

### Section III – Items for the Information of the Board

**TO:** Chair and Members of the Executive Committee  
Meeting #9/19, Friday, November 01, 2019

**FROM:** Moranne McDonnell, Director, Restoration and Infrastructure

**RE:** **COMPENSATION PROGRAM SUMMARY REPORT 2019**

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#### KEY ISSUE

First annual report to the Executive Committee on TRCA's Ecosystem Compensation Program using summary statistics from TRCA's ecosystem compensation database. The report contains a summary of outcomes and performance of the program with recommendations for improvement where needed.

#### RECOMMENDATION

**IT IS RECOMMENDED THAT the 2019 Ecosystem Compensation Summary Report (October 2019) Appendix 1 to this report be received;**

**THAT staff be directed to continue to track ecosystem compensation outcomes and work towards the recommended improvements outlined in the report.**

**AND FURTHER THAT staff be directed to continue to report annually to the Executive Committee and Board of Directors on the status of the Ecosystem Compensation Program, and to review program performance against the goals stated in the Ecosystem Compensation Management Framework.**

#### BACKGROUND

Ecosystem compensation has been used for several years as a tool to help address natural feature loss due to land use changes. Although there have been challenges, it has proven to be at least partially successful through both private land development under the *Planning Act* and the *Conservation Authorities Act*, and under the Environmental Assessment process for public infrastructure projects. With the introduction of compensation policy within the 2014 TRCA Living City Policies (RES.#A186/14), the June 2018 adoption of TRCA's Guideline for Determining Ecosystem Compensation (RES.#A85/18), and emerging municipal official plan compensation policies, it has become increasingly important for TRCA to ensure its approach to managing compensation is as effective and transparent as possible.

TRCA's Living City Policies and Ecosystem Compensation Guideline firmly entrench the concept of compensation in the mitigation hierarchy, recommending feature removal with compensation only as a last resort, after all options for protection have been exhausted. The purpose of the Ecosystem Compensation Guideline is to provide guidance on how to determine the total amount of compensation required to replace lost or altered ecosystems, in a repeatable and transparent manner, after it has been decided through the planning process that unavoidable losses will result. The Guideline is written to assist planners, ecologists, landscape architects, landowners and other practitioners and interested parties in understanding how compensation for ecosystem losses can be implemented. Promoting strategic and effective implementation of compensation restoration, the Guideline attempts to provide a standard and consistent approach, informed by science and decades of experience, in the application of natural heritage planning and ecological restoration.

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In this context, if removal with compensation is pursued, TRCA's overall goal for ecosystem compensation is to achieve no net loss of ecosystem function due to impacts associated with land use changes if possible a net gain or benefit. After determining compensation requirements using the Guideline, the proponent has the option of installing the ecosystem restoration themselves or providing "cash-in-lieu", in other words, providing funds to TRCA to undertake the project. In working to achieve this, TRCA strives to deliver ecological restoration within the context of a compensation program that is accountable, transparent, consistent, efficient, and adaptable.

In order to ensure a coordinated, effective, transparent, accountable and adaptive approach to this aspect of managing TRCA's Compensation Program, TRCA staff developed a governance document entitled the Ecosystem Compensation Management Framework (the Framework). The Framework outlines the tools and processes used to apply funds that have come to TRCA as a result of ecosystem compensation agreements. The Framework is to be applied in all cases where compensation funds are directed to TRCA (typically when off-site compensation is required), via an approved agreement, for ecological restoration projects and/or conservation land securement. Ecosystem compensation agreements are typically an outcome of the municipal planning process, Environmental Assessment process, municipal tree/forest/natural feature by-law review, Local Planning Appeal Tribunal (formerly the Ontario Municipal Board) agreements and orders, MNRF Species at Risk (Overall Benefit) Permits, DFO Fish Habitat Compensation, as well as other processes (e.g. National Energy Board).

The Framework recognizes the collaborative nature of the compensation process, the varying roles of the parties involved, and the need for coordination, particularly with TRCA's municipal partners. Although this framework focuses on TRCA's role in the process, the tools and approaches outlined can also be adapted and used by others to manage compensation decisions and actions. Regular reporting is to be brought to the TRCA Board of Directors summarizing the status of compensation projects implemented by TRCA, providing an update on the program successes and challenges, and outlining recommendations for future program improvements. This regular reporting is proposed to occur on an annual basis. This report is the first iteration of the annual reporting.

The following table outlines the Framework goals, with measures that reflect those goals, and mechanisms that can be used to rate overall program performance. These measures have been used as the basis for the Compensation Program performance review.

**Table 1 – Compensation Program Performance Measures**

Goal	Measure	Mechanism
No Net loss	<ul style="list-style-type: none"><li>Natural features and area losses compared to gains</li><li>The difference between the ecological compensation requirements (as determined by the Compensation Guideline) compared to what is agreed to by all parties involved</li></ul>	<ul style="list-style-type: none"><li>Deliverables database</li><li>GIS layers</li><li>Calculations of losses vs. restored target (ha)</li></ul>

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<b>Accountability</b>	<ul style="list-style-type: none"> <li>• The degree to which the TRCA Ecosystem Compensation Management Framework is followed</li> <li>• Tracking decision making and accounting processes</li> <li>• Overall cost accounting to determine efficiencies in program execution</li> </ul>	<ul style="list-style-type: none"> <li>• Project Brief and Program Evaluation</li> <li>• Financial reporting, and success monitoring</li> <li>• Variance reporting for individual Projects</li> </ul>
<b>Transparency</b>	<ul style="list-style-type: none"> <li>• The degree to which decisions, outcomes, processes and results of program assessments are available to interested parties.</li> </ul>	<ul style="list-style-type: none"> <li>• Reporting to TRCA Board of Directors</li> <li>• Financial reporting, and success monitoring</li> <li>• Making Monitoring Reports available</li> </ul>
<b>Consistency</b>	<ul style="list-style-type: none"> <li>• The difference between the compensation requirements as determined by the Compensation Guideline compared to what is agreed to by all parties involved.</li> </ul>	<ul style="list-style-type: none"> <li>• Adherence to standardized processes for determining compensation ratios and costing</li> <li>• Program Reporting and summary statistics</li> </ul>
<b>Efficiency and Timeliness</b>	<ul style="list-style-type: none"> <li>• The overall length of time the compensation process is implemented</li> <li>• Overall timing from when impact occurs to when feature restoration and land securement is achieved.</li> </ul>	<ul style="list-style-type: none"> <li>• Are timeline requirements clearly stated and adhered to?</li> <li>• Variance Reporting and Project Tracking</li> </ul>
<b>Adaptability</b>	<ul style="list-style-type: none"> <li>• Whether a comprehensive and critical review of the compensation program is undertaken and opportunities for improvements are acted on.</li> </ul>	<ul style="list-style-type: none"> <li>• Compensation program assessment and execution of recommendations</li> <li>• Reporting to TRCA Board of Directors</li> <li>• Workshops and stakeholder working groups</li> </ul>

It is important to note that the Compensation Guideline was adopted only in 2018; therefore, it can be difficult to draw comprehensive conclusions on how it is being applied since there are only a few examples so far. That being the case, the report aims to present a clear snapshot of current compensation activities at TRCA. In this report, a comparison was made between the last few years (when the Guideline was being developed) and older projects to determine if any immediate improvements were being realized with a more formalized process. Using the above measures to assess the performance of the Compensation Program, several key points were identified.

- Based on the application of compensation requirements, negotiated outcomes and restoration activities in the past 3 years, an overall no-net-loss scenario for compensation has been achieved. It is important to note that this only applies to projects where TRCA has received funds for off-site compensation implementation. Situations not included in this assessment include: Losses that don't require

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compensation, on-site compensation, and compensation implemented by other agencies;

- The implementation of the Compensation Guideline and Management Framework have resulted in a variety of process and administration changes that have made significant improvements to demonstrate accountability, transparency and consistency;
- Most Compensation Projects are being implemented within 3 years of receiving funds. While this timeline is acceptable, this report suggests that the goal for project implementation be within 2 years of receiving funds; and
- Implementing the Compensation Guideline and Management Framework demonstrates one of the ways TRCA works with partners and stakeholders to meet shared objectives for managing growth, protecting the environment, and increasing resilience to climate change.
- Implementing the Compensation Guideline and Management Framework demonstrates adaptability to improve past process. TRCA works with partners and stakeholders to meet shared objectives for managing growth, protecting the environment, and increasing resilience to climate change.

At Authority Meeting #5/18, held on June 22, 2018, Resolution #A85/18 was approved as follows:

*THAT staff be directed to track compensation where TRCA is implementing the compensation actions and report to the Authority on project outcomes, financial accounting and overall program successes;*

### **RATIONALE**

The implementation of ecosystem compensation is complex and can vary from case to case. As such, it can be a challenge to achieve a consistent approach between the proponent and/or regulatory agency. The *Guideline for Determining Ecosystem Compensation* outlines a repeatable process for determining compensation requirements when an unavoidable natural feature loss is identified. A robust governance structure (*Ecosystem Compensation Management Framework*) is critical to ensure that compensation decisions and practices are applied fairly, consistently, accurately, openly, and efficiently. Using performance measures that are rooted in these considerations will help to identify successes and challenges associated with implementing restoration for compensation, as well as the ecosystem Compensation Program as a whole. The performance review will produce clear recommendations that guide future actions and improve compensation. The Compensation Program Summary Report is a guidance document outlining actions that can be taken to ensure that future compensation projects are held to a high standard.

### **Relationship to Building the Living City, the TRCA 2013-2022 Strategic Plan**

This report supports the following strategies set forth in the TRCA 2013-2022 Strategic Plan:

**Strategy 2 – Manage our regional water resources for current and future generations**

**Strategy 3 – Rethink greenspace to maximize its value**

**Strategy 4 – Create complete communities that integrate nature and the built environment**

**Strategy 9 – Measure performance**

### **FINANCIAL DETAILS**

Funds are acquired for compensation on a file by file basis as special projects through cash-in-lieu. Once an agreement is made between the proponent and TRCA, funds are immediately

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deposited in 119-99. Following the deposit, funds are typically transferred into a new or existing project account. If no project account has been initialized by year-end, funds are transferred into a holding account for either future project implementation (940-22) or land acquisition (940-26).

### **DETAILS OF WORK TO BE DONE**

Informed with the information in this summary report, there are several items outlined below which will form the focus for program improvements and work over the course of 2020.

- Continue to update the no net loss calculations as new file information is included into the compensation database;
- Update Restoration costs to ensure true cost for implementation is accounted for;
- Complete database refinements to improve data input, reporting, and communications;
- Fill in database gaps to provide a more complete picture of compensation activities: add data from older files, reflect all TRCA business units, and include information from all on-site compensatory work and municipal compensation;
- Continue regular meetings with Program Review Team for further refinement to the application of the framework;
- Continued communication with partner agencies and proponents including BILD and others to get feedback on the Compensation Guideline and the Management Framework; and
- Seek ways to implement projects in a more timely and efficient manner.

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**Date: October 8, 2019**

**Attachments: 1**

Attachment 1: 2019 Ecosystem Compensation Management Program Summary Report