Off-site Levy Bylaw Review – Community Services Working Group Stakeholder Consultation Meeting Notes

Date/Time: July 28, 2022 / 1:00 – 2:30 pm

Location: MS Teams – video conferencing and The Water Centre - 625 25 Avenue SE

Attendees:

Internal	External
Krista Campbell	Raminder Brar
Quinn Eastlick	Marcello Chiacchia
Pam McHugh*	Jackie Stewart
Angela Sedor	Graeme Melton
Chris Tse	Brian Hahn
Brian Arthur	Thilo Kaufmann
Regrets	
	Guy Huntingford
	Shameer Gaidhar
	Jamie Cooper

*Note taker

Agenda

1. **Welcome & Agenda Overview** (Quinn Eastlick)
2. **Meeting Norms (Hybrid)** (Quinn Eastlick)
3. **Leviable Land** (Angela Sedor)
4. **Benefit Example** (Angela Sedor)

Feedback collected:

Question 1: LEVIABE LAND: What option do you prefer (Option 1 & Option 2) and why? Do you have any other ideas?

- What is the difference in land area between option 1 and 2? It seems small on both sides so very similar at the end of the day.
- The current balance in firehalls is about $74M as of December 2021. How does that factor into the methodology?
- We want to understand how previous balances are factored into this and that appears to be the missing element. Capital costs would need to account for previous collections. Clearly document what is not in there (e.g., this balance is over here, and the capital cost only includes 90% for example). It will be helpful to see that modelled out in a future session where the numbers are

clearly displayed. Future sessions should be solid on the go-forward formula. Must be illustrated and modelled out in a few examples.

- Keep track of the things to do for the transition pieces (e.g., paid for but not collected---how is this accounted for?). Industry wants to see how it pencils out in terms of arithmetic. It will be good to have this on the agenda soon. The reason this is important is a year ago industry did not feel they saw this type of methodology, but it feels like we are getting closer.
- Time value and inflation: What we need to do is net present value for forecasting. This is important because you need to assume when some of these expenditures are going to happen. We have relied on 2-2.5% in the past. Net present value would eventually drop the longer you go out. How does The City plan to tackle this? Best estimate on cash flow and best estimate on construction is the best bet, precision is nearly impossible. If we get this exercise right, then all you need to do is update the numbers regularly. Seeing the formula will be important because it will help us to understand how The City will be accounting for time value of money in the capital costs.
- Will you be updating the levy every 2 years? I am not sure that we are going to get that far out with the 2-year approach. If we misfire, worst case scenario, we are not sure there will be a time value benefit. Annual escalation rate, is that what we are counting on? And will investment income be subtracted from that? What are the adjustment factors? Will the assumptions and calculations be fully disclosed?
- An interest correction or discount rate should be factored in the formula---more details are needed for us to fully understand how that works.
- Present us with a formula that accounts for all the variable and Industry goes back to its groups, work through it and come up with the same outcomes. Industry needs to input as a sample.

Question 2: BENEFIT: Do you have any suggestions for the benefit example presented?

- We like a breakdown of the leviable lands: residential, commercial and industrial---is that possible? We want to understand what industrial land is being levied because they stand to benefit from this work. Is it accounted for? Is the data available?
- Based on some of the information available, there has been an issue with the attribution of costs to industrial land that is trying to be solved through this levy. How much is The City relying on industrial collection? If there are changes to the industrial levy this might not be a problem. A little curiosity, but there might be something relevant.
- There is some Community Services infrastructure that applies to everybody, but there have been some Community Services aspects that do not apply to industrial. We want to understand what is included in the levy.
- Industrial land must go through an Area Structure Plan, yes? All the industrial land on the eastside is part of this then? If we want to develop industrial land, the levies are too high.
- Working group members feel like Option 1 seems like the most sensible approach; it appears like the green plus blue lands denominator scenario.
- If West View and Nose Creek Area Structure Plans are examples of non-active Area Structure Plans, it makes sense to include them in the denominator. If not, you will likely do an additional calculation at some point. It will probably offset, like the Shephard example. Additionally, it will reduce extra administration and a whole new calculation will not need to be done. Every two-year adjustment to account for inflation and actuals, the levy will never be perfect but will become more workable and transparent.

- For the benefit example, are we going to apply this principle to every piece of infrastructure? You gave the example of that area being 200 people; will we get that similar information to support the calculation?
- I see the example and it seems like a catchment area rather than citywide approach. I think a city-wide would take all attributable fire hall costs. The firewall still needs to be paid for and then there is one in the westside where costs can be offset. Are we jumping away from a citywide approach and something that is specific to ASP areas? Add up the total infrastructure cost and total area so we don't need to do specific, individual calculations. We want the costing level of detail.
- This exercise in terms of benefit allocation, is that for each project list item? If this is a line in a spreadsheet, you'd have the previous land and benefit allocation then you would essentially have a citywide allocation. The idea is that it is going to an even rate across the city. That is the level of detail Industry is looking for.
- You have a list of projects and a list of future leviable area and then there is one rate no matter where you are, yes? If there was a smaller ASP with a firehall, would that ASP have a higher rate? Asking because that seems cumbersome. We do not want a separate calculation.
- Is there a fire station or other Community Services infrastructure that benefits a new but existing area---is this a dimension that affects the calculation? Can The City articulate this or consider how to do so?
- 100-acre plot of land and 50 acres already developed: We would consider past balances because the benefit has already been captured. Is that correct?

General Feedback/Comments

- Formula slide: Subject to details, the principle of the formula makes sense. We like this one because it appears more like a capacity model (and different than water); more alignment toward a model like this with all infrastructure types seems clearer to understand. Positive subjective to details. Industry (in other municipalities) is used to this type of formula.
- Will you be providing the cash flow/time value of money calculations with us? Will it depend on the annual escalation rate that is assumed/agreed to?
- Varsity Fire Hall is still a sore spot for Industry. It felt disappointing that it was paid for through existing levies. If those were permissible, it is still not right. Clear parameters around eligible infrastructure are absolutely needed. New development should not subsidize established area amenities. Acute rules need to be in place for transparency. We want to confirm that Varsity, going forward, will not be in a numerator in the future. This should remedy the issue. Do the levies up until the end of 2022 available and go toward the Varsity Fire Hall?
- There is a transition piece that needs to come here. What happens to the historical projects that take up the balance? The levy rate was generated in the past with some metrics on an area basis, but we are moving into a project list framework. We want to understand what the balance will be at a future point in time and whether there are hangover projects that take from that balance. Industry will want to understand this. How do infrastructure pieces play out in that? Let's see that demonstrated in future sessions.
- Let's take a 100-acre example, 20 acres are levied, so that net benefit is discounted to the already benefited area. The percentage benefit, plus the balance, should make it whole. We need to get the formula and test the transition stuff to ensure it works. Might there have been over or under-collection in the past? That is the area where we can see it not working. Until we see the formula, this needs to be parked.

- Just to confirm: All projects will be included in the new bylaw will be listed?
- The reason we've been advocating for Area Structure Plan is that it is all on the map and doesn't run solely on numbers and assumptions. It is good to look at specific pieces of infrastructure.
- Will there be a clear reconciliation of the current balances, what is already "committed"? Including recently collected levies for Development Agreements subtracted from the benefit calculation (e.g., that 1% in the benefit example provided)
- What is the update with the Foothills Fieldhouse? Was it $19 million and has any of that been spent yet?
- Are you aware of any other projects that are on the books that we have not been made aware of? Are there any surprises that might be reconciled through this balance that the working group should be made aware of and that are not listed in the annual report?
- There are subtle differences in the Foothill Athletic Park? Industry members get anxious about feasibility studies when the levy funds are for capital projects.
- The projects might get added at budget time and that project then goes where? Might it draw from previous balances? There still seems like a risk with previous balances. Can we create a control that makes current/future balance inaccessible? How do we ensure the balances are protected? And it must be consistent with the current bylaw. It almost seems like a city budgeting issue because eventually, the money needs to come from somewhere down the line for future projects. Some of this is not the working group's job, but it strikes as a risk for this project.
- Balances are important to understand given the connection to inflation and when funds are drawn. Industry believes the existing balance will affect the go-forward.
- Are transit buses in or out of Community Services?
- What is Facility Management? Referencing Symons Valley from Annual Report? We can discuss this at a future session as well.
- Really important for dates to get in calendars and materials two weeks ahead of that. We cannot have stuff a week before. This is a volunteer role for Industry, so we need to get things in our calendars.
- When can expect to discuss the appropriateness of costs? What we've noticed is that firehalls are less than what is budgeted. Is this broadly across the levy? By appropriateness, we mean is *how* The City stewards the money and what are the specs? BILD is comparing firehall costs across municipalities. What is the appropriate level a new homeowner should be paying? What should we charge a new homeowner versus what do we want to charge them? Thinking of the new homeowner, we need to ensure the charge is fair and not expanded because it is a "new homeowner expense". If not through this process, then how is this addressed? What is the appropriate channel for Industry? Past surprise at the level of specification included. The perception is that it affects home costs and property taxes.