

Calgary



Standing Budget Item: City-Wide Growth & Local Access Fee Developments (Verbal)

EC2024-0624

2024 May 14



Council plan and schedule for the Mid-Cycle Adjustments to the 2023-2026 Service Plans and Budgets

Executive Committee
May 14
• LAF & Growth Updates

Infrastructure and Planning Committee
May 15
• New community growth applications

Public Communication

✓ COMPLETED

Executive Committee
Jan 19
(Closed)

Executive Committee
Feb 13
(Public/
Closed)

Strategic Meeting
Mar 18
(Closed/
Public)

Executive Committee
Apr 16
(Public/
Closed)

Strategic Meeting
Jun 25
(Closed/
Public)

Optional Meetings
Jul 15-31
(Closed)

Strategic Meeting
Sept 16
(Closed/
Public)

Executive Committee
Oct 2
(Public)

Regular Meeting
Nov 5,18-22
(Public)

To inform

To determine

To discuss

To determine

To determine

To discuss

To inform

To inform

To decide

- Reflect on what we heard at the 2023 Dec 19 debrief
- Overview of planning and budgeting process

- Approve plan and schedule for the Mid-cycle Adjustments to the 2023-2026 Service Plans and Budgets
- Preliminary direction regarding savings, efficiencies and/or investments

- Review community indicators and metrics related to Administration's progress in advancing and implementing Council priority areas and significant milestones.

- Financial and economic review and forecast
- A preview on Municipal Fiscal Gap update
- Service and performance level discussion
- Continuous improvement overview

- Workshop to review Administration's suggested adjustments
- Discussion on corresponding financial capacity and service level impacts
- Finalizing the direction regarding savings, efficiencies and/or investments
- Municipal Fiscal Gap update

- Opt-in meetings for Councilors to discuss Mid-Cycle Adjustments information with Administration

- Preview of the Mid-cycle Adjustments investment/reduction business cases including financial data

- 2025 Preliminary Assessment Roll and Related Estimates

- Public release of full Mid-Cycle Adjustments package (Nov 5)
- Public submissions
- Administration Q&As
- Council deliberates the Mid-cycle Adjustments package

*Water utility and Waste and Recycling Service rates timing is to be confirmed



That Council:

1. Direct Administration to design and implement a revised methodology that aligns with the Quantity Only model, to transition The City in how it collects Local Access Fees (LAF) from electricity and franchise fees from natural gas starting from 2027 January 01.
2. Direct Administration to seek all necessary approvals, including Alberta Utilities Commission (AUC) approvals, in order to implement a Quantity Only model for collecting franchise fees from electricity and natural gas.
3. Direct Administration to use the following design principles in designing a Quantity Only model:
 - A. Build a model that will provide stability and predictability in how much The City collects in revenue.
 - B. Support affordability concerns of Calgarians and businesses.
 - C. Minimize shifts in proportions across user classes with the intent of not materially shifting the financial responsibility from one user class to another.
 - D. Maintain and improve The City's financial sustainability ensuring The City continues to collect at a minimum the currently budgeted Local Access Fee and Franchise Fee amounts from both electricity and natural gas.
 - E. Build a model that will continue to support both The City's operating and capital budgets.
4. Continue advocacy efforts aimed at other orders of government to secure necessary funding for infrastructure and capital investments in The City.
5. Direct Administration to change the Council Policy CFO003 Franchise Fee/MCAF Revenue Budgets and Variances and develop a funding source, program and framework to support an ongoing annual amount of \$10 million in 2025 and 2026 for Energy Poverty and Affordability initiatives with funding from a portion of any potential positive variance collected from the Local Access Fee operating budget.



Administration's Plan to Execute Council's Direction as of 2024 March 18



Step 01

3-9 months

Design a revised methodology to align with Quantity Only Model

Step 02

3-9 months

Negotiate new agreements with ENMAX and ATCO incorporating new methodology

Step 03

6 months +

Obtain AUC approval of the new LAF agreements

Step 04

1-3 months

Establish base year LAF rates and obtain Council approval

Step 05

TBD

Implementation, specifically in ENMAX and ATCO billing systems

Quantity Only Model

13-25 months +

- Contingency built into plan
- Aligns with next four-year budgeting cycle

2027 Jan 1

Start of next budgeting cycle



Bill 19, the Utilities Affordability Statutes Amendment Act



if passed

- 1
 - Prohibit the use of variable market rates for Local Access Fee
 - Standard framework across the Province
- 2
 - Allow Alberta Utilities Commission to provide oversight over all municipalities on how fees are calculated and applied
- 3
 - Changes to Local Access Fee would be effective on 2025 Jan 1



Constraints and Limitations Affecting Future Franchise Fees

Uncertainty over reference price to be used in a revised LAF

1

What LAF models will be permissible in Alberta after Bill 19 passes

2

What considerations will the AUC have in assessing any future LAF applications

3



Next Steps



Administration



done

legal interpretation for Calgary



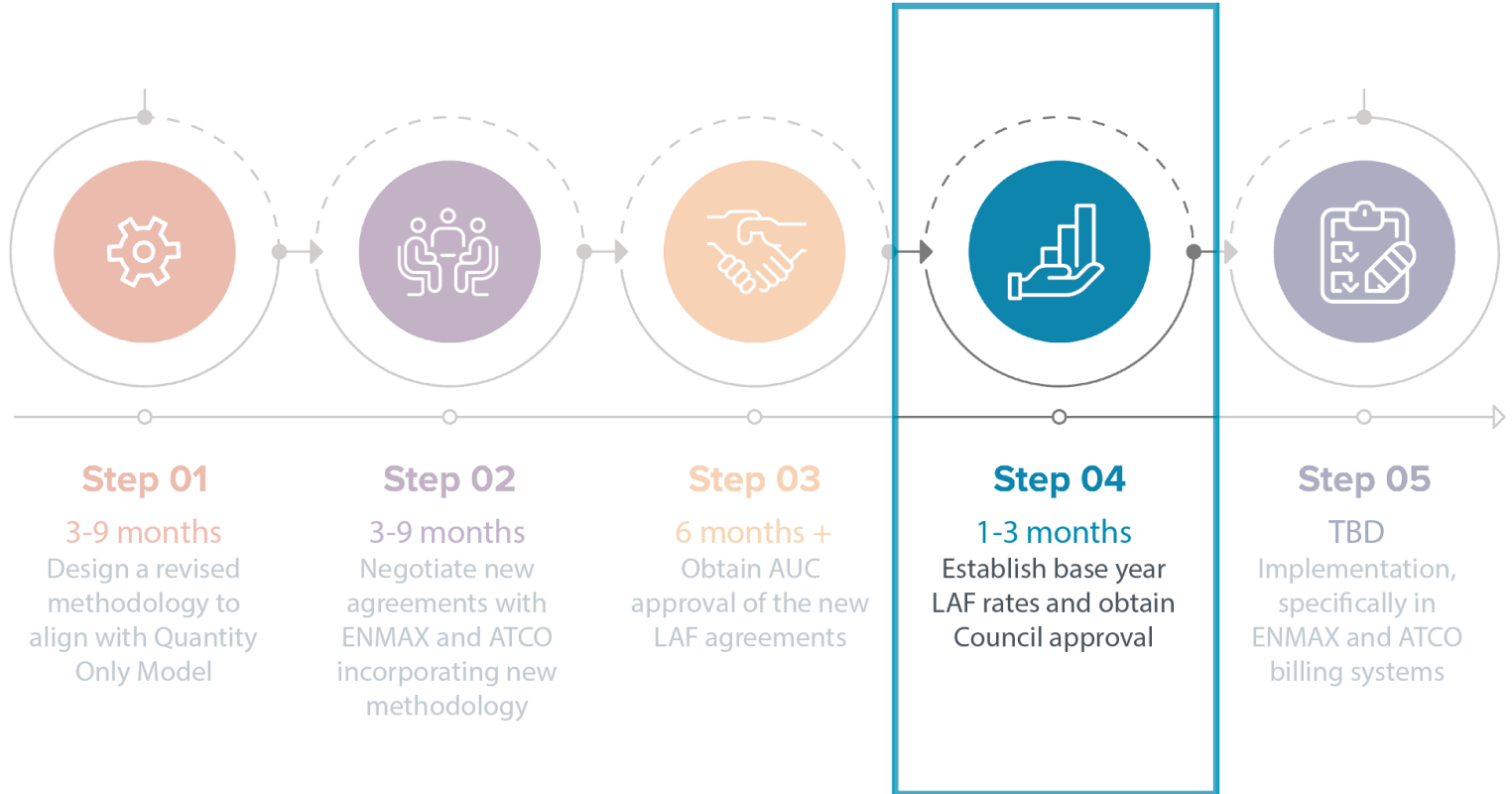
done

seek more information from Province



in progress

build new project plan



Step 01

3-9 months

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Step 02

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Step 03

6 months +

Obtain AUC approval of the new LAF agreements

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Step 05

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2024 Nov 18-22
(Council meeting - regular)



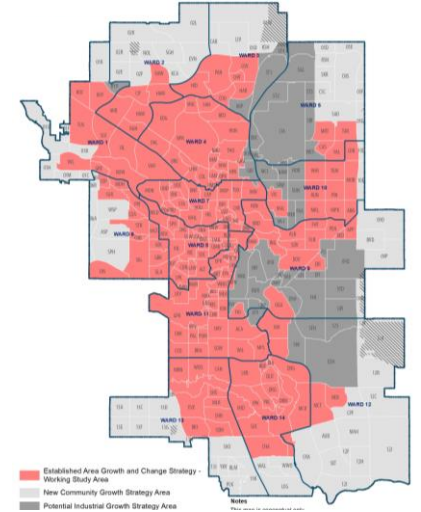
Mid-Cycle Adjustments: Growth Applications Budget Preview

EC2024-0624

2024 May 14



- During a period of unprecedented growth, support efforts that:
 - Enable greater housing supply and growth capacity
 - Deliver high quality public spaces in growing areas
 - Support job creation and the economy
- Identifying investments in new communities, established areas, and industrial areas that achieve this through Mid-Cycle
- **Seven new community Growth Applications are on the May 15 Infrastructure and Planning Committee agenda, as The City’s budget prioritization gets underway**



Relevant Council Direction

- **Housing Strategy (1.C.13):** *“Leverage the standing item on budget at Executive Committee to provide projected investment amount reflective of anticipated acceleration of housing development and population growth, facilitating the need to deliver infrastructure, services, and amenities in growth communities.”*
- **IP2023-0559:** Endorsement of redesigned Growth Application process (replacing the New Community Business Cases and Growth Management Overlays), effective 2023 August 1



New Community Growth Applications Summary

- Capital investment resulting from recommendations would total **\$81.2M for 2025-2026**, with ~60% eligible to be funded by off-site levies. Significant continued investment will be required in future cycles.
- Investments would enable nearly **19,000** new homes
- All operating cost model results show tax revenue to exceed incremental operating costs. Base tax-supported operating funding will not be triggered at Mid-Cycle, but will be required in future budget cycles.

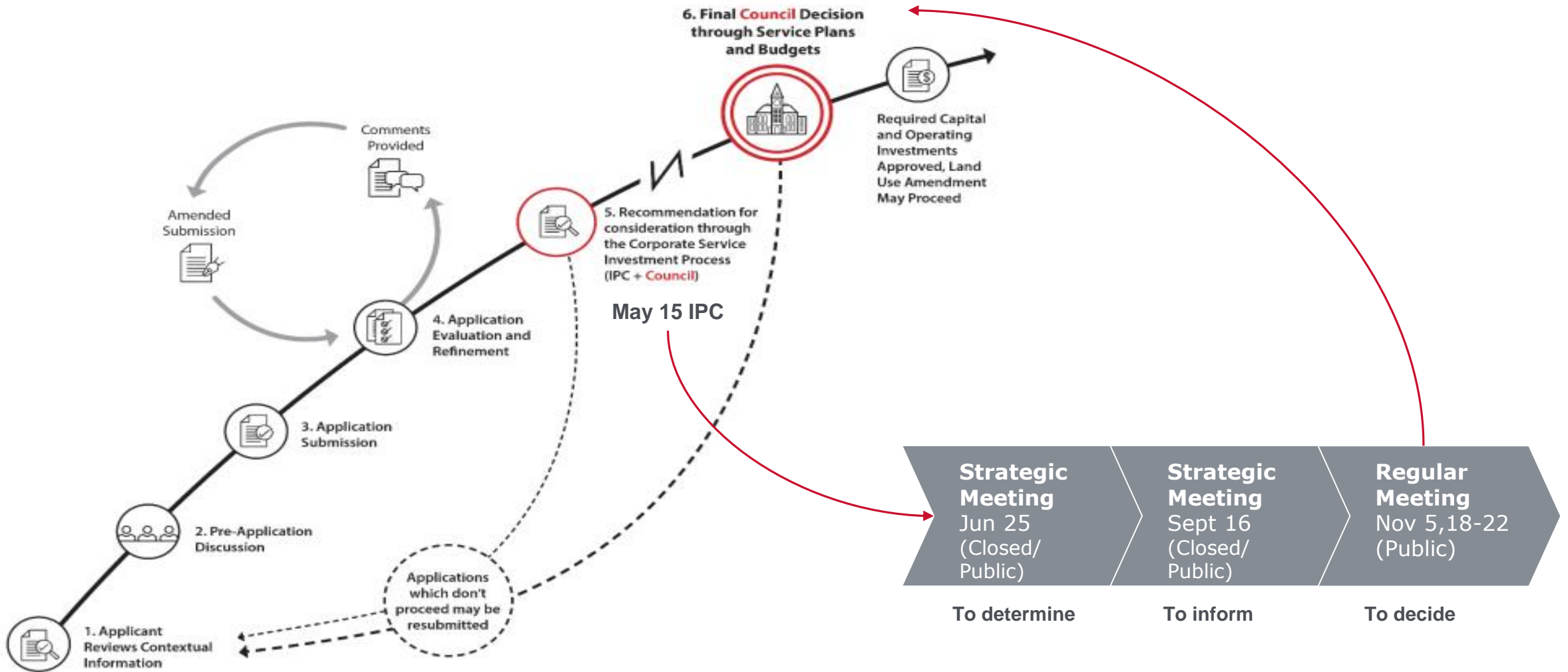
**New Supply
and Required
Capital
Investment**

Growth Applications Recommended to Consider	New Housing Supply	Estimated Capital at Mid-Cycle (\$M)	Estimated Capital 2027+ (\$M)
Keystone Hills (Prairiesong)	2,356	\$8.2	\$3.0
Belvedere ASP	15,000	\$73.0	\$186.5
<i>Current Applications</i>	2,619		
<i>Previously Approved</i>	7,866		
<i>Future Capacity</i>	4,515		
South Shepard (Hotchkiss)	1,321	\$0.0	\$0.0
Total	18,677	\$81.2 *	\$189.5

**if all Growth Applications at IPC were to be considered at Mid-Cycle, the total capital cost would be \$883M*



Timeline to Mid-Cycle Adjustments





Recommendation

That Executive Committee recommend that Council receive this verbal report for the corporate record.