



CAPITAL PROJECT MANAGEMENT

TO:	Council	
DATE:	October 27, 2020	DIVISION: All
FILE:	1015-750	APPLICATION: N/A
SUBJECT:	Authorization to sign Cooperative Stormwater Management Initiative Agreements	

EXECUTIVE SUMMARY:

Rocky View County has been an active member of the Cooperative Stormwater Management Initiative (CSMI) since 2012, working with the regional partners to address flooding, environmental, and economic concerns within the region through the construction of a shared stormwater conveyance system.

This report presents the findings of an independent business case and describes the foundational agreements required to legally form and govern the Cooperative as an independent entity.

ADMINISTRATION RECOMMENDATION:

Administration recommends approval in accordance with Option #1.

BACKGROUND:

Rocky View County has been a member of the Cooperative Stormwater Management Initiative (CSMI) since the Cooperative's founding in 2012. Current members include the Town of Strathmore, Wheatland County, the City of Calgary, and the Western Irrigation District (WID). Although not a member of CSMI, Alberta Environment and Parks (AEP) has been a key stakeholder as well, providing guidance and grant funding to support member activities.

Through their respective member representatives, CSMI has engaged in the development of a stormwater conveyance system to addresses regional flooding concerns, manage environmental impacts caused by stormwater, and unlock economic benefits for the member municipalities, its residents, and its developers.

Building upon previous reports to Council, the purpose of this report is to describe the findings of a completed third-party business case, obtain Council's authorization to sign the foundational agreements, and ultimately incorporate the Cooperative.

Business Case, Findings:

Administration engaged a third-party firm to complete an 'arms-length' business case analysis, with preliminary results shared with Council in a CSMI Update on February 11th, 2020 (Item D-8).

The completed report by Mooreview Management Consulting focuses on three key areas:

1. Changes in direct costs and revenue over time

By considering the likely style and timing of development over a variety of time horizons, a financial model was developed to predict changes in municipal costs and tax revenues over CSMI's anticipated 25-year buildout period.

Having considered both the anticipated changes to servicing costs and the tax revenues generated by new development, completion of the of CSMI system is expected to provide a 170% rate of return (\$199 million in benefit versus \$43.7 million in expense) over the initial 25-year period.

Administration Resources

Doug Hafichuk, Capital Project Management



2. Perception of CSMI within the development community

As part of the analysis, several existing developers were interviewed to help ascertain the development community's perception of CSMI.

The Mooreview report notes that developers are concerned with stormwater management and see it as an impediment to development. The amount of land required for stormwater management is viewed as a significant detriment, and that the current risk of flooding carries both undesirable financial and reputational risks.

Although the development community recognizes that abiding by zero-release or restricted-release requirements may be necessary in early stages, there is strong support for a regional stormwater conveyance system, particularly if flexibility remains to address site-specific challenges.

The development community has indicated a clear willingness to pay levies to fund system construction, noting that the primary concern to date is whether or not the system will actually be constructed (in a timely fashion).

3. Determining value for developers

Decreasing the amount of land required for stormwater management (ex. stormwater ponds) provides an opportunity to produce more revenue generating development on the same parcel of land. Using current assessed land values for each specific ASP area and development type, a high-level analysis indicates full system buildout will increase value by approximately \$803 million.

A net-present-value (NPV) calculation determined the potential internal rate of return for the development community. By funding system development through levies, the analysis determined that developers can expect to see a return of 15.5% for the entire CSMI benefitting area, with Langdon (9.26%) having the lowest returns and OMNI (20.89%) having the highest.

Having considered the overall development costs, the time horizon for development and infrastructure buildout, and the net-benefit to Rocky View County, the third-party consultant ultimately recommended the furtherance of CSMI.

Master Agreement, Subsequent Legal Agreements

CSMI has functioned to date through a (Council approved) Master Agreement. The Master Agreement is an interim agreement between members that enabled the completion of specific activities, such as securing grant funding and undertaking preliminary and detailed engineering, but falls short of authorizing current members to incorporate the Cooperative.

The CSMI governance framework replaces the Master Agreement and enables the Cooperative to register as an independent entity for the sole purpose of developing and operating the stormwater conveyance system on behalf of its members. The three primary agreements that comprise the governance framework include:

CSMI User Agreement

The CSMI User Agreement focuses on the governance of the Cooperative, describing the relationship between the Cooperative and its members, and vesting decision-making authority with the CSMI Board.

The CSMI User Agreement provides members with access to the stormwater system, establishes parameters for system use, and defines the rights and duties of members.



Key aspects of the User Agreement include:

- a) Defines the relationship between the CSMI, individual members, and the WID as the operator;
- b) Grants an exclusive license to CSMI and sublicense to individual members. Licensing is granted in perpetuity and survives the expiration or termination of the agreement(s);
- c) Clarifies the duties of the Cooperative, individual members, and the WID as operator;
- d) Designates CSMI (via a Board) as the exclusive decision-making authority for the system;
- e) Details financial requirements including accounting methodology (Public service accounting standards), reporting, and fund management;
- f) Establishes cost-sharing methodologies for the capital and operating costs of the Cooperative;
- g) Specifies terms of use with respect to stormwater volumes, flow rates, and water quality;
- h) Provisions for system monitoring and corrective measures;
- i) A tiered conflict resolution process.

CSMI Development Agreement

The CSMI Development Agreement describes the CSMI region and how system will be constructed over a 25-year timeframe.

Under the direction and oversight of the CSMI Board, the WID is appointed to oversee the engineering and construction of the system as sufficient funding is made available by the Board.

Key aspects of the Development Agreement include:

- a) The WID shall not receive a fee for undertaking development services;
- b) Describes how the stormwater system is to be developed and constructed, including estimated costs and timelines for various stages;
- c) Confirms that members are not obligated to construct a stage until funding becomes available. The system is intended to be funded exclusively through grants and levies, however provisions exist for advancement of funds through other means;
- d) Sets standards for financial management, record keeping, and reporting;
- e) Establishes how capital funds are made available for the purposes of completing development activities;
- f) Clarifies processes for inspection and final acceptance;
- g) Obligates a warranty for both direct-delivered and arms-length services.
- h) Provides the Cooperative with the ability to engage an alternative development agent.

CSMI Management Agreement

The CSMI Management Agreement provides a framework for the daily operation and maintenance of the stormwater system and describes how those activities are funded.

Under the direction and oversight of the CSMI Board, the WID is appointed to operate and maintain the system so that it remains available for use by CSMI members.



Key aspects of the CSMI Management Agreement include:

- a) The WID shall not receive a fee for undertaking management of the system;
- b) Describes the specific activities required to ensure good operation of the system;
- c) Only lands designated by members may direct stormwater into the system;
- d) Sets standards for financial management, record keeping, and reporting;
- e) Establishes a method by which third-party contracts and appraisals may be obtained;
- f) Provides the Cooperative with the ability to engage an alternative operating agent.

Designating a Board Member and Forming the Cooperative

Subject to the direction of their respective governance bodies, CSMI members will submit the necessary documents to register as an independent entity. The process will take approximately two to four weeks and the Cooperative is expected to be established in 2020.

A requirement of incorporation is the appointment of Directors for the CSMI Board. These appointments are intended to be non-political and Administration will be providing Council with recommendations on a Board appointment by the end of 2020.

In order to expedite the incorporation of CSMI and provide continuity until permanent members are selected, it is recommended that members appoint interim Directors. Similar to other CSMI members, Administration recommends that Council appoint Rocky View County's current member representative as its interim Director, with the expectation that they provide transition support once a permanent member is chosen.

BUDGET IMPLICATIONS:

Once incorporated, members will be required to provide sufficient funding to cover normal operating expenses. This includes common expenses such as insurance, board costs, audit fees, legal fees, and daily administration services by a single CSMI employee.

Although there are no budget implications for 2020, Rocky View County's contribution for 2021 is estimated to be \$106,850 and has already been included in the draft 2021 budget.

STRATEGIC OBJECTIVES:

Membership in CSMI aligns with the County's strategic themes of *Financial Health* and *Responsible Growth* through the development of shared regional infrastructure that promotes economic development, environmental stewardship, and reduces financial risk for ratepayers.

Further, participation in CSMI is directly connected to several key County objectives, including:

1. Embrace Partnerships by working directly with three regional municipalities and a regional irrigation district, with the support of the Province, towards a shared objective;
2. Strengthen our Financial Resiliency by investing in capital works that have a strong rate of return and make doing business in the County more appealing;
3. Guide the County's Growth Pattern by continuing to develop reliable infrastructure that supports growth in identified growth areas.



OPTIONS:

- Option #1: Motion 1 THAT the Chief Administrative Officer, or delegate, be directed to sign the CSMI User Agreement, the CSMI Development Agreement, and the CSMI Management Agreement.
- Motion 2 THAT Doug Hafichuk be appointed as the County's interim Board Member until such time that a permanent Board Member is selected.
- Option #2: THAT alternative direction be provided.

Respectfully submitted,

Concurrence,

"Byron Riemann"

"Al Hoggan"

Executive Director
Operations Division

Chief Administrative Officer

DH/bg

ATTACHMENTS

- ATTACHMENT 'A' – CSMI Business Case
ATTACHMENT 'B' – Stormwater System Development Comparison