

Growth Infrastructure Continuous Improvement Plan

PURPOSE

The purpose of this report is to respond to Council direction to develop a detailed implementation plan for continuous improvement in how The City plans, funds, builds and reports on growth-related infrastructure. Of the eight (8) amendments directed by Council January 16, all have been actioned and are underway.

PREVIOUS COUNCIL DIRECTION

On 2024 January 16 (IP2023-1264), Council approved the 2024 Off-site Levies Bylaw and directed Administration to report back in 2024 Q2 with a detailed implementation plan addressing:

- a. Update the Water Efficiency Plan.
- b. Undertake geographic analysis measuring water usage.
- c. Request data from the development industry that shows evidence of water saving measures in new communities.
- d. Report on RouteAhead strategies regarding transit service in new communities.
- e. Supplement the off-site annual levy report to include buses bought using levies.
- f. Investigate rightsizing infrastructure in the Municipal Development Plan, Calgary Transportation Plan, and other infrastructure plans.
- g. Identify risks and costs due to slower pace of growth.
- h. Investigate alternative means to fund new growth-related infrastructure (as opposed to passing the financial burden to The City of Calgary and existing taxpayers and utility rate payers).

RECOMMENDATION:

That Infrastructure and Planning Committee recommend that Council receive this report for the Corporate Record.

CHIEF ADMINISTRATIVE OFFICER/GENERAL MANAGER COMMENTS

Acting General Manager Debra Hamilton concurs with this report. This plan highlights The City's commitment to continuous improvement, robust engagement and transparency on growth infrastructure.

HIGHLIGHTS

- In response to 2024 January 16 direction, Administration developed a detailed implementation plan for continuous improvement in how The City plans, funds, builds and reports on growth-related infrastructure. (Attachment 2).
- Administration is dedicated to continuous improvement, seeks opportunities to right-size infrastructure and strives to reduce spending without compromising level of service to Calgarians. Administration also seeks ways to improve transparency and clarity in connection to the off-site levies and investigates new funding opportunities.

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- Administration uses several processes and tools to effectively identify, prioritize, fund and deliver future growth infrastructure. The methodology used in the Off-site Levies Bylaw has recently been updated. It is transparent and effective. At the same time, Administration remains attentive to continuous improvement.
- Updates to the inputs to the off-site levies will be incorporated in future bylaw updates as they become available.
- Council directed Administration to explore a contingency plan of alternative funding models to the levies for funding growth-related infrastructure. Doing so will help to ensure that The City does not shift the costs of growth towards taxpayers and ratepayers.

DISCUSSION

Administration has developed a detailed implementation plan, including specifics on deliverables, scope of work, resourcing, and timing for each of the topics identified in the Council direction. Administration will continue to undertake the initiatives in Attachment 2, as per the defined timelines.

The implementation plan actions can be categorized under three overall directions:

1. *Continuous improvements to how The City plans and builds growth-related infrastructure*

1.1. *Water Efficiency Plan, Analyze Geographic Water Use, Industry Data on Water Saving (amendments a-c)*

Effective water management, and how much water is taken from the Bow and Elbow rivers, is critical to prepare for population growth, drought risk, water sharing agreement commitments and system costs. In 2024, Administration is emphasizing and has increased efforts toward two water management strategies. The first is water conservation, including the launch of a 'Every drop counts' water conservation campaign and Water Reductions Advisory in the spring, followed by proposed water utility bylaw amendments at the June 11 Executive Committee meeting for the immediate implementation of an outdoor watering schedule. Second, the Accelerated Water Loss program, including increased leak surveys starting this June, increased pipe replacements, and metering to support data driven decision-making. These strategies are expected to reduce water use in 2024. Additional strategies and actions will be guided by the Water Efficiency Plan, anticipated to be completed in early 2025.

Administration is also undertaking a program to replace the existing water meter reading system with an advanced system that provides accurate and near real-time data on water consumption. Administration is also currently developing an implementation plan for improved monitoring in the potable water distribution system. Administration has made a request to interest groups representing the development industry for empirical evidence of water conservation measures in the construction of new homes and communities, with the response noted in Attachment 3.

1.2. *Right size infrastructure (amendment f)*

Administration provides a biannual report on infrastructure with a lens on appropriately sizing infrastructure to meet needs. The "*Biannual Infrastructure Insights Report – Q1 2024*" (IP2024-0020) was on the 2024 March 13 agenda. Administration is currently undertaking the City Building Program, which will consolidate and update the Municipal Development Plan and

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Calgary Transportation Plan, as well as bring forward a new Street Manual, the latter of which will consolidate and update the Complete Streets Policy and Guide and the Design Guidelines for Subdivision Servicing Section II: Roads. As well, Administration is conducting the Southeast Calgary Network Study to review street classifications, sequencing and prioritization of long-range infrastructure plans to inform investment and city-building decisions. A key consideration of all these projects is to critically examine and question the need, scale, cost and timing of future infrastructure.

1.3. Costs of Slow Growth (amendment g)

Administration has begun to undertake an analysis of operating and maintenance costs incurred for utility infrastructure resulting from a slower than anticipated pace of growth. The results of this analysis will inform engineering solutions and potential changes to the sizing, design and construction sequence of utility infrastructure. Administration may revise infrastructure evaluation during Growth Application review and Area Structure Plan development depending on the results of this study.

2. Continuous improvements to how The City reports on growth-related infrastructure

2.1. Route ahead – report new community transit, add buses to annual levy report (amendment d and e)

Administration reports to Council in the second quarter of each year on the RouteAhead strategic plan with updates on operating investments, capital investments, status indicator updates and transit service changes. The “RouteAhead 2023 Annual Status Report” (IP2024-0581) was on the 2024 May 15 agenda. In 2024, Calgary Transit undertakes the expansion of On Demand service to six new communities.

The Off-site Levies and Centre City Levy Annual Reports provide information on levy collection and spend as required under the Municipal Government Act. These reports ensure ongoing accountability for the levy funds used to deliver infrastructure that supports growth and development in Calgary. Administration continually seeks opportunities to improve the clarity of information in the report. Administration will publish an updated version of the Off-site Levies Annual Report, including reporting on buses purchased using levy funds, in 2025 Q2.

Enhanced reporting as part of the RouteAhead strategic plan reporting and the Off-site Levies Annual Report support transparency for levy ratepayers, industry interest groups and Council.

3. Continuous improvements to how The City funds growth-related infrastructure

3.1. Alternative funding contingency (amendment h)

The current levies are robust, well-supported by industry and Administration, and meet The City’s legislative obligations. In the absence of levies, the full cost of growth would be shifted to The City of Calgary, resulting either in increased taxes, reduced service, an inability to fund growth-related projects or a combination of all three. Administration is currently developing a contingency plan to explore alternative funding models that could potentially be deployed if required (Attachment 4). Administration will ensure that any potential alternative(s) considered as contingency options do not pass more of the financial costs of growth to The City of Calgary, existing taxpayers or utility rate payers. Report “Exploration of Contingency Models to the Off-site Levy Bylaw for Funding Growth-Related Infrastructure” (IGA2024-0529) will be on the 2024 June 20 Intergovernmental Affairs Committee agenda and responds to additional Council direction to develop a contingency funding plan.

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EXTERNAL ENGAGEMENT AND COMMUNICATION

- | | |
|------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| <input type="checkbox"/> Public engagement was undertaken. | <input checked="" type="checkbox"/> Dialogue with interested parties was undertaken. |
| <input checked="" type="checkbox"/> Public/interested parties were informed. | <input type="checkbox"/> Public communication or engagement was not required. |

Administration met with representatives of the Building Industry and Land Development Association (BILD), the Commercial Real Estate Development Association (NAIOP) and Calgary Inner City Builders Association (CICBA) to share its approach on addressing the Council direction. Administration received feedback on the approach, as well as suggestions on approaching the Provincial Government for funding. Industry representatives are supportive of the existence of levies as cost-sharing mechanisms and prefer the current system to one where developers fund and build infrastructure.

The main concerns shared by industry were that The City should continually reevaluate whether the cost, scale and design of infrastructure is financially sustainable and supports future growth.

IMPLICATIONS

Social

If The City is forced to adopt an alternative funding contingency plan in place of the levies, or if the levy rates are adjusted such that they are too low and do not collect sufficient revenue to adequately service communities, it may impact The City's ability to ensure funding availability for recreation facilities, libraries, fire and police stations, clean drinking water, buses and pathways. This infrastructure is essential for safe and vibrant communities. They directly support the Quality-of-Life indicators and the Social Wellbeing Policy. Further, the funding and provision of capital infrastructure directly enables housing in new communities, which helps balance supply with demand and can improve affordability.

Environmental

If The City adopts an alternative funding contingency plan, or if the levy rates are adjusted too low, it may slow greenfield development. While there are downsides to this, it may have a positive environmental impact. The Sustainability Principles for Land Use and Mobility listed in the Municipal Development Plan include Principle 5: *Preserve open space, agricultural land, natural beauty and critical environmental areas*, and Principle 7: *Strategically direct and manage redevelopment opportunities within existing areas*. Greenfield development replaces natural grassland and agricultural land, contributing to increased greenhouse gas emissions and reduced biodiversity. Increased growth in the greenfield increases the challenge for The City to enable more sustainable travel options and shorter trips between work, school and amenities. Administration mitigates these impacts by strategically planning and delivering infrastructure.

Economic

If The City adopts an alternative funding contingency plan, or if the levy rates are adjusted too low, it may impact The City's ability to fund its capital priorities. Levy-funded infrastructure creates jobs and economic activity, both directly and through the enabled development.

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Service and Financial Implications

No anticipated financial impact

There are no direct capital or operating costs associated with this report.

RISK

- **Under collection:** There is a risk that this work results in off-site levy rates that are too low and do not collect sufficient revenue to ensure adequately serviced communities. This could result in increased pressure on tax and utility rates, underserved communities and/or an inability to fund growth-related projects. Administration is managing this risk by continuing to take an evidence-based approach in its continuous improvement work.
- **Legislative change:** The Provincial Government has introduced legislative changes that increase the risk that construction of growth-related infrastructure may be paused, thus negatively impacting growth. If the levies were to become unreliable tools in funding growth, this could have a major impact. In addition, the Provincial Government has introduced Bill 18, which could limit the availability of Federal Government grant funding to The City. Administration is managing these risks by starting work to explore an alternative model that mirrors the balance of risk in the existing bylaw, as directed by Council, as a contingency. However, any significant changes in the way The City funds infrastructure carries new risks and would take time to implement.
- **Fiscal gap:** Even if potential alternatives to the levy that Administration identifies mirror the balance of financial risk in the levy, there are still significant municipal contributions required to fund growth, as well as a growing fiscal gap between available funding and infrastructure needs. Growth creates a commitment to services and infrastructure indefinitely into the future, impacting The City's long-term financial sustainability.

ATTACHMENT(S)

1. Background and Previous Council Direction
2. Growth Infrastructure Continuous Improvement Implementation Plan
3. Request for Industry Data on Water Saving
4. Alternative Funding Contingency Plan
5. Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Debra Hamilton	Planning and Development Services	Approve
Carla Male	Corporate Planning & Financial Services	Approve
Doug Morgan	Operational Services	Consult
Michael Thompson	Infrastructure Services	Consult