Financial Factors used in Calculating the offsite Levy Rates

The CPI rate can be found at: http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/econ09j-eng.htm (Change location to Alberta to get the regional data)

The project inflation factor relates to the CIP approval process. The finance department and the City Treasure give instructions about the inflation factor to use when estimating future projects. For the 2022-2031 CIP we were instructed to use 3% per year. If the cost of a project is higher than estimated as part of the CIP, an amendment will be done.

The CPI rate for the last 107 years is attached.

Interest rates

Website at this link: Loans to Local Authorities - Lending Rates (gov.ab.ca)

Some back ground information. Prior to September 30, 2020, loans and lending rates were offered through Alberta Capital Finance Authority (ACFA). As of October 31, 2020, ACFA was dissolved and loans and lending rates are now offered by the Government of Alberta.

In the last review we used these rates

Term	Rate Used
	2020-21
0	0.000%
3	2.812%
5	3.107%
10	3.623%
15	4.028%
20	4.324%
25	4.516%
30	4.629%

As part of the review we can adjust the increase factor to ensure we are accounting for all the factors that have an effect on borrowing rates. The factor used in the 2020-21 was 1.75%. this means there was 1.75% added to the most current indicative rates from the ACFA/Alberta Government site. Borrowing rates have increased considerably over the last 6 months. There are a few reasons. One of the reasons is the when the ACFA was dissolved and the borrowing was moved to the Alberta Government the preferential rates are no longer available. Economy and Bank of Canada are also factors in the borrowing rates.

The borrowing terms of a loan are highly dependent on the cash flow of the Offsite levy.

The rates we are proposing for 2023-2025

Increase factor	1.75%	Current ACFA	
Term	**Proposed New**	**15-Mar-22**	**Increase From previous review**
	2023-2025		
0	0%	0%	0.000%
3	4.28%	2.530%	1.468%
5	4.46%	2.710%	1.353%
10	4.82%	3.070%	1.197%
15	5.15%	3.400%	1.122%
20	5.37%	3.620%	1.046%
25	5.51%	3.760%	0.994%
30	5.59%	3.840%	0.961%

Rate of return

The balance in the Offsite levy account earns a rate of return interest value. This is paid by the City and calculated based on what the city earns on investments. This factor ranges from 1 to 3%. The rate of return for 2021 1.615. in the Offsite calculation the rate is 3%. We will need to review and adjust this number for the next bylaw rate term.

Over size Costs

Oversize infrastructure is sanitary facilities, storm sewer, and water facilities sized greater than the predefined base size or capacity that provides increased capacity in the system beyond what is required by the current phase of development. The Offsite Account provides compensation payments for the installation of oversize infrastructure. These costs are budgeted as part of the offsite levy rate and accounted for in the cash flow of the offsite levy balance. The 2021 over size costs were $795,325. The estimate of yearly oversize costs in the Offsite Levy calculation is $1.9 million. The oversize cost will be part of the review.

Growth Forecast

2022 30 ha
2023 35 ha
2024 35 ha
2025 35 ha
Ongoing 44 ha

	Forecast Growth by Year (ha)						
	2019	2020	2021	2022	2023	2024-2035	Ongoing Growth
Forecast	27	5*	12*	30	35	35	44
Actual	38.74	5.03	17.73				

The growth forecast is under review. The Growth maps are included in this package.

Areas that have previously been delayed are shown below. These areas require a large investment in offsite infrastructure in order to begin.

Plan Area	Prior Forecast Investment Year	New Forecast Investment Year
West Lethbridge Employment Area Structure Plan	2025	2029
South East Area Structure Plan	2029	2030
Water Mark Outline Plan	2027	2028
Royal View Area Structure Plan	-	2031*

* Existing road infrastructure would allow development to start in 2025-26