

Section I – Items for the Board of Directors Action

TO: Chair and Members of the Executive Committee
Friday, January 15, 2021 Meeting

FROM: Anil Wijesooriya, Director, Restoration and Infrastructure

RE: **2020 COMPENSATION SUMMARY REPORT**

KEY ISSUE

Second annual report to the Executive Committee on Toronto and Region Conservation Authority's (TRCA) 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

THE EXECUTIVE COMMITTEE RECOMMENDS THAT the 2020 Compensation Summary Report be received;

THAT staff be directed to continue to work with external stakeholders to implement the recommendations 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 Compensation Program, to conduct an update to the report in 2021 consulting with the Building Industry and Land Development Association (BILD), the Province and municipal partners, and to review program performance against the goals stated in the Ecosystem Compensation Management Framework.

BACKGROUND

At Authority Meeting #5/18, held on June 22, 2018, Resolution #A85/18 was approved in part 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;

Ecosystem compensation has been used for several years as a tool to help address unavoidable natural feature losses due to land use changes under the *Planning Act*, *Conservation Authorities Act*, and 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) (hereafter referred to as the "Guideline"), and the Ecosystem Compensation Management Framework (2019) (hereafter referred to as the "Framework"), TRCA has been successful at managing compensation as an effective program resulting in increasingly positive outcomes when compensation is required as a last resort. Further, TRCA's compensation program has proven to be a model that can be applied by municipalities, other conservation authorities and partner agencies.

Since 2017, TRCA has received \$9,496,000 in compensation funds for natural feature restoration and land acquisitions, of which \$8,311,000 was projected to be expended by the end

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of 2020. The remaining funds have been allocated to specific projects for future implementation, monitoring, and maintenance. Of these restoration and acquisition projects, 93% were implemented in the same municipality where the impact occurred, and 87% were implemented in the impacted watershed.

As a part of this governance structure outlined in the Framework, regular reporting is to be brought to TRCA's Executive Committee and 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 to occur on an annual basis. This report is the second iteration of the annual reporting. Highlights in the 2020 Annual report include:

- In 2020, TRCA received \$3,034,000 as compensation funds from 16 compensation projects;
- In 2020 TRCA implemented 16 restoration projects, totalling 15.8 ha of terrestrial habitat, 1230 linear metres of aquatic habitat and 2 in-stream barrier removals, costing \$3,089,000 and using funds received from various years;
- For the losses where funds were received between 2017-2020, there is projected net gain for terrestrial habitat of 14.0 ha. The detailed breakdown appears below in Table 1.

Table 1 – Compensation Program Summary of Losses and Gains between 2017-2020

Compensation Type	Stream Total (metres)	Forest (ha)	Wetland (ha)	Riparian (ha)	Meadow (ha)	Total Terrestrial (ha)
Restoration Required	14.7	60.3	21.0	0.7	12.6	94.6
Total Restoration Secured (Completed + Future)	7.1	72.9	29.5	4.6	1.6	108.6
Restoration Balance	-7.4	12.6	8.5	3.9	-11.1	14.0

- In 2020, TRCA significantly improved the time frame for implementation and met most targets set in 2019.
 - 100% of projects were started within 1 year;
 - 96% of projects completed active implementation within 2 years;
 - 93% of projects will completed all phases within 7 years of receiving funds.

The Guideline was adopted by TRCA in 2018; therefore, it can be difficult to draw comprehensive conclusions on how it is being applied since there is a limited sample size thus far. That being the case, the attached report (Appendix 1) presents a snapshot of current compensation activities at TRCA. In this report, a comparison was made between the last four years (when the Guideline was being developed) and older projects to show the significant improvements that have been realized since formalizing the compensation process.

RATIONALE

TRCA's Living City Policies and the 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 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

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the planning process, often by senior levels of government or other bodies, such as the Local Planning Appeal Tribunal, that unavoidable losses will result.

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 (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.

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 the 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.

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 outlines a repeatable process for determining compensation requirements when an unavoidable natural feature loss is identified. A robust governance structure (the Framework) that is understood and supported by partners 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.

Table 2 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 2 – Compensation Program Performance Measures

Goal	Measure	Mechanism
No Net loss	<ul style="list-style-type: none">Natural features and area losses compared to gainsThe difference between the compensation requirements as determined by the Guideline compared to what is agreed to by all parties involved	<ul style="list-style-type: none">Deliverables DatabaseGIS layerscalculations of losses vs. restored target
Accountability	<ul style="list-style-type: none">The degree to which the TRCA Ecosystem Compensation Management Framework is followedTracking decision making and accounting processesOverall cost accounting to determine efficiencies in program execution	<ul style="list-style-type: none">Project Brief and Program EvaluationFinancial reporting, and success monitoringVariance reporting for individual Projects

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Transparency	<ul style="list-style-type: none"> The degree to which decisions, outcomes, processes and results of program assessments are available to interested parties. 	<ul style="list-style-type: none"> Reporting to the Authority Board Financial reporting, and success monitoring Making Monitoring Reports available
Consistency	<ul style="list-style-type: none"> The difference between the compensation requirements as determined by the Guideline compared to what is agreed to by all parties involved. 	<ul style="list-style-type: none"> Adherence to standardized processes for determining compensation ratios and costing Program Reporting and summary statistics
Efficient and Timely	<ul style="list-style-type: none"> The overall length of time the compensation process is implemented Overall timing from when impact occurs to when feature restoration and land securement is achieved. 	<ul style="list-style-type: none"> ends and means analysis on adherence to proposed timelines Variance Reporting and Project Tracking
Adaptive	<ul style="list-style-type: none"> Whether a comprehensive and critical review of the compensation program is undertaken and opportunities for improvements are acted on. 	<ul style="list-style-type: none"> Compensation program assessment and execution of recommendations Reporting to the Authority Board Workshops and stakeholder working groups Updates to the Framework to address lessons learned and implementation issues as part of continuous improvement

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 deposited in 119-99. Following the transfer, funds are typically deposited 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).

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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 to update the Framework over the course of 2021.

- Continue to update the no net loss calculations as new file information is included into the Compensation Database;
- Start tracking internal files through the Compensation Database to better demonstrate how TRCA is complying with the Guidelines;
- Work with relevant staff to include land base losses due to land use changes and new infrastructure development in the Compensation Database;
- Restoration costs have been updated in 2020 and with new tools TRCA can more accurately track costs on projects. Work with planners, Finance and Restoration and Infrastructure staff to refine values for associated work if needed and get endorsement for any cost increases;
- Continue to complete database refinements to improve data input, reporting, communications. Continue to work closely with database development staff to identify and support resource needs to ensure these changes can be made in a timely manner;
- Continue to fill in database information gaps to provide a more complete picture of compensation activities which includes all TRCA business units;
- Continue to work with municipal partners and stakeholders to include information for all compensation activities;
- Include template agreements with standard clauses that can be tailored in order to streamline the agreement process;
- Continue regular meetings with the Program Review Team meetings to discuss further refinement to the application of the Framework;
- Continue communication with partner agencies, proponents, practitioners, BILD and subject matter experts to provide support or update the science and principles behind the Guideline and the Management Framework; and
- Continue to seek ways to add staff and other resources to increase our capacity and to implement more projects.

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Attachments: 1

Attachment 1: 2020 Ecosystem Compensation Program Summary Report