

## **Water Lines of Service – Capital Borrowing Bylaw**

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### **PURPOSE**

The purpose of this report is to seek Council approval of Bylaw 9B2023 to authorize borrowing to finance the capital investment plans for Stormwater Management, Wastewater Collection & Treatment and Water Treatment & Supply (collectively, the “Water Lines of Service”).

### **PREVIOUS COUNCIL DIRECTION**

On 2022 November 25, Council approved and adopted the 2023-2026 Service Plans and Budgets, C2022-1051, which includes the \$1.42 billion capital budget for the Water Lines of Service.

### **RECOMMENDATIONS:**

Administration recommends that Council:

1. Give first reading to Bylaw 9B2023 (Attachment 2), being the proposed bylaw authorizing The City of Calgary (“The City”) to borrow up to the maximum amount of \$665,970,000 to finance capital improvements for the Water Lines of Service; and
2. Withhold second and third readings until the advertising requirements set out in the Municipal Government Act, RSA 2000, c. M-26, have been met.

### **CITY MANAGER/GENERAL MANAGER COMMENTS**

Les Tochor, Acting CFO and General Manager, Corporate Planning and Financial Services concurs with this report.

### **HIGHLIGHTS**

- Under The City’s 2023-2026 Service Plans and Budgets, Water Lines of Service has an approved capital budget of \$1.42 billion, \$665.97 million of which requires Council approval to authorize borrowing to finance a portion of the capital improvements for the Water Lines of Service.
- The requested borrowings authority will support: 1) Stormwater Management (\$110.48 million), 2) Wastewater Collection & Treatment (\$393.02 million), and 3) Water Treatment & Supply (\$162.47 million).
- The proposed debt will be utilized to invest in critical water utility assets which will extend services to new communities, expand water treatment capacity, invest in necessary upgrades and address capital maintenance needs thereby ensuring a high quality of water services for residents.
- User fees charged to residents will be used to repay the indebtedness over the estimated useful life of the assets to be procured.

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### **DISCUSSION**

- In 2022, Council approved The City's 2023-2026 Service Plans and Budgets which includes the Water Lines of Service's new capital investment plans of \$1.42 billion. The borrowing bylaw supports financing of the approved capital budget.
- Attachment 3 - 2023-2026 Capital Budget Funding Breakdown for the Water Lines of Service provides details on the total capital budget for each service line and the sources of funds.
- Of the total capital budget of \$1.42 billion, \$ 749.68 million will be funded by amounts approved in prior budgets (\$102.75 million) and capital reserves (\$646.93 million). The remaining budget will be financed by debt of \$665.97 million.
- The proposed debt will be structured with tenors of 10 years and up to 25 years, strategically aligned with the long-term nature of investments made by the Water Lines of Service. By adopting this diversified approach to debt management, The City aims to strike a balance between funding immediate infrastructure needs and securing stable, extended financing for critical water utility projects.
- The Stormwater Management service line will be funding its Drainage Facilities and Network Program which maintains the delivery of stormwater services in existing communities, extends services to new communities and improves services in flood prone areas. The service line has proposed to fund its \$190.78 million capital budget using \$110.48 million in debt and \$80.30 million using amounts approved in prior budgets and capital reserves.
- The Wastewater Collection & Treatment service line will be funding its Wastewater Treatment Plant and Wastewater Collection Network programs which will provide water treatment capacity expansion, address capital maintenance needs, and extend services to new communities. The service line has proposed to fund its \$732.10 million capital budget using \$393.02 million in debt and \$339.08 million using amounts approved in prior budgets and capital reserves.
- The Water Treatment & Supply service line will be funding its Water Treatment Plant and Water Distribution Network programs which will provide investment in capital maintenance, pump station upgrades, plant electrical upgrades and plant capacity optimization. These programs will also extend services to new communities, and address capital maintenance needs. The service line has proposed to fund its \$492.77 million capital budget using \$162.47 million in debt and \$330.30 million using amounts approved in prior budgets and capital reserves.
- The user fees generated by the operations of the Water Lines of Service will be allocated for repaying the proposed debt, ensuring a self-sustaining and financially responsible approach to funding. The reliable stream of user fees provides a stable and predictable source of income, making it easier for The City to plan and manage debt obligations effectively.

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### **EXTERNAL ENGAGEMENT AND COMMUNICATION**

- |                          |   |                                     |   |
|--------------------------|---|-------------------------------------|---|
| <input type="checkbox"/> | Public engagement was undertaken        | <input type="checkbox"/>            | Dialogue with interested parties was undertaken     |
| <input type="checkbox"/> | Public/interested parties were informed | <input checked="" type="checkbox"/> | Public communication or engagement was not required |

Administration has reviewed and concurs with this report and its attachments.

### **IMPLICATIONS**

#### **Social**

The debt will support investments in water services which yields positive social impact as improved access to reliable water supply enhances residents' quality of life, promotes public health, and fosters a sense of community well-being.

Additionally, modernizing water utilities can reduce social inequalities by ensuring equitable distribution of resources and facilitate inclusive development for all segments of The City's population.

#### **Environmental**

Clean water is a basic human necessity and is also required for sustaining healthy eco-systems and the economy. The City is responsible for providing safe drinking water, managing stormwater and wastewater, and ensuring high quality of water is returned to rivers. By investing in these areas, The City can continue to provide excellent services and extend its reach to new communities.

By enabling investments in Stormwater Management, it will enhance The City's climate resiliency by effectively managing and diverting excess water, reducing flood risks, and mitigating the impact of climate change-induced extreme weather events.

#### **Economic**

By using debt to accelerate investment in water services, which provides reliable water supply, The City can attract businesses and accommodate the rise in population, leading to increased revenues, job opportunities, and overall prosperity in The City.

#### **Service and Financial Implications**

##### **Self-supported funding**

\$665.97 Million

The proposed debt will finance capital investment in the Water Lines of Service which will expand water treatment capacity, invest in necessary upgrades, address capital maintenance needs, and extend services to new communities.

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### **RISK**

- A delay in the timeline for capital investments in water utilities could hinder the timely expansion of water treatment capacity and necessary upgrades. This may lead to inadequate water services and potential challenges in accommodating the needs of a growing population.
- Inflation can significantly increase the overall cost of capital investments in water utilities. As the cost of materials, labor, and other resources rises, the budget allocated for the projects might become insufficient.
- Failure to adequately accommodate population growth through capital investments in water utilities can result in water shortages, decreased service quality, and compromised public health.
- Cost overruns may arise due to various factors, such as unforeseen technical challenges, changes in project scope, delays in obtaining permits, price fluctuations in construction materials, or underestimation of project complexities.
- To mitigate risk, strict monitoring and reporting mechanisms are used to track project progress and financial performance and funding sources are diversified to avoid relying on a single financing option.
- City Treasury continues to monitor the impact of the cost of debt on the forecast, user fees generated by the Water Lines of Service, and the general market conditions to identify risk and work closely with Water Services to understand options to mitigate and/or adapt to changing economic conditions.

### **ATTACHMENTS**

1. Previous Council Direction, Background
2. Proposed Borrowing Bylaw 9B2023
3. 2023-2026 Capital Budget Funding Breakdown for the Water Lines of Service
4. Water Lines of Service approved 2023-2026 Service Plans and Budgets

### Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Les Tochor, Acting CFO/General Manger, CPFS	Corporate Planning and Financial Services	Approve
Michael Thompson, General Manager	Infrastructure Services	Approve
Doug Morgan, General Manager	Operational Services	Inform
Nancy Mackay, Director	Water Services	Approve

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Tanner Fellingner, Acting Director	Utilities Delivery	Approve
Francois Bouchart, Director	Water Resources	Inform