



ADMINISTRATIVE REPORT

**Topic: Adoption of Updated Schedules "C" through "G" under Bylaw No. 2015-07
(2016 Off-Site Levy Rates and Annual Report)**

Introduction:

The Annual Report summarizes the off-site levy rates updated for the 2016 construction season, and subsequent bylaw schedule amendments to reflect the change in rates due to the current market conditions. Additionally the required growth projects have been updated to provide essential services for development and growth with their respective area allocations for each of the infrastructure categories (water, sanitary, storm and transportation).

Facts (Background Information):

LEGISLATIVE HISTORY

Municipalities are authorized to impose and collect off-site levies through the Municipal Government Act (MGA), Division 6, Sections 648 - 649. Parkland County implements its authority by establishing a bylaw which provides detailed development levy objectives. Off-Site Levy Bylaw 2015-07 was enacted on April 28, 2015. The bylaw is then applied to a specific development through a Development Agreement. The provisions of the Bylaw require that updated Schedules "C" through "G" be approved by Council resolution on an annual basis.

COUNCIL DIRECTION

Council Policy C-PD05 Off-Site Infrastructure Levies was adopted on April 9, 2013.

Administrative Procedures C-PD05-P1 Off-Site Levy Assessment and Collection was adopted April 9, 2013.

BACKGROUND and DISCUSSION

The imposition of off-site levies is a mechanism by which a municipality may collect all or some of the capital dollars needed to construct new infrastructure required to support growth. The Municipal Government Act ("MGA") defines categories of permissible off-site levies:

- New or expanded facilities for the storage, transmission, treatment or supply of water;
- New or expanded facilities for the treatment, movement or disposal of sanitary sewage;
- New or expanded storm sewer drainage facilities;
- New or expanded roads required for or impacted by a subdivision or development; and
- Land required for or in connecting with any of the above described facilities.

Parkland County first established its Off-Site Levy Bylaw in 2007 for water, sanitary and storm; transportation was established in 2010. These previous Bylaws were consolidated into a single Bylaw in 2015. In accordance with the approved 2015 Bylaw, Off-Site Levy Rates are to be reviewed and adjusted on an annual basis to reflect estimated construction costs, updated interest or carrying costs, and amount of remaining developable land. The Off-Site Levy projects and corresponding benefitting parties specified within the Bylaw itself must be reviewed and amended by Council no less than every three years, or sooner if required. This is to ensure that the Bylaw itself remains up-to-date and in sync with the master plans and policies that guide it.

Offsite levies are not intended to stay static; they are based upon assumptions and the best available data of the day. Planning assumptions, cost estimates, etc. can change each year. Accordingly, the MGA requires that offsite levy rates be updated with the most available information on a regular basis. Should information change, it will be reflected in a future update, and rates adjusted accordingly.

The County uses the CORVUS offsite levy model to manage rates. This model is in use in dozens of Alberta municipalities. The model uses a "full cost" methodology where by the infrastructure costs, inflation, construction staging, development staging, financial costs and reserve interest earning and charging impacts are all used to determine rates that allocate all costs to developers on an equitable basis, based on degree of benefit. With the CORVUS model in place, the County is in a position to quickly and efficiently update offsite levy rates each year upon completion of year-end finance activities.

Analysis:

Off-Site Levy Update

In the annual update of the off-site levy program, the unit rates for projected infrastructure are updated to best reflect the changes in the current market. The model projects the infrastructure requirements based on the anticipated development.

Development Staging within the Acheson Industrial Area was amended consistent with the Acheson Industrial Area Structure Plan that was enacted on March 24, 2015; land within the Big Lake ASP and Fifth Meridian ASP remain the same. Overall, the amount of land projected to develop within the next 25 years was slightly reduced to reflect current market conditions.

Construction actuals for 2015 were updated for completed projects within the model and they continue to be in line with the projected prices for each infrastructure category with the exception of water, where actual unit rates were in excess of a number of the projects' contingencies. As such, updated 2016 water rates are higher when compared to other categories.

The updated 2016 rates provide an update for realized construction costs, projected rates in 2016 dollars, and updated long term timing for infrastructure requirements. Unit costs for water, sewer, storm and transportation infrastructure remained the same consistent with previously completed master infrastructure studies. The unit rates are in line with the current developer/county built unit rates prevalent within both Parkland County and the Capital Region. Of note, Engineering Services will complete updates to both the water and sanitary master plans for the Acheson and Big Lake ASP areas in 2016. Next year's update will provide an opportunity to reflect on the 2016 construction season and update unit rates respectively.

Water Infrastructure

- The number of water projects within the model remained the same at 21; however the total cost of the projects increased by \$1.89 million from \$61.84 million (2014) to \$63.73 million (2015) as a result of actual 2015 expenditures exceeding project contingencies within the model. As such, updated water rates have increased.

Storm Infrastructure

- The number of storm projects within the model remained at 36 with the total costs of the projects increasing by \$2.82 million from \$48.29 million (2014) to \$51.11 million (2015). The increased costs are a result of the debenture borrowing and confirmed tender costs for the Acheson outfall project.
- The outfall project incurred expenditures in 2015 in excess of \$10 million dollars. An additional \$13 million in expenditures is projected in 2016.

Sanitary Infrastructure

- The number of sanitary projects within the model remained the same at 14 with all 2015 actual expenditures being within each project's contingency. The total cost of the projects increased by \$0.27 million from \$17.07 million (2014) to \$17.34 million.

Transportation Infrastructure

- The number of sanitary projects within the model remained the same at 31 with the total costs of the projects increasing by \$5.32 million from \$117.37 million (2014) to \$122.69 million (2015). The majority of the increase in cost is a result of the updated costs to complete the Highway 60 / Township Road 531A intersection and service road project.

Annual Report

The annual off-site levy update provides a detailed account of the functionality of the off-site levy program over the previous year, and comparative tables outlining all changes to each project, growth and projected collection reserve throughout the long term management of the off-site levy program.

The report provides a detailed account for the identified off-site levy infrastructure constructed during the previous calendar year, as well as the actualized constructed costs of the existing built off-site levy environment. The estimated construction costs for each infrastructure identified within the program is accounted for, as well as the amounts of collected off-site levies that were collected and held in by the County. Finally the total value of off-site levy funds being held by the County, which are yet to be expended, and the projected expenditures of the program which have not yet been actualized.

Stakeholder Communications or Engagement

- Administration hosted an engagement session with the Development Industry on May 11, 2016. This included a formal presentation providing interested stakeholders a chance to understand the Off-Site Levy update and provide comments.
- The comments collected have provided important insight into the long term management of the County's Off-Site Levy program.

Implications of Recommendation(s)

a) Financial:

- The financial implications to Parkland County and the Off-Site Levy Bylaw are complex and included in the annual report.
- The Off-Site Levy Rates have increased for some areas from last year due to increased project estimates and actual expenditures during 2015. In contrast, other areas have decreased. A yearly update provides the most reflective cost estimates for projected project costs. The weighted average rate total of all areas is \$97,652 per hectare; this is up from \$94,514 per hectare last year.

b) Legal/Risk:

- The development or master planning documentation utilized within the Bylaw update underwent substantial consultation with the development industry and the public.

c) Program or Service:

- None at this time

d) Organizational

- None at this time

Strategic Connections

- a) **Strategic Plan:** This aligns with Strategic Plan (2016-2020) Healthy Communities Goal 5 – Residents/Businesses have access to programs and infrastructure that contribute to their well-being and quality of life.
- b) **Economic:** Off-Site levies aid in maintaining a fair and competitive tax structure, while continuing to invest in community infrastructure such as roads, utilities and facilities. Off-Site levies are reviewed and calculated on an annual basis by the Off-Site Levy Review Committee. The off-site levy calculations have been coordinated and reconciled with the County's Capital Plan and financial ledgers.
- c) **Social:** Properly funded infrastructure provides for the social well-being of all residents.
- d) **Environmental:** Properly funded infrastructure provides for enhanced environmental sustainability.
- e) **Financial Impact:** Parkland County will collect off-site levies from developers that subdivide or develop within the benefitting areas in order to ensure the collection of these funds are transferred to the front end contributors that are constructing or upgrading off-site infrastructure.

Conclusion/Summary:

Administration supports the Annual Report and proposed Water, Sanitary Sewer, Stormwater and Transportation Off-Site Levy Projects & Estimated Costs and Off-Site Levy Rate Changes as presented.

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Date written: May 11, 2016