

Detailed Inputs and Assumptions

Background

On 2022 September 20, Council gave direction for the development of a redesigned system for evaluating (and ultimately investing in) new community Growth Applications (C2022-1057). Growth Applications replaced the business case evaluation and Growth Management Overlay statutory mechanism and introduced several new features, while maintaining the foundation of the previous system in aligning to the Municipal Development Plan (MDP) and Calgary Transportation Plan (CTP), responding to market demands and balancing financial impacts. There was also a shift to a continuously open, fee-supported application approach whereby new community Growth Applications will continue to be assessed according to a set of evaluation criteria, which include financial impact criteria and related funding implications. Council's role in making the final decision to fund or not fund the operating and capital investments and ultimately to approve a Growth Application or not, is maintained in the Service Plans and Budgets process. Information on the specifics of these changes is available on The City's website at www.calgary.ca/newcommunity.

One key aspect of the Financial Impact criteria is the consideration of projected operating costs and generated revenue. The impact is determined by using The City's New Community Incremental Operating Cost Model ("the Model"), with this report specifically addressing previous Council direction to provide Council with more detailed reporting on the inputs and assumptions used in the Model (IP2022-0545).

Approach to Determining Inputs and Assumptions

The current Model is a refined version of the same Model used in 2018, 2020 and 2022 to deliver investment recommendations on new community growth to Council. Administration will refine and improve the Model through annual reviews informed by feedback and practical application thereof, as we continue to work towards a more fulsome incremental operating cost model to link growth investment and financial impacts more effectively and efficiently.

Methodology

Subject matter experts in tax-supported business units impacted by new community growth confirmed cost estimates, drivers and descriptions. The scope of operating costs and revenues was limited to those considered to be incremental and directly resulting from new community growth.

In addition, only property tax revenue, franchise fee revenue, transit revenue and tax-supported expenditures are included in the current Model, as this covers the majority of potential operating costs and revenues that may result from new community growth. Other revenue sources and operating costs could be considered in future refinement of the Model.

Key Definitions

- **Direct costs** are operational expenditures incurred by The City to provide the required services, within The City's Service Level standards, as a direct result of a new community development.
- **Indirect costs** are operational expenditures incurred by The City to administer The City's services within its Service Level standards.
- **Incremental costs** are costs expected to be incurred by The City to service new community development. This applies to Direct and Indirect Costs.
- **Lifetime of the development** means the average anticipated buildout 15-years buildout of new communities.

Revenues

Assessment & Tax will review the full build-out characteristics per the Growth Application received, comparing it to market value assessments of similarly built-out areas to provide an estimate of the assessed value for the current year (as if fully complete). The corresponding proportionate estimate of municipal tax will also be reviewed. It is important to note that The City budgets for additional revenues from redevelopment and new development, meaning that the estimate of municipal taxes provided as part of this analysis, is not implied to be additional tax revenue. Rather, this provides an estimate of the change in proportion of overall tax revenue for the development site identified in the Growth Application.

Franchise fees are estimated using data from C2023-0324 (Verbal), presented at 2023 March 21 Strategic Meeting of Council, together with the average household size in Calgary in 2021, and the number of units anticipated at build-out per Growth Application received.

Operating Costs

Table 1 and 2 below set out the Model’s Direct and Indirect Operating Costs respectively.

The Evolution of The Model

The current Model is a refined version of the same Model used in 2018, 2020 and 2022 to deliver investment recommendations on new community growth to Council. The following table summarizes the evolution of the key drivers over this time:

Driver	2018/2020 Model	2022 Model	2023 Model
Direct Costs	Core tax-supported services*	Core tax-supported services*, with updates to costs and service levels for 2022	- Core tax-supported services*, with updates to costs and service levels for 2023 - Transit costs to be determined specifically through review of each Growth Application received
Indirect and Lifecycle Operating Costs	Not included	- Core tax-supported services	- Core tax-supported services*, with updates to costs and service levels for 2023 - No lifecycle costs
Ancillary Operating Costs	Not included	City services impacted by new community growth	Incorporated into core tax-supported services’ costs

Driver	2018/2020 Model	2022 Model	2023 Model
Revenue	<ul style="list-style-type: none"> - Property tax revenue (reduced by 30%) as identified by the developer applicant - Associated transit revenue included 	<ul style="list-style-type: none"> - Property tax revenue at 100% as identified by the developer applicant - Associated transit revenue included - Updated inputs for 2022 	<ul style="list-style-type: none"> - Property tax revenue at 100% - The City will estimate assessed values and property tax rates with each Growth Application received - Associated transit revenue included - Franchise fee revenue included

*Refer Attachment 3 for core tax-supported services identified to be in-scope.

Table 1: Direct Operating Costs (as of 2023 October)

Service	Time of Introduction	Expected Incremental Cost per Year	Cost Driver	Type of Costs
Facility Management	New Fire Station (One Station every 12,000 Units)	\$122,000	Per Fire Station	Operating costs for fire station, incl. building maintenance, landscaping, snow and ice control, building-related equipment maintenance and utilities.
Fire and Emergency Response	Lands Not Serviced by an Existing or Planned Fire Station (One Station every 12,000 Units)	\$3,800,000	Per Station	Single engine with 22 staff: Staff salary & wages, protective equipment, duty gear, engine operating & maintenance costs (incl. parts & fuel), station operating & maintenance costs.
Parks and Open Spaces	Upon Development of Park	\$17,500	Per Municipal Reserve Hectare	Includes horticultural, irrigation, amenities, pathways and urban forestry, grounds maintenance, water management, upkeep of pathways and park, re-soiling of tree & flowers and infrastructure maintenance.
Parks and Open Spaces	Upon Development of Natural Area	\$8,750	Per Environmental Reserve Hectare	Same cost types as above, albeit at a fraction of the cost as the land remains in its natural state.
Police Services	New Police Station	\$170,700	Per Officer for Every 500 Units	Cost of single officer salary, uniform, vehicle operating costs, personal equipment and training.

Service	Time of Introduction	Expected Incremental Cost per Year	Cost Driver	Type of Costs
Streets	Year of Road Construction	\$5,500	Per Lane KM	Paving inspections, lane marking, street lighting, signage, construction administration and minimal clearing during year of road construction.
Streets	Years Subsequent to Road Construction	\$11,500	Per Lane KM	Street lighting, signage, street cleaning, snow removal, sanding, pothole & general street repairs, vehicle maintenance and administrative costs.
Public Transit - Introductory / Full Service	Upon Deployment of Transit Route	To be determined by Transit's Service Planning team, per new community Growth Application received. Impacted by distance to the closest transit hub, rate of development in the area, frequency and number of vehicles. Costs would include Operator & Maintenance salary & wages, fuel, utilities, maintenance and parts.		

Table 2: Indirect Operating Costs (as of 2023 October)

Service	Time of Introduction	Expected Incremental Cost per Year	Cost Driver	Type of Costs
Facility Management	At 20,000 Units	\$433,400	Facility Size (Avg. of \$21.67 per Unit)	Operating costs for new 60,000 Sq. Ft. Operational Work Centre (for every 20,000 households) to support tax-funded services in new community (primarily Mobility and Parks and Open Spaces).
Fire and Emergency Response	At 12,000 Units	\$2,350,000	Per Station	Secondary aerial unit, including staff salary & wages, as well as administrative, operating and maintenance expenditures for apparatus & equipment.
Police Services	New Police Station	\$30.54	Per Unit	Facility operations, including Security, specialized maintenance, utilities, IT, finance & administration, building & equipment maintenance, materials & equipment, supplies and contracts & general services.
Public Transit - Introductory / Full Service	Upon Deployment of Transit Route	To be determined by Transit's Service Planning team, per new community Growth Application received. Impacted by distance to the closest transit hub, rate of development in the area, frequency and number of vehicles. Costs would mainly include support services (such as Operations Support, Service Planning / Scheduling, Customer Service and Other Administrative Support).		

NOTES:

- The scope of the above Direct and Indirect Costs is based on the Service Lines identified in Attachment 3. Although these do not fully capture all The City's Services Lines' costs pertaining to new community growth, these Services represent approximately 70 per cent of The City's tax-supported operating expenses.
- Expected incremental costs per year are based on historic data currently available.
- These costs will continuously evolve and be updated as more information becomes available and as the new community growth tracking process evolves, with major updates to inputs and assumptions to be shared with interested parties.