



Drainage Indicative Rate Revised for 2017-2018

C2016-0689
2016 September 19

C2016-0689
ATTACHMENT 3



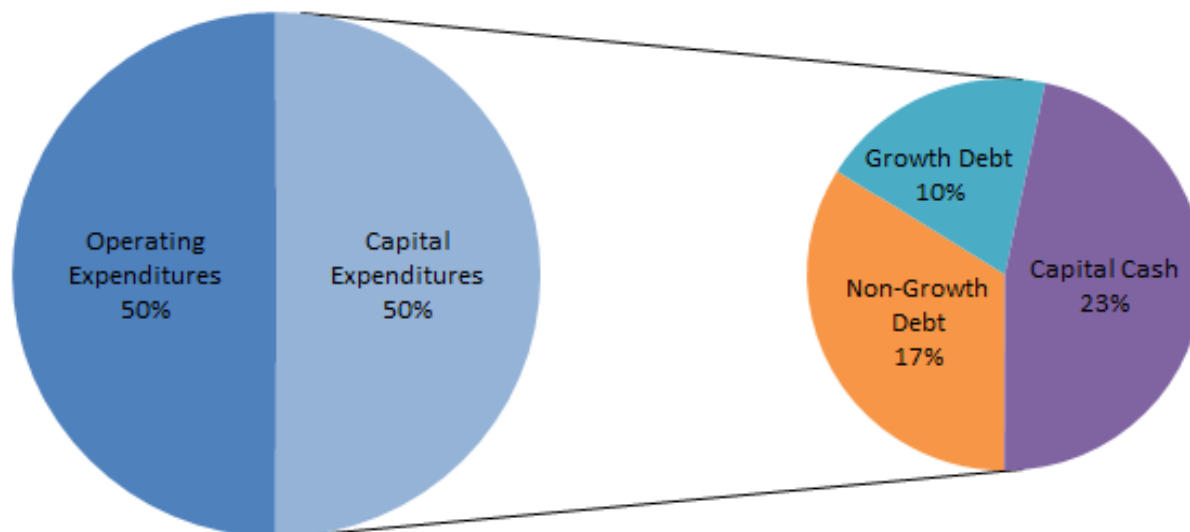
Drainage – context

- Self funded activity
- Capital intensive
- Financial policies
- Increases for 2015-2018
approved through Action Plan



Drainage Progress Update





Drainage - Expenditure Breakdown 2015 Actuals



Total Budget: \$106M



Four Investment Drivers

	Maintain Assets 15-20%	Maintaining, protecting and extending the life of infrastructure investments.
	Regulatory and Environmental Protection 15-20%	Continuing to meet increasingly stringent regulatory and environmental protection requirements.
	Service 25-30%	Continuing to provide reliable and high quality services to meet the needs of citizens.
	Growth 35-40%	Providing infrastructure to meet the needs of a growing Calgary.

Outcome Focused



2015-2018 Action Plan: Levels of service

Program ▶ Service Level ▼	Regulatory and Environmental Protection	Maintaining Assets	Community Drainage Improvements	Flood Recovery and Resiliency	Financial Policy and Target Compliance
Current Service Level (12-14)	<ul style="list-style-type: none"> Meets current Wastewater Approval to Operate water quality objectives for sediment loadings to the river. 	Typical O&M activities include pipe flushing, catch basin cleaning, lift station maintenance, vegetation control, select storm pond cleaning and maintenance activities	<ul style="list-style-type: none"> With current investment, 24 years to deliver all projects on the list. Total program cost \$170 million. 	<ul style="list-style-type: none"> Coordination of flood preparedness Coordination of flood recovery and resiliency projects 	Targets are being established.
	Total Capital: \$3.79, Total Operating: \$5.41				
	Total Monthly Drainage Charge \$9.20				
Meets Requirements & Standards	<ul style="list-style-type: none"> Continues to meet regulatory requirements. Development of an implementation plan for the riparian strategy 	<ul style="list-style-type: none"> Pond cleanings to restore WQ function Establish asset condition assessment, main replacement and rehabilitation programs Research to inform and refine operational and maintenance practices. 	<ul style="list-style-type: none"> Accelerate program to deliver upgrades to all projects on the list within 16 years. Total program cost \$170 million. 	<ul style="list-style-type: none"> Flood recovery and resiliency projects including bringing infrastructure up to current design standards 	Compliance by 2022 of debt limit, debt servicing limit, cash financing of capital maintenance and reserves
	Additional Capital \$0.22	Additional Capital \$0.50	Additional Capital \$0.27	Additional Capital \$0.09	Included in capital
	Additional Operating \$0.16	Additional Operating \$0.20	Additional Operating \$0.01	Additional Operating \$0.01	
Revised Accelerated	<ul style="list-style-type: none"> Additional research includes: pilot features, LID performance verifications, surface/subsurface interactions Increased riparian area maintenance and education/outreach 	<ul style="list-style-type: none"> Additional monitoring and evaluation of maintenance requirements for green infrastructure Increased installation of sediment capture devices 	Limited capacity to accelerate	Limited capacity to accelerate	N/A
	Additional Capital \$0.22	Additional Capital \$0.54	N/A	N/A	N/A
	Additional Operating \$0.21	Additional Operating \$0.21	N/A	N/A	
Accelerated Delivery	<ul style="list-style-type: none"> Accelerate delivery of local stormwater infrastructure and features Accelerate the implementation of the riparian strategy to start in the 2015-2018 budget cycle 	<ul style="list-style-type: none"> Expand research scope to include emerging operational and maintenance issues. Accelerate storm pond cleanings Accelerate condition assessment, and trunk / main replacement program 	<ul style="list-style-type: none"> Accelerate program delivery to 12 years, and include additional projects from study areas still to be completed. Total program cost \$220M. 	<ul style="list-style-type: none"> Implementation of recommendations from the River Flood Mitigation Panel Accelerate recovery and resiliency projects 	Compliance by 2018 of debt limit, debt servicing limit, cash financing of capital maintenance and reserves
	Additional Capital \$0.32	Additional Capital \$0.60	Additional Capital \$0.48	Additional Capital \$0.63	\$0.20
	Additional Operating \$0.20	Additional Operating \$0.25	Additional Operating \$0.02	Additional Operating \$0.04	



2015-2018 Action Plan

Context in 2014: Approved Charge

2015-2018 Indicative Drainage Charge Based on Revised Accelerated Levels of Service

	2014	2015	2016 (current)	2017	2018
Incremental increase for desired service level		\$1.76	\$2.09	\$2.49	\$2.97
Monthly Drainage Charge	\$9.20	\$10.96	\$13.05	\$15.54	\$18.51



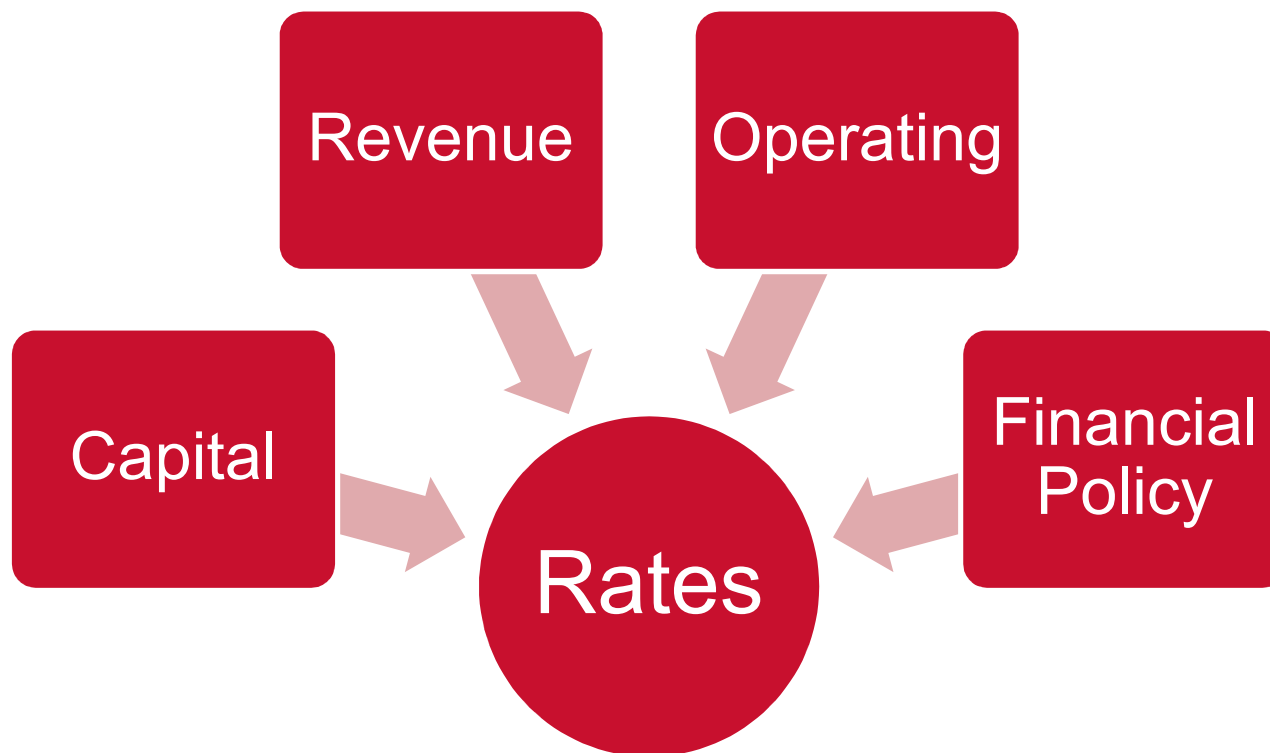
2M2016 Off-Site Levy Bylaw

- 100% recovery for growth related investments and a new forecast of drainage infrastructure requirements
- Drainage off-site levy rates are catchment specific – catchment rates are only applied to development in that catchment

***Risks: There is uncertainty in OSL revenue if forecasted growth does not materialize due to economic conditions
Currently projecting \$3.9M unfavourable for 2016***



Levers to manage drainage charge





2015-2018 Action Plan

Context in 2014: Recommended levels of service

Program ▶ Service Level ▼	Regulatory and Environmental Protection	Maintaining Assets	Community Drainage Improvements	Flood Recovery and Resiliency	Financial Policy and Target Compliance
Current Service Level (12- 14)	Total Capital: \$3.79, Total Operating: \$5.41				
	Total Monthly Drainage Charge \$9.20				
Meets Requirements & Standards	Additional Capital \$0.22 Additional Operating \$0.16	Additional Capital \$0.50 Additional Operating \$0.20	Additional Capital \$0.27 Additional Operating \$0.01	Additional Capital \$0.09 Additional Operating \$0.0	Included in capital
Revised Accelerated	Additional Capital \$0.22 Additional Operating \$0.21	Additional Capital \$0.54 Additional Operating \$0.21	N/A N/A	N/A N/A	N/A
Accelerated Delivery	Additional Capital \$0.32 Additional Operating \$0.20	Additional Capital \$0.60 Additional Operating \$0.25	Additional Capital \$0.48 Additional Operating \$0.02	Additional Capital \$0.63 Additional Operating \$0.04	\$0.20



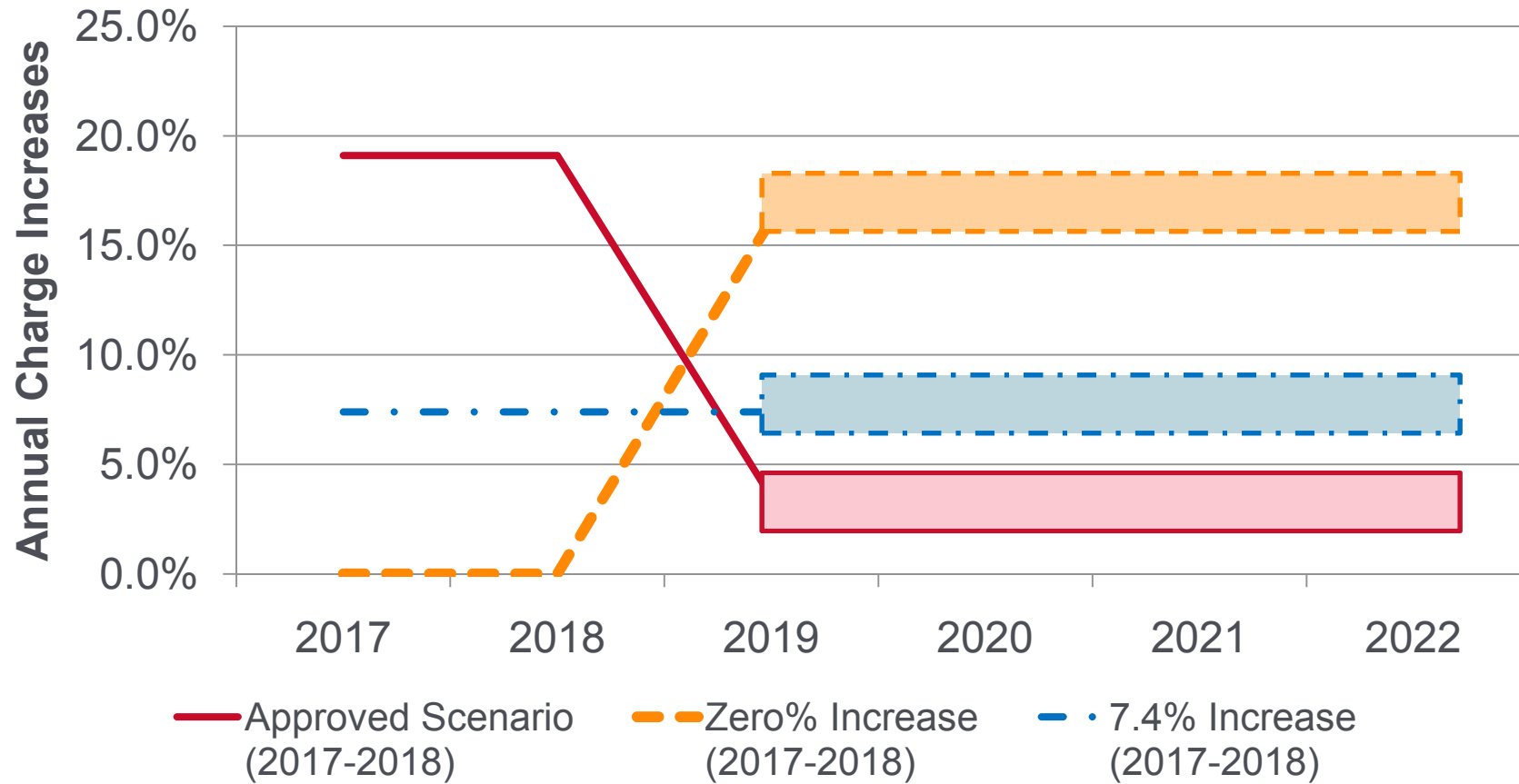
Implications of 1% reduction in Drainage operating expenditures

Efficiencies

- Savings due to lower growth rates
- Increase the use of internal resources



Options for drainage charge increases





Varying Drainage Charge Increases 2017 - 2018

2017-2018 Increase	Operating Budget	Capital Priorities	Cash for Capital Maint.	Max Debt \$B	Max Debt Service %	10% of Revenue Reserve Balance	Rate increase 2019-22	Monthly charge in 2022
19.1% Current state	100%	100%	100%	\$0.234+ (2022)	22.7% (2021)	2017	3.5%	\$21.24
Zero %	99% of Action Plan	100%	100%	\$0.286+ (2022)	29.5% (2019)	2022	16-17%	\$24.12
7.4%	99% of Action Plan	100%	100%	\$0.293+ (2022)	27.3% (2021)	2022	7-8%	\$20.03



Customer Implications

Annual customer savings, relative to Action Plan approved charges		
	2017	2018
Zero % Scenario	\$30	\$66
7.4% Scenario	\$18	\$42



Policy Implications – Drainage and Corporation

Drainage

- Marginal impact but still compliant with \$300M debt limit in 2019 – 2022
- Maintain Debt Service to Revenue ratio of <40%
- 10% Sustainment Reserve achieved by 2022

Corporation

- Manageable within Corporation's debt and debt servicing limits



Recommended Revised Monthly Drainage Charge Increases

	2016 (current)	2017	2018
Incremental Increase (7.4%)		\$0.97	\$1.03
Monthly Drainage Charge	\$13.05	\$14.02	\$15.05



Recommendations

That Council direct Administration to:

1. Present an operating budget adjustment for 2017 and 2018 and related bylaw amendments based on the reduced drainage charge increases in Attachment 2 as part of Mid Cycle Adjustments; and
2. Report back in Q1 2017 with revisions to the Drainage Financial Plan that integrate industry best practice and the change to the timeframe of building the sustainment reserve balance.