

CITY OF CALGARY
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OCT 27 2014

ITEM: C2014-0833
Public presentation
CITY CLERK'S DEPARTMENT

THE CITY OF CALGARY
CFO Report
City Finance & Investment

Strategic Planning Meeting of Council

October 27, 2014

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THE CITY OF CALGARY

AGENDA

1. Objectives for today
 - Understand our financial picture
 - Decisions on capital and operating budgets, as well as financing
2. Financial Position and Budget
3. Capital Investments and Growth
4. Debt and Reserves
5. Actions

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ENVIRONMENTAL SCAN

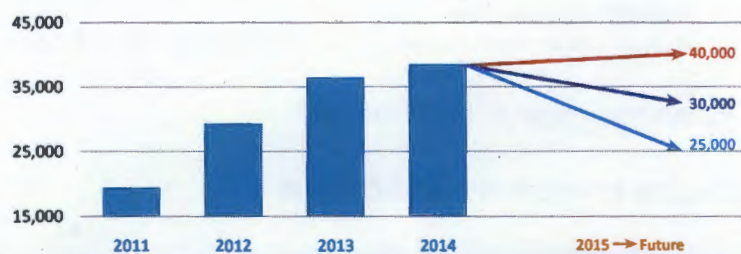
- **Rapid population growth – a financial issue**
 - manage over build / under build
 - need to accelerate development and land supply
 - cost escalation
 - fragmented and one-off CFAs
 - not maximizing current infrastructure capacity
- **Inherent “instability” in current budgets**
 - Systemic revenue challenge / limited new revenue sources
 - Unpredictable capital grant program
- **Need to change current system**

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POPULATION PROJECTIONS

City of Calgary Population Growth



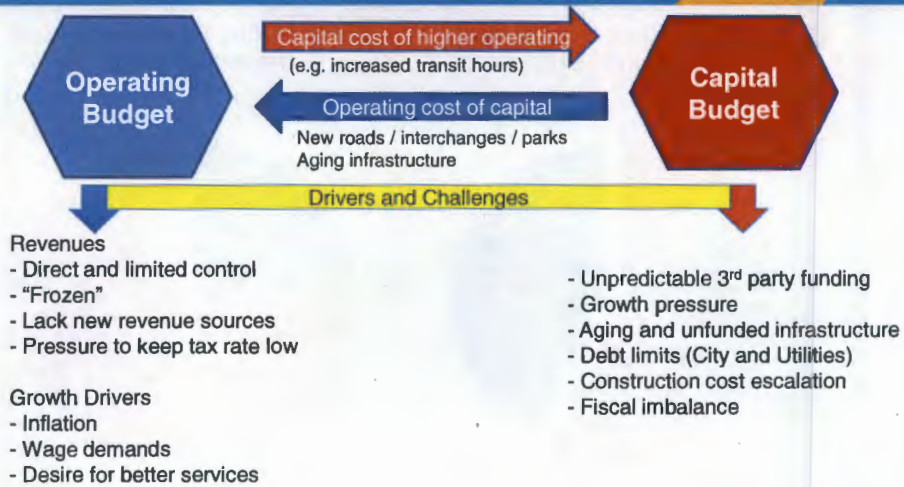
Population Growth Projection	Total	Annual Average
A "New Reality" ?	160,000	40,000
Trend Line (adjusted)	141,660	35,415
Forecast as of August 2014	120,500	30,125
Forecast in Action Plan	100,000	25,000
Forecast initially used in Action Plan	77,000	19,250

Trend Line (adjusted) – excludes 2009 and 2010 population growth

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BUDGET FRAMEWORK

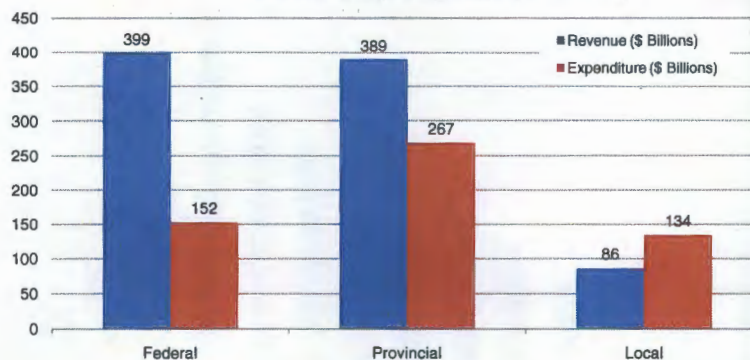


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FISCAL IMBALANCE

Cumulative Revenue and Expenditure to the Three Orders of Government by Calgarians (1991-2013)



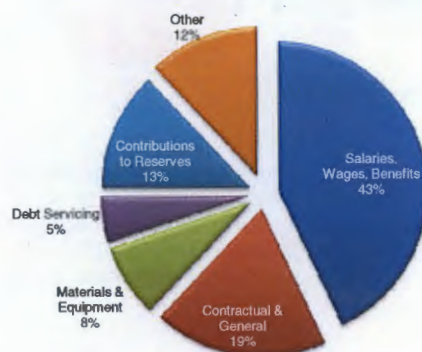
- Tax dollars collected and spent by the Federal, Provincial and Local governments in Calgary.

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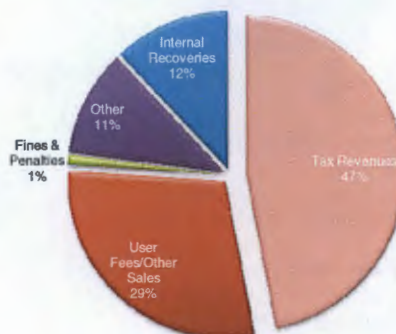
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OPERATING BUDGET – 2015 SUMMARY

2015 Total City Operating Budget
Expenditures (\$4B)



2015 Total City Operating Budget
Revenues (\$4B)

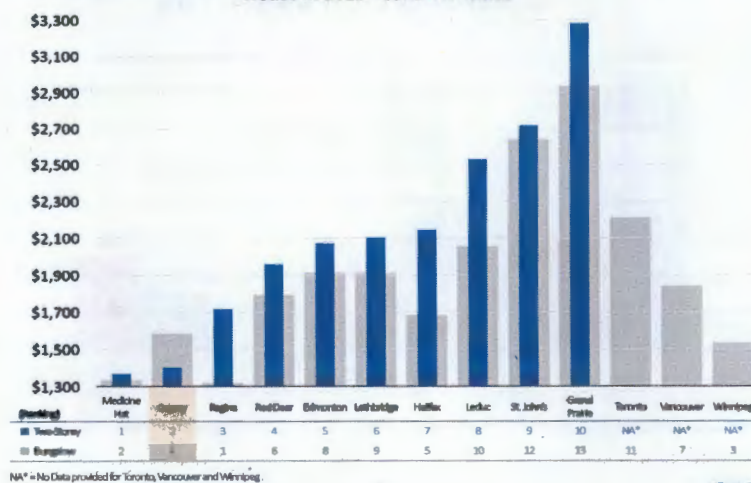


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PROPERTY TAX COMPARISON

Municipal Property Tax for a Representative Two-Storey and Bungalow House in 2013 - Canadian Cities



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WHAT DOES IT MEANS?

25,000 to 40,000 Annual Population Growth

Annual Capital Budget Impact

Department	Annual \$M	\$ Per Capita	\$ Per Unit
Utilities (*)	85	5,500	14,000
Tax Supported (#)	175	11,500	30,000
Total	260	17,000	44,000

(*) Excludes the \$8M annual operating cost

(#) Excludes 2015 to 2018 projected unfunded capital of \$1.7B

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WHAT DOES IT MEANS?

25,000 to 40,000 Annual Population Growth

Operating Budget Impact \$M

	2015	2016	2017	2018	Total
Revenue	(15)	(15)	(20)	(25)	(75)
Tax Supported	20	20	20	20	80
Debt Servicing	10	25	35	55	125
Gap (^)	15	30	35	50	130

(^) Excludes 2015 to 2018 estimated \$50M operating gap

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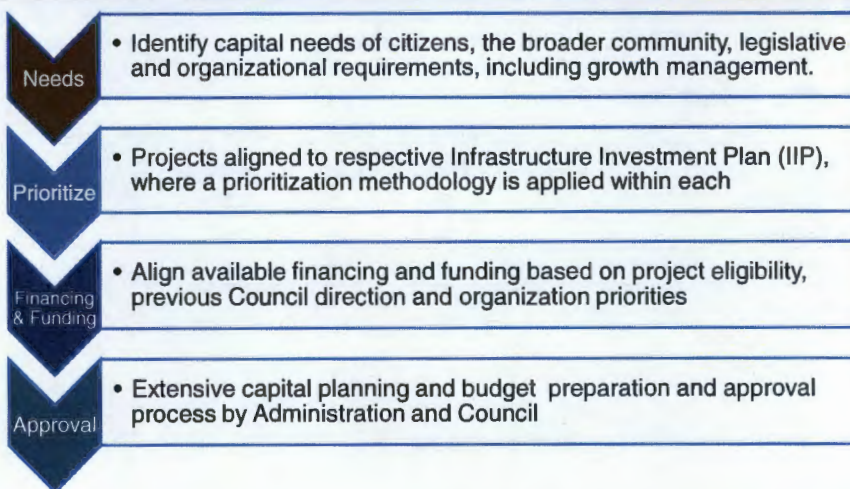
CAPITAL INVESTMENT OVERVIEW

- Presented to Council as 5-year Capital Plans
- Business Plans & Budgets include for approval capital projects which start within the cycle and may finish beyond the 4 year budget cycle.
- Mounting pressure on operating budget (many capital projects will have an impact on operating costs)
- MGA requires an approved capital budget prior to the start of a fiscal year
- Project approval also required for grant funding, procurement and debt issuance

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CAPITAL PLANNING AND BUDGETING



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CAPITAL INVESTMENT by IIPs

CLIIIP	CPRIIP	ERIIP	TIIP	Water IIP	WRS IIP
Corporate Level Infrastructure Investment Plan	Culture Parks Recreation Infrastructure Investment Plan	Emergency Response Infrastructure Investment Plan	Transportation Infrastructure Investment Plan	Water Infrastructure Investment Plan	Waste & Recycling Infrastructure Investment Plan
CPB, CSC, HR, IT, IIS, OLSH, Law, CWPI, LAPI, CFOD, ESM, Fleet	Parks, Recreation, Culture, CNS, Civic Partners	Fire, Animal Bylaw, Public Safety Communications	Roads, Transit, Transportation Infrastructure, Transportation Planning, CPA	Water Resources & Water Services	Waste & Recycling Services
2014 Capital Budget \$2.3B					
\$547M	\$432M	\$152M *	\$631M	\$494M	\$70M
2015-2019+ Capital Plan \$7.6B (\$4.7B included in the capital budget requiring Council Approval)					
\$1,038M	\$879M	\$296M*	\$2,687M	\$2,292M	\$382M

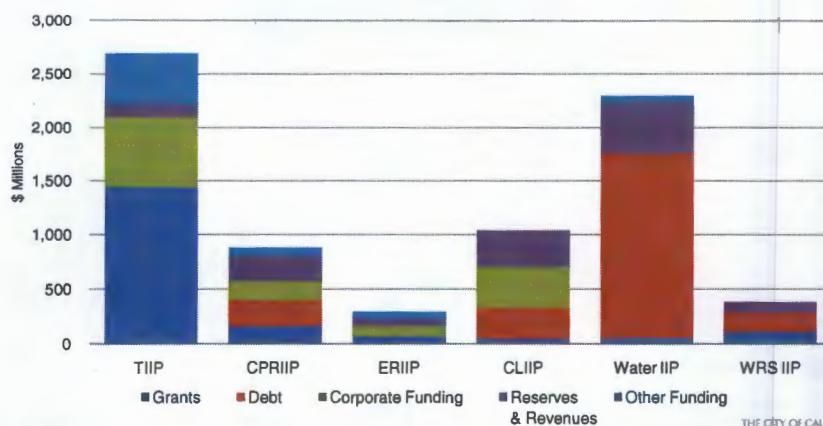
* Calgary Police Services is included in capital plan but is reviewed separately from the IIPs process.

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IIP'S FINANCING & FUNDING SOURCE

2015 to 2019 Proposed Capital Plan \$7.6B
(\$4.7B requiring Council Approval)

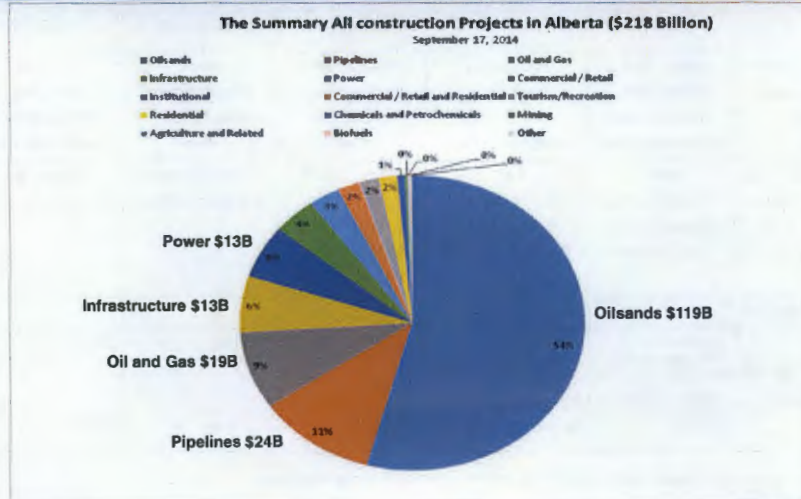


* Capital Plan excludes 2014 Approved Capital Budget: \$2.3B

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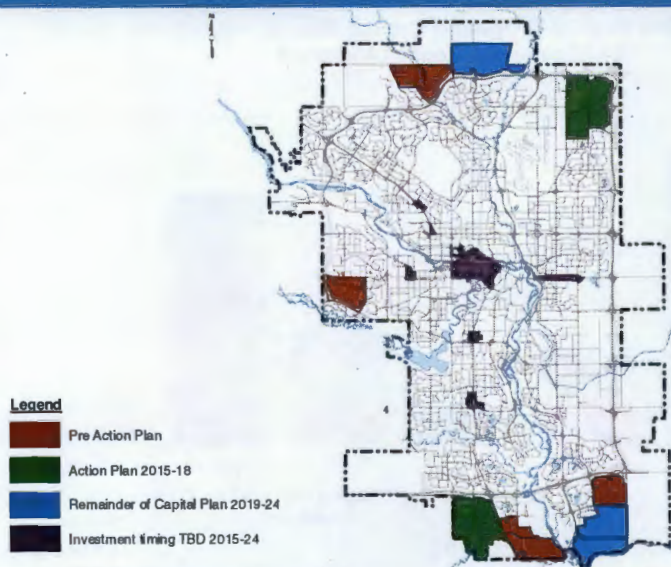
ALBERTA CONSTRUCTION ACTIVITIES (2014 TO 2018)



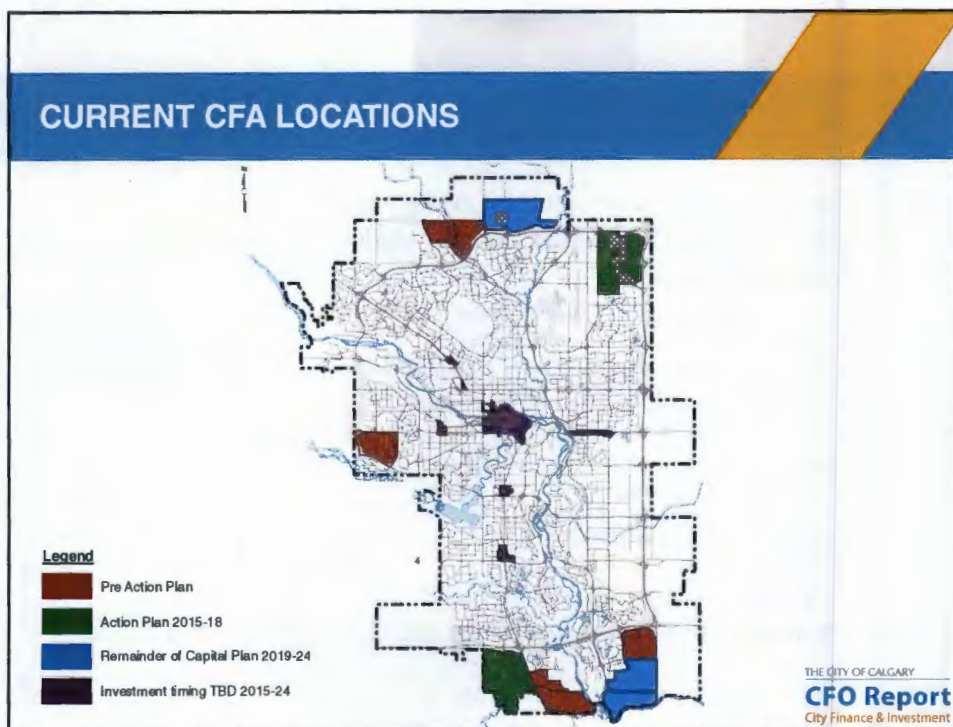
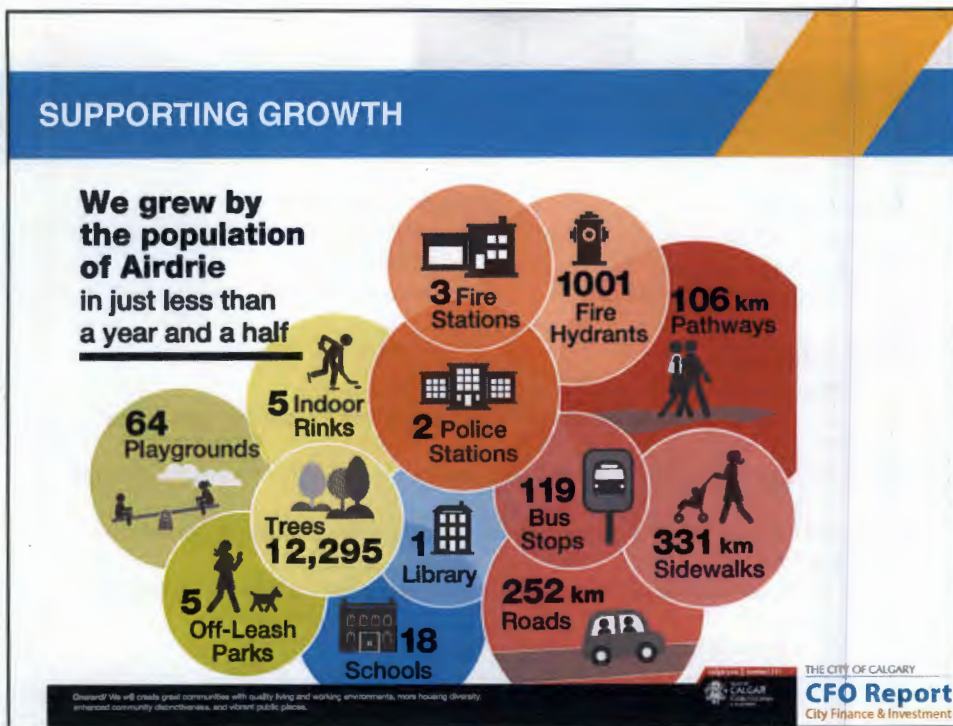
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PLANNING FOR GROWTH



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CONSTRUCTION FINANCING AGREEMENTS (CFAs)

Approved:

- North Point
- \$18.6 M
- Repayment Date: 2018

Under Consideration:

- Keystone Hills: East and West
- \$43.0 M Total
- Repayment Date: 2020 and 2024

Challenges:

- Impacts debt
- Long term financial commitments - loss of ability to adapt to unforeseen change
- Leads to fragmented growth and potential over supply of infrastructure per capita
- Intensive use of staff resources - redirect focus to strategic/collaborative solutions
- Fee for advancing developments - challenging to capture true operating cost impact
- Moving away from complete communities

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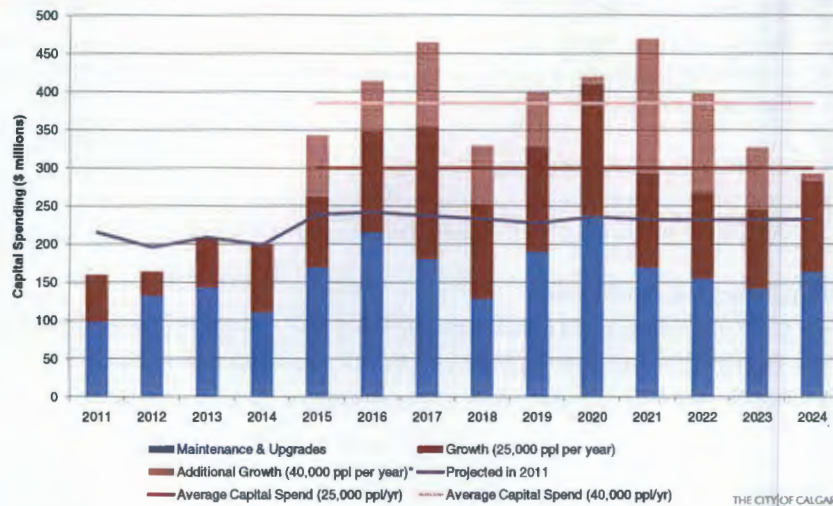
CAPITAL INVESTMENT – UTILITIES PERSPECTIVE

- Leading Infrastructure - must be in place prior to growth
- Use of self-supported debt in funding model
- Acreage Assessments
 - currently 50% of growth related infrastructure
 - calculated in advance of development
 - funds growth in developing areas but infrastructure also benefits developed areas
 - amounts are at risk due to volatility of growth
 - risk increases under current model if AA is 100%
- Competing drivers for capital budget
 - maintain assets
 - regulatory and environmental protection
 - level of service
 - growth – more than 50% of capital budget
- Pressure on utility rates to manage debt and meet financial policies

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UTILITIES CAPITAL SPENDING PLAN

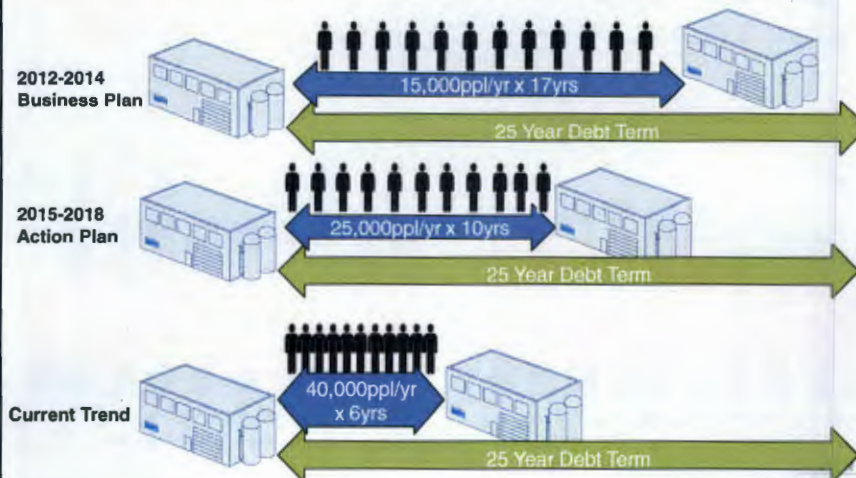


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IMPACT ON INFRASTRUCTURE AND FINANCES

Example of Wastewater Treatment Plant 250,000 People Plant Expansion



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DEBT FINANCING

Debt Management goals:

- Finance long term assets while ensuring debt levels and servicing costs are manageable
- Provide financial flexibility to respond to unexpected fiscal & economic conditions in future
- Inter-generational equity

Debt and Debt Servicing Limits:

- MGA and Council directed limits on total city debt and debt servicing
- City Council approved policy for Utilities financial plan and targets

Structured and Other Debt

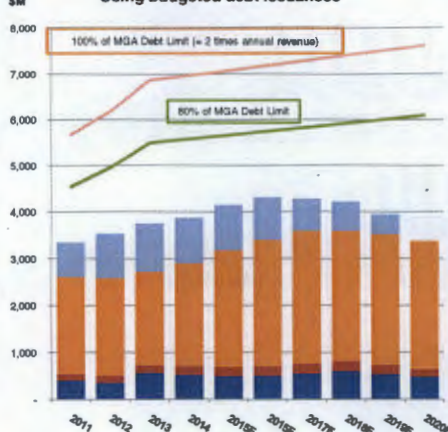
- Structured debt does not require equal payments comprising both principal and interest
- Structured terms result in application of MGA proration rules (MSI bullet debt)
- Construction financing agreements (CFAs) including Front Ending Loans

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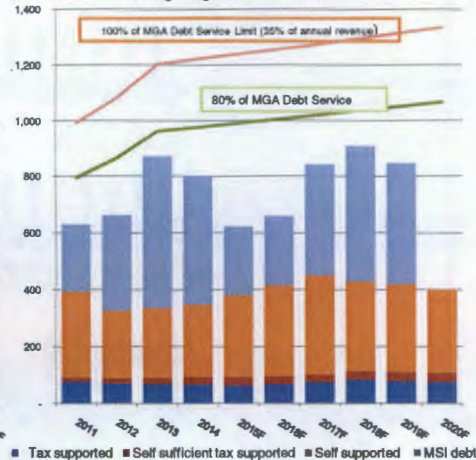
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CITY DEBT 2011-2020

Debt Outstanding Limit 2011-2020
Using budgeted debt issuances



Debt Service Limit (Principal & Interest) 2011-2020
Using budgeted debt issuances

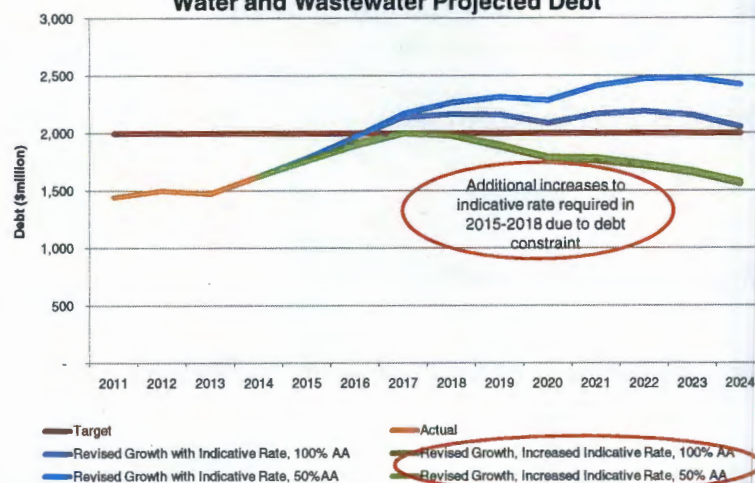


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PROJECTED UTILITIES DEBT

Water and Wastewater Projected Debt



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RESERVES

Reserve	Balance as of Dec 31, 2013	Minimum Target	Uncommitted
Fiscal Stability Reserve	\$365M	Minimum \$135M Target \$400M	\$200M
Lifecycle Maintenance and Upgrade Reserve	\$126M	N/A	\$30M
Reserve for Future Capital	\$270M	Approx. \$50M	\$50M
Community Investment Reserve	\$151M	N/A	\$0M
Sustainment Reserves	\$224M	N/A	\$0M

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WHAT CAN WE DO?

New approach to regional growth

- ◆ residential vs industrial

Other revenue sources

- ◆ SDA
- ◆ MGA / Charter

Strategic use of debt

New approach to capital and reserves

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RECOMMENDATION

Administration recommends that Council:

- Receive this report for information

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