessment growth in the Township (location to be determined through the Planning & Engineering process).
- \$8 million dollars paid by the City towards servicing extensions to the new boundary, as requested by the Township (studies/construction).
- Within the annexed area, residents will have any increase that may be experienced under the City tax structure capped at 10% per year for 10 years.
- All Township services within the new annexed area will be incorporated into the City of Peterborough.
- Date of boundary adjustment proposed for January 1, 2018.

Financial Impact

The boundary adjustment will cause both immediate and long term Operating and Capital budget impacts. These budget impacts will be subject to the normal processes that have been established for procurement, budgetary and reporting purposes. The Township will no longer provide municipal services within the 4,140 acres. Further discussions will be required to clarify services for both the Township and the County.

Township Assessment: The taxation revenue for the Township, involving the 336 properties in the MOU, was approximately \$600,000 in 2016. This taxation revenue is the projected \$600,000 annual loss that represents approximately 10% of the total municipal annual taxation revenue received by the Township.

Engineering and Infrastructure Planning: The MOU commits the City to contribute \$8 M for two Servicing Allocations for the Township and County to grow their tax-base. The funds will be used to extend existing services within the City to the future municipal boundary. Given the time required for the applicable studies to be completed, design and necessary approvals, it is anticipated that construction could take place in approximately 4 to 7 years. Any costs incurred over and above the \$8 M will be the responsibility of the Township. The Township is also responsible for costs incurred on Township land to access the City infrastructure.

Waste Management: Waste collection and recycling collection will be managed through the City's operating and capital budgets in the future. The Township will have an overall change to the waste management program resulting in a budget reduction.

Transportation/Environmental: Road maintenance, winter control, grass cutting, weed control will be managed through the City's operating and capital budgets in the future. This service change would result in a decrease to the Township.

Police Services: Under the existing tri-party agreement with the Township of Cavan Monaghan, the City and the Peterborough Police Services Board, the City provides policing services to the Township on a contracted, fee for service basis. This agreement may be adjusted to reflect the new annexed lands resulting in future discussions among the parties.

Fire Protection: The Township currently has an Automatic Aid Agreement with the City. This agreement will be adjusted to reflect the new annexed lands.

Each municipality will be responsible for engaging their lawyers to prepare the agreements.

Attachments:

A-Minister Ted McMeekin Minister of Municipal Affairs dated March 12, 2015

B-Minister Bill Mauro Minister of Municipal Affairs dated September 15, 2016

C-Memorandum of Understanding

D-Watson & Associates background information
E-Boundary Area Map
F-Peterborough County Map 1993
G-Current City of Peterborough Boundary
H-Role and Mandate of the Provincial Development Facilitator

Respectfully submitted by,

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Chief Administrative Officer