



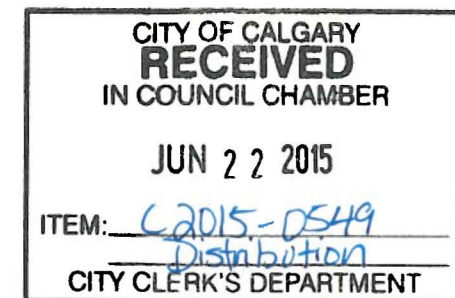
THE CITY OF
CALGARY

Utilities & Environmental Protection

UEP Utilities Financial Review

2015 June 22

C2015-0549



ISC: Unrestricted



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CALGARY

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2015 Q2

2015 Q3

2015 Q4

2016 Q1

UEP Financial Review

UEP Financial Review

Financial Performance Analysis

Benchmarking to Peer Utilities

Financial Policy Review

Recommendations

Build Calgary

Off-site levy development

Engagement with Development Industry

Council: UEP
Financial Report

PFC: Offsite
Levy Bylaw

Council: Offsite
Levy Bylaw

Implementaiton of new
Bylaw



Water Report



Operational Activity



Report Authored By Other Dept

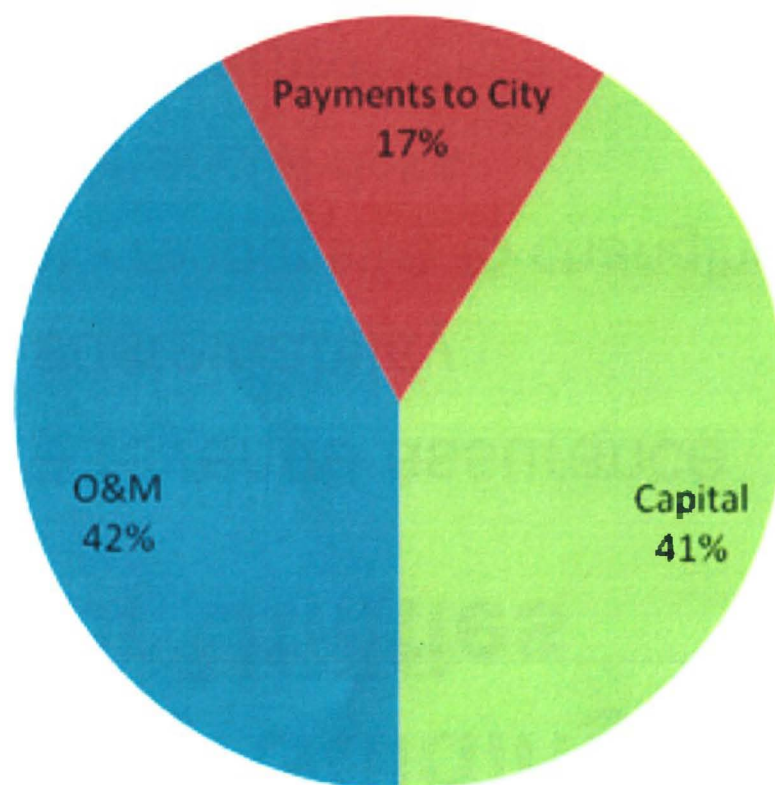
Build Calgary Guiding Principles: Priorities for Utilities

- Certainty – revenue assurance
- Financial sustainability
 - Resilient - responsive to changing conditions
 - Manage financial risks
- Fairness and equity
- Efficiency - simple to administer

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2014 Utilities Budget

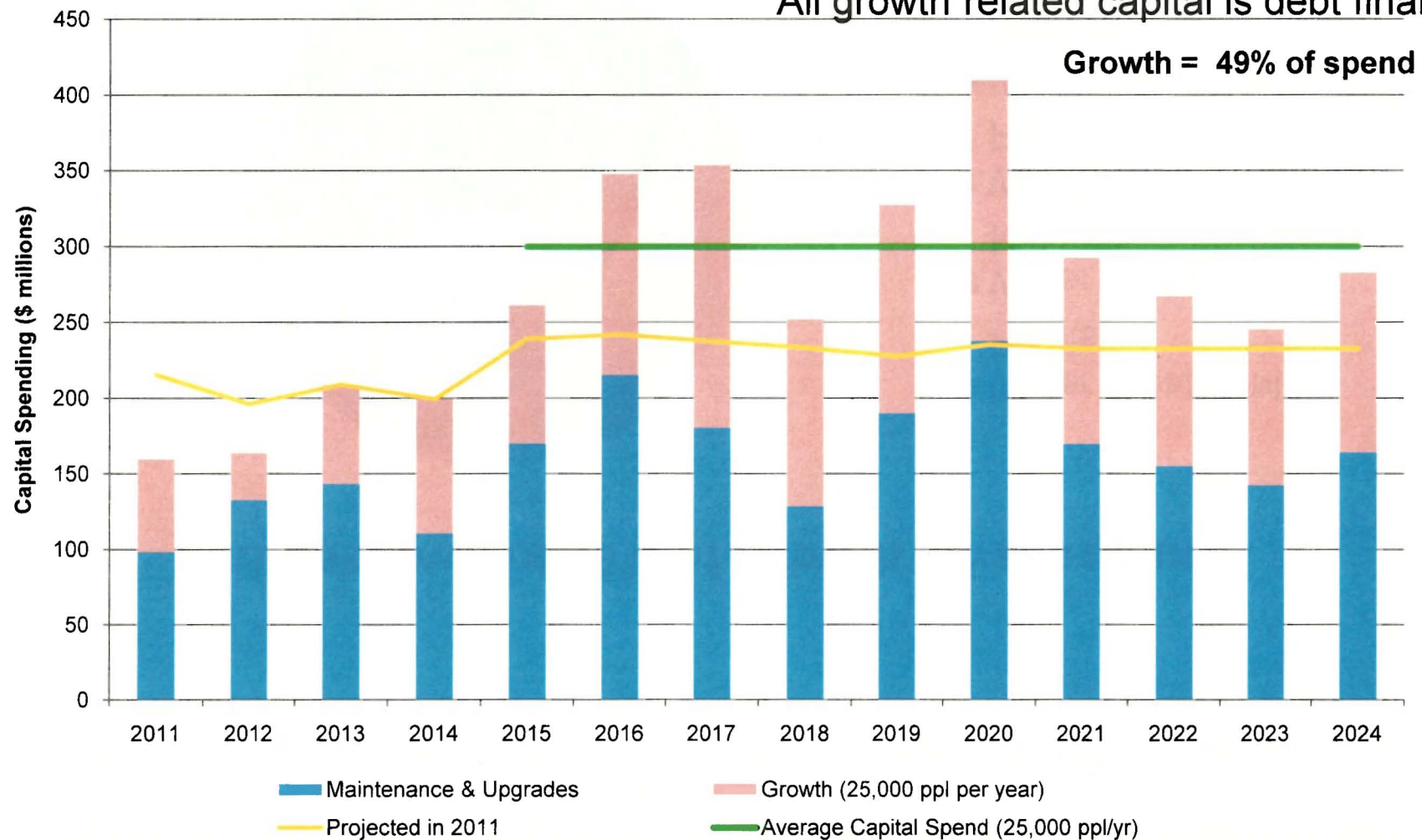
Total Budget (Water, Wastewater & Drainage): \$551.5M



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WATER AND WASTEWATER CAPITAL SPENDING PLAN

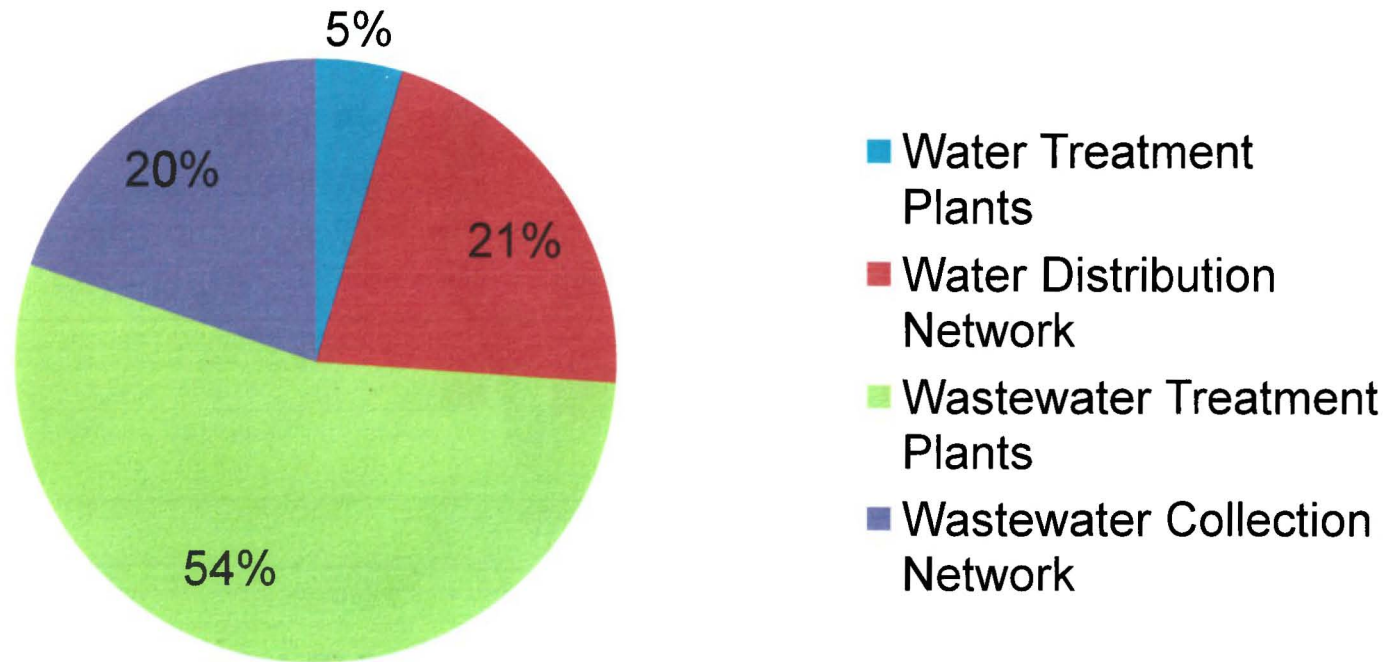
All growth related capital is debt financed



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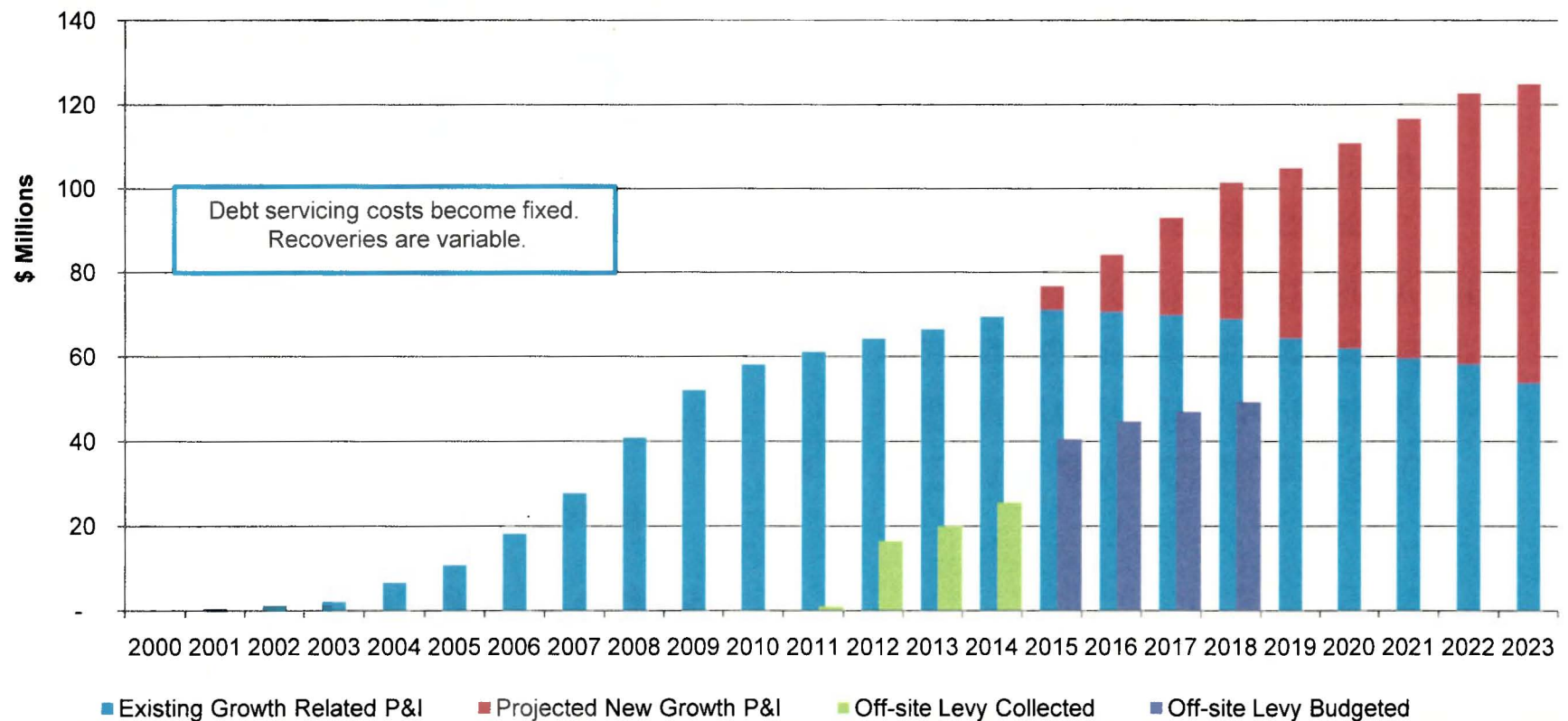
WATER AND WASTEWATER CAPITAL SPENDING PLAN

Breakdown of 49% of Growth Infrastructure



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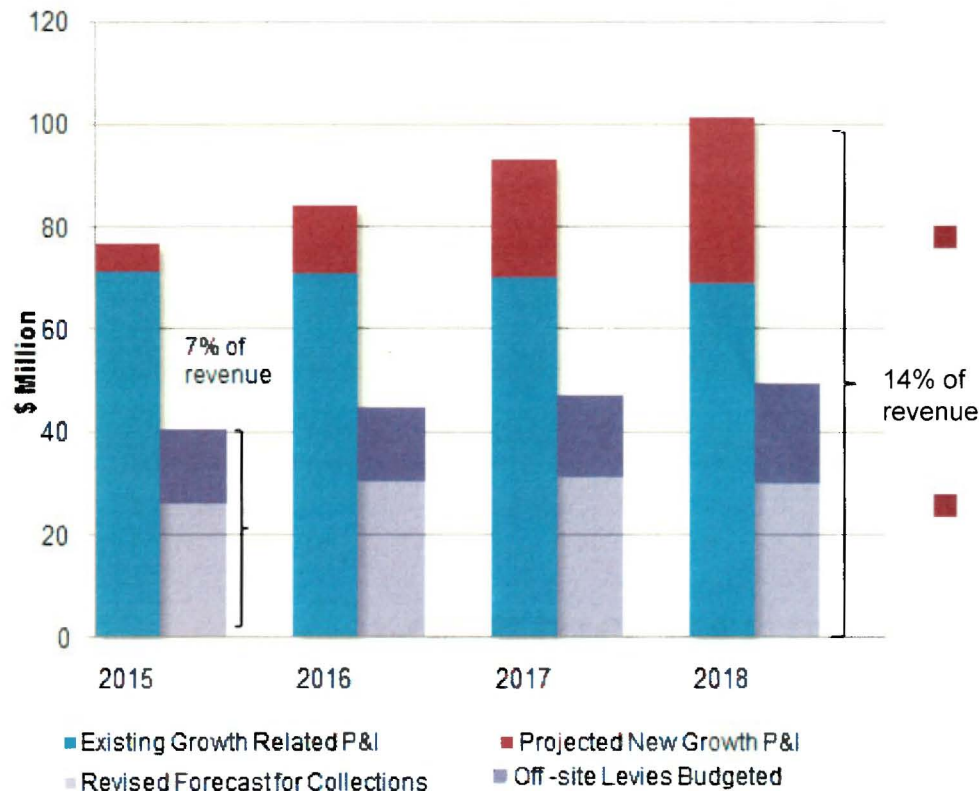
Off-site Levies Collected vs. Growth Related Principal and Interest



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Revenue at risk

Off-site Levy Collections vs. Growth Related Principal & Interest



- In 2018, an additional \$50 million from off-site levies would be required to pay for 100% of growth debt servicing
- In 2015, the variance is expected to be \$14 million less than the budgeted amount
- Impact to meeting financial targets
 - Cash financing capital maintenance
 - Utility reserve requirements

Rework the recovery mechanism

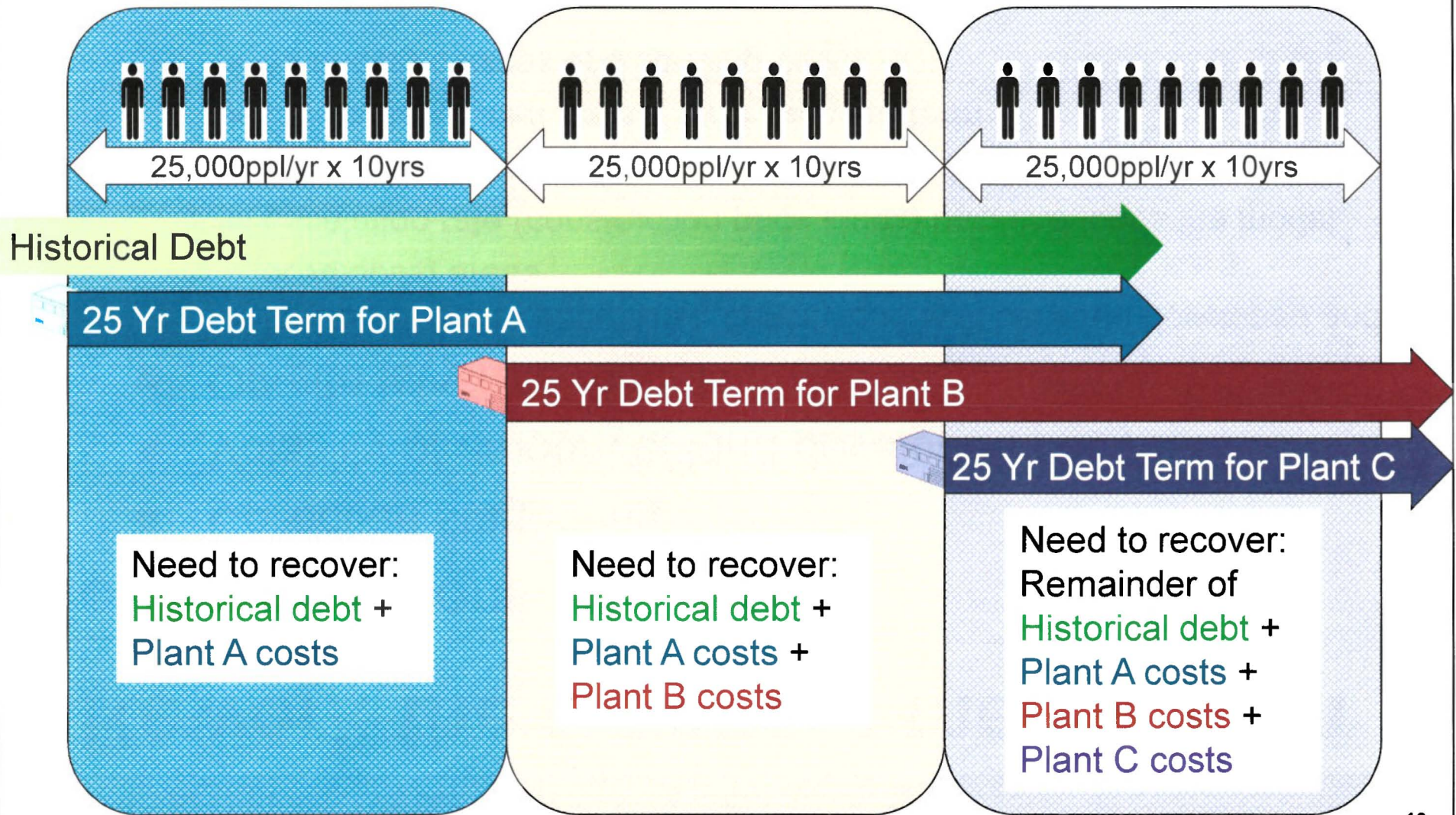
For these reasons:

- Collection staggering
- Volatility of amount of land developed per year
- Off-site levy rate model
 - Inputs related to population, density and split between developed and developing areas
 - Escalation rate (construction price index) backend loads the model
 - Forecast to recover 50% on average over 10 years, not in each year
 - Off-site levy rates are set for a five year term
 - Financing choices and carrying costs

Utility rate payers carry the risk of recovery shortfall

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Debt Amortization Period vs. Build Out Period



Working fundamentals: Levy setting

- Debt is appropriate and more affordable for growth related infrastructure
- Match the debt term to capacity term of infrastructure for treatment plants
- Investigate what infrastructure developers could pay for and deliver
- Recover costs for plants based on capacity used, regardless of location

Working fundamentals: Risk mitigation

- Establish a financial reserve to manage revenue at risk
 - Requires a funding source and target reserve level
- Match amount and timing of levy payments to principal and interest payments
- Periodic off-site levy rate updates

Summary of key factors

- Growth investments have increased by $\approx 1.5x$ in 2015-2024 from the last ten year plan
- Off-site levies are a less certain source of revenue
- Levy collections lag the investment requirement
- Debt term does not match capacity for plants
- Plants drive the majority of the infrastructure costs

Scenario Analysis

- Status quo approach: off-site levy rates double at 50% cost recovery

Further evaluation to include components of:

- Debt term
- Developer delivered infrastructure
- Cost recovery for plants based on capacity used, regardless of location

Next Steps

- Utilities Financial Review
 - Establish reserve requirements and funding source
 - Further understand the financial impacts of working fundamentals (slides 11 & 12)
 - Impact on financial targets and long term sustainability
- Continue stakeholder engagement