



August 12, 2022

Teresa Quinlin-Murphy  
Director of Corporate Services and Treasurer  
Town of Pelham  
20 Pelham Town Square  
Fonthill, ON  
L0S 1E0

Dear Teresa Quinlin-Murphy:

Re: Town of Pelham 2023 Development Charges Background Study and By-law

Further to your request, Watson & Associates Economists Ltd. (Watson) is pleased to provide a proposal letter concerning the Town's 2023 Development Charges (D.C.) Background Study and By-law.

Below outlines the summary of the study process, team members that will undertake the assignment, as well as the proposed workplan. We look forward to any questions in relation to this proposal.

## 1. Introduction

The Town of Pelham has requested a proposal to undertake the preparation of a D.C. background study. The D.C. study will result in the emplacement of a D.C. by-law, meeting the requirements of the *Development Charges Act, 1997* (D.C.A.), as amended.

In preparing this proposal, we recognize that the overall objective of this study is to provide funds that will allow the Town to finance the capital works required for development and to permit the Town to grow on a financially sound basis while complying with the new legislated requirements as set out in:

- Bill 108 (More homes, More Choice Act, 2019);
- Bill 138 (Plan to Build Ontario Together Act, 2019);
- Bill 197 (COVID-19 Economic Recovery Act, 2020);
- Bill 213 (Better for People, Smarter for Business Act, 2020); and
- Associated regulations.

Thus, the work plan will include the following:



- Review the Town's current policies regarding recovery of capital expenditures from new development and recommend an appropriate development charge strategy. Strategies regarding recovery of costs associated with excess capacity designed to service growth beyond the buildout period will also be examined;
- Review and develop policies with staff, addressing issues such as exemptions, discounting and credits, phase-in strategies and indexing options, as well as credits for various classes of development including but not limited to: residential, institutional, commercial, and industrial developments;
- Review the timing of payment provisions, D.C. rate freeze, interest policies, and definitions in the Town's D.C. by-law, as outlined in the D.C.A. as amended;
- Comply with the requirements of the D.C.A., as amended, and its associated regulation O.Reg. 82/98, as amended. This includes preparing a D.C. background study comprising a forecast of anticipated development, determining eligible services, estimating increased needs for each service, measuring 10-year historical levels of service, developing an asset management plan for projects included in the study and rules for imposing the calculated charges as well as the legislative requirements discussed further in section 2;
- Undertake the statutory public process requirements, including the need to hold at least one public meeting under the provisions of the legislation; and
- Ensure that financing is in place to pay for the services required to accommodate future development in the Town.

## 2. Watson & Associates Economists Ltd.

Watson is one of Canada's leading economic consulting firms, comprised of a committed thirty-three-person staff of municipal economists, planners and accountants. The firm has been in operation since 1982.

Serving over 250 municipal clients and utility commissions and 47 school boards throughout Ontario, many of which are long-term repeat clients, the firm is recognized as a leader in the municipal finance/local government field. The firm's senior members have participated extensively as expert witnesses on municipal finance and education matters at the Ontario Land Tribunal (OLT) for 40 years.

Watson is widely recognized as a leading authority on the fiscal aspects of the municipal government sector. The firm has earned its reputation for quality of analysis, as well as pragmatic and insightful interpretation of the issues we manage. We are well known for achieving results that translate into successful outcomes for our clients.

A feature of many studies completed by the firm includes the development of a solid information basis, and then working closely with staff and politicians to develop consensus around controversial issues. Further, many of our studies involve public participation, presenting key information to the public in an understandable format and



seeking public input in developing recommendations and future directions as part of a study process.

Our work has involved many aspects of municipal finance and economics, including assisting municipalities across the province with asset management and P.S.A.B. related services. Our firm also specializes in D.C.s, fiscal impact assessments, full cost user fee pricing models, financial feasibility assessments, capital and operating impacts of municipal servicing, demographic forecasts, reserve and reserve funds policy reviews, growth management studies, and local economy impact assessments.

Our firm has undertaken over one-half of the consulting work done in Ontario in the D.C. field during the past decade. In addition to conducting policy studies and co-ordinating by-law preparation and adoption processes, we have carried out numerous special issue studies, provided continuing advice to municipalities on D.C.s in specific situations and have presented papers on the D.C.A. at numerous municipal conferences. We have also participated in numerous OLT hearings and related processes. As a result of the large number of D.C. studies completed by our firm, Watson has the significant advantage of being able to assemble a solid information base which, when coupled with our sound working relationships with municipal staff and others, enables us to facilitate the development of consensus around controversial issues. Public participation, particularly from key stakeholders, is very important. Our approach is designed to ensure that material is presented in an understandable format, in order to encourage public input in the development of recommendations and future directions as part of a study process.

## 2.1 Project Team Members

---



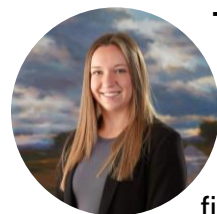
**Gary Scandlan, BA, PLE, Director**, would be the project manager and responsible for all facets of the study process. Mr. Scandlan will be available for attendance at all staff meetings and council presentations. Mr. Scandlan has been with the firm since 1989, before which he worked for two Regional municipalities, providing him with over 40 years of municipal experience. In regard to the latter, he held senior managerial positions and was directly responsible for long-range financial planning, long-term rate, and tax impact planning as well as all facets of capital financing. He is currently a member of the firm's senior management group, which develops interpretations of legislative requirements, as well as methodologies and formats and determines alternative policy strategies for all facets of corporate assignments. Mr. Scandlan has project managed over 600 studies of varying size and complexity for municipalities of all sizes. These studies include Development Charge (D.C.) studies, Community Benefit Charge (C.B.C.) strategies, parkland analyses, water, wastewater, and stormwater rate studies, financial impact analyses and a variety of other municipal planning and financial studies.



Mr. Scandlan has undertaken in excess of 400 D.C. studies since 1989, including Pelham's 2021 update study, and D.C. studies for Niagara Region, Niagara-on-the-Lake, Grimsby, Lincoln, Wainfleet, Hamilton, Barrie, Halton Region, and Peel Region.

With respect to Ontario Land Tribunal experience, Gary has participated in over 40 tribunal hearings with respect to municipal finance, primarily related to Development Charges.

**Byron Tan, MBE, PLE, Senior Project Coordinator** will be the main contact and be responsible for the capital needs review, policy review, staff meetings, calculations, and the compilation and preparation of reports and presentations. Since joining the firm in 2013, Byron has assisted in completing D.C. studies, water and wastewater rates and asset management studies, reserve and reserve fund policy reviews, and fiscal impact assessments for municipalities. To date, Byron has worked on over 100 D.C. studies and has undertaken the previous D.C. study for the Town. Byron holds a B.A. (Honours) degree in Economics and a Master of Business Economics from Brock University.



**Tayler Murphy, Analyst**, will assist with the data collection, policy review, staff meetings, calculations and the preparation of reports and presentations. Tayler works primarily in the area of development charges. Tayler is currently working on numerous D.C. studies including St. Marys, Springwater, Arnprior, and Renfrew County. Tayler joined the firm in the spring of 2022 and brings experience in finance and consulting. Tayler holds a Bachelor of Business Administration (Honours) degree and a master's degree in Business Analytics from the Schulich School of Business.

**Jamie Cook, MCIP, RPP, PLE, Director**, will be responsible for overseeing the preparation of the growth forecast portion of the D.C. study. Mr. Cook has over 20 years' experience in developing economic/fiscal impact studies and economic models across Canada. He is currently a member of the firm's senior management group which oversees all facets of corporate assignments and decision making. Mr. Cook has also defended his work at the LPAT on several occasions. He is a registered professional planner (RPP), a professional land economist (PLE) and a member of the Economic Developers Council of Ontario (EDCO).



**Vladislav Petrov, B.A., M.A., Senior Consultant**, will assist in the preparation of the growth forecast. Vlad has over six years of municipal experience and joined the firm in 2017, primarily working in the areas of demographics and land needs forecasting. Vlad has assisted with data input and analysis in the areas of growth forecasting for D.C. background studies, C.B.C. strategies, and land needs studies. His



previous experience includes working as an Assistant Business Analyst for Cancer Care Ontario, an Economic Analyst for the Burlington Economic Development Corporation, a Business Consultant for FreshInsights Consulting and later as an Economic Development Intern for Halton Region.

A curriculum vitae and contact information for each of the above individuals can be found on the company's website [www.watsonecon.ca](http://www.watsonecon.ca).

## 3. Our Perspectives on the Requirements of the Assignment

### 3.1 Requirements of the Assignment

---

With respect to specific requirements for this assignment, we would provide the following:

1. A review of current D.C. policies on cost recovery of capital expenditures, including policies on exemptions, phase-ins, indexing, discounting, and credits will be undertaken;
2. Provide policy advice and analysis with respect to:
  - a. The planning period time-horizon for services;
  - b. The Local Service Policy;
  - c. Special area rates, phasing, and discretionary exemptions;
  - d. Payment agreements, credits, front-ending agreements and subdivision agreements; and
  - e. D.C. recovery policies and strategies;
3. Hold one (1) start-up meeting to provide staff with information about the project, legislative requirements, and to discuss the process;
4. Hold one (1) day of staff interviews to meet with staff to discuss the Town's anticipated capital needs and 10-year historical service standards;
5. Work with staff to update the Town's Local Service Policy, under section 59(2) of the D.C.A.;
6. Prepare the D.C. background study document for staff input, presenting an analysis of the data collected, a D.C. schedule based on defined calculation methodology, with a sound legal basis, and policy recommendations. Prepare a draft by-law for staff and Council's consideration;
7. Present the report and proposed rates at a statutory Public Meeting (including a survey of D.C. rates in other municipalities);
8. Attend the by-law passage meeting; and



9. Be available for the Town as an expert witness at the OLT in the event of an appeal (based on a separate budget) and provide post-adoption implementation support.

Further, we would give appropriate consideration to all the matters addressed by the D.C.A., 1997, as amended, including:

- The preparation of growth projections (anticipated development) over 10-year and longer-term forecast periods, based on the Town’s Official Plan, the Region’s growth targets (from the recently approved Official Plan), and any other necessary plans or documents. The growth forecast will address residential, commercial, industrial and institutional development by time period, type, size, and general location. Other categories may be discussed at project initiation;
- The capital servicing requirements of the anticipated growth. We will meet with individual departments for an in-depth review of capital needs, understanding that changes to the growth forecast will require a change in the level of capital needs;
- The 10-year level of service cap and deductions for benefit to existing development (i.e. property tax or non-D.C. funding), post planning period capacity, excess capacity, grants and other contributions, etc.;
- Credits, full or partial exemptions, etc.;
- Collection policies and related administrative matters;
- The long-range capital and operating cost examination, as well as the asset management plan required by the D.C.A., as amended;
- The rules regarding D.C. implementation (e.g. phasing-in, indexing, municipal-wide versus area-specific charges, allocation between class of developments including mixed uses and changes in use);
- As per the amended Act, area-rating of charges must and will be considered; and
- Preparation of a D.C. survey of peer municipalities.

Our detailed workplan for undertaking the D.C. study process is provided in Figure 3-1.

Should this proposed work schedule not reflect the work plan anticipated by staff, Watson would be pleased to review and amend as necessary.

**Figure 3-1  
Proposed D.C. Background Study Workplan**

STUDY STEPS	KEY ELEMENTS
PROJECT MANAGEMENT	Upon award, Watson will establish communication between Watson staff and Town staff. We will prepare an internal project management plan that outlines the following:



STUDY STEPS	KEY ELEMENTS
	<ol style="list-style-type: none"> <li>1. Description of detailed work tasks.</li> <li>2. Detailed schedule with beginning and end dates associated with each task.</li> <li>3. Deliverables with scheduled delivery dates for draft and final documents associated with each detailed task.</li> </ol>
<b>1. STUDY START-UP/ TRANSITIONAL ISSUES</b>	<ol style="list-style-type: none"> <li>1.1 Work program approval.</li> <li>1.2 Identification of policies and other special issues to be addressed during the study process.</li> <li>1.3 A “D.C. Checklist” package sent by Watson to staff which overviews the D.C. process and includes sample Public Meeting notices and Notices of Passage.</li> <li>1.4 Discussion of services to be included in the D.C. recovery.</li> <li>1.5 A meeting with staff to review items 1.1 to 1.4, and provide information on the overall D.C. process. (study start-up meeting).</li> </ol>
<b>2. DATA COLLECTION AND SERVICE STANDARDS</b>	<ol style="list-style-type: none"> <li>2.1 Information gathering regarding historical (past 10 yr.) asset inventories, capital budget projections and future capital requirements.</li> <li>2.2 Review long-term debt and identification of existing facility oversizing.</li> <li>2.3 Determination of historical service standard information from each applicable department.</li> </ol>
<b>3. REVIEW OF BACKGROUND MATERIAL</b>	<ol style="list-style-type: none"> <li>3.1 Review the Official Plan, any necessary master plans, and any other relevant background documents for input into the D.C. study.</li> </ol>
<b>4. GROWTH PROJECTION DEVELOPMENT</b>	<ol style="list-style-type: none"> <li>4.1 Review and incorporate various types of data into the growth forecast including: population and employment trends, building permit data, etc.</li> <li>4.2 Draft Growth forecast (residential, commercial, industrial and institutional) for timing and location of development.</li> </ol>



STUDY STEPS	KEY ELEMENTS
<b>5. D.C. CALCULATION AND RULES AND STAFF INTERVIEWS</b>	<p>5.1 Finalization of the growth forecast, based on recommendations through discussions with staff.</p> <p>5.2 Estimation of the costs to meet the increase in the need for service attributable to development, the required works, and existing facility oversizing, consistent with not exceeding the ten-year service standard.</p> <p>5.3 Meeting with staff for interviews to review service standard and capital expenditure information.</p> <p>5.4 Calculation of the D.C., based on need for service identified in 5.2, reduced by:</p> <p>5.4.1 Any existing capacity created for which Council did not indicate D.C.'s would be used (at the time the capacity was created).</p> <p>5.4.2 The extent to which existing development would benefit from the increase in service.</p> <p>5.4.3 Anticipated capital grants, subsidies or other contributions in respect of the capital costs.</p> <p>5.4.4 The percentages and capital cost exclusions as designated by the Act.</p> <p>5.5 Development of draft D.C. rules for exemptions, phase-ins, indexing, charges for redevelopment, etc.</p> <p>5.6 Discussions will be held with Staff to determine the impacts of potential discounts, exemptions, credits, etc.</p>
<b>6. LOCAL SERVICE POLICY UPDATE</b>	<p>6.1 Update the Town's Local Service Policy with staff.</p> <p>6.2 Provide examples of comprehensive local service policies and other examples.</p>
<b>7. EXAMINATION OF LONG-TERM CAPITAL/ OPERATING COSTS</b>	<p>7.1 Examine the long-term capital and operating costs for capital infrastructure improvements.</p>
<b>8. ASSET MANAGEMENT PLAN</b>	<p>8.1 Prepare an asset management plan to deal with all assets whose capital costs are proposed to be funded under the D.C. by-law and demonstrate that all the</p>





STUDY STEPS	KEY ELEMENTS
	assets mentioned in the asset management plan are financially sustainable over their full life cycle.
<b>9. D.C. BACKGROUND STUDY AND BY-LAW</b>	9.1 Preparation of the draft D.C. background study and by-law for Staff review. 9.2 Determination of preliminary recommendations on categories of services (for reserve fund and credit purposes), by-law commencement date, expiry date, collection timing, etc. 9.3 Finalize the D.C. background study and by-law to release to the Public as per the requirements of the D.C.A., as amended (60 days prior to by-law passage).
<b>10. PUBLIC MEETING PROCESS</b>	10.1 Advertisement and holding of public meeting. 10.2 Release of D.C. background study and draft by-law. 10.3 Attend and present the study and its findings at the public meeting. 10.4 Receipt and consideration of public submissions.
<b>11. BY-LAW PASSAGE</b>	11.1 Provide Staff with by-law(s) and any applicable documents for consideration of Council. 11.2 Review Staff report recommendations to ensure the legislative requirements are met.
<b>12. IMPLEMENTATION PROCESS</b>	12.1 Collection Policies/Process. 12.2 By-law indexation. 12.3 Reserve fund reporting requirements.

## 4. Budget

Based on the work programs identified above, our budget estimate to complete the D.C. background study and the public process is \$40,000 (exclusive of applicable taxes), assuming all meetings are to occur virtually. In the event that meetings can be held in person, the travel related costs and disbursements would be in addition to the provided quote and will be billed at cost (subject to the approval of the Town). A breakdown of the budget estimate by study step and by individual consultant is presented below. We would note that the cost of the D.C. study is 100% recoverable from the charges to be implemented.



**Table 4-1  
Town of Pelham  
Development Charges Background Study**

Budget by Milestone	Watson & Associates Economists Ltd.					Total Resources
	Gary Scandlan, Director	Byron Tan, Senior Project Coordinator	Taylor Murphy, Analyst	Jamie Cook, Director	Vlad Petrov, Senior Consultant	
Hourly Rates	\$320	\$215	\$145	\$320	\$190	
<b>Development Charges Background Study</b>						
1 Study Start-up/ Transitional Issues (1)	3	3	4	-	-	10
2 Data Collection and Service Standards	1	5	4	2	4	16
3 Review of Background Material	1	4	2	2	4	13
3 Growth Projection Development	1	4	1	-	8	14
4 Service Standards and Capital Assessments	4	6	8	-	-	18
5 D.C. Calculation and Rules and Staff Interviews (1)	8	10	14	-	-	32
6 Local Service Policy Update	1	4	2	-	-	7
7 Examination of Long Term Capital/Operating Costs	3	3	3	-	-	9
8 Asset Management Plan	1	3	3	-	-	7
9 D.C. Background Study and By-law	2	8	14	2	4	30
10 Public Meeting Process (1)	3	3	2	-	-	8
11 By-law Passage (1)	3	3	2	-	-	8
12 Implementation Process	2	4	2	-	-	8
13 Project Management	2	2	2	-	-	6
<b>Total Number of Hours - Development Charges Study</b>	<b>35</b>	<b>62</b>	<b>63</b>	<b>6</b>	<b>20</b>	<b>186</b>
<b>Subtotal Fees - Development Charges</b>	<b>\$11,200</b>	<b>\$13,330</b>	<b>\$9,135</b>	<b>\$1,920</b>	<b>\$3,800</b>	<b>\$39,385</b>
Disbursements (travel, telephone, courier, reports)						\$600
<b>Total Fees - Development Charges (excluding applicable Taxes) - Rounded</b>						<b>\$40,000</b>
<b>Additional Meeting Costs (Virtual) - based on 3 hours of Gary and Byron's attendance</b>						<b>\$1,600</b>

(#) Indicates the number of meetings (virtual) included in the budget

- The budget relates to the calculations, report preparation and policy adoption only (including input into the by-law formation) and does not cover time should an appeal occur, or liability for the results thereof. Similarly, advertising and legal costs have not been incorporated herein.
- The budget provides for four (4) virtual meetings (start-up, staff interviews, public meeting, and by-law passage) as well as the development of the D.C. report and by-law. If Town staff wish to have Watson attend additional virtual meetings, we would be available to prepare for and attend at an upset budget of \$1,600 per virtual meeting.
- If in-person meetings are required, travel costs and disbursements will be invoiced at costs, subject to the approval of the Town.
- Out-of-pocket disbursements for long distance calls, copying and related expenses, are invoiced at cost. Budget does not include applicable taxes.
- Our billings are submitted on a monthly basis for time worked on the project during the previous month. Billings are on a net 30-day basis.
- Our estimated budget provides a contingency for unforeseen issues that may arise during the process due to the new requirements of the D.C. legislation.
- The quotation provides for a digital copy of the draft and final reports along with a draft of the D.C. by-law in a form ready for final review by the Town.



We believe based on our experience, that the budget accurately reflects the time required to undertake all the steps necessary for the completion of a defensible development charge calculation that will provide the necessary funds for the Town to finance and accommodate new development. However, we are prepared to review our budget with the Town should a different level of effort be envisioned. In addition, we believe that the investment in having the work done by a specialist firm such as Watson can potentially provide significant financial and long-term economic benefit to the Town.

## 5. Schedule

Assuming project initiation with the first meeting in September 2022, the study process has been designed to provide the Town with a D.C. background study and draft D.C. bylaw by May 2023. Final adoption of a D.C. by-law by the Town would be targeted for July 2023, in advance of the current by-law's expiry in October 2023. The study is considered to be "complete" for purposes of the legislation at the time of Council approval prior to by-law passage. The timelines will be reviewed during the kick-off meeting and specific dates can be modified.



Figure 5-1  
Town of Pelham  
Proposed Timeline

Details	2022				2023							
	September	October	November	December	January	February	March	April	May	June	July	
<b>Development Charges Background Study</b>												
1 Study Start-up/ Transitional Issues (1)	SM											
2 Data Collection and Service Standards												
3 Review of Background Material												
3 Growth Projection Development												
4 Service Standards and Capital Assessments												
5 D.C. Calculation and Rules and Staff Interviews (1)							SM					
6 Local Service Policy Update												
7 Examination of Long Term Capital/Operating Costs												
8 Asset Management Plan												
9 D.C. Background Study and By-law										FR		
10 Public Meeting Process (1)											PM	
11 By-law Passage (1)												BL
13 Project Management												

SM - Staff Meeting  
 PM - Public Meeting  
 BL - By-law Passage  
 FR - Final Report

## 6. Other Matters

### 6.1 Accessibility

---

Watson is committed to producing accessible documents that comply with Town and A.O.D.A. (*Accessibility for Ontarians with Disabilities Act, 2005*) guidelines, including adherence to C.N.I.B. (Canadian National Institute for the Blind) Clear Print guidelines. Watson can provide reports as PDF files that pass the Adobe Acrobat Pro DC Accessibility Checker. In cases where complex data tables are being provided as part of our reports, however, we will discuss any special circumstances with the Town. Often these complex data tables would be included as a separate appendix in order that they can be separated from the main document when being published in the public domain (e.g. municipal website) where accessibility is required.

### 6.2 COVID-19

---

In response to the COVID-19 pandemic and the recommendations given by the Province, Watson has implemented strategies to ensure the safe interaction with our clients, employees, and the public. Furthermore, we are committed to the successful completion of all contracts using the best tools available. Our employees are set up to work remotely and have been trained in software and processes to continue to work collaboratively with all our clients, colleagues, and sub-contractors. We also have the ability to teleconference through audio and video means to hold meetings, interviews, etc. In addition, we have been working with clients in the existing environment on conducting virtual public meetings and have had discussions regarding possible online/digital public engagement opportunities, should that become a necessity. We continue to communicate with our clients and third-party service providers on their own business continuity plans to ensure cooperation and best practices.

### 6.3 Conflict of Interest

---

Watson has reviewed current projects and confirms that none of the project team members has a conflict of interest.

## 7. Agreement

Having read the above Letter of Contract from Watson & Associates Economists Ltd., dated August 12, 2022, the Town of Pelham agrees to acceptance of this proposal and to engage Watson & Associates Economists Ltd. upon the terms set out therein.

Yours very truly,

WATSON & ASSOCIATES ECONOMISTS LTD.



Gary Scandlan  
Managing Partner and Director, Municipal Finance

Signed: \_\_\_\_\_

Accepted on behalf of: \_\_\_\_\_

Town of Pelham

Date: \_\_\_\_\_