


Calgary



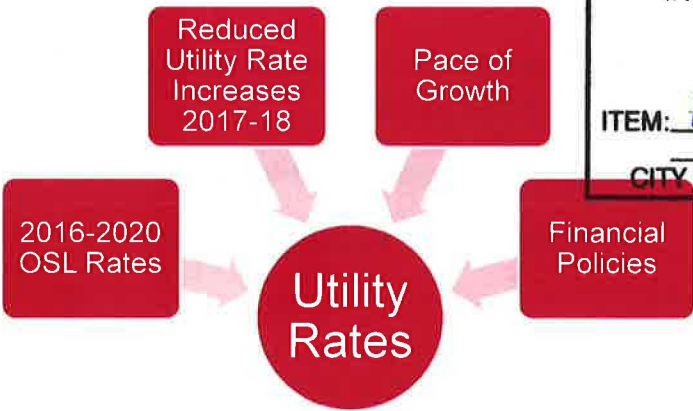
PFC2017-0402 Water Utility Operating Budget Adjustment for 2017 and 2018

2017 May 2

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Key Factors Impacting Future Utility and Drainage Rates



Reduced Utility Rate Increases 2017-18

Pace of Growth

Financial Policies

2016-2020 OSR Rates

Utility Rates

CITY OF CALGARY
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IN COUNCIL CHAMBER


MAY 02 2017

ITEM: PFC2017-0402
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Calgary  **2016-2020 Off-Site Levy Bylaw/Rates**
(2016 Jan 11 C2016-0023)

What Changed:

- Recovery (100%) of growth related costs through OSL rates
- Corporate planning land forecast
- Financial risk for Water Utility increased

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Reduced Utilities/Drainage Rate Increases

(2016 Sep 19 C2016-0688; C2016-0689)

Reduced 2017 and 2018 rates by:

- Deferring achievement of 10% of revenues sustainment reserve balance.
- Reducing operating budget

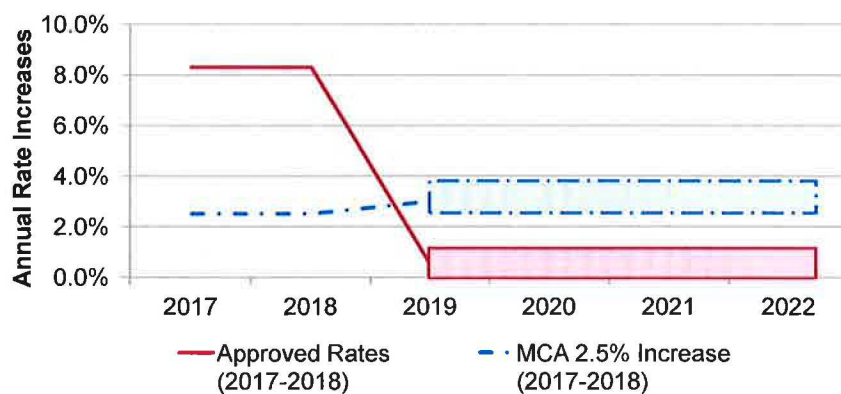
Reduced rates are based upon the revised land development projection

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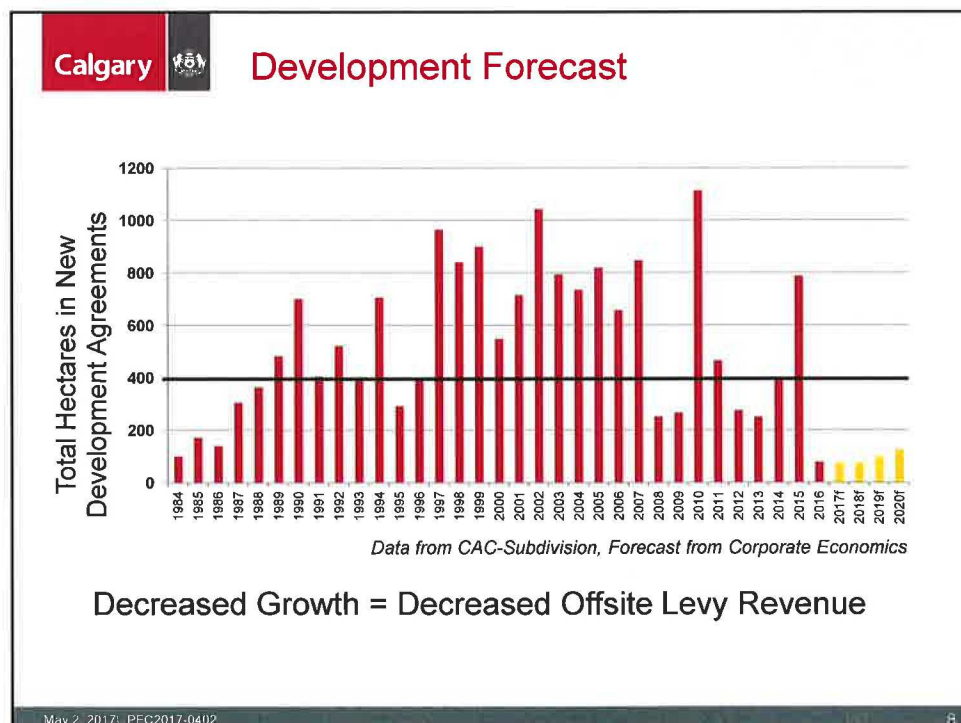
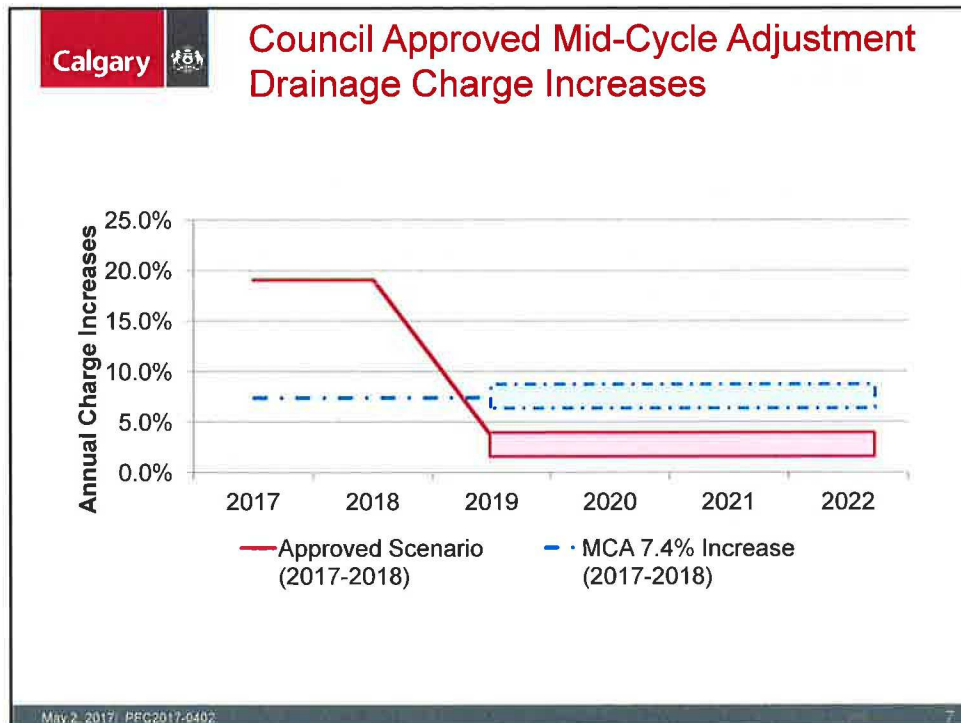


Council Approved Utility Rate Increases for 2017 and 2018 at Mid-Cycle Adjustment



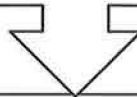
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Implications of Actual and Forecast Growth

decrease in land development from
forecast 400 ha to 78 ha in 2016 impacts
2017



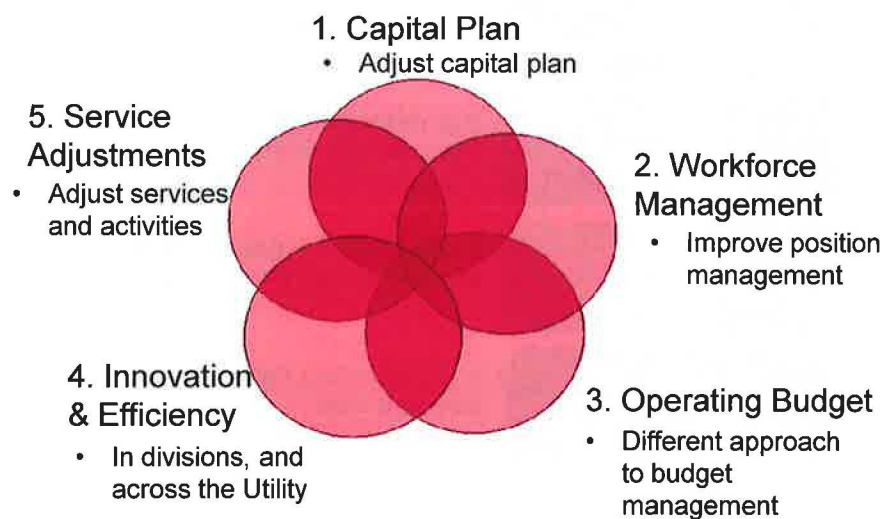
extended downturn development forecast
puts pressure on utility rates in 2019-2022

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Approach to Address Revenue Shortfall

Objective: Close the shortfall by finding savings



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Principles

1. Efficiencies and service impacts identified will not compromise our commitments to public health and the environment
2. Decisions made will be what is best for our customers
3. Safety of our employees will remain a priority and will not be compromised
4. There will be continued investment to ensure long-term utility sustainability
5. Compassionate and thoughtful approach to staff impacts



The Water Utility's Approach

Core Service Delivery

- e.g. limiting service for private sanitary issues

Reprioritize (defer)

- e.g. defer delivery of portions of Bonnybrook Plant D expansion

Right-size Resource

- e.g. re-thinking how we manage seasonal programs and workload

Risk-based Approach

- e.g. budgeting based upon an average year



Impacts

- Higher rate increases in 2019-2022
- Financial policy compliance maintained
- OSL shortfall mitigated in Utility rates
- Less than 100% recovery of growth costs from development industry

	2017/18 Approved at MCA	2019- 2022 Indicated at MCA	Current 2019- 2022 Indicated (REVISED)
Utility rate increases	2.5 % per year	2.5 – 3.5 % per year	4 – 5 % per year*
Drainage increases	7.4 % per year	Approx. 7.5 - 8.5 % per year	Unchanged from MCA

* can examine opportunities to reduce this with financial policy revisions



Recommendation

Administration Recommends that:
The Priorities and Finance Committee receive this report for information.