

2022 Off-Site Levy Report



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Executive Summary

The Town of Canmore Off-Site Levy (OSL) process provides a legislated method of repayment by the development community of costs incurred by the Town of Canmore in providing supporting infrastructure for future development.

Off-Site Levy amendments to section 648.4 of the Municipal Government Act (MGA) came into effect in 2021 and require that municipalities annually provide full and open disclosure of all off-site levy costs and payments. The purpose of this report is to satisfy this legislative requirement by providing this necessary transparency through a written, publicly available report.

Off-Site Levy Overview

The Town of Canmore off-site levy process provides a legislated method of repayment by the development community of costs incurred by the Town of Canmore in providing supporting infrastructure for future development.

This is necessary because the Town of Canmore often needs to pay for large growth-related infrastructure projects much earlier than the development occurs. In contrast, the off-site levies are paid by developers as installments over time based on actual units developed.

This creates a long term, financially binding relationship between the Town of Canmore and the development community and as such, requires a consistent, fair, and transparent approach.

Although the management of the off-site levies is a heavily regulated process, with very specific rules on what can be collected and how, several critical concepts deserve mention in this report:

Collection of Off-Site Levies:

Originally off-site levies appeared in the Municipal Government Act (MGA) in 1973 and could only be collected once from a property or land for water and sanitary infrastructure capital projects (supply, treatment, storage, and disposal). At that time, the maximum rates were set at:

- \$500 per housing unit
- \$0.50 per square foot of floor area size in building
- \$2000 per acre of land

However, amendments to Sections 648(4) of the Municipal Government Act (MGA) in 2015 now provide that off-site levies can only be collected once for each of the infrastructure and facility capital projects listed below:

- Water Infrastructure (Since 1973)
- Sanitary Infrastructure (Since 1973)
- Storm & Drainage Infrastructure (Since 1977)
- Transportation Infrastructure (Since 2004)
- Fire Hall Facilities (Since 2018)
- Recreation Facilities (Since 2018)
- Police Facilities (Since 2018)
- Library Facilities (Since 2018)

This means that it is possible to impose an off-site levy for an existing redevelopment of a similar nature, if credit is provided against previously paid levies for specific infrastructure (i.e., water and sanitary for a residential home in 1973).

Additionally, off-site levies can be imposed on a redevelopment if the nature of the development changes (from a residential home to commercial or hotel development) or the size of the development increases (from a single residential home to multi-unit dwelling).

Finally, off-site levies can only be collected at the rates set, and only against the capital projects identified in the current off-site levy bylaw approved by Council.

Use of Off-Site Levy funds:

All funds collected using the off-site levy process, including any interest earned on those funds, can only be used for the infrastructure or facility area that they were collected for. They do not form a fungible pool of funds which can be used indiscriminately across various areas.

Financial Stewardship:

The levy rates are calculated using an independent, third-party methodology provided by Corvus Inc. which has been used in over 35 Alberta municipalities and imbeds the legislative and regulatory requirements of the MGA. Corvus' results have been rigorously validated by the Town of Canmore.

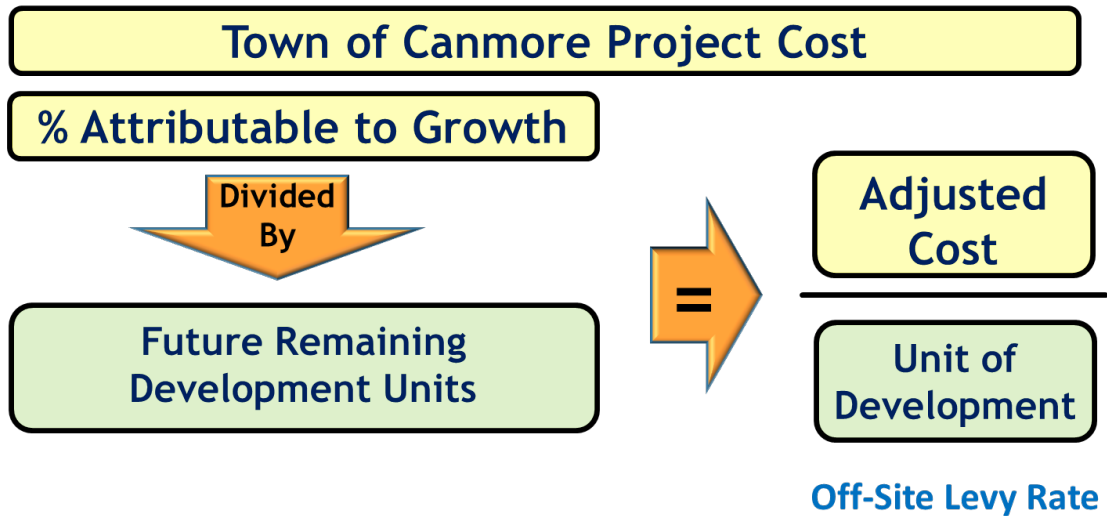
Although off-site levies can only be collected per the rates shown in the approved bylaw, the levy model must, per the MGA, also annually reconcile and report on all levies received, interest rates used, issued development permits, attribution to infrastructure and facility projects, and levy balances retained.

Intensity of use:

Not all development types (Residential, Hotel, Commercial) place demand on town infrastructure and facilities to the same extent. Consequently, specific adjustment factors were developed to more fairly recognize and attribute true utility needs for each development type. These adjustments are called Service Demand Factors (SDF's) and form a critical part of setting the off-site levy rates.

Off-Site Levy Methodology

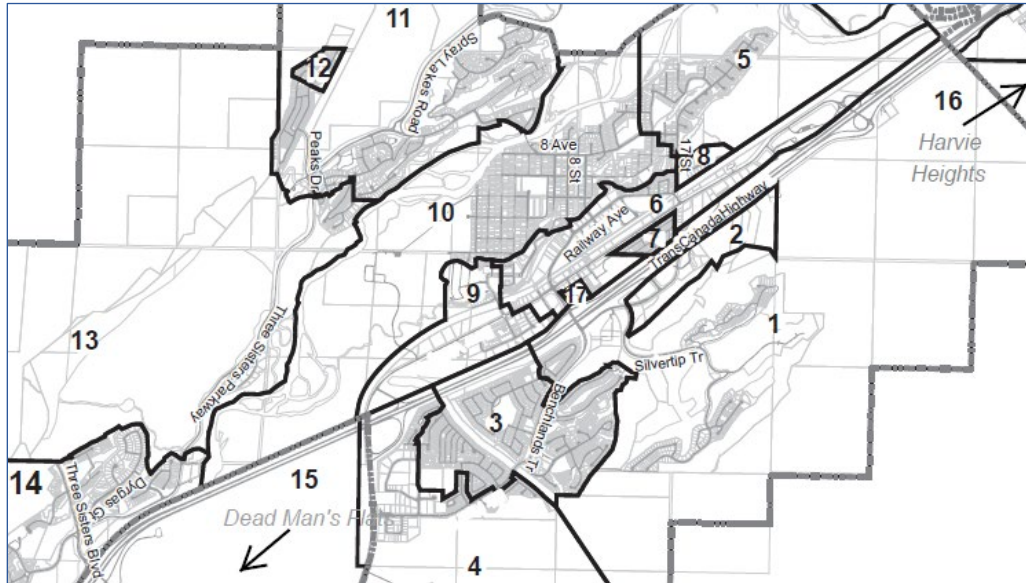
A basic representation of how an off-site levy rate is calculated is shown below:



Some projects may benefit new growth development only, others benefit both growth and existing development. It is therefore important to establish what a percentage of project cost is attributable only to growth. It is also important to correctly account for:

- Specific non-fungible grants provided for the project,
- Interest costs for any debts required to finance the project,
- Levies which have already been paid by the development community.

The off-site levy model uses 17 zones (benefitting areas). 15 zones are geographically aligned with the Town's infrastructure basins and 2 zones are attributed to the M.D. of Bighorn. Each zone benefits from numerous Town capital infrastructure projects which include Transportation, Water, Sanitary, Storm and Fire facilities.



Attribution to Growth

Engineering, Public Works and Facilities Departments provide attribution to growth, infrastructure costs, project timing and benefitting areas for new or upgraded infrastructure and facilities required to support future development.

These departments further retain consultants including Professional Engineering firms. These teams provide expertise in municipal infrastructure projects including extensive water flow modelling, detailed equipment capacity evaluations, project planning and project cost estimation to provide plans such as the Utility Master Plan and other studies used to substantiate the Off-Site Levy rates.

Using geographic development projections and rigorous hydraulic modelling techniques allows for the determination of percentages of the Water and Sanitary project costs that should be attributable to both new development as well as existing users. For other infrastructure and facilities, the Town of Canmore uses existing development community agreements made through consultation to help guide the cost attribution to growth.

Asset Renewal Adjustment

A project may be considered to benefit existing development if it replaces existing aged infrastructure. In such a situation, the developer's portion of the total project cost must be determined as follows:

$$\text{Developer Cost} = \text{Upgrade Cost} - (1 - \text{Service Life Remaining} / \text{Life Span}) \times \text{Base Cost}$$

Where:

- Upgrade Cost = New proposed project cost
- Base Cost = Current replacement cost
- Life Span= Typical expected life of asset
- Service Life Remaining = Years remaining in the life span of the asset

Future Development

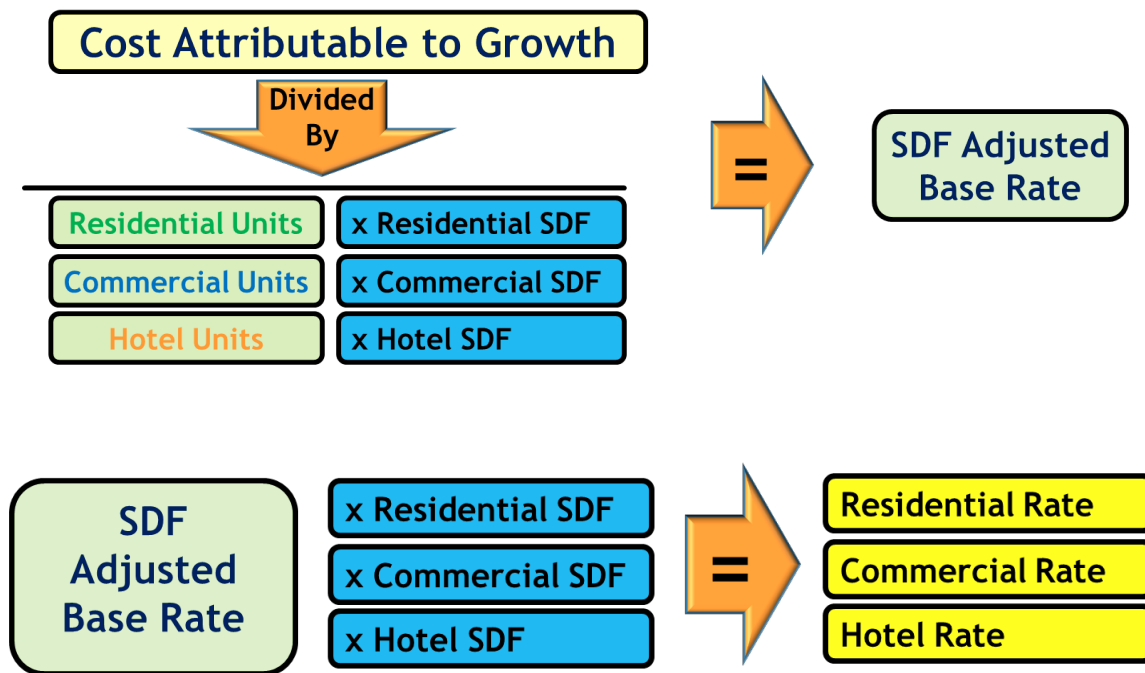
The planning horizon uses a 25-year rolling timeframe for each of the 17 zones, to include all foreseeable development units at full buildout for four types of development: Commercial, Hotel, Residential Low Density and Residential Medium/High Density development. The model is updated annually based on developer payments and actual rates of development.

Typically, the remaining foreseeable development is calculated using the following sources:

- Available Area Structure Plans and Area Redevelopment Plans
- Field surveys
- Discussions with the development community

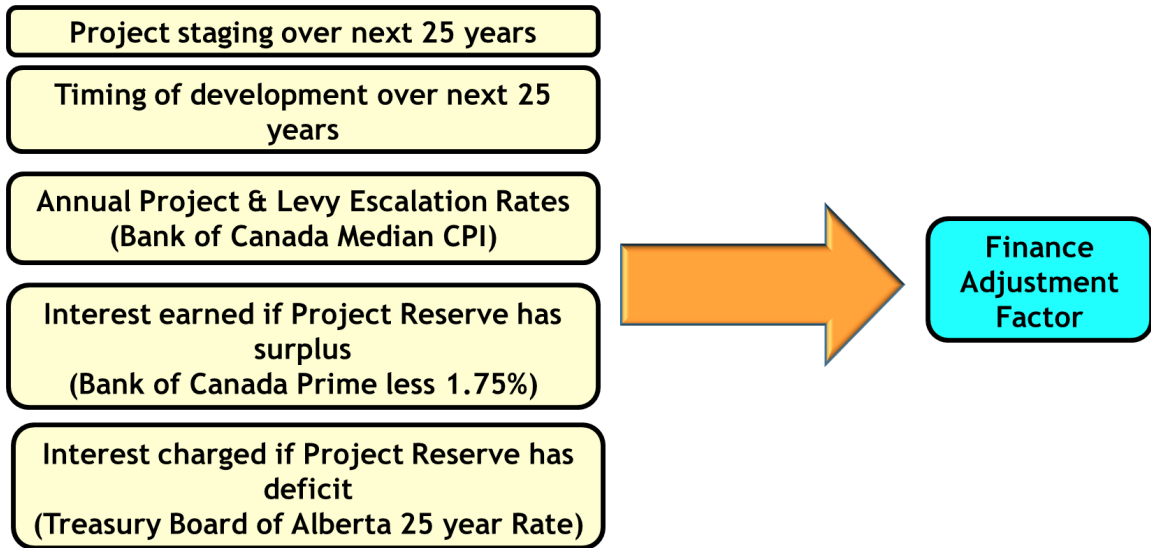
Service Demand Factors

When future development projections for the four types of development are combined with weighting factors or Service Demand Factors (SDF), this allows for a more accurate reflection of the intensity that future development places on the Town’s infrastructure and facilities:

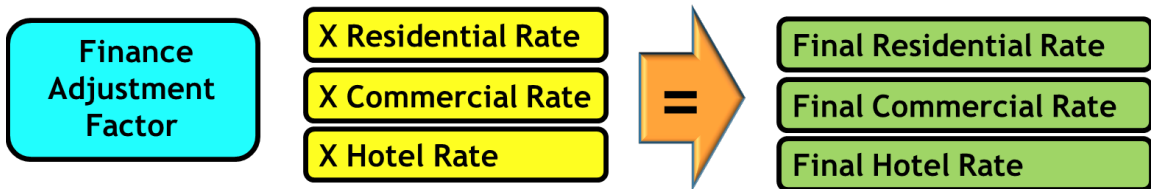


It is important to recognize that developers repay the Town “Unit by Unit” at the speed at which development occurs. This means that very often, the Town needs to borrow funds to finance and construct the projects, prior to being fully repaid as development takes place. The exact timing of these projects, their escalation costs, front ending, debt financing, earned interest as well as the expected pace of development over the 25-year period all work together with posted levy rates to generate a balanced cash flow.

Consequently, a “Finance Adjustment Factor” is required to the SDF adjusted rates to ensure a balanced cash flow at the end of the 25-year period. This demonstrates that the Town has collected neither too much nor too little to cover all foreseeable costs for the projects. This “Finance Adjustment Factor” is based on numerous inputs as identified below.



The final step in rate calculation involves multiplying by this finance adjustment factor to generate the final off-site levy rate:



During annual reporting of off-site levy payments and reserve balances, it is common to use average of interest rates, calculated using the January 1 and December 31 data. However, when issuing a new off-site levy bylaw, the prevailing interest rates at the time of bylaw publication are used.

Off-Site Levy Receipts and Allocations

The details of all off-site levies received by each contributor for each type of facility and infrastructure within each benefitting area, as set by rates outlined in the Town of Canmore Off-Site Levy Bylaw (2020-27) are provided in Table 1 below:

Area	Application Number	Units	Rate	Transport (\$/Unit)	Water (\$/Unit)	Sanitary (\$/Unit)	Storm (\$/Unit)	Fire (\$/Unit)	Total (\$/Unit)
1.3	SB2019-009	58.0	4,616	39,433	94,541	79,414	-	54,341	267,728
4.1	PL20220043	15.7	9,232	21,325	51,128	42,947	-	29,388	144,788
6.2	PL20210492	44.0	6,701	20,044	65,980	168,258	12,939	27,622	294,844
6.2	PL20210275	21.0	6,701	9,567	31,491	80,305	6,175	13,183	140,721
6.3	PL20220175	1.0	10,001	680	2,238	5,707	439	937	10,001
6.4	PL20210492	57.0	7,501	29,067	95,679	243,993	18,763	40,055	427,557
6.4	PL20210275	25.0	7,501	12,748	41,964	107,015	8,229	17,568	187,525
7.1	PL20210332	0.1	33,061	181	594	1,211	2,155	249	4,389
7.2	PL20210332	6.0	11,075	2,733	8,997	18,331	32,623	3,766	66,450
7.4	PL20220068	3.0	12,398	1,530	5,036	10,260	18,260	2,108	37,194
7.4	PL20220099	3.0	12,398	1,530	5,036	10,260	18,260	2,108	37,194
7.4	PL20210423	16.0	12,398	8,159	26,857	54,721	97,388	11,244	198,368
7.4	PL20220001	4.0	12,398	2,040	6,714	13,680	24,347	2,811	49,592
7.4	PL20210183	5.0	12,398	2,550	8,393	17,100	30,434	3,514	61,990
7.4	PL20210370	2.0	12,398	1,020	3,357	6,840	12,173	1,405	24,796
7.4	PL20210411	3.0	12,398	1,530	5,036	10,260	18,260	2,108	37,194
9.2	PL20200416 CREDIT	-23.3	5,717	(10,591)	(44,245)	(56,651)	(6,837)	(14,595)	(132,920)
9.2	PL20200416 CREDIT	-0.3	5,717	(153)	(641)	(821)	(99)	(212)	(1,926)
9.4	PL20200416 CREDIT	-32.3	6,400	(16,446)	(68,705)	(87,969)	(10,616)	(22,664)	(206,400)
9.4	PL20200416 CREDIT	-0.3	6,400	(172)	(718)	(919)	(111)	(237)	(2,156)
9.4	PL20210317	5.0	6,400	2,550	10,652	13,639	1,646	3,514	32,000
9.4	PL20210342	31.0	6,400	15,809	66,042	84,559	10,205	21,785	198,400
10.3	PL20220016	1.0	10,875	680	2,238	7,020	-	937	10,875

Area	Application Number	Units	Rate	Transport (\$/Unit)	Water (\$/Unit)	Sanitary (\$/Unit)	Storm (\$/Unit)	Fire (\$/Unit)	Total (\$/Unit)
10.3	PL20220258	1.0	10,875	680	2,238	7,020	-	937	10,875
10.3	PL20220026	1.0	10,875	680	2,238	7,020	-	937	10,875
10.4	PL20220110	1.0	8,156	510	1,678	5,265	-	703	8,156
11.3	PL20220229	1.0	5,254	680	2,152	1,485	-	937	5,254
11.3	PL20200413	1.0	5,254	680	2,152	1,485	-	937	5,254
11.3	PL20220004	1.0	5,254	680	2,152	1,485	-	937	5,254
11.3	PL20210502	1.0	5,254	680	2,152	1,485	-	937	5,254
11.4	PL20210355	0.9	3,940	471	1,490	1,029	-	649	3,639
Total		252.6		\$ 150,872	\$ 433,915	\$ 855,434	\$ 294,633	\$ 207,910	\$ 1,942,764

Table 1 Total Levies Received & Allocation to Facility / Infrastructure

Each project was grouped into a specific infrastructure / facility (Water, Sanitary, Fire, Storm, Transportation) and was allocated a portion of the collected levies in accordance with the unique benefitting areas that each project serves.

The collected levies were further distributed into dedicated Infrastructure Reserves (for future projects) or into Operating Budgets (for current or complete projects).

Allocation to Reserves for Future Projects:

Infrastructure	Project	Receipt Allocation (\$)	Allocation to Reserve (\$)
Fire	Fire Hall Palliser	45,847	45,847
Fire	Fire Hall Three Sisters	162,063	162,063
Sanitary	56-WWTP-Influent Screens Capacity Upgrade	6,677	6,677
Sanitary	57-WWTP-UV Disinfection Capacity Upgrade	17,832	17,832
Sanitary	58-WWTP-Intermediate Transfer Pumps	2,578	2,578
Sanitary	65-Lift Station #2a Upgrade	(1,337)	(1,337)
Sanitary	66-BVT Wastewater Upgrade	99,007	99,007
Sanitary	67-Railway Avenue Wastewater Upgrade	58,641	58,641
Sanitary	68-7th Avenue Wastewater Upgrade	14,849	14,849
Sanitary	69-BVT Wastewater Upgrade (2nd Avenue / Teepee Town)	10,754	10,754
Storm	37-Teepee Town Stormwater Management Upgrades	253,900	253,900
Transport	42-Railway & Main Intersection Upgrade	27,836	27,836

Infrastructure	Project	Receipt Allocation (\$)	Allocation to Reserve (\$)
Transport	44-BVT Upgrade Williams West Of 17th	35,459	35,459
Transport	45- Railway Avenue 10th To 12th	47,117	47,117
Transport	54-Traffic Signals Main And 8th	5,380	5,380
Transport	55-10th Street Traffic Signals	16,041	16,041
Water	35-Reservoir Capacity Upgrade	77,035	77,035
Water	51-Pumphouse #2 - Treatment Capacity Upgrade	189,186	189,186
Water	60-Pumphouse #2 - Inline Booster Pump Upgrade	8,629	8,629
Water	61-Pumphouse #2 - Distribution Upgrade	49,059	49,059
Total		\$ 1,126,552	\$ 1,126,552

Table 2 Allocation to Reserves for Future Projects

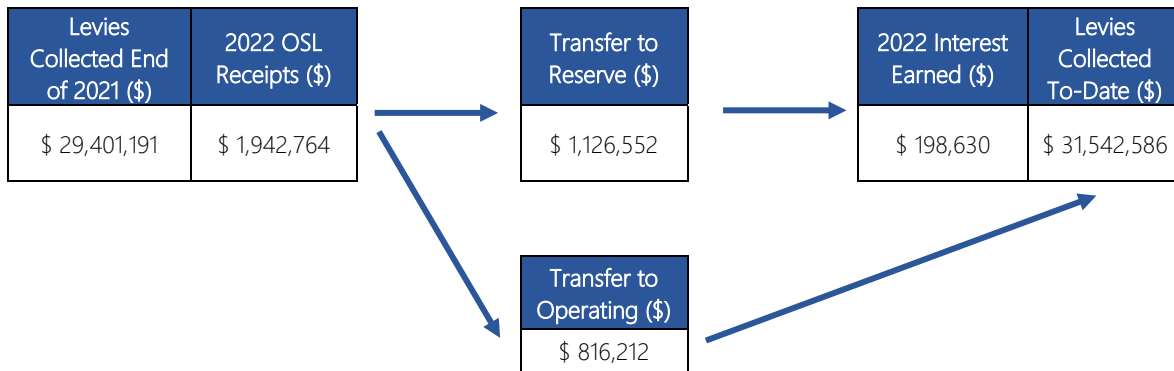
Allocation to Operating Budgets for Current / Complete Projects:

Infrastructure	Project	Receipt Allocation (\$)	Allocation to Operating (\$)
Sanitary	01-Wastewater Treatment Plant (1999)	6,240	6,240
Sanitary	02-Sanitary Upgrade #1 (1999)	7,977	7,977
Sanitary	03-Sanitary Upgrade #2 (1999)	1,475	1,475
Sanitary	04-Sanitary Upgrade #3 (1999)	7,969	7,969
Sanitary	07-Wwtp Ph.1 (1999)	240	240
Sanitary	08-Wwtp Ph.2 (1999)	2,028	2,028
Sanitary	13-Lift Station #1 (1999)	(1,683)	(1,683)
Sanitary	18-Bvt Trunk Sanitary Sewer (2004)	35,834	35,834
Sanitary	19-Wwtp Influent Pump (2003)	782	782
Sanitary	20-Ump - Storm Water (2003)	90	90
Sanitary	22-Catchment Area 2 Sanitary Upgrade (2004)	6,320	6,320
Sanitary	23-Wwtp Exp Process Evaluation (2004)	797	797
Sanitary	25-Bvt Sewer Upgrade (2006)	19,842	19,842
Sanitary	26-New Ls Catchment Area 2 (2006)	78,581	78,581
Sanitary	27-Forcemain from New Ls to WWTP (2005)	44,843	44,843
Sanitary	30-Wwtp Expansion Phase 2 (2007)	109,333	109,333
Sanitary	31-Bvt Relief Force main (2009)	107,462	107,462

Infrastructure	Project	Receipt Allocation (\$)	Allocation to Operating (\$)
Sanitary	47a-Wwtp Solids Handling Upgrade (2013)	4,562	4,562
Sanitary	47b-Wwtp Solids Handling Upgrade (2014)	9,279	9,279
Sanitary	47c-Wwtp Solids Handling Upgrade (2017)	85,290	85,290
Sanitary	48-Wwtp Influent Pump Station Ph1 (2015)	5,097	5,097
Sanitary	49-Lift Station #1 Pump Upgrade (2015)	4,666	4,666
Sanitary	50-Wwtp Influent Pump Station Ph2 (2018)	8,864	8,864
Sanitary	52-Wwtp-Process & Mechanical Upgrade (2018)	5,684	5,684
Sanitary	53-Wwtp-Dewatering System Upgrade (2020)	49,161	49,161
Sanitary	59-Lift Station #2 Upgrade (2020)	45,700	45,700
Storm	33-Stoneworks Creek Drainage Diversion	40,733	40,733
Transportation	40-Traffic Signals Main And 7th	5,322	5,322
Transportation	41-Bvt Upgrade Williams to Montane	13,718	13,718
Water	05-Second Ave. Watermain (1999)	4,940	4,940
Water	06-Rec. Center Watermain (1999)	1,359	1,359
Water	09-Water Reservoir #6 (1999)	7,472	7,472
Water	10-Water Ph#1 (1999)	10,953	10,953
Water	11-Waterline Under Bow River (1999)	1,690	1,690
Water	12-Waterline On BVT (1999)	5,204	5,204
Water	14-Utility Master Plan (1999)	1	1
Water	15-Crosstown Feeder (1999)	3,045	3,045
Water	16-Ph#2 Upgrade (2001)	15,418	15,418
Water	17-Railway Ave Watermain (2002)	724	724
Water	24-7th Ave Watermain (2006)	85	85
Water	28-Harvie Heights Water Supply (2005)	12,535	12,535
Water	39a-South Bow River Loop Ph 1 (90% Water Distribution for Area #1-#10)	9,694	9,694
Water	39b-South Bow River Loop Ph 1 (10% Fire Flow Benefit #9)	(10,068)	(10,068)
Water	46-Pump House #2 - Clear Well Capacity Upgrade	46,954	46,954
Total		\$ 816,212	\$ 816,212

Table 3 Allocation to Operating Budgets for Current / Complete Projects

The following summarizes how the collected levy receipts were distributed, including the total collected amounts to-date:



Calculated interest includes the interest on reserve opening balances, project expenditures as well as collected levy receipts.

- Interest Earned on Opening Reserve Balance 2.7%
- Interest Earned on 2022 Collected Levies 1.35%
- Interest Charged on 2022 Project Expenditure 1.1025 %

Table 4 below identifies the reserve balances retained for each type of facility and infrastructure, after reserve transfers for project funding and allocations to operating budgets.

Infrastructure / Facility	2021 Reserve Balance (\$)	2022 Project Funding (\$)	2022 Interest (\$)	2022 Reserve Allocation (\$)	2022 Reserve Balance (\$)
Water	2,857,613	(345,000)	81,801	323,910	2,918,323
Transportation	2,162,432	-	60,213	131,832	2,354,477
Storm	434,595	(184,235)	15,263	253,900	519,522
Sanitary	1,098,217	-	34,073	209,001	1,341,291
Fire	165,732	-	7,282	207,910	380,923
Total	\$ 6,718,589	\$ (529,235)	\$ 198,630	\$ 1,126,552	\$ 7,514,536

Table 4 Retained Reserve Balances

The 2021 and 2022 Reserve Balances match the Town of Canmore 2022 Audited Financial Statements.