

Off-site Levy Schedule

As at and for the years ended December 31, 2016 - 2020

The City of Calgary
Off-site Levy
As at and for the years ended December 31 (in thousands)

Off-site levy balance	2020	2019	2018	2017	2016
Opening balance, January 1	330,629	375,082	435,733	513,724	363,976
Adjustments ⁽¹⁾	2,317	(3)	4,404	-	64,250
Adjusted Opening Balance, January 1	332,946	375,079	440,137	513,724	428,226
Off-site levies collected	110,396	122,591	69,156	61,199	204,716
Density incentive program	1,293	481	2,232	-	-
Investment income allocation	18,877	9,233	9,678	5,086	-
Internally restricted investment income adjustment	32,774	-	-	-	-
Prior year's investment income adjustment	22,825	-	-	-	-
Off-site levies spent	(138,698)	(176,755)	(146,121)	(144,276)	(119,218)
Ending Balance, December 31	380,413	330,629	375,082	435,733	513,724

Off-site levy balance per Financial Statements	2020	2019	2018	2017	2016
Off-site levy per financial statements	330,024	293,381	286,849	375,243	402,194
Internal off-site levy	16,204	15,862	23,461	27,146	43,515
Off-site levy held in reserves	34,185	27,924	81,202	60,615	85,257
Non off-site levy adjustments	-	(6,538)	(16,430)	(27,271)	(17,242)
Ending Balance, December 31	380,413	330,629	375,082	435,733	513,724

(1): Adjustment in 2020 of \$2,000 is a reallocation to Off-site levy fund in the Utilities Sustainment reserve to align with the bylaw and \$300 others.

Adjustment in 2018 of \$4,500 is a reallocation to Off-site levy fund in the Utilities Sustainment reserve to align with the bylaw and (\$100) others.

Adjustment in 2016 of \$64,200 in Water Utility to align with accounting policy effective January 1, 2016.

Off-site Levy
As at and for the years ended December 31 (in thousands)

The City of Calgary - Transportation

Off-site Levy Balance	2020	2019	2018	2017	2016
Opening balance, January 1	80,423	85,064	165,544	212,069	172,539
Adjustments	229	-	(271)	-	-
Adjusted Opening Balance, January 1	80,652	85,064	165,273	212,069	172,539
Off-site levies collected	31,715	24,393	5,812	19,939	86,268
Investment income allocation	6,757	4,395	6,592	4,670	4,111
Off-site levies spent	(50,598)	(33,429)	(92,613)	(71,134)	(50,849)
Ending Balance, December 31	68,526	80,423	85,064	165,544	212,069

The City of Calgary - Transit

Off-site Levy Balance	2020	2019	2018	2017	2016
Opening balance, January 1	13,003	19,703	20,477	19,195	17,245
Adjustments	1	(3)	-	-	-
Adjusted Opening Balance, January 1	13,004	19,700	20,477	19,195	17,245
Off-site levies collected	899	507	89	864	3,976
Investment income allocation	979	543	635	418	386
Off-site levies spent	(10,500)	(7,747)	(1,498)	-	(2,412)
Ending Balance, December 31	4,382	13,003	19,703	20,477	19,195

The City of Calgary - Utilities

Off-site Levy

As at and for the years ended December 31 (in thousands)

Off-site Levy Balance	2020	2019	2018	2017	2016
Opening balance, January 1	55,990	91,580	59,039	90,049	2,409
Adjustments	1,993	-	4,674	-	63,958
Adjusted Opening Balance, January 1	57,983	91,580	63,713	90,049	66,367
Off-site levies collected	61,008	88,707	61,594	29,070	62,634
Investment income allocation	2,367	4,295	2,450	-	-
Prior year's investment income adjustment	8,033	-	-	-	-
Density incentive program	1,293	481	2,232	-	-
Off-site levies spent	(76,388)	(129,073)	(38,409)	(60,080)	(38,952)
Ending Balance, December 31	54,296	55,990	91,580	59,039	90,049

The City of Calgary - Community Services

Off-site Levy

As at and for the years ended December 31 (in thousands)

Off-site Levy Balance	2020	2019	2018	2017	2016
Opening balance, January 1	151,533	146,530	158,640	161,668	147,009
Adjustments	90	-	-	-	-
Adjusted Opening Balance, January 1	151,623	146,530	158,640	161,668	147,009
Off-site levies collected	15,060	8,052	1,491	10,034	46,161
Investment income allocation	7,409	-	-	-	-
Internally restricted investment income adjustment	28,628	-	-	-	-
Prior year's investment income adjustment	12,348	-	-	-	-
Off-site levies spent	(668)	(3,049)	(13,601)	(13,062)	(31,502)
Ending Balance, December 31	214,400	151,533	146,530	158,640	161,668

The City of Calgary - Police

Off-site Levy

As at and for the years ended December 31 (in thousands)

Off-site Levy Balance	2020	2019	2018	2017	2016
Opening balance, January 1	29,680	32,204	32,034	30,743	24,774
Adjustments	2	-	-	-	-
Adjusted Opening Balance, January 1	29,682	32,204	32,034	30,743	24,774
Off-site levies collected	1,714	932	170	1,291	5,969
Investment income allocation	1,367	-	-	-	-
Internally restricted investment income adjustment	4,146	-	-	-	-
Prior year's investment income adjustment	2,444	-	-	-	-
Off-site levies spent	(544)	(3,456)	-	-	-
Ending Balance, December 31	38,809	29,680	32,204	32,034	30,743

THE CITY OF CALGARY OFF-SITE LEVIES

NOTES TO THE OFF-SITE LEVY SCHEDULES AS AT AND FOR THE YEAR ENDED DECEMBER 31 (in thousands)

1. OFF-SITE LEVIES

The City of Calgary (“The City”) charges Off-site levies (“OSL”) in accordance with The Municipal Government Act (“MGA”), through a bylaw. The Off-site Levy Bylaw (2M2016), currently in effect, was approved by Council in 2016.

The OSL Bylaw 2M2016 was amended twice since it was first passed:

- (i) In 2018, Council approved bylaw 41M2018 to include infrastructure in the levy calculation to support the 14 new communities
- (ii) In 2019, Council approved bylaw 2H2019 to include Community Services Charges

Council passed OSL Bylaws and amendments as early as 2004 (34M2004). The levies collected are used to pay for infrastructure, land and interest costs as authorized in the MGA. The unspent OSL collected of each infrastructure type will be used to fund future levy-eligible capital infrastructure projects that align with Council priorities and are allocated through The City’s budget process. The capital infrastructure included in the off-site levy bylaw are:

- Water distribution and wastewater collection infrastructure, stormwater systems, and treatment plants;
- Transportation (interchanges, structures over major geographic barriers, skeleton roads, transportation utility road connections etc.);
- Community or Recreation infrastructure (transit, fire, police, recreational, and library facilities).

The OSL schedules include the opening balance, collection, spending, earned interest, other adjustments and closing balance of OSL.

The OSL schedules should be read in conjunction with The City’s annual consolidated financial statements (“financial statements”).

2. ACCOUNTING POLICIES

Basis of Presentation

The OSL schedules are prepared by Administration for a specific purpose in accordance with standards established by the Public Sector Accounting Board of the Chartered Professional Accountants Canada except those related to presentation and disclosure of

THE CITY OF CALGARY OFF-SITE LEVIES

NOTES TO THE OFF-SITE LEVY SCHEDULES AS AT AND FOR THE YEAR ENDED DECEMBER 31 (in thousands)

general purpose financial statements required by PS 1201 *Financial Statement Presentation*. Significant accounting policies are as follows:

Off-site levies collected

OSL are reported as collected in the period for which cash has been received. For subdivision applications, OSL are collected in accordance with the Development Agreement terms and conditions. One year subsequent to entering into the Development Agreement The City invoices the Developer over a 3 year term (Year 1: 30%, Year 2: 30% and Year 3: 40%). The invoiced and collected amounts are not evenly distributed across infrastructure type. For development permits, OSL are collected in accordance with development permit conditions.

OSL are recognized in The City's financial statements as revenues in the period in which the resources are used for the purpose(s) specified. This occurs when the events giving rise to the inflows occur, any stipulations have been met and reasonable estimates of the amounts can be made. Where OSL are received but stipulations are not met, OSL are recognized in capital deposits until stipulations are met. OSL must be expended on capital projects for which they are specified and are recognized as revenue when expenditures are made.

Off-site levies spent

OSL are reported as spent in the period for which eligible OSL expenditures have been incurred.

Water Utility off-site levies usage/spent

Water Utility OSL revenue fluctuates according to economic conditions while debt servicing remains constant once debt is incurred. Therefore, Water Utility OSL usage (or maximum eligible usage) is the lesser of eligible principal and interest or available funds (OSL earned and collected). Water Utility incurs OSL eligible expenditures in advance of the collection of OSL amounts.

Only eligible capital projects with the associated growth percentage specified are included when determining OSL borrowing requirements. The maximum eligible cost is the principal and interest on this debt obligation.

If the OSL balance is in a deficit position, this is temporarily mitigated by Utility rate revenue (collected from Utility customers) and will be recovered from future OSL collections. Utility rate revenue is non OSL revenue.

THE CITY OF CALGARY OFF-SITE LEVIES

NOTES TO THE OFF-SITE LEVY SCHEDULES AS AT AND FOR THE YEAR ENDED DECEMBER 31 (in thousands)

Off-site levies held in Reserves

Water Utility OSL earned revenue is transferred to the OSL fund held in the Utility Sustainment reserve to pay future eligible principal and interest.

External Off-site levies

External OSL are funds received from developers external to The City.

Internal Off-site levies (Internal Transfers)

Internal OSL represent charges incurred through development by The City. For the purposes of the financial statements internal OSL are eliminated.

Density incentive program

The Density incentive program assists developers with the levy payment where the combined equivalent population for residential and commercial development is equal or greater than 285 equivalent population in established area. This determines which developments qualify for the density incentive program.

The combined equivalent population calculation is done for all residential and/or commercial developments as part of the levy calculation process. The lesser of the regular levy calculations or the levy calculations under the density incentive program is applied to the application.

Non-OSL Adjustments

These are non-OSL balances such as Centre City levy, Redevelopment levy, Local Improvement levy and others that were subsequently removed from the OSL balances as a correction.

Investment income allocation

Investment income is allocated monthly to the ending balance of the OSL accounts that are eligible to receive investment income by applying the blended yield to that balance. Blended yield is calculated based on the realized income on the assets invested. OSL assets are pooled to achieve economies of scale and to open the opportunity set of investments. Investment income in the schedules is reported using the accrual basis of accounting.

THE CITY OF CALGARY OFF-SITE LEVIES

NOTES TO THE OFF-SITE LEVY SCHEDULES AS AT AND FOR THE YEAR ENDED DECEMBER 31 (in thousands)

There have been a number of amendments to the MGA and applicable bylaws from 1995 to 2017 that expanded levies and, in some instances, introduced restrictions to investment income earned. Prior to amendment of the MGA in 2017, the community services levies were voluntary charges and investment income earned on these levies was not attributed and restricted as there was no explicit requirement to do so under the legislation. To ensure consistency of application of accounting policies and underlying legislation, Administration performed a review of investment income for OSL balances. As a result of this review, in 2020, per Council directive PFC2020-1237, Administration allocated \$47,566 of investment income earned on OSL from 2006 to 2019 to Community Service and Police capital deposits. Of this amount, \$32,774 was internally restricted to reflect consistent accounting policies for investment income earned on OSL amounts pre-2017 on a voluntary basis as there is no requirement under the bylaw to restrict this income.

The remaining \$14,792 should have previously been recognized in capital deposits related to investment income earned on OSL from 2017 to 2019 as required by the MGA. Additionally, as result of this review undertaken by Administration, an amount of \$8,033 was identified as a reclassification of investment income for Water Utilities OSL from 2004-2015.

Use of Estimates

The preparation of the financial statements requires management to make estimates and use assumptions that affect the reported amounts spent at the date of the schedules. Where estimation uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from estimates. The amounts recorded for accrued liabilities (amounts spent) is where management makes significant estimates and assumptions in determining the amounts to be recorded in the financial statements.

Measurement Uncertainty

The key assumption concerning the future, and other key sources of measurement uncertainty at the reporting period that may have a risk of causing a material adjustment to the carrying amounts of OSL within the next financial year, is the blended yield rate utilized in allocation of investment income. The investment income allocated represents Administration's best estimate of realized income recognized on invested OSL funds. The determination of the blended yield rate depends on certain assumptions, which include selection of effective interest rates on average balances of The City's investment mix during a specific period. This inherent risk arises due to the fact that OSL funds are pooled with other funds that The City actively invests and manages. While investment income earned on total funds invested is easily determinable based on third party information, the allocation of investment incomes earned on OSL funds is

**THE CITY OF CALGARY
OFF-SITE LEVIES**

**NOTES TO THE OFF-SITE LEVY SCHEDULES
AS AT AND FOR THE YEAR ENDED DECEMBER 31 (in thousands)**

Administration's best estimate derived by applying the blended yield rate to the proportionate balance of total funds invested. These assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the investment income allocation.