

An Innovative Funding Mechanism for Roadway Construction in Strathcona County's Industrial Heartland Area

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1. Background

Abstract

- Municipal government owns significant portion of roads
- Federal and Provincial/Territorial government derive funding from a gasoline tax
- Municipal government has limited funding source
- Introducing **CIAC (Contribution In Aid of Construction)**
- How CIAC Model works in Strathcona County
- CIAC advantages and limitations/issues
- Insights and outlook for future

2. Conventional Roadway Funding Mechanism

Federal	Fuel Tax; Tire Tax; Truck Sales Tax
Provincial/Territorial	Fuel Tax; Vehicle License and Registration Fees; Violation Fines
Municipal	Transfer Money from Federal and Provincial Governments; Property Tax

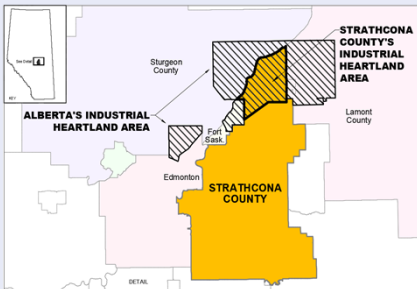
3. Problem Statement for Municipalities

- A. Problem**
- Expanding population and business increasing demands on roadways
 - Decline in roadway spending
 - Deferred maintenance
 - Senior governments download responsibilities without concomitant increase in funding
 - Increasingly stringent regulations
 - No stable, dedicated source of roadway funding
- B. Solution**
- Innovative funding methodology/out of the box thinking
 - Less reliance on gasoline tax
 - Acceptable to industry and residents

4. Innovative Funding Mechanism for Local Governments

Method	Special Levies	Utility Models	Financial Methods	Development Fees
Description	Specific levy for a specific purpose	Applicable to utility services	Private or corporate funding in return for recognition	Fees charged to developers, not a tax
Example	<ol style="list-style-type: none"> 1) Halifax, NS <ul style="list-style-type: none"> • New asphalt overlay 2) PEI <ul style="list-style-type: none"> • Fixed link bridge 3) Toronto, ON <ul style="list-style-type: none"> • Hwy 407 	<ol style="list-style-type: none"> 1) New Glasgow, NS <ul style="list-style-type: none"> • Toll Bridge 	<ol style="list-style-type: none"> 1) Okotoks, AB <ul style="list-style-type: none"> • Recreation Park 2) Calgary & Edmonton, AB <ul style="list-style-type: none"> • Agreement with Province for gas tax 3) Public Private Partnership <ul style="list-style-type: none"> • Sea-to-Sky Highway • Kelowna floating bridge • Fraser River crossing 	<ol style="list-style-type: none"> 1) Strathcona County, AB <ul style="list-style-type: none"> • CIAC in IHA

Alberta Industrial Heartland Location Map



5. History of Roadway Funding in USA

Period	Program Title
1987 -1990	STURAA (\$0.975B/yr.) (Surface Transportation & Uniform Relocation Assistance Act)
1991 -1997	ISTEA (\$145B) (Intermodal Surface Transportation Equity Act)
1998 -2003	TEA21 (37% increase) (Transportation Equity Act for the 21st Century)
2005 -2009	SAFETEA (\$7.5B) (Safe Accessible Flexible Efficiency Act)
2012 -2014	MAP (\$105B) (Moving Ahead Progress)
2016 -2020	FAST (\$305B) (Fixing America's Surface Transportation)

History of Roadway Funding in Canada

Period	Program Title
1907	Railway Grade Crossing Fund
1919 - 1924	Canada Highway Act (extended to 1928)
2007	Building Canada Plan

Note:
In contrast to U.S.A., Canadian roadway funding is ad hoc; there has been no long term, dedicated Federal tax funding.

6. How CIAC Works

Innovative combination of available tools to fund roadway construction in support of development

- Legislated authority to collect fees
- Created economic expansion zone, Industrial Heartland Area (IHA)
- IHA policy approved by Council
- IHA transportation study defines infrastructure needs
- Defined contribution basins
- CIAC rate by basin calculated

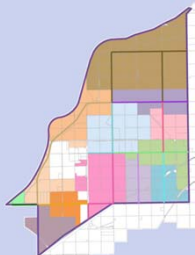
$$\text{Unit CIAC Rate (\$/ha)} = \frac{\text{Total Estimated Road Project Cost for Basin(\$)}}{\text{Total Titled Area within Basin (ha)}}$$

- Contribution agreement as a condition of subdivision or issuance of development permit; fee calculated by titled area multiplied by CIAC rate
- County controls strategic planning and construction

CIAC Exemptions and Flexible Options

- On-going agricultural zoning use does not trigger CIAC agreement
- Small, industrial developments may request a one-time, full and final contribution

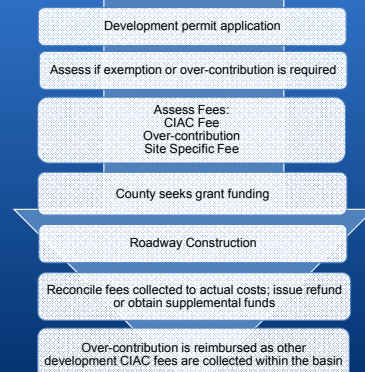
Strathcona County's Industrial Heartland Area CIAC Contribution Basins



Strathcona County Information

- Location: Central Alberta; East of Edmonton
- Population: 98,000 (4th largest in Alberta)
- Specialized Municipality: Urban/Rural areas
- Major Industry: petrochemical, oil & gas, hydrocarbon processing
- Largest portion of Alberta's Industrial Heartland Area (AIHA): 194 square km with over 40 companies (many world-class)
- 75% of western Canada's refining capacity

7. Case Study



8. CIAC Model Advantages and Limitations/Issues

- A. Advantages**
- Clear, easily administered methodology
 - Balanced and fair means of distributing cost of development
 - Funding is received before construction starts
 - Fees are known early in the development process
 - Developers pay proportionate share of infrastructure directly supporting their development
 - Mitigates financial burden and risk to residents and industry
 - Facilitates efficient IHA development
- B. Limitations/Issues**
- Limited opportunities to collect fees
 - No staging development
 - CIAC rate is initially based on estimates
 - Same CIAC rate for all developers in a basin
 - Developers may pay fees, but not trigger construction
 - Potential time lag to repay over-contribution
 - CIAC has not been challenged in court
 - Agricultural usage is exempt from CIAC fees

9. Insights and Outlook for Future

- Fuel tax should be re-evaluated as a reliable source of income
- Municipalities should strive to become less dependent on transfers from senior government
- Municipalities should explore alternative and innovative funding mechanisms
- CIAC Model can be a viable funding solution
- CIAC is not a panacea
- Municipalities need to think outside the box; examples:
 - African financial model
 - Omaha's gravel road solution

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