

Infrastructure Project Financing

Legislative Updates

Recommendation

That the November 28, 2018, Integrated Infrastructure Services report CR_6507, be received for information.

Previous Council/Committee Action

At the October 9/10, 2018, City Council meeting the following motion was passed:

That Administration bring a report with the forthcoming City budget identifying which pending infrastructure projects in the four- and 10-year plans could be funded in whole or in part by new cost-allocation tools available to the city in the recently-revised *Municipal Government Act* and/or City Charter.

Executive Summary

Recent updates to the *Municipal Government Act* (MGA) have provided additional funding tools to support financing of growth services and related infrastructure. In addition to the MGA updates, discussions on the City Charters between the City of Edmonton, City of Calgary and the Province are advancing and are expected to provide a mix of tools available to Alberta's big cities. These tools will allow cities to be more responsive to changing economic circumstances.

Discussions related to the criteria to support these new tools are still underway. The focus of this report is primarily on off-site levy amendments under the MGA as this is public and available to all municipalities in Alberta. Off-site levies can be used to generate funds to support the construction of an asset, and will in practice likely be used primarily to recover costs that are paid upfront through another funding mechanism. Attachment 1 outlines the general current state responsibility of infrastructure provisions related to growth. Attachment 2 provides a list of potentially eligible projects included within the 2019-2022 Capital Budget and 2019-2028 Capital Investment Outlook.

Report

Legislative Overview

Municipal Government Act Update

In 2014 the Government of Alberta launched a process to modernize the *Municipal Government Act* (MGA). The MGA was subsequently amended three times between 2016 and 2018 on a range of matters. Some amendments are mandatory and require municipalities to formally incorporate the change, and other amendments are enabling allowing individual municipalities to decide whether to apply the change. While the majority of recent amendments to the MGA came into force on October 26, 2017, there are a number of regulations related to enabling changes, such as those for Inclusionary Housing, that have not yet been released. Accordingly, these provisions are not reviewed in this report.

Among the enabling amendments that recently came into effect is the expanded authority to establish and implement new off-site levies through a bylaw. The purpose of a levy is to offset the costs incurred by a municipality in providing public infrastructure necessary to serve new development. An off-site levy collects funds through the planning approval process and is applied as a charge to private development within a defined geographic area as a condition of a subdivision or a development permit.

On January 23, 2018, City Council accepted Administration's proposal to pursue the application of the expanded authority under off-site levies. Municipalities are already permitted to apply off-site levies for water systems, sewers and roads. The objective of Administration's follow up work is to assess how the additional scope under new off-site levies may be implemented based on the criteria set out in the regulation and the potential capacity of land developers and builders to pay additional development charges. To date, Administration has drafted a project plan including an engagement plan, a terms of reference and principles, and is planning financial assessments. Administration will provide an update to City Council on this work in Q1 2019.

The recently expanded authority introduced under off-site levies are:

- Expanded Scope: Municipalities may collect off-site levies to cover all or part of the capital cost of new or expanded community facilities, including the following:
 - community recreation facilities (“community recreation facilities” are defined as indoor municipal facilities used primarily by members of the public to participate in recreational activities conducted at the facilities);
 - fire halls;
 - police stations; and
 - libraries.

- Highway Connections: A municipality may collect off-site levies to pay for new or expanded transportation infrastructure required to connect or improve the connection of municipal roads to provincial highways. This is understood to include transportation infrastructure enhancements that would fall under the jurisdiction of the Province (part of the Provincial Highway System; e.g. Anthony Henday Drive), and infrastructure not owned by the City of Edmonton.
- Intermunicipal Levies: The MGA enables neighbouring municipalities to collaborate with one another to impose intermunicipal off-site levies for the above purposes.

Considerations for the Application of Off-Site Levies:

- Provisions related to off-site levies in the MGA are enabling in terms of their authority and, as such, the municipality must establish bylaws to allow for their application and use (e.g. Arterial Roads for Development Bylaw 14380).
- Funds collected for specific infrastructure can only be spent on that specific infrastructure.
- Funds can only be collected for and applied to new or expanded (growth) infrastructure: renewal projects are not eligible for levies.
- The rate by which funds are collected is tied to the rate of development activity. Projects identified for off-site levy funding, must be financed up front by other sources as levy revenue will not be fully collected until the benefiting area is fully developed.
- The Province is not obligated to fund any infrastructure projects identified through intermunicipal off-site levies.
- Collaborating municipalities require parallel off-site levy bylaws using consistent methodology that will cause a ripple effect whereby this methodology must be shared with other municipalities wanting to collaborate with a municipality already party to an intermunicipal levy.
- Facilities to be funded through off-site levies need to be “planning ready” with an approximate location identified (in order to determine the benefiting area), and an estimate of the costs (to assist in setting an off-site levy rate).

A broad based current state assessment of cost responsibilities associated with municipal land and infrastructure is included in Attachment 1.

City Charter

In parallel with the work on modernizing the MGA, the Province is working with the City of Edmonton and the City of Calgary to advance discussions related to the development of City Charters. City Charters seek to recognize the unique challenges and opportunities large urban cities such as Edmonton and Calgary encounter in relation to the contributions and impact they make to the livability and economic prosperity of Alberta. The intent of City Charters is to shift authority from the Province

to the City over areas that directly impact the lives of residents, providing the flexibility and ability to respond to local needs with local solutions.

On April 4, 2018 the Alberta Cabinet formally approved the regulation for the City of Edmonton Charter, one of three aspects of the City Charters. Another aspect of the work included increased collaboration between Edmonton, Calgary and the Province to develop solutions for complex issues such as social policy, planning policy, environmental policy, energy policy/energy efficiency, transportation policy and economic policy. The last aspect includes all three parties participating in the development of a fiscal framework that will support the needs and challenges of the two cities and the Province. A fiscal framework would include revenue sources that align with potential shifts in roles and responsibilities. This could enable the two cities to use a mix of tools, over time, that are responsive to changing economic circumstances. The City Charter Fiscal Framework is still in negotiation but it is expected that this framework may include the following:

- Revenue Sharing - this revenue stream is anticipated to replace the Municipal Sustainability Initiative (MSI) program which is set to expire at the end of 2021.
- Other Enhancements - refined criteria and guidelines to existing fiscal tools including: local improvement tax, special tax, and debt management.

Administration is continuing discussions with the Province on the new City Charter fiscal tools that could be applicable to capital infrastructure. Once terms, criteria and guidelines are set, and City Council has approved any number of the tools, they will be available for advancing infrastructure and operational needs.

Potentially Eligible Capital Projects

As outlined in the motion, Attachment 2 identifies capital projects included in either the four-year Capital Budget and 10-year Capital Investment Outlook that are understood to be eligible under the expanded Off-site Levies Regulation that came into effect as part of the updated MGA, should City Council chooses to enable this new provision.

Administration has not yet fully assessed the feasibility nor the impact of applying a levy for these projects and, therefore, they are identified as potential projects only. These projects could be eligible for funding from other cost allocation tools that may emerge from the City Charter discussions.

Corporate Outcomes and Performance Management

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| Corporate Outcome(s): The City of Edmonton has sustainable and accessible infrastructure. | | | |
| Outcome(s) | Measure(s) | Result(s) | Target(s) |

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| The City of Edmonton has sustainable and accessible infrastructure. | Edmontonians' assessment: access to amenities and services that improve quality of life (% of survey respondents who agree/strongly agree) | 68% (2017) | 70% |
| Corporate Outcome(s): The City of Edmonton has a resilient financial position | | | |
| Outcome(s) | Measure(s) | Result(s) | Target(s) |
| The City of Edmonton has a resilient financial position. | City Asset Sustainability (actual expenditure on capital infrastructure divided by required expenditure) | 0.94 (2017) | 1.00 |

Attachments

1. Current State Assessment - Municipal Land and Infrastructure Costs
2. Potential Project list (4-year Budget, 10-year Capital Investment Outlook)

Others Reviewing this Report

- T. Burge, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- C. Owen, Deputy City Manager, Communications and Engagement
- P. Ross, Acting Deputy City Manager, Urban Form and Corporate Strategic Development
- R. Smyth, Deputy City Manager, Citizen Services
- G. Cebryk, Deputy City Manager, City Operations