

**CORPORATION OF THE VILLAGE OF BARNWELL
IN THE
PROVINCE OF ALBERTA
BYLAW NO. 5-09**

Bylaw/Policy Disposition

Amends: _____

Amended by: 04-15

Rescinds: _____

BEING A BYLAW OF THE VILLAGE OF BARNWELL IN THE PROVINCE OF ALBERTA, FOR THE PURPOSE OF PROVIDING FOR THE IMPOSITION OF A LEVY, TO BE KNOWN AS AN "OFF-SITE LEVY", IN RESPECT OF LAND THAT IS TO BE DEVELOPED OR SUBDIVIDED.

WHEREAS, Sections 648 and 649 of the Municipal Government Act, Chapter M-26 RSA 2000, provides that the Council of a Municipality may pass a Bylaw establishing an off-site levy;

WHEREAS, the Council of the Village of Barnwell deems it desirable to establish an off-site levy for the purposes described in the Act;

WHEREAS, the Council of the Village of Barnwell engaged the engineering firm of MPE Engineering to prepare the fair and equitable calculation of off-site levies in accordance with the purposes of the Act;

WHEREAS, the Council wishes to enact a Bylaw to impose and provide for the payment of off-site levies; to authorize agreements to be entered into in respect of payment of off-site levies; to set out the object of the levy; and to indicate how the amount of each levy was determined;

NOW THEREFORE the Council of the Village of Barnwell, duly assembled, enacts as follows:

1) PURPOSE AND INTENT

This Bylaw is intended to:

- a) impose and provide for the payment of a levy to be known as an off-site levy in respect of land that is to be subdivided or developed in the Village of Barnwell;
- b) authorize agreements to be entered into in respect of payment of a levy;
- c) set out the object of the levy; and
- d) indicate how the amount of the levy was determined.

2) DEFINITIONS

In this Bylaw:

- a) "ACT" shall mean the Municipal Government Act, Statutes of Alberta, 2000, Chapter M-26;
- b) "CAO" shall mean the Chief Administrative Officer of the Village of Barnwell or its authorized representative;
- c) "COUNCIL" means the Council of the Village of Barnwell;
- d) "DEVELOPMENT" has the same meaning as provided for in the Act;
- e) "HA" means a hectare of land which is 10,000 square meters;
- f) "ACRE" means once acre in the imperial measurement system;
- g) "OFF-SITE LEVY" means the levy imposed and created by this Bylaw;
- h) "SUBDIVISION" has the same meaning as provided for in the Act.

3) ADMINISTRATION AND ENFORCEMENT

Council hereby delegates to the CAO the duty and authority to enforce and administer this Bylaw.

4) IMPOSITION OF LEVY

- a) The "off-site levy" to be imposed will be Seventy Thousand Eight Hundred and Eighty One Dollars (\$70,881.00) per hectare of land that is to be developed or subdivided.
- b) Payment of Levy:
 - i) 50% of the Levy is payable upon signing of the Development Agreement;
 - ii) The remaining 50% shall be paid by December 31 of the same calendar year.

5) AUTHORITY TO ENTER INTO AGREEMENT

Council hereby delegates the CAO the authority to enter into, and execute on behalf of the Village of Barnwell, a written agreement with the owner of the land that is to be developed or subdivided providing for the payment of the levies imposed by this Bylaw. This Bylaw also expressly delegates the authority to the CAO to vary or waive the payment of off-site levies imposed by this Bylaw with prior approval for such varying or waiver being established by Council by way of resolution.

6) OBJECT OF THE LEVY

The object of the off-site levy is to reimburse the municipality, the costs associated with the construction of the following:

- a) new or expanded facilities for the storage, transmission, treatment or supplying of water;
- b) new or expanded facilities for the treatment, movement or disposal of sanitary sewage;
- c) new or expanded storm sewer drainage facilities;
- d) new or expanded roads required for or impacted by a subdivision or development;
- e) land required for or in connection with any facilities described in clauses a) to d).

7) DETERMINATION OF THE LEVY

The levy of this Bylaw was determined in accordance with the calculations as prepared by MPE Engineering, see (Schedule A).

8) ENACTMENT

This Bylaw shall take effect and come into force upon the date of final reading thereof.

READ a **first** time this 16th day of July, 2009.



Mayor - Del Bodnarek



Municipal Administrator - Wendy Bateman

READ a **second** time this 17th day of Sep, 2009 as amended.

READ a **third** time and finally PASSED this 17th day of Sep, 2009.



Mayor - Del Bodnarek



Municipal Administrator - Wendy Bateman

Suite 300, 714 5 Avenue South
Lethbridge, AB T1J 0V1
Phone: 403-329-3442
1-866-329-3442
Fax: 403-329-9354



Village of Barnwell
P O Box 159
612 Heritage Road
Barnwell, Alberta
T0K 0B0

June 22, 2009
File: N:\14\80\006\L01.DOC

Attention: Ms. Wendy Bateman, Administrator

Dear Madam:

Re: Off-Site Levy Calculations

Introduction

At your request, we herein present a method for calculating off-site levy costs that would be applicable to new development within the Village of Barnwell. The method presented is similar in nature to that used by the City of Lethbridge, and is structured to include all costs associated with growth. The advantages of the method are that conceptually it is straightforward and it arrives at a single cost that is applied equally to all types of development. Further, it should prove to be relatively simple to administer.

Principles for Calculation of Off-Site Levy Costs

The underlying principle to the methodology presented herein is that "growth pays for growth." The off-site levy calculation is based on a tally of all infrastructure costs to the Village that are attributable to growth and that cost is allocated to all developable land within the municipal boundary. The methodology is outlined in the following steps:

1. Define the developable area.
2. Estimate the infrastructure requirements for the developable area.
3. Identify what portion of the infrastructure costs are attributable to growth, over and above the local requirements for rehabilitation and renewal.
4. Calculate a levy rate, including financing costs, based on assumptions of growth rate, construction cost estimates, project timing, inflation, and interest rates (assuming some projects are debentured).

The levy costs are tracked in a Levy Account that, based on the above methodology, will achieve a zero balance at build-out of the developable area.

Delineation of the Developable Area

The Village's Infrastructure Master Plan (IMP) identifies a number of developable areas within the corporate boundary of the Village of Barnwell for which there is no existing development agreement. These areas were adjusted and added to based on discussions with the Village. Developable area is taken

as the gross area. No allowance has been made for such things as Environmental Reserve, Municipal Reserve, or major transportation corridors.

Currently there is a total gross area of 30.75 hectares (ha) of undeveloped land identified within Barnwell in several separate parcels. Figure 1 shows the parcels identified as most likely available for development. The IMP suggests a timeframe of either “mid term” or “long term”, as to when each parcel could be developed. However given the likelihood of smaller scale developments occurring, it was assumed that development would occur fairly evenly throughout the 20 year planning timeframe.

Off-Site Infrastructure Requirements

The IMP was also used as the basis for identifying the required infrastructure to support growth. The projects identified in the IMP include water, sewer, storm, and roadwork projects, and include a projected construction date and an estimated cost of construction. The projects were reviewed and judged according to their contribution to growth and hence their applicability for off-site levy funding.

Applicable projects are considered as any that provide capacity for the purpose of servicing additional residential, commercial or industrial lots. Repairs or upgrades to solve existing problems are not considered eligible for funding from the off-site levy account. Also, subdivisions of land or the creation of lots where off-site levies have already been paid is considered redevelopment and projects to serve these areas are not eligible for off-site levy funding. Only that proportion of the capital costs attributable to the increased growth-related capacity provided by the project is eligible for off-site levy funding.

Cost estimates were included in the IMP for all of the infrastructure projects. From these estimates and from an assessment of what proportion of the project contributes to growth, a proportion of the project cost was assigned as a “Levy Cost.” Thus, if a project was deemed to contribute 50% to growth, then 50% of the project cost (net of any government funding) was allocated to the Levy Account (see Table 1).

In its simplest form, a levy rate could be calculated by dividing the prorated cost estimates by the gross area of the developable area to arrive at a current value per hectare of infrastructure required for growth. However, this does not take into account the timing of projects and the related costs with respect to inflation, and the cost of borrowing money. These issues are addressed in the Cash Flow Model discussed below.

Cash Flow Model

The Levy Account is based on a cash flow accounting of costs and accruals over a relatively long period of time. There are many uncertainties and variables, including interest rates, inflation rates, and timing of the various projects that can affect cash flow. A cash flow scenario analysis was undertaken based on a development timeframe of 20 years, inflation rate of 4%, financing interest at 5%, and project costs and timing as per Table 1.

In order for the Village to adopt this methodology, some reference point must be adopted as a starting date for the Levy Account. If the Village has any outstanding existing credits or accruals, these would be rolled into the Levy Account. If the Village decides not to pay cash to developers for oversize credits, then this aspect becomes simply a bookkeeping exercise to assist the developer in tracking subsequent development that benefits from the oversize.

At this juncture the assumption was made that the starting point is the current balance in the Village’s existing levy account. Recent (2008) construction of infrastructure to service a parcel in the northwest portion of the Village was included in the accounting, as the sewer and water lines have the potential to service additional new development areas. The value of this infrastructure work was given as \$521,905.

Figure 2 provides a graphic representation of the Levy Account cash flow over the full development period. In calculating the account balance, the levy rate was adjusted to the value shown in the figure so that the account balance just returns to a zero-balance at the end of the development period.

Results and Discussion

The IMP identified projects with a total current cost of \$4,637,000 to address a wide range of infrastructure issues within the Village. The projected cost, taking inflation into account, is \$5,587,000.

These projects address a variety of infrastructure issues, including both outstanding problems in the existing parts of the community, as well as requirements for new development. Frequently a project will address both existing and new growth issues.

From the overall list of projects, a determination was made to separate out the project value that contributes to growth. The projected value of off-site infrastructure required to service growth to the development areas amounts to \$1,891,500. Cash flow over the development time frame will attract financing costs estimated to total \$582,350. In addition, there is an existing cost on the books of \$521,900 for the infrastructure constructed in 2008. Therefore, the total Levy Cost over the full development period is estimated to be \$2,995,750. It is this amount that is intended to be paid from the off-site levies.

In calculating the Levy Cost portion of these projects, the Village has made the assumption that Provincial funding programs will remain in place at a level similar to current funding programs. Therefore, the funding support has been accounted for in these figures.

Off-Site Levy Rate

The current off-site levy is calculated on a case by case basis according to negotiations with the developer. Therefore, no set amount is currently charged as an off-site levy.

Table 2 presents the calculations of the levy account balance over the 20 year planning horizon. The suggested levy rate based on the methodology described above, is \$70,881 per hectare. The rate is based on full cost recovery of infrastructure and financing costs attributable to growth. Over time it is expected that the rate will be adjusted to keep pace with inflation and interest rates. This was simulated by adjusting the rate at five year intervals according to the rate of inflation.

Conclusions

1. An estimated total of \$2,995,750, including inflation and financing, is required to pay for growth related infrastructure needed to service the developable area in the Village of Barnwell over the next 20 years.
2. Based on the assumptions included in this analysis, an initial levy rate of \$70,881 per hectare will collect the required funds over the 30.75 hectare gross developable area to meet the infrastructure costs for growth.
3. Implementation of the proposed levy rate is significant but will still keep the Village competitive with development in adjacent communities.

Recommendations

1. The Village should adopt a methodology for calculating off-site levies consistent with that described here.
2. The Village should review the levy rate regularly to ensure revenue keeps pace with expected costs. Further, the cash flow in the Levy Account should be monitored closely to minimize financing costs.

Closure

We appreciate the opportunity to be of service and to assist you in defining off-site levies for future development in the Village of Barnwell. We look forward to assisting you in implementing your plans for the future.

Yours truly,

MPE ENGINEERING LTD.



Gordon Ayers, P. Eng.
Senior Project Manager

encl.

**Figure 2 - Village of Barnwell
Off-Site Levy Account Cash Flow
w/ Levy Rate = \$70,881/ha**

