

Rate Change for the Community Aggregate Payment (CAP) Levy

EXECUTIVE SUMMARY

Since 2008, the City of Calgary has collected a levy from the companies that mine and ship sand and gravel, known as aggregate, within city boundaries. This is known as a Community Aggregate Payment (CAP) Levy. The levy was created to offset some of the repair and maintenance costs of the road surface along the primary routes that aggregates are hauled. The weight of these vehicles prematurely wears down sections of the road, which can affect travel quality. The amount of the CAP Levy was set at \$0.25 per tonne of aggregate shipped, which was the maximum rate allowed by Provincial regulation. The rate has not changed since 2008.

The levy revenue has been spent on road projects that benefit both the residents and businesses that are near the gravel production sites in NW Calgary. This includes surface paving and repairs on roads such as Centre Street North and Symons Valley Parkway NW, intersection upgrades at Country Hills BV and 112 AV NW, as well as frequent street sweeping to pick up loose gravel along the primary haul routes.

The Province recently raised the maximum levy rate that municipalities may charge to \$0.40 per tonne of sand and gravel. Administration recommends that The City increase the CAP Levy rate to \$0.40 per tonne, by amending Bylaw 50M2007. This would allow for the continued investment into road repair and rehabilitation projects, while enabling construction to begin sooner on an intersection improvement project at 85 ST NW. The aggregate producers in Calgary are aware of the recommendation to change the levy rate, and do not oppose the proposed rate increase.

ADMINISTRATION RECOMMENDATION:

That the Priorities and Finance Committee recommends that Council:

1. Give three readings to the proposed bylaw to amend the Community Aggregate Payment Levy Bylaw 50M2007, by increasing the CAP Levy rate to \$0.40 per tonne, effective 2018 July 1 (Attachment 1).

PREVIOUS COUNCIL DIRECTION / POLICY

At the Combined Meeting of Council on 2007 May 7, Council approved the recommendations in LPT2007-21:

1. Direct Administration to implement a Community Aggregate Payment (CAP) Levy of \$0.25 per tonne of aggregate mined within the city starting January 01, 2008; and
2. Direct Administration to consult with the aggregate producers on suitable methods of collecting the levy.

BACKGROUND

The Alberta Government's Community Aggregate Payment Levy regulation (263/2005) came into effect 2006 January 1. It established the ability for municipalities, upon passing a CAP levy bylaw, to collect a levy from sand and gravel operators to be used toward the payment of infrastructure and other costs in the municipality. The intent was to help offset some of the road repair and maintenance costs that result from gravel trucks carrying heavy loads along sections of roadway. A maximum rate of \$0.25 per tonne of sand and gravel shipments was established.

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The City of Calgary created a CAP Levy bylaw (50M2007) that went into effect 2008 January 1. All sand and gravel producers in Calgary have been assessed a rate of \$0.25 per tonne of gravel sold, with payment remitted either monthly or annually. The levy is managed by the Roads business unit. Prior to the bylaw approval by Council, meetings were held with stakeholders including representatives from the Alberta Sand and Gravel Association (ASGA) and the Alberta Roadbuilders & Heavy Construction Association (ARHCA).

The Alberta Government recently amended the CAP Levy regulation and increased the maximum levy rate to \$0.40 per tonne of sand and gravel, effective 2018 January 1. Any municipality that wishes to adjust their levy rate must amend their local CAP Levy bylaw and approve a new rate, so long as it does not exceed \$0.40 per tonne.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Most municipalities in Alberta that have gravel mining operations within their boundaries charge an aggregate levy, including the Municipal Districts (MD) of Rockyview, Foothills and Bighorn. Some variations exist on how the levy is collected, but the most common method is an annual charge based on the tonnage produced at each gravel operation.

Revenue

There are several gravel mining operations located in the NW quadrant of the city, north of the communities of Royal Oak and Citadel. The City has collected approximately \$7.6 million in CAP levy fees since 2012, which averages out to an annual contribution of \$1.26 million.

It is important to note that gravel aggregate is a limited, non-renewable resource. The current permitted supply in the NW gravel production sites is estimated to be consumed within 15 to 20 years. CAP Levy revenues will be directly affected by reductions in production as the gravel supplies disappear, eventually resulting in the end of the levy.

Expenditures

Since 2012, approximately \$5.6 million of the levy revenue has been spent on road improvement projects that address concerns from nearby residents:

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| Repair and Paving | Centre Street North, Symons Valley Parkway NW, Country Hills Boulevard NW and 101 ST SW |
| Intersection Improvements | Country Hills Boulevard at 112 AV NW |
| Street Sweeping | Additional weekly sweeping along the primary haul routes of 144 AV, 112 AV and 85 Street NW |

\$3 million of existing and future CAP Levy revenue has been committed to the study, design and construction of an improved intersection and road widening at 85 ST and 112 AV NW. A new merge lane and dual left-turn lanes will improve the movement of large trucks through the area, as they access Sarcee Trail to the east. Once completed, this will result in fewer trucks choosing to drive west-bound on 112 AV through the commercial district to access Stoney Trail from Country Hills Boulevard. This would address the concerns of residents from the nearby communities of Royal Oak and Rocky Ridge regarding truck volume, driver behaviour and the resulting traffic congestion at the Country Hills Boulevard intersection.

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Rate Increase

The proposed increase in the CAP levy to \$0.40 per tonne would generate an additional \$750,000 in revenue per year. This would allow for the continuation of weekly street sweeping in the area and expansion of some road rehabilitation projects, while enabling construction to begin sooner on the 85 ST NW project. In speaking with the industry stakeholders, the increased levy amount is not expected to have a detrimental impact on demand for aggregates.

Stakeholder Engagement, Research and Communication

The City has a CAP Levy Committee that meets semi-annually to discuss potential projects and spending priorities for the previous year's contributions. All aggregate operators within Calgary are members of the committee. The issue of a potential levy rate change has been discussed with the committee since the Province updated the CAP Levy regulations in late 2017.

The proposed levy rate change was reviewed by these stakeholders and they have provided a letter of support from their association, the ASGA (Attachment 3). These operators requested that the change to the levy rate be implemented beginning 2018 July 1. This would allow for a period of transition, as they do have contractual arrangements already in place with their vendors. Administration agrees with this proposed date.

Strategic Alignment

The collection and reinvestment of the CAP Levy revenue into roadway infrastructure supports many objectives from the Calgary Transportation Plan. This includes the pursuit of new sources of revenue to offset the costs of transportation services, and promotes the sound management and preservation of the roadways. The revenue ensures that redevelopment and maintenance projects are completed in a timely manner, which improves the overall condition of the roads that endure high-traffic volume of heavy vehicles, while minimizing the impact on existing budgets for road paving and surface overlay.

Social, Environmental, Economic (External)

The revenue collected from the CAP Levy ensures the haul routes used by the sand and gravel operators are maintained in a cost-effective and financially responsible manner. The quality of the road service and the operation of the intersections around the gravel sites affects residents, businesses, and industry. The CAP Levy funded projects help improve the efficient movement of vehicles in general, which leads to reduced traffic congestion and idle times in this NW area.

Financial Capacity

Current and Future Operating Budget:

The rate change will result in a small increase in CAP Levy contributions from the Roads business unit. This will be absorbed into current and future operating budgets. The revenues raised from the levy are reinvested into roadway repairs or infrastructure improvements on the primary routes used by the sand and gravel operators as intended.

Current and Future Capital Budget:

There are no known impacts to current or future capital budgets.

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Risk Assessment

It is anticipated that most other municipalities and districts in Alberta will increase the CAP Levy rate in their areas to \$0.40 per tonne. The MD of Bighorn has already done so. However, increasing fees or levies for businesses can be met with resistance, particularly when there has not been adequate communication. This potential issue has been addressed through open and on-going dialogue with the sand and gravel operators through the CAP Levy Committee.

REASON(S) FOR RECOMMENDATION(S):

The CAP Levy rate has not increased in 10 years. An increase of the rate to \$0.40 per tonne would raise approximately \$750,000 more per year, which will be reinvested into roadway rehabilitation projects and intersection improvements in the areas that are impacted by gravel hauling vehicles. There are no objections to the rate increase from the aggregate producers of Calgary.

ATTACHMENT(S)

1. Proposed wording for a bylaw to amend Bylaw 50M2007
2. Bylaw 50M2007 (Current)
3. Letter of Support from the Alberta Sand and Gravel Association