

Revisions to Water and Wastewater lines of service financial plan for 2019-2022

Policy Area	Policy Statement	Financial Measure	Financial Target
<i>Self-Sustaining Utility</i>	<i>Water and Wastewater services are provided under a self-sustaining, public utility model and all costs shall be recovered through user rates, levies, fees and sources other than the municipal tax base.</i>	N/A	<i>Meet all financial policies and not require tax support</i>
<i>Debt and Cash Financing</i>	<i>The Water and Wastewater lines of service shall debt finance capital projects that are substantial in cost and size and where the benefits will extend over a relatively long period. Subject to funding availability, the Water and Wastewater lines of service shall cash finance capital projects that are part of an on-going improvement program, or will reduce the operation and maintenance costs.</i>	Debt Service Coverage Ratio	Maintain a Debt Service Coverage Ratio to a minimum of 1.75 times
		<i>Cash financing of Maintenance Capital</i>	100%
<i>Debt to equity ratio</i>	<i>The Water and Wastewater lines of service monitor annually and report periodically on the debt to equity ratio.</i>	<i>Debt to equity ratio</i>	60/40
<i>Debt Term</i>	<i>The Water and Wastewater lines of service will employ up to a 25 year debt term on major projects.</i>	Length of debt term	N/A
<i>Sustainment reserve</i>	<i>The Water and Wastewater lines of service will maintain sufficient reserves to mitigate risks.</i>	Number of days of Annual operating expenditures	Equal to 120 days of annual operating expenditures
<i>Return on Equity</i>	<i>The Water and Wastewater lines of service will pay a fixed, annual dividend of \$28.75 million and \$13.75 million respectively to The City of Calgary.</i>	N/A	N/A
<i>Franchise Fee</i>	<i>In lieu of property taxes, the Water and Wastewater lines of service will pay The City of Calgary a 10 per cent tax on revenue. This tax on revenue, referred to as the franchise fee, is based on the total of sales and service charges and excludes developer fees and acreage assessments.</i>	N/A	N/A
<i>Depreciation</i>	<i>The Water and Wastewater lines of service will maintain depreciation rates that are aligned with generally accepted accounting practices. Depreciation on donated assets is not charged as an operating expense for the purpose of rates setting.</i>	N/A	N/A

Note: Revisions to financial plan formatted in **Bold**, items not revised are formatted in *Italics*