Off-site Levy Bylaw Review – Water Resources Working Group Stakeholder Consultation Meeting Notes

Date/Time: November 4, 2021 / 10:00 am to 12:00 pm

Location: MS Teams – video conferencing

Attendees:

Internal	External
Maggie Choi	Greg Bodnarchuk
Pam McHugh	Brian Hahn
Patrick McMahon	Robert Homersham
Helena Nguyen	Richard Mackett
Erika Van Boxmeer*	Chris Ollenberger
Trudy Wobeser	Jackie Stewart
Daniel Vincent	Mark Wynker
Mingdi Yang	
Regrets	
Kimberly Kahan	Shameer Gaidhar
	Jay German

*note taker

Agenda

1. **Questions from the previous session** (Dan Vincent)
2. **Current vs. proposed capacity methodology and the rationale for change** (Dan Vincent)
3. **Brief review of current methodology and formula - Challenges & Opportunities** (Dan Vincent)
4. **Introduction to cost of capacity methodology and high-level formula** (Dan Vincent)
    a) **Improvements and Tradeoffs**
    b) **Variable and Fixed Inputs**
5. **Transitioning between methodologies** (Dan Vincent)
6. **Planned next steps** (Dan Vincent)

Feedback collected:

Question 1: Do you understand why we are moving to the cost of capacity methodology?

- If you're moving legacy costs from the numerator forward, and you have a smaller denominator than the current model, won't the levy go up? The denominator under the current methodology is a forecast but it seems like we're moving that number over into the new methodology and adding it to the new denominator.
- the 2016 bylaw had the 5 previous years of historical cost in the numerator that is referred to in the previous bullet point.

Question 2: Do you understand how the methodology works and how the rate would be calculated?

- One-time inclusion of the shortfall in the transition makes sense.
- Need to put numbers into the model to test the methodology. The approach does hold promise though.
- We're looking at it from the perspective of what the impact will be, but we're interested in continuing this exploration.

General Feedback/Comments

- Referencing Slide 5 - Why are we using a 25 year amortization period when we are assuming that 100% of the Principle & Interest costs are collected within a 9 year term? The comment on the bottom of this slide was a bit confusing/unclear.
- Do you have a timeline on the next steps?
- Excellent presentation.
- Referencing Slide 4 – the cost of capacity appears to be somewhat time agnostic.
- For next steps, is it possible to line up the current model and update it to 2018 so that it can be compared with the proposed cost of capacity model? This will help us determine if the cost of capacity model is superior.
- Referencing slide 8 – can this be updated with the latest numbers?
- Referencing slides 7 and 16 - can the bracketed content be lined up? (slide 7) Shortfall collection over 10 years blows out the rate. (slide 16) The shortfall collection over a longer period has less impact to the rate.
- One-time shortfall adjustment: is this really one time? Do we include the shortfall in the calculation every 2 years? It's a required component in the calculation. Everyone needs to understand that there will be a true-up process.
- It would be great if a "backcast" or a comparison could be presented where we look at what would have occurred if the proposed capacity model had been used in 2015 and 2018. Again, devil is in the details, but I believe such a comparison may help to highlight/demonstrate the merits of the capacity approach.
- How are we calculating the outstanding balance on past projects? Do we have a solid accounting of how levies collected to date have been allocated to these individual projects? And are we reviewing this on a project-by-project basis? Will this be shared with the group? - More referring to the one-time add-on cost that was mentioned in the presentation.
- Can you explain the logic in using only the green (approved) land and future approved business cases versus including the blue (planned) land in the methodology?
- The fluctuations will be smaller, based on the information shown. Don't think that we'll be able to get away from fluctuations. The adjustment (from estimates and actuals) seems like it will always be part of the calculation.
- Not ruling out the current model yet, but open to exploring the cost of capacity model. Is there a possible error that presents itself when future lands come online, and are introduced into the denominator with limited increases in the nominator? Maybe there is a decrease in levy as a result? Believed that the current model using average numbers over long-term. Have we identified cost to support growth in the current model? With the capacity model, if there is an error and in year 6 we identified new infrastructure, will the levy rate will go up? Through the new model, interested in testing out different examples.
- Fluctuations will be minor within the cost of capacity model – there will still be a delta. How this plays out will be interesting to see, as hectares and timing may change over time. The

commenter thinks the current model was intending to address this potential fluctuation by means of working through averages of growth on the basis of using realistic inputs and effectively/efficiently adding new capital projects... obviously, there could have been a miss in the rationale.

- Is it correct that you said you will be reviewing the rate every 2 years instead of every 5 years?
- Seeing whether the model works the way described will come down to the data inputted.
- Will the new model ensure developers are paying their fair share? The northeast infrastructure will serve 1000 Ha, but the land approved is much smaller than that. Will that make the developer pay more right now?
- Is this understanding correct: With new business cases, some infrastructure is complete so the denominator will be adjusted, and the rates will be lower.
- Referencing slide 11 – is it correct that land isn't leviable until the agreements have been signed/approved (or GMO is removed)? Does this result in a discrepancy in when it's leviable and when levies are collected?
- Regarding the numerator – because the new methodology will tie together City payments and construction. Will The City continue to use class 5 cost estimates?
- When we're at a higher level of prosperity (improved economy), can we expect a credit or something similar under the cost capacity model?

Summary of Action Items

The City:

- Share current Off-site Levy (2016 & 2018) project list with updated actuals and projections - share by end of November
- Add new Off-site Levy projects required to service growth to the project list – share in early December
- Share the rate calculation model – date for sharing is to be determined

Working group participants:

- Will share feedback within a week, by November 15